



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Wednesday 20<sup>th</sup> March 2019

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

#### i. Liquidity Projections

	Today	Week ending 22 <sup>nd</sup> March 2019
Projected Autonomous Transactions (+= Net injection / - = Net withdrawal)	-18	5,919
Estimated Excess Reserves before OMO	17,810	17,701
Estimated Excess Reserves after OMO	0	0
Required Reserves	51,524	51,524

#### ii. Known Projected Transactions

	February 2019	Week ending 15 <sup>th</sup> March 2019	Week ending 22 March 2019	March 2019
Maturity of normal TBs/TNs/PNs	53,737	10,134	11,653	61,036
Maturity of OMO Repos	60,320	0	5,107	57,028

#### Commentary:

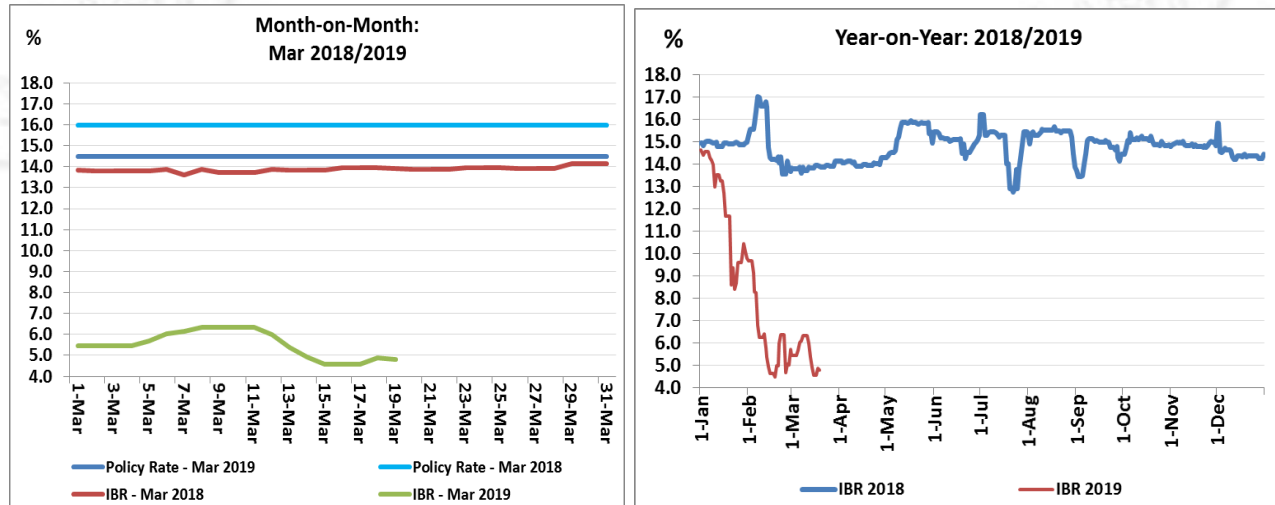
Excess reserves increased to K17.82 billion on Tuesday, 19<sup>th</sup> March 2019, from K12.64 billion recorded on Monday, 18<sup>th</sup> March 2019.

### 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	9,250	4.81
2 days	-	-
7 days	-	-
<b>(b) RBM Open market operations</b>		
<b>(i) Repos</b>		
O/N	-	-
7 days	-	-
14 days	-	-
30 days	-	-
60 days	-	-
91 days	-	-
<b>(ii) Reverse Repos</b>		
7 days	-	-
30 days	-	-
60 days	-	-
<b>(c) Access on the Lombard Facility</b>	-	-

## Weighted Average Interbank Rates



### Commentary:

- Traded volume on the overnight interbank market increased to K9.25 billion on Tuesday, 19<sup>th</sup> March 2019, from K4.30 billion on Monday, 18<sup>th</sup> March 2019.
- The overnight interbank market rate (IBR) decreased by 7 basis points (bps) and stood at 4.81 percent on Tuesday, 19<sup>th</sup> March 2019 from 4.88 percent on Monday, 18<sup>th</sup> March 2019.

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

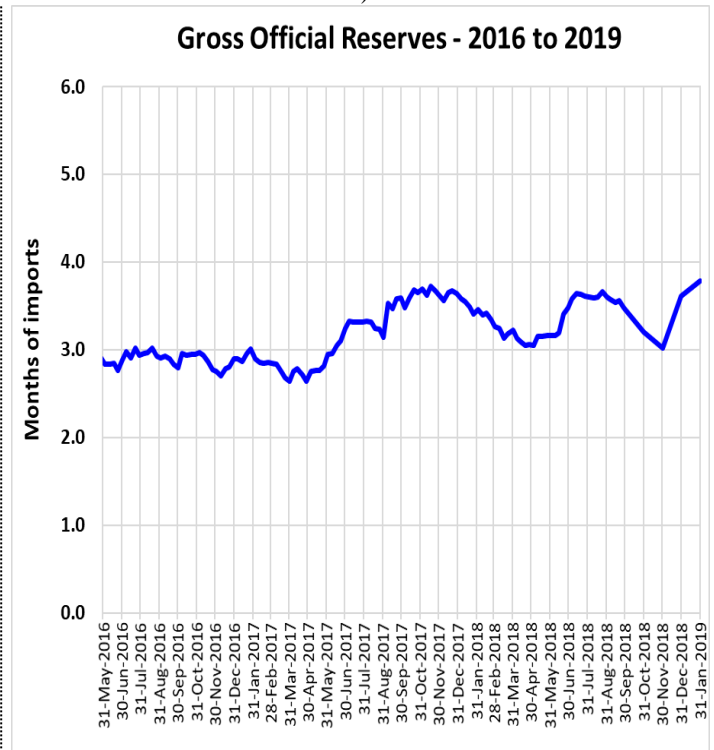
(Foreign reserves under the direct control of the Central Bank)

Date (US\$ million)	Reserves (US\$ million)	Import Cover * (Months)
28 <sup>th</sup> Sep 2018	727.63	3.48
31 <sup>st</sup> Oct 2018	669.92	3.20
30 <sup>th</sup> Nov 2018	631.21	3.04
31 <sup>st</sup> Dec 2018	755.22	3.61
31 <sup>st</sup> Jan 2019	790.28	3.78

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

### Commentary:

- Gross official reserves increased during January 2019 to \$790.228 million (3.78 months of imports) from \$755.22 million (3.61 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)
30 <sup>th</sup> Nov 2018	1.63	336.28	337.92	1.62
31 <sup>st</sup> Dec 2018	2.37	328.47	330.84	1.58
31 <sup>st</sup> Jan 2019	-4.89	324.01	319.12	1.53

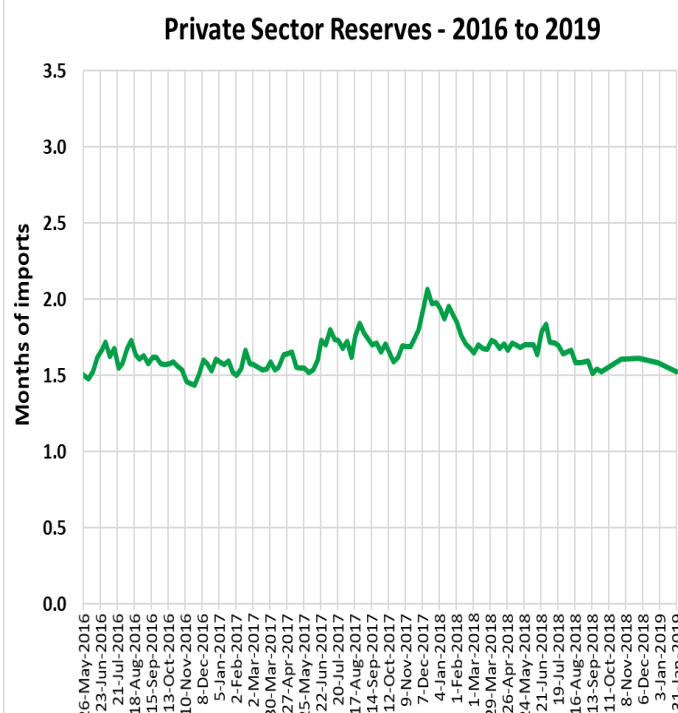
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### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

Week Ending (US\$ mn)	ADB's Purchases	ADB's Sales
01 <sup>st</sup> Mar 2019	29.54	33.86
08 <sup>th</sup> Mar 2019	17.54	20.05
15 <sup>th</sup> Mar 2019	26.08	31.33
On 19 <sup>th</sup> March 2019	8.08	6.55

#### Commentary:

- ADB's FX trading increased during the week ending 15<sup>th</sup> March 2019 compared to the previous week. ADBs purchased a total of US\$26.08 million from the market and sold a total of US\$31.33 million during the week. On Tuesday, 19<sup>th</sup> March 2019, ADBs purchased US\$8.08 million from the market and sold US\$6.55 million.

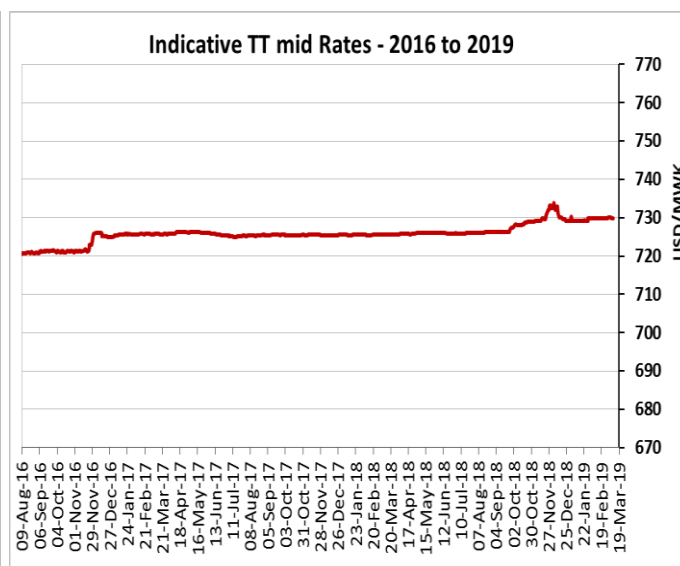
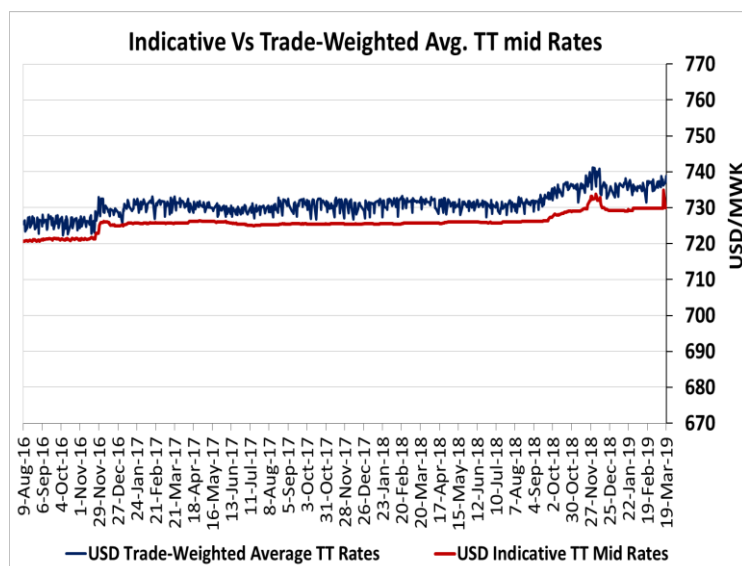


## iii. Exchange Rate Developments

	28 <sup>th</sup> Feb 2019	14 <sup>th</sup> Mar 2019	15 <sup>th</sup> March 2019	18 <sup>th</sup> March 2019	19 <sup>th</sup> March 2019	Today's indicative Rates
MWK/USD	737.8675	737.7514	736.3139	737.2456	738.7980	730.0726
MWK/GBP	982.3180	971.8144	968.3449	974.8507	981.2598	967.5652
MWK/EUR	835.8003	831.6283	834.7840	831.4325	831.9346	828.3404
MWK/ZAR	52.6543	50.8136	50.4982	51.1817	51.3032	50.3943

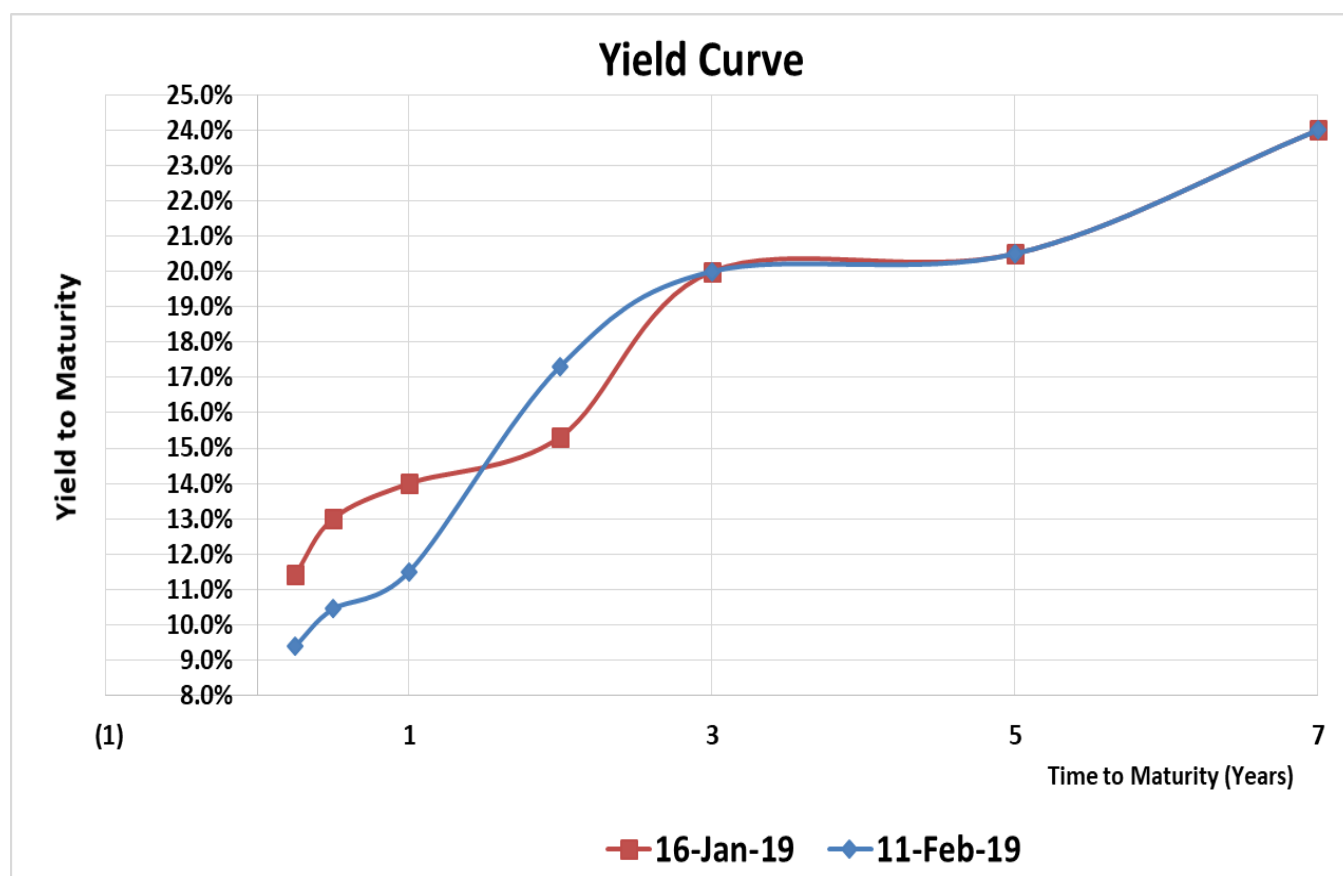
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Tuesday, 19<sup>th</sup> March 2019, the Kwacha depreciated against the USD, GBP, EUR and ZAR. Indicatively, the local currency is expected to be trading at 730.0726 per US Dollar today, 20<sup>th</sup> March 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
23 <sup>rd</sup> November 2017	14.44%	14.75%	16.00%	19.18%	20.06%	20.64%	21.09%
14 <sup>th</sup> December 2017	14.93%	15.50%	16.00%	17.21%	18.61%	20.71%	21.43%
11 <sup>th</sup> January 2018	14.00%	14.50%	15.00%	17.02%	19.24%	22.02%	22.51%
8 <sup>th</sup> February 2018	13.91%	14.50%	15.00%	17.79%	20.00%	23.01%	23.54%
22 <sup>nd</sup> February 2018	14.00%	14.50%	15.00%	17.79%	18.53%	23.01%	23.54%
29 <sup>th</sup> March 2018	14.00%	14.50%	15.00%	17.79%	18.09%	21.01%	22.04%
31 <sup>st</sup> August 2018	14.06%	14.63%	15.33%	18.11%	19.38%	20.98%	22.93%
16 <sup>th</sup> January 2019	11.42%	13.00%	14.00%	15.32%	20.00%	20.50%	24.00%
11 <sup>th</sup> February 2019	9.40%	10.45%	11.50%	17.32%	20.00%	20.50%	24.00%
11 Feb 2019 – 16 Jan 2018 Change in Yield (Bp)	(2.02)	(2.55)	(2.50)	2.00	0.00	0.00	0.00



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