



JULY 31, 2015

Highlights

*L*iquidity in the money market remained tight in the week ending July 29, 2015 reflecting a carryover from the previous week and a fairly balanced position of injections and withdrawals. The average interbank rate increased to 17.3 percent in the week ending July 29, 2015 from 14.2 percent in the previous week.

*O*verall capital markets recorded mixed performance in the week ending July 30, 2015.

Monetary Policy Operations

Liquidity in the money market was tight during the week ending July 29, 2015. The tightness was a carry over from the previous week and followed liquidity injections that were matched against withdrawals during the week under review (**Table 1**). Reserve money averaged KSh 350.2 billion during the week ending July 29, 2015 and was KSh 1.1 billion below target.

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

	22-Jul-15	Total	23-Jul-15	24-Jul-15	27-Jul-15	28-Jul-15	29-Jul-15	Total
Liquidity Flows								
Total liquidity injection	14.6	62.2	8.8	11.3	22.1	13.6	3.8	59.7
Repos Maturities	0.1	9.3	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	0.0	0.0
Term Auction Deposit maturities	3.3	11.7	1.7	11.3	4.4	8.9	3.0	29.3
T/bills redemptions	0.0	8.7	0.0	0.0	8.0	0.0	0.0	8.0
T/bills rediscounts	0.0	0.0	3.0	0.0	6.5	2.0	0.0	11.5
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.7	0.0	0.0	3.0	0.0	0.0	3.0
Govt payments	8.7	15.2	1.1	0.0	0.1	2.8	0.8	4.9
Total liquidity reduction	11.9	65.7	4.7	4.7	17.1	2.2	3.1	31.8
T/bills (Primary issues)	0.0	6.2	0.0	0.0	2.2	0.0	0.0	2.2
Tbonds Sales	0.0	0.0	0.0	0.0	12.0	0.0	0.0	12.0
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repos	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repos maturities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	11.8	33.1	2.1	1.7	2.9	2.1	3.1	11.9
Net liquidity injection (+)/Withdrawal (-)	2.7	-3.5	4.2	6.6	4.9	11.5	0.7	27.9
Open Market Operations Outcome								
Posted Amount	0.0	4.0	2.0	2.0	0.0	0.0	0.0	4.0
Realised Amount	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repo (-)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo (+)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position								
Reserve money (actual)	334.2	335.8	337.8	344.1	349.5	359.1	360.8	350.2
Reserve money target	351.9	352.3	351.9	351.9	351.0	351.0	351.0	351.4
Deviation from target	-17.7	-16.5	-14.1	-7.8	-1.5	8.1	9.8	-1.1
Commercial banks excess reserves Exc(+)/ Short(-)	-26.6	25.3	-22.1	-15.8	-10.6	-0.1	2.0	9.3
Cash outside bank Exc(+)/ Short(-)	8.9	8.8	8.0	8.0	9.1	8.3	7.8	8.2

Source: Central Bank of Kenya

Interbank Rates

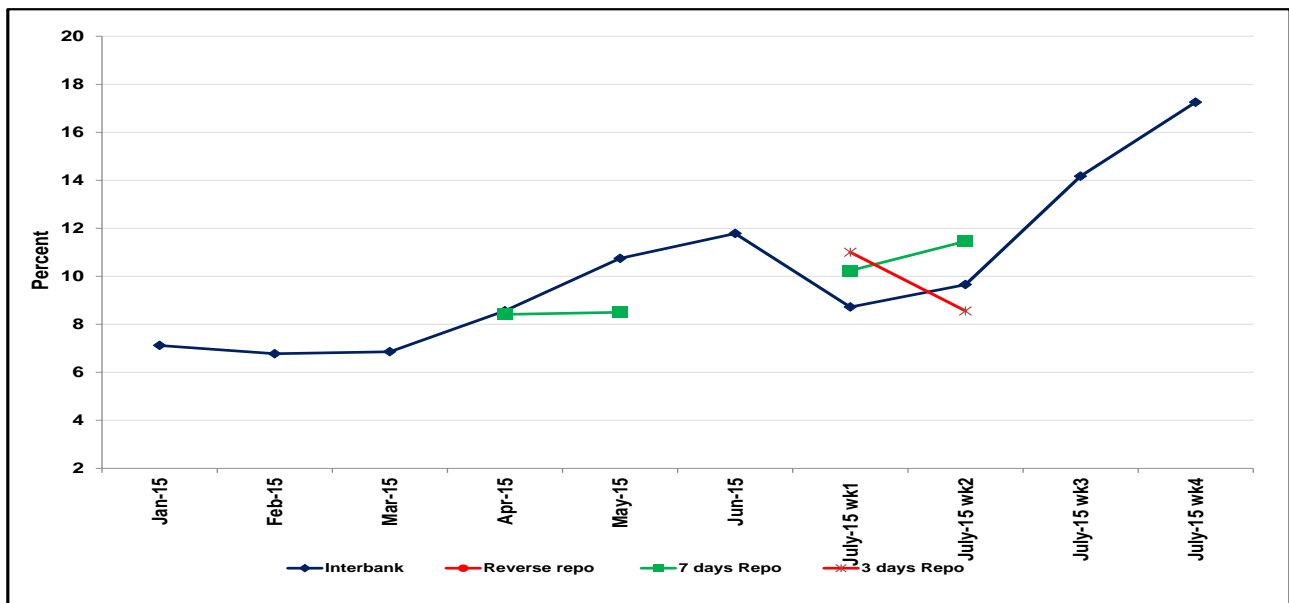
The average interbank rate increased to 17.3 percent in the week ending July 29, 2015 from 14.2 percent in the previous week. The volume transacted increased to KSh 24.8 billion from KSh 16.8 billion traded in the previous week while the number of deals increased to 63 deals from 54 deals (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)
16-Jul-15	58	16,453	12.76
17-Jul-15	47	13,609	13.61
20-Jul-15	48	17,333	14.27
21-Jul-15	62	20,910	14.79
22-Jul-15	57	15,674	15.42
July 15,2015-July 22,2015	54	16,796	14.17
23-Jul-15	57	17,763	16.38
24-Jul-15	61	20,697	16.96
27-Jul-15	65	25,721	17.27
28-Jul-15	72	31,193	17.66
29-Jul-15	58	28,775	18.00
July 23,2015-July 29,2015	63	24,830	17.25

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES

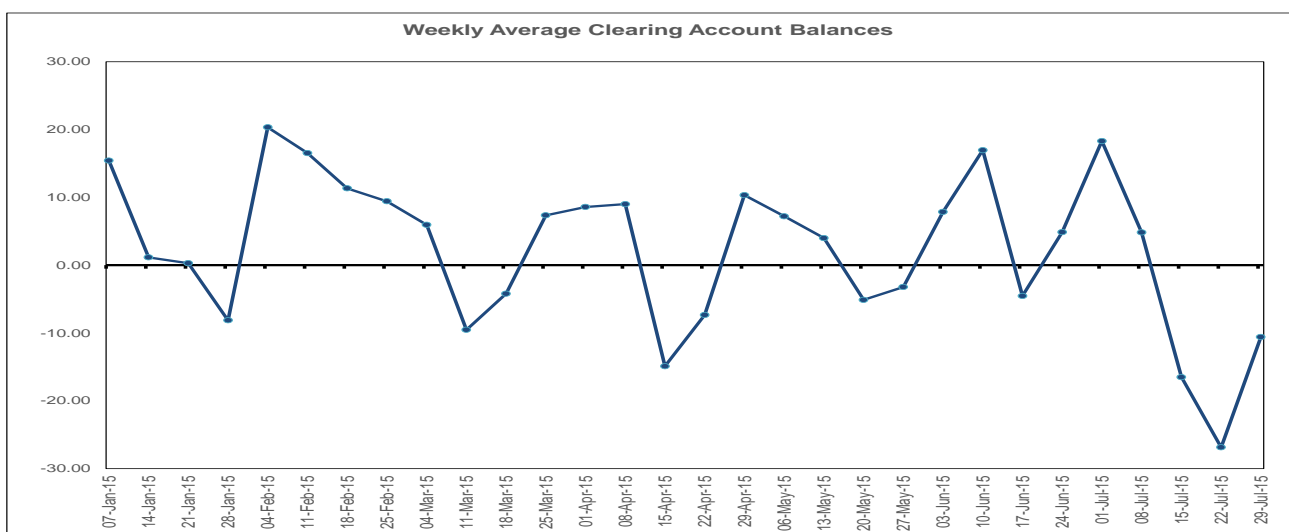


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ clearing account in the week ending July 29, 2015 improved to a deficit of KSh 10.6 billion in relation to the cash reserve requirement of 5.25 percent (KSh 131.4 billion) from a deficit of KSh 26.9 billion recorded in the previous week (**Chart B**). The improvement is attributed to maturities of OMO securities and rediscounts of government securities. As a result the incremental change in interbank rate decreased from 2.66 basis points in the previous week to 1.62 basis points in the week under review.

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



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

During the week ending July 30, 2015, the Kenya shilling exchange rate strengthened by 0.23 per cent and 0.39 percent respectively against the US Dollar and the Pound Sterling but weakened by 1.01 percent and 0.21 percent respectively against the Euro and the Japanese Yen. In the EAC region, the shilling strengthened against the Uganda shilling but weakened against the rest of the EAC currencies (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
17-Jul-15	102.50	160.15	111.63	82.62	32.42	21.02	7.23	15.99
20-Jul-15	102.50	159.86	110.99	82.54	32.51	21.12	7.23	16.00
21-Jul-15	102.55	159.58	110.92	82.37	32.42	20.92	7.23	16.00
22-Jul-15	101.50	157.89	111.00	82.05	32.46	21.03	7.31	16.17
23-Jul-15	100.52	157.06	109.89	81.01	32.73	21.04	7.22	16.32
17-23 Jul 2015	101.91	158.91	110.89	82.12	32.51	21.03	7.24	16.10
24-Jul-15	100.73	156.31	110.55	81.30	33.01	20.60	7.36	16.29
27-Jul-15	101.29	157.26	111.46	82.01	32.83	20.49	7.32	15.85
28-Jul-15	102.05	158.99	113.05	82.59	33.02	20.43	7.11	15.12
29-Jul-15	102.43	159.89	113.21	83.00	33.24	20.45	6.79	15.03
30-Jul-15	101.88	158.98	111.79	82.55	33.37	20.71	6.77	15.08
24-30 Jul 2015	101.68	158.29	112.01	82.29	33.10	20.54	7.07	15.47

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Nairobi Securities Exchange

Nairobi Securities Exchange recorded mixed trends, with a decline in the equities and an increase in bonds market turnover.

Equities Market

Equity turnover declined by 29.55 percent reflecting a 19.97 percent drop in shares traded and the overall decline in share prices. The NASI and NSE 20 Share Index shed 2.14 percent and 1.15 percent respectively. Shareholders' wealth, as measured by market capitalisation declined by 2.14 percent, due to depressed share prices during the week under review (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	18-Jun-15	25-Jun-15	02-Jul-15	09-Jul-15	16-Jul-15	23-Jul-15	30-Jul-15	Wkly Change
NASI 100= 2008	162.82	162.68	162.35	159.59	156.59	154.25	150.95	-2.14%
NSE 20 Share Index 100= 1996	4,796.26	4,798.73	4,839.60	4,754.66	4,676.16	4,539.47	4,487.38	-1.15%
Number of Deals	7,608	8,361	8,210.00	7,495.00	6,961.00	7,489.00	6,797.00	-9.24%
Total Shares Traded	110.72	165.29	261.36	197.32	189.10	123.65	98.96	-19.97%
Equity Turnover (Ksh. Millions)	3,436.63	5,233.54	11,818.32	6,353.87	6,308.76	3,236.69	2,280.28	-29.55%
Market Capitalization (Ksh. Bn.)	2,277.38	2,275.49	2,273.05	2,234.27	2,192.82	2,160.06	2,113.79	-2.14%
Bonds Turnover (Ksh. Millions)	4,070.15	524.71	3,596.31	2,441.70	732.20	1,504.51	4,088.10	171.72%
FTSE NSE Kenya 15 Index	216.53	215.60	212.83	209.19	208.88	205.23	197.85	-3.60%
FTSE NSE Kenya 25 Index	216.02	214.84	211.83	208.10	207.97	204.71	197.39	-3.58%
FTSE NSE Bond Index	91.77	92.03	91.79	91.80	91.79	91.80	91.68	-0.13%

Source: Nairobi Securities Exchange

FTSE NSE Kenya Price 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 3.60 percent and 3.58 percent lower as compared to the previous week. Similarly, the FTSE Government Bond Index, recorded a decline of 0.13 percent, reflecting marginal increase in the secondary market yields.

The Telecommunication & Technology, Banking and Energy& Petroleum sectors were the most active, with 39.49 percent, 29.25 percent and 19.78 percent of the total shares traded respectively. The Automobile & Accessories sector was the least active with 22,800 shares traded.

The Bond Market

The bond's turnover increased by 171.72 percent to KSh 4,088.10 million from KSh 1,504.51 million in the previous week. This may be attributed to investors divesting from equities market to bonds market which are considered safe. The number of deals likewise increased to 50, from 34 deals traded the previous 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	04-Jun-15	11-Jun-15	18-Jun-15	25-Jun-15	02-Jul-15	09-Jul-15	16-Jul-15	23-Jul-15	30-Jul-15	06-Aug-15
Amount offered (Ksh M)	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	2,000.0	2,000.0	3,000.0	3,000.0	3,000.0
Bids received (Ksh M)	3,136.5	2,106.6	1,145.0	508.0	1,250.2	1,187.6	4,006.3	1,726.4	1,726.4	1,364.0
Amount Accepted (Ksh M)	3,136.5	2,123.2	1,071.5	508.0	1,250.2	1,184.2	3,351.5	1,243.4	1,243.4	871.2
Maturities (Ksh M)	1,951.6	2,460.5	601.3	1,124.0	725.6	2,443.9	1,497.5	1,062.9	1,062.9	366.7
Average interest Rate (%)	8.2	8.3	8.3	8.3	8.2	11.3	11.3	11.5	11.5	11.5
182-Day Treasury Bills										
Date of Auction	03-Jun-15	10-Jun-15	17-Jun-15	24-Jun-15	01-Jul-15	08-Jul-15	15-Jul-15	22-Jul-15	29-Jul-15	05-Aug-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	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	199.2	412.3	243.0	2,524.2	1,176.8	1,218.4	2,158.8	1,063.1	1,063.1	864.7
Amount Accepted (Ksh M)	198.2	412.3	243.0	2,524.2	1,176.8	750.1	2,099.4	600.0	600.0	402.7
Maturities (Ksh M)	903.1	1,206.8	1,139.7	1,583.6	2,554.3	4,302.4	4,132.5	3,432.7	3,432.7	1,528.4
Average interest Rate (%)	10.5	10.5	10.6	10.6	11.3	12.1	12.2	12.4	12.4	11.9
364-Day Treasury Bills										
Date of Auction	03-Jun-15	10-Jun-15	17-Jun-15	24-Jun-15	01-Jul-15	08-Jul-15	15-Jul-15	22-Jul-15	29-Jul-15	05-Aug-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	4,000.0
Bids received (Ksh M)	269.6	956.5	510.9	533.7	66.4	322.3	757.3	769.7	769.7	2,146.7
Amount Accepted (Ksh M)	269.6	956.5	510.9	532.7	66.4	322.3	757.3	342.1	342.1	1,719.2
Maturities (Ksh M)	2,262.5	3,018.9	1,598.5	1,026.9	3,484.9	2,312.1	3,656.3	4,088.1	4,088.1	1,149.0
Average interest Rate (%)	10.8	11.1	11.1	11.1	11.0	11.1	12.5	13.0	13.0	13.5
Treasury Bonds										
Date of Auction	24-Jun-15									
Tenor	2 Year FXD (Re-open)			5 Year FXD (Re-open)			5 Year FXD			
Amount offered (Ksh M)	20,000.0			15,000.0						
Bids received (Ksh M)	8,545.8			8,302.0			12,899.2			
Amount Accepted (Ksh M)	7,194.6			5,566.4			11,997.0			
Maturities (Ksh M)	0.0			0.0			0.0			
Average interest Rate (%)	12.6			13.2			14.3			

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	8th May 2015	15th May 2015	22nd May 2015	29th May 2015	5th June 2015	12th June 2015	19th June 2015	26th June 2015	3rd July 2015	10th July 2015	17th July 2015	24th July 2015
1. Treasury Bills (Excluding Repos)	344.69	340.58	333.53	334.17	324.72	323.29	320.23	318.80	318.82	314.64	308.05	305.26
(As % of total securities)	25.46	25.23	25.06	24.62	24.10	24.01	23.84	23.76	23.54	23.30	22.91	22.76
2. Treasury Bonds	1009.17	1009.17	997.24	1022.95	1022.95	1022.95	1022.95	1022.95	1035.71	1035.71	1036.71	1035.71
(As % of total securities)	74.54	74.77	74.94	75.38	75.90	75.99	76.16	76.24	76.46	76.70	77.09	77.24
3. Total Securities (1+2)	1,353.86	1,349.75	1,330.77	1,357.12	1,347.67	1,346.24	1,343.18	1,341.75	1,354.53	1,350.35	1,344.76	1,340.96
4. Overdraft at Central Bank	32.22	24.40	29.28	21.09	31.81	31.14	34.86	36.38	34.98	39.30	37.73	32.12
5. Other Domestic debt*	29.92	29.53	29.54	29.52	29.54	29.61	29.60	29.62	29.04	29.05	28.27	29.27
6. Gross Domestic Debt (3+4+5)	1,416.00	1,403.68	1,389.59	1,407.73	1,409.03	1,406.99	1,407.64	1,407.75	1,418.55	1,418.69	1,410.76	1,402.35

* 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

	08-May-15	15-May-15	22-May-15	29-May-15	05-Jun-15	12-Jun-15	19-Jun-15	26-Jun-15	03-Jul-15	10-Jul-15	17-Jul-15	24-Jul-15
Treasury bills (Excluding Repos)	24.3	24.3	24.0	23.7	23.0	23.0	22.7	22.6	22.5	22.2	21.8	21.8
Treasury bonds	71.3	71.9	71.8	72.7	72.6	72.7	72.7	72.7	73.0	73.0	73.5	73.9
CBK Overdraft to Govt	2.3	1.7	2.1	1.5	2.3	2.2	2.5	2.6	2.5	2.8	2.7	2.3
Other domestic debt	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.0	2.0	2.0	2.1
TOTAL	100.0	100.0	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

	08-May-15	15-May-15	22-May-15	29-May-15	05-Jun-15	12-Jun-15	19-Jun-15	26-Jun-15	03-Jul-15	10-Jul-15	17-Jul-15	24-Jul-15
Banking Institutions	56.6	56.3	56.1	56.0	56.2	56.1	56.1	56.1	55.9	55.9	57.1	57.1
Insurance Companies	8.8	8.9	8.8	8.9	8.9	8.9	8.9	8.9	9.0	9.0	9.1	9.1
Parastatals	3.2	3.2	3.4	3.3	3.3	3.4	3.4	3.4	3.4	3.4	3.5	3.5
Pension funds	24.4	24.6	24.7	24.9	24.7	24.8	24.8	24.7	24.9	24.9	24.9	25.1
Other investors	6.9	7.0	7.0	6.9	6.9	6.9	6.8	6.8	6.8	6.8	5.5	5.2
Total	100.0	100.0	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)

	04-Jun-15	11-Jun-15	18-Jun-15	25-Jun-15	02-Jul-15	09-Jul-15	16-Jul-15	23-Jul-15	30-Jul-15
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,735	6,735	6,788	6,720	6,658	6,623	6,545	6,448	6,434
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.26	4.26	4.29	4.25	4.21	4.19	4.14	4.08	4.07

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya