



MAY 15, 2015

Highlights

The money market was relatively tight during the week ending May 13, 2015, supported by payment of taxes and net issuance of OMO securities. The average interbank rate decreased marginally to 10.23 percent in the week ending May 13, 2015 from 10.46 percent in the previous week.

Capital markets recorded mixed performance in the week ending May 14, 2015.

Monetary Policy Operations

The money market was relatively tight during the week ending May 13, 2015, reflecting payment of taxes and net issuance of OMO securities. (**Table 1**). Reserve money averaged KSh 352.8 billion during the week ending May 13, 2015 and was KSh 9.3 billion above target.

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

	7-May-15	8-May-15	11-May-15	12-May-15	13-May-15	Total
Liquidity Flows						
Total liquidity injection	7.6	6.5	9.8	4.2	2.9	31.0
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
Overnight loans to banks	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.1	0.0	0.0	0.0	0.0	0.1
T/bills redemptions	0.0	0.0	7.0	0.0	0.0	7.0
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	7.5	6.5	2.8	4.2	2.9	23.9
Total liquidity reduction	2.9	5.8	15.3	14.4	9.3	47.9
T/bills (Primary issues)	0.0	0.0	3.2	0.0	0.0	3.2
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	0.0	0.0	4.5	0.2	1.0	5.7
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.0	0.0	2.9	8.3	3.0	14.2
Overnight borrowings repayments	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.9	5.8	4.6	5.9	3.0	22.3
Net liquidity injection (+)/Withdrawal (-)	4.6	0.7	-5.5	-10.2	-6.4	-16.8
Open Market Operations Outcome						
Posted Amount	11.0	12.0	13.0	15.0	8.0	59.0
Realised Amount	0.0	0.0	7.4	8.5	4.0	19.9
Repo (-)	0.0	0.0	4.5	0.2	1.0	5.7
Term Auction Deposits (-)	0.0	0.0	2.9	8.3	3.0	14.2
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						Average
Reserve money (actual)	360.7	361.7	356.2	346.0	339.4	352.8
Reserve money target	343.0	343.0	343.8	343.8	343.8	343.5
Deviation from target	17.7	18.7	12.5	2.2	-4.4	9.3
Commercial banks excess reserves Exc(+)/ Short(-)	11.9	12.5	7.7	-1.9	-7.4	4.6
Cash outside bank Exc(+)/ Short(-)	5.7	6.2	4.8	4.2	3.0	4.8

Source: Central Bank of Kenya

Short-Term Rates

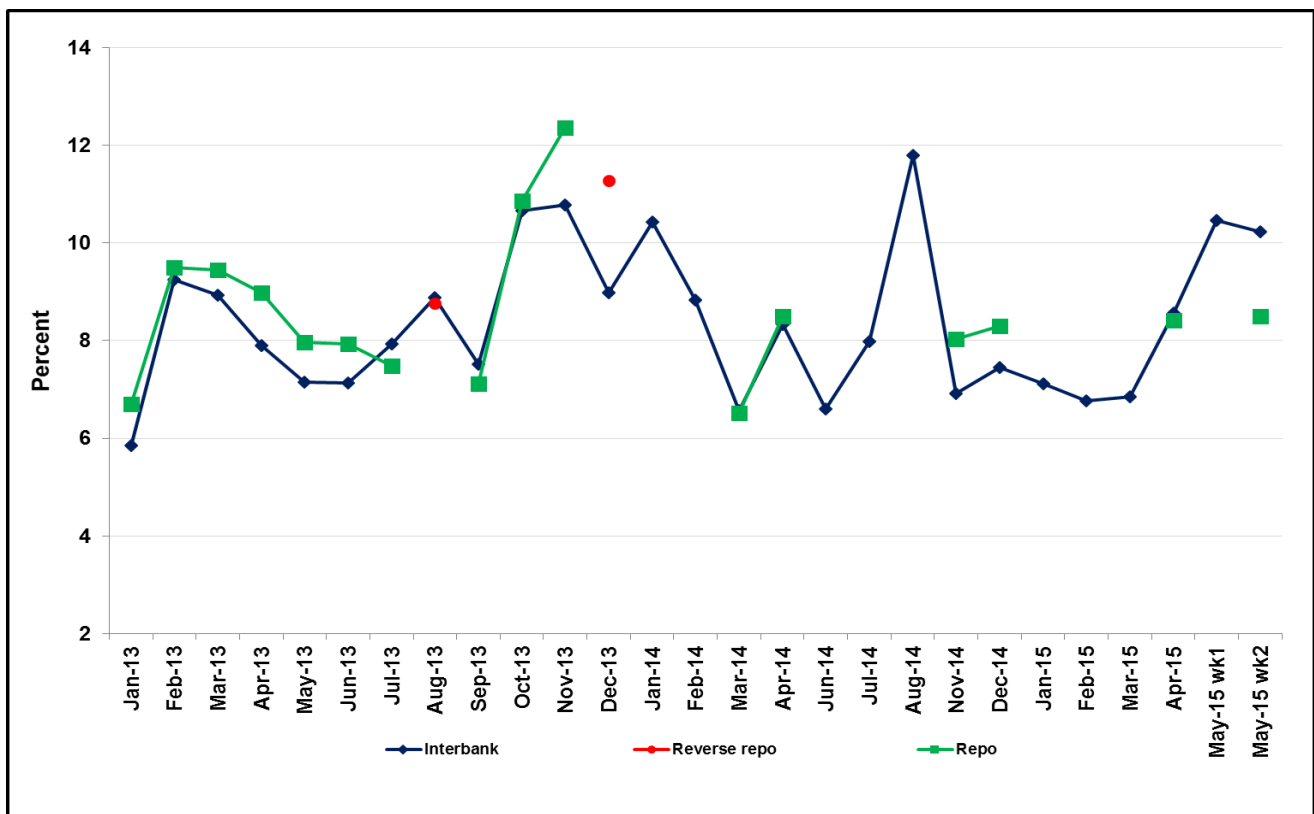
The average interbank rate decreased marginally to 10.23 percent in the week ending May 13, 2015 from 10.46 percent in the previous week. During the week under review, the volume transacted decreased to KSh 17.23 billion from KSh 22.79 billion traded in the previous week, and the number of deals decreased to 65 from 80 deals recorded in the previous week. The repo rate was at the 8.5 percent level 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 (%)
April 23, 2015 - April 29, 2015	68	22,167	9.95	8.50
30-Apr-15	93	29,324	10.28	
4-May-15	71	22,020	10.37	
5-May-15	77	17,940	10.54	
6-May-15	78	21,876	10.64	
April 20, 2015 - May 6, 2015	80	22,790	10.46	
7-May-15	70	20,496	10.72	
8-May-15	79	21,287	10.75	
11-May-15	66	14,789	10.59	8.50
12-May-15	54	12,420	9.66	8.50
13-May-15	57	17,152	9.44	8.50
May 6, 2015 - May 13, 2015	65	17,229	10.23	8.50

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES

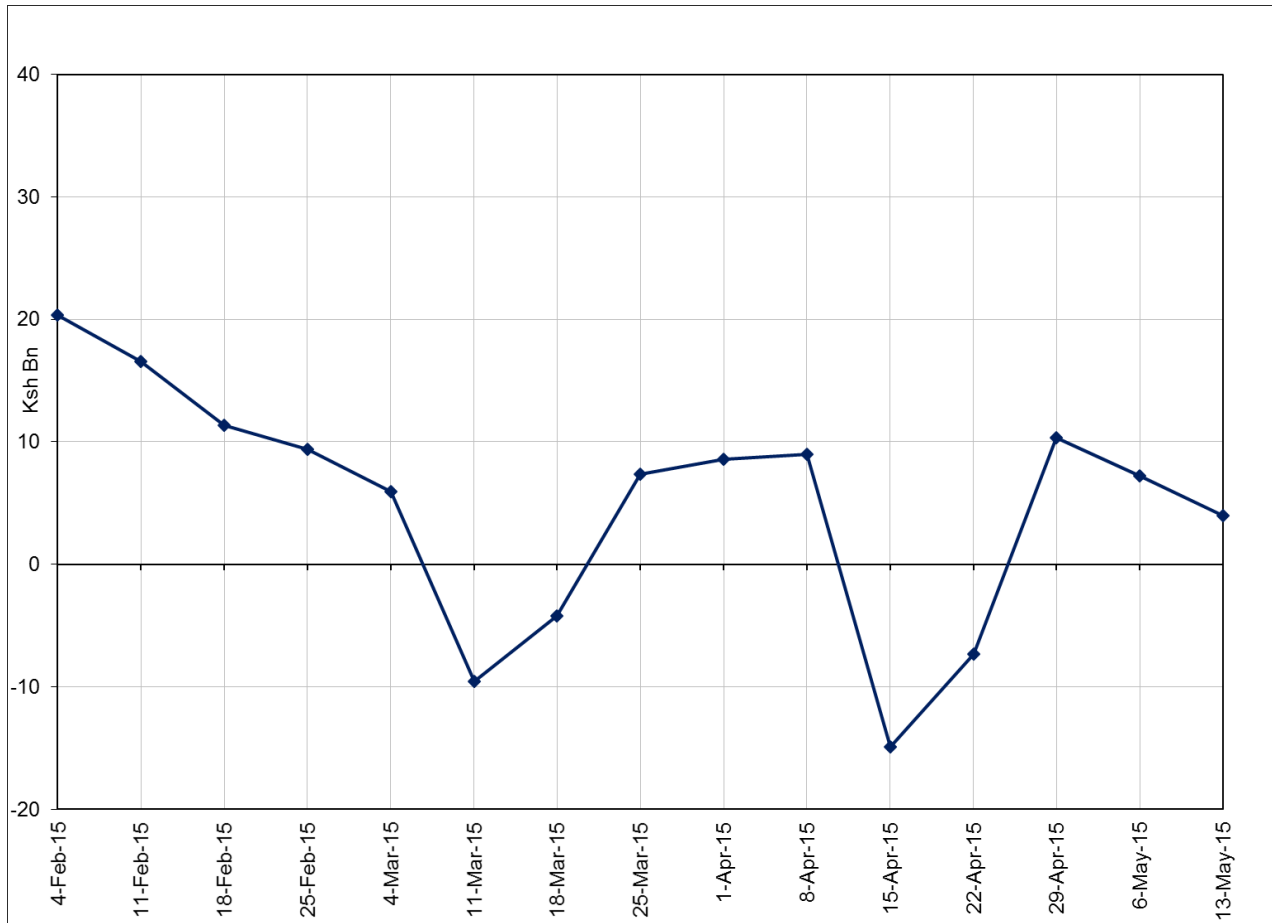


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ clearing account in the week ending May 13, 2015 had a surplus of KSh 4.0 billion in relation to the cash reserve requirement of 5.25 percent (KSh 122.4 billion) compared with a surplus of KSh 7.21 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

The Kenya Shilling exchange rate depreciated against major international currencies in the week ending May 14, 2015. During the week, the Shilling weakened against the US Dollar, the Sterling Pound, the Euro and the Japanese Yen. In the EAC region, the Kenya Shilling also weakened against the Tanzania Shilling, the Uganda Shilling, the Rwanda Franc and the Burundi Franc. (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
4-May-15	94.64	143.49	106.16	78.86	31.69	21.03	7.28	16.49
5-May-15	94.76	143.40	105.53	78.90	31.66	20.95	7.27	16.52
6-May-15	95.04	144.59	106.79	79.30	31.56	20.73	7.25	16.46
7-May-15	95.15	145.04	108.06	79.65	31.53	20.83	7.52	16.46
4-7 May 2015	94.90	144.13	106.63	79.18	31.61	20.88	7.33	16.48
8-May-15	95.31	147.19	106.66	79.46	31.52	20.85	7.25	16.44
11-May-15	95.43	147.06	106.31	79.55	31.50	20.80	7.26	16.40
12-May-15	96.19	149.77	107.41	79.98	31.19	20.79	7.16	16.25
13-May-15	96.55	151.37	108.43	80.56	31.04	20.85	7.14	16.11
14-May-15	96.53	151.36	108.42	81.02	31.03	20.87	7.13	16.21
8-14 May 2015	96.00	149.35	107.45	80.11	31.26	20.83	7.19	16.28

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Nairobi Securities Exchange (NSE)

Capital markets recorded mixed performance in the week ending May 14, 2015.

The Capital Markets

Equities segment generally recorded losses in its leading market indicators except Total Shares Traded and Equity Turnover during the week ending May 14, 2015. Similarly, bonds market segment leading indicators declined in performance except for Bonds Turnover.

Equities Market

Equity Turnover increased by 12.16 percent on account of 23.28 percent increase in share supply given the overall decline in average share prices across counters as reflected in the NASI and NSE 20 Share Index. Market Capitalisation declined by 2.17 percent as share prices declined (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	9-Apr-15	16-Apr-15	23-Apr-15	29-Apr-15	7-May-15	14-May-15	Wkly Change
NASI 100= 2008	170.46	171.57	171.58	172.35	171.52	167.82	-2.16%
NSE 20 Share Index 100= 1996	5,128.03	5,078.74	5,026.94	5,061.11	5,074.76	4,979.71	-1.87%
Number of Deals	5,394	8,768	9,154	7,250	9,831	9,134	-7.09%
Total Shares Traded	105.79	95.52	94.81	86.54	155.00	191.09	23.28%
Equity Turnover (Ksh. Millions)	2,367.99	3,062.52	3,226.26	2,644.95	4,845.18	5,434.47	12.16%
Market Capitalization (Ksh. Bn.)	2,379.82	2,399.38	2,399.64	2,410.98	2,399.45	2,347.46	-2.17%
Bonds Turnover (Ksh. Millions)	7,117.25	6,924.80	5,884.85	3,493.55	3,018.04	9,263.15	206.93%
FTSE NSE Kenya 15 Index	226.39	228.77	229.31	228.41	228.44	220.64	-3.41%
FTSE NSE Kenya 25 Index	226.79	228.84	229.40	228.57	228.27	220.16	-3.55%
FTSE NSE Bond Index	92.42	92.21	92.43	92.75	91.78	91.52	-0.28%

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 3.41 and 3.55 percent lower as compared to the previous week, Similarly FTSE Government Bond Index recorded a marginal loss of 0.28 percent reflecting an increase in the secondary market yields.

Telecommunication & Technology, Banking and Energy & Petroleum sectors were the top three most active sectors, representing 44.18 percent, 33.41 percent and 6.07 percent of the total shares traded, respectively. Automobile and Accessories sector was the least active with 157,400 shares traded in the week.

The Bond Market

The bond's turnover increased by 206.93 percent to KSh 9,263.15 million from KSh 3,018.04 million in the previous week due to increase in secondary market yields and issuance of a new bond in the primary market. But the number of deals was 119 compared to 138 deals traded the previous week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills							
Date of Auction	2-Apr-15	9-Apr-15	16-Apr-15	23-Apr-15	30-Apr-15	7-May-15	14-May-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
Bids received (Ksh M)	711.8	2,395.0	1,467.1	1,041.1	874.6	1,516.9	585.7
Amount Accepted (Ksh M)	711.8	2,394.5	1,467.2	1,041.1	1,041.1	1,515.6	584.7
Maturities (Ksh M)	3,492.9	1,346.3	2,898.6	893.5	893.5	849.6	3,115.3
Average interest Rate (%)	8.454	8.422	8.408	8.406	8.406	8.357	8.167
182-Day Treasury Bills							
Date of Auction	1-Apr-15	8-Apr-15	15-Apr-15	22-Apr-15	29-Apr-15	6-May-15	13-May-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
Bids received (Ksh M)	6,227.8	5,115.1	5,362.9	5,048.7	634.0	402.7	1,269.2
Amount Accepted (Ksh M)	3,660.3	4,611.2	4,754.2	5,001.2	634.0	402.7	1,269.2
Maturities (Ksh M)	2,558.2	2,300.6	2,626.3	715.8	779.3	2,680.4	4,748.0
Average interest Rate (%)	10.271	10.248	10.252	10.272	10.268	10.326	10.348
364-Day Treasury Bills							
Date of Auction	1-Apr-15	8-Apr-15	15-Apr-15	22-Apr-15	29-Apr-15	6-May-15	13-May-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
Bids received (Ksh M)	7,191.0	7,113.0	3,818.8	1,509.2	1,265.4	1,599.5	2,615.2
Amount Accepted (Ksh M)	5,837.4	4,855.1	3,769.1	1,455.0	1,265.4	1,328.9	2,525.0
Maturities (Ksh M)	1,636.2	5,608.4	7,293.1	6,455.4	2,635.1	3,051.8	3,914.4
Average interest Rate (%)	10.543	10.564	10.576	10.595	10.605	10.667	10.768
Treasury Bonds							
Date of Auction							
Tenor		12 yr IFB					
Amount offered (Ksh M)		50,000.0					
Bids received (Ksh M)		24,020.1					
Amount Accepted (Ksh M)		24,020.1					
Maturities (Ksh M)		0.0					
Average interest Rate (%)		11.6					

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	6th March 2015	13th March 2015	20th March 2015	27th March 2015	2nd April 2015	10th April 2015	17th April 2015	24th April 2015	30th April 2015	31st April 2015
1. Treasury Bills (Excluding Repos)	320.57	329.59	333.25	337.98	342.22	345.53	349.27	347.11	346.97	344.69
(As % of total securities)	24.63	25.15	25.36	26.02	26.26	25.92	25.71	25.59	25.58	25.46
2. Treasury Bonds	981.00	981.00	981.00	961.04	961.04	987.49	1009.17	1009.17	1009.17	1009.17
(As % of total securities)	75.37	74.85	74.64	73.98	73.74	74.08	74.29	74.41	74.42	74.54
3. Total Securities (1+2)	1,301.57	1,310.59	1,314.25	1,299.01	1,303.25	1,333.03	1,358.44	1,356.28	1,356.13	1,353.86
4. Overdraft at Central Bank	21.83	21.83	8.24	32.68	37.40	37.40	18.31	22.62	29.77	32.22
5. Other Domestic debt*	28.21	29.98	29.99	29.97	56.46	29.95	29.93	29.94	29.93	29.92
6. Gross Domestic Debt (3+4+5)	1,351.62	1,362.40	1,352.47	1,361.67	1,397.11	1,400.37	1,406.68	1,408.84	1,415.84	1,416.00

* 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

	6-Mar-15	13-Mar-15	20-Mar-15	27-Mar-15	2-Apr-15	10-Apr-15	17-Apr-15	24-Apr-15	30-Apr-15	8-May-15
Treasury bills (Excluding Repos)	23.7	24.2	24.6	24.8	25.0	24.7	24.8	24.6	24.5	24.3
Treasury bonds	72.6	72.0	72.5	70.6	70.1	70.5	71.7	71.6	71.3	71.3
CBK Overdraft to Govt	1.6	2.0	0.6	2.4	2.7	2.7	1.3	1.6	2.1	2.3
Other domestic debt	2.1	1.8	2.2	2.2	2.2	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

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	6-Mar-15	13-Mar-15	20-Mar-15	27-Mar-15	2-Apr-15	10-Apr-15	17-Apr-15	24-Apr-15	30-Apr-15	8-May-15
Banking Institutions	55.0	55.2	54.9	55.8	56.0	56.2	56.0	56.3	56.6	56.6
Insurance Companies	9.3	9.3	9.3	9.0	9.0	8.9	8.9	8.9	8.8	8.8
Parastatals	2.9	2.9	2.9	3.1	3.0	3.1	3.1	3.1	3.1	3.2
Pension funds	23.8	23.8	23.8	23.2	24.7	24.6	24.9	24.7	24.5	24.4
Other investors	9.0	8.8	9.1	8.9	7.2	7.2	7.0	7.0	7.0	6.9
Total	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 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)

	26-Mar-15	2-Apr-15	9-Apr-15	16-Apr-15	23-Apr-15	30-Apr-15	7-May-15	14-May-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,152	7,071	6,995	6,937	6,880	6,855	6,868	6,757
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.58	4.53	4.48	4.45	4.41	4.39	4.40	4.33

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya