



MAY 27, 2016

Highlights

The money market was relatively in the week ending May 25, 2016. The average interbank rate increased to 4.33 percent in the week ending May 25, 2016 from 3.57 percent in the previous week.

The capital market recorded mixed performance in the week ending May 26, 2016 as reflected in the leading market indicators.

Monetary Policy Operations

The money market was relatively liquid in the week ending May 25, 2016, with transactions resulting in a net liquidity withdrawal of 9.7 billion largely through tax receipts to Government. 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)

	19-May-16	20-May-16	23-May-16	24-May-16	25-May-16	Total
Liquidity Flows						
Total liquidity injection	10.8	22.3	43.6	9.0	4.6	90.2
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	2.1	0.0	0.5	0.8	0.4	3.8
Term Auction Deposit maturities	6.0	16.4	0.0	3.2	0.0	25.6
T/bills redemptions	0.0	0.0	12.9	0.0	0.0	12.9
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	20.1	0.0	0.0	20.1
T/bonds Interest	0.0	0.0	7.0	0.0	0.0	7.0
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	2.7	5.9	3.1	4.9	4.2	20.8
Total liquidity reduction	4.7	17.7	64.1	11.2	2.2	99.9
T/bills (Primary issues)	0.0	0.0	16.9	0.0	0.0	16.9
Tbonds Sales	0.0	0.0	39.6	0.0	0.0	39.6
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	1.6	0.0	0.4	1.5	0.4	3.9
Term Auction Deposit	0.0	10.0	0.0	0.0	0.0	10.0
Transfer from Banks -Taxes	3.1	5.9	7.1	9.7	1.8	27.6
Net liquidity injection (+)/Withdrawal (-)	6.0	4.6	-20.5	-2.2	2.4	-9.7
Open Market Operations Outcome						
Posted Amount - Mop up	0.0	10.0	0.0	0.0	0.0	10.0
Realised Amount - Mop up	0.0	10.0	0.0	0.0	0.0	10.0
Repo (-)	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	10.0	0.0	0.0	0.0	10.0
Reverse Repo (+)	2.1	0.0	0.5	0.8	0.4	3.8
Reserve Money Position						
Reserve money (actual)	395.3	399.0	379.1	373.6	376.2	

Source: Central Bank of Kenya

Activity in the Interbank Market

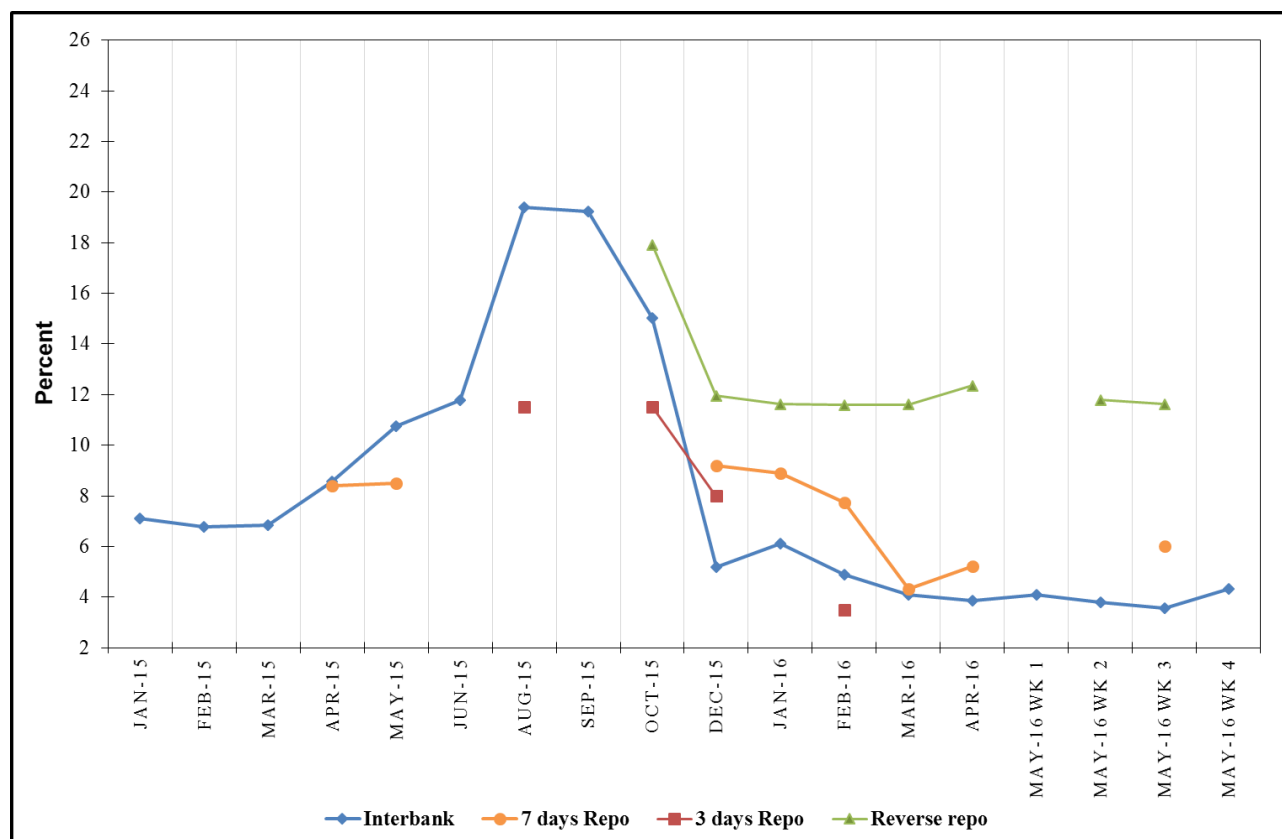
The average interbank rate increased to 4.33 percent in the week ending May 25, 2016 from 3.57 percent recorded the previous week. The interbank market volumes traded and the number of banks involved declined compared to the previous week (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)
12-May-16	18	12,350	3.26
13-May-16	19	12,055	3.25
16-May-16	12	4,050	4.05
17-May-16	15	6,000	3.73
18-May-16	12	7,700	3.53
May 12, 2016 - May 18, 2016	15	8,431	3.57
19-May-16	5	950	4.76
20-May-16	5	1,450	5.44
23-May-16	15	10,400	4.00
24-May-16	18	10,110	3.88
25-May-16	19	10,630	3.56
May 19, 2016 - May 25, 2016	12	6,708	4.33

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES

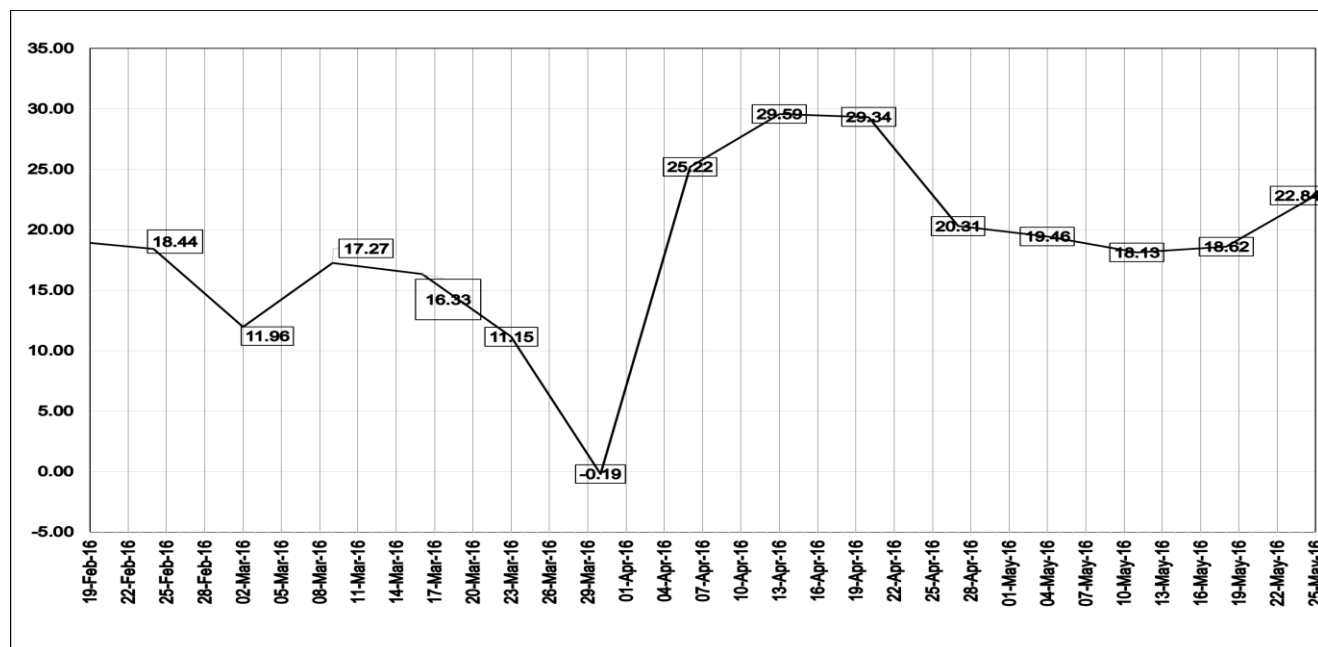


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account balances increased to KSh 22.84 billion in the week ending May 25, 2016 from KSh 19.62 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 depicted mixed performance against major international and regional currencies during the week ending 26th May 2016. The shilling remained steady against the USD as supply and demand were evenly matched. The shilling strengthened against the Euro and the Japanese Yen but weakened against the Sterling Pound. In the EAC region, the Kenya Shilling changed marginally strengthening against the Uganda Shilling but depreciating against the rest of the currencies.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
13th-May 2016	100.60	145.32	114.46	92.43	33.05	21.77	7.92	15.41
16th-May 2016	100.67	144.44	113.69	92.24	33.03	21.75	7.57	15.48
17th-May 2016	100.71	143.16	114.13	92.55	33.01	21.75	7.57	15.48
18th-May 2016	100.83	145.95	114.27	92.66	33.15	21.72	7.74	15.52
19th-May 2016	100.97	147.41	113.82	92.03	33.21	21.70	7.39	15.50
13th-19th May 2016	100.76	145.26	114.07	92.38	33.09	21.74	7.64	15.48
20th-May 2016	100.69	146.94	112.82	91.65	33.32	21.75	7.45	15.49
23rd-May 2016	100.79	146.52	113.24	91.34	33.38	21.73	7.43	15.45
24th-May 2016	100.93	146.12	113.06	92.36	33.44	21.70	7.74	15.46
25th-May 2016	100.87	147.27	112.69	91.74	33.64	21.71	7.41	15.46
26th-May 2016	100.67	147.99	112.14	91.20	33.67	21.76	7.42	15.47
20th-26th May 2016	100.79	146.97	112.79	91.66	33.49	21.73	7.49	15.47

Source: Central Bank of Kenya

The Capital Markets

Performance in the equity and real estate segment of the market declined, while the bond segment recorded improvement during the week under review.

Equities Market

Overall, equities share prices declined as reflected by changes in the NASI, NSE 25 and NSE 20 Share indices. Market capitalization which, measures shareholders wealth therefore declined while equity turnover rose by 24.22 percent on account of substantial increase in number of shares traded (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	26-May-16	Weekly Change (%)
NASI 100= 2008	147.44	145.23	147.41	146.56	145.63	146.44	146.33	145.78	-0.38
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	4,183.88	-0.52
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	3,871.74	-0.23
Number of Deals	5,890.00	6,056.00	5,994.00	5,851.00	4,233.00	5,517.00	6,030.00	5,824.00	-3.42
Total Shares Traded (Millions)	71.96	71.39	122.34	101.93	111.63	94.68	76.36	90.63	18.69
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	2,624.64	24.22
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	2,054.84	-0.38
I-REIT Turnover in (Ksh.Millions)	0.66	2.15	4.57	2.70	2.04	1.25	2.14	1.63	-24.03
I-REIT in Units - Total Deals	21.00	49.00	61.00	39.00	39.00	26.00	46.00	29.00	-36.96
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	23,288.34	299.00
FTSE NSE Kenya 15 Index	186.41	182.72	183.27	187.39	187.17	186.67	185.86	185.30	-0.30
FTSE NSE Kenya 25 Index	186.14	183.25	183.74	187.31	187.27	187.15	186.30	185.49	-0.43
FTSE NSE Bond Index	89.08	88.69	88.61	87.13	86.98	87.71	88.4	88.69	0.33

Source: Nairobi Securities Exchange

The bearish market saw 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 record further declines during the week. Activities in the real estate market segment were low with Real Estate Investment Trust (REIT) turnover down by 24.03 percent and deals transacted down to 29 from 46 in the previous week.

The Banking, Telecommunication and Technology, and Energy and Petroleum sectors accounted for 79.48 percent of the total shares traded.

The Bond Market

The volume of bonds traded rose by 299 percent in the week, with deals transacted up to 177 from 71 deals in the previous week. This is attributed to active trading and sell buy-backs of IFB 1/2016/9 issued on 23 May 2016 that accounted for 68 percent of all bonds worth KSh 30 billion traded in the week. The FTSE Government Bond Index increased by 0.33 percent, reflecting slight decline in secondary market yields.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills					
Date of Auction	31-Mar-16	28-Apr-16	12-May-16	19-May-16	26-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)	1,160.2	16,656.1	11,143.7	7,287.6	10,212.9
Amount Accepted (Ksh M)	1,160.2	12,402.4	5,129.0	4,798.0	7,284.2
Maturities (Ksh M)	1,358.0	8,365.5	3,345.9	4,651.4	8,569.5
Average interest Rate (%)- 91 Days	9.0	8.5	8.2	8.0	7.7
182-Day Treasury Bills					
Date of Auction	30-Mar-16	27-Apr-16	11-May-16	18-May-16	25-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)	2,547.2	16,280.5	12,109.7	8,473.1	10,543.1
Amount Accepted (Ksh M)	1,951.1	9,052.6	6,019.6	6,096.1	5,402.0
Maturities (Ksh M)	2,856.4	6,185.7	9,131.0	7,821.1	478.6
Average interest Rate (%)- 182 days	10.7	10.5	10.3	10.1	10.0
364-Day Treasury Bills					
Date of Auction	30-Mar-16	27-Apr-16	11-May-16	18-May-16	25-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)	4,365.8	10,180.4	9,910.6	7,462.3	16,092.7
Amount Accepted (Ksh M)	4,365.8	8,004.7	6,132.1	5,999.5	9,168.5
Maturities (Ksh M)	6,451.1	1,379.2	2,796.6	404.0	1,092.0
Average interest Rate (%)- 364 days	11.9	11.7	11.7	11.6	11.3
Treasury Bonds					
Date of Auction	18-May-16				
Tenor	FXD 2/2016/2		IFB 1/2016/9		IFB 1/2016/10
Amount offered (Ksh M)	30,000.0				
Bids received (Ksh M)	80,393.8				
Amount Accepted (Ksh M)	39,360.8				
Maturities (Ksh M)	20,130.2				
Average interest Rate (%)	12.0		13.3		14.3

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	26-Feb-16	25-Mar-16	29-Apr-16	06-May-16	13-May-16	20-May-16
1. Treasury Bills (Excluding Repos)	420.76	462.85	507.90	523.08	532.65	535.77
(As % of total securities)	28.27	29.70	31.50	32.14	32.53	32.76
2. Treasury Bonds	1,067.83	1,095.37	1,104.68	1,104.68	1,104.68	1,099.65
(As % of total securities)	71.73	70.30	68.50	67.86	67.47	67.24
3. Total Securities (1+2)	1,488.59	1,558.23	1,612.58	1,627.76	1,637.32	1,635.42
4. Overdraft at Central Bank	43.58	37.74	44.87	44.87	36.10	17.14
5. Other Domestic debt*	31.96	31.69	31.77	31.78	31.62	31.61
6. Gross Domestic Debt (3+4+5)	1,564.13	1,627.66	1,689.22	1,704.41	1,705.04	1,684.17

* 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

	26-Feb-16	25-Mar-16	29-Apr-16	06-May-16	13-May-16	20-May-16
Treasury bills (Excluding Repos)	26.9	28.4	30.1	30.7	31.2	31.8
Treasury bonds	68.3	67.3	65.4	64.8	64.8	65.3
CBK Overdraft to Govt	2.8	2.3	2.7	2.6	2.1	1.0
Other domestic debt	2.0	1.9	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

	26-Feb-16	25-Mar-16	29-Apr-16	06-May-16	13-May-16	20-May-16
Banking Institutions	55.5	55.7	56.5	56.7	56.4	56.0
Insurance Companies	8.3	8.2	7.9	7.8	7.8	7.9
Parastatals	4.7	4.7	4.6	4.6	4.6	4.7
Pension funds	25.4	25.5	25.2	25.2	25.4	25.9
Other investors	6.1	5.9	5.8	5.7	5.7	5.6
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)

	07-Apr-16	14-Apr-16	21-Apr-16	28-Apr-16	05-May-16	12-May-16	19-May-16	26-May-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,411	7,510	7,557	7,618	7,707	7,693	7,662	7,649
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.74	4.89	4.92	4.96	5.01	5.01	4.99	4.98

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya