



OCTOBER 17, 2014

Highlights

The money market was relatively liquid during the week ending October 15, 2014 supported by Government payments and maturities of repos and term auction deposits (TAD). The Central Bank liquidity management resulted in net liquidity withdrawal of KSh 12.0 billion through repo securities and term auction deposits (TAD). The average interbank rate decreased to 6.05 percent in the week ending October 15, 2014 from 6.62 percent the previous week.

The Nairobi Securities Exchange recorded mixed performance in both equity and bond segment.

Monetary Policy Operations

The money market was relatively liquid during the week ending October 15, 2014 supported by Government payments and maturities of repos and term auction deposits (TAD). The Central Bank liquidity management resulted in net liquidity withdrawal of KSh 12.0 billion through repo securities and term auction deposits (TAD). Reserve money averaged KSh 321.6 billion during the week and was KSh 19.2 billion below target (Table 1).

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

	9-Oct-14	10-Oct-14	13-Oct-14	14-Oct-14	15-Oct-14	Total
Liquidity Flows						
Total liquidity injection	8.9	11.6	34.1	9.6	7.1	71.3
Repos Maturities	0.0	6.6	11.3	4.2	2.0	24.0
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.0	0.2	3.2	0.7	2.9	7.0
T/bills redemptions	0.0	0.0	10.6	0.0	0.0	10.6
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	8.9	4.8	2.6	4.7	2.2	23.2
Total liquidity reduction	11.0	11.6	36.4	12.2	6.9	78.2
T/bills (Primary issues)	0.0	0.0	10.7	0.0	0.0	10.7
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
Repos	6.3	7.3	8.9	6.0	2.5	31.0
Term Auction Deposit	0.0	0.4	5.5	3.6	2.5	12.0
Transfer from Banks -Taxes	4.7	3.8	5.0	2.6	1.9	18.0
Net liquidity injection (+)/Withdrawal (-)	-2.2	0.0	-2.3	-2.6	0.2	-6.9
Open Market Operations Outcome						
Posted Amount	6.3	7.7	14.4	13.1	6.0	47.6
Realised Amount						
Repo (-)	6.30	7.28	8.93	6.00	2.50	31.0
Term Auction Deposits (-)	0.00	0.44	5.48	3.55	2.50	12.0
Reverse Repo (+)						0.0
Reserve Money Position						
						Average
Reserve money (actual)	324.4	324.4	322.6	319.1	317.6	321.6
Reserve money target	343.3	343.3	339.1	339.1	339.1	340.8
Deviation from target	-18.9	-18.9	-16.5	-20.0	-21.5	-19.2
Commercial banks excess reserves	1.7	0.9	-0.7	-4.4	-5.8	-1.6
Cash outside bank	-20.6	-19.9	-15.7	-15.6	-15.7	-17.5

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate fell to 6.05 percent in the week ending October 15, 2014 from 6.62 percent the previous week. The volume transacted decreased to KSh 15.16 billion from KSh 20.77 billion traded in the previous week, whereas the average number of deals decreased from 41 to 33 deals (**Table 2 and Chart A**).

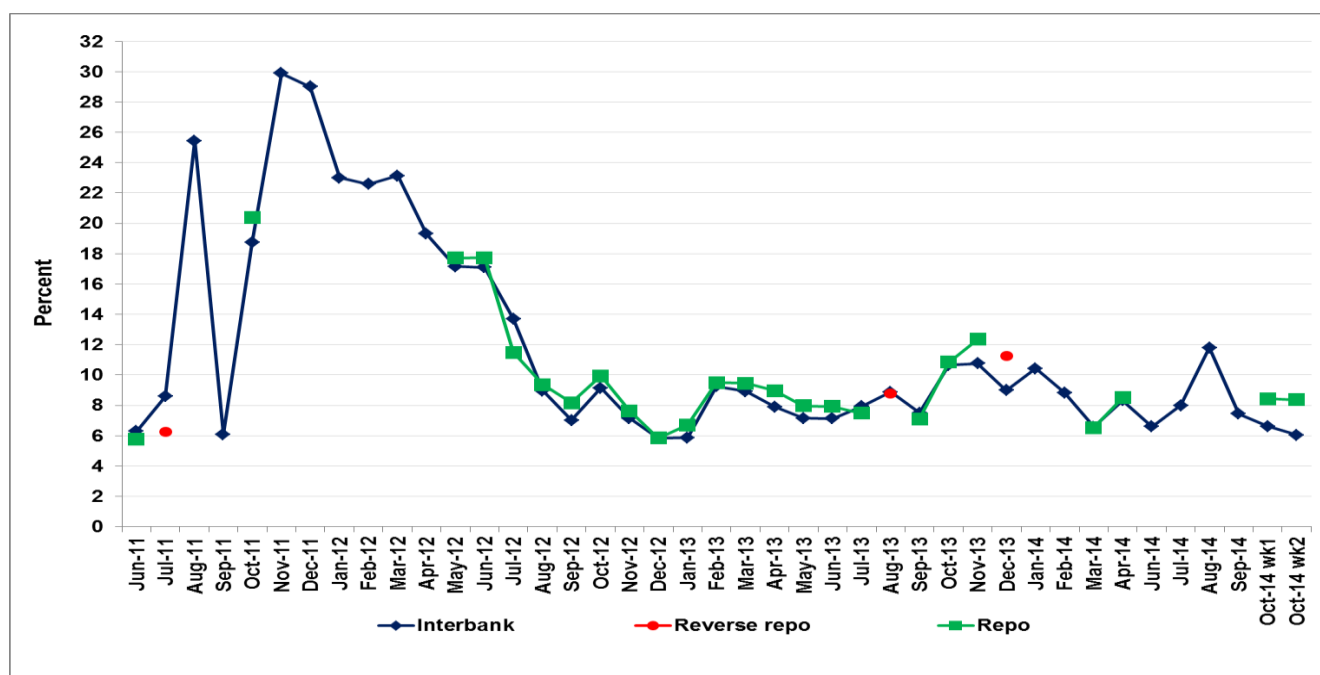
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
2-Oct-14	47	19,515	6.67
3-Oct-14	50	24,155	6.70
6-Oct-14	36	26,200	6.65
7-Oct-14	34	21,650	6.59
8-Oct-14	37	12,325	6.48
October 2, 2014 - October 8, 2014	41	20,769	6.62
9-Oct-14	30	10,845	6.40
10-Oct-14	40	17,225	6.16
13-Oct-14	29	14,175	5.97
14-Oct-14	28	14,115	5.81
15-Oct-14	36	19,455	5.93
October 9, 2014 - October 15, 2014	33	15,163	6.05

Source: Central Bank of Kenya

The average repo rate decreased marginally to 8.36 percent in the week ending October 15, 2014 from 8.5 percent recorded during the previous week.

CHART A: INTERBANK AND REPO INTEREST RATES

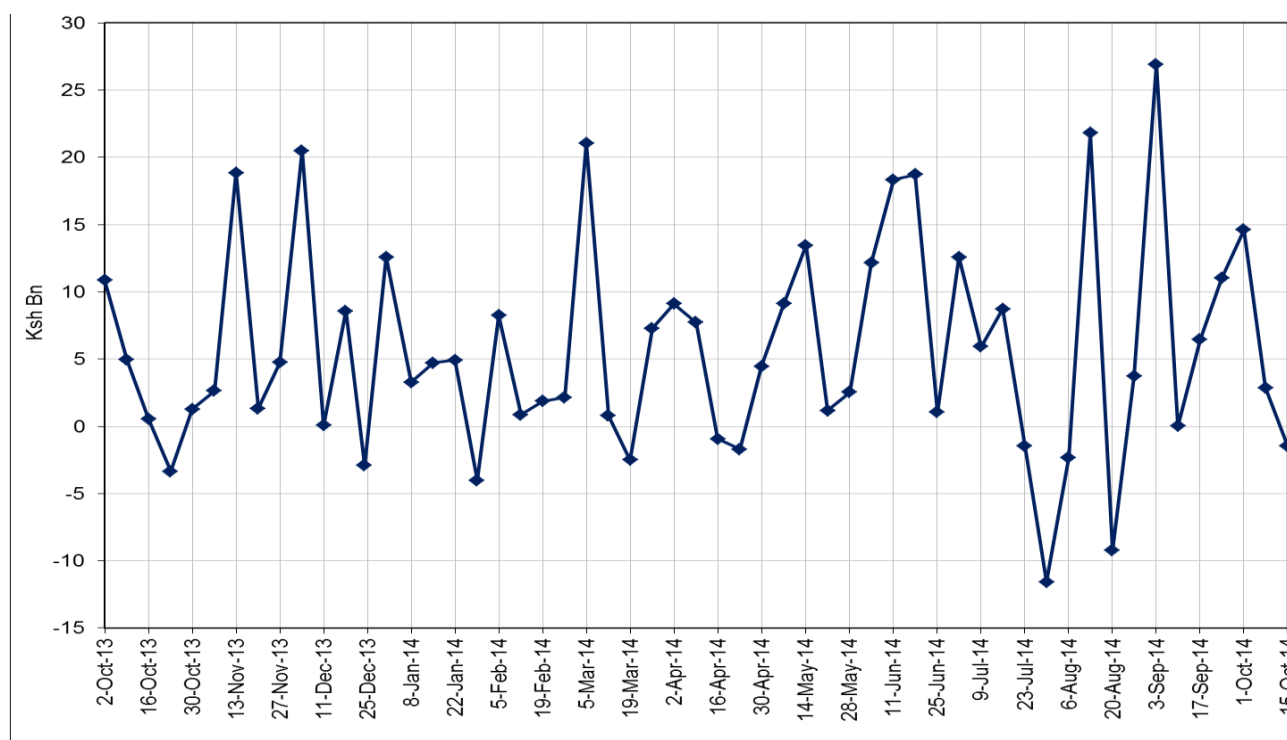


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account balance decreased during the week ending October 15, 2014, to a deficit of KSh 1.47 billion in relation to the cash reserve requirement of 5.25 percent (KSh 113.5 billion) from a surplus of KSh 2.87 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 currencies during the week ending October 16, 2014. Against the US dollar and the Pound Sterling the shilling strengthened by 0.08 percent and 0.5 percent, respectively, but depreciated by 0.52 percent and 1.29 percent, respectively, against the Euro and the Japanese Yen. In the EAC region the Kenya Shilling strengthened against all EAC currencies during the review period (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
3-Oct-14	89.33	144.92	113.01	82.19	29.61	18.78	7.70	17.27
6-Oct-14	89.32	142.75	112.03	81.63	29.79	18.75	7.67	17.35
7-Oct-14	89.30	143.67	112.76	82.12	29.67	18.80	7.70	17.36
8-Oct-14	89.23	143.34	112.73	82.30	29.70	18.83	7.71	17.37
9-Oct-14	89.09	144.21	113.52	82.50	29.83	18.86	7.72	17.40
3 - 9 Oct 2014	89.25	143.78	112.81	82.15	29.72	18.80	7.70	17.35
10-Oct-14	89.05	143.60	113.16	82.60	29.87	18.89	7.73	17.29
13-Oct-14	89.12	143.65	112.96	83.02	29.97	18.92	7.72	17.67
14-Oct-14	89.26	143.53	113.52	83.26	30.05	18.92	7.73	17.53
15-Oct-14	89.33	142.21	113.04	83.23	30.11	18.91	7.70	17.41
16-Oct-14	89.17	142.31	114.30	83.93	30.02	18.95	7.72	17.61
10 - 16 Oct 2014	89.19	143.06	113.40	83.21	30.00	18.92	7.72	17.50

Source: Central Bank of Kenya

The Nairobi Stock Exchange (NSE)

The NSE recorded mixed performance during the week ending October 16, 2014. The equities segment recorded improved performance in average share price, equities turnover and volume of shares traded, while market capitalization declined. On the other hand, turnover in the bond market segment improved on account of increased supply as average bond prices declined.

Equities Market

Average share prices improved, with the NSE 20 Share Index increasing by 61.34 points and the NASI losing 1.32 points during the week ending October 16, 2014, 2014 (Table 4). The volume of share traded increased by 99.88 percent. Reflecting these developments equity turnover increased by 1.89 percent, whereas market capitalization which measures shareholders wealth decreased by 1.33 percent.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	21-Aug-14	28-Aug-14	4-Sep-14	11-Sep-14	18-Sep-14	25-Sep-14	2-Oct-14	9-Oct-14	16-Oct-14
NASI 100= 2008	156.58	157.09	159.51	159.34	161.10	161.92	163.63	162.42	161.10
NSE 20 Share Index 100= 1996	5,024.64	5,089.16	5,157.15	5,161.21	5,222.87	5,249.92	5,249.65	5,272.53	5,333.87
Number of Deals	10,999	10,984	9,704	12,431	17,031	20,916	15,971	12,522	17,031
Total Shares Traded	168.27	180.51	112.09	136.68	193.36	239.12	151.79	104.63	209.14
Equity Turnover (Ksh. Millions)	3,714.10	3,767.03	2,919.73	3,397.50	4,847.75	5,845.66	5,123.15	4,757.62	4,847.75
Market Capitalization (Ksh. Bn.)	2,193.59	2,204.63	2,238.63	2,238.03	2,262.85	2,274.48	2,308.98	2,293.43	2,262.85
Bonds Turover (Ksh. Millions)	13,232.70	12,600.42	15,795.02	8,263.13	5,959.15	4,499.23	11,423.60	5,709.00	5,959.15
FTSE NSE Kenya 15 Index	203.51	203.20	209.73	208.10	211.52	216.79	214.72	213.16	211.52
FTSE NSE Kenya 25 Index	205.37	204.89	211.25	209.26	212.43	216.39	214.85	213.64	212.43
FTSE NSE Bond Index	93.59	93.61	93.21	93.31	92.94	93.45	93.45	93.69	92.94

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 lower at 211.52 points from 213.16 points in the previous week. Similarly the FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE closed lower at 212.43 points from 213.64 points. The FTSE Government Bond Index closed lower at 92.94 points from 93.69 in the previous week, reflecting increasing yields in the secondary market.

Telecommunication and Technology, Banking, and Construction and Allied sectors were the top three most active, representing 38.45 percent, 18.44 percent and 10.7 percent of the total shares traded, respectively. Agriculture sector was least active, accounting for 188,100 of the shares traded in the period.

The Bond Market

Bond's turnover increased by 4.38 percent to Ksh 5,959.15 million from Ksh 5,709.00 million in the previous week, the increase reflects 16.67 percent increase in the number of deals as the average bond prices declined.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills							
Date of Auction	4-Sep-14	11-Sep-14	18-Sep-14	25-Sep-14	2-Oct-14	9-Oct-14	16-Oct-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Bids received (Ksh M)	1,510.37	4,326.63	2,713.59	4,827.83	3,614.81	1,257.88	2,719.57
Amount Accepted (Ksh M)	1,054.10	3,153.82	2,224.89	4,351.18	3,307.19	1,252.99	2,472.19
Maturities (Ksh M)	3,267.42	12,612.60	9,099.14	4,827.83	5,008.55	4,469.92	2,782.45
Average interest Rate (%)	8.187	8.219	8.637	8.653	8.630	8.614	8.715
182-Day Treasury Bills							
Date of Auction	3-Sep-14	10-Sep-14	17-Sep-14	24-Sep-14	1-Oct-14	8-Oct-14	15-Oct-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)	346.91	801.51	400.9	1508.68	2642.96	1300.6	3711.46
Amount Accepted (Ksh M)	346.91	418.7	400.9	1413.2	2451.81	1300.6	2518.12
Maturities (Ksh M)	5489.24	6693.37	3590.62	6009.26	2967.55	5937.25	5156.95
Average interest Rate (%)	8.550	8.550	8.604	8.741	8.742	8.913	8.986
364-Day Treasury Bills							
Date of Auction	3-Sep-14	10-Sep-14	17-Sep-14	24-Sep-14	1-Oct-14	8-Oct-14	15-Oct-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	5,000.00	5,001.00	5,002.00	5,003.00
Bids received (Ksh M)	9426.48	9019.56	6283.98	10938.81	11824.12	8649.54	11461.66
Amount Accepted (Ksh M)	4858.98	9019.56	6283.98	6250.97	7363.45	8181.82	7724.80
Maturities (Ksh M)	4199.53	4789.75	4951.73	1160.5	626.85	616.15	4455.5
Average interest Rate (%)	10.233	10.163	10.276	10.357	10.380	10.327	10.172
Treasury Bonds							
Date of Auction	17-Sep-14		24-Sep-14				
Tenor	30 Year 7th Re-open		30 Year 8th Re-open		10 year FXD Re-open		
Amount offered (Ksh M)	20000.00		20000		15000		
Bids received (Ksh M)	640.63		748.8		16482.00		
Amount Accepted (Ksh M)	640.63		748.8		15490.1		
Maturities (Ksh M)	0.00		0		0.00		
Average interest Rate (%)	13.775		13.775		12.296		

Source: Central Bank of Kenya

CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	1st August 2014	8th August 2014	15th August 2014	22nd August 2014	29th August 2014	5th September 2014	12th September 2014	19th September 2014	26th September 2014	3rd October 2014	10th October 2014
1. Treasury Bills (Excluding Repos)	311.60	321.22	309.91	311.73	305.61	303.31	296.37	284.73	275.76	276.04	281.50
(As % of total securities)	25.42	26.00	25.31	25.43	24.73	24.89	24.45	23.98	23.39	23.08	23.43
2. Treasury Bonds	914.35	914.35	914.35	914.35	929.94	915.25	915.92	902.70	903.41	919.85	919.85
(As % of total securities)	74.58	74.00	74.69	74.57	75.27	75.11	75.55	76.02	76.61	76.92	76.57
3. Total Securities (1+2)	1,225.95	1,235.58	1,224.27	1,226.09	1,235.56	1,218.56	1,212.29	1,187.42	1,179.17	1,195.89	1,201.35
4. Overdraft at Central Bank	31.24	12.96	24.91	22.60	30.38	33.12	38.27	25.87	17.10	22.67	18.35
5. Other Domestic debt*	32.89	32.89	31.81	31.80	31.24	31.26	31.86	31.86	31.86	30.64	30.60
6. Gross Domestic Debt (3+4+5)	1,290.08	1,281.42	1,280.99	1,280.49	1,297.17	1,282.94	1,282.42	1,245.15	1,228.13	1,249.20	1,250.31

* 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

	1-Aug-14	8-Aug-14	15-Aug-14	22-Aug-14	29-Aug-14	5-Sep-14	12-Sep-14	19-Sep-14	26-Sep-14	3-Oct-14	10-Oct-14
Treasury bills (Excluding Repos)	24.2	25.1	24.2	24.3	23.6	23.6	23.1	22.9	22.5	22.1	22.5
Treasury bonds	70.9	71.4	71.4	71.4	71.7	71.3	71.4	72.5	73.6	73.6	73.6
CBK Overdraft to Govt	2.4	1.0	1.9	1.8	2.3	2.6	3.0	2.1	1.4	1.8	1.5
Other domestic debt	2.5	2.6	2.5	2.5	2.4	2.4	2.5	2.6	2.6	2.5	2.4
TOTAL	100.0	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

	1-Aug-14	8-Aug-14	15-Aug-14	22-Aug-14	29-Aug-14	5-Sep-14	12-Sep-14	19-Sep-14	26-Sep-14	3-Oct-14	10-Oct-14
Banking Institutions	54.2	53.1	53.5	53.3	53.8	53.1	53.3	52.4	51.9	52.4	52.3
Insurance Companies	9.4	9.5	9.5	9.6	9.7	9.8	9.8	10.1	10.3	10.2	10.2
Parastatals	3.0	3.0	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Pension funds	25.8	25.8	25.8	26.1	25.7	25.4	25.4	25.8	25.9	25.7	25.8
Other investors	7.7	8.7	8.2	8.1	7.9	8.8	8.6	8.8	9.0	8.8	8.9
Total	100.0	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)

	4-Sep-14	11-Sep-14	18-Sep-14	25-Sep-14	2-Oct-14	9-Oct-14	16-Oct-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,377	6,317	7,348	7,248	7,160	7,143	7,097
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.21	4.17	4.85	4.78	4.72	4.71	4.68

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya