



OCTOBER 14, 2016

Highlights

The money market was relatively liquid during the week ending October 12, 2016. Commercial banks' excess reserves above 5.25 percent requirement average KSh 12.7bn in the week ending October 12, 2016, marginally changed from KSh 12.5bn recorded in the previous week. The average interbank rate declined to 3.5 percent from 5.6 percent.

The capital markets recorded mixed performance during the week ending October 14, 2016.

Monetary Policy Operations

The money market was relatively liquid during the week ending October 12, 2016. Central bank supported the market by rolling over some of the reverse repo maturities for the week. **(Table 1)**. The Commercial banks' excess reserves above 5.25 percent averaging requirement increased slightly to KSh 12.7bn in the week ending October 12, 2016 from KSh 12.5bn recorded in the previous week **(Chart A)**.

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

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

	6-Oct-16	7-Oct-16	10-Oct-16	11-Oct-16	12-Oct-16	Total
Liquidity Flows						
Total liquidity injection \1	3.2	15.0	25.8	15.5	5.3	64.8
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.6	0.0	0.0	10.7	3.3	14.6
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	20.1	0.0	0.0	20.1
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	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	2.6	15.0	5.7	4.9	2.0	30.1
Total liquidity reduction \1	6.8	9.6	28.3	22.0	6.7	73.3
T/bills (Primary issues)	0.0	0.0	23.7	0.0	0.0	23.7
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	3.5	5.0	0.0	14.2	3.3	26.0
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	3.2	4.6	4.6	7.7	3.4	23.5
Net liquidity injection (+)/Withdrawal (-)	-3.6	5.4	-2.5	-6.4	-1.4	-8.5
Open Market Operations Outcome						
Posted Amount						
Repo (-)						
Term Auction Deposits (-)						
Reverse repos purchases	0.6	0.0	0.0	10.7	3.3	14.6
Reserve Money Position						
Reserve money (actual)	391.1	396.4	394.2	385.3	374.4	

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

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES

	6-Oct-16	7-Oct-16	10-Oct-16	11-Oct-16	12-Oct-16	Total
Liquidity Flows						
Total liquidity injection \1	3.2	15.0	25.8	15.5	5.3	64.8
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.6	0.0	0.0	10.7	3.3	14.6
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	20.1	0.0	0.0	20.1
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	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	2.6	15.0	5.7	4.9	2.0	30.1
Total liquidity reduction \1	6.8	9.6	28.3	22.0	6.7	73.3
T/bills (Primary issues)	0.0	0.0	23.7	0.0	0.0	23.7
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	3.5	5.0	0.0	14.2	3.3	26.0
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	3.2	4.6	4.6	7.7	3.4	23.5
Net liquidity injection (+)/Withdrawal (-)	-3.6	5.4	-2.5	-6.4	-1.4	-8.5
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Source: Central Bank of Kenya

Activity in the Interbank Market

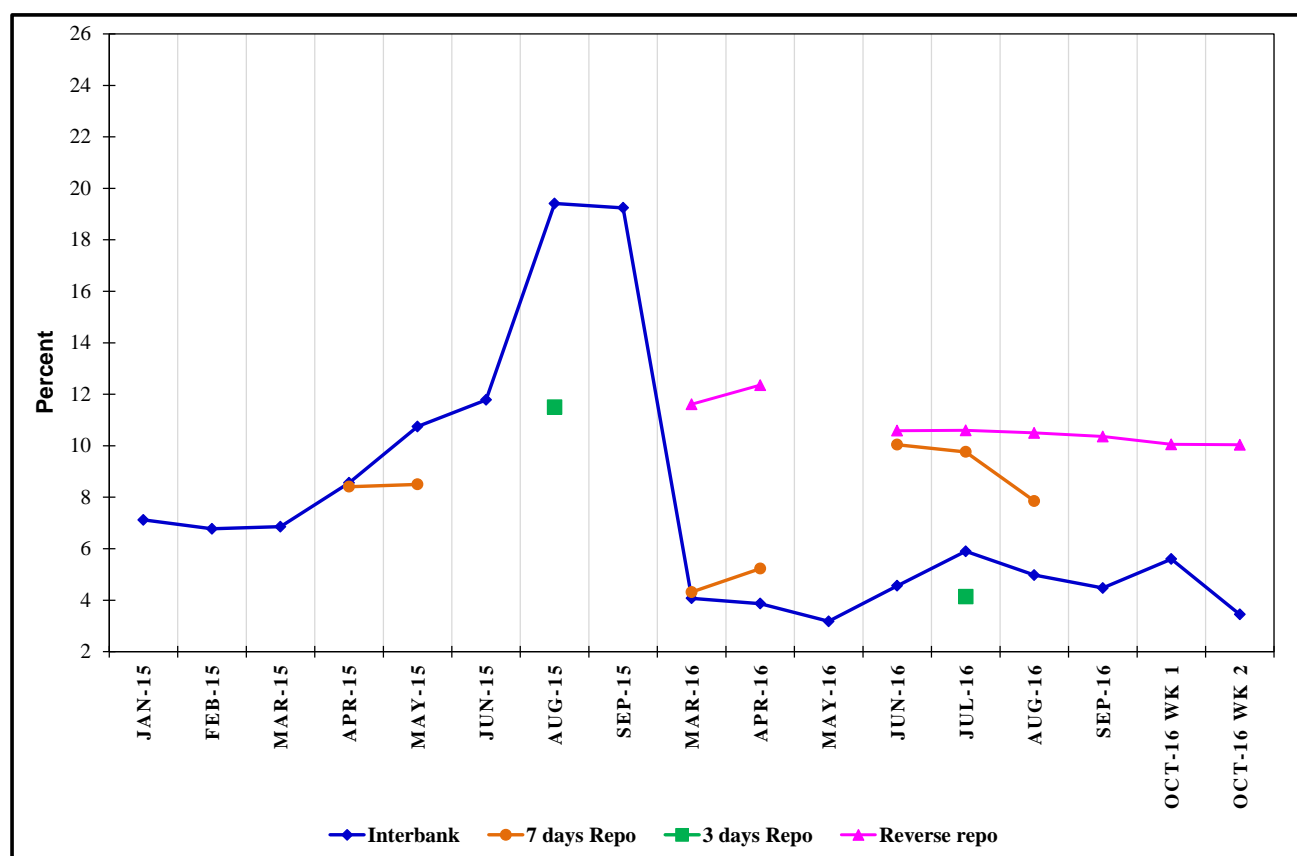
The average interbank rate declined to 3.5 percent from 5.6 percent reflecting subdued demand as banks accumulated reserves to comply with the Cash Reserves Requirement (CRR) cycle ending on October 14, 2016. The average volume traded increased by 6.2 percent, to KSh 16.96 billion compared to KSh 15.97 billion transacted 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-Sep-16	30	23,340	6.64	10.00
30-Sep-16	20	12,100	6.32	10.08
3-Oct-16	23	12,090	5.28	10.08
4-Oct-16	23	17,670	5.24	10.12
5-Oct-16	19	14,670	4.52	10.00
September 29-October 5, 2016	23	15,974	5.60	10.06
6-Oct-16	26	21,300	4.02	10.00
7-Oct-16	22	19,890	3.53	
10-Oct-16	21	12,640	3.40	
11-Oct-16	23	16,700	3.13	10.03
12-Oct-16	26	14,250	3.14	10.08
October 6-12, 2016	24	16,956	3.45	10.04

Source: Central Bank of Kenya

CHART B: EVOLUTION OF FREE RESERVES



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate depicted mixed performance against major international and the EAC currencies during the week ending October 13, 2016. It weakened against the Sterling Pound, the Euro and the Japanese Yen but stabilised against the USD. In the EAC region, the Kenya Shilling strengthened against the Uganda shilling and Burundi Franc, and stabilized against the Tanzania shilling and the Rwanda Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
30th-Sep-2016	101.26	131.64	113.65	99.74	33.41	21.55	7.37	16.45
3rd-Oct-2016	101.22	131.47	113.47	100.02	33.48	21.55	7.66	16.46
4th-Oct-2016	101.21	130.02	113.60	99.85	33.35	21.58	7.66	16.52
5rd-Oct-2017	101.26	129.09	112.96	98.54	33.58	21.55	7.37	16.46
6th-Oct-2017	101.27	128.95	113.32	97.80	33.57	21.57	7.66	16.52
30th-Sep-6th Oct 2016	101.25	130.23	113.40	99.19	33.48	21.56	7.55	16.48
7th-Oct-2016	101.25	127.99	113.19	97.45	33.68	21.54	7.37	16.46
10th-Oct-2016	101.27	125.79	113.33	98.27	33.72	21.57	7.37	16.55
11th-Oct-2016	101.28	125.26	112.95	97.75	33.64	21.55	7.51	16.52
12th-Oct-2016	101.30	124.19	112.26	97.69	33.76	21.55	7.96	16.52
13th-Oct-2016	101.29	123.74	111.64	97.51	33.81	21.56	7.51	16.53
7th-13th oct 2016	101.28	125.40	112.67	97.73	33.72	21.55	7.55	16.52

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

The capital markets recorded mixed performance during the week ending October 14, 2016.

Equities Market

Equity prices declined across all counters and consequently, market capitalisation fell but marginally. Equity turnover however, increased supported by significant increase in volume of shares traded (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	1-Sep-16	8-Sep-16	15-Sep-16	22-Sep-16	29-Sep-16	6-Oct-16	13-Oct-16	Weekly Change (%)
NASI 100= 2008	134.47	130.87	131.63	133.45	136.01	137.53	137.15	-0.28
NSE 25 Share Index	3,509.43	3,422.56	3,461.71	3,517.19	3,591.42	3,644.92	3,630.42	-0.40
NSE 20 Share Index 100= 1996	3,179.23	3,180.29	3,239.80	3,169.64	3,217.75	3,264.03	3,242.32	-0.67
Number of Deals	7,487.00	6,547.00	4,703.00	5,687.00	5,085.00	5,433.00	5,273.00	-2.94
Total Shares Traded (Millions)	336.55	203.01	73.03	198.10	147.51	103.75	120.14	15.80
Equity Turnover (Ksh. Millions)	8,030.65	5,095.32	1,615.03	4,170.16	3,152.74	2,579.24	2,836.78	9.99
Market Capitalization (Ksh. Bn.)	1,936.52	1,884.50	1,895.47	1,921.77	1,958.67	1,992.42	1,986.91	-0.28
I-REIT Turnover in (Ksh.)	3.34	0.60	0.61	7.88	0.98	2.38	2.16	-9.35
I-REIT in Units - Total Deals	45.00	36.00	40.00	54.00	27.00	40.00	32.00	-20.00
Bonds Turnover (Ksh. Millions)	7,600.51	6,809.48	6,526.30	5,186.82	7,206.23	5,806.35	7,108.64	22.43
FTSE NSE Kenya 15 Index	155.26	154.10	156.36	159.14	160.96	167.57	165.31	-1.35
FTSE NSE Kenya 25 Index	161.33	159.60	161.20	164.64	166.62	173.27	171.13	-1.24
FTSE NSE Bond Index	88.05	88.45	88.45	88.45	89.11	89.26	90.14	0.99

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

FTSE¹ NSE Kenya 15 Index and FTSE NSE Kenya 25 Index, measuring performance of 15 largest companies by market capitalization and 25 most liquid stocks at NSE, closed lower by 1.35 percent and 1.24 percent, respectively. The real estate market securities attracted low demand as reflected in a 9.35 percent decline in the Real Estate Investment Trust (I-REIT²) turnover.

The Telecommunication & Technology and Banking sectors dominated trading, accounting for 73.43 percent of total shares transacted.

The Bond Market

The volume of bonds traded improved by 22.43 percent in the week ending October 14, 2016 partly explained by investors selling the old stock to buy into a new Infrastructure Bond on offer in the primary market. The FTSE NSE Bond Index rose by 0.99 percent during the week on account of declining secondary market yields.

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	30-Jun-16	28-Jul-16	25-Aug-16	22-Sep-16	29-Sep-16	6-Oct-16	13-Oct-16
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
Bids received (Ksh M)	3,385.3	3,741.1	1,682.2	6,342.9	4,722.1	6,040.0	4,685.5
Amount Accepted (Ksh M)	3,385.3	2,672.6	1,456.4	5,353.2	4,200.4	5,796.1	4,685.5
Maturities (Ksh M)	1,184.0	12,662.0	7,363.7	5,112.7	3,417.7	1,987.4	2,265.7
Average interest Rate (%) - 91 Days	7.0	8.3	8.6	7.9	7.8	7.8	7.7
182-Day Treasury Bills							
Date of Auction	29-Jun-16	27-Jul-16	24-Aug-16	21-Sep-16	28-Sep-16	5-Oct-16	12-Oct-16
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
Bids received (Ksh M)	1,215.1	13,160.0	7,962.7	10,066.1	8,678.0	12,071.2	13,878.3
Amount Accepted (Ksh M)	1,215.1	6,405.5	7,626.3	5,159.0	5,311.7	10,278.7	12,895.9
Maturities (Ksh M)	2,563.6	8,198.5	5,446.0	1,822.5	2,051.1	7,331.3	8,282.7
Average interest Rate (%) - 182 days	9.4	10.5	11.2	10.6	10.4	10.3	10.3
364-Day Treasury Bills							
Date of Auction	29-Jun-16	27-Jul-16	24-Aug-16	21-Sep-16	28-Sep-16	5-Oct-16	12-Oct-16
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
Bids received (Ksh M)	1,314.6	5,250.7	5,850.8	10,674.0	7,326.1	7,593.0	6,173.4
Amount Accepted (Ksh M)	1,314.6	5,214.9	5,630.0	7,278.0	7,326.1	7,584.9	5,721.6
Maturities (Ksh M)	72.4	1,935.9	1,669.4	459.9	3,666.6	10,803.7	9,606.9
Average interest Rate (%) - 364 days	10.7	11.4	12.0	10.6	10.4	10.3	10.3
Treasury Bonds							
Date of Auction			24th August 2016	21-Sep-16			
Tenor			FXD 1/2016/10	FXD 1/2016/20			
Amount offered (Ksh M)			25000	25000			
Bids received (Ksh M)			26305.2	17800.48			
Amount Accepted (Ksh M)			18312.23	12290.38			
Maturities (Ksh M)			0	0			
Average interest Rate (%)			15.0	14.6			

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	24-Jun-16	29-Jul-16	26-Aug-16	16-Sep-16	23-Sep-16	30-Sep-16	07-Oct-16
1. Treasury Bills (Excluding Repos)	578.03	577.76	579.67	600.04	606.71	618.25	627.05
(As % of total securities)	33.41	32.75	33.09	33.52	33.76	33.97	34.29
2. Treasury Bonds	1,152.04	1,186.12	1,171.92	1,190.23	1,190.23	1,201.78	1,201.78
(As % of total securities)	66.59	67.25	66.91	66.48	66.24	66.03	65.71
3. Total Securities (1+2)	1,730.07	1,763.88	1,751.59	1,790.27	1,796.94	1,820.02	1,828.83
4. Overdraft at Central Bank	37.06	14.01	13.28	0.54	3.32	3.32	0.00
5. Other Domestic debt*	31.09	30.76	31.42	31.44	31.46	31.45	31.47
6. Gross Domestic Debt (3+4+5)	1,798.22	1,808.64	1,796.29	1,822.25	1,831.72	1,854.80	1,860.29

* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government

Source: Central Bank of Kenya

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TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	24-Jun-16	29-Jul-16	26-Aug-16	16-Sep-16	23-Sep-16	30-Sep-16	7-Oct-16
Treasury bills (Excluding Repos)	32.1	31.9	32.3	32.9	33.1	33.3	33.7
Treasury bonds	64.1	65.6	65.2	65.3	65.0	64.8	64.6
CBK Overdraft to Govt	2.1	0.8	0.7	0.0	0.2	0.2	0.0
Other domestic debt	1.7	1.7	1.7	1.7	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

	24-Jun-16	29-Jul-16	26-Aug-16	16-Sep-16	23-Sep-16	30-Sep-16	7-Oct-16
Banking Institutions	56.3	54.8	54.4	54.6	54.9	55.0	54.9
Insurance Companies	7.5	7.6	7.3	7.4	7.4	7.4	7.4
Parastatals	4.7	5.1	5.6	5.6	5.6	5.5	5.5
Pension funds	25.9	26.8	27.0	26.7	26.5	26.6	26.7
Other investors	5.7	5.7	5.6	5.7	5.6	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	4-Aug-16	11-Aug-16	18-Aug-16	25-Aug-16	1-Sep-16	8-Sep-16	15-Sep-16	22-Sep-16	29-Sep-16	6-Oct-16	13-Oct-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,618	7,769	7,733	7,711	7,748	7,688	7,747	7,804	7,748	7,782	7,789	7,776
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.96	5.08	5.14	5.13	5.15	5.11	5.15	5.19	5.15	5.18	5.18	5.17

* Excludes Encumbered Reserves

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

Source: Central Bank of Kenya