



MAY 26, 2017

## Highlights

*The money market was liquid during the week ending May 24, 2017, with interbank transactions resulting in a net liquidity injection of KSh 8.3 billion. The weighted average interbank rate remained stable at 5.03 percent compared to 5.55 percent recorded in the previous week.*

*The capital markets recorded strong performance across all market segments during the week ending May 25, 2017.*

## Monetary Policy Operations

Liquidity in the money market increased during the week ending May 24, 2017, reflecting a net injection of KSh 8.3 billion from interbank transactions. The increase is partly attributed to injections through open market operations of KSh 6.4 billion largely through Term Auction Deposits maturities (**Table 1**).

13.8 billion, from the previous week's KSh 4.7 billion (**Chart A**).

Commercial banks' excess reserves above 5.25 percent averaging requirement increased to KSh

## CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

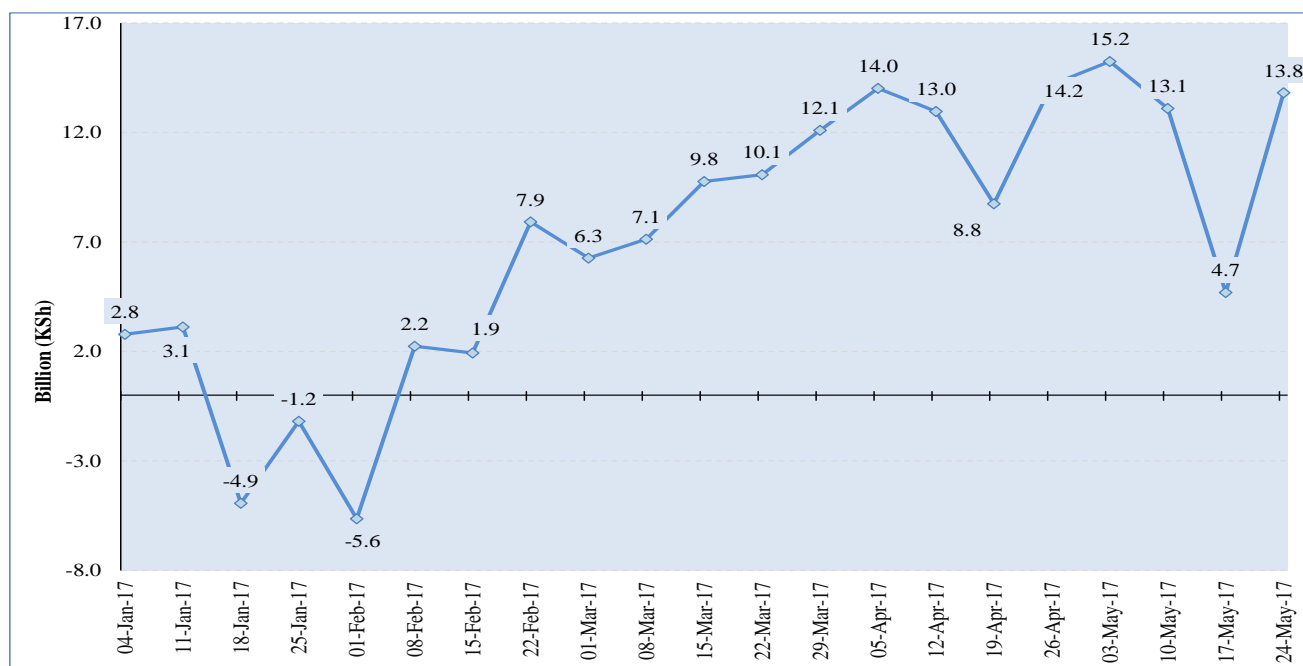
**TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)**

	18-May-17	19-May-17	22-May-17	23-May-17	24-May-17	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection \<sup>1</sup></b>	<b>15.8</b>	<b>20.9</b>	<b>61.7</b>	<b>12.0</b>	<b>14.7</b>	<b>125.2</b>
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.5	0.0	0.6	8.9	2.3	12.2
Term Auction Deposit maturities	12.0	12.0	0.0	0.0	0.0	24.0
T/bills redemptions	0.0	0.0	15.1	0.0	0.0	15.1
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	5.0	31.1	0.0	0.0	36.1
T/bonds Interest	0.0	0.8	11.1	0.0	0.0	11.9
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	3.3	3.2	3.8	3.1	12.5	25.9
<b>Total liquidity reduction \<sup>1</sup></b>	<b>14.6</b>	<b>9.2</b>	<b>57.8</b>	<b>30.2</b>	<b>5.1</b>	<b>116.9</b>
T/bills (Primary issues)	0.0	0.0	32.5	0.0	0.0	32.5
Tbonds Sales	0.0	0.0	0.0	0.0	0.0	0.0
T/bills/Tbonds (OMO Tap Sales)	0.0	0.0	20.0	0.0	0.0	20.0
Repos	10.0	5.8	0.0	0.0	0.0	15.8
Reverse Repos maturities	0.5	0.0	0.8	10.0	2.7	14.0
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	4.1	3.4	4.5	20.2	2.4	34.5
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>1.20</b>	<b>11.72</b>	<b>3.96</b>	<b>-18.24</b>	<b>9.7</b>	<b>8.3</b>
<b>Open Market Operations Outcome</b>						
<b>Posted Amount</b>	10.0	10.0	-	-	-	<b>20.0</b>
<b>Realised Amount - Mop up</b>	<b>10.0</b>	<b>5.8</b>	-	-	-	<b>15.8</b>
Repo (-)	10.0	5.8	-	-	-	-
Term Auction Deposits (-)	-	-	-	-	-	0.0
<b>Reserve Money Position</b>						
Reserve money (actual)	402.9	412.8	414.1	395.3	406.2	<b>406.3</b>

\<sup>1</sup> 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

## CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

### Activity in the Interbank Market

The weighted average interbank rate was stable at 5.03 percent in the week ending May 24, 2017 compared to 5.55 percent recorded in the previous week. The volumes transacted rose to 10.62 billion from KSh 7.94 billion in the previous week, while

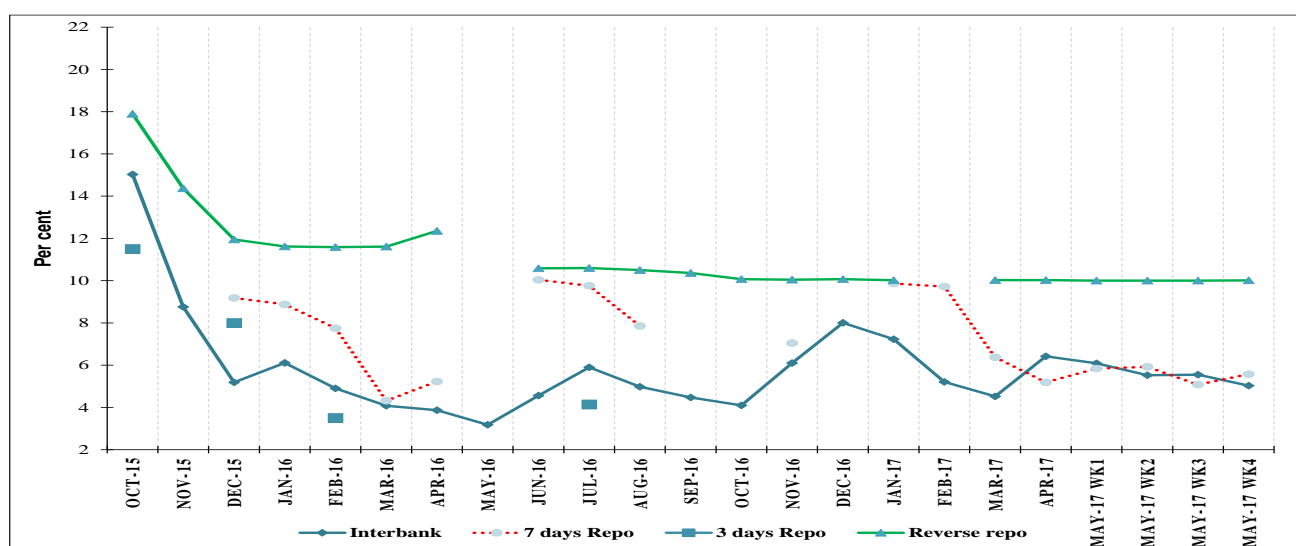
the average number of deals stood at 24 compared to 22. Meanwhile, repo sales traded at a higher average rate of 5.58 percent in the week ending May 24, 2017 compared to 5.08 percent in the previous week (**Table 2** and **Chart B**).

**TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)**

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)	Reverse Repo Rate (%)
11-May-17	21	7,650	5.72	5.21	-
12-May-17	19	7,475	5.43	4.94	-
15-May-17	22	7,320	5.56	-	-
16-May-17	26	10,180	5.37	-	10.00
17-May-17	23	7,050	5.67	-	10.00
<b>May 11, 2017 -May 17, 2017</b>	<b>22</b>	<b>7,935</b>	<b>5.55</b>	<b>5.08</b>	<b>10.00</b>
18-May-17	24	8,225	6.16	5.13	-
19-May-17	34	10,304	5.97	6.03	-
22-May-17	26	13,330	4.83	-	10.00
23-May-17	23	15,050	3.99	-	10.03
24-May-17	15	6,170	4.19	-	10.02
<b>May 18, 2017 -May 24, 2017</b>	<b>24</b>	<b>10,616</b>	<b>5.03</b>	<b>5.58</b>	<b>10.02</b>

Source: Central Bank of Kenya

**CHART B: STRUCTURE OF INTEREST RATES**



Source: Central Bank of Kenya

### Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate weakened against major international currencies during the week ending May 25, 2017. In the EAC region over the same period, the Kenya Shilling strengthened against the Tanzania Shilling and

the Burundi Franc, remained unchanged against the Rwanda Franc, but weakened against the Uganda Shilling (**Table 3**).

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
12-May-17	103.38	133.16	112.34	91.02	35.19	21.62	7.96	16.59
15-May-17	103.22	133.07	112.74	91.03	35.26	21.65	7.97	16.62
16-May-17	103.23	133.29	113.43	90.93	35.16	21.65	8.14	16.45
17-May-17	103.35	133.32	114.42	91.08	35.19	21.65	7.99	16.61
18-May-17	103.34	133.75	114.95	92.78	35.06	21.65	8.13	16.40
<b>12-18 May 2017</b>	<b>103.30</b>	<b>133.32</b>	<b>113.58</b>	<b>91.37</b>	<b>35.17</b>	<b>21.64</b>	<b>8.04</b>	<b>16.53</b>
19-May-17	103.34	133.75	114.97	92.78	35.06	21.65	8.13	16.40
22-May-17	103.31	134.58	115.63	92.66	35.09	21.65	8.17	16.45
23-May-17	103.29	134.29	116.12	92.64	35.05	21.66	7.97	16.63
24-May-17	103.30	134.23	115.86	92.98	35.00	21.66	7.97	16.65
25-May-17	103.30	133.84	115.60	92.33	34.90	21.66	7.97	16.63
<b>19-25 May 2017</b>	<b>103.31</b>	<b>134.14</b>	<b>115.63</b>	<b>92.67</b>	<b>35.02</b>	<b>21.65</b>	<b>8.04</b>	<b>16.55</b>

Units of currency per Kenya Shilling

Source: Central Bank of Kenya

### The Capital Market

The capital markets recorded mixed performance with gains in the equity segment and losses in fixed income and REITs market segments, during the week ending May 25, 2017. The Exchange Traded Funds market segment was quiet.

shareholder wealth, as measured by market capitalization, increased by 4.8 percent despite a 7.5 percent drop in the volume of shares traded. The rise in equity turnover and market capitalisation reflect increases in prices (Table 4) attributed to increased demand for equities.

### Equity Market

Share prices increased during the week ending May 25, 2017 as indicated by gains in the NASI, NSE 25 and NSE 20 price indices, which increased by 4.8 percent, 5.4 percent and 5.1 percent, respectively. Equity turnover increased by 4.7 percent while the

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	06-Apr-17	12-Apr-17	20-Apr-17	27-Apr-17	04-May-17	11-May-17	18-May-17	25-May-17	Weekly Change (%)
NASI 100= 2008	132.63	134.58	133.78	133.20	134.58	137.64	138.85	145.55	4.83
NSE 25 Share Index	3,524.12	3,534.60	3,536.93	3,534.00	3,551.26	3,620.80	3,685.50	3,883.64	5.38
NSE 20 Share Index 100= 1996	3,101.19	3,109.78	3,149.33	3,164.00	3,144.38	3,195.70	3,244.69	3,410.89	5.12
Number of Deals	4,937	4,257	4,136	4,696	4,230	6,068	6,650	6,150	-7.52
Total Shares Traded (Million)	116.21	66.03	230.34	97.38	82.50	133.51	193.34	194.23	0.46
Equity Turnover (KSh Million)	2,442.60	1,867.41	4,149.43	2,768.86	2,341.64	3,051.53	4,303.93	4,507.16	4.72
Market Capitalization (KSh Billion)	1,925.17	1,953.85	1,942.49	1,934.61	1,954.12	1,999.00	2,016.35	2,113.87	4.84
I-REIT Turnover in (KSh Million)	0.79	0.30	0.05	0.43	0.33	0.66	0.24	0.08	-67.50
I-REIT in Units - Total Deals	30.00	17.00	4.00	12.00	21.00	28.00	14.00	10.00	-28.57
Bonds Turnover (KSh Million)	8,183.45	4,405.05	3,977.40	10,647.71	8,706.15	13,791.38	6,687.15	16,421.90	145.57
FTSE NSE Kenya 15 Index	164.38	162.89	164.59	164.10	165.27	169.10	173.37	180.97	4.38
FTSE NSE Kenya 25 Index	167.43	167.21	168.76	168.20	170.11	174.07	177.71	185.31	4.28
FTSE NSE Bond Index	89.71	89.84	89.84	89.90	89.96	89.98	90.04	91.37	1.48
ETF Turnover(KSh Million)					0.12	-	-		-
ETF -Total Deals					1.00	-	-		-

Source: Nairobi Securities Exchange

### FTSE NSE Kenya Index Series, REITS and Most Active Sectors

The FTSE<sup>1</sup> 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 Nairobi Securities Exchange (NSE), increased by 4.4 percent and 4.3 percent, respectively. The Telecommunication & Technology and Banking sectors dominated trading, accounting for 57.2 percent and 14.6 percent, respectively, in the week ending May 25, 2017 reflecting the higher share prices of the total shares traded during the period under review.

Turnover in the real estate market {Income – Rise Estate Investment (I-REIT<sup>2</sup>)}, which is relatively small, declined by 67.5 percent and the number of deals fell by 28.6 percent over the week ending May

25, 2017. The slowdown partly reflect investors preference for longer term yields, possibly signalling investor appetite for longer term yields.

### Bond Market

Bond turnover recorded a sharp increase of 145.57 percent in volume traded over the week ending May 25, 2017, which may be attributed to investors moving to take advantage of the first-come, first-served tap-sale of the FXD2/2010/010 and FXD1/2009/015 bonds. The number of bond deals increased from 175 to 176 over the period under review.

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<sup>1</sup> 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

<sup>2</sup> 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**

<b>91-Day Treasury Bills</b>							
Date of Auction	23-Mar-17	30-Mar-17	27-Apr-17	04-May-17	11-May-17	18-May-17	25-May-17
Amount offered (Ksh M)	10,000.0	10,000.0	10,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	8,806.8	11,223.1	12,373.5	11,828.9	11,942.9	8,847.4	5,171.6
Amount Accepted (Ksh M)	2,158.4	7,084.8	11,239.8	3,602.9	6,705.5	2,234.0	2,645.1
Maturities (Ksh M)	3,750.1	1,393.8	5,657.4	1,381.9	1,532.8	1,813.1	5,910.5
Average interest Rate (%) - 91 Days	8.7	8.8	8.8	8.8	8.7	8.7	8.6
<b>182-Day Treasury Bills</b>							
Date of Auction	22-Mar-17	29-Mar-17	26-Apr-17	03-May-17	10-May-17	17-May-17	24-May-17
Amount offered (Ksh M)				10,000.0	10,000.0	10,000.0	10,000.0
Bids received (Ksh M)				25,376.5	19,616.9	16,815.9	15,070.4
Amount Accepted (Ksh M)				20,401.7	12,516.9	15,452.4	13,608.2
Maturities (Ksh M)				6,660.0	6,932.5	7,220.5	7,053.2
Average interest Rate (%) - 182 days				10.5	10.4	10.4	10.4
<b>364-Day Treasury Bills</b>							
Date of Auction	22-Mar-17	29-Mar-17	26-Apr-17	03-May-17	10-May-17	17-May-17	24-May-17
Amount offered (Ksh M)	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0
Bids received (Ksh M)	20,305.3	13,275.7	8,245.6	9,892.6	10,754.8	15,748.4	13,821.3
Amount Accepted (Ksh M)	15,444.6	9,287.4	7,987.5	8,879.0	10,546.7	14,815.9	11,869.9
Maturities (Ksh M)	13,918.9	4,883.3	8,932.5	6,846.0	6,665.8	10,201.1	6,562.6
Average interest Rate (%) - 364 days	10.9	10.9	10.9	10.9	10.9	10.9	10.9
<b>Treasury Bonds</b>							
Date of Auction	29-Mar-17		27-Apr-17		17-May-17		
Tenor	FXD 2/2014/5	FXD 3/2013/5	FXD1/2009/11		FXD 2/2010/10	FXD 1/2009/15	
Amount offered (Ksh M)	15,000.0		7,000.0		40,000.0		
Bids received (Ksh M)	14,463.7	12,109.4	6,143.05		14,494.9	24,354.9	
Amount Accepted (Ksh M)	7,582.7	7,842.8	4,009.60		8,532.8	11,463.4	
Maturities (Ksh M)	0.0		0		31,079.6		
Average interest Rate (%)	11.817	12.404	12.0		12.472	13.141	

Source: Central Bank of Kenya

**TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)**

	27-Jan-17	24-Feb-17	31-Mar-17	28-Apr-17	05-May-17	12-May-17	19-May-17
1. Treasury Bills (Excluding Repos)	598.48	607.90	615.77	626.90	624.90	636.88	653.67
(As % of total securities)	32.36	33.21	32.69	32.25	32.06	32.47	33.13
2. Treasury Bonds	1,250.70	1,222.61	1,268.16	1,317.02	1,324.29	1,324.29	1,319.29
(As % of total securities)	67.64	66.79	67.31	67.75	67.94	67.53	66.87
<b>3. Total Securities (1+2)</b>	<b>1,849.17</b>	<b>1,830.51</b>	<b>1,883.93</b>	<b>1,943.92</b>	<b>1,949.18</b>	<b>1,961.17</b>	<b>1,972.95</b>
4. Overdraft at Central Bank	13.58	25.13	30.27	-	2.68	-	-
5. Other Domestic debt*	32.10	30.97	31.06	30.75	30.76	35.95	35.95
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,894.85</b>	<b>1,886.61</b>	<b>1,945.25</b>	<b>1,974.67</b>	<b>1,982.62</b>	<b>1,997.11</b>	<b>2,008.90</b>

\* 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 PER CENT)**

	27-Jan-17	24-Feb-17	31-Mar-17	28-Apr-17	05-May-17	12-May-17	19-May-17
Treasury bills (Excluding Repos)	31.6	32.2	31.7	31.7	31.5	31.9	32.5
Treasury bonds	66.0	64.8	65.2	66.7	66.8	66.3	65.7
CBK Overdraft to Govt	0.7	1.3	1.6	0.0	0.1	0.0	0.0
Other domestic debt	1.7	1.6	1.6	1.6	1.6	1.8	1.8
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

**TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER (IN PER CENT)**

	27-Jan-17	24-Feb-17	31-Mar-17	21-Apr-17	28-Apr-17	05-May-17	12-May-17	19-May-17
Banking Institutions	51.6	51.0	54.1	54.9	55.1	55.2	55.3	55.0
Insurance Companies	7.5	7.5	7.1	7.0	7.0	7.0	6.9	6.9
Parastatals	5.7	5.8	6.5	6.5	6.5	6.5	6.4	6.5
Pension funds	28.6	29.0	28.2	27.8	27.5	27.5	27.5	27.8
Other investors	6.7	6.7	4.0	3.9	3.9	3.9	3.9	3.8
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

*Source: Central Bank of Kenya*

**TABLE 9: OFFICIAL FOREIGN RESERVES USD MILLION (USABLE)**

	20-Apr-17	27-Apr-17	04-May-17	11-May-17	18-May-17	25-May-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,959	8,309	8,304	8,251	8,248	8,236
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.26	5.49	5.49	5.45	5.45	5.44

*\*Excludes Encumbered Reserves*

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

*Source: Central Bank of Kenya*