



**JANUARY 13, 2017**

### **Highlights**

*The money market was relatively tight during the week ending January 11, 2017. The average interbank rate was stable at 7.54 percent in the week ending January 11, 2017 compared to 7.69 percent in the previous week.*

*The capital markets recorded mixed performance, with gains in the bonds market segment and a decline in the equities market in the week ending January 12, 2017.*

### **Monetary Policy Operations**

The money market was relatively tight during the week ending January 11, 2017, on account of maturing securities under Central Bank of Kenya short term liquidity support to banks (reverse repo maturities) (**Table 1**).

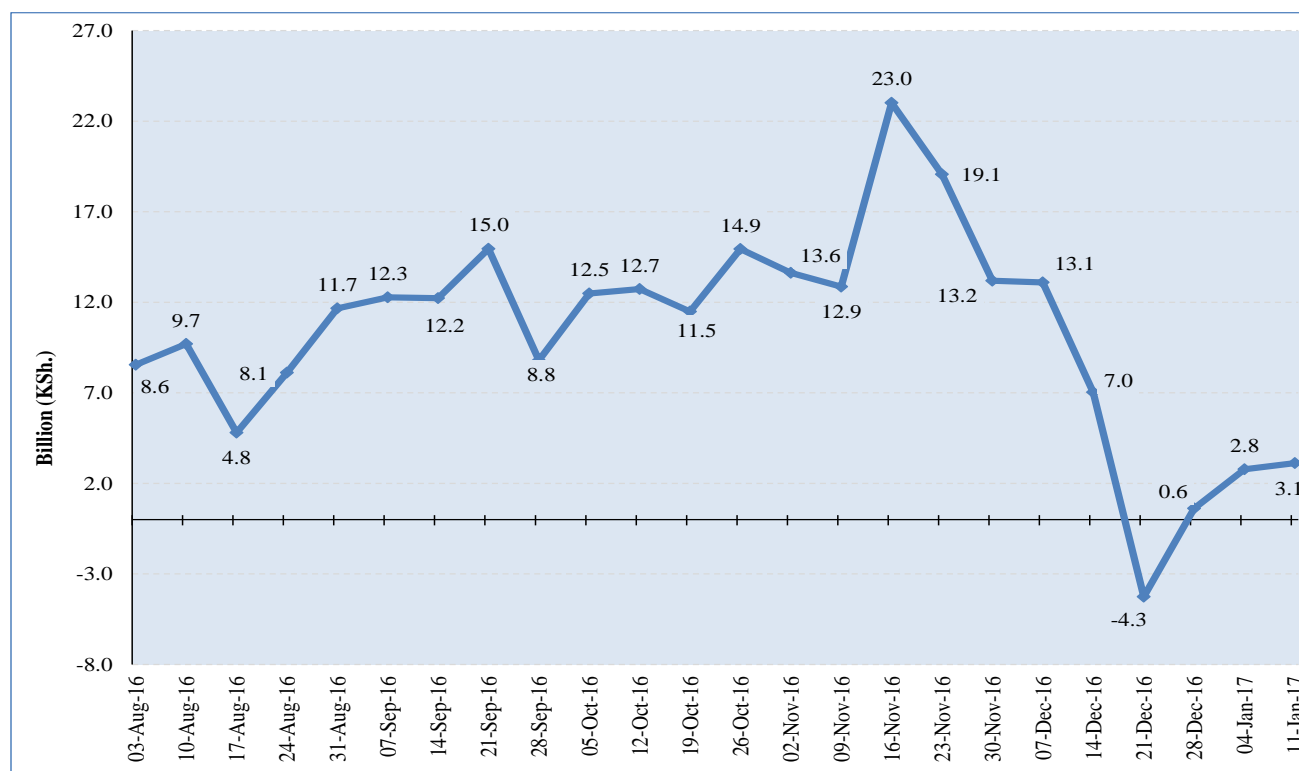
Commercial banks' excess reserves above 5.25 percent averaging requirement increased slightly to KSh 3.1 billion in the week ending January 11, 2017 from KSh 2.8 billion recorded in the previous week (**Chart A**).

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

	5-Jan-17	6-Jan-17	9-Jan-17	10-Jan-17	11-Jan-17	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection <sup>1</sup></b>	<b>5.7</b>	<b>16.8</b>	<b>16.6</b>	<b>7.3</b>	<b>6.8</b>	<b>53.2</b>
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.5	2.2	0.0	4.0	2.8	9.5
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	12.4	0.0	0.0	12.4
T/bills rediscounts	0.0	4.9	0.0	0.0	0.0	4.9
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	5.3	7.2	4.2	3.1	3.9	23.7
<b>Total liquidity reduction <sup>1</sup></b>	<b>8.8</b>	<b>6.9</b>	<b>17.9</b>	<b>17.1</b>	<b>17.8</b>	<b>68.5</b>
T/bills (Primary issues)	0.0	0.0	8.7	0.0	0.0	8.7
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	6.2	0.8	0.0	4.0	2.8	13.8
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.4	4.1	4.0	10.8	10.7	32.0
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>-3.1</b>	<b>9.9</b>	<b>-1.3</b>	<b>-9.8</b>	<b>-11.0</b>	<b>-15.3</b>
<b>Reserve Money Position</b>						
Reserve money	403.1	412.2	411.0	400.6	384.9	

<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

**Activity in the Interbank Market**

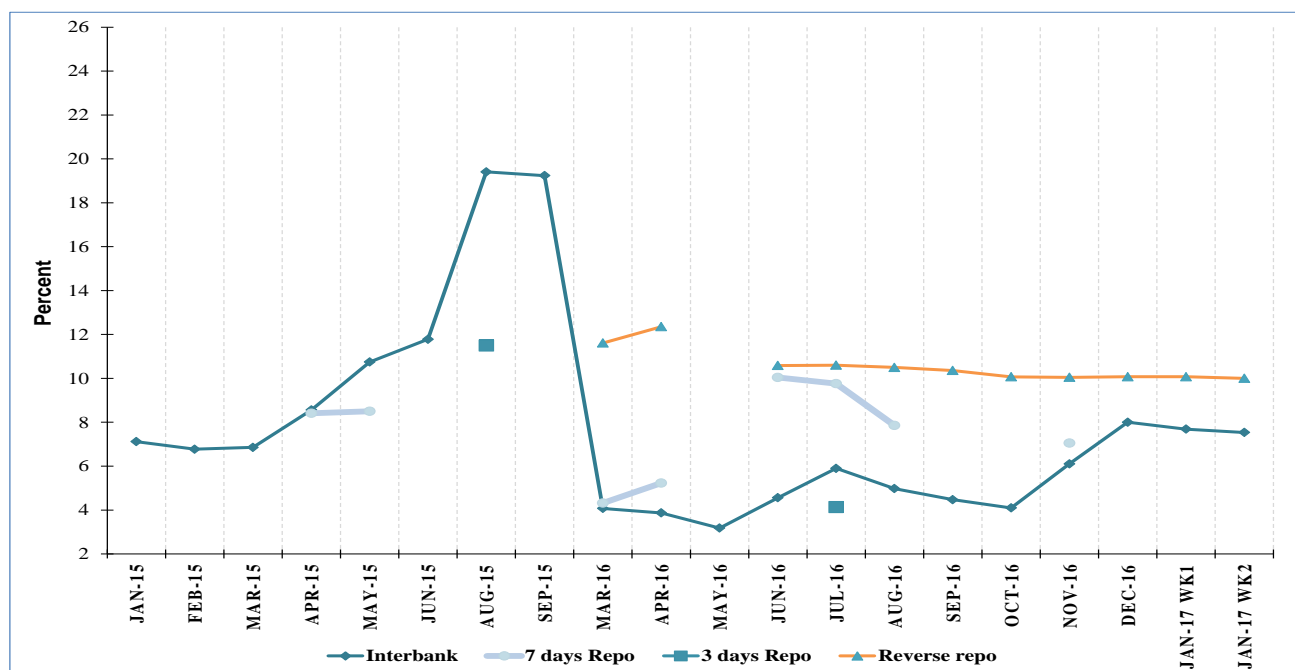
Volumes transacted rose to KSh 23.1 billion in the week ending January 11, 2017, compared to KSh 16.2 billion traded in the previous week. The weighted average interbank rate was relatively stable at 7.54 percent compared to 7.69 percent recorded the previous week. The reverse repo rate also stabilized at an average of 10.00 percent in the week ending January 11, 2017 compared to 10.08 percent 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 (%)	Reverse Repo Rate (%)
29-Dec-16	29	16,730	8.73	10.23
30-Dec-16	30	11,030	8.20	10.00
3-Jan-17	36	19,265	7.13	10.03
4-Jan-17	56	33,105	6.68	10.04
<b>Dec 29, 2016-Jan 4, 2017</b>	<b>38</b>	<b>20,033</b>	<b>7.69</b>	<b>10.08</b>
5-Jan-17	52	25,465	6.88	10.00
6-Jan-17	64	25,785	7.76	10.00
9-Jan-17	52	22,105	8.55	-
10-Jan-17	51	22,145	7.58	10.00
11-Jan-17	51	19,765	6.90	10.00
<b>Jan 5, 2017-Jan 11, 2017</b>	<b>54</b>	<b>23,053</b>	<b>7.54</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 weakened against major international and regional currencies during the week ending January 12, 2017. The weakening of the shilling is partly attributed to strengthening of the US Dollar in the international markets.

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
30-Dec-16	102.49	125.42	107.06	87.06	35.27	21.25	7.96	16.35
3-Jan-16	102.56	126.52	108.17	87.69	35.20	21.28	8.13	16.33
4-Jan-16	102.81	126.22	106.78	87.02	35.21	21.23	8.11	16.42
5-Jan-16	103.47	127.27	108.00	88.23	35.02	21.11	7.88	16.20
<b>30 Dec 2016-5 Jan 2017</b>	<b>102.83</b>	<b>126.36</b>	<b>107.50</b>	<b>87.50</b>	<b>35.17</b>	<b>21.22</b>	<b>8.02</b>	<b>16.32</b>
6-Jan-16	103.61	127.49	109.06	88.35	35.01	21.12	7.87	16.30
9-Jan-16	103.66	127.86	109.36	88.90	35.02	21.12	7.92	16.17
10-Jan-16	103.81	126.13	109.68	89.21	35.04	21.14	7.86	16.27
11-Jan-16	103.84	126.22	109.93	89.78	34.96	21.24	7.86	16.14
12-Jan-00	103.83	125.77	108.86	88.95	34.91	21.38	7.86	16.15
<b>6-12 Jan 2017</b>	<b>103.75</b>	<b>126.69</b>	<b>109.38</b>	<b>89.04</b>	<b>34.99</b>	<b>21.20</b>	<b>7.87</b>	<b>16.21</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

## The Capital Market

The capital markets recorded mixed performance, with gains in the bonds market segment and a decline in the equities market in the week ending January 12, 2017.

### Equity Market

All the three indices; NASI, NSE 25 Share Index and NSE 20 Share Index declined, reflecting general fall in prices across all counters during the week under review. Shareholders' wealth, measured by market capitalization, shed off KSh 97.3 billion or 5.1 percent in the week. Shares traded declined but equity turnover gained 11.54 percent, driven by price increase in counters like BAT (Table 4).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	01-Dec-16	08-Dec-16	15-Dec-16	22-Dec-16	29-Dec-16	05-Jan-17	12-Jan-17	Weekly Change (Percent)
NASI 100= 2008	136.74	133.7	130.95	132.04	131.30	131.45	124.75	-5.10
NSE 25 Share Index	3,599.17	3,526.83	3,466.52	3,459.04	3,455.66	3,481.64	3,262.53	-6.29
NSE 20 Share Index 100= 1996	3,250.62	3,180.56	3,129.78	3,106.91	3,156.59	3,170.71	3,014.36	-4.93
Number of Deals	5,043	4,733	3,687	4,687	1,980	3,149	4,789	52.08
Total Shares Traded (Million)	102.68	79.91	51.33	96.56	36.23	167.10	124.03	-25.77
Equity Turnover (KSh Million)	2,495.91	2,227.92	1,252.52	1,995.31	921.22	2,312.80	2,579.69	11.54
Market Capitalization (KSh Billion)	1,980.97	1,936.75	1,896.95	1,912.71	1,901.97	1,904.16	1,806.88	-5.11
I-REIT Turnover in (KSh Million)	0.20	0.62	0.94	0.09	0.12	18.65	0.28	-98.48
I-REIT in Units - Total Deals	26	22	16	16	11	18	20	11.11
Bonds Turnover (KSh Million)	5,095.10	2,873.25	5,395.44	7,857.91	5,095.60	3,314.45	6,208.51	87.32
FTSE NSE Kenya 15 Index	165.69	161.66	159.64	158.63	159.07	159.84	150.86	-5.62
FTSE NSE Kenya 25 Index	170.40	166.28	163.83	163.96	164.30	163.65	154.95	-5.32
FTSE NSE Bond Index	90.22	90.21	89.96	89.96	90.05	90.00	89.94	-0.07

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 NSE declined by 5.6 percent and 5.3 percent, respectively, in the week ending January 12, 2017. Telecommunication and Technology and the Banking sectors dominated trading, accounting for 87.2 percent of the total shares traded.

Turnover in the Real Estate Investment Trust (I-REIT<sup>2</sup>) declined by 98.48 percent despite 11.11 percent increase in deals transacted, signalling continued investor appetite for asset-backed securities.

### Bond Market

Bond market recorded strong performance, rising by 87.3 percent in the week ending January 12, 2017. The high appetite may be attributed to investor portfolio adjustments towards less risky assets like equities and sell-off of old stock to investor in 15-year (now 5.37 years) bond reopening currently on sale in the primary market. The FTSE Bond Index decreased by 0.07 percent reflecting marginal rise in secondary market yields.

<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.

**TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES**

<b>91-Day Treasury Bills</b>								
Date of Auction	01-Dec-16	08-Dec-16	15-Dec-16	22-Dec-16	29-Dec-16	05-Jan-17	12-Jan-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	4,000.0
Bids received (Ksh M)	5,664.1	2,174.2	2,588.8	3,687.5	1,367.7	3,471.7	3,446.9	
Amount Accepted (Ksh M)	5,624.8	2,172.8	2,588.8	3,687.5	1,367.4	3,452.1	3,446.4	
Maturities (Ksh M)	5,457.7	4,783.3	4,166.3	5,455.7	4,267.1	5,905.8	4,766.7	
Average interest Rate (%) - 91 Days	8.4	8.4	8.5	8.6	8.6	8.6	8.6	
<b>182-Day Treasury Bills</b>								
Date of Auction	30-Nov-16	07-Dec-16	14-Dec-16	21-Dec-16	28-Dec-16	04-Jan-17	11-Jan-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)	6,801.8	7,309.5	7,446.2	15,844.8	2,140.8	2,411.0	5,621.0	
Amount Accepted (Ksh M)	6,741.1	7,162.3	4,229.9	11,266.4	1,145.9	1,936.3	1,542.7	
Maturities (Ksh M)	7,332.9	6,790.4	5,676.3	10,721.8	1,247.7	2,903.2	2,838.3	
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	30-Nov-16	07-Dec-16	14-Dec-16	21-Dec-16	28-Dec-16	04-Jan-17	11-Jan-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)	4,417.6	7,546.8	1,593.4	2,116.1		3,849.4	2,919.8	
Amount Accepted (Ksh M)	4,372.6	5,078.2	1,593.4	1,949.9		3,354.4	1,333.6	
Maturities (Ksh M)	3,456.7	3,062.6	818.3	1,506.1		3,569.1	4,804.4	
Average interest Rate (%) - 364 days	10.9	11.1	11.1	11.0		11.0	11.0	
<b>Treasury Bonds</b>								
Date of Auction			14-Dec-16	21-Dec-16	29-Dec-16			
Tenor			FXD3/2016/2	FXD3/2016/2 (Tap Sale)	FXD3/2016/2 (Tap Sale)			
Amount offered (Ksh M)			30,000.0	20,000.0	20,000.0			
Bids received (Ksh M)			35,540.1	13,637.0	1,354.0			
Amount Accepted (Ksh M)			10,535.3	13,637.0	1,353.8			
Maturities (Ksh M)			29,375.7	0.0	0.0			
Average interest Rate (%)			12.5	12.5	12.5			

Source: Central Bank of Kenya

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

	24-Jun-16	30-Sep-16	28-Oct-16	25-Nov-16	16-Dec-16	23-Dec-16	30-Dec-16	06-Jan-17
1. Treasury Bills (Excluding Repos)	578.03	618.25	631.84	611.95	621.92	620.09	620.19	613.67
(As % of total securities)	33.41	33.97	34.04	33.19	33.14	33.41	33.17	32.92
2. Treasury Bonds	1,152.04	1,201.78	1,224.21	1,231.57	1,254.59	1,235.73	1,249.34	1,250.70
(As % of total securities)	66.59	66.03	65.96	66.81	66.86	66.59	66.83	67.08
<b>3. Total Securities (1+2)</b>	<b>1,730.07</b>	<b>1,820.02</b>	<b>1,856.05</b>	<b>1,843.52</b>	<b>1,876.52</b>	<b>1,855.82</b>	<b>1,869.53</b>	<b>1,864.37</b>
4. Overdraft at Central Bank	37.06	3.32	0.00	9.96	0.00	31.42	29.93	29.38
5. Other Domestic debt*	31.09	31.45	31.21	32.05	31.39	31.39	31.39	31.38
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,798.22</b>	<b>1,854.80</b>	<b>1,887.26</b>	<b>1,885.54</b>	<b>1,907.90</b>	<b>1,918.63</b>	<b>1,930.86</b>	<b>1,925.12</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 (IN PERCENT)**

	24-Jun-16	29-Jul-16	26-Aug-16	30-Sep-16	28-Oct-16	25-Nov-16	16-Dec-16	23-Dec-16	30-Dec-16	06-Jan-17
Treasury bills (Excluding Repos)	32.1	31.9	32.3	33.3	33.5	32.5	32.6	32.3	32.1	31.9
Treasury bonds	64.1	65.6	65.2	64.8	64.9	65.3	65.8	64.4	64.7	65.0
CBK Overdraft to Govt	2.1	0.8	0.7	0.2	0.0	0.5	0.0	1.6	1.6	1.5
Other domestic debt	1.7	1.7	1.7	1.7	1.7	1.7	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

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

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

	24-Jun-16	29-Jul-16	26-Aug-16	30-Sep-16	28-Oct-16	25-Nov-16	16-Dec-16	23-Dec-16	30-Dec-16	06-Jan-17
Banking Institutions	56.3	54.8	54.4	55.0	53.1	53.3	52.2	52.2	52.5	52.5
Insurance Companies	7.5	7.6	7.3	7.4	7.1	7.1	7.3	7.2	7.3	7.3
Parastatals	4.7	5.1	5.6	5.5	5.6	5.8	5.8	5.9	5.6	5.6
Pension funds	25.9	26.8	27.0	26.6	27.1	27.3	28.2	28.1	28.0	28.0
Other investors	5.7	5.7	5.6	5.6	7.1	6.5	6.6	6.5	6.5	6.5
<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

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

	10-Nov-16	17-Nov-16	24-Nov-16	01-Dec-16	08-Dec-16	15-Dec-16	22-Dec-16	29-Dec-16	05-Jan-17	12-Jan-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,536	7,485	7,336	7,289	7,308	7,247	7,028	6,971	7,058	6,944
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.93	4.90	4.80	4.77	4.78	4.74	4.60	4.56	4.62	4.55

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya