



**FEBRUARY 13, 2015**

## Highlights

The money market was relatively liquid during the week ending February 11, 2015, supported by government payments. The Central bank liquidity Management sterilized excess liquidity of Ksh 31.0 billion through repo and TAD. The average interbank rate dipped to 7.34 percent in the week ending February 11, 2015 from 8.63 percent recorded in the previous week due to the ample liquidity in the money market.

Capital markets recorded mixed performance in the week ending February 12, 2015, with equity prices rising amid limited supply. The bonds segment had reduced activity in both volume and yields.

## Monetary Policy Operations

The money market was relatively liquid during the week ending February 11, 2015, on account of government payments. The Central bank liquidity Management sterilized the excess liquidity of Ksh 31.0 billion through repo and TAD. Reserve money averaged Ksh 355.4 billion during the week and was Ksh 15.9 billion above target (Table 1).

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

	5-Feb-15	6-Feb-15	9-Feb-15	10-Feb-15	11-Feb-15	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>18.1</b>	<b>4.3</b>	<b>9.1</b>	<b>4.4</b>	<b>2.2</b>	<b>38.1</b>
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
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	4.8	0.0	0.0	4.8
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	18.1	4.2	4.3	4.4	2.2	33.2
<b>Total liquidity reduction</b>	<b>3.0</b>	<b>3.3</b>	<b>27.0</b>	<b>20.5</b>	<b>6.1</b>	<b>59.9</b>
T/bills (Primary issues)	0.0	0.0	7.8	0.0	0.0	7.8
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	16.0	0.0	16.0
Transfer from Banks - Taxes	3.0	3.1	4.2	4.5	6.0	20.8
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>15.1</b>	<b>1.1</b>	<b>-18.0</b>	<b>-16.1</b>	<b>-3.9</b>	<b>-21.7</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	0.0	0.0	15.0	16.0	0.0	31.0
<b>Realised Amount</b>	<b>0.0</b>	<b>0.0</b>	<b>15.0</b>	<b>16.0</b>	<b>0.0</b>	<b>31.0</b>
Repo (-)	0.0	0.0	15.0	0.0	0.0	15.0
Term Auction Deposits (-)	0.0	0.0	0.0	16.0	0.0	16.0
Reverse Repo (+)	0.0	0	0.0	0.0	0.0	0.0
<b>Reserve Money Position</b>						<b>Average</b>
Reserve money (actual)	373.2	373.9	355.3	339.5	335.0	355.4
Reserve money target	339.0	339.0	339.7	339.7	339.7	339.4
Deviation from target	<b>34.2</b>	<b>34.9</b>	<b>15.6</b>	<b>-0.3</b>	<b>-4.8</b>	<b>15.9</b>
Commercial banks excess reserves Exc(+)/ Short(-)	35.5	34.2	15.1	-2.1	-5.4	15.5
Cash outside bank Exc(+)/ Short(-)	<b>-6.0</b>	<b>-3.9</b>	<b>-3.2</b>	<b>-0.6</b>	<b>-2.1</b>	<b>-3.2</b>

Source: Central Bank of Kenya

### Interbank Rates

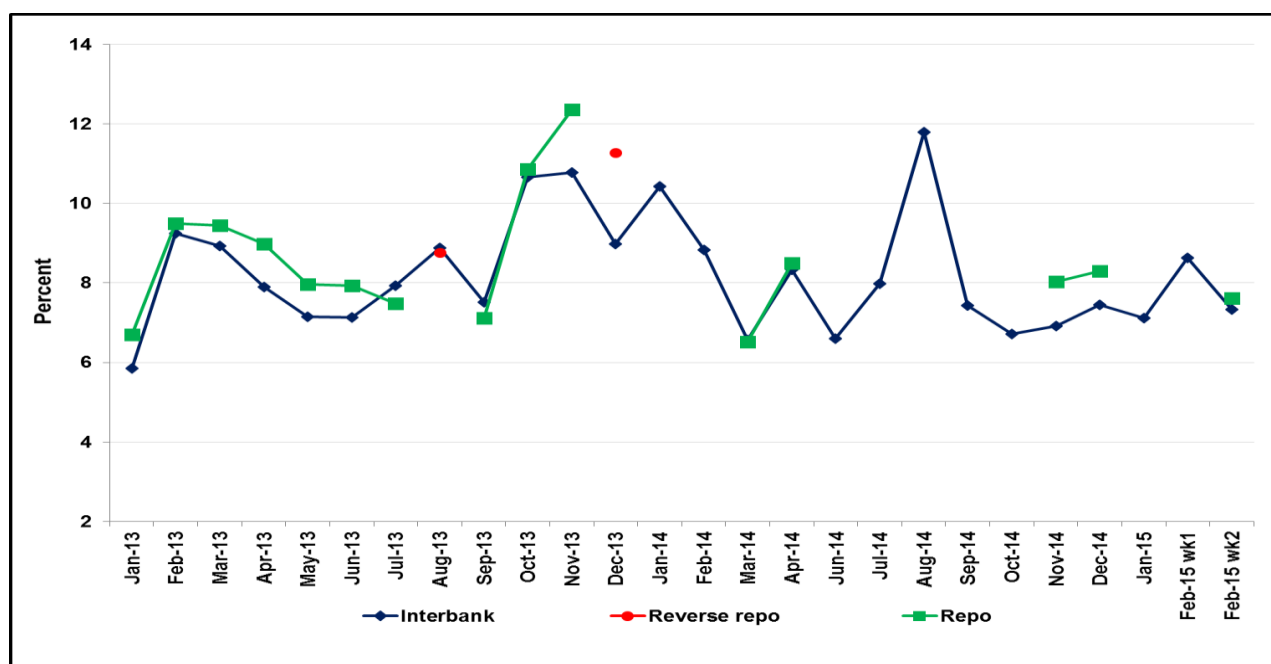
The average interbank rate dipped to 7.34 percent in the week ending February 11, 2015 from 8.63 percent recorded in the previous week on account of ample liquidity in the money market. Subsequently, the volume transacted reduced to Ksh 10.34 billion from Ksh 22.82 billion traded in the previous week, and the number of deals decreased to 39 from 61 deals. In the week ending February 11, 2015, CBK mopped Ksh 15bn in repo at a weighted average repo rate of 7.611 percent (Table 2 and Chart A).

**TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)**

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)
29-Jan-15	71	27,419	8.50
30-Jan-15	72	23,720	8.64
2-Feb-15	62	23,267	8.81
3-Feb-15	51	22,281	8.75
4-Feb-15	51	17,420	8.44
<b>January 29, 2015 - February 4, 2015</b>	<b>61</b>	<b>22,821</b>	<b>8.63</b>
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
<b>February 5, 2015 - February 11, 2015</b>	<b>39</b>	<b>10,341</b>	<b>7.34</b>

Source: Central Bank of Kenya

**CHART A: STRUCTURE OF INTEREST RATES**

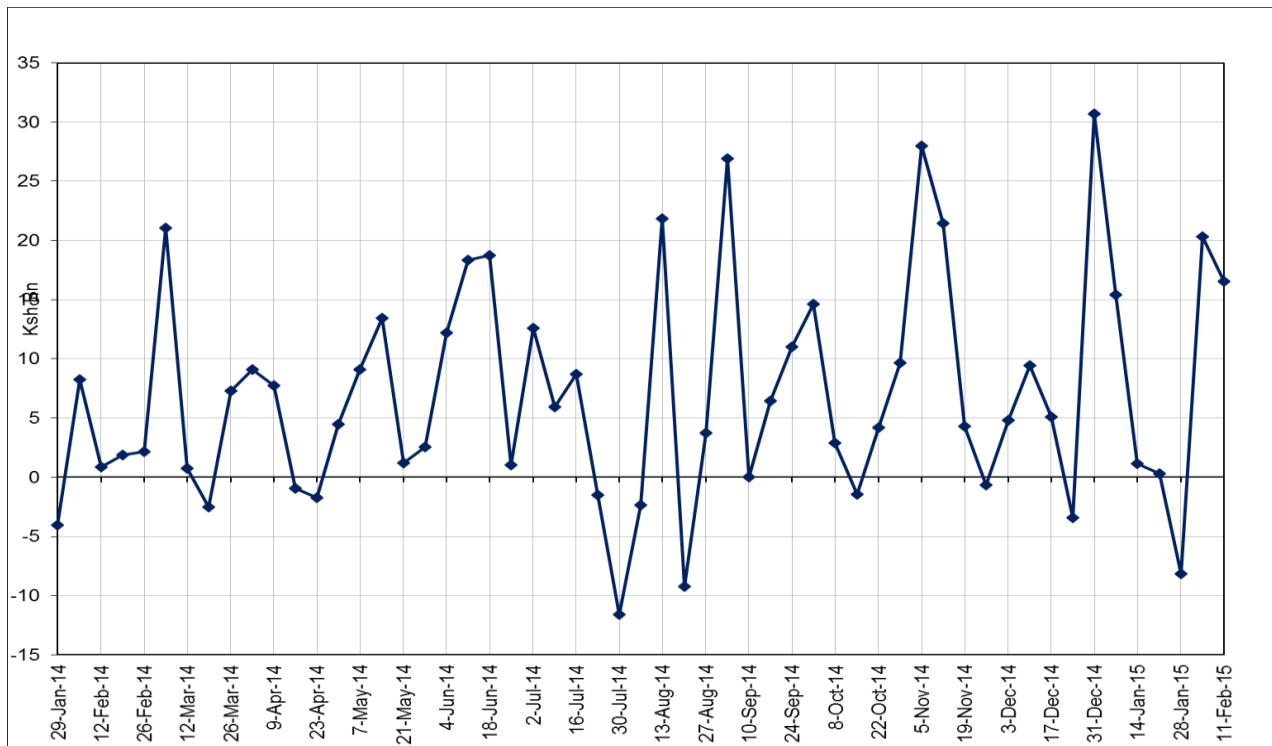


Source: Central Bank of Kenya

### Commercial Banks Clearing Account Balances

Commercial banks' clearing account during the week ending February 11, 2015 had a surplus of Ksh 16.5 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 119.0 billion) compared with a surplus of Ksh 20.3 billion recorded in the previous week (Chart B). The banks utilized the surplus in their clearing accounts in the open market operations.

**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 depicted mixed performance against major international currencies in the week ending February 12, 2015. During the week, the Shilling strengthened against the US Dollar, the Pound Sterling and the Japanese Yen and weakened against the Euro. In the EAC region, the Kenya Shilling strengthened against all the EAC currencies. (Table 3).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
30-Jan-14	91.67	138.42	103.90	77.79	31.20	19.46	7.52	17.13
2-Feb-14	91.69	138.23	103.59	77.94	31.25	19.25	7.50	17.01
3-Feb-14	91.67	137.71	103.82	78.33	31.18	19.58	7.51	17.13
4-Feb-14	91.59	138.81	105.06	77.85	31.28	19.65	7.51	17.14
5-Feb-14	91.56	139.18	103.83	78.16	31.31	19.93	7.53	17.15
<b>30 Jan -2 Feb 2015</b>	<b>91.64</b>	<b>138.47</b>	<b>104.04</b>	<b>78.01</b>	<b>31.24</b>	<b>19.58</b>	<b>7.51</b>	<b>17.11</b>
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
<b>6-12 Feb 2015</b>	<b>91.47</b>	<b>139.62</b>	<b>103.85</b>	<b>76.93</b>	<b>31.32</b>	<b>20.00</b>	<b>7.54</b>	<b>17.13</b>

Source: Central Bank of Kenya

### The Nairobi Securities Exchange

Equity market segment leading indicators show constrained supply of shares but increased prices during week ending February 12, 2015 compared to activities in the previous week. Bonds turnover declined as well as the Kenya Government Bond index during the period.

### Equities Market

The NSE 20 Share Index and NASI rose 0.86 percent and 1.02 percent respectively, in the week ending 12 February 2015. Shareholders' wealth measured by market capitalization rose by 0.77 percent to close the week just Ksh 3.19 billion shy of historical high of Ksh 2.4-trillion mark. Equity turnover rose by 8.55 percent up on account of increased share prices amid reduced supply (Table 4).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	23-Dec-14	31-Dec-14	8-Jan-15	15-Jan-15	22-Jan-15	29-Jan-15	5-Feb-15	12-Feb-15	Wkly Change
NASI 100= 2008	159.10	162.89	161.78	165.47	165.17	165.23	168.37	170.09	1.02%
NSE 20 Share Index 100= 1996	4,907.27	5,112.65	5,097.80	5,201.61	5,172.88	5,194.21	5,284.41	5,330.01	0.86%
Number of Deals	5,134	6,492	7,592	9,129	10,331	10,741	10,911	10,188	-6.63%
Total Shares Traded	147.11	170.02	65.80	80.56	100.33	132.53	149.92	140.56	-6.25%
Equity Turnover (Ksh. Millions)	4,900.28	9,638.54	1,733.90	1,728.70	2,216.67	3,291.38	3,192.25	3,465.24	8.55%
Market Capitalization (Ksh. Bn.)	2,246.43	2,300.05	2,285.52	2,337.57	2,327.80	2,334.08	2,378.54	2,396.81	0.77%
Bonds Turnover (Ksh. Millions)	10,376.40	5,771.05	5,963.08	13,652.08	10,204.90	6,966.66	9,335.46	6,926.45	-25.80%
FTSE NSE Kenya 15 Index	208.57	217.76	213.13	219.68	217.12	220.55	223.25	225.32	0.93%
FTSE NSE Kenya 25 Index	209.65	218.70	214.16	220.74	218.99	222.39	224.68	226.68	0.89%
FTSE NSE Bond Index	92.90	93.31	93.56	93.66	94.33	93.81	94.48	92.72	-1.86%

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 0.93 percent higher, while the FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE was 0.89 percent higher compared to the previous week. However, the FTSE Government Bond Index closed the week 1.86 percent lower, reflecting uptick in the secondary market yields.

Telecommunication and Technology, Banking and Construction and Allied sectors were the top three most active, representing 38.47 percent, 21.23 percent and 14.3 percent of the total shares traded, respectively. Agricultural sector was the least active with 217,000 shares traded in the week.

## The Bond Market

The bond's turnover decreased by 25.80 percent to Ksh 6,926.45 million from Ksh 9,335.46 million in the previous week. The number of deals improved to 117 from the 115 deals traded last week. This decline could be attributed to investors' focus on bonds currently on offer in the primary market.

**TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS**

91-Day Treasury Bills								
Date of Auction	24-Dec-14	31-Dec-14	8-Jan-15	15-Jan-15	22-Jan-15	29-Jan-15	5-Feb-15	12-Feb-15
Amount offered (Ksh M)	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	2,000.0	2,000.0
Bids received (Ksh M)	767.2	3,483.0	1,350.7	4,169.2	878.8	1,259.1	849.6	3,343.8
Amount Accepted (Ksh M)	767.2	3,483.0	1,350.2	2,848.4	878.8	1,252.2	849.6	3,050.2
Maturities (Ksh M)	4,458.6	3,375.8	1,252.3	2,464.7	652.7	455.1	3,638.2	3,435.3
Average interest Rate (%)	8.571	8.532	8.529	8.601	8.684	8.572	8.582	8.563
182-Day Treasury Bills								
Date of Auction	24-Dec-14	31-Dec-14	7-Jan-15	14-Jan-15	21-Jan-15	28-Jan-15	4-Feb-15	11-Feb-15
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	3,000.0
Bids received (Ksh M)	1,998.9	2,427.1	4,389.9	4,645.5	5,168.9	2,612.3	5,031.3	4,740.4
Amount Accepted (Ksh M)	1,523.8	2,427.1	4,094.2	3,933.1	3,266.0	1,453.5	4,193.2	4,046.8
Maturities (Ksh M)	4,262.8	4,108.2	1,810.6	4,095.8	3,224.3	4,869.9	430.7	903.6
Average interest Rate (%)	9.855	10.048	10.200	10.237	10.282	10.334	10.362	10.403
364-Day Treasury Bills								
Date of Auction	24-Dec-14	31-Dec-14	7-Jan-15	14-Jan-15	21-Jan-15	28-Jan-15	4-Feb-15	11-Feb-15
Amount offered (Ksh M)	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	3,000.0
Bids received (Ksh M)	1,546.9	3,371.3	5,357.9	6,518.9	4,344.1	2,346.3	5,069.6	6,273.6
Amount Accepted (Ksh M)	1,370.5	2,696.0	4,457.4	4,721.4	2,067.3	1,896.7	2,729.3	4,576.9
Maturities (Ksh M)	80.8	3,119.3	940.3	3,184.6	1,624.5	2,510.9	711.9	2,294.5
Average interest Rate (%)	10.575	10.687	10.679	10.707	10.825	10.984	10.987	10.942
Treasury Bonds								
Date of Auction				21-Jan-15				
Tenor				5 year Fxd	20 Year Fxd			
Amount offered (Ksh M)				20,000.0				
Bids received (Ksh M)				14,112.1	12,835.9			
Amount Accepted (Ksh M)				8,029.8	12,358.6			
Maturities (Ksh M)				0.0	0.0			
Average interest Rate (%)				11.6	13.6			

Source: Central Bank of Kenya

# CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

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

	14th November 2014	21st November 2014	28th November 2014	5th December 2014	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
1. Treasury Bills (Excluding Repos)	293.02	296.60	302.00	298.02	299.40	294.39	296.33	291.40	289.91	294.84	296.75	299.29	296.37
(As % of total securities)	23.76	24.67	24.05	23.81	23.89	23.58	23.68	23.38	23.29	23.59	23.71	23.45	23.27
2. Treasury Bonds	939.98	905.87	953.70	953.70	953.70	953.97	955.00	955.00	955.00	955.00	955.00	977.08	977.08
(As % of total securities)	76.24	75.33	75.95	76.19	76.11	76.42	76.32	76.62	76.71	76.41	76.29	76.55	76.73
3. Total Securities (1+2)	1,232.99	1,202.47	1,255.70	1,251.71	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
4. Overdraft at Central Bank	10.85	11.09	16.49	18.46	17.62	23.58	30.08	29.57	31.55	25.31	25.47	27.49	30.72
5. Other Domestic debt*	29.99	65.70	30.01	30.00	30.01	29.74	30.00	29.45	30.63	30.42	30.41	30.42	30.43
6. Gross Domestic Debt (3+4+5)	1,273.84	1,279.26	1,302.20	1,300.17	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

\* 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**

	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
<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>	<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**

	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
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
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
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
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
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
<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>	<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)**

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

\*Excludes Encumbered Reserves

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

**Source: Central Bank of Kenya**