



JANUARY 20, 2017

Highlights

The money market was relatively liquid during the week ending January 18, 2017, supported largely by government payments. The weighted average interbank rate rose by 75 basis points to 8.29 percent in January 18, 2017 from 7.54 percent recorded the previous week, reflecting skewed distribution of liquidity in the interbank market.

The capital markets recorded mixed performance during the week ending January 19, 2017, with significant gain in the bonds market but a general decline across leading indicators in the equities market.

Monetary Policy Operations

The money market was relatively liquid during the week ending January 18, 2017, supported largely by government payments (**Table 1**).

The Commercial banks' were tight on reserves, recording KSh 4.9 billion deficiency in relation to the 5.25 percent CRR averaging requirement in the week ending January 18, 2017, a reversal to the KSh 3.1 billion surplus the previous week. Overall banks have improved liquidity management since the week ending December, 2016 with deviations in the narrower range of (+3.1 to -4.9) in the last 4 weeks (**Chart A**).

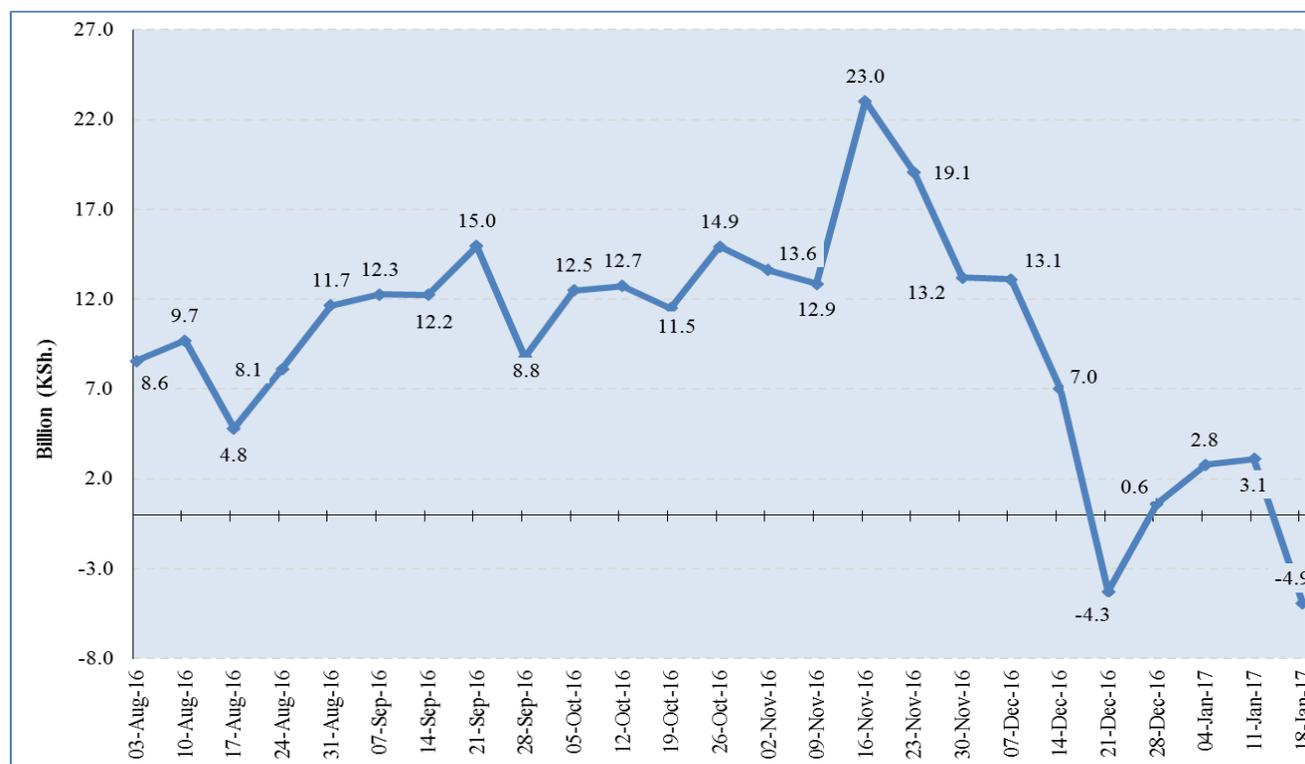
TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	12-Jan-17	13-Jan-17	16-Jan-17	17-Jan-17	18-Jan-17	Total
Liquidity Flows						
Total liquidity injection \¹	3.0	4.9	20.1	10.3	3.1	41.4
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	1.3	2.2	5.4	0.0	8.9
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	12.4	0.0	0.0	12.4
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	0.7	0.0	0.0	0.7
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	3.0	3.6	4.5	4.9	3.1	19.1
Total liquidity reduction \¹	6.1	4.8	9.9	10.4	5.6	36.7
T/bills (Primary issues)	0.0	0.0	6.3	0.0	0.0	6.3
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	2.6	2.3	4.7	0.0	9.6
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	4.3	2.1	1.3	1.9	1.8	11.4
Net liquidity injection (+)/Withdrawal (-)	-3.0	0.1	10.2	-0.1	-2.5	4.7
Reserve money (actual)	380.3	377.3	387.5	387.0	384.3	

\¹ 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

Activity in the Interbank Market

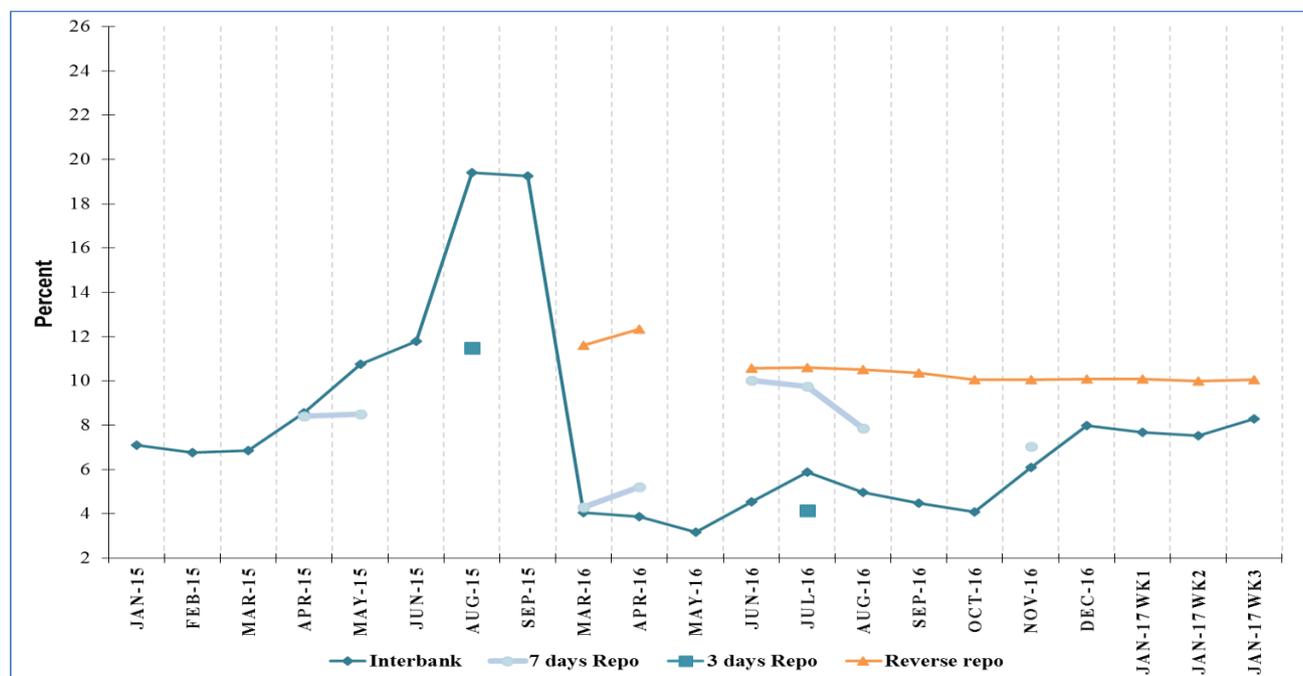
The average interbank rate rose by 75 basis points to 8.29 percent in the week ending January 18, 2017 from 7.54 percent in the previous week, reflecting skewed distribution of liquidity in the interbank market. The volumes transacted declined to KSh 12.7 billion from KSh 23.1 billion traded in the previous week. Reverse repo purchases traded at a marginally higher average rate of 10.07 percent compared to 10.00 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 (%)	Reverse Repo Rate (%)
5-Jan-17	52	25,465	6.88	10.00
6-Jan-17	64	25,785	7.76	10.00
9-Jan-17	52	22,105	8.55	-
10-Jan-17	51	22,145	7.58	10.00
11-Jan-17	51	19,765	6.90	10.00
Jan 5, 2017-Jan 11, 2017	54	23,053	7.54	10.00
12-Jan-17	54	17,090	7.09	-
13-Jan-17	51	12,705	8.13	10.00
16-Jan-17	51	9,216	7.98	10.00
17-Jan-17	42	10,680	9.00	10.20
18-Jan-17	45	13,970	9.23	-
Jan 12, 2017-Jan 18, 2017	49	12,732	8.29	10.07

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 but portrayed mixed performance against regional currencies during the week ending January 19, 2017. In the EAC Region, it strengthened against the Tanzania Shilling and the Rwanda Franc but weakened against the Uganda Shilling and the Burundi Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
6-Jan-17	103.61	127.49	109.06	88.35	35.01	21.12	7.87	16.30
9-Jan-17	103.66	127.86	109.36	88.90	35.02	21.12	7.92	16.17
10-Jan-17	103.81	126.13	109.68	89.21	35.04	21.14	7.86	16.27
11-Jan-17	103.84	126.22	109.93	89.78	34.96	21.24	7.86	16.14
12-Jan-17	103.83	125.77	108.86	88.95	34.91	21.38	7.86	16.15
6-12 Jan 2017	103.75	126.69	109.38	89.04	34.99	21.20	7.87	16.21
13-Jan-17	103.88	126.40	110.28	90.29	34.80	21.37	7.91	16.27
16-Jan-17	103.92	126.33	110.50	90.54	34.74	21.40	7.85	16.27
17-Jan-17	103.93	125.37	110.09	91.03	34.73	21.45	7.85	16.14
18-Jan-17	103.96	128.57	111.29	92.00	34.72	21.49	8.02	16.13
19-Jan-17	103.95	127.62	110.59	90.71	34.63	21.50	8.02	16.13
13-19 Jan 2017	103.93	126.86	110.55	90.91	34.73	21.44	7.93	16.19

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

The capital markets recorded mixed performance during the week ending January 19, 2017, with bonds market activity recording significant gains but the equities market declining across leading indicators.

Equity Market

All the three price indices; NASI, NSE 25 Share index and NSE 20 Share Index declined during the week ending January 19, 2017. Similarly, market capitalization, which measures shareholders wealth maintained a downward trend for the 8th week in a row. Equity turnover however increased by 24.08 percent during the week on account of increase in the number of shares traded. This may signal investors shift to ‘safer’ assets like debt securities or retreat by foreign investors given domestic and global uncertainties (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	08-Dec-16	15-Dec-16	22-Dec-16	29-Dec-16	05-Jan-17	12-Jan-17	19-Jan-17	Weekly Change (Percent)
NASI 100= 2008	133.7	130.95	132.04	131.30	131.45	124.75	124.21	-1.26
NSE 25 Share Index	3,526.83	3,466.52	3,459.04	3,455.66	3,481.64	3,262.53	3,234.77	-2.07
NSE 20 Share Index 100= 1996	3,180.56	3,129.78	3,106.91	3,156.59	3,170.71	3,014.36	2,924.90	-4.03
Number of Deals	4,733	3,687	4,687	1,980	3,149	4,789	4,839	1.04
Total Shares Traded (Million)	79.91	51.33	96.56	36.23	167.10	124.03	124.12	0.07
Equity Turnover (KSh Million)	2,227.92	1,252.52	1,995.31	921.22	2,312.80	2,579.69	3,200.87	24.08
Market Capitalization (KSh Billion)	1,936.75	1,896.95	1,912.71	1,901.97	1,904.16	1,806.88	1,799.06	-0.43
I-REIT Turnover in (KSh Million)	0.62	0.94	0.09	0.12	18.65	0.28	0.46	62.54
I-REIT in Units - Total Deals	22	16	16	11	18	20	25	25.00
Bonds Turnover (KSh Million)	2,873.25	5,395.44	7,857.91	5,095.60	3,314.45	6,208.51	10,653.85	71.60
FTSE NSE Kenya 15 Index	161.66	159.64	158.63	159.07	159.84	150.86	147.33	-2.34
FTSE NSE Kenya 25 Index	166.28	163.83	163.96	164.30	163.65	154.95	152.44	-1.62
FTSE NSE Bond Index	90.21	89.96	89.96	90.05	90.00	89.94	89.86	-0.09

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 Nairobi Securities Exchange (NSE) declined by 2.34 percent and 1.62 percent, respectively, in the week under review. Telecommunication and Technology and Banking sectors accounting for 81.89 percent of the total shares traded.

Turnover in the Income-Real Estate Investment Trust (I-REIT²) increased by 62.5 percent, reflecting appetite in the real estate market segment. The number of deals rose by 25 percent over the week ending January 12, 2017, signalling continued investor appetite for asset-backed securities.

Bond Market

The volume of bonds traded at the NSE rose by 71.60 percent, with deals transacted rising from 170 to 204 during the week ending January 19, 2017. The increased appetite for bonds for the third week in a row may be attributed to investors' preference for a cheaper fifteen-year treasury bond (now 5.37 years) reopening to raise KSh 30 billion, and divestiture from relatively riskier assets like equities. The FTSE Bond Index decreased slightly by 0.09 percent, reflecting continued increase in 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.

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TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills									
Date of Auction	01-Dec-16	08-Dec-16	15-Dec-16	22-Dec-16	29-Dec-16	05-Jan-17	12-Jan-17	19-Jan-17	
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	4,000.0	4,000.0
Bids received (Ksh M)	5,664.1	2,174.2	2,588.8	3,687.5	1,367.7	3,471.7	3,446.9	4,933.6	
Amount Accepted (Ksh M)	5,624.8	2,172.8	2,588.8	3,687.5	1,367.4	3,452.1	3,446.4	4,806.4	
Maturities (Ksh M)	5,457.7	4,783.3	4,166.3	5,455.7	4,267.1	5,905.8	4,766.7	1,380.2	
Average interest Rate (%) - 91 Days	8.4	8.4	8.5	8.6	8.6	8.6	8.6	8.7	
182-Day Treasury Bills									
Date of Auction	30-Nov-16	07-Dec-16	14-Dec-16	21-Dec-16	28-Dec-16	04-Jan-17	11-Jan-17	18-Jan-17	
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	6,000.0	6,000.0
Bids received (Ksh M)	6,801.8	7,309.5	7,446.2	15,844.8	2,140.8	2,411.0	5,621.0	5,585.4	
Amount Accepted (Ksh M)	6,741.1	7,162.3	4,229.9	11,266.4	1,145.9	1,936.3	1,542.7	5,573.1	
Maturities (Ksh M)	7,332.9	6,790.4	5,676.3	10,721.8	1,247.7	2,903.2	2,838.3	14,457.8	
Average interest Rate (%) - 182 days	10.5	10.5	10.6	10.5	10.5	10.5	10.5	10.5	
364-Day Treasury Bills									
Date of Auction	30-Nov-16	07-Dec-16	14-Dec-16	21-Dec-16	28-Dec-16	04-Jan-17	11-Jan-17	18-Jan-17	
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)	4,417.6	7,546.8	1,593.4	2,116.1		3,849.4	2,919.8	2,677.3	
Amount Accepted (Ksh M)	4,372.6	5,078.2	1,593.4	1,949.9		3,354.4	1,333.6	2,461.3	
Maturities (Ksh M)	3,456.7	3,062.6	818.3	1,506.1		3,569.1	4,804.4	3,937.2	
Average interest Rate (%) - 364 days	10.9	11.1	11.1	11.0		11.0	11.0	11.0	
Treasury Bonds									
Date of Auction			14-Dec-16	21-Dec-16	29-Dec-16				
Tenor			FXD3/2016/2	FXD3/2016/2 (Tap Sale)	FXD3/2016/2 (Tap Sale)				
Amount offered (Ksh M)			30,000.0	20,000.0	20,000.0				
Bids received (Ksh M)			35,540.1	13,637.0	1,354.0				
Amount Accepted (Ksh M)			10,535.3	13,637.0	1,353.8				
Maturities (Ksh M)			29,375.7	0.0	0.0				
Average interest Rate (%)			12.5	12.5	12.5				

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	24-Jun-16	30-Sep-16	28-Oct-16	25-Nov-16	16-Dec-16	23-Dec-16	30-Dec-16	06-Jan-17	13-Jan-17
1. Treasury Bills (Excluding Repos)	578.03	618.25	631.84	611.95	621.92	620.09	620.19	613.67	610.57
(As % of total securities)	33.41	33.97	34.04	33.19	33.14	33.41	33.17	32.92	32.80
2. Treasury Bonds	1,152.04	1,201.78	1,224.21	1,231.57	1,254.59	1,235.73	1,249.34	1,250.70	1,250.70
(As % of total securities)	66.59	66.03	65.96	66.81	66.86	66.59	66.83	67.08	67.20
3. Total Securities (1+2)	1,730.07	1,820.02	1,856.05	1,843.52	1,876.52	1,855.82	1,869.53	1,864.37	1,861.27
4. Overdraft at Central Bank	37.06	3.32	0.00	9.96	0.00	31.42	29.93	29.38	15.58
5. Other Domestic debt*	31.09	31.45	31.21	32.05	31.39	31.39	31.39	31.38	31.52
6. Gross Domestic Debt (3+4+5)	1,798.22	1,854.80	1,887.26	1,885.54	1,907.90	1,918.63	1,930.86	1,925.12	1,908.37

* 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	16-Dec-16	23-Dec-16	30-Dec-16	06-Jan-17	13-Jan-17
Treasury bills (Excluding Repos)	32.1	31.9	32.3	33.3	33.5	32.5	32.6	32.3	32.1	31.9	32.0
Treasury bonds	64.1	65.6	65.2	64.8	64.9	65.3	65.8	64.4	64.7	65.0	65.5
CBK Overdraft to Govt	2.1	0.8	0.7	0.2	0.0	0.5	0.0	1.6	1.6	1.5	0.8
Other domestic debt	1.7	1.7	1.7	1.7	1.7	1.7	1.6	1.6	1.6	1.6	1.7
TOTAL	100.0										

Source: Central Bank of Kenya

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TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER (IN PERCENT)

	24-Jun-16	29-Jul-16	26-Aug-16	30-Sep-16	28-Oct-16	25-Nov-16	16-Dec-16	23-Dec-16	30-Dec-16	06-Jan-17	13-Jan-17
Banking Institutions	56.3	54.8	54.4	55.0	53.1	53.3	52.2	52.2	52.5	52.5	52.3
Insurance Companies	7.5	7.6	7.3	7.4	7.1	7.1	7.3	7.2	7.3	7.3	7.4
Parastatals	4.7	5.1	5.6	5.5	5.6	5.8	5.8	5.9	5.6	5.6	5.7
Pension funds	25.9	26.8	27.0	26.6	27.1	27.3	28.2	28.1	28.0	28.0	28.1
Other investors	5.7	5.7	5.6	5.6	7.1	6.5	6.6	6.5	6.5	6.5	6.6
Total	100.0										

Source: Central Bank of Kenya

TABLE 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)

	10-Nov-16	17-Nov-16	24-Nov-16	01-Dec-16	08-Dec-16	15-Dec-16	22-Dec-16	29-Dec-16	05-Jan-17	12-Jan-17	19-Jan-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,536	7,485	7,336	7,289	7,308	7,247	7,028	6,971	7,058	6,944	6,853
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.93	4.90	4.80	4.77	4.78	4.74	4.60	4.56	4.62	4.55	4.49

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya