



**APRIL 11, 2014**

### **Highlights**

*The money market was relatively liquid in the week ending April 9, 2014 supported by Government payments and net redemption of Government securities. Consequently, the Central Bank liquidity Management resulted in net liquidity withdrawal of Ksh 15.8 bn through repo securities and term auction deposits (TAD).*

*The average interbank rate declined to 6.87 percent during the week ending April 9, 2014 from 7.32 percent in the previous week.*

*The NSE recorded improved performance for the week ending April 10, 2014. All leading NSE indicators except NSE 20 share index and FTSE NSE Bond Index gained, while the latter declined.*

### **Monetary Policy Operations**

The money market was relatively liquid in the week ending April 9, 2014 supported by Government payments and net redemption of Government securities. Consequently, the Central Bank liquidity Management resulted in net liquidity withdrawal of mopped Ksh 15.8 bn through repo securities and term auction deposits (TAD). Reserve money averaged Ksh 312.3 billion during the week and was Ksh 7.1 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(-)
					Repo	Term Auction Deposit						
	(1)	(2)	3=(1-2)	(4)	(5)	(6)	7=(5+6-4)	(8)	(9)	(10)=(9-2)	(11)	(12)
3-Apr-14	318.9	318.5	0.4	6.20	6.20	0.00	0.0	0.0	314.4	-4.1	9.6	-13.6
4-Apr-14	326.1	318.5	7.6	12.00	0.00	11.85	-0.2	0.0	312.9	-5.6	6.4	-11.9
7-Apr-14	326.1	320.0	6.1	13.00	8.78	2.16	-2.1	0.0	316.3	-3.7	8.8	-12.5
8-Apr-14	318.6	320.0	-1.4	6.00	6.00	0.00	0.0	0.0	309.2	-10.8	0.4	-11.2
9-Apr-14	309.8	320.0	-10.2	3.50	2.72	0.00	-0.8	0.0	308.4	-11.6	0.2	-11.8
<b>Average</b>	<b>319.9</b>	<b>319.4</b>	<b>0.5</b>	<b>8.1</b>	<b>4.7</b>	<b>2.8</b>	<b>-0.6</b>	<b>0.0</b>	<b>312.3</b>	<b>-7.1</b>	<b>5.1</b>	<b>-12.2</b>

Source: Central Bank of Kenya

### Interbank and REPO Rates

The average interbank rate declined to 6.87 percent during the week ending April 9, 2014 from 7.32 percent in the previous week on account of improved liquidity in the interbank market. The average interbank volume transacted decreased to Ksh 9.42 billion in the week ending April 9, 2014 from Ksh 11.2 billion the previous week, while the average number of deals stabilized at 48 (Table 2 and Chart A).

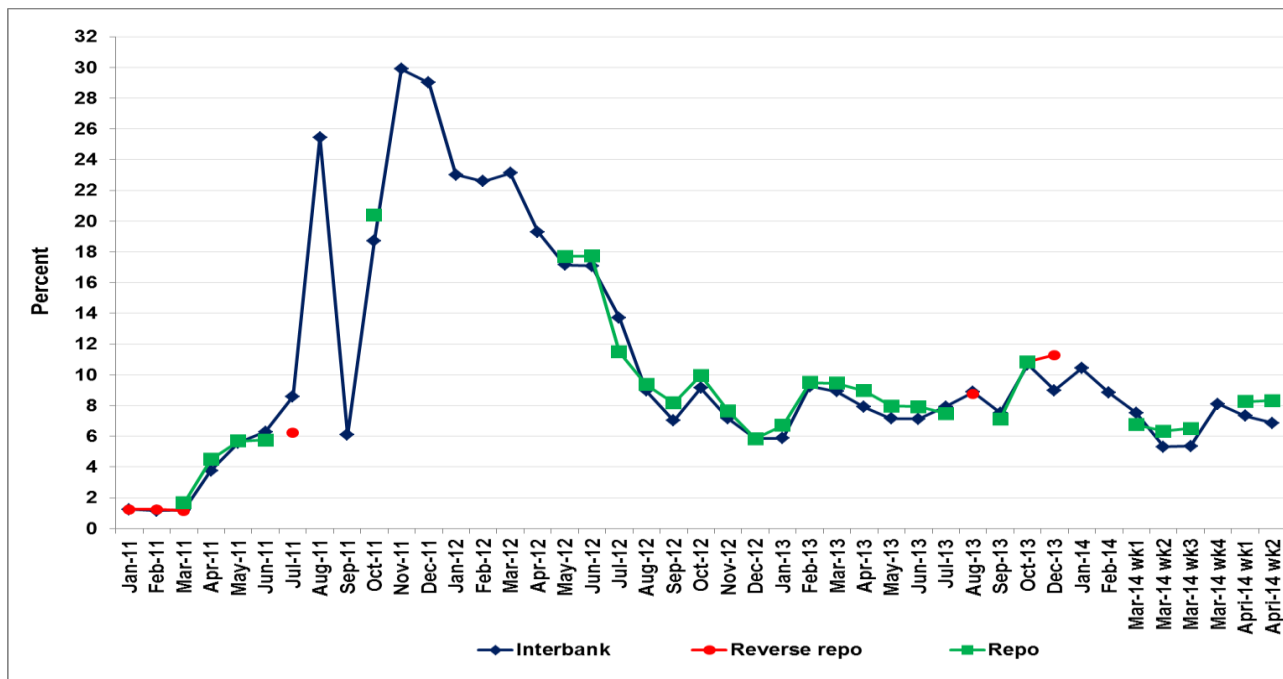
**TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
27-Mar-14	58	14,060	7.68
28-Mar-14	46	10,250	7.44
31-Mar-14	52	14,040	7.29
1-Apr-14	40	9,775	7.12
2-Apr-14	46	8,020	7.09
<b>March 27, 2014 -April 2, 2014</b>	<b>48</b>	<b>11,229</b>	<b>7.32</b>
3-Apr-14	48	10,278	6.93
4-Apr-14	58	10,897	6.89
7-Apr-14	46	8,261	6.92
8-Apr-14	43	8,290	6.87
9-Apr-14	45	9,373	6.73
<b>April 3, 2014 -April 9, 2014</b>	<b>48</b>	<b>9,420</b>	<b>6.87</b>

Source: Central Bank of Kenya

During the week ending April 9, 2014, the average repo rate increased marginally to 8.32 percent from 8.26 percent in the previous week.

**CHART A: STRUCTURE OF INTEREST RATES**

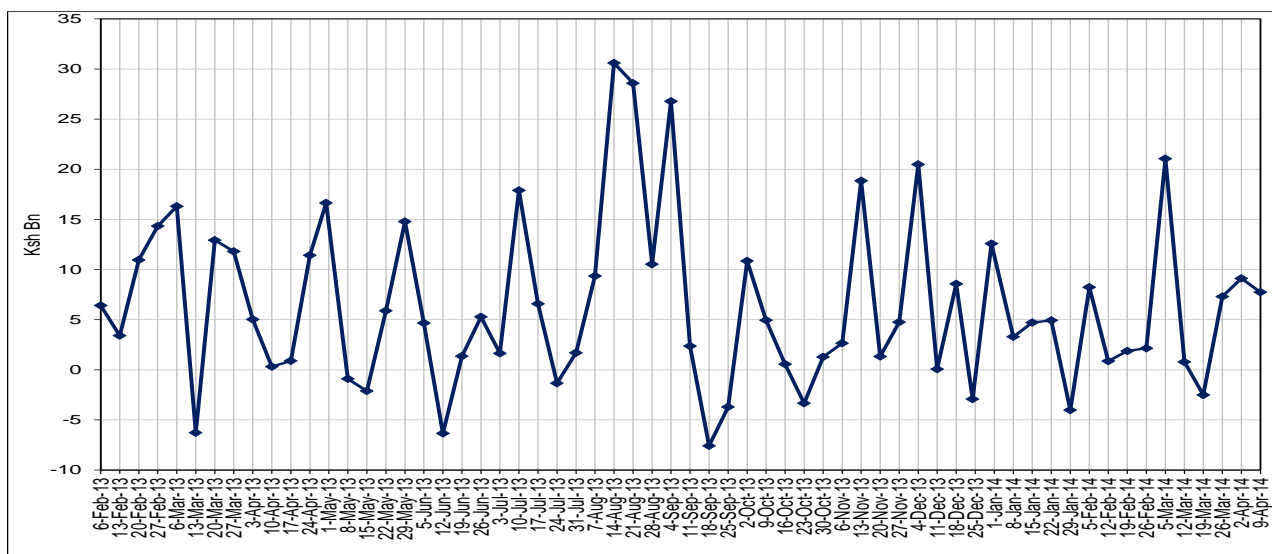


Source: Central Bank of Kenya

**Commercial Banks Clearing Account Balances**

Commercial banks recorded a surplus of Ksh 7.7 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 101.2 billion) at the Central Bank in the week to April 9, 2014 compared with a surplus of Ksh 9.1 billion recorded in the previous week (Chart B).

**CHART B: WEEKLY AVERAGE DEVIATION FROM CRR IN THE CLEARING ACCOUNT**



Source: Central Bank of Kenya

## Kenya Shilling Exchange Rate

The Kenya Shilling weakened marginally against major world currencies in the week ending April 10, 2014. In the EAC region, the Kenya Shilling strengthened to the Uganda Shilling and the Rwanda Franc and weakened against the Tanzania Shilling and the Burundi Franc (Table 3).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
28-Mar-14	86.53	143.69	118.98	84.84	29.41	18.92	7.84	17.91
31-Mar-14	86.44	143.81	118.92	84.18	29.48	18.98	7.84	17.93
1-Apr-14	86.40	144.01	119.03	83.83	29.51	18.94	7.86	17.94
2-Apr-14	86.43	143.78	119.29	83.42	29.45	18.92	7.78	17.96
3-Apr-14	86.55	144.00	119.23	83.35	29.46	18.87	7.85	17.94
<b>28 March-3 April 2014</b>	<b>86.47</b>	<b>143.86</b>	<b>119.09</b>	<b>83.92</b>	<b>29.46</b>	<b>18.92</b>	<b>7.83</b>	<b>17.94</b>
4-Apr-14	86.58	143.63	118.78	83.52	29.54	18.84	7.84	17.93
7-Apr-14	86.66	143.68	118.81	83.82	29.60	18.86	7.82	17.89
8-Apr-14	86.60	143.82	118.98	83.90	29.62	18.76	7.84	17.90
9-Apr-14	86.59	145.02	119.44	84.87	29.47	18.85	7.82	17.90
10-Apr-14	86.56	145.24	119.81	85.05	29.27	18.85	7.86	17.91
<b>04 -10 April 2014</b>	<b>86.60</b>	<b>144.28</b>	<b>119.16</b>	<b>84.23</b>	<b>29.50</b>	<b>18.83</b>	<b>7.84</b>	<b>17.90</b>

**Source: Central Bank of Kenya**

## Capital Markets

Capital markets performance was up in the week ending April 10, 2014. The NSE 20 Share Index and FTSE NSE Bond index lost 39.19 points and 0.09 points respectively. NASI gained 0.45 points, Market Capitalization improved by 0.31 per cent, equity turnover and the number of deals rose by 31.37 percent and 22.91 percent respectively. Bonds turnover improved, increasing by 40.13 percent compared to last week.

## Equities Market

As indicated in Table 7, NSE 20 Share Index closed the week 0.8 per cent down from the previous week. On the other hand, NASI rose by 0.31 per cent while market capitalization which measures shareholders wealth gained Ksh. 6.33 billion. Equity turnover improved by 31.37 per cent, on account of increased shares traded, which rose by 22.05 million.

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

Week Ending	27-Feb-14	6-Mar-14	13-Mar-14	20-Mar-14	27-Mar-14	3-Apr-14	10-Apr-14
NASI 100= Jan 2008	141.11	140.94	144.30	144.50	144.55	143.91	144.36
NSE 20 Share Index 100=1966	4,915.85	4,896.40	4,980.70	4,940.97	4,958.62	4,918.07	4,878.88
Number of Deals	10,043	11,075	9,753	10,262	9,902	9,103	9,406
Total Shares Traded (millions)	143.87	157.21	113.37	130.64	123.44	109.34	134.39
Equity Turnover (Ksh. millions)	3,528.10	3,603.91	2,697.53	3,280.83	3,112.39	2,575.36	3,383.40
Market Capitalization (Ksh. Bn.)	1,961.41	1,959.06	2,005.62	2,008.52	2,009.42	2,000.69	2,007.02
Bonds Turnover (Ksh. millions)	7,988.93	7,328.30	10,128.85	6,574.47	7,445.43	9,040.08	12,667.60
FTSE NSE Kenya 15 Index	172.96	173.74	177.58	176.43	176.93	176.68	177.25
FTSE NSE Kenya 25 Index	175.62	176.00	179.70	178.65	179.02	178.84	179.25
FTSE NSE Bond Index	91.98	93.19	93.19	93.28	93.75	93.62	93.53

**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 by 0.57 percent to 177.25 points from 176.68 points in the previous week. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE rose to 179.25 points from 178.84 points. FTSE NSE Bond Index was down to 93.53 points from 93.62 points previous week reflecting stable yields at both the primary and secondary markets.

Telecommunication and Technology, Banking, and Energy and Petroleum emerged top three most active sectors, transacting 46.25 million or 34.42 per cent, 36.95 million or 27.49 percent, 24.07 million or 17.9 percent cent respectively. Agricultural sector was least active with 156,900 shares traded.

## The Bond Market

The bonds' market turnover increased by 40.13 percent to Ksh 12,667.60 million from Ksh 9,040.08 million of the previous week. Corresponding deals increased to 270 from 109 last 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
<b>Treasury Bills</b>							
91 Day	3,000.00	1,209.20	1,209.20	3,587.05	8.825		10-Apr-14
182 Day	3,000.00	7,493.34	5,659.82	365.70	9.830		09-Apr-14
364 Day	3,000.00	6,093.64	5,608.37	16,510.75	10.259		10-Apr-14
<b>Total</b>	<b>9,000.00</b>	<b>14,796.18</b>	<b>12,477.39</b>	<b>20,463.50</b>			

**Source: Central Bank of Kenya**

**TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)**

	Jun 2013	30th Sept 2013	27th Dec 2013	31th Jan 2014	7th Feb 2014	28th Feb 2014	7th Mar 2014	14th March 2014	21st March 2014	28th March 2014	4th April 2014
1. Treasury Bills (Excluding Repos)	267.8	307.6	309.1	316.3	310.5	317.8	310.3	307.8	316.2	307.5	302.8
<b>(As % of total securities)</b>	<b>26.5</b>	<b>27.9</b>	<b>27.5</b>	<b>27.6</b>	<b>27.2</b>	<b>27.4</b>	<b>26.9</b>	<b>26.7</b>	<b>27.3</b>	<b>26.3</b>	<b>26.0</b>
2. Treasury Bonds	744.2	794.8	816.3	831.3	831.3	843.6	843.6	843.6	843.6	863.6	863.6
<b>(As % of total securities)</b>	<b>73.5</b>	<b>72.1</b>	<b>72.5</b>	<b>72.4</b>	<b>72.8</b>	<b>72.6</b>	<b>73.1</b>	<b>73.3</b>	<b>72.7</b>	<b>73.7</b>	<b>74.0</b>
<b>3. Total Securities (1+2)</b>	<b>1011.9</b>	<b>1102.5</b>	<b>1,125.4</b>	<b>1,147.6</b>	<b>1,141.9</b>	<b>1,161.3</b>	<b>1153.9</b>	<b>1151.4</b>	<b>1159.8</b>	<b>1171.1</b>	<b>1166.3</b>
4. Overdraft at Central Bank	7.0	34.2	34.2	21.6	26.3	34.2	33.1	34.2	30.7	34.2	33.5
5. Other Domestic debt*	32.0	31.6	32.9	30.9	30.9	30.8	30.8	33.9	33.9	33.8	33.9
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1051.0</b>	<b>1168.2</b>	<b>1,192.5</b>	<b>1200.1</b>	<b>1,199.1</b>	<b>1,226.4</b>	<b>1217.9</b>	<b>1219.5</b>	<b>1224.4</b>	<b>1239.0</b>	<b>1233.7</b>

\* 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**

	Jun-13	21-Mar-14	28-Mar-14	04-Apr-14
Treasury bills (Excluding Repos)	25.5	25.8	24.8	24.5
Treasury bonds	70.8	68.9	69.7	70.0
CBK Overdraft to Govt	0.7	2.5	2.8	2.7
Other domestic debt	3.0	2.8	2.7	2.7
<b>TOTAL</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

**TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER**

	Jun-13	21-Mar-14	28-Mar-14	04-Apr-14
Banking Institutions	51.1	49.4	53.7	53.4
Insurance Companies	10.5	9.9	9.3	9.3
Parastatals	4.4	3.4	3.2	3.2
Pension funds	25.3	26.0	25.3	25.4
Other investors	8.7	11.3	8.6	8.6
<b>Total</b>	<b>100</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

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

	20-Feb-14	27-Feb-14	06-Mar-14	13-Mar-14	20-Mar-14	27-Mar-14	03-Apr-14	10-Apr-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,204	6,233	6,245	6,243	6,199	6,209	6,283	6,283
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.35	4.36	4.36	4.35	4.32	4.33	4.34	4.34

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya