



**MARCH 20, 2015**

### **Highlights**

*The money market was relatively liquid during the week ending March 18, 2015, largely supported by OMO maturities and Government payments. The average interbank rate increased significantly to 6.48 percent in the week ending March 18, 2015 from 5.87 percent in the previous week.*

*Capital markets recorded mixed performance in the week ending March 19, 2015, as reflected in the trends of the equities and bonds market segment indicators.*

### **Monetary Policy Operations**

*The money market was relatively liquid during the week ending March 18, 2015 largely supported by OMO maturities and Government payments. This liquidity injection was partly offset by tax remittance and net payment for Government securities allotted in the primary market (**Table 1**). Reserve money averaged Ksh 339.9 billion during the week and was Ksh 5.4 billion below target.*

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

	12-Mar-15	13-Mar-15	16-Mar-15	17-Mar-15	18-Mar-15	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>20.5</b>	<b>10.1</b>	<b>19.2</b>	<b>15.3</b>	<b>12.5</b>	<b>77.7</b>
Repos Maturities	3.7	6.4	0.9	5.2	6.8	23.0
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Overnight loans to banks	12.0	0.0	0.0	0.0	0.0	12.0
Term Auction Deposit maturities	0.0	0.0	3.6	5.6	3.0	12.1
T/bills redemptions	0.0	0.0	9.7	0.0	0.0	9.7
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	4.8	3.6	4.3	3.6	2.7	18.9
<b>Total liquidity reduction</b>	<b>5.4</b>	<b>16.4</b>	<b>15.9</b>	<b>8.0</b>	<b>13.4</b>	<b>59.0</b>
T/bills (Primary issues)	0.0	0.0	13.3	0.0	0.0	13.3
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
Repos	0.8	1.5	0.5	4.1	0.0	6.8
Term Auction Deposit	2.2	0.5	0.2	0.7	2.2	5.8
Overnight borrowings repayments	0.0	12.0	0.0	0.0	0.0	12.0
Transfer from Banks -Taxes	2.4	2.2	1.8	2.3	3.3	11.9
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>15.1</b>	<b>-6.3</b>	<b>3.4</b>	<b>7.3</b>	<b>-0.9</b>	<b>18.7</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	<b>8.0</b>	<b>2.0</b>	<b>4.0</b>	<b>10.0</b>	<b>9.0</b>	<b>33.0</b>
<b>Realised Amount</b>	<b>3.0</b>	<b>2.0</b>	<b>0.7</b>	<b>4.8</b>	<b>2.2</b>	<b>12.6</b>
Repo (-)	0.8	1.5	0.5	4.1	0.0	6.8
Term Auction Deposits (-)	2.2	0.5	0.2	0.7	2.2	5.8
Reverse Repo (+)	0.0	0	0.0	0.0	0.0	0.0
<b>Reserve Money Position</b>						<b>Average</b>
Reserve money (actual)	340.6	333.6	337.9	344.4	343.1	339.9
Reserve money target	344.4	344.4	346.0	346.0	346.0	345.3
Deviation from target	-3.7	-10.8	-8.1	-1.6	-2.8	-5.4
Commercial banks excess reserves Exc(+)/ Short(-)	-2.4	-9.2	-8.7	-0.1	-1.0	-4.3
Cash outside bank Exc(+)/ Short(-)	-1.4	-1.6	0.7	-1.4	-1.9	-1.1

Source: Central Bank of Kenya

### Short-Term Rates

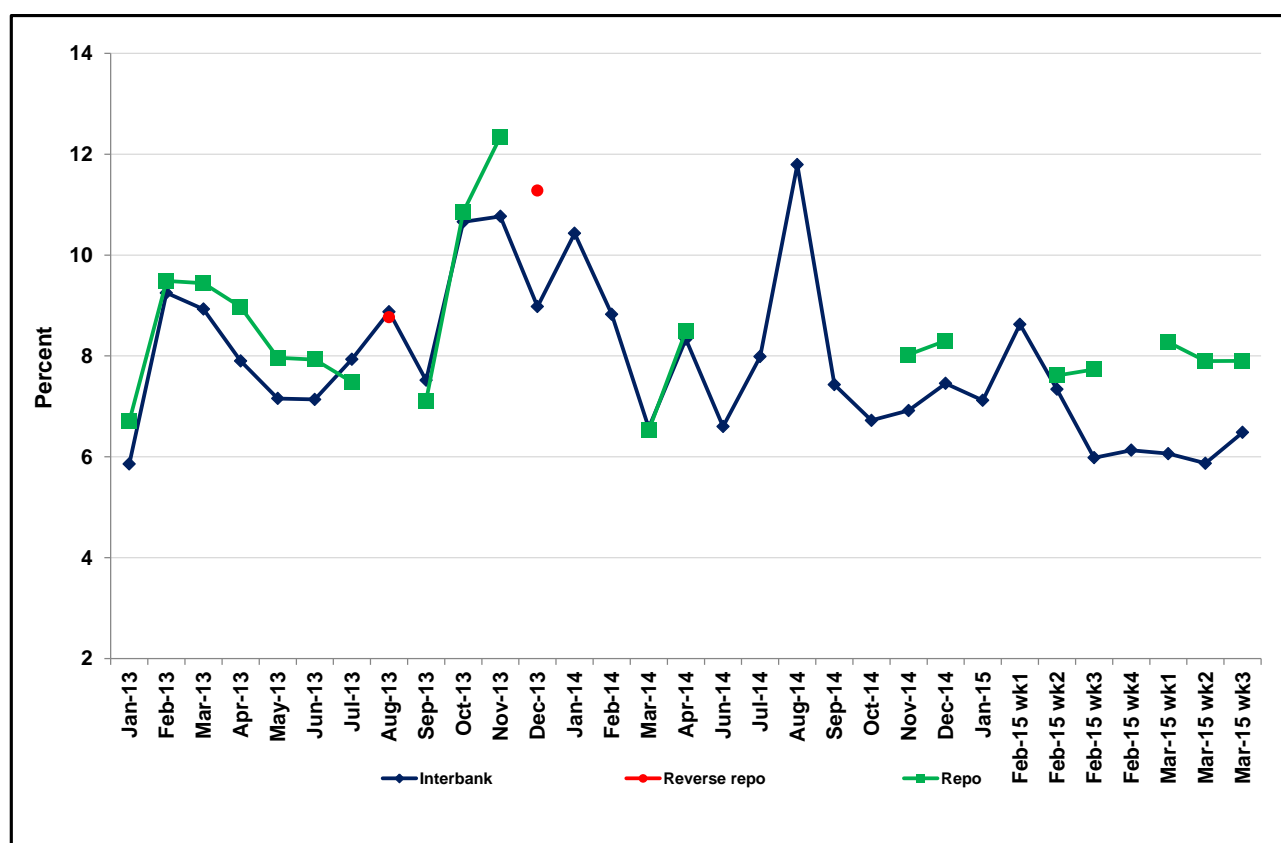
The average interbank rate increased to 6.48 percent in the week ending March 18, 2015 from 5.87 percent in the previous week. The volume transacted increased significantly to Ksh 16.64 billion from Ksh 14.86 billion traded in the previous week and the number of deals increased to 51 from 42 deals (**Table 2 and Chart A**).

**TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)**

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Average Repo Rate (%)
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
<b>March 5, 2015 - March 11, 2015</b>	<b>42</b>	<b>14,858</b>	<b>5.87</b>	<b>7.90</b>
12-Mar-15	43	13,950	6.01	7.60
13-Mar-15	63	16,347	6.29	7.67
16-Mar-15	54	19,754	6.41	8.00
17-Mar-15	47	19,655	6.68	8.35
18-Mar-15	49	13,505	7.03	0.00
<b>March 12, 2015 - March 18, 2015</b>	<b>51</b>	<b>16,642</b>	<b>6.48</b>	<b>7.90</b>

Source: Central Bank of Kenya

**CHART A: STRUCTURE OF INTEREST RATES**

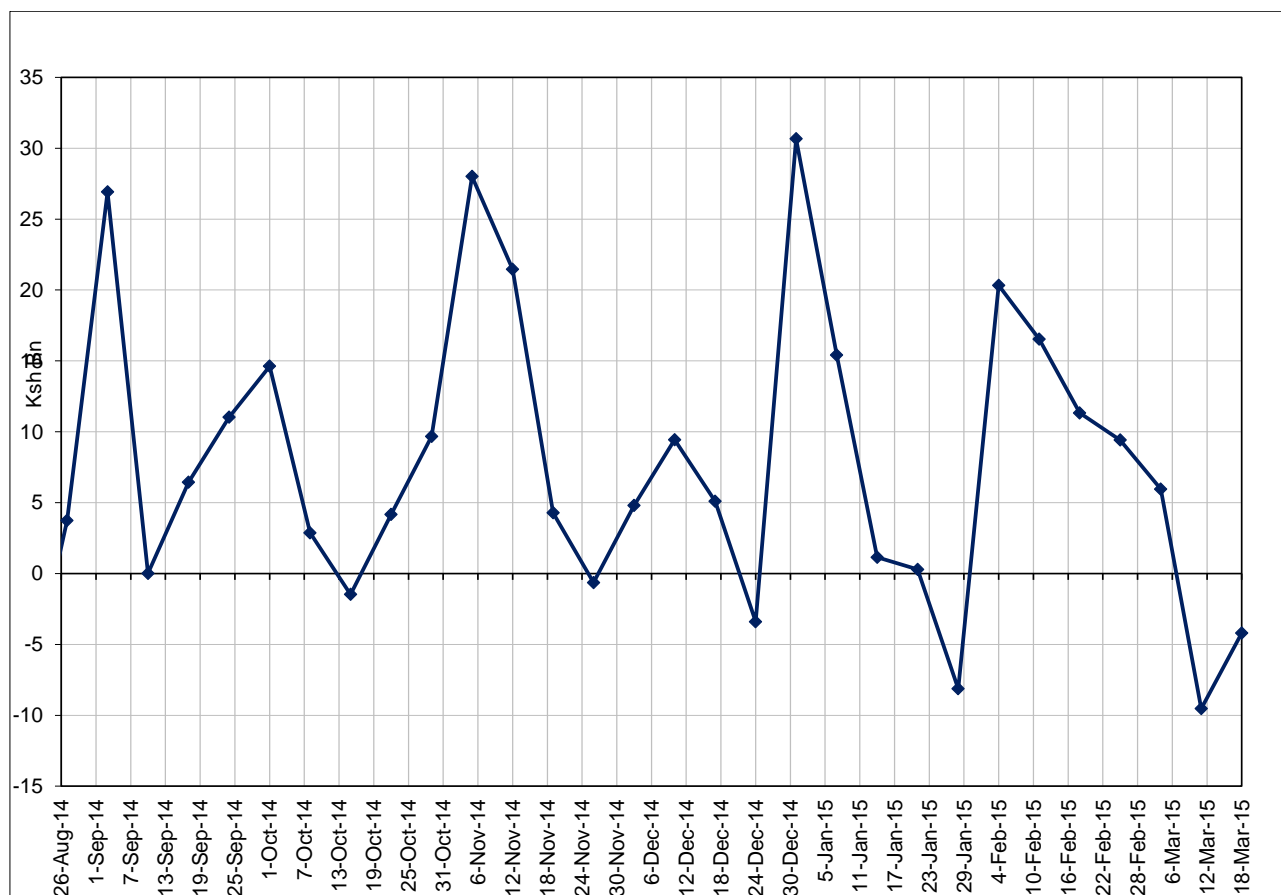


Source: Central Bank of Kenya

### Commercial Banks Clearing Account Balances

Commercial banks' clearing account balances during the week ending March 18, 2015 had a deficit of Ksh 4.2 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 122.8 billion) compared with a deficit of Ksh 9.53 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 exchange rate depicted mixed performance against major international and regional currencies in the week ending March 19, 2015. During the week, the Shilling weakened against the US Dollar and the Japanese Yen and strengthened against the Pound Sterling and the Euro. In the EAC region, the Kenya Shilling strengthened against Tanzania Shilling and weakened against the Uganda Shilling, the Rwanda Franc and the Burundi Franc (**Table 3**).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
<b>6 -12 Mar 2015</b>	<b>91.43</b>	<b>137.95</b>	<b>98.58</b>	<b>75.51</b>	<b>32.74</b>	<b>20.07</b>	<b>7.66</b>	<b>17.14</b>
13-Mar-14	91.69	136.32	97.18	75.49	32.63	20.07	7.83	17.12
16-Mar-14	91.75	135.58	96.63	75.67	31.94	20.11	7.63	17.11
17-Mar-14	92.02	136.40	97.18	75.80	31.84	20.14	7.49	17.06
18-Mar-14	92.05	135.88	97.47	75.84	31.56	20.15	7.49	17.06
19-Mar-14	91.89	136.99	99.01	76.23	31.48	20.24	7.50	16.95
<b>13 -19 Mar 2015</b>	<b>91.88</b>	<b>136.23</b>	<b>97.50</b>	<b>75.81</b>	<b>31.89</b>	<b>20.14</b>	<b>7.59</b>	<b>17.06</b>

Source: Central Bank of Kenya

### The Nairobi Securities Exchange

The equities market leading indicators ended the week of March 19, 2015 lower except for NASI, Market Capitalization, FTSE NSE Kenya 15 and FTSE NSE Kenya 25 Indices. The bonds market turnover and FTSE NSE Bond Index also declined during the week.

### Equities Market

The NSE 20 Share Index declined by 0.02 percent but NASI rose by 0.63 percent during the week. Shareholders' wealth measured by market capitalization grew by 0.63 percent compared to the previous week. However, equity turnover declined by 4.56 percent lower on account of average decline in volume of shares traded (**Table 4**).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	5-Feb-15	12-Feb-15	19-Feb-15	26-Feb-15	5-Mar-15	12-Mar-15	19-Mar-15	Wkly Change
NASI 100=2008	168.37	170.09	175.65	175.97	172.28	172.42	173.50	0.63%
NSE 20 Share Index 100=1996	5,284.41	5,330.01	5,473.81	5,475.84	5,411.05	5,347.54	5,346.56	-0.02%
Number of Deals	10,911	10,188	9,782	10,837	10,790	10,437	10,121	-3.03%
Total Shares Traded (in Millions)	149.92	140.56	124.40	149.79	184.09	137.22	125.39	-8.62%
Equity Turnover (Ksh. Millions)	3,192.25	3,465.24	4,240.49	4,859.32	6,824.50	4,371.61	4,172.41	-4.56%
Market Capitalization (Ksh. Bn.)	2,378.54	2,396.81	2,452.39	2,456.96	2,405.37	2,407.22	2,422.38	0.63%
Bonds Turnover (Ksh. Millions)	9,335.46	6,926.45	6,890.41	18,423.30	18,453.05	15,701.90	6,521.80	-58.46%
FTSE NSE Kenya 15 Index	223.25	225.32	229.81	234.75	224.82	226.07	227.58	0.67%
FTSE NSE Kenya 25 Index	224.68	226.68	231.00	235.43	225.19	226.56	228.26	0.75%
FTSE NSE Bond Index	94.48	92.72	92.69	92.67	93.19	93.37	93.34	-0.03%

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 0.67 percent higher. Similarly, FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE was 0.75 percent higher compared to the previous week. Conversely, the FTSE Government Bond Index closed the week 0.03 percent lower reflecting a marginal increase in yields.

Banking, Telecommunication & Technology and Energy & Petroleum sectors were the top three most active sectors, representing 30.99 percent, 29.44 percent and 12.33 percent of the total shares traded, respectively. Agricultural sector was the least active with 74,000 shares traded in the week.

## The Bond Market

The bond's turnover decreased by 58.46 percent to Ksh 6,521.80 million from Ksh 15,701.90 million in the previous week. The number of deals decreased to 79 from 103 deals traded last week.

**TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS**

<b>91-Day Treasury Bills</b>							
Date of Auction	5-Feb-15	12-Feb-15	19-Feb-15	26-Feb-15	5-Mar-15	12-Mar-15	19-Mar-15
Amount offered (Ksh M)	2,000.0	2,000.0	2,000.0	2,000.0	1,000.0	1,000.0	1,000.0
Bids received (Ksh M)	849.6	3,343.8	882.2	5,182.2	1,921.1	2,811.6	589.5
Amount Accepted (Ksh M)	849.6	3,050.2	882.2	4,636.3	1,921.1	2,409.7	588.9
Maturities (Ksh M)	3,638.2	3,435.3	4,491.2	1,128.7	1,481.5	2,010.7	1,653.9
Average interest Rate (%)	8.582	8.563	8.640	8.645	8.463	8.453	8.453
							8.447
<b>182-Day Treasury Bills</b>							
Date of Auction	4-Feb-15	11-Feb-15	18-Feb-15	25-Feb-15	4-Mar-15	11-Mar-15	18-Mar-15
Amount offered (Ksh M)	4,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Bids received (Ksh M)	5,031.3	4,740.4	6,684.9	6,127.6	4,503.6	7,596.5	3,778.5
Amount Accepted (Ksh M)	4,193.2	4,046.8	909.7	4,915.6	4,503.6	5,544.3	3,463.7
Maturities (Ksh M)	430.7	903.6	750.2	619.85	321.7	436.6	417.5
Average interest Rate (%)	10.362	10.403	10.377	10.367	10.375	10.356	10.326
<b>364-Day Treasury Bills</b>							
Date of Auction	4-Feb-15	11-Feb-15	18-Feb-15	25-Feb-15	4-Mar-15	11-Mar-15	18-Mar-15
Amount offered (Ksh M)	5,000.0	3,000.0	3,000.0	3,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	5,069.6	6,273.6	9,986.2	10,592.2	20,656.6	9,053.7	5,956.6
Amount Accepted (Ksh M)	2,729.3	4,576.9	7,327.8	6,739.1	7,461.4	5,366.3	5,053.0
Maturities (Ksh M)	711.9	2,294.5	1,426.6	2,821.1	4,130.0	8,118.8	3,028.1
Average interest Rate (%)	10.987	10.942	10.907	10.892	10.768	10.636	10.596
<b>Treasury Bonds</b>							
Date of Auction	18-Feb-15						
Tenor	10 Year FXD(Re-open)						
Amount offered (Ksh M)	25,000.0						
Bids received (Ksh M)	22,388.7						
Amount Accepted (Ksh M)	11,658.4						
Maturities (Ksh M)	20,446.1						
Average interest Rate (%)	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	13th March 2015
1. Treasury Bills (Excluding Repos)	294.84	296.75	299.29	296.37	299.71	305.15	308.12	320.57	329.59
<b>(As % of total securities)</b>	<b>23.59</b>	<b>23.71</b>	<b>23.45</b>	<b>23.27</b>	<b>23.47</b>	<b>24.01</b>	<b>24.58</b>	<b>24.63</b>	<b>25.15</b>
2. Treasury Bonds	955.00	955.00	977.08	977.08	977.08	965.94	945.50	981.00	981.00
<b>(As % of total securities)</b>	<b>76.41</b>	<b>76.29</b>	<b>76.55</b>	<b>76.73</b>	<b>76.53</b>	<b>75.99</b>	<b>75.42</b>	<b>75.37</b>	<b>74.85</b>
<b>3. Total Securities (1+2)</b>	<b>1,249.84</b>	<b>1,251.75</b>	<b>1,276.37</b>	<b>1,273.45</b>	<b>1,276.79</b>	<b>1,271.09</b>	<b>1,253.61</b>	<b>1,301.57</b>	<b>1,310.59</b>
4. Overdraft at Central Bank	25.31	25.47	27.49	30.72	27.91	35.91	34.20	21.83	27.23
5. Other Domestic debt*	30.42	30.41	30.42	30.43	28.20	28.22	28.22	28.21	24.59
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,305.58</b>	<b>1,307.63</b>	<b>1,334.28</b>	<b>1,334.60</b>	<b>1,332.91</b>	<b>1,335.21</b>	<b>1,316.03</b>	<b>1,351.62</b>	<b>1,362.40</b>

\* 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	13-Mar-15
Treasury bills (Excluding Repos)	22.6	22.7	22.4	22.2	22.5	22.9	23.4	23.7	24.2
Treasury bonds	73.1	73.0	73.2	73.2	73.3	72.3	71.8	72.6	72.0
CBK Overdraft to Govt	1.9	1.9	2.1	2.3	2.1	2.7	2.6	1.6	2.0
Other domestic debt	2.3	2.3	2.3	2.3	2.1	2.1	2.1	2.1	1.8
<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>

**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	13-Mar-15
Banking Institutions	54.2	54.1	54.0	54.3	54.2	54.6	54.8	55.0	55.2
Insurance Companies	9.9	9.8	9.8	9.7	9.7	9.6	9.5	9.3	9.3
Parastatals	2.8	2.8	2.8	2.8	2.9	2.8	2.9	2.9	2.9
Pension funds	23.9	23.9	23.9	23.8	23.8	24.0	23.8	23.8	23.8
Other investors	9.3	9.4	9.5	9.4	9.4	9.0	9.1	9.0	8.8
<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>

**Source: Central Bank of Kenya**

**TABLE 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)**

	29-Jan-15	5-Feb-15	12-Feb-15	19-Feb-15	26-Feb-15	5-Mar-15	12-Mar-15	19-Mar-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,189	7,178	7,206	7,199	7,206	7,295	7,275	7,122
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.64	4.63	4.65	4.63	4.64	4.70	4.68	4.57

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya