



**JULY 4, 2014**

## **Highlights**

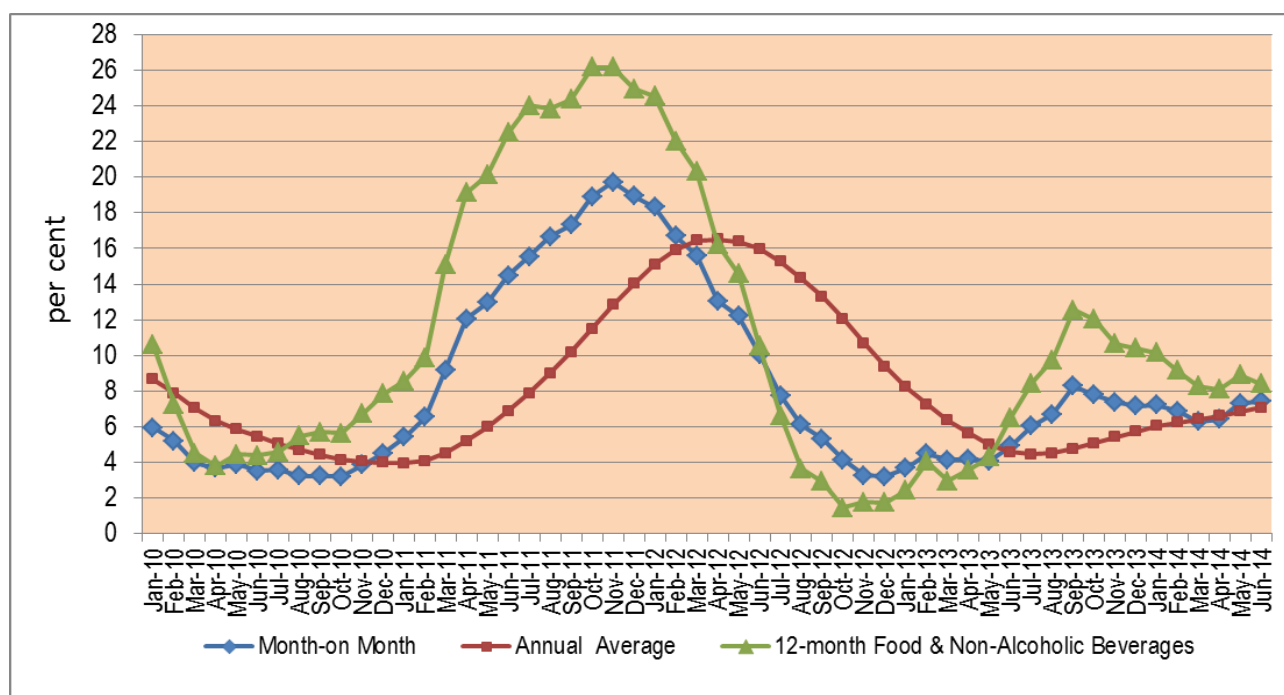
*Overall 12-month inflation rose from 7.30 percent in May 2014 to 7.39 percent in June 2014. Non-food non-fuel inflation rose by 11.3 basis points from 4.35 percent in May 2014 to 4.47 percent in June 2014.*

*The money market was relatively liquid during the week ending July 2, 2014 supported by government payments. However, the liquidity was skewed in favor of a few banks. The Central Bank liquidity management stayed out of the OMO market to allow for liquidity redistribution. The average interbank rate increased to 9.69 percent in the week ending July 2, 2014 from 6.87 percent recorded in the previous week.*

*The capital markets registered a mixed performance. Equities segment continued with recovery, with most of the leading market indicators gaining in the week ending July 3, 2014. However, the fixed income segment however recorded a steep decline.*

## **Inflation**

Overall 12-month inflation rose from 7.30 percent in May 2014 to 7.39 percent in June 2014 (**Chart A**). The increase in the overall inflation in June 2014 is largely attributed to higher fuel inflation. Fuel inflation rose from 8.13 percent in May 2014 to 9.02 percent in June 2014 reflecting a rise in the price of electricity, kerosene, diesel and charcoal. Non-food non-fuel inflation also rose from 4.35 percent in May 2014 to 4.47 percent in June 2014. Food inflation, however, eased from 8.69 percent in May 2014 to 8.30 percent in June 2014. This reflects the 12-month change in the 'food and non-alcoholic beverages' index, which declined from 8.89 percent in May 2014 to 8.41 percent in June 2014.

**CHART A: SUMMARY REPORT ON GENERAL INFLATION**


Source: Central Bank of Kenya

## Monetary Policy Operations

The money market was relatively liquid during the week ending July 2, 2014 supported by government payments. However, the liquidity was skewed in favor of a few banks. The Central Bank liquidity management stayed out of the market to allow for liquidity redistribution. Reserve money averaged Ksh 320.4 billion during the week and was Ksh 2.3 billion below 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)
26-Jun-14	316.4	322.7	-6.3	0.0	0.0	0.0	0.0	0.0	316.6	-6.1	7.8	-13.9
27-Jun-14	323.0	322.7	0.3	0.0	0.0	0.0	0.0	0.0	318.3	-4.4	8.9	-13.3
30-Jun-14	322.9	322.7	0.1	0.0	0.0	0.0	0.0	0.0	322.7	-0.1	13.3	-13.3
1-Jul-14	320.4	322.7	-2.3	0.0	0.0	0.0	0.0	0.0	320.2	-2.5	8.1	-10.6
2-Jul-14	324.7	322.7	1.9	0.0	0.0	0.0	0.0	0.0	324.0	1.3	11.3	-10.0
<b>Average</b>	<b>321.5</b>	<b>322.7</b>	<b>-1.3</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>320.4</b>	<b>-2.3</b>	<b>9.9</b>	<b>-12.2</b>

Source: Central Bank of Kenya

**Interbank and REPO Rates**

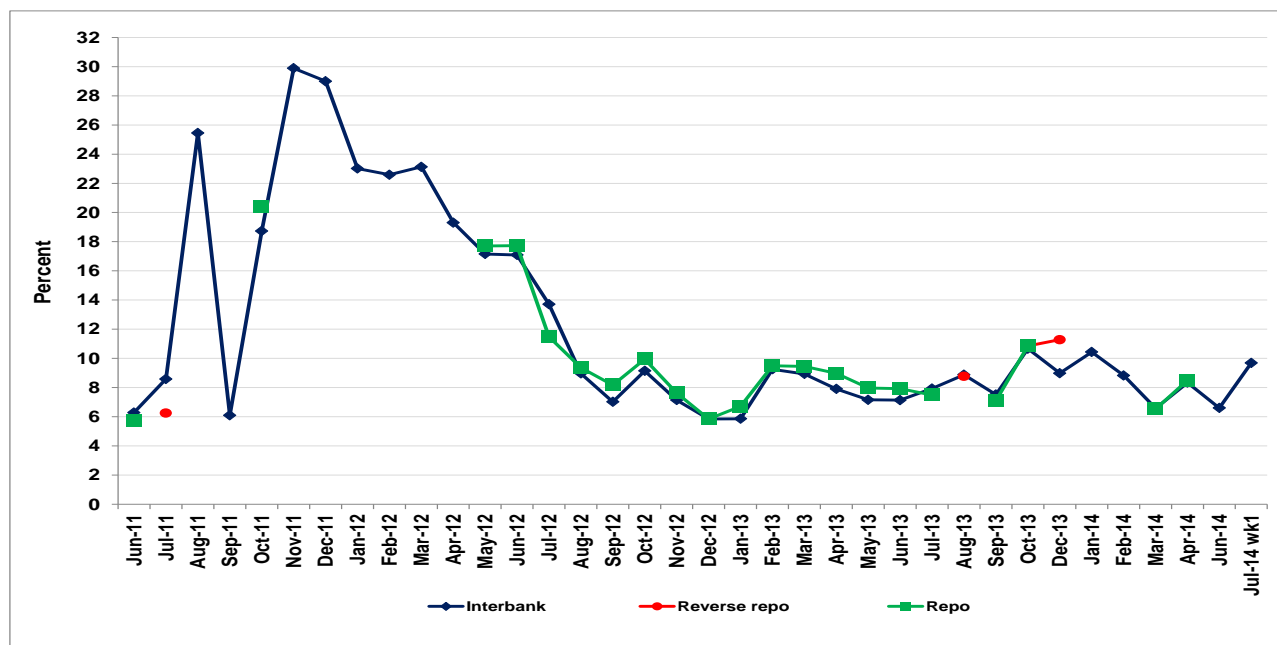
The average interbank rate increased to 9.69 percent in the week ending July 2, 2014 from 6.87 percent recorded in the previous week, while the volume transacted declined to Ksh 19.0 billion from Ksh 19.8 billion traded in the previous week. The average number of deals decreased from 59 to 51 (Table 2 and Chart B).

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

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
5-Jun-14	49	18,206	6.88
6-Jun-14	52	15,430	6.54
9-Jun-14	40	11,145	6.38
10-Jun-14	43	12,664	6.02
11-Jun-14	41	11,949	5.33
<b>June 5, 2014 -June 11, 2014</b>	<b>45</b>	<b>13,879</b>	<b>6.23</b>
12-Jun-14	27	7,925	3.48
13-Jun-14	46	10,271	3.18
16-Jun-14	44	10,847	4.41
17-Jun-14	52	17,696	5.66
18-Jun-14	49	15,915	5.82
<b>June 12, 2014 -June 18, 2014</b>	<b>44</b>	<b>12,531</b>	<b>4.51</b>

Source: Central Bank of Kenya

**CHART B: INTERBANK AND REPO INTEREST RATES**

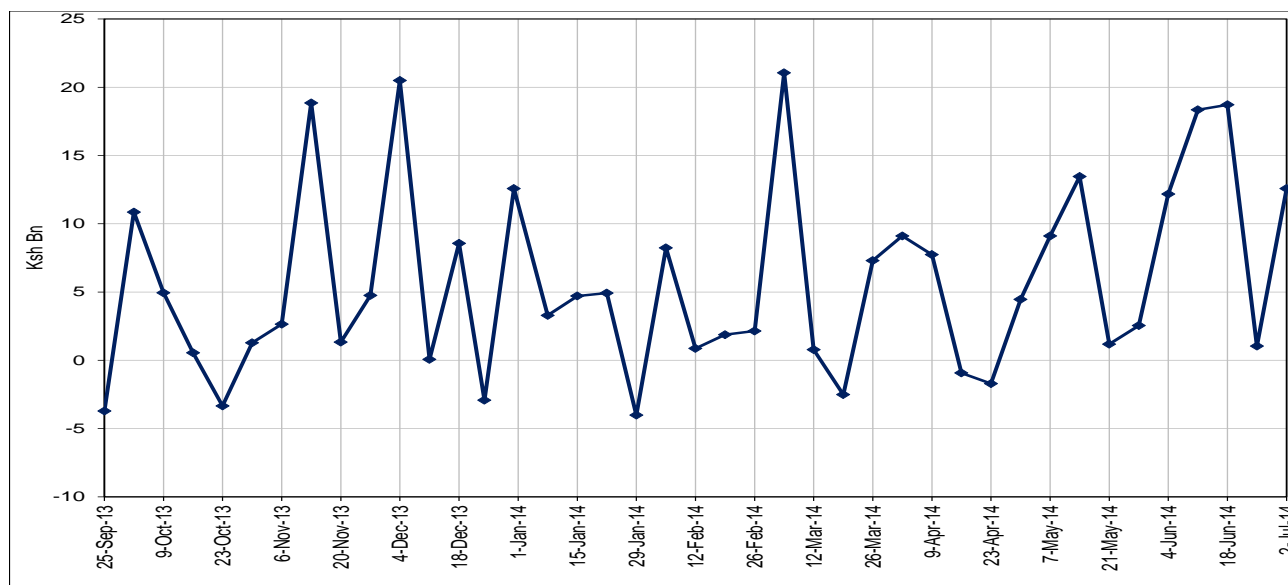


Source: Central Bank of Kenya

### Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 12.6 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 107.4 billion) at the Central Bank in the week ending July 2, 2014 compared with Ksh 1.0 billion recorded in the previous week (**Chart C**). The increase in commercial banks' settlement accounts at the Central Bank reflected improved liquidity in the money market.

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



Source: Central Bank of Kenya

### Kenya Shilling Exchange Rate

The Kenya Shilling weakened against all the major International currencies and EAC currencies during the week ending July 3, 2014.

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
20-Jun-14	87.41	148.99	119.12	85.79	29.46	19.28	7.76	17.73
23-Jun-14	87.43	148.89	118.82	85.80	29.85	19.26	7.78	17.72
24-Jun-14	87.38	148.75	118.78	85.70	29.98	19.27	7.76	17.74
25-Jun-14	87.48	148.41	119.03	85.84	29.89	19.22	7.75	17.71
26-Jun-14	87.61	148.86	119.44	86.09	29.73	19.09	7.74	17.69
<b>20 -26 Jun 2014</b>	<b>87.46</b>	<b>148.78</b>	<b>119.04</b>	<b>85.84</b>	<b>29.79</b>	<b>19.22</b>	<b>7.76</b>	<b>17.72</b>
27-Jun-14	87.68	149.44	119.53	86.45	29.65	18.93	7.73	17.67
30-Jun-14	87.63	149.20	119.55	86.51	29.64	18.89	7.74	17.69
01-Jul-14	87.64	149.92	119.89	86.35	29.70	18.94	7.74	17.68
02-Jul-14	87.83	150.62	120.09	86.48	29.72	18.89	7.72	17.65
03-Jul-14	87.72	150.50	119.77	86.13	29.83	18.97	7.73	17.67
<b>27 June -03 July 2014</b>	<b>87.70</b>	<b>149.94</b>	<b>119.76</b>	<b>86.39</b>	<b>29.71</b>	<b>18.92</b>	<b>7.73</b>	<b>17.67</b>

Source: Central Bank of Kenya

## Capital Markets

Equities market continued to improve in the week ending July 3, 2014, with NASI and NSE 20 Share Index gaining by 2.76 percent and 0.58 percent, respectively. FTSE Kenya 15 and FTSE Kenya 25 Index rose by 3.74 percent and 4.28 percent respectively. Market capitalization added Ksh 43.49 billion as equity turnover grew by Ksh 176.90 million despite total shares traded declining by 16.76 percent. The FTSE NSE Bond Index declined by 0.79 points, with bonds turnover down more than three times from the previous week trading.

## Equities Market

Equity market indices rose in the week ended July 3, 2014. The NASI and NSE 20 Share Indices gained 4.12 and 28.34 points respectively. Market capitalization which measures shareholders wealth rose by 2.08 percent while equity turnover rose to Ksh 4,299.4 million (**Table 4**).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	22-May-14	29-May-14	05-Jun-14	12-Jun-14	19-Jun-14	26-Jun-14	03-Jul-14
NASI 100=2008	150.05	149.84	149.29	150.04	149.41	149.52	153.64
NSE 20 Share Index 100=1996	4,915.06	4,895.13	4,835.53	4,811.00	4,797.42	4,856.35	4,884.69
Number of Deals	10,981	10,429	7,450	9,993	9,955	9,468	9,479
Total Shares Traded	225.63	179.99	218.75	155.99	168.35	182.74	152.12
Equity Turnover (Ksh. Millions)	5,029.58	5,624.74	5,186.02	4,370.91	4,093.96	4,122.50	4,299.40
Market Capitalization (Ksh. Bn.)	2,089.53	2,086.54	2,078.85	2,089.41	2,080.63	2,094.79	2,138.28
Bonds Turnover (Ksh. Millions)	9,898.93	5,610.02	6,119.25	7,002.43	3,377.60	12,978.24	3,682.35
FTSE NSE Kenya 15 Index	189.87	191.48	191.28	193.01	192.92	193.76	201.01
FTSE NSE Kenya 25 Index	191.73	193.28	192.97	194.63	194.58	195.14	203.50
FTSE NSE Bond Index	94.33	94.00	94.29	94.13	93.85	93.95	93.16

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, gained 7.25 points to close at 201.01 points from 193.76 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE, gained 8.36 points to close at 203.50 points from 195.14 points. This is the first time these two indices have crossed the 200 points-mark since inception. FTSE Government Bond Index however fell to 93.16 points from 93.95 points, reflecting uptick in market yields.

Telecommunication and Technology, Banking and Insurance sectors were the top three most active, transacting 66.82 million or 43.90 percent, 37.93 million or 24.90 percent and 11.07 million or 7.3 percent respectively. Automobile and Accessories sector was least active with 106,000 shares traded.

**The Bond Market**

Bonds' turnover at the NSE declined by 71.63 percent to Ksh 3, 682.35 million from Ksh 12, 978.24 million of the previous week. Corresponding deals declined to 44 from 178.

**TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS**

<b>91-Day Treasury Bills</b>					
Date of Auction	5-Jun-14	12-Jun-14	19-Jun-14	26-Jun-14	3-Jul-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	3267.42	14080.48	11532.19	4,829.58	6,263.41
Amount Accepted (Ksh M)	3267.42	12620.56	9100.6	4,829.58	4,884.42
Maturities (Ksh M)	5273.73	7353.56	1040.02	3,421.63	1,019.46
Average interest Rate (%)	9.283	9.275	10.250	11.438	11.408
<b>182-Day Treasury Bills</b>					
Date of Auction	4-Jun-14	11-Jun-14	18-Jun-14	25-Jun-14	2-Jul-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	492.7	6452.32	2727.53	2727.53	3564.88
Amount Accepted (Ksh M)	492.7	6452.32	2727.53	4072.84	3118.32
Maturities (Ksh M)	1508.68	670.91	1490.74	4072.84	37.43
Average interest Rate (%)	10.250	10.323	10.711	11.585	11.788
<b>364-Day Treasury Bills</b>					
Date of Auction	4-Jun-14	11-Jun-14	18-Jun-14	25-Jun-14	2-Jul-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	2055.14	2739.16	1440.69	923.80	5787.00
Amount Accepted (Ksh M)	2055.14	2739.16	1440.69	923.80	3886.97
Maturities (Ksh M)	2794.16	2297.04	431.01	431.01	2795.14
Average interest Rate (%)	10.086	10.239	10.981	11.186	11.500
<b>Treasury Bonds</b>					
Date of Auction	21-May-14	2-Jul-14	18-Jun-14		
Tenor	2 Year fxd	20 Year Fxd	5 Year Fxd		
Amount offered (Ksh M)	15,000.00	30000.00			
Bids received (Ksh M)	12,506.93	8,639.32	15,265.58		
Amount Accepted (Ksh M)	12,269.88	8,502.75	14,286.91		
Maturities (Ksh M)	-	-	-		
Average interest Rate (%)	10.793	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)**

	28th March 2014	4th April 2014	11th April 2014	17th April 2014	25th April 2014	2nd May 2014	9th May 2014	16th May 2014	23th May 2014	30th May 2014	6th June 2014	13th June 2014	20th June 2014	27th June 2014
1. Treasury Bills (Excluding Repos)	307.5	302.8	288.7	281.6	278.4	276.7	274.6	279.3	279.0	274.8	274.3	270.4	282.4	293.1
(As % of total securities)	26.3	26.0	25.1	24.6	24.4	24.0	23.9	24.2	24.2	23.7	23.6	23.4	24.2	24.8
2. Treasury Bonds	863.6	863.6	863.6	863.6	863.6	874.7	874.7	874.7	874.7	886.9	886.9	886.9	886.9	886.9
(As % of total securities)	73.7	74.0	74.9	75.4	75.6	76.0	76.1	75.8	75.8	76.3	76.4	76.6	75.8	75.2
3. Total Securities (1+2)	1171.1	1166.3	1152.3	1145.2	1142.0	1151.4	1149.2	1153.9	1153.6	1161.7	1161.2	1157.3	1169.3	1180.0
4. Overdraft at Central Bank	34.2	33.5	34.2	34.2	34.2	34.2	34.2	39.1	39.1	39.1	39.1	39.1	39.1	39.1
5. Other Domestic debt*	33.8	33.9	33.1	30.6	30.6	30.6	30.7	31.2	31.2	31.2	31.2	31.7	31.6	31.6
6. Gross Domestic Debt (3+4+5)	1239.0	1233.7	1219.6	1210.0	1206.8	1216.2	1214.1	1224.3	1223.9	1232.0	1231.5	1228.1	1240.1	1250.8

Source: Central Bank of Kenya

**TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT**

	17-Apr-14	25-Apr-14	2-May-14	9-May-14	16-May-14	23-May-14	30-May-14	6-Jun-14	13-Jun-14	20-Jun-14	27-Jun-14
Treasury bills (Excluding Repos)	23.3	23.1	22.8	22.6	22.8	22.8	22.3	22.3	22.0	22.8	23.4
Treasury bonds	71.4	71.6	71.9	72.0	71.4	71.5	72.0	72.0	72.2	71.5	70.9
CBK Overdraft to Govt	2.8	2.8	2.8	2.8	3.2	3.2	3.2	3.2	3.2	3.2	3.1
Other domestic debt	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6	2.6	2.5
TOTAL	100.0	100.0	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**

	25-Apr-14	2-May-14	9-May-14	16-May-14	23-May-14	30-May-14	6-Jun-14	13-Jun-14	20-Jun-14	27-Jun-14
Banking Institutions	51.9	52.0	52.0	52.3	52.4	52.3	52.3	52.4	52.9	53.1
Insurance Companies	9.8	9.7	9.7	9.6	9.7	9.7	9.8	9.8	9.7	9.6
Parastatals	3.6	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.1	3.1
Pension funds	26.3	26.4	26.2	26.3	26.2	26.3	26.2	26.1	25.8	25.8
Other investors	8.3	8.7	8.8	8.5	8.5	8.4	8.5	8.5	8.5	8.5
Total	100.0	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
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,078	6,084	6,081	6,081	6,094
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.29	4.29	4.29	4.29	4.14

\*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