



RESERVE BANK OF MALAWI

FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Wednesday, 09 September 2015

A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

| | Today | Week ending 11 September 2015 |
|---|--------|----------------------------------|
| Projected Transactions (+= Net injection / - = Net withdrawal) | 55 | -611 |
| Estimated Excess Reserves | 6,374 | 6,986 |
| Required Reserves | 44,874 | 44,874 |

Known Projected Transactions

| | Week ending 11 th Sep 2015 | Week ending 18 th Sep 2015 | Week ending 25 th Sep 2015 | Sept 2015 | Oct 2015 |
|--------------------------------|--|--|--|--------------|-------------|
| Maturity of normal TBs/TNs/PNs | 4,248 | 3,670 | 8,408 | 32,399 | 47,924 |
| Maturity of OMO | 6,664 | 6,545 | - | 32,698 | 1,239 |

Commentary:

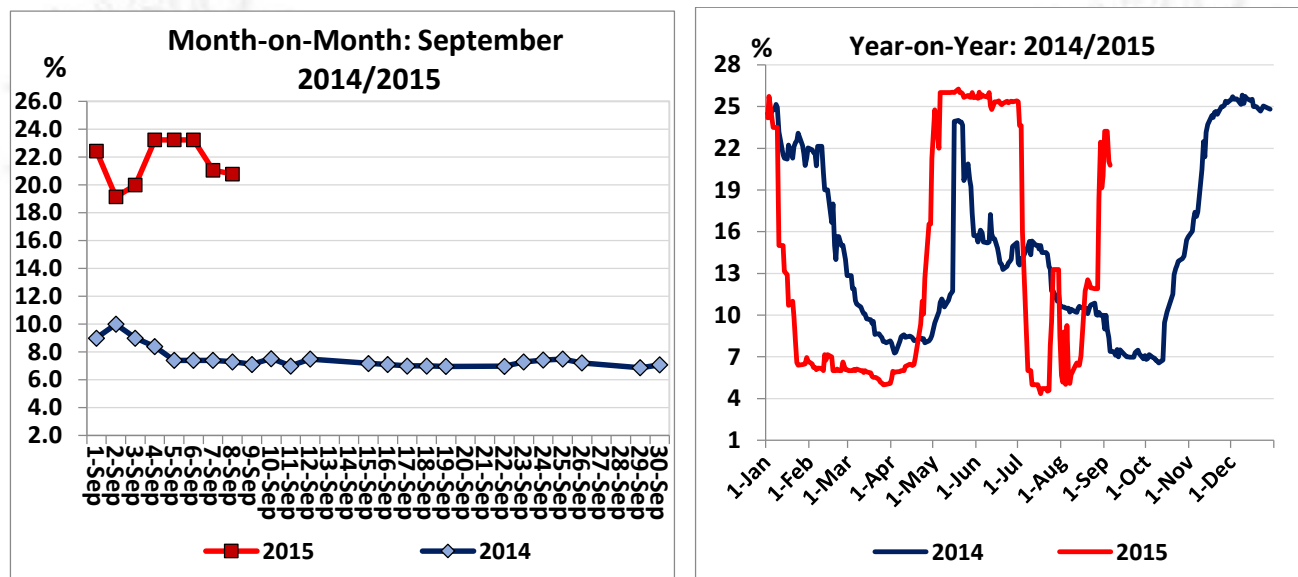
- Excess reserves are estimated to close at K6.37 billion today from K6.32 billion recorded yesterday, 08th September 2015.

B. INTER-BANK MARKET DEVELOPMENTS

i. Previous Trading Day's Domestic Money Market Activity

| (a) Inter-bank borrowing | Volume | Average rate (%) |
|---|--------|------------------|
| O/N | 5,450 | 20.79 |
| 07 days | - | - |
| 14 days | - | - |
| 30 days | - | - |
| (b) RBM Open market operations | | |
| (i) Repos | | |
| 07 days | - | - |
| 14 days | - | - |
| 30 days | - | - |
| 60 days | - | - |
| (ii) Reverse Repos | | |
| 7 days | - | - |
| 14 days | - | - |
| 30 days | - | - |
| 60 days | - | - |
| (iii) Outright Purchase of Securities | - | - |
| (c) Access on the Lombard Facility | - | - |

ii. Weighted Average Interbank Rates



Commentary:

- Traded volume on the interbank market increased to K5.45 billion yesterday from K4.78 billion recorded on Monday, 07th September 2015.
- The (overnight) interbank market rate (IBR) dropped by 26 basis points and closed at 20.79 percent
- No access on the Lombard Facility was recorded yesterday, 08th August 2015.

C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

i. Gross Official Foreign Reserves Position

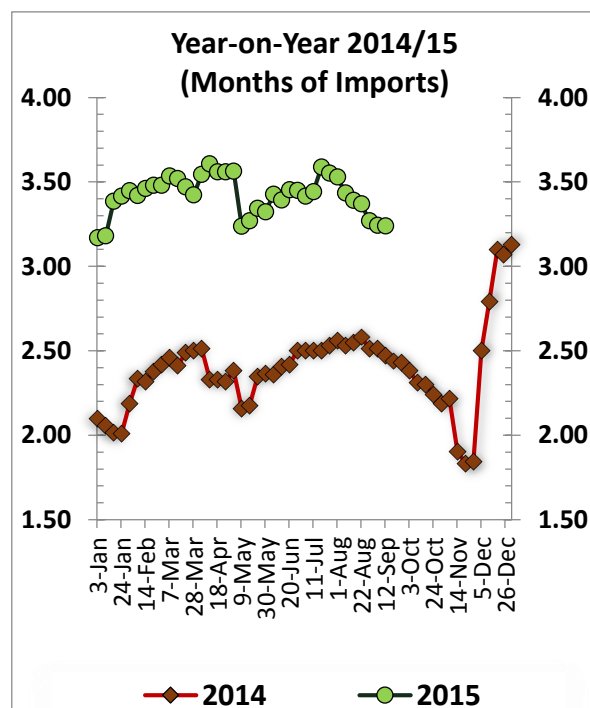
(Foreign reserves under the direct control of the Central Bank)

| Date (US\$ mn) | Reserves (US\$ million) | Import Cover * (Months) |
|---------------------------------|-------------------------|-------------------------|
| 28 th August 2015 | 682.72 | 3.27 |
| 04 th September 2015 | 677.66 | 3.24 |
| 07 th September 2015 | 677.01 | 3.24 |

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

Commentary:

- Gross official reserves dropped during the week ending 04th September 2015 compared to the preceding week as monetary authorities continued to sale foreign exchange in support of importation of strategic commodities in the market. As at 07th September 2015, gross official reserves stood at US\$677.01 million (3.24 months of import).



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) |
|---------------------------------|--------------------|--------|--------|-------------------------|
| 28 th August 2015 | 7.13 | 288.39 | 295.51 | 1.41 |
| 04 th September 2015 | 6.63 | 301.79 | 308.41 | 1.48 |
| 07 th September 2015 | 3.09 | 298.41 | 301.50 | 1.44 |

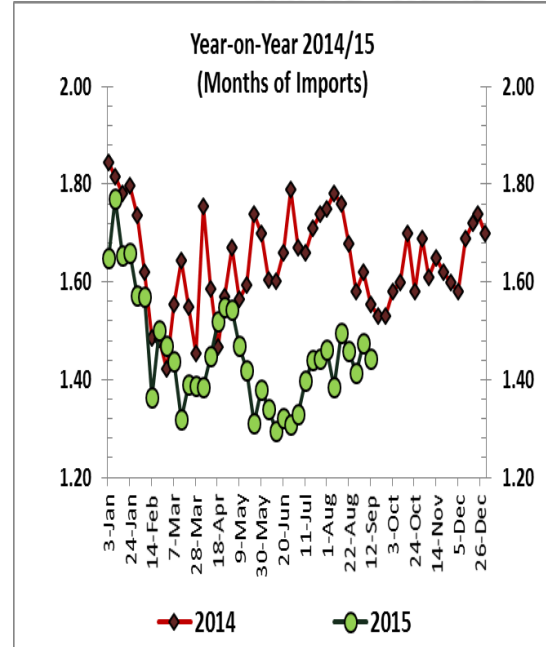
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ADB's FOREIGN EXCHANGE TRADING ACTIVITY

| Week Ending (US\$ mn) | ADB's Purchases | ADB's Sales |
|------------------------------------|-----------------|-------------|
| 28 th August 2015 | 47.56 | 52.39 |
| 04 th September 2015 | 41.62 | 48.02 |
| On 08 th September 2015 | 3.99 | 5.98 |

Commentary:

- During the week ending 04th September 2015, ADBs purchased US\$41.62 million from the market and sold US\$48.02 million. Yesterday, 08th September 2015, ADBs purchased US\$3.99 million and sold US\$5.98 million.

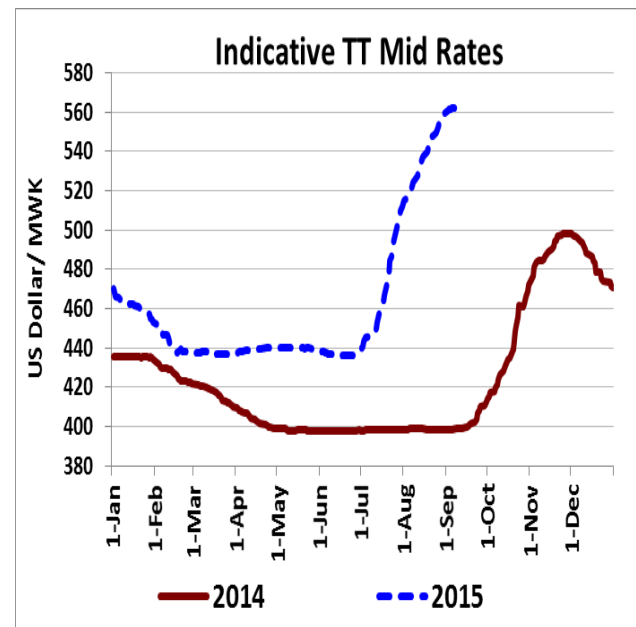
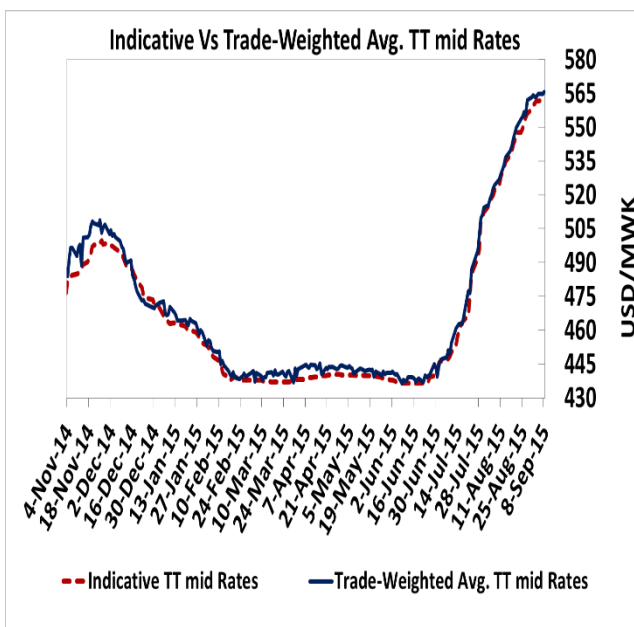


iii. Exchange Rate Developments

| | 01 Sept 2015 | 02 Sept 2015 | 03 Sept 2015 | 04 Sept 2015 | 07 Sept 2015 | 08 Sept 2015 | Today Indicative |
|----------------|--------------|--------------|--------------|--------------|--------------|--------------|------------------|
| MWK/USD | 564.1642 | 563.26511 | 563.6806 | 564.8467 | 564.7194 | 565.6906 | 562.6693 |
| MWK/GBP | 861.6562 | 860.97512 | 860.0915 | 863.6146 | 856.8427 | 866.3660 | 866.2857 |
| MWK/EUR | 635.0207 | 635.37640 | 634.1376 | 630.4281 | 632.3769 | 632.5678 | 630.3584 |
| MWK/ZAR | 42.6035 | 42.54232 | 42.1294 | 41.9031 | 40.9309 | 40.7517 | 41.0031 |

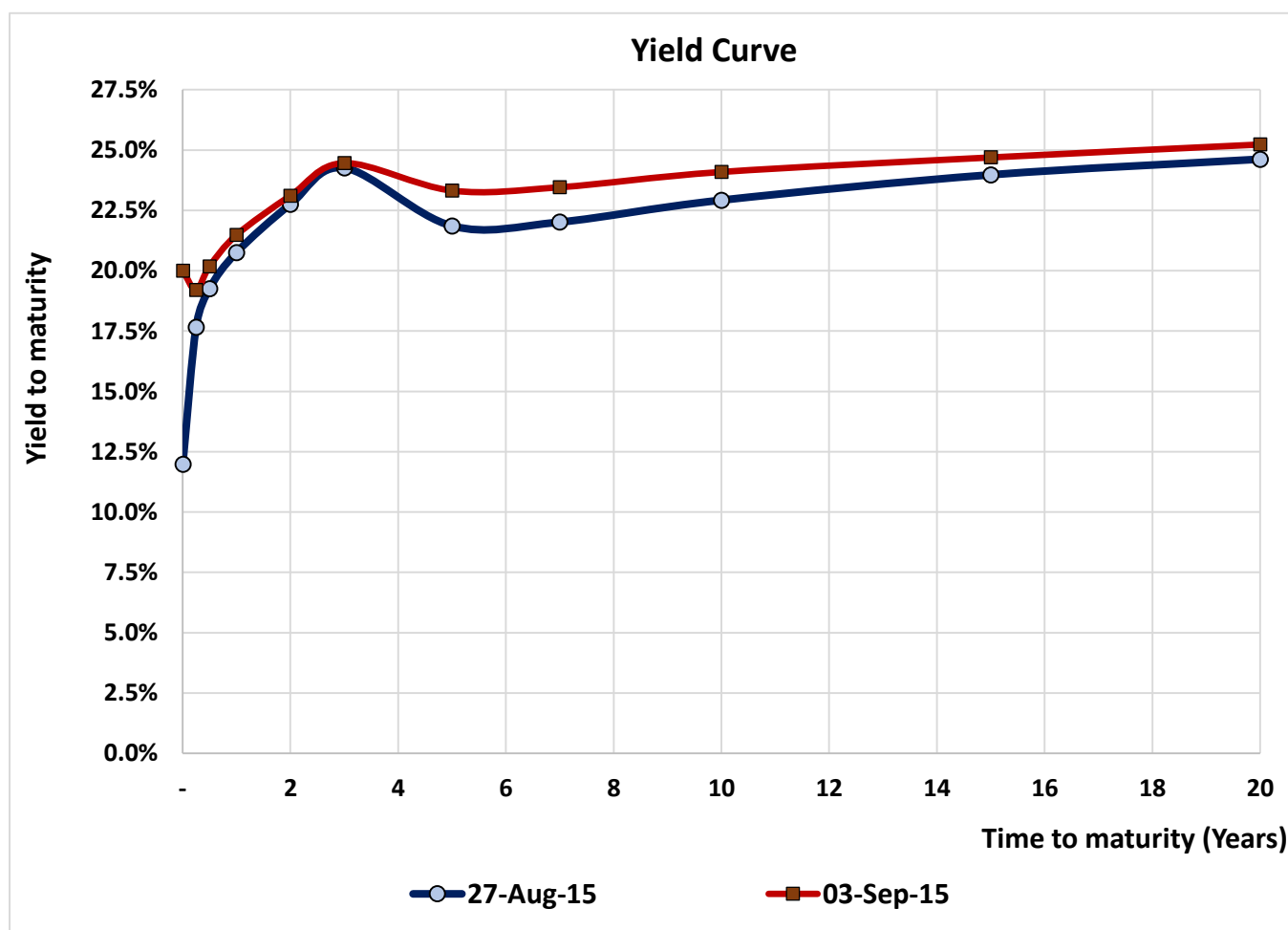
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates which are indicative and based on market consensus

Commentary: The Kwacha depreciated against the USD, the GBP and the EUR yesterday, 08th September 2015. The local currency, however, appreciated marginally against the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K562.6693 against the USD today.



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

| Tenor | Overnight | 91 day | 182 day | 364 day | 2 Year | 3 Year | 5 Year | 7 Year | 10 Year | 15 Year | 20 Year |
|--|-----------|--------|---------|---------|--------|--------|--------|--------|---------|---------|---------|
| 02 nd July 2015 | 25.35% | 25.37% | 25.01% | 25.02% | 24.22% | 24.04% | 26.50% | 25.59% | 27.08% | 27.82% | 28.52% |
| 09 th July 2015 | 16.00% | 24.00% | 25.01% | 25.02% | 23.17% | 22.76% | 25.62% | 24.16% | 26.27% | 27.04% | 27.56% |
| 23 rd July 2015 | 4.36% | 23.10% | 23.21% | 24.53% | 23.42% | 22.94% | 24.91% | 23.94% | 25.43% | 25.96% | 26.35% |
| 30 th July 2015 | 9.49% | 23.75% | 25.32% | 24.23% | 23.28% | 21.93% | 24.73% | 21.65% | 24.65% | 25.72% | 26.23% |
| 06 th August 2015 | 9.53% | 20.22% | 22.00% | 23.02% | 23.62% | 21.80% | 24.12% | 22.41% | 24.55% | 25.17% | 25.65% |
| 13 th August 2015 | 5.72% | 18.55% | 19.73% | 23.07% | 23.49% | 20.97% | 20.64% | 20.81% | 21.51% | 22.16% | 22.55% |
| 20 th August 2015 | 7.10% | 17.21% | 18.57% | 20.81% | 21.80% | 21.22% | 20.31% | 19.85% | 20.74% | 21.76% | 21.87% |
| 27 th August 2015 | 11.98% | 17.66% | 19.25% | 20.76% | 22.75% | 24.26% | 21.85% | 22.01% | 22.92% | 23.97% | 24.62% |
| 03 rd September 2015 | 20.00% | 19.20% | 20.18% | 21.48% | 23.11% | 24.46% | 23.32% | 23.46% | 24.10% | 24.70% | 25.24% |
| 03 Sep-27 Aug 2015 Change in Yield (Bp) | 802 | 154 | 92 | 73 | 36 | 21 | 147 | 145 | 118 | 73 | 62 |



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