



OCTOBER 28, 2016

Highlights

The money market liquidity stabilized during the week ending October 26, 2016 with liquidity injections offset against withdrawals. The average interbank rate rose by 55 basis points to 4.38 percent in the week ending October 26, 2016 from 3.83 percent recorded in the previous week.

The capital markets recorded gains during the week ending October 27, 2016.

Monetary Policy Operations

The money market was liquid during the week ending October 26, 2016. The value of transactions increasing liquidity was fully offset against withdrawals (**Table 1**).

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

	21-Oct-16	24-Oct-16	25-Oct-16	26-Oct-16	Total
Liquidity Flows					
Total liquidity injection \1	15.4	58.8	3.3	4.4	81.9
Repos Maturities	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	13.6	3.9	1.3	0.0	18.8
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	32.0	0.0	0.0	32.0
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	11.0	0.0	0.0	11.0
T/bonds Interest	0.0	9.8	0.0	0.0	9.8
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0
Govt payments	1.8	2.0	1.9	4.4	10.2
Total liquidity reduction \1	7.2	61.6	10.0	2.9	81.7
T/bills (Primary issues)	0.0	14.2	0.0	0.0	14.2
Tbonds Sales	0.0	30.6	0.0	0.0	30.6
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	0.0	0.0	0.0
Repos	0.0	0.0	0.0	0.0	0.0
Reverse Repos maturities	0.0	1.1	5.4	0.3	6.8
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	7.2	15.7	4.5	2.6	30.0
Net liquidity injection (+)/Withdrawal (-)	8.2	-2.8	-6.7	1.5	0.1
Open Market Operations Outcome					
Posted Amount					
Repo (-)					
Term Auction Deposits (-)					
Reverse repos purchases	13.6	3.9	1.3	0.0	18.8
Reserve Money Position					
Reserve money (actual)	399.2	395.5	387.6	388.3	

Source: Central Bank of Kenya

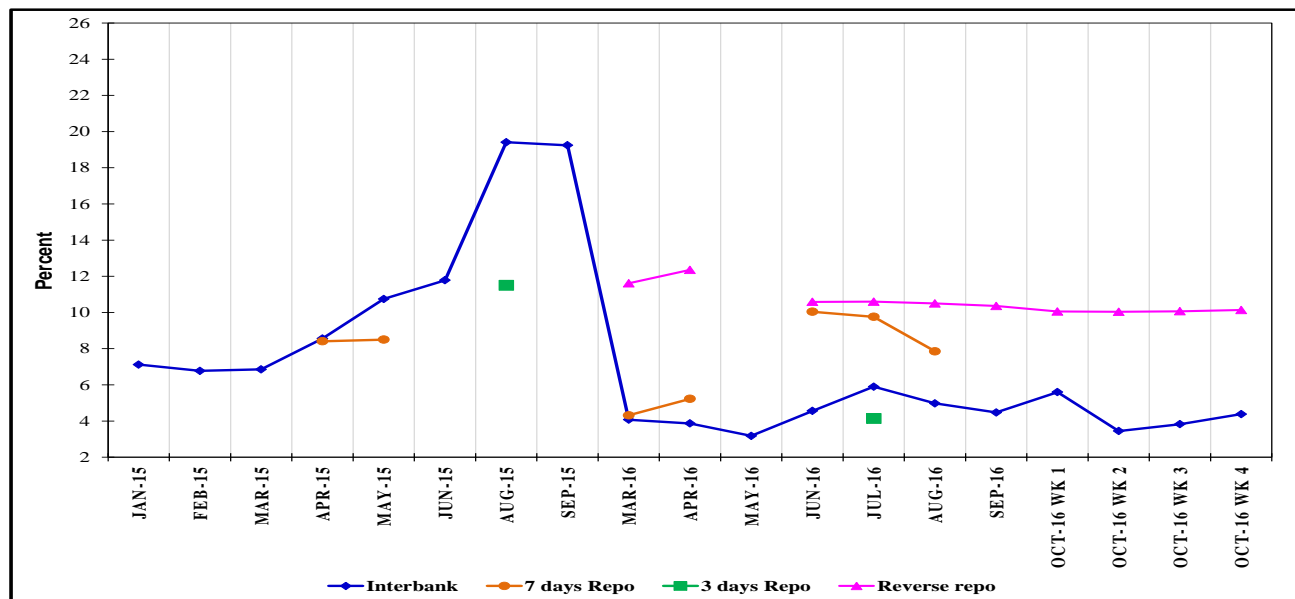
Activity in the Interbank Market

The average interbank rate increased to 4.38 percent in the week ending October 26, 2016 from 3.83 percent recorded in the previous week, while the volume traded increased to KSh 19.4 billion from KSh 11.3 billion in the same period under review. (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of Deals	Value (Ksh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
13-Oct-16	17	5,300	3.57	10.00
14-Oct-16	19	9,950	3.38	
17-Oct-16	18	10,650	3.89	
18-Oct-16	28	13,060	4.10	10.00
19-Oct-16	27	17,650	4.21	10.20
October 13-19, 2016	22	11,322	3.83	10.07
21-Oct-16	40	30,940	4.34	10.17
24-Oct-16	26	20,930	4.39	10.10
25-Oct-16	26	10,310	4.76	10.14
26-Oct-16	24	15,378	4.05	
October 21-26, 2016	29	19,390	4.38	10.14

Source: Central Bank of Kenya

CHART A: Structure of Interest Rates


Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate depicted mixed performance against major international and EAC currencies during the week ending October 27, 2016. It was relatively stable against the US Dollar, the Pound Sterling and the Japanese Yen but strengthened against the Euro. In the EAC region, the Kenya Shilling recorded marginal change against local currencies.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
14-Oct-16	101.35	123.69	111.94	97.93	34.04	21.53	7.37	16.49
17-Oct-16	101.36	123.81	111.68	97.24	34.07	21.53	7.51	16.51
18-Oct-16	101.35	123.88	111.62	97.52	34.19	21.52	7.37	16.55
19-Oct-16	101.31	124.64	111.29	97.37	34.18	21.56	7.37	16.56
14-19 October 2016	101.34	124.00	111.63	97.51	34.12	21.53	7.40	16.53
21-Oct-16	101.32	124.59	111.12	98.15	34.00	21.56	7.36	16.52
24-Oct-16	101.37	123.60	110.25	97.74	33.95	21.54	7.36	16.52
25-Oct-16	101.40	123.98	110.39	97.39	34.06	21.54	7.36	16.52
26-Oct-16	101.39	123.29	110.26	97.19	34.06	21.55	7.97	16.50
27-Oct-16	101.38	123.86	110.56	96.98	34.13	21.52	8.10	16.54
21-27 October 2016	101.37	123.87	110.52	97.49	34.04	21.54	7.63	16.52

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

The capital markets recorded gains during the week ending October 27, 2016.

Equities Market

The NASI, the NSE 20 and NSE 25 share indices changed marginally during the week ending October 27, 2016. This signals stability of equity prices during the week under review. Market capitalization therefore recorded a marginal 0.5 percent increase. However, equity turnover increased significantly (by 75.8 percent) on the back of 82 percent rise in volume of shares traded (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	01-Sep-16	08-Sep-16	15-Sep-16	22-Sep-16	29-Sep-16	06-Oct-16	13-Oct-16	19-Oct-16	Weekly Change (%)
NASI 100= 2008	134.47	130.87	131.63	133.45	136.01	137.53	137.15	136.13	-0.74
NSE 25 Share Index	3,509.43	3,422.56	3,461.71	3,517.19	3,591.42	3,644.92	3,630.42	3,598.39	-0.88
NSE 20 Share Index 100= 1996	3,179.23	3,180.29	3,239.80	3,169.64	3,217.75	3,264.03	3,242.32	3,239.00	-0.10
Number of Deals	7,487.00	6,547.00	4,703.00	5,687.00	5,085.00	5,433.00	5,273.00	4,106.00	-22.13
Total Shares Traded (Millions)	336.55	203.01	73.03	198.10	147.51	103.75	120.14	48.10	-59.96
Equity Turnover (Ksh. Millions)	8,030.65	5,095.32	1,615.03	4,170.16	3,152.74	2,579.24	2,836.78	1,038.32	-63.40
Market Capitalization (Ksh. Bn.)	1,936.52	1,884.50	1,895.47	1,921.77	1,958.67	1,992.42	1,986.91	1,972.19	-0.74
I-REIT Turnover in (Ksh.)	3.34	0.60	0.61	7.88	0.98	2.38	2.16	0.19	-91.20
I-REIT in Units - Total Deals	45.00	36.00	40.00	54.00	27.00	40.00	32.00	21.00	-34.38
Bonds Turnover (Ksh. Millions)	7,600.51	6,809.48	6,526.30	5,186.82	7,206.23	5,806.35	7,108.64	9,606.85	35.14
FTSE NSE Kenya 15 Index	155.26	154.10	156.36	159.14	160.96	167.57	165.31	164.54	-0.47
FTSE NSE Kenya 25 Index	161.33	159.60	161.20	164.64	166.62	173.27	171.13	169.94	-0.70
FTSE NSE Bond Index	88.05	88.45	88.45	88.45	89.11	89.26	90.14	89.50	-0.71

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, measuring performance of 15 largest companies by market capitalization and 25 most liquid stocks at NSE, recorded marginal gain. Performance in the real estate securities market improved with the Real Estate Investment Trust (I-REIT²) turnover up by 40 percent despite a decline of 14.29 percent in the number of deals. The Telecommunication & Technology and Banking sectors dominated trading, accounting for 70 percent of total shares traded.

Bond Market

Bonds turnover improved by 9.88 percent in the week ending October 27, 2016. Similarly, the FTSE NSE Bond Index increased marginally by 0.18 percent during the week indicating marginal increase in 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	28-Jul-16	25-Aug-16	29-Sep-16	06-Oct-16	13-Oct-16	20-Oct-16	27-Oct-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
Bids received (Ksh M)	3,741.1	1,682.2	4,722.1	6,040.0	4,685.5	1,359.1	4,335.7
Amount Accepted (Ksh M)	2,672.6	1,456.4	4,200.4	5,796.1	4,685.5	1,359.1	4,335.7
Maturities (Ksh M)	12,662.0	7,363.7	3,417.7	1,987.4	2,265.7	2,810.9	2,714.4
Average interest Rate (%) - 91 Days	8.3	8.6	7.8	7.8	7.7	7.7	8.0
182-Day Treasury Bills							
Date of Auction	27-Jul-16	24-Aug-16	28-Sep-16	05-Oct-16	12-Oct-16	19-Oct-16	26-Oct-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)	13,160.0	7,962.7	8,678.0	12,071.2	13,878.3	10,004.4	7,356.5
Amount Accepted (Ksh M)	6,405.5	7,626.3	5,311.7	10,278.7	12,895.9	8,104.7	7,356.5
Maturities (Ksh M)	8,198.5	5,446.0	2,051.1	7,331.3	8,282.7	9,355.3	9,520.1
Average interest Rate (%) - 182 days	10.5	11.2	10.4	10.3	10.3	10.3	10.3
364-Day Treasury Bills							
Date of Auction	27-Jul-16	24-Aug-16	28-Sep-16	05-Oct-16	12-Oct-16	19-Oct-16	26-Oct-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)	5,250.7	5,850.8	7,326.1	7,593.0	6,173.4	4,737.1	5,422.8
Amount Accepted (Ksh M)	5,214.9	5,630.0	7,326.1	7,584.9	5,721.6	4,736.2	5,422.8
Maturities (Ksh M)	1,935.9	1,669.4	3,666.6	10,803.7	9,606.9	19,834.7	8,529.4
Average interest Rate (%) - 364 days	11.4	12.0	10.4	10.3	10.3	10.4	10.6
Treasury Bonds							
Date of Auction	24th August 2016			19-Oct-16		20-Oct-16	
Tenor	FXD 1/2016/10			IFB1/2016/15		IFB1/2016/16 (TAP SALE)	
Amount offered (Ksh M)	25000			30,000.0		10,000.0	
Bids received (Ksh M)	26305.2			35,087.5		4,773.4	
Amount Accepted (Ksh M)	18312.23			30,571.5		4,471.4	
Maturities (Ksh M)	0			10,241.4		0.0	
Average interest Rate (%)	15.0			13.2		13.2	

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	24-Jun-16	29-Jul-16	26-Aug-16	30-Sep-16	07-Oct-16	14-Oct-16	21-Oct-16
1. Treasury Bills (Excluding Repos)	578.03	577.76	579.67	618.25	627.05	631.84	636.31
(As % of total securities)	33.41	32.75	33.09	33.97	34.29	34.46	34.62
2. Treasury Bonds	1,152.04	1,186.12	1,171.92	1,201.78	1,201.78	1,201.78	1,201.78
(As % of total securities)	66.59	67.25	66.91	66.03	65.71	65.54	65.38
3. Total Securities (1+2)	1,730.07	1,763.88	1,751.59	1,820.02	1,828.83	1,833.61	1,838.09
4. Overdraft at Central Bank	37.06	14.01	13.28	3.32	0.00	0.00	0.00
5. Other Domestic debt*	31.09	30.76	31.42	31.45	31.47	31.22	31.20
6. Gross Domestic Debt (3+4+5)	1,798.22	1,808.64	1,796.29	1,854.80	1,860.29	1,864.83	1,869.28

* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	24-Jun-16	29-Jul-16	26-Aug-16	30-Sep-16	07-Oct-16	14-Oct-16	21-Oct-16
Treasury bills (Excluding Repos)	32.1	31.9	32.3	33.3	33.7	33.9	34.0
Treasury bonds	64.1	65.6	65.2	64.8	64.6	64.4	64.3
CBK Overdraft to Govt	2.1	0.8	0.7	0.2	0.0	0.0	0.0
Other domestic debt	1.7	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

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	24-Jun-16	29-Jul-16	26-Aug-16	30-Sep-16	07-Oct-16	14-Oct-16	21-Oct-16
Banking Institutions	56.3	54.8	54.4	55.0	54.9	54.7	54.2
Insurance Companies	7.5	7.6	7.3	7.4	7.4	7.3	7.2
Parastatals	4.7	5.1	5.6	5.5	5.5	5.5	5.6
Pension funds	25.9	26.8	27.0	26.6	26.7	26.9	26.8
Other investors	5.7	5.7	5.6	5.6	5.6	5.6	6.3
Total	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	01-Sep-16	08-Sep-16	15-Sep-16	22-Sep-16	29-Sep-16	06-Oct-16	13-Oct-16	19-Oct-16	27-Oct-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,618	7,688	7,747	7,804	7,748	7,782	7,789	7,744	7,729	7,683
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.96	5.11	5.15	5.19	5.15	5.18	5.18	5.15	5.14	5.11

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya