



JULY 17, 2015

Highlights

*L*iquidity in the money market tightened during the week ending July 15, 2015 on account of liquidity mop-up by CBK and remittance of taxes by commercial banks. Consequently the average interbank rate increased to 9.65 percent in the week ending July 15, 2015 from 8.72 percent in the previous week. The rise in the interbank rate is consistent with the tight stance of monetary policy.

*T*he capital markets activity declined across all segments during the week ending 16 July 2015.

Monetary Policy Operations

Liquidity in the money market tightened during the week ending July 15, 2015 on account of liquidity mop-up by CBK and remittance of taxes by commercial banks (Table 1). Reserve money averaged Ksh 345.7 billion during the week ending July 15, 2015 and was Ksh 7.4 billion below target.

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

	9-Jul-15	10-Jul-15	13-Jul-15	14-Jul-15	15-Jul-15	Total
Liquidity Flows						
Total liquidity injection	13.9	15.9	29.2	21.7	4.2	84.8
Repos Maturities	0.0	6.9	5.8	12.0	2.0	26.6
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	1.5	0.9	7.0	6.5	1.4	17.2
T/bills redemptions	0.0	0.0	8.6	0.0	0.0	8.6
T/bills rediscounts	10.0	0.0	7.5	2.5	0.0	20.0
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
Govt payments	2.4	2.4	0.3	0.7	0.6	6.4
Total liquidity reduction	13.4	25.7	19.1	24.7	10.9	93.9
T/bills (Primary issues)	0.0	0.0	2.3	0.0	0.0	2.3
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	0.7	0.5	1.2	9.3
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	10.0	13.2	4.3	21.4	3.9	52.7
Transfer from Banks -Taxes	3.4	5.6	6.2	2.8	1.7	19.7
Net liquidity injection (+)/Withdrawal (-)	0.4	-9.8	10.0	-3.0	-6.7	-9.1
Open Market Operations Outcome						
Posted Amount	10.0	20.0	21.0	20.0	4.0	75.0
Realised Amount	0.0	0.0	0.0	0.0	0.0	0.1
Repo (-)	0.0	6.9	0.7	0.5	1.2	9.3
Term Auction Deposits (-)	10.0	13.2	4.3	21.4	3.9	52.7
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						
Reserve money (actual)	351.5	341.5	349.9	346.3	339.4	345.7
Reserve money target	353.7	353.7	352.8	352.8	352.8	353.1
Deviation from target	-2.2	-12.2	-2.9	-6.5	-13.4	7.4
Commercial banks excess reserves Exc(+)/ Short(-)	-8.0	-18.2	-10.2	-13.0	-23.0	14.5
Cash outside bank Exc(+)/ Short(-)	5.8	6.0	7.3	6.5	9.5	7.0

Source: Central Bank of Kenya

Interbank Rates

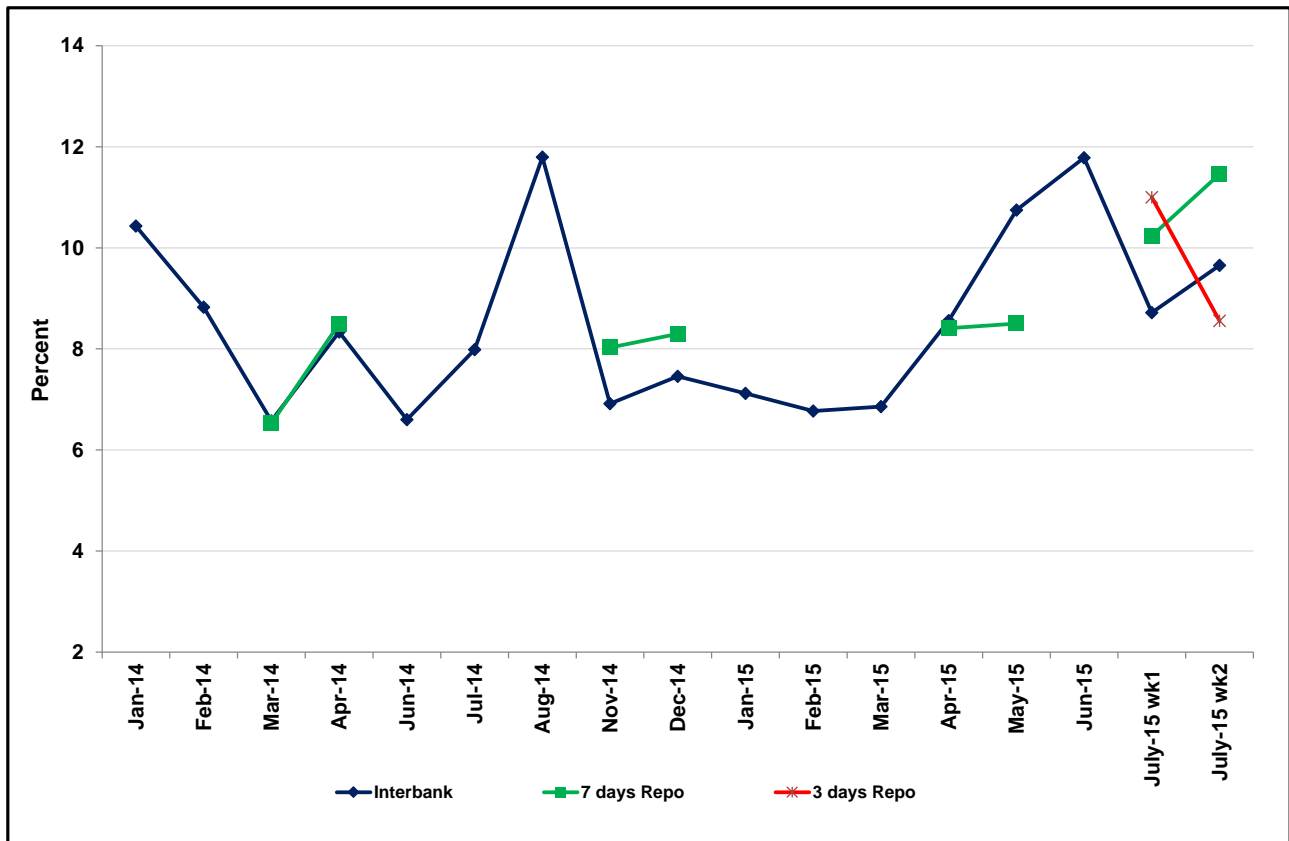
The average interbank rate increased to 9.65 percent in the week ending July 15, 2015 from 8.72 percent in the previous week. The volume transacted decreased to Ksh 16.7 billion from Ksh 26.3 billion traded in the previous week while the number of deals increased to 61 deals from 43 deals. (Table 2 and Chart A). The 7 days average weighted repo rate increased from 10.24 percent to 11.46 percent during the week ending July 15, 2015. Meanwhile the 3 days average weighted repo rate declined from 11.00 percent to 8.56 percent.

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)	3 days Average Repo Rate
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	11.00
July 2,2015-July 8,2015	43	16,669	8.72	10.24	11.00
9-Jul-15	59	22,590	8.24		
10-Jul-15	55	20,190	8.68		11.45
13-Jul-15	55	20,310	9.43	11.50	11.42
14-Jul-15	80	27,633	10.34	11.39	0.00
15-Jul-15	54	21,020	11.57	11.49	11.35
July 9,2015-July 15,2015	61	22,349	9.65	11.46	8.56

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES

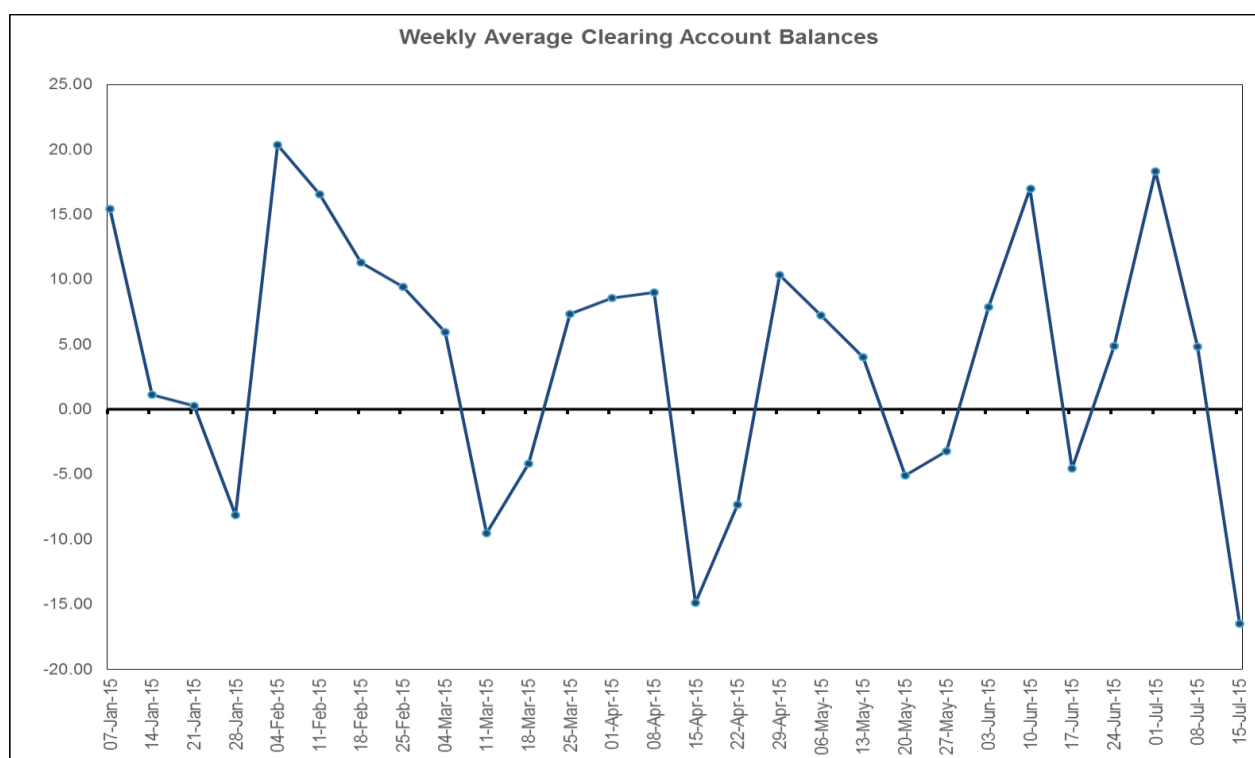


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account in the week ending July 15, 2015 declined to a deficit of Ksh 16.5 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 128.1 billion) from a surplus Ksh 4.84 billion recorded in the previous week (Chart B). This decline underscores the tight liquidity in the money market.

CHART B: WEEKLY AVERAGE DEVIATION FROM CRR IN THE CLEARING ACCOUNT



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

During the week ending July 16, 2015, the Kenya Shilling weakened by 1.50 percent against the US Dollar, 1.65 percent against the Pound Sterling, 1.30 percent against the Euro and 0.94 percent against the 100 Japanese Yen. In the EAC region, it weakened against all EAC currencies (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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
10-Jul-15	100.74	154.85	111.68	82.65	34.49	22.19	7.36	16.27
13-Jul-15	101.85	158.82	113.53	83.08	32.40	20.67	7.28	16.10
14-Jul-15	101.81	157.73	112.27	82.60	32.22	19.99	7.28	16.10
15-Jul-15	101.56	158.79	111.66	82.26	32.69	19.99	7.30	16.14
16-Jul-15	102.04	159.37	111.56	82.40	32.54	21.02	7.27	16.07
10-16 Jul 2015	101.60	157.91	112.14	82.60	32.87	20.77	7.30	16.14

Source: Central Bank of Kenya

The Nairobi Securities Exchange

The Nairobi Securities Exchange performance declined across the equities and bonds segments in the week ending 16 July 2015. The low investor appetite may be a reflection of global risks and domestic pressures. Investors may also be shifting to government securities in the primary market that now offer higher return.

Equities Market

Equity turnover was down 0.71 percent as a result of a 4.17 percent drop in shares traded and general decline in prices. The NASI and NSE 20 Share Index shed 1.88 percent and 1.65 percent respectively. Shareholders' wealth, measured by market capitalisation, declined by Ksh 41.45 billion or 1.86 percent during the week under review (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	11-Jun-15	18-Jun-15	25-Jun-15	02-Jul-15	09-Jul-15	16-Jul-15	Wkly Change
NASI 100= 2008	162.70	162.82	162.68	162.35	159.59	156.59	-1.88%
NSE 20 Share Index 100= 1996	4,744.95	4,796.26	4,798.73	4,839.60	4,754.66	4,676.16	-1.65%
Number of Deals	7,455	7,608	8,361	8,210.00	7,495.00	6,961.00	-7.12%
Total Shares Traded	113.31	110.72	165.29	261.36	197.32	189.10	-4.17%
Equity Turnover (Ksh. Millions)	2,833.44	3,436.63	5,233.54	11,818.32	6,353.87	6,308.76	-0.71%
Market Capitalization (Ksh. Bn.)	2,275.78	2,277.38	2,275.49	2,273.05	2,234.27	2,192.82	-1.86%
Bonds Turnover (Ksh. Millions)	3,827.66	4,070.15	524.71	3,596.31	2,441.70	732.20	-70.01%
FTSE NSE Kenya 15 Index	217.50	216.53	215.60	212.83	209.19	208.88	-0.15%
FTSE NSE Kenya 25 Index	217.18	216.02	214.84	211.83	208.10	207.97	-0.06%
FTSE NSE Bond Index	91.77	91.77	92.03	91.79	91.80	91.79	-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 25 most liquid stocks at the NSE, decreased by 0.15 percent and 0.06 percent respectively. The FTSE Government Bond Index declined by 0.01 percent, reflecting marginal increase in the secondary market yields.

The Banking, Telecommunication and Technology and Investment sectors were the most active, with 38.23 percent, 36.85 percent and 7.50 percent of the total shares traded respectively. The Agricultural sector was the least active with only 67,300 shares traded.

The Bond Market

The bond's turnover recorded significant decline of 70.01 percent to Ksh 732.20 million from Ksh 2,441.70 million in the previous week, with deals concluded declining by 51.4 percent. This can be attributed to increase in money market interest rates following monetary policy tightening that lowers value of bonds in the secondary market.

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	16-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	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	4,006.3	
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	3,351.5	
Maturities (Ksh M)	896.1	4,733.4	1,951.6	2,460.5	601.3	1,124.0	725.6	2,443.9	1,497.5	
Average interest Rate (%)	8.1	8.2	8.2	8.3	8.3	8.3	8.2	11.3	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	15-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	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	2,158.8	
Amount Accepted (Ksh M)	265.9	372.1	198.2	412.3	243.0	2,524.2	1,176.8	750.1	2,099.4	
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	4,132.5	
Average interest Rate (%)	10.6	10.5	10.5	10.5	10.6	10.6	11.3	12.1	12.2	
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	15-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	4,000.0	
Bids received (Ksh M)	364.7	1,008.4	269.6	956.5	510.9	533.7	66.4	322.3	757.3	
Amount Accepted (Ksh M)	364.7	1,008.4	269.6	956.5	510.9	532.7	66.4	322.3	757.3	
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	3,656.3	
Average interest Rate (%)	10.8	10.8	10.8	11.1	11.1	11.1	11.0	11.1	12.5	
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	10th 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	314.64
(As % of total securities)	25.46	25.23	25.06	24.62	24.10	24.01	23.84	23.76	23.54	23.30
2. Treasury Bonds	1009.17	1009.17	997.24	1022.95	1022.95	1022.95	1022.95	1022.95	1035.71	1035.71
(As % of total securities)	74.54	74.77	74.94	75.38	75.90	75.99	76.16	76.24	76.46	76.70
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	1,350.35
4. Overdraft at Central Bank	32.22	24.40	29.28	21.09	31.81	31.14	34.86	36.38	34.98	39.30
5. Other Domestic debt*	29.92	29.53	29.54	29.52	29.54	29.61	29.60	29.62	29.04	29.05
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	1,418.69

* 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

	08-May-15	15-May-15	22-May-15	29-May-15	05-Jun-15	12-Jun-15	19-Jun-15	26-Jun-15	03-Jul-15	10-Jul-15
Treasury bills (Excluding Repos)	24.3	24.3	24.0	23.7	23.0	23.0	22.7	22.6	22.5	22.2
Treasury bonds	71.3	71.9	71.8	72.7	72.6	72.7	72.7	72.7	73.0	73.0
CBK Overdraft to Govt	2.3	1.7	2.1	1.5	2.3	2.2	2.5	2.6	2.5	2.8
Other domestic debt	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.0	2.0
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

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	30-Apr-15	08-May-15	15-May-15	22-May-15	29-May-15	05-Jun-15	12-Jun-15	19-Jun-15	26-Jun-15	03-Jul-15	10-Jul-15
Banking Institutions	56.6	56.6	56.3	56.1	56.0	56.2	56.1	56.1	56.1	55.9	55.9
Insurance Companies	8.8	8.8	8.9	8.8	8.9	8.9	8.9	8.9	8.9	9.0	9.0
Parastatals	3.1	3.2	3.2	3.4	3.3	3.3	3.4	3.4	3.4	3.4	3.4
Pension funds	24.5	24.4	24.6	24.7	24.9	24.7	24.8	24.8	24.7	24.9	24.9
Other investors	7.0	6.9	7.0	7.0	6.9	6.9	6.9	6.8	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	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	04-Jun-15	11-Jun-15	18-Jun-15	25-Jun-15	02-Jul-15	09-Jul-15	16-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	6,545
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	4.14

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya