



JUNE 20, 2014

Highlights

The money market was relatively liquid during the week ending June 18, 2014 supported by government payments and maturities of repo and TAD. The Central Bank liquidity management rolled over Ksh 13.3 billion through repo securities and term auction deposits against maturities of Ksh 34.0 billion.

The average interbank rate decreased to 4.51 percent in the week ending June 18, 2014 from 6.23 percent recorded in the previous week.

The capital market registered a decline in the week ending June 19, 2014 as reflected in all NSE leading indicators. Total shares traded however were higher on increased supply.

Monetary Policy Operations

The money market was relatively liquid during the week ending June 18, 2014 supported by government payments and maturities of repo and TAD. The Central Bank liquidity management rolled over Ksh 13.3 billion through repo securities and term auction deposits against maturities of Ksh 34.0 billion. Reserve money averaged Ksh 328.2 billion during the week and was Ksh 6.4 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(-)	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)
12-Jun-14	328.1	321.4	6.7	0.0	0.0	0.0	0.0	0.0	326.7	5.3	14.6	-9.2
13-Jun-14	333.1	321.4	11.7	12.0	6.0	1.3	-4.7	0.0	323.5	2.1	11.9	-9.8
16-Jun-14	322.0	322.1	-0.1	6.0	6.0	0.0	0.0	0.0	316.1	-6.0	3.6	-9.6
17-Jun-14	334.5	322.1	12.4	0.0	0.0	0.0	0.0	0.0	333.5	11.4	21.9	-10.4
18-Jun-14	343.3	322.1	21.2	0.0	0.0	0.0	0.0	0.0	341.3	19.2	30.6	-11.4
Average	332.2	321.8	10.4	3.6	2.4	0.3	-0.9	0.0	328.2	6.4	16.5	-10.1

Source: Central Bank of Kenya

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased to 4.51 percent in the week ending June 18, 2014 from 6.23 percent recorded in the previous week, while the volume transacted declined to Ksh 12.5 billion from Ksh 13.9 billion traded in the previous week. The average number of deals declined from 45 to 44 (**Table 2 and Chart A**).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

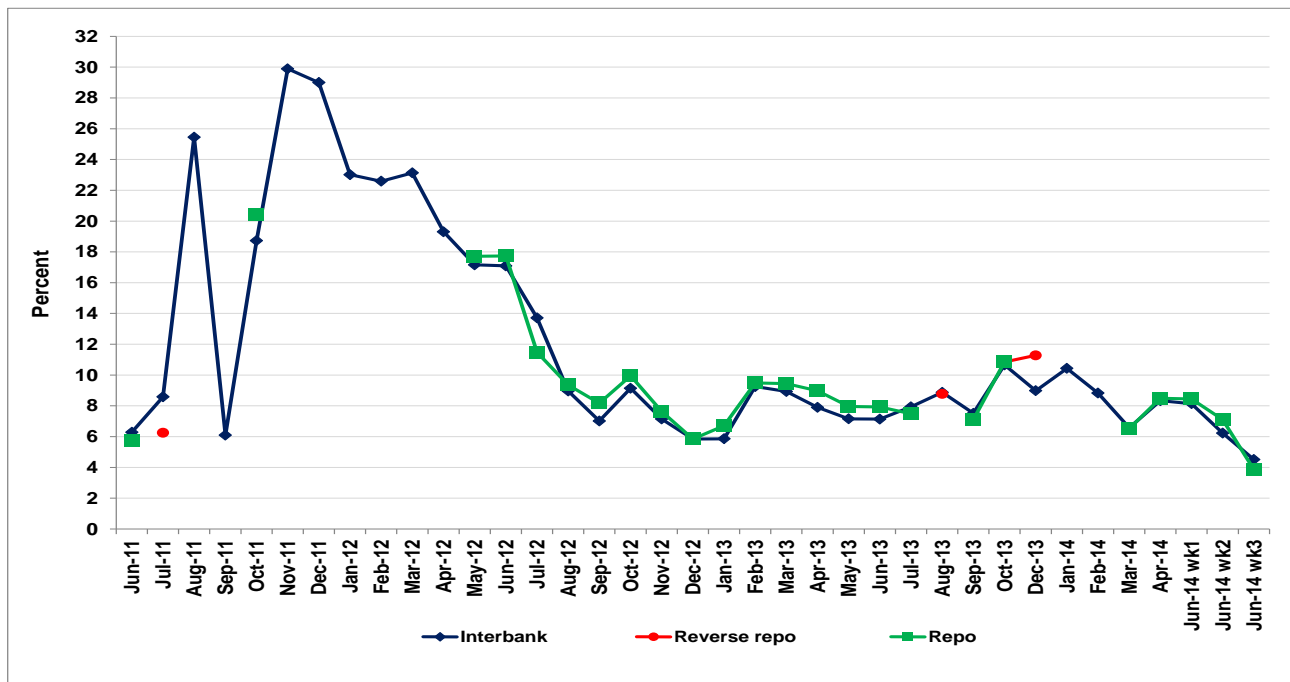
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
05-Jun-14	49	18,206	6.88
06-Jun-14	52	15,430	6.54
09-Jun-14	40	11,145	6.38
10-Jun-14	43	12,664	6.02
11-Jun-14	41	11,949	5.33
June 5, 2014 -June 11, 2014	45	13,879	6.23
12-Jun-14	27	7,925	3.48
13-Jun-14	46	10,271	3.18
16-Jun-14	44	10,847	4.41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

Source: Central Bank of Kenya

Source: Central Bank of Kenya

During the week ending June 18, 2014, the average repo rate decreased to 3.85 percent from 7.11 percent recorded in the previous week.

CHART A: INTERBANK AND REPO INTEREST RATES

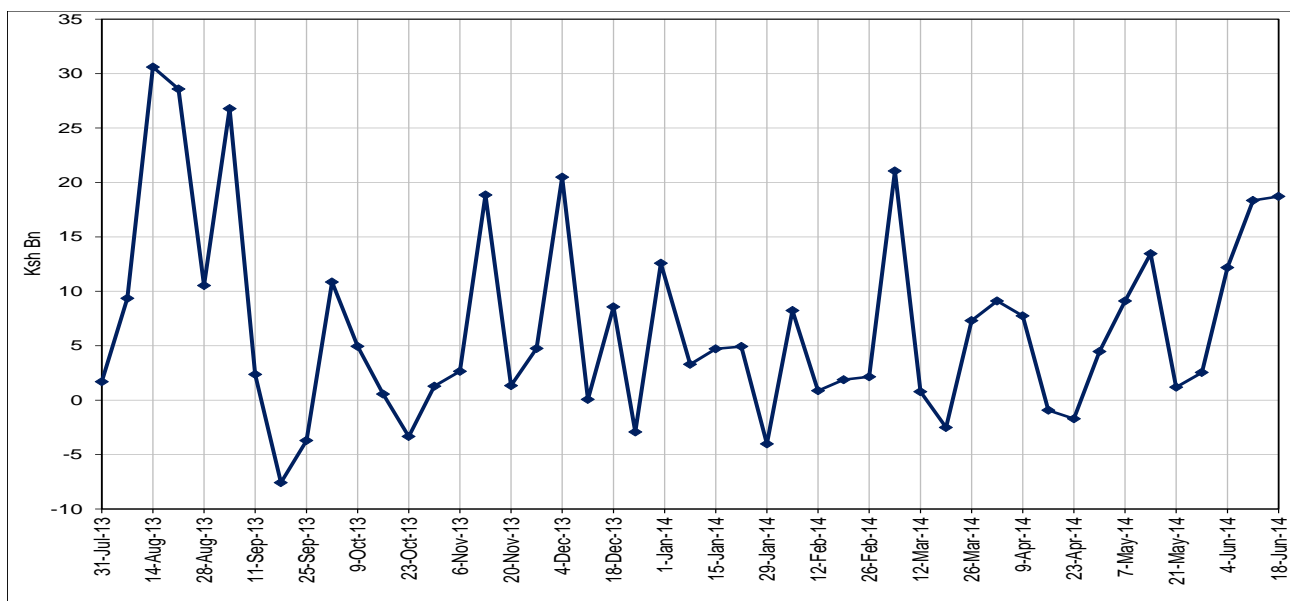


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded Ksh 18.7 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 105.8 billion) at the Central Bank in the week ending June 18, 2014 compared with Ksh 18.3 billion recorded in the previous week (**Chart B**). The increased surplus in commercial banks’ settlement accounts at the Central Bank reflects improved liquidity 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 strengthened to the Euro but weakened marginally to the US Dollar, the Pound Sterling and the Japanese Yen during the week ending June 19, 2014. In the EAC region, the Kenya shilling strengthened to the Uganda shilling but weakened marginally to the Tanzania shilling, the Rwanda and Burundi Francs.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
06-Jun-14	87.51	147.12	119.51	85.61	29.37	19.18	7.75	17.71
09-Jun-14	87.50	147.08	119.40	85.53	29.20	19.23	7.75	17.71
10-Jun-14	87.55	147.11	118.97	85.59	29.31	19.27	7.74	17.70
11-Jun-14	87.70	146.95	118.81	85.71	29.19	19.24	7.73	17.67
12-Jun-14	87.76	147.52	118.92	86.01	29.17	19.23	7.73	17.66
5 -12 Jun 2014	87.60	147.16	119.12	85.69	29.25	19.230	7.74	17.69
13-Jun-14	87.83	148.91	119.09	86.07	29.19	19.24	7.75	17.65
16-Jun-14	87.89	149.39	119.10	86.21	29.27	19.21	7.71	17.61
17-Jun-14	87.92	149.27	119.30	86.20	29.34	19.18	7.71	17.54
18-Jun-14	87.54	148.18	119.00	85.72	29.56	19.26	7.75	17.71
19-Jun-14	87.61	148.83	119.02	85.92	29.54	19.24	7.74	17.69
13 -19 Jun 2014	87.76	148.92	119.10	86.02	29.38	19.226	7.73	17.64

Source: Central Bank of Kenya

Capital Markets

Equities market performance declined in the week ending June 19, 2014. All NSE leading market indicators declined. NASI and The NSE 20 Share Index declined by 0.63 points and 13.58 points, respectively. FTSE Kenya 15, FTSE Kenya 25 and FTSE NSE Bond Index declined by 0.09, 0.05 and 0.28 points, respectively. Market capitalization declined by 0.42 percent. Total shares traded however rose 7.92 percent, but equity turnover declined by 6.34 percent on lower prices. Bonds turnover was down 51.77 percent.

Equities Market

Equity market indices declined in the week ended June 19, 2014. Market capitalization which measures shareholders wealth lost Ksh 8.78 billion while equity turnover declined by 276.95 million. Total shares traded however increased by 7.92 percent (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

Week Ending	30-Apr-14	08-May-14	15-May-14	22-May-14	29-May-14	05-Jun-14	12-Jun-14	19-Jun-14
NASI 100= Jan 2008	151.13	151.78	150.73	150.05	149.84	149.29	150.04	149.41
NSE 20 Share Index 100=1966	4,948.97	4,962.06	4,945.33	4,915.06	4,895.13	4,835.53	4,811.00	4,797.42
Number of Deals	9,972	11,299	12,500	10,981	10429	7,450	9,993	9,955.00
Total Shares Traded (millions)	198.83	196.70	215.6	225.63	179.99	218.75	155.99	168.35
Equity Turnover (Ksh. millions)	4,030.37	6,006.70	5,038.76	5,029.58	5624.74	5,186.02	4,370.91	4,093.96
Market Capitalization (Ksh. Bn.)	2,106.08	2,109.99	2,095.75	2,089.53	2,086.54	2,078.85	2,089.41	2,080.63
Bonds Turnover (Ksh. millions)	10,429.30	6,105.85	12,536.78	9,898.93	5610.02	6,119.25	7,002.43	3,377.60
FTSE NSE Kenya 15 Index	192.10	193.69	192.10	189.87	191.48	191.28	193.01	192.92
FTSE NSE Kenya 25 Index	193.92	195.64	194.50	191.73	193.28	192.97	194.63	194.58
FTSE NSE Bond Index	94.17	94.08	94.45	94.33	94.00	94.29	94.13	93.85

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

N/A Not available

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 8.78 points to close at 192.92 points from 193.01 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, lost 0.05 points to close at 194.58 points from 194.63 points. FTSE NSE Bond Index declined by 0.28 percent to close at 93.85 points from 94.13 points, reflecting rising market yields.

Telecommunication & Technology, Banking and energy & petroleum sectors were the top three most active, transacting 73.24 million or 43.50 percent, 35.52 million or 21.10 percent and 28.09 million or 16.7 percent respectively. Agricultural sector was least active with 77,500 shares traded.

The Bond Market

Bonds' market turnover decreased by 51.77 percent to Ksh 3,377.6 million from Ksh 7,002.43 million the previous week. Corresponding deals increased to 85 from 57 the previous week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills						
Date of Auction	15-May-14	22-May-14	29-May-14	05-Jun-14	12-Jun-14	19-Jun-14
Amount offered (Ksh M)	3,000.00	3,000.00	3,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	2268.04	2242.82	1473.22	3267.42	14080.48	11532.19
Amount Accepted (Ksh M)	2023.53	2242.82	1473.22	3267.42	12620.56	9100.6
Maturities (Ksh M)	2123.4	1412.84	1077.9	5273.73	7353.56	1040.02
Average interest Rate (%)	8.845	8.885	8.802	9.283	9.275	10.250
182-Day Treasury Bills						
Date of Auction	14-May-14	21-May-14	28-May-14	04-Jun-14	11-Jun-14	18-Jun-14
Amount offered (Ksh M)	3,000.00	3,000.00	3,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	5838.95	672.51	3455.72	492.7	6452.32	2727.53
Amount Accepted (Ksh M)	4767.35	672.51	3408.21	492.7	6452.32	2727.53
Maturities (Ksh M)	1213.64	1958.49	2667.07	1508.68	670.91	1490.74
Average interest Rate (%)	9.851	9.927	9.888	10.250	10.323	10.711
364-Day Treasury Bills						
Date of Auction	14-May-14	21-May-14	28-May-14	04-Jun-14	11-Jun-14	18-Jun-14
Amount offered (Ksh M)	3,000.00	3,000.00	3,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	3563.49	516.8	2264.25	2055.14	2739.16	1440.69
Amount Accepted (Ksh M)	3558.05	505.98	2264.25	2055.14	2739.16	1440.69
Maturities (Ksh M)	7076.26	3789.06	3824.45	2794.16	2297.04	431.01
Average interest Rate (%)	10.071	10.079	10.248	10.086	10.239	10.981
Treasury Bonds						
Date of Auction	19-Feb-14	19-Mar-14	23-Apr-14	21-May-14	18-Jun-14	18-Jun-14
Tenor	15 Years fxd	2 Years fxd	5 Year fxd	2 Year fxd	20 Year Fxd	5 Year Fxd
Amount offered (Ksh M)	10,000.00	15,000.00	15,000.00	15,000.00	30000	
Bids received (Ksh M)	23,441.04	48,910.15	30,400.65	12,506.93	8,639.32	15,265.58
Amount Accepted (Ksh M)	14,434.96	20,000.00	17,513.64	12,269.88	8,502.75	14286.91
Maturities (Ksh M)	-	-	6,418.09	-	-	-
Average interest Rate (%)	12.375	10.800	10.87	10.793	13.357	11.934

Source: Central Bank of Kenya

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
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
(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
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
(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
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
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
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
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

* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

	17-Apr-14	25-Apr-14	02-May-14	09-May-14	16-May-14	23-May-14	30-May-14	06-Jun-14	13-Jun-14
Treasury bills (Excluding Repos)	23.3	23.1	22.8	22.6	22.8	22.8	22.3	22.3	22.0
Treasury bonds	71.4	71.6	71.9	72.0	71.4	71.5	72.0	72.0	0.0
CBK Overdraft to Govt	2.8	2.8	2.8	2.8	3.2	3.2	3.2	3.2	0.0
Other domestic debt	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	24.6

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	25-Apr-14	02-May-14	09-May-14	16-May-14	23-May-14	30-May-14	06-Jun-14	13-Jun-14
Banking Institutions	51.9	52.0	52.0	52.3	52.4	52.3	52.3	52.4
Insurance Companies	9.8	9.7	9.7	9.6	9.7	9.7	9.8	9.8
Parastatals	3.6	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Pension funds	26.3	26.4	26.2	26.3	26.2	26.3	26.2	26.1
Other investors	8.3	8.7	8.8	8.5	8.5	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)

	17-Apr-14	24-Apr-14	30-Apr-14	08-May-14	15-May-14	22-May-14	29-May-14	05-Jun-14	12-Jun-14	19-Jun-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,338	6,339	6,308	6,313	6,283	6,239	6,077	6,078	6,084	6,081
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.37	4.37	4.35	4.36	4.34	4.31	4.30	4.29	4.29	4.29

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya