

MARCH 28, 2013

Highlights

The money market was relatively liquid during the week ending March 27, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 29.4 billion through repo securities and Ksh 16.8 billion in term auction deposits against maturities of repo securities and term auction deposits held by commercial banks of Ksh 21.8 billion and Ksh 31.5 billion, respectively.

The average interbank rate decreased to 8.41 percent during the week ending March 27, 2013 from 8.63 percent recorded in the previous week reflecting improved liquidity in the money market.

The Kenya Shilling exchange rate remained relatively stable against major international currencies in the week ending March 28, 2013. Against the US Dollar the Kenya Shilling weakened marginally to trade at an average of Ksh 85.78 per USD compared to Ksh 85.70 per USD in the week ending March 21, 2013.

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,033 million as at March 21, 2013 to US Dollar 5,071 million in the week ending March 28, 2013.

The Government offered for sale Treasury bills worth Ksh 8.0 billion, during the auction held on March 27, 2013. A total of Ksh 16.6 billion was accepted out of Ksh 31.2 billion bids received.

Gross Government domestic debt increased by Ksh 94.7 billion to Ksh 953.5 billion on March 22, 2013, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt increased by Ksh 7.7 billion, on account of Treasury bills.

The capital market recorded mixed performance with some gains in the equities segments and a weak performance in the bonds market. All equities indices gained as well as market capitalization, while equities turnover fell on account of reduced supply of shares. Bonds turnover declined more than half compared to the previous week.

Monetary Policy Operations

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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)
21-Mar-13	308.6	282.6	26.0	12.0	10.7	1.3	-0.1	296.4	13.9	20.9	-7.0
22-Mar-13	312.8	282.6	30.3	16.0	2.1	7.8	-6.2	297.7	15.1	22.7	-7.6
25-Mar-13	280.5	280.5	-0.1	7.0	0.0	3.5	-3.6	279.1	-1.4	4.7	-6.1
26-Mar-13	286.0	280.5	5.5	10.0	8.5	1.5	0.0	274.6	-5.9	0.3	-6.1
27-Mar-13	288.4	280.5	7.8	15.0	8.1	2.9	-4.1	278.8	-1.8	3.4	-5.2
Average	295.2	281.3	13.9	12.0	5.9	3.4	-2.8	285.3	4.0	10.4	-6.4

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased to 8.41 percent during the week ending March 27, 2013 from 8.63 percent recorded in the previous week reflecting improved liquidity in the money market. The average interbank volumes transacted remained largely unchanged at Ksh 8.62 billion recorded on March 27, 2013 compared with Ksh 8.61 billion transacted on March 20, 2013, while the average number of deals was 41 compared with 43 deals in the previous week (Table 2 and Chart A).

Table 2: Interbank Deals, Volumes and Interest Rates

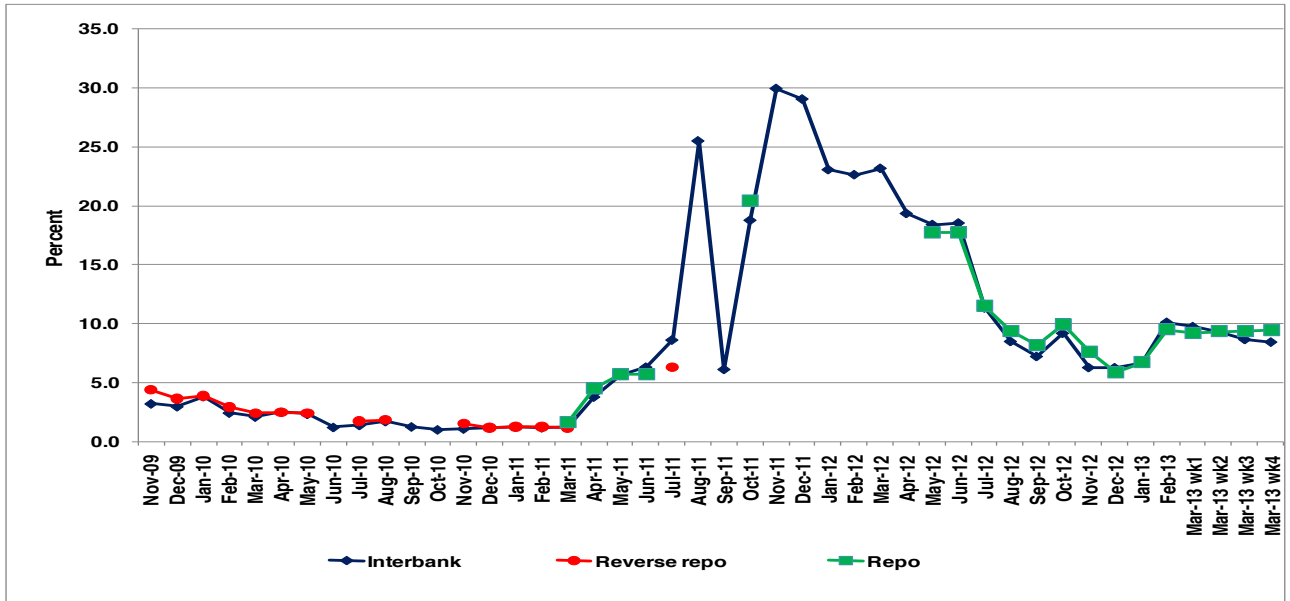
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
14-Mar-13	42	7,748	8.78
15-Mar-13	44	9,060	8.63
18-Mar-13	50	10,388	8.63
19-Mar-13	39	6,071	8.56
20-Mar-13	39	9,769	8.54
March 14 -March 20, 2013	43	8,607	8.63
21-Mar-13	29	7,159	8.48
22-Mar-13	36	7,020	8.42
25-Mar-13	55	12,815	8.36
26-Mar-13	47	9,135	8.39
27-Mar-13	40	6,980	8.40
March 21-March 27, 2013	41	8,622	8.41

Source: Central Bank of Kenya

The average repo rate increased to 9.46 percent during the week ending March 27, 2013 compared with 9.37 percent recorded in the previous week.

Chart A: The Structure of Interest Rates

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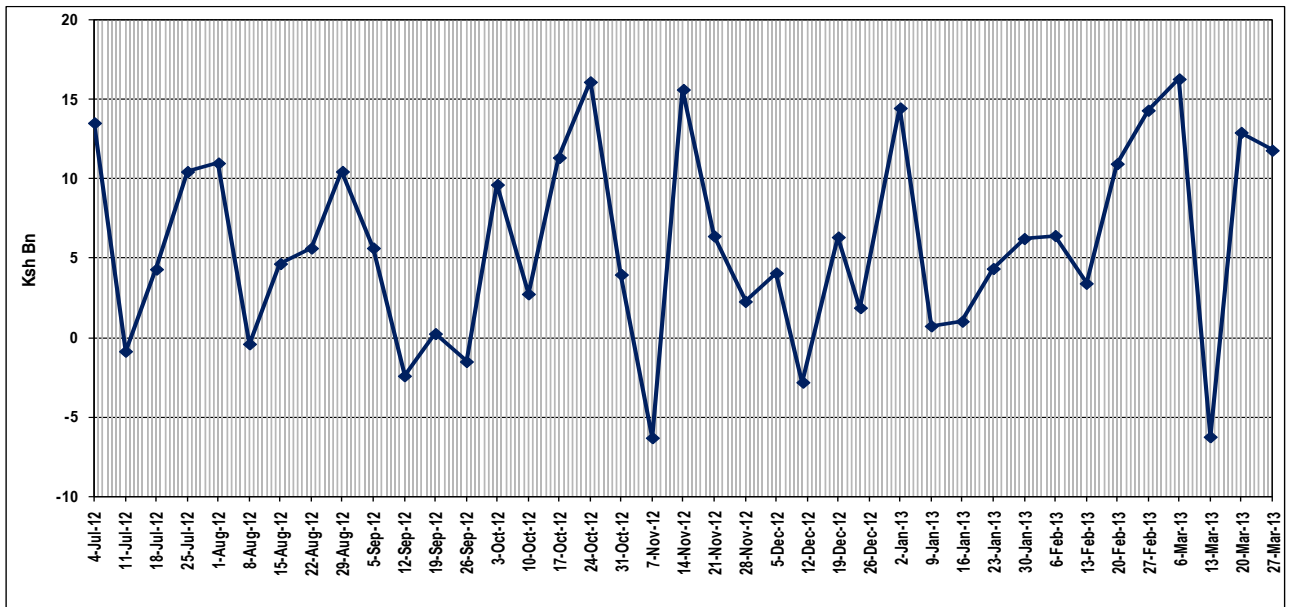


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 11.80 billion in their settlement accounts in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 89.4 billion) at the Central Bank in the week to March 27, 2013 compared with Ksh 12.93 billion in the previous week (Chart B).

Chart B: Weekly Average Deviation from CRR in the Clearing Account



Source: Central Bank of Kenya
The Shilling Exchange Rate

The Kenya Shilling exchange rate weakened against major international currencies in the week ending March 28, 2013. During the week, the Kenya Shilling depreciated by 0.09 percent, 0.64 percent and 0.91 percent against the US Dollar, Sterling Pound and the

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Japanese Yen respectively and appreciated by 0.34 percent against the Euro to trade at an average of Ksh 85.78 per USD, Ksh 130.19 per Sterling Pound, Ksh 110.52 per Euro and Ksh 90.66 per 100 Japanese Yen compared to Ksh 85.70 per USD, Ksh 129.37 per Sterling Pound, Ksh 110.89 per Euro and Ksh 89.84 per 100 Japanese Yen in the week ending March 21 2013.

In the EAC region, the Kenya Shilling weakened against all the East African currencies to trade at an average of Ush 30.50, Tsh 18.86, RWF 7.39 and BIF 18.37 compared to Ush 30.76, Tsh 18.95, RWF 7.42 and BIF 18.45 in the week ending March 21, 2013.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
8-Mar-13	86.16	129.22	112.84	90.36	30.81	18.85	7.35	18.25
15-Mar-13	85.64	129.18	111.53	89.09	30.91	18.98	7.40	18.40
18-Mar-13	85.60	129.23	110.53	90.61	30.78	18.97	7.53	18.63
19-Mar-13	85.81	129.56	111.13	89.88	30.65	18.94	7.39	18.52
20-Mar-13	85.71	129.31	110.37	90.10	30.68	18.94	7.40	18.39
21-Mar-13	85.73	129.57	110.91	89.52	30.77	18.94	7.40	18.31
15-21 March 2013	85.70	129.37	110.89	89.84	30.76	18.95	7.42	18.45
22-Mar-13	85.76	130.15	110.73	90.40	30.79	18.92	7.39	18.38
25-Mar-13	85.83	130.81	111.59	90.38	30.68	18.88	7.39	18.36
26-Mar-13	85.85	130.36	110.52	91.04	30.40	18.81	7.39	18.36
27-Mar-13	85.81	130.03	110.22	90.52	30.34	18.84	7.39	18.37
28-Mar-13	85.64	129.61	109.55	90.96	30.30	18.86	7.40	18.40
22-28 March 2013	85.78	130.19	110.52	90.66	30.50	18.86	7.39	18.37

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,033 million as at March 21, 2013 to US Dollar 5,071 million in the week ending March 28, 2013 (Table 4).

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

	07-Feb-13	14-Feb-13	21-Feb-13	28-Feb-13	07-Mar-13	14-Mar-13	21-Mar-13	28-Mar-13
Usable Reserves*	4,975	4,960	4,974	4,940	4,953	4,992	5,033	5,071
Months of Imports Cover**	3.79	3.78	3.79	3.76	3.75	3.78	3.81	3.79

*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 in 182 day Treasury bills and Ksh 5.0 billion in 364 day Treasury bills during the auction held on March 27, 2013. Total bids received amounted to Ksh 31.2 billion, of which Ksh 4.6 billion was in the 182 day paper,

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representing 153.6 percent performance and Ksh 26.6 billion in the 364 day paper, equivalent to 532.6 percent performance rate. The Government accepted Ksh 2.7 billion in the 182 day paper and Ksh 13.9 billion in the 364 day paper, during the week. Total non-competitive bids received amounted to Ksh 0.8 billion.

Interest Rates on Government securities

Weighted average interest rates on the 182 day and 364 day Treasury bills increased by 20.1 and 0.2 basis points to reach 10.803 percent and 12.676 percent, respectively, during the auction held on March 27, 2013.

Table 5: Government Securities Interest Rates

Auction date	29-Jun-12	27-Jul-12	22-Feb-13	01-Mar-13	08-Mar-13	15-Mar-13	22-Mar-13	28-Mar-13
91-day T. Bills*	10.780	13.226	8.928	9.368	9.747	10.097	10.318	
182-day T. Bills*	11.091	13.379	8.571	9.084	9.697	10.182	10.602	10.803
364-day T. Bills*				12.362	12.542	12.595	12.674	12.676
2 year FXD T. Bonds			12.844				12.940	
10year FXD T. Bonds		13.630					13.720	

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 94.7 billion to Ksh 953.5 billion on March 22, 2013, from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 42.4 billion, Ksh 30.2 billion, 18.1 billion and Ksh 4.0 billion in the stocks of Treasury bills, Treasury bonds, Government overdraft at the Central Bank and other domestic debt, respectively (Table 6).

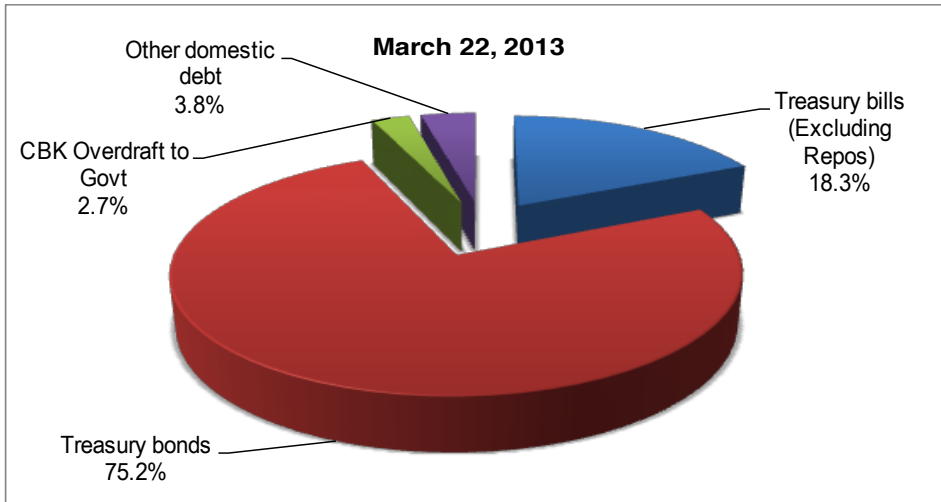
Table 6: Government Domestic Debt (Ksh Billion)

	Jun 2012	Sep 2012	Dec-12	15th March 2013	22nd March 2013	Changes	
						15th Mar 2013- 22nd Mar 2013	29th Jun 2012 - 15th March 2013
1. Treasury Bills (Excluding Repos)	132.0	159.7	196.3	166.7	174.5	7.7	42.4
(As % of total securities)	16.1	18.5	21.5	18.9	19.6		
2. Treasury Bonds	687.0	703.9	716.1	717.2	717.2	0.0	30.2
(As % of total securities)	83.9	81.5	78.5	81.1	80.4		
3. Total Securities (1+2)	819.0	863.6	912.3	883.9	891.6	7.7	72.6
4. Overdraft at Central Bank	7.3	25.4	25.4	25.4	25.4	0.0	18.1
5. Other Domestic debt*	32.6	33.2	33.6	36.5	36.5	0.0	4.0
6. Gross Domestic Debt (3+4+5)	858.8	922.2	971.3	945.8	953.5	7.7	94.7
7. Interest payments on domestic debt	82.3	25.2	53.6	73.2	74.9	1.7	

Source: Central Bank of Kenya

During the week ending March 22, 2013, gross government domestic debt increased by Ksh 7.7 billion, on account of the stocks of Treasury bills (Table 6). The average time to maturity of Government securities declined to 5 years and 2 months during the week ending March 22, 2013, from 5 years and 4 months at the end of June 2012.

Chart C: Composition of Government Domestic Debt



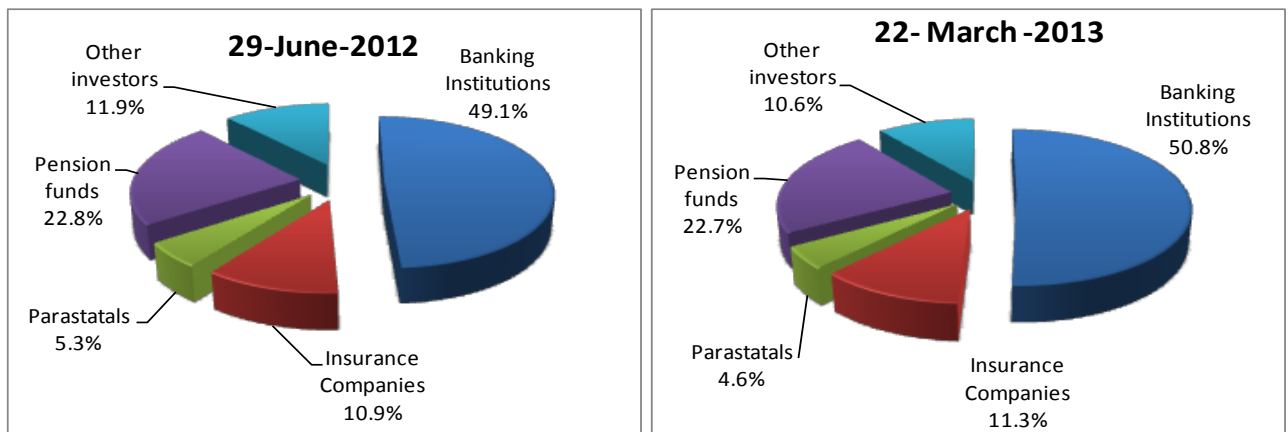
Source: Central Bank of Kenya

Holdings of Government Securities

Government securities accounted for 93.5 percent of gross domestic debt on March 22, 2013 (Chart C).

Holdings by commercial banks and insurance companies increased from 49.1 percent and 10.9 percent in June 2012 to 50.8 percent and 11.3 percent, respectively, on March 22, 2013. Pension fund, Parastatals, and other investor holdings, which comprise Saccos', listed and private companies, self-help groups, educational institutions, religious institutions and individuals, declined from 22.8 percent, 5.3 percent and 11.9 percent to 22.7 percent, 4.6 percent and 10.6 percent, respectively, during the period (Chart D).

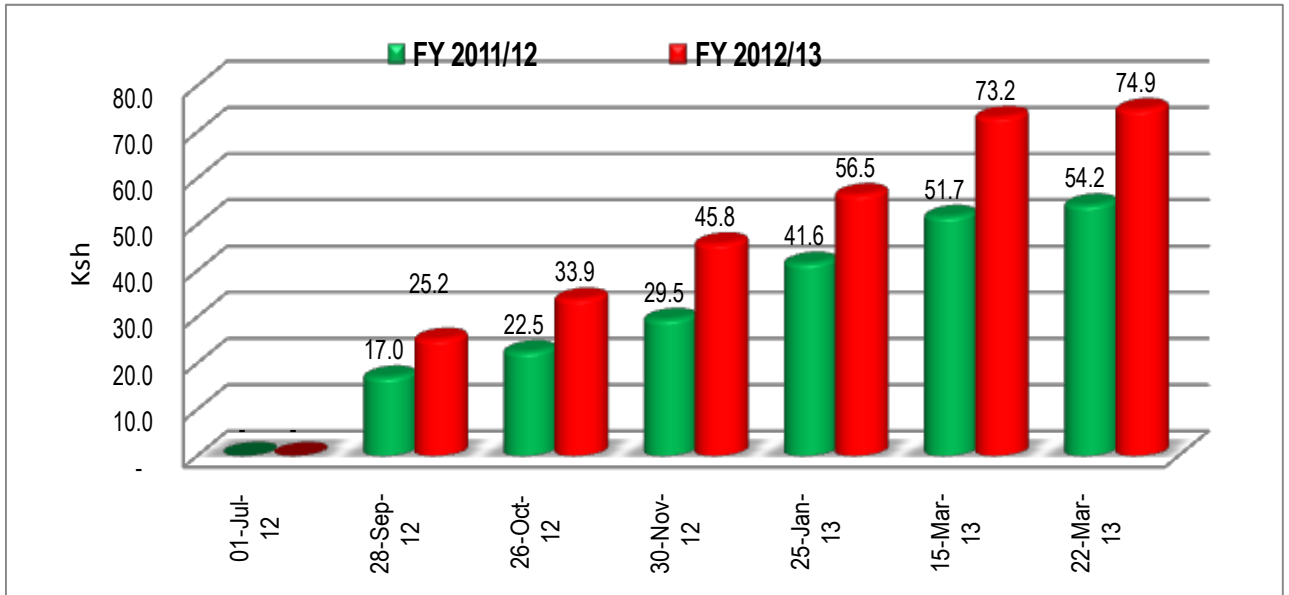
Chart D: Holding of Government Securities by Investors



Source: Central Bank of Kenya
Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to March 22, 2013 in the 2012/13 fiscal year amounted to Ksh 74.9 billion compared with Ksh 54.2 billion during a similar period of the previous fiscal year (Chart E). The cost during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 17.22 billion and Ksh 54.51 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 1.94 billion and Ksh 1.18 billion, respectively.

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



Source: Central Bank of Kenya

Capital Markets

Capital markets recorded mixed performance during the week ending March 27, 2013. Market capitalization gained 355 basis points, while equities turnover fell 1.19 percentage points. The bonds segment turnover recorded a decline of 54.99 percent.

Equities Market

NSE 20 Share Index closed the week at 4830.44 points or 2.6 percent above the previous week’s level, while NASI recorded 117.23 points or 3.6 percent higher than the previous week (Table 7). Market capitalization that measures shareholders’ wealth closed 355 basis points higher to Ksh 1, 590.62 billion, while Equity turnover declined 119 basis points to end the week at Ksh 2,449.40 billion. This was due to a 14.4 percent reduction in the number of shares transacted.

Table 7: Key Weekly Market Statistics

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Week Ending	7-Feb-13	14-Feb-13	21-Feb-13	28-Feb-13	7-Mar-13	14-Mar-13	21-Mar-13	27-Mar-13
NASI 100= Jan 2008	106.23	108.50	105.39	106.91	110.30	115.93	113.21	117.23
NSE 20 Share Index 100=1966	4,561.16	4,637.54	4,505.59	4,518.59	4,585.07	4,831.85	4,708.56	4,830.44
Number of Deals	7,773	8,697	7,897	7,177	4,690	11,619	8,944	7,258
Total Shares Traded (millions)	267.81	157.50	180.66	86.22	120.86	197.84	124.88	106.92
Equity Turnover (Ksh. millions)	4,499.71	3,663.48	3,509.54	3,021.12	1,738.16	4,040.75	2,478.88	2,449.40
Market Capitalization (Ksh. Billions)	1,425.90	1,456.29	1,414.53	1,451.03	1,496.61	1,572.89	1,536.05	1,590.62
Bonds Turnover (Ksh. millions)	5,189.00	3,433.00	4,027.70	7,245.10	4,195.15	4,091.55	10,658.80	4,797.75
FTSE NSE Kenya 15 Index	139.71	141.53	137.09	141.12	145.35	150.18	147.06	153.78
FTSE NSE Kenya 25 Index	143.12	144.93	140.05	144.27	148.51	153.62	150.68	157.07

Source: Nairobi Securities Exchange

Telecoms and Technology, Banking and Energy & Petroleum sectors were the top three most active, transacting 34.88 million or 32.6 percent; 31.10 million or 29.1 percent and 17.13 million or 16.0 percent of all shares traded, respectively. Safaricom Ltd, Kenya Commercial Bank Ltd and KenolKobil Ltd were the three most active counters with 30.95 million, 13.21 million and 9.06 million shares traded, respectively. Agriculture sector was the least active, trading 80,600 shares.

The biggest closing and average price gains for the week under review was for Nation Media Group Ltd at Ksh 46.0 and Ksh 45.8 per share, respectively. The biggest closing and average price losses were for National Bank of Kenya Ltd and Williamson Tea Kenya Ltd at Ksh 1.75 and Ksh 6.83 per share, respectively. Of the 48 active counters, 32 had average price gain in the week compared to the 12 counters in 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 high at 153.78 points from 147.06 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, also rose to register 157.07 points from 150.68 points in the previous trading week.

The Bond Market

Bonds trading shed off slightly more than half of the previous week's trading to register a 54.99 percentage loss in turnover. Turnover touched Ksh 4,797.75 million for the week ending March 27, 2013 from Ksh 10,658.80 million in the previous week. Corresponding deals fell to 59 from 157 the previous week. The week saw the bonds segment register a quiet market on March 25, 2013 with no transaction recorded.