



**NOVEMBER 20, 2015**

### **Highlights**

*The Monetary Policy Committee retained the CBR at 11.5 percent.*

*The money market was relatively liquid during the week ending November 18, 2015. Liquidity was however skewed in favor of a few large banks. The average interbank rate increased to 10.38 percent in the week ending November 18, 2015 from 9.8 percent in the previous week.*

*Capital markets recorded mixed performance in the week ended 19 November 2015 with the equities segment recording gains as the bonds segment indicators recorded declines.*

### **Monetary Policy Stance**

The Monetary Policy Committee met on November 17, 2015 and retained the Central Bank Rate at 11.5 percent. The committee noted that monetary policy measures in place are appropriate to maintain market stability and anchor inflationary expectations.

### **Monetary Policy Operations.**

The money market was relatively liquid during the week ending November 18, 2015. Liquidity was however skewed in favor of a few large banks. The Central Bank continued to boost liquidity distribution in the interbank money market through reverse repo purchases. Reserve money averaged KSh 404.4 billion during the week ending November 18, 2015 and was KSh 32.8 billion above target (**Table 1**).

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

	12-Nov-15	13-Nov-15	16-Nov-15	17-Nov-15	18-Nov-15	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>2.6</b>	<b>11.5</b>	<b>14.6</b>	<b>1.3</b>	<b>14.0</b>	<b>44.0</b>
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	8.7	0.0	0.0	12.0	20.7
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	8.5	0.0	0.0	8.5
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	1.8	0.0	0.0	1.8
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	2.4	2.8	4.3	1.3	2.1	12.9
<b>Total liquidity reduction</b>	<b>6.8</b>	<b>10.6</b>	<b>27.3</b>	<b>3.4</b>	<b>19.7</b>	<b>67.8</b>
T/bills (Primary issues)	0.0	0.0	24.9	0.0	0.0	24.9
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	8.2	0.0	0.0	15.6	23.8
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.6	2.4	1.7	1.9	2.2	10.8
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>-4.2</b>	<b>0.8</b>	<b>-12.7</b>	<b>-2.1</b>	<b>-5.7</b>	<b>-23.8</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	0.0	8.0	0.0	0.0	16.0	24.0
<b>Realised Amount</b>	<b>0.0</b>	<b>8.7</b>	<b>0.0</b>	<b>0.0</b>	<b>12.0</b>	<b>20.7</b>
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	8.7	0.0	0.0	12.0	20.7
<b>Reserve Money Position</b>						
Reserve money (actual)	413.7	413.8	405.7	398.1	390.9	404.4
Reserve money target	370.0	370.0	372.8	372.8	372.8	371.7
Deviation from target	<b>43.8</b>	<b>43.8</b>	<b>32.9</b>	<b>25.3</b>	<b>18.1</b>	<b>32.8</b>
Commercial banks excess reserves Exc(+)/ Short(-)	53.2	53.6	46.5	39.1	32.2	44.9
Cash outside bank Exc(+)/ Short(-)	<b>-9.4</b>	<b>-9.8</b>	<b>-13.6</b>	<b>-13.9</b>	<b>-14.1</b>	<b>-12.2</b>

Source: Central Bank of Kenya

### Short-Term Rates

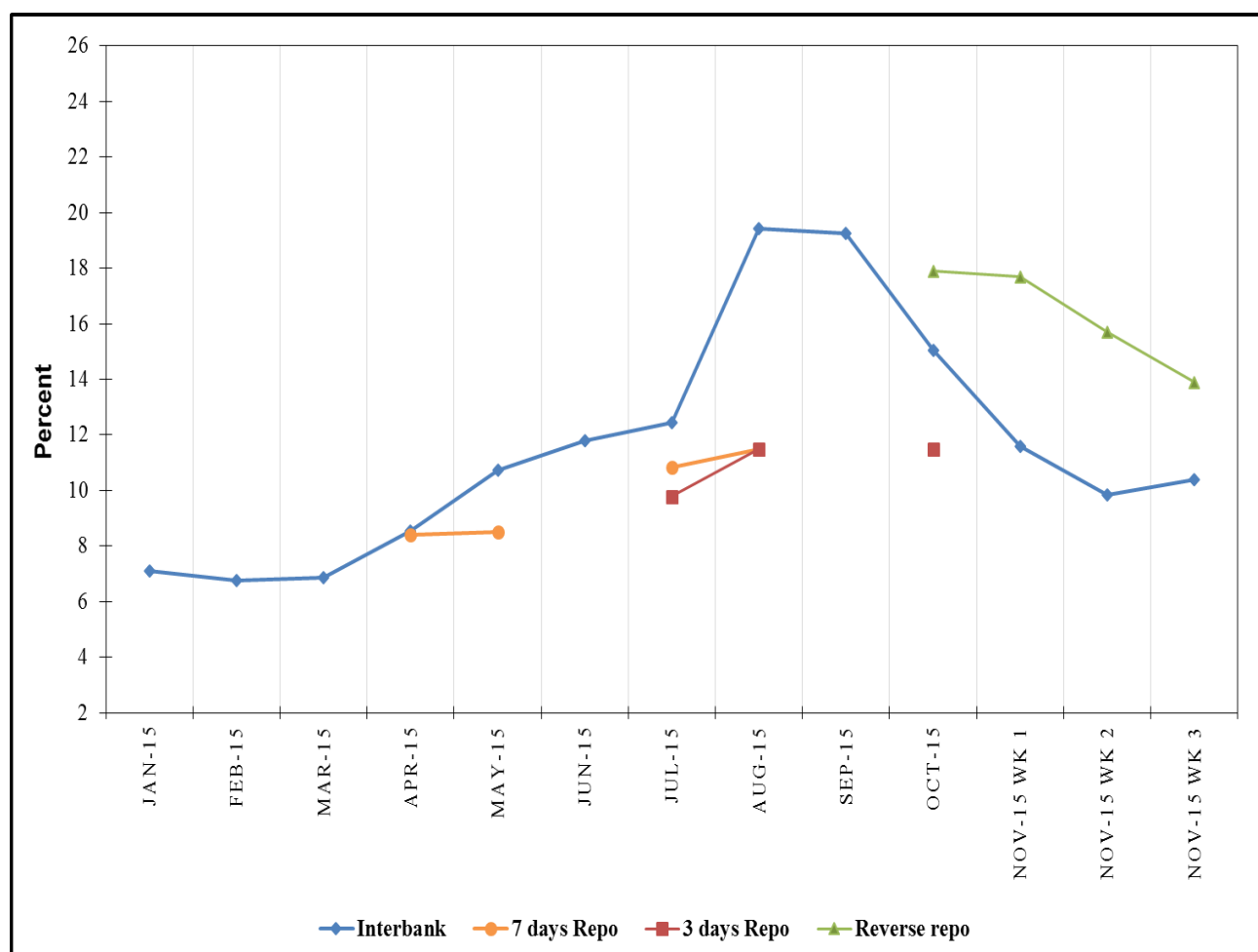
The average interbank rate increased to 10.38 percent in the week ending November 18, 2015 from 9.84 percent in the previous week. The volumes transacted in the interbank money market reduced to KSh 7.2 billion from KSh 8.0 billion traded in the previous week. The number of deals also declined to 30 deals from 36 deals. The reverse repo purchases recorded a lower average interest rate of 13.9 percent in the week ending November 18, 2015 compared to 15.7 percent recorded the previous week (Table 2 and Chart A).

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

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
5-Nov-15	40	13,263	9.29	
6-Nov-15	30	6,837	9.62	16.25
9-Nov-15	31	4,920	10.19	
10-Nov-15	43	9,132	9.90	
11-Nov-15	34	6,035	10.21	15.14
<b>November 5, 2015-November 11, 2015</b>	<b>36</b>	<b>8,037</b>	<b>9.84</b>	<b>15.70</b>
12-Nov-15	38	10,780	10.91	
13-Nov-15	37	8,670	11.00	14.17
16-Nov-15	26	5,640	10.51	
17-Nov-15	22	3,685	10.53	
18-Nov-15	<b>28</b>	<b>7,110</b>	<b>8.94</b>	<b>13.62</b>
<b>November 12, 2015-November 18, 2015</b>	<b>30</b>	<b>7,177</b>	<b>10.38</b>	<b>13.90</b>

Source: Central Bank of Kenya

**CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES**

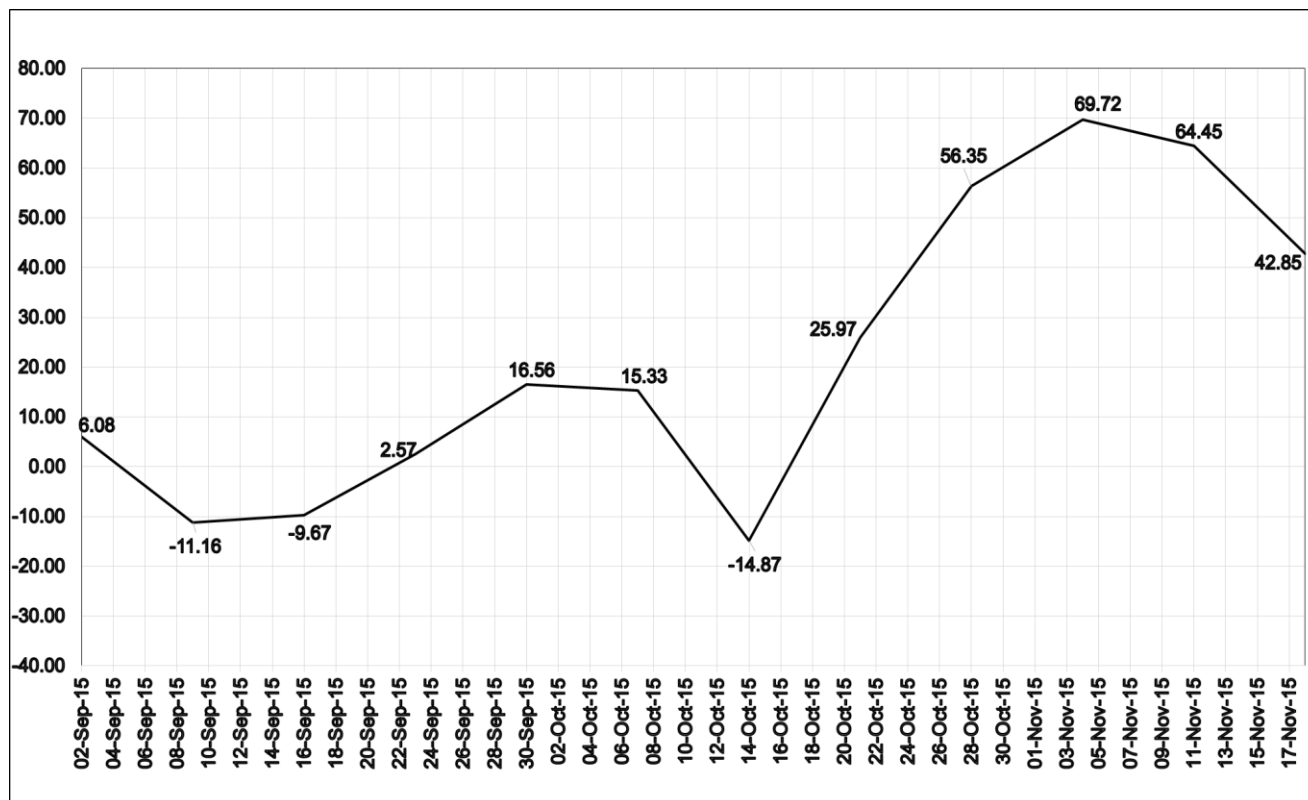


Source: Central Bank of Kenya

### Commercial Banks Clearing Account Balances

Commercial banks' daily free reserves based on the cash reserve requirement of 5.25 percent averaged KSh 42.85 billion in the week ending November 18, 2015 compared to KSh 64.45 billion recorded in the previous week (**Chart B**). The reduction of free reserves is attributed largely to payments for Government securities issued to the primary 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 strengthened against all EAC currencies but displayed mixed performance against major international currencies during the week ending November 19, 2015. It strengthened by 0.68 percent against the Euro and 0.49 percent against the Japanese Yen and weakened by 0.01 percent against the US Dollar and 0.34 percent against the Pound Sterling.

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
6-Nov-15	102.13	155.84	110.98	84.02	33.39	21.12	7.28	15.26
9-Nov-15	102.24	154.19	109.73	84.11	33.16	20.98	7.29	15.33
10-Nov-15	102.24	154.25	109.84	82.92	33.30	20.93	7.29	15.23
11-Nov-15	102.25	154.49	109.29	82.93	33.94	21.03	7.25	15.10
12-Nov-15	102.29	155.62	109.96	83.21	34.26	21.07	7.24	15.04
<b>5th Nov-12th nov</b>	<b>102.23</b>	<b>154.88</b>	<b>109.96</b>	<b>83.44</b>	<b>33.61</b>	<b>21.03</b>	<b>7.27</b>	<b>15.19</b>
13th nov	102.25	155.30	109.61	83.12	34.28	21.08	7.29	15.35
16th-nov	102.31	155.69	109.72	83.55	33.97	21.02	7.38	15.09
17th nov	102.24	155.16	108.95	82.84	33.84	21.06	7.25	15.04
18th nov	102.21	155.42	108.82	82.90	33.31	21.04	7.25	15.19
19th nov	102.19	155.46	108.99	82.75	32.81	21.09	7.30	15.36
<b>13th Nov-19th Nov</b>	<b>102.24</b>	<b>155.41</b>	<b>109.22</b>	<b>83.03</b>	<b>33.64</b>	<b>21.06</b>	<b>7.29</b>	<b>15.21</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

## The Capital Markets

Nairobi Securities Exchange recorded mixed performance in the week ended November 19, 2015. The equities market segment recorded gains in most indicators while the bonds market trading activity declined.

### Equities Market

The NSE 20 Share Index, NSE 25 Share Index and NASI recorded gains of 1.40 percent, 2.15 percent and 1.75 percent, respectively. Equity turnover closed 28.9 percent higher during the week to November 19, 2015 on account of 33.3 percent increase in the volume of shares traded. Shareholder wealth, measured by market capitalisation, grew by 1.76 percent on improved prices (Table 4).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	01-Oct-15	08-Oct-15	15-Oct-15	22-Oct-15	30-Oct-15	05-Nov-15	13-Nov-15	19-Nov-15	Wkly Change
NASI 100= 2008	145.65	142.40	135.71	139.43	138.07	139.42	143.79	146.31	1.75%
NSE 25 Share Index		4,175.19	3,953.83	4,060.94	4,059.32	4,051.07	4,119.25	4,207.97	2.15%
NSE 20 Share Index 100= 1996	4,153.00	4,041.35	3,868.18	3,935.88	3,884.13	3,868.09	3,916.62	3,971.30	1.40%
Number of Deals	4,313.00	6,303.00	7,356.00	5,424.00	6,325.00	6,913.00	6,828.00	6,775.00	-0.78%
Total Shares Traded	103.42	100.14	143.73	98.17	173.26	145.35	82.93	110.55	33.30%
Equity Turnover (Ksh. Millions)	4,376.86	3,276.09	4,308.84	2,961.71	6,728.85	4,253.20	2,165.87	2,791.18	28.87%
Market Capitalization (Ksh. Bn.)	2,045.82	2,003.06	1,908.66	1,861.17	1,942.07	1,961.07	2,022.62	2,058.13	1.76%
Bonds Turnover (Ksh. Millions)	3,623.15	2,982.48	6,586.95	4,508.25	13,221.72	4,275.05	7,011.40	5,167.30	-26.30%
FTSE NSE Kenya 15 Index	191.03	187.38	177.66	181.93	180.26	180.86	184.50	186.17	0.91%
FTSE NSE Kenya 25 Index	190.52	187.05	177.21	181.54	179.58	180.59	184.50	185.47	0.53%
FTSE NSE Bond Index	90.53	90.53	90.32	90.32	90.13	89.93	89.89	90.17	0.31%

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 stock performance of 15 largest companies by market capitalization and 25 most liquid stocks at the NSE, closed the week marginally higher at 0.91 percent and 0.53 percent respectively. Similarly, the FTSE Government Bond Index rose by 0.31 percent, reflecting a slight decrease in the secondary market yields.

Banking, Telecommunication and Technology, and Manufacturing and Allied sectors accounted for 38.51 percent, 35.07 percent and 11.5 percent of the total shares traded, respectively. The Agricultural sector was the least active with 0.23 percent of all shares traded in the week.

**The Bond Market**

Total bonds traded declined by 26.3 percent in the week ending 19 November 2015, to close at KSh 5,167.30 million. This can be attributed to the increased investor activity in the equities market over the week. The number of deals traded also declined to 59 from 73 of the week earlier.

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

<b>91-Day Treasury Bills</b>							
Date of Auction	08-Oct-15	15-Oct-15	22-Oct-15	29-Oct-15	05-Nov-15	12-Nov-15	19-Nov-15
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	6,000.0
Bids received (Ksh M)	17,095.4	14,738.0	14,795.4	33,051.2	44,612.9	22,848.5	4,686.5
Amount Accepted (Ksh M)	12,637.8	12,996.7	12,361.0	6,905.7	7,305.4	8,369.8	4,666.4
Maturities (Ksh M)	1,214.9	3,416.0	1,168.0	892.5	704.5	1,749.1	1,868.1
Average interest Rate (%) - 91 Days	21.4	22.1	22.5	19.5	13.8	9.7	9.6
<b>182-Day Treasury Bills</b>							
Date of Auction	07-Oct-15	14-Oct-15	21-Oct-15	28-Oct-15	04-Nov-15	11-Nov-15	18-Nov-15
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	6,000.0
Bids received (Ksh M)	5,670.2	3,736.4	4,877.7	19,197.6	32,892.3	22,770.3	9,303.1
Amount Accepted (Ksh M)	5,294.5	2,342.7	4,868.7	5,601.3	5,646.5	8,620.4	7,445.8
Maturities (Ksh M)	4,846.9	4,997.2	5,252.6	666.5	423.2	1,333.2	279.9
Average interest Rate (%) - 182 days	21.6	21.8	22.3	21.0	16.5	12.3	10.2
<b>364-Day Treasury Bills</b>							
Date of Auction	07-Oct-15	14-Oct-15	21-Oct-15	28-Oct-15	04-Nov-15	11-Nov-15	18-Nov-15
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	6,000.0
Bids received (Ksh M)	12,628.5	12,557.3	20,640.7	40,900.4	50,314.0	23,189.2	4,640.1
Amount Accepted (Ksh M)	8,914.2	7,877.2	16,259.3	7,071.6	8,981.3	7,920.5	7,920.5
Maturities (Ksh M)	8,986.4	8,508.5	1,946.4	7,147.4	8,228.3	6,104.5	6,104.5
Average interest Rate (%) - 364 days	21.5	21.9	22.4	21.2	17.1	13.6	12.1
<b>Treasury Bonds</b>							
Date of Auction							
Tenor			FXD 2/2015/1				
Amount offered (Ksh M)			20,000.0				
Bids received (Ksh M)			31,479.8				
Amount Accepted (Ksh M)			20,490.0				
Maturities (Ksh M)			0.0				
Average interest Rate (%)			23.0				

Source: Central Bank of Kenya

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

	25-Sep-15	02-Oct-15	09-Oct-15	16-Oct-15	23-Oct-15	30-Oct-15	06-Nov-15	13-Nov-15
1. Treasury Bills (Excluding Repos)	272.93	266.60	268.00	282.90	291.85	321.69	334.89	349.55
(As % of total securities)	20.76	20.30	20.38	21.27	21.80	23.16	23.88	24.67
2. Treasury Bonds	1041.80	1046.94	1046.94	1046.94	1046.94	1067.42	1067.42	1067.42
(As % of total securities)	79.24	79.70	79.62	78.73	78.20	76.84	76.12	75.33
<b>3. Total Securities (1+2)</b>	<b>1,314.73</b>	<b>1,313.53</b>	<b>1,314.94</b>	<b>1,329.84</b>	<b>1,338.78</b>	<b>1,389.11</b>	<b>1,402.31</b>	<b>1,416.97</b>
4. Overdraft at Central Bank	43.29	40.78	40.59	29.24	46.37	36.87	34.21	21.79
5. Other Domestic debt*	28.80	28.81	28.82	28.52	28.54	28.54	28.53	28.52
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,386.82</b>	<b>1,383.12</b>	<b>1,384.34</b>	<b>1,387.59</b>	<b>1,413.69</b>	<b>1,454.53</b>	<b>1,465.05</b>	<b>1,467.27</b>

\* 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**

	25-Sep-15	02-Oct-15	09-Oct-15	16-Oct-15	23-Oct-15	30-Oct-15	06-Nov-15	13-Nov-15
Treasury bills (Excluding Repos)	19.7	19.3	19.4	20.4	20.6	22.1	22.9	23.8
Treasury bonds	75.1	75.7	75.6	75.4	74.1	73.4	72.9	72.7
CBK Overdraft to Govt	3.1	2.9	2.9	2.1	3.3	2.5	2.3	1.5
Other domestic debt	2.1	2.1	2.1	2.1	2.0	2.0	1.9	1.9
<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>

Source: Central Bank of Kenya

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

	25-Sep-15	02-Oct-15	09-Oct-15	16-Oct-15	23-Oct-15	30-Oct-15	06-Nov-15	13-Nov-15
Banking Institutions	56.5	56.1	55.7	55.1	55.2	55.5	55.4	55.0
Insurance Companies	8.7	8.8	8.8	8.8	8.7	8.8	8.7	8.7
Parastatals	4.7	4.8	4.8	4.8	4.7	4.7	4.6	4.6
Pension funds	25.3	25.0	25.1	25.5	24.8	25.2	25.3	25.6
Other investors	4.8	5.4	5.7	5.8	6.7	5.9	6.0	6.1
<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>

Source: Central Bank of Kenya

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

	01-Oct-15	08-Oct-15	15-Oct-15	22-Oct-15	29-Oct-15	05-Nov-15	12-Nov-15	19-Nov-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,112	6,207	6,254	6,435	6,563	6,905	6,797	6,754
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	3.89	3.95	3.98	4.10	4.18	4.40	4.33	4.30

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya