



MARCH 11, 2016

Highlights

The money market liquidity tightened towards the end of the week ending March 9, 2016 and the average interbank rate rose to 4.63 percent from 3.96 percent in the previous week.

The capital market declined in the week ending February 25, 2016 as reflected in the main indicators.

Monetary Policy Operations

The money market liquidity tightened towards the end of the week ending March 9, 2016. The tightness was reflected in an upward trend of the daily interbank rate and attributed to net liquidity withdraw through OMO and net receipts to Government (**Table 1**).

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

	3-Mar-16	4-Mar-16	7-Mar-16	8-Mar-16	9-Mar-16	Total
Liquidity Flows						
Total liquidity injection	23.7	15.0	25.4	7.6	8.3	80.0
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	0.0	3.6	0.0	4.4	8.1
Term Auction Deposit maturities	9.0	0.0	0.0	0.0	0.0	9.0
T/bills redemptions	0.0	0.0	15.5	0.0	0.0	15.5
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	0.0	0.0	0.0	0.0
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	14.7	12.0	4.3	6.6	3.8	41.3
Total liquidity reduction	17.2	12.8	26.6	3.4	8.8	68.7
T/bills (Primary issues)	0.0	0.0	20.2	0.0	0.0	20.2
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	1.0	0.0	0.0	0.0	1.0
Reverse Repos maturities	0.0	0.0	4.3	0.0	4.8	9.0
Term Auction Deposit	15.0	9.0	0.0	0.0	0.0	24.0
Transfer from Banks -Taxes	2.2	2.7	2.1	3.4	4.0	14.3
Net liquidity injection (+)/Withdrawal (-)	6.4	2.3	-1.1	4.2	-0.5	11.2
Open Market Operations Outcome						
Posted Amount	15.0	10.0	4.0	0.0	5.0	34.0
Realised Amount	15.0	10.0	3.6	0.0	4.4	33.1
Repo (-)	0.0	1.0	0.0	0.0	0.0	1.0
Term Auction Deposits (-)	15.0	9.0	0.0	0.0	0.0	24.0
Reverse Repo (+)	0.0	0.0	3.6	0.0	4.4	8.1
Reserve Money Position						
Reserve money (actual)	382.5	384.9	381.5	386.1	384.2	

Source: Central Bank of Kenya

Activity in the Interbank Market

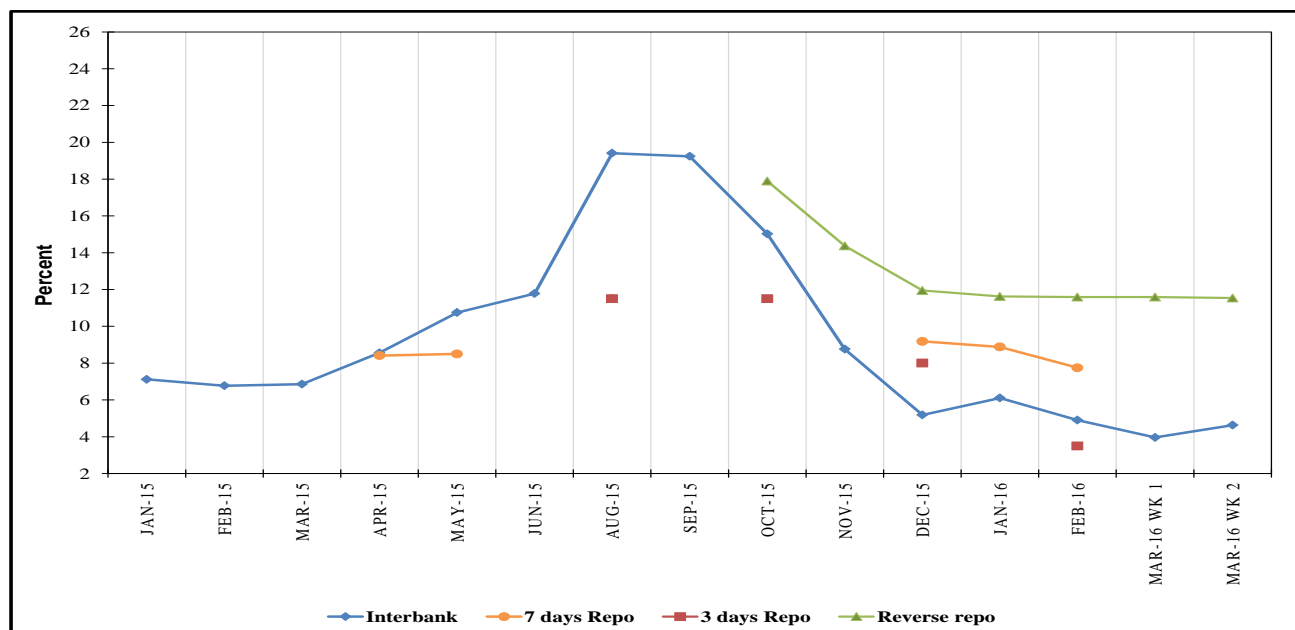
The average interbank rate rose in the week under review in a market characterized by close to 70 percent decline in the volumes traded (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
25-Feb-16	35	14,101	3.77	
26-Feb-16	50	21,440	3.71	
29-Feb-16	56	26,225	3.91	11.61
1-Mar-16	45	17,302	4.09	
2-Mar-16	36	12,580	4.32	11.58
February 25, 2016 - March 2, 2016	44	18,330	3.96	11.59
3-Mar-16	28	10,035	4.28	
4-Mar-16	19	4,205	4.65	
7-Mar-16	26	4,070	4.95	11.54
8-Mar-16	25	4,890	4.97	
9-Mar-16	28	5,635	4.30	11.53
March 3, 2016-March 9, 2016	25	5,767	4.63	11.54

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES

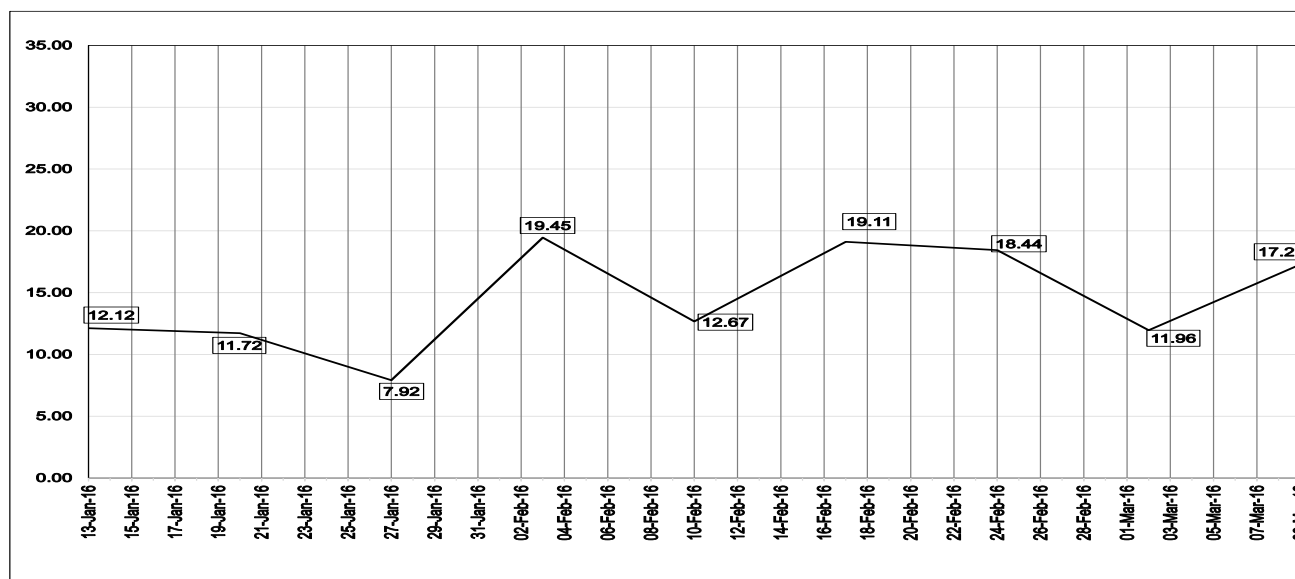


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ daily free reserves based on the cash reserve requirement of 5.25 percent averaged KSh 17.27 billion in the week ending March 9, 2016, 44.5 percent higher than the previous week (**Chart B**). The increase is attributed to commercial banks building up their average reserves ahead of the end of the current CRR cycle on March 14, 2016.

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 regional currencies during the week ending 10th March 2016. It strengthened marginally against the US Dollar and the Japanese Yen but weakened against the Pound Sterling and the Euro. In the EAC region, the Kenya Shilling strengthened against the Uganda, Tanzania Shillings and the Burundi Franc and remained unchanged against the Rwanda Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
26th-Feb 2016	101.78	142.44	112.49	90.37	33.01	21.51	7.52	15.10
29th-Feb 2016	101.70	141.56	111.48	89.48	32.97	21.51	7.34	15.33
1st-March 2016	101.67	141.35	110.77	90.11	32.89	21.53	7.53	15.52
2nd -March 2016	101.57	141.71	110.29	89.27	32.84	21.54	7.47	15.32
3rd-March 2016	101.40	142.13	109.95	89.00	32.97	21.59	7.36	15.43
26thFeb-3rd march 2016	101.62	141.84	110.99	89.64	32.94	21.53	7.44	15.34
4th-march 2016	101.33	143.14	110.76	89.23	33.24	21.60	7.37	15.43
7th-march 2016	101.39	143.93	111.51	89.28	33.27	21.58	7.36	15.36
8th-march 2016	101.41	144.50	111.69	89.61	33.23	21.58	7.57	15.27
9th-march 2016	101.60	144.31	111.98	89.87	33.12	21.54	7.45	15.45
10th-march 2016	101.58	144.25	111.29	90.09	33.10	21.54	7.45	15.42
4th-10th march 2016	101.46	144.03	111.45	89.62	33.19	21.57	7.44	15.39

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Markets

Nairobi Securities Exchange (NSE) recorded a decline in the main segments in the week ending March 10, 2016.

Equities Market

Overall, equities' prices recorded a marginal decline as reflected in the Nairobi All Share Index and Market Capitalization. This is due to increased supply as reflected in number of shares traded (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	28-Jan-16	04-Feb-16	11-Feb-16	18-Feb-16	25-Feb-16	03-Mar-16	10-Mar-16	Wkly Change
NASI 100= 2008	136.92	140.90	140.41	139.96	140.90	145.21	144.53	-0.47%
NSE 25 Share Index	3,929.46	4,029.43	4,065.90	4,063.63	4,063.38	4,172.71	4,131.93	-0.98%
NSE 20 Share Index 100= 1996	3,763.36	3,785.73	3,825.18	3,804.73	3,867.06	3,932.48	3,949.82	0.44%
Number of Deals	6,707.00	6,162.00	6,408.00	5,970.00	5,674.00	7,184.00	6,796.00	-5.40%
Total Shares Traded (millions)	131.64	98.83	85.16	99.54	57.66	99.42	110.54	11.19%
Equity Turnover (Ksh. Millions)	3,737.11	3,397.40	3,102.47	2,425.45	1,651.33	2,518.63	3,022.30	20.00%
Market Capitalization (Ksh. Bn.)	1,927.99	1,984.41	1,977.21	1,970.92	1,984.20	2,045.05	2,035.42	-0.47%
I-REIT Turnover in (Ksh.Millions)		2.89	2.25	9.97	4.81	2.27	4.13	82.02%
I-REIT in Units - Total Deals		65.00	76.00	86.00	87.00	55.00	97.00	76.36%
Bonds Turnover (Ksh. Millions)	5,176.80	4,666.65	5,010.40	5,517.19	8,662.24	19,249.25	17,859.68	-7.22%
FTSE NSE Bond Index	172.36	179.15	179.42	178.84	178.67	183.30	185.28	1.08%
FTSE NSE Kenya 15 Index	171.40	178.31	179.61	178.63	178.68	184.06	184.49	0.23%
FTSE NSE Kenya 25 Index	89.61	88.3	88.59	88.68	88.82	89.07	88.78	-0.33%

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 stock performance of 15 largest companies by market capitalization and 25 most liquid stocks at the NSE closed the week higher compared to performance in the previous week. The REITSs market recovered most of last week's losses to record 82.02 percent increase in turnover reflecting market dynamics.

Telecommunication & Technology, Banking and Energy & Petroleum sectors dominated equity trading at 87.9 percent of total shares traded while Agricultural sector was least active.

The Bond Market

Total bonds traded declined by 7.22 percent in the week under review to close at KSh 17,859.97 million despite higher number of deals transacted. FTSE Government Bond Index lost 0.29 points, reflecting elevated secondary market yields.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES
TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES AUCTIONS

91-Day Treasury Bills								
Date of Auction	31-Dec-15	28-Jan-16	04-Feb-16	11-Feb-16	18-Feb-16	25-Feb-16	03-Mar-16	10-Mar-16
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	2,089.5	12,409.3	13,327.6	13,738.6	10,445.3	10,996.2	5,130.1	12,474.4
Amount Accepted (Ksh M)	1,340.5	8,151.8	5,745.3	3,266.3	4,537.2	8,363.1	5,128.6	9,175.8
Maturities (Ksh M)	8,120.7	7,187.5	7,464.4	8,533.9	537.1	4,075.0	5,353.7	4,651.0
Average interest Rate (%) - 91 Days	10.8	11.7	11.4	10.8	9.9	9.3	9.1	8.8
182-Day Treasury Bills								
Date of Auction	30-Dec-15	27-Jan-16	03-Feb-16	10-Feb-16	17-Feb-16	24-Feb-16	02-Mar-16	09-Mar-16
Amount offered (Ksh M)	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)	3,390.4	14,999.9	26,671.6	21,689.5	28,108.9	9,785.8	8,611.7	12,116.1
Amount Accepted (Ksh M)	2,410.2	7,673.8	12,066.4	6,573.1	11,691.4	5,159.8	6,157.1	6,157.1
Maturities (Ksh M)	1,235.5	400.3	225.2	2,654.9	269.9	815.8	1,848.2	7,571.7
Average interest Rate (%) - 182 days	12.8	14.4	13.9	13.3	12.5	11.9	11.3	10.9
364-Day Treasury Bills								
Date of Auction	30-Dec-15	27-Jan-16	03-Feb-16	10-Feb-16	17-Feb-16	24-Feb-16	02-Mar-16	09-Mar-16
Amount offered (Ksh M)	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)	4,632.9	6,447.7	10,083.3	9,678.5	11,397.2	7,352.2	14,250.0	21,180.1
Amount Accepted (Ksh M)	3,182.1	1,475.3	6,164.0	9,175.6	8,666.5	7,335.1	8,895.8	12,541.0
Maturities (Ksh M)	2,984.2	2,104.5	3,028.3	5,076.3	8,050.4	7,471.0	8,262.7	5,935.3
Average interest Rate (%) - 364 days	13.3	14.5	14.0	13.6	13.4	13.3	12.8	12.2
Treasury Bonds								
Date of Auction	30-Dec-15							
Tenor					FXD 1/2015/5	FXD 1/2012/10		
Amount offered (Ksh M)	16,000.0				25,000.0			
Bids received (Ksh M)	1,474.0				53,854.8			
Amount Accepted (Ksh M)	1,248.0				30,297.2			
Maturities (Ksh M)	0.0				0.0			
Average interest Rate (%)	14.8				13.9	14.3		

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	27-Nov-15	31-Dec-15	29-Jan-16	12-Feb-16	19-Feb-16	26-Feb-16	04-Mar-16
1. Treasury Bills (Excluding Repos)	378.05	390.75	378.82	402.45	406.92	420.76	430.70
(As % of total securities)	26.43	26.71	26.03	27.21	27.43	28.27	28.15
2. Treasury Bonds	1052.45	1,072.32	1,076.60	1,076.60	1,076.60	1,067.83	1,099.23
(As % of total securities)	73.57	73.29	73.97	72.79	72.57	71.73	71.85
3. Total Securities (1+2)	1,430.49	1,463.07	1,455.42	1,479.05	1,483.53	1,488.59	1,529.93
4. Overdraft at Central Bank	26.57	39.85	35.67	35.67	29.68	43.58	43.58
5. Other Domestic debt*	28.23	28.28	31.68	31.67	31.68	31.96	31.98
6. Gross Domestic Debt (3+4+5)	1,485.30	1,531.20	1,522.77	1,546.39	1,544.89	1,564.13	1,605.49

* 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

	27-Nov-15	31-Dec-15	29-Jan-16	05-Feb-16	12-Feb-16	19-Feb-16	26-Feb-16	04-Mar-16
Treasury bills (Excluding Repos)	25.5	25.5	24.9	25.3	26.0	26.3	26.9	26.8
Treasury bonds	70.9	70.0	70.7	70.3	69.6	69.7	68.3	68.5
CBK Overdraft to Govt	1.8	2.6	2.3	2.3	2.3	1.9	2.8	2.7
Other domestic debt	1.9	1.8	2.1	2.1	2.0	2.1	2.0	2.0
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

	27-Nov-15	31-Dec-15	29-Jan-16	05-Feb-16	12-Feb-16	19-Feb-16	26-Feb-16	04-Mar-16
Banking Institutions	55.4	55.4	54.8	54.8	55.1	55.0	55.5	56.0
Insurance Companies	8.4	8.4	8.6	8.5	8.5	8.5	8.3	8.1
Parastatals	4.9	4.6	4.7	4.7	4.7	4.7	4.7	4.6
Pension funds	25.4	25.4	25.7	25.8	25.7	25.7	25.4	25.3
Other investors	6.0	6.1	6.2	6.2	6.2	6.2	6.1	6.0
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)

	31-Dec-15	07-Jan-16	14-Jan-16	21-Jan-16	28-Jan-16	04-Feb-16	11-Feb-16	18-Feb-16	25-Feb-16	03-Mar-16	10-Mar-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,072	7,013	7,024	6,986	6,976	7,016	7,111	7,127	7,162	7,214	7,332
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.50	4.47	4.47	4.45	4.44	4.47	4.55	4.56	4.58	4.62	4.69

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya