



MAY 13, 2016

Highlights

The money market was liquid in the week ending May 11, 2016 with the average interbank rate declining to 3.78 percent from 4.09 percent in the previous week.

The capital markets recorded mixed performance in the week ending May 12, 2016.

Monetary Policy Operations

The money market was liquid in the week ending May 11, 2016 supported mainly by OMO maturities. Central Bank continued to support liquidity distribution in the interbank market through reverse repos (**Table 1**).

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

	5-May-16	6-May-16	9-May-16	10-May-16	11-May-16	Total
Liquidity Flows						
Total liquidity injection	7.3	9.9	27.2	15.0	4.1	63.4
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	0.0	3.0	9.7	1.0	13.7
Term Auction Deposit maturities	0.0	4.1	0.0	0.0	0.0	4.1
T/bills redemptions	0.0	0.0	13.5	0.0	0.0	13.5
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	4.5	5.8	7.7	3.7	3.1	24.8
Total liquidity reduction	2.1	2.2	28.9	15.8	12.9	61.9
T/bills (Primary issues)	0.0	0.0	21.6	0.0	0.0	21.6
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	0.0	0.0	4.0	9.0	3.0	16.0
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.1	2.1	3.3	6.7	9.9	24.1
Net liquidity injection (+)/Withdrawal (-)	5.2	7.7	-1.7	-0.9	-8.8	1.5
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 (+)	0.0	0.0	3.0	9.7	1.0	13.7
Reserve Money Position						
Reserve money (actual)	386.3	393.9	390.2	388.8	379.5	

Source: Central Bank of Kenya

Activity in the Interbank Market

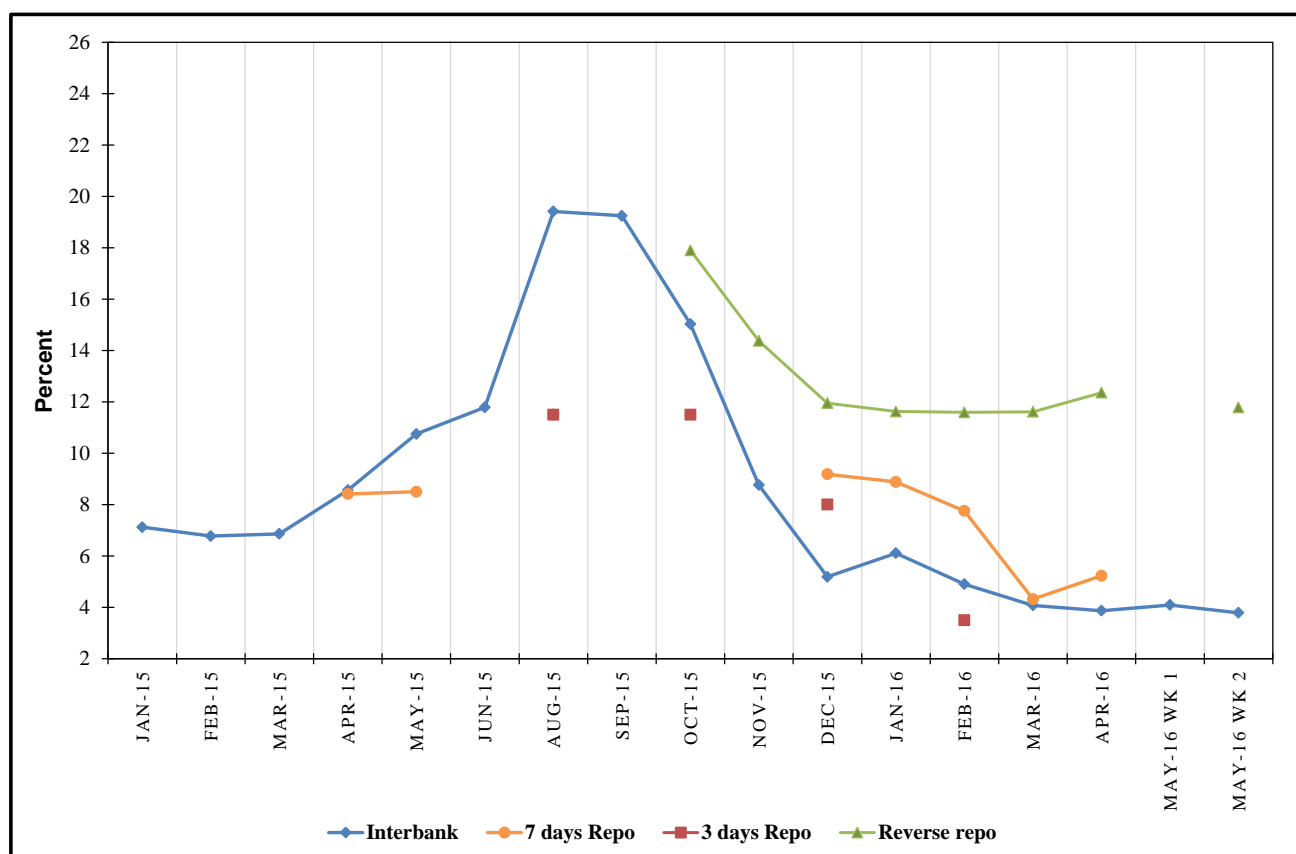
The average interbank rate declined to 3.78 percent in the week ending May 11, 2016 from 4.09 recorded the previous week. The interbank market volumes traded increased as more banks participated in the interbank market compared to the previous week (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
28-Apr-16	9	2,900	3.92	
29-Apr-16	14	7,125	4.05	
3-May-16	10	6,800	4.15	
4-May-16	10	5,700	4.25	
April 28, 2016 - May 4, 2016	11	5,631	4.09	
5-May-16	14	6,850	4.07	
6-May-16	18	6,250	3.91	
9-May-16	24	15,760	3.79	12.02
10-May-16	18	11,457	3.69	11.63
11-May-16	17	10,735	3.46	11.69
May 5, 2016 - May 11, 2016	18	10,210	3.78	11.78

Source: Central Bank of Kenya

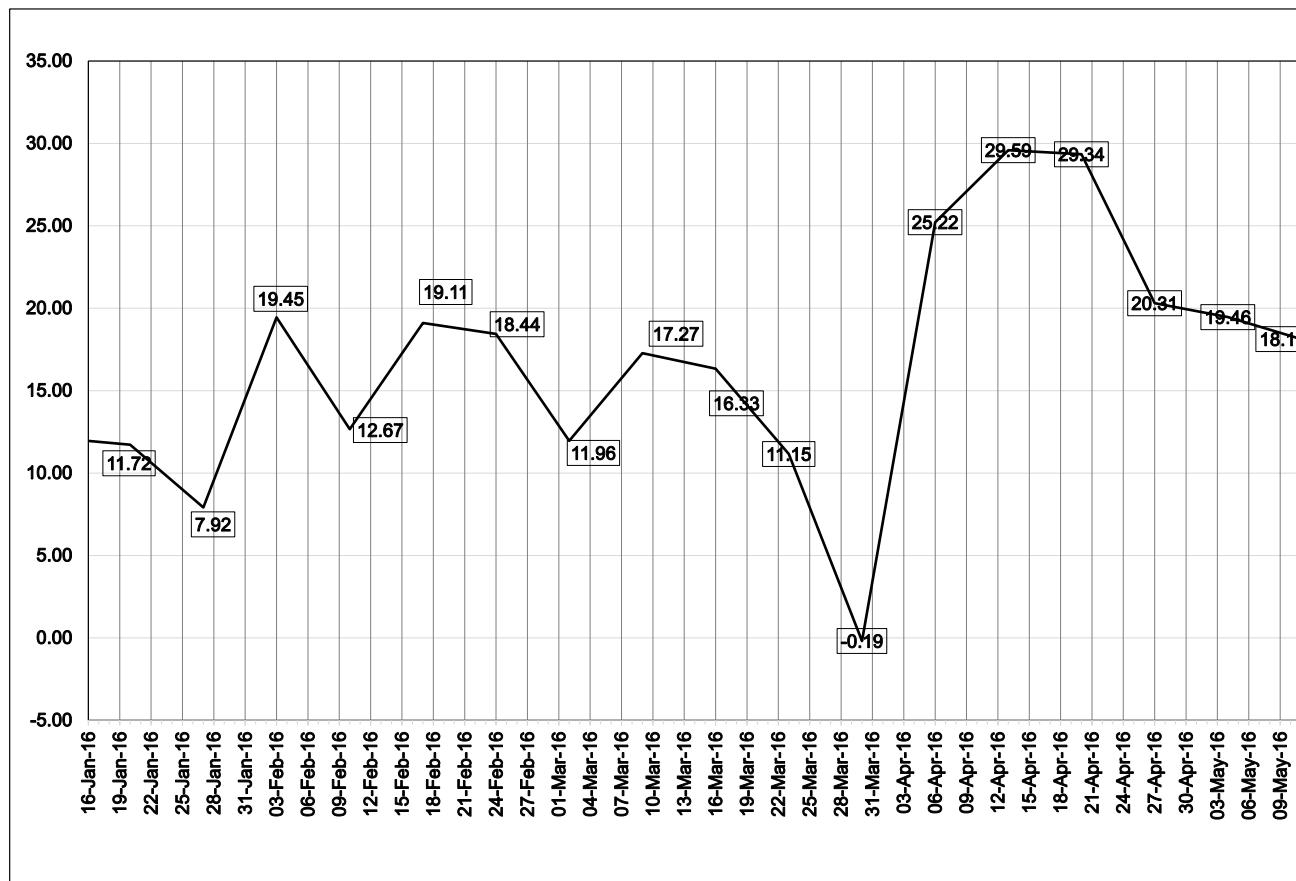
CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES



Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks’ clearing account balances declined to KSh 18.1 percent billion in the week ending May 11, 2016 from KSh 19.46 billion recorded in the previous week (**Chart B**). The decline is attributed to participation of banks in the primary market for government securities.

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 strengthened against major international and regional currencies on account of higher inflows to various sectors amid subdued demand (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
29th-April-2016	101.14	147.52	114.50	93.14	32.95	21.65	7.38	15.46
29th-April-2016	101.14	147.52	114.50	93.14	32.95	21.65	7.38	15.46
3rd-May-2016	101.11	147.82	115.66	94.21	32.84	21.67	7.38	15.38
4th-May-2016	100.79	147.20	116.42	95.16	32.99	21.73	7.41	15.51
5th-May-2016	100.69	146.15	115.69	94.02	33.02	21.76	7.73	15.33
April 29th - May 5th 2016	100.93	147.17	115.57	94.13	32.95	21.70	7.47	15.42
6th-May 2016	100.57	145.69	114.73	93.68	33.16	21.77	7.42	15.54
9th-May-2016	100.47	145.31	114.80	93.59	33.17	21.80	7.58	15.52
10th-May-2016	100.52	144.86	114.49	92.38	33.23	21.79	7.75	15.37
11th-May-2016	100.69	145.54	114.69	92.28	33.00	21.74	7.74	15.44
12th-May-2016	100.63	145.28	114.95	92.42	32.94	21.76	7.92	15.29
6th-12th May 2016	100.58	145.34	114.73	92.87	33.10	21.77	7.68	15.43

Source: Central Bank of Kenya

The Capital Markets

The equity segment of the market recorded mixed performance while the bond market performance improved.

Equities Market

The NASI and NSE 25 Share indices increased, closing higher by 0.56 percent and 0.06 percent, respectively, while the NSE 20 Share Index declined by 1.37 percent. Despite a reduction of total shares traded by 15.19 percent, equity turnover and market capitalization increased by 58.26 percent and 0.56 percent, respectively during the week ending May 12, 2016 (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	31-Mar-16	7-Apr-16	14-Apr-16	21-Apr-16	28-Apr-16	5-May-16	12-May-16	Weekly Change (%)
NASI 100= 2008	147.44	147.44	145.23	147.41	146.56	145.63	146.44	0.56
NSE 25 Share Index	4,261.05	4,257.39	4,153.65	4,215.12	4,239.83	4,213.37	4,216.05	0.06
NSE 20 Share Index 100= 1996	3,982.09	4,054.29	3,901.45	3,968.75	3,990.20	3,977.85	3,923.42	-1.37
Number of Deals	4,544.00	5,890.00	6,056.00	5,994.00	5,851.00	4,233.00	5,517.00	30.33
Total Shares Traded (Millions)	72.50	71.96	71.39	122.34	101.93	111.63	94.68	-15.19
Equity Turnover (Ksh. Millions)	1,547.17	2,335.40	2,013.08	3,220.17	2,199.68	1,616.53	2,558.26	58.26
Market Capitalization (Ksh. Bn.)	2,078.28	2,078.25	2,047.08	2,077.84	2,065.77	2,052.68	2,064.15	0.56
I-REIT Turnover in (Ksh.Millions)	14.69	0.66	2.15	4.57	2.70	2.04	1.25	-38.46
I-REIT in Units - Total Deals	98.00	21.00	49.00	61.00	39.00	39.00	26.00	-33.33
Bonds Turnover (Ksh. Millions)	8,242.90	7,183.65	14,546.30	5,806.50	10,719.64	7,205.26	9,902.80	37.44
FTSE NSE Kenya 15 Index	185.17	186.41	182.72	183.27	187.39	187.17	186.67	-0.27
FTSE NSE Kenya 25 Index	185.47	186.14	183.25	183.74	187.31	187.27	187.15	-0.06
FTSE NSE Bond Index	89.28	89.08	88.69	88.61	87.13	86.98	87.71	0.84

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

The 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 declined by 0.27 percent and 0.06 percent, respectively, during the week under review. The REITS market performance declined reflecting weak appetite for the real estate-linked assets.

The Banking sector dominated trading with 42.25 percent of all shares traded, followed by Telecommunication & Technology and Energy and Petroleum sectors with 17.94 percent and 14.0 percent of the total shares traded, respectively. The Agricultural sector was the least active with 43,700 shares traded over the week.

The Bond Market

The FTSE Government Bond Index increased by 0.84 percent reflecting slight increase in secondary market yields. Total value of bonds traded increased by 37.44 percent compared to the previous week, with the number of deals increasing to 110 from 80 the previous week. The increase in bond turnover can be attributed to primary treasury bonds issuance of 9 year amortized infrastructure bond

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and two year fixed coupon Treasury bond both amounting to KSh 30 billion value dated May 23, 2016.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills					
Date of Auction	25-Feb-16	31-Mar-16	28-Apr-16	5-May-16	12-May-16
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	10,996.2	1,160.2	16,656.1	15,977.4	11,143.7
Amount Accepted (Ksh M)	8,363.1	1,160.2	12,402.4	6,608.9	5,129.0
Maturities (Ksh M)	4,075.0	1,358.0	8,365.5	5,891.7	3,345.9
Average interest Rate (%)- 91 Days	9.3	9.0	8.5	8.3	8.2
182-Day Treasury Bills					
Date of Auction	24-Feb-16	30-Mar-16	27-Apr-16	4-May-16	11-May-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	9,785.8	2,547.2	16,280.5	5,957.5	12,109.7
Amount Accepted (Ksh M)	5,159.8	1,951.1	9,052.6	5,954.7	6,019.6
Maturities (Ksh M)	815.8	2,856.4	6,185.7	6,093.6	9,131.0
Average interest Rate (%)- 182 days	11.9	10.7	10.5	10.4	10.3
364-Day Treasury Bills					
Date of Auction	24-Feb-16	30-Mar-16	27-Apr-16	4-May-16	11-May-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	7,352.2	4,365.8	10,180.4	9,030.9	9,910.6
Amount Accepted (Ksh M)	7,335.1	4,365.8	8,004.7	9,028.2	6,132.1
Maturities (Ksh M)	7,471.0	6,451.1	1,379.2	1,470.4	2,796.6
Average interest Rate (%)- 364 days	13.3	11.9	11.7	11.7	11.7
Treasury Bonds					
Date of Auction					
Tenor	FXD 1/2012/10				
Amount offered (Ksh M)	25,000.0				
Bids received (Ksh M)	53,854.8				
Amount Accepted (Ksh M)	30,297.2				
Maturities (Ksh M)	0.0				
Average interest Rate (%)	14.3				

Source: Central Bank of Kenya

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TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	31-Dec-15	29-Jan-16	26-Feb-16	25-Mar-16	22-Apr-16	29-Apr-16	06-May-16
1. Treasury Bills (Excluding Repos)	390.75	378.82	420.76	462.85	491.56	507.90	523.08
(As % of total securities)	26.71	26.03	28.27	29.70	30.98	31.50	32.14
2. Treasury Bonds	1,072.32	1,076.60	1,067.83	1,095.37	1,095.37	1,104.68	1,104.68
(As % of total securities)	73.29	73.97	71.73	70.30	69.02	68.50	67.86
3. Total Securities (1+2)	1,463.07	1,455.42	1,488.59	1,558.23	1,586.94	1,612.58	1,627.76
4. Overdraft at Central Bank	39.85	35.67	43.58	37.74	25.89	44.87	44.87
5. Other Domestic debt*	28.28	31.68	31.96	31.69	31.79	31.77	31.78
6. Gross Domestic Debt (3+4+5)	1,531.20	1,522.77	1,564.13	1,627.66	1,644.62	1,689.22	1,704.41

* 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

	29-Jan-16	26-Feb-16	25-Mar-16	22-Apr-16	29-Apr-16	6-May-16
Treasury bills (Excluding Repos)	24.9	26.9	28.4	29.9	30.1	30.7
Treasury bonds	70.7	68.3	67.3	66.6	65.4	64.8
CBK Overdraft to Govt	2.3	2.8	2.3	1.6	2.7	2.6
Other domestic debt	2.1	2.0	1.9	1.9	1.9	1.9
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

	29-Jan-16	26-Feb-16	25-Mar-16	22-Apr-16	29-Apr-16	6-May-16
Banking Institutions	54.8	55.5	55.7	55.5	56.5	56.7
Insurance Companies	8.6	8.3	8.2	8.1	7.9	7.8
Parastatals	4.7	4.7	4.7	4.8	4.6	4.6
Pension funds	25.7	25.4	25.5	25.7	25.2	25.2
Other investors	6.2	6.1	5.9	5.9	5.8	5.7
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)

	18-Feb-16	25-Feb-16	3-Mar-16	10-Mar-16	17-Mar-16	24-Mar-16	31-Mar-16	7-Apr-16	14-Apr-16	21-Apr-16	28-Apr-16	5-May-16	12-May-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,127	7,162	7,214	7,332	7,352	7,370	7,377	7,411	7,510	7,557	7,618	7,707	7,693
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.56	4.58	4.62	4.69	4.70	4.72	4.72	4.74	4.89	4.92	4.96	5.01	5.01

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya