



Central Bank of Kenya

Weekly Bulletin

November 30, 2018

KEY MONETARY AND FINANCIAL INDICATORS

Inflation

Overall Inflation remained stable at 5.58 percent in November 2018 compared to 5.53 percent in October. Food inflation remained low, while electricity and diesel prices declined. Petrol prices, matatu and bus fares rose slightly (**Chart 1**).

Exchange Rate

The Kenya Shilling weakened marginally during the week ending November 29. The shilling's value against the US dollar moved to 102.60 on November 29 from 102.36 on November 22 (**Table 1**).

Foreign Exchange Reserves

The CBK foreign exchange reserves remain adequate. Usable reserves stood at USD 8,039 million (5.3 months of import cover) as at November 29. This fulfils the requirement to endeavor to maintain at least 4 months of import cover, and the EAC region's convergence criteria of 4.5 months of imports cover (**Table 2**).

Money Market

Liquidity conditions in the money market improved during the week ending November 28, partly supported by net redemptions of government securities. Commercial banks' excess reserves recorded a shortfall of KSh 12.8 billion in relation to the 5.25 percent cash reserves requirements (CRR). The average interbank rate rose to 5.6 percent from 4.2 percent in the previous week. The average number of interbank deals increased to 41 from 33 deals in the previous week, while the average interbank volumes traded increased to KSh 28.5 billion from KSh 22.1 billion (**Table 3**).

Government Securities Market

The Treasury bills auction of November 29 received bids totaling KSh 18.2 billion against an advertised amount of KSh 24.0 billion. The 91-day Treasury bill attracted the highest bids amounting to KSh 10.8 billion. Interest rates on all the three Treasury bill instruments at the auction declined marginally (**Table 4**). On the other hand, the Infrastructure bond tap sale that ended on November 28, received bids of KSh 8.7 billion. This brought the total

subscriptions for the IFB1/2018/20 to KSh 49.1 billion out of the KSh 50 billion advertised (**Table 5**).

Equities Market

Activity in the equities market improved in the week ending November 29 as reflected by 0.8 percent, 0.4 percent and 1.6 percent increase in NASI, NSE 20 and NSE 25 Share indices, respectively. The market was more liquid with both equity turnover and volume of shares traded increasing by 108.6 percent and 85.4 percent respectively. Consequently, market capitalisation increased by 0.8 percent (**Table 6**). The Bank of Kigali Group Plc launched trading of its shares at the NSE on November 30.

Bond Markets

The secondary bond market activity slowed down with the volume of bonds traded declining by 41.8 percent in the week ending November 29. In the international bond market, yields on Kenya's 5-year, 10-year (2024), and 10-year (2028) Eurobonds declined towards the end of the week ending November 29 (**Table 6**). Yields on the 10-year Eurobonds of selected African countries, like Ghana and Angola also declined (**Chart 2**).

Monetary Policy Committee

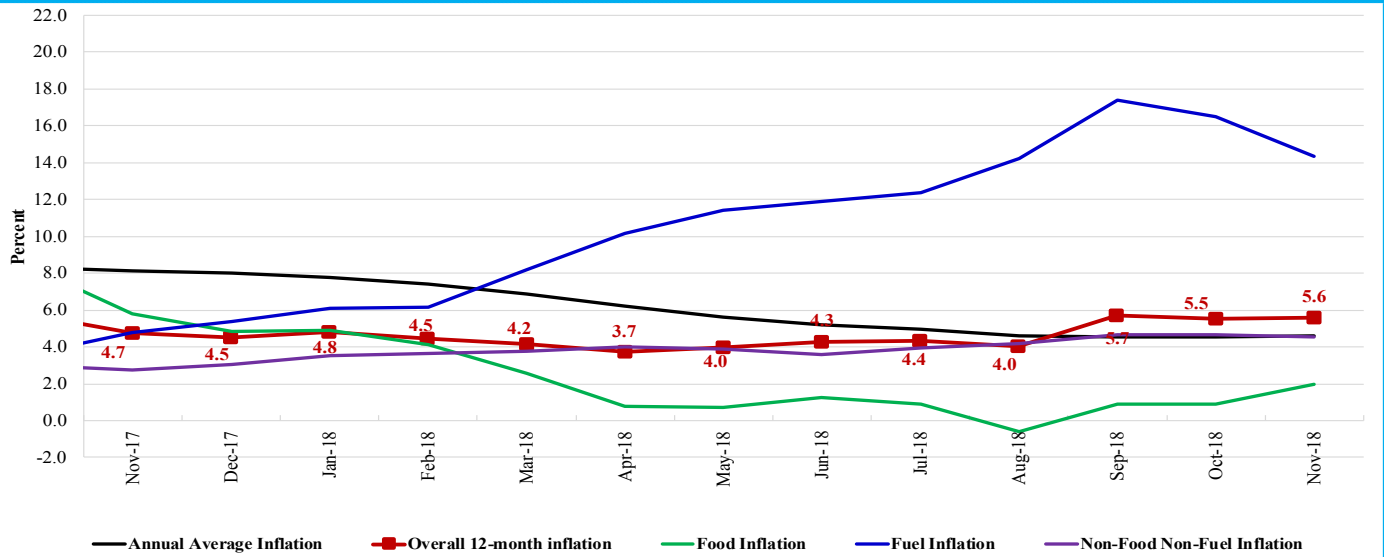
The Monetary Policy Committee met on November 27, and retained the Central Bank Rate (CBR) at 9.00 percent. The MPC will next meet on January 28, 2019.

Global Trends

Sentiments in the US markets improved, buoyed by comments from the Federal Reserve Chair suggesting that there would be fewer rate hikes in the near future.

Oil prices have declined in the recent weeks, with Murban crude reaching a low of \$59.79 per barrel on November 27 compared to a peak of \$88.27 on October 4. Concerns are increasing about unevenness in global growth, and overall slowdown in growth into 2019. Furthermore, trade tensions between China and the US are expected to dominate the G-20 meeting in Argentina, November 30 - December 1.

Chart 1: Inflation Developments



Source: KNBS and CBK staff calculations

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

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
16-Nov-18	103.21	132.08	116.64	91.02	36.19	22.31	8.62	17.27
19-Nov-18	103.10	132.23	116.85	90.93	36.23	22.42	8.63	17.29
20-Nov-18	102.86	132.07	117.43	91.56	36.21	22.36	8.65	17.33
21-Nov-18	102.86	132.07	117.43	91.56	36.21	22.36	8.65	17.33
22-Nov-18	102.36	131.10	116.87	90.59	36.34	22.58	8.69	17.42
November 16-November 22, 2018	102.88	131.91	117.05	91.13	36.24	22.41	8.65	17.33
23-Nov-18	102.45	131.90	116.82	90.70	36.55	22.45	8.68	17.41
26-Nov-18	102.47	131.44	116.34	90.89	36.50	22.45	8.68	17.40
27-Nov-18	102.45	131.67	116.50	90.47	36.41	22.45	8.68	17.41
28-Nov-18	102.68	131.04	116.33	90.39	36.30	22.50	8.67	17.37
29-Nov-18	102.60	131.25	115.77	90.13	36.36	22.52	8.68	17.38
November 23-November 29, 2018	102.53	131.46	116.35	90.52	36.42	22.47	8.68	17.39

* Units of currency per Kenya Shilling

Source :Central Bank of Kenya

Table 2: Official Usable Foreign Exchange Reserves

	25-Oct-18	01-Nov-18	08-Nov-18	15-Nov-18	22-Nov-18	29-Nov-18
1. CBK Usable Foreign Exchange Reserves (USD Million)	8,306	8,221	8,152	8,063	8,030	8,039
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	5.50	5.44	5.40	5.34	5.32	5.32

*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 (%)
15-Nov-18	36	16,210	3.63
16-Nov-18	31	16,615	3.99
19-Nov-18	32	22,300	4.22
20-Nov-18	31	25,130	4.39
21-Nov-18	37	30,185	4.54
November 15- 21, 2018	33	22,088	4.16
22-Nov-18	41	22,905	5.13
23-Nov-18	48	35,805	5.47
26-Nov-18	41	32,780	5.65
27-Nov-18	38	29,935	5.72
28-Nov-18	35	20,880	5.79
November 22- 28, 2018	41	28,461	5.55

Source :Central Bank of Kenya

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

Date of Auction	08-Nov-18	15-Nov-18	22-Nov-18	29-Nov-18
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	1,964.61	7,285.11	1,738.35	10,793.20
Amount Accepted (Ksh M)	1,964.61	7,285.11	1,249.33	10,304.18
Maturities (Ksh M)	611.20	6,264.40	1,962.95	11,803.50
Average interest Rate (%) - 91 Days	7.35	7.35	7.34	7.34

182-Day Treasury Bills

Date of Auction	08-Nov-18	15-Nov-18	22-Nov-18	29-Nov-18
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	2,298.30	2,441.70	1,928.18	4,822.26
Amount Accepted (Ksh M)	2,298.30	2,441.70	1,449.65	4,338.78
Maturities (Ksh M)	13,132.20	4,494.05	10,377.30	5,877.00
Average interest Rate (%) - 182 days	8.30	8.32	8.25	8.24

364-Day Treasury Bills

Date of Auction	08-Nov-18	15-Nov-18	22-Nov-18	29-Nov-18
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	16,707.13	12,788.38	8,044.39	2,609.33
Amount Accepted (Ksh M)	14,402.01	11,876.79	6,221.21	2,609.33
Maturities (Ksh M)	12,918.35	7,186.20	6,840.65	6,810.80
Average interest Rate (%) - 364 days	9.52	9.51	9.57	9.56

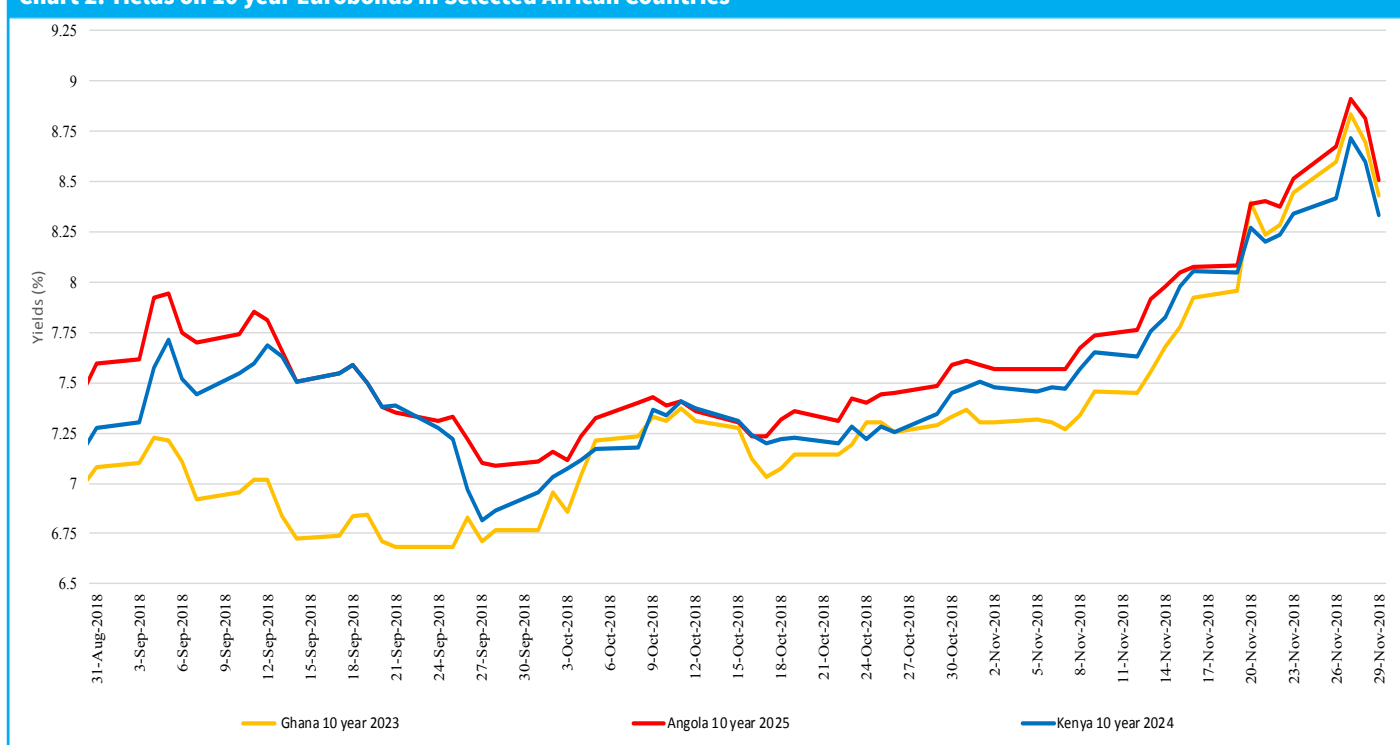
Source: Central Bank of Kenya

Table 5: Performance of Treasury Bonds Auctions

Date of Auction	22-Aug-18	19-Sep-18		17-Oct-18	31-Oct-18	14-Nov-18	28-Nov-18
		REOPEN	REOPEN				TAP
Tenor	FXD1/2018/10	FXD1/2018/10	FXD1/2018/20	FXD2/2018/15	FXD2/2018/15	IFB1/2018/20	IFB1/2018/20
Amount offered (Ksh M)	40,000.0	40,000.0		40,000.0	32,000.0	50,000.0	22,410.0
Bids received (Ksh M)	29,825.3	32,466.5		27,045.4	25,375.6	40,393.3	8,726.5
Amount Accepted (Ksh M)	19,362.2	21,244.6	5,308.4	7,854.1	21,261.9	27,588.4	8,726.5
Maturities (Ksh M)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average interest Rate (%)	12.686	12.665	12.931	12.746	12.734	12.156	12.156

Source: Central Bank of Kenya

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



Source: Thomson Reuters

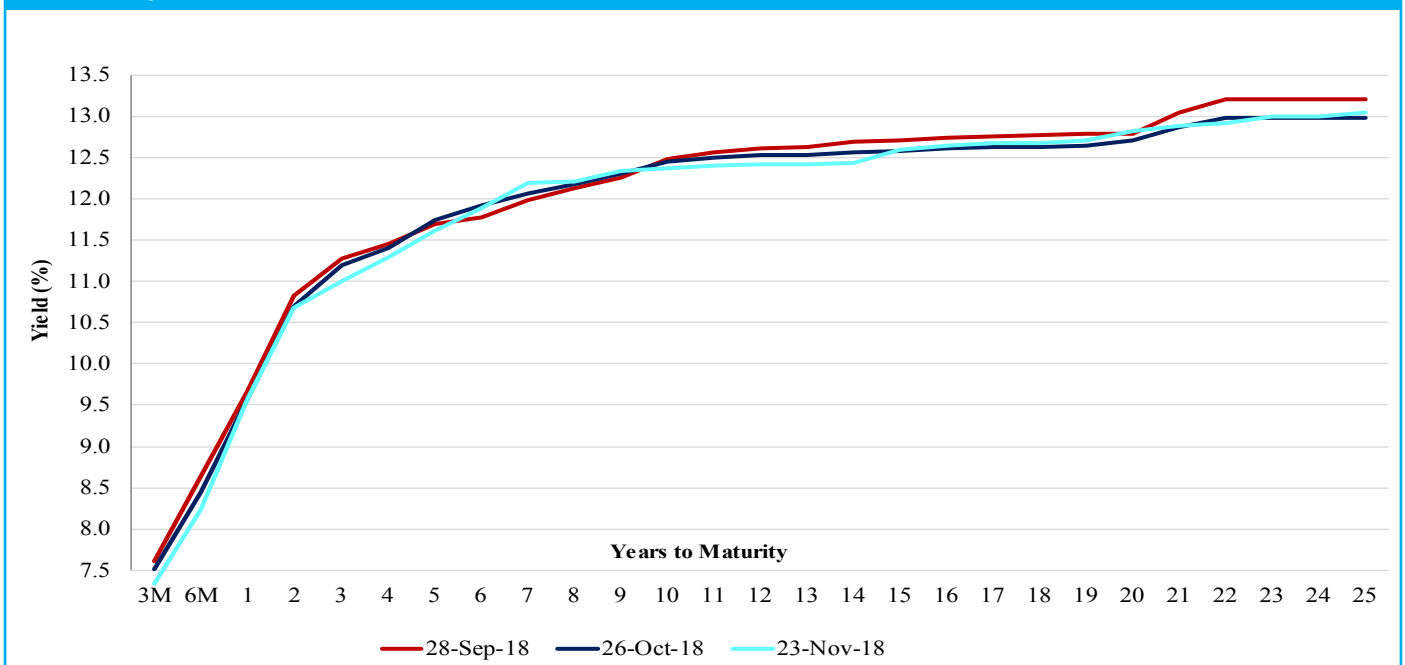
Table 6: Key Weekly Market Indicators

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 Turn-over (KSh Million)	5-Year Euro-bond Yield (%)	10-Year Euro-bond Yield (%) - 2024	10-Year Euro-bond Yield (%) - 2028	30-Year Euro-bond Yield (%)
16-Nov-18	144.9	3,661.67	2,806.58	1,048.00	17.45	413.64	2,142.30	2,179.41	5.78	8.06	8.722	9.608
19-Nov-18	143.95	3,641.34	2,801.72	917.00	7.08	253.41	2,128.07	957.23	5.86	8.05	8.757	9.608
20-Nov-18	144.17	3,652.48	2,796.02	991.00	8.72	161.09	2,131.44	2,463.60	6.22	8.27	9.002	9.845
21-Nov-18	144.03	3,624.68	2,769.16	1,104.00	16.73	499.17	2,129.38	3,170.88	5.95	8.20	8.999	9.803
22-Nov-18	144.20	3,625.28	2,777.96	843.00	7.01	130.76	2,131.87	2,389.53	5.95	8.23	9.022	9.827
Nov 16-22 2018	144.20	3,625.28	2,777.96	4,903	56.98	1,458.08	2,131.87	11,160.65	5.954	8.233	9.022	9.827
23-Nov-18	144.13	3621.18	2760.84	981	14.37	633.88	2,130.81	1,136.40	6.494	8.343	9.175	9.961
26-Nov-18	144.43	3635.35	2771.23	1,047	21.11	686.47	2,135.25	813.32	6.497	8.415	9.246	10.013
27-Nov-18	144.72	3650.65	2776.86	1,235	32.87	816.48	2,139.52	1,647.55	6.501	8.717	9.380	10.284
28-Nov-18	145.30	3672.07	2780.56	999	20.73	504.67	2,148.17	1,517.61	6.413	8.597	9.282	10.014
29-Nov-18	145.32	3684.00	2790.30	1,009	16.59	400.56	2,148.43	1,377.50	6.098	8.330	9.071	9.800
23-29 Nov 2018	145.32	3684.00	2790.30	5,271	105.67	3,042.06	2,148.43	6,492.38	6.098	8.330	9.071	9.800
Weekly Change (%)	0.78	1.62	0.44	7.51	85.44	108.63	0.78	-41.83	0.14*	0.10*	0.05*	(-0.03)*

* Percentage points

Source: Central Bank of Kenya, NSE and Thompson Reuters

Chart 3: Kenya Government Securities Yield Curve



Source: Central Bank of Kenya and NSE

Table 7: Government Domestic Debt (KSh Billion)

	29-Jun-18	28-Sep-18	26-Oct-18	02-Nov-18	09-Nov-18	16-Nov-18	23-Nov-18
1. Treasury Bills (Excluding Repos)	878.62	867.51	952.56	952.00	961.29	954.77	959.73
<i>(As % of total securities)</i>	36.75	37.14	38.41	38.39	38.30	38.14	38.36
2. Treasury Bonds	1,511.87	1,468.50	1,527.62	1,527.62	1,548.84	1,548.84	1,542.15
<i>(As % of total securities)</i>	63.25	62.86	61.59	61.61	61.70	61.86	61.64
3. Total Securities (1+2)	2,390.49	2,336.00	2,480.18	2,479.62	2,510.12	2,503.61	2,501.88
4. Overdraft at Central Bank	56.85	36.29	23.44	25.17	8.43	4.77	35.25
5. Other Domestic debt*	31.44	168.54	31.56	31.56	31.56	31.53	31.53
6. Gross Domestic Debt (3+4+5)	2,478.78	2,540.83	2,535.18	2,536.35	2,550.12	2,539.92	2,568.66

* 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	2-Nov-18	9-Nov-18	16-Nov-18	23-Nov-18
Treasury bills (Excluding Repos)	35.4	34.1	37.6	37.5	37.7	37.6	37.4
Treasury bonds	61.0	57.8	60.3	60.2	60.7	61.0	60.0
CBK Overdraft to Govt	2.3	1.4	0.9	1.0	0.3	0.2	1.4
Other domestic debt	1.3	6.6	1.2	1.2	1.2	1.2	1.2
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

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

	29-Jun-18	28-Sep-18	26-Oct-18	2-Nov-18	9-Nov-18	16-Nov-18	23-Nov-18
Banking Institutions	55.2	55.0	54.7	54.9	54.4	54.2	54.6
Insurance Companies	6.2	6.1	6.1	6.1	6.1	6.1	6.0
Parastatals	7.0	7.3	7.5	7.4	7.5	7.7	7.7
Pension funds	27.1	27.1	27.1	27.1	27.4	27.4	27.2
Other investors	4.4	4.5	4.5	4.5	4.5	4.5	4.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Kenya

Table 10: Indicators of Total Government Debt

	Sep-16	Dec-17	Mar-18	Apr-18	May-18	Jun-18	Sep-18
Domestic debt (KSh Billion)	1,854.55	2,220.35	2,371.65	2,415.25	2,447.58	2,478.84	2,540.70
Public & Publicly Guaranteed External debt (US \$ Billion)	18.2	22.8	24.9	25.5	25.3	25.3	25.8
Public & Publicly Guaranteed External debt (KSh Billion)	1,838.42	2,349.28	2,512.43	2,562.18	2,573.13	2,560.20	2,605.33
Total public debt (KSh Billion)	3,692.97	4,569.63	4,884.08	4,977.43	5,020.70	5,039.03	5,146.04

*Provisional

Source: National Treasury and Central Bank of Kenya