



NOVEMBER 6, 2015

Highlights

The money market was liquid during the week ending November 4, 2015 but the liquidity was skewed among a few banks. The Central Bank liquidity management supported the market through roll-over of reverse repos issued the previous week. The average interbank rate declined to 11.6 percent in the week ending November 4, 2015 from 13.6 percent in the previous week.

The capital market recorded mixed performance in the week ending November 5, 2015 as reflected in key performance indicators.

Monetary Policy Operations

The money market was relatively liquid during the week ending November 4, 2015 supported by government payments. However, the liquidity was skewed among a few banks. The Central Bank liquidity management supported the market through roll-over of reverse repos issued the previous week. Reserve money averaged KSh 426.2 billion during the week ending November 4, 2015 and was KSh 60.3 billion above target (**Table 1**).

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

	29-Oct-15	30-Oct-15	2-Nov-15	3-Nov-15	4-Nov-15	Total
Liquidity Flows						
Total liquidity injection	4.1	22.9	22.6	5.5	19.5	74.7
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	12.2	0.0	0.0	15.6	27.7
Term Auction Deposit maturities	0.0	0.0	6.5	0.0	0.0	6.5
T/bills redemptions	0.0	0.0	8.7	0.0	0.0	8.7
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	0.0	0.0	0.0	0.0
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	3.2	10.8	7.0	5.5	4.0	30.5
Total liquidity reduction	2.0	14.3	21.6	7.2	18.3	63.4
T/bills (Primary issues)	0.0	0.0	19.6	0.0	0.0	19.6
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	11.6	0.0	0.0	15.8	27.4
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.0	2.1	2.0	5.7	2.4	14.3
Net liquidity injection (+)/Withdrawal (-)	2.0	8.7	1.0	-1.7	1.3	11.2
Open Market Operations Outcome						
Posted Amount	0.0	12.0	0.0	0.0	16.0	28.0
Realised Amount	0.0	11.6	0.0	0.0	15.8	27.4
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	11.6	0.0	0.0	15.8	27.4
Reserve Money Position						
Reserve money (actual)	421.0	429.6	428.8	425.4	426.2	426.2
Reserve money target	364.2	364.2	367.1	367.1	367.1	365.9
Deviation from target	56.8	65.4	61.7	58.3	59.1	60.3
Commercial banks excess reserves Exc(+)/ Short(-)	68.1	75.2	72.7	67.4	67.5	70.2
Cash outside bank Exc(+)/ Short(-)	-11.3	-9.9	-11.0	-9.1	-8.4	-9.9

Source: Central Bank of Kenya

Interbank Rates

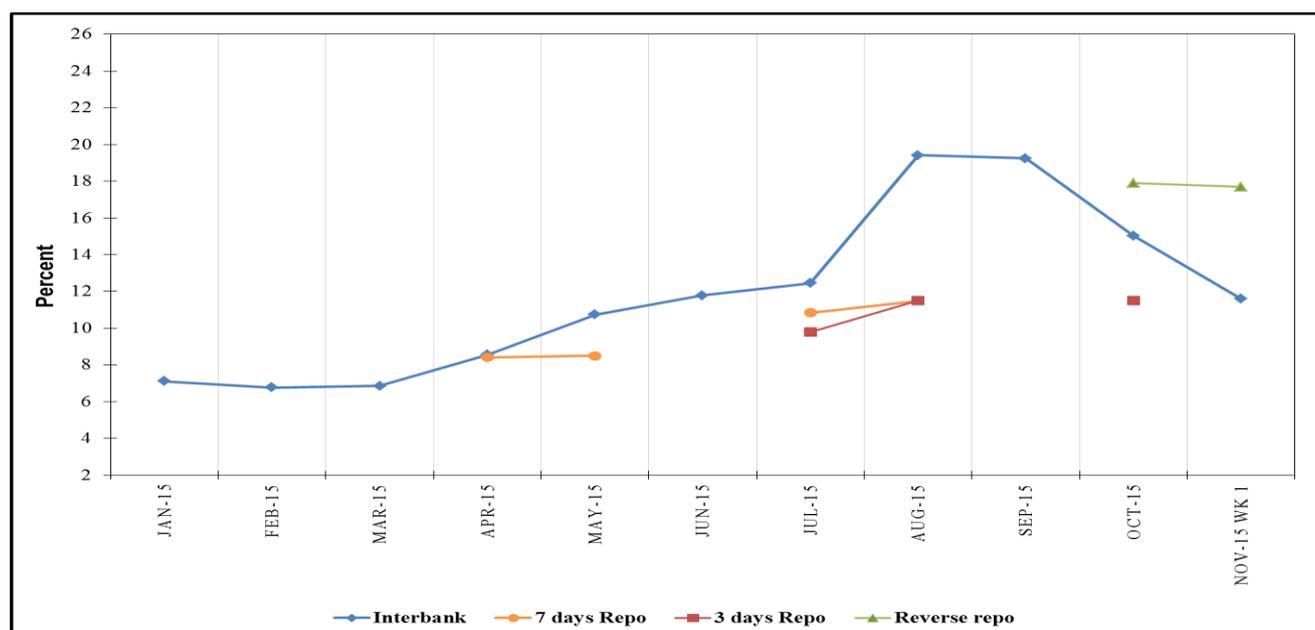
The average interbank rate declined to 11.6 percent in the week ending November 4, 2015 from 13.6 percent in the previous week. The volume transacted decreased to KSh 16.5 billion from KSh 19.3 billion traded in the previous week, with the number of deals increasing to 40 from 35 deals. In the week under review, the reverse repo purchases were traded at an average rate of 17.7 percent, a decline from the previous week's rate of 18.4 percent (**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 (%)
22-Oct-15	31	20,323	14.42	
23-Oct-15	33	20,402	13.79	18.46
26-Oct-15	30	16,830	13.39	
27-Oct-15	34	18,575	13.32	
28-Oct-15	46	20,469	13.32	18.27
October 22, 2015 - October 28, 2015	35	19,320	13.65	18.36
29-Oct-15	37	16,444	13.21	
30-Oct-15	38	15,183	12.79	18.34
2-Nov-15	44	18,299	11.14	
3-Nov-15	35	16,264	10.63	
4-Nov-15	48	16,093	10.19	17.03
October 29, 2015 - November 4, 2015	40	16,457	11.59	17.69

Source: Central Bank of Kenya

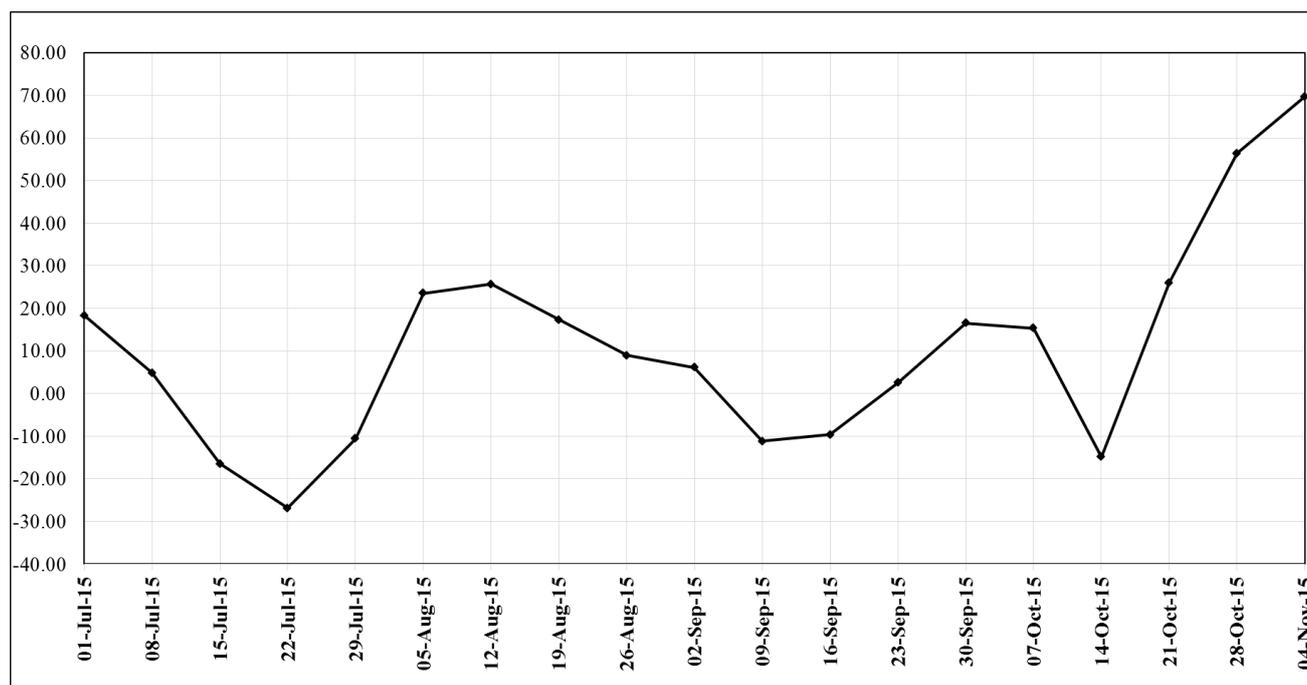
CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES



Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account recorded a surplus of KSh 69.72 billion in relation to the cash reserve requirement of 5.25 percent (KSh 130.9 billion) in the week ending November 4, 2015 compared to a surplus of KSh 56.35 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 depicted mixed performance against major international currencies and depreciated against the EAC currencies in the week ending 5th Nov 2015. The Shilling appreciated by 0.52 against the Euro and 0.08 against the Japanese yen and depreciated by 0.14 against the USD Dollar and 0.44 against the Sterling Pound.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
23-Oct-15	102.02	157.28	113.82	84.54	35.43	21.32	7.24	15.09
26-Oct-15	102.16	156.87	113.01	84.40	35.04	21.24	7.39	15.06
27-Oct-15	101.66	156.13	112.40	84.28	34.95	21.35	7.27	15.26
28-Oct-15	101.64	155.54	112.26	84.40	34.73	21.40	7.33	15.31
29-Oct-15	101.56	155.00	110.97	84.10	34.96	21.47	7.28	15.49
23rd -29th Oct	101.81	156.16	112.49	84.35	35.02	21.35	7.30	15.24
30-Oct-15	101.80	155.60	111.59	84.05	35.02	21.39	7.26	15.12
2-Nov-15	101.97	157.07	112.74	84.69	34.86	21.28	7.31	15.29
3-Nov-15	102.01	157.64	112.55	84.56	34.70	21.29	7.31	15.29
4-Nov-15	102.01	156.98	111.74	84.18	34.58	21.25	7.31	15.27
5-Nov-15	101.97	156.91	110.89	83.92	33.93	21.15	7.26	15.14
30th Oct-5th nov	101.95	156.84	111.90	84.28	34.62	21.28	7.29	15.22

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Nairobi Securities Exchange

The Nairobi Securities Exchange (NSE) equity market segment recorded mixed performance, while activity in the bond market segment declined in the week under review.

Equities Market

Equity Turnover recorded a 36.79 percent loss on account of 16.11 percent drop in total share traded. The NASI gained 0.98 percent, while the NSE 25 Share Index and NSE 20 Share Index lost 0.20 and 0.41 percent, respectively. Shareholders' wealth, measured by Market Capitalization gained by 0.98 percent to KSh.1.96 trillion during the week under review as a result of increase in overall share prices (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	24-Sep-15	1-Oct-15	8-Oct-15	15-Oct-15	22-Oct-15	30-Oct-15	5-Nov-15	Wkly Change
NASI 100= 2008	148.30	145.65	142.40	135.71	139.43	138.07	139.42	0.98%
NSE 25 Share Index			4,175.19	3,953.83	4,060.94	4,059.32	4,051.07	-0.20%
NSE 20 Share Index 100= 1996	4,222.55	4,153.00	4,041.35	3,868.18	3,935.88	3,884.13	3,868.09	-0.41%
Number of Deals	6,812.00	4,313.00	6,303.00	7,356.00	5,424.00	6,325.00	6,913.00	9.30%
Total Shares Traded	67.21	103.42	100.14	143.73	98.17	173.26	145.35	-16.11%
Equity Turnover (Ksh. Millions)	1,673.08	4,376.86	3,276.09	4,308.84	2,961.71	6,728.85	4,253.20	-36.79%
Market Capitalization (Ksh. Bn.)	2,079.94	2,045.82	2,003.06	1,908.66	1,861.17	1,942.07	1,961.07	0.98%
Bonds Turnover (Ksh. Millions)	1,389.42	3,623.15	2,982.48	6,586.95	4,508.25	13,221.72	4,275.05	-67.67%
FTSE NSE Kenya 15 Index	195.09	191.03	187.38	177.66	181.93	180.26	180.86	0.33%
FTSE NSE Kenya 25 Index	194.81	190.52	187.05	177.21	181.54	179.58	180.59	0.56%
FTSE NSE Bond Index	90.41	90.53	90.53	90.32	90.32	90.13	89.93	-0.22%

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 0.33 percent and 0.56 percent higher compared to the previous week. However, the FTSE Government Bond Index, declined marginally by 0.22 percent to 89.93 compared to the previous week, reflecting a slight increase in the secondary market yields.

The Telecommunication and Technology, Banking and Investment Services sectors were the most active, with 41.22 percent, 39.88 percent and 5.15 percent of the total shares traded, respectively. The Automobile & Accessories sector was the least active with only 14,000 shares traded.

The Bond Market

The bond's turnover decreased by 67.67 percent to KSh 4,275.05 million from KSh.13,221.72 million in the previous week. Likewise, the number of deals decreased to 54 compared to 82 deals traded the previous week. The decline in activity may be attributed to normalization in the bond market after last week's rally on the primary market offers and interest rate developments.

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TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills						
Date of Auction	01-Oct-15	08-Oct-15	15-Oct-15	22-Oct-15	29-Oct-15	05-Nov-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)	8,684.9	17,095.4	14,738.0	14,795.4	33,051.2	44,612.9
Amount Accepted (Ksh M)	7,682.4	12,637.8	12,996.7	12,361.0	6,905.7	7,305.4
Maturities (Ksh M)	1,275.5	1,214.9	3,416.0	1,168.0	892.5	704.5
Average interest Rate (%) - 91 Days	20.6	21.4	22.1	22.5	19.5	13.8
182-Day Treasury Bills						
Date of Auction	30-Sep-15	07-Oct-15	14-Oct-15	21-Oct-15	28-Oct-15	04-Nov-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)	2,595.1	5,670.2	3,736.4	4,877.7	19,197.6	32,892.3
Amount Accepted (Ksh M)	2,595.1	5,294.5	2,342.7	4,868.7	5,601.3	5,646.5
Maturities (Ksh M)	3,841.5	4,846.9	4,997.2	5,252.6	666.5	423.2
Average interest Rate (%) - 182 days	20.3	21.6	21.8	22.3	21.0	16.5
364-Day Treasury Bills						
Date of Auction	30-Sep-15	07-Oct-15	14-Oct-15	21-Oct-15	28-Oct-15	04-Nov-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)	3,167.5	12,628.5	12,557.3	20,640.7	40,900.4	50,314.0
Amount Accepted (Ksh M)	3,043.2	8,914.2	7,877.2	16,259.3	7,071.6	8,981.3
Maturities (Ksh M)	8,122.3	8,986.4	8,508.5	1,946.4	7,147.4	8,228.3
Average interest Rate (%) - 364 days	20.7	21.5	21.9	22.4	21.2	17.1
Treasury Bonds						
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)

	11-Sep-15	18-Sep-15	25-Sep-15	02-Oct-15	09-Oct-15	16-Oct-15	23-Oct-15	30-Oct-15
1. Treasury Bills (Excluding Repos)	277.83	278.30	272.93	266.60	268.00	282.90	291.85	321.69
(As % of total securities)	21.05	21.78	20.76	20.30	20.38	21.27	21.80	23.16
2. Treasury Bonds	1041.80	999.67	1041.80	1046.94	1046.94	1046.94	1046.94	1067.42
(As % of total securities)	78.95	78.22	79.24	79.70	79.62	78.73	78.20	76.84
3. Total Securities (1+2)	1,319.63	1,277.97	1,314.73	1,313.53	1,314.94	1,329.84	1,338.78	1,389.11
4. Overdraft at Central Bank	45.51	33.26	43.29	40.78	40.59	29.24	46.37	36.87
5. Other Domestic debt*	28.80	28.79	28.80	28.81	28.82	28.52	28.54	28.54
6. Gross Domestic Debt (3+4+5)	1,393.93	1,340.03	1,386.82	1,383.12	1,384.34	1,387.59	1,413.69	1,454.53

* 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

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TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	11-Sep-15	18-Sep-15	25-Sep-15	2-Oct-15	9-Oct-15	16-Oct-15	23-Oct-15	30-Oct-15
Treasury bills (Excluding Repos)	19.9	20.8	19.7	19.3	19.4	20.4	20.6	22.1
Treasury bonds	74.7	74.6	75.1	75.7	75.6	75.4	74.1	73.4
CBK Overdraft to Govt	3.3	2.5	3.1	2.9	2.9	2.1	3.3	2.5
Other domestic debt	2.1	2.1	2.1	2.1	2.1	2.1	2.0	2.0
TOTAL	100.0							

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	11-Sep-15	18-Sep-15	25-Sep-15	2-Oct-15	9-Oct-15	16-Oct-15	23-Oct-15	30-Oct-15
Banking Institutions	56.8	57.1	56.5	56.1	55.7	55.1	55.2	55.5
Insurance Companies	8.9	8.7	8.7	8.8	8.8	8.8	8.7	8.8
Parastatals	4.4	4.8	4.7	4.8	4.8	4.8	4.7	4.7
Pension funds	25.0	25.2	25.3	25.0	25.1	25.5	24.8	25.2
Other investors	4.9	4.3	4.8	5.4	5.7	5.8	6.7	5.9
Total	100.0							

Source: Central Bank of Kenya

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

	3-Sep-15	10-Sep-15	17-Sep-15	24-Sep-15	1-Oct-15	8-Oct-15	15-Oct-15	22-Oct-15	29-Oct-15	5-Nov-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,392	6,252	6,195	6,180	6,112	6,207	6,254	6,435	6,563	6,905
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.05	3.98	3.94	3.93	3.89	3.95	3.98	4.10	4.18	4.40

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya