



JANUARY 8, 2016

Highlights

The money market remained relatively liquid during the week ending January 6, 2016. The average interbank rate increased to 7.08 percent in the week ending January 6, 2016 from 6.75 percent in the previous week, reflecting a modest net liquidity outflow largely on account of repo transactions.

The capital markets recorded mixed performance in both equities and bonds market segments in the week January 7, 2016.

Monetary Policy Operations

The money market remained relatively liquid during the week ending January 6, 2016. The inflows were however more than offset by withdrawals through Open Market Operations (OMO), tax remittances by commercial banks and reverse repo maturities. CBK liquidity management operations mopped KSh 35.0 billion in Repo sales and Term Auction Deposits (TAD), against KSh 11.4 billion injection. Reserve money averaged KSh 388.8 billion during the week ending January 6, 2016 and was KSh 5.6 billion below target (**Table 1**).

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

	31-Dec-15	4-Jan-16	5-Jan-16	6-Jan-16	Total
Liquidity Flows					
Total liquidity injection	4.2	31.2	16.0	6.2	57.6
Repos Maturities	0.0	5.0	14.8	0.0	19.8
Reverse Repo Purchases	0.0	6.7	0.0	4.7	11.4
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	12.3	0.0	0.0	12.3
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	0.0	0.0	0.0
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0
Govt payments	4.2	7.1	1.2	1.5	14.1
Total liquidity reduction	16.1	21.2	25.6	7.4	70.3
T/bills (Primary issues)	0.0	6.9	0.0	0.0	6.9
Tbonds Sales	0.0	0.0	0.0	0.0	0.0
T/bills/Tbonds (OMO Tap Sales)	0.0	1.5	0.0	0.0	1.5
Repos	6.5	0.0	7.9	0.0	14.4
Reverse Repos maturities	0.0	6.5	0.0	5.1	11.6
Term Auction Deposit	8.5	0.0	12.2	0.0	20.7
Transfer from Banks -Taxes	1.1	5.6	3.7	2.2	12.6
Net liquidity injection (+)/Withdrawal (-)	-11.9	9.9	-9.6	-1.1	-12.7
Open Market Operations Outcome					
Posted Amount	15.0	6.5	20.0	5.0	46.5
Realised Amount	15.0	6.7	20.0	4.7	46.4
Repo (-)	6.5	0.0	7.9	0.0	14.4
Term Auction Deposits (-)	8.5	0.0	12.2	0.0	20.7
Reverse Repo (+)	0.0	6.7	0.0	4.7	11.4
Reserve Money Position					
Reserve money (actual)	388.1	396.1	386.0	385.0	388.8
Reserve money target	398.0	393.2	393.2	393.2	394.4
Deviation from target	-10.0	2.9	-7.2	-8.2	-5.6
Commercial banks excess reserves Exc(+)/ Short(-)	-31.2	-23.1	-25.0	-25.9	-26.3
Cash outside bank Exc(+)/ Short(-)	21.2	26.0	17.8	17.7	20.7

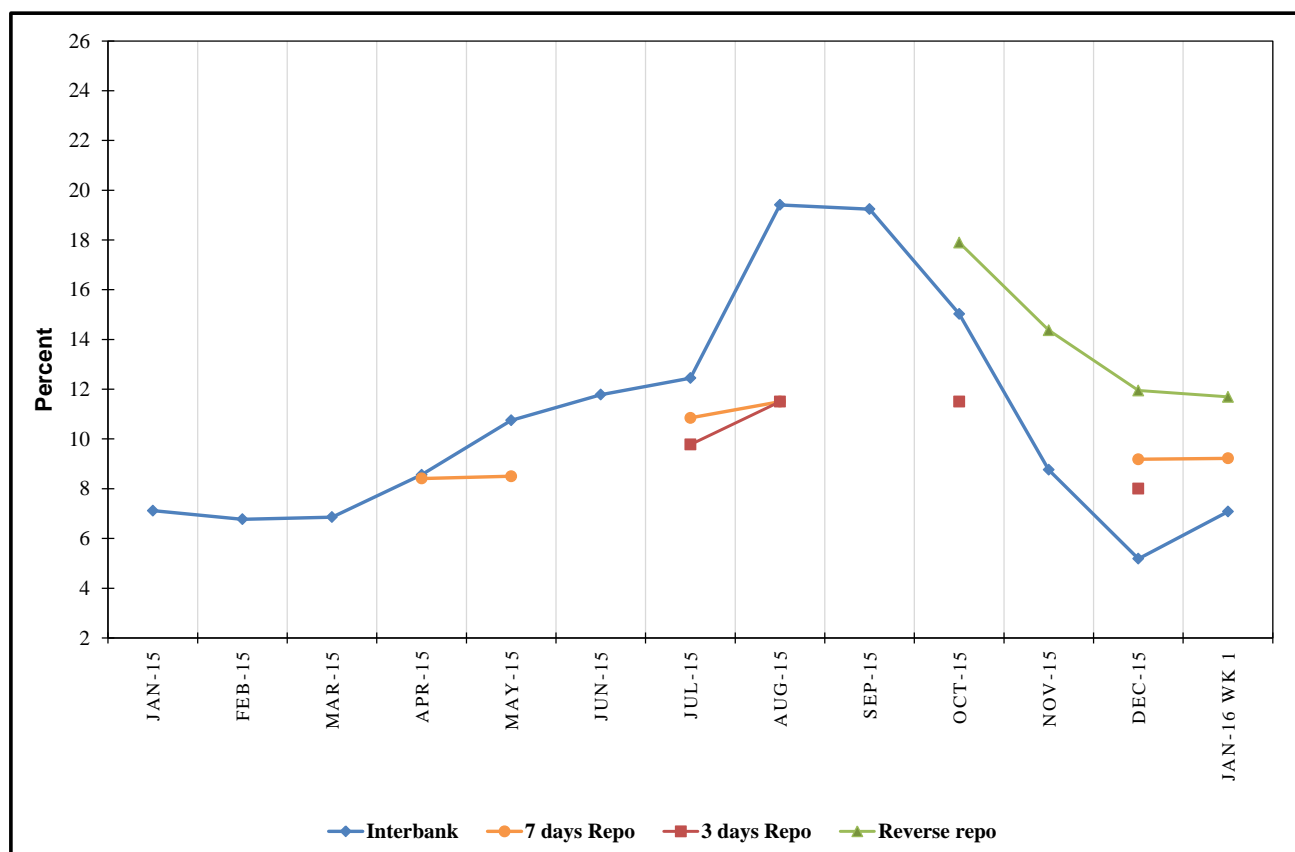
Activity in the Interbank Rates

The average interbank rate increased to 7.08 percent in the week ending January 6, 2016 from 6.75 percent in the previous week. The volumes transacted in the interbank money market declined to KSh 11.80 billion from KSh 18.52 billion traded in the previous week, with the number of deals decreasing to 35 deals from 42 deals. The 7-day average repo rate increased marginally to 9.22 percent in the week ending January 6, 2016 from 9.18 percent recorded in the previous week, while reverse repo purchases traded at a lower average rate of 11.69 percent compared to 11.86 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 (%)	7 days Average Repo Rate (%)	Reverse Repo Rate (%)
24-Dec-15	48	26,294	6.45		
28-Dec-15	40	13,229	7.65		11.83
29-Dec-15	39	16,960	6.73	9.18	
30-Dec-15	39	17,585	6.17		11.90
December 24, 2015-December 30, 2015	42	18,517	6.75	9.18	11.86
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

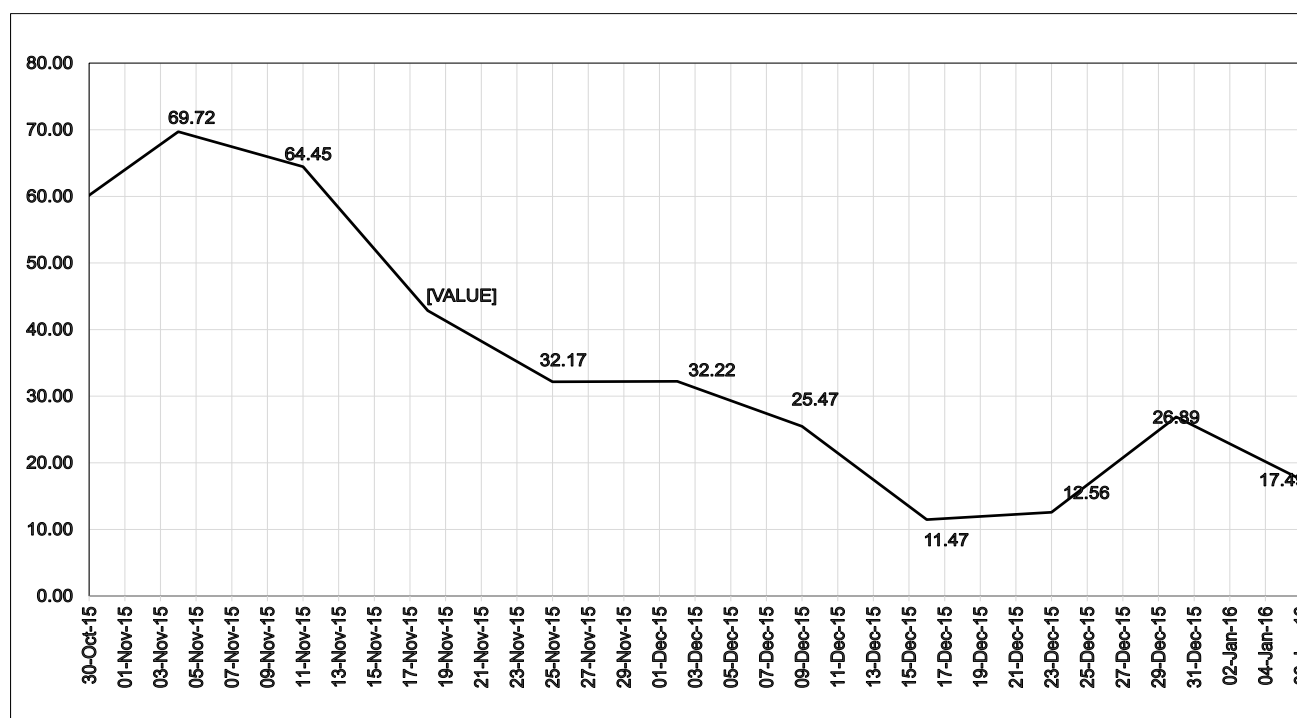
CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES



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 12.56 billion in the week ending December 23, 2015 compared to KSh 11.47 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 results against international and EAC currencies during the week ending January 7, 2016. It strengthened by 1.0 percent and 1.2 percent against the Pound Sterling and the Euro, respectively. It weakened by 0.8 percent against the Japanese Yen and stabilised against the US Dollar. In the EAC region, it strengthened against the Uganda Shilling and Tanzania Shillings and the Burundi franc but weakened against the Rwanda Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
28-Dec-15	102.30	152.27	112.08	84.99	32.90	20.92	7.30	15.21
29-Dec-15	102.26	152.41	112.21	84.98	33.01	20.98	7.33	15.04
30-Dec-15	102.23	151.68	111.73	84.96	33.11	21.08	7.32	15.28
31-Dec-15	102.31	151.80	111.78	84.97	32.99	21.11	7.31	15.02
28-31 December 2015	102.27	152.04	111.95	84.98	33.00	21.02	7.31	15.14
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

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Nairobi Securities Exchange

The Capital markets recorded mixed performance in the equities and bond market segments.

Equities Market

The overall market performance measured by NASI increased marginally by 1.64 percent reflecting partially offsetting trends in the NSE 20 share Index and the NSE 25 share Index. Shareholders' wealth, measured by market capitalisation, rose by KSh 33.35 billion, or 1.64 percent. The number of shares traded fell by 19.91 percent and equity turnover was down 30.34 percent as a result of the decline in share supply (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	26-Nov-15	3-Dec-15	10-Dec-15	17-Dec-15	23-Dec-15	30-Dec-15	7-Jan-16	Wkly Change
NASI 100= 2008	145.65	143.26	144.28	145.31	142.85	144.37	146.74	1.64%
NSE 25 Share Index	4,215.71	4,170.74	4,165.16	4,160.69	4,112.59	3,992.57	4,210.28	5.45%
NSE 20 Share Index 100= 1996	4,044.72	3,994.49	3,986.28	4,005.22	3,918.75	4,137.14	4,003.11	-3.24%
Number of Deals	5,226.00	6,032.00	5,584.00	6,113.00	4,413.00	3,410.00	4,763.00	39.68%
Total Shares Traded	76.60	79.66	110.87	163.37	97.46	59.36	47.54	-19.91%
Equity Turnover (Ksh. Millions)	2,440.75	2,427.53	3,564.24	4,935.64	3,242.83	1,932.63	1,346.20	-30.34%
Market Capitalization (Ksh. Bn.)	2,048.83	2,015.12	2,029.64	2,044.15	2,009.46	2,030.91	2,064.26	1.64%
Bonds Turnover (Ksh. Millions)	1,978.40	9,614.45	8,344.75	4,842.92	308.40	247.50	249.29	0.72%
FTSE NSE Kenya 15 Index	187.51	184.64	184.99	183.41	182.17	182.55	187.38	2.65%
FTSE NSE Kenya 25 Index	186.94	183.87	184.45	183.02	180.93	182.11	186.93	2.65%
FTSE NSE Bond Index	90.87	90.77	90.53	90.39	90.04	90.04	90.04	0.00%

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, both increased by 2.65 percent during the week while the FTSE Government Bond Index was unchanged.

Telecommunication and Technology sector dominated trading with 38.2 percent of all shares traded, followed by Banking and Manufacturing and Allied sectors at 33.5 percent and 6.1 percent respectively. The Agricultural sector was least active with 9,900 shares traded.

The Bond Market

Total bonds traded rose marginally 0.72 percent in the week ending January 7, 2016 to close at KSh 249.29 million, with number of deals at 7 from 20 in the previous week.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills									
Date of Auction	12-Nov-15	19-Nov-15	26-Nov-15	3-Dec-15	10-Dec-15	17-Dec-15	24-Dec-15	31-Dec-15	7-Jan-16
Amount offered (Ksh M)	4,000.0	6,000.0	6,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	22,848.5	4,686.5	4,478.9	6,973.4	6,301.7	12,823.2	5,892.6	2,089.5	7,620.2
Amount Accepted (Ksh M)	8,369.8	4,666.4	3,992.6	5,251.5	4,549.4	8,936.7	3,945.1	1,340.5	2,779.9
Maturities (Ksh M)	1,749.1	1,868.1	3,298.5	1,363.8	7,765.1	3,167.9	5,107.5	8,120.7	13,282.3
Average interest Rate (%) - 91 Days	9.7	9.6	9.2	9.2	9.7	9.9	10.4	10.8	11.4
182-Day Treasury Bills									
Date of Auction	11-Nov-15	18-Nov-15	25-Nov-15	2-Dec-15	9-Dec-15	16-Dec-15	23-Dec-15	30-Dec-15	6-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	6,000.0	6,000.0
Bids received (Ksh M)	22,770.3	9,303.1	473.9	3,054.4	5,728.0	4,019.1	5,477.5	3,390.4	2,915.4
Amount Accepted (Ksh M)	8,620.4	7,445.8	473.9	2,049.8	5,727.2	3,358.6	4,983.4	2,410.2	2,540.5
Maturities (Ksh M)	1,333.2	279.9	390.2	209.2	434.5	255.9	2,657.1	1,235.5	790.6
Average interest Rate (%) - 182 days	12.3	10.2	10.1	10.6	11.1	11.7	12.3	12.8	13.2
364-Day Treasury Bills									
Date of Auction	11-Nov-15	18-Nov-15	25-Nov-15	2-Dec-15	9-Dec-15	16-Dec-15	23-Dec-15	30-Dec-15	6-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	6,000.0	6,000.0
Bids received (Ksh M)	23,189.2	4,640.1	1,157.9	3,185.8	4,375.5	2,677.7	1,743.2	4,632.9	3,906.7
Amount Accepted (Ksh M)	7,920.5	7,920.5	1,157.9	3,098.4	2,723.2	730.6	1,336.6	3,182.1	3,137.2
Maturities (Ksh M)	6,104.5	6,104.5	2,555.4	4,202.2	4,828.8	4,401.5	1,515.0	2,984.2	4,932.1
Average interest Rate (%) - 364 days	13.6	12.1	11.9	12.2	12.6	12.5	12.7	13.3	13.8
Treasury Bonds									
Date of Auction									
Tenor			5 Year FXD	9 Year IFB	9 Year IFB (Tap Sale)				
Amount offered (Ksh M)			20,000.0	30,000.0	16,000.0				
Bids received (Ksh M)			32,997.9	16,575.4	4,717.2				
Amount Accepted (Ksh M)			30,700.4	13,964.7	3,974.0				
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	04-Dec-15	11-Dec-15	18-Dec-15	24-Dec-15	31-Dec-15
1. Treasury Bills (Excluding Repos)	298.86	289.97	272.93	321.69	378.05	377.65	382.84	383.57	389.25	390.75
(As % of total securities)	22.19	21.77	20.76	23.16	26.43	26.02	26.28	26.02	26.68	26.71
2. Treasury Bonds	1048.17	1041.80	1041.80	1067.42	1052.45	1073.93	1073.93	1090.48	1069.94	1072.32
(As % of total securities)	77.81	78.23	79.24	76.84	73.57	73.98	73.72	73.98	73.32	73.29
3. Total Securities (1+2)	1,347.03	1,331.76	1,314.73	1,389.11	1,430.49	1,451.57	1,456.77	1,474.04	1,459.19	1,463.07
4. Overdraft at Central Bank	41.68	36.76	43.29	36.87	26.57	36.50	36.50	22.77	39.85	39.85
5. Other Domestic debt*	29.27	29.85	28.80	28.54	28.23	28.25	28.26	28.24	28.22	28.28
6. Gross Domestic Debt (3+4+5)	1,417.99	1,398.37	1,386.82	1,454.53	1,485.30	1,516.32	1,521.52	1,525.06	1,527.27	1,531.20

* 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-Jul-15	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	04-Dec-15	11-Dec-15	18-Dec-15	24-Dec-15	31-Dec-15
1. Treasury Bills (Excluding Repos)	298.86	289.97	272.93	321.69	378.05	377.65	382.84	383.57	389.25	390.75
(As % of total securities)	22.19	21.77	20.76	23.16	26.43	26.02	26.28	26.02	26.68	26.71
2. Treasury Bonds	1048.17	1041.80	1041.80	1067.42	1052.45	1073.93	1073.93	1090.48	1069.94	1072.32
(As % of total securities)	77.81	78.23	79.24	76.84	73.57	73.98	73.72	73.98	73.32	73.29
3. Total Securities (1+2)	1,347.03	1,331.76	1,314.73	1,389.11	1,430.49	1,451.57	1,456.77	1,474.04	1,459.19	1,463.07
4. Overdraft at Central Bank	41.68	36.76	43.29	36.87	26.57	36.50	36.50	22.77	39.85	39.85
5. Other Domestic debt*	29.27	29.85	28.80	28.54	28.23	28.25	28.26	28.24	28.22	28.28
6. Gross Domestic Debt (3+4+5)	1,417.99	1,398.37	1,386.82	1,454.53	1,485.30	1,516.32	1,521.52	1,525.06	1,527.27	1,531.20

* 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 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	28-Aug-15	25-Sep-15	30-Oct-15	27-Nov-15	4-Dec-15	11-Dec-15	18-Dec-15	25-Dec-15	31-Dec-15
Banking Institutions	57.3	56.5	55.5	55.4	55.8	55.7	55.3	55.3	55.4
Insurance Companies	8.8	8.7	8.8	8.4	8.4	8.4	8.4	8.4	8.4
Parastatals	4.3	4.7	4.7	4.9	4.7	4.7	4.7	4.7	4.6
Pension funds	25.2	25.3	25.2	25.4	25.2	25.2	25.5	25.4	25.4
Other investors	4.3	4.8	5.9	6.0	5.9	6.0	6.1	6.2	6.1
Total	100.0	100.0	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
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
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

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya