



**MARCH 17, 2017**

## Highlights

*The money market was relatively liquid during the week ending March 15, 2017, largely supported by net redemption of government securities. The average interbank rate declined to 3.94 percent from 4.76 percent recorded in the previous week.*

*Capital markets recorded gains across both the equity and bond markets during the week ending March 16, 2017 as indicated by key leading indicators.*

## Monetary Policy Operations

The money market was relatively liquid during the week ending March 15, 2017, largely supported by net redemption of government securities. CBK liquidity management mopped KSh 52.0 billion in Repo and Term Auction Deposits (TAD), and injected KSh 12.6 billion to support the interbank market (**Table 1**).

Commercial banks' excess reserves above 5.25 percent averaging requirement closed at KSh 9.8 billion as the CRR cycle ended on March 14, 2017, and was slightly above the previous week's position of KSh 7.1 billion (**Chart A**).

## CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

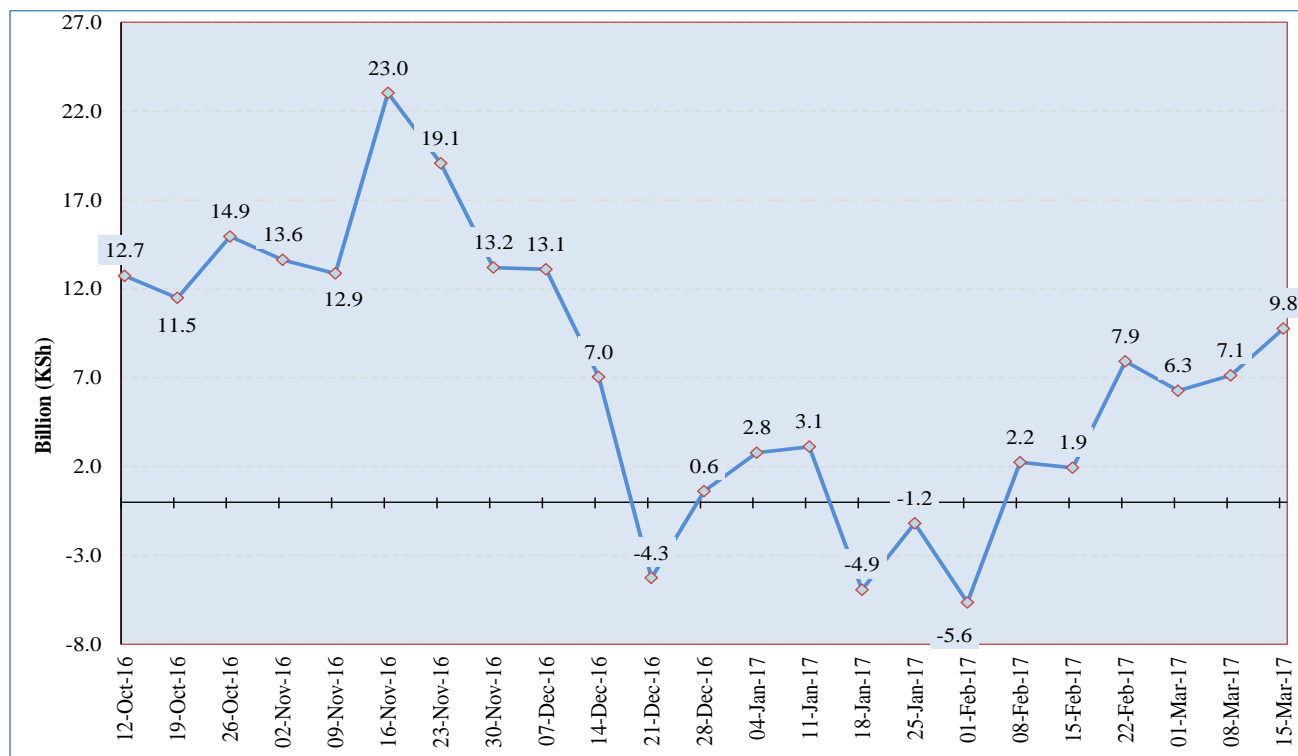
**TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)**

	9-Mar-17	10-Mar-17	13-Mar-17	14-Mar-17	15-Mar-17	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection <sup>1</sup></b>	<b>11.4</b>	<b>10.3</b>	<b>67.4</b>	<b>7.9</b>	<b>12.0</b>	<b>108.9</b>
Repos Maturities	4.0	-	20.6	-	-	24.6
Reverse Repo Purchases	-	3.5	8.2	0.2	0.6	12.6
Term Auction Deposit maturities	2.6	0.0	7.0	5.0	2.5	17.1
T/bills redemptions	-	-	27.2	-	-	27.2
T/bills rediscounts	-	-	-	-	-	-
T/bonds redemptions	-	-	-	-	-	-
T/bonds Interest	-	-	0.5	-	-	0.5
T/bonds rediscounts	-	-	-	-	-	-
Govt payments	4.3	6.8	3.9	2.6	8.9	26.5
<b>Total liquidity reduction <sup>1</sup></b>	<b>12.3</b>	<b>6.0</b>	<b>61.7</b>	<b>14.7</b>	<b>13.0</b>	<b>107.7</b>
T/bills (Primary issues)	-	-	24.7	-	-	24.7
Tbonds Sales	-	-	-	-	-	-
T/bills/Tbonds (OMO Tap Sales)	-	-	-	-	-	-
Repos	-	-	-	10.0	10.0	20.0
Reverse Repos maturities	-	1.5	1.3	2.2	0.6	5.6
Term Auction Deposit	7.0	-	25.0	-	-	32.0
Transfer from Banks -Taxes	5.3	4.5	10.7	2.5	2.4	25.3
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>-1.0</b>	<b>4.3</b>	<b>5.7</b>	<b>-6.9</b>	<b>-1.0</b>	<b>1.1</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	7.0	-	25.0	10.0	10.0	52.0
<b>Realised Amount - Mop up</b>	7.0	-	25.0	10.0	10.0	52.0

<sup>1</sup> 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

## CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

### Activity in the Interbank Market

The volumes transacted in the interbank market decreased to KSh 9.61 billion during the week under review from KSh 10.51 billion in the previous week, as the average number of deals decreased to 18 from 23. Consequently, the average interbank rate declined to 3.94 percent from 4.76 percent

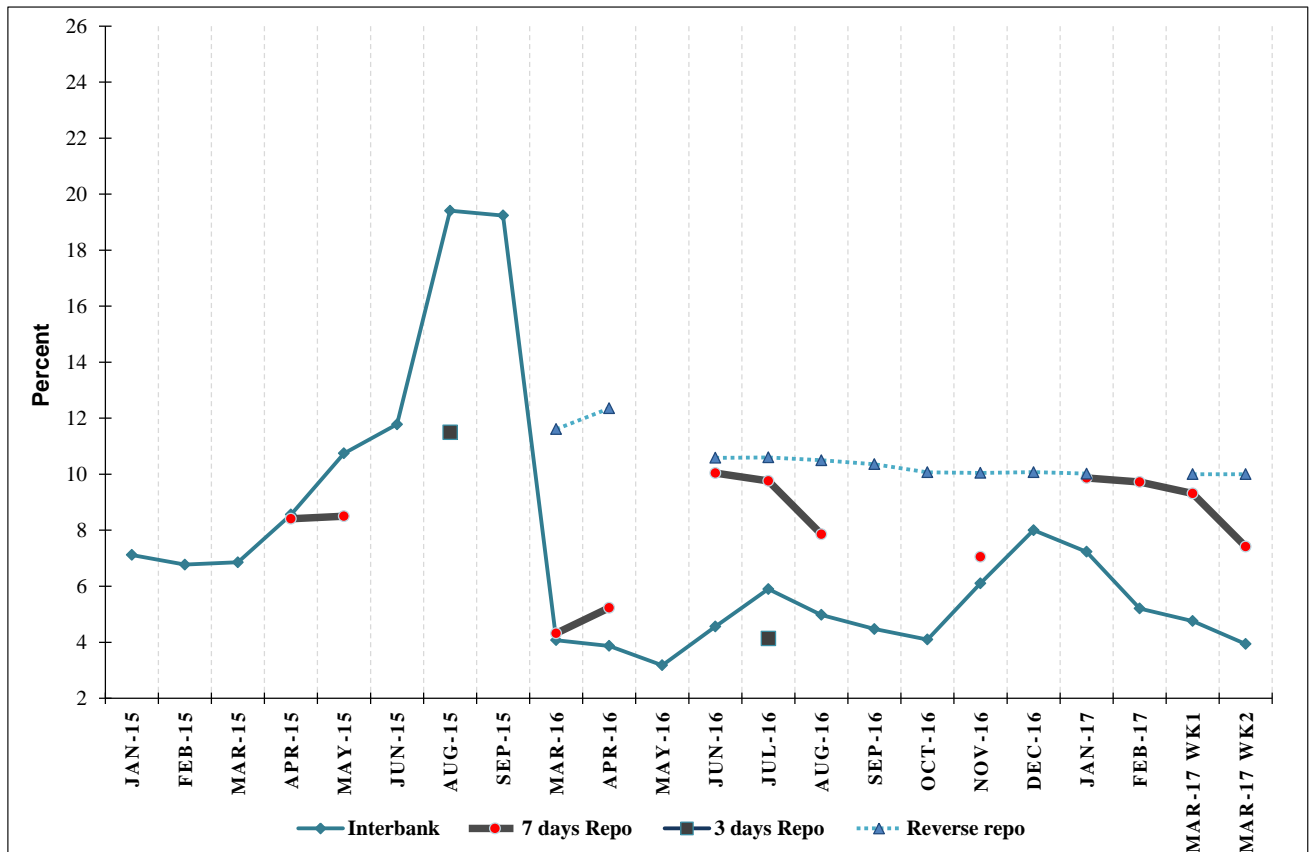
recorded in the previous week. Meanwhile, the repo rate decreased to 7.42 percent from 9.32 percent recorded in the previous week (**Table 2** and **Chart B**).

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

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)	Reverse Repo Rate (%)
2-Mar-17	19	7,245	4.73	9.73	-
3-Mar-17	22	10,850	4.63	-	10.00
6-Mar-17	31	12,005	5.06	9.55	-
7-Mar-17	23	11,555	5.08	8.67	-
8-Mar-17	21	10,875	4.29	-	-
<b>Mar 2, 2017 - Mar 8, 2017</b>	<b>23</b>	<b>10,506</b>	<b>4.76</b>	<b>9.32</b>	<b>10.00</b>
9-Mar-17	25	12,755	4.29	8.41	-
10-Mar-17	20	9,792	4.02	-	10.00
13-Mar-17	14	9,350	3.61	7.47	-
14-Mar-17	16	9,665	3.35	6.94	-
15-Mar-17	15	6,500	4.40	6.86	-
<b>Mar 9, 2017 - Mar 15, 2017</b>	<b>18</b>	<b>9,612</b>	<b>3.94</b>	<b>7.42</b>	<b>10.00</b>

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 demonstrated mixed performance against major international as well as EAC currencies during the week ending March 16, 2017. The shilling strengthened against the Pound Sterling and the Japanese Yen but weakened against the US Dollar and the Euro. In the

EAC region, the Kenya shilling strengthened against the Burundi Franc, weakened against the Uganda Shilling and the Rwanda Franc and remained unchanged against the Tanzania Shilling (Table 3).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
3-Mar-17	102.88	126.15	108.17	90.07	34.95	21.72	8.15	16.42
6-Mar-17	102.65	126.07	108.75	90.15	35.10	21.75	8.17	16.57
7-Mar-17	102.64	125.95	108.79	90.24	35.07	21.77	7.99	16.58
8-Mar-17	102.62	125.12	108.42	89.95	35.06	21.78	7.98	16.58
9-Mar-17	102.56	124.79	108.23	89.50	35.05	21.79	7.99	16.60
<b>3 -9 March 2017</b>	<b>102.67</b>	<b>125.62</b>	<b>108.47</b>	<b>89.98</b>	<b>35.05</b>	<b>21.76</b>	<b>8.06</b>	<b>16.55</b>
10-Mar-17	102.56	124.88	108.31	89.46	35.05	21.79	7.99	16.68
13-Mar-17	102.62	124.97	109.67	89.47	35.08	21.79	8.01	16.47
14-Mar-17	102.67	125.56	109.53	89.51	35.00	21.77	7.99	16.59
15-Mar-17	102.81	124.98	109.35	89.53	35.02	21.74	7.98	16.57
16-Mar-17	102.89	125.52	109.23	89.69	34.94	21.72	8.02	16.62
<b>10-16 March 2017</b>	<b>102.71</b>	<b>125.18</b>	<b>109.22</b>	<b>89.53</b>	<b>35.02</b>	<b>21.76</b>	<b>8.00</b>	<b>16.58</b>

\* Units of currency per Kenya Shilling

**Source: Central Bank of Kenya**

### The Capital Market

The performance in the capital markets recorded gains across both the equity and bond markets during the week ending March 16, 2017 as indicated by key leading indicators.

### Equity Market

Share prices rose over the week ending March 16, 2017 with the NASI, NSE 25 and NSE 20

share indices closing marginally higher at 4.10 per cent, 2.68 per cent, and 0.48 per cent, respectively. The equity market indicated increased activity with the total number of shares traded up by 88.22 per cent, with a consequent rise in equity turnover of 92.12 per cent. Shareholders' wealth, measured by market capitalization rose by 4.11 per cent on account of increased demand pushing up share prices (**Table 4**).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	26-Jan-17	2-Feb-17	9-Feb-17	16-Feb-17	23-Feb-17	2-Mar-17	9-Mar-17	16-Mar-17	Weekly Change (Percent)
NASI 100= 2008	122.42	123.43	125.19	125.33	125.93	122.33	119.85	124.76	4.10
NSE 25 Share Index	3,160.28	3,174.11	3,263.05	3,263.60	3,279.56	3,208.62	3,192.55	3,278.25	2.68
NSE 20 Share Index 100= 1996	2,824.32	2,833.09	2,933.09	2,971.50	3,009.19	2,969.12	2,951.15	2,965.31	0.48
Number of Deals	4,581	4,316	4,843	4,891	5,006	4,847	4,561	5,583	22
Total Shares Traded (Million)	109.79	140.58	217.76	154.88	133.04	102.39	113.03	212.74	88.22
Equity Turnover (KSh Million)	2,924.39	3,122.69	4,196.56	3,014.60	2,387.68	2,027.90	2,200.28	4,227.18	92.12
Market Capitalization (KSh Billion)	1,772.92	1,787.61	1,813.19	1,816.88	1,825.55	1,773.25	1,737.20	1,808.54	4.11
I-REIT Turnover in (KSh Million)	0.06	0.27	0.54	0.23	11.13	0.13	0.09	1.76	1,819.37
I-REIT in Units - Total Deals	5.00	13.00	29.00	20.00	27.00	18.00	11.00	33.00	200.00
Bonds Turnover (KSh Million)	8,487.17	6,061.50	7,098.57	3,919.48	4,915.45	6,587.00	11,708.54	13,597.39	16.13
FTSE NSE Kenya 15 Index	144.74	141.55	149.94	148.92	150.07	146.23	145.56	151.34	3.97
FTSE NSE Kenya 25 Index	150.28	148.11	154.55	153.35	153.82	149.01	147.12	154.78	5.21
FTSE NSE Bond Index	89.63	89.70	89.73	89.82	89.80	89.64	89.66	89.68	0.02

**Source: Nairobi Securities Exchange**

### FTSE NSE Kenya Index Series, REITS and Most Active Sectors

FTSE<sup>1</sup> 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) showed improved performance in the week under review. The FTSE NSE Kenya 15 Index gained 3.97 per cent, while the FTSE NSE Kenya 25 Index rose by 5.21 per cent over the week ending March 16, 2017. The Telecommunication and Technology and Banking sectors dominated trading, accounting for 61.92 per cent and 19.15 per cent, respectively of the total shares traded during the period under review.

Turnover in the real estate market segment, Income – Real Estate Investment Trust (I-REIT<sup>2</sup>) increased 1819.37 per cent with number of deals up 200.00 per cent over the week ending March 16, 2017 signaling investor appetite for asset-backed securities.

### Bond Market

Bond turnover rose by 16.13 per cent with the number of deals increasing from 178 to 351 in the week ending March 16, 2017. The FTSE Bond Index marginally increased by 0.02 per cent reflecting marginal decrease in secondary market yields.

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<sup>1</sup> 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

<sup>2</sup> 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.

## CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

**TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES**

<b>91-Day Treasury Bills</b>								
Date of Auction	29-Dec-16	26-Jan-17	2-Feb-17	9-Feb-17	16-Feb-17	23-Feb-17	2-Mar-17	9-Mar-17
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	10,000.0
Bids received (Ksh M)	1,367.7	5,840.1	3,735.4	1,760.7	1,510.5	3,847.0	5,897.0	9,695.7
Amount Accepted (Ksh M)	1,367.4	5,557.4	2,629.7	1,370.4	1,510.5	1,782.0	5,848.0	8,606.6
Maturities (Ksh M)	4,267.1	4,384.0	4,443.9	3,905.1	2,054.5	5,672.5	5,721.5	2,207.3
Average interest Rate (%) - 91 Days	8.6	8.7	8.7	8.7	8.6	8.6	8.6	8.7
<b>182-Day Treasury Bills</b>								
Date of Auction	28-Dec-16	25-Jan-17	1-Feb-17	8-Feb-17	15-Feb-17	22-Feb-17	1-Mar-17	8-Mar-17
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	2,140.8	5,078.3	15,335.2	17,917.5	8,483.4	24,748.7	24,178.7	
Amount Accepted (Ksh M)	1,145.9	2,218.5	15,115.5	15,504.1	15,500.4	19,648.6	21,332.7	
Maturities (Ksh M)	1,247.7	6,733.4	12,201.2	6,330.2	8,949.6	8,039.4	6,885.4	
Average interest Rate (%) - 182 days	10.5	10.5	10.6	10.5	10.5	10.5	10.5	
<b>364-Day Treasury Bills</b>								
Date of Auction	28-Dec-16	25-Jan-17	1-Feb-17	8-Feb-17	15-Feb-17	22-Feb-17	1-Mar-17	8-Mar-17
Amount offered (Ksh M)		6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	10,000.0
Bids received (Ksh M)		1,339.6	7,718.3	8,241.0	9,663.5	1,064.4	3,443.9	16,640.6
Amount Accepted (Ksh M)		1,339.6	6,062.1	6,008.0	9,483.5	1,064.4	2,812.5	16,117.9
Maturities (Ksh M)		1,666.3	7,013.0	10,398.3	9,825.2	8,286.5	10,033.1	14,071.7
Average interest Rate (%) - 364 days		10.9	10.9	10.9	10.9	10.9	10.9	10.9
<b>Treasury Bonds</b>								
Date of Auction	29-Dec-16					22-Feb-17	23-Feb-17	
Tenor	FXD3/2016/2 (Tap Sale)					IFBI/2017/12	IFBI/2017/12 (Tap Sale)	
Amount offered (Ksh M)	20,000.0					30,000.0	24,000.0	
Bids received (Ksh M)	1,354.0					33,135.4	8,050.3	
Amount Accepted (Ksh M)	1,353.8					5,997.5	7,630.9	
Maturities (Ksh M)	0.0					0.0	0.0	
Average interest Rate (%)	12.5					13.6	13.6	

Source: Central Bank of Kenya

**TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)**

	30-Dec-16	20-Jan-17	27-Jan-17	03-Feb-17	10-Feb-17	17-Feb-17	24-Feb-17	03-Mar-17	10-Mar-17
1. Treasury Bills (Excluding Repos)	620.19	604.78	598.48	595.13	596.72	600.42	607.90	609.60	618.43
(As % of total securities)	33.17	32.59	32.36	32.24	32.30	32.51	33.21	33.16	33.33
2. Treasury Bonds	1,249.34	1,250.70	1,250.70	1,250.70	1,250.70	1,246.20	1,222.61	1,228.90	1,236.94
(As % of total securities)	66.83	67.41	67.64	67.76	67.70	67.49	66.79	66.84	66.67
3. Total Securities (1+2)	1,869.53	1,855.48	1,849.17	1,845.83	1,847.41	1,846.62	1,830.51	1,838.49	1,855.36
4. Overdraft at Central Bank	29.93	1.12	13.58	17.30	17.23	9.54	25.13	26.00	22.57
5. Other Domestic debt*	31.39	31.53	32.10	30.96	30.96	30.95	30.97	30.96	31.05
6. Gross Domestic Debt (3+4+5)	1,930.86	1,888.14	1,894.85	1,894.09	1,895.60	1,887.11	1,886.61	1,895.46	1,908.99

\* 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 PERCENT)**

	24-Jun-16	29-Jul-16	30-Dec-16	27-Jan-17	3-Feb-17	10-Feb-17	17-Feb-17	24-Feb-17	3-Mar-17	10-Mar-17
Treasury bills (Excluding Repos)	32.1	31.9	32.1	31.6	31.4	31.5	31.8	32.2	32.2	32.4
Treasury bonds	64.1	65.6	64.7	66.0	66.0	66.0	66.0	64.8	64.8	64.8
CBK Overdraft to Govt	2.1	0.8	1.6	0.7	0.9	0.9	0.5	1.3	1.4	1.2
Other domestic debt	1.7	1.7	1.6	1.7	1.6	1.6	1.6	1.6	1.6	1.6
<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>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

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**TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER (IN PERCENT)**

	26-Aug-16	30-Sep-16	25-Nov-16	30-Dec-16	20-Jan-17	27-Jan-17	3-Feb-17	10-Feb-17	17-Feb-17	24-Feb-17	3-Mar-17	10-Mar-17
Banking Institutions	54.4	55.0	53.3	52.5	51.8	51.6	51.6	51.4	51.2	51.0	51.1	51.3
Insurance Companies	7.3	7.4	7.1	7.3	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Parastatals	5.6	5.5	5.8	5.6	5.7	5.7	5.7	5.8	5.8	5.8	6.1	6.0
Pension funds	27.0	26.6	27.3	28.0	28.4	28.6	28.5	28.7	28.8	29.0	28.6	28.8
Other investors	5.6	5.6	6.5	6.5	6.7	6.7	6.7	6.7	6.7	6.7	6.8	6.4
<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>	<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)**

	19-Jan-17	26-Jan-17	2-Feb-17	9-Feb-17	16-Feb-17	23-Feb-17	2-Mar-17	9-Mar-17	16-Mar-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	6,853	6,944	6,947	6,942	6,949	6,948	6,994	7,027	6,973
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.52	4.59	4.59	4.59	4.59	4.59	4.62	4.64	4.61

\*Excludes Encumbered Reserves

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

*Source: Central Bank of Kenya*