



JUNE 6, 2014

Highlights

The money market was relatively liquid in the week ending June 4, 2014 supported by maturities of repo securities and term auction deposits and government payments. The Central Bank liquidity management rolled over all maturing repo bills and term auction deposits (TAD).

The average interbank rate stabilized at 7.22 percent in the week ending June 4, 2014 from 7.34 percent recorded in the previous week.

The capital market had mixed performance in the week ending June 5, 2014. The equities segment declined, while the bonds segment gained. The decline in the equities segment may be attributed to the Madaraka Day celebrations when there was no trading.

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Monetary Policy Operations

The money market was relatively liquid in the week ending June 4, 2014 supported by repo maturities and government payments. The Central Bank rolled over all maturing repo securities and TAD. The liquidity management operations resulted in a net liquidity withdrawal of KSh 2.7 billion. Reserve money averaged Ksh 315.8 billion during the week and was Kshs.4.7 billion below target (**Table 1**).

TABLE 1: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Reserve Money* (Projected)			OMO				Reverse Repo	Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/ Short(-)	Posted	Mop up		Exc(+)/ Short(-)		Actual	Exc(+)/ Short(-)	Exc(+)/ Short(-)	Exc(+)/ Short(-)
	(1)	(2)	3=(1-2)		Repo	Term Auction Deposit						
29-May-14	322.5	320.1	2.4	10.0	6.7	0.0	-3.4	0.0	314.9	-5.2	10.6	-15.8
30-May-14	322.2	320.1	2.1	10.0	4.9	0.0	-5.2	0.0	314.9	-5.2	9.3	-14.5
2-Jun-14	HOLIDAY											
3-Jun-14	329.8	320.8	9.0	15.0	11.1	1.0	-2.8	0.0	317.5	-3.3	10.3	-13.6
4-Jun-14	327.3	320.8	6.5	10.0	5.0	5.0	0.0	0.0	315.8	-5.0	6.5	-11.5
Average	325.5	320.4	5.0	11.3	6.9	1.5	-2.8	0.0	315.8	-4.7	9.1	-13.8

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate stabilized at 7.22 percent in the week ending June 4, 2014 from 7.34 percent recorded in the previous week, while the volume transacted decreased to Ksh13.6 billion from Ksh 16.0 billion traded in the previous week. The average number of deals declined from 56 to 52 (**Table 2 and Chart A**).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

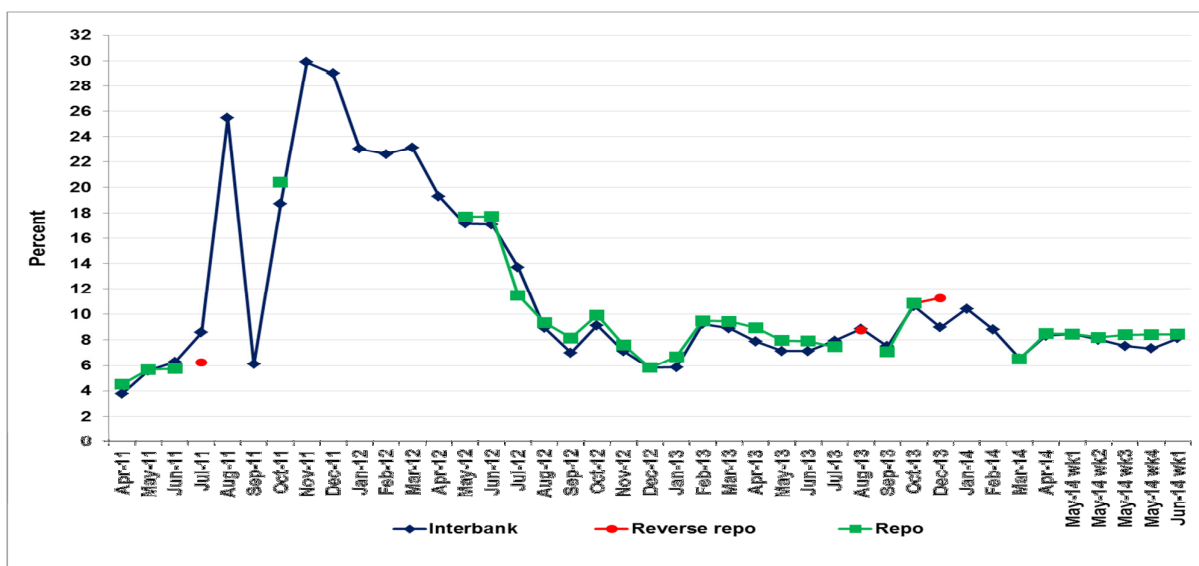
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
22-May-14	57	15,132	7.41
23-May-14	55	16,403	7.24
26-May-14	50	10,145	7.33
27-May-14	53	18,135	7.29
28-May-14	65	20,023	7.43
May 22, 2014 -May 28, 2014	56	15,967	7.34
29-May-14	49	11,710	7.31
30-May-14	60	13,285	7.32
2-Jun-14	HOLIDAY		
3-Jun-14	45	12,347	7.21
4-Jun-14	52	17,165	7.04
May 29, 2014 -June 4, 2014	52	13,627	7.22

Source: Central Bank of Kenya

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During the week ending June 4, 2014, the average repo rate was stable at 8.45 percent compared with 8.43 percent recorded in the previous week.

CHART A: INTERBANK AND REPO INTEREST RATES

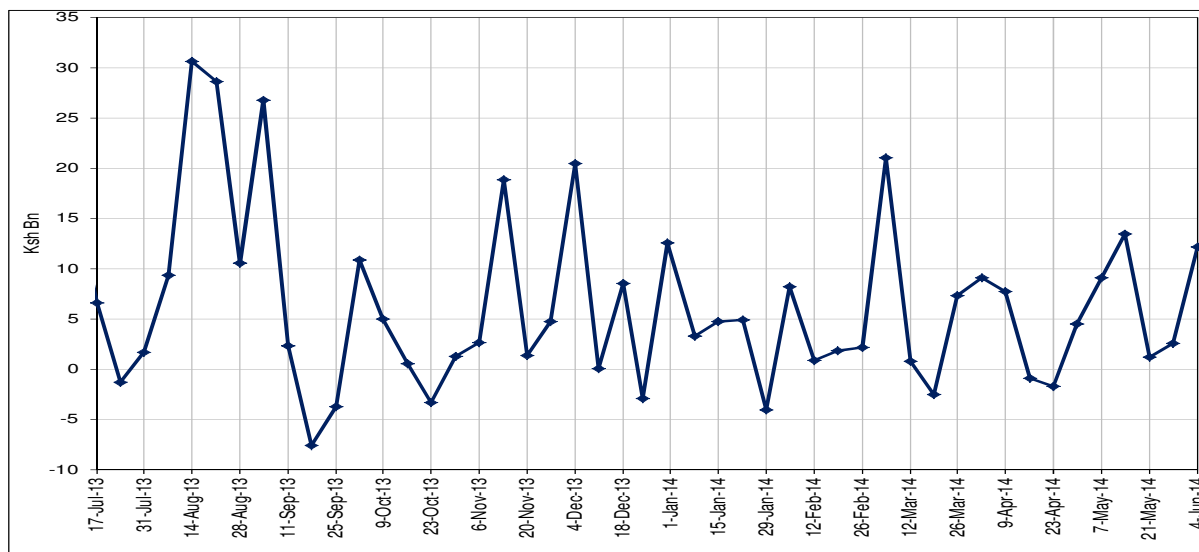


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh12.2 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 4, 2014 compared with a surplus of Ksh 2.5 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 against major international and regional currencies. The Shilling appreciated by 0.21 percent, 0.69 percent, 0.37 percent and 0.48 percent against the US Dollar, the Pound Sterling, the Euro and the Japanese Yen, respectively, in the week ending June 5, 2014. In the EAC region, the Kenya Shilling strengthened by 1.08 percent, 0.80 percent, 0.10 percent and 0.23 percent against the Uganda Shilling, the Tanzania Shilling, the Rwanda Franc and the Burundi Franc (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
23-May-14	87.86	148.20	119.89	86.35	28.81	18.93	7.73	17.64
26-May-14	87.83	147.97	119.67	86.18	28.82	18.93	7.73	17.65
27-May-14	87.86	148.01	119.90	86.15	28.82	18.94	7.73	17.64
28-May-14	87.84	147.65	119.72	86.15	28.89	18.94	7.73	17.64
29-May-14	87.82	146.90	119.53	86.26	28.96	18.95	7.73	17.63
23-29 May 2014	87.84	147.75	119.74	86.22	28.86	18.94	7.73	17.64
30-May-14	87.80	146.92	119.44	86.42	29.16	18.96	7.73	17.65
2-Jun-14	HOLIDAY							
3-Jun-14	87.74	147.01	119.39	85.83	28.89	19.06	7.73	17.66
4-Jun-14	87.57	146.44	119.23	85.37	29.23	19.16	7.74	17.70
5-Jun-14	87.51	146.56	119.14	85.59	29.40	19.18	7.75	17.71
30 May -5 Jun 2014	87.65	146.73	119.30	85.80	29.17	19.09	7.74	17.68

Source: Central Bank of Kenya

Capital Markets

Equities market declined with all indicators declining except volume of shares traded, while the bond market segment gained in the week ending June 5, 2014. The NSE 20 Share, NASI, FTSE NSE Kenya 15 and FTSE NSE Kenya 25 Index Series declined by 1.2 percent, 0.4 percent, 0.1 percent and 0.2 percent, respectively. Similarly, Equity Turnover, Market Capitalization and Number of Deals declined by 7.8 percent, 0.4 percent and 28.6 percent respectively. Total shares traded recorded 21.5 percent increase. Bonds turnover recorded 9.1 percent increase, while FTSE NSE Bond Index gained 0.29 points (Table 4).

Equities Market

All equity market indices except total shares traded declined in the week ended June 5 2014 compared to the previous week. Market capitalization which measures shareholders wealth lost Ksh 7.69 billion, while equity turnover declined by 7.8 per cent, despite a 21.5 per cent increase in total shares traded.

TABLE 4: KEY WEEKLY MARKET STATISTICS

	24-Apr-14	30-Apr-14	8-May-14	15-May-14	22-May-14	29-May-14	5-Jun-14
NASI 100=2008	149.95	151.13	151.78	150.73	150.05	149.84	149.29
NSE 20 Share Index 100=1996	4,923.71	4,948.97	4,962.06	4,945.33	4,915.06	4,895.13	4,835.53
Number of Deals	8,710	9,972	11,299	12,500	10,981	10,429	7,450
Total Shares Traded	118.30	198.83	196.7	215.6	225.63	179.99	218.75
Equity Turnover (Ks h. Millions)	2,892.37	4,030.37	6,006.70	5,038.76	5,029.58	5,624.74	5,186.02
Market Capitalization (Ks h. Bn.)	2,085.00	2,106.08	2,109.99	2,095.75	2,089.53	2,086.54	2,078.85
Bonds Turnover (Ks h. Millions)	12,960.20	10,429.30	6,105.85	12,536.78	9,898.93	5,610.02	6,119.25
FTSE NSE Kenya 15 Index	186.28	192.10	193.69	192.10	189.87	191.48	191.28
FTSE NSE Kenya 25 Index	188.19	193.92	195.64	194.50	191.73	193.28	192.97
FTSE NSE Bond Index	93.84	94.17	94.08	94.45	94.33	94.00	94.29

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 0.2 points to close at 191.28 points from 191.48 points. Similarly, FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE lost 0.31 points to close at 192.97 points from 193.28 points. FTSE NSE Bond Index gained 0.29 points to close at 94.29 points from 94.00 points, reflecting stable market yields.

Telecommunication & Technology and Banking sectors; and the Growth Enterprise Market Segment were the top three most active, transacting 111.45 million or 50.95 percent, 42.61 million or 19.48 percent and 20.51 million or 9.37 percent cent, respectively. Agricultural sector was least active with 77,600 shares traded.

The Bond Market

The bonds' market turnover increased by 9.1 percent to Ksh 6,119.25 million from Ksh 5,610.02 million the previous week. Corresponding deals increased to 64 from 54 the previous week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

	Amount offered (Ksh M)	Bids received (Ksh M)	Amount Accepted (Ksh M)	Maturities (Ksh M)	Average interest Rate (%)	Coupon Rate (%)	Date of Auction
Treasury Bills							
91 Day	4,000.00	3267.42	3267.42	5273.73	9.283		05-Jun-14
182 Day	4,000.00	492.70	492.70	1,508.68	10.250		04-Jun-14
364 Day	4,000.00	2,055.14	2,055.14	2,794.16	10.086		04-Jun-14
Total	12,000.00	5,815.26	5,815.26	9,576.57			

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Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	Jun 2013	30th Sept 2013	27th Dec 2013	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
1. Treasury Bills (Excluding Repos)	267.8	307.6	309.1	307.5	302.8	288.7	281.6	278.4	276.7	274.6	279.3	279.0	274.8
(As % of total securities)	26.5	27.9	27.5	26.3	26.0	25.1	24.6	24.4	24.0	23.9	24.2	24.2	23.7
2. Treasury Bonds	744.2	794.8	816.3	863.6	863.6	863.6	863.6	863.6	874.7	874.7	874.7	874.7	886.9
(As % of total securities)	73.5	72.1	72.5	73.7	74.0	74.9	75.4	75.6	76.0	76.1	75.8	75.8	76.3
3. Total Securities (1+2)	1011.9	1102.5	1,125.4	1171.1	1166.3	1152.3	1145.2	1142.0	1151.4	1149.2	1153.9	1153.6	1161.7
4. Overdraft at Central Bank	7.0	34.2	34.2	34.2	33.5	34.2	34.2	34.2	34.2	34.2	39.1	39.1	39.1
5. Other Domestic debt*	32.0	31.6	32.9	33.8	33.9	33.1	30.6	30.6	30.6	30.7	31.2	31.2	31.2
6. Gross Domestic Debt (3+4+5)	1051.0	1168.2	1,192.5	1239.0	1233.7	1219.6	1210.0	1206.8	1216.2	1214.1	1224.3	1223.9	1232.0

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

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	11-Apr-14	17-Apr-14	25-Apr-14	02-May-14	09-May-14	16-May-14	23-May-14	30-May-14
Treasury bills (Excluding Repos)	23.7	23.3	23.1	22.8	22.6	22.8	22.8	22.3
Treasury bonds	70.8	71.4	71.6	71.9	72.0	71.4	71.5	72.0
CBK Overdraft to Govt	2.7	2.8	2.8	2.8	2.8	3.2	3.2	3.2
Other domestic debt	2.8	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

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	11-Apr-14	17-Apr-14	25-Apr-14	02-May-14	09-May-14	16-May-14	23-May-14	30-May-14
Banking Institutions	53.0	51.6	51.9	52.0	52.0	52.3	52.4	52.3
Insurance Companies	9.4	9.5	9.8	9.7	9.7	9.6	9.7	9.7
Parastatals	3.2	3.3	3.6	3.2	3.2	3.2	3.2	3.2
Pension funds	25.7	25.5	26.3	26.4	26.2	26.3	26.2	26.3
Other investors	8.7	10.1	8.3	8.7	8.8	8.5	8.5	8.4
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)

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
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,338	6,339	6,308	6,313	6,283	6,239	6,077	6,078
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

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya