



DECEMBER 11, 2014

Highlights

The money market was relatively liquid during the week ending December 10, 2014 supported by government payments and maturities of repo and term auction deposits. The Central Bank liquidity management withdrew liquidity of Ksh 13.7 billion through repo securities and term auction deposit to check the declining trend of the interbank rate. However, following an offsetting increase in net government payments and repo and TAD maturities of Ksh 24.1 billion, the average interbank rate decreased to 6.52 percent in the week ending December 10, 2014 from 6.90 percent recorded in the previous week.

The Nairobi Securities Exchange recorded declined performance during the week ended December 10, 2014. All indicators on both the bonds and equities segment recorded decline except.

Monetary Policy Operations

The money market was relatively liquid during the week ending December 10, 2014 supported by government payments and maturities of repo and term auction deposits. The Central Bank liquidity management withdrew liquidity of Ksh 13.7 billion through repo securities and term auction deposits against maturities of Ksh 24.1 billion. Reserve money averaged Ksh 340.7 billion during the week and was Ksh 9.0 billion below target (Table 1).

TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	4-Dec-14	5-Dec-14	8-Dec-14	9-Dec-14	10-Dec-14	Total
Liquidity Flows						
Total liquidity injection	2.7	11.9	27.5	10.5	8.2	60.7
Repos Maturities	0.0	7.6	5.0	4.6	1.5	18.6
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.0	0.4	1.3	1.9	2.0	5.6
T/bills redemptions	0.0	0.0	4.8	0.0	0.0	4.8
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	2.6	3.9	16.3	3.9	4.7	31.5
Total liquidity reduction	5.0	9.3	11.0	13.3	6.8	45.5
T/bills (Primary issues)	0.0	0.0	6.1	0.0	0.0	6.1
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
Repos	2.5	3.3	0.5	4.1	1.2	11.6
Term Auction Deposit	0.0	0.0	0.6	1.5	0.0	2.1
Transfer from Banks -Taxes	2.4	2.9	3.6	7.7	5.6	22.2
Net liquidity injection (+)/Withdrawal (-)	-2.3	2.5	16.5	-2.8	1.3	15.2
Open Market Operations Outcome						
Posted Amount	6.0	8.0	7.0	10.0	7.0	38.0
Realised Amount	2.5	3.4	1.1	5.6	1.2	13.7
Repo (-)	2.5	3.3	0.6	4.1	1.2	11.6
Term Auction Deposits (-)	0.0	0.0	0.6	1.5	0.0	2.1
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						Average
Reserve money (actual)	330.7	332.8	350.2	347.1	342.7	340.7
Reserve money target	348.8	348.8	350.4	350.4	350.4	349.8
Deviation from target	-18.0	-16.0	-0.2	-3.3	-7.7	-9.0
Commercial banks excess reserves Exc(+)/ Short(-)	2.9	3.3	19.9	15.8	11.0	10.6
Cash outside bank Exc(+)/ Short(-)	-21.0	-19.3	-20.1	-19.1	-18.7	-19.6

Source: Central Bank of Kenya

Source: Central Bank of Kenya

Interbank and REPO Rates

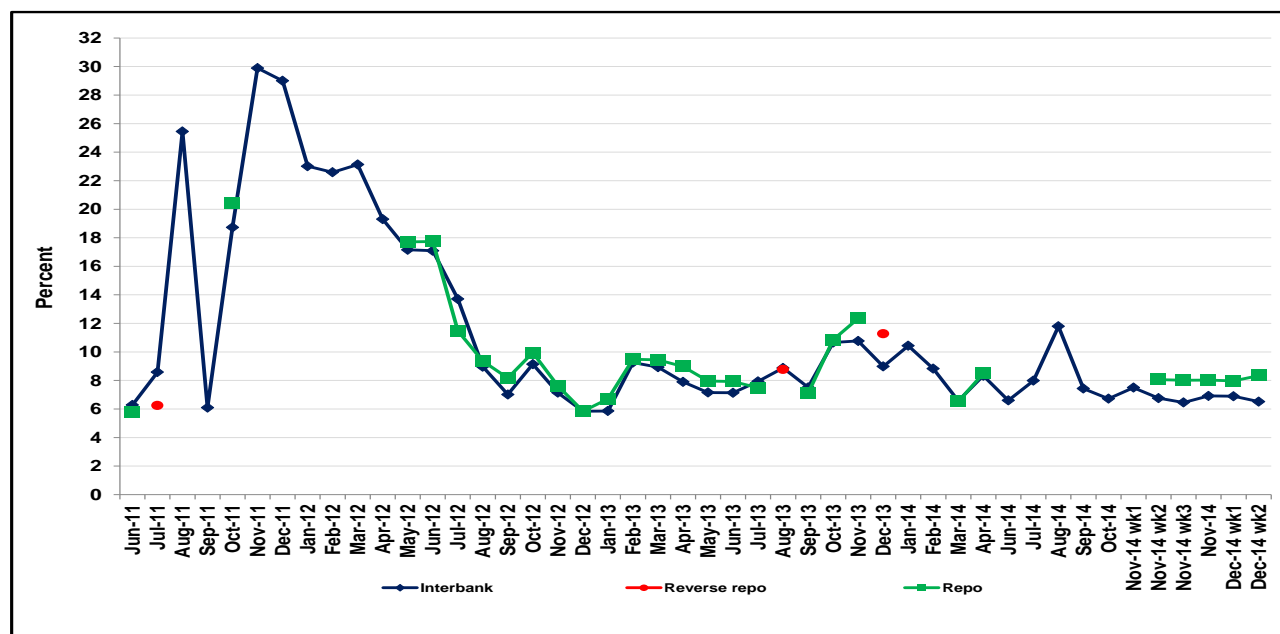
The average interbank rate decreased to 6.52 percent in the week ending December 10, 2014 from 6.90 percent recorded in the previous week largely reflecting increased liquidity from repo and TAD maturities. The volume transacted increased to Ksh 18.5 billion from Ksh 16.1 billion traded in the previous week while the number of deals declined marginally to 42 from 44 deals (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
27-Nov-14	51	18,025	7.18
28-Nov-14	61	21,866	7.00
1-Dec-14	34	14,595	6.94
2-Dec-14	35	12,920	6.76
3-Dec-14	41	13,100	6.60
November 27, 2014 - December 3, 2014	44	16,101	6.90
4-Dec-14	37	12,620	6.49
5-Dec-14	41	16,215	6.47
8-Dec-14	45	22,494	6.53
9-Dec-14	42	21,111	6.53
10-Dec-14	44	20,000	6.57
December 4, 2014 - December 10, 2014	42	18,488	6.52

Source: Central Bank of Kenya

The average repo rate increased to 8.34 percent in the week ending December 10, 2014 from 7.97 percent in the previous week (Chart A).

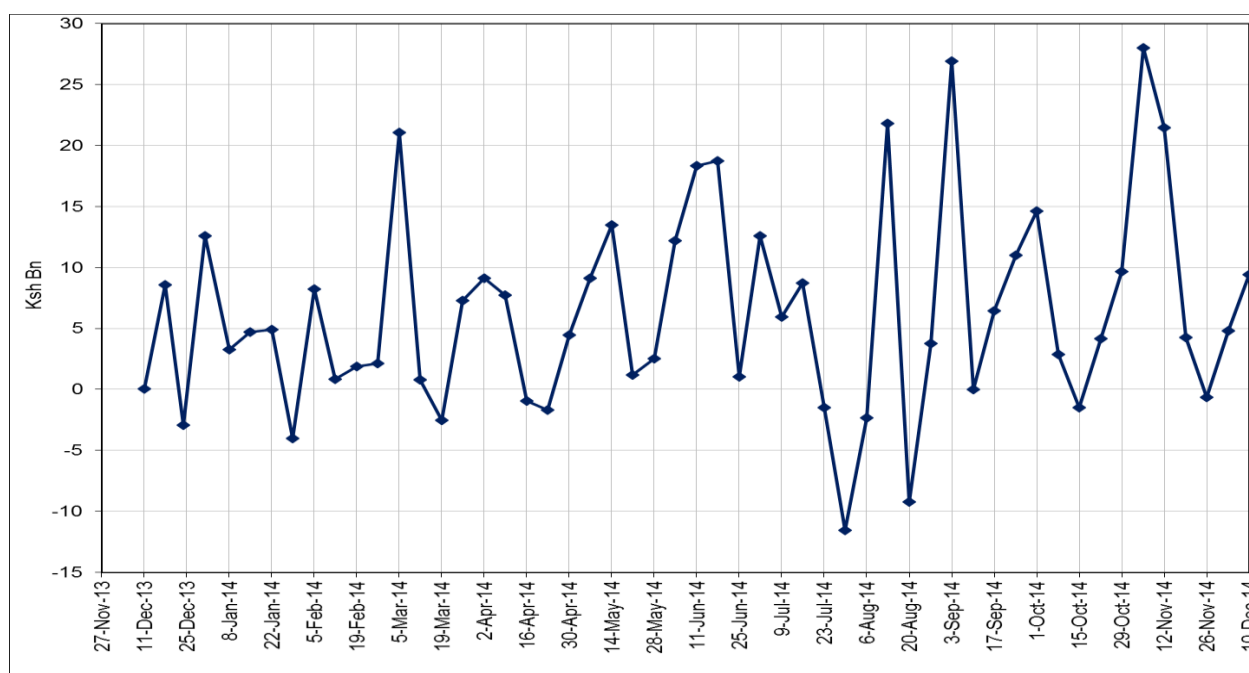
CHART A: INTERBANK AND REPO INTEREST RATES


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account balance increased during the week ending December 10, 2014, to Ksh 9.4 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 114.3 billion) from Ksh 4.8 billion recorded in the previous week (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 exchange rate depicted mixed performance against major international and EAC currencies during the week ending December 11, 2014. The shilling strengthened to the Euro and the Japanese Yen but weakened to the US Dollar and the Pound Sterling.

In the EAC region, the Kenya Shilling weakened to the Uganda and Tanzania shillings as well as the Rwanda Franc but remained unchanged to the Burundi Franc during the review period (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
28-Nov-14	90.18	141.68	112.28	76.27	30.81	19.33	7.64	17.41
1-Dec-14	90.19	141.11	112.27	76.28	30.79	19.37	7.64	17.24
2-Dec-14	90.24	141.75	112.48	76.33	30.68	19.38	7.63	17.40
3-Dec-14	90.33	141.35	111.80	75.73	30.61	19.31	7.63	17.24
4-Dec-14	90.22	141.48	111.03	75.24	30.59	19.41	7.64	17.26
28 Nov-4 Dec 2014	90.23	141.47	111.97	75.97	30.70	19.36	7.64	17.31
5-Dec-14	90.29	141.17	111.81	75.23	30.59	19.35	7.63	17.39
8-Dec-14	90.33	140.57	110.90	74.41	30.61	19.35	7.63	17.22
9-Dec-14	90.39	141.87	111.49	75.31	30.59	19.35	7.62	17.25
10-Dec-14	90.57	142.48	112.74	76.07	30.53	19.21	7.61	17.34
11-Dec-14	90.57	142.48	112.74	76.07	30.53	19.21	7.61	17.34
5 -11 Dec 2014	90.43	141.72	111.94	75.42	30.57	19.29	7.62	17.31

Source: Central Bank of Kenya

The Capital Markets

In the equities market segment, all indicators except *FTSE NSE 15 and 20 Index* recorded decline. Similarly, both Bonds Turnover and FTSE Kenya Government Bond Index declined.

Equities Market

The average share prices declined with NSE 20 Share Index losing 33.91 points and NASI losing 0.26 points in the week ended December 10, 2014 (Table 4). Shareholders' wealth measured by market capitalization decreased by Ksh 15.29 billion. Equity turnover declined by 53.42 percent on account of 68.12 percent decline in share supply.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	30-Oct-14	06-Nov-14	13-Nov-14	20-Nov-14	27-Nov-14	04-Dec-14	10-Dec-14
NASI 100= 2008	159.68	159.13	162.63	162.07	163.77	165.84	165.58
NSE 20 Share Index 100= 1996	5,233.42	5,075.93	5,123.45	5,145.28	5,132.26	5,169.88	5,135.97
Number of Deals	12,043	10,402	10,640	10,206	11,058	10,046	1,657
Total Shares Traded	112.82	140.38	146.50	204.81	131.36	217.97	128.49
Equity Turnover (Ksh. Millions)	3,514.21	3,515.37	3,140.01	3,711.16	3,843.14	5,710.13	3,657.26
Market Capitalization (Ksh. Bn.)	2,254.64	2,248.10	2,298.19	2,290.40	2,314.46	2,344.85	2,329.56
Bonds Turover (Ksh. Millions)	12,440.90	10,610.58	11,461.63	15,664.70	8,036.76	13,566.05	9,023.81
FTSE NSE Kenya 15 Index	208.21	205.56	210.69	210.63	213.93	216.59	219.26
FTSE NSE Kenya 25 Index	207.87	205.95	211.19	211.32	215.41	216.25	220.85
FTSE NSE Bond Index	93.33	93.90	92.44	93.10	93.20	93.76	93.04

Source: Nairobi Securities Exchange

FTSE NSE Kenya Price Index Series and Most Active Sectors

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed higher at 219.26 points from 216.59 points similarly, FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE closed higher at 220.85 points from 216.25 points. The FTSE Government Bond Index closed lower at 93.04 points from 93.76 in the previous week, reflecting increase in market yields.

Telecommunication and Technology, Banking, Manufacturing and Allied sectors were the top three most active, representing 57.40 percent, 21.00 percent and 6.5 percent of the total shares traded, respectively. Agricultural sector was least active, with 131,600 shares traded in the period.

The Bond Market

The bond's turnover declined by 56.52 percent to Ksh 9,023.81 million from Ksh 13,566.05 million in the previous week. The number of deals declined to 61 from the 160 deals traded last week.

TABLE 5: PERFORMANCE OF TREASURY SECURITIES AUCTIONS

91-Day Treasury Bills						
Date of Auction	6-Nov-14	13-Nov-14	20-Nov-14	27-Nov-14	4-Dec-14	11-Dec-14
Amount offered (Ksh M)	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Bids received (Ksh M)	11,117.40	4,812.80	4,502.93	2,353.75	2,674.88	1,995.21
Amount Accepted (Ksh M)	3,643.06		4,502.93	1,131.09	1,448.25	1,975.66
Maturities (Ksh M)	909.31	3,017.70	1,267.80	1,075.55	1,152.48	3,218.45
Average interest Rate (%)	8.696	8.609	8.597	8.605	8.615	8.595
182-Day Treasury Bills						
Date of Auction	5-Nov-14	12-Nov-14	19-Nov-14	26-Nov-14	3-Dec-14	10-Dec-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	2871.53	5027.48	1152.28	4226.59	863.01	1155.84
Amount Accepted (Ksh M)	2680.41	4540.09	1152.28	4226.59	863.01	1155.84
Maturities (Ksh M)	1423	4760.29	695.6	3576.25	492.69	6787.35
Average interest Rate (%)	9.183	9.211	9.201	9.286	9.318	9.450
364-Day Treasury Bills						
Date of Auction	5-Nov-14	12-Nov-14	19-Nov-14	26-Nov-14	3-Dec-14	10-Dec-14
Amount offered (Ksh M)	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Bids received (Ksh M)	8171.93	6039.16	4098.14	2345.52	4291.11	4375.51
Amount Accepted (Ksh M)	7465.73	5540.80	4098.14	4098.14	3811.25	4375.51
Maturities (Ksh M)	2237.53	2439.53	2880.55	2880.55	3170.82	3049.5
Average interest Rate (%)	10.242	10.212	10.244	11.244	10.285	10.388
Treasury Bonds						
Date of Auction	29-Oct-14		12-Nov-14			
Tenor	12 yr IFB 2nd TAP sale	12 yr IFB 2nd TAP sale	15 year Fxd			
Amount offered (Ksh M)	20000	20000	15000			
Bids received (Ksh M)	6991.13	1572.88	11897.41			
Amount Accepted (Ksh M)	6991.13	1572.88	10708.89			
Maturities (Ksh M)	0	0	0			
Average interest Rate (%)	11.263	11.263	12.422			

Source: Central Bank of Kenya

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TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	24th October 2014	31st October 2014	7th November 2014	14th November 2014	21st November 2014	28th November 2014	5th December 2014
1. Treasury Bills (Excluding Repos)	283.35	283.90	283.17	293.02	296.60	302.00	298.02
(As % of total securities)	23.55	23.54	23.29	23.76	24.67	24.05	24.54
2. Treasury Bonds	919.85	922.10	932.89	939.98	905.87	953.70	916.49
(As % of total securities)	76.45	76.46	76.71	76.24	75.33	75.95	75.46
3. Total Securities (1+2)	1,203.20	1,206.00	1,216.06	1,232.99	1,202.47	1,255.70	1,214.50
4. Overdraft at Central Bank	20.99	18.30	19.78	10.85	11.09	16.49	18.46
5. Other Domestic debt*	30.61	30.61	30.60	29.99	65.70	30.01	67.21
6. Gross Domestic Debt (3+4+5)	1,254.80	1,254.91	1,266.44	1,273.84	1,279.26	1,302.20	1,300.17

* 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

	17-Oct-14	24-Oct-14	31-Oct-14	07-Nov-14	14-Nov-14	21-Nov-14	28-Nov-14	05-Dec-14
Treasury bills (Excluding Repos)	22.5	22.6	22.6	22.4	23.0	23.2	23.2	22.9
Treasury bonds	73.5	73.3	73.5	73.7	73.8	70.8	73.2	70.5
CBK Overdraft to Govt	1.5	1.7	1.5	1.6	0.9	0.9	1.3	1.4
Other domestic debt	2.4	2.4	2.4	2.4	2.4	5.1	2.3	5.2
TOTAL	100.0	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

	17-Oct-14	24-Oct-14	31-Oct-14	07-Nov-14	14-Nov-14	21-Nov-14	28-Nov-14	05-Dec-14
Banking Institutions	52.5	52.8	52.6	52.9	52.8	53.3	53.6	53.7
Insurance Companies	10.2	10.0	10.2	10.1	10.1	10.0	9.9	9.9
Parastatals	2.9	2.9	2.9	2.9	2.8	2.8	2.8	2.8
Pension funds	25.7	25.6	25.3	24.8	24.8	24.4	24.5	24.3
Other investors	8.7	8.7	9.1	9.3	9.4	9.4	9.3	9.3
Total	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)

	02-Oct-14	23-Oct-14	30-Oct-14	06-Nov-14	13-Nov-14	20-Nov-14	27-Nov-14	04-Dec-14	11-Dec-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,160	7,090	7,089	7,035	7,011	6,961	6,901	6,837	6,789
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.72	4.68	4.68	4.59	4.58	4.54	4.50	4.46	4.43

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya