



OCTOBER 2, 2015

Highlights

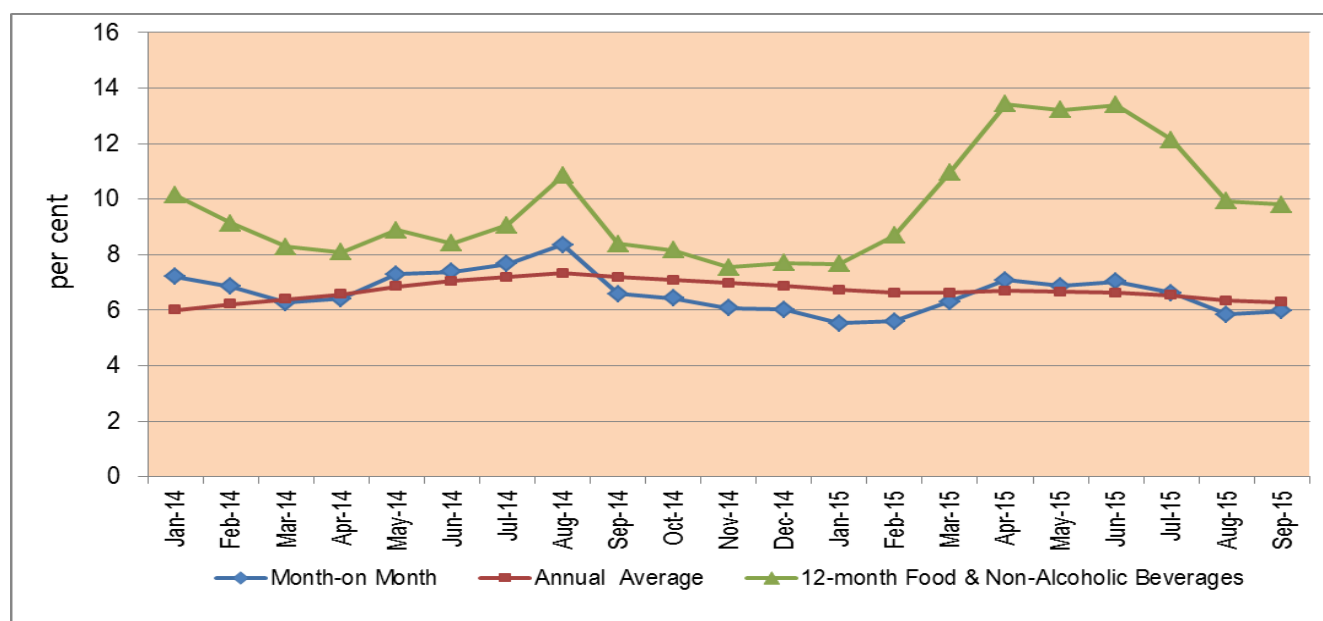
The overall 12-month inflation rate rose to 6.0 percent in September 2015 from 5.8 percent in August 2015. Non-food non-fuel inflation rate rose from 4.5 percent in August 2015 to 4.7 percent in September 2015.

The money market was relatively liquid during the week ending September 30, 2015 supported by redemption of government securities, OMO maturities and government payments. These inflows were partially offset by withdrawals through mop-up operations by the CBK through Term Auction Deposits (TAD), issuance of securities in the primary market and tax remittances by commercial banks. However, with distribution of liquidity skewed in favour of a few banks, the average interbank rate increased to 25.5 percent in the week ending September 30, 2015 from 24.9 percent in the previous week.

Overall, both equities and Bond market segment recorded slowed performance in the week ending October 1, 2015 as reflected in key market indicators.

Inflation

The overall 12-month inflation rate rose to 6.0 percent in September 2015 from 5.8 percent in August 2015 (**Chart A**). The increase is largely attributed to fuel inflation which rose from 1.1 percent in August 2015 to 1.5 percent in September 2015, as reflected in a slight increase in the 'Transport' index. The non-food non-fuel inflation rate also rose to 4.7 percent in September 2015 from 4.5 percent in August 2015. The food inflation rate, however, stabilized at 9.4 percent in August and September 2015.

CHART A: SUMMARY REPORT ON INFLATION


Source: Central Bank of Kenya

Monetary Policy Operations

The money market was relatively liquid during the week ending September 30, 2015 supported by redemption of government securities, OMO maturities and government payments. These inflows were partially offset by withdrawals through mop-up operations by the CBK through Term Auction Deposits (TAD), issuance of securities in the primary market and tax remittances by commercial banks (**Table 1**). Reserve money averaged KSh 369.5 billion during the week ending September 30, 2015 and was KSh 5.7 billion above target.

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

	24-Sep-15	25-Sep-15	28-Sep-15	29-Sep-15	30-Sep-15	Total
Liquidity Flows						
Total liquidity injection	8.3	4.4	53.4	7.1	6.5	79.7
Repos Maturities	4.0	0.0	4.0	0.0	0.0	8.0
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.8	0.0	9.0	5.5	0.0	15.3
T/bills redemptions	0.0	0.0	12.1	0.0	0.0	12.1
T/bills rediscounts	0.0	0.0	0.0	0.0	3.0	3.0
T/bonds redemptions	0.0	0.0	19.1	0.0	0.0	19.1
T/bonds Interest	0.0	0.0	7.5	0.0	0.0	7.5
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	3.5	4.4	1.6	1.6	1.9	13.0
Total liquidity reduction	4.3	4.5	33.9	12.1	4.2	58.9
T/bills (Primary issues)	0.0	0.0	5.6	0.0	0.0	5.6
Tbonds Sales	0.0	0.0	25.0	0.0	0.0	25.0
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	3.0	0.0	2.0	11.0	3.0	19.0
Transfer from Banks -Taxes	1.3	2.3	1.3	1.0	1.1	7.0
Net liquidity injection (+)/Withdrawal (-)	4.0	-0.1	19.5	-4.9	2.3	20.7
Open Market Operations Outcome						
Posted Amount	5.0	4.0	13.0	7.0	8.0	37.0
Realised Amount	3.0	0.0	2.0	11.0	3.0	19.0
Repo (-)	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	3.0	0.0	2.0	11.0	3.0	19.0
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						
Reserve money (actual)	362.0	361.5	377.9	372.0	374.2	369.5
Reserve money target	363.9	363.9	363.9	363.9	363.9	363.9
Deviation from target	-1.9	-2.4	14.1	8.2	10.3	5.7
Commercial banks excess reserves Exc(+)/ Short(-)	8.0	8.9	24.5	18.9	21.2	16.3
Cash outside bank Exc(+)/ Short(-)	-9.9	-11.3	-10.4	-10.8	-11.0	-10.7

Source: Central Bank of Kenya

Interbank Rates

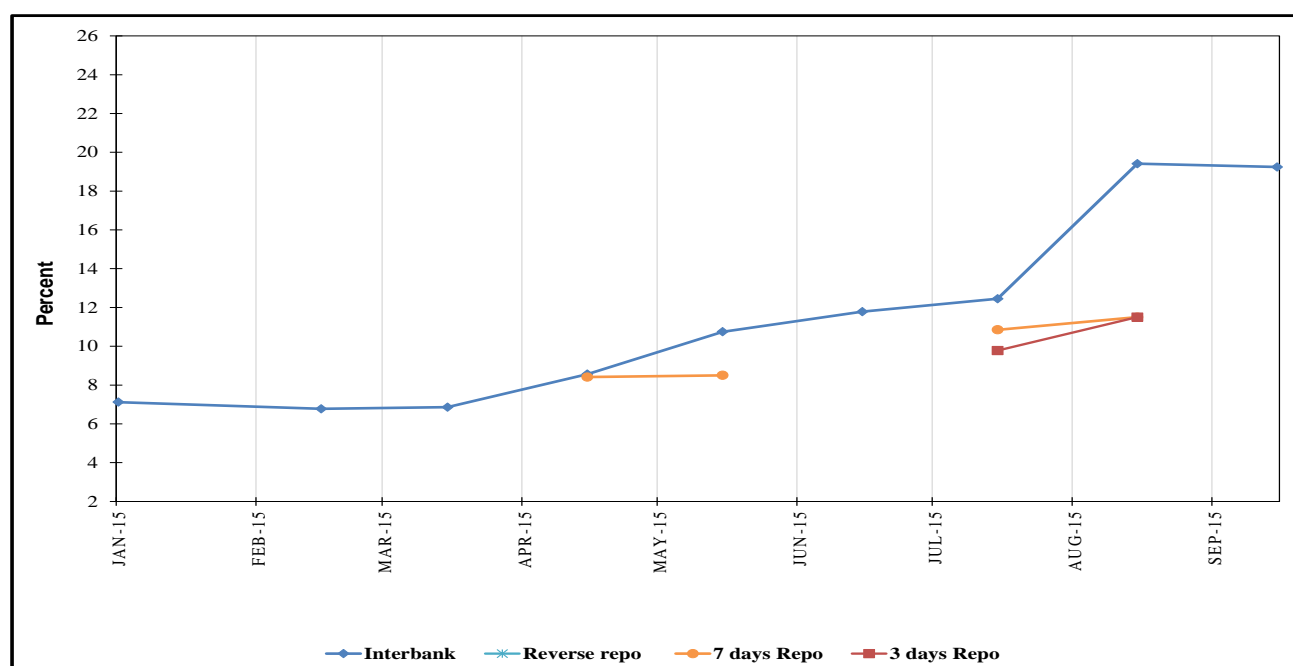
The average interbank rate increased to 25.5 percent in the week ending September 30, 2015 from 24.9 percent in the previous week. The volume transacted increased to KSh 31.1 billion from KSh 28.9 billion traded in the previous week, with the number of deals increasing to 85 from 73 deals (**Table 2 and Chart B**).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)
17-Sep-15	67	28,095	23.40
18-Sep-15	71	32,964	24.56
21-Sep-15	79	27,215	25.23
22-Sep-15	67	26,609	25.67
23-Sep-15	82	29,570	25.79
September 17, 2015 - September 23, 2015	73	28,890	24.93
24-Sep-15	78	31,579	25.64
25-Sep-15	88	27,380	25.62
28-Sep-15	87	30,507	25.84
29-Sep-15	88	33,084	25.78
30-Sep-15	84	33,194	24.77
September 24, 2015 - September 30, 2015	85	31,149	25.53

Source: Central Bank of Kenya

CHART B: STRUCTURE OF SHORT-TERM INTEREST RATES

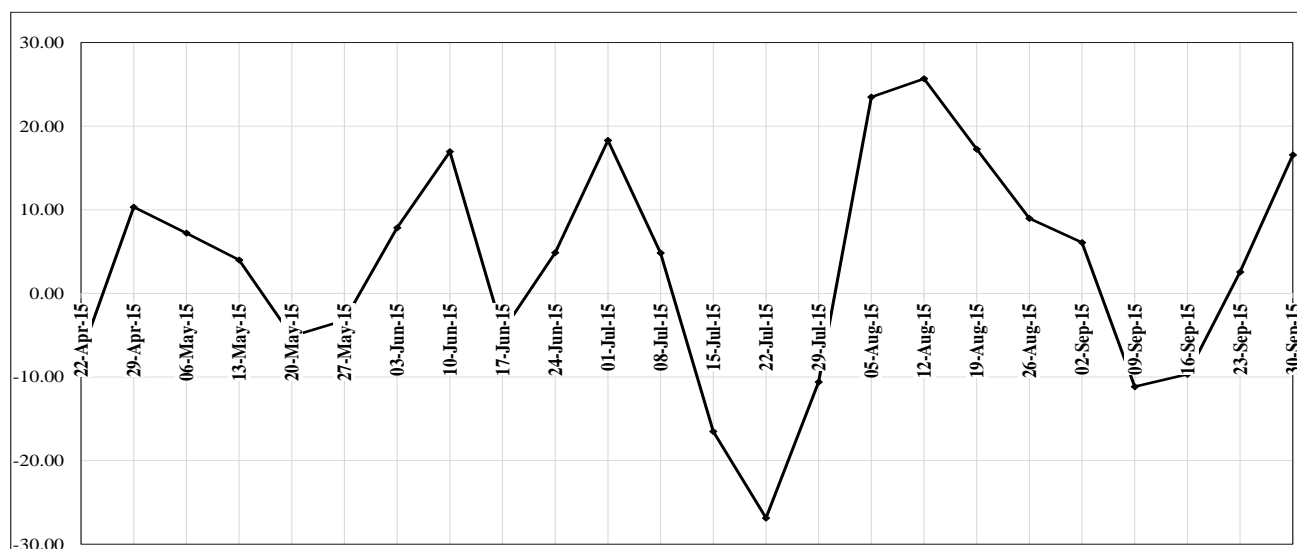


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account recorded a surplus of KSh 16.6 billion in relation to the Cash Reserve Requirement of 5.25 percent (KSh 130.7 billion) in the week ending September 30, 2015 compared to a surplus of KSh 2.57 billion recorded in the previous week (**Chart C**).

CHART C: WEEKLY AVERAGE DEVIATION FROM CRR IN THE CLEARING ACCOUNT



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling appreciated against all major currencies during the week ending October 1, 2015. It appreciated by 0.3 percent against the US Dollar, 2.0 percent against the Pound Sterling, 0.5 against the Euro and 0.3 percent against the Japanese Yen. In the EAC region it appreciated against the Uganda Shilling as well as Rwanda and Burundi Francs but depreciated against the Tanzania Shilling (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
18-Sep-15	105.60	163.75	119.43	88.12	34.66	20.60	6.93	14.59
21-Sep-15	105.11	163.40	118.98	87.66	34.82	20.65	7.16	14.74
22-Sep-15	105.36	163.40	117.90	87.43	34.69	20.60	6.95	14.65
23-Sep-15	105.56	162.30	117.71	88.15	34.63	20.51	6.94	14.56
24-Sep-15	105.56	161.11	117.87	88.15	34.61	20.51	6.94	14.62
18-24 Sep	105.44	162.79	118.38	87.90	34.68	20.57	6.98	14.63
25-Sep-15	105.28	160.39	117.50	87.37	34.77	20.57	7.17	14.58
28-Sep-15	105.24	159.85	117.60	87.34	34.78	20.57	6.96	14.72
29-Sep-15	105.27	159.72	118.48	88.10	34.86	20.52	6.97	14.66
30-Sep-15	105.29	159.58	118.33	87.77	35.05	20.49	6.97	14.76
1-Oct-15	104.68	158.54	117.03	87.44	35.28	20.63	7.01	15.00
25 Sep-1 Oct	105.15	159.62	117.79	87.60	34.95	20.56	7.01	14.74

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Nairobi Securities Exchange

The Nairobi Securities Exchange recorded a slowed performance both in the equities and bonds market segments. In the equities market segment, all leading indicators showed a decline, except for Total Shares Traded and Equity Turnover for the week ending October 1, 2015. In the bond market segment, both the Bond Turnover and the FTSE NSE Bond Index improved in the week under review.

Equities Market

The NASI and NSE 20 Share Index lost 1.8 percent and 1.7 percent respectively, in the week ending October 1, 2015. Equity Turnover recorded a 161.6 percent rise on account of an increase of 53.9 percent in share supply during the week. The increase in share supply depressed the overall share prices, with a corresponding drop in market capitalisation of 1.6 percent, or KSh 34.12 billion, in the week under review (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	13-Aug-15	20-Aug-15	27-Aug-15	03-Sep-15	10-Sep-15	17-Sep-15	24-Sep-15	01-Oct-15	Wkly Change
NASI 100= 2008	153.38	150.42	137.51	144.95	146.19	148.28	148.30	145.65	-1.79%
NSE 20 Share Index 100= 1996	4,495.52	4,429.87	4,080.83	4,153.31	4,217.78	4,248.95	4,222.55	4153.00	-1.65%
Number of Deals	7,517.00	7,838.00	7,410.00	7,343.00	6,855.00	7,383.00	6,812.00	4313.00	-36.69%
Total Shares Traded	100.59	184.66	135.34	106.78	151.43	86.62	67.21	103.42	53.86%
Equity Turnover (Ksh. Millions)	2,806.07	5,973.23	4,036.50	3,317.80	4,962.87	2,397.31	1,673.08	4376.86	161.61%
Market Capitalization (Ksh. Bn.)	2,147.80	2,109.49	1,931.10	2,086.82	2,053.38	2,082.84	2,079.94	2045.82	-1.64%
Bonds Turnover (Ksh. Millions)	2,396.45	4,294.75	2,654.06	7,126.55	3,298.15	2,882.55	1,389.42	3623.15	160.77%
FTSE NSE Kenya 15 Index	199.07	193.90	183.66	187.08	190.67	195.49	195.09	191.03	-2.08%
FTSE NSE Kenya 25 Index	198.08	192.97	183.15	186.61	190.29	195.29	194.81	190.52	-2.20%
FTSE NSE Bond Index	91.33	91.17	91.30	90.91	90.71	95.70	90.41	90.53	0.13%

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 2.08 percent and 2.2 percent lower. The FTSE Government Bond Index increased by 0.13 percent, reflecting marginal decrease in the secondary market yields.

The Telecommunication and Technology, Banking and Insurance sectors were most active, with 56.7 percent, 17.4 percent and 7.4 percent of the total shares traded, respectively. The Growth and Enterprise sector was the least active with only 81,700 shares traded.

The Bond Market

The bond market turnover increased by 160.8 percent, rising to KSh. 3,623.15 million from KSh 1,389.42 million in the week ending October 1, 2015, with the number of deals rising from 56 to close at 71 for the week under review. This significant rise in bond trading may be attributed to the new bond issue FXD1/2015/1 and traders shifting from the secondary market to primary bond market.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills						
Date of Auction	27-Aug-15	03-Sep-15	10-Sep-15	17-Sep-15	24-Sep-15	01-Oct-15
Amount offered (Ksh M)	3,000.0	3,000.0	3,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	3,220.8	1,326.2	8,473.4	3,781.1	5,140.3	8,684.9
Amount Accepted (Ksh M)	3,213.3	1,316.0	7,512.8	3,062.4	4,901.7	7,682.4
Maturities (Ksh M)	722.8	3,177.6	2,128.2	1,089.8	507.0	1,275.5
Average interest Rate (%) - 91 Days	11.5	11.5	13.9	14.5	18.6	20.6
182-Day Treasury Bills						
Date of Auction	26-Aug-15	02-Sep-15	09-Sep-15	16-Sep-15	23-Sep-15	30-Sep-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)	1,240.9	1,742.7	5,176.2	352.4	212.2	2,595.1
Amount Accepted (Ksh M)	757.1	1,742.7	4,213.7	352.4	221.2	2,595.1
Maturities (Ksh M)	5,169.0	4,735.4	5,829.6	3,640.4	4,727.4	3,841.5
Average interest Rate (%) - 182 days	12.4	12.3	12.9	13.9	14.6	20.3
364-Day Treasury Bills						
Date of Auction	26-Aug-15	02-Sep-15	09-Sep-15	16-Sep-15	23-Sep-15	30-Sep-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)	1,888.9	1,274.0	6,162.9	2,713.4	472.4	3,167.5
Amount Accepted (Ksh M)	1,459.5	1,274.0	5,318.6	2,630.7	395.5	3,043.2
Maturities (Ksh M)	3,424.7	5,354.9	9,932.8	6,911.8	6,896.1	8,122.3
Average interest Rate (%) - 364 days	13.8	14.0	14.9	15.8	16.3	20.7
Treasury Bonds						
Date of Auction						
Tenor	FXD 1/2015/1					
Amount offered (Ksh M)	30,000.0					
Bids received (Ksh M)	26,505.8					
Amount Accepted (Ksh M)	24,970.1					
Maturities (Ksh M)	19,121.2					
Average interest Rate (%)	19.1					

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	14-Aug-15	21-Aug-15	28-Aug-15	04-Sep-15	11-Sep-15	18-Sep-15	25-Sep-15
1. Treasury Bills (Excluding Repos)	294.33	290.58	289.97	286.43	277.83	278.30	272.93
(As % of total securities)	21.92	21.71	21.77	21.55	21.05	21.78	20.76
2. Treasury Bonds	1048.17	1048.17	1041.80	1042.80	1041.80	999.67	1041.80
(As % of total securities)	78.08	78.29	78.23	78.45	78.95	78.22	79.24
3. Total Securities (1+2)	1,342.50	1,338.75	1,331.76	1,329.23	1,319.63	1,277.97	1,314.73
4. Overdraft at Central Bank	35.88	29.14	36.76	40.71	45.51	33.26	43.29
5. Other Domestic debt*	29.85	29.86	29.85	28.85	28.80	28.79	28.80
6. Gross Domestic Debt (3+4+5)	1,408.23	1,397.75	1,398.37	1,398.79	1,393.93	1,340.03	1,386.82

* 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

	14-Aug-15	21-Aug-15	28-Aug-15	04-Sep-15	11-Sep-15	18-Sep-15	25-Sep-15
Treasury bills (Excluding Repos)	20.9	20.8	20.7	20.5	19.9	20.8	19.7
Treasury bonds	74.4	75.0	74.5	74.5	74.7	74.6	75.1
CBK Overdraft to Govt	2.5	2.1	2.6	2.9	3.3	2.5	3.1
Other domestic debt	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

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	14-Aug-15	21-Aug-15	28-Aug-15	04-Sep-15	11-Sep-15	18-Sep-15	25-Sep-15
Banking Institutions	57.6	57.0	57.3	57.2	56.8	57.1	56.5
Insurance Companies	8.8	9.1	8.8	8.8	8.9	8.7	8.7
Parastatals	4.1	4.1	4.3	4.3	4.4	4.8	4.7
Pension funds	25.3	25.6	25.2	25.3	25.0	25.2	25.3
Other investors	4.2	4.3	4.3	4.4	4.9	4.3	4.8
Total	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)

	06-Aug-15	13-Aug-15	20-Aug-15	27-Aug-15	03-Sep-15	10-Sep-15	17-Sep-15	24-Sep-15	01-Oct-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,400	6,390	6,386	6,392	6,392	6,252	6,195	6,180	6,112
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.06	4.05	4.05	4.05	4.05	3.98	3.94	3.93	3.89

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya