



JULY 11, 2014

Highlights

The Monetary Policy Committee retained the Central Bank Rate (CBR) at 8.5 percent to continue anchoring inflationary expectations. The CBK announced the Kenya Bank's Reference Rate at 9.13 percent to promote transparent credit pricing by banks and mortgage finance companies.

The money market was relatively tight during the week ending June 25, 2014 due to remittance of taxes by banks and primary issuance of Government securities. In order to support the market, the Central Bank redeemed the outstanding stock of repos securities and term auction deposits (TAD) held by commercial banks. The average interbank rate increased to 6.87 percent in the week ending June 25, 2014 from 4.51 percent recorded in the previous week.

The capital markets registered mixed performance, in the equities segment and bond segment in the week ending July 10, 2014. However, the fixed income segment recorded a steep increase.

Monetary Policy Stance

The Monetary Policy Committee retained the Central Bank Rate (CBR) at 8.5 percent to continue anchoring inflationary expectations and maintain price stability. The Committee further noted continued stability of inflation and the exchange rate. Considering the CBR and the weighted 2 – month average of the 91 day Treasury bill rate, the CBK computed and set the Kenya Banks' Reference Rate (KBRR) at 9.13 percent. The KBRR becomes the base rate for pricing loans by banks and mortgage finance companies.

Monetary Policy Operations

Money market tightened gradually towards the end of the week ending July 9, 2014 due to issuance of government securities and tax payments. Reserve money averaged KSh 321.9 billion during the week and was KShs.0.8 billion below target (**Table 1**).

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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)
3-Jul-14	329.8	322.7	7.1	0.0	0.0	0.0	0.0	0.0	327.8	5.1	13.9	-8.8
4-Jul-14	328.3	322.7	5.6	0.0	0.0	0.0	0.0	0.0	328.2	5.5	12.2	-6.8
7-Jul-14	319.8	322.7	-2.9	0.0	0.0	0.0	0.0	0.0	319.7	-3.0	2.3	-5.3
8-Jul-14	319.2	322.7	-3.5	0.0	0.0	0.0	0.0	0.0	318.7	-4.1	-0.7	-3.4
9-Jul-14	314.8	322.7	-7.9	0.0	0.0	0.0	0.0	0.0	315.3	-7.5	-4.1	-3.4
Average	322.4	322.7	-0.3	0.0	0.0	0.0	0.0	0.0	321.9	-0.8	4.7	-5.5

Source: Central Bank of Kenya

Interbank and REPO Rates

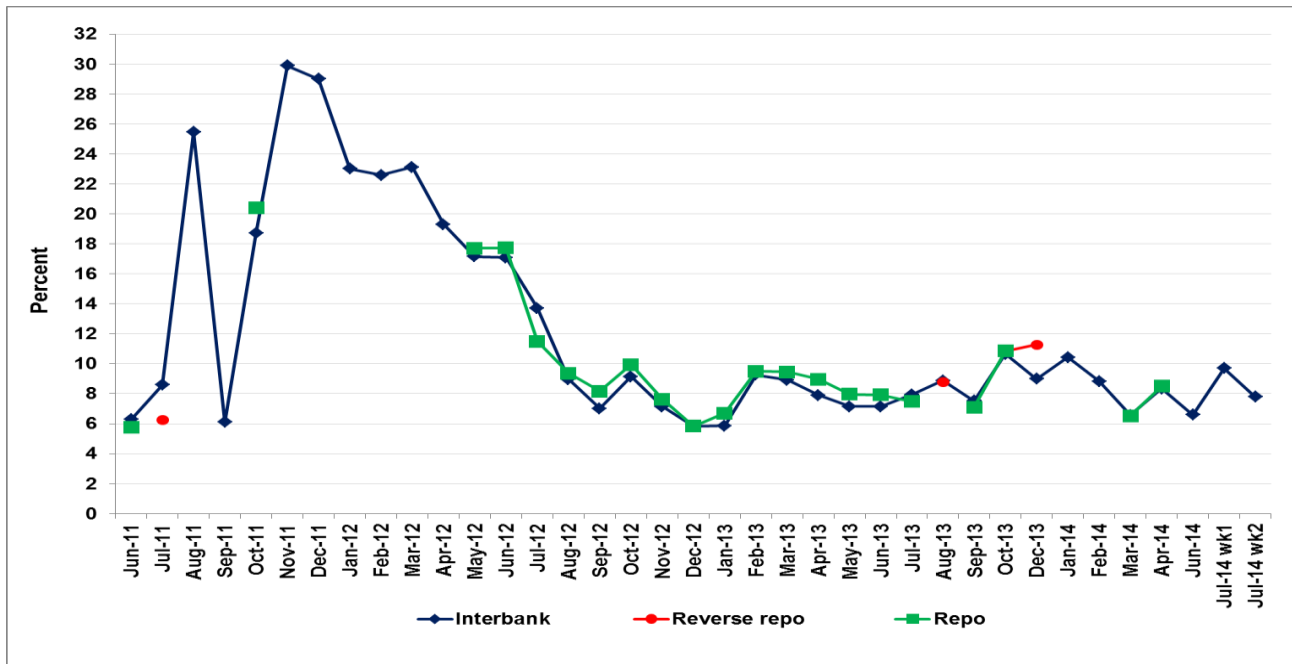
The average interbank rate declined to 7.79 percent in the week ending July 9, 2014 from 9.69 percent recorded in the previous week. The volume transacted also declined to KSh14.5 billion from KSh 19.0 billion traded in the previous week. The average number of deals increased from 51 to 53 (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
26-Jun-14	52	21,232	9.53
27-Jun-14	59	23,700	10.06
30-Jun-14	50	19,321	10.04
1-Jul-14	50	18,073	9.70
2-Jul-14	43	12,803	9.10
June 26, 2014 - July 2, 2014	51	19,026	9.69
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

Source: Central Bank of Kenya

CHART A: INTERBANK AND REPO INTEREST RATES

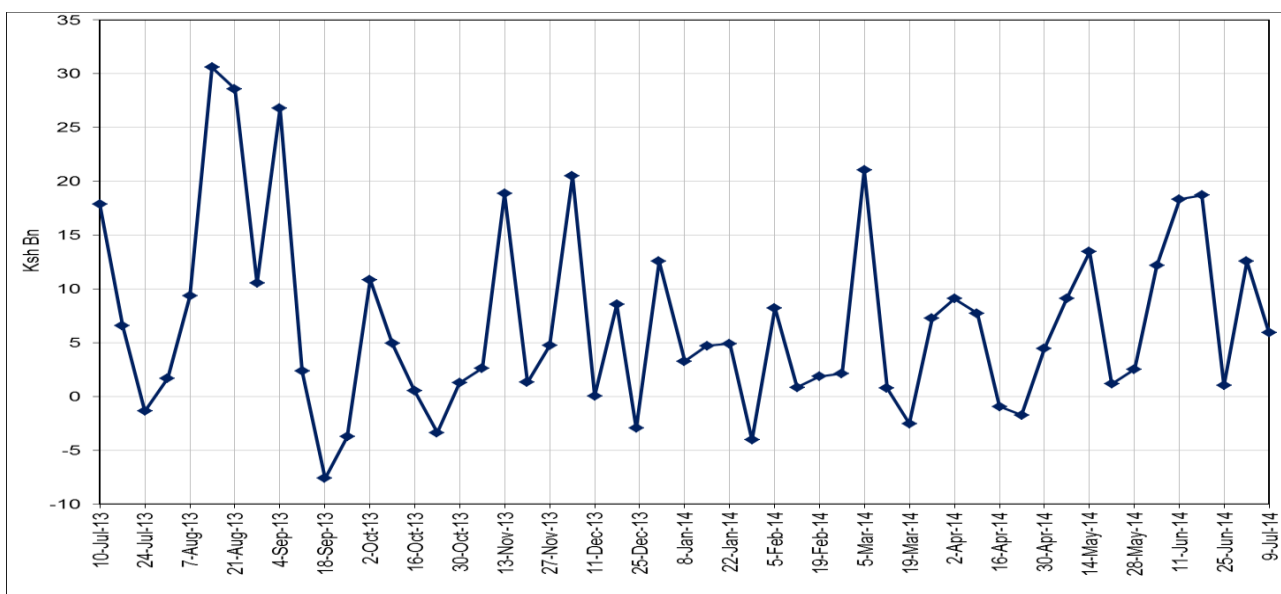


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of KSh5.9 above the monthly average cash reserve requirement of 5.25 percent (KSh 107.4 billion) at the Central Bank in the week ending July 9, 2014 compared with KSh 12.6 billion recorded in the previous week (Chart B). The decrease in commercial banks’ settlement accounts at the Central Bank reflected the tightening of liquidity in the money market as banks remitted taxes.

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 10 July 2014. The Shilling marginally weakened against the US dollar (0.14 percent) and the Pound Sterling (0.42 percent) and strengthened against the Japanese Yen (0.13 percent) and the Euro (0.27 percent). In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling and the Tanzania Shilling; weakened against the Burundi Franc and was stable against the Rwanda Franc (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
1-Jul-14	87.64	149.92	119.89	86.35	29.70	18.94	7.74	17.68
2-Jul-14	87.83	150.62	120.09	86.48	29.72	18.89	7.72	17.65
3-Jul-14	87.72	150.50	119.77	86.13	29.83	18.97	7.73	17.67
27 June -03 July 2014	87.70	149.94	119.76	86.39	29.71	18.92	7.73	17.67
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	87.65	150.14	119.22	86.49	30.12	19.03	7.74	17.68
4 July - 10 July 2014	87.82	150.56	119.44	86.27	30.03	18.99	7.73	17.63

Source: Central Bank of Kenya

Capital Markets

Leading indicators of performance in the capital markets show mixed performance in the equities and bond segments.

Equities Market

The NASI shed off 1.71 points while NSE 20 Share Index gained 13.60 points in the week ending July 10, 2014. Market capitalization which measures shareholders wealth declined by 0.46 percent and equity turnover declined by 10.6 percent. The drop in turnover reflect sluggish share prices especially as indicated in the NASI.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	8-May-14	15-May-14	22-May-14	29-May-14	5-Jun-14	12-Jun-14	19-Jun-14	26-Jun-14	3-Jul-14	10-Jul-14
NASI 100= 2008	151.78	150.73	150.05	149.84	149.29	150.04	149.41	149.52	153.64	151.93
NSE 20 Share Index 100= 1996	4,962.06	4,945.33	4,915.06	4,895.13	4,835.53	4,811.00	4,797.42	4,856.35	4,884.69	4,898.29
Number of Deals	11,299	12,500	10,981	10,429	7,450	9,993	9,955	9,468	9,479	8,325
Total Shares Traded	196.7	215.6	225.63	179.99	218.75	155.99	168.35	182.74	152.12	177.99
Equity Turnover (Ksh. Millions)	6,006.70	5,038.76	5,029.58	5,624.74	5,186.02	4,370.91	4,093.96	4,122.50	4,299.40	3,843.61
Market Capitalization (Ksh. Bn.)	2,109.99	2,095.75	2,089.53	2,086.54	2,078.85	2,089.41	2,080.63	2,094.79	2,138.28	2,128.54
Bonds Turnover (Ksh. Millions)	6,105.85	12,536.78	9,898.93	5,610.02	6,119.25	7,002.43	3,377.60	12,978.24	3,682.35	10,380.10
FTSE NSE Kenya 15 Index	193.69	192.1	189.87	191.48	191.28	193.01	192.92	193.76	201.01	197.89
FTSE NSE Kenya 25 Index	195.64	194.5	191.73	193.28	192.97	194.63	194.58	195.14	203.5	200.04
FTSE NSE Bond Index	94.08	94.45	94.33	94	94.29	94.13	93.85	93.95	93.16	93.29

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, shed off 3.12 points to close at 197.89 points from 201.01 points. Similarly, FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE, shed off 3.46 points to close at 200.04 points from 203.50 points. FTSE Government Bond Index however rose to 93.29 points from 93.16 points, reflecting uptick in market yields.

Telecommunication and Technology, Banking and, Energy and Petroleum sectors were the top three most active, transacting 160.77 million or 48.74 percent, 78.56 million or 23.82 percent and 29.77 million or 9.02 percent cent respectively. Agricultural sector was least active with 1.47 million shares traded in the period under review.

The Bond Market

Bonds' turnover at the NSE increased by 181.89 per cent to Ksh. 10,380.10 million from Ksh 3, 682.35 million of the previous week. Corresponding deals increased to 50 from 44.

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TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills						
Date of Auction	5-Jun-14	12-Jun-14	19-Jun-14	26-Jun-14	3-Jul-14	10-Jul-14
Amount offered (Ksh M)	4,000.00	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	8,444.58
Amount Accepted (Ksh M)	3267.42	12620.56	9100.6	4,829.58	4,884.42	4,367.11
Maturities (Ksh M)	5273.73	7353.56	1040.02	3,421.63	1,019.46	1,200.20
Average interest Rate (%)	9.283	9.275	10.250	11.438	11.408	9.727
182-Day Treasury Bills						
Date of Auction	4-Jun-14	11-Jun-14	18-Jun-14	25-Jun-14	2-Jul-14	9-Jul-14
Amount offered (Ksh M)	4,000.00	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	4072.84	3564.88	6797.58
Amount Accepted (Ksh M)	492.7	6452.32	2727.53	4072.84	3118.32	1812.46
Maturities (Ksh M)	1508.68	670.91	1490.74	319.27	37.43	2492.78
Average interest Rate (%)	10.250	10.323	10.711	11.585	11.788	10.970
364-Day Treasury Bills						
Date of Auction	4-Jun-14	11-Jun-14	18-Jun-14	25-Jun-14	2-Jul-14	9-Jul-14
Amount offered (Ksh M)	4,000.00	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	10503.50
Amount Accepted (Ksh M)	2055.14	2739.16	1440.69	923.80	3886.97	2080.45
Maturities (Ksh M)	2794.16	2297.04	431.01	431.01	2795.14	136.39
Average interest Rate (%)	10.086	10.239	10.981	11.186	11.500	11.165
Treasury Bonds						
Date of Auction	21-May-14	9-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

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	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	4th July 2014
1. Treasury Bills (Excluding Repos)	276.7	274.6	279.3	279.0	274.8	274.3	270.4	282.4	293.1	299.4
(As % of total securities)	24.0	23.9	24.2	24.2	23.7	23.6	23.4	24.2	24.8	24.7
2. Treasury Bonds	874.7	874.7	874.7	874.7	886.9	886.9	886.9	886.9	886.9	914.8
(As % of total securities)	76.0	76.1	75.8	75.8	76.3	76.4	76.6	75.8	75.2	75.3
3. Total Securities (1+2)	1151.4	1149.2	1153.9	1153.6	1161.7	1161.2	1157.3	1169.3	1180.0	1214.2
4. Overdraft at Central Bank	34.2	34.2	39.1	39.1	39.1	39.1	39.1	39.1	39.1	37.5
5. Other Domestic debt*	30.6	30.7	31.2	31.2	31.2	31.2	31.7	31.6	31.6	31.6
6. Gross Domestic Debt (3+4+5)	1216.2	1214.1	1224.3	1223.9	1232.0	1231.5	1228.1	1240.1	1250.8	1283.3

* 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

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TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	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
Treasury bills (Excluding Repos)	22.6	22.8	22.8	22.3	22.3	22.0	22.8	23.4	23.3
Treasury bonds	72.0	71.4	71.5	72.0	72.0	72.2	71.5	70.9	71.3
CBK Overdraft to Govt	2.8	3.2	3.2	3.2	3.2	3.2	3.2	3.1	2.9
Other domestic debt	2.5	2.5	2.5	2.5	2.5	2.6	2.6	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

	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	4-Jul-14
Banking Institutions	52.0	52.0	52.3	52.4	52.3	52.3	52.4	52.9	53.1	53.2
Insurance Companies	9.7	9.7	9.6	9.7	9.7	9.8	9.8	9.7	9.6	9.4
Parastatals	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.1	3.1	3.0
Pension funds	26.4	26.2	26.3	26.2	26.3	26.2	26.1	25.8	25.8	26.0
Other investors	8.7	8.8	8.5	8.5	8.4	8.5	8.5	8.5	8.5	8.4
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	10-Jul-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,078	6,084	6,081	6,081	6,094	6,458
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.29	4.29	4.29	4.29	4.14	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