



JULY 18, 2014

Highlights

The money market was relatively liquid during the week ending July 16, 2014. The central bank liquidity management stayed out of the money market to allow for liquidity redistribution in the interbank market. The average interbank rate declined to 7.21 percent in the week ending July 16, 2014 from 7.79 percent recorded in the previous week.

The capital markets registered mixed performance in the week under review. All Equities segment leading indicators apart from NSE 20 Share Index and Number of deals, declined. The bond segment had similar performance.

Monetary Policy Operations

The money market was relatively liquid during the week ending July 16, 2014 supported by government payments which more than offset taxes. The Central Bank liquidity management stayed out of the money market to allow for liquidity redistribution in the interbank market. Reserve money averaged Ksh 321.9 billion during the week and was Ksh 3.9 billion above target (**Table 1**).

TABLE 1: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Reserve Money* (Projected)			OMO					Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/ Short(-)	Posted	Mop up		Exc(+)/ Short(-)	Revers e Repo	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)
10-Jul-14	320.9	322.7	-1.8	0.0	0.0	0.0	0.0	0.0	320.0	-2.7	0.9	-3.7
11-Jul-14	335.4	322.7	12.7	0.0	0.0	0.0	0.0	0.0	332.5	9.8	13.7	-3.9
14-Jul-14	330.8	322.7	8.1	0.0	0.0	0.0	0.0	0.0	326.3	3.6	8.3	-4.7
15-Jul-14	325.7	322.7	3.0	0.0	0.0	0.0	0.0	0.0	326.4	3.6	6.8	-3.2
16-Jul-14	328.1	322.7	5.3	0.0	0.0	0.0	0.0	0.0	328.1	5.4	9.6	-4.2
Average	328.2	322.7	5.4	0.0	0.0	0.0	0.0	0.0	326.7	3.9	7.9	-3.9

Source: Central Bank of Kenya

Interbank and REPO Rates

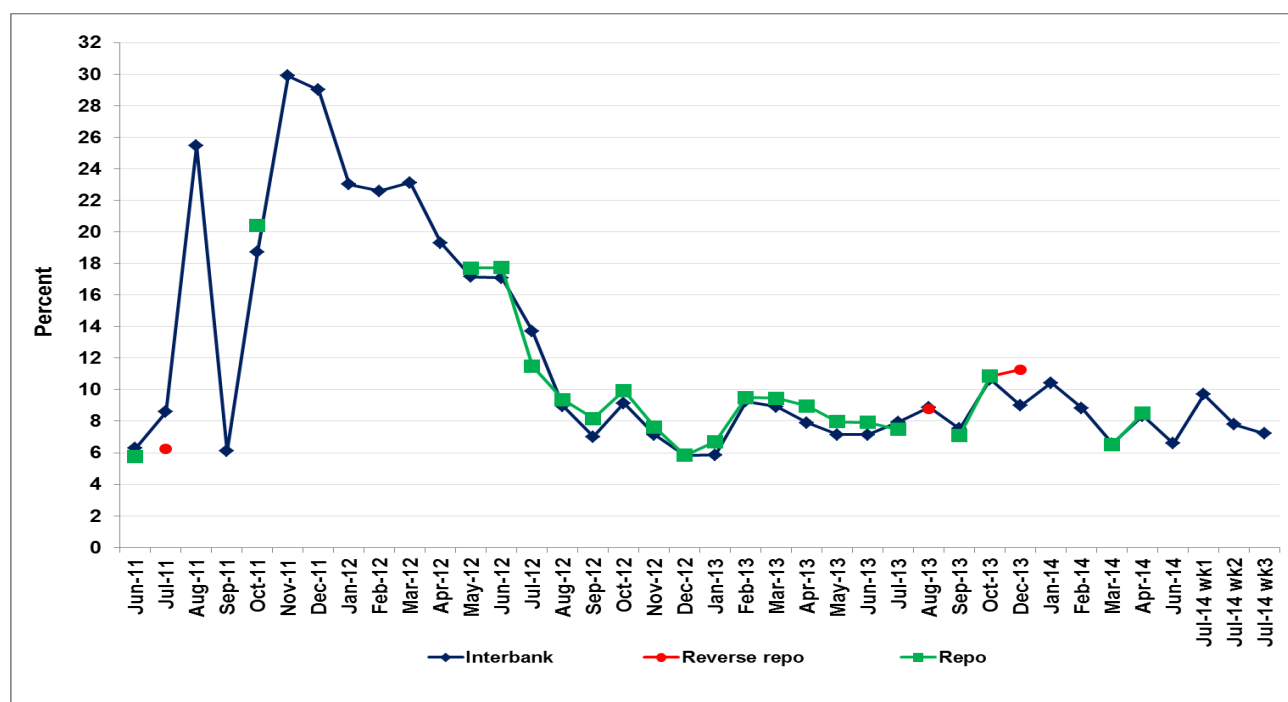
The average interbank rate declined to 7.21 percent in the week ending July 16, 2014 from 7.79 percent recorded in the previous week, whereas the volume transacted increased to Ksh 20.0 billion from Ksh 14.5 billion traded in the previous week. The average number of deals increased from 53 to 64 (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
3-Jul-14	42	11,600	8.70
4-Jul-14	53	14,062	8.24
7-Jul-14	52	16,380	7.47
8-Jul-14	51	12,639	7.36
9-Jul-14	66	18,013	7.17
July 3, 2014 - July 9, 2014	53	14,539	7.79
10-Jul-14	74	18,752	7.39
11-Jul-14	70	18,076	7.28
14-Jul-14	60	20,930	7.17
15-Jul-14	65	22,688	7.07
16-Jul-14	53	19,558	7.12
July 10, 2014 - July 16, 2014	64	20,001	7.21

Source: Central Bank of Kenya

CHART A: INTERBANK AND REPO INTEREST RATES

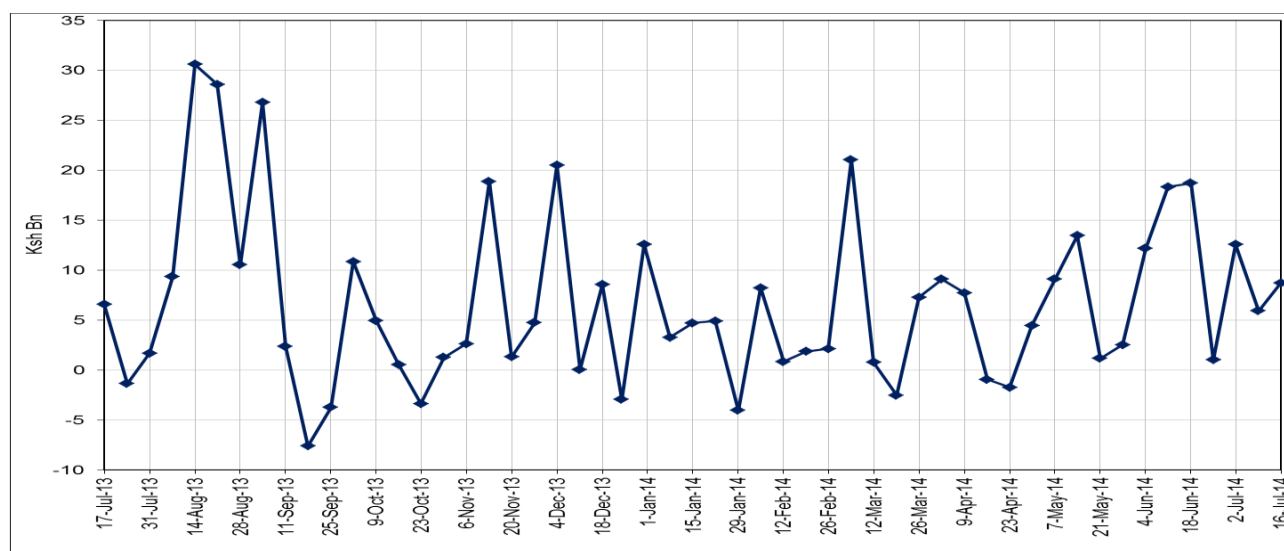


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh8.7 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 108.5 billion) at the Central Bank in the week ending July 16, 2014 compared with Ksh 5.9 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 was relatively stable against major international and regional currencies. During the week ending 17 July 2014, the Shilling strengthened to the US Dollar, the Pound Sterling and the Euro but weakened to the Japanese Yen. In the EAC region, the Kenya Shilling strengthened against all EAC currencies (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
4-Jul-14	87.83	150.85	119.50	86.09	29.91	18.96	7.75	17.56
7-Jul-14	87.88	150.69	119.33	86.07	30.02	19.00	7.72	17.64
8-Jul-14	87.89	150.55	119.54	86.27	30.04	18.98	7.71	17.64
9-Jul-14	87.86	150.56	119.61	86.44	30.05	18.99	7.72	17.64
10-Jul-14	87.78	150.48	119.64	86.36	30.08	19.00	7.72	17.66
4 July - 10 July 2014	87.85	150.63	119.52	86.25	30.02	18.99	7.72	17.63
11-Jul-14	87.65	150.14	119.22	86.49	30.12	19.03	7.74	17.68
14-Jul-14	87.63	149.98	119.21	86.36	30.13	19.03	7.74	17.69
15-Jul-14	87.71	149.75	119.39	86.33	30.10	19.02	7.73	17.67
16-Jul-14	87.74	150.37	119.03	86.26	30.09	19.01	7.73	17.67
17-Jul-14	87.71	150.30	118.61	86.34	30.10	19.02	7.73	17.67
10 July - 17 July 2014	87.69	150.11	119.09	86.36	30.11	19.02	7.73	17.68

Source: Central Bank of Kenya

Capital Markets

Equities market leading indicators had mixed performance in the week ending July 17, 2014, with NASI losing 0.59 percent while NSE 20 Share Index gaining by 0.31 percent. FTSE Kenya 15 and FTSE Kenya 25 Index were down by 0.17 percent and 0.02 percent, respectively. Market capitalization lost Ksh 12.43 billion as equity turnover declined by Ksh 783.52 million owing to a 31 percent fall in total shares traded. FTSE NSE Bond Index increased by 0.10 points, while bonds turnover increased by Ksh 144.71 million from the previous week (**Table 4**).

Equities Market

NASI lost 0.90 points while NSE 20 Share Index gained 15.32 points in the week ending July 17, 2014. Market capitalization which measures shareholders wealth declined by 0.59 percent as equity turnover declined to Ksh 3,060.09 million.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	5-Jun-14	12-Jun-14	19-Jun-14	26-Jun-14	3-Jul-14	10-Jul-14	17-Jul-14
NASI 100= 2008	149.29	150.04	149.41	149.52	153.64	151.93	151.03
NSE 20 Share Index 100= 1996	4,835.53	4,811.00	4,797.42	4,856.35	4,884.69	4,898.29	4,913.61
Number of Deals	7,450	9,993	9,955	9,468	9,479	8,325	9,287
Total Shares Traded	218.75	155.99	168.35	182.74	152.12	177.99	122.81
Equity Turnover (Ksh. Millions)	5,186.02	4,370.91	4,093.96	4,122.50	4,299.40	3,843.61	3,060.09
Market Capitalization (Ksh. Bn.)	2,078.85	2,089.41	2,080.63	2,094.79	2,138.28	2,128.54	2,116.11
Bonds Turnover (Ksh. Millions)	6,119.25	7,002.43	3,377.60	12,978.24	3,682.35	10,380.10	10,524.81
FTSE NSE Kenya 15 Index	191.28	193.01	192.92	193.76	201.01	197.89	197.56
FTSE NSE Kenya 25 Index	192.97	194.63	194.58	195.14	203.50	200.04	200.01
FTSE NSE Bond Index	94.29	94.13	93.85	93.95	93.16	93.29	93.39

Source: Nairobi Securities Exchange

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, lost 0.33 points to close at 197.56 points from 197.89 points. Similarly, FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE lost 0.03 points to close at 200.01 points from 200.04 points. FTSE Government Bond Index, however rose to 93.39 points from 93.29 points, reflecting a decline in the market yields.

Telecommunication and Technology, Banking and, Insurance sectors were the top three most active, transacting 59.38 million or 47.79 percent, 30.40 million or 24.46 percent and 10.98 million or 8.84 percent, respectively. Agricultural sector was least active with 395,800 shares traded in the period.

The Bond Market

Bonds' turnover at the NSE increased by 1.39 percent to Ksh.10, 524.81 million from Ksh 10,380.1 million the previous week. Corresponding deals increased to 132 from 80.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills						
Date of Auction	12-Jun-14	19-Jun-14	26-Jun-14	3-Jul-14	10-Jul-14	17-Jul-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	3,000.00
Bids received (Ksh M)	14080.48	11532.19	4,829.58	6,263.41	8,444.58	2,727.19
Amount Accepted (Ksh M)	12620.56	9100.6	4,829.58	4,884.42	4,367.11	2,726.70
Maturities (Ksh M)	7353.56	1040.02	3,421.63	1,019.46	1,200.20	3,469.35
Average interest Rate (%)	9.275	10.250	11.438	11.408	9.727	9.274
182-Day Treasury Bills						
Date of Auction	11-Jun-14	18-Jun-14	25-Jun-14	2-Jul-14	9-Jul-14	16-Jul-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	3,000.00
Bids received (Ksh M)	6452.32	2727.53	4072.84	3564.88	6797.58	7433.26
Amount Accepted (Ksh M)	6452.32	2727.53	4072.84	3118.32	1812.46	4095.83
Maturities (Ksh M)	670.91	1490.74	319.27	37.43	2492.78	2308.05
Average interest Rate (%)	10.323	10.711	11.585	11.788	10.970	10.430
364-Day Treasury Bills						
Date of Auction	11-Jun-14	18-Jun-14	25-Jun-14	2-Jul-14	9-Jul-14	16-Jul-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	3,000.00
Bids received (Ksh M)	2739.16	1440.69	923.80	5787.00	10503.50	7952.65
Amount Accepted (Ksh M)	2739.16	1440.69	923.80	3886.97	2080.45	3308.73
Maturities (Ksh M)	2297.04	431.01	431.01	2795.14	136.39	494.25
Average interest Rate (%)	10.239	10.981	11.186	11.500	11.165	10.558
Treasury Bonds						
Date of Auction	16-Jul-14	18-Jun-14				
Tenor	20 Year Fxd	5 Year Fxd				
Amount offered (Ksh M)	30000.00					
Bids received (Ksh M)	8,639.32	15,265.58				
Amount Accepted (Ksh M)	8,502.75	14,286.91				
Maturities (Ksh M)	-	-				
Average interest Rate (%)	13.357	11.934				

Source: Central Bank of Kenya

CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	9th May 2014	16th May 2014	23th May 2014	30th May 2014	6th June 2014	13th June 2014	20th June 2014	27th June 2014	4th July 2014	11th July 2014
1. Treasury Bills (Excluding Repos)	274.6	279.3	279.0	274.8	274.3	270.4	282.4	293.1	299.4	308.0
(As % of total securities)	23.9	24.2	24.2	23.7	23.6	23.4	24.2	24.8	24.7	25.2
2. Treasury Bonds	874.7	874.7	874.7	886.9	886.9	886.9	886.9	886.9	914.8	914.8
(As % of total securities)	76.1	75.8	75.8	76.3	76.4	76.6	75.8	75.2	75.3	74.8
3. Total Securities (1+2)	1149.2	1153.9	1153.6	1161.7	1161.2	1157.3	1169.3	1180.0	1214.2	1222.7
4. Overdraft at Central Bank	34.2	39.1	39.1	39.1	39.1	39.1	39.1	39.1	37.5	29.0
5. Other Domestic debt*	30.7	31.2	31.2	31.2	31.2	31.7	31.6	31.6	31.6	31.6
6. Gross Domestic Debt (3+4+5)	1214.1	1224.3	1223.9	1232.0	1231.5	1228.1	1240.1	1250.8	1283.3	1283.4

* 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

	16-May-14	23-May-14	30-May-14	6-Jun-14	13-Jun-14	20-Jun-14	27-Jun-14	4-Jul-14	11-Jul-14
Treasury bills (Excluding Repos)	22.8	22.8	22.3	22.3	22.0	22.8	23.4	23.3	24.0
Treasury bonds	71.4	71.5	72.0	72.0	72.2	71.5	70.9	71.3	71.3
CBK Overdraft to Govt	3.2	3.2	3.2	3.2	3.2	3.2	3.1	2.9	2.3
Other domestic debt	2.5	2.5	2.5	2.5	2.6	2.6	2.5	2.5	2.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	9-May-14	16-May-14	23-May-14	30-May-14	6-Jun-14	13-Jun-14	20-Jun-14	27-Jun-14	4-Jul-14	11-Jul-14
Banking Institutions	52.0	52.3	52.4	52.3	52.3	52.4	52.9	53.1	53.2	53.1
Insurance Companies	9.7	9.6	9.7	9.7	9.8	9.8	9.7	9.6	9.4	9.4
Parastatals	3.2	3.2	3.2	3.2	3.2	3.2	3.1	3.1	3.0	3.0
Pension funds	26.2	26.3	26.2	26.3	26.2	26.1	25.8	25.8	26.0	26.0
Other investors	8.8	8.5	8.5	8.4	8.5	8.5	8.5	8.5	8.4	8.4
Total	99.9	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

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

	5-Jun-14	12-Jun-14	19-Jun-14	26-Jun-14	3-Jul-14	10-Jul-14	17-Jul-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,078	6,084	6,081	6,081	6,094	6,458	6,447
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.29	4.29	4.29	4.29	4.14	4.31	4.31

*Excludes Encumbered Reserves and proceeds from the Eurobond

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

Source: Central Bank of Kenya