



NOVEMBER 11, 2016

Highlights

The money market was liquid in the week ending November 9, 2016, with commercial banks' excess reserves above 5.25 percent averaging requirement at KSh 12.9 billion in the week ending November 9, 2016 and marginally lower from KSh 13.6 billion recorded in the previous week. The average interbank rate declined to 3.86 percent in the week ending November 9, 2016 from 4.16 percent recorded in the previous week.

The capital market recorded mixed performance in the week ending November 10, 2016.

Monetary Policy Operations

The money market was liquid in the week ending November 9, 2016 (**Table 1**). The Central Bank stabilized liquidity operations through repo and reverse repo transactions. Accordingly, commercial banks' excess reserves above 5.25 percent averaging requirement declined marginally to KSh 12.9 billion in the week ending November 9, 2016 from KSh 13.6 billion recorded in the previous week (**Chart A**).

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

	3-Nov-16	4-Nov-16	7-Nov-16	8-Nov-16	9-Nov-16	Total
Liquidity Flows						
Total liquidity injection \1	10.6	4.3	32.6	20.0	17.6	85.2
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.6	0.0	0.0	9.4	6.6	16.5
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	27.3	0.0	0.0	27.3
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	10.1	4.3	5.3	10.6	11.0	41.4
Total liquidity reduction \1	7.2	4.8	33.6	30.3	24.2	100.0
T/bills (Primary issues)	0.0	0.0	22.6	0.0	0.0	22.6
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	2.5	0.0	0.0	2.5
Repos	0.0	0.0	0.0	15.4	11.9	27.3
Reverse Repos maturities	0.6	1.5	4.6	9.1	3.3	19.2
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	3.1	3.3	3.9	3.6	3.9	17.8
Net liquidity injection (+)/Withdrawal (-)	3.5	-0.4	-1.0	-10.3	-6.5	-14.8
Open Market Operations Outcome						
Posted Amount						
Repo (-)	0.0	0.0	0.0	15.4	11.9	27.3
Term Auction Deposits (-)						
Reverse repos purchases	0.6		0.0	9.4	6.6	16.5
Reserve Money Position						
Reserve money (actual)	405.6	403.9	405.6	394.6	387.1	

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

Source: Central Bank of Kenya

Activity in the Interbank Market

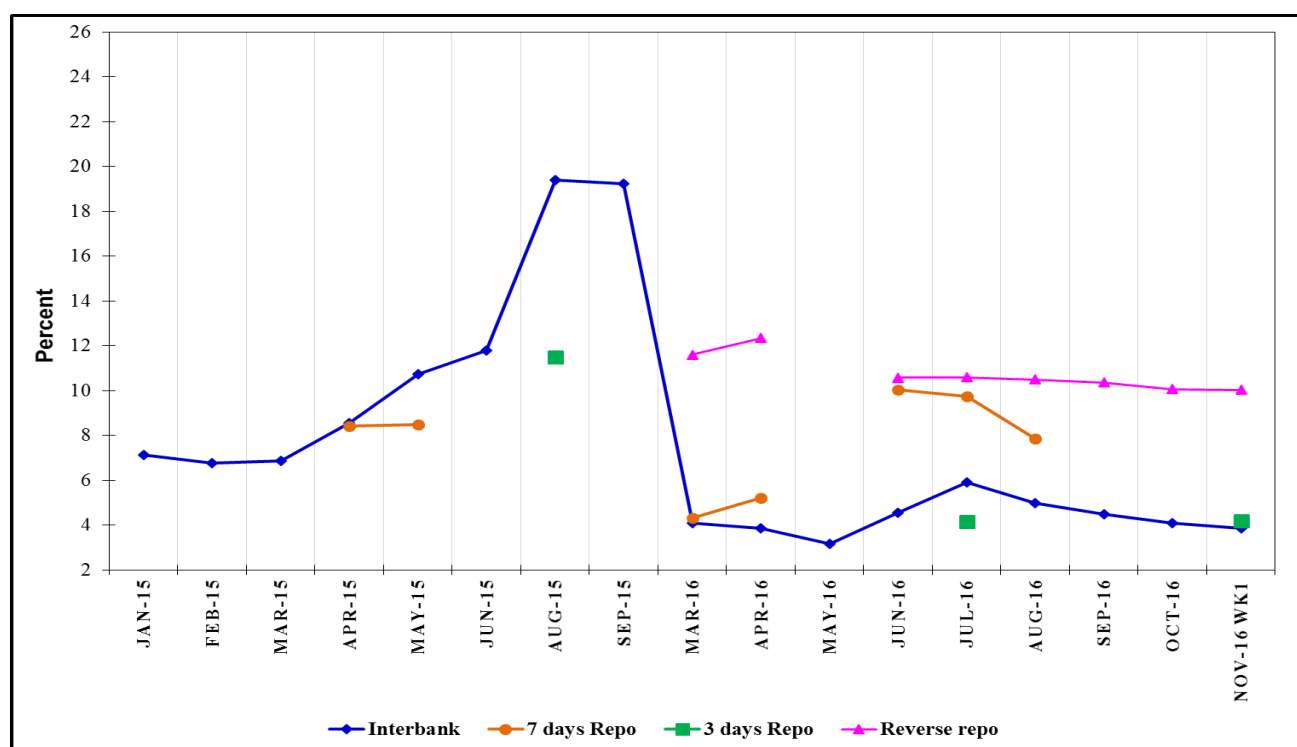
The average interbank rate declined to 3.86 percent in the week ending November 9, 2016 from 4.16 percent recorded in the previous week. Over 70 percent of the volumes traded transacted at less than 4 percent interest in the week under review (**Table 2** and **Chart B**).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of Deals	Value (Ksh M)	Average Interbank Rate (%)	3 days Average Repo Rate (%)	5 days Average Repo Rate (%)	Reverse Repo Rate (%)
27-Oct-16	27	13,178	4.03			
28-Oct-16	31	9,958	4.80			10.05
31-Oct-16	23	11,480	4.03			10.01
1-Nov-16	18	9,980	3.78			10.00
2-Nov-16	18	8,550	4.15			10.00
October 27-Nov 2, 2016	23	10,629	4.16			10.02
3-Nov-16	18	17,550	3.79			10.00
4-Nov-16	24	17,210	3.44			
7-Nov-16	25	17,800	3.49			
8-Nov-16	22	10,750	4.06	4.17		10.04
9-Nov-16	28	10,825	4.53		5.09	10.05
Nov 3-9, 2016	23	14,827	3.86	4.17	5.09	10.03

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling weakened against major international currencies and depicted mixed performance against the EAC currencies during the week ending November 10, 2016. In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling but weakened against the Tanzania Shilling, Rwanda Franc and Burundi Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
28-Oct-16	101.43	123.94	110.74	96.40	34.20	21.53	8.09	16.53
31-Oct-16	101.46	123.60	111.13	96.88	34.10	21.51	8.08	16.49
1-Nov-16	101.48	123.36	111.05	96.57	34.10	21.53	8.09	16.54
2-Nov-16	101.52	124.22	112.00	97.16	34.18	21.51	7.35	16.51
3-Nov-16	101.57	125.12	112.64	98.32	34.21	21.49	7.35	16.64
28 October-3 November 2016	101.49	124.05	111.51	97.06	34.16	21.52	7.79	16.54
4-Nov-16	101.59	126.50	112.46	98.38	34.27	21.48	7.42	16.48
5-Nov-16	101.66	126.98	112.79	98.73	34.48	21.46	7.42	16.50
6-Nov-16	101.62	125.90	112.27	97.32	34.54	21.46	8.18	16.48
7-Nov-16	101.72	125.85	112.36	97.04	34.44	21.45	7.96	16.46
8-Nov-16	101.70	125.88	111.95	97.94	34.50	21.44	7.96	16.50
4th-8th November 2016	101.66	126.22	112.36	97.88	34.45	21.46	7.79	16.48

Source: Central Bank of Kenya

The Capital Market

The capital market recorded mixed performance in the week ending November 10, 2016.

Equity Market

Equity share prices improved in the week as reflected in the NSE 25¹, NSE 20² and NASI share indices. Consequently, equity turnover rose by 52.34 percent on account of 37.82 percent increase in share traded and improved share prices. Market capitalization declined slightly in the period under review (**Table 4**). Bond market turnover declined.

¹ The 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 billion and be a “blue chip” company with superior profitability and dividend record.

² 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.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	29-Sep-16	06-Oct-16	13-Oct-16	19-Oct-16	27-Oct-16	03-Nov-16	10-Nov-16	Weekly Change (%)
NASI 100= 2008	136.01	137.53	137.15	136.13	136.82	138.31	139.89	1.14
NSE 25 Share Index	3,591.42	3,644.92	3,630.42	3,598.39	3,617.27	3,647.90	3,686.03	1.05
NSE 20 Share Index 100= 1996	3,217.75	3,264.03	3,242.32	3,239.00	3,201.55	3,227.24	3,246.72	0.60
Number of Deals	5,085.00	5,433.00	5,273.00	4,106.00	5,858.00	6,095.00	6,233.00	2.26
Total Shares Traded (Millions)	147.51	103.75	120.14	48.10	87.53	84.86	116.95	37.82
Equity Turnover (Ksh. Millions)	3,152.74	2,579.24	2,836.78	1,038.32	1,825.65	1,790.65	2,727.92	52.34
Market Capitalization (Ksh. Bn.)	1,958.67	1,992.42	1,986.91	1,972.19	1,982.14	2,047.66	2,026.78	-1.02
I-REIT Turnover in (Ksh.)	0.98	2.38	2.16	0.19	0.27	0.26	0.27	3.85
I-REIT in Units - Total Deals	27.00	40.00	32.00	21.00	18.00	21.00	23.00	9.52
Bonds Turnover (Ksh. Millions)	7,206.23	5,806.35	7,108.64	9,606.85	10,556.20	11,373.10	9,533.29	-16.18
FTSE NSE Kenya 15 Index	160.96	167.57	165.31	164.54	164.71	166.40	168.62	1.33
FTSE NSE Kenya 25 Index	166.62	173.27	171.13	169.94	170.55	172.34	174.99	1.54
FTSE NSE Bond Index	89.11	89.26	90.14	89.50	89.66	89.82	90.27	0.50

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

FTSE³ 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, ended the week 1.33 percent and 1.54 percent higher, respectively. The Telecommunication & Technology and Banking sectors dominated trading accounting for 44.77 percent and 24.13 percent, respectively of the total shares traded.

The real estate market segment recorded improved activity with both the Income - Real Estate Investment Trust (I-REIT⁴) turnover and number of deals up by 3.85 percent and 9.52 percent,

³ 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

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.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills						
Date of Auction	28-Jul-16	25-Aug-16	29-Sep-16	27-Oct-16	03-Nov-16	10-Nov-16
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	3,741.1	1,682.2	4,722.1	4,335.7	5,042.5	4,278.6
Amount Accepted (Ksh M)	2,672.6	1,456.4	4,200.4	4,335.7	4,387.5	4,170.9
Maturities (Ksh M)	12,662.0	7,363.7	3,417.7	2,714.4	10,580.2	11,536.1
Average interest Rate (%) - 91 Days	8.3	8.6	7.8	8.0	8.1	8.2
182-Day Treasury Bills						
Date of Auction	27-Jul-16	24-Aug-16	28-Sep-16	26-Oct-16	02-Nov-16	09-Nov-16
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)	13,160.0	7,962.7	8,678.0	7,356.5	13,150.8	9,597.7
Amount Accepted (Ksh M)	6,405.5	7,626.3	5,311.7	7,356.5	10,222.2	6,664.8
Maturities (Ksh M)	8,198.5	5,446.0	2,051.1	9,520.1	6,261.5	6,009.1
Average interest Rate (%) - 182 days	10.5	11.2	10.4	10.3	10.3	10.3
364-Day Treasury Bills						
Date of Auction	27-Jul-16	24-Aug-16	28-Sep-16	26-Oct-16	02-Nov-16	09-Nov-16
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)	5,250.7	5,850.8	7,326.1	5,422.8	11,025.8	12,901.3
Amount Accepted (Ksh M)	5,214.9	5,630.0	7,326.1	5,422.8	7,970.5	11,819.4
Maturities (Ksh M)	1,935.9	1,669.4	3,666.6	8,529.4	10,459.5	7,842.5
Average interest Rate (%) - 364 days	11.4	12.0	10.4	10.6	10.6	10.7
Treasury Bonds						
Date of Auction	24th August 2016		20-Oct-16	20-Oct-16		
Tenor	FXD 1/2016/10		IFB1/2016/16 (TAP SALE)	IFB1/2016/16 (TAP SALE)		
Amount offered (Ksh M)	25000		10,000.0	10,000.0		
Bids received (Ksh M)	26305.2		4,773.4	2,657.4		
Amount Accepted (Ksh M)	18312.23		4,471.4	2,493.1		
Maturities (Ksh M)	0		0.0	0.0		
Average interest Rate (%)	15.0		13.2	13.2		

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	04-Nov-16
1. Treasury Bills (Excluding Repos)	578.03	577.76	579.67	618.25	631.84	616.71
(As % of total securities)	33.41	32.75	33.09	33.97	34.04	33.50
2. Treasury Bonds	1,152.04	1,186.12	1,171.92	1,201.78	1,224.21	1,224.21
(As % of total securities)	66.59	67.25	66.91	66.03	65.96	66.50
3. Total Securities (1+2)	1,730.07	1,763.88	1,751.59	1,820.02	1,856.05	1,840.92
4. Overdraft at Central Bank	37.06	14.01	13.28	3.32	0.00	0.00
5. Other Domestic debt*	31.09	30.76	31.42	31.45	31.21	31.21
6. Gross Domestic Debt (3+4+5)	1,798.22	1,808.64	1,796.29	1,854.80	1,887.26	1,872.13

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

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	04-Nov-16
Treasury bills (Excluding Repos)	32.1	31.9	32.3	33.3	33.5	32.9
Treasury bonds	64.1	65.6	65.2	64.8	64.9	65.4
CBK Overdraft to Govt	2.1	0.8	0.7	0.2	0.0	0.0
Other domestic debt	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

Source: Central Bank of Kenya

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	04-Nov-16
Banking Institutions	56.3	54.8	54.4	55.0	53.1	53.4
Insurance Companies	7.5	7.6	7.3	7.4	7.1	7.2
Parastatals	4.7	5.1	5.6	5.5	5.6	5.7
Pension funds	25.9	26.8	27.0	26.6	27.1	27.3
Other investors	5.7	5.7	5.6	5.6	7.1	6.4
Total	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)

	01-Sep-16	08-Sep-16	15-Sep-16	22-Sep-16	29-Sep-16	06-Oct-16	13-Oct-16	19-Oct-16	27-Oct-16	03-Nov-16	10-Nov-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,688	7,747	7,805	7,748	7,782	7,789	7,744	7,729	7,683	7,628	7,536
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.11	5.15	5.19	5.15	5.18	5.20	5.17	5.16	5.13	5.09	4.80

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya