



**DECEMBER 11, 2015**

### **Highlights**

*The money market was relatively liquid during the week ending December 9, 2015 supported mainly by government payments. The average interbank rate declined to 4.31 percent in the week ending December 9, 2015 from 5.97 percent in the previous week.*

*Capital markets indicators recorded mixed performance in the week ended December 10, 2015.*

### **Monetary Policy Operations**

The money market was relatively liquid during the week ending December 9, 2015 supported mainly by government payments. Liquidity distribution continued to improve in the interbank market supported by reverse repo purchases and improved activity in the horizontal repo market. Reserve money averaged KSh 388.1 billion during the week ending December 9, 2015 and was KSh 3.5 billion above target (**Table 1**).

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

	3-Dec-15	4-Dec-15	7-Dec-15	8-Dec-15	9-Dec-15	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>4.1</b>	<b>16.0</b>	<b>10.8</b>	<b>5.9</b>	<b>6.2</b>	<b>43.0</b>
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	3.0	0.0	0.0	2.4	5.4
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	5.8	0.0	0.0	5.8
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 Interest	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	4.1	12.9	5.0	4.9	2.8	29.8
<b>Total liquidity reduction</b>	<b>3.3</b>	<b>7.3</b>	<b>12.6</b>	<b>4.8</b>	<b>10.8</b>	<b>38.6</b>
T/bills (Primary issues)	0.0	0.0	10.4	0.0	0.0	10.4
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	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repos maturities	0.0	4.4	0.0	0.0	5.9	10.3
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	3.2	2.8	2.1	4.7	4.8	17.6
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>0.8</b>	<b>8.7</b>	<b>-1.8</b>	<b>1.1</b>	<b>-4.5</b>	<b>4.4</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	0.0	3.0	0.0	0.0	4.0	7.0
<b>Realised Amount</b>	<b>0.0</b>	<b>3.0</b>	<b>0.0</b>	<b>0.0</b>	<b>2.4</b>	<b>5.4</b>
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	3.0	0.0	0.0	2.4	5.4
<b>Reserve Money Position</b>						
Reserve money (actual)	382.3	391.6	390.3	390.5	385.9	388.1
Reserve money target	381.3	381.3	386.9	386.9	386.9	384.6
Deviation from target	1.0	10.4	3.5	3.6	-1.0	3.5
Commercial banks excess reserves Exc(+)/ Short(-)	24.1	31.3	29.4	27.4	22.7	27.0
Cash outside bank Exc(+)/ Short(-)	-23.2	-21.0	-25.9	-23.7	-23.7	-23.5

Source: Central Bank of Kenya

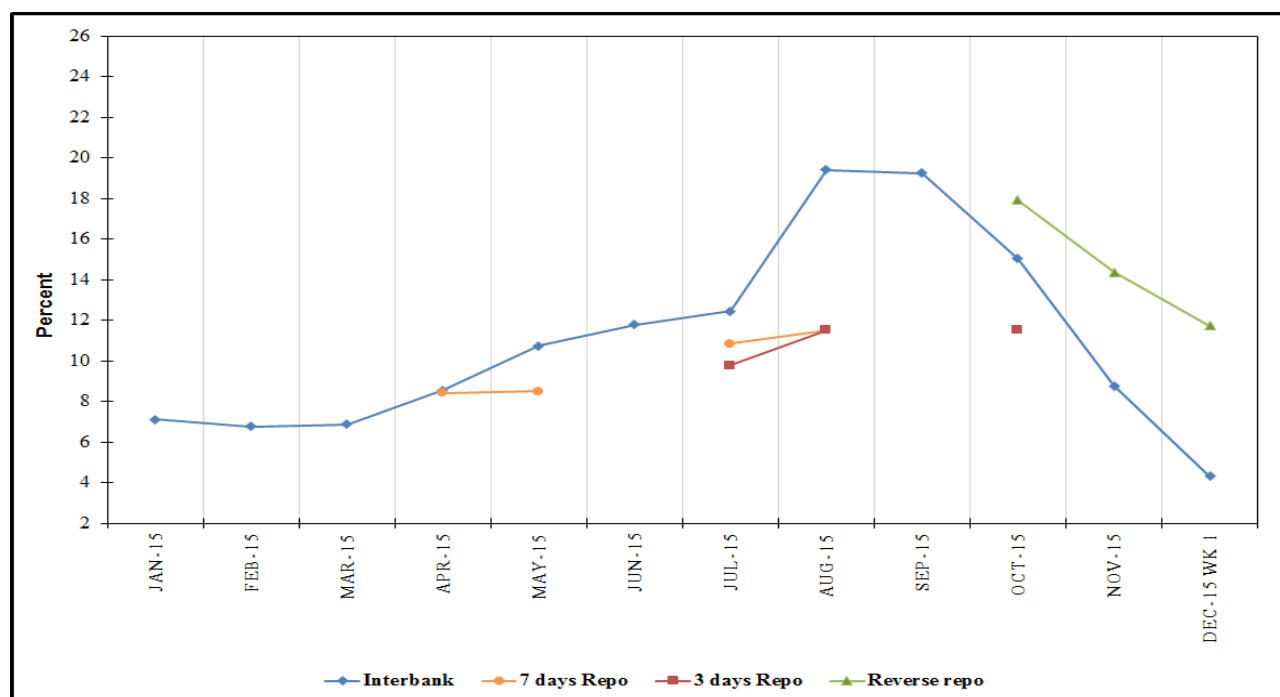
### Activity in the Interbank Rates

The average interbank rate declined to 4.31 percent in the week ending December 9, 2015 from 5.97 percent in the previous week. The volumes transacted in the interbank money market increased to KSh 13.15 billion from KSh 9.03 billion traded in the previous week, and the number of deals went up to 29 from 25. The reverse repo purchases traded at a lower average rate of 11.72 percent in the week ending December 9, 2015 compared to 11.85 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 (%)
27-Nov-15	27	6,290	5.88	11.96
30-Nov-15	20	6,150	6.24	
1-Dec-15	22	9,300	5.34	
2-Dec-15	23	8,850	5.08	11.73
<b>November 27, 2015-December 2, 2015</b>	<b>25</b>	<b>9,026</b>	<b>5.97</b>	<b>11.85</b>
3-Dec-15	27	12,720	4.76	
4-Dec-15	39	18,425	4.49	11.71
7-Dec-15	29	13,840	4.07	
8-Dec-15	28	11,600	4.01	
9-Dec-15	24	9,175	4.23	11.73
<b>December 3, 2015-December 9, 2015</b>	<b>29</b>	<b>13,152</b>	<b>4.31</b>	<b>11.72</b>

Source: Central Bank of Kenya

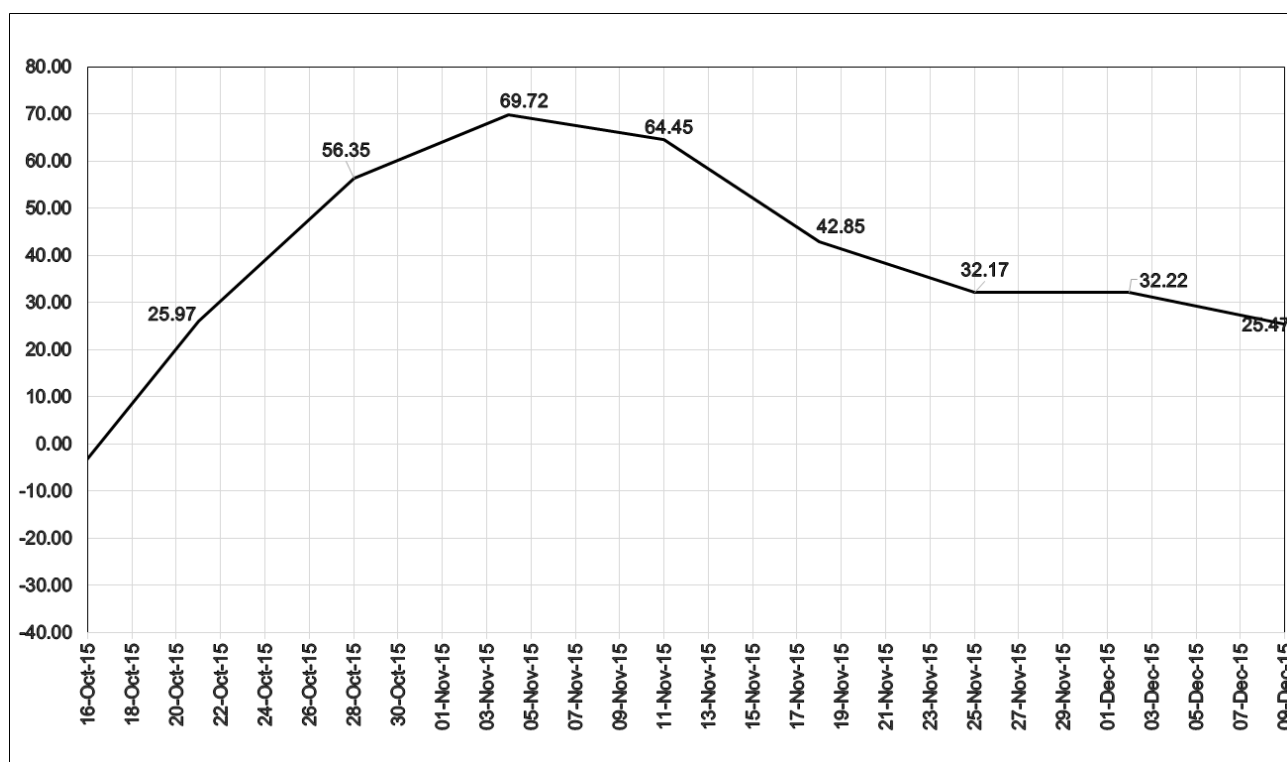
**CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES**


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 25.47 billion in the week ending December 9, 2015 compared to KSh 32.22 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 10, 2015, the Kenya Shilling exchange rate displayed mixed results against major international and EAC currencies. It strengthened by 0.08 percent against the US Dollar and 0.06 percent against the Japanese Yen but weakened by 0.11 percent against the Pound Sterling and 2.62 percent against the Euro. In the EAC region it strengthened against the Rwanda and Burundi Francs, weakened against the Uganda Shilling and remained unchanged against the Tanzania shilling.

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
27th-Nov	102.14	154.04	108.06	83.35	32.90	21.22	7.29	15.18
30th-Nov	102.11	153.56	108.15	83.20	32.86	21.20	7.30	15.17
1st-Dec	102.18	153.65	108.11	83.01	32.78	21.19	7.30	15.36
2nd-Dec	102.15	154.05	108.49	83.00	32.65	21.17	7.30	15.24
3rd-Dec	102.19	153.38	108.21	82.89	32.52	21.14	7.30	15.36
<b>27th Nov-3rd Dec</b>	<b>102.15</b>	<b>153.73</b>	<b>108.20</b>	<b>83.09</b>	<b>32.74</b>	<b>21.18</b>	<b>7.30</b>	<b>15.26</b>
4th-Dec	102.18	153.76	110.79	83.04	32.44	21.17	7.30	15.30
7th- Dec	102.16	154.37	111.34	83.02	32.48	21.17	7.30	15.26
8th-Dec	102.12	153.94	110.41	82.76	32.46	21.18	7.31	15.27
9th-Dec	102.02	152.97	110.96	83.01	32.44	21.18	7.31	15.26
10th-Dec	101.89	154.49	111.70	83.38	32.44	21.22	7.32	15.30
<b>4th-10th Dec</b>	<b>102.08</b>	<b>153.91</b>	<b>111.04</b>	<b>83.04</b>	<b>32.45</b>	<b>21.18</b>	<b>7.31</b>	<b>15.28</b>

\* Units of currency per Kenya Shilling

**Source: Central Bank of Kenya**

### The Nairobi Securities Exchange

The Nairobi Securities Exchange (NSE) recorded mixed performance in the week ended December 10, 2015 with equities market segment recording both gains and losses while the bond market had reduced activity.

#### Equities Market

The NSE 20 Share Index and NSE 25 Share Index were down 0.21 percent and 0.13 percent, respectively, while the NASI gained 0.71 percent. Equity turnover closed 46.83 percent higher during the week to December 10, 2015 on account of 39.18 percent increase in the volume of shares traded. Shareholder wealth, measured by market capitalization, rose by 0.72 percent on account of overall increase in prices (Table 4).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	30-Oct-15	5-Nov-15	13-Nov-15	19-Nov-15	26-Nov-15	3-Dec-15	10-Dec-15	Wkly Change %
NASI 100= 2008	138.07	139.42	143.79	146.31	145.65	143.26	144.28	0.71
NSE 25 Share Index	4,059.32	4,051.07	4,119.25	4,207.97	4,215.71	4,170.74	4,165.16	-0.13
NSE 20 Share Index 100= 1996	3,884.13	3,868.09	3,916.62	3,971.30	4,044.72	3,994.49	3,986.28	-0.21
Number of Deals	6,325.00	6,913.00	6,828.00	6,775.00	5,226.00	6,032.00	5,584.00	-7.43
Total Shares Traded	173.26	145.35	82.93	110.55	76.60	79.66	110.87	39.18
Equity Turnover (Ksh. Millions)	6,728.85	4,253.20	2,165.87	2,791.18	2,440.75	2,427.53	3,564.24	46.83
Market Capitalization (Ksh. Bn.)	1,942.07	1,961.07	2,022.62	2,058.13	2,048.83	2,015.12	2,029.64	0.72
Bonds Turnover (Ksh. Millions)	13,221.72	4,275.05	7,011.40	5,167.30	1,978.40	9,614.45	8,344.75	-13.21
FTSE NSE Kenya 15 Index	180.26	180.86	184.50	186.17	187.51	184.64	184.99	0.19
FTSE NSE Kenya 25 Index	179.58	180.59	184.50	185.47	186.94	183.87	184.45	0.32
FTSE NSE Bond Index	90.13	89.93	89.89	90.17	90.87	90.77	90.53	-0.26

**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, rose marginally by 0.19 percent and 0.32 percent, respectively. However, the FTSE Government Bond Index declined slightly by 0.26 percent over the week ending December 10, 2015, reflecting a slight increase in the secondary market yields.

Telecommunication & Technology, Banking and Energy & Petroleum sectors showed the highest levels of activity at 44.56 percent, 27.12 percent and 9.78 percent, respectively of the total shares traded. The Automobile and Accessories sector was the least active with 100,000 shares traded during the week.

**The Bond Market**

Total bonds traded declined by 13.21 percent in the week ending December 10, 2015 to KSh 8,344.75 million. The number of deals traded also declined to 66 from 159 in the previous week.

**TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES**

<b>91-Day Treasury Bills</b>						
Date of Auction	5-Nov-15	12-Nov-15	19-Nov-15	26-Nov-15	3-Dec-15	10-Dec-15
Amount offered (Ksh M)	4,000.0	4,000.0	6,000.0	6,000.0	4,000.0	4,000.0
Bids received (Ksh M)	44,612.9	22,848.5	4,686.5	4,478.9	6,973.4	6,301.7
Amount Accepted (Ksh M)	7,305.4	8,369.8	4,666.4	3,992.6	5,251.5	4,549.4
Maturities (Ksh M)	704.5	1,749.1	1,868.1	3,298.5	1,363.8	7,765.1
Average interest Rate (%) - 91 Days	13.8	9.7	9.6	9.2	9.2	9.7
<b>182-Day Treasury Bills</b>						
Date of Auction	4-Nov-15	11-Nov-15	18-Nov-15	25-Nov-15	2-Dec-15	9-Dec-15
Amount offered (Ksh M)	4,000.0	4,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	32,892.3	22,770.3	9,303.1	473.9	3,054.4	5,728.0
Amount Accepted (Ksh M)	5,646.5	8,620.4	7,445.8	473.9	2,049.8	5,727.2
Maturities (Ksh M)	423.2	1,333.2	279.9	390.2	209.2	434.5
Average interest Rate (%) - 182 days	16.5	12.3	10.2	10.1	10.6	11.1
<b>364-Day Treasury Bills</b>						
Date of Auction	4-Nov-15	11-Nov-15	18-Nov-15	25-Nov-15	2-Dec-15	9-Dec-15
Amount offered (Ksh M)	4,000.0	4,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	50,314.0	23,189.2	4,640.1	1,157.9	3,185.8	4,375.5
Amount Accepted (Ksh M)	8,981.3	7,920.5	7,920.5	1,157.9	3,098.4	2,723.2
Maturities (Ksh M)	8,228.3	6,104.5	6,104.5	2,555.4	4,202.2	4,828.8
Average interest Rate (%) - 364 days	17.1	13.6	12.1	11.9	12.2	12.6
<b>Treasury Bonds</b>						
Date of Auction						
Tenor			<b>5 Year FXD</b>		<b>9 Year IFB</b>	
Amount offered (Ksh M)			20,000.0		30,000.0	
Bids received (Ksh M)			32,997.9		16,575.4	
Amount Accepted (Ksh M)			30,700.4		13,964.7	
Maturities (Ksh M)			9,193.7		0.0	
Average interest Rate (%)			13.9		14.8	

Source: Central Bank of Kenya

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

	24-Dec-14	31-Jul-15	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	04-Dec-15
1. Treasury Bills (Excluding Repos)	296.33	298.86	289.97	272.93	321.69	378.05	377.65
(As % of total securities)	<b>23.68</b>	<b>22.19</b>	<b>21.77</b>	<b>20.76</b>	<b>23.16</b>	<b>26.43</b>	<b>26.02</b>
2. Treasury Bonds	955.00	1048.17	1041.80	1041.80	1067.42	1052.45	1073.93
(As % of total securities)	<b>76.32</b>	<b>77.81</b>	<b>78.23</b>	<b>79.24</b>	<b>76.84</b>	<b>73.57</b>	<b>73.98</b>
<b>3. Total Securities (1+2)</b>	<b>1,251.33</b>	<b>1,347.03</b>	<b>1,331.76</b>	<b>1,314.73</b>	<b>1,389.11</b>	<b>1,430.49</b>	<b>1,451.57</b>
4. Overdraft at Central Bank	30.08	41.68	36.76	43.29	36.87	26.57	36.50
5. Other Domestic debt*	30.00	29.27	29.85	28.80	28.54	28.23	28.25
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,311.41</b>	<b>1,417.99</b>	<b>1,398.37</b>	<b>1,386.82</b>	<b>1,454.53</b>	<b>1,485.30</b>	<b>1,516.32</b>

\* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft

Source: Central Bank of Kenya

**TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT**

	31-Jul-15	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	4-Dec-15
Treasury bills (Excluding Repos)	21.1	20.7	19.7	22.1	25.5	24.9
Treasury bonds	73.9	74.5	75.1	73.4	70.9	70.8
CBK Overdraft to Govt	2.9	2.6	3.1	2.5	1.8	2.4
Other domestic debt	2.1	2.1	2.1	2.0	1.9	1.9
<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>

Source: Central Bank of Kenya

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

	31-Jul-15	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	4-Dec-15
Banking Institutions	57.8	57.3	56.5	55.5	55.4	55.8
Insurance Companies	9.2	8.8	8.7	8.8	8.4	8.4
Parastatals	3.5	4.3	4.7	4.7	4.9	4.7
Pension funds	25.3	25.2	25.3	25.2	25.4	25.2
Other investors	4.2	4.3	4.8	5.9	6.0	5.9
<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>

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
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
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

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya