



JUNE 9, 2017

Highlights

Liquidity in the money market tightened during the week ending June 7, 2017, on account of issuance of Treasury bills in the primary market and OMO operations. The weighted average interbank rate increased slightly to 3.89 percent in the week ending June 7, 2017 from 3.76 percent recorded in the previous week.

The capital market recorded improved performance during the week ending June 8, 2017, except in the bond market where turnover continued to decline.

Monetary Policy Operations

Liquidity in the money market tightened during the week ending June 7, 2017, on account of issuance of Treasury bills in the primary market and OMO operations. Interbank market transactions during the week resulted in a net liquidity withdrawal of KSh 5.9 billion (Table 1).

Commercial banks' excess reserves above 5.25 percent averaging requirement increased slightly to KSh 13.1 billion, from the previous week's KSh 12.7 billion (Chart A).

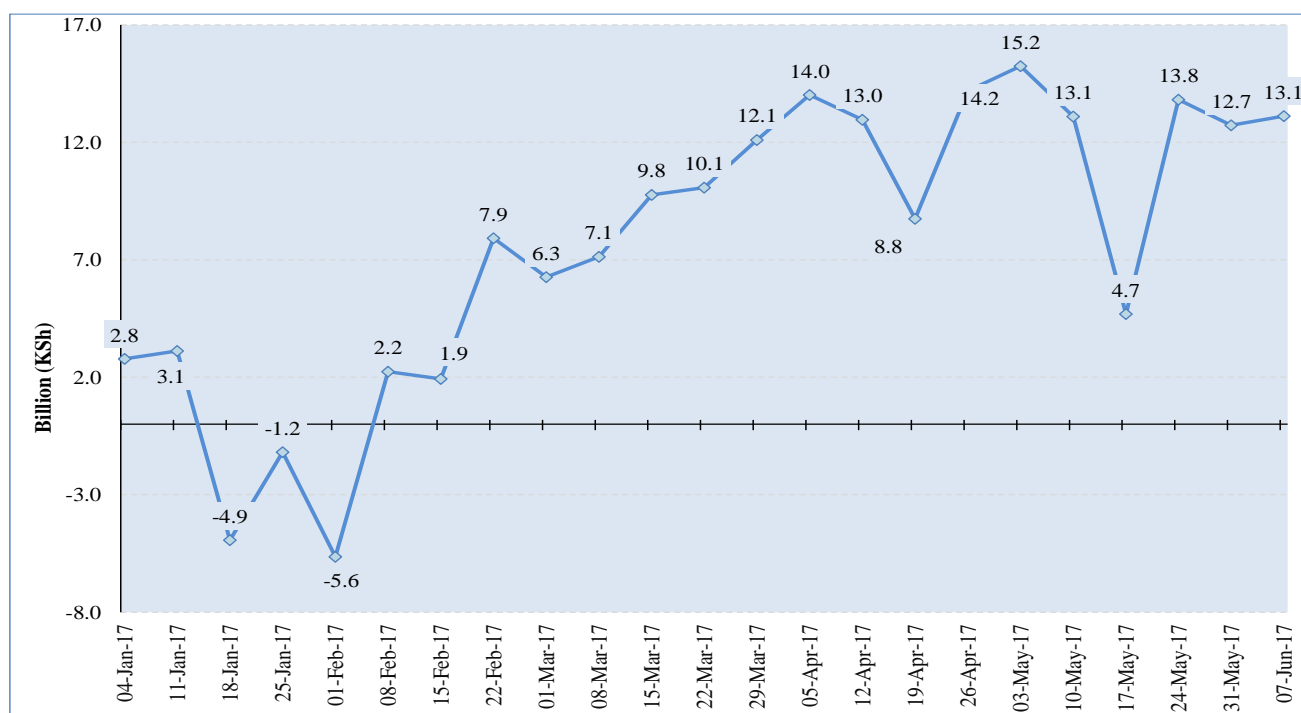
TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	2-Jun-17	5-Jun-17	6-Jun-17	7-Jun-17	Total
Liquidity Flows					
Total liquidity injection ¹	11.0	25.2	15.3	7.0	58.6
Repos Maturities	0.0	0.0	10.0	0.0	10.0
Reverse Repo Purchases	1.2	0.0	0.0	0.0	1.2
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	19.5	0.0	0.0	19.5
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	0.0	0.0	0.0
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0
Govt payments	9.8	5.7	5.3	7.0	27.9
Total liquidity reduction ¹	10.1	31.4	19.4	3.6	64.5
T/bills (Primary issues)	0.0	28.6	0.0	0.0	28.6
Tbonds Sales	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
Repos	6.0	0.0	13.0	0.0	19.0
Reverse Repos maturities	1.2	0.0	0.2	0.0	1.4
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.9	2.7	6.2	3.6	15.4
Net liquidity injection (+)/Withdrawal (-)	0.95	-6.15	-4.10	3.37	-5.9
Open Market Operations Outcome					
Posted Amount	6.0	-	13.0	-	19.0
Realised Amount - Mop up	6.0	-	-	0.0	6.0
Repo (-)	6.0	0.0	13.0	0.0	19.0
Term Auction Deposits (-)	0.0	0.0	0.0	0.0	0.0
Reserve Money Position					
Reserve money (actual)	408.0	405.5	398.8	401.6	403.5

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

Activity in the Interbank Market

The weighted average interbank rate increased slightly to 3.89 percent in the week ending June 7, 2017 from 3.76 percent recorded in the previous week. However, the volumes transacted declined to KSh 9.20 billion from KSh 13.65 billion in the previous week. The average number of deals stood

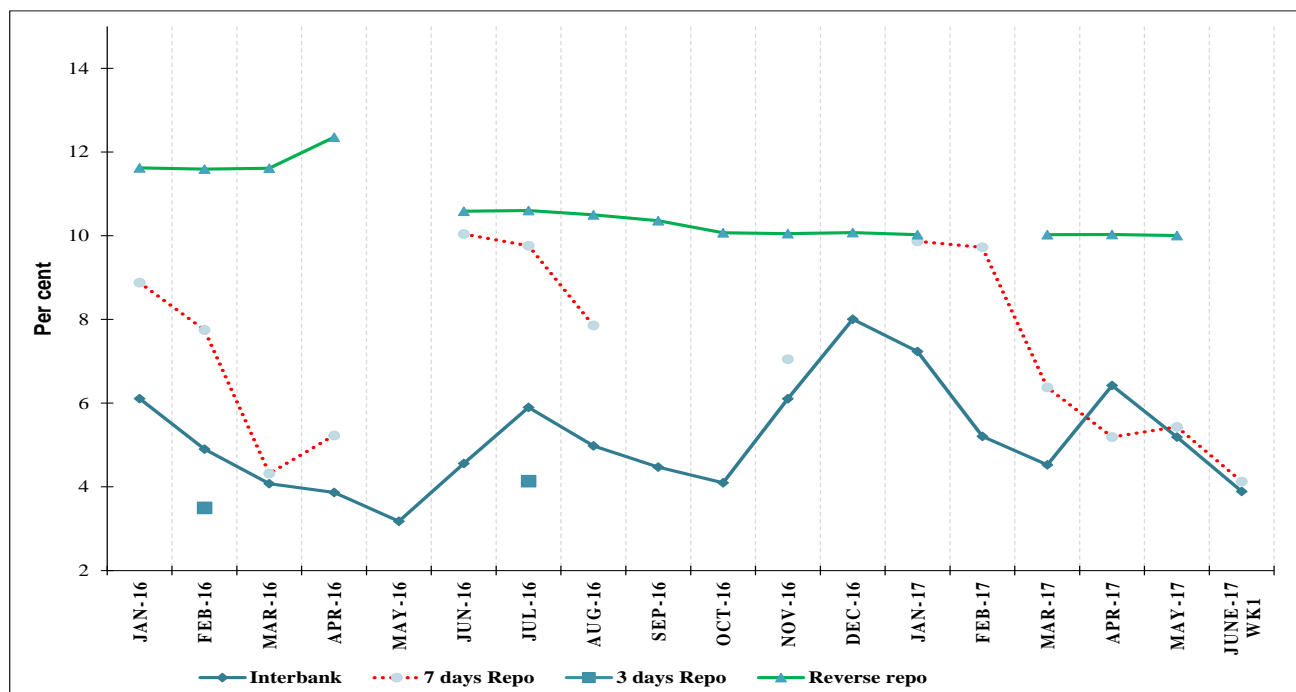
at 20 compared to 22. Meanwhile, repo sales traded at a slightly lower average rate of 4.13 percent in the week ending June 7, 2017 compared to 4.75 percent in the previous week (Table 2 and Chart B).

TABLE 2: OPEN MARKET OPERATIONS

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	7 days Average Repo Rate (%)
25-May-17	14	9,400	3.80	-
26-May-17	24	16,500	3.68	-
29-May-17	29	24,100	3.49	-
30-May-17	22	8,545	4.04	4.75
31-May-17	21	9,695	3.79	-
May 25, 2017 - May 31, 2017	22	13,648	3.76	4.75
2-Jun-17	14	8,650	3.87	4.25
5-Jun-17	19	10,450	4.13	-
6-Jun-17	25	8,855	4.05	4.00
7-Jun-17	21	8,850	3.51	-
June 2, 2017 - June 7, 2017	19.8	9,201	3.89	4.13

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 recorded mixed performance against major international as well as EAC currencies during the week ending June 8, 2017. The shilling strengthened against the US Dollar but weakened against the Sterling Pound, the Japanese Yen and the Euro.

In the EAC region, the shilling strengthened against the Burundi and Rwanda Franc, remained unchanged against the Tanzania shilling but weakened against the Uganda shilling.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
26-May-17	103.31	133.72	115.76	92.42	34.90	21.65	7.97	16.63
29-May-17	103.34	132.53	115.32	92.95	34.91	21.64	7.96	16.63
30-May-17	103.36	132.67	115.51	92.86	34.88	21.62	7.96	16.63
31-May-17	103.38	133.06	115.63	93.21	34.85	21.63	7.96	16.63
26-31 May 2017	103.35	132.99	115.55	92.86	34.88	21.64	7.96	16.63
2-Jun-17	103.35	133.01	115.96	92.55	34.76	21.64	7.97	16.64
5-Jun-17	103.33	132.96	116.43	93.53	34.84	21.64	7.97	16.65
6-Jun-17	103.36	133.54	116.25	93.60	34.83	21.64	7.97	16.65
7-Jun-17	103.35	133.31	116.43	94.52	34.76	21.65	7.97	16.65
8-Jun-17	103.32	133.73	116.23	94.13	34.81	21.65	8.18	16.71
2-8 June 2017	103.34	133.31	116.26	93.66	34.80	21.64	8.01	16.66

Units of currency per Kenya Shilling

Source: Central Bank of Kenya

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The Capital Market

The capital market recorded improved performance during the week ending June 8, 2017, except in the bond market where turnover continued to decline.

Equity Market

Share prices increased during the week ending June 8, 2017, as indicated by gains across the NASI, NSE 25 and NSE 20 price indices, which grew by 0.61 percent, 1.11 percent and 0.99 percent, respectively. Shareholder wealth, as measured by market

capitalization, increased by 0.60 percent. Equity turnover rose by 12.56 percent, driven by both increase in prices and volume of shares traded. The increase in shares traded may be attributed to rising prices, as well as a pick-up in activity following the short trading week of the previous week (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	27-Apr-17	04-May-17	11-May-17	18-May-17	25-May-17	01-Jun-17	08-Jun-17	Weekly Change (%)
NASI 100= 2008	133.20	134.58	137.64	138.85	145.55	148.40	149.30	0.61
NSE 25 Share Index	3,534.00	3,551.26	3,620.80	3,685.50	3,883.64	3,926.32	3,970.00	1.11
NSE 20 Share Index 100= 1996	3,164.00	3,144.38	3,195.70	3,244.69	3,410.89	3,441.05	3,475.00	0.99
Number of Deals	4,696	4,230	6,068	6,650	6,150	5,509	7,047.00	27.92
Total Shares Traded (Million)	97.38	82.50	133.51	193.34	194.23	105.20	142.80	35.74
Equity Turnover (KSh Million)	2,768.86	2,341.64	3,051.53	4,303.93	4,507.16	2,757.59	3,104.07	12.56
Market Capitalization (KSh Billion)	1,934.61	1,954.12	1,999.00	2,016.35	2,113.87	2,155.36	2,168.19	0.60
I-REIT Turnover in (KSh Million)	0.43	0.33	0.66	0.24	0.08	0.27	0.94	246.30
I-REIT in Units - Total Deals	12.00	21.00	28.00	14.00	10.00	34.00	53.00	55.88
Bonds Turnover (KSh Million)	10,647.71	8,706.15	13,791.38	6,687.15	16,421.90	11,633.99	9,722.09	-16.43
FTSE NSE Kenya 15 Index	164.10	165.27	169.10	173.37	180.97	182.06	187.70	3.10
FTSE NSE Kenya 25 Index	168.20	170.11	174.07	177.71	185.31	186.10	192.70	3.55
FTSE NSE Bond Index	89.90	89.96	89.98	90.04	91.37	91.48	91.60	0.13
ETF Turnover(KSh Million)		0.12	-	-				-
ETF -Total Deals		1.00	-	-				-

Source: Nairobi Securities Exchange

FTSE NSE Kenya Index Series, REITS and Most Active Sectors

Performance of the 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 Nairobi Securities Exchange (NSE), improved significantly in the period under review, increasing by 3.10 percent and 3.55 percent, respectively. The Telecommunication & Technology, Banking, and Energy & Petroleum sectors accounted for 72.97

percent of the total shares traded during the period under review.

Turnover in the real estate market segment, Income-Real Estate Investment Trust (I-REIT²), increased by 246.3 percent, with the number of deals growing by 55.88 percent over the week ending June 8, 2017, perhaps signalling continued high investor appetite for asset-backed securities.

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

² 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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Bond Market

Volume of bonds traded declined by 16.43 percent during the week ending June 8, 2017, while the number of bond deals fell from 145 to 120. The FTSE Bond Index rose by 0.13 percent, reflecting decline in secondary market yields.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills								
Date of Auction	30-Mar-17	27-Apr-17	04-May-17	11-May-17	18-May-17	25-May-17	01-Jun-17	08-Jun-17
Amount offered (Ksh M)	10,000.0	10,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	11,223.1	12,373.5	11,828.9	11,942.9	8,847.4	5,171.6	8,368.2	15,260.6
Amount Accepted (Ksh M)	7,084.8	11,239.8	3,602.9	6,705.5	2,234.0	2,645.1	3,125.6	13,743.0
Maturities (Ksh M)	1,393.8	5,657.4	1,381.9	1,532.8	1,813.1	5,910.5	8,778.8	8,592.7
Average interest Rate (%) - 91 Days	8.8	8.8	8.8	8.7	8.7	8.6	8.5	8.5
182-Day Treasury Bills								
Date of Auction	29-Mar-17	26-Apr-17	03-May-17	10-May-17	17-May-17	24-May-17	31-May-17	07-Jun-17
Amount offered (Ksh M)			10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0
Bids received (Ksh M)			25,376.5	19,616.9	16,815.9	15,070.4	15,495.7	25,551.2
Amount Accepted (Ksh M)			20,401.7	12,516.9	15,452.4	13,608.2	13,919.6	21,335.9
Maturities (Ksh M)			6,660.0	6,932.5	7,220.5	7,053.2	7,400.1	7,032.0
Average interest Rate (%) - 182 days			10.5	10.4	10.4	10.4	10.4	10.3
364-Day Treasury Bills								
Date of Auction	29-Mar-17	26-Apr-17	03-May-17	10-May-17	17-May-17	24-May-17	31-May-17	07-Jun-17
Amount offered (Ksh M)	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0	10,000.0
Bids received (Ksh M)	13,275.7	8,245.6	9,892.6	10,754.8	15,748.4	13,821.3	13,928.2	9,407.0
Amount Accepted (Ksh M)	9,287.4	7,987.5	8,879.0	10,546.7	14,815.9	11,869.9	11,566.5	7,892.8
Maturities (Ksh M)	4,883.3	8,932.5	6,846.0	6,665.8	10,201.1	6,562.6	7,459.8	6,731.8
Average interest Rate (%) - 364 days	10.9	10.9	10.9	10.9	10.9	10.9	10.9	10.9
Treasury Bonds								
Date of Auction	29-Mar-17	27-Apr-17	17-May-17					
Tenor	FXD 3/2013/5	FXD1/2009/11	FXD 2/2010/10	FXD 1/2009/15				
Amount offered (Ksh M)	15,000.0	7,000.0	40,000.0					
Bids received (Ksh M)	12,109.4	6,143.05	14,494.9	24,354.9				
Amount Accepted (Ksh M)	7,842.8	4,009.60	8,532.8	11,463.4				
Maturities (Ksh M)	0.0	0	31,079.6					
Average interest Rate (%)	12.404	12.0	12.472	13.141				

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	24-Feb-17	31-Mar-17	28-Apr-17	05-May-17	12-May-17	19-May-17	26-May-17	02-Jun-17
1. Treasury Bills (Excluding Repos)	607.90	615.77	626.90	624.90	636.88	653.67	673.30	684.07
(As % of total securities)	33.21	32.69	32.25	32.06	32.47	33.13	33.96	34.04
2. Treasury Bonds	1,222.61	1,268.16	1,317.02	1,324.29	1,324.29	1,319.29	1,309.35	1,325.28
(As % of total securities)	66.79	67.31	67.75	67.94	67.53	66.87	66.04	65.96
3. Total Securities (1+2)	1,830.51	1,883.93	1,943.92	1,949.18	1,961.17	1,972.95	1,982.65	2,009.35
4. Overdraft at Central Bank	25.13	30.27	-	2.68	-	-	-	0.03
5. Other Domestic debt*	30.97	31.06	30.75	30.76	35.95	35.95	35.93	35.94
6. Gross Domestic Debt (3+4+5)	1,886.61	1,945.25	1,974.67	1,982.62	1,997.11	2,008.90	2,018.58	2,045.33

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

Source: Central Bank of Kenya

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TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT (IN PERCENT)

	24-Feb-17	31-Mar-17	28-Apr-17	05-May-17	12-May-17	19-May-17	26-May-17	02-Jun-17
Treasury bills (Excluding Repos)	32.2	31.7	31.7	31.5	31.9	32.5	33.4	33.4
Treasury bonds	64.8	65.2	66.7	66.8	66.3	65.7	64.9	64.8
CBK Overdraft to Govt	1.3	1.6	0.0	0.1	0.0	0.0	0.0	0.0
Other domestic debt	1.6	1.6	1.6	1.6	1.8	1.8	1.8	1.8
TOTAL	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 (IN PERCENT)

	27-Jan-17	24-Feb-17	31-Mar-17	21-Apr-17	28-Apr-17	05-May-17	12-May-17	19-May-17	26-May-17	02-Jun-17
Banking Institutions	51.6	51.0	54.1	54.9	55.1	55.2	55.3	55.0	56.2	56.2
Insurance Companies	7.5	7.5	7.1	7.0	7.0	7.0	6.9	6.9	6.9	6.9
Parastatals	5.7	5.8	6.5	6.5	6.5	6.5	6.4	6.5	6.6	6.5
Pension funds	28.6	29.0	28.2	27.8	27.5	27.5	27.5	27.8	27.9	28.1
Other investors	6.7	6.7	4.0	3.9	3.9	3.9	3.9	3.8	2.4	2.3
Total	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)

	20-Apr-17	27-Apr-17	04-May-17	11-May-17	18-May-17	25-May-17	31-May-17	08-Jun-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,959	8,309	8,304	8,251	8,248	8,236	8,262	8,202
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	5.26	5.49	5.49	5.45	5.45	5.44	5.46	5.42

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya