



**JANUARY 29, 2016**

**Highlights**

*The money market was relatively liquid during the week ending January 27, 2016 supported by OMO maturities and government payments. The average interbank rate increased to 7.06 percent in the week ending January 27, 2016 from 4.84 percent in the previous week.*

*Overall capital markets performance improved in the week ending January 28 2016 as reflected in leading market indicators.*

**Monetary Policy Operations**

The money market was relatively liquid during the week ending January 27, 2016 supported by OMO maturities and government payments. CBK liquidity management injected KSh 9.7 billion to support the interbank market. Reserve money averaged KSh 367.3 billion during the week ending January 27, 2016 and was KSh 13.5 billion below target (**Table 1**).

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

	21-Jan-16	22-Jan-16	25-Jan-16	26-Jan-16	27-Jan-16	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>9.6</b>	<b>8.6</b>	<b>47.5</b>	<b>10.4</b>	<b>8.1</b>	<b>84.3</b>
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	0.0	4.3	0.0	5.4	9.7
Term Auction Deposit maturities	8.0	0.0	0.0	6.1	0.0	14.0
T/bills redemptions	0.0	0.0	15.9	0.0	0.0	15.9
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	22.1	0.0	0.0	22.1
T/bonds Interest	0.0	0.0	3.0	0.0	0.0	3.0
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	1.7	8.6	2.2	4.3	2.8	19.5
<b>Total liquidity reduction</b>	<b>6.6</b>	<b>15.7</b>	<b>45.4</b>	<b>2.1</b>	<b>8.3</b>	<b>78.2</b>
T/bills (Primary issues)	0.0	0.0	15.3	0.0	0.0	15.3
Tbonds Sales	0.0	0.0	24.1	0.0	0.0	24.1
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	4.0	0.0	5.7	9.7
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	6.5	15.7	1.9	2.0	2.6	28.7
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>3.0</b>	<b>-7.1</b>	<b>2.1</b>	<b>8.3</b>	<b>-0.2</b>	<b>6.1</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	0.0	0.0	4.0	0.0	6.0	10.0
<b>Realised Amount</b>	<b>0.0</b>	<b>0.0</b>	<b>4.3</b>	<b>0.0</b>	<b>5.4</b>	<b>9.7</b>
Repo (-)	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo (+)	0.0	0.0	4.3	0.0	5.4	9.7
<b>Reserve Money Position</b>						
Reserve money (actual)	375.2	364.5	360.8	367.5	368.4	367.3
Reserve money target	383.7	383.7	378.9	378.9	378.9	380.8
Deviation from target	<b>-8.5</b>	<b>-19.2</b>	<b>-18.1</b>	<b>-11.4</b>	<b>-10.5</b>	<b>-13.5</b>
Commercial banks excess reserves Exc(+)/ Short(-)	5.5	-3.5	-7.1	-0.4	1.8	-0.8
Cash outside bank Exc(+)/ Short(-)	<b>-14.0</b>	<b>-15.7</b>	<b>-11.0</b>	<b>-11.0</b>	<b>-12.3</b>	<b>-12.8</b>

### Activity in the Interbank Market

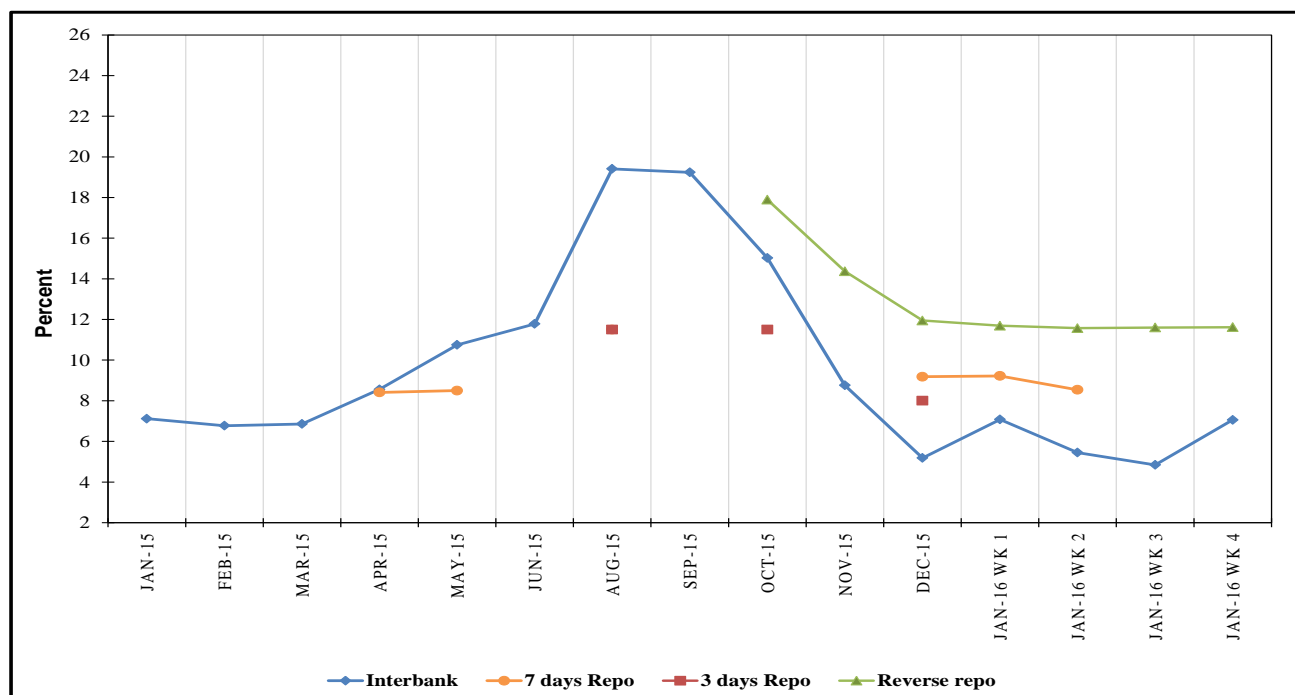
The average interbank rate increased to 7.06 percent in the week ending January 27, 2016 from 4.84 percent in the previous week. The volumes transacted increased to KSh 24.7 billion from KSh 13.2 billion traded in the previous week, with the average number of deals rising to 50 from 37 deals. Reverse repo purchases traded at a marginally higher average rate of 11.62 percent compared to 11.60 percent 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 (%)	Reverse Repo Rate (%)
14-Jan-16	33	8,030	3.57	
15-Jan-16	31	8,050	4.62	
18-Jan-16	40	15,850	4.96	11.58
19-Jan-16	45	18,285	5.45	
20-Jan-16	34	15,790	5.60	11.63
<b>January 14, 2016 - January 20, 2016</b>	<b>37</b>	<b>13,201</b>	<b>4.84</b>	<b>11.60</b>
21-Jan-16	42	19,099	6.25	
22-Jan-16	50	24,055	6.92	
25-Jan-16	54	27,395	7.26	11.60
26-Jan-16	52	27,060	7.35	
27-Jan-16	54	25,875	7.52	11.64
<b>January 21, 2016 - January 27, 2016</b>	<b>50</b>	<b>24,697</b>	<b>7.06</b>	<b>11.62</b>

Source: Central Bank of Kenya

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

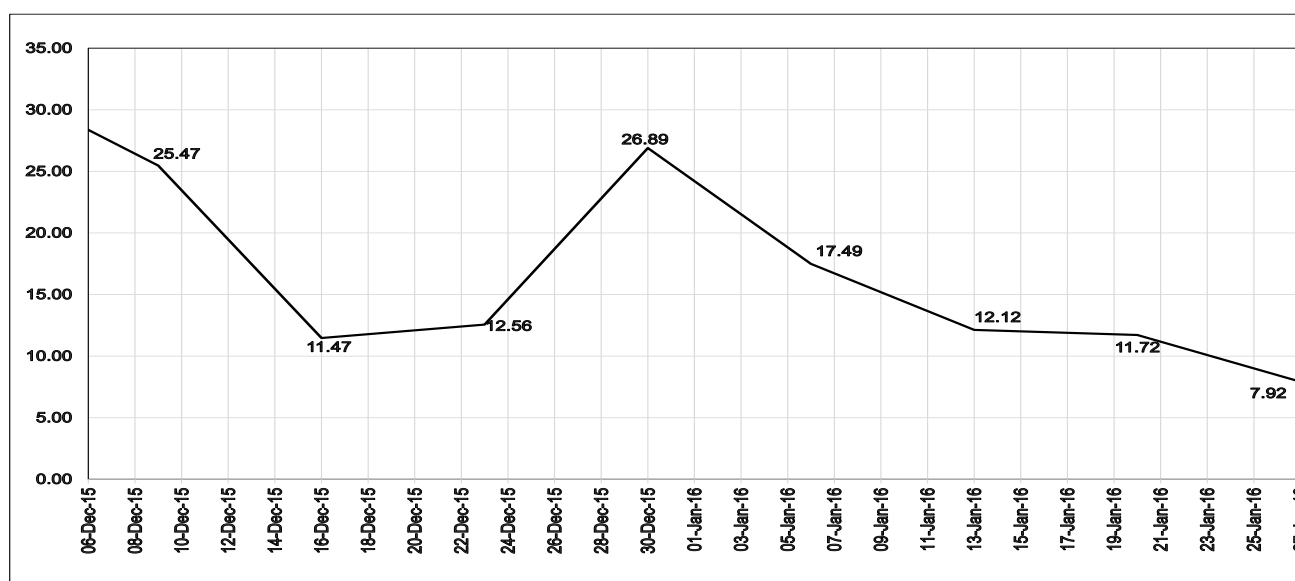


Source: Central Bank of Kenya

**Commercial Banks Clearing Account Balances**

Commercial banks’ daily free reserves based on the cash reserve requirement of 5.25 percent averaged KSh 7.92 billion in the week ending January 27, 2016 compared to KSh 11.72 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 28 January 2016. It strengthened against the US Dollar, the Euro and the Japanese Yen by 0.06 percent, 0.55 percent and 0.87 percent, respectively. However, it weakened against the Pound Sterling by 0.06 percent. In the EAC region, it strengthened against the Tanzania Shilling and the Rwanda Franc but weakened against the Uganda Shilling and the Burundi Franc.

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
15th-Jan-16	102.35	147.53	111.42	86.93	34.03	21.25	7.36	15.29
18th-Jan-16	102.36	146.11	111.53	87.29	34.05	21.25	7.37	15.22
19th-Jan-16	102.37	146.11	111.38	86.89	33.90	21.30	7.37	15.13
20th-Jan-16	102.40	144.94	112.16	87.62	33.94	21.34	7.37	15.14
21st-Jan-16	102.38	145.20	111.45	87.48	33.94	21.34	7.37	15.19
<b>15th-21st Jan 2016</b>	<b>102.37</b>	<b>145.98</b>	<b>111.59</b>	<b>87.24</b>	<b>33.97</b>	<b>21.29</b>	<b>7.37</b>	<b>15.19</b>
22-Jan-16	102.33	145.44	110.84	86.76	33.91	21.40	7.37	15.39
25-Jan-16	102.31	145.95	110.60	86.16	33.92	21.40	7.53	15.09
26-Jan-16	102.34	145.65	111.05	86.73	33.93	21.40	7.39	15.08
27-Jan-16	102.32	146.81	111.07	86.44	33.96	21.40	7.39	15.08
28-Jan-16	102.28	146.50	111.34	86.34	34.00	21.39	7.30	15.23
<b>22-28 Jan 2016</b>	<b>102.32</b>	<b>146.07</b>	<b>110.98</b>	<b>86.49</b>	<b>33.94</b>	<b>21.40</b>	<b>7.39</b>	<b>15.17</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

## The Capital Markets

Nairobi Securities Exchange recorded improved performance in the equities and bond market segment with the exception of the number of deals executed in the week ending 28 January 2016.

### Equities Market

The average share prices improved with the NSE 25 and NSE 20 Share Indices up by 0.45 percent and 0.09 percent, respectively. However, NASI declined marginal by 0.07 percent. Shareholders' wealth measured by market capitalisation closed the week 0.04 percent higher. Equity turnover closed 17.52 percent higher during the week to 28 January 2016 on account of 16.80 percent increase in the volume of shares traded and improvement in average share prices (Table 4).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	17-Dec-15	23-Dec-15	30-Dec-15	07-Jan-16	14-Jan-16	21-Jan-16	28-Jan-16	Wkly Change (%)
NASI 100= 2008	145.31	142.85	144.37	146.74	141.77	137.02	136.92	-0.07
NSE 25 Share Index	4,160.69	4,112.59	3,992.57	4,210.28	4,039.74	3,911.82	3,929.46	0.45
NSE 20 Share Index 100= 1996	4,005.22	3,918.75	4,137.14	4,003.11	3,835.78	3,759.94	3,763.36	0.09
Number of Deals	6,113.00	4,413.00	3,410.00	4,763.00	6,610.00	7,268.00	6,707.00	-7.72
Total Shares Traded	163.37	97.46	59.36	47.54	112.89	112.71	131.64	16.80
Equity Turnover (Ksh. Millions)	4,935.64	3,242.83	1,932.63	1,346.20	3,944.27	3,179.85	3,737.11	17.52
Market Capitalization (Ksh. Bn.)	2,044.15	2,009.46	2,030.91	2,064.26	1,994.16	1,927.15	1,927.99	0.04
Bonds Turnover (Ksh. Millions)	4,842.92	308.40	247.50	249.29	7,590.80	4,761.10	5,176.80	8.73
FTSE NSE Kenya 15 Index	183.41	182.17	182.55	187.38	180.21	171.40	171.40	0.00
FTSE NSE Kenya 25 Index	183.02	180.93	182.11	186.93	180.67	172.15	172.36	0.12
FTSE NSE Bond Index	90.39	90.04	90.04	90.04	89.58	89.51	89.61	0.11

*Source: Nairobi Securities Exchange*

FTSE NSE Kenya 15 Index which measure stock performance of 15 largest companies by market capitalization retained previous week mark of 171.40 points while, FTSE NSE Kenya 25 Index which measures the 25 most liquid stocks at the NSE, closed the week up by 0.12 percent, respectively. Likewise, the FTSE Government Bond Index improved slightly by 0.11 percent over the week ending 28<sup>th</sup> January 2016, reflecting a slight decline in the secondary market yields.

Banking, Telecommunication & Technology, and Energy & Petroleum sectors showed the highest levels of activity at 54.44 percent, 23.12 percent and 12.7 percent of the total shares traded, respectively. The Automobile and Accessories sector was the least active with 38,300 shares traded.

### **The Bond Market**

Total bonds traded increased by 8.73 percent in the week ending 28<sup>th</sup> January 2016 to close at KSh 5,176.80 million. Likewise, the number of deals traded increased to 66 from 31 in the previous week.

**TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES**

<b>91-Day Treasury Bills</b>							
Date of Auction	29-Oct-15	26-Nov-15	31-Dec-15	07-Jan-16	14-Jan-16	21-Jan-16	28-Jan-16
Amount offered (Ksh M)	4,000.0	6,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	33,051.2	4,478.9	2,089.5	7,620.2	7,691.5	6,958.6	12,409.3
Amount Accepted (Ksh M)	6,905.7	3,992.6	1,340.5	2,779.9	4,699.8	2,662.0	8,151.8
Maturities (Ksh M)	892.5	3,298.5	8,120.7	13,282.3	13,675.1	13,025.1	7,187.5
Average interest Rate (%) - 91 Days	19.5	9.2	10.8	11.4	11.4	11.8	11.7
<b>182-Day Treasury Bills</b>							
Date of Auction	28-Oct-15	25-Nov-15	30-Dec-15	06-Jan-16	13-Jan-16	20-Jan-16	27-Jan-16
Amount offered (Ksh M)	4,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	19,197.6	473.9	3,390.4	2,915.4	14,056.9	11,087.2	14,999.9
Amount Accepted (Ksh M)	5,601.3	473.9	2,410.2	2,540.5	13,025.9	9,191.9	7,673.8
Maturities (Ksh M)	666.5	390.2	1,235.5	790.6	2,225.3	637.2	400.3
Average interest Rate (%) - 182 days	21.0	10.1	12.8	13.2	13.7	14.2	14.4
<b>364-Day Treasury Bills</b>							
Date of Auction	28-Oct-15	25-Nov-15	30-Dec-15	06-Jan-16	13-Jan-16	20-Jan-16	27-Jan-16
Amount offered (Ksh M)	4,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	40,900.4	1,157.9	4,632.9	3,906.7	7,663.1	4,838.4	6,447.7
Amount Accepted (Ksh M)	7,071.6	1,157.9	3,182.1	3,137.2	4,204.5	3,427.8	1,475.3
Maturities (Ksh M)	7,147.4	2,555.4	2,984.2	4,932.1	5,225.3	2,275.5	2,104.5
Average interest Rate (%) - 364 days	21.2	11.9	13.3	13.8	14.3	14.9	14.5
<b>Treasury Bonds</b>							
Date of Auction		25-Nov-15	30-Dec-15		20-Jan-16		
Tenor		5 Year FXD			2 Year FXD	10 Year FXD	
Amount offered (Ksh M)		20,000.0	16,000.0		35,000.0		
Bids received (Ksh M)		32,997.9	1,474.0		30,389.6	5,937.0	
Amount Accepted (Ksh M)		30,700.4	1,248.0		20,155.2	3,993.1	
Maturities (Ksh M)		9,193.7	0.0		0.0	0.0	
Average interest Rate (%)		13.9	14.8		16.1	15.8	

Source: Central Bank of Kenya

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

	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	31-Dec-15	08-Jan-16	15-Jan-16	22-Jan-16
1. Treasury Bills (Excluding Repos)	289.97	272.93	321.69	378.05	390.75	385.99	376.11	378.54
(As % of total securities)	21.77	20.76	23.16	26.43	26.71	26.44	25.94	26.06
2. Treasury Bonds	1041.80	1041.80	1067.42	1052.45	1072.32	1073.80	1073.80	1073.80
(As % of total securities)	78.23	79.24	76.84	73.57	73.29	73.56	74.06	73.94
<b>3. Total Securities (1+2)</b>	<b>1,331.76</b>	<b>1,314.73</b>	<b>1,389.11</b>	<b>1,430.49</b>	<b>1,463.07</b>	<b>1,459.79</b>	<b>1,449.91</b>	<b>1,452.34</b>
4. Overdraft at Central Bank	36.76	43.29	36.87	26.57	39.85	45.23	31.09	31.02
5. Other Domestic debt*	29.85	28.80	28.54	28.23	28.28	28.21	33.06	32.25
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,398.37</b>	<b>1,386.82</b>	<b>1,454.53</b>	<b>1,485.30</b>	<b>1,531.20</b>	<b>1,533.23</b>	<b>1,514.06</b>	<b>1,515.61</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**

	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	31-Dec-15	08-Jan-16	15-Jan-16	22-Jan-16
Treasury bills (Excluding Repos)	20.7	19.7	22.1	25.5	25.5	25.2	24.8	25.0
Treasury bonds	74.5	75.1	73.4	70.9	70.0	70.0	70.9	70.8
CBK Overdraft to Govt	2.6	3.1	2.5	1.8	2.6	3.0	2.1	2.0
Other domestic debt	2.1	2.1	2.0	1.9	1.8	1.8	2.2	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>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

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

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

	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	31-Dec-15	08-Jan-16	15-Jan-16	22-Jan-16
Banking Institutions	57.3	56.5	55.5	55.4	55.4	55.5	55.1	54.7
Insurance Companies	8.8	8.7	8.8	8.4	8.4	8.4	8.5	8.5
Parastatals	4.3	4.7	4.7	4.9	4.6	4.6	4.7	4.8
Pension funds	25.2	25.3	25.2	25.4	25.4	25.3	25.5	25.9
Other investors	4.3	4.8	5.9	6.0	6.1	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>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

**TABLE 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)**

	15-Oct-15	22-Oct-15	29-Oct-15	05-Nov-15	12-Nov-15	10-Dec-15	17-Dec-15	23-Dec-15	31-Dec-15	07-Jan-16	14-Jan-16	21-Jan-16	28-Jan-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,254	6,435	6,563	6,905	6,797	7,046	7,103	7,220	7,072	7,013	7,024	6,986	6,976
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	3.98	4.10	4.18	4.40	4.33	4.49	4.52	4.60	4.50	4.47	4.47	4.45	4.44

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya