



NOVEMBER 21, 2014

Highlights

The money market was fairly liquid during the week ending November 19, 2014 supported by net government payments. The central bank liquidity management resulted in net withdrawal of KSh 13.5 billion in repo and TAD to check the declining trend of the interbank market. However, following an offsetting increase in net government payment, the average interbank rate declined marginally to 6.46 percent in the week ending November 19, 2014 from 6.76 percent the previous week.

The Nairobi Securities Exchange recorded mixed performance during the week ended November 20 2014. On the decline were; NASI, Market Capitalisation, FTSE NSE 15 Share Index and number of deals transacted. The bonds market recorded considerable increase in turnover as investors strategized to invest in the re-opened 15 year Treasury bond (FXD 1/2010/15) on offer in the primary market.

Monetary Policy Operations

The money market was fairly liquid during the week ending November 19, 2014 supported by net government payments. The central bank liquidity management resulted in net withdrawal of KSh 13.5 billion in repo and TAD to check the declining trend of the interbank rate. Reserve money averaged KSh 332.5 billion during the week and was KSh 14.5 billion below target (**Table 1**).

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

	13-Nov-14	14-Nov-14	17-Nov-14	18-Nov-14	19-Nov-14	Total
Liquidity Flows						
Total liquidity injection	7.0	6.5	33.2	13.5	7.9	68.0
Repos Maturities	0.0	0.0	8.2	8.0	5.5	21.7
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.0	0.0	1.0	0.0	0.0	1.0
T/bills redemptions	0.0	0.0	10.2	0.0	0.0	10.2
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	7.0	5.7	11.0	5.5	2.4	31.5
Total liquidity reduction	7.5	8.0	20.6	17.6	14.7	68.5
T/bills (Primary issues)	0.0	0.0	13.5	0.0	0.0	13.5
Tbonds Sales	0.0	0.0	1.6	0.0	0.0	1.6
Repos	4.1	1.4	1.9	3.2	7.4	18.0
Term Auction Deposit	0.9	3.6	1.2	8.8	3.7	18.2
Transfer from Banks -Taxes	2.4	2.2	1.8	2.6	3.7	12.7
Net liquidity injection (+)/Withdrawal (-)	-0.5	-1.5	12.6	-4.2	-6.8	-0.4
Open Market Operations Outcome						
Posted Amount	5.0	5.0	14.0	10.0	11.0	45.0
Realised Amount	5.0	5.0	3.1	10.0	11.0	34.1
Repo (-)	4.1	1.4	1.9	1.2	7.4	15.9
Term Auction Deposits (-)	0.9	3.63	1.20	8.80	3.65	18.2
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						Average
Reserve money (actual)	329.7	327.7	341.0	335.7	328.3	332.5
Reserve money target	343.2	343.2	349.5	349.5	349.5	347.0
Deviation from target	-13.5	-15.4	-8.5	-13.8	-21.2	-14.5
Commercial banks excess reserves Exc(+)/ Short(-)	2.0	0.2	12.6	8.5	1.1	4.9
Cash outside bank Exc(+)/ Short(-)	-15.5	-15.6	-21.1	-22.2	-22.3	-19.3

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate declined marginally to 6.46 percent in the week ending November 19, 2014 from 6.76 percent the previous week. The volume transacted decreased to KSh 10.7 billion from KSh 14.5 billion traded in the previous week whereas the average number of deals decreased to 41 from 46 deals (Table 2 and Chart A).

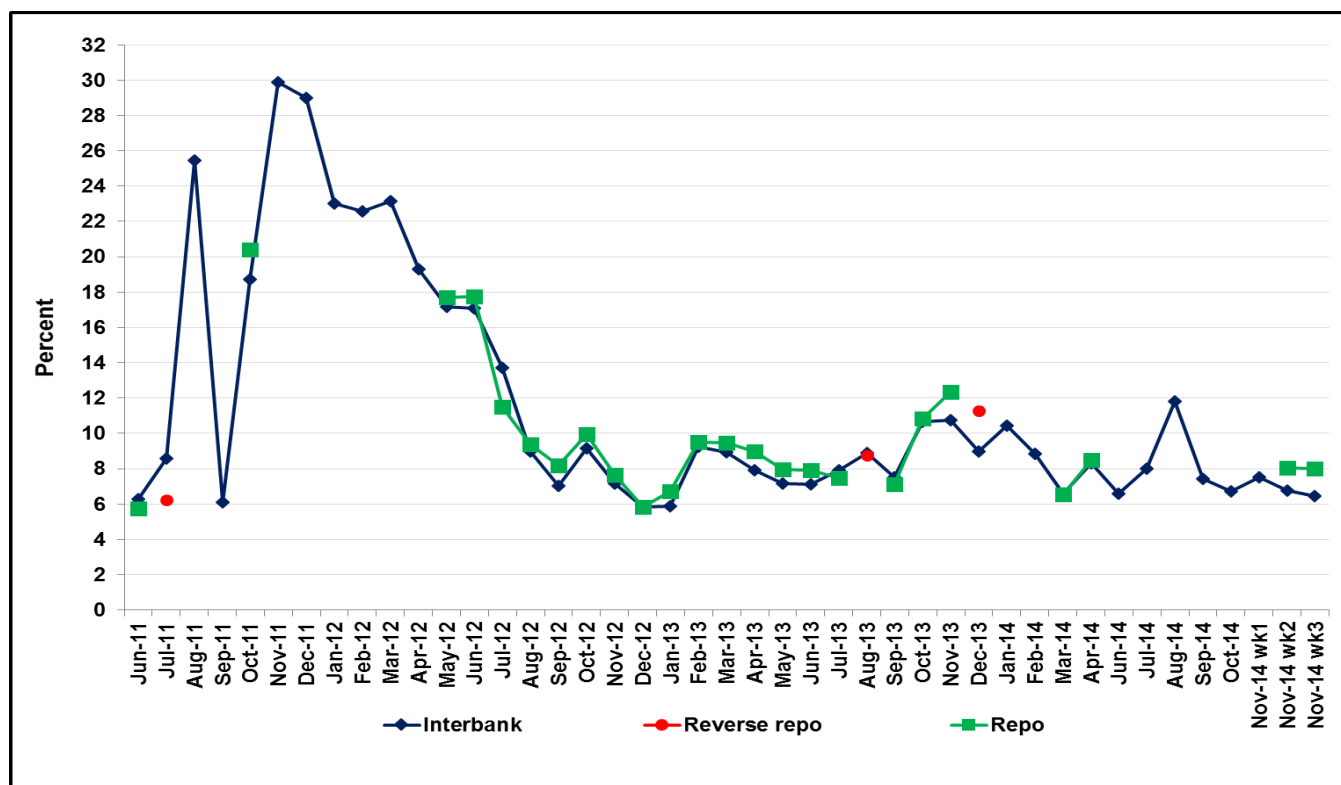
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
13-Nov-14	39	6,565	6.53
14-Nov-14	41	8,565	6.39
17-Nov-14	40	12,675	6.40
18-Nov-14	48	15,850	6.45
19-Nov-14	37	9,800	6.51
November 13, 2014 - November 19, 2014	41	10,691	6.46

Source: Central Bank of Kenya

The average repo rate in the week ending November 19, 2014 remained largely unchanged at 8.02 percent compared with 8.06 percent in the previous week (Chart A).

CHART A: INTERBANK AND REPO INTEREST RATES

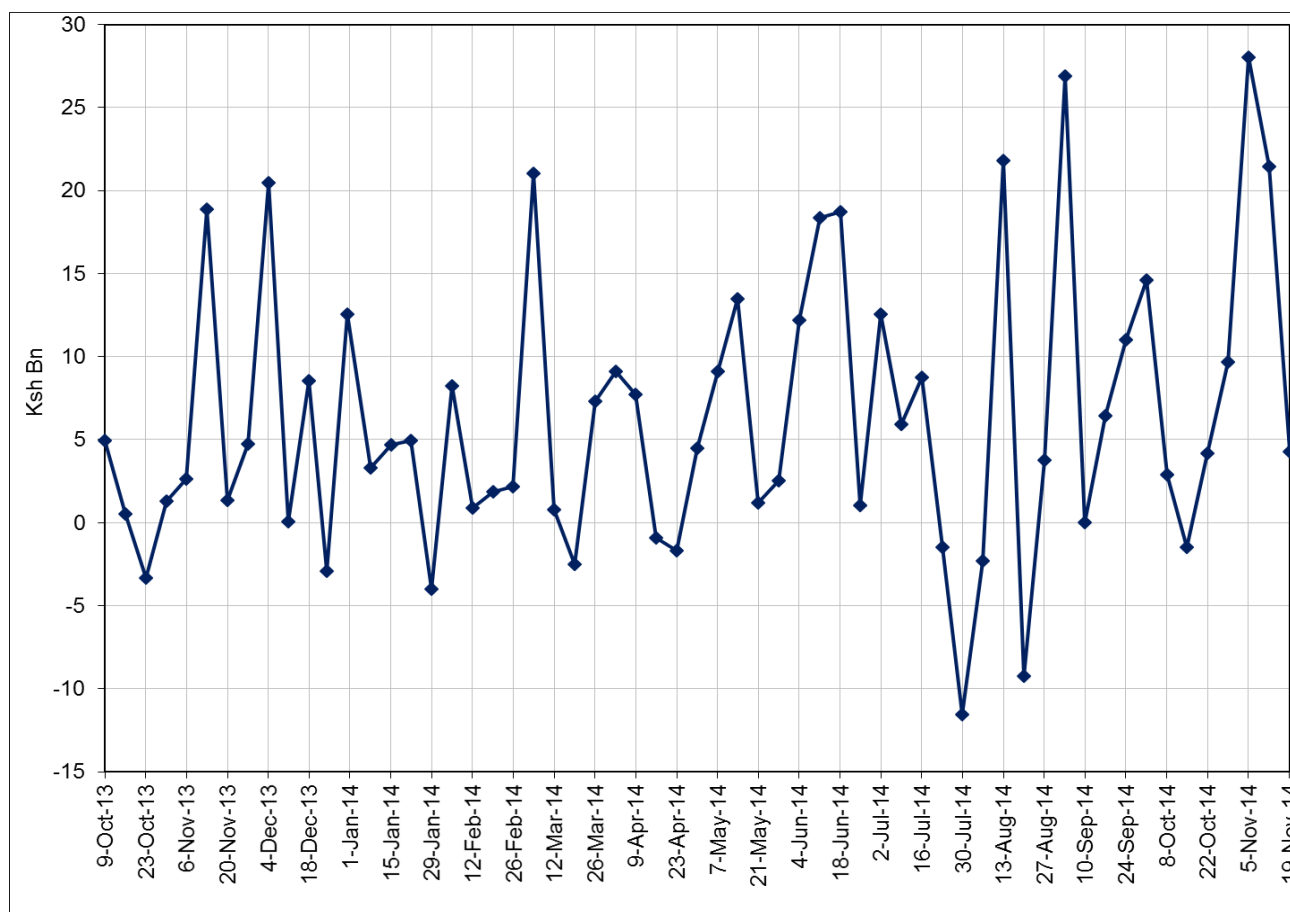


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account balance decreased during the week ending November 19, 2014, to KSh 4.28 billion in relation to the cash reserve requirement of 5.25 percent (KSh 114.3 billion) from KSh 21.45 billion recorded in the previous week (Chart B). The decline reflects largely liquidity sterilization through OMO.

CHART B: WEEKLY AVERAGE DEVIATION FROM CRR IN THE CLEARING ACCOUNT



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate depicted mixed performance against major international and regional currencies in the week ending November 20, 2014. During the week, the Shilling weakened marginally against the US dollar and the Euro and strengthened against the Pound Sterling and the Japanese Yen. In the EAC region the Kenya Shilling strengthened against the Uganda Shilling and Tanzania Shilling and weakened against Burundi Franc. Against the Rwanda Franc, the Kenya Shilling traded at the same level as the previous week. (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
14-Nov-14	90.22	141.34	112.23	77.64	30.54	19.23	7.65	17.40
17-Nov-14	89.90	141.34	112.79	77.68	30.53	19.19	7.65	17.46
18-Nov-14	89.96	140.77	112.23	77.17	30.39	19.22	7.75	17.31
19-Nov-14	90.11	140.70	112.85	76.98	30.35	19.18	7.65	17.42
20-Nov-14	90.15	141.28	113.07	75.98	30.39	19.20	7.64	17.25
14-20 Nov 2014	90.07	141.09	112.63	77.09	30.44	19.20	7.67	17.37

Source: Central Bank of Kenya

The Capital Markets

The Capital Market recorded mixed performance in the week ending November 20, 2014 with average shares price unchanged and considerable growth in volume traded in the equities market. Bonds Market turnover increased reflecting investor's portfolio diversification in favour of the re-opened 15 year Treasury bond (FXD 1/2010/15) on offer in the primary market.

Equities Market

The NSE 20 Share Index and the NASI changed marginally in the week ending November 20 2014 (Table 4). Consequently, shareholders' wealth measured by market capitalization changed marginally. However, equity turnover rose 18.19 percent on account of increased supply of shares traded.

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	20-Nov-14
NASI 100= 2008	163.63	162.42	161.10	160.86	159.68	159.13	162.63	162.07
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	5,145.28
Number of Deals	15,971	12,522	17,031	9,319	12,043	10,402	10,640	10,206
Total Shares Traded	151.79	104.63	209.14	87.62	112.82	140.38	146.50	204.81
Equity Turnover (Ksh. Millions)	5,123.15	4,757.62	4,847.75	2,458.87	3,514.21	3,515.37	3,140.01	3,711.16
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	2,290.40
Bonds Turover (Ksh. Millions)	11,423.60	5,709.00	7,960.50	3,279.26	12,440.90	10,610.58	11,461.63	15,664.70
FTSE NSE Kenya 15 Index	214.72	213.16	210.05	208.50	208.21	205.56	210.69	210.63
FTSE NSE Kenya 25 Index	214.85	213.64	212.43	208.87	207.87	205.95	211.19	211.32
FTSE NSE Bond Index	93.45	93.69	92.94	91.88	93.33	93.9	92.44	93.1

Source: Nairobi Securities Exchange

FTSE NSE Kenya Price Index Series and Most Active Sectors

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed lower at 210.63 points from 210.69 points while FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE rose to 211.32 points from 211.19 points. The FTSE Government Bond Index increased to 93.1 points from 92.44 in the previous week, reflecting decline in market yields.

Telecommunication and Technology, Investment, and Banking sectors were the top three most active, representing 65.47 percent, 10.3 percent and 9.52 percent of the total shares traded, respectively. Automobile and Accessories sector was least active, with 159,700 shares traded in the period.

The Bond Market

The bond's turnover increased by 36.67 percent to KSh 15,664.7 million from KSh 11,461.63 million in the previous week. The main driver was investors offloading the old stock to participate in the primary market where a 15-year fixed bond was on offer. The number of deals increased to 173 from the 160 deals traded last week.

TABLE 5: PERFORMANCE OF TREASURY SECURITIES AUCTIONS

91-Day Treasury Bills				
Date of Auction	30-Oct-14	6-Nov-14	13-Nov-14	20-Nov-14
Amount offered (Ksh M)	3,000.00	3,000.00	3,000.00	3,000.00
Bids received (Ksh M)	458.49	11,117.40	4,812.80	4,502.93
Amount Accepted (Ksh M)	458.49	3,643.06		4,502.93
Maturities (Ksh M)	2,975.30	909.31	3,017.70	1,267.80
Average interest Rate (%)	8.670	8.696	8.609	8.597
182-Day Treasury Bills				
Date of Auction	29-Oct-14	5-Nov-14	12-Nov-14	19-Nov-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	992.92	2871.53	5027.48	1152.28
Amount Accepted (Ksh M)	754.97	2680.41	4540.09	1152.28
Maturities (Ksh M)	4365.25	1423	4760.29	695.6
Average interest Rate (%)	9.105	9.183	9.211	9.201
364-Day Treasury Bills				
Date of Auction	29-Oct-14	5-Nov-14	12-Nov-14	19-Nov-14
Amount offered (Ksh M)	5,000.00	5,000.00	5,000.00	5,000.00
Bids received (Ksh M)	7091.10	8171.93	6039.16	4098.14
Amount Accepted (Ksh M)	6511.06	7465.73	5540.80	4098.14
Maturities (Ksh M)	1766.7	2237.53	2439.53	2880.55
Average interest Rate (%)	10.257	10.242	10.212	10.244
Treasury Bonds				
Date of Auction	29-Oct-14	5-Nov-14	12-Nov-14	13-Nov-14
Tenor	12 yr IFB 1st TAP sale	12 yr IFB 2nd TAP sale	12 yr IFB 2nd TAP sale	15 year Fxd
Amount offered (Ksh M)	20000	20000	20000	15000
Bids received (Ksh M)	10789.60	6991.13	1572.88	11897.41
Amount Accepted (Ksh M)	10640.6	6991.13	1572.88	10708.89
Maturities (Ksh M)	0.00	0.00	0.00	0.00
Average interest Rate (%)	11.263	11.263	11.263	12.422

Source: Central Bank of Kenya

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TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	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	14th November 2014
1. Treasury Bills (Excluding Repos)	296.37	284.73	275.76	276.04	281.49	282.09	283.35	283.90	283.17	293.02
(As % of total securities)	24.45	23.98	23.39	23.08	23.43	23.47	23.55	23.54	23.29	23.76
2. Treasury Bonds	915.92	902.70	903.41	919.85	919.85	919.85	919.85	922.10	932.89	939.98
(As % of total securities)	75.55	76.02	76.61	76.92	76.57	76.53	76.45	76.46	76.71	76.24
3. Total Securities (1+2)	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	1,232.99
4. Overdraft at Central Bank	38.27	25.87	17.10	22.67	18.35	18.90	20.99	18.30	19.78	10.85
5. Other Domestic debt*	31.86	31.86	31.86	30.64	30.61	30.62	30.61	30.61	30.60	29.99
6. Gross Domestic Debt (3+4+5)	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	1,273.84

* 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

	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	14-Nov-14
Treasury bills (Excluding Repos)	23.1	22.9	22.5	22.1	22.5	22.5	22.6	22.6	22.4	23.0
Treasury bonds	71.4	72.5	73.6	73.6	73.6	73.5	73.3	73.5	73.7	73.8
CBK Overdraft to Govt	3.0	2.1	1.4	1.8	1.5	1.5	1.7	1.5	1.6	0.9
Other domestic debt	2.5	2.6	2.6	2.5	2.4	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

	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	14-Nov-14
Banking Institutions	53.3	52.4	51.9	52.4	52.3	52.5	52.8	52.6	52.9	52.8
Insurance Companies	9.8	10.1	10.3	10.2	10.2	10.2	10.0	10.2	10.1	10.1
Parastatals	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.8
Pension funds	25.4	25.8	25.9	25.7	25.8	25.7	25.6	25.3	24.8	24.8
Other investors	8.6	8.8	9.0	8.8	8.9	8.7	8.7	9.1	9.3	9.4
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 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)

	2-Oct-14	9-Oct-14	16-Oct-14	23-Oct-14	30-Oct-14	6-Nov-14	13-Nov-14	20-Nov-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,160	7,143	7,097	7,090	7,089	7,035	7,011	6,970
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.72	4.71	4.68	4.68	4.68	4.59	4.58	4.54

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya