

August 21, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted a performance rate of 95.86 percent during the Treasury bonds auction of August 19, 2009 and 63.74 percent during the 182-day Treasury bills auction of August 20, 2009. The average 182-day Treasury bills rate was 8.121 percent while the average interest rate on the 5-year reopened Treasury bond was 10.858 percent.

The average interbank rate increased by 23 basis points in the week ending August 20, 2009 to 3.74 percent compared with the previous week at 3.51 percent. The number of deals and value increased in the week ending August 20, 2009.

The Kenya Shilling strengthened against all the major international currencies during the week ending August 21, 2009. Against the US dollar, the shilling strengthened marginally to exchange at Ksh 76.38 in the week ending August 21, 2009 compared with Ksh 76.41 per US dollar in the previous week.

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,141 million (equivalent to 3.52 months of imports) as at August 21, 2009 compared with US dollar 3,156 million (equivalent to 4.18 months of imports) as at August 21, 2008.

Central Bank's Open Market Operations injected Ksh 11.4 billion to commercial banks and redeemed maturing reverse repo securities worth Ksh 7.7 billion during the week ending August 19, 2009.

The Government gross domestic debt increased by Ksh 9.0 billion, from Ksh 518.3 billion in June 2009 to Ksh 527.3 billion as at August 14, 2009. From July 1, 2009 to August 14, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 5.1 billion.

Performance at the equities market was mixed during the week. Equity turnover increased by 13.1 percent, market capitalization declined by 2.4 percent while the NSE 20 Share Index lost 71.5 points to settle at 3183.7 points on August 20, 2009.

Government Securities Auction

The Government securities market posted a performance rate of 95.86 percent during the Treasury bonds auction of August 19, 2009 and 63.74 percent during the 182-day Treasury bills auction of August 20, 2009. During the bonds auction, the Government reopened a 5-year fixed coupon discounted Treasury bond at a coupon rate of 9.5 percent and received bids totalling Ksh 10.5 billion. The Government accepted bids totalling Ksh 10.0 billion which were adequate to cover the redemptions of Ksh 3.2 billion and provide the Government additional borrowing of Ksh 6.8 billion.

During the bills auction, the Government had offered for sale Treasury bills worth Ksh 6.5 billion and received bids totalling Ksh 4.1 billion. The Government accepted bids totalling Ksh 3.5 billion of which Ksh 2.8 billion were in competitive bids. Proceeds of the auction were to be used to meet the cost of rolling over Treasury bills maturities amounting to Ksh 1.8 billion in the week and provide the Government additional borrowing of Ksh 1.7 billion.

Table 1 : Interest Rates

Auction date	09-Jul-09	16-Jul-09	23-Jul-09	30-Jul-09	06-Aug-09	13-Aug-09	20-Aug-09
Average 182 day T. Bills	8.155		8.151		8.126		8.121
Month	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09
Average savings rate	1.74	1.61	1.65	2.10	2.13	1.90	1.91
Average overdraft rate	13.91	13.85	14.39	13.84	13.46	13.78	13.66

* Revised

Source: Central Bank of Kenya

Treasury Bills Rates

The average 182-day Treasury bills rate went down by 0.5 basis points, from 8.126 percent in the Treasury bills auction of the same security on August 6, 2009 to 8.121 percent during this week's auction (Table 1). Consequently, the 12-weeks moving average for the 182-day Treasury bills rate declined from 8.401 percent to 8.361 percent.

The average interest rates on the 5-year reopened Treasury bond decreased by 0.2 basis points from 10.860 percent for the same bond issued in August 25, 2008 to 10.858 percent during the auction of August 19, 2009.

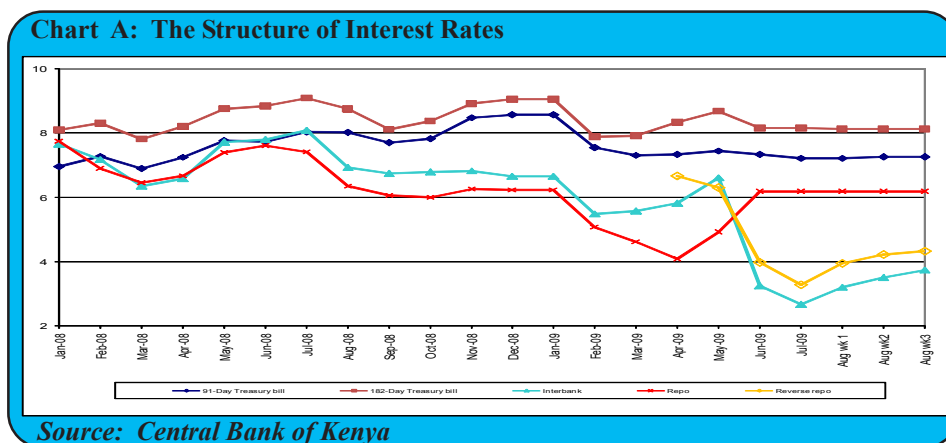
Interbank and REPO Market

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
July 31- Aug 06, 2009	493	62,081	3.21
07-Aug-09	108	14,136	3.41
10-Aug-09	82	9,025	3.45
11-Aug-09	97	12,650	3.48
12-Aug-09	88	10,083	3.59
13-Aug-09	83	8,953	3.62
Aug 07- Aug 13, 2009	458	54,847	3.51
14-Aug-09	95	12,904	3.63
17-Aug-09	100	12,506	3.68
18-Aug-09	97	14,503	3.74
19-Aug-09	93	12,211	3.82
20-Aug-09	91	12,188	3.83
Aug 14- Aug 20, 2009	476	64,312	3.74

Source: Central Bank of Kenya

The average interbank rate increased by 23 basis points in the week ending Aug 20, 2009 to 3.74 percent as compared to the previous week at 3.51 percent (Table 2). The number of deals and volumes increased from 458 to 476 and from Ksh 54,847 to Ksh 64,312 respectively during the week. This reflected a situation of increased interbank trading in the banking sector as tax dates fell due in the week.



The Shilling Exchange Rate

The Kenya Shilling strengthened against the major international currencies during the week ending August 21, 2009 (Table 3). Against the US dollar, the shilling strengthened marginally to exchange at Ksh 76.38 in the week ending August 21, 2009 compared with Ksh 76.41 per US dollar in the previous week mainly due to little corporate activity. The shilling also strengthened against the Sterling Pound and the Euro to trade, respectively, at Ksh 125.68 per Sterling Pound and Ksh 108.17 per Euro in the week ending August 21, 2009 compared with Ksh 126.45 per Sterling Pound and Ksh 108.49 per Euro in the week ending August 14, 2009. The Kenya Shilling weakened against the Japanese Yen to trade at Ksh 80.95 per 100 Japanese Yen in the week ending August 21, 2009 compared with Ksh 79.42 per 100 Japanese Yen in the previous week.

In the regional scene, the Kenya Shilling weakened marginally against the Uganda Shilling and the Tanzania Shilling to exchange at Ush 27.04 per Kenya Shilling and Tsh 17.25 per Kenya Shilling in the week ending August 21, 2009 compared with Ush 27.17 per Kenya Shilling and Tsh 17.33 per Kenya Shilling in the previous week respectively.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
10-Aug-09	76.24	127.18	108.23	78.37	27.25	17.26
11-Aug-09	76.19	125.58	107.78	78.72	27.07	17.36
12-Aug-09	76.57	126.05	108.17	80.14	27.22	17.34
13-Aug-09	76.60	126.83	109.19	79.71	27.16	17.34
14-Aug-09	76.46	126.63	109.06	80.17	27.14	17.33
Aug 10 - 14, 2009	76.41	126.45	108.49	79.42	27.17	17.33
17-Aug-09	76.38	125.13	107.81	81.01	26.97	17.37
18-Aug-09	76.44	125.27	107.96	80.46	26.89	17.22
19-Aug-09	76.39	125.96	107.72	80.98	27.03	17.25
20-Aug-09	76.36	126.52	108.75	80.89	27.11	17.22
21-Aug-09	76.32	125.53	108.60	81.41	27.19	17.21
Aug 17- 21, 2009	76.38	125.68	108.17	80.95	27.04	17.25

Source: Central Bank of Kenya

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,141 million (equivalent to 3.52 months of imports) as at August 21, 2009, down from US dollar 3,156 million (equivalent to 4.18 months of imports) as at August 21, 2008 (Table 4). The decline in import cover reflected decline in reserves level and increased import bill.

Foreign exchange reserves held by the commercial banks, predominantly used by the private sector to meet external financial obligations decreased from US\$ 2,177 million as at end July 2008 to US\$ 1,614 million as at end July 2009.

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

	21-Aug-08	30-Sep-08	31-Dec-08	31-Mar-09	30-Apr-09	26-Jun-09	31-Jul-09	21-Aug-09
Usable Reserves	3,156	3,086	2,768	2,620	2,608	3,086	3,107	3,141
Months of Imports Cover*	4.18	4.06	3.35	3.13	3.11	3.56	3.53	3.52
Months of Imports Cover**	3.43	3.35	2.77	2.61	2.59	3.10	3.13	3.16

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

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

Source: Central Bank of Kenya

Monetary Policy Operations

Liquidity in the money market continued to be tight in the week ending August 19, 2009 as reflected by injection of liquidity by Central Bank in the week. To ensure continued market stability, Central Bank provided liquidity amounting to Ksh 11.4 billion to commercial banks using the reverse repurchase agreement securities as shown in Table 5. During the week, maturing reverse repo securities amounted to Ksh 7.7 billion. Reserve money averaged Ksh 157.5 billion in the week and remained below target by Ksh 5.4 billion.

Table 5: Open Market Operations (Ksh Billion)

Date	Reserve Money* (Projected)			OMO (Reverse REPO)			Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/ Short(-)	Posted	Injected	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
13-Aug	157.9	162.9	-5.0	0.0	0.0	0.0	157.8	-5.0	-0.9	-4.1
14-Aug	157.8	162.9	-5.1	0.0	0.0	0.0	157.7	-5.2	-0.6	-4.6
17-Aug	151.2	162.9	-11.7	6.0	6.0	0.0	156.6	-6.3	-1.4	-4.8
18-Aug	155.0	162.9	-7.9	2.0	1.6	-0.4	158.3	-4.6	-0.5	-4.0
19-Aug	153.1	162.9	-9.7	4.5	3.9	-0.6	157.2	-5.7	-0.4	-5.3
Average	155.0	162.9	-7.9	2.5	2.3	-0.2	157.5	-5.4	-0.8	-4.6

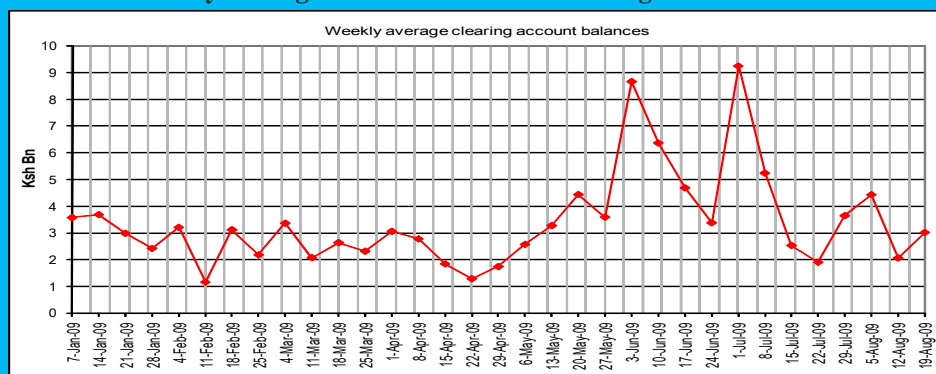
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 3.0 billion in their clearing accounts at the Central Bank in the week to August 19, 2009, compared with Ksh 2.1 billion held in the previous week (Chart B).

Chart B: Weekly Average Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

Government Domestic Debt

The Government gross domestic debt increased by Ksh 9.0 billion, from Ksh 518.3 billion in June 2009 to Ksh 527.3 billion as at August 14, 2009 (Table 6 and Chart C). This was attributed to increases of Ksh 5.2 billion in Treasury bills excluding repos and Ksh 10.5 billion in Treasury bonds. However, the increase was offset by decreases of Ksh 5.1 billion in the overdraft at the Central Bank of Kenya and Ksh 1.6 billion in other domestic debt.

Treasury bills (excluding Repos) increased from Ksh 116.8 billion in June 2009 to Ksh 122.0 billion as at August 14, 2009 while Treasury bonds increased from Ksh 360.7 billion to Ksh 371.2 billion during the period. However, other domestic debt and overdraft at the CBK decreased from Ksh 34.9 billion and Ksh 5.1 billion, respectively, to Ksh 33.3 billion and zero. Long-term stocks remained unchanged at Ksh 0.8 billion during the period.

Following these developments, the holdings of Treasury bonds in total Government securities decreased from 75.4 percent in June 2009 to 75.1 percent as at August 14, 2009 while Treasury bills holdings increased from 24.4 percent to 24.7 percent during the period. As a result, the maturity profile of Government securities decreased from 3 years and 9 months to 3 years and 8 months during the period.

Table 6: Government Domestic Debt (Ksh Billion)

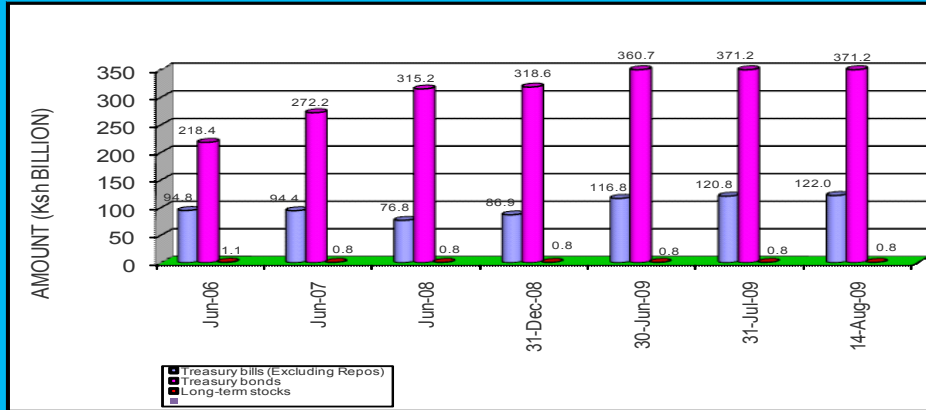
	Jun-08	31st Dec 08	27th Mar 09	30th June 09	7th Aug 2009	14th Aug 2009	Changes 7th Aug-09 -14th Aug-09	30th Jun-09 -14th Aug-09
1. Treasury Bills (Excluding Repos) (As % of total securities)	76.8 19.6	86.9 21.4	97.9 22.6	116.8 24.4	120.8 24.5	122.0 24.7	1.2 0.2	5.2 0.3
2. Treasury Bonds (As % of total securities)	315.2 80.2	318.6 78.4	334.4 77.2	360.7 75.4	371.2 75.3	371.2 75.1	0.0 -0.2	10.5 -0.3
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	0.0 0.0	0.0 0.0
4. Total Securities (1+2+3)	392.8	406.3	433.1	478.3	492.8	494.0	1.2	15.7
5. Overdraft at Central Bank	0.0	15.1	5.5	5.1	0.0	0.0	0.0	-5.1
6. Other Domestic debt*	37.8	34.9	35.4	34.9	33.6	33.3	-0.3	-1.6
7. Gross Domestic Debt (4+5+6)	430.6	456.2	474.0	518.3	526.4	527.3	0.9	9.0
8. Interest payments on domestic debt (Cumulative in FY)	42.2	22.7	33.5	45.9	4.7	5.1	0.3	

* 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 C: Composition of Government Securities

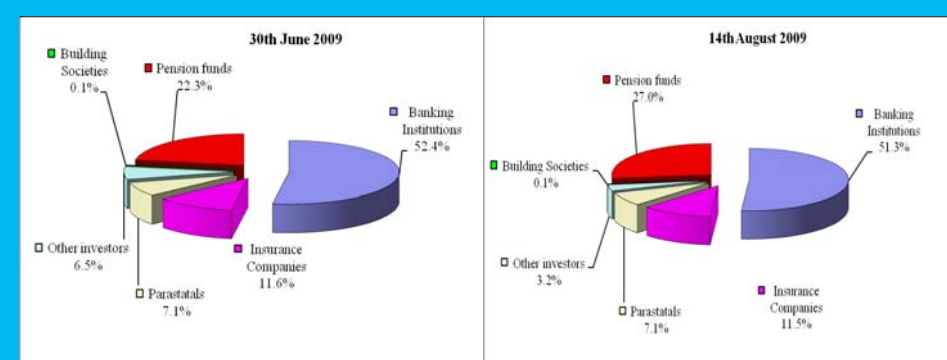


Source: Central Bank of Kenya

Holding of Government Securities

Government securities holdings by pension funds increased from 22.3 percent in June 2009 to 27.0 percent as at August 14, 2009 (Chart D). On the other hand, holdings of commercial banks, insurance companies and other investors decreased from 52.4 percent, 11.6 percent and 6.5 percent, respectively, in June 2009 to 51.3 percent, 11.5 percent, and 3.2 percent during the same period. Holdings of building societies and parastatals however remained unchanged at 0.1 percent and 7.1 percent respectively.

Chart D: Composition of Government Securities by Investor

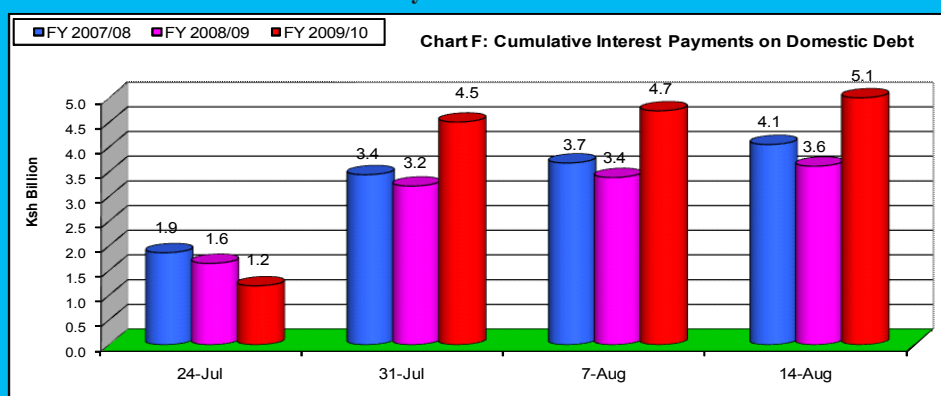


Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1, 2009 to August 14, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 5.1 billion as shown in Chart E. The interest cost on domestic debt during the period comprised Ksh 3.6 billion in interest and other charges on Treasury Bonds and Ksh 1.4 billion in interest and other charges on Treasury Bills.

Chart E: Cumulative Interest Payments on Domestic Debt



Source: Central Bank of Kenya

The Stock Market

There was a mixed performance at the equities market during the week ending August 20, 2009. Equity turnover increased by 13.1 percent as stocks worth Ksh 722.2 million were traded compared with Ksh 638.3 million traded in the previous week (Table 7). The number of shares traded increased from 58.2 million in the previous week to 80.5 million shares traded in the week under review. Market capitalization as a measure of total shareholders wealth declined by 2.4 percent or Ksh 19.9 billion to close at Ksh 803.7 billion in the week under review from Ksh 823.6 billion in the previous week. The NSE 20 Share Index lost 71.5 points to settle at 3183.7 points on August 20, 2009 from 3255.2 points on August 13, 2009. The Nairobi All Share Index lost 1.7 points to settle at 69.4 points on August 20, 2009.

Table 7: Key Weekly Market Statistics

Week Ending	25-Jun-09	02-Jul-09	09-Jul-09	16-Jul-09	23-Jul-09	30-Jul-09	06-Aug-09	13-Aug-09	20-Aug-09
NASI 100= Jan 2008	69.74	72.30	71.85	71.15	71.79	70.99	71.81	71.12	69.40
NSE 20 Share Index	3,246.43	3,357.66	3,312.64	3,256.75	3,317.62	3,246.09	3,237.20	3,255.19	3,183.71
Number of Deals	13,116	9,631	10,026	8,926	8,196	8,410	7,233	7,546	8,842
Total Shares Traded (millions)	96.97	81.41	76.43	60.76	52.61	59.02	68.72	58.16	80.50
Equity Turnover (Ksh.)	1,264.18	1,073.35	826.83	573.02	633.49	687.17	771.91	638.29	722.18
Market Capitalization (Ksh.)	807.62	837.30	832.05	824.02	831.36	822.15	831.60	823.64	803.69
Bonds Turnover (Ksh.)	1,015.60	2,549.50	1,712.55	1,807.90	1,087.15	1,375.00	828.35	1,302.80	1,073.00

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

Source: Nairobi Stock Exchange

The Commercial and Services sector traded 49.5 million shares and accounted for 62 percent of total traded volume. Safaricom traded 48.1 million shares to be the most active stock in the sector. The Finance and Investment sector traded 21.1 million shares and accounted for 26 percent of total traded volume. Equity Bank and Co-operative Bank traded 11.9 million and 4.9 million shares and were the most active counters in the sector. Industrial and Allied sector traded 9.5 million shares and accounted for 12 percent of traded volume. Mumias and Sameer Africa were the most active counters and traded 7.4 million and 0.7 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 reduced as bonds worth Ksh 1.1 billion were traded compared with Ksh 1.3 billion traded in the previous week.