



**JANUARY 9, 2015**

## **Highlights**

*The money market was fairly liquid during the week ending January 7, 2015 owing to government payments and redemption of government securities. Reflecting improved liquidity in the money market, the average interbank rate decreased to 6.91 percent in the week ending January 7, 2015 from 7.56 percent recorded in the previous week.*

*The capital markets opened the year 2015 with first week recording weak performance across all key market indicators.*

## **Monetary Policy Operations**

The money market was fairly liquid during the week ending January 7, 2015 on account of government payments and redemption of government securities. The Central Bank Liquidity Management withdrew liquidity of Ksh 32.4 billion through repo securities and term auction deposits. Reserve money averaged Ksh 353.7 billion during the week and was Ksh 3.9 billion above target (**Table 1**).

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

	2-Jan-15	5-Jan-15	6-Jan-15	7-Jan-15	Total
<b>Liquidity Flows</b>					
<b>Total liquidity injection</b>	<b>2.0</b>	<b>11.0</b>	<b>7.0</b>	<b>6.1</b>	<b>26.2</b>
Repos Maturities	0.0	0.0	5.8	0.0	5.8
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.2	0.0	0.0	0.0	0.2
T/bills redemptions	0.0	10.6	0.0	0.0	10.6
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0
Govt payments	1.9	0.4	1.2	6.1	9.6
<b>Total liquidity reduction</b>	<b>16.6</b>	<b>20.9</b>	<b>12.7</b>	<b>8.4</b>	<b>58.6</b>
T/bills (Primary issues)	0.0	8.6	0.0	0.0	8.6
Tbonds Sales	0.0	0.0	0.0	0.0	0.0
Repos	2.7	10.0	10.0	4.9	27.6
Term Auction Deposit	6.0	0.0	0.0	0.3	6.3
Transfer from Banks -Taxes	5.2	2.2	2.7	3.2	13.3
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>-14.6</b>	<b>-9.8</b>	<b>-5.7</b>	<b>-2.3</b>	<b>-32.4</b>
<b>Open Market Operations Outcome</b>					
<b>Posted Amount</b>	15.0	10.0	10.0	7.0	42.0
<b>Realised Amount</b>	<b>8.7</b>	<b>10.0</b>	<b>10.0</b>	<b>5.2</b>	<b>33.9</b>
Repo (-)	2.7	10.0	10.0	4.9	27.6
Term Auction Deposits (-)	6.0	0.0	0.0	0.3	6.3
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0
<b>Reserve Money Position</b>					<b>Average</b>
Reserve money (actual)	364.1	355.3	349.6	345.9	353.7
Reserve money target	349.8	349.8	349.8	349.8	349.8
Deviation from target	14.2	5.4	-0.2	-3.9	3.9
Commercial banks excess reserves Exc(+)/ Short(-)	25.6	17.1	11.0	6.9	15.1
Cash outside bank Exc(+)/ Short(-)	-11.4	-11.6	-11.2	-10.9	-11.3

Source: Central Bank of Kenya

## Interbank Rates

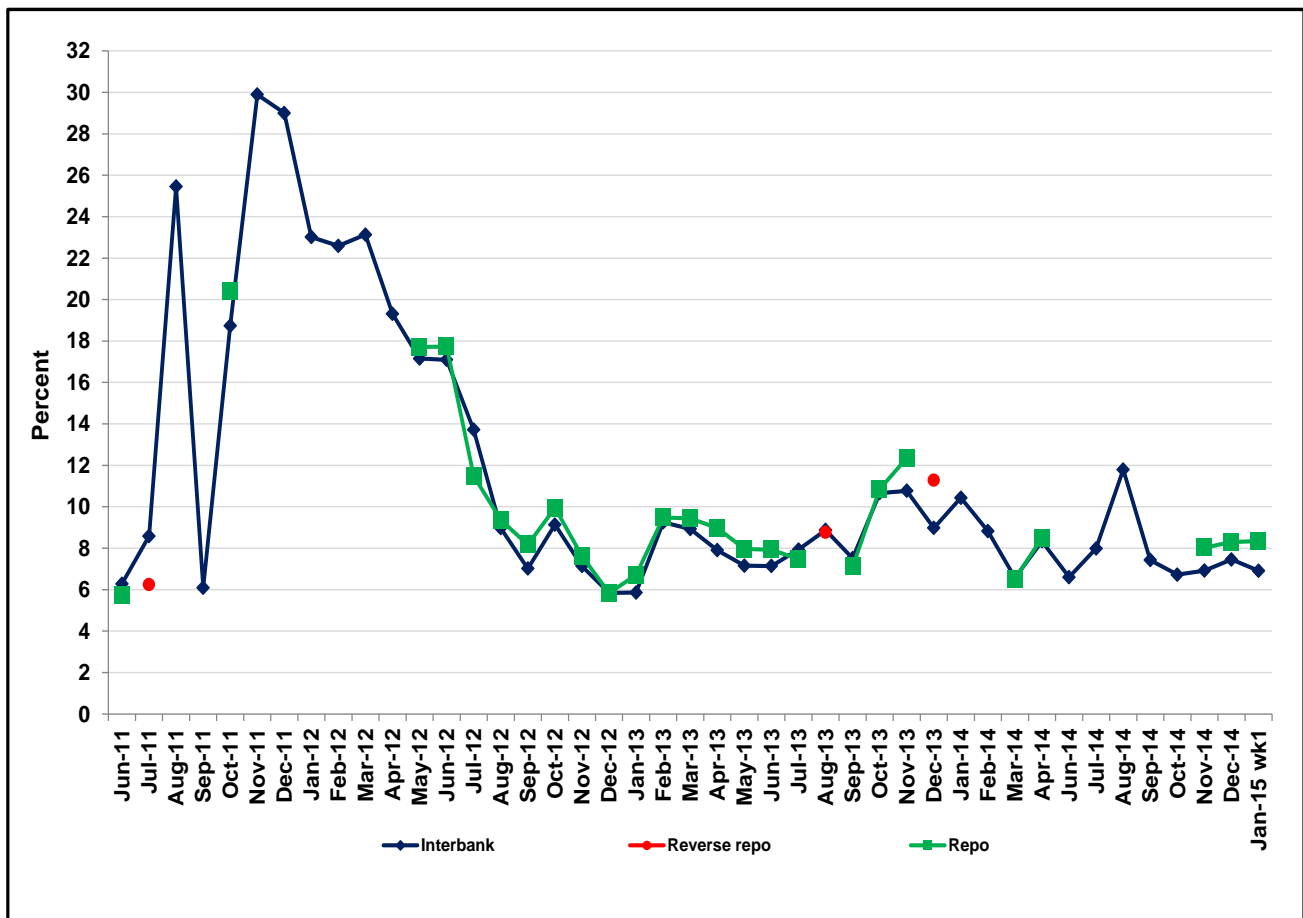
The average interbank rate decreased to 6.91 percent in the week ending January 7, 2015 from 7.56 percent recorded in the previous week. The volume transacted declined marginally to Ksh 15.5 billion from Ksh 17.1 billion traded in the previous week while the number of deals decreased to 38 from 46 deals (**Table 2 and Chart A**).

**TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
25-Dec-14			
26-Dec-14			
29-Dec-14	45	14,470	7.62
30-Dec-14	46	19,695	7.51
31-Dec-14	50	16,305	7.24
<b>December 25, 2014 - December 31, 2014</b>	<b>46</b>	<b>17,083</b>	<b>7.56</b>
1-Jan-15			
2-Jan-15	36	17,763	7.01
5-Jan-15	41	14,640	6.92
6-Jan-15	38	13,965	6.81
7-Jan-15	35	13,870	6.69
<b>January 1, 2015 - January 7, 2015</b>	<b>38</b>	<b>15,456</b>	<b>6.91</b>

Source: Central Bank of Kenya

**CHART A: STRUCTURE OF INTEREST RATES**

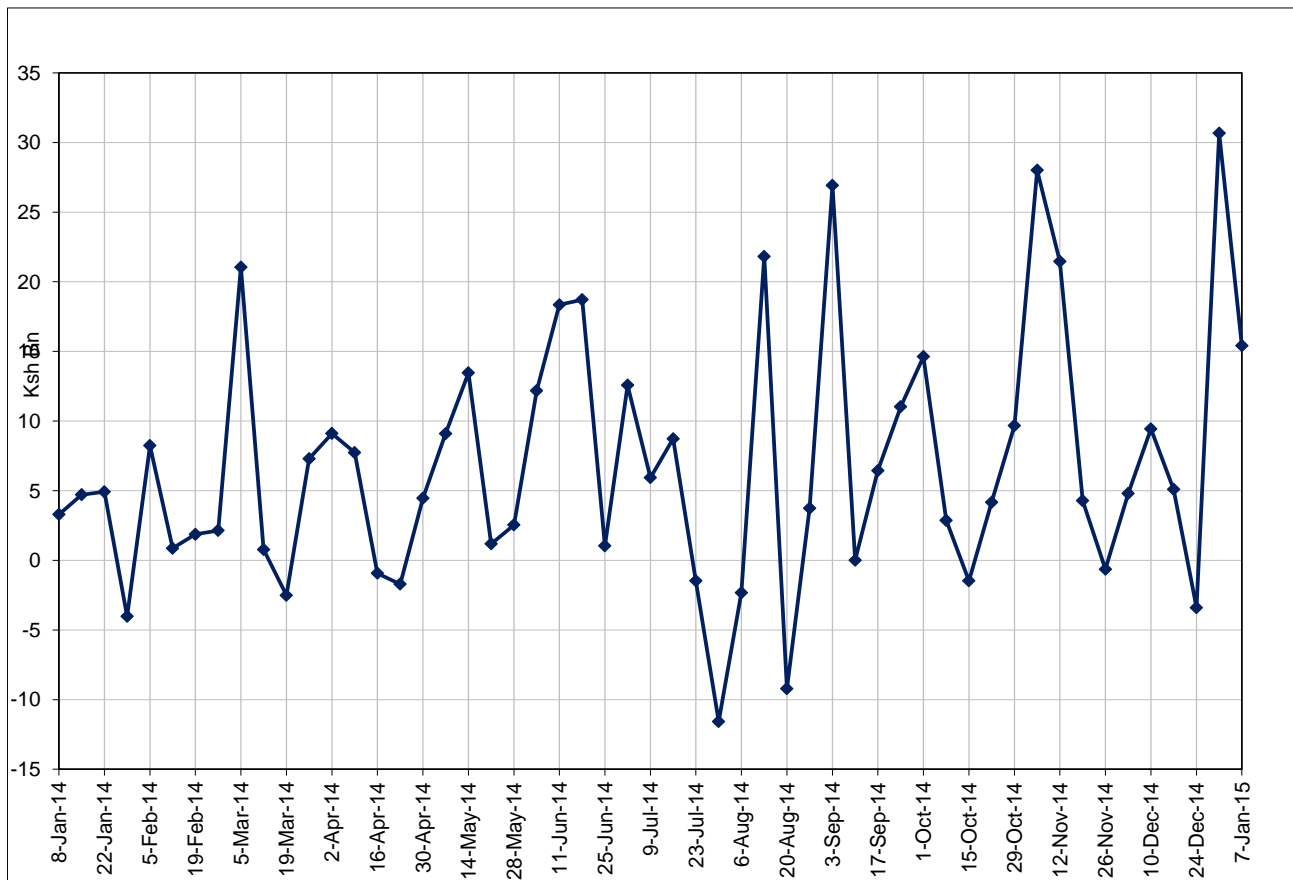


Source: Central Bank of Kenya

**Commercial Banks Clearing Account Balances**

Commercial banks’ clearing account balance during the week ending January 7, 2015, decreased by Ksh 15.4 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 115.6 billion) compared to Ksh 30.7 billion recorded in the previous week (**Chart B**). The increase is attributed to improved liquidity in the money market.

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



Source: Central Bank of Kenya

### Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate depicted mixed performance against major international and regional currencies in the week ending January 8, 2015. During the week, the Shilling weakened marginally against the US Dollar and the Japanese Yen and strengthened against the Pound Sterling and the Euro. In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling, the Tanzania Shilling and the Burundi Franc and weakened against the Rwanda Franc (**Table 3**).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
29-Dec-14	90.57	141.10	110.67	75.30	30.50	18.98	7.60	17.17
30-Dec-14	90.71	140.81	110.13	75.40	30.63	19.02	7.60	17.31
31-Dec-14	90.60	140.95	110.17	75.30	30.57	19.10	7.61	17.17
<b>29 -31 Dec 2014</b>	<b>90.62</b>	<b>140.95</b>	<b>110.32</b>	<b>75.33</b>	<b>30.57</b>	<b>19.03</b>	<b>7.60</b>	<b>17.22</b>
2-Jan-14	90.70	141.00	109.39	75.36	30.59	19.18	7.60	17.15
5-Jan-14	90.79	138.77	108.39	75.39	30.70	19.05	7.59	17.29
6-Jan-14	90.82	138.60	108.56	76.35	30.83	19.05	7.59	17.29
7-Jan-14	90.92	137.64	107.99	76.51	31.02	19.06	7.58	17.27
8-Jan-14	91.11	137.46	107.72	76.11	31.15	19.04	7.55	17.23
<b>02 -08 Jan 2015</b>	<b>90.91</b>	<b>138.12</b>	<b>108.16</b>	<b>76.09</b>	<b>30.92</b>	<b>19.05</b>	<b>7.58</b>	<b>17.27</b>

*Source: Central Bank of Kenya*

### The Nairobi Securities Exchange

All leading market indicators in the equities segment declined in the week ending January 8, 2015 compared to the previous week's performance except number of deals. Bonds segment however had 3.3 percent improvement in weekly turnover.

#### Equities Market

Average stock prices ended the first week of 2015 lower, with NSE 20 Share Index down 0.29 percent, NASI declining 0.68 percent and shareholders' wealth measured by market capitalization losing 0.63 percent. Equity turnover was down by 82.01 percent on account of price declines and 61.3 percent decline in share supply (**Table 4**). Number of deals however increased indicating many retail investors offloaded their shares.

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	27-Nov-14	4-Dec-14	10-Dec-14	18-Dec-14	23-Dec-14	31-Dec-14	8-Jan-15	Wkly Change
NASI 100= 2008	163.77	165.84	165.58	157.56	159.10	162.89	161.78	-0.68%
NSE 20 Share Index 100= 1996	5,132.26	5,169.88	5,135.97	4,957.52	4,907.27	5,112.65	5,097.80	-0.29%
Number of Deals	11,058	10,046	1,657	10,184	5,134	6,492	7,592	16.94%
Total Shares Traded (in Millions)	131.36	217.97	128.49	222.64	147.11	170.02	65.80	-61.30%
Equity Turnover (Ksh. Millions)	3,843.14	5,710.13	3,657.26	7,566.44	4,900.28	9,638.54	1,733.90	-82.01%
Market Capitalization (Ksh. Bn.)	2,314.46	2,344.85	2,329.56	2,224.56	2,246.43	2,300.05	2,285.52	-0.63%
Bonds Turnover (Ksh. Millions)	8,036.76	13,566.05	9,023.81	8,699.40	10,376.40	5,771.05	5,963.08	3.33%
FTSE NSE Kenya 15 Index	213.93	216.59	219.26	211.38	208.57	217.76	213.13	-2.13%
FTSE NSE Kenya 25 Index	215.41	216.25	220.85	212.82	209.65	218.7	214.16	-2.08%
FTSE NSE Bond Index	93.2	93.76	93.04	93.52	92.9	93.31	93.56	0.27%

*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 the week 2.13 percent lower while the FTSE NSE Kenya 25

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

Index, which measures 25 most liquid stocks at the NSE, declined by 2.08 percent compared to the previous week. The FTSE Government Bond Index closed the week 0.27 percent higher, reflecting marginal declines in yields in the secondary market.

Telecommunication & Technology, Banking and Manufacturing & Allied sectors were the top three most active, representing 48.4 percent, 15.3 percent and 11.5 percent of the total shares traded, respectively. Automobiles and Accessories sector was least active, with 29,200 shares traded in the period.

The decline in capital markets could be attributed to the uncertainty surrounding implementation of the Capital gains tax that took effect on January 1, 2015 and low risk appetite in global markets on account of declining oil prices.

### The Bond Market

The bond's turnover increased by 86.34 percent to Ksh 5,963.08 million from Ksh 5,771.05 million in the previous week. The number of deals however declined to 47 from the 72 deals traded last week.

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

<b>91-Day Treasury Bills</b>								
Date of Auction	20-Nov-14	27-Nov-14	4-Dec-14	11-Dec-14	18-Dec-14	24-Dec-14	31-Dec-14	8-Jan-15
Amount offered (Ksh M)	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Bids received (Ksh M)	4,502.9	2,353.8	2,674.9	1,995.2	1,625.1	767.2	3,483.0	1,350.7
Amount Accepted (Ksh M)	4,502.9	1,131.1	1,448.3	1,975.7	1,625.1	767.2	3,483.0	1,350.2
Maturities (Ksh M)	1,267.8	1,075.6	1,152.5	3,218.5	2,272.3	4,458.6	3,375.8	1,252.3
Average interest Rate (%)	8.597	8.605	8.615	8.595	8.513	8.571	8.532	8.529
<b>182-Day Treasury Bills</b>								
Date of Auction	19-Nov-14	26-Nov-14	3-Dec-14	10-Dec-14	17-Dec-14	24-Dec-14	31-Dec-14	7-Jan-15
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	1,152.3	4,226.6	863.0	1,155.8	1,089.9	1,998.9	2,427.1	4,389.9
Amount Accepted (Ksh M)	1,152.3	4,226.6	863.0	1,155.8	1,089.9	1,523.8	2,427.1	4,094.2
Maturities (Ksh M)	695.6	3,576.3	492.7	6,787.4	2,873.2	4,262.8	4,108.2	1,810.6
Average interest Rate (%)	9.201	9.286	9.318	9.450	9.517	9.855	10.048	10.200
<b>364-Day Treasury Bills</b>								
Date of Auction	19-Nov-14	26-Nov-14	3-Dec-14	10-Dec-14	17-Dec-14	24-Dec-14	31-Dec-14	7-Jan-15
Amount offered (Ksh M)	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0
Bids received (Ksh M)	4,098.1	2,345.5	4,291.1	4,375.5	4,888.9	1,546.9	3,371.3	5,357.9
Amount Accepted (Ksh M)	4,098.1	4,098.1	3,811.3	4,375.5	3,988.5	1,370.5	2,696.0	4,457.4
Maturities (Ksh M)	2,880.6	2,880.6	3,170.8	3,049.5	111.9	80.8	3,119.3	940.3
Average interest Rate (%)	10.244	11.244	10.285	10.388	10.388	10.575	10.687	10.679
<b>Treasury Bonds</b>								
Date of Auction	12-Nov-14		17-Dec-14					
Tenor	15 year Fxd		2 year Fxd	15 year Fxd				
Amount offered (Ksh M)	15,000.0		20,000.0					
Bids received (Ksh M)	11,897.4		13,113.3	13,900.0				
Amount Accepted (Ksh M)	10,708.9		8,905.1	11,920.7				
Maturities (Ksh M)	0.0		20,774.0					
Average interest Rate (%)	12.4		10.9	12.8				

**Source: Central Bank of Kenya**

**TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)**

	7th November 2014	14th November 2014	21st November 2014	28th November 2014	5th December 2014	11th December 2014	19th December 2014	24th December 2014	2nd January 2015
1. Treasury Bills (Excluding Repos)	283.17	293.02	296.60	302.00	298.02	299.40	294.39	296.33	291.40
(As % of total securities)	<b>23.29</b>	<b>23.76</b>	<b>24.67</b>	<b>24.05</b>	<b>23.81</b>	<b>23.89</b>	<b>23.58</b>	<b>23.68</b>	<b>23.38</b>
2. Treasury Bonds	932.89	939.98	905.87	953.70	953.70	953.70	953.97	955.00	955.00
(As % of total securities)	<b>76.71</b>	<b>76.24</b>	<b>75.33</b>	<b>75.95</b>	<b>76.19</b>	<b>76.11</b>	<b>76.42</b>	<b>76.32</b>	<b>76.62</b>
3. Total Securities (1+2)	<b>1,216.06</b>	<b>1,232.99</b>	<b>1,202.47</b>	<b>1,255.70</b>	<b>1,251.71</b>	<b>1,253.10</b>	<b>1,248.36</b>	<b>1,251.33</b>	<b>1,246.40</b>
4. Overdraft at Central Bank	19.78	10.85	11.09	16.49	18.46	17.62	23.58	30.08	29.57
5. Other Domestic debt*	30.60	29.99	65.70	30.01	30.00	30.01	29.74	30.00	29.45
6. Gross Domestic Debt (3+4+5)	<b>1,266.44</b>	<b>1,273.84</b>	<b>1,279.26</b>	<b>1,302.20</b>	<b>1,300.17</b>	<b>1,300.73</b>	<b>1,301.68</b>	<b>1,311.41</b>	<b>1,305.43</b>

\* 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**

	7-Nov-14	14-Nov-14	21-Nov-14	28-Nov-14	5-Dec-14	12-Dec-14	19-Dec-14	26-Dec-14	2-Jan-15
Treasury bills (Excluding Repos)	22.4	23.0	23.2	23.2	22.9	23.0	22.6	22.6	22.3
Treasury bonds	73.7	73.8	70.8	73.2	70.5	73.3	73.3	72.8	73.2
CBK Overdraft to Govt	1.6	0.9	0.9	1.3	1.4	1.4	1.8	2.3	2.3
Other domestic debt	2.4	2.4	5.1	2.3	5.2	2.3	2.3	2.3	2.3
<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>

Source: Central Bank of Kenya

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

	7-Nov-14	14-Nov-14	21-Nov-14	28-Nov-14	5-Dec-14	12-Dec-14	19-Dec-14	26-Dec-14	2-Jan-15
Banking Institutions	52.9	52.8	53.3	53.6	53.7	53.7	54.0	54.3	54.1
Insurance Companies	10.1	10.1	10.0	9.9	9.9	9.9	9.9	9.9	9.9
Parastatals	2.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Pension funds	24.8	24.8	24.4	24.5	24.3	24.3	24.0	23.9	23.8
Other investors	9.3	9.4	9.4	9.3	9.3	9.3	9.3	9.2	9.4
<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>

Source: Central Bank of Kenya

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

	6-Nov-14	13-Nov-14	20-Nov-14	27-Nov-14	4-Dec-14	11-Dec-14	18-Dec-14	24-Dec-14	31-Dec-14	8-Jan-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,035	7,011	6,961	6,901	6,837	6,789	6,731	7,515	7,425	7,344
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.59	4.58	4.54	4.50	4.46	4.43	4.39	4.90	4.85	4.74

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya