

**December 31, 2009**



**Highlights for  
the Week**

**THE CBK WEEKLY BULLETIN**

The Government securities market posted subdued performance of 35.4 percent during the Treasury bills auction of December 31, 2009. The Government had offered for sale Treasury bills amounting to Ksh 3.0 billion; received bids amounting to Ksh 1.1 billion and accepted all bids. The average 91-day Treasury bill rate declined by 9.8 basis points during the auction.

The average interbank rate increased by 23 basis points in the week ending December 30, 2009 to 3.83 percent compared with the previous week at 3.60 percent.

The Kenya Shilling depreciated marginally against major international currencies in the week ending December 31, 2009. Against the US dollar, the shilling depreciated to exchange at an average of Ksh 75.74 per US dollar compared with Ksh 75.47 per US dollar in the previous week.

Official usable foreign exchange reserves held by the Central Bank increased from US\$ 2,768 million as at December 31, 2008 to US\$ 3,308 million as at December 31, 2009

Central Bank injected a total of Ksh 15.9 billion during the week ending December 30, 2009. There were reverse repo maturities of Ksh 19.5 billion during the week under review.

Government gross domestic debt increased by Ksh 70.7 billion from Ksh 518.3 billion in June 2009 to Ksh 589.0 billion as at December 24 2009 of the fiscal year 2009/10. The cumulative Government expenditure on interest and other charges on domestic debt during the same period amounted to Ksh 30.1 billion.

Performance at the equities market was mixed during the week. Equity turnover decreased by 59.2 percent, market capitalization improved by 0.2 percent while the NSE 20 Share index gained 23.1 points to settle at 3232.8 points on December 30, 2009.

**Government Securities Auction**

The Government securities market posted subdued performance of 35.4 percent during the Treasury bills auction of December 31, 2009. The government had offered for sale 91-day Treasury bills worth Ksh 3.0 billion during the auction and received bids totalling Ksh 1.1 billion.

The Government accepted all bids amounting to Ksh 1.1 billion of which Ksh 957.8million or 90.3 percent were in competitive bids. The amount raised during the auction was directed at providing additional borrowing to Government.

The average 91-day Treasury bill rate declined by 9.8 basis points from 6.710 percent in the previous auction of the same security to 6.612 percent during this week's auction.

**Interest Rates on Treasury Bills**

**Table 1: Interest Rates**

Auction date	8-Oct-09	15-Oct-09	22-Oct-09	29-Oct-09	5-Nov-09	12-Nov-09	19-Nov-09	26-Nov-09	3-Dec-09	10-Dec-09	17-Dec-09	24-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		7.245
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	Nov-09	Dec-09	
Average savings rate	2.13	1.90	1.91	1.67	2.08	1.67	1.65	1.65	1.85	1.71		
Average overdraft rate	13.46	13.78	13.66	14.13	14.41	13.94	13.90	13.76	14.03	14.24		

Source: Central Bank of Kenya

**Interbank and REPO Market**

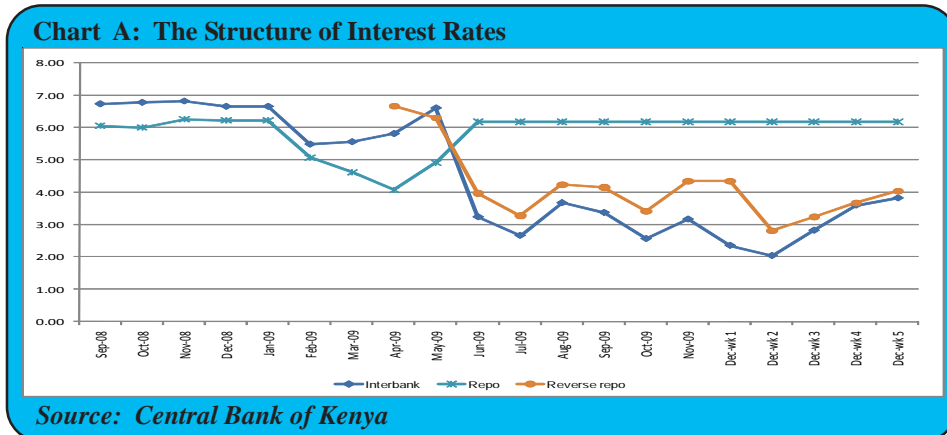
The average interbank rate increased by 23 basis points in the week ending December 30, 2009 to 3.83 percent as compared with the previous week at 3.60 percent. The volumes traded increased in the week from Ksh 41.5 in the previous week to Ksh 45.04 in the week ending December 30, 2009 (Table 2).

**Table 2: Interbank Rates**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
18-Dec-09	89	11,254	3.41
21-Dec-09	93	14,166	3.57
22-Dec-09	77	9,190	3.68
23-Dec-09	62	6,935	3.75
<b>Dec 18 - Dec 23, 2009</b>	<b>321</b>	<b>41,545</b>	<b>3.60</b>
24-Dec-09	67	8,155	3.67
28-Dec-09	70	11,935	3.76
29-Dec-09	93	13,762	3.90
30-Dec-09	74	11,194	3.99
<b>Dec 24 - Dec 30, 2009</b>	<b>304</b>	<b>45,046</b>	<b>3.83</b>

Source: Central Bank of Kenya

The reverse repo rate increased by 37 basis points from 3.67 percent in the previous week up to 4.04 percent in the week ending December 30, 2009. The average interest rate for the 182-day Treasury bill declined to 7.245 percent in the auction during the week ending December 24, 2009 from 7.511 percent in the previous auction (Table 1).



**Monetary Policy Operations**

During the week to December 30, 2009, Central Bank injected at total of Ksh 15.9 billion into the market as shown in Table 3. There were reverse repo maturities of Ksh 19.5 bn during the week under review. Commercial banks borrowed Ksh 1.5 billion from the overnight window. Reserve money averaged Ksh 180.3 billion during the week under review and was above target by Ksh 5.8 billion.

**Table 3: 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
24-Dec	183.7	174.5	9.2	0.0	0.0	0.0	183.7	9.2	9.4	-0.2
28-Dec	182.0	174.5	7.5	6.0	7.1	1.1	182.5	8.0	7.8	0.1
29-Dec	171.9	174.5	-2.6	3.0	3.0	0.0	173.5	-1.0	-0.4	-0.6
30-Dec	175.4	174.5	0.9	5.0	5.9	0.9	181.3	6.9	8.7	-1.8
Average	178.2	174.5	3.7	3.5	4.0	0.5	180.3	5.8	6.4	-0.6

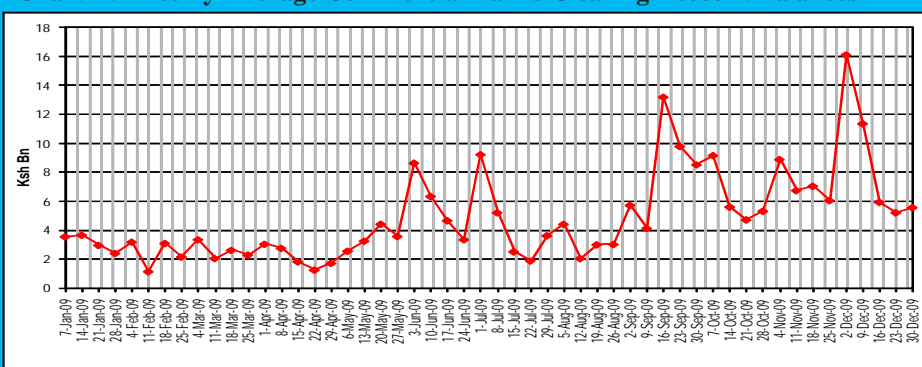
\*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Commercial Banks Clearing Account Balances**

Commercial banks maintained an average of Ksh 7.8 billion in their clearing accounts at the Central Bank in the week to December 30, 2009, compared with Ksh 5.2 billion held in the previous week (Charts B).

**Chart B: Weekly Average Commercial Banks Clearing Account Balances**



Source: Central Bank of Kenya

### The Shilling Exchange Rate

The Kenya Shilling depreciated against major international currencies in the week ending December 31, 2009. Against the US dollar, the shilling depreciated marginally to exchange at an average of Ksh 75.74 per US dollar compared with Ksh 75.47 per US dollar in the previous week. The loss in the Kenya shilling's value reflects dollar strength in international markets following positive economic data on US consumer spending, disposable income and consumer confidence. The shilling depreciated marginally against the Sterling Pound and the Euro to exchange at an average of Ksh 121.07 per Sterling Pound, Ksh 108.82 per Euro respectively in the week under review compared with an average of Ksh 121.03 per Sterling Pound, Ksh 107.97 per Euro (Table 4).

In the regional scene, the Kenya Shilling depreciated marginally against both the Uganda Shilling and the Tanzania Shilling to exchange at an average of Ush 25.12 per Kenya Shilling and Tsh 17.58 per Kenya Shilling in the week ending December 31, 2009 compared with an average of Ush 25.24 per Kenya Shilling and Tsh. 17.62 per Kenya Shilling in the week ending December 24, 2009.

**Table 4: Kenya Shilling Exchange Rates**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
21-Dec-09	75.12	121.24	107.70	83.15	25.45	17.77
22-Dec-09	75.27	120.85	107.59	82.48	25.28	17.70
23-Dec-09	75.94	121.17	108.24	82.82	25.08	17.47
24-Dec-09	75.54	120.85	108.35	82.74	25.15	17.55
<b>Dec 21-24, 2009</b>	<b>75.47</b>	<b>121.03</b>	<b>107.97</b>	<b>82.80</b>	<b>25.24</b>	<b>17.62</b>
28-Dec-09	75.66	120.77	108.87	82.64	25.11	17.43
29-Dec-09	75.80	121.31	108.96	82.65	25.11	17.63
30-Dec-09	75.69	120.30	108.52	82.20	25.19	17.65
31-Dec-09	75.82	121.89	108.94	82.04	25.07	17.62
<b>Dec 28-31, 2009</b>	<b>75.74</b>	<b>121.07</b>	<b>108.82</b>	<b>82.38</b>	<b>25.12</b>	<b>17.58</b>

Source: Central Bank of Kenya

**Foreign  
Exchange  
Reserves**

Official usable foreign exchange reserves held by the Central Bank increased from US\$ 2,768 million (equivalent to 3.35 months of imports) as at December 31, 2008 to US\$ 3,308 million (equivalent to 3.62 months of imports) as at December 31, 2009 (Table 5). The build up in official reserves comprised of interbank purchases by the Central Bank from the domestic interbank foreign exchange market, and additional IMF SDR allocation and other balance of payments support under the Exogenous Stock Facility.

Commercial banks foreign exchange reserves, which are used mainly 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 5: Official Foreign Exchange Reserves (US\$ Million)**

	31-Dec-08	26-Jun-09	31-Jul-09	31-Aug-09	30-Sep-09	30-Oct-09	30-Nov-09	31-Dec-09
Usable Reserves	2,768	3,086	3,097	3,154	3,243	3,302	3,392	3,308
Months of Imports Cover*	3.35	3.56	3.52	3.54	3.67	3.67	3.71	3.62
Months of Imports Cover**	2.77	3.10	3.12	3.18	3.27	3.33	3.40	3.32

\*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

**Government  
Domestic  
Debt**

Government gross domestic debt increased by Ksh 70.7 billion from Ksh 518.3 billion in June 2009 to Ksh 589.0 billion as at December 24, 2009 (Table 6 and Chart C). The increase was as a result of increases of Ksh 25.3 billion, Ksh 31.1 billion and Ksh 15.7 billion in Treasury bills (excluding Repos), Treasury bonds and overdraft at the Central Bank, respectively. Treasury bills, Treasury bonds and overdraft at the Central Bank increased from Ksh 116.8 billion, 360.7 billion and Ksh 5.1 billion in June 2009 to Ksh 142.1 billion, Ksh 391.9 billion and Ksh 20.8 billion, respectively as at December 24 2009. 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 24 2009 while that of Treasury bills increased from 24.4 percent to 26.6 percent.

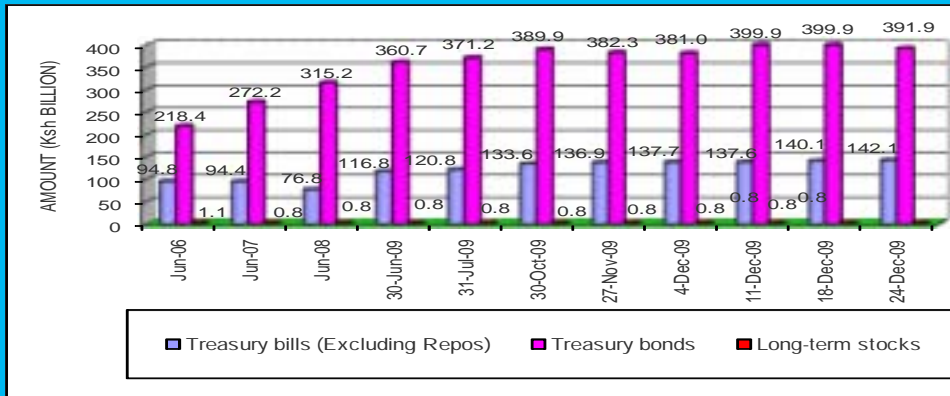
**Table 6: Government Domestic Debt (Ksh Billion)**

	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	18th Dec 2009	24th Dec 2009	Changes	
									18th Dec-09 - 24th Dec-09	30th Jun-09 - 24th Dec-09
1. Treasury Bills (Excluding Repos)	116.8	120.8	127.6	122.2	133.6	137.7	140.1	142.1	2.0	25.3
(As % of total securities)	24.4	24.5	25.2	24.0	25.5	26.5	25.9	26.6	0.7	2.2
2. Treasury Bonds	360.7	371.2	378.5	386.1	389.9	381.0	399.9	391.9	-8.1	31.1
(As % of total securities)	75.4	75.3	74.7	75.8	74.4	73.3	74.0	73.3	-0.7	-2.1
3. Long Term Stocks	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.0	0.0
(As % of total securities)	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.0
4. Total Securities (1+2+3)	478.3	492.8	506.8	509.0	524.2	519.5	540.8	534.7	-6.1	56.4
5. Overdraft at Central Bank	5.1	3.9	6.1	8.0	9.3	9.8	13.8	20.8	7.0	15.7
6. Other Domestic debt <sup>1</sup>	34.9	33.7	34.2	33.6	33.6	33.6	33.8	33.5	-0.3	-1.4
7. Gross Domestic Debt (4+5+6)	518.3	530.4	547.2	550.6	567.1	562.9	588.4	589.0	0.6	70.7
8. Interest payments on domestic debt (Cumulative in FY)	45.9	3.9	9.0	13.5	19.6	25.7	28.2	30.1	1.9	

<sup>1</sup> Other domestic debt includes Pre-1997 Government Overdraft, clearing items in transit, advances from com

Source: Central Bank of Kenya

Chart C: Composition of Government Securities

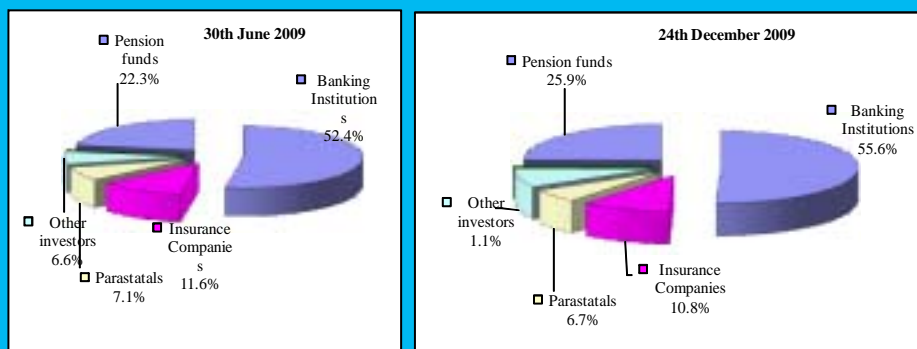


Source: Central Bank of Kenya

### 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 55.6 percent and 25.9 percent, respectively, as at December 24 2009. On the other hand, holdings of 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 1.1 percent during the same period (Chart D).

Chart D: Composition of Government Securities by Investor



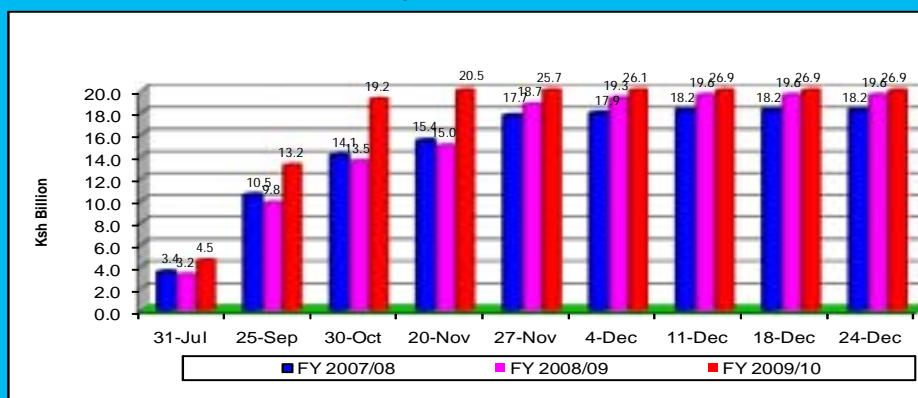
Source: Central Bank of Kenya

### Cost of Domestic Borrowing

The cumulative Government expenditure on interest and other charges on domestic debt for the period up to December 24, 2009 of the fiscal year 2009/10 amounted to Ksh 30.1 billion compared with Ksh 21.0 billion in a similar period in the fiscal year 2008/09 (Chart E). The interest cost on domestic debt during the period comprised Ksh 22.9 billion in interest and other charges on Treasury bonds, Ksh 6.7 billion in interest and other charges on Treasury bills, and Ksh 0.5 billion in interest on both Government overdraft at the Central Bank and the pre-1997 government overdraft.



Chart E: Cumulative Interest Payments on Domestic Debt



Source: Central Bank of Kenya

## The Stock Market

There was mixed performance at the equities market during the week ending December 30, 2009. Equity turnover decreased by 59.2 percent as stocks worth Ksh 226.2 million were traded compared with Ksh 554.0 million traded in the previous week. The number of shares traded decreased from 38.0 million in the previous week to 23.7 million shares in the week under review. Market capitalization as a measure of total shareholders wealth improved by 0.2 percent or Ksh 1.7 billion to close at Ksh 831.5 billion in the week under review from Ksh 829.8 billion in the previous week. The NSE 20 Share index gained 23.1 points to settle at 3,232.8 points on December 30, 2009 from 3,209.7 points on December 24, 2009. The Nairobi All Share Index gained 0.1 points to settle at 71.4 points on December 30, 2009 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	5-Nov-09	12-Nov-09	19-Nov-09	26-Nov-09	3-Dec-09	10-Dec-09	17-Dec-09	24-Dec-09	31-Dec-09
NASI 100= Jan 2008	67.52	68.41	68.86	72.08	70.51	70.14	70.82	71.27	71.41
NSE 20 Share Index 100=1966	3,077.11	3,131.47	3,111.95	3,191.93	3,170.51	3,181.76	3,186.76	3,209.67	3,232.80
Number of Deals	6,545	6,584	6,382	6,694	6,772	7,095	6,437	5,434	2,874
Total Shares Traded (millions)	77.12	55.16	76.33	179.27	55.83	62.49	56.73	38.00	23.70
Equity Turnover (Ksh. millions)	1,005.12	1,378.54	1,119.81	1,206.34	577.30	624.78	821.72	554.03	226.17
Market Capitalization (Ksh. Bn.)	782.10	792.41	797.69	834.97	816.68	812.21	821.21	829.82	831.47
Bonds Turnover (Ksh. millions)	2,169.15	3,165.85	1,893.90	1,720.90	2,437.45	6,416.00	4,863.40	1,822.55	153.70

\* 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 16.8 million shares and accounted for 70.8 percent of total traded volume. Safaricom traded 15.4 million shares to be the most active stock in the sector. The Finance and Investment sector traded 5.0 million shares and accounted for 21.1 percent of total traded volume. Kenya Commercial Bank and Equity Bank traded 1.8 million and 1.7 million shares and were the most active counters in the sector. Industrial and Allied sector traded 1.9 million shares and accounted for 7.9 percent of traded volume. Mumias and KenGen were the most

active counters and traded 1.0 million and 0.5 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 0.2 billion were traded compared with Ksh 1.7 billion traded in the previous week.