



DECEMBER 27, 2013

Highlights

The money market liquidity tightened during the week ending December 24, 2013 on account of investment in Government securities and payment of taxes to the Government. The Central Bank open liquidity management resulted in a net liquidity injection of Ksh 20.0 billion through repo securities.

The average interbank interest rate went up to 10.27 percent during the week ending December 24, 2013 from 8.18 percent in the previous week.

The Kenya Shilling appreciated by 0.63 percent to the US dollar during the week ending December 24, 2013 to trade at an average of 85.76 per US Dollar from an average of 86.30 per US Dollar during the week ending December 19, 2013.

The Government offered for sale Treasury bills worth Ksh 9.0 billion, during the week ending December 27, 2013. A total of Ksh 1.1 billion was accepted out of Ksh 3.5 billion bids received.

Gross Government domestic debt increased by Ksh 118.0 billion to reach Ksh 1,169.0 billion on December 20, 2013, from Ksh 1,051.0 billion held at the end of June 2013. During the week under review, gross government domestic debt declined by Ksh 5.8 billion.

The NSE showed mixed performance in the week ending December 24, 2013. Except for the NSE 20 Share Index and market capitalization which had a slight increase, all other market indicators declined during the week compared to the week ending December 19, 2013.

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Monetary Policy Operations

The money market liquidity tightened during the week ending December 24, 2013, on account of investment in Government securities and payment of taxes to the Government. The Central Bank open liquidity management resulted in a net liquidity injection of Ksh 20.0 billion through repo securities. Average reserve money decreased to KSh. 303.8 billion during the week and was Ksh 0.3 billion above target (Table 1).

TABLE 1: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Reserve Money* (Projected)			OMO				Reverse Repo	Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/Short(-)	Posted	Mop up		Exc(+)/Short(-)		Actual	Exc(+)/Short(-)	Exc(+)/Short(-)	Exc(+)/Short(-)
					Repo	Term Auction Deposit						
	(1)	(2)	3=(1-2)	(4)	(5)	(6)	7=(5+ 6-4)	(8)	9=(8-2)	(10)	(11)	
16-Dec-13	316.1	302.6	13.5	0.0	0.0	0.0	0.0	0.0	312.8	10.2	4.8	5.4
17-Dec-13	316.8	302.6	14.2	0.0	0.0	0.0	0.0	0.0	317.3	14.7	11.1	3.6
18-Dec-13	317.9	302.6	15.4	0.0	0.0	0.0	0.0	0.0	315.5	12.9	12.0	1.0
Average	316.9	302.6	14.4	0.0	0.0	0.0	0.0	0.0	315.2	12.6	9.3	3.3
19-Dec-13	307.4	302.6	4.9	0.0	0.0	0.0	0.0	0.0	303.9	1.3	-0.4	1.7
20-Dec-13	294.4	302.6	-8.2	0.0	0.0	0.0	0.0	0.0	298.0	-4.6	-6.7	2.1
23-Dec-13	275.5	304.3	-28.8	0.0	0.0	0.0	0.0	10.0	296.9	-7.4	-9.3	1.9
24-Dec-13	304.8	304.3	0.5	0.0	0.0	0.0	0.0	10.0	316.3	12.0	7.1	4.9
Average	295.5	303.4	-7.9	0.0	0.0	0.0	0.0	5.0	303.8	0.3	-2.3	2.7

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank interest rate went up by 209.2 basis points to 10.27 percent during the week ending December 24, 2013 from 8.18 percent in the previous week. The average interbank volume transacted decreased to Ksh 12.55 billion in the week ending December 24, 2013 from Ksh 22.40 billion the previous week, while the average number of deals decreased to 52 from 70 (Table 2 and Chart A).

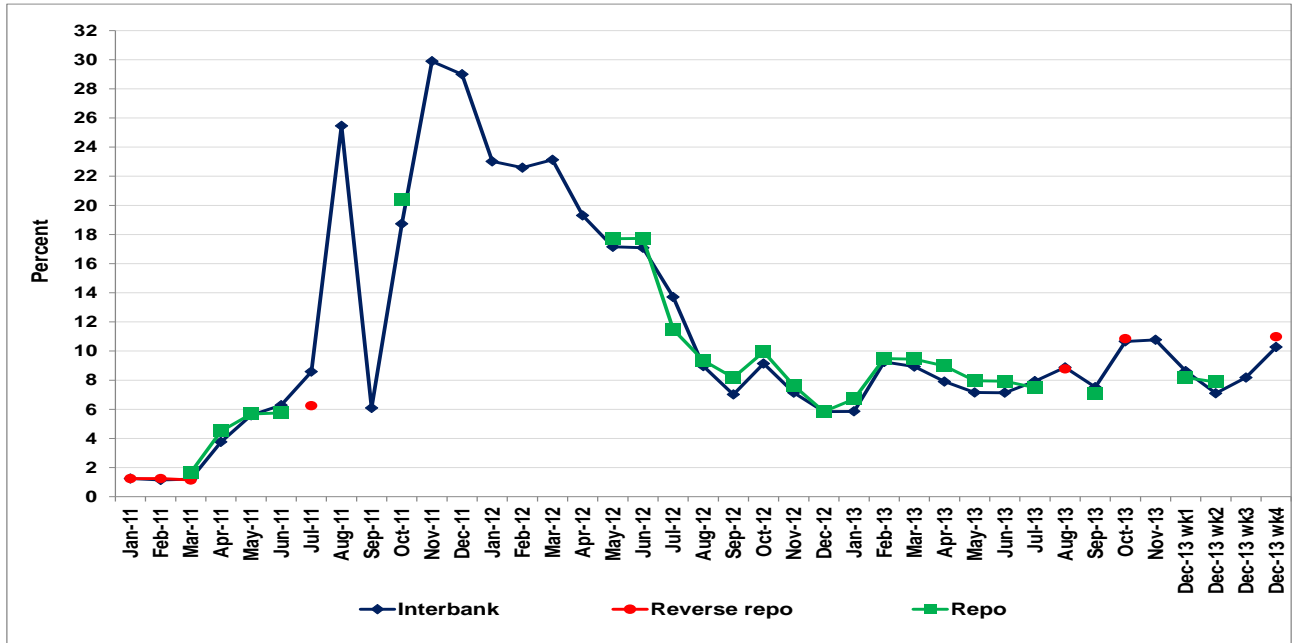
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
16-Dec-13	72	20,322	7.82
17-Dec-13	59	20,499	8.27
18-Dec-13	79	26,394	8.45
December 16 -December 18, 2013	70	22,405	8.18
19-Dec-13	54	16,524	8.88
20-Dec-13	63	12,995	9.70
23-Dec-13	38	5,710	10.70
24-Dec-13	52	14,975	11.80
December 19 -December 24, 2013	52	12,551	10.27

Source: Central Bank of Kenya

The Central Bank injected Ksh 20.0 billion into the market during the week ending December 24, 2013 at a weighted average rate of 10.98 percent.

CHART A: STRUCTURE OF INTEREST RATES

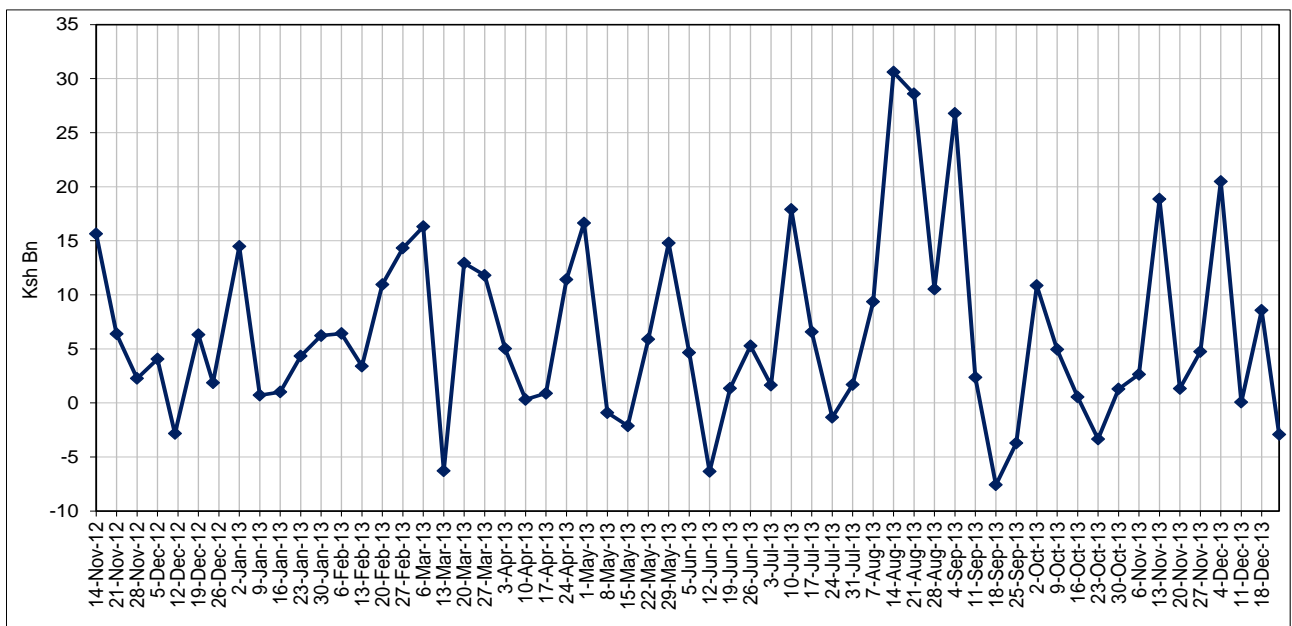


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a deficit of Ksh 2.9 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 97.1 billion) at the Central Bank in the week to December 24, 2013 compared with a surplus of Ksh 8.6 billion recorded in the previous week (Chart B).

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



Source: Central Bank of Kenya

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The Shilling Exchange Rate

The Kenya Shilling appreciated by 0.63 percent to the US dollar during the week ending December 24, 2013 to trade at an average of 85.76 per US Dollar from an average of 86.30 per US Dollar during the week ending December 19, 2013. Over the same period, the Shilling appreciated by 0.44 percent against the Pound Sterling, by 1.56 percent against the Japanese Yen and by 1.19 percent against the Euro to trade at an average of 140.21 per Pound Sterling, 117.20 per Euro and 82.38 per 100 Japanese Yen (Table 3).

In the EAC region, the Kenya Shilling appreciated against all EAC currencies to trade at an average of Ush 29.36, Tsh 18.74, RWF 7.80 and BIF 17.97 during the week ending December 24, 2013 compared to Ush 29.18, Tsh 18.62, RWF 7.75 and BIF 17.86 during the week ending December 19, 2013 (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
16-Dec-13	86.55	141.23	119.05	84.33	29.09	18.57	7.73	17.80
17-Dec-13	86.43	140.99	119.02	83.99	29.13	18.59	7.74	17.83
18-Dec-13	86.04	140.27	118.65	83.67	29.26	18.68	7.78	17.91
19-Dec-13	86.17	140.83	117.73	82.76	29.22	18.65	7.76	17.88
16-19 Dec- 13	86.30	140.83	118.61	83.69	29.18	18.62	7.75	17.86
20-Dec-13	85.83	140.34	116.99	82.07	29.34	18.72	7.79	17.95
23-Dec-13	85.72	140.17	117.33	82.35	29.37	18.75	7.80	17.98
24-Dec-13	85.72	140.13	117.27	82.72	29.37	18.75	7.80	17.98
20-24 Dec- 13	85.76	140.21	117.20	82.38	29.36	18.74	7.80	17.97

Source: Central Bank of Kenya

Government Securities Auction

The Government offered for sale Ksh 3.0 billion in each of the 91-day, 182-day and 364-day Treasury bills during the week ending December 27, 2013. Total bids received amounted to Ksh 3.5 billion, of which Ksh 1.1 billion, Ksh 2.0 billion and Ksh 0.4 billion was in 91-day, 182-day and 364-day papers, representing performance rates of 35.21 percent, 65.21 percent and 14.59 percent, respectively. The Government accepted Ksh 0.6 billion in the 91-day paper, Ksh 0.3 billion in the 182-day paper, Ksh 0.1 billion in the 364-day paper, during the week. Total non-competitive bids received amounted to Ksh 0.5 billion.

Interest Rates on Government Securities

During the week's auction, weighted average interest rates on the 91-day and 182-day Treasury bills declined by 0.5 basis points and 5.7 basis points, respectively, to reach 9.400 percent and 10.383 percent respectively, while that on the 364-day paper remained unchanged at 10.500 percent.

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TABLE 4: GOVERNMENT SECURITIES INTEREST RATES

	28-Jun-13	23-Aug-13	30-Aug-13	27-Sep-13	25-Oct-13	29-Nov-13	11-Dec-13	20-Dec-13	27-Dec-13
91-day T. Bills*	5.175	10.462	10.474	9.109	9.943	9.760	9.432	9.405	9.400
182-day T. Bills*	5.549	10.816	10.835	9.670	10.487	10.473	10.356	10.440	10.383
364-day T. Bills*	8.356	11.690	11.649	10.308	10.830	10.835	10.742	10.500	10.500
1 year FXD T. Bonds									
2 year FXD T. Bonds		12.939						11.553	
5 year FXD T. Bonds	11.305								
10year FXD T. Bonds	12.371	12.371							
12-year Infrastructure Bond				12.363					
15year FXD T. Bonds									
15year FXD T. Bonds									
15year FXD T. Bonds									
15year FXD T. Bonds									
20 year FXD T. Bonds									

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 118.0 billion to reach Ksh 1,169.0 billion on December 20, 2013, from Ksh 1,051.0 billion held at the end of June 2013. This followed Ksh 43.1 billion, Ksh 46.9 billion, Ksh 27.2 billion and Ksh 0.9 billion respective increases in the stocks of Treasury bills, Treasury bonds, Government overdraft at the Central Bank and other domestic debt during the period (Table 5).

TABLE 5: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

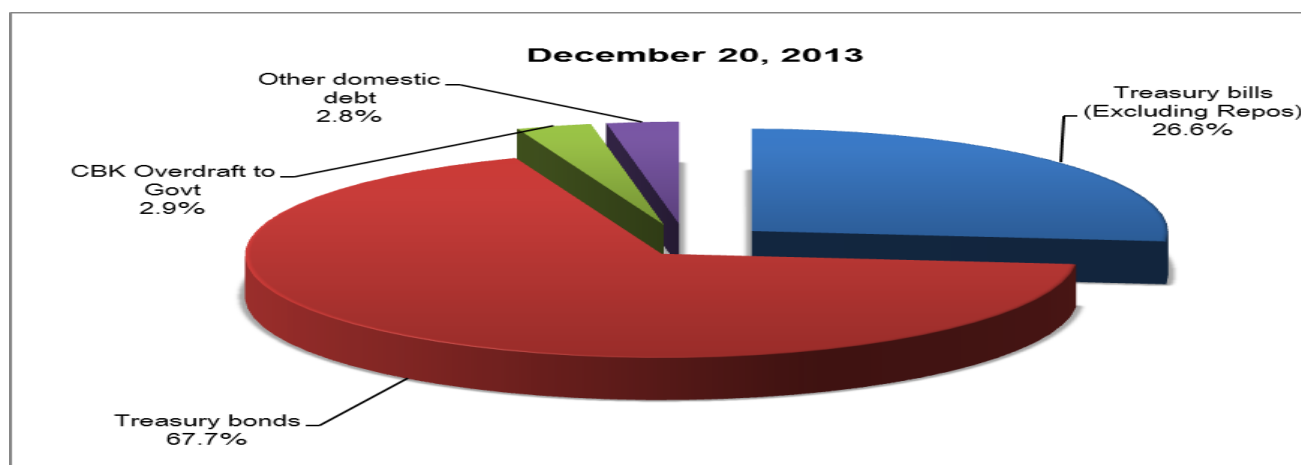
	Jun 2013	Aug 2013	18th Oct 2013	25th Oct 2013	22nd Nov 2013	29nd Nov 2013	06th Dec 2013	11th Dec 2013	20th Dec 2013	Changes	
										11th Dec 2013 to 20th Dec 2013	28th Jun 2013 - 20th Dec 2013
1. Treasury Bills (Excluding Repos)	267.8	278.0	305.2	309.7	309.5	310.1	311.6	314.4	310.8	-3.6	43.1
(As % of total securities)	26.5	26.4	27.7	28.3	27.9	28.1	28.2	28.4	28.2	-0.2	1.7
2. Treasury Bonds	744.2	774.4	794.8	784.8	801.8	793.3	793.3	793.4	791.0	-2.3	46.9
(As % of total securities)	73.5	73.6	72.3	71.7	72.1	71.9	71.8	71.6	71.8	0.2	-1.7
3. Total Securities (1+2)	1011.9	1052.4	1100.1	1094.5	1111.3	1103.4	1105.0	1107.8	1101.9	-5.9	89.9
4. Overdraft at Central Bank	7.0	34.2	10.8	23.5	30.9	34.2	34.2	34.2	34.2	0.0	27.2
5. Other Domestic debt*	32.0	31.6	31.5	31.6	35.2	31.4	32.9	32.9	32.9	0.1	0.9
6. Gross Domestic Debt (3+4+5)	1051.0	1118.2	1142.3	1149.6	1177.5	1169.0	1172.0	1174.8	1169.0	-5.8	118.0
7. Interest payments on domestic debt	110.2	14.2	26.0	29.2	37.2	49.5	48.6	49.0	50.0	1.1	

* 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

During the week under review, gross government domestic debt declined by Ksh 5.8 billion, largely on account of Treasury bills which decreased by Ksh 3.6 billion to reach Ksh 310.8 billion, and the stock of Treasury bonds also decreased by Ksh 2.3 billion. Other domestic debt increased by Ksh 0.1 billion, while overdraft at Central Bank of Kenya remained unchanged. The average time to maturity of Government securities stood at 5 years on December 20, 2013, compared with 5 years and 2 months at the end of June 2013.

CHART C: COMPOSITION OF GOVERNMENT SECURITIES

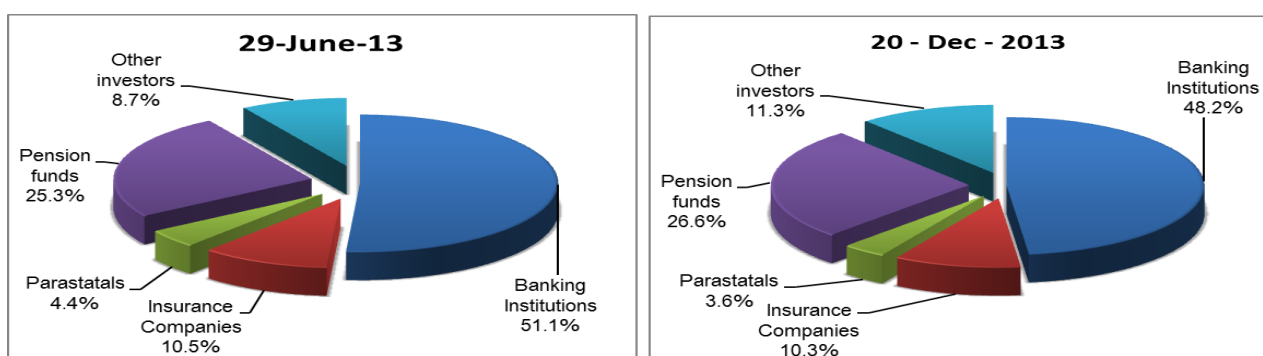


Source: Central Bank of Kenya

Holding of Government Securities

Government securities accounted for 94.3 percent of gross domestic debt on December 20, 2013 (Chart C). Government securities held by commercial banks, Insurance companies and parastatals declined from 51.1 percent, 10.5 percent and 4.4 percent in June, 2013 to 48.2 percent, 10.3 percent and 3.6 percent, respectively, on December 20, 2013. Those held by pension funds and other investors, which comprise SACCOs, listed and private companies, self-help groups, educational institutions, religious institutions and individuals increased to 26.6 percent and 11.3 percent of total securities, during the week under review (Chart D).

CHART D: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS



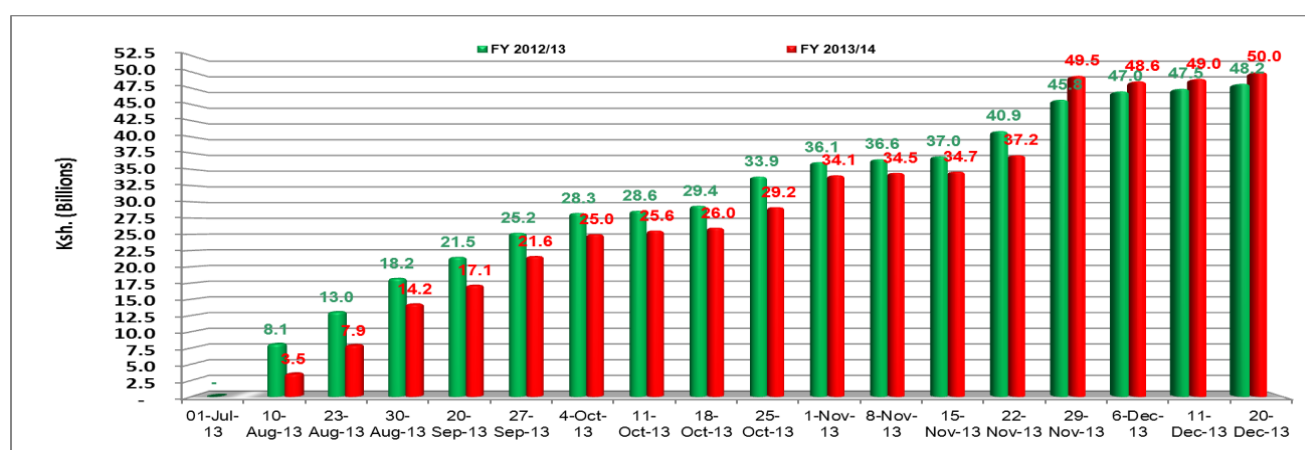
Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt during the week ending December 20, 2013 amounted to Ksh 50.0 billion compared with Ksh 48.2 billion during a similar period of the Fiscal Year 2012/13 (Chart E). The cost during the period was on account of interest and other charges on Treasury bills, Treasury bonds, Government overdraft at the Central Bank and the pre-1997 Government overdraft amounting to Ksh 8.4 billion, Ksh 40.4 billion, Ksh 0.4 billion and Ksh 0.9 billion, respectively.

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Chart E: Cumulative Interest Payments on Domestic Debt (Ksh billion)



Source: Central Bank of Kenya

Capital Markets Report

Capital market performance was mixed during the week ending December 24, 2013. The NSE 20 Share Index gained 36.57 points, while Market Capitalization increased by Ksh 48.93 billion compared with the week ended December 19, 2013. Turnover in the Bonds market segment however, declined over the same period.

Equities Market

NSE 20 Share Index closed the week at 4,885.87 points, up from 4,849.30 points for the week ending December 19, 2013 (Table 6). Market capitalization that measures shareholders' wealth increased to Ksh 1,900.69 billion from Ksh 1,851.76 billion over the same period. Equity turnover declined to 1,245.15 million from 3,091.89 the week ending December 19, 2013. The number of shares traded, however, fell to 40.06 million from 136.28 million in the period under review.

TABLE 6: KEY WEEKLY MARKET STATISTICS

Week Ending	24-Oct-13	31-Oct-13	7-Nov-13	14-Nov-13	21-Nov-13	28-Nov-13	5-Dec-13	19-Dec-13	24-Dec-13
NASI 100= Jan 2008	131.56	133.24	135.29	135.11	138.14	142.58	137.91	132.23	135.22
NSE 20 Share Index 100=1966	4,949.65	4,992.88	5,017.78	5,030.76	5,053.91	5,137.21	5,005.45	4,849.30	4,885.87
Number of Deals	7,737.00	7,881.00	9,638.00	9,995.00	9,785.00	11,771.00	10,674.00	6,839.00	3,867.00
Total Shares Traded (millions)	175.07	111.19	177.39	124.48	116.86	212.08	124.97	136.28	40.06
Equity Turnover (Ksh. millions)	4,199.81	2,984.06	3,398.10	2,618.31	2,650.45	4,120.86	3,101.43	3,091.89	1,245.15
Market Capitalization (Ksh. Bn.)	1,850.11	1,873.66	1,902.58	1,899.96	1,942.58	1,994.73	1,929.47	1,851.76	1,900.69
Bonds Turnover (Ksh. millions)	4,049.60	15,096.00	9,776.00	6,077.83	5,746.98	5,176.77	5,764.90	7,604.73	6,192.55
FTSE NSE Kenya 15 Index	172.84	174.65	175.32	175.02	178.79	181.66	175.66	N/A	168.11
FTSE NSE Kenya 25 Index	174.59	176.15	177.02	176.84	180.3	183.50	177.67	N/A	170.00
FTSE NSE Bond Index	91.56	91.11	91.25	91.18	91.13	91.09	90.88	N/A	91.16

* The Nairobi All Share Index (NASI) effected on February 25, 2008 (January 1, 2008 = 100)

N/A Not available

Source: Nairobi Securities Exchange

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Telecoms and Technology, Banking and Manufacturing and Allied were the top three most active sectors, transacting 14.33 million or 36.0 per cent, 13.56 million or 34.07 percent and 2.86 million or 7.2 percent, respectively. Safaricom, KCB and Kenol Kobil were the three most active counters with 14.37 million, 6.19 million and 1.37 million shares traded, respectively. The least active sector was Automobile and Accessories sector with 31,900 shares traded.

FTSE NSE Kenya Index Series

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization closed the week at 168.11 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, also closed the week at 170.00 points. FTSE NSE Bond Index closed at 91.16 points.

The Bond Market

Bonds turnover decreased to Ksh 6,192.55 from 7,604.73 million from the week ended December 19, 2013. Corresponding deals were 93 down from 112 over the same period.