



MARCH 24, 2016

Highlights

Liquidity in the money market improved marginally during the week ending March 23, 2016. The average interbank rate declined to 3.78 percent in the week ending March 23, 2016 from 3.82 percent in the previous week.

The capital market recorded mixed performance in the week ending March 24, 2016.

Monetary Policy Operations

Liquidity in the money market improved by Ksh 3.7bn during the week ending March 23, 2016 (**Table 1**).

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

	17-Mar-16	18-Mar-16	21-Mar-16	22-Mar-16*	23-Mar-16*	Total
Liquidity Flows						
Total liquidity injection	8.8	16.8	48.4			74.0
Repos Maturities	0.0	2.2	0.0			2.2
Reverse Repo Purchases	0.0	0.0	0.0			0.0
Term Auction Deposit maturities	5.1	9.0	0.0			14.1
T/bills redemptions	0.0	0.0	15.1			15.1
T/bills rediscounts	0.0	0.0	0.0			0.0
T/bonds redemptions	0.0	0.0	20.0			20.0
T/bonds Interest	0.0	0.0	4.1			4.1
T/bonds rediscounts	0.0	0.0	0.0			0.0
Govt payments	2.7	4.6	4.2			11.5
Total liquidity reduction	5.3	18.6	46.4			70.2
T/bills (Primary issues)	0.0	0.0	22.8			22.8
Tbonds Sales	0.0	0.0	17.1			17.1
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	0.0			0.0
Repos	0.0	0.8	0.0			0.8
Reverse Repos maturities	0.0	0.0	1.3			1.3
Term Auction Deposit	0.0	10.9	0.0			10.9
Transfer from Banks -Taxes	5.2	6.9	5.1			17.2
Net liquidity injection (+)/Withdrawal (-)	3.5	-1.7	2.0			3.7
Open Market Operations Outcome						0.0
Posted Amount	0.0	12.0	5.0			17.0
Realised Amount	0.0	11.7	0.0			11.7
Repo (-)	0.0	0.8	0.0			0.8
Term Auction Deposits (-)	0.0	10.9	0.0			10.9
Reverse Repo (+)	0.0	0.0	0.0			0.0
Reserve Money Position						
Reserve money (actual)	385.5	383.5	376.8			

Source: Central Bank of Kenya

Activity in the Interbank Market

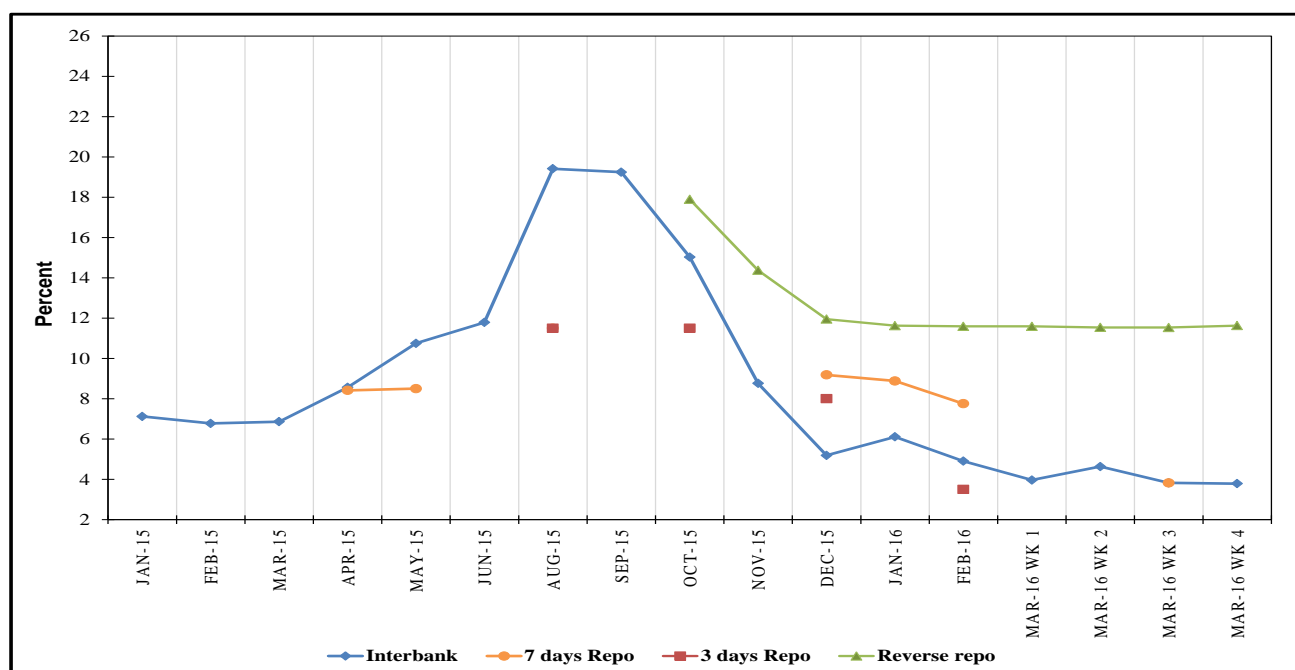
The average interbank rate declined to 3.78 percent in the week ending March 23, 2016 from 3.82 percent in the previous week, while the volumes traded and number of deals increased. The Reverse repo rate at 11.6 percent, was 0.82 percent higher than in the previous week (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
10-Mar-16	28	7,870	4.07	
11-Mar-16	23	8,370	3.71	
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	11.53
17-Mar-16	29	7,820	4.03	
18-Mar-16	23	5,960	3.77	
21-Mar-16	22	9,556	3.65	11.63
22-Mar-16	25	13,445	3.53	
23-Mar-16	33	15,845	3.94	
March 17, 2016-March 23, 2016	26	10,525	3.78	11.63

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES

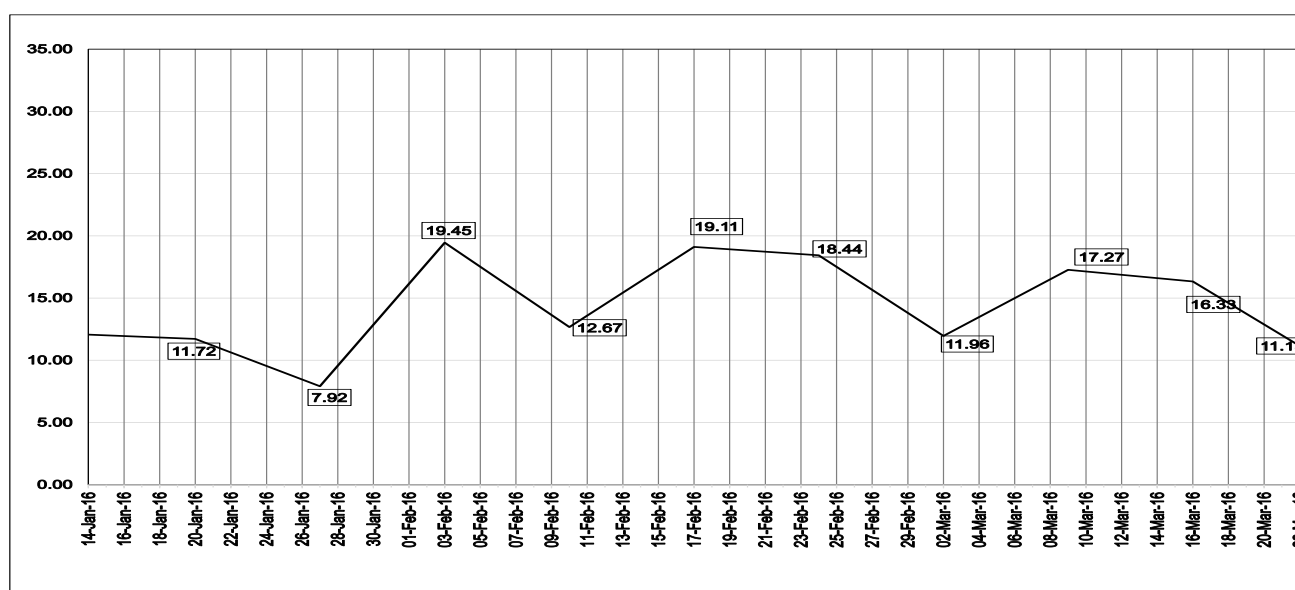


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ daily free reserves based on the cash reserve requirement of 5.25 percent averaged KSh 11.15 billion in the week ending March 23, 2016 compared to KSh 16.33 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 stabilized against the US dollar, but weakened against other major international currencies during the week ending 24th March 2016. In the EAC region, it stabilized against the Tanzania Shilling but strengthened against the Uganda shilling and the Rwanda Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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
18th-march-2016	101.45	146.67	114.74	91.02	33.27	21.56	7.46	15.28
21st-march-2016	101.46	146.96	114.46	90.97	33.23	21.56	7.36	15.35
22nd-march-2016	101.49	145.99	114.18	90.99	33.26	21.54	7.46	15.16
23rd-march-2016	101.52	144.06	113.81	90.40	33.29	21.54	7.46	15.26
24th-march-2016	101.52	143.14	113.40	89.98	33.29	21.54	7.63	15.16
18th-24th march 2016	101.49	145.36	114.12	90.67	33.27	21.55	7.47	15.24

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Markets

The capital markets recorded mixed performance in the equities and bonds segments in the week ending March 24, 2016.

Equities Market

The NASI, which measures price of all listed and trading stocks on the NSE rose by 1.05 percent during the week ending March 24, 2016. Similarly the NSE 25 Share Index and NSE 20 Share Index improved by 0.69 percent and 1.64 percent, respectively. Equities' market capitalization rose by 1.05 percent on account of the price gain. However, equity turnover declined by 15.67 percent largely on account of a 2.60 percent decline in the supply of shares (Table 4). The improved performance in the equities market coincides with release, by financial institutions, of positive end year financial results for 2015. Performance of the Real Estate Investment Trusts (REITs) declined for the second consecutive week.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	11-Feb-16	18-Feb-16	25-Feb-16	03-Mar-16	10-Mar-16	17-Mar-16	24-Mar-16	Wkly Change
NASI 100= 2008	140.41	139.96	140.90	145.21	144.53	145.72	147.25	1.05
NSE 25 Share Index	4,065.90	4,063.63	4,063.38	4,172.71	4,131.93	4,230.84	4,260.12	0.69
NSE 20 Share Index 100= 1996	3,825.18	3,804.73	3,867.06	3,932.48	3,949.82	3,927.65	3,991.95	1.64
Number of Deals	6,408.00	5,970.00	5,674.00	7,184.00	6,796.00	6,872.00	6,085.00	-11.45
Total Shares Traded	85.16	99.54	57.66	99.42	110.54	126.56	123.27	-2.60
Equity Turnover (Ksh. Millions)	3,102.47	2,425.45	1,651.33	2,518.63	3,022.30	3,446.04	2,905.90	-15.67
Market Capitalization (Ksh. Bn.)	1,977.21	1,970.92	1,984.20	2,045.05	2,035.42	2,053.93	2,075.40	1.05
I-REIT Turnover in (Ksh.Millions)	2.25	9.97	4.81	2.27	4.13	3.01	2.22	-26.33
I-REIT in Units - Total Deals	76.00	86.00	87.00	55.00	97.00	61.00	40.00	-34.43
Bonds Turnover (Ksh. Millions)	5,010.40	5,517.19	8,662.24	19,249.25	17,859.68	17,134.95	4,170.55	-75.66
FTSE NSE Kenya 15 Index	179.42	178.84	178.67	183.30	185.28	185.70	185.11	-0.32
FTSE NSE Kenya 25 Index	179.61	178.63	178.68	184.06	184.49	185.57	185.60	0.02
FTSE NSE Bond Index	88.59	88.68	88.82	89.07	88.78	89.39	89.46	0.08

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 and 25 largest stocks by market capitalization at the NSE respectively, closed the week higher compared to the previous week. The REITSs market was less active as reflected in subdued turnover and total deals, signaling reduced demand for stocks related to this investment vehicle.

Banking, Telecommunication & Technology and Energy & Petroleum sectors dominated trading with 38.29 percent, 35.03 percent and 10.6 percent, respectively of the total shares traded while agricultural sector was the least active over the week with 81,000 shares traded.

The Bond Market

The volume of bonds traded declined by 75.66 percent, with correspondingly deals also declining to 96 deals from the previous week's 110 deals. The reduced activity reflect to investors' portfolio reallocation to the primary market following the reopening of the 10-year and 15-year Treasury bonds. The FTSE Government Bond Index gained 0.08 points, reflecting lower secondary market yields.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills					
Date of Auction	29-Jan-15	25-Feb-16	10-Mar-16	17-Mar-16	24-Mar-16
Amount offered (Ksh M)	3,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	1,259.1	10,996.2	12,474.4	2,475.2	
Amount Accepted (Ksh M)	1,252.2	8,363.1	9,175.8	2,475.2	
Maturities (Ksh M)	455.1	4,075.0	4,651.0	9,142.6	
Average interest Rate (%) - 91 Days	8.572	9.3	8.8	8.6	
182-Day Treasury Bills					
Date of Auction	28-Jan-15	24-Feb-16	09-Mar-16	16-Mar-16	23-Mar-16
Amount offered (Ksh M)	4,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	2,612.3	9,785.8	12,116.1	12,752.7	1,731.8
Amount Accepted (Ksh M)	1,453.5	5,159.8	6,157.1	8,718.8	1,731.8
Maturities (Ksh M)	4,869.9	815.8	7,571.7	376.3	227.6
Average interest Rate (%) - 182 days	10.334	11.9	10.9	10.5	10.7
364-Day Treasury Bills					
Date of Auction	28-Jan-15	24-Feb-16	09-Mar-16	16-Mar-16	23-Mar-16
Amount offered (Ksh M)	5,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	2,346.3	7,352.2	21,180.1	12,158.6	16,228.4
Amount Accepted (Ksh M)	1,896.7	7,335.1	12,541.0	11,624.5	12,441.9
Maturities (Ksh M)	2,510.9	7,471.0	5,935.3	5,586.9	4,598.2
Average interest Rate (%) - 364 days	10.984	13.3	12.2	12.0	11.9
Treasury Bonds					
Date of Auction	18-Feb-15		16-Mar-16	16-Mar-16	
Tenor	2 Year FXD	FXD 1/2012/10	FXD 1/2013/10	D 2/2013/15	
Amount offered (Ksh M)	25,000.0	25,000.0	25,000.0		
Bids received (Ksh M)	28,743.8	53,854.8	13,705.1	12,474.7	
Amount Accepted (Ksh M)	23,592.6	30,297.2	9,072.7	8,034.9	
Maturities (Ksh M)	20,446.1	0.0	19,976.4		
Average interest Rate (%)	11.470	14.3	14.4	15.0	

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	18-Mar-16
1. Treasury Bills (Excluding Repos)	378.05	390.75	378.82	420.76	430.70	436.97	453.27
(As % of total securities)	26.43	26.71	26.03	28.27	28.15	28.44	29.26
2. Treasury Bonds	1052.45	1,072.32	1,076.60	1,067.83	1,099.23	1,099.23	1,095.77
(As % of total securities)	73.57	73.29	73.97	71.73	71.85	71.56	70.74
3. Total Securities (1+2)	1,430.49	1,463.07	1,455.42	1,488.59	1,529.93	1,536.19	1,549.05
4. Overdraft at Central Bank	26.57	39.85	35.67	43.58	43.58	40.13	34.05
5. Other Domestic debt*	28.23	28.28	31.68	31.96	31.98	31.95	31.73
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	1,614.82

* 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

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	31-Dec-15	29-Jan-16	26-Feb-16	04-Mar-16	11-Mar-16	18-Mar-16
Treasury bills (Excluding Repos)	25.5	24.9	26.9	26.8	27.2	28.1
Treasury bonds	70.0	70.7	68.3	68.5	68.3	67.9
CBK Overdraft to Govt	2.6	2.3	2.8	2.7	2.5	2.1
Other domestic debt	1.8	2.1	2.0	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	11-Mar-16	18-Mar-16
Banking Institutions	55.4	55.4	54.8	55.5	56.0	56.3
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	25.2	25.2
Other investors	6.0	6.1	6.2	6.1	6.0	5.9
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	24-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	7,370
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	4.72

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya