



JANUARY 31, 2014

Highlights

The money market liquidity was tight beginning the week of January 23, 2014 with T-bond sales significantly reducing liquidity. The average interbank rate increased to 10.3 percent during the week ending January 29, 2014 from 8.9 percent in the previous week.

The NSE recorded weak performance in the week ending January 30, 2014 with leading market indicators declining. In particular, Market Capitalization fell below the Ksh 2-trillion mark achieved on January 21, 2014. However, the Bonds turnover increased by 23.94 percent during the week.

Monetary Policy Operations

The money market liquidity tightened through the week of January 23, 2014 with a T-bond sale significantly reducing liquidity. Reflecting the tight liquidity, the average reserve money, at Ksh 291.9 billion during the week was Ksh 8.4 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(-)
					Repo	Term Auction Deposit						
	(1)	(2)	3=(1-2)	(4)	(5)	(6)	7=(5+ 6-4)	(8)	(9)	(10)=(9-2)	(11)	(12)
23-Jan-14	294.3	317.7	-23.4	0.0	0.0	0.0	0.0	0.0	295.3	-22.4	-5.2	-17.1
24-Jan-14	297.4	317.7	-20.3	0.0	0.0	0.0	0.0	0.0	297.1	-20.6	-2.6	-18.0
27-Jan-14	282.8	322.2	-39.4	0.0	0.0	0.0	0.0	0.0	285.6	-36.6	-14.7	-21.9
28-Jan-14	282.2	322.2	-40.0	0.0	0.0	0.0	0.0	0.0	282.3	-39.9	-18.1	-21.8
29-Jan-14	299.4	322.2	-22.8	0.0	0.0	0.0	0.0	0.0	299.2	-22.9	-1.5	-21.4
Average	291.2	320.4	-29.2	0.0	0.0	0.0	0.0	0.0	291.9	-28.5	-8.4	-20.0

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate increased by 140 basis points to 10.3 percent during the week ending January 29, 2014 from 8.9 percent in the previous week on account of the tight liquidity in the market.

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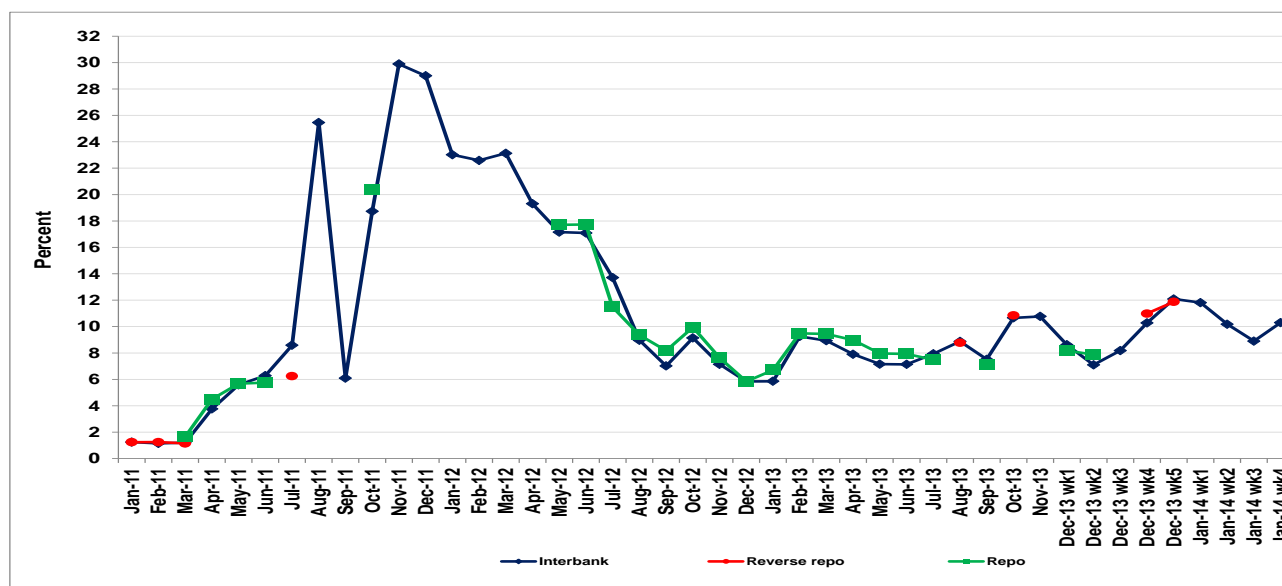
The average interbank volume transacted decreased marginally to KSh. 13.12 billion in the week ending January 29, 2014 from KSh. 13.29 billion the previous week, while the average number of deals increased to 67 from 60 reflecting increased activity in the interbank market (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
23-Jan-14	66	11,041	9.49
24-Jan-14	60	10,660	9.87
27-Jan-14	66	11,335	10.23
28-Jan-14	66	13,083	10.54
29-Jan-14	76	19,475	11.37
January 23 - January 29, 2014	67	13,119	10.30

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES

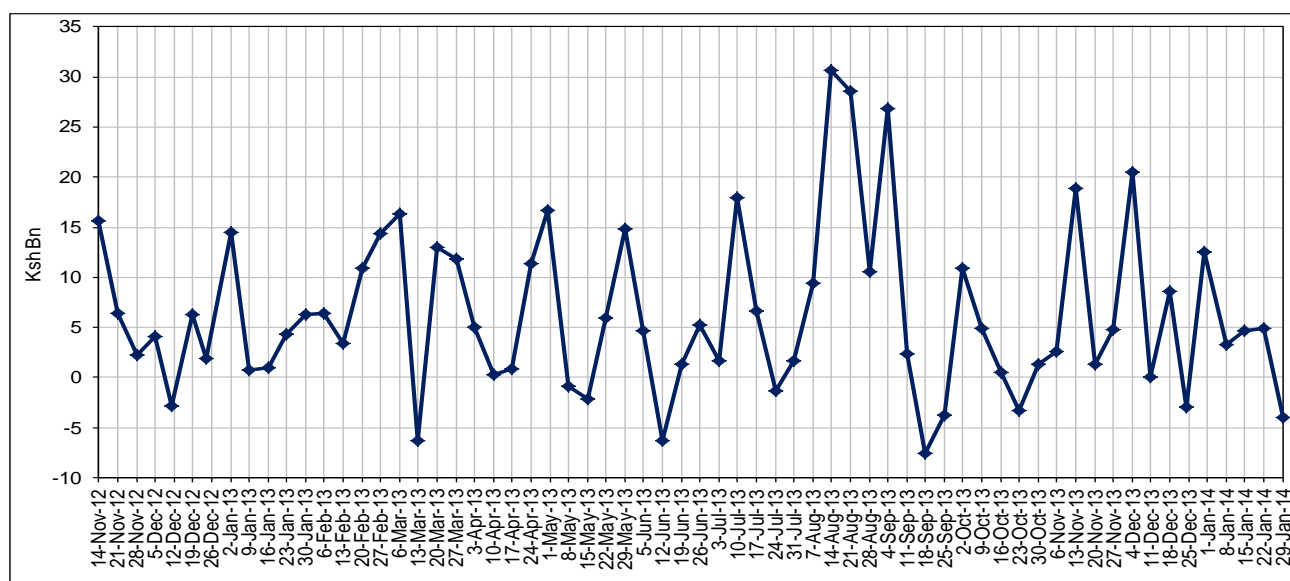


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

As further indication of the tight money market liquidity, commercial banks' balance in their settlement account was Ksh 402 billion below the monthly average cash reserve requirement of 5.25 percent (Ksh 100.0 billion) in the week to January 29, 2014 compared with a surplus of Ksh 4.93 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 weakened marginally against major international currencies in the week ending January 30, 2014. The depreciation of the Shilling against the US Dollar was largely on account of increased demand from importers.

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

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
20-Dec-13	85.83	140.34	116.99	82.07	29.34	18.72	7.79	17.95
23-Dec-13	85.72	140.17	117.33	82.35	29.37	18.75	7.80	17.98
24-Dec-13	85.72	140.13	117.27	82.72	29.37	18.75	7.80	17.98
20-24 Dec-13	85.76	140.21	117.20	82.38	29.36	18.74	7.80	17.97
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

Capital markets performance declined in the week ending January 30 2014, as reflected in most market indicators, except for the bonds segment.

Equities Market

The NSE 20 Share Index closed the week 102.99 points down while NASI declined by 3.67 points. Market capitalization, which measures shareholders wealth decreased by Ksh 62.67 billion during the week. Equity turnover increased by 36.1 percent on account of high volume of shares traded. Volume of shares traded rose by 53.95 percent (Table 7).

TABLE 4: KEY WEEKLY MARKET STATISTICS

Week Ending	19-Dec-13	24-Dec-13	02-Jan-14	09-Jan-14	16-Jan-14	23-Jan-14	30-Jan-14
NASI 100= Jan 2008	132.23	135.22	136.56	141.59	140.35	142.73	139.06
NSE 20 Share Index 100=1966	4,849.30	4,885.87	4,910.74	5,044.35	5,021.07	5,063.98	4,960.99
Number of Deals	6,839.00	3,867.00	4,949	9,249	10,787	12,675	2,536
Total Shares Traded (millions)	136.28	40.06	59.54	98.80	146.51	136.28	209.81
Equity Turnover (Ksh. millions)	3,091.89	1,245.15	1,662.56	2,267.33	3,185.89	3,847.98	5,235.56
Market Capitalization (Ksh. Bn.)	1,851.76	1,900.69	1,919.53	1,990.21	1,984.30	2,022.63	1,959.96
Bonds Turnover (Ksh. millions)	7,604.73	6,192.55	2,428.40	3,604.20	10,751.60	11,371.20	14,093.58
FTSE NSE Kenya 15 Index	N/A	168.11	172.83	180.44	176.43	177.62	172.85
FTSE NSE Kenya 25 Index	N/A	170.00	174.61	182.28	178.46	179.88	174.88
FTSE NSE Bond Index	N/A	91.16	91.28	90.80	90.92	91.45	92.48

* 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

FTSE NSE Kenya 15 Index, which measures stock performance of 15 largest companies by market capitalization, declined to 172.85 points from 177.62 points the previous week. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, declined to 174.88 points from 179.88 points. FTSE NSE Bond Index rose to 92.48 points from 91.45 points, reflecting further decline in secondary market yields.

Telecommunication & Technology, Banking, and Insurance emerged the top three most active sectors, transacting 100.09 million or 47.7 percent, 49.86 million or 23.77 percent, and 29.01 million or 13.87 percent, respectively. Automobile and Accessories sector was least active with 411,100 shares traded.

The Bond Market

Bonds turnover increased by 23.9 percent, trading bonds worth Ksh 14,093.58 million from Ksh 11,371.20 million of the previous week. Corresponding deals more than doubled to 193 from 99.

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TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS FOR JANUARY 31, 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	24th Jan 2013
1. Treasury Bills (Excluding Repos)	310.1	311.6	314.4	310.8	309.1	307.3	302.8	308.5	314.6
(As % of total securities)	28.1	28.2	28.4	28.2	27.5	27.3	27.1	27.4	27.8
2. Treasury Bonds	793.3	793.3	793.4	791.0	816.3	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	72.2
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	1,130.9
4. Overdraft at Central Bank	34.2	34.2	34.2	34.2	34.2	26.8	30.7	25.3	21.6
5. Other Domestic debt*	31.4	32.9	32.9	32.9	32.9	32.9	32.4	30.9	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	1183.5

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	Jun-13	24-Jan-14
Treasury bills (Excluding Repos)	25.5	26.6
Treasury bonds	70.8	69.0
CBK Overdraft to Govt	0.7	1.8
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	24-Jan-14
Banking Institutions	51.1	49.1
Insurance Companies	10.5	10.0
Parastatals	4.4	3.5
Pension funds	25.3	26.1
Other investors	8.7	11.2
Total	100	100.0

Source: Central Bank of Kenya

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

	21-Nov-13	28-Nov-13	5-Dec-13	11-Dec-13	19-Dec-13	27-Dec-13	2-Jan-14	9-Jan-14	16-Jan-14	23-Jan-14	30-Jan-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	5,879	5,898	5,903	5,896	5,992	6,176	6,165	6,149	6,143	6,119	6,201
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.12	4.17	4.17	4.17	4.24	4.37	4.36	4.31	4.30	4.28	4.34

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya