



MARCH 28, 2014

Highlights

The money market was relatively tight in the week ending March 26, 2014 on account of investment in government securities and payment of taxes. Reflective of the tight liquidity, the average interbank rate increased to 8.09 percent during the week ending March 26, 2014 from 5.36 percent in the previous week.

The Nairobi Stock Exchange (NSE) registered mixed performance in the week ending March 27, 2014. The NSE 20 Share Index, NASI, Market Capitalization, the FTSE NSE Kenya 15 Index, and the FTSE NSE Kenya 25 Index posted gains, while Equity Turnover and the number of deals declined.

Monetary Policy Operations

The money market was relatively tight in the week ending March 26, 2014 on account of investment in government securities and payment of taxes. Reserve money averaged Ksh 307.7 billion during the week and was Ksh 9.8 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)
20-Mar-14	299.4	318.2	-18.8	0.0	0.0	0.0	0.0	0.0	297.3	-21.0	-6.5	-14.5
21-Mar-14	308.0	318.2	-10.2	0.0	0.0	0.0	0.0	0.0	308.7	-9.5	4.5	-14.0
24-Mar-14	307.7	317.0	-9.4	0.0	0.0	0.0	0.0	0.0	312.1	-5.0	8.3	-13.3
25-Mar-14	311.9	317.0	-5.1	0.0	0.0	0.0	0.0	0.0	310.5	-6.5	7.2	-13.7
26-Mar-14	310.4	317.0	-6.6	0.0	0.0	0.0	0.0	0.0	309.8	-7.2	7.5	-14.7
Average	307.5	317.5	-10.0	0.0	0.0	0.0	0.0	0.0	307.7	-9.8	4.2	-14.0

Interbank and REPO Rates

Reflecting a relatively tight money market, the average interbank rate increased to 8.09 percent during the week ending March 26, 2014 from 5.36 percent in the previous week. The average interbank volume transacted increased to Ksh 14.0 billion in the week ending March 26, 2014 from Ksh 10.8 billion the previous week, while the average number of deals increased from 45 to 59 (Table 2 and Chart A).

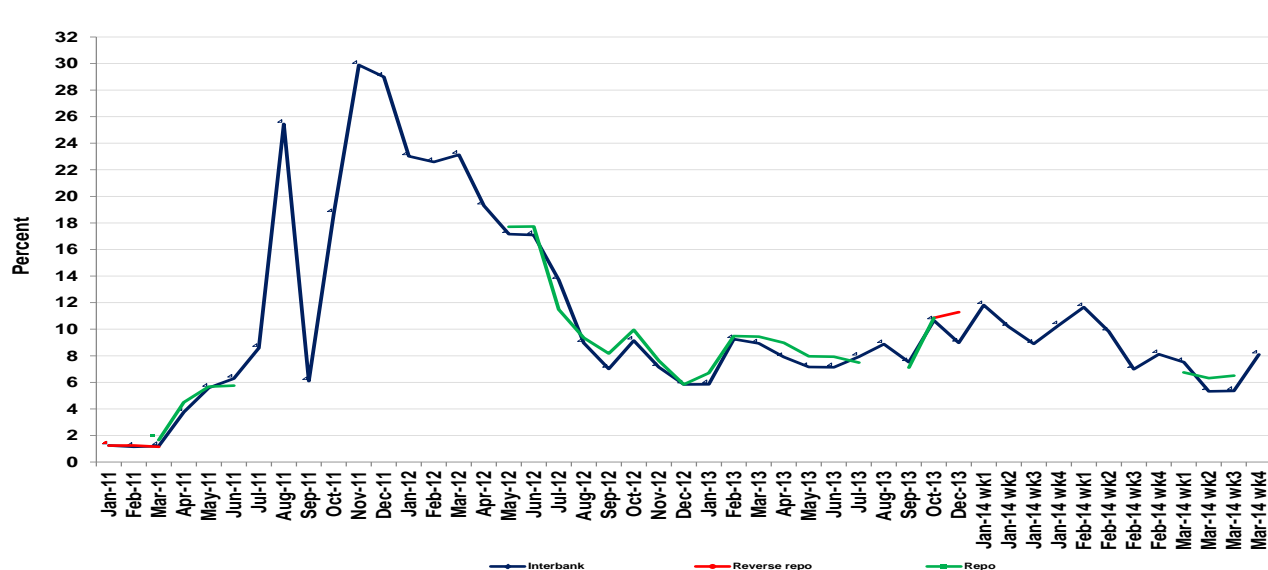
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
13-Mar-14	40	14,189	5.04
14-Mar-14	46	9,495	4.97
17-Mar-14	47	10,730	5.03
18-Mar-14	40	8,115	5.44
19-Mar-14	51	11,429	6.28
March 13, 2014 - March 19, 2014	45	10,792	5.36
20-Mar-14	47	9,820	7.45
21-Mar-14	56	13,135	8.07
24-Mar-14	60	16,230	8.40
25-Mar-14	67	15,155	8.40
26-Mar-14	63	15,825	8.14
March 20, 2014 - March 26, 2014	59	14,033	8.09

Source: Central Bank of Kenya

During the week ending March 26, 2014, the Central Bank stayed out of the repo market to allow the interbank market redistribute available liquidity and stabilize the interbank interest rate.

CHART A: STRUCTURE OF INTEREST RATES

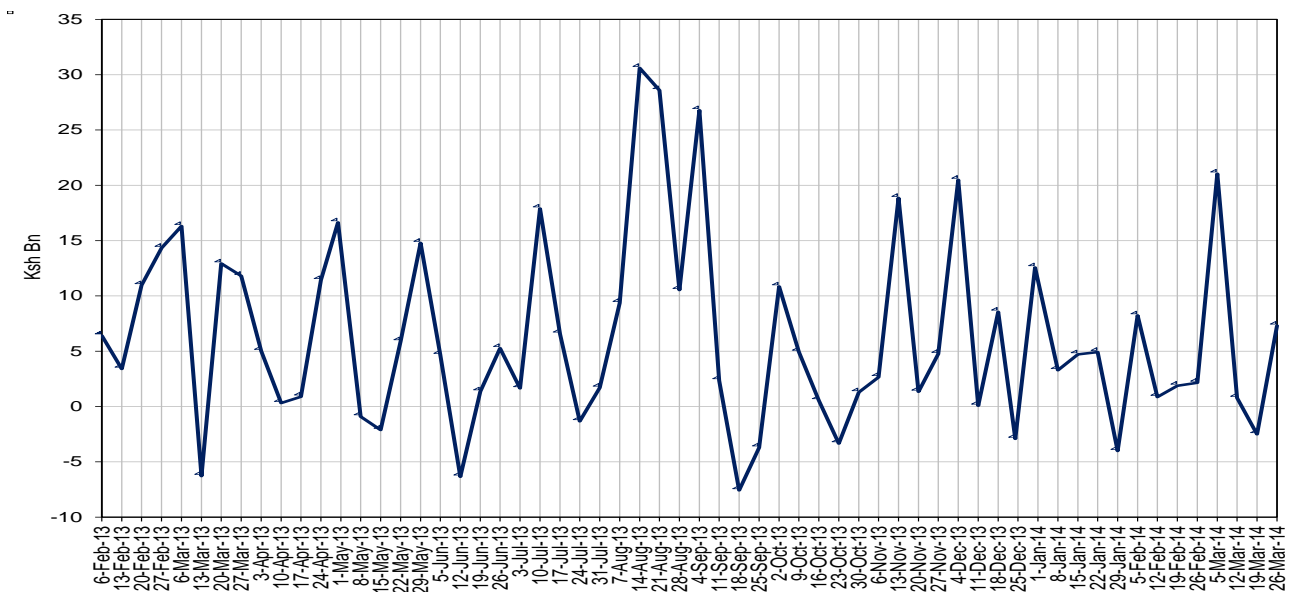


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks in the week to March 26, 2014 recorded a surplus of KSh. 7.3 billion in their settlement accounts at the Central Bank in relation to the monthly average cash reserve requirement of 5.25 percent (KSh. 101.2 billion) compared with a deficit of KSh. 2.51 billion recorded in the previous week (Chart B). The surplus is attributed to redemption of repo and Term Auction Deposits (TAD) maturities which banks applied to improve performance in relation to the CRR.

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 27, 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
14-Mar-14	86.44	143.61	119.75	84.94	29.10	18.87	7.85	18.00
17-Mar-14	86.47	143.85	120.19	85.08	29.09	18.86	7.85	17.99
18-Mar-14	86.49	143.89	120.41	84.98	29.17	18.90	7.85	17.99
19-Mar-14	86.54	143.68	120.44	85.14	29.15	18.89	7.85	17.98
20-Mar-14	86.49	143.23	119.77	84.68	29.17	18.90	7.85	17.99
14-20 March 2014	86.49	143.65	120.11	84.97	29.14	18.89	7.85	17.99
21-Mar-14	86.50	142.92	119.25	84.55	29.42	18.95	7.84	17.98
24-Mar-14	86.62	142.85	119.54	84.72	29.56	18.92	7.80	17.92
25-Mar-14	86.57	142.75	119.69	84.80	29.66	18.93	7.86	17.97
26-Mar-14	86.59	143.09	119.56	84.81	29.64	18.93	7.85	17.97
27-Mar-14	86.67	143.59	119.56	84.91	29.57	18.90	7.85	17.95
21 - 27 March 2014	86.59	143.04	119.52	84.97	29.57	18.93	7.84	17.96

Source: Central Bank of Kenya

Capital Markets

Capital markets performance was mixed in the week ending March 27 2014. The NSE 20 Share Index and NASI gained 17.65 points and 0.05 points, respectively. Market Capitalization rose by 0.04 per cent. However, equity turnover and the number of deals declined by 5.13 percent and 3.51 percent, respectively. Bonds segment activity improved, increasing by 13.25 percent compared to last week.

Equities Market

The NSE 20 Share Index closed the week 0.36 per cent higher than in the previous week. Similarly, NASI recorded an increase of 0.03 percent. Market capitalization, which measures shareholders wealth, gained Ksh 0.9 billion. However, equity turnover declined by 5.13 per cent, on account of lower volume of shares traded (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

Week Ending	13-Feb-14	20-Feb-14	27-Feb-14	06-Mar-14	13-Mar-14	20-Mar-14	27-Mar-14
NASI 100= Jan 2008	137.71	137.00	141.11	140.94	144.30	144.50	144.55
NSE 20 Share Index 100=1966	4,839.52	4,806.69	4,915.85	4,896.40	4,980.70	4,940.97	4,958.62
Number of Deals	9,748	8,710	10,043	11,075	9,753	10,262	9,902
Total Shares Traded (millions)	132.03	113.42	143.87	157.21	113.37	130.64	123.44
Equity Turnover (Ksh. millions)	3,830.60	3,364.80	3,528.10	3,603.91	2,697.53	3,280.83	3,112.39
Market Capitalization (Ksh. Bn.)	1,940.87	1,908.93	1,961.41	1,959.06	2,005.62	2,008.52	2,009.42
Bonds Turnover (Ksh. millions)	4,992.60	3,351.98	7,988.93	7,328.30	10,128.85	6,574.47	7,445.43
FTSE NSE Kenya 15 Index	172.39	167.44	172.96	173.74	177.58	176.43	176.93
FTSE NSE Kenya 25 Index	174.48	170.02	175.62	176.00	179.70	178.65	179.02
FTSE NSE Bond Index	91.71	91.89	91.98	93.19	93.19	93.28	93.75

* 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

The FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, increased by 0.28 percent to 176.93 points from 176.43 points the previous week. The FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, recorded an increase to 179.02 points from 178.65 points. The FTSE NSE Bond Index slightly gained 0.47 points to 93.75 points from 93.28 points the previous week reflecting stable yields at both the primary and secondary markets.

Telecommunication & Technology, Banking, and Insurance emerged top three most active sectors, transacting 60.17 million or 48.75 per cent, 26.51 million or 21.48 per cent, 10.55 million or 8.55 percent, respectively. Agricultural sector was least active with 288,300 shares traded.

The Bond Market

The bonds' market turnover increased by 13.25 percent to Ksh 7,445.43 million from Ksh 6,574.47 million the previous week. Corresponding deals increased to 198 from 104 (Table 4).

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	4,401.15	3,422.07	645.60	8.852		27-Mar-14
182 Day	3,000.00	6,247.21	6,009.25	2,162.50	9.871		26-Mar-14
364 Day	3,000.00	3,638.37	3,529.92	15,613.75	10.317		26-Mar-14
Sub total	9,000.00	14,286.73	12,961.24	18,421.85			
Grand total	24,000.00	63,196.88	32,961.24	18,421.85			

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

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

* 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

TABLE 7: COMPOSITION OF GOVERNMENT DOMESTIC DEBT BY INSTRUMENT		
	Jun-13	21-Mar-14
Treasury bills (Excluding Repos)	25.5	25.8
Treasury bonds	70.8	68.9
CBK Overdraft to Govt	0.7	2.5
Other domestic debt	3.0	2.8
TOTAL	100	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	Jun-13	21-Mar-14
Banking Institutions	51.1	49.4
Insurance Companies	10.5	9.9
Parastatals	4.4	3.4
Pension funds	25.3	26.0
Other investors	8.7	11.3
Total	100	100.0

Source: Central Bank of Kenya

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

	27-Dec-13	2-Jan-14	9-Jan-14	16-Jan-14	23-Jan-14	30-Jan-14	6-Feb-14	13-Feb-14	20-Feb-14	27-Feb-14	6-Mar-14	13-Mar-14	20-Mar-14	27-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	6,199	6,209
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	4.32	4.33

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya