



SEPTEMBER 23, 2016

Highlights

The money market was relatively liquid during the week ending September 21, 2016 as a result the average interbank rate declined marginally to 3.18 percent from 3.41 percent.

Capital market recorded mixed performance in the week ending September 22, 2016.

Monetary Policy Operations

The money market was relatively liquid during the week ending September 21, 2016. The net liquidity withdrawals during the week amounted to KSh 2.5bn and reflect net redemption of securities by government and net maturities of reverse repo securities (**Table 1**). The commercial banks' excess reserves, above 5.25 percent averaging requirement, stood at KSh 15 billion in the first week of the new CRR cycle¹ (**Chart A**).

¹ CRR refers to cash reserve ratio. Banks are required to keep 5.25 percent of their total deposits holdings at Central Bank of Kenya as reserves. The CRR cycle starts on 15th of every month and end on 14th of the subsequent month.

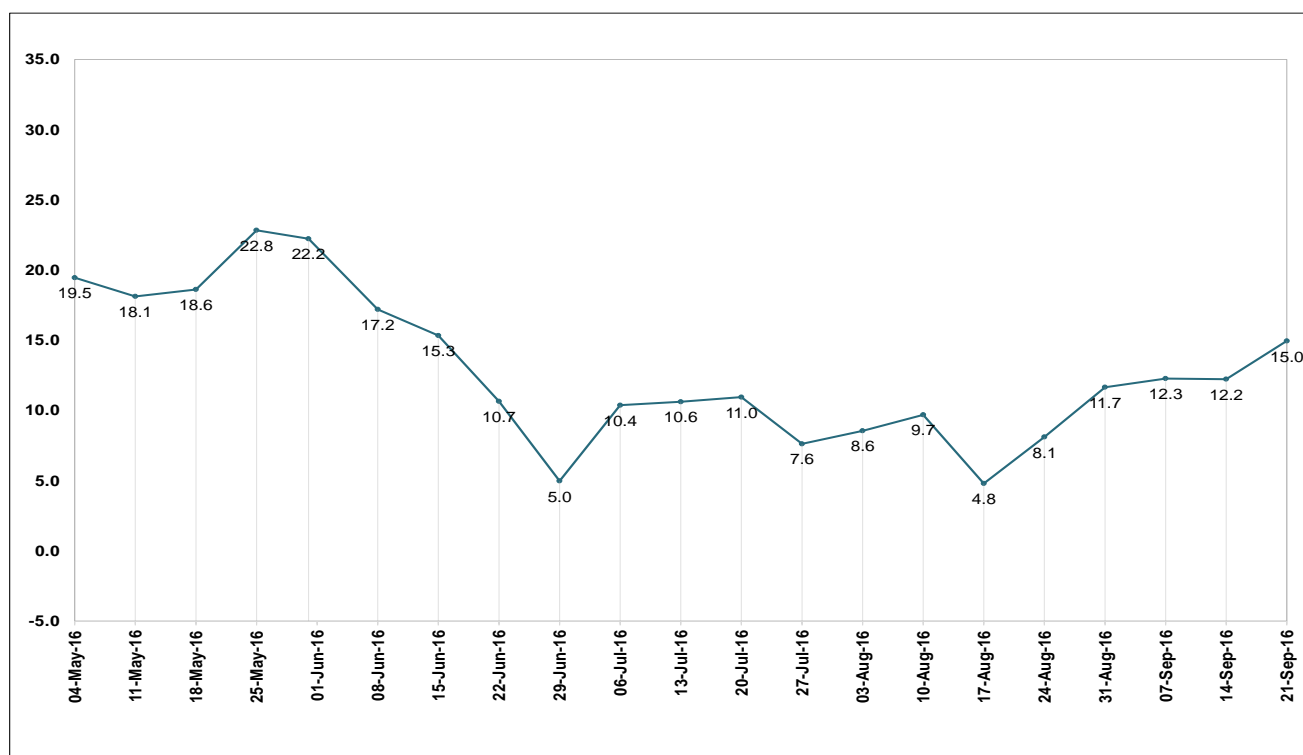
CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

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

	15-Sep-16	16-Sep-16	19-Sep-16	20-Sep-16	21-Sep-16	Total
Liquidity Flows						
Total liquidity injection \1	16.8	4.3	23.5	3.5	1.3	49.5
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.5	0.0	0.0	0.7	0.0	1.2
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	16.6	0.0	0.0	16.6
T/bonds Interest	0.0	0.0	3.3	0.0	0.0	3.3
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	16.4	4.3	3.5	2.8	1.3	28.4
Total liquidity reduction \1	3.0	3.9	25.0	9.5	10.6	51.9
T/bills (Primary issues)	0.0	0.0	21.6	0.0	0.0	21.6
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	0.5	1.2	0.0	0.0	0.1	1.8
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.4	2.7	3.3	9.4	10.5	28.4
Net liquidity injection (+)/Withdrawal (-)	13.9	0.4	-1.5	-5.9	-9.3	-2.5
Open Market Operations Outcome						
Posted Amount						
Repo (-)						
Term Auction Deposits (-)						
Reverse repos purchases	0.5			0.7		1.2
Reserve Money Position						
Reserve money (actual)	391.0	391.4	390.3	383.1	374.3	

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

Source: Central Bank of Kenya

CHART A: STRUCTURE OF SHORT-TERM INTEREST RATES


Source: Central Bank of Kenya

Activity in the Interbank Market

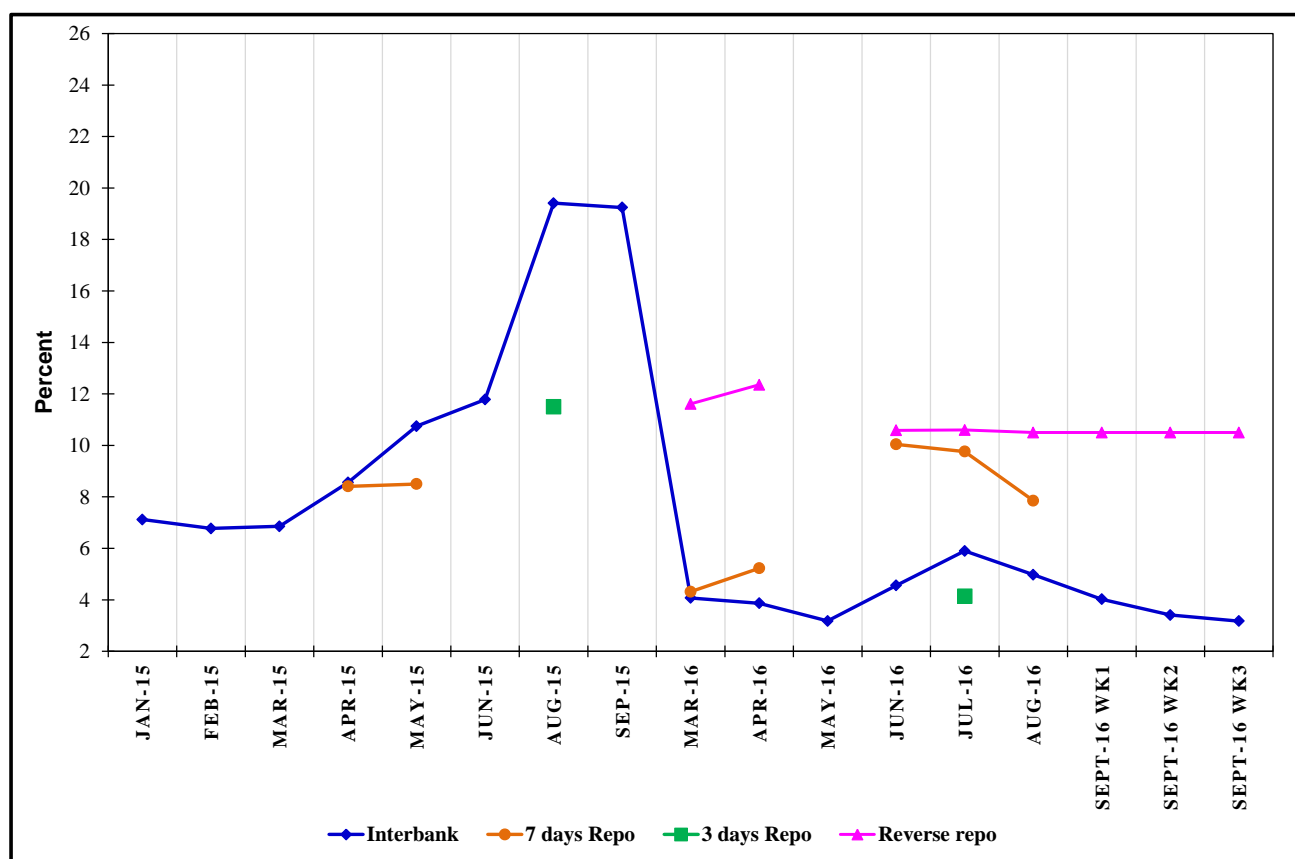
The volume traded in the interbank market increased to KSh 11.5 billion from KSh 5.5 billion transacted the previous week (Table 2 and Chart B). Consequently, the average interbank rate declined to 3.18 percent from 3.41 percent.

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of Deals	Value (Ksh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
8-Sep-16	15	9,455	3.06	10.50
9-Sep-16	8	5,870	2.94	10.50
13-Sep-16	7	1,555	4.72	10.50
14-Sep-16	10	5,195	2.91	10.50
September 8-September 14, 2016	10	5,519	3.41	10.50
15-Sep-16	18	8,875	3.10	10.50
16-Sep-16	14	8,800	3.01	
19-Sep-16	21	15,350	3.25	
20-Sep-16	21	13,100	3.18	10.50
21-Sep-16	19	11,500	3.35	
September 15-September 21, 2016	19	11,525	3.18	10.50

Source: Central Bank of Kenya

CHART B: EVOLUTION OF FREE RESERVES



Source: Central Bank of Kenya

Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate displayed mixed performance against major international and EAC currencies during the week ending September 22, 2016. The Shilling strengthened against the Sterling Pound and the Euro but weakened marginally against the USD and Japanese Yen. In the EAC region, the Kenya Shilling strengthened against the Burundi Franc, but weakened against the rest of the currencies.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
9th Sep 2016	101.30	135.10	114.54	99.73	33.39	21.57	7.37	16.56
13th Sep 2016	101.20	134.56	113.57	99.29	33.43	21.59	7.38	16.44
14th Sep 2016	101.18	133.62	113.66	98.35	33.40	21.58	7.95	16.45
15th-Sep 2016	101.27	134.14	113.85	98.97	33.38	21.55	7.37	16.53
9th-15th Sep 2016	101.24	134.36	113.90	99.08	33.40	21.57	7.52	16.50
16th-Sep-2016	101.29	133.67	113.77	98.68	33.35	21.53	7.37	16.54
19th-Sep-2016	101.29	132.62	113.29	99.23	33.37	21.54	7.94	16.69
20th-Sep-2016	101.29	132.17	113.18	99.48	33.37	21.54	7.37	16.44
21st-Sep-2016	101.26	131.28	113.23	99.57	33.38	21.55	7.37	16.45
22nd-Sep-2016	101.27	131.49	112.86	100.52	33.41	21.55	7.44	16.45
16th-22nd Sep 2016	101.28	132.24	113.26	99.49	33.38	21.54	7.50	16.51

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

The capital markets recorded mixed performance in the week ending September 22, 2016, with equities market posting gains but losses for bonds market segment.

Equities Market

Overall, market capitalization, which measures shareholders' wealth, rose by 1.39 percent, adding KSh.26.30 billion to previous week. Equity turnover increased by 158.21 percent supported by recovery in share prices and increase in share trading. Improved appetite in equities market saw the NASI and NSE 25² Share Index rise by 138 basis points and 160 basis points, respectively. Share prices of firms constituting the NSE 20³ Share index however, declined by 217 basis points in the week under review (**Table 4**).

² 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.

³ 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	4-Aug-16	11-Aug-16	18-Aug-16	25-Aug-16	1-Sep-16	8-Sep-16	15-Sep-16	22-Sep-16	Weekly Change (%)
NASI 100= 2008	143.39	143.63	147.32	139.14	134.47	130.87	131.63	133.45	1.38
NSE 25 Share Index	3,939.55	3,921.41	3,971.74	3,704.68	3,509.43	3,422.56	3,461.71	3,517.19	1.60
NSE 20 Share Index 100= 1996	3,464.48	3,450.10	3,484.08	3,309.76	3,179.23	3,180.29	3,239.80	3,169.64	-2.17
Number of Deals	6,022.00	6,024.00	6,240.00	5,989.00	7,487.00	6,547.00	4,703.00	5,687.00	20.92
Total Shares Traded (Millions)	129.18	77.13	131.53	150.94	336.55	203.01	73.03	198.10	171.26
Equity Turnover (Ksh. Millions)	3,035.53	2,454.61	3,228.71	3,254.44	8,030.65	5,095.32	1,615.03	4,170.16	158.21
Market Capitalization (Ksh. Bn.)	2,065.16	2,068.71	2,121.98	2,003.82	1,936.52	1,884.50	1,895.47	1,921.77	1.39
I-REIT Turnover in (Ksh.)	3.28	1.41	1.80	12.51	3.34	0.60	0.61	7.88	1,192.46
I-REIT in Units - Total Deals	46.00	40.00	66.00	69.00	45.00	36.00	40.00	54.00	35.00
Bonds Turnover (Ksh. Millions)	7,064.11	4,661.35	5,496.94	5,707.85	7,600.51	6,809.48	6,526.30	5,186.82	-20.52
FTSE NSE Kenya 15 Index	177.56	175.70	178.84	166.10	155.26	154.10	156.36	159.14	1.78
FTSE NSE Kenya 25 Index	182.11	180.10	184.47	171.85	161.33	159.60	161.20	164.64	2.13
FTSE NSE Bond Index	89.92	88.33	87.92	88.62	88.05	88.45	88.45	88.45	0.00

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, rose by 1.78 percent and 2.13 percent, respectively. The Real Estate Investment Trust (I-REIT⁴) turnover rose by 1192 per cent as investors sought capital gains on price increase following better half-year financials that signal better dividend ahead.

Telecommunication & Technology sector dominated trading, accounting for 64.13 percent of shares traded, which signifies high market concentration.

The Bond Market

The volume of bonds traded at the NSE declined by 20.52 percent, but transacted deals rose to 207 from 124 deals of last week. The decline in secondary market activity in the last 3 weeks is partly explained by investors preference for cheaper bonds and treasury bills offered in the primary during the week.

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.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills					
Date of Auction	30-Jun-16	28-Jul-16	25-Aug-16	15-Sep-16	22-Sep-16
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	3,385.3	3,741.1	1,682.2	9,000.6	6,342.9
Amount Accepted (Ksh M)	3,385.3	2,672.6	1,456.4	4,110.3	5,353.2
Maturities (Ksh M)	1,184.0	12,662.0	7,363.7	4,686.9	5,112.7
Average interest Rate (%) - 91 Days	7.0	8.3	8.6	8.0	7.9
182-Day Treasury Bills					
Date of Auction	29-Jun-16	27-Jul-16	24-Aug-16	14-Sep-16	21-Sep-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	1,215.1	13,160.0	7,962.7	7,539.3	10,066.1
Amount Accepted (Ksh M)	1,215.1	6,405.5	7,626.3	6,093.9	5,159.0
Maturities (Ksh M)	2,563.6	8,198.5	5,446.0	9,164.3	1,822.5
Average interest Rate (%) - 182 days	9.4	10.5	11.2	10.8	10.568
364-Day Treasury Bills					
Date of Auction	29-Jun-16	27-Jul-16	24-Aug-16	14-Sep-16	21-Sep-16
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	1,314.6	5,250.7	5,850.8	11,564.7	10,674.0
Amount Accepted (Ksh M)	1,314.6	5,214.9	5,630.0	11,434.4	7,278.0
Maturities (Ksh M)	72.4	1,935.9	1,669.4	2,731.9	459.9
Average interest Rate (%) - 364 days	10.7	11.4	12.0	10.0	10.6
Treasury Bonds					
Date of Auction			24th August 2016	21-Sep-16	
Tenor			FXD 1/2016/10	FXD 3/2016/5	FXD 1/2016/20
Amount offered (Ksh M)			25000	25000	
Bids received (Ksh M)			26305.2	38652.17	17800.48
Amount Accepted (Ksh M)			18312.23	23052.24	12290.38
Maturities (Ksh M)			0	0	0
Average interest Rate (%)			15.0	13.1	14.6

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	24-Jun-16	29-Jul-16	26-Aug-16	02-Sep-16	09-Sep-16	16-Sep-16
1. Treasury Bills (Excluding Repos)	578.03	577.76	579.67	581.02	590.35	600.04
(As % of total securities)	33.41	32.75	33.09	32.80	33.15	33.52
2. Treasury Bonds	1,152.04	1,186.12	1,171.92	1,190.23	1,190.23	1,190.23
(As % of total securities)	66.59	67.25	66.91	67.20	66.85	66.48
3. Total Securities (1+2)	1,730.07	1,763.88	1,751.59	1,771.24	1,780.57	1,790.27
4. Overdraft at Central Bank	37.06	14.01	13.28	13.28	0.00	0.54
5. Other Domestic debt*	31.09	30.76	31.42	31.42	31.41	31.44
6. Gross Domestic Debt (3+4+5)	1,798.22	1,808.64	1,796.29	1,815.94	1,811.98	1,822.25

* 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

	24-Jun-16	29-Jul-16	26-Aug-16	2-Sep-16	9-Sep-16	16-Sep-16
Treasury bills (Excluding Repos)	32.1	31.9	32.3	32.0	32.6	32.9
Treasury bonds	64.1	65.6	65.2	65.5	65.7	65.3
CBK Overdraft to Govt	2.1	0.8	0.7	0.7	0.0	0.0
Other domestic debt	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

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	24-Jun-16	29-Jul-16	26-Aug-16	2-Sep-16	9-Sep-16	16-Sep-16
Banking Institutions	56.3	54.8	54.4	54.5	54.4	54.6
Insurance Companies	7.5	7.6	7.3	7.4	7.4	7.4
Parastatals	4.7	5.1	5.6	5.8	5.8	5.6
Pension funds	25.9	26.8	27.0	26.8	26.8	26.7
Other investors	5.7	5.7	5.6	5.6	5.6	5.7
Total	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	21-Jul-16	28-Jul-16	4-Aug-16	11-Aug-16	18-Aug-16	25-Aug-16	1-Sep-16	8-Sep-16	15-Sep-16	22-Sep-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,618	7,831	7,782	7,769	7,733	7,711	7,748	7,688	7,747	7,804	7,748
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.96	5.12	5.09	5.08	5.14	5.13	5.15	5.11	5.15	5.19	5.15

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya