



SEPTEMBER 25, 2015

## Highlights

*The money market was relatively liquid during the week ending September 23, 2015 supported by Term Auction Deposit (TAD) maturities. The inflows were partly sterilized through mop-up operations by the CBK and tax remittances to Government. However, with distribution of excess liquidity skewed to a few banks the interbank rate increased to 24.9 percent in the week ending September 23, 2015 from 17.9 percent in the previous week.*

*Overall capital markets performance weakened in the week ending September 24, 2015 as reflected in key indicators.*

## Monetary Policy Stance

The Monetary policy committee met on September 22, 2015 and retained the Central bank rate (CBR) at 11.5 percent to continue anchoring inflationary expectations.

## Monetary Policy Operations

The money market was relatively liquid during the week ending September 23, 2015 supported by Term Auction Deposit (TAD) maturities. The inflows were partly sterilized through mop-up operations by the CBK, and tax remittances to Government (**Table 1**). Reserve money averaged KSh 359.2 billion during the week ending September 23, 2015 and was KSh 4.3 billion below target.

## CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

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

	17-Sep-15	18-Sep-15	21-Sep-15	22-Sep-15	23-Sep-15	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>10.5</b>	<b>15.4</b>	<b>26.4</b>	<b>17.7</b>	<b>11.4</b>	<b>81.4</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	4.7	9.9	9.5	14.0	4.3	42.4
T/bills redemptions	0.0	0.0	10.8	0.0	0.0	10.8
T/bills rediscounts	0.0	2.5	0.0	0.2	0.0	2.7
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	4.1	0.0	0.0	4.1
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	5.8	3.0	2.0	3.5	7.1	21.5
<b>Total liquidity reduction</b>	<b>7.4</b>	<b>11.2</b>	<b>24.5</b>	<b>30.2</b>	<b>4.0</b>	<b>77.3</b>
T/bills (Primary issues)	0.0	0.0	5.8	0.0	0.0	5.8
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	0.0	0.0	8.0	0.0	0.0	8.0
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.0	0.0	2.0	10.0	0.0	12.0
Transfer from Banks -Taxes	5.4	8.5	7.5	20.2	4.0	45.5
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>3.1</b>	<b>4.2</b>	<b>1.9</b>	<b>-12.5</b>	<b>7.4</b>	<b>4.1</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	5.0	5.0	10.0	9.0	3.0	32.0
<b>Realised Amount</b>	<b>0.0</b>	<b>0.0</b>	<b>10.0</b>	<b>10.0</b>	<b>0.0</b>	<b>20.0</b>
Repo (-)	0.0	0.0	8.0	0.0	0.0	8.0
Term Auction Deposits (-)	0.0	0.0	2.0	10.0	0.0	12.0
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Reserve Money Position</b>						
Reserve money (actual)	362.0	362.3	363.2	350.5	357.9	359.2
Reserve money target	362.8	362.8	363.9	363.9	363.9	363.4
Deviation from target	<b>-0.8</b>	<b>-0.5</b>	<b>-0.7</b>	<b>-13.4</b>	<b>-6.0</b>	<b>4.3</b>
Commercial banks excess reserves Exc(+)/ Short(-)	5.0	5.7	6.7	-5.0	3.5	3.2
Cash outside bank Exc(+)/ Short(-)	<b>-5.8</b>	<b>-6.2</b>	<b>-7.4</b>	<b>-8.4</b>	<b>-9.4</b>	<b>7.5</b>

Source: Central Bank of Kenya

### Short-Term Interest Rates

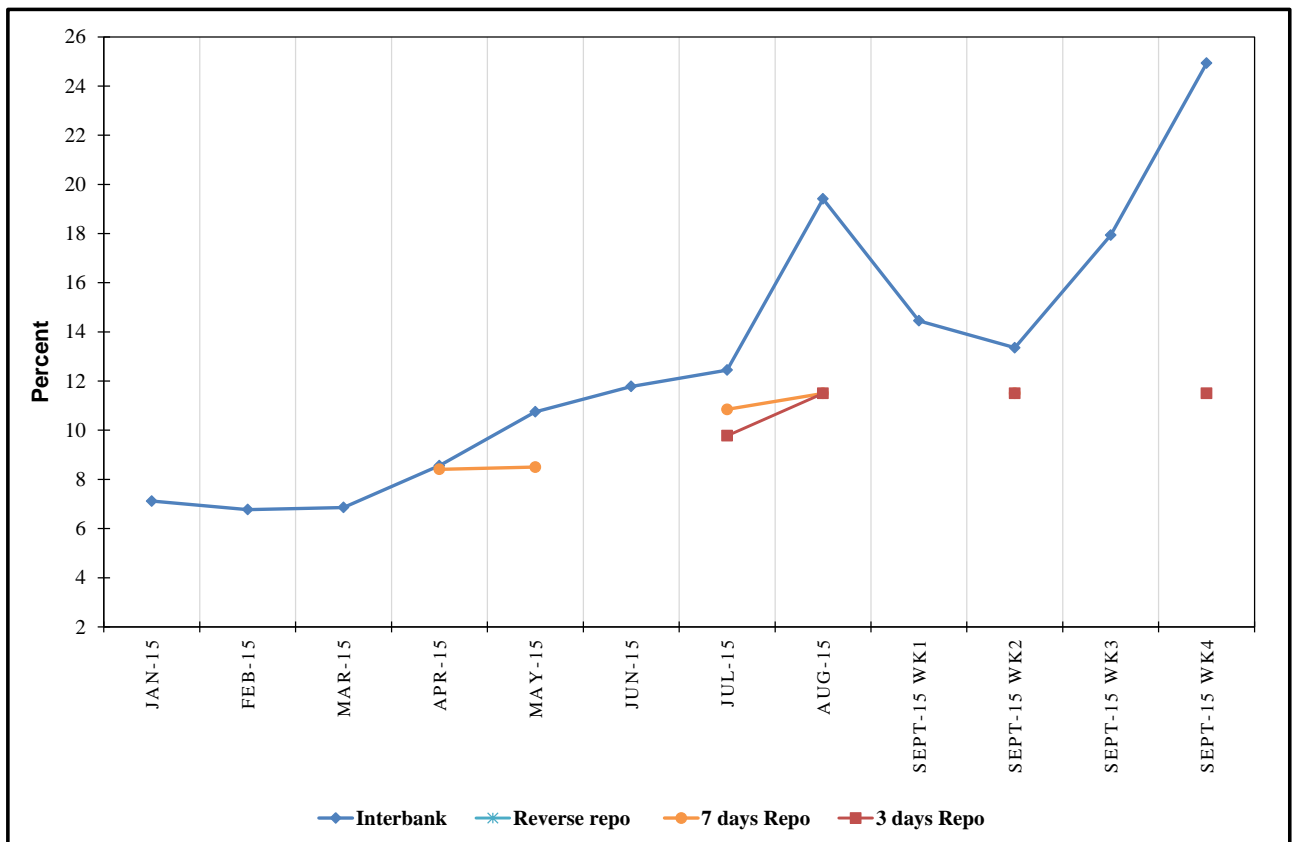
The average interbank rate increased to 24.9 percent in the week ending September 23, 2015 from 17.9 percent in the previous week. The volume transacted increased to KSh 28.9 billion from KSh 22.8 billion traded in the previous week, with the number of deals increasing to 73 from 67 deals. The 3 days average repo rate stood at 11.5 percent (Table 2 and Chart A).

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

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	3 days Average Repo Rate (%)
10-Sep-15	48	15,220	13.44	
11-Sep-15	75	24,155	15.35	
14-Sep-15	80	21,350	18.40	
15-Sep-15	65	26,626	20.56	
16-Sep-15	66	26,581	21.93	
<b>September 10, 2015 - September 16, 2015</b>	<b>67</b>	<b>22,786</b>	<b>17.93</b>	
17-Sep-15	67	28,095	23.40	
18-Sep-15	71	32,964	24.56	
21-Sep-15	79	27,215	25.23	11.50
22-Sep-15	67	26,609	25.67	
23-Sep-15	82	29,570	25.79	
<b>September 17, 2015 - September 23, 2015</b>	<b>73</b>	<b>28,890</b>	<b>24.93</b>	<b>11.50</b>

Source: Central Bank of Kenya

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

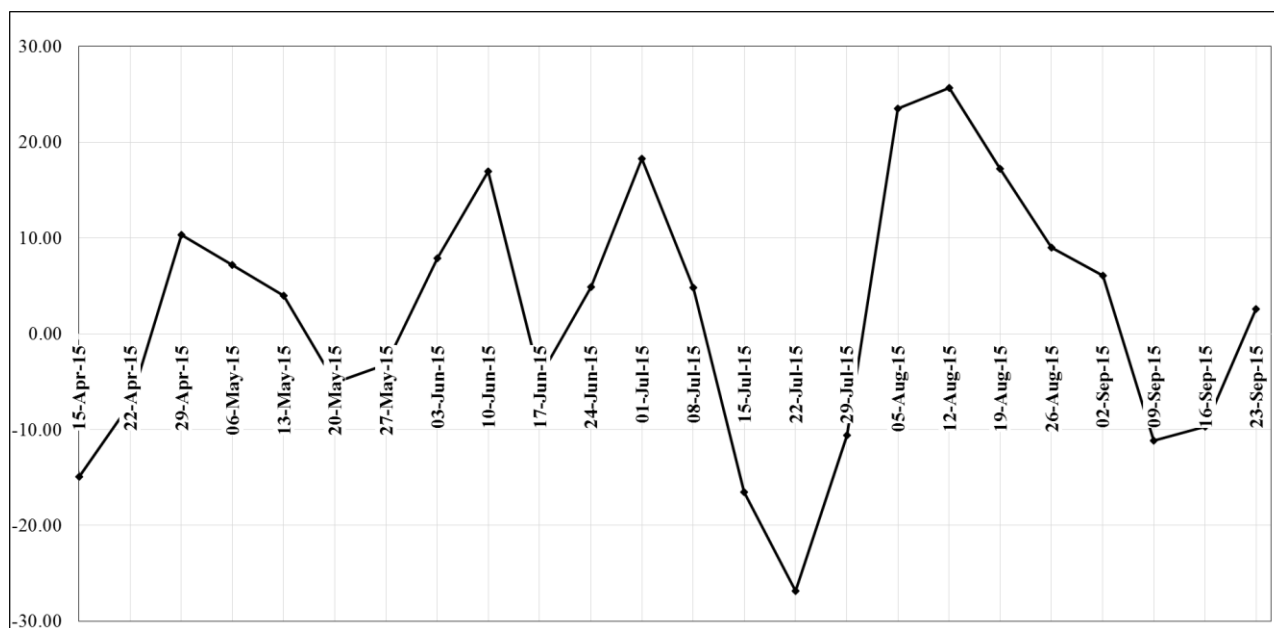


Source: Central Bank of Kenya

## Commercial Banks Clearing Account Balances

Commercial banks' clearing account recorded a surplus of KSh 2.57 billion in relation to the cash reserve requirement of 5.25 percent (KSh 130.7 billion) in the week ending September 23, 2015 compared to a deficit of KSh 9.67 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 was relatively stable in the week ending September 24, 2015. It moved marginally against major international currencies and the EAC currencies (**Table 3**).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
11-Sep-15	105.36	162.59	118.69	87.00	34.77	20.55	6.94	14.72
14-Sep-15	105.29	162.30	119.19	87.44	34.83	20.61	6.94	14.60
15-Sep-15	105.38	162.42	119.16	87.76	34.81	20.69	6.93	14.59
16-Sep-15	105.63	162.59	119.46	87.92	34.65	20.69	6.93	14.66
17-Sep-15	105.68	163.82	119.38	87.48	34.59	20.66	6.92	14.74
<b>11-17 Sep</b>	<b>105.47</b>	<b>162.74</b>	<b>119.18</b>	<b>87.52</b>	<b>34.73</b>	<b>20.64</b>	<b>6.93</b>	<b>14.66</b>
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
<b>18-24 Sep</b>	<b>105.44</b>	<b>162.79</b>	<b>118.38</b>	<b>87.90</b>	<b>34.68</b>	<b>20.57</b>	<b>6.98</b>	<b>14.63</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

## The Capital Markets

The Nairobi Securities Exchange performance weakened in both equities and bonds segments during the week ending September 24, 2015.

### Equities Market

The prices of quoted and actively traded shares recorded mixed performance with 0.01 percent increase in the NASI and decline of 0.62 percent in NSE 20 Share Index. Reflecting a 22.4 percent decrease in volume of shares traded, equity turnover declined by 30.21 percent. Market capitalization declined by 0.14 percent during the week under review (**Table 4**).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	13-Aug-15	20-Aug-15	27-Aug-15	3-Sep-15	10-Sep-15	17-Sep-15	24-Sep-15	Wkly Change
NASI 100= 2008	153.38	150.42	137.51	144.95	146.19	148.28	148.30	0.01%
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	-0.62%
Number of Deals	7,517.00	7,838.00	7,410.00	7,343.00	6,855.00	7,383.00	6,812.00	-7.73%
Total Shares Traded	100.59	184.66	135.34	106.78	151.43	86.62	67.21	-22.40%
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	-30.21%
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	-0.14%
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	-51.80%
FTSE NSE Kenya 15 Index	199.07	193.90	183.66	187.08	190.67	195.49	195.09	-0.20%
FTSE NSE Kenya 25 Index	198.08	192.97	183.15	186.61	190.29	195.29	194.81	-0.25%
FTSE NSE Bond Index	91.33	91.17	91.30	90.91	90.71	95.70	90.41	-5.53%

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 0.20 percent and 0.25 percent lower, respectively. The FTSE Government Bond Index declined by 5.53 percent, reflecting increase in the secondary market yields.

The Telecommunication & Technology, Banking and Manufacturing and Allied sectors were most active, with 49.40 percent, 24.65 percent and 6.4 percent of the total shares traded respectively. The Automobile & Accessories sector was the least active with only 87,800 shares traded.

### The Bond Market

The bond's turnover declined by 51.80 percent to KSh. 1,389.42 million from KSh. 2,882.55 million in the previous week. Corresponding deals were 56 down from 77 deals traded last week.

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

<b>91-Day Treasury Bills</b>					
Date of Auction	27-Aug-15	3-Sep-15	10-Sep-15	17-Sep-15	24-Sep-15
Amount offered (Ksh M)	3,000.0	3,000.0	3,000.0	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
Amount Accepted (Ksh M)	3,213.3	1,316.0	7,512.8	3,062.4	4,901.7
Maturities (Ksh M)	722.8	3,177.6	2,128.2	1,089.8	507.0
Average interest Rate (%) - 91 Days	11.5	11.5	13.9	14.5	18.6
<b>182-Day Treasury Bills</b>					
Date of Auction	26-Aug-15	2-Sep-15	9-Sep-15	16-Sep-15	23-Sep-15
Amount offered (Ksh M)	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
Amount Accepted (Ksh M)	757.1	1,742.7	4,213.7	352.4	221.2
Maturities (Ksh M)	5,169.0	4,735.4	5,829.6	3,640.4	4,727.4
Average interest Rate (%) - 182 days	12.4	12.3	12.9	13.9	14.6
<b>364-Day Treasury Bills</b>					
Date of Auction	26-Aug-15	2-Sep-15	9-Sep-15	16-Sep-15	23-Sep-15
Amount offered (Ksh M)	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
Amount Accepted (Ksh M)	1,459.5	1,274.0	5,318.6	2,630.7	395.5
Maturities (Ksh M)	3,424.7	5,354.9	9,932.8	6,911.8	6,896.1
Average interest Rate (%) - 364 days	13.8	14.0	14.9	15.8	16.3
<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
1. Treasury Bills (Excluding Repos)	294.33	290.58	289.97	286.43	277.83	278.30
<b>(As % of total securities)</b>	<b>21.92</b>	<b>21.71</b>	<b>21.77</b>	<b>21.55</b>	<b>21.05</b>	<b>21.78</b>
2. Treasury Bonds	1048.17	1048.17	1041.80	1042.80	1041.80	999.67
<b>(As % of total securities)</b>	<b>78.08</b>	<b>78.29</b>	<b>78.23</b>	<b>78.45</b>	<b>78.95</b>	<b>78.22</b>
<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>
4. Overdraft at Central Bank	35.88	29.14	36.76	40.71	45.51	33.26
5. Other Domestic debt*	29.85	29.86	29.85	28.85	28.80	28.79
<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>

\* 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**

	14-Aug-15	21-Aug-15	28-Aug-15	4-Sep-15	11-Sep-15	18-Sep-15
Treasury bills (Excluding Repos)	20.9	20.8	20.7	20.5	19.9	20.8
Treasury bonds	74.4	75.0	74.5	74.5	74.7	74.6
CBK Overdraft to Govt	2.5	2.1	2.6	2.9	3.3	2.5
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	4-Sep-15	11-Sep-15	18-Sep-15
Banking Institutions	57.6	57.0	57.3	57.2	56.8	57.1
Insurance Companies	8.8	9.1	8.8	8.8	8.9	8.7
Parastatals	4.1	4.1	4.3	4.3	4.4	4.8
Pension funds	25.3	25.6	25.2	25.3	25.0	25.2
Other investors	4.2	4.3	4.3	4.4	4.9	4.3
<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 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)**

	2-Jul-15	9-Jul-15	16-Jul-15	23-Jul-15	30-Jul-15	6-Aug-15	13-Aug-15	20-Aug-15	27-Aug-15	3-Sep-15	10-Sep-15	17-Sep-15	24-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	6,195	6,180
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	3.94	3.93

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya