



FEBRUARY 10, 2017

Highlights

The money market was relatively liquid during the week ending February 8, 2017. The average interbank rate declined by 40 basis points to 6.83 percent in the week ending February 8, 2017 compared to 7.23 percent recorded in the previous week.

The capital markets recorded gains across all leading indicators during the week ending February 9, 2017.

Monetary Policy Operations

The money market was relatively liquid during the week ending February 8, 2017. The Central Bank's open market operations resulted in KSh 42.1 billion withdrawal largely through repo sales. There was, however, an offsetting of KSh 44.1 billion net payments by Government (**Table 1**).

The Commercial banks' reserve position improved to a surplus of KSh 2.2 billion, above the 5.25 percent CRR, on the cumulative average in the week ending February 8, 2017, compared with a shortfall of KSh 5.6 billion recorded in the previous week (**Chart A**). The build-up is attributed to net Government payments in the week under review.

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

	2-Feb-17	3-Feb-17	6-Feb-17	7-Feb-17	8-Feb-17	Total
Liquidity Flows						
Total liquidity injection \¹	8.2	13.7	56.3	10.1	16.5	104.8
Repos Maturities	0.0	2.2	1.6	0.0	8.8	12.6
Reverse Repo Purchases	0.5	1.2	0.7	3.5	3.0	8.8
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	23.7	0.0	0.0	23.7
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	7.7	10.3	30.4	6.6	4.7	59.7
Total liquidity reduction \¹	11.1	15.7	56.6	7.0	12.5	102.9
T/bills (Primary issues)	0.0	0.0	23.8	0.0	0.0	23.8
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	7.7	4.5	0.0	0.0	1.7	13.8
Reverse Repos maturities	0.5	1.4	0.7	3.5	3.4	9.5
Term Auction Deposit	0.0	6.0	29.0	0.0	5.2	40.2
Transfer from Banks -Taxes	2.9	3.8	3.1	3.5	2.2	15.5
Net liquidity injection (+)/Withdrawal (-)	-2.9	-2.0	-0.3	3.1	4.0	1.8

\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

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Activity in the Interbank Market

The average interbank rate declined by 40 basis points to 6.83 percent in the week ending February 8, 2017 compared to 7.23 percent recorded in the previous week, as liquidity conditions in the

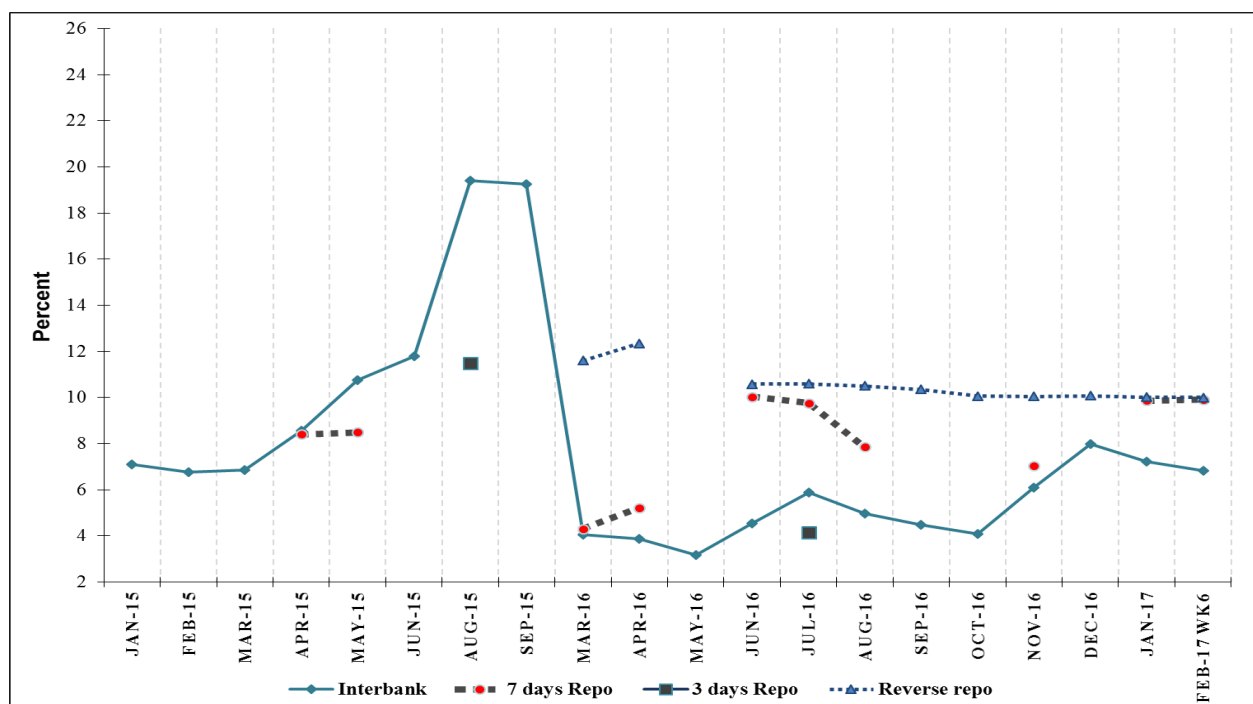
interbank market improved on account of government payments. Similarly, the volumes transacted rose marginally to KSh 16.5 billion compared to KSh 15.6 billion, in the previous week, with the average number of deals rising to 41 from 35. (Table 2 and Chart B).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
26-Jan-17	38	14,760	7.19	10.05
27-Jan-17	40	17,475	7.77	10.00
30-Jan-17	33	20,030	7.23	-
31-Jan-17	30	12,325	7.38	-
1-Feb-17	35	13,880	6.60	-
Jan 26, 2017 - Feb 1, 2017	35	15,694	7.23	10.02
2-Feb-17	42	14,850	6.66	10.00
3-Feb-17	43	15,800	7.17	10.00
6-Feb-17	41	16,625	6.80	10.00
7-Feb-17	44	21,410	6.61	10.00
8-Feb-17	34	13,755	6.92	10.00
Feb 2, 2017 - Feb 8, 2017	41	16,488	6.83	10.00

Source: Central Bank of Kenya

CHART B: STRUCTURE OF INTEREST RATES



Source: Central Bank of Kenya

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Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate portrayed mixed performance against major international currencies during the week ending February 9, 2017. It strengthened against the USD, the Sterling Pound and the Euro but weakened against the Japanese

Yen. In the EAC region, the Kenya Shilling strengthened against all the EAC currencies (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
27-Jan-17	103.96	130.80	111.06	90.38	34.53	21.35	7.86	16.29
30-Jan-17	103.97	130.69	111.25	90.32	34.61	21.47	7.86	16.14
31-Jan-17	103.96	130.09	111.16	91.55	34.53	21.50	8.03	16.23
1-Feb-17	103.86	129.69	111.67	91.62	34.52	21.52	7.87	16.25
2-Feb-17	103.82	131.58	112.06	92.21	34.48	21.53	7.87	16.25
27 Jan- 2 Feb 17	103.91	130.57	111.44	91.21	34.53	21.47	7.90	16.23
3-Feb-17	103.81	129.99	111.69	91.81	34.53	21.53	8.06	16.25
6-Feb-17	103.76	129.59	111.75	92.18	34.50	21.54	8.07	16.26
7-Feb-17	103.69	129.23	110.98	92.67	34.54	21.54	8.07	16.27
8-Feb-17	103.70	129.64	110.74	92.31	34.55	21.57	7.88	16.27
9-Feb-17	103.70	129.73	110.79	92.39	34.57	21.55	8.07	16.27
3rd Jan- 9th Feb 2017	103.73	129.64	111.19	92.27	34.54	21.55	8.03	16.27

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

All equities price indices; NASI, NSE 20 Share Index and NSE 25 Share Index picked up in the week ending February 9, 2017. Consequently,

market capitalization which measures shareholder wealth, closed 1.4 percent higher. Equity turnover was up 34.4 percent on account of higher share prices and a 54.9 percent increase in volume of shares traded (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	29-Dec-16	05-Jan-17	12-Jan-17	19-Jan-17	26-Jan-17	02-Feb-17	09-Feb-17	Weekly Change (Percent)
NASI 100= 2008	131.30	131.45	124.75	124.21	122.42	123.43	125.19	1.43
NSE 25 Share Index	3,455.66	3,481.64	3,262.53	3,234.77	3,160.28	3,174.11	3,263.05	2.80
NSE 20 Share Index 100= 1996	3,156.59	3,170.71	3,014.36	2,924.90	2,824.32	2,833.09	2,933.09	3.53
Number of Deals	1,980	3,149	4,789	4,839	4,581	4,316	4,843	12.21
Total Shares Traded (Million)	36.23	167.10	124.03	124.12	109.79	140.58	217.76	54.90
Equity Turnover (KSh Million)	921.22	2,312.80	2,579.69	3,200.87	2,924.39	3,122.69	4,196.56	34.39
Market Capitalization (KSh Billion)	1,901.97	1,904.16	1,806.88	1,799.06	1,772.92	1,787.61	1,813.19	1.43
I-REIT Turnover in (KSh Million)	0.12	18.65	0.28	0.46	0.06	0.27	0.54	101.38
I-REIT in Units - Total Deals	11.00	18.00	20.00	25.00	5.00	13.00	29.00	123.08
Bonds Turnover (KSh Million)	5,095.60	3,314.45	6,208.51	10,653.85	8,487.17	6,061.50	7,098.57	17.11
FTSE NSE Kenya 15 Index	159.07	159.84	150.86	147.33	144.74	141.55	149.94	5.93
FTSE NSE Kenya 25 Index	164.30	163.65	154.95	152.44	150.28	148.11	154.55	4.35
FTSE NSE Bond Index	90.05	90.00	89.94	89.86	89.63	89.70	89.73	0.03

Source: Nairobi Securities Exchange

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FTSE NSE Kenya Index Series, REITS and Most Active Sectors

FTSE¹ 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 Nairobi Securities Exchange (NSE), closed the week higher by 5.9 percent and 4.3 percent higher, respectively. The Telecommunication and Technology and Banking sectors accounted for 80.6 percent of the total shares traded, with the Insurance sector accounting for a further 7.4 percent of trading over the week.

The real estate market segment also recorded improved activity, with Real Estate Investment

Trust (REIT) turnover up 101.4 percent and the number of the deals transacted rising by 123.1 percent.

Bond Market

The volume of bonds traded rose by 17.1 percent, reflecting investor interest in the fixed income market segment. The number of bond deals also improved from 265 to 289 in the week ending February 9, 2017. The FTSE Bond Index rose by 0.03 percent, reflecting marginal decline in secondary market yields.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills							
Date of Auction	29-Dec-16	05-Jan-17	12-Jan-17	19-Jan-17	26-Jan-17	02-Feb-17	09-Feb-17
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)	1,367.7	3,471.7	3,446.9	4,933.6	5,840.1	3,735.4	1,760.7
Amount Accepted (Ksh M)	1,367.4	3,452.1	3,446.4	4,806.4	5,557.4	2,629.7	1,370.4
Maturities (Ksh M)	4,267.1	5,905.8	4,766.7	1,380.2	4,384.0	4,443.9	3,905.1
Average interest Rate (%) - 91 Days	8.6	8.6	8.6	8.7	8.7	8.7	8.7
182-Day Treasury Bills							
Date of Auction	28-Dec-16	04-Jan-17	11-Jan-17	18-Jan-17	25-Jan-17	01-Feb-17	08-Feb-17
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)	2,140.8	2,411.0	5,621.0	5,585.4	5,078.3	15,335.2	17,917.5
Amount Accepted (Ksh M)	1,145.9	1,936.3	1,542.7	5,573.1	2,218.5	15,115.5	15,504.1
Maturities (Ksh M)	1,247.7	2,903.2	2,838.3	14,457.8	6,733.4	12,201.2	6,330.2
Average interest Rate (%) - 182 days	10.5	10.5	10.5	10.5	10.5	10.6	10.5
364-Day Treasury Bills							
Date of Auction	28-Dec-16	04-Jan-17	11-Jan-17	18-Jan-17	25-Jan-17	01-Feb-17	08-Feb-17
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)		3,849.4	2,919.8	2,677.3	1,339.6	7,718.3	8,241.0
Amount Accepted (Ksh M)		3,354.4	1,333.6	2,461.3	1,339.6	6,062.1	6,008.0
Maturities (Ksh M)		3,569.1	4,804.4	3,937.2	1,666.3	7,013.0	10,398.3
Average interest Rate (%) - 364 days		11.0	11.0	11.0	10.9	10.9	10.9
Treasury Bonds							
Date of Auction	29-Dec-16						
Tenor	FXD3/2016/2 (Tap Sale)						
Amount offered (Ksh M)	20,000.0						
Bids received (Ksh M)	1,354.0						
Amount Accepted (Ksh M)	1,353.8						
Maturities (Ksh M)	0.0						
Average interest Rate (%)	12.5						

Source: Central Bank of Kenya

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.

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TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	25-Nov-16	30-Dec-16	06-Jan-17	13-Jan-17	20-Jan-17	27-Jan-17	03-Feb-17
1. Treasury Bills (Excluding Repos)	611.95	620.19	613.67	610.57	604.78	598.48	595.13
(As % of total securities)	33.19	33.17	32.92	32.80	32.59	32.36	32.24
2. Treasury Bonds	1,231.57	1,249.34	1,250.70	1,250.70	1,250.70	1,250.70	1,250.70
(As % of total securities)	66.81	66.83	67.08	67.20	67.41	67.64	67.76
3. Total Securities (1+2)	1,843.52	1,869.53	1,864.37	1,861.27	1,855.48	1,849.17	1,845.83
4. Overdraft at Central Bank	9.96	29.93	29.38	15.58	1.12	13.58	17.30
5. Other Domestic debt*	32.05	31.39	31.38	31.52	31.53	32.10	30.96
6. Gross Domestic Debt (3+4+5)	1,885.54	1,930.86	1,925.12	1,908.37	1,888.14	1,894.85	1,894.09

* 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	25-Nov-16	30-Dec-16	06-Jan-17	13-Jan-17	20-Jan-17	27-Jan-17	03-Feb-17
Treasury bills (Excluding Repos)	32.1	31.9	32.5	32.1	31.9	32.0	32.0	31.6	31.4
Treasury bonds	64.1	65.6	65.3	64.7	65.0	65.5	66.2	66.0	66.0
CBK Overdraft to Govt	2.1	0.8	0.5	1.6	1.5	0.8	0.1	0.7	0.9
Other domestic debt	1.7	1.7	1.7	1.6	1.6	1.7	1.7	1.7	1.6
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 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER (IN PERCENT)

	29-Jul-16	26-Aug-16	30-Sep-16	25-Nov-16	30-Dec-16	06-Jan-17	13-Jan-17	20-Jan-17	27-Jan-17	03-Feb-17
Banking Institutions	54.8	54.4	55.0	53.3	52.5	52.5	52.3	51.8	51.6	51.6
Insurance Companies	7.6	7.3	7.4	7.1	7.3	7.3	7.4	7.5	7.5	7.5
Parastatals	5.1	5.6	5.5	5.8	5.6	5.6	5.7	5.7	5.7	5.7
Pension funds	26.8	27.0	26.6	27.3	28.0	28.0	28.1	28.4	28.6	28.5
Other investors	5.7	5.6	5.6	6.5	6.5	6.5	6.6	6.7	6.7	6.7
Total	100.0	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)

	05-Jan-17	12-Jan-17	19-Jan-17	26-Jan-17	02-Feb-17	09-Feb-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,056	6,944	6,853	6,944	6,947	6,942
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.66	4.59	4.52	4.59	4.59	4.58

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya