



Central Bank of Kenya

Weekly Bulletin

August 2, 2019

KEY MONETARY AND FINANCIAL INDICATORS

Inflation

Overall inflation increased to 6.3 percent in July 2019 from 5.7 percent in June, largely on account of elevated food prices compared to the same period last year (Chart 1).

Exchange Rate

The Kenya Shilling moved in a wider range against major international currencies during the week ending August 1, driven in part by high liquidity. It exchanged at KSh 104.17 per US Dollar on August 1, compared to KSh 104.03 on July 25 (Table 1).

Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained strong at USD 9,490 million (6.04 months of import cover) as at August 1. This meets the CBK's statutory requirement to endeavour to maintain at least 4 months of import cover and the EAC region's convergence criteria of 4.5 months of import cover (Table 2).

Money Market

The money market was relatively liquid during the week ending August 1, supported by Government payments. Commercial banks' excess reserves stood at KSh 6.32 billion in relation to the 5.25 percent cash reserves requirement (CRR). The average interbank rate declined to 2.51 percent on August 1 from 2.61 percent on July 25. The average number of interbank deals remained 16 as in the previous week, but the value traded declined to an average of KSh 8.92 billion in the week ending August 1, from KSh 10.04 billion (Table 3).

Government Securities Market

The Treasury bills auctions of August 1 received bids totaling KSh 33.0 billion against an advertised amount of KSh 24.0 billion, representing a performance of 137.5 percent. Interest rates on the 91-day and 182-day Treasury bills decreased by 4.5 and 11.1 basis points, respectively, while interest rate on 364-day Treasury bills increased by 5.0 basis points (Table 4).

Equity Market

The total number of equity deals at Nairobi Securities Exchange increased by 4.62 percent. However, the NASI, NSE 25 and NSE 20 share price indices declined by 0.34 percent, 0.64 percent and 1.69 percent, respectively. Similarly, market capitalization, equity turnover and volume of shares traded declined by 0.34 percent, 8.13 percent and 19.40 percent, respectively, during the week ending August 1 (Table 6).

Derivatives Market

The total volume of futures contracts settled on the NSE Derivatives Market (NEXT) during the week ending August 1, declined to 32 valued at KSh 888,000, compared to 38 contracts valued at KSh 1,176,780 in the previous week.

Bonds Market

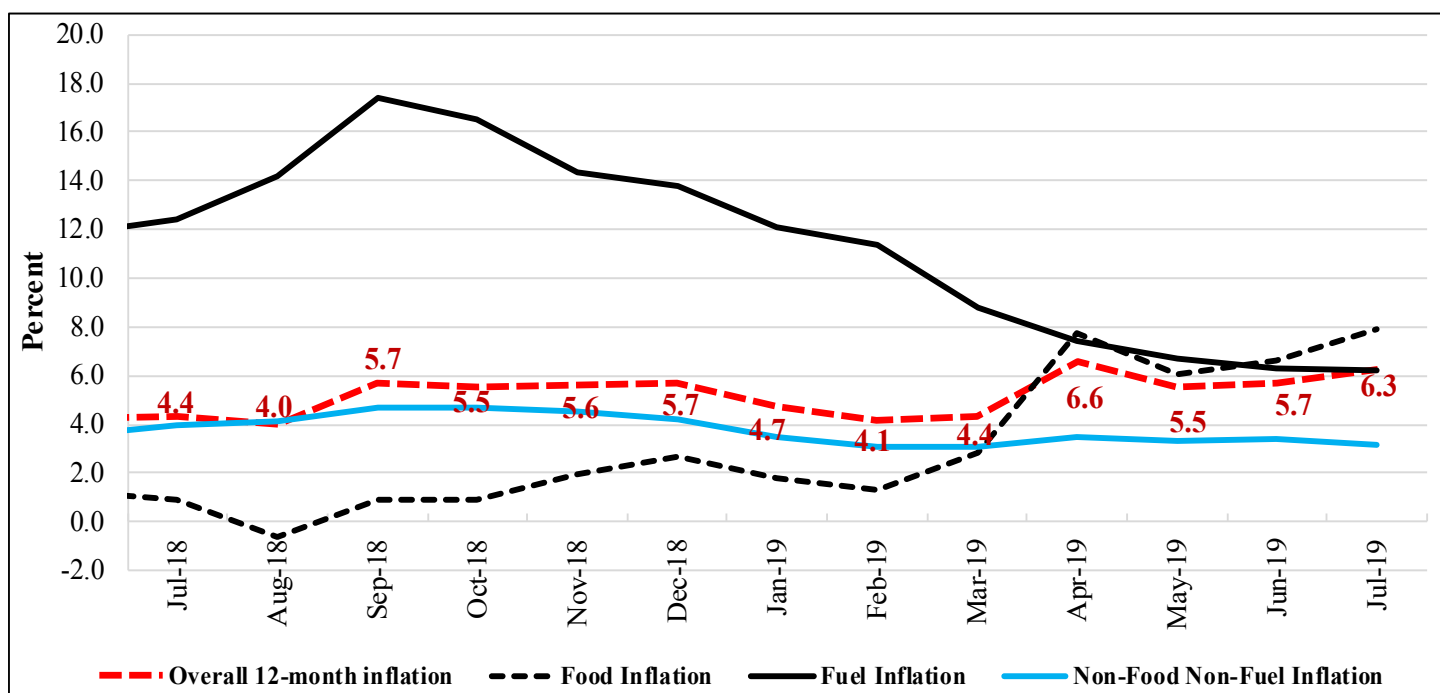
Trading activity in the domestic secondary bond market increased by 24.13 percent during the week ending August 1. In the international market, yields on Kenya's 7-year, 10-year (2024), 10-year (2028), 12-year and 30-year Eurobonds increased by 34.10, 35.60, 44.30, 20.90 and 35.90 basis points, respectively (Table 6). The yields on 10-year Eurobonds for Ghana and Angola also increased (Chart 3).

Global Trends

Global uncertainties remained during the week ending August 1, as US and China made little progress in their trade talks with US threatening to impose tariffs on more Chinese goods from September 1, 2019. The week also saw the Federal Reserve Bank reduce its policy rate by 0.25 percentage points for the first time since 2008 to stem downside risks to the US economy amid muted inflation pressure.

International oil prices remained relatively stable during the week as demand balanced supply. The Murban oil prices declined to USD 64.48 per barrel on August 1 from USD 64.95 on July 25 per barrel on July 25.

Chart 1: Developments in Inflation



Source: Central Bank of Kenya

Table 1: Kenya Shilling Exchange Rates (Indicative Mean Rates)

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
19-Jul-19	103.10	128.59	115.67	95.46	35.84	22.31	8.88	17.84
22-Jul-19	103.22	129.31	115.97	95.87	35.80	22.28	8.87	17.82
23-Jul-19	103.61	129.33	116.26	96.01	35.74	22.20	8.83	17.75
24-Jul-19	103.76	129.10	115.76	95.96	35.61	22.17	8.68	17.80
25-Jul-19	104.03	129.91	115.96	96.32	35.52	22.13	8.80	17.68
July 19-25	103.54	129.25	115.92	95.92	35.70	22.22	8.81	17.78
26-Jul-19	103.80	129.78	115.99	95.56	35.58	22.15	8.82	17.72
29-Jul-19	103.82	128.95	115.56	95.62	35.59	22.14	8.82	17.74
30-Jul-19	104.07	127.79	115.81	95.82	35.60	22.10	8.80	17.70
31-Jul-19	104.21	126.88	115.95	95.93	35.51	22.06	8.80	17.68
1-Aug-19	104.17	127.09	116.11	95.95	35.52	22.07	8.80	17.69
July 26 - August 1	104.01	127.53	115.88	95.78	35.56	22.10	8.81	17.71

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 2: Official Usable Foreign Exchange Reserves

	27-Jun-19	04-Jul-19	11-Jul-19	18-Jul-19	25-Jul-19	01-Aug-19
1. CBK Usable Foreign Exchange Reserves (USD Million)	9,131	9,023	9,765	9,747	9,568	9,490
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.81	5.74	6.21	6.20	6.01	6.04

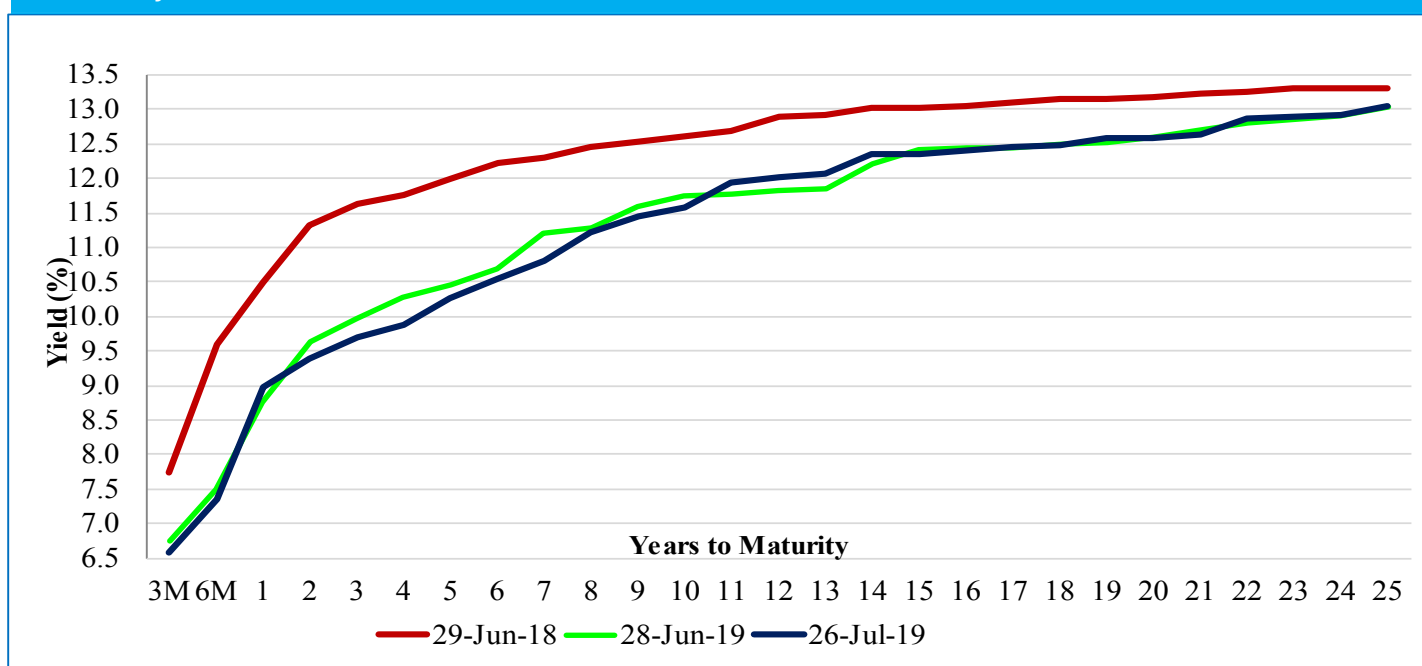
*Based on 36 months average of imports of goods and non-factor services.

Source: Central Bank of Kenya

Table 3: Money Market

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
19-Jul-19	20	17,325	2.02
22-Jul-19	13	9,910	2.09
23-Jul-19	14	6,760	2.31
24-Jul-19	14	6,610	2.66
25-Jul-19	18	9,600	2.61
July 19- 25	16	10,041	2.34
26-Jul-19	19	9,650	2.75
29-Jul-19	12	4,120	2.67
30-Jul-19	16	10,560	2.57
31-Jul-19	14	12,470	2.45
1-Aug-19	17	7,800	2.51
July 26- August 1	16	8,920	2.59

Source: Central Bank of Kenya

Chart 2: Kenya Government Securities Yield Curve

Source: Nairobi Securities Exchange (NSE)

Table 4: Performance of Treasury Bills Auctions

91-Day Treasury Bills					
Date of Auction	28-Mar-19	30-May-19	27-Jun-19	25-Jul-19	01-Aug-19
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	6,693.92	2,334.49	4,143.64	8,072.05	8,209.12
Amount Accepted (Ksh M)	966.23	2,334.39	4,142.56	5,125.66	8,209.12
Maturities (Ksh M)	1,044.15	2,927.95	983.55	7,561.00	1,126.85
Average interest Rate (%)	7.500	6.995	6.738	6.592	6.547
182-Day Treasury Bills					
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	7,343.75	2,465.66	3,519.12	2,720.01	7,755.01
Amount Accepted (Ksh M)	5,908.18	2,462.80	3,519.12	2,720.01	3,907.37
Maturities (Ksh M)	5,245.70	4,516.50	2,696.35	3,248.15	8,359.75
Average interest Rate (%)	8.204	7.651	7.487	7.365	7.254
364-Day Treasury Bills					
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	30,046.91	26,261.69	52,155.78	16,446.47	17,041.83
Amount Accepted (Ksh M)	23,655.49	23,511.75	23,425.49	16,423.62	11,888.80
Maturities (Ksh M)	6,923.80	9,351.95	19,230.40	14,534.60	9,124.15
Average interest Rate (%)	9.408	9.311	8.759	8.988	9.038

Source: Central Bank of Kenya

Table 5: Performance of Treasury Bonds Auctions

Date of Auction	10-Apr-19		13-Jun-19		24-Jul-19	
	REOPEN					
Tenor	FXD 2/2019/10	FXD 1/ 2019/20	FXD 1/2012/15	FXD 1/ 2018/15	FXD 3/2019/15	FXD 1/ 2018/15
Amount offered (Ksh M)	50,000.00		40,000.00		40,000.00	
Bids received (Ksh M)	85,615.54		85,615.66		86,674.56	
Amount Accepted (Ksh M)	51,326.72	9,022.76	21,211.35	17,727.97	50,578.30	17,727.97
Maturities (Ksh M)	0.00	0.00	0.00	0.00	0.00	0.00
Average interest Rate (%)	12.30	12.87	11.59	12.46	12.34	12.46

Source: Central Bank of Kenya

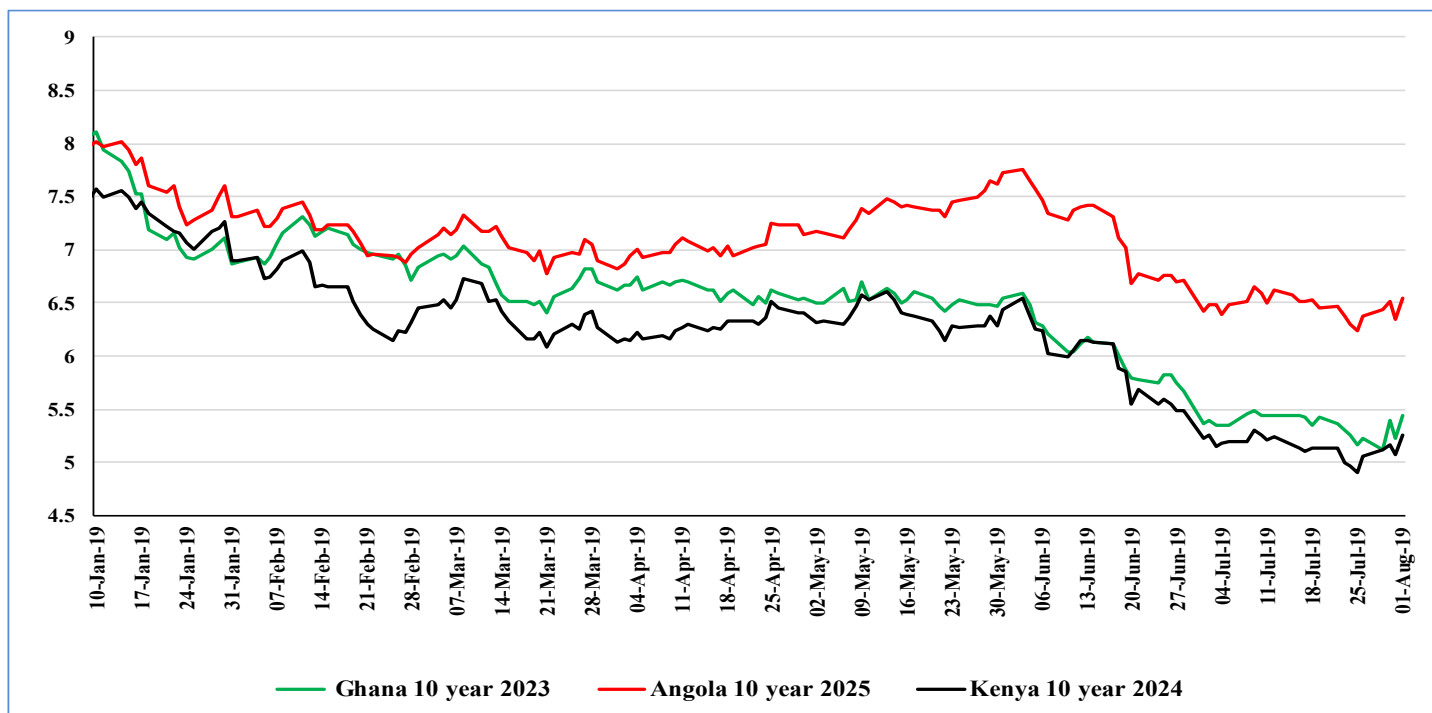
Table 6: Key Weekly Market Indicators

INDICATOR	NASI 100=2008	NSE 25 Share Index	NSE 20 Share Index 100=1996	Total Deals (Equity)	Total Shares Traded (Mil- lion)	Equity Turnover (KSh Million)	Market Capital- ization (KSh Billion)	Bonds Turnover (KSh Million)	7-Year Euro- bond Yield (%)	10-Year Euro- bond Yield (%)-2024	10-Year Euro- bond Yield (%)- 2028	12-Year Euro- bond Yield (%)	30-year Euro- bond Yield (%)
19-Jul-19	149.82	3,613.57	2689.53	833.00	7.82	277.78	2,281.86	2,950.50	6.167	5.127	6.500	7.142	7.772
22-Jul-19	149.92	3,618.98	2698.64	819.00	8.41	265.83	2,283.37	3,091.26	6.202	5.131	6.555	7.157	7.814
23-Jul-19	148.04	3,584.55	2675.31	933.00	28.84	525.50	2,254.75	3,766.92	6.104	4.992	6.406	7.021	7.736
24-Jul-19	148.81	3,602.49	2681.17	819.00	13.26	492.92	2,266.57	4,264.44	6.041	4.967	6.369	6.961	7.672
25-Jul-19	148.81	3,601.21	2664.16	971.00	28.03	1,065.93	2,266.37	2,078.69	5.994	4.951	6.313	6.961	7.669
July 19-25	148.81	3601.21	2664.16	4,375.00	86.37	2,627.96	2,266.37	16,151.81	5.994	4.951	6.313	6.961	7.669
26-Jul-19	149.00	2,606.21	2,651.80	834.00	13.16	346.62	2,269.37	2,920.47	6.140	5.065	6.424	7.021	7.751
29-Jul-19	149.02	3,608.54	2,646.53	787.00	6.58	471.39	2,269.56	3,621.89	6.201	5.123	6.536	7.172	7.809
30-Jul-19	148.44	3,594.39	2,630.35	950.00	18.70	554.82	2,260.65	4,615.44	6.280	5.167	6.630	7.279	7.916
31-Jul-19	148.25	3,583.09	2,627.81	1,140.00	25.51	807.99	2,257.97	3,567.76	6.102	5.066	6.461	7.096	7.883
1-Aug-19	148.30	3,578.07	2,619.03	866.00	5.67	233.43	2,258.68	5,323.70	6.345	5.258	6.720	7.096	7.992
July 26-August 1	148.30	3578.07	2619.03	4,577.00	69.62	2,414.25	2,258.68	20,049.26	6.345	5.258	6.720	7.096	7.992
Weekly Changes (%)	-0.34	-0.64	-1.69	4.62	-19.40	-8.13	-0.34	24.13	0.341*	0.356*	0.443*	0.209*	0.359*

*Percentage points

Source: Nairobi Securities Exchange, Thompson Reuters and Central Bank of Kenya

Chart 3: Yields on 10 year Eurobonds for Selected African Countries



Source: Thomson Reuters

Table 7: Government Domestic Debt (KSh Billion)

	29-Jun-18	28-Dec-18	29-Mar-19	28-Jun-19	19-Jul-19	26-Jul-19
1. Treasury Bills (Excluding Repos)	878.62	904.10	949.66	954.25	968.34	952.98
<i>(As % of total securities)</i>	36.75	36.90	36.04	35.31	35.64	35.27
2. Treasury Bonds	1,511.87	1,546.29	1,685.66	1,748.60	1,748.60	1,748.60
<i>(As % of total securities)</i>	63.25	63.10	63.96	64.69	64.36	64.73
3. Total Securities (1+2)	2,390.49	2,450.39	2,635.31	2,702.85	2,716.94	2,701.58
4. Overdraft at Central Bank	56.85	45.86	36.90	57.33	47.49	64.52
5. Other Domestic debt*	31.44	31.61	26.88	25.28	25.73	25.76
6. Gross Domestic Debt (3+4+5)	2,478.78	2,527.86	2,699.09	2,785.46	2,790.16	2,791.87

* 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 8: Composition of Government Domestic Debt by Instrument (Percent)

	29-Jun-18	28-Dec-18	29-Mar-19	28-Jun-19	19-Jul-19	26-Jul-19
Treasury bills (Excluding Repos)	35.45	35.77	35.12	34.26	34.71	34.13
Treasury bonds	60.99	61.17	62.34	62.78	62.67	62.63
CBK Overdraft to Government	2.29	1.81	1.36	2.06	1.70	2.31
Other domestic debt	1.27	1.25	1.18	0.91	0.92	0.92
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 9: Composition of Government Domestic Debt by Holder (Percent)

	28-Dec-18	29-Mar-19	28-Jun-19	12-Jul-19	19-Jul-19	26-Jul-19
Banking Institutions	54.53	54.88	54.37	54.12	54.45	54.57
Insurance Companies	6.06	6.16	6.13	6.12	6.11	6.11
Parastatals	7.25	7.10	6.98	7.02	7.06	7.00
Pension funds	27.59	27.49	28.24	28.46	28.09	28.05
Other investors	4.57	4.37	4.28	4.28	4.29	4.27
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 10: Indicators of Total Government Debt

	Sep-18	Dec-18	Mar-19	Apr-19	May-19	Jun-19
Domestic debt (KSh Billion)	2,540.70	2,548.77	2,699.09	2,741.68	2,773.06	2,785.94
Public & Publicly Guaranteed External debt (US \$ Billion)	25.81	26.74	27.01	28.04	27.97	29.55
Public & Publicly Guaranteed External debt (KSh Billion)	2,605.33	2,723.73	2,721.60	2,842.48	2,834.84	3,023.14
Total public debt (KSh Billion)	5,146.04	5,272.50	5,420.68	5,584.16	5,607.91	5,809.08

Source: National Treasury and Central Bank of Kenya