



**FEBRUARY 19, 2016**

### **Highlights**

*The money market was relatively liquid during the week ending February 17, 2016, supported by government payments. The average interbank rate rose to 5.19 percent in the week ending February 17, 2016 from 4.11 percent in the previous week.*

*The capital market recorded mixed performance in the week ending February 18, 2016 as reflected in the leading market indicators.*

### **Monetary Policy Operations**

The money market was relatively liquid during the week ending February 17, 2016, supported by government payments. Central Bank's liquidity operations resulted in a net liquidity injection. The deviation of reserve money from its target was marginal (**Table 1**).

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

	11-Feb-16	12-Feb-16	15-Feb-16	16-Feb-16	17-Feb-16	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>12.3</b>	<b>14.2</b>	<b>34.2</b>	<b>4.5</b>	<b>7.1</b>	<b>72.3</b>
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	0.0	5.0	0.0	4.4	9.4
Term Auction Deposit maturities	5.0	6.0	0.0	2.1	0.0	13.1
T/bills redemptions	0.0	0.0	16.3	0.0	0.0	16.3
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	1.2	0.0	0.0	1.2
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	5.3	8.2	11.7	2.4	2.7	30.3
<b>Total liquidity reduction</b>	<b>7.8</b>	<b>12.0</b>	<b>25.8</b>	<b>11.7</b>	<b>6.3</b>	<b>63.6</b>
T/bills (Primary issues)	0.0	0.0	19.0	0.0	0.0	19.0
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	3.8	0.0	4.1	8.0
Term Auction Deposit	0.0	10.0	0.0	10.0	0.0	20.0
Transfer from Banks -Taxes	7.8	1.9	2.9	1.7	2.2	16.5
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>4.5</b>	<b>2.2</b>	<b>8.3</b>	<b>-7.2</b>	<b>0.8</b>	<b>8.7</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	0.0	10.0	5.0	10.0	4.0	29.0
<b>Realised Amount</b>	<b>0.0</b>	<b>10.0</b>	<b>5.0</b>	<b>10.0</b>	<b>4.4</b>	<b>29.4</b>
Repo (-)	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	10.0	0.0	10.0	0.0	20.0
Reverse Repo (+)	0.0	0.0	5.0	0.0	4.4	9.4
<b>Reserve Money Position</b>						
Reserve money (actual)	380.4	382.2	390.4	385.3	382.8	384.2
Reserve money target	384.4	384.4	387.2	387.2	387.2	386.1
Deviation from target	-4.0	-2.3	3.2	-1.9	-4.4	-1.9
Commercial banks excess reserves Exc(+)/ Short(-)	5.9	8.2	18.2	14.3	12.4	11.8
Cash outside bank Exc(+)/ Short(-)	-9.9	-10.4	-15.0	-16.2	-16.8	-13.7

Source: Central Bank of Kenya

### Activity in the Interbank Market

The average interbank rate rose in the week under review, with the volume traded declining significantly. The 7 days repo traded at an average rate of 7.75 percent with the Reverse repo purchases trading at a marginally higher average rate compared to the previous week (Table 2 and Chart A).

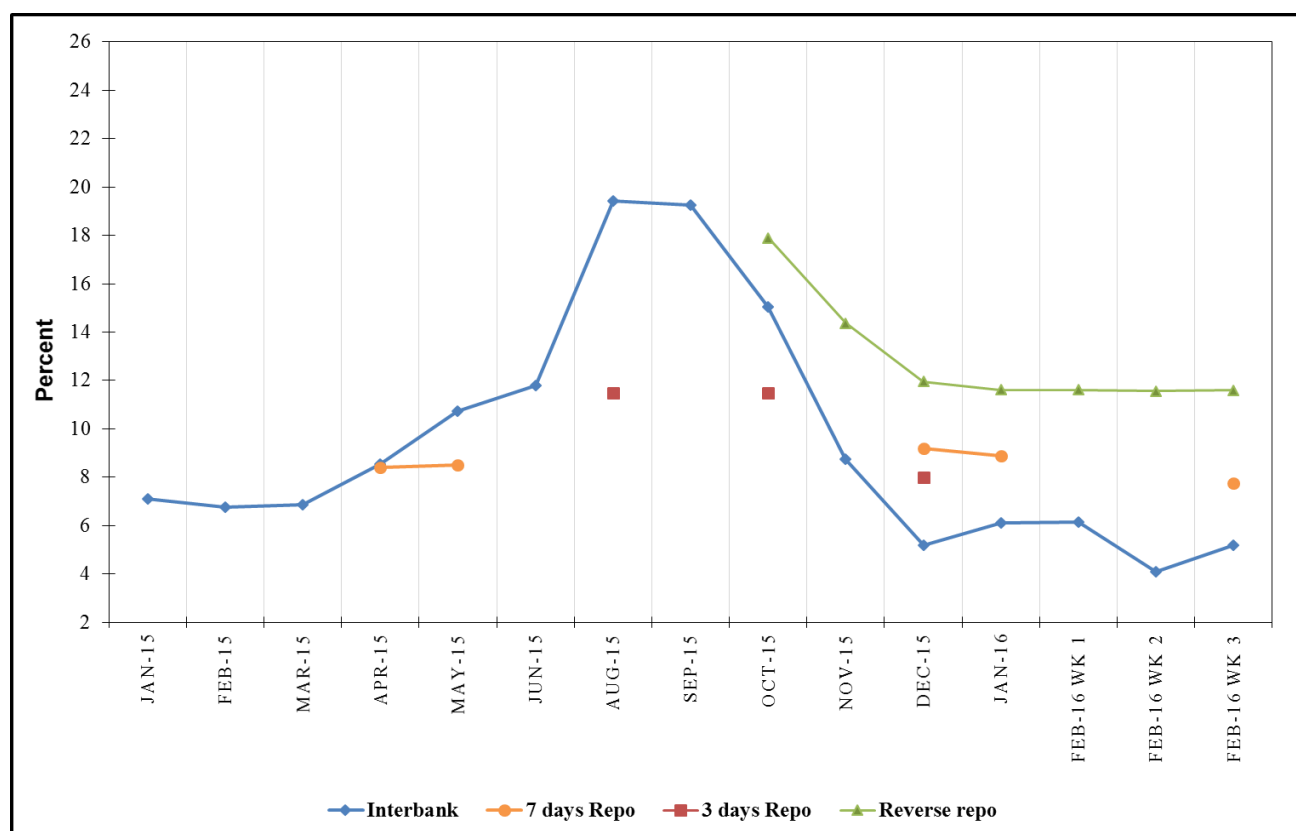
## CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

**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 (%)
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>
11-Feb-16	50	15,705	4.68		
12-Feb-16	41	11,780	5.95		
15-Feb-16	25	7,860	5.36		11.60
16-Feb-16	29	9,830	5.02	7.75	
17-Feb-16	32	16,020	4.95		11.58
<b>February 11, 2016 - February 17, 2016</b>	<b>35</b>	<b>12,239</b>	<b>5.19</b>	<b>7.75</b>	<b>11.59</b>

Source: Central Bank of Kenya

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

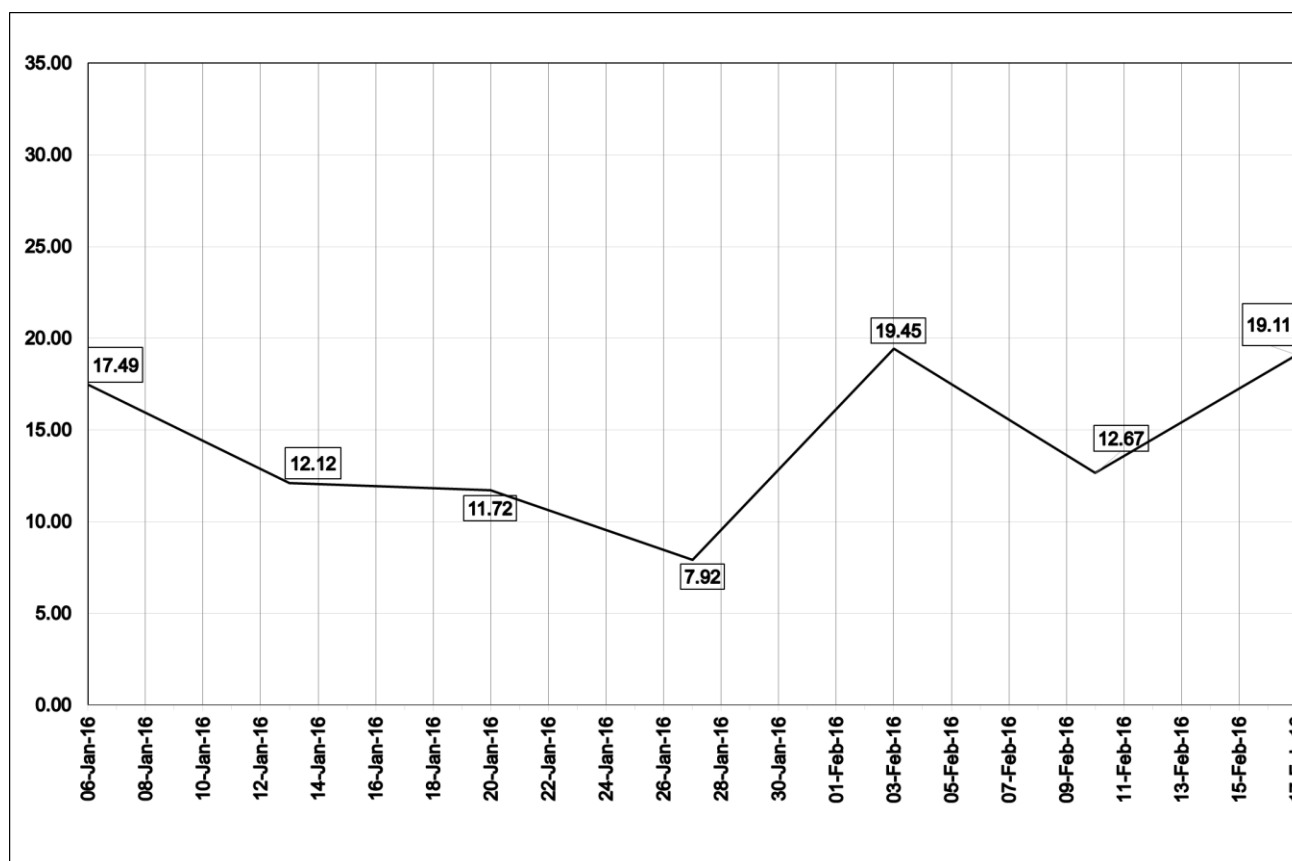


Source: Central Bank of Kenya

### Commercial Banks Clearing Account Balances

Commercial banks’ daily free reserves based on the cash reserve requirement of 5.25 percent averaged KSh 19.11 billion in the week ending February 17, 2016 compared to KSh 12.67 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 18, 2016. It strengthened against the US Dollar by 0.17 percent and 0.67 percent against the Pound Sterling. However, it weakened against the Japanese Yen by 1.89 percent and remained unchanged against the Euro. In the EAC region, it strengthened against the Tanzania Shilling and the Burundi Franc but weakened against the Uganda Shilling and Rwanda Franc.

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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>
12th-Feb-2016	101.83	146.93	115.31	90.53	33.93	21.46	7.33	15.31
15th-Feb-2016	101.81	147.28	114.72	90.30	33.52	21.48	7.33	15.32
16th-Feb-2017	101.83	147.25	113.60	88.93	33.49	21.49	7.33	15.31
17th-Feb-2017	101.80	145.77	113.56	89.44	33.53	21.49	7.33	15.33
18th-Feb-2018	101.80	145.61	113.26	89.02	33.63	21.49	7.33	15.28
<b>11th-18th Feb 2016</b>	<b>101.81</b>	<b>146.57</b>	<b>114.09</b>	<b>89.64</b>	<b>33.62</b>	<b>21.48</b>	<b>7.33</b>	<b>15.31</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

## The Capital Markets

The capital markets recorded decline in the equities market segment compared to the previous week, except for the number of shares traded. The bond market segment however had improved activity for both prices and volume.

## Equities Market

Equities market registered 17 percent increase in shares traded but declined in all other market indicators. All the equities indices, equity turnover and market capitalization declined in the week under review. This may be explained by fall in prices of three major counters; Safaricom, Kenol Kobil and Equity bank, which accounted for the biggest proportion of trading. (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	18-Feb-16	Wkly Change
NASI 100= 2008	144.37	146.74	141.77	137.02	136.92	140.90	140.41	139.96	-0.32%
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	4,063.63	-0.06%
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	3,804.73	-0.53%
Number of Deals	3,410.00	4,763.00	6,610.00	7,268.00	6,707.00	6,162.00	6,408.00	5,970.00	-6.84%
Total Shares Traded (millions)	59.36	47.54	112.89	112.71	131.64	98.83	85.16	99.54	16.88%
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	2,425.45	-21.82%
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	1,970.92	-0.32%
I-REIT Turnover in (Ksh.Millions)						2.89	2.25	9.97	342.97%
I-REIT in Units - Total Deals						65.00	76.00	86.00	13.16%
Bonds Turnover (Ksh. Millions)	247.50	249.29	7,590.80	4,761.10	5,176.80	4,666.65	5,010.40	5,517.19	10.11%
FTSE NSE Bond Index	90.04	90.04	89.58	89.51	89.61	88.30	88.59	178.84	-0.32%
FTSE NSE Kenya 15 Index	182.55	187.38	180.21	171.40	171.40	178.31	179.61	178.63	-0.55%
FTSE NSE Kenya 25 Index	182.11	186.93	180.67	172.15	172.36	179.15	179.42	88.63	0.10%

Source: Nairobi Securities Exchange

### **FTSE NSE Kenya Index Series, REITS and Most Active Sectors**

FTSE NSE Kenya 15 Index, which reflects performance of 15 largest companies by market capitalisation shed 0.32 percent, while FTSE NSE Kenya 25 Index that measures performance of 25 most liquid stocks at the NSE was down 0.55 percent compared to previous week. The REITSs market was more active, perhaps a reflection of positive expectations in real estate market.

Telecommunication and Technology, Banking and Manufacturing and Allied sectors accounted for the highest activity at 42.5 percent, 22.3 percent and 17.2 percent of the total shares traded, respectively. The Investment Services sector was the least active with 98,100 shares traded.

### **The Bond Market**

Total bonds traded increased to KSh 5,517.19 million from last week's volume of KSh 5,010.40 million. However, the number of deals traded increased by 36 over the week, with 92 bonds traded over the week ending February 18, 2016. The increased activity could be attributed to investors' selling of old stock to buy new bonds offered in the primary market. The FTSE Government Bond Index rose by 0.10 percent over the week ending February 18, 2016, reflecting a slight decrease in secondary market yields.

**TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES**

<b>91-Day Treasury Bills</b>				
Date of Auction	31-Dec-15	28-Jan-16	11-Feb-16	18-Feb-16
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	2,089.5	12,409.3	13,738.6	10,445.3
Amount Accepted (Ksh M)	1,340.5	8,151.8	3,266.3	4,537.2
Maturities (Ksh M)	8,120.7	7,187.5	8,533.9	537.1
Average interest Rate (%)- 91 Days	10.8	11.7	10.8	9.9
<b>182-Day Treasury Bills</b>				
Date of Auction	30-Dec-15	27-Jan-16	10-Feb-16	17-Feb-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	3,390.4	14,999.9	21,689.5	28,108.9
Amount Accepted (Ksh M)	2,410.2	7,673.8	6,573.1	11,691.4
Maturities (Ksh M)	1,235.5	400.3	2,654.9	269.9
Average interest Rate (%)- 182 days	12.8	14.4	13.3	12.5
<b>364-Day Treasury Bills</b>				
Date of Auction	30-Dec-15	27-Jan-16	10-Feb-16	17-Feb-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	4,632.9	6,447.7	9,678.5	11,397.2
Amount Accepted (Ksh M)	3,182.1	1,475.3	9,175.6	8,666.5
Maturities (Ksh M)	2,984.2	2,104.5	5,076.3	8,050.4
Average interest Rate (%)- 364 days	13.3	14.5	13.6	13.4
<b>Treasury Bonds</b>				
Date of Auction	30-Dec-15			
Tenor				
Amount offered (Ksh M)	16,000.0			
Bids received (Ksh M)	1,474.0			
Amount Accepted (Ksh M)	1,248.0			
Maturities (Ksh M)	0.0			
Average interest Rate (%)	14.8			

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	12-Feb-16
1. Treasury Bills (Excluding Repos)	390.75	385.99	376.11	378.54	378.82	387.36	402.45
(As % of total securities)	26.71	26.44	25.94	26.06	26.03	26.46	27.21
2. Treasury Bonds	1,072.32	1,073.80	1,073.80	1,073.80	1,076.60	1,076.60	1,076.60
(As % of total securities)	73.29	73.56	74.06	73.94	73.97	73.54	72.79
<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>	<b>1,479.05</b>
4. Overdraft at Central Bank	39.85	45.23	31.09	31.02	35.67	35.67	35.67
5. Other Domestic debt*	28.28	28.21	33.06	32.25	31.68	31.66	31.67
<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>	<b>1,546.39</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	12-Feb-16
Treasury bills (Excluding Repos)	25.5	24.8	25.0	24.9	25.3	26.0
Treasury bonds	70.0	70.9	70.8	70.7	70.3	69.6
CBK Overdraft to Govt	2.6	2.1	2.0	2.3	2.3	2.3
Other domestic debt	1.8	2.2	2.1	2.1	2.1	2.0
<b>TOTAL</b>	<b>100.0</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	12-Feb-16
Banking Institutions	55.4	55.1	54.7	54.8	54.8	55.1
Insurance Companies	8.4	8.5	8.5	8.6	8.5	8.5
Parastatals	4.6	4.7	4.8	4.7	4.7	4.7
Pension funds	25.4	25.5	25.9	25.7	25.8	25.7
Other investors	6.1	6.2	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>	<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	18-Feb-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,072	7,013	7,024	6,986	6,976	7,016	7,111	7,127
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.50	4.47	4.47	4.45	4.44	4.47	4.55	4.56

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya