



DECEMBER 24, 2014

Highlights

Liquidity in the money market was relatively tight during the week ending December 23, 2014 on account of tax remittances by banks. Reflective of the liquidity tightness, the average interbank rate increased to 7.14 percent in the week ending December 23, 2014 from 6.68 percent recorded in the previous week.

The capital markets recorded mixed performance during the week ending December 23, 2014. Most key indicators on both the bonds and equities segments declined.

Monetary Policy Operations

Liquidity in the money market was relatively tight during the week ending December 23, 2014 on account of tax remittances by banks. The Central Bank Liquidity Management stayed out of the money market in order to allow the market redistribute the available liquidity. Reserve money averaged Ksh 333.1 billion during the week and was Ksh 19.7 billion below target (Table 1).

CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

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

	18-Dec-14	19-Dec-14	22-Dec-14	23-Dec-14	Total
Liquidity Flows					
Total liquidity injection	4.3	7.9	57.8	10.9	80.9
Repos Maturities	0.1	0.0	12.0	3.5	15.6
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.0	0.0	0.8	4.2	5.0
T/bills redemptions	0.0	0.0	5.1	0.0	5.1
T/bonds redemptions	0.0	0.0	20.8	0.0	20.8
Govt payments	4.0	4.2	11.1	0.0	19.3
Total liquidity reduction	7.7	18.7	36.7	13.3	76.3
T/bills (Primary issues)	0.0	0.0	0.0	0.0	0.0
Tbonds Sales	0.0	0.0	20.8	0.0	20.8
Repos	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	7.5	18.4	5.6	13.1	44.5
Net liquidity injection (+)/Withdrawal (-)	-3.4	-10.8	21.1	-2.3	4.6
Open Market Operations Outcome					
Posted Amount	0.0	0.0	0.0	0.0	0.0
Realised Amount	0.0	0.0	0.0	0.0	0.0
Repo (-)	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	0.0	0.0	0.0	0.0
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0
Reserve Money Position					Average
Reserve money (actual)	331.9	321.0	341.5	338.0	333.1
Reserve money target	352.1	352.1	353.7	353.7	352.9
Deviation from target	-20.2	-31.0	-12.2	-15.6	-19.7
Commercial banks excess reserves Exc(+)/ Short(-)	-2.1	-13.5	6.1	-0.3	-2.5
Cash outside bank Exc(+)/ Short(-)	-18.1	-17.5	-18.2	-15.3	-17.3

Source: Central Bank of Kenya

Interbank and REPO Rates

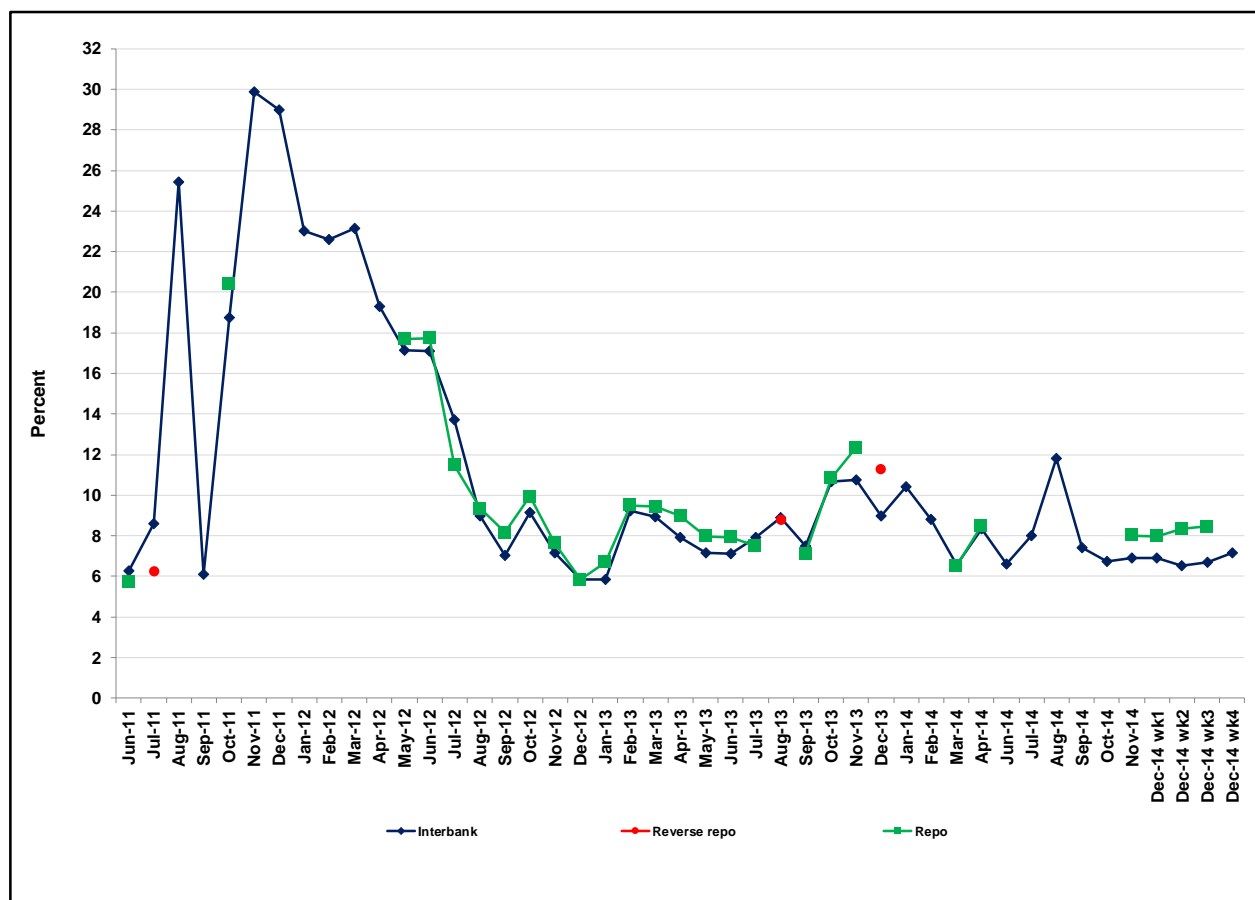
The average interbank rate increased to 7.14 percent in the week ending December 23, 2014 from 6.68 percent recorded in the previous week. The volume transacted rose marginally to Ksh 19.1 billion from Ksh 18.3 billion traded in the previous week, while the number of deals increased to 59 from 49 deals (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
18-Dec-14	51	17,669	6.93
19-Dec-14	64	20,455	7.03
22-Dec-14	59	19,095	7.24
23-Dec-14	61	19,006	7.37
December 18, 2014 - December 23, 2014	59	19,056	7.14

Source: Central Bank of Kenya

CHART A: INTERBANK AND REPO INTEREST RATES

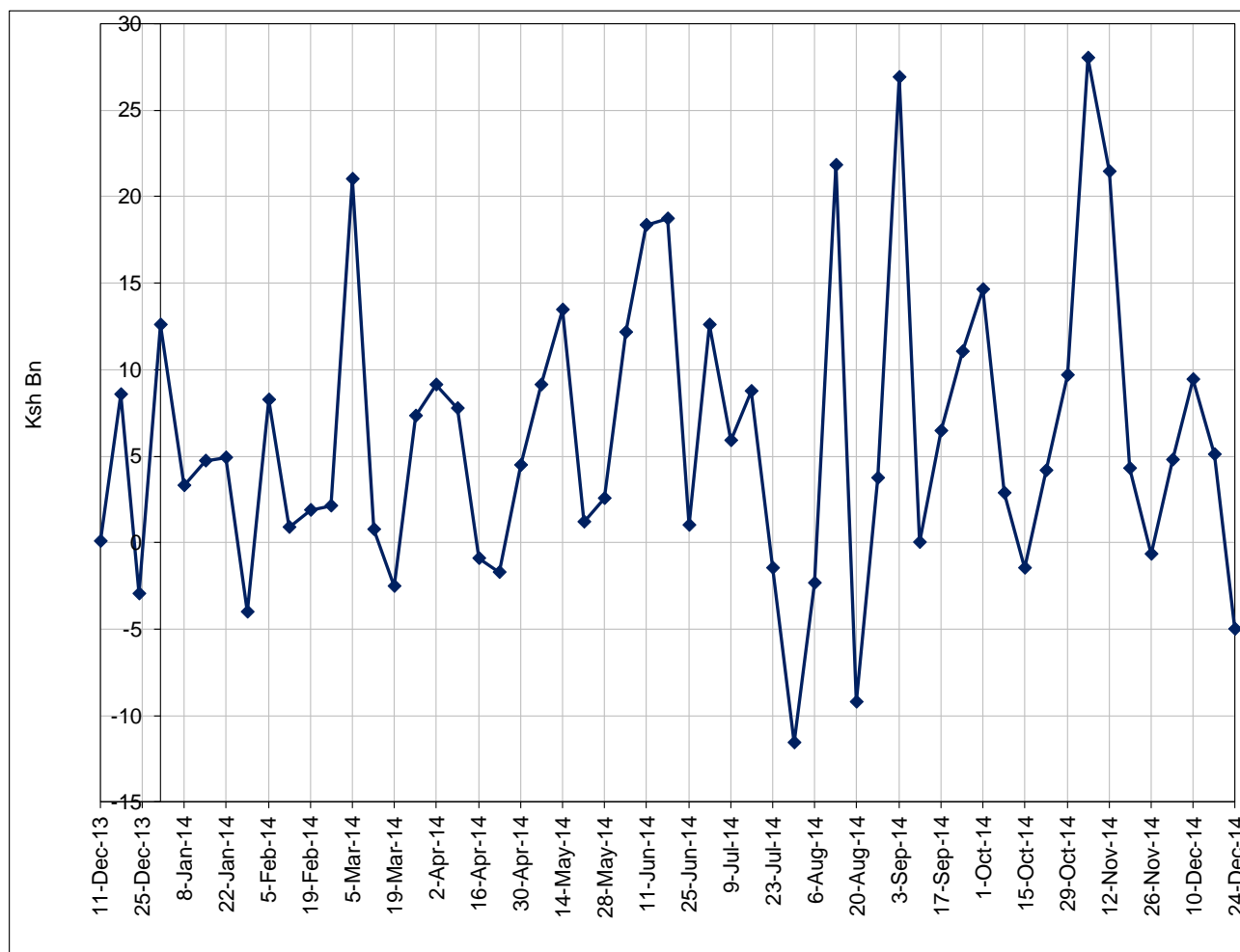


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ clearing account balance during the week ending December 23, 2014, was at a deficit of Ksh 5.0 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 115.6 billion). The decline relative to Ksh 5.1 billion surplus recorded in the previous week (Chart B) 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 strengthened against major international currencies, but depicted mixed performance against the EAC currencies during the week ending December 24, 2014. The shilling strengthened 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 and the Tanzania shilling, but weakened against the Burundi Franc. The Kenya shilling remained unchanged against the Rwanda Franc during the period under review (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
19-Dec-14	90.48	141.61	111.09	75.81	30.72	18.73	7.61	17.35
22-Dec-14	90.43	141.48	110.68	75.66	30.62	18.74	7.62	17.32
23-Dec-14	90.38	140.89	110.55	75.23	30.63	18.74	7.61	17.21
24-Dec-14	90.50	140.55	110.27	75.22	30.53	19.03	7.60	17.35
19 -24 Dec 2014	90.45	141.13	110.65	75.48	30.63	18.81	7.61	17.31

Source: Central Bank of Kenya

The Capital Markets

The capital markets recorded mixed performance in the week ending December 23, 2014. The equities segment recorded reduced activity while turnover improved in the bonds market segment.

Equities Market

The NSE 20 Share Index declined by 1.01 percent compared to 0.98 percent gain in NASI in the week ended December 23, 2014 (Table 4). Shareholders' wealth measured by market capitalization was up 0.98 percent, but the equity turnover declined by 35.24 percent on account of 33.92 percent fall in share supply. This subdued performance in December 2014 may reflect investors portfolio realignment in anticipation of the Capital gains tax coming into effect on January 1, 2015.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	20-Nov-14	27-Nov-14	4-Dec-14	10-Dec-14	18-Dec-14	23-Dec-14	Wkly Change
NASI 100= 2008	162.07	163.77	165.84	165.58	157.56	159.10	0.98%
NSE 20 Share Index 100= 1996	5,145.28	5,132.26	5,169.88	5,135.97	4,957.52	4,907.27	-1.01%
Number of Deals	10,206	11,058	10,046	1,657	10,184	5,134	-49.59%
Total Shares Traded (in Millions)	204.81	131.36	217.97	128.49	222.64	147.11	-33.92%
Equity Turnover (Ksh. Millions)	3,711.16	3,843.14	5,710.13	3,657.26	7,566.44	4,900.28	-35.24%
Market Capitalization (Ksh. Bn.)	2,290.40	2,314.46	2,344.85	2,329.56	2,224.56	2,246.43	0.98%
Bonds Turnover (Ksh. Millions)	15,664.70	8,036.76	13,566.05	9,023.81	8,699.40	10,376.40	19.28%
FTSE NSE Kenya 15 Index	210.63	213.93	216.59	219.26	211.38	208.57	-1.33%
FTSE NSE Kenya 25 Index	211.32	215.41	216.25	220.85	212.82	209.65	-1.49%
FTSE NSE Bond Index	93.1	93.2	93.76	93.04	93.52	92.9	-0.66%

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 the week 1.33 percent lower while the FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE also declined by 1.49 percent over last week's level. The FTSE Government Bond Index declined to 92.90 points from 93.52 in the previous week, reflecting rising secondary market yields.

Commercial and Services, Telecommunication and Technology and Banking sectors were the top three most active, representing 29.00 percent, 28.09 percent and 14.42 percent of the total shares traded, respectively. Automobiles and Accessories sector was least active, with 6,000 shares traded in the period.

The Bond Market

The bond's turnover increased by 19.28 percent to Ksh 10,376.40 million from Ksh 8,699.40 million in the previous week. The number of deals increased to 72 from the 41 deals traded last week. This could be attributed to investors' portfolio adjustment in readiness to participate in the Treasury bonds issued in December 2014. The offer was oversubscribed by 35.1 percent against Ksh 20 billion target.

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	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	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	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)

	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	19th December 2014
1. Treasury Bills (Excluding Repos)	282.09	283.35	283.90	283.17	293.02	296.60	302.00	298.02	299.40	294.39
(As % of total securities)	23.47	23.55	23.54	23.29	23.76	24.67	24.05	23.81	23.89	23.58
2. Treasury Bonds	919.85	919.85	922.10	932.89	939.98	905.87	953.70	953.70	953.70	953.97
(As % of total securities)	76.53	76.45	76.46	76.71	76.24	75.33	75.95	76.19	76.11	76.42
3. Total Securities (1+2)	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	1,248.36
4. Overdraft at Central Bank	18.90	20.99	18.30	19.78	10.85	11.09	16.49	18.46	17.62	23.58
5. Other Domestic debt*	30.62	30.61	30.61	30.60	29.99	65.70	30.01	30.00	30.01	29.74
6. Gross Domestic Debt (3+4+5)	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	1,301.68

* 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	7-Nov-14	14-Nov-14	21-Nov-14	28-Nov-14	5-Dec-14	11-Dec-14	19-Dec-14
Treasury bills (Excluding Repos)	22.5	22.6	22.6	22.4	23.0	23.2	23.2	22.9	23.0	22.6
Treasury bonds	73.5	73.3	73.5	73.7	73.8	70.8	73.2	70.5	73.3	73.3
CBK Overdraft to Govt	1.5	1.7	1.5	1.6	0.9	0.9	1.3	1.4	1.4	1.8
Other domestic debt	2.4	2.4	2.4	2.4	2.4	5.1	2.3	5.2	2.3	2.3
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 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	10-Oct-14	17-Oct-14	24-Oct-14	31-Oct-14	7-Nov-14	14-Nov-14	21-Nov-14	28-Nov-14	5-Dec-14	11-Dec-14	19-Dec-14
Banking Institutions	52.3	52.5	52.8	52.6	52.9	52.8	53.3	53.6	53.7	53.7	54.0
Insurance Companies	10.2	10.2	10.0	10.2	10.1	10.1	10.0	9.9	9.9	9.9	9.9
Parastatals	2.9	2.9	2.9	2.9	2.9	2.8	2.8	2.8	2.8	2.8	2.8
Pension funds	25.8	25.7	25.6	25.3	24.8	24.8	24.4	24.5	24.3	24.3	24.0
Other investors	8.9	8.7	8.7	9.1	9.3	9.4	9.4	9.3	9.3	9.3	9.3
Total	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)

	30-Oct-14	6-Nov-14	13-Nov-14	20-Nov-14	27-Nov-14	4-Dec-14	11-Dec-14	18-Dec-14	24-Dec-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,089	7,035	7,011	6,961	6,901	6,837	6,789	6,731	7,515
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.68	4.59	4.58	4.54	4.50	4.46	4.43	4.39	4.90

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya