



JULY 08, 2016

Highlights

The money market was relatively liquid buoyed by end of fiscal year government payments. The average interbank rate increased to 8.71 percent in the week ending July 6, 2016 from 8.15 percent in the previous week.

Overall, the capital market recorded mixed performance in the week ending July 8, 2016.

Monetary Policy Operations

The money market was relatively liquid buoyed by end of fiscal year government payments. The BREXIT vote to exit the EU on June 23, 2016 caused a lot of volatility in the financial markets worldwide. Central Bank of Kenya (CBK) used the monetary policy tools to counter the effects of BREXIT on the exchange rate market. Reserve money stood at KSh 389.1 billion on July 6, 2016 (**Table 1**).

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

	30-Jun-16	1-Jul-16	4-Jul-16	5-Jul-16	6-Jul-16	Total
Liquidity Flows						
Total liquidity injection	24.5	20.1	20.8	21.2	7.5	94.1
Repos Maturities	0.0	3.0	2.2	0.1	0.0	5.3
Reverse Repo Purchases	0.0	0.0	0.0	0.4	2.2	2.6
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	5.5	0.0	0.0	5.5
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	23.5	16.1	13.2	20.7	5.2	78.6
Total liquidity reduction	22.4	7.8	28.9	24.5	4.0	87.6
T/bills (Primary issues)	0.0	0.0	6.5	0.0	0.0	6.5
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	2.6	6.0	8.8	0.5	0.0	17.9
Reverse Repos maturities	0.0	0.0	1.6	3.9	1.9	7.4
Term Auction Deposit	14.4	0.0	10.9	16.0	0.0	41.2
Transfer from Banks -Taxes	3.9	1.8	1.1	4.0	2.0	12.9
Net liquidity injection (+)/Withdrawal (-)	2.1	12.2	-8.1	-3.3	3.5	6.4
Open Market Operations Outcome						
Posted Amount - Mop up	15.0	10.0	25.0	18.0	0.0	68.0
Realised Amount - Mop up	16.9	6.0	19.7	16.5	0.0	59.1
Repo (-)	2.6	6.0	8.8	0.5	0.0	17.9
Term Auction Deposits (-)	14.4	0.0	10.9	16.0	0.0	41.2
Reverse Repo (+)	0.0	0.0	0.0	0.4	2.2	2.6
Reserve Money Position						
Reserve money (actual)	386.6	398.6	389.9	386.1	389.1	

Source: Central Bank of Kenya

Activity in the Interbank Market

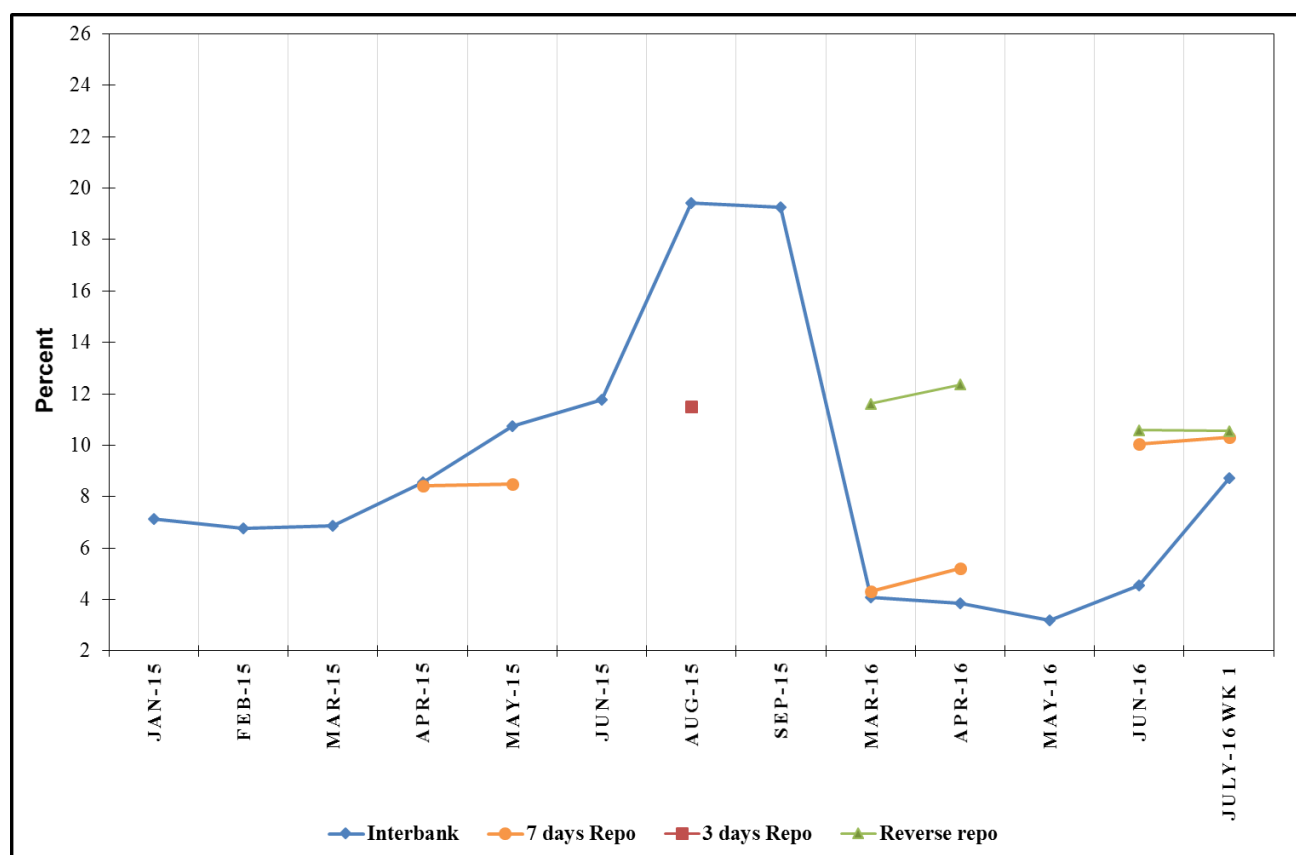
The average interbank rate increased to 8.71 percent in the week ending July 6, 2016 from 8.15 percent recorded in the previous week. Banks traded lower volumes in the interbank market compared to the previous week (Table 2 and Chart A).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of deals	Value (Ksh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)	Reverse Repo Rate (%)
23-Jun-16	24	11,150	7.08		10.53
24-Jun-16	26	8,700	7.95	10.00	
27-Jun-16	25	14,350	8.25	9.95	
28-Jun-16	21	10,725	8.64	9.75	
29-Jun-16	28	20,400	8.86		
June 23, 2016 - June 29, 2016	25	13,065	8.15	9.90	10.53
30-Jun-16	28	21,715	9.14	10.45	
1-Jul-16	26	16,305	8.73	10.44	
4-Jul-16	29	11,620	8.77	10.25	
5-Jul-16	25	8,400	8.69	10.10	10.50
6-Jul-16	21	5,500	8.23		10.60
June 30, 2016 - July 6, 2016	26	12,708	8.71	10.31	10.55

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES

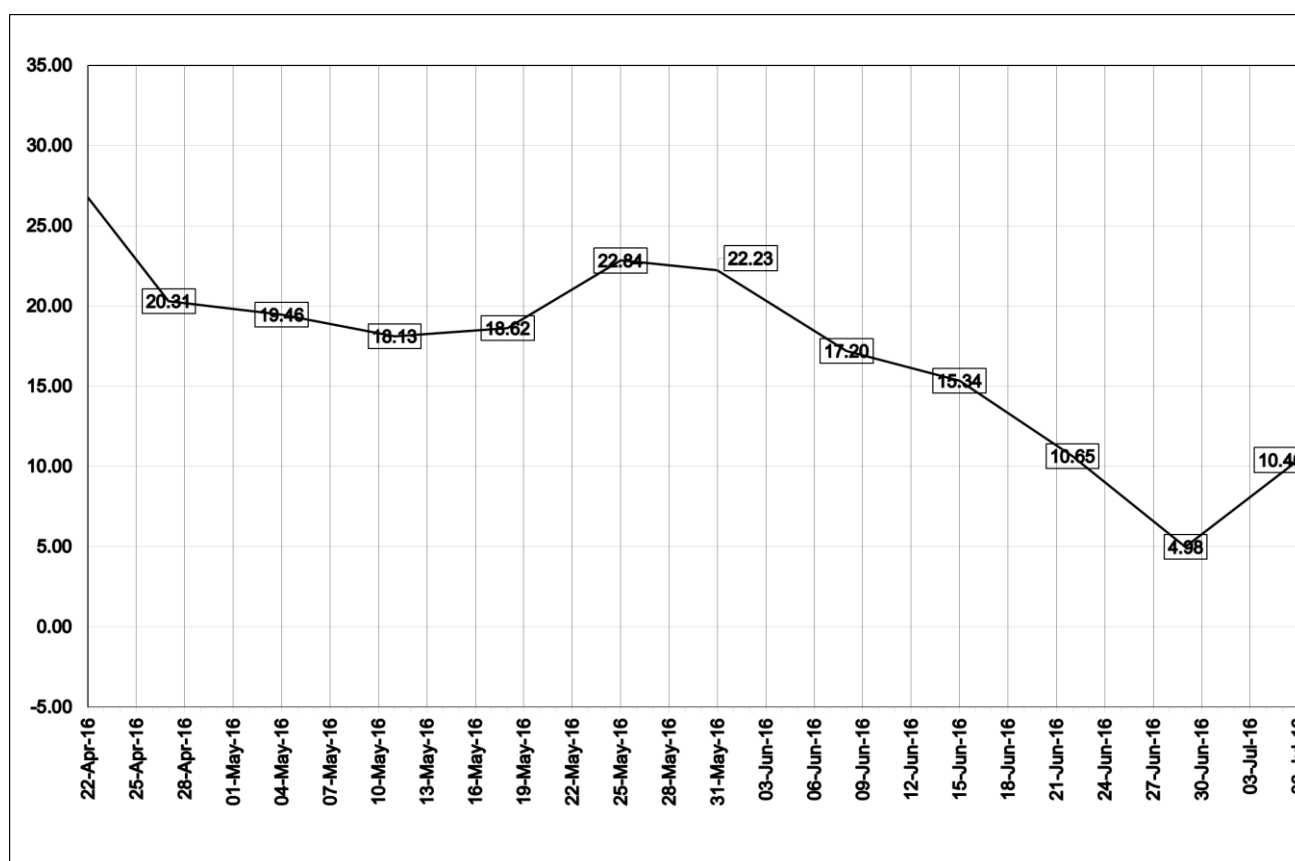


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks' excess free reserves rose to KSh 10.49 billion in relation to the 5.25 percent averaging requirement in the week ending July 6, 2016 (**Chart B**). The commercial banks free reserves were boosted by end of fiscal year government payments.

CHART B: WEEKLY AVERAGE DEVIATION FROM CRR IN THE CLEARING ACCOUNT



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate strengthened against the US Dollar, the Pound Sterling and the Euro but weakened against the Japanese Yen during the week ending July 6, 2016. In the EAC region, it strengthened against all EAC currencies (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
24-Jun-16	101.27	150.22	115.11	95.73	33.21	21.65	7.38	16.66
27-Jun-16	101.24	139.52	112.51	98.79	33.63	21.64	7.37	16.53
28-Jun-16	101.24	133.53	111.25	98.79	33.73	21.63	7.37	16.54
29-Jun-16	101.21	134.93	111.85	98.54	33.64	21.64	7.38	16.53
30-Jun-16	101.10	136.44	112.30	98.40	33.68	21.66	7.38	16.65
24-30 June 2016	101.21	138.93	112.60	98.05	33.58	21.65	7.38	16.58
1-Jul-16	101.09	134.09	112.22	98.39	33.66	21.66	7.40	16.59
4-Jul-16	101.09	134.66	112.67	98.58	33.59	21.66	7.38	16.56
5-Jul-16	101.10	134.31	112.63	98.55	33.60	21.66	7.38	16.65
6-Jul-16	101.12	132.18	112.58	99.58	33.55	21.66	7.71	16.59
1-6 July 2016	101.10	133.81	112.53	98.77	33.60	21.66	7.47	16.60

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

The capital market recorded mixed performance in both equities and bonds market segments in the week ending July 8, 2016.

Equities Market

Overall, equities share prices improved marginally as reflected by changes in the NASI, NSE 25 and NSE 20 share indices. Market capitalization which measures shareholders wealth improved by 1.53 percent due to increased share prices. Equity turnover increased by 17.15 percent on account of increases in share prices given the number of shares traded declined by 5.93 percent (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	26-May-16	02-Jun-16	09-Jun-16	15-Jun-16	23-Jun-16	30-Jun-16	08-Jul-16	Weekly Change (%)
NASI 100= 2008	145.78	143.51	146.69	146.50	144.33	140.60	140.84	0.17
NSE 25 Share Index	4,183.88	4,103.51	4,139.56	4,135.98	182.29	3,955.56	3,978.48	0.58
NSE 20 Share Index 100= 1996	3,871.74	3,799.57	3,818.19	3,799.16	3,744.58	3,640.61	3,664.78	0.66
Number of Deals	5,824.00	4,487.00	6,338.00	5,239.00	5,960.00	5,641.00	4,033.00	-28.51
Total Shares Traded (Millions)	90.63	67.25	148.72	89.78	155.17	113.56	106.83	-5.93
Equity Turnover (Ksh. Millions)	2,624.64	2,034.07	3,168.84	2,605.50	3,965.87	2,830.96	3,316.61	17.15
Market Capitalization (Ksh. Bn.)	2,054.84	2,023.44	2,069.77	2,078.54	2,059.64	1,994.81	2,025.28	1.53
I-REIT Turnover in (Ksh.Millions)	1.63	0.95	2.41	2.81	6.82	8.35	0.79	-90.54
I-REIT in Units - Total Deals	29.00	33.00	38.00	47.00	81.00	61.00	30.00	-50.82
Bonds Turnover (Ksh. Millions)	23,288.34	13,729.81	19,062.33	10,672.64	13,531.49	7,278.10	2,549.50	-64.97
FTSE NSE Kenya 15 Index	185.30	183.25	184.19	184.41	181.20	175.70	175.88	0.10
FTSE NSE Kenya 25 Index	185.49	183.68	185.40	185.84	182.29	176.47	176.85	0.22
FTSE NSE Bond Index	88.69	88.73	88.52	87.99	88.80	87.98	88.93	1.08

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

FTSE 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, closed the week at 0.10 percent and 0.22 percent higher, respectively. The real estate market segment recorded declined activity with Real Estate Investment Trust (I-REIT) turnover declining by 90.54 percent. Consequently, the I-REIT number of deals declined by 50.82 percent.

Banking, Telecommunication and Technology, and Commercial and Services sectors dominated trading, accounting for 48.38 percent, 37.76 percent and 4.1 percent, respectively, of the total shares traded. Real Estate Investment Trust recorded the lowest trading at 40,600 shares.

The Bond Market

The bonds market segment recorded 64.97 percent decline in the volume traded in the week under review. Bonds deals declined from 134 to 58. However, FTSE NSE Government Bond Index improved marginally by 1.08 percent.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills						
Date of Auction	31-Mar-16	28-Apr-16	26-May-16	23-Jun-16	30-Jun-16	07-Jul-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)	1,160.2	16,656.1	10,212.9	5,325.8	3,385.3	1,956.1
Amount Accepted (Ksh M)	1,160.2	12,402.4	7,284.2	5,031.1	3,385.3	1,956.1
Maturities (Ksh M)	1,358.0	8,365.5	8,569.5	3,164.7	1,184.0	5,305.2
Average interest Rate (%) - 91 Days	9.0	8.5	7.7	7.1	7.0	7.0
182-Day Treasury Bills						
Date of Auction	30-Mar-16	27-Apr-16	25-May-16	22-Jun-16	29-Jun-16	06-Jul-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)	2,547.2	16,280.5	10,543.1	10,743.7	1,215.1	2,776.9
Amount Accepted (Ksh M)	1,951.1	9,052.6	5,402.0	10,268.5	1,215.1	2,776.9
Maturities (Ksh M)	2,856.4	6,185.7	478.6	5,289.2	2,563.6	2,707.3
Average interest Rate (%) - 182 days	10.7	10.5	10.0	9.2	9.4	9.6
364-Day Treasury Bills						
Date of Auction	30-Mar-16	27-Apr-16	25-May-16	22-Jun-16	29-Jun-16	06-Jul-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)	4,365.8	10,180.4	16,092.7	3,452.2	1,314.6	1,086.0
Amount Accepted (Ksh M)	4,365.8	8,004.7	9,168.5	3,452.2	1,314.6	1,086.0
Maturities (Ksh M)	6,451.1	1,379.2	1,092.0	591.5	72.4	355.6
Average interest Rate (%) - 364 days	11.9	11.7	11.3	10.7	10.7	11.0
Treasury Bonds						
Date of Auction						
Tenor						
Amount offered (Ksh M)						
Bids received (Ksh M)						
Amount Accepted (Ksh M)						
Maturities (Ksh M)						
Average interest Rate (%)						

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	26-Feb-16	25-Mar-16	29-Apr-16	27-May-16	24-Jun-16	01-Jul-16
1. Treasury Bills (Excluding Repos)	420.76	462.85	507.90	540.84	578.03	588.09
(As % of total securities)	28.27	29.70	31.50	33.38	33.41	33.95
2. Treasury Bonds	1,067.83	1,095.37	1,104.68	1,079.52	1,152.04	1,144.32
(As % of total securities)	71.73	70.30	68.50	66.62	66.59	66.05
3. Total Securities (1+2)	1,488.59	1,558.23	1,612.58	1,620.35	1,730.07	1,732.41
4. Overdraft at Central Bank	43.58	37.74	44.87	41.49	37.06	44.20
5. Other Domestic debt*	31.96	31.69	31.77	31.60	31.09	31.07
6. Gross Domestic Debt (3+4+5)	1,564.13	1,627.66	1,689.22	1,693.45	1,798.22	1,807.68

* 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

	26-Feb-16	25-Mar-16	29-Apr-16	27-May-16	24-Jun-16	01-Jul-16
Treasury bills (Excluding Repos)	26.9	28.4	30.1	31.9	32.1	32.5
Treasury bonds	68.3	67.3	65.4	63.7	64.1	63.3
CBK Overdraft to Govt	2.8	2.3	2.7	2.5	2.1	2.4
Other domestic debt	2.0	1.9	1.9	1.9	1.7	1.7
TOTAL	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

	26-Feb-16	25-Mar-16	29-Apr-16	27-May-16	24-Jun-16	01-Jul-16
Banking Institutions	55.5	55.7	56.5	57.5	56.3	56.2
Insurance Companies	8.3	8.2	7.9	7.9	7.5	7.4
Parastatals	4.7	4.7	4.6	4.7	4.7	5.0
Pension funds	25.4	25.5	25.2	26.1	25.9	25.8
Other investors	6.1	5.9	5.8	3.8	5.7	5.6
Total	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)

	19-May-16	26-May-16	02-Jun-16	09-Jun-16	16-Jun-16	23-Jun-16	30-Jun-16	07-Jul-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,662	7,649	7,668	7,631	7,599	7,517	7,237	7,878
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.01	5.00	5.01	4.99	4.97	4.91	4.73	5.15

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya