



NOVEMBER 14, 2014

Highlights

The money market was fairly liquid during the week ending November 12, 2014 supported by net government payments and maturities of term auction deposits (TAD). The central bank liquidity management resulted in net liquidity withdrawal of Ksh 33.8 billion through repo securities and TAD. The average interbank rate declined to 6.76 percent in the week ending November 12, 2014 from 7.50 percent the previous week.

The Nairobi Securities Exchange recorded generally improved performance in both equity and bond segments of the market during the week November 13, 2014.

Monetary Policy Operations

The money market was fairly liquid during the week ending November 12, 2014 supported by net government payments and maturities of term auction deposits. The central bank liquidity management resulted in net liquidity withdrawal of Ksh 33.8 billion through repo securities and term auction deposits. Reserve money averaged KSh 350.1 billion during the week and was KSh 9.5 billion above target (**Table 1**).

TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	6-Nov-14	7-Nov-14	10-Nov-14	11-Nov-14	12-Nov-14	Total
Liquidity Flows						
Total liquidity injection	3.2	13.8	16.8	3.3	9.8	46.9
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.0	1.0	0.4	0.9	2.0	4.3
T/bills redemptions	0.0	0.0	4.6	0.0	0.0	4.6
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	3.2	12.8	11.7	2.4	7.3	37.5
Total liquidity reduction	2.2	6.5	44.7	16.9	12.5	82.7
T/bills (Primary issues)	0.0	0.0	13.8	0.0	0.0	13.8
Tbonds Sales	0.0	0.0	7.0	0.0	0.0	7.0
Repos	0.0	0.0	8.2	8.0	5.5	21.7
Term Auction Deposit	0.0	0.0	11.8	2.0	2.5	16.3
Transfer from Banks -Taxes	2.2	6.4	3.8	6.9	3.9	23.3
Net liquidity injection (+)/Withdrawal (-)	1.0	7.4	-27.9	-13.6	-2.7	-35.8
Open Market Operations Outcome						
Posted Amount	0.0	0.0	20.0	10.0	8.0	38.0
Realised Amount	0.0	0.0	20.0	10.0	8.0	38.0
Repo (-)	0.0	0.0	8.2	8.0	5.5	21.7
Term Auction Deposits (-)	0.0	0.0	11.8	2.0	2.5	16.3
Reverse Repo (+)	0.00	0.00	0.00	0.00	0.00	0.0
Reserve Money Position						Average
Reserve money (actual)	367.7	374.1	346.5	332.4	330.0	350.1
Reserve money target	336.9	336.9	343.2	343.2	343.2	340.7
Deviation from target	30.8	37.2	3.3	-10.8	-13.2	9.5
Commercial banks excess reserves Exc(+)/ Short(-)	42.0	46.8	18.0	3.3	1.2	22.2
Cash outside bank Exc(+)/ Short(-)	-11.2	-9.5	-14.7	-14.1	-14.4	-12.8

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate fell to 6.76 percent in the week ending November 12, 2014 from 7.50 percent the previous week. The volume transacted decreased to KSh 14.50 billion from KSh 20.72 billion traded in the previous week. The average number of deals also decreased from 51 to 46 deals (**Table 2 and Chart A**).

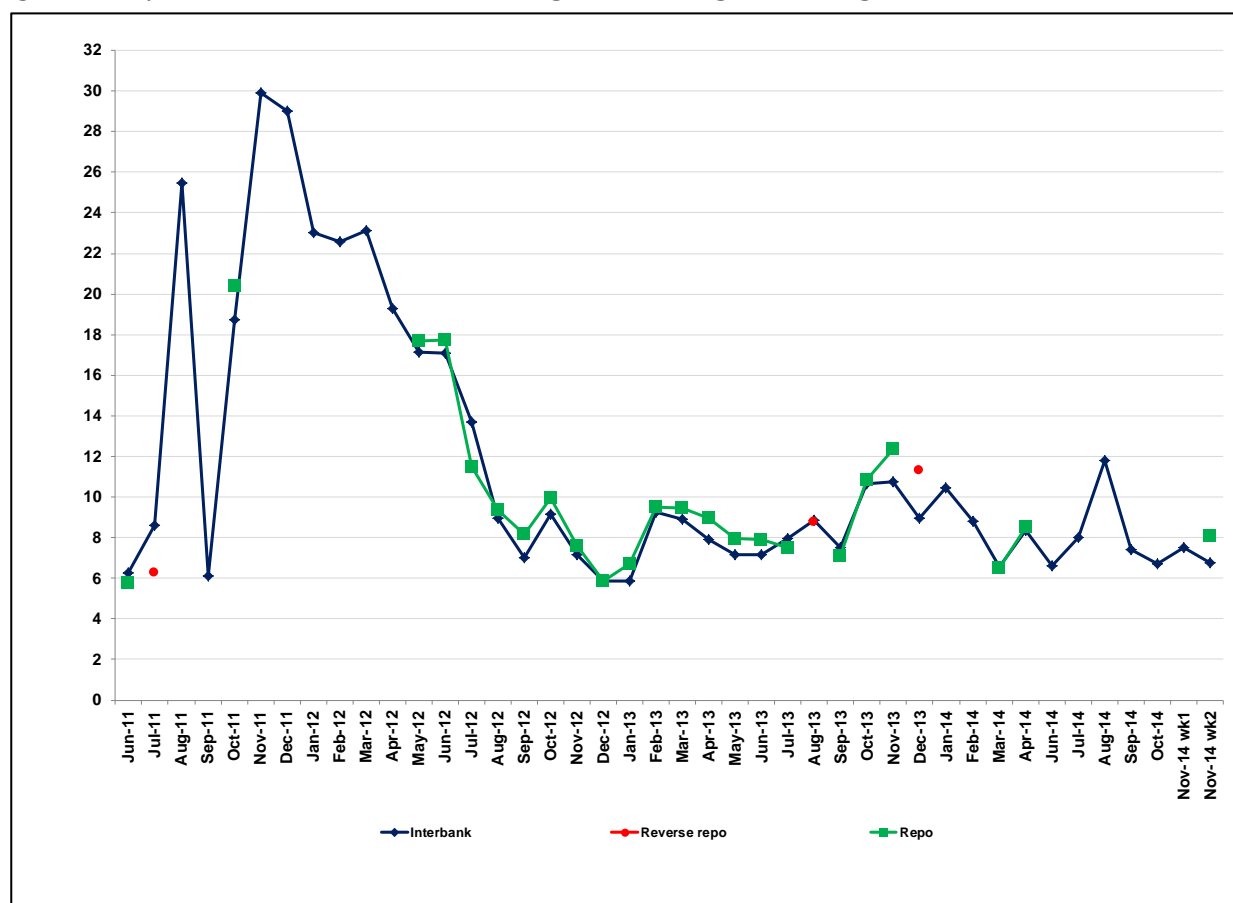
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
30-Oct-14	61	22,878	7.55
31-Oct-14	60	22,660	7.63
3-Nov-14	41	18,630	7.59
4-Nov-14	46	20,089	7.44
5-Nov-14	47	19,348	7.28
October 30, 2014 - November 5, 2014	51	20,721	7.50
6-Nov-14	46	19,209	7.11
7-Nov-14	46	17,825	6.80
10-Nov-14	47	15,160	6.69
11-Nov-14	47	9,550	6.62
12-Nov-14	45	10,730	6.57
November 6, 2014 - November 12, 2014	46	14,495	6.76

Source: Central Bank of Kenya

The average repo rate stood at 8.06 percent in the week ending November 12, 2014 (Chart A).

CHART A: INTERBANK AND REPO INTEREST RATES

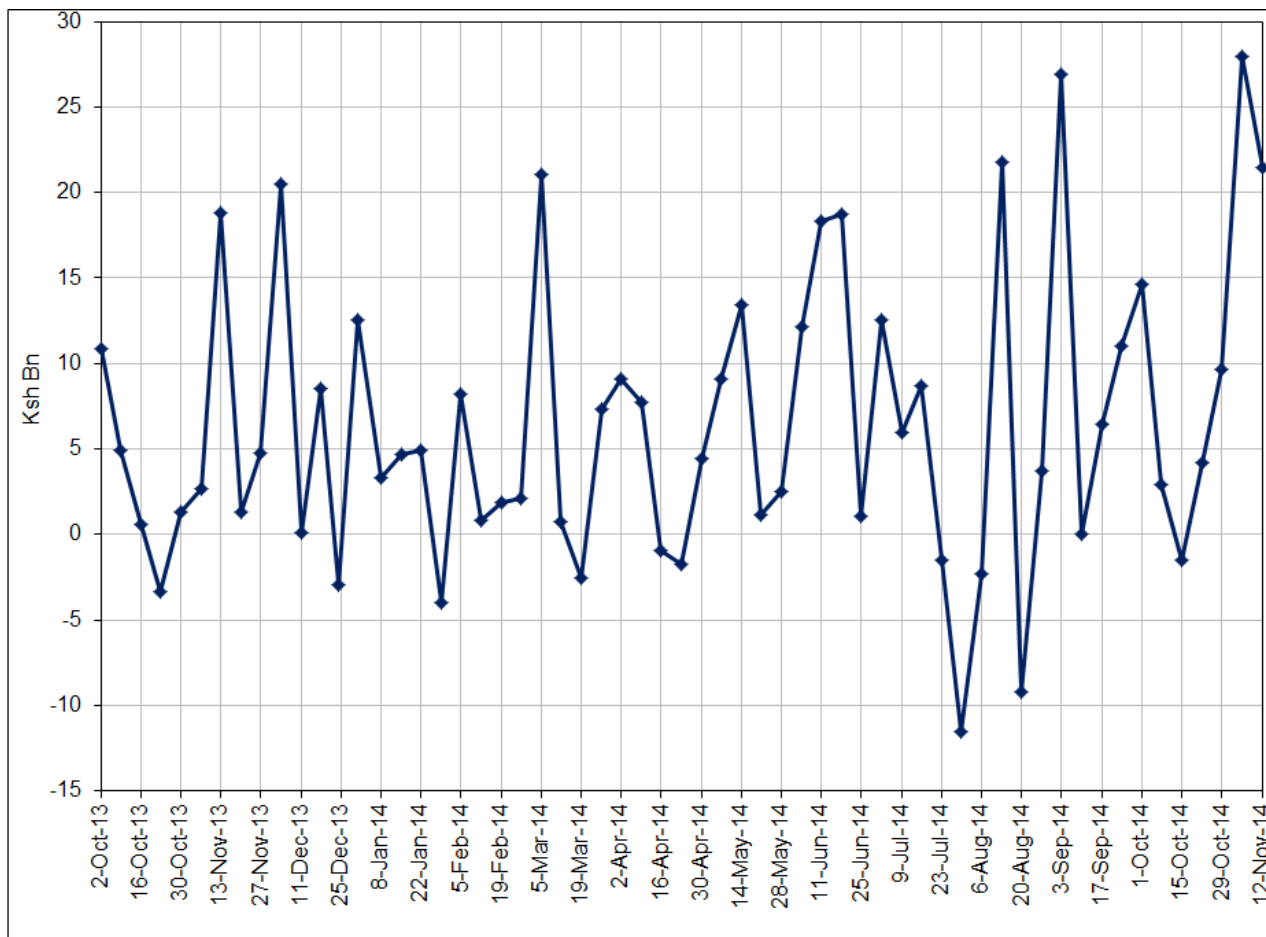


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account balances decreased during the week ending November 12, 2014, to KSh 21.45 billion in relation to the cash reserve requirement of 5.25 percent (KSh 113.5 billion) from KSh 28.01 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 international and regional currencies in the week ending November 13, 2014. During the week, the Shilling weakened marginally against the US dollar and strengthened against the Pound Sterling, the Euro and the Japanese Yen. In the EAC region the Kenya Shilling strengthened against the Uganda Shilling and Tanzania Shilling and Weakened against the Rwanda Franc and Burundi Franc. (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
31-Oct-14	89.23	143.66	113.21	82.62	30.03	18.96	7.72	17.47
3-Nov-14	89.42	142.85	111.72	79.38	30.27	19.08	7.71	17.39
4-Nov-14	89.61	143.41	112.25	79.10	30.12	19.06	7.69	17.52
5-Nov-14	89.62	143.41	112.45	78.51	30.07	19.07	7.69	17.52
6-Nov-14	89.71	143.40	112.33	78.48	30.15	19.03	7.68	17.34
31 Oct-6th Nov 2014	89.52	143.34	112.39	79.62	30.13	19.04	7.70	17.45
7-Nov-14	89.73	142.02	111.06	77.89	30.12	19.03	7.68	17.34
10-Nov-14	89.88	142.96	112.16	78.75	30.15	19.01	7.67	17.31
11-Nov-14	89.82	142.32	111.65	78.09	30.21	19.05	7.68	17.40
12-Nov-14	90.01	143.32	112.33	77.98	30.28	19.09	7.67	17.44
13-Nov-14	90.07	142.08	112.04	77.88	30.34	19.04	7.64	17.43
7-13 Nov 2014	89.90	142.54	111.85	78.12	30.22	19.05	7.67	17.38

Source: Central Bank of Kenya

The Nairobi Stock Exchange (NSE)

The equities market segment recorded gains in all market indicators except the Equity turnover, which declined slightly compared to last week. The bonds turnover increased but the FTSE Kenya Government Bond Index declined on account of lower market yields.

Equities Market

Average share prices went up during the week ending November 13, 2014, with the NSE 20 Share Index gaining 47.52 points, while the NASI gained 3.50 points (Table 4). Market capitalization, which measures shareholders' wealth, added KSh 50.09 billion, but the Equity turnover declined by 10.68 percent on slight decline of prices of some stocks.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	2-Oct-14	9-Oct-14	16-Oct-14	23-Oct-14	30-Oct-14	6-Nov-14	13-Nov-14
NASI 100= 2008	163.63	162.42	161.10	160.86	159.68	159.13	162.63
NSE 20 Share Index 100= 1996	5,249.65	5,272.53	5,333.87	5,259.43	5,233.42	5,075.93	5,123.45
Number of Deals	15,971	12,522	12,626	9,319	12,043	10,402	10,640
Total Shares Traded (in Millions)	151.79	104.63	209.14	87.62	112.82	140.38	146.50
Equity Turnover (Ksh. Millions)	5,123.15	4,757.62	5,395.48	2,458.87	3,514.21	3,515.37	3,140.01
Market Capitalization (Ksh. Bn.)	2,308.98	2,293.43	2,262.85	2,270.06	2,254.64	2,248.10	2,298.19
Bonds Turover (Ksh. Millions)	11,423.60	5,709.00	7,960.60	3,279.26	12,440.90	10,610.58	11,461.63
FTSE NSE Kenya 15 Index	214.72	213.16	210.05	208.50	208.21	205.56	210.69
FTSE NSE Kenya 25 Index	214.85	213.64	210.15	208.87	207.87	205.95	211.19
FTSE NSE Bond Index	93.45	93.69	92.09	91.88	93.33	93.9	92.44

Source: Nairobi Securities Exchange

FTSE NSE Kenya Price Index Series and Most Active Sectors

The FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed higher at 210.69 points from 205.56 points while FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE rose to 211.19 points from 205.95 points. The FTSE Government Bond Index declined to 92.44 points from 93.90 in the previous week, reflecting decline in market yields.

Telecommunication and Technology, Banking, and Investment Services sectors were the top three most active, representing 42.34 percent, 18.13 percent and 15.18 percent of the total shares traded, respectively. Automobile and Accessories sector was least active, with 50,700 shares traded in the period.

The Bond Market

The bonds turnover increased by 8.02 percent to Kshs 11,461.63 million from Kshs 10,610.58 million in the previous week as trading of the recently issued infrastructure bond attracted more appetite. The number of deals declined to 160 from the 176 deals traded last week.

TABLE 5: PERFORMANCE OF TREASURY SECURITIES AUCTIONS

91-Day Treasury Bills				
Date of Auction	23-Oct-14	30-Oct-14	6-Nov-14	13-Nov-14
Amount offered (Ksh M)	3,000.00	3,000.00	3,000.00	3,000.00
Bids received (Ksh M)	639.08	458.49	11,117.40	4,812.80
Amount Accepted (Ksh M)	639.08	458.49	3,643.06	3,438.90
Maturities (Ksh M)	768.00	2,975.30	909.31	3,017.70
Average interest Rate (%)	8.706	8.670	8.696	8.609
182-Day Treasury Bills				
Date of Auction	22-Oct-14	29-Oct-14	5-Nov-14	12-Nov-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	685.15	992.92	2871.53	5027.48
Amount Accepted (Ksh M)	685.15	754.97	2680.41	4540.09
Maturities (Ksh M)	949.05	4365.25	1423	4760.29
Average interest Rate (%)	9.000	9.105	9.183	9.211
364-Day Treasury Bills				
Date of Auction	22-Oct-14	29-Oct-14	5-Nov-14	12-Nov-14
Amount offered (Ksh M)	5,000.00	5,000.00	5,000.00	5,001.00
Bids received (Ksh M)	2675.90	7091.10	8171.93	6039.16
Amount Accepted (Ksh M)	1770.69	6511.06	7465.73	5540.80
Maturities (Ksh M)	1052.6	1766.7	2237.53	2439.53
Average interest Rate (%)	10.231	10.257	10.242	10.212
Treasury Bonds				
Date of Auction	22-Oct-14	29-Oct-14	5-Nov-14	12-Nov-14
Tenor	12 Year IFB	12 yr IFB 1st TAP sale	12 yr IFB 2nd TAP sale	12 yr IFB 2nd TAP sale
Amount offered (Ksh M)	15000	20000	20000	20000
Bids received (Ksh M)	38770.34	10789.60	6991.13	1572.88
Amount Accepted (Ksh M)	15805.43	10640.6	6991.13	1572.88
Maturities (Ksh M)	13764.3	0.00	0.00	0.00
Average interest Rate (%)	11.263	11.263	11.263	11.263

Source: Central Bank of Kenya

CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	5th September 2014	12th September 2014	19th September 2014	26th September 2014	3rd October 2014	10th October 2014	17th October 2014	24th October 2014	31st October 2014	7th November 2014
1. Treasury Bills (Excluding Repos)	303.31	296.37	284.73	275.76	276.04	281.49	282.09	283.35	283.90	283.17
(As % of total securities)	24.89	24.45	23.98	23.39	23.08	23.43	23.47	23.55	23.54	23.29
2. Treasury Bonds	915.25	915.92	902.70	903.41	919.85	919.85	919.85	919.85	922.10	932.89
(As % of total securities)	75.11	75.55	76.02	76.61	76.92	76.57	76.53	76.45	76.46	76.71
3. Total Securities (1+2)	1,218.56	1,212.29	1,187.42	1,179.17	1,195.89	1,201.35	1,201.95	1,203.20	1,206.00	1,216.06
4. Overdraft at Central Bank	33.12	38.27	25.87	17.10	22.67	18.35	18.90	20.99	18.30	19.78
5. Other Domestic debt*	31.26	31.86	31.86	31.86	30.64	30.61	30.62	30.61	30.61	30.60
6. Gross Domestic Debt (3+4+5)	1,282.94	1,282.42	1,245.15	1,228.13	1,249.20	1,250.31	1,251.46	1,254.80	1,254.91	1,266.44

* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and Tax Reserve Certificates.

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	5-Sep-14	12-Sep-14	19-Sep-14	26-Sep-14	3-Oct-14	10-Oct-14	17-Oct-14	24-Oct-14	31-Oct-14	7-Nov-14
Treasury bills (Excluding Repos)	23.6	23.1	22.9	22.5	22.1	22.5	22.5	22.6	22.6	22.4
Treasury bonds	71.3	71.4	72.5	73.6	73.6	73.6	73.5	73.3	73.5	73.7
CBK Overdraft to Govt	2.6	3.0	2.1	1.4	1.8	1.5	1.5	1.7	1.5	1.6
Other domestic debt	2.4	2.5	2.6	2.6	2.5	2.4	2.4	2.4	2.4	2.4
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	5-Sep-14	12-Sep-14	19-Sep-14	26-Sep-14	3-Oct-14	10-Oct-14	17-Oct-14	24-Oct-14	31-Oct-14	7-Nov-14
Banking Institutions	53.1	53.3	52.4	51.9	52.4	52.3	52.5	52.8	52.6	52.9
Insurance Companies	9.8	9.8	10.1	10.3	10.2	10.2	10.2	10.0	10.2	10.1
Parastatals	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Pension funds	25.4	25.4	25.8	25.9	25.7	25.8	25.7	25.6	25.3	24.8
Other investors	8.8	8.6	8.8	9.0	8.8	8.9	8.7	8.7	9.1	9.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

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

	18-Sep-14	25-Sep-14	2-Oct-14	9-Oct-14	16-Oct-14	23-Oct-14	30-Oct-14	6-Nov-14	13-Nov-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,348	7,248	7,160	7,143	7,097	7,090	7,089	7,035	7,011
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.85	4.78	4.72	4.71	4.68	4.68	4.68	4.59	4.58

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya