



OCTOBER 16, 2015

Highlights

The money market was relatively tight during the week ending October 14, 2015 on account of tax remittances by commercial banks, increased uptake of debt at the Government securities auctions and mop-up operations by the CBK. The average interbank rate declined to 13.5 percent in the week ending October 14, 2015 from 18.6 percent in the previous week.

The capital markets recorded mixed performance in the week ending October 15, 2015 as reflected in key performance indicators.

Monetary Policy Operations

The money market was relatively tight during the week ending October 14, 2015 on account of tax remittances by commercial banks, increased uptake of debt at the Government securities auctions and mop-up operations by the CBK (**Table 1**). Reserve money averaged KSh 342.7 billion during the week ending October 14, 2015 and was KSh 21.3 billion below target.

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

	8-Oct-15	9-Oct-15	12-Oct-15	13-Oct-15	14-Oct-15	Total
Liquidity Flows						
Total liquidity injection	4.5	9.4	23.6	13.3	10.0	60.8
Repos Maturities	0.0	2.5	4.9	0.0	0.0	7.4
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	3.0	0.0	2.0	6.0	3.0	14.0
T/bills redemptions	0.0	0.0	15.0	0.0	0.0	15.0
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	0.2	0.2
Govt payments	1.5	5.8	1.7	5.2	4.5	18.8
Total liquidity reduction	13.0	7.8	41.8	20.6	1.5	84.7
T/bills (Primary issues)	0.0	0.0	26.8	0.0	0.0	26.8
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	4.9	1.5	2.0	6.6	0.0	14.9
Term Auction Deposit	5.0	1.0	7.5	7.0	0.0	20.5
Transfer from Banks -Taxes	3.1	5.3	5.5	7.0	1.5	22.4
Net liquidity injection (+)/Withdrawal (-)	-8.5	1.6	-18.2	-7.3	8.5	-24.0
Open Market Operations Outcome						
Posted Amount	5.0	9.0	7.0	11.0	5.0	37.0
Realised Amount	9.9	2.5	9.4	13.6	0.0	35.4
Repo (-)	4.9	1.5	2.0	6.6	0.0	14.9
Term Auction Deposits (-)	5.0	1.0	7.5	7.0	0.0	20.5
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						
Reserve money (actual)	356.6	357.3	335.8	327.7	336.1	342.7
Reserve money target	364.0	364.0	364.0	364.0	364.0	364.0
Deviation from target	-7.4	-6.7	-28.2	-36.3	-28.0	-21.3
Commercial banks excess reserves Exc(+)/ Short(-)	-0.4	0.4	-21.8	-29.5	-19.6	-14.2
Cash outside bank Exc(+)/ Short(-)	-7.0	-7.1	-6.5	-6.9	-8.4	-7.2

Source: Central Bank of Kenya

Short-Term Rates

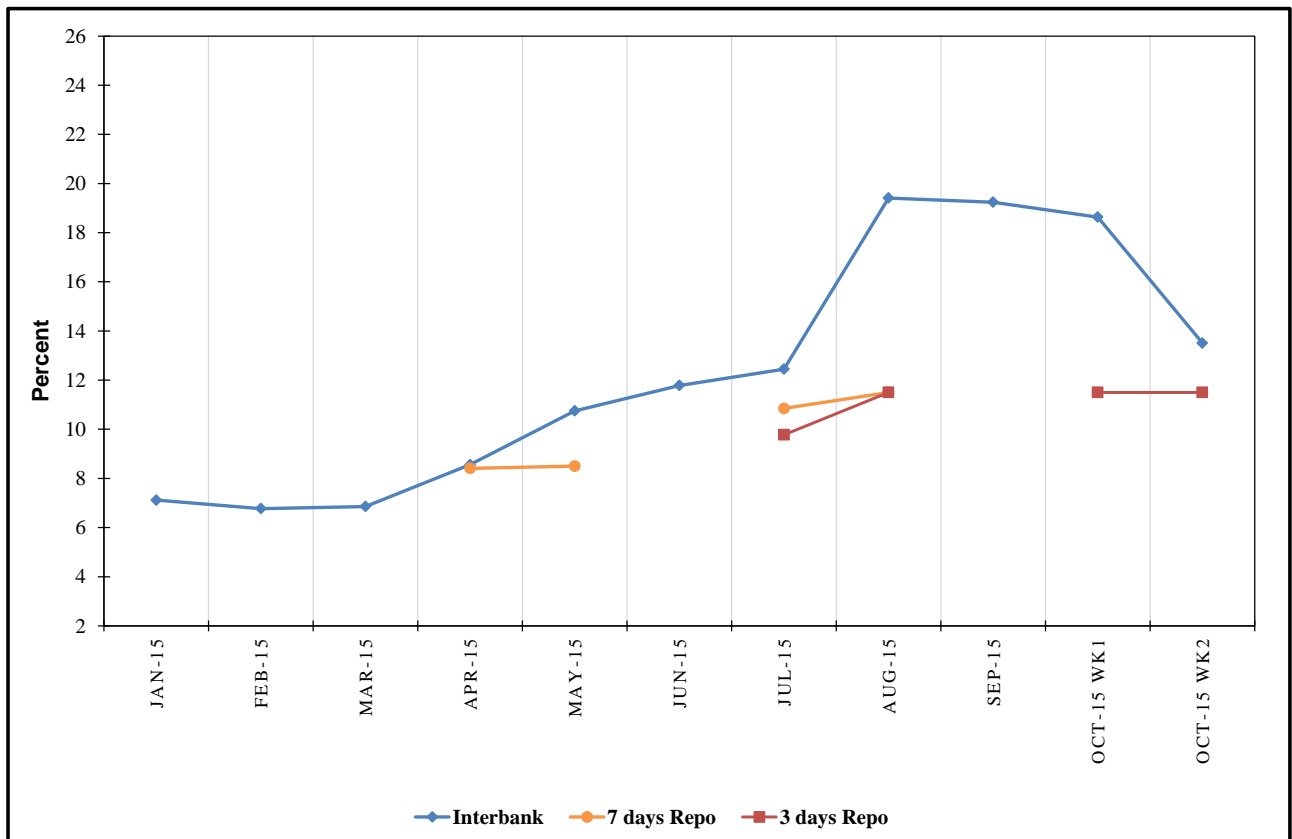
The average interbank rate declined to 13.5 percent in the week ending October 14, 2015 from 18.6 percent in the previous week. The volume transacted decreased to KSh 23.6 billion from KSh 34.0 billion traded in the previous week, with the number of deals declining to 66 from 76. However, the 3 days average repo rate remained steady 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 (%)
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	
October 1, 2015 - October 7, 2015	76	33,954	18.63	11.50
8-Oct-15	79	31,434	14.56	11.50
9-Oct-15	66	25,029	13.53	
12-Oct-15	65	20,380	12.93	11.50
13-Oct-15	73	25,274	13.13	11.50
14-Oct-15	48	16,016	13.40	
October 8, 2015 - October 14, 2015	66	23,626	13.51	11.50

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT TERM INTEREST RATES

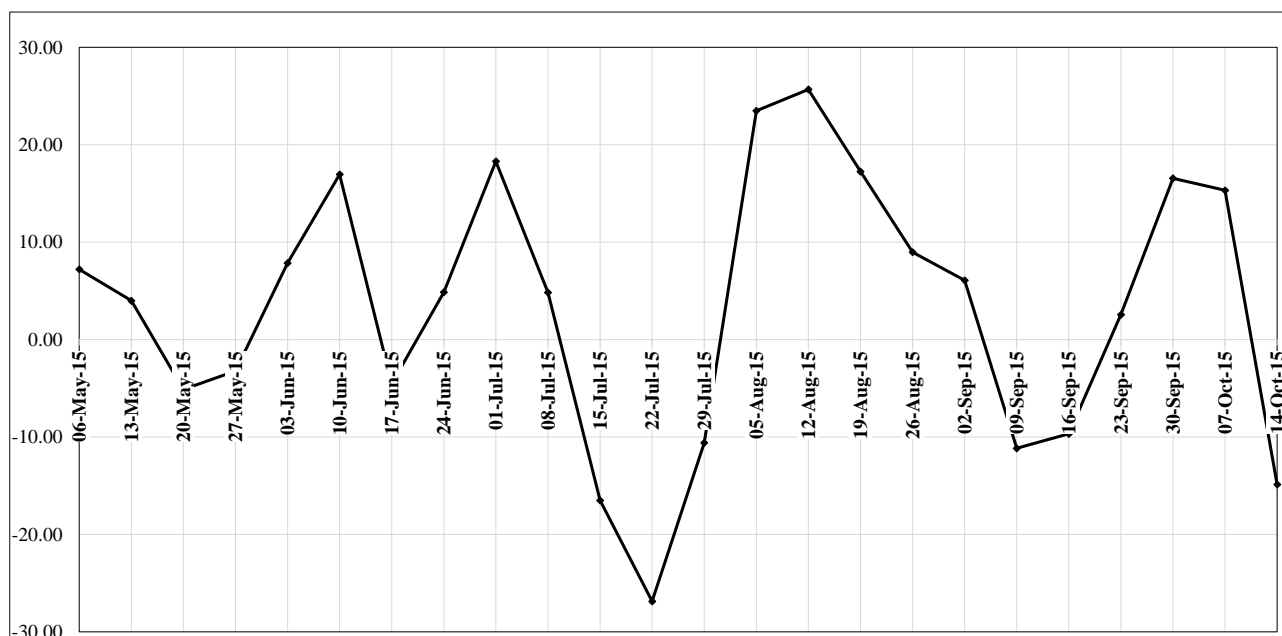


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account recorded a deficit of KSh 14.87 billion in relation to the cash reserve requirement of 5.25 percent (KSh 130.7 billion) in the week ending October 14, 2015 compared to a surplus of KSh 15.33 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 October 15, 2015, the Kenya Shilling exchange rate displayed mixed performance against major international and EAC currencies. It appreciated by 0.44 percent against the US Dollar and 0.15 percent against the Japanese Yen, and depreciated by 0.44 percent and 0.89 percent against the Pound Sterling and Euro, respectively. In the EAC region, the Kenya Shilling appreciated against the Uganda Shilling, the Tanzania Shilling and the Burundi Franc but depreciated against the Rwanda Franc (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
2-Oct-15	104.39	158.28	116.63	87.01	35.35	20.76	7.03	14.72
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
2nd Oct-8th Oct	103.57	157.52	116.14	86.26	35.60	20.96	7.09	14.92
9-Oct-15	103.08	158.43	116.25	85.94	35.70	21.05	7.14	14.98
12-Oct-15	103.02	157.85	117.00	85.75	35.58	21.06	7.14	14.92
13-Oct-15	102.95	157.72	117.06	85.89	35.65	21.13	6.73	15.11
14-Oct-15	103.23	157.82	117.59	86.27	35.55	21.12	6.71	15.07
15-Oct-15	103.24	159.23	117.96	86.81	35.61	21.12	6.71	15.08
9th Oct-15th Oct	103.11	158.21	117.17	86.13	35.62	21.09	6.88	15.03

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Markets

Bond and equity markets recorded mixed performance during the period under review.

Equities Market

The NASI and NSE 20 Share Index declined by 4.7 percent and 4.3 percent respectively, while equity turnover recorded a 31.5 percent increase. In addition, the number of shares traded increased by 43.5 percent while shareholders' wealth, measured by market capitalization, was down 4.7 percent to KSh 1.91 trillion during the week under review (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	03-Sep-15	10-Sep-15	17-Sep-15	24-Sep-15	01-Oct-15	08-Oct-15	15-Oct-15	Wkly Change
NASI 100= 2008	144.95	146.19	148.28	148.30	145.65	142.40	135.71	-4.70%
NSE 20 Share Index 100= 1996	4,153.31	4,217.78	4,248.95	4,222.55	4,153.00	4,041.35	3,868.18	-4.28%
Number of Deals	7,343.00	6,855.00	7,383.00	6,812.00	4,313.00	6,303.00	7,356.00	16.71%
Total Shares Traded	106.78	151.43	86.62	67.21	103.42	100.14	143.73	43.53%
Equity Turnover (Ksh. Millions)	3,317.80	4,962.87	2,397.31	1,673.08	4,376.86	3,276.09	4,308.84	31.52%
Market Capitalization (Ksh. Bn.)	2,086.82	2,053.38	2,082.84	2,079.94	2,045.82	2,003.06	1,908.66	-4.71%
Bonds Turnover (Ksh. Millions)	7,126.55	3,298.15	2,882.55	1,389.42	3,623.15	2,982.48	6,586.95	120.85%
FTSE NSE Kenya 15 Index	187.08	190.67	195.49	195.09	191.03	187.38	177.66	-5.19%
FTSE NSE Kenya 25 Index	186.61	190.29	195.29	194.81	190.52	187.05	177.21	-5.26%
FTSE NSE Bond Index	90.91	90.71	95.70	90.41	90.53	90.53	90.32	-0.23%

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 5.2 percent and 5.3 percent lower compared to the previous week. Also, the FTSE Government Bond Index, recorded a marginal decrease of 0.23 percent, reflecting marginal improvement in the secondary market yields.

The Banking, Telecommunication & Technology, and Energy & Petroleum sectors were the most active, with 57.7 percent, 19.8 percent and 7.3 percent of the total shares traded, respectively. The Growth & Enterprise sector was the least active with only 64,300 shares traded.

The Bond Market

The bond market turnover increased significantly by 120.9 percent from KSh 2,982.5 million to KSh 6,587 million in the previous week. Likewise, the number of deals increased to 130, compared to 80 deals traded the previous week.

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES AUCTIONS

91-Day Treasury Bills						
Date of Auction	10-Sep-15	17-Sep-15	24-Sep-15	01-Oct-15	08-Oct-15	15-Oct-15
Amount offered (Ksh M)	3,000.0	4,000.0	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	14,738.0
Amount Accepted (Ksh M)	7,512.8	3,062.4	4,901.7	7,682.4	12,637.8	12,996.7
Maturities (Ksh M)	2,128.2	1,089.8	507.0	1,275.5	1,214.9	3,416.0
Average interest Rate (%)- 91 Days	13.9	14.5	18.6	20.6	21.4	22.1
182-Day Treasury Bills						
Date of Auction	09-Sep-15	16-Sep-15	23-Sep-15	30-Sep-15	07-Oct-15	14-Oct-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)	5,176.2	352.4	212.2	2,595.1	5,670.2	3,736.4
Amount Accepted (Ksh M)	4,213.7	352.4	221.2	2,595.1	5,294.5	2,342.7
Maturities (Ksh M)	5,829.6	3,640.4	4,727.4	3,841.5	4,846.9	4,997.2
Average interest Rate (%)- 182 days	12.9	13.9	14.6	20.3	21.6	21.8
364-Day Treasury Bills						
Date of Auction	09-Sep-15	16-Sep-15	23-Sep-15	30-Sep-15	07-Oct-15	14-Oct-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)	6,162.9	2,713.4	472.4	3,167.5	12,628.5	12,557.3
Amount Accepted (Ksh M)	5,318.6	2,630.7	395.5	3,043.2	8,914.2	7,877.2
Maturities (Ksh M)	9,932.8	6,911.8	6,896.1	8,122.3	8,986.4	8,508.5
Average interest Rate (%)- 364 days	14.9	15.8	16.3	20.7	21.5	21.9
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	02-Oct-15	09-Oct-15
1. Treasury Bills (Excluding Repos)	294.33	290.58	289.97	286.43	277.83	278.30	272.93	266.60	268.00
(As % of total securities)	21.92	21.71	21.77	21.55	21.05	21.78	20.76	20.30	20.38
2. Treasury Bonds	1048.17	1048.17	1041.80	1042.80	1041.80	999.67	1041.80	1046.94	1046.94
(As % of total securities)	78.08	78.29	78.23	78.45	78.95	78.22	79.24	79.70	79.62
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	1,313.53	1,314.94
4. Overdraft at Central Bank	35.88	29.14	36.76	40.71	45.51	33.26	43.29	40.78	40.59
5. Other Domestic debt*	29.85	29.86	29.85	28.85	28.80	28.79	28.80	28.81	28.82
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	1,383.12	1,384.34

* 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	09-Oct-15
Treasury bills (Excluding Repos)	20.7	20.5	19.9	20.8	19.7	19.3	19.4
Treasury bonds	74.5	74.5	74.7	74.6	75.1	75.7	75.6
CBK Overdraft to Govt	2.6	2.9	3.3	2.5	3.1	2.9	2.9
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	02-Oct-15	09-Oct-15
Banking Institutions	57.6	57.0	57.3	57.2	56.8	57.1	56.5	56.1	55.7
Insurance Companies	8.8	9.1	8.8	8.8	8.9	8.7	8.7	8.8	8.8
Parastatals	4.1	4.1	4.3	4.3	4.4	4.8	4.7	4.8	4.8
Pension funds	25.3	25.6	25.2	25.3	25.0	25.2	25.3	25.0	25.1
Other investors	4.2	4.3	4.3	4.4	4.9	4.3	4.8	5.4	5.7
Total	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)

	02-Jul-15	30-Jul-15	06-Aug-15	13-Aug-15	03-Sep-15	10-Sep-15	17-Sep-15	24-Sep-15	01-Oct-15	08-Oct-15	15-Oct-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,658	6,434	6,400	6,390	6,392	6,252	6,195	6,180	6,112	6,207	6,254
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.21	4.07	4.06	4.05	4.05	3.98	3.94	3.93	3.89	3.95	3.98

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya