



JUNE 27, 2014

Highlights

The money market was relatively tight during the week ending June 25, 2014 attributable to remittances of tax by banks and primary issuance of Government securities. In order to support the market, the Central Bank liquidity management 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 generally recovered from its recent decline, with most of the leading market indicators gaining in the week ending June 26, 2014. Only the number of equities deals declined, and bonds turnover rose by 207 percent.

Monetary Policy Operations

The money market was relatively tight during the week ending June 25, 2014 attributable to remittances of tax by banks and primary issuance of Government securities. In order to support the market, the Central Bank liquidity management redeemed the outstanding stock of repos securities and term auction deposits (TAD) held by commercial banks. Reserve money averaged Ksh 308.3 billion during the week and was Kshs.14.2 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)
19-Jun-14	336.9	322.1	14.8	0.0	0.0	0.0	0.0	0.0	334.3	12.2	23.6	-11.4
20-Jun-14	327.6	322.1	5.5	0.0	0.0	0.0	0.0	0.0	323.0	0.9	13.0	-12.1
23-Jun-14	293.4	322.7	-29.3	0.0	0.0	0.0	0.0	0.0	296.4	-26.4	-13.3	-13.1
24-Jun-14	291.5	322.7	-31.2	0.0	0.0	0.0	0.0	0.0	293.4	-29.3	-16.8	-12.6
25-Jun-14	293.7	322.7	-29.0	0.0	0.0	0.0	0.0	0.0	294.5	-28.2	-15.0	-13.2
Average	308.6	322.5	-13.9	0.0	0.0	0.0	0.0	0.0	308.3	-14.2	-1.7	-12.5

Source: Central Bank of Kenya

Interbank and REPO Rates

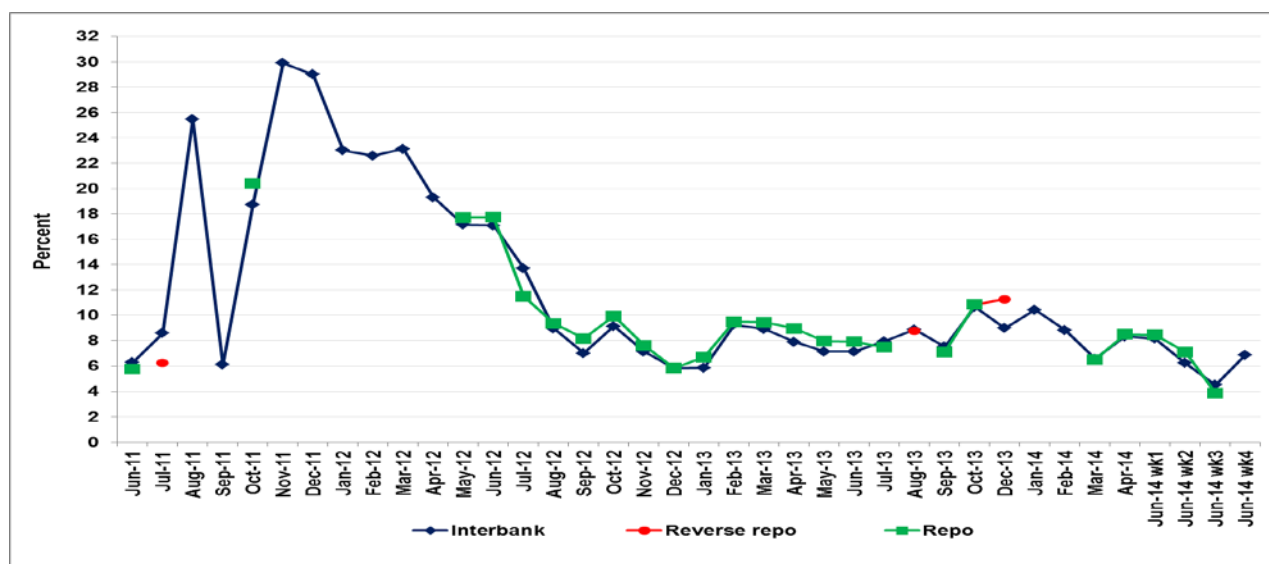
The average interbank rate increased to 6.87 percent in the week ending June 25, 2014 from 4.51 percent recorded in the previous week, while the volume transacted increased to Kshs. 19.8 billion from KSh. 12.5 billion traded in the previous week. The average number of deals increased from 44 to 59 (**Table 2 and Chart A**).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
19-Jun-14	61	23,559	5.71
20-Jun-14	71	20,990	5.99
23-Jun-14	52	12,764	6.65
24-Jun-14	52	20,769	7.52
25-Jun-14	61	21,019	8.48
June 19, 2014 -June 25, 2014	59	19,820	6.87

Source: Central Bank of Kenya

CHART A: INTERBANK AND REPO INTEREST RATES

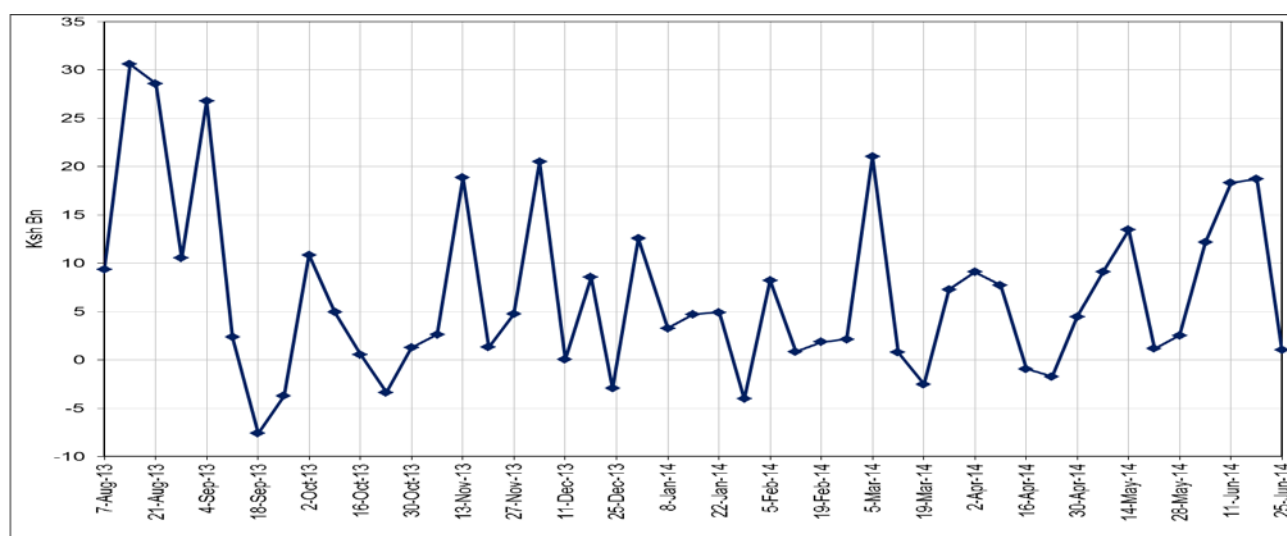


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of KSh.1.0 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 25, 2014 compared with Ksh 18.7 billion recorded in the previous week (**Chart B**). The decrease in commercial banks' settlement accounts at the Central Bank reflected tight 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 all major International currencies during the week ending June 26, 2014. In the EAC region, the Kenya Shilling strengthened to the Uganda Shilling; the Rwanda and Burundi Francs but weakened marginally to the Tanzania Shilling.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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	19.23	7.73	17.64
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
20-26 Jun 2014	87.46	148.78	119.04	85.84	29.79	19.22	7.76	17.72

Source: Central Bank of Kenya

Capital Markets

Equities market performance recovered in the week ending June 26, 2014. NSE leading market indicators gained except for the number of deals. NASI and NSE 20 Share Index rose by 0.11 points and 58.93 points, respectively. FTSE Kenya 15, FTSE Kenya 25 and FTSE Kenya Government Bond Index rose by 0.84, 0.56 and 0.10 points, respectively. Market capitalization added Ksh 14.16 billion. Total shares traded rose 8.55 percent, with equity turnover up by 0.69 percent. Bonds turnover rose more than three times from the previous week trading.

Equities Market

Equity market indices rose in the week ended June 26, 2014. Market capitalization which measures shareholders wealth rose by 0.68 percent, while equity turnover rose by Ksh 28.54 million.

TABLE 4: KEY WEEKLY MARKET STATISTICS

	15-May-14	22-May-14	29-May-14	5-Jun-14	12-Jun-14	19-Jun-14	26-Jun-14
NASI 100= 2008	150.73	150.05	149.84	149.29	150.04	149.41	149.52
NSE 20 Share Index 100= 1996	4,945.33	4,915.06	4,895.13	4,835.53	4,811.00	4,797.42	4,856.35
Number of Deals	12,500	10,981	10,429	7,450	9,993	9,955	9,468
Total Shares Traded	215.6	225.63	179.99	218.75	155.99	168.35	182.7426
Equity Turnover (Ksh. Millions)	5,038.76	5,029.58	5,624.74	5,186.02	4,370.91	4,093.96	4,122.50
Market Capitalization (Ksh. Bn.)	2,095.75	2,089.53	2,086.54	2,078.85	2,089.41	2,080.63	2,094.79
Bonds Turover (Ksh. Millions)	12,536.78	9,898.93	5,610.02	6,119.25	7,002.43	3,377.60	10,381.46
FTSE NSE Kenya 15 Index	192.10	189.87	191.48	191.28	193.01	192.92	193.76
FTSE NSE Kenya 25 Index	194.50	191.73	193.28	192.97	194.63	194.58	195.14
FTSE NSE Bond Index	94.45	94.33	94.00	94.29	94.13	93.85	93.95

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, closed at 193.76 points from 192.92 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE ended at 195.14 points from 194.58 points. FTSE Kenya Government Bond Index was up to 93.95 points from 93.85 points, reflecting stable yields.

Telecommunication and Technology, Banking and Energy and Petroleum sectors were the top three most active, transacting 86.62 million or 47.40 percent, 37.44 million or 20.60 percent and 22.27 million or 12.2 percent, respectively. Agricultural sector was least active with 32,000 shares traded.

The Bond Market

Bonds turnover at NSE rose by 207.36 percent to Ksh10, 381.46 million from Ksh 3,377.6 million of the previous week. Corresponding deals doubled to 178 from 85.

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
Amount offered (Ksh M)	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
Amount Accepted (Ksh M)	3267.42	12620.56	9100.6	4,829.58
Maturities (Ksh M)	5273.73	7353.56	1040.02	3,421.63
Average interest Rate (%)	9.283	9.275	10.250	11.438
182-Day Treasury Bills				
Date of Auction	4-Jun-14	11-Jun-14	18-Jun-14	25-Jun-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	492.7	6452.32	2727.53	2727.53
Amount Accepted (Ksh M)	492.7	6452.32	2727.53	4072.84
Maturities (Ksh M)	1508.68	670.91	1490.74	4072.84
Average interest Rate (%)	10.250	10.323	10.711	11.585
364-Day Treasury Bills				
Date of Auction	4-Jun-14	11-Jun-14	18-Jun-14	25-Jun-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	2055.14	2739.16	1440.69	923.80
Amount Accepted (Ksh M)	2055.14	2739.16	1440.69	923.80
Maturities (Ksh M)	2794.16	2297.04	431.01	431.01
Average interest Rate (%)	10.086	10.239	10.981	11.186
Treasury Bonds				
Date of Auction	21-May-14	25-Jun-14	18-Jun-14	
Tenor	2 Year Fxd	20 Year Fxd	5 Year Fxd	
Amount offered (Ksh M)	15,000.00	30,000.00	30,000.00	
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)

	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
1. Treasury Bills (Excluding Repos)	302.8	288.7	281.6	278.4	276.7	274.6	279.3	279.0	274.8	274.3	270.4	282.4
(As % of total securities)	26.0	25.1	24.6	24.4	24.0	23.9	24.2	24.2	23.7	23.6	23.4	24.2
2. Treasury Bonds	863.6	863.6	863.6	863.6	874.7	874.7	874.7	874.7	886.9	886.9	886.9	886.9
(As % of total securities)	74.0	74.9	75.4	75.6	76.0	76.1	75.8	75.8	76.3	76.4	76.6	75.8
3. Total Securities (1+2)	1166.3	1152.3	1145.2	1142.0	1151.4	1149.2	1153.9	1153.6	1161.7	1161.2	1157.3	1169.3
4. Overdraft at Central Bank	33.5	34.2	34.2	34.2	34.2	34.2	39.1	39.1	39.1	39.1	39.1	39.1
5. Other Domestic debt*	33.9	33.1	30.6	30.6	30.6	30.7	31.2	31.2	31.2	31.2	31.7	31.6
6. Gross Domestic Debt (3+4+5)	1233.7	1219.6	1210.0	1206.8	1216.2	1214.1	1224.3	1223.9	1232.0	1231.5	1228.1	1240.1

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
Treasury bills (Excluding Repos)	23.3	23.1	22.8	22.6	22.8	22.8	22.3	22.3	22.0	22.8
Treasury bonds	71.4	71.6	71.9	72.0	71.4	71.5	72.0	72.0	886.9	71.5
CBK Overdraft to Govt	2.8	2.8	2.8	2.8	3.2	3.2	3.2	3.2	39.1	3.2
Other domestic debt	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	950.6	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
Banking Institutions	51.9	52.0	52.0	52.3	52.4	52.3	52.3	52.4	52.9
Insurance Companies	9.8	9.7	9.7	9.6	9.7	9.7	9.8	9.8	9.7
Parastatals	3.6	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.1
Pension funds	26.3	26.4	26.2	26.3	26.2	26.3	26.2	26.1	25.8
Other investors	8.3	8.7	8.8	8.5	8.5	8.4	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

Source: Central Bank of Kenya

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

	17-Apr-14	24-Apr-14	30-Apr-14	8-May-14	15-May-14	22-May-14	29-May-14	5-Jun-14	12-Jun-14	19-Jun-14	26-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	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	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