



MAY 9, 2014

Highlights

The money market was relatively liquid in the week ending May 7, 2014 supported by repo securities maturity and government payments. The Central Bank sterilized Kshs. 2.8bn through repo securities and Term Auction Deposits (TAD).

The average interbank rate increased marginally to 8.47 percent in the week ending May 7, 2014 from 8.33 percent recorded in the previous week.

The NSE recorded mixed performance in key market indicators for the week ending May 8th 2014.

Monetary Policy Operations

The money market was relatively liquid in the week ending May 7, supported by repo securities maturity and government payments. The Central Bank sterilized Kshs. 2.8bn through repo securities and Term Auction Deposits (TAD). Reserve money averaged Kshs. 315.7 billion during the week and was Kshs.6.6 billion below target (**Table 1**).

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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)
02-May-14	321.5	322.3	-0.8	15.0	2.3	1.5	-11.3	0.0	317.7	-4.5	10.5	-15.1
05-May-14	324.4	322.3	2.2	6.0	6.0	0.0	0.0	0.0	315.5	-6.7	6.9	-13.6
06-May-14	330.5	322.3	8.2	15.0	15.0	0.0	0.0	0.0	315.3	-6.9	4.5	-11.4
07-May-14	319.6	322.3	-2.7	4.0	4.0	0.0	0.0	0.0	314.1	-8.2	3.2	-11.4
Average	324.0	322.3	1.7	10.0	6.8	0.4	-2.8	0.0	315.7	-6.6	6.3	-12.9

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate increased to 8.47 percent in the week ending May 7, 2014 from 8.33 percent, while the volume transacted declined to Kshs.14.6 billion from Kshs. 15.2 billion traded in the previous week. The average number of deals rose from 58 to 61 (**Table 2 and Chart A**).

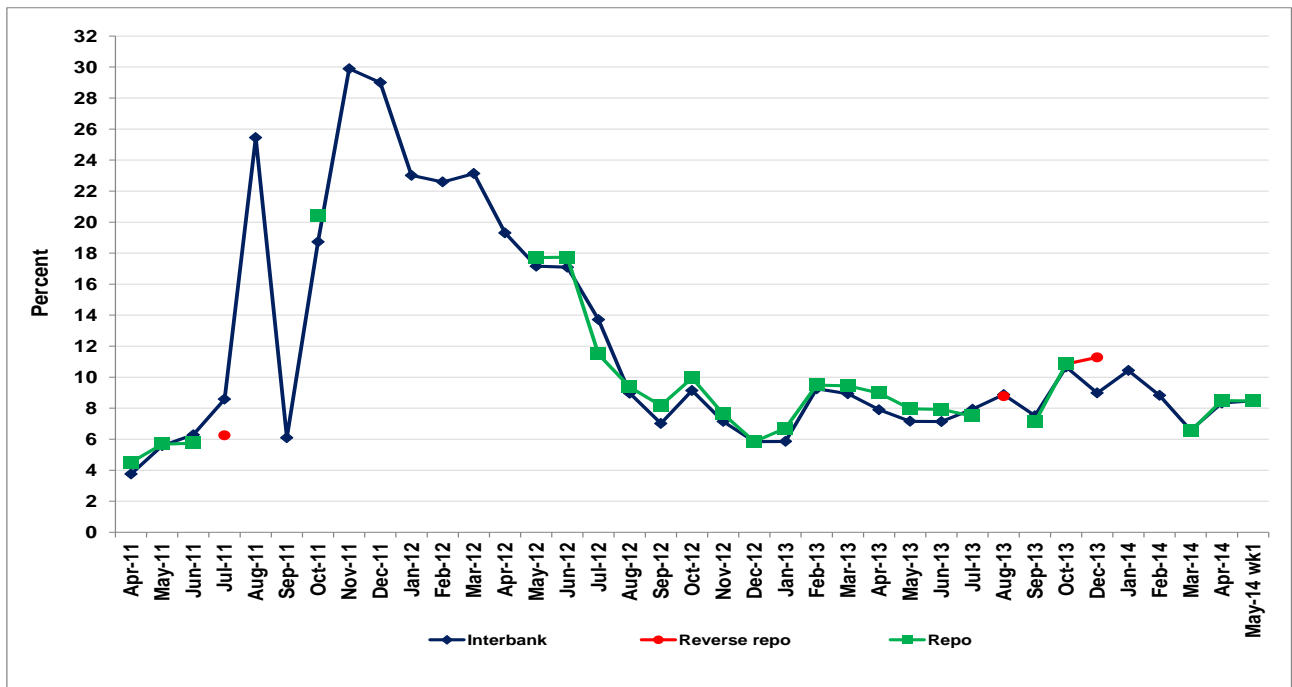
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
24-Apr-14	64	16,937	8.09
25-Apr-14	60	17,562	8.35
28-Apr-14	55	13,808	8.41
29-Apr-14	61	15,311	8.40
30-Apr-14	52	12,345	8.42
April 24, 2014 -April 30, 2014	58	15,192	8.33
02-May-14	52	12,270	8.42
05-May-14	60	14,405	8.51
06-May-14	70	19,196	8.47
07-May-14	61	12,443	8.50
May 2, 2014 -May 7, 2014	61	14,578	8.47

Source: Central Bank of Kenya

The average repo rate during the week ending May 7, 2014 decreased marginally to 8.47 percent from 8.50 percent recorded in the previous week.

CHART A: STRUCTURE OF INTEREST RATES

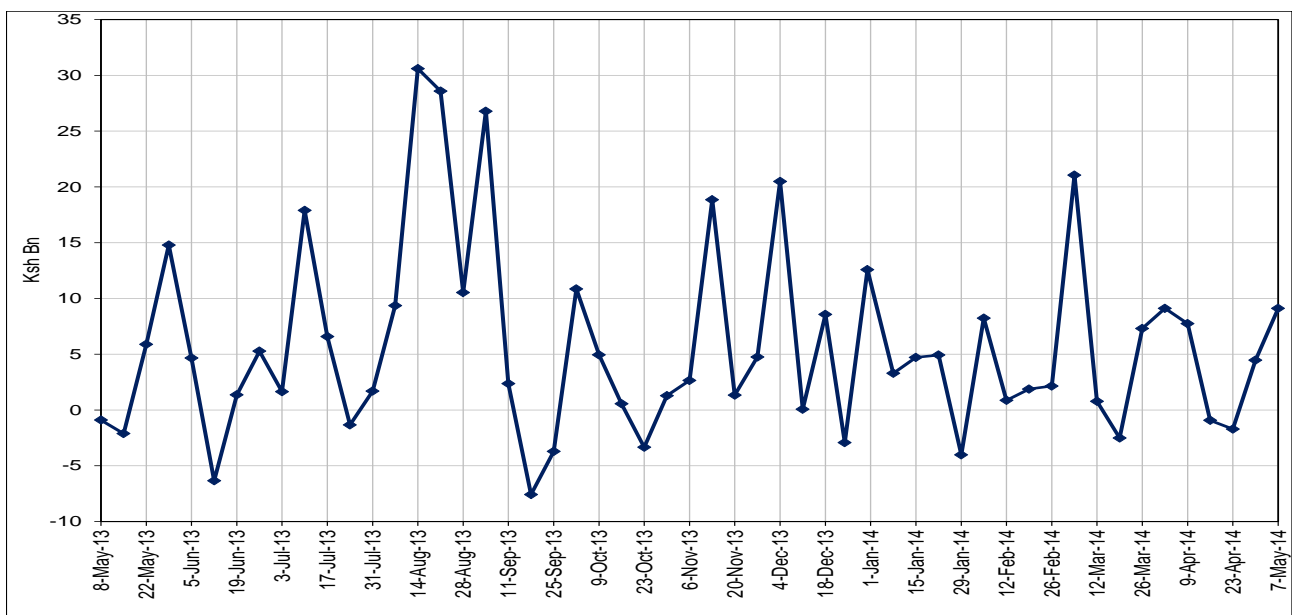


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks average excess reserves over the 5.25 percent CRR requirement increased to Kshs 9.1 billion in the week to May 7, 2014 from KSh. 4.5 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 was relatively stable in the week ending May 8, 2014 against major international and regional currencies (Table 3) in relation to previous week.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
16-Apr-14	86.90	145.36	120.15	85.04	28.94	18.79	7.81	17.83
17-Apr-14	86.83	146.07	120.29	85.08	28.94	18.84	7.82	17.84
11 -17 April 2014	86.72	145.31	120.15	85.07	29.06	18.83	7.83	17.85
22-Apr-14	86.90	146.05	120.04	84.91	28.93	18.83	7.73	17.65
23-Apr-14	87.08	146.50	120.32	84.94	28.90	18.79	7.72	17.87
24-Apr-14	86.92	145.63	120.25	85.02	28.91	18.89	7.80	17.90
22 -24 April 2014	86.97	146.06	120.20	84.96	28.92	18.84	7.75	17.81
25	86.87	145.71	120.29	85.01	28.92	18.91	7.80	17.91
28	86.84	145.84	120.15	85.03	28.94	18.92	7.81	17.92
29	86.86	146.07	120.50	84.79	28.98	18.92	7.81	17.85
30	86.87	146.14	120.02	84.92	29.03	18.92	7.80	17.84
25-30 April 2014	86.86	145.94	120.24	84.94	28.97	18.92	7.81	17.88
2	86.87	146.19	120.44	84.96	29.05	18.96	7.81	17.84
5	86.89	146.61	120.59	85.17	29.09	18.87	7.80	17.67
6	86.93	146.87	120.68	85.11	29.05	18.95	7.83	17.83
7	86.96	147.66	121.00	85.70	28.96	18.94	7.77	17.74
8	86.97	147.60	121.05	85.58	28.95	18.96	7.83	17.82
2-8 May 2014	86.92	146.99	120.75	85.30	29.02	18.94	7.81	17.78

Source: Central Bank of Kenya

Capital Markets

Capital markets recorded mixed performance in the week ending May 8th, 2014 with general improvement in the equities segment and a decline in the bond market.

Equities Market

The NSE 20 Share Index gained 0.3 percent during the week ending 9 May, 2014 and NASI increased by 0.4 per cent compared to the previous week. Market capitalization which measures shareholders wealth gained Ksh. 3.91 billion representing 0.19 percent increase. Equity turnover recorded a 49.0 per cent increase, largely on account of improved share prices as volume traded dipped by 1.1 percent.

TABLE 4: KEY WEEKLY MARKET STATISTICS

Week Ending	27-Mar-14	03-Apr-14	10-Apr-14	16-Apr-14	24-Apr-14	02-May-14	09-May-14
NASI 100= Jan 2008	144.55	143.91	144.36	147.37	149.95	151.13	151.78
NSE 20 Share Index 100=1966	4,958.62	4,918.07	4,878.88	4,906.96	4,923.71	4,948.97	4,962.06
Number of Deals	9,902	9,103	9,406	7,604	8,710	9,972	11,299
Total Shares Traded (millions)	123.44	109.34	134.39	229.33	118.30	198.83	196.70
Equity Turnover (Ksh. millions)	3,112.39	2,575.36	3,383.40	4,218.25	2,892.37	4,030.37	6,006.70
Market Capitalization (Ksh. Bn.)	2,009.42	2,000.69	2,007.02	2,048.81	2,085.00	2,106.08	2,109.99
Bonds Turnover (Ksh. millions)	7,445.43	9,040.08	12,667.60	13,497.10	12,960.20	10,429.30	6,105.85
FTSE NSE Kenya 15 Index	176.93	176.68	177.25	181.74	186.28	192.10	193.69
FTSE NSE Kenya 25 Index	179.02	178.84	179.25	183.84	188.19	193.92	195.64
FTSE NSE Bond Index	93.75	93.62	93.53	93.80	93.84	94.17	94.08

* 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 1.59 points to close at 193.69 points from 192.1 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE rose to 195.64 points from 193.92 points. FTSE NSE Bond Index closed 0.09 points lower than the previous week with the marginal change reflecting stable yields at both the primary and secondary markets.

Telecommunication & Technology, Banking, and Insurance emerged top three most active sectors, transacting 93.61 million or 47.59 per cent, 65.56 million or 33.33 per cent, 11.17 million or 5.68 percent cent respectively. Agricultural sector was least active with 109,400 shares traded.

The Bond Market

The bonds' market turnover declined by 41.45 percent to Ksh 6,105.85 million in the week ending 8 May 2014, from Ksh 10,429.30 million the previous week. Corresponding deals declined to 76 from 140 the previous week.

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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	3,000.00	7,381.75	7,135.58	1,274.82	8.756		08-May-14
182 Day	3,000.00	1,445.81	1,417.24	1,817.32	9.872		07-May-14
364 Day	3,000.00	3,510.85	3,501.80	4,206.39	10.083		07-May-14
Total	9,000.00	12,338.41	12,054.62	7,298.53			

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	Jun 2013	30th Sept 2013	27th Dec 2013	28th March 2014	25th April 2014	2nd May 2014
1. Treasury Bills (Excluding Repos)	267.8	307.6	309.1	307.5	278.4	276.7
(As % of total securities)	26.5	27.9	27.5	26.3	24.4	24.0
2. Treasury Bonds	744.2	794.8	816.3	863.6	863.6	874.7
(As % of total securities)	73.5	72.1	72.5	73.7	75.6	76.0
3. Total Securities (1+2)	1011.9	1102.5	1,125.4	1171.1	1142.0	1151.4
4. Overdraft at Central Bank	7.0	34.2	34.2	34.2	34.2	34.2
5. Other Domestic debt*	32.0	31.6	32.9	33.8	30.6	30.6
6. Gross Domestic Debt (3+4+5)	1051.0	1168.2	1,192.5	1239.0	1206.8	1216.2

* 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	11-Apr-14	17-Apr-14	25-Apr-14	02-May-14
Treasury bills (Excluding Repos)	25.5	25.8	24.8	24.5	23.7	23.3	23.1	22.8
Treasury bonds	70.8	68.9	69.7	70.0	70.8	71.4	71.6	71.9
CBK Overdraft to Govt	0.7	2.5	2.8	2.7	2.7	2.8	2.8	2.8
Other domestic debt	3.0	2.8	2.7	2.7	2.8	2.5	2.5	2.5
TOTAL	100	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

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TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	Jun-13	21-Mar-14	28-Mar-14	04-Apr-14	11-Apr-14	17-Apr-14	25-Apr-14	02-May-14
Banking Institutions	51.1	49.4	53.7	53.4	53.0	51.6	51.9	52.0
Insurance Companies	10.5	9.9	9.3	9.3	9.4	9.5	9.8	9.7
Parastatals	4.4	3.4	3.2	3.2	3.2	3.3	3.6	3.2
Pension funds	25.3	26.0	25.3	25.4	25.7	25.5	26.3	26.4
Other investors	8.7	11.3	8.6	8.6	8.7	10.1	8.3	8.7
Total	100	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

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

	06-Mar-14	13-Mar-14	20-Mar-14	27-Mar-14	03-Apr-14	10-Apr-14	17-Apr-14	24-Apr-14	30-Apr-14	08-May-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,245	6,243	6,199	6,209	6,283	6,283	6,338	6,339	6,308	6,313
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.36	4.35	4.32	4.33	4.34	4.34	4.37	4.37	4.35	4.36

*Excludes Encumbered Reserves

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