



FEBRUARY 28, 2014

Highlights

The money market was relatively tight during the week ending February 26, 2014 on account of investment in government securities and payment of taxes. The average interbank rate increased to 8.12 percent during the week ending February 26, 2014 from 6.99 percent in the previous week.

The NSE performance recovered from recent losses to make gains in the week ending February 27, 2014 with all market indicators rising. Market Capitalization added Ksh 52.5 billion compared to the level on February 20 2014. Bonds turnover was 131.4 percent up, with FTSE NSE Government Bond Index adding 0.09 points.

Monetary Policy Operations

The money market was relatively tight during the week ending February 26, 2014 due to the 15 year government bond issuance and payment of taxes. The Central Bank stayed out of the repo market as the interbank rate stabilized around the Central Bank Rate (CBR) of 8.5 percent. The Central Bank reserve money averaged KSh. 301.1 billion during the week and was KSh. 20.7 billion below target (Table 1).

TABLE 1: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Reserve Money* (Projected)			OMO			Reserve money performance		Bank Reserves	Currency Outside Banks	
	Forecast	Target	Exc(+)/ Short(-)	Posted	Mop up		Exc(+)/ Short(-)	Actual	Exc(+)/ Short(-)	Exc(+)/ Short(-)	
	(1)	(2)	3=(1-2)	(4)	Repo	Term Auction Deposit	7=(5+6-4)	(8)	9=(8-2)	(10)	(11)
20-Feb-14	304.5	321.9	-17.4	0.0	0.0	0.0	0.0	306.2	-15.6	1.8	-17.4
21-Feb-14	304.4	321.9	-17.4	0.0	0.0	0.0	0.0	302.8	-19.1	-1.0	-18.1
24-Feb-14	299.6	321.8	-22.2	0.0	0.0	0.0	0.0	297.5	-24.2	-5.6	-18.6
25-Feb-14	299.7	321.8	-22.1	0.0	0.0	0.0	0.0	299.3	-22.5	-3.2	-19.2
26-Feb-14	299.5	321.8	-22.3	0.0	0.0	0.0	0.0	299.9	-21.9	-1.8	-20.1
Average	301.6	321.8	-20.3	0.0	0.0	0.0	0.0	301.1	-20.7	-2.0	-18.7

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate increased by 113 basis points to 8.12 percent during the week ending February 26, 2014 from 6.99 percent in the previous week. The average interbank volume transacted decreased to Ksh 16.4 billion in the week ending February 26, 2014 from Ksh 16.6 billion the previous week, while the average number of deals marginally increased to 66 deals from 65 deals the previous week (Table 2 and Chart A).

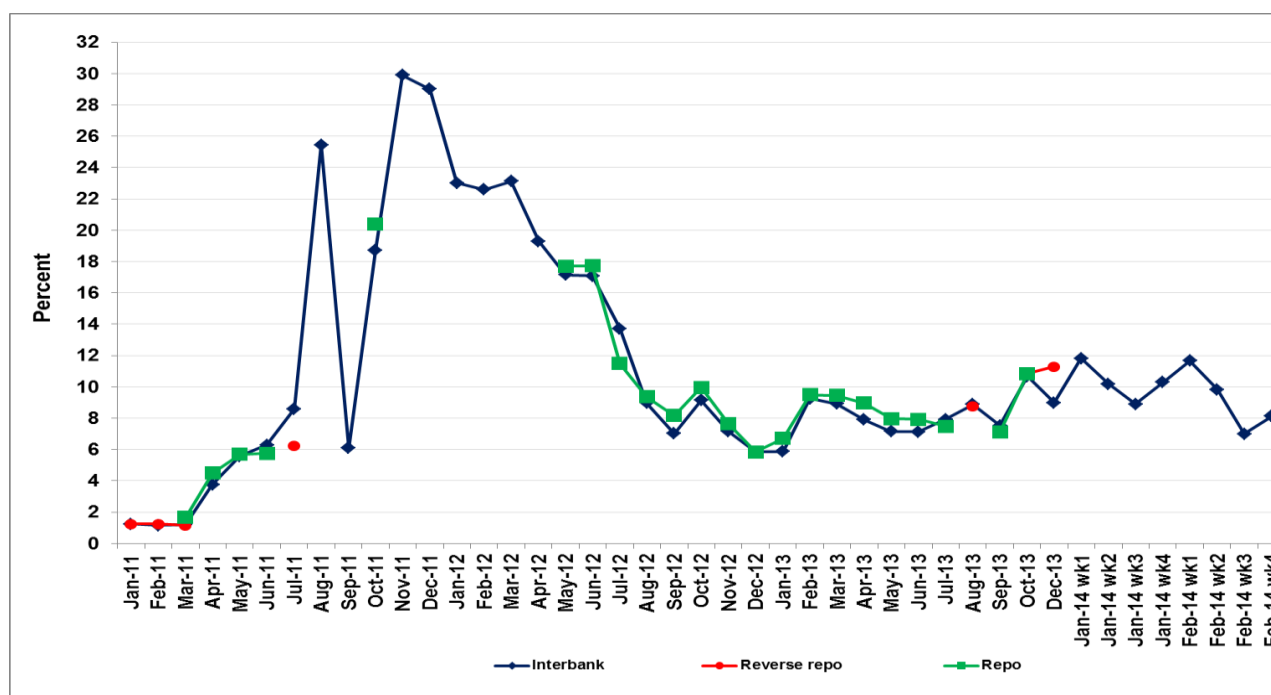
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
13-Feb-14	63	17,045	7.49
14-Feb-14	67	17,846	6.85
17-Feb-14	61	15,065	6.75
18-Feb-14	65	12,225	6.76
19-Feb-14	67	21,061	7.13
February 13 - February 19, 2014	65	16,648	6.99
20-Feb-14	71	16,665	7.42
21-Feb-14	74	18,895	7.88
24-Feb-14	61	17,060	8.21
25-Feb-14	64	15,160	8.45
26-Feb-14	58	14,223	8.62
February 20 - February 26, 2014	66	16,401	8.12

Source: Central Bank of Kenya

During the week ending February 26, 2014, the Central Bank stayed out of the repo market.

CHART A: STRUCTURE OF INTEREST RATES

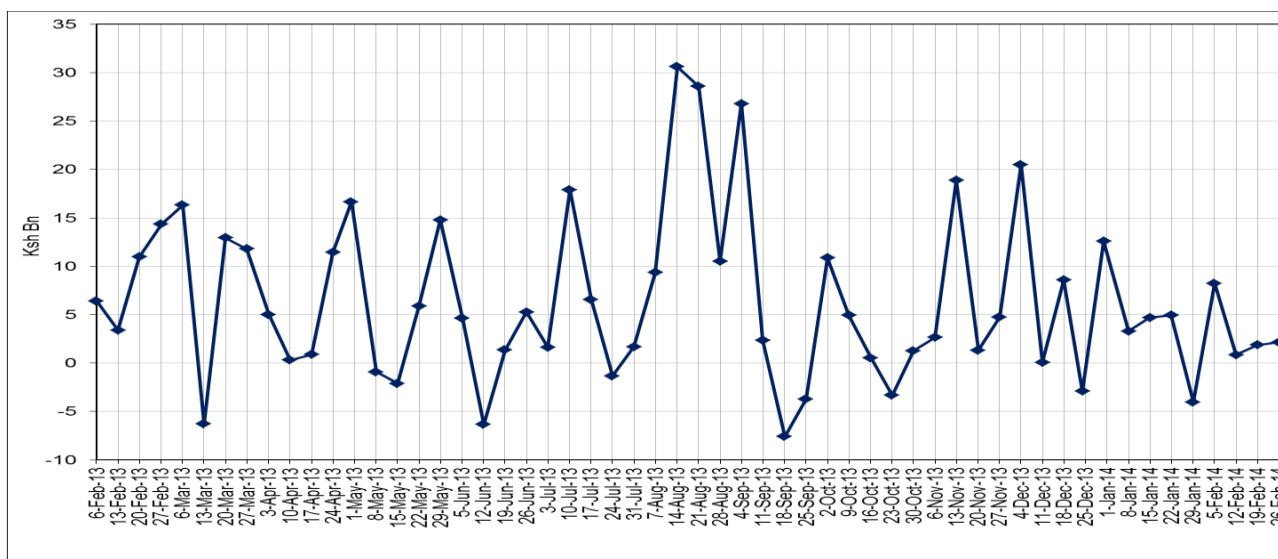


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 2.14 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 100.9 billion) at the Central Bank in the week to February 26, 2014 compared with Ksh 1.87 billion recorded in the previous week (Chart B).

CHART B: WEEKLY AVERAGE DEVIATION FROM CRR IN THE CLEARING ACCOUNT



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling depicted mixed performance against major world trading currencies in the week ending February 27, 2014. The Shilling strengthened against the US dollar, the Sterling Pound and the Japanese Yen and weakened against the Euro.

In the EAC regional, the Kenya Shilling strengthened against all the EAC currencies in the week ending February 27, 2014 (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
7-Feb-14	86.06	140.46	116.95	84.24	28.53	18.86	7.91	18.06
14-Feb-14	86.38	143.80	118.15	84.97	28.51	18.81	7.85	17.99
17-Feb-14	86.36	144.99	118.37	84.98	28.56	18.82	7.86	17.84
18-Feb-14	86.34	144.37	118.32	84.04	28.44	18.79	7.88	18.02
19-Feb-14	86.26	144.07	118.68	84.32	28.46	18.82	7.87	17.87
20-Feb-14	86.10	143.34	118.12	84.03	28.48	18.87	7.90	18.07
14-20 Feb 2014	86.29	144.12	118.33	84.47	28.49	18.82	7.87	17.96
21-Feb-14	86.10	143.34	118.12	84.03	28.48	18.87	7.90	18.07
24-Feb-14	86.16	143.46	118.38	84.15	28.53	18.86	7.86	17.92
25-Feb-14	86.25	143.74	118.47	84.10	28.51	18.84	7.85	17.90
26-Feb-14	86.41	144.07	118.70	84.43	28.64	18.77	7.88	18.01
27-Feb-14	86.48	144.16	118.55	84.47	28.97	18.82	7.87	17.99
21-27 Feb 2014	86.28	143.75	118.44	84.24	28.63	18.83	7.87	17.98

Source: Central Bank of Kenya

Capital Markets

Capital markets performance reversed its downward trend in the week ending February 27, 2014, with all key market indicators for both equity and bonds gaining. This may be due to listed firms releasing their full year results.

Equities Market

NSE 20 Share Index closed the week 109.16 points up and NASI added 4.11 of points. Market capitalization, which measures shareholders wealth, grew by 2.75 percent. Equity turnover rose by 4.9 percent, on account of increased share prices and volume traded. Total shares traded rose to 143.9 million (Table 7).

TABLE 4: KEY WEEKLY MARKET STATISTICS

Week Ending	16-Jan-14	23-Jan-14	30-Jan-14	6-Feb-14	13-Feb-14	20-Feb-14	27-Feb-14
NASI 100= Jan 2008	140.35	142.73	139.06	137.72	137.71	137.00	141.11
NSE 20 Share Index 100=1966	5,021.07	5,063.98	4,960.99	4,843.90	4,839.52	4,806.69	4,915.85
Number of Deals	10,787	12,675	2,536	10,928	9,748	8,710	10,043
Total Shares Traded (millions)	146.51	136.28	209.81	151.45	132.03	113.42	143.87
Equity Turnover (Ksh. millions)	3,185.89	3,847.98	5,235.56	4,215.96	3,830.60	3,364.80	3,528.10
Market Capitalization (Ksh. Bn.)	1,984.30	2,022.63	1,959.96	1,941.18	1,940.87	1,908.93	1,961.41
Bonds Turnover (Ksh. millions)	10,751.60	11,371.20	14,093.58	11,536.20	4,992.60	3,351.98	7,988.93
FTSE NSE Kenya 15 Index	176.43	177.62	172.85	170.39	172.39	167.44	172.96
FTSE NSE Kenya 25 Index	178.46	179.88	174.88	172.43	174.48	170.02	175.62
FTSE NSE Bond Index	90.92	91.45	92.48	91.69	91.71	91.89	91.98

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series and Most Active Sectors

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, was up to 172.96 points from 167.44 points of the previous week. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, rose to 175.62 points from 170.02 points. FTSE NSE Bond Index rose to 91.98 points from 91.89 points, reflecting steady decline in secondary market yields.

Banking, Telecommunication and Technology, and Manufacturing and Allied emerged top three most active sectors, transacting 52.38 million or 36.41 percent, 43.05 million or 29.92 percent, and 27.85 million or 19.40 percent, respectively. Automobile and Accessories sector was least active with 253,900 shares traded.

The Bond Market

Bonds turnover rose by 131.4 percent to trade bonds worth Ksh 7,988.9 million from Ksh 3,351.98 million of the previous week. Corresponding deals declined to 228 from 33. The

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increase may be attributed to investors return to secondary market in absence a new issue in the primary market.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS FOR WEEK ENDING FEBRUARY 28, 2014

	Amount offered (Ksh M)	Bids received (Ksh M)	Amount Accepted (Ksh M)	Maturities (Ksh M)	Average interest Rate (%)	Coupon Rate (%)	Date of Auction
Treasury Bills							
91 Day	3,000.00	1,224.59	1,078.11	4,876.40	9.189		27-Feb-14
182 Day	3,000.00	2,499.63	1,977.10	2,163.90	10.347		26-Feb-14
364 Day	3,000.00	3,001.42	2,820.78	6,673.10	10.610		26-Feb-14
Sub total	9,000.00	6,725.64	5,875.99	13,713.40			
Grand total	9,000.00	6,725.64	5,875.99	13,713.40			

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	Jun 2013	30th Sept 2013	27th Dec 2013	31th Jan 2014	7th Feb 2014	14th Feb 2014	21th Feb 2014
1. Treasury Bills (Excluding Repos)	267.8	307.6	309.1	316.3	310.5	313.8	316.7
(As % of total securities)	26.5	27.9	27.5	27.6	27.2	27.4	27.7
2. Treasury Bonds	744.2	794.8	816.3	831.3	831.3	831.3	828.0
(As % of total securities)	73.5	72.1	72.5	72.4	72.8	72.6	72.3
3. Total Securities (1+2)	1011.9	1102.5	1,125.4	1,147.6	1,141.9	1,145.2	1,144.7
4. Overdraft at Central Bank	7.0	34.2	34.2	21.6	26.3	23.3	27.8
5. Other Domestic debt*	32.0	31.6	32.9	30.9	30.9	30.9	30.9
6. Gross Domestic Debt (3+4+5)	1051.0	1168.2	1,192.5	1200.1	1,199.1	1,199.3	1,203.4

* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and Tax Reserve Certificates.

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	Jun-13	21-Feb-14
Treasury bills (Excluding Repos)	25.5	26.3
Treasury bonds	70.8	68.8
CBK Overdraft to Govt	0.7	2.3
Other domestic debt	3.0	2.6
TOTAL	100	100

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	Jun-13	21-Feb-14
Banking Institutions	51.1	49.5
Insurance Companies	10.5	9.9
Parastatals	4.4	3.4
Pension funds	25.3	25.7
Other investors	8.7	11.4
Total	100	100.0

Source: Central Bank of Kenya

TABLE 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)

	27-Dec-13	2-Jan-14	9-Jan-14	16-Jan-14	23-Jan-14	30-Jan-14	6-Feb-14	13-Feb-14	20-Feb-14	27-Feb-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,176	6,165	6,149	6,143	6,119	6,201	6,169	6,187	6,203,837	6,233
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.37	4.36	4.31	4.30	4.28	4.34	4.32	4.33	4.35	4.36

*Excludes Encumbered Reserves

**Based on 36 months average of imports of goods and non-factor services

Source: Central Bank of Kenya