



**FEBRUARY 12, 2016**

### **Highlights**

*The money market was relatively liquid during the week ending February 10, 2016. The average interbank rate decreased to 4.11 percent from 6.14 percent in the previous week.*

*The capital markets recorded mixed performance in the week ending February 11, 2016 as reflected in the leading market indicators.*

### **Monetary Policy Operations**

The money market was relatively liquid during the week ending February 10, 2016. The Central Bank's liquidity operations resulted in a marginal liquidity withdrawal. Meanwhile, liquidity distribution improved (**Table 1**).

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

|   | 4-Feb-16    | 5-Feb-16    | 8-Feb-16     | 9-Feb-16   | 10-Feb-16   | Total       |
|---|-------------|-------------|--------------|------------|-------------|-------------|
| <b>Liquidity Flows</b>                            |             |             |              |            |             |             |
| <b>Total liquidity injection</b>                  | <b>8.5</b>  | <b>14.9</b> | <b>16.5</b>  | <b>9.3</b> | <b>6.7</b>  | <b>55.8</b> |
| Repos Maturities                                  | 0.0         | 0.0         | 0.0          | 0.0        | 0.0         | 0.0         |
| Reverse Repo Purchases                            | 0.0         | 0.0         | 3.8          | 0.0        | 4.1         | 8.0         |
| Term Auction Deposit maturities                   | 3.6         | 0.0         | 0.0          | 2.8        | 0.0         | 6.4         |
| 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                                     | 4.9         | 12.3        | 2.0          | 1.9        | 2.5         | 23.7        |
| <b>Total liquidity reduction</b>                  | <b>13.6</b> | <b>1.6</b>  | <b>30.1</b>  | <b>4.0</b> | <b>10.1</b> | <b>59.4</b> |
| T/bills (Primary issues)                          | 0.0         | 0.0         | 24.0         | 0.0        | 0.0         | 24.0        |
| 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         | 0.0          | 0.0        | 0.0         | 0.0         |
| Reverse Repos maturities                          | 0.0         | 0.0         | 3.7          | 0.0        | 4.9         | 8.6         |
| Term Auction Deposit                              | 8.0         | 0.0         | 0.0          | 0.0        | 0.0         | 8.0         |
| Transfer from Banks -Taxes                        | 5.6         | 1.5         | 2.4          | 3.9        | 5.2         | 18.6        |
| <b>Net liquidity injection (+)/Withdrawal (-)</b> | <b>-5.2</b> | <b>13.3</b> | <b>-13.6</b> | <b>5.4</b> | <b>-3.5</b> | <b>-3.6</b> |
| <b>Open Market Operations Outcome</b>             |             |             |              |            |             |             |
| <b>Posted Amount</b>                              | 8.0         | 0.0         | 4.0          | 0.0        | 5.0         | 17.0        |
| <b>Realised Amount</b>                            | <b>8.0</b>  | <b>0.0</b>  | <b>3.8</b>   | <b>0.0</b> | <b>4.1</b>  | <b>16.0</b> |
| Repo (-)  | 0.0         | 0.0         | 0.0          | 0.0        | 0.0         | 0.0         |
| Term Auction Deposits (-)                         | 8.0         | 0.0         | 0.0          | 0.0        | 0.0         | 8.0         |
| Reverse Repo (+)                                  | 0.0         | 0.0         | 3.8          | 0.0        | 4.1         | 8.0         |
| <b>Reserve Money Position</b>                     |             |             |              |            |             |             |
| Reserve money (actual)                            | 375.8       | 388.6       | 374.9        | 378.5      | 376.2       | 378.8       |
| Reserve money target                              | 381.7       | 381.7       | 384.4        | 384.4      | 384.4       | 383.3       |
| Deviation from target                             | -5.9        | 6.9         | -9.5         | -5.9       | -8.2        | -4.5        |
| Commercial banks excess reserves Exc(+)/ Short(-) | 4.2         | 15.8        | 0.8          | 2.9        | 0.7         | 4.9         |
| Cash outside bank Exc(+)/ Short(-)                | -10.1       | -8.9        | -10.3        | -8.8       | -8.9        | -9.4        |

Source: Central Bank of Kenya

### Activity in the Interbank Market

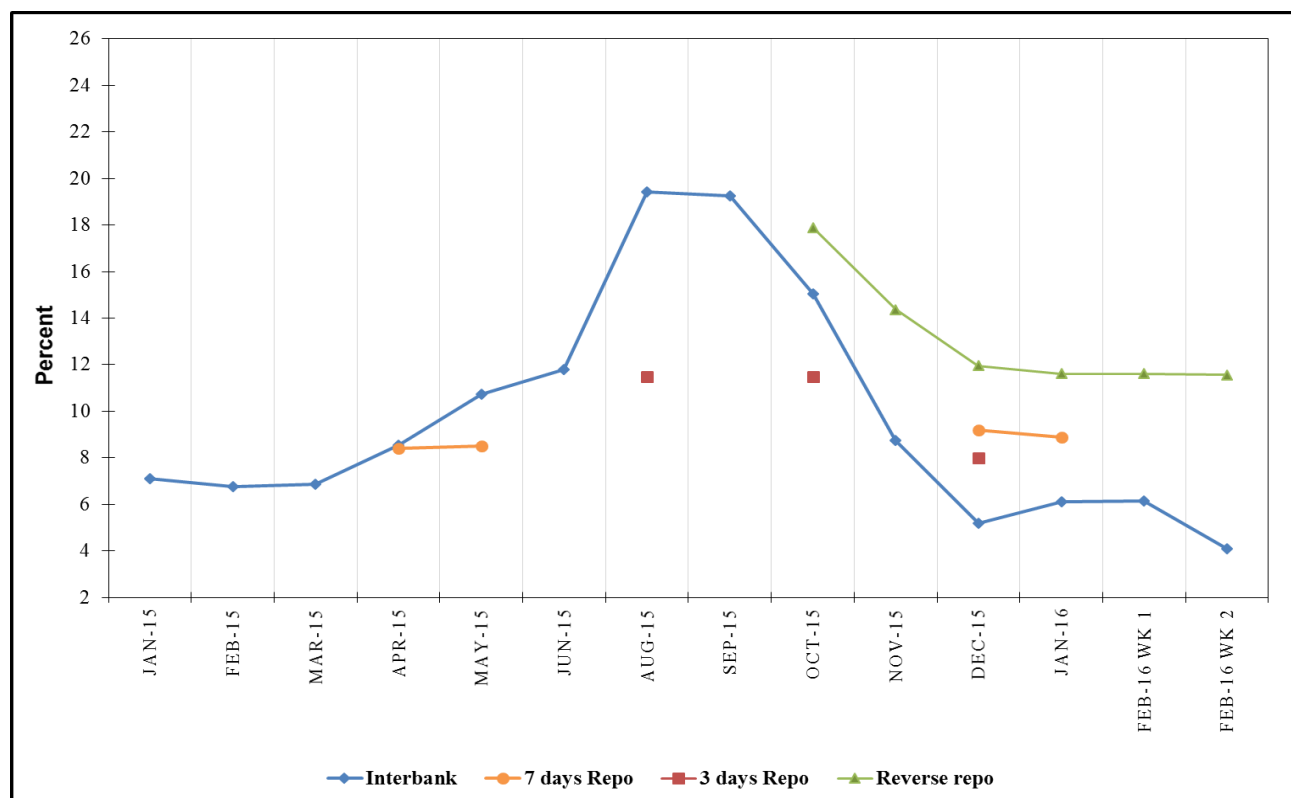
The average interbank rate decreased largely reflecting improved liquidity distribution in the money market. The volume traded declined by 18.9 percent. Reverse repo purchases also traded at a marginally lower average rate during the week under review (Table 2 and Chart A).

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

| Date  | Number of deals | Value (Ksh M) | Average Interbank Rate (%) | Reverse Repo Rate (%) |
|---|-----------------|---------------|----------------------------|-----------------------|
| 28-Jan-16                                   | 40              | 16,535        | 7.43                       |                       |
| 29-Jan-16                                   | 45              | 18,920        | 6.74                       |                       |
| 1-Feb-16                                    | 42              | 25,985        | 6.02                       | 11.60                 |
| 2-Feb-16                                    | 38              | 18,855        | 5.56                       |                       |
| 3-Feb-16                                    | 39              | 18,595        | 4.96                       | 11.62                 |
| <b>January 28, 2016 -February 3, 2016</b>   | <b>41</b>       | <b>19,778</b> | <b>6.14</b>                | <b>11.61</b>          |
| 4-Feb-16                                    | 39              | 17,765        | 4.79                       |                       |
| 5-Feb-16                                    | 31              | 21,505        | 4.09                       |                       |
| 8-Feb-16                                    | 24              | 9,780         | 4.06                       | 11.57                 |
| 9-Feb-16                                    | 37              | 16,050        | 3.87                       |                       |
| 10-Feb-16                                   | 34              | 15,085        | 3.75                       | 11.56                 |
| <b>February 4, 2016 - February 10, 2016</b> | <b>33</b>       | <b>16,037</b> | <b>4.11</b>                | <b>11.57</b>          |

Source: Central Bank of Kenya

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

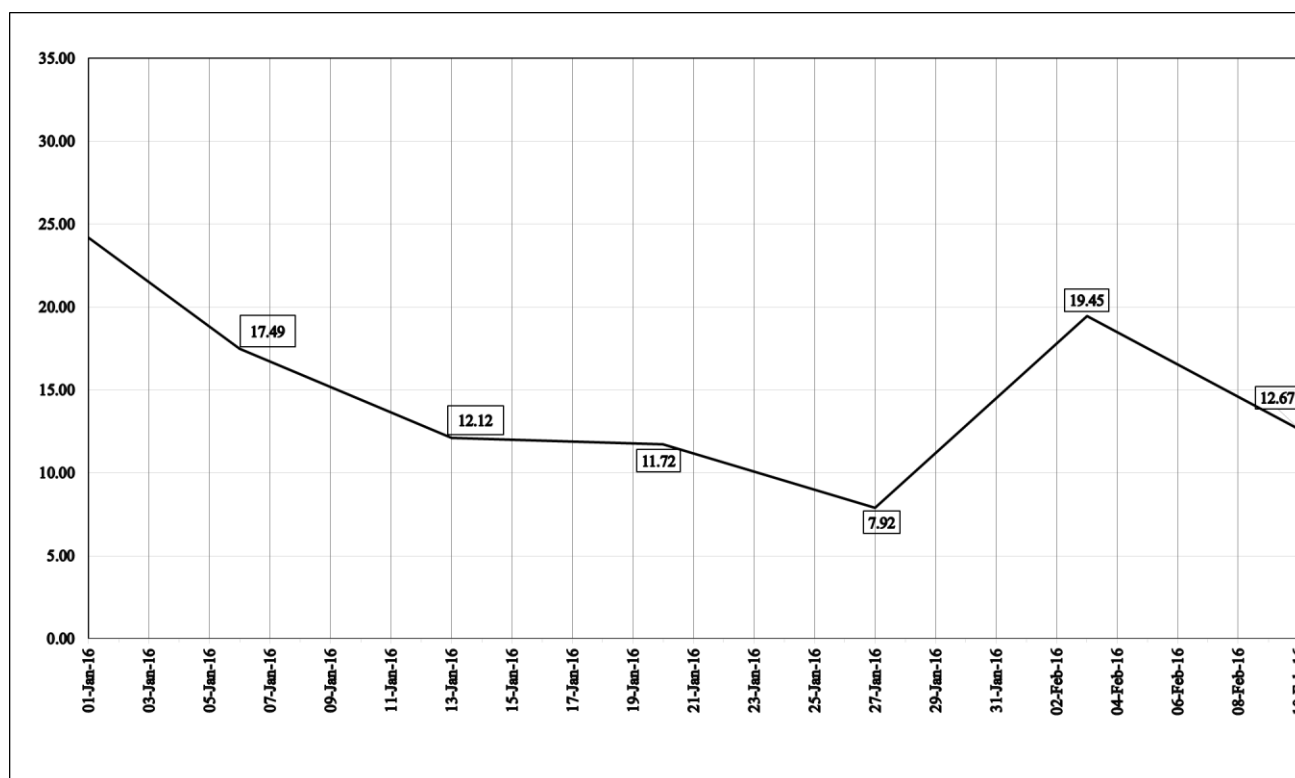


Source: Central Bank of Kenya

### Commercial Banks Clearing Account Balances

Commercial banks' daily free reserves based on the cash reserve requirement of 5.25 percent averaged KSh 12.67 billion in the week ending February 10, 2016 compared to KSh 19.45 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 exchange rate portrayed mixed performance against major international and regional currencies during the week ending February 11, 2016. The Shilling strengthened against the US Dollar by 0.28 percent on account of higher inflows and weakened against the Pound Sterling, the Euro and the Japanese Yen. In the EAC region, the Kenya Shilling strengthened against the Tanzania Shilling and the Rwanda Franc but weakened against the Uganda Shilling and remained unchanged against the Burundi Franc.

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

|                              | USD           | Sterling Pound | Euro          | 100 Japanese Yen | USHS*        | TSHS*        | RWF*        | BIF*         |
|------------------------------|---------------|----------------|---------------|------------------|--------------|--------------|-------------|--------------|
| 29th Jan 2016                | 102.28        | 146.57         | 111.68        | 86.03            | 33.95        | 21.39        | 7.34        | 15.26        |
| 1st-Feb 2016                 | 102.27        | 145.79         | 111.05        | 84.34            | 33.95        | 21.38        | 7.31        | 15.31        |
| 2nd -Feb 2016                | 102.29        | 146.41         | 111.34        | 84.44            | 34.34        | 21.36        | 7.30        | 15.25        |
| 3rd-Feb 2016                 | 102.27        | 147.14         | 111.73        | 85.48            | 34.00        | 21.36        | 7.39        | 15.10        |
| 4th-Feb-2016                 | 102.28        | 148.78         | 112.67        | 86.40            | 33.86        | 21.36        | 7.31        | 15.35        |
| <b>29th Jan-4th Feb 2016</b> | <b>102.28</b> | <b>146.94</b>  | <b>111.69</b> | <b>85.34</b>     | <b>34.02</b> | <b>21.37</b> | <b>7.33</b> | <b>15.25</b> |
| 5th Feb 2016                 | 102.16        | 148.76         | 114.36        | 87.53            | 33.92        | 21.39        | 7.43        | 15.17        |
| 8th Feb 2016                 | 102.13        | 147.96         | 113.52        | 87.14            | 33.52        | 21.38        | 7.33        | 15.27        |
| 9th Feb 2016                 | 101.94        | 146.82         | 113.27        | 87.58            | 33.69        | 21.43        | 7.38        | 15.34        |
| 10th Feb 2016                | 101.93        | 146.78         | 114.99        | 88.88            | 33.99        | 21.44        | 7.51        | 15.15        |
| 11th Feb 2016                | 101.77        | 147.46         | 114.33        | 88.79            | 33.98        | 21.47        | 7.34        | 15.32        |
| <b>5th-11th Feb 2016</b>     | <b>101.99</b> | <b>147.56</b>  | <b>114.09</b> | <b>87.98</b>     | <b>33.82</b> | <b>21.42</b> | <b>7.40</b> | <b>15.25</b> |

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

## The Capital Markets

The Capital markets recorded mixed performance in the equities market segments compared to the previous week, while activity in the bond market segments improved.

## Equities Market

The average share prices of selected counters gained as reflected in the NSE 25 and NSE 20 Share in the week ending February 11, 2016. The overall market price declined by 0.35 percent as reflected in NASI. Shareholders' wealth measured by market capitalisation and equity turnover therefore, closed the week at a lower level. The volume of shares traded declined as investors continue to minimise their exposure (Table 4).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

| INDICATOR                         | 30-Dec-15 | 07-Jan-16 | 14-Jan-16 | 21-Jan-16 | 28-Jan-16 | 04-Feb-16 | 11-Feb-16 | Wkly Change (%) |
|-----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------------|
| NASI 100= 2008                    | 144.37    | 146.74    | 141.77    | 137.02    | 136.92    | 140.90    | 140.41    | -0.35           |
| NSE 25 Share Index                | 3,992.57  | 4,210.28  | 4,039.74  | 3,911.82  | 3,929.46  | 4,029.43  | 4,065.90  | 0.91            |
| NSE 20 Share Index 100= 1996      | 4,137.14  | 4,003.11  | 3,835.78  | 3,759.94  | 3,763.36  | 3,785.73  | 3,825.18  | 1.04            |
| Number of Deals                   | 3,410.00  | 4,763.00  | 6,610.00  | 7,268.00  | 6,707.00  | 6,162.00  | 6,408.00  | 3.99            |
| Total Shares Traded (millions)    | 59.36     | 47.54     | 112.89    | 112.71    | 131.64    | 98.83     | 85.16     | -13.83          |
| Equity Turnover (Ksh. Millions)   | 1,932.63  | 1,346.20  | 3,944.27  | 3,179.85  | 3,737.11  | 3,397.40  | 3,102.47  | -8.68           |
| Market Capitalization (Ksh. Bn.)  | 2,030.91  | 2,064.26  | 1,994.16  | 1,927.15  | 1,927.99  | 1,984.41  | 1,977.21  | -0.36           |
| I-REIT Turnover in (Ksh.Millions) |           |           |           |           |           | 2.89      | 2.25      | -22.14          |
| I-REIT in Units - Total Deals     |           |           |           |           |           | 65.00     | 76.00     | 16.92           |
| Bonds Turnover (Ksh. Millions)    | 247.50    | 249.29    | 7,590.80  | 4,761.10  | 5,176.80  | 4,666.65  | 5,010.40  | 7.37            |
| FTSE NSE Bond Index               | 90.04     | 90.04     | 89.58     | 89.51     | 89.61     | 88.30     | 88.59     | 0.33            |
| FTSE NSE Kenya 15 Index           | 182.55    | 187.38    | 180.21    | 171.40    | 171.40    | 178.31    | 179.61    | 0.73            |
| FTSE NSE Kenya 25 Index           | 182.11    | 186.93    | 180.67    | 172.15    | 172.36    | 179.15    | 179.42    | 0.15            |

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 slightly higher at 0.33 percent and 0.73 percent, respectively.

Telecommunication and Technology, Banking and Manufacturing and Allied sectors showed the highest levels of activity in terms of the total shares traded at 42.96 percent, 31.15 percent and 9.29 percent, respectively.

### The Bond Market Segment

Total bonds traded increased by 7.37 percent in the week ending February 11, 2016. However, the number of deals traded decreased to 56 from 122 in the previous week. The FTSE Government Bond Index increased marginally by 0.15 percent over the week February 11, 2016 reflecting a slight decrease in the secondary market yields.

**TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES**

| <b>91-Day Treasury Bills</b>         |           |                    |           |           |           |
|--------------------------------------|-----------|--------------------|-----------|-----------|-----------|
| Date of Auction                      | 31-Dec-15 | 21-Jan-16          | 28-Jan-16 | 04-Feb-16 | 11-Feb-16 |
| Amount offered (Ksh M)               | 4,000.0   | 4,000.0            | 4,000.0   | 4,000.0   | 4,000.0   |
| Bids received (Ksh M)                | 2,089.5   | 6,958.6            | 12,409.3  | 13,327.6  | 13,738.6  |
| Amount Accepted (Ksh M)              | 1,340.5   | 2,662.0            | 8,151.8   | 5,745.3   | 3,266.3   |
| Maturities (Ksh M)                   | 8,120.7   | 13,025.1           | 7,187.5   | 7,464.4   | 8,533.9   |
| Average interest Rate (%) - 91 Days  | 10.8      | 11.8               | 11.7      | 11.4      | 10.8      |
| <b>182-Day Treasury Bills</b>        |           |                    |           |           |           |
| Date of Auction                      | 30-Dec-15 | 20-Jan-16          | 27-Jan-16 | 03-Feb-16 | 10-Feb-16 |
| Amount offered (Ksh M)               | 6,000.0   | 6,000.0            | 6,000.0   | 6,000.0   | 6,000.0   |
| Bids received (Ksh M)                | 3,390.4   | 11,087.2           | 14,999.9  | 26,671.6  | 21,689.5  |
| Amount Accepted (Ksh M)              | 2,410.2   | 9,191.9            | 7,673.8   | 12,066.4  | 6,573.1   |
| Maturities (Ksh M)                   | 1,235.5   | 637.2              | 400.3     | 225.2     | 2,654.9   |
| Average interest Rate (%) - 182 days | 12.8      | 14.2               | 14.4      | 13.9      | 13.3      |
| <b>364-Day Treasury Bills</b>        |           |                    |           |           |           |
| Date of Auction                      | 30-Dec-15 | 20-Jan-16          | 27-Jan-16 | 03-Feb-16 | 10-Feb-16 |
| Amount offered (Ksh M)               | 6,000.0   | 6,000.0            | 6,000.0   | 6,000.0   | 6,000.0   |
| Bids received (Ksh M)                | 4,632.9   | 4,838.4            | 6,447.7   | 10,083.3  | 9,678.5   |
| Amount Accepted (Ksh M)              | 3,182.1   | 3,427.8            | 1,475.3   | 6,164.0   | 9,175.6   |
| Maturities (Ksh M)                   | 2,984.2   | 2,275.5            | 2,104.5   | 3,028.3   | 5,076.3   |
| Average interest Rate (%) - 364 days | 13.3      | 14.9               | 14.5      | 14.0      | 13.6      |
| <b>Treasury Bonds</b>                |           |                    |           |           |           |
| Date of Auction                      | 30-Dec-15 | 20-Jan-16          |           |           |           |
| Tenor                                |           | <b>10 Year FXD</b> |           |           |           |
| Amount offered (Ksh M)               | 16,000.0  | 35,000.0           |           |           |           |
| Bids received (Ksh M)                | 1,474.0   | 5,937.0            |           |           |           |
| Amount Accepted (Ksh M)              | 1,248.0   | 3,993.1            |           |           |           |
| Maturities (Ksh M)                   | 0.0       | 0.0                |           |           |           |
| Average interest Rate (%)            | 14.8      | 15.8               |           |           |           |

Source: Central Bank of Kenya

**TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)**

|                                       | 31-Dec-15       | 08-Jan-16       | 15-Jan-16       | 22-Jan-16       | 29-Jan-16       | 05-Feb-16       |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Treasury Bills (Excluding Repos)   | 390.75          | 385.99          | 376.11          | 378.54          | 378.82          | 387.36          |
| (As % of total securities)            | 26.71           | 26.44           | 25.94           | 26.06           | 26.03           | 26.46           |
| 2. Treasury Bonds                     | 1,072.32        | 1,073.80        | 1,073.80        | 1,073.80        | 1,076.60        | 1,076.60        |
| (As % of total securities)            | 73.29           | 73.56           | 74.06           | 73.94           | 73.97           | 73.54           |
| <b>3. Total Securities (1+2)</b>      | <b>1,463.07</b> | <b>1,459.79</b> | <b>1,449.91</b> | <b>1,452.34</b> | <b>1,455.42</b> | <b>1,463.97</b> |
| 4. Overdraft at Central Bank          | 39.85           | 45.23           | 31.09           | 31.02           | 35.67           | 35.67           |
| 5. Other Domestic debt*               | 28.28           | 28.21           | 33.06           | 32.25           | 31.68           | 31.66           |
| <b>6. Gross Domestic Debt (3+4+5)</b> | <b>1,531.20</b> | <b>1,533.23</b> | <b>1,514.06</b> | <b>1,515.61</b> | <b>1,522.77</b> | <b>1,531.30</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

**TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT**

|                                  | 31-Dec-15    | 15-Jan-16    | 22-Jan-16    | 29-Jan-16    | 05-Feb-16    |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Treasury bills (Excluding Repos) | 25.5         | 24.8         | 25.0         | 24.9         | 25.3         |
| Treasury bonds                   | 70.0         | 70.9         | 70.8         | 70.7         | 70.3         |
| CBK Overdraft to Govt            | 2.6          | 2.1          | 2.0          | 2.3          | 2.3          |
| Other domestic debt              | 1.8          | 2.2          | 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> |

Source: Central Bank of Kenya

**TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER**

|                      | 31-Dec-15    | 15-Jan-16    | 22-Jan-16    | 29-Jan-16    | 05-Feb-16    |
|----------------------|--------------|--------------|--------------|--------------|--------------|
| Banking Institutions | 55.4         | 55.1         | 54.7         | 54.8         | 54.8         |
| Insurance Companies  | 8.4          | 8.5          | 8.5          | 8.6          | 8.5          |
| Parastatals          | 4.6          | 4.7          | 4.8          | 4.7          | 4.7          |
| Pension funds        | 25.4         | 25.5         | 25.9         | 25.7         | 25.8         |
| Other investors      | 6.1          | 6.2          | 6.2          | 6.2          | 6.2          |
| <b>Total</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)**

|  | 31-Dec-15 | 07-Jan-16 | 14-Jan-16 | 21-Jan-16 | 28-Jan-16 | 04-Feb-16 | 11-Feb-16 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 1. CBK Usable Foreign Exchange Reserves (USD Mn)*                  | 7,072     | 7,013     | 7,024     | 6,986     | 6,976     | 7,016     | 7,113     |
| 2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)** | 4.50      | 4.47      | 4.47      | 4.45      | 4.44      | 4.47      | 4.55      |

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya