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Highlights

The money market was relatively liquid during the week ending June 11, 2014. The Central Bank therefore sterilized Ksh 28 billion of the excess liquidity held by commercial banks in order to stabilize the interbank rate.

The average interbank rate decreased to 6.23 percent in the week ending June 11, 2014 from 7.22 percent recorded in the previous week.

The capital market recorded mixed performance in the week ending June 12, 2014.

Monetary Policy Operations

The money market was relatively liquid during the week ending June 11, 2014. The Central Bank therefore sterilized Ksh 28.0 billion of the excess liquidity held by commercial banks, in order to stabilize the inter-bank rate. Reserve money averaged Ksh 327.6 billion during the week and was Kshs.6.5 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)
5-Jun-14	324.9	320.8	4.2	0.0	0.0	0.0	0.0	0.0	325.4	4.6	15.8	-11.1
6-Jun-14	331.6	320.8	10.8	5.0	6.0	0.0	1.0	0.0	324.5	3.7	13.1	-9.4
9-Jun-14	328.6	321.4	7.2	6.0	6.0	0.0	0.0	0.0	329.9	8.5	18.4	-9.9
10-Jun-14	342.6	321.4	21.1	11.0	11.0	0.0	0.0	0.0	330.2	8.8	18.0	-9.3
11-Jun-14	336.6	321.4	15.1	5.0	5.0	0.0	0.0	0.0	328.1	6.7	15.7	-9.0
Average	332.9	321.2	11.7	5.4	5.6	0.0	0.2	0.0	327.6	6.5	16.2	-9.8

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased to 6.23 percent in the week ending June 11, 2014 from 7.22 percent recorded in the previous week, while the volume transacted remained largely unchanged at Ksh13.9 billion compared with Ksh 13.6 billion traded in the previous week. The average number of deals declined from 52 to 45 (**Table 2 and Chart A**).

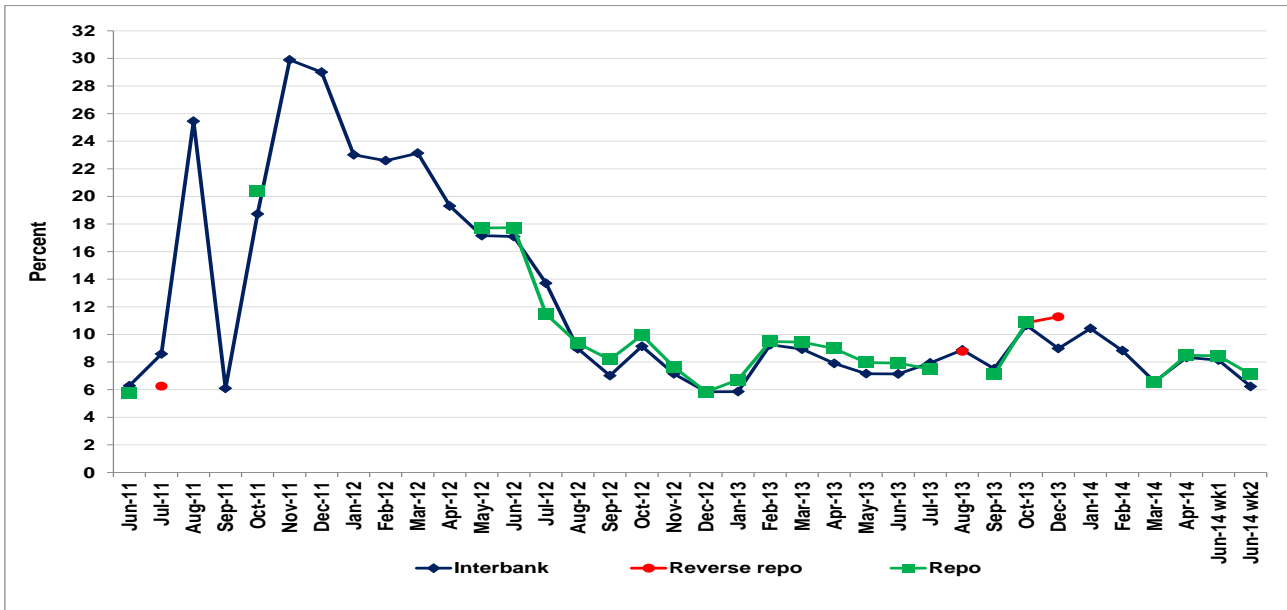
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
5-Jun-14	49	18,206	6.88
6-Jun-14	52	15,430	6.54
9-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

Source: Central Bank of Kenya

During the week ending June 11, 2014, the average repo rate decreased to 7.11 percent from 8.45 percent recorded in the previous week.

CHART A: INTERBANK AND REPO INTEREST RATES

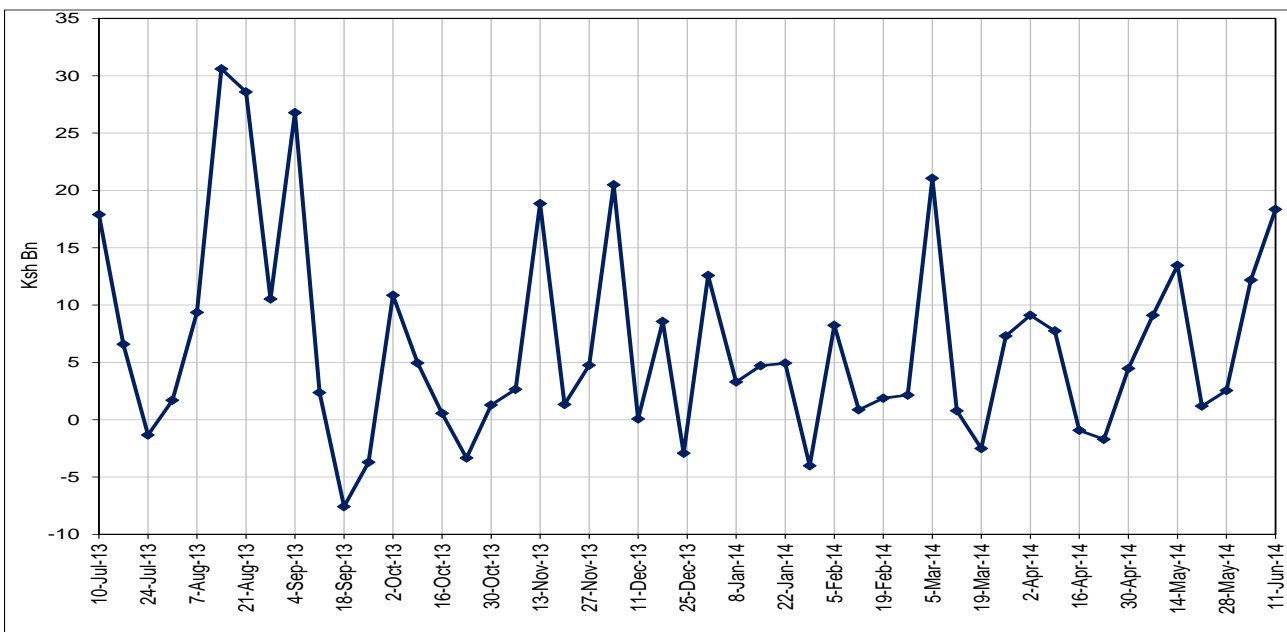


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded in the week ending June 11, 2014 Ksh18.3 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 compared with Ksh 2.5 billion recorded in the previous week (**Chart B**). The increased surplus in the 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 was relatively stable against major international and regional currencies. During the week ending 12 June 2014, the Shilling strengthened marginally against the US dollar (0.06 percent), the Euro (0.15 percent) and the Japanese Yen (0.13 percent) and depreciated against the Pound Sterling (0.29 percent). In the EAC region the Kenya Shilling strengthened against the Uganda Shilling, the Tanzania Shilling and 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
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
6-Jun-14	87.51	147.12	119.51	85.61	29.37	19.18	7.75	17.71
9-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	19.23	7.74	17.69

Source: Central Bank of Kenya

Capital Markets

The capital markets recorded mixed performance in the equities and bonds market segments during the week ending June 12, 2014.

Equities Market

Equity market performance was mixed in the week ending June 12, 2014. Market capitalization which measures shareholders' wealth gained Ksh 10.56 billion (0.51 percent) while equity turnover declined by 815.11 million (15.72 percent) to close the week at Ksh 4,371 million. Total shares traded declined to 156 million from 219 million of the previous week (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
NASI 100= Jan 2008	151.13	151.78	150.73	150.05	149.84	149.29	150.04
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
Number of Deals	9,972	11,299	12,500	10,981	10429	7,450	9,993
Total Shares Traded (millions)	198.83	196.70	215.6	225.63	179.99	218.75	155.99
Equity Turnover (Ksh. millions)	4,030.37	6,006.70	5,038.76	5,029.58	5624.74	5,186.02	4,370.91
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
Bonds Turnover (Ksh. millions)	10,429.30	6,105.85	12,536.78	9,898.93	5610.02	6,119.25	7,002.43
FTSE NSE Kenya 15 Index	192.10	193.69	192.10	189.87	191.48	191.28	193.01
FTSE NSE Kenya 25 Index	193.92	195.64	194.50	191.73	193.28	192.97	194.63
FTSE NSE Bond Index	94.17	94.08	94.45	94.33	94.00	94.29	94.13

* 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, gained 1.73 points to close at 193.01 points from 191.28 points. Similarly, FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, gained 1.66 points to close at 194.63 points from 192.97 points. FTSE NSE Bond Index declined marginally, by 0.17 percent to close at 94.13 points from 94.29 points, reflecting stable market yields.

Telecommunication & Technology, Banking and Insurance sectors were the top three most active, transacting 63.79 million (40.89 percent share of the market) 36.79 million (23.59 percent) and 15.92 million (10.21 percent cent), respectively. Agricultural sector was least active with 130,000 shares traded.

The Bond Market

The bonds turnover at NSE increased by 14.43 percent, to Ksh 7,002.43 million from Ksh 6,119.25 million of the previous week. Corresponding deals declined to 57 from 64 the previous week. The FTSE Kenya Government Bond Index moved marginally, closing the week at 94.13 points from last week's 94.29, a reflection of stable yields in the securities markets.

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	14,080.48	12,620.56	7,353.56	9.275		12-Jun-14
182 Day	4,000.00	6,452.32	6,452.32	670.91	10.323		11-Jun-14
364 Day	4,000.00	2,739.16	2,739.16	2,297.04	10.239		11-Jun-14

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
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
(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
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
(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
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
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
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
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

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

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

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

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
Banking Institutions	51.9	52.0	52.0	52.3	52.4	52.3	52.3
Insurance Companies	9.8	9.7	9.7	9.6	9.7	9.7	9.8
Parastatals	3.6	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
Other investors	8.3	8.7	8.8	8.5	8.5	8.4	8.5
Total	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
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
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

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya