



DECEMBER 24, 2015

Highlights

The money market was relatively liquid during the week ending December 23, 2015 mainly supported by redemption of government securities and government payments. These inflows were partly offset by withdrawals through tax remittances by commercial banks. The average interbank rate rose to 5.26 percent in the week ending December 23, 2015 from 4.43 percent in the previous week.

The capital markets performance declined in the week ending December 23, 2015 as reflected in the leading market indicators.

Monetary Policy Operations

The money market was relatively liquid during the week ending December 23, 2015 mainly supported by redemption of government securities and government payments. These inflows were partly offset by withdrawals through tax remittances by commercial banks. Reserve money averaged KSh 382.9 billion during the week ending December 23, 2015 and was KSh 12.9 billion below target (**Table 1**).

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

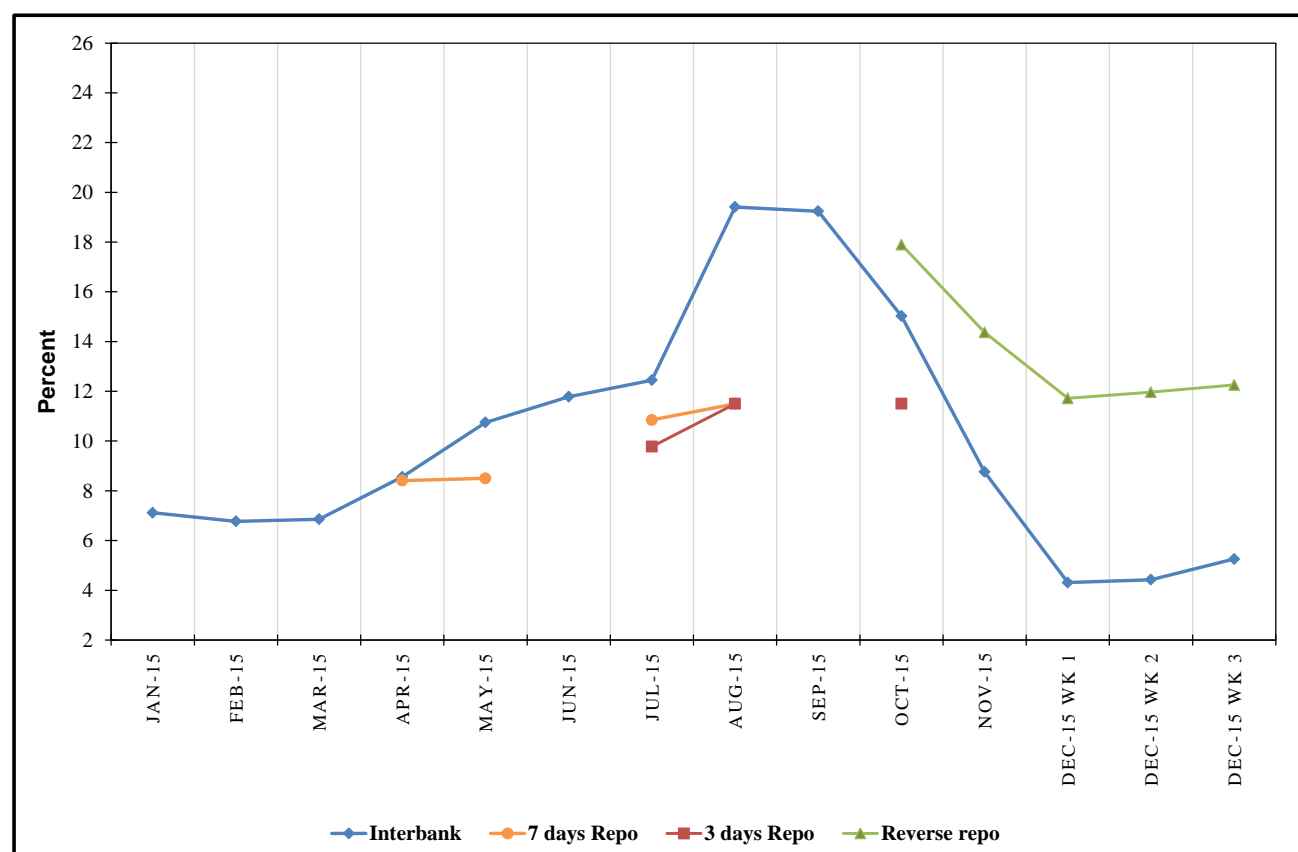
	17-Dec-15	18-Dec-15	21-Dec-15	22-Dec-15	23-Dec-15	Total
Liquidity Flows						
Total liquidity injection	7.5	6.3	44.5	6.3	15.8	80.4
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	5.3	0.0	0.0	7.9	13.1
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	7.3	0.0	0.0	7.3
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	25.3	0.0	0.0	25.3
T/bonds Interest	0.0	0.0	8.2	0.0	0.0	8.2
T/bonds rediscounts	0.0	0.0	0.0	0.0	1.1	1.1
Govt payments	7.5	1.0	3.7	4.7	4.7	21.8
Total liquidity reduction	7.2	13.9	26.0	20.9	8.6	76.6
T/bills (Primary issues)	0.0	0.0	13.0	0.0	0.0	13.0
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	4.0	0.0	0.0	4.0
Repos	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repos maturities	0.0	2.1	0.0	0.0	4.6	6.7
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	4.2	11.8	9.0	20.9	4.0	49.8
Net liquidity injection (+)/Withdrawal (-)	0.3	-7.6	18.5	-14.6	7.1	3.8
Open Market Operations Outcome						
Posted Amount	0.0	2.0	0.0	0.0	4.5	6.5
Realised Amount	0.0	5.3	0.0	0.0	7.9	13.1
Repo (-)	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo (+)	0.0	5.3	0.0	0.0	7.9	13.1
Reserve Money Position						
Reserve money (actual)	382.7	372.4	392.6	380.2	386.6	382.9
Reserve money target	392.4	392.4	398.0	398.0	398.0	395.8
Deviation from target	-9.7	-20.1	-5.5	-17.8	-11.4	-12.9
Commercial banks excess reserves Exc(+)/ Short(-)	17.4	7.0	26.3	11.8	16.3	15.8
Cash outside bank Exc(+)/ Short(-)	-27.2	-27.1	-31.8	-29.6	-27.7	-28.7

Activity in the Interbank Rates

The average interbank rate rose to 5.26 percent in the week ending December 23, 2015 from 4.43 percent in the previous week. The volumes transacted in the interbank money market increased to KSh 19.54 billion from KSh 10.95 billion traded in the previous week, with the number of deals increasing to 46 deals from 31 deals. The reverse repo purchases traded at a higher average rate of 12.26 percent in the week ending December 23, 2015 compared to 11.96 percent in the previous week (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
10-Dec-15	26	8,270	4.13	
11-Dec-15	27	6,535	4.41	11.71
14-Dec-15	28	9,150	4.98	
15-Dec-15	34	12,425	4.39	
16-Dec-15	40	18,389	4.22	12.22
December 10, 2015-December 16, 2015	31	10,954	4.43	11.96
17-Dec-15	41	18,449	4.77	
18-Dec-15	49	24,684	4.73	12.30
21-Dec-15	39	15,254	5.08	
22-Dec-15	51	18,589	5.61	
23-Dec-15	48	20,724	6.08	12.22
December 17, 2015-December 23, 2015	46	19,540	5.26	12.26

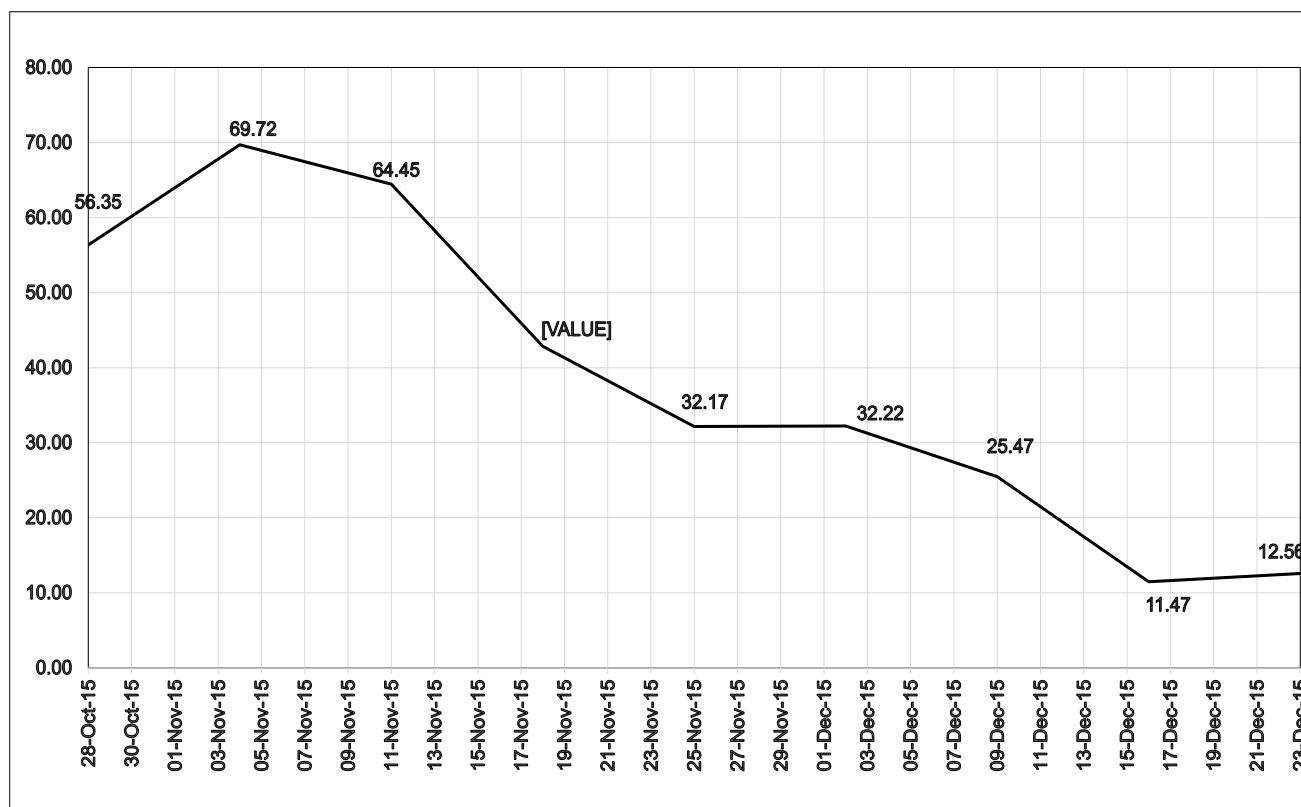
CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' daily free reserves based on the cash reserve requirement of 5.25 percent averaged KSh 12.56 billion in the week ending December 23, 2015 compared to KSh 11.47 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 December 24, 2015 the Kenya Shilling exchange rate displayed mixed performance against major international currencies as well as the EAC currencies. It strengthened by 1.34 percent against the sterling pound and 0.38 percent against the Euro, however, it weakened by 0.16 percent against the US Dollar and 0.26 percent against the Japanese Yen. In the EAC region, it weakened against the Uganda Shilling, Tanzania shilling and Burundi franc but remained unchanged against the Rwanda Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
11-Dec-15	101.88	154.58	111.50	83.85	33.03	21.20	7.32	15.41
14-Dec-15	102.06	155.31	112.18	84.33	33.66	21.16	7.31	15.24
15-Dec-15	102.17	154.95	112.57	84.42	33.84	21.14	7.30	15.23
16-Dec-15	102.21	153.81	111.79	83.85	33.31	21.13	7.31	15.16
17-Dec-15	102.32	152.93	111.00	83.55	33.28	21.11	7.30	15.06
11-17 December 2015	102.13	154.32	111.81	84.00	33.42	21.15	7.31	15.22
18-Dec-15	102.35	152.33	110.63	83.39	33.12	21.05	7.30	15.15
21-Dec-15	102.32	152.56	111.22	84.29	32.98	20.87	7.30	15.17
22-Dec-15	102.24	152.16	111.55	84.34	32.57	20.83	7.31	15.00
23-Dec-15	102.25	151.80	111.85	84.49	32.57	20.83	7.32	15.11
24-Dec-15	102.31	152.38	111.64	84.61	32.69	20.92	7.34	15.20
18-24 December 2015	102.30	152.24	111.38	84.22	32.79	20.90	7.31	15.13

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Nairobi Securities Exchange

The capital markets recorded reduced activity in both equities and bond markets segments.

Equities Market

The NASI, NSE 20 Share Index and NSE 25 Share Index lost 1.69 percent, 2.16 percent and 1.16 percent in that order. Market capitalization, which measures shareholder wealth, lost KSh 34.69 billion or 1.7% percent on account of low prices and volumes. Similarly, the equity turnover was down 34.30 percent as a result of a 40.35 percent decline in share supply (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	13-Nov-15	19-Nov-15	26-Nov-15	3-Dec-15	10-Dec-15	17-Dec-15	23-Dec-15	Wkly Change
NASI 100= 2008	143.79	146.31	145.65	143.26	144.28	145.31	142.85	-1.69%
NSE 25 Share Index	4,119.25	4,207.97	4,215.71	4,170.74	4,165.16	4,160.69	4,112.59	-1.16%
NSE 20 Share Index 100= 1996	3,916.62	3,971.30	4,044.72	3,994.49	3,986.28	4,005.22	3,918.75	-2.16%
Number of Deals	6,828.00	6,775.00	5,226.00	6,032.00	5,584.00	6,113.00	4,413.00	-27.81%
Total Shares Traded	82.93	110.55	76.60	79.66	110.87	163.37	97.46	-40.35%
Equity Turnover (Ksh. Millions)	2,165.87	2,791.18	2,440.75	2,427.53	3,564.24	4,935.64	3,242.83	-34.30%
Market Capitalization (Ksh. Bn.)	2,022.62	2,058.13	2,048.83	2,015.12	2,029.64	2,044.15	2,009.46	-1.70%
Bonds Turnover (Ksh. Millions)	7,011.40	5,167.30	1,978.40	9,614.45	8,344.75	4,842.92	308.40	-93.63%
FTSE NSE Kenya 15 Index	184.50	186.17	187.51	184.64	184.99	183.41	182.17	-0.68%
FTSE NSE Kenya 25 Index	184.50	185.47	186.94	183.87	184.45	183.02	180.93	-1.14%
FTSE NSE Bond Index	89.89	90.17	90.87	90.77	90.53	90.39	90.04	-0.39%

Source: Nairobi Securities Exchange

FTSE NSE Kenya 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 at 0.68 percent and 1.14 percent lower respectively. The FTSE Government Bond Index was 0.39 percent down, reflecting an increase in secondary market yields.

The Banking sector dominated trading with 59.6 percent of all shares traded, followed by Telecommunication & Technology and Energy& Petroleum sectors at 23.9 percent and 4.8 percent respectively. Automobile & Accessories sector was least active with 25,400 shares.

The Bond Market

Total bonds traded declined by 93.63 percent to KSh. 308.40 million from KSh 4,842.92 million in the period ending December 23, 2015, partly attributed to the holiday effect. The number of deals declined to 12 from 108 the previous week.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills							
Date of Auction	12-Nov-15	19-Nov-15	26-Nov-15	3-Dec-15	10-Dec-15	17-Dec-15	24-Dec-15
Amount offered (Ksh M)	4,000.0	6,000.0	6,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	22,848.5	4,686.5	4,478.9	6,973.4	6,301.7	12,823.2	5,892.6
Amount Accepted (Ksh M)	8,369.8	4,666.4	3,992.6	5,251.5	4,549.4	8,936.7	3,945.1
Maturities (Ksh M)	1,749.1	1,868.1	3,298.5	1,363.8	7,765.1	3,167.9	5,107.5
Average interest Rate (%) - 91 Days	9.7	9.6	9.2	9.2	9.7	9.9	10.4
182-Day Treasury Bills							
Date of Auction	11-Nov-15	18-Nov-15	25-Nov-15	2-Dec-15	9-Dec-15	16-Dec-15	23-Dec-15
Amount offered (Ksh M)	4,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	22,770.3	9,303.1	473.9	3,054.4	5,728.0	4,019.1	5,477.5
Amount Accepted (Ksh M)	8,620.4	7,445.8	473.9	2,049.8	5,727.2	3,358.6	4,983.4
Maturities (Ksh M)	1,333.2	279.9	390.2	209.2	434.5	255.9	2,657.1
Average interest Rate (%) - 182 days	12.3	10.2	10.1	10.6	11.1	11.7	12.3
364-Day Treasury Bills							
Date of Auction	11-Nov-15	18-Nov-15	25-Nov-15	2-Dec-15	9-Dec-15	16-Dec-15	23-Dec-15
Amount offered (Ksh M)	4,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	23,189.2	4,640.1	1,157.9	3,185.8	4,375.5	2,677.7	1,743.2
Amount Accepted (Ksh M)	7,920.5	7,920.5	1,157.9	3,098.4	2,723.2	730.6	1,336.6
Maturities (Ksh M)	6,104.5	6,104.5	2,555.4	4,202.2	4,828.8	4,401.5	1,515.0
Average interest Rate (%) - 364 days	13.6	12.1	11.9	12.2	12.6	12.5	12.7
Treasury Bonds							
Date of Auction							
Tenor			5 Year FXD	9 Year IFB	9 Year IFB (Tap Sale)		
Amount offered (Ksh M)			20,000.0	30,000.0			16,000.0
Bids received (Ksh M)			32,997.9	16,575.4			4,717.2
Amount Accepted (Ksh M)			30,700.4	13,964.7			3,974.0
Maturities (Ksh M)			9,193.7	0.0			0.0

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	31-Jul-15	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	04-Dec-15	11-Dec-15	18-Dec-15
1. Treasury Bills (Excluding Repos)	298.86	289.97	272.93	321.69	378.05	377.65	382.84	383.57
(As % of total securities)	22.19	21.77	20.76	23.16	26.43	26.02	26.28	26.02
2. Treasury Bonds	1048.17	1041.80	1041.80	1067.42	1052.45	1073.93	1073.93	1090.48
(As % of total securities)	77.81	78.23	79.24	76.84	73.57	73.98	73.72	73.98
3. Total Securities (1+2)	1,347.03	1,331.76	1,314.73	1,389.11	1,430.49	1,451.57	1,456.77	1,474.04
4. Overdraft at Central Bank	41.68	36.76	43.29	36.87	26.57	36.50	36.50	22.77
5. Other Domestic debt*	29.27	29.85	28.80	28.54	28.23	28.25	28.26	28.24
6. Gross Domestic Debt (3+4+5)	1,417.99	1,398.37	1,386.82	1,454.53	1,485.30	1,516.32	1,521.52	1,525.06

* 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

	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	4-Dec-15	11-Dec-15	18-Dec-15
Treasury bills (Excluding Repos)	20.7	19.7	22.1	25.5	24.9	25.2	25.2
Treasury bonds	74.5	75.1	73.4	70.9	70.8	70.6	71.5
CBK Overdraft to Govt	2.6	3.1	2.5	1.8	2.4	2.4	1.5
Other domestic debt	2.1	2.1	2.0	1.9	1.9	1.9	1.9
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

	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	4-Dec-15	11-Dec-15	18-Dec-15
Banking Institutions	57.3	56.5	55.5	55.4	55.8	55.7	55.3
Insurance Companies	8.8	8.7	8.8	8.4	8.4	8.4	8.4
Parastatals	4.3	4.7	4.7	4.9	4.7	4.7	4.7
Pension funds	25.2	25.3	25.2	25.4	25.2	25.2	25.5
Other investors	4.3	4.8	5.9	6.0	5.9	6.0	6.1
Total	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)

	15-Oct-15	22-Oct-15	29-Oct-15	5-Nov-15	12-Nov-15	19-Nov-15	25-Nov-15	3-Dec-15	10-Dec-15	17-Dec-15	23-Dec-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,254	6,435	6,563	6,905	6,797	6,754	6,749	6,979	7,046	7,103	7,220
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	3.98	4.10	4.18	4.40	4.33	4.30	4.30	4.45	4.49	4.52	4.60

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya