



JANUARY 24, 2014

Highlights

The week's average interbank rate decreased to 8.9 percent during the week ending January 15, 2014 from 10.18 percent in the previous week. However, payment of taxes to government and net payment for treasury bills exerted mild upward pressure on the interbank rate in the week under review.

The NSE recorded strong performance in the week ending January 23, 2014 with leading market indicators making significant gains. Market Capitalization crossed the Ksh 2-trillion mark, the first in the NSE's history, and bonds turnover rose by 5.8 percent.

Monetary Policy Operations

The money market liquidity tightened during the week ending January 22, 2014 on account of payment of taxes and T-Bills primary issues. The Central Bank stayed out of the interbank to allow the market to distribute liquidity. The Central Bank reserve money averaged KSh. 304.4 billion during the week and was KSh. 11.5 billion below target (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						
16-Jan-14	314.8	313.2	1.6	0.0	0.0	0.0	0.0	0.0	314.7	1.5	11.2	-9.7
17-Jan-14	310.8	313.2	-2.4	0.0	0.0	0.0	0.0	0.0	312.5	-0.7	9.7	-10.5
20-Jan-14	300.5	317.7	-17.2	0.0	0.0	0.0	0.0	0.0	300.6	-17.1	-2.1	-15.0
21-Jan-14	299.7	317.7	-17.9	0.0	0.0	0.0	0.0	0.0	298.5	-19.2	-3.6	-15.6
22-Jan-14	298.0	317.7	-19.7	0.0	0.0	0.0	0.0	0.0	295.7	-22.0	-5.4	-16.6
Average	304.8	315.9	-11.1	0.0	0.0	0.0	0.0	0.0	304.4	-11.5	2.0	-13.5

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased by 128 basis points to 8.9 percent during the week ending January 22, 2014 from 10.18 percent in the previous week on account of government payment largely made in the previous week. The average interbank volume transacted therefore decreased to KSh 13.29 billion in the week ending January 22, 2014 from KSh 15.27 billion the previous week; (Table 2 and Chart A).

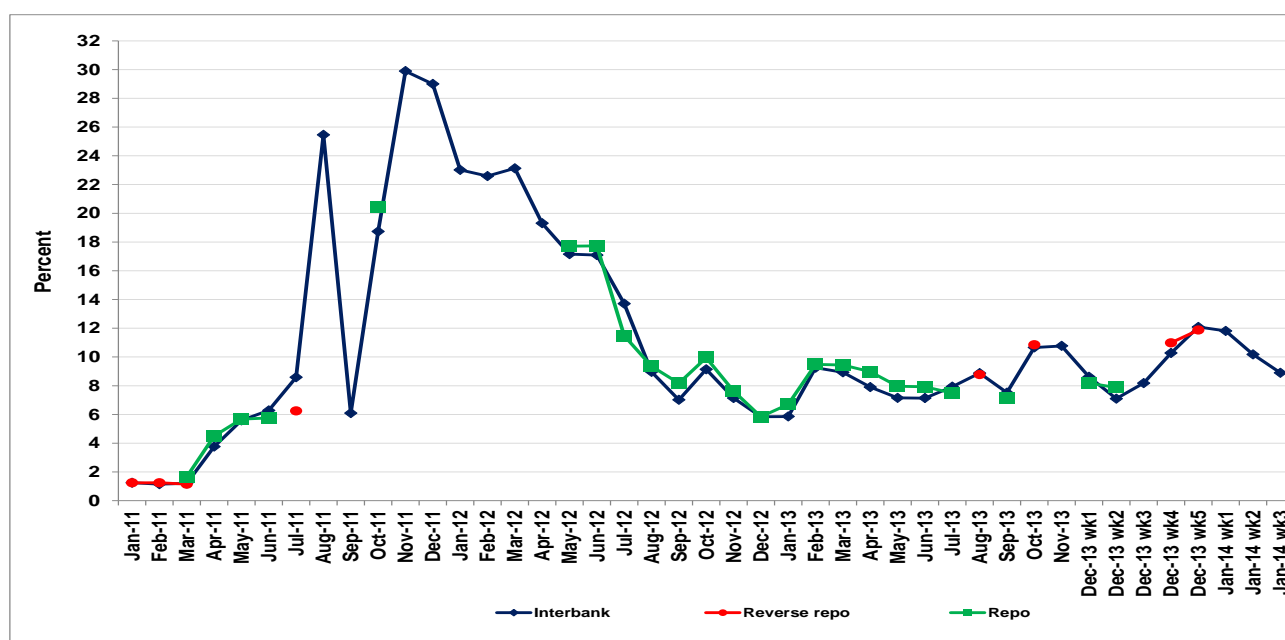
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
09-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
16-Jan-14	59	13,107	8.96
17-Jan-14	50	12,201	8.70
20-Jan-14	66	15,825	8.77
21-Jan-14	59	11,455	8.95
22-Jan-14	68	13,864	9.11
January 16 - January 22, 2014	60	13,290	8.90

Source: Central Bank of Kenya

During the week ending January 22, 2014, the Central Bank stayed out of the interbank to allow the market to distribute liquidity.

CHART A: STRUCTURE OF INTEREST RATES

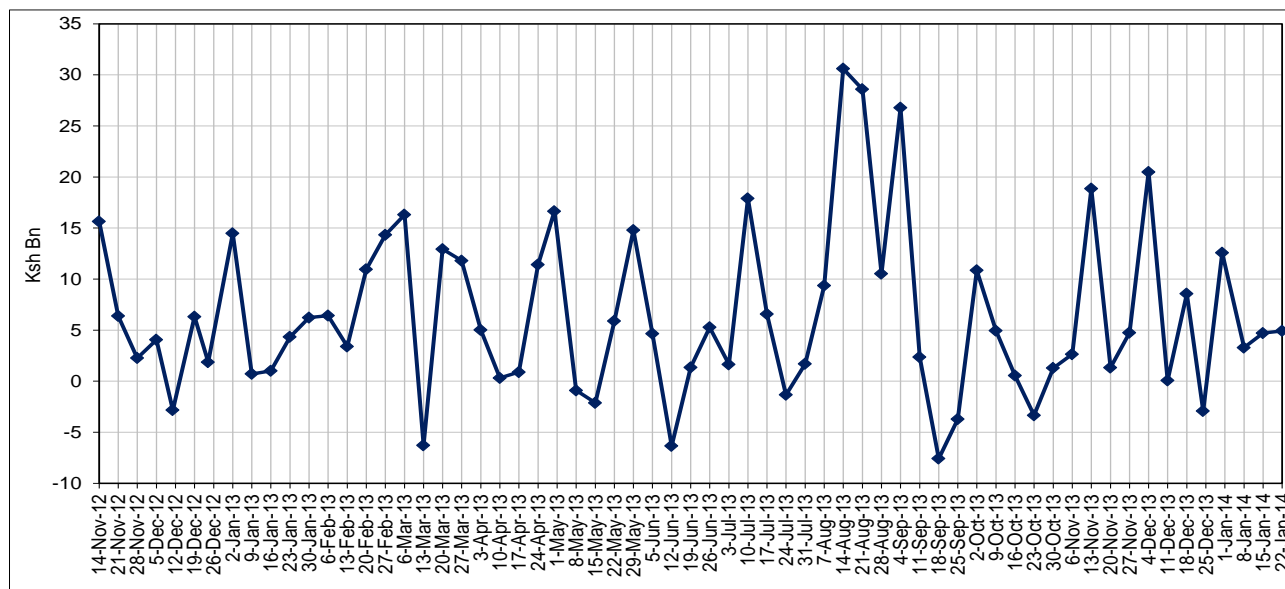


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 4.93 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 22, 2014 compared with Ksh 4.71 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 23, 2014. The appreciation of the shilling was largely on account of increased inflows from charitable organizations and the agriculture sector and generally tight liquidity in the money market.

In the EAC region, the shilling weakened against the Uganda Shilling and strengthened against all other EAC currencies (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
27-Dec-13	85.82	140.87	117.78	81.91	29.34	18.73	7.80	17.96
30-Dec-13	85.89	141.55	117.91	81.88	29.32	18.71	7.79	17.94
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
17-Jan-14	85.90	140.22	116.96	82.35	29.08	18.78	7.88	17.94
20-Jan-14	85.46	141.03	116.20	82.42	29.23	18.88	7.92	18.03
21-Jan-14	85.88	140.99	116.26	82.04	29.02	18.81	7.89	18.12
22-Jan-14	85.88	141.38	116.38	82.17	28.90	18.82	7.91	18.12
23-Jan-14	85.82	142.04	116.29	82.09	28.78	18.88	7.90	18.13
17-23 Jan 2014	85.79	141.13	116.42	82.21	29.00	18.83	7.90	18.07

Source: Central Bank of Kenya

Capital Markets

The capital markets performance in the week of January 23, 2014 improved in most indicators across the equities and bonds segments. The market rally is on account of strong demand from both local and foreign investors.

Equities Market

Equities price's increased during the week ending January 23, 2014 with the NSE 20 Share Index and the NASI gaining 42.91 and 2.38 points, respectively. As a result, market capitalization increased by 1.9 percent during the week under review. Despite the reduced volume of shares traded, equity turnover increased by 20.8 percent (from Ksh 3.18 billion the previous week to Ksh 3.85 billion) on account of the strong rally in share prices (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

Week Ending	05-Dec-13	19-Dec-13	24-Dec-13	02-Jan-14	09-Jan-14	16-Jan-14	23-Jan-14
NASI 100= Jan 2008	137.91	132.23	135.22	136.56	141.59	140.35	142.73
NSE 20 Share Index 100=1966	5,005.45	4,849.30	4,885.87	4,910.74	5,044.35	5,021.07	5,063.98
Number of Deals	10,674.00	6,839.00	3,867.00	4,949	9,249	10,787	12,675
Total Shares Traded (millions)	124.97	136.28	40.06	59.54	98.80	146.51	136.28
Equity Turnover (Ksh. millions)	3,101.43	3,091.89	1,245.15	1,662.56	2,267.33	3,185.89	3,847.98
Market Capitalization (Ksh. Bn.)	1,929.47	1,851.76	1,900.69	1,919.53	1,990.21	1,984.30	2,022.63
Bonds Turnover (Ksh. millions)	5,764.90	7,604.73	6,192.55	2,428.40	3,604.20	10,751.60	11,371.20
FTSE NSE Kenya 15 Index	175.66	N/A	168.11	172.83	180.44	176.43	177.62
FTSE NSE Kenya 25 Index	177.67	N/A	170.00	174.61	182.28	178.46	179.88
FTSE NSE Bond Index	90.88	N/A	91.16	91.28	90.80	90.92	91.45

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

N/A Not available

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 177.62 points from 176.43 points of the previous week. The FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, increased to 179.88 points. Meanwhile, the FTSE NSE Bond Index rose to 91.45 points from 90.92 points, reflecting further decline in secondary market yields.

In terms of sector performance, the market was fairly balanced. Banking, Telecommunication and Technology, and Insurance emerged the top three most active sectors, transacting 44.84 million or 32.9 percent, 41.22 million or 30.24 percent and 24.04 million or 17.64 percent, respectively. Automobile and Accessories sector was least active with 154,500 shares traded.

CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

The Bond Market

Bonds trading rose by 5.76 percent with turnover at Ksh 11,371.20 million from Ksh 10,751.60 million of the previous week. Corresponding deals were 99 down from 63.

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 (%)	Coupon Rate (%)
Treasury Bills						
91 Day	3,000.00	2,268.74	2,211.91	2,173.55	9.17	
182 Day	3,000.00	638.32	609.82	727.50	10.34	
364 Day	3,000.00	1,481.61	1,468.33	-	10.69	
Sub total	9,000.00	4,388.67	4,290.06	2,901.05		
Treasury Bonds						
10year FXD T. Bonds	10,000.00	40,823.31	15,030.28	-	12.18	12.18
Sub total	10,000.00	40,823.31	15,030.28	-		
Grand total	19,000.00	45,211.98	19,320.34	2,901.05		

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	17th Jan 2014
1. Treasury Bills (Excluding Repos)	310.1	311.6	314.4	310.8	309.1	307.3	302.8	308.5
(As % of total securities)	28.1	28.2	28.4	28.2	27.5	27.3	27.1	27.4
2. Treasury Bonds	793.3	793.3	793.4	791.0	816.3	816.3	816.3	816.3
(As % of total securities)	71.9	71.8	71.6	71.8	72.5	72.7	72.9	72.6
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	1,124.8
4. Overdraft at Central Bank	34.2	34.2	34.2	34.2	34.2	26.8	30.7	25.3
5. Other Domestic debt*	31.4	32.9	32.9	32.9	32.9	32.9	32.4	30.9
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	1,181.0

* 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	17-Jan-14
Treasury bills (Excluding Repos)	25.5	26.1
Treasury bonds	70.8	69.1
CBK Overdraft to Govt	0.7	2.1
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	17-Jan-14
Banking Institutions	51.1	50.0
Insurance Companies	10.5	10.1
Parastatals	4.4	3.6
Pension funds	25.3	26.4
Other investors	8.7	10.0
Total	100	100.0

Source: Central Bank of Kenya

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

	21-Nov-13	28-Nov-13	05-Dec-13	11-Dec-13	19-Dec-13	27-Dec-13	02-Jan-14	09-Jan-14	16-Jan-14	23-Jan-14
Usable Reserves*	5,879	5,898	5,903	5,896	5,992	6,176	6,165	6,149	6,143	6,119
Months of Imports Cover**	4.12	4.17	4.17	4.17	4.24	4.37	4.36	4.31	4.30	4.28

*Excludes encumbered reserves

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

Source: Central Bank of Kenya