



JUNE 12, 2015

Highlights

The Monetary Policy Committee (MPC) raised the Central Bank Rate by 150 basis points from 8.5 percent to 10.0 percent at its meeting on June 9, 2015 to contain incipient inflationary expectations.

The money market was relatively liquid during the week ending June 10, 2015, supported by government payments and net redemptions of government securities. The average interbank rate declined to 12.67 percent in the week ending June 10, 2015 from 13.51 percent in the previous week.

Overall capital markets performance declined in the week ending June 11, 2015 as reflected in leading market indicators.

Monetary Policy Stance

The Monetary Policy Committee (MPC) raised the Central Bank Rate by 150 basis points from 8.5 percent to 10.0 percent on June 9, 2015 to contain incipient inflationary expectations. The Committee noted that emerging demand pressures and the persistent volatility in the global foreign exchange markets coupled with the projected recovery in international oil prices have implications on inflationary expectations and the potential of the pass-through of the past exchange rate movements on consumer price inflation.

Monetary Policy Operations

The money market was relatively liquid during the week ending June 10, 2015, supported by government payments and net redemptions of government securities. (**Table 1**). Reserve money averaged KSh 367.4 billion during the week ending June 10, 2015 and was KSh 19.7 billion above target.

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

	4-Jun-15	5-Jun-15	8-Jun-15	9-Jun-15	10-Jun-15	Total
Liquidity Flows						
Total liquidity injection	24.0	8.5	7.7	11.5	3.1	54.9
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	0.2	0.4	0.4	0.3	0.0	1.3
T/bills redemptions	0.0	0.0	5.1	0.0	0.0	5.1
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	9.3	8.1	2.2	11.2	3.1	34.0
Total liquidity reduction	3.1	5.4	6.8	9.0	26.4	50.6
T/bills (Primary issues)	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
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	10.5	10.5
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.0	0.0	0.0	3.8	10.5	14.4
Transfer from Banks -Taxes	3.0	5.4	3.2	5.1	5.3	21.9
Net liquidity injection (+)/Withdrawal (-)	20.9	3.1	0.9	2.6	-23.2	4.2
Open Market Operations Outcome						
Posted Amount	21.0	13.0	11.0	13.0	21.0	79.0
Realised Amount	0.0	0.0	0.0	3.8	21.0	24.8
Repo (-)	0.0	0.0	0.0	0.0	10.5	10.5
Term Auction Deposits (-)	0.0	0.0	0.0	3.8	10.5	14.4
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						Average
Reserve money (actual)	368.5	371.1	371.6	374.7	350.8	367.4
Reserve money target	347.6	347.6	347.6	347.6	347.6	347.6
Deviation from target	20.9	23.5	24.0	27.1	3.2	19.7
Commercial banks excess reserves Exc(+)/ Short(-)	20.3	21.3	20.9	22.9	-124.9	-7.9
Cash outside bank Exc(+)/ Short(-)	0.5	2.2	3.1	4.2	128.1	27.6

Source: Central Bank of Kenya

Short-Term Rates

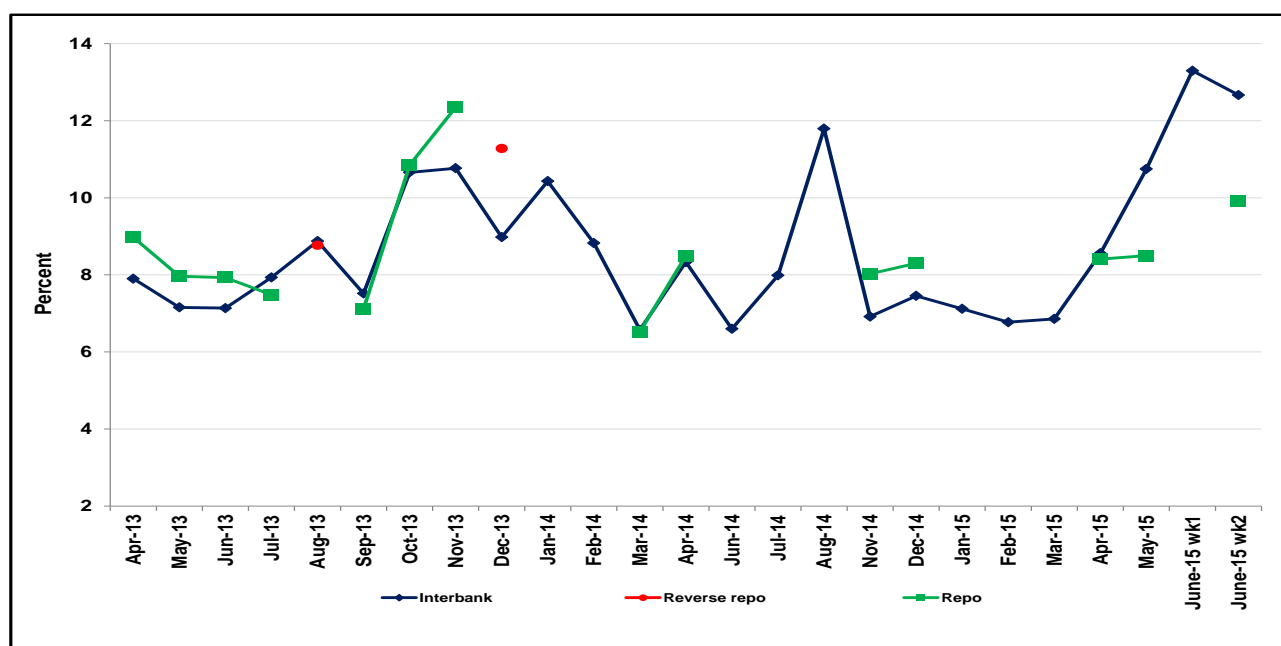
The average interbank rate declined to 12.67 percent in the week ending June 10, 2015 from 13.51 percent in the previous week. During the week under review, the volume transacted decreased to KSh 16.89 billion from KSh 22.07 billion traded in the previous week, and the number of deals decreased to 56 from 64 deals recorded in the previous week. The Central Bank management mopped the excess liquidity through open market operations at the repo rate of 9.9 percent in the week under review (**Table 2 and Chart A**).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Average Repo Rate (%)
28-May-15	53	21,140	13.30	
29-May-15	66	22,002	13.49	
02-Jun-15	66	22,987	13.58	
03-Jun-15	72	22,162	13.69	
May 28, 2015 - June 3, 2015	64	22,073	13.51	
04-Jun-15	70	21,742	13.81	
05-Jun-15	82	29,192	13.62	
08-Jun-15	47	12,180	13.28	
09-Jun-15	36	8,305	12.10	
10-Jun-15	44	13,014	10.54	9.90
June 3, 2015- June 10, 2015	56	16,886	12.67	9.90

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES

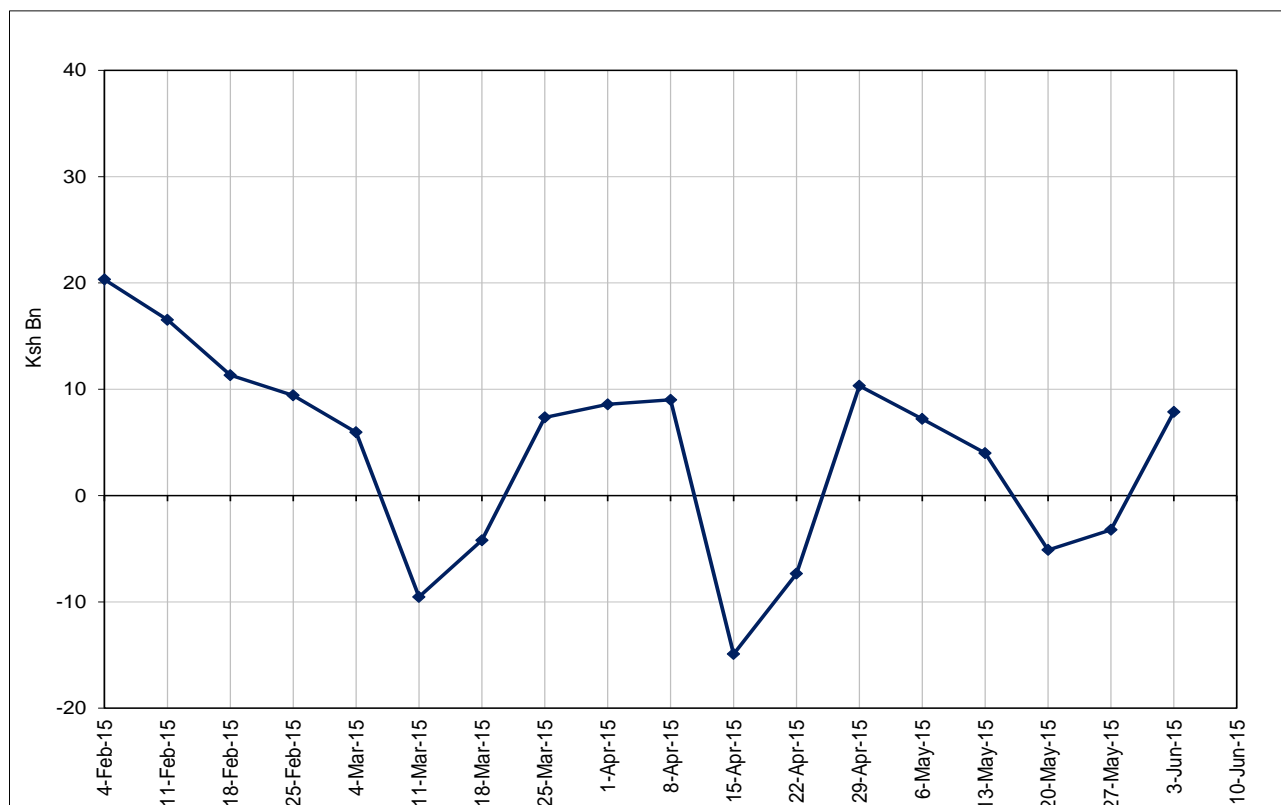


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account in the week ending June 10, 2015 recorded a surplus of KSh 16.96 billion in relation to the cash reserve requirement of 5.25 percent (KSh 125.4 billion) compared with a surplus of KSh 7.9 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 June 11, 2015, the Kenya Shilling strengthened by 0.22 percent against the US Dollar but weakened against the Pound Sterling, the Euro and the Japanese Yen by 0.23 percent, 1.31 percent and 0.09 percent respectively. In the EAC region, the Kenya Shilling strengthened against the Uganda and Tanzania Shillings as well as the Rwanda Franc but weakened against the Burundi Franc (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
29-May-15	97.78	149.91	107.02	78.93	31.21	21.32	7.02	15.95
2-Jun-15	97.55	148.34	106.54	78.22	31.44	21.68	7.05	16.10
3-Jun-15	96.87	148.88	108.46	78.20	31.74	22.14	7.11	16.21
4-Jun-15	96.82	148.43	109.14	77.90	31.84	22.08	7.12	16.16
29 May-4 Jun 2015	97.25	148.89	107.79	78.31	31.56	21.81	7.07	16.11
5-Jun-15	96.11	147.56	107.90	77.21	32.10	22.41	7.17	16.23
8-Jun-15	96.94	148.11	107.89	77.87	32.13	22.39	7.12	16.13
9-Jun-15	97.87	150.27	110.72	78.69	31.73	22.22	7.41	15.96
10-Jun-15	97.20	149.91	109.74	79.11	32.02	22.40	7.46	16.10
11-Jun-15	97.07	150.30	109.78	79.01	32.29	22.54	7.52	16.07
5-11 Jun 2015	97.04	149.23	109.21	78.38	32.05	22.39	7.34	16.10

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Markets

Nairobi Securities Exchange performance declined in the equities market segment leading indicators. Similarly, performance in the bonds market segments declined in the week ending June 11, 2015.

Equities Market

The Equity Turnover recorded a 39.13 percent decrease on account of declined average share prices and share supply. The NSE 20 Share Index and NASI declined by 0.60 and 0.93 percent, respectively. Share supply declined by 14.07 percent and the shareholders wealth measured by market capitalisation also declined by KSh 21.35 billion (0.93 percent) during the week under review (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	23-Apr-15	29-Apr-15	07-May-15	14-May-15	21-May-15	28-May-15	04-Jun-15	11-Jun-15	Wkly Change
NASI 100= 2008	171.58	172.35	171.52	167.82	166.48	161.46	164.22	162.70	-0.93%
NSE 20 Share Index 100= 1996	5,026.94	5,061.11	5,074.76	4,979.71	4,928.91	4,805.89	4,773.79	4,744.95	-0.60%
Number of Deals	9,154	7,250	9,831	9,134	8,131	8,758	6,784	7,455	9.89%
Total Shares Traded	94.81	86.54	155.00	191.09	131.47	164.49	131.87	113.31	-14.07%
Equity Turnover (Ksh. Millions)	3,226.26	2,644.95	4,845.18	5,434.47	5,165.07	4,481.55	4,655.02	2,833.44	-39.13%
Market Capitalization (Ksh. Bn.)	2,399.64	2,410.98	2,399.45	2,347.46	2,328.78	2,258.40	2,297.13	2,275.78	-0.93%
Bonds Turnover (Ksh. Millions)	5,884.85	3,493.55	3,018.04	9,263.15	1,894.35	7,141.38	4,662.95	3,827.66	-17.91%
FTSE NSE Kenya 15 Index	229.31	228.41	228.44	220.64	222.18	215.52	219.94	217.50	-1.11%
FTSE NSE Kenya 25 Index	229.40	228.57	228.27	220.16	221.56	215.27	219.77	217.18	-1.18%
FTSE NSE Bond Index	92.43	92.75	91.78	91.52	91.91	92.42	92.3	91.77	-0.57%

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 measures stocks performance of 15 largest companies by market capitalization and 25 most liquid stocks at the NSE respectively, closed the week 1.11 and 1.18 percent lower as compared to the previous week. Similarly, FTSE Government Bond Index recorded a marginal loss of 0.57 percent reflecting marginal increase in the secondary market yields.

Telecommunication and Technology, Banking and Investment Services sectors were the top three most active sectors, representing 52.32 percent, 17.60 percent and 9.10 percent of the total shares traded, respectively. Agricultural sector was the least active with 60,800 shares traded.

The Bond Market

The bond's turnover decreased by 17.91 percent to KSh 3,827.66 million from KSh 4,662.95 million in the previous week. However, the number of deals increased to 135 compared from 76 deals traded the previous week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills								
Date of Auction	23-Apr-15	30-Apr-15	07-May-15	14-May-15	21-May-15	28-May-15	04-Jun-15	11-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	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	2,106.6
Amount Accepted (Ksh M)	1,041.1	1,041.1	1,515.6	584.7	2,660.9	718.1	3,136.5	2,123.2
Maturities (Ksh M)	893.5	893.5	849.6	3,115.3	896.1	4,733.4	1,951.6	2,460.5
Average interest Rate (%)	8.406	8.406	8.357	8.167	8.1	8.2	8.2	8.3
182-Day Treasury Bills								
Date of Auction	22-Apr-15	29-Apr-15	06-May-15	13-May-15	20-May-15	27-May-15	03-Jun-15	10-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	3,000.0
Bids received (Ksh M)	5,048.7	634.0	402.7	1,269.2	1,150.2	372.1	199.2	412.3
Amount Accepted (Ksh M)	5,001.2	634.0	402.7	1,269.2	265.9	372.1	198.2	412.3
Maturities (Ksh M)	715.8	779.3	2,680.4	4,748.0	1,203.0	4,421.3	903.1	1,206.8
Average interest Rate (%)	10.272	10.268	10.326	10.348	10.6	10.5	10.5	10.5
364-Day Treasury Bills								
Date of Auction	22-Apr-15	29-Apr-15	06-May-15	13-May-15	20-May-15	27-May-15	03-Jun-15	10-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	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	956.5
Amount Accepted (Ksh M)	1,455.0	1,265.4	1,328.9	2,525.0	364.7	1,008.4	269.6	956.5
Maturities (Ksh M)	6,455.4	2,635.1	3,051.8	3,914.4	550.9	2,495.5	2,262.5	3,018.9
Average interest Rate (%)	10.595	10.605	10.667	10.768	10.8	10.8	10.8	11.1
Treasury Bonds								
Date of Auction								
Tenor								
					10 Year FXD(Re-open)	2 Year FXD (Re-open)		
Amount offered (Ksh M)					20,000.0			
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)
Table 6: Government Domestic Debt (Ksh Billion)

	27th March 2015	2nd April 2015	10th April 2015	17th April 2015	24th April 2015	30th April 2015	8th May 2015	15th May 2015	22nd May 2015	29th May 2015	5th June 2015
1. Treasury Bills (Excluding Repos)	337.98	342.22	345.53	349.27	347.11	346.97	344.69	340.58	333.53	334.17	324.72
(As % of total securities)	26.02	26.26	25.92	25.71	25.59	25.58	25.46	25.23	25.06	24.62	24.10
2. Treasury Bonds	961.04	961.04	987.49	1009.17	1009.17	1009.17	1009.17	1009.17	997.24	1022.95	1022.95
(As % of total securities)	73.98	73.74	74.08	74.29	74.41	74.42	74.54	74.77	74.94	75.38	75.90
3. Total Securities (1+2)	1,299.01	1,303.25	1,333.03	1,358.44	1,356.28	1,356.13	1,353.86	1,349.75	1,330.77	1,357.12	1,347.67
4. Overdraft at Central Bank	32.68	37.40	37.40	18.31	22.62	29.77	32.22	24.40	29.28	21.09	31.81
5. Other Domestic debt*	29.97	56.46	29.95	29.93	29.94	29.93	29.92	29.53	29.54	29.52	29.54
6. Gross Domestic Debt (3+4+5)	1,361.67	1,397.11	1,400.37	1,406.68	1,408.84	1,415.84	1,416.00	1,403.68	1,389.59	1,407.73	1,409.03

* 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

TABLE 7: COMPOSITION OF GOVERNMENT DOMESTIC DEBT BY INSTRUMENT													
	13-Mar-15	20-Mar-15	27-Mar-15	02-Apr-15	10-Apr-15	17-Apr-15	24-Apr-15	30-Apr-15	08-May-15	15-May-15	22-May-15	29-May-15	05-Jun-15
Treasury bills (Excluding Repos)	24.2	24.6	24.8	25.0	24.7	24.8	24.6	24.5	24.3	24.3	24.0	23.7	23.0
Treasury bonds	72.0	72.5	70.6	70.1	70.5	71.7	71.6	71.3	71.3	71.9	71.8	72.7	72.6
CBK Overdraft to Govt	2.0	0.6	2.4	2.7	2.7	1.3	1.6	2.1	2.3	1.7	2.1	1.5	2.3
Other domestic debt	1.8	2.2	2.2	2.2	2.1	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	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	20-Mar-15	27-Mar-15	02-Apr-15	10-Apr-15	17-Apr-15	24-Apr-15	30-Apr-15	08-May-15	15-May-15	22-May-15	29-May-15	05-Jun-15
Banking Institutions	54.9	55.8	56.0	56.2	56.0	56.3	56.6	56.6	56.3	56.1	56.0	56.2
Insurance Companies	9.3	9.0	9.0	8.9	8.9	8.9	8.8	8.8	8.9	8.8	8.9	8.9
Parastatals	2.9	3.1	3.0	3.1	3.1	3.1	3.1	3.2	3.2	3.4	3.3	3.3
Pension funds	23.8	23.2	24.7	24.6	24.9	24.7	24.5	24.4	24.6	24.7	24.9	24.7
Other investors	9.1	8.9	7.2	7.2	7.0	7.0	7.0	6.9	7.0	7.0	6.9	6.9
Total	100.0	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)

	02-Apr-15	09-Apr-15	16-Apr-15	23-Apr-15	30-Apr-15	07-May-15	14-May-15	21-May-15	28-May-15	04-Jun-15	11-Jun-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,071	6,995	6,937	6,880	6,855	6,868	6,757	6,803	6,770	6,735	6,735
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.53	4.48	4.45	4.41	4.39	4.40	4.33	4.36	4.33	4.26	4.26

Source: Central Bank of Kenya