



JULY 15, 2016

Highlights

The money market was relatively liquid in the week ending July 13, 2016 on account of government payments. The average interbank rate decreased to 6.41 percent in the week ending July 13, 2016 from 8.71 percent in the previous week.

Monetary Policy Operations

The money market was relatively liquid in the week ending July 13, 2016 despite withdrawals arising from tax remittances by commercial banks and net open market operations. During the week, CBK mopped KSh 15.0 billion through repo and TAD. Reserve money stood at KSh 383.8 billion on July 13, 2016 (Table 1).

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

	8-Jul-16	11-Jul-16	12-Jul-16	13-Jul-16	Total
Liquidity Flows					
Total liquidity injection	19.2	25.2	3.1	4.3	51.8
Repos Maturities	8.6	8.8	0.5	0.0	17.9
Reverse Repo Purchases	4.3	0.0	0.4	0.2	4.9
Term Auction Deposit maturities	4.0	4.6	0.0	0.0	8.6
T/bills redemptions	0.0	8.4	0.0	0.0	8.4
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	0.0	0.0	0.0
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0
Govt payments	2.4	3.4	2.3	4.1	12.2
Total liquidity reduction	17.5	20.6	8.9	7.3	54.3
T/bills (Primary issues)	0.0	5.8	0.0	0.0	5.8
Tbonds Sales	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
Repos	5.0	10.0	0.0	0.0	15.0
Reverse Repos maturities	9.1	0.4	0.4	0.7	10.6
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	3.3	4.4	8.4	6.0	22.2
Net liquidity injection (+)/Withdrawal (-)	1.7	4.5	-5.7	-3.0	-2.5
Open Market Operations Outcome					
Posted Amount - Mop up	5.0	10.0	0.0	0.0	15.0
Realised Amount - Mop up	16.9	6.0	19.7	16.5	59.1
Repo (-)	5.0	10.0	0.0	0.0	15.0
Term Auction Deposits (-)	0.0	0.0	0.0	0.0	0.0
Reverse Repo (+)	4.3	0.0	0.4	0.2	4.9
Reserve Money Position					
Reserve money (actual)	390.4	394.3	387.1	383.8	

Source: Central Bank of Kenya

Activity in the Interbank Market

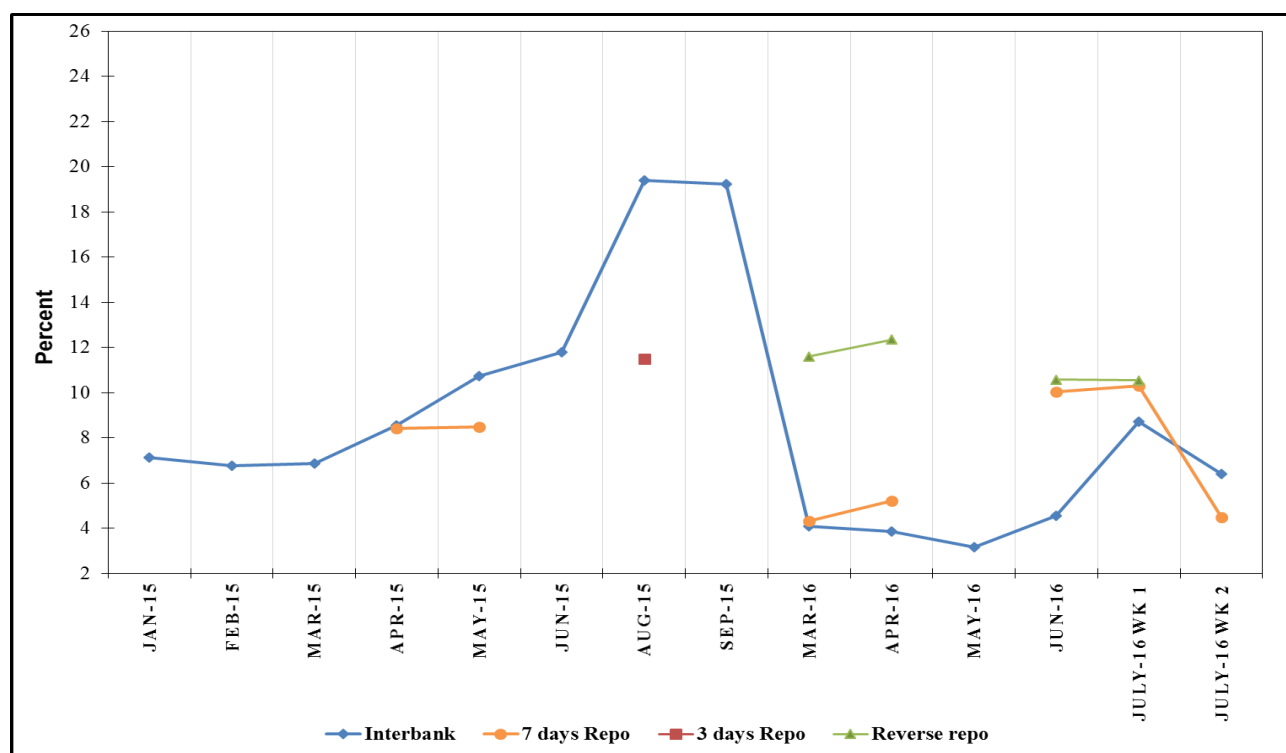
The average interbank rate decreased to 6.41 percent in the week ending July 13, 2016 from 8.71 percent recorded in the previous week. Banks traded lower volumes in the interbank market compared to the previous week (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)
30-Jun-16	28	21,715	9.14	10.45
1-Jul-16	26	16,305	8.73	10.44
4-Jul-16	29	11,620	8.77	10.25
5-Jul-16	25	8,400	8.69	10.10
6-Jul-16	21	5,500	8.23	
June 30, 2016 - July 6, 2016	26	12,708	8.71	10.31
8-Jul-16	21	4,706	8.81	10.00
11-Jul-16	17	6,930	6.66	8.00
12-Jul-16	23	10,300	5.36	
13-Jul-16	31	16,090	4.83	
July 8, 2016 - July 13, 2016	23	9,507	6.41	9.00

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES

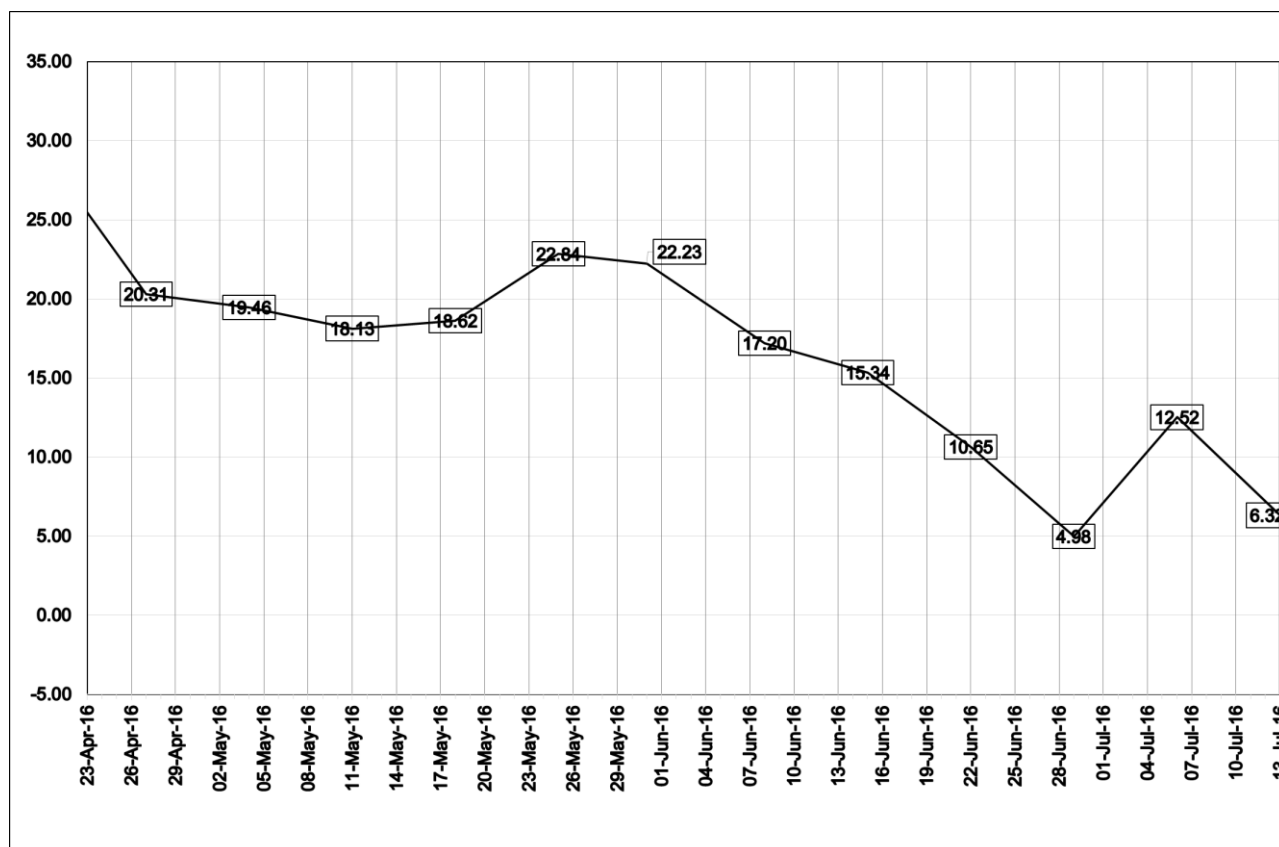


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' free reserves declined to KSh 6.30 billion in relation to the 5.25 percent averaging requirement as at July 13, 2016 (**Chart B**). This decline in free reserves is attributable to tax remittances by commercial banks.

CHART B: EVOLUTION OF FREE RESERVES



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate depicted mixed performance against international currencies, mainly reflecting developments in the international market. The Shilling strengthened against the Sterling Pound, the Euro and Japanese Yen but weakened marginally against the US Dollar during the week ending July 14, 2016. In the EAC region, the Kenya Shilling weakened against all East African currencies (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
1-Jul-16	101.09	134.09	112.22	98.39	33.66	21.66	7.40	16.59
4-Jul-16	101.09	134.66	112.67	98.58	33.59	21.66	7.38	16.56
5-Jul-16	101.10	134.31	112.63	98.55	33.60	21.66	7.38	16.65
6-Jul-16	101.12	132.18	112.58	99.58	33.55	21.66	7.71	16.59
1-6 July 2016	101.10	133.81	112.53	98.77	33.60	21.66	7.47	16.60
8-Jul-16	101.17	130.54	111.88	100.12	33.54	21.66	7.38	16.60
11-Jul-16	101.24	131.15	111.91	100.51	33.42	21.63	7.37	16.62
12-Jul-16	101.27	132.41	112.18	98.26	33.35	21.64	7.37	16.39
13-Jul-16	101.29	133.75	112.18	96.86	33.27	21.63	7.41	16.33
14-Jul-16	101.34	134.25	112.35	96.95	33.30	21.61	7.45	16.33
8-14 July 2016	101.26	132.42	112.10	98.54	33.38	21.63	7.40	16.45

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

The capital market recorded losses in equities and gains in bonds market segments in the week ending July 14, 2016.

Equities Market

Overall, equities share prices declined as reflected by changes in the NASI, NSE 25 and NSE 20 share indices. Market capitalization declined by 1.51 percent due to depressed share prices. Equity turnover increased by 2.88 percent on account of 18.48 percent increase in share supply (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	09-Jun-16	15-Jun-16	23-Jun-16	30-Jun-16	08-Jul-16	16-Jul-16	Weekly Change (%)
NASI 100= 2008	146.69	146.50	144.33	140.60	140.84	138.76	-1.50
NSE 25 Share Index	4,139.56	4,135.98	182.29	3,955.56	3,978.48	3,901.32	-1.98
NSE 20 Share Index 100= 1996	3,818.19	3,799.16	3,744.58	3,640.61	3,664.78	3,609.81	-1.52
Number of Deals	6,338.00	5,239.00	5,960.00	5,641.00	4,033.00	5,973.00	32.48
Total Shares Traded (Millions)	148.72	89.78	155.17	113.56	106.83	131.05	18.48
Equity Turnover (Ksh. Millions)	3,168.84	2,605.50	3,965.87	2,830.96	3,316.61	3,414.85	2.88
Market Capitalization (Ksh. Bn.)	2,069.77	2,078.54	2,059.64	1,994.81	2,025.28	1,995.21	-1.51
I-REIT Turnover in (Ksh. Millions)	2.41	2.81	6.82	8.35	0.79	0.86	8.47
I-REIT in Units - Total Deals	38.00	47.00	81.00	61.00	30.00	46.00	34.78
Bonds Turnover (Ksh. Millions)	19,062.33	10,672.64	13,531.49	7,278.10	2,549.50	6,280.44	59.41
FTSE NSE Kenya 15 Index	184.19	184.41	181.20	175.70	175.88	173.71	-1.25
FTSE NSE Kenya 25 Index	185.40	185.84	182.29	176.47	176.85	174.81	-1.17
FTSE NSE Bond Index	88.52	87.99	88.80	87.98	88.93	89.52	0.66

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, I-REITS and Most Active Sectors

FTSE NSE Kenya 15 Index and FTSE NSE Kenya 25 Index, closed the week at 1.25 percent and 1.17 percent lower, respectively. The real estate market segment recorded improved activity with Real Estate Investment Trust (I-REIT) turnover increasing by 8.47 percent. The I-REIT number of deals increased by 34.78 percent.

Banking, Telecommunication and Technology, and Insurance sectors dominated trading, accounting for 41.09 percent, 36.18 percent and 8.34 percent, respectively, of the total shares traded. Real Estate Investment Trust recorded the lowest trading at 46,200 shares.

The Bonds Market

The bonds market segment recorded 59.41 percent gain in the value traded in the week under review. The number of bond deals increased from 58 in the previous week to 98 in the week under review. Similarly, FTSE NSE Government Bond Index improved marginally by 0.66 percent reflecting slight decline in secondary market yields.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills						
Date of Auction	28-Apr-16	26-May-16	23-Jun-16	30-Jun-16	07-Jul-16	14-Jul-16
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	16,656.1	10,212.9	5,325.8	3,385.3	1,956.1	3,219.5
Amount Accepted (Ksh M)	12,402.4	7,284.2	5,031.1	3,385.3	1,956.1	2,230.0
Maturities (Ksh M)	8,365.5	8,569.5	3,164.7	1,184.0	5,305.2	9,946.1
Average interest Rate (%) - 91 Days	8.5	7.7	7.1	7.0	7.0	7.6
182-Day Treasury Bills						
Date of Auction	27-Apr-16	25-May-16	22-Jun-16	29-Jun-16	06-Jul-16	13-Jul-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	16,280.5	10,543.1	10,743.7	1,215.1	2,776.9	3,009.5
Amount Accepted (Ksh M)	9,052.6	5,402.0	10,268.5	1,215.1	2,776.9	2,707.3
Maturities (Ksh M)	6,185.7	478.6	5,289.2	2,563.6	2,707.3	13,915.1
Average interest Rate (%) - 182 days	10.5	10.0	9.2	9.4	9.6	9.9
364-Day Treasury Bills						
Date of Auction	27-Apr-16	25-May-16	22-Jun-16	29-Jun-16	06-Jul-16	13-Jul-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	10,180.4	16,092.7	3,452.2	1,314.6	1,086.0	6,902.8
Amount Accepted (Ksh M)	8,004.7	9,168.5	3,452.2	1,314.6	1,086.0	6,635.9
Maturities (Ksh M)	1,379.2	1,092.0	591.5	72.4	355.6	850.5
Average interest Rate (%) - 364 days	11.7	11.3	10.7	10.7	11.0	10.9
Treasury Bonds						
Date of Auction						
Tenor						
Amount offered (Ksh M)						
Bids received (Ksh M)						
Amount Accepted (Ksh M)						
Maturities (Ksh M)						
Average interest Rate (%)						

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	26-Feb-16	25-Mar-16	29-Apr-16	27-May-16	24-Jun-16	01-Jul-16	08-Jul-16
1. Treasury Bills (Excluding Repos)	420.76	462.85	507.90	540.84	578.03	588.09	590.39
(As % of total securities)	28.27	29.70	31.50	33.38	33.41	33.95	34.03
2. Treasury Bonds	1,067.83	1,095.37	1,104.68	1,079.52	1,152.04	1,144.32	1,144.32
(As % of total securities)	71.73	70.30	68.50	66.62	66.59	66.05	65.97
3. Total Securities (1+2)	1,488.59	1,558.23	1,612.58	1,620.35	1,730.07	1,732.41	1,734.71
4. Overdraft at Central Bank	43.58	37.74	44.87	41.49	37.06	44.20	44.20
5. Other Domestic debt*	31.96	31.69	31.77	31.60	31.09	31.07	31.10
6. Gross Domestic Debt (3+4+5)	1,564.13	1,627.66	1,689.22	1,693.45	1,798.22	1,807.68	1,810.02

* 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

	26-Feb-16	25-Mar-16	29-Apr-16	27-May-16	24-Jun-16	01-Jul-16	08-Jul-16
Treasury bills (Excluding Repos)	26.9	28.4	30.1	31.9	32.1	32.5	32.6
Treasury bonds	68.3	67.3	65.4	63.7	64.1	63.3	63.2
CBK Overdraft to Govt	2.8	2.3	2.7	2.5	2.1	2.4	2.4
Other domestic debt	2.0	1.9	1.9	1.9	1.7	1.7	1.7
TOTAL	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

	26-Feb-16	25-Mar-16	29-Apr-16	27-May-16	24-Jun-16	01-Jul-16	08-Jul-16
Banking Institutions	55.5	55.7	56.5	57.5	56.3	56.2	56.0
Insurance Companies	8.3	8.2	7.9	7.9	7.5	7.4	7.4
Parastatals	4.7	4.7	4.6	4.7	4.7	5.0	5.0
Pension funds	25.4	25.5	25.2	26.1	25.9	25.8	26.1
Other investors	6.1	5.9	5.8	3.8	5.7	5.6	5.6
Total	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)

	28-Apr-16	05-May-16	12-May-16	19-May-16	26-May-16	02-Jun-16	09-Jun-16	16-Jun-16	23-Jun-16	30-Jun-16	07-Jul-16	14-Jul-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,618	7,707	7,693	7,662	7,649	7,668	7,631	7,599	7,517	7,237	7,878	7,841
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.96	5.04	5.03	5.01	5.00	5.01	4.99	4.97	4.91	4.73	5.15	5.13

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya