



AUGUST 22, 2014

Highlights

The money market was relatively tight during the week ending August 20, 2014 owing the remittance of taxes to the Government and subdued Government payments. The average interbank rate increased to 12.24 percent in the week ending August 20, 2014 from 11.58 percent the previous week.

The capital markets recorded strong performance both in equities and the bonds market segments in the week ending 21 August 2014.

Monetary Policy Operations

The money market was relatively tight during the week ending August 20, 2014 owing the remittance of taxes to the Government and subdued Government payments. The Central Bank Liquidity Management Committee posted a stay out in order to allow the market redistribute the available liquidity. Reserve money averaged Ksh 310.4 billion during the week and was Ksh 35.4 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)
14-Aug-14	309.1	344.3	-35.2	0.0	0.0	0.0	0.0	0.0	320.1	-24.2	-39.1	14.9
15-Aug-14	307.9	344.3	-36.4	0.0	0.0	0.0	0.0	0.0	309.3	-34.9	-49.3	14.4
18-Aug-14	311.5	346.7	-35.2	0.0	0.0	0.0	0.0	0.0	311.8	-34.9	-46.0	11.1
19-Aug-14	305.4	346.7	-41.2	0.0	0.0	0.0	0.0	0.0	308.4	-38.3	-49.1	10.9
20-Aug-14	299.5	346.7	-47.2	0.0	0.0	0.0	0.0	0.0	302.3	-44.4	-53.5	9.1
Average	306.7	345.7	-39.0	0.0	0.0	0.0	0.0	0.0	310.4	-35.3	-47.4	12.1

Source: Central Bank of Kenya

Interbank and REPO Rates

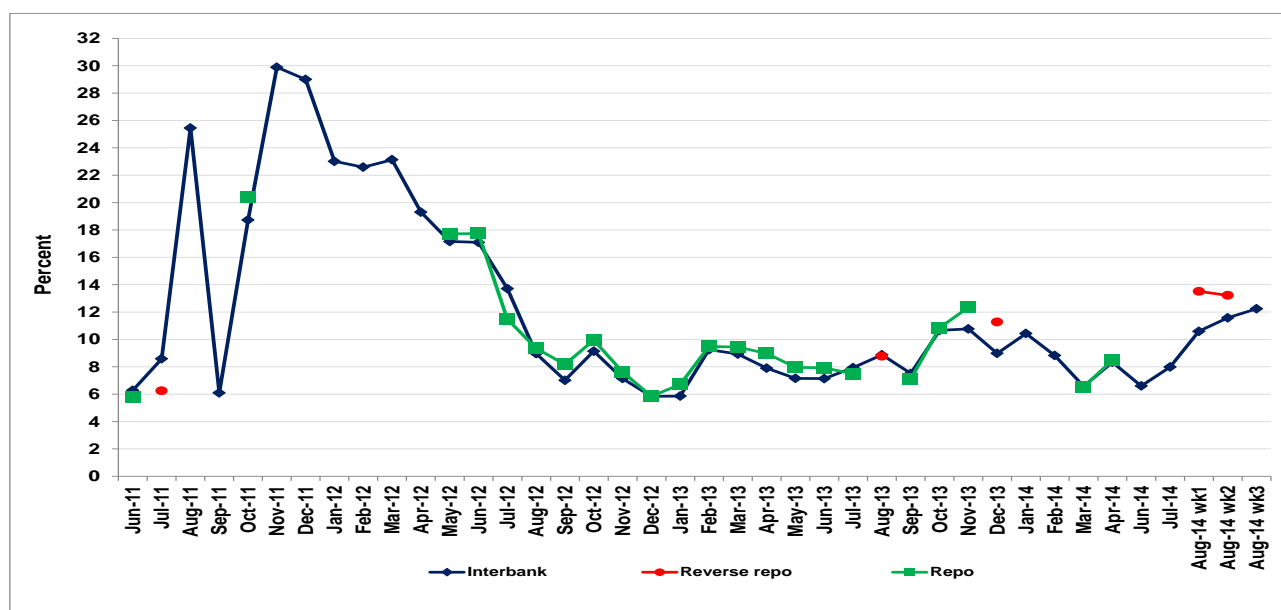
The average interbank rate increased to 12.24 percent in the week ending August 20, 2014 from 11.58 percent the previous week on account of tight liquidity conditions in the money market. The volume transacted increased to Ksh 17.6 billion from Ksh 13.0 billion traded in the previous week whereas the average number of deals increased to 61 from 44 (**Table 2 and Chart A**).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
07-Aug-14	32	7,344	11.73
08-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
August 7, 2014 - August 13, 2014	44	13,023	11.58
14-Aug-14	70	18,377	11.68
15-Aug-14	65	22,371	11.95
18-Aug-14	57	16,701	12.19
19-Aug-14	61	20,622	12.49
20-Aug-14	54	10,023	12.87
August 14, 2014 - August 20, 2014	61	17,619	12.24

Source: Central Bank of Kenya

CHART A: INTERBANK AND REPO INTEREST RATES

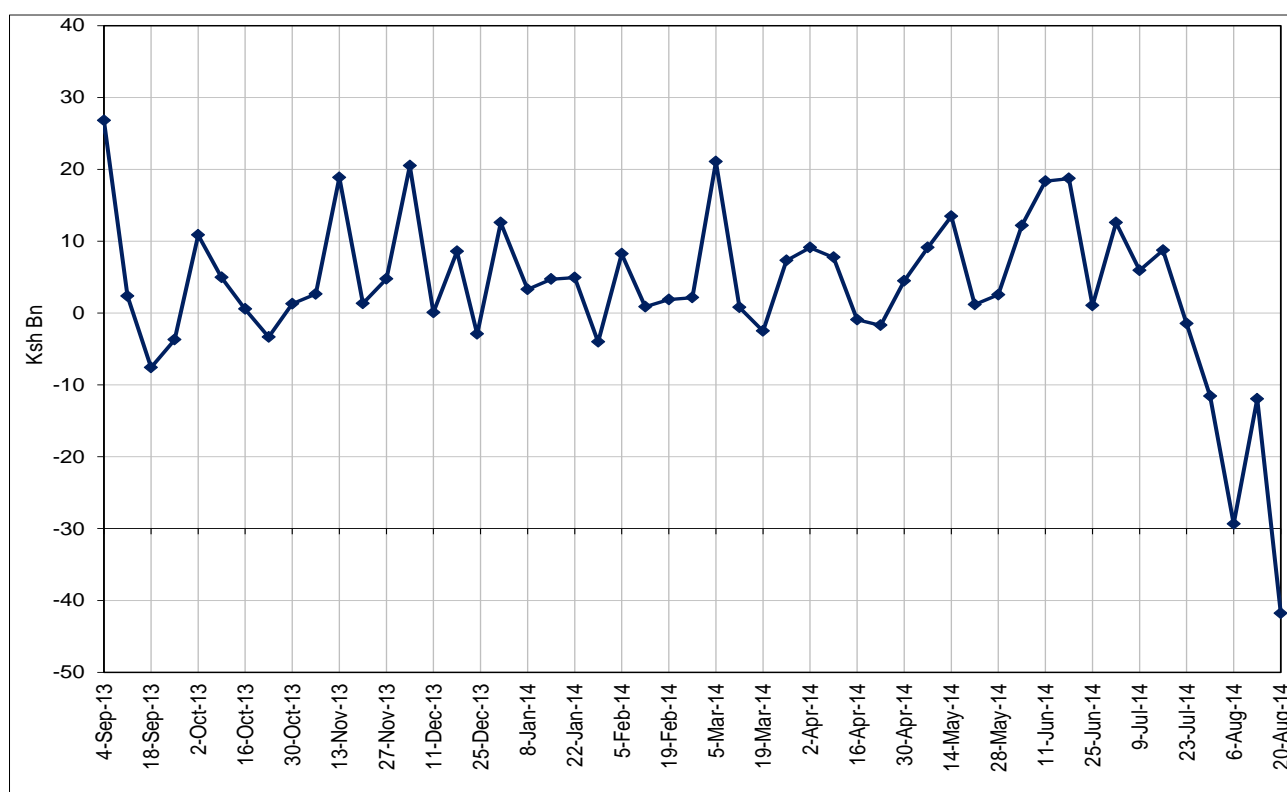


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks deficit in their settlement accounts at the Central Bank in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 110.0 billion) widened to Ksh 41.8 billion in the week ending August 20, 2014 from Ksh 12.0 billion recorded in the previous week (**Chart B**). This reflect tight liquidity situation in the money market.

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 21 August 2014. The Shilling marginally weakened against the US dollar and the Euro by 0.26 percent and 0.02 percent respectively, and strengthened against the Pound Sterling (0.36 percent) and the Japanese Yen (0.33 percent). In the EAC region, the Kenya Shilling weakened against the Uganda Shilling and the Burundi Franc and strengthened against the Rwanda Franc. The Shilling remained relatively stable against the Tanzania Shilling (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
8-14 Aug 2014	87.96	147.51	117.59	86.05	29.75	18.89	7.82	17.62
15-Aug-14	88.04	147.05	117.69	85.90	29.65	18.89	7.82	17.61
18-Aug-14	88.12	147.38	117.98	86.06	29.51	18.88	7.90	17.59
19-Aug-14	88.19	147.50	117.80	85.97	29.51	18.88	7.81	17.56
20-Aug-14	88.30	146.67	117.58	85.77	29.67	18.88	7.80	17.53
21-Aug-14	88.28	146.29	117.01	85.12	29.54	18.92	7.81	17.56
15-21 Aug 2014	88.18	146.98	117.61	85.76	29.57	18.89	7.83	17.57

Source: Central Bank of Kenya

Capital Markets

Equities market leading indicators made gains in the week ending August 21, 2014. The Bonds market turnover increased by 41 percent compared to the previous week.

Equities Market

Both NSE 20 Share Index and NASI recorded gains of 5.36 points and 2.08 points respectively, in the week ending August 21, 2014. The volume of shares traded increased by 85.9 percent. Reflecting this developments, shareholders' wealth measured by market capitalization gained Ksh 16.87 billion, just Ksh 6 billion shy of Ksh 2.2 trillion-mark, while equity turnover added Ksh 501.76 million to close the week at Ksh 3,714. 1 million (table 7).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	10-Jul-14	17-Jul-14	24-Jul-14	31-Jul-14	07-Aug-14	14-Aug-14	21-Aug-14
NASI 100= 2008	151.93	151.03	151.01	151.69	155.83	154.50	156.58
NSE 20 Share Index 100= 1996	4,898.29	4,913.61	4,883.75	4,906.09	5,011.51	5,019.28	5,024.64
Number of Deals	8,325	9,287	9,825.00	8,063.00	11,366.00	11,466	10,999
Total Shares Traded	177.99	122.81	137.73	94.98	161.08	90.50	168.27
Equity Turnover (Ksh. Millions)	3,843.61	3,060.09	3,503.83	2,071.85	4,276.47	3,212.34	3,714.10
Market Capitalization (Ksh. Bn.)	2,128.54	2,116.11	2,115.84	2,125.31	2,183.34	2,176.72	2,193.59
Bonds Turnover (Ksh. Millions)	10,380.10	10,524.81	14,121.70	10,981.50	17,435.65	9,405.66	13,232.70
FTSE NSE Kenya 15 Index	197.89	197.56	196.17	198.38	206.78	203.40	203.51
FTSE NSE Kenya 25 Index	200.04	200.01	198.27	200.51	209.33	205.32	205.37
FTSE NSE Bond Index	93.29	93.39	93.14	93.02	92.87	93.17	93.59

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, ended the week at 203.51 points from 203.40 points in the previous week. The FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE, closed at 205.37 points from 205.32 points. FTSE Government Bond Index gained 0.42 to close at 93.59 points from 93.17 points, reflecting uptick in secondary market yields.

Telecommunication and Technology, Energy and Petroleum, and Banking sectors were the top three most active, transacting 65.3 million or 38.8 percent market share, 44.6 million or 26.5 percent market share and 26.3 million or 15.7 percent market share, respectively. Agricultural sector was least active with 44,100 shares traded in the period.

The Bond Market

The Bonds market turnover at the NSE increased by 41 percent to Ksh 13,232.70 million from Ksh 9,405.66 million of the previous week. Corresponding deals increased to 131 from 80.

CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills									
Date of Auction	26-Jun-14	03-Jul-14	10-Jul-14	17-Jul-14	24-Jul-14	31-Jul-14	07-Aug-14	14-Aug-14	21-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	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	3,017.99	1,250.94
Amount Accepted (Ksh M)	4,829.58	4,884.42	4,367.11	2,726.70	753.17	2,913.74	911.77	3,017.99	1,250.94
Maturities (Ksh M)	3,421.63	1,019.46	1,200.20	3,469.35	2,403.27	2,638.85	7,132.25	2,021.47	2,242.82
Average interest Rate (%)	11.438	11.408	9.727	9.274	8.694	8.475	8.244	8.234	8.209
182-Day Treasury Bills									
Date of Auction	25-Jun-14	02-Jul-14	09-Jul-14	16-Jul-14	23-Jul-14	30-Jul-14	06-Aug-14	13-Aug-14	20-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	4,000.00
Bids received (Ksh M)	4072.84	3564.88	6797.58	7433.26	6535.17	5238.77	559.7	903.55	750.18
Amount Accepted (Ksh M)	4072.84	3118.32	1812.46	4095.83	3074.04	4665.27	462.78	903.55	750.18
Maturities (Ksh M)	319.27	37.43	2492.78	2308.05	609.81	816.75	3283.73	2959.4	3206.73
Average interest Rate (%)	11.585	11.788	10.970	10.430	10.060	9.296	8.700	8.700	8.693
364-Day Treasury Bills									
Date of Auction	25-Jun-14	02-Jul-14	09-Jul-14	16-Jul-14	23-Jul-14	30-Jul-14	06-Aug-14	13-Aug-14	20-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	4,000.00
Bids received (Ksh M)	923.80	5787.00	10503.50	7952.65	4609.56	3841.45	6411.43	8904.00	1057.56
Amount Accepted (Ksh M)	923.80	3886.97	2080.45	3308.73	3706.30	1041.64	5025.63	6946.49	877.37
Maturities (Ksh M)	431.01	2795.14	136.39	494.25	2974.64	2569.35	6713.79	4194.83	3102.02
Average interest Rate (%)	11.186	11.500	11.165	10.558	10.330	10.330	10.273	10.331	10.249
Treasury Bonds									
Date of Auction	23-Jul-14	20-Aug-14							
Tenor	2 Year Fxd	5 Year Fxd	30 Year SDB						
Amount offered (Ksh M)	10000.00	15000.00							
Bids received (Ksh M)	20,248.46	24,417.22	3,535.60						
Amount Accepted (Ksh M)	7873.90	13523.55	1533.70						
Maturities (Ksh M)	-	16312.60							
Average interest Rate (%)	10.764	11.126	13.775						

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	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	15th August 2014
1. Treasury Bills (Excluding Repos)	270.4	282.4	293.1	299.4	308.0	312.7	316.9	311.6	321.2	309.9
(As % of total securities)	23.4	24.2	24.8	24.7	25.2	25.5	25.9	25.4	26.0	25.3
2. Treasury Bonds	886.9	886.9	886.9	914.8	914.8	914.8	906.5	914.4	914.4	914.4
(As % of total securities)	76.6	75.8	75.2	75.3	74.8	74.5	74.1	74.6	74.0	74.7
3. Total Securities (1+2)	1157.3	1169.3	1180.0	1214.2	1222.7	1227.4	1223.4	1226.0	1235.6	1224.3
4. Overdraft at Central Bank	39.1	39.1	39.1	37.5	29.0	24.8	30.5	31.2	13.0	24.9
5. Other Domestic debt*	31.7	31.6	31.6	31.6	31.6	32.9	32.9	32.9	32.9	31.8
6. Gross Domestic Debt (3+4+5)	1228.1	1240.1	1250.8	1283.3	1283.4	1285.2	1286.8	1290.1	1281.4	1281.0

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	04-Jul-14	11-Jul-14	18-Jul-14	25-Jul-14	01-Aug-14	08-Aug-14	15-Aug-14
Treasury bills (Excluding Repos)	23.3	24.0	24.3	24.6	24.2	25.1	24.2
Treasury bonds	71.3	71.3	71.2	70.4	70.9	71.4	71.4
CBK Overdraft to Govt	2.9	2.3	1.9	2.4	2.4	1.0	1.9
Other domestic debt	2.5	2.5	2.6	2.6	2.5	2.6	2.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	13-Jun-14	20-Jun-14	27-Jun-14	04-Jul-14	11-Jul-14	18-Jul-14	25-Jul-14	01-Aug-14	08-Aug-14	15-Aug-14
Banking Institutions	52.4	52.9	53.1	53.2	53.1	53.3	53.5	54.2	53.1	53.5
Insurance Companies	9.8	9.7	9.6	9.4	9.4	9.4	9.4	9.4	9.5	9.5
Parastatals	3.2	3.1	3.1	3.0	3.0	3.0	3.0	3.0	3.0	2.9
Pension funds	26.1	25.8	25.8	26.0	26.0	25.8	25.6	25.8	25.8	25.8
Other investors	8.5	8.5	8.5	8.4	8.4	8.5	8.5	7.7	8.7	8.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

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

	3-Jul-14	10-Jul-14	17-Jul-14	24-Jul-14	31-Jul-14	7-Aug-14	14-Aug-14	21-Aug-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,094	6,458	6,447	6,423	6,418	6,417	6,398	6,367
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.14	4.31	4.31	4.29	4.29	4.29	4.27	4.25

*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