



MARCH 18, 2016

Highlights

The money market liquidity increased during the week ending March 16, 2016 with interbank transactions resulting in a net liquidity injection of Ksh 3.4bn. The average interbank rate declined to 3.82 percent from 4.63 percent in the previous week.

The capital market recorded mixed performance in the week ending March 17, 2016 in its leading indicators.

Monetary Policy Operations

Liquidity in the money market increased during the week ending March 16, 2016 reflecting a net injection of Ksh 3.4bn from interbank transactions. The increase is partly attributed to injections through open market operations (**Table 1**).

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

	10-Mar-16	11-Mar-16	14-Mar-16	15-Mar-16	16-Mar-16	Total
Liquidity Flows						
Total liquidity injection	6.3	17.5	23.8	12.8	7.3	67.6
Repos Maturities	0.0	1.0	0.0	0.0	0.0	1.0
Reverse Repo Purchases	0.0	0.0	1.3	0.0	4.5	5.8
Term Auction Deposit maturities	2.2	10.0	0.0	10.0	0.0	22.2
T/bills redemptions	0.0	0.0	15.1	0.0	0.0	15.1
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	3.5	0.0	0.0	3.5
T/bonds Interest	0.0	0.0	0.8	0.0	0.0	0.8
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	4.1	4.5	2.2	2.8	2.8	16.3
Total liquidity reduction	5.7	12.1	34.7	5.5	6.3	64.2
T/bills (Primary issues)	0.0	0.0	29.3	0.0	0.0	29.3
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	2.2	0.0	0.0	0.0	2.2
Reverse Repos maturities	0.0	0.0	3.6	0.0	4.4	8.1
Term Auction Deposit	0.0	2.6	0.0	0.0	0.0	2.6
Transfer from Banks -Taxes	5.6	7.3	1.7	5.4	1.8	21.9
Net liquidity injection (+)/Withdrawal (-)	0.6	5.4	-10.9	7.3	1.0	3.4
Open Market Operations Outcome						
Posted Amount	0.0	10.0	4.0	0.0	5.0	19.0
Realised Amount	0.0	4.8	1.3	0.0	4.5	10.5
Repo (-)	0.0	2.2	0.0	0.0	0.0	2.2
Term Auction Deposits (-)	0.0	2.6	0.0	0.0	0.0	2.6
Reverse Repo (+)	0.0	0.0	1.3	0.0	4.5	5.8
Reserve Money Position						
Reserve money (actual)	385.7	391.0	377.8	385.5	383.7	

Source: Central Bank of Kenya

Activity in the Interbank Market

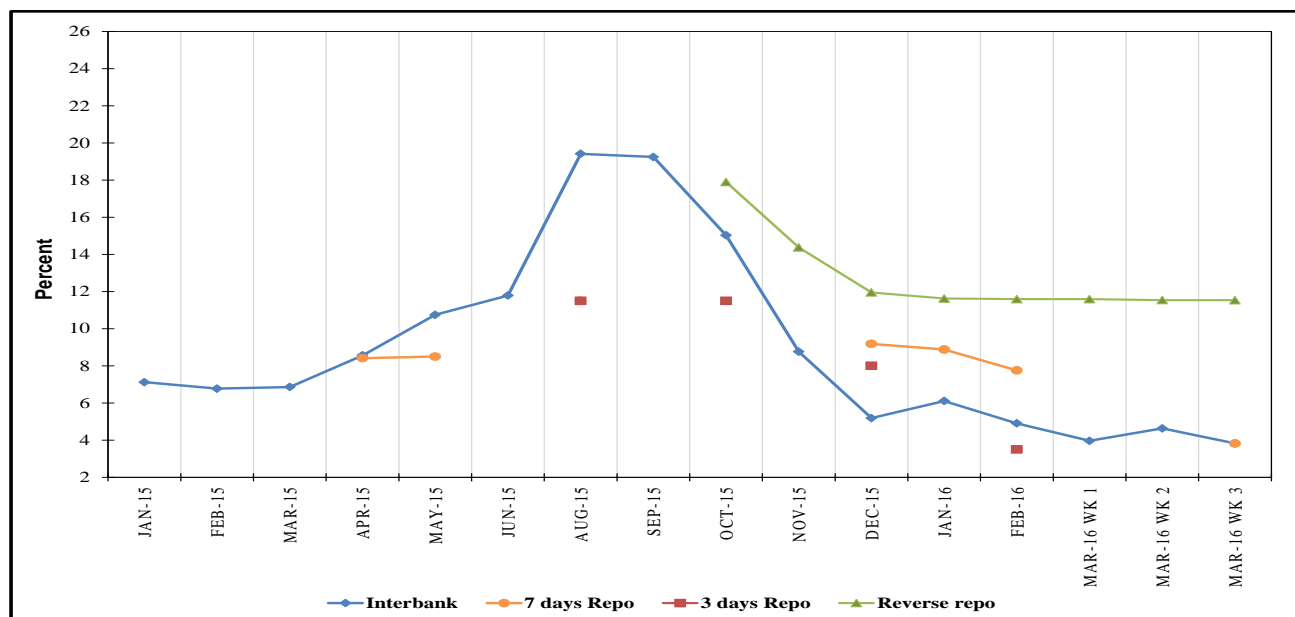
The average interbank rate declined to 3.82 percent in the week ending March 16, 2016 from 4.63 percent in the previous week, while the volumes traded increased, with the number of deals remaining unchanged. The Reverse repo rate was at 11.5 percent, a 0.04 percent decline from the previous week, while the repo rate was at 3.82 percent (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 (%)
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
10-Mar-16	28	7,870	4.07		
11-Mar-16	23	8,370	3.71	3.82	
14-Mar-16	28	10,815	3.78		11.52
15-Mar-16	19	6,736	3.73		
16-Mar-16	26	7,830	3.82		11.54
March 10, 2016-March 16, 2016	25	8,324	3.82	3.82	11.53

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES

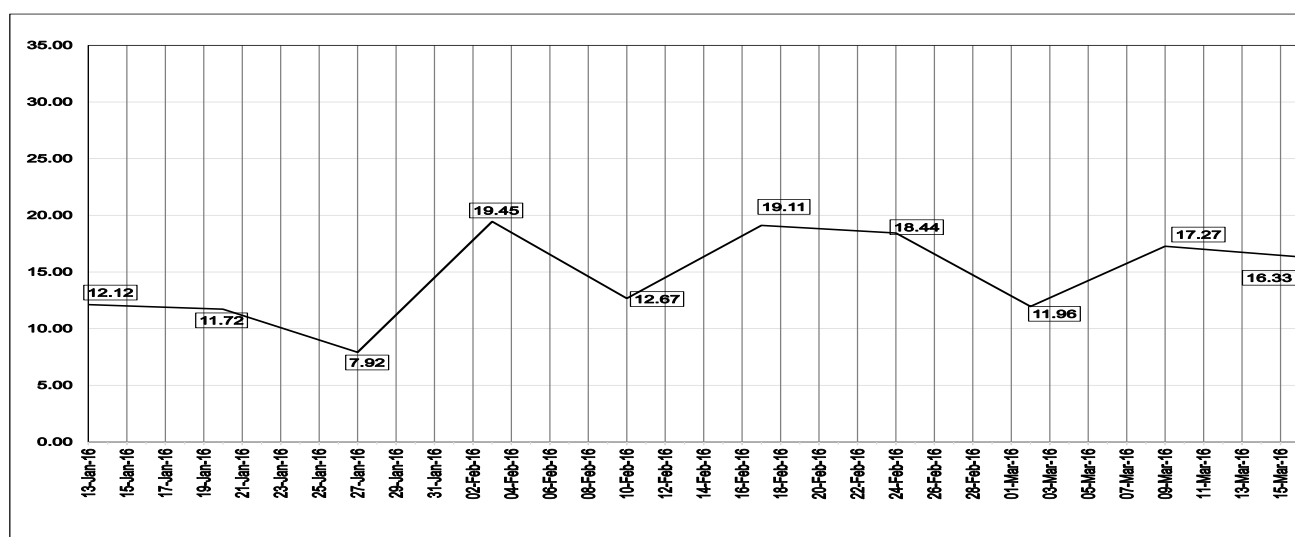


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ daily free reserves based on the cash reserve requirement of 5.25 percent averaged KSh 16.33 billion in the week ending March 16, 2016 compared to KSh 17.27 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 displayed mixed performance against major international currencies during the week ending 17th March 2016. It strengthened against the Japanese Yen but weakened against the US Dollar, the Pound Sterling and the Euro. In the EAC region, the Kenya shilling weakened against all EAC currencies during the review period.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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
11th-march-2016	101.45	144.28	111.99	89.15	32.97	21.56	7.36	15.35
14th-march-2016	101.44	145.38	112.84	89.29	33.07	21.56	7.58	15.28
15th-march-2016	101.54	145.45	112.76	89.25	33.06	21.52	7.35	15.33
16th-march-2016	101.49	143.72	112.55	89.79	33.11	21.54	7.36	15.33
17th-march-2016	101.48	144.45	113.87	90.48	33.26	21.54	7.45	15.26
11th-17th march 2016	101.48	144.66	112.80	89.59	33.09	21.54	7.42	15.31

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Markets

The capital market recorded mixed performance in the equities and bonds segment.

Equities Market

Equities' market capitalization rose by 0.91 percent on account of overall shares price gain during the week. The NASI, which measures prices of listed and trading counters on the NSE rose by 0.82 percent. Equity turnover increased by 14.02 percent largely on account of a 14.49 percent increase in supply of shares (Table 4). The overall positive performance could be due to profit-taking by investors in financials stocks on the release of full year 2015 financial results. However, the NSE 20 share index and Real Estate Investment Trusts (REITs) declined.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	04-Feb-16	11-Feb-16	18-Feb-16	25-Feb-16	03-Mar-16	10-Mar-16	17-Mar-16	Wkly Change
NASI 100= 2008	140.90	140.41	139.96	140.90	145.21	144.53	145.72	0.82%
NSE 25 Share Index	4,029.43	4,065.90	4,063.63	4,063.38	4,172.71	4,131.93	4,230.84	2.39%
NSE 20 Share Index 100= 1996	3,785.73	3,825.18	3,804.73	3,867.06	3,932.48	3,949.82	3,927.65	-0.56%
Number of Deals	6,162.00	6,408.00	5,970.00	5,674.00	7,184.00	6,796.00	6,872.00	1.12%
Total Shares Traded	98.83	85.16	99.54	57.66	99.42	110.54	126.56	14.49%
Equity Turnover (Ksh. Millions)	3,397.40	3,102.47	2,425.45	1,651.33	2,518.63	3,022.30	3,446.04	14.02%
Market Capitalization (Ksh. Bn.)	1,984.41	1,977.21	1,970.92	1,984.20	2,045.05	2,035.42	2,053.93	0.91%
I-REIT Turnover in (Ksh.Millions)	2.89	2.25	9.97	4.81	2.27	4.13	3.01	-27.15%
I-REIT in Units - Total Deals	65.00	76.00	86.00	87.00	55.00	97.00	61.00	-37.11%
Bonds Turnover (Ksh. Millions)	4,666.65	5,010.40	5,517.19	8,662.24	19,249.25	17,859.68	17,134.95	-4.06%
FTSE NSE Kenya 15 Index	179.15	179.42	178.84	178.67	183.30	185.28	185.70	0.23%
FTSE NSE Kenya 25 Index	178.31	179.61	178.63	178.68	184.06	184.49	185.57	0.59%
FTSE NSE Bond Index	88.3	88.59	88.68	88.82	89.07	88.78	89.39	0.69%

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 stocks by market capitalization and 25 most liquid stocks at the NSE closed the week higher compared to the previous week. The REITs market was less active as reflected in turnover and total deals, signaling less optimism in the market on this product.

Telecommunication & Technology and Banking sectors dominated trading with 82.37 percent of the total shares traded while Investment Services was the least active over the week.

The Bond Market

Volume of total bonds traded declined by 4.1 percent, with correspondingly deals also declining to 110 from the previous week's 162 deals. This reduced activity could be attributed to investors' focus on the primary bonds issues that were heavily oversubscribed. The FTSE Government Bond Index gained 0.61 points, reflecting lower secondary market yields.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills					
Date of Auction	28-Jan-16	25-Feb-16	03-Mar-16	10-Mar-16	17-Mar-16
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	12,409.3	10,996.2	5,130.1	12,474.4	2,475.2
Amount Accepted (Ksh M)	8,151.8	8,363.1	5,128.6	9,175.8	2,475.2
Maturities (Ksh M)	7,187.5	4,075.0	5,353.7	4,651.0	9,142.6
Average interest Rate (%)- 91 Days	11.7	9.3	9.1	8.8	8.6
182-Day Treasury Bills					
Date of Auction	27-Jan-16	24-Feb-16	02-Mar-16	09-Mar-16	16-Mar-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	14,999.9	9,785.8	8,611.7	12,116.1	12,752.7
Amount Accepted (Ksh M)	7,673.8	5,159.8	6,157.1	6,157.1	8,718.8
Maturities (Ksh M)	400.3	815.8	1,848.2	7,571.7	376.3
Average interest Rate (%)- 182 days	14.4	11.9	11.3	10.9	10.5
364-Day Treasury Bills					
Date of Auction	27-Jan-16	24-Feb-16	02-Mar-16	09-Mar-16	16-Mar-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	6,447.7	7,352.2	14,250.0	21,180.1	12,158.6
Amount Accepted (Ksh M)	1,475.3	7,335.1	8,895.8	12,541.0	11,624.5
Maturities (Ksh M)	2,104.5	7,471.0	8,262.7	5,935.3	5,586.9
Average interest Rate (%)- 364 days	14.5	13.3	12.8	12.2	12.0
Treasury Bonds					
Date of Auction				16-Mar-16	16-Mar-16
Tenor	FXD 1/2012/10			FXD 1/2013/10	FXD 2/2013/15
Amount offered (Ksh M)	25,000.0			25,000.0	
Bids received (Ksh M)		53,854.8		13,705.1	12,474.7
Amount Accepted (Ksh M)		30,297.2		9,072.7	8,034.9
Maturities (Ksh M)		0.0		19,976.4	
Average interest Rate (%)		14.3		14.4	15.0

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	27-Nov-15	31-Dec-15	29-Jan-16	26-Feb-16	04-Mar-16	11-Mar-16
1. Treasury Bills (Excluding Repos)	378.05	390.75	378.82	420.76	430.70	436.97
(As % of total securities)	26.43	26.71	26.03	28.27	28.15	28.44
2. Treasury Bonds	1052.45	1,072.32	1,076.60	1,067.83	1,099.23	1,099.23
(As % of total securities)	73.57	73.29	73.97	71.73	71.85	71.56
3. Total Securities (1+2)	1,430.49	1,463.07	1,455.42	1,488.59	1,529.93	1,536.19
4. Overdraft at Central Bank	26.57	39.85	35.67	43.58	43.58	40.13
5. Other Domestic debt*	28.23	28.28	31.68	31.96	31.98	31.95
6. Gross Domestic Debt (3+4+5)	1,485.30	1,531.20	1,522.77	1,564.13	1,605.49	1,608.27

* 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	26-Feb-16	04-Mar-16	11-Mar-16
Treasury bills (Excluding Repos)	25.5	25.5	24.9	26.9	26.8	27.2
Treasury bonds	70.9	70.0	70.7	68.3	68.5	68.3
CBK Overdraft to Govt	1.8	2.6	2.3	2.8	2.7	2.5
Other domestic debt	1.9	1.8	2.1	2.0	2.0	2.0
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

	27-Nov-15	31-Dec-15	29-Jan-16	26-Feb-16	04-Mar-16	11-Mar-16
Banking Institutions	55.4	55.4	54.8	55.5	56.0	56.0
Insurance Companies	8.4	8.4	8.6	8.3	8.1	8.1
Parastatals	4.9	4.6	4.7	4.7	4.6	4.6
Pension funds	25.4	25.4	25.7	25.4	25.3	25.2
Other investors	6.0	6.1	6.2	6.1	6.0	6.0
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)

	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	17-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	7,352
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	4.70

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya