

**INTERVENTIONS IN THE MONEY MARKET AND FOREIGN EXCHANGE MARKET
DURING 2018 Q2**

1. BANK OF ALBANIA INTERVENTIONS IN THE MONEY MARKET DURING 2018 Q2

1.1. Open market operations

Table 1 Temporary open market operations (in ALL million¹)
Source: Bank of Albania.

DATE	R/REPO overnight	R/REPO 1-week	R/REPO 1 week to 3 month	REPO Overnight
05-04 -18		22.04		
12-04 -18		23.17		
19-04 -18		28.07		
23-04 -18				5.53
25-04 -18			21.06	
26-04 -18		22.73		
27-04 -18			23.98	
03-05 -18		18.95		
10-05 -18		14.98		
17-05 -18		16.48		
22-05 -18				8.18
23-05 -18				6.48
24-05 -18		21.88	19.43	
31-05 -18		20.18		
07-06 -18		19.60		
14-06 -18		12.35		
21-06 -18	1.78	20.18		
22-06 -18	1.24			
25-06 -18			12.10	
28-06 -18		16.49		

In 2018 Q2, the Bank of Albania intervened in the money market through open market operations to inject liquidity. For the management of liquidity shortage in the banking system, and the size of the portfolio of Bank of Albania securities, transactions in the secondary market of securities were also carried out.

The average daily injection, through liquidity injecting operations, during 2018 Q2, was around ALL 40.19 billion, similar to the two previous quarters. Even in this quarter, the injected amount ranged in a broad band from ALL 28.99 billion at the end of the period to ALL 49.10 billion on 25 April 2018.

The main factor for the decrease of liquidity shortage in June was the purchasing of foreign currency by EBRD and the purchase in the foreign exchange market aiming at the containing further exchange rate appreciation. The liquidity injected in the second quarter through purchases affected the growth of liquidity in the banking system, at the end of the period, for ALL 28.21 billion, while the amount injected in the previous quarter was ALL 2.53 billion.

The accumulation of liquidity in the Government's account for around ALL 11.5 billion, during the quarter, contributed to the increase of liquidity shortage in the banking system. At the same time, a

¹ The figures are expressed in liquidity value.

Bank of Albania interventions in the money market and foreign exchange market during 2018 Q2

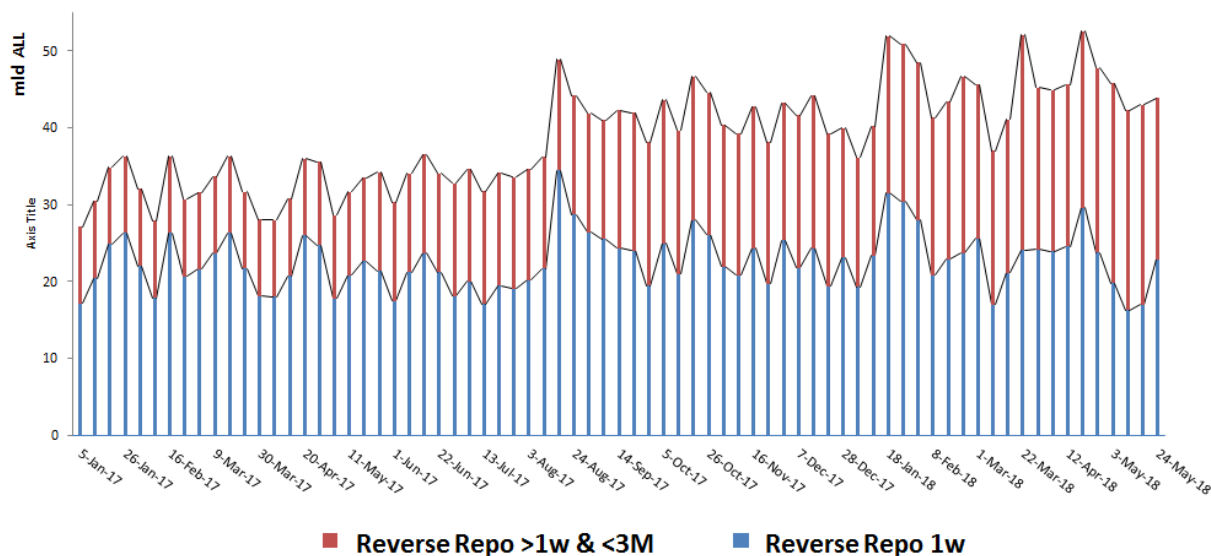
part of the banking system had excess liquidity constantly, during June, and deposited it at the Bank of Albania through the use of deposit facility.

In the context of operations for the liquidity management in the banking system, the Bank of Albania employed its main instrument - the one-week reverse REPO - to temporarily inject liquidity, on average ALL 20.06 billion, or 49.90% of total injections in the banking system.

The one-day withdrawal fine-tuning operations was employed in three cases, for the amounts of ALL 5.50-8.20 billion, at the last days of the reserve maintenance period for April and May. The one-day liquidity-providing operations, at ALL 1.78 and 1.24 billion were conducted in the last two days of the reserve maintenance period in June.

Chart 1 Reverse REPO by maturity and year (nominal value)

Reverse Repo by maturities for the period 2017-2018



Source: Bank of Albania.

1.2 Operations to manage the Bank of Albania's portfolio

During the period, the Bank of Albania increased the securities' portfolio by ALL 2.45 billion, through the operations in the secondary market, purchasing ALL 2.85 billion 12-month T-Bills through these operations. At the end of June, ALL 400 million 6-month T-bills were sold.

1.3. Use of standing facilities

The overnight deposit facility was used in two cases, in the two first months of the period, for the amounts of ALL350 million and ALL 2.2 billion, and continuously since 11 June for decreasing amounts from ALL 9.50 billion to ALL 5.88 billion at the end of June.

2. BANK OF ALBANIA INTERVENTIONS IN THE DOMESTIC FOREIGN EXCHANGE MARKET DURING 2018 Q2

2.1 Transactions with commercial banks

In accordance with the decision of the Implementation and Advisory Monetary Policy Committee, dated 15.12.2017, aiming at increasing the international reserve, the Bank of Albania organised three auctions to purchase foreign currency, in the period April- June 2018 (according to the calendar of interventions for 2018).

Purchase auction schedule - Year 2018		
	Date	Amount First Round (in mln Euro)
1	22/02/2018	3-6 mln
2	23/03/2018	3-6 mln
3	20/04/2018	3-6 mln
4	17/05/2018	3-6 mln
5	22/06/2018	3-6 mln
6	26/07/2018	3-6 mln
7	24/08/2018	3-6 mln
8	16/10/2018	3-6 mln
9	15/11/2018	3-6 mln
10	14/12/2018	3-6 mln

In the three auctions, EUR 43.50 million were purchased. In the three cases, the Bank of Albania employed the option of purchasing in the second round, as set out in the respective regulation.

Detailed results of all auctions organised by the Bank of Albania:

https://www.bankofalbania.org/Markets/Operations_of_the_Bank_of_Albania/Interventions_in_the_foreign_exchange_market/

On 5 June, Bank of Albania intervened to prevent a disorderly foreign exchange market, by purchasing EUR 13.90 million, and further, since 6 June EUR 51.40 million have been purchased from commercial banks, with the purpose to prevent the further appreciation of the exchange rate. Of the total of EUR 108.80 million purchased from commercial banks in 2018 Q2, EUR 71.50 million were supplies to convert their capital.

2.2 Operations with other institutions

The amount of foreign currency swap agreements between the Bank of Albania and the Ministry of Finance fell in 2018 Q2, at ALL 18.60 billion, from ALL 25 billion at the end of March 2018, and ALL 35.70 billion at the end of 2017. During June, the Bank of Albania purchased EUR 116.22 million from EBRD.

Other common purchases of foreign currency by international institutions were: USD 351.000 from IBRD, EUR 671.000 from the Ministry of Finance (EPA Funds); meanwhile, EUR 43.000 were sold to AIDA.