



**DECEMBER 18, 2015**

### **Highlights**

*The money market was relatively liquid during the week ending December 16, 2015 supported mainly by government payments. The average interbank rate rose to 4.43 percent in the week ending December 16, 2015 from 4.31 percent in the previous week.*

*Capital markets recorded mixed performance in the week ending 17<sup>th</sup> December 2015.*

### **Monetary Policy Operations**

The money market was relatively liquid during the week ending December 16, 2015 supported mainly by government payments. Liquidity distribution continued to improve in the interbank market, partly supported by Central Bank intervention through reverse repos. Reserve money averaged KSh 379.5 billion during the week ending December 16, 2015 and was KSh 10.7 billion below target (**Table 1**).

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

	10-Dec-15	11-Dec-15	14-Dec-15	15-Dec-15	16-Dec-15	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>7.0</b>	<b>11.7</b>	<b>22.8</b>	<b>3.3</b>	<b>12.1</b>	<b>56.9</b>
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	2.1	0.0	0.0	4.6	6.7
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	13.0	0.0	0.0	13.0
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	0.5	0.0	0.0	0.5
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	1.9	6.9	8.3	3.3	4.5	24.8
<b>Total liquidity reduction</b>	<b>5.8</b>	<b>10.2</b>	<b>31.5</b>	<b>3.8</b>	<b>6.5</b>	<b>57.7</b>
T/bills (Primary issues)	0.0	0.0	13.0	0.0	0.0	13.0
Tbonds Sales	0.0	0.0	14.0	0.0	0.0	14.0
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	3.0	0.0	0.0	2.4	5.4
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	5.7	7.1	4.4	3.7	4.0	25.1
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>1.2</b>	<b>1.5</b>	<b>-8.6</b>	<b>-0.5</b>	<b>5.6</b>	<b>-0.8</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	0.0	2.0	0.0	0.0	2.5	4.5
<b>Realised Amount</b>	<b>0.0</b>	<b>2.1</b>	<b>0.0</b>	<b>0.0</b>	<b>4.6</b>	<b>6.7</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	2.1	0.0	0.0	4.6	6.7
<b>Reserve Money Position</b>						
Reserve money (actual)	381.9	383.1	375.1	374.7	382.5	379.5
Reserve money target	386.9	386.9	392.4	392.4	392.4	390.2
Deviation from target	-4.9	-3.8	-17.3	-17.7	-9.9	-10.7
Commercial banks excess reserves Exc(+)/ Short(-)	18.2	18.6	10.8	8.5	17.0	14.6
Cash outside bank Exc(+)/ Short(-)	-23.2	-22.3	-28.1	-26.3	-26.9	-25.4

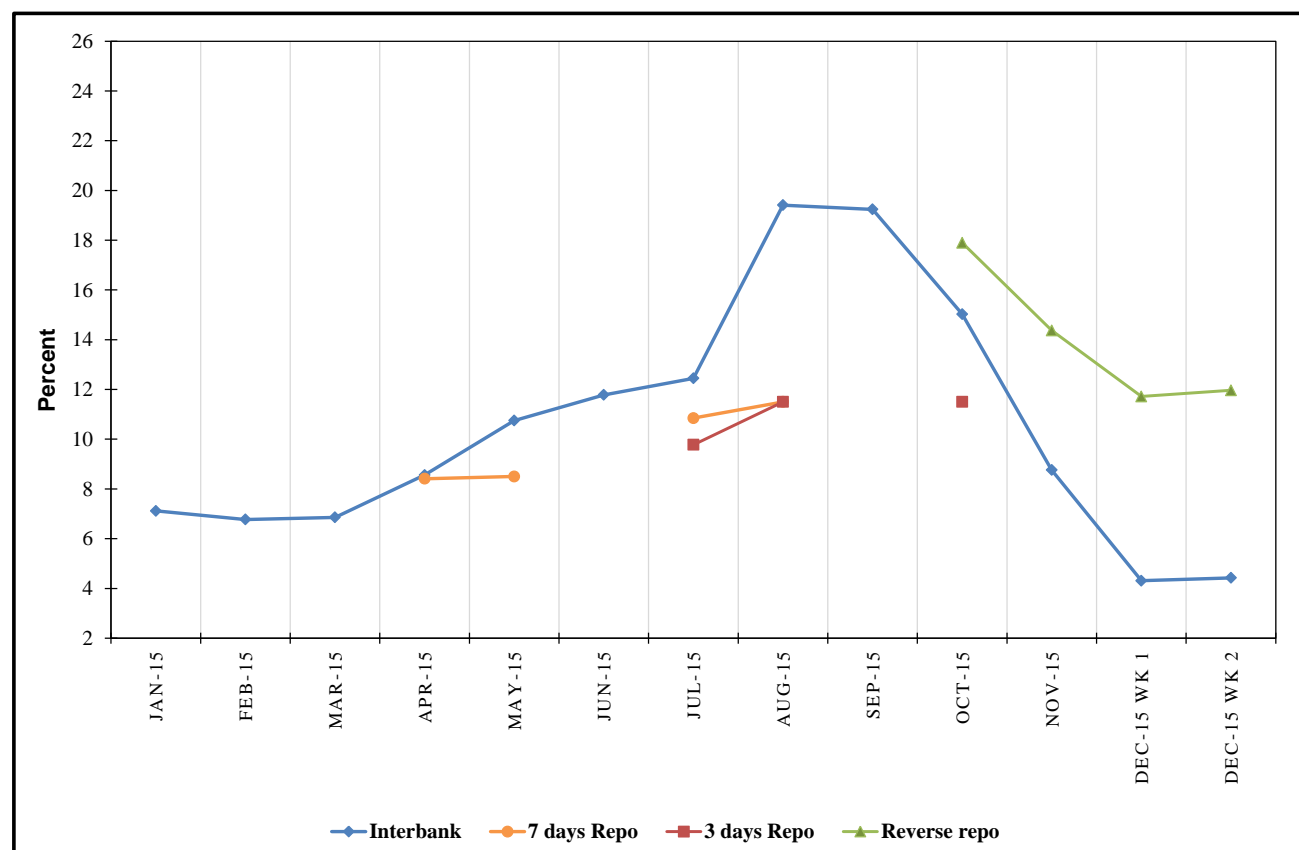
### Activity in the Interbank Rates

The average interbank rate rose to 4.43 percent in the week ending December 16, 2015 from 4.31 percent in the previous week. The volumes transacted in the interbank money market declined to KSh 10.95 billion from KSh 13.15 billion traded in the previous week, and the number of deals increased to 31 deals from 29 deals. The reverse repo purchases traded at a higher average rate of 11.96 percent in the week ending December 16, 2015 compared to 11.72 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 (%)
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>
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
<b>December 10, 2015-December 16, 2015</b>	<b>31</b>	<b>10,954</b>	<b>4.43</b>	<b>11.96</b>

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

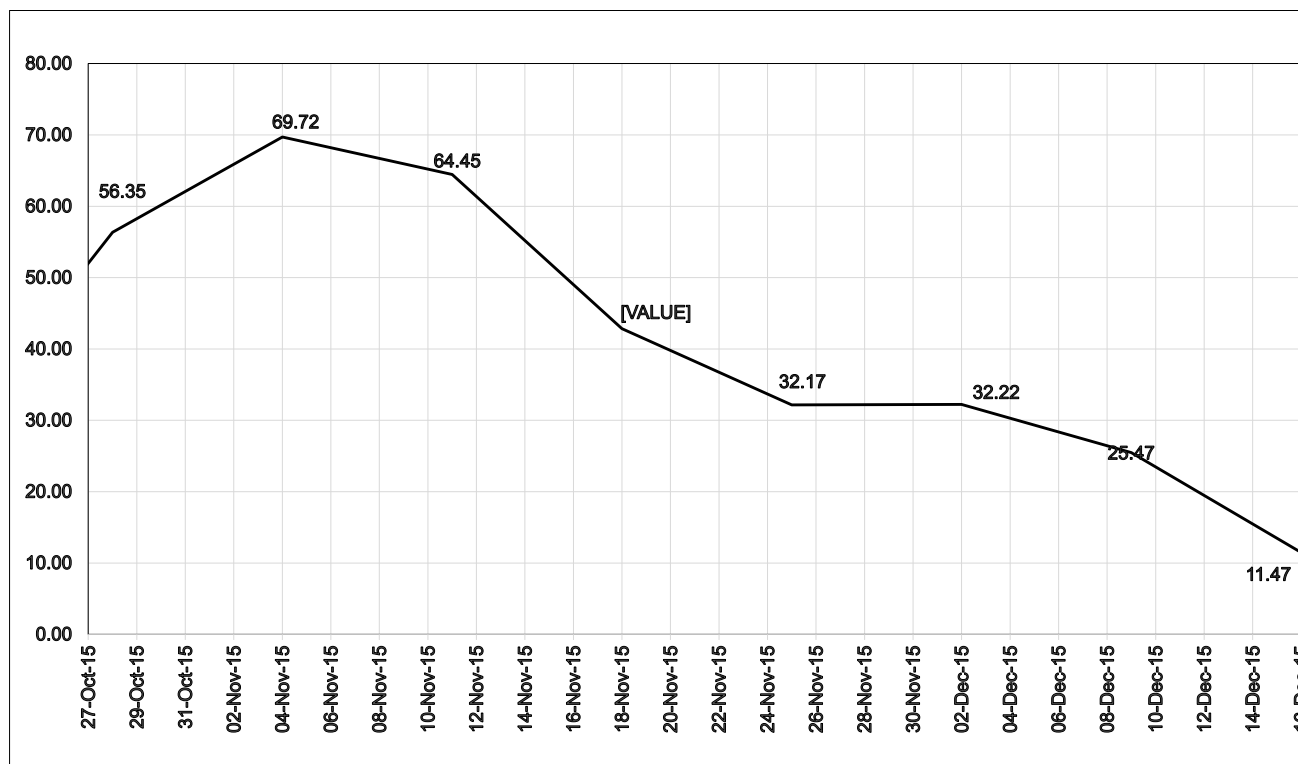


Source: Central Bank of Kenya

### Commercial Banks Clearing Account Balances

Commercial banks’ daily free reserves based on the cash reserve requirement (CRR) of 5.25 percent averaged KSh 11.47 billion in the week ending December 16, 2015 compared to KSh 25.47 billion recorded in the previous week (**Chart B**). The decline partly reflects a larger CRR base in the new cycle beginning December 15, 2015.

**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 was stable against the US Dollar in the week ending December 17, 2015. It weakened by 0.27 percent against the Pound Sterling, 0.69 percent against the Euro and 1.15 percent against the Japanese Yen. In the EAC region, it strengthened against the Uganda Shilling and remained unchanged against the Rwanda Franc. However, it weakened against the Tanzania Shilling and the Burundi Franc. The tightening of US monetary policy following 0.25 percent increase in the US Fed rate on December 16, 2015 has not impacted the exchange rate adversely.

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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>
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
<b>11-17 December 2015</b>	<b>102.13</b>	<b>154.32</b>	<b>111.81</b>	<b>84.00</b>	<b>33.42</b>	<b>21.15</b>	<b>7.31</b>	<b>15.22</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 that ending December 17, 2015 in the equities and bonds market segments.

#### Equities Market

The NASI and NSE 20 Share Index gained 0.71 percent and 0.48 percent, respectively, while the NSE 25 Share Index declined by 0.11 percent. Equity turnover closed 38.48 percent higher during the week to 17<sup>th</sup> December 2015 on account of 47.35 percent increase in the volume of shares traded. Shareholders' wealth measured by market capitalization, grew by 0.71 percent on account of improved prices (**Table 4**).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	5-Nov-15	13-Nov-15	19-Nov-15	26-Nov-15	3-Dec-15	10-Dec-15	17-Dec-15	Wkly Change
NASI 100= 2008	139.42	143.79	146.31	145.65	143.26	144.28	145.31	0.71%
NSE 25 Share Index	4,051.07	4,119.25	4,207.97	4,215.71	4,170.74	4,165.16	4,160.69	-0.11%
NSE 20 Share Index 100= 1996	3,868.09	3,916.62	3,971.30	4,044.72	3,994.49	3,986.28	4,005.22	0.48%
Number of Deals	6,913.00	6,828.00	6,775.00	5,226.00	6,032.00	5,584.00	6,113.00	9.47%
Total Shares Traded	145.35	82.93	110.55	76.60	79.66	110.87	163.37	47.35%
Equity Turnover (Ksh. Millions)	4,253.20	2,165.87	2,791.18	2,440.75	2,427.53	3,564.24	4,935.64	38.48%
Market Capitalization (Ksh. Bn.)	1,961.07	2,022.62	2,058.13	2,048.83	2,015.12	2,029.64	2,044.15	0.71%
Bonds Turnover (Ksh. Millions)	4,275.05	7,011.40	5,167.30	1,978.40	9,614.45	8,344.75	4,842.92	-41.96%
FTSE NSE Kenya 15 Index	180.86	184.50	186.17	187.51	184.64	184.99	183.41	-0.85%
FTSE NSE Kenya 25 Index	180.59	184.50	185.47	186.94	183.87	184.45	183.02	-0.78%
FTSE NSE Bond Index	89.93	89.89	90.17	90.87	90.77	90.53	90.39	-0.15%

**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 performance of 15 largest companies by market capitalization and 25 most liquid stocks at the NSE, closed the week at 0.85 percent and 0.78 percent lower, respectively. The FTSE Government Bond Index also declined by 0.15 percent, reflecting a slight increase in secondary market yields.

Banking, Telecommunication and Technology and Energy and Petroleum sectors recorded the highest levels of activity at 53.09 percent, 24.35 percent and 8.52 percent of the total shares traded, respectively. Automobile and Accessories sector was the least active with 13,300 shares traded over the week.

**The Bond Market**

Total bonds traded declined by 41.96 percent in the week ending December 17, 2015 to close at KSh 4,842.92 million. However, the number of deals traded increased to 108 from 66 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	17-Dec-15
Amount offered (Ksh M)	4,000.0	4,000.0	6,000.0	6,000.0	4,000.0	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	12,823.2
Amount Accepted (Ksh M)	7,305.4	8,369.8	4,666.4	3,992.6	5,251.5	4,549.4	8,936.7
Maturities (Ksh M)	704.5	1,749.1	1,868.1	3,298.5	1,363.8	7,765.1	3,167.9
Average interest Rate (%) - 91 Days	13.8	9.7	9.6	9.2	9.2	9.7	9.9
<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	16-Dec-15
Amount offered (Ksh M)	4,000.0	4,000.0	6,000.0	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	4,019.1
Amount Accepted (Ksh M)	5,646.5	8,620.4	7,445.8	473.9	2,049.8	5,727.2	3,358.6
Maturities (Ksh M)	423.2	1,333.2	279.9	390.2	209.2	434.5	255.9
Average interest Rate (%) - 182 days	16.5	12.3	10.2	10.1	10.6	11.1	11.7
<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	16-Dec-15
Amount offered (Ksh M)	4,000.0	4,000.0	6,000.0	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	2,677.7
Amount Accepted (Ksh M)	8,981.3	7,920.5	7,920.5	1,157.9	3,098.4	2,723.2	730.6
Maturities (Ksh M)	8,228.3	6,104.5	6,104.5	2,555.4	4,202.2	4,828.8	4,401.5
Average interest Rate (%) - 364 days	17.1	13.6	12.1	11.9	12.2	12.6	12.5
<b>Treasury Bonds</b>							
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	
Average interest Rate (%)			13.9		14.8	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	11-Dec-15
1. Treasury Bills (Excluding Repos)	296.33	298.86	289.97	272.93	321.69	378.05	377.65	382.84
(As % of total securities)	23.68	22.19	21.77	20.76	23.16	26.43	26.02	26.28
2. Treasury Bonds	955.00	1048.17	1041.80	1041.80	1067.42	1052.45	1073.93	1073.93
(As % of total securities)	76.32	77.81	78.23	79.24	76.84	73.57	73.98	73.72
<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>	<b>1,456.77</b>
4. Overdraft at Central Bank	30.08	41.68	36.76	43.29	36.87	26.57	36.50	36.50
5. Other Domestic debt*	30.00	29.27	29.85	28.80	28.54	28.23	28.25	28.26
<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>	<b>1,521.52</b>

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

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	11-Dec-15
Treasury bills (Excluding Repos)	21.1	20.7	19.7	22.1	25.5	24.9	25.2
Treasury bonds	73.9	74.5	75.1	73.4	70.9	70.8	70.6
CBK Overdraft to Govt	2.9	2.6	3.1	2.5	1.8	2.4	2.4
Other domestic debt	2.1	2.1	2.1	2.0	1.9	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>	<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	11-Dec-15
Banking Institutions	57.8	57.3	56.5	55.5	55.4	55.8	55.7
Insurance Companies	9.2	8.8	8.7	8.8	8.4	8.4	8.4
Parastatals	3.5	4.3	4.7	4.7	4.9	4.7	4.7
Pension funds	25.3	25.2	25.3	25.2	25.4	25.2	25.2
Other investors	4.2	4.3	4.8	5.9	6.0	5.9	6.0
<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>

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
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
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

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya