



OCTOBER 24, 2014

Highlights

The money market remained relatively liquid during the week ending October 22, 2014 supported by maturities of repos and term auction deposits (TAD). The Central Bank liquidity management withdrew liquidity of KSh 24.9 billion through repo securities and term auction deposits (TAD) against maturities of KSh 43.5 billion. The average interbank rate rose to 6.62 percent in the week ending October 22, 2014 from 6.05 percent the previous week.

The Nairobi Securities Exchange recorded a decline in both equity and bond segments.

Monetary Policy Operations

The money market remained relatively liquid during the week ending October 22, 2014 supported by maturities of repos and term auction deposits (TAD). The Central Bank liquidity management withdrew liquidity of KSh 24.9 billion through repo securities and term auction deposits (TAD) against maturities of KSh 43.5 billion. Reserve money averaged KSh 325.6 billion during the week and was KSh 11.4 billion below target (**Table 1**).

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

	16-Oct-14	17-Oct-14	21-Oct-14	22-Oct-14	Total
Liquidity Flows					
Total liquidity injection	13.2	15.7	39.0	6.8	74.7
Repos Maturities	3.0	8.0	14.2	2.5	27.7
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	2.5	2.3	8.4	2.7	15.8
T/bills redemptions	0.0	0.0	11.7	0.0	11.7
T/bonds redemptions	0.0	0.0	2.2	0.0	2.2
Govt payments	7.7	3.5	2.5	1.7	15.4
Total liquidity reduction	8.6	15.0	26.4	15.9	66.0
T/bills (Primary issues)	0.0	0.0	12.7	0.0	12.7
Tbonds Sales	0.0	0.0	0.0	0.0	0.0
Repos	3.0	2.3	7.8	1.0	14.1
Term Auction Deposit	1.8	0.0	2.0	7.0	10.8
Transfer from Banks -Taxes	3.8	10.7	3.9	7.9	26.3
Net liquidity injection (+)/Withdrawal (-)	4.6	0.7	12.5	-9.1	8.8
Open Market Operations Outcome					
Posted Amount	6.0	4.0	19.0	10.0	39.0
Realised Amount					
Repo (-)	3.00	2.25	7.78	1.04	14.1
Term Auction Deposits (-)	1.83	0.00	2.00	7.00	10.8
Reverse Repo (+)					
Reserve Money Position					
Reserve money (actual)	321.9	321.8	334.0	324.6	325.6
Reserve money target	339.1	339.1	334.9	334.9	337.0
Deviation from target	-17.2	-17.3	-0.8	-10.3	-11.4
Commercial banks excess reserves Exc(+)/ Short(-)	-0.6	-0.5	12.2	2.7	3.4
Cash outside bank Exc(+)/ Short(-)	-16.5	-16.8	-13.0	-13.0	-14.8

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate rose to 6.62 percent in the week ending October 22, 2014 from 6.05 percent the previous week. The volume transacted increased slightly to KSh 15.65 billion from KSh 15.16 billion traded in the previous week whereas the average number of deals increased from 33 to 40 deals (**Table 2 and Chart A**).

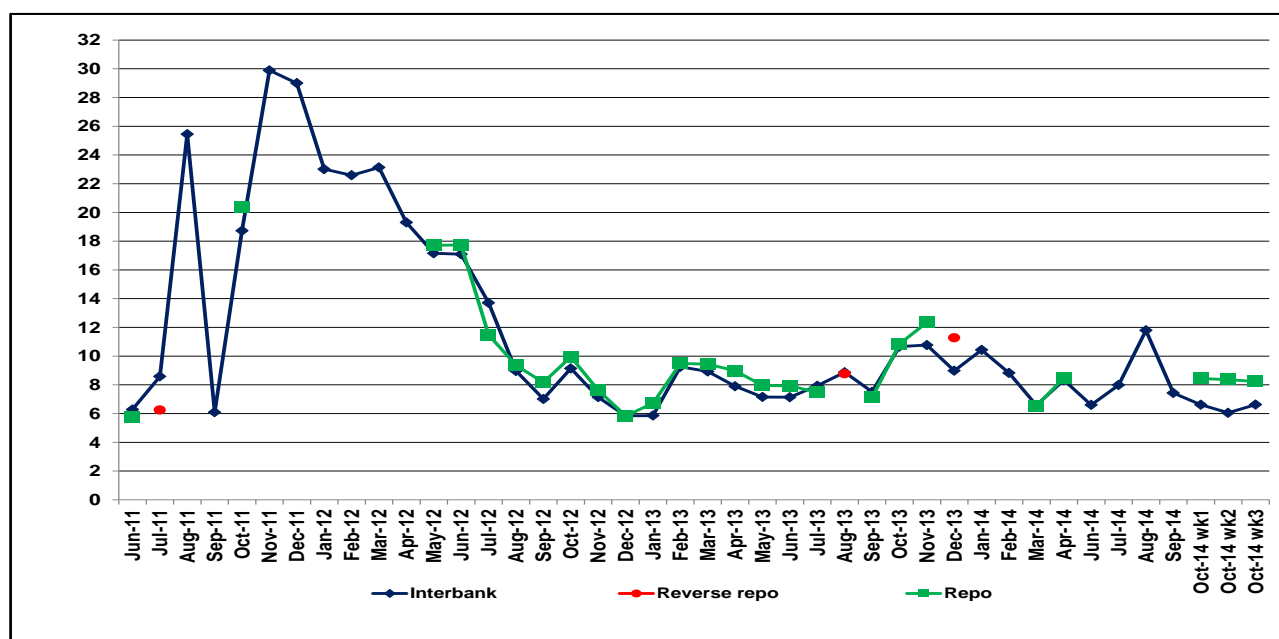
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
09-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
16-Oct-14	42	22,010	6.06
17-Oct-14	35	12,350	6.67
21-Oct-14	37	12,836	6.85
22-Oct-14	47	15,410	6.91
October 16, 2014 - October 22, 2014	40	15,652	6.62

Source: Central Bank of Kenya

The average repo rate decreased marginally to 8.24 percent in the week ending October 22, 2014 from 8.36 percent recorded during the previous week.

CHART A: INTERBANK AND REPO INTEREST RATES

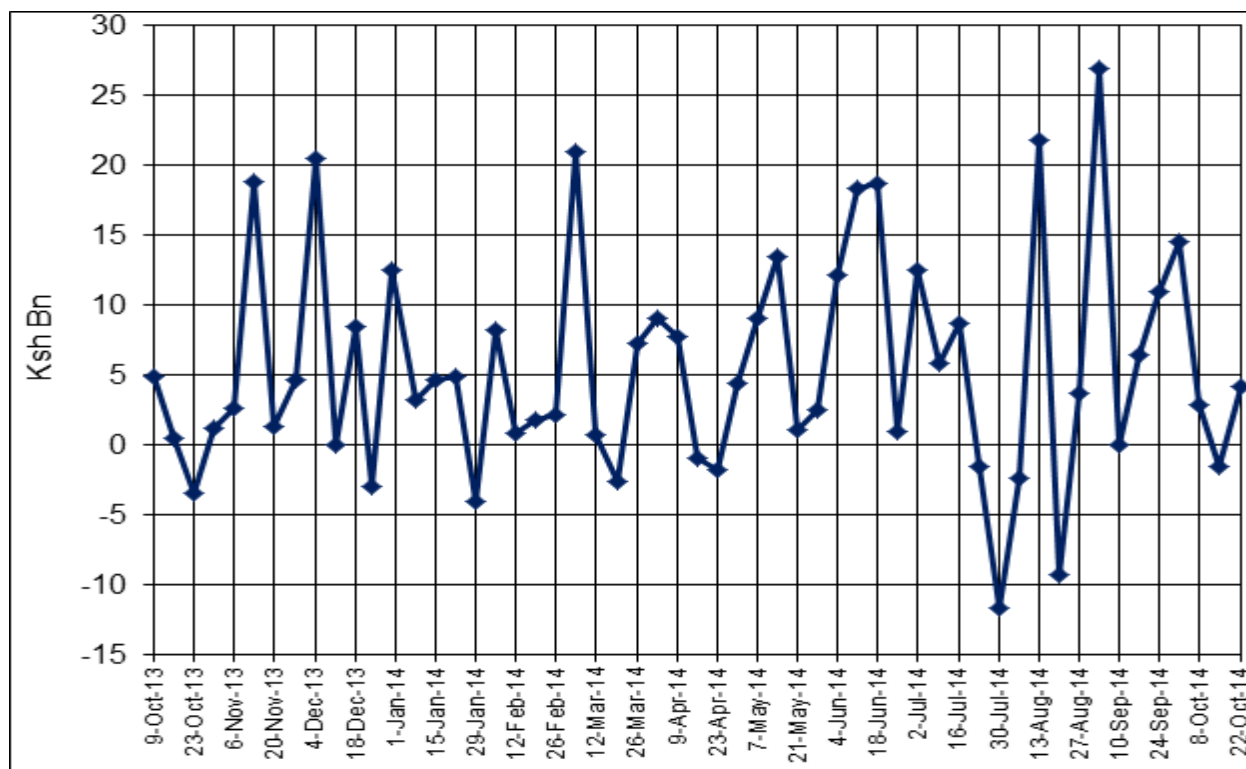


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account balance increased during the week ending October 22, 2014, to KSh 4.17 billion in relation to the cash reserve requirement of 5.25 percent (KSh 113.5 billion) from a deficit of KSh 1.47 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 remained relatively stable against major international and regional currencies in the week ending October 23, 2014. During the week, the Shilling strengthened marginally against the US dollar to trade at an average of Ksh 89.03 per USD compared to Ksh 89.19 per USD in the week ending October 16, 2014. The Shilling weakened against the Pound Sterling, the Euro and the Japanese Yen by 0.24 percent, 0.11 percent and 0.31 percent respectively. In the EAC region the Kenya Shilling strengthened against all the East African currencies. (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
17-Oct-14	88.98	143.07	113.99	83.91	30.06	18.98	7.76	17.64
21-Oct-14	89.11	144.02	114.23	83.68	30.11	19.01	7.72	17.62
22-Oct-14	88.91	143.43	113.28	83.22	30.19	19.10	7.74	17.49
23-Oct-14	89.13	143.06	112.59	83.04	30.41	19.13	7.72	17.45
17 - 23 Oct 2014	89.03	143.40	113.52	83.46	30.19	19.06	7.73	17.55

Source: Central Bank of Kenya

The Nairobi Stock Exchange (NSE)

The NSE performance recorded a decline during the week ending October 23, 2014. The equities segment recorded losses in all market indices, equities turnover, volume of shares traded and number of deals transacted. Market capitalization however added Ksh 7.21 billion. Similarly, the bond market segment had declines in volume traded, number of deals and average bond prices.

Equities Market

Average share prices were lower than last week, with the NSE 20 Share Index shedding 74.44 points while the NASI lost 0.24 points during the week ending October 23, 2014, 2014 (Table 4). The equity turnover decreased by 54.43 percent on account of 58.10 percent decline in volume of shares traded. Market capitalization, which measures shareholders wealth rose by 0.32 percent.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	11-Sep-14	18-Sep-14	25-Sep-14	02-Oct-14	09-Oct-14	16-Oct-14	23-Oct-14
NASI 100= 2008	159.34	161.10	161.92	163.63	162.42	161.10	160.86
NSE 20 Share Index 100= 1996	5,161.21	5,222.87	5,249.92	5,249.65	5,272.53	5,333.87	5,259.43
Number of Deals	12,431	17,031	20,916	15,971	12,522	12,626	9,319
Total Shares Traded (in Millions)	136.68	193.36	239.12	151.79	104.63	209.14	87.62
Equity Turnover (Ksh. Millions)	3,397.50	4,847.75	5,845.66	5,123.15	4,757.62	5,395.48	2,458.87
Market Capitalization (Ksh. Bn.)	2,238.03	2,262.85	2,274.48	2,308.98	2,293.43	2,262.85	2,270.06
Bonds Turnover (Ksh. Millions)	8,263.13	5,959.15	4,499.23	11,423.60	5,709.00	7,960.60	3,279.26
FTSE NSE Kenya 15 Index	208.10	211.52	216.79	214.72	213.16	210.05	208.50
FTSE NSE Kenya 25 Index	209.26	212.43	216.39	214.85	213.64	210.15	208.87
FTSE NSE Bond Index	93.31	92.94	93.45	93.45	93.69	92.09	91.88

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 208.50 points from 210.05 points in the previous week. Similarly the FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE closed lower at 208.87 points from 210.15 points. The FTSE Government Bond Index closed lower at 91.88 points from 92.09 in the previous week, as long term yields declined.

Telecommunication and Technology, Banking, and Energy & Petroleum sectors were the top three most active, representing 37.8 percent, 20.7 percent and 17.4 percent of the total shares traded, respectively. Agriculture sector was least active, accounting for 144,500 of the shares traded in the period.

The Bond Market

The bond's turnover decreased by 58.81 percent to Ksh 3,279.26 million from Ksh 7,960.60 million in the previous week. The number of deals declined to 79 from the 127 deals traded last week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills							
Date of Auction	11-Sep-14	18-Sep-14	25-Sep-14	02-Oct-14	09-Oct-14	16-Oct-14	23-Oct-14
Amount offered (Ksh M)	4,000.00	4,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Bids received (Ksh M)	4,326.63	2,713.59	4,827.83	3,614.81	1,257.88	2,719.57	639.08
Amount Accepted (Ksh M)	3,153.82	2,224.89	4,351.18	3,307.19	1,252.99	2,472.19	639.08
Maturities (Ksh M)	12,612.60	9,099.14	4,827.83	5,008.55	4,469.92	2,782.45	768.00
Average interest Rate (%)	8.219	8.637	8.653	8.630	8.614	8.715	8.706
182-Day Treasury Bills							
Date of Auction	10-Sep-14	17-Sep-14	24-Sep-14	01-Oct-14	08-Oct-14	15-Oct-14	22-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)	801.51	400.9	1508.68	2642.96	1300.6	3711.46	685.15
Amount Accepted (Ksh M)	418.7	400.9	1413.2	2451.81	1300.6	2518.12	685.15
Maturities (Ksh M)	6693.37	3590.62	6009.26	2967.55	5937.25	5156.95	949.05
Average interest Rate (%)	8.550	8.604	8.741	8.742	8.913	8.986	9.000
364-Day Treasury Bills							
Date of Auction	10-Sep-14	17-Sep-14	24-Sep-14	01-Oct-14	08-Oct-14	15-Oct-14	22-Oct-14
Amount offered (Ksh M)	4,000.00	4,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Bids received (Ksh M)	9019.56	6283.98	10938.81	11824.12	8649.54	11461.66	2675.90
Amount Accepted (Ksh M)	9019.56	6283.98	6250.97	7363.45	8181.82	7724.80	1770.69
Maturities (Ksh M)	4789.75	4951.73	1160.5	626.85	616.15	4455.5	1052.6
Average interest Rate (%)	10.163	10.276	10.357	10.380	10.327	10.172	10.231
Treasury Bonds							
Date of Auction	17-Sep-14	24-Sep-14		22-Oct-14			
Tenor	1 Year 7th Re-open	30 Year 8th Re-open	10 year FXD Re-open	12 Year IFB			
Amount offered (Ksh M)	20000.00	20000	15000	15000			
Bids received (Ksh M)	640.63	748.8	16482.00	38770.34			
Amount Accepted (Ksh M)	640.63	748.8	15490.1	15805.43			
Maturities (Ksh M)	0.00	0	0.00	13764.3			
Average interest Rate (%)	13.775	13.775	12.296	11.263			

Source: Central Bank of Kenya

CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	22nd August 2014	29th August 2014	5th September 2014	12th September 2014	19th September 2014	26th September 2014	3rd October 2014	10th October 2014	17th October 2014
1. Treasury Bills (Excluding Repos)	311.73	305.61	303.31	296.37	284.73	275.76	276.04	281.49	282.09
(As % of total securities)	25.43	24.73	24.89	24.45	23.98	23.39	23.08	23.43	23.47
2. Treasury Bonds	914.35	929.94	915.25	915.92	902.70	903.41	919.85	919.85	919.85
(As % of total securities)	74.57	75.27	75.11	75.55	76.02	76.61	76.92	76.57	76.53
3. Total Securities (1+2)	1,226.09	1,235.56	1,218.56	1,212.29	1,187.42	1,179.17	1,195.89	1,201.35	1,201.95
4. Overdraft at Central Bank	22.60	30.38	33.12	38.27	25.87	17.10	22.67	18.35	18.90
5. Other Domestic debt*	31.80	31.24	31.26	31.86	31.86	31.86	30.64	30.61	30.62
6. Gross Domestic Debt (3+4+5)	1,280.49	1,297.17	1,282.94	1,282.42	1,245.15	1,228.13	1,249.20	1,250.31	1,251.46

* 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

	22-Aug-14	29-Aug-14	05-Sep-14	12-Sep-14	19-Sep-14	26-Sep-14	03-Oct-14	10-Oct-14	17-Oct-14
Banking Institutions	53.3	53.8	53.1	53.3	52.4	51.9	52.4	52.3	52.5
Insurance Companies	9.6	9.7	9.8	9.8	10.1	10.3	10.2	10.2	10.2
Parastatals	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Pension funds	26.1	25.7	25.4	25.4	25.8	25.9	25.7	25.8	25.7
Other investors	8.1	7.9	8.8	8.6	8.8	9.0	8.8	8.9	8.7
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)

	04-Sep-14	11-Sep-14	18-Sep-14	25-Sep-14	02-Oct-14	09-Oct-14	16-Oct-14	23-Oct-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,377	6,317	7,348	7,248	7,160	7,143	7,097	7,090
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.21	4.17	4.85	4.78	4.72	4.71	4.68	4.68

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya