



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Friday, 25th January 2019

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

i. Liquidity Projections

	Today	Week ending 25 th January 2019
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	3,734	-7,532
Estimated Excess Reserves before OMO	26,151	26,151
Estimated Excess Reserves after OMO	0	0
Required Reserves	80,799	80,799

ii. Known Projected Transactions

	Week ending 11 th January 2019	Week ending 18 th January 2019	Week ending 25 th January 2019	January 2019
Maturity of normal TBs/TNs/PNs	17,880	30,963	14,439	78,973
Maturity of OMO Repos	31,062	20,197	3,564	72,311

Commentary:

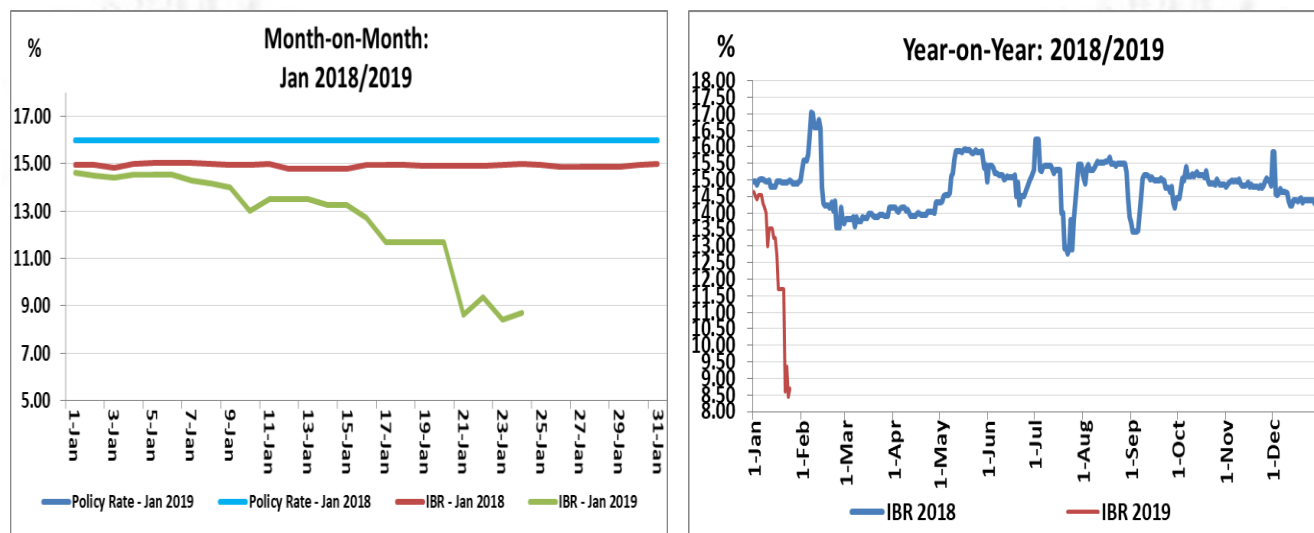
Excess reserves increased to K22.41 billion on Thursday, 24th January 2019, from K17.18 billion recorded on Wednesday, 23rd January 2019.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

(a) Inter-bank borrowing	Volume (Mk'mn)	Average rate (%)
O/N	12,800	8.70
7 days	-	-
(b) RBM Open market operations		
(i) Repos		
O/N	-	-
7 days	-	-
14 days	-	-
31 days	-	-
60 days	-	-
91 days	-	-
150 days	-	-
(ii) Reverse Repos		
7 days	-	-
30 days	-	-
60 days	-	-
(c) Access on the Lombard Facility	-	-

Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market dropped to K12.80 billion on Thursday, 24th January 2019, from K16.90 billion on Tuesday, 22nd January 2019.
- The overnight interbank market rate (IBR) increased by 27 basis points (bps) to 8.70 percent on 24th January 2019 from 8.43 percent on 23rd January 2019.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

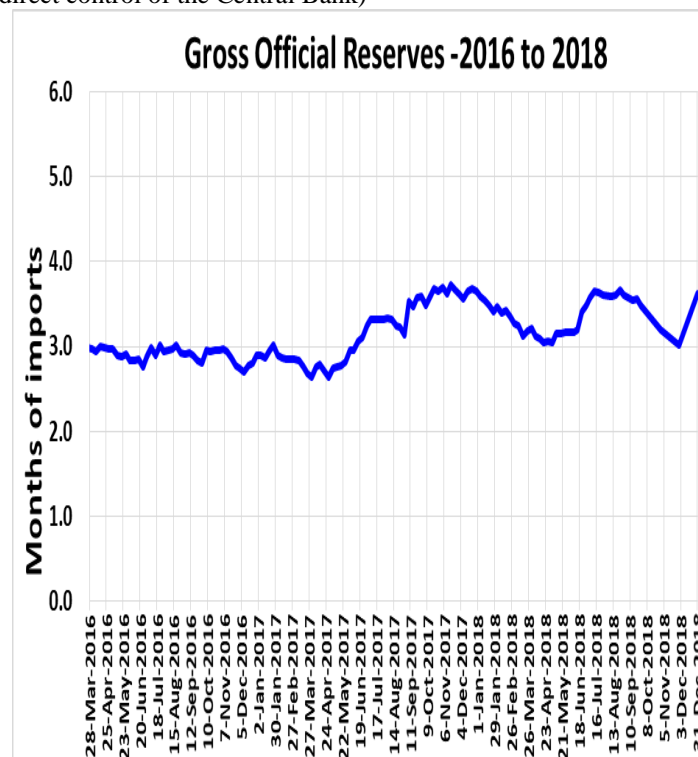
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ mn)	Reserves (US\$ million)	Import Cover * (Months)
31 st July 2018	754.23	3.61
31 st Aug 2018	753.52	3.61
28 th Sep 2018	727.63	3.48
31 st Oct 2018	669.92	3.20
30 th Nov 2018	631.21	3.04
31 st Dec 2018	755.22	3.61

* US\$209.0 million per month is used in this calculation

Commentary:

- Gross official reserves increased during December 2018 to \$755.22 million (3.61 months of imports) from \$631.21 million (3.04 months of imports) at the end of the preceding month.



ii. Private Sector Foreign Exchange Reserves

(Foreign reserves under the direct control of authorized dealer banks (ADB) which consists of ADBs own forex positions and foreign currency denominated accounts balances of their clients)

Date (US\$ mn)	ADB's Own Position	FCDA	Total	Import Cover * (Months)
28th Sep 2018	0.80	318.43	319.23	1.53
31 st Oct 2018	0.80	328.43	329.23	1.58
30 th Nov 2018	1.63	336.28	337.92	1.62
31 st Dec 2018	2.37	328.47	330.84	1.58

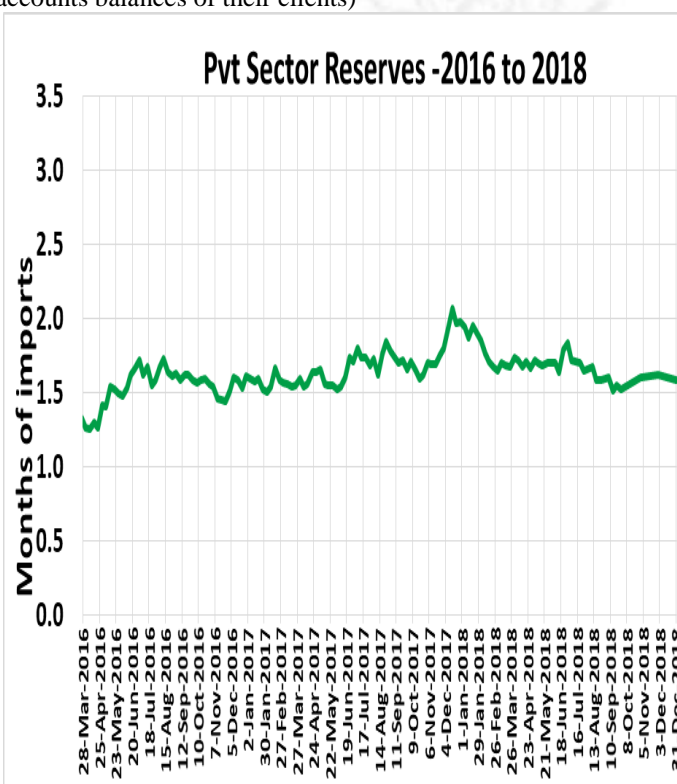
* US\$209.0 million per month is used in this calculation

ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
4 th Dec 2018	30.46	28.29
11 th Jan 2019	36.08	38.89
18 th Jan 2019	34.51	41.86
24 th Jan 2019	4.91	6.13

Commentary:

- ADB's FX trading increased during the week ending 18th January 2019 compared to the previous week. ADBs purchased a total of US\$34.51 million from the market and sold a total of US\$41.86 million during the week. On Thursday, 24th January 2019, ADBs purchased US\$4.91 million from the market and sold US\$6.13 million.

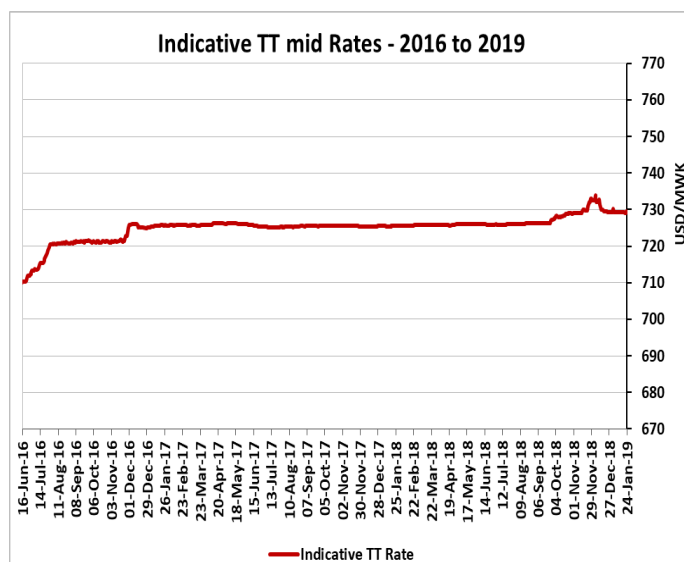
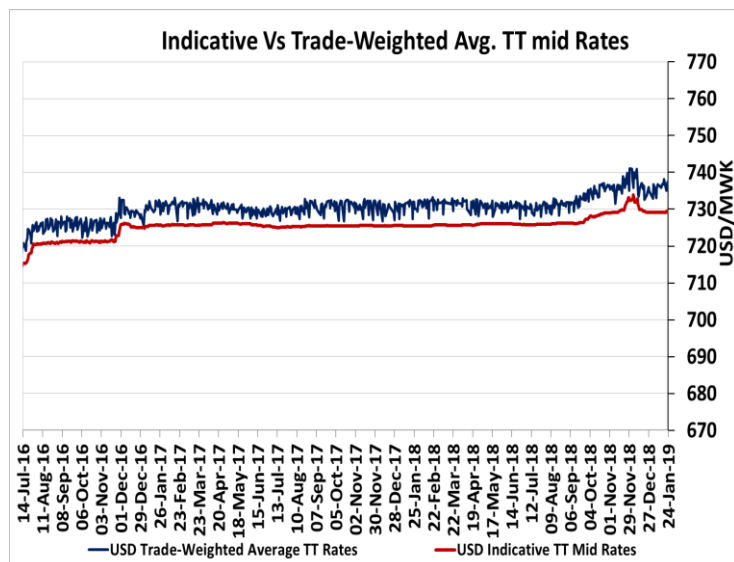


iii. Exchange Rate Developments

	18 th Jan 2019	21 st Jan 2019	22 nd Jan 2019	23 rd Jan 2018	24 th Jan 2018	Today's indicative Rates
MWK/USD	738.1497	735.0215	735.9028	737.0458	737.6068	729.2654
MWK/GBP	952.2537	945.2628	950.3960	945.5455	962.5405	957.8901
MWK/EUR	840.2439	836.5187	837.7902	837.3712	836.2527	825.9660
MWK/ZAR	53.4856	53.1814	52.9184	52.6099	52.8210	53.2933

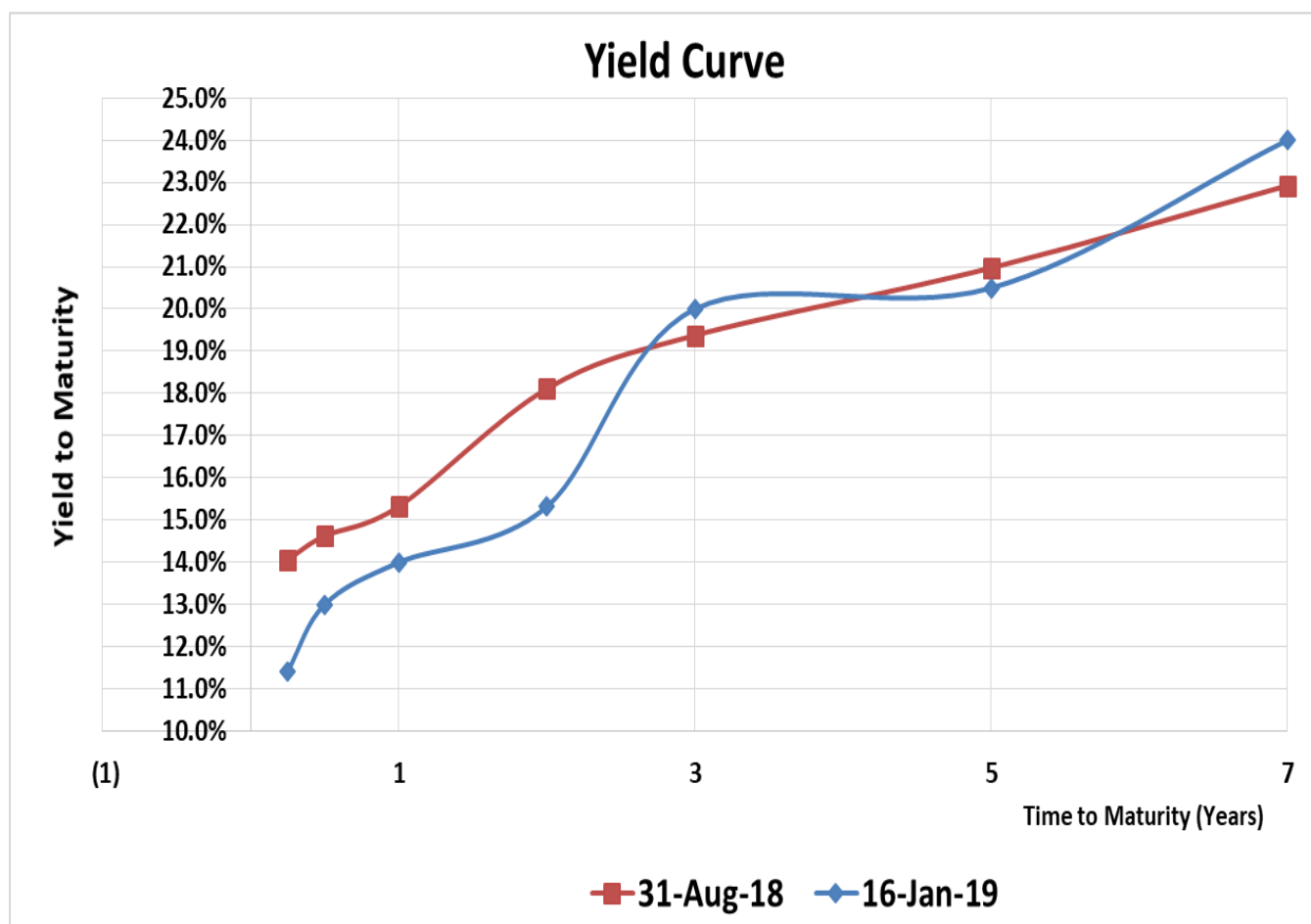
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

Commentary: On Thursday, 24th January 2019, the Kwacha depreciated against the USD, the GBP and the ZAR, but appreciated against the EUR. Indicatively, the local currency is expected to be trading at 729.2654 per US Dollar today, 25th January 2019.



D. INDICATIVE YIELD CURVE FOR GOVERNMENT SECURITIES (Based on Market Consensus)

Tenor	91 day	182 day	364 day	2 Year	3 Year	5 Year	7 Year
9 th November 2017	14.32%	14.79%	14.73%	17.03%	19.04%	20.56%	20.79%
23 rd November 2017	14.44%	14.75%	16.00%	19.18%	20.06%	20.64%	21.09%
14 th December 2017	14.93%	15.50%	16.00%	17.21%	18.61%	20.71%	21.43%
11 th January 2018	14.00%	14.50%	15.00%	17.02%	19.24%	22.02%	22.51%
8 th February 2018	13.91%	14.50%	15.00%	17.79%	20.00%	23.01%	23.54%
22 nd February 2018	14.00%	14.50%	15.00%	17.79%	18.53%	23.01%	23.54%
29 th March 2018	14.00%	14.50%	15.00%	17.79%	18.09%	21.01%	22.04%
31 st August 2018	14.06%	14.63%	15.33%	18.11%	19.38%	20.98%	22.93%
16 th January 2019	11.42%	13.00%	14.00%	15.32%	20.00%	20.50%	24.00%
16 Jan 2019 – 31 Aug 2018 Change in Yield (Bp)	(264)	(163)	(133)	(279)	(62)	(48)	108



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