



JANUARY 23, 2015

Highlights

The money market was relatively liquid during the week ending January 21, 2015, largely supported by OMO maturities and Government payments. This was partly offset by mop-up operations by CBK, net issuance of Government securities in the primary market and tax remittance by commercial banks. The average interbank rate increased to 6.71 percent in the week ending January 21, 2015 from 6.49 percent recorded in the previous week.

Capital markets activity recorded mixed performance in the week ending January 22, 2015, with leading market indicators moving in different directions.

Monetary Policy Operations

The money market was relatively liquid during the week ending January 21, 2015, largely supported by OMO maturities and Government payments. This was partly offset by mop-up operations by CBK, net issuance of Government securities in the primary market and tax remittance by commercial banks. Reserve money averaged KSh 335.2 billion during the week and was KSh 8.5 billion below target (**Table 1**).

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

	15-Jan-15	16-Jan-15	19-Jan-15	20-Jan-15	21-Jan-15	Total
Liquidity Flows						
Total liquidity injection	2.1	10.5	22.7	12.8	6.1	54.2
Repos Maturities	1.0	2.5	5.3	11.0	5.0	24.8
Reverse Repo Purchases	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	0.0	5.9	0.0	0.0	0.3	6.2
T/bills redemptions	0.0	0.0	9.7	0.0	0.0	9.7
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	0.6	2.1	5.4	1.8	0.8	10.8
Total liquidity reduction	2.8	4.9	19.5	12.1	10.8	50.0
T/bills (Primary issues)	0.0	0.0	11.5	0.0	0.0	11.5
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
Repos	0.0	2.0	5.0	2.0	5.0	14.0
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks - Taxes	2.7	2.4	2.4	9.1	5.7	22.4
Net liquidity injection (+)/Withdrawal (-)	-0.7	5.7	3.1	0.7	-4.6	4.2
Open Market Operations Outcome						
Posted Amount	0.0	2.0	5.0	6.0	5.0	18.0
Realised Amount	0.0	2.0	5.0	2.0	5.0	14.0
Repo (-)	0	2	5	2.03	5	14.0
Term Auction Deposits (-)	0.0	0	0.0	0.0	0.0	0.0
Reverse Repo (+)	0.0	0	0.0	0.0	0.0	0.0
Reserve Money Position						Average
Reserve money (actual)	329.8	335.1	339.2	338.4	333.4	335.2
Reserve money target	346.0	346.0	342.1	342.1	342.1	343.7
Deviation from target	-16.2	-10.9	-3.0	-3.7	-8.8	-8.5
Commercial banks excess reserves Exc(+)/ Short(-)	-7.5	-1.7	2.6	2.4	-1.7	-1.2
Cash outside bank Exc(+)/ Short(-)	-8.6	-9.3	-5.6	-6.1	-7.1	-7.3

Source: Central Bank of Kenya

Interbank Rates

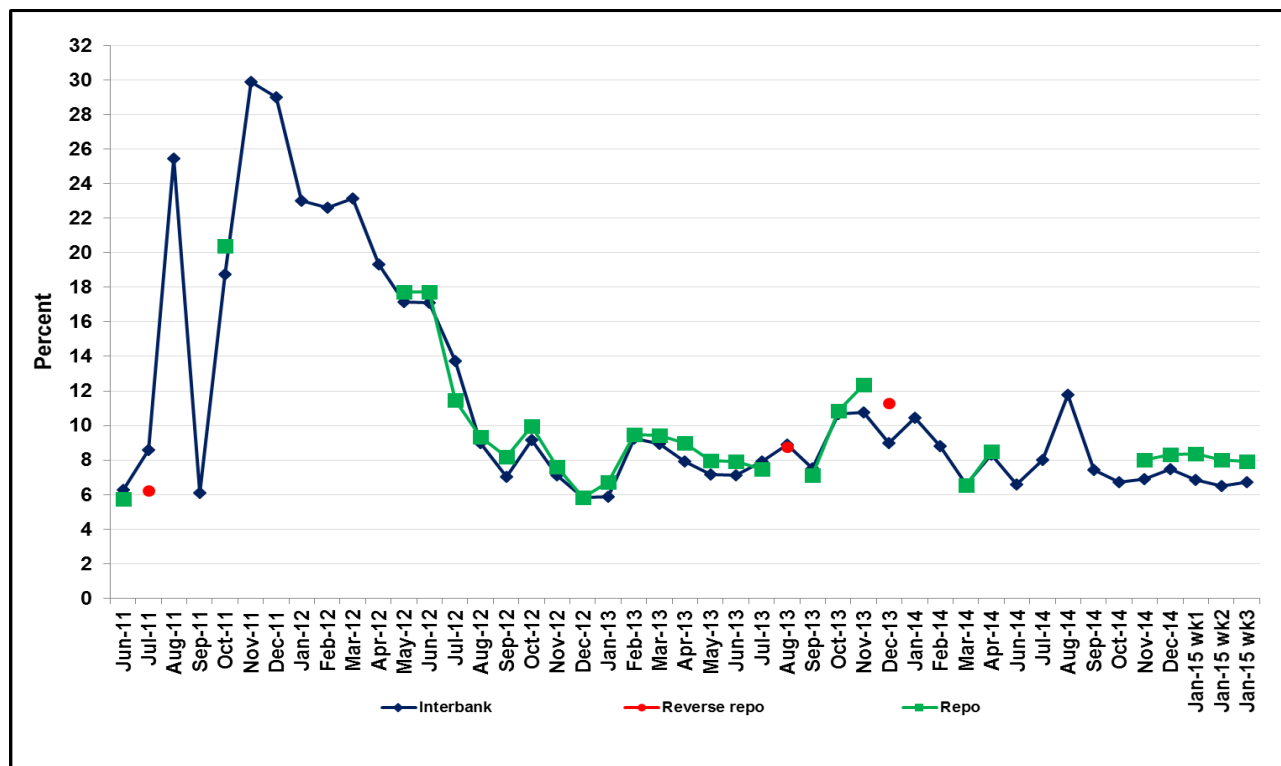
The average interbank rate increased to 6.71 percent in the week ending January 21, 2015 from 6.49 percent recorded in the previous week. The volume transacted declined to KSh 16.7 billion from KSh 18.8 billion traded in the previous week, while the number of deals increased to 55 from 46 deals. The average repo rate decreased marginally to 7.93 percent in the week ending January 21, 2014 from 8.00 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 (%)
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
15-Jan-15	49	13,260	6.34	
16-Jan-15	65	23,425	6.50	8.00
19-Jan-15	52	12,674	6.65	7.78
20-Jan-15	53	15,890	6.90	7.96
21-Jan-15	54	18,080	7.17	7.98
January 15, 2015 - January 21, 2015	55	16,666	6.71	7.93

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES

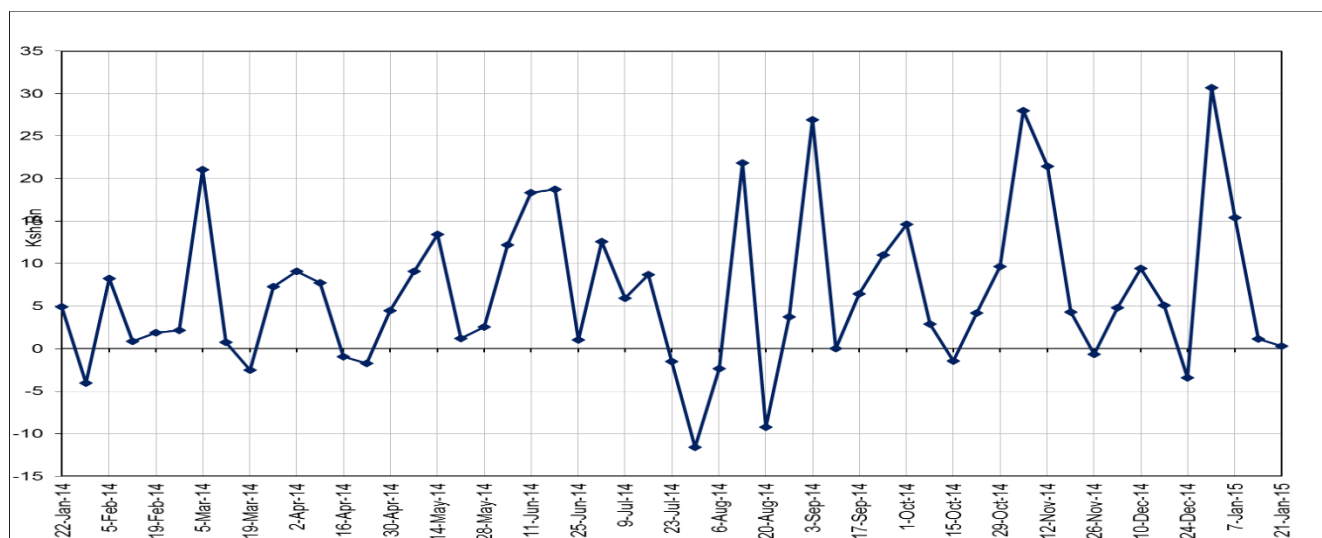


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account during the week ending January 21, 2015 had a surplus of KSh 0.29 billion in relation to the cash reserve requirement of 5.25 percent (KSh 119.0 billion) compared with a surplus of KSh 1.15 billion recorded in the previous week (**Chart B**). The surplus in the clearing account balance reduced as banks remitted taxes and participated in the OMO 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 continued to depicted mixed performance against major international and regional currencies in the week ending January 22, 2015. During the week, the Shilling weakened marginally against the US Dollar, the Pound Sterling and the Japanese Yen and strengthened against the Euro. Performance of the Shilling against major world currencies mainly reflect international developments. 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
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
16-Jan-14	91.48	138.83	106.47	78.48	31.65	19.29	7.52	17.16
19-Jan-14	91.50	138.60	105.88	78.10	31.64	19.38	7.52	17.08
20-Jan-14	91.59	138.11	106.07	77.40	31.61	19.54	7.51	17.14
21-Jan-14	91.63	138.95	106.11	77.78	31.65	19.64	7.46	17.02
22-Jan-14	91.74	138.80	106.33	77.57	31.67	19.78	7.51	17.11
16 -22 Jan 2015	91.62	138.61	106.10	77.71	31.64	19.59	7.50	17.09

Source: Central Bank of Kenya

The Capital Markets

Equity prices declined during the week under review, but there was increased supply as reflected in volume and equity turnover. The bonds market activity also declined.

Equities Market

Average stock prices closed the week lower, with NSE 20 Share Index and NASI down 0.55 percent and 0.18 percent respectively. Shareholders' wealth measured by market capitalization was 0.42 percent down compared to the previous week. However, equity turnover was up by 28.23 percent on account of 24.54 percent increase in share supply and 13.17 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	22-Jan-15	Wkly Change
NASI 100= 2008	165.84	165.58	157.56	159.10	162.89	161.78	165.47	165.17	-0.18%
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	5,172.88	-0.55%
Number of Deals	10,046	1,657	10,184	5,134	6,492	7,592	9,129	10,331	13.17%
Total Shares Traded	217.97	128.49	222.64	147.11	170.02	65.80	80.56	100.33	24.54%
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	2,216.67	28.23%
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	2,327.80	-0.42%
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	10,204.90	-25.25%
FTSE NSE Kenya 15 Index	216.59	219.26	211.38	208.57	217.76	213.13	219.68	217.12	-1.17%
FTSE NSE Kenya 25 Index	216.25	220.85	212.82	209.65	218.70	214.16	220.74	218.99	-0.79%
FTSE NSE Bond Index	93.76	93.04	93.52	92.90	93.31	93.56	93.66	94.33	0.72%

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 1.17 percent lower while the FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE was 0.79 percent lower compared to the previous week. FTSE Government Bond Index closed the week 0.72 percent higher, reflecting slight declines in yields in the secondary market.

Telecommunication and Technology, Banking and Manufacturing and Allied sectors were the top three most active sectors, at 33.0 percent, 21.7 percent and 20.4 percent of total shares traded, respectively. Agricultural sector was the least active with 60,800 shares traded in the week.

The Bond Market

The bond's turnover declined by 25.25 percent to KSh 10,204.90 million from KSh 13,652.08 million in the previous week. The number of deals declined to 72 from the 87 deals traded last week. This could be explained by investors' focus on the primary market where a 5-year and 20-year bond on offer of KSh 20 billion was oversubscribed by 34.74 percent.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills										
Date of Auction	20-Nov-14	27-Nov-14	11-Dec-14	18-Dec-14	24-Dec-14	31-Dec-14	8-Jan-15	15-Jan-15	22-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	3,000.0
Bids received (Ksh M)	4,502.9	2,353.8	1,995.2	1,625.1	767.2	3,483.0	1,350.7	4,169.2	878.8	
Amount Accepted (Ksh M)	4,502.9	1,131.1	1,975.7	1,625.1	767.2	3,483.0	1,350.2	2,848.4	878.8	
Maturities (Ksh M)	1,267.8	1,075.6	3,218.5	2,272.3	4,458.6	3,375.8	1,252.3	2,464.7	652.7	
Average interest Rate (%)	8.597	8.605	8.595	8.513	8.571	8.532	8.529	8.601	8.684	
182-Day Treasury Bills										
Date of Auction	19-Nov-14	26-Nov-14	10-Dec-14	17-Dec-14	24-Dec-14	31-Dec-14	7-Jan-15	14-Jan-15	21-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	1,155.8	1,089.9	1,998.9	2,427.1	4,389.9	4,645.5	5,168.9	
Amount Accepted (Ksh M)	1,152.3	4,226.6	1,155.8	1,089.9	1,523.8	2,427.1	4,094.2	3,933.1	3,266.0	
Maturities (Ksh M)	695.6	3,576.3	6,787.4	2,873.2	4,262.8	4,108.2	1,810.6	4,095.8	3,224.3	
Average interest Rate (%)	9.201	9.286	9.450	9.517	9.855	10.048	10.200	10.237	10.282	
364-Day Treasury Bills										
Date of Auction	19-Nov-14	26-Nov-14	10-Dec-14	17-Dec-14	24-Dec-14	31-Dec-14	7-Jan-15	14-Jan-15	21-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	4,375.5	4,888.9	1,546.9	3,371.3	5,357.9	6,518.9	4,344.1	
Amount Accepted (Ksh M)	4,098.1	4,098.1	4,375.5	3,988.5	1,370.5	2,696.0	4,457.4	4,721.4	2,067.3	
Maturities (Ksh M)	2,880.6	2,880.6	3,049.5	111.9	80.8	3,119.3	940.3	3,184.6	1,624.5	
Average interest Rate (%)	10.244	11.244	10.388	10.388	10.575	10.687	10.679	10.707	10.825	
Treasury Bonds										
Date of Auction	12-Nov-14		17-Dec-14						21-Jan-15	
Tenor	15 year Fxd		15 year Fxd						5 year Fxd	20 Year Fxd
Amount offered (Ksh M)	15,000.0								20,000.0	
Bids received (Ksh M)	11,897.4		13,900.0						14,112.1	12,835.9
Amount Accepted (Ksh M)	10,708.9		11,920.7						8,029.8	12,358.6
Maturities (Ksh M)	0.0								0.0	0.0
Average interest Rate (%)	12.4		12.8						11.6	13.6

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	16th 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	294.84
(As % of total securities)	23.76	24.67	24.05	23.81	23.89	23.58	23.68	23.38	23.29	23.59
2. Treasury Bonds	939.98	905.87	953.70	953.70	953.70	953.97	955.00	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	76.41
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	1,249.84
4. Overdraft at Central Bank	10.85	11.09	16.49	18.46	17.62	23.58	30.08	29.57	31.55	25.31
5. Other Domestic debt*	29.99	65.70	30.01	30.00	30.01	29.74	30.00	29.45	30.63	30.42
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	1,305.58

* 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

	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	16-Jan-15
Treasury bills (Excluding Repos)	23.0	23.2	23.2	22.9	23.0	22.6	22.6	22.3	22.2	22.6
Treasury bonds	73.8	70.8	73.2	70.5	73.3	73.3	72.8	73.2	73.1	73.1
CBK Overdraft to Govt	0.9	0.9	1.3	1.4	1.4	1.8	2.3	2.3	2.4	1.9
Other domestic debt	2.4	5.1	2.3	5.2	2.3	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

	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	16-Jan-15
Banking Institutions	52.8	53.3	53.6	53.7	53.7	54.0	54.3	54.2	54.1	54.2
Insurance Companies	10.1	10.0	9.9	9.9	9.9	9.9	9.9	9.9	9.9	9.9
Parastatals	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Pension funds	24.8	24.4	24.5	24.3	24.3	24.0	23.9	23.8	23.8	23.9
Other investors	9.4	9.4	9.3	9.3	9.3	9.3	9.2	9.4	9.4	9.3
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 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)

	11-Dec-14	18-Dec-14	24-Dec-14	31-Dec-14	8-Jan-15	15-Jan-15	22-Jan-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,789	6,731	7,515	7,425	7,344	7,295	7,247
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.43	4.39	4.90	4.85	4.74	4.71	4.68

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya