



MAY 3, 2013

Highlights

Overall 12-month inflation rose slightly to 4.14 percent in April 2013 from 4.11 percent in March 2013 due to a rise in food inflation. Non- food non fuel inflation increased by 10 basis points to 4.3 percent in April 2013 compared with 4.2 percent in March 2013.

The money market was liquid during the week ending April 30, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 26.4 billion through repo securities and Ksh 11.4 billion in term auction deposits against maturities of repo securities and term auction deposits held by commercial banks of Ksh 25.1 billion and Ksh 12.4 billion, respectively.

The average interbank rate decreased marginally to 7.46 percent during the week ending April 30, 2013 from 7.65 percent the previous week.

The Kenya Shilling exchange rate remained fairly stable against major international currencies in the week ending May 2, 2013. Against the US Dollar the Kenya Shilling strengthened marginally to trade at an average of Ksh 83.81 per USD compared to Ksh 83.83 per USD in the week ending April 25, 2013.

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,537 million as at April 25, 2013 to US Dollar 5,668 million in the week ending May 2, 2013.

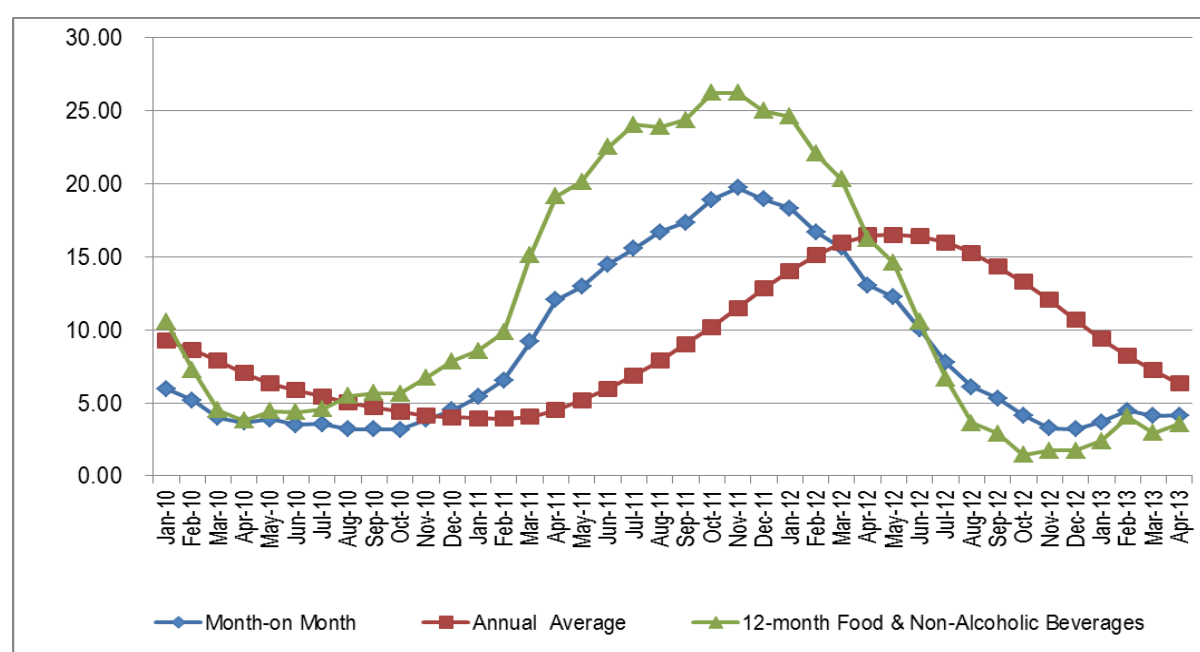
The Government offered for sale Treasury bills worth Ksh 11.0 billion, during the week ending May 3, 2013. A total of Ksh 12.2 billion was accepted out of Ksh 24.0 billion bids received.

Capital markets recorded improved performance for both bonds and equities segments. The NSE 20 Share Index, NASI, FTSE NSE 15 Index and FTSE NSE 25 Index as well as market capitalization were up from the previous week's levels and so was the turnover in both segments.

Inflation

Overall 12-month inflation rose marginally by 3 basis points to 4.14 percent in April 2013 from 4.11 percent in March 2013 (Chart A). The small increase in the overall inflation in April 2013 was reflected in the ‘Food and Non-Alcoholic Beverages’, and ‘Alcoholic Beverages, Tobacco and Narcotics’ inflation rates which stood at 3.6 percent and 4.8 percent respectively, compared with 2.9 percent and 4.6 percent respectively, in March 2013.

CHART A: MONTH-ON-MONTH ANNUAL AVERAGE AND 12-MONTH FOOD & NON-ALCOHOLIC BEVERAGES INFLATION RATES



Source: Kenya National Bureau of Statistics

Monetary Policy Operations

The money market was liquid during the week ending on April 30, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 26.4 billion through repo securities and Ksh 11.4 billion in term auction deposits against maturities of repo securities and term auction deposits held by commercial banks of Ksh 25.1 billion and Ksh 12.4 billion, respectively. Reserve money averaged Ksh 288.0 billion during the week and was Ksh 7.6 billion above target (Table 1).

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TABLE 1: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Reserve Money* (Projected)			OMO				Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/ Short(-)	Posted	Mop up		Exc(+)/ Short(-)	Actual	Exc(+)/ Short(-)	Exc(+)/ Short(-)	Exc(+)/ Short(-)
					Repo	Term Auction Deposit					
	(1)	(2)	3=(1-2)	(4)	(5)	(6)	7=(5+6-4)	(8)	9=(8-2)	(10)	(11)
25-Apr-13	309.4	280.3	29.1	10.0	10.0	0.0	0.0	298.9	18.5	26.2	-7.7
26-Apr-13	325.8	280.3	45.5	20.0	6.3	11.4	-2.3	309.9	29.5	37.4	-7.9
29-Apr-13	282.2	280.3	1.9	10.0	7.4	0.0	-2.6	274.7	-5.6	2.0	-7.6
30-Apr-13	272.7	280.3	-7.6	3.0	2.7	0.0	-0.3	268.4	-11.9	-5.5	-6.4
Average	297.5	280.3	17.2	10.8	6.6	2.8	-1.3	288.0	7.6	15.0	-7.4

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased marginally to 7.46 percent during the week ending April 30, 2013 from 7.65 percent the previous week. The interbank volumes transacted declined marginally to an average of Ksh 9.7 billion during the week compared with Ksh 10.0 billion recorded the previous week. The average number of deals also declined from 49 deals the previous week to 45 during the week (Table 2 and Chart B).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

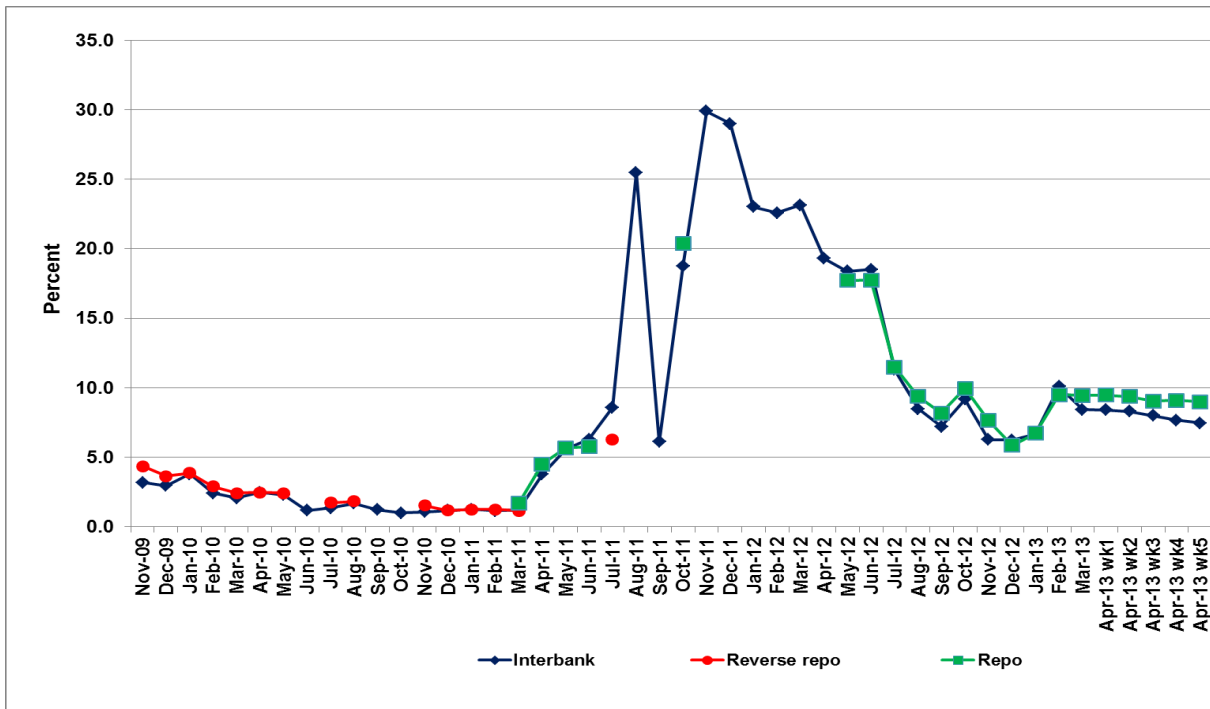
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
18-Apr-13	44	10,925	7.76
19-Apr-13	53	9,923	7.72
22-Apr-13	46	9,048	7.66
23-Apr-13	53	10,832	7.59
24-Apr-13	47	9,486	7.52
April 18 - April 24, 2013	49	10,043	7.65
25-Apr-13	36	8,272	7.49
26-Apr-13	38	8,254	7.38
29-Apr-13	47	9,946	7.41
30-Apr-13	57	12,258	7.56
April 25 - April 30, 2013	45	9,682	7.46

Source: Central Bank of Kenya

The average repo rate decreased marginally to 8.97 percent during the week ending April 30, 2013 from 9.09 percent recorded in the previous week (Chart B).

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CHART B: STRUCTURE OF INTEREST RATES

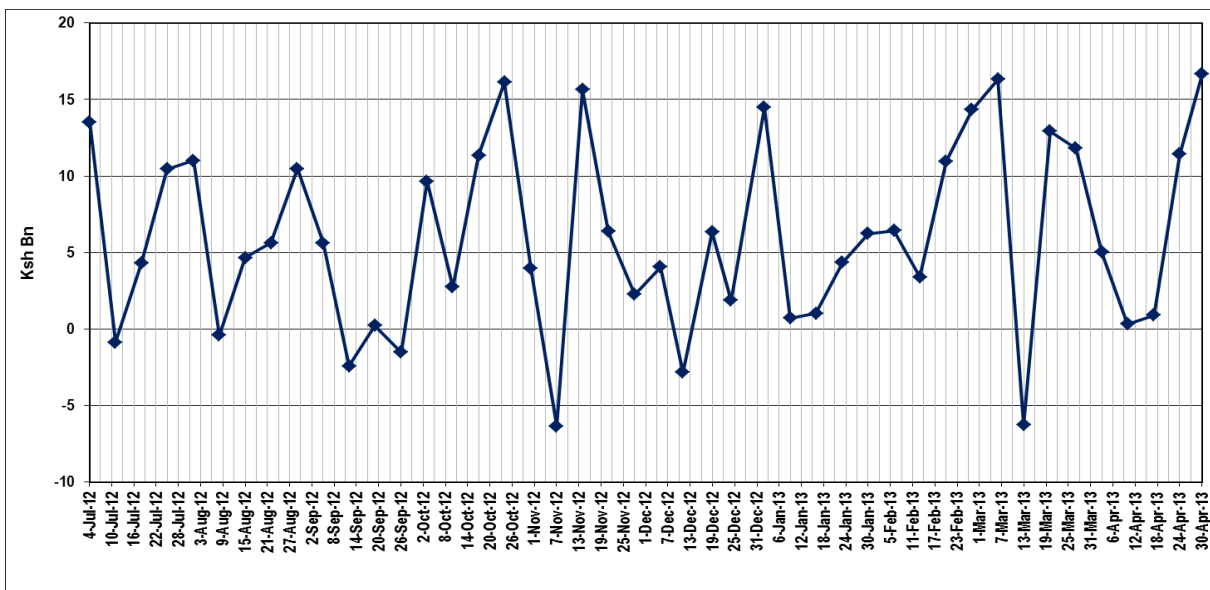


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 16.65 billion in their settlement accounts in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 90.2 billion) at the Central Bank in the week to April 30, 2013 compared with Ksh 11.42 billion in the week to April 24, 2013 (Chart C).

CHART C: WEEKLY AVERAGE DEVIATION FROM CRR IN THE CLEARING ACCOUNT



Source: Central Bank of Kenya

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The Shilling Exchange Rate

The Kenya Shilling exchange rate remained fairly stable against major international currencies in the week ending May 2, 2013. During the week, the Kenya Shilling appreciated by 0.03 percent against the US Dollar and depreciated by 1.51 percent, 0.36 percent and 1.26 percent against the Sterling Pound, the Euro and the Japanese Yen respectively to trade at an average of Ksh 83.81 per USD, Ksh 129.90 per Sterling Pound, Ksh 109.74 per Euro and Ksh 85.59 per 100 Japanese Yen compared to Ksh 83.83 per USD, Ksh 127.97 per Sterling Pound, Ksh 109.35 per Euro and Ksh 84.52 per 100 Japanese Yen in the week ending April 25, 2013.

In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling and the Burundi Franc and weakened against the Tanzania Shilling and the Rwanda Franc to trade at average of Ush 31.10, Tsh 19.39, RWF 7.53 and BIF 18.80 compared to Ush 30.71, Tsh 19.43, RWF 7.58 and BIF 18.72 in the week ending April 25, 2013.

TABLE 3: KENYA SHILLING EXCHANGE RATES

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
22-28 March 2013	85.78	130.19	110.52	90.66	30.50	18.86	7.39	18.37
19-Apr-13	83.82	128.14	109.52	85.01	30.70	19.45	7.59	18.80
22-Apr-13	83.88	127.74	109.61	84.19	30.67	19.43	7.58	18.79
23-Apr-13	83.88	127.99	109.40	84.83	30.64	19.40	7.56	18.58
24-Apr-13	83.78	127.74	108.96	84.21	30.67	19.42	7.57	18.60
25-Apr-13	83.77	128.25	109.25	84.39	30.86	19.43	7.58	18.81
19-25 April 2013	83.83	127.97	109.35	84.52	30.71	19.43	7.58	18.72
26-Apr-13	83.79	129.29	109.24	84.81	31.03	19.30	7.55	18.81
29-Apr-13	83.81	130.06	109.42	85.71	31.25	19.42	7.54	18.80
30-Apr-13	83.82	130.00	109.95	85.75	31.15	19.42	7.53	18.80
2-May-13	83.80	130.27	110.37	86.10	30.96	19.42	7.51	18.80
26 April-2 May 2013	83.81	129.90	109.74	85.59	31.10	19.39	7.53	18.80

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,537 million as at April 25, 2013 to US Dollar 5,668 million in the week ending May 2, 2013 (Table 4).

Table 4: Official Foreign Reserves US\$ Million (Usable)

	7-Mar-13	14-Mar-13	21-Mar-13	28-Mar-13	4-Apr-13	11-Apr-13	18-Apr-13	25-Apr-13	2-May-13
Usable Reserves*	4,953	4,992	5,033	5,052	5,159	5,364	5,568	5,537	5,668
Months of Imports Cover**	3.75	3.78	3.81	3.78	3.86	4.01	4.16	4.09	4.19

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

Government Securities Auction

The Government offered for sale Ksh 3.0 billion in 91-day Treasury bills, Ksh 3.0 billion in 182-day Treasury bills and Ksh 5.0 billion in 364-day Treasury bills during the week ending May 3, 2013. Total competitive and non-competitive bids amounted to Ksh 24.0 billion, of which Ksh 2.24 billion, Ksh 5.04 billion and Ksh 16.71 billion was in 91-day, 182-day and 364-day papers, representing performance rates of 74.5 percent, 168.1 percent and 334.2 percent, respectively. The Government accepted Ksh 2.24 billion in the 91-day paper, Ksh 4.15 billion in the 182-day paper and Ksh 5.82 billion in the 364-day paper, during the week.

Interest Rates on Government securities

Weighted average interest rates on the 91-day, 182-day and 364-day Treasury bills decreased by 10.2, 11.5 and 13.3 basis points to reach 10.104 percent, 10.489 percent and 12.127 percent, respectively, during the week's auction.

TABLE 5: GOVERNMENT SECURITIES INTEREST RATES

Auction date	25-Jan-13	22-Feb-13	28-Mar-13	12-Apr-13	19-Apr-13	26-Apr-13	3-May-13
91-day T. Bills*	8.036	8.928	10.467	10.423	10.258	10.206	10.104
182-day T. Bills*	8.066	8.571	10.803	10.827	10.637	10.604	10.489
364-day T. Bills*			12.676	12.504	12.405	12.260	12.127
5 year FXD T. Bonds	12.791					12.892	
15year FXD T. Bonds		13.629				13.661	

Source: Central Bank of Kenya

Capital Markets Report

Capital markets performance improved on the equities and bonds segments during the week ending May 2, 2013. All the market indices rose as well as turnover for both bonds and equities. Equities market capitalization gained 1.72 percent.

Equities Market

NSE 20 Share Index closed the week at 4788.26 points or 0.50 percent above the previous week's level, while NASI recorded 119.49 points or 1.72 percent higher than the previous week (Table 7). Market capitalization that measures shareholders' wealth closed 1.72 percent higher to Ksh 1, 621.21 billion, while Equity turnover gained by 21.1 percent above the previous week's level to end the week at Ksh 2,039.33 billion. However the supply of shares fell by 18.5 percent due to the short trading week occasioned by the Labour Day holiday.

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TABLE 6: KEY WEEKLY MARKET STATISTICS

Week Ending	7-Mar-13	14-Mar-13	21-Mar-13	27-Mar-13	4-Apr-13	11-Apr-13	18-Apr-13	25-Apr-13	2-May-13
NASI 100= Jan 2008	110.30	115.93	113.21	117.23	120.45	121.53	119.73	117.47	119.49
NSE 20 Share Index 100=1966	4,585.07	4,831.85	4,708.56	4,830.44	4,975.77	4,990.04	4,932.77	4,764.52	4,788.26
Number of Deals	4,690	11,619	8,944	7,258	9,645	8,712	10,468	8,186	6,413
Total Shares Traded (millions)	120.86	197.84	124.88	106.92	156.79	101.28	179.82	120.90	98.55
Equity Turnover (Ksh. millions)	1,738.16	4,040.75	2,478.88	2,449.40	2,437.21	1,871.65	3,418.00	1,684.02	2,039.33
Market Capitalization (Ksh. Bn.)	1,496.61	1,572.89	1,536.05	1,590.62	1,634.29	1,648.86	1,624.56	1,593.86	1,621.21
Bonds Turnover (Ksh. millions)	4,195.15	4,091.55	10,658.80	4,797.75	7,081.85	9,275.00	9,951.95	7,962.05	9,645.90
FTSE NSE Kenya 15 Index	142.22	150.18	147.06	153.78	157.10	158.80	156.28	154.23	157.30
FTSE NSE Kenya 25 Index	145.18	153.62	150.68	157.07	160.19	161.58	159.39	157.28	160.77
FTSE NSE Bond Index	92.46	92.10	90.78	90.23	89.33	89.59	89.45	89.74	90.00

* The Nairobi All Share Index (NASI) effected on February 25, 2008 (January 1, 2008 = 100)

Source: Nairobi Securities Exchange

Telecoms and Technology, Banking and Insurance sectors were the top three most active, transacting 51.81 million or 52.6 percent; 24.99 million or 25.4 percent and 5.35 million or 5.4 percent of all shares traded, respectively. Safaricom Ltd, Kenya Commercial Bank Ltd and Equity Bank Ltd were the three most active counters with 46.68 million, 16.09 million and 3.79 million shares traded, respectively. Automobile and Accessories sector was the least active, trading 85,500 shares.

The biggest closing and average price gain for the week under review was for East African Breweries Ltd at Ksh18.0 and Ksh 6.95 per share, respectively. The biggest closing and average price losses were for Jubilee Holdings Ltd and Standard Chartered Bank at Ksh 19.0 and Ksh 14.35 per share, respectively. Of the 53 active counters, 18 had average price gain in the week compared to 14 counters the previous week.

FTSE NSE Kenya Index Series

As indicated in Table 7, FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed the week up at 157.30 points from 154.23 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, also rose to register 160.77 points from 157.28 points in the previous trading week. The FTSE NSE Bond Index also gained to record 90.00 points from the previous week's 89.74 points.

The Bond Market

Bonds trading improved to register a 21.15 percentage gain in turnover. Turnover touched Ksh 9,645.90 million for the week ending May 2, 2013, up from Ksh 7,962.05 million in the previous week. Corresponding deals however fell to 101 from 134 the previous week.