



NOVEMBER 18, 2016

Highlights

The money market was relatively liquid in the week ending November 16, 2016 supported by net injection through Open Market Operations (OMO). The average interbank rate increased to 5.24 percent in the week ending November 16, 2016 from 3.86 percent recorded in the previous week.

The capital market recorded mixed performance in the week ending November 17, 2016.

Monetary Policy Operations

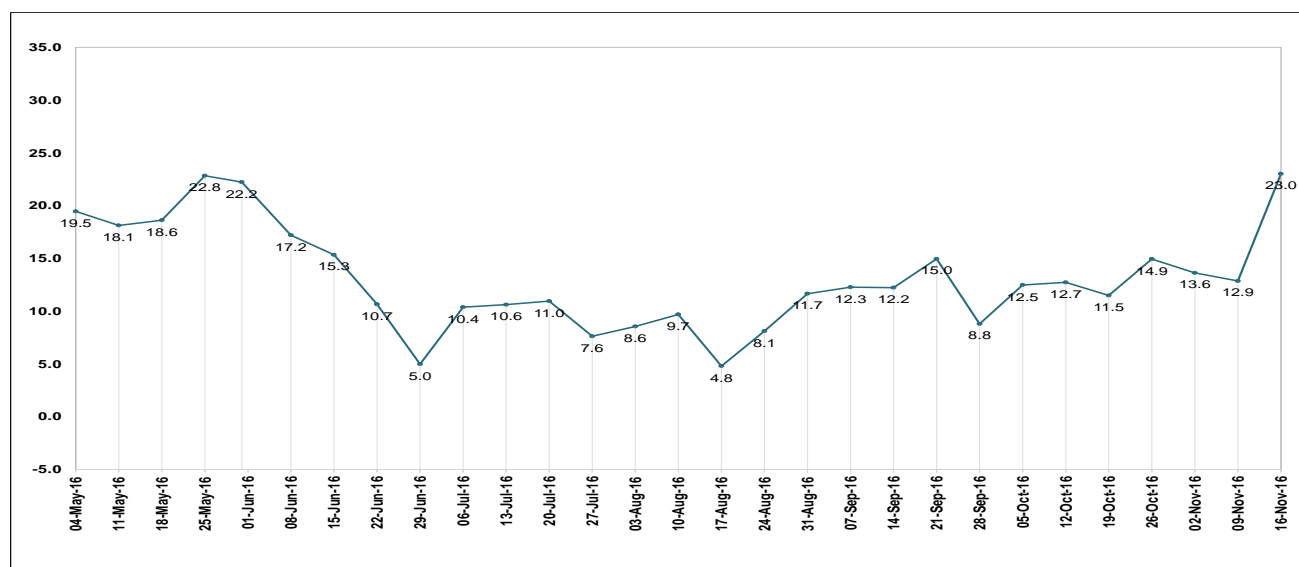
The money market was relatively liquid on account of a net injection through open market operations during the week (**Table 1**). Commercial banks' excess reserves above 5.25 percent average reserve requirement increased to KSh 23.0bn in the week ending November 16, 2016 from KSh 12.9bn recorded in the previous week (**Chart A**).

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

	10-Nov-16	11-Nov-16	14-Nov-16	15-Nov-16	16-Nov-16	Total
Liquidity Flows						
Total liquidity injection \1	3.2	21.2	62.3	5.3	9.4	101.5
Repos Maturities	0.0	15.4	11.9	0.0	0.0	27.3
Reverse Repo Purchases	1.5	0.2	18.3	1.5	2.4	23.9
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	27.0	0.0	0.0	27.0
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	1.4	0.0	0.0	1.4
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	1.8	3.1	3.7	3.8	7.0	19.3
Total liquidity reduction \1	7.6	22.4	31.5	5.0	8.6	75.0
T/bills (Primary issues)	0.0	0.0	22.7	0.0	0.0	22.7
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	5.3	0.0	0.0	0.0	5.3
Reverse Repos maturities	0.5	0.0	0.0	0.4	4.0	4.9
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	5.4	7.4	5.7	3.4	2.5	24.5
Net liquidity injection (+)/Withdrawal (-)	-4.3	-1.2	30.8	0.4	0.8	26.5
Open Market Operations Outcome						
Posted Amount						
Repo (-)	0.0	5.3	0.0	0.0	0.0	5.3
Term Auction Deposits (-)	0.0	0.0	0.0	0.0	0.0	0.0
Reverse repos purchases	1.5	0.2	18.3	1.5	2.4	23.9
Reserve Money Position						
Reserve money (actual)	382.6	380.7	412.1	411.5	411.8	

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

Source: Central Bank of Kenya

Chart A: Commercial Banks Excess Reserves


Activity in the Interbank Market

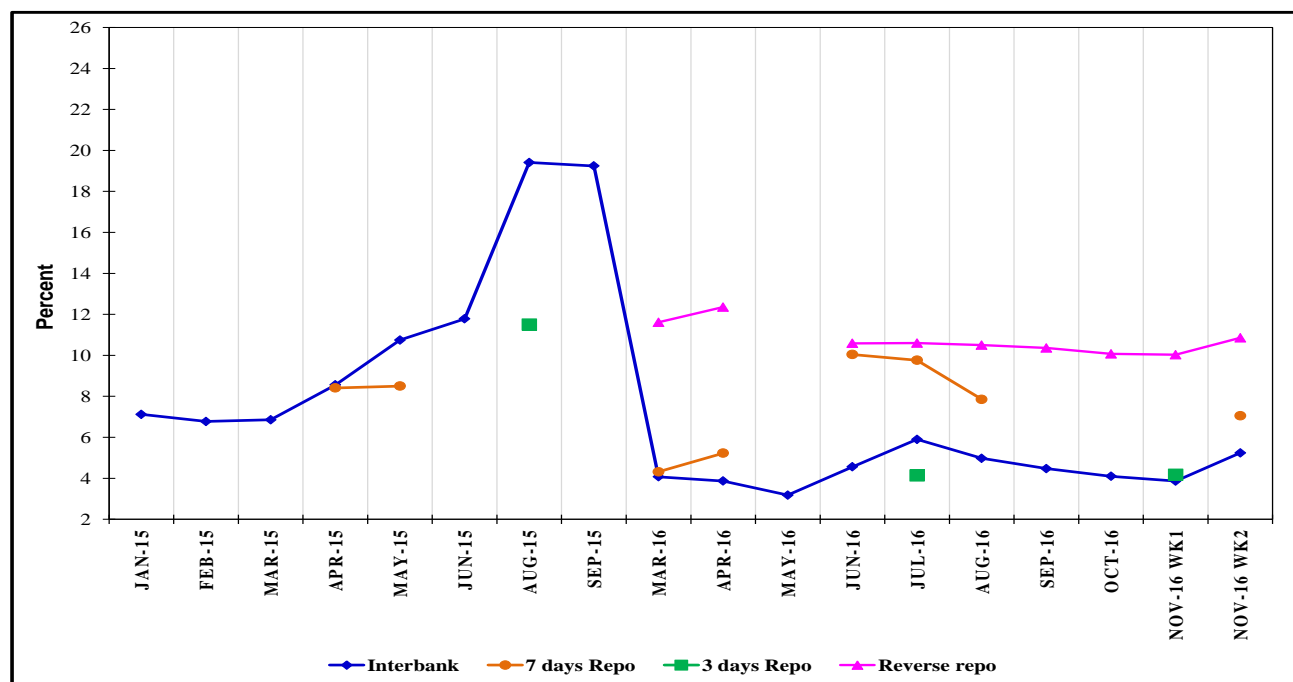
The average interbank rate increased to 5.24 percent in the week ending November 16, 2016, from 3.86 percent recorded in the previous week, largely on account of tightness early in the week under review. The volumes traded decreased slightly to KSh 13.9 billion from KSh 14.8 billion (**Table 2** and **Chart B**).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of Deals	Value (Ksh M)	Average Interbank Rate (%)	3 days Average Repo Rate (%)	5 days Average Repo Rate (%)	Reverse Repo Rate (%)
3-Nov-16	18	17,550	3.79			10.00
4-Nov-16	24	17,210	3.44			
7-Nov-16	25	17,800	3.49			
8-Nov-16	22	10,750	4.06	4.17		10.04
9-Nov-16	28	10,825	4.53		5.09	10.05
Nov 3-9, 2016	23	14,827	3.86	4.17	5.09	10.03
10-Nov-16	23	9,206	5.47			
11-Nov-16	48	19,125	5.59			
14-Nov-16	38	19,616	5.79			10.85
15-Nov-16	22	9,680	4.50			
16-Nov-16	27	11,680	4.85			
Nov 10-16, 2016	32	13,861	5.24			10.85

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 portrayed mixed performance against major international currencies as well as the EAC currencies during the week ending November 17, 2016. It strengthened against the Euro and the Japanese Yen but weakened against the USD and the Sterling Pound. The marginal weakening against the USD was occasioned by reduced inflows and increased demand from the corporate sector. In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling and Rwanda Franc but weakened against the Tanzania Shilling and Burundi Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
4-Nov-16	101.59	126.50	112.46	98.38	34.27	21.48	7.42	16.48
7-Nov-16	101.66	126.98	112.79	98.73	34.48	21.46	7.42	16.50
8-Nov-16	101.62	125.90	112.27	97.32	34.54	21.46	8.18	16.48
9-Nov-16	101.72	125.85	112.36	97.04	34.44	21.45	7.96	16.46
10-Nov-16	101.70	125.88	111.95	97.94	34.50	21.44	7.96	16.50
4th-10th November 2016	101.66	126.22	112.36	97.88	34.45	21.46	7.79	16.48
11th-November 2016	101.70	126.37	110.83	95.34	34.58	21.44	7.97	16.50
14th-November-2016	101.74	128.40	110.77	95.57	34.77	21.45	7.96	16.50
15th-November-2016	101.77	127.53	109.58	94.34	34.98	21.43	8.17	16.46
16th-November-2016	101.77	126.22	109.19	93.43	34.93	21.42	7.96	16.50
17th-November-2016	101.85	126.82	109.07	93.34	35.27	21.42	7.96	16.45
11th-17th November 2016	101.77	127.07	109.89	94.40	34.91	21.43	8.00	16.48

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

The capital market recorded mixed performance in the week ending November 17, 2016.

Equity Market

Stock prices increased, reflected by gains in the NSE 25¹, NSE 20² and NASI share indices which led to a 0.05 percent increase in market capitalization. Limited supply of shares as reflected in 21.51 percent decline in volume of shares traded, contributed to the 18.16 percent decline in total equities turnover (**Table 4**).

¹ NSE 25 Share Index is a benchmark 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 NSE 20 Share Index is a price weighted 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	06-Oct-16	13-Oct-16	19-Oct-16	27-Oct-16	03-Nov-16	10-Nov-16	17-Nov-16	Weekly Change (%)
NASI 100= 2008	137.53	137.15	136.13	136.82	138.31	139.89	139.96	0.05
NSE 25 Share Index	3,644.92	3,630.42	3,598.39	3,617.27	3,647.90	3,686.03	3,709.91	0.65
NSE 20 Share Index 100= 1996	3,264.03	3,242.32	3,239.00	3,201.55	3,227.24	3,246.72	3,283.77	1.14
Number of Deals	5,433	5,273	4,106	5,858	6,095	6,233	6,054	-2.87
Total Shares Traded (Millions)	103.75	120.14	48.10	87.53	84.86	116.95	91.79	-21.51
Equity Turnover (Ksh. Millions)	2,579.24	2,836.78	1,038.32	1,825.65	1,790.65	2,727.92	2,232.48	-18.16
Market Capitalization (Ksh. Bn.)	1,992.42	1,986.91	1,972.19	1,982.14	2,047.66	2,026.78	2,027.74	0.05
I-REIT Turnover in (Ksh.)	2.38	2.16	0.19	0.27	0.26	0.27	0.71	162.96
I-REIT in Units - Total Deals	40	32	21	18	21	23	35	52.17
Bonds Turnover (Ksh. Millions)	5,806.35	7,108.64	9,606.85	10,556.20	11,373.10	9,533.29	6,751.20	-29.18
FTSE NSE Kenya 15 Index	167.57	165.31	164.54	164.71	166.40	168.62	170.84	1.32
FTSE NSE Kenya 25 Index	173.27	171.13	169.94	170.55	172.34	174.99	176.43	0.82
FTSE NSE Bond Index	89.26	90.14	89.50	89.66	89.82	90.27	90.31	0.04

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

FTSE³ NSE Kenya 15 Index and FTSE NSE Kenya 25 Index closed the week 1.32 percent and 0.82 percent higher, respectively. The real estate market segment recorded improved activity with both the Income - Real Estate Investment Trust (I-REIT⁴) turnover and number of deals up 162.96 percent and 52.17 percent respectively, increased investor diversification into asset-backed securities. Banking, Telecommunication & Technology and Energy & Petroleum sectors dominated trading, accounting for 76.16 percent of the total shares traded over the period under review.

Bond Market

The volume of bonds traded at the NSE declined by 29.18 percent in the week ending November 17, 2016, partially explained by investors' focus on the primary market bond offers on sale. The FTSE NSE Bond Index rose by 0.04 percent during the week, reflecting marginal decline in secondary market yields.

³ 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 and measure performance of 15 largest companies by market capitalization and 25 most liquid stocks at the NSE.

⁴ 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	28-Jul-16	25-Aug-16	29-Sep-16	27-Oct-16	03-Nov-16	10-Nov-16	17-Nov-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)	3,741.1	1,682.2	4,722.1	4,335.7	5,042.5	4,278.6	5,842.2
Amount Accepted (Ksh M)	2,672.6	1,456.4	4,200.4	4,335.7	4,387.5	4,170.9	2,021.4
Maturities (Ksh M)	12,662.0	7,363.7	3,417.7	2,714.4	10,580.2	11,536.1	2,977.5
Average interest Rate (%) - 91 Days	8.3	8.6	7.8	8.0	8.1	8.2	8.2
182-Day Treasury Bills							
Date of Auction	27-Jul-16	24-Aug-16	28-Sep-16	26-Oct-16	02-Nov-16	09-Nov-16	16-Nov-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)	13,160.0	7,962.7	8,678.0	7,356.5	13,150.8	9,597.7	10,949.6
Amount Accepted (Ksh M)	6,405.5	7,626.3	5,311.7	7,356.5	10,222.2	6,664.8	6,631.4
Maturities (Ksh M)	8,198.5	5,446.0	2,051.1	9,520.1	6,261.5	6,009.1	6,396.0
Average interest Rate (%) - 182 days	10.5	11.2	10.4	10.3	10.3	10.3	10.3
364-Day Treasury Bills							
Date of Auction	27-Jul-16	24-Aug-16	28-Sep-16	26-Oct-16	02-Nov-16	09-Nov-16	16-Nov-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)	5,250.7	5,850.8	7,326.1	5,422.8	11,025.8	12,901.3	9,138.4
Amount Accepted (Ksh M)	5,214.9	5,630.0	7,326.1	5,422.8	7,970.5	11,819.4	7,230.8
Maturities (Ksh M)	1,935.9	1,669.4	3,666.6	8,529.4	10,459.5	7,842.5	5,173.1
Average interest Rate (%) - 364 days	11.4	12.0	10.4	10.6	10.6	10.7	10.8
Treasury Bonds							
Date of Auction	24th August 2016		20-Oct-16		20-Oct-16		
Tenor	FXD 1/2016/10		IFB1/2016/16 (TAP SALE)		IFB1/2016/16 (TAP SALE)		
Amount offered (Ksh M)	25000		10,000.0		10,000.0		
Bids received (Ksh M)	26305.2		4,773.4		2,657.4		
Amount Accepted (Ksh M)	18312.23		4,471.4		2,493.1		
Maturities (Ksh M)	0		0.0		0.0		
Average interest Rate (%)	15.0		13.2		13.2		

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	04-Nov-16	11-Nov-16
1. Treasury Bills (Excluding Repos)	578.03	577.76	579.67	618.25	631.84	616.71	612.88
(As % of total securities)	33.41	32.75	33.09	33.97	34.04	33.50	33.23
2. Treasury Bonds	1,152.04	1,186.12	1,171.92	1,201.78	1,224.21	1,224.21	1,231.57
(As % of total securities)	66.59	67.25	66.91	66.03	65.96	66.50	66.77
3. Total Securities (1+2)	1,730.07	1,763.88	1,751.59	1,820.02	1,856.05	1,840.92	1,844.44
4. Overdraft at Central Bank	37.06	14.01	13.28	3.32	0.00	0.00	0.00
5. Other Domestic debt*	31.09	30.76	31.42	31.45	31.21	31.21	32.07
6. Gross Domestic Debt (3+4+5)	1,798.22	1,808.64	1,796.29	1,854.80	1,887.26	1,872.13	1,876.51

* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government

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	04-Nov-16	11-Nov-16
Treasury bills (Excluding Repos)	32.1	31.9	32.3	33.3	33.5	32.9	32.7
Treasury bonds	64.1	65.6	65.2	64.8	64.9	65.4	65.6
CBK Overdraft to Govt	2.1	0.8	0.7	0.2	0.0	0.0	0.0
Other domestic debt	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

Source: Central Bank of Kenya

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	04-Nov-16	11-Nov-16
Banking Institutions	56.3	54.8	54.4	55.0	53.1	53.4	53.3
Insurance Companies	7.5	7.6	7.3	7.4	7.1	7.2	7.1
Parastatals	4.7	5.1	5.6	5.5	5.6	5.7	5.8
Pension funds	25.9	26.8	27.0	26.6	27.1	27.3	27.3
Other investors	5.7	5.7	5.6	5.6	7.1	6.4	6.5
Total	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)

	01-Sep-16	08-Sep-16	15-Sep-16	22-Sep-16	29-Sep-16	06-Oct-16	13-Oct-16	19-Oct-16	27-Oct-16	03-Nov-16	10-Nov-16	17-Nov-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,688	7,747	7,805	7,748	7,782	7,789	7,744	7,729	7,683	7,628	7,536	7,485
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.11	5.15	5.19	5.15	5.18	5.20	5.17	5.16	5.13	5.09	4.80	4.76

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya