



**JULY 22, 2016**

### Highlights

*The money market was relatively liquid in the week ending July 20, 2016 on account of net government payments and net maturities under OMO. The average interbank rate decreased to 4.21 percent in the week ending July 20, 2016 from 6.41 percent in the previous week.*

*Overall, the capital market recorded mixed performance in the week ending July 21, 2016.*

The money market was relatively liquid in the week ending July 20, 2016 on account of net government payments and net maturities under OMO (**Table 1**).

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

	14-Jul-16	15-Jul-16	18-Jul-16	19-Jul-16	20-Jul-16	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection</b>	<b>4.2</b>	<b>5.4</b>	<b>49.5</b>	<b>7.5</b>	<b>1.9</b>	<b>68.6</b>
Repos Maturities	0.0	5.0	10.0	0.0	0.0	15.0
Term Auction Deposit maturities	2.4	0.0	6.3	4.0	0.0	12.7
T/bills redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bills rediscounts	0.0	0.0	24.7	0.0	0.0	24.7
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	1.3	0.4	0.2	1.3	1.5	4.7
<b>Total liquidity reduction</b>	<b>5.1</b>	<b>1.7</b>	<b>39.2</b>	<b>8.8</b>	<b>2.8</b>	<b>57.5</b>
T/bills (Primary issues)	0.0	0.0	11.6	0.0	0.0	11.6
T/bonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
T/bills/T/bonds (OMO Tap Sales)	0.0	0.0	0.0	0.0	0.0	0.0
Repos	0.0	0.0	15.0	5.0	0.0	20.0
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.2	1.6	2.0	2.7	2.3	10.8
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>-0.9</b>	<b>3.8</b>	<b>10.4</b>	<b>-1.3</b>	<b>-0.9</b>	<b>11.0</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount - Mop up</b>	<b>0.0</b>	0.0	15.0	5.0	0.0	20.0
<b>Realised Amount - Mop up</b>	<b>0.0</b>	<b>0.0</b>	<b>15.0</b>	<b>5.0</b>	<b>0.0</b>	
Repo (-)	0.0	0.0	15.0	5.0	0.0	20.0
Term Auction Deposits (-)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Reserve Money Position</b>						
Reserve money (actual)	381.7	384.1	392.3	390.3	386.5	

Source: Central Bank of Kenya

**Activity in the Interbank Market**

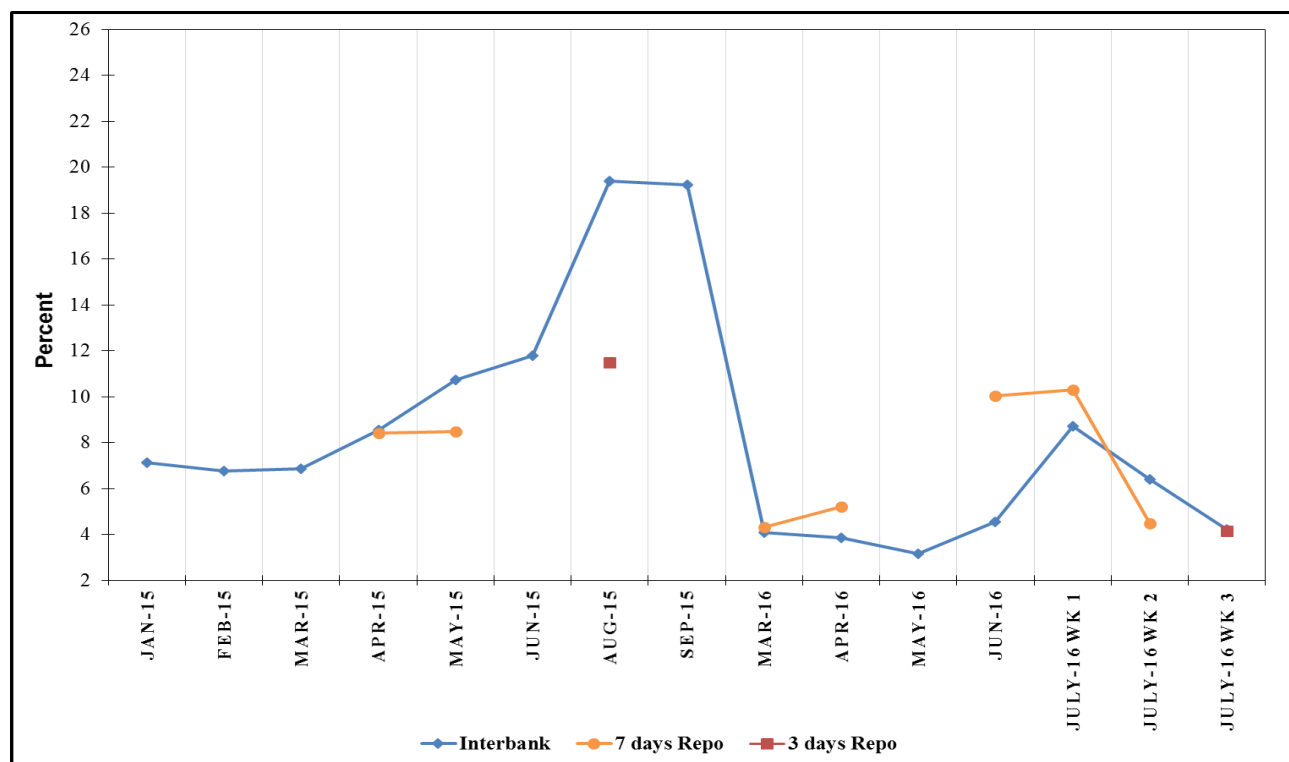
The average interbank rate decreased to 4.21 percent in the week ending July 20, 2016 from 6.41 percent in the previous week. The drop is attributed to the large banks that traded larger volumes at low interest rates (**Table 2 and Chart A**).

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

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	3 days Average Repo Rate (%)
8-Jul-16	21	4,706	8.81	
11-Jul-16	17	6,930	6.66	
12-Jul-16	23	10,300	5.36	
13-Jul-16	31	16,090	4.83	
<b>July 8, 2016 - July13, 2016</b>	<b>23</b>	<b>9,507</b>	<b>6.41</b>	
14-Jul-16	32	16,970	4.46	
15-Jul-16	27	13,875	4.33	
16-Jul-16	24	8,725	4.67	4.33
17-Jul-16	22	9,930	4.05	3.95
18-Jul-16	17	10,300	3.53	
<b>July 15, 2016 - July 20, 2016</b>	<b>24</b>	<b>11,960</b>	<b>4.21</b>	<b>4.14</b>

Source: Central Bank of Kenya

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

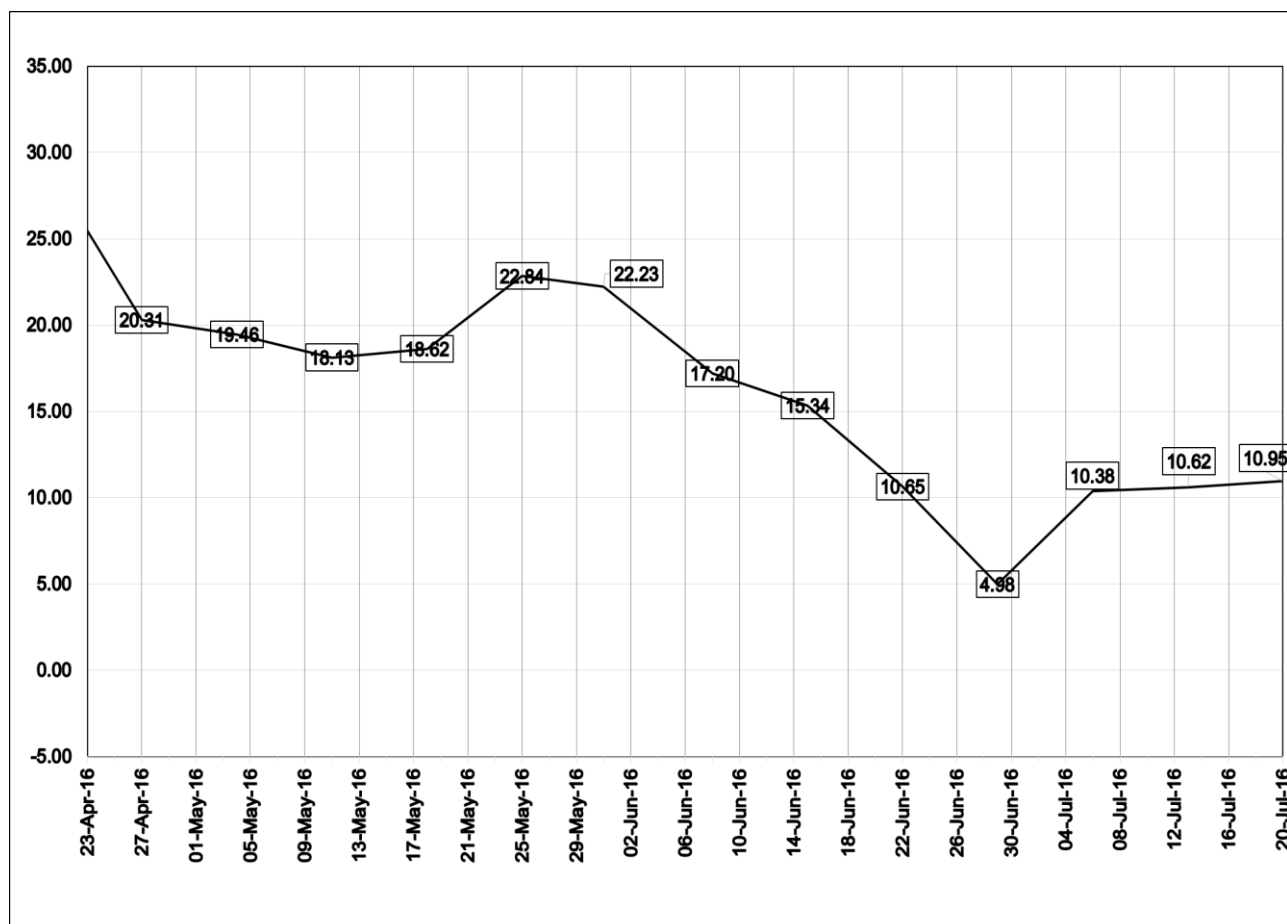


Source: Central Bank of Kenya

### Commercial Banks Clearing Account Balances

Commercial banks' excess reserves increased slightly to KSh 10.95 billion in relation to the 5.25 percent averaging requirement as at July 20, 2016 (**Chart B**).

**CHART B: EVOLUTION OF FREE RESERVES**



Source: Central Bank of Kenya

### Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate portrayed mixed performance against international currencies, largely reflecting developments in the international markets. The Shilling strengthened against the Japanese Yen but weakened against the US Dollar (albeit marginally), the Pound Sterling and the Euro during the week ending July 21, 2016. In the EAC region, the Kenya Shilling strengthened against Rwanda Franc but weakened against the rest of the East African currencies (**Table 3**).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
8-Jul-16	101.17	130.54	111.88	100.12	33.54	21.66	7.38	16.60
11-Jul-16	101.24	131.15	111.91	100.51	33.42	21.63	7.37	16.62
12-Jul-16	101.27	132.41	112.18	98.26	33.35	21.64	7.37	16.39
13-Jul-16	101.29	133.75	112.18	96.86	33.27	21.63	7.41	16.33
14-Jul-16	101.34	134.25	112.35	96.95	33.30	21.61	7.45	16.33
<b>8-14 July 2016</b>	<b>101.26</b>	<b>132.42</b>	<b>112.10</b>	<b>98.54</b>	<b>33.38</b>	<b>21.63</b>	<b>7.40</b>	<b>16.45</b>
15-Jul-16	101.34	134.74	112.58	95.82	33.24	21.59	7.72	16.57
18-Jul-15	101.38	134.80	112.40	95.87	33.19	21.59	7.36	16.38
19-Jul-15	101.48	134.40	112.24	96.13	33.13	21.58	7.53	16.31
20-Jul-15	101.57	133.30	111.90	95.48	33.11	21.56	7.54	16.34
21-Jul-15	101.58	133.76	111.76	95.19	33.16	21.55	7.39	16.34
<b>15-22 July 2016</b>	<b>101.47</b>	<b>134.20</b>	<b>112.17</b>	<b>95.70</b>	<b>33.16</b>	<b>21.58</b>	<b>7.51</b>	<b>16.39</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

## The Capital Market

Both equities and bonds market segments recorded mixed performance in the week ending July 21, 2016.

### Equities Market

The overall equities price increased as reflected in the 4-basis-points gain by NASI during the week ending July 21, 2016. However, prices declined for shares grouped under the NSE 25<sup>1</sup> and NSE 20<sup>2</sup> indices. Market capitalization which measures shareholders' wealth dropped by 0.1 percent. Equity turnover gained 2.0 percent due to 11.3 increase in shares traded (**Table 4**).

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	09-Jun-16	15-Jun-16	23-Jun-16	30-Jun-16	08-Jul-16	14-Jul-16	21-Jul-16	Weekly Change (%)
NASI 100= 2008	146.69	146.50	144.33	140.60	140.84	138.76	138.82	0.04
NSE 25 Share Index	4,139.56	4,135.98	182.29	3,955.56	3,978.48	3,901.32	3,848.99	-1.36
NSE 20 Share Index 100= 1996	3,818.19	3,799.16	3,744.58	3,640.61	3,664.78	3,609.81	3,515.00	-2.70
Number of Deals	6,338.00	5,239.00	5,960.00	5,641.00	4,033.00	5,973.00	5,476.00	-9.08
Total Shares Traded (Millions)	148.72	89.78	155.17	113.56	106.83	131.05	147.75	11.30
Equity Turnover (Ksh. Millions)	3,168.84	2,605.50	3,965.87	2,830.96	3,316.61	3,414.85	3,484.72	2.00
Market Capitalization (Ksh. Bn.)	2,069.77	2,078.54	2,059.64	1,994.81	2,025.28	1,995.21	1,993.27	-0.10
I-REIT Turnover in (Ksh. Millions)	2.41	2.81	6.82	8.35	0.79	0.86	0.49	-76.01
I-REIT in Units - Total Deals	38.00	47.00	81.00	61.00	30.00	46.00	30.00	-53.33
Bonds Turnover (Ksh. Millions)	19,062.33	10,672.64	13,531.49	7,278.10	2,549.50	6,280.44	3,846.25	-63.29
FTSE NSE Kenya 15 Index	184.19	184.41	181.20	175.70	175.88	173.71	171.30	-1.41
FTSE NSE Kenya 25 Index	185.40	185.84	182.29	176.47	176.85	174.81	173.37	-0.83
FTSE NSE Bond Index	88.52	87.99	88.80	87.98	88.93	89.52	90.44	1.02

Source: Nairobi Securities Exchange

<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 billion 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.

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

FTSE 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 1.41 percent and 0.83 percent lower, respectively. The real estate market segment recorded lower activity with Real Estate Investment Trust (I-REIT) turnover down 76.01 percent and number of deals down by 53.33 percent. Telecommunication and Technology and Banking sectors dominated trading, accounting for 56.37 percent, and 26.74 percent respectively, of the total shares traded.

**The Bond Market**

The bonds turnover declined by 63.29 percent in the week ending July 21, 2016. This partly reflects reduced supply with the deals transacted down to 54 from 98 deals of previous week. This outcome could be explained by investors' preference for primary market's 5-and 20-year bonds issued to raise KSh 30 billion that was oversubscribed by 136.3 percent. The FTSE NSE Government Bond Index rose by 1.02 percent reflecting decline in secondary market yields.

**TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES**

<b>91-Day Treasury Bills</b>						
Date of Auction	26-May-16	23-Jun-16	30-Jun-16	07-Jul-16	14-Jul-16	21-Jul-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)	10,212.9	5,325.8	3,385.3	1,956.1	3,219.5	2,811.5
Amount Accepted (Ksh M)	7,284.2	5,031.1	3,385.3	1,956.1	2,230.0	2,811.5
Maturities (Ksh M)	8,569.5	3,164.7	1,184.0	5,305.2	9,946.1	9,086.9
Average interest Rate (%)- 91 Days	7.7	7.1	7.0	7.0	7.6	7.9
<b>182-Day Treasury Bills</b>						
Date of Auction	25-May-16	22-Jun-16	29-Jun-16	06-Jul-16	13-Jul-16	20-Jul-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)	10,543.1	10,743.7	1,215.1	2,776.9	3,009.5	13,893.0
Amount Accepted (Ksh M)	5,402.0	10,268.5	1,215.1	2,776.9	2,707.3	13,775.9
Maturities (Ksh M)	478.6	5,289.2	2,563.6	2,707.3	13,915.1	9,546.7
Average interest Rate (%)- 182 days	10.0	9.2	9.4	9.6	9.9	10.2
<b>364-Day Treasury Bills</b>						
Date of Auction	25-May-16	22-Jun-16	29-Jun-16	06-Jul-16	13-Jul-16	20-Jul-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)	16,092.7	3,452.2	1,314.6	1,086.0	6,902.8	3,286.4
Amount Accepted (Ksh M)	9,168.5	3,452.2	1,314.6	1,086.0	6,635.9	3,286.4
Maturities (Ksh M)	1,092.0	591.5	72.4	355.6	850.5	386.6
Average interest Rate (%)- 364 days	11.3	10.7	10.7	11.0	10.9	11.0
<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)					30,000.00	
Bids received (Ksh M)					40,876.58	
Amount Accepted (Ksh M)					33,504.36	
Maturities (Ksh M)					0	
Average interest Rate (%)					14.1	14.8

Source: Central Bank of Kenya

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

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

	26-Feb-16	25-Mar-16	29-Apr-16	27-May-16	24-Jun-16	01-Jul-16	08-Jul-16	15-Jul-16
1. Treasury Bills (Excluding Repos)	420.76	462.85	507.90	540.84	578.03	588.09	590.39	588.11
<b>(As % of total securities)</b>	<b>28.27</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>
2. Treasury Bonds	1,067.83	1,095.37	1,104.68	1,079.52	1,152.04	1,144.32	1,144.32	1,152.04
<b>(As % of total securities)</b>	<b>71.73</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>3. Total Securities (1+2)</b>	<b>1,488.59</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>
4. Overdraft at Central Bank	43.58	37.74	44.87	41.49	37.06	44.20	44.20	44.20
5. Other Domestic debt*	31.96	31.69	31.77	31.60	31.09	31.07	31.10	30.76
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,564.13</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>

\* 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**

	26-Feb-16	25-Mar-16	29-Apr-16	27-May-16	24-Jun-16	01-Jul-16	08-Jul-16	15-Jul-16
Treasury bills (Excluding Repos)	26.9	28.4	30.1	31.9	32.1	32.5	32.6	32.4
Treasury bonds	68.3	67.3	65.4	63.7	64.1	63.3	63.2	63.5
CBK Overdraft to Govt	2.8	2.3	2.7	2.5	2.1	2.4	2.4	2.4
Other domestic debt	2.0	1.9	1.9	1.9	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>

Source: Central Bank of Kenya

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

	26-Feb-16	25-Mar-16	29-Apr-16	27-May-16	24-Jun-16	01-Jul-16	08-Jul-16	15-Jul-16
Banking Institutions	55.5	55.7	56.5	57.5	56.3	56.2	56.0	55.7
Insurance Companies	8.3	8.2	7.9	7.9	7.5	7.4	7.4	7.4
Parastatals	4.7	4.7	4.6	4.7	4.7	5.0	5.0	5.1
Pension funds	25.4	25.5	25.2	26.1	25.9	25.8	26.1	26.2
Other investors	6.1	5.9	5.8	3.8	5.7	5.6	5.6	5.6
<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>

Source: Central Bank of Kenya

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

	05-May-16	12-May-16	19-May-16	26-May-16	02-Jun-16	09-Jun-16	16-Jun-16	23-Jun-16	30-Jun-16	07-Jul-16	14-Jul-16	21-Jul-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,707	7,693	7,662	7,649	7,668	7,631	7,599	7,517	7,237	7,878	7,841	7,831,309
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.04	5.03	5.01	5.00	5.01	4.99	4.97	4.91	4.73	5.15	5.13	5.12

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya