



AUGUST 8, 2014

Highlights

The money market was relatively tight during the week ending August 6, 2014 on account of tax payments and delayed flows of government payments. The central bank liquidity management injected Ksh 23.0billion through reverse repos to support the money market. The average interbank rate increased to 10.59 percent in the week ending August 6, 2014 from 8.54 percent recorded in the previous week.

The capital markets registered positive performance in the week under review. All Equities and Bond segment leading indicators except FTSE NSE Bond Index improved.

Monetary Policy Operations

The money market was relatively tight during the week ending August 6, 2014 on account of tax payments and delayed flows of government payments. The central bank liquidity management injected Ksh 23.0 billion through reverse repos to support the money market. Reserve money averaged KSh 314.2 billion during the week and was KSh 27.2 billion below target (**Table 1**).

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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)	(10)=(9-2)	(11)	(12)
31-Jul-14	304.0	339.5	-35.5	0.0	0.0	0.0	0.0	0.0	304.5	-35.0	-16.0	-19.0
01-Aug-14	309.6	341.9	-32.3	0.0	0.0	0.0	0.0	0.0	305.6	-36.2	-49.5	13.2
04-Aug-14	303.1	341.9	-38.8	0.0	0.0	0.0	0.0	0.0	306.7	-35.2	-48.8	13.6
05-Aug-14	308.3	341.9	-33.6	0.0	0.0	0.0	0.0	8.0	321.4	-20.4	-35.7	15.3
06-Aug-14	315.5	341.9	-26.3	0.0	0.0	0.0	0.0	15.0	332.8	-9.1	-25.7	16.6
Average	308.1	341.4	-33.3	0.0	0.0	0.0	0.0	23.0	314.2	-27.2	-35.1	7.9

Source: Central Bank of Kenya

Interbank and REPO Rates

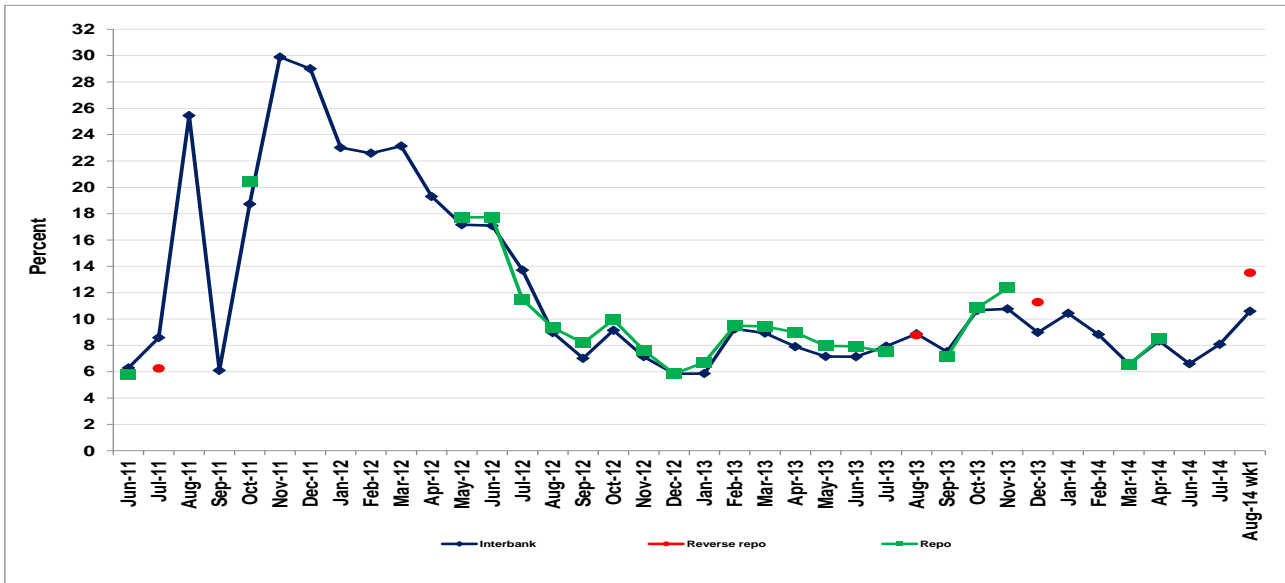
The average interbank rate increased to 10.59 percent in the week ending August 6, 2014 from 8.54 percent recorded in the previous week, whereas the volume transacted decreased to KSh18.6 billion from KSh 22.7 billion traded in the previous week. The average number of deals reduced to 59 from 65 (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
24-Jul-14	69	24,867	7.80
25-Jul-14	60	23,027	8.12
28-Jul-14	68	22,582	8.71
30-Jul-14	64	20,312	9.51
July 24, 2014 - July 30, 2014	65	22,697	8.54
31-Jul-14	67	26,479	10.10
01-Aug-14	66	21,232	10.13
04-Aug-14	65	22,257	10.52
05-Aug-14	63	15,482	10.76
06-Aug-14	34	7,517	11.46
July 31, 2014 - August 6, 2014	59	18,593	10.59

Source: Central Bank of Kenya

CHART A: INTERBANK AND REPO INTEREST RATES

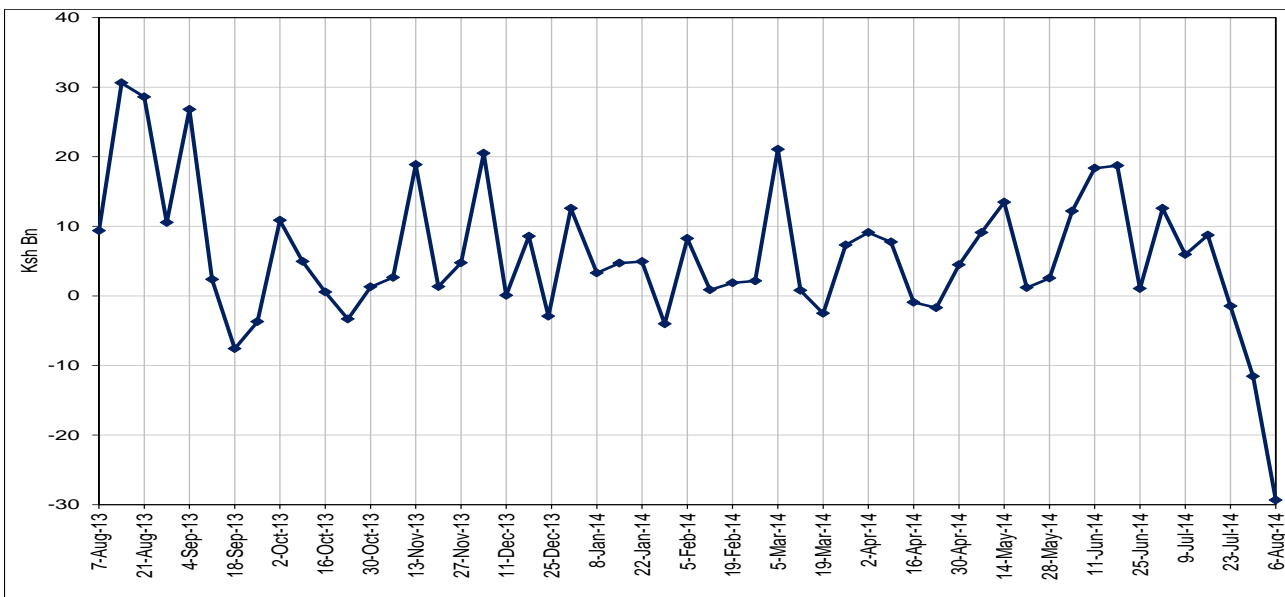


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a deficit of KSh 29.3 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 6, 2014 compared with a deficit of KSh 11.6 billion recorded in the previous week (**Chart B**). This reflects tightening in the money market due to the delayed government flows into the market, as commercial banks remitted taxes and invested in government securities.

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



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

During the week ending August 7, 2014, the Kenya Shilling strengthened against the Pound Sterling, the Euro and the Japanese Yen but weakened against the US Dollar. In the EAC region, the shilling weakened against all EAC currencies (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
25-Jul-14	87.80	149.27	118.28	86.30	29.99	18.94	7.84	17.65
28-Jul-14	87.69	149.86	119.39	86.33	29.99	18.93	7.86	17.68
30-Jul-14	87.74	148.74	117.66	85.94	29.95	18.95	7.87	17.64
31-Jul-14	87.80	148.58	117.64	85.54	29.90	18.92	7.84	17.65
25 - 31 July 2014	87.76	149.11	118.24	86.03	29.96	18.94	7.85	17.66
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
1-7 Aug 2014	87.83	148.04	117.66	85.60	29.86	18.91	7.84	17.58

Source: Central Bank of Kenya

Capital Markets

Equities market leading indicators had positive performance in the week ending August 7, 2014. Both NASI and NSE 20 Share Indices gained 2.7 percent and 2.1 percent respectively. Also, FTSE Kenya 15 and FTSE Kenya 25 Price Indices recorded a 4.2 percent and 4.4 percent increase respectively, while market capitalization gained Ksh 58.03 billion. Similarly, equity turnover increased by Ksh. 2,204.62 million on account of a 69.60 percent increase in total shares traded. FTSE NSE Bond Price Index declined by 0.15 points, while bonds turnover recorded a 58.77 percent increase from the previous weeks trading. Total number of bonds deals recorded a 66.1 percent increase.

Equities Market

NASI and NSE 20 Share Price Indices gained 4.14 points and 105.42 points respectively, in the week ending August 7, 2014. Similarly, shareholders' wealth measured by market capitalization increased by 2.73 percent and equity turnover went up by 106.41 percent.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	12-Jun-14	19-Jun-14	26-Jun-14	03-Jul-14	10-Jul-14	17-Jul-14	24-Jul-14	31-Jul-14	07-Aug-14
NASI 100= 2008	150.04	149.41	149.52	153.64	151.93	151.03	151.01	151.69	155.83
NSE 20 Share Index 100= 1996	4,811.00	4,797.42	4,856.35	4,884.69	4,898.29	4,913.61	4,883.75	4,906.09	5,011.51
Number of Deals	9,993	9,955	9,468	9,479	8,325	9,287	9,825.00	8,063.00	11,366.00
Total Shares Traded	155.99	168.35	182.74	152.12	177.99	122.81	137.73	94.98	161.08
Equity Turnover (Ksh. Millions)	4,370.91	4,093.96	4,122.50	4,299.40	3,843.61	3,060.09	3,503.83	2,071.85	4,276.47
Market Capitalization (Ksh. Bn.)	2,089.41	2,080.63	2,094.79	2,138.28	2,128.54	2,116.11	2,115.84	2,125.31	2,183.34
Bonds Turnover (Ksh. Millions)	7,002.43	3,377.60	12,978.24	3,682.35	10,380.10	10,524.81	14,121.70	10,981.50	17,435.65
FTSE NSE Kenya 15 Index	193.01	192.92	193.76	201.01	197.89	197.56	196.17	198.38	206.78
FTSE NSE Kenya 25 Index	194.63	194.58	195.14	203.50	200.04	200.01	198.27	200.51	209.33
FTSE NSE Bond Index	94.13	93.85	93.95	93.16	93.29	93.39	93.14	93.02	92.87

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, gained 8.40 points to close at 206.78 points from 198.38 points. Similarly, FTSE NSE Kenya 25 Price Index, which measures 25 most liquid stocks at the NSE gained 8.82 points to close at 209.33 points from 200.51 points. However, FTSE Government Bond Price Index declined for the third week in a row by 0.15 to 92.87 points from 93.02 points, reflecting rising yields in the secondary market.

Telecommunication and Technology, Banking, and Energy and Petroleum sectors were the top three most active, transacting Ksh. 61.43 million or 38.13 percent, Ksh. 40.43 million or 25.10 percent and Ksh. 13.1 million or 8.1 percent cent respectively. Agricultural sector was least active with 47,900 shares traded in the period.

The Bond Market

Bonds' turnover at the NSE increased by 58.77 percent to Ksh 17,435.65 million from Ksh 10,981.50 million of the previous week. Corresponding deals increased to 201 from 121.

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
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
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
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
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
Bids received (Ksh M)	4072.84	3564.88	6797.58	7433.26	6535.17	5238.77	559.7
Amount Accepted (Ksh M)	4072.84	3118.32	1812.46	4095.83	3074.04	4665.27	462.78
Maturities (Ksh M)	319.27	37.43	2492.78	2308.05	609.81	816.75	3283.73
Average interest Rate (%)	11.585	11.788	10.970	10.430	10.060	9.296	8.700
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
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
Bids received (Ksh M)	923.80	5787.00	10503.50	7952.65	4609.56	3841.45	6411.43
Amount Accepted (Ksh M)	923.80	3886.97	2080.45	3308.73	3706.30	1041.64	5025.63
Maturities (Ksh M)	431.01	2795.14	136.39	494.25	2974.64	2569.35	6713.79
Average interest Rate (%)	11.186	11.500	11.165	10.558	10.330	10.330	10.273
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

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	30th May 2014	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
1. Treasury Bills (Excluding Repos)	274.8	274.3	270.4	282.4	293.1	299.4	308.0	312.7	316.9	311.6
(As % of total securities)	23.7	23.6	23.4	24.2	24.8	24.7	25.2	25.5	25.9	25.4
2. Treasury Bonds	886.9	886.9	886.9	886.9	886.9	914.8	914.8	914.8	906.5	914.4
(As % of total securities)	76.3	76.4	76.6	75.8	75.2	75.3	74.8	74.5	74.1	74.6
3. Total Securities (1+2)	1161.7	1161.2	1157.3	1169.3	1180.0	1214.2	1222.7	1227.4	1223.4	1226.0
4. Overdraft at Central Bank	39.1	39.1	39.1	39.1	39.1	37.5	29.0	24.8	30.5	31.2
5. Other Domestic debt*	31.2	31.2	31.7	31.6	31.6	31.6	31.6	32.9	32.9	32.9
6. Gross Domestic Debt (3+4+5)	1232.0	1231.5	1228.1	1240.1	1250.8	1283.3	1283.4	1285.2	1286.8	1290.1

Source: Central Bank of Kenya

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TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	27-Jun-14	04-Jul-14	11-Jul-14	18-Jul-14	25-Jul-14	01-Aug-14
Treasury bills (Excluding Repos)	23.4	23.3	24.0	24.3	24.6	24.2
Treasury bonds	70.9	71.3	71.3	71.2	70.4	70.9
CBK Overdraft to Govt	3.1	2.9	2.3	1.9	2.4	2.4
Other domestic debt	2.5	2.5	2.5	2.6	2.6	2.5
TOTAL	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
Banking Institutions	52.3	52.4	52.9	53.1	53.2	53.1	53.3	53.5	54.2
Insurance Companies	9.8	9.8	9.7	9.6	9.4	9.4	9.4	9.4	9.4
Parastatals	3.2	3.2	3.1	3.1	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
Other investors	8.5	8.5	8.5	8.5	8.4	8.4	8.5	8.5	7.7
Total	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)

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

*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