



MAY 23, 2014

Highlights

The money market was relatively liquid in the week ending May 21, 2014 supported by repo maturities and government payments. The Central Bank liquidity management withdrew net liquidity of Ksh 21.0 billion through repo securities and Term Auction Deposits.

The average interbank rate decreased to 7.54 percent in the week ending May 21, 2014 from 8.03 percent recorded in the previous week.

The NSE performance declined for the week ending May 22, 2014. All NSE leading indicators except total shares traded declined.

Monetary Policy Operations

The money market was relatively liquid in the week ending May 21, 2014 supported by repo maturities and government payments. The Central Bank liquidity management withdrew net liquidity of Ksh 21.0 billion through repo securities and Term Auction Deposits. Reserve money averaged Ksh 306.6 billion during the week and was Ksh 14.5 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)
15-May-14	312.4	321.5	-9.2	10.0	6.0	0.0	-4.0	0.0	312.4	-9.1	2.2	-11.3
16-May-14	313.2	321.5	-8.4	5.5	7.4	0.0	1.9	0.0	306.0	-15.5	-3.2	-12.3
19-May-14	307.8	320.8	-13.1	2.0	0.0	3.0	1.0	0.0	305.5	-15.3	-3.0	-12.3
20-May-14	312.9	320.8	-7.9	10.0	7.79	2.9	0.7	0.0	304.6	-16.2	-2.8	-13.4
21-May-14	314.1	320.8	-6.7	10.0	7.0	3.0	0.0	0.0	304.7	-16.2	-1.3	-14.8
Average	312.1	321.1	-9.0	7.5	5.6	1.8	-0.1	0.0	306.6	-14.5	-1.6	-12.8

Source: Central Bank of Kenya

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Interbank and REPO Rates

The average interbank rate decreased to 7.54 percent in the week ending May 21, 2014 from 8.03 percent, while the volume transacted decreased to Ksh 16.2 billion from Ksh 17.6 billion traded in the previous week. The average number of deals declined from 73 to 60 (**Table 2 and Chart A**).

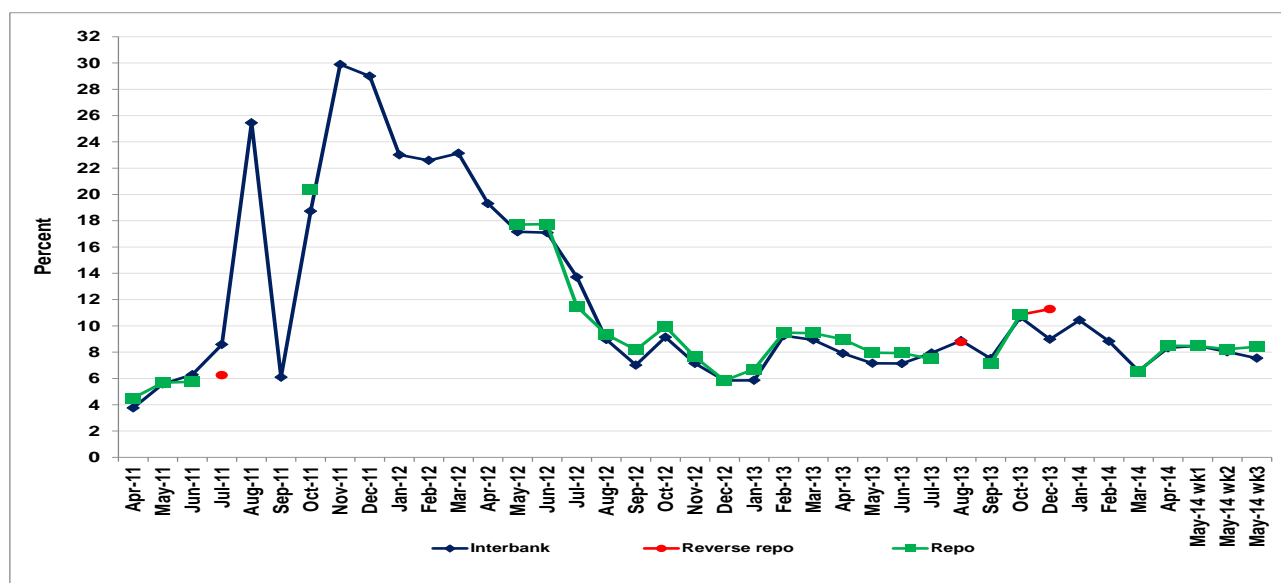
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
08-May-14	71	14,878	8.37
09-May-14	84	22,924	8.20
12-May-14	69	15,135	8.04
13-May-14	68	17,009	7.81
14-May-14	71	18,190	7.71
May 8, 2014 -May 14, 2014	73	17,627	8.03
15-May-14	66	17,428	7.52
16-May-14	66	18,343	7.50
19-May-14	52	15,163	7.64
20-May-14	57	13,677	7.55
21-May-14	58	16,522	7.49
May 15, 2014 -May 21, 2014	60	16,226	7.54

Source: Central Bank of Kenya

During the week ending May 21, 2014, the average repo rate increased marginally to 8.41 percent from 8.22 percent recorded in the previous week.

CHART A: INTERBANK AND REPO INTEREST RATES

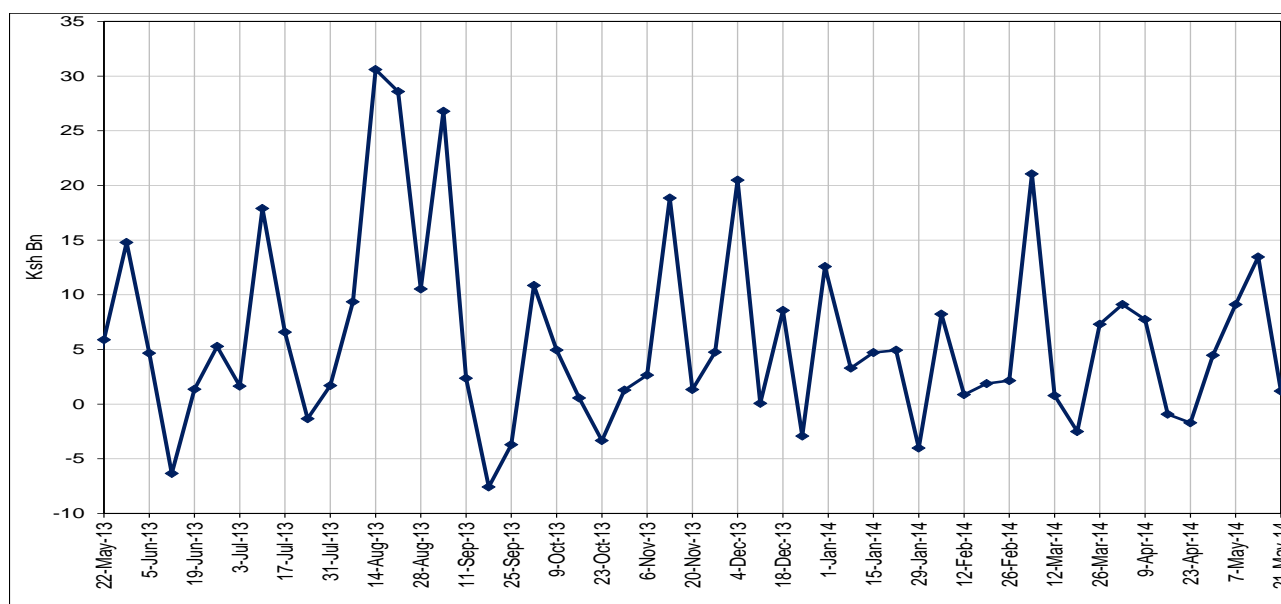


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 1.18 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 in the week ending May 21, 2014 compared with a surplus of Ksh 13.5 billion recorded in the previous week (**Chart B**). Commercial banks utilized reserves in excess of the daily floor of 3.0 percent to participate in open market operations of the CBK.

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 all major international and EAC currencies during the week ending May 22, 2014 (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
09-May-14	87.03	147.49	120.57	85.57	29.09	18.92	7.79	17.81
12-May-14	87.12	146.81	119.91	85.45	29.06	18.90	7.78	17.79
13-May-14	87.09	147.00	119.86	85.26	28.98	18.93	7.78	17.80
14-May-14	87.22	146.96	119.62	85.33	28.87	18.92	7.77	17.77
15-May-14	87.32	146.50	119.77	85.60	29.03	18.91	7.76	17.75
9-15 May 2014	87.16	146.95	119.95	85.44	29.01	18.92	7.78	17.78
16-May-14	87.39	146.76	119.79	85.98	29.01	18.89	7.79	17.74
19-May-14	87.53	147.26	119.93	86.12	29.06	18.87	7.72	17.71
20-May-14	87.68	147.45	120.22	86.21	29.01	18.84	7.71	17.68
21-May-14	87.80	147.89	120.36	86.74	28.97	18.81	7.70	17.65
22-May-14	87.83	148.38	120.04	86.35	28.77	18.88	7.73	17.59
16-22 May 2014	87.65	147.55	120.07	86.28	28.97	18.86	7.73	17.67

Source: Central Bank of Kenya

Capital Markets

Capital markets performance declined in the week ending May 22, 2014, with only total shares traded gaining 4.65 percent. NSE 20 Share Index and NASI lost 30.27 and 0.68 points respectively. FTSE NSE Bond Index, FTSE NSE Kenya 15 and FTSE NSE Kenya 25 Index Series lost 0.12 points, 2.23 points and 2.77 points, respectively. Equity turnover declined 0.18 percent, with market capitalization shedding 0.30 percent. Bonds turnover declined by 21.04 percent from last week's performance.

Equities Market

All equity market indices declined in the week ended May 22, 2014 compared to their level in the previous week. Market capitalization which measures shareholders wealth lost Ksh 6.22 billion while equity turnover recorded a 0.18 percent decline, despite a 4.65 percent increase in total shares traded.

CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

TABLE 4: KEY WEEKLY MARKET STATISTICS

Week Ending	10-Apr-14	16-Apr-14	24-Apr-14	30-Apr-14	08-May-14	15-May-14	22-May-14
NASI 100= Jan 2008	144.36	147.37	149.95	151.13	151.78	150.73	150.05
NSE 20 Share Index 100=1966	4,878.88	4,906.96	4,923.71	4,948.97	4,962.06	4,945.33	4,915.06
Number of Deals	9,406	7,604	8,710	9,972	11,299	12,500	10,981
Total Shares Traded (millions)	134.39	229.33	118.30	198.83	196.70	215.6	225.63
Equity Turnover (Ksh. millions)	3,383.40	4,218.25	2,892.37	4,030.37	6,006.70	5,038.76	5,029.58
Market Capitalization (Ksh. Bn.)	2,007.02	2,048.81	2,085.00	2,106.08	2,109.99	2,095.75	2,089.53
Bonds Turnover (Ksh. millions)	12,667.60	13,497.10	12,960.20	10,429.30	6,105.85	12,536.78	9,898.93
FTSE NSE Kenya 15 Index	177.25	181.74	186.28	192.10	193.69	192.10	189.87
FTSE NSE Kenya 25 Index	179.25	183.84	188.19	193.92	195.64	194.50	191.73
FTSE NSE Bond Index	93.53	93.80	93.84	94.17	94.08	94.45	94.33

* 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, lost 2.23 points to close at 189.87 points from 192.10 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, lost 2.77 points to close at 191.73 points from 194.50 points. FTSE NSE Bond Index lost 0.12 points to close at 94.33 points from 94.45 points, reflecting stable yields at both the primary and secondary markets. Telecommunication & Technology, Banking, Energy and Petroleum emerged top three most active sectors, transacting 134.71 million or 59.71 percent, 49.04 million or 21.74 percent, 13.71 million or 6.1 percent respectively. Agricultural sector was least active with 22,600 shares traded.

The Bond Market

The bonds' market turnover declined by 21.04 percent to Ksh 9,898.93 million from Ksh 12,536.78 million of the previous week. Corresponding deals declined to 106 from 139 the previous week. This performance is also reflected in the just-auctioned 2-year bond in the primary market.

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	2,242.82	2,242.82	1,412.84	8.885		22-May-14
182 Day	3,000.00	672.51	672.51	1,958.49	9.927		21-May-14
364 Day	3,000.00	516.80	505.98	3,789.06	10.079		21-May-14
2- Year Bond	15,000.00	12,506.93	12,269.88	-	10.793		21-May-14
Total	24,000.00	15,939.06	15,691.19	7,160.39			

Source: Central Bank of Kenya

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TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	Jun 2013	30th Sept 2013	27th Dec 2013	28th March 2014	4th April 2014	11th April 2014	17th April 2014	25th April 2014	2nd May 2014	9th May 2014	16th May 2014
1. Treasury Bills (Excluding Repos)	267.8	307.6	309.1	307.5	302.8	288.7	281.6	278.4	276.7	274.6	279.3
(As % of total securities)	26.5	27.9	27.5	26.3	26.0	25.1	24.6	24.4	24.0	23.9	24.2
2. Treasury Bonds	744.2	794.8	816.3	863.6	863.6	863.6	863.6	863.6	874.7	874.7	874.7
(As % of total securities)	73.5	72.1	72.5	73.7	74.0	74.9	75.4	75.6	76.0	76.1	75.8
3. Total Securities (1+2)	1011.9	1102.5	1,125.4	1171.1	1166.3	1152.3	1145.2	1142.0	1151.4	1149.2	1153.9
4. Overdraft at Central Bank	7.0	34.2	34.2	34.2	33.5	34.2	34.2	34.2	34.2	34.2	39.1
5. Other Domestic debt*	32.0	31.6	32.9	33.8	33.9	33.1	30.6	30.6	30.6	30.7	31.2
6. Gross Domestic Debt (3+4+5)	1051.0	1168.2	1,192.5	1239.0	1233.7	1219.6	1210.0	1206.8	1216.2	1214.1	1224.3

* 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

	28-Mar-14	04-Apr-14	11-Apr-14	17-Apr-14	25-Apr-14	02-May-14	09-May-14	16-May-14
Treasury bills (Excluding Repos)	24.8	24.5	23.7	23.3	23.1	22.8	22.6	22.8
Treasury bonds	69.7	70.0	70.8	71.4	71.6	71.9	72.0	71.4
CBK Overdraft to Govt	2.8	2.7	2.7	2.8	2.8	2.8	2.8	3.2
Other domestic debt	2.7	2.7	2.8	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

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	28-Mar-14	04-Apr-14	11-Apr-14	17-Apr-14	25-Apr-14	02-May-14	09-May-14
Banking Institutions	53.7	53.4	53.0	51.6	51.9	52.0	52.0
Insurance Companies	9.3	9.3	9.4	9.5	9.8	9.7	9.7
Parastatals	3.2	3.2	3.2	3.3	3.6	3.2	3.2
Pension funds	25.3	25.4	25.7	25.5	26.3	26.4	26.2
Other investors	8.6	8.6	8.7	10.1	8.3	8.7	8.8
Total	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)

	27-Mar-14	03-Apr-14	10-Apr-14	17-Apr-14	24-Apr-14	30-Apr-14	08-May-14	15-May-14	22-May-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,209	6,283	6,283	6,338	6,339	6,308	6,313	6,283	6,239
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.33	4.34	4.34	4.37	4.37	4.35	4.36	4.34	4.31

*Excludes Encumbered Reserves

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