



JANUARY 22, 2016

Highlights

The money market was relatively liquid during the week ending January 20, 2016 supported by government payments, redemption of government securities and OMO maturities. The average interbank rate declined to 4.84 percent in the week ending January 20, 2016 from 5.45 percent in the previous week.

Overall capital markets performance declined in the week ending January 21, 2016 as reflected in leading market indicators.

Monetary Policy Operations

The money market was relatively liquid during the week ending January 20, 2016 supported by OMO maturities and government payments. CBK liquidity management mopped KSh 8.0 billion in Term Auction Deposits (TAD), and injected KSh 9.7 billion to support the interbank market. Reserve money averaged KSh 376.7 billion during the week ending January 20, 2016 and was KSh 8.9 billion below target (**Table 1**).

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

	14-Jan-16	15-Jan-16	18-Jan-16	19-Jan-16	20-Jan-16	Total
Liquidity Flows						
Total liquidity injection	20.4	4.1	27.1	3.9	7.8	63.4
Repos Maturities	9.5	0.0	0.0	0.0	0.0	9.5
Reverse Repo Purchases	0.0	0.0	4.0	0.0	5.7	9.7
Term Auction Deposit maturities	7.0	0.0	0.0	3.1	0.0	10.1
T/bills redemptions	0.0	0.0	21.1	0.0	0.0	21.1
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	0.7	0.0	0.0	0.7
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	3.9	4.1	1.3	0.9	2.1	12.4
Total liquidity reduction	11.7	2.7	29.2	4.1	11.1	58.8
T/bills (Primary issues)	0.0	0.0	21.9	0.0	0.0	21.9
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	0.0	0.0	0.0
Reverse Repos maturities	0.0	0.6	5.0	0.0	5.1	10.7
Term Auction Deposit	8.0	0.0	0.0	0.0	0.0	8.0
Transfer from Banks -Taxes	2.7	2.0	2.2	4.0	6.0	16.9
Net liquidity injection (+)/Withdrawal (-)	8.7	1.5	-2.1	-0.1	-3.2	4.7
Open Market Operations Outcome						
Posted Amount	8.0	0.0	5.0	0.0	4.0	17.0
Realised Amount	8.0	0.0	4.0	0.0	5.7	17.7
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	4.0	0.0	5.7	9.7
Reserve Money Position						
Reserve money (actual)	378.7	380.5	376.2	375.8	372.2	376.7
Reserve money target	388.5	388.5	383.7	383.7	383.7	385.6
Deviation from target	-9.8	-8.0	-7.5	-7.9	-11.5	-8.9
Commercial banks excess reserves Exc(+)/ Short(-)	16.6	16.5	12.6	12.4	10.7	13.8
Cash outside bank Exc(+)/ Short(-)	-26.4	-24.5	-20.1	-20.3	-22.2	-22.7

Source: Central Bank of Kenya

Activity in the Interbank Rates

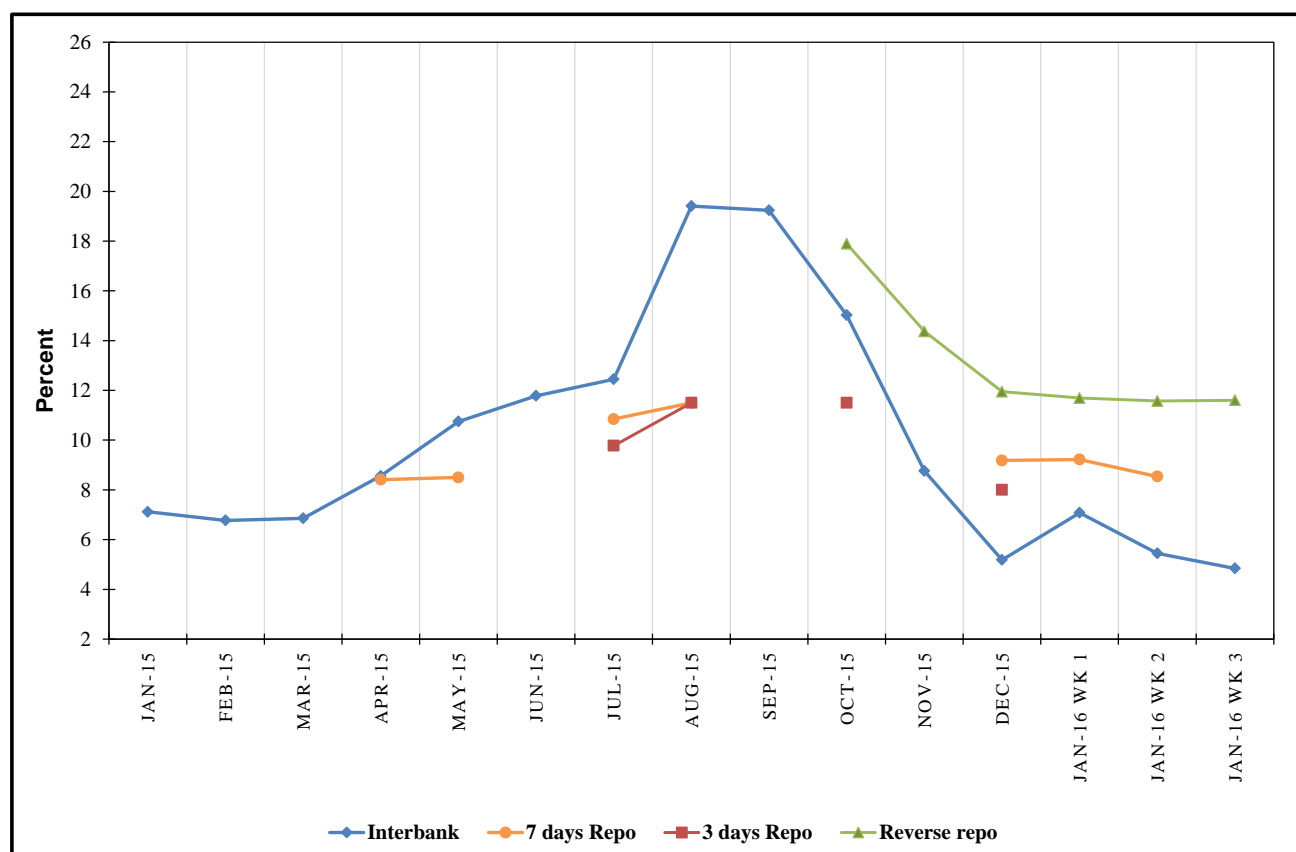
The average interbank rate declined to 4.84 percent in the week ending January 20, 2016 from 5.45 percent in the previous week. The volumes transacted increased to KSh 13.2 billion from KSh 10.8 billion traded in the previous week, with the average number of deals rising to 37 from 30 deals. Reverse repo purchases traded at a marginally higher average rate of 11.60 percent compared to 11.57 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 (%)
7-Jan-16	24	12,205	5.66	
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	11.57
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
January 14, 2016 - January 20, 2016	37	13,201	4.84	11.60

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES

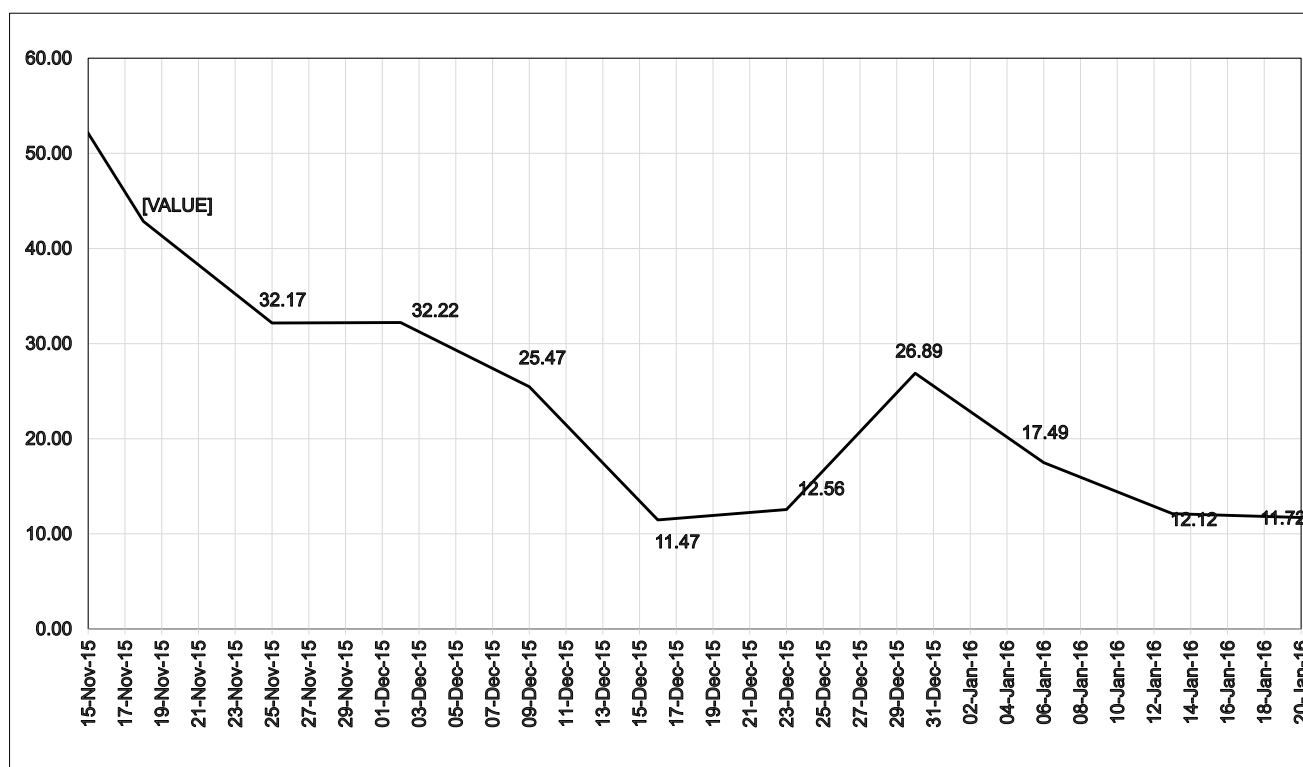


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' daily free reserves based on the cash reserve requirement of 5.25 percent averaged KSh 11.72 billion in the week ending January 20, 2016 compared to KSh 12.12 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. The Shilling strengthened by 1.5 percent against the sterling pound and weakened by 0.08 percent against the USD, 0.45 percent against the Euro and 0.52 percent against the Japanese Yen. In the EAC region the Kenya Shilling strengthened against the Uganda shilling and the Rwanda Franc and weakened against the Tanzania shilling and the Burundi Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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
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
15th-21st Jan 2016	102.37	145.98	111.59	87.24	33.97	21.29	7.37	15.19

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Markets

Nairobi Securities Exchange recorded a subdued performance in the equities and bond market segment with the exception of the number of deals executed in the week ending January 21, 2016.

Equities Market

The average share prices declined with the NASI, NSE 25 and NSE 20 Share Indices down by 3.35 percent, 3.17 percent and 1.98 percent, respectively. Consequently, shareholders' wealth measured by market capitalisation closed the week 3.36 percent lower. Equity turnover closed 19.38 percent lower during the week to 21st January 2016 on account of 0.16 percent decrease in the volume of shares traded and decline in average share prices (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	10-Dec-15	17-Dec-15	23-Dec-15	30-Dec-15	7-Jan-16	14-Jan-16	21-Jan-16	Wkly Change
NASI 100= 2008	144.28	145.31	142.85	144.37	146.74	141.77	137.02	-3.35%
NSE 25 Share Index	4,165.16	4,160.69	4,112.59	3,992.57	4,210.28	4,039.74	3,911.82	-3.17%
NSE 20 Share Index 100= 1996	3,986.28	4,005.22	3,918.75	4,137.14	4,003.11	3,835.78	3,759.94	-1.98%
Number of Deals	5,584.00	6,113.00	4,413.00	3,410.00	4,763.00	6,610.00	7,268.00	9.95%
Total Shares Traded	110.87	163.37	97.46	59.36	47.54	112.89	112.71	-0.16%
Equity Turnover (Ksh. Millions)	3,564.24	4,935.64	3,242.83	1,932.63	1,346.20	3,944.27	3,179.85	-19.38%
Market Capitalization (Ksh. Bn.)	2,029.64	2,044.15	2,009.46	2,030.91	2,064.26	1,994.16	1,927.15	-3.36%
Bonds Turnover (Ksh. Millions)	8,344.75	4,842.92	308.40	247.50	249.29	7,590.80	4,761.10	-37.28%
FTSE NSE Kenya 15 Index	184.99	183.41	182.17	182.55	187.38	180.21	171.40	-4.89%
FTSE NSE Kenya 25 Index	184.45	183.02	180.93	182.11	186.93	180.67	172.15	-4.72%
FTSE NSE Bond Index	90.53	90.39	90.04	90.04	90.04	89.58	89.51	-0.08%

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

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 at 4.89 percent and 4.72 percent, respectively. Likewise, the FTSE Government Bond Index declined slightly by 0.08 percent over the week ending 21st January 2016, reflecting a slight increase in the secondary market yields.

Telecommunication & Technology, Banking and Energy & Petroleum sectors showed the highest levels of activity at 33.79 percent, 27.11 percent and 11.54 percent of the total shares traded, respectively. The Automobile and Accessories sector was the least active with 45,000 shares traded over the week.

The Bond Market

Total bonds traded declined by 37.28 percent in the week ending January 21, 2016 to close at KSh 4,761.10 million. Likewise, the number of deals traded decreased to 31 from 53 in the previous week. This can attributed to normalization in the secondary market following the reopening of the FXD1/2015/2 and FXD 1/2013/10 in the previous week.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills						
Date of Auction	29-Oct-15	26-Nov-15	31-Dec-15	7-Jan-16	14-Jan-16	21-Jan-16
Amount offered (Ksh M)	4,000.0	6,000.0	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
Amount Accepted (Ksh M)	6,905.7	3,992.6	1,340.5	2,779.9	4,699.8	2,662.0
Maturities (Ksh M)	892.5	3,298.5	8,120.7	13,282.3	13,675.1	13,025.1
Average interest Rate (%) - 91 Days	19.5	9.2	10.8	11.4	11.4	11.8
182-Day Treasury Bills						
Date of Auction	28-Oct-15	25-Nov-15	30-Dec-15	6-Jan-16	13-Jan-16	20-Jan-16
Amount offered (Ksh M)	4,000.0	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
Amount Accepted (Ksh M)	5,601.3	473.9	2,410.2	2,540.5	13,025.9	9,191.9
Maturities (Ksh M)	666.5	390.2	1,235.5	790.6	2,225.3	637.2
Average interest Rate (%) - 182 days	21.0	10.1	12.8	13.2	13.7	14.2
364-Day Treasury Bills						
Date of Auction	28-Oct-15	25-Nov-15	30-Dec-15	6-Jan-16	13-Jan-16	20-Jan-16
Amount offered (Ksh M)	4,000.0	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
Amount Accepted (Ksh M)	7,071.6	1,157.9	3,182.1	3,137.2	4,204.5	3,427.8
Maturities (Ksh M)	7,147.4	2,555.4	2,984.2	4,932.1	5,225.3	2,275.5
Average interest Rate (%) - 364 days	21.2	11.9	13.3	13.8	14.3	14.9
Treasury Bonds						
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	

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

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
1. Treasury Bills (Excluding Repos)	289.97	272.93	321.69	378.05	390.75	385.99	376.11
(As % of total securities)	21.77	20.76	23.16	26.43	26.71	26.44	25.94
2. Treasury Bonds	1041.80	1041.80	1067.42	1052.45	1072.32	1073.80	1073.80
(As % of total securities)	78.23	79.24	76.84	73.57	73.29	73.56	74.06
3. Total Securities (1+2)	1,331.76	1,314.73	1,389.11	1,430.49	1,463.07	1,459.79	1,449.91
4. Overdraft at Central Bank	36.76	43.29	36.87	26.57	39.85	45.23	31.09
5. Other Domestic debt*	29.85	28.80	28.54	28.23	28.28	28.21	33.06
6. Gross Domestic Debt (3+4+5)	1,398.37	1,386.82	1,454.53	1,485.30	1,531.20	1,533.23	1,514.06

* 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	8-Jan-16	15-Jan-16
Treasury bills (Excluding Repos)	20.7	19.7	22.1	25.5	25.5	25.2	24.8
Treasury bonds	74.5	75.1	73.4	70.9	70.0	70.0	70.9
CBK Overdraft to Govt	2.6	3.1	2.5	1.8	2.6	3.0	2.1
Other domestic debt	2.1	2.1	2.0	1.9	1.8	1.8	2.2
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

	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	31-Dec-15	8-Jan-16	15-Jan-16
Banking Institutions	57.3	56.5	55.5	55.4	55.4	55.5	55.1
Insurance Companies	8.8	8.7	8.8	8.4	8.4	8.4	8.5
Parastatals	4.3	4.7	4.7	4.9	4.6	4.6	4.7
Pension funds	25.2	25.3	25.2	25.4	25.4	25.3	25.5
Other investors	4.3	4.8	5.9	6.0	6.1	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)

	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	21-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	6,986
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	4.45

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya