



JUNE 24, 2016

Highlights

The money market was tight in the week ending June 22, 2016 on account of government securities issuance and end-quarter tax payments. The average interbank rate increased to 3.93 percent in the week ending June 22, 2016 from 2.59 percent in the previous week.

The capital market overall performance recorded mixed performance in the week ending June 23, 2016

Monetary Policy Operations

The money market was tight in the week ending June 22, 2016 on account of government securities issuance and end-quarter tax payments falling due in the week. To ease the tight liquidity conditions in the interbank money market, Central Bank provided liquidity support to banks under strain through reverse repos. Reserve money stood at KSh 342.6 billion on June 22, 2016 (**Table 1**).

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

	16-Jun-16	17-Jun-16	20-Jun-16	21-Jun-16	22-Jun-16	Total
Liquidity Flows						
Total liquidity injection	8.1	13.2	27.5	12.9	12.1	73.8
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	1.8	0.0	9.1	3.1	0.6	14.6
Term Auction Deposit maturities	0.0	10.0	0.0	0.0	0.0	10.0
T/bills redemptions	0.0	0.0	6.6	0.0	0.0	6.6
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	8.0	0.0	0.0	8.0
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	6.3	3.2	3.9	9.8	9.9	33.0
Total liquidity reduction	4.9	3.9	64.4	12.2	21.6	106.9
T/bills (Primary issues)	0.0	0.0	15.5	0.0	0.0	15.5
Tbonds Sales	0.0	0.0	30.6	0.0	0.0	30.6
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	2.1	0.0	7.6	0.8	0.4	10.9
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.8	3.9	10.5	11.3	21.2	49.7
Net liquidity injection (+)/Withdrawal (-)	3.2	9.3	-36.8	0.7	-9.5	-33.2
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 (+)	1.8	0.0	9.1	3.1	0.6	14.6
Reserve Money Position						
Reserve money (actual)	387.1	395.4	358.5	358.2	342.6	

Source: Central Bank of Kenya

Activity in the Interbank Market

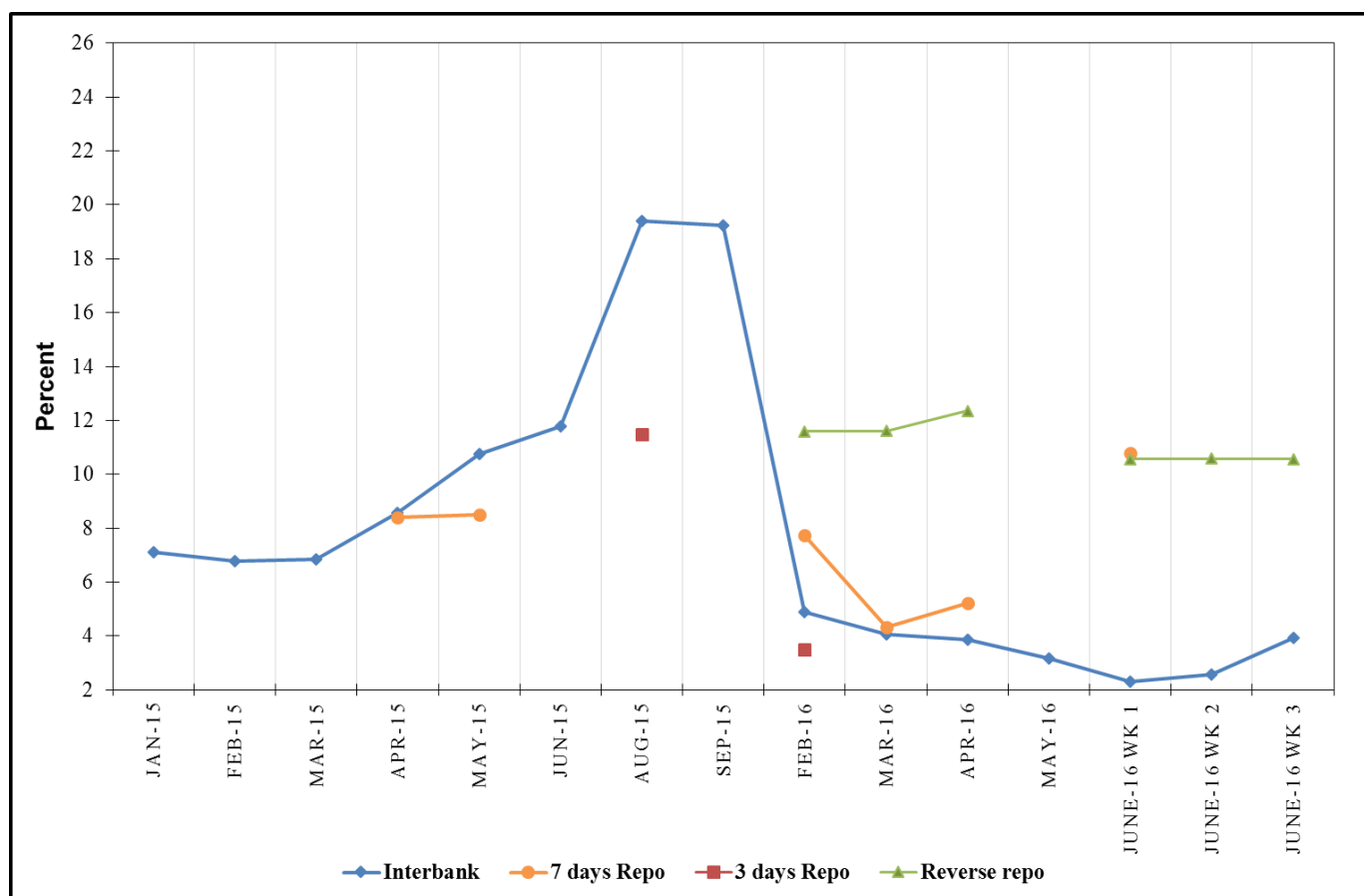
The average interbank rate increased to 3.93 percent in the week ending June 22, 2016 from 2.59 percent recorded in the previous week. The interbank market volumes traded increased significantly following increased participation by banks in the interbank market compared to the previous week (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
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
16-Jun-16	19	7,050	2.99	10.57
17-Jun-16	18	7,800	3.07	
20-Jun-16	27	11,658	3.50	10.60
21-Jun-16	29	14,955	4.53	10.59
22-Jun-16	33	19,400	5.56	10.52
June 16, 2016 - June 22, 2016	25	12,173	3.93	10.57

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES

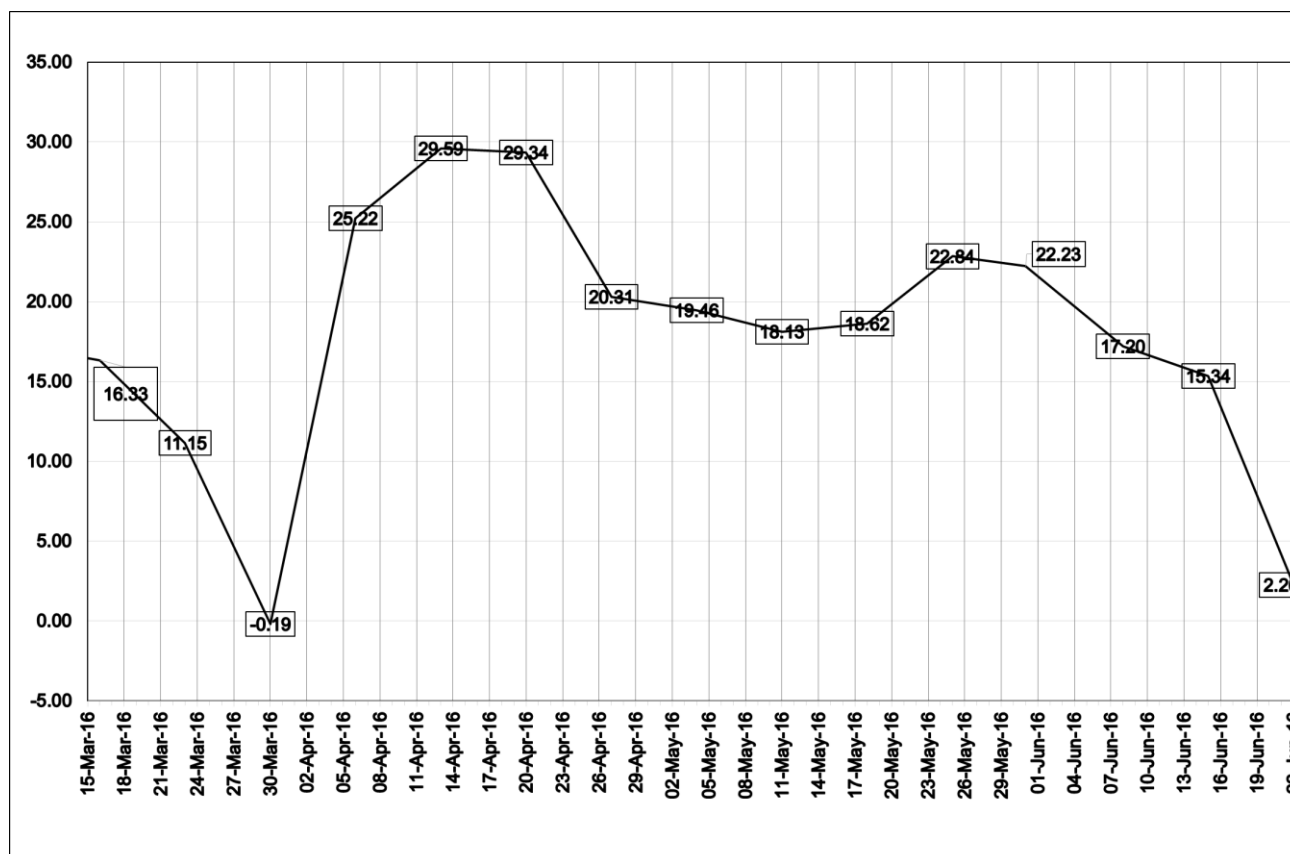


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account balances declined significantly to KSh 2.26 billion in the week ending June 22, 2016 from KSh 15.34 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 depreciated against all major international currencies but displayed mixed performance against EAC currencies during the week ending June 23, 2016. In the EAC region, the Kenya Shilling strengthened against the Uganda shilling as well as Rwanda and Burundi Francs but weakened against the Tanzania shilling.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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
17th-June 2016	101.26	142.75	113.07	97.26	33.03	21.65	7.74	16.29
20th-June 2016	101.23	144.69	114.08	97.23	33.02	21.65	7.75	16.38
21st-June 2016	101.25	148.74	114.72	97.02	33.14	21.66	7.93	16.38
22nd-June 2016	101.20	148.47	113.94	96.77	33.30	21.67	7.93	16.38
23rd-June 2016	101.21	149.72	114.78	96.67	33.25	21.67	7.94	16.38
17th-23rd June 2016	101.23	146.87	114.12	96.99	33.15	21.66	7.86	16.36

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

The equity markets recorded mixed performance, while the bond market recorded improved performance as reflected in the leading market indicators.

Equities Market

Overall, equity share prices declined as reflected by changes in the NASI, NSE 25 and NSE 20 Share Indices. Market capitalization, which measures shareholders wealth declined, while equity turnover rose by 52.21 percent on account of substantial increase in the number of shares traded by 72.84 percent (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

FTSE NSE Kenya 15 Index and FTSE NSE Kenya 25 Index, which measures performance of 15 largest companies by market capitalization and 25 most liquid stocks at the NSE underperformed by 1.74 percent and 1.91 percent, respectively, in the week under review. The real estate market segment had improved activity with the Real Estate Investment Trust (I-REIT) turnover up 142.95 percent and deals transacted up by 72.34 percent.

Telecommunication and Technology, Energy and Petroleum and Banking sectors dominated trading, accounting for 86.40 percent of the total shares traded.

The Bond Market

The bond market segment recorded a 26.79 percent gain in the volume traded in the week ending June 23, 2016. Likewise, FTSE NSE Government Bond Index improved by 0.92 percent, reflecting slight decline in the bond secondary market yields.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills						
Date of Auction	28-Apr-16	26-May-16	02-Jun-16	09-Jun-16	16-Jun-16	23-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	10,212.9	5,227.8	6,669.2		5,325.8
Amount Accepted (Ksh M)	12,402.4	7,284.2	4,825.7	4,666.3		5,031.1
Maturities (Ksh M)	8,365.5	8,569.5	5,193.0	9,324.6		3,164.7
Average interest Rate (%) - 91 Days	8.5	7.7	7.5	7.3		7.1
182-Day Treasury Bills						
Date of Auction	27-Apr-16	25-May-16	01-Jun-16	08-Jun-16	15-Jun-16	22-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	10,543.1	9,190.5	9,971.9	8,635.0	8,635.0
Amount Accepted (Ksh M)	9,052.6	5,402.0	7,010.8	6,478.9	5,420.4	5,420.4
Maturities (Ksh M)	6,185.7	478.6	2,156.7	6,043.1	3,550.3	3,550.3
Average interest Rate (%) - 182 days	10.5	10.0	9.8	9.6	9.5	9.5
364-Day Treasury Bills						
Date of Auction	27-Apr-16	25-May-16	01-Jun-16	08-Jun-16	15-Jun-16	22-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	16,092.7	9,037.0	12,622.5	5,518.0	5,518.0
Amount Accepted (Ksh M)	8,004.7	9,168.5	5,913.9	6,745.8	5,516.2	5,516.2
Maturities (Ksh M)	1,379.2	1,092.0	298.6	1,057.5	567.7	567.7
Average interest Rate (%) - 364 days	11.7	11.3	11.0	10.8	10.7	10.7
Treasury Bonds						
Date of Auction				16-Jun-16		
Tenor				FXD 2/2016/2	FXD 1/2012/15	FXD 1/2012/16
Amount offered (Ksh M)				30000		
Bids received (Ksh M)				50808.67		
Amount Accepted (Ksh M)				30620.93		
Maturities (Ksh M)				0		
Average interest Rate (%)				11.5	14.3	15.3

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	26-Feb-16	25-Mar-16	29-Apr-16	27-May-16	10-Jun-16	17-Jun-16
1. Treasury Bills (Excluding Repos)	420.76	462.85	507.90	540.84	565.06	567.63
(As % of total securities)	28.27	29.70	31.50	33.38	33.52	33.62
2. Treasury Bonds	1,067.83	1,095.37	1,104.68	1,079.52	1,120.54	1,120.54
(As % of total securities)	71.73	70.30	68.50	66.62	66.48	66.38
3. Total Securities (1+2)	1,488.59	1,558.23	1,612.58	1,620.35	1,685.60	1,688.17
4. Overdraft at Central Bank	43.58	37.74	44.87	41.49	44.23	36.27
5. Other Domestic debt*	31.96	31.69	31.77	31.60	31.61	31.66
6. Gross Domestic Debt (3+4+5)	1,564.13	1,627.66	1,689.22	1,693.45	1,761.45	1,756.09

* 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	27-May-16	10-Jun-16	17-Jun-16
Treasury bills (Excluding Repos)	26.9	28.4	30.1	31.9	32.1	32.3
Treasury bonds	68.3	67.3	65.4	63.7	63.6	63.8
CBK Overdraft to Govt	2.8	2.3	2.7	2.5	2.5	2.1
Other domestic debt	2.0	1.9	1.9	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

	26-Feb-16	25-Mar-16	29-Apr-16	27-May-16	10-Jun-16	17-Jun-16
Banking Institutions	55.5	55.7	56.5	57.5	56.3	56.0
Insurance Companies	8.3	8.2	7.9	7.9	7.6	7.6
Parastatals	4.7	4.7	4.6	4.7	4.7	4.8
Pension funds	25.4	25.5	25.2	26.1	25.7	25.8
Other investors	6.1	5.9	5.8	3.8	5.7	5.8
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)

	05-May-16	12-May-16	19-May-16	26-May-16	02-Jun-16	09-Jun-16	16-Jun-16	23-Jun-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,707	7,693	7,662	7,649	7,668	7,631	7,599	7,517
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.04	5.03	5.01	5.00	5.01	4.99	4.97	4.91

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya