



SEPTEMBER 16, 2016

Highlights

The money market was relatively liquid during the week ending September 14, 2016 and the average interbank rate declined to 3.41 percent from 4.03 percent. Commercial banks' excess reserves stabilized at the previous week's stock of KSh 12.0 billion.

Capital market recorded mixed performance in the week ending September 15, 2016

Monetary Policy Operations

The money market was relatively liquid during the week ending September 14, 2016 following payments of taxes and purchase of government securities in the primary market. CBK boosted liquidity in the interbank market by rolling over the reverse repo maturities of the week.

Commercial banks' excess reserves, above 5.25 percent averaging requirement, closed at KSh 12.2 billion as the CRR cycle ended on September 14, 2016. This was slightly lower by KSh 45 million from the previous week position (**Table 1 and Chart A**).

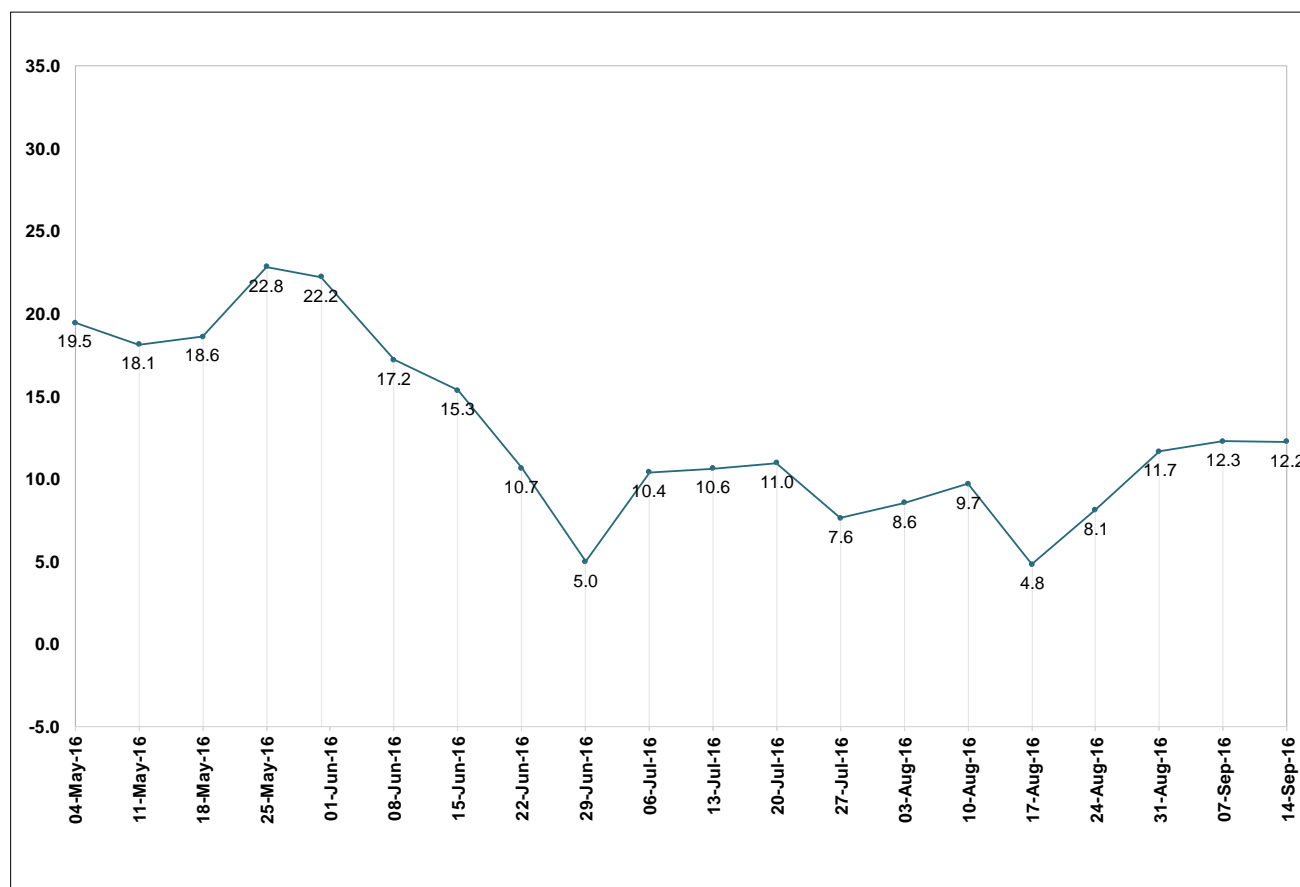
TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	8-Sep-16	9-Sep-16	13-Sep-16	14-Sep-16	Total
Liquidity Flows					
Total liquidity injection \1	4.8	6.9	40.3	1.8	53.9
Repos Maturities	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.6	1.2	13.5	0.4	15.6
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	18.8	0.0	18.8
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	0.5	0.0	0.5
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0
Govt payments	4.3	3.2	2.9	1.4	11.8
Total liquidity reduction \1	4.9	4.2	47.7	6.3	63.1
T/bills (Primary issues)	0.0	0.0	26.6	0.0	26.6
Tbonds Sales	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
Repos	0.0	0.0	0.0	0.0	0.0
Reverse Repos maturities	0.6	0.0	14.7	0.4	15.6
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	4.1	4.1	6.4	5.9	20.5
Net liquidity injection (+)/Withdrawal (-)	-0.1	2.7	-7.4	-4.5	-9.3
Open Market Operations Outcome					
Posted Amount					
Repo (-)					
Term Auction Deposits (-)					
Reverse repos purchases	0.6	1.2	13.5	0.4	15.6
Reserve Money Position					
Reserve money (actual)	387.3	389.9	382.0	377.2	

\1 Only main transactions increasing or reducing liquidity are included.

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES



Source: Central Bank of Kenya

Activity in the Interbank Market

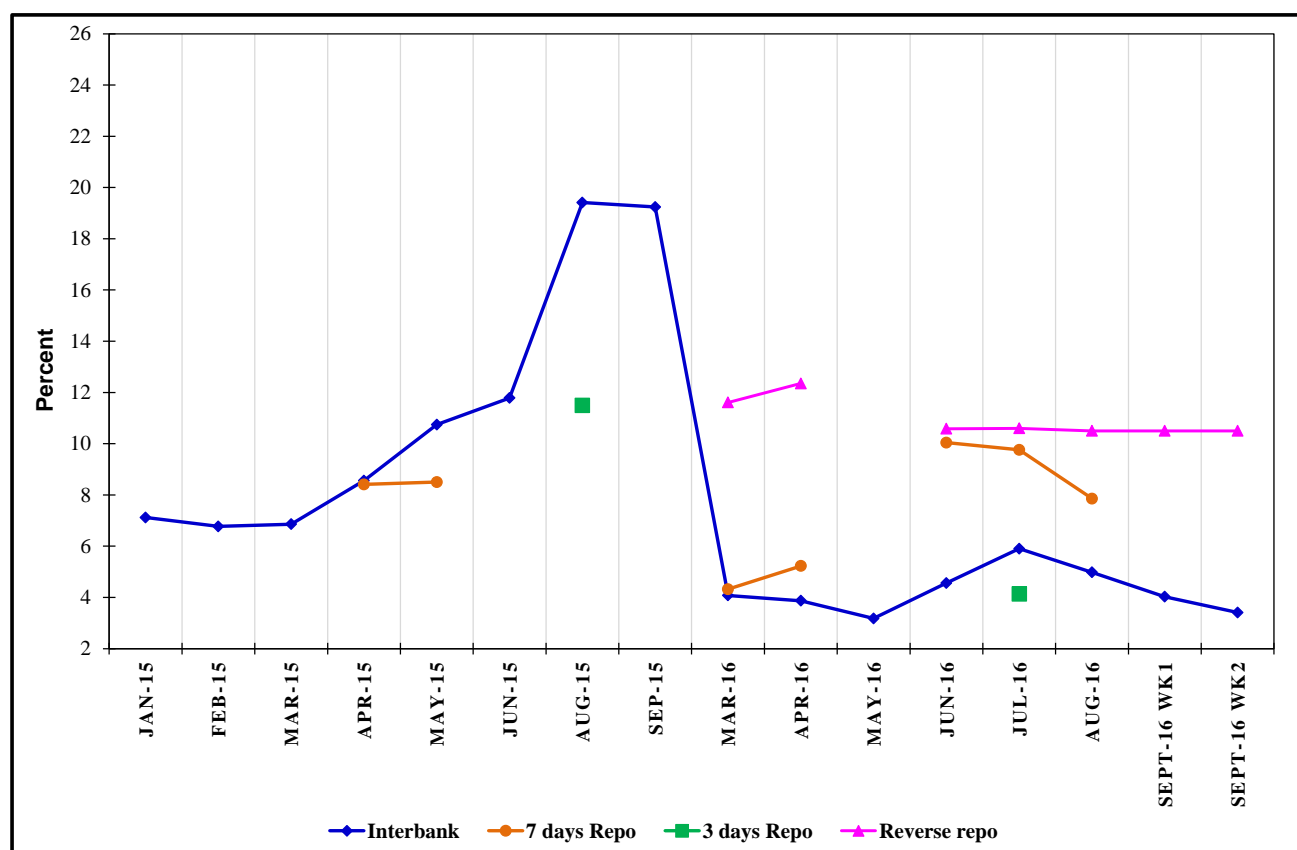
The average interbank rate declined to 3.41 percent from 4.03 percent largely reflecting improved liquidity in the interbank market. The volume traded declined to KSh 5.5 billion compared to KSh 12.2 billion transacted the previous week. The average reverse repo rate, at 10.5 percent, remained unchanged from 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 (%)
1-Sep-16	19	10,950	4.80	
2-Sep-16	21	13,970	4.38	10.54
5-Sep-16	25	12,585	4.07	10.50
6-Sep-16	19	12,210	3.71	10.50
7-Sep-16	15	11,095	3.16	10.50
September 1-September 7, 2016	20	12,162	4.03	10.51
8-Sep-16	15	9,455	3.06	10.50
9-Sep-16	8	5,870	2.94	10.50
13-Sep-16	7	1,555	4.72	10.50
14-Sep-16	10	5,195	2.91	10.50
September 8-September 14, 2016	10	5,519	3.41	10.50

Source: Central Bank of Kenya

CHART B: EVOLUTION OF FREE RESERVES



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate displayed mixed performance against major international currencies and EAC region during the week ending September 15, 2016. It remained broadly stable against the US Dollar and the Sterling Pound but weakened against the Euro and the Japanese Yen reflecting developments in the international markets. In particular, the US dollar weakened against the Euro and Sterling pound following release of data that showed a decline in retail sales in the US. In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling, Tanzania Shilling and the Burundi Franc but weakened against the Rwanda Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
2nd-Sep-16	101.30	134.27	112.78	97.41	33.32	21.58	8.17	16.42
5th-Sep-16	101.24	135.02	113.41	97.66	33.34	21.58	8.17	16.43
6th-Sep-16	101.27	134.88	112.90	97.98	33.30	21.57	7.37	16.60
7th-Sep-17	101.32	135.35	113.10	98.06	33.36	21.57	7.93	16.42
8th-Sep-17	101.32	135.44	113.95	99.88	33.41	21.56	7.37	16.52
2nd-8th Sep 2016	101.29	134.99	113.23	98.19	33.34	21.57	7.80	16.48
9th Sep 2016	101.30	135.10	114.54	99.73	33.39	21.57	7.37	16.56
13th Sep 2016	101.20	134.56	113.57	99.29	33.43	21.59	7.38	16.44
14th Sep 2016	101.18	133.62	113.66	98.35	33.40	21.58	7.95	16.45
15th-Sep 2016	101.27	134.14	113.85	98.97	33.38	21.55	7.37	16.53
9th-15th Sep 2016	101.24	134.36	113.90	99.08	33.40	21.57	7.52	16.50

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

Capital market recorded mixed performance in the week ending September 15, 2016.

Equities Market

The equities share prices improved during the week under review as reflected by gains in the NASI, NSE 25 and NSE 20 share indices as well as 0.58 per cent gain in market capitalization. However a 64.03 fall in the volume of shares traded led to 68.3 per cent decline in equities turnover. This may be attributed to investors holding back from selling their stocks to minimize losses following the recent 4-week price fall (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	28-Jul-16	4-Aug-16	11-Aug-16	18-Aug-16	25-Aug-16	1-Sep-16	8-Sep-16	15-Sep-16	Weekly Change (%)
NASI 100= 2008	141.94	143.39	143.63	147.32	139.14	134.47	130.87	131.63	0.58
NSE 25 Share Index	3,935.31	3,939.55	3,921.41	3,971.74	3,704.68	3,509.43	3,422.56	3,461.71	1.14
NSE 20 Share Index 100= 1996	3,468.29	3,464.48	3,450.10	3,484.08	3,309.76	3,179.23	3,180.29	3,239.80	1.87
Number of Deals	5,609.00	6,022.00	6,024.00	6,240.00	5,989.00	7,487.00	6,547.00	4,703.00	-28.17
Total Shares Traded (Millions)	138.55	129.18	77.13	131.53	150.94	336.55	203.01	73.03	-64.03
Equity Turnover (Ksh. Millions)	2,997.86	3,035.53	2,454.61	3,228.71	3,254.44	8,030.65	5,095.32	1,615.03	-68.30
Market Capitalization (Ksh. Bn.)	2,042.47	2,065.16	2,068.71	2,121.98	2,003.82	1,936.52	1,884.50	1,895.47	0.58
I-REIT Turnover in (Ksh.Millions)	2.64	3.28	1.41	1.80	12.51	3.34	0.60	0.61	1.65
I-REIT in Units - Total Deals	55.00	46.00	40.00	66.00	69.00	45.00	36.00	40.00	11.11
Bonds Turnover (Ksh. Millions)	6,613.16	7,064.11	4,661.35	5,496.94	5,707.85	7,600.51	6,809.48	6,526.30	-4.16
FTSE NSE Kenya 15 Index	174.56	177.56	175.70	178.84	166.10	155.26	154.10	156.36	1.47
FTSE NSE Kenya 25 Index	177.61	182.11	180.10	184.47	171.85	161.33	159.60	161.20	1.00
FTSE NSE Bond Index	90.87	89.92	88.33	87.92	88.62	88.05	88.45	88.45	0.00

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 NSE, were 0.75 percent and 1.07 percent lower, respectively by end of the week under review. The real estate market segment recorded low activity as reflected in 82.03 per cent fall in the Real Estate Investment Trust (I-REIT²) turnover and 20 per cent decline in the number of deals transacted. This may signal reduced demand for risky assets like asset-backed securities and equities. The Banking and Telecommunication & Technology sectors accounted for 81.93 per cent of total shares traded, respectively.

The Bond Market

The volume of bonds traded was down 4.16 percent with corresponding deals at 83 from 133 transacted in the previous week. The FTSE NSE Government Bond Index was flat reflecting indifference to 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.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills						
Date of Auction	30-Jun-16	28-Jul-16	25-Aug-16	1-Sep-16	8-Sep-16	15-Sep-16
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	3,385.3	3,741.1	1,682.2	7,986.7	10,970.2	9,000.6
Amount Accepted (Ksh M)	3,385.3	2,672.6	1,456.4	5,364.9	4,698.2	4,110.3
Maturities (Ksh M)	1,184.0	12,662.0	7,363.7	4,907.4	4,739.7	4,686.9
Average interest Rate (%) - 91 Days	7.0	8.3	8.6	8.3	8.1	8.0
182-Day Treasury Bills						
Date of Auction	29-Jun-16	27-Jul-16	24-Aug-16	31-Aug-16	7-Sep-16	14-Sep-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	1,215.1	13,160.0	7,962.7	9,188.9	10,921.9	7,539.3
Amount Accepted (Ksh M)	1,215.1	6,405.5	7,626.3	6,523.6	10,315.4	6,093.9
Maturities (Ksh M)	2,563.6	8,198.5	5,446.0	6,499.9	7,982.9	9,164.3
Average interest Rate (%) - 182 days	9.4	10.5	11.2	11.1	10.9	10.8
364-Day Treasury Bills						
Date of Auction	29-Jun-16	27-Jul-16	24-Aug-16	31-Aug-16	7-Sep-16	14-Sep-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	1,314.6	5,250.7	5,850.8	15,184.9	17,945.6	11,564.7
Amount Accepted (Ksh M)	1,314.6	5,214.9	5,630.0	8,848.2	11,584.7	11,434.4
Maturities (Ksh M)	72.4	1,935.9	1,669.4	1,451.2	5,318.5	2,731.9
Average interest Rate (%) - 364 days	10.7	11.4	12.0	11.5	11.1	10.0
						10.894
Treasury Bonds						
Date of Auction	24th August 2016					
Tenor	FXD 1/2016/10					
Amount offered (Ksh M)	25000					
Bids received (Ksh M)	26305.2					
Amount Accepted (Ksh M)	18312.23					
Maturities (Ksh M)	0					
Average interest Rate (%)	15.0					

Source: Central Bank of Kenya

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	27-May-16	24-Jun-16	29-Jul-16	19-Aug-16	26-Aug-16	02-Sep-16	09-Sep-16
1. Treasury Bills (Excluding Repos)	540.84	578.03	577.76	581.07	579.67	581.02	590.35
(As % of total securities)	33.38	33.41	32.75	32.88	33.09	32.80	33.15
2. Treasury Bonds	1,079.52	1,152.04	1,186.12	1,186.12	1,171.92	1,190.23	1,190.23
(As % of total securities)	66.62	66.59	67.25	67.12	66.91	67.20	66.85
3. Total Securities (1+2)	1,620.35	1,730.07	1,763.88	1,767.19	1,751.59	1,771.24	1,780.57
4. Overdraft at Central Bank	41.49	37.06	14.01	6.43	13.28	13.28	0.00
5. Other Domestic debt*	31.60	31.09	30.76	31.42	31.42	31.42	31.41
6. Gross Domestic Debt (3+4+5)	1,693.45	1,798.22	1,808.64	1,805.04	1,796.29	1,815.94	1,811.98

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

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	24-Jun-16	29-Jul-16	5-Aug-16	12-Aug-16	19-Aug-16	26-Aug-16	2-Sep-16	9-Sep-16
Treasury bills (Excluding Repos)	32.1	31.9	31.7	31.8	32.2	32.3	32.0	32.6
Treasury bonds	64.1	65.6	65.9	65.7	65.7	65.2	65.5	65.7
CBK Overdraft to Govt	2.1	0.8	0.7	0.7	0.4	0.7	0.7	0.0
Other domestic debt	1.7	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	100.0

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	27-May-16	24-Jun-16	29-Jul-16	19-Aug-16	26-Aug-16	2-Sep-16	9-Sep-16
Banking Institutions	57.5	56.3	54.8	54.1	54.4	54.5	54.4
Insurance Companies	7.9	7.5	7.6	7.4	7.3	7.4	7.4
Parastatals	4.7	4.7	5.1	5.6	5.6	5.8	5.8
Pension funds	26.1	25.9	26.8	27.2	27.0	26.8	26.8
Other investors	3.8	5.7	5.7	5.6	5.6	5.6	5.6
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	21-Jul-16	28-Jul-16	4-Aug-16	11-Aug-16	18-Aug-16	25-Aug-16	1-Sep-16	8-Sep-16	15-Sep-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,618	7,831	7,782	7,769	7,733	7,711	7,748	7,688	7,747	7,804
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.96	5.12	5.09	5.08	5.14	5.13	5.15	5.11	5.15	5.19

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya