



**JANUARY 10, 2014**

## **Highlights**

The Managing Director of the IMF, Ms. Christine Lagarde visited Kenya last week following the successful conclusion in December 2013 of Kenya's Medium Term Economic Program which was supported by a three-year arrangement under the IMF's Extended Credit Facility (ECF).

The money market was relatively tight during the week ending January 8, 2014 on account of tax payments to Government and reverse repos maturities. Reflective of the continued liquidity tightness, the average interbank rate marginally decreased to 11.81 percent during the week ending January 8, 2014 from 12.09 percent in the previous week.

The NSE equity market indicators recorded strong gains in the week ending January 9, 2014 reflecting improved company returns and stable macroeconomic conditions. The Bonds market performance stabilised.

## **Visit to Kenya by the IMF Managing Director**

The Managing Director, Ms. Christine Lagarde visited Kenya last week following the successful conclusion in December 2013 of Kenya's Medium Term Economic Program which was supported by a three-year arrangement under the IMF's Extended Credit Facility (ECF). Under the program, Kenya's macroeconomic conditions improved: the external and fiscal positions has strengthened, high inflation tamed, and the economy's resilience to shocks boosted. Improved policies have placed Kenya in a good position to tap the international financial markets. The far reaching economic reforms have laid the foundations to transform Kenya to a middle-income country in line with the Vision 2030. Although Kenya's economic outlook is favorable, both external and domestic risks persist. Continued engagement with the IMF will help Kenya manage these shocks. Under the envisaged IMF support, Kenya will access funds as and when required to mitigate effects against shocks.

## **Monetary Policy Operations**

The money market liquidity decreased during the week ending January 8, 2014 on account of tax payments to Government and reverse repos maturities. The Central Bank stayed out of the interbank to allow the market to return to normalcy after the festive seasons. The Central Bank reserve money averaged Ksh 309.6 billion during the week and was Ksh 5.8 billion above target (Table 1).

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

**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						
2-Jan-14	320.5	304.3	16.2	0.0	0.0	0.0	0.0	0.0	314.5	10.2	7.9	2.3
3-Jan-14	313.3	304.3	9.0	0.0	0.0	0.0	0.0	0.0	312.2	7.9	6.5	1.4
6-Jan-14	307.2	303.5	3.7	0.0	0.0	0.0	0.0	0.0	307.7	4.2	2.2	2.0
7-Jan-14	307.6	303.5	4.1	0.0	0.0	0.0	0.0	0.0	307.5	4.0	1.6	2.4
8-Jan-14	306.4	303.5	2.9	0.0	0.0	0.0	0.0	0.0	306.1	2.6	0.6	2.0
<b>Average</b>	<b>311.0</b>	<b>303.8</b>	<b>7.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>309.6</b>	<b>5.8</b>	<b>3.7</b>	<b>2.0</b>
<b>Sum</b>				<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>				

Source: Central Bank of Kenya

### Interbank and REPO Rates

The average interbank rate decreased by 28 basis points to 11.81 percent during the week ending January 8, 2014 from 12.09 percent in the previous week. The average interbank volume transacted decreased to Ksh 18.75 billion in the week ending January 8, 2014 from Ksh 25.05 billion the previous week, while the average number of deals increased to 70 from 69 (Table 2 and Chart A).

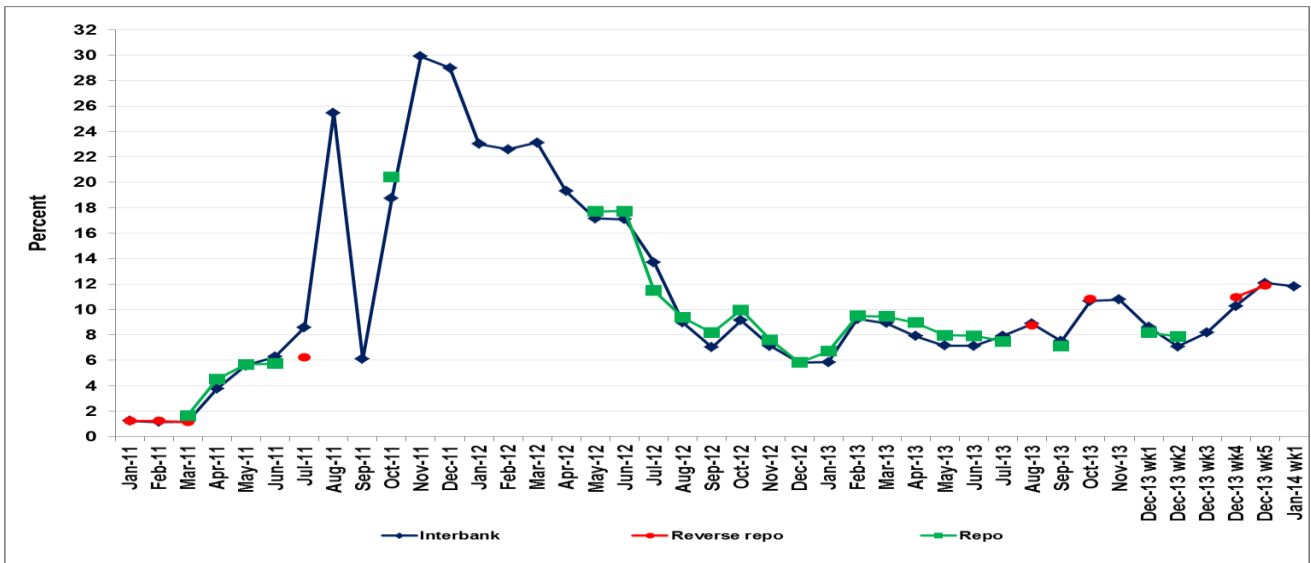
**TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
<b>December 19 -December 24, 2013</b>	<b>52</b>	<b>12,551</b>	<b>10.27</b>
27-Dec-13	52	21,130	11.95
30-Dec-13	71	26,970	12.12
31-Dec-13	85	27,070	12.19
<b>December 27 -December 31, 2013</b>	<b>69</b>	<b>25,057</b>	<b>12.09</b>
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
<b>January 02 - January 08, 2014</b>	<b>70</b>	<b>18,752</b>	<b>11.81</b>

Source: Central Bank of Kenya

During the week ending January 8, 2014, the Central Bank stayed out of the interbank to allow the market to return to normalcy after the festive seasons.

**CHART A: STRUCTURE OF INTEREST RATES**

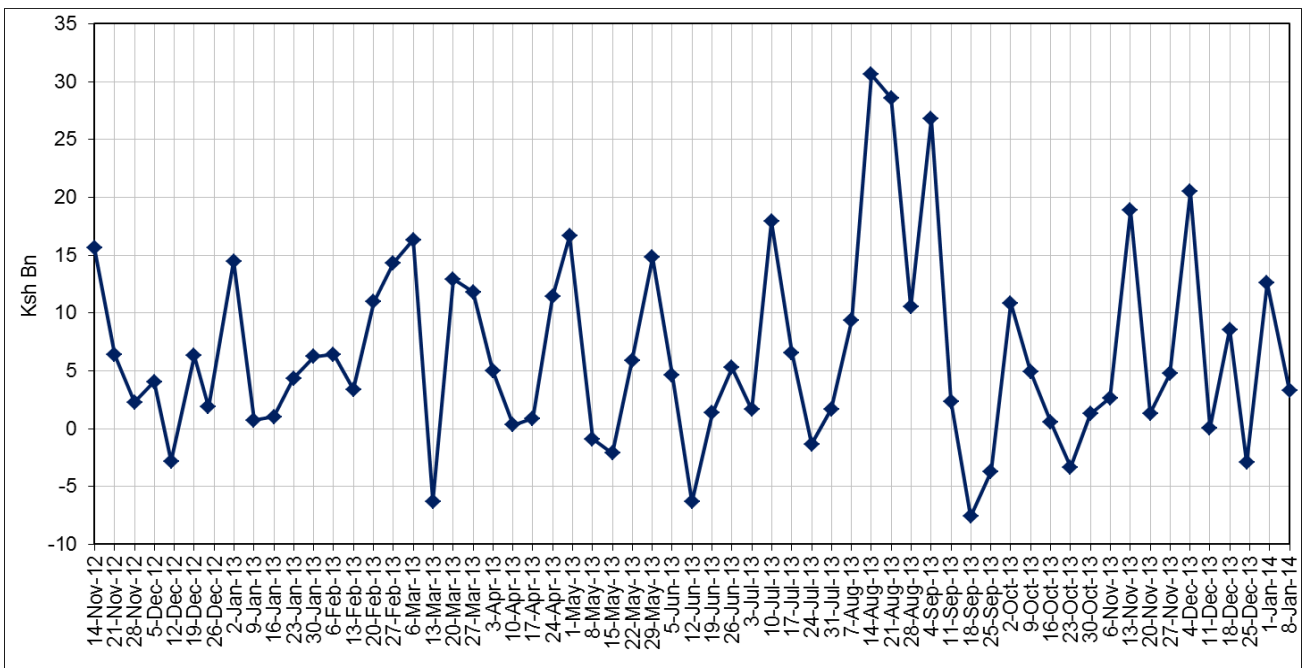


Source: Central Bank of Kenya

**Commercial Banks Clearing Account Balances**

Commercial banks recorded a surplus of Ksh 3.29 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 97.1 billion) at the Central Bank in the week to January 8, 2014 compared with Ksh 12.6 billion recorded in the previous week (Chart B). The fall in excess reserves underscore the continued tightness in the money market.

**CHART B: WEEKLY AVERAGE DEVIATION FROM CRR IN THE CLEARING ACCOUNT**



Source: Central Bank of Kenya

### Kenya Shilling Exchange Rate

The Kenya shilling depreciated marginally during the week ending January 9, 2014 largely due to increased demand for the US Dollar, mainly from traders and the manufacturing and energy sectors.

**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
31-Dec-13	86.31	142.40	119.22	82.42	29.17	18.62	7.75	17.85
2-Jan-14	86.42	142.72	118.80	82.19	29.23	18.43	7.82	17.84
<b>27 Dec 2013 -02 Jan 2014</b>	<b>86.11</b>	<b>141.89</b>	<b>118.43</b>	<b>82.10</b>	<b>29.27</b>	<b>18.62</b>	<b>7.79</b>	<b>17.90</b>
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
<b>03-09 Jan 2014</b>	<b>86.90</b>	<b>142.62</b>	<b>118.34</b>	<b>83.05</b>	<b>29.03</b>	<b>18.26</b>	<b>7.77</b>	<b>17.86</b>

Source: Central Bank of Kenya

### Capital Markets

Capital markets maintained strong performance during the week ending January 9, 2014. NSE 20 Share Index added 133.61 points and NASI rose by 5.03 points. Market Capitalization grew by Ksh 70.69 billion. The Bonds turnover performance stabilized (Table 4).

### Equities Market

The average share prices in the equities market improved with the NSE 20 Share Index and NASI increasing by 2.7 percent and 3.6 percent, respectively in the week ending January 9, 2014. As a result, market capitalization that measures shareholders' wealth increased by 3.6 percent.

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

Week Ending	21-Nov-13	28-Nov-13	5-Dec-13	19-Dec-13	24-Dec-13	2-Jan-14	9-Jan-14
NASI 100= Jan 2008	138.14	142.58	137.91	132.23	135.22	136.56	141.59
NSE 20 Share Index 100=1966	5,053.91	5,137.21	5,005.45	4,849.30	4,885.87	4,910.74	5,044.35
Number of Deals	9,785.00	11,771.00	10,674.00	6,839.00	3,867.00	4,949	9,249
Total Shares Traded (millions)	116.86	212.08	124.97	136.28	40.06	59.54	98.80
Equity Turnover (Ksh. millions)	2,650.45	4,120.86	3,101.43	3,091.89	1,245.15	1,662.56	2,267.33
Market Capitalization (Ksh. Bn.)	1,942.58	1,994.73	1,929.47	1,851.76	1,900.69	1,919.53	1,990.21
Bonds Turnover (Ksh. millions)	5,746.98	5,176.77	5,764.90	7,604.73	6,192.55	2,428.40	3,604.20
FTSE NSE Kenya 15 Index	178.79	181.66	175.66	N/A	168.11	172.83	180.44
FTSE NSE Kenya 25 Index	180.3	183.50	177.67	N/A	170.00	174.61	182.28
FTSE NSE Bond Index	91.13	91.09	90.88	N/A	91.16	91.28	90.80

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

N/A Not available

**Source: Nairobi Securities Exchange**

Equity turnover rose by 36.4 percent on account of increases in share prices and volume of shares traded.

### FTSE NSE Kenya Index Series and Most Active Stocks

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization and the FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE recorded respective increases of around 4.4 percent during the week. Meanwhile, the FTSE NSE Bond Index stabilized at 90.80 points.

Telecoms and Technology, Banking and Insurance were the top three most active sectors, transacting 49.25 million or 51.1 per cent, 16.69 million or 17.3 per cent and 9.98 million or 10.4 percent, respectively. Agricultural sector was least active with 210,800 shares traded.

### The Bond Market

Bonds turnover increased by 48.42 percent during the week under review. Corresponding deals closed lower at 36 from 88.

**TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS FOR JANUARY 8 & 9, 2014**

	Amount offered (Ksh M)	Bids received (Ksh M)	Amount Accepted (Ksh M)	Maturities (Ksh M)	Average interest Rate (%)
91 Day	3,000.00	3,759.59	3,539.75	1,296.50	9.32
182 Day	3,000.00	2,560.91	2,513.46	270.75	10.36
364 Day	3,000.00	1,900.94	940.33	-	10.65
<b>Total</b>	<b>9,000.00</b>	<b>8,221.44</b>	<b>6,993.54</b>	<b>1,567.25</b>	<b>30.32</b>

**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
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
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
<b>3. Total Securities (1+2)</b>	<b>1,103.4</b>	<b>1,105.0</b>	<b>1,107.8</b>	<b>1,101.9</b>	<b>1,125.4</b>	<b>1,123.6</b>
4. Overdraft at Central Bank	34.2	34.2	34.2	34.2	34.2	26.8
5. Other Domestic debt*	31.4	32.9	32.9	32.9	32.9	32.8
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,169.0</b>	<b>1,172.0</b>	<b>1,174.8</b>	<b>1,169.0</b>	<b>1,192.5</b>	<b>1,183.2</b>

\* 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	29-Nov-13	11-Dec-13	20-Dec-13	27-Dec-13	3-Jan-14
Treasury bills (Excluding Repos)	25.5	26.5	26.8	26.6	25.9	26.0
Treasury bonds	70.8	67.9	67.8	67.7	68.5	69.0
CBK Overdraft to Govt	0.7	2.9	2.9	2.9	2.9	2.3
Other domestic debt	3.0	2.7	2.8	2.8	2.8	2.8
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Central Bank of Kenya

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

	Jun-13	29-Nov-13	6-Dec-13	11-Dec-13	20-Dec-13	27-Dec-13	3-Jan-14
Banking Institutions	51.1	48.2	48.1	48	48.2	49.2	49.3
Insurance Companies	10.5	10.4	10.4	10.3	10.3	10.2	10.2
Parastatals	4.4	3.7	3.7	3.7	3.6	3.5	3.5
Pension funds	25.3	26.1	26.4	26.4	26.6	26.1	26.2
Other investors	8.7	11.6	11.4	11.6	11.3	11	10.9
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Central Bank of Kenya