



SEPTEMBER 12, 2014

Highlights

Liquidity in the money market improved during the week ending September 10, 2014 supported by redemptions of government securities and government payments. The Central Bank Liquidity Management sterilized liquidity of Ksh 25.2 billion through repos and Ksh 8.0 billion through Term Auction Deposits.

The average interbank rate decreased to 7.10 percent in the week ending September 10, 2014 from 9.34 percent the previous week.

The Nairobi Securities Exchange recorded mixed performance in both the equities and bond market segments in the week ending September 11, 2014. Meanwhile, the NSE IPO to demutualize the bourse which was oversubscribed by 687.2 percent was completed and NSE shares started trading on 9th September 2014.

Monetary Policy Operations

Liquidity in the money market improved during the week ending September 10, 2014 supported by redemptions of government securities and government payments. The Central Bank Liquidity Management sterilized liquidity of Ksh 25.2 billion through repos and Ksh 8.0 billion through Term Auction Deposits. Reserve money averaged Ksh 321.9 billion during the week and was Ksh 26.5 billion below target (**Table 1**).

TABLE 1: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Reserve Money* (Projected)			OMO					Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/Short(-)	Posted	Mop up		Exc(+)/Short(-)	Reverse Repo	Actual	Exc(+)/Short(-)	Exc(+)/Short(-)	Exc(+)/Short(-)
					Repo	Term Auction Deposit						
(1)	(2)	3=(1-2)	(4)	(5)	(6)	7=(5+6-4)	(8)	(9)	(10)=(9-2)	(11)	(12)	
4-Sep-14	338.3	348.7	-10.3	15.0	7.6	0.0	-7.4	0.0	334.6	-14.1	13.7	-27.8
5-Sep-14	324.5	348.7	-24.2	10.0	10.0	0.0	0.0	0.0	323.8	-24.8	1.8	-26.6
8-Sep-14	330.8	348.3	-17.5	8.0	2.7	3.3	-2.1	0.0	323.2	-25.1	0.6	-25.7
9-Sep-14	317.3	348.3	-31.0	5.0	1.7	3.3	0.0	0.0	315.2	-33.1	-7.1	-26.1
10-Sep-14	319.1	348.3	-29.2	5.0	3.2	1.4	-0.3	0.0	312.7	-35.6	-8.9	-26.7
Average	326.0	348.4	-22.4	43.0	25.2	8.0	-9.8	0.0	321.9	-26.5	0.0	-26.6

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased to 7.10 percent in the week ending September 10, 2014 from 9.34 percent the previous week. The volume transacted increased to Ksh 19.98 billion from Ksh 18.95 billion traded in the previous week whereas the average number of deals increased to 58 from 52 (Table 2 and Chart A).

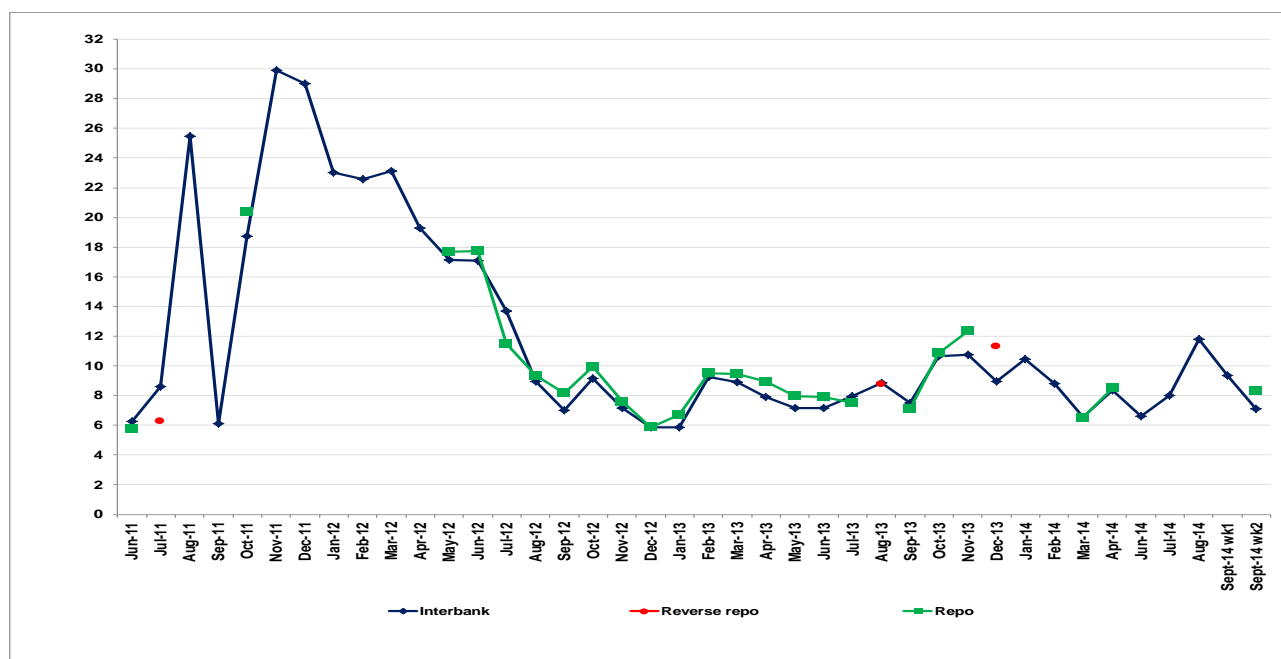
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
28-Aug-14	50	17,776	10.63
29-Aug-14	46	19,970	9.99
1-Sep-14	41	16,968	9.13
2-Sep-14	63	19,628	8.77
3-Sep-14	59	20,404	8.20
August 28, 2014 - September 3, 2014	52	18,949	9.34
4-Sep-14	53	19,226	7.63
5-Sep-14	58	22,355	7.13
8-Sep-14	62	22,565	6.89
9-Sep-14	54	16,145	6.90
10-Sep-14	62	19,585	6.95
September 4, 2014 - September 10, 2014	58	19,975	7.10

Source: Central Bank of Kenya

During the week ending September 10, 2014, OMO desk mopped Ksh 25.2 billion in repo at a weighted average rate of 8.321 percent (Chart A).

CHART A: INTERBANK AND REPO INTEREST RATES

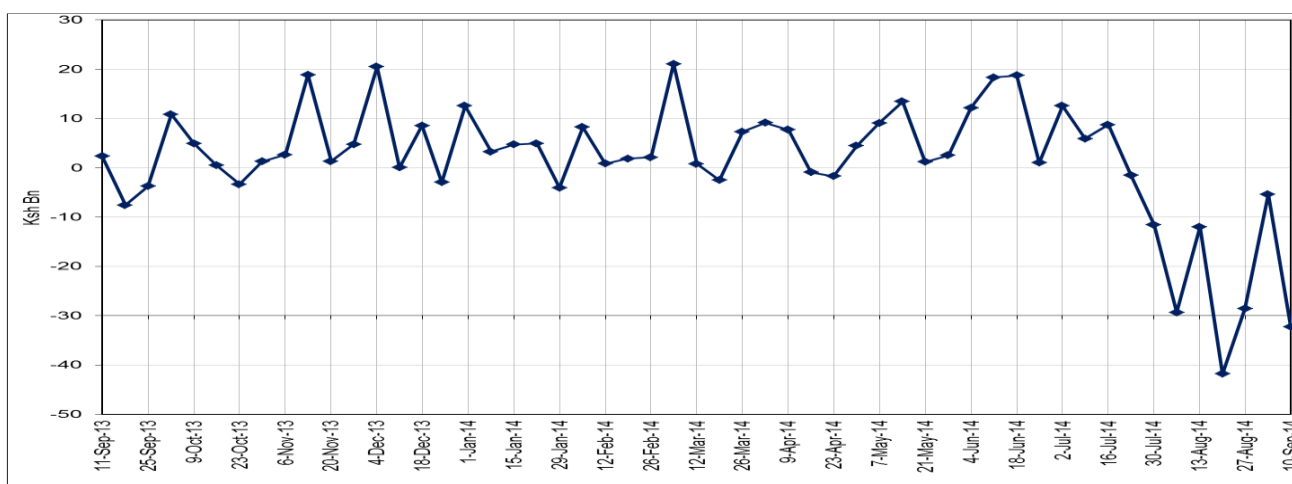


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account balance during the week ending September 11, 2014, recorded a deficit of Ksh 32.3 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 110.0 billion) compared to a deficit of Ksh 5.4 billion recorded in the previous week (**Chart B**). Commercial banks utilized funds in excess of the daily minimum of 3.0 percent to participate in the open market operations of the Central Bank.

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



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling weakened against the US Dollar by 0.14 percent but strengthened to the Pound Sterling, Euro and the Japanese Yen by 2 percent, 1.6 percent and 1.3 percent respectively during the week ending September 11, 2014. In the EAC region the Kenya Shilling weakened to all EAC currencies (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
29-Aug-14	88.39	146.59	116.50	85.13	29.67	18.87	7.78	17.54
01-Sep-14	88.43	146.85	116.10	84.91	29.53	18.85	7.88	17.52
02-Sep-14	88.52	146.81	116.16	84.45	29.45	18.81	7.78	17.51
03-Sep-14	88.63	146.06	116.41	84.46	29.42	18.75	7.77	17.48
04-Sep-14	88.68	145.95	116.55	84.53	29.41	18.78	7.79	17.48
29 Aug-4 Sept 2014	88.53	146.45	116.34	84.69	29.50	18.81	7.80	17.51
05-Sep-14	88.64	144.67	114.70	84.14	29.42	18.78	7.79	17.49
08-Sep-14	88.63	143.44	114.62	84.29	29.43	18.79	7.79	17.49
09-Sep-14	88.62	142.56	114.22	83.41	29.43	18.79	7.79	17.49
10-Sep-14	88.63	143.08	114.61	83.28	29.39	18.77	7.76	17.49
11-Sep-14	88.74	143.74	114.53	82.96	29.41	18.76	7.75	17.47
05 -11 Sept 2014	88.65	143.50	114.53	83.62	29.42	18.78	7.78	17.48

Source: Central Bank of Kenya

Capital Markets

Overall share prices improved, with the NSE 20 Share gaining 4.06 points to close at 5,161.21 points and the NASI declining, albeit marginally by 0.17 points to close at 159.34 points. The price gain can be attributed to the NSE limited new shares listing at the bourse. Market capitalization which reflects shareholders wealth weakened by 0.03 percent, despite 21.94 percent increase in share supply and 16.36 percent increase in share volume compared with the previous week's trading.

Equities Market

The NSE demutualization process through Initial Public Offering (IPO) of 63,500,000 ordinary shares at Ksh 9.50 was completed and the new NSE Limited shares started trading on 9th September 2014 at Ksh 19.60 per share, reflecting 106.32 percent gain (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	24-Jul-14	31-Jul-14	07-Aug-14	14-Aug-14	21-Aug-14	28-Aug-14	04-Sep-14	11-Sep-14
NASI 100= 2008	151.01	151.69	155.83	154.50	156.58	157.09	159.51	159.34
NSE 20 Share Index 100= 1996	4,883.75	4,906.09	5,011.51	5,019.28	5,024.64	5,089.16	5,157.15	5,161.21
Number of Deals	9,825.00	8,063.00	11,366.00	11,466	10,999	10,984	9,704	12,431
Total Shares Traded	137.73	94.98	161.08	90.50	168.27	180.51	112.09	136.68
Equity Turnover (Ksh. Millions)	3,503.83	2,071.85	4,276.47	3,212.34	3,714.10	3,767.03	2,919.73	3,397.50
Market Capitalization (Ksh. Bn.)	2,115.84	2,125.31	2,183.34	2,176.72	2,193.59	2,204.63	2,238.63	2,238.03
Bonds Turover (Ksh. Millions)	14,121.70	10,981.50	17,435.65	9,405.66	13,232.70	12,600.42	15,795.02	8,263.13
FTSE NSE Kenya 15 Index	196.17	198.38	206.78	203.40	203.51	203.20	209.73	208.10
FTSE NSE Kenya 25 Index	198.27	200.51	209.33	205.32	205.37	204.89	211.25	209.26
FTSE NSE Bond Index	93.14	93.02	92.87	93.17	93.59	93.61	93.21	93.31

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 208.10 points from 209.73 points in the previous week. The FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE similarly closed lower at 209.26 points from 211.25 points. On the other hand, The FTSE Government Bond Index closed higher at 93.31 points from 93.21 points reflecting a slight decline of yields in the secondary market.

Banking, Telecommunication and Technology, and manufacturing and allied sectors were the top three most active, transacting 40.22 million or 32.36 percent, 39.41 million or 31.71 percent and 14.03 million or 11.3 percent respectively. Agricultural sector was least active with 536,600 shares traded in the period.

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The Bond Market

Bonds' turnover at the NSE declined significantly 47.69 percent to Ksh 8,263.13 million from Ksh 15,795.02 million in the previous week. This can be attributed to 33.8 percent decline in the corresponding deals closing the week lower at 27 deals from 80 deals in the previous week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills								
Date of Auction	24-Jul-14	31-Jul-14	7-Aug-14	14-Aug-14	21-Aug-14	28-Aug-14	4-Sep-14	11-Sep-14
Amount offered (Ksh M)	3,000.00	3,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	753.17	2,913.74	1,013.40	3,017.99	1,250.94	1,250.94	1,510.37	4,326.63
Amount Accepted (Ksh M)	753.17	2,913.74	911.77	3,017.99	1,250.94	1,093.93	1,054.10	3,153.82
Maturities (Ksh M)	2,403.27	2,638.85	7,132.25	2,021.47	2,242.82	1,054.10	3,267.42	12,612.60
Average interest Rate (%)	8.694	8.475	8.244	8.234	8.209	8.200	8.187	8.219
182-Day Treasury Bills								
Date of Auction	23-Jul-14	30-Jul-14	6-Aug-14	13-Aug-14	20-Aug-14	27-Aug-14	3-Sep-14	10-Sep-14
Amount offered (Ksh M)	3,000.00	3,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	6535.17	5238.77	559.7	903.55	750.18	620.76	346.91	801.51
Amount Accepted (Ksh M)	3074.04	4665.27	462.78	903.55	750.18	620.76	346.91	418.7
Maturities (Ksh M)	609.81	816.75	3283.73	2959.4	3206.73	1972.1	5489.24	6693.37
Average interest Rate (%)	10.060	9.296	8.700	8.700	8.693	8.605	8.550	8.550
364-Day Treasury Bills								
Date of Auction	23-Jul-14	30-Jul-14	6-Aug-14	13-Aug-14	20-Aug-14	27-Aug-14	3-Sep-14	10-Sep-14
Amount offered (Ksh M)	3,000.00	3,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,001.00
Bids received (Ksh M)	4609.56	3841.45	6411.43	8904.00	1057.56	4463.70	9426.48	9019.56
Amount Accepted (Ksh M)	3706.30	1041.64	5025.63	6946.49	877.37	3107.05	4858.98	9019.56
Maturities (Ksh M)	2974.64	2569.35	6713.79	4194.83	3102.02	3470.56	4199.53	4789.75
Average interest Rate (%)	10.330	10.330	10.273	10.331	10.249	10.253	10.233	10.163
Treasury Bonds								
Date of Auction	27-Aug-14		3-Sep-14		10-Sep-14			
Tenor	30 Year SBD 4th Re-open		30 Year SBD 5th Re-open		30 Year SBD 6th Re-open			
Amount offered (Ksh M)	20000.00		20000.00		20000.00			
Bids received (Ksh M)	1753.53		651.25		0.02			
Amount Accepted (Ksh M)	1753.53		651.25		0.02			
Maturities (Ksh M)	0.00		0.00		0.00			
Average interest Rate (%)	13.775		13.775		13.775			

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	4th July 2014	11th July 2014	18th July 2014	25th July 2014	1st August 2014	8th August 2014	15th August 2014	22nd August 2014	29th August 2014	5th September 2014
1. Treasury Bills (Excluding Repos)	299.4	308.0	312.7	316.9	311.6	321.2	309.9	311.7	305.6	303.3
(As % of total securities)	24.7	25.2	25.5	25.9	25.4	26.0	25.3	25.4	24.7	24.9
2. Treasury Bonds	914.8	914.8	914.8	906.5	914.4	914.4	914.4	914.4	929.9	915.3
(As % of total securities)	75.3	74.8	74.5	74.1	74.6	74.0	74.7	74.6	75.3	75.1
3. Total Securities (1+2)	1214.2	1222.7	1227.4	1223.4	1226.0	1235.6	1224.3	1226.1	1235.6	1218.6
4. Overdraft at Central Bank	37.5	29.0	24.8	30.5	31.2	13.0	24.9	22.6	30.4	33.1
5. Other Domestic debt*	31.6	31.6	32.9	32.9	32.9	32.9	31.8	31.8	31.2	31.3
6. Gross Domestic Debt (3+4+5)	1283.3	1283.4	1285.2	1286.8	1290.1	1281.4	1281.0	1280.5	1297.2	1282.9

* 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

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TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	25-Jul-14	01-Aug-14	08-Aug-14	15-Aug-14	22-Aug-14	29-Aug-14	05-Sep-14
Treasury bills (Excluding Repos)	24.6	24.2	25.1	24.2	24.3	23.6	23.6
Treasury bonds	70.4	70.9	71.4	71.4	71.4	71.7	71.3
CBK Overdraft to Govt	2.4	2.4	1.0	1.9	1.8	2.3	2.6
Other domestic debt	2.6	2.5	2.6	2.5	2.5	2.4	2.4
TOTAL	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

	06-Jun-14	04-Jul-14	11-Jul-14	18-Jul-14	25-Jul-14	01-Aug-14	08-Aug-14	15-Aug-14	22-Aug-14	29-Aug-14	05-Sep-14
Banking Institutions	52.3	53.2	53.1	53.3	53.5	54.2	53.1	53.5	53.3	53.8	53.1
Insurance Companies	9.8	9.4	9.4	9.4	9.4	9.4	9.5	9.5	9.6	9.7	9.8
Parastatals	3.2	3.0	3.0	3.0	3.0	3.0	3.0	2.9	2.9	2.9	2.9
Pension funds	26.2	26.0	26.0	25.8	25.6	25.8	25.8	25.8	26.1	25.7	25.4
Other investors	8.5	8.4	8.4	8.5	8.5	7.7	8.7	8.2	8.1	7.9	8.8
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)

	3-Jul-14	10-Jul-14	17-Jul-14	24-Jul-14	31-Jul-14	7-Aug-14	14-Aug-14	21-Aug-14	28-Aug-14	04-Sep-14	11-Sep-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,094	6,458	6,447	6,423	6,418	6,417	6,398	6,367	6,257	6,377	6,317
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.14	4.31	4.31	4.29	4.29	4.29	4.27	4.25	4.18	4.21	4.17

*Excludes Encumbered Reserves and proceeds from the Eurobond

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

Source: Central Bank of Kenya