AUGUST 19, 2016

Highlights

The money market was relatively tight during the week ending August 17, 2016 with commercial banks' excess reserves above the 5.25 percent averaging requirement by KSh 4.8 billion compared with KSh 9.7 billion the previous week. The average interbank rate declined by 112.8 basis points to 4.25 percent from 5.38 percent on a slightly lower volume of KSh 18.6 billion compared to KSh 19.0 billion transacted the previous week.

Performance in capital market improved over the week ending August 18, 2016.

Monetary Policy Operations

The money market was relatively tight during the week ending August 17, 2016 with commercial banks' excess reserves above the 5.25 percent averaging requirement by KSh 4.8 billion compared with KSh 9.7 billion the previous week. Liquidity flows comprised mainly of government payments and Treasury Bills redemptions. These were more than offset by withdrawals through taxes, Treasury bills issues and reverse repos maturities, leading to a net withdrawal of KSh 2.5 billion from the market. The Central Bank rolled-over some of the maturing reverse repos to improve liquidity distribution in the money market (**Table 1 and Chart A**).

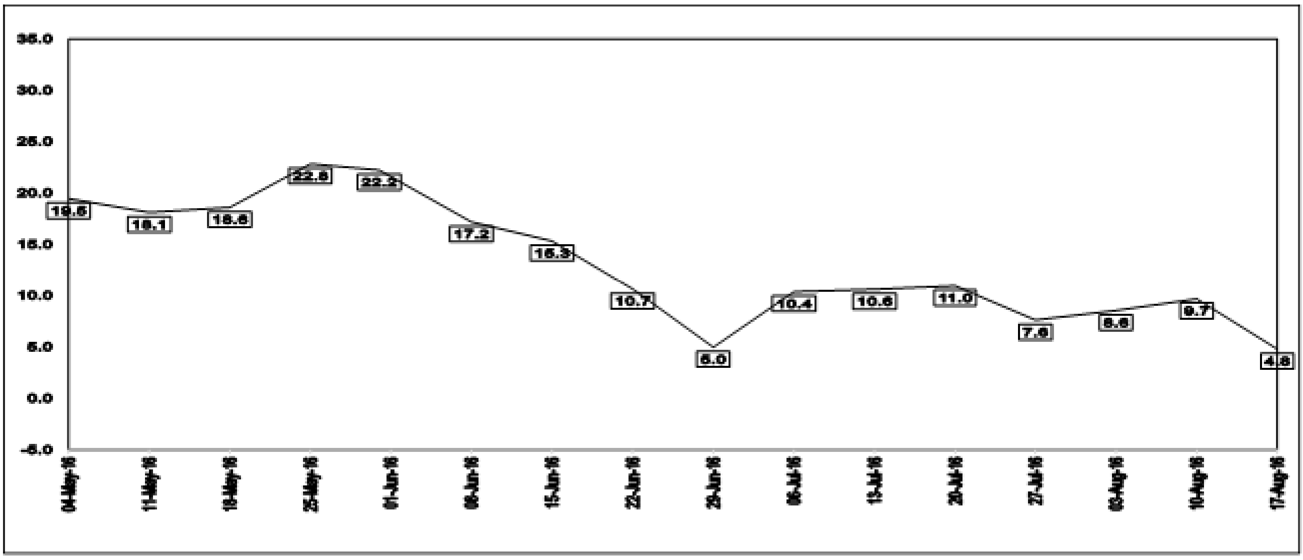
TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	11-Aug-16	12-Aug-16	15-Aug-16	16-Aug-16	17-Aug-16	Total
Liquidity Flows						
Total liquidity injection \1	**4.7**	**5.3**	**33.7**	**5.4**	**4.9**	**54.0**
Repos Maturities						
Term Auction Deposit maturities						
T/bills redemptions			16.6			**16.6**
T/bills rediscounts						
T/bonds redemptions						
T/bonds Interest			1.2			**1.2**
T/bonds rediscounts						
Govt payments	4.2	3.3	2.8	2.8	4.5	**17.5**
Total liquidity reduction \1	**7.9**	**9.8**	**31.7**	**4.8**	**2.2**	**56.5**
T/bills (Primary issues)			22.1			**22.1**
Tbonds Sales						
T/bills/Tbonds (OMO Tap Sales)						
Repos						
Reverse Repos maturities	0.6	6.0	7.7	2.9	0.4	**17.5**
Term Auction Deposit						
Transfer from Banks -Taxes	7.3	3.8	1.8	1.9	1.8	**16.6**
Net liquidity injection (+)/Withdrawal (-)	**-3.2**	**-4.6**	**2.0**	**0.6**	**2.7**	**-2.5**
Open Market Operations Outcome						
Posted Amount - Mop up						
Realised Amount - Mop up						
Repo (-)						
Term Auction Deposits (-)						
Reverse Repo (+)	**5.0**	**10.0**	**12.0**	**5.0**	**3.0**	**35.0**
Bids accepted (+)	0.6	2.0	6.0	1.6	0.4	**10.6**
Reserve Money Position						
Reserve money (actual)	384.8	379.3	381.1	382.2	383.5	

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

Source: Central Bank of Kenya

CHART A: COMMERCIAL BANKS EXCESS RESERVE



Source: Central Bank of Kenya

Activity in the Interbank Market

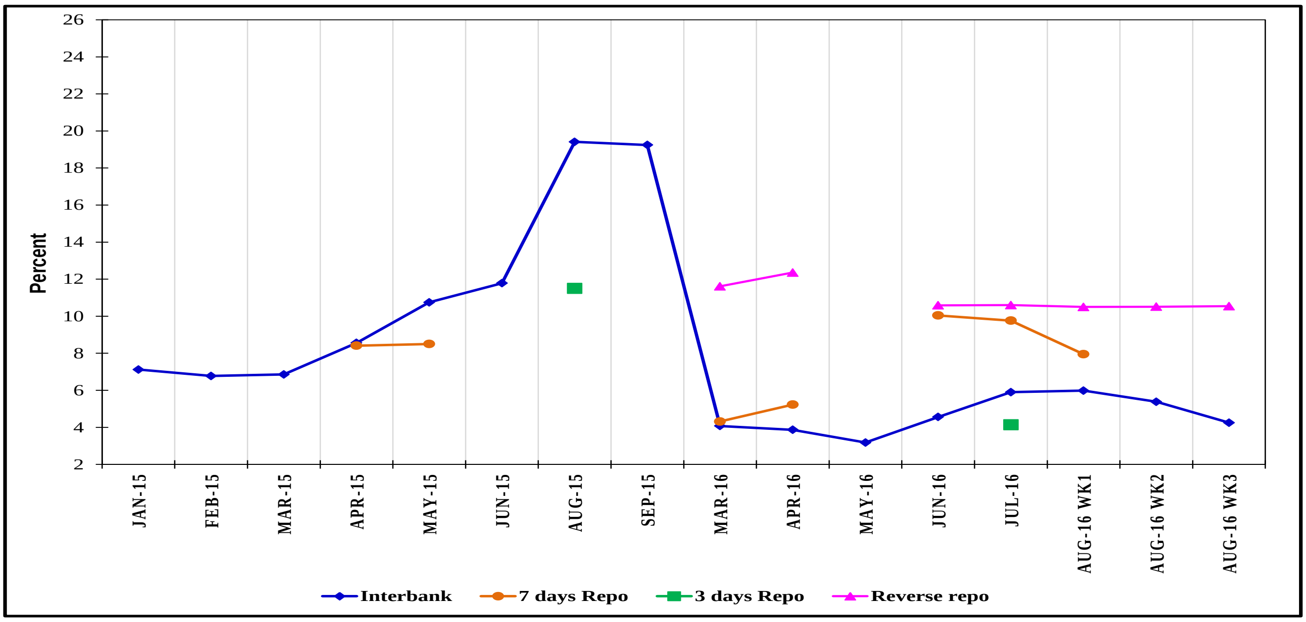
The average interbank rate declined by 112.8 basis points to 4.25 percent from 5.38 percent on a slightly lower volume of KSh 18.6 billion compared to KSh 19.0 billion transacted the previous week. Despite tight liquidity in the market, high volumes traded at below the previous week's average weighed down the interbank rate. The average number of deals increased marginally to 29 from 26 deals the previous week **(Table 2** and **Chart B**).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of Deals	Value (Ksh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)
4-Aug-16	25	17,250	6.20	
5-Aug-16	30	19,800	5.78	
8-Aug-16	29	21,200	5.33	
9-Aug-16	27	21,730	5.05	
10-Aug-16	19	15,200	4.55	
August 3-August 10, 2016	**26**	**19,036**	**5.38**	
11-Aug-16	29	17,950	4.26	
12-Aug-16	35	22,380	4.37	
15-Aug-16	23	15,040	4.26	
16-Aug-16	25	18,410	4.24	
17-Aug-16	31	19,050	4.13	
August 11-August 17, 2016	**29**	**18,566**	**4.25**	

Source: Central Bank of Kenya

CHART B: STRUCTURE OF SHORT-TERM INTEREST RATES



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate displayed mixed performance against international currencies during the week ending August 18, 2016. It strengthened against the Pound Sterling but weakened against the US Dollar, the Euro and the Japanese Yen. In the EAC region, the Kenya Shilling strengthened against the Rwanda Franc, but weakened against all other EAC currencies **(Table3).**

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
5-Aug-16	101.39	133.15	112.98	100.28	33.22	21.58	7.36	16.53
8-Aug-16	101.38	132.23	112.17	99.32	33.24	21.58	7.94	16.39
9-Aug-16	101.45	132.08	112.41	99.10	33.27	21.57	7.36	16.51
10-Aug-16	101.47	131.54	112.53	99.43	33.21	21.56	7.36	16.51
11-Aug-16	101.49	132.22	113.40	100.36	33.23	21.56	7.36	16.49
5 - 11 Aug 2016	**101.44**	**132.24**	**112.70**	**99.70**	**33.23**	**21.57**	**7.47**	**16.49**
12-Aug-16	101.47	131.56	113.21	99.74	33.23	21.55	7.82	16.38
15-Aug-16	101.46	131.60	113.43	100.36	33.20	21.55	7.83	16.38
16-Aug-16	101.46	130.87	113.66	101.17	33.21	21.56	8.07	16.38
17-Aug-16	101.48	131.63	114.33	101.03	33.16	21.55	7.36	16.53
18-Aug-16	101.41	131.97	114.28	100.93	33.20	21.58	7.85	16.39
12 - 18 Aug 2016	**101.46**	**131.53**	**113.78**	**100.65**	**33.20**	**21.56**	**7.78**	**16.41**

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

Overall, the capital market recorded improved performance in the week ending August 18, 2016.

Equity Market

Market capitalization, which measures shareholders' wealth, rose by 2.58 percent or KSh.53.28 billion, while equity turnover increased by 31.54 percent supported by an overall increase in prices and shares traded. The volume of shares traded rose by 70.53 percent during the week. Equity prices reflected by the NASI 100 index recorded an increase of 17 basis points in the week ending August 18, 2016. However, the NSE 25[1] Share Index and NSE 20[2] Share index declined marginally by 46 and 42 basic points,, respectively. **(Table 4)**.

[1] NSE 25 Share Index is a benchmark index of a company shares with primary listing of at least 20% of its shares quoted on the NSE, the company must have been continuously quoted for at least 1 year, has minimum market capitalization of KSh 1 billion and be a "blue chip" company with superior profitability and dividend record.

[2] The NSE 20 Share Index is a price weight index calculated as a mean of the shares of 20 publicly listed companies, selected based on a weighted market performance.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	08-Jul-16	14-Jul-16	21-Jul-16	28-Jul-16	04-Aug-16	11-Aug-16	18-Aug-16	Weekly Change (%)
NASI 100= 2008	140.84	138.76	138.82	141.94	143.39	143.63	147.32	0.17
NSE 25 Share Index	3,978.48	3,901.32	3,848.99	3,935.31	3,939.55	3,921.41	3,971.74	-0.46
NSE 20 Share Index 100= 1996	3,664.78	3,609.81	3,515.00	3,468.29	3,464.48	3,450.10	3,484.08	-0.42
Number of Deals	4,033.00	5,973.00	5,476.00	5,609.00	6,022.00	6,024.00	4,764.00	-20.92
Total Shares Traded (Millions)	106.83	131.05	147.75	138.55	129.18	77.13	131.53	70.53
Equity Turnover (Ksh. Millions)	3,316.61	3,414.85	3,484.72	2,997.86	3,035.53	2,454.61	3,228.71	31.54
Market Capitalization (Ksh. Bn.)	2,025.28	1,995.21	1,993.27	2,042.47	2,065.16	2,068.71	2,121.98	2.58
I-REIT Turnover in (Ksh.Millions)	0.79	0.86	0.49	2.64	3.28	1.41	1.80	27.44
I-REIT in Units - Total Deals	30.00	46.00	30.00	55.00	46.00	40.00	66.00	65.00
Bonds Turnover (Ksh. Millions)	2,549.50	6,280.44	3,846.25	6,613.16	7,064.11	4,661.35	5,496.94	17.93
FTSE NSE Kenya 15 Index	175.88	173.71	171.30	174.56	177.56	175.70	178.84	1.79
FTSE NSE Kenya 25 Index	176.85	174.81	173.37	177.61	182.11	180.10	184.47	2.43
FTSE NSE Bond Index	88.93	89.52	90.44	90.87	89.92	88.33	87.92	-0.46
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, ended the week 1.79 percent and 2.43 percent higher, respectively. The real estate market segment products attracted more interest from investors with Real Estate Investment Trust (I-REIT[3]) turnover increasing by 27.44 percent, attributed to 65.0 percent increase in the number of deals concluded. The banking system dominated trading with 40.05 percent of shares traded, and the Telecommunication and Technology sector and the insurance industry combined, at 40.44 percent of shares traded over the period under review.

The Bond Market

Bonds turnover rose over the week ending August 18, 2016 to close at KSh.5,496.94 million, reflecting a corresponding rise of 17.93 percent in bond turnover for the week. This was supported by increase in deals transacted from 66 to 99. The FTSE NSE Government Bond Index declined by 46 basis points, reflecting increase in secondary market yields.

3 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.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills							
Date of Auction	30-Jun-16	14-Jul-16	21-Jul-16	28-Jul-16	04-Aug-16	11-Aug-16	18-Aug-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)	3,385.3	3,219.5	2,811.5	3,741.1	15,175.4	14,016.5	3,577.3
Amount Accepted (Ksh M)	3,385.3	2,230.0	2,811.5	2,672.6	10,363.2	11,547.5	2,915.9
Maturities (Ksh M)	1,184.0	9,946.1	9,086.9	12,662.0	6,675.7	5,229.8	4,883.8
Average interest Rate (%)- 91 Days	7.0	7.6	7.9	8.3	8.3	8.5	8.6
182-Day Treasury Bills							
Date of Auction	29-Jun-16	13-Jul-16	20-Jul-16	27-Jul-16	03-Aug-16	10-Aug-16	17-Aug-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)	1,215.1	3,009.5	13,893.0	13,160.0	12,656.4	10,755.3	9,258.9
Amount Accepted (Ksh M)	1,215.1	2,707.3	13,775.9	6,405.5	11,651.0	6,007.4	8,634.0
Maturities (Ksh M)	2,563.6	13,915.1	9,546.7	8,198.5	12,899.9	6,994.7	12,414.3
Average interest Rate (%)- 182 days	9.4	9.9	10.2	10.5	10.7	10.8	11.0
364-Day Treasury Bills							
Date of Auction	29-Jun-16	13-Jul-16	20-Jul-16	27-Jul-16	03-Aug-16	10-Aug-16	17-Aug-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)	1,314.6	6,902.8	3,286.4	5,250.7	7,298.4	4,590.6	6,180.0
Amount Accepted (Ksh M)	1,314.6	6,635.9	3,286.4	5,214.9	6,100.3	4,590.6	5,224.3
Maturities (Ksh M)	72.4	850.5	386.6	1,935.9	5,804.9	4,347.2	1,873.8
Average interest Rate (%)- 364 days	10.7	10.9	11.0	11.4	11.4	11.7	11.9
Treasury Bonds							
Date of Auction		**20th July 2016**	**20th July 2016**				
Tenor		**FXD 2/2016/5**	**FXD 1/2008/2016**				
Amount offered (Ksh M)		30000					
Bids received (Ksh M)		40876.58					
Amount Accepted (Ksh M)		33504.36					
Maturities (Ksh M)		0					
Average interest Rate (%)		14.1	14.8				

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	25-Mar-16	29-Apr-16	27-May-16	24-Jun-16	01-Jul-16	08-Jul-16	15-Jul-16	22-Jul-16	29-Jul-16	05-Aug-16	12-Aug-16
1. Treasury Bills (Excluding Repos)	462.85	507.90	540.84	578.03	588.09	590.39	588.11	575.86	577.76	570.21	574.41
(As % of total securities)	**29.70**	**31.50**	**33.38**	**33.41**	**33.95**	**34.03**	**33.80**	**33.33**	**32.75**	**32.47**	**32.63**
2. Treasury Bonds	1,095.37	1,104.68	1,079.52	1,152.04	1,144.32	1,144.32	1,152.04	1,152.04	1,186.12	1,186.12	1,186.12
(As % of total securities)	**70.30**	**68.50**	**66.62**	**66.59**	**66.05**	**65.97**	**66.20**	**66.67**	**67.25**	**67.53**	**67.37**
3. Total Securities (1+2)	**1,558.23**	**1,612.58**	**1,620.35**	**1,730.07**	**1,732.41**	**1,734.71**	**1,740.15**	**1,727.90**	**1,763.88**	**1,756.33**	**1,760.53**
4. Overdraft at Central Bank	37.74	44.87	41.49	37.06	44.20	44.20	44.20	13.66	14.01	13.28	13.28
5. Other Domestic debt*	31.69	31.77	31.60	31.09	31.07	31.10	30.76	30.77	30.76	30.78	30.76
6. Gross Domestic Debt (3+4+5)	**1,627.66**	**1,689.22**	**1,693.45**	**1,798.22**	**1,807.68**	**1,810.02**	**1,815.12**	**1,772.32**	**1,808.64**	**1,800.39**	**1,804.56**

* 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

	25-Mar-16	29-Apr-16	27-May-16	24-Jun-16	01-Jul-16	08-Jul-16	15-Jul-16	22-Jul-16	29-Jul-16	05-Aug-16	12-Aug-16
Treasury bills (Excluding Repos)	28.4	30.1	31.9	32.1	32.5	32.6	32.4	32.5	31.9	31.7	31.8
Treasury bonds	67.3	65.4	63.7	64.1	63.3	63.2	63.5	65.0	65.6	65.9	65.7
CBK Overdraft to Govt	2.3	2.7	2.5	2.1	2.4	2.4	2.4	0.8	0.8	0.7	0.7
Other domestic debt	1.9	1.9	1.9	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
TOTAL	**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 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	25-Mar-16	29-Apr-16	27-May-16	24-Jun-16	01-Jul-16	08-Jul-16	15-Jul-16	22-Jul-16	29-Jul-16	05-Aug-16	12-Aug-16
Banking Institutions	55.7	56.5	57.5	56.3	56.2	56.0	55.7	55.0	54.8	54.6	54.5
Insurance Companies	8.2	7.9	7.9	7.5	7.4	7.4	7.4	7.6	7.6	7.7	7.6
Parastatals	4.7	4.6	4.7	4.7	5.0	5.0	5.1	5.2	5.1	5.3	5.3
Pension funds	25.5	25.2	26.1	25.9	25.8	26.1	26.2	26.4	26.8	26.8	26.9
Other investors	5.9	5.8	3.8	5.7	5.6	5.6	5.6	5.8	5.7	5.7	5.6
Total	**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)

	28-Apr-16	26-May-16	07-Jul-16	14-Jul-16	21-Jul-16	28-Jul-16	04-Aug-16	11-Aug-16	18-Aug-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,618	7,649	7,878	7,841	7,831	7,782	7,769	7,733	7,711
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.96	5.00	5.15	5.13	5.12	5.09	5.08	5.14	5.13

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya