



Central Bank of Kenya

Weekly Bulletin

July 26, 2019

KEY MONETARY AND FINANCIAL INDICATORS

Monetary Policy Committee Meeting

The Monetary Policy Committee (MPC) retained the Central Bank Rate (CBR) at 9.00 percent during its Meeting on July 24. The Committee noted that inflation expectations remained well anchored within the target range, and that the economy was operating close to its potential. However, there was need to be vigilant on the possible effects of the recent increases in fuel prices, the ongoing demonetisation, and the increased uncertainties in the external environment.

Exchange Rate

The Kenya Shilling remained stable against major international and regional currencies during the week ending July 25. It exchanged at KSh 104.03 per US Dollar on July 25, compared to KSh 103.06 on July 18 (Table 1).

Foreign Exchange Reserves

The CBK usable foreign exchange reserves remained strong at USD 9,568 million (6.0 months of import cover) as at July 25. This meets the CBK's statutory requirement of maintaining at least 4 months of import cover and the EAC region's convergence criteria of 4.5 months of import cover (Table 2).

Current Account

The current account deficit narrowed to 4.2 percent of GDP in the 12 months to June 2019 from 5.4 percent in June 2018. This reflects resilient performance of exports of horticulture, strong growth in diaspora remittances, higher receipts from tourism and transport services and slower growth of imports of food and SGR-related equipment (Chart 1).

Money Market

The money market remained liquid during the week ending July 25. Commercial banks' excess reserves stood at KSh 5.60 billion in relation to the 5.25 percent cash reserves requirement (CRR). The average interbank rate stood at 2.61 percent on July 25 compared to 2.00 percent on July 18. The average number of interbank deals increased to 16 from 13, while the value traded increased to KSh 10.04 billion from KSh 9.80 billion in the previous week (Table 3).

Government Securities Market

The Treasury bills auctions of July 25 received bids totaling KSh 27.2 billion against an advertised amount of KSh 24.0 billion, representing a performance of 113.5 percent. Interest rates on Treasury bills tenures increased (Table 4).

The 15-year Treasury bond floated during the July 24 auction received bids totalling KSh 86.7 billion against an advertised amount of KSh 40.0 bn, representing a performance of 216.7 percent (Table 5).

Equity Market

The NSE 25 share index, equity turnover and the total shares traded increased by 0.09 percent, 4.33 percent and 6.98 percent, respectively. However, Market Capitalization, NASI and NSE 20 share index declined by 0.30 percent, 0.29 percent and 0.47 percent, respectively (Table 6).

Derivatives Market

The total volume of futures contracts settled on the NSE Derivatives Market (NEXT) during the week ending July 25, was 38 valued at KSh 1,176,780 compared to 7 valued at KSh 416,580 in the previous week.

Bonds Market

Trading activity in the domestic bond secondary market decreased by 31.11 percent during the week ending July 25. In the international market, yields on Kenya's 7-year, 10-year (2024), 10-year (2028), 12-year and 30-year Eurobonds declined by 18.3, 18.7, 20.1, 16.6 and 11.9 basis points, respectively (Table 6). The yields on 10-year Eurobonds for Ghana and Angola also decreased (Chart 3).

Global Trends

Boris Johnson was elected new UK Prime Minister with a promise to deliver Brexit by October 31. In its July 2019 WEO update, the IMF revised global growth for 2019 and 2020 downwards by 0.1 percentage points to 3.2 percent and 3.5 percent, respectively, reflecting the negative effect of trade tensions, Brexit uncertainties and geopolitical tensions.

International oil prices increased during the week reflecting the heightened tension in the Gulf. The Murban oil price stood at USD 64.95 per barrel on July 25 from USD 63.90 per barrel on July 18.

Table 1: Kenya Shilling Exchange Rates (Indicative Mean Rates)

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
12-Jul-19	102.92	129.24	115.97	95.02	35.90	22.35	8.88	17.86
15-Jul-19	102.95	129.15	115.87	95.30	35.89	22.34	8.88	17.85
16-Jul-19	103.03	129.29	116.13	95.51	35.82	22.32	8.87	17.85
17-Jul-19	103.05	128.27	115.68	95.22	35.86	22.31	8.87	17.84
18-Jul-19	103.06	127.89	115.60	95.69	35.83	22.32	8.88	17.85
July 12-18	103.00	128.77	115.85	95.35	35.86	22.33	8.88	17.85
19-Jul-19	103.10	128.59	115.67	95.46	35.84	22.31	8.88	17.84
22-Jul-19	103.22	129.31	115.97	95.87	35.80	22.28	8.87	17.82
23-Jul-19	103.61	129.33	116.26	96.01	35.74	22.20	8.83	17.75
24-Jul-19	103.76	129.10	115.76	95.96	35.61	22.17	8.68	17.80
25-Jul-19	104.03	129.91	115.96	96.32	35.52	22.13	8.80	17.68
July 19-25	103.54	129.25	115.92	95.92	35.70	22.22	8.81	17.78

* Units of currency per Kenya Shilling

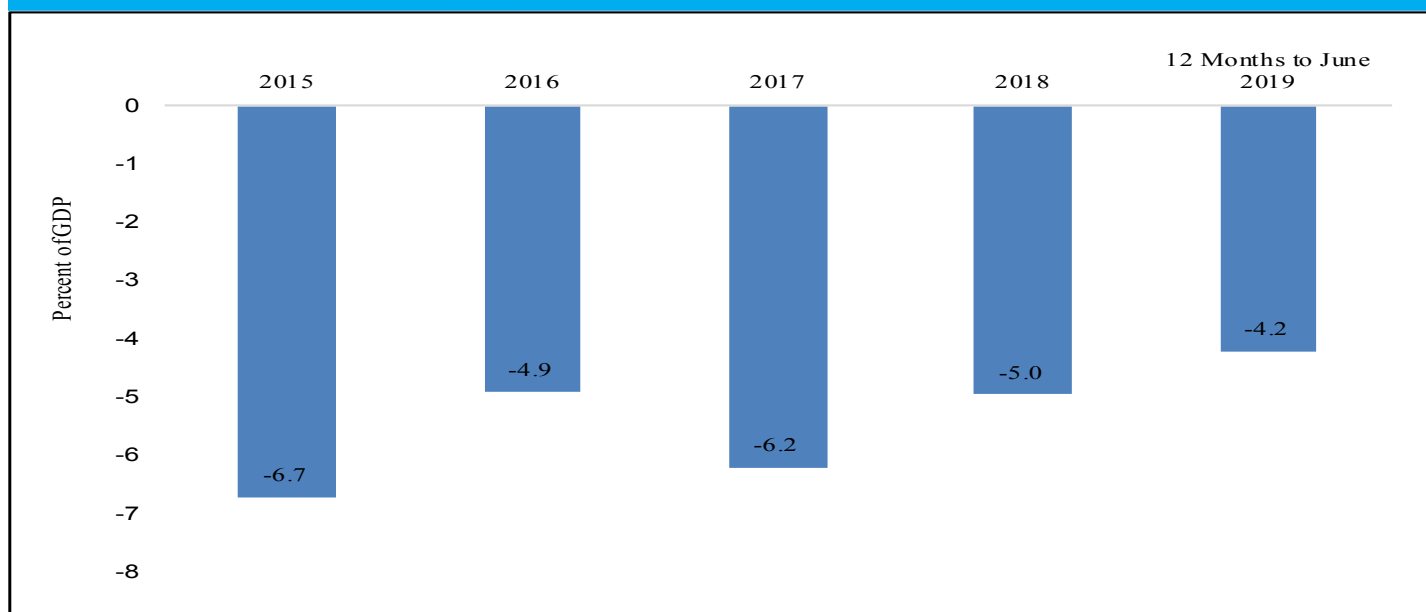
Source: Central Bank of Kenya

Table 2: Official Usable Foreign Exchange Reserves

	13-Jun-19	27-Jun-19	04-Jul-19	11-Jul-19	18-Jul-19	25-Jul-19
1. CBK Usable Foreign Exchange Reserves (USD Million)	10,083	9,131	9,023	9,765	9,747	9,568
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)*	6.41	5.81	5.74	6.21	6.20	6.01

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

Source: Central Bank of Kenya

Chart 1: Current Account Balances

Source: Central Bank of Kenya

Table 3: Money Market

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)
12-Jul-19	23	14,400	2.44
15-Jul-19	12	10,700	2.19
16-Jul-19	12	10,150	2.20
17-Jul-19	10	7,200	2.07
18-Jul-19	9	6,550	2.00
July 12- 18	13	9,800	2.18
19-Jul-19	20	17,325	2.02
22-Jul-19	13	9,910	2.09
23-Jul-19	14	6,760	2.31
24-Jul-19	14	6,610	2.66
25-Jul-19	18	9,600	2.61
July 19- 25	16	10,041	2.34

Source :Central Bank of Kenya

Table 4: Performance of Treasury Bills Auctions**91-Day Treasury Bills**

Date of Auction	28-Mar-19	30-May-19	27-Jun-19	18-Jul-19	25-Jul-19
Amount offered (Ksh M)	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00
Bids received (Ksh M)	6,693.92	2,334.49	4,143.64	7,502.36	8,072.05
Amount Accepted (Ksh M)	966.23	2,334.39	4,142.56	7,502.36	5,125.66
Maturities (Ksh M)	1,044.15	2,927.95	983.55	4,215.85	7,561.00
Average interest Rate (%)	7.500	6.995	6.738	6.498	6.592

182-Day Treasury Bills

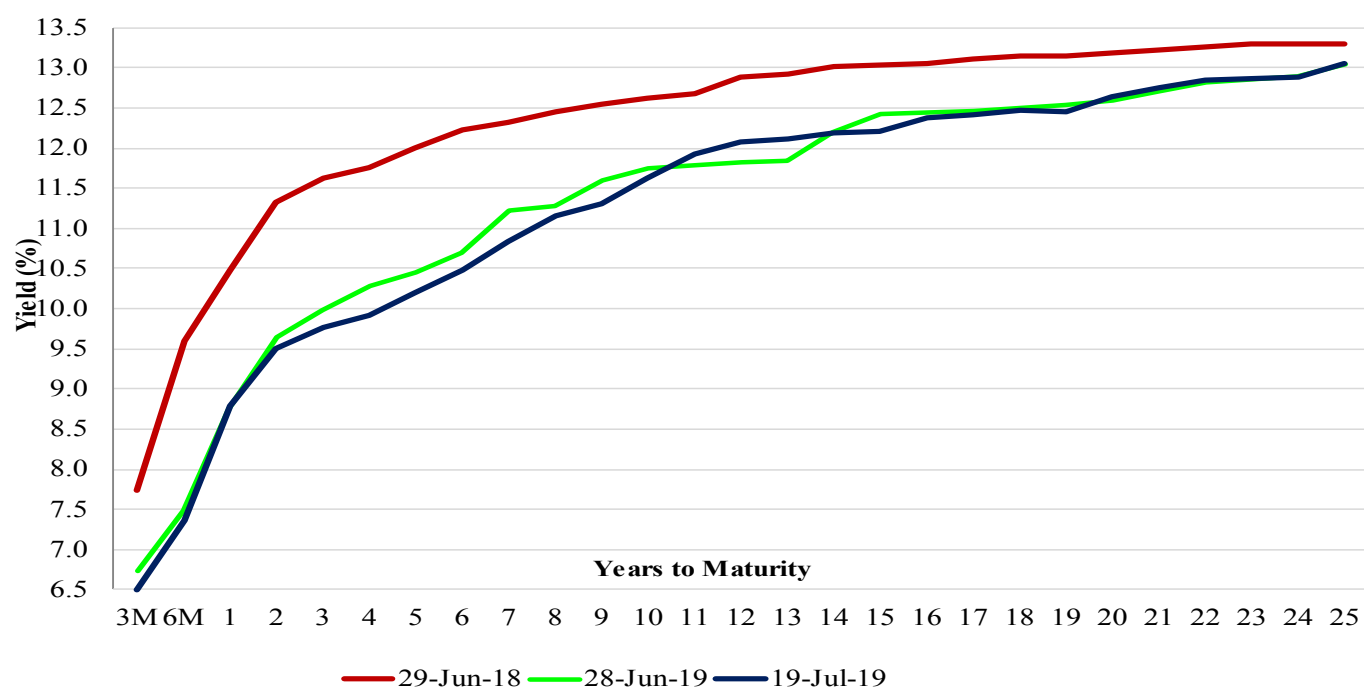
Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	7,343.75	2,465.66	3,519.12	6,965.72	2,720.01
Amount Accepted (Ksh M)	5,908.18	2,462.80	3,519.12	6,965.72	2,720.01
Maturities (Ksh M)	5,245.70	4,516.50	2,696.35	13,694.10	3,248.15
Average interest Rate (%)	8.204	7.651	7.487	7.358	7.365

364-Day Treasury Bills

Amount offered (Ksh M)	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Bids received (Ksh M)	30,046.91	26,261.69	52,155.78	11,556.52	16,446.47
Amount Accepted (Ksh M)	23,655.49	23,511.75	23,425.49	10,632.22	16,423.62
Maturities (Ksh M)	6,923.80	9,351.95	19,230.40	23,504.05	14,534.60
Average interest Rate (%)	9.408	9.311	8.759	8.785	8.988

Source: Central Bank of Kenya

Chart 2: Government Securities Yield Curve



Source: Central Bank of Kenya

Table 5: Performance of Treasury Bonds Auctions

Date of Auction	10-Apr-19		13-Jun-19		24-Jul-19	
REOPEN						
Tenor	FXD 2/2019/10	FXD 1/ 2019/20	FXD 1/2012/15	FXD 1/ 2018/15	FXD 3/2019/15	FXD 1/ 2018/15
Amount offered (Ksh M)	50,000.00		40,000.00		40,000.00	
Bids received (Ksh M)	85,615.54		85,615.66		86,674.56	
Amount Accepted (Ksh M)	51,326.72	9,022.76	21,211.35	17,727.97	50,578.30	17,727.97
Maturities (Ksh M)	0.00	0.00	0.00	0.00	0.00	0.00
Average interest Rate (%)	12.30	12.87	11.59	12.46	12.34	12.46

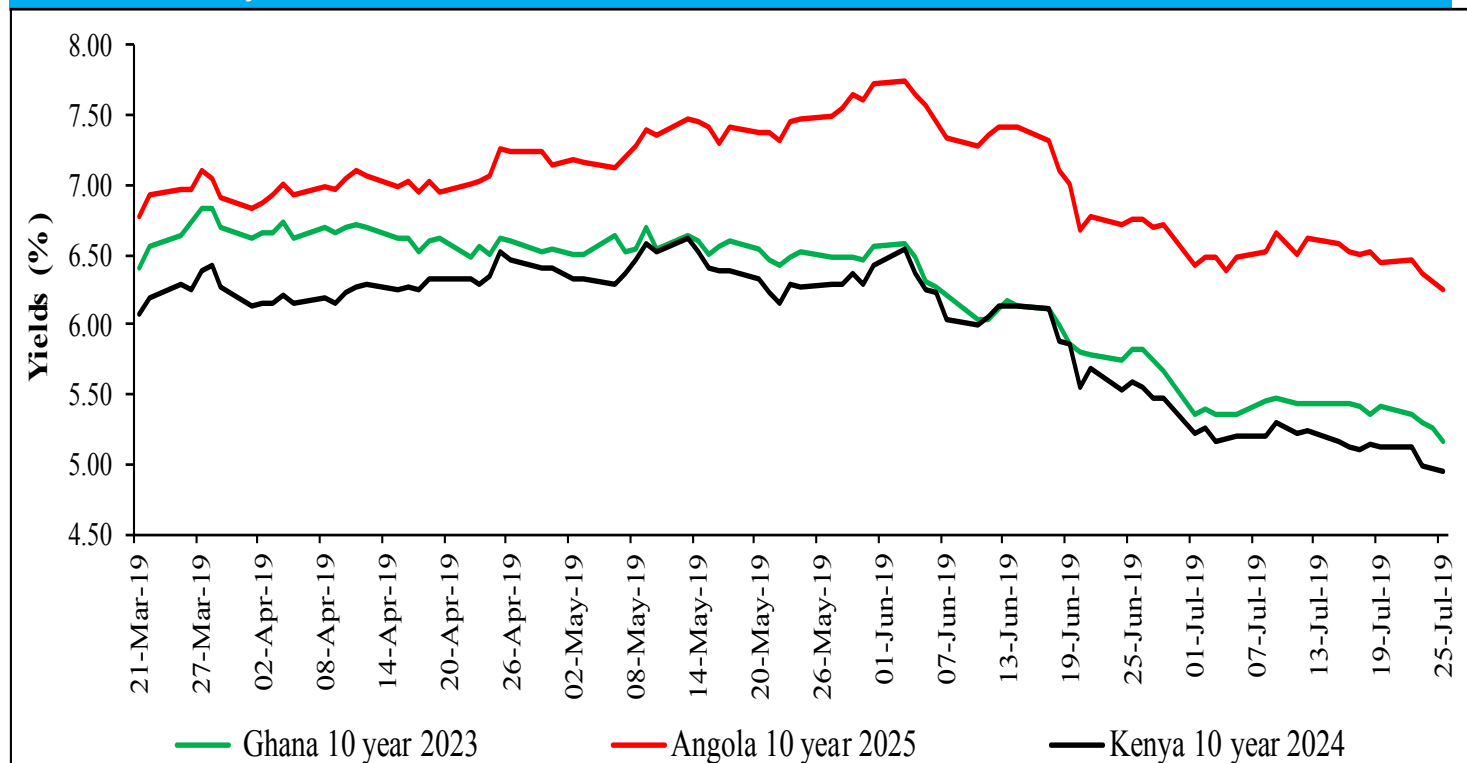
Source: Central Bank of Kenya

Table 6: Key Weekly Market Indicators

INDICATOR	NASI 100=2008	NSE 25 Share Index	NSE 20 Share Index 100=1996	Total Deals (Equity)	Total Shares Traded (Mil- lion)	Equity Turnover (KSh Million)	Market Capital- ization (KSh Billion)	Bonds Turnover (KSh Million)	7-Year Euro- bond Yield (%)	10-Year Euro- bond Yield (%) 2024	10-Year Euro- bond Yield (%) 2028	12-Year Euro- bond Yield (%)	30-Year Euro- bond Yield (%)
12-Jul-19	149.73	3,627.53	2677.90	942.00	10.91	526.90	2,280.51	2,735.24	6.264	5.247	6.613	7.265	7.884
15-Jul-19	148.95	3,608.74	2683.62	787.00	12.95	207.27	2,268.58	5,958.31	6.224	5.162	6.594	7.219	7.852
16-Jul-19	149.14	3,599.18	2670.13	916.00	9.89	266.80	227.16	5,201.49	6.184	5.134	6.535	7.173	7.830
17-Jul-19	149.80	3,608.14	2678.73	963.00	24.36	779.44	2,281.69	5,484.03	6.164	5.105	6.500	7.128	7.773
18-Jul-19	149.25	3,598.09	2676.71	864.00	22.64	738.47	2,273.19	4,066.06	6.177	5.138	6.514	7.127	7.788
July 12-18	149.25	3598.09	2676.71	4,472.00	80.74	2,518.87	2,273.19	23,445.13	6.177	5.138	6.514	7.127	7.788
19-Jul-19	149.82	3,613.57	2689.53	833.00	7.82	277.78	2,281.86	2,950.50	6.167	5.127	6.500	7.142	7.772
22-Jul-19	149.92	3,618.98	2698.64	819.00	8.41	265.83	2,283.37	3,091.26	6.202	5.131	6.555	7.157	7.814
23-Jul-19	148.04	3,584.55	2675.31	933.00	28.84	525.50	2,254.75	3,766.92	6.104	4.992	6.406	7.021	7.736
24-Jul-19	148.81	3,602.49	2681.17	819.00	13.26	492.92	2,266.57	4,264.44	6.041	4.967	6.369	6.961	7.672
25-Jul-19	148.81	3,601.21	2664.16	971.00	28.03	1,065.93	2,266.37	2,078.69	5.994	4.951	6.313	6.961	7.669
July 19-25	148.81	3601.21	2664.16	4,375.00	86.37	2,627.96	2,266.37	16,151.81	5.994	4.951	6.313	6.961	7.669
Weekly Changes (%)	-0.29	0.09	-0.47	-2.17	6.98	4.33	-0.30	-31.11	-0.183*	-0.187*	-0.201*	-0.166*	-0.119*

*Percentage points, ** Matures on June 24, 2019, thus closed from trading

Source: Nairobi Securities Exchange, Thompson Reuters and Central Bank of Kenya

Chart 3: Yields on 10 year Eurobonds for Selected African Countries


Source: Thomson Reuters

Table 7: Government Domestic Debt (KSh Billion)

	29-Jun-18	28-Dec-18	29-Mar-19	28-Jun-19	12-Jul-19	19-Jul-19
1. Treasury Bills (Excluding Repos)	878.62	904.10	949.66	954.25	967.35	968.34
<i>(As % of total securities)</i>	36.75	36.90	36.04	35.31	35.62	35.64
2. Treasury Bonds	1,511.87	1,546.29	1,685.66	1,748.60	1,748.60	1,748.60
<i>(As % of total securities)</i>	63.25	63.10	63.96	64.69	64.38	64.36
3. Total Securities (1+2)	2,390.49	2,450.39	2,635.31	2,702.85	2,715.95	2,716.94
4. Overdraft at Central Bank	56.85	45.86	36.90	57.33	49.60	47.49
5. Other Domestic debt*	31.44	31.61	26.88	25.28	25.73	25.73
6. Gross Domestic Debt (3+4+5)	2,478.78	2,527.86	2,699.09	2,785.46	2,791.27	2,790.16

* 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 8: Composition of Government Domestic Debt by Instrument (Percent)

	29-Jun-18	28-Dec-18	29-Mar-19	28-Jun-19	12-Jul-19	19-Jul-19
Treasury bills (Excluding Repos)	35.45	35.77	35.12	34.26	34.66	34.71
Treasury bonds	60.99	61.17	62.34	62.78	62.65	62.67
CBK Overdraft to Government	2.29	1.81	1.36	2.06	1.78	1.70
Other domestic debt	1.27	1.25	1.18	0.91	0.92	0.92
TOTAL	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 9: Composition of Government Domestic Debt by Holder (Percent)

	29-Jun-18	28-Dec-18	29-Mar-19	28-Jun-19	12-Jul-19	19-Jul-19
Banking Institutions	55.19	54.53	54.88	54.37	54.12	54.45
Insurance Companies	6.23	6.06	6.16	6.13	6.12	6.11
Parastatals	7.04	7.25	7.10	6.98	7.02	7.06
Pension funds	27.09	27.59	27.49	28.24	28.46	28.09
Other investors	4.44	4.57	4.37	4.28	4.28	4.29
Total	100.00	100.00	100.00	100.00	100.00	100.00

Source: Central Bank of Kenya

Table 10: Indicators of Total Government Debt

	Jun-18	Sep-18	Dec-18	Jan-19	Feb-19	Mar-19
Domestic debt (KSh Billion)	2,478.84	2,540.70	2,548.77	2,604.19	2,691.61	2,699.09
Public & Publicly Guaranteed External debt (US \$ Billion)	25.34	25.81	26.74	27.05	27.05	27.01
Public & Publicly Guaranteed External debt (KSh Billion)	2,560.20	2,605.33	2,723.73	2,729.48	2,707.29	2,721.60
Total public debt (KSh Billion)	5,039.03	5,146.04	5,272.50	5,333.67	5,398.90	5,420.68

Source: National Treasury and Central Bank of Kenya