



JULY 26, 2013

Highlights

The money market liquidity during the week ending July 24, 2013 was relatively tight. The Central Bank liquidity management transactions through repo securities resulted in Ksh 12.1 billion net injection to the money market.

The average interbank rate increased to 7.13 percent during the week ending July 24, 2013 from 6.90 percent in the previous week.

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending July 25, 2013. Against the US Dollar the Kenya Shilling depreciated to trade at an average of Ksh 87.23 per USD compared to Ksh 87.02 per USD in the week ending July 18, 2013.

The usable official foreign exchange reserves held by Central Bank increased marginally from US Dollar 5,722 million as at July 18, 2013 to US Dollar 5,747 million as at July 25, 2013.

The Government offered for sale Treasury bills and bonds worth Ksh 24.0 billion, during the week ending July 26, 2013. A total of Ksh 11.4 billion was accepted out of Ksh 14.5 billion bids received.

Gross Government domestic debt stood at Ksh 1075.9 billion on July 19, 2013, a Ksh 25.0 billion increase from Ksh 1051.0 billion at the end of June 2013, largely on account of Treasury bonds.

Capital markets recorded mixed performance in the week ending July 25, 2013, from its last week's activity. While key market indicators; NSE 20 Share index and NASI shed points, all Index Series, and market capitalization gained in the week. Equities and bonds turnover, and number of shares traded ended the week lower.

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Monetary Policy Operations

The money market liquidity during the week ending July 24, 2013 was relatively tight. The Central Bank liquidity management transactions through repo securities resulted in Ksh 12.1 billion net injection to the money market. Sales of repo securities comprised Ksh 18.1 billion and Ksh 2.5 billion, respectively in repo securities and term auction deposits, against maturities of Ksh 27.0 billion and Ksh 5.7 billion, respectively. Reserve money averaged Ksh 277.6 billion during the week and was Ksh 8.0 billion below 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)
18-Jul-13	282.1	285.2	-3.1	2.0	2.0	0.0	0.0	281.3	-3.8	0.5	-4.3
19-Jul-13	289.5	285.2	4.3	9.0	9.0	0.0	0.0	275.1	-10.0	-5.2	-4.8
22-Jul-13	284.0	286.0	-2.1	5.0	5.0	0.0	0.0	278.8	-7.2	-1.6	-5.6
23-Jul-13	276.6	286.0	-9.4	5.0	2.0	2.0	-1.0	273.9	-12.2	-5.9	-6.3
24-Jul-13	276.5	286.0	-9.5	8.0	0.1	0.5	-7.4	279.1	-6.9	-0.5	-6.5
Average	281.7	285.7	-3.9	5.8	3.6	0.5	-1.7	277.6	-8.0	-2.5	-5.5

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate increased to 7.13 percent during the week ending July 24, 2013 from 6.90 percent in the previous week reflecting tight money market liquidity. The interbank volumes transacted increased to an average of Ksh 18.7 billion compared with Ksh 14.4 billion recorded in the previous week, for an average 54 deals compared with 43 deals in the previous week (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

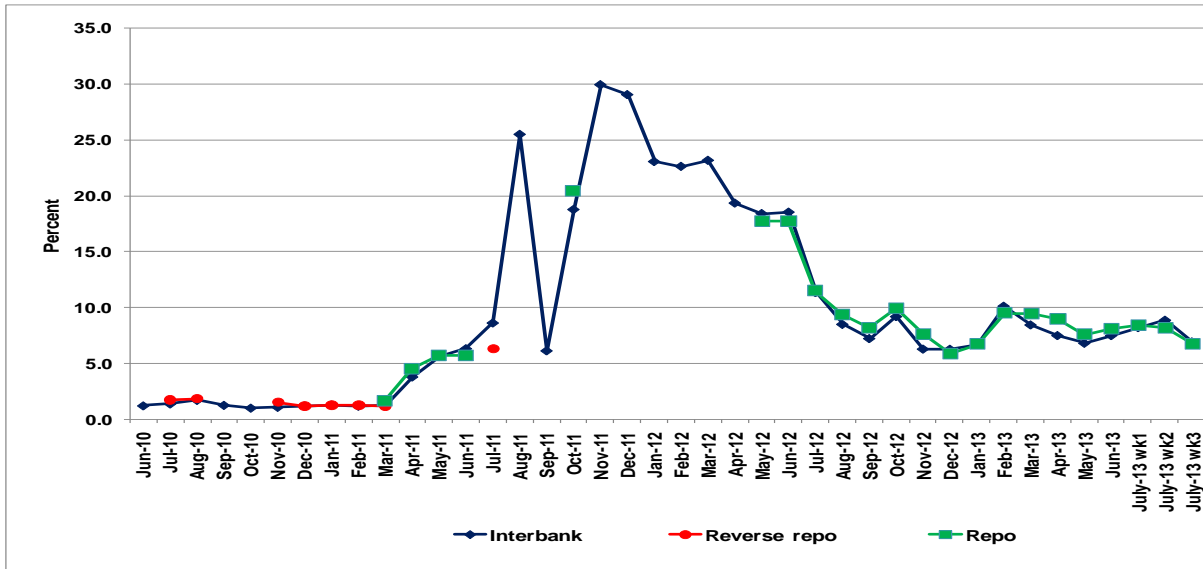
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
11-Jul-13	45	16,350	7.34
12-Jul-13	50	15,425	6.99
15-Jul-13	33	10,777	6.79
16-Jul-13	39	11,493	6.69
17-Jul-13	50	17,949	6.68
July 11-July 17, 2013	43	14,399	6.90
18-Jul-13	55	22,463	6.69
19-Jul-13	53	20,988	6.91
22-Jul-13	48	18,157	7.12
23-Jul-13	55	15,749	7.35
24-Jul-13	60	16,343	7.56
July 18-July 24, 2013	54	18,740	7.13

Source: Central Bank of Kenya

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The average repo rate increased to 6.97 percent during the week ending July 24, 2013 from 6.76 percent recorded in the previous week.

CHART A: STRUCTURE OF INTEREST RATES

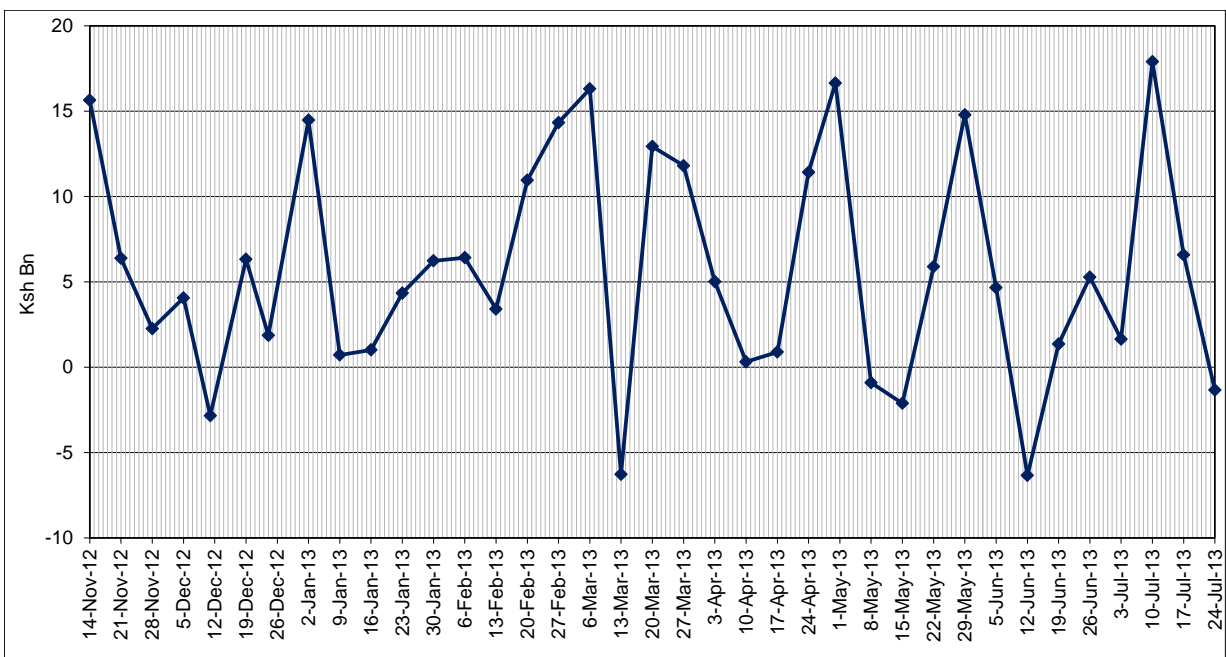


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a shortfall of Ksh 1.34 billion in their settlement account at the Central Bank in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 93.2 billion) in the week to July 24, 2013 compared with a surplus of Ksh 6.58 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 depicted mixed performance against major international currencies in the week ending July 25, 2013. During the Week, the Kenya Shilling depreciated by 0.25 percent, 1.40 percent and 0.93 percent against the USD, the Sterling Pound and the Euro respectively to trade at an average of Ksh 87.23 per USD, Ksh 133.56 per Sterling Pound and Ksh 114.95 per Euro compared to Ksh 87.02 per USD, Ksh 131.72 per Sterling Pound and Ksh 113.89 per Euro in the week ending July 18, 2013. The depreciation of the Shilling was largely attributed to increased importer demand seeking to meet end of month obligations. Against the Japanese Yen, the Shilling strengthened by 0.03 percent to trade at an average of Ksh 87.42 per 100 Japanese Yen.

In the EAC region, the Kenya Shilling weakened against all the EAC regional currencies to trade at an average of Ush 29.59, Tsh 18.60, RWF 7.44 and BIF 17.71 in the week ending July 25, 2013 compared to Ush 29.78, Tsh 18.64, RWF 7.46 and BIF 17.83 in the week ending July 18, 2013.

TABLE 3: KENYA SHILLING EXCHANGE RATES

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
12-Jul-13	87.17	132.27	113.96	88.04	29.77	18.61	7.45	17.84
15-Jul-13	87.24	131.84	114.02	87.93	29.75	18.59	7.44	17.84
16-Jul-13	87.00	131.45	113.69	87.11	29.86	18.60	7.46	17.67
17-Jul-13	86.79	131.16	114.01	87.33	29.79	18.69	7.48	17.92
18-Jul-13	86.89	131.87	113.77	86.83	29.74	18.69	7.47	17.90
12 - 18 Jul 2013	87.02	131.72	113.89	87.45	29.78	18.64	7.46	17.83
19-Jul-13	87.16	132.64	114.49	87.11	29.69	18.62	7.43	17.67
22-Jul-13	87.08	133.07	114.53	87.09	29.65	18.61	7.45	17.87
23-Jul-13	87.17	133.87	114.99	87.60	29.60	18.61	7.45	17.85
24-Jul-13	87.34	134.08	115.27	87.47	29.54	18.60	7.43	17.60
25-Jul-13	87.41	134.12	115.45	87.83	29.46	18.55	7.43	17.59
19 - 25 Jul 2013	87.23	133.56	114.95	87.42	29.59	18.60	7.44	17.71

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased marginally from US Dollar 5,722 million as at July 18, 2013 to US Dollar 5,747 million as at July 25, 2013, which is equivalent of an increase from 4.13 months of import cover to 4.15 months of import cover respectively (Table 4).

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TABLE 4: OFFICIAL RESERVES US\$ MILLIONS

	2-May-13	9-May-13	16-May-13	23-May-13	30-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
Usable Reserves*	5,668	5,744	5,805	5,821	5,805	5,800	5,801	5,885	5,843	5,812	5,771	5,722	5,747
Months of Imports Cover**	4.19	4.25	4.29	4.27	4.26	4.26	4.26	4.32	4.29	4.22	4.16	4.13	4.15

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

Government Securities Auction

The Government offered for sale Ksh 3.0 billion each in 91-day, 182-day and 364-day Treasury bills, in addition to Ksh 15.0 billion in the 15 year discounted fixed rate Treasury bond during the week ending July 26, 2013. Total bids received for the Treasury bills amounted to Ksh 5.4 billion, of which Ksh 1.4 billion, Ksh 0.9 billion and Ksh 3.1 billion was in 91-day, 182-day and 364-day papers, representing performance rates of 46.2 percent, 31.5 percent and 103.0 percent, respectively. A total of Ksh 9.1 billion was received for the 15 year Treasury bond, representing 60.7 percent performance. The Government accepted Ksh 1.4 billion in the 91-day paper, Ksh 0.7 billion in the 182-day paper and Ksh 3.0 billion in the 364-day paper, in addition to Ksh 6.3 billion in the 15 year Treasury bond, during the week. Total non-competitive bids received amounted to Ksh 1.5 billion.

Interest Rates on Government securities

Weighted average interest rates on the 91-day, 182-day and 364-day Treasury bills increased by 57.0 basis points, 30.9 basis points and 89.4 basis points, respectively, to reach 6.863 percent, 6.793 percent and 9.949 percent, while the 15 year Treasury bond weighted average interest rate increased by 14.0 basis points, compared with an auction for a similar paper conducted in March 2013, to reach 13.769 percent, during the week's auction (Table 5).

TABLE 5: GOVERNMENT SECURITIES INTEREST RATES

	22-Mar-13	31-May-13	7-Jun-13	14-Jun-13	21-Jun-13	28-Jun-13	5-Jul-13	12-Jul-13	19-Jul-13	26-Jul-13
91-day T. Bills*	10.318	7.569	6.721	5.424	5.110	5.175	5.496	5.759	6.293	6.863
182-day T. Bills*	10.602	8.840	7.899	6.117	5.642	5.549	6.000	6.320	6.484	6.793
364-day T. Bills*	12.674	9.383	8.504	8.270	8.141	8.356	8.356	8.356	9.055	9.949
5 year FXD T. Bonds						11.305				
10year FXD T. Bonds	13.720					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

Government Domestic Debt

Gross Government domestic debt stood at Ksh 1075.9 billion on July 19, 2013, a Ksh 25.0 billion increase from Ksh 1051.0 billion at the end of June 2013. This followed Ksh 25.0 billion and Ksh 3.5 billion increases in stocks of Treasury bonds and the Government overdraft at the Central Bank, respectively, while stocks of Treasury bills and other domestic debt declined by Ksh 3.4 billion and Ksh 0.1 billion, respectively. During the

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week ending July 19, 2013, gross government domestic debt increased by Ksh 0.1 billion, on account of Ksh 1.0 billion increase in Overdraft at Central Bank of Kenya, which was partially offset by a Ksh. 0.96 billion decline in Treasury bills (Table 6.) The average time to maturity of Government securities maintained the end of June, 2013 level of 5 years and 2 months (Table 6 and Chart C).

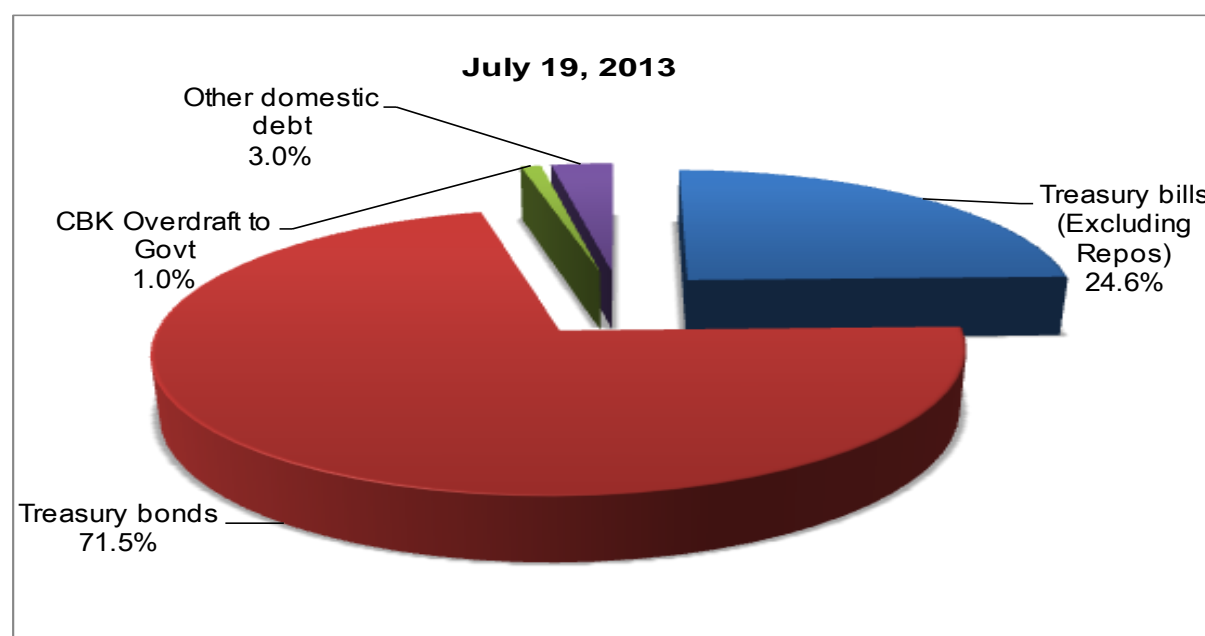
TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	Jun 2012	Jun 2013	5th July 2013	12th July 2013	19th July 2013	Changes	
						12th July 2013 -19th July 2013	28th Jun 2013 - 19th Jul 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	267.8 26.5	265.7 25.7	265.3 25.6	264.3 25.6	-0.96	-3.4
2. Treasury Bonds (As % of total securities)	687.0 83.9	744.2 73.5	769.2 74.3	769.2 74.4	769.2 74.4	0.0	25.0
3. Total Securities (1+2)	819.0	1011.9	1034.9	1034.5	1033.5	-1.0	21.6
4. Overdraft at Central Bank	7.3	7.0	9.0	9.5	10.5	1.0	3.5
5. Other Domestic debt*	32.6	32.0	31.9	31.9	31.9	0.0	-0.1
6. Gross Domestic Debt (3+4+5)	858.8	1051.0	1075.8	1075.8	1075.9	0.1	25.0
7. Interest payments on domestic debt	82.3	110.2	0.5	0.7	0.8	0.1	

* 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

CHART C: COMPOSITION OF GOVERNMENT SECURITIES



Source: Central Bank of Kenya

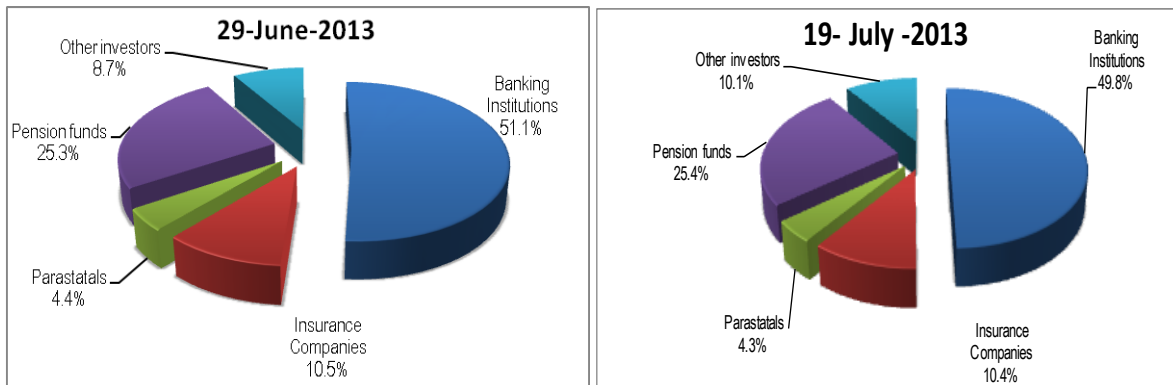
Holding of Government Securities

Government securities accounted for 96.1 percent of gross domestic debt on July 19, 2013 (Chart C). The share of Government securities held by Banking institutions,

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Insurance companies and Parastatals declined from 51.1 percent, 10.5 percent and 4.4 percent, respectively, in June 2013 to 49.8 percent, 10.4 percent and 4.3 percent at July 19, 2013. Government securities held by Pension funds and other investors, which comprise of Sacco's, listed and private companies, self-help groups, educational institutions, religious institutions and individuals, increased from 25.3 percent and 8.7 percent, respectively, to 25.4 percent and 10.1 percent (Chart D).

CHART D: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS

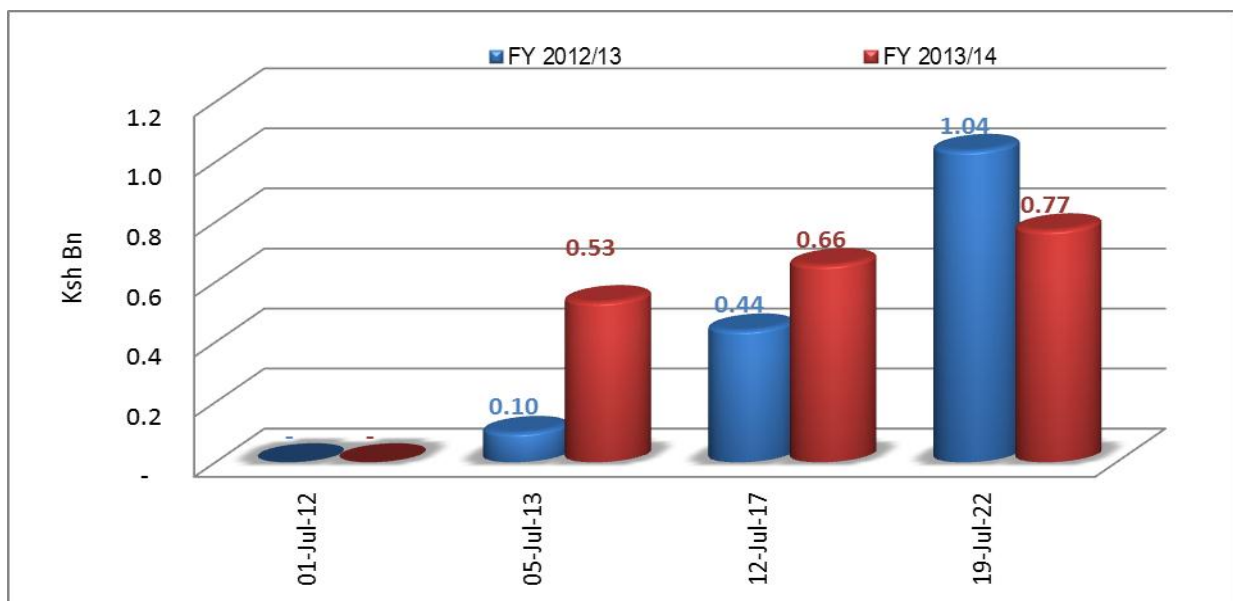


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt during the week ending July 19, 2013 amounted to Ksh 0.77 billion compared with Ksh 1.04 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 0.34 billion and Ksh 0.43 billion, respectively.

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



Source: Central Bank of Kenya

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Capital Markets Report

All Capital Markets performance indicators recorded reduced activity in the week ending July 25, 2013 compared to the previous week. Equities turnover declined by 30.89 percent as bonds turnover shed 30.43 percent. Equities and bonds indices as well as market capitalization had mixed performance in the week under review.

Equities Market

The NSE 20 Share Index closed the week at 4,796.30 points lower than last week's 4,800.16 points (Table 7). NASI declined to 123.22 points from 123.42 points recorded on July 18, 2013. But, market capitalization that measures shareholders' wealth was at Ksh 1,732.12 billion up from Ksh 1,727.31 billion. Equity turnover declined to Ksh 2,024.50 million due to low shares supply and prices.

TABLE 7: KEY WEEKLY MARKET STATISTICS

Week Ending	13-Jun-13	20-Jun-13	27-Jun-13	4-Jul-13	11-Jul-13	18-Jul-13	25-Jul-13
NASI 100= Jan 2008	122.97	120.33	115.33	116.23	119.87	123.42	123.22
NSE 20 Share Index 100=1966	4,838.01	4,713.39	4,584.50	4,574.10	4,658.46	4,800.16	4,796.30
Number of Deals	9,168.00	8,916.00	7,564.00	6,201.00	6,782.00	8,251.00	8,007.00
Total Shares Traded (millions)	121.58	219.83	131.78	123.98	137.96	189.54	103.42
Equity Turnover (Ksh. millions)	2,542.28	3,226.74	2,532.51	2,110.46	2,843.10	2,929.34	2,024.50
Market Capitalization (Ksh. Bn.)	1,669.05	1,633.17	1,604.69	1,626.64	1,677.64	1,727.31	1,732.12
Bonds Turnover (Ksh. millions)	21,477.75	12,459.20	20,264.25	9,290.25	8,592.05	8,731.20	6,073.90
FTSE NSE Kenya 15 Index	160.28	156.36	188.31	149.73	156.41	160.92	161.03
FTSE NSE Kenya 25 Index	164.45	160.43	152.52	153.96	160.44	164.98	165.19
FTSE NSE Bond Index	92.73	94.51	93.61	94.02	94.40	94.38	94.90

Source: Nairobi Securities Exchange

Telecoms and Technology, Banking and Energy and Petroleum were the top three most active sectors, transacting 50.39 million or 48.4 percent; 24.75 million or 23.8 percent and 11.20 million or 10.80 percent of all shares traded during the week, respectively. Safaricom, Equity Bank and KCB were the three most active counters with 50.39 million, 8.85 million and 7.36 million shares being traded, respectively. Automobile and Accessories sector was the least active, with 14, 200 shares traded. The newly introduced Growth Enterprise Market Segment (GEMS) had 125,700 shares traded in the week.

The biggest closing price gain for the week was Bamburi Cement at Ksh 6 while the biggest price loss was Carbacid Investment at Ksh 2.0.

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 161.03 points up from 160.92 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, was up to 165.19 points from 164.98 points of last week. FTSE NSE Bond Index added value to 94.90 points from 94.38 points due to uptick in trading yields.

The Bond Market

Bonds trading activity declined by 30.43 percent as turnover closed at Ksh 6,073.90 million on July 25, 2013 from Ksh 8,731.20 million in the previous week. However, corresponding deals declined to 120 from 108 recorded in the previous week.