



MARCH 14, 2014

Highlights

The money market was liquid during the week ending March 12, 2014. The Central Bank sterilized the excess liquidity by mopping KSh. 16.1 billion through repo securities and KSh. 13.0 billion through term auction deposits (TAD).

The average interbank rate decreased to 5.32 percent during the week ending March 12, 2014 from 7.52 percent in the previous week.

The NSE registered mixed performance in the week ending March 13, 2014. On the gaining side, were; NASI, NSE 20 Share Index and FTSE NSE Kenya Index Series, as well as market capitalization and bond turnover. On the decline was volume of shares traded.

Monetary Policy Operations

The money market was liquid during the week ending March 12, 2014. The Central Bank sterilized the excess liquidity by mopping KSh. 16.1 billion through repo securities and KSh. 13.0 billion through term auction deposits (TAD). Reserve money averaged KSh. 306.3 billion during the week and was KSh. -13.6 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)
06-Mar-14	326.9	320.6	6.3	18.4	10.0		-8.4	0.0	318.4	-2.2	11.4	-13.6
07-Mar-14	313.4	320.6	-7.2	11.2		9.0	-2.2	0.0	305.9	-14.7	-1.9	-12.8
10-Mar-14	305.1	319.4	-14.3	10.4		4.0	-6.4	0.0	304.9	-14.6	-3.0	-11.5
11-Mar-14	302.3	319.4	-17.1				0.0	0.0	299.0	-20.4	-10.4	-10.0
12-Mar-14	309.6	319.4	-9.8	6.1	6.1		0.0	0.0	303.4	-16.0	-5.0	-11.0
Average	311.5	319.9	-8.4	11.5	8.1	6.5	-3.4	0.0	306.3	-13.6	-1.8	-11.8

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased by 219.6 basis points to 5.32 percent during the week ending March 12, 2014 from 7.52 percent in the previous week. The average interbank volume transacted increased to KSh.12.0 billion in the week ending March 12, 2014 from KSh. 11.2 billion the previous week, while the average number of deals increased to 45 from 42 (Table 2 and Chart A).

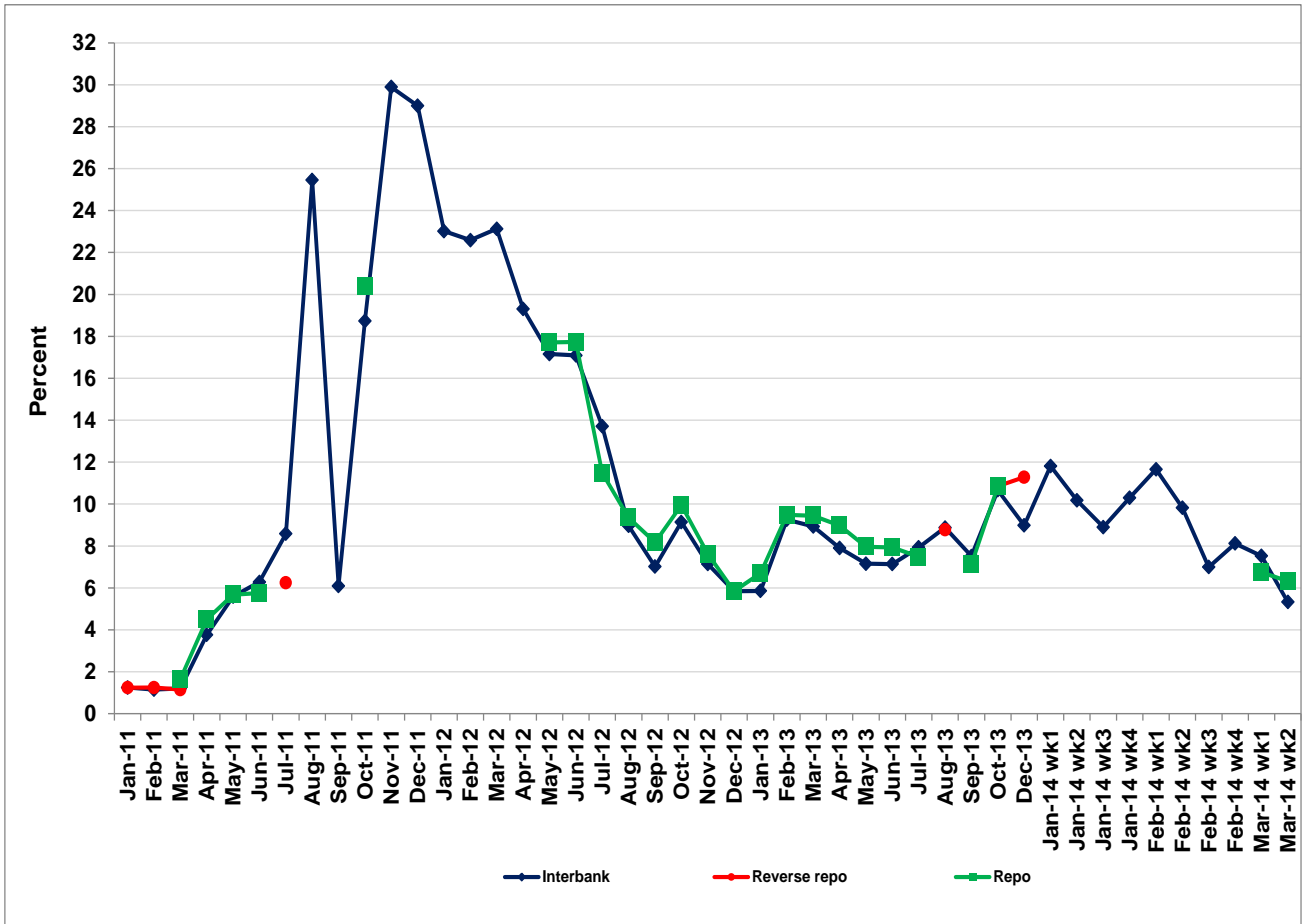
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
February 20 - February 26, 2014	66	16,401	8.12
27-Feb-14	56	14,725	8.65
28-Feb-14	54	12,975	8.45
03-Mar-14	40	10,914	7.76
04-Mar-14	29	8,383	6.77
05-Mar-14	31	9,142	5.97
February 27 - March 5, 2014	42	11,228	7.52
06-Mar-14	37	10,214	5.65
07-Mar-14	43	9,819	5.34
10-Mar-14	50	14,817	5.31
11-Mar-14	50	13,355	5.21
12-Mar-14	47	11,689	5.12
March 6, 2014 - March 12, 2014	45	11,979	5.32

Source: Central Bank of Kenya

During the week ending March 12, 2014, the average repo rate declined marginally to 6.32 percent from 6.75 percent the previous week.

CHART A: STRUCTURE OF INTEREST RATES

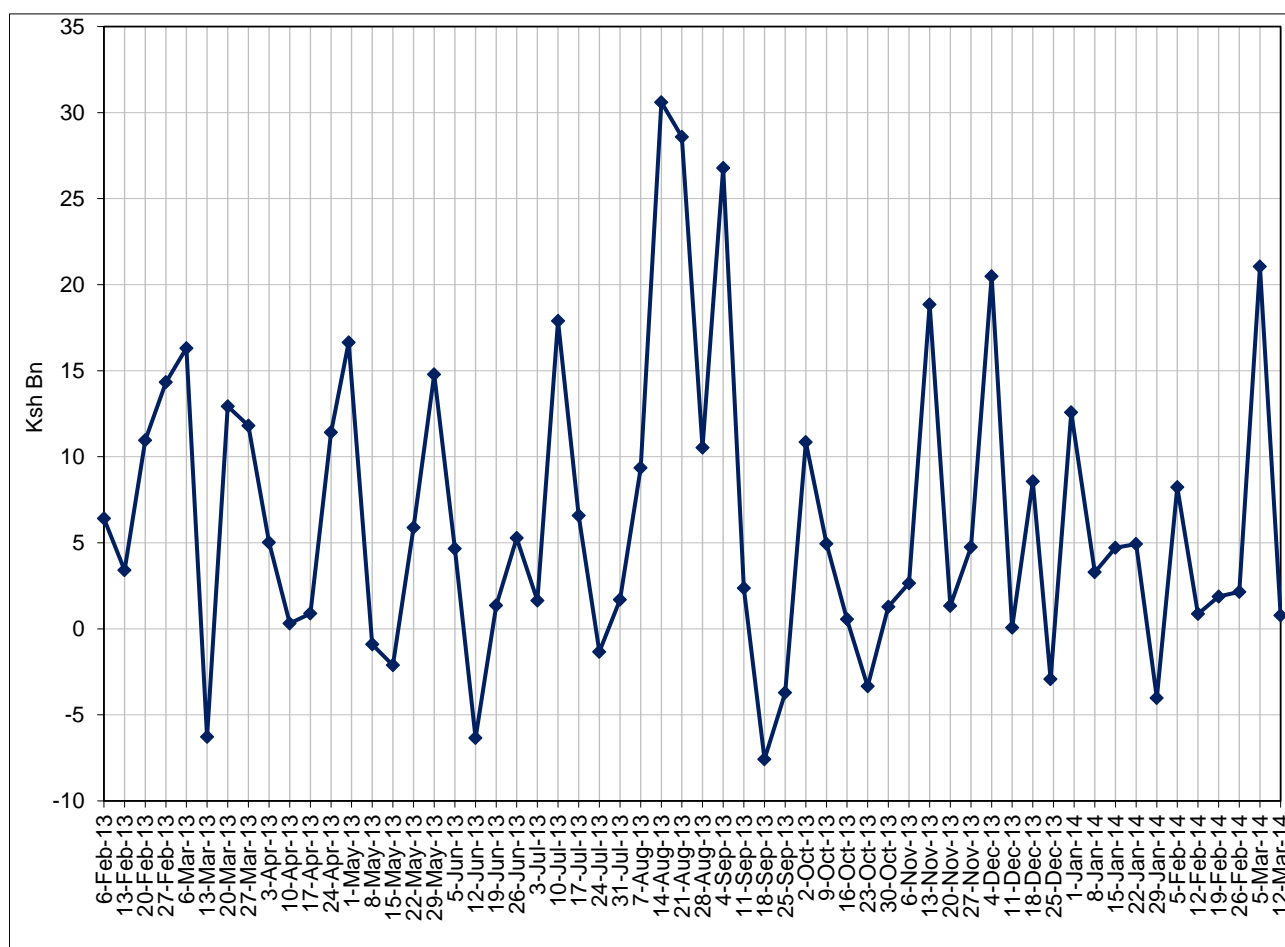


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of KSh.0.8 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (KSh. 100.9 billion) at the Central Bank in the week to March 12, 2014 compared with KSh. 21.1 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 depicted mixed performance against major world and regional trading currencies in the week ending March 13, 2014.

The Shilling weakened marginally against the US Dollar, the Pound Sterling and the Euro and strengthened against the Japanese Yen in the week ending March 13, 2014.

In the EAC region, the Kenya Shilling weakened against the Uganda Shilling and the Burundi Franc and strengthened against the Tanzania Shilling. Against the Rwanda Franc, the Kenya Shilling traded at an average of RWF 7.85, which was the same level as the average for the week ending March 6, 2014 (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
28-Feb-14	86.33	144.07	118.33	84.87	29.17	18.81	7.88	18.02
3-Mar-14	86.28	144.39	118.88	84.99	29.41	18.85	7.87	18.03
4-Mar-14	86.39	143.94	118.73	84.91	29.17	18.85	7.84	18.01
5-Mar-14	86.38	143.93	118.61	84.62	29.17	18.85	7.84	18.01
6-Mar-14	86.53	144.58	118.76	84.17	29.12	18.81	7.82	17.98
28 Feb-06 March 2014	86.38	144.18	118.66	84.71	29.21	18.83	7.85	18.01
7-Mar-14	86.52	144.84	119.92	84.06	29.05	18.76	7.84	17.98
10-Mar-14	86.51	144.77	120.08	83.91	29.08	18.84	7.84	17.99
11-Mar-14	86.48	143.91	119.91	83.74	29.14	18.85	7.85	17.98
12-Mar-14	86.39	143.66	119.73	83.95	29.11	18.90	7.88	18.01
13-Mar-14	86.44	143.97	120.43	84.11	29.10	18.88	7.84	18.00
07-13 March 2014	86.47	144.23	120.01	83.95	29.10	18.84	7.85	17.99

Source: Central Bank of Kenya

Capital Markets

Capital markets performance was mixed in the week ending March 13 2014. NSE 20 Share Index and NASI gained 64.3 and 3.36 points respectively. Market Capitalization was up 2.38 percent to reach 2 trillion mark. Constant yields in the primary and secondary markets saw the FTSE Kenya Government Bond Index maintain its previous performance at 93.19 points.

Equities Market

As indicated in Table 7, NSE 20 Share Index closed the week 1.31% per cent higher than the previous week. Similarly, NASI increased by 2.38 per cent. Market capitalization which, measures shareholders wealth, gained 2.38 per cent. However, equity turnover declined by 25.15 per cent, on account of declining volume traded. Total shares traded declined to 113.37 million.

TABLE 4: KEY WEEKLY MARKET STATISTICS

Week Ending	30-Jan-14	6-Feb-14	13-Feb-14	20-Feb-14	27-Feb-14	6-Mar-14	13-Mar-14
NASI 100= Jan 2008	139.06	137.72	137.71	137.00	141.11	140.94	144.3
NSE 20 Share Index 100=1966	4,960.99	4,843.90	4,839.52	4,806.69	4,915.85	4,896.40	4,960.7
Number of Deals	2,536	10,928	9,748	8,710	10,043	11,075	9,753.0
Total Shares Traded (millions)	209.81	151.45	132.03	113.42	143.87	157.21	113.37
Equity Turnover (Ksh. millions)	5,235.56	4,215.96	3,830.60	3,364.80	3,528.10	3,603.91	2,697.53
Market Capitalization (Ksh. Bn.)	1,959.96	1,941.18	1,940.87	1,908.93	1,961.41	1,959.06	2,005.62
Bonds Turnover (Ksh. millions)	14,093.58	11,536.20	4,992.60	3,351.98	7,988.93	7,328.30	10,128.85
FTSE NSE Kenya 15 Index	172.85	170.39	172.39	167.44	172.96	173.74	177.58
FTSE NSE Kenya 25 Index	174.88	172.43	174.48	170.02	175.62	176.00	179.70
FTSE NSE Bond Index	92.48	91.69	91.71	91.89	91.98	93.19	93.19

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, was up to 177.58 points from 173.74 points the previous week. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, rose to 179.7 points from 176.0 points. FTSE NSE Bond Index maintained its previous performance at 93.19 points reflecting constant yields both in primary and secondary securities' markets.

Telecommunication & Technology, Banking, and Manufacturing & Allied emerged top three most active sectors, transacting 40.61 million or 35.82 per cent, 31.31 million or 27.61 per cent, and 17.19 million or 15.1 per cent, respectively. Agricultural sector was least active with 118,700 shares traded.

The Bond Market

Bonds turnover increased by 38.22 per cent to Ksh 10,128.85 million from Ksh 7,328.3 million the previous week. Corresponding deals increased to 258 from 203.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS FOR JANUARY 5 AND 6, 2014

	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	3,000.00	7,366.77	7,366.18	2,750.60	8.946		13-Mar-14
182 Day	3,000.00	9,558.14	6,704.37	3,460.90	10.045		12-Mar-14
364 Day	3,000.00	7,716.10	7,354.92	7,986.20	10.414		12-Mar-14
Sub total	9,000.00	24,641.01	21,425.47	14,197.70			
Grand total	9,000.00	24,641.01	21,425.47	14,197.70			

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	14th Feb 2014	21th Feb 2014	28th Feb 2014	7th Mar 2014
1. Treasury Bills (Excluding Repos)	267.8	307.6	309.1	316.3	310.5	313.8	316.7	317.8	310.3
(As % of total securities)	26.5	27.9	27.5	27.6	27.2	27.4	27.7	27.4	26.9
2. Treasury Bonds	744.2	794.8	816.3	831.3	831.3	831.3	828.0	843.6	843.6
(As % of total securities)	73.5	72.1	72.5	72.4	72.8	72.6	72.3	72.6	73.1
3. Total Securities (1+2)	1011.9	1102.5	1,125.4	1,147.6	1,141.9	1,145.2	1,144.7	1,161.3	1153.9
4. Overdraft at Central Bank	7.0	34.2	34.2	21.6	26.3	23.3	27.8	34.2	33.1
5. Other Domestic debt*	32.0	31.6	32.9	30.9	30.9	30.9	30.9	30.8	30.8
6. Gross Domestic Debt (3+4+5)	1051.0	1168.2	1,192.5	1200.1	1,199.1	1,199.3	1,203.4	1,226.4	1217.9

* 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	28-Feb-14	07-Mar-14
Treasury bills (Excluding Repos)	25.5	25.9	25.5
Treasury bonds	70.8	68.8	69.3
CBK Overdraft to Govt	0.7	2.8	2.7
Other domestic debt	3.0	2.5	2.5
TOTAL	100	100.0	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	Jun-13	21-Feb-14	28-Feb-14	07-Mar-14
Banking Institutions	51.1	49.5	49.8	53.1
Insurance Companies	10.5	9.9	9.9	9.4
Parastatals	4.4	3.4	3.4	3.3
Pension funds	25.3	25.7	25.7	25.1
Other investors	8.7	11.4	11.3	9.1
Total	100	100.0	100.0	100

Source: Central Bank of Kenya

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

	27-Dec-13	02-Jan-14	09-Jan-14	16-Jan-14	23-Jan-14	30-Jan-14	06-Feb-14	13-Feb-14	20-Feb-14	27-Feb-14	06-Mar-14	13-Mar-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,176	6,165	6,149	6,143	6,119	6,201	6,169	6,187	6,204	6,233	6,245	6,243
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.37	4.36	4.31	4.30	4.28	4.34	4.32	4.33	4.35	4.36	4.36	4.35

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya