

December 18, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted a performance rate of 87.8 percent during the Treasury bills auction on December 17, 2009. The average 91-day Treasury bill rate declined by 22.7 basis points during the auction of December 11, 2009 to 6.710 percent from 6.837 percent in the previous auction.

The average interbank rate increased by 78 basis points in the week ending December 17, 2009 to 2.83 percent from 2.05 percent the previous week.

The Kenya Shilling appreciated against all the major international currencies during the week ending December 18, 2009. Against the US dollar, the shilling strengthened to exchange at an average of Ksh 75.44 per US dollar in the week ending December 18, 2009.

Official usable foreign exchange reserves held by the Central Bank increased from US\$ 2,760 million (equivalent to 3.33 months of imports) as at December 18, 2008 to US\$ 3,335 million (equivalent to 3.62 months of imports) as at December 18, 2009.

Central Bank injected a total of Ksh 16 billion during the week ending December 16, 2009. There were reverse repo maturities of Ksh 3.9 billion during the week under review.

Government gross domestic debt increased by Ksh 66.0 billion from Ksh 518.3 billion in June 2009 to Ksh 584.3 billion as at December 11, 2009 of the FY 2009/10. The cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 26.4 billion during the same period.

Performance at the equities market improved during the week. Equity turnover increased by 31.5 percent, market capitalization improved by 1.1 percent, while the NSE 20 Share index gained 5.0 points to settle at 3186.8 points on December 17, 2009.

Government Securities Auction

The Government securities market posted a performance rate of 87.8 percent during the Treasury bills auction of this week. The government had offered for sale 91-day Treasury bills worth Ksh 4.5 billion during the auction of December 17, 2009 and received bids totalling Ksh 4.0 billion

The Government accepted 91-day Treasury bills bids amounting to Ksh 3.9 billion, of which Ksh 3.5 billion or 89.7 percent were in competitive bids. The proceeds of the auction were adequate to cover the cost of rolling over Treasury bills maturities amounting to Ksh 1.9 billion falling due in the week and provide the Government additional borrowing amounting to Ksh 2.0 billion.

Treasury Bills Rates

The average 91-day Treasury bill rate declined by 22.7 basis points from 6.937 percent in the previous auction to 6.710 percent during this week's auction. The 12-weeks moving average for the 91-day Treasury bill rate declined from 7.220 percent in the previous auction to 7.181 percent. (Table 1).

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	17-Dec-09
Average 91 day T. Bills	7.248		7.264		7.232		7.198		6.937		6.710
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	Nov-09
Average savings rate	2.13	1.90	1.91	1.67	2.08	1.67	1.65	1.65	1.85		
Average overdraft rate	13.46	13.78	13.66	14.13	14.41	13.94	13.90	13.76	14.03		

* Revised

Source: Central Bank of Kenya

Interbank and REPO Market

The average interbank rate increased by 78 basis points in the week ending December 17, 2009 to 2.83 percent compared with 2.05 percent in the previous week (Table 2 and Chart A). The number of deals declined from 437 in the previous week to 427 in the week ending December 17, 2009 whereas, the volumes increased from Ksh 59.4 in the previous week to Ksh 59.8 in the week ending December 17, 2009.

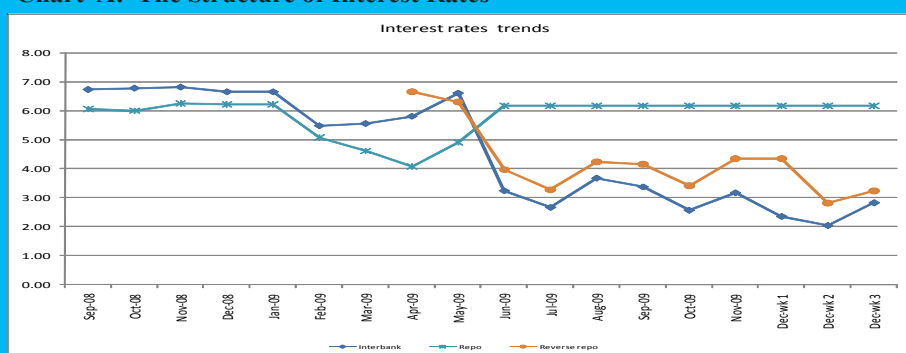
The reverse repo rate increased by 42 basis points from 2.82 percent in the last reverse repo transaction to 3.24 percent in the week ending December 17, 2009.

Table 2: Interbank Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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 - Dec10, 2009	437	59,413	2.05
11-Dec-09	81	12,209	2.48
14-Dec-09	89	13,024	2.62
15-Dec-09	81	9,093	2.88
16-Dec-09	79	10,931	3.01
17-Dec-09	97	14,541	3.18
Dec 11 - Dec17, 2009	427	59,798	2.83

Source: Central Bank of Kenya

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling strengthened against all the major international currencies during the week ending December 18, 2009. Against the US dollar, the shilling appreciated to exchange at an average of Ksh 75.44 per US dollar in the week ending December 18, 2009 compared with an average of Ksh 75.59 per US dollar in the week ending December 11, 2009. The appreciation of the Kenya shilling against the US dollar was largely attributed to increased dollar inflows from tourism and agricultural sectors, and a decline in dollar demand following the closing of a number of companies for the end of the year festive season. The shilling appreciated against the Sterling Pound, the Euro and the Japanese Yen to exchange at an average of Ksh 122.64 per Sterling Pound, Ksh 109.65 per Euro, and 84.44 per 100 Japanese Yen, respectively in the week under review compared with an average of Ksh 123.70 per Sterling Pound, Ksh 111.91 per Euro and 85.16 per 100 Japanese Yen in the previous week. (Table 3).

In the regional scene, the Kenya Shilling also strengthened against both the Uganda Shilling and the Tanzania Shilling to exchange at an average of Ush 25.47 per Kenya Shilling and Tsh 17.74 per Kenya Shilling in the week ending December 18, 2009 compared with an average of Ush 25.02 per Kenya Shilling and Tsh. 17.58 per Kenya Shilling in the week ending December 11, 2009.

Table 3: Kenya Shilling Exchange Rates

DATE	U.S dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
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
14-Dec-09	75.63	123.18	110.99	85.23	25.51	17.71
15-Dec-09	75.35	122.78	110.36	84.79	25.44	17.77
16-Dec-09	75.31	122.47	109.67	84.19	25.60	17.76
17-Dec-09	75.46	122.67	108.72	83.77	25.43	17.73
18-Dec-09	75.46	122.10	108.51	84.20	25.39	17.71
Dec 14-18, 2009	75.44	122.64	109.65	84.44	25.47	17.74

Source: Central Bank of Kenya

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank increased from US\$ 2,760 million (equivalent to 3.33 months of imports) as at December 18, 2008 to US\$ 3,335 million (equivalent to 3.62 months of imports) as at December 18, 2009 (Table 4). This build up in reserves were predominantly through purchases from domestic interbank foreign exchange market.

Commercial banks foreign exchange reserves, which are largely used by the private sector to meet external financial obligations, stood at US\$ 1,386 million as at end November 2009 compared with US\$ 1,654 million as at end November 2008.

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

	18-Dec-08	29-May-09	26-Jun-09	31-Jul-09	31-Aug-09	30-Sep-09	30-Oct-09	30-Nov-09	18-Dec-09
Usable Reserves	2,760	2,789	3,086	3,097	3,154	3,243	3,302	3,392	3,335
Months of Imports Cover*	3.33	3.22	3.56	3.52	3.54	3.67	3.67	3.71	3.62
Months of Imports Cover**	2.73	2.80	3.10	3.12	3.18	3.27	3.33	3.40	3.62

*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 tight during the week ending December 16, 2009 following payments for the 364 day Treasury Bill, and low government spending. During the week, Central Bank injected a total of Ksh 16 bn into the market as shown in Table 5. There were reverse repo maturities of Ksh 3.9 billion during the week under review. Reserve money averaged Ksh 171.7 billion during the week under review and was below target by Ksh 0.7 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
10-Dec	164.9	171.5	-6.6	2.0	2.0	0.0	172.0	0.5	5.6	-5.1
11-Dec	170.4	171.5	-1.1	0.0	0.0	0.0	169.2	-2.3	2.8	-5.1
14-Dec	163.4	173.0	-9.6	5.5	5.5	0.0	169.6	-3.4	1.4	-4.9
15-Dec	166.6	173.0	-6.4	3.5	8.5	5.0	174.4	1.4	6.1	-4.7
16-Dec	175.8	173.0	2.8	0.0	0.0	0.0	173.5	0.5	5.8	-5.2
Average	168.2	172.4	-4.2	2.2	3.2	1.0	171.7	-0.7	4.3	-5.0

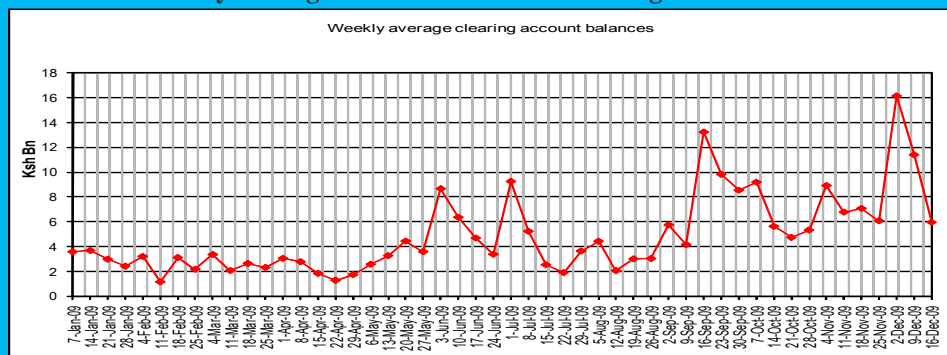
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 5.6 billion in their clearing accounts at the Central Bank in the week to December 16, 2009, compared with Ksh 11.4 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

Government gross domestic debt increased by Ksh 66.0 billion from Ksh 518.3 billion in June 2009 to Ksh 584.3 billion as at December 11, 2009 (Table 6 and Chart C). The increase was as a result of increases of Ksh 20.8 billion, Ksh 39.2 billion and Ksh 7.3 billion in Treasury bills (excluding Repos), Treasury bonds and overdraft at the Central Bank of Kenya (CBK), respectively. The other domestic debt decreased by 1.3 billion.

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 137.6 billion, Ksh 399.9 billion and Ksh 12.4 billion, respectively in December 11, 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 74.3 percent as at December 11, 2009 while that of Treasury bills increased from 24.4 percent to 25.6 percent. As a result, the maturity profile of Government securities stood at 4 years and 1 month compared to 3 years and 9 months in June 2009.

Table 6: Government Domestic Debt (Ksh Billion)

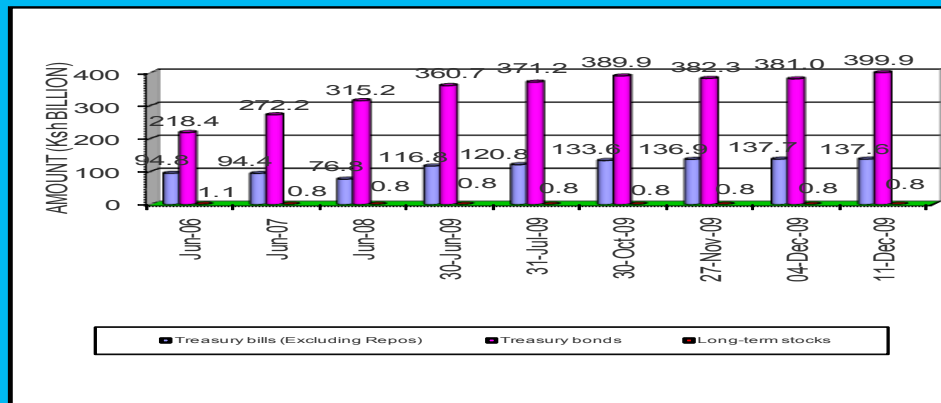
	Jun-09	Jul-09	Aug-09	25th Sep 2009	30th Oct 2009	30th Nov 2009	4th Dec 2009	11th Dec 2009	Changes	
									4th Dec-09-11th Dec-09	30th Jun-09-11th Dec-09
1. Treasury Bills (Excluding Repos) (As % of total securities)	116.8 24.4	120.8 24.5	129.4 25.4	121.7 23.9	133.6 25.5	137.7 26.5	137.7 26.5	137.6 25.6	-0.1 -0.9	20.8 1.1
2. Treasury Bonds (As % of total securities)	360.7 75.4	371.2 75.3	378.5 74.4	386.1 75.9	389.9 74.4	381.0 73.3	381.0 73.3	399.9 74.3	18.9 1.0	39.2 -1.1
3. Long Term Stocks (As % of total securities)	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	0.8 0.1	0.0 0.0	0.0 0.0
4. Total Securities (1+2+3)	478.3	492.8	508.7	508.5	524.2	519.5	519.5	538.3	18.8	60.0
5. Overdraft at Central Bank	5.1	3.9	6.1	16.0	9.3	9.8	12.4	12.4	0.0	7.3
6. Other Domestic debt*	34.9	33.7	33.8	33.7	33.6	33.6	33.6	33.6	0.0	-1.3
7. Gross Domestic Debt (4+5+6)	518.3	530.4	548.6	558.2	567.1	562.9	565.5	584.3	18.8	66.0
8. Interest payments on domestic debt (Cumulative in FY)	45.9	4.5	9.8	13.2	19.2	26.1	26.1	26.9	0.8	

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

Source: Central Bank of Kenya

Source: Central Bank of Kenya

Chart C: Composition of Government Securities

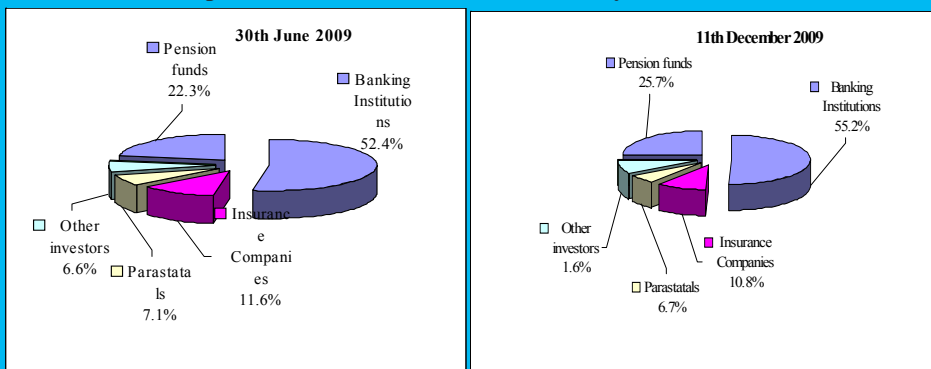


Source: Central Bank of Kenya

Holding of Government Securities

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 55.2 percent and 25.7 percent respectively as at December 11 2009. On the other hand, holdings by the insurance companies, parastatals and other investors declined from 11.6 percent, 7.1 percent and 6.6 percent, respectively to 10.8 percent, 6.7 percent and 1.6 percent respectively, during the same period (Chart D).

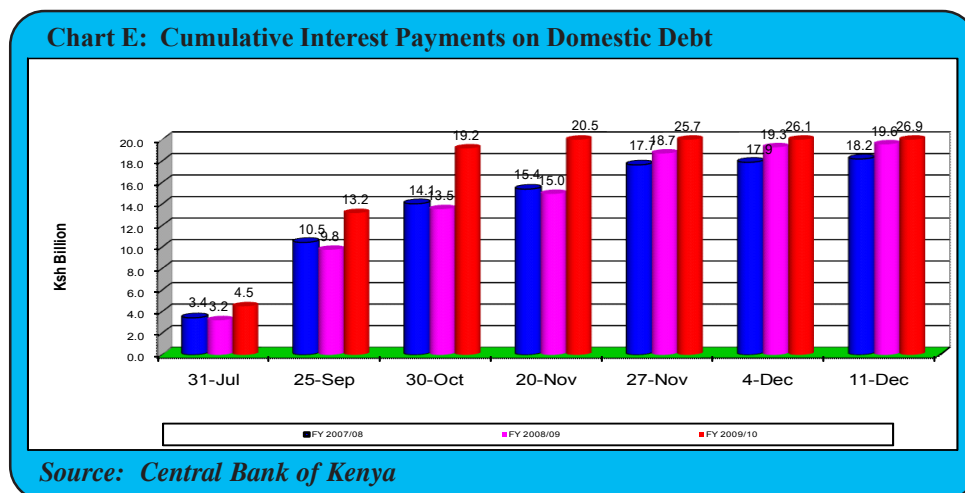
Chart D: Composition of Government Securities by Investor



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 11 2009 of the FY 2009/10 amounted to Ksh 26.9 billion compared with Ksh 19.6 billion in a similar period in the FY 2008/09 (Chart E). The interest cost on domestic debt during the period comprised Ksh 20.3 billion in interest and other charges on Treasury bonds, Ksh 6.1 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 improved performance at the equities market during the week ending December 17, 2009. Equity turnover increased by 31.5 percent as stocks worth Ksh 821.7 million were traded compared with Ksh 624.8 million traded in the previous week. The number of shares traded decreased from 62.5 million in the previous week to 56.7 million shares in the week under review. Market capitalization as a measure of total shareholders wealth improved by 1.1 percent or Ksh 9.0 billion to close at Ksh 821.2 billion in the week under review from Ksh 812.2 billion in the previous week. The NSE 20 Share index gained 5.0 points to settle at 3186.8 points on December 17, 2009 from 3181.8 points on December 10, 2009. The Nairobi All Share Index gained 0.7 points to settle at 70.8 points on December 17, 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	17-Dec-09
NASI 100= Jan 2008	66.97	67.37	67.52	68.41	68.86	72.08	70.51	70.14	70.82
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	3,186.76
Number of Deals	4,861	6,160	6,545	6,584	6,382	6,694	6,772	7,095	6,437
Total Shares Traded (millions)	62.65	99.34	77.12	55.16	76.33	179.27	55.83	62.49	56.73
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	821.72
Market Capitalization (Ksh. Bn.)	775.81	780.38	782.10	792.41	797.69	834.97	816.68	812.21	821.21
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	4,863.40

* 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 60.4 percent of total traded volume. Safaricom traded 32.0 million shares to be the most active stock in the sector. The Finance and Investment sector traded 16.2 million shares and accounted for 28.5 percent of total traded volume. Equity Bank and Kenya-Re traded 4.8 million and 3.1 million shares and were the most active counters in the sector. Industrial and Allied sector traded 5.8 million shares and accounted for 10.3 percent of traded volume. Mumias and KenGen were the most active counters in this sector and traded 1.7 million and 1.4 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 as bonds worth Ksh 4.9 billion were traded compared with Ksh 6.4 billion traded in the previous week.