

April 24, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted performance rates of 45 percent and 168.0 percent for Treasury bills and Treasury bonds, respectively during the auction of April 23 2009. The government had offered for sale Treasury bills worth Ksh 6.0 billion, received bids totalling Ksh 2.8 billion but accepted bids worth Ksh 2.1 billion. In the Treasury Bonds auction, the Government had offered for sale Treasury bonds worth Ksh 10.0 billion, received bids totalling Ksh 16.8 billion but accepted bids worth Ksh 10.0 billion. Treasury bill rates and Treasury bond rates declined during this week's auction.

The average interbank interest rate increased by 21 basis points from 5.54 percent in the previous week to 5.75 percent during the week ending April 23, 2009. The repo rate, however declined by 4 basis points from 4.04 percent in the previous week to 4.00 percent in the week.

The Kenya Shilling on average strengthened against all major international currencies during the week ending April 23, 2009. Against the US dollar, the Shilling exchanged at an average of Ksh 79.20 compared with Ksh 79.94 in the previous week.

Official usable foreign exchange reserves held by the Central Bank declined from US dollar 2,627 million (equivalent to 3.13 months of imports) as at April 16, 2009 to US dollar 2,606 million (equivalent to 3.11 months of imports) as at April 23, 2009.

Central Bank's Open Market Operations desk mopped Ksh 1.9 billion from commercial banks and redeemed maturing securities worth Ksh 2.0 billion during the week ending April 22, 2009. The outstanding stock of repo bills decreased to KSh 0.1 billion.

Government gross domestic debt increased by Ksh 50.5 billion from Ksh 430.6 billion in June 2008 to Ksh 481.1 billion as at April 17 2009. The cumulative Government expenditure on interest and other charges on domestic debt for the period up to April 17 2009 of the FY 2008/09 amounted to Ksh 34.6 billion compared with Ksh 31.1 billion in a similar period in the fiscal year 2007/08.

Performance at the equities market improved during the week. Turnover increased by 107.9 percent, market capitalization increased by 2.9 percent while the NSE 20 Share index gained 64.65 points to settle at 2764.05 points on April 23, 2009.

Government Securities Auction

The Government securities market posted mixed performance during the Treasury bills and Treasury bonds auction of April 23 2009. The government had offered for sale Treasury bills worth Ksh 6.0 billion and received bids totalling Ksh 2.8 billion of which Ksh 1.8 billion (or 67.0 percent) were in 182 days Treasury bills. In the case of Treasury bonds, the government had offered for sale 5-year Treasury bonds and 10-year Treasury bonds worth Ksh 10.0 billion and received bids totalling Ksh 16.8 billion. The performance of the auction was, therefore, 45.0 percent and 168.0 percent for the Treasury bills and Treasury bonds, respectively.

The Government accepted Treasury bills bids totalling Ksh 2.1 billion of which Ksh 1.6 billion or 76.2 percent were in competitive bids. In addition, the Government accepted Treasury bonds bids amounting to Ksh 10.0 billion of which Ksh 9.1 billion or 91.0 percent were in competitive bids. Proceeds of the auction were to be used to meet the cost of rolling over Treasury bills and Treasury bonds maturities totalling Ksh 3.6 billion in the week and provide the Government additional borrowing of Ksh 8.5 billion.

Treasury bills interest rates

The average 91-day Treasury bill rate declined by 2.4 basis points from 7.338 percent in the previous week's auction to 7.314 percent during this week's

Table 1 : Interest Rates

Auction date	26-Feb-09	05-Mar-09	12-Mar-09	19-Mar-09	26-Mar-09	09-Apr-09	16-Apr-09	23-Apr-09
Average 91 day T. Bills	7.235	7.294	7.292	7.360	7.359	7.341	7.338	7.314
Average 182 day T. Bills	7.661	7.721	7.853	8.101	8.228	8.288	8.471	8.465

Source: Central Bank of Kenya

auction while the average 182-day Treasury bill rate declined marginally by 0.6 basis points from 8.471 percent in the previous week's auction to 8.465 (Table 1). Consequently, the 12-weeks moving average for the 91-day Treasury bill rate declined from 7.397 percent in the previous week to 7.341 percent while the 182-day Treasury bill rate went up from 8.000 percent to 8.015 percent which suggests that investors reveal a preference for longer maturities of Treasury securities

Treasury bonds interest rates

The average interest rates on 5-year Treasury bonds and 10-year Treasury bonds declined during the auction of April 23 2009. The average interest rate on the 5-year Treasury bonds declined by 70 basis points from 11.549 percent for a bond of similar tenor issued in October 2008 to 10.849 percent while the average interest rate on the 10-year Treasury bonds declined by 3.5 basis points from 11.758 percent for a bond of similar tenor issued in September 2008 to 11.723 percent.

Interbank and REPO Market

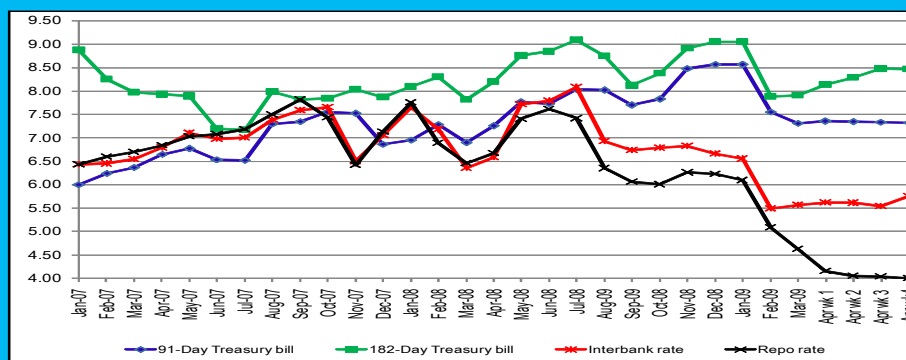
The average interbank interest rate increased by 21 basis points from 5.54 percent in the previous week to 5.75 percent during the week ending April 23, 2009, with a decline in volumes transacted (Table 2). Interbank volumes

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
Apr 03 - Apr 8 2009	295	40,054	5.53
09-Apr-09	76	8,642	5.52
14-Apr-09	84	11,181	5.53
15-Apr-09	88	9,465	5.53
16-Apr-09	84	8,466	5.58
Apr 09 - Apr 16 2009	332	37,755	5.54
17-Apr-09	80	8,041	5.65
20-Apr-09	91	9,683	5.67
21-Apr-09	80	6,154	5.73
22-Apr-09	78	7,350	5.80
23-Apr-09	78	5,171	5.88
Apr 17 - Apr 23 2009	407	36,399	5.75

Source: Central Bank of Kenya

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

decreased by Ksh 1.4 billion from Ksh 37.8 billion in the previous week to Ksh 36.4 billion in the week under review. The implicit tightness of interbank liquidity is partly attributed to net receipts to Government on account of tax revenues. The repo rate declined by 4 basis points from 4.04 percent in the previous week to 4.00 percent in the current week (Chart A). Volumes of repo securities traded was subdued, with banks making net redemptions to augment declining interbank liquidity.

The Shilling Exchange Rate

Shilling exchanged at an average of Ksh 79.20 in the week ending April 23, 2009 compared with Ksh 79.94 in the previous week (Table 3). The strengthening of the Shilling against the US dollar was attributed to higher foreign exchange inflows amid stable foreign exchange demand.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen
14-Apr-09	80.01	118.72	106.65	80.25
15-Apr-09	79.93	118.62	105.90	81.14
16-Apr-09	79.88	119.63	105.65	80.67
April 14-16, 2009	79.94	118.99	106.07	80.69
17-Apr-09	79.85	118.28	104.55	80.22
20-Apr-09	79.68	117.16	103.53	80.55
21-Apr-09	78.94	115.70	102.18	80.22
22-Apr-09	78.94	115.70	102.18	80.22
23-Apr-09	78.59	114.44	102.44	80.14
April 17-23, 2009	79.20	116.25	102.97	80.27

Source: Central Bank of Kenya

Moreover, the Shilling strengthened against the Sterling Pound, the Euro and the Japanese Yen in the week under review to trade at an average of Ksh 116.25 per Sterling Pound, Ksh102.97 per Euro and Ksh 80.27 per 100 Japanese Yen compared with Ksh 118.99 per Sterling Pound, Ksh 106.07 per Euro and Ksh 80.69 per 100 Japanese Yen in the previous week. In the international foreign exchange market, the US dollar strengthened against the Sterling Pound and the Euro but weakened against the Japanese Yen.

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank declined to US dollar 2,606 million (equivalent to 3.11 months of imports) as at April 23, 2009 from US\$ 2,627million (or 3.13 months cover) in the previous week and US\$ 3258 (equivalent to 4.6 months cover) as at April 23, 2008 (Table 4). The decline in import cover reflects reduction in reserves level as well as

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

	23-Apr-08	30-May-08	30-Jun-08	30-Sep-08	31-Dec-08	30-Jan-09	27-Feb-09	31-Mar-09	23-Apr-09
Usable Reserves	3,258	3,265	3,300	3,086	2,768	2,671	2,661	2,620	2,606
Months of Imports Cover*	4.60	4.55	4.60	4.06	3.35	3.19	3.17	3.13	3.11
Months of Imports Cover**	3.85	3.84	3.67	3.35	2.77	2.66	2.65	2.61	2.59

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

**Based on current year's average imports of imports of goods and non-factor services

Source: Central Bank of Kenya

increased import bill. Commercial banks foreign exchange reserves holdings, which are predominantly used by private sector to meet external financial obligations, increased from US\$ 1,321 million as at end March 2008 to US\$ 1,607 million as at end March 2009.

Monetary Policy Operations

In the week to April 22, 2009, Central Bank offered for sale Ksh 4.0 billion to the market using the repurchase agreement securities, realizing Ksh 1.9 billion as shown in Table 5.

Table 5: Open Market Operations (Ksh Billion)

Date	Reserve Money* (Projected)			OMO (REPO)			Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/ Short(-)	Posted	Realised	Exc(+)/ Short(-)	Actual	Exc(+)/ Short(-)	Exc(+)/ Short(-)	Exc(+)/ Short(-)
	(1)	(2)	3=(2-1)	(4)	(5)	6=(5-4)	(8)	9=(10+11)	10	11
16-Apr	155.7	164.6	-8.9	0.0	0.1	0.1	155.3	-9.2	-2.2	-7.1
17-Apr	154.4	164.6	-10.2	0.5	1.7	1.2	153.2	-11.4	-2.6	-8.8
20-Apr	156.4	164.6	-8.2	3.0	0.1	-2.9	155.7	-8.8	0.0	-8.9
21-Apr	152.5	164.6	-12.1	0.5	0.0	-0.5	152.6	-12.0	-3.1	-9.0
22-Apr	148.9	164.6	-15.6	0.0	0.0	0.0	151.2	-13.3	-2.9	-10.4
Average	153.6	164.6	-11.0	0.8	0.4	-0.4	153.6	-11.0	-2.2	-8.8

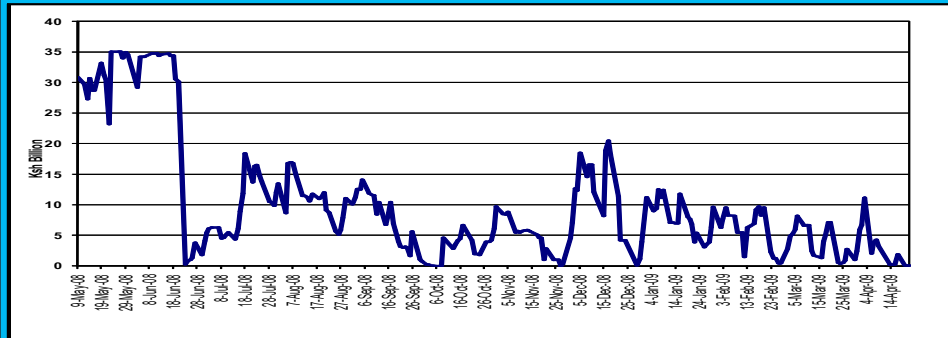
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Repurchase Agreement Securities held by Comm Banks

During the week to April 22, 2009, Central Bank mopped Ksh 1.9 billion using repurchase order agreement securities from commercial banks against redemptions of Ksh 2.0 billion. As a result, the stock of repurchase agreement securities held by commercial banks declined to Ksh 0.1 billion on April 22,

Chart B: Commercial Banks Repo Holdings



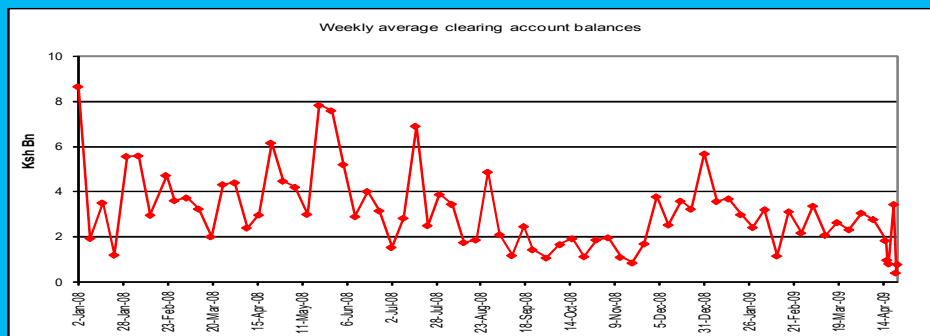
Source: Central Bank of Kenya

2009 from Ksh 0.2 billion on April 14, 2009 as shown in Chart B. Reserve money for the week ending April 22, 2009 averaged Ksh 153.6 billion or Ksh 11.0 billion below target. Banks redeemed funds held under repo to augment declining liquidity in the interbank market on account of taxes paid to Government.

Commercial Banks Clearing Account Balances

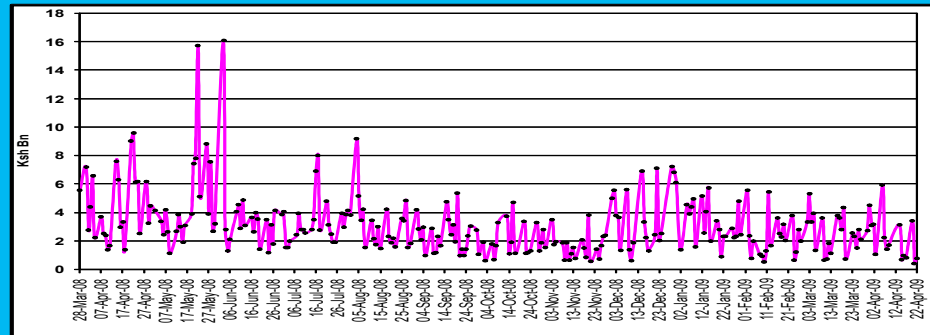
Commercial banks maintained an average of Ksh 1.3 billion in their clearing accounts at the Central Bank in the week to April 22, 2009, compared with Ksh 1.8 billion held in the previous week (Charts C1 and C2).

Chart C1: Weekly Average Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

Chart C2: Daily Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

Government Domestic Debt

Government gross domestic debt increased by Ksh 50.5 billion from Ksh 430.6 billion in June 2008 to Ksh 481.1 billion as at April 17 2009 (Table 6 and Chart D). The increase in gross domestic debt was as a result of

Table 6: Government Domestic Debt (Ksh Billion)

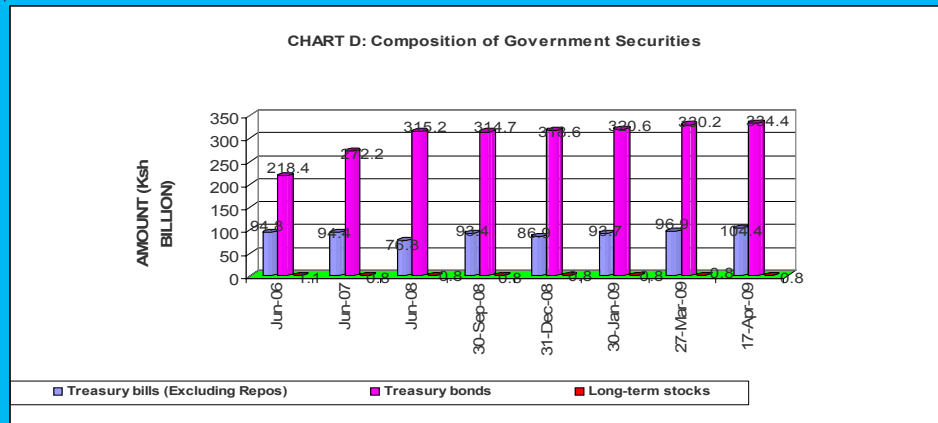
	Jun-08	6th mar 09	13th Mar 09	20th Mar 09	27th Mar 09	9th April 09	17th Apr 09	Changes 9th April-09 -17th April-09	30 th Jun-08 -17th Apr 09
1. Treasury Bills (Excluding Repos) (As % of total securities)	76.8 19.6	93.9 22.1	95.5 22.4	96.7 22.6	97.9 22.6	103.1 23.5	104.4 23.8	1.4	27.6
2. Treasury Bonds (As % of total securities)	315.2 80.2	330.2 77.7	330.2 77.4	330.2 77.2	334.4 77.2	334.4 76.3	334.4 76.1	0.0	19.2
3. Long Term Stocks (As % of total securities)	0.8 0.2	0.8 0.2	0.8 0.2	0.8 0.2	0.8 0.2	0.8 0.2	0.8 0.2	0.0	0.0
4. Total Securities (1+2+3)	392.8	424.8	426.4	427.6	433.1	438.2	439.6	1.4	46.8
5. Overdraft at Central Bank	0.0	7.1	5.8	6.1	5.5	6.2	6.9	0.7	6.9
6. Other Domestic debt*	37.8	34.5	34.3	34.9	35.4	34.2	34.6	0.4	-3.2
7. Gross Domestic Debt (4+5+6)	430.6	466.4	466.5	468.5	474.0	478.6	481.1	2.5	50.5
8. Interest payments on domestic debt	42.2	30.7	30.9	31.1	31.5	34.5	34.6	0.1	

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

Source: Central Bank of Kenya

Source: Central Bank of Kenya

Chart D: Composition of Government Securities



Source: Central Bank of Kenya

increases of Ksh 27.6 billion, Ksh 19.2 billion and Ksh 6.9 billion in Treasury bills (excluding Repos), Treasury bonds and overdraft at the Central Bank of Kenya (CBK), respectively. However, these increases were partly offset by a decrease of Ksh 3.2 billion in other domestic debt.

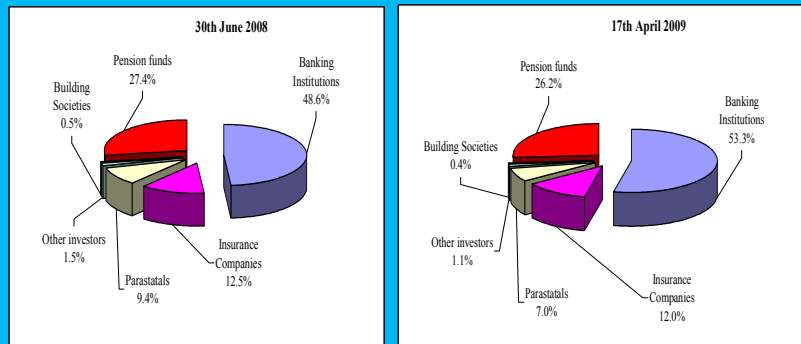
Treasury bills, Treasury bonds and overdraft at CBK increased from Ksh 76.8 billion, 315.2 billion and zero in June 2008 to Ksh 104.4 billion, Ksh 334.4 billion and Ksh 6.9 billion, respectively as at April 17 2009. However, other domestic debt decreased from Ksh 37.8 billion to Ksh 34.6 billion during the period while long term stocks remained unchanged from Ksh 0.8 billion.

Following these developments, the share of Treasury bonds in total Government securities decreased from 80.2 percent in June 2008 to 76.1 percent as at April 17 2009 while that of Treasury bills increased from 19.6 percent to 23.8 percent. As a result, the maturity profile of Government securities declined from 3 years and 8 months to 3 years and 6 months during the period.

Holding of Government Securities

The proportion of Government securities held by commercial banks increased from 48.6 percent in June 2008 to 53.3 percent as at April 17 2009. On the other hand, the proportion of Government securities held by pension funds,

Chart E: Composition of Government Securities by Investor



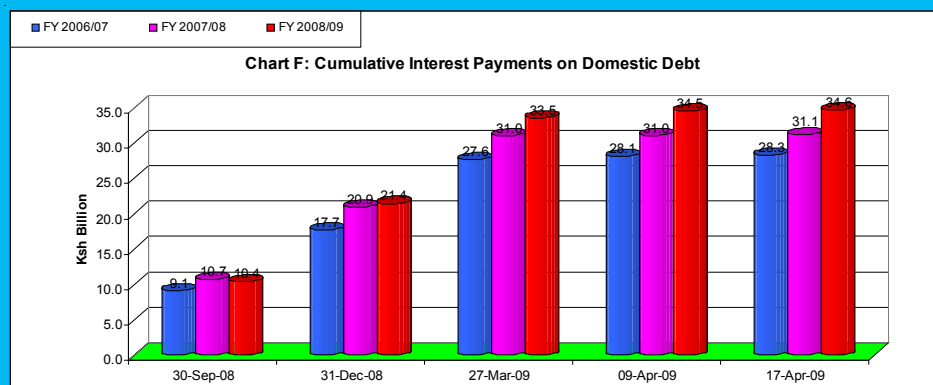
Source: Central Bank of Kenya

insurance companies, parastatals, building societies and other investors decreased from 27.4 percent, 12.5 percent, 0.5 percent and 1.5 percent respectively to 26.2 percent, 12.0 percent and 0.4 percent and 1.1 percent, respectively (Chart E).

Cost of Domestic Borrowing

The cumulative Government expenditure on interest and other charges on domestic debt for the period up to April 17 2009 of the FY 2008/09 amounted to Ksh 34.6 billion compared with Ksh 31.1 billion in a similar period in the fiscal year 2007/08 (Chart F). The interest cost on domestic debt during the period comprised Ksh 26.1 billion in interest and other charges on Treasury bonds, Ksh 7.6 billion in interest and other charges on Treasury bills, and Ksh 0.9 billion in interest on both long term stock, Government overdraft at CBK and the pre-1997 government overdraft.

Chart F: 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 23, 2009. Turnover increased by 107.9 percent as stocks worth Ksh 762.5 million were traded compared with Ksh 366.8 million traded in the previous week. The number of shares traded increased, from 29.2 million in the previous week to 83.9 million shares traded in the week under review. Market capitalization as a measure of total shareholders wealth increased by 2.9 percent or Ksh 19.4 billion from Ksh 658.6 billion in the previous week, to

Ksh 678.0 billion in the week under review. The NSE 20 Share index gained 64.65 points to settle at 2764.05 points on April 23, 2009 from 2699.40

Table 7: Key Weekly Market Statistics

Week Ending	19th Feb 2009	12th Mar 2009	19th Mar 2009	26th Mar 2009	2nd Apr 2009	8th Apr 2009	16th Apr 2009	23rd Apr 2009
NASI 100= Jan 2008	58.97	52.92	57.05	56.78	59.43	59.03	56.86	58.48
NSE 20 Share Index 100=1966	2,714.49	2,453.36	2,668.11	2,663.19	2,808.94	2,814.37	2,699.40	2,764.05
Number of Deals	8,409	7,265	9,889	7,570	8,702	7,640	8,680	8,316
Total Shares Traded (millions)	39.44	46.66	47.66	40.41	46.47	39.78	29.22	83.93
Equity Turnover (Ksh. millions)	438.86	477.68	623.46	464.33	445.20	635.44	366.78	762.46
Market Capitalization (Ksh. Bn.)	682.82	612.96	660.71	657.66	688.37	683.71	658.64	677.99
Bonds Turnover (Ksh. millions)	906.35	2,650.90	1,700.85	1,265.85	467.10	1,751.80	949.61	576.10

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

Source: Nairobi Stock Exchange

points on April 16, 2009. The Nairobi All Share Index gained 1.62 points and closed at 58.48 points compared with 56.86 points in the previous week (Table 7).

The Commercial and Services sector traded 49.4 million shares and accounted for 58.9 percent of total traded volume. Safaricom traded 46.5 million shares to be the most active stock in the sector. The Finance and Investment sector traded 30.6 million shares and accounted for 36.4 percent of total traded volume. Equity Bank and Kenya Commercial Bank traded 20.9 million and 5.0 million shares and were the most active counters in the sector. Industrial and Allied sector traded 3.8 million shares and accounted for 4.5 percent of traded volume. Mumias and Kengen shares were the most active counters and traded 1.7 million and 0.8 million shares, respectively. The other sectors had minimal trading.

Bond Market Bond market trading declined at the Fixed Income Securities Market during the week. Bond turnover decreased by 39.3 percent as bonds worth Ksh 576.1 million were traded compared with Ksh 949.6 million traded in the previous week.