



JANUARY 16, 2015

Highlights

The money market was relatively liquid during the week ending January 14, 2015, largely supported by repo securities maturities and Government payments. This was partly offset by net issuance of Government securities in the primary market and tax remittances by commercial banks. The average interbank rate decreased by 37 basis points to 6.49 percent in the week ending January 14, 2015 from 6.86 percent recorded in the previous week.

Activity in the capital market improved in the second week of year 2015 with all market indicators except equity turnover recording gains.

Monetary Policy Operations

The money market was relatively liquid during the week ending January 14, 2015, largely supported by repo securities maturities and Government payments. This was partly offset by net issuance of Government securities in the primary market and tax remittances by commercial banks. The Central Bank Liquidity Management rolled-over maturing repo securities. Reserve money averaged Ksh 337.9 billion during the week and was Ksh 9.6 billion below target (Table 1).

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

	8-Jan-15	9-Jan-15	12-Jan-15	13-Jan-15	14-Jan-15	Total
Liquidity Flows						
Total liquidity injection	6.4	5.3	21.2	11.2	6.0	50.1
Repos Maturities	0.0	2.7	10.0	10.0	4.9	27.6
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	4.2	0.0	0.0	4.2
Govt payments	3.0	2.6	6.9	1.2	0.8	14.4
Total liquidity reduction	9.9	8.6	23.3	16.5	8.4	66.7
T/bills (Primary issues)	0.0	0.0	9.9	0.0	0.0	9.9
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
Repos	1.0	2.5	5.3	11.0	5.0	24.8
Term Auction Deposit	2.0	1.0	0.0	0.0	0.0	3.0
Transfer from Banks -Taxes	3.5	5.1	5.1	5.4	3.0	22.1
Net liquidity injection (+)/Withdrawal (-)	-3.5	-3.4	-2.1	-5.3	-2.4	-16.6
Open Market Operations Outcome						
Posted Amount	3.0	3.0	9.0	11.0	5.0	31.0
Realised Amount	3.0	3.5	5.3	11.0	5.0	27.8
Repo (-)	1.0	2.5	5.3	11.0	5.0	24.8
Term Auction Deposits (-)	2.0	1.0	0.0	0.0	0.0	3.0
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						Average
Reserve money (actual)	342.6	342.0	339.6	334.0	331.5	337.9
Reserve money target	349.8	349.8	346.0	346.0	346.0	347.5
Deviation from target	-7.2	-7.8	-6.4	-11.9	-14.5	-9.6
Commercial banks excess reserves Exc(+)/ Short(-)	-11.1	-14.4	-8.3	-9.8	-9.6	-10.7
Cash outside bank Exc(+)/ Short(-)	3.8	6.6	1.9	-2.2	-4.9	1.1

Source: Central Bank of Kenya

Interbank Rates

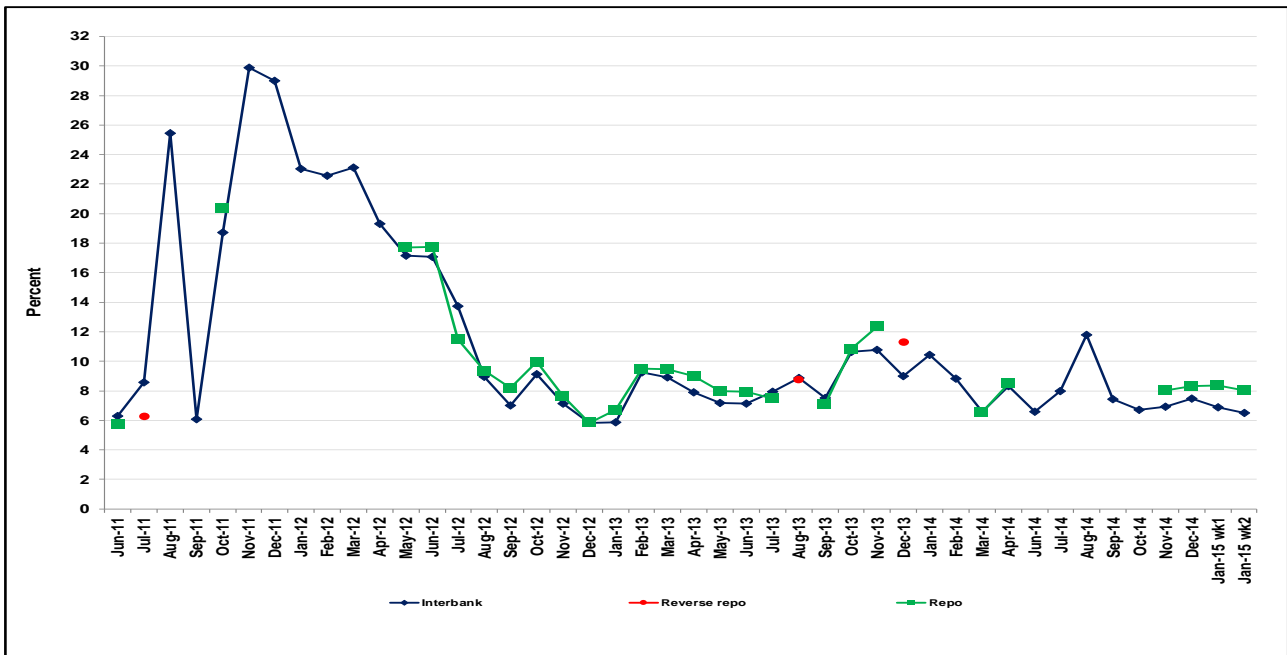
The average interbank rate decreased by 37 basis points to 6.49 percent in the week ending January 14, 2015 from 6.86 percent recorded in the previous week. The volume transacted rose by 24.6 percent to Ksh 18.8 billion from Ksh 15.1 billion traded in the previous week, while the number of deals increased to 46 from 38 deals. The average repo rate decreased marginally to 8.00 percent in the week ending January 14, 2015 from 8.34 percent recorded in the previous week (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Average Repo Rate (%)
1-Jan-15				
2-Jan-15	36	17,763	7.01	8.35
5-Jan-15	41	14,640	6.92	8.33
6-Jan-15	38	13,965	6.81	8.34
7-Jan-15	35	13,870	6.69	8.35
January 1, 2015 - January 7, 2015	38	15,060	6.86	8.34
8-Jan-15	38	17,385	6.65	8.00
9-Jan-15	51	20,990	6.59	7.98
12-Jan-15	46	15,010	6.47	7.96
13-Jan-15	53	24,463	6.37	8.06
14-Jan-15	43	16,010	6.38	8.02
January 8, 2015 - January 14, 2015	46	18,772	6.49	8.00

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES

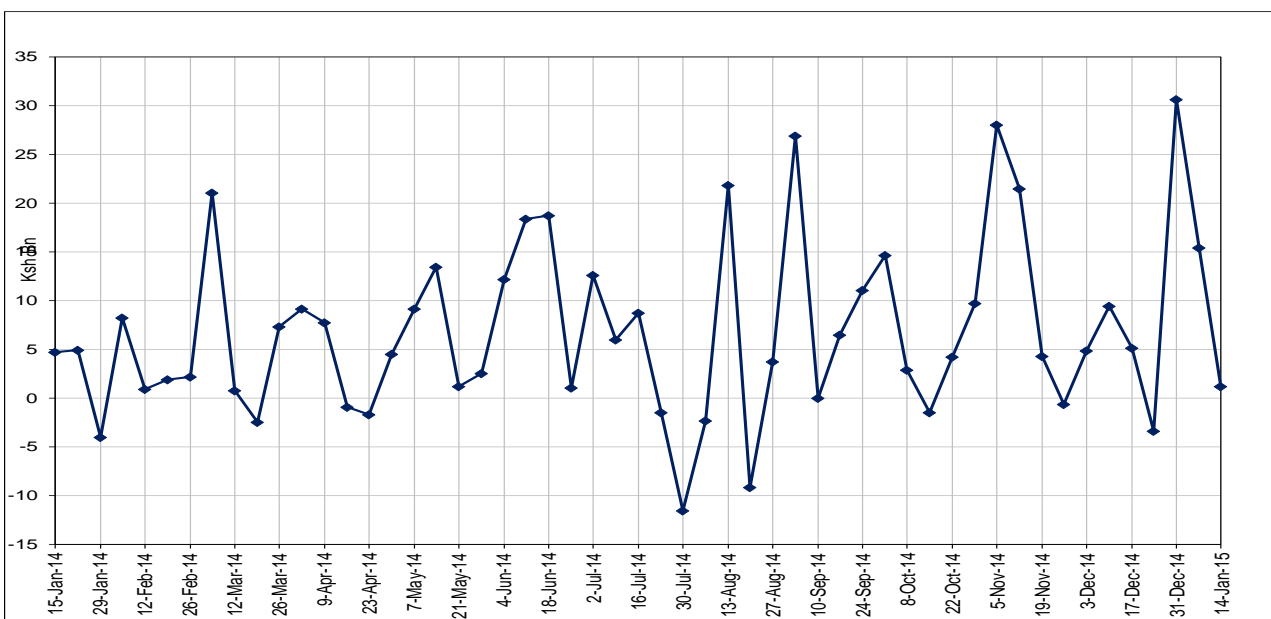


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ clearing account balance during the week ending January 14, 2015, was in surplus of Ksh 1.15 billion in relation to the cash reserve requirement of 5.25 percent (Ksh 115.6 billion) compared with a surplus of Ksh 15.42 billion recorded in the previous week (Chart B). The surplus in the clearing account balance is attributed to improved liquidity in the money market.

CHART B: WEEKLY AVERAGE DEVIATION FROM CRR IN THE CLEARING ACCOUNT



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate depicted mixed performance against major international and regional currencies in the week ending January 15, 2015. During the week, the Shilling weakened marginally against the US Dollar, the Pound Sterling and the Japanese Yen and strengthened against the Euro. In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling and the Tanzania Shilling and weakened against the Burundi Franc and the Rwanda Franc. (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
2-Jan-14	90.70	141.00	109.39	75.36	30.59	19.18	7.60	17.15
5-Jan-14	90.79	138.77	108.39	75.39	30.70	19.05	7.59	17.29
6-Jan-14	90.82	138.60	108.56	76.35	30.83	19.05	7.59	17.29
7-Jan-14	90.92	137.64	107.99	76.51	31.02	19.06	7.58	17.27
8-Jan-14	91.11	137.46	107.72	76.11	31.15	19.04	7.55	17.23
02 -08 Jan 2015	90.91	138.12	108.16	76.09	30.92	19.05	7.58	17.27
9-Jan-14	91.10	137.51	107.48	76.11	31.23	19.05	7.55	17.07
12-Jan-14	91.13	138.20	108.05	77.13	31.38	19.13	7.55	17.07
13-Jan-14	91.24	138.28	107.93	76.92	31.42	19.02	7.54	17.21
14-Jan-14	91.33	138.48	107.68	77.96	31.66	19.11	7.53	17.19
15-Jan-14	91.36	139.16	107.53	77.55	31.69	19.30	7.53	17.11
09 -15 Jan 2015	91.27	138.53	107.80	77.39	31.54	19.14	7.54	17.14

Source: Central Bank of Kenya

The Nairobi Securities Exchange

All leading market indicators in the equities segment except equity turnover improved in the week ended January 15, 2014 compared to the previous week's performance. Similarly, all Bonds market segment leading indicators recorded improvement.

Equities Market

Average stock prices closed the second week of 2015 higher, with NSE 20 Share Index up 2.04 percent, NASI improving 2.28 percent and shareholders' wealth measured by market capitalization gaining 2.28 percent. Equity turnover was down by 0.30 percent. Share supply, however, increased by 22.43 percent as a result of 20.24 percent increase in the number of deals (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	4-Dec-14	10-Dec-14	18-Dec-14	23-Dec-14	31-Dec-14	8-Jan-15	15-Jan-15	Wkly Change
NASI 100= 2008	165.84	165.58	157.56	159.10	162.89	161.78	165.47	2.28%
NSE 20 Share Index 100= 1996	5,169.88	5,135.97	4,957.52	4,907.27	5,112.65	5,097.80	5,201.61	2.04%
Number of Deals	10,046	1,657	10,184	5,134	6,492	7,592	9,129	20.24%
Total Shares Traded	217.97	128.49	222.64	147.11	170.02	65.80	80.56	22.43%
Equity Turnover (Ksh. Millions)	5,710.13	3,657.26	7,566.44	4,900.28	9,638.54	1,733.90	1,728.70	-0.30%
Market Capitalization (Ksh. Bn.)	2,344.85	2,329.56	2,224.56	2,246.43	2,300.05	2,285.52	2,337.57	2.28%
Bonds Turnover (Ksh. Millions)	13,566.05	9,023.81	8,699.40	10,376.40	5,771.05	5,963.08	13,652.08	128.94%
FTSE NSE Kenya 15 Index	216.59	219.26	211.38	208.57	217.76	213.13	219.68	3.07%
FTSE NSE Kenya 25 Index	216.25	220.85	212.82	209.65	218.70	214.16	220.74	3.07%
FTSE NSE Bond Index	93.76	93.04	93.52	92.90	93.31	93.56	93.66	0.11%

Source: Nairobi Securities Exchange

FTSE NSE Kenya Price Index Series and Most Active Sectors

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed the week 3.07 percent higher, while the FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE, improved by 3.07 percent compared to the previous week. The FTSE Government Bond Index closed the week 0.11 percent higher, reflecting marginal declines in yields in the secondary market.

Telecommunication and Technology, Investment Services and Banking sectors were the top three most active, representing 32.39 percent, 25.1 percent and 21.09 percent of the total shares traded, respectively. Automobiles and Accessories sector was least active, with 112,600 shares traded in the period.

The Bond Market

The bond's turnover increased by 128.94 percent to Ksh 13,652.08 million from Ksh 5,963.08 million in the previous week. The number of deals increased to 87 from the 47 deals traded last week.

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills									
Date of Auction	20-Nov-14	27-Nov-14	4-Dec-14	11-Dec-14	18-Dec-14	24-Dec-14	31-Dec-14	8-Jan-15	15-Jan-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	3,000.0	3,000.0
Bids received (Ksh M)	4,502.9	2,353.8	2,674.9	1,995.2	1,625.1	767.2	3,483.0	1,350.7	4,169.2
Amount Accepted (Ksh M)	4,502.9	1,131.1	1,448.3	1,975.7	1,625.1	767.2	3,483.0	1,350.2	2,848.4
Maturities (Ksh M)	1,267.8	1,075.6	1,152.5	3,218.5	2,272.3	4,458.6	3,375.8	1,252.3	2,464.7
Average interest Rate (%)	8.597	8.605	8.615	8.595	8.513	8.571	8.532	8.529	8.601
182-Day Treasury Bills									
Date of Auction	19-Nov-14	26-Nov-14	3-Dec-14	10-Dec-14	17-Dec-14	24-Dec-14	31-Dec-14	7-Jan-15	14-Jan-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	4,000.0	4,000.0
Bids received (Ksh M)	1,152.3	4,226.6	863.0	1,155.8	1,089.9	1,998.9	2,427.1	4,389.9	4,645.5
Amount Accepted (Ksh M)	1,152.3	4,226.6	863.0	1,155.8	1,089.9	1,523.8	2,427.1	4,094.2	3,933.1
Maturities (Ksh M)	695.6	3,576.3	492.7	6,787.4	2,873.2	4,262.8	4,108.2	1,810.6	4,095.8
Average interest Rate (%)	9.201	9.286	9.318	9.450	9.517	9.855	10.048	10.200	10.237
364-Day Treasury Bills									
Date of Auction	19-Nov-14	26-Nov-14	3-Dec-14	10-Dec-14	17-Dec-14	24-Dec-14	31-Dec-14	7-Jan-15	14-Jan-15
Amount offered (Ksh M)	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0	5,000.0
Bids received (Ksh M)	4,098.1	2,345.5	4,291.1	4,375.5	4,888.9	1,546.9	3,371.3	5,357.9	6,518.9
Amount Accepted (Ksh M)	4,098.1	4,098.1	3,811.3	4,375.5	3,988.5	1,370.5	2,696.0	4,457.4	4,721.4
Maturities (Ksh M)	2,880.6	2,880.6	3,170.8	3,049.5	111.9	80.8	3,119.3	940.3	3,184.6
Average interest Rate (%)	10.244	11.244	10.285	10.388	10.388	10.575	10.687	10.679	10.707
Treasury Bonds									
Date of Auction	12-Nov-14		17-Dec-14						
Tenor	15 year Fxd		2 year Fxd		15 year Fxd				
Amount offered (Ksh M)	15,000.0		20,000.0						
Bids received (Ksh M)	11,897.4		13,113.3		13,900.0				
Amount Accepted (Ksh M)	10,708.9		8,905.1		11,920.7				
Maturities (Ksh M)	0.0		20,774.0						
Average interest Rate (%)	12.4		10.9		12.8				

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	14th November 2014	21st November 2014	28th November 2014	5th December 2014	11th December 2014	19th December 2014	24th December 2014	2nd January 2015	9th January 2015
1. Treasury Bills (Excluding Repos)	293.02	296.60	302.00	298.02	299.40	294.39	296.33	291.40	289.91
(As % of total securities)	23.76	24.67	24.05	23.81	23.89	23.58	23.68	23.38	23.29
2. Treasury Bonds	939.98	905.87	953.70	953.70	953.70	953.97	955.00	955.00	955.00
(As % of total securities)	76.24	75.33	75.95	76.19	76.11	76.42	76.32	76.62	76.71
3. Total Securities (1+2)	1,232.99	1,202.47	1,255.70	1,251.71	1,253.10	1,248.36	1,251.33	1,246.40	1,244.91
4. Overdraft at Central Bank	10.85	11.09	16.49	18.46	17.62	23.58	30.08	29.57	31.55
5. Other Domestic debt*	29.99	65.70	30.01	30.00	30.01	29.74	30.00	29.45	30.63
6. Gross Domestic Debt (3+4+5)	1,273.84	1,279.26	1,302.20	1,300.17	1,300.73	1,301.68	1,311.41	1,305.43	1,307.09

* 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

	7-Nov-14	14-Nov-14	21-Nov-14	28-Nov-14	5-Dec-14	12-Dec-14	19-Dec-14	26-Dec-14	2-Jan-15	9-Jan-15
Treasury bills (Excluding Repos)	22.4	23.0	23.2	23.2	22.9	23.0	22.6	22.6	22.3	22.2
Treasury bonds	73.7	73.8	70.8	73.2	70.5	73.3	73.3	72.8	73.2	73.1
CBK Overdraft to Govt	1.6	0.9	0.9	1.3	1.4	1.4	1.8	2.3	2.3	2.4
Other domestic debt	2.4	2.4	5.1	2.3	5.2	2.3	2.3	2.3	2.3	2.3
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 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	7-Nov-14	14-Nov-14	21-Nov-14	28-Nov-14	5-Dec-14	12-Dec-14	19-Dec-14	26-Dec-14	2-Jan-15	9-Jan-15
Banking Institutions	52.9	52.8	53.3	53.6	53.7	53.7	54.0	54.3	54.2	54.1
Insurance Companies	10.1	10.1	10.0	9.9	9.9	9.9	9.9	9.9	9.9	9.9
Parastatals	2.9	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Pension funds	24.8	24.8	24.4	24.5	24.3	24.3	24.0	23.9	23.8	23.8
Other investors	9.3	9.4	9.4	9.3	9.3	9.3	9.3	9.2	9.4	9.4
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)

	13-Nov-14	20-Nov-14	27-Nov-14	4-Dec-14	11-Dec-14	18-Dec-14	24-Dec-14	31-Dec-14	8-Jan-15	15-Jan-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,011	6,961	6,901	6,837	6,789	6,731	7,515	7,425	7,344	7,295
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.58	4.54	4.50	4.46	4.43	4.39	4.90	4.85	4.74	4.71

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya