



# RESERVE BANK OF MALAWI

## FINANCIAL MARKET DEVELOPMENTS

(In Millions of Malawi Kwacha, unless otherwise specified)

Tuesday, 03 May 2016

### A. THE BANKING SYSTEM LIQUIDITY EXPECTATIONS

|  | Today  | Week ending<br>6 <sup>th</sup> May 2016 |
|--|--------|---|
| Projected Autonomous Transactions<br>(+= Net injection / - = Net withdrawal) | -720   | 4,468                                   |
| Estimated Excess Reserves before OMO   | 5,700  | 10,887                                  |
| Estimated Excess Reserves after OMO  | 5,000  | 5,000                                   |
| Required Reserves  | 47,854 | 47,854                                  |

#### Known Projected Transactions

|                                | Week ending<br>06 <sup>th</sup> May 2016 | Week ending<br>13 <sup>th</sup> May 2016 | Week ending<br>20 <sup>th</sup> May 2016 | May<br>2016 | June<br>2016 |
|--------------------------------|--|--|--|-------------|--------------|
| Maturity of normal TBs/TNs/PNs | 8,551                                    | 6,494                                    | 7,779                                    | 27,519      | 39,531       |
| Maturity of OMO                | 10,469                                   | 32,277                                   | 665                                      | 75,709      | 20,072       |

#### Commentary:

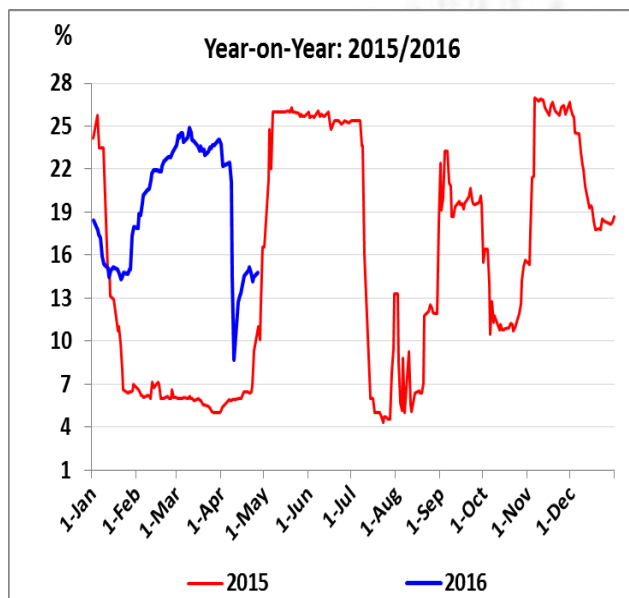
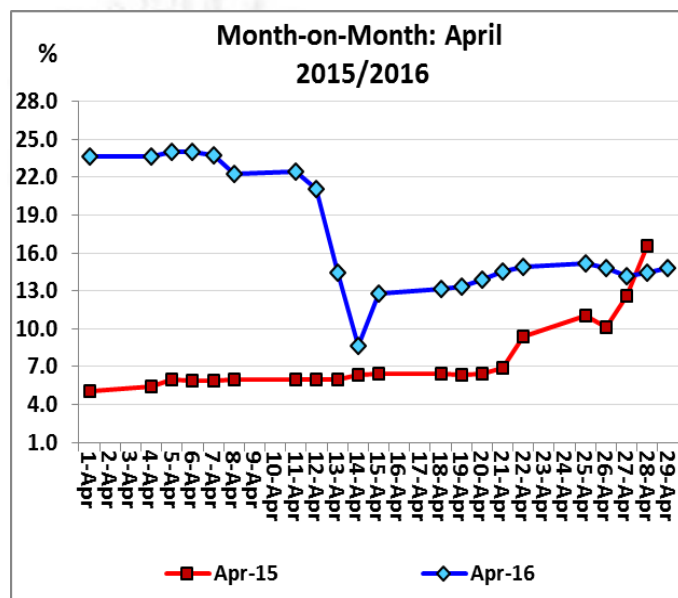
- Excess reserves closed at K18.29 billion on Friday, 29 April 2016 from K8.86 billion observed on Thursday, 28<sup>th</sup> April 2016

### B. INTER-BANK MARKET DEVELOPMENTS

#### i. Previous Trading Day's Domestic Money Market Activity

| (a) Inter-bank borrowing                     | Volume | Average rate (%) |
|--|--------|------------------|
| O/N  | 4,800  | 14.80            |
| 07 days                                      | -      | -                |
| 14 days                                      | -      | -                |
| 30 days                                      | -      | -                |
| <b>(b) RBM Open market operations</b>        |        |                  |
| (i) Repos                                    | -      | -                |
| 07 days                                      | -      | -                |
| 30 days                                      | -      | -                |
| 60 days                                      | -      | -                |
| 273 days                                     | -      | -                |
| 364 days                                     | -      | -                |
| (ii) Reverse Repos                           | -      | -                |
| 7 days                                       | -      | -                |
| 30 days                                      | -      | -                |
| 60 days                                      | -      | -                |
| 90 days                                      | -      | -                |
| (iii) Deposits on Overnight Deposit Facility | -      | -                |
| <b>(c) Access on the Lombard Facility</b>    | 10,900 | 29.00            |

## ii. Weighted Average Interbank Rates



### Commentary:

- Traded volume on the overnight interbank market dropped to K4.80 billion on Friday, 29<sup>th</sup> April 2016 from K7.99 billion that was recorded on Thursday, 28<sup>th</sup> April 2016
- The overnight interbank market rate (IBR) rose to 14.80 percent yesterday from 14.46 percent observed on Thursday, 28<sup>th</sup> April 2016
- An total of K10.90 billion was accessed on the Lombard Facility yesterday

## C. FOREIGN EXCHANGE MARKET DEVELOPMENTS

### i. Gross Official Foreign Reserves Position

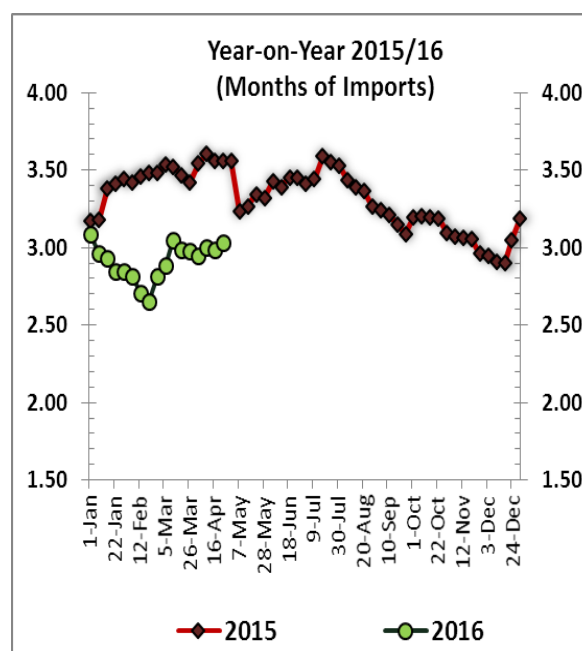
(Foreign reserves under the direct control of the Central Bank)

| Date (US\$ mn)              | Reserves (US\$ million) | Import Cover * (Months) |
|-----------------------------|-------------------------|-------------------------|
| 08 <sup>th</sup> April 2016 | 615.59                  | 2.95                    |
| 15 <sup>th</sup> April 2016 | 627.82                  | 3.00                    |
| 22 <sup>nd</sup> April 2016 | 624.61                  | 2.99                    |
| 28 <sup>th</sup> April 2016 | 633.00                  | 3.03                    |

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

### Commentary:

- Gross official reserves declined during the week ending 22<sup>nd</sup> April 2016 compared to the preceding week. As at 28<sup>th</sup> April 2016, the gross official reserves increased to US\$633.00 million (3.03 months of imports).



## 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) |
|--------------------------------|--------------------|--------|--------|-------------------------|
| 01 <sup>st</sup> April 2016    | -16.12             | 280.54 | 264.42 | 1.27                    |
| 08 <sup>th</sup> April 2016    | -12.60             | 274.53 | 261.93 | 1.25                    |
| 15 <sup>th</sup> April 2016    | -7.42              | 274.77 | 267.35 | 1.28                    |
| On 18 <sup>th</sup> April 2016 | -5.66              | 280.09 | 274.43 | 1.31                    |

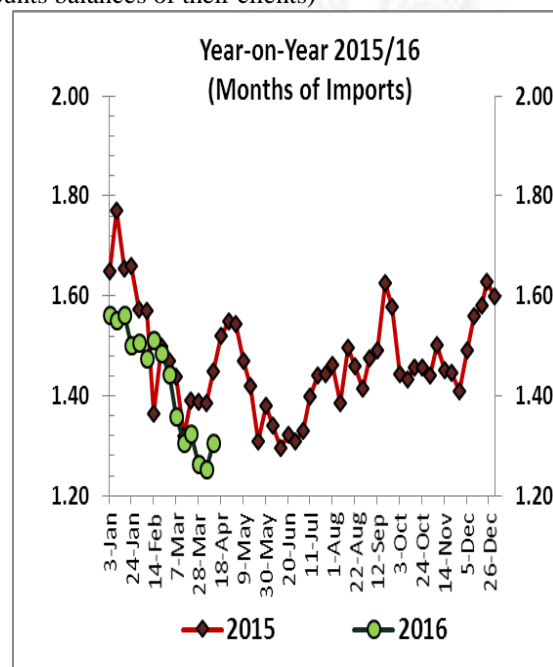
\* US\$209.0 million per month is used in this calculation

### ADB's FOREIGN EXCHANGE TRADING ACTIVITY

| Week Ending (US\$ mn)          | ADB's Purchases | ADB's Sales |
|--------------------------------|-----------------|-------------|
| 22 <sup>nd</sup> April 2016    | 34.78           | 37.16       |
| 29 <sup>th</sup> April 2016    | 56.48           | 56.69       |
| On 29 <sup>th</sup> April 2016 | 26.83           | 28.58       |

### Commentary:

- The ADBs purchased US\$56.48 million from the market during the week ending 29<sup>th</sup> April 2016 and sold US\$56.69 million. On 29<sup>th</sup> April 2016 alone, ADBs purchased US\$26.83 million from the market and sold US\$28.58 million

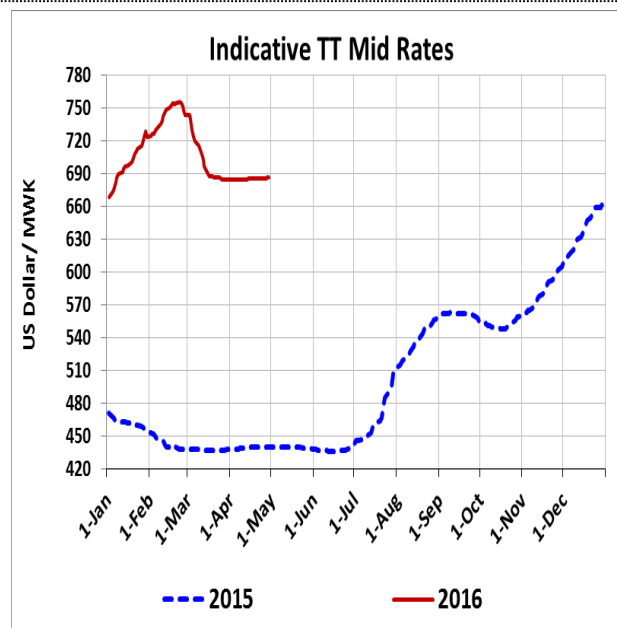
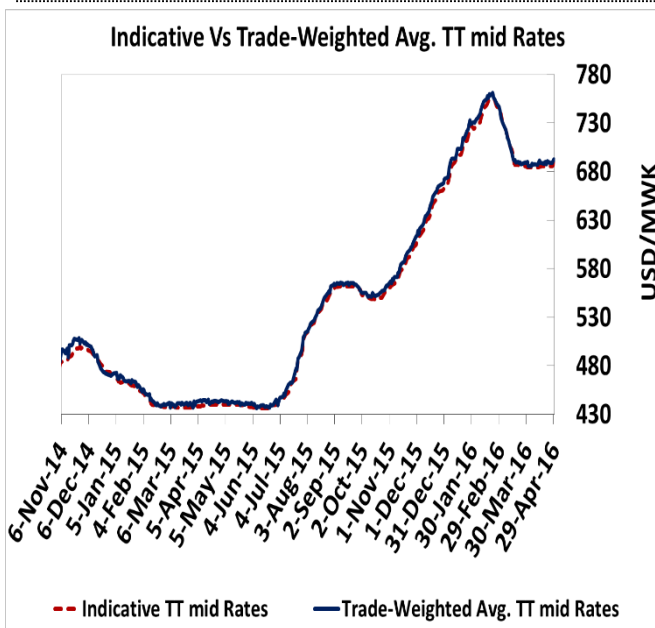


## iii. Exchange Rate Developments

|         | 22 Apr 2016 | 25 Apr 2016 | 26 Apr 2016 | 27 Apr 2016 | 28 Apr 2016 | 29 Apr 2016 | Today Indicative |
|---------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|
| MWK/USD | 690.5750    | 688.5438    | 688.9079    | 689.1012    | 690.4373    | 692.3132    | 686.9066         |
| MWK/GBP | 991.7492    | 987.4581    | 993.6079    | 997.3592    | 1,006.3897  | 1,012.3544  | 1,007.8981       |
| MWK/EUR | 774.2629    | 770.7456    | 770.6286    | 776.7685    | 779.5169    | 788.6652    | 792.2781         |
| MWK/ZAR | 47.9784     | 47.8796     | 48.1626     | 47.6289     | 47.7826     | 47.8475     | 48.1327          |

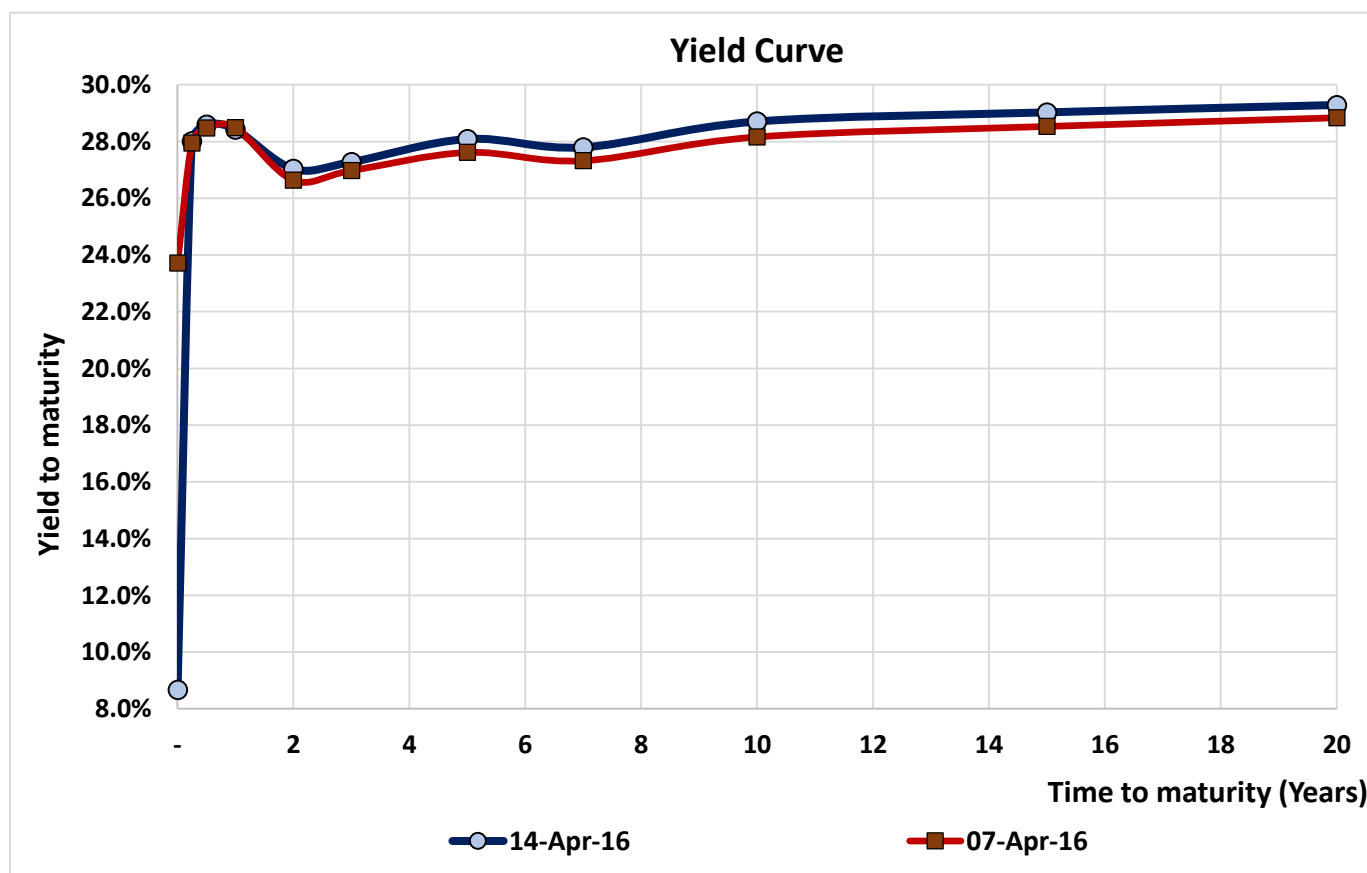
Note: Reported rates are closing weighted average TT mid-rates based on actual trades except for today's rates that are indicative and based on market consensus

**Commentary:** On Friday, 29<sup>th</sup> April 2016, the Kwacha depreciated against the USD, the GBP, the EUR and the ZAR. Indicatively, the Malawi Kwacha is expected to trade around K686.9066 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 |
|--|-----------|--------|---------|---------|--------|--------|--------|--------|---------|---------|---------|
| 31 <sup>st</sup> December 2015               | 18.69%    | 22.17% | 23.18%  | 24.10%  | 25.00% | 25.13% | 25.47% | 25.74% | 25.89%  | 26.15%  | 26.32%  |
| 07 <sup>th</sup> January 2016                | 17.24%    | 19.00% | 22.22%  | 23.00%  | 24.42% | 23.55% | 23.70% | 23.99% | 24.64%  | 24.51%  | 25.41%  |
| 14 <sup>th</sup> January 2016                | 14.91%    | 24.50% | 24.95%  | 25.38%  | 25.74% | 26.42% | 25.19% | 25.10% | 24.80%  | 24.64%  | 24.51%  |
| 28 <sup>th</sup> January 2016                | 15.02%    | 23.97% | 25.43%  | 26.50%  | 26.05% | 26.66% | 26.20% | 25.90% | 25.63%  | 25.48%  | 25.31%  |
| 25 <sup>th</sup> February 2016               | 22.85%    | 26.88% | 26.91%  | 27.00%  | 26.45% | 27.03% | 26.85% | 26.73% | 26.58%  | 26.48%  | 26.36%  |
| 10 <sup>th</sup> March 2016                  | 24.17%    | 26.99% | 27.00%  | 27.50%  | 27.45% | 28.25% | 28.45% | 28.91% | 29.24%  | 29.68%  | 30.05%  |
| 17 <sup>th</sup> March 2016                  | 23.58%    | 26.72% | 27.18%  | 28.48%  | 27.77% | 27.99% | 28.66% | 28.23% | 28.89%  | 29.33%  | 29.62%  |
| 24 <sup>th</sup> March 2016                  | 23.02%    | 27.77% | 28.17%  | 28.11%  | 28.26% | 28.75% | 29.80% | 29.11% | 29.84%  | 29.78%  | 30.29%  |
| 31 <sup>st</sup> March 2016                  | 23.43%    | 27.69% | 28.04%  | 28.44%  | 26.91% | 28.01% | 29.32% | 29.06% | 30.17%  | 30.82%  | 31.35%  |
| 07 <sup>th</sup> April 2016                  | 23.72%    | 27.95% | 28.48%  | 28.50%  | 26.64% | 26.98% | 27.62% | 27.33% | 28.16%  | 28.54%  | 28.84%  |
| 14 <sup>th</sup> April 2016                  | 8.67%     | 28.00% | 28.59%  | 28.43%  | 27.03% | 27.27% | 28.09% | 27.79% | 28.70%  | 29.02%  | 29.28%  |
| 14 Apr–07 April 2016<br>Change in Yield (Bp) | -1,505    | 6      | 11      | -7      | 39     | 30     | 47     | 47     | 54      | 49      | 44      |



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