



JULY 10, 2015

Highlights

The money market was relatively liquid during the week ending July 8, 2015 boosted by Government payments and OMO maturities. The average interbank rate declined to 8.72 percent in the week ending July 8, 2015 from 11.32 percent in the previous week.

Overall, the capital markets performance recorded significant decline in the week ending July 9, 2015, as reflected in the leading market indicators.

Monetary Policy Stance

The Monetary policy committee met on July 7, 2015 and raised the Central Bank Rate from 10 percent to 11.5 percent to contain the inflationary pressures. The MPC also introduced a 3 day Repo instrument for liquidity management.

Monetary Policy Operations

The money market was relatively liquid during the week ending July 8, 2015 boosted by Government payments and OMO maturities (**Table 1**). Reserve money averaged Ksh 363.2 billion during the week ending July 8, 2015 and was Ksh 9.5 billion above target.

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

	2-Jul-15	3-Jul-15	6-Jul-15	7-Jul-15	8-Jul-15	Total
Liquidity Flows						
Total liquidity injection	7.9	6.0	20.3	3.2	6.5	43.9
Repos Maturities	0.0	0.0	0.0	0.0	2.0	2.0
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.0	0.3	3.5	1.2	2.8	7.8
T/bills redemptions	0.0	0.0	6.3	0.0	0.0	6.3
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
Govt payments	7.9	5.7	10.5	2.1	1.7	27.9
Total liquidity reduction	3.8	12.6	16.6	15.3	10.5	58.9
T/bills (Primary issues)	0.0	0.0	2.5	0.0	0.0	2.5
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	6.9	4.5	12.0	3.3	26.6
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	1.5	1.3	8.2	0.0	3.8	14.7
Transfer from Banks -Taxes	2.3	4.5	1.4	3.2	3.5	14.8
Net liquidity injection (+)/Withdrawal (-)	4.1	-6.7	3.7	-12.0	-4.0	-14.9
Open Market Operations Outcome						
Posted Amount	21.0	19.0	24.0	12.0	7.0	83.0
Realised Amount	1.5	8.2	12.7	12.0	7.0	41.3
Repo (-)	0.0	6.9	4.5	12.0	3.3	26.6
Term Auction Deposits (-)	1.5	1.3	8.2	0.0	3.8	14.7
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						
Reserve money (actual)	372.3	365.7	369.1	356.6	352.2	363.2
Reserve money target	353.7	353.7	353.7	353.7	353.7	353.7
Deviation from target	18.6	12.0	15.4	3.0	-1.5	9.5
Commercial banks excess reserves Exc(+)/ Short(-)	18.8	9.6	11.6	-3.5	-7.9	5.7
Cash outside bank Exc(+)/ Short(-)	-0.2	2.3	3.8	6.4	6.3	3.7

Source: Central Bank of Kenya

Interbank Rates

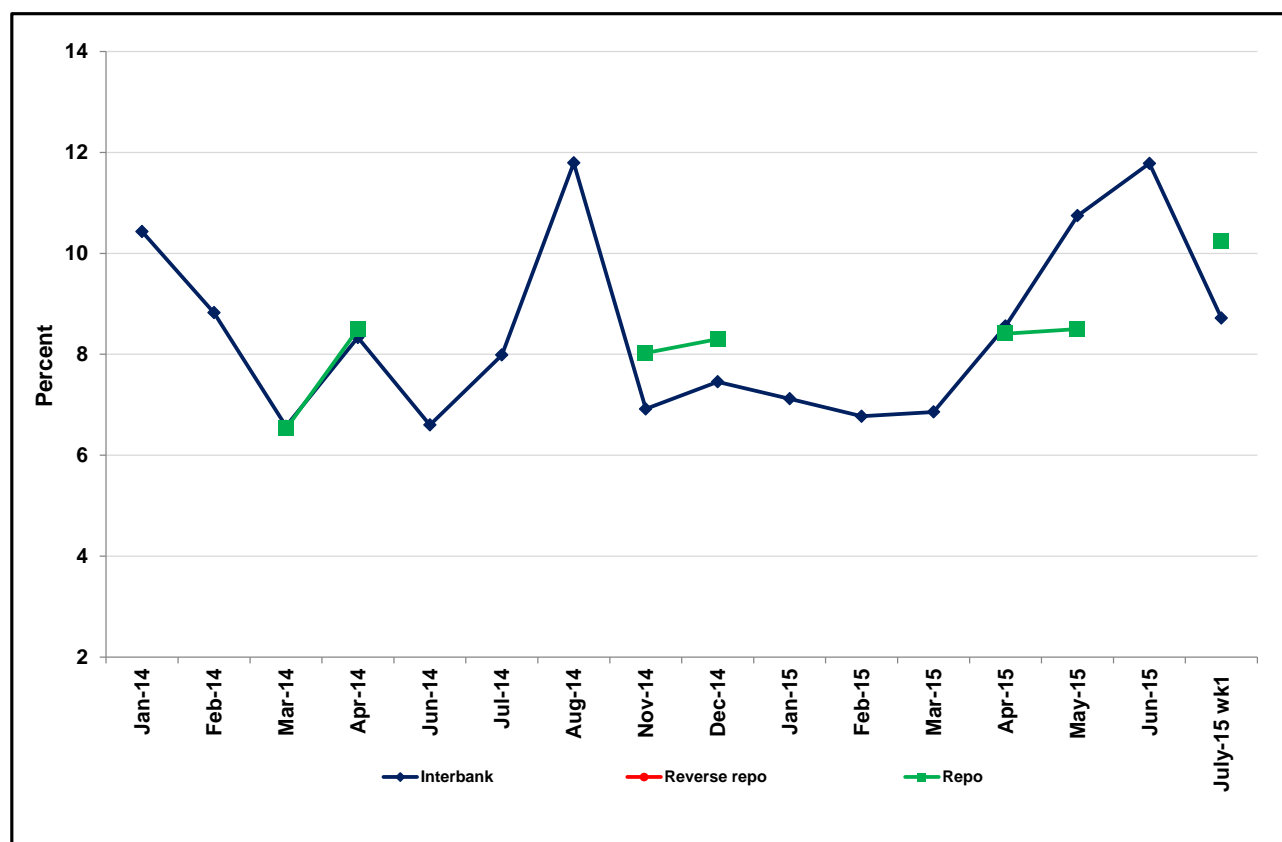
The average interbank rate declined to 8.72 percent in the week ending July 8, 2015 from 11.32 percent in the previous week. The volume transacted decreased to Ksh 16.7 billion from Ksh 26.3 billion traded in the previous week while the number of deals decreased to 43 deals from 49 deals (**Table 2 and Chart A**).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)
25-Jun-15	59	33,769	12.10	
26-Jun-15	58	30,479	12.17	
29-Jun-15	41	24,361	11.81	
30-Jun-15	43	21,236	10.66	
1-Jul-15	44	21,482	9.85	
June 25,2015- July 1,2015	49	26,265	11.32	
2-Jul-15	39	19,759	9.53	
3-Jul-15	52	24,705	8.91	9.96
6-Jul-15	39	11,358	8.67	9.99
7-Jul-15	45	12,815	8.46	9.99
8-Jul-15	42	14,710	8.02	11.00
July 2,2015-July 8,2015	43	16,669	8.72	10.24

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES

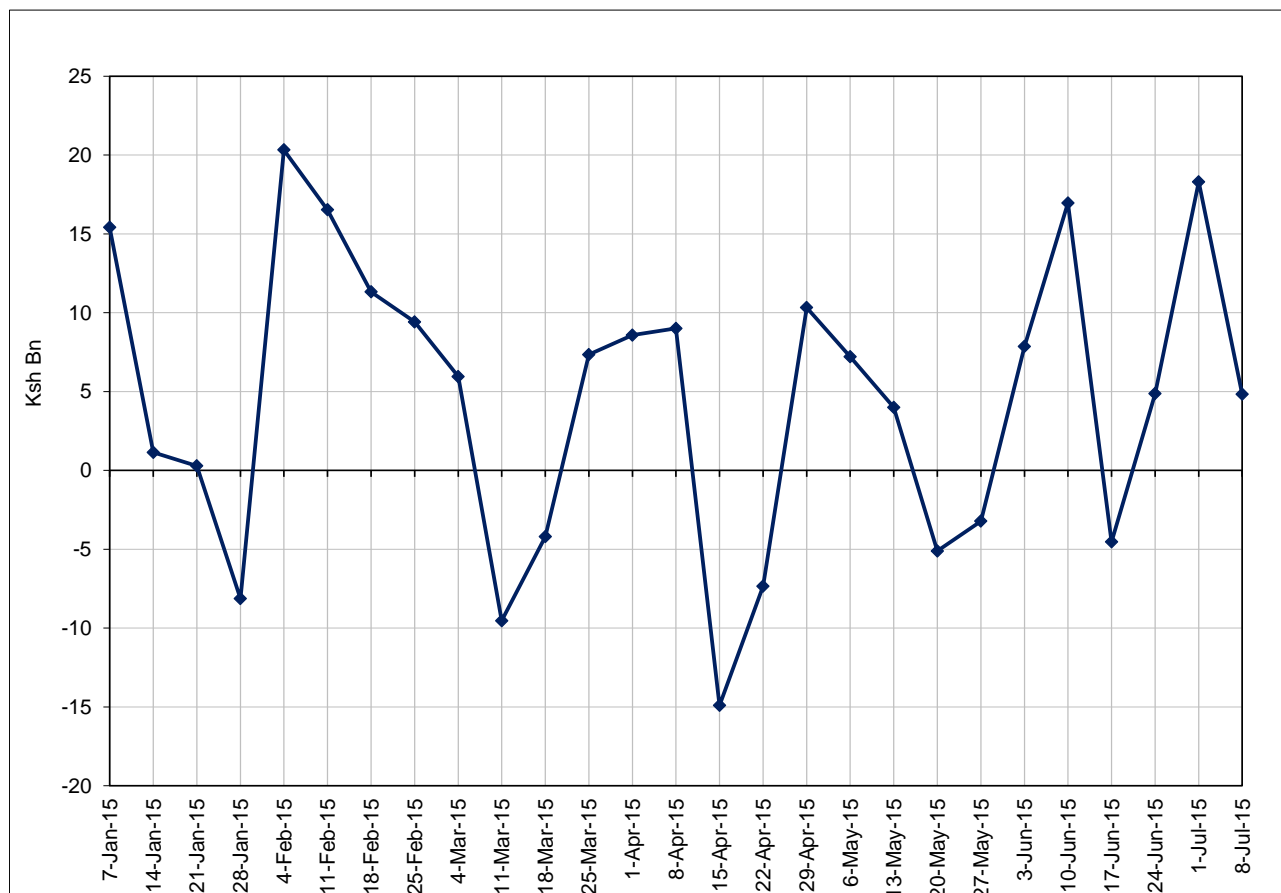


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account in the week ending July 8, 2015 declined to Ksh 4.84 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 128.1 billion) from Ksh 18.3 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

The Kenya Shilling exchange rate weakened against major international currencies in the week ending July 9, 2015. During the week, the Shilling weakened by 1.27 percent, 0.09 percent, 0.61 percent and 2.16 percent against the US Dollar, the Pound Sterling, the Euro and the Japanese Yen, respectively. In the EAC region, the Kenya Shilling strengthened against the Tanzania Shilling, the Uganda Shilling and the Burundi Franc and weakened against the Rwanda Franc (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
26-Jun-15	98.52	155.07	110.26	79.68	33.24	23.19	7.47	15.86
29-Jun-15	98.50	155.00	108.98	79.66	32.94	20.86	7.47	16.50
30-Jun-15	98.64	155.10	110.40	79.77	33.30	20.02	7.32	15.82
1-Jul-15	99.22	155.77	110.52	80.89	33.21	20.11	7.41	15.62
2-Jul-15	99.32	155.07	109.97	80.50	33.28	20.09	7.41	15.54
26 Jun-2 Jul 2015	98.84	155.20	110.02	80.10	33.19	20.85	7.42	15.87
3-Jul-15	99.57	155.41	110.42	80.86	33.31	20.22	7.27	16.07
6-Jul-15	99.98	155.48	110.61	81.59	34.16	21.96	7.40	16.35
7-Jul-15	100.11	156.12	110.49	81.69	34.31	22.23	7.39	16.37
8-Jul-15	100.48	155.34	110.60	82.35	34.58	21.45	7.36	16.32
9-Jul-15	100.37	154.39	111.38	82.68	35.67	22.37	7.22	16.33
3-9 Jul 2015	100.10	155.35	110.70	81.83	34.41	21.64	7.33	16.29

Source: Central Bank of Kenya

The Nairobi Securities Exchange

The Nairobi Securities Exchange recorded a decline across the equities and bonds segments of the market, highlighting the impact of emerging risks from domestic and external sources during the week ending July 9, 2015.

Equities Market

The Equity Turnover recorded a 46.24 percent decrease on account of a fall in share prices and a 24.5 percent decline in shares traded. The NASI and NSE 20 Share Index lost 1.7 percent and 1.76 percent respectively while the shareholders' wealth measured by market capitalisation, lost KSh 38.78 billion or 1.7 percent in the week under review (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	28-May-15	4-Jun-15	11-Jun-15	18-Jun-15	25-Jun-15	2-Jul-15	9-Jul-15	Wkly Change
NASI 100= 2008	161.46	164.22	162.70	162.82	162.68	162.35	159.59	-1.70%
NSE 20 Share Index 100= 1996	4,805.89	4,773.79	4,744.95	4,796.26	4,798.73	4,839.60	4,754.66	-1.76%
Number of Deals	8,758	6,784	7,455	7,608	8,361	8,210.00	7,495.00	-8.71%
Total Shares Traded	164.49	131.87	113.31	110.72	165.29	261.36	197.32	-24.50%
Equity Turnover (Ksh. Millions)	4,481.55	4,655.02	2,833.44	3,436.63	5,233.54	11,818.32	6,353.87	-46.24%
Market Capitalization (Ksh. Bn.)	2,258.40	2,297.13	2,275.78	2,277.38	2,275.49	2,273.05	2,234.27	-1.71%
Bonds Turnover (Ksh. Millions)	7,141.38	4,662.95	3,827.66	4,070.15	524.71	3,596.31	2,441.70	-32.11%
FTSE NSE Kenya 15 Index	215.52	219.94	217.50	216.53	215.60	212.83	209.19	-1.71%
FTSE NSE Kenya 25 Index	215.27	219.77	217.18	216.02	214.84	211.83	208.10	-1.76%
FTSE NSE Bond Index	92.42	92.3	91.77	91.77	92.03	91.79	91.80	0.01%

Source: Nairobi Securities Exchange

FTSE NSE Kenya Price 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 the 25 most liquid stocks at the NSE respectively, closed the week 1.71 and 1.76 percent lower as compared to the previous week. Only FTSE Government Bond Index recorded a positive 0.01 percent, reflecting marginal decrease in the secondary market yields.

Telecommunication & Technology, Banking and Manufacturing & Allied sectors were the most active, with 51.58 percent, 29.46 percent and 5.35 percent of the total shares traded respectively. The Growth Enterprise sector was the least active with only 14,400 shares traded.

The Bond Market

The bond's turnover was 32.11 percent lower to Ksh 2,441.7 million from Ksh 3,596.31 million in the previous week, with deals concluded declining by 47.1 percent.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills								
Date of Auction	21-May-15	28-May-15	4-Jun-15	11-Jun-15	18-Jun-15	25-Jun-15	2-Jul-15	9-Jul-15
Amount offered (Ksh M)	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	2,000.0
Bids received (Ksh M)	877.2	1,397.3	3,136.5	2,106.6	1,145.0	508.0	1,250.2	1,187.6
Amount Accepted (Ksh M)	2,660.9	718.1	3,136.5	2,123.2	1,071.5	508.0	1,250.2	1,184.2
Maturities (Ksh M)	896.1	4,733.4	1,951.6	2,460.5	601.3	1,124.0	725.6	2,443.9
Average interest Rate (%)	8.1	8.2	8.2	8.3	8.3	8.3	8.2	11.3
182-Day Treasury Bills								
Date of Auction	20-May-15	27-May-15	3-Jun-15	10-Jun-15	17-Jun-15	24-Jun-15	1-Jul-15	8-Jul-15
Amount offered (Ksh M)	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Bids received (Ksh M)	1,150.2	372.1	199.2	412.3	243.0	2,524.2	1,176.8	1,218.4
Amount Accepted (Ksh M)	265.9	372.1	198.2	412.3	243.0	2,524.2	1,176.8	750.1
Maturities (Ksh M)	1,203.0	4,421.3	903.1	1,206.8	1,139.7	1,583.6	2,554.3	4,302.4
Average interest Rate (%)	10.6	10.5	10.5	10.5	10.6	10.6	11.3	12.1
364-Day Treasury Bills								
Date of Auction	20-May-15	27-May-15	3-Jun-15	10-Jun-15	17-Jun-15	24-Jun-15	1-Jul-15	8-Jul-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	4,000.0
Bids received (Ksh M)	364.7	1,008.4	269.6	956.5	510.9	533.7	66.4	322.3
Amount Accepted (Ksh M)	364.7	1,008.4	269.6	956.5	510.9	532.7	66.4	322.3
Maturities (Ksh M)	550.9	2,495.5	2,262.5	3,018.9	1,598.5	1,026.9	3,484.9	2,312.1
Average interest Rate (%)	10.8	10.8	10.8	11.1	11.1	11.1	11.0	11.1
Treasury Bonds								
Date of Auction					24-Jun-15			
Tenor	10 Year FXD (Re-open)	2 Year FXD (Re-open)			2 Year FXD (Re-open)	5 Year FXD (Re-open)		
Amount offered (Ksh M)	20,000.0				20,000.0			
Bids received (Ksh M)	32,557.3				8,545.8	8,302.0		
Amount Accepted (Ksh M)	11,658.4	25,287.2			7,194.6	5,566.4		
Maturities (Ksh M)	11,924.0				0.0	0.0		
Average interest Rate (%)	12.9	11.8			12.6	13.2		

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	8th May 2015	15th May 2015	22nd May 2015	29th May 2015	5th June 2015	12th June 2015	19th June 2015	26th June 2015	3rd July 2015
1. Treasury Bills (Excluding Repos)	344.69	340.58	333.53	334.17	324.72	323.29	320.23	318.80	318.82
(As % of total securities)	25.46	25.23	25.06	24.62	24.10	24.01	23.84	23.76	23.54
2. Treasury Bonds	1009.17	1009.17	997.24	1022.95	1022.95	1022.95	1022.95	1022.95	1035.71
(As % of total securities)	74.54	74.77	74.94	75.38	75.90	75.99	76.16	76.24	76.46
3. Total Securities (1+2)	1,353.86	1,349.75	1,330.77	1,357.12	1,347.67	1,346.24	1,343.18	1,341.75	1,354.53
4. Overdraft at Central Bank	32.22	24.40	29.28	21.09	31.81	31.14	34.86	36.38	34.98
5. Other Domestic debt*	29.92	29.53	29.54	29.52	29.54	29.61	29.60	29.62	29.04
6. Gross Domestic Debt (3+4+5)	1,416.00	1,403.68	1,389.59	1,407.73	1,409.03	1,406.99	1,407.64	1,407.75	1,418.55

* 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

	8-May-15	15-May-15	22-May-15	29-May-15	5-Jun-15	12-Jun-15	19-Jun-15	26-Jun-15	3-Jul-15
Treasury bills (Excluding Repos)	24.3	24.3	24.0	23.7	23.0	23.0	22.7	22.6	22.5
Treasury bonds	71.3	71.9	71.8	72.7	72.6	72.7	72.7	72.7	73.0
CBK Overdraft to Govt	2.3	1.7	2.1	1.5	2.3	2.2	2.5	2.6	2.5
Other domestic debt	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.0
TOTAL	100.0	100.0	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

	8-May-15	15-May-15	22-May-15	29-May-15	5-Jun-15	12-Jun-15	19-Jun-15	26-Jun-15	3-Jul-15
Banking Institutions	56.6	56.3	56.1	56.0	56.2	56.1	56.1	56.1	55.9
Insurance Companies	8.8	8.9	8.8	8.9	8.9	8.9	8.9	8.9	9.0
Parastatals	3.2	3.2	3.4	3.3	3.3	3.4	3.4	3.4	3.4
Pension funds	24.4	24.6	24.7	24.9	24.7	24.8	24.8	24.7	24.9
Other investors	6.9	7.0	7.0	6.9	6.9	6.9	6.8	6.8	6.8
Total	100.0	100.0	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)

	14-May-15	21-May-15	28-May-15	4-Jun-15	11-Jun-15	18-Jun-15	25-Jun-15	2-Jul-15	9-Jul-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,757	6,803	6,770	6,735	6,735	6,788	6,720	6,658	6,623
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.33	4.36	4.33	4.26	4.26	4.29	4.25	4.21	4.19

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya