



JANUARY 15, 2016

Highlights

The money market was relatively liquid during the week ending January 13, 2016 supported by net government payments. The average interbank rate declined to 5.45 percent in the week ending January 13, 2016 from 7.08 percent in the previous week

The capital markets recorded mixed performance in the week ending 14th January 2016 as reflected in the leading market indicators.

Monetary Policy Operations

The money market was relatively liquid during the week ending January 13, 2016 supported by net government payments. CBK rolled over KSh 9.0 billion out of the KSh 11.4 billion of the reverse repo maturing during the week to the interbank market. Reserve money averaged KSh 380.9 billion during the week ending January 13, 2016 and was KSh 9.5 billion below target (**Table 1**).

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

	7-Jan-16	8-Jan-16	11-Jan-16	12-Jan-16	13-Jan-16	Total
Liquidity Flows						
Total liquidity injection	19.5	4.6	25.5	9.5	6.6	65.7
Repos Maturities	6.5	0.0	0.0	7.9	0.0	14.4
Reverse Repo Purchases	0.0	0.0	5.0	0.0	4.0	9.0
Term Auction Deposit maturities	0.0	0.0	0.0	0.2	0.0	0.2
T/bills redemptions	0.0	0.0	19.0	0.0	0.0	19.0
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	11.0	2.5	1.5	1.5	2.6	19.1
Total liquidity reduction	20.3	3.1	20.7	18.7	8.2	71.0
T/bills (Primary issues)	0.0	0.0	8.5	0.0	0.0	8.5
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	9.5	0.0	0.0	0.0	0.0	9.5
Reverse Repos maturities	0.0	0.0	6.7	0.0	4.7	11.4
Term Auction Deposit	8.5	0.0	0.0	8.0	0.0	16.5
Transfer from Banks -Taxes	2.2	3.1	5.5	10.7	3.5	25.0
Net liquidity injection (+)/Withdrawal (-)	-0.7	1.4	4.8	-9.2	-1.6	-5.2
Open Market Operations Outcome						
Posted Amount	18.0	0.0	5.0	8.0	4.0	35.0
Realised Amount	18.0	0.0	5.0	8.0	4.0	35.0
Repo (-)	9.5	0.0	0.0	0.0	0.0	9.5
Term Auction Deposits (-)	8.5	0.0	0.0	8.0	0.0	16.5
Reverse Repo (+)	0.0	0.0	5.0	0.0	4.0	9.0
Reserve Money Position						
Reserve money (actual)	384.7	385.2	386.8	376.4	371.4	380.9
Reserve money target	393.2	393.2	388.5	388.5	388.5	390.4
Deviation from target	-8.6	-8.0	-1.7	-12.1	-17.1	-9.5
Commercial banks excess reserves Exc(+)/ Short(-)	17.5	18.8	21.4	11.4	8.0	15.4
Cash outside bank Exc(+)/ Short(-)	-26.0	-26.8	-23.1	-23.5	-25.1	-24.9

Activity in the Interbank Rates

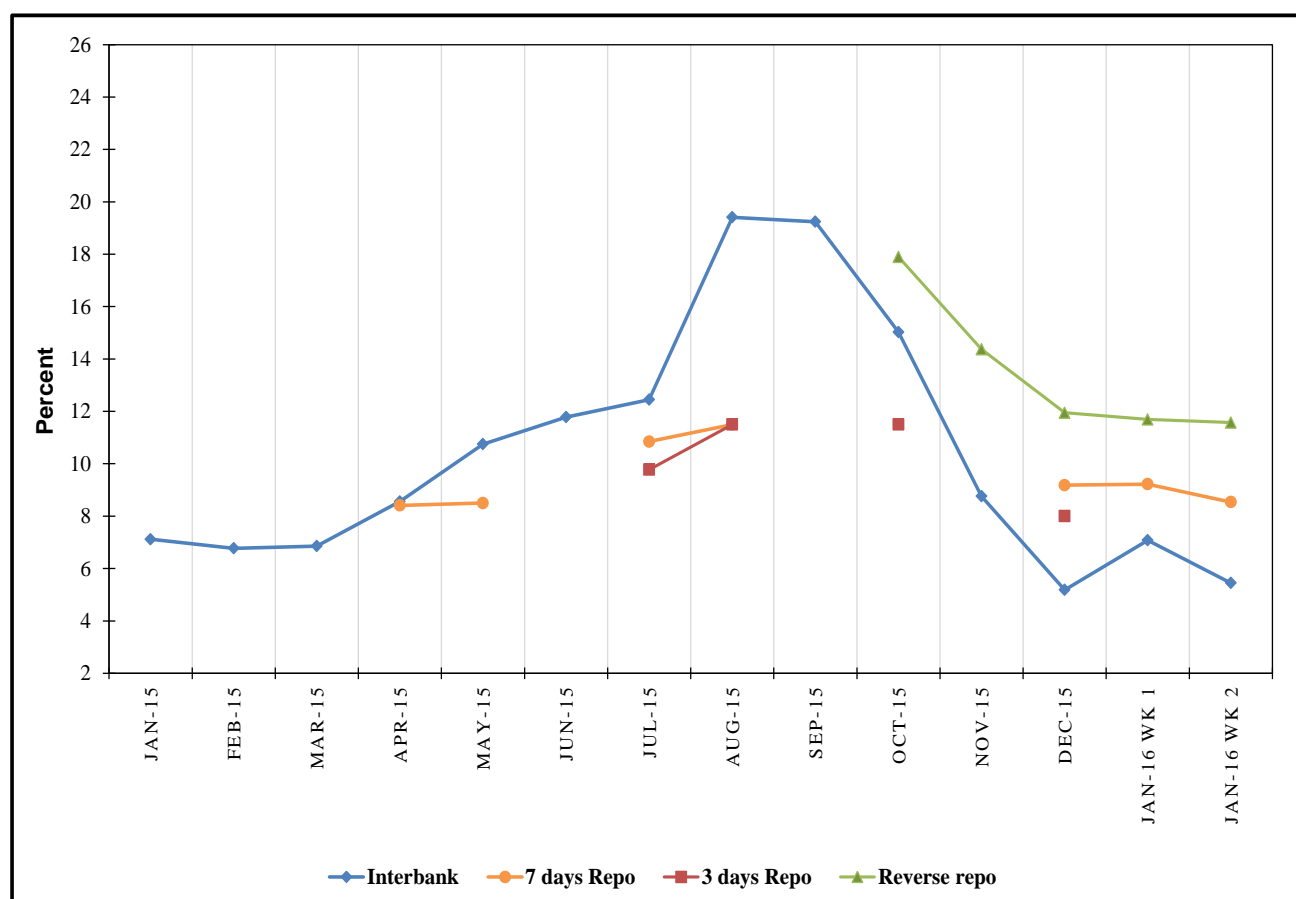
The average interbank rate declined to 5.45 percent in the week ending January 13, 2016 from 7.08 percent in the previous week. The volumes transacted decreased to KSh 10.8 billion from KSh 11.80 billion traded in the previous week, with the number of deals declining to 30 from 35 deals. The 7-day average repo rate decreased to 8.54 percent in the week ending January 13, 2016 from 9.22 percent recorded in the previous week, while reverse repo purchases traded at a lower average rate of 11.57 percent compared to 11.69 percent in the previous week (**Table 2 and Chart A**).

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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 (%)
31-Dec-15	42	13,740	6.87	9.28	
4-Jan-16	32	6,590	7.52		11.65
5-Jan-16	30	10,625	7.27	9.16	
6-Jan-16	36	16,230	6.65		11.73
December 31, 2015-January 6, 2016	35	11,796	7.08	9.22	11.69
7-Jan-16	24	12,205	5.66	8.54	
8-Jan-16	31	11,950	5.29		
11-Jan-16	33	11,350	5.26		11.53
12-Jan-16	34	9,175	5.90		
13-Jan-16	30	9,200	5.13		11.61
January 7, 2016 - January 13, 2016	30	10,776	5.45	8.54	11.57

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES

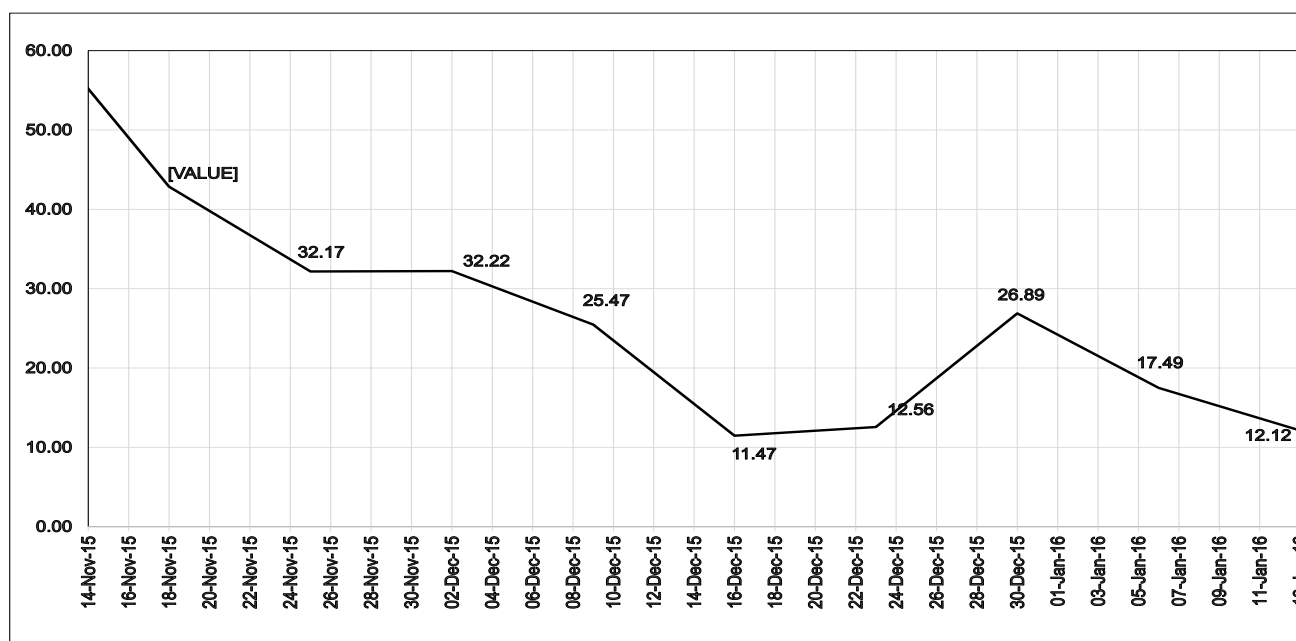


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' daily free reserves based on the cash reserve requirement of 5.25 percent averaged KSh 12.12 billion in the week ending January 13, 2016 compared to KSh 17.49 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 currencies but strengthened against all EAC currencies. The Shilling strengthened by 1.45 percent against the Sterling Pound, stabilized against the USD, and weakened by 0.45 percent against the Euro and 1.30 percent against the Japanese Yen.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
4th-Jan-16	102.29	151.68	111.72	84.97	33.09	21.12	7.29	15.22
5th-Jan-16	102.27	150.52	110.86	85.65	33.20	21.19	7.31	14.99
6th-Jan-16	102.27	150.17	109.92	85.88	33.18	21.32	7.29	15.25
7th-Jan-16	102.26	149.71	109.85	86.20	33.10	21.37	7.32	15.27
4-7th January 2016	102.27	150.52	110.59	85.68	33.14	21.25	7.30	15.18
8th-Jan-16	102.15	148.90	110.84	86.57	33.55	21.44	7.36	15.16
11th-Jan-16	102.22	149.01	111.27	86.60	33.56	21.43	7.36	15.15
12th-Jan-16	102.34	148.78	111.29	87.20	33.49	21.25	7.29	15.20
13th-Jan-16	102.36	147.41	111.02	86.91	33.66	21.25	7.29	15.29
14th-Jan-16	102.37	147.58	111.00	86.67	33.93	21.25	7.29	15.22
8th-14th January 2016	102.28	148.33	111.08	86.79	33.64	21.32	7.32	15.20

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Markets

The Capital Markets had mixed performance in the week ended January 14, 2016 in the leading market indicators.

Equities Market

The average share prices declined with the NASI, NSE 25 and NSE 20 Share Indices down by 3.39 percent, 4.05 percent and 4.18 percent, respectively. As a result, shareholders' wealth measured by market capitalisation closed the week 3.40 percent lower. Meanwhile, the number of shares traded increased by 137.45 percent, equity turnover rose by 193 percent and number of deals transacted closed 38.78 percent higher compared to the previous week (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	3-Dec-15	10-Dec-15	17-Dec-15	23-Dec-15	30-Dec-15	7-Jan-16	14-Jan-16	Wkly Change
NASI 100= 2008	143.26	144.28	145.31	142.85	144.37	146.74	141.77	-3.39%
NSE 25 Share Index	4,170.74	4,165.16	4,160.69	4,112.59	3,992.57	4,210.28	4,039.74	-4.05%
NSE 20 Share Index 100= 1996	3,994.49	3,986.28	4,005.22	3,918.75	4,137.14	4,003.11	3,835.78	-4.18%
Number of Deals	6,032.00	5,584.00	6,113.00	4,413.00	3,410.00	4,763.00	6,610.00	38.78%
Total Shares Traded	79.66	110.87	163.37	97.46	59.36	47.54	112.89	137.45%
Equity Turnover (Ksh. Millions)	2,427.53	3,564.24	4,935.64	3,242.83	1,932.63	1,346.20	3,944.27	192.99%
Market Capitalization (Ksh. Bn.)	2,015.12	2,029.64	2,044.15	2,009.46	2,030.91	2,064.26	1,994.16	-3.40%
Bonds Turnover (Ksh. Millions)	9,614.45	8,344.75	4,842.92	308.40	247.50	249.29	7,590.80	2944.97%
FTSE NSE Kenya 15 Index	184.64	184.99	183.41	182.17	182.55	187.38	180.21	-3.83%
FTSE NSE Kenya 25 Index	183.87	184.45	183.02	180.93	182.11	186.93	180.67	-3.35%
FTSE NSE Bond Index	90.77	90.53	90.39	90.04	90.04	90.04	89.58	-0.51%

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 lower by 3.83 percent and 3.35 percent, respectively.

Banking sector dominated equities trading with 56.85 percent, followed by Telecommunication & Technology and Manufacturing and Allied sectors at 25.76 percent and 5.7 percent respectively.

The Bond Market

Bonds trading recorded significant increase of 2,945 percent in the week ending 14th January 2016 to close at KSh 7,590.80 million from last week's KSh 249.29 million. Similarly, the number of deals traded increased from to 53 from 7 in the previous week. The surge in trading is attributed to the

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reopening of FXD1/2015/2 and FXD 1/2013/10 that supported a portfolio reallocation away from the secondary market.

The FTSE Government Bond Index, which measures the value of bonds traded at NSE, declined to 89.58 points from last week's 90.04 points, reflecting increase in market yields.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills					
Date of Auction	26-Nov-15	24-Dec-15	31-Dec-15	7-Jan-16	14-Jan-16
Amount offered (Ksh M)	6,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	4,478.9	5,892.6	2,089.5	7,620.2	7,691.5
Amount Accepted (Ksh M)	3,992.6	3,945.1	1,340.5	2,779.9	4,699.8
Maturities (Ksh M)	3,298.5	5,107.5	8,120.7	13,282.3	13,675.1
Average interest Rate (%) - 91 Days	9.2	10.4	10.8	11.4	11.4
182-Day Treasury Bills					
Date of Auction	25-Nov-15	23-Dec-15	30-Dec-15	6-Jan-16	13-Jan-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	473.9	5,477.5	3,390.4	2,915.4	14,056.9
Amount Accepted (Ksh M)	473.9	4,983.4	2,410.2	2,540.5	13,025.9
Maturities (Ksh M)	390.2	2,657.1	1,235.5	790.6	2,225.3
Average interest Rate (%) - 182 days	10.1	12.3	12.8	13.2	13.7
364-Day Treasury Bills					
Date of Auction	25-Nov-15	23-Dec-15	30-Dec-15	6-Jan-16	13-Jan-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	1,157.9	1,743.2	4,632.9	3,906.7	7,663.1
Amount Accepted (Ksh M)	1,157.9	1,336.6	3,182.1	3,137.2	4,204.5
Maturities (Ksh M)	2,555.4	1,515.0	2,984.2	4,932.1	5,225.3
Average interest Rate (%) - 364 days	11.9	12.7	13.3	13.8	14.3
Treasury Bonds					
Date of Auction					
Tenor	5 Year FXD				
Amount offered (Ksh M)	20,000.0	16,000.0	16,000.0		
Bids received (Ksh M)	32,997.9	2,383.6	1,474.0		
Amount Accepted (Ksh M)	30,700.4	2,013.1	1,248.0		
Maturities (Ksh M)	9,193.7	0.0	0.0		
Average interest Rate (%)	13.9	14.8	14.8		

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	31-Jul-15	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	31-Dec-15	08-Jan-16
1. Treasury Bills (Excluding Repos)	298.86	289.97	272.93	321.69	378.05	390.75	385.99
(As % of total securities)	22.19	21.77	20.76	23.16	26.43	26.71	26.44
2. Treasury Bonds	1048.17	1041.80	1041.80	1067.42	1052.45	1072.32	1073.80
(As % of total securities)	77.81	78.23	79.24	76.84	73.57	73.29	73.56
3. Total Securities (1+2)	1,347.03	1,331.76	1,314.73	1,389.11	1,430.49	1,463.07	1,459.79
4. Overdraft at Central Bank	41.68	36.76	43.29	36.87	26.57	39.85	45.23
5. Other Domestic debt*	29.27	29.85	28.80	28.54	28.23	28.28	28.21
6. Gross Domestic Debt (3+4+5)	1,417.99	1,398.37	1,386.82	1,454.53	1,485.30	1,531.20	1,533.23

* 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

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TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	31-Dec-15	8-Jan-16
Treasury bills (Excluding Repos)	20.7	19.7	22.1	25.5	25.5	25.2
Treasury bonds	74.5	75.1	73.4	70.9	70.0	70.0
CBK Overdraft to Govt	2.6	3.1	2.5	1.8	2.6	3.0
Other domestic debt	2.1	2.1	2.0	1.9	1.8	1.8
TOTAL	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

	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	31-Dec-15	8-Jan-16
Banking Institutions	57.3	56.5	55.5	55.4	55.4	55.5
Insurance Companies	8.8	8.7	8.8	8.4	8.4	8.4
Parastatals	4.3	4.7	4.7	4.9	4.6	4.6
Pension funds	25.2	25.3	25.2	25.4	25.4	25.3
Other investors	4.3	4.8	5.9	6.0	6.1	6.2
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)

	15-Oct-15	22-Oct-15	29-Oct-15	5-Nov-15	12-Nov-15	19-Nov-15	25-Nov-15	3-Dec-15	10-Dec-15	17-Dec-15	23-Dec-15	31-Dec-15	7-Jan-16	14-Jan-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,254	6,435	6,563	6,905	6,797	6,754	6,749	6,979	7,046	7,103	7,220	7,072	7,013	7,024
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	3.98	4.10	4.18	4.40	4.33	4.30	4.30	4.45	4.49	4.52	4.60	4.50	4.47	4.47

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya