



JANUARY 30, 2015

Highlights

The money market was relatively tight during the week ending January 28, 2015, as liquidity withdrawal largely on account of T Bond sales and tax remittances by banks more than offset injection through Government payments and repo maturities. The average interbank rate therefore increased to 7.78 percent in the week ending January 28, 2015 from 6.71 percent recorded in the previous week.

The Nairobi Securities Exchange (NSE) recorded mixed performance in the week ending January 29, 2015 with equities segment recording improved performance while Bonds segment declined.

Monetary Policy Operations

*The money market was relatively tight during the week ending January 28, 2015, largely on account of T Bond sales and tax remittances by banks which more than offset injection through Government payments and repo maturities. The Central Bank liquidity management stayed out of the market as the interbank rate edged up gradually towards the Central Bank Rate (CBR). Reserve money averaged Ksh 323.2 billion during the week and was Ksh 16.7 billion below target (**Table 1**) underscoring the tight liquidity in the money market.*

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

	22-Jan-15	23-Jan-15	26-Jan-15	27-Jan-15	28-Jan-15	Total
Liquidity Flows						
Total liquidity injection	7.5	4.4	14.4	5.1	8.5	39.8
Repos Maturities	0.0	2.0	5.0	2.0	5.0	14.0
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	2.0	1.1	0.0	0.0	0.0	3.1
T/bills redemptions	0.0	0.0	5.2	0.0	0.0	5.2
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	4.5	1.3	1.5	2.7	3.1	13.2
Total liquidity reduction	13.3	2.4	28.4	2.6	2.5	49.1
T/bills (Primary issues)	0.0	0.0	6.2	0.0	0.0	6.2
Tbonds Sales	0.0	0.0	20.4	0.0	0.0	20.4
Repos	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	9.4	2.4	1.8	2.2	2.1	17.9
Net liquidity injection (+)/Withdrawal (-)	-5.8	2.0	-14.0	2.5	6.0	-9.3
Open Market Operations Outcome						
Posted Amount	0.0	0.0	0.0	0.0	0.0	0.0
Realised Amount	0.0	0.0	0.0	0.0	0.0	0.0
Repo (-)	0	0	0	0	0	0.0
Term Auction Deposits (-)	0.0	0	0.0	0.0	0.0	0.0
Reverse Repo (+)	0.0	0	0.0	0.0	0.0	0.0
Reserve Money Position						
Reserve money (actual)	327.2	329.3	316.0	318.7	324.7	323.2
Reserve money target	342.1	342.1	338.3	338.3	338.3	339.8
Deviation from target	-14.9	-12.8	-22.3	-19.6	-13.6	-16.7
Commercial banks excess reserves Exc(+)/ Short(-)	-6.9	-4.2	-17.5	-14.9	-8.8	-10.5
Cash outside bank Exc(+)/ Short(-)	-8.0	-8.6	-4.8	-4.7	-4.8	-6.2

Source: Central Bank of Kenya

Interbank Rates

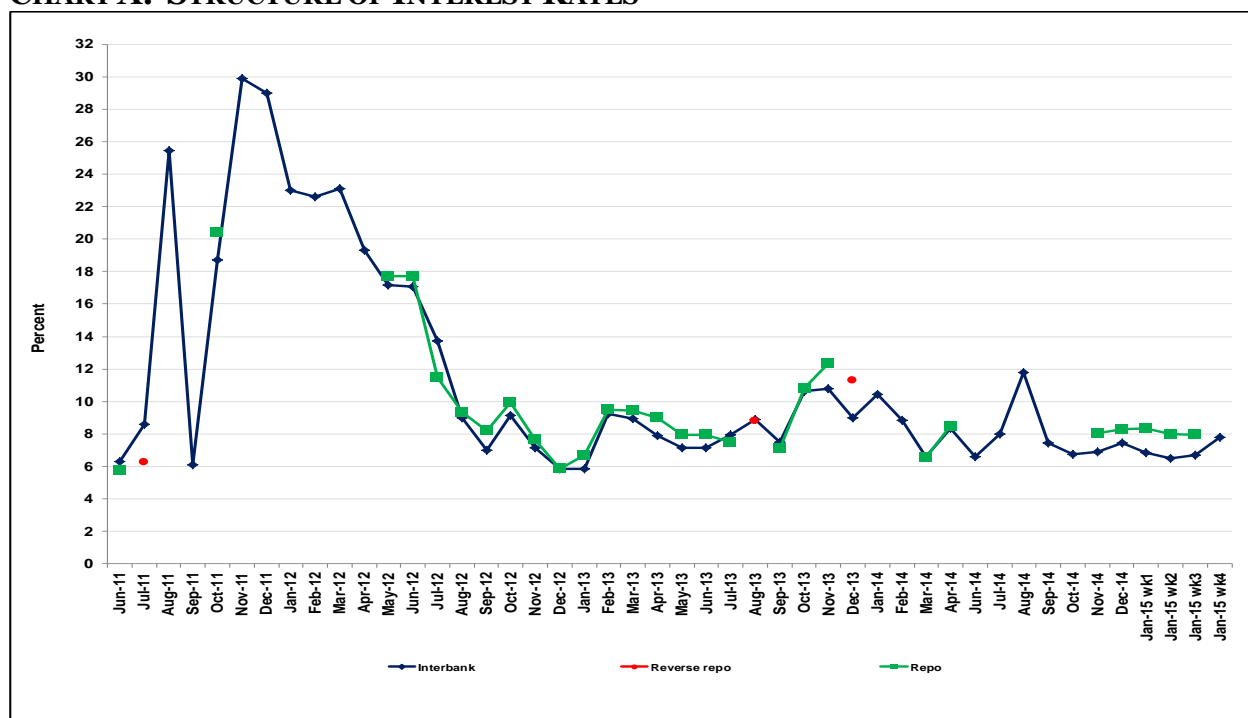
The average interbank rate increased to 7.78 percent in the week ending January 28, 2015 from 6.71 percent recorded in the previous week. The volume transacted increased to KSh 22.73 billion from KSh 16.67 billion traded in the previous week, while the number of deals increased to 64 from 55 deals (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)
15-Jan-15	49	13,260	6.34
16-Jan-15	65	23,425	6.50
19-Jan-15	52	12,674	6.65
20-Jan-15	53	15,890	6.90
21-Jan-15	54	18,080	7.17
January 15, 2015 - January 21, 2015	55	16,666	6.71
22-Jan-15	48	14,070	7.33
23-Jan-15	65	25,127	7.42
26-Jan-15	64	23,217	7.73
27-Jan-15	75	23,440	8.08
28-Jan-15	68	27,797	8.33
January 22, 2015 - January 28, 2015	64	22,730	7.78

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES

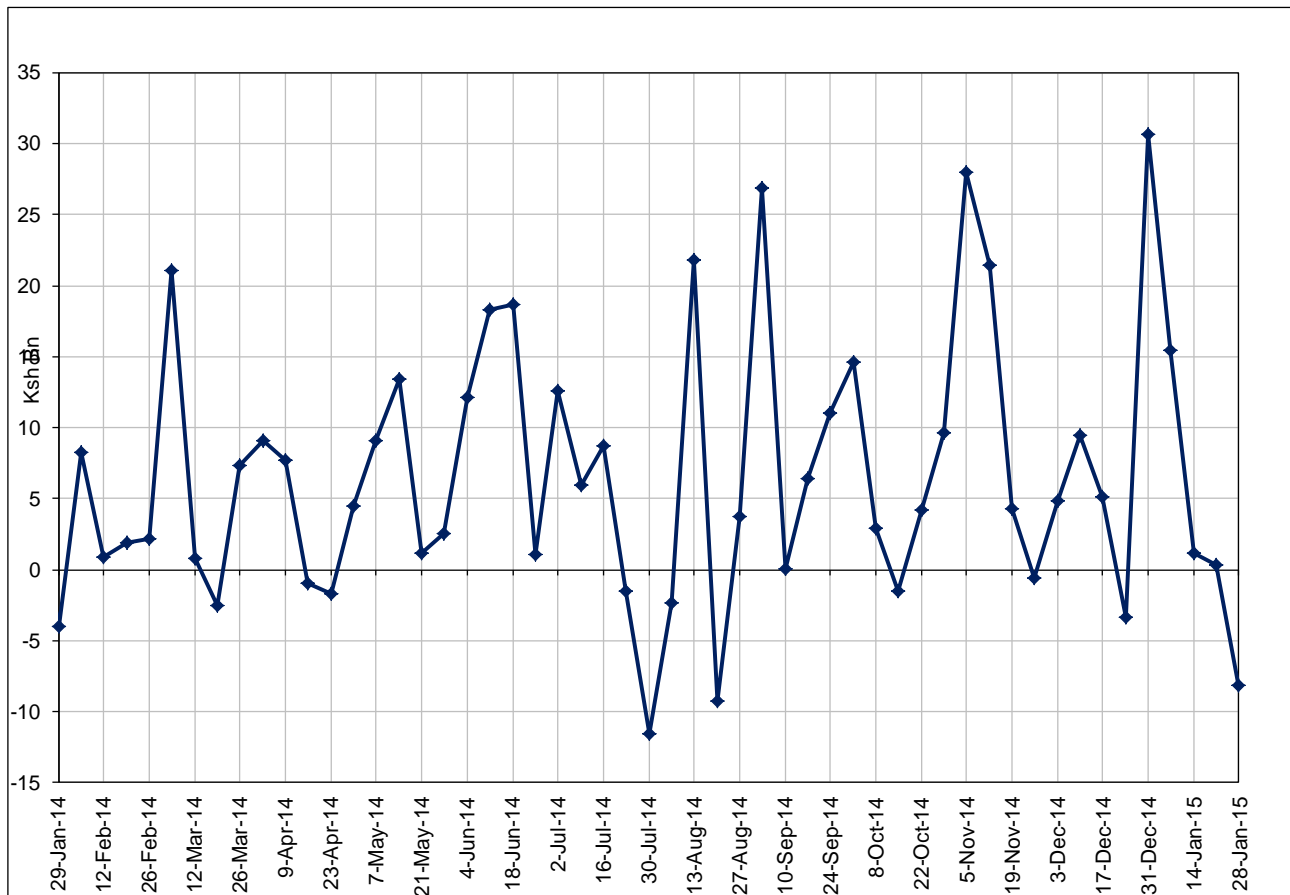


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account during the week ending January 28, 2015 recorded a deficit of Ksh 8.1 billion in relation to the cash reserve requirement of 5.25 percent (or Ksh 119.0 billion) compared with a surplus of Ksh 0.29 billion recorded in the previous week (**Chart B**). The decline in the clearing account balance is attributed to remittance of taxes and a net payment on Government Securities.

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 29, 2015. It weakened marginally against the US Dollar and the Japanese Yen but strengthened against the Pound Sterling and the Euro. Performance of the Shilling against major world currencies reflect international developments. In the EAC region, the Kenya Shilling weakened against the Uganda Shilling and the Burundi Franc and strengthened against the Tanzania Shilling and the Rwanda Franc. (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
16-Jan-14	91.48	138.83	106.47	78.48	31.65	19.29	7.52	17.16
19-Jan-14	91.50	138.60	105.88	78.10	31.64	19.38	7.52	17.08
20-Jan-14	91.59	138.11	106.07	77.40	31.61	19.54	7.51	17.14
21-Jan-14	91.63	138.95	106.11	77.78	31.65	19.64	7.46	17.02
22-Jan-14	91.74	138.80	106.33	77.57	31.67	19.78	7.51	17.11
16 -22 Jan 2015	91.62	138.61	106.10	77.71	31.64	19.59	7.50	17.09
23-Jan-14	91.74	137.49	103.85	77.45	31.29	19.95	7.51	17.11
26-Jan-14	91.75	137.72	102.69	77.84	31.06	19.89	7.51	17.11
27-Jan-14	91.69	138.55	103.12	77.59	31.19	19.89	7.51	17.12
28-Jan-14	91.67	139.04	104.14	77.75	31.14	19.89	7.52	17.06
29-Jan-14	91.55	138.75	103.43	77.80	31.26	19.58	7.51	16.99
23 -29 Jan 2015	91.66	138.51	103.35	77.74	31.17	19.81	7.51	17.07

Source: Central Bank of Kenya

The Capital Markets

The equity market segment recorded improvement in key indicators of performance in the week ended January 29, 2015 compared to the previous week's performance. However, performance in the Bonds market segment declined.

Equities Market

The average stock prices closed higher in the week under review with NSE 20 Share Index and NASI up by 0.41 percent and 0.04 percent, respectively. Shareholders' wealth measured by market capitalization increased by 0.27 percent compared to the previous week, while equity turnover increased by 48.48 percent on account of 32.10 percent increase in shares traded (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	10-Dec-14	18-Dec-14	23-Dec-14	31-Dec-14	8-Jan-15	15-Jan-15	22-Jan-15	29-Jan-15	Wkly Change
NASI 100= 2008	165.58	157.56	159.10	162.89	161.78	165.47	165.17	165.23	0.04%
NSE 20 Share Index 100= 1996	5,135.97	4,957.52	4,907.27	5,112.65	5,097.80	5,201.61	5,172.88	5,194.21	0.41%
Number of Deals	1,657	10,184	5,134	6,492	7,592	9,129	10,331	10,741	3.97%
Total Shares Traded (in Millions)	128.49	222.64	147.11	170.02	65.80	80.56	100.33	132.53	32.10%
Equity Turnover (Ksh. Millions)	3,657.26	7,566.44	4,900.28	9,638.54	1,733.90	1,728.70	2,216.67	3,291.38	48.48%
Market Capitalization (Ksh. Bn.)	2,329.56	2,224.56	2,246.43	2,300.05	2,285.52	2,337.57	2,327.80	2,334.08	0.27%
Bonds Turover (Ksh. Millions)	9,023.81	8,699.40	10,376.40	5,771.05	5,963.08	13,652.08	10,204.90	6,966.66	-31.73%
FTSE NSE Kenya 15 Index	219.26	211.38	208.57	217.76	213.13	219.68	217.12	220.55	1.58%
FTSE NSE Kenya 25 Index	220.85	212.82	209.65	218.7	214.16	220.74	218.99	222.39	1.55%
FTSE NSE Bond Index	93.04	93.52	92.9	93.31	93.56	93.66	94.33	93.81	-0.55%

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 1.58 percent higher while the FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE was 1.55 percent higher compared to the previous week. However, the FTSE Government Bond Index closed the week 0.55 percent lower, reflecting marginal increase in yields in the secondary market.

Investment Services, Telecommunication & Technology and Banking sectors were the top three most active sectors, representing 23.1 percent, 21.38 percent and 19.56 percent of the total shares traded, respectively. Automobiles and Accessories sector was the least active with 115,200 shares traded in the week.

The Bond Market

The bond's market turnover declined by 31.73 percent to Ksh 6,966.66 million from Ksh 10,204.90 million in the previous week. However, the number of deals improved to 97 from the 72 deals traded last week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills										
Date of Auction	20-Nov-14	27-Nov-14	11-Dec-14	18-Dec-14	24-Dec-14	31-Dec-14	8-Jan-15	15-Jan-15	22-Jan-15	29-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	3,000.0	3,000.0
Bids received (Ksh M)	4,502.9	2,353.8	1,995.2	1,625.1	767.2	3,483.0	1,350.7	4,169.2	878.8	1,259.1
Amount Accepted (Ksh M)	4,502.9	1,131.1	1,975.7	1,625.1	767.2	3,483.0	1,350.2	2,848.4	878.8	1,252.2
Maturities (Ksh M)	1,267.8	1,075.6	3,218.5	2,272.3	4,458.6	3,375.8	1,252.3	2,464.7	652.7	455.1
Average interest Rate (%)	8.597	8.605	8.595	8.513	8.571	8.532	8.529	8.601	8.684	8.572
182-Day Treasury Bills										
Date of Auction	19-Nov-14	26-Nov-14	10-Dec-14	17-Dec-14	24-Dec-14	31-Dec-14	7-Jan-15	14-Jan-15	21-Jan-15	28-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	4,000.0	4,000.0
Bids received (Ksh M)	1,152.3	4,226.6	1,155.8	1,089.9	1,998.9	2,427.1	4,389.9	4,645.5	5,168.9	2,612.3
Amount Accepted (Ksh M)	1,152.3	4,226.6	1,155.8	1,089.9	1,523.8	2,427.1	4,094.2	3,933.1	3,266.0	1,453.5
Maturities (Ksh M)	695.6	3,576.3	6,787.4	2,873.2	4,262.8	4,108.2	1,810.6	4,095.8	3,224.3	4,869.9
Average interest Rate (%)	9.201	9.286	9.450	9.517	9.855	10.048	10.200	10.237	10.282	10.334
364-Day Treasury Bills										
Date of Auction	19-Nov-14	26-Nov-14	10-Dec-14	17-Dec-14	24-Dec-14	31-Dec-14	7-Jan-15	14-Jan-15	21-Jan-15	28-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	5,000.0	5,000.0
Bids received (Ksh M)	4,098.1	2,345.5	4,375.5	4,888.9	1,546.9	3,371.3	5,357.9	6,518.9	4,344.1	2,346.3
Amount Accepted (Ksh M)	4,098.1	4,098.1	4,375.5	3,988.5	1,370.5	2,696.0	4,457.4	4,721.4	2,067.3	1,896.7
Maturities (Ksh M)	2,880.6	2,880.6	3,049.5	111.9	80.8	3,119.3	940.3	3,184.6	1,624.5	2,510.9
Average interest Rate (%)	10.244	11.244	10.388	10.388	10.575	10.687	10.679	10.707	10.825	10.984
Treasury Bonds										
Date of Auction	12-Nov-14		17-Dec-14				21-Jan-15			
Tenor	15 year Fxd		15 year Fxd				5 year Fxd		20 Year Fxd	
Amount offered (Ksh M)	15,000.0						20,000.0			
Bids received (Ksh M)	11,897.4		13,900.0				14,112.1		12,835.9	
Amount Accepted (Ksh M)	10,708.9		11,920.7				8,029.8		12,358.6	
Maturities (Ksh M)	0.0						0.0		0.0	
Average interest Rate (%)	12.4		12.8				11.6		13.6	

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	14th November 2014	21st November 2014	28th November 2014	5th December 2014	11th December 2014	19th December 2014	24th December 2014	2nd January 2015	9th January 2015	16th January 2015	23rd January 2015
1. Treasury Bills (Excluding Repos)	293.02	296.60	302.00	298.02	299.40	294.39	296.33	291.40	289.91	294.84	296.75
(As % of total securities)	23.76	24.67	24.05	23.81	23.89	23.58	23.68	23.38	23.29	23.59	23.71
2. Treasury Bonds	939.98	905.87	953.70	953.70	953.70	953.97	955.00	955.00	955.00	955.00	955.00
(As % of total securities)	76.24	75.33	75.95	76.19	76.11	76.42	76.32	76.62	76.71	76.41	76.29
3. Total Securities (1+2)	1,232.99	1,202.47	1,255.70	1,251.71	1,253.10	1,248.36	1,251.33	1,246.40	1,244.91	1,249.84	1,251.75
4. Overdraft at Central Bank	10.85	11.09	16.49	18.46	17.62	23.58	30.08	29.57	31.55	25.31	25.47
5. Other Domestic debt*	29.99	65.70	30.01	30.00	30.01	29.74	30.00	29.45	30.63	30.42	30.41
6. Gross Domestic Debt (3+4+5)	1,273.84	1,279.26	1,302.20	1,300.17	1,300.73	1,301.68	1,311.41	1,305.43	1,307.09	1,305.58	1,307.63

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	14-Nov-14	21-Nov-14	28-Nov-14	5-Dec-14	12-Dec-14	19-Dec-14	26-Dec-14	2-Jan-15	9-Jan-15	16-Jan-15	23-Jan-15
Treasury bills (Excluding Repos)	23.0	23.2	23.2	22.9	23.0	22.6	22.6	22.3	22.2	22.6	22.7
Treasury bonds	73.8	70.8	73.2	70.5	73.3	73.3	72.8	73.2	73.1	73.1	73.0
CBK Overdraft to Govt	0.9	0.9	1.3	1.4	1.4	1.8	2.3	2.3	2.4	1.9	1.9
Other domestic debt	2.4	5.1	2.3	5.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3
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

	14-Nov-14	21-Nov-14	28-Nov-14	5-Dec-14	12-Dec-14	19-Dec-14	26-Dec-14	2-Jan-15	9-Jan-15	16-Jan-15	23-Jan-15
Banking Institutions	52.8	53.3	53.6	53.7	53.7	54.0	54.3	54.2	54.1	54.2	54.1
Insurance Companies	10.1	10.0	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.8
Parastatals	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Pension funds	24.8	24.4	24.5	24.3	24.3	24.0	23.9	23.8	23.8	23.9	23.9
Other investors	9.4	9.4	9.3	9.3	9.3	9.3	9.2	9.4	9.4	9.3	9.4
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 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)

	11-Dec-14	18-Dec-14	24-Dec-14	31-Dec-14	8-Jan-15	15-Jan-15	22-Jan-15	29-Jan-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,789	6,731	7,515	7,425	7,344	7,295	7,247	7,189
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.43	4.39	4.90	4.85	4.74	4.71	4.68	4.65

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya