



**AUGUST 15, 2014**

### Highlights

Liquidity in the money market was relatively tight during the week ending August 13, 2014 on account of maturities of reverse repos securities that more than offset net redemptions of government securities. The average interbank rate increased to 11.58 percent in the week ending August 13, 2014 from 10.59 percent the previous week.

The capital markets registered mixed performance in the week under review. All Equities leading indicators except NSE 20 Share Index declined. Bond segment leading indicators recorded similar performance.

### Monetary Policy Operations

Liquidity in the money market was relatively tight during the week ending August 13, 2014 on account of maturities of reverse repo securities that more than offset net government redemptions of government securities. Reserve money averaged Ksh 342.7 billion during the week and was Ksh 0.6 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(-)	Reverse Repo	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)	(10)=(9-2)	(11)	(12)
7-Aug-14	330.3	341.9	-11.6	0.0	0.0	0.0	0.0	15.0	345.0	3.1	-13.9	17.0
8-Aug-14	342.5	341.9	0.7	0.0	0.0	0.0	0.0	0.0	346.9	5.1	-13.0	18.0
11-Aug-14	356.4	344.3	12.1	0.0	0.0	0.0	0.0	0.0	354.7	10.4	-5.6	16.0
12-Aug-14	345.0	344.3	0.8	0.0	0.0	0.0	0.0	0.0	341.8	-2.5	-18.6	16.1
13-Aug-14	326.5	344.3	-17.8	0.0	0.0	0.0	0.0	0.0	325.2	-19.0	-34.6	15.6
<b>Average</b>	<b>340.2</b>	<b>343.3</b>	<b>-3.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>15.0</b>	<b>342.7</b>	<b>-0.6</b>	<b>-17.1</b>	<b>16.5</b>

Source: Central Bank of Kenya

### Interbank and REPO Rates

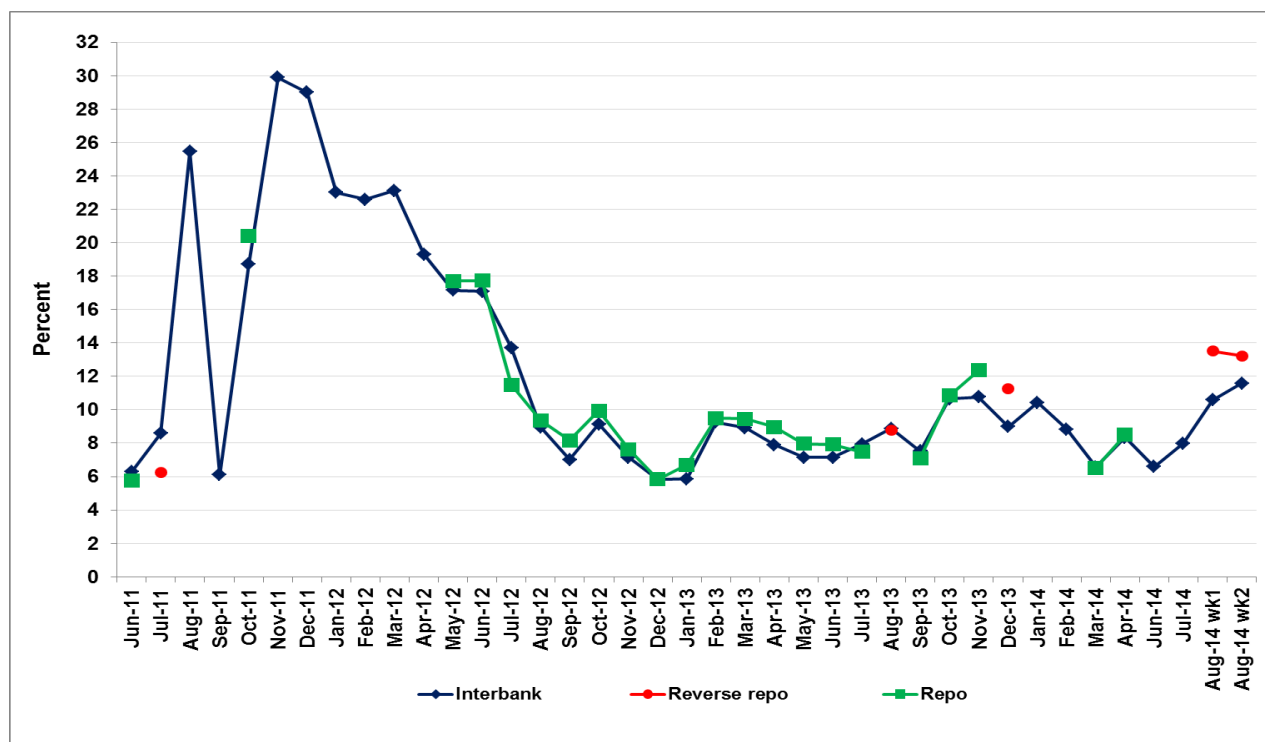
The average interbank rate increased to 11.58 percent in the week ending August 13, 2014 from 10.59 percent the previous week, whereas the volume transacted decreased to Ksh13.0 billion from Ksh 18.6 billion traded in the previous week. The average number of deals reduced to 44 from 59 (Table 2 and Chart A).

**TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
31-Jul-14	67	26,479	10.10
1-Aug-14	66	21,232	10.13
4-Aug-14	65	22,257	10.52
5-Aug-14	63	15,482	10.76
6-Aug-14	34	7,517	11.46
<b>July 31, 2014 - August 6, 2014</b>	<b>59</b>	<b>18,593</b>	<b>10.59</b>
7-Aug-14	32	7,344	11.73
8-Aug-14	41	9,054	11.89
11-Aug-14	40	10,707	11.36
12-Aug-14	50	15,860	11.35
13-Aug-14	57	22,149	11.56
<b>August 7, 2014 - August 13, 2014</b>	<b>44</b>	<b>13,023</b>	<b>11.58</b>

Source: Central Bank of Kenya

**CHART A: INTERBANK AND REPO INTEREST RATES**

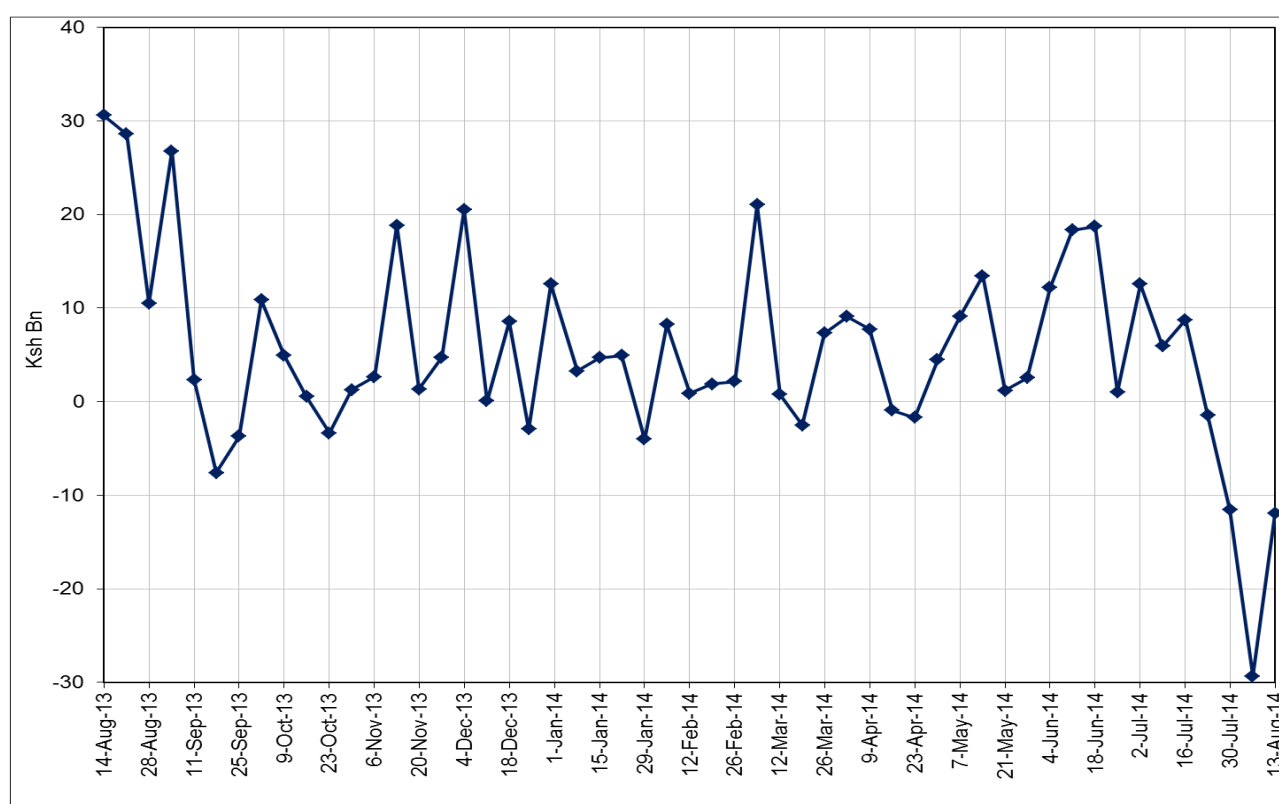


Source: Central Bank of Kenya

### Commercial Banks Clearing Account Balances

Commercial banks recorded a deficit of Ksh 12.0 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 108.5 billion) at the Central Bank in the week ending August 13, 2014 compared with a deficit of Ksh 29.3 billion recorded in the previous week (Chart B). This reflects a build-up of reserves as banks approached the end of the CRR cycle.

**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 international and regional currencies during the week ending 14 August 2014. The Shilling slightly weakened against the US dollar and the Japanese Yen by 0.14 percent and 0.52 percent respectively, and strengthened against the Pound Sterling (0.36 percent) and the Euro (0.06 percent). In the EAC region the Kenya Shilling marginally weakened against the Uganda Shilling, the Tanzania Shilling and the Rwanda Franc, and strengthened against the Burundi Franc (Table 3).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
01-Aug-14	87.84	148.24	117.58	85.32	29.87	18.90	7.83	17.48
04-Aug-14	87.82	147.81	117.88	85.49	29.88	18.90	7.83	17.48
05-Aug-14	87.80	148.05	117.89	85.70	29.83	18.96	7.85	17.65
06-Aug-14	87.82	148.06	117.41	85.61	29.87	18.90	7.85	17.65
07-Aug-14	87.88	148.03	117.54	85.91	29.87	18.89	7.83	17.63
<b>1-7 Aug 2014</b>	<b>87.83</b>	<b>148.04</b>	<b>117.66</b>	<b>85.60</b>	<b>29.86</b>	<b>18.91</b>	<b>7.84</b>	<b>17.58</b>
08-Aug-14	87.87	147.73	117.41	86.34	29.83	18.93	7.83	17.63
11-Aug-14	87.90	147.46	117.76	86.09	29.81	18.88	7.83	17.63
12-Aug-14	87.95	147.45	117.58	85.98	29.74	18.90	7.82	17.61
13-Aug-14	87.99	147.94	117.61	86.01	29.73	18.87	7.82	17.61
14-Aug-14	88.08	146.96	117.60	85.83	29.67	18.87	7.81	17.60
<b>8-14 Aug 2014</b>	<b>87.96</b>	<b>147.51</b>	<b>117.59</b>	<b>86.05</b>	<b>29.75</b>	<b>18.89</b>	<b>7.82</b>	<b>17.62</b>

Source: Central Bank of Kenya

## Capital Markets

Equities market leading indicators recorded a mixed performance in the week ending August 14, 2014. The NSE 20 Share index gained 7.77 points while NASI declined by 1.33 points. Total number of deals increased by 0.88 percent. Similarly, corresponding total shares traded declined by 43.82 percent. Market capitalization declined by 0.3 percent on account of decline in equity turnover which declined by 24.9 percent. FTSE Kenya 15 and FTSE Kenya 25 Price Indices recorded a 1.63 percent and 1.92 percent decline respectively. FTSE NSE Bond Price Index gained 0.30 points, while bonds turnover declined by 46.1 percent. Total number of deals recorded a 0.88 percent decline.

## Equities Market

NSE 20 Share Price Index increased by 7.77 percent while NASI recorded a 0.85 percent decline in the week ending August 14, 2014. Shareholders' wealth measured by market capitalization lost 6.62 billion while equity turnover declined by 24.9 percent.

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

	3-Jul-14	11-Jul-14	17-Jul-14	24-Jul-14	31-Jul-14	7-Aug-14	14-Aug-14
NASI 100=2008	153.64	151.93	151.03	151.01	151.69	155.83	154.50
NSE 20 Share Index 100=1996	4,884.69	4,898.29	4,913.61	4,883.75	4,906.09	5,011.51	5,019.28
Number of Deals	9,479	8,325	9,287	9,825	8,063	11,366	11,466
Total Shares Traded (in Millions)	152.12	177.99	122.81	137.73	94.98	161.08	90.50
Equity Turnover (Ks h. Millions)	4,299.40	3,843.61	3,060.09	3,503.83	2,071.85	4,276.47	3,212.34
Market Capitalization (Ks h. Bn.)	2,138.28	2,128.54	2,116.11	2,115.84	2,125.31	2,183.34	2,176.72
Bonds Turnover (Ks h. Millions)	3,682.35	10,380.10	10,524.81	14,121.70	10,981.50	17,435.65	9,405.66
FTSE NSE Kenya 15 Index	201.01	197.89	197.56	196.17	198.38	206.78	203.40
FTSE NSE Kenya 25 Index	203.50	200.04	200.01	198.27	200.51	209.33	205.32
FTSE NSE Bond Index	93.16	93.29	93.39	93.14	93.02	92.87	93.17

Source: Nairobi Securities Exchange

## FTSE NSE Kenya Index Series and Most Active Sectors

FTSE NSE Kenya 15 Price Index which measures stocks performance of 15 largest companies by market capitalization, lost 3.38 points to close at 203.40 points from 206.78 points the previous week. Similarly, FTSE NSE Kenya 25 Price Index, which measures 25 most liquid stocks at the NSE lost 4.01 points to close at 205.32 points from 209.33 points. However, FTSE Government Bond Price Index gained 0.3 to close at 93.17 points from 92.87 points, reflecting stable yields in the secondary market.

Banking, Telecommunication and Technology, and insurance sectors were the top three most active, transacting 30.9 million or 34.15 percent, 24.19 million or 26.73 percent and 7.04 million or 7.78 percent respectively. Agricultural sector was least active with 87, 700 shares traded in the period.

## The Bond Market

Bonds' turnover at the NSE declined by 46.06 percent to Ksh 9,405.66 million from Ksh 17,435.65 million of the previous week. Corresponding deals declined to 80 from 201.

**TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS**

91-Day Treasury Bills								
Date of Auction	26-Jun-14	3-Jul-14	10-Jul-14	17-Jul-14	24-Jul-14	31-Jul-14	7-Aug-14	14-Aug-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	3,000.00	3,000.00	3,000.00	4,000.00	4,000.00
Bids received (Ksh M)	4,829.58	6,263.41	8,444.58	2,727.19	753.17	2,913.74	1,013.40	-
Amount Accepted (Ksh M)	4,829.58	4,884.42	4,367.11	2,726.70	753.17	2,913.74	911.77	-
Maturities (Ksh M)	3,421.63	1,019.46	1,200.20	3,469.35	2,403.27	2,638.85	7,132.25	-
Average interest Rate (%)	11.438	11.408	9.727	9.274	8.694	8.475	8.244	8.234
182-Day Treasury Bills								
Date of Auction	25-Jun-14	2-Jul-14	9-Jul-14	16-Jul-14	23-Jul-14	30-Jul-14	6-Aug-14	13-Aug-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	3,000.00	3,000.00	3,000.00	4,000.00	4,000.00
Bids received (Ksh M)	4072.84	3564.88	6797.58	7433.26	6535.17	5238.77	559.7	903.55
Amount Accepted (Ksh M)	4072.84	3118.32	1812.46	4095.83	3074.04	4665.27	462.78	903.55
Maturities (Ksh M)	319.27	37.43	2492.78	2308.05	609.81	816.75	3283.73	2959.4
Average interest Rate (%)	11.585	11.788	10.970	10.430	10.060	9.296	8.700	8.700
364-Day Treasury Bills								
Date of Auction	25-Jun-14	2-Jul-14	9-Jul-14	16-Jul-14	23-Jul-14	30-Jul-14	6-Aug-14	13-Aug-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	3,000.00	3,000.00	3,000.00	4,000.00	4,000.00
Bids received (Ksh M)	923.80	5787.00	10503.50	7952.65	4609.56	3841.45	6411.43	8904.00
Amount Accepted (Ksh M)	923.80	3886.97	2080.45	3308.73	3706.30	1041.64	5025.63	6946.49
Maturities (Ksh M)	431.01	2795.14	136.39	494.25	2974.64	2569.35	6713.79	4194.83
Average interest Rate (%)	11.186	11.500	11.165	10.558	10.330	10.330	10.273	10.331
Treasury Bonds								
Date of Auction	23-Jul-14							
Tenor	2 Year Fxd							
Amount offered (Ksh M)	10000.00							
Bids received (Ksh M)	20,248.46							
Amount Accepted (Ksh M)	7873.90							
Maturities (Ksh M)	-							
Average interest Rate (%)	10.764							

Source: Central Bank of Kenya

## CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

**TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)**

	6th June 2014	13th June 2014	20th June 2014	27th June 2014	4th July 2014	11th July 2014	18th July 2014	25th July 2014	1st August 2014	8th August 2014
1. Treasury Bills (Excluding Repos)	274.3	270.4	282.4	293.1	299.4	308.0	312.7	316.9	311.6	321.2
(As % of total securities)	23.6	23.4	24.2	24.8	24.7	25.2	25.5	25.9	25.4	26.0
2. Treasury Bonds	886.9	886.9	886.9	886.9	914.8	914.8	914.8	906.5	914.4	914.4
(As % of total securities)	76.4	76.6	75.8	75.2	75.3	74.8	74.5	74.1	74.6	74.0
3. Total Securities (1+2)	1161.2	1157.3	1169.3	1180.0	1214.2	1222.7	1227.4	1223.4	1226.0	1235.6
4. Overdraft at Central Bank	39.1	39.1	39.1	39.1	37.5	29.0	24.8	30.5	31.2	13.0
5. Other Domestic debt*	31.2	31.7	31.6	31.6	31.6	31.6	32.9	32.9	32.9	32.9
6. Gross Domestic Debt (3+4+5)	1231.5	1228.1	1240.1	1250.8	1283.3	1283.4	1285.2	1286.8	1290.1	1281.4

\* 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**

	27-Jun-14	4-Jul-14	11-Jul-14	18-Jul-14	25-Jul-14	1-Aug-14	8-Aug-14
Treasury bills (Excluding Repos)	23.4	23.3	24.0	24.3	24.6	24.2	25.1
Treasury bonds	70.9	71.3	71.3	71.2	70.4	70.9	71.4
CBK Overdraft to Govt	3.1	2.9	2.3	1.9	2.4	2.4	1.0
Other domestic debt	2.5	2.5	2.5	2.6	2.6	2.5	2.6
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

**TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER**

	6-Jun-14	13-Jun-14	20-Jun-14	27-Jun-14	4-Jul-14	11-Jul-14	18-Jul-14	25-Jul-14	1-Aug-14	8-Aug-14
Banking Institutions	52.3	52.4	52.9	53.1	53.2	53.1	53.3	53.5	54.2	53.1
Insurance Companies	9.8	9.8	9.7	9.6	9.4	9.4	9.4	9.4	9.4	9.5
Parastatals	3.2	3.2	3.1	3.1	3.0	3.0	3.0	3.0	3.0	3.0
Pension funds	26.2	26.1	25.8	25.8	26.0	26.0	25.8	25.6	25.8	25.8
Other investors	8.5	8.5	8.5	8.5	8.4	8.4	8.5	8.5	7.7	8.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

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

	26-Jun-14	3-Jul-14	10-Jul-14	17-Jul-14	24-Jul-14	31-Jul-14	7-Aug-14	14-Aug-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,081	6,094	6,458	6,447	6,423	6,418	6,417	6,398
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.29	4.14	4.31	4.31	4.29	4.29	4.29	4.27

\*Excludes Encumbered Reserves and proceeds from the Eurobond

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

Source: Central Bank of Kenya

Source: Central Bank of Kenya