



AUGUST 29, 2014

Highlights

The money market was tight during the week ending August 27, 2014 owing to minimal Government payments. However, liquidity situation improved slightly on August 27, 2014 after the Central Bank Liquidity Management Committee intervened in the repo market. The average interbank rate increased to 13.02 percent in the week ending August 27, 2014 from 12.24 percent the previous week on account of tight liquidity conditions in the money market.

The capital markets recorded a mixed performance in the week under review. Most equities leading indicators except FTSE NSE Price Index series improved. The bond segment leading indicators recorded similar performance.

Monetary Policy Operations

The money market was tight during the week ending August 27, 2014 owing to minimal Government payments. However, liquidity situation improved slightly on August 27, 2014 after the Central Bank Liquidity Management Committee intervened in the repo market. Reserve money averaged Ksh 320.3 billion during the week and was Ksh 27.8 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)
21-Aug-14	299.4	346.7	-47.2	0.0	0.0	0.0	0.0	0.0	299.5	-47.2	-56.1	8.9
22-Aug-14	296.7	346.7	-49.9	0.0	0.0	0.0	0.0	0.0	299.2	-47.4	-55.9	8.5
25-Aug-14	309.8	349.0	-39.3	0.0	0.0	0.0	0.0	0.0	315.6	-33.4	-39.7	6.3
26-Aug-14	312.6	349.0	-36.5	30.0	30.0	0.0	0.0	0.0	343.0	-6.0	-12.0	5.9
27-Aug-14	342.2	349.0	-6.9	0.0	0.0	0.0	0.0	0.0	344.3	-4.7	-10.0	5.3
Average	312.1	348.1	-36.0	30.0	30.0	0.0	0.0	0.0	320.3	-27.8	-34.8	7.0

Source: Central Bank of Kenya

Interbank and REPO Rates

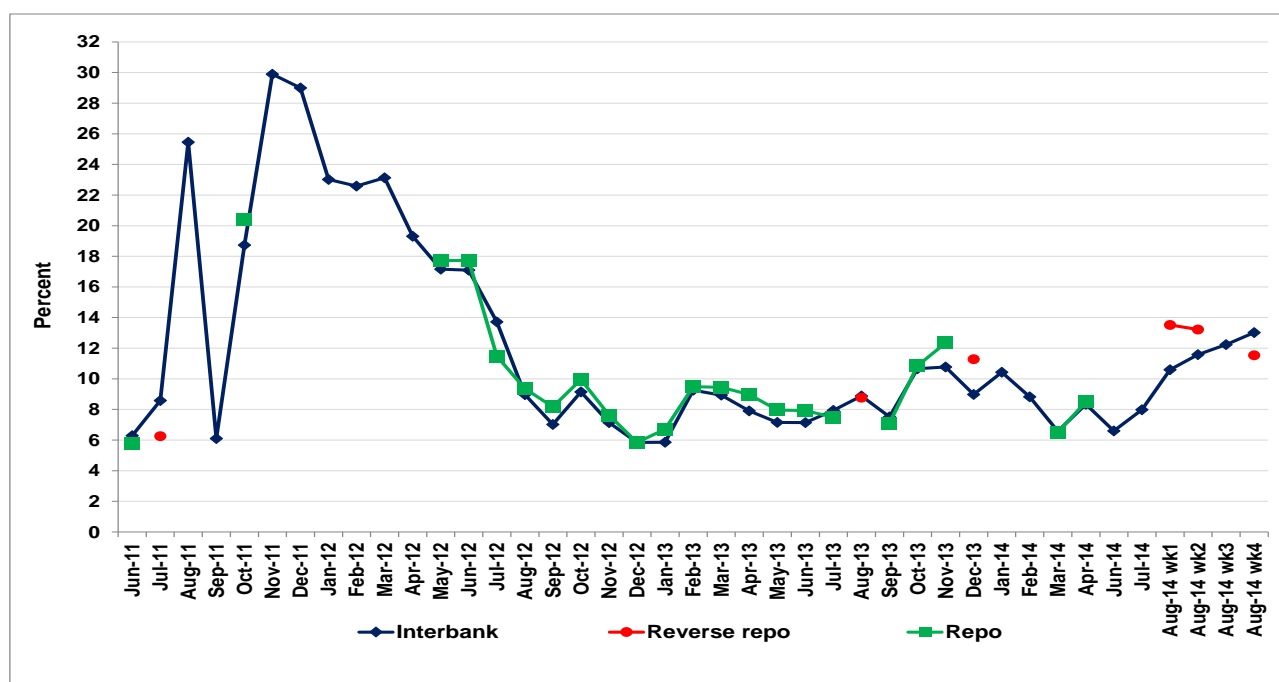
The average interbank rate increased to 13.02 percent in the week ending August 27, 2014 from 12.24 percent the previous week on account of tight liquidity conditions in the money market. The volume transacted decreased to Ksh 15.1 billion from Ksh 17.6 billion traded in the previous week whereas the average number of deals declined to 58 from 61 (**Table 2 and Chart A**).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
21-Aug-14	56	15,028	13.11
22-Aug-14	71	15,261	13.45
25-Aug-14	67	18,976	13.84
26-Aug-14	52	12,923	13.29
27-Aug-14	44	13,201	11.43
August 21, 2014 - August 27, 2014	58	15,078	13.02

Source: Central Bank of Kenya

CHART A: INTERBANK AND REPO INTEREST RATES

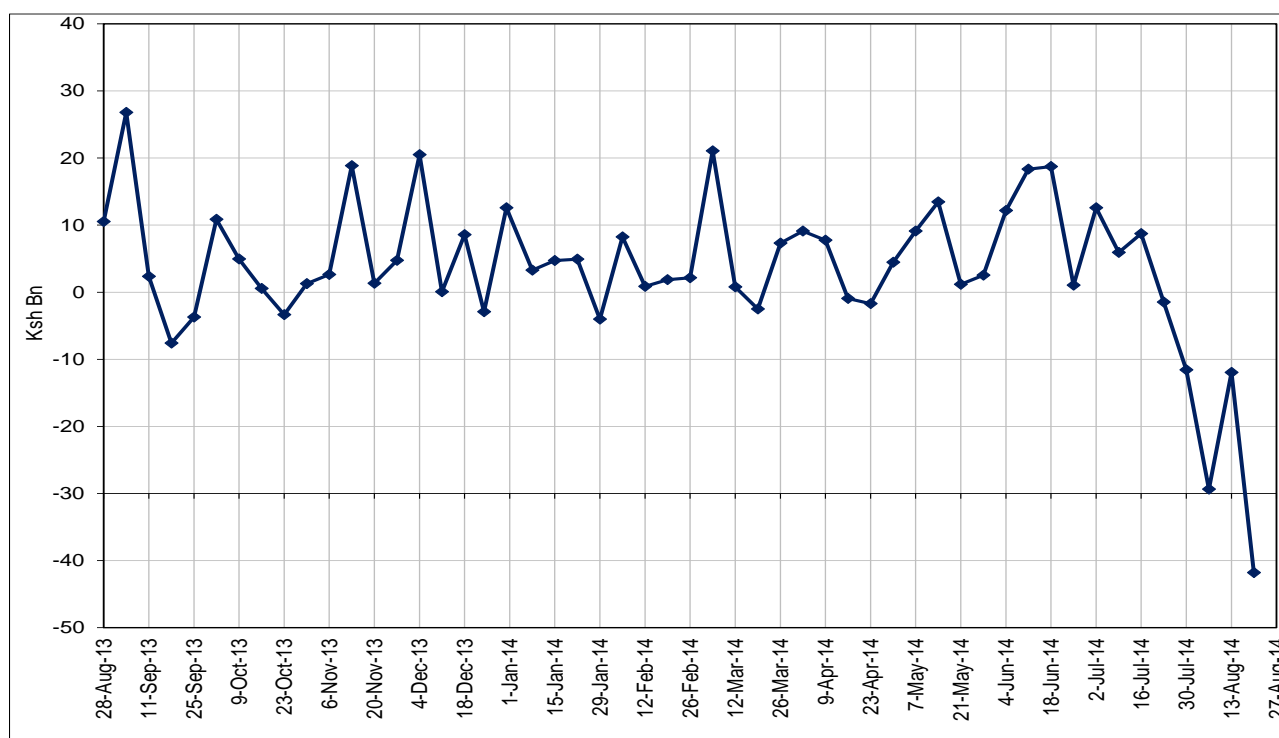


Source: Central Bank of Kenya

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) narrowed to Ksh 28.5 billion in the week ending August 27, 2014 from Ksh 41 billion recorded in the previous week on account of slight improvement in the liquidity situation after Central Bank intervention (**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 weakened marginally against the US Dollar by 0.23 percent and strengthened against the Pound Sterling by 0.27 percent, the Euro by 0.6 percent and the Japanese Yen by 0.68 percent during the week ending August 28, 2014. In the EAC region, the Kenya Shilling weakened against all EAC currencies (Table 3).

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TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
22-Aug-14	88.31	146.51	117.41	85.29	29.44	18.89	7.85	17.55
25-Aug-14	88.33	146.34	116.85	85.10	29.44	18.88	7.85	17.55
26-Aug-14	88.58	147.05	117.09	85.40	29.35	18.83	7.83	17.50
27-Aug-14	88.35	146.31	116.41	84.98	29.47	18.91	7.79	17.54
28-Aug-14	88.38	146.67	116.75	85.14	29.53	18.88	7.78	17.53
22-28 Aug 2014	88.39	146.58	116.90	85.18	29.45	18.88	7.82	17.53

Source: Central Bank of Kenya

Capital Markets

Equities market leading indicators made marginal gains in the week ending August 28, 2014. The Bonds market turnover declined by 4.78 percent compared to the previous week.

Equities Market

Both NSE 20 Share Price Index and NASI increased by 1.28 and 0.33 percent in the week ending August 28, 2014. Shareholders' wealth measured by market capitalization gained Ksh 11.04 billion. Similarly, equity turnover increased by Ksh 52.93 million (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

	17-Jul-14	24-Jul-14	31-Jul-14	7-Aug-14	14-Aug-14	21-Aug-14	28-Aug-14
NASI 100=2008	151.03	151.01	151.69	155.83	154.50	156.58	157.09
NSE 20 Share Index 100=1996	4,913.61	4,883.75	4,906.09	5,011.51	5,019.28	5,024.64	5,089.16
Number of Deals	9,287	9,825	8,063	11,366	11,466	10,999	10,984
Total Shares Traded (in Millions)	122.81	137.73	94.98	161.08	90.50	168.27	180.51
Equity Turnover (Ksh. Millions)	3,060.09	3,503.83	2,071.85	4,276.47	3,212.34	3,714.10	3,767.03
Market Capitalization (Ksh. Bn.)	2,116.11	2,115.84	2,125.31	2,183.34	2,176.72	2,193.59	2,204.63
Bonds Turnover (Ksh. Millions)	10,524.81	14,121.70	10,981.50	17,435.65	9,405.66	13,232.70	12,600.42
FTSE NSE Kenya 15 Index	197.56	196.17	198.38	206.78	203.40	203.51	203.20
FTSE NSE Kenya 25 Index	200.01	198.27	200.51	209.33	205.32	205.37	204.89
FTSE NSE Bond Index	93.39	93.14	93.02	92.87	93.17	93.59	93.61

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 0.31 points to close at 203.20 points from 203.51 points the

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previous week. FTSE NSE Kenya 25 Price Index, which measures 25 most liquid stocks at the NSE recorded a similar performance declining by 0.48 points to close at 204.89 points from 205.37 points. FTSE Government Bond Price Index gained 0.02 points to close at 93.61 points from 93.59 points reflecting declining yields in the secondary market.

Energy and Petroleum, Telecommunication and Technology, and Banking sectors were the top three most active, transacting 55.54 million or 41.08 percent, 36.44 million or 21.96 percent and 16.03 million or 11.86 percent, respectively. Automobiles and Accessories sector was least active with 92,500 shares traded in the period.

The Bond Market

Bonds' turnover at the NSE declined by 4.78 percent to Ksh 12,600.42 million from Ksh 13,232.70 million in the previous week. Corresponding deals declined to 128 from 131.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills						
Date of Auction	24-Jul-14	31-Jul-14	07-Aug-14	14-Aug-14	21-Aug-14	28-Aug-14
Amount offered (Ksh M)	3,000.00	3,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	753.17	2,913.74	1,013.40	3,017.99	1,250.94	1,250.94
Amount Accepted (Ksh M)	753.17	2,913.74	911.77	3,017.99	1,250.94	1,093.93
Maturities (Ksh M)	2,403.27	2,638.85	7,132.25	2,021.47	2,242.82	1,054.10
Average interest Rate (%)	8.694	8.475	8.244	8.234	8.209	8.200
182-Day Treasury Bills						
Date of Auction	23-Jul-14	30-Jul-14	06-Aug-14	13-Aug-14	20-Aug-14	27-Aug-14
Amount offered (Ksh M)	3,000.00	3,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	6535.17	5238.77	559.7	903.55	750.18	620.76
Amount Accepted (Ksh M)	3074.04	4665.27	462.78	903.55	750.18	620.76
Maturities (Ksh M)	609.81	816.75	3283.73	2959.4	3206.73	1972.1
Average interest Rate (%)	10.060	9.296	8.700	8.700	8.693	8.605
364-Day Treasury Bills						
Date of Auction	23-Jul-14	30-Jul-14	06-Aug-14	13-Aug-14	20-Aug-14	27-Aug-14
Amount offered (Ksh M)	3,000.00	3,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	4609.56	3841.45	6411.43	8904.00	1057.56	4463.70
Amount Accepted (Ksh M)	3706.30	1041.64	5025.63	6946.49	877.37	3107.05
Maturities (Ksh M)	2974.64	2569.35	6713.79	4194.83	3102.02	3470.56
Average interest Rate (%)	10.330	10.330	10.273	10.331	10.249	10.253
Treasury Bonds						
Date of Auction						
Tenor	30 Year SBD 3rd Re-open					
Amount offered (Ksh M)	20000.00					
Bids received (Ksh M)	1,753.53					
Amount Accepted (Ksh M)	1753.53					
Maturities (Ksh M)	-					
Average interest Rate (%)	13.775					

Source: Central Bank of Kenya

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TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	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	22nd August 2014
1. Treasury Bills (Excluding Repos)	282.4	293.1	299.4	308.0	312.7	316.9	311.6	321.2	309.9	311.7
(As % of total securities)	24.2	24.8	24.7	25.2	25.5	25.9	25.4	26.0	25.3	25.4
2. Treasury Bonds	886.9	886.9	914.8	914.8	914.8	906.5	914.4	914.4	914.4	914.4
(As % of total securities)	75.8	75.2	75.3	74.8	74.5	74.1	74.6	74.0	74.7	74.6
3. Total Securities (1+2)	1169.3	1180.0	1214.2	1222.7	1227.4	1223.4	1226.0	1235.6	1224.3	1226.1
4. Overdraft at Central Bank	39.1	39.1	37.5	29.0	24.8	30.5	31.2	13.0	24.9	22.6
5. Other Domestic debt*	31.6	31.6	31.6	31.6	32.9	32.9	32.9	32.9	31.8	31.8
6. Gross Domestic Debt (3+4+5)	1240.1	1250.8	1283.3	1283.4	1285.2	1286.8	1290.1	1281.4	1281.0	1280.5

* 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

	11-Jul-14	18-Jul-14	25-Jul-14	01-Aug-14	08-Aug-14	15-Aug-14	22-Aug-14
Treasury bills (Excluding Repos)	24.0	24.3	24.6	24.2	25.1	24.2	24.3
Treasury bonds	71.3	71.2	70.4	70.9	71.4	71.4	71.4
CBK Overdraft to Govt	2.3	1.9	2.4	2.4	1.0	1.9	1.8
Other domestic debt	2.5	2.6	2.6	2.5	2.6	2.5	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

	06-Jun-14	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	22-Aug-14
Banking Institutions	52.3	52.4	52.9	53.1	53.2	53.1	53.3	53.5	54.2	53.1	53.5	53.3
Insurance Companies	9.8	9.8	9.7	9.6	9.4	9.4	9.4	9.4	9.4	9.5	9.5	9.6
Parastatals	3.2	3.2	3.1	3.1	3.0	3.0	3.0	3.0	3.0	3.0	2.9	2.9
Pension funds	26.2	26.1	25.8	25.8	26.0	26.0	25.8	25.6	25.8	25.8	25.8	26.1
Other investors	8.5	8.5	8.5	8.5	8.4	8.4	8.5	8.5	7.7	8.7	8.2	8.1
Total	100.0	100.0	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	28-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	6,257
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	4.18

*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