



**OCTOBER 9, 2015**

## **Highlights**

*Liquidity in the money market remained unchanged during the week ending October 7, 2015 with liquidity injection and withdrawal evenly matched. The average interbank rate declined to 18.6 percent in the week ending October 7, 2015 from 25.5 percent in the previous week.*

*Overall capital markets performance declined in the week ending October 8, 2015 as reflected in leading market indicators.*

## **Monetary Policy Operations**

Liquidity in the money market remained unchanged during the week ending October 7, 2015. Liquidity injection through government payments, redemption of government securities and TAD maturities was offset by withdrawals through mop-up operations by the CBK, tax remittances by commercial banks and issuance of securities in the primary market (**Table 1**). Reserve money averaged KSh 371.2 billion during the week ending October 7, 2015 and was KSh 7.2 billion above target.

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

	1-Oct-15	2-Oct-15	5-Oct-15	6-Oct-15	7-Oct-15	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>4.8</b>	<b>7.7</b>	<b>20.4</b>	<b>18.5</b>	<b>4.4</b>	<b>55.7</b>
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.0	0.0	2.0	10.0	0.0	12.0
T/bills redemptions	0.0	0.0	13.2	0.0	0.0	13.2
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	2.7	7.7	5.1	2.3	4.4	22.2
<b>Total liquidity reduction</b>	<b>5.3</b>	<b>8.9</b>	<b>19.6</b>	<b>12.9</b>	<b>8.5</b>	<b>55.3</b>
T/bills (Primary issues)	0.0	0.0	13.3	0.0	0.0	13.3
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	2.5	0.0	2.5
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.0	6.0	4.0	7.5	6.0	23.5
Transfer from Banks -Taxes	5.3	2.9	2.3	2.9	2.5	15.8
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>-0.4</b>	<b>-1.2</b>	<b>0.7</b>	<b>5.5</b>	<b>-4.1</b>	<b>0.5</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	5.0	5.0	20.0	10.0	10.0	50.0
<b>Realised Amount</b>	<b>0.0</b>	<b>6.0</b>	<b>4.0</b>	<b>10.0</b>	<b>6.0</b>	<b>26.0</b>
Repo (-)	0.0	0.0	0.0	2.5	0.0	2.5
Term Auction Deposits (-)	0.0	6.0	4.0	7.5	6.0	23.5
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Reserve Money Position</b>						
Reserve money (actual)	373.5	372.9	368.2	372.9	368.4	371.2
Reserve money target	364.0	364.0	364.0	364.0	364.0	364.0
Deviation from target	9.5	8.9	4.2	9.0	4.4	7.2
Commercial banks excess reserves Exc(+)/ Short(-)	19.9	18.3	12.4	15.4	10.8	15.3
Cash outside bank Exc(+)/ Short(-)	-10.4	-9.4	-8.2	-6.4	-6.4	8.1

Source: Central Bank of Kenya

### Short-Term Rates

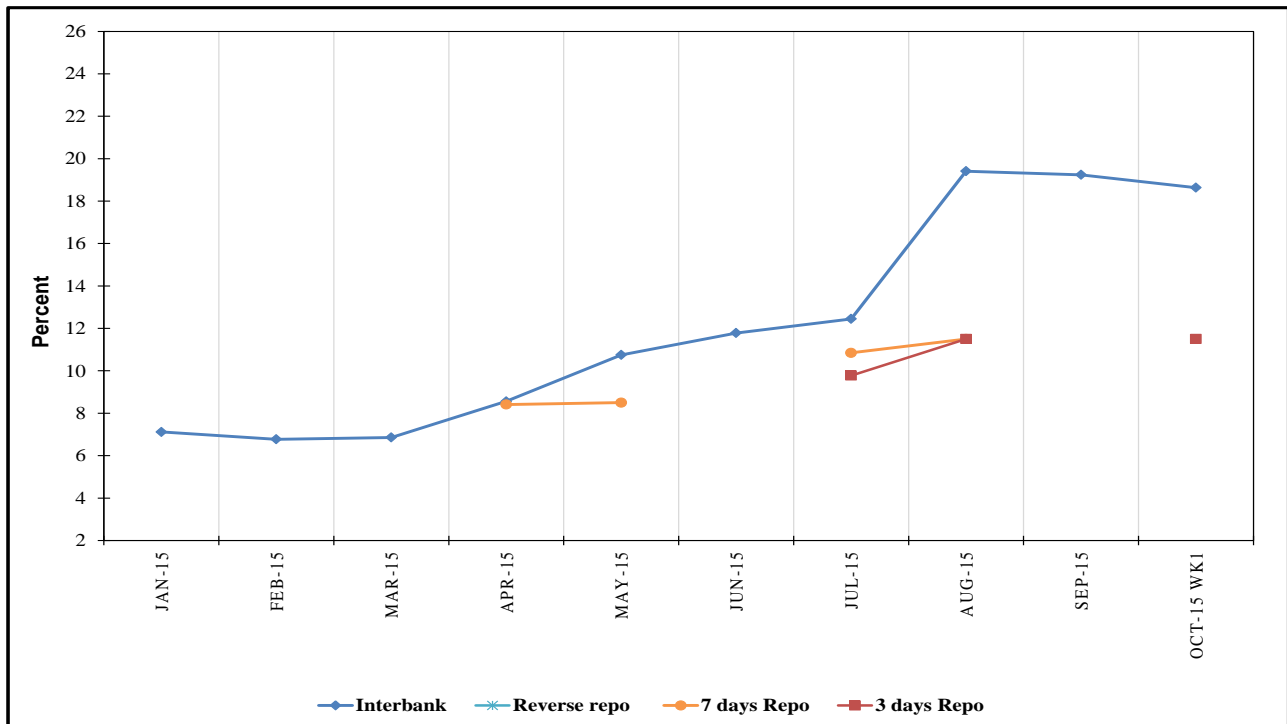
The average interbank rate declined to 18.6 percent in the week ending October 7, 2015 from 25.5 percent in the previous week. The volume transacted increased to KSh 34.0 billion from KSh 31.1 billion traded in the previous week, with the number of deals declining to 76 from 85 deals. Meanwhile, the 3 days average repo rate was at 11.5 percent (**Table 2 and Chart A**).

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

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	3 days Average Repo Rate (%)
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	
<b>September 24, 2015 - September 30, 2015</b>	<b>85</b>	<b>31,149</b>	<b>25.53</b>	
1-Oct-15	73	32,688	22.37	
2-Oct-15	72	26,037	19.56	
5-Oct-15	68	32,705	18.16	
6-Oct-15	76	34,804	17.26	11.50
7-Oct-15	89	43,539	15.82	
<b>October 1, 2015 - October 7, 2015</b>	<b>76</b>	<b>33,954</b>	<b>18.63</b>	<b>11.50</b>

Source: Central Bank of Kenya

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

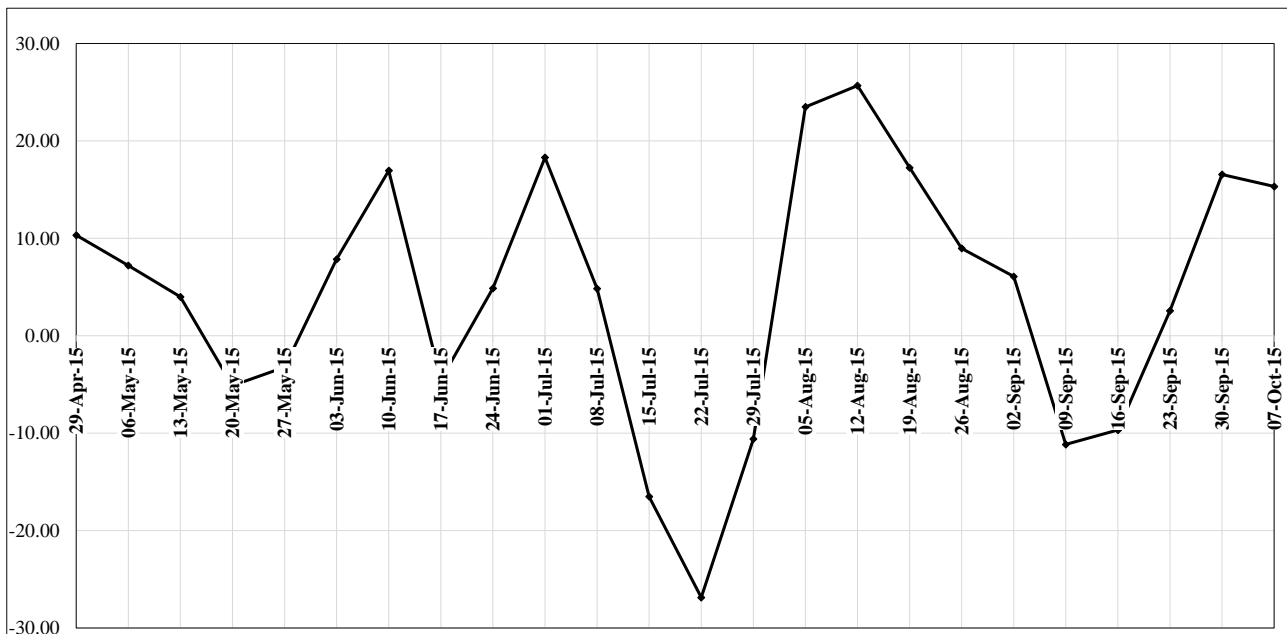


Source: Central Bank of Kenya

**Commercial Banks Clearing Account Balances**

Commercial banks’ clearing account recorded a surplus of KSh 15.3 billion in relation to the cash reserve requirement of 5.25 percent (KSh 130.7 billion) in the week ending October 7, 2015 compared to a surplus of KSh 16.6 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 appreciated against major international and regional currencies during the week ending 8 October, 2015. The Shilling strengthened by 1.4 percent, 1.3 percent, 1.3 percent and 1.4 percent against the US Dollar, the Pound Sterling, the Euro and the Japanese Yen, respectively. In the EAC region, it appreciated against all the regional currencies (**Table 3**).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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
<b>25 Sep-1 Oct</b>	<b>105.15</b>	<b>159.62</b>	<b>117.79</b>	<b>87.60</b>	<b>34.95</b>	<b>20.56</b>	<b>7.01</b>	<b>14.74</b>
2-Oct-15	104.68	158.54	117.03	87.44	35.28	20.63	7.01	15.00
5-Oct-15	103.93	157.94	116.61	86.58	35.50	20.88	7.07	14.90
6-Oct-15	103.07	156.31	115.28	85.55	35.71	21.08	7.13	15.03
7-Oct-15	103.16	156.91	116.02	85.96	35.77	21.06	7.12	14.97
8-Oct-15	103.32	158.17	116.18	86.22	35.67	21.00	7.12	14.99
<b>2nd oct- 8th oct</b>	<b>103.63</b>	<b>157.57</b>	<b>116.22</b>	<b>86.35</b>	<b>35.59</b>	<b>20.93</b>	<b>7.09</b>	<b>14.98</b>

\* Units of currency per Kenya Shilling

**Source: Central Bank of Kenya**

## The Capital Markets

Nairobi Securities Exchange recorded a subdued performance in the equities and bond market segment with the exception of the number of deals executed and the FTSE NSE Bond Index.

## Equities Market

Equity Turnover declined by 25.2 percent on account of a decrease in overall share price and a 3.2 percent drop in share supply. The NASI and NSE 20 Share Index lost 2.2 percent and 2.7 percent respectively. Shareholders' wealth, measured by market capitalization declined by 2.1 percent to KSh 2.0 trillion during the week under review as a result of depressed share prices (**Table 4**).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	27-Aug-15	03-Sep-15	10-Sep-15	17-Sep-15	24-Sep-15	01-Oct-15	08-Oct-15	Wkly Change
NASI 100= 2008	137.51	144.95	146.19	148.28	148.30	145.65	142.40	-2.23%
NSE 20 Share Index 100= 1996	4,080.83	4,153.31	4,217.78	4,248.95	4,222.55	4153.00	4041.35	-2.69%
Number of Deals	7,410.00	7,343.00	6,855.00	7,383.00	6,812.00	4313.00	6303.00	46.14%
Total Shares Traded	135.34	106.78	151.43	86.62	67.21	103.42	100.14	-3.17%
Equity Turnover (Ksh. Millions)	4,036.50	3,317.80	4,962.87	2,397.31	1,673.08	4376.86	3276.09	-25.15%
Market Capitalization (Ksh. Bn.)	1,931.10	2,086.82	2,053.38	2,082.84	2,079.94	2045.82	2003.06	-2.09%
Bonds Turnover (Ksh. Millions)	2,654.06	7,126.55	3,298.15	2,882.55	1,389.42	3623.15	2982.48	-17.68%
FTSE NSE Kenya 15 Index	183.66	187.08	190.67	195.49	195.09	191.03	187.38	-1.91%
FTSE NSE Kenya 25 Index	183.15	186.61	190.29	195.29	194.81	190.52	187.05	-1.82%
FTSE NSE Bond Index	91.30	90.91	90.71	95.70	90.41	90.53	90.53	0.00%

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 1.9 percent and 1.8 percent lower as compared to the previous week. However, the FTSE Government Bond Index remained unchanged at 90.5, reflecting stability in the secondary market yields.

The Banking, Telecommunication & Technology, and Manufacturing & Allied sectors were the most active, contributing 40.8 percent, 38 percent and 5.0 percent of the total shares traded, respectively. The Automobile & Accessories sector was the least active with only 82,500 shares traded.

### The Bond Market

The bond's turnover decreased by 17.7 percent to KSh 2,982.5 million from KSh 3,623.2 million in the previous week. On the contrary, the number of deals increased to 80, compared to 71 deals traded the previous week.

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

<b>91-Day Treasury Bills</b>					
Date of Auction	10-Sep-15	17-Sep-15	24-Sep-15	01-Oct-15	08-Oct-15
Amount offered (Ksh M)	3,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	8,473.4	3,781.1	5,140.3	8,684.9	17,095.4
Amount Accepted (Ksh M)	7,512.8	3,062.4	4,901.7	7,682.4	12,637.8
Maturities (Ksh M)	2,128.2	1,089.8	507.0	1,275.5	1,214.9
Average interest Rate (%) - 91 Days	13.9	14.5	18.6	20.6	21.4
<b>182-Day Treasury Bills</b>					
Date of Auction	09-Sep-15	16-Sep-15	23-Sep-15	30-Sep-15	07-Oct-15
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	5,176.2	352.4	212.2	2,595.1	5,670.2
Amount Accepted (Ksh M)	4,213.7	352.4	221.2	2,595.1	5,294.5
Maturities (Ksh M)	5,829.6	3,640.4	4,727.4	3,841.5	4,846.9
Average interest Rate (%) - 182 days	12.9	13.9	14.6	20.3	21.6
<b>364-Day Treasury Bills</b>					
Date of Auction	09-Sep-15	16-Sep-15	23-Sep-15	30-Sep-15	07-Oct-15
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	6,162.9	2,713.4	472.4	3,167.5	12,628.5
Amount Accepted (Ksh M)	5,318.6	2,630.7	395.5	3,043.2	8,914.2
Maturities (Ksh M)	9,932.8	6,911.8	6,896.1	8,122.3	8,986.4
Average interest Rate (%) - 364 days	14.9	15.8	16.3	20.7	21.5
<b>Treasury Bonds</b>					
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	02-Oct-15
1. Treasury Bills (Excluding Repos)	294.33	290.58	289.97	286.43	277.83	278.30	272.93	266.60
(As % of total securities)	21.92	21.71	21.77	21.55	21.05	21.78	20.76	20.30
2. Treasury Bonds	1048.17	1048.17	1041.80	1042.80	1041.80	999.67	1041.80	1046.94
(As % of total securities)	78.08	78.29	78.23	78.45	78.95	78.22	79.24	79.70
<b>3. Total Securities (1+2)</b>	<b>1,342.50</b>	<b>1,338.75</b>	<b>1,331.76</b>	<b>1,329.23</b>	<b>1,319.63</b>	<b>1,277.97</b>	<b>1,314.73</b>	<b>1,313.53</b>
4. Overdraft at Central Bank	35.88	29.14	36.76	40.71	45.51	33.26	43.29	40.78
5. Other Domestic debt*	29.85	29.86	29.85	28.85	28.80	28.79	28.80	28.81
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,408.23</b>	<b>1,397.75</b>	<b>1,398.37</b>	<b>1,398.79</b>	<b>1,393.93</b>	<b>1,340.03</b>	<b>1,386.82</b>	<b>1,383.12</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**

	28-Aug-15	04-Sep-15	11-Sep-15	18-Sep-15	25-Sep-15	02-Oct-15
Treasury bills (Excluding Repos)	20.7	20.5	19.9	20.8	19.7	19.3
Treasury bonds	74.5	74.5	74.7	74.6	75.1	75.7
CBK Overdraft to Govt	2.6	2.9	3.3	2.5	3.1	2.9
Other domestic debt	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>

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	02-Oct-15
Banking Institutions	57.6	57.0	57.3	57.2	56.8	57.1	56.5	56.1
Insurance Companies	8.8	9.1	8.8	8.8	8.9	8.7	8.7	8.8
Parastatals	4.1	4.1	4.3	4.3	4.4	4.8	4.7	4.8
Pension funds	25.3	25.6	25.2	25.3	25.0	25.2	25.3	25.0
Other investors	4.2	4.3	4.3	4.4	4.9	4.3	4.8	5.4
<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)**

	02-Jul-15	30-Jul-15	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	08-Oct-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,658	6,434	6,400	6,390	6,386	6,392	6,392	6,252	6,195	6,180	6,112	6,207
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.21	4.07	4.06	4.05	4.05	4.05	4.05	3.98	3.94	3.93	3.89	3.95

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya