



FEBRUARY 17, 2017

Highlights

The money market was fairly liquid during the week ending February 15, 2017. The average interbank rate was stable at 6.84 percent in the week ending February 15, 2017 compared to 6.83 percent recorded in the previous week.

The capital markets recorded mixed performance in the week ending February 16, 2017.

Monetary Policy Operations

The money market was fairly liquid during the week ending February 15, 2017. The Central Bank's open market operations resulted in KSh 1.5 billion net liquidity absorption largely through reverse repo transactions, which accounted for 41.7 percent of net cumulative

liquidity withdrawal during the week under review (**Table 1**).

Commercial banks' free reserve in relation to the 5.25 percent cash reserve ratio (CRR) decreased marginally to KSh 1.9 billion on February 15, 2017, the first day of the current cycle (**Chart A**).

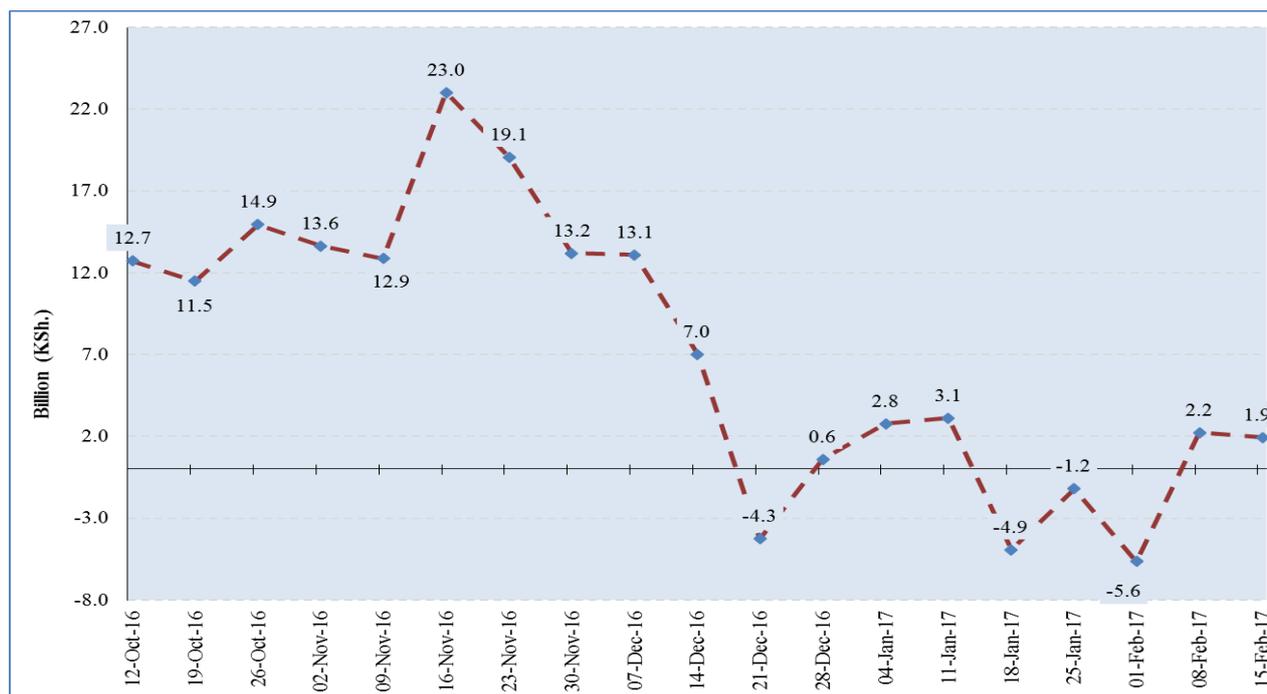
TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	9-Feb-17	10-Feb-17	13-Feb-17	14-Feb-17	15-Feb-17	Total
Liquidity Flows						
Total liquidity injection ¹	13.8	15.8	45.8	4.5	6.5	86.3
Repos Maturities	7.7	4.5	0.0	0.0	1.7	13.8
Reverse Repo Purchases	0.0	2.0	0.0	2.2	0.0	4.2
Term Auction Deposit maturities	0.0	6.0	13.7	0.0	0.0	19.7
T/bills redemptions	0.0	0.0	20.6	0.0	0.0	20.6
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	4.8	0.0	0.0	4.8
T/bonds Interest	0.0	0.0	1.2	0.0	0.0	1.2
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	6.1	3.3	5.4	2.2	4.8	21.8
Total liquidity reduction ¹	18.7	9.0	46.8	5.8	9.6	89.9
T/bills (Primary issues)	0.0	0.0	22.9	0.0	0.0	22.9
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	11.6	0.0	1.2	0.0	0.0	12.8
Reverse Repos maturities	0.0	1.5	2.2	3.4	0.0	7.1
Term Auction Deposit	2.7	0.0	12.5	0.0	4.1	19.3
Transfer from Banks -Taxes	4.5	7.5	8.1	2.3	5.5	27.8
Net liquidity injection (+)/Withdrawal (-)	-4.9	6.8	-1.1	-1.3	-3.1	-3.6
Open Market Operations Outcome						
Posted Amount	10.0	-	14.0	-	4.0	28.0
Realised Amount - Mop up	14.3	-	13.7	-	4.1	32.1
Repo (-)	11.6	-	1.2	-	-	12.8
Term Auction Deposits (-)	2.7	-	12.5	-	4.1	19.3

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

The average interbank rate was stable at 6.84 percent in the week ending February 15, 2017 compared to 6.83 percent recorded in the

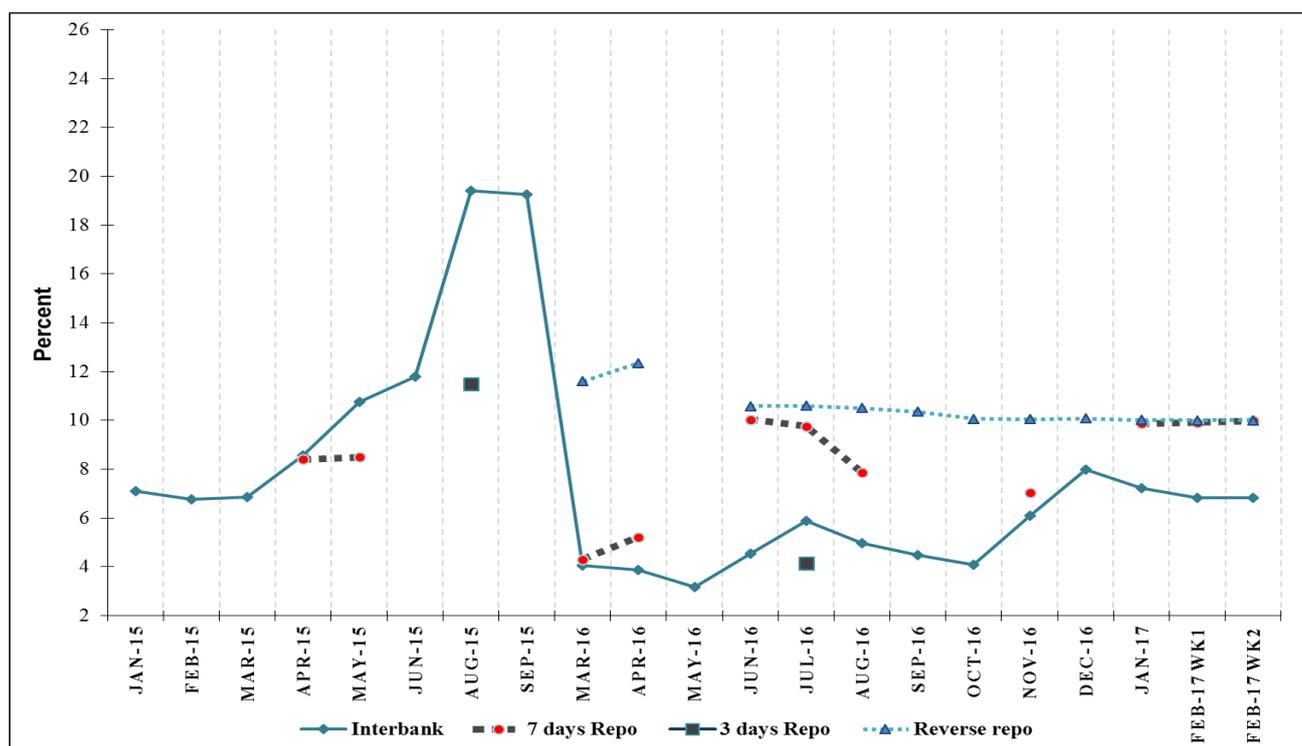
previous week. The volumes transacted declined to KSh 10.4 billion from KSh 16.5 billion, in the previous week, with the average number of deals declining to 30 from 41 (Table 2 and Chart B).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
2-Feb-17	42	14,850	6.66	10.00
3-Feb-17	43	15,800	7.17	10.00
6-Feb-17	41	16,625	6.80	10.00
7-Feb-17	44	21,410	6.61	10.00
8-Feb-17	34	13,755	6.92	10.00
Feb 2, 2017 - Feb 8, 2017	41	16,488	6.83	10.00
9-Feb-17	40	13,390	7.23	-
10-Feb-17	42	14,535	6.99	10.00
13-Feb-17	27	11,350	6.61	-
14-Feb-17	24	7,315	6.52	10.00
15-Feb-17	18	5,315	6.84	-
Feb 9, 2017 - Feb 15, 2017	30	10,381	6.84	10.00

Source: Central Bank of Kenya

CHART B: STRUCTURE OF INTEREST RATES



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

February 16, 2017. It was relatively stable against the EAC region currencies (Table 3).

The Kenya Shilling strengthened against major international currencies during the week ending

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
3-Feb-17	103.81	129.99	111.69	91.81	34.53	21.53	8.06	16.25
6-Feb-17	103.76	129.59	111.75	92.18	34.50	21.54	8.07	16.26
7-Feb-17	103.69	129.23	110.98	92.67	34.54	21.54	8.07	16.27
8-Feb-17	103.70	129.64	110.74	92.31	34.55	21.57	7.88	16.27
9-Feb-17	103.70	129.73	110.79	92.39	34.57	21.55	8.07	16.27
3-9 February 2017	103.73	129.64	111.19	92.27	34.54	21.55	8.03	16.27
10-Feb-17	103.53	129.47	110.32	91.08	34.60	21.59	8.09	16.30
13-Feb-17	103.63	129.42	110.16	91.15	34.59	21.57	7.93	16.29
14-Feb-17	103.67	130.01	110.11	91.47	34.58	21.54	7.89	16.37
15-Feb-17	103.66	129.34	109.93	90.64	34.58	21.56	8.08	16.28
16-Feb-17	103.65	129.27	110.12	91.03	34.56	21.56	7.89	16.29
10-16 February 2017	103.63	129.50	110.13	91.07	34.58	21.56	7.98	16.30

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

The capital markets recorded mixed performance during the week ending February 16, 2017. The equity market showed gains across key price indices, but a decline in turnover. The REITs and bond market segments recorded reduced activity.

Equity Market

All equities price indices; NASI, NSE 20 Share Index and NSE 25 Share Index increased marginally during the week ending February 16, 2017. Market capitalization, which measures shareholders' wealth, rose by 0.2 percent. Equity turnover, however, decreased by 28 percent, on the back of a decline in the volume of shares traded (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	05-Jan-17	12-Jan-17	19-Jan-17	26-Jan-17	02-Feb-17	09-Feb-17	16-Feb-17	Weekly Change (Percent)
NASI 100= 2008	131.45	124.75	124.21	122.42	123.43	125.19	125.33	0.11
NSE 25 Share Index	3,481.64	3,262.53	3,234.77	3,160.28	3,174.11	3,263.05	3,263.60	0.02
NSE 20 Share Index 100= 1996	3,170.71	3,014.36	2,924.90	2,824.32	2,833.09	2,933.09	2,971.50	1.31
Number of Deals	3,149	4,789	4,839	4,581	4,316	4,843	4,891	0.99
Total Shares Traded (Million)	167.10	124.03	124.12	109.79	140.58	217.76	154.88	-28.88
Equity Turnover (KSh Million)	2,312.80	2,579.69	3,200.87	2,924.39	3,122.69	4,196.56	3,014.60	-28.16
Market Capitalization (KSh Billion)	1,904.16	1,806.88	1,799.06	1,772.92	1,787.61	1,813.19	1,816.88	0.20
I-REIT Turnover in (KSh Million)	18.65	0.28	0.46	0.06	0.27	0.54	0.23	-57.70
I-REIT in Units - Total Deals	18.00	20.00	25.00	5.00	13.00	29.00	20.00	-31.03
Bonds Turnover (KSh Million)	3,314.45	6,208.51	10,653.85	8,487.17	6,061.50	7,098.57	3,919.48	-44.78
FTSE NSE Kenya 15 Index	159.84	150.86	147.33	144.74	141.55	149.94	148.92	-0.68
FTSE NSE Kenya 25 Index	163.65	154.95	152.44	150.28	148.11	154.55	153.35	-0.78
FTSE NSE Bond Index	90.00	89.94	89.86	89.63	89.70	89.73	89.82	0.10

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 the 15 largest companies by market capitalization and 25 most liquid stocks at the NSE, decreased marginally over the course of the week. The Telecommunication & Technology and Banking sectors accounted for the majority of shares traded, comprising 49.0 percent and 20.6 percent of the total shares traded, respectively. The Energy & Petroleum and Construction & Allied sectors accounted for a further 22.6 percent of trading during the week.

The Real Estate Investment Trust (REIT) turnover was down 57.7 percent, with transacted deals falling

by 31.0 percent, a reflection of low investor appetite for asset-backed securities.

Bond Market

The value of bonds traded declined by 44.8 percent partly reflecting 63.3 percent drop in the number of deals (to 106 from 289 deals of the previous week). This may be attributed to investors' focus on Treasury bills market and Infrastructure Bond currently on sale in the primary market. The FTSE Bond Index rose by 0.1 percent, reflecting marginal decline 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.

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills								
Date of Auction	29-Dec-16	05-Jan-17	12-Jan-17	19-Jan-17	26-Jan-17	02-Feb-17	09-Feb-17	16-Feb-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
Bids received (Ksh M)	1,367.7	3,471.7	3,446.9	4,933.6	5,840.1	3,735.4	1,760.7	1,510.5
Amount Accepted (Ksh M)	1,367.4	3,452.1	3,446.4	4,806.4	5,557.4	2,629.7	1,370.4	1,510.5
Maturities (Ksh M)	4,267.1	5,905.8	4,766.7	1,380.2	4,384.0	4,443.9	3,905.1	2,054.5
Average interest Rate (%) - 91 Days	8.6	8.6	8.6	8.7	8.7	8.7	8.7	8.6
182-Day Treasury Bills								
Date of Auction	28-Dec-16	04-Jan-17	11-Jan-17	18-Jan-17	25-Jan-17	01-Feb-17	08-Feb-17	15-Feb-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
Bids received (Ksh M)	2,140.8	2,411.0	5,621.0	5,585.4	5,078.3	15,335.2	17,917.5	8,483.4
Amount Accepted (Ksh M)	1,145.9	1,936.3	1,542.7	5,573.1	2,218.5	15,115.5	15,504.1	15,500.4
Maturities (Ksh M)	1,247.7	2,903.2	2,838.3	14,457.8	6,733.4	12,201.2	6,330.2	8,949.6
Average interest Rate (%) - 182 days	10.5	10.5	10.5	10.5	10.5	10.6	10.5	10.5
364-Day Treasury Bills								
Date of Auction	28-Dec-16	04-Jan-17	11-Jan-17	18-Jan-17	25-Jan-17	01-Feb-17	08-Feb-17	15-Feb-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
Bids received (Ksh M)		3,849.4	2,919.8	2,677.3	1,339.6	7,718.3	8,241.0	9,663.5
Amount Accepted (Ksh M)		3,354.4	1,333.6	2,461.3	1,339.6	6,062.1	6,008.0	9,483.5
Maturities (Ksh M)		3,569.1	4,804.4	3,937.2	1,666.3	7,013.0	10,398.3	9,825.2
Average interest Rate (%) - 364 days		11.0	11.0	11.0	10.9	10.9	10.9	10.9
Treasury Bonds								
Date of Auction	29-Dec-16							
Tenor	FXD3/2016/2 (Tap Sale)							
Amount offered (Ksh M)	20,000.0							
Bids received (Ksh M)	1,354.0							
Amount Accepted (Ksh M)	1,353.8							
Maturities (Ksh M)	0.0							
Average interest Rate (%)	12.5							

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	25-Nov-16	30-Dec-16	06-Jan-17	13-Jan-17	20-Jan-17	27-Jan-17	03-Feb-17	10-Feb-17
1. Treasury Bills (Excluding Repos)	611.95	620.19	613.67	610.57	604.78	598.48	595.13	596.72
(As % of total securities)	33.19	33.17	32.92	32.80	32.59	32.36	32.24	32.30
2. Treasury Bonds	1,231.57	1,249.34	1,250.70	1,250.70	1,250.70	1,250.70	1,250.70	1,250.70
(As % of total securities)	66.81	66.83	67.08	67.20	67.41	67.64	67.76	67.70
3. Total Securities (1+2)	1,843.52	1,869.53	1,864.37	1,861.27	1,855.48	1,849.17	1,845.83	1,847.10
4. Overdraft at Central Bank	9.96	29.93	29.38	15.58	1.12	13.58	17.30	17.23
5. Other Domestic debt*	32.05	31.39	31.38	31.52	31.53	32.10	30.96	30.96
6. Gross Domestic Debt (3+4+5)	1,885.54	1,930.86	1,925.12	1,908.37	1,888.14	1,894.85	1,894.09	189.60

* 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	25-Nov-16	30-Dec-16	06-Jan-17	13-Jan-17	20-Jan-17	27-Jan-17	03-Feb-17	10-Feb-17
Treasury bills (Excluding Repos)	32.1	31.9	32.5	32.1	31.9	32.0	32.0	31.6	31.4	31.5
Treasury bonds	64.1	65.6	65.3	64.7	65.0	65.5	66.2	66.0	66.0	66.0
CBK Overdraft to Govt	2.1	0.8	0.5	1.6	1.5	0.8	0.1	0.7	0.9	0.9
Other domestic debt	1.7	1.7	1.7	1.6	1.6	1.7	1.7	1.7	1.6	1.6
TOTAL	100.0									

Source: Central Bank of Kenya

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

	29-Jul-16	26-Aug-16	30-Sep-16	25-Nov-16	30-Dec-16	06-Jan-17	13-Jan-17	20-Jan-17	27-Jan-17	03-Feb-17	10-Feb-17
Banking Institutions	54.8	54.4	55.0	53.3	52.5	52.5	52.3	51.8	51.6	51.6	51.4
Insurance Companies	7.6	7.3	7.4	7.1	7.3	7.3	7.4	7.5	7.5	7.5	7.5
Parastatals	5.1	5.6	5.5	5.8	5.6	5.6	5.7	5.7	5.7	5.7	5.8
Pension funds	26.8	27.0	26.6	27.3	28.0	28.0	28.1	28.4	28.6	28.5	28.7
Other investors	5.7	5.6	5.6	6.5	6.5	6.5	6.6	6.7	6.7	6.7	6.7
Total	100.0										

Source: Central Bank of Kenya

TABLE 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)

	05-Jan-17	12-Jan-17	19-Jan-17	26-Jan-17	02-Feb-17	09-Feb-17	16-Feb-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,056	6,944	6,853	6,944	6,947	6,942	6,949
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.66	4.59	4.52	4.59	4.59	4.58	4.59

**Excludes Encumbered Reserves*

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

Source: Central Bank of Kenya