



MAY 29, 2015

Highlights

The money market was tight during the week ending May 27, 2015, with the average interbank rate rising to 12.3 percent in the week ending May 27, 2015 from 10.0 percent in the previous week.

Monetary Policy Operations

The money market recorded tight liquidity during the week ending May 27, 2015, with commercial banks recording on average, a shortfall of Ksh 4.2 billion in relation to the 5.25 percent minimum Cash Reserve Requirement (Table 1). Reserve money averaged KSh 340.7 billion during the week ending May 27, 2015 and was KSh 4.3 billion below target.

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

	21-May-15	22-May-15	25-May-15	26-May-15	27-May-15	Total
Liquidity Flows						
Total liquidity injection	5.0	7.2	24.0	10.4	19.1	65.7
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.0	0.0	2.5	7.7	3.0	13.2
T/bills redemptions	0.0	0.0	2.5	0.0	0.0	2.5
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	3.8	3.7	4.5	2.7	16.1	30.8
Total liquidity reduction	4.2	7.9	33.9	8.5	3.3	57.8
T/bills (Primary issues)	0.0	0.0	3.3	0.0	0.0	3.3
Tbonds Sales	0.0	0.0	25.3	0.0	0.0	25.3
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	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	4.2	6.7	2.6	1.4	3.3	18.2
Net liquidity injection (+)/Withdrawal (-)	0.8	-0.8	-9.9	1.9	15.8	7.8
Open Market Operations Outcome						
Posted Amount	4.0	0.0	0.0	0.0	0.0	4.0
Realised Amount	0.0	0.0	0.0	0.0	0.0	0.0
Repo (-)	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						Average
Reserve money (actual)	345.9	344.1	332.0	333.2	348.4	340.7
Reserve money target	344.6	344.6	345.3	345.3	345.3	345.0
Deviation from target	1.3	-0.5	-13.3	-12.2	3.1	-4.3
Commercial banks excess reserves Exc(+)/ Short(-)	0.1	-1.0	-12.9	-11.5	4.0	-4.2
Cash outside bank Exc(+)/ Short(-)	1.3	0.5	-0.5	-0.6	-0.9	-0.1

Source: Central Bank of Kenya

Short-Term Rates

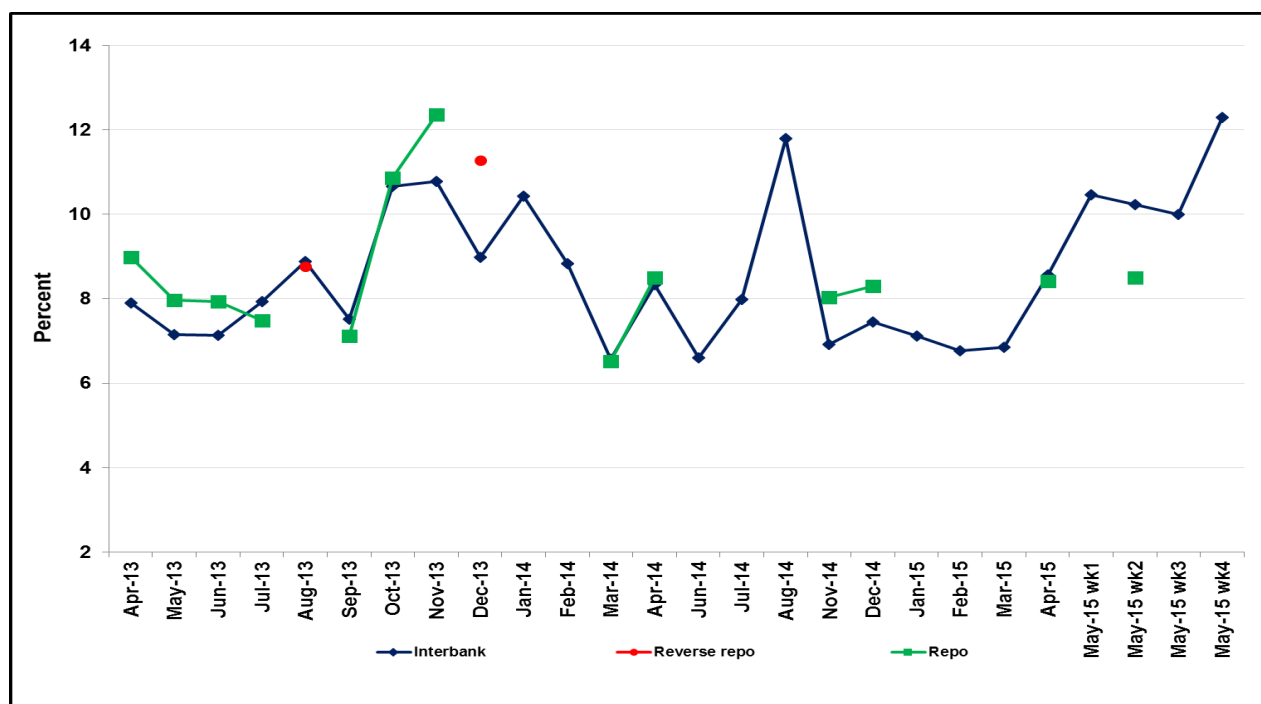
The average interbank rate increased to 12.3 percent in the week ending May 27, 2015 from 10.0 percent in the previous week. During the week under review, the volume transacted decreased to KSh 15.7 billion from KSh 18.4 billion traded in the previous week, and the number of deals decreased to 54 from 63 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 (%)
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
May 14, 2015 - May 20,2015	63	18,414	10.00
21-May-15	48	16,929	11.52
22-May-15	58	11,625	11.63
25-May-15	48	12,391	12.42
26-May-15	56	19,533	12.76
27-May-15	59	18,001	13.18
May 20, 2015 - May 27,2015	54	15,696	12.30

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES

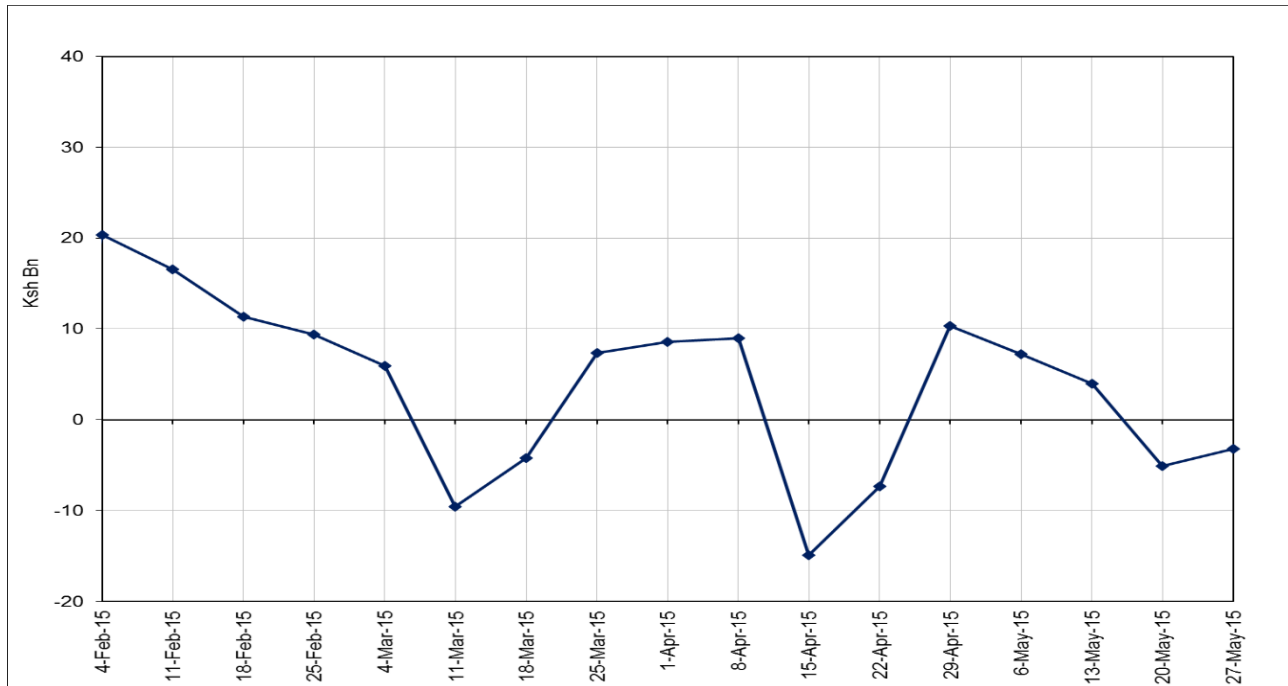


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ clearing account recorded a deficit of KSh 3.2 billion in relation to the Cash Reserve Requirement of 5.25 percent (KSh 125.4 billion) in the week ending May 27, 2015, compared with a deficit of KSh 5.1 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

During the week ending May 28, 2015, the Kenya Shilling exchange rate strengthened against the Euro and the Japanese Yen by 1.3 percent and 0.45 percent respectively but weakened against the US Dollar and the Pound Sterling by 1.43 percent and 0.21 percent respectively. In the EAC region, the Kenya Shilling strengthened against the Tanzania Shilling but weakened against the Uganda Shilling as well as the Rwanda and Burundi Francs (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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
15-21 May 2015	96.35	150.72	108.71	80.34	31.08	21.00	7.15	16.26
22-May-15	96.81	150.45	107.62	80.14	30.81	21.12	7.12	16.19
25-May-15	97.39	150.72	106.99	80.08	30.80	21.07	7.07	16.12
26-May-15	97.90	151.25	107.07	80.33	30.73	21.07	7.04	15.91
27-May-15	98.31	151.58	107.34	80.02	30.77	21.08	7.01	15.82
28-May-15	98.24	151.15	107.42	79.35	31.00	21.28	6.98	15.89
22-28 May 2015	97.73	151.03	107.29	79.98	30.82	21.12	7.04	15.98

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Markets

Nairobi Securities Exchange recorded a decline in the equities market segment and gains in the bond market in the week ending May 28, 2015.

Equities Market

The NSE 20 Share Index and NASI declined by 2.50 percent and 3.02 percent respectively. A 25.12 percent increase in share supply, reflecting overall sell-offs. The shareholders wealth measured by market capitalisation lost Ksh 70.38 billion or 3.02 percent during the week under review. The decline was across all counters. Reflecting largely lower prices, equity turnover declined by 13.2 percent and Market Capitalisation shed off Ksh 70.4 billion or 3.0 percent in market value (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	16-Apr-15	23-Apr-15	29-Apr-15	7-May-15	14-May-15	22-May-15	28-Apr-15	Wkly Change
NASI 100= 2008	171.57	171.58	172.35	171.52	167.82	166.48	161.46	-3.02%
NSE 20 Share Index 100= 1996	5,078.74	5,026.94	5,061.11	5,074.76	4,979.71	4,928.91	4,805.89	-2.50%
Number of Deals	8,768	9,154	7,250	9,831	9,134	8,131	8,758	7.71%
Total Shares Traded	95.52	94.81	86.54	155.00	191.09	131.47	164.49	25.12%
Equity Turnover (Ksh. Millions)	3,062.52	3,226.26	2,644.95	4,845.18	5,434.47	5,165.07	4,481.55	-13.23%
Market Capitalization (Ksh. Bn.)	2,399.38	2,399.64	2,410.98	2,399.45	2,347.46	2,328.78	2,258.40	-3.02%
Bonds Turnover (Ksh. Millions)	6,924.80	5,884.85	3,493.55	3,018.04	9,263.15	1,894.35	7,141.38	276.98%
FTSE NSE Kenya 15 Index	228.77	229.31	228.41	228.44	220.64	222.18	215.52	-3.00%
FTSE NSE Kenya 25 Index	228.84	229.40	228.57	228.27	220.16	221.56	215.27	-2.84%
FTSE NSE Bond Index	92.21	92.43	92.75	91.78	91.52	91.91	92.42	0.55%

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 measures stocks performance of 15 largest companies by market capitalization and 25 most liquid stocks at the NSE respectively, closed the week 3.0 and 2.84 percent lower as compared to the previous week. Similarly FTSE Government Bond Index recorded a marginal gain of 0.55 percent reflecting marginal decline in the secondary market yields.

Telecommunication and Technology, Banking and Investment sectors were the three most active sectors, representing 66.12 percent, 18.21 percent and 3.52 percent of the total shares traded, respectively. Agricultural sector was the least active with 99,300 shares traded.

The Bond Market

The bond's turnover increased by 276.98 percent to Ksh 7,141.38 million from Ksh 1,894.35 million in the previous week on account of new bond issue and relative stability in secondary market yields. Similarly, the number of deals increased to 145 compared from 76 deals traded the previous week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills						
Date of Auction	23-Apr-15	30-Apr-15	7-May-15	14-May-15	21-May-15	28-May-15
Amount offered (Ksh M)	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0
Bids received (Ksh M)	1,041.1	874.6	1,516.9	585.7	877.2	1,397.3
Amount Accepted (Ksh M)	1,041.1	1,041.1	1,515.6	584.7	2,660.9	718.1
Maturities (Ksh M)	893.5	893.5	849.6	3,115.3	896.1	4,733.4
Average interest Rate (%)	8.406	8.406	8.357	8.167	8.1	8.2
182-Day Treasury Bills						
Date of Auction	22-Apr-15	29-Apr-15	6-May-15	13-May-15	20-May-15	27-May-15
Amount offered (Ksh M)	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Bids received (Ksh M)	5,048.7	634.0	402.7	1,269.2	1,150.2	372.1
Amount Accepted (Ksh M)	5,001.2	634.0	402.7	1,269.2	265.9	372.1
Maturities (Ksh M)	715.8	779.3	2,680.4	4,748.0	1,203.0	4,421.3
Average interest Rate (%)	10.272	10.268	10.326	10.348	10.6	10.5
364-Day Treasury Bills						
Date of Auction	22-Apr-15	29-Apr-15	6-May-15	13-May-15	20-May-15	27-May-15
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	1,509.2	1,265.4	1,599.5	2,615.2	364.7	1,008.4
Amount Accepted (Ksh M)	1,455.0	1,265.4	1,328.9	2,525.0	364.7	1,008.4
Maturities (Ksh M)	6,455.4	2,635.1	3,051.8	3,914.4	550.9	2,495.5
Average interest Rate (%)	10.595	10.605	10.667	10.768	10.8	10.8
Treasury Bonds						
Date of Auction						
Tenor					10 Year FXD (Re-open)	2 Year FXD (Re-open)
Amount offered (Ksh M)					20,000.0	
Bids received (Ksh M)					32,557.3	
Amount Accepted (Ksh M)					11,658.4	25,287.2
Maturities (Ksh M)					11,924.0	
Average interest Rate (%)					12.9	11.8

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	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	22nd May 2015
1. Treasury Bills (Excluding Repos)	333.25	337.98	342.22	345.53	349.27	347.11	346.97	344.69	340.58	333.53
(As % of total securities)	25.36	26.02	26.26	25.92	25.71	25.59	25.58	25.46	25.23	25.06
2. Treasury Bonds	981.00	961.04	961.04	987.49	1009.17	1009.17	1009.17	1009.17	1009.17	997.24
(As % of total securities)	74.64	73.98	73.74	74.08	74.29	74.41	74.42	74.54	74.77	74.94
3. Total Securities (1+2)	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	1,330.77
4. Overdraft at Central Bank	8.24	32.68	37.40	37.40	18.31	22.62	29.77	32.22	24.40	29.28
5. Other Domestic debt*	29.99	29.97	56.46	29.95	29.93	29.94	29.93	29.92	29.53	29.54
6. Gross Domestic Debt (3+4+5)	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	1,389.59

* 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

	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	15-May-15	22-May-15
Treasury bills (Excluding Repos)	24.2	24.6	24.8	25.0	24.7	24.8	24.6	24.5	24.3	24.3	24.0
Treasury bonds	72.0	72.5	70.6	70.1	70.5	71.7	71.6	71.3	71.3	71.9	71.8
CBK Overdraft to Govt	2.0	0.6	2.4	2.7	2.7	1.3	1.6	2.1	2.3	1.7	2.1
Other domestic debt	1.8	2.2	2.2	2.2	2.1	2.1	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	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	20-Mar-15	27-Mar-15	2-Apr-15	10-Apr-15	17-Apr-15	24-Apr-15	30-Apr-15	8-May-15	15-May-15	22-May-15
Banking Institutions	54.9	55.8	56.0	56.2	56.0	56.3	56.6	56.6	56.3	56.1
Insurance Companies	9.3	9.0	9.0	8.9	8.9	8.9	8.8	8.8	8.9	8.8
Parastatals	2.9	3.1	3.0	3.1	3.1	3.1	3.1	3.2	3.2	3.4
Pension funds	23.8	23.2	24.7	24.6	24.9	24.7	24.5	24.4	24.6	24.7
Other investors	9.1	8.9	7.2	7.2	7.0	7.0	7.0	6.9	7.0	7.0
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	21-May-15	28-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	6,770
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	4.33

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya