



MAY 19, 2017

Highlights

The money market was fairly liquid during the week ending May 17, 2017. The weighted average interbank rate stabilized at 5.55 per cent in the week ending May 17, 2017 compared to 5.52 per cent recorded in the previous week.

The capital markets recorded mixed performance with gains in equity segment and losses in fixed income and REITs market segments, during the week ending May 18, 2017. The Exchange Traded Funds market segment was quiet.

Monetary Policy Operations

The money market was fairly liquid during the week ending May 17, 2017. The Central Bank's open market operations resulted in KSh 2.8 billion withdrawal largely through Term Auction Deposits sales. As a result, net liquidity injection into the money market during the week under review amounted to KSh 5.7 billion (**Table 1**).

billion, from the previous week's KSh 13.1 billion (**Chart A**).

Commercial banks' excess reserves above 5.25 per cent averaging requirement declined to KSh 4.7

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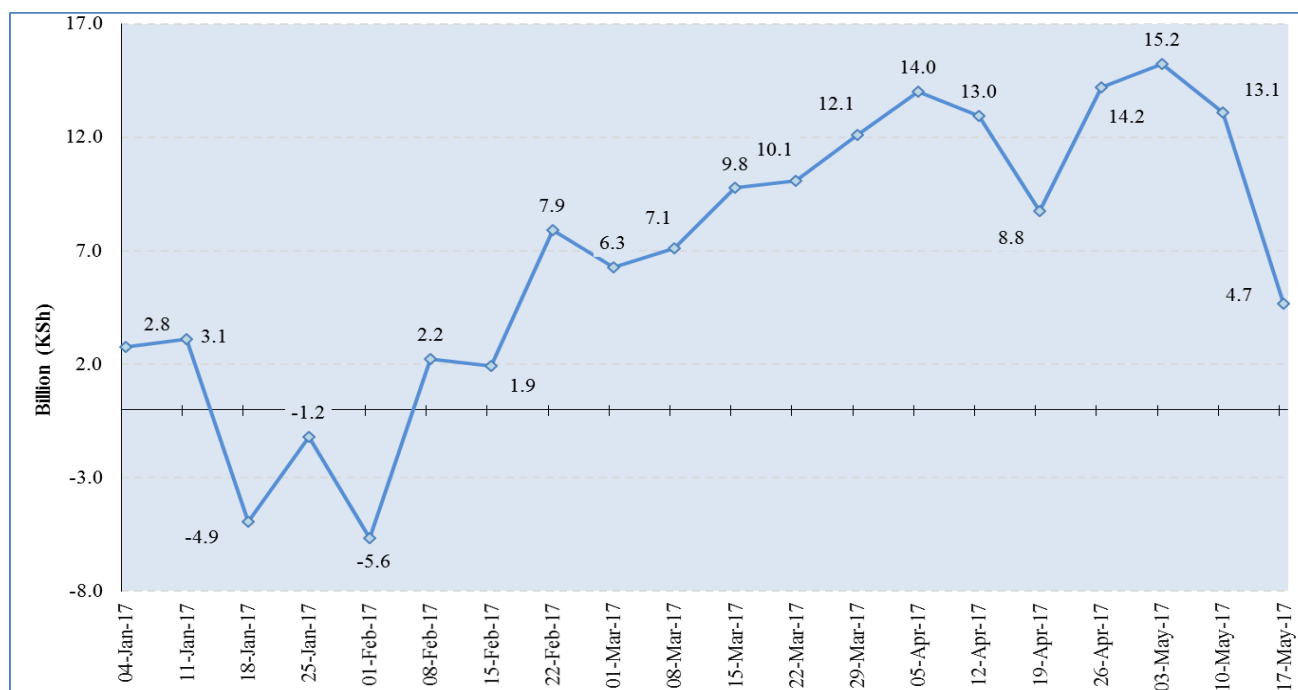
TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	11-May-17	12-May-17	15-May-17	16-May-17	17-May-17	Total
Liquidity Flows						
Total liquidity injection \¹	16.7	17.6	25.6	5.4	7.3	72.5
Repos Maturities	10.0	12.0	0.0	0.0	0.0	22.0
Reverse Repo Purchases	0.6	0.0	0.0	0.9	1.6	3.0
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	14.9	0.0	0.0	14.9
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	2.4	0.0	0.0	2.4
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	6.1	5.6	8.3	4.5	5.7	30.2
Total liquidity reduction \¹	22.7	14.2	32.1	4.7	4.6	78.2
T/bills (Primary issues)	0.0	0.0	29.8	0.0	0.0	29.8
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	0.6	0.0	0.0	1.0	2.2	3.8
Term Auction Deposit	12.0	12.0	0.0	0.0	0.0	24.0
Transfer from Banks -Taxes	10.1	2.2	2.3	3.7	2.3	20.6
Net liquidity injection (+)/Withdrawal (-)	-6.02	3.32	-6.48	0.76	2.7	-5.7
Open Market Operations Outcome						
Posted Amount	12.0	12.0	-	-	-	24.0
Realised Amount - Mop up	12.0	12.0	-	-	-	24.0
Repo (-)	-	-	-	-	-	-
Term Auction Deposits (-)	12.0	12.0	-	-	-	24.0
Reserve Money Position						
Reserve money (actual)	402.8	405.8	399.2	398.0	400.6	401.3

\¹ Only main transactions increasing or reducing liquidity are included.

Source: Central Bank of Kenya

CHART A: COMMERCIAL BANKS EXCESS RESERVES



Source: Central Bank of Kenya

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Activity in the Interbank Market

The weighted average interbank rate stabilized at 5.55 per cent in the week ending May 17, 2017 compared to 5.52 per cent recorded in the previous week. The volumes transacted declined to KSh 7.94 billion from KSh 14.70 billion in the previous week,

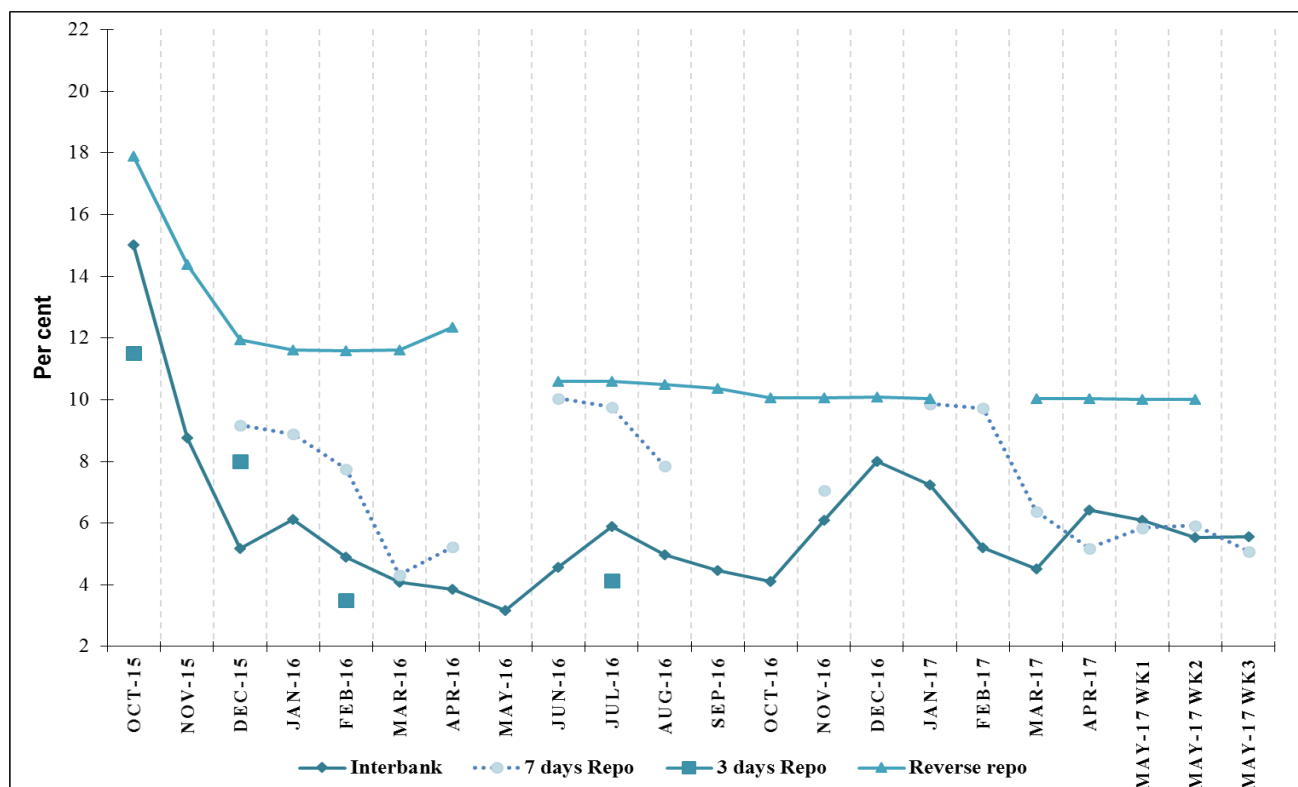
while the average number of deals stood at 22 compared to 29. Meanwhile, repo sales traded at a lower average rate of 5.08 per cent in the week ending May 17, 2017 compared to 5.92 per cent in the previous week (**Table 2** and **Chart B**).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)
4-May-17	29	17,290	5.34	5.97
5-May-17	26	13,300	5.40	5.88
8-May-17	34	17,820	5.57	-
9-May-17	31	15,330	5.61	-
10-May-17	25	9,775	5.69	-
May 4, 2017 -May 10, 2017	29	14,703	5.52	5.92
11-May-17	21	7,650	5.72	5.21
12-May-17	19	7,475	5.43	4.94
15-May-17	22	7,320	5.56	-
16-May-17	26	10,180	5.37	-
17-May-17	23	7,050	5.67	-
May 11, 2017 -May 17, 2017	22	7,935	5.55	5.08

Source: Central Bank of Kenya

CHART B: STRUCTURE OF INTEREST RATES



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate portrayed mixed performance against major international and EAC currencies during the week ending May 18, 2017. The Shilling strengthened against the Sterling Pound but weakened against the US Dollar, the Japanese Yen and the Euro. In the EAC region, the

Kenya Shilling strengthened against the Burundi Franc but weakened against the Uganda Shilling, the Tanzania Shilling and the Rwanda Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
5-May-17	103.14	133.06	112.75	91.49	35.19	21.67	8.14	16.43
8-May-17	103.14	133.47	113.14	91.58	35.20	21.67	8.14	16.43
9-May-17	103.18	133.48	112.84	91.46	35.18	21.66	8.14	16.42
10-May-17	103.20	133.66	112.43	90.67	35.13	21.66	8.14	16.43
11-May-17	103.32	133.64	112.29	90.45	35.18	21.63	7.96	16.60
5-11 May 2017	103.19	133.46	112.69	91.13	35.18	21.66	8.11	16.46
12-May-17	103.38	133.16	112.34	91.02	35.19	21.62	7.96	16.59
15-May-17	103.22	133.07	112.74	91.03	35.26	21.65	7.97	16.62
16-May-17	103.23	133.29	113.43	90.93	35.16	21.65	8.14	16.45
17-May-17	103.35	133.32	114.42	91.08	35.19	21.65	7.99	16.61
18-May-17	103.34	133.75	114.95	92.78	35.06	21.65	8.13	16.40
14-18 May 2017	103.30	133.32	113.58	91.37	35.17	21.64	8.04	16.53

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

The capital markets recorded mixed performance with gains in equity segment and losses in fixed income and REITs market segments, during the week ending May 18, 2017. The Exchange Traded Funds market segment was quiet.

cent on account of a 44.82 per cent increase in the volume of shares traded and price increase. Shareholders' wealth, measured by market capitalization, increased by 0.87 per cent (**Table 4**).

Equity Market

Share prices increased during the week ending May 18, 2017, as indicated by gains in the all three price indices. The equity turnover increased by 41.04 per

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	06-Apr-17	12-Apr-17	20-Apr-17	27-Apr-17	04-May-17	11-May-17	18-May-17	Weekly Change (Percent)
NASI 100= 2008	132.63	134.58	133.78	133.20	134.58	137.64	138.85	0.88
NSE 25 Share Index	3,524.12	3,534.60	3,536.93	3,534.00	3,551.26	3,620.80	3,685.50	1.79
NSE 20 Share Index 100= 1996	3,101.19	3,109.78	3,149.33	3,164.00	3,144.38	3,195.70	3,244.69	1.53
Number of Deals	4,937	4,257	4,136	4,696	4,230	6,068	6,650	9.59
Total Shares Traded (Million)	116.21	66.03	230.34	97.38	82.50	133.51	193.34	44.82
Equity Turnover (KSh Million)	2,442.60	1,867.41	4,149.43	2,768.86	2,341.64	3,051.53	4,303.93	41.04
Market Capitalization (KSh Billion)	1,925.17	1,953.85	1,942.49	1,934.61	1,954.12	1,999.00	2,016.35	0.87
I-REIT Turnover in (KSh Million)	0.79	0.30	0.05	0.43	0.33	0.66	0.24	-63.85
I-REIT in Units - Total Deals	30.00	17.00	4.00	12.00	21.00	28.00	14.00	-50.00
Bonds Turnover (KSh Million)	8,183.45	4,405.05	3,977.40	10,647.71	8,706.15	13,791.38	6,687.15	-51.51
FTSE NSE Kenya 15 Index	164.38	162.89	164.59	164.10	165.27	169.10	173.37	2.53
FTSE NSE Kenya 25 Index	167.43	167.21	168.76	168.20	170.11	174.07	177.71	2.09
FTSE NSE Bond Index	89.71	89.84	89.84	89.90	89.96	89.98	90.04	0.07
ETF Turnover(KSh Million)					0.12	-	-	-
ETF -Total Deals					1.00	-	-	-

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

Performance of FTSE¹ 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 at the Nairobi Securities Exchange (NSE), increased in the period under review. Telecommunication & Technology and Banking sectors accounted for 62.01 per cent of the total shares traded during the period under review, reflecting a fairly well-balanced market. Turnover in the Real Estate Investment Trust (I-REIT²) declined both in number of deals and turnover, perhaps reflecting a low investor appetite for asset-backed securities.

Bond Market

The volume of bond traded declined by 51.51 per cent with corresponding deals down to 175 from 184 in the week ending May 18, 2017. The FTSE NSE Bond Index increased marginally by 0.07 per cent indicating decline in secondary market yields. The low volume could partially be explained by investors focus on the primary market, which attracted 782 bids worth KSh 38.5 billion against KSh 40 billion offered in the reopening 3-and 7-year bonds.

¹ FTSE refers to Financial Times Stock Exchange, which is an average of share prices in the 100 largest, most actively traded companies on the London Stock Exchange. The two NSE indices are indexed on FTSE
² I-REIT is a collective investment vehicle that allows investors to pool capital, which is then invested in a

portfolio of selected properties for a return. Investors gain through capital appreciation and rental income, with the latter being distributed to unit-holders annually.

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TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills						
Date of Auction	23-Mar-17	30-Mar-17	27-Apr-17	04-May-17	11-May-17	18-May-17
Amount offered (Ksh M)	10,000.0	10,000.0	10,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	8,806.8	11,223.1	12,373.5	11,828.9	11,942.9	8,847.4
Amount Accepted (Ksh M)	2,158.4	7,084.8	11,239.8	3,602.9	6,705.5	2,234.0
Maturities (Ksh M)	3,750.1	1,393.8	5,657.4	1,381.9	1,532.8	1,813.1
Average interest Rate (%) - 91 Days	8.7	8.8	8.8	8.8	8.7	8.7
182-Day Treasury Bills						
Date of Auction	22-Mar-17	29-Mar-17	26-Apr-17	03-May-17	10-May-17	17-May-17
Amount offered (Ksh M)				10,000.0	10,000.0	10,000.0
Bids received (Ksh M)				25,376.5	19,616.9	16,815.9
Amount Accepted (Ksh M)				20,401.7	12,516.9	15,452.4
Maturities (Ksh M)				6,660.0	6,932.5	7,220.5
Average interest Rate (%) - 182 days				10.5	10.4	10.4
364-Day Treasury Bills						
Date of Auction	22-Mar-17	29-Mar-17	26-Apr-17	03-May-17	10-May-17	17-May-17
Amount offered (Ksh M)	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0
Bids received (Ksh M)	20,305.3	13,275.7	8,245.6	9,892.6	10,754.8	15,748.4
Amount Accepted (Ksh M)	15,444.6	9,287.4	7,987.5	8,879.0	10,546.7	14,815.9
Maturities (Ksh M)	13,918.9	4,883.3	8,932.5	6,846.0	6,665.8	10,201.1
Average interest Rate (%) - 364 days	10.9	10.9	10.9	10.9	10.9	10.9
Treasury Bonds						
Date of Auction	29-Mar-17		27-Apr-17		17-May-17	
Tenor	FXD 2/2014/5	FXD 3/2013/5	FXD1/2009/11		FXD 2/2010/10	FXD 1/2009/15
Amount offered (Ksh M)	15,000.0		7,000.0		40,000.0	
Bids received (Ksh M)	14,463.7	12,109.4	6,143.05		14,494.9	24,354.9
Amount Accepted (Ksh M)	7,582.7	7,842.8	4,009.60		8,532.8	11,463.4
Maturities (Ksh M)	0.0		0		31,079.6	
Average interest Rate (%)	11.817	12.404	12.0		12.472	13.141

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	27-Jan-17	24-Feb-17	24-Mar-17	31-Mar-17	21-Apr-17	28-Apr-17	05-May-17	12-May-17
1. Treasury Bills (Excluding Repos)	598.48	607.90	619.59	615.77	619.53	626.90	624.90	636.88
(As % of total securities)	32.36	33.21	33.37	32.69	32.55	32.25	32.06	32.47
2. Treasury Bonds	1,250.70	1,222.61	1,236.94	1,268.16	1,283.76	1,317.02	1,324.29	1,324.29
(As % of total securities)	67.64	66.79	66.63	67.31	67.45	67.75	67.94	67.53
3. Total Securities (1+2)	1,849.17	1,830.51	1,856.52	1,883.93	1,903.29	1,943.92	1,949.18	1,961.17
4. Overdraft at Central Bank	13.58	25.13	21.20	30.27	25.87	-	2.68	-
5. Other Domestic debt*	32.10	30.97	31.05	31.06	30.75	30.75	30.76	35.95
6. Gross Domestic Debt (3+4+5)	1,894.85	1,886.61	1,908.77	1,945.25	1,959.90	1,974.67	1,982.62	1,997.11

* 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 (IN PER CENT)

	27-Jan-17	24-Feb-17	24-Mar-17	31-Mar-17	21-Apr-17	28-Apr-17	05-May-17	12-May-17
Treasury bills (Excluding Repos)	31.6	32.2	32.5	31.7	31.6	31.7	31.5	31.9
Treasury bonds	66.0	64.8	64.8	65.2	65.5	66.7	66.8	66.3
CBK Overdraft to Govt	0.7	1.3	1.1	1.6	1.3	0.0	0.1	0.0
Other domestic debt	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.8
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

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TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER (IN PER CENT)

	27-Jan-17	24-Feb-17	24-Mar-17	31-Mar-17	21-Apr-17	28-Apr-17	05-May-17	12-May-17
Banking Institutions	51.6	51.0	51.2	54.1	54.9	55.1	55.2	55.3
Insurance Companies	7.5	7.5	7.5	7.1	7.0	7.0	7.0	6.9
Parastatals	5.7	5.8	6.1	6.5	6.5	6.5	6.5	6.4
Pension funds	28.6	29.0	28.8	28.2	27.8	27.5	27.5	27.5
Other investors	6.7	6.7	6.4	4.0	3.9	3.9	3.9	3.9
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 USD MILLION (USABLE)

	09-Mar-17	16-Mar-17	23-Mar-17	30-Mar-17	06-Apr-17	13-Apr-17	20-Apr-17	27-Apr-17	04-May-17	11-May-17	18-May-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,027	6,973	7,777	7,731	8,015	7,957	7,959	8,309	8,304	8,251	8,248
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.64	4.61	5.14	5.11	5.30	5.26	5.26	5.49	5.49	5.45	5.45

**Excludes Encumbered Reserves*

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

Source: Central Bank of Kenya