



Central Bank of Kenya

Weekly Bulletin

December 28, 2018

KEY MONETARY AND FINANCIAL INDICATORS

Exchange Rate

The Kenya Shilling exchange rate strengthened against major international and regional currencies during the week ending December 27. The Shilling's value was stronger against the US Dollar, the Euro and the EAC Currencies on December 27 compared to December 20, but marginally weaker against the Sterling Pound (Table 1).

Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained strong at USD 8,001 million (5.2 months of imports cover) as at December 27. This fulfils the requirement to endeavor to maintain at least 4 months of imports cover, and the EAC region's convergence criteria of 4.5 months of imports cover (Table 2).

Money Market

Liquidity in the money market improved during the week ending December 27, partly due to government payments and net redemption of government securities. Commercial banks' excess reserves stood at KSh 33.6 billion in relation to the 5.25 percent cash reserves requirements (CRR). The average interbank rate remained relatively stable at 7.05 percent on December 27 compared with 6.99 percent on December 20. The average number of interbank deals decreased marginally to 25 from 27 in the previous week. The average interbank volumes traded increased to KSh 16.0 billion from KSh 13.8 billion in the previous week as banks sought funds for VAT and quarterly taxes (Table 3).

Government Securities Market

The ten year Treasury bond (FXD2/2018/10) was reopened during the December 27 Treasury bond auction and received bids totaling KSh 6.62 billion against an advertised amount of KSh 13.84 billion. The auction was based on a uniform yield of 12.50 percent determined in the December 13 Treasury bond auction, reflecting a slight decline from the previous 10-year bond issued in September at 12.67 percent (Table 5).

The Treasury bills auctions of December 27 received bids totaling KSh 15.61 billion against an advertised amount of KSh 24.0 billion. The 364-day Treasury Bill attracted most of the bids amounting to KSh 9.1 billion during the week. Interest rates on the 182-day and 364-day Treasury bills increased, while that on 91-day Treasury bill remained stable (Table 4).

Equity Market

The equity market recorded mixed performance in the week ending December 27. The NASI, NSE 25 and NSE 20 share price indices increased by 0.72 percent, 0.80 percent, and 0.47 percent, respectively, while shares traded reduced due to fewer trading days following the holidays. The market capitalisation increased by 0.72 percent from KSh 2, 092.9 billion to KSh 2, 108.0 billion on account of higher share prices (Table 6).

Bond Markets

The secondary bond market activity reduced with the volume of bonds traded reducing by 26 percent during the week ending December 27 compared to the week ending December 20. Yields on Kenya's 5-year, 10-year (2024), 10-year (2028) and 30-year Eurobonds increased in the week ending December 27 (Table 6). Similarly, yields on 10-year Eurobonds of Ghana and Angola increased (Chart 2). The increase in the yields on Eurobonds reflect elevated investor risk perceptions.

Global Trends

The week ending December 27 exhibited heightened volatility in the global markets. Trading was thin because of the holidays. Against a backdrop of concerns over weaker global growth and US-China trade tensions, investors were unnerved by the US government partial shutdown and US administration's hostile statements about the US Fed. Efforts by US Treasury Secretary to calm investors were inadequate. Major global equities exhibited huge swings, but declined in the week ending December 27. Global oil prices also swung widely in tandem with these developments. Murban oil price decreased to USD 54.97 per barrel on December 27 from USD 56.23 per barrel on December 20.

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

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
14-Dec-18	102.57	130.00	116.72	90.39	36.07	22.42	8.70	17.41
17-Dec-18	102.53	129.08	116.01	90.39	36.11	22.43	8.70	17.42
18-Dec-18	102.48	129.28	116.32	91.04	36.15	22.44	8.71	17.43
19-Dec-18	102.38	129.79	116.52	91.05	36.11	22.46	8.72	17.45
20-Dec-18	101.94	128.73	116.28	90.75	36.25	22.56	8.75	17.53
December 14-20, 2018	102.38	129.38	116.37	90.73	36.14	22.47	8.72	17.45
21-Dec-18	101.42	128.47	116.20	91.01	36.40	22.66	8.80	17.62
24-Dec-18	101.85	128.83	116.22	91.77	36.28	22.58	8.77	17.72
25-Dec-18	CHRISTMAS HOLIDAY							
26-Dec-18	BOXING DAY HOLIDAY							
27-Dec-18	101.82	128.82	116.05	91.64	36.41	22.59	8.77	17.60
December 21-27, 2018	101.70	128.70	116.16	91.48	36.36	22.61	8.78	17.64

* Units of currency per Kenya Shilling

Source :Central Bank of Kenya

Table 2: Official Usable Foreign Exchange Reserves

	22-Nov-18	29-Nov-18	06-Dec-18	13-Dec-18	20-Dec-18	27-Dec-18
1. CBK Usable Foreign Exchange Reserves (USD Million)	8,030	8,039	7,965	7,980	8,005	8,001
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.32	5.32	5.27	5.23	5.25	5.24

*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 (%)
14-Dec-18	37	12,700	11.34
17-Dec-18	21	6,850	10.17
18-Dec-18	25	12,745	7.87
19-Dec-18	24	15,590	7.21
20-Dec-18	29	20,950	6.99
December 14-20, 2018	27	13,767	8.72
21-Dec-18	31	20,975	6.63
24-Dec-18	23	15,780	6.60
25-Dec-18	CHRISTMAS HOLIDAY		
26-Dec-18	BOXING DAY HOLIDAY		
27-Dec-18	22	11,250	7.05
December 21-27, 2018	25	16,002	6.76

Source :Central Bank of Kenya

Table 4: Performance of Treasury Bills Auctions**91-Day Treasury Bills**

Date of Auction	06-Dec-18	13-Dec-18	20-Dec-18	27-Dec-18
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	6,910.97	931.54	2,805.55	1,022.73
Amount Accepted (Ksh M)	6,910.97	931.54	2,805.55	1,022.73
Maturities (Ksh M)	2,564.75	7,445.80	5,541.25	5,135.05
Average interest Rate (%) - 91 Days	7.34	7.35	7.34	7.34

182-Day Treasury Bills

Date of Auction	06-Dec-18	13-Dec-18	20-Dec-18	27-Dec-18
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	992.24	1,606.83	7,030.64	5,419.17
Amount Accepted (Ksh M)	990.27	1,606.83	4,165.64	2,550.75
Maturities (Ksh M)	12,325.60	4,145.80	17,895.35	6,004.40
Average interest Rate (%) - 182 days	8.24	8.24	8.26	9.00

364-Day Treasury Bills

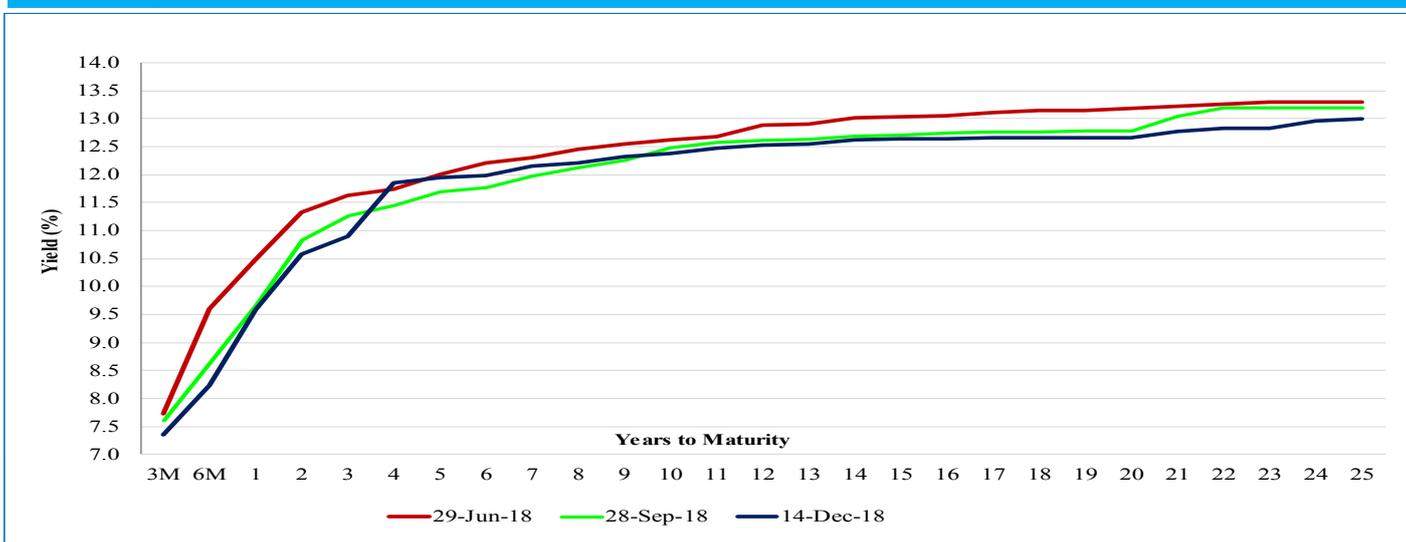
Date of Auction	06-Dec-18	13-Dec-18	20-Dec-18	27-Dec-18
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	3,145.70	3,167.72	12,689.08	9,166.14
Amount Accepted (Ksh M)	2,731.52	2,885.06	12,689.08	7,349.57
Maturities (Ksh M)	7,855.10	8,812.40	10,665.25	5,336.65
Average interest Rate (%) - 364 days	9.57	9.59	9.74	9.95

Source: Central Bank of Kenya

Table 5: Performance of Treasury Bonds Auctions

Date of Auction	17-Oct-18	31-Oct-18	14-Nov-18	28-Nov-18	13-Dec-18	27-Dec-18
	TAP					REOPEN
Tenor	FXD2/2018/15	FXD2/2018/15	IFB1/2018/20	IFB1/2018/20	FXD2/2018/10	FXD2/2018/10
Amount offered (Ksh M)	40,000.00	32,000.00	50,000.00	22,410.00	40,000.00	13,840.00
Bids received (Ksh M)	27,045.43	25,375.61	40,393.25	8,726.50	28,860.50	6,623.89
Amount Accepted (Ksh M)	7,854.06	21,261.94	27,588.43	8,726.50	26,158.96	6,623.89
Maturities (Ksh M)	0.00	0.00	0.00	0.00	0.00	0.00
Average interest Rate (%)	12.75	12.73	12.16	12.16	12.50	12.50

Source: Central Bank of Kenya

Chart 1: Kenya Government Securities Yield Curve

Source: Nairobi Securities Exchange

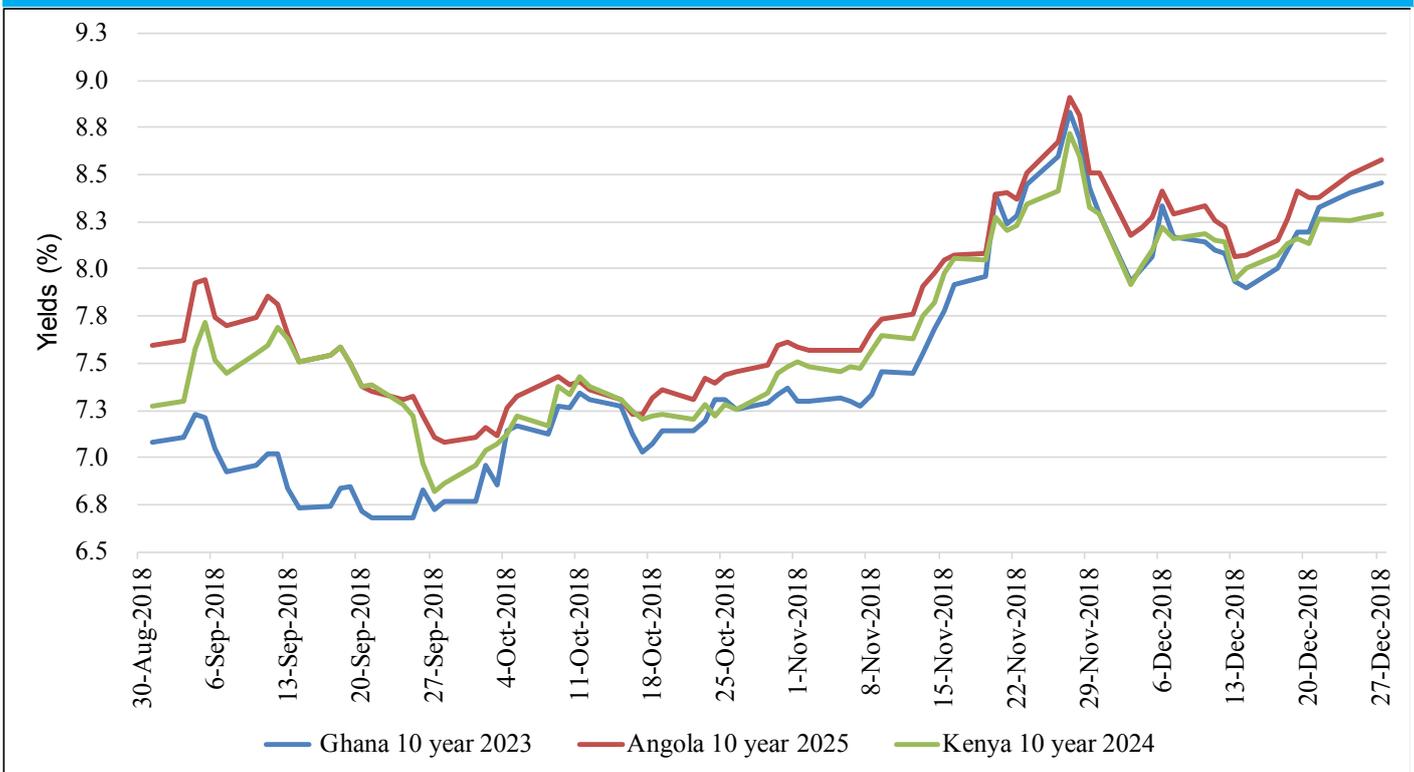
Table 6: Key Weekly Market Indicators

INDICATOR	NASI 100=2008	NSE 25 Share Index	NSE 20 Share Index 100=1996	Number of Deals (Shares)	Total Shares Traded (Million)	Equity Turnover (KSh Million)	Market Capitalization (KSh Billion)	Bonds Turnover (KSh Million)	5-Year Euro-bond Yield (%)	10-Year Euro-bond Yield (%) - 2024	10-Year Euro-bond Yield (%) - 2028	30-Year Eurobond Yield (%)
14-Dec-18	142.53	3633.77	2759.18	1124.00	35.19	827.27	2133.49	842.73	5.475	8.002	8.625	9.557
17-Dec-18	142.26	3610.55	2754.30	944.00	12.84	272.88	2129.39	866.06	5.623	8.073	8.667	9.585
18-Dec-18	142.07	3588.54	2779.25	1255.00	28.01	526.76	2126.54	1104.77	5.873	8.133	8.774	9.682
19-Dec-18	140.95	3545.91	2773.24	944.00	25.78	428.95	2109.78	2040.77	5.874	8.157	8.818	9.744
20-Dec-18	139.82	3518.75	2780.16	1042.00	23.92	653.26	2092.88	1768.88	5.669	8.135	8.819	9.694
Dec 14-20, 2018	139.8	3518.8	2780.2	5309.0	125.7	2709.1	2092.9	6623.2	5.669	8.135	8.819	9.694
21-Dec-18	138.95	3497.74	2755.00	961.00	21.92	390.18	2079.81	1747.62	5.872	8.268	8.950	9.738
24-Dec-18	140.87	3542.46	2796.72	697.00	7.66	130.31	2108.80	249.09	6.134	8.256	8.994	9.756
25-Dec-18	CHRISTMAS HOLIDAY											
26-Dec-18	BOXING DAY HOLIDAY											
27-Dec-18	140.83	3546.77	2793.28	664.00	10.67	188.16	2108.03	573.88	5.827	8.288	8.944	9.828
Dec 21-27, 2018	140.83	3546.77	2793.28	2322.00	40.24	708.66	2108.03	2570.59	5.83	8.29	8.94	9.83
Weekly Change(%)	0.72	0.80	0.47	-56.26	-68.00	-73.84	0.72	-61.2	0.16*	0.15*	0.13*	0.13*

* Percentage points

Source: Central Bank of Kenya, NSE and Thompson Reuters

Chart 2: Yields on 10 year Eurobonds for Selected African Countries



Source: Thomson Reuters

Table 7: Government Domestic Debt (KSh Billion)

	29-Jun-18	28-Sep-18	26-Oct-18	30-Nov-18	07-Dec-18	14-Dec-18	21-Dec-18
1. Treasury Bills (Excluding Repos)	878.62	867.51	952.56	950.13	943.46	931.76	917.12
<i>(As % of total securities)</i>	36.75	37.14	38.41	38.21	37.90	37.61	37.23
2. Treasury Bonds	1,511.87	1,468.50	1,527.62	1,536.79	1,545.63	1,545.63	1,546.29
<i>(As % of total securities)</i>	63.25	62.86	61.59	61.79	62.10	62.39	62.77
3. Total Securities (1+2)	2,390.49	2,336.00	2,480.18	2,486.91	2,489.09	2,477.38	2,463.41
4. Overdraft at Central Bank	56.85	36.29	23.44	44.89	42.17	44.27	45.86
5. Other Domestic debt*	31.44	168.54	31.56	31.53	31.53	31.62	31.61
6. Gross Domestic Debt (3+4+5)	2,478.78	2,540.83	2,535.18	2,563.34	2,562.78	2,553.27	2,540.88

* 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-Sep-18	26-Oct-18	30-Nov-18	07-Dec-18	14-Dec-18	21-Dec-18
Treasury bills (Excluding Repos)	35.45	34.14	37.57	37.07	36.81	36.49	36.09
Treasury bonds	60.99	57.80	60.26	59.95	60.31	60.54	60.86
CBK Overdraft to Government	2.29	1.43	0.92	1.75	1.65	1.73	1.81
Other domestic debt	1.27	6.63	1.24	1.23	1.23	1.24	1.24
TOTAL	100.00						

Source: Central Bank of Kenya

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

	29-Jun-18	28-Sep-18	26-Oct-18	30-Nov-18	07-Dec-18	14-Dec-18	21-Dec-18
Banking Institutions	55.19	54.97	54.74	54.83	54.65	54.48	54.18
Insurance Companies	6.23	6.07	6.09	5.95	5.96	5.99	6.02
Parastatals	7.04	7.32	7.50	7.54	7.43	7.46	7.35
Pension funds	27.09	27.12	27.15	27.16	27.41	27.51	27.88
Other investors	4.44	4.52	4.52	4.52	4.55	4.56	4.56
Total	100.00						

Source: Central Bank of Kenya

Table 10: Indicators of Total Government Debt

	Jun-16	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18
Domestic debt (KSh Billion)	1,815.13	2,111.71	2,172.84	2,220.35	2,371.65	2,478.84	2,540.70
Public & Publicly Guaranteed External debt (US \$ Billion)	17.77	22.12	22.38	22.76	24.91	25.34	25.81
Public & Publicly Guaranteed External debt (KSh Billion)	1,796.20	2,294.40	2,310.20	2,349.28	2,512.43	2,560.20	2,605.33
Total public debt (KSh Billion)	3,611.33	4,406.11	4,483.03	4,569.63	4,884.08	5,039.03	5,146.04

Source: National Treasury and Central Bank of Kenya