



MARCH 13, 2015

Highlights

The money market was relatively liquid during the week ending March 11, 2015 supported by Government payments and maturities of repo and Term Auction Deposits (TAD). The average interbank rate decreased marginally to 5.87 percent in the week ending March 11, 2015 from 6.06 percent in the previous week.

Capital markets recorded mixed performance in the week ending March 12, 2015, as reflected in trends of the equity and bond market segments indicators.

Monetary Policy Operations

The money market was relatively liquid during the week ending March 11, 2015 supported by Government payments and maturities of repo and Term Auction Deposits (TAD). This liquidity injection was more than offset by withdrawal through tax remittance, net payment for Government securities allotted in the primary market and sale of repo and Term Auction Deposits (TAD) under open market operations (Table 1). Commercial banks recorded on average KSh 10 billion deficiency of reserves at the 5.25 percent CRR during the week under review.

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

	5-Mar-15	6-Mar-15	9-Mar-15	10-Mar-15	11-Mar-15	Total
Liquidity Flows						
Total liquidity injection	5.5	6.8	18.6	25.4	6.9	63.1
Repos Maturities	0.0	2.1	3.3	5.3	2.1	12.7
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.0	0.0	8.5	14.8	0.0	23.3
T/bills redemptions	0.0	0.0	5.5	0.0	0.0	5.5
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	4.4	4.5	1.3	5.3	4.7	20.2
Total liquidity reduction	9.2	9.9	26.3	20.0	15.1	80.5
T/bills (Primary issues)	0.0	0.0	13.9	0.0	0.0	13.9
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
Repos	3.7	6.4	0.9	5.2	6.8	23.0
Term Auction Deposit	2.3	0.6	6.2	9.8	1.9	20.7
Transfer from Banks -Taxes	2.8	2.6	5.4	5.0	6.2	22.1
Net liquidity injection (+)/Withdrawal (-)	-3.8	-3.1	-7.7	5.4	-8.2	-17.4
Open Market Operations Outcome						
Posted Amount	6.0	7.0	7.0	15.0	9.0	44.0
Realised Amount	6.0	7.0	7.0	15.0	8.0	43.0
Repo (-)	3.7	6.4	0.9	5.2	6.8	23.0
Term Auction Deposits (-)	2.3	0.6	6.2	9.8	1.9	20.7
Reverse Repo (+)	0.0	0	0.0	0.0	0.0	0.0
Reserve Money Position						Average
Reserve money (actual)	339.0	336.2	328.4	333.3	325.2	332.4
Reserve money target	342.8	342.8	344.4	344.4	344.4	343.7
Deviation from target	-3.8	-6.6	-15.9	-11.1	-19.2	-11.3
Commercial banks excess reserves Exc(+)/ Short(-)	-1.4	-6.1	-14.3	-9.7	-18.4	-10.0
Cash outside bank Exc(+)/ Short(-)	-2.4	-0.5	-1.7	-1.3	-0.8	-1.3

Source: Central Bank of Kenya

Short-Term Rates

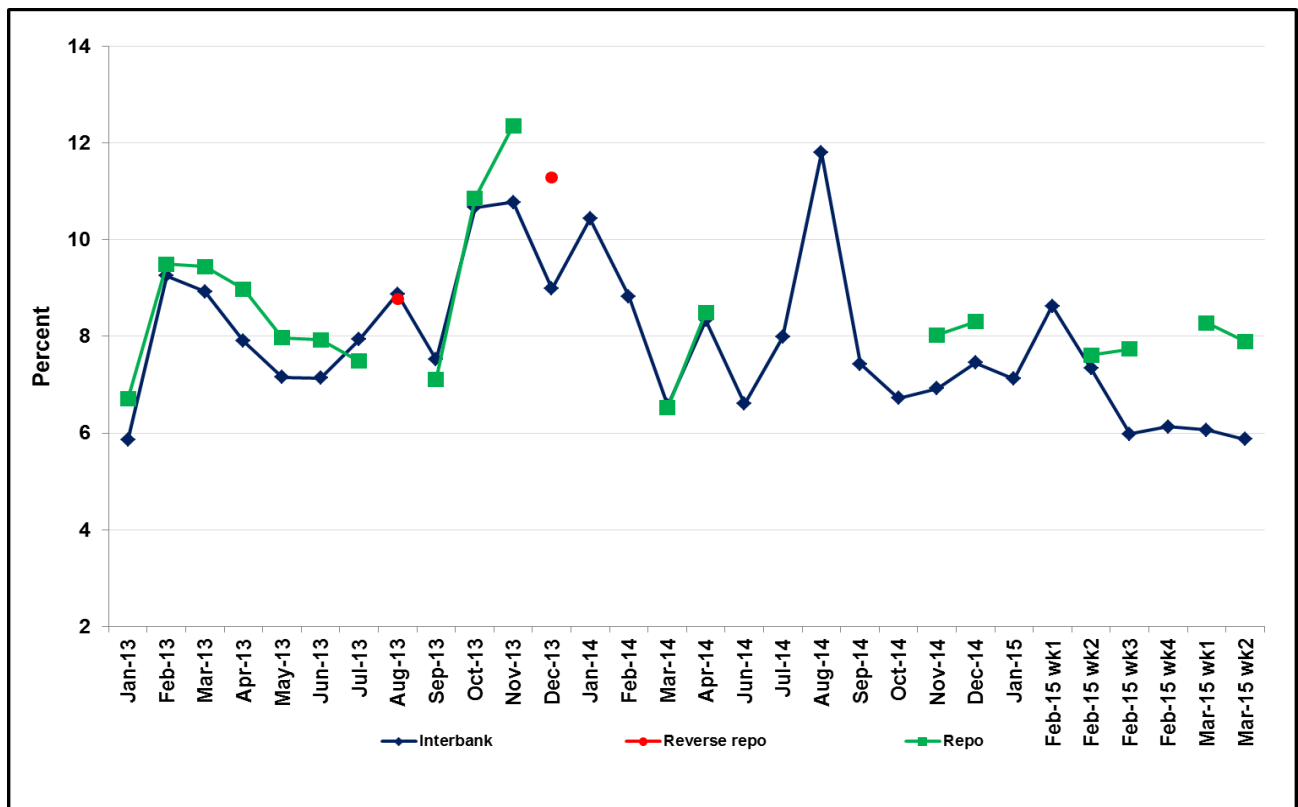
The average interbank rate decreased to 5.87 percent in the week ending March 11, 2015 from 6.06 percent in the previous week. The volume transacted increased marginally to KSh 14.86 billion from KSh 14.54 billion traded in the previous week, and the number of deals decreased to 42 from 45 deals. (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Average Repo Rate (%)
26-Feb-15	55	13,123	6.11	
27-Feb-15	64	16,683	6.11	8.27
2-Mar-15	39	14,204	6.07	8.26
3-Mar-15	34	13,892	6.04	8.24
4-Mar-15	34	14,800	5.98	8.33
February 26, 2015 - March 4, 2015	45	14,540	6.06	8.27
5-Mar-15	31	10,090	5.94	8.27
6-Mar-15	37	9,900	5.86	8.08
9-Mar-15	40	17,015	5.77	7.80
10-Mar-15	52	20,570	5.86	7.75
11-Mar-15	50	16,714	5.93	7.60
March 5, 2015 - March 11, 2015	42	14,858	5.87	7.90

Source: Central Bank of Kenya

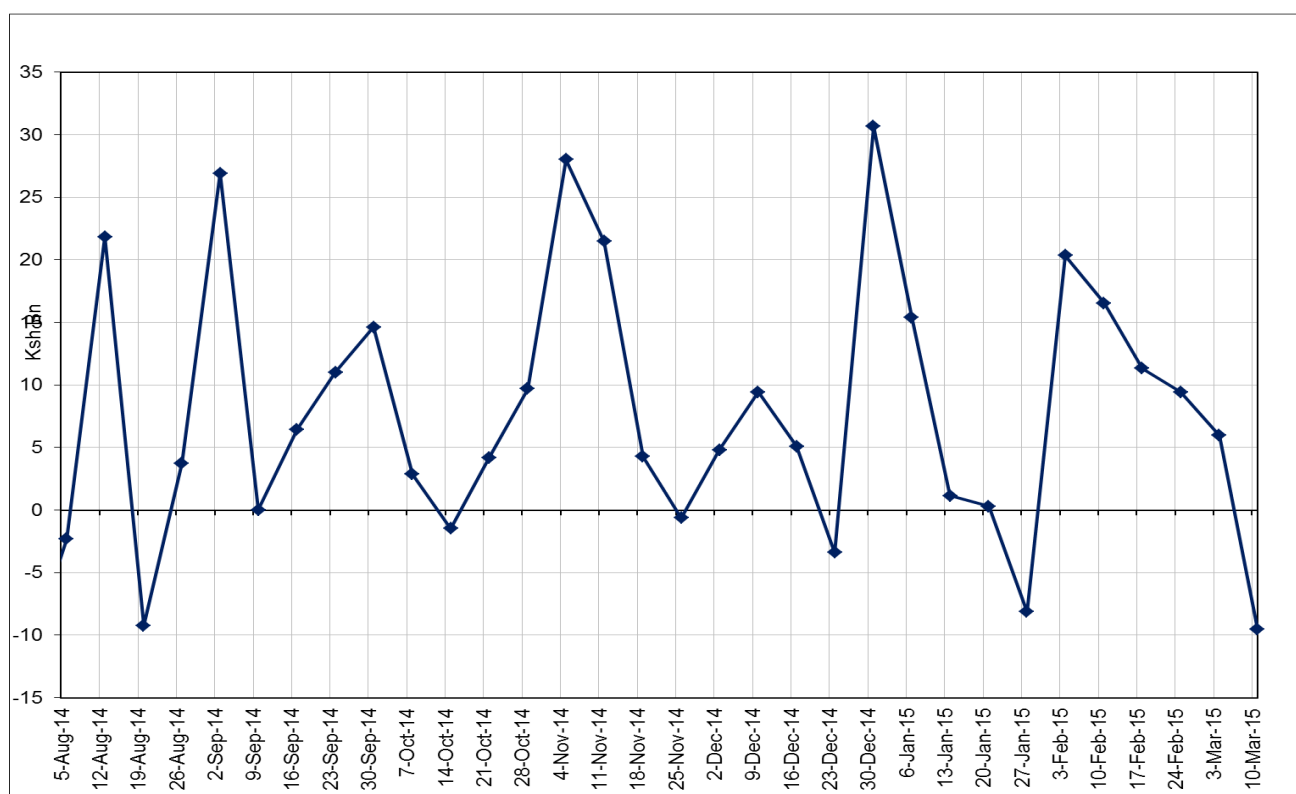
CHART A: STRUCTURE OF INTEREST RATES



Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ clearing account during the week ending March 11, 2015 had a deficit of KSh 9.53 billion in relation to the cash reserve requirement of 5.25 percent (KSh 119.1 billion) compared with a surplus of KSh 5.95 billion recorded in the previous week (Chart B). The draw down reflects enhanced Central Bank’s intervention to withdraw excess liquidity through the open market operations.

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


Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya shilling portrayed mixed results against major international and EAC currencies during the week ending March 12, 2015. On the international scene, it strengthened against the Pound Sterling, the Euro and the Japanese Yen but weakened against the US Dollar. In the EAC region, it strengthened against the Rwanda and Burundi Francs as well as the Uganda Shilling but weakened to the Tanzania Shilling during the review period (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
27-Feb-14	91.42	141.18	102.51	76.71	31.67	20.07	7.54	17.02
2-Mar-14	91.41	140.82	102.22	76.30	31.61	20.02	7.54	17.02
3-Mar-14	91.41	140.69	102.38	76.39	31.67	20.07	7.54	17.10
4-Mar-14	91.33	140.18	102.00	76.31	31.86	20.06	7.54	17.05
5-Mar-14	91.17	138.96	100.62	76.06	32.30	20.18	7.56	17.08
27 Feb-5 Mar 2015	91.35	140.37	101.95	76.35	31.82	20.08	7.54	17.05
6-Mar-14	91.16	138.97	100.52	75.97	32.31	20.14	7.56	17.22
9-Mar-14	91.22	137.56	98.92	75.37	32.56	20.17	7.55	17.21
10-Mar-14	91.44	137.95	98.71	75.05	32.59	20.01	7.53	17.17
11-Mar-14	91.63	138.20	98.00	75.57	32.83	20.03	7.84	17.00
12-Mar-14	91.72	137.05	96.77	75.60	33.44	20.01	7.83	17.12
6 -12 Mar 2015	91.43	137.95	98.58	75.51	32.74	20.07	7.66	17.14

Source: Central Bank of Kenya

The Nairobi Securities Exchange

The equities and bonds market segment recorded mixed trends in key indicators in the week of March 12, 2015.

Equities Market

The NSE 20 Share Index ended the week 1.17 percent lower while NASI rose by 0.08 percent. Shareholders' wealth measured by market capitalization was 0.08 percent higher than the previous week. The equity turnover was 35.94 percent lower on account of general decline in share prices and reduced volumes (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	22-Jan-15	29-Jan-15	5-Feb-15	12-Feb-15	19-Feb-15	26-Feb-15	5-Mar-15	12-Mar-15	Wkly Change
NASI 100= 2008	165.17	165.23	168.37	170.09	175.65	175.97	172.28	172.42	-2.10%
NSE 20 Share Index 100= 1996	5,172.88	5,194.21	5,284.41	5,330.01	5,473.81	5,475.84	5,411.05	5,347.54	-1.18%
Number of Deals	10,331	10,741	10,911	10,188	9,782	10,837	10,790	10,437	-0.43%
Total Shares Traded	100.33	132.53	149.92	140.56	124.40	149.79	184.09	137.22	22.90%
Equity Turnover (Ksh. Millions)	2,216.67	3,291.38	3,192.25	3,465.24	4,240.49	4,859.32	6,824.50	4,371.61	40.44%
Market Capitalization (Ksh. Bn.)	2,327.80	2,334.08	2,378.54	2,396.81	2,452.39	2,456.96	2,405.37	2,407.22	-2.10%
Bonds Turnover (Ksh. Millions)	10,204.90	6,966.66	9,335.46	6,926.45	6,890.41	18,423.30	18,453.05	15,701.90	0.16%
FTSE NSE Kenya 15 Index	217.12	220.55	223.25	225.32	229.81	234.75	224.82	226.07	-4.23%
FTSE NSE Kenya 25 Index	218.99	222.39	224.68	226.68	231.00	235.43	225.19	226.56	-4.35%
FTSE NSE Bond Index	94.33	93.81	94.48	92.72	92.69	92.67	93.19	93.37	0.56%

Source: Nairobi Securities Exchange

FTSE NSE Kenya Price Index Series and Most Active Sectors

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed the week 0.56 percent higher. Similarly, FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE rose by 0.61 percent. FTSE Government Bond Index closed the week 0.19 percent higher reflecting gradual decline in yields.

Banking, Telecommunication and Technology, and Manufacturing and Allied, sectors were the most active sectors, accounting for 31.75 percent, 24.94 percent and 20.11 percent of all shares traded, respectively. Automobile and Accessories sector traded least shares of 193,700 in the week.

The Bond Market

The bond's turnover eased down by 14.91 percent to KSh 15,701.90 million in the week ending March 12, 2015 from KSh 18,453.05 million in the previous week, with corresponding deals at 103 from 246 deals traded last two weeks.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills							
Date of Auction	29-Jan-15	5-Feb-15	12-Feb-15	19-Feb-15	26-Feb-15	5-Mar-15	12-Mar-15
Amount offered (Ksh M)	3,000.0	2,000.0	2,000.0	2,000.0	2,000.0	1,000.0	1,000.0
Bids received (Ksh M)	1,259.1	849.6	3,343.8	882.2	5,182.2	1,921.1	2,811.6
Amount Accepted (Ksh M)	1,252.2	849.6	3,050.2	882.2	4,636.3	1,921.1	2,409.7
Maturities (Ksh M)	455.1	3,638.2	3,435.3	4,491.2	1,128.7	1,481.5	2,010.7
Average interest Rate (%)	8.572	8.582	8.563	8.640	8.645	8.463	8.453
182-Day Treasury Bills							
Date of Auction	28-Jan-15	4-Feb-15	11-Feb-15	18-Feb-15	25-Feb-15	4-Mar-15	11-Mar-15
Amount offered (Ksh M)	4,000.0	4,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Bids received (Ksh M)	2,612.3	5,031.3	4,740.4	6,684.9	6,127.6	4,503.6	7,596.5
Amount Accepted (Ksh M)	1,453.5	4,193.2	4,046.8	909.7	4,915.6	4,503.6	5,544.3
Maturities (Ksh M)	4,869.9	430.7	903.6	750.2	619.85	321.7	436.6
Average interest Rate (%)	10.334	10.362	10.403	10.377	10.367	10.375	10.356
364-Day Treasury Bills							
Date of Auction	28-Jan-15	4-Feb-15	11-Feb-15	18-Feb-15	25-Feb-15	4-Mar-15	11-Mar-15
Amount offered (Ksh M)	5,000.0	5,000.0	3,000.0	3,000.0	3,000.0	4,000.0	4,000.0
Bids received (Ksh M)	2,346.3	5,069.6	6,273.6	9,986.2	10,592.2	20,656.6	9,053.7
Amount Accepted (Ksh M)	1,896.7	2,729.3	4,576.9	7,327.8	6,739.1	7,461.4	5,366.3
Maturities (Ksh M)	2,510.9	711.9	2,294.5	1,426.6	2,821.1	4,130.0	8,118.8
Average interest Rate (%)	10.984	10.987	10.942	10.907	10.892	10.768	10.636
Treasury Bonds							
Date of Auction	18-Feb-15						
Tenor	2 Year FXD	10 Year FXD(Re-open)					
Amount offered (Ksh M)	25,000.0						
Bids received (Ksh M)	28,743.8	22,388.7					
Amount Accepted (Ksh M)	23,592.6	11,658.4					
Maturities (Ksh M)	20,446.1						
Average interest Rate (%)	11.470	12.787					

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	16th January 2015	23rd January 2015	30th January 2015	6th February 2015	13th February 2015	20th February 2015	27th February 2015	6th March 2015
1. Treasury Bills (Excluding Repos)	294.84	296.75	299.29	296.37	299.71	305.15	308.12	320.57
(As % of total securities)	23.59	23.71	23.45	23.27	23.47	24.01	24.58	24.63
2. Treasury Bonds	955.00	955.00	977.08	977.08	977.08	965.94	945.50	981.00
(As % of total securities)	76.41	76.29	76.55	76.73	76.53	75.99	75.42	75.37
3. Total Securities (1+2)	1,249.84	1,251.75	1,276.37	1,273.45	1,276.79	1,271.09	1,253.61	1,301.57
4. Overdraft at Central Bank	25.31	25.47	27.49	30.72	27.91	35.91	34.20	21.83
5. Other Domestic debt*	30.42	30.41	30.42	30.43	28.20	28.22	28.22	28.21
6. Gross Domestic Debt (3+4+5)	1,305.58	1,307.63	1,334.28	1,334.60	1,332.91	1,335.21	1,316.03	1,351.62

* 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

	16-Jan-15	23-Jan-15	30-Jan-15	6-Feb-15	13-Feb-15	20-Feb-15	27-Feb-15	6-Mar-15
Treasury bills (Excluding Repos)	22.6	22.7	22.4	22.2	22.5	22.9	23.4	23.7
Treasury bonds	73.1	73.0	73.2	73.2	73.3	72.3	71.8	72.6
CBK Overdraft to Govt	1.9	1.9	2.1	2.3	2.1	2.7	2.6	1.6
Other domestic debt	2.3	2.3	2.3	2.3	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

	16-Jan-15	23-Jan-15	30-Jan-15	6-Feb-15	13-Feb-15	20-Feb-15	27-Feb-15	6-Mar-15
Banking Institutions	54.2	54.1	54.0	54.3	54.2	54.6	54.8	55.0
Insurance Companies	9.9	9.8	9.8	9.7	9.7	9.6	9.5	9.3
Parastatals	2.8	2.8	2.8	2.8	2.9	2.8	2.9	2.9
Pension funds	23.9	23.9	23.9	23.8	23.8	24.0	23.8	23.8
Other investors	9.3	9.4	9.5	9.4	9.4	9.0	9.1	9.0
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)

	31-Dec-14	8-Jan-15	15-Jan-15	22-Jan-15	29-Jan-15	5-Feb-15	12-Feb-15	19-Feb-15	26-Feb-15	5-Mar-15	12-Mar-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,425	7,344	7,295	7,247	7,189	7,178	7,206	7,199	7,206	7,295	7,275
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.85	4.74	4.71	4.68	4.64	4.63	4.65	4.63	4.64	4.70	4.68

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya