

April 16 2010



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market recorded a performance of 258 percent and 276 percent in the 182 day Treasury bills and 364 day Treasury bills auctions respectively during the week.

The average interbank interest rates increased by 11 basis points to 2.43 percent in the week ending April 15, 2010 from 2.32 percent in the previous week. To ease the liquidity tightness in the money market, the Central Bank injected a total of Ksh 12.8 billion through reverse repo purchases during the week ending April 14, 2010. Reverse repo maturities amounted to Ksh 7.8 billion during the week.

The Kenya Shilling depicted mixed performance against the major international currencies during the week ending April 16, 2010. Against the US dollar, the shilling appreciated marginally to exchange at an average of Ksh 77.08 in the week ending April 16, 2010 compared with Ksh 77.25 per US dollar in the previous week.

Reflecting foreign exchange purchases, the usable official foreign exchange reserves held by the Central Bank increased to US dollar 3.32 billion (equivalent to 3.51 months of imports) as at April 16, 2010, from US dollar 3.26 billion (equivalent to 3.45 months of imports) as at April 9, 2010.

Government gross domestic debt increased from Ksh 518.3 billion in June 2009 to Ksh 634.2 billion following increases of Ksh 46.1 billion and Ksh 76.7 billion in Treasury bills (excluding Repos) and Treasury bonds. This was, however, offset by repayments of Ksh 5.1 billion overdraft at the Central Bank and decrease in other domestic debt by Ksh 1.9 billion during the same period, respectively.

Performance at the equities market improved during the week. The NSE 20 Share index gained 36.53 points to settle at 4,099.44 points on April 15, 2010.

Government Securities Auction

The sale of Government securities at the primary auction was oversubscribed during the week. The bank offered 182 day Treasury bills amounting to Ksh 6 billion and 364 day Treasury bills amounting to Ksh 7.5 billion. Of the amount offered, the bids received amounted to Ksh 15.5 billion and Ksh 20.7 billion for the 182 day and 364 day Treasury bills, respectively while the total amount accepted was Ksh 6.9 billion and 7.6 billion for the 182 day and 364 day Treasury bills, respectively. Against the maturities of Ksh 11.1 billion, the auction proceeds resulted in Ksh 3.4 billion new borrowing for the Government.

Interest Rates on Treasury Bills

The cut-off rate for the 182 day Treasury bills dropped by 49 basis points from 5.94 percent in the previous week's auction to 5.45 percent during this week's auction. Similarly, the cut-off rate for the 364 day Treasury bills decreased from 7.5 percent in the last auction of 8th February, 2010 to 6.09 percent (Table 1). The reduction of the Treasury bill interest rate is consistent with the lowering of the CBR rate by the Monetary Policy Committee on March 23, 2010.

Table 1: Interest Rates

Auction date	04-Mar-10	11-Mar-10	18-Mar-10	25-Mar-10	01-Apr-10	08-Apr-10	15-Apr-10
Average 91 day T. Bills*		6.099		5.748		5.538	6.538
Average 182 day T. Bills*	6.497		6.298		5.940		5.450
Average 364 day T. Bills*							6.090
Month	Sep-09	Oct-09	Nov-09	Dec-00	Jan-10	Feb-10	
Average savings rate	1.65	1.85	1.71	1.73	1.75	1.81	
Average overdraft rate	13.76	14.03	14.24	14.13	14.25	14.25	

*Refers to cut off rate beginning 21st January 2010.

Source: Central Bank of Kenya

Interbank and REPO Market

The average interbank interest rate increased by 11 basis points to 2.43 percent in the week ending April 15, 2010 from 2.32 percent in the previous week. However, the volumes traded declined from Ksh 43.3 billion in the previous week to Ksh 40.3 billion in the week ending April 15, 2010 (Table 2). The implied tightness of interbank liquidity is attributed to build up of Government deposits at the Central Bank.

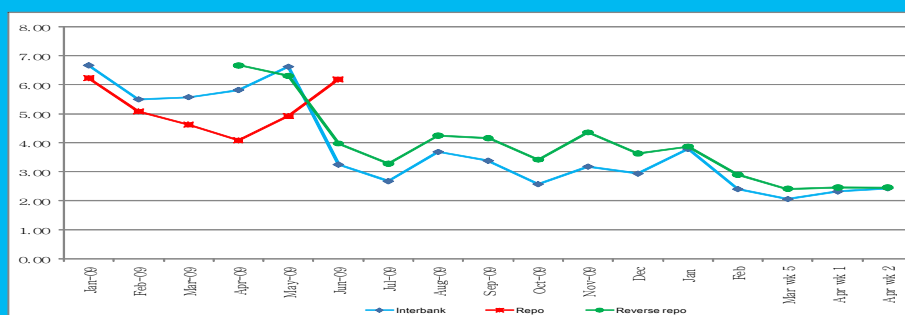
Table 2: Interbank Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
Mar 26 - Mar 31, 2010	315	36,359	2.06
01-Apr-10	88	9,042	2.18
06-Apr-10	72	12,780	2.31
07-Apr-10	83	11,371	2.36
08-Apr-10	76	10,132	2.42
Apr 1 - Apr 8, 2010	319	43,326	2.32
09-Apr-10	71	8,115	2.41
12-Apr-10	72	7,623	2.43
13-Apr-10	74	7,516	2.44
14-Apr-10	61	6,448	2.42
15-Apr-10	85	10,593	2.43
Apr 9 - 15, 2010	363	40,295	2.43

Source: Central Bank of Kenya

The reverse repo rate remained stable at 2.46 percent in the week ending April 15, 2010 (Chart A).

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

Monetary Policy Operations

The market was tight in the week ending April 14, 2010 and the Central Bank injected a total of Ksh 12.8 billion as shown in Table 3. There were reverse repo maturities of Ksh 7.8 billion. There was no borrowing from the overnight window, during the week. Reserve money averaged Ksh 178.4 billion during the week and was above target by Ksh 2.4 billion.

Table 3: Open Market Operations (Ksh Billion)

Date	Reserve Money* (Projected)			OMO (Reverse REPO)			Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast (1)	Target (2)	Exc(+)/Short(-) 3=(2-1)	Posted (4)	Injected (5)	Exc(+)/Short(-) 6=(5-4)	Actual (8)	Exc(+)/Short(-) 9=(10+11)	Exc(+)/Short(-) 10	Exc(+)/Short(-) 11
08-Apr	1767	1764	0.3	12	38	2.7	1802	3.8	4.0	-0.2
09-Apr	1788	1764	2.4	00	00	0.0	1794	3.1	3.8	-0.7
12-Apr	1750	1768	-1.8	20	20	0.0	1771	0.2	1.7	-1.4
13-Apr	1711	1768	-5.7	70	54	-1.6	1771	0.3	1.5	-1.2
14-Apr	1749	1768	-1.9	15	15	0.0	1767	-0.2	2.1	-2.2
Average	176.8	176.5	0.3	1.1	2.0	0.9	178.9	2.4	3.1	-0.8

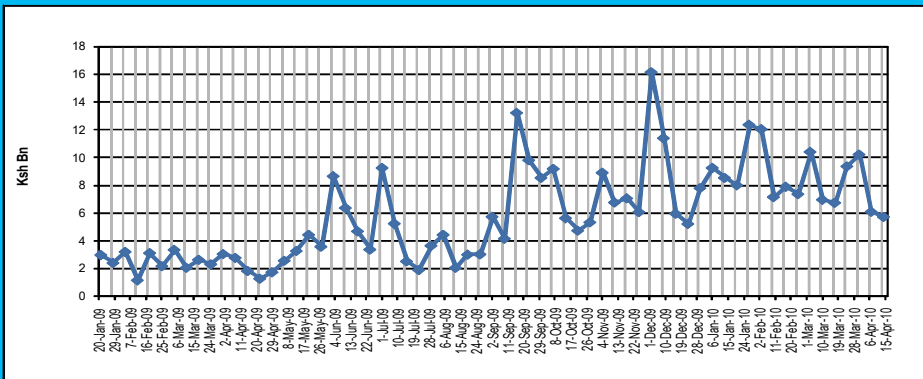
* Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 5.7 billion in their clearing accounts at the Central Bank in the week to April 14, 2010, compared with Ksh 6.1 billion held the previous week (Chart B).

Chart B: Weekly Average Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling on average depicted mixed performance against the major international currencies during the week ending April 16, 2010 (Table 4). Against the US dollar, the shilling appreciated marginally to exchange at Ksh 77.08 compared with Ksh 77.25 per US dollar in the previous week. During the week, the shilling depreciated against the Sterling Pound, the Japanese Yen and the Euro to exchange at Ksh 118.97 per Sterling Pound, Ksh 82.82 per 100 Japanese Yen and Ksh 104.93 per Euro compared with Ksh 117.75 per Sterling Pound, Ksh 82.46 per 100 Japanese Yen and Ksh 103.31 per Euro in the previous week.

Table 4: Kenya Shilling Exchange Rate

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
06-Apr-10	77.21	117.55	103.70	82.31	26.85	17.63
07-Apr-10	77.21	117.75	103.26	82.14	26.94	17.59
08-Apr-10	77.30	117.50	103.02	82.87	26.88	17.63
09-Apr-10	77.28	118.19	103.26	82.53	26.80	17.70
April 6- April 9, 2010	77.25	117.75	103.31	82.46	26.87	17.63
12-Apr-10	77.17	119.19	105.32	82.80	26.72	17.74
13-Apr-10	77.18	118.68	104.91	83.18	26.87	17.72
14-Apr-10	77.10	118.90	105.25	82.55	26.99	17.75
15-Apr-10	76.95	119.35	104.94	82.47	26.94	17.77
16-Apr-10	77.03	118.75	104.24	83.09	26.87	17.73
April 12- April 16, 2010	77.08	118.97	104.93	82.82	26.88	17.74

Source: Central Bank of Kenya

On the regional scene, the Kenya Shilling strengthened marginally against the Uganda Shilling and the Tanzania Shilling to exchange at Ush 26.88 per Kenya Shilling and Tsh 17.74 per Kenya Shilling in the week ending April 16, 2010, compared with Ush 26.87 per Kenya Shilling and Tsh 17.63 per Kenya Shilling in the previous week.

Foreign Exchange Reserves

Usable official foreign exchange reserves held by the Central Bank stood at US dollar 3.32 billion (equivalent to 3.51 months of imports) as at April 16, 2010, compared with US dollar 3.26 billion (equivalent to 3.45 months of imports) as at April 9, 2010 (Table 5). This accumulation in reserves was on account of purchases from domestic interbank foreign exchange market.

Table 5: Official Foreign Exchange Reserves (US\$ Million)

	09-Apr-09	30-Oct-09	30-Nov-09	31-Dec-09	26-Feb-10	26-Mar-10	01-Apr-10	09-Apr-10	16-Apr-10
Usable Reserves	2,623	3,302	3,392	3,309	3,235	3,224	3,223	3,258	3,319
Months of Imports Cover*	3.13	3.67	3.71	3.62	3.49	3.43	3.43	3.45	3.51

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

Source: Central Bank of Kenya

Government Domestic Debt

Commercial banks foreign exchange reserves, which are largely used by the private sector to meet external financial obligations, stood at US\$ 1.53 billion as at end of February 2010 compared with US\$ 1.61 billion as at end February 2009.

Government gross domestic debt increased from Ksh 518.3 billion in June 2009 to Ksh 634.2 billion following increases of Ksh 46.1 billion and Ksh 76.7 billion in Treasury bills (excluding Repos) and Treasury bonds. This was however offset by repayments of Ksh 5.1 billion overdraft at the Central Bank. Other domestic debt, however, decreased by Ksh 1.9 billion during the same period.

Treasury bills and Treasury bonds increased from Ksh 116.8 billion and Ksh 360.7 billion in June 2009 to Ksh 162.9 billion and Ksh 437.5 billion, respectively as at April 9, 2010. Long term stocks remained unchanged at Ksh 0.8 billion during the period.

Meanwhile, the proportion of Treasury bonds in total Government securities declined from 75.4 percent in June 2009 to 72.8 percent as at April 9, 2010 while that of Treasury bills increased from 24.4 percent to 27.1 percent during the same period. Following these developments, the debt maturity profile of Government securities, based on the days to maturity increased to 4 years and 1 month compared to 3 years 9 months in June 2009 reflecting the successful issuance of longer dated securities during the fiscal year.

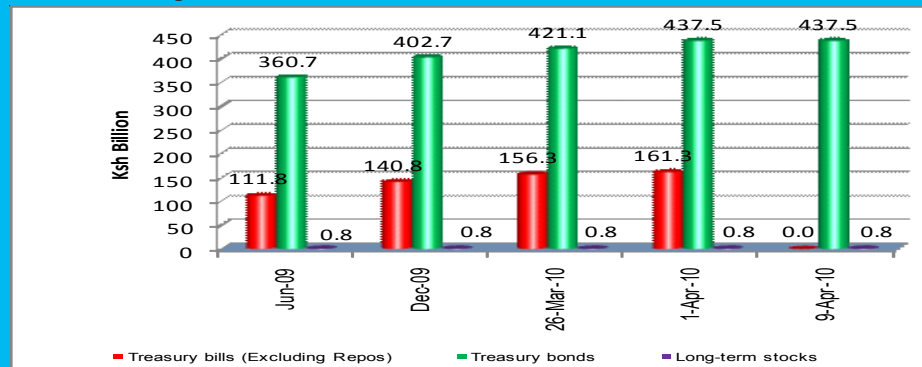
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-09	19th Mar 2010	26th Mar 2010	1st April 2010	9th April 2010	Changes	
						1st Apr-2010 - 9th Apr-2010	30th Jun-09 - 9th April - 2010
1. Treasury Bills (Excluding Repos) (As % of total securities)	116.8 24.4	160.7 27.6	156.3 27.0	161.3 26.9	0.0 0.0	-161.3 -26.9	-116.8 -24.4
2. Treasury Bonds (As % of total securities)	360.7 75.4	421.1 72.3	421.1 72.8	437.5 73.0	437.5 99.8	0.0 26.9	76.7 24.4
3. Long Term Stocks (As % of total securities)	0.8 0.2	0.8 0.1	0.8 0.1	0.8 0.1	0.8 0.2	0.0 0.0	0.0 0.0
4. Total Securities (1+2+3)	478.3	582.6	578.2	599.5	438.2	-161.3	-40.1
5. Overdraft at Central Bank	5.1	3.8	5.9	6.6	0.0	-6.6	-5.1
6. Other Domestic debt*	34.9	33.1	33.0	33.1	196.0	162.9	161.1
7. Gross Domestic Debt (4+5+6)	518.3	619.5	617.1	639.1	634.2	-4.9	115.9
8. Interest payments on domestic debt (Cumulative in FY)	45.9	39.8	43.0	43.4	43.8	0.3	

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

Source: Central Bank of Kenya

Chart C: Composition of Government Securities

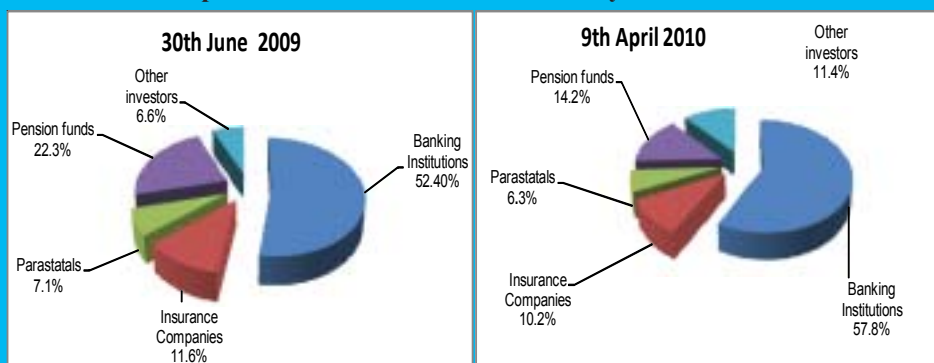


Source: Central Bank of Kenya

Holdings of Government Securities

The holdings of Government securities by commercial banks increased from 52.4 percent in June 2009 to 57.8 percent as at April 9, 2010 while those of pension funds, insurance companies, parastatals, and other holders declined respectively from 22.3 percent, 11.6 percent, 7.1 percent and 6.6 percent to 14.2 percent, 10.2 percent, 6.3 percent and 11.4 percent, during the same period (Chart D).

Chart D: Composition of Government Securities by Investor

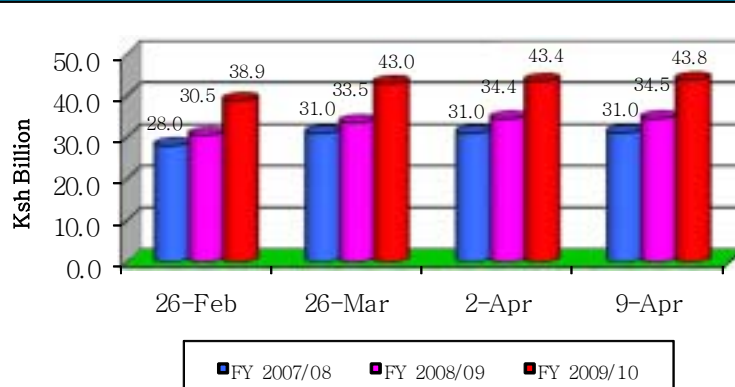


Source: Central Bank of Kenya

Cost of Domestic Borrowing

From 1st July 2009 to April 1, 2010, cumulative Government expenditure on interest and other charges on domestic debt increased by 27.0 percent to Ksh 43.8 billion from Ksh 34.5 billion in a similar period in the previous fiscal year (Chart E), due to the relatively larger domestic borrowing in the review period. The interest cost on domestic debt during the period comprised Ksh 33.8 billion in interest and other charges on Treasury bonds, Ksh 9.2 billion in interest and other charges on Treasury bills, and Ksh 0.8 billion in interest on both the Government overdraft at CBK and the pre-1997 government overdraft.

Chart E: Cumulative Interest Payments on Domestic Debt



Source: Central Bank of Kenya

The Stock Market

Performance at the equities market improved during the week ending April 15, 2010. Equity turnover increased by 5.7 percent as stocks worth Ksh 1,368.1 million were traded compared with Ksh 1,294.4 million traded in the previous week. The number of shares traded increased from 77.9 million in the previous week to 97.7 million shares in the week under review. Market capitalization as a measure of total shareholders wealth increased by 3.4 percent or Ksh. 33.7 billion to close at Ksh 1,023.6 billion in the week under review from Ksh 989.9 billion in the previous week. The NSE 20 Share index gained 36.53 points to settle at 4,099.4 points on April 15, 2010 from 4,062.9 points on April 8, 2010. The Nairobi All Share Index gained 2.90 points to settle at 87.9 points on April 15, 2010 from 85 points the previous week (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	18-Feb-10	25-Feb-10	04-Mar-10	11-Mar-10	18-Mar-10	25-Mar-10	01-Apr-10	08-Apr-10	15-Apr-10
NASI 100= Jan 2008	78.13	79.16	80.41	83.29	83.32	84.11	84.40	85.01	87.91
NSE 20 Share Index 100=1966	3,536.72	3,627.30	3,675.54	3,964.86	4,008.17	4,042.87	4,072.93	4,062.91	4,099.44
Number of Deals	8,434	8,574	8,288	10,048	11,452	10,458	7,848	7,855	9,728
Total Shares Traded (millions)	52.91	95.77	91.21	117.90	129.94	180.85	128.70	77.89	97.69
Equity Turnover (Ksh. millions)	722.69	1,050.09	1,157.02	1,585.85	2,153.13	2,191.66	1,405.55	1,294.35	1,368.14
Market Capitalization (Ksh. Bn.)	909.91	921.77	936.22	969.88	970.24	979.37	983.12	989.93	1,023.64
Bonds Turnover (Ksh. millions)	10,730.55	7,393.45	15,917.65	13,164.20	6,398.15	8,090.30	9,737.80	6,216.70	6,222.60

* The Nairobi All Share Index (NASI) effected on February 25, 2008 (January 01, 2008 = 100)

Source: Nairobi Stock Exchange

The Commercial and Services sector traded 63.8 million shares and accounted for 65.3 percent of total traded volume. Safaricom traded 58.1 million shares and was the most active stock in the sector. The Finance and Investment sector traded 24.9 million shares and accounted for 25.5 percent of total traded volume. Equity Bank and Kenya Commercial Bank were the most active stocks in the sector, trading 7.8 million and 6.6 million shares, respectively. Industrial and Allied sector traded 7.9 million shares and accounted for 8.0 percent of traded volume. Mumias Sugar Company and KenolKobil were the most active counters, trading 3.5 and 1.5 million shares, respectively. The other sectors had minimal trading.

Bond Market Bond turnover at the Fixed Income Securities Market remained stable at Ksh 6.2 billion traded in the previous week.