



**FEBRUARY 21, 2014**

**Highlights**

The money market was relatively liquid during the week ending February 19, 2014 on account of government payments. It also recorded improved distribution of liquidity. The average interbank rate decreased to 6.99 percent during the week from 9.83 percent in the previous week.

The NSE performance remained low in the week ending February 20, 2014 with all market indicators trending down. In particular, market capitalization and bond turnover declined by 1.6 percent and 32.8 percent, respectively, during the week.

**Monetary Policy Operations**

The money market was relatively liquid during the week ending February 19, 2014 supported by government payments. It also recorded improved distribution of liquidity. The interbank rate was within the Central Bank Rate (CBR) corridor and all the banks met the daily minimum CRR and the average CRR requirement at the end of the CRR cycle on February 14, 2014. Consequently, the Central Bank stayed out of the repo market (Table 1).

**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)
13-Feb-14	300.2	322.0	-21.8	0.0	0.0	0.0	0.0	0.0	310.1	-11.9	-9.46	-2.5
14-Feb-14	297.0	322.0	-25.0	0.0	0.0	0.0	0.0	0.0	309.8	-12.2	-8.31	-3.8
17-Feb-14	306.6	321.9	-15.3	0.0	0.0	0.0	0.0	0.0	306.7	-15.2	0.82	-16.0
18-Feb-14	309.3	321.9	-12.6	0.0	0.0	0.0	0.0	0.0	307.7	-14.2	1.67	-15.8
19-Feb-14	310.5	321.9	-11.4	0.0	0.0	0.0	0.0	0.0	312.2	-9.7	7.01	-16.7
<b>Average</b>	<b>304.7</b>	<b>321.9</b>	<b>-17.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>309.3</b>	<b>-12.6</b>	<b>-1.7</b>	<b>-11.0</b>

**Source: Central Bank of Kenya  
Interbank and REPO Rates**

## CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

The average interbank rate decreased by 283.2 basis points to 6.99 percent during the week ending February 19, 2014 from 9.83 percent in the previous week largely reflecting improved distribution of liquidity in the interbank market. The average interbank volume transacted also decreased to Ksh 16.6 billion in the week ending February 19, 2014 from Ksh 22.2 billion the previous week, with average number of deals at 65 from 78 deals the previous week (Table 2 and Chart A).

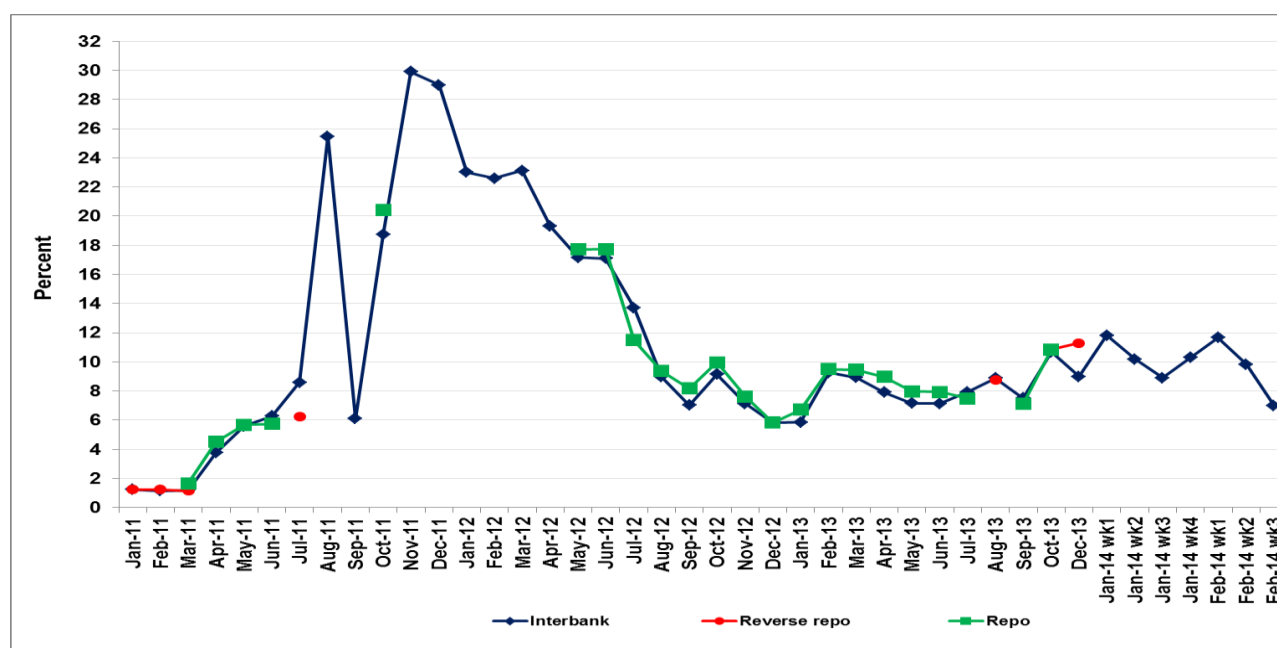
**TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
<b>January 30 - February 5, 2014</b>	<b>79</b>	<b>20,915</b>	<b>11.66</b>
6-Feb-14	77	23,638	11.17
7-Feb-14	76	25,132	10.43
10-Feb-14	85	24,962	9.98
11-Feb-14	81	18,795	9.22
12-Feb-14	70	18,368	8.33
<b>February 6 - February 12, 2014</b>	<b>78</b>	<b>22,179</b>	<b>9.83</b>
13-Feb-14	63	17,045	7.49
14-Feb-14	67	17,846	6.85
17-Feb-14	61	15,065	6.75
18-Feb-14	65	12,225	6.76
19-Feb-14	67	21,061	7.13
<b>February 13 - February 19, 2014</b>	<b>65</b>	<b>16,648</b>	<b>6.99</b>

Source: Central Bank of Kenya

During the week ending February 19, 2014, the Central Bank stayed out of the repo market to allow the interbank market intermediate the available liquidity and stabilize the interbank market.

**CHART A: STRUCTURE OF INTEREST RATES**

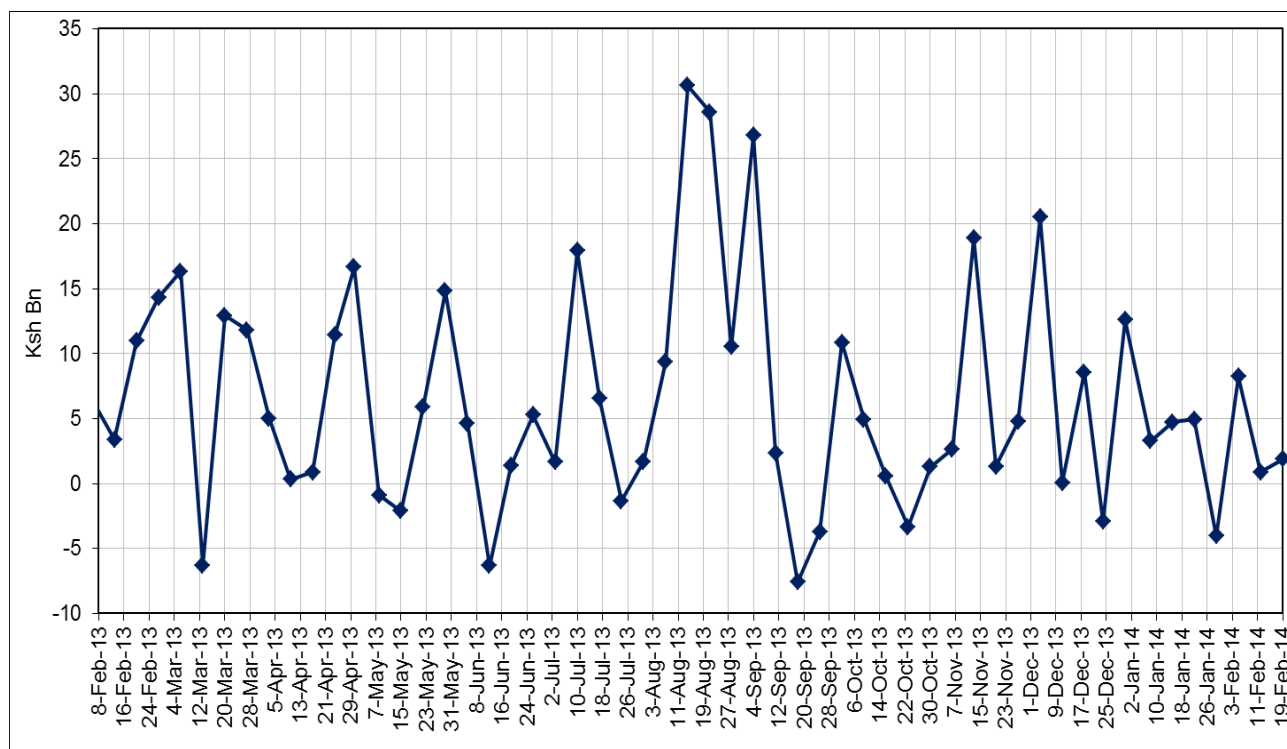


Source: Central Bank of Kenya

### Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 1.87 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 100.9 billion) in the week to February 19, 2014 an improvement over Ksh 0.86 billion surplus 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 posted marginal loss against major world and regional currencies in the week ending February 20, 2014. The shilling depreciation against the US dollar reflected increased demand from corporate clients early in the week (Table 3).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
7-Feb-14	86.06	140.46	116.95	84.24	28.53	18.86	7.91	18.06
10-Feb-14	86.06	140.96	117.16	84.03	28.67	18.85	7.88	18.05
11-Feb-14	86.19	141.46	117.69	84.24	28.66	18.82	7.87	18.05
12-Feb-14	86.19	141.75	117.53	84.09	28.58	18.83	7.88	18.04
13-Feb-14	86.24	143.25	117.41	84.36	28.58	18.84	7.86	18.02
<b>7-13 Feb, 2014</b>	<b>86.15</b>	<b>141.58</b>	<b>117.35</b>	<b>84.19</b>	<b>28.60</b>	<b>18.84</b>	<b>7.88</b>	<b>18.04</b>
14-Feb-14	86.38	143.80	118.15	84.97	28.51	18.81	7.85	17.99
17-Feb-14	86.36	144.99	118.37	84.98	28.56	18.82	7.86	17.84
18-Feb-14	86.34	144.37	118.32	84.04	28.44	18.79	7.88	18.02
19-Feb-14	86.26	144.07	118.68	84.32	28.46	18.82	7.87	17.87
20-Feb-14	86.10	143.34	118.12	84.03	28.48	18.87	7.90	18.07
<b>14-20 Feb 2014</b>	<b>86.29</b>	<b>144.12</b>	<b>118.33</b>	<b>84.47</b>	<b>28.49</b>	<b>18.82</b>	<b>7.87</b>	<b>17.96</b>

Source: Central Bank of Kenya

### Capital Markets

Capital markets declined further in the week ending February 20 2014, at both the equities and securities segments.

### **Equities Market**

NSE 20 Share Index closed the week 32.83 points down and the NASI 0.71 of a point lower. Market capitalization which, measures shareholders wealth decreased by 1.65 percent, during the week. Equity turnover declined by 12.16 percent, on account of reduced share prices and volume traded. Total shares traded declined by 18.6 million (Table 7). The market continued to record reduced purchases by foreign investors, who had dominated activity in the last quarter of 2013.

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

<b>Week Ending</b>	<b>9-Jan-14</b>	<b>16-Jan-14</b>	<b>23-Jan-14</b>	<b>30-Jan-14</b>	<b>6-Feb-14</b>	<b>13-Feb-14</b>	<b>20-Feb-14</b>
NASI 100= Jan 2008	141.59	140.35	142.73	139.06	137.72	137.71	137.00
NSE 20 Share Index 100=1966	5,044.35	5,021.07	5,063.98	4,960.99	4,843.90	4,839.52	4,806.69
Number of Deals	9,249	10,787	12,675	2,536	10,928	9,748	8,710
Total Shares Traded (millions)	98.80	146.51	136.28	209.81	151.45	132.03	113.42
Equity Turnover (Ksh. millions)	2,267.33	3,185.89	3,847.98	5,235.56	4,215.96	3,830.60	3,364.80
Market Capitalization (Ksh. Bn.)	1,990.21	1,984.30	2,022.63	1,959.96	1,941.18	1,940.87	1,908.93
Bonds Turnover (Ksh. millions)	3,604.20	10,751.60	11,371.20	14,093.58	11,536.20	4,992.60	3,351.98
FTSE NSE Kenya 15 Index	180.44	176.43	177.62	172.85	170.39	172.39	167.44
FTSE NSE Kenya 25 Index	182.28	178.46	179.88	174.88	172.43	174.48	170.02
FTSE NSE Bond Index	90.80	90.92	91.45	92.48	91.69	91.71	91.89

*Source: Nairobi Securities Exchange*

### **FTSE NSE Kenya Index Series and Most Active Sectors**

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, retreated to 167.44 points from 172.39 points the previous week. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, was down to 170.02 points from 174.48 points. FTSE NSE Bond Index rose to 91.89 points from 91.71 points, reflecting steady decline in secondary market yields.

Telecommunication and Technology, Banking, and Manufacturing and Allied emerged top three most active sectors, transacting 44.42 million or 39.50 percent, 30.5 million or 27.12 percent, and 16.18 million or 14.40 percent, respectively. Automobile and Accessories sector was least active with 124,100 shares traded.

### **The Bond Market**

Bonds turnover was down 30.86 percent to trade bonds worth Ksh 3,351.98 million from Ksh 4,992.60 million of the previous week. Corresponding deals declined to 33 from 58. This low performance may be attributed to investors' focus on the primary market to take

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advantage of the reopening of the 15-year bond which was oversubscribed with performance at 234.41 percent in the auction dated February 19, 2014.

**TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS FOR WEEK ENDING FEBRUARY 21, 2014**

	Amount offered (Ksh M)	Bids received (Ksh M)	Amount Accepted (Ksh M)	Maturities (Ksh M)	Average interest Rate (%)	Coupon Rate (%)	Date of Auction
<b>Treasury Bills</b>							
91 Day	3,000.00	1,420.46	1,420.46	2,124.00	9.116		20-Feb-14
182 Day	3,000.00	4,489.72	3,193.13	3,198.75	10.326		19-Feb-14
364 Day	3,000.00	1,708.10	1,427.17	-	10.654		19-Feb-14
Sub total	9,000.00	7,618.28	6,040.76	5,322.75			
<b>Treasury Bonds</b>							
15year FXD T. Bonds	10,000.00	23,441.04	14,434.96	-	12.375	12.375	19-Feb-14
Sub total	10,000.00	23,441.04	14,434.96	-			
<b>Grand total</b>	<b>19,000.00</b>	<b>31,059.32</b>	<b>20,475.72</b>	<b>5,322.75</b>			

Source: Central Bank of Kenya

**TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)**

	Jun 2013	30th Sept 2013	27th Dec 2013	31th Jan 2014	7th Feb 2013	14th Feb 2013
1. Treasury Bills (Excluding Repos)	267.8	307.6	309.1	316.3	310.5	313.8
<b>(As % of total securities)</b>	<b>26.5</b>	<b>27.9</b>	<b>27.5</b>	<b>27.6</b>	<b>27.2</b>	<b>27.4</b>
2. Treasury Bonds	744.2	794.8	816.3	831.3	831.3	831.3
<b>(As % of total securities)</b>	<b>73.5</b>	<b>72.1</b>	<b>72.5</b>	<b>72.4</b>	<b>72.8</b>	<b>72.6</b>
<b>3. Total Securities (1+2)</b>	<b>1011.9</b>	<b>1102.5</b>	<b>1,125.4</b>	<b>1,147.6</b>	<b>1,141.9</b>	<b>1,145.2</b>
4. Overdraft at Central Bank	7.0	34.2	34.2	21.6	26.3	23.3
5. Other Domestic debt*	32.0	31.6	32.9	30.9	30.9	30.9
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1051.0</b>	<b>1168.2</b>	<b>1,192.5</b>	<b>1200.1</b>	<b>1,199.1</b>	<b>1,199.3</b>

\* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and Tax Reserve

Source: Central Bank of Kenya

**TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT**

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	<b>Jun-13</b>	<b>14-Feb-14</b>
Treasury bills (Excluding Repos)	25.5	26.2
Treasury bonds	70.8	69.3
CBK Overdraft to Govt	0.7	1.9
Other domestic debt	3.0	2.6
<b>TOTAL</b>	<b>100</b>	<b>100</b>

*Source: Central Bank of Kenya*

**TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER**

	<b>Jun-13</b>	<b>14-Feb-14</b>
Banking Institutions	51.1	49.4
Insurance Companies	10.5	9.9
Parastatals	4.4	3.4
Pension funds	25.3	25.8
Other investors	8.7	11.4
<b>Total</b>	<b>100</b>	<b>100.0</b>

*Source: Central Bank of Kenya*

**TABLE 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)**

	27-Dec-13	2-Jan-14	9-Jan-14	16-Jan-14	23-Jan-14	30-Jan-14	6-Feb-14	13-Feb-14	20-Feb-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,176	6,165	6,149	6,143	6,119	6,201	6,169	6,187	6,203,837
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.37	4.36	4.31	4.30	4.28	4.34	4.37	4.38	4.39

\*Excludes Encumbered Reserves

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

*Source: Central Bank of Kenya*