



**JUNE 19, 2015**

### **Highlights**

**T**he money market was relatively liquid during the week ending June 17, 2015, supported by government payments, net redemptions of government securities and maturities of OMO Term Auction Deposits (TAD). This was partly offset by mop-up operations by CBK, net government issuance of government securities in the primary market and tax remittances by commercial banks. Reflective of the improved liquidity in the money market, the average interbank rate declined to 10.27 percent in the week ending June 17, 2015 from 12.67 percent in the previous week.

Overall capital market recorded improved performance in the week ending June 18, 2015 as reflected in leading market indicators.

### **The Monetary Operations**

**T**he money market was relatively liquid during the week ending June 17, 2015, supported by government payments, net redemptions of government securities and maturities of OMO Term Auction Deposits (TAD). This was partly offset by mop-up operations by CBK, net government issuance of government securities in the primary market and tax remittances by commercial banks (**Table 1**). Reserve money averaged KSh 347.5 billion during the week ending June 17, 2015 and was KSh 1.6 billion below target.

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

	11-Jun-15	12-Jun-15	15-Jun-15	16-Jun-15	17-Jun-15	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>5.0</b>	<b>2.5</b>	<b>10.6</b>	<b>11.0</b>	<b>20.4</b>	<b>49.5</b>
Repos Maturities	0.0	0.0	0.0	0.0	10.5	10.5
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.1	0.0	0.0	4.0	0.0	4.1
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
Govt payments	2.1	2.5	1.8	7.0	9.9	23.3
<b>Total liquidity reduction</b>	<b>11.5</b>	<b>5.3</b>	<b>6.9</b>	<b>8.2</b>	<b>7.1</b>	<b>39.0</b>
T/bills (Primary issues)	0.0	0.0	3.5	0.0	0.0	3.5
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	5.0	0.9	0.1	0.0	0.0	6.0
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.0	1.7	0.9	3.0	1.5	7.1
Transfer from Banks -Taxes	6.4	2.7	2.4	3.2	5.6	20.2
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>-6.4</b>	<b>-2.9</b>	<b>3.7</b>	<b>2.8</b>	<b>13.3</b>	<b>10.5</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	5.0	10.0	8.0	4.0	11.0	38.0
<b>Realised Amount</b>	<b>5.0</b>	<b>2.6</b>	<b>1.0</b>	<b>3.0</b>	<b>1.5</b>	<b>13.1</b>
Repo (-)	5.0	0.9	0.1	0.0	0.0	6.0
Term Auction Deposits (-)	0.0	1.7	0.9	3.0	1.5	7.1
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Reserve Money Position</b>						<b>Average</b>
Reserve money (actual)	344.2	341.1	344.7	347.3	359.9	347.5
Reserve money target	347.6	347.6	350.0	350.0	350.0	349.0
Deviation from target	-3.4	-6.5	-5.3	-2.6	9.9	-1.6
Commercial banks excess reserves Exc(+)/ Short(-)	-6.8	-9.5	-7.9	-4.9	8.0	-4.2
Cash outside bank Exc(+)/ Short(-)	3.3	3.0	2.6	2.3	2.0	2.7

Source: Central Bank of Kenya

### Short-Term Rates

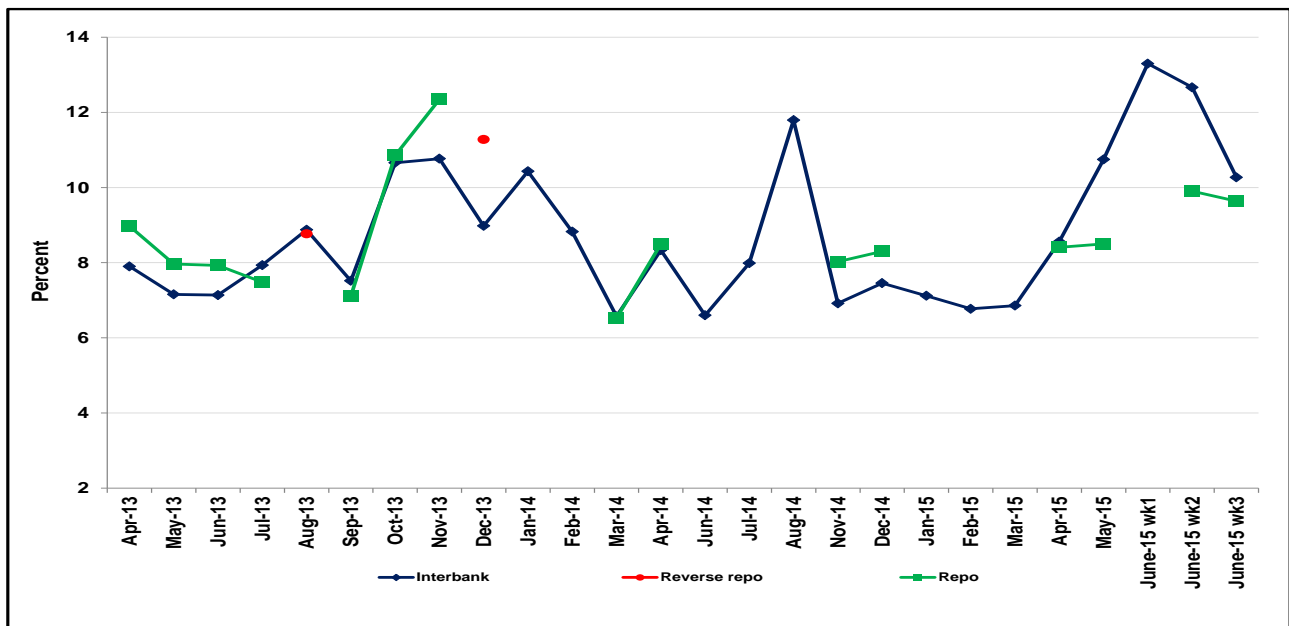
The average interbank rate declined to 10.27 percent in the week ending June 17, 2015 from 12.67 percent in the previous week. The volume transacted increased to KSh 17.62 billion from KSh 16.89 billion traded in the previous week while the number of deals decreased to 49 from 56 deals. The repo rate was at 9.64 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 (%)
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
<b>June 3,2015- June 10,2015</b>	<b>56</b>	<b>16,886</b>	<b>12.67</b>	<b>9.90</b>
11-Jun-15	49	17,925	10.19	9.45
12-Jun-15	49	15,195	9.72	9.46
15-Jun-15	48	17,068	10.02	10.00
16-Jun-15	53	19,344	10.56	
17-Jun-15	48	18,579	10.88	
<b>June 11,2015- June 17,2015</b>	<b>49</b>	<b>17,622</b>	<b>10.27</b>	<b>9.64</b>

Source: Central Bank of Kenya

**CHART A: STRUCTURE OF INTEREST RATES**

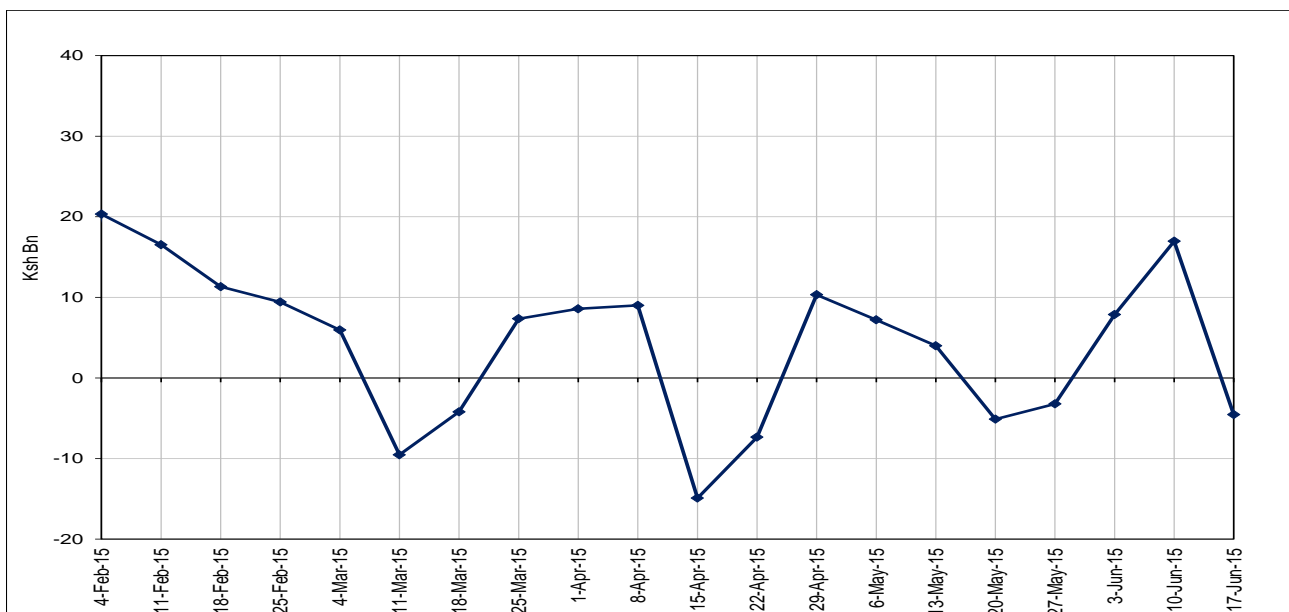


Source: Central Bank of Kenya

**Commercial Banks Clearing Account Balances**

Commercial banks’ clearing account in the week ending June 17, 2015 recorded a deficit of KSh 4.54 billion in relation to the cash reserve requirement of 5.25 percent (KSh 128.1 billion) compared with a surplus of KSh 16.96 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 18, 2015, the Kenya Shilling weakened against the US Dollar, the Pound Sterling, the Euro and the Japanese Yen by 0.40 percent, 1.96 percent, 0.44 percent and 0.70 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*
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
<b>5-11 Jun 2015</b>	<b>97.04</b>	<b>149.23</b>	<b>109.21</b>	<b>78.38</b>	<b>32.05</b>	<b>22.39</b>	<b>7.34</b>	<b>16.10</b>
12-Jun-15	97.21	150.67	109.10	78.69	32.46	22.56	7.51	16.02
15-Jun-15	97.25	151.03	108.87	78.73	32.55	22.71	7.51	15.99
16-Jun-15	97.33	151.89	109.77	78.76	32.74	22.71	7.50	16.03
17-Jun-15	97.49	152.42	109.73	78.91	32.67	22.82	7.39	16.06
18-Jun-15	97.87	154.76	111.04	79.58	33.00	22.94	7.48	16.02
<b>12-18 Jun 2015</b>	<b>97.43</b>	<b>152.16</b>	<b>109.70</b>	<b>78.93</b>	<b>32.68</b>	<b>22.75</b>	<b>7.48</b>	<b>16.02</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

## The Capital Markets

Nairobi Securities Exchange recorded improved performance in the equities market segment leading indicators except for total shares traded. Similarly, performance in the bonds market segments improved in the week ending June 19, 2015.

### Equities Market

The Equity Turnover recorded a 21.29 percent increase on account of higher average share prices. The NSE 20 Share Index and NASI recorded gains by 1.08 percent and 0.07 percent, respectively. Share supply declined by 2.28 percent and the shareholders wealth measured by market capitalisation improved by 0.07 percent due to improvement in average share prices 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	18-Jun-15	Wkly Change
NASI 100= 2008	171.58	172.35	171.52	167.82	166.48	161.46	164.22	162.70	162.82	0.07%
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	4,796.26	1.08%
Number of Deals	9,154	7,250	9,831	9,134	8,131	8,758	6,784	7,455	7,608	2.05%
Total Shares Traded	94.81	86.54	155.00	191.09	131.47	164.49	131.87	113.31	110.72	-2.28%
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	3,436.63	21.29%
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	2,277.38	0.07%
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	4,070.15	6.34%
FTSE NSE Kenya 15 Index	229.31	228.41	228.44	220.64	222.18	215.52	219.94	217.50	216.53	-0.45%
FTSE NSE Kenya 25 Index	229.40	228.57	228.27	220.16	221.56	215.27	219.77	217.18	216.02	-0.53%
FTSE NSE Bond Index	92.43	92.75	91.78	91.52	91.91	92.42	92.3	91.77	91.77	0.00%

**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 0.45 percent and 0.53 percent lower as compared to the previous week. Similarly, FTSE Government Bond Index remained steady reflecting stable in the secondary market yields.

Telecommunication & Technology, Banking and Energy & Petroleum sectors were the top three most active sectors, representing 43.16 percent, 22.00 percent and 10.27 percent of the total shares traded, respectively. Agricultural sector was the least active with 88,200 shares traded.

### The Bond Market

The bond's turnover closed higher by 6.34 percent to KSh 4,070.15 million from KSh 3,827.66 million in the previous week. However, the number of deals declined to 66 compared to 135 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	18-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	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	1,145.0	
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	1,071.5	
Maturities (Ksh M)	893.5	893.5	849.6	3,115.3	896.1	4,733.4	1,951.6	2,460.5	601.3	
Average interest Rate (%)	8.406	8.406	8.357	8.167	8.1	8.2	8.2	8.3	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	17-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	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	243.0	
Amount Accepted (Ksh M)	5,001.2	634.0	402.7	1,269.2	265.9	372.1	198.2	412.3	243.0	
Maturities (Ksh M)	715.8	779.3	2,680.4	4,748.0	1,203.0	4,421.3	903.1	1,206.8	1,139.7	
Average interest Rate (%)	10.272	10.268	10.326	10.348	10.6	10.5	10.5	10.5	10.6	
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	17-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	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	510.9	
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	510.9	
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	1,598.5	
Average interest Rate (%)	10.595	10.605	10.667	10.768	10.8	10.8	10.8	11.1	11.1	
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				

Source: Central Bank of Kenya

**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	12th 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	323.29
(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	24.01
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	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	75.99
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	1,346.24
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	31.14
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	29.61
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	1,406.99

\* 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**

	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	12-Jun-15
Treasury bills (Excluding Repos)	24.2	24.6	24.8	25.0	24.7	24.8	24.6	24.5	24.3	24.0	24.0	23.7	23.0	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	72.7
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	2.2
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	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	100.0

Source: Central Bank of Kenya

**TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER**

	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	12-Jun-15
Banking Institutions	56.2	56.0	56.3	56.6	56.6	56.3	56.1	56.0	56.2	56.1
Insurance Companies	8.9	8.9	8.9	8.8	8.8	8.9	8.8	8.9	8.9	8.9
Parastatals	3.1	3.1	3.1	3.1	3.2	3.2	3.4	3.3	3.3	3.4
Pension funds	24.6	24.9	24.7	24.5	24.4	24.6	24.7	24.9	24.7	24.8
Other investors	7.2	7.0	7.0	7.0	6.9	7.0	7.0	6.9	6.9	6.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**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
<b>1. CBK Usable Foreign Exchange Reserves (USD Mn)*</b>	6,757	6,803	6,770	6,735	6,735	6,788
<b>2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**</b>	4.33	4.36	4.33	4.26	4.26	4.29

\*Excludes Encumbered Reserves

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

**Source: Central Bank of Kenya**