



JUNE 23, 2017

Highlights

Liquidity in the money market was fairly tight during the week ending June 21, 2017, largely on account of net issuance of government securities in the primary market. The weighted average interbank rate increased marginally to 3.55 percent in the week ending June 21, 2017 from 2.84 percent recorded in the previous week.

Capital markets recorded mixed performance during the week ending June 22, 2017.

Monetary Policy Operations

Liquidity in the money market was fairly tight during the week ending June 21, 2017, largely on account of net issuance of Government securities. The money market recorded KSh 10.3 billion net

liquidity withdrawal during the week under review (Table 1).

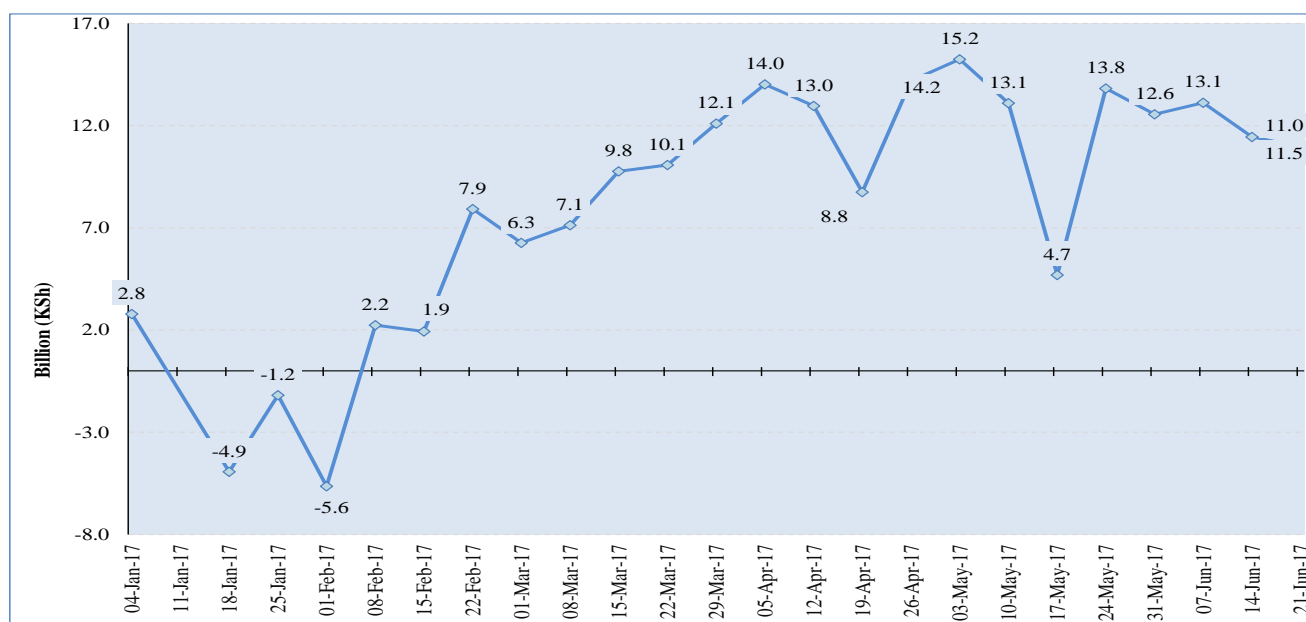
TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	15-Jun-17	16-Jun-17	19-Jun-17	20-Jun-17	21-Jun-17	Total
Liquidity Flows						
Total liquidity injection ¹	7.9	6.7	32.6	11.4	10.9	69.5
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	0.0	0.0	8.7	2.3	11.0
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	15.9	0.0	0.0	15.9
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	10.4	0.0	0.0	10.4
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	7.9	6.7	6.2	2.7	8.7	32.1
Total liquidity reduction ¹	3.3	2.5	38.6	21.7	13.7	79.8
T/bills (Primary issues)	0.0	0.0	34.7	0.0	0.0	34.7
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	0.0	0.0	0.0	8.9	2.3	11.1
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	3.3	2.4	3.9	9.3	11.5	30.4
Net liquidity injection (+)/Withdrawal (-)	4.55	4.2	-6.0	-10.3	-2.8	-10.3
Open Market Operations Outcome						
Posted Amount	-	-	-	-	-	-
Realised Amount - Mop up	0.0	0.0	0.0	0.0	0.0	0.0
Repo (-)	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposits (-)	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						
Reserve money (actual)	411.5	414.0	406.5	396.2	393.5	

¹ 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

Commercial banks' excess reserves above 5.25 percent averaging requirement remained largely unchanged at KSh 11.0 billion, compared to the previous week's KSh 10.5 billion (Chart A). The excess reserves have consistently remained above the 5.25 percent requirement since February 2017.

Activity in the Interbank Market

The weighted average interbank rate increased to 3.55 percent in the week ending June 21, 2017 from

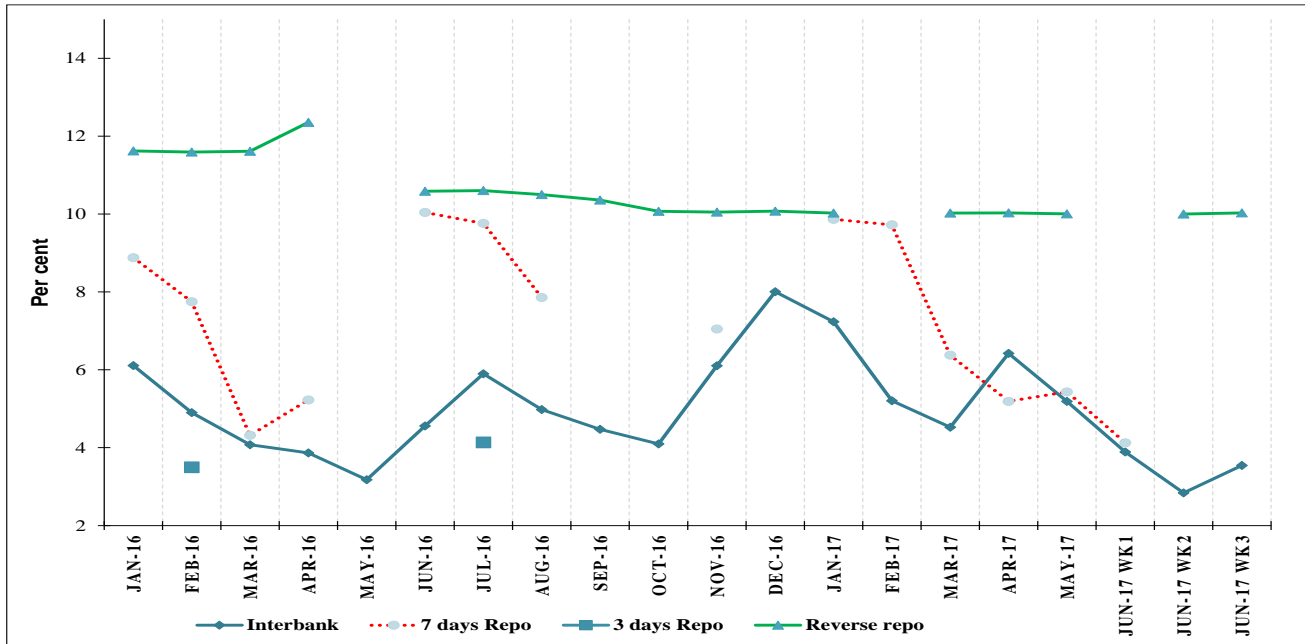
2.84 percent recorded in the previous week. The volume transacted increased to KSh 18.1 billion from KSh 11.6 billion average the previous week. The number of deals, at 29, was also higher compared to 17 deals transacted the previous week. Reverse repo purchases traded at a marginally higher average rate of 10.03 percent compared to 10.00 percent in the previous week (Table 2 and Chart B).

TABLE 2: OPEN MARKET OPERATIONS

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
8-Jun-17	16	9,250	3.24	-
9-Jun-17	20	11,000	2.90	-
12-Jun-17	20	16,720	2.96	-
13-Jun-17	18	13,380	2.65	-
14-Jun-17	11	7,530	2.45	10.00
June 8, 2017 - June 14, 2017	17	11,576	2.84	10.00
15-Jun-17	18	15,520	2.60	-
16-Jun-17	18	16,370	3.18	-
19-Jun-17	35	23,055	3.44	-
20-Jun-17	35	16,150	3.82	10.04
21-Jun-17	38	19,405	4.69	10.02
June 15, 2017 - June 21, 2017	29	18,100	3.55	10.03

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 portrayed mixed performance against major international currencies during the week ending June 22, 2017. It depreciated marginally against the US Dollar and strengthened against the Pound Sterling, the Euro and the Japanese Yen. In the EAC region, the Kenya

Shilling depreciated marginally against the EAC partner states currencies.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
9-Jun-17	103.32	133.51	115.94	94.13	34.75	21.66	7.99	16.70
12-Jun-17	103.32	131.56	115.57	93.33	34.75	21.66	7.98	16.67
13-Jun-17	103.34	130.90	115.86	93.91	34.74	21.66	8.17	16.71
14-Jun-17	103.37	131.79	115.91	93.93	34.73	21.65	7.97	16.67
15-Jun-17	103.40	131.84	115.95	94.34	34.72	21.64	8.17	16.70
9-15 June 2017	103.35	131.92	115.85	93.93	34.74	21.65	8.06	16.69
16-Jun-17	103.55	132.04	115.50	94.48	34.62	21.61	8.10	16.64
19-Jun-17	103.58	132.41	115.79	93.51	34.61	21.61	7.96	16.64
20-Jun-17	103.62	132.11	115.44	92.84	34.63	21.60	8.15	16.67
21-Jun-17	103.62	130.84	115.35	93.12	34.63	21.60	7.96	16.64
22-Jun-17	103.63	131.31	115.43	92.83	34.64	21.59	7.96	16.65
16-22 June 2017	103.60	131.74	115.50	93.36	34.63	21.60	8.03	16.65

Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

Capital markets recorded mixed performance during the week ending June 22, 2017, with gains across all counters in the equities market segment and a decline in bond market turnover.

indices. Market capitalization rose by 0.93 percent. Equity turnover increased by 38.8 percent on account of 38.6 percent increase in the volume of shares traded (**Table 4**). Investors' continued the hunt for cheap bargains.

Equity Market

Share prices increased during the week ending June 22, 2017 as reflected in gains by all share prices

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	11-May-17	18-May-17	25-May-17	01-Jun-17	08-Jun-17	15-Jun-17	22-Jun-17	Weekly Change (%)
NASI 100= 2008	137.64	138.85	145.55	148.40	149.30	152.94	154.35	0.92
NSE 25 Share Index	3,620.80	3,685.50	3,883.64	3,926.32	3,970.00	4,050.99	4,087.32	0.90
NSE 20 Share Index 100= 1996	3,195.70	3,244.69	3,410.89	3,441.05	3,475.00	3,522.79	3,612.55	2.55
Number of Deals	6,068	6,650	6,150	5,509	7,047.00	6,656.00	7,038.00	5.74
Total Shares Traded (Million)	133.51	193.34	194.23	105.20	142.80	199.26	276.08	38.56
Equity Turnover (KSh Million)	3,051.53	4,303.93	4,507.16	2,757.59	3,104.07	4,435.70	6,156.12	38.79
Market Capitalization (KSh Billion)	1,999.00	2,016.35	2,113.87	2,155.36	2,168.19	2,221.37	2,242.12	0.93
I-REIT Turnover in (KSh Million)	0.66	0.24	0.08	0.27	0.94	1.08	1.85	71.95
I-REIT in Units - Total Deals	28.00	14.00	10.00	34.00	53.00	31.00	34.00	9.68
Bonds Turnover (KSh Million)	13,791.38	6,687.15	16,421.90	11,633.99	9,722.09	12,248.72	9,169.56	-25.14
FTSE NSE Kenya 15 Index	169.10	173.37	180.97	182.06	187.70	190.40	190.88	0.25
FTSE NSE Kenya 25 Index	174.07	177.71	185.31	186.10	192.70	196.33	195.19	-0.58
FTSE NSE Bond Index	89.98	90.04	91.37	91.48	91.60	91.58	91.56	-0.02
ETF Turnover(KSh Million)	-	-	-	-	-	-	-	
ETF -Total Deals	-	-	-	-	-	-	-	

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

The FTSE¹ NSE Kenya 15 Index and FTSE NSE Kenya 25 Index, which measure performance of the 15 largest companies by market capitalization and 25 most liquid stocks at the Nairobi Securities Exchange (NSE) had mixed performance, with the former gaining 0.25 percent while the later shed 0.58 percent in the week under review. Telecommunication & Technology, Energy & Petroleum sectors and Banking, sector dominated trading and accounted for 84.6 percent of all shares traded.

The Real Estate Investment Trust (I-REIT²) recorded a 72 percent jump in turnover with number of deals transacted up by 9.7 percent. The increased demand is attributed to investors' appetite for asset-backed securities in view of expected capital gains.

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.

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

Bond Market

The volume of bonds traded declined by 25.1 percent in the week ending June 22, 2017, despite increase in deals to 228 from 217 deals. The decline is attributed to investors' focus on the reopening of a 15-year bond in the primary market that was oversubscribed by 30.2 percent against KSh 30

billion offered. The FTSE Bond Index decreased by 0.02 percent, reflecting marginal increase in secondary market yields.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills							
Date of Auction	30-Mar-17	27-Apr-17	25-May-17	01-Jun-17	08-Jun-17	15-Jun-17	22-Jun-17
Amount offered (Ksh M)	10,000.0	10,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	11,223.1	12,373.5	5,171.6	8,368.2	15,260.6	12,455.8	3,347.0
Amount Accepted (Ksh M)	7,084.8	11,239.8	2,645.1	3,125.6	13,743.0	10,067.2	3,325.6
Maturities (Ksh M)	1,393.8	5,657.4	5,910.5	8,778.8	8,592.7	5,392.8	2,174.4
Average interest Rate (%) - 91 Days	8.8	8.8	8.6	8.5	8.5	8.4	8.3
182-Day Treasury Bills							
Date of Auction	29-Mar-17	26-Apr-17	24-May-17	31-May-17	07-Jun-17	14-Jun-17	21-Jun-17
Amount offered (Ksh M)			10,000.0	10,000.0	10,000.0	10,000.0	10,000.0
Bids received (Ksh M)			15,070.4	15,495.7	25,551.2	15,862.4	12,044.5
Amount Accepted (Ksh M)			13,608.2	13,919.6	21,335.9	15,691.1	11,331.6
Maturities (Ksh M)			7,053.2	7,400.1	7,032.0	4,439.5	11,875.0
Average interest Rate (%) - 182 days			10.4	10.4	10.3	10.3	10.3
364-Day Treasury Bills							
Date of Auction	29-Mar-17	26-Apr-17	24-May-17	31-May-17	07-Jun-17	14-Jun-17	21-Jun-17
Amount offered (Ksh M)	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0
Bids received (Ksh M)	13,275.7	8,245.6	13,821.3	13,928.2	9,407.0	8,937.1	9,517.7
Amount Accepted (Ksh M)	9,287.4	7,987.5	11,869.9	11,566.5	7,892.8	8,891.5	9,048.9
Maturities (Ksh M)	4,883.3	8,932.5	6,562.6	7,459.8	6,731.8	6,106.7	3,821.5
Average interest Rate (%) - 364 days	10.9	10.9	10.9	10.9	10.9	10.9	10.9
Treasury Bonds							
Date of Auction	29-Mar-17		27-Apr-17				21-Jun-17
Tenor	FXD 3/2013/5		FXD1/2009/11				FXD2/2007/15
Amount offered (Ksh M)	15,000.0		7,000.0				30,000.0
Bids received (Ksh M)	12,109.4		6,143.05				39,073.2
Amount Accepted (Ksh M)	7,842.8		4,009.60				26,409.9
Maturities (Ksh M)	0.0		0				18,746.8
Average interest Rate (%)	12.404		12.0				12.520

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	24-Feb-17	31-Mar-17	28-Apr-17	26-May-17	02-Jun-17	09-Jun-17	16-Jun-17
1. Treasury Bills (Excluding Repos)	607.90	615.77	626.90	673.30	684.07	695.16	716.70
(As % of total securities)	33.21	32.69	32.25	33.96	34.04	34.41	35.10
2. Treasury Bonds	1,222.61	1,268.16	1,317.02	1,309.35	1,325.28	1,325.28	1,325.28
(As % of total securities)	66.79	67.31	67.75	66.04	65.96	65.59	64.90
3. Total Securities (1+2)	1,830.51	1,883.93	1,943.92	1,982.65	2,009.35	2,020.44	2,041.97
4. Overdraft at Central Bank	25.13	30.27	-	-	0.03	-	1.87
5. Other Domestic debt*	30.97	31.06	30.75	35.93	35.94	35.96	36.14
6. Gross Domestic Debt (3+4+5)	1,886.61	1,945.25	1,974.67	2,018.58	2,045.33	2,056.40	2,079.98

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

Source: Central Bank of Kenya

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT (IN PERCENT)

	24-Feb-17	31-Mar-17	28-Apr-17	26-May-17	02-Jun-17	09-Jun-17	16-Jun-17
Treasury bills (Excluding Repos)	32.2	31.7	31.7	33.4	33.4	33.8	34.5
Treasury bonds	64.8	65.2	66.7	64.9	64.8	64.4	63.7
CBK Overdraft to Govt	1.3	1.6	0.0	0.0	0.0	0.0	0.1
Other domestic debt	1.6	1.6	1.6	1.8	1.8	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 (IN PERCENT)

	27-Jan-17	24-Feb-17	31-Mar-17	21-Apr-17	28-Apr-17	26-May-17	02-Jun-17	09-Jun-17	16-Jun-17
Banking Institutions	51.6	51.0	54.1	54.9	55.1	56.2	56.2	56.5	56.7
Insurance Companies	7.5	7.5	7.1	7.0	7.0	6.9	6.9	6.8	6.8
Parastatals	5.7	5.8	6.5	6.5	6.5	6.6	6.5	6.5	6.3
Pension funds	28.6	29.0	28.2	27.8	27.5	27.9	28.1	27.7	27.6
Other investors	6.7	6.7	4.0	3.9	3.9	2.4	2.3	2.5	2.5
Total	100.0	100.0	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)

	04-May-17	11-May-17	18-May-17	25-May-17	31-May-17	08-Jun-17	15-Jun-17	22-Jun-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	8,304	8,251	8,248	8,236	8,259	8,197	8,188	8,105
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.49	5.45	5.45	5.44	5.46	5.42	5.41	5.36

**Excludes Encumbered Reserves*

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

Source: Central Bank of Kenya