SEPTEMBER 11, 2015

Highlights

The money market was relatively liquid during the week ending September 9, 2015 supported by government payments, redemption of government securities and Term Auction Deposit (TAD) maturities. This inflow was fully offset by withdrawals through mop-up operations by the CBK, issuance of securities in the primary market and tax remittances by commercial banks. Consequently, the decline in the interbank rate moderated to 13.4 percent in the week ending September 9, 2015 from 14.5 percent in the previous week.

Overall capital markets recorded mixed performance in the week ending September 10, 2015 as reflected in leading market indicators.

Monetary Policy Operations

The money market was relatively liquid during the week ending September 9, 2015 supported by government payments, redemption of government securities and Term Auction Deposits (TAD) maturities. This inflow was fully offset by withdrawals through mop-up operations by the CBK, issuance of securities in the primary market and tax remittances by commercial banks (**Table 1**). The CBK liquidity management mopped KSh 45.4 billion through Repos and Term Auction Deposits out of the KSh 46.0 billion offered in the interbank market.

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

	3-Sep-15	4-Sep-15	7-Sep-15	8-Sep-15	9-Sep-15	Total
Liquidity Flows						
Total liquidity injection	**2.0**	**11.2**	**22.3**	**10.6**	**8.8**	**55.0**
Repos Maturities	0.0	0.0	0.5	0.0	0.0	**0.5**
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	**0.0**
Overnight loans to banks	0.0	0.0	0.0	0.0	0.0	**0.0**
Term Auction Deposit maturities	0.0	7.0	7.0	9.0	4.8	**27.8**
Purchases of forex by CBK	0.0	0.0	0.0	0.0	0.0	**0.0**
T/bills redemptions	0.0	0.0	12.5	0.0	0.0	**12.5**
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	2.0	4.2	2.3	1.6	4.0	**14.2**
Total liquidity reduction	**10.2**	**12.3**	**16.4**	**22.0**	**11.4**	**72.4**
T/bills (Primary issues)	0.0	0.0	4.3	0.0	0.0	**4.3**
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	1.0	0.0	0.0	4.5	0.0	**5.5**
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	**0.0**
Term Auction Deposit	5.5	9.7	8.5	12.0	4.3	**39.9**
Overnight borrowings repayments	0.0	0.0	0.0	0.0	0.0	**0.0**
Sales of forex by CBK	0.2	0.1	1.5	2.9	3.2	**7.9**
Transfer from Banks -Taxes	3.6	2.5	2.1	2.6	3.8	**14.6**
Net liquidity injection (+)/Withdrawal (-)	**-8.3**	**-1.0**	**5.9**	**-11.4**	**-2.6**	**-17.3**
Open Market Operations Outcome						
Posted Amount	2.0	10.0	14.0	11.0	**9.0**	**46.0**
Realised Amount	**6.5**	**9.7**	**8.5**	**16.5**	**4.3**	**45.4**
Repo (-)	1.0	0.0	0.0	4.5	0.0	**5.5**
Term Auction Deposits (-)	5.5	9.7	8.5	12.0	4.3	**39.9**
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	**0.0**
Reserve Money Position						
Reserve money (actual)	352.9	352.9	357.4	344.8	342.1	**350.0**
Reserve money target	360.6	360.6	361.7	361.7	361.7	**361.2**
Deviation from target	**-7.7**	**-7.7**	**-4.3**	**-16.9**	**-19.6**	**- 11.2**
Commercial banks excess reserves Exc(+)/ Short(-)	-4.5	-6.4	-2.5	-16.1	-18.7	**- 9.6**
Cash outside bank Exc(+)/ Short(-)	**-3.2**	**-1.3**	**-1.8**	**-0.8**	**-0.9**	**- 1.6**

Source: Central Bank of Kenya

Short-Term Rates

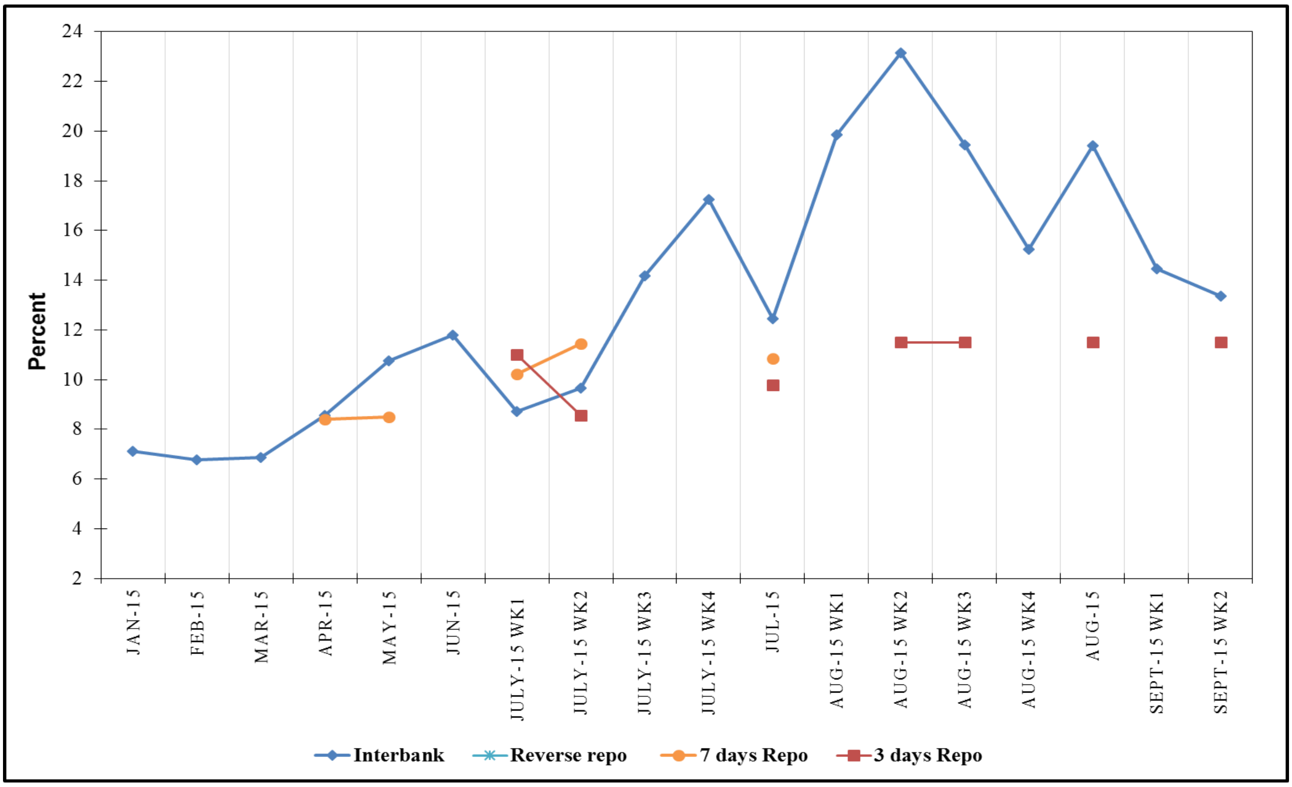
The average interbank rate declined to 13.4 percent in the week ending September 9, 2015 from 14.5 percent in the previous week. The volume transacted declined to KSh 14.9 billion from KSh 22.4 billion traded in the previous week, while the number of deals declined to 46 from 62 deals in the period under review (**Table 2 and Chart A**).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)	3 days Average Repo Rate (%)
27-Aug-15	81	36,587	15.18		
28-Aug-15	64	23,615	14.78		
31-Aug-15	57	19,694	14.46		
1-Sep-15	62	20,403	13.93		
2-Sep-15	48	11,815	13.91		
August 27, 2015- September 2, 2015	**62**	**22,423**	**14.45**		
3-Sep-15	36	11,020	13.83	11.50	11.50
4-Sep-15	52	18,615	13.65		
7-Sep-15	51	19,609	13.26		
8-Sep-15	48	13,090	13.11		11.50
9-Sep-15	41	11,975	12.92		
September 3, 2015 - September 9, 2015	**46**	**14,862**	**13.36**	**11.50**	**11.50**

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES

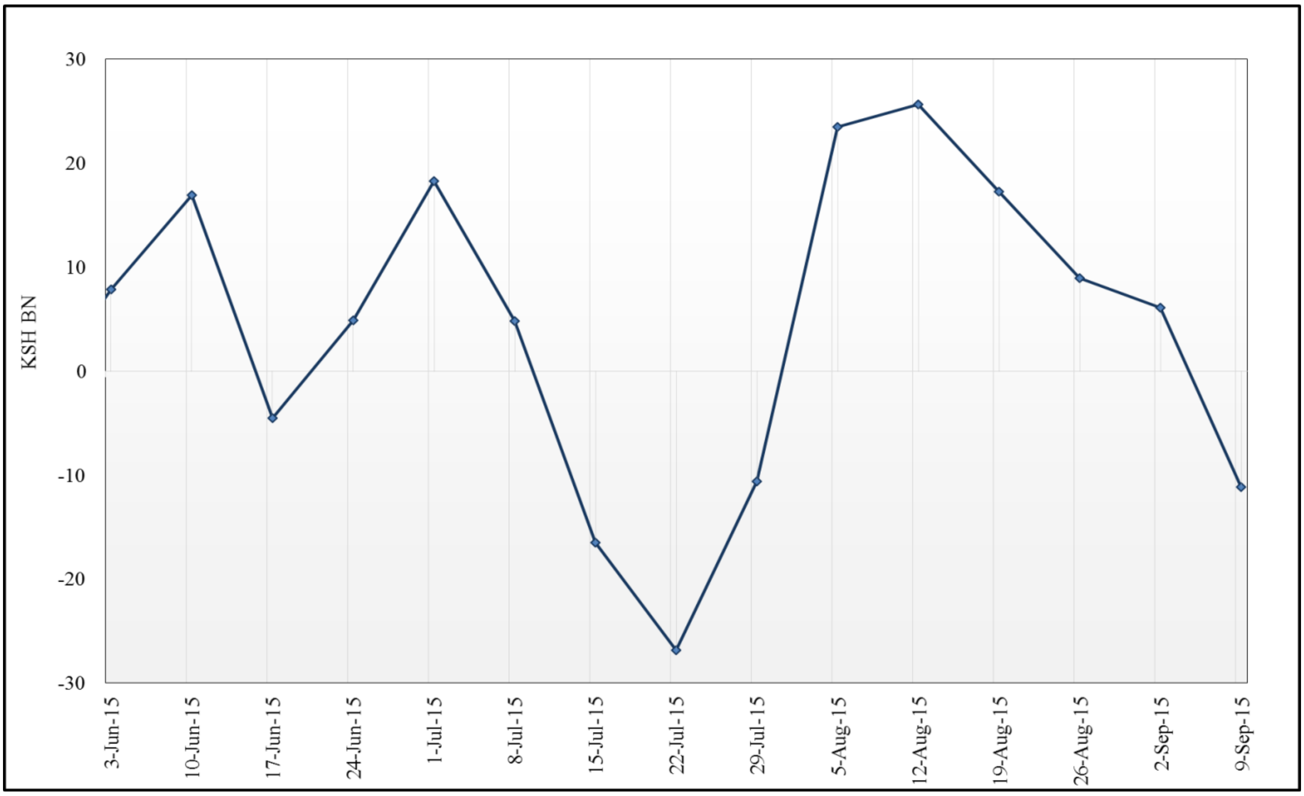


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account balance recorded a deficit of KSh 11.16 billion in relation to the cash reserve requirement of 5.25 percent (KSh 129.1 billion) in the week ending September 9, 2015 compared to a surplus of KSh 6.08 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 depreciated against all major international and EAC currencies during the week ending September 10, 2015,. It depreciated by1.36 percent against the US Dollar, 0.84 percent against the Pound Sterling, 0.52 percent against the Euro and 2.14 percent against the Japanese Yen **(Table 3)**.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
28-Aug-15	103.75	160.13	116.77	85.66	35.04	20.58	7.03	14.94
31-Aug-15	103.87	160.31	116.80	85.72	35.19	20.60	7.02	14.81
1-Sep-15	103.96	160.12	117.15	86.13	35.30	20.63	7.02	14.84
2-Sep-15	104.23	159.58	117.64	86.88	35.31	20.63	7.00	14.76
3-Sep-15	104.69	160.08	117.56	86.90	35.10	20.56	6.97	14.68
28 Aug-3 Sep	**104.10**	**160.04**	**117.18**	**86.26**	**35.19**	**20.60**	**7.01**	**14.81**
4-Sep-15	105.15	160.29	117.00	88.03	34.90	20.45	6.94	14.68
7-Sep-15	105.55	160.28	117.61	88.40	34.80	20.34	6.92	14.69
8-Sep-15	106.25	162.68	119.06	89.24	34.59	20.36	6.87	14.61
9-Sep-15	105.41	162.01	117.85	87.94	34.72	20.63	6.92	14.64
10-Sep-15	105.36	162.59	118.69	87.00	34.77	20.55	6.94	14.72
4 Sep-10 Sep	**105.54**	**161.57**	**118.04**	**88.12**	**34.76**	**20.47**	**6.92**	**14.67**

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Markets

Nairobi Securities Exchange recorded mixed performance in the week ending September 10, 2015.

Equities Market

Equity prices recorded marginal gains of 0.86 percent for NASI and 1.55 percent for the NSE 20 Share Index during the week ending September 10, 2015. The number of shares traded also increased by 41.8 percent. Reflecting the above trends, the equity turnover increased by 49.58 percent. Market Capitalization recorded a marginal 1.60 percent drop during the week under review (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	16-Jul-15	23-Jul-15	30-Jul-15	06-Aug-15	13-Aug-15	20-Aug-15	27-Aug-15	03-Sep-15	10-Sep-15	Wkly Change
NASI 100= 2008	156.59	154.25	150.95	146.43	153.38	150.42	137.51	144.95	146.19	0.86%
NSE 20 Share Index 100= 1996	4,676.16	4,539.47	4,487.38	4,350.70	4,495.52	4,429.87	4,080.83	4,153.31	4,217.78	1.55%
Number of Deals	6,961.00	7,489.00	6,797.00	7,751.00	7,517.00	7,838.00	7,410.00	7,343.00	6,855.00	-6.65%
Total Shares Traded	189.10	123.65	98.96	286.63	100.59	184.66	135.34	106.78	151.43	41.81%
Equity Turnover (Ksh. Millions)	6,308.76	3,236.69	2,280.28	6,930.15	2,806.07	5,973.23	4,036.50	3,317.80	4,962.87	49.58%
Market Capitalization (Ksh. Bn.)	2,192.82	2,160.06	2,113.79	2,050.22	2,147.80	2,109.49	1,931.10	2,086.82	2,053.38	-1.60%
Bonds Turnover (Ksh. Millions)	732.20	1,504.51	4,088.10	9,773.41	2,396.45	4,294.75	2,654.06	7,126.55	3,298.15	-53.72%
FTSE NSE Kenya 15 Index	208.88	205.23	197.85	190.31	199.07	193.90	183.66	187.08	190.67	1.92%
FTSE NSE Kenya 25 Index	207.97	204.71	197.39	188.92	198.08	192.97	183.15	186.61	190.29	1.97%
FTSE NSE Bond Index	91.79	91.80	91.68	91.58	91.33	91.17	91.30	90.91	90.71	-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 1.92 percent and 1.97 percent higher as compared to the previous week. Contrarily, the FTSE Government Bond Index recorded a decline of 0.22 percent, reflecting a marginal increase in the secondary market yields.

The Telecommunication and Technology, Banking and Commercial and Services sectors were the most active, with 54.47 percent, 19.57 percent and 12.10 percent of the total shares traded respectively. The Automobile and Accessories sector was the least active with only 43,100 shares traded.

The Bond Market

The bond's turnover decreased by 53.72 percent to KSh. 3,298.15 million from KSh. 7,126.55 million in the previous week. This may be attributed to low activity in the infrastructure bonds compared to the previous week. Likewise, the number of deals decreased to 72, compared to 89 deals traded the previous week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills							
Date of Auction	30-Jul-15	06-Aug-15	13-Aug-15	20-Aug-15	27-Aug-15	03-Sep-15	10-Sep-15
Amount offered (Ksh M)	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0	3,000.0
Bids received (Ksh M)	1,364.0	2,142.5	2,193.2	1,824.5	3,220.8	1,326.2	8,473.4
Amount Accepted (Ksh M)	871.2	688.9	1,706.9	1,822.4	3,213.3	1,316.0	7,512.8
Maturities (Ksh M)	366.7	1,526.5	593.0	2,713.0	722.8	3,177.6	2,128.2
Average interest Rate (%)	11.5	11.6	11.5	11.6	11.5	11.5	13.9
182-Day Treasury Bills							
Date of Auction	29-Jul-15	05-Aug-15	12-Aug-15	19-Aug-15	26-Aug-15	02-Sep-15	09-Sep-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)	864.7	721.1	2,524.3	718.4	1,240.9	1,742.7	5,176.2
Amount Accepted (Ksh M)	402.7	212.6	2,512.9	254.3	757.1	1,742.7	4,213.7
Maturities (Ksh M)	1,528.4	4,402.8	4,254.1	955.2	5,169.0	4,735.4	5,829.6
Average interest Rate (%)	11.9	11.8	11.9	12.3	12.4	12.3	12.9
364-Day Treasury Bills							
Date of Auction	29-Jul-15	05-Aug-15	12-Aug-15	19-Aug-15	26-Aug-15	02-Sep-15	09-Sep-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)	2,146.7	6,955.3	4,056.8	2,088.6	1,888.9	1,274.0	6,162.9
Amount Accepted (Ksh M)	1,719.2	5,132.7	3,851.4	1,659.2	1,459.5	1,274.0	5,318.6
Maturities (Ksh M)	1,149.0	5,522.3	7,656.9	956.7	3,424.7	5,354.9	9,932.8
Average interest Rate (%)	13.5	13.1	13.0	13.0	13.8	14.0	14.9
Treasury Bonds							
Date of Auction							
Tenor				**FXD 2/2015/2**			
Amount offered (Ksh M)				20,000.0			
Bids received (Ksh M)				19,408.7			
Amount Accepted (Ksh M)				11,184.6			
Maturities (Ksh M)				17,927.4			
Average interest Rate (%)				14.8			

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	Jul 3, 2015	Jul 10, 2015	Jul 17, 2015	Jul 24, 2015	Jul 31, 2015	Aug 7, 2015	Aug 14, 2015	Aug 21, 2015	Aug 28, 2015	Sep 4, 2015
1. Treasury Bills (Excluding Repos)	318.82	314.64	308.05	305.26	298.86	299.05	294.33	290.58	289.97	286.43
(As % of total securities)	**23.54**	**23.30**	**22.91**	**22.76**	**22.19**	**22.20**	**21.92**	**21.71**	**21.77**	**21.55**
2. Treasury Bonds	1035.71	1035.71	1036.71	1035.71	1048.17	1048.17	1048.17	1048.17	1041.80	1042.80
(As % of total securities)	**76.46**	**76.70**	**77.09**	**77.24**	**77.81**	**77.80**	**78.08**	**78.29**	**78.23**	**78.45**
3. Total Securities (1+2)	**1,354.53**	**1,350.35**	**1,344.76**	**1,340.96**	**1,347.03**	**1,347.22**	**1,342.50**	**1,338.75**	**1,331.76**	**1,329.23**
4. Overdraft at Central Bank	34.98	39.30	37.73	32.12	41.68	30.37	35.88	29.14	36.76	40.71
5. Other Domestic debt*	29.04	29.05	28.27	29.27	29.27	29.27	29.85	29.86	29.85	28.85
6. Gross Domestic Debt (3+4+5)	**1,418.55**	**1,418.69**	**1,410.76**	**1,402.35**	**1,417.99**	**1,406.85**	**1,408.23**	**1,397.75**	**1,398.37**	**1,398.79**

* 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

	17-Jul-15	24-Jul-15	31-Jul-15	07-Aug-15	14-Aug-15	21-Aug-15	28-Aug-15	04-Sep-15
Treasury bills (Excluding Repos)	21.8	21.8	21.1	21.3	20.9	20.8	20.7	20.5
Treasury bonds	73.5	73.9	73.9	74.5	74.4	75.0	74.5	74.5
CBK Overdraft to Govt	2.7	2.3	2.9	2.2	2.5	2.1	2.6	2.9
Other domestic debt	2.0	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

	03-Jul-15	10-Jul-15	17-Jul-15	24-Jul-15	31-Jul-15	07-Aug-15	14-Aug-15	21-Aug-15	28-Aug-15	04-Sep-15
Banking Institutions	55.9	55.9	57.1	57.1	57.8	57.4	57.6	57.0	57.3	57.2
Insurance Companies	9.0	9.0	9.1	9.1	9.2	9.2	8.8	9.1	8.8	8.8
Parastatals	3.4	3.4	3.5	3.5	3.5	3.7	4.1	4.1	4.3	4.3
Pension funds	24.9	24.9	24.9	25.1	25.3	25.5	25.3	25.6	25.2	25.3
Other investors	6.8	6.8	5.5	5.2	4.2	4.2	4.2	4.3	4.3	4.4
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	09-Jul-15	16-Jul-15	23-Jul-15	30-Jul-15	06-Aug-15	13-Aug-15	20-Aug-15	27-Aug-15	03-Sep-15	10-Sep-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,658	6,623	6,545	6,448	6,434	6,400	6,390	6,386	6,392	6,392	6,252
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.21	4.19	4.14	4.08	4.07	4.06	4.05	4.05	4.05	4.05	3.98

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya