



MARCH 10, 2017

Highlights

The money market liquidity improved by Ksh 8.5 billion in the week ending March 8, 2017, largely supported by net government payments. The average interbank rate declined to 4.76 percent during the week from 5.21 percent recorded in the previous week.

Capital markets recorded mixed trends in the week ending March 9, 2017 with a general decline in equities and improvement in the bond market segment.

Monetary Policy Operations

The money market was relatively liquid during the week ending March 8, 2017, reflecting net government payments and a partially offset withdrawal through OMO (**Table 1**).

Commercial banks' free reserves based on the cash reserve requirement of 5.25 percent increased marginally to KSh 7.1 billion in the week ending March 8, 2017 from KSh 6.3 billion recorded in the previous week (**Chart A**).

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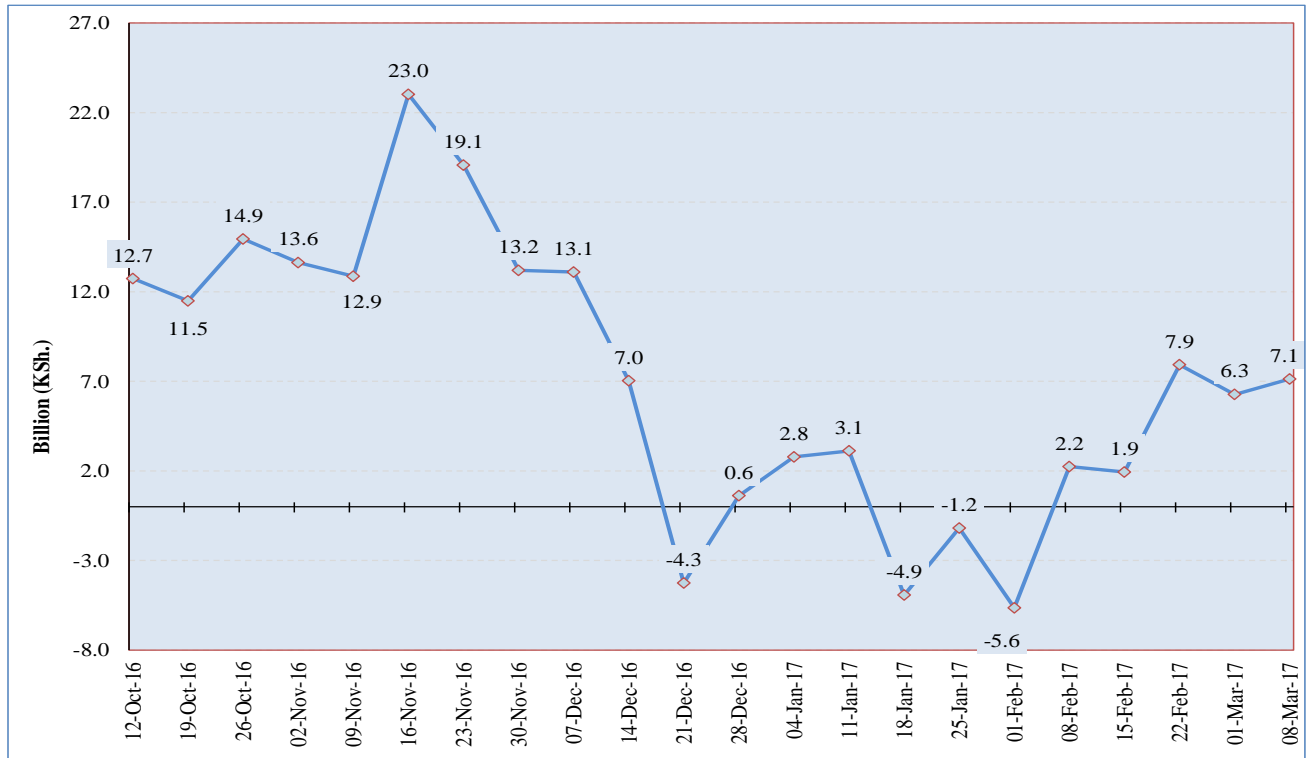
TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	2-Mar-17	3-Mar-17	6-Mar-17	7-Mar-17	8-Mar-17	Total
Liquidity Flows						
Total liquidity injection \¹	11.0	4.6	65.6	8.9	10.2	100.4
Repos Maturities	-	-	20.0	-	-	20.0
Reverse Repo Purchases	0.5	1.7	0.0	2.5	0.0	4.7
Term Auction Deposit maturities	0.3	0.0	4.5	0.0	6.2	11.0
T/bills redemptions	-	-	22.6	-	-	22.6
T/bills rediscounts	-	-	-	-	-	-
T/bonds redemptions	-	-	-	-	-	-
T/bonds Interest	-	-	-	-	-	-
T/bonds rediscounts	-	-	-	-	-	-
Govt payments	10.3	2.4	17.5	5.4	3.0	38.6
Total liquidity reduction \¹	12.7	3.6	60.6	10.2	4.9	91.9
T/bills (Primary issues)	-	-	30.0	-	-	30.0
Tbonds Sales	-	-	-	-	-	-
T/bills/Tbonds (OMO Tap Sales)	-	-	-	-	-	-
Repos	4.0	-	20.6	-	-	24.6
Reverse Repos maturities	0.5	1.7	0.7	2.5	2.4	7.7
Term Auction Deposit	6.0	-	-	5.0	-	11.0
Transfer from Banks -Taxes	2.2	1.9	1.7	2.7	2.5	11.0
Net liquidity injection (+)/Withdrawal (-)	-1.7	1.1	5.1	-1.3	5.3	8.5
Open Market Operations Outcome						
Posted Amount	10.0	-	20.0	5.0	-	35.0
Realised Amount - Mop up	10.0	-	20.6	5.0	-	35.6
Repo (-)	4.0	-	20.6	-	-	24.6
Term Auction Deposits (-)	6.0	-	-	5.0	-	11.0

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

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Activity in the Interbank Market

The average interbank rate declined to 4.8 percent in the week ending March 8, 2017 from 5.2 percent recorded in the previous week. The volumes transacted increased by 20 percent to KSh 12.6 billion during the week

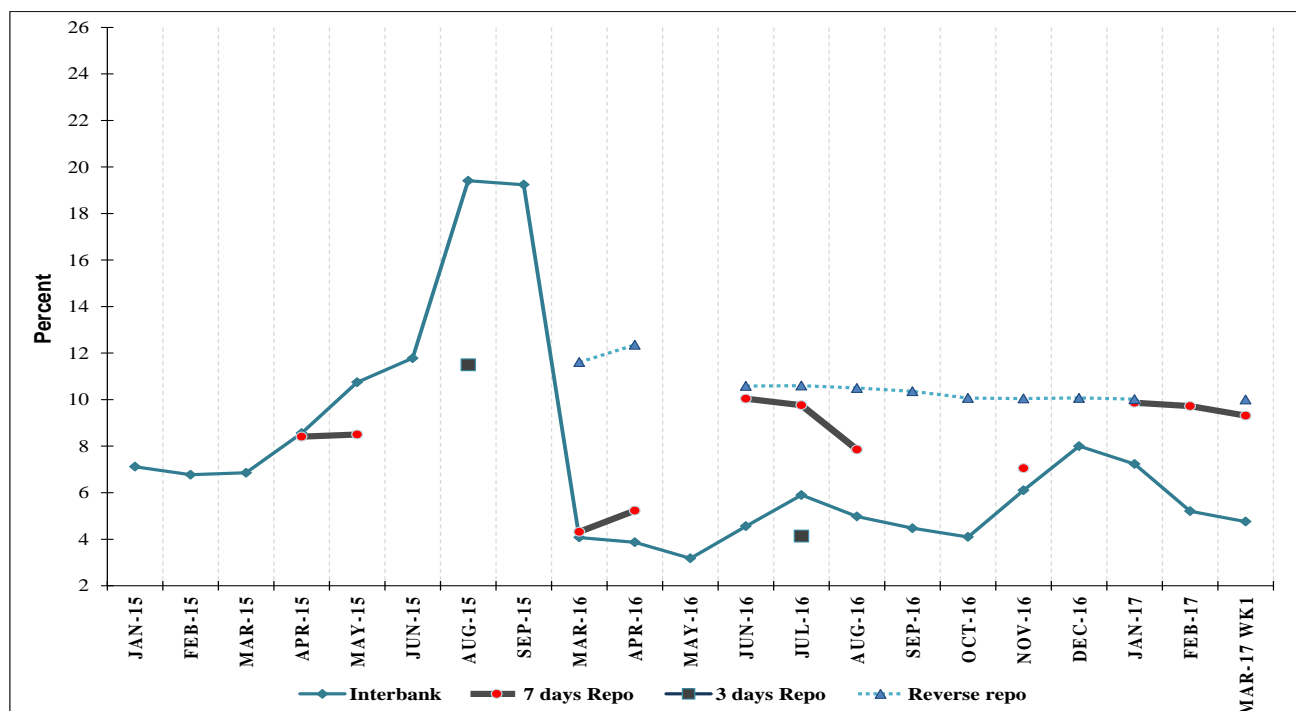
under review, as the number of deals stabilized. The repo rate at 9.32 percent was 0.40 percent lower than the previous week while, the reverse repo rate stood at 10.0 percent (**Table 2** and **Chart B**).

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 (%)
23-Feb-17	29	13,120	5.80	-	-
24-Feb-17	24	14,885	5.45	-	-
27-Feb-17	25	17,040	4.93	9.72	-
28-Feb-17	18	10,630	4.60	-	-
1-Mar-17	18	7,405	5.26	-	-
Feb 16, 2017 - Feb 22, 2017	23	12,616	5.21	9.72	-
2-Mar-17	19	7,245	4.73	9.73	-
3-Mar-17	22	10,850	4.63	-	10.00
6-Mar-17	31	12,005	5.06	9.55	-
7-Mar-17	23	11,555	5.08	8.67	-
8-Mar-17	21	10,875	4.29	-	-
Mar 2, 2017 - Mar 8, 2017	23	10,506	4.76	9.32	10.00

Source: Central Bank of Kenya

CHART B: STRUCTURE OF INTEREST RATES



Source: Central Bank of Kenya

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Kenya Shilling Exchange Rate

The Kenya Shilling strengthened against all the major international and EAC region currencies in the week ending March 9, 2017. The strengthening of the shilling was

supported by evenly matched demand for and supply of foreign exchange in the market (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
24-Feb-17	103.55	129.51	109.54	91.83	34.62	21.57	7.91	16.41
27-Feb-17	103.47	128.61	109.37	92.23	34.65	21.60	8.10	16.32
28-Feb-17	103.34	128.40	109.47	92.04	34.74	21.61	7.93	16.45
1-Mar-17	102.98	127.92	109.08	91.87	34.86	21.70	7.96	16.51
2-Mar-17	102.83	126.44	108.22	90.22	34.91	21.73	7.97	16.54
24 February-2 March 2017	103.23	128.18	109.14	91.64	34.76	21.64	7.97	16.45
3-Mar-17	102.88	126.15	108.17	90.07	34.95	21.72	8.15	16.42
6-Mar-17	102.65	126.07	108.75	90.15	35.10	21.75	8.17	16.57
7-Mar-17	102.64	125.95	108.79	90.24	35.07	21.77	7.99	16.58
8-Mar-17	102.62	125.12	108.42	89.95	35.06	21.78	7.98	16.58
9-Mar-17	102.56	124.79	108.23	89.50	35.05	21.79	7.99	16.60
3 -9 March 2017	102.67	125.62	108.47	89.98	35.05	21.76	8.06	16.55

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

Capital markets recorded mixed trends in the week ending March 9, 2017 with a general decline in equities and improvement in the bond market segment.

Equity Market

All Share price indices declined during the week ending March 9, 2017. Similarly, market capitalization, which measures shareholder wealth, declined by 2.03 percent while, equity turnover increased by 8.5 percent on account of a 10.4 percent increase in shares supply (Table 4).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	19-Jan-17	26-Jan-17	2-Feb-17	9-Feb-17	16-Feb-17	23-Feb-17	2-Mar-17	9-Mar-17	Weekly Change (Percent)
NASI 100= 2008	124.21	122.42	123.43	125.19	125.33	125.93	122.33	119.85	-2.03
NSE 25 Share Index	3,234.77	3,160.28	3,174.11	3,263.05	3,263.60	3,279.56	3,208.62	3,192.55	-0.50
NSE 20 Share Index 100= 1996	2,924.90	2,824.32	2,833.09	2,933.09	2,971.50	3,009.19	2,969.12	2,951.15	-0.61
Number of Deals	4,839	4,581	4,316	4,843	4,891	5,006	4,847	4,561	-5.90
Total Shares Traded (Million)	124.12	109.79	140.58	217.76	154.88	133.04	102.39	113.03	10.39
Equity Turnover (KSh Million)	3,200.87	2,924.39	3,122.69	4,196.56	3,014.60	2,387.68	2,027.90	2,200.28	8.50
Market Capitalization (KSh Billion)	1,799.06	1,772.92	1,787.61	1,813.19	1,816.88	1,825.55	1,773.25	1,737.20	-2.03
I-REIT Turnover in (KSh Million)	0.46	0.06	0.27	0.54	0.23	11.13	0.13	0.09	-29.45
I-REIT in Units - Total Deals	25.00	5.00	13.00	29.00	20.00	27.00	18.00	11.00	-38.89
Bonds Turnover (KSh Million)	10,653.85	8,487.17	6,061.50	7,098.57	3,919.48	4,915.45	6,587.00	11,708.54	77.75
FTSE NSE Kenya 15 Index	147.33	144.74	141.55	149.94	148.92	150.07	146.23	145.56	-0.46
FTSE NSE Kenya 25 Index	152.44	150.28	148.11	154.55	153.35	153.82	149.01	147.12	-1.27
FTSE NSE Bond Index	89.86	89.63	89.70	89.73	89.82	89.80	89.64	89.66	0.02

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 the 15 largest companies by market capitalization and the 25 most liquid stocks at the NSE, closed lower, at 145.6 and 147.1 points in the period review, compared with 146.2 and 149.0 points in the previous week. Telecommunications & Technology and Banking sectors accounted for the 78.9 percent of the total shares traded in the week.

Activity in the real estate market segment declined, with the Real Estate Investment Trust (REIT) turnover down by 29.4 percent and deals transacted down by 38.9 percent.

Bond Market

The volume of bonds traded increased by 77.7 percent. Deals transacted increased to 178 in the week ending March 9, 2017 from 168 in the previous week. The FTSE Bond Index marginally increased by 0.02 percent, reflecting a marginal decrease in secondary market yields. Investors offloaded part of their existing stocks of bonds to participate in the primary market bond issuance Tap Sale.

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.

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TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills								
Date of Auction	29-Dec-16	26-Jan-17	2-Feb-17	9-Feb-17	16-Feb-17	23-Feb-17	2-Mar-17	9-Mar-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	10,000.0
Bids received (Ksh M)	1,367.7	5,840.1	3,735.4	1,760.7	1,510.5	3,847.0	5,897.0	9,695.7
Amount Accepted (Ksh M)	1,367.4	5,557.4	2,629.7	1,370.4	1,510.5	1,782.0	5,848.0	8,606.6
Maturities (Ksh M)	4,267.1	4,384.0	4,443.9	3,905.1	2,054.5	5,672.5	5,721.5	2,207.3
Average interest Rate (%) - 91 Days	8.6	8.7	8.7	8.7	8.6	8.6	8.6	8.7
182-Day Treasury Bills								
Date of Auction	28-Dec-16	25-Jan-17	1-Feb-17	8-Feb-17	15-Feb-17	22-Feb-17	1-Mar-17	8-Mar-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
Bids received (Ksh M)	2,140.8	5,078.3	15,335.2	17,917.5	8,483.4	24,748.7	24,178.7	
Amount Accepted (Ksh M)	1,145.9	2,218.5	15,115.5	15,504.1	15,500.4	19,648.6	21,332.7	
Maturities (Ksh M)	1,247.7	6,733.4	12,201.2	6,330.2	8,949.6	8,039.4	6,885.4	
Average interest Rate (%) - 182 days	10.5	10.5	10.6	10.5	10.5	10.5	10.5	
364-Day Treasury Bills								
Date of Auction	28-Dec-16	25-Jan-17	1-Feb-17	8-Feb-17	15-Feb-17	22-Feb-17	1-Mar-17	8-Mar-17
Amount offered (Ksh M)		6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0	10,000.0
Bids received (Ksh M)		1,339.6	7,718.3	8,241.0	9,663.5	1,064.4	3,443.9	16,640.6
Amount Accepted (Ksh M)		1,339.6	6,062.1	6,008.0	9,483.5	1,064.4	2,812.5	16,117.9
Maturities (Ksh M)		1,666.3	7,013.0	10,398.3	9,825.2	8,286.5	10,033.1	14,071.7
Average interest Rate (%) - 364 days		10.9	10.9	10.9	10.9	10.9	10.9	10.9
Treasury Bonds								
Date of Auction	29-Dec-16					22-Feb-17	23-Feb-17	
Tenor	FXD3/2016/2 (Tap Sale)					IFB/2017/12	IFB/2017/12 (Tap Sale)	
Amount offered (Ksh M)	20,000.0					30,000.0	24,000.0	
Bids received (Ksh M)	1,354.0					33,135.4	8,050.3	
Amount Accepted (Ksh M)	1,353.8					5,997.5	7,630.9	
Maturities (Ksh M)	0.0					0.0	0.0	
Average interest Rate (%)	12.5					13.6	13.6	

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	30-Dec-16	20-Jan-17	27-Jan-17	03-Feb-17	10-Feb-17	17-Feb-17	24-Feb-17	03-Mar-17
1. Treasury Bills (Excluding Repos)	620.19	604.78	598.48	595.13	596.72	600.42	607.90	609.60
(As % of total securities)	33.17	32.59	32.36	32.24	32.30	32.51	33.21	33.16
2. Treasury Bonds	1,249.34	1,250.70	1,250.70	1,250.70	1,250.70	1,246.20	1,222.61	1,228.90
(As % of total securities)	66.83	67.41	67.64	67.76	67.70	67.49	66.79	66.84
3. Total Securities (1+2)	1,869.53	1,855.48	1,849.17	1,845.83	1,847.41	1,846.62	1,830.51	1,838.49
4. Overdraft at Central Bank	29.93	1.12	13.58	17.30	17.23	9.54	25.13	26.00
5. Other Domestic debt*	31.39	31.53	32.10	30.96	30.96	30.95	30.97	30.96
6. Gross Domestic Debt (3+4+5)	1,930.86	1,888.14	1,894.85	1,894.09	1,895.60	1,887.11	1,886.61	1,895.46

* 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	30-Dec-16	27-Jan-17	3-Feb-17	10-Feb-17	17-Feb-17	24-Feb-17	3-Mar-17
Treasury bills (Excluding Repos)	32.1	31.9	32.1	31.6	31.4	31.5	31.8	32.2	32.2
Treasury bonds	64.1	65.6	64.7	66.0	66.0	66.0	66.0	64.8	64.8
CBK Overdraft to Govt	2.1	0.8	1.6	0.7	0.9	0.9	0.5	1.3	1.4
Other domestic debt	1.7	1.7	1.6	1.7	1.6	1.6	1.6	1.6	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

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

	29-Jul-16	26-Aug-16	30-Sep-16	25-Nov-16	30-Dec-16	20-Jan-17	27-Jan-17	3-Feb-17	10-Feb-17	17-Feb-17	24-Feb-17	3-Mar-17
Banking Institutions	54.8	54.4	55.0	53.3	52.5	51.8	51.6	51.6	51.4	51.2	51.0	51.1
Insurance Companies	7.6	7.3	7.4	7.1	7.3	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Parastatals	5.1	5.6	5.5	5.8	5.6	5.7	5.7	5.7	5.8	5.8	5.8	6.1
Pension funds	26.8	27.0	26.6	27.3	28.0	28.4	28.6	28.5	28.7	28.8	29.0	28.6
Other investors	5.7	5.6	5.6	6.5	6.5	6.7	6.7	6.7	6.7	6.7	6.7	6.8
Total	100.0	100.0	100.0	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)

	5-Jan-17	12-Jan-17	19-Jan-17	26-Jan-17	2-Feb-17	9-Feb-17	16-Feb-17	23-Feb-17	2-Mar-17	9-Mar-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,056	6,944	6,853	6,944	6,947	6,942	6,949	6,948	6,994	7,027
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.66	4.59	4.52	4.59	4.59	4.58	4.59	4.59	4.62	4.64

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya