



JANUARY 17, 2014

Highlights

The money market liquidity improved during the week ending January 15, 2014 on account of Government payments. The average interbank rate decreased to 10.18 percent during the week ending January 15, 2014 from 11.81 percent in the previous week.

The Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 8.5 percent on January 14, 2014.

The NSE recorded mixed performance in the week ending January 16, 2014 with the equity market largely on the decline and bond market on the rise.

Monetary Policy Stance

The Monetary Policy Committee met on January 14, 2014 and reviewed money market developments and outcomes of its monetary policy stance since the November 2013 meeting. The Committee observed that inflation had remained within the allowable margin (± 25 basis points) on either side of the Government's 5 percent medium term target; that exchange rate stability was sustained; and there were no demand driven inflationary pressures. The monetary policy stance had therefore anchored inflationary expectations and continued to deliver desired objective of price stability. Based on these developments the Committee retained the Central Bank Rate unchanged at 8.50 percent. It undertook to closely watch key macroeconomic aggregates for any risks that may adversely impact price stability.

Monetary Policy Operations

The money market liquidity improved during the week ending January 15, 2014 on account of Government payments. The Central Bank stayed out of the interbank to allow the market to stabilize after the festive seasons. The Central Bank reserve money averaged KSh. 307.6 billion during the week and was KSh. 4.6 billion above target (Table 1).

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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)
9-Jan-14	307.4	303.5	3.9	0.0	0.0	0.0	0.0	0.0	306.9	3.4	2.0	1.4
10-Jan-14	307.7	303.5	4.2	0.0	0.0	0.0	0.0	0.0	307.2	3.8	3.7	0.0
13-Jan-14	307.0	302.7	4.2	0.0	0.0	0.0	0.0	0.0	305.9	3.2	3.7	-0.5
14-Jan-14	304.3	302.7	1.6	0.0	0.0	0.0	0.0	0.0	303.8	1.1	2.3	-1.2
15-Jan-14	314.3	302.7	11.6	0.0	0.0	0.0	0.0	0.0	314.3	11.6	11.8	-0.2
Average	308.1	303.0	5.1	0.0	0.0	0.0	0.0	0.0	307.6	4.6	4.7	-0.1

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased by 163 basis points to 10.18 percent during the week ending January 15, 2014 from 11.81 percent in the previous week. The average interbank volume transacted decreased to Ksh 15.27 billion in the week ending January 15, 2014 from Ksh 18.75 billion the previous week, while the average number of deals decreased to 55 from 70 (Table 2 and Chart A).

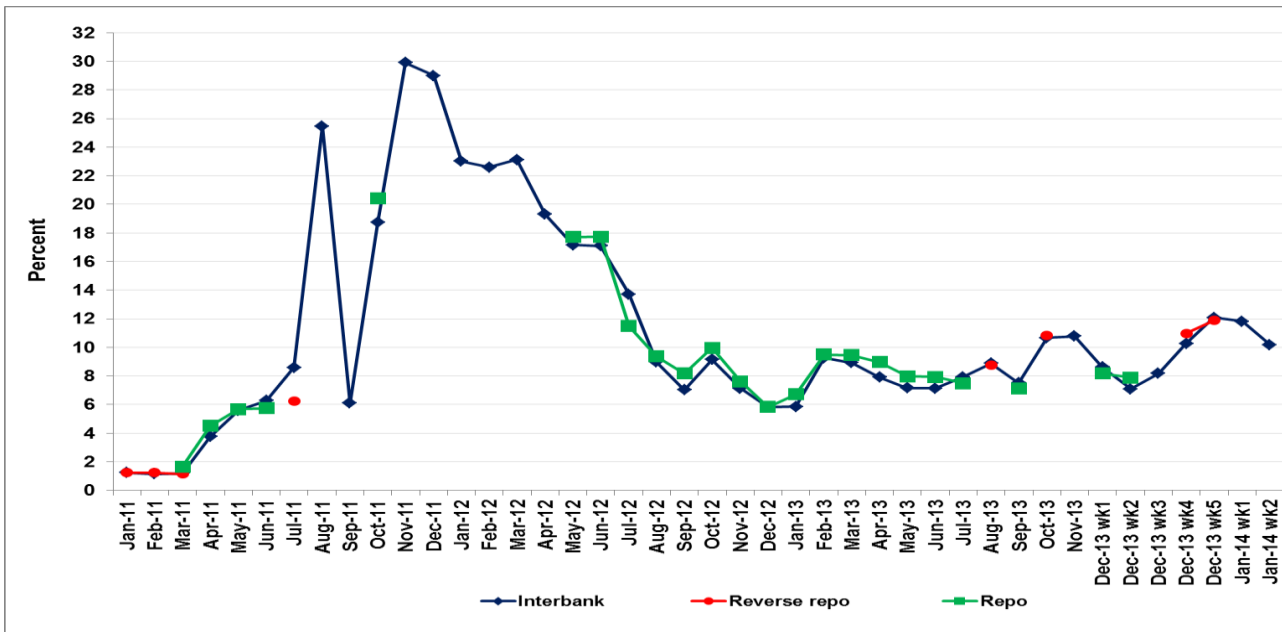
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
2-Jan-14	62	17,250	12.16
3-Jan-14	80	23,142	11.89
6-Jan-14	59	16,414	11.70
7-Jan-14	77	17,701	11.68
8-Jan-14	73	19,254	11.63
January 02 -January 08, 2014	70	18,752	11.81
9-Jan-14	61	20,897	11.40
10-Jan-14	61	15,696	10.79
13-Jan-14	56	14,621	10.37
14-Jan-14	39	12,095	9.27
15-Jan-14	56	13,066	9.07
January 09 - January 15, 2014	55	15,275	10.18

Source: Central Bank of Kenya

During the week ending January 15, 2014, the Central Bank stayed out of the interbank to allow the market to stabilize after the festive seasons.

CHART A: STRUCTURE OF INTEREST RATES

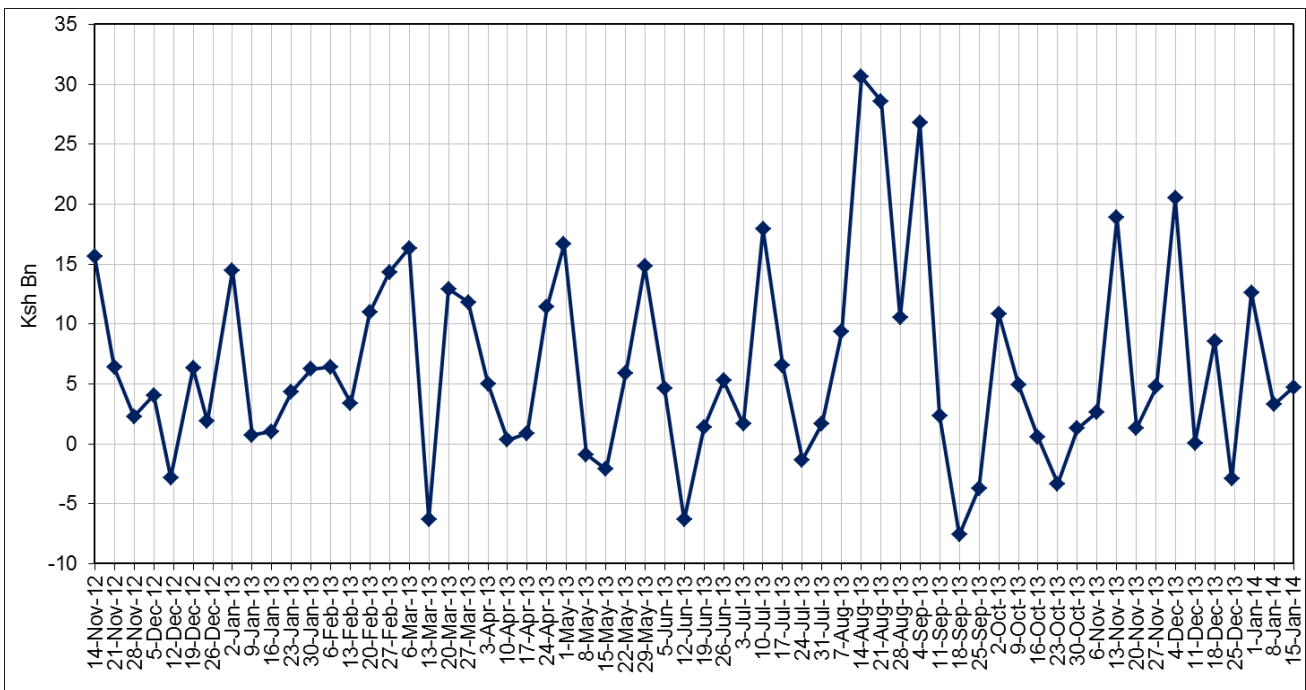


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 4.71 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 January 15, 2014 compared with Ksh 3.29 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 strengthened against major international currencies in the week ending January 16, 2014. The appreciation of the Shilling was largely on account of traders holding long position in anticipation of the Monetary Policy Committee (MPC) decision on the Central Bank Policy Rate (CBR). The MPC met on the January 14, 2014 and retained the policy rate at 8.5 percent.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
3-Jan-14	86.87	142.81	118.63	83.14	29.04	18.27	7.77	17.87
6-Jan-14	86.82	142.21	118.10	83.24	29.06	18.28	7.77	17.88
7-Jan-14	86.96	142.55	118.45	83.22	29.01	18.25	7.76	17.85
8-Jan-14	86.96	142.68	118.49	82.85	29.01	18.25	7.76	17.85
9-Jan-14	86.86	142.85	118.00	82.78	29.05	18.27	7.77	17.87
03 -09 Jan 2014	86.90	142.62	118.34	83.05	29.03	18.26	7.77	17.86
10-Jan-14	86.63	142.60	117.95	82.64	29.03	18.65	7.83	17.96
13-Jan-14	86.44	142.61	118.14	83.36	29.08	18.71	7.83	17.85
14-Jan-14	86.28	141.41	117.89	83.54	29.10	18.79	7.85	18.03
15-Jan-14	86.23	141.63	117.60	82.63	29.14	18.76	7.86	17.96
16-Jan-14	85.85	140.51	116.94	82.04	29.18	18.84	7.91	18.12
10-16 Jan 2014	86.29	141.75	117.70	82.84	29.11	18.75	7.86	17.98

Source: Central Bank of Kenya

Capital Markets

Capital markets recorded a correction in the week ending January 16, 2014, following the recent rally. NSE 20 Share Index shed 23.28 points as NASI dropped 1.24 points. Market capitalization declined by Ksh 5.91 billion. The Bonds turnover was however 198.3 percent higher than last week.

Equities Market

The NSE 20 Share Index edged down marginally to 5,021.07 points in the week ending January 16, 2014 from last week's 5,044.35 points and NASI to 140.35 points from 141.59 points. Market capitalization that measures shareholders' wealth declined to Ksh 1,984.30 billion from Ksh 1,990.21 billion (Table 7).

TABLE 4: KEY WEEKLY MARKET STATISTICS

Week Ending	28-Nov-13	5-Dec-13	19-Dec-13	24-Dec-13	2-Jan-14	9-Jan-14	16-Jan-14
NASI 100= Jan 2008	142.58	137.91	132.23	135.22	136.56	141.59	140.35
NSE 20 Share Index 100=1966	5,137.21	5,005.45	4,849.30	4,885.87	4,910.74	5,044.35	5,021.07
Number of Deals	11,771.00	10,674.00	6,839.00	3,867.00	4,949	9,249	10,787
Total Shares Traded (millions)	212.08	124.97	136.28	40.06	59.54	98.80	146.51
Equity Turnover (Ksh. millions)	4,120.86	3,101.43	3,091.89	1,245.15	1,662.56	2,267.33	3,185.89
Market Capitalization (Ksh. Bn.)	1,994.73	1,929.47	1,851.76	1,900.69	1,919.53	1,990.21	1,984.30
Bonds Turnover (Ksh. millions)	5,176.77	5,764.90	7,604.73	6,192.55	2,428.40	3,604.20	10,751.60
FTSE NSE Kenya 15 Index	181.66	175.66	N/A	168.11	172.83	180.44	176.43
FTSE NSE Kenya 25 Index	183.50	177.67	N/A	170.00	174.61	182.28	178.46
FTSE NSE Bond Index	91.09	90.88	N/A	91.16	91.28	90.80	90.92

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

N/A Not available

Source: Nairobi Securities Exchange

But equity turnover rose to Ksh 3,185.89 million from Ksh 2,267.33 during the period on account of higher volume of shares traded at 147 million from 99 million the previous week.

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, declined to 176.43 points from 180.44 points of the previous week. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE also declined to 178.46 points from 182.28 points. FTSE NSE Bond Index rose to 90.92 points from 90.88 points, reflecting slight fall in market yields.

Telecommunication and Technology, Banking and Insurance were the top three most active sectors, transacting 76.92 million or 52.5 percent share, 28.44 million or 19.4 percent share and 17.28 million or 11.8 percent share, respectively. Agricultural sector was least active with 221,800 shares traded.

The Bond Market

Bonds trading rose by 198.31 percent with turnover at Ksh 10,751.60 million from Ksh 3,604.20 million of the previous week. Corresponding deals were 63 down from 36.

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TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS FOR JANUARY 15 & 16, 2014

	Amount offered (Ksh M)	Bids received (Ksh M)	Amount Accepted (Ksh M)	Maturities (Ksh M)	Average interest Rate (%)
91 Day	3,000.00	2,299.50	2,299.20	2,035.00	9.17
182 Day	3,000.00	2,782.17	2,307.39	113.60	10.34
364 Day	3,000.00	4,177.54	3,184.58	-	10.67
Total	9,000.00	9,259.21	7,791.17	2,148.60	

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	29th Nov 2013	6th Dec 2013	11th Dec 2013	20th Dec 2013	27th Dec 2013	3rd Jan 2014	10th Jan 2014
1. Treasury Bills (Excluding Repos) (As % of total securities)	310.1 28.1	311.6 28.2	314.4 28.4	310.8 28.2	309.1 27.5	307.3 27.3	302.8 27.1
2. Treasury Bonds (As % of total securities)	793.3 71.9	793.3 71.8	793.4 71.6	791.0 71.8	816.3 72.5	816.3 72.7	816.3 72.9
3. Total Securities (1+2)	1,103.4	1,105.0	1,107.8	1,101.9	1,125.4	1,123.6	1,119.1
4. Overdraft at Central Bank	34.2	34.2	34.2	34.2	34.2	26.8	30.7
5. Other Domestic debt*	31.4	32.9	32.9	32.9	32.9	32.9	32.4
6. Gross Domestic Debt (3+4+5)	1,169.0	1,172.0	1,174.8	1,169.0	1,192.5	1,183.2	1,182.2

* 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

	Jun-13	10-Jan-14
Treasury bills (Excluding Repos)	25.5	25.6
Treasury bonds	70.8	69.0
CBK Overdraft to Govt	0.7	2.6
Other domestic debt	3.0	2.7
TOTAL	100	100

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	Jun-13	10-Jan-14
Banking Institutions	51.1	49.2
Insurance Companies	10.5	10.2
Parastatals	4.4	3.5
Pension funds	25.3	26.0
Other investors	8.7	11.2
Total	100	100

Source: Central Bank of Kenya