



SEPTEMBER 30, 2016

Highlights

The money market was relatively liquid during the week ending September 28, 2016, despite significant liquidity withdrawals from tax remittances by commercial banks and the government securities market. Commercial banks' excess reserves above 5.25 percent averaging requirement stood at KSh 8.8bn in the week ending September 28, 2016. The average interbank rate rose to 6.20 percent from 3.18 percent.

Capital markets recorded mixed performance during the week ending September 29, 2016.

Monetary Policy Operations

The money market was relatively liquid during the week ending September 28, 2016, despite significant liquidity withdrawals from tax remittances by commercial banks and the government securities market. CBK enhanced liquidity in the interbank market through reverse repos (**Table 1**). The commercial banks' excess reserves above 5.25 percent averaging requirement stood at KSh 8.8 billion in the week ending September 28, 2016 (**Chart A**).

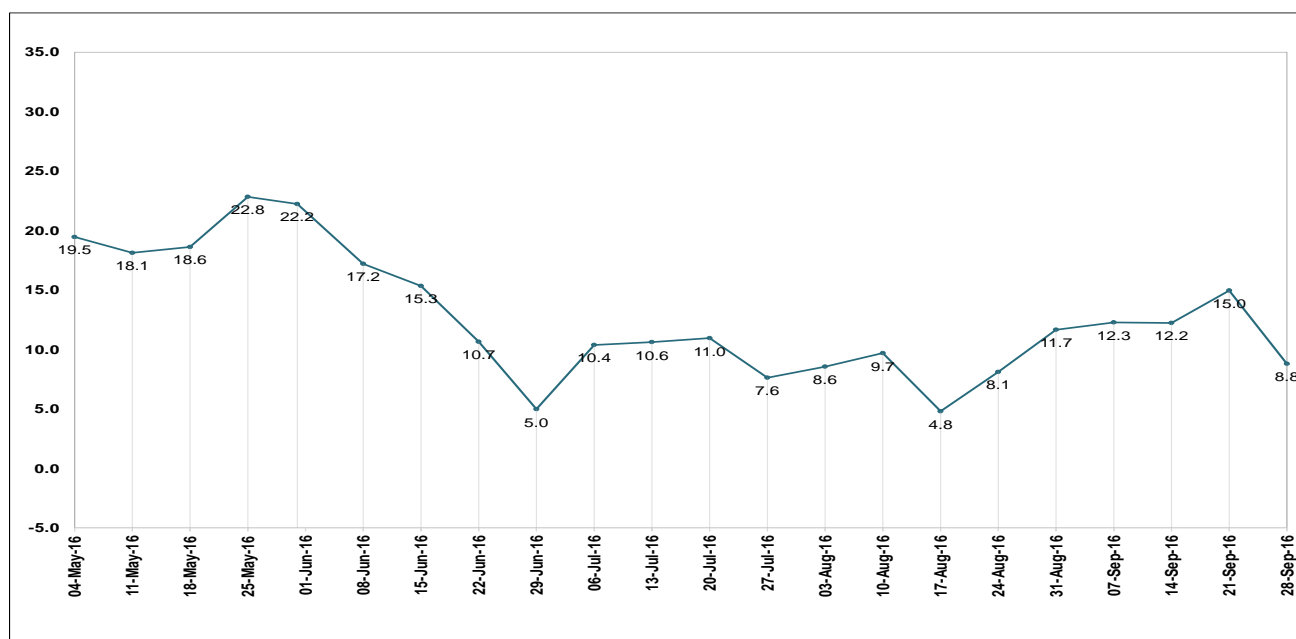
CBK Weekly Statistical Bulletin of Key Monetary and Financial Indicators

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

	22-Sep-16	23-Sep-16	26-Sep-16	27-Sep-16	28-Sep-16	Total
Liquidity Flows						
Total liquidity injection \1	13.9	20.7	50.6	7.5	9.1	101.8
Repos Maturities	0.0	0.0	0.0	0.0	0.0	0.0
Reverse Repo Purchases	10.0	10.0	5.8	1.8	2.1	29.7
Term Auction Deposit maturities	0.0	0.0	0.0	0.0	0.0	0.0
T/bills redemptions	0.0	0.0	7.4	0.0	0.0	7.4
T/bills rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
T/bonds redemptions	0.0	0.0	24.3	0.0	0.0	24.3
T/bonds Interest	0.0	0.0	8.7	0.0	0.0	8.7
T/bonds rediscounts	0.0	0.0	0.0	0.0	0.0	0.0
Govt payments	2.4	9.1	3.0	4.7	7.1	26.2
Total liquidity reduction \1	30.8	4.6	54.8	5.3	4.8	100.4
T/bills (Primary issues)	0.0	0.0	17.8	0.0	0.0	17.8
Tbonds Sales	0.0	0.0	35.3	0.0	0.0	35.3
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	0.0	0.0	1.8	1.8	3.6
Term Auction Deposit	0.0	0.0	0.0	0.0	0.0	0.0
Transfer from Banks -Taxes	30.8	4.5	1.7	3.5	3.0	43.4
Net liquidity injection (+)/Withdrawal (-)	-16.9	16.1	-4.2	2.2	4.3	1.4
Open Market Operations Outcome						
Posted Amount						
Repo (-)						
Term Auction Deposits (-)						
Reverse repos purchases	10.0	10.0	5.8	1.8	2.1	29.7
Reserve Money Position						
Reserve money (actual)	357.1	371.8	368.8	374.3	374.2	

\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 rose to 6.20 percent from 3.18 percent as the money market tightened following quarterly tax payments and issuance of government securities during the week. The volume traded increased to KSh 18.4 billion compared to KSh 11.5 billion transacted 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 (%)
15-Sep-16	18	8,875	3.10	10.50
16-Sep-16	14	8,800	3.01	
19-Sep-16	21	15,350	3.25	
20-Sep-16	21	13,100	3.18	10.50
21-Sep-16	19	11,500	3.35	
September 15-September 21, 2016	19	11,525	3.18	10.50
22-Sep-16	26	10,580	5.73	10.60
23-Sep-16	33	15,895	6.25	10.42
26-Sep-16	30	19,156	6.20	10.26
27-Sep-16	34	23,478	6.38	10.36
28-Sep-16	28	23,088	6.45	10.41
September 22-September 28, 2016	30	18,439	6.20	10.41

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 September 29, 2016. The Shilling strengthened against US Dollar and the Sterling Pound and weakened against the Euro and Japanese Yen. In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling and the Rwanda Franc, weakened against the Burundi Franc and remained stable against the Tanzania Shilling (**Table 3**).

TABLE 3: KENYA SHILLING EXCHANGE RATE

	USD	Sterling Pound	Euro	100 Japanese Yen	USHS*	TSHS*	RWF*	BIF*
9th Sep 2016	101.30	135.10	114.54	99.73	33.39	21.57	7.37	16.56
13th Sep 2016	101.20	134.56	113.57	99.29	33.43	21.59	7.38	16.44
14th Sep 2016	101.18	133.62	113.66	98.35	33.40	21.58	7.95	16.45
15th-Sep 2016	101.27	134.14	113.85	98.97	33.38	21.55	7.37	16.53
9th-15th Sep 2016	101.24	134.36	113.90	99.08	33.40	21.57	7.52	16.50
16th-Sep-2016	101.29	133.67	113.77	98.68	33.35	21.53	7.37	16.54
19th-Sep-2016	101.29	132.62	113.29	99.23	33.37	21.54	7.94	16.69
20th-Sep-2016	101.29	132.17	113.18	99.48	33.37	21.54	7.37	16.44
21st-Sep-2016	101.26	131.28	113.23	99.57	33.38	21.55	7.37	16.45
22nd-Sep-2016	101.27	131.49	112.86	100.52	33.41	21.55	7.44	16.45
16th-22nd Sep 2016	101.28	132.24	113.26	99.49	33.38	21.54	7.50	16.51
23th-Sep-2016	101.21	132.50	113.78	100.58	33.45	21.55	7.52	16.50
26th-Sep-2016	101.19	131.17	113.52	100.17	33.45	21.55	8.10	16.46
26th-Sep-2017	101.30	131.19	114.04	100.87	33.44	21.53	7.66	16.49
26th-Sep-2018	101.28	131.37	113.52	100.95	33.47	21.53	7.66	16.50
26th-Sep-2019	101.31	131.77	113.61	100.79	33.46	21.53	7.65	16.49
23rd-29th Sep 2016	101.26	131.60	113.69	100.67	33.45	21.54	7.72	16.49

* Units of currency per Kenya Shilling

Source: Central Bank of Kenya

The Capital Market

The capital markets recorded mixed performance during the week ending September 29, 2016.

Equities Market

Market capitalization, which measures shareholders' wealth rose by 1.92 percent, equivalent to KSh 36.9 billion from the previous week. In addition, stock prices rose across the counters as reflected in 192, 211 and 152 basis points increase in the NASI, NSE 20¹ and the NSE 25² indices, respectively. The market was however constrained by supply of stocks, leading to equity turnover decline by 24.40 percent on account of a 25.54 percent decline in shares traded (**Table 4**).

¹ The NSE 20 Share Index is a price weight index calculated as a mean of the shares of 20 publicly listed companies, selected based on a weighted market performance.

² NSE 25 Share Index is a benchmark index of a company shares with primary listing of at least 20% of its shares quoted on the NSE, the company must have been continuously quoted for at least 1 year, has minimum market capitalization of KSh 1 billion and be a "blue chip" company with superior profitability and dividend record.

TABLE 4: KEY WEEKLY MARKET STATISTICS

INDICATOR	11-Aug-16	18-Aug-16	25-Aug-16	1-Sep-16	8-Sep-16	15-Sep-16	22-Sep-16	29-Sep-16	Weekly Change (%)
NASI 100= 2008	143.63	147.32	139.14	134.47	130.87	131.63	133.45	136.01	1.92
NSE 25 Share Index	3,921.41	3,971.74	3,704.68	3,509.43	3,422.56	3,461.71	3,517.19	3,591.42	2.11
NSE 20 Share Index 100= 1996	3,450.10	3,484.08	3,309.76	3,179.23	3,180.29	3,239.80	3,169.64	3,217.75	1.52
Number of Deals	6,024.00	6,240.00	5,989.00	7,487.00	6,547.00	4,703.00	5,687.00	5,085.00	-10.59
Total Shares Traded (Millions)	77.13	131.53	150.94	336.55	203.01	73.03	198.10	147.51	-25.54
Equity Turnover (Ksh. Millions)	2,454.61	3,228.71	3,254.44	8,030.65	5,095.32	1,615.03	4,170.16	3,152.74	-24.40
Market Capitalization (Ksh. Bn.)	2,068.71	2,121.98	2,003.82	1,936.52	1,884.50	1,895.47	1,921.77	1,958.67	1.92
I-REIT Turnover in (Ksh.)	1.41	1.80	12.51	3.34	0.60	0.61	7.88	0.98	-87.57
I-REIT in Units - Total Deals	40.00	66.00	69.00	45.00	36.00	40.00	54.00	27.00	-50.00
Bonds Turnover (Ksh. Millions)	4,661.35	5,496.94	5,707.85	7,600.51	6,809.48	6,526.30	5,186.82	7,206.23	38.93
FTSE NSE Kenya 15 Index	175.70	178.84	166.10	155.26	154.10	156.36	159.14	160.96	1.14
FTSE NSE Kenya 25 Index	180.10	184.47	171.85	161.33	159.60	161.20	164.64	166.62	1.20
FTSE NSE Bond Index	88.33	87.92	88.62	88.05	88.45	88.45	88.45	89.11	0.75

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, increased by 114 and 120 basis points, respectively. The Real Estate Investment Trust (I-REIT³) turnover declined by 87.57 per cent with number of deals down 50 percent reflecting less demand for real estate units.

Telecommunication and Technology and Banking sectors dominated trading, accounting for 79.92 percent of shares traded.

The Bond Market

The volume of bonds traded increased by 38.93 percent in the week ending September 29, 2016 reflecting increased appetite for government securities by institutional buyers. Declining yields in secondary markets saw FTSE NSE Bond Index rise by 0.75 percent during the week.

³ 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.

TABLE 5: PERFORMANCE OF GOVERNMENT SECURITIES

91-Day Treasury Bills						
Date of Auction	30-Jun-16	28-Jul-16	25-Aug-16	15-Sep-16	22-Sep-16	29-Sep-16
Amount offered (Ksh M)	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	9,000.6	6,342.9	4,722.1
Amount Accepted (Ksh M)	3,385.3	2,672.6	1,456.4	4,110.3	5,353.2	4,200.4
Maturities (Ksh M)	1,184.0	12,662.0	7,363.7	4,686.9	5,112.7	3,417.7
Average interest Rate (%) - 91 Days	7.0	8.3	8.6	8.0	7.9	7.8
182-Day Treasury Bills						
Date of Auction	29-Jun-16	27-Jul-16	24-Aug-16	14-Sep-16	21-Sep-16	28-Sep-16
Amount offered (Ksh M)	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	7,539.3	10,066.1	8,678.0
Amount Accepted (Ksh M)	1,215.1	6,405.5	7,626.3	6,093.9	5,159.0	5,311.7
Maturities (Ksh M)	2,563.6	8,198.5	5,446.0	9,164.3	1,822.5	2,051.1
Average interest Rate (%) - 182 days	9.4	10.5	11.2	10.8	10.6	10.4
364-Day Treasury Bills						
Date of Auction	29-Jun-16	27-Jul-16	24-Aug-16	14-Sep-16	21-Sep-16	28-Sep-16
Amount offered (Ksh M)	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	11,564.7	10,674.0	7,326.1
Amount Accepted (Ksh M)	1,314.6	5,214.9	5,630.0	11,434.4	7,278.0	7,326.1
Maturities (Ksh M)	72.4	1,935.9	1,669.4	2,731.9	459.9	3,666.6
Average interest Rate (%) - 364 days	10.7	11.4	12.0	10.0	10.6	10.4
Treasury Bonds						
Date of Auction			24th August 2016	21-Sep-16		
Tenor			FXD 1/2016/10	FXD 3/2016/5	FXD 1/2016/20	
Amount offered (Ksh M)			25000	25000		
Bids received (Ksh M)			26305.2	38652.47	17800.48	
Amount Accepted (Ksh M)			18312.23	23052.24	12290.38	
Maturities (Ksh M)			0	0	0	
Average interest Rate (%)			15.0	13.1	14.6	

Source: Central Bank of Kenya

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	24-Jun-16	29-Jul-16	26-Aug-16	09-Sep-16	16-Sep-16	23-Sep-16
1. Treasury Bills (Excluding Repos)	578.03	577.76	579.67	590.35	600.04	606.71
(As % of total securities)	33.41	32.75	33.09	33.15	33.52	33.76
2. Treasury Bonds	1,152.04	1,186.12	1,171.92	1,190.23	1,190.23	1,190.23
(As % of total securities)	66.59	67.25	66.91	66.85	66.48	66.24
3. Total Securities (1+2)	1,730.07	1,763.88	1,751.59	1,780.57	1,790.27	1,796.94
4. Overdraft at Central Bank	37.06	14.01	13.28	0.00	0.54	3.32
5. Other Domestic debt*	31.09	30.76	31.42	31.41	31.44	31.46
6. Gross Domestic Debt (3+4+5)	1,798.22	1,808.64	1,796.29	1,811.98	1,822.25	1,831.72

* 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

	24-Jun-16	29-Jul-16	26-Aug-16	9-Sep-16	16-Sep-16	23-Sep-16
Treasury bills (Excluding Repos)	32.1	31.9	32.3	32.6	32.9	33.1
Treasury bonds	64.1	65.6	65.2	65.7	65.3	65.0
CBK Overdraft to Govt	2.1	0.8	0.7	0.0	0.0	0.2
Other domestic debt	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

Source: Central Bank of Kenya

TABLE 8: COMPOSITION OF GOVERNMENT DEBT BY HOLDER

	24-Jun-16	29-Jul-16	26-Aug-16	9-Sep-16	16-Sep-16	23-Sep-16
Banking Institutions	56.3	54.8	54.4	54.4	54.6	54.9
Insurance Companies	7.5	7.6	7.3	7.4	7.4	7.4
Parastatals	4.7	5.1	5.6	5.8	5.6	5.6
Pension funds	25.9	26.8	27.0	26.8	26.7	26.5
Other investors	5.7	5.7	5.6	5.6	5.7	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	21-Jul-16	28-Jul-16	4-Aug-16	11-Aug-16	18-Aug-16	25-Aug-16	1-Sep-16	8-Sep-16	15-Sep-16	22-Sep-16	29-Sep-16
1. CBK Usable Foreign Exchange Reserves (USD Mn)*	7,618	7,831	7,782	7,769	7,733	7,711	7,748	7,688	7,747	7,804	7,748	7,782
2. CBK Usable Foreign Exchange Reserves (Months of Import Cover)**	4.96	5.12	5.09	5.08	5.14	5.13	5.15	5.11	5.15	5.19	5.15	5.18

*Excludes Encumbered Reserves

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

Source: Central Bank of Kenya