



AUGUST 23, 2013

Highlights

The money market was relatively liquid during the week ending August 21, 2013. However, the distribution of liquidity was skewed among a few banks. The Central Bank stayed out of the market to allow the market redistribute the available liquidity.

The average interbank rate declined by 136.3 basis points to 8.20 percent during the week ending August 21, 2013 from 9.56 percent in the previous week. The Central Bank had provided liquidity support to alleviate tightness attributed to slowdown in Government payments in the week ending August 14, 2013.

The Kenya Shilling exchange rate remained relatively stable against major international currencies during the week ending August 22, 2013. Low demand for the US Dollar during the week led to the appreciation of the Kenya shilling to trade at an average of 87.49 per USD compared to 87.57 per USD during the week ending August 15, 2013.

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,717 million as at August 15, 2013 to US Dollar 5,736 million as at August 22, 2013. The increase is attributed to revaluation gains on Dollar denominated assets.

The Government offered for sale Treasury bills and bonds worth Ksh 29.0 billion, during the week ending August 23, 2013. A total of Ksh 28.7 billion was accepted out of Ksh 60.2 billion worth of bids received.

Gross Government domestic debt stood at Ksh 1,086.8 billion on August 16, 2013, or Ksh 35.8 billion increase from Ksh 1,051.0 billion at the end of June 2013.

Capital markets activity declined in the week ending August 22nd 2013. All leading indicators of performance declined except for the Government Bond Index and NSE 20 Share Index. Market capitalization shed 1.12 percent, bonds turnover was down 56.68 percent and equity turnover declined by 56.2 percent over the previous week's performance. Shares traded however, increased by 7.7 percent.

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Monetary Policy Operations

The money market was relatively liquid during the week ending August 21, 2013. However, the distribution of liquidity was skewed among a few banks. To allow the market redistribute the available liquidity, the Central Bank stayed out of the market. Reserve money averaged Ksh 313.4 billion during the week and was Ksh 26.9 billion above target (Table 1).

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)
15-Aug-13	327.9	286.4	41.5	0.0	0.0	0.0	0.0	326.6	40.2	40.6	-0.4
16-Aug-13	322.9	286.4	36.5	0.0	0.0	0.0	0.0	325.3	38.9	39.9	-1.0
19-Aug-13	318.7	286.6	32.1	0.0	0.0	0.0	0.0	314.1	27.5	28.8	-1.3
20-Aug-13	304.4	286.6	17.8	0.0	0.0	0.0	0.0	301.3	14.7	16.4	-1.7
21-Aug-13	299.3	286.6	12.7	0.0	0.0	0.0	0.0	299.6	13.0	15.7	-2.7
Average	314.6	286.5	28.1	0.0	0.0	0.0	0.0	313.4	26.9	28.3	-1.4

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate declined by 136.3 basis points to 8.20 percent during the week ending August 21, 2013 from 9.56 percent in the previous week reflecting improved liquidity in the money market. The interbank volumes transacted increased to an average of Ksh 21.5 billion from Ksh 19.3 billion recorded in the previous week (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

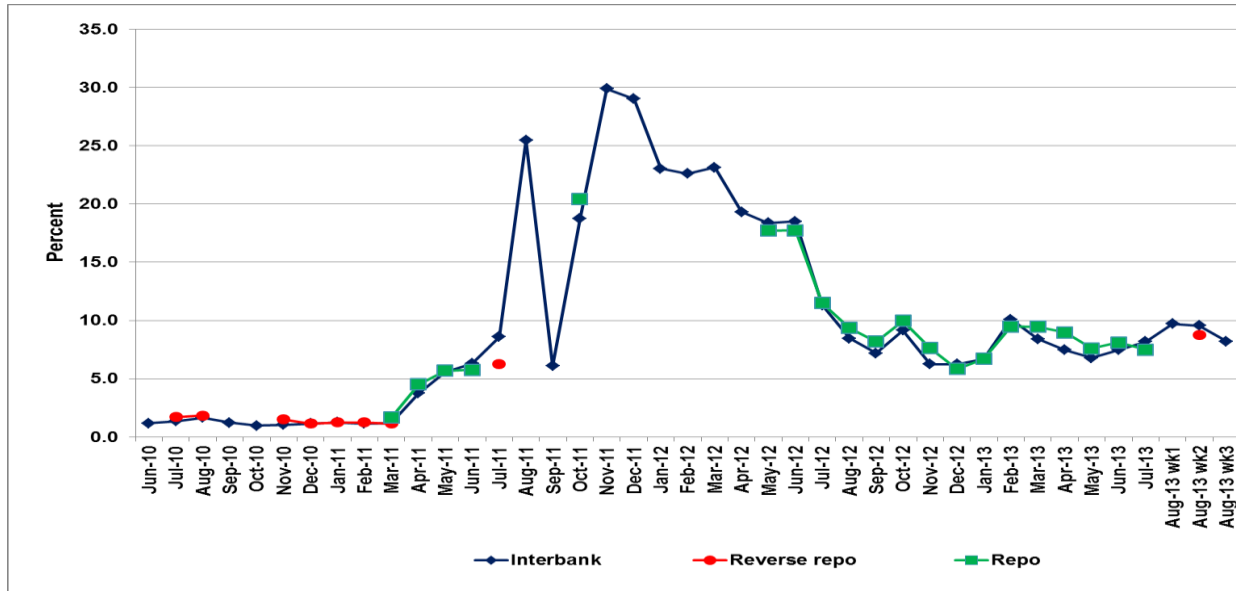
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
8-Aug-13	81	27,408	10.37
12-Aug-13	64	14,900	10.38
13-Aug-13	61	17,984	8.90
14-Aug-13	53	16,817	8.60
August 8-August 14, 2013	65	19,277	9.56
15-Aug-13	44	15,152	8.27
16-Aug-13	64	21,290	8.04
19-Aug-13	78	25,011	8.10
20-Aug-13	80	23,246	8.25
21-Aug-13	84	22,756	8.34
August 15-August 21, 2013	70	21,491	8.20

Source: Central Bank of Kenya

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The Central Bank stayed out of the market during the week ending August 21, 2013. As a result the average reverse repo rate remained unchanged at 8.72 percent recorded in the previous week.

CHART A: STRUCTURE OF INTEREST RATES

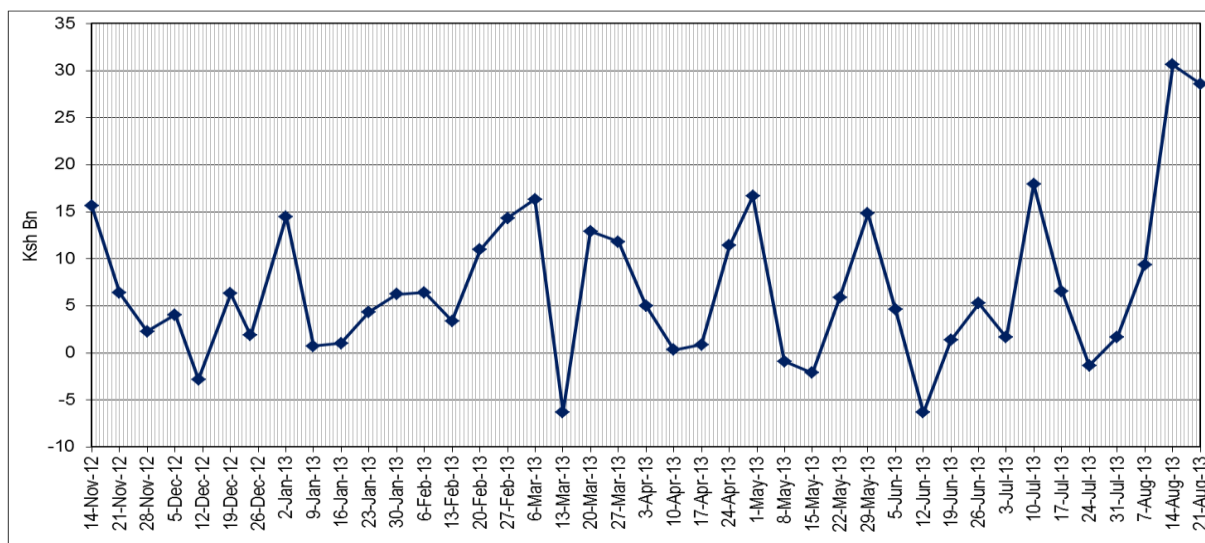


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 28.59 billion in their settlement account at the Central Bank in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 93.3 billion) in the week to August 21, 2013 compared with Ksh 30.60 billion recorded in the previous week (Chart B).

CHART B: 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 displayed mixed performance against major international currencies during the week ending August 22, 2013, appreciating by 0.1 percent and 0.28 percent against the US Dollar and the Japanese Yen respectively, while depreciating by 0.9 percent and 0.33 percent against the Sterling Pound and the Euro respectively. The appreciation of the Kenya shilling against the US Dollar is attributed to low demand for dollars during the week.

In the EAC region, the Kenya Shilling strengthened against all EAC currencies during the week ending August 22, 2013 (Table 3)

TABLE 3: KENYA SHILLING EXCHANGE RATES

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
12-Aug-13	87.39	135.39	116.44	90.57	29.44	18.54	7.40	17.60
13-Aug-13	87.61	135.43	116.55	90.18	29.38	18.48	7.37	17.56
14-Aug-13	87.70	135.44	116.35	89.20	29.30	18.44	7.38	17.54
15-Aug-13	87.59	135.88	116.39	89.59	29.30	18.46	7.39	17.56
12-15 Aug-13	87.57	135.54	116.43	89.89	29.35	18.48	7.39	17.56
16-Aug-13	87.50	136.68	116.70	89.59	29.41	18.53	7.39	17.58
19-Aug-13	87.47	136.61	116.55	89.80	29.44	18.49	7.40	17.59
20-Aug-13	87.54	137.02	116.83	90.13	29.53	18.47	7.39	17.57
21-Aug-13	87.46	137.01	117.36	89.66	29.64	18.49	7.42	17.61
22-Aug-13	87.46	136.44	116.66	89.00	29.52	18.50	7.42	17.61
19-22 Aug-13	87.49	136.75	116.82	89.64	29.51	18.49	7.40	17.59

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,717 million as at August 15, 2013 to US Dollar 5,736 million as at August 22, 2013. In terms of the months of imports, the foreign exchange reserves increased from 4.09 months to 4.10 months and remained above the statutory minimum of 4 months holdings. The increase is attributed to revaluation gains on dollar denomination assets (Table 4).

TABLE 4: OFFICIAL RESERVES US\$ MILLIONS

	2-May-13	9-May-13	16-May-13	6-Jun-13	13-Jun-13	20-Jun-13	27-Jun-13	4-Jul-13	11-Jul-13	18-Jul-13	25-Jul-13	1-Aug-13	8-Aug-13	15-Aug-13	22-Aug-13
Usable Reserves*	5,668	5,744	5,805	5,800	5,801	5,885	5,843	5,812	5,771	5,722	5,747	5,763	5,741	5,717	5,736
Months of Imports Cover**	4.19	4.25	4.29	4.26	4.26	4.32	4.29	4.22	4.16	4.13	4.15	4.12	4.10	4.09	4.10

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

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Government Securities Auction

The Government offered for sale Ksh 3.0 billion each for the 91-day Treasury bills, 182-day Treasury bills and 364-day Treasury bills and Ksh 20.0 billion collectively in 2 year and 10 year discounted fixed rate Treasury bonds during the week ending August 23, 2013. Total bids received for the Treasury bills amounted to Ksh 28.3 billion, of which Ksh 13.0 billion, Ksh 7.2 billion and Ksh 8.1 billion was in 91-day, 182-day and 364-day securities, representing performance rates of 431.77 percent, 240.28 percent and 270.16 percent, respectively. A total of Ksh 32.0 billion was received for the 2 year and 10 year Treasury bonds collectively, representing 159.82 percent performance. The Government accepted Ksh 4.1 billion in the 91-day Bill, Ksh 3.0 billion in the 182-day Bill and Ksh 3.1 billion in the 364-day Bill. In addition, the Government accepted Ksh 17.9 billion in the 2 year Treasury bond and Ksh 0.5 billion in the 10 year Treasury bond, during the week. Total non-competitive bids received amounted to Ksh 4.6 billion.

Interest Rates on Government securities

Weighted average interest rates on the 182-day and 364-day Treasury bills increased by 8.4 basis points and 12.7 basis points, respectively, to reach 10.816 percent and 11.690 percent, while the weighted interest rate on the 91-day Treasury bill declined by 3.6 basis points to 10.462 percent during the week's auction. The weighted average interest rate on the 2 year Treasury bond declined by 0.1 basis points to reach 12.939 percent, compared with the auction for a similar paper conducted in March 2013. However, the weighted average interest rate on the 10 year Treasury bond remained unchanged at the June 2013 level of 12.371 percent.

TABLE 5: GOVERNMENT SECURITIES INTEREST RATES

	22-Mar-13	28-Jun-13	26-Jul-13	2-Aug-13	8-Aug-13	16-Aug-13	23-Aug-13
91-day T. Bills*	10.318	5.175	6.863	8.754	10.406	10.498	10.462
182-day T. Bills*	10.602	5.549	6.793	6.872	9.859	10.732	10.816
364-day T. Bills*	12.674	8.356	9.949	10.883	11.254	11.563	11.690
2 year FXD T. Bonds	12.940						12.939
5 year FXD T. Bonds		11.305					
10year FXD T. Bonds	13.720	12.371					12.371
15year FXD T. Bonds							
15year FXD T. Bonds	13.629		13.769				
20 year FXD T. Bonds							

*Weighted rates for accepted bids

Source: Central Bank of Kenya

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Government Domestic Debt

Gross Government domestic debt stood at Ksh 1,086.8 billion on August 16, 2013, or Ksh 35.8 billion increase from Ksh 1,051.0 billion at the end of June 2013. This followed Ksh 26.6 billion and Ksh 12.9 billion increases in the stock of Treasury bonds and Government overdraft at the Central Bank, respectively, and net redemptions of Ksh 3.3 billion and Ksh 0.4 billion in Treasury bills and other domestic debt, respectively.

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

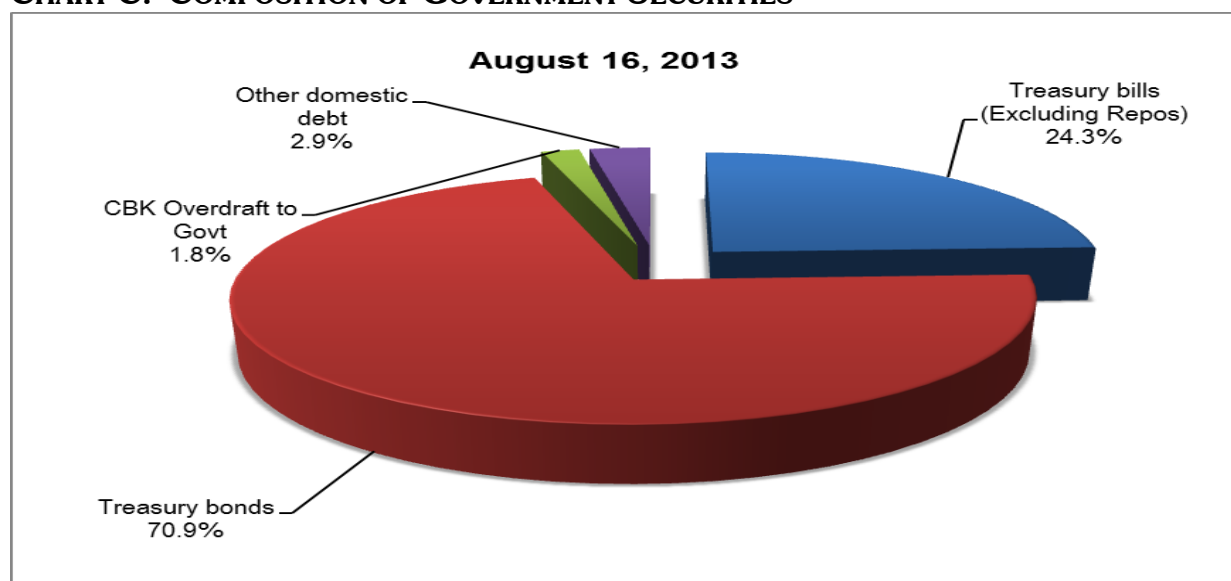
	Jun 2012	Jun 2013	2nd August 2013	8th August 2013	16th August 2013	Changes	
						8th Aug 2013 - 16th August 2013	28th Jun 2013 - 16th Aug 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	267.8 26.5	254.8 24.7	258.2 24.9	264.5 25.5	6.3 0.6	-3.3
2. Treasury Bonds (As % of total securities)	687.0 83.9	744.2 73.5	776.7 75.3	776.7 75.1	770.8 74.5	-5.9 -0.6	26.6
3. Total Securities (1+2)	819.0	1011.9	1031.5	1034.9	1035.3	0.4	23.3
4. Overdraft at Central Bank	7.3	7.0	15.5	12.5	19.9	7.4	12.9
5. Other Domestic debt*	32.6	32.0	31.9	31.9	31.6	-0.3	-0.4
6. Gross Domestic Debt (3+4+5)	858.8	1051.0	1078.9	1079.3	1086.8	7.5	35.8
7. Interest payments on domestic debt	82.3	110.2	3.3	3.5	4.9	1.4	

* 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

During the week ending August 16, 2013, gross government domestic debt increased by Ksh 7.5 billion, on account of Ksh 6.3 billion and Ksh 7.4 billion increases in the stock of Treasury bills and overdraft at the Central Bank, respectively, and partially offsetting net redemptions of Ksh 5.9 billion and Ksh 0.3 billion in the stock of Treasury bonds and other domestic debt, respectively. The average time to maturity of Government securities was maintained the end of June 2013, level of 5 years and 2 months.

CHART C: COMPOSITION OF GOVERNMENT SECURITIES

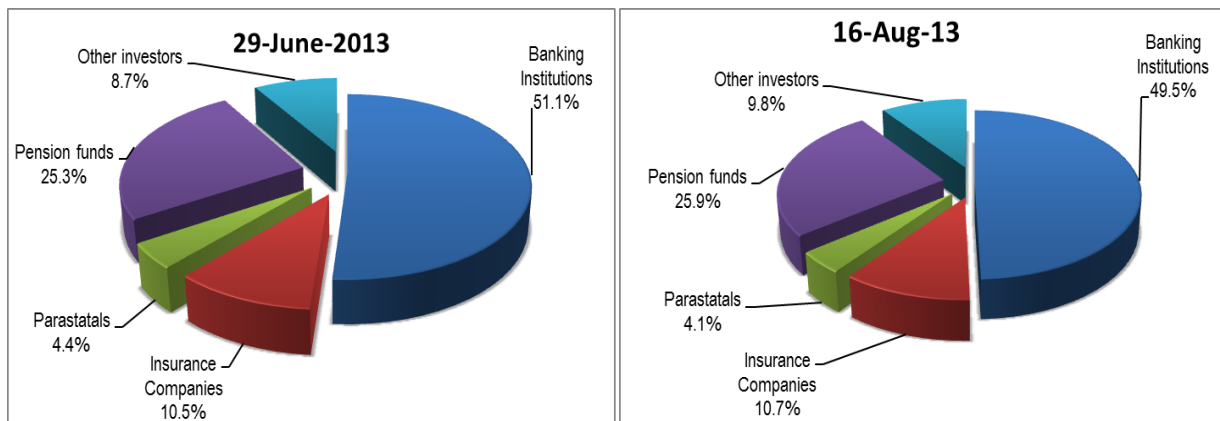


Source: Central Bank of Kenya

Holding of Government Securities

Government securities accounted for 95.2 percent of gross domestic debt on August 16, 2013 (Chart C). The share of Government securities held by Insurance companies, Pension Schemes and other investors, which comprise of Sacco’s, listed and private companies, self-help groups, educational institutions, religious institutions and individuals, increased from 10.5 percent, 25.3 percent and 8.7 percent, respectively, in June 2013 to 10.7 percent, 25.9 percent and 9.8 percent, on Aug 16, 2013. Meanwhile, government securities held by Banking Institutions and Parastatals decreased from 51.1 percent and 4.4 percent, to 49.5 percent and 4.1 percent, respectively, during the period under review (Chart D).

CHART D: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS

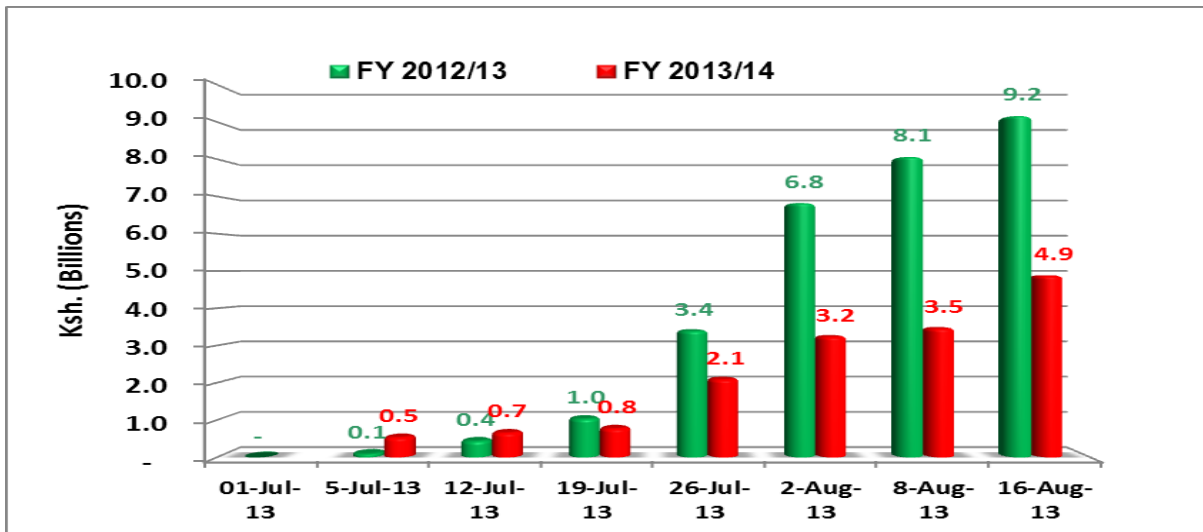


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt amounted to Ksh 4.9 billion during the week ending August 16, 2013 compared with Ksh 9.2 billion during a similar period of the Fiscal Year 2012/13 (Chart E). The cost during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 2.0 billion and Ksh 2.8 billion, respectively. Interest on Government overdraft at the Central Bank amounted to Ksh 0.1 billion, during the same period.

Chart E: Cumulative Interest Payments on Domestic Debt (Ksh billion)



Source: Central Bank of Kenya

Capital Markets Report

Equities turnover declined by Ksh 4.61 billion, Market Capitalization by Ksh 19.84 billion, and bonds turnover by 3.47 billion in the week ending August 22, 2013. The NASI, FTSE NSE Kenya 15 Index and FTSE NSE Kenya 25 Index declined while NSE 20 Share Index and FTSE NSE Bond Index rose. Number of shares transacted rose.

Equities Market

The NSE 20 Share Index closed the week higher at 4,814.12 points from last week’s 4,812.27 points (Table 7). NASI ended at 124.36 points from 125.77 points recorded on August 15, 2013. Market capitalization that measures shareholders’ wealth was Ksh 1,7487.49 billion down from Ksh 1,761.87 billion. Equity turnover declined to Ksh 3,591.78 million despite increased share supply, on account of lower share prices.

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TABLE 7: KEY WEEKLY MARKET STATISTICS

Week Ending	11-Jul-13	18-Jul-13	25-Jul-13	1-Aug-13	8-Aug-13	15-Aug-13	22-Aug-13
NASI 100= Jan 2008	119.87	123.42	123.22	123.03	123.55	125.77	124.36
NSE 20 Share Index 100=1966	4,658.46	4,800.16	4,796.30	4,781.40	4,801.03	4,812.27	4,814.12
Number of Deals	6,782.00	8,251.00	8,007.00	7,993.00	5,715.00	8,771.00	8,595.00
Total Shares Traded (millions)	137.96	189.54	103.42	89.42	78.18	146.92	157.77
Equity Turnover (Ksh. millions)	2,843.10	2,929.34	2,024.50	1,773.49	3,024.39	8,198.03	3,591.78
Market Capitalization (Ksh. Bn.)	1,677.64	1,727.31	1,432.12	1,729.87	1,737.10	1,761.87	1,748.49
Bonds Turnover (Ksh. millions)	8,592.05	8,731.20	6,073.90	5,144.30	6,637.25	5,809.90	2,342.60
FTSE NSE Kenya 15 Index	156.41	160.92	161.03	160.15	161.04	164.51	162.43
FTSE NSE Kenya 25 Index	160.44	164.98	165.19	163.93	164.77	167.34	164.77
FTSE NSE Bond Index	94.40	94.38	94.80	94.83	93.90	93.90	94.06

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

Source: Central Bank of Kenya

Banking, Telecoms and Technology, Banking and Manufacturing and Allied were the top three active sectors, transacting 72.94 million or 46.2 percent; 49.14 million or 31.1 percent and 16.33 million or 10.4 percent of all shares traded, respectively. Safaricom, KCB and Mumias Sugar were the three most active counters with 72.94 million, 26.41 million and 14.13 million shares traded, respectively. The least active sector was Automobile and Accessories sector with 75,300 shares.

The biggest closing and average price gain for the week was for Nation Media Group and at Ksh 6 and Ksh 20.40 per share, respectively. The biggest closing and average price loss was for East African Breweries and Diamond Trust Bank at Ksh 25 and Ksh 5.8 per share, respectively. Of the 54 active counters, 19 had average price gain in the week.

FTSE NSE Kenya Index Series

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed the week at 162.43 points down from 164.51 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, declined to 164.77 points from 167.34 points of last week. FTSE NSE Bond Index declined to 94.06 points from 93.90 points as trading yields declined.

The Bond Market

Bonds trading activity was 56.68 percent down as turnover closed at Ksh 2,342.60 million from Ksh 5,809.90 million in the previous week. Corresponding deals rose to 49 from 37 recorded in the previous week.