



DECEMBER 19, 2014

Highlights

The money market was relatively liquid during the week ending December 17, 2014 supported largely by maturities of repo and term auction deposits. The Central Bank liquidity management withdrew liquidity of Ksh 23.8 billion through repo securities and term auction deposit. The average interbank rate edged upwards to 6.68 percent in the week ending December 17, 2014 from 6.52 percent recorded in the previous week.

The Nairobi Securities Exchange recorded mixed performance during the week ended December 18, 2014. Most key indicators on both the bonds and equities segment recorded a decline.

Monetary Policy Operations

The money market was relatively liquid during the week ending December 17, 2014 supported largely by maturities of repo and term auction deposits. The Central Bank liquidity management withdrew liquidity of Ksh 23.8 billion through repo securities and term auction deposit. Reserve money averaged Ksh 340.6 billion during the week and was Ksh 10.6 billion below target (Table 1).

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

	11-Dec-14	15-Dec-14	16-Dec-14	17-Dec-14	Total
Liquidity Flows					
Total liquidity injection	8.2	4.7	25.8	10.7	49.3
Repos Maturities	1.5	2.5	2.9	4.1	10.9
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	2.0	0.0	5.4	4.4	11.9
T/bills redemptions	0.0	0.0	12.4	0.0	12.4
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0
Govt payments	4.7	2.2	4.6	2.2	13.7
Total liquidity reduction	6.8	6.6	25.1	15.9	54.4
T/bills (Primary issues)	0.0	0.0	7.5	0.0	7.5
Tbonds Sales	0.0	0.0	0.0	0.0	0.0
Repos	1.2	0.1	12.0	3.5	16.8
Term Auction Deposit	0.0	0.3	2.7	4.0	6.9
Transfer from Banks -Taxes	5.6	6.1	2.8	3.9	18.5
Net liquidity injection (+)/Withdrawal (-)	1.3	-1.9	0.8	-5.3	-5.1
Open Market Operations Outcome					
Posted Amount	5.0	15.0	10.0	4.0	34.0
Realised Amount	1.2	0.4	14.7	7.5	23.8
Repo (-)	1.2	0.1	12.0	3.5	16.8
Term Auction Deposits (-)	0.0	0.3	2.7	4.0	6.9
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0
Reserve Money Position					Average
Reserve money (actual)	342.7	341.0	342.6	336.0	340.6
Reserve money target	350.4	350.4	352.1	352.1	351.2
Deviation from target	-7.7	-9.4	-9.5	-16.0	-10.6
Commercial banks excess reserves Exc(+)/ Short(-)	11.0	7.6	7.4	2.0	7.0
Cash outside bank Exc(+)/ Short(-)	-18.7	-17.0	-16.9	-18.0	-17.6

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate edged upwards to 6.68 percent in the week ending December 17, 2014 from 6.52 percent recorded in the previous week. The volume transacted decreased to Ksh 18.2 billion from Ksh 18.3 billion traded in the previous week while the number of deals increased to 49 from 42 deals (Table 2 and Chart A).

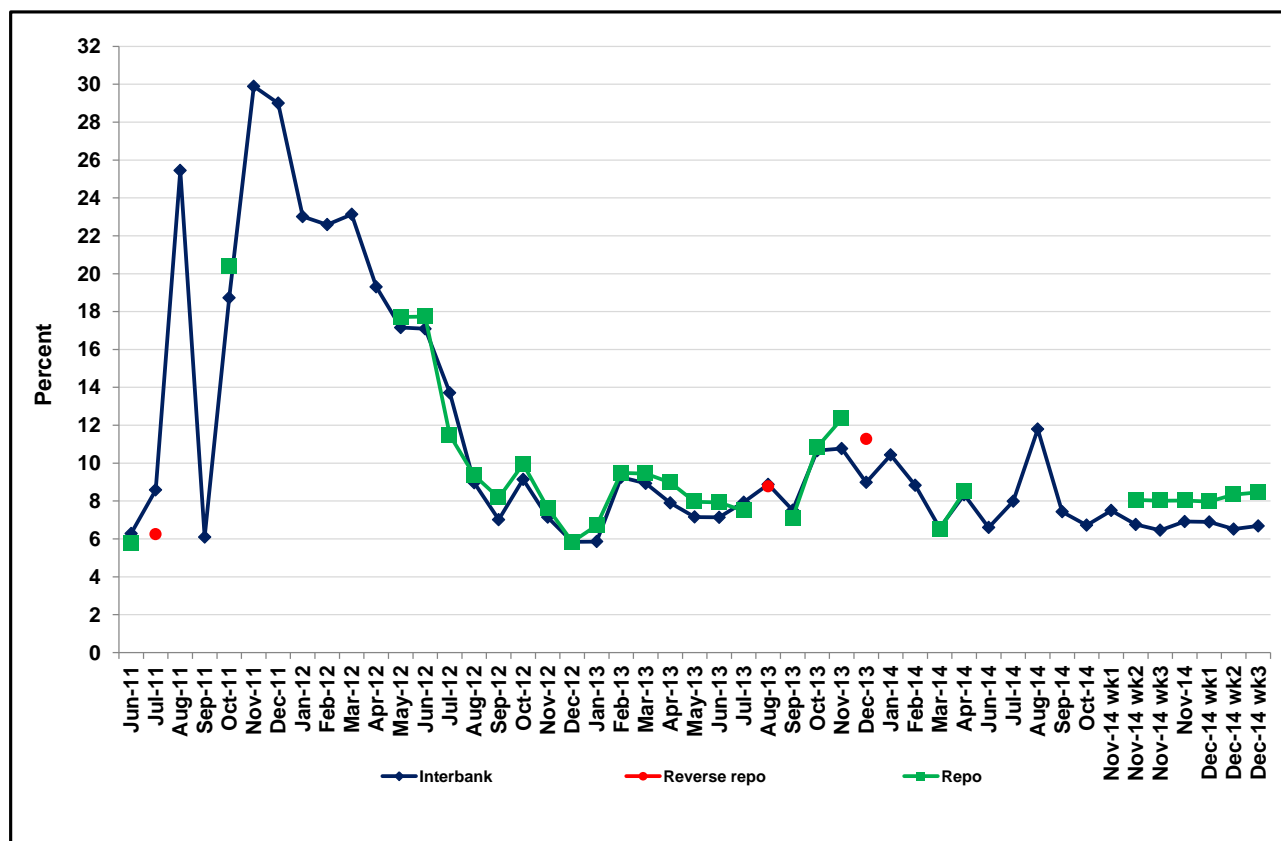
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
11-Dec-14	71	26,625	6.82
15-Dec-14	34	14,190	6.63
16-Dec-14	44	15,924	6.58
17-Dec-14	45	16,445	6.71
December 11, 2014 - December 17, 2014	49	18,296	6.68

Source: Central Bank of Kenya

The average repo rate increased to 8.46 percent in the week ending December 17, 2014 from 8.34 percent in the previous week (Chart A).

CHART A: INTERBANK AND REPO INTEREST RATES

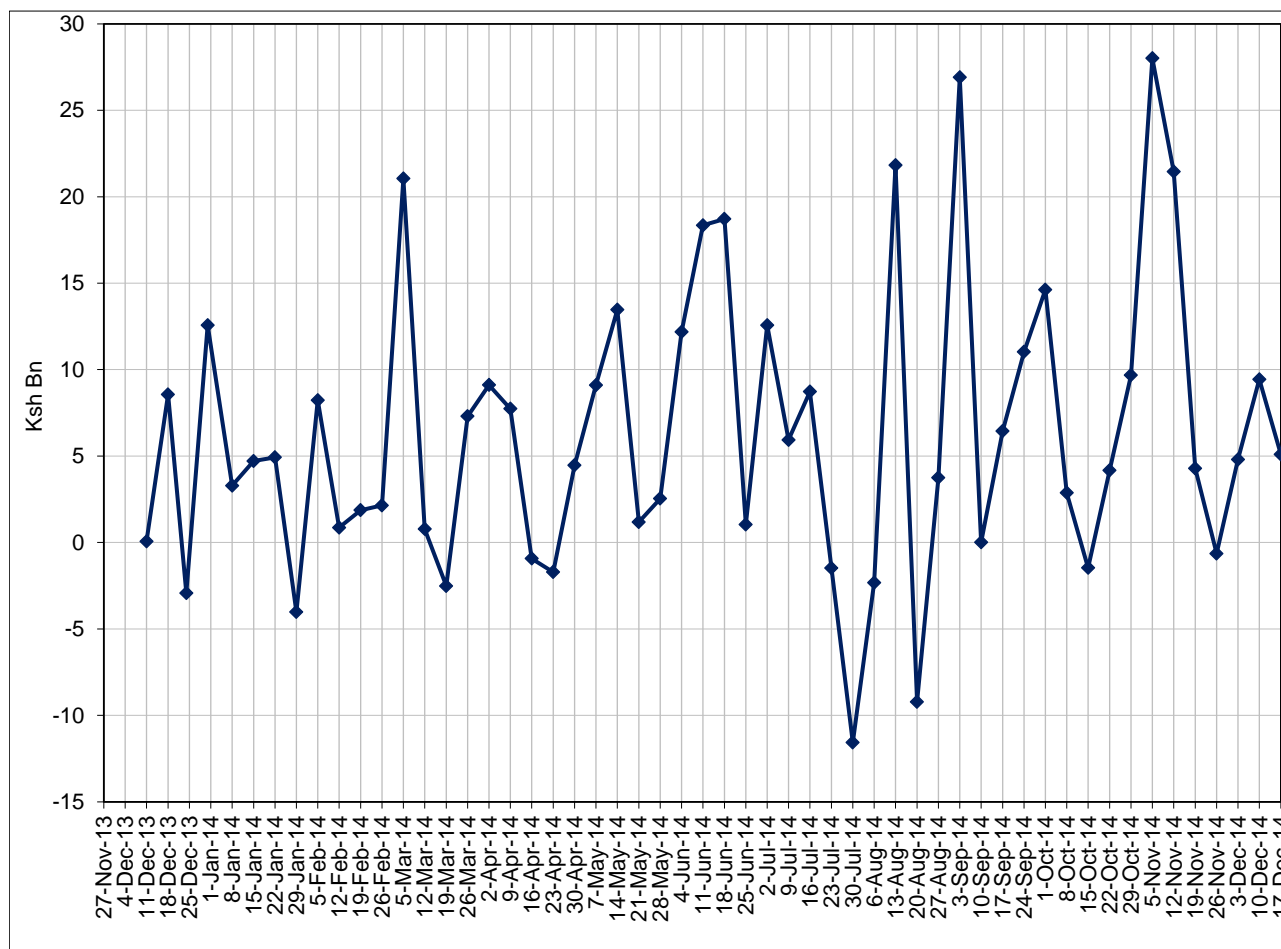


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account balance declined during the week ending December 17, 2014, to Ksh 5.1 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 115.6 billion) from Ksh 9.4 billion recorded in the previous week (Chart B). The decline is attributed to remittance of taxes by banks.

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 weakened against major international currencies, but depicted a mixed performance against the EAC currencies during the week ending December 18, 2014. The shilling weakened to the US Dollar, the Euro, the Pound Sterling and the Japanese Yen.

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

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TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
15-Dec-14	90.53	142.48	112.65	76.39	30.60	19.05	7.61	17.34
16-Dec-14	90.63	141.99	112.85	77.27	30.62	18.98	7.60	17.32
17-Dec-14	90.59	142.45	113.15	77.43	30.69	18.93	7.61	17.33
18-Dec-14	90.45	141.15	111.61	76.24	30.71	18.81	7.62	17.19
15 -18 Dec 2014	90.55	142.02	112.56	76.83	30.65	18.94	7.61	17.30

Source: Central Bank of Kenya

The Capital Markets

All price indices in the equities market segment recorded a decline. Similarly, all indicators in the Bonds segment except FTSE Government Bond Index declined.

Equities Market

The average share prices declined with NSE 20 Share Index losing 8.02 points and NASI losing 178.45 points in the week ended December 18, 2014 (Table 4). Shareholders' wealth measured by market capitalization decreased by Ksh 105 billion. However, equity turnover increased by 135.02 percent on account of 99.05 percent increase in share supply.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	23-Oct-14	30-Oct-14	6-Nov-14	13-Nov-14	20-Nov-14	27-Nov-14	4-Dec-14	10-Dec-14	18-Dec-14
NASI 100=2008	160.86	159.68	159.13	162.63	162.07	163.77	165.84	165.58	157.56
NSE 20 Share Index 100=1996	5,259.43	5,233.42	5,075.93	5,123.45	5,145.28	5,132.26	5,169.88	5,135.97	4,957.52
Number of Deals	9,319	12,043	10,402	10,640	10,206	11,058	10,046	1,657	10,184
Total Shares Traded (in Millions)	87.62	112.82	140.38	146.50	204.81	131.36	217.97	128.49	255.76
Equity Turnover (Ksh. Millions)	2,458.87	3,514.21	3,515.37	3,140.01	3,711.16	3,843.14	5,710.13	3,657.26	8,595.22
Market Capitalization (Ksh. Bn.)	2,270.06	2,254.64	2,248.10	2,298.19	2,290.40	2,314.46	2,344.85	2,329.56	2,224.56
Bonds Turnover (Ksh. Millions)	3,279.26	12,440.90	10,610.58	11,461.63	15,664.70	8,036.76	13,566.05	9,023.81	8,699.40
FTSE NSE Kenya 15 Index	208.50	208.21	205.56	210.69	210.63	213.93	216.59	219.26	211.38
FTSE NSE Kenya 25 Index	208.87	207.87	205.95	211.19	211.32	215.41	216.25	220.85	212.82
FTSE NSE Bond Index	91.88	93.33	93.9	92.44	93.1	93.2	93.76	93.04	93.52

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 lower at 211.38 points from 219.26 points. Similarly, FTSE NSE

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Kenya 25 Index, which measures 25 most liquid stocks at the NSE closed lower at 212.82 points from 220.85 points. However, the FTSE Government Bond Index closed higher at 93.52 points from 93.04 in the previous week, reflecting a decline in market yields.

Telecommunication and Technology, Banking and insurance sectors were the top three most active counters, representing 46.02 percent, 33.05 percent and 6.86 percent of the total shares traded, respectively. Automobiles and Accessories sector was least active, with 189,200 shares traded in the period.

The Bond Market

Bond turnover declined by 3.6 percent to Ksh 8,699.40 million from Ksh 9,023.81 million traded in the previous week. The number of deals increased to 63 from 61 deals traded last week (Table 5).

TABLE 5: PERFORMANCE OF TREASURY SECURITIES AUCTIONS

91-Day Treasury Bills								
Date of Auction	30-Oct-14	6-Nov-14	13-Nov-14	20-Nov-14	27-Nov-14	4-Dec-14	11-Dec-14	18-Dec-14
Amount offered (Ksh M)	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Bids received (Ksh M)	458.49	11,117.40	4,812.80	4,502.93	2,353.75	2,674.88	1,995.21	1,625.12
Amount Accepted (Ksh M)	458.49	3,643.06		4,502.93	1,131.09	1,448.25	1,975.66	1,625.12
Maturities (Ksh M)	2,975.30	909.31	3,017.70	1,267.80	1,075.55	1,152.48	3,218.45	2,272.25
Average interest Rate (%)	8.670	8.696	8.609	8.597	8.605	8.615	8.595	8.513
182-Day Treasury Bills								
Date of Auction	29-Oct-14	5-Nov-14	12-Nov-14	19-Nov-14	26-Nov-14	3-Dec-14	10-Dec-14	17-Dec-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	992.92	2871.53	5027.48	1152.28	4226.59	863.01	1155.84	1089.93
Amount Accepted (Ksh M)	754.97	2680.41	4540.09	1152.28	4226.59	863.01	1155.84	1089.93
Maturities (Ksh M)	4365.25	1423	4760.29	695.6	3576.25	492.69	6787.35	2873.2
Average interest Rate (%)	9.105	9.183	9.211	9.201	9.286	9.318	9.450	9.517
364-Day Treasury Bills								
Date of Auction	29-Oct-14	5-Nov-14	12-Nov-14	19-Nov-14	26-Nov-14	3-Dec-14	10-Dec-14	17-Dec-14
Amount offered (Ksh M)	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Bids received (Ksh M)	7091.10	8171.93	6039.16	4098.14	2345.52	4291.11	4375.51	4888.85
Amount Accepted (Ksh M)	6511.06	7465.73	5540.80	4098.14	4098.14	3811.25	4375.51	3988.51
Maturities (Ksh M)	1766.7	2237.53	2439.53	2880.55	2880.55	3170.82	3049.5	111.9
Average interest Rate (%)	10.257	10.242	10.212	10.244	11.244	10.285	10.388	10.388
Treasury Bonds								
Date of Auction	29-Oct-14		12-Nov-14		17-Dec-14			
Tenor	12 yr IFB 1st TAP sale	12 yr IFB 2nd TAP sale	12 yr IFB 2nd TAP sale	15 year Fxd		2 year Fxd	15 year Fxd	
Amount offered (Ksh M)	20000	20000	20000	15000		20000		
Bids received (Ksh M)	10789.6	6991.13	1572.88	11897.41		13113.27	13900.02	
Amount Accepted (Ksh M)	10640.6	6991.13	1572.88	10708.89		8905.12	11920.73	
Maturities (Ksh M)	0	0	0	0		20774		
Average interest Rate (%)	11.263	11.263	11.263	12.422		10.890	12.766	

Source: Central Bank of Kenya

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TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	10th October 2014	17th October 2014	24th October 2014	31st October 2014	7th November 2014	14th November 2014	21st November 2014	28th November 2014	5th December 2014	11th December 2014
1. Treasury Bills (Excluding Repos)	281.49	282.09	283.35	283.90	283.17	293.02	296.60	302.00	298.02	299.40
(As % of total securities)	23.43	23.47	23.55	23.54	23.29	23.76	24.67	24.05	23.81	23.89
2. Treasury Bonds	919.85	919.85	919.85	922.10	932.89	939.98	905.87	953.70	953.70	953.70
(As % of total securities)	76.57	76.53	76.45	76.46	76.71	76.24	75.33	75.95	76.19	76.11
3. Total Securities (1+2)	1,201.35	1,201.95	1,203.20	1,206.00	1,216.06	1,232.99	1,202.47	1,255.70	1,251.71	1,253.10
4. Overdraft at Central Bank	18.35	18.90	20.99	18.30	19.78	10.85	11.09	16.49	18.46	17.62
5. Other Domestic debt*	30.61	30.62	30.61	30.61	30.60	29.99	65.70	30.01	30.00	30.01
6. Gross Domestic Debt (3+4+5)	1,250.31	1,251.46	1,254.80	1,254.91	1,266.44	1,273.84	1,279.26	1,302.20	1,300.17	1,300.73

* 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

	24-Oct-14	31-Oct-14	7-Nov-14	14-Nov-14	21-Nov-14	28-Nov-14	5-Dec-14	11-Dec-14
Treasury bills (Excluding Repos)	22.6	22.6	22.4	23.0	23.2	23.2	22.9	23.0
Treasury bonds	73.3	73.5	73.7	73.8	70.8	73.2	70.5	73.3
CBK Overdraft to Govt	1.7	1.5	1.6	0.9	0.9	1.3	1.4	1.4
Other domestic debt	2.4	2.4	2.4	2.4	5.1	2.3	5.2	2.3
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

	24-Oct-14	31-Oct-14	7-Nov-14	14-Nov-14	21-Nov-14	28-Nov-14	5-Dec-14	11-Dec-14
Banking Institutions	52.8	52.6	52.9	52.8	53.3	53.6	53.7	53.7
Insurance Companies	10.0	10.2	10.1	10.1	10.0	9.9	9.9	9.9
Parastatals	2.9	2.9	2.9	2.8	2.8	2.8	2.8	2.8
Pension funds	25.6	25.3	24.8	24.8	24.4	24.5	24.3	24.3
Other investors	8.7	9.1	9.3	9.4	9.4	9.3	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)

	16-Oct-14	23-Oct-14	30-Oct-14	6-Nov-14	13-Nov-14	20-Nov-14	27-Nov-14	4-Dec-14	11-Dec-14	18-Dec-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,097	7,090	7,089	7,035	7,011	6,961	6,901	6,837	6,789	6,731
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.68	4.68	4.68	4.59	4.58	4.54	4.50	4.46	4.43	4.39

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya