



AUGUST 05, 2016

Highlights

Liquidity in the money market improved in the week ending August 3, 2016 supported by government end month payments, OMO maturities and net redemptions from Government securities. The average interbank rate increased to 5.98 percent in the week ending August 3, 2016 from 4.79 percent in the previous week.

Capital Markets recorded mixed performance in the week ending August 4, 2016.

Monetary Policy Operations

Liquidity in the interbank market improved during the week supported by government end month payments, Term Auction Deposits (TAD) maturities and Treasury bills redemptions. Liquidity withdrawal was mainly through taxes, Treasury bills issuance and reverse repo maturities. Central bank stayed out from the market during the week except on August 2, 2016 to allow the market distribute the available liquidity (**Table 1**).

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

	28-Jul-16	29-Jul-16	1-Aug-16	2-Aug-16	3-Aug-16	Total
Liquidity Flows						
Total liquidity injection \1	10.7	1.1	36.4	18.0	13.6	79.9
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Term Auction Deposit maturities	10.0	0.0	4.6	11.5	0.0	26.1
T/bills redemptions	0.0	0.0	22.8	0.0	0.0	22.8
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	0.7	1.1	7.9	4.7	11.6	26.1
Total liquidity reduction \1	0.4	5.2	36.8	13.4	10.7	66.4
T/bills (Primary issues)	0.0	0.0	14.3	0.0	0.0	14.3
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	4.0	0.0	4.0
Reverse Repos maturities	0.0	0.0	20.5	1.9	7.0	29.4
Term Auction Deposit	0.0	0.0	0.0	1.0	0.0	1.0
Transfer from Banks -Taxes	0.3	5.1	1.9	6.5	3.6	17.5
Net liquidity injection (+)/Withdrawal (-)	10.3	-4.0	-0.4	4.6	3.0	13.5
Open Market Operations Outcome						
Posted Amount - Mop up	0.0	0.0	0.0	5.0	0.0	5.0
Realised Amount - Mop up	0.0	0.0	0.0	5.0	0.0	5.0
Repo (-)	0.0	0.0	0.0	4.0	0.0	4.0
Term Auction Deposits (-)	0.0	0.0	0.0	1.0	0.0	1.0
Reverse Repo (+)						0.0
Reserve Money Position						
Reserve money (actual)	382.4	380.4	381.5	386.6	388.7	

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

Source: Central Bank of Kenya

Activity in the Interbank Market

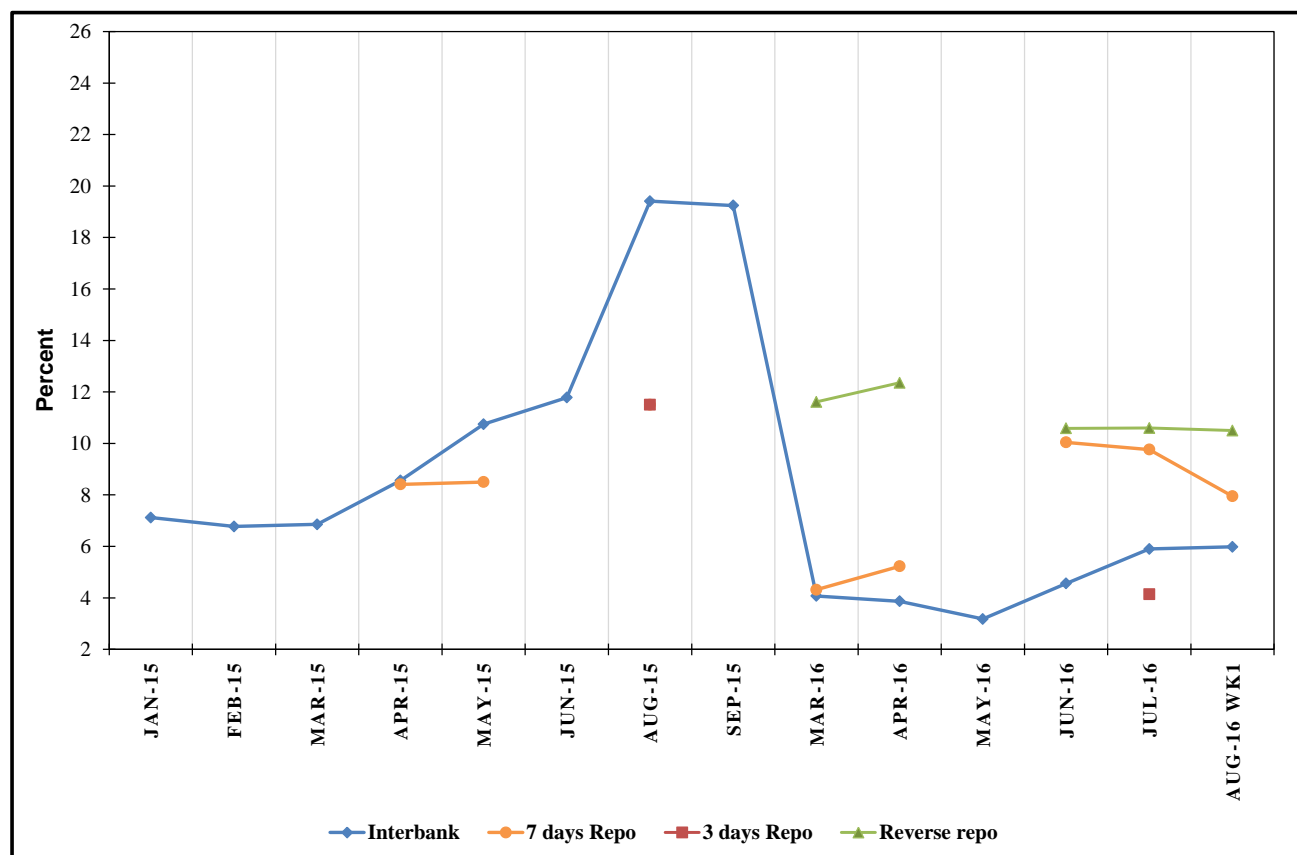
The average interbank rate increased to 5.98 percent in the week ending August 3, 2016 from 4.79 percent in the previous week. In spite of the improved liquidity in the interbank market, distribution was skewed with 43 percent of the volumes transacting at above 6 percent (**Table 2** and **Chart A**). Central bank mopped KSh 4 billion in 7 days repo at an average weighted rate of 7.95 percent and KSh 1 billion in TAD at a rate of 10 percent (**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 (%)
21-Jul-16	24	17,550	3.71	
22-Jul-16	31	24,150	4.07	
25-Jul-16	34	19,305	4.80	
26-Jul-16	24	13,935	5.69	
27-Jul-16	27	16,100	5.70	
July 21, 2016 - July 27, 2016	28	18,208	4.79	
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	
July 28, 2016 - August 3, 2016	29	18,095	5.98	7.95

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES

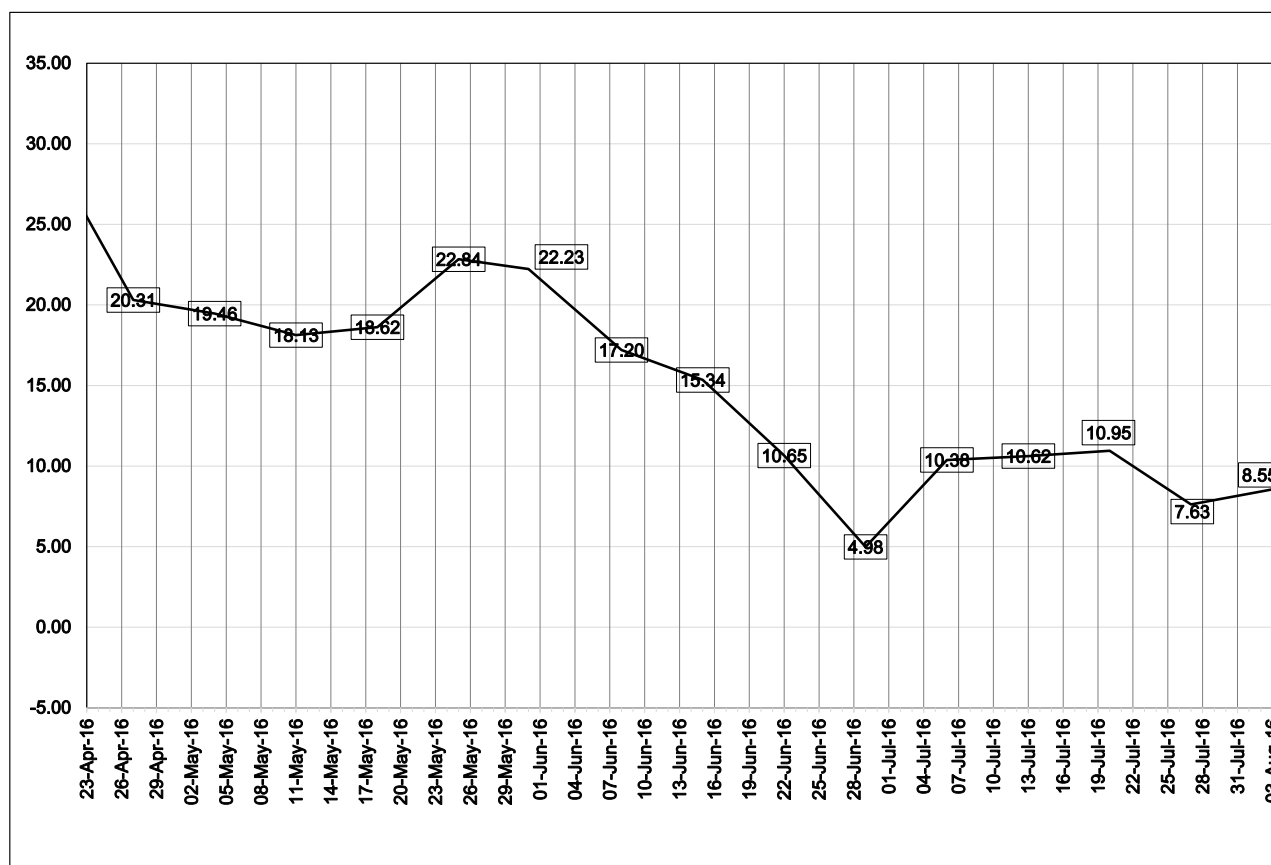


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' excess reserves above 5.25 percent reserve requirement increased to KSh 8.55 billion on August 3, 2016 from KSh 7.63 billion 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 stabilized against the USD Dollar, but weakened against the Sterling Pound, the Euro and the Japanese Yen during the week ending August 4, 2016. In the EAC region, the Kenya Shilling strengthened against Uganda shilling and Burundi Franc but remained unchanged against Rwanda Franc and Tanzanian shilling (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
22-Jul-16	101.55	134.35	112.02	96.06	33.18	21.56	7.35	16.35
25-Jul-16	101.55	132.95	111.86	95.86	33.28	21.56	7.54	16.33
26-Jul-16	101.39	133.06	111.27	95.58	33.26	21.59	7.36	16.38
27-Jul-16	101.32	133.03	111.43	96.97	33.36	21.61	7.37	16.39
28-Jul-16	101.39	133.13	111.52	95.89	33.34	21.58	7.77	16.36
22-28 July 2016	101.44	133.31	111.62	96.07	33.28	21.58	7.48	16.36
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
29 July-4 Aug 2016	101.40	134.22	113.13	99.25	33.33	21.58	7.48	16.50

Source: Central Bank of Kenya

The Capital Market

Both equities and bonds market segments recorded mixed performance in the week ending August 4, 2016.

Equities Market

The overall equities prices increased in the week ending August 4, 2016 as reflected in the 102-basis points gain by NASI and 11-basis points gain for shares grouped under the NSE 25¹ Share Index. However, shares grouped under the NSE 20² Share index recorded 11 basis points decline. Market capitalization, which measures shareholders' wealth rose by 1.11 percent or KSh 22.69 billion gain. The 1.26 percent increase in equity turnover was supported by overall price increase as the volume of shares traded declined by 6.76 percent during the week (**Table 4**).

¹ 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	23-Jun-16	30-Jun-16	8-Jul-16	14-Jul-16	21-Jul-16	28-Jul-16	4-Aug-16	Weekly Change (%)
NASI 100= 2008	144.33	140.60	140.84	138.76	138.82	141.94	143.39	1.02
NSE 25 Share Index	182.29	3,955.56	3,978.48	3,901.32	3,848.99	3,935.31	3,939.55	0.11
NSE 20 Share Index 100= 1996	3,744.58	3,640.61	3,664.78	3,609.81	3,515.00	3,468.29	3,464.48	-0.11
Number of Deals	5,960.00	5,641.00	4,033.00	5,973.00	5,476.00	5,609.00	6,022.00	7.36
Total Shares Traded (Millions)	155.17	113.56	106.83	131.05	147.75	138.55	129.18	-6.76
Equity Turnover (Ksh. Millions)	3,965.87	2,830.96	3,316.61	3,414.85	3,484.72	2,997.86	3,035.53	1.26
Market Capitalization (Ksh. Bn.)	2,059.64	1,994.81	2,025.28	1,995.21	1,993.27	2,042.47	2,065.16	1.11
I-REIT Turnover in (Ksh.Millions)	6.82	8.35	0.79	0.86	0.49	2.64	3.28	24.15
I-REIT in Units - Total Deals	81.00	61.00	30.00	46.00	30.00	55.00	46.00	-16.36
Bonds Turnover (Ksh. Millions)	13,531.49	7,278.10	2,549.50	6,280.44	3,846.25	6,613.16	7,064.11	6.82
FTSE NSE Kenya 15 Index	181.20	175.70	175.88	173.71	171.30	174.56	177.56	1.72
FTSE NSE Kenya 25 Index	182.29	176.47	176.85	174.81	173.37	177.61	182.11	2.53
FTSE NSE Bond Index	88.80	87.98	88.93	89.52	90.44	90.87	89.92	-1.05

Source: Nairobi Securities Exchange

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, ended the week 1.72 percent and 2.53 percent higher, respectively. The real estate market segment products attracted more interest from investors with Real Estate Investment Trust (I-REIT³) turnover increasing by 24.15 percent amid limited supply. Telecommunication and Technology sector dominated trading with 43.7 percent of shares traded, while the Banking and Energy and Petroleum sectors combined traded 39.1 percent of shares in the week ending August 4, 2016.

The Bond Market

The bonds turnover increased by 6.82 per cent partly reflecting volume increase as deals increased from 61 to 88 in the week ending August 4, 2016. The FTSE NSE Government Bond Index declined by 105 basis points, reflecting increase in secondary market yields.

³ 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	23-Jun-16	30-Jun-16	7-Jul-16	14-Jul-16	21-Jul-16	28-Jul-16	4-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	
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	
Maturities (Ksh M)	3,164.7	1,184.0	5,305.2	9,946.1	9,086.9	12,662.0	6,675.7	
Average interest Rate (%) - 91 Days	7.1	7.0	7.0	7.6	7.9	8.3	8.3	
182-Day Treasury Bills								
Date of Auction	22-Jun-16	29-Jun-16	6-Jul-16	13-Jul-16	20-Jul-16	27-Jul-16	3-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	
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	
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	
Maturities (Ksh M)	5,289.2	2,563.6	2,707.3	13,915.1	9,546.7	8,198.5	12,899.9	
Average interest Rate (%) - 182 days	9.2	9.4	9.6	9.9	10.2	10.5	10.7	
364-Day Treasury Bills								
Date of Auction	22-Jun-16	29-Jun-16	6-Jul-16	13-Jul-16	20-Jul-16	27-Jul-16	3-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	
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	
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	
Maturities (Ksh M)	591.5	72.4	355.6	850.5	386.6	1,935.9	5,804.9	
Average interest Rate (%) - 364 days	10.7	10.7	11.0	10.9	11.0	11.4	11.4	
Treasury Bonds								
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

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
1. Treasury Bills (Excluding Repos)	462.85	507.90	540.84	578.03	588.09	590.39	588.11	575.86	577.76
(As % of total securities)	29.70	31.50	33.38	33.41	33.95	34.03	33.80	33.33	32.75
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
(As % of total securities)	70.30	68.50	66.62	66.59	66.05	65.97	66.20	66.67	67.25
3. Total Securities (1+2)	1,558.23	1,612.58	1,620.35	1,730.07	1,732.41	1,734.71	1,740.15	1,727.90	1,763.88
4. Overdraft at Central Bank	37.74	44.87	41.49	37.06	44.20	44.20	44.20	13.66	14.01
5. Other Domestic debt*	31.69	31.77	31.60	31.09	31.07	31.10	30.76	30.77	30.76
6. Gross Domestic Debt (3+4+5)	1,627.66	1,689.22	1,693.45	1,798.22	1,807.68	1,810.02	1,815.12	1,772.32	1,808.64

* 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	1-Jul-16	8-Jul-16	15-Jul-16	22-Jul-16	29-Jul-16
Treasury bills (Excluding Repos)	28.4	30.1	31.9	32.1	32.5	32.6	32.4	32.5	31.9
Treasury bonds	67.3	65.4	63.7	64.1	63.3	63.2	63.5	65.0	65.6
CBK Overdraft to Govt	2.3	2.7	2.5	2.1	2.4	2.4	2.4	0.8	0.8
Other domestic debt	1.9	1.9	1.9	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	100.0	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	29-Apr-16	27-May-16	24-Jun-16	1-Jul-16	8-Jul-16	15-Jul-16	22-Jul-16	29-Jul-16
Banking Institutions	56.5	57.5	56.3	56.2	56.0	55.7	55.0	54.8
Insurance Companies	7.9	7.9	7.5	7.4	7.4	7.4	7.6	7.6
Paras totals	4.6	4.7	4.7	5.0	5.0	5.1	5.2	5.1
Pension funds	25.2	26.1	25.9	25.8	26.1	26.2	26.4	26.8
Other investors	5.8	3.8	5.7	5.6	5.6	5.6	5.8	5.7
Total	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)

	28-Apr-16	5-May-16	12-May-16	19-May-16	26-May-16	2-Jun-16	9-Jun-16	16-Jun-16	23-Jun-16	30-Jun-16	7-Jul-16	14-Jul-16	21-Jul-16	28-Jul-16	4-Aug-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,618	7,707	7,693	7,662	7,649	7,668	7,631	7,599	7,517	7,237	7,878	7,841	7,831	7,782	7,769
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.96	5.04	5.03	5.01	5.00	5.01	4.99	4.97	4.91	4.73	5.15	5.13	5.12	5.09	5.08

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya