



**MARCH 27, 2015**

### **Highlights**

*The money market was relatively liquid during the week ending March 25, 2015, largely supported by OMO maturities, Government payments and net redemption of Treasury Bills and Bonds. The average interbank rate increased by 118 basis points to 7.66 percent in the week ending March 25, 2015 from 6.48 percent in the previous week on account of enhanced Central Bank intervention to mop excess liquidity.*

### **Monetary Policy Operations**

*The money market was relatively liquid during the week ending March 25, 2015, largely supported by OMO maturities, Government payments and net redemption of Treasury Bills and Bonds. This liquidity injection was partly offset by tax remittance, and Central Bank open market operations (**Table 1**). Reserve money averaged KSh 349.5 billion during the week and was KSh 2.6 billion above target.*

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

	19-Mar-15	20-Mar-15	23-Mar-15	24-Mar-15	25-Mar-15	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>5.7</b>	<b>12.0</b>	<b>35.3</b>	<b>21.9</b>	<b>5.7</b>	<b>80.5</b>
Repos Maturities	0.8	1.5	0.5	4.1	0.0	6.8
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Overnight loans to banks	0.0	0.0	1.3	0.0	0.0	1.3
Term Auction Deposit maturities	2.3	0.6	3.3	9.4	1.8	17.4
Purchases of forex by CBK	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	4.8	0.0	0.0	4.8
T/bonds redemptions	0.0	0.0	20.0	0.0	0.0	20.0
Govt payments	2.5	9.8	0.0	8.3	3.9	24.5
<b>Total liquidity reduction</b>	<b>4.2</b>	<b>16.6</b>	<b>23.3</b>	<b>8.2</b>	<b>12.2</b>	<b>64.6</b>
T/bills (Primary issues)	0.0	0.0	9.1	0.0	0.0	9.1
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
Repos	1.0	0.0	8.5	0.0	5.4	14.9
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	2.0	0.2	2.5	0.0	5.0	9.7
Overnight borrowings repayments	0.0	0.0	0.0	1.3	0.0	1.3
Sales of forex by CBK	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	1.0	16.3	3.2	6.7	1.8	29.1
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>1.5</b>	<b>-4.7</b>	<b>11.9</b>	<b>13.7</b>	<b>-6.6</b>	<b>15.9</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	3.0	2.0	21.0	0.0	13.0	39.0
<b>Realised Amount</b>	<b>3.0</b>	<b>0.2</b>	<b>11.0</b>	<b>0.0</b>	<b>10.4</b>	<b>24.6</b>
Repo (-)	1.0	0.0	8.5	0.0	5.4	14.9
Term Auction Deposits (-)	2.0	0.2	2.5	0.0	5.0	9.7
Reverse Repo (+)	0.0	0	0.0	0.0	0.0	0.0
<b>Reserve Money Position</b>						<b>Average</b>
Reserve money (actual)	344.3	339.2	341.7	364.6	357.6	349.5
Reserve money target	346.0	346.0	347.6	347.6	347.6	346.9
Deviation from target	-1.7	-6.7	-5.8	17.1	10.0	2.6
Commercial banks excess reserves Exc(+)/ Short(-)	0.4	-4.1	-1.0	21.7	15.4	6.5
Cash outside bank Exc(+)/ Short(-)	-2.0	-2.7	-4.8	-4.6	-5.4	-3.9

Source: Central Bank of Kenya

## Short-Term Rates

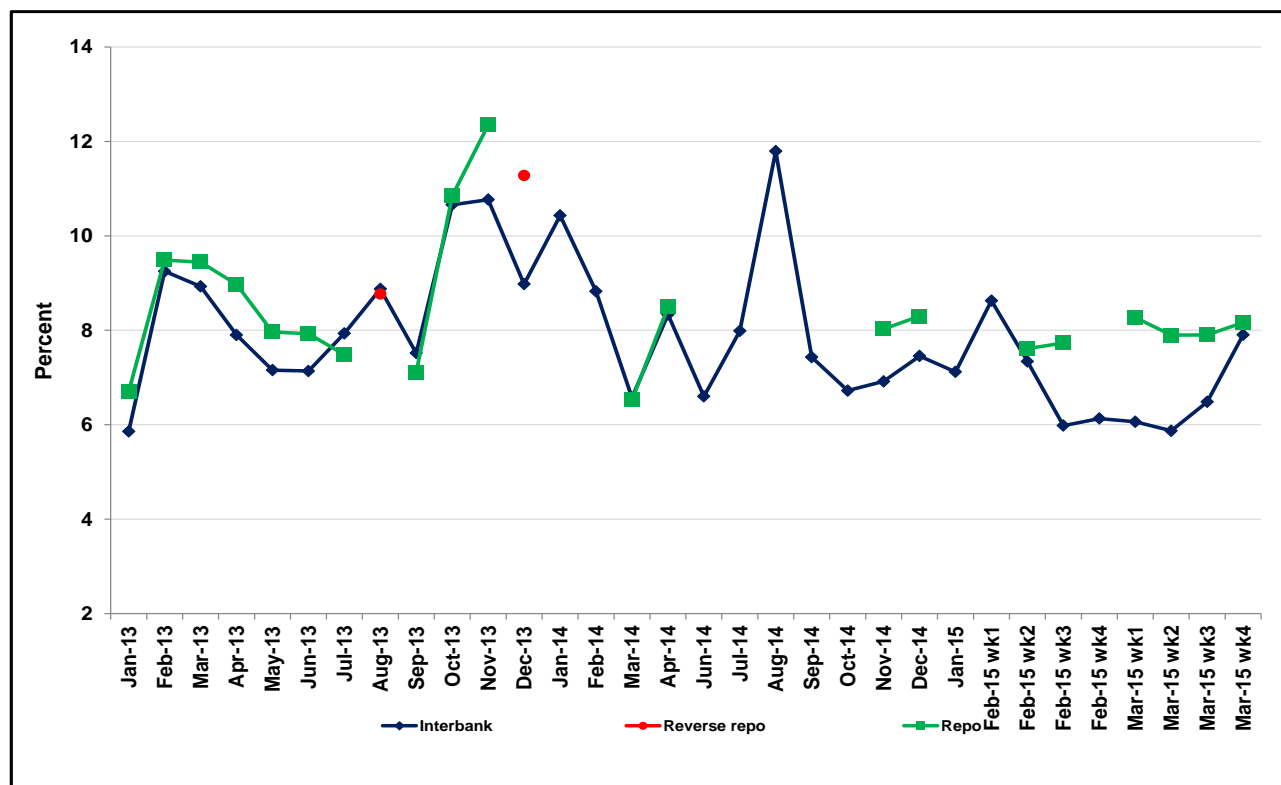
The average interbank rate increased by 118 basis points to 7.66 percent in the week ending March 25, 2015 from 6.48 percent in the previous week on account of enhanced Central Bank intervention to mop excess liquidity. The volume transacted decreased to KSh 13.0 billion from KSh 16.64 billion traded in the previous week, and the number of deals decreased to 47 from 51 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 (%)
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>
19-Mar-15	38	10,125	7.35	8.00
20-Mar-15	40	13,375	7.55	
23-Mar-15	38	13,270	7.66	8.25
24-Mar-15	60	14,888	7.79	
25-Mar-15	57	13,315	7.97	8.25
<b>March 19, 2015 - March 25, 2015</b>	<b>47</b>	<b>12,995</b>	<b>7.66</b>	<b>8.17</b>

Source: Central Bank of Kenya

**CHART A: STRUCTURE OF INTEREST RATES**

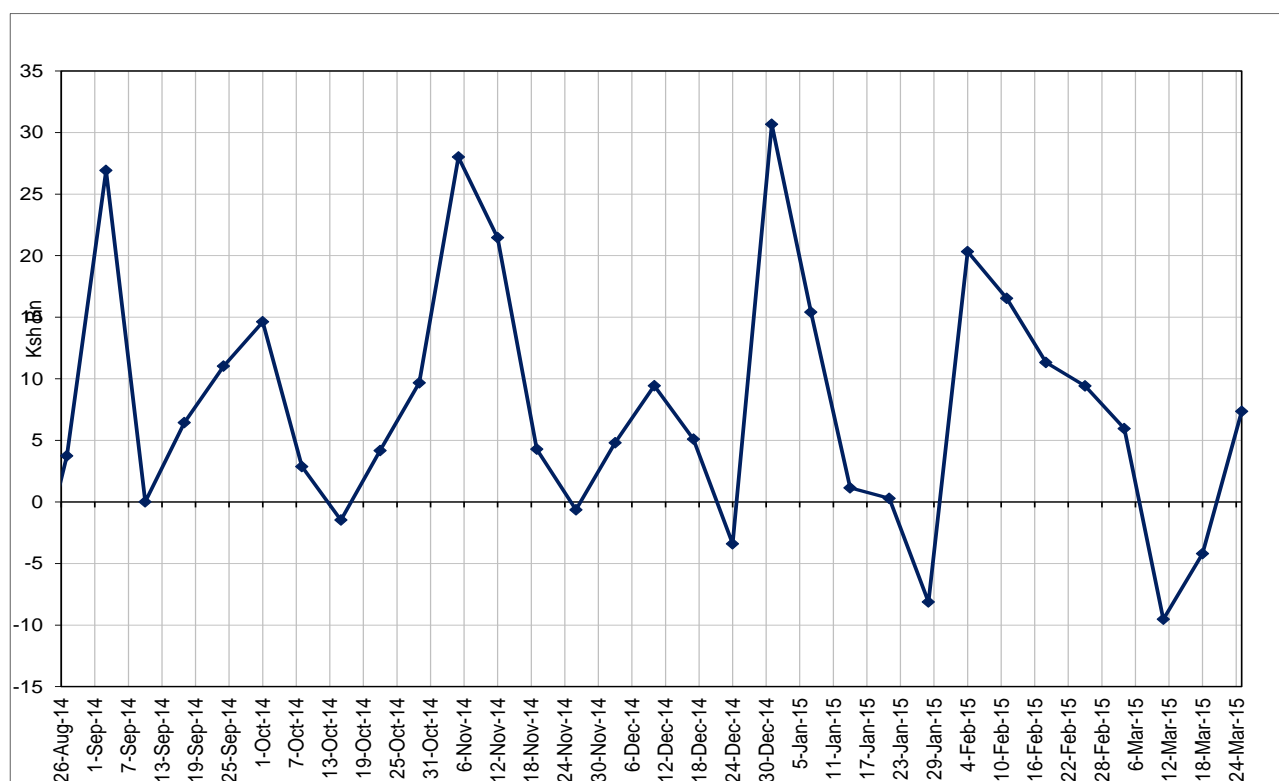


Source: Central Bank of Kenya

### Commercial Banks Clearing Account Balances

Commercial banks' clearing account during the week ending March 25, 2015 had a surplus of KSh 7.35 billion in relation to the cash reserve requirement of 5.25 percent (KSh 122.8 billion) compared with a deficit of KSh 4.2 billion recorded in the previous week (**Chart B**). The increase reflects ample liquidity in the interbank market.

**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 weakened against major international and regional currencies in the week ending March 26, 2015. During the week, the Shilling weakened by 0.04 percent, 0.38 percent, 2.44 percent and 1.27 percent against the US Dollar, the Pound Sterling, the Euro and the Japanese Yen, respectively. In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling and weakened against the Tanzania Shilling, the Rwanda Franc and the Burundi Franc. (Table 3).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	US dollar	Sterling Pound	Euro	Japanese Yen (100)	USHS	TSHS	RWF	BIF
13-Mar-15	91.69	136.32	97.18	75.49	32.63	20.07	7.83	17.12
16-Mar-15	91.75	135.58	96.63	75.67	31.94	20.11	7.63	17.11
17-Mar-15	92.02	136.40	97.18	75.80	31.84	20.14	7.49	17.06
18-Mar-15	92.05	135.88	97.47	75.84	31.56	20.15	7.49	17.06
19-Mar-15	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>
20-Mar-15	91.99	135.79	98.25	76.21	31.58	20.17	7.49	17.07
23-Mar-15	92.03	137.47	99.55	76.77	31.95	20.19	7.49	17.06
24-Mar-15	91.97	137.41	100.53	76.92	32.24	20.04	7.49	17.00
25-Mar-15	91.81	136.55	100.34	76.75	32.51	20.04	7.50	16.99
26-Mar-15	91.77	136.52	100.72	77.21	32.44	20.05	7.51	17.01
<b>20 -26 Mar 2015</b>	<b>91.91</b>	<b>136.75</b>	<b>99.88</b>	<b>76.77</b>	<b>32.14</b>	<b>20.10</b>	<b>7.50</b>	<b>17.03</b>

Source: Central Bank of Kenya

### The Nairobi Securities Exchange

The Nairobi Securities Exchange recorded mixed performance in the equities and bonds market segments.

#### Equities Market

The NSE 20 Share Index declined by 1.75 percent but NASI rose by 0.13 percent during the week. Shareholders' wealth measured by market capitalization added 0.13 percent. Equity turnover declined by 9.40 percent, on account of a fall in prices (Table 4).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	12-Feb-15	19-Feb-15	26-Feb-15	05-Mar-15	12-Mar-15	19-Mar-15	26-Mar-15	Wkly Change
NASI 100= 2008	170.09	175.65	175.97	172.28	172.42	173.50	173.73	0.13%
NSE 20 Share Index 100= 1996	5,330.01	5,473.81	5,475.84	5,411.05	5,347.54	5,346.56	5,252.74	-1.75%
Number of Deals	10,188	9,782	10,837	10,790	10,437	10,121	9,910	-2.08%
Total Shares Traded	140.56	124.40	149.79	184.09	137.22	125.39	128.61	2.57%
Equity Turnover (Ksh. Millions)	3,465.24	4,240.49	4,859.32	6,824.50	4,371.61	4,172.41	3,780.13	-9.40%
Market Capitalization (Ksh. Bn.)	2,396.81	2,452.39	2,456.96	2,405.37	2,407.22	2,422.38	2,425.61	0.13%
Bonds Turnover (Ksh. Millions)	6,926.45	6,890.41	18,423.30	18,453.05	15,701.90	6,521.80	4,240.30	-34.98%
FTSE NSE Kenya 15 Index	225.32	229.81	234.75	224.82	226.07	227.58	227.70	0.05%
FTSE NSE Kenya 25 Index	226.68	231.00	235.43	225.19	226.56	228.26	228.18	-0.04%
FTSE NSE Bond Index	92.72	92.69	92.67	93.19	93.37	93.34	93.28	-0.06%

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 0.05 percent higher. However, FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE closed lower by 0.04 percent compared to the previous week. Conversely, the FTSE Government Bond Index closed the week 0.06 percent lower reflecting a marginal increase in yields.

Telecommunication & Technology, Banking, and Insurance sectors were the top three most active sectors, representing 31.63 percent, 27.60 percent and 12.63 percent of the total shares traded, respectively. Agricultural sector was the least active with 319,800 shares traded in the week.

## The Bond Market

The bond's turnover decreased by 34.98 percent to KSh 4,240.30 million from KSh 6,521.80 million in the previous week, with corresponding deals declining to 55 from the 79 deals.

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

91-Day Treasury Bills								
Date of Auction	05-Feb-15	12-Feb-15	19-Feb-15	26-Feb-15	05-Mar-15	12-Mar-15	19-Mar-15	26-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	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	1,124.2
Amount Accepted (Ksh M)	849.6	3,050.2	882.2	4,636.3	1,921.1	2,409.7	588.9	1,124.2
Maturities (Ksh M)	3,638.2	3,435.3	4,491.2	1,128.7	1,481.5	2,010.7	1,653.9	782.9
Average interest Rate (%)	8.582	8.563	8.640	8.645	8.463	8.453	8.453	8.438
							8.447	8.447
182-Day Treasury Bills								
Date of Auction	04-Feb-15	11-Feb-15	18-Feb-15	25-Feb-15	04-Mar-15	11-Mar-15	18-Mar-15	25-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	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	5,553.2
Amount Accepted (Ksh M)	4,193.2	4,046.8	909.7	4,915.6	4,503.6	5,544.3	3,463.7	4,497.9
Maturities (Ksh M)	430.7	903.6	750.2	619.85	321.7	436.6	417.5	1,475.7
Average interest Rate (%)	10.362	10.403	10.377	10.367	10.375	10.356	10.326	10.300
364-Day Treasury Bills								
Date of Auction	04-Feb-15	11-Feb-15	18-Feb-15	25-Feb-15	04-Mar-15	11-Mar-15	18-Mar-15	25-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	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	4,929.8
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	4,161.7
Maturities (Ksh M)	711.9	2,294.5	1,426.6	2,821.1	4,130.0	8,118.8	3,028.1	3,893.1
Average interest Rate (%)	10.987	10.942	10.907	10.892	10.768	10.636	10.596	10.553
Treasury Bonds								
Date of Auction	18-Feb-15							25-Mar-15
Tenor	10 Year FXD(Re-open)							12 yr IFB
Amount offered (Ksh M)	25,000.0							25,000.0
Bids received (Ksh M)	22,388.7							51,657.9
Amount Accepted (Ksh M)	11,658.4							25,695.4
Maturities (Ksh M)	20,446.1							19,960.7
Average interest Rate (%)	12.787							11.6

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	20th 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	333.25
(As % of total securities)	23.59	23.71	23.45	23.27	23.47	24.01	24.58	24.63	25.15	25.36
2. Treasury Bonds	955.00	955.00	977.08	977.08	977.08	965.94	945.50	981.00	981.00	981.00
(As % of total securities)	76.41	76.29	76.55	76.73	76.53	75.99	75.42	75.37	74.85	74.64
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	1,310.59	1,314.25
4. Overdraft at Central Bank	25.31	25.47	27.49	30.72	27.91	35.91	34.20	21.83	21.83	8.24
5. Other Domestic debt*	30.42	30.41	30.42	30.43	28.20	28.22	28.22	28.21	29.98	29.99
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	1,362.40	1,352.47

\* 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	06-Feb-15	13-Feb-15	20-Feb-15	27-Feb-15	06-Mar-15	13-Mar-15	20-Mar-15
Treasury bills (Excluding Repos)	22.6	22.7	22.4	22.2	22.5	22.9	23.4	23.7	24.2	24.6
Treasury bonds	73.1	73.0	73.2	73.2	73.3	72.3	71.8	72.6	72.0	72.5
CBK Overdraft to Govt	1.9	1.9	2.1	2.3	2.1	2.7	2.6	1.6	2.0	0.6
Other domestic debt	2.3	2.3	2.3	2.3	2.1	2.1	2.1	2.1	1.8	2.2
<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 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER**

	16-Jan-15	23-Jan-15	30-Jan-15	06-Feb-15	13-Feb-15	20-Feb-15	27-Feb-15	06-Mar-15	13-Mar-15	20-Mar-15
Banking Institutions	54.2	54.1	54.0	54.3	54.2	54.6	54.8	55.0	55.2	54.9
Insurance Companies	9.9	9.8	9.8	9.7	9.7	9.6	9.5	9.3	9.3	9.3
Parastatals	2.8	2.8	2.8	2.8	2.9	2.8	2.9	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	23.8
Other investors	9.3	9.4	9.5	9.4	9.4	9.0	9.1	9.0	8.8	9.1
<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)**

	29-Jan-15	05-Feb-15	12-Feb-15	19-Feb-15	26-Feb-15	05-Mar-15	12-Mar-15	19-Mar-15	26-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	7,152
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	4.58

\*Excludes Encumbered Reserves

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