



JULY 3, 2015

Highlights

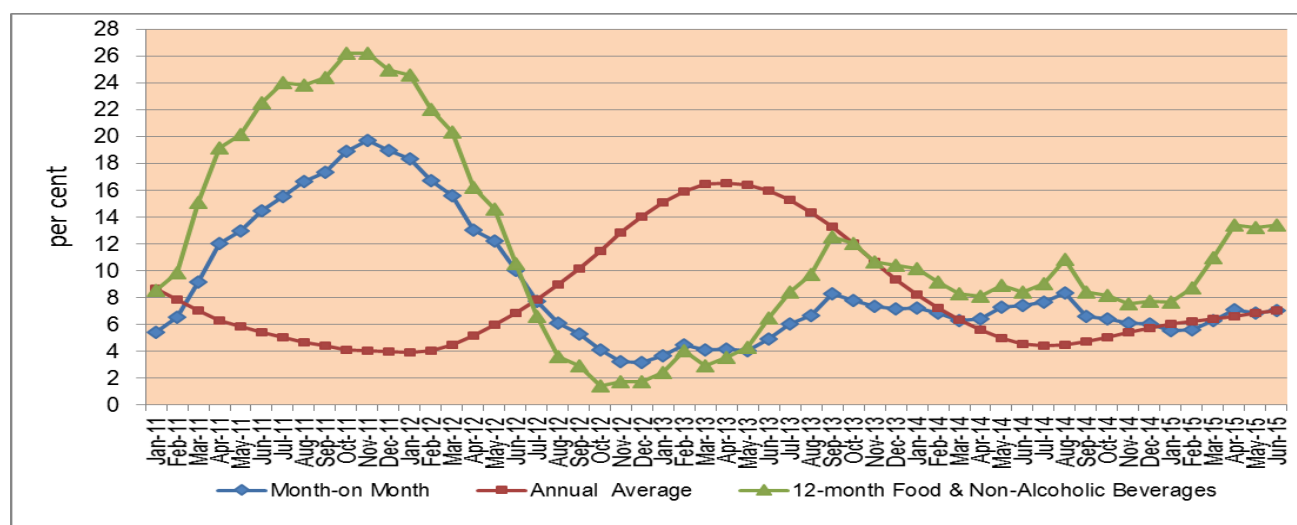
Overall 12-month inflation rose from 6.87 percent in May 2015 to 7.03 percent in June 2015 and Non-food Non-fuel inflation rose from 4.15 percent in May 2015 to 4.63 percent in June 2015.

The money market was relatively liquid during the week ending July 1, 2015 boosted by Government payments and TAD maturities. The average interbank rate declined marginally to 11.32 percent in the week ending July 1, 2015 from 11.74 percent in the previous week.

Overall capital markets recorded mixed performance in the week ending July 2, 2015 as reflected in leading market indicators.

Inflation

Overall 12-month inflation rose from 6.87 percent in May 2015 to 7.03 percent in June 2015 (**Chart A**). The rise in the overall inflation in June 2015 is attributed to higher food and Non-food Non-fuel inflation. Food inflation rose from 12.42 percent in May 2015 to 12.55 percent in June 2015 reflecting a rise in 12-month inflation in the 'food and non-alcoholic beverages' category of goods and services from 13.21 percent in May 2015 to 13.39 percent in June 2015. Non-food Non-fuel inflation rose from 4.15 percent in May 2015 to 4.63 percent in June 2015. Fuel inflation, however, eased from 0.28 percent in May 2015 to 0.24 percent in June 2015.

CHART A: SUMMARY REPORT ON GENERAL INFLATION


Source: Central Bank of Kenya

Monetary Policy Operations

The money market was relatively liquid during the week ending July 1, 2015 boosted by Government payments and TAD maturities (**Table 1**). Reserve money averaged Ksh 368.5 billion during the week ending July 1, 2015 and was Ksh 14.1 billion above target.

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

	18-Jun-15	25-Jun-15	26-Jun-15	29-Jun-15	30-Jun-15	1-Jul-15	Total
Liquidity Flows							
Total liquidity injection	10.2	15.3	20.9	14.4	8.9	11.0	70.5
Repos Maturities	5.0	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	0.0
Term Auction Deposit maturities	0.0	0.0	1.3	0.9	3.6	3.5	9.3
T/bills redemptions	0.0	0.0	0.0	3.5	0.0	0.0	3.5
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	0.0	3.0	0.0	0.0	3.0
Govt payments	5.2	15.3	19.6	6.9	5.3	7.5	54.6
Total liquidity reduction	6.1	6.3	6.0	24.7	8.0	9.8	54.7
T/bills (Primary issues)	0.0	0.0	0.0	3.6	0.0	0.0	3.6
Tbonds Sales	0.0	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	0.0
Repos	0.0	0.0	0.0	0.0	0.0	2.0	2.0
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.0	1.5	0.9	7.1	6.0	1.4	16.8
Transfer from Banks - Taxes	6.1	4.7	2.9	1.2	2.0	6.5	17.2
Net liquidity injection (+)/Withdrawal (-)	4.0	9.1	14.9	-10.3	0.9	1.2	15.7
Open Market Operations Outcome							
Posted Amount	7.0	3.0	21.0	12.0	25.0	24.0	85.0
Realised Amount	0.0	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	0.0
Term Auction Deposits (-)	0.0	1.5	0.9	7.1	6.0	1.4	16.8
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position							
Reserve money (actual)	363.6	361.6	378.8	367.3	366.2	368.5	368.5
Reserve money target	350.0	354.6	354.6	354.6	354.6	353.7	354.4
Deviation from target	13.7	7.0	24.2	12.7	11.6	14.8	14.1
Commercial banks excess reserves Exc(+)/ Short(-)	13.6	11.3	29.3	17.2	15.2	15.9	17.8
Cash outside bank Exc(+)/ Short(-)	0.1	-4.3	-5.1	-4.5	-3.6	-1.0	3.7

Source: Central Bank of Kenya

Interbank Rates

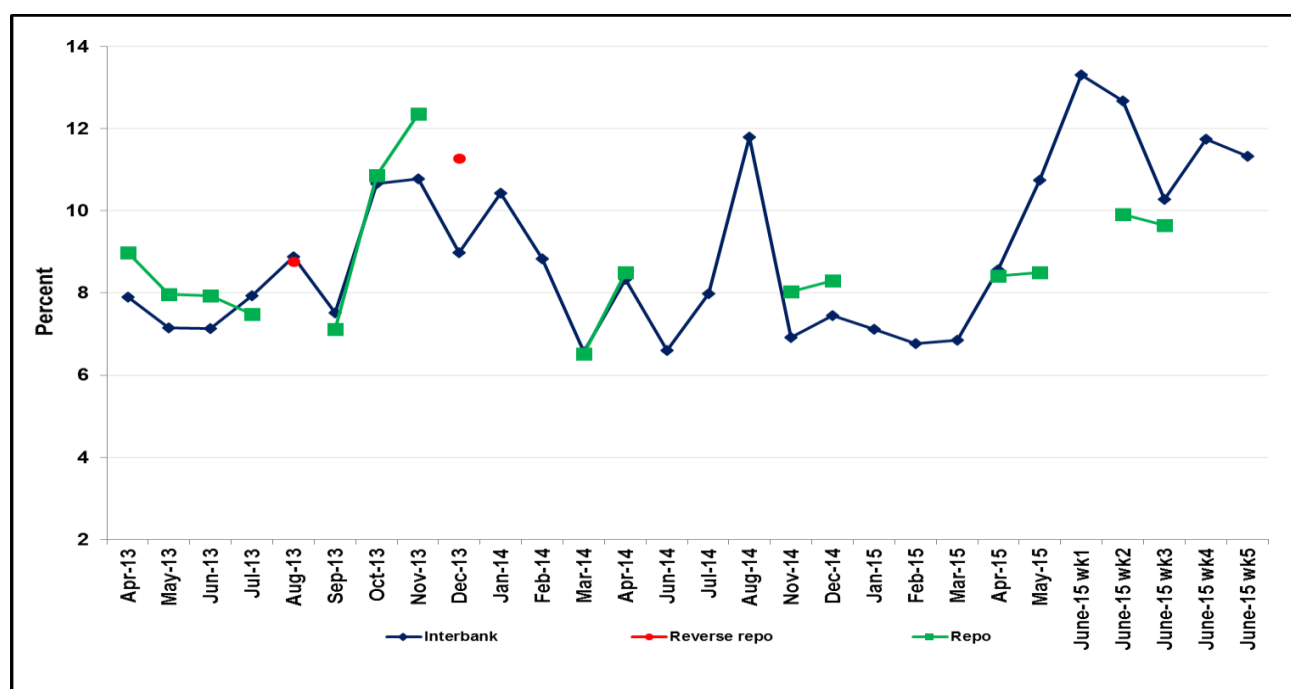
The average interbank rate decreased marginally to 11.32 percent in the week ending July 1, 2015 from 11.74 percent in the previous week. The volume transacted increased to Ksh 26.3 billion from Ksh 20.2 billion traded in the previous week while the number of deals decreased to 49 deals from 52 deals (**Table 2 and Chart B**).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)
18-Jun-15	50	20,307	11.29
19-Jun-15	47	13,018	11.57
22-Jun-15	48	14,052	11.80
23-Jun-15	62	30,064	11.98
24-Jun-15	51	23,768	12.08
June 18,2015- June 24,2015	52	20,242	11.74
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

Source: Central Bank of Kenya

CHART B: STRUCTURE OF INTEREST RATES

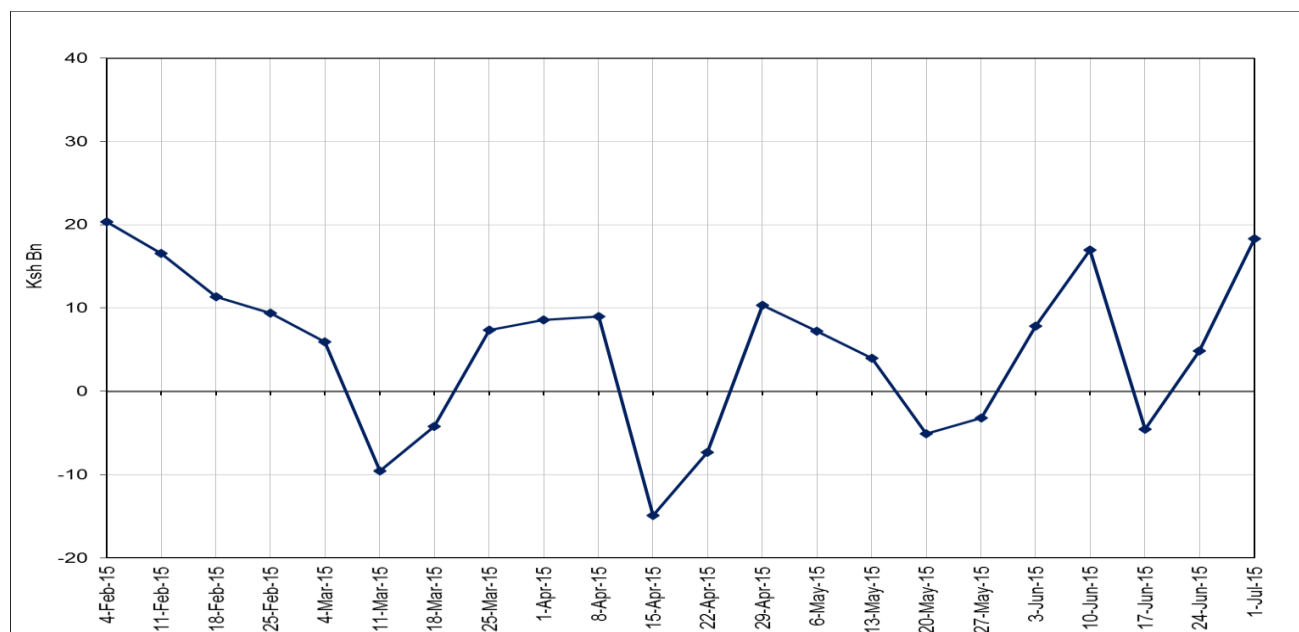


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account balances in the week ending July 1, 2015 increased to Ksh 18.3 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 128.1 billion) from Ksh 4.87 billion recorded in the previous week (**Chart C**).

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



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate displayed mixed performance against major international currencies during the week ending July 2, 2015. The Kenya Shilling strengthened against the Sterling Pound and the Euro by 0.21 percent and 1.01 percent, respectively and weakened against the US Dollar and the Japanese Yen by 0.34 percent and 0.38 percent, respectively. In the EAC region, the Kenya Shilling weakened against all EAC currencies (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
19-Jun-15	98.18	155.52	111.31	79.70	33.54	23.17	7.48	15.97
22-Jun-15	98.55	156.49	112.38	80.31	33.59	23.19	7.32	16.03
23-Jun-15	98.59	155.56	111.06	79.72	33.60	23.18	7.46	16.25
24-Jun-15	98.78	155.63	110.63	79.65	33.54	23.33	7.44	15.79
25-Jun-15	98.45	154.48	110.34	79.62	33.52	23.72	7.47	15.86
19-25 Jun 2015	98.51	155.54	111.14	79.80	33.56	23.32	7.43	15.98
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

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Nairobi Securities Exchange

Nairobi Securities Exchange recorded improved performance in the equities market segment leading indicators except for NASI, Number of Deals and Market Capitalization. Similarly, the bonds market segments recorded an improvement in Bonds Turnover but declined in performance in FTSE NSE Bond Index in the week ending July 2, 2015.

Equities Market

The Equity Turnover recorded a 125.82 percent increase on account of higher average share prices and increased share supply. The NSE 20 Share Index gained by 0.85 percent while the NASI recorded losses of 0.20 percent. Share supply improved by 58.12 percent and the shareholders wealth measured by market capitalisation declined by 0.11 percent during the week under review (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	21-May-15	28-May-15	4-Jun-15	11-Jun-15	18-Jun-15	25-Jun-15	2-Jul-15	Wkly Change
NASI 100= 2008	166.48	161.46	164.22	162.70	162.82	162.68	162.35	-0.20%
NSE 20 Share Index 100= 1996	4,928.91	4,805.89	4,773.79	4,744.95	4,796.26	4,798.73	4,839.60	0.85%
Number of Deals	8,131	8,758	6,784	7,455	7,608	8,361	8,210.00	-1.81%
Total Shares Traded	131.47	164.49	131.87	113.31	110.72	165.29	261.36	58.12%
Equity Turnover (Ksh. Millions)	5,165.07	4,481.55	4,655.02	2,833.44	3,436.63	5,233.54	11,818.32	125.82%
Market Capitalization (Ksh. Bn.)	2,328.78	2,258.40	2,297.13	2,275.78	2,277.38	2,275.49	2,273.05	-0.11%
Bonds Turnover (Ksh. Millions)	1,894.35	7,141.38	4,662.95	3,827.66	4,070.15	524.71	3,596.31	585.39%
FTSE NSE Kenya 15 Index	222.18	215.52	219.94	217.50	216.53	215.60	212.83	-1.23%
FTSE NSE Kenya 25 Index	221.56	215.27	219.77	217.18	216.02	214.84	211.83	-1.41%
FTSE NSE Bond Index	91.91	92.42	92.3	91.77	91.77	92.03	91.79	-0.26%

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series and Most Active Sectors

FTSE NSE Kenya 15 Index and FTSE NSE Kenya 25 Index which measure stocks performance of 15 largest companies by market capitalization and 25 most liquid stocks at the NSE respectively, closed the week 1.23 and 1.41 percent lower as compared to the previous week. Similarly, FTSE Government Bond Index recorded marginal losses of 0.26 percent reflecting marginal increase in the secondary market yields.

Banking, Telecommunication and Technology and Manufacturing and Allied sectors were the top three most active sectors, representing 71.67 percent, 10.49 percent and 5.90 percent of the total shares traded, respectively. Growth Enterprise sector was the least active with 135,500 shares traded.

The Bond Market

The bond's turnover increased by 585.39 percent to Ksh 3,596.31 million from Ksh 524.71 million in the previous week. The improvement in turnover is attributed to payments for two bonds issued, totalling Ksh 12.76 billion on June 29, 2015. The number of deals grew to 70 from 30 traded the previous week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills								
Date of Auction	23-Apr-15	30-Apr-15	7-May-15	14-May-15	21-May-15	28-May-15	4-Jun-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	
Bids received (Ksh M)	1,041.1	874.6	1,516.9	585.7	877.2	1,397.3	3,136.5	
Amount Accepted (Ksh M)	1,041.1	1,041.1	1,515.6	584.7	2,660.9	718.1	3,136.5	
Maturities (Ksh M)	893.5	893.5	849.6	3,115.3	896.1	4,733.4	1,951.6	
Average interest Rate (%)	8.406	8.406	8.357	8.167	8.1	8.2	8.2	
182-Day Treasury Bills								
Date of Auction	22-Apr-15	29-Apr-15	6-May-15	13-May-15	20-May-15	27-May-15	3-Jun-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	
Bids received (Ksh M)	5,048.7	634.0	402.7	1,269.2	1,150.2	372.1	199.2	
Amount Accepted (Ksh M)	5,001.2	634.0	402.7	1,269.2	265.9	372.1	198.2	
Maturities (Ksh M)	715.8	779.3	2,680.4	4,748.0	1,203.0	4,421.3	903.1	
Average interest Rate (%)	10.272	10.268	10.326	10.348	10.6	10.5	10.5	
364-Day Treasury Bills								
Date of Auction	22-Apr-15	29-Apr-15	6-May-15	13-May-15	20-May-15	27-May-15	3-Jun-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	
Bids received (Ksh M)	1,509.2	1,265.4	1,599.5	2,615.2	364.7	1,008.4	269.6	
Amount Accepted (Ksh M)	1,455.0	1,265.4	1,328.9	2,525.0	364.7	1,008.4	269.6	
Maturities (Ksh M)	6,455.4	2,635.1	3,051.8	3,914.4	550.9	2,495.5	2,262.5	
Average interest Rate (%)	10.595	10.605	10.667	10.768	10.8	10.8	10.8	
Treasury Bonds								
Date of Auction								
Tenor								
Amount offered (Ksh M)					10 Year FXD(Re-open)	20,000.0	2 Year FXD (Re-open)	
Bids received (Ksh M)						32,557.3		
Amount Accepted (Ksh M)						11,658.4	25,287.2	
Maturities (Ksh M)						11,924.0		
Average interest Rate (%)						12.9	11.8	

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
1. Treasury Bills (Excluding Repos)	344.69	340.58	333.53	334.17	324.72	323.29	320.23	318.80
(As % of total securities)	25.46	25.23	25.06	24.62	24.10	24.01	23.84	23.76
2. Treasury Bonds	1009.17	1009.17	997.24	1022.95	1022.95	1022.95	1022.95	1022.95
(As % of total securities)	74.54	74.77	74.94	75.38	75.90	75.99	76.16	76.24
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
4. Overdraft at Central Bank	32.22	24.40	29.28	21.09	31.81	31.14	34.86	36.38
5. Other Domestic debt*	29.92	29.53	29.54	29.52	29.54	29.61	29.60	29.62
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

* 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
Treasury bills (Excluding Repos)	24.3	24.3	24.0	23.7	23.0	23.0	22.7	22.6
Treasury bonds	71.3	71.9	71.8	72.7	72.6	72.7	72.7	72.7
CBK Overdraft to Govt	2.3	1.7	2.1	1.5	2.3	2.2	2.5	2.6
Other domestic debt	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
TOTAL	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
Banking Institutions	56.6	56.3	56.1	56.0	56.2	56.1	56.1	56.1
Insurance Companies	8.8	8.9	8.8	8.9	8.9	8.9	8.9	8.9
Parastatals	3.2	3.2	3.4	3.3	3.3	3.4	3.4	3.4
Pension funds	24.4	24.6	24.7	24.9	24.7	24.8	24.8	24.7
Other investors	6.9	7.0	7.0	6.9	6.9	6.9	6.8	6.8
Total	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
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,757	6,803	6,770	6,735	6,735	6,788	6,720	6,658
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

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya