



JUNE 16, 2016

Highlights

The money market was liquid in the week ending June 15, 2016 supported mainly by Government payments. The average interbank rate increased to 2.59 percent in the week ending June 16, 2016 from 2.31 percent in the previous week.

Monetary Policy Operations

The money market was liquid in the week ending June 15, 2016, supported mainly by Government payments. Central Bank rolled over part of the reverse repo maturities during the week to support needy banks. Reserve money stood at KSh 384.1 billion on June 15, 2016 (**Table 1**).

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

	9-Jun-16	10-Jun-16	13-Jun-16	14-Jun-16	15-Jun-16	Total
Liquidity Flows						
Total liquidity injection	12.6	4.8	27.3	10.2	7.6	62.5
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	8.8	0.3	0.4	0.4	0.5	10.4
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	16.4	0.0	0.0	16.4
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	1.9	0.0	0.0	1.9
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	3.8	4.5	8.7	7.7	7.1	31.9
Total liquidity reduction	15.0	6.7	26.5	4.5	3.5	56.3
T/bills (Primary issues)	0.0	0.0	17.9	0.0	0.0	17.9
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	11.0	0.7	0.8	0.1	1.1	13.7
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	4.0	6.0	7.8	4.3	2.4	24.5
Net liquidity injection (+)/Withdrawal (-)	-2.4	-1.9	0.8	5.7	4.1	6.3
Open Market Operations Outcome						
Posted Amount - Mop up	0.0	0.0	0.0	0.0	0.0	0.0
Realised Amount - Mop up	0.0	0.0	0.0	0.0	0.0	0.0
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 (+)	8.8	0.3	0.4	0.4	0.5	10.4
Reserve Money Position						
Reserve money (actual)	381.2	378.8	374.9	380.0	384.1	

Source: Central Bank of Kenya

Activity in the Interbank Market

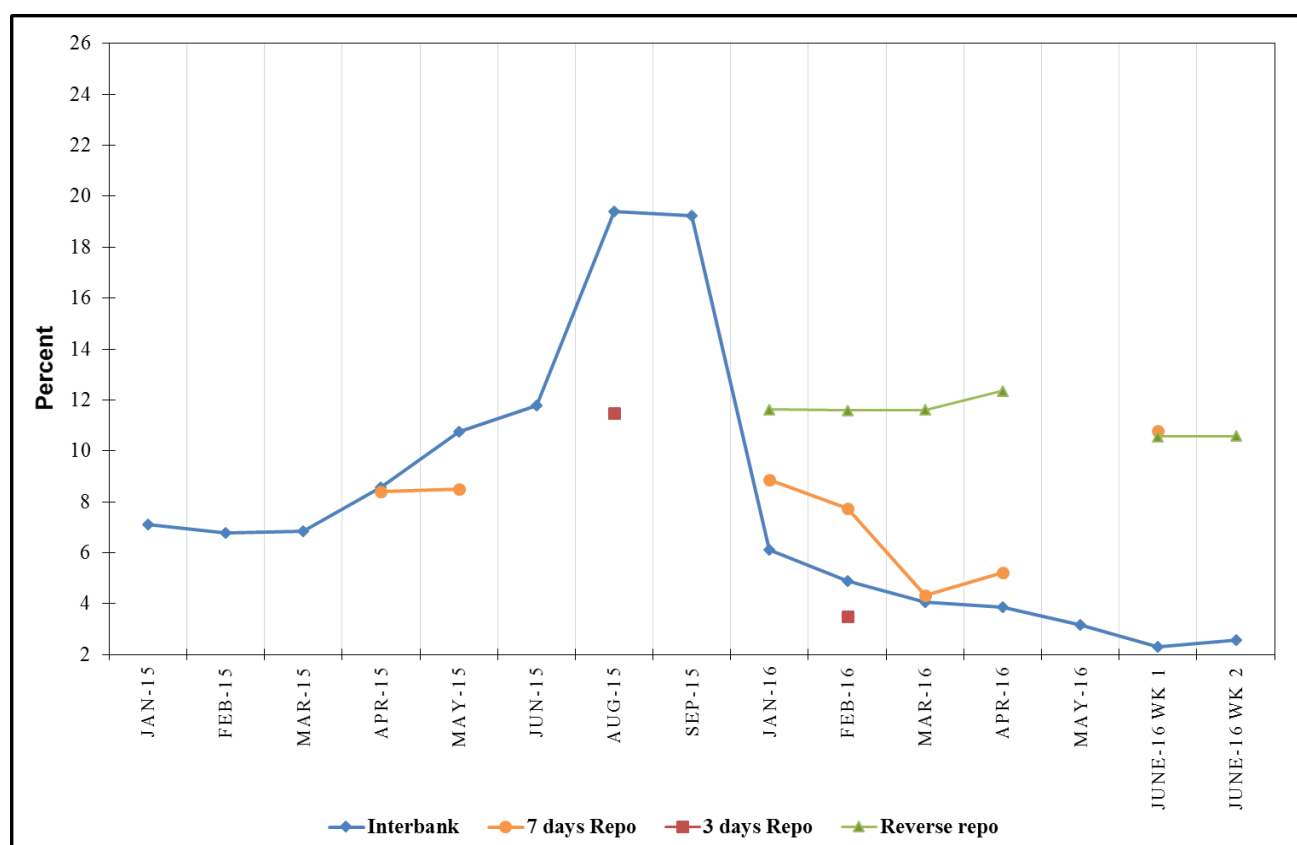
The average interbank rate rose to 2.59 percent in the week ending June 15, 2016 from 2.31 percent recorded the previous week. The interbank market volumes traded declined significantly in the week as most banks traded cautiously in order to meet the requirements of the CRR cycle ending June 15, 2016 (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 (%)
2-Jun-16	13	11,480	2.45	
3-Jun-16	15	11,970	2.31	
6-Jun-16	23	18,960	2.30	
7-Jun-16	20	16,900	2.28	10.54
8-Jun-16	22	19,680	2.21	10.60
June 2, 2016 - June 8, 2016	19	15,798	2.31	10.57
9-Jun-16	19	9,180	2.23	10.53
10-Jun-16	20	5,605	2.75	10.60
13-Jun-16	20	4,890	2.66	10.60
14-Jun-16	18	5,735	2.53	10.54
15-Jun-16	16	7,100	2.77	10.60
June 9, 2016 - June 15, 2016	19	6,502	2.59	10.58

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES

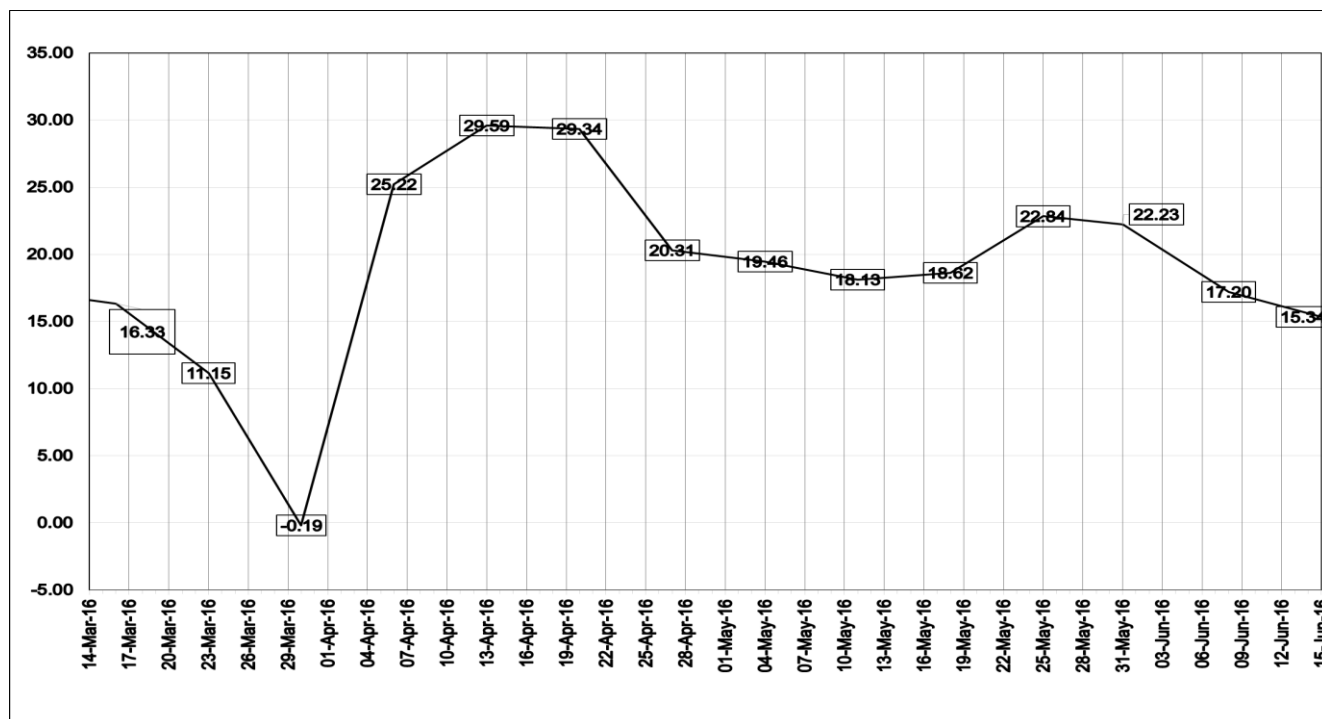


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account balances stood at KSh15.34 billion for the CRR cycle ending June 15, 2016. (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 16, 2016. It strengthened against the Pound Sterling and the Euro but weakened against the US Dollar and the Japanese Yen. In the EAC region, the Kenya Shilling strengthened against the Burundi Franc but weakened against the Uganda and Tanzania Shillings as well as the Rwanda Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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
3 - 9 June 2016	101.05	146.60	114.38	94.08	33.21	21.69	7.71	15.45
10-Jun-16	101.12	146.29	114.40	94.91	33.13	21.69	7.74	15.40
13-Jun-16	101.10	144.49	113.97	95.21	33.23	21.68	7.38	15.53
14-Jun-16	101.13	143.70	113.86	95.24	33.16	21.69	7.38	15.38
15-Jun-16	101.14	143.16	113.40	95.38	33.05	21.68	7.38	16.31
16-Jun-16	101.25	143.61	113.69	95.54	33.09	21.66	7.37	16.29
10 - 16 June 2016	101.15	144.25	113.87	95.26	33.13	21.68	7.45	15.78

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Markets

The equity and bond markets recorded declines, except for Real Estate Investment Trust segment of the market.

Equities Market

The equity market recorded reduced performance as reflected in NASI, NSE 20 and NSE 25 Share Indices; shares traded; and equities turnover. However, the market capitalization, which measures shareholders wealth gained by 0.42 percent during the week (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	28-Apr-16	05-May-16	12-May-16	19-May-16	26-May-16	02-Jun-16	09-Jun-16	15-Jun-16	Weekly Change (%)
NASI 100= 2008	146.56	145.63	146.44	146.33	145.78	143.51	146.69	146.50	-0.13
NSE 25 Share Index	4,239.83	4,213.37	4,216.05	4,205.87	4,183.88	4,103.51	4,139.56	4,135.98	-0.09
NSE 20 Share Index 100= 1996	3,990.20	3,977.85	3,923.42	3,880.81	3,871.74	3,799.57	3,818.19	3,799.16	-0.50
Number of Deals	5,851.00	4,233.00	5,517.00	6,030.00	5,824.00	4,487.00	6,338.00	5,239.00	-17.34
Total Shares Traded (Millions)	101.93	111.63	94.68	76.36	90.63	67.25	148.72	89.78	-39.63
Equity Turnover (Ksh. Millions)	2,199.68	1,616.53	2,558.26	2,112.95	2,624.64	2,034.07	3,168.84	2,605.50	-17.78
Market Capitalization (Ksh. Bn.)	2,065.77	2,052.68	2,064.15	2,062.61	2,054.84	2,023.44	2,069.77	2,078.54	0.42
I-REIT Turnover in (Ksh. Millions)	2.70	2.04	1.25	2.14	1.63	0.95	2.41	2.81	16.61
I-REIT in Units - Total Deals	39.00	39.00	26.00	46.00	29.00	33.00	38.00	47.00	23.68
Bonds Turnover (Ksh. Millions)	10,719.64	7,205.26	9,902.80	5,836.68	23,288.34	13,729.81	19,062.33	10,672.64	-44.01
FTSE NSE Kenya 15 Index	187.39	187.17	186.67	185.86	185.30	183.25	184.19	184.41	0.12
FTSE NSE Kenya 25 Index	187.31	187.27	187.15	186.30	185.49	183.68	185.40	185.84	0.24
FTSE NSE Bond Index	87.13	86.98	87.71	88.40	88.69	88.73	88.52	87.99	-0.60

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

Both 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 0.12 percent and 0.24 percent higher, respectively. The real estate market segment had improved activity, with Real Estate Investment Trust (I-REIT) turnover up 16.61 percent and deals transacted up by 23.68 percent.

The Energy and Petroleum, Banking and Telecommunication and Technology sectors dominated trading, accounting for 34.42 percent, 26.83 percent and 22.64 percent of the total shares traded, respectively.

The Bond Market

The volume of bonds traded declined by 44 percent in the week ending June 15, 2016. This may be due to investors' focus on the 2-and 15-year bonds issued in the primary market that attracted 1,409 bids worth KSh 50.8 billion against KSh 30 billion offered. In addition, a short trading week affected this performance. The FTSE Government Bond Index decreased by 0.60 percent, reflecting slight increase in secondary market yields.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills						
Date of Auction	28-Apr-16	19-May-16	26-May-16	02-Jun-16	09-Jun-16	16-Jun-16
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	
Bids received (Ksh M)	16,656.1	7,287.6	10,212.9	5,227.8	6,669.2	
Amount Accepted (Ksh M)	12,402.4	4,798.0	7,284.2	4,825.7	4,666.3	
Maturities (Ksh M)	8,365.5	4,651.4	8,569.5	5,193.0	9,324.6	
Average interest Rate (%) - 91 Days	8.5	8.0	7.7	7.5	7.3	
182-Day Treasury Bills						
Date of Auction	27-Apr-16	18-May-16	25-May-16	01-Jun-16	08-Jun-16	15-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)	16,280.5	8,473.1	10,543.1	9,190.5	9,971.9	8,635.0
Amount Accepted (Ksh M)	9,052.6	6,096.1	5,402.0	7,010.8	6,478.9	5,420.4
Maturities (Ksh M)	6,185.7	7,821.1	478.6	2,156.7	6,043.1	3,550.3
Average interest Rate (%) - 182 days	10.5	10.1	10.0	9.8	9.6	9.5
364-Day Treasury Bills						
Date of Auction	27-Apr-16	18-May-16	25-May-16	01-Jun-16	08-Jun-16	15-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)	10,180.4	7,462.3	16,092.7	9,037.0	12,622.5	5,518.0
Amount Accepted (Ksh M)	8,004.7	5,999.5	9,168.5	5,913.9	6,745.8	5,516.2
Maturities (Ksh M)	1,379.2	404.0	1,092.0	298.6	1,057.5	567.7
Average interest Rate (%) - 364 days	11.7	11.6	11.3	11.0	10.8	10.7
Treasury Bonds						
Date of Auction		18-May-16			16-Jun-16	
Tenor		IFB 1/2016/9			FXD 2/2016/2	FXD 1/2012/15
Amount offered (Ksh M)		30,000.0			30,000.0	
Bids received (Ksh M)		80,393.8			50,808.7	
Amount Accepted (Ksh M)		39,360.8			30,620.9	
Maturities (Ksh M)		20,130.2			0.0	
Average interest Rate (%)		13.3			11.5	14.3

Source: Central Bank of Kenya

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

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	10-Jun-16
1. Treasury Bills (Excluding Repos)	420.76	462.85	507.90	532.65	535.77	540.84	553.91	565.06
(As % of total securities)	28.27	29.70	31.50	32.53	32.76	33.38	33.08	33.52
2. Treasury Bonds	1,067.83	1,095.37	1,104.68	1,104.68	1,099.65	1,079.52	1,120.54	1,120.54
(As % of total securities)	71.73	70.30	68.50	67.47	67.24	66.62	66.92	66.48
3. Total Securities (1+2)	1,488.59	1,558.23	1,612.58	1,637.32	1,635.42	1,620.35	1,674.45	1,685.60
4. Overdraft at Central Bank	43.58	37.74	44.87	36.10	17.14	41.49	44.23	44.23
5. Other Domestic debt*	31.96	31.69	31.77	31.62	31.61	31.60	31.61	31.61
6. Gross Domestic Debt (3+4+5)	1,564.13	1,627.66	1,689.22	1,705.04	1,684.17	1,693.45	1,750.29	1,761.45

* 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	10-Jun-16
Treasury bills (Excluding Repos)	26.9	28.4	30.1	31.2	31.8	31.9	31.6	32.1
Treasury bonds	68.3	67.3	65.4	64.8	65.3	63.7	64.0	63.6
CBK Overdraft to Govt	2.8	2.3	2.7	2.1	1.0	2.5	2.5	2.5
Other domestic debt	2.0	1.9	1.9	1.9	1.9	1.9	1.8	1.8
TOTAL	100.0	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

	26-Feb-16	25-Mar-16	29-Apr-16	13-May-16	20-May-16	27-May-16	03-Jun-16	10-Jun-16
Banking Institutions	55.5	55.7	56.5	56.4	56.0	57.5	56.4	56.3
Insurance Companies	8.3	8.2	7.9	7.8	7.9	7.9	7.6	7.6
Parastatals	4.7	4.7	4.6	4.6	4.7	4.7	4.6	4.7
Pension funds	25.4	25.5	25.2	25.4	25.9	26.1	25.6	25.7
Other investors	6.1	5.9	5.8	5.7	5.6	3.8	5.8	5.7
Total	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)

	05-May-16	12-May-16	19-May-16	26-May-16	02-Jun-16	09-Jun-16	16-Jun-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,707	7,693	7,662	7,649	7,668	7,631	7,599
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.04	5.03	5.01	5.00	5.01	4.99	4.97

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya