



JULY 24, 2015

Highlights

Liquidity in the money market remained tight during the week ending July 22, 2015 owing to remittance of taxes by commercial banks. Consequently the average interbank rate increased to 14.2 percent in the week ending July 22, 2015 from 9.7 percent in the previous week.

Overall, capital markets recorded mixed performance in the week ending July 23, 2015 as reflected in leading market indicators.

Monetary Policy Operations

Liquidity in the money market remained tight during the week ending July 22, 2015 owing to remittance of taxes by commercial banks (**Table 1**). Reserve money averaged KSh 335.8 billion during the week ending July 22, 2015 and was KSh 16.5 billion below target.

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

	16-Jul-15	17-Jul-15	20-Jul-15	21-Jul-15	22-Jul-15	Total
Liquidity Flows						
Total liquidity injection	11.3	15.9	17.5	3.0	14.6	62.2
Repos Maturities	0.5	7.4	1.4	0.0	0.1	9.3
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Overnight loans to banks	9.1	5.0	0.0	0.0	2.5	16.6
Term Auction Deposit maturities	1.5	1.3	3.2	2.5	3.3	11.7
Purchases of forex by CBK	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	8.7	0.0	0.0	8.7
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	0.7	0.0	0.0	0.7
Govt payments	0.3	2.2	3.5	0.5	8.7	15.2
Total liquidity reduction	10.2	17.5	21.8	4.4	11.9	65.7
T/bills (Primary issues)	0.0	0.0	6.2	0.0	0.0	6.2
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	0.0	0.0	0.0	0.0	0.0
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.6	0.6	0.0	0.0	0.0	1.2
Overnight borrowings repayments	0.3	9.1	5.0	0.0	0.0	14.4
Sales of forex by CBK	6.6	4.1	0.0	0.0	0.0	10.7
Transfer from Banks -Taxes	2.6	3.7	10.6	4.4	11.8	33.1
Net liquidity injection (+)/Withdrawal (-)	1.1	-1.6	-4.3	-1.5	2.7	-3.5
Open Market Operations Outcome						
Posted Amount	2.0	2.0	0.0	0.0	0.0	4.0
Realised Amount	0.0	0.0	0.0	0.0	0.0	0.0
Repo (-)	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.6	0.6	0.0	0.0	0.0	1.2
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						
Reserve money (actual)	340.1	338.1	334.1	332.3	334.2	335.8
Reserve money target	352.8	352.8	351.9	351.9	351.9	352.3
Deviation from target	-12.7	-14.7	-17.8	-19.6	-17.7	-16.5
Commercial banks excess reserves Exc(+)/ Short(-)	-20.7	-23.1	-27.1	-28.7	-26.6	-25.3
Cash outside bank Exc(+)/ Short(-)	8.0	8.5	9.3	9.2	8.9	8.8

Source: Central Bank of Kenya

Interbank Rates

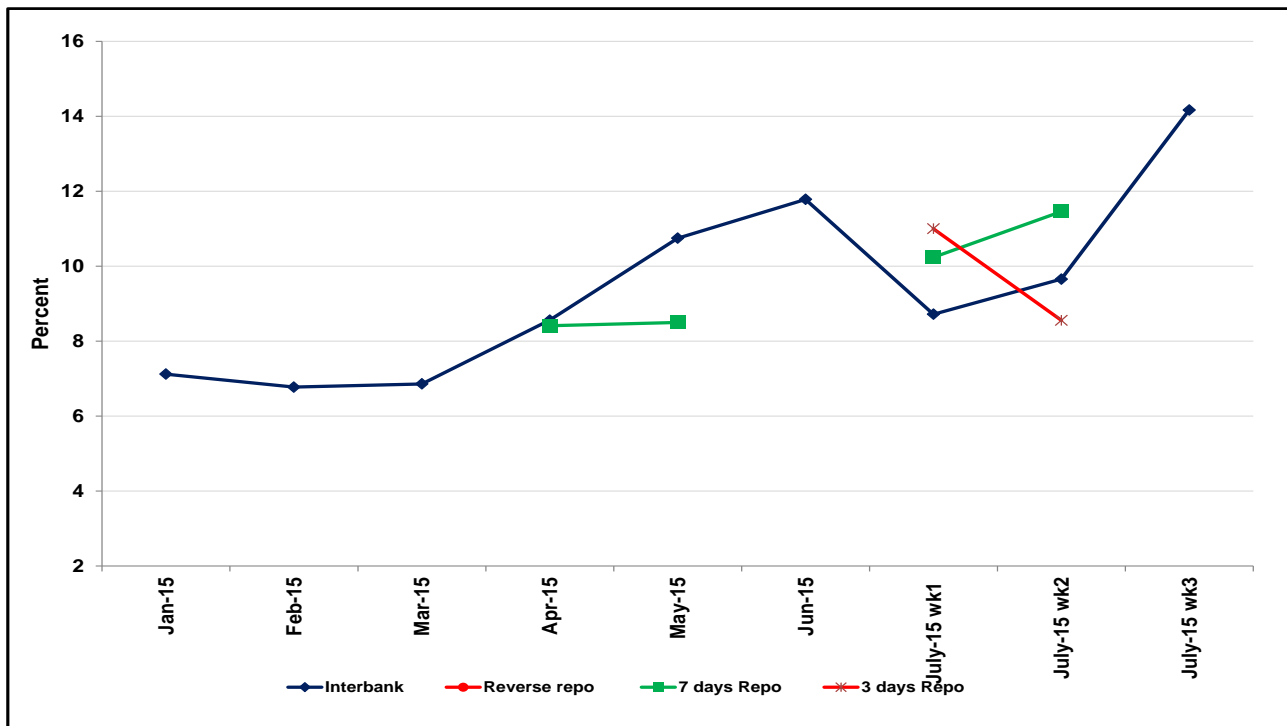
The average interbank rate increased to 14.2 percent in the week ending July 22, 2015 from 9.7 percent in the previous week. The volume transacted decreased to KSh 16.8 billion from KSh 22.3 billion traded in the previous week while the number of deals decreased to 54 deals from 61 deals. (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)
09-Jul-15	59	22,590	8.24
10-Jul-15	55	20,190	8.68
13-Jul-15	55	20,310	9.43
14-Jul-15	80	27,633	10.34
15-Jul-15	54	21,020	11.57
July 9,2015-July 15,2015	61	22,349	9.65
16-Jul-15	58	16,453	12.76
17-Jul-15	47	13,609	13.61
20-Jul-15	48	17,333	14.27
21-Jul-15	62	20,910	14.79
22-Jul-15	57	15,674	15.42
July 15,2015-July 22,2015	54	16,796	14.17

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES

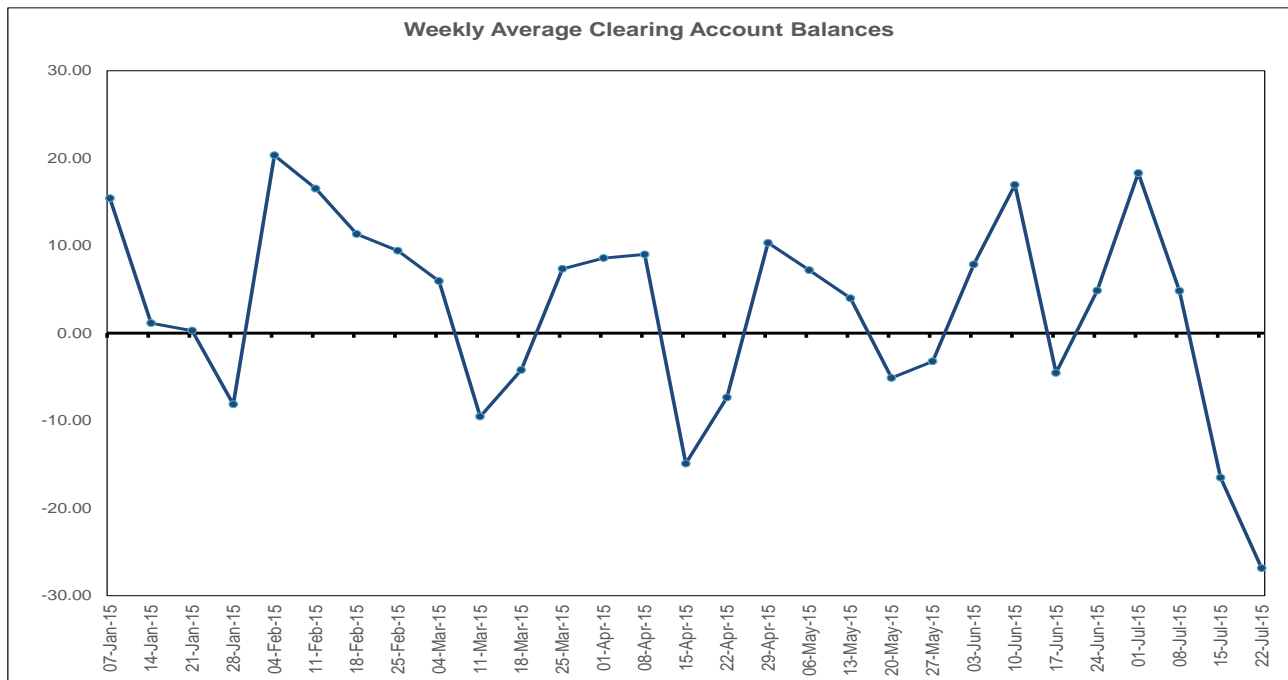


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account in the week ending July 22, 2015 declined to a deficit of KSh 26.9 billion in relation to the cash reserve requirement of 5.25 percent (KSh 131.4 billion) from a deficit of KSh 16.5 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

During the week ending July 23, 2015, the Kenya shilling exchange rate displayed mixed performance against major international and EAC currencies. It appreciated by 1.12 percent and 0.58 percent respectively against the Euro and the Japanese Yen but depreciated by 0.31 per cent and 0.63 percent respectively against the US Dollar and the Pound Sterling. In the EAC region, it appreciated by 1.24 per cent against the Tanzania shilling, but depreciated by 1.09 percent, 0.73.percent and 0.25 percent respectively against the Uganda shilling as well as the Rwanda and Burundi Francs (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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
17-Jul-15	102.50	160.15	111.63	82.62	32.42	21.02	7.23	15.99
20-Jul-15	102.50	159.86	110.99	82.54	32.51	21.12	7.23	16.00
21-Jul-15	102.55	159.58	110.92	82.37	32.42	20.92	7.23	16.00
22-Jul-15	101.50	157.89	111.00	82.05	32.46	21.03	7.31	16.17
23-Jul-15	100.52	157.06	109.89	81.01	32.73	21.04	7.22	16.32
17-23 Jul 2015	101.91	158.91	110.89	82.12	32.51	21.03	7.24	16.10

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Nairobi Securities Exchange

Nairobi Securities Exchange recorded a decline on the equities market segment. All equities indicators, except for the Number of Deals traded declined. The bonds market segments recorded an improvement in both Bonds Turnover and in the FTSE NSE Bond Index in the week ending July 23rd, 2015

Equities Market

Equity turnover was down 48.7 percent as a result of a 34.61 percent drop in shares traded and general decline in prices. The NASI and NSE 20 Share Index shed 1.49 percent and 2.92 percent respectively. Shareholders' wealth, as measured by market capitalisation, showed a marginal decrease of 1.49 percent, equivalent to KSh 32.76 billion, during the week under review (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	28-May-15	04-Jun-15	11-Jun-15	18-Jun-15	25-Jun-15	02-Jul-15	09-Jul-15	16-Jul-15	23-Jul-15	Wkly Change
NASI 100= 2008	161.46	164.22	162.70	162.82	162.68	162.35	159.59	156.59	154.25	-1.49%
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	4,676.16	4,539.47	-2.92%
Number of Deals	8,758	6,784	7,455	7,608	8,361	8,210.00	7,495.00	6,961.00	7,489.00	7.59%
Total Shares Traded	164.49	131.87	113.31	110.72	165.29	261.36	197.32	189.10	123.65	-34.61%
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	6,308.76	3,236.69	-48.70%
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	2,192.82	2,160.06	-1.49%
Bonds Turnover (Ksh. Millions)	7,141.38	4,662.95	3,827.66	4,070.15	524.71	3,596.31	2,441.70	732.20	1,504.51	105.48%
FTSE NSE Kenya 15 Index	215.52	219.94	217.50	216.53	215.60	212.83	209.19	208.88	205.23	-1.75%
FTSE NSE Kenya 25 Index	215.27	219.77	217.18	216.02	214.84	211.83	208.10	207.97	204.71	-1.57%
FTSE NSE Bond Index	92.42	92.3	91.77	91.77	92.03	91.79	91.80	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 25 most liquid stocks at the NSE, closed the week 1.75 percent and 1.57 percent lower as compared to the previous week. The FTSE Government Bond Index, however, recorded a positive 0.01 percent, reflecting marginal decrease in the secondary market yields.

The Telecommunication & Technology, Banking and Energy& Petroleum sectors were the most active, with 56.07 percent, 20.19 percent and 9.42 percent of the total shares traded respectively. The Automobile & Accessories sector was the least active with only 65,700 shares traded.

The Bond Market

The bond's turnover closed significantly higher by 105.48 percent to KSh 1,504.51 million from KSh 732.20 million in the previous week.

This may be attributed to rebalancing of the bond market after increase in interest rates following monetary policy action earlier in the month and re-opening of a bond in the primary market.

The number of deals likewise increased to 34, compared to 18 deals traded the previous week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills								
Date of Auction	04-Jun-15	11-Jun-15	18-Jun-15	25-Jun-15	02-Jul-15	09-Jul-15	16-Jul-15	23-Jul-15
Amount offered (Ksh M)	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	2,000.0	2,000.0	3,000.0
Bids received (Ksh M)	3,136.5	2,106.6	1,145.0	508.0	1,250.2	1,187.6	4,006.3	1,726.4
Amount Accepted (Ksh M)	3,136.5	2,123.2	1,071.5	508.0	1,250.2	1,184.2	3,351.5	1,243.4
Maturities (Ksh M)	1,951.6	2,460.5	601.3	1,124.0	725.6	2,443.9	1,497.5	1,062.9
Average interest Rate (%)	8.2	8.3	8.3	8.3	8.2	11.3	11.3	11.5
182-Day Treasury Bills								
Date of Auction	03-Jun-15	10-Jun-15	17-Jun-15	24-Jun-15	01-Jul-15	08-Jul-15	15-Jul-15	22-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	4,000.0
Bids received (Ksh M)	199.2	412.3	243.0	2,524.2	1,176.8	1,218.4	2,158.8	1,063.1
Amount Accepted (Ksh M)	198.2	412.3	243.0	2,524.2	1,176.8	750.1	2,099.4	600.0
Maturities (Ksh M)	903.1	1,206.8	1,139.7	1,583.6	2,554.3	4,302.4	4,132.5	3,432.7
Average interest Rate (%)	10.5	10.5	10.6	10.6	11.3	12.1	12.2	12.4
364-Day Treasury Bills								
Date of Auction	03-Jun-15	10-Jun-15	17-Jun-15	24-Jun-15	01-Jul-15	08-Jul-15	15-Jul-15	22-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)	269.6	956.5	510.9	533.7	66.4	322.3	757.3	769.7
Amount Accepted (Ksh M)	269.6	956.5	510.9	532.7	66.4	322.3	757.3	342.1
Maturities (Ksh M)	2,262.5	3,018.9	1,598.5	1,026.9	3,484.9	2,312.1	3,656.3	4,088.1
Average interest Rate (%)	10.8	11.1	11.1	11.1	11.0	11.1	12.5	13.0
Treasury Bonds								
Date of Auction	24-Jun-15							
Tenor	2 Year FXD (Re-open)		5 Year FXD (Re-open)		5 Year FXD			
Amount offered (Ksh M)	20,000.0		15,000.0					
Bids received (Ksh M)	8,545.8		8,302.0		12,899.2			
Amount Accepted (Ksh M)	7,194.6		5,566.4		11,997.0			
Maturities (Ksh M)	0.0		0.0		0.0			
Average interest Rate (%)	12.6		13.2		14.3			

Source: Central Bank of Kenya

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

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	17th 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	308.05
(As % of total securities)	25.46	25.23	25.06	24.62	24.10	24.01	23.84	23.76	23.54	23.30	22.91
2. Treasury Bonds	1009.17	1009.17	997.24	1022.95	1022.95	1022.95	1022.95	1022.95	1035.71	1035.71	1036.71
(As % of total securities)	74.54	74.77	74.94	75.38	75.90	75.99	76.16	76.24	76.46	76.70	77.09
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	1,344.76
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	37.73
5. Other Domestic debt*	29.92	29.53	29.54	29.52	29.54	29.61	29.60	29.62	29.04	29.05	28.27
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	1,410.76

* 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	17-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	21.8
Treasury bonds	71.3	71.9	71.8	72.7	72.6	72.7	72.7	72.7	73.0	73.0	73.5
CBK Overdraft to Govt	2.3	1.7	2.1	1.5	2.3	2.2	2.5	2.6	2.5	2.8	2.7
Other domestic debt	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.0	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	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	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	17-Jul-15
Banking Institutions	56.6	56.3	56.1	56.0	56.2	56.1	56.1	56.1	55.9	55.9	57.1
Insurance Companies	8.8	8.9	8.8	8.9	8.9	8.9	8.9	8.9	9.0	9.0	9.1
Parastatals	3.2	3.2	3.4	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.5
Pension funds	24.4	24.6	24.7	24.9	24.7	24.8	24.8	24.7	24.9	24.9	24.9
Other investors	6.9	7.0	7.0	6.9	6.9	6.9	6.8	6.8	6.8	6.8	5.5
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	23-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	6,448
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	4.08

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya