



Central Bank of Kenya

Weekly Bulletin

October 11, 2019

KEY MONETARY AND FINANCIAL INDICATORS

Exchange Rate

The Kenya Shilling remained stable against major international and regional currencies during the week ending October 9. It exchanged at KSh 103.78 per US Dollar on October 9 compared to 103.86 on October 3 (Table 1).

Foreign Exchange Reserves

The Central Bank of Kenya (CBK) usable foreign exchange reserves remained adequate at USD 9,000 million (5.62 months of import cover) on October 9. This meets the CBK's statutory requirement to endeavour to maintain at least 4 months of import cover, and the EAC region's convergence criteria of 4.5 months of import cover (Table 2).

Money Market

The money market remained liquid during the week ending October 9, supported by Government payments and net redemption of government securities. Open market operations remained active during the week. Commercial banks' excess reserves stood at KSh 11.5 billion in relation to the monthly 5.25 percent cash reserves requirement (CRR). The average interbank rate decreased to 7.11 percent on October 9 from 7.35 percent on October 3. The average number of interbank deals per day increased to 17 from 14 in the previous week, while the value traded declined to KSh 5.7 billion compared to KSh 6.2 billion in the previous week (Table 3).

Government Securities Market

The Treasury bills auctions of October 9 received bids totalling KSh 23.6 billion against an advertised amount of KSh 24.0 billion, representing a performance of 98.3 percent. Interest rates on the 91-day and 364-day Treasury bills declined, while that of the 182-day Treasury bills increased marginally (Table 4).

Equity Market

All leading indicators at the Nairobi Securities Exchange (NSE) declined during the week ending October 9, mainly due to the short trading week. The NASI, NSE 25 and NSE20 share price indices declined by 0.4 percent, 0.9 percent, 0.5 percent, respectively. The market capitalization, shares traded and equity turnover also declined by 0.2 percent, 52.2 percent and 44.8 percent, respectively (Table 6).

Bond Market

The value of bonds traded in the domestic secondary market declined by 76.0 percent during the week ending October 9. In the international market, yields on Kenya's 7-year, 10-year (2024), 10-year (2028), 12-year and 30-year Eurobonds declined by 2.9, 6.0, 7.9, 11.1 and 11.3 basis points respectively, during the week. The yields on 10-year Eurobonds for Angola and Ghana also declined earlier in the week but increased towards the end of the week (Chart 2).

Global Trends

Uncertainties in the global financial markets remained during the week despite trade talks between the US and China. The US plans to hike duties on at least USD 250 billion in Chinese goods to 30 percent from 25 percent after the October 15, deadline. The US also imposed restrictions on visa issuance to certain Chinese officials and blacklisted some Chinese entities. Furthermore, UK Brexit negotiations with the EU appeared headed for a stalemate as chances of no-deal Brexit become more apparent.

International oil prices were relatively stable during the week. The Murban oil price increased marginally from USD 59.05 per barrel on October 3 to USD 59.75 per barrel on October 10.

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

| | USD | Sterling Pound | Euro | 100 Japanese Yen | USHS* | TSHS* | RWF* | BIF* |
|----------------------------|---------------|----------------|---------------|------------------|--------------|--------------|-------------|--------------|
| 27-Sep-19 | 103.82 | 128.19 | 113.70 | 96.56 | 35.45 | 22.15 | 8.89 | 17.80 |
| 30-Sep-19 | 103.89 | 128.01 | 113.54 | 96.37 | 35.47 | 22.13 | 8.89 | 17.78 |
| 1-Oct-19 | 103.86 | 127.85 | 113.26 | 96.10 | 35.46 | 22.13 | 8.76 | 17.79 |
| 2-Oct-19 | 103.86 | 126.96 | 113.23 | 95.82 | 35.44 | 22.13 | 8.91 | 17.79 |
| 3-Oct-19 | 103.86 | 127.54 | 113.63 | 96.98 | 35.44 | 22.14 | 8.91 | 17.79 |
| September 27- Oct 3 | 103.86 | 127.71 | 113.47 | 96.37 | 35.45 | 22.13 | 8.87 | 17.79 |
| 4-Oct-19 | 103.81 | 128.40 | 113.71 | 96.97 | 35.44 | 22.14 | 8.91 | 17.80 |
| 7-Oct-19 | 103.84 | 127.62 | 113.85 | 97.15 | 35.42 | 22.14 | 8.91 | 17.80 |
| 8-Oct-19 | 103.80 | 127.85 | 114.10 | 97.05 | 35.55 | 22.16 | 8.92 | 17.81 |
| 9-Oct-19 | 103.78 | 126.74 | 113.96 | 97.09 | 35.60 | 22.15 | 8.92 | 17.81 |
| October 4 - 9 | 103.84 | 129.35 | 114.44 | 96.37 | 35.39 | 22.14 | 8.88 | 17.78 |

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

Table 2: Official Usable Foreign Exchange Reserves

| | 05-Sep-19 | 12-Sep-19 | 19-Sep-19 | 26-Sep-19 | 03-Oct-19 | 10-Oct-19 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| 1. CBK Usable Foreign Exchange Reserves (USD Million) | 9,218 | 9,196 | 9,148 | 8,985 | 8,935 | 9,000 |
| 2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)* | 5.76 | 5.75 | 5.72 | 5.61 | 5.58 | 5.62 |

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

Source: Central Bank of Kenya

Table 3: Money Market

| Date | Number of Deals | Value (KSh M) | Average Interbank Rate (%) |
|---------------------------|-----------------|---------------|----------------------------|
| 27-Sep-19 | 15 | 5,900 | 7.35 |
| 30-Sep-19 | 15 | 10,870 | 7.95 |
| 1-Oct-19 | 11 | 3,765 | 7.41 |
| 2-Oct-19 | 13 | 4,910 | 7.41 |
| 3-Oct-19 | 17 | 5,330 | 7.35 |
| September 27-Oct 3 | 14 | 6,155 | 7.49 |
| 4-Oct-19 | 18 | 6,795 | 7.21 |
| 7-Oct-19 | 15 | 6,650 | 6.96 |
| 8-Oct-19 | 14 | 4,255 | 6.80 |
| 9-Oct-19 | 20 | 5,100 | 7.11 |
| 10-Oct-19 | Public Holiday | | |
| October 4-9 | 17 | 5,700 | 7.02 |

Source: Central Bank of Kenya

Table 4: Performance of Treasury Bills Auctions

| 91-Day Treasury Bills | | | | | |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|
| Date of Auction | 29-Aug-19 | 19-Sep-19 | 26-Sep-19 | 03-Oct-19 | 09-Oct-19 |
| Amount offered (Ksh M) | 4,000.00 | 4,000.00 | 4,000.00 | 4,000.00 | 4,000.00 |
| Bids received (Ksh M) | 5,318.73 | 684.12 | 3,294.99 | 2,385.07 | 5,375.73 |
| Amount Accepted (Ksh M) | 5,318.73 | 681.19 | 3,294.99 | 2,385.07 | 5,375.73 |
| Maturities (Ksh M) | 2,370.60 | 2,399.85 | 4,205.85 | 2,183.85 | 3,293.95 |
| Average interest Rate (%) | 6.385 | 6.368 | 6.307 | 6.378 | 6.369 |
| 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) | 4,821.89 | 708.67 | 436.44 | 1,276.90 | 495.49 |
| Amount Accepted (Ksh M) | 4,821.89 | 708.01 | 436.44 | 1,276.90 | 495.49 |
| Maturities (Ksh M) | 8,025.60 | 5,822.85 | 6,129.75 | 10,440.15 | 5,730.85 |
| Average interest Rate (%) | 7.011 | 7.150 | 7.175 | 7.200 | 7.250 |
| 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) | 8,683.06 | 23,498.55 | 19,878.31 | 17,063.96 | 17,724.18 |
| Amount Accepted (Ksh M) | 7,769.72 | 19,868.53 | 11,581.85 | 7,773.70 | 11,036.78 |
| Maturities (Ksh M) | 16,078.65 | 12,757.65 | 10,320.85 | 16,531.55 | 6,949.90 |
| Average interest Rate (%) | 9.392 | 9.705 | 9.777 | 9.798 | 9.792 |

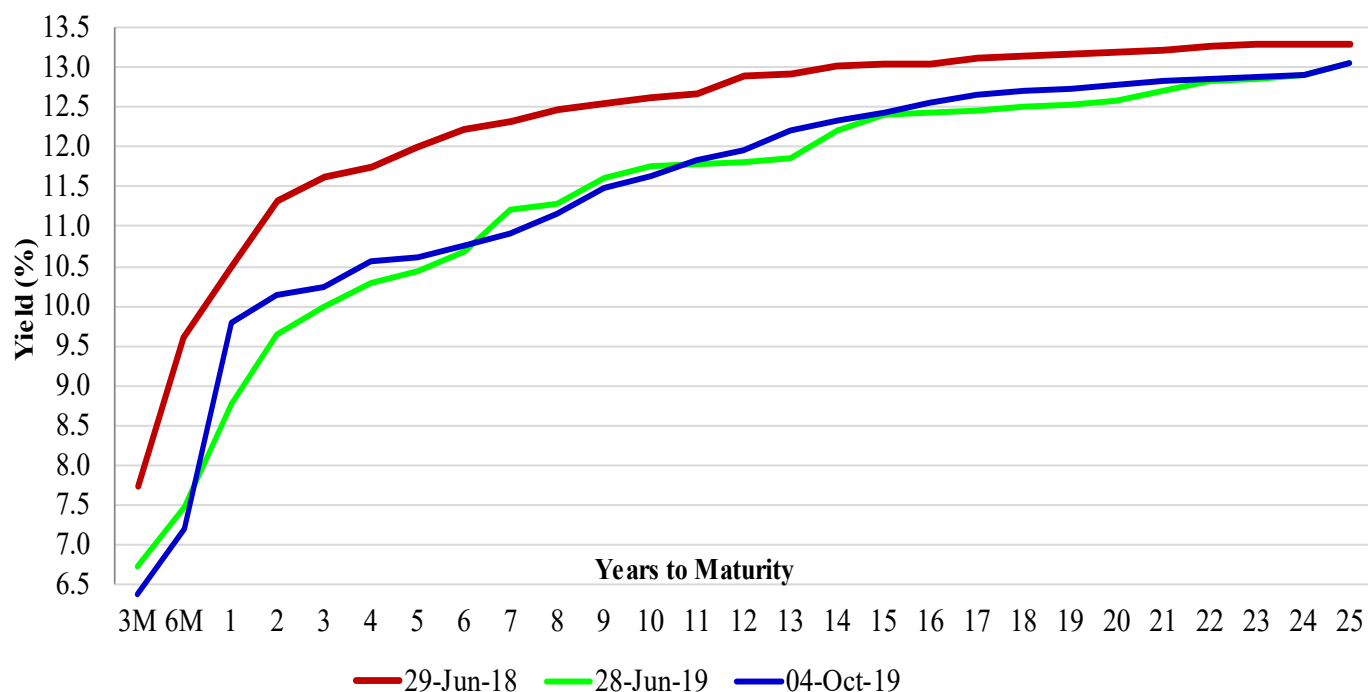
Source: Central Bank of Kenya

Table 5: Performance of Treasury Bonds Auctions

| Date of Auction | 24-Jul-19 | 14-Aug-19 | | 18-Sep-19 | | 25-Sep-19 | |
|---------------------------|------------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | | REOPEN | | REOPEN | | | |
| Tenor | FXD 3/2019/15 | FXD 3/2019/10 | FXD 1/2019/20 | FXD 1/2018/15 | FXD 2/2019/15 | FXD 1/2018/15 | FXD 2/2019/15 |
| Amount offered (Ksh M) | 40,000.00 | 50,000.00 | | 50,000.00 | | 30,000.00 | |
| Bids received (Ksh M) | 86,674.56 | 67,441.35 | | 32,624.57 | | 9,320.40 | |
| Amount Accepted (Ksh M) | 50,578.30 | 45,014.80 | 14,671.97 | 15,256.19 | 17,368.38 | 3,453.83 | 5,906.13 |
| Maturities (Ksh M) | 0.00 | 0.00 | 0.00 | 46,205.50 | | 3,453.83 | 5,906.13 |
| Average interest Rate (%) | 12.34 | 11.52 | 12.74 | 12.56 | 12.67 | 12.56 | 12.67 |

Source: Central Bank of Kenya

Chart 1: Government Securities Yield Curve



Source: Nairobi Securities Exchange (NSE)

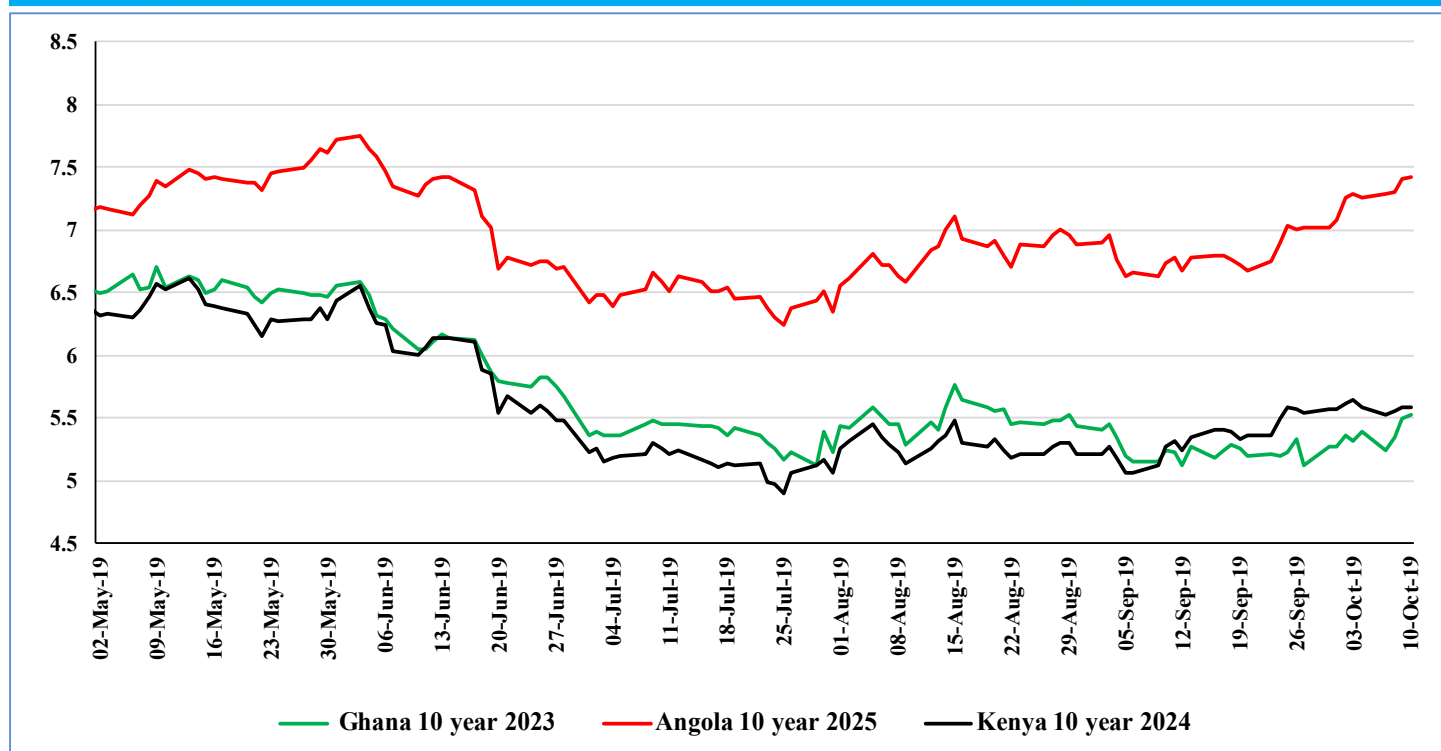
Table 6: Key Weekly Market Indicators

| INDICATOR | NASI 100=2008 | NSE 25 Share Index | NSE 20 Share Index 100=1996 | Total Deals (Equity) | Total Shares Traded (Million) | Equity Turnover (KSh Million) | Market Capitalization (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 (%) | |
|---------------------------|---------------|--------------------|-----------------------------|----------------------|-------------------------------|-------------------------------|-------------------------------------|------------------------------|----------------------------|----------------------------------|----------------------------------|-----------------------------|-----------------------------|-------|
| 27-Sep-19 | 144.27 | 3,457.24 | 2,435.92 | 1,041 | 19.41 | 571.03 | 2,171.96 | 5,822.08 | 6.351 | 5.542 | 6.659 | 7.351 | 8.102 | |
| 30-Sep-19 | 145.46 | 3,474.97 | 2,431.97 | 847 | 6.30 | 183.39 | 2,189.98 | 2,872.33 | 6.411 | 5.565 | 6.680 | 7.398 | 8.068 | |
| 1-Oct-19 | 145.89 | 3,482.42 | 2,440.81 | 1,038 | 18.42 | 367.37 | 2,196.43 | 772.27 | 6.411 | 5.563 | 6.716 | 7.429 | 8.080 | |
| 2-Oct-19 | 146.26 | 3,488.96 | 2,445.95 | 940 | 20.38 | 581.60 | 2,202.04 | 1,033.89 | 6.494 | 5.618 | 6.819 | 7.604 | 8.215 | |
| 3-Oct-19 | 147.53 | 3,506.70 | 2,443.85 | 840 | 23.91 | 764.05 | 2,221.15 | 2,081.57 | 6.473 | 5.649 | 6.852 | 7.540 | 8.214 | |
| Sep 27-Oct 3 | 147.53 | 3506.70 | 2443.85 | 4,706 | 88.40 | 2,467.44 | 2,221.15 | 12,582.14 | 6.473 | 5.649 | 6.852 | 7.540 | 8.214 | |
| 4-Oct-19 | 148.23 | 3505.32 | 2438.97 | 764 | 12.70 | 363.27 | 2,221.42 | 239.16 | 6.416 | 5.589 | 6.775 | 7.445 | 8.169 | |
| 7-Oct-19 | 146.10 | 3479.06 | 2426.23 | 930 | 14.31 | 430.11 | 2,204.39 | 945.89 | 6.329 | 5.529 | 6.715 | 7.319 | 8.003 | |
| 8-Oct-19 | 146.64 | 3471.18 | 2432.54 | 934 | 7.49 | 326.27 | 2,212.50 | 1,435.95 | 6.349 | 5.558 | 6.696 | 7.319 | 8.059 | |
| 9-Oct-19 | 146.96 | 3475.76 | 2432.48 | 856 | 7.76 | 241.30 | 2,217.37 | 402.30 | 6.390 | 5.590 | 6.715 | 7.366 | 8.057 | |
| 10-Oct-19 | | | | PUBLIC HOLIDAY | | | | | | 6.444 | 5.589 | 6.773 | 7.429 | 8.101 |
| Oct 4-Oct 9 | 146.96 | 3475.76 | 2432.48 | 3,484 | 42.26 | 1,360.94 | 2,217.37 | 3,023.29 | 6.444 | 5.589 | 6.773 | 7.429 | 8.101 | |
| Weekly Changes (%) | (0.39) | (0.88) | (0.47) | (25.97) | (52.20) | (44.84) | (0.17) | (75.97) | -0.03* | -0.06* | -0.08* | -0.11* | -0.11* | |

*Percentage points

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

Chart 2: Yields on 10 year Eurobonds for Selected African Countries



Source: Thomson Reuters

Table 7: Government Domestic Debt (KSh Billion)

| | 28-Jun-19 | 26-Jul-19 | 30-Aug-19 | 20-Sep-19 | 27-Sep-19 | 04-Oct-19 |
|---------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1. Treasury Bills (Excluding Repos) | 954.25 | 952.98 | 947.89 | 931.42 | 933.10 | 928.91 |
| (As % of total securities) | 35.31 | 35.28 | 33.97 | 33.58 | 33.78 | 33.68 |
| 2. Treasury Bonds | 1,748.15 | 1,748.15 | 1,842.38 | 1,842.64 | 1,828.78 | 1,828.78 |
| (As % of total securities) | 64.69 | 64.72 | 66.03 | 66.42 | 66.22 | 66.32 |
| 3. Total Securities (1+2) | 2,702.40 | 2,701.13 | 2,790.26 | 2,774.06 | 2,761.88 | 2,757.69 |
| 4. Overdraft at Central Bank | 57.33 | 64.52 | 59.55 | 60.94 | 52.58 | 47.52 |
| 5. Other Domestic debt* | 25.76 | 25.76 | 25.69 | 25.69 | 25.68 | 25.72 |
| 6. Gross Domestic Debt (3+4+5) | 2,785.48 | 2,791.42 | 2,875.50 | 2,860.68 | 2,840.13 | 2,830.92 |

* 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)

| | 28-Jun-19 | 26-Jul-19 | 30-Aug-19 | 20-Sep-19 | 27-Sep-19 | 04-Oct-19 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Treasury bills (Excluding Repos) | 34.26 | 34.13 | 32.96 | 32.55 | 32.80 | 32.71 |
| Treasury bonds | 62.78 | 62.63 | 64.08 | 64.42 | 64.46 | 64.66 |
| CBK Overdraft to Government | 2.06 | 2.31 | 2.07 | 2.13 | 1.85 | 1.68 |
| Other domestic debt | 0.91 | 0.92 | 0.89 | 0.90 | 0.90 | 0.95 |
| 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)

| | 28-Jun-19 | 26-Jul-19 | 30-Aug-19 | 20-Sep-19 | 27-Sep-19 | 04-Oct-19 |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Banking Institutions | 54.37 | 54.57 | 54.35 | 53.81 | 53.28 | 53.07 |
| Insurance Companies | 6.13 | 6.11 | 6.18 | 6.23 | 6.40 | 6.44 |
| Parastatals | 6.98 | 7.00 | 6.98 | 7.09 | 7.32 | 7.33 |
| Pension funds | 28.24 | 28.05 | 28.19 | 28.62 | 28.70 | 28.85 |
| Other investors | 4.28 | 4.27 | 4.29 | 4.24 | 4.30 | 4.32 |
| 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

| | Sep-18 | Dec-18 | Mar-19 | Apr-19 | May-19 | Jun-19 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Domestic debt (KSh Billion) | 2,540.70 | 2,548.77 | 2,699.09 | 2,741.68 | 2,773.06 | 2,785.94 |
| Public & Publicly Guaranteed External debt (US \$ Billion) | 25.81 | 26.74 | 27.01 | 28.04 | 27.97 | 29.55 |
| Public & Publicly Guaranteed External debt (KSh Billion) | 2,605.33 | 2,723.73 | 2,721.60 | 2,842.48 | 2,834.84 | 3,023.14 |
| Total public debt (KSh Billion) | 5,146.04 | 5,272.50 | 5,420.68 | 5,584.16 | 5,607.91 | 5,809.08 |

Source: National Treasury and Central Bank of Kenya