



SEPTEMBER 26, 2014

Highlights

The money market liquidity improved by Kshs 1.47 million in the week ending September 24, 2014. The marginal increase reflects nearly matched liquidity injections (from maturities of repo securities and Term Auction Deposits, and net government payments) against withdrawals through sale of forex and tax receipts. The average interbank rate declined marginally to 7.25 percent in the week ending September 24, 2014 from 7.60 percent the previous week.

The Nairobi Securities Exchange recorded mixed performance with improved activities in the equities segment and a decline in the bonds segment.

Monetary Policy Operations

The money market liquidity improved marginally in the week ending September 24, 2014 supported by maturities of term auction deposit and repo and net redemption of Government securities. This was partly offset by sale of forex in interbank market and tax remittance to Government resulting in net liquidity injection of Ksh 1.47 billion. Reserve money averaged Ksh 327.5 billion during the week and was Ksh 20.3 billion below target (Table 1).

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

	18-Sep-14	19-Sep-14	22-Sep-14	23-Sep-14	24-Sep-14	Total
Liquidity Flows						
Total liquidity injection	9,275	4,304	35,326	6,739	7,643	63,287
Repos Maturities	3,340	2,240	5,880	3,400	4,900	19,760
Term Auction Deposit maturities	0	0	3,180	2,630	1,030	6,840
T/bills redemptions	0	0	17,641	0	0	17,641
Govt payments	5,730	2,064	3,885	709	1,629	14,017
Total liquidity reduction	5,259	17,091	22,188	14,837	2,440	61,815
T/bills (Primary issues)	0	0	8,910	0	0	8,910
Transfer from Banks -Taxes	5,022	17,057	6,218	12,594	2,335	43,226
Net liquidity injection (+)/Withdrawal (-)	4,016	-12,787	13,138	-8,099	5,203	1,472
Open Market Operations (OMO) Outcome						
Posted Amount	0	0	0	0	0	0
Realised Amount	0	0	0	0	0	0
Repo (-)	0	0	0	0	0	0
Term Auction Deposits (-)	0	0	0	0	0	0
Reverse Repo (+)	0	0	0	0	0	0
Reserve Money Position						Average
Reserve money (actual)	332.8	319.0	332.4	323.9	329.2	327.5
Reserve money target	347.9	347.9	347.6	347.6	347.6	347.7
Deviation from target	-15.2	-28.9	-15.1	-23.6	-18.3	-20.2

Source: Central Bank of Kenya

Interbank and REPO Rates

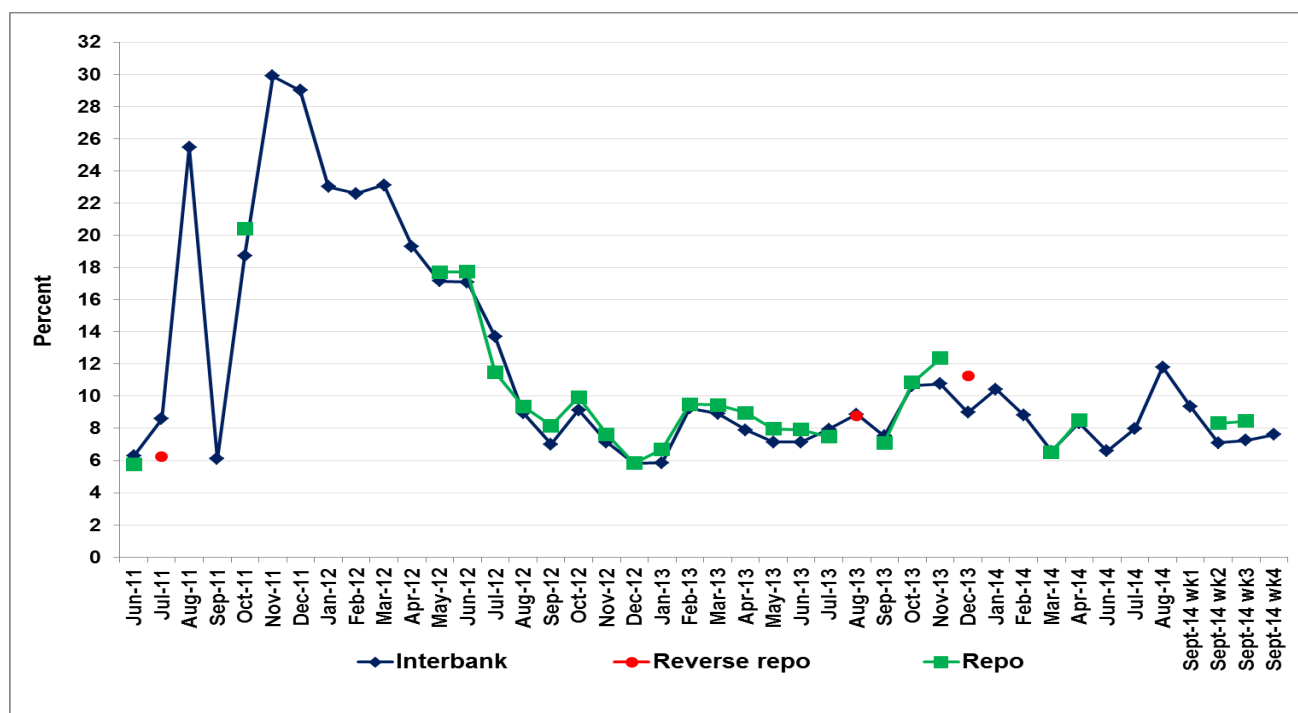
The average interbank rate declined marginally to 7.25 percent in the week ending September 24, 2014 from 7.60 percent the previous week. The volume transacted increased to Ksh 24.74 billion from Ksh 20.04 billion traded in the previous week and the average number of deals increased to 63 from 57 (**Table 2 and Chart A**).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
11-Sep-14	61	20,040	7.07
12-Sep-14	70	22,095	7.24
15-Sep-14	51	17,168	7.27
16-Sep-14	53	19,721	7.35
17-Sep-14	52	21,189	7.34
September 11, 2014 - September 17, 2014	57	20,042	7.25
18-Sep-14	54	19,389	7.57
19-Sep-14	62	25,634	7.80
22-Sep-14	64	24,179	7.77
23-Sep-14	73	28,760	7.58
24-Sep-14	63	25,750	7.29
September 18, 2014 - September 24, 2014	63	24,742	7.60

Source: Central Bank of Kenya

CHART A: INTERBANK AND REPO INTEREST RATES

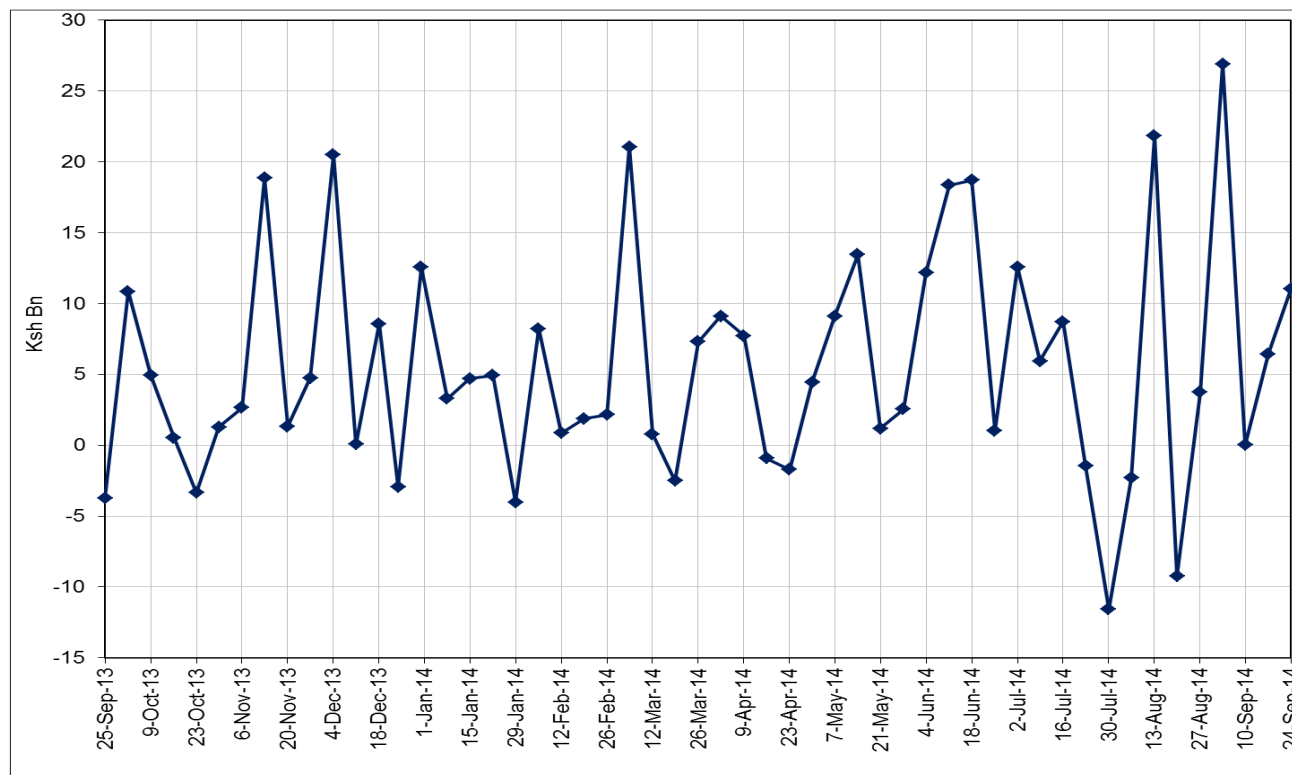


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' clearing account balance increased during the week ending September 24, 2014, to Ksh 11.02 billion above the cash reserve requirement of 5.25 percent (Ksh 112.2 billion) from Ksh 6.45 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 stabilized at Kshs 88.93 to the US Dollar during the week ending September 25, 2014. However, it strengthened against the Euro by 0.6 percent and the Japanese Yen by 1.2 percent but weakened to the Pound Sterling by 0.8 percent. In the EAC region the Kenya Shilling strengthened against the Uganda, Tanzania shillings and the Rwanda Franc, but weakened to the Burundi Franc (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
12-Sep-14	88.80	144.02	114.77	82.89	29.41	18.75	7.75	17.46
15-Sep-14	88.82	144.22	115.06	82.87	29.39	18.75	7.65	17.45
16-Sep-14	88.79	144.20	115.05	82.85	29.38	18.76	7.75	17.46
17-Sep-14	88.99	144.93	115.25	83.00	29.35	18.73	7.73	17.42
18-Sep-14	89.27	145.58	114.85	82.13	29.27	18.69	7.71	17.36
12 -18 Sept 2014	88.93	144.59	115.00	82.75	29.36	18.74	7.72	17.43
19-Sep-14	88.95	146.59	114.88	81.60	29.49	18.78	7.74	17.34
22-Sep-14	88.59	144.79	113.94	81.63	29.61	18.85	7.77	17.41
23-Sep-14	88.91	145.63	114.39	81.79	29.50	18.78	7.74	17.35
24-Sep-14	89.13	146.14	114.51	82.03	29.51	18.81	7.72	17.39
25-Sep-14	89.10	145.49	113.77	81.75	29.55	18.80	7.72	17.39
19 -25 Sept 2014	88.93	145.73	114.30	81.76	29.53	18.80	7.74	17.38

Source: Central Bank of Kenya

The Nairobi Stock Exchange (NSE)

The NSE recorded mixed performance during the week ending September 25, 2014. The equities segment was up-beat in average share prices, volume of share traded and equities turnover while turnover in the bond market segment declined.

Equities Market

Share prices improved, with the NSE 20 Share Index gaining 27.05 points and the NASI 0.82 points during the week ending September 25, 2014 (Table 4). The volume of share traded also increased by 22.81 percent. Reflecting these developments market turnover increased by 20.59 percent and market capitalization, which measures shareholders wealth increased by 0.51 percent.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	14-Aug-14	21-Aug-14	28-Aug-14	4-Sep-14	11-Sep-14	18-Sep-14	25-Sep-14
NASI 100= 2008	154.50	156.58	157.09	159.51	159.34	161.10	161.92
NSE 20 Share Index 100= 1996	5,019.28	5,024.64	5,089.16	5,157.15	5,161.21	5,222.87	5,249.92
Number of Deals	11,466	10,999	10,984	9,704	12,431	17,031	20,916
Total Shares Traded	90.50	168.27	180.51	112.09	136.68	193.36	239.12
Equity Turnover (Ksh. Millions)	3,212.34	3,714.10	3,767.03	2,919.73	3,397.50	4,847.75	5,845.66
Market Capitalization (Ksh. Bn.)	2,176.72	2,193.59	2,204.63	2,238.63	2,238.03	2,262.85	2,274.48
Bonds Turnover (Ksh. Millions)	9,405.66	13,232.70	12,600.42	15,795.02	8,263.13	5,959.15	4,499.23
FTSE NSE Kenya 15 Index	203.40	203.51	203.20	209.73	208.10	211.52	216.79
FTSE NSE Kenya 25 Index	205.32	205.37	204.89	211.25	209.26	212.43	216.39
FTSE NSE Bond Index	93.17	93.59	93.61	93.21	93.31	92.94	93.45

Source: Nairobi Securities Exchange

FTSE NSE Kenya Price Index Series and Most Active Sectors

Selected indicators of price performance collaborate the general improvement in share price in the week under review with:-

- The FTSE NSE Kenya 15 Index which measures stocks performance of 15 largest companies by market capitalization closing higher at 216.79 points from 211.52 points in the previous week.
- The FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at the NSE closing higher at 216.39 points from 212.43 points.
- The FTSE Government Bond Index improving to 93.45 points from 92.94 points.

Telecommunication and Technology, Banking, and Energy and petroleum sectors were the top three most active sectors, which represented 35.14 percent, 17.18 percent and 13.72 percent of the total shares traded, respectively. Agricultural sector was least active with 374,900 shares traded in the period.

The Bond Market

Bonds' turnover declined by 24.50 percent to Ksh 4,499.23 million from Ksh 5,959.15 million in the previous week.

TABLE 5: PERFORMANCE OF TREASURY BILL AUCTIONS

91-Day Treasury Bills						
Date of Auction	21-Aug-14	28-Aug-14	4-Sep-14	11-Sep-14	18-Sep-14	25-Sep-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	3,000.00
Bids received (Ksh M)	1,250.94	1,250.94	1,510.37	4,326.63	2,713.59	4,827.83
Amount Accepted (Ksh M)	1,250.94	1,093.93	1,054.10	3,153.82	2,224.89	4,351.18
Maturities (Ksh M)	2,242.82	1,054.10	3,267.42	12,612.60	9,099.14	4,827.83
Average interest Rate (%)	8.209	8.200	8.187	8.219	8.637	8.653
182-Day Treasury Bills						
Date of Auction	20-Aug-14	27-Aug-14	3-Sep-14	10-Sep-14	17-Sep-14	24-Sep-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	750.18	620.76	346.91	801.51	400.9	1508.68
Amount Accepted (Ksh M)	750.18	620.76	346.91	418.7	400.9	1413.2
Maturities (Ksh M)	3206.73	1972.1	5489.24	6693.37	3590.62	6009.26
Average interest Rate (%)	8.693	8.605	8.550	8.550	8.604	8.741
364-Day Treasury Bills						
Date of Auction	20-Aug-14	27-Aug-14	3-Sep-14	10-Sep-14	17-Sep-14	24-Sep-14
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	5,000.00
Bids received (Ksh M)	1057.56	4463.70	9426.48	9019.56	6283.98	10938.81
Amount Accepted (Ksh M)	877.37	3107.05	4858.98	9019.56	6283.98	6250.97
Maturities (Ksh M)	3102.02	3470.56	4199.53	4789.75	4951.73	1160.5
Average interest Rate (%)	10.249	10.253	10.233	10.163	10.276	10.357
Treasury Bonds						
Date of Auction	10-Sep-14		17-Sep-14		24-Sep-14	
Tenor	30 Year SBD 6th Re-open		30 Year 7th Re-open		30 Year 8th Re-open	10 year FXD Re-open
Amount offered (Ksh M)	20000.00		20000.00		20000	15000
Bids received (Ksh M)	0.02		640.63		748.8	16482.00
Amount Accepted (Ksh M)	0.02		640.63		748.8	15490.1
Maturities (Ksh M)	0.00		0.00		0	0.00
Average interest Rate (%)	13.775		13.775		13.775	12.296

Source: Central Bank of Kenya

CBK Weekly Statistical Bulletin of Key Monetary & Financial Indicators

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	1st August 2014	8th August 2014	15th August 2014	22nd August 2014	29th August 2014	5th September 2014	12th September 2014	19th September 2014
1. Treasury Bills (Excluding Repos)	311.6	321.2	309.9	311.7	305.6	303.3	296.4	284.7
(As % of total securities)	25.4	26.0	25.3	25.4	24.7	24.9	24.4	24.0
2. Treasury Bonds	914.4	914.4	914.4	914.4	929.9	915.3	915.9	902.7
(As % of total securities)	74.6	74.0	74.7	74.6	75.3	75.1	75.6	76.0
3. Total Securities (1+2)	1226.0	1235.6	1224.3	1226.1	1235.6	1218.6	1212.3	1187.4
4. Overdraft at Central Bank	31.2	13.0	24.9	22.6	30.4	33.1	38.3	25.9
5. Other Domestic debt*	32.9	32.9	31.8	31.8	31.2	31.3	31.9	31.9
6. Gross Domestic Debt (3+4+5)	1290.1	1281.4	1281.0	1280.5	1297.2	1282.9	1282.4	1245.1

* 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

	1-Aug-14	8-Aug-14	15-Aug-14	22-Aug-14	29-Aug-14	5-Sep-14	12-Sep-14	19-Sep-14
Treasury bills (Excluding Repos)	24.2	25.1	24.2	24.3	23.6	23.6	23.1	22.9
Treasury bonds	70.9	71.4	71.4	71.4	71.7	71.3	71.4	72.5
CBK Overdraft to Govt	2.4	1.0	1.9	1.8	2.3	2.6	3.0	2.1
Other domestic debt	2.5	2.6	2.5	2.5	2.4	2.4	2.5	2.6
TOTAL	100.0	100.0	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

	1-Aug-14	8-Aug-14	15-Aug-14	22-Aug-14	29-Aug-14	5-Sep-14	12-Sep-14	19-Sep-14
Banking Institutions	54.2	53.1	53.5	53.3	53.8	53.1	53.3	52.4
Insurance Companies	9.4	9.5	9.5	9.6	9.7	9.8	9.8	10.1
Parastatals	3.0	3.0	2.9	2.9	2.9	2.9	2.9	2.9
Pension funds	25.8	25.8	25.8	26.1	25.7	25.4	25.4	25.8
Other investors	7.7	8.7	8.2	8.1	7.9	8.8	8.6	8.8
Total	100.0	100.0	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)

	7-Aug-14	14-Aug-14	21-Aug-14	28-Aug-14	4-Sep-14	11-Sep-14	18-Sep-14	25-Sep-14
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	6,417	6,398	6,367	6,257	6,377	6,317	7,348	7,248
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.29	4.27	4.25	4.18	4.21	4.17	4.85	4.78

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya