



NOVEMBER 28, 2014

Highlights

The money market was relatively liquid during the week ending November 26, 2014 supported by maturities of repo securities and term auction deposits and Government payments. This was partly offset by remittances of taxes to Government, net issuance of Government securities and Central Bank open market operations resulting in net liquidity injection of KSh 5.5 billion. The average interbank rate increased marginally to 6.92 percent in the week ending November 26, 2014 from 6.46 percent recorded in the previous week.

The Nairobi Securities Exchange recorded mixed performance during the week ending November 27, 2014. On the decline were; NSE 20 Share Index, Total Shares Traded and Bonds Turnover. Other indicators on both the bonds and equities segment had gains.

Monetary Policy Operations

The money market was relatively liquid during the week ending November 26, 2014 supported by maturities of repo securities and term auction deposits and Government payments. This was partly offset by remittances of taxes to Government, net issuance of Government securities and Central Bank open market operations resulting in net liquidity injection of KSh 5.5 billion. Reserve money averaged KSh 324.7 billion during the week and was KSh 22.5 billion below target (**Table 1**).

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

	20-Nov-14	21-Nov-14	24-Nov-14	25-Nov-14	26-Nov-14	Total
Liquidity Flows						
Total liquidity injection	6.1	8.4	28.8	3.9	13.7	60.9
Repos Maturities	4.1	1.4	4.0	1.2	7.4	18.0
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.0	1.5	11.3	0.3	1.5	14.6
T/bills redemptions	0.0	0.0	4.5	0.0	0.0	4.5
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	1.1	4.7	2.4	2.4	4.8	15.5
Total liquidity reduction	9.2	4.2	36.0	3.8	2.1	55.4
T/bills (Primary issues)	0.0	0.0	9.8	0.0	0.0	9.8
Tbonds Sales	0.0	0.0	10.6	0.0	0.0	10.6
Repos	0.0	0.0	2.5	2.0	0.0	4.5
Term Auction Deposit	0.0	0.0	2.5	0.0	0.0	2.5
Transfer from Banks -Taxes	8.3	4.2	7.3	2.3	2.1	24.2
Net liquidity injection (+)/Withdrawal (-)	-3.1	4.1	-7.2	0.1	11.6	5.5
Open Market Operations Outcome						
Posted Amount	0.0	0.0	5.0	2.0	0.0	7.0
Realised Amount	0.0	0.0	5.0	2.0	0.0	7.0
Repo (-)	0.0	0.0	2.5	2.0	0.0	4.5
Term Auction Deposits (-)	0.0	0.0	2.5	0.0	0.0	2.5
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						Average
Reserve money (actual)	324.5	328.4	321.6	319.0	330.1	324.7
Reserve money target	347.4	347.4	347.136	347.136	347.136	347.2
Deviation from target	-22.9	-19.0	-25.6	-28.1	-17.0	-22.5
Commercial banks excess reserves Exc(+)/ Short(-)	-1.9	2.6	-3.9	-6.0	5.5	-0.7
Cash outside bank Exc(+)/ Short(-)	-21.0	-21.7	-21.7	-22.1	-22.5	-21.8

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate increased marginally to 6.92 percent in the week ending November 26, 2014 from 6.46 percent recorded in the previous week. The volume transacted increased to KSh 13.2 billion from KSh 10.7 billion, whereas the average number of deals rose to 54 from 41 deals traded in the previous week (**Table 2 and Chart A**).

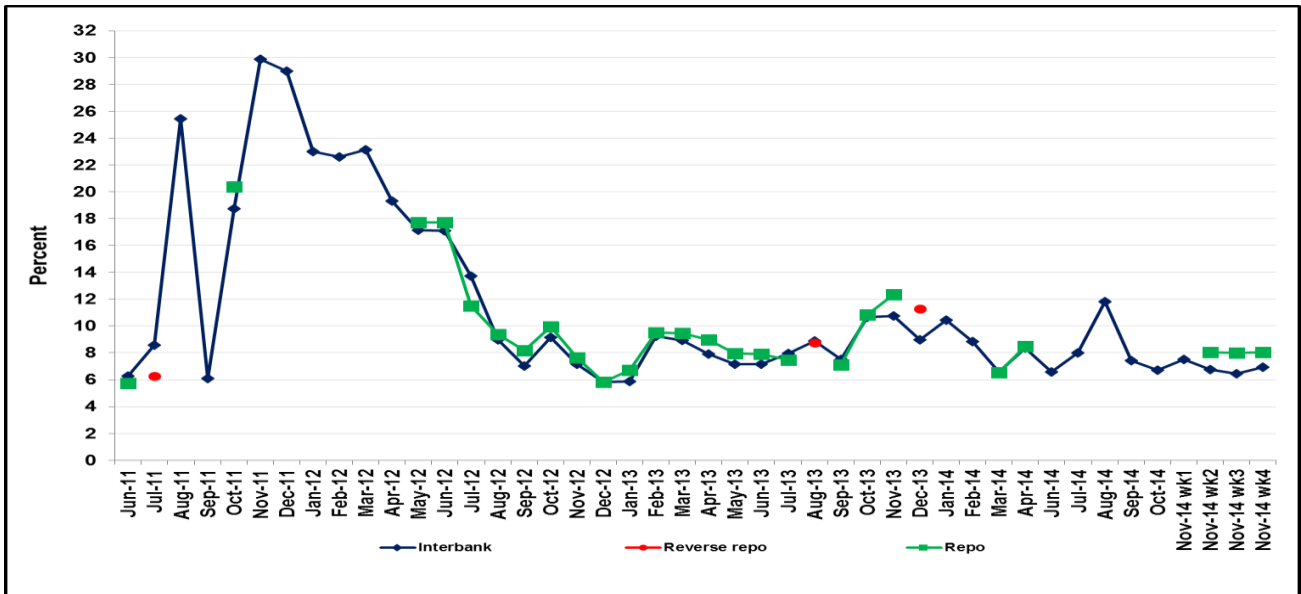
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
20-Nov-14	45	10,485	6.63
21-Nov-14	55	11,965	6.75
24-Nov-14	62	14,278	6.88
25-Nov-14	53	12,593	7.11
26-Nov-14	53	16,473	7.23
November 20, 2014 - November 26, 2014	54	13,159	6.92

Source: Central Bank of Kenya

The average repo rate in the week ending November 26, 2014 remained largely unchanged at 8.03 percent compared with 8.02 percent in the previous week (**Chart A**).

CHART A: INTERBANK AND REPO INTEREST RATES

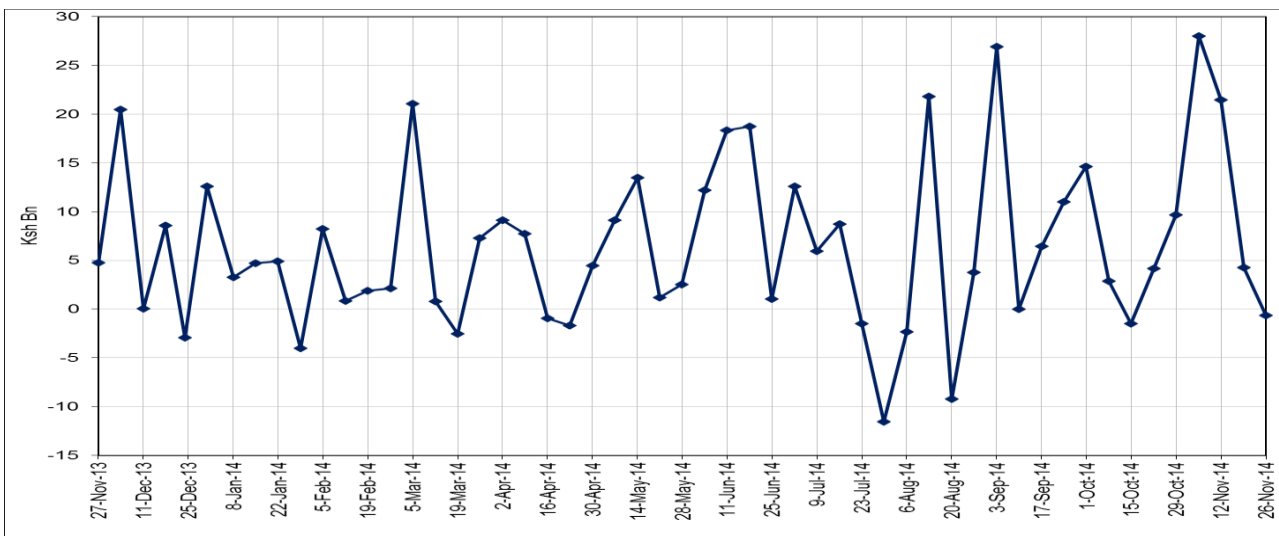


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ clearing account balance decreased during the week ending November 26, 2014, to a deficit of KSh 0.64 billion in relation to the cash reserve requirement of 5.25 percent (KSh 114.3 billion) from a surplus of KSh 4.28 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

During the week ending November 27, 2014, the Kenya Shilling depicted mixed performance against major international and regional currencies. Against major international currencies, the Kenya Shilling strengthened to the Euro and the Japanese Yen by 0.18 percent and 0.70 percent respectively but weakened to the US Dollar and the Pound Sterling by 0.12 percent and 0.38 percent respectively. Meanwhile, in the EAC region, the Kenya Shilling strengthened to the Uganda and Tanzania Shillings as well as the Burundi Franc but weakened to the Rwanda Franc (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
21-Nov-14	90.05	141.33	112.98	76.39	30.48	19.22	7.64	17.44
24-Nov-14	90.18	141.26	111.79	76.43	30.55	19.24	7.63	17.41
25-Nov-14	90.22	141.50	112.04	76.49	30.48	19.27	7.63	17.40
26-Nov-14	90.31	141.68	112.64	76.69	30.45	19.27	7.63	17.39
27-Nov-14	90.13	142.34	112.69	76.77	30.80	19.30	7.64	17.28
21-27 Nov 2014	90.18	141.62	112.43	76.55	30.55	19.26	7.63	17.38

Source: Central Bank of Kenya

The Capital Markets

In the equities segment of the market, the NASI Index, number of deals, Equity Turnover, Market Capitalization, FTSE NSE Kenya 15 and FTSE NSE Kenya 25 Index recorded gains. On the decline were; NSE 20 Share Index and Volume traded. The Bonds Turnover recorded a decline while FTSE Kenya Government Bond Index gained.

Equities Market

The NSE 20 Share Index shed 13.02 points but NASI gained 1.70 points in the week ending November 27, 2014 (**Table 4**). Shareholders' wealth measured by market capitalization increased by KSh 24.06 billion while the Equity turnover increased by 3.6 percent on account of increased average share prices.

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	27-Nov-14
NASI 100= 2008	163.63	162.42	161.10	160.86	159.68	159.13	162.63	162.07	163.77
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	5,132.26
Number of Deals	15,971	12,522	17,031	9,319	12,043	10,402	10,640	10,206	11,058
Total Shares Traded	151.79	104.63	209.14	87.62	112.82	140.38	146.50	204.81	131.36
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	3,843.14
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	2,314.46
Bonds Turnover (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	8,036.76
FTSE NSE Kenya 15 Index	214.72	213.16	210.05	208.50	208.21	205.56	210.69	210.63	213.93
FTSE NSE Kenya 25 Index	214.85	213.64	212.43	208.87	207.87	205.95	211.19	211.32	215.41
FTSE NSE Bond Index	93.45	93.69	92.94	91.88	93.33	93.90	92.44	93.10	93.20

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 higher at 213.93 points from 210.63 points while FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE rose to 215.41 points from 211.32 points. The FTSE Government Bond Index increased to 93.2 points from 93.1 in the previous week, reflecting decline in market yields.

Telecommunication and Technology, Banking and Manufacturing and Allied sectors were the top three most active, representing 32.52 percent, 23.96 percent and 14.1 percent of the total shares traded, respectively. Agricultural sector was least active, with 187,200 shares traded in the period.

The Bond Market

The bond's turnover declined by 48.7 percent to KSh 8,036.76 million from KSh 15,664.7 million in the previous week on account of declining volumes. The number of deals declined to 80 from the 173 deals traded last week.

TABLE 5: PERFORMANCE OF TREASURY SECURITIES AUCTIONS

91-Day Treasury Bills							
Date of Auction	16-Oct-14	23-Oct-14	30-Oct-14	6-Nov-14	13-Nov-14	20-Nov-14	27-Nov-14
Amount offered (Ksh M)	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Bids received (Ksh M)	2,719.57	639.08	458.49	11,117.40	4,812.80	4,502.93	2,353.75
Amount Accepted (Ksh M)	2,472.19	639.08	458.49	3,643.06		4,502.93	1,131.09
Maturities (Ksh M)	2,782.45	768.00	2,975.30	909.31	3,017.70	1,267.80	1,075.55
Average interest Rate (%)	8.715	8.706	8.670	8.696	8.609	8.597	8.605
182-Day Treasury Bills							
Date of Auction	15-Oct-14	22-Oct-14	29-Oct-14	5-Nov-14	12-Nov-14	19-Nov-14	26-Nov-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	3711.46	685.15	992.92	2871.53	5027.48	1152.28	4226.59
Amount Accepted (Ksh M)	2518.12	685.15	754.97	2680.41	4540.09	1152.28	4226.59
Maturities (Ksh M)	5156.95	949.05	4365.25	1423	4760.29	695.6	3576.25
Average interest Rate (%)	8.986	9.000	9.105	9.183	9.211	9.201	9.286
364-Day Treasury Bills							
Date of Auction	15-Oct-14	22-Oct-14	29-Oct-14	5-Nov-14	12-Nov-14	19-Nov-14	26-Nov-14
Amount offered (Ksh M)	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Bids received (Ksh M)	11461.66	2675.90	7091.10	8171.93	6039.16	4098.14	2345.52
Amount Accepted (Ksh M)	7724.80	1770.69	6511.06	7465.73	5540.80	4098.14	4098.14
Maturities (Ksh M)	4455.5	1052.6	1766.7	2237.53	2439.53	2880.55	2880.55
Average interest Rate (%)	10.172	10.231	10.257	10.242	10.212	10.244	11.244
Treasury Bonds							
Date of Auction	22-Oct-14		29-Oct-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	15 year Fxd	
Amount offered (Ksh M)	15000		20000	20000	20000	15000	
Bids received (Ksh M)	38770.34		10789.6	6991.13	1572.88	11897.41	
Amount Accepted (Ksh M)	15805.43		10640.6	6991.13	1572.88	10708.89	
Maturities (Ksh M)	13764.3		0	0	0	0	
Average interest Rate (%)	11.263		11.263	11.263	11.263	12.422	

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	3rd October 2014	10th October 2014	17th October 2014	24th October 2014	31st October 2014	7th November 2014	14th November 2014	21st November 2014
1. Treasury Bills (Excluding Repos)	276.04	281.49	282.09	283.35	283.90	283.17	293.02	296.60
(As % of total securities)	23.08	23.43	23.47	23.55	23.54	23.29	23.76	24.67
2. Treasury Bonds	919.85	919.85	919.85	919.85	922.10	932.89	939.98	905.87
(As % of total securities)	76.92	76.57	76.53	76.45	76.46	76.71	76.24	75.33
3. Total Securities (1+2)	1,195.89	1,201.35	1,201.95	1,203.20	1,206.00	1,216.06	1,232.99	1,202.47
4. Overdraft at Central Bank	22.67	18.35	18.90	20.99	18.30	19.78	10.85	11.09
5. Other Domestic debt*	30.64	30.61	30.62	30.61	30.61	30.60	29.99	65.70
6. Gross Domestic Debt (3+4+5)	1,249.20	1,250.31	1,251.46	1,254.80	1,254.91	1,266.44	1,273.84	1,279.26

* 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

CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	26-Sep-14	3-Oct-14	10-Oct-14	17-Oct-14	24-Oct-14	31-Oct-14	7-Nov-14	14-Nov-14	21-Nov-14
Treasury bills (Excluding Repos)	22.5	22.1	22.5	22.5	22.6	22.6	22.4	23.0	23.2
Treasury bonds	73.6	73.6	73.6	73.5	73.3	73.5	73.7	73.8	70.8
CBK Overdraft to Govt	1.4	1.8	1.5	1.5	1.7	1.5	1.6	0.9	0.9
Other domestic debt	2.6	2.5	2.4	2.4	2.4	2.4	2.4	2.4	5.1
TOTAL	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

	26-Sep-14	3-Oct-14	10-Oct-14	17-Oct-14	24-Oct-14	31-Oct-14	7-Nov-14	14-Nov-14	21-Nov-14
Banking Institutions	51.9	52.4	52.3	52.5	52.8	52.6	52.9	52.8	53.3
Insurance Companies	10.3	10.2	10.2	10.2	10.0	10.2	10.1	10.1	10.0
Parastatals	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.8	2.8
Pension funds	25.9	25.7	25.8	25.7	25.6	25.3	24.8	24.8	24.4
Other investors	9.0	8.8	8.9	8.7	8.7	9.1	9.3	9.4	9.4
Total	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	27-Nov-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,160	7,143	7,097	7,090	7,089	7,035	7,011	6,961	6,901
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	4.50

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya