



OCTOBER 21, 2016

Highlights

The money market was liquid during the week ending October 19, 2016 supported largely by net government payments. The average interbank rate edged up to 3.8 percent in the week ending October 19, 2016 from 3.5 percent recorded in the previous week.

Capital markets recorded reduced activity in the week ending October 19, 2016.

Monetary Policy Operations

The money market was liquid during the week ending October 19, 2016 supported by net government payments (**Table 1**). Commercial banks' excess reserves above 5.25 percent averaging requirement stood at KSh 11.5bn in the first week of the new CRR cycle which commenced on October 15, 2016 (**Chart A**).

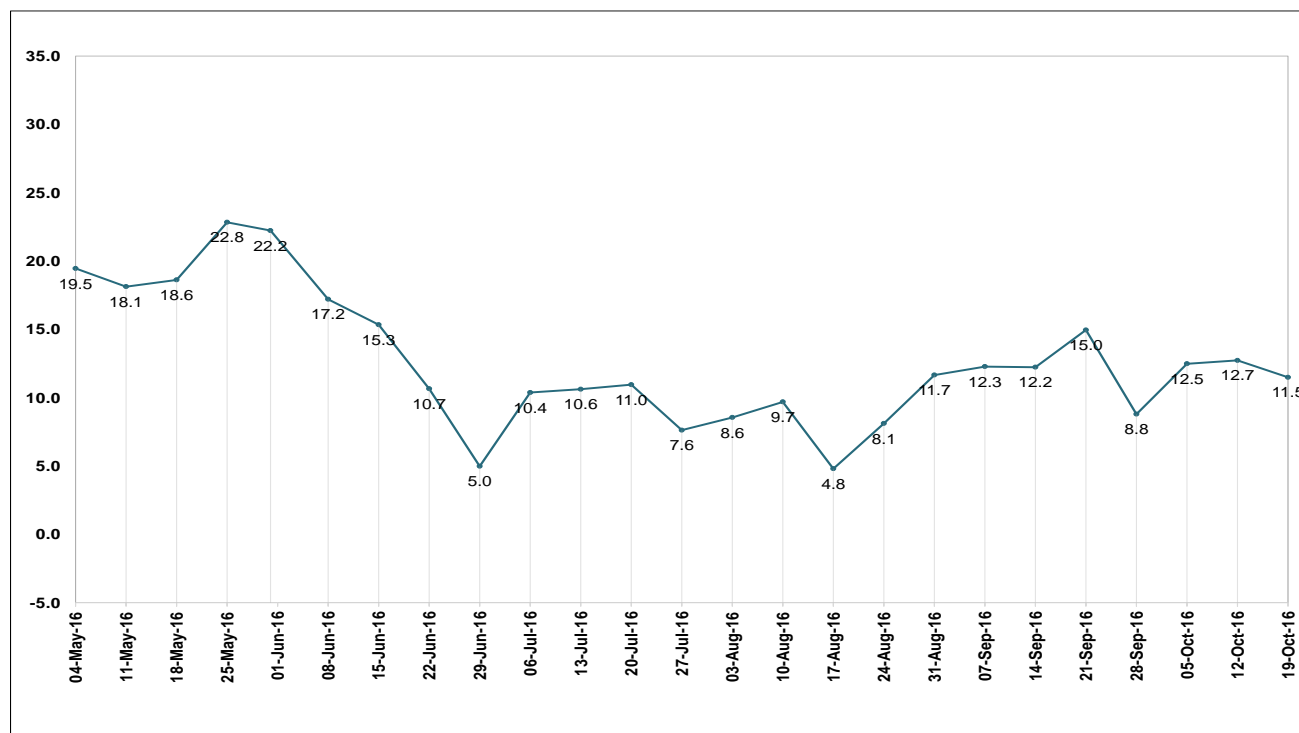
TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)

	13-Oct-16	14-Oct-16	17-Oct-16	18-Oct-16	19-Oct-16	Total
Liquidity Flows						
Total liquidity injection \1	8.2	7.9	33.8	5.8	5.8	61.5
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.5	0.0	0.0	4.0	0.3	4.7
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	20.2	0.0	0.0	20.2
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds Interest	0.0	0.0	2.2	0.0	0.0	2.2
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	6.7	7.9	11.5	1.8	5.5	33.4
Total liquidity reduction \1	2.3	2.3	24.8	6.0	3.3	38.7
T/bills (Primary issues)	0.0	0.0	23.3	0.0	0.0	23.3
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	0.0	0.0	1.6	0.0	2.0
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	1.7	2.3	1.5	4.4	3.3	13.2
Net liquidity injection (+)/Withdrawal (-)	6.0	5.6	9.0	-0.3	2.5	22.8
Open Market Operations Outcome						
Posted Amount						
Repo (-)						
Term Auction Deposits (-)						
Reverse repos purchases	0.5			4.0	0.3	4.7
Reserve Money Position						
Reserve money (actual)	379.8	384.3	393.9	389.6	392.1	

\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

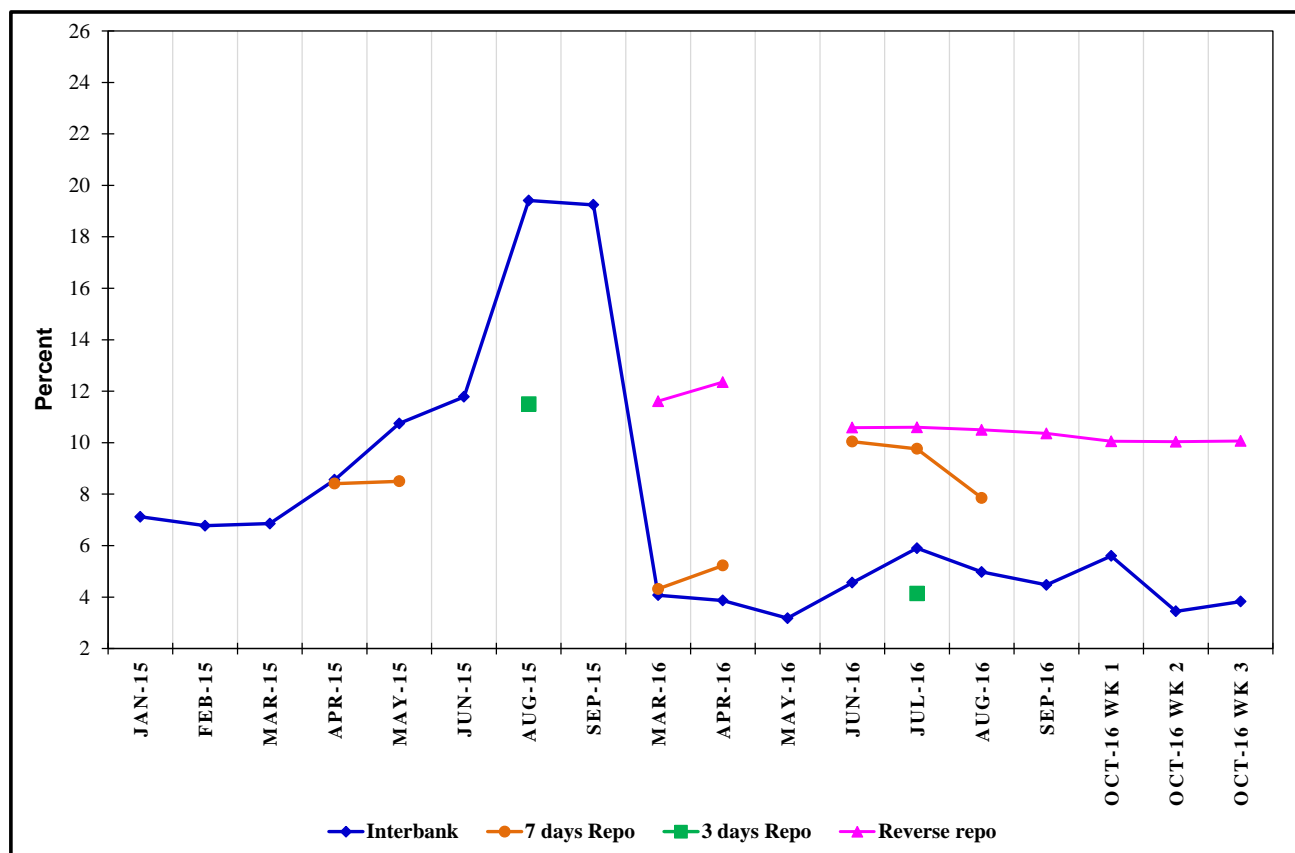
The average interbank rate edged up to 3.8 percent in the week ending October 19, 2016 from 3.5 percent recorded in the previous week, while the volume traded declined to KSh 11.3 billion (**Table 2** and **Chart B**).

TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)

Date	Number of Deals	Value (Ksh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
6-Oct-16	26	21,300	4.02	10.00
7-Oct-16	22	19,890	3.53	
10-Oct-16	21	12,640	3.40	
11-Oct-16	23	16,700	3.13	10.03
12-Oct-16	26	14,250	3.14	10.08
October 6-12, 2016	24	16,956	3.45	10.04
13-Oct-16	17	5,300	3.57	10.00
14-Oct-16	19	9,950	3.38	
17-Oct-16	18	10,650	3.89	
18-Oct-16	28	13,060	4.10	10.00
19-Oct-16	27	17,650	4.21	10.20
October 13-19, 2016	22	11,322	3.83	10.07

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 depicted mixed performance against major international and EAC currencies during the week ending October 19, 2016. It strengthened against the Pound Sterling, the Euro and the Japanese Yen but weakened against the US Dollar. In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling and the Burundi Franc but weakened against the Tanzania Shilling and the Rwanda Franc.

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
7-Oct-16	101.25	127.99	113.19	97.45	33.68	21.54	7.37	16.46
10-Oct-16	101.27	125.79	113.33	98.27	33.72	21.57	7.37	16.55
11-Oct-16	101.28	125.26	112.95	97.75	33.64	21.55	7.51	16.52
12-Oct-16	101.30	124.19	112.26	97.69	33.76	21.55	7.96	16.52
13-Oct-16	101.29	123.74	111.64	97.51	33.81	21.56	7.51	16.53
7-13 October 2016	101.28	125.40	112.67	97.73	33.72	21.55	7.55	16.52
14-Oct-16	101.35	123.69	111.94	97.93	34.04	21.53	7.37	16.49
17-Oct-16	101.36	123.81	111.68	97.24	34.07	21.53	7.51	16.51
18-Oct-16	101.35	123.88	111.62	97.52	34.19	21.52	7.37	16.55
19-Oct-16	101.31	124.64	111.29	97.37	34.18	21.56	7.37	16.56
14-19 October 2016	101.34	124.00	111.63	97.51	34.12	21.53	7.40	16.53

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

Capital markets recorded reduced activity in the week ending October 19, 2016, partly explained by less number of trading days following Heroes Holiday on October 20, 2016.

Equities Market

All leading equities market indicators declined during the week ending October 19, 2016, partly explained by a holiday effect (**Table 4**).

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	1-Sep-16	8-Sep-16	15-Sep-16	22-Sep-16	29-Sep-16	6-Oct-16	13-Oct-16	19-Oct-16	Weekly Change (%)
NASI 100= 2008	134.47	130.87	131.63	133.45	136.01	137.53	137.15	136.13	-0.74
NSE 25 Share Index	3,509.43	3,422.56	3,461.71	3,517.19	3,591.42	3,644.92	3,630.42	3,598.39	-0.88
NSE 20 Share Index 100= 1996	3,179.23	3,180.29	3,239.80	3,169.64	3,217.75	3,264.03	3,242.32	3,239.00	-0.10
Number of Deals	7,487.00	6,547.00	4,703.00	5,687.00	5,085.00	5,433.00	5,273.00	4,106.00	-22.13
Total Shares Traded (Millions)	336.55	203.01	73.03	198.10	147.51	103.75	120.14	48.10	-59.96
Equity Turnover (Ksh. Millions)	8,030.65	5,095.32	1,615.03	4,170.16	3,152.74	2,579.24	2,836.78	1,038.32	-63.40
Market Capitalization (Ksh. Bn.)	1,936.52	1,884.50	1,895.47	1,921.77	1,958.67	1,992.42	1,986.91	1,972.19	-0.74
Bonds Turnover (Ksh. Millions)	7,600.51	6,809.48	6,526.30	5,186.82	7,206.23	5,806.35	7,108.64	9,606.85	35.14
I-REIT¹									
<i>Turnover (KSh. Millions)</i>	3.34	0.60	0.61	7.88	0.98	2.38	2.16	0.19	-91.20
<i>Number of Deals</i>	45	36	40	54	27	40	32	21	-34.38
FTSE²									
<i>NSE Kenya 15 Index</i>	155.26	154.10	156.36	159.14	160.96	167.57	165.31	164.54	-0.47
<i>NSE Kenya 25 Index</i>	161.33	159.60	161.20	164.64	166.62	173.27	171.13	169.94	-0.70
<i>NSE Bond Index</i>	88.05	88.45	88.45	88.45	89.11	89.26	90.14	89.50	-0.71

Source: Nairobi Securities Exchange

¹ 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.

² 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.

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 NSE, declined reflecting overall decline in prices and volume of shares.

The Banking and Telecommunication & Technology sectors dominated trading, accounting for 63.34 percent of total shares transacted.

Bond Market

The secondary market for bonds recorded a 35.14 percent jump in volume traded in the week ending October 19, 2016 despite a shorter trading period. This may be explained investors' selling of old stock to buy into a cheaper but high return (12% coupon rate tax-free) 15-year Infrastructure Bond that was on sale in the primary market. The KSh 30 billion bond offered attracted bids worth KSh 35.1 billion. The FTSE NSE Bond Index declined by 0.71 percent during the week indicating marginal increase 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	28-Jul-16	25-Aug-16	29-Sep-16	6-Oct-16	13-Oct-16	20-Oct-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
Bids received (Ksh M)	3,385.3	3,741.1	1,682.2	4,722.1	6,040.0	4,685.5	1,359.1
Amount Accepted (Ksh M)	3,385.3	2,672.6	1,456.4	4,200.4	5,796.1	4,685.5	1,359.1
Maturities (Ksh M)	1,184.0	12,662.0	7,363.7	3,417.7	1,987.4	2,265.7	2,810.9
Average interest Rate (%) - 91 Days	7.0	8.3	8.6	7.8	7.8	7.7	7.7
182-Day Treasury Bills							
Date of Auction	29-Jun-16	27-Jul-16	24-Aug-16	28-Sep-16	5-Oct-16	12-Oct-16	19-Oct-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
Bids received (Ksh M)	1,215.1	13,160.0	7,962.7	8,678.0	12,071.2	13,878.3	10,004.4
Amount Accepted (Ksh M)	1,215.1	6,405.5	7,626.3	5,311.7	10,278.7	12,895.9	8,104.7
Maturities (Ksh M)	2,563.6	8,198.5	5,446.0	2,051.1	7,331.3	8,282.7	9,355.3
Average interest Rate (%) - 182 days	9.4	10.5	11.2	10.4	10.3	10.3	10.3
364-Day Treasury Bills							
Date of Auction	29-Jun-16	27-Jul-16	24-Aug-16	28-Sep-16	5-Oct-16	12-Oct-16	19-Oct-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
Bids received (Ksh M)	1,314.6	5,250.7	5,850.8	7,326.1	7,593.0	6,173.4	4,737.1
Amount Accepted (Ksh M)	1,314.6	5,214.9	5,630.0	7,326.1	7,584.9	5,721.6	4,736.2
Maturities (Ksh M)	72.4	1,935.9	1,669.4	3,666.6	10,803.7	9,606.9	19,834.7
Average interest Rate (%) - 364 days	10.7	11.4	12.0	10.4	10.3	10.3	10.4
Treasury Bonds							
Date of Auction			24th August 2016				19-Oct-16
Tenor			FXD 1/2016/10				IFB1/2016/15
Amount offered (Ksh M)			25000				30,000.0
Bids received (Ksh M)			26305.2				35,087.5
Amount Accepted (Ksh M)			18312.23				30,571.5
Maturities (Ksh M)			0				10,241.4
Average interest Rate (%)			15.0				13.2

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	24-Jun-16	29-Jul-16	26-Aug-16	30-Sep-16	07-Oct-16	14-Oct-16
1. Treasury Bills (Excluding Repos)	578.03	577.76	579.67	618.25	627.05	631.84
(As % of total securities)	33.41	32.75	33.09	33.97	34.29	34.46
2. Treasury Bonds	1,152.04	1,186.12	1,171.92	1,201.78	1,201.78	1,201.78
(As % of total securities)	66.59	67.25	66.91	66.03	65.71	65.54
3. Total Securities (1+2)	1,730.07	1,763.88	1,751.59	1,820.02	1,828.83	1,833.61
4. Overdraft at Central Bank	37.06	14.01	13.28	3.32	0.00	0.00
5. Other Domestic debt*	31.09	30.76	31.42	31.45	31.47	31.22
6. Gross Domestic Debt (3+4+5)	1,798.22	1,808.64	1,796.29	1,854.80	1,860.29	1,864.83

* 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	30-Sep-16	07-Oct-16	14-Oct-16
1. Treasury Bills (Excluding Repos)	578.03	577.76	579.67	618.25	627.05	631.84
(As % of total securities)	33.41	32.75	33.09	33.97	34.29	34.46
2. Treasury Bonds	1,152.04	1,186.12	1,171.92	1,201.78	1,201.78	1,201.78
(As % of total securities)	66.59	67.25	66.91	66.03	65.71	65.54
3. Total Securities (1+2)	1,730.07	1,763.88	1,751.59	1,820.02	1,828.83	1,833.61
4. Overdraft at Central Bank	37.06	14.01	13.28	3.32	0.00	0.00
5. Other Domestic debt*	31.09	30.76	31.42	31.45	31.47	31.22
6. Gross Domestic Debt (3+4+5)	1,798.22	1,808.64	1,796.29	1,854.80	1,860.29	1,864.83

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

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	24-Jun-16	29-Jul-16	26-Aug-16	30-Sep-16	7-Oct-16	14-Oct-16
Banking Institutions	56.3	54.8	54.4	55.0	54.9	54.7
Insurance Companies	7.5	7.6	7.3	7.4	7.4	7.3
Parastatals	4.7	5.1	5.6	5.5	5.5	5.5
Pension funds	25.9	26.8	27.0	26.6	26.7	26.9
Other investors	5.7	5.7	5.6	5.6	5.6	5.6
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	1-Sep-16	8-Sep-16	15-Sep-16	22-Sep-16	29-Sep-16	6-Oct-16	13-Oct-16	19-Oct-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,618	7,688	7,747	7,804	7,748	7,782	7,789	7,744	7,729
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.96	5.11	5.15	5.19	5.15	5.18	5.18	5.15	5.14

* Excludes Encumbered Reserves

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

Source: Central Bank of Kenya