



**MAY 20, 2016**

### **Highlights**

*The money market was liquid in the week ending May 18, 2016 supported mainly by Government payments. Consequently, the average interbank rate declined to 3.57 percent in the week ending May 18, 2016 from 3.78 percent in the previous week.*

*The capital market recorded mixed performance in the week ending May 19, 2016 as reflected in the leading market indicators.*

### **Monetary Policy Operations**

The money market was liquid in the week ending May 18, 2016 supported mainly by Government payments. Central Bank continued to support liquidity distribution in the interbank market through reverse repos. Reserve money stood at KSh 389.5 billion on March 18, 2016 (**Table 1**).

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

	12-May-16	13-May-16	16-May-16	17-May-16	18-May-16	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>12.8</b>	<b>5.9</b>	<b>26.4</b>	<b>14.7</b>	<b>3.3</b>	<b>63.1</b>
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	11.1	0.7	0.5	0.3	0.7	13.2
Term Auction Deposit maturities	0.0	3.0	0.0	0.0	0.0	3.0
T/bills redemptions	0.0	0.0	15.3	0.0	0.0	15.3
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	5.0	0.0	0.0	5.0
T/bonds Interest	0.0	0.0	1.8	0.0	0.0	1.8
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	1.8	2.3	3.8	14.4	3.3	25.5
<b>Total liquidity reduction</b>	<b>14.0</b>	<b>3.3</b>	<b>20.1</b>	<b>10.1</b>	<b>1.4</b>	<b>48.9</b>
T/bills (Primary issues)	0.0	0.0	17.3	0.0	0.0	17.3
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	0.0	0.0	0.0	0.0	0.0
Reverse Repos maturities	10.8	2.1	0.3	0.4	1.4	15.0
Term Auction Deposit	0.0	0.0	0.0	6.4	0.0	6.4
Transfer from Banks -Taxes	3.2	1.2	2.5	3.3	0.0	10.1
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>-1.2</b>	<b>2.7</b>	<b>6.3</b>	<b>4.6</b>	<b>1.8</b>	<b>14.2</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount - Mop up</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>Realised Amount - Mop up</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>6.4</b>	<b>0.0</b>	<b>6.4</b>
Repo (-)	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	0.0	0.0	6.4	0.0	6.4
<b>Reverse Repo (+)</b>	<b>11.1</b>	<b>0.7</b>	<b>0.5</b>	<b>0.3</b>	<b>0.7</b>	<b>13.2</b>
<b>Reserve Money Position</b>						
Reserve money (actual)	379.1	380.6	386.6	390.6	389.5	

Source: Central Bank of Kenya

### Activity in the Interbank Market

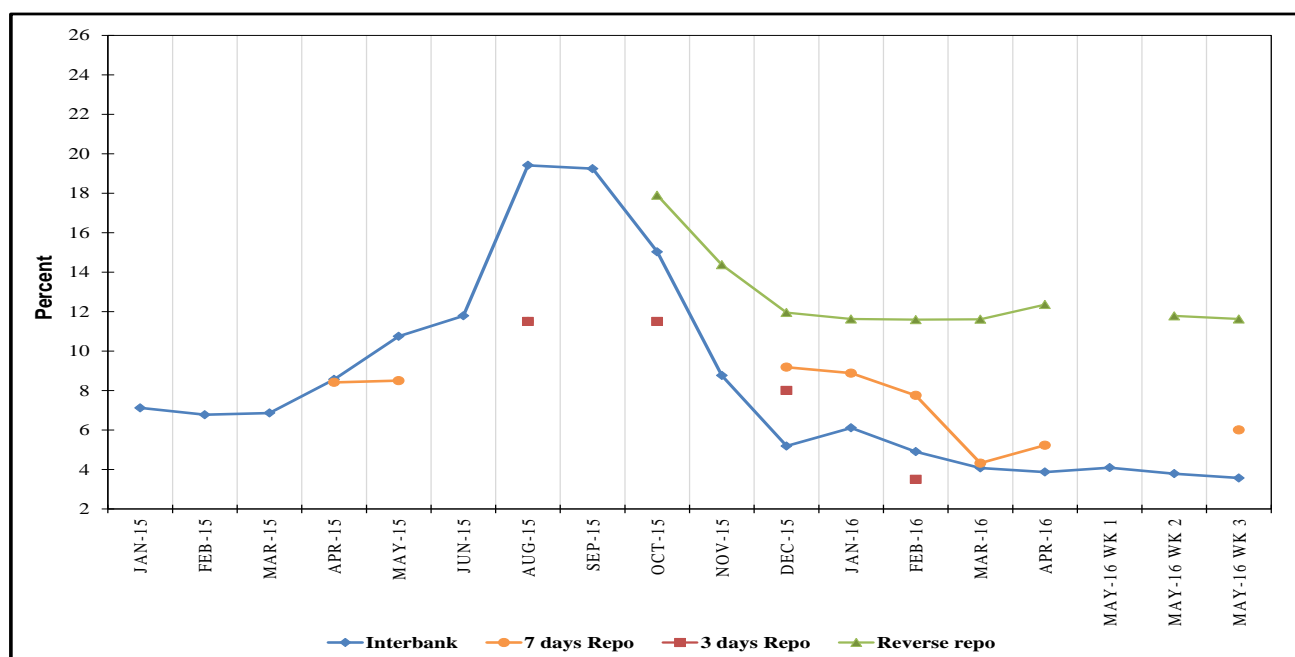
The average interbank rate declined to 3.57 percent in the week ending May 18, 2016 from 3.78 percent recorded the previous week, as the interbank market continued to remain liquid. The interbank market volumes traded decreased as a few banks participated in the market compared to the previous week (Table 2 and Chart A).

**TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)**

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)	Reverse Repo Rate (%)
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
<b>May 5, 2016 - May 11, 2016</b>	<b>18</b>	<b>10,210</b>	<b>3.78</b>		<b>11.78</b>
12-May-16	18	12,350	3.26		11.59
13-May-16	19	12,055	3.25		11.62
16-May-16	12	4,050	4.05		11.66
17-May-16	15	6,000	3.73	6.00	
18-May-16	12	7,700	3.53		
<b>May 12, 2016 - May 18, 2016</b>	<b>15</b>	<b>8,431</b>	<b>3.57</b>	<b>6.00</b>	<b>11.62</b>

Source: Central Bank of Kenya

**CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES**

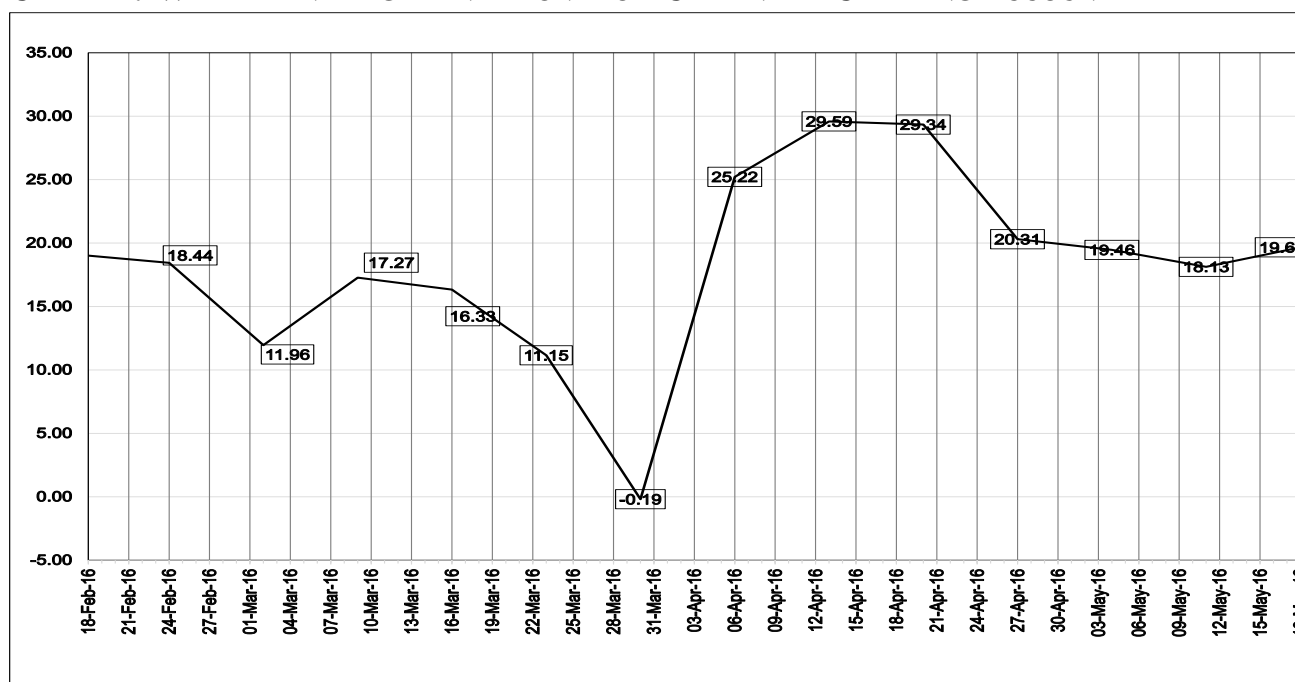


Source: Central Bank of Kenya

**Commercial Banks Clearing Account Balances**

Commercial banks’ clearing account balances increased to KSh 19.67 billion in the week ending May 18, 2016 from KSh 18.13 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 remained stable 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*
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
<b>6th-12th May 2016</b>	<b>100.58</b>	<b>145.34</b>	<b>114.73</b>	<b>92.87</b>	<b>33.10</b>	<b>21.77</b>	<b>7.68</b>	<b>15.43</b>
13th-May 2016	100.60	145.32	114.46	92.43	33.05	21.77	7.92	15.41
16th-May 2017	100.67	144.44	113.69	92.24	33.03	21.75	7.57	15.48
17th-May 2018	100.71	143.16	114.13	92.55	33.01	21.75	7.57	15.48
18th-May 2019	100.83	145.95	114.27	92.66	33.15	21.72	7.74	15.52
19th-May 2020	100.97	147.41	113.82	92.03	33.21	21.70	7.39	15.50
<b>13th-19th May 2016</b>	<b>100.76</b>	<b>145.26</b>	<b>114.07</b>	<b>92.38</b>	<b>33.09</b>	<b>21.74</b>	<b>7.64</b>	<b>15.48</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

## The Capital Markets

Performance in the equity and bond segments of the market declined, while the I-REIT segment recorded some gains.

### Equities Market

The NASI, NSE 25 and NSE 20 Share indices declined by 0.08 percent, 0.24 percent and 1.09 percent, respectively. In addition, market capitalization and equity turnover declined by 0.07 percent and 17.41 percent, respectively, following a reduction of 19.34 percent in total shares traded in the week ending May 19, 2016 (**Table 4**).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	07-Apr-16	14-Apr-16	21-Apr-16	28-Apr-16	05-May-16	12-May-16	19-May-16	Weekly Change (%)
NASI 100= 2008	147.44	145.23	147.41	146.56	145.63	146.44	146.33	-0.08
NSE 25 Share Index	4,257.39	4,153.65	4,215.12	4,239.83	4,213.37	4,216.05	4,205.87	-0.24
NSE 20 Share Index 100= 1996	4,054.29	3,901.45	3,968.75	3,990.20	3,977.85	3,923.42	3,880.81	-1.09
Number of Deals	5,890.00	6,056.00	5,994.00	5,851.00	4,233.00	5,517.00	6,030.00	9.30
Total Shares Traded (Millions)	71.96	71.39	122.34	101.93	111.63	94.68	76.36	-19.34
Equity Turnover (Ksh. Millions)	2,335.40	2,013.08	3,220.17	2,199.68	1,616.53	2,558.26	2,112.95	-17.41
Market Capitalization (Ksh. Bn.)	2,078.25	2,047.08	2,077.84	2,065.77	2,052.68	2,064.15	2,062.61	-0.07
I-REIT Turnover in (Ksh.Millions)	0.66	2.15	4.57	2.70	2.04	1.25	2.14	70.81
I-REIT in Units - Total Deals	21.00	49.00	61.00	39.00	39.00	26.00	46.00	76.92
Bonds Turnover (Ksh. Millions)	7,183.65	14,546.30	5,806.50	10,719.64	7,205.26	9,902.80	5,836.68	-41.06
FTSE NSE Kenya 15 Index	186.41	182.72	183.27	187.39	187.17	186.67	185.86	-0.43
FTSE NSE Kenya 25 Index	186.14	183.25	183.74	187.31	187.27	187.15	186.30	-0.45
FTSE NSE Bond Index	89.08	88.69	88.61	87.13	86.98	87.71	88.4	0.79

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 0.43 percent and 0.45 percent, respectively. The Real Estate Investment Trust (REIT) turnover, however, gained 70.81 percent and corresponding deals increased 76.92 per cent, reflecting improved appetite for these assets.

The Banking, Telecommunication & Technology, and Manufacturing & Allied sectors dominated trading at 72.39 percent of all shares traded.

**The Bond Market**

Total value of bonds traded declined by 41.06 percent compared to the previous week, with corresponding deals down to 71 from 110. The FTSE Government Bond Index increased by 0.79 percent, reflecting marginal increase in secondary market yields.

**TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES**

<b>91-Day Treasury Bills</b>						
Date of Auction	25-Feb-16	31-Mar-16	28-Apr-16	05-May-16	12-May-16	19-May-16
Amount offered (Ksh M)	4,000.0	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	7,287.6
Amount Accepted (Ksh M)	8,363.1	1,160.2	12,402.4	6,608.9	5,129.0	4,798.0
Maturities (Ksh M)	4,075.0	1,358.0	8,365.5	5,891.7	3,345.9	4,651.4
Average interest Rate (%) - 91 Days	9.3	9.0	8.5	8.3	8.2	8.0
<b>182-Day Treasury Bills</b>						
Date of Auction	24-Feb-16	30-Mar-16	27-Apr-16	04-May-16	11-May-16	18-May-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)	9,785.8	2,547.2	16,280.5	5,957.5	12,109.7	8,473.1
Amount Accepted (Ksh M)	5,159.8	1,951.1	9,052.6	5,954.7	6,019.6	6,096.1
Maturities (Ksh M)	815.8	2,856.4	6,185.7	6,093.6	9,131.0	7,821.1
Average interest Rate (%) - 182 days	11.9	10.7	10.5	10.4	10.3	10.1
<b>364-Day Treasury Bills</b>						
Date of Auction	24-Feb-16	30-Mar-16	27-Apr-16	04-May-16	11-May-16	18-May-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)	7,352.2	4,365.8	10,180.4	9,030.9	9,910.6	7,462.3
Amount Accepted (Ksh M)	7,335.1	4,365.8	8,004.7	9,028.2	6,132.1	5,999.5
Maturities (Ksh M)	7,471.0	6,451.1	1,379.2	1,470.4	2,796.6	404.0
Average interest Rate (%) - 364 days	13.3	11.9	11.7	11.7	11.7	11.6
<b>Treasury Bonds</b>						
Date of Auction					18-May-16	
Tenor	FXD 1/2012/10				FXD 2/2016/2	IFB 1/2016/9
Amount offered (Ksh M)	25,000.0				30,000.0	
Bids received (Ksh M)	53,854.8				80,393.8	
Amount Accepted (Ksh M)	30,297.2				39,360.8	
Maturities (Ksh M)	0.0				20,130.2	
Average interest Rate (%)	14.3				12.0	13.3

Source: Central Bank of Kenya

# CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

**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	13-May-16
1. Treasury Bills (Excluding Repos)	390.75	378.82	420.76	462.85	491.56	507.90	523.08	532.65
(As % of total securities)	26.71	26.03	28.27	29.70	30.98	31.50	32.14	32.53
2. Treasury Bonds	1,072.32	1,076.60	1,067.83	1,095.37	1,095.37	1,104.68	1,104.68	1,104.68
(As % of total securities)	73.29	73.97	71.73	70.30	69.02	68.50	67.86	67.47
<b>3. Total Securities (1+2)</b>	<b>1,463.07</b>	<b>1,455.42</b>	<b>1,488.59</b>	<b>1,558.23</b>	<b>1,586.94</b>	<b>1,612.58</b>	<b>1,627.76</b>	<b>1,637.32</b>
4. Overdraft at Central Bank	39.85	35.67	43.58	37.74	25.89	44.87	44.87	36.10
5. Other Domestic debt*	28.28	31.68	31.96	31.69	31.79	31.77	31.78	31.62
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,531.20</b>	<b>1,522.77</b>	<b>1,564.13</b>	<b>1,627.66</b>	<b>1,644.62</b>	<b>1,689.22</b>	<b>1,704.41</b>	<b>1,705.04</b>

\* 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	06-May-16	13-May-16
Treasury bills (Excluding Repos)	24.9	26.9	28.4	29.9	30.1	30.7	31.2
Treasury bonds	70.7	68.3	67.3	66.6	65.4	64.8	64.8
CBK Overdraft to Govt	2.3	2.8	2.3	1.6	2.7	2.6	2.1
Other domestic debt	2.1	2.0	1.9	1.9	1.9	1.9	1.9
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

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	06-May-16	13-May-16
Banking Institutions	54.8	55.5	55.7	55.5	56.5	56.7	56.4
Insurance Companies	8.6	8.3	8.2	8.1	7.9	7.8	7.8
Parastatals	4.7	4.7	4.7	4.8	4.6	4.6	4.6
Pension funds	25.7	25.4	25.5	25.7	25.2	25.2	25.4
Other investors	6.2	6.1	5.9	5.9	5.8	5.7	5.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

**TABLE 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)**

	18-Feb-16	25-Feb-16	03-Mar-16	10-Mar-16	17-Mar-16	24-Mar-16	31-Mar-16	07-Apr-16	14-Apr-16	21-Apr-16	28-Apr-16	05-May-16	12-May-16	19-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	7,662
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	4.99

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya