



**MAY 15, 2015**

### **Highlights**

*The money market was relatively tight during the week ending May 20, 2015, an account of payment of taxes and sale of Term Auction Deposits under OMO. The average interbank rate decreased marginally to 10.0 percent in the week ending May 20, 2015 from 10.23 percent in the previous week.*

Overall capital markets performance declined in the week ending May 21, 2015.

### **Monetary Policy Operations**

The money market was relatively tight during the week ending May 20, 2015, on account of payment of taxes and net issuance of OMO securities (**Table 1**). Reserve money averaged KSh 342.1 billion during the week ending May 20, 2015 and was KSh 2.1 billion below target.

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

	14-May-15	15-May-15	18-May-15	19-May-15	20-May-15	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>2.3</b>	<b>9.8</b>	<b>32.1</b>	<b>2.9</b>	<b>4.1</b>	<b>51.2</b>
Repos Maturities	0.0	0.0	4.5	0.2	1.0	5.7
Overnight loans to banks	0.0	4.2	0.2	0.3	0.0	4.6
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	11.1	0.0	0.0	11.1
T/bonds redemptions	0.0	0.0	11.9	0.0	0.0	11.9
Govt payments	2.3	5.7	2.2	2.4	3.1	15.5
<b>Total liquidity reduction</b>	<b>12.8</b>	<b>4.7</b>	<b>13.3</b>	<b>3.8</b>	<b>9.6</b>	<b>44.1</b>
T/bills (Primary issues)	0.0	0.0	4.4	0.0	0.0	4.4
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	0.0	0.0	0.0	0.0
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.3	0.9	2.0	0.1	0.0	3.3
Overnight borrowings repayments	0.0	0.0	4.2	0.2	0.3	4.6
Transfer from Banks -Taxes	1.9	3.7	2.7	3.5	9.2	21.0
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>-10.5</b>	<b>5.1</b>	<b>18.8</b>	<b>-0.9</b>	<b>-5.5</b>	<b>7.0</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	<b>5.0</b>	<b>6.0</b>	<b>5.0</b>	<b>3.0</b>	<b>4.0</b>	<b>23.0</b>
<b>Realised Amount</b>	<b>0.3</b>	<b>0.9</b>	<b>2.0</b>	<b>0.1</b>	<b>0.0</b>	<b>3.3</b>
Repo (-)	0.0	0.5	0.0	0.0	0.0	0.5
Term Auction Deposits (-)	0.3	0.4	2.0	0.1	0.0	2.8
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Reserve Money Position</b>						<b>Average</b>
Reserve money (actual)	328.6	333.3	352.5	351.2	345.0	342.1
Reserve money target	343.8	343.8	344.6	344.6	344.6	344.2
Deviation from target	-15.1	-10.5	8.0	6.6	0.4	-2.1
Commercial banks excess reserves Exc(+)/ Short(-)	-17.8	-15.0	4.0	3.5	-1.0	-5.2
Cash outside bank Exc(+)/ Short(-)	2.6	4.5	4.0	3.1	1.5	3.1

Source: Central Bank of Kenya

### Short-Term Rates

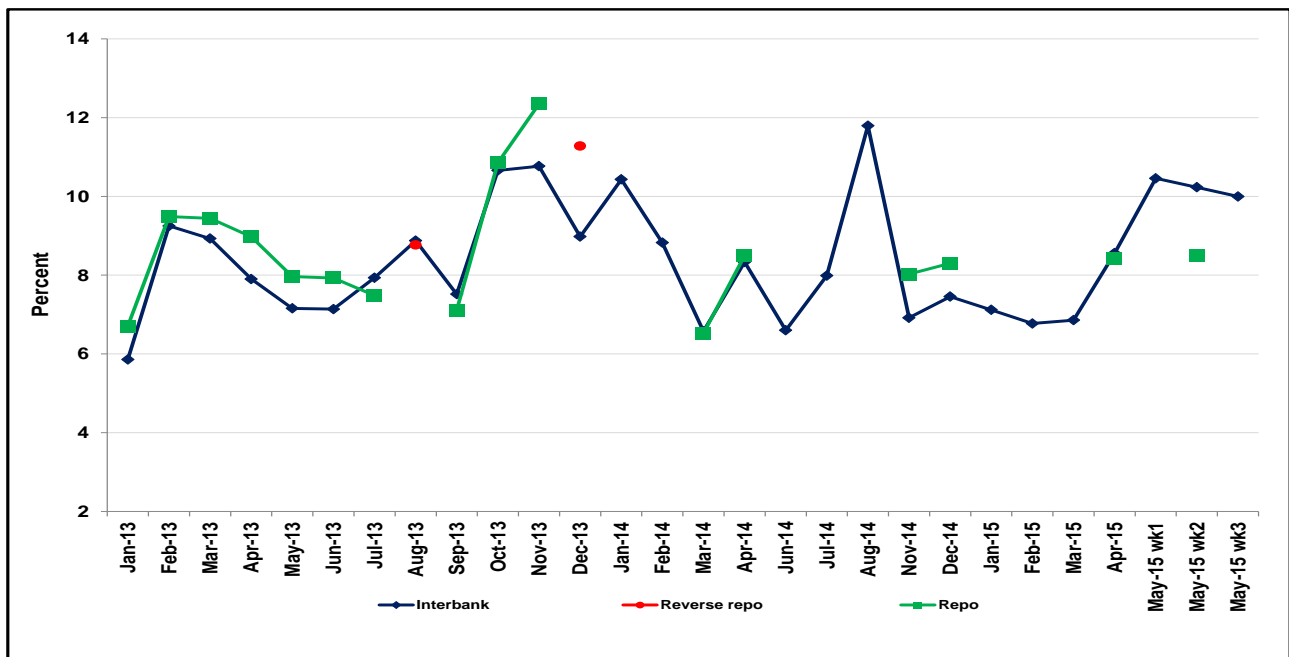
The average interbank rate decreased marginally to 10.0 percent in the week ending May 20, 2015 from 10.23 percent in the previous week. However, the decline in the daily trend reversed in the current week underscoring tighter liquidity conditions. During the week under review, the volume transacted increased to KSh 18.4 billion from KSh 17.2 billion traded in the previous week, and the number of deals decreased to 63 from 65 deals recorded in the previous week (Table 2 and Chart A).

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

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)
07-May-15	70	20,496	10.72
08-May-15	79	21,287	10.75
11-May-15	66	14,789	10.59
12-May-15	54	12,420	9.66
13-May-15	57	17,152	9.44
<b>May 7, 2015 - May 13,2015</b>	<b>65</b>	<b>17,229</b>	<b>10.23</b>
14-May-15	67	19,875	9.29
15-May-15	56	11,936	9.56
18-May-15	61	21,599	9.75
19-May-15	72	21,421	10.37
20-May-15	59	17,239	11.01
<b>May 14, 2015 - May 20,2015</b>	<b>63</b>	<b>18,414</b>	<b>10.00</b>

Source: Central Bank of Kenya

**CHART A: STRUCTURE OF INTEREST RATES**

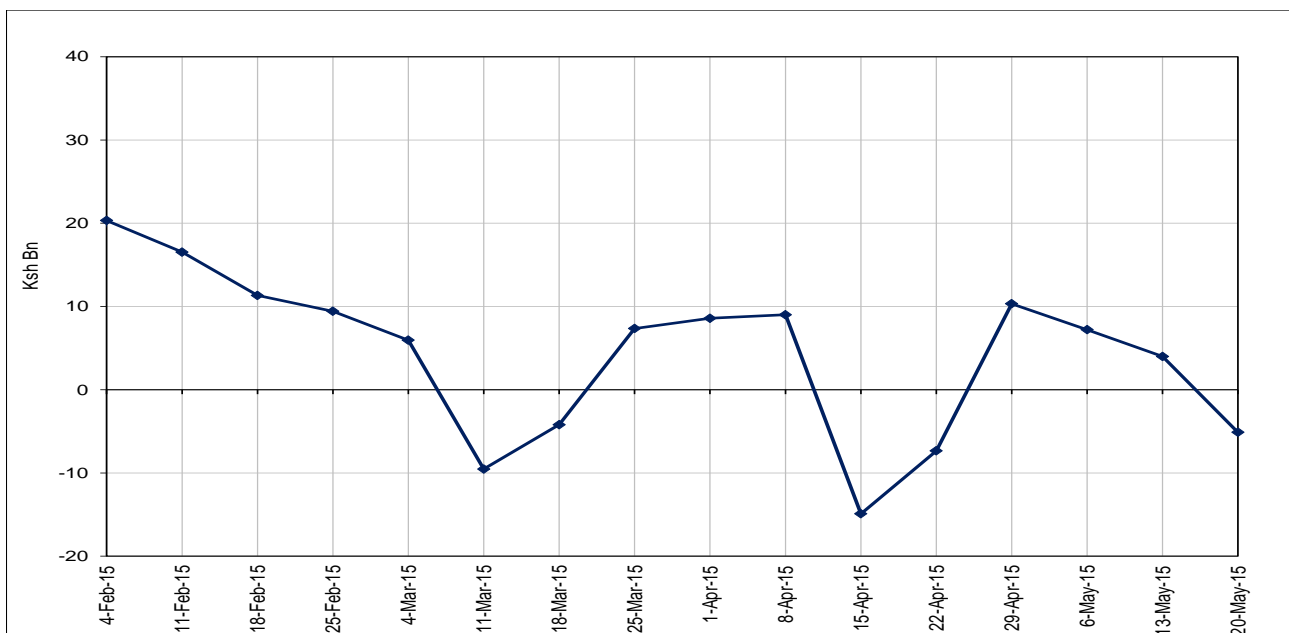


Source: Central Bank of Kenya

**Commercial Banks Clearing Account Balances**

Commercial banks’ clearing account in the week ending May 20, 2015 recorded a deficit of KSh 5.1 billion in relation to the cash reserve requirement of 5.25 percent (KSh 125.4 billion) compared with a surplus of KSh 4.0 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 weakened against major international currencies and displayed mixed trend against regional currencies during the week ending May 21, 2015. It weakened by 0.37 percent to the US Dollar, 0.92 percent to the Pound Sterling, 1.17 percent to the Euro and 0.29 percent to the Japanese Yen. In the EAC region, the Kenya Shilling strengthened against the Tanzania Shilling but weakened against the Uganda Shilling and the Rwanda and Burundi Francs (Table 3).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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
<b>8-14 May 2015</b>	<b>96.00</b>	<b>149.35</b>	<b>107.45</b>	<b>80.11</b>	<b>31.26</b>	<b>20.83</b>	<b>7.19</b>	<b>16.28</b>
15-May-15	96.15	151.62	109.57	80.47	31.15	20.90	7.17	16.33
18-May-15	95.97	150.87	109.75	80.17	31.18	21.05	7.18	16.26
19-May-15	96.31	150.87	109.01	80.46	31.15	21.03	7.15	16.27
20-May-15	96.54	149.77	107.59	80.64	31.03	21.05	7.14	16.25
21-May-15	96.80	150.46	107.62	79.96	30.89	20.97	7.12	16.20
<b>15-21 May 2015</b>	<b>96.35</b>	<b>150.72</b>	<b>108.71</b>	<b>80.34</b>	<b>31.08</b>	<b>21.00</b>	<b>7.15</b>	<b>16.26</b>

*Source: Central Bank of Kenya*

## The Capital Markets

Nairobi Securities Exchange recorded an overall decline in the equities and bonds market segments in the week ending May 21, 2015.

### Equities Market

Equity Turnover declined by 4.96 percent on account of 31.20 percent decline in share supply and a fall in average share prices across counters as reflected in the 0.80 percent decline in NASI and 1.02 percent decline in NSE 20 Share Index. Similarly, market capitalisation declined by 0.80 percent as average share prices declined (Table 4).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	09-Apr-15	16-Apr-15	23-Apr-15	29-Apr-15	07-May-15	14-May-15	22-May-15	Wkly Change
NASI 100= 2008	170.46	171.57	171.58	172.35	171.52	167.82	166.00	-0.80%
NSE 20 Share Index 100= 1996	5,128.03	5,078.74	5,026.94	5,061.11	5,074.76	4,979.71	4,928.91	-1.02%
Number of Deals	5,394	8,768	9,154	7,250	9,831	9,134	8,131	-10.98%
Total Shares Traded	105.79	95.52	94.81	86.54	155.00	191.09	131.47	-31.20%
Equity Turnover (Ksh. Millions)	2,367.99	3,062.52	3,226.26	2,644.95	4,845.18	5,434.47	5,165.07	-4.96%
Market Capitalization (Ksh. Bn.)	2,379.82	2,399.38	2,399.64	2,410.98	2,399.45	2,347.46	2,328.78	-0.80%
Bonds Turnover (Ksh. Millions)	7,117.25	6,924.80	5,884.85	3,493.55	3,018.04	9,263.15	1,894.35	-79.55%
FTSE NSE Kenya 15 Index	226.39	228.77	229.31	228.41	228.44	220.64	222.18	0.70%
FTSE NSE Kenya 25 Index	226.79	228.84	229.40	228.57	228.27	220.16	221.56	0.64%
FTSE NSE Bond Index	92.42	92.21	92.43	92.75	91.78	91.52	91.91	0.43%

**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 0.70 and 0.64 percent higher as compared to the previous week, Similarly FTSE Government Bond Index recorded a marginal loss of 0.43 percent reflecting an decline in the secondary market yields.

Telecommunication & Technology, Banking and Construction & Allied sectors were the top three most active sectors, representing 37.41 percent, 28.96 percent and 12.3 percent of the total shares traded, respectively. Agricultural sector was the least active with 193,000 shares traded in the week.

### **The Bond Market**

The bond's turnover declined by 79.55 percent to KSh 1,894.35 million from KSh 9,263.15 million in the previous week due to decline in secondary market yields. The number of deals also declined to 76 from 119 deals the previous week.

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

91-Day Treasury Bills									
Date of Auction	02-Apr-15	09-Apr-15	16-Apr-15	23-Apr-15	30-Apr-15	07-May-15	14-May-15	21-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	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	877.2	
Amount Accepted (Ksh M)	711.8	2,394.5	1,467.2	1,041.1	874.6	1,515.6	584.7	2,660.9	
Maturities (Ksh M)	3,492.9	1,346.3	2,898.6	893.5	893.5	849.6	3,115.3	896.1	
Average interest Rate (%)	8.454	8.422	8.408	8.406	8.406	8.357	8.167	8.1	
182-Day Treasury Bills									
Date of Auction	01-Apr-15	08-Apr-15	15-Apr-15	22-Apr-15	29-Apr-15	06-May-15	13-May-15	20-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	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	1,150.2	
Amount Accepted (Ksh M)	3,660.3	4,611.2	4,754.2	5,001.2	634.0	402.7	1,269.2	265.9	
Maturities (Ksh M)	2,558.2	2,300.6	2,626.3	715.8	779.3	2,680.4	4,748.0	1,203.0	
Average interest Rate (%)	10.271	10.248	10.252	10.272	10.268	10.326	10.348	10.6	
364-Day Treasury Bills									
Date of Auction	01-Apr-15	08-Apr-15	15-Apr-15	22-Apr-15	29-Apr-15	06-May-15	13-May-15	20-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	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	364.7	
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	364.7	
Maturities (Ksh M)	1,636.2	5,608.4	7,293.1	6,455.4	2,635.1	3,051.8	3,914.4	550.9	
Average interest Rate (%)	10.543	10.564	10.576	10.595	10.605	10.667	10.768	10.8	
Treasury Bonds									
Date of Auction									
Tenor	12 yr IFB							10 Year FXD(Re-open)	2 Year FXD (Re-open)
Amount offered (Ksh M)	50,000.0							20,000.0	
Bids received (Ksh M)	24,020.1							32,557.3	
Amount Accepted (Ksh M)	24,020.1							25,287.2	
Maturities (Ksh M)	0.0							11,924.0	
Average interest Rate (%)	11.6							12.9	11.8

Source: Central Bank of Kenya

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

	13th March 2015	20th March 2015	27th March 2015	2nd April 2015	10th April 2015	17th April 2015	24th April 2015	30th April 2015	8th May 2015	15th May 2015
1. Treasury Bills (Excluding Repos)	329.59	333.25	337.98	342.22	345.53	349.27	347.11	346.97	344.69	340.58
(As % of total securities)	25.15	25.36	26.02	26.26	25.92	25.71	25.59	25.58	25.46	25.23
2. Treasury Bonds	981.00	981.00	961.04	961.04	987.49	1009.17	1009.17	1009.17	1009.17	1009.17
(As % of total securities)	74.85	74.64	73.98	73.74	74.08	74.29	74.41	74.42	74.54	74.77
3. Total Securities (1+2)	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	1,349.75
4. Overdraft at Central Bank	21.83	8.24	32.68	37.40	37.40	18.31	22.62	29.77	32.22	24.40
5. Other Domestic debt*	29.98	29.99	29.97	56.46	29.95	29.93	29.94	29.93	29.92	29.53
6. Gross Domestic Debt (3+4+5)	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	1,403.68

Source: Central Bank of Kenya

**TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT**

## CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

TABLE 7: COMPOSITION OF GOVERNMENT DOMESTIC DEBT BY INSTRUMENT											
	06-Mar-15	13-Mar-15	20-Mar-15	27-Mar-15	02-Apr-15	10-Apr-15	17-Apr-15	24-Apr-15	30-Apr-15	08-May-15	15-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	24.3
Treasury bonds	72.6	72.0	72.5	70.6	70.1	70.5	71.7	71.6	71.3	71.3	71.9
CBK Overdraft to Govt	1.6	2.0	0.6	2.4	2.7	2.7	1.3	1.6	2.1	2.3	1.7
Other domestic debt	2.1	1.8	2.2	2.2	2.2	2.1	2.1	2.1	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>	<b>100.0</b>	<b>100.0</b>

*Source: Central Bank of Kenya*

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

	06-Mar-15	13-Mar-15	20-Mar-15	27-Mar-15	02-Apr-15	10-Apr-15	17-Apr-15	24-Apr-15	30-Apr-15	08-May-15	15-May-15
Banking Institutions	55.0	55.2	54.9	55.8	56.0	56.2	56.0	56.3	56.6	56.6	56.3
Insurance Companies	9.3	9.3	9.3	9.0	9.0	8.9	8.9	8.9	8.8	8.8	8.9
Parastatals	2.9	2.9	2.9	3.1	3.0	3.1	3.1	3.1	3.1	3.2	3.2
Pension funds	23.8	23.8	23.8	23.2	24.7	24.6	24.9	24.7	24.5	24.4	24.6
Other investors	9.0	8.8	9.1	8.9	7.2	7.2	7.0	7.0	7.0	6.9	7.0
<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>	<b>100.0</b>

*Source: Central Bank of Kenya*

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

	26-Mar-15	02-Apr-15	09-Apr-15	16-Apr-15	23-Apr-15	30-Apr-15	07-May-15	14-May-15	21-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	6,803
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	4.36

\*Excludes Encumbered Reserves

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

*Source: Central Bank of Kenya*