



AUGUST 26, 2016

Highlights

Liquidity in the money market improved during the week ending August 24, 2016 with commercial banks' excess reserves above 5.25 percent averaging requirement increasing to KSh 8.1 billion from KSh 4.8 billion the previous week. The average interbank rate dipped 18.8 basis points to 4.06 percent from 4.25 percent on a slightly lower volume of KSh 16.4 billion compared to KSh 18.6 billion transacted the previous week.

The capital market recorded mixed performance, with the equities market segment recording losses while the bonds market segment recorded gains in the week ending August 25, 2016.

Monetary Policy Operations

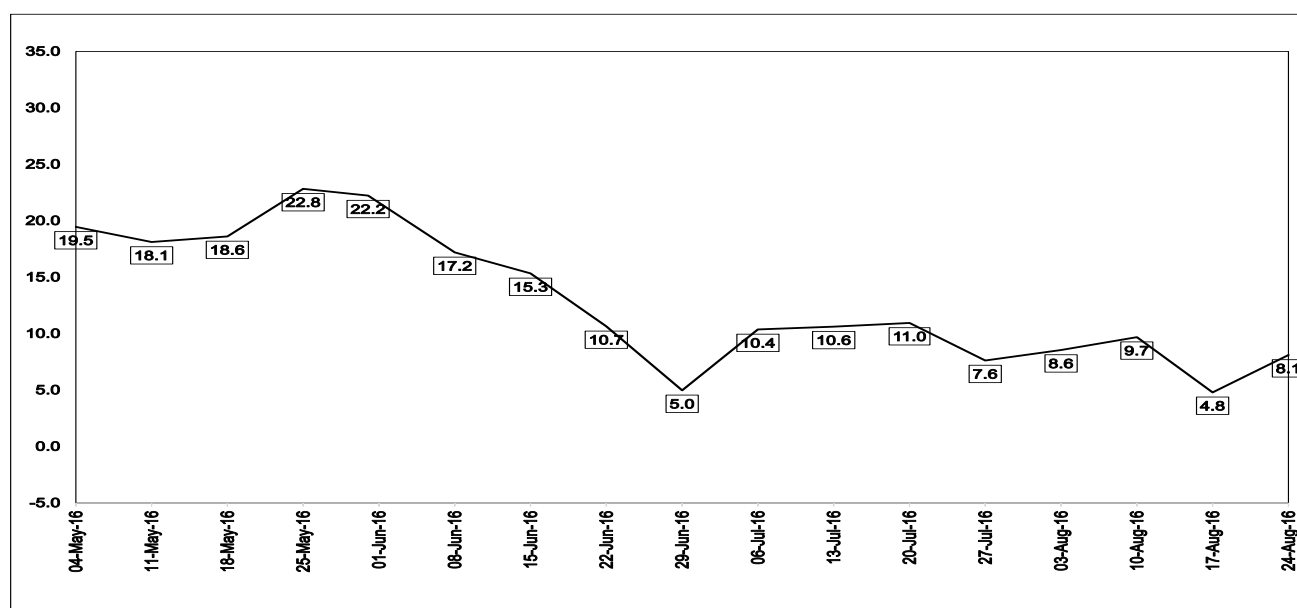
Liquidity in the money market improved during the week ending August 24, 2016 with commercial banks' excess reserves above 5.25 percent averaging requirement increasing to KSh 8.1 billion from KSh 4.8 billion the previous week. Liquidity flows from government payments exceeded withdrawals through taxes, Treasury bills issuance and reverse repos maturities. However, due to uneven distribution of liquidity the Central Bank was on both sides of the market. It withdrew excess liquidity from segments of the market with surpluses and used reverse repos to support segments facing temporary liquidity shortages (**Table 1 and Chart A**).

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

	18-Aug-16	19-Aug-16	22-Aug-16	23-Aug-16	24-Aug-16	Total
Liquidity Flows						
Total liquidity injection \1	1.6	5.2	45.6	5.4	8.1	65.9
Repos Maturities						
Term Auction Deposit maturities						
T/bills redemptions			19.2			19.2
T/bills rediscounts						
T/bonds redemptions			14.1			
T/bonds Interest			6.8			6.8
T/bonds rediscounts						
Govt payments	1.2	2.7	5.0	2.9	6.7	18.4
Total liquidity reduction \1	2.9	6.0	28.6	12.4	4.2	54.1
T/bills (Primary issues)			16.8			16.8
Tbonds Sales						
T/bills/Tbonds (OMO Tap Sales)						
Repos			2.1			
Reverse Repos maturities	0.5	2.0	5.1			7.6
Term Auction Deposit						
Transfer from Banks -Taxes	2.4	4.0	4.6	12.4	2.6	26.0
Net liquidity injection (+)/Withdrawal (-)	-1.3	-0.8	17.0	-7.0	3.9	11.8
Open Market Operations Outcome						
Posted Amount - Mop up			7.0			7.0
Realised Amount - Mop up			2.1			2.1
Repo (-)			2.1			2.1
Term Auction Deposits (-)						
Reverse Repo (+)	2.0	2.0				4.0
Bids accepted (+)	0.5	2.5				3.0
Reserve Money Position						
Reserve money (actual)	381.9	380.8	391.2	378.2	381.9	

\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

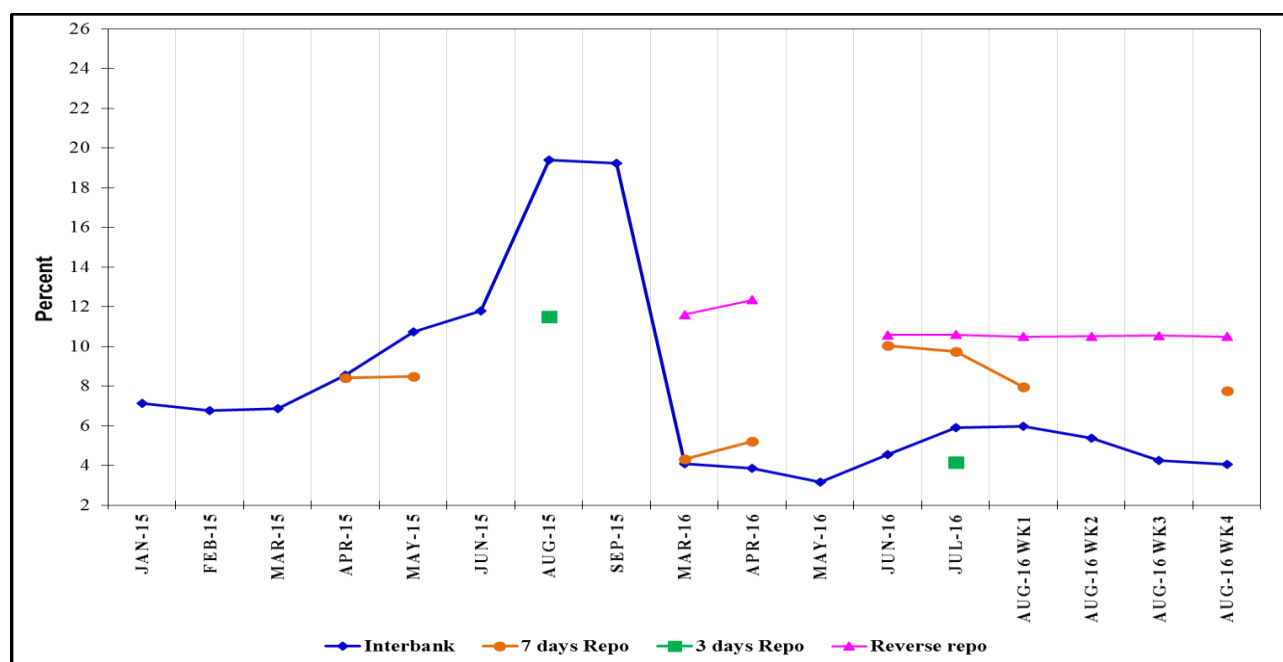
The average interbank rate dipped 18.8 basis points to 4.06 percent from 4.25 percent on a slightly lower volume of KSh 16.4 billion compared to KSh 18.6 billion transacted the previous week. Most of the transactions were dealt below the previous week's average rate. The average number of deals decreased marginally to 26 from 29 deals the previous week. The 7-day average repo rate declined by 19 basis points to 7.76 percent from 7.95 percent recorded on August 2, 2016 (**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 (%)
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	
18-Aug-16	28	18,630	4.02	
19-Aug-16	26	14,060	4.07	
22-Aug-16	20	13,250	4.12	7.76
23-Aug-16	28	21,800	3.91	
24-Aug-16	28	14,100	4.20	
August 18-August 24, 2016	26	16,368	4.06	7.76

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 25 2016. It strengthened against the US dollar but weakened against the Pound Sterling, 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 (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
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
19-Aug-16	101.37	133.24	114.71	101.13	33.24	21.57	7.39	16.41
22-Aug-16	101.36	132.09	114.75	101.26	33.25	21.59	7.94	16.40
23-Aug-16	101.38	133.48	114.85	101.23	33.24	21.57	7.36	16.54
24-Aug-16	101.35	133.65	114.84	101.20	33.23	21.58	7.40	16.59
25-Aug-16	101.37	134.46	114.12	100.92	33.26	21.57	7.36	16.52
19 - 25 Aug 2016	101.37	133.38	114.66	101.15	33.25	21.58	7.49	16.49

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Capital Markets

The capital market recorded mixed performance, with the equities market segment recording losses while the bonds market segment recorded gains in the week ending August 25, 2016.

Equity Market

Equities share prices declined as reflected by changes in the NASI, NSE 25 and NSE 20 share indices. Market capitalization declined by 5.57 percent due to depressed share prices. Equity turnover increased by 0.80 percent on account of 14.76 percent increase in share supply (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	14-Jul-16	21-Jul-16	28-Jul-16	04-Aug-16	11-Aug-16	18-Aug-16	25-Aug-16	Weekly Change (%)
NASI 100= 2008	138.76	138.82	141.94	143.39	143.63	147.32	139.14	-5.55
NSE 25 Share Index	3,901.32	3,848.99	3,935.31	3,939.55	3,921.41	3,971.74	3,704.68	-6.72
NSE 20 Share Index 100= 1996	3,609.81	3,515.00	3,468.29	3,464.48	3,450.10	3,484.08	3,309.76	-5.00
Number of Deals	5,973.00	5,476.00	5,609.00	6,022.00	6,024.00	6,240.00	5,989.00	-4.02
Total Shares Traded (Millions)	131.05	147.75	138.55	129.18	77.13	131.53	150.94	14.76
Equity Turnover (Ksh. Millions)	3,414.85	3,484.72	2,997.86	3,035.53	2,454.61	3,228.71	3,254.44	0.80
Market Capitalization (Ksh. Bn.)	1,995.21	1,993.27	2,042.47	2,065.16	2,068.71	2,121.98	2,003.82	-5.57
I-REIT Turnover in (Ksh.Millions)	0.86	0.49	2.64	3.28	1.41	1.80	12.51	596.78
I-REIT in Units - Total Deals	46.00	30.00	55.00	46.00	40.00	66.00	69.00	4.55
Bonds Turnover (Ksh. Millions)	6,280.44	3,846.25	6,613.16	7,064.11	4,661.35	5,496.94	5,707.85	3.84
FTSE NSE Kenya 15 Index	173.71	171.30	174.56	177.56	175.70	178.84	166.10	-7.12
FTSE NSE Kenya 25 Index	174.81	173.37	177.61	182.11	180.10	184.47	171.85	-6.84
FTSE NSE Bond Index	89.52	90.44	90.87	89.92	88.33	87.92	88.62	0.80

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 7.12 percent and 6.84 percent lower, respectively. Telecommunication and Technology sector dominated trading, in the equity market accounting for 62.66 percent of the total shares traded, and the Banking sector and the Energy & Petroleum sector combined, accounted for 25.17 percent of shares traded over the period under review.

The Bond Market

The bonds turnover rose by 3.84 percent in the week ending August 25, 2016, with corresponding deals down by 35 from 99 deals of the previous week. The FTSE NSE Government Bond Index rose by 0.80 percent reflecting decline in secondary market yields.

CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

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	25-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	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	1,682.2
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	1,456.4
Maturities (Ksh M)	1,184.0	9,946.1	9,086.9	12,662.0	6,675.7	5,229.8	4,883.8	7,363.7
Average interest Rate (%) - 91 Days	7.0	7.6	7.9	8.3	8.3	8.5	8.6	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	24-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	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	7,962.7
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	7,626.3
Maturities (Ksh M)	2,563.6	13,915.1	9,546.7	8,198.5	12,899.9	6,994.7	12,414.3	5,446.0
Average interest Rate (%) - 182 days	9.4	9.9	10.2	10.5	10.7	10.8	11.0	11.2
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	24-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	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	5,850.8
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	5,630.0
Maturities (Ksh M)	72.4	850.5	386.6	1,935.9	5,804.9	4,347.2	1,873.8	1,669.4
Average interest Rate (%) - 364 days	10.7	10.9	11.0	11.4	11.4	11.7	11.9	12.0
Treasury Bonds								
Date of Auction	20th July 2016		20th July 2016				24th August 2016	
Tenor	FXD 2/2016/5		FXD 1/2008/2016				FXD 1/2016/10	
Amount offered (Ksh M)	30000						25000	
Bids received (Ksh M)	40876.58						26305.2	
Amount Accepted (Ksh M)	33504.36						18312.23	
Maturities (Ksh M)	0						0	
Average interest Rate (%)	14.1		14.8				15.0	

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	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	19-Aug-16
1. Treasury Bills (Excluding Repos)	540.84	578.03	588.09	590.39	588.11	575.86	577.76	570.21	574.41	581.07
(As % of total securities)	33.38	33.41	33.95	34.03	33.80	33.33	32.75	32.47	32.63	32.88
2. Treasury Bonds	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	1,186.12
(As % of total securities)	66.62	66.59	66.05	65.97	66.20	66.67	67.25	67.53	67.37	67.12
3. Total Securities (1+2)	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	1,767.19
4. Overdraft at Central Bank	41.49	37.06	44.20	44.20	44.20	13.66	14.01	13.28	13.28	6.43
5. Other Domestic debt*	31.60	31.09	31.07	31.10	30.76	30.77	30.76	30.78	30.76	31.42
6. Gross Domestic Debt (3+4+5)	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	1,805.04

Source: Central Bank of Kenya

TABLE 7: COMPOSITION OF GOVERNMENT DEBT BY INSTRUMENT

	27-May-16	17-Jun-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	19-Aug-16
Treasury bills (Excluding Repos)	31.9	32.3	32.1	32.5	32.6	32.4	32.5	31.9	31.7	31.8	32.2
Treasury bonds	63.7	63.8	64.1	63.3	63.2	63.5	65.0	65.6	65.9	65.7	65.7
CBK Overdraft to Govt	2.5	2.1	2.1	2.4	2.4	2.4	0.8	0.8	0.7	0.7	0.4
Other domestic debt	1.9	1.8	1.7	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

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TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	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	19-Aug-16
Banking Institutions	57.5	56.3	56.2	56.0	55.7	55.0	54.8	54.6	54.5	54.1
Insurance Companies	7.9	7.5	7.4	7.4	7.4	7.6	7.6	7.7	7.6	7.4
Parastatals	4.7	4.7	5.0	5.0	5.1	5.2	5.1	5.3	5.3	5.6
Pension funds	26.1	25.9	25.8	26.1	26.2	26.4	26.8	26.8	26.9	27.2
Other investors	3.8	5.7	5.6	5.6	5.6	5.8	5.7	5.7	5.6	5.6
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)

	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	25-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	7,748
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	5.15

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya