



**JUNE 10, 2016**

### **Highlights**

*The money market was relatively liquid in the week ending June 8, 2016. The average interbank rate declined to 2.31 percent in the week ending June 8, 2016 from 3.18 percent in the previous week.*

*Overall Capital market performance recorded gains in the week ending June 9, 2016.*

### **Monetary Policy Operations**

The money market was relatively liquid in the week ending June 8, 2016.. Central Bank continued to support liquidity distribution in the interbank market through reverse repos (**Table 1**).

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

	2-Jun-16	3-Jun-16	6-Jun-16	7-Jun-16	8-Jun-16	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>8.8</b>	<b>6.9</b>	<b>15.0</b>	<b>9.6</b>	<b>10.3</b>	<b>50.6</b>
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	0.0	0.3	3.9	2.3	6.6
Term Auction Deposit maturities	0.0	0.0	0.0	2.0	0.0	2.0
T/bills redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	7.6	0.0	0.0	7.6
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	8.8	6.9	7.0	3.7	8.0	34.4
<b>Total liquidity reduction</b>	<b>11.8</b>	<b>3.0</b>	<b>19.2</b>	<b>12.6</b>	<b>4.5</b>	<b>51.1</b>
T/bills (Primary issues)	0.0	0.0	17.8	0.0	0.0	17.8
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	0.0	0.0	9.7	1.0	10.8
Term Auction Deposit	8.0	0.0	0.0	0.0	0.0	8.0
Transfer from Banks -Taxes	3.7	2.9	1.4	2.9	3.5	14.4
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>-3.0</b>	<b>4.0</b>	<b>-4.2</b>	<b>-3.0</b>	<b>5.8</b>	<b>-0.5</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount - Mop up</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Realised Amount - Mop up</b>	<b>8.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>8.0</b>
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
<b>Reverse Repo (+)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.3</b>	<b>3.9</b>	<b>2.3</b>	<b>6.6</b>
<b>Reserve Money Position</b>						
Reserve money (actual)	387.1	388.0	381.6	378.2	383.7	

Source: Central Bank of Kenya

### Activity in the Interbank Market

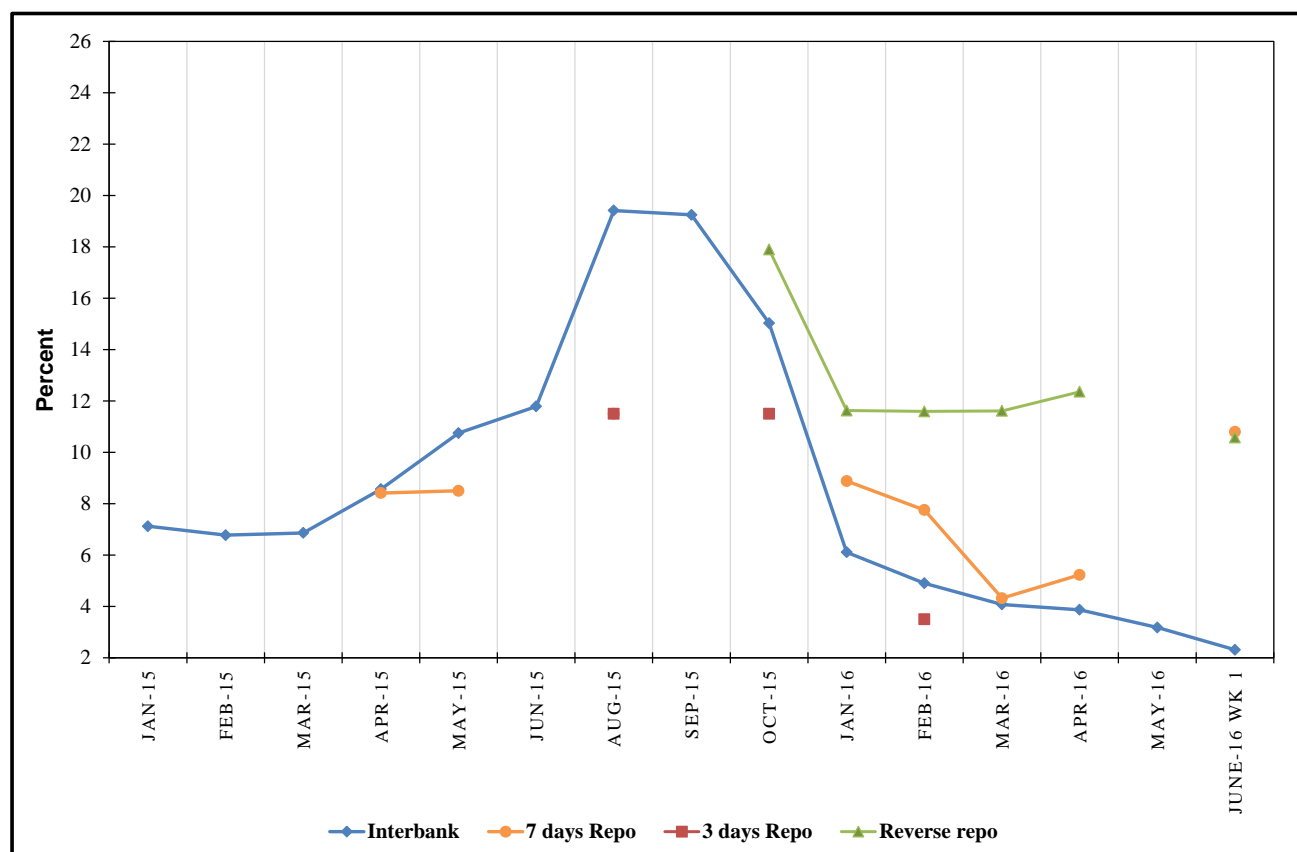
The average interbank rate decreased further to 2.31 percent in the week ending June 8, 2016 from 3.18 percent recorded the previous week. The interbank market traded with more large volumes at low interest rates (Table 2 and Chart A).

**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 (%)
26-May-16	13	8,900	3.42		
27-May-16	12	8,030	3.07		
30-May-16	12	8,700	3.16		10.61
31-May-16	19	13,450	3.06		
<b>May 26, 2016 - May 31, 2016</b>	<b>14</b>	<b>9,770</b>	<b>3.18</b>		<b>10.61</b>
2-Jun-16	13	11,480	2.45		
3-Jun-16	15	11,970	2.31		
6-Jun-16	23	18,960	2.30	10.79	
7-Jun-16	20	16,900	2.28		10.54
8-Jun-16	22	19,680	2.21		10.60
<b>June 2, 2016 - June 8, 2016</b>	<b>19</b>	<b>15,798</b>	<b>2.31</b>	<b>10.79</b>	<b>10.57</b>

Source: Central Bank of Kenya

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

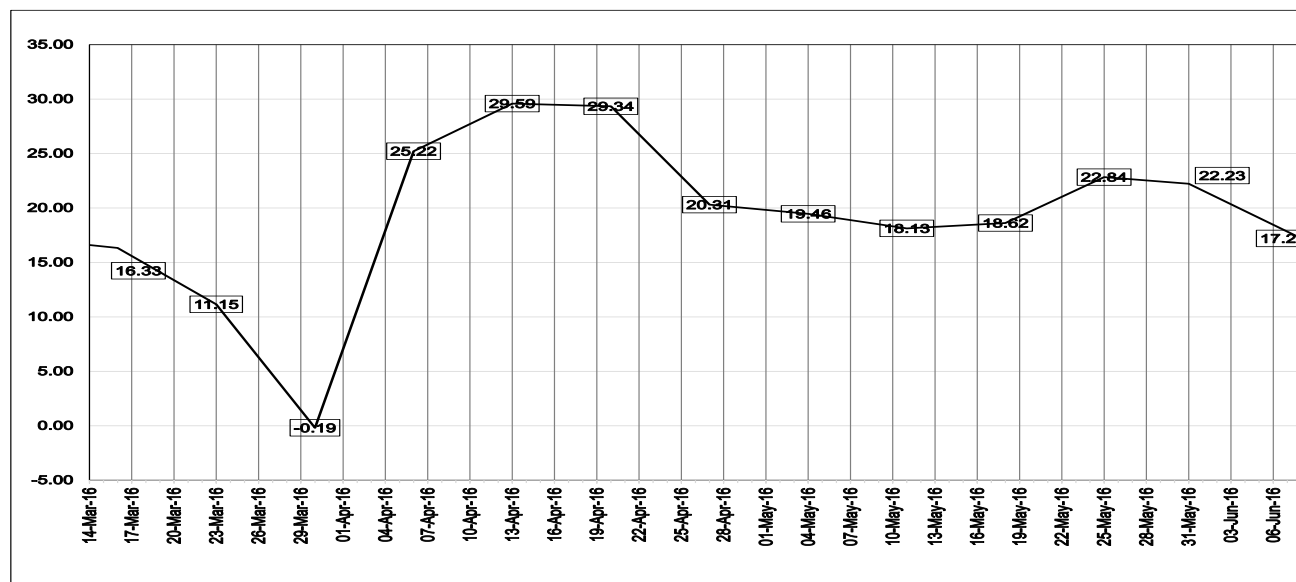


Source: Central Bank of Kenya

## Commercial Banks Clearing Account Balances

Commercial banks' clearing account balances declined to KSh 17.20 billion in the week ending June 8, 2016 from KSh 22.23 billion recorded in the previous week on account of reverse repo maturities (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 displayed mixed performance against major international and EAC currencies during the week ending June 9, 2016. It strengthened against the Pound Sterling but weakened against the US Dollar, the Euro and the Japanese Yen. In the EAC region, the Kenya Shilling strengthened against the Rwanda Franc but weakened against the Uganda and Tanzania Shillings as well as the Burundi Franc.

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
27-May-16	100.66	147.96	112.80	91.77	33.45	21.77	7.42	15.53
30-May-16	100.66	147.36	112.23	91.66	33.43	21.75	7.42	15.45
31-May-16	100.83	147.40	112.37	90.71	33.35	21.73	7.40	15.57
2-Jun-16	100.84	147.39	112.58	90.91	33.32	21.72	7.41	15.47
<b>27 May - 2 June 2016</b>	<b>100.75</b>	<b>147.53</b>	<b>112.49</b>	<b>91.26</b>	<b>33.39</b>	<b>21.74</b>	<b>7.41</b>	<b>15.51</b>
3-Jun-16	100.90	145.62	112.60	92.82	33.38	21.71	7.75	15.55
6-Jun-16	101.00	146.81	114.41	94.51	33.32	21.69	7.39	15.41
7-Jun-16	101.11	146.80	114.88	94.23	33.13	21.67	7.93	15.53
8-Jun-16	101.13	147.11	114.79	94.15	33.18	21.68	7.56	15.48
9-Jun-16	101.09	146.63	115.24	94.68	33.02	21.68	7.93	15.30
<b>3 - 9 June 2016</b>	<b>101.05</b>	<b>146.60</b>	<b>114.38</b>	<b>94.08</b>	<b>33.21</b>	<b>21.69</b>	<b>7.71</b>	<b>15.45</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

## The Capital Markets

The overall capital market performance recorded improved performance.

### Equities Market

All equities price indices - NASI, NSE 20 Share Index and NSE 25 Share Index recorded gains in the week ending June 9, 2016. Consequently, market capitalization, which measures shareholder wealth, closed 2.29 percent higher. Equities' turnover was up 55.79 percent on account of higher share prices and a 121.15 percent increase in volume of shares traded (**Table 4**).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	21-Apr-16	28-Apr-16	05-May-16	12-May-16	19-May-16	26-May-16	02-Jun-16	09-Jun-16	Weekly Change (%)
NASI 100= 2008	147.41	146.56	145.63	146.44	146.33	145.78	143.51	146.69	2.22
NSE 25 Share Index	4,215.12	4,239.83	4,213.37	4,216.05	4,205.87	4,183.88	4,103.51	4,139.56	0.88
NSE 20 Share Index 100= 1996	3,968.75	3,990.20	3,977.85	3,923.42	3,880.81	3,871.74	3,799.57	3,818.19	0.49
Number of Deals	5,994.00	5,851.00	4,233.00	5,517.00	6,030.00	5,824.00	4,487.00	6,338.00	41.25
Total Shares Traded (Millions)	122.34	101.93	111.63	94.68	76.36	90.63	67.25	148.72	121.15
Equity Turnover (Ksh. Millions)	3,220.17	2,199.68	1,616.53	2,558.26	2,112.95	2,624.64	2,034.07	3,168.84	55.79
Market Capitalization (Ksh. Bn.)	2,077.84	2,065.77	2,052.68	2,064.15	2,062.61	2,054.84	2,023.44	2,069.77	2.29
I-REIT Turnover in (Ksh.Millions)	4.57	2.70	2.04	1.25	2.14	1.63	0.95	2.41	153.00
I-REIT in Units - Total Deals	61.00	39.00	39.00	26.00	46.00	29.00	33.00	38.00	15.15
Bonds Turnover (Ksh. Millions)	5,806.50	10,719.64	7,205.26	9,902.80	5,836.68	23,288.34	13,729.81	19,062.33	38.84
FTSE NSE Kenya 15 Index	183.27	187.39	187.17	186.67	185.86	185.30	183.25	184.19	0.51
FTSE NSE Kenya 25 Index	183.74	187.31	187.27	187.15	186.30	185.49	183.68	185.40	0.94
FTSE NSE Bond Index	88.61	87.13	86.98	87.71	88.4	88.69	88.73	88.52	-0.24

Source: Nairobi Securities Exchange

### FTSE NSE Kenya Index Series, REITS and Most Active Sectors

FTSE NSE Kenya 15 Index and FTSE NSE Kenya 25 Index, which measure performance of 15 largest companies by market capitalization and 25 most liquid stocks at the NSE closed the week 0.51 percent and 0.94 percent higher, respectively. The real estate market segment also recorded improved activity, with the Real Estate Investment Trusts (REITS) turnover up by 153.0 percent.

The Telecommunication & Technology and Banking, Energy & Petroleum sectors dominated trading, accounting for 42.88 percent, 27.28 percent and 15.3 percent of the total shares traded, respectively.

### The Bond Market

The value of bonds traded increased by 38.8 percent to KSh.19, 062.33 million in the week ending June 9, 2016. The number of deals rose from 135 to 155 in the week ending June 9, 2016. The FTSE Government Bond Index decreased by 0.24 percent reflecting marginal decline in secondary market yields.

**TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES**

<b>91-Day Treasury Bills</b>						
Date of Auction	31-Mar-16	28-Apr-16	19-May-16	26-May-16	02-Jun-16	09-Jun-16
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	1,160.2	16,656.1	7,287.6	10,212.9	5,227.8	6,669.2
Amount Accepted (Ksh M)	1,160.2	12,402.4	4,798.0	7,284.2	4,825.7	4,666.3
Maturities (Ksh M)	1,358.0	8,365.5	4,651.4	8,569.5	5,193.0	9,324.6
Average interest Rate (%) - 91 Days	9.0	8.5	8.0	7.7	7.5	7.3
<b>182-Day Treasury Bills</b>						
Date of Auction	30-Mar-16	27-Apr-16	18-May-16	25-May-16	01-Jun-16	08-Jun-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	2,547.2	16,280.5	8,473.1	10,543.1	9,190.5	9,971.9
Amount Accepted (Ksh M)	1,951.1	9,052.6	6,096.1	5,402.0	7,010.8	6,478.9
Maturities (Ksh M)	2,856.4	6,185.7	7,821.1	478.6	2,156.7	6,043.1
Average interest Rate (%) - 182 days	10.7	10.5	10.1	10.0	9.8	9.6
<b>364-Day Treasury Bills</b>						
Date of Auction	30-Mar-16	27-Apr-16	18-May-16	25-May-16	01-Jun-16	08-Jun-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	4,365.8	10,180.4	7,462.3	16,092.7	9,037.0	12,622.5
Amount Accepted (Ksh M)	4,365.8	8,004.7	5,999.5	9,168.5	5,913.9	6,745.8
Maturities (Ksh M)	6,451.1	1,379.2	404.0	1,092.0	298.6	1,057.5
Average interest Rate (%) - 364 days	11.9	11.7	11.6	11.3	11.0	10.8
<b>Treasury Bonds</b>						
Date of Auction			18-May-16			
Tenor			IFB 1/2016/9			
Amount offered (Ksh M)			30,000.0			
Bids received (Ksh M)			80,393.8			
Amount Accepted (Ksh M)			39,360.8			
Maturities (Ksh M)			20,130.2			
Average interest Rate (%)			13.3			

Source: Central Bank of Kenya

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

	26-Feb-16	25-Mar-16	29-Apr-16	13-May-16	20-May-16	27-May-16	03-Jun-16
1. Treasury Bills (Excluding Repos)	420.76	462.85	507.90	532.65	535.77	540.84	553.91
<b>(As % of total securities)</b>	<b>28.27</b>	<b>29.70</b>	<b>31.50</b>	<b>32.53</b>	<b>32.76</b>	<b>33.38</b>	<b>33.08</b>
2. Treasury Bonds	1,067.83	1,095.37	1,104.68	1,104.68	1,099.65	1,079.52	1,120.54
<b>(As % of total securities)</b>	<b>71.73</b>	<b>70.30</b>	<b>68.50</b>	<b>67.47</b>	<b>67.24</b>	<b>66.62</b>	<b>66.92</b>
<b>3. Total Securities (1+2)</b>	<b>1,488.59</b>	<b>1,558.23</b>	<b>1,612.58</b>	<b>1,637.32</b>	<b>1,635.42</b>	<b>1,620.35</b>	<b>1,674.45</b>
4. Overdraft at Central Bank	43.58	37.74	44.87	36.10	17.14	41.49	44.23
5. Other Domestic debt*	31.96	31.69	31.77	31.62	31.61	31.60	31.61
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,564.13</b>	<b>1,627.66</b>	<b>1,689.22</b>	<b>1,705.04</b>	<b>1,684.17</b>	<b>1,693.45</b>	<b>1,750.29</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**

	26-Feb-16	25-Mar-16	29-Apr-16	13-May-16	20-May-16	27-May-16	03-Jun-16
Treasury bills (Excluding Repos)	26.9	28.4	30.1	31.2	31.8	31.9	31.6
Treasury bonds	68.3	67.3	65.4	64.8	65.3	63.7	64.0
CBK Overdraft to Govt	2.8	2.3	2.7	2.1	1.0	2.5	2.5
Other domestic debt	2.0	1.9	1.9	1.9	1.9	1.9	1.8
<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>

Source: Central Bank of Kenya

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

	26-Feb-16	25-Mar-16	29-Apr-16	13-May-16	20-May-16	27-May-16	03-Jun-16
Banking Institutions	55.5	55.7	56.5	56.4	56.0	57.5	56.4
Insurance Companies	8.3	8.2	7.9	7.8	7.9	7.9	7.6
Parastatals	4.7	4.7	4.6	4.6	4.7	4.7	4.6
Pension funds	25.4	25.5	25.2	25.4	25.9	26.1	25.6
Other investors	6.1	5.9	5.8	5.7	5.6	3.8	5.8
<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>

Source: Central Bank of Kenya

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

	05-May-16	12-May-16	19-May-16	26-May-16	02-Jun-16	09-Jun-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,707	7,693	7,662	7,649	7,668	7,631
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.04	5.03	5.01	5.00	5.01	4.99

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya