



JANUARY 6, 2017

Highlights

The money market was fairly tight during the week ending January 4, 2017 largely reflecting withdrawal through maturities of CBK liquidity support instrument. However, the average interbank rate declined to 7.69 percent in the week ending January 4, 2017 from 8.0 percent in the previous week on account of transactions among large banks at relatively lower interest rates.

The capital market recorded mixed performance: with gains in the equities market and a decline in the bonds market segment in the week ending January 5, 2017.

Monetary Policy Operations

The money market was fairly tight during the week ending January 4, 2017, largely reflecting liquidity withdrawals through maturities of CBK liquidity support instrument (Reverse Repo). The net outflows amounted to KSh. 4.4 billion (**Table 1**).

Commercial banks' excess reserves above 5.25 percent average reserve requirement increased to KSh 2.8 billion in the week ending January 4, 2017 from KSh 0.6 billion recorded in the previous week (**Chart A**), but remained below the recent 5 months' period average.

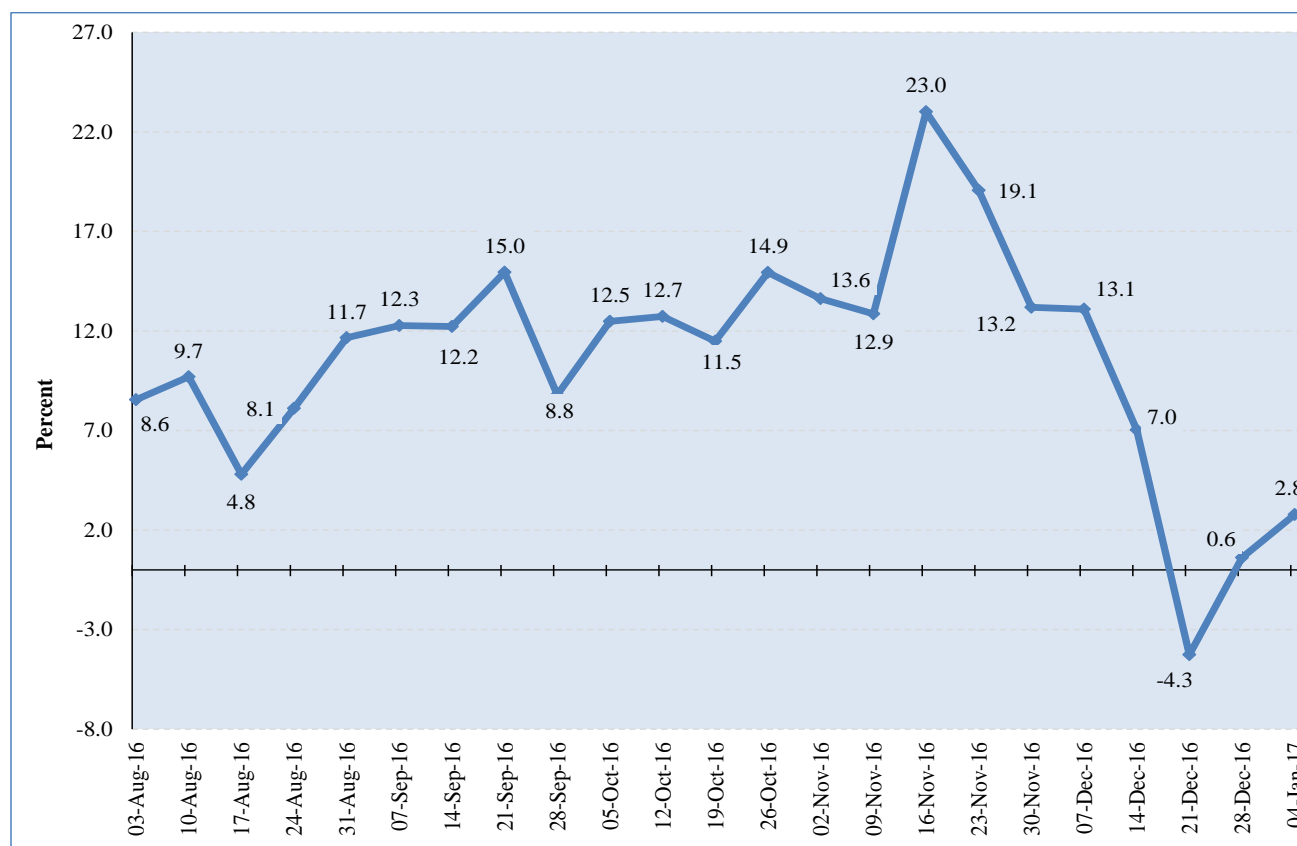
TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	29-Dec-16	30-Dec-16	3-Jan-17	4-Jan-17	Total
Liquidity Flows					
Total liquidity injection \¹	10.5	21.0	21.8	5.4	58.7
Repos Maturities	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	5.8	0.6	9.7	2.5	18.6
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	9.1	0.0	9.1
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	0.0	0.0	0.0
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0
Govt payments	4.7	20.4	2.9	2.9	30.9
Total liquidity reduction \¹	18.5	16.3	18.1	10.2	63.0
T/bills (Primary issues)	0.0	0.0	2.5	0.0	2.5
Tbonds Sales	0.0	0.0	0.0	0.0	0.0
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	1.4	0.0	1.4
Repos	0.0	0.0	0.0	0.0	0.0
Reverse Repos maturities	11.3	14.3	9.8	7.3	42.6
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	7.1	2.0	4.4	1.6	15.2
Net liquidity injection (+)/Withdrawal (-)	-8.0	4.7	3.7	-4.8	-4.4
Open Market Operations Outcome					
Reverse Repos purchases	5.8	0.6	9.7	2.5	18.6
Reserve Money Position					
Reserve money (actual)	401.9	407.0	410.7	405.7	

\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

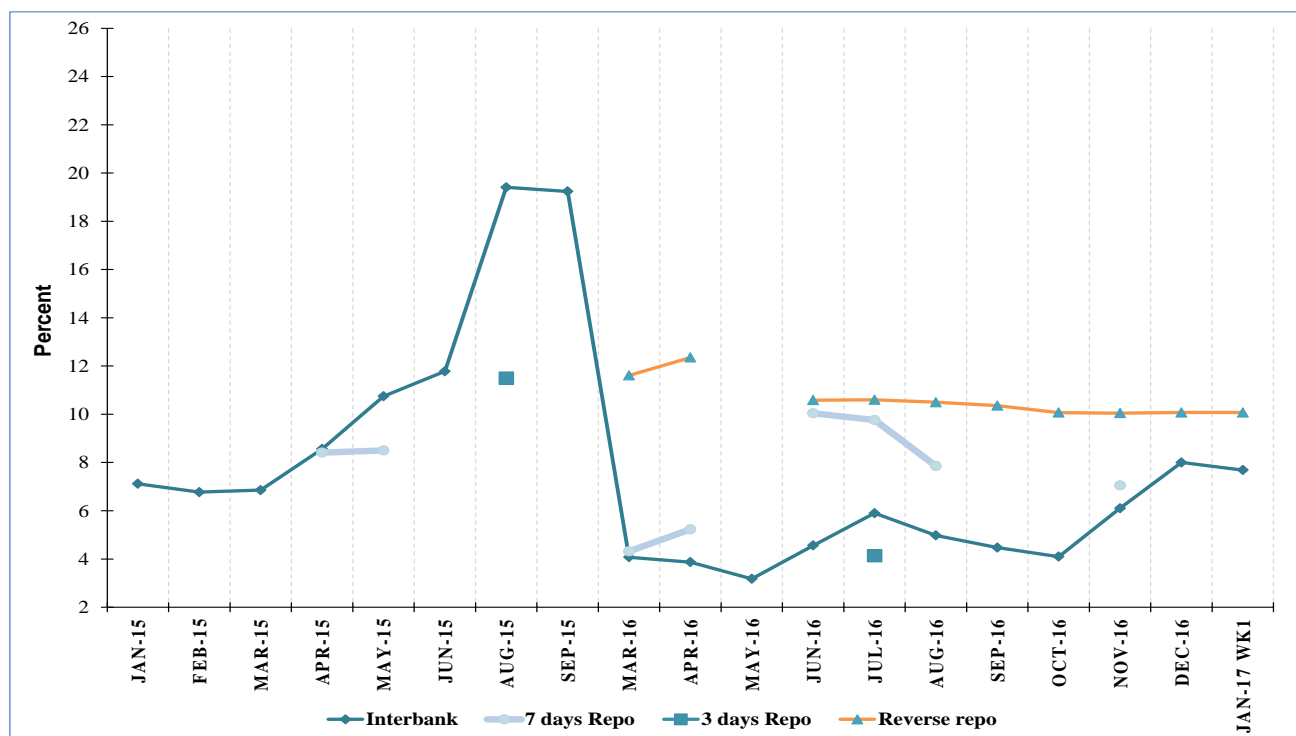
Volumes transacted increased to KSh 20.3 billion in the week ending January 4, 2017 from KSh 16.2 billion traded in the previous week. The weighted average interbank rate declined to 7.69 percent from 8.0 percent recorded in the previous week. The reverse repo rate stabilized at 10.08 percent in the week ending January 4, 2017 compared to 10.07 percent in the previous week (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 (%)
22-Dec-16	39	12,955	7.12	10.14
23-Dec-16	38	17,840	8.22	10.06
28-Dec-16	29	17,680	8.67	10.02
Dec 22-28, 2016	35	16,158	8.00	10.07
29-Dec-16	29	16,730	8.73	10.23
30-Dec-16	30	11,030	8.20	10.00
3-Jan-17	36	19,265	7.13	10.03
4-Jan-17	56	33,105	6.68	10.04
Dec 29, 2016-Jan 4, 2017	38	20,033	7.69	10.08

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 portrayed mixed performance against major international and regional currencies during the week ending January 5, 2017. It weakened against all the major international currencies (USD, Sterling Pound, Euro and Japanese Yen). In the EAC region it strengthened against the Uganda shilling, but weakened against all the other regional currencies (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*
23-Dec-16	102.36	126.28	106.91	86.88	34.93	21.28	8.14	16.36
28-Dec-16	102.36	125.34	106.90	87.26	34.93	21.28	8.14	16.36
29-Dec-16	102.44	125.15	106.47	87.03	35.17	21.26	7.96	16.47
23-29 December 2016	102.39	125.59	106.76	87.06	35.01	21.27	8.08	16.40
30-Dec-16	102.49	125.42	107.06	87.06	35.27	21.25	7.96	16.35
3-Jan-16	102.56	126.52	108.17	87.69	35.20	21.28	8.13	16.33
4-Jan-16	102.81	126.22	106.78	87.02	35.21	21.23	8.11	16.42
5-Jan-16	103.47	127.27	108.00	88.23	35.02	21.11	7.88	16.20
30 Dec 2016-5 Jan 2017	102.83	126.36	107.50	87.50	35.17	21.22	8.02	16.32

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

The capital market recorded mixed performance; with gains in the equities market, and a decline in the bonds market segment in the week that ended January 5, 2017.

Equity Market

Share prices rose over the week ending January 5, 2017 with the NASI, NSE 25 and NSE 20 share indices closing marginally higher at 0.11 percent, 0.75 percent, and 0.45 percent, respectively. Reflecting increased activity following the end of the year's holiday season, the total number of shares traded increased by 361.25 percent and equity turnover rose by 151.06 percent. Shareholder wealth, measured by market capitalization, rose by 0.11 percent (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	17-Nov-16	24-Nov-16	01-Dec-16	08-Dec-16	15-Dec-16	22-Dec-16	29-Dec-16	05-Jan-17	Weekly Change (Percent)
NASI 100= 2008	139.96	138.39	136.74	133.7	130.95	132.04	131.30	131.45	0.11
NSE 25 Share Index	3,709.91	3,681.55	3,599.17	3,526.83	3,466.52	3,459.04	3,455.66	3,481.64	0.75
NSE 20 Share Index 100= 1996	3,283.77	3,273.71	3,250.62	3,180.56	3,129.78	3,106.91	3,156.59	3,170.71	0.45
Number of Deals	6,054	5,445	5,043	4,733	3,687	4,687	1,980	3,149	59.04
Total Shares Traded (Million)	91.79	100.21	102.68	79.91	51.33	96.56	36.23	167.10	361.25
Equity Turnover (KSh Million)	2,232.48	1,901.46	2,495.91	2,227.92	1,252.52	1,995.31	921.22	2,312.80	151.06
Market Capitalization (KSh Billion)	2,027.74	2,009.91	1,980.97	1,936.75	1,896.95	1,912.71	1,901.97	1,904.16	0.11
I-REIT Turnover in (KSh Million)	0.71	0.92	0.20	0.62	0.94	0.09	0.12	18.65	15441.67
I-REIT in Units - Total Deals	35	29	26	22	16	16	11	18	63.64
Bonds Turnover (KSh Million)	6,751.20	6,649.85	5,095.10	2,873.25	5,395.44	7,857.91	5,095.60	3,314.45	-34.95
FTSE NSE Kenya 15 Index	170.84	170.07	165.69	161.66	159.64	158.63	159.07	159.84	0.48
FTSE NSE Kenya 25 Index	176.43	174.71	170.40	166.28	163.83	163.96	164.30	163.65	-0.40
FTSE NSE Bond Index	90.31	90.19	90.22	90.21	89.96	89.96	90.05	90.00	-0.06

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 Nairobi Securities Exchange (NSE) showed mixed performance. The FTSE NSE Kenya 15 Index gained 0.48 percent, while the FTSE NSE Kenya 25 Index shed 0.40 percent over the week ending January 5, 2017. The Energy and Petroleum and the Telecommunication and Technology sectors dominated trading, accounting for 58.20 percent and 18.00 percent, respectively, of the total shares traded during the period under review.

Turnover in the real estate market segment, measured by the Income-Real Estate Investment Trust (I-REIT²) index increased 15,441.67 percent. The related number of deals increased by 63.64 percent over the week ending January 5, 2017 signalling investor appetite for asset-backed securities.

Bond Market

Bond turnover declined by 34.95 percent and corresponding deals closed lower from 111 in the previous week to 51 deals over the week ending January 5, 2017. This reduced trading activity could be attributed to traders moving to the equities market awaiting government offers on new or re-opening bonds in 2017. The FTSE Bond Index decreased marginally by 0.06 percent reflecting increased 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.

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TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills									
Date of Auction	29-Sep-16	27-Oct-16	24-Nov-16	01-Dec-16	08-Dec-16	15-Dec-16	22-Dec-16	29-Dec-16	05-Jan-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	4,000.0	4,000.0
Bids received (Ksh M)	4,722.1	4,335.7	5,911.3	5,664.1	2,174.2	2,588.8	3,687.5	1,367.7	3,471.7
Amount Accepted (Ksh M)	4,200.4	4,335.7	5,908.4	5,624.8	2,172.8	2,588.8	3,687.5	1,367.4	3,452.1
Maturities (Ksh M)	3,417.7	2,714.4	1,484.5	5,457.7	4,783.3	4,166.3	5,455.7	4,267.1	5,905.8
Average interest Rate (%) - 91 Days	7.8	8.0	8.3	8.4	8.4	8.5	8.6	8.6	8.6
182-Day Treasury Bills									
Date of Auction	28-Sep-16	26-Oct-16	23-Nov-16	30-Nov-16	07-Dec-16	14-Dec-16	21-Dec-16	28-Dec-16	04-Jan-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	6,000.0	6,000.0
Bids received (Ksh M)	8,678.0	7,356.5	6,936.3	6,801.8	7,309.5	7,446.2	15,844.8	2,140.8	2,411.0
Amount Accepted (Ksh M)	5,311.7	7,356.5	6,915.3	6,741.1	7,162.3	4,229.9	11,266.4	1,145.9	1,936.3
Maturities (Ksh M)	2,051.1	9,520.1	5,649.1	7,332.9	6,790.4	5,676.3	10,721.8	1,247.7	2,903.2
Average interest Rate (%) - 182 days	10.4	10.3	10.4	10.5	10.5	10.6	10.5	10.5	10.5
364-Day Treasury Bills									
Date of Auction	28-Sep-16	26-Oct-16	23-Nov-16	30-Nov-16	07-Dec-16	14-Dec-16	21-Dec-16	28-Dec-16	04-Jan-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	6,000.0	6,000.0
Bids received (Ksh M)	7,326.1	5,422.8	5,316.7	4,417.6	7,546.8	1,593.4	2,116.1		3,849.4
Amount Accepted (Ksh M)	7,326.1	5,422.8	3,266.8	4,372.6	5,078.2	1,593.4	1,949.9		3,354.4
Maturities (Ksh M)	3,666.6	8,529.4	1,290.5	3,456.7	3,062.6	818.3	1,506.1		3,569.1
Average interest Rate (%) - 364 days	10.4	10.6	10.8	10.9	11.1	11.1	11.0		11.0
Treasury Bonds									
Date of Auction	20-Oct-16		23-Nov-16		14-Dec-16		21-Dec-16		29-Dec-16
Tenor	IFB1/2016/16 (Tap sale)		FXD 1/2008/20		FXD3/2016/2 /2016/2 (Tap Sale)		FXD3/2016/2 (Tap Sale)		
Amount offered (Ksh M)	10,000.0		30,000.0		30,000.0		20,000.0		20,000.0
Bids received (Ksh M)	4,773.4		8,398.0		35,540.1		13,637.0		1,354.0
Amount Accepted (Ksh M)	4,471.4		7,876.6		10,535.3		13,637.0		1,353.8
Maturities (Ksh M)	0.0		0.0		29,375.7		0.0		0.0
Average interest Rate (%)	13.2		14.3		12.5		12.5		12.5

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	24-Jun-16	30-Sep-16	28-Oct-16	25-Nov-16	02-Dec-16	09-Dec-16	16-Dec-16	23-Dec-16	30-Dec-16
1. Treasury Bills (Excluding Repos)	578.03	618.25	631.84	611.95	620.00	621.38	621.92	620.09	620.19
(As % of total securities)	33.41	33.97	34.04	33.19	33.07	33.12	33.14	33.41	33.17
2. Treasury Bonds	1,152.04	1,201.78	1,224.21	1,231.57	1,254.59	1,254.59	1,254.59	1,235.73	1,249.34
(As % of total securities)	66.59	66.03	65.96	66.81	66.93	66.88	66.86	66.59	66.83
3. Total Securities (1+2)	1,730.07	1,820.02	1,856.05	1,843.52	1,874.60	1,875.97	1,876.52	1,855.82	1,869.53
4. Overdraft at Central Bank	37.06	3.32	0.00	9.96	0.00	0.00	0.00	31.42	29.93
5. Other Domestic debt*	31.09	31.45	31.21	32.05	32.05	32.03	31.39	31.39	31.39
6. Gross Domestic Debt (3+4+5)	1,798.22	1,854.80	1,887.26	1,885.54	1,906.65	1,908.00	1,907.90	1,918.63	1,930.86

* 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	26-Aug-16	30-Sep-16	28-Oct-16	25-Nov-16	02-Dec-16	09-Dec-16	16-Dec-16	23-Dec-16	30-Dec-16
Treasury bills (Excluding Repos)	32.1	31.9	32.3	33.3	33.5	32.5	32.5	32.6	32.6	32.3	32.1
Treasury bonds	64.1	65.6	65.2	64.8	64.9	65.3	65.8	65.8	65.8	64.4	64.7
CBK Overdraft to Govt	2.1	0.8	0.7	0.2	0.0	0.5	0.0	0.0	0.0	1.6	1.6
Other domestic debt	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.6	1.6
TOTAL	100.0	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

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TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER (IN PERCENT)

	24-Jun-16	29-Jul-16	30-Sep-16	28-Oct-16	25-Nov-16	02-Dec-16	09-Dec-16	16-Dec-16	23-Dec-16	30-Dec-16
Banking Institutions	56.3	54.8	55.0	53.1	53.3	52.7	52.3	52.2	52.2	52.5
Insurance Companies	7.5	7.6	7.4	7.1	7.1	7.3	7.3	7.3	7.2	7.3
Parastatals	4.7	5.1	5.5	5.6	5.8	5.8	5.8	5.8	5.9	5.6
Pension funds	25.9	26.8	26.6	27.1	27.3	27.7	28.1	28.2	28.1	28.0
Other investors	5.7	5.7	5.6	7.1	6.5	6.5	6.5	6.6	6.5	6.5
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)

	10-Nov-16	17-Nov-16	24-Nov-16	01-Dec-16	08-Dec-16	15-Dec-16	22-Dec-16	29-Dec-16	05-Jan-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,536	7,485	7,336	7,289	7,308	7,247	7,028	6,971	7,058
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.93	4.90	4.80	4.77	4.78	4.74	4.60	4.56	4.62

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya