



APRIL 8, 2016

Highlights

The money market remained liquid during the week ending April 6, 2016, supported by government payments. The average interbank rate declined marginally to 4.11 percent from 4.18 percent in the previous week.

Overall, the capital markets activity recorded mixed performance in the week ending April 7, 2016.

Monetary Policy Operations

The money market was liquid during the week ending April 6, 2016, reflecting Ksh 54.6 billion injection through Government payments. CBK OMO sterilized 70.6 percent or Ksh 38.6 billion of the liquidity arising from Government operations. Reserve money therefore increased to KSh 391.0 billion on April 6, 2016 from KSh 377.0 billion recorded in the previous week (**Table 1**).

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

	31-Mar-16	1-Apr-16	4-Apr-16	5-Apr-16	6-Apr-16	Total
Liquidity Flows						
Total liquidity injection	44.3	9.6	26.9	14.6	7.4	102.8
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	6.7	0.0	0.0	1.9	3.0	11.6
Term Auction Deposit maturities	13.0	3.5	0.0	0.0	0.0	16.5
T/bills redemptions	0.0	0.0	10.7	0.0	0.0	10.7
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	24.6	6.1	16.2	10.7	4.4	62.0
Total liquidity reduction	16.3	15.2	24.8	21.0	7.6	84.9
T/bills (Primary issues)	0.0	0.0	7.9	0.0	0.0	7.9
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	1.5	0.0	0.0	0.0	1.5
Reverse Repos maturities	0.0	0.0	0.0	3.0	5.9	8.9
Term Auction Deposit	15.0	11.3	15.0	15.0	0.0	56.3
Transfer from Banks -Taxes	1.3	2.3	1.9	3.0	1.7	10.2
Net liquidity injection (+)/Withdrawal (-)	28.0	-5.6	2.0	-6.4	-0.1	17.9
Open Market Operations Outcome						0.0
Posted Amount	15.0	18.0	15.0	15.0	3.0	66.0
Realised Amount						
Repo (-)	0.0	1.5	0.0	0.0	0.0	1.5
Term Auction Deposits (-)	15.0	11.3	15.0	15.0	0.0	56.3
Reverse Repo (+)	6.7	0.0	0.0	1.9	3.0	11.6
Reserve Money Position						
Reserve money (actual)	377.0	400.1	394.6	399.5	385.4	391.3

Source: Central Bank of Kenya

Activity in the Interbank Market

The average interbank rate declined marginally to 4.11 percent in the week ending April 6, 2016 from 4.18 percent in the previous week, supported by high level of interbanks liquidity. During the week, the 7 day repos traded at an average rate of 4.13 percent. Reverse repo rate was 12.62 percent compared to 11.76 percent recorded in the previous week. (Table 2 and Chart A).

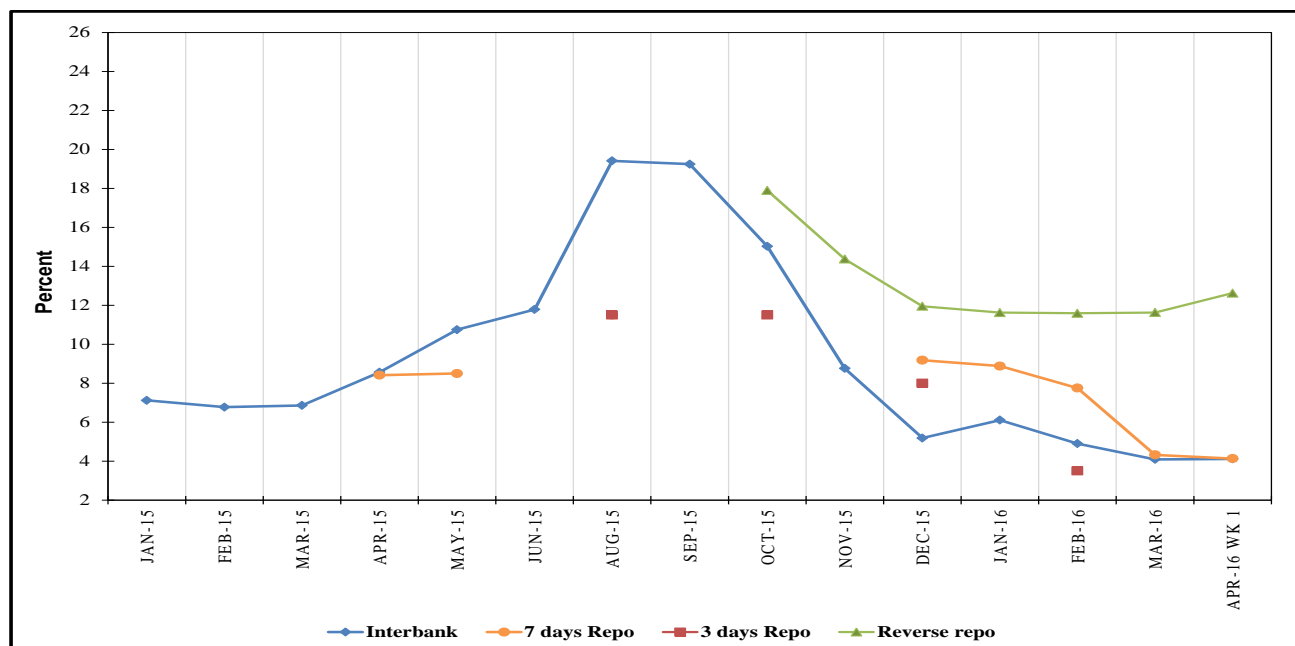
TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)	Reverse Repo Rate (%)
24-Mar-16	39	24,760	4.10		11.54
29-Mar-16	41	20,855	4.06		11.78
30-Mar-16	31	13,905	4.37		11.97
March 24, 2016-March 30, 2016	37	19,840	4.18		11.76
31-Mar-16	25	13,085	3.75		
1-Apr-16	23	9,615	4.32		
4-Apr-16	19	6,035	4.24		
5-Apr-16	22	8,635	4.45		
6-Apr-16	21	9,540	3.81	4.13	12.62
March 31, 2016-April 6, 2016	22	9,382	4.11	4.13	12.62

Source: Central Bank of Kenya

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES

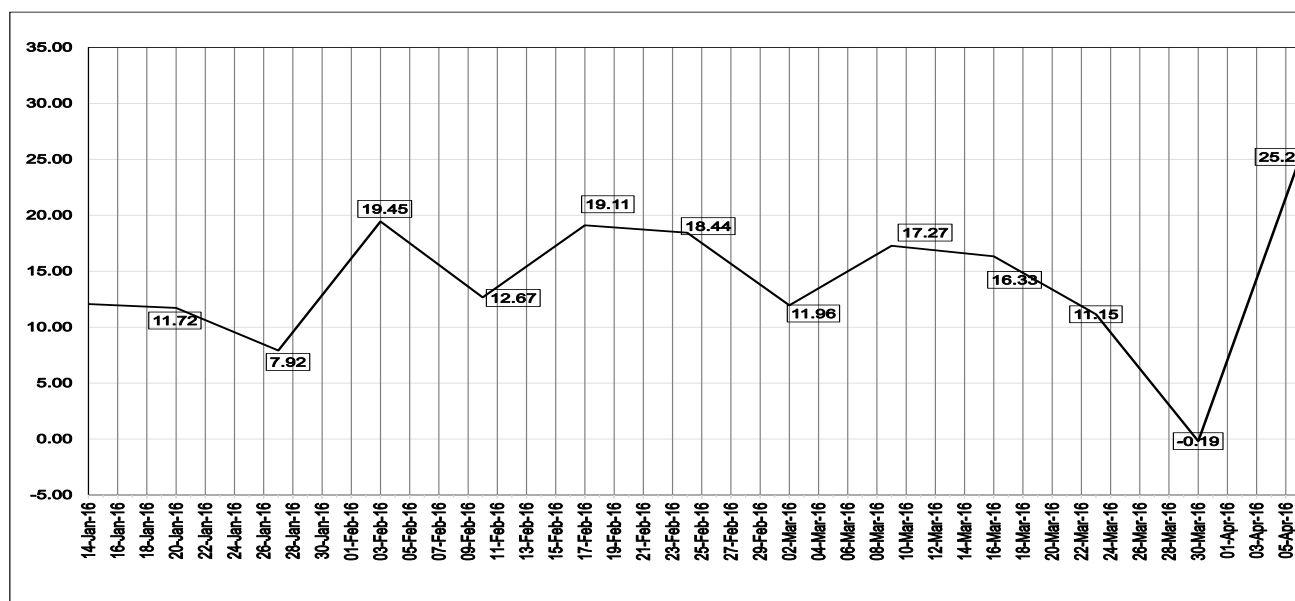


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ daily free reserves, based on the Cash Reserve Requirement (CRR) of 5.25 percent, increased to Ksh 25.2 billion during the week from a deficit of Ksh 0.2 billion recorded in the previous last week, largely boosted by government spending (**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 exchange rate was stable against the US Dollar and the Pound Sterling but weakened against the Euro and the Japanese Yen during the week ending April 7, 2016. In the EAC region over the same period, it strengthened against the Rwanda and Burundi Francs as well as the Tanzania Shilling and remained unchanged against the Uganda Shilling (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
29-Mar-16	101.53	143.44	113.31	89.40	33.24	21.54	7.35	15.32
30-Mar-16	101.52	144.98	113.74	89.59	33.16	21.55	7.35	15.32
31-Mar-16	101.33	145.31	114.69	90.21	33.31	21.58	7.48	15.23
29-31 March 2016	101.46	144.58	113.92	89.73	33.24	21.56	7.40	15.29
1-Apr-16	101.39	145.66	115.40	90.40	33.29	21.57	7.48	15.20
4-Apr-16	101.43	144.14	115.39	90.94	33.24	21.56	7.61	15.26
5-Apr-16	101.48	144.90	115.51	91.29	33.19	21.55	7.36	15.42
6-Apr-16	101.38	143.39	115.20	91.70	33.19	21.57	7.36	15.38
7-Apr-16	101.32	142.80	115.52	93.10	33.26	21.59	7.63	15.29
1-7 April 2016	101.40	144.18	115.41	91.49	33.24	21.57	7.49	15.31

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Markets

The equities market activity recorded mixed performance across leading indicators while activities in the bond market and REITs market declined.

Equities Market

The NASI remained unchanged from its last week's level while NSE 25 Share Index declined by 0.09 percent. However, the NSE 20 Share Index rose by 1.81 percent compared to the previous week. Equity turnover increased by 50.95 percent on account increased prices on some major stocks. Market capitalization remained unchanged during the week (Table 4). The mixed performance reflects mixed financial results being released by listed firms, impacting on trading.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	25-Feb-16	03-Mar-16	10-Mar-16	17-Mar-16	24-Mar-16	31-Mar-16	07-Apr-16	Weekly Change (%)
NASI 100= 2008	140.90	145.21	144.53	145.72	147.25	147.44	147.44	0.00
NSE 25 Share Index	4,063.38	4,172.71	4,131.93	4,230.84	4,260.12	4,261.05	4,257.39	-0.09
NSE 20 Share Index 100= 1996	3,867.06	3,932.48	3,949.82	3,927.65	3,991.95	3,982.09	4,054.29	1.81
Number of Deals	5,674.00	7,184.00	6,796.00	6,872.00	6,085.00	4,544.00	5,890.00	29.62
Total Shares Traded (Millions)	57.66	99.42	110.54	126.56	123.27	72.50	71.96	-0.75
Equity Turnover (Ksh. Millions)	1,651.33	2,518.63	3,022.30	3,446.04	2,905.90	1,547.17	2,335.40	50.95
Market Capitalization (Ksh. Bn.)	1,984.20	2,045.05	2,035.42	2,053.93	2,075.40	2,078.28	2,078.25	0.00
I-REIT Turnover in (Ksh. Millions)	4.81	2.27	4.13	3.01	2.22	14.69	0.66	-95.49
I-REIT in Units - Total Deals	87.00	55.00	97.00	61.00	40.00	98.00	21.00	-78.57
Bonds Turnover (Ksh. Millions)	8,662.24	19,249.25	17,859.68	17,134.95	4,170.55	8,242.90	7,183.65	-12.85
FTSE NSE Kenya 15 Index	178.67	183.30	185.28	185.70	185.11	185.17	186.41	0.67
FTSE NSE Kenya 25 Index	178.68	184.06	184.49	185.57	185.60	185.47	186.14	0.36
FTSE NSE Bond Index	88.82	89.07	88.78	89.39	89.46	89.28	89.08	-0.22

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

Both the FTSE NSE Kenya 15 Index and FTSE NSE Kenya 25 Index, which measure performance of 15 largest companies by market capitalisation, and 25 most liquid stocks improved during the week. The REITS market activity declined significantly, reflecting activity in the real estate sector.

The Telecommunication & Technology sector dominated trading with 48.56 percent of all shares traded. The Banking, and Energy & Petroleum sectors accounted for 27.86 percent and 6.2 percent of the total shares traded, respectively.

The Bond Market

Total value of bonds traded declined by 12.9 percent compared to the previous week, to close at KSh 7,183.65 million. The corresponding deals traded in the week were 87 compared to 185 deals of the previous week. The FTSE Government Bond Index declined by 0.22 percent, reflecting slight increase in market yields.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills				
Date of Auction	28-Jan-16	25-Feb-16	31-Mar-16	07-Apr-16
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	12,409.3	10,996.2	1,160.2	5,581.4
Amount Accepted (Ksh M)	8,151.8	8,363.1	1,160.2	5,203.6
Maturities (Ksh M)	7,187.5	4,075.0	1,358.0	2,849.5
Average interest Rate (%) - 91 Days	11.7	9.3	9.0	9.0
182-Day Treasury Bills				
Date of Auction	27-Jan-16	24-Feb-16	30-Mar-16	06-Apr-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	14,999.9	9,785.8	2,547.2	12,324.7
Amount Accepted (Ksh M)	7,673.8	5,159.8	1,951.1	6,957.1
Maturities (Ksh M)	400.3	815.8	2,856.4	5,861.1
Average interest Rate (%) - 182 days	14.4	11.9	10.7	10.8
364-Day Treasury Bills				
Date of Auction	27-Jan-16	24-Feb-16	30-Mar-16	06-Apr-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	6,447.7	7,352.2	4,365.8	10,658.7
Amount Accepted (Ksh M)	1,475.3	7,335.1	4,365.8	6,559.0
Maturities (Ksh M)	2,104.5	7,471.0	6,451.1	5,362.1
Average interest Rate (%) - 364 days	14.5	13.3	11.9	11.9
Treasury Bonds				
Date of Auction				
Tenor	FXD 1/2012/10			
Amount offered (Ksh M)	25,000.0			
Bids received (Ksh M)	53,854.8			
Amount Accepted (Ksh M)	30,297.2			
Maturities (Ksh M)	0.0			
Average interest Rate (%)	14.3			

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	27-Nov-15	31-Dec-15	29-Jan-16	26-Feb-16	25-Mar-16	01-Apr-16
1. Treasury Bills (Excluding Repos)	378.05	390.75	378.82	420.76	462.85	472.89
(As % of total securities)	26.43	26.71	26.03	28.27	29.70	30.15
2. Treasury Bonds	1052.45	1,072.32	1,076.60	1,067.83	1,095.37	1,095.37
(As % of total securities)	73.57	73.29	73.97	71.73	70.30	69.85
3. Total Securities (1+2)	1,430.49	1,463.07	1,455.42	1,488.59	1,558.23	1,568.27
4. Overdraft at Central Bank	26.57	39.85	35.67	43.58	37.74	46.46
5. Other Domestic debt*	28.23	28.28	31.68	31.96	31.69	31.74
6. Gross Domestic Debt (3+4+5)	1,485.30	1,531.20	1,522.77	1,564.13	1,627.66	1,646.46

* 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

	31-Dec-15	29-Jan-16	26-Feb-16	25-Mar-16	01-Apr-16
Treasury bills (Excluding Repos)	25.5	24.9	26.9	28.4	28.7
Treasury bonds	70.0	70.7	68.3	67.3	66.5
CBK Overdraft to Govt	2.6	2.3	2.8	2.3	2.8
Other domestic debt	1.8	2.1	2.0	1.9	1.9
TOTAL	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	27-Nov-15	31-Dec-15	29-Jan-16	26-Feb-16	25-Mar-16	01-Apr-16
Banking Institutions	55.4	55.4	54.8	55.5	55.7	56.1
Insurance Companies	8.4	8.4	8.6	8.3	8.2	8.1
Parastatals	4.9	4.6	4.7	4.7	4.7	4.7
Pension funds	25.4	25.4	25.7	25.4	25.5	25.3
Other investors	6.0	6.1	6.2	6.1	5.9	5.8
Total	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)

	18-Feb-16	25-Feb-16	03-Mar-16	10-Mar-16	17-Mar-16	24-Mar-16	31-Mar-16	07-Apr-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,127	7,162	7,214	7,332	7,352	7,370	7,377	7,411
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.56	4.58	4.62	4.69	4.70	4.72	4.72	4.74

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya