



DECEMBER 9, 2016

Highlights

The money market was relatively liquid during the week ending December 7, 2016 supported by net government payments and Open Market Operations (OMO). The average interbank rate remained stable at 6.1 percent in the week ending December 7, 2016.

The capital market recorded declining performance in the week ending December 8, 2016.

Monetary Policy Operations

The money market was relatively liquid during the week ending December 7, 2016, supported by net government payments and OMO (**Table 1**).

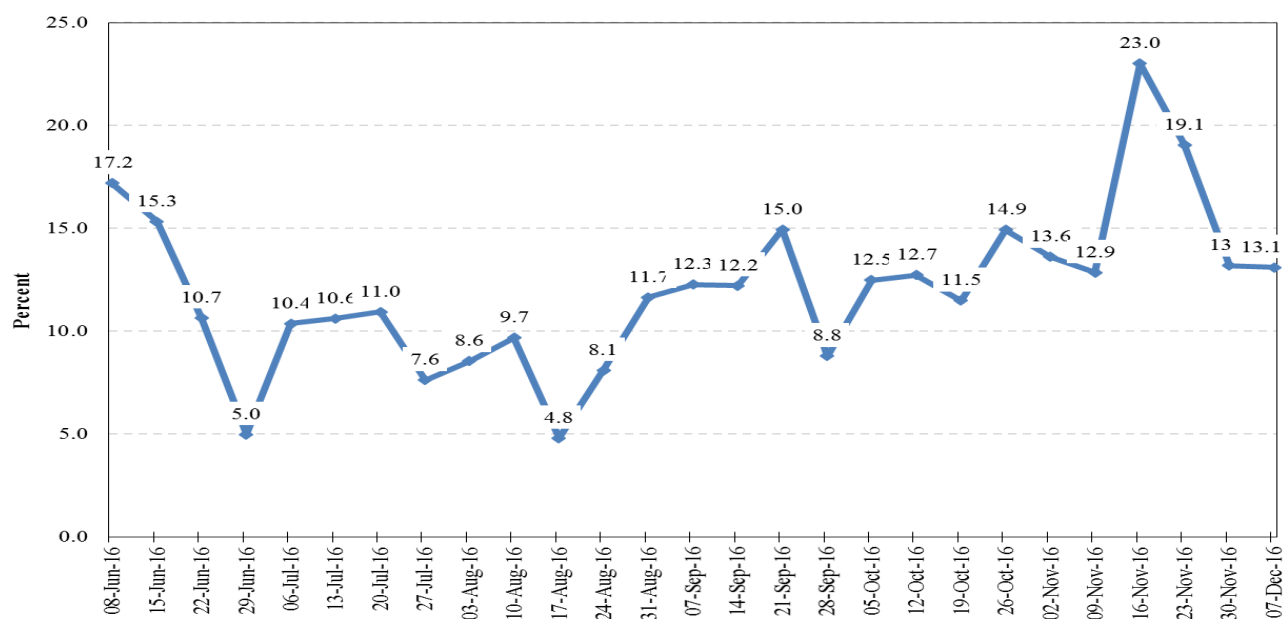
Commercial banks' excess reserves above 5.25 percent average reserve requirement remained largely unchanged at KSh 13.1 billion in the week ending December 7, 2016 (**Chart A**).

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

	1-Dec-16	2-Dec-16	5-Dec-16	6-Dec-16	7-Dec-16	Total
Liquidity Flows						
Total liquidity injection \¹	15.1	13.8	23.0	14.3	8.5	74.6
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	1.0	4.8	3.5	9.8	2.7	21.7
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	16.2	0.0	0.0	16.2
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	14.1	9.0	3.2	4.5	5.8	36.7
Total liquidity reduction \¹	15.1	13.8	23.0	14.3	8.5	74.6
T/bills (Primary issues)	0.0	0.0	16.7	0.0	0.0	16.7
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	1.0	9.5	7.0	9.4	2.6	29.4
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.9	1.8	3.4	4.3	2.8	15.2
Net liquidity injection (+)/Withdrawal (-)	11.2	-8.2	-4.3	0.6	3.1	2.4
Open Market Operations Outcome						
Reverse Repos purchases	0.0	0.0	0.0	0.0	0.0	0.0
Reserve Money Position						
Reserve money (actual)	399.8	389.0	385.5	386.2	388.9	

\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

Activity in the Interbank Market

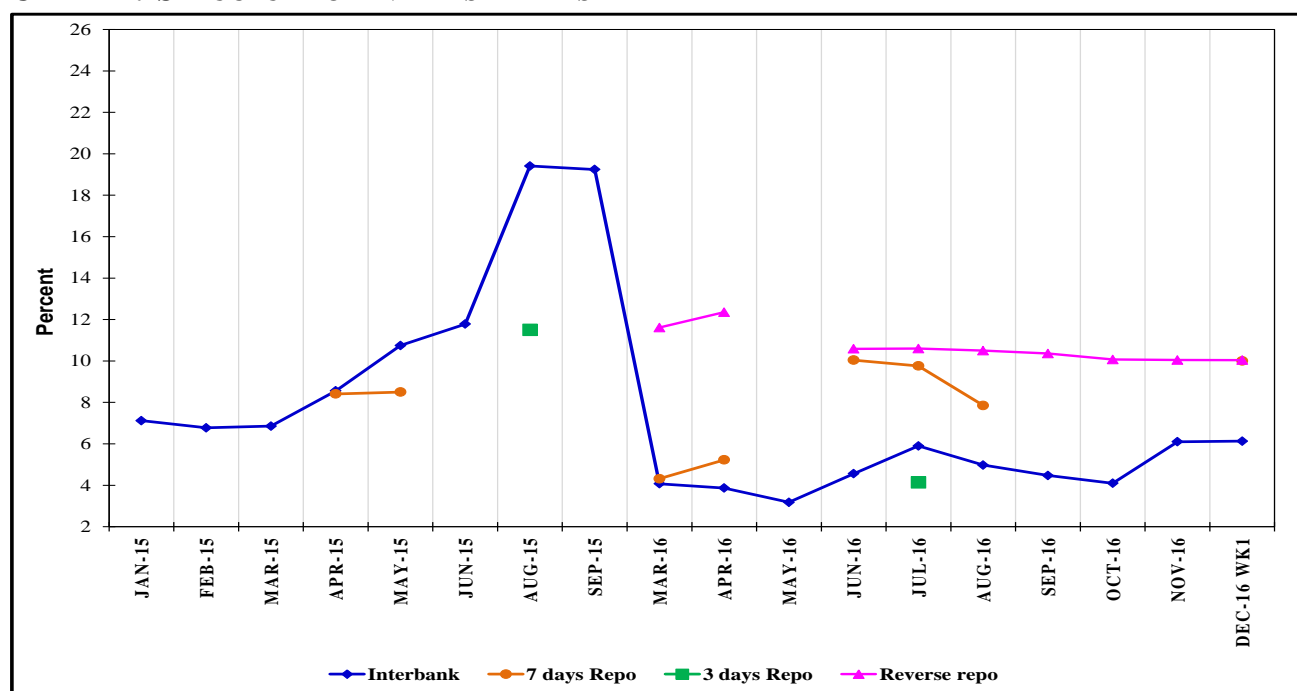
The average interbank rate remained stable at 6.1 percent in the week ending December 7, 2016, as liquidity conditions improved on account of government payments. Similarly, the volumes transacted increased to KSh 25.5 billion from KSh 18.0 billion in the previous week, with the average number of deals rising to 42 from 31 deals (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 (%)
24-Nov-16	28	15,600	5.92	10.00
25-Nov-16	28	14,795	5.80	10.09
28-Nov-16	27	18,175	5.87	10.06
29-Nov-16	30	16,705	6.36	10.09
30-Nov-16	43	24,585	6.56	10.00
Nov 24-30, 2016	31	17,972	6.10	10.05
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
Dec 01-07, 2016	42	25,508	6.13	10.04

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 8, 2016. It strengthened against the Japanese Yen but weakened against all other international currencies. In the EAC region, it strengthened against the Uganda Shilling and the Burundi Franc but weakened against the Tanzania Shilling and the Rwanda Franc (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
25-Nov-16	101.87	126.94	107.69	90.02	35.51	21.40	8.16	16.41
28-Nov-16	101.89	126.70	108.09	90.23	35.58	21.39	7.97	16.50
29-Nov-16	101.88	126.42	107.96	90.90	35.58	21.40	7.97	16.50
30-Nov-16	101.88	127.10	108.07	90.39	35.58	21.40	8.17	16.42
1-Dec-16	101.85	127.63	108.14	89.34	35.57	21.40	7.98	16.42
25 November-1 December 2016	101.87	126.96	107.99	90.18	35.57	21.40	8.05	16.45
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
2 - 8 December 2016	101.90	129.20	108.87	89.30	35.59	21.39	7.99	16.48

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

The capital market recorded declining performance in the week ending December 8, 2016.

Equity Market

Equity market share prices declined during the week under review across all share indices with the NASI 100 and NSE 25 share index declining by 2.22 percent and 2.01 percent, respectively. Consequently, shareholder wealth, measured by market capitalization, declined by 2.23 percent on account of overall decline in prices and volume shares traded which declined by 22.18 percent. Equity turnover also declined by 10.74 percent during the week ending December 8, 2016. The reduced activity in the equity market could be attributed to declining share prices and increased appetite for fixed income securities in the bond market over the period in review (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	19-Oct-16	27-Oct-16	3-Nov-16	10-Nov-16	17-Nov-16	24-Nov-16	1-Dec-16	8-Dec-16	Weekly Change (%)
NASI 100= 2008	136.13	136.82	138.31	139.89	139.96	138.39	136.74	133.70	-2.22
NSE 25 Share Index	3,598.39	3,617.27	3,647.90	3,686.03	3,709.91	3,681.55	3,599.17	3,526.83	-2.01
NSE 20 Share Index 100= 1996	3,239.00	3,201.55	3,227.24	3,246.72	3,283.77	3,273.71	3,250.62	3,180.56	-2.16
Number of Deals	4,106.00	5,858.00	6,095.00	6,233.00	6,054.00	5,445.00	5,043.00	4,733.00	-6.15
Total Shares Traded (Millions)	48.10	87.53	84.86	116.95	91.79	100.21	102.68	79.91	-22.18
Equity Turnover (Ksh. Millions)	1,038.32	1,825.65	1,790.65	2,727.92	2,232.48	1,901.46	2,495.91	2,227.92	-10.74
Market Capitalization (Ksh. Bn.)	1,972.19	1,982.14	2,047.66	2,026.78	2,027.74	2,009.91	1,980.97	1,936.75	-2.23
I-REIT Turnover in (Ksh.)	0.19	0.27	0.26	0.27	0.71	0.92	0.20	0.05	-74.86
I-REIT in Units - Total Deals	21.00	18.00	21.00	23.00	35.00	29.00	26.00	22.00	-15.38
Bonds Turnover (Ksh. Millions)	9,606.85	10,556.20	11,373.10	9,533.29	6,751.20	6,649.85	5,095.10	2,873.25	-43.61
FTSE NSE Kenya 15 Index	164.54	164.71	166.40	168.62	170.84	170.07	165.69	161.66	-2.43
FTSE NSE Kenya 25 Index	169.94	170.55	172.34	174.99	176.43	174.71	170.40	166.28	-2.42
FTSE NSE Bond Index	89.50	89.66	89.82	90.27	90.31	90.19	90.22	90.21	-0.01

Source: Nairobi Securities Exchange

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 NSE, closed the week 2.43 percent and 2.42 percent lower, respectively. The Telecommunication & Technology and Banking sectors dominated trading accounting for 36.93 percent and 36.58 percent of the total shares traded, respectively.

Performance in the real estate market segment recorded lower performance, with the Income - Real Estate Investment Trust (I-REIT²) turnover decreasing by 74.86 percent, while the number of deals declined by 15.38 percent, signalling reduced demand for asset backed securities.

Bond Market

The bond market reflected weak performance during the week. The volume of bonds traded declined by 43.61 percent in the week ending December 8, 2016 to close at KSh 2,873.25 million with the number of deals declining from 92 to 52 deals over the period under review. FTSE Bond Index decline marginally by 0.01 per cent on account of increasing secondary market yields.

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

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills						
Date of Auction	25-Aug-16	29-Sep-16	27-Oct-16	24-Nov-16	1-Dec-16	8-Dec-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)	1,682.2	4,722.1	4,335.7	5,911.3	5,664.1	2,174.2
Amount Accepted (Ksh M)	1,456.4	4,200.4	4,335.7	5,908.4	5,624.8	2,172.8
Maturities (Ksh M)	7,363.7	3,417.7	2,714.4	1,484.5	5,457.7	4,783.3
Average interest Rate (%) - 91 Days	8.6	7.8	8.0	8.3	8.4	8.4
182-Day Treasury Bills						
Date of Auction	24-Aug-16	28-Sep-16	26-Oct-16	23-Nov-16	30-Nov-16	7-Dec-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)	7,962.7	8,678.0	7,356.5	6,936.3	6,801.8	7,309.5
Amount Accepted (Ksh M)	7,626.3	5,311.7	7,356.5	6,915.3	6,741.1	7,162.3
Maturities (Ksh M)	5,446.0	2,051.1	9,520.1	5,649.1	7,332.9	6,790.4
Average interest Rate (%) - 182 days	11.2	10.4	10.3	10.4	10.5	10.5
364-Day Treasury Bills						
Date of Auction	24-Aug-16	28-Sep-16	26-Oct-16	23-Nov-16	30-Nov-16	7-Dec-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)	5,850.8	7,326.1	5,422.8	5,316.7	4,417.6	7,546.8
Amount Accepted (Ksh M)	5,630.0	7,326.1	5,422.8	3,266.8	4,372.6	5,078.2
Maturities (Ksh M)	1,669.4	3,666.6	8,529.4	1,290.5	3,456.7	3,062.6
Average interest Rate (%) - 364 days	12.0	10.4	10.6	10.8	10.9	11.1
Treasury Bonds						
Date of Auction	24th August 2016		20-Oct-16	23-Nov-16		
Tenor	FXD 1/2016/10		IFB1/2016/16 (Tap sale)	FXD 1/2008/20		
Amount offered (Ksh M)	25000		10,000.0	30,000.0		
Bids received (Ksh M)	26305.2		4,773.4	8,398.0		
Amount Accepted (Ksh M)	18312.23		4,471.4	7,876.6		
Maturities (Ksh M)	0		0.0	0.0		
Average interest Rate (%)	15.0		13.2	14.3		

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
1. Treasury Bills (Excluding Repos)	578.03	577.76	579.67	618.25	631.84	611.95	620.00
(As % of total securities)	33.41	32.75	33.09	33.97	34.04	33.19	33.07
2. Treasury Bonds	1,152.04	1,186.12	1,171.92	1,201.78	1,224.21	1,231.57	1,254.59
(As % of total securities)	66.59	67.25	66.91	66.03	65.96	66.81	66.93
3. Total Securities (1+2)	1,730.07	1,763.88	1,751.59	1,820.02	1,856.05	1,843.52	1,874.60
4. Overdraft at Central Bank	37.06	14.01	13.28	3.32	0.00	9.96	0.00
5. Other Domestic debt*	31.09	30.76	31.42	31.45	31.21	32.05	32.05
6. Gross Domestic Debt (3+4+5)	1,798.22	1,808.64	1,796.29	1,854.80	1,887.26	1,885.54	1,906.65

* 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	25-Nov-16	2-Dec-16
Treasury bills (Excluding Repos)	32.1	31.9	32.3	33.3	33.5	32.5	32.5
Treasury bonds	64.1	65.6	65.2	64.8	64.9	65.3	65.8
CBK Overdraft to Govt	2.1	0.8	0.7	0.2	0.0	0.5	0.0
Other domestic debt	1.7	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	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	25-Nov-16	2-Dec-16
Banking Institutions	56.3	54.8	54.4	55.0	53.1	53.3	52.7
Insurance Companies	7.5	7.6	7.3	7.4	7.1	7.1	7.3
Parastatals	4.7	5.1	5.6	5.5	5.6	5.8	5.8
Pension funds	25.9	26.8	27.0	26.6	27.1	27.3	27.7
Other investors	5.7	5.7	5.6	5.6	7.1	6.5	6.5
Total	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)

	6-Oct-16	13-Oct-16	19-Oct-16	27-Oct-16	3-Nov-16	10-Nov-16	17-Nov-16	24-Nov-16	1-Dec-16	8-Dec-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,789	7,744	7,729	7,683	7,628	7,536	7,485	7,336	7,289	7,308
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.10	5.07	5.06	5.03	4.99	4.93	4.90	4.80	4.77	4.78

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya