



**AUGUST 12, 2016**

### **Highlights**

*The money market was relatively liquid during the week ending August 10, 2016 with liquidity injection and withdrawals fairly matched. The average interbank rate dipped 60 basis points to 5.38 percent from 5.98 percent in the previous week.*

*Performance in capital market declined over the week ending August 4, 2016.*

### **Monetary Policy Operations**

The money market was relatively liquid during the week ending August 10, 2016 with liquidity injection and withdrawals fairly matched. Liquidity injection was mainly through government payments and Treasury Bills redemption. This was fairly matched by withdrawals through taxes and Treasury bills issuance. However, given skewed liquidity distribution in favor of a few banks the Central Bank injected KSh 12.8 bn to stabilize the money market (**Table 1**).

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

	4-Aug-16	5-Aug-16	8-Aug-16	9-Aug-16	10-Aug-16	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection \1</b>	<b>4.4</b>	<b>10.1</b>	<b>27.8</b>	<b>8.1</b>	<b>4.5</b>	<b>55.0</b>
Repos Maturities				4.0		4.0
Term Auction Deposit maturities						
T/bills redemptions			25.4			25.4
T/bills rediscounts						
T/bonds redemptions						
T/bonds Interest						
T/bonds rediscounts						
Govt payments	4.4	1.1	1.3	1.7	4.3	12.9
<b>Total liquidity reduction \1</b>	<b>1.9</b>	<b>7.5</b>	<b>33.6</b>	<b>5.4</b>	<b>5.0</b>	<b>53.5</b>
T/bills (Primary issues)			28.1			28.1
Tbonds Sales						
T/bills/Tbonds (OMO Tap Sales)						
Repos						
Reverse Repos maturities						
Term Auction Deposit						
Transfer from Banks -Taxes	1.9	3.2	4.3	5.0	4.8	19.2
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>2.5</b>	<b>2.7</b>	<b>-5.7</b>	<b>2.7</b>	<b>-0.6</b>	<b>1.5</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount - Mop up</b>						
<b>Realised Amount - Mop up</b>						
Repo (-)						
Term Auction Deposits (-)						
<b>Reverse Repo (+)</b>	<b>0.0</b>	<b>10.0</b>	<b>7.0</b>	<b>7.0</b>	<b>5.0</b>	<b>29.0</b>
Bids accepted (+)		9.0	1.1	2.4	0.2	12.8
<b>Reserve Money Position</b>						
Reserve money (actual)	391.5	393.4	387.3	390.2	388.8	

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

Source: Central Bank of Kenya

### Activity in the Interbank Market

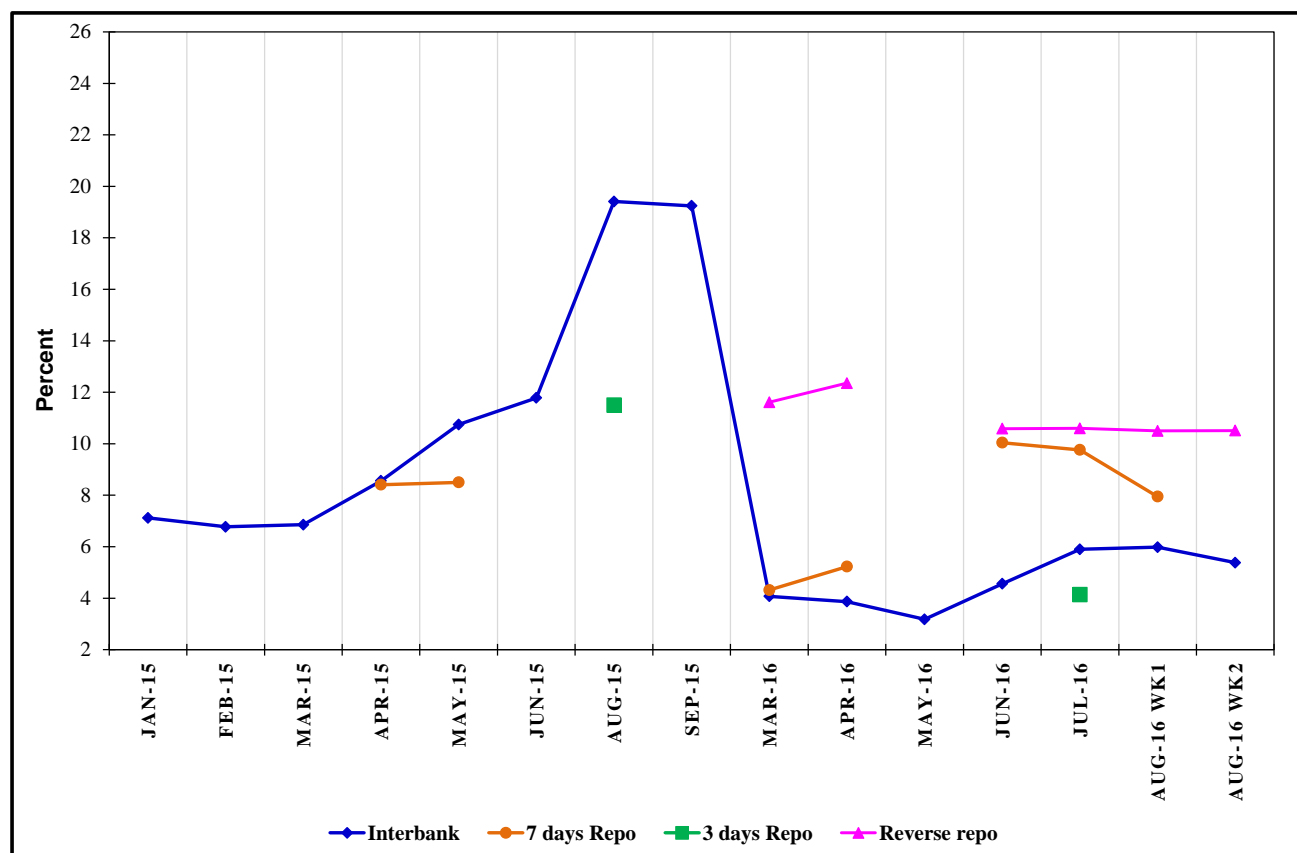
The interbank rate dipped 60 basis points to 5.38 percent in the week ending August 10, 2016 on a marginally higher volume of KSh 19.0bn compared to KSh 18.1bn the previous week. The average number of deals decreased marginally to 26 from 29 the previous week (**Table 2** and **Chart A**).

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

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)
28-Jul-16	21	12,330	5.79	
29-Jul-16	26	17,690	5.58	
1-Aug-16	35	21,550	5.98	
2-Aug-16	35	21,245	6.30	7.95
3-Aug-16	28	17,660	6.27	
<b>July 28, 2016 - August 3, 2016</b>	<b>29</b>	<b>18,095</b>	<b>5.98</b>	<b>7.95</b>
4-Aug-16	25	17,250	6.20	
5-Aug-16	30	19,800	5.78	
8-Aug-16	29	21,200	5.33	
9-Aug-16	27	21,730	5.05	
10-Aug-16	19	15,200	4.55	
<b>August 3-August 10, 2016</b>	<b>26</b>	<b>19,036</b>	<b>5.38</b>	

Source: Central Bank of Kenya

**CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES**

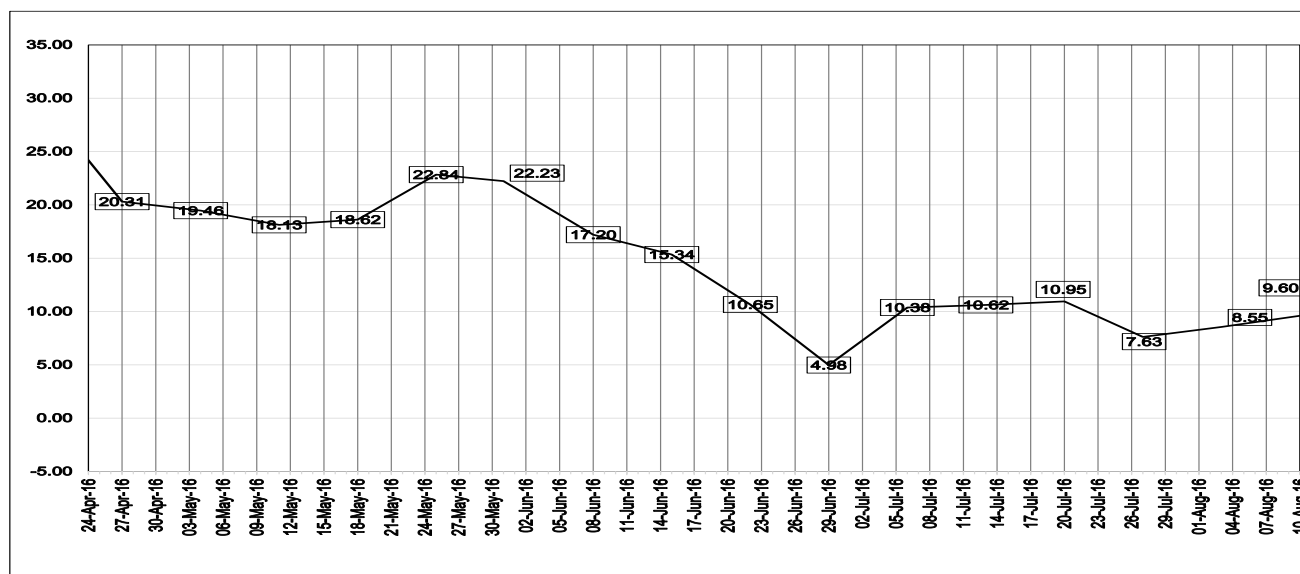


Source: Central Bank of Kenya

## Commercial Banks Clearing Account Balances

Commercial banks' excess reserves above 5.25 percent reserve requirement increased to KSh 9.6 bn on August 10, 2016 from KSh 8.55 bn the previous week (**Chart B**).

**CHART B: EVOLUTION OF FREE RESERVES**



Source: Central Bank of Kenya

## Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate displayed mixed performance against international currencies. The Shilling was relatively stable against the US Dollar, strengthened against the Pound Sterling and the Euro but weakened against the Japanese Yen during the week ending August 11, 2016. In the EAC region, the Kenya Shilling weakened against all EAC currencies.

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
29-Jul-16	101.39	133.52	112.39	98.15	33.29	21.59	7.36	16.54
1-Aug-16	101.40	133.75	113.19	98.75	33.33	21.59	7.36	16.54
2-Aug-16	101.41	133.84	113.26	98.99	33.40	21.59	7.36	16.53
3-Aug-16	101.41	135.04	113.70	100.40	33.38	21.58	7.36	16.50
4-Aug-16	101.41	134.97	113.09	99.95	33.23	21.58	7.94	16.38
<b>29 July-4 Aug 2016</b>	<b>101.40</b>	<b>134.22</b>	<b>113.13</b>	<b>99.25</b>	<b>33.33</b>	<b>21.58</b>	<b>7.48</b>	<b>16.50</b>
5-Aug-16	101.39	133.15	112.98	100.28	33.22	21.58	7.36	16.53
8-Aug-16	101.38	132.23	112.17	99.32	33.24	21.58	7.94	16.39
9-Aug-16	101.45	132.08	112.41	99.10	33.27	21.57	7.36	16.51
10-Aug-16	101.47	131.54	112.53	99.43	33.21	21.56	7.36	16.51
11-Aug-16	101.49	132.22	113.40	100.36	33.23	21.56	7.36	16.49
<b>5 - 11 Aug 2016</b>	<b>101.44</b>	<b>132.24</b>	<b>112.70</b>	<b>99.70</b>	<b>33.23</b>	<b>21.57</b>	<b>7.47</b>	<b>16.49</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

## The Capital Market

The equities and bonds market segments recorded mixed performance in the week ending August 11, 2016.

## Equities Market

The overall equities prices increased in the week ending August 11, 2016 as reflected in the 17-basis points gain by NASI. However, across groups of shares, the price declined by 46- basis points for the NSE 25<sup>1</sup> Share Index and 42 points for shares grouped under the NSE 20<sup>2</sup> Share index. Market capitalization, which measures shareholders' wealth, gained 0.17 percent or KSh 3.55 bn during the week. The 19.14 percent decrease in equity turnover is explained by a 40.29 per cent fall in the volume of shares traded as investors retreated (**Table 4**) reflecting investors low appetite for risky assets.

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	30-Jun-16	08-Jul-16	14-Jul-16	21-Jul-16	28-Jul-16	04-Aug-16	11-Aug-16	Weekly Change (%)
NASI 100= 2008	140.60	140.84	138.76	138.82	141.94	143.39	143.63	0.17
NSE 25 Share Index	3,955.56	3,978.48	3,901.32	3,848.99	3,935.31	3,939.55	3,921.41	-0.46
NSE 20 Share Index 100= 1996	3,640.61	3,664.78	3,609.81	3,515.00	3,468.29	3,464.48	3,450.10	-0.42
Number of Deals	5,641.00	4,033.00	5,973.00	5,476.00	5,609.00	6,022.00	6,024.00	0.03
Total Shares Traded (Millions)	113.56	106.83	131.05	147.75	138.55	129.18	77.13	-40.29
Equity Turnover (Ksh. Millions)	2,830.96	3,316.61	3,414.85	3,484.72	2,997.86	3,035.53	2,454.61	-19.14
Market Capitalization (Ksh. Bn.)	1,994.81	2,025.28	1,995.21	1,993.27	2,042.47	2,065.16	2,068.71	0.17
I-REIT Turnover in (Ksh.Millions)	8.35	0.79	0.86	0.49	2.64	3.28	1.41	-57.02
I-REIT in Units - Total Deals	61.00	30.00	46.00	30.00	55.00	46.00	40.00	-13.04
Bonds Turnover (Ksh. Millions)	7,278.10	2,549.50	6,280.44	3,846.25	6,613.16	7,064.11	4,661.35	-34.01
FTSE NSE Kenya 15 Index	175.70	175.88	173.71	171.30	174.56	177.56	175.70	-1.05
FTSE NSE Kenya 25 Index	176.47	176.85	174.81	173.37	177.61	182.11	180.10	-1.10
FTSE NSE Bond Index	87.98	88.93	89.52	90.44	90.87	89.92	88.33	-1.77

Source: Nairobi Securities Exchange

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

The FTSE<sup>3</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 1.05 percent and 1.10 percent, respectively, reflecting decline in prices of shares grouped under these indices.

<sup>1</sup> NSE 25 Share Index is a benchmark index of a company shares with primary listing of at least 20% of its shares quoted on the NSE, the company must have been continuously quoted for at least 1 year, has minimum market capitalization of KSh 1 bn and be a "blue chip" company with superior profitability and dividend record.

<sup>2</sup> The NSE 20 Share Index is a price weight index calculated as a mean of the shares of 20 publicly listed companies, selected based on a weighted market performance.

<sup>3</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

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

The Real Estate Investment Trust (I-REIT<sup>4</sup>) turnover declined by 57.02 percent with equivalent transaction deals down to 40 from 46 in the previous week. The decline in activity in the real estate market segment may signal reduced demand for real estate units given potential excess supply.

The equities market was fairly balanced with Telecommunication and Technology sector accounting for 47.22 percent of shares traded as the remaining sectors accounted for 52.78 per cent in the week ending August 11, 2016.

### The Bond Market

The Bonds turnover declined by 34.01 percent to close at KSh 4,661.35 m worth of bonds traded as the investors focussed more on Treasury bills market. During the week, CBK issued KSh 4 bn in 91-days Treasury bill, which attracted 349 bids worth KSh 14 bn or 350.4 per cent subscription. Similarly, the 182-and 364-days treasury bills offered to raise KSh 12 bn during the week, attracted 304 bids worth KSh 15.3 bn or 127.88 per cent subscription rate. The FTSE NSE Government Bond Index declined by 1.77 percent, reflecting an increase in secondary market yields.

**TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES**

<b>91-Day Treasury Bills</b>								
Date of Auction	23-Jun-16	30-Jun-16	07-Jul-16	14-Jul-16	21-Jul-16	28-Jul-16	04-Aug-16	11-Aug-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	4,000.0
Bids received (Ksh M)	5,325.8	3,385.3	1,956.1	3,219.5	2,811.5	3,741.1	15,175.4	14,016.5
Amount Accepted (Ksh M)	5,031.1	3,385.3	1,956.1	2,230.0	2,811.5	2,672.6	10,363.2	11,547.5
Maturities (Ksh M)	3,164.7	1,184.0	5,305.2	9,946.1	9,086.9	12,662.0	6,675.7	5,229.8
Average interest Rate (%) - 91 Days	7.1	7.0	7.0	7.6	7.9	8.3	8.3	8.5
<b>182-Day Treasury Bills</b>								
Date of Auction	22-Jun-16	29-Jun-16	06-Jul-16	13-Jul-16	20-Jul-16	27-Jul-16	03-Aug-16	10-Aug-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	6,000.0
Bids received (Ksh M)	10,743.7	1,215.1	2,776.9	3,009.5	13,893.0	13,160.0	12,656.4	10,755.3
Amount Accepted (Ksh M)	10,268.5	1,215.1	2,776.9	2,707.3	13,775.9	6,405.5	11,651.0	6,007.4
Maturities (Ksh M)	5,289.2	2,563.6	2,707.3	13,915.1	9,546.7	8,198.5	12,899.9	6,994.7
Average interest Rate (%) - 182 days	9.2	9.4	9.6	9.9	10.2	10.5	10.7	10.8
<b>364-Day Treasury Bills</b>								
Date of Auction	22-Jun-16	29-Jun-16	06-Jul-16	13-Jul-16	20-Jul-16	27-Jul-16	03-Aug-16	10-Aug-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	6,000.0
Bids received (Ksh M)	3,452.2	1,314.6	1,086.0	6,902.8	3,286.4	5,250.7	7,298.4	4,590.6
Amount Accepted (Ksh M)	3,452.2	1,314.6	1,086.0	6,635.9	3,286.4	5,214.9	6,100.3	4,590.6
Maturities (Ksh M)	591.5	72.4	355.6	850.5	386.6	1,935.9	5,804.9	4,347.2
Average interest Rate (%) - 364 days	10.7	10.7	11.0	10.9	11.0	11.4	11.4	11.7
<b>Treasury Bonds</b>								
Date of Auction				20th July 2016	20th July 2016			
Tenor				FXD 2/2016/5	FXD 1/2008/2016			
Amount offered (Ksh M)				30000				
Bids received (Ksh M)				40876.58				
Amount Accepted (Ksh M)				33504.36				
Maturities (Ksh M)				0				
Average interest Rate (%)				14.1	14.8			

Source: Central Bank of Kenya

4 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 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)**

	25-Mar-16	29-Apr-16	27-May-16	24-Jun-16	01-Jul-16	08-Jul-16	15-Jul-16	22-Jul-16	29-Jul-16	05-Aug-16
1. Treasury Bills (Excluding Repos)	462.85	507.90	540.84	578.03	588.09	590.39	588.11	575.86	577.76	570.21
<b>(As % of total securities)</b>	<b>29.70</b>	<b>31.50</b>	<b>33.38</b>	<b>33.41</b>	<b>33.95</b>	<b>34.03</b>	<b>33.80</b>	<b>33.33</b>	<b>32.75</b>	<b>32.47</b>
2. Treasury Bonds	1,095.37	1,104.68	1,079.52	1,152.04	1,144.32	1,144.32	1,152.04	1,152.04	1,186.12	1,186.12
<b>(As % of total securities)</b>	<b>70.30</b>	<b>68.50</b>	<b>66.62</b>	<b>66.59</b>	<b>66.05</b>	<b>65.97</b>	<b>66.20</b>	<b>66.67</b>	<b>67.25</b>	<b>67.53</b>
<b>3. Total Securities (1+2)</b>	<b>1,558.23</b>	<b>1,612.58</b>	<b>1,620.35</b>	<b>1,730.07</b>	<b>1,732.41</b>	<b>1,734.71</b>	<b>1,740.15</b>	<b>1,727.90</b>	<b>1,763.88</b>	<b>1,756.33</b>
4. Overdraft at Central Bank	37.74	44.87	41.49	37.06	44.20	44.20	44.20	13.66	14.01	13.28
5. Other Domestic debt*	31.69	31.77	31.60	31.09	31.07	31.10	30.76	30.77	30.76	30.78
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,627.66</b>	<b>1,689.22</b>	<b>1,693.45</b>	<b>1,798.22</b>	<b>1,807.68</b>	<b>1,810.02</b>	<b>1,815.12</b>	<b>1,772.32</b>	<b>1,808.64</b>	<b>1,800.39</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**

	25-Mar-16	29-Apr-16	27-May-16	24-Jun-16	01-Jul-16	08-Jul-16	15-Jul-16	22-Jul-16	29-Jul-16	05-Aug-16
Treasury bills (Excluding Repos)	28.4	30.1	31.9	32.1	32.5	32.6	32.4	32.5	31.9	31.7
Treasury bonds	67.3	65.4	63.7	64.1	63.3	63.2	63.5	65.0	65.6	65.9
CBK Overdraft to Govt	2.3	2.7	2.5	2.1	2.4	2.4	2.4	0.8	0.8	0.7
Other domestic debt	1.9	1.9	1.9	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>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

**TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER**

	25-Mar-16	29-Apr-16	27-May-16	24-Jun-16	01-Jul-16	08-Jul-16	15-Jul-16	22-Jul-16	29-Jul-16	05-Aug-16
Banking Institutions	55.7	56.5	57.5	56.3	56.2	56.0	55.7	55.0	54.8	54.6
Insurance Companies	8.2	7.9	7.9	7.5	7.4	7.4	7.4	7.6	7.6	7.7
Parastatals	4.7	4.6	4.7	4.7	5.0	5.0	5.1	5.2	5.1	5.3
Pension funds	25.5	25.2	26.1	25.9	25.8	26.1	26.2	26.4	26.8	26.8
Other investors	5.9	5.8	3.8	5.7	5.6	5.6	5.6	5.8	5.7	5.7
<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>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

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

	28-Apr-16	26-May-16	07-Jul-16	14-Jul-16	21-Jul-16	28-Jul-16	04-Aug-16	11-Aug-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,618	7,649	7,878	7,841	7,831	7,782	7,769	7,733
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.96	5.00	5.15	5.13	5.12	5.09	5.08	5.14

\*Excludes Encumbered Reserves

\*\*Based on 36 months average of imports of goods and non-factor services. The improvement in months of import cover during the week under review reflects the revision in the average imports base.

Source: Central Bank of Kenya