



FEBRUARY 20, 2015

Highlights

The money market was relatively liquid during the week ending February 18, 2015, supported by government payment and repo maturities. The Central Bank Liquidity Management Committee withdrew excess liquidity of Ksh 8.7 billion through repo and Term Auction Deposits (TAD). Reflective of the ample liquidity in the money market, the average interbank rate dipped to 5.98 percent in the week ending February 18, 2015 from 7.34 percent in the previous week.

Capital markets recorded mixed performance in the week ending February 19, 2015, with equity market segment indicators recording both gains and losses, while bond market segment recorded a declined in performance.

Monetary Policy Operations

The money market was relatively liquid during the week ending February 18, 2015, supported by government payment and repo maturities. The excess liquidity was partly offset by the issuance of Treasury Bills and tax remittance to the Government. The Central Bank Liquidity Management Committee withdrew excess liquidity of Ksh 8.7 billion through repo and Term Auction Deposits (TAD). Reserve money averaged Ksh 348.8 billion during the week and was Ksh 9.2 billion above target (**Table 1**).

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

	12-Feb-15	13-Feb-15	16-Feb-15	17-Feb-15	18-Feb-15	Total
Liquidity Flows						
Total liquidity injection	5.9	4.9	39.3	1.7	3.1	54.9
Repos Maturities	0.0	0.0	15.0	0.0	0.0	15.0
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	6.6	0.0	0.0	6.6
T/bonds redemptions	0.0	0.0	2.7	0.0	0.0	2.7
Govt payments	4.6	4.9	13.1	1.7	2.4	26.7
Total liquidity reduction	2.3	1.8	28.1	7.2	6.4	45.9
T/bills (Primary issues)	0.0	0.0	11.7	0.0	0.0	11.7
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
Repos	0.0	0.0	15.0	0.0	0.0	15.0
Term Auction Deposit	0.0	0.0	0.0	5.2	3.5	8.7
Transfer from Banks -Taxes	2.3	1.8	1.4	2.0	2.2	9.7
Net liquidity injection (+)/Withdrawal (-)	3.6	3.1	11.2	-5.5	-3.3	9.0
Open Market Operations Outcome						
Posted Amount	0.0	0.0	15.0	10.0	8.0	33.0
Realised Amount	0.0	0.0	15.0	5.2	3.5	23.7
Repo (-)	0.0	0.0	15.0	0.0	0.0	15.0
Term Auction Deposits (-)	0.0	0.0	0.0	5.2	3.5	8.7
Reverse Repo (+)	0.0	0	0.0	0.0	0.0	0.0
Reserve Money Position						Average
Reserve money (actual)	338.7	343.4	358.3	354.3	349.4	348.8
Reserve money target	339.7	339.0	339.7	339.7	339.7	339.6
Deviation from target	-1.0	4.4	18.6	14.6	9.6	9.2
Commercial banks excess reserves Exc(+)/ Short(-)	-1.1	4.1	19.6	16.3	13.1	10.4
Cash outside bank Exc(+)/ Short(-)	0.1	0.3	-1.0	-1.7	-3.4	-1.1

Source: Central Bank of Kenya

Interbank Rates

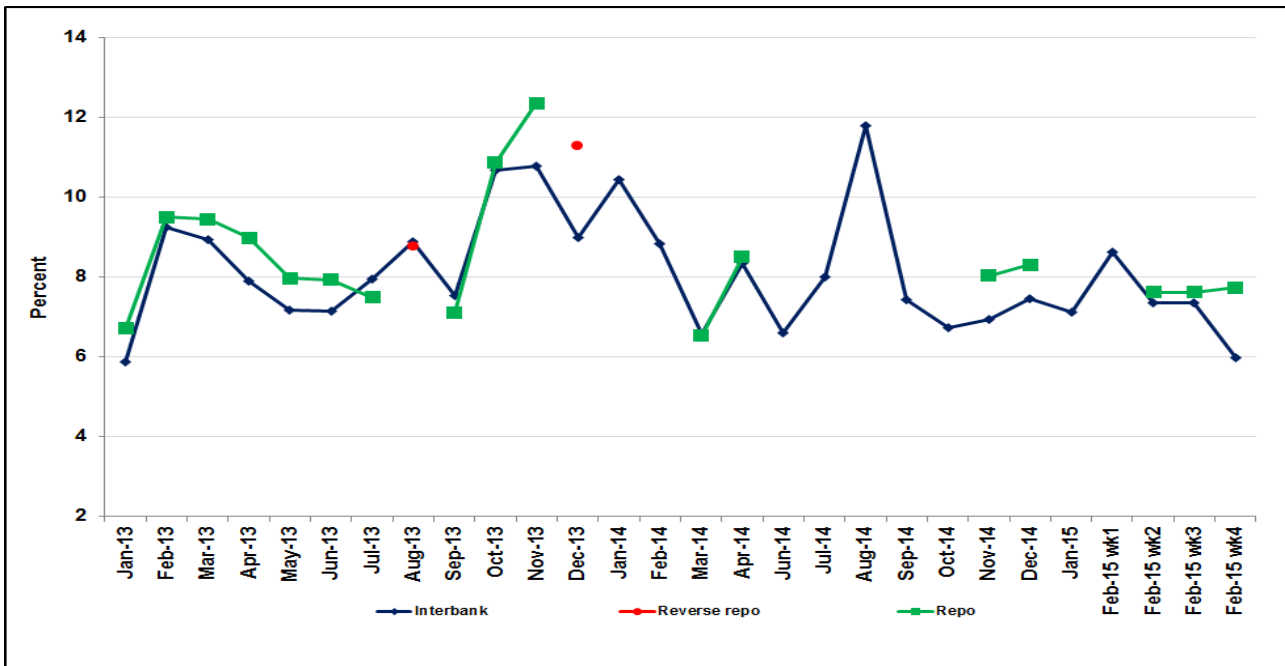
The average interbank rate dipped to 5.98 percent in the week ending February 18, 2015 from 7.34 percent recorded in the previous week on account of improved liquidity in the money market. The volume transacted increased slightly to Ksh 12.17 billion from Ksh 10.34 billion traded in the previous week, and the number of deals increased to 40 from 39 deals. In the week ending February 18, 2015, the weighted average repo rate increased to 7.73 percent from 7.61 percent recorded the previous week (**Table 2 and Chart A**).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Average Repo Rate (%)
5-Feb-15	42	11,316	8.12	
6-Feb-15	43	11,776	7.71	
9-Feb-15	29	7,111	7.28	
10-Feb-15	41	8,671	7.04	
11-Feb-15	39	12,830	6.54	7.61
February 5, 2015 - February 11, 2015	39	10,341	7.34	7.61
12-Feb-15	25	6,830	6.23	
13-Feb-15	33	13,810	5.90	
16-Feb-15	49	15,935	5.89	
17-Feb-15	46	9,655	5.91	7.73
18-Feb-15	47	14,624	5.97	
February 12, 2015 - February 18, 2015	40	12,171	5.98	7.73

Source: Central Bank of Kenya

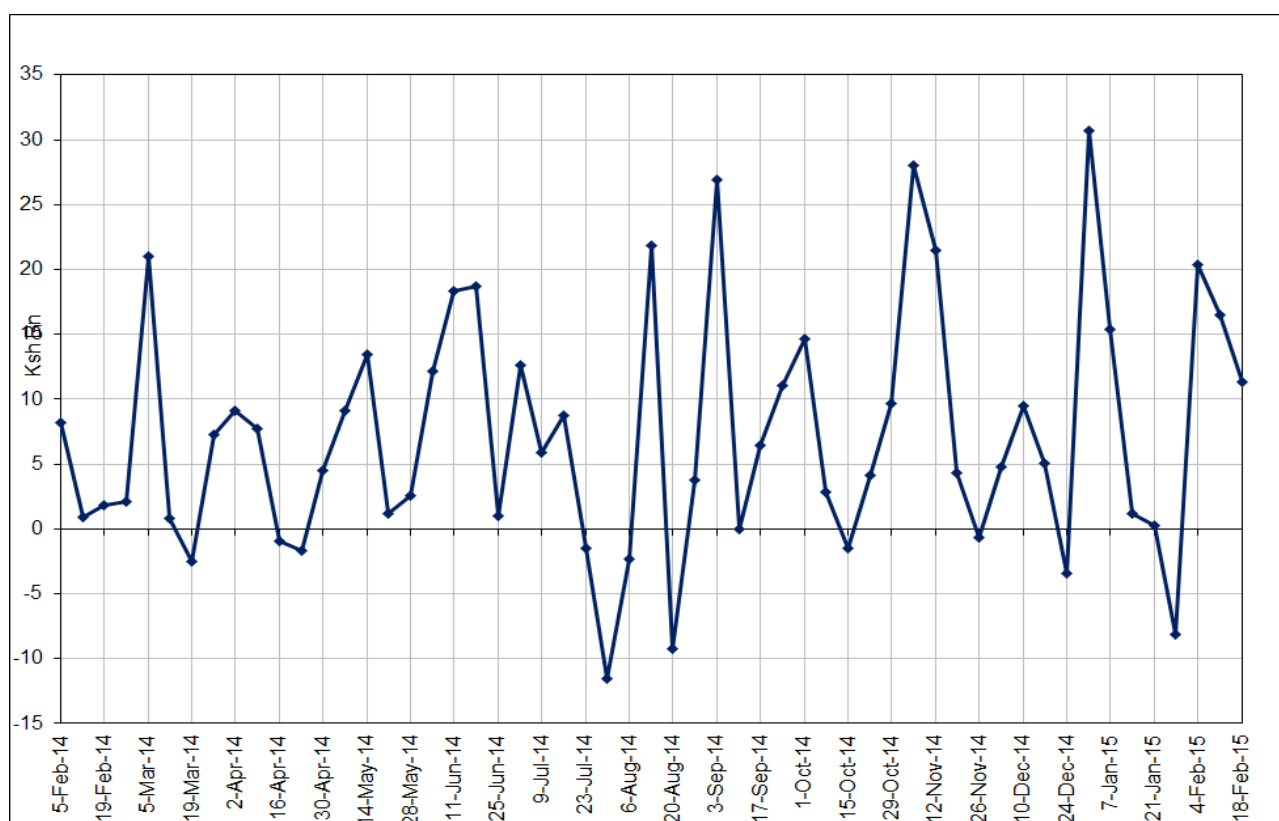
CHART A: STRUCTURE OF INTEREST RATES



Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ clearing account during the week ending February 18, 2015 had a surplus of Ksh 11.3 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 119.1 billion) compared with a surplus of Ksh 16.5 billion recorded in the previous week (**Chart B**). The banks utilized the surplus in their clearing accounts to participate in the open market operations and the primary market.

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 weakened against major international currencies during the week ending February 19, 2015. In the EAC region, the Kenya Shilling strengthened against the Uganda and Tanzania shillings but weakened against the Burundi and Rwanda Francs (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
6-Feb-14	91.33	140.09	104.75	77.85	31.35	20.03	7.56	17.03
9-Feb-14	91.32	139.34	103.49	76.86	31.32	20.05	7.55	17.19
10-Feb-14	91.60	139.67	103.79	77.24	31.28	19.98	7.52	17.14
11-Feb-14	91.57	139.54	103.64	76.60	31.28	19.98	7.52	17.14
12-Feb-14	91.55	139.47	103.59	76.08	31.37	19.96	7.53	17.15
6-12 Feb 2015	91.47	139.62	103.85	76.93	31.32	20.00	7.54	17.13
13-Feb-14	91.54	141.11	104.67	77.23	31.41	19.96	7.53	17.15
16-Feb-14	91.56	141.30	104.50	77.27	31.35	19.93	7.46	17.01
17-Feb-14	91.54	140.79	104.02	77.25	31.27	19.99	7.52	17.09
18-Feb-14	91.42	140.38	104.30	76.83	31.32	20.07	7.53	17.17
19-Feb-14	91.36	141.20	104.33	76.99	31.36	20.08	7.53	17.18
13-19 Feb 2015	91.48	140.96	104.36	77.12	31.34	20.01	7.51	17.12

Source: Central Bank of Kenya

The Nairobi Securities Exchange

Equity market segment leading indicators, except number of deals and total shares traded, ended the week of February 19, 2015 with gains compared to the previous week. On the other hand, the performance of the bonds market segment declined during the week under review.

Equities Market

The improved performance at NSE saw the NSE 20 Share Index and NASI increase by 2.70 percent and 3.27 percent respectively driven by low share supply. Shareholders' wealth measured by market capitalization rose by 2.32 percent compared to the previous week. Similarly, equity turnover was 22.37 percent higher on account of increased share prices of some counters (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	23-Dec-14	8-Jan-15	15-Jan-15	22-Jan-15	29-Jan-15	5-Feb-15	12-Feb-15	19-Feb-15	Wkly Change
NASI 100= 2008	159.10	161.78	165.47	165.17	165.23	168.37	170.09	175.65	3.27%
NSE 20 Share Index 100= 1996	4,907.27	5,097.80	5,201.61	5,172.88	5,194.21	5,284.41	5,330.01	5,473.81	2.70%
Number of Deals	5,134	7,592	9,129	10,331	10,741	10,911	10,188	9,782	-3.99%
Total Shares Traded (in Millions)	147.11	65.80	80.56	100.33	132.53	149.92	140.56	124.40	-11.49%
Equity Turnover (Ksh. Millions)	4,900.28	1,733.90	1,728.70	2,216.67	3,291.38	3,192.25	3,465.24	4,240.49	22.37%
Market Capitalization (Ksh. Bn.)	2,246.43	2,285.52	2,337.57	2,327.80	2,334.08	2,378.54	2,396.81	2,452.39	2.32%
Bonds Turnover (Ksh. Millions)	10,376.40	5,963.08	13,652.08	10,204.90	6,966.66	9,335.46	6,926.45	6,890.41	-0.52%
FTSE NSE Kenya 15 Index	208.57	213.13	219.68	217.12	220.55	223.25	225.32	229.81	1.99%
FTSE NSE Kenya 25 Index	209.65	214.16	220.74	218.99	222.39	224.68	226.68	231.00	1.91%
FTSE NSE Bond Index	92.9	93.56	93.66	94.33	93.81	94.48	92.72	92.69	-0.03%

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 1.99 percent higher while the FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE was 1.91 percent higher compared to the previous week. However, the FTSE Government Bond Index closed the week 0.03 percent lower (**Table 4**).

Telecommunication & Technology, Banking and Manufacturing & Allied, sectors were the top three most active sectors, representing 32.1 percent, 31.4 percent and 10.7 percent of the total shares traded, respectively. Automobile and Accessories sector was the least active with 127,400 shares traded in the week.

The Bond Market

The bond's turnover decreased by 0.52 percent to Ksh 6,890.41 million from Ksh 6,926.45 million in the previous week. The number of deals decreased to 59 from the 117 deals traded last week.

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills						
Date of Auction	15-Jan-15	22-Jan-15	29-Jan-15	5-Feb-15	12-Feb-15	19-Feb-15
Amount offered (Ksh M)	3,000.0	3,000.0	3,000.0	2,000.0	2,000.0	2,000.0
Bids received (Ksh M)	4,169.2	878.8	1,259.1	849.6	3,343.8	882.2
Amount Accepted (Ksh M)	2,848.4	878.8	1,252.2	849.6	3,050.2	882.2
Maturities (Ksh M)	2,464.7	652.7	455.1	3,638.2	3,435.3	4,491.2
Average interest Rate (%)	8.601	8.684	8.572	8.582	8.563	8.640
182-Day Treasury Bills						
Date of Auction	14-Jan-15	21-Jan-15	28-Jan-15	4-Feb-15	11-Feb-15	18-Feb-15
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	3,000.0	3,000.0
Bids received (Ksh M)	4,645.5	5,168.9	2,612.3	5,031.3	4,740.4	6,684.9
Amount Accepted (Ksh M)	3,933.1	3,266.0	1,453.5	4,193.2	4,046.8	909.7
Maturities (Ksh M)	4,095.8	3,224.3	4,869.9	430.7	903.6	750.2
Average interest Rate (%)	10.237	10.282	10.334	10.362	10.403	10.377
364-Day Treasury Bills						
Date of Auction	14-Jan-15	21-Jan-15	28-Jan-15	4-Feb-15	11-Feb-15	18-Feb-15
Amount offered (Ksh M)	5,000.0	5,000.0	5,000.0	5,000.0	3,000.0	3,000.0
Bids received (Ksh M)	6,518.9	4,344.1	2,346.3	5,069.6	6,273.6	9,986.2
Amount Accepted (Ksh M)	4,721.4	2,067.3	1,896.7	2,729.3	4,576.9	7,327.8
Maturities (Ksh M)	3,184.6	1,624.5	2,510.9	711.9	2,294.5	1,426.6
Average interest Rate (%)	10.707	10.825	10.984	10.987	10.942	10.907
Treasury Bonds						
Date of Auction	21-Jan-15		18-Feb-15			
Tenor	5 year Fxd	20 Year Fxd	2 Year FXD	10 Year FXD(Re-open)		
Amount offered (Ksh M)	20,000.0		25,000.0			
Bids received (Ksh M)	14,112.1	12,835.9	28,743.8	22,388.7		
Amount Accepted (Ksh M)	8,029.8	12,358.6	23,592.6	11,658.4		
Maturities (Ksh M)	0.0	0.0	20,446.1			
Average interest Rate (%)	11.6	13.6	11.470	12.787		

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	11th December 2014	19th December 2014	24th December 2014	2nd January 2015	9th January 2015	16th January 2015	23rd January 2015	30th January 2015	6th February 2015	13th February 2015
1. Treasury Bills (Excluding Repos)	299.40	294.39	296.33	291.40	289.91	294.84	296.75	299.29	296.37	299.71
(As % of total securities)	23.89	23.58	23.68	23.38	23.29	23.59	23.71	23.45	23.27	23.47
2. Treasury Bonds	953.70	953.97	955.00	955.00	955.00	955.00	955.00	977.08	977.08	977.08
(As % of total securities)	76.11	76.42	76.32	76.62	76.71	76.41	76.29	76.55	76.73	76.53
3. Total Securities (1+2)	1,253.10	1,248.36	1,251.33	1,246.40	1,244.91	1,249.84	1,251.75	1,276.37	1,273.45	1,276.79
4. Overdraft at Central Bank	17.62	23.58	30.08	29.57	31.55	25.31	25.47	27.49	30.72	27.91
5. Other Domestic debt*	30.01	29.74	30.00	29.45	30.63	30.42	30.41	30.42	30.43	28.20
6. Gross Domestic Debt (3+4+5)	1,300.73	1,301.68	1,311.41	1,305.43	1,307.09	1,305.58	1,307.63	1,334.28	1,334.60	1,332.91

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	5-Dec-14	12-Dec-14	19-Dec-14	26-Dec-14	2-Jan-15	9-Jan-15	16-Jan-15	23-Jan-15	30-Jan-15	6-Feb-15
Treasury bills (Excluding Repos)	22.9	23.0	22.6	22.6	22.3	22.2	22.6	22.7	22.4	22.2
Treasury bonds	70.5	73.3	73.3	72.8	73.2	73.1	73.1	73.0	73.2	73.2
CBK Overdraft to Govt	1.4	1.4	1.8	2.3	2.3	2.4	1.9	1.9	2.1	2.3
Other domestic debt	5.2	2.3	2.3	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

Source: Central Bank of Kenya

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TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	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	30-Jan-15	6-Feb-15	13-Feb-15
Banking Institutions	53.3	53.6	53.7	53.7	54.0	54.3	54.2	54.1	54.2	54.1	54.0	54.3	54.2
Insurance Companies	10.0	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.8	9.8	9.7	9.7
Parastatals	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.9
Pension funds	24.4	24.5	24.3	24.3	24.0	23.9	23.8	23.8	23.9	23.9	23.9	23.8	23.8
Other investors	9.4	9.3	9.3	9.3	9.3	9.2	9.4	9.4	9.3	9.4	9.5	9.4	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	100.0	100.0

Source: Central Bank of Kenya

Source: Central Bank of Kenya

TABLE 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)

	31-Dec-14	8-Jan-15	15-Jan-15	22-Jan-15	29-Jan-15	5-Feb-15	12-Feb-15	19-Feb-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,425	7,344	7,295	7,247	7,189	7,178	7,206	7,199
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.85	4.74	4.71	4.68	4.64	4.63	4.65	4.63

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya