



AUGUST 14, 2015

Highlights

Liquidity in the money market was tight during the week ending August 12, 2015, on account of liquidity mop-up by CBK and remittance of taxes by commercial banks. The average interbank rate increased to 23.1 percent in the week ending August 12, 2015 from 19.8 percent in the previous week.

Overall capital markets recorded mixed performance in the week ending August 13, 2015 as reflected in leading market indicators.

Monetary Policy Operations

Liquidity in the money market was tight during the week ending August 12, 2015, on account of liquidity mop-up by CBK and remittance of taxes by commercial banks. (**Table 1**). Reserve money averaged KSh 391.6 billion during the week ending August 12, 2015 and was KSh 37.2 billion above target.

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

	6-Aug-15	7-Aug-15	10-Aug-15	11-Aug-15	12-Aug-15	Total
Liquidity Flows						
Total liquidity injection	12.0	3.0	17.2	11.5	2.5	46.2
Repos Maturities	0.0	0.0	2.0	0.0	0.0	2.0
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	4.7	1.6	0.0	5.0	0.2	11.5
T/bills redemptions	0.0	0.0	10.7	0.0	0.0	10.7
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	7.3	1.5	4.5	6.5	2.3	22.0
Total liquidity reduction	5.9	9.7	15.0	22.5	2.0	55.2
T/bills (Primary issues)	0.0	0.0	6.0	0.0	0.0	6.0
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	0.0	0.0	0.0	0.0
Repos	2.0	0.0	0.0	8.0	0.0	10.0
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	1.0	3.0	4.0	8.0	0.0	16.0
Transfer from Banks -Taxes	2.9	6.7	4.9	6.5	2.0	23.0
Net liquidity injection (+)/Withdrawal (-)	6.1	-6.7	2.2	-11.0	0.5	-9.1
Open Market Operations Outcome						
Posted Amount	12.0	10.0	17.0	12.0	15.0	66.0
Realised Amount	3.0	3.0	4.0	16.0	0.0	26.0
Repo (-)	2.0	0.0	0.0	8.0	0.0	10.0
Term Auction Deposits (-)	1.0	3.0	4.0	8.0	0.0	16.0
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						
Reserve money (actual)	400.9	394.1	395.9	383.2	383.9	391.6
Reserve money target	353.1	353.1	355.3	355.3	355.3	354.4
Deviation from target	47.7	41.0	40.6	28.0	28.7	37.2
Commercial banks excess reserves Exc(+)/ Short(-)	38.0	30.4	31.4	18.9	20.4	27.8
Cash outside bank Exc(+)/ Short(-)	9.7	10.6	9.2	9.1	8.3	9.4

Source: Central Bank of Kenya

Interbank Rates

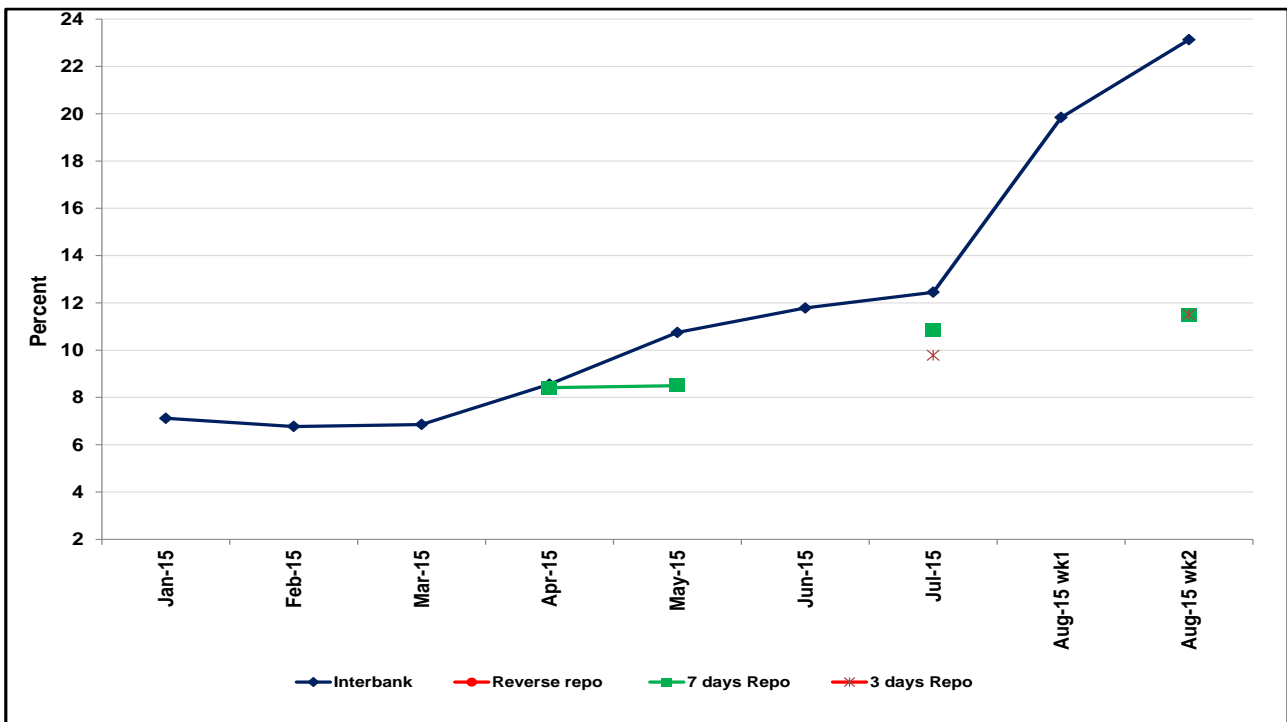
The average interbank rate increased to 23.1 percent in the week ending August 12, 2015 from 19.8 percent in the previous week. The volume transacted increased to KSh 29.96 billion from KSh 25.79 billion traded in the previous week while the number of deals increased to 67 from 63. Meanwhile, the repo rate for both the 3 days and 7 days repo was at 11.5 percent (**Table 2 and Chart A**).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)	3 days Average Repo Rate (%)
30-Jul-15	71	28,075	18.46		
31-Jul-15	60	26,959	19.21		
3-Aug-15	69	26,108	19.82		
4-Aug-15	59	25,089	20.44		
5-Aug-15	57	22,740	21.27		
July 30,2015-August 5,2015	63	25,794	19.84		
6-Aug-15	66	29,904	22.18		11.50
7-Aug-15	76	32,832	22.94		
10-Aug-15	63	31,604	23.03		
11-Aug-15	65	27,948	23.58	11.50	11.50
12-Aug-15	63	27,500	23.93		
August 6,2015- August 12,2015	67	29,957	23.13	11.50	11.50

Source: Central Bank of Kenya

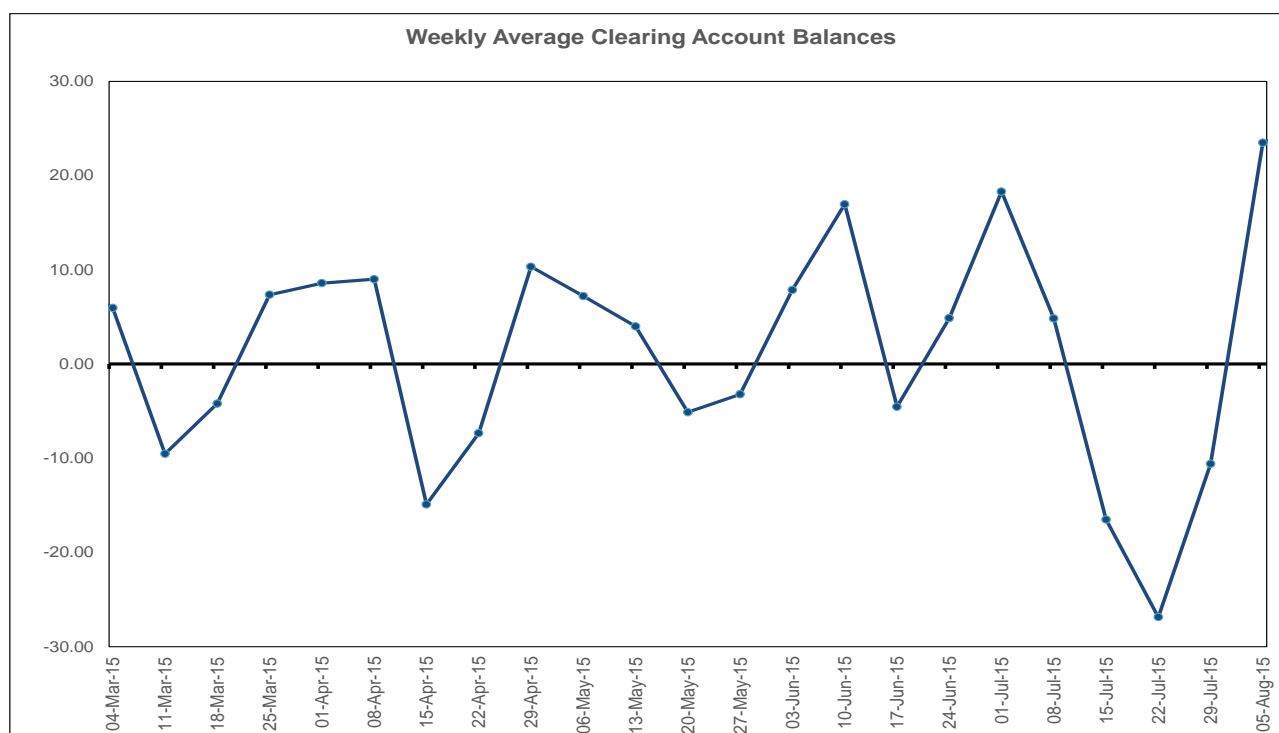
CHART A: STRUCTURE OF INTEREST RATES



Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ clearing account in the week ending August 12, 2015 increased to KSh 25.7 billion in relation to the cash reserve requirement of 5.25 percent (KSh 131.4 billion) from KSh 23.5 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

During the week ending Aug 13, 2015, the Kenya Shilling exchange rate strengthened by 0.49, 0.84 and 0.90 per cent against the US Dollar, the pound sterling, and Japanese Yen respectively. It however weakened by 0.25 percent against the Euro. In the EAC region, the shilling strengthened against all the currencies (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
31-Jul-15	102.52	159.99	112.07	82.60	33.33	20.61	6.75	14.94
3-Aug-15	101.77	159.62	111.77	82.03	33.85	20.88	6.78	15.22
4-Aug-15	101.33	157.99	110.93	81.72	34.00	20.97	6.81	15.27
5-Aug-15	101.11	157.10	109.85	81.30	34.37	20.90	6.85	15.31
6-Aug-15	101.30	158.17	110.66	81.44	34.55	20.83	7.17	15.47
31 July-6 Aug 2015	101.61	158.57	111.06	81.82	34.02	20.84	6.87	15.24
7-Aug-15	101.20	157.04	110.48	81.08	34.78	20.80	6.83	15.24
10-Aug-15	101.11	156.58	110.90	81.29	34.91	20.80	6.84	15.34
11-Aug-15	101.13	157.45	110.93	81.05	35.05	20.81	7.19	15.27
12-Aug-15	100.92	157.16	111.75	80.70	35.13	20.86	6.85	15.33
13-Aug-15	101.15	157.94	112.62	81.29	35.05	20.96	6.81	15.18
7 Aug-13 Aug	101.10	157.24	111.33	81.08	34.98	20.85	6.90	15.27

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Nairobi Securities Exchange

Nairobi Securities Exchange recorded mixed performance in the equities market segment whereas the bond market segment registered losses.

Equities Market

Equity Turnover recorded a 59.51 percent decrease on account of a 64.91 percent decline in share supply. The NASI and NSE 20 Share Index gained 4.75 percent and 3.33 percent respectively. Shareholders' wealth, measured by Market Capitalization recorded an increase of 4.76 percent, attributed to overall increase in share prices, during the week under review (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	02-Jul-15	09-Jul-15	16-Jul-15	23-Jul-15	30-Jul-15	06-Aug-15	13-Aug-15	Wkly Change
NASI 100= 2008	162.35	159.59	156.59	154.25	150.95	146.43	153.38	4.75%
NSE 20 Share Index 100= 1996	4,839.60	4,754.66	4,676.16	4,539.47	4,487.38	4,350.70	4,495.52	3.33%
Number of Deals	8,210.00	7,495.00	6,961.00	7,489.00	6,797.00	7,751.00	7,517.00	-3.02%
Total Shares Traded	261.36	197.32	189.10	123.65	98.96	286.63	100.59	-64.91%
Equity Turnover (Ksh. Millions)	11,818.32	6,353.87	6,308.76	3,236.69	2,280.28	6,930.15	2,806.07	-59.51%
Market Capitalization (Ksh. Bn.)	2,273.05	2,234.27	2,192.82	2,160.06	2,113.79	2,050.22	2,147.80	4.76%
Bonds Turnover (Ksh. Millions)	3,596.31	2,441.70	732.20	1,504.51	4,088.10	9,773.41	2,396.45	-75.48%
FTSE NSE Kenya 15 Index	212.83	209.19	208.88	205.23	197.85	190.31	199.07	4.60%
FTSE NSE Kenya 25 Index	211.83	208.10	207.97	204.71	197.39	188.92	198.08	4.85%
FTSE NSE Bond Index	91.79	91.80	91.79	91.80	91.68	91.58	91.33	-0.27%

Source: Nairobi Securities Exchange

FTSE NSE Kenya Price Index Series and Most Active Sectors

FTSE NSE Kenya 15 Index and FTSE NSE Kenya 25 Index, which measure stock performance of 15 largest companies by market capitalization and 25 most liquid stocks at the NSE, closed the week 4.60 percent and 4.85 percent higher as compared to the previous week. The FTSE Government Bond Index on the other hand, recorded a decline of 0.27 percent, reflecting a marginal increase in the secondary market yields.

The Telecommunication & Technology, Banking and Insurance sectors were the most active, with 39.12 percent, 23.97 percent and 9.10 percent of the total shares traded respectively. The Automobile & Accessories sector was the least active with only 29,600 shares traded.

The Bond Market

The bond's turnover decreased by 75.48 percent to KSh 2,396.45 million from KSh 9,773.41 million in the previous week. This may be attributed to issuance of a new bond in the primary market, value date 24/08/2015 which investors target. The number of deals likewise decreased to 50, compared to 148 deals traded the previous week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills						
Date of Auction	09-Jul-15	16-Jul-15	23-Jul-15	30-Jul-15	06-Aug-15	13-Aug-15
Amount offered (Ksh M)	2,000.0	2,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Bids received (Ksh M)	1,187.6	4,006.3	1,726.4	1,364.0	2,142.5	2,193.2
Amount Accepted (Ksh M)	1,184.2	3,351.5	1,243.4	871.2	688.9	1,706.9
Maturities (Ksh M)	2,443.9	1,497.5	1,062.9	366.7	1,526.5	593.0
Average interest Rate (%)	11.3	11.3	11.5	11.5	11.6	11.5
182-Day Treasury Bills						
Date of Auction	08-Jul-15	15-Jul-15	22-Jul-15	29-Jul-15	05-Aug-15	12-Aug-15
Amount offered (Ksh M)	3,000.0	3,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	1,218.4	2,158.8	1,063.1	864.7	721.1	2,524.3
Amount Accepted (Ksh M)	750.1	2,099.4	600.0	402.7	212.6	2,512.9
Maturities (Ksh M)	4,302.4	4,132.5	3,432.7	1,528.4	4,402.8	4,254.1
Average interest Rate (%)	12.1	12.2	12.4	11.9	11.8	11.9
364-Day Treasury Bills						
Date of Auction	08-Jul-15	15-Jul-15	22-Jul-15	29-Jul-15	05-Aug-15	12-Aug-15
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	322.3	757.3	769.7	2,146.7	6,955.3	4,056.8
Amount Accepted (Ksh M)	322.3	757.3	342.1	1,719.2	5,132.7	3,851.4
Maturities (Ksh M)	2,312.1	3,656.3	4,088.1	1,149.0	5,522.3	7,656.9
Average interest Rate (%)	11.1	12.5	13.0	13.5	13.1	13.0
Treasury Bonds						
Date of Auction						
Tenor						
Amount offered (Ksh M)						
Bids received (Ksh M)						
Amount Accepted (Ksh M)						
Maturities (Ksh M)						
Average interest Rate (%)						

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	5th June 2015	12th June 2015	19th June 2015	26th June 2015	3rd July 2015	10th July 2015	17th July 2015	24th July 2015	31st July 2015	7th August 2015
1. Treasury Bills (Excluding Repos)	324.72	323.29	320.23	318.80	318.82	314.64	308.05	305.26	298.86	299.05
(As % of total securities)	24.10	24.01	23.84	23.76	23.54	23.30	22.91	22.76	22.19	22.20
2. Treasury Bonds	1022.95	1022.95	1022.95	1022.95	1035.71	1035.71	1036.71	1035.71	1048.17	1048.17
(As % of total securities)	75.90	75.99	76.16	76.24	76.46	76.70	77.09	77.24	77.81	77.80
3. Total Securities (1+2)	1,347.67	1,346.24	1,343.18	1,341.75	1,354.53	1,350.35	1,344.76	1,340.96	1,347.03	1,347.22
4. Overdraft at Central Bank	31.81	31.14	34.86	36.38	34.98	39.30	37.73	32.12	41.68	30.37
5. Other Domestic debt*	29.54	29.61	29.60	29.62	29.04	29.05	28.27	29.27	29.27	29.27
6. Gross Domestic Debt (3+4+5)	1,409.03	1,406.99	1,407.64	1,407.75	1,418.55	1,418.69	1,410.76	1,402.35	1,417.99	1,406.85

* 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

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	05-Jun-15	12-Jun-15	19-Jun-15	26-Jun-15	03-Jul-15	10-Jul-15	17-Jul-15	24-Jul-15	31-Jul-15	07-Aug-15
Treasury bills (Excluding Repos)	23.0	23.0	22.7	22.6	22.5	22.2	21.8	21.8	21.1	21.3
Treasury bonds	72.6	72.7	72.7	72.7	73.0	73.0	73.5	73.9	73.9	74.5
CBK Overdraft to Govt	2.3	2.2	2.5	2.6	2.5	2.8	2.7	2.3	2.9	2.2
Other domestic debt	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.1	2.1	2.1
TOTAL	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

	05-Jun-15	12-Jun-15	19-Jun-15	26-Jun-15	03-Jul-15	10-Jul-15	17-Jul-15	24-Jul-15	31-Jul-15	07-Aug-15
Banking Institutions	56.2	56.1	56.1	56.1	55.9	55.9	57.1	57.1	57.8	57.4
Insurance Companies	8.9	8.9	8.9	8.9	9.0	9.0	9.1	9.1	9.2	9.2
Parastatals	3.3	3.4	3.4	3.4	3.4	3.4	3.5	3.5	3.5	3.7
Pension funds	24.7	24.8	24.8	24.7	24.9	24.9	24.9	25.1	25.3	25.5
Other investors	6.9	6.9	6.8	6.8	6.8	6.8	5.5	5.2	4.2	4.2
Total	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)

	04-Jun-15	11-Jun-15	18-Jun-15	25-Jun-15	02-Jul-15	09-Jul-15	16-Jul-15	23-Jul-15	30-Jul-15	06-Aug-15	13-Aug-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,735	6,735	6,788	6,720	6,658	6,623	6,545	6,448	6,434	6,400	6,390
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.26	4.26	4.29	4.25	4.21	4.19	4.14	4.08	4.07	4.06	4.05

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya