



**MARCH 6, 2015**

### **Highlights**

*The money market was relatively liquid during the week ending March 4, 2015, largely supported by Government payments. The average interbank rate decreased marginally to 6.06 percent in the week ending March 4, 2015 from 6.13 percent in the previous week.*

*Capital markets recorded mixed performance in the week ending February 26, 2015, in the equity and bonds market segments.*

### **Monetary Policy Operations**

The money market was relatively liquid during the week ending March 4, 2015, largely supported by Government payments. This liquidity injection was partly offset by tax remittance, net payment for Government securities allotted in the primary market and open market operations sale of repo and Term Auction Deposits (TAD) (**Table 1**). Reserve money averaged Ksh 340.9billion during the week and was Ksh 1.3 billion below target.

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

	26-Feb-15	27-Feb-15	2-Mar-15	3-Mar-15	4-Mar-15	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>1.9</b>	<b>16.3</b>	<b>17.6</b>	<b>9.9</b>	<b>9.4</b>	<b>55.1</b>
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	0.0	0.0	0.0	5.2	2.7	7.9
T/bills redemptions	0.0	0.0	4.6	0.0	0.0	4.6
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	1.9	14.9	12.1	4.4	4.4	37.7
<b>Total liquidity reduction</b>	<b>1.4</b>	<b>3.7</b>	<b>24.1</b>	<b>12.5</b>	<b>4.9</b>	<b>46.8</b>
T/bills (Primary issues)	0.0	0.0	16.3	0.0	0.0	16.3
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
Repos	0.0	2.1	3.3	5.3	2.1	12.7
Term Auction Deposit	0.0	0.1	3.5	4.7	0.1	8.3
Transfer from Banks -Taxes	1.4	1.5	1.1	2.2	2.8	8.9
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>0.5</b>	<b>12.6</b>	<b>-6.6</b>	<b>-2.6</b>	<b>4.5</b>	<b>8.3</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	0.0	6.0	15.0	10.0	8.0	<b>39.0</b>
<b>Realised Amount</b>	<b>0.0</b>	<b>2.1</b>	<b>11.9</b>	<b>19.3</b>	<b>4.6</b>	<b>37.9</b>
Repo (-)	0.0	2.1	3.3	5.3	2.1	12.7
Term Auction Deposits (-)	0.0	0.0	8.6	14.0	2.6	25.2
Reverse Repo (+)	0.0	0	0.0	0.0	0.0	0.0
<b>Reserve Money Position</b>						<b>Average</b>
Reserve money (actual)	336.1	349.4	339.9	337.7	341.4	<b>340.9</b>
Reserve money target	341.2	341.2	342.8	342.8	342.8	<b>342.2</b>
Deviation from target	-5.1	8.2	-2.9	-5.1	-1.4	-1.3
Commercial banks excess reserves Exc(+)/ Short(-)	1.1	14.1	3.9	-0.7	1.8	4.0
Cash outside bank Exc(+)/ Short(-)	-6.2	-5.9	-6.8	-4.4	-3.2	-5.3

Source: Central Bank of Kenya

## Interbank Rates

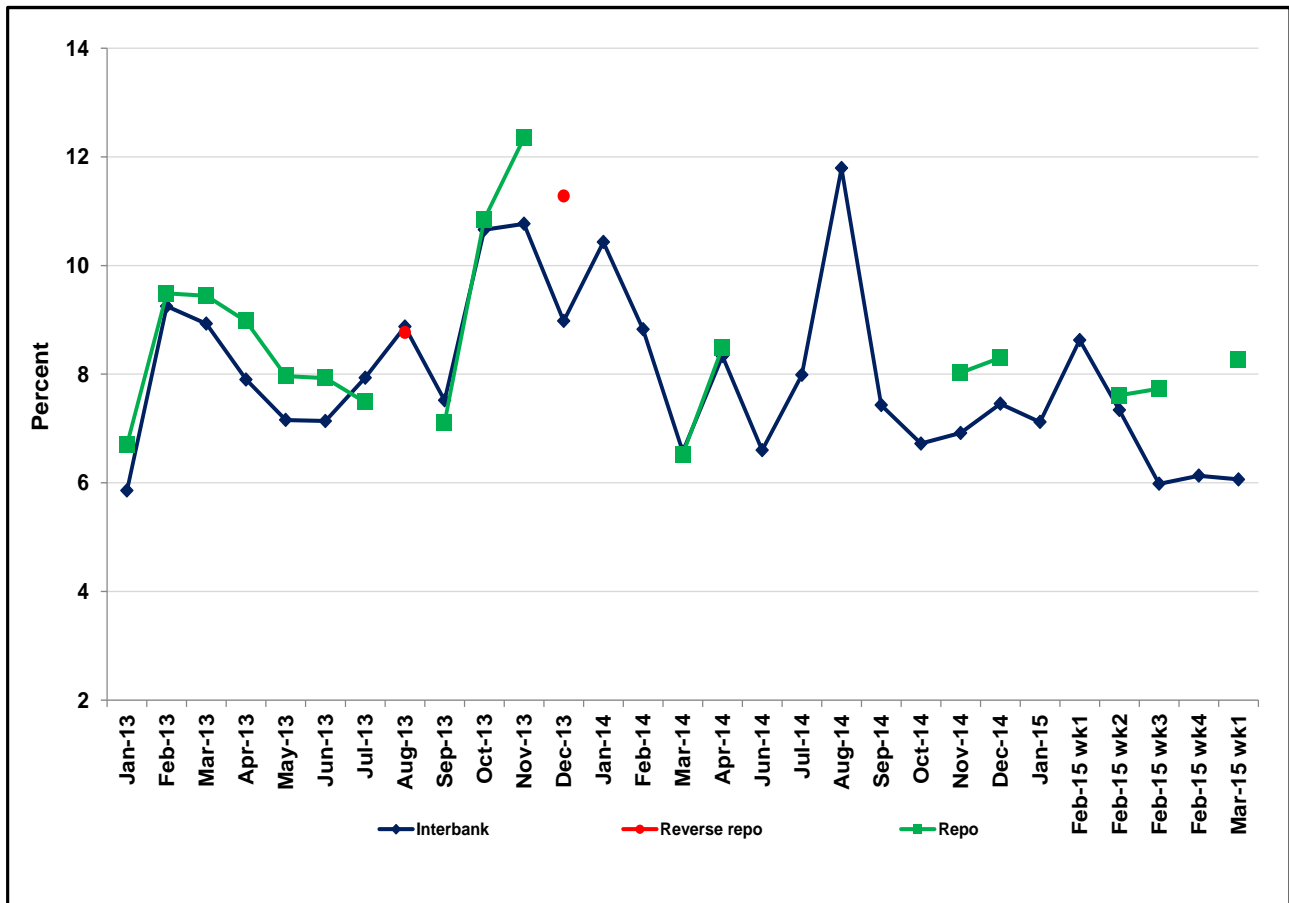
The average interbank rate decreased marginally to 6.06 percent in the week ending March 4, 2015 from 6.13 percent in the previous week. The volume transacted increased to Ksh 14.54 billion from Ksh 13.15 billion traded in the previous week, and the number of deals decreased to 45 from 51 deals. (Table 2 and Chart A).

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

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Average Repo Rate (%)
19-Feb-15	53	17,007	6.04	
20-Feb-15	60	17,367	6.08	
23-Feb-15	51	12,870	6.15	
24-Feb-15	44	8,560	6.17	
25-Feb-15	45	9,960	6.20	
<b>February 19, 2015 - February 25, 2015</b>	<b>51</b>	<b>13,153</b>	<b>6.13</b>	
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
<b>February 26, 2015 - March 4, 2015</b>	<b>45</b>	<b>14,540</b>	<b>6.06</b>	<b>8.27</b>

Source: Central Bank of Kenya

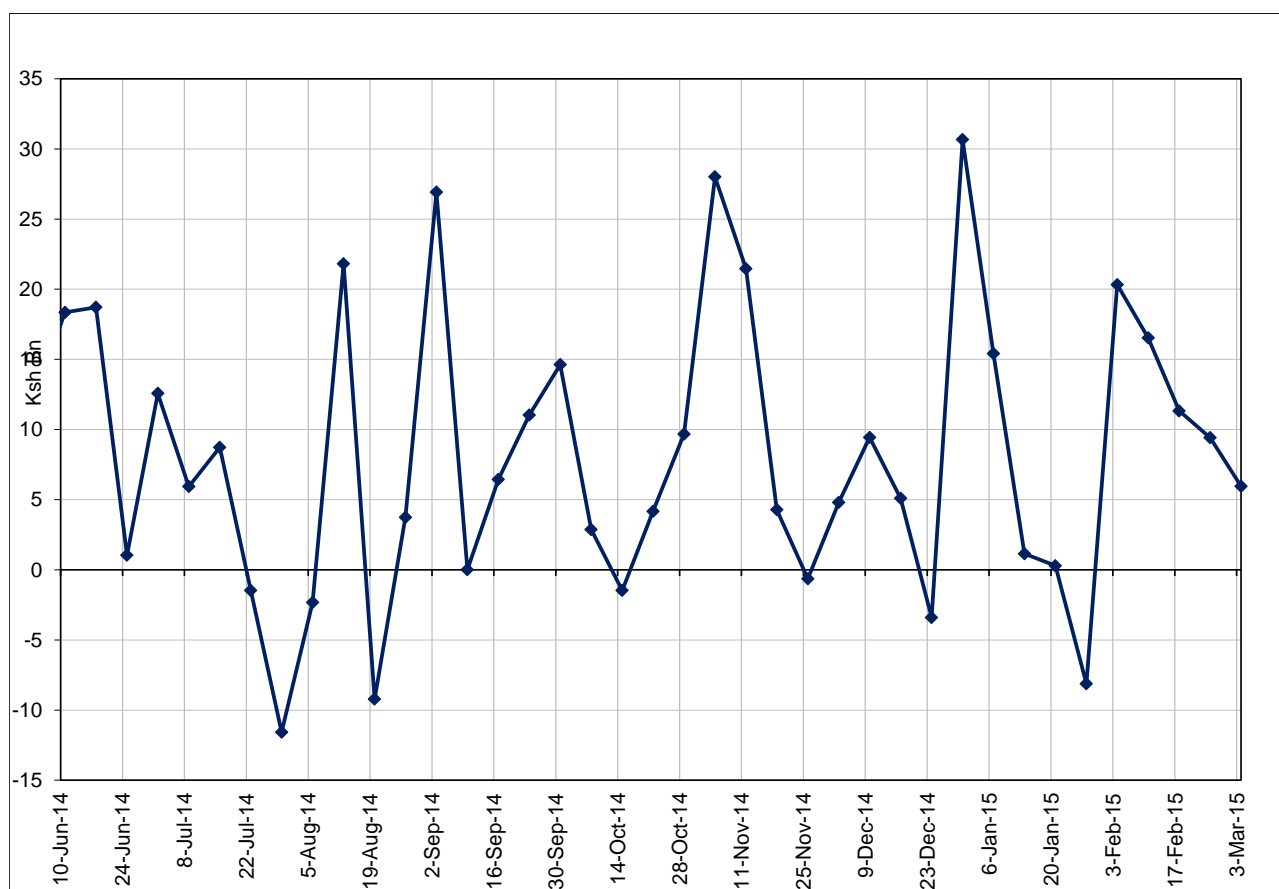
**CHART A: STRUCTURE OF INTEREST RATES**



Source: Central Bank of Kenya

**Commercial Banks Clearing Account Balances**

Commercial banks’ clearing account during the week ending March 4, 2015 recorded a surplus of Ksh 5.95 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 119.1 billion) compared with a surplus of Ksh 9.42 billion recorded in the previous week (**Chart B**). The banks utilized part of the surplus in their clearing accounts to pay for repo securities and Term Auction Deposits (TAD) and government securities allotted at the primary auction.

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


Source: Central Bank of Kenya

### Kenya Shilling Exchange Rate

The Kenya shilling strengthened against all major international currencies during the week ending March 5, 2015. In the EAC region, it strengthened against all EAC currencies except the Burundi Franc during the review period (**Table 3**).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
20-Feb-14	91.40	140.98	103.86	76.87	31.35	20.13	7.53	17.06
23-Feb-14	91.40	140.60	104.00	76.81	31.42	20.05	7.54	17.04
24-Feb-14	91.42	141.09	103.53	76.72	31.45	20.07	7.53	17.17
25-Feb-14	91.41	141.46	103.74	76.93	31.51	19.72	7.54	17.18
26-Feb-14	91.42	142.10	103.90	76.85	31.53	19.91	7.54	17.17
<b>20-26 Feb 2015</b>	<b>91.41</b>	<b>141.25</b>	<b>103.81</b>	<b>76.84</b>	<b>31.45</b>	<b>19.98</b>	<b>7.53</b>	<b>17.12</b>
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
<b>27 Feb-5 Mar 2015</b>	<b>91.35</b>	<b>140.37</b>	<b>101.95</b>	<b>76.35</b>	<b>31.82</b>	<b>20.08</b>	<b>7.54</b>	<b>17.05</b>

Source: Central Bank of Kenya

## The Nairobi Securities Exchange

The Nairobi securities exchange recorded mixed performance in the equities and bonds market segments, in the week of March 05, 2015.

### Equities Market

The NSE 20 Share Index and NASI decreased by 1.18 percent and 2.10 percent respectively, driven by high share supply. Shareholders' wealth measured by market capitalization closed 2.10 percent lower compared to the previous week on account of decline in prices. However, equity turnover increased by 40.44 percent (**Table 4**) largely on account of a sharp rise in shares traded.

**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	Wkly Change
NASI 100=2008	165.17	165.23	168.37	170.09	175.65	175.97	172.28	-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	-1.18%
Number of Deals	10,331	10,741	10,911	10,188	9,782	10,837	10,790	-0.43%
Total Shares Traded (in Millions)	100.33	132.53	149.92	140.56	124.40	149.79	184.09	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	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	-2.10%
Bonds Turover (Ksh. Millions)	10,204.90	6,966.66	9,335.46	6,926.45	6,890.41	18,423.30	18,453.05	0.16%
FTSE NSE Kenya 15 Index	217.12	220.55	223.25	225.32	229.81	234.75	224.82	-4.23%
FTSE NSE Kenya 25 Index	218.99	222.39	224.68	226.68	231.00	235.43	225.19	-4.35%
FTSE NSE Bond Index	94.33	93.81	94.48	92.72	92.69	92.67	93.19	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 the 15 largest companies by market capitalization, closed the week 4.23 percent lower. Similarly, FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE was 4.35 percent lower compared to the previous week. However, the FTSE Government Bond Index closed the week 0.56 percent higher reflecting a marginal decline in yields.

Telecommunication & Technology, Banking and Energy & Petroleum, sectors were the top three most active sectors, representing 38.37 percent, 23.48 percent and 13.5 percent of the total shares traded, respectively. Automobile and Accessories sector was the least active with 131,400 shares traded in the week.

### The Bond Market

The bond's turnover was stable at Ksh 18,453.05 million compared with Ksh 18,423.30 million in the previous week. The number of deals increased to 246 from the 59 deals traded last week.

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

<b>91-Day Treasury Bills</b>									
Date of Auction	15-Jan-15	22-Jan-15	29-Jan-15	5-Feb-15	12-Feb-15	19-Feb-15	26-Feb-15	5-Mar-15	
Amount offered (Ksh M)	3,000.0	3,000.0	3,000.0	2,000.0	2,000.0	2,000.0	2,000.0	1,000.0	
Bids received (Ksh M)	4,169.2	878.8	1,259.1	849.6	3,343.8	882.2	5,182.2	1,921.1	
Amount Accepted (Ksh M)	2,848.4	878.8	1,252.2	849.6	3,050.2	882.2	4,636.3	1,921.1	
Maturities (Ksh M)	2,464.7	652.7	455.1	3,638.2	3,435.3	4,491.2	1,128.7	1,481.5	
Average interest Rate (%)	8.601	8.684	8.572	8.582	8.563	8.640	8.645	8.463	
<b>182-Day Treasury Bills</b>									
Date of Auction	14-Jan-15	21-Jan-15	28-Jan-15	4-Feb-15	11-Feb-15	18-Feb-15	25-Feb-15	4-Mar-15	
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	3,000.0	3,000.0	3,000.0	3,000.0	
Bids received (Ksh M)	4,645.5	5,168.9	2,612.3	5,031.3	4,740.4	6,684.9	6,127.6	4,503.6	
Amount Accepted (Ksh M)	3,933.1	3,266.0	1,453.5	4,193.2	4,046.8	909.7	4,915.6	4,503.6	
Maturities (Ksh M)	4,095.8	3,224.3	4,869.9	430.7	903.6	750.2	619.85	321.7	
Average interest Rate (%)	10.237	10.282	10.334	10.362	10.403	10.377	10.367	10.375	
<b>364-Day Treasury Bills</b>									
Date of Auction	14-Jan-15	21-Jan-15	28-Jan-15	4-Feb-15	11-Feb-15	18-Feb-15	25-Feb-15	4-Mar-15	
Amount offered (Ksh M)	5,000.0	5,000.0	5,000.0	5,000.0	3,000.0	3,000.0	3,000.0	4,000.0	
Bids received (Ksh M)	6,518.9	4,344.1	2,346.3	5,069.6	6,273.6	9,986.2	10,592.2	20,656.6	
Amount Accepted (Ksh M)	4,721.4	2,067.3	1,896.7	2,729.3	4,576.9	7,327.8	6,739.1	7,461.4	
Maturities (Ksh M)	3,184.6	1,624.5	2,510.9	711.9	2,294.5	1,426.6	2,821.1	4,130.0	
Average interest Rate (%)	10.707	10.825	10.984	10.987	10.942	10.907	10.892	10.768	
<b>Treasury Bonds</b>									
Date of Auction	21-Jan-15		18-Feb-15						
Tenor	5 year Fxd	20 Year Fxd	2 Year FXD	10 Year FXD(Re-open)					
Amount offered (Ksh M)	20,000.0		25,000.0						
Bids received (Ksh M)	14,112.1	12,835.9	28,743.8	22,388.7					
Amount Accepted (Ksh M)	8,029.8	12,358.6	23,592.6	11,658.4					
Maturities (Ksh M)	0.0	0.0	20,446.1						
Average interest Rate (%)	11.6	13.6	11.470	12.787					

Source: Central Bank of Kenya

**TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)**

	2nd January 2015	9th January 2015	16th January 2015	23rd January 2015	30th January 2015	6th February 2015	13th February 2015	20th February 2015	27th February 2015
1. Treasury Bills (Excluding Repos)	291.40	289.91	294.84	296.75	299.29	296.37	299.71	305.15	308.12
(As % of total securities)	23.38	23.29	23.59	23.71	23.45	23.27	23.47	24.01	24.58
2. Treasury Bonds	955.00	955.00	955.00	955.00	977.08	977.08	977.08	965.94	945.50
(As % of total securities)	76.62	76.71	76.41	76.29	76.55	76.73	76.53	75.99	75.42
3. Total Securities (1+2)	1,246.40	1,244.91	1,249.84	1,251.75	1,276.37	1,273.45	1,276.79	1,271.09	1,253.61
4. Overdraft at Central Bank	29.57	31.55	25.31	25.47	27.49	30.72	27.91	35.91	34.20
5. Other Domestic debt*	29.45	30.63	30.42	30.41	30.42	30.43	28.20	28.22	28.22
6. Gross Domestic Debt (3+4+5)	1,305.43	1,307.09	1,305.58	1,307.63	1,334.28	1,334.60	1,332.91	1,335.21	1,316.03

\* 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**

	2-Jan-15	9-Jan-15	16-Jan-15	23-Jan-15	30-Jan-15	6-Feb-15	13-Feb-15	20-Feb-15	27-Feb-15
Treasury bills (Excluding Repos)	22.3	22.2	22.6	22.7	22.4	22.2	22.5	22.9	23.4
Treasury bonds	73.2	73.1	73.1	73.0	73.2	73.2	73.3	72.3	71.8
CBK Overdraft to Govt	2.3	2.4	1.9	1.9	2.1	2.3	2.1	2.7	2.6
Other domestic debt	2.3	2.3	2.3	2.3	2.3	2.3	2.1	2.1	2.1
<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>

Source: Central Bank of Kenya

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

	2-Jan-15	9-Jan-15	16-Jan-15	23-Jan-15	30-Jan-15	6-Feb-15	13-Feb-15	20-Feb-15	27-Feb-15
Banking Institutions	54.2	54.1	54.2	54.1	54.0	54.3	54.2	54.6	54.8
Insurance Companies	9.9	9.9	9.9	9.8	9.8	9.7	9.7	9.6	9.5
Parastatals	2.8	2.8	2.8	2.8	2.8	2.8	2.9	2.8	2.9
Pension funds	23.8	23.8	23.9	23.9	23.9	23.8	23.8	24.0	23.8
Other investors	9.4	9.4	9.3	9.4	9.5	9.4	9.4	9.0	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>

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
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
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

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya