

December 11, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted good performance during the Treasury bills auctions of this week. The 364-day Treasury bills auction posted a performance rate of 135.1 percent while the 182-day Treasury bills auction posted a performance rate of 146.0 percent. The average 182-day Treasury bill rate declined by 43.2 basis points to 7.511 percent while that of the 364-day Treasury bills declined by 43.0 basis points to 8.008

The average interbank rate fell by 32 basis points in the week ending December 10, 2009 to 2.05 percent from 2.36 percent the previous week.

The Kenya Shilling on average weakened against the US dollar but strengthened against other major international currencies during the week ending December 11, 2009. Against the US dollar, the shilling depreciated to exchange at Ksh 75.59 in the week ending December 11, 2009 compared with Ksh 74.88 per US dollar the previous week.

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,345 million (equivalent to 3.67 months of imports) as at December 11, 2009 compared with US dollar 2,695 million (equivalent to 3.54 months of imports) as at December 11, 2008.

Central Bank injected a total of Ksh 4 bn during the week ending December 9, 2009. There were no reverse repo maturities during the week, under review.

Government gross domestic debt increased by Ksh 47.2 billion from Ksh 518.3 billion in June 2009 to Ksh 565.6 billion as at December 04 2009 of the FY 2009/10. The cumulative Government expenditure on interest and other charges on domestic debt during the same period amounted to Ksh 26.1 billion.

Performance at the equities market was mixed during the week. Equity turnover increased by 8.2 percent, market capitalization declined by 0.5 percent while the NSE 20 Share index gained 11.3 points to settle at 3181.8 points on December 10, 2009.

Government Securities Auction

The Government securities market posted good performance during the Treasury bills auctions of this week. The government offered for sale 364-day Treasury bills worth Ksh 8.5 billion during the auction held on December 09, 2009 and received bids totalling Ksh 11.5 billion, a subscription rate of 135.1 percent. In addition, during the auction of December 10, 2009 the Government offered for sale 182-day Treasury bills amounting to Ksh 6.5 and received bids amounting to Ksh 9.5 billion, a performance rate of 146.0 percent.

The Government accepted bids of the 364-day Treasury bills amounting to Ksh 8.5 billion of which Ksh 8.2 billion or 96.5 percent were in competitive bids. In addition, the 182-day Treasury bills bids totalling Ksh 7.0 billion were accepted of which Ksh 6.6 billion or 94.3 percent were in competitive bids. The proceeds of these auctions were adequate to cover the cost of rolling over Treasury bills maturities amounting to Ksh 13.4 billion falling due in the week and provide Government additional borrowing amounting to Ksh 2.0 billion.

Table 1: Interest Rates

Auction date	08-Oct-09	15-Oct-09	22-Oct-09	29-Oct-09	05-Nov-09	12-Nov-09	19-Nov-09	26-Nov-09	03-Dec-09	10-Dec-09
Average 91 day T. Bills	7.248		7.264		7.232		7.198		6.987	
Average 182 day T. Bills		7.969		8.070		8.061		7.943		7.511
Average 364 day T. Bills	8.438									8.008
Month	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Oct-09
Average savings rate	2.13	1.90	1.91	1.67	2.08	1.67	1.65	1.65	1.85	
Average overnight rate	13.46	13.78	13.66	14.13	14.41	13.94	13.90	13.76	14.03	

Source: Central Bank of Kenya

Treasury Bills Rates

The average 364-day Treasury bill rate declined by 43.0 basis points from 8.438 percent in the previous auction of the same security to 8.008 percent during this week's auction while the average 182-day Treasury bill rate declined by 43.2 basis points from 7.943 percent in the previous auction of the same security to 7.511 percent during the current week's auction. The 12-weeks moving average for the 182-day Treasury bill rate declined from 8.069 percent in the previous auction to 8.023 percent.

Interbank and REPO Market

The average interbank interest rate went down by 32 basis points in the week ending December 3, 2009 to 2.05 percent compared with 2.36 percent the previous week. The number of deals and volumes increased from 340 and Ksh 49.21 billion in the previous week, to 437 and Ksh 59.41 billion respectively, in the week ending December 10, 2009.

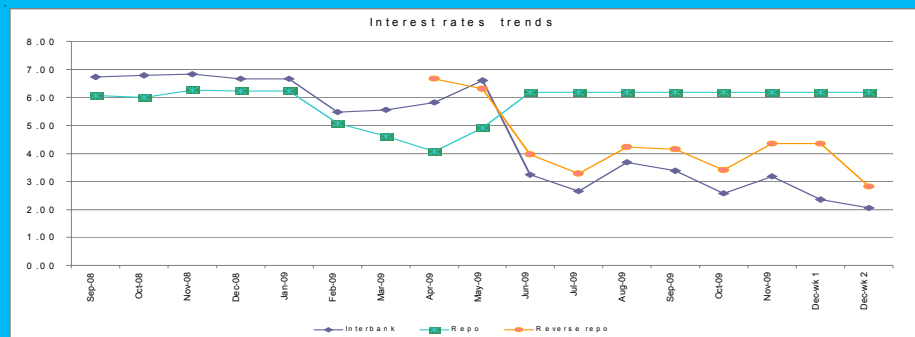
The reverse repo rate declined by 154 basis points from 4.36 percent in the last reverse repo transaction to 2.82 percent in the week ending December 10, 2009.

Table 2: Interbank Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
Nov 20 - Nov 26, 2009	475	77,787	2.76
27-Nov-09	81	13,997	2.55
30-Nov-09	78	10,057	2.48
01-Dec-09	63	8,242	2.42
02-Dec-09	55	9,312	2.32
03-Dec-09	63	7,598	2.03
Nov 27 - Dec 3, 2009	340	49,205	2.36
04-Dec-09	72	8,388	1.73
07-Dec-09	97	13,826	1.86
08-Dec-09	92	12,745	2.04
09-Dec-09	97	12,759	2.21
10-Dec-09	79	11,695	2.38
Dec 4 - Dec 10, 2009	437	59,413	2.05

Source: Central Bank of Kenya

Chart B: The Structure of Interest Rates



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling on average weakened against the US dollar but strengthened against other major international currencies during the week ending December 11, 2009 (Table 3). Against the US dollar, the shilling weakened to exchange at Ksh 75.59 in the week ending December 11, 2009 compared with Ksh 74.88 per US dollar the previous week. The depreciation of the Shilling against the US dollar can be attributed to increased demand for the US dollar in the domestic foreign exchange market. However, the shilling strengthened against the Sterling Pound, the Euro, and the Japanese Yen to exchange at Ksh 123.70 per Sterling Pound, Ksh 111.91 per Euro and Ksh 85.16 per 100 Japanese Yen in the week ending December 11, 2009, compared with Ksh 123.97 per Sterling Pound, Ksh 112.74 per Euro and Ksh 85.69 per 100 Japanese Yen in the previous week. In the international foreign exchange market, the US dollar strengthened vis-a-vis the Sterling Pound, the Euro and the Japanese Yen in the week under review compared with the previous week.

On the regional scene, the Kenya Shilling weakened marginally against Uganda Shilling and the Tanzania Shilling to exchange at Ush 25.02 per Kenya Shilling and Tsh 17.58 per Kenya Shilling in the week ending December 11, 2009, compared with Ush 25.11 and Tsh 17.72 per Kenya Shilling, respectively in the previous week.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
30-Nov-09	74.91	124.08	112.72	86.53	25.10	17.71
01-Dec-09	74.89	122.97	112.37	85.66	25.11	17.71
02-Dec-09	74.77	124.07	112.83	85.96	25.15	17.74
03-Dec-09	74.82	124.74	112.87	85.20	25.14	17.73
04-Dec-09	75.02	123.97	112.90	85.10	25.07	17.68
Nov 30-Dec 04, 2009	74.88	123.97	112.74	85.69	25.11	17.72
07-Dec-09	75.13	124.03	112.04	83.54	25.03	17.66
08-Dec-09	75.37	123.84	112.03	84.66	24.95	17.60
09-Dec-09	75.68	123.17	111.51	85.61	24.85	17.53
10-Dec-09	75.93	123.59	111.99	86.53	24.77	17.47
11-Dec-09	75.84	123.88	111.96	85.44	25.51	17.66
Dec 7-11, 2009	75.59	123.70	111.91	85.16	25.02	17.58

Source: Central Bank of Kenya

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,345 million (equivalent to 3.67 months of imports) as at December 11, 2009, compared with US dollar 2,695 million (equivalent to 3.54 months of imports) as at December 11, 2008 (Table 4). Foreign exchange reserves held by the commercial banks, predominantly used by the private sector to meet external financial obligations declined from US\$ 1,807 million at the end of October 2008 to US\$ 1,536 million at end of October 2009.

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

	11-Dec-08	29-May-09	26-Jun-09	31-Jul-09	31-Aug-09	30-Sep-09	30-Oct-09	30-Nov-09	11-Dec-09
Usable Reserves	2,695	2,789	3,086	3,097	3,154	3,243	3,302	3,392	3,345
Months of Imports Cover*	3.54	3.22	3.56	3.52	3.54	3.67	3.67	3.71	3.67
Months of Imports Cover**	3.21	2.80	3.10	3.12	3.18	3.27	3.33	3.40	3.37

*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

The market was fairly tight during the week ending December 9, 2009 following payments for the Infrastructure bond, which increased Government deposits at the Central Bank. During the week, Central Bank injected a total of Ksh 4 bn into the market as shown in Table 5. There were no reverse repo maturities for the week under review. Reserve money averaged Ksh 175.4 billion during the week under review and was above target by Ksh 4.5 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
03-Dec	181.8	170.0	11.8	0.0	0.0	0.0	181.9	11.9	19.7	-7.8
04-Dec	181.6	170.0	11.6	0.0	0.0	0.0	181.8	11.8	18.6	-6.8
07-Dec	162.7	171.5	-8.8	4.0	4.0	0.0	173.0	1.5	7.6	-6.1
08-Dec	171.4	171.5	-0.1	0.0	0.0	0.0	170.3	-1.2	3.8	-5.1
09-Dec	168.9	171.5	-2.6	0.0	0.0	0.0	169.9	-1.6	3.0	-4.6
Average	173.3	170.9	2.4	0.8	0.8	0.0	175.4	4.5	10.5	-6.1

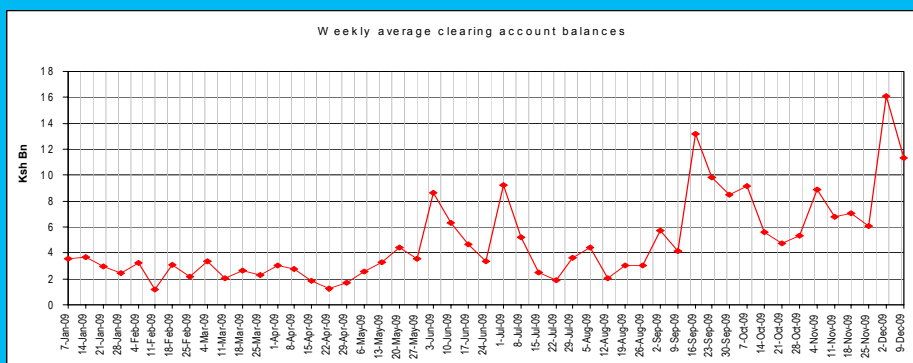
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Commercial
Banks
Clearing
Account
Balances**

Commercial banks maintained an average of Ksh 11.1 billion in their clearing accounts at the Central Bank in the week to December 9, 2009, compared with Ksh 16.1 billion held in the previous week (Charts C).

Chart C: Weekly Average Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

**Government
Domestic
Debt**

Government gross domestic debt increased by Ksh 47.2 billion from Ksh 518.3 billion in June 2009 to Ksh 565.6 billion as at December 04 2009 (Table 6 and Chart D). The increase was as a result of increases of Ksh 20.9 billion, Ksh 20.3 billion and Ksh 7.3 billion in Treasury bills (excluding Repos), Treasury bonds and overdraft at the Central Bank of Kenya (CBK), respectively.

Treasury bills, Treasury bonds and overdraft at CBK increased from Ksh 116.8 billion, 360.7 billion and Ksh 5.1 billion in June 2009 to Ksh 137.7 billion, Ksh 381.0 billion and Ksh 12.4 billion, respectively as at December 04 2009. However, other domestic debt decreased from 34.9 billion to 33.6 billion during the period. Long term stocks remained unchanged from Ksh 0.8 billion during the period.

Following these developments, the share of Treasury bonds in total Government securities declined from 75.4 percent in June 2009 to 73.3 percent as at December 04 2009, while that of Treasury bills increased from 24.4 percent to 26.5 percent. As a result, the average maturity profile of Government securities stood at 3 years 11 months.

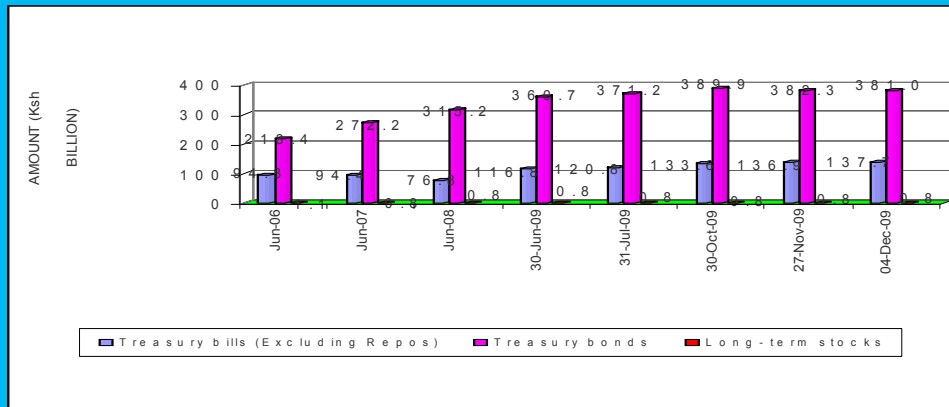
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-08	Jun-09	31st July 2009	28th Aug 2009	25th Sep 2009	30th Oct 2009	27th Nov 2009	4th Dec 2009	Changes	
									27th Nov-09-4th Dec-09	30th Jun-09-4th Dec-09
1. Treasury Bills (Excluding Repos) (As % of total securities)	76.8 19.6	116.8 24.4	120.8 24.5	129.4 25.4	121.7 23.9	133.6 25.5	136.9 26.3	137.7 26.5	0.8 0.2	20.9 2.1
2. Treasury Bonds (As % of total securities)	315.2 80.2	360.7 75.4	371.2 75.3	378.5 74.4	386.1 75.9	389.9 74.4	382.3 73.5	381.0 73.3	-1.3 -0.2	20.3 -2.1
3. Long Term Stocks (As % of total securities)	0.8 0.2	0.8 0.2	0.8 0.2	0.8 0.1	0.8 0.1	0.8 0.1	0.8 0.1	0.8 0.1	0.0 0.0	0.0 0.0
4. Total Securities (1+2+3)	392.8	478.3	492.8	508.7	508.5	524.2	520.0	519.5	-0.4	41.2
5. Overdraft at Central Bank	0.0	5.1	3.9	6.1	16.0	9.3	9.8	12.4	2.6	7.3
6. Other Domestic debt*	37.8	34.9	33.7	33.8	33.7	33.6	33.6	33.6	0.1	-1.3
7. Gross Domestic Debt (4+5+6)	430.6	518.3	530.4	548.6	558.2	567.1	563.4	565.6	2.2	47.2
8. Interest payments on domestic debt (Cumulative in FY)	42.2	45.9	4.5	9.8	13.2	19.2	25.7	26.1	0.4	

* Other domestic debt includes Pre-1997 Government Overdraft, clearing items in transit, advances from commercial bank

Source: Central Bank of Kenya

Chart D: Composition of Government Securities

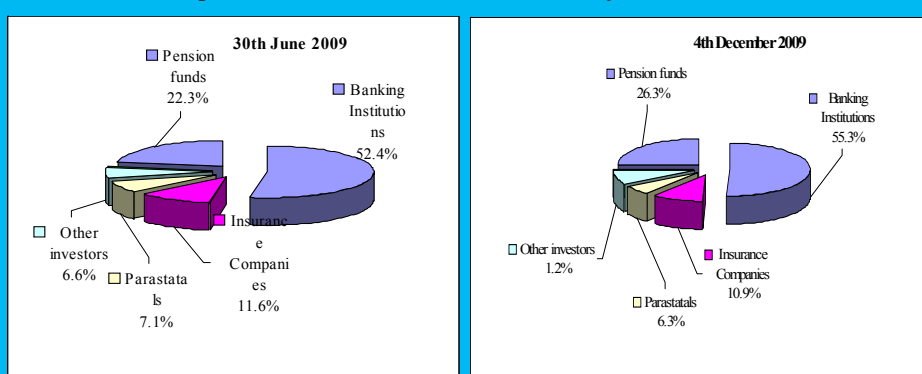


Source: Central Bank of Kenya

Holding of Government Securities

The holdings of Government securities by commercial banks and pension funds increased from 52.4 percent and 22.3 percent respectively in June 2009 to 55.3 percent and 26.3 percent respectively as at December 04 2009. On the other hand, holdings by insurance companies and parastatals declined from 11.6 percent and 7.1 percent, respectively to 10.9 percent and 6.3 percent during the same period. Holdings by other investors also went down from 6.6 percent to 1.2 percent during the period under review (Chart E).

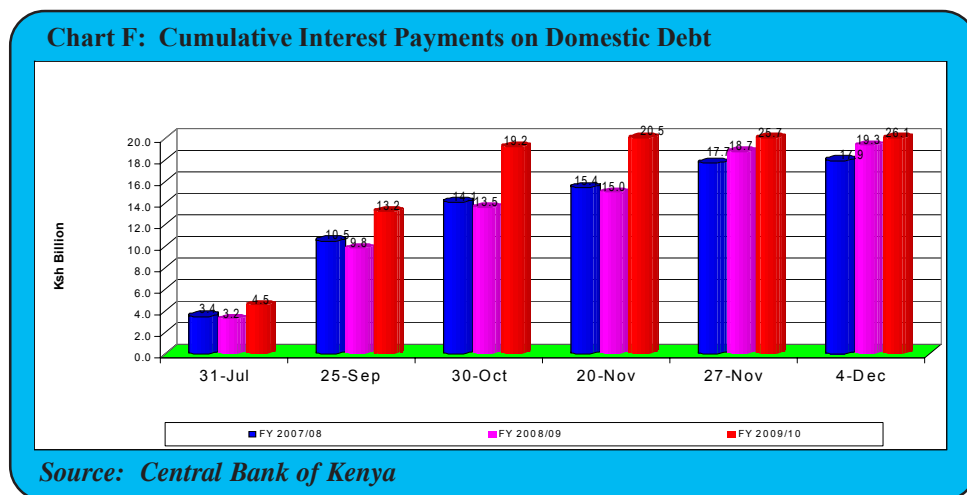
Chart E: Composition of Government Securities by Investor



Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative Government expenditure on interest and other charges on domestic debt for the period up to December 04 2009 of the FY 2009/10 amounted to Ksh 26.1 billion compared with Ksh 19.3 billion in a similar period in the FY 2008/09 (Chart F). The interest cost on domestic debt during the period comprised Ksh 19.9 billion in interest and other charges on Treasury bonds, Ksh 5.8 billion in interest and other charges on Treasury bills, and Ksh 0.4 billion in interest on both Government overdraft at CBK and the pre-1997 government overdraft.



The Stock Market

There was mixed performance at the equities market during the week ending December 10, 2009. Equity turnover increased by 8.2 percent as stocks worth Ksh 624.8 million were traded compared with Ksh 577.3 million traded in the previous week. The number of shares traded increased, from 55.8 million in the previous week to 62.5 million shares in the week under review. Market capitalization as a measure of total shareholders' wealth declined marginally by 0.5 percent or Ksh 4.5 billion to close at Ksh 812.2 billion in the week under review from Ksh 816.7 billion in the previous week. The NSE 20 Share index gained 11.3 points to settle at 3181.8 points on December 10, 2009 from 3170.5 points on December 3, 2009. The Nairobi All Share Index lost 0.4 points to settle at 70.1 points on December 10, 2009 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	22-Oct-09	29-Oct-09	05-Nov-09	12-Nov-09	19-Nov-09	26-Nov-09	03-Dec-09	10-Dec-09
NASI 100= Jan 2008	66.97	67.37	67.52	68.41	68.86	72.08	70.51	70.14
NSE 20 Share Index 100=1966	3,049.99	3,066.01	3,077.11	3,131.47	3,111.95	3,191.93	3,170.51	3,181.76
Number of Deals	4,861	6,160	6,545	6,584	6,382	6,694	6,772	7,095
Total Shares Traded (millions)	62.65	99.34	77.12	55.16	76.33	179.27	55.83	62.49
Equity Turnover (Ksh. millions)	1,656.08	1,082.83	1,005.12	1,378.54	1,119.81	1,206.34	577.30	624.78
Market Capitalization (Ksh. Bn.)	775.81	780.38	782.10	792.41	797.69	834.97	816.68	812.21
Bonds Turnover (Ksh. millions)	1,238.30	4,912.05	2,169.15	3,165.85	1,893.90	1,720.90	2,437.45	6,416.00

* 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 43.5 million shares and accounted for 69.6 percent of total traded volume. Safaricom traded 41.4 million shares to be the most active stock in the sector. The Finance and Investment sector traded 11.5 million shares and accounted for 18.4 percent of total traded volume. Equity Bank and Co-operative Bank traded 4.9 million and 2.4 million shares and were the most active counters in the sector. Industrial and Allied sector traded 6.2 million shares and accounted for 10.0 percent of traded volume. Mumias and KenGen were the most active counters and traded 4.0 million and 0.8 million shares, respectively. The other sectors had minimal trading.

Bond Market Bond market trading improved at the Fixed Income Securities Market during the week. Bond turnover increased as bonds worth Ksh 6.4 billion were traded compared with Ksh 2.4 billion traded in the previous week.