



FEBRUARY 14, 2014

Highlights

The money market was relatively liquid during the week ending February 12, 2014. The average interbank rate declined to 9.83 percent from 11.66 percent in the previous week.

The NSE performance declined in the week ending February 13, 2014 as reflected in most of the leading stock market indicators.

Monetary Policy Operations

The money market was relatively liquid during the week ending February 12, 2014 reflecting improved distribution of liquidity in the interbank market. The Central Bank therefore 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(-) |
| | (1) | (2) | 3=(1-2) | | Repo | Term Auction Deposit | | | | | | |
| 6-Feb-14 | 311.6 | 322.1 | -10.4 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 310.1 | -12.0 | 3.58 | -15.6 |
| 7-Feb-14 | 309.3 | 322.1 | -12.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 309.8 | -12.3 | 2.60 | -14.8 |
| 10-Feb-14 | 305.5 | 322.0 | -16.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 304.9 | -17.0 | -2.75 | -14.3 |
| 11-Feb-14 | 303.3 | 322.0 | -18.7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 300.5 | -21.5 | -7.74 | -13.8 |
| 12-Feb-14 | 299.6 | 322.0 | -22.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 299.9 | -22.1 | -7.42 | -14.6 |
| Average | 305.9 | 322.0 | -16.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 305.0 | -17.0 | -2.3 | -14.6 |

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased by 183.4 basis points to 9.83 percent during the week ending February 12, 2014 from 11.66 percent in the previous week on account of improved distribution of liquidity in the interbank market. The average interbank volume transacted increased to KSh. 22.2 billion in the week ending February 12, 2014 from KSh. 20.9 billion the previous week, while the

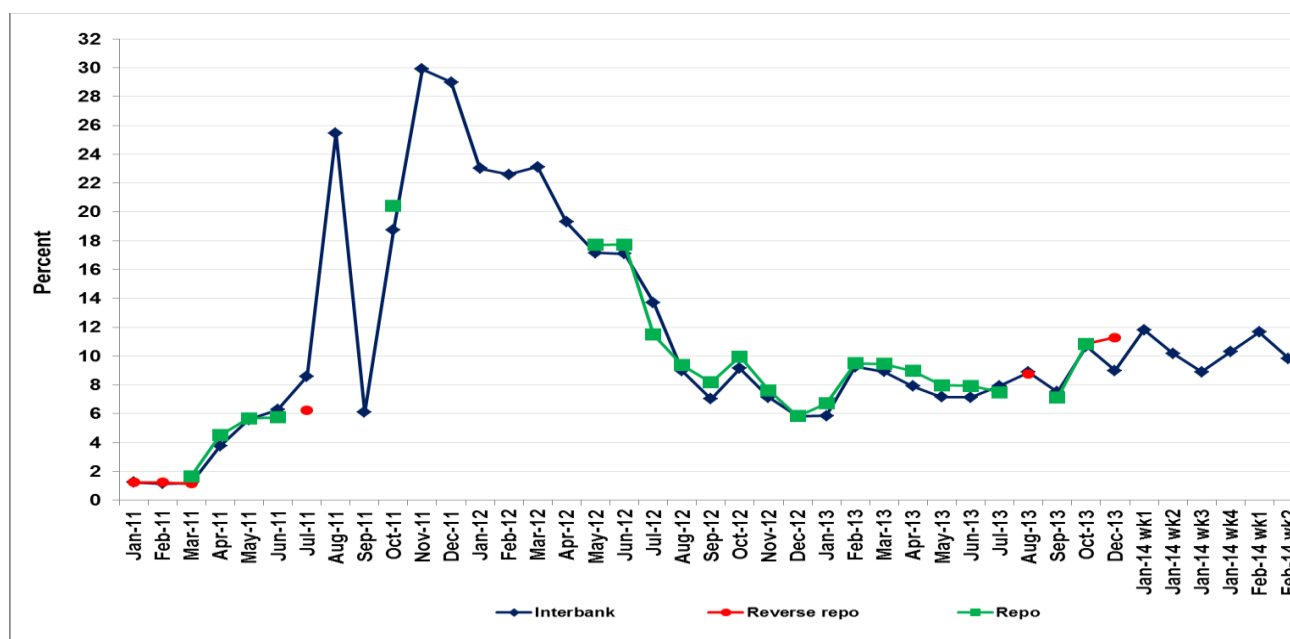
average number of deals remained stable at 78 deals compared with 79 deals the previous week (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

| Date | Number of deals | Value (Ksh M) | Average Interest Rate (%) |
|---------------------------------------|-----------------|---------------|---------------------------|
| 30-Jan-14 | 74 | 17,388 | 11.72 |
| 31-Jan-14 | 84 | 21,403 | 11.85 |
| 3-Feb-14 | 78 | 18,810 | 11.71 |
| 4-Feb-14 | 85 | 24,675 | 11.62 |
| 5-Feb-14 | 73 | 22,297 | 11.40 |
| January 30 - February 5, 2014 | 79 | 20,915 | 11.66 |
| 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 |
| February 6 - February 12, 2014 | 78 | 22,179 | 9.83 |

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES

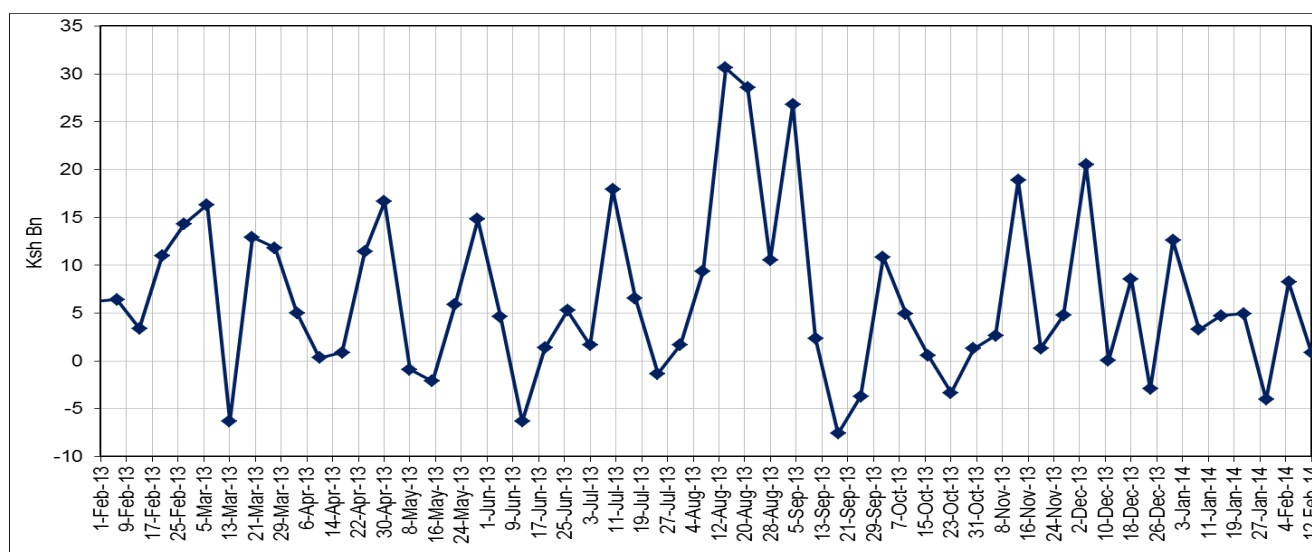


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a marginal surplus (Ksh 0.86 billion) in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 100.0 billion) in the week to February 12, 2014 compared with Ksh 8.23 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 portrayed mixed performance against major international currencies; posting marginal appreciation against the US Dollar and the Japanese Yen and marginal depreciation against the Pound Sterling and the Euro.

In the EAC region, the Kenya Shilling weakened against the Uganda shilling but strengthened against the Tanzania shilling and the Burundi and Rwanda Francs (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

| | US dollar | Sterling Pound | Euro | Japanese Yen | USHS | TSHS | RWF | BIF |
|----------------------------|--------------|----------------|---------------|--------------|--------------|--------------|-------------|--------------|
| 31-Jan-14 | 86.24 | 142.14 | 116.82 | 84.10 | 28.74 | 18.82 | 7.86 | 17.96 |
| 3-Feb-14 | 86.55 | 142.09 | 116.68 | 84.82 | 28.60 | 18.75 | 7.83 | 17.98 |
| 4-Feb-14 | 86.58 | 140.98 | 116.94 | 85.69 | 28.56 | 18.74 | 7.83 | 17.97 |
| 5-Feb-14 | 86.34 | 141.05 | 116.71 | 85.10 | 28.64 | 18.80 | 7.88 | 18.02 |
| 6-Feb-14 | 86.11 | 140.41 | 116.49 | 84.92 | 28.68 | 18.84 | 7.87 | 18.07 |
| 31 Jan- 6 Feb, 2014 | 86.36 | 141.33 | 116.73 | 84.92 | 28.64 | 18.79 | 7.86 | 18.00 |
| 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 |
| 7-13 Feb, 2014 | 86.15 | 141.58 | 117.35 | 84.19 | 28.60 | 18.84 | 7.88 | 18.04 |

Source: Central Bank of Kenya

Capital Markets

Capital markets performance continued on a downward trend in the week ending February 13 2014, as reflected in leading market indicators.

Equities Market

The NSE 20 Share Index edged down by 4.38 points in the week to February 13, 2014 and the NASI stabilized. Market capitalization, which measures shareholders wealth decreased by Ksh 0.31 billion during the week. Equity turnover declined by 9.14 percent, on account of reduced share prices and volume traded (Table 7).

TABLE 4: KEY WEEKLY MARKET STATISTICS

| Week Ending | 2-Jan-14 | 9-Jan-14 | 16-Jan-14 | 23-Jan-14 | 30-Jan-14 | 6-Feb-14 | 13-Feb-14 |
|----------------------------------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| NASI 100= Jan 2008 | 136.56 | 141.59 | 140.35 | 142.73 | 139.06 | 137.72 | 137.71 |
| NSE 20 Share Index 100=1966 | 4,910.74 | 5,044.35 | 5,021.07 | 5,063.98 | 4,960.99 | 4,843.90 | 4,839.52 |
| Number of Deals | 4,949 | 9,249 | 10,787 | 12,675 | 2,536 | 10,928 | 9,748 |
| Total Shares Traded (millions) | 59.54 | 98.80 | 146.51 | 136.28 | 209.81 | 151.45 | 132.03 |
| Equity Turnover (Ksh. millions) | 1,662.56 | 2,267.33 | 3,185.89 | 3,847.98 | 5,235.56 | 4,215.96 | 3,830.60 |
| Market Capitalization (Ksh. Bn.) | 1,919.53 | 1,990.21 | 1,984.30 | 2,022.63 | 1,959.96 | 1,941.18 | 1,940.87 |
| Bonds Turnover (Ksh. millions) | 2,428.40 | 3,604.20 | 10,751.60 | 11,371.20 | 14,093.58 | 11,536.20 | 4,992.60 |
| FTSE NSE Kenya 15 Index | 172.83 | 180.44 | 176.43 | 177.62 | 172.85 | 170.39 | 172.39 |
| FTSE NSE Kenya 25 Index | 174.61 | 182.28 | 178.46 | 179.88 | 174.88 | 172.43 | 174.48 |
| FTSE NSE Bond Index | 91.28 | 90.80 | 90.92 | 91.45 | 92.48 | 91.69 | 91.71 |

* The Nairobi All Share Index (NASI) effected on February 25, 2008 (January 1, 2008 = 100)

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series and Most Active Sectors

The FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, rose to 172.39 points from 170.39 points of the previous week. The FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, increased to 174.48 points from 172.43 points; and the FTSE NSE Bond Index to 91.71 points from 91.69 points. The Telecommunication and Technology, Banking, and Insurance emerged the top three most active sectors, transacting 56.43 million or 42.7 percent, 41.59 million or 31.5 percent, and 12.91 million or 9.78 percent, respectively. The agricultural sector was least active with 182,000 shares traded.

The Bond Market

Bonds turnover declined by 56.72 percent to trade bonds worth Ksh 4,992.60 million from Ksh 11,536.20 million of the previous week. Corresponding deals declined to 58 from 229.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS FOR FEBRUARY 12 & 13, 2014

| | Amount offered (Ksh M) | Bids received (Ksh M) | Amount Accepted (Ksh M) | Maturities (Ksh M) | Average interest Rate (%) | Coupon Rate (%) |
|-----------------------|---------------------------|--------------------------|----------------------------|-----------------------|------------------------------|-----------------|
| Treasury Bills | | | | | | |
| 91 Day | 3,000.00 | 2,119.18 | 2,105.56 | 2,112.05 | 9.154 | |
| 182 Day | 3,000.00 | 4,333.68 | 2,956.08 | 2,870.75 | 10.357 | |
| 364 Day | 3,000.00 | 2,655.15 | 2,294.44 | - | 10.672 | |
| Sub total | 9,000.00 | 9,108.01 | 7,356.08 | 4,982.80 | | |

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 |
|---------------------------------------|---------------|-------------------|------------------|------------------|-----------------|
| 1. Treasury Bills (Excluding Repos) | 267.8 | 307.6 | 309.1 | 316.3 | 310.5 |
| (As % of total securities) | 26.5 | 27.9 | 27.5 | 27.6 | 27.2 |
| 2. Treasury Bonds | 744.2 | 794.8 | 816.3 | 831.3 | 831.3 |
| (As % of total securities) | 73.5 | 72.1 | 72.5 | 72.4 | 72.8 |
| 3. Total Securities (1+2) | 1011.9 | 1102.5 | 1,125.4 | 1,147.6 | 1,141.9 |
| 4. Overdraft at Central Bank | 7.0 | 34.2 | 34.2 | 21.6 | 26.3 |
| 5. Other Domestic debt* | 32.0 | 31.6 | 32.9 | 30.9 | 30.9 |
| 6. Gross Domestic Debt (3+4+5) | 1051.0 | 1168.2 | 1,192.5 | 1200.1 | 1,199.1 |

* 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

| | Jun-13 | 7-Feb-14 |
|----------------------------------|------------|------------|
| Treasury bills (Excluding Repos) | 25.5 | 25.9 |
| Treasury bonds | 70.8 | 69.3 |
| CBK Overdraft to Govt | 0.7 | 2.2 |
| Other domestic debt | 3.0 | 2.6 |
| TOTAL | 100 | 100 |

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

| | Jun-13 | 7-Feb-14 |
|----------------------|------------|--------------|
| Banking Institutions | 51.1 | 49.5 |
| Insurance Companies | 10.5 | 9.9 |
| Parastatals | 4.4 | 3.4 |
| Pension funds | 25.3 | 25.9 |
| Other investors | 8.7 | 11.2 |
| Total | 100 | 100.0 |

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 |
|--|-----------|----------|----------|-----------|-----------|-----------|----------|-----------|
| 1. CBK Usable Foreign Exchange Reserves (USD Mn)* | 6,176 | 6,165 | 6,149 | 6,143 | 6,119 | 6,201 | 6,169 | 6,187 |
| 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 |

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya