



AUGUST 1, 2014

Highlights

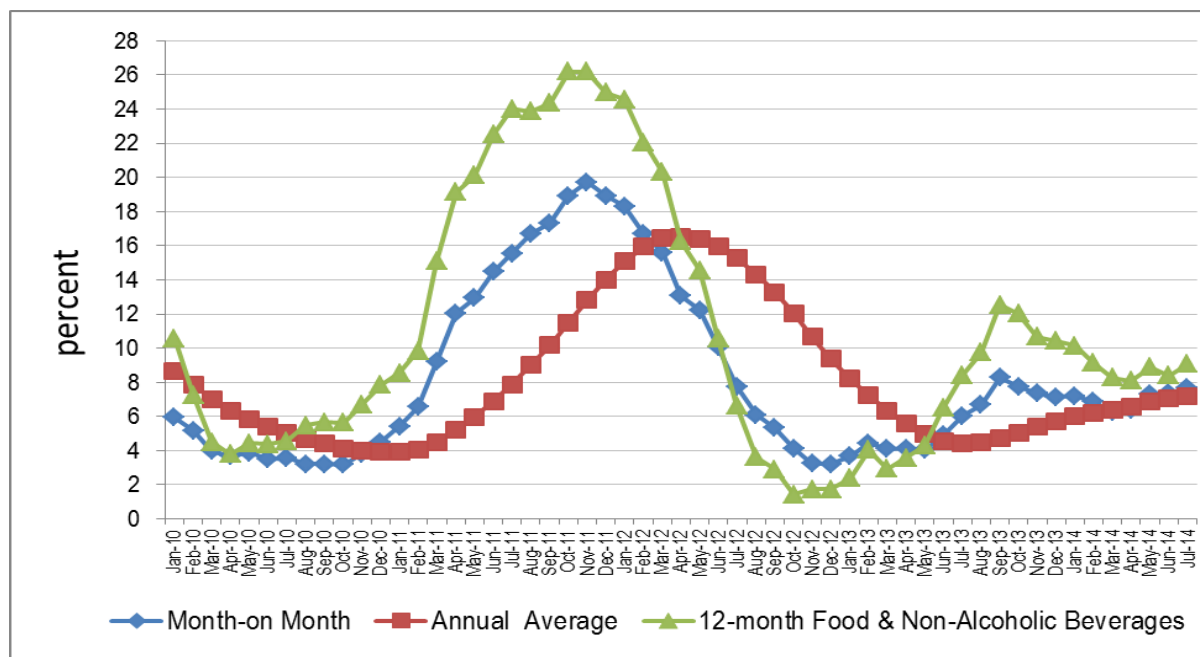
Overall 12-month inflation rose from 7.39 per cent in June 2014 to 7.67 per cent in July 2014. Non-food non-fuel inflation declined by 1.9 basis points from 4.47 per cent in June 2014 to 4.45 per cent in July 2014.

The money market remained tight during the week ending July 30, 2014 on account of limited flows of government payments. The central bank liquidity management stayed out of the money market as the interbank rate stabilized within the CBR band. The average interbank rate increased to 8.54 percent in the week ending July 30, 2014 from 7.54 percent recorded in the previous week.

The capital markets recorded mixed performance in the week under review. Equities segment leading indicators except Equity Turnover and Market Capitalization improved. All indicators in the bond segment declined.

Inflation

Overall 12-month inflation rose from 7.39 per cent in June 2014 to 7.67 per cent in July 2014 (**Chart A**). The increase in overall inflation in July 2014 is largely attributed to higher food inflation, which rose from 8.30 per cent in June 2014 to 8.89 per cent in July 2014. Fuel inflation also rose from 9.02 per cent in June 2014 to 9.10 per cent in July 2014 reflecting a rise in the price of electricity, kerosene, diesel and petrol. Non-food non-fuel inflation, however, eased marginally from 4.47 per cent in June 2014 to 4.45 per cent in July 2014.

CHART A: SUMMARY REPORT ON GENERAL INFLATION


Source: Central Bank of Kenya

Monetary Policy Operations

The money market remained tight during the week ending July 30, 2014 on account of limited flows of government payments. The central bank liquidity management stayed out of the money market as the interbank rate stabilized within the CBR band. Reserve money averaged KSh 302.0 billion during the week and was KSh 20.7 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(-)	Reverse 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)
24-Jul-14	304.0	322.7	-18.7	0.0	0.0	0.0	0.0	0.0	306.7	-16.1	-8.2	-7.9
25-Jul-14	302.3	322.7	-20.4	0.0	0.0	0.0	0.0	0.0	305.7	-17.0	-8.6	-8.4
28-Jul-14	294.0	322.7	-28.7	0.0	0.0	0.0	0.0	0.0	299.8	-22.9	-15.4	-7.5
30-Jul-14	292.2	322.7	-30.5	0.0	0.0	0.0	0.0	0.0	295.7	-27.0	-20.7	-6.3
Average	298.2	322.7	-24.6	0.0	0.0	0.0	0.0	0.0	302.0	-20.7	-13.2	-7.5

Source: Central Bank of Kenya

Interbank and REPO Rates

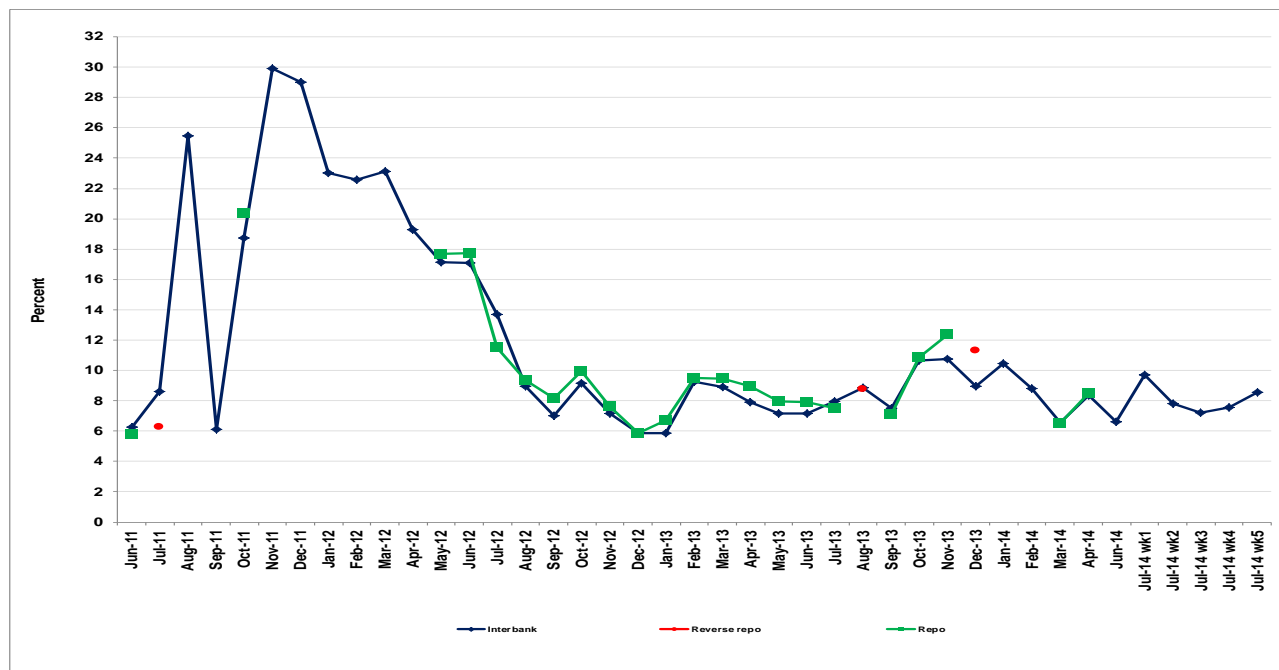
The average interbank rate rose to 8.54 percent in the week ending July 30, 2014 from 7.54 percent recorded in the previous week, whereas the volume transacted decreased to KSh 22.7 billion from KSh 24.9 billion traded in the previous week. The average number of deals increased marginally to 65 from 64 (**Table 2 and Chart A**).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
17-Jul-14	59	17,820	7.40
18-Jul-14	55	20,750	7.53
21-Jul-14	65	24,610	7.53
22-Jul-14	68	29,599	7.59
23-Jul-14	73	31,795	7.67
July 17, 2014 - July 23, 2014	64	24,915	7.54
24-Jul-14	69	24,867	7.80
25-Jul-14	60	23,027	8.12
28-Jul-14	68	22,582	8.71
30-Jul-14	64	20,312	9.51
July 24, 2014 - July 30, 2014	65	22,697	8.54

Source: Central Bank of Kenya

CHART B: INTERBANK AND REPO INTEREST RATES

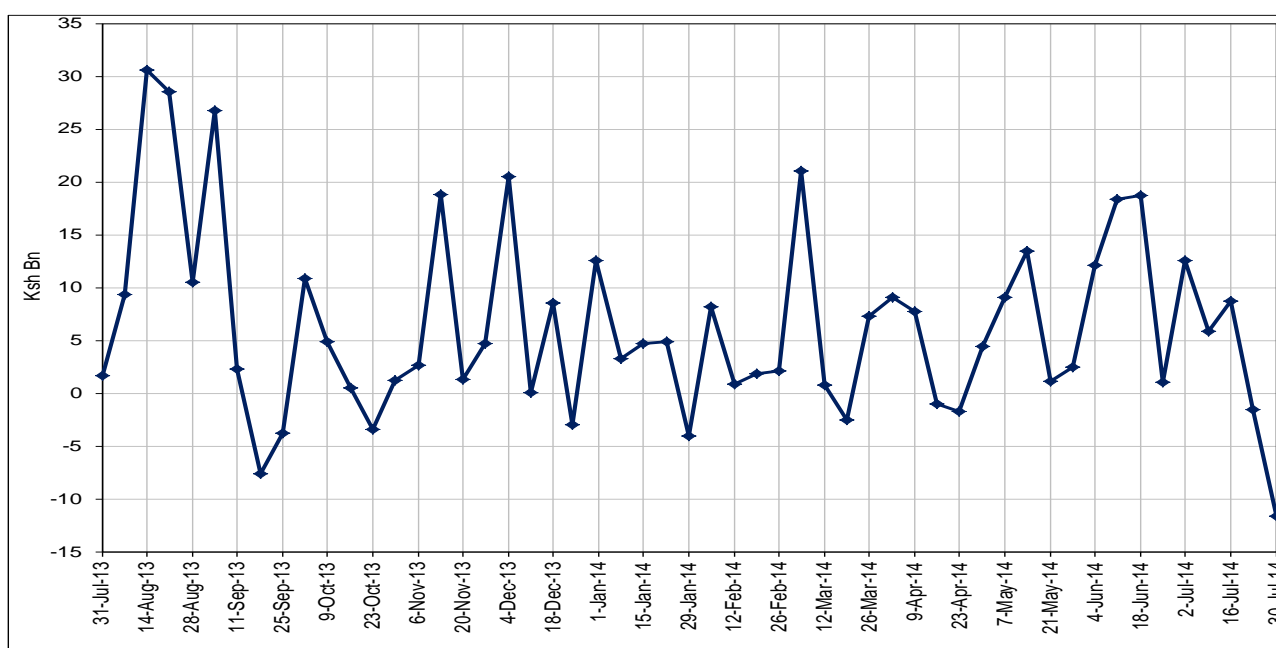


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a deficit of KSh 11.6 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 30, 2014 compared with a deficit of KSh 1.5 billion recorded in the previous week (**Chart B**). This reflects tightening in the money market due to minimal government flows into the market, as commercial banks remitted taxes and invested in government securities.

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



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling strengthened against all major international and EAC currencies during the week ending 31st July 2014 (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
18-Jul-14	87.77	150.06	118.65	86.61	29.83	18.92	7.74	17.49
21-Jul-14	87.80	150.04	118.82	86.68	29.84	18.94	7.73	17.64
22-Jul-14	87.80	149.96	118.73	86.52	30.01	18.96	7.73	17.65
23-Jul-14	87.86	149.97	118.32	86.61	29.97	18.92	7.77	17.64
24-Jul-14	87.80	149.62	118.23	86.56	30.01	18.93	7.84	17.65
18 - 24 July 2014	87.81	149.93	118.55	86.60	29.93	18.93	7.76	17.62
25-Jul-14	87.80	149.27	118.28	86.30	29.99	18.94	7.84	17.65
28-Jul-14	87.69	149.86	119.39	86.33	29.99	18.93	7.86	17.68
30-Jul-14	87.74	148.74	117.66	85.94	29.95	18.95	7.87	17.64
31-Jul-14	87.80	148.58	117.64	85.54	29.90	18.92	7.84	17.65
25 - 31 July 2014	87.76	149.11	118.24	86.03	29.96	18.94	7.85	17.66

Source: Central Bank of Kenya

Capital Markets

Equities market leading indicators ended the week of July 31, 2014, with some gaining and others losing. On the positive side were, NASI and NSE 20 Share Indices which gained 0.5 percent each. Similarly, both FTSE Kenya 15 and FTSE Kenya 25 indices had a 1.1 percent increase each while market capitalization gained Ksh 9.47 billion. On the decline were, equity turnover which lost 40.87 percent as a result of a 31 percent decline in total shares traded. FTSE NSE Bond Index declined by 0.12 points, while bonds turnover down by 22.2 percent compared to the previous week's trading.

Equities Market

NASI and NSE 20 Share Indices gained 0.68 points and 22.34 points respectively, in the week under review. Similarly, shareholders' wealth measured by market capitalization increased by 0.4 percent. However, equity turnover declined by 1431.98 million as a result of reduced share supply (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	12-Jun-14	19-Jun-14	26-Jun-14	03-Jul-14	10-Jul-14	17-Jul-14	24-Jul-14	31-Jul-14
NASI 100= 2008	150.04	149.41	149.52	153.64	151.93	151.03	151.01	151.69
NSE 20 Share Index 100= 1996	4,811.00	4,797.42	4,856.35	4,884.69	4,898.29	4,913.61	4,883.75	4,906.09
Number of Deals	9,993	9,955	9,468	9,479	8,325	9,287	9,825.00	8,063.00
Total Shares Traded	155.99	168.35	182.74	152.12	177.99	122.81	137.73	94.98
Equity Turnover (Ksh. Millions)	4,370.91	4,093.96	4,122.50	4,299.40	3,843.61	3,060.09	3,503.83	2,071.85
Market Capitalization (Ksh. Bn.)	2,089.41	2,080.63	2,094.79	2,138.28	2,128.54	2,116.11	2,115.84	2,125.31
Bonds Turover (Ksh. Millions)	7,002.43	3,377.60	12,978.24	3,682.35	10,380.10	10,524.81	14,121.70	10,981.50
FTSE NSE Kenya 15 Index	193.01	192.92	193.76	201.01	197.89	197.56	196.17	198.38
FTSE NSE Kenya 25 Index	194.63	194.58	195.14	203.50	200.04	200.01	198.27	200.51
FTSE NSE Bond Index	94.13	93.85	93.95	93.16	93.29	93.39	93.14	93.02

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 2.21 points to close at 198.38 points from 196.17 points. Similarly, FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE, gained 2.24 points to close at 200.51 points from 198.27 points. However, FTSE Government Bond Index declined for the second week in a row to 93.02 points from 93.14 points, reflecting rising yields in the secondary market.

Telecommunication and Technology, Banking, and Energy and Petroleum sectors were the top three most active, transacting 44.63 million or 46.98 percent, 20.77 million or 21.86 percent and 8.79 million or 9.25 percent cent respectively. Agricultural sector was least active with 206,700 shares traded in the period.

The Bond Market

Bonds' turnover at the NSE declined by 22.24 percent to Ksh 10,981.50 million from Ksh 14,121.70 million of the previous week. Corresponding deals declined to 121 from 254.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills						
Date of Auction	26-Jun-14	03-Jul-14	10-Jul-14	17-Jul-14	24-Jul-14	31-Jul-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	3,000.00	3,000.00	3,000.00
Bids received (Ksh M)	4,829.58	6,263.41	8,444.58	2,727.19	753.17	2,913.74
Amount Accepted (Ksh M)	4,829.58	4,884.42	4,367.11	2,726.70	753.17	2,913.74
Maturities (Ksh M)	3,421.63	1,019.46	1,200.20	3,469.35	2,403.27	2,638.85
Average interest Rate (%)	11.438	11.408	9.727	9.274	8.694	8.475
182-Day Treasury Bills						
Date of Auction	25-Jun-14	02-Jul-14	09-Jul-14	16-Jul-14	23-Jul-14	30-Jul-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	3,000.00	3,000.00	3,000.00
Bids received (Ksh M)	4072.84	3564.88	6797.58	7433.26	6535.17	5238.77
Amount Accepted (Ksh M)	4072.84	3118.32	1812.46	4095.83	3074.04	4665.27
Maturities (Ksh M)	319.27	37.43	2492.78	2308.05	609.81	816.75
Average interest Rate (%)	11.585	11.788	10.970	10.430	10.060	9.296
364-Day Treasury Bills						
Date of Auction	25-Jun-14	02-Jul-14	09-Jul-14	16-Jul-14	23-Jul-14	30-Jul-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	3,000.00	3,000.00	3,000.00
Bids received (Ksh M)	923.80	5787.00	10503.50	7952.65	4609.56	3841.45
Amount Accepted (Ksh M)	923.80	3886.97	2080.45	3308.73	3706.30	1041.64
Maturities (Ksh M)	431.01	2795.14	136.39	494.25	2974.64	2569.35
Average interest Rate (%)	11.186	11.500	11.165	10.558	10.330	10.330
Treasury Bonds						
Date of Auction	23-Jul-14					
Tenor	2 Year Fxd					
Amount offered (Ksh M)	10000.00					
Bids received (Ksh M)	20,248.46					
Amount Accepted (Ksh M)	7873.90					
Maturities (Ksh M)	-					
Average interest Rate (%)	10.764					

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	9th May 2014	6th June 2014	13th June 2014	20th June 2014	27th June 2014	4th July 2014	11th July 2014	18th July 2014	25th July 2014
1. Treasury Bills (Excluding Repos)	274.6	274.3	270.4	282.4	293.1	299.4	308.0	312.7	316.9
(As % of total securities)	23.9	23.6	23.4	24.2	24.8	24.7	25.2	25.5	25.9
2. Treasury Bonds	874.7	886.9	886.9	886.9	886.9	914.8	914.8	914.8	906.5
(As % of total securities)	76.1	76.4	76.6	75.8	75.2	75.3	74.8	74.5	74.1
3. Total Securities (1+2)	1149.2	1161.2	1157.3	1169.3	1180.0	1214.2	1222.7	1227.4	1223.4
4. Overdraft at Central Bank	34.2	39.1	39.1	39.1	39.1	37.5	29.0	24.8	30.5
5. Other Domestic debt*	30.7	31.2	31.7	31.6	31.6	31.6	31.6	32.9	32.9
6. Gross Domestic Debt (3+4+5)	1214.1	1231.5	1228.1	1240.1	1250.8	1283.3	1283.4	1285.2	1286.8

*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

CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	13-Jun-14	20-Jun-14	27-Jun-14	04-Jul-14	11-Jul-14	18-Jul-14	25-Jul-14
Treasury bills (Excluding Repos)	22.0	22.8	23.4	23.3	24.0	24.3	24.6
Treasury bonds	72.2	71.5	70.9	71.3	71.3	71.2	70.4
CBK Overdraft to Govt	3.2	3.2	3.1	2.9	2.3	1.9	2.4
Other domestic debt	2.6	2.6	2.5	2.5	2.5	2.6	2.6
TOTAL	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

	06-Jun-14	13-Jun-14	20-Jun-14	27-Jun-14	04-Jul-14	11-Jul-14	18-Jul-14	25-Jul-14
Banking Institutions	52.3	52.4	52.9	53.1	53.2	53.1	53.3	53.5
Insurance Companies	9.8	9.8	9.7	9.6	9.4	9.4	9.4	9.4
Parastatals	3.2	3.2	3.1	3.1	3.0	3.0	3.0	3.0
Pension funds	26.2	26.1	25.8	25.8	26.0	26.0	25.8	25.6
Other investors	8.5	8.5	8.5	8.5	8.4	8.4	8.5	8.5
Total	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	24-Jul-14	31-Jul-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,078	6,084	6,081	6,081	6,094	6,458	6,447	6,423	6,418
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.29	4.29	4.29	4.29	4.14	4.31	4.31	4.29	4.29

*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