



**JANUARY 27, 2017**

## Highlights

*The money market was fairly tight during the week ending January 25, 2017, largely on account of remittances of taxes to government. The weighted average interbank rate was stable at 8.34 percent in the week ending January 25, 2017 compared to 8.29 percent in the previous week.*

*The capital markets performance maintained a downward trend for the fourth consecutive week, reflecting a bearish equities market. The bonds market also reversed its last week's rally to close the week lower.*

## Monetary Policy Operations

The Central Bank provided liquidity support to the money market in the week ending January 25, 2017 to ease tightness attributed to interbank market segmentation. It availed KSh 10.0 billion through reverse repos to complement other sources of liquidity to the money market (**Table 1**).

The Commercial banks' reserve position fairly improved, with KSh 1.2 billion deficiency on the 5.25 percent on the cumulative average in the CRR cycle in the week ending January 25, 2017, compared with a shortfall of KSh 4.9 billion recorded in the previous week (**Chart A**).

## CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

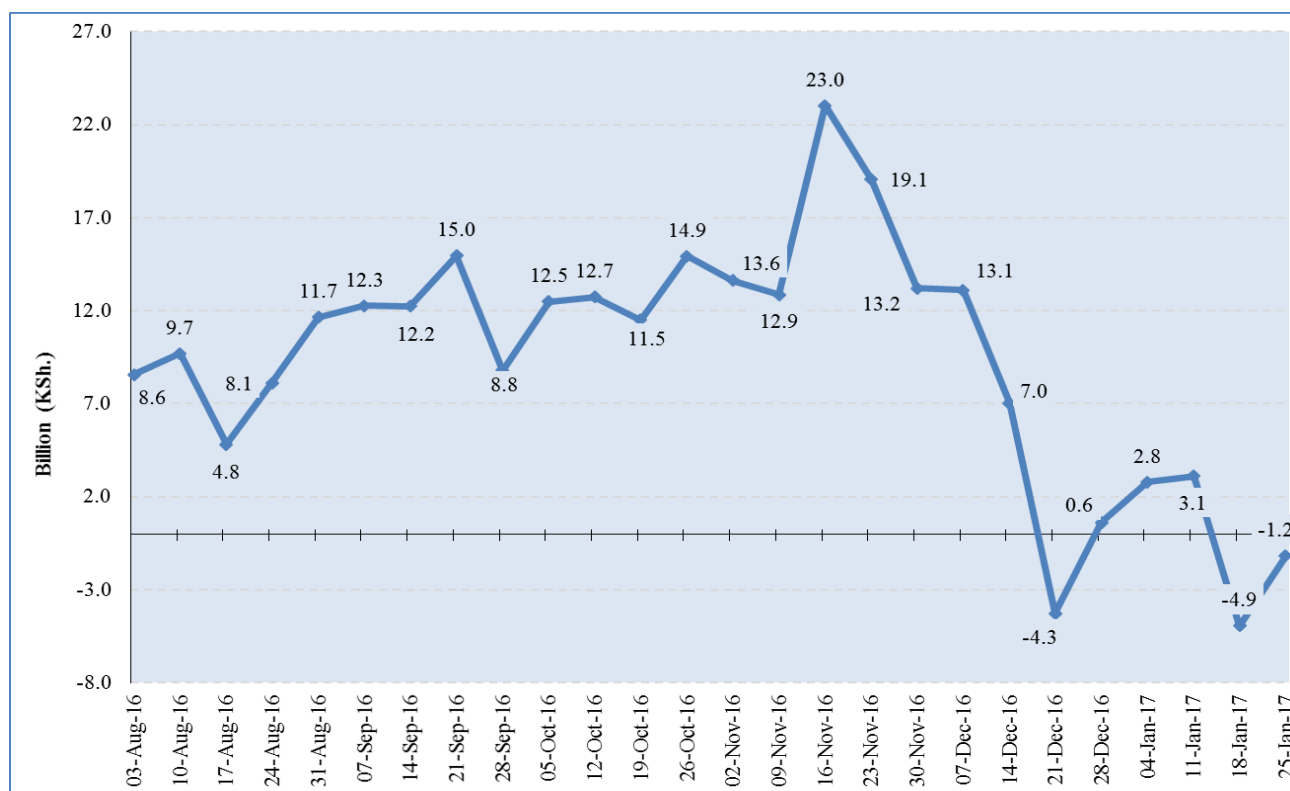
**TABLE 1: INTERBANK LIQUIDITY FLOWS AND OPEN MARKET OPERATIONS (KSH BILLION)**

	19-Jan-17	20-Jan-17	23-Jan-17	24-Jan-17	25-Jan-17	Total
<b>Liquidity Flows</b>						
<b>Total liquidity injection <sup>1</sup></b>	<b>2.5</b>	<b>6.0</b>	<b>29.5</b>	<b>6.0</b>	<b>11.6</b>	<b>55.6</b>
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	0.0	3.0	1.0	3.9	2.1	10.0
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	19.8	0.0	0.0	19.8
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	5.5	0.0	0.0	5.5
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	2.5	3.0	3.3	2.1	9.5	20.4
<b>Total liquidity reduction <sup>1</sup></b>	<b>2.7</b>	<b>6.2</b>	<b>19.6</b>	<b>20.6</b>	<b>6.7</b>	<b>55.7</b>
T/bills (Primary issues)	0.0	0.0	12.0	0.0	0.0	12.0
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	0.0	2.0	0.0	4.2	2.4	8.6
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	2.6	4.2	7.5	16.4	4.3	35.0
<b>Net liquidity injection (+)/Withdrawal (-)</b>	<b>-0.2</b>	<b>-0.2</b>	<b>10.0</b>	<b>-14.6</b>	<b>4.9</b>	<b>-0.1</b>
Reserve money (actual)	383.6	382.5	389.6	374.7	379.9	

<sup>1</sup> 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

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### Activity in the Interbank Market

The average interbank rate was stable at 8.34 percent in the week ending January 25, 2017 compared to 8.29 percent recorded in the previous week, an indication of slight improvement on the money market liquidity distribution. The volumes

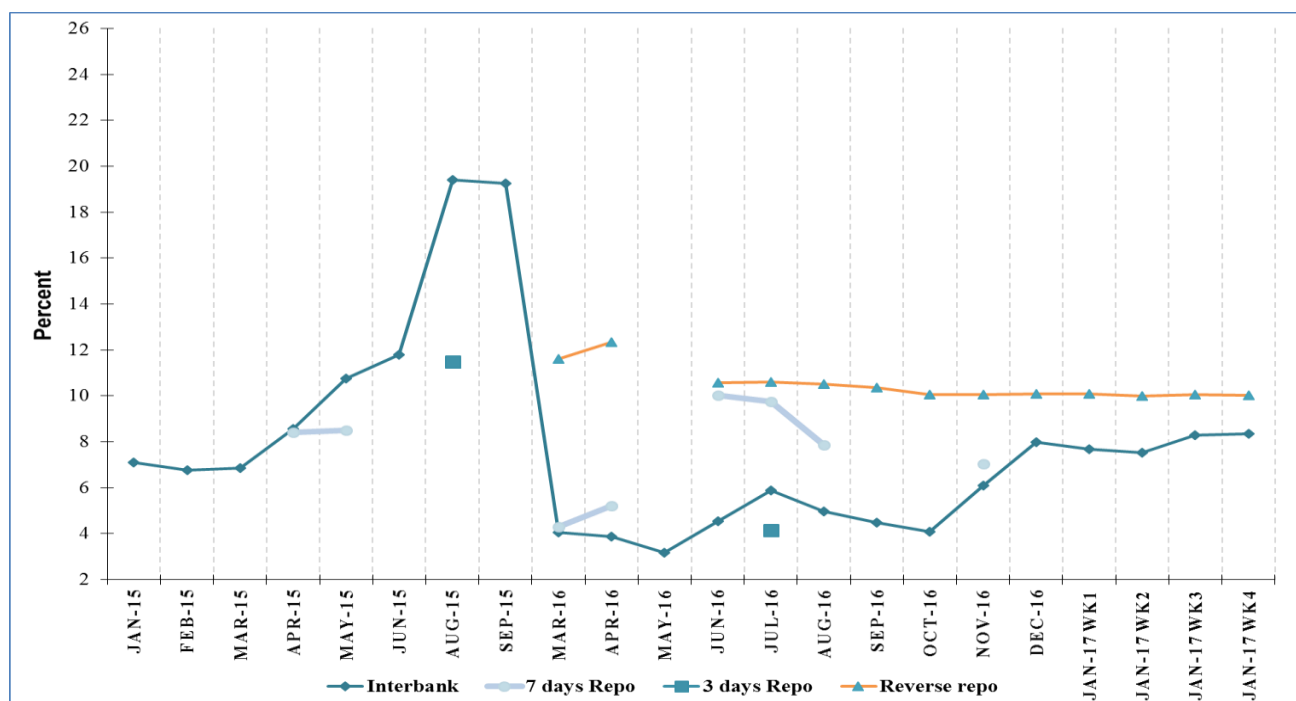
transacted increased marginally to KSh 15.9 billion from KSh 12.7 billion. Reverse repo purchases traded at a marginally lower average rate of 10.05 percent compared to 10.07 percent in the previous week (**Table 2** and **Chart B**).

**TABLE 2: OPEN MARKET OPERATIONS (KSH MILLION)**

Date	Number of Deals	Value (KSh M)	Average Interbank Rate (%)	Reverse Repo Rate (%)
12-Jan-17	54	17,090	7.09	-
13-Jan-17	51	12,705	8.13	10.00
16-Jan-17	51	9,216	7.98	10.00
17-Jan-17	42	10,680	9.00	10.20
18-Jan-17	45	13,970	9.23	-
<b>Jan 12, 2017-Jan 18, 2017</b>	<b>49</b>	<b>12,732</b>	<b>8.29</b>	<b>10.07</b>
19-Jan-17	42	13,990	9.22	-
20-Jan-17	42	15,560	8.75	10.00
23-Jan-17	41	19,700	8.35	10.10
24-Jan-17	42	18,170	7.84	10.02
25-Jan-17	31	11,950	7.53	10.06
<b>Jan 19, 2017-Jan 25, 2017</b>	<b>40</b>	<b>15,874</b>	<b>8.34</b>	<b>10.05</b>

Source: Central Bank of Kenya

**CHART B: STRUCTURE OF INTEREST RATES**



Source: Central Bank of Kenya

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### Kenya Shilling Exchange Rate

The Kenya Shilling exchange rate showed mixed performance against major international and regional currencies during the week ending January 26, 2017. It strengthened marginally against the USD but weakened against the Sterling pound, the

Euro and the Japanese Yen. In the EAC region the Shilling strengthened against the Tanzania Shilling and the Rwanda Franc but weakened against the Uganda Shilling and the Burundi Franc.

**TABLE 3: KENYA SHILLING EXCHANGE RATE**

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
13-Jan-17	103.88	126.40	110.28	90.29	34.80	21.37	7.91	16.27
16-Jan-17	103.92	126.33	110.50	90.54	34.74	21.40	7.85	16.27
17-Jan-17	103.93	125.37	110.09	91.03	34.73	21.45	7.85	16.14
18-Jan-17	103.96	128.57	111.29	92.00	34.72	21.49	8.02	16.13
19-Jan-17	103.95	127.62	110.59	90.71	34.63	21.50	8.02	16.13
<b>13-19 Jan 2017</b>	<b>103.93</b>	<b>126.86</b>	<b>110.55</b>	<b>90.91</b>	<b>34.73</b>	<b>21.44</b>	<b>7.93</b>	<b>16.19</b>
20-Jan-17	103.83	128.27	110.90	90.48	34.62	21.52	7.86	16.15
23-Jan-17	103.80	128.85	111.45	91.31	34.58	21.77	7.92	16.03
24-Jan-17	103.95	130.04	111.78	92.09	34.58	21.74	7.86	16.14
25-Jan-17	103.99	130.14	111.64	91.56	34.55	21.59	8.02	16.13
26-Jan-17	104.00	131.62	111.78	91.61	34.52	21.54	8.02	16.13
<b>20-26 Jan 2017</b>	<b>103.92</b>	<b>129.78</b>	<b>111.51</b>	<b>91.41</b>	<b>34.57</b>	<b>21.63</b>	<b>7.94</b>	<b>16.12</b>

\* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

### The Capital Market

All equities market indices declined in the week ending January 26, 2017, highlighting a persistent bear run at the NSE. The NASI and NSE 20 Share Index closed the week at the lowest levels, since 2013 and 2009, respectively. Equity turnover declined by 8.64 percent on account of 11.55 percent fall in volume of shares traded as well as

lower prices across all counters. Shareholders' wealth, measured by change in market capitalization, also declined during the week (Table 4). This bear run could be explained by strong rally in developed markets resulting in foreign investors reducing allocations in emerging and frontier markets coupled with poor performance of domestic listed companies.

**TABLE 4: KEY WEEKLY MARKET STATISTICS**

INDICATOR	08-Dec-16	15-Dec-16	22-Dec-16	29-Dec-16	05-Jan-17	12-Jan-17	19-Jan-17	26-Jan-17	Weekly Change (Percent)
NASI 100= 2008	133.7	130.95	132.04	131.30	131.45	124.75	124.21	122.42	-1.44
NSE 25 Share Index	3,526.83	3,466.52	3,459.04	3,455.66	3,481.64	3,262.53	3,234.77	3,160.28	-2.30
NSE 20 Share Index 100= 1996	3,180.56	3,129.78	3,106.91	3,156.59	3,170.71	3,014.36	2,924.90	2,824.32	-3.44
Number of Deals	4,733	3,687	4,687	1,980	3,149	4,789	4,839	4,581	-5.33
Total Shares Traded (Million)	79.91	51.33	96.56	36.23	167.10	124.03	124.12	109.79	-11.55
Equity Turnover (KSh Million)	2,227.92	1,252.52	1,995.31	921.22	2,312.80	2,579.69	3,200.87	2,924.39	-8.64
Market Capitalization (KSh Billion)	1,936.75	1,896.95	1,912.71	1,901.97	1,904.16	1,806.88	1,799.06	1,772.92	-1.45
I-REIT Turnover in (KSh Million)	0.62	0.94	0.09	0.12	18.65	0.28	0.46	0.06	-86.04
I-REIT in Units - Total Deals	22.00	16.00	16.00	11.00	18.00	20.00	25.00	5.00	-80.00
Bonds Turnover (KSh Million)	2,873.25	5,395.44	7,857.91	5,095.60	3,314.45	6,208.51	10,653.85	8,487.17	-20.34
FTSE NSE Kenya 15 Index	161.66	159.64	158.63	159.07	159.84	150.86	147.33	144.74	-1.76
FTSE NSE Kenya 25 Index	166.28	163.83	163.96	164.30	163.65	154.95	152.44	150.28	-1.42
FTSE NSE Bond Index	90.21	89.96	89.96	90.05	90.00	89.94	89.86	89.63	-0.26

Source: Nairobi Securities Exchange

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### FTSE NSE Kenya Index Series, REITS and Most Active Sectors

FTSE<sup>1</sup> 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 declined by 1.76 percent and 1.42 percent, respectively. Telecommunications and Technology and Banking sectors dominated trading, accounting for 61.19 percent of the total shares traded. Turnover in the real estate market segment, Income-Real Estate Investment Trust (I-REIT<sup>2</sup>) was down, 86.04

percent, with deals traded lower by 80.00 percent, signalling less investor appetite for asset-backed securities.

### Bond Market

The volume of bonds traded declined by 20.34 percent from KSh 10.65 billion transacted in the previous week. Deals transacted increased to 220 from 174 deals of previous week. The FTSE Bond Index decreased slightly by 0.26 percent, signalling a rise in secondary market yields.

**TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES**

<b>91-Day Treasury Bills</b>					
Date of Auction	29-Dec-16	05-Jan-17	12-Jan-17	19-Jan-17	26-Jan-17
Amount offered (Ksh M)	4,000.0	4,000.0	4,000.0	4,000.0	4,000.0
Bids received (Ksh M)	1,367.7	3,471.7	3,446.9	4,933.6	5,840.1
Amount Accepted (Ksh M)	1,367.4	3,452.1	3,446.4	4,806.4	5,557.4
Maturities (Ksh M)	4,267.1	5,905.8	4,766.7	1,380.2	4,384.0
Average interest Rate (%)- 91 Days	8.6	8.6	8.6	8.7	8.7
<b>182-Day Treasury Bills</b>					
Date of Auction	28-Dec-16	04-Jan-17	11-Jan-17	18-Jan-17	25-Jan-17
Amount offered (Ksh M)	6,000.0	6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)	2,140.8	2,411.0	5,621.0	5,585.4	5,078.3
Amount Accepted (Ksh M)	1,145.9	1,936.3	1,542.7	5,573.1	2,218.5
Maturities (Ksh M)	1,247.7	2,903.2	2,838.3	14,457.8	6,733.4
Average interest Rate (%)- 182 days	10.5	10.5	10.5	10.5	10.5
<b>364-Day Treasury Bills</b>					
Date of Auction	28-Dec-16	04-Jan-17	11-Jan-17	18-Jan-17	25-Jan-17
Amount offered (Ksh M)		6,000.0	6,000.0	6,000.0	6,000.0
Bids received (Ksh M)		3,849.4	2,919.8	2,677.3	1,339.6
Amount Accepted (Ksh M)		3,354.4	1,333.6	2,461.3	1,339.6
Maturities (Ksh M)		3,569.1	4,804.4	3,937.2	1,666.3
Average interest Rate (%)- 364 days		11.0	11.0	11.0	10.9
<b>Treasury Bonds</b>					
Date of Auction	29-Dec-16				
Tenor	FXD3/2016/2 (Tap Sale)				
Amount offered (Ksh M)	20,000.0				
Bids received (Ksh M)	1,354.0				
Amount Accepted (Ksh M)	1,353.8				
Maturities (Ksh M)	0.0				
Average interest Rate (%)	12.5				

Source: Central Bank of Kenya

<sup>1</sup> 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

<sup>2</sup> 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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**TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)**

	28-Oct-16	25-Nov-16	30-Dec-16	06-Jan-17	13-Jan-17	20-Jan-17
1. Treasury Bills (Excluding Repos)	631.84	611.95	620.19	613.67	610.57	604.78
(As % of total securities)	<b>34.04</b>	<b>33.19</b>	<b>33.17</b>	<b>32.92</b>	<b>32.80</b>	<b>32.59</b>
2. Treasury Bonds	1,224.21	1,231.57	1,249.34	1,250.70	1,250.70	1,250.70
(As % of total securities)	<b>65.96</b>	<b>66.81</b>	<b>66.83</b>	<b>67.08</b>	<b>67.20</b>	<b>67.41</b>
<b>3. Total Securities (1+2)</b>	<b>1,856.05</b>	<b>1,843.52</b>	<b>1,869.53</b>	<b>1,864.37</b>	<b>1,861.27</b>	<b>1,855.48</b>
4. Overdraft at Central Bank	0.00	9.96	29.93	29.38	15.58	1.12
5. Other Domestic debt*	31.21	32.05	31.39	31.38	31.52	31.53
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1,887.26</b>	<b>1,885.54</b>	<b>1,930.86</b>	<b>1,925.12</b>	<b>1,908.37</b>	<b>1,888.14</b>

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

	24-Jun-16	29-Jul-16	28-Oct-16	25-Nov-16	30-Dec-16	06-Jan-17	13-Jan-17	20-Jan-17
Treasury bills (Excluding Repos)	32.1	31.9	33.5	32.5	32.1	31.9	32.0	32.0
Treasury bonds	64.1	65.6	64.9	65.3	64.7	65.0	65.5	66.2
CBK Overdraft to Govt	2.1	0.8	0.0	0.5	1.6	1.5	0.8	0.1
Other domestic debt	1.7	1.7	1.7	1.7	1.6	1.6	1.7	1.7
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

**TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER (IN PERCENT)**

	24-Jun-16	29-Jul-16	26-Aug-16	30-Sep-16	28-Oct-16	25-Nov-16	30-Dec-16	06-Jan-17	13-Jan-17	20-Jan-17
Banking Institutions	56.3	54.8	54.4	55.0	53.1	53.3	52.5	52.5	52.3	51.8
Insurance Companies	7.5	7.6	7.3	7.4	7.1	7.1	7.3	7.3	7.4	7.5
Parastatals	4.7	5.1	5.6	5.5	5.6	5.8	5.6	5.6	5.7	5.7
Pension funds	25.9	26.8	27.0	26.6	27.1	27.3	28.0	28.0	28.1	28.4
Other investors	5.7	5.7	5.6	5.6	7.1	6.5	6.5	6.5	6.6	6.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Central Bank of Kenya

**TABLE 9: OFFICIAL FOREIGN RESERVES US\$ MILLION (USABLE)**

	01-Dec-16	08-Dec-16	15-Dec-16	22-Dec-16	29-Dec-16	05-Jan-17	12-Jan-17	19-Jan-17	26-Jan-17
1. CBK Usable Foreign Exchange Reserves (USD Million)*	7,289	7,308	7,247	7,028	6,971	7,058	6,944	6,853	6,944
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.77	4.78	4.74	4.60	4.56	4.62	4.55	4.49	4.55

\*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya