



OCTOBER 23, 2015

Highlights

The money market was relatively liquid during the week ending October 21, 2015. However, with liquidity distribution skewed in favour of a few banks, the average interbank rate increased to 14.3 percent in the week ending October 21, 2015 from 13.5 percent in the previous week.

The capital market recorded mixed performance in the week ending October 22, 2015 as reflected in key performance indicators.

Monetary Policy Operations

The money market was relatively liquid during the week ending October 21, 2015. However, the liquidity was skewed in favour of a few banks. To support the interbank market, the Central Bank injected liquidity through reverse repo purchases (**Table 1**). Reserve money averaged KSh 378.9 billion during the week ending October 21, 2015 and was KSh 14.8 billion above target.

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

	15-Oct-15	16-Oct-15	19-Oct-15	21-Oct-15	Total
Liquidity Flows					
Total liquidity injection	28.3	29.5	43.4	42.8	143.9
Repos Maturities	2.0	8.1	0.0	0.0	10.1
Reverse Repo Purchases	0.0	0.0	0.0	15.9	15.9
Term Auction Deposit maturities	0.0	6.0	4.0	18.5	28.5
T/bills redemptions	0.0	0.0	15.8	0.0	15.8
T/bills rediscounts	9.5	0.5	0.0	0.0	10.0
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	2.2	0.0	2.2
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0
Govt payments	12.7	3.5	6.0	1.6	23.8
Total liquidity reduction	4.7	7.1	44.3	15.9	72.0
T/bills (Primary issues)	0.0	0.0	23.2	0.0	23.2
Tbonds Sales	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
Repos	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.0	0.0	6.5	0.0	6.5
Transfer from Banks -Taxes	2.3	4.4	6.5	6.9	20.2
Net liquidity injection (+)/Withdrawal (-)	23.7	22.4	-1.0	26.9	72.0
Open Market Operations Outcome					
Posted Amount	10.0	12.0	4.0	10.0	36.0
Realised Amount	0.0	0.0	6.5	0.0	6.5
Repo (-)	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	0.0	6.5	0.0	6.5
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0
Reserve Money Position					
Reserve money (actual)	354.9	378.0	378.4	404.4	378.9
Reserve money target	364.0	364.0	364.1	364.1	364.1
Deviation from target	-9.2	14.0	14.2	40.3	14.8
Commercial banks excess reserves Exc(+)/ Short(-)	2.3	25.1	25.6	51.6	26.1
Cash outside bank Exc(+)/ Short(-)	-11.5	-11.1	-11.3	-11.3	-11.3

Source: Central Bank of Kenya

Transactions in the interbank market

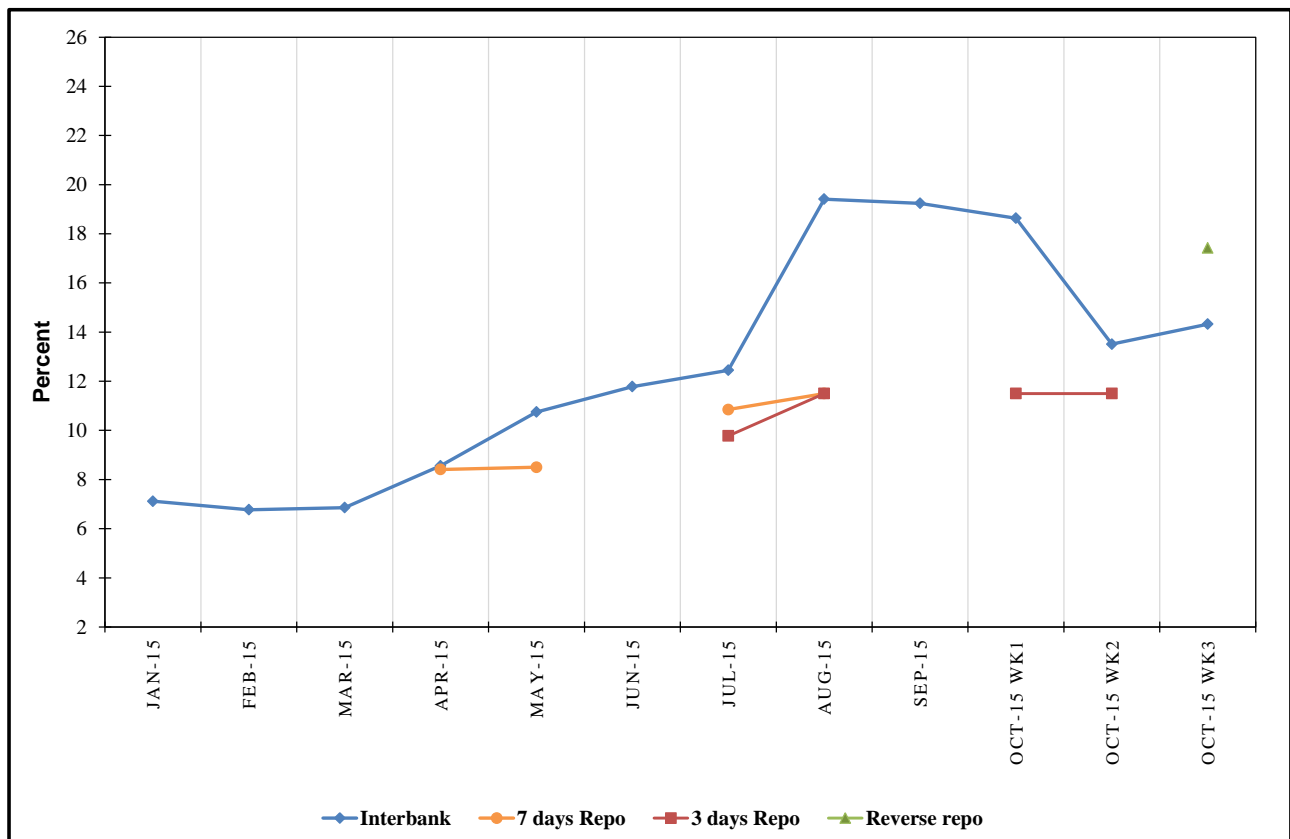
The average interbank rate increased to 14.3 percent in the week ending October 21, 2015 from 13.5 percent in the previous week. The volume transacted decreased to KSh 17.4 billion from KSh 23.6 billion traded in the previous week, with the number of deals declining to 31 from 66 deals. The average reverse repo rate stood at 17.4 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 (%)
8-Oct-15	79	31,434	14.56	
9-Oct-15	66	25,029	13.53	
12-Oct-15	65	20,380	12.93	
13-Oct-15	73	25,274	13.13	
14-Oct-15	48	16,016	13.40	
October 8, 2015 - October 14, 2015	66	23,626	13.51	
15-Oct-15	32	14,021	13.52	
16-Oct-15	37	23,014	13.90	
19-Oct-15	34	15,628	14.82	
21-Oct-15	21	16,742	15.06	17.43
October 15, 2015 - October 21, 2015	31	17,351	14.32	17.43

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT TERM INTEREST RATES

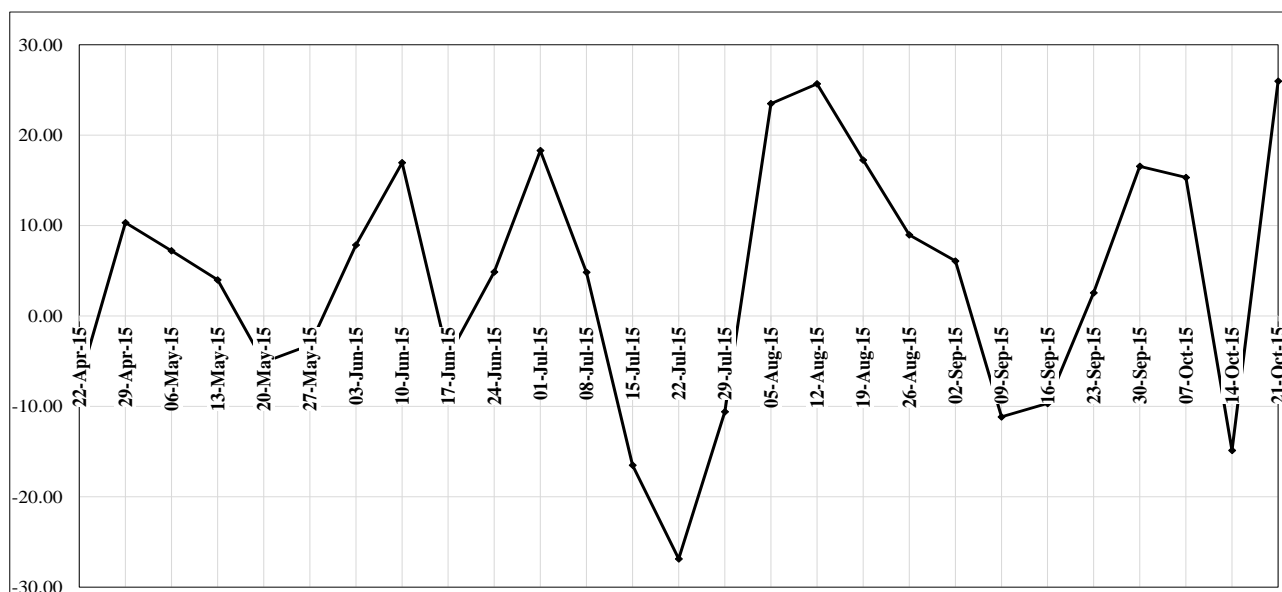


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account recorded a surplus of KSh 25.97 billion in relation to the cash reserve requirement of 5.25 percent (KSh 130.9 billion) in the week ending October 21 2015, compared to a deficit of KSh 14.87 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 22, 2015, the Kenya Shilling exchange rate portrayed mixed performance against major international and EAC currencies. It strengthened against the US Dollar, the Euro and the Japanese Yen by 0.66 percent, 0.67 percent and 0.50 percent respectively.. However, it weakened against the Pound Sterling by 0.04 percent. In the EAC region, it strengthened against all EAC currencies except the Uganda Shilling (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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
9-15 Oct 2015	103.11	158.21	117.17	86.13	35.62	21.09	6.88	15.03
16-Oct-15	103.05	159.50	117.38	86.49	35.61	21.20	7.15	15.36
19-Oct-15	102.46	158.16	116.40	85.89	35.63	21.38	7.19	15.13
21-Oct-15	102.12	157.80	115.99	85.12	35.30	21.69	7.29	15.04
22-Oct-15	102.10	157.67	115.79	85.31	35.46	21.65	7.23	15.00
16-22 Oct 2015	102.43	158.28	116.39	85.70	35.50	21.48	7.22	15.13

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

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

The NASI and NSE 20 Share Index rose by 2.74 percent and 1.75 percent respectively, in the week ending October 22, 2015. However, the equity turnover declined by 31.26 percent on account of a 31.70 percent fall in shares traded. Shareholders' wealth, measured by market capitalization, was down 2.49 percent to KSh 1.86 trillion during the week (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	10-Sep-15	17-Sep-15	24-Sep-15	01-Oct-15	08-Oct-15	15-Oct-15	22-Oct-15	Wkly Change
NASI 100= 2008	146.19	148.28	148.30	145.65	142.40	135.71	139.43	2.74%
NSE 20 Share Index 100= 1996	4,217.78	4,248.95	4,222.55	4,153.00	4,041.35	3,868.18	3,935.88	1.75%
Number of Deals	6,855.00	7,383.00	6,812.00	4,313.00	6,303.00	7,356.00	5,424.00	-26.26%
Total Shares Traded	151.43	86.62	67.21	103.42	100.14	143.73	98.17	-31.70%
Equity Turnover (Ksh. Millions)	4,962.87	2,397.31	1,673.08	4,376.86	3,276.09	4,308.84	2,961.71	-31.26%
Market Capitalization (Ksh. Bn.)	2,053.38	2,082.84	2,079.94	2,045.82	2,003.06	1,908.66	1,861.17	-2.49%
Bonds Turnover (Ksh. Millions)	3,298.15	2,882.55	1,389.42	3,623.15	2,982.48	6,586.95	4,508.25	-31.56%
FTSE NSE Kenya 15 Index	190.67	195.49	195.09	191.03	187.38	177.66	181.93	2.40%
FTSE NSE Kenya 25 Index	190.29	195.29	194.81	190.52	187.05	177.21	181.54	2.44%
FTSE NSE Bond Index	90.71	95.70	90.41	90.53	90.53	90.32	90.32	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 2.40 percent and 2.44 percent respectively, higher compared to the previous week. FTSE Government Bond Index remained unchanged, reflecting stability in the secondary market yields.

The Banking, Telecommunication & Technology, and Investment Services sectors were the most active, with 62.30 percent, 13.43 percent and 8.7 percent of the total shares traded, respectively. The Growth & Enterprise sector was the least active with only 35,500 shares traded.

The NSE became the third Stock Exchange in Africa after South Africa and Ghana to launch the Real Estate Investment Trust (REITs). The product by Stanlib East Africa, allows investors to buy a minimum of 1,000 units at KSh 20 each to own real estate. Stanlib intends to raise a total of KSh 12.5 billion through this product to finance real estate projects.

The Bond Market

The bond market activity was down to KSh 4,508.25 million in the week under review from KSh 6,587 million in the previous week. Likewise, the number of deals declined to 70, compared to 130 deals traded the previous week. The persistent low activity may be attributed to more traders avoiding to sell their bonds at low prices given the prevailing high market interest rates.

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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	22-Oct-15	
Amount offered (Ksh M)	3,000.0	4,000.0	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	14,795.4	
Amount Accepted (Ksh M)	7,512.8	3,062.4	4,901.7	7,682.4	12,637.8	12,996.7	12,361.0	
Maturities (Ksh M)	2,128.2	1,089.8	507.0	1,275.5	1,214.9	3,416.0	1,168.0	
Average interest Rate (%) - 91 Days	13.9	14.5	18.6	20.6	21.4	22.1	22.5	
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	21-Oct-15	
Amount offered (Ksh M)	4,000.0	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	4,877.7	
Amount Accepted (Ksh M)	4,213.7	352.4	221.2	2,595.1	5,294.5	2,342.7	4,868.7	
Maturities (Ksh M)	5,829.6	3,640.4	4,727.4	3,841.5	4,846.9	4,997.2	5,252.6	
Average interest Rate (%) - 182 days	12.9	13.9	14.6	20.3	21.6	21.8	22.3	
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	21-Oct-15	
Amount offered (Ksh M)	4,000.0	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	20,640.7	
Amount Accepted (Ksh M)	5,318.6	2,630.7	395.5	3,043.2	8,914.2	7,877.2	16,259.3	
Maturities (Ksh M)	9,932.8	6,911.8	6,896.1	8,122.3	8,986.4	8,508.5	1,946.4	
Average interest Rate (%) - 364 days	14.9	15.8	16.3	20.7	21.5	21.9	22.4	
Treasury Bonds								
Date of Auction								
Tenor			FXD 1/2015/1				FXD 2/2015/1	
Amount offered (Ksh M)			30,000.0				20,000.0	
Bids received (Ksh M)			26,505.8				31,479.8	
Amount Accepted (Ksh M)			24,970.1				20,490.0	
Maturities (Ksh M)			19,121.2				0.0	
Average interest Rate (%)			19.1				23.0	

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	16-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	282.90
(As % of total securities)	21.92	21.71	21.77	21.55	21.05	21.78	20.76	20.30	20.38	21.27
2. Treasury Bonds	1048.17	1048.17	1041.80	1042.80	1041.80	999.67	1041.80	1046.94	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	78.73
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	1,329.84
4. Overdraft at Central Bank	35.88	29.14	36.76	40.71	45.51	33.26	43.29	40.78	40.59	29.24
5. Other Domestic debt*	29.85	29.86	29.85	28.85	28.80	28.79	28.80	28.81	28.82	28.52
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	1,387.59

* 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

	28-Aug-15	04-Sep-15	11-Sep-15	18-Sep-15	25-Sep-15	02-Oct-15	09-Oct-15	16-Oct-15
Treasury bills (Excluding Repos)	20.7	20.5	19.9	20.8	19.7	19.3	19.4	20.4
Treasury bonds	74.5	74.5	74.7	74.6	75.1	75.7	75.6	75.4
CBK Overdraft to Govt	2.6	2.9	3.3	2.5	3.1	2.9	2.9	2.1
Other domestic debt	2.1	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	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	16-Oct-15
Banking Institutions	57.6	57.0	57.3	57.2	56.8	57.1	56.5	56.1	55.7	55.1
Insurance Companies	8.8	9.1	8.8	8.8	8.9	8.7	8.7	8.8	8.8	8.8
Parastatals	4.1	4.1	4.3	4.3	4.4	4.8	4.7	4.8	4.8	4.8
Pension funds	25.3	25.6	25.2	25.3	25.0	25.2	25.3	25.0	25.1	25.5
Other investors	4.2	4.3	4.3	4.4	4.9	4.3	4.8	5.4	5.7	5.8
Total	100.0	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	10-Sep-15	17-Sep-15	24-Sep-15	01-Oct-15	08-Oct-15	15-Oct-15	22-Oct-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,658	6,434	6,400	6,390	6,252	6,195	6,180	6,112	6,207	6,254	6,435
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.21	4.07	4.06	4.05	3.98	3.94	3.93	3.89	3.95	3.98	4.10

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya