



DECEMBER 23, 2016

Highlights

The money market was relatively liquid during the week ending December 21, 2016, supported by government payments and net OMO. The average interbank rate decreased to 4.38 percent in the week ending December 21, 2016 from 5.17 percent in the previous week.

The capital markets recorded mixed performance in the week ending on December 22, 2016.

Monetary Policy Operations

The money market was relatively liquid during the week ending December 21, 2016, supported by government payments and net OMO actions. The net liquidity injections in the interbank market amounted to KSh. 7.1 billion (**Table 1**).

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

	15-Dec-16	16-Dec-16	19-Dec-16	20-Dec-16	21-Dec-16	Total
Liquidity Flows						
Total liquidity injection \¹	4.9	10.2	55.8	6.9	10.2	88.0
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	2.8	5.4	2.3	1.7	6.3	18.5
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	10.7	0.0	0.0	10.7
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	29.4	0.0	0.0	29.4
T/bonds Interest	0.0	0.0	8.6	0.0	0.0	8.6
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	2.1	4.8	4.8	5.1	3.9	20.8
Total liquidity reduction \¹	4.9	11.8	28.9	10.5	24.7	80.8
T/bills (Primary issues)	0.0	0.0	8.4	0.0	0.0	8.4
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	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repos maturities	0.0	5.1	2.3	1.2	0.0	8.6
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.6	5.8	5.0	9.2	24.7	47.2
Net liquidity injection (+)/Withdrawal (-)	0.0	-1.6	26.8	-3.6	-14.5	7.1
Open Market Operations Outcome						
Reverse Repos purchases	2.8	5.4	2.3	1.7	6.3	18.5
Reserve Money Position						
Reserve money (actual)	383.1	381.3	407.9	403.3	389.0	

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

Source: Central Bank of Kenya

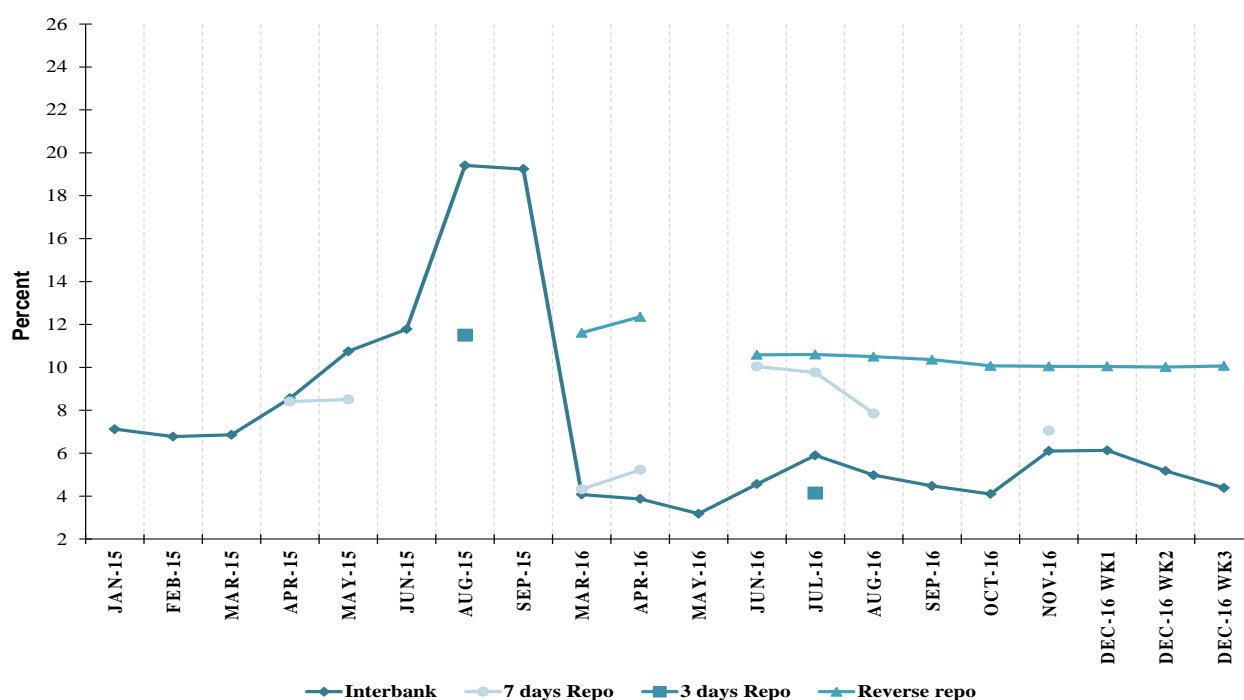
Activity in the Interbank Market

Volumes transacted increased to KSh 19.9 billion from KSh 16.7 billion traded in the previous week. During the week under review, the transactions dealt at a lower weighted average interbank rate of 4.38 percent compared to 5.17 percent recorded 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 (%)	Reverse Repo Rate (%)
8-Dec-16	35	21,275	5.50	10.06
9-Dec-16	39	20,660	5.14	10.00
13-Dec-16	33	15,202	5.39	10.00
14-Dec-16	24	9,540	4.65	10.00
Dec 08-14, 2016	33	16,669	5.17	10.02
15-Dec-16	27	14,905	4.34	
16-Dec-16	37	27,250	4.18	10.00
19-Dec-16	35	19,750	4.31	10.04
20-Dec-16	38	22,570	4.12	10.16
21-Dec-16	39	14,880	4.97	
Dec 15-21, 2016	35	19,871	4.38	10.07

Source: Central Bank of Kenya

CHART A: STRUCTURE OF INTEREST RATES


Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate portrayed mixed performance against major international and regional currencies during the week ending December 22, 2016. It strengthened against the Sterling Pound, the Euro and the Japanese Yen. However, it weakened marginally against the US Dollar and all currencies of the EAC region (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
9-Dec-16	101.97	128.44	108.26	89.21	35.33	21.38	7.97	16.51
13-Dec-16	102.08	128.36	107.95	88.84	35.22	21.36	7.97	16.50
14-Dec-16	102.10	129.82	108.41	88.70	35.06	21.35	7.97	16.50
15-Dec-16	102.10	129.68	108.64	88.86	35.26	21.33	7.97	16.51
9 - 15 December 2016	102.06	129.07	108.31	88.90	35.22	21.35	7.97	16.50
16-Dec-16	102.19	126.93	106.56	86.51	35.18	21.34	7.97	16.49
19-Dec-16	102.20	127.54	106.73	86.52	35.13	21.33	7.97	16.39
20-Dec-16	102.24	126.52	106.61	87.30	34.95	21.32	7.96	16.47
21-Dec-16	102.30	126.19	106.06	86.61	34.90	21.29	7.96	16.37
22-Dec-16	102.35	126.68	106.74	87.30	34.83	21.28	7.96	16.36
16-22 December 2016	102.25	126.77	106.54	86.85	35.00	21.31	7.96	16.42

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

The capital markets recorded mixed performance in the week that ending on December 22, 2016.

Equity Market

The NSE 20 and 25 share indices declined marginally by 0.73 and 0.22 percent respectively, while the NASI 100 index increased by 0.83 percent attributed to improved equity prices in some counters over the week under review. Shareholder wealth, measured by market capitalization, increased by 0.83 percent on account of improved share prices in some counters. Equity turnover also increased by 59.30 percent during the week to December 22, 2016 following an increase of 88.12 percent in the volume of shares traded (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	10-Nov-16	17-Nov-16	24-Nov-16	1-Dec-16	8-Dec-16	15-Dec-16	22-Dec-16	Weekly Change (%)
NASI 100= 2008	139.89	139.96	138.39	136.74	133.7	130.95	132.04	0.83
NSE 25 Share Index	3,686.03	3,709.91	3,681.55	3,599.17	3,526.83	3,466.52	3,459.04	-0.22
NSE 20 Share Index 100= 1996	3,246.72	3,283.77	3,273.71	3,250.62	3,180.56	3,129.78	3,106.91	-0.73
Number of Deals	6,233	6,054	5,445	5,043	4,733	3,687	4,687	27.12
Total Shares Traded (Millions)	116.95	91.79	100.21	102.68	79.91	51.33	96.56	88.12
Equity Turnover (Ksh. Millions)	2,727.92	2,232.48	1,901.46	2,495.91	2,227.92	1,252.52	1,995.31	59.30
Market Capitalization (Ksh. Bn.)	2,026.78	2,027.74	2,009.91	1,980.97	1,936.75	1,896.95	1,912.71	0.83
I-REIT Turnover in (Ksh.)	0.27	0.71	0.92	0.20	0.62	0.94	0.09	-89.91
I-REIT in Units - Total Deals	23	35	29	26	22	16	16	0.00
Bonds Turnover (Ksh. Millions)	9,533.29	6,751.20	6,649.85	5,095.10	2,873.25	5,395.44	7,857.91	45.64
FTSE NSE Kenya 15 Index	168.62	170.84	170.07	165.69	161.66	159.64	158.63	-0.63
FTSE NSE Kenya 25 Index	174.99	176.43	174.71	170.40	166.28	163.83	163.96	0.08
FTSE NSE Bond Index	90.27	90.31	90.19	90.22	90.21	89.96	89.96	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, closed the week 0.63 percent lower and 0.08 percent higher, respectively. The Telecommunication & Technology and Banking sectors dominated trading accounting for 55.62 percent and 28.45 percent, respectively of the total shares traded over the period under review.

Performance in the real estate market segment declined, with the Income Real Estate Investment Trust (I-REIT²) turnover reducing by 89.91 percent, while the number of deals remained unchanged, signalling reduced demand for asset backed securities.

Bond Market

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.

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

The FTSE Bond Index remained unchanged on account of stable secondary market yields. The volume of bonds traded increased by 45.64 percent in the week ending December 22, 2016 to close at KSh.7, 857.91 million with number of deals increasing from 54 to 215 deals over the period in review.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills							
Date of Auction	25-Aug-16	29-Sep-16	27-Oct-16	24-Nov-16	8-Dec-16	15-Dec-16	22-Dec-16
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
Bids received (Ksh M)	1,682.2	4,722.1	4,335.7	5,911.3	2,174.2	2,588.8	3,687.5
Amount Accepted (Ksh M)	1,456.4	4,200.4	4,335.7	5,908.4	2,172.8	2,588.8	3,687.5
Maturities (Ksh M)	7,363.7	3,417.7	2,714.4	1,484.5	4,783.3	4,166.3	5,455.7
Average interest Rate (%) - 91 Days	8.6	7.8	8.0	8.3	8.4	8.5	8.6
182-Day Treasury Bills							
Date of Auction	24-Aug-16	28-Sep-16	26-Oct-16	23-Nov-16	7-Dec-16	14-Dec-16	21-Dec-16
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)	7,962.7	8,678.0	7,356.5	6,936.3	7,309.5	7,446.2	15,844.8
Amount Accepted (Ksh M)	7,626.3	5,311.7	7,356.5	6,915.3	7,162.3	4,229.9	11,266.4
Maturities (Ksh M)	5,446.0	2,051.1	9,520.1	5,649.1	6,790.4	5,676.3	10,721.8
Average interest Rate (%) - 182 days	11.2	10.4	10.3	10.4	10.5	10.6	10.5
364-Day Treasury Bills							
Date of Auction	24-Aug-16	28-Sep-16	26-Oct-16	23-Nov-16	7-Dec-16	14-Dec-16	21-Dec-16
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)	5,850.8	7,326.1	5,422.8	5,316.7	7,546.8	1,593.4	2,116.1
Amount Accepted (Ksh M)	5,630.0	7,326.1	5,422.8	3,266.8	5,078.2	1,593.4	1,949.9
Maturities (Ksh M)	1,669.4	3,666.6	8,529.4	1,290.5	3,062.6	818.3	1,506.1
Average interest Rate (%) - 364 days	12.0	10.4	10.6	10.8	11.1	11.1	11.0
Treasury Bonds							
Date of Auction	24th August 2016		20-Oct-16	23-Nov-16		14-Dec-16	21-Dec-16
Tenor	FXD 1/2016/10		IFB1/2016/16 (Tap sale)	FXD 1/2008/20		FXD3/2016/2	FXD3/2016/2 (Tap Sale)
Amount offered (Ksh M)	25,000.00		10,000.0	30,000.0		30,000.0	20,000.0
Bids received (Ksh M)	26,305.20		4,773.4	8,398.0		35,540.1	13,637.0
Amount Accepted (Ksh M)	18,312.23		4,471.4	7,876.6		10,535.3	13,637.0
Maturities (Ksh M)	-		0.0	0.0		29,375.7	0.0
Average interest Rate (%)	15.04		13.2	14.3		12.5	12.5

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	24-Jun-16	29-Jul-16	26-Aug-16	30-Sep-16	28-Oct-16	25-Nov-16	02-Dec-16	09-Dec-16	16-Dec-16
1. Treasury Bills (Excluding Repos)	578.03	577.76	579.67	618.25	631.84	611.95	620.00	621.38	621.92
(As % of total securities)	33.41	32.75	33.09	33.97	34.04	33.19	33.07	33.12	33.14
2. Treasury Bonds	1,152.04	1,186.12	1,171.92	1,201.78	1,224.21	1,231.57	1,254.59	1,254.59	1,254.59
(As % of total securities)	66.59	67.25	66.91	66.03	65.96	66.81	66.93	66.88	66.86
3. Total Securities (1+2)	1,730.07	1,763.88	1,751.59	1,820.02	1,856.05	1,843.52	1,874.60	1,875.97	1,876.52
4. Overdraft at Central Bank	37.06	14.01	13.28	3.32	0.00	9.96	0.00	0.00	0.00
5. Other Domestic debt*	31.09	30.76	31.42	31.45	31.21	32.05	32.05	32.03	31.39
6. Gross Domestic Debt (3+4+5)	1,798.22	1,808.64	1,796.29	1,854.80	1,887.26	1,885.54	1,906.65	1,908.00	1,907.90

* 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	26-Aug-16	30-Sep-16	28-Oct-16	25-Nov-16	2-Dec-16	9-Dec-16	16-Dec-16
Treasury bills (Excluding Repos)	32.1	31.9	32.3	33.3	33.5	32.5	32.5	32.6	32.6
Treasury bonds	64.1	65.6	65.2	64.8	64.9	65.3	65.8	65.8	65.8
CBK Overdraft to Govt	2.1	0.8	0.7	0.2	0.0	0.5	0.0	0.0	0.0
Other domestic debt	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.6
TOTAL	100.0	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 (IN PERCENT)

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

	24-Jun-16	29-Jul-16	26-Aug-16	30-Sep-16	28-Oct-16	25-Nov-16	2-Dec-16	9-Dec-16	16-Dec-16
Banking Institutions	56.3	54.8	54.4	55.0	53.1	53.3	52.7	52.3	52.2
Insurance Companies	7.5	7.6	7.3	7.4	7.1	7.1	7.3	7.3	7.3
Parastatals	4.7	5.1	5.6	5.5	5.6	5.8	5.8	5.8	5.8
Pension funds	25.9	26.8	27.0	26.6	27.1	27.3	27.7	28.1	28.2
Other investors	5.7	5.7	5.6	5.6	7.1	6.5	6.5	6.5	6.6
Total	100.0	100.0	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)

	13-Oct-16	19-Oct-16	27-Oct-16	3-Nov-16	10-Nov-16	17-Nov-16	24-Nov-16	1-Dec-16	8-Dec-16	15-Dec-16	22-Dec-16
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,744	7,729	7,683	7,628	7,536	7,485	7,336	7,289	7,308	7,247	7,028
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.07	5.06	5.03	4.99	4.93	4.90	4.80	4.77	4.78	4.74	4.60

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya