



**DECEMBER 16, 2016**

### **Highlights**

*The money market was relatively tight during the week ending December 14, 2016 on account of tax payments and reverse repo maturities. The average interbank rate declined to 5.17 percent from 6.1 percent recorded the previous week.*

*The capital market recorded mixed performance in the week ending December 15, 2016.*

### **Monetary Policy Operations**

The money market was relatively tight during the week ending December 14, 2016 on account of tax payments and reverse repo maturities. To ease the tightness, Central Bank rolled over reverse repo maturities (**Table 1**).

Commercial banks' excess reserves above 5.25 percent average reserve requirement declined to KSh 7 billion at the end of CRR cycle<sup>1</sup> from KSh 13.1bn recorded in the previous week (**Chart A**).

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<sup>1</sup> The CRR (Cash Reserve Ratio) cycle starts from 15<sup>th</sup> of current month and ends on 14<sup>th</sup> of the subsequent month.

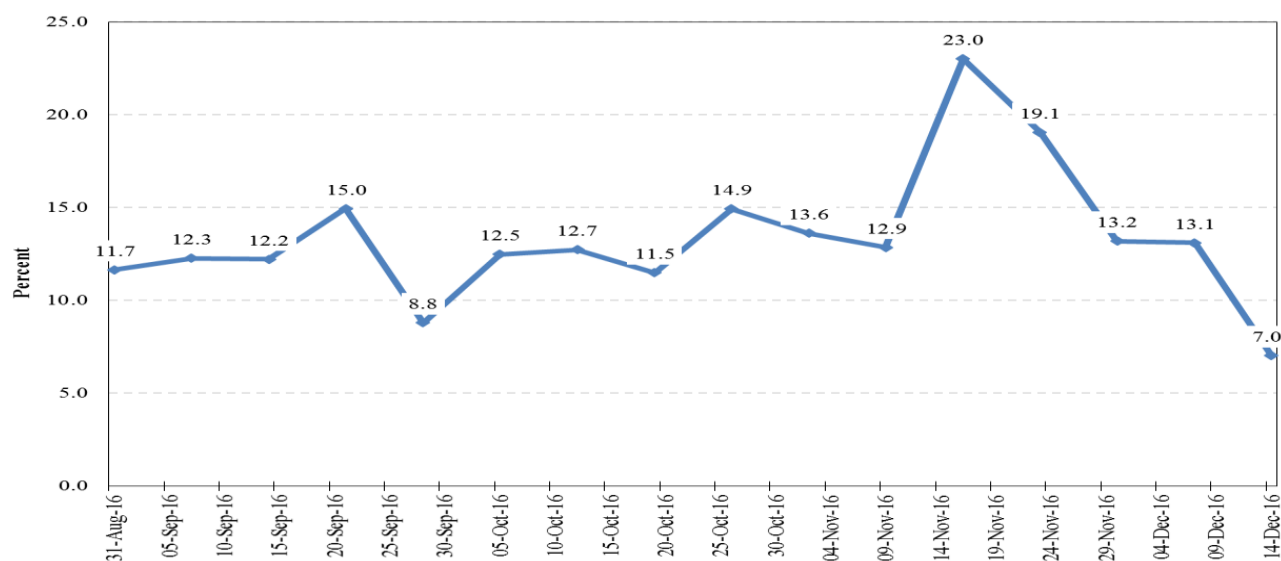
**TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)**

	8-Dec-16	9-Dec-16	13-Dec-16	14-Dec-16	Total
<b>Liquidity Flows</b>					
<b>Total liquidity injection <sup>\1</sup></b>	6.2	9.1	29.1	4.5	<b>48.9</b>
Repos Maturities	0.0	0.0	0.0	0.0	<b>0.0</b>
Reverse Repo Purchases	1.3	4.6	4.0	2.8	<b>12.7</b>
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	<b>0.0</b>
T/bills redemptions	0.0	0.0	14.6	0.0	<b>14.6</b>
T/bills rediscounts	0.0	0.0	0.0	0.0	<b>0.0</b>
T/bonds redemptions	0.0	0.0	0.0	0.0	<b>0.0</b>
T/bonds Interest	0.0	0.0	1.9	0.0	<b>1.9</b>
T/bonds rediscounts	0.0	0.0	0.0	0.0	<b>0.0</b>
Govt payments	5.0	4.5	8.6	1.7	<b>19.7</b>
<b>Total liquidity reduction <sup>\1</sup></b>	<b>4.8</b>	<b>12.0</b>	<b>26.1</b>	<b>9.1</b>	<b>52.1</b>
T/bills (Primary issues)	0.0	0.0	14.4	0.0	<b>14.4</b>
Tbonds Sales	0.0	0.0	0.0	0.0	<b>0.0</b>
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	0.0	0.0	<b>0.0</b>
Repos	0.0	0.0	0.0	0.0	<b>0.0</b>
Reverse Repos maturities	1.5	5.0	5.6	3.2	<b>15.3</b>
Term Auction Deposit	0.0	0.0	0.0	0.0	<b>0.0</b>
Transfer from Banks -Taxes	3.4	7.0	6.1	5.9	<b>22.3</b>
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>1.4</b>	<b>-3.0</b>	<b>3.0</b>	<b>-4.6</b>	<b>-3.2</b>
<b>Open Market Operations Outcome</b>					
Reverse Repos purchases	1.3	4.6	4.0	2.8	<b>12.7</b>
<b>Reserve Money Position</b>					
Reserve money (actual)	390.2	385.7	389.2	383.9	

<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

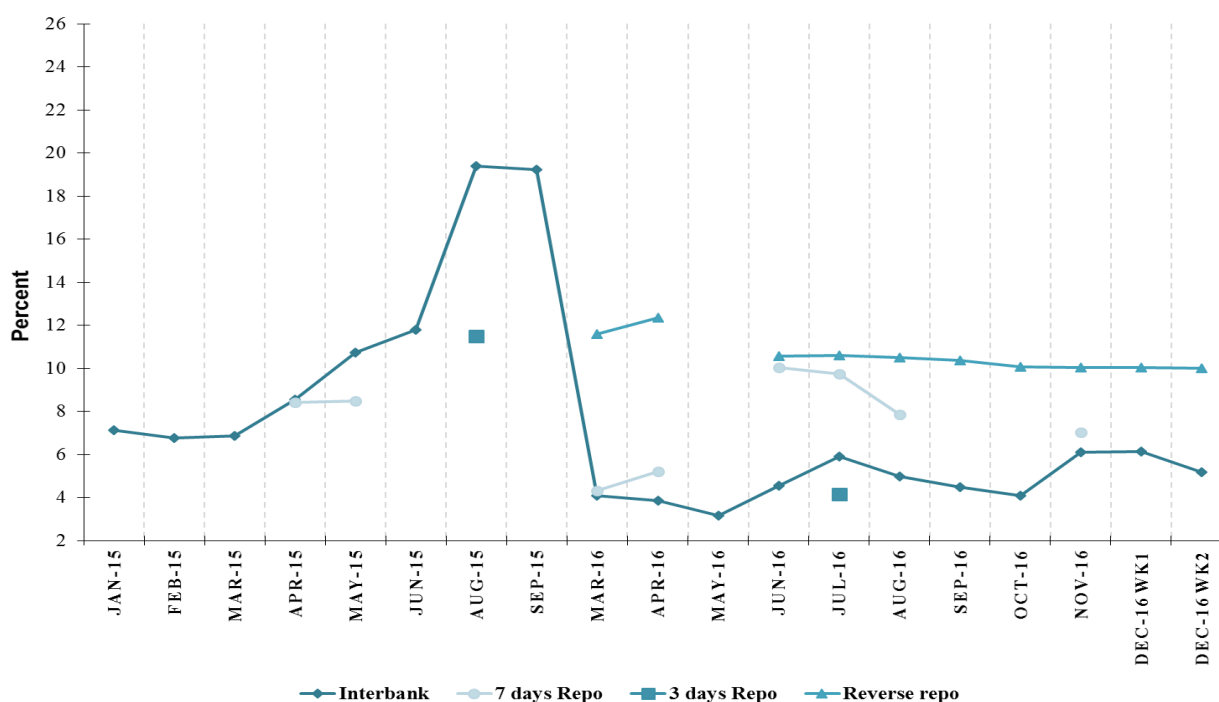
The volumes transacted declined to KSh 16.7 billion from KSh 25.5 billion traded in the previous week. During the week under review, the transactions dealt at a lower weighted average interbank rate of 5.17 percent compared to 6.1 percent recorded the previous week. (Table 2 and Chart B).

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

Date	Number of Deals	Value (Ksh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
1-Dec-16	41	23,020	6.76	10.06
2-Dec-16	42	23,900	6.14	10.02
5-Dec-16	40	26,505	5.93	
6-Dec-16	42	23,925	6.06	10.03
7-Dec-16	46	30,190	5.77	10.05
<b>Dec 01-07, 2016</b>	<b>42</b>	<b>25,508</b>	<b>6.13</b>	<b>10.04</b>
8-Dec-16	35	21,275	5.50	10.06
9-Dec-16	39	20,660	5.14	10.00
13-Dec-16	33	15,202	5.39	10.00
14-Dec-16	24	9,540	4.65	10.00
<b>Dec 08-14, 2016</b>	<b>33</b>	<b>16,669</b>	<b>5.17</b>	<b>10.02</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 recorded mixed performance against major international currencies as well as EAC currencies during the week ending December 15, 2016. It strengthened against the Pound Sterling, the Euro and the Japanese Yen but weakened against the US Dollar. In the EAC region, it strengthened against the Burundi Franc but weakened against all other EAC currencies (**Table 3**).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
2-Dec-16	101.86	129.27	108.24	89.09	35.64	21.40	8.06	16.53
5-Dec-16	101.87	128.79	108.47	89.48	35.63	21.40	7.98	16.51
6-Dec-16	101.87	129.58	108.87	89.13	35.61	21.40	7.98	16.43
7-Dec-16	101.91	129.70	109.33	89.40	35.58	21.37	7.98	16.42
8-Dec-16	101.97	128.65	109.43	89.40	35.50	21.37	7.97	16.49
<b>2 - 8 December 2016</b>	<b>101.90</b>	<b>129.20</b>	<b>108.87</b>	<b>89.30</b>	<b>35.59</b>	<b>21.39</b>	<b>7.99</b>	<b>16.48</b>
9-Dec-16	101.97	128.44	108.26	89.21	35.33	21.38	7.97	16.51
13-Dec-16	102.08	128.36	107.95	88.84	35.22	21.36	7.97	16.50
14-Dec-16	102.10	129.82	108.41	88.70	35.06	21.35	7.97	16.50
15-Dec-16	102.10	129.68	108.64	88.86	35.26	21.33	7.97	16.51
<b>9 - 15 December 2016</b>	<b>102.06</b>	<b>129.07</b>	<b>108.31</b>	<b>88.90</b>	<b>35.22</b>	<b>21.35</b>	<b>7.97</b>	<b>16.50</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

## The Capital Market

The capital market recorded mixed performance in the week ending December 15, 2016.

### Equity Market

The equity market (NASI 100, NSE 20 and NSE 25) share indices declined in week under review reflecting declining equity share prices. Consequently, the shareholder wealth, measured by market capitalization, declined by 2.06 percent on account of overall decline in prices. Equity turnover also declined by 43.78 percent during the week to December 15, 2016 following a decline of 35.76 in the volume of shares traded. The reduced activity in the equity market could be attributed to declining share prices over the period under review and an increased appetite for fixed income securities in the bond market (**Table 4**).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	03-Nov-16	10-Nov-16	17-Nov-16	24-Nov-16	01-Dec-16	08-Dec-16	15-Dec-16	Weekly Change (%)
NASI 100= 2008	138.31	139.89	139.96	138.39	136.74	133.7	130.95	-2.06
NSE 25 Share Index	3,647.90	3,686.03	3,709.91	3,681.55	3,599.17	3,526.83	3,466.52	-1.71
NSE 20 Share Index 100= 1996	3,227.24	3,246.72	3,283.77	3,273.71	3,250.62	3,180.56	3,129.78	-1.60
Number of Deals	6,095	6,233	6,054	5,445	5,043	4,733	3,687	-22.10
Total Shares Traded (Millions)	84.86	116.95	91.79	100.21	102.68	79.91	51.33	-35.76
Equity Turnover (Ksh. Millions)	1,790.65	2,727.92	2,232.48	1,901.46	2,495.91	2,227.92	1,252.52	-43.78
Market Capitalization (Ksh. Bn.)	2,047.66	2,026.78	2,027.74	2,009.91	1,980.97	1,936.75	1,896.95	-2.06
I-REIT Turnover in (Ksh.)	0.26	0.27	0.71	0.92	0.20	0.62	0.94	51.61
I-REIT in Units - Total Deals	21	23	35	29	26	22	16	-27.27
Bonds Turnover (Ksh. Millions)	11,373.10	9,533.29	6,751.20	6,649.85	5,095.10	2,873.25	5,395.44	87.78
FTSE NSE Kenya 15 Index	166.40	168.62	170.84	170.07	165.69	161.66	159.64	-1.25
FTSE NSE Kenya 25 Index	172.34	174.99	176.43	174.71	170.40	166.28	163.83	-1.47
FTSE NSE Bond Index	89.82	90.27	90.31	90.19	90.22	90.21	89.96	-0.28

Source: Nairobi Securities Exchange

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

FTSE<sup>2</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, closed the week 1.25 percent and 1.47 percent lower, respectively. The Banking and Telecommunication and Technology sectors dominated trading accounting for 33.47 percent and 31.43 percent, respectively, of the total shares traded over the period under review.

Performance in the real estate market segment recorded improvement with the Income Real Estate Investment Trust (I-REIT<sup>3</sup>) turnover increasing by 87.78 percent, while the number of deals declined by 27.27 percent, signalling reduced demand for asset backed securities.

### Bond Market

The bond market reflected mixed performance with the volume of bonds traded increasing by 87.78 percent to close at KSh.5, 395.44 million and the number of deals also increasing from 52 to 54 in the week ending December 15, 2016. FTSE Bond Index decline by 0.28 on account of increasing secondary market yields.

<sup>2</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>3</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	25-Aug-16	29-Sep-16	27-Oct-16	24-Nov-16	08-Dec-16	15-Dec-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)	1,682.2	4,722.1	4,335.7	5,911.3	2,174.2	2,588.8	2,588.8
Amount Accepted (Ksh M)	1,456.4	4,200.4	4,335.7	5,908.4	2,172.8	2,588.8	2,588.8
Maturities (Ksh M)	7,363.7	3,417.7	2,714.4	1,484.5	4,783.3	4,166.3	4,166.3
Average interest Rate (%) - 91 Days	8.6	7.8	8.0	8.3	8.4	8.5	8.5
<b>182-Day Treasury Bills</b>							
Date of Auction	24-Aug-16	28-Sep-16	26-Oct-16	23-Nov-16	07-Dec-16	14-Dec-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)	7,962.7	8,678.0	7,356.5	6,936.3	7,309.5	7,446.2	7,446.2
Amount Accepted (Ksh M)	7,626.3	5,311.7	7,356.5	6,915.3	7,162.3	4,229.9	4,229.9
Maturities (Ksh M)	5,446.0	2,051.1	9,520.1	5,649.1	6,790.4	5,676.3	5,676.3
Average interest Rate (%) - 182 days	11.2	10.4	10.3	10.4	10.5	10.6	10.6
<b>364-Day Treasury Bills</b>							
Date of Auction	24-Aug-16	28-Sep-16	26-Oct-16	23-Nov-16	07-Dec-16	14-Dec-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)	5,850.8	7,326.1	5,422.8	5,316.7	7,546.8	1,593.4	1,593.4
Amount Accepted (Ksh M)	5,630.0	7,326.1	5,422.8	3,266.8	5,078.2	1,593.4	1,593.4
Maturities (Ksh M)	1,669.4	3,666.6	8,529.4	1,290.5	3,062.6	818.3	818.3
Average interest Rate (%) - 364 days	12.0	10.4	10.6	10.8	11.1	11.1	11.1
<b>Treasury Bonds</b>							
Date of Auction	24th August 2016		20-Oct-16	23-Nov-16		14-Dec-16	
Tenor	FXD 1/2016/10		IFB1/2016/16 (Tap sale)	FXD 1/2008/20		FXD3/2016/2	
Amount offered (Ksh M)	25,000.00		10,000.0	30,000.0		30,000.0	
Bids received (Ksh M)	26,305.20		4,773.4	8,398.0		35,540.1	
Amount Accepted (Ksh M)	18,312.23		4,471.4	7,876.6		10,535.3	
Maturities (Ksh M)	-		0.0	0.0		29,375.7	
Average interest Rate (%)	15.04		13.2	14.3		12.5	

Source: Central Bank of Kenya

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

	24-Jun-16	29-Jul-16	26-Aug-16	30-Sep-16	28-Oct-16	25-Nov-16	02-Dec-16	09-Dec-16
1. Treasury Bills (Excluding Repos)	578.03	577.76	579.67	618.25	631.84	611.95	620.00	621.38
(As % of total securities)	33.41	32.75	33.09	33.97	34.04	33.19	33.07	33.12
2. Treasury Bonds	1,152.04	1,186.12	1,171.92	1,201.78	1,224.21	1,231.57	1,254.59	1,254.59
(As % of total securities)	66.59	67.25	66.91	66.03	65.96	66.81	66.93	66.88
<b>3. Total Securities (1+2)</b>	<b>1,730.07</b>	<b>1,763.88</b>	<b>1,751.59</b>	<b>1,820.02</b>	<b>1,856.05</b>	<b>1,843.52</b>	<b>1,874.60</b>	<b>1,875.97</b>
4. Overdraft at Central Bank	37.06	14.01	13.28	3.32	0.00	9.96	0.00	0.00
5. Other Domestic debt*	31.09	30.76	31.42	31.45	31.21	32.05	32.05	32.03
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,798.22</b>	<b>1,808.64</b>	<b>1,796.29</b>	<b>1,854.80</b>	<b>1,887.26</b>	<b>1,885.54</b>	<b>1,906.65</b>	<b>1,908.00</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	02-Dec-16	09-Dec-16
Treasury bills (Excluding Repos)	32.1	31.9	32.3	33.3	33.5	32.5	32.5	32.6
Treasury bonds	64.1	65.6	65.2	64.8	64.9	65.3	65.8	65.8
CBK Overdraft to Govt	2.1	0.8	0.7	0.2	0.0	0.5	0.0	0.0
Other domestic debt	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
<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>

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	02-Dec-16	09-Dec-16
Banking Institutions	56.3	54.8	54.4	55.0	53.1	53.3	52.7	52.3
Insurance Companies	7.5	7.6	7.3	7.4	7.1	7.1	7.3	7.3
Parastatals	4.7	5.1	5.6	5.5	5.6	5.8	5.8	5.8
Pension funds	25.9	26.8	27.0	26.6	27.1	27.3	27.7	28.1
<b>Other investors</b>	<b>5.7</b>	<b>5.7</b>	<b>5.6</b>	<b>5.6</b>	<b>7.1</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>
<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>

Source: Central Bank of Kenya

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

	13-Oct-16	19-Oct-16	27-Oct-16	03-Nov-16	10-Nov-16	17-Nov-16	24-Nov-16	01-Dec-16	08-Dec-16	15-Dec-16
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,744	7,729	7,683	7,628	7,536	7,485	7,336	7,289	7,308	7,247
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.07	5.06	5.03	4.99	4.93	4.90	4.80	4.77	4.78	4.74

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya