



SEPTEMBER 19, 2014

### Highlights

The money market was relatively liquid in the week ending September 17, 2014 supported by net redemptions of government securities and repo maturities. The Central Bank liquidity management resulted in net liquidity withdrawal of Ksh 2.6 billion. The average interbank rate therefore, increased marginally to 7.25 percent in the week ending September 17, 2014 from 7.10 percent the previous week.

The Nairobi Securities Exchange recorded mixed performance with improved activity in equities segment and a decline in the bond's segment.

### Monetary Policy Operations

The money market was relatively liquid in the week ending September 17, 2014 supported by redemptions of government securities and repo maturities. The Central Bank liquidity management resulted in net liquidity withdrawal of Ksh 2.6 billion (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(-)	Revers e Repo	Actual	Exc(+)/ Short(-)	Exc(+)/ Short(-)	Exc(+)/ Short(-)
	(1)	(2)	3=(1-2)	(4)	Repo	Term Auction Deposit	7=(5+6-4)	(8)	(9)	(10)=(9-2)	(11)	(12)
11-Sep-14	319.8	348.3	-28.5	7.0	3.3	0.1	-3.6	0.0	314.2	-34.1	-38.9	4.8
12-Sep-14	324.2	348.3	-24.1	10.0	2.2	0.4	-7.4	0.0	321.0	-27.3	-31.6	4.3
15-Sep-14	349.9	347.9	2.0	20.0	5.9	7.3	-6.8	0.0	337.0	-10.9	-15.2	4.2
16-Sep-14	338.2	347.9	-9.7	10.0	3.4	0.0	-6.6	0.0	333.4	-14.5	-18.1	3.6
17-Sep-14	333.8	347.9	-14.1	6.0	4.9	0.3	-0.8	0.0	329.2	-18.7	-21.2	2.5
<b>Average</b>	<b>333.2</b>	<b>348.1</b>	<b>-14.9</b>	<b>53.0</b>	<b>19.8</b>	<b>8.1</b>	<b>-25.2</b>	<b>0.0</b>	<b>327.0</b>	<b>-21.1</b>	<b>-25.0</b>	<b>3.9</b>

Source: Central Bank of Kenya

## Interbank and REPO Rates

The average interbank rate increased marginally to 7.25 percent in the week ending September 17, 2014 from 7.10 percent the previous week. The volume transacted stabilized at Ksh 20.04 billion compared with Ksh 19.98 billion traded in the previous week (Table 2 and Chart A).

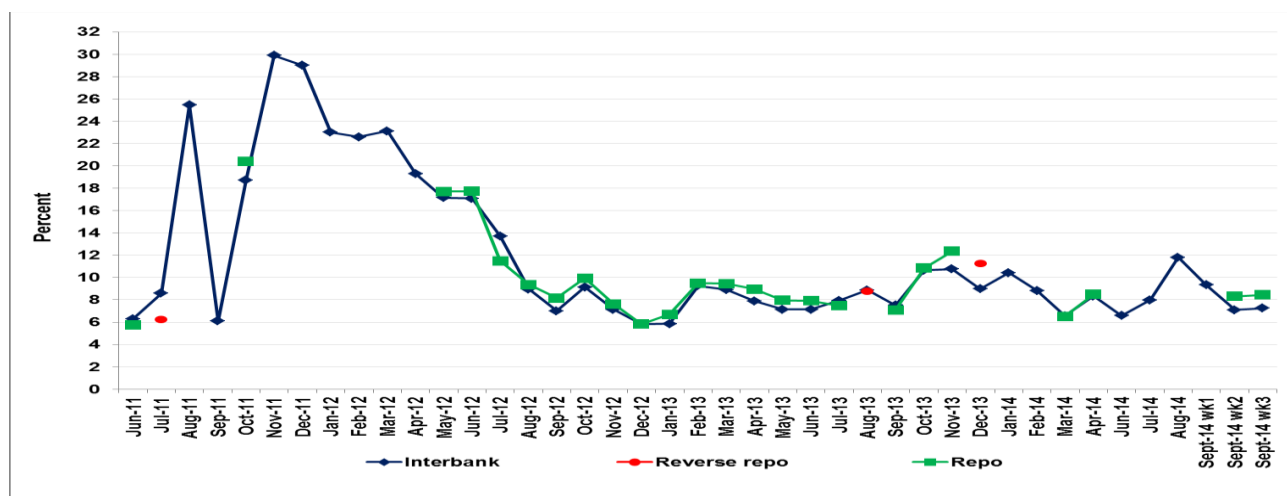
**TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
<b>September 4, 2014 - September 10, 2014</b>	<b>58</b>	<b>19,975</b>	<b>7.10</b>
11-Sep-14	61	20,040	7.07
12-Sep-14	70	22,095	7.24
15-Sep-14	51	17,168	7.27
16-Sep-14	53	19,721	7.35
17-Sep-14	52	21,189	7.34
<b>September 11, 2014 - September 17, 2014</b>	<b>57</b>	<b>20,042</b>	<b>7.25</b>

Source: Central Bank of Kenya

The weighted average repo rate increased marginally to 8.46 percent during the week ending September 17, 2014 compared with 8.32 percent recorded the previous week. (Chart A).

**CHART A: INTERBANK AND REPO INTEREST RATES**

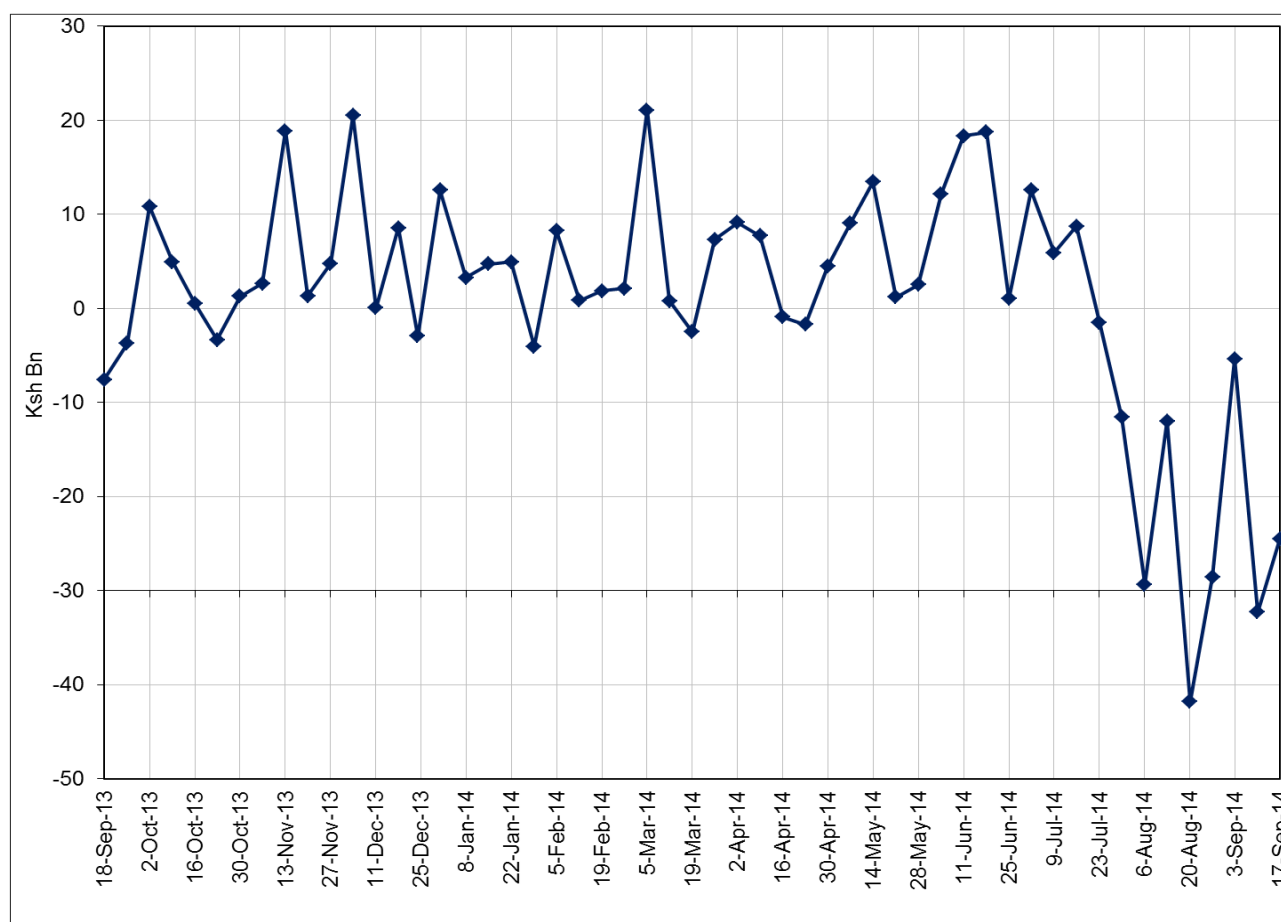


Source: Central Bank of Kenya

### Commercial Banks Clearing Account Balances

Commercial banks' clearing account balance during the week ending September 17, 2014, recorded a deficit of Ksh 25.0 billion at the 5.25 percent (Ksh 112.2 billion) CRR compared with Ksh 32.3 billion deficit recorded in the previous week (Chart B). Commercial banks therefore 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 marginally against major international and regional currencies during the week ending September 18, 2014. It depreciated against the US dollar, the Sterling Pound and the Euro by 0.24 percent, 0.90 percent and 0.41 percent, respectively and strengthened by 1.17 percent against the Japanese Yen. In the EAC region the Kenya Shilling weakened against all the EAC countries (Table 3). The weakening of the shilling largely reflects increased dollar demand mainly from the corporate clients and importers.

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
5-Sep-14	88.64	144.67	114.70	84.14	29.42	18.78	7.79	17.49
8-Sep-14	88.63	143.44	114.62	84.29	29.43	18.79	7.79	17.49
9-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
<b>05 -11 Sept 2014</b>	<b>88.65</b>	<b>143.50</b>	<b>114.53</b>	<b>83.62</b>	<b>29.42</b>	<b>18.78</b>	<b>7.78</b>	<b>17.48</b>
12-Sep-14	88.80	144.02	114.77	82.89	29.41	18.75	7.75	17.46
15-Sep-14	88.82	144.22	115.06	82.87	29.39	18.75	7.65	17.45
16-Sep-14	88.79	144.20	115.05	82.85	29.38	18.76	7.75	17.46
17-Sep-14	88.99	144.93	115.25	83.00	29.35	18.73	7.73	17.42
18-Sep-14	88.95	146.59	114.88	81.60	29.49	18.78	7.74	17.34
<b>11 -18 Sept 2014</b>	<b>88.87</b>	<b>144.79</b>	<b>115.00</b>	<b>82.64</b>	<b>29.40</b>	<b>18.75</b>	<b>7.72</b>	<b>17.42</b>

Source: Central Bank of Kenya

### The Nairobi Stock Exchange (NSE)

The NSE recorded mixed performance during the week ending September 18, 2014. The equities segment recorded improved performance in average share price, volume of share traded and equity turnover. However, turnover in the bond market segment declined in the week under review.

### Equities Market

Share prices improved with the NSE 20 Share index gaining 61.66 points and the NASI gaining 1.76 points during the week ending September 18, 2014 (Table 4). The volume of shares traded also increased by 41.5 percent. Reflecting these developments market turnover increased by 43.7 percent and market capitalization, which measures shareholder's wealth increased by 1.1 percent.

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	24-Jul-14	31-Jul-14	7-Aug-14	14-Aug-14	21-Aug-14	28-Aug-14	4-Sep-14	11-Sep-14	18-Sep-14
NASI 100= 2008	151.01	151.69	155.83	154.50	156.58	157.09	159.51	159.34	161.10
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	5,222.87
Number of Deals	9,825.00	8,063.00	11,366.00	11,466	10,999	10,984	9,704	12,431	17,031
Total Shares Traded	137.73	94.98	161.08	90.50	168.27	180.51	112.09	136.68	193.36
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	4,847.75
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	2,262.85
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	5,959.15
FTSE NSE Kenya 15 Index	196.17	198.38	206.78	203.40	203.51	203.20	209.73	208.10	211.52
FTSE NSE Kenya 25 Index	198.27	200.51	209.33	205.32	205.37	204.89	211.25	209.26	212.43
FTSE NSE Bond Index	93.14	93.02	92.87	93.17	93.59	93.61	93.21	93.31	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 higher at 211.52 points from 208.10 points in the previous week. The FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE similarly closed higher at 212.43 points from 209.26 points. On the other hand, The FTSE Government Bond Index declined to 92.94 points from 93.31 points reflecting, rising yields in the secondary market.

Telecommunication and Technology, Banking, and Energy and petroleum sectors were the top three most active, transacting 43.78 million, 38.56 million and 22.47 million shares which represented 25.38 percent, 22.35 percent and 13.02 percent of the total shares traded, respectively. Agricultural sector was least active with 245.600 shares traded in the period.

## The Bond Market

Bonds' turnover declined by 27.88 percent to Ksh 5,959.15 million from Ksh 8,263.13 million in the previous week.

**TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS**

<b>91-Day Treasury Bills</b>									
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	18-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	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	2,713.59
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	2,224.89
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	9,099.14
Average interest Rate (%)	8.694	8.475	8.244	8.234	8.209	8.200	8.187	8.219	8.637
<b>182-Day Treasury Bills</b>									
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	17-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	4,000.00
Bids received (Ksh M)	6535.17	5238.77	559.7	903.55	750.18	620.76	346.91	801.51	400.9
Amount Accepted (Ksh M)	3074.04	4665.27	462.78	903.55	750.18	620.76	346.91	418.7	400.9
Maturities (Ksh M)	609.81	816.75	3283.73	2959.4	3206.73	1972.1	5489.24	6693.37	3590.62
Average interest Rate (%)	10.060	9.296	8.700	8.700	8.693	8.605	8.550	8.550	8.604
<b>364-Day Treasury Bills</b>									
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	17-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	4,002.00
Bids received (Ksh M)	4609.56	3841.45	6411.43	8904.00	1057.56	4463.70	9426.48	9019.56	6283.98
Amount Accepted (Ksh M)	3706.30	1041.64	5025.63	6946.49	877.37	3107.05	4858.98	9019.56	6283.98
Maturities (Ksh M)	2974.64	2569.35	6713.79	4194.83	3102.02	3470.56	4199.53	4789.75	4951.73
Average interest Rate (%)	10.330	10.330	10.273	10.331	10.249	10.253	10.233	10.163	10.276
<b>Treasury Bonds</b>									
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		30 Year 7th Re-open		
Amount offered (Ksh M)	20000.00		20000.00		20000.00		20000.00		
Bids received (Ksh M)	1753.53		651.25		0.02		640.63		
Amount Accepted (Ksh M)	1753.53		651.25		0.02		640.63		
Maturities (Ksh M)	0.00		0.00		0.00		0.00		
Average interest Rate (%)	13.775		13.775		13.775		13.775		

Source: Central Bank of Kenya

## CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

**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	12th 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	296.4
(As % of total securities)	24.7	25.2	25.5	25.9	25.4	26.0	25.3	25.4	24.7	24.9	24.4
2. Treasury Bonds	914.8	914.8	914.8	906.5	914.4	914.4	914.4	914.4	929.9	915.3	915.9
(As % of total securities)	75.3	74.8	74.5	74.1	74.6	74.0	74.7	74.6	75.3	75.1	75.6
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	1212.3
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	38.3
5. Other Domestic debt*	31.6	31.6	32.9	32.9	32.9	32.9	31.8	31.8	31.2	31.3	31.9
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	1282.4

\* 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**

	4-Jul-14	11-Jul-14	18-Jul-14	25-Jul-14	1-Aug-14	8-Aug-14	15-Aug-14	22-Aug-14	29-Aug-14	5-Sep-14	12-Sep-14
Treasury bills (Excluding Repos)	23.3	24.0	24.3	24.6	24.2	25.1	24.2	24.3	23.6	23.6	23.1
Treasury bonds	71.3	71.3	71.2	70.4	70.9	71.4	71.4	71.4	71.7	71.3	71.4
CBK Overdraft to Govt	2.9	2.3	1.9	2.4	2.4	1.0	1.9	1.8	2.3	2.6	3.0
Other domestic debt	2.5	2.5	2.6	2.6	2.5	2.6	2.5	2.5	2.4	2.4	2.5
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Source: Central Bank of Kenya**

**TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER**

	4-Jul-14	11-Jul-14	18-Jul-14	25-Jul-14	1-Aug-14	8-Aug-14	15-Aug-14	22-Aug-14	29-Aug-14	5-Sep-14	12-Sep-14
Banking Institutions	53.2	53.1	53.3	53.5	54.2	53.1	53.5	53.3	53.8	53.1	53.3
Insurance Companies	9.4	9.4	9.4	9.4	9.4	9.5	9.5	9.6	9.7	9.8	9.8
Parastatals	3.0	3.0	3.0	3.0	3.0	3.0	2.9	2.9	2.9	2.9	2.9
Pension funds	26.0	26.0	25.8	25.6	25.8	25.8	25.8	26.1	25.7	25.4	25.4
Other investors	8.4	8.4	8.5	8.5	7.7	8.7	8.2	8.1	7.9	8.8	8.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Source: Central Bank of Kenya**

**TABLE 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)**

	31-Jul-14	7-Aug-14	14-Aug-14	21-Aug-14	28-Aug-14	4-Sep-14	11-Sep-14	18-Sep-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,418	6,417	6,398	6,367	6,257	6,377	6,317	7,348
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.29	4.29	4.27	4.25	4.18	4.21	4.17	4.85

\*Excludes Encumbered Reserves

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

**Source: Central Bank of Kenya**