



FEBRUARY 26, 2016

Highlights

Liquidity in the money market was little changed during the week ending February 24, 2016. The average interbank rate declined to 4.16 percent in the week ending February 24, 2016 from 5.19 percent in the previous week.

The capital market continued with mixed performance in the week ending February 25, 2016 as reflected in the leading market indicators.

Monetary Policy Operations

Liquidity in the money market was little changed during the week ending February 24, 2016. Liquidity injection through government payments, T-bills redemptions and coupon payment was largely offset by withdrawals from a primary T-bill issue, tax remittances by commercial banks and sale of repo securities. Reserve money stood at KSh 371.3 billion on February 24, 2016 (Table 1).

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

	18-Feb-16	19-Feb-16	22-Feb-16	23-Feb-16	24-Feb-16	Total
Liquidity Flows						
Total liquidity injection	11.2	6.3	37.0	8.7	11.0	74.3
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	0.0	4.6	0.0	4.6	9.2
Term Auction Deposit maturities	0.0	2.0	0.0	2.7	0.0	4.7
T/bills redemptions	0.0	0.0	13.0	0.0	0.0	13.0
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	8.8	0.0	0.0	8.8
T/bonds Interest	0.0	0.0	7.2	0.0	0.0	7.2
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	11.2	3.3	2.3	0.9	4.4	22.2
Total liquidity reduction	10.8	5.4	34.0	21.8	6.3	78.2
T/bills (Primary issues)	0.0	0.0	24.9	0.0	0.0	24.9
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	0.0	0.0	10.0	0.0	10.0
Reverse Repos maturities	0.0	0.0	5.0	0.0	4.4	9.4
Term Auction Deposit	8.3	0.0	0.0	0.0	0.0	8.3
Transfer from Banks -Taxes	2.5	5.3	4.0	11.7	1.9	25.4
Net liquidity injection (+)/Withdrawal (-)	0.5	1.0	3.0	-13.1	4.7	-3.9
Open Market Operations Outcome						
Posted Amount	10.0	0.0	5.0	10.0	4.0	29.0
Realised Amount	8.3	0.0	4.6	10.0	4.6	27.5
Repo (-)	0.0	0.0	0.0	10.0	0.0	10.0
Term Auction Deposits (-)	8.3	0.0	0.0	0.0	0.0	8.3
Reverse Repo (+)	0.0	0.0	4.6	0.0	4.6	9.2
Reserve Money Position						
Reserve money (actual)	382.9	383.1	388.6	366.3	371.3	

Source: Central Bank of Kenya

Activity in the Interbank Market

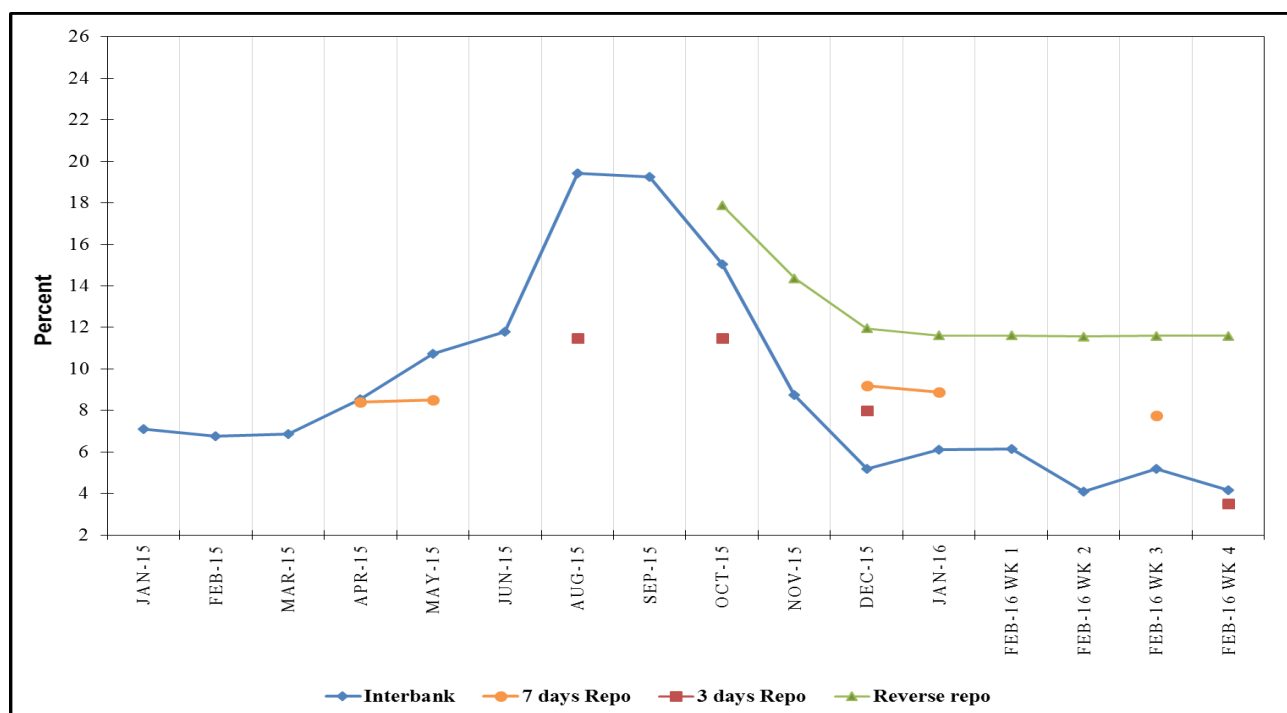
The average interbank rate declined in the week under review, while the volumes traded increased slightly. The 3 day repo traded at an average rate of 3.5 percent, and the Reverse repo rate stabilized at 11.59 percent (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	3 days Average Repo Rate (%)	Reverse Repo Rate (%)
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		
17-Feb-16	32	16,020	4.95		11.58
February 11, 2016 - February 17, 2016	35	12,239	5.19		11.59
18-Feb-16	34	14,750	4.73		
19-Feb-16	34	15,580	4.42		
22-Feb-16	35	12,265	4.17		11.63
23-Feb-16	35	16,785	3.75	3.50	
24-Feb-16	35	12,186	3.74		11.55
February 18, 2016 - February 24, 2016	35	14,313	4.16	3.50	11.59

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES

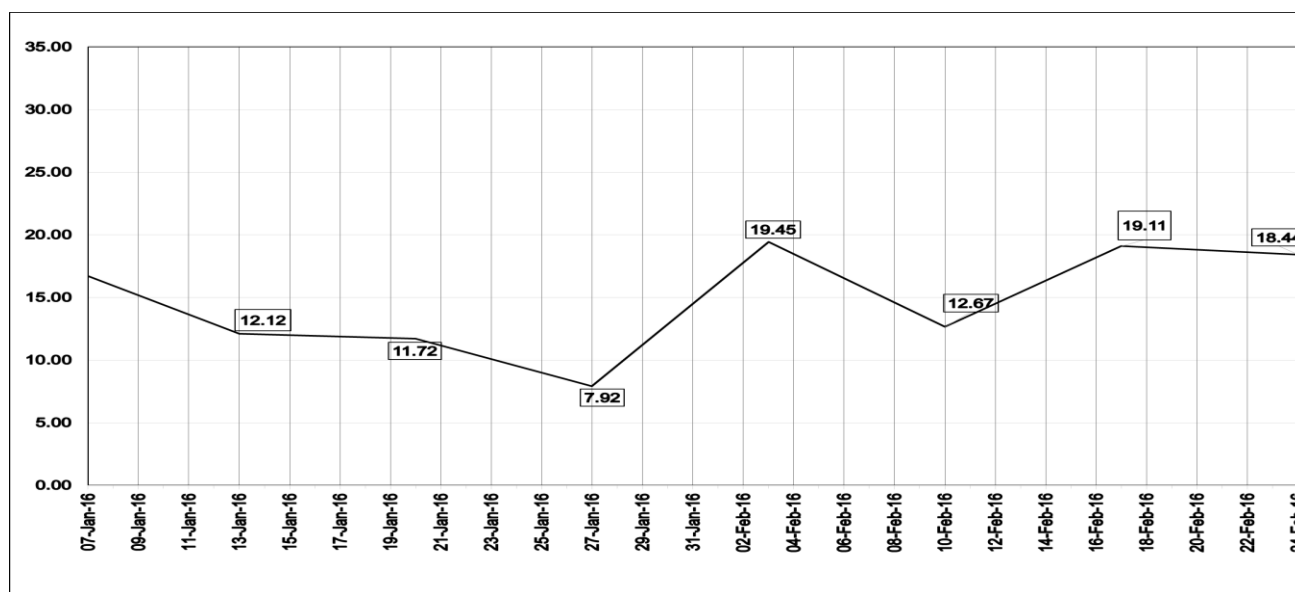


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ daily free reserves based on the cash reserve requirement of 5.25 percent averaged KSh 18.44 billion in the week ending February 24, 2016 compared to KSh 19.11 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 25, 2016. The Shilling strengthened against the US Dollar, the Sterling pound and the Euro and weakened against the Japanese Yen. In the EAC region, the Kenya Shilling strengthened against the Tanzania Shilling, Burundi and Rwanda Franc but weakened against the Uganda Shilling.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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
11th-18th Feb 2016	101.81	146.57	114.09	89.64	33.62	21.48	7.33	15.31
19th-Feb-2016	101.79	146.28	112.85	89.44	33.65	21.49	7.41	15.34
22nd-Feb-2016	101.81	145.29	113.01	89.46	33.72	21.49	7.33	15.32
23rd-Feb-2016	101.80	143.33	112.12	89.96	33.72	21.50	7.33	15.36
24th-Feb-2016	101.79	143.59	112.02	90.69	33.45	21.51	7.41	15.40
25th-Feb-2016	101.78	141.76	111.79	91.10	33.41	21.50	7.33	15.28
19th-25th Feb 2016	101.80	144.05	112.36	90.13	33.59	21.50	7.36	15.34

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Markets

The equities segment of the market had mixed performance across the leading indicators, with some gaining while others declined. The bond market segment however had improved activity as measured by traded volume and the index.

Equities Market

Equities market capitalization rose by 0.67 percent on account of notable price gain across many shares during the week. Overall share prices improved across the markets as reflected in the 0.67 percent rise in NASI. Equity turnover declined significantly on account of low supply of shares (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	14-Jan-16	21-Jan-16	28-Jan-16	04-Feb-16	11-Feb-16	18-Feb-16	25-Feb-16	Wkly Change
NASI 100= 2008	141.77	137.02	136.92	140.90	140.41	139.96	140.90	0.67%
NSE 25 Share Index	4,039.74	3,911.82	3,929.46	4,029.43	4,065.90	4,063.63	4,063.38	-0.01%
NSE 20 Share Index 100= 1996	3,835.78	3,759.94	3,763.36	3,785.73	3,825.18	3,804.73	3,867.06	1.64%
Number of Deals	6,610.00	7,268.00	6,707.00	6,162.00	6,408.00	5,970.00	5,674.00	-4.96%
Total Shares Traded (millions)	112.89	112.71	131.64	98.83	85.16	99.54	57.66	-42.07%
Equity Turnover (Ksh. Millions)	3,944.27	3,179.85	3,737.11	3,397.40	3,102.47	2,425.45	1,651.33	-31.92%
Market Capitalization (Ksh. Bn.)	1,994.16	1,927.15	1,927.99	1,984.41	1,977.21	1,970.92	1,984.20	0.67%
I-REIT Turnover in (Ksh.Millions)				2.89	2.25	9.97	4.81	-51.74%
I-REIT in Units - Total Deals				65.00	76.00	86.00	87.00	1.16%
Bonds Turnover (Ksh. Millions)	7,590.80	4,761.10	5,176.80	4,666.65	5,010.40	5,517.19	8,662.24	57.00%
FTSE NSE Bond Index	180.21	171.40	172.36	179.15	179.42	178.84	178.67	-0.10%
FTSE NSE Kenya 15 Index	180.67	172.15	171.40	178.31	179.61	178.63	178.68	0.03%
FTSE NSE Kenya 25 Index	89.58	89.51	89.61	88.3	88.59	88.68	88.82	0.16%

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

FTSE NSE Kenya 15 and FTSE NSE Kenya 25 indices, which measure performance of the 15 largest companies by market capitalization and performance of the 25 most liquid stocks at the NSE moved in opposite direction during the week under review. The REITSs market was less active as reflected in turnover, signaling less optimistic expectations in real estate market. Banking, Telecommunication and

Technology and Manufacturing and Allied sectors accounted for the highest activity during the week while the Investment Service sector was the least active.

The Bond Market

The volume of bonds traded increased to KSh 8,662.24 million from last week's KSh 5,517.19 million despite lower corresponding deals. Continued decline in market yields saw further increase in the FTSE Government Bond Index by 0.16 percent.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills					
Date of Auction	31-Dec-15	28-Jan-16	11-Feb-16	18-Feb-16	25-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	12,409.3	13,738.6	10,445.3	10,996.2
Amount Accepted (Ksh M)	1,340.5	8,151.8	3,266.3	4,537.2	8,363.1
Maturities (Ksh M)	8,120.7	7,187.5	8,533.9	537.1	4,075.0
Average interest Rate (%)- 91 Days	10.8	11.7	10.8	9.9	9.3
182-Day Treasury Bills					
Date of Auction	30-Dec-15	27-Jan-16	10-Feb-16	17-Feb-16	24-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	14,999.9	21,689.5	28,108.9	9,785.8
Amount Accepted (Ksh M)	2,410.2	7,673.8	6,573.1	11,691.4	5,159.8
Maturities (Ksh M)	1,235.5	400.3	2,654.9	269.9	815.8
Average interest Rate (%)- 182 days	12.8	14.4	13.3	12.5	11.9
364-Day Treasury Bills					
Date of Auction	30-Dec-15	27-Jan-16	10-Feb-16	17-Feb-16	24-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	6,447.7	9,678.5	11,397.2	7,352.2
Amount Accepted (Ksh M)	3,182.1	1,475.3	9,175.6	8,666.5	7,335.1
Maturities (Ksh M)	2,984.2	2,104.5	5,076.3	8,050.4	7,471.0
Average interest Rate (%)- 364 days	13.3	14.5	13.6	13.4	13.3
Treasury Bonds					
Date of Auction	30-Dec-15				
Tenor				FXD 1/2015/5	FXD 1/2012/10
Amount offered (Ksh M)	16,000.0			25,000.0	
Bids received (Ksh M)	1,474.0			53,854.8	
Amount Accepted (Ksh M)	1,248.0			30,297.2	
Maturities (Ksh M)	0.0			0.0	
Average interest Rate (%)	14.8			13.9	14.3

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	19-Feb-16
1. Treasury Bills (Excluding Repos)	390.75	385.99	376.11	378.54	378.82	387.36	402.45	406.92
(As % of total securities)	26.71	26.44	25.94	26.06	26.03	26.46	27.21	27.43
2. Treasury Bonds	1,072.32	1,073.80	1,073.80	1,073.80	1,076.60	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	72.57
3. Total Securities (1+2)	1,463.07	1,459.79	1,449.91	1,452.34	1,455.42	1,463.97	1,479.05	1,483.53
4. Overdraft at Central Bank	39.85	45.23	31.09	31.02	35.67	35.67	35.67	29.68
5. Other Domestic debt*	28.28	28.21	33.06	32.25	31.68	31.66	31.67	31.68
6. Gross Domestic Debt (3+4+5)	1,531.20	1,533.23	1,514.06	1,515.61	1,522.77	1,531.30	1,546.39	1,544.89

* 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	19-Feb-16
Treasury bills (Excluding Repos)	25.5	24.8	25.0	24.9	25.3	26.0	26.3
Treasury bonds	70.0	70.9	70.8	70.7	70.3	69.6	69.7
CBK Overdraft to Govt	2.6	2.1	2.0	2.3	2.3	2.3	1.9
Other domestic debt	1.8	2.2	2.1	2.1	2.1	2.0	2.1
TOTAL	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

	31-Dec-15	15-Jan-16	22-Jan-16	29-Jan-16	05-Feb-16	12-Feb-16	19-Feb-16
Banking Institutions	55.4	55.1	54.7	54.8	54.8	55.1	55.0
Insurance Companies	8.4	8.5	8.5	8.6	8.5	8.5	8.5
Parastatals	4.6	4.7	4.8	4.7	4.7	4.7	4.7
Pension funds	25.4	25.5	25.9	25.7	25.8	25.7	25.7
Other investors	6.1	6.2	6.2	6.2	6.2	6.2	6.2
Total	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)

	31-Dec-15	07-Jan-16	14-Jan-16	21-Jan-16	28-Jan-16	04-Feb-16	11-Feb-16	18-Feb-16	25-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	7,162
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	4.58

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya