

July 10, 2009



**Highlights for
the Week**

THE CBK WEEKLY BULLETIN

The Government securities market posted a performance rate of 159.8 percent during the Treasury bills auction of July 9 2009. The Government had offered for sale Treasury bills worth Ksh 5.5 billion, received bids totalling Ksh 8.8 billion and accepted bills bids totalling Ksh 5.9 billion. The average 182-day Treasury bills rate went up by 0.2 basis points to 8.155 percent during this week's auction.

The average interbank interest rate increased in the week ending July 9, 2009 to 2.5 percent from 2.4 percent in the previous week.

During the week ending July 10, 2009, the Kenya Shilling on average depicted mixed performance against the major international currencies; remaining stable against the US Dollar, appreciating against the Euro, the Sterling Pound and depreciating against the Japanese Yen. Against the US dollar, the Shilling exchanged at an average of Ksh 76.69 in the week ending July 10, 2009 compared with Ksh 76.58 per US dollar in the previous week.

Official usable foreign exchange reserves held by the Central Bank declined from US dollar 3,291 million (equivalent to 4.58 months of imports) as at July 10, 2008 to US dollar 3,044million (equivalent to 3.46 months of imports) as at July 10, 2009.

Central Bank's Open Market Operations injected Ksh 8.9 billion to commercial banks and redeemed maturing reverse repo securities worth Ksh 15.0 billion during the week ending July 8, 2009.

The Government gross domestic debt increased by Ksh 87.7 billion, from Ksh 430.6 billion in June 2008 to Ksh 518.3 billion as at June 2009. Cumulative Government expenditure on interest and other charges on domestic debt in the fiscal year 2008/09 amounted to Ksh 45.9 billion compared with Ksh 42.0 billion in the fiscal year of 2007/08.

Performance at the equities market declined during the week. Equity turnover declined by 23 percent, market capitalization decreased by 1 percent, while the NSE 20 Share index lost 45.1 points to settle at 3,312.6 points on July 09, 2009.

Government Securities Auction

The Government securities market posted a performance rate of 159.8 percent during the Treasury bills auction of July 9, 2009. The Government offered for sale Treasury bills worth Ksh 5.5 billion and received bids totalling Ksh 8.8 billion.

The Government accepted Treasury bills bids totalling Ksh 5.9 billion of which Ksh 5.2 billion or 89.7 percent were in competitive bids. Proceeds of the auction were to be used to finance the rolling over of maturing Treasury bills amounting to Ksh 4.6 billion in the week and provide the Government an additional borrowing of Ksh 1.3 billion.

Treasury Bills Interest Rates

The average 182-day Treasury bills rate went up marginally by 0.2 basis points from 8.153 percent on July 02, 2009 to 8.155 percent during this week's auction (Table 1). The 12-weeks moving average for the 182-day Treasury bills rate declined from 8.467 percent to 8.456 percent.

Table 1 : Interest Rates

Auction date	21-May-09	28-May-09	4-Jun-09	11-Jun-09	18-Jun-09	25-Jun-09	2-Jul-09	9-Jul-09
Average 182 day T. Bills	8.914	8.875	8.674	8.362	8.039	8.077	8.153	8.155
Month	Sep-08	Oct-08	Nov-08	Dec-09	Jan-09	Feb-09	Mar-09	Apr-09
Average savings rate	1.73	1.74	1.61	1.65	2.10	2.13	1.90	1.91
Average overdraft rate	13.43	13.91	13.85	14.39	13.84	13.46	13.78	13.66

Source: Central Bank of Kenya

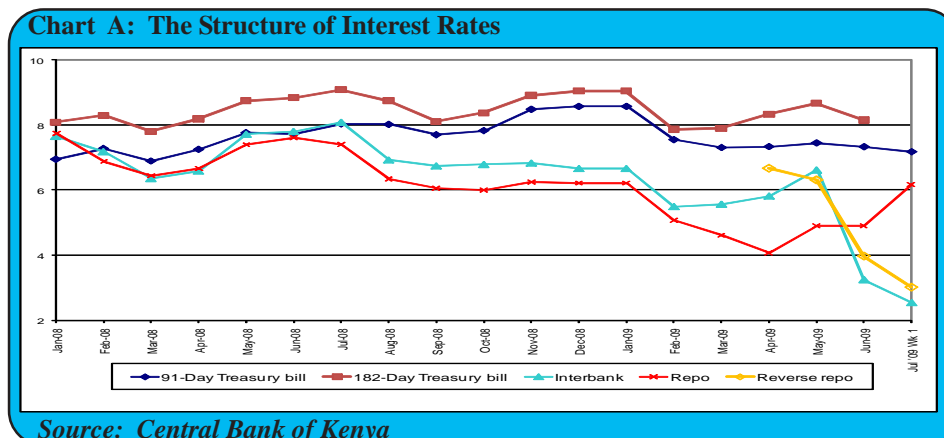
Interbank and REPO Market

The average interbank rate edged up marginally in the week to July 9, 2009 to 2.5 percent from 2.4 percent in the previous week. The number of deals increased from 358 to 412 during the week, and the volume of transactions increased to Ksh 59.9 billion from Ksh 57.4 transacted in the week to July 2, 2009 (Table 2).

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
June 19 - June 25, 2009	347	46,847	2.93
26-Jun-09	45	8,480	2.14
29-Jun-09	75	12,510	2.30
30-Jun-09	79	14,010	2.42
1-Jul-09	85	10,962	2.51
2-Jul-09	74	11,433	2.52
June 26 - July 2, 2009	358	57,395	2.38
3-Jul-09	98	12,595	2.49
6-Jul-09	73	12,420	2.51
7-Jul-09	86	11,467	2.56
8-Jul-09	75	11,165	2.59
9-Jul-09	80	12,244	2.56
July 3 - July 9, 2009	412	59,891	2.54

Source: Central Bank of Kenya



The Shilling Exchange Rate

During the week ending July 10, 2009, the Kenya Shilling on average depicted mixed performance against the major international currencies; remaining stable against the US Dollar, appreciating against the Euro, the Sterling Pound and depreciating against the Japanese Yen. Against the US dollar, the Shilling exchanged at an average of Ksh 76.69 in the week ending July 10, 2009 compared with Ksh 76.58 per US dollar in the previous week (Table 3). The stability of the Shilling against the US dollar was attributed to stable demand and supply of US dollars in the domestic foreign exchange market relative to the local currency.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
29-Jun-09	77.02	126.70	107.85	80.80	26.84	17.07
30-Jun-09	77.16	129.02	109.06	80.66	26.70	17.04
1-Jul-09	76.52	125.61	107.41	79.12	26.94	17.21
2-Jul-09	76.27	125.28	107.62	78.90	27.57	17.35
3-Jul-09	75.94	124.70	106.42	79.05	27.46	17.30
June 29-July 3	76.58	126.26	107.67	79.71	27.10	17.19
6-Jul-09	75.95	123.49	106.12	79.67	27.82	17.38
7-Jul-09	76.40	124.17	106.70	80.10	27.78	17.28
8-Jul-09	76.93	123.50	106.69	81.75	27.75	17.09
9-Jul-09	77.41	124.73	107.76	83.13	27.58	16.98
10-Jul-09	76.79	124.99	107.18	82.69	28.26	17.14
July 06- 10 2009	76.69	124.18	106.89	81.47	27.84	17.17

Source: Central Bank of Kenya

Moreover, the Shilling appreciated against the Sterling Pound and the Euro in the week under review to exchange at an average of Ksh 124.18 compared with Ksh 126.26 per Sterling Pound, Kshs 106.89 compared with Ksh 107.67 per Euro and depreciated against Japanese Yen to exchange at the Ksh 81.47 compared with Ksh 79.71 per 100 Japanese Yen in the previous week. In the regional foreign exchange market, the Shilling remained stable against the Uganda Shilling and the Tanzania Shilling in the week ending July 10, 2009 to exchange at Ush 27.84 per Kenya Shilling and Tsh 17.17 per Kenya shilling compared with Ush 27.10 and Tsh 17.19 per Kenya Shilling in the previous week.

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank declined from US dollar 3,291 million (equivalent to 4.58 months of imports) as at July 10, 2008 to US dollar 3,044 million (equivalent to 3.46 months of imports) as at July 10, 2009 (Table 4). The decline in import cover reflects reduction in reserves level as well as increased import bill. Commercial banks foreign exchange reserves holdings, which are predominantly used by private sector to meet external financial obligations, decreased from US\$ 1,809 million as at end May 2008 to US\$ 1,441 million as at end May 2009.

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

	10-Jul-08	30-Sep-08	31-Dec-08	30-Jan-09	27-Feb-09	31-Mar-09	30-Apr-09	26-Jun-09	10-Jul-09
Usable Reserves	3,291	3,086	2,768	2,671	2,661	2,620	2,608	3,086	3,044
Months of Imports Cover*	4.58	4.06	3.35	3.19	3.17	3.13	3.11	3.56	3.46
Months of Imports Cover**	3.65	3.35	2.77	2.66	2.65	2.61	2.59	3.10	3.05

*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 improved in the week ending July 8, 2009 as reflected by the amount of liquidity injection by Central Bank in the week. To ensure continued market stability, Central Bank provided liquidity amounting to Ksh 8.9 billion to commercial banks using the reverse repurchase agreement securities (Table 5). During the week, maturing reverse repo securities amounted to Ksh 15.0 billion. Reserve money averaged Ksh 160.2 billion in the week and remained below target by Ksh 5.3 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
2-Jul	159.7	165.5	-5.8	0.0	0.0	0.0	161.2	-4.3	4.6	-8.9
3-Jul	163.3	165.5	-2.2	0.0	0.0	0.0	161.8	-3.7	4.0	-7.7
6-Jul	148.6	165.5	-16.9	10.0	8.9	-1.1	158.8	-6.7	0.2	-6.9
7-Jul	159.7	165.5	-5.8	0.0	0.0	0.0	158.8	-6.7	-0.5	-6.2
8-Jul	159.9	165.5	-5.6	0.0	0.0	0.0	160.6	-4.9	1.9	-6.8
Average	158.2	165.5	-7.3	2.0	1.8	-0.2	160.2	-5.3	2.0	-7.3

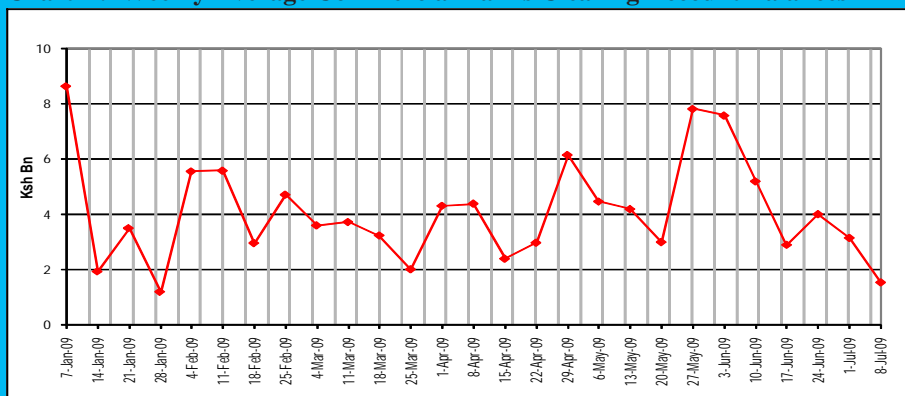
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 5.2 billion in their clearing accounts at the Central Bank in the week to July 8, 2009, compared with Ksh 9.2 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 87.7 billion, from Ksh 430.6 billion in June 2008 to Ksh 518.3 billion as at June 2009 (Table 6 and Chart C). This was attributed to increases of Ksh 39.9 billion in Treasury bills excluding repos, Ksh 45.6 billion in Treasury bonds, Ksh 5.1 billion in overdraft at the Central Bank. These increases were, however, offset by Ksh 2.9 billion in other domestic debt.

Treasury bills (excluding Repos) increased from Ksh 76.8 billion in June 2008 to Ksh 116.8 billion as at June 2009. Treasury bonds and overdraft at Central Bank also increased from Ksh 315.2 billion and zero, respectively, to Ksh 360.7 billion and Ksh 5.1 billion during the period. However, other domestic debt decreased from Ksh 37.8 billion to Ksh 34.9 billion, while Government 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 80.2 percent in June 2008 to 75.4 percent as at June 2009, while Treasury bills holdings increased from 19.6 percent to 24.4 percent during the period. As a result, the maturity profile of Government securities increased from 3 years and 8 months to 3 years and 9 months during the period.

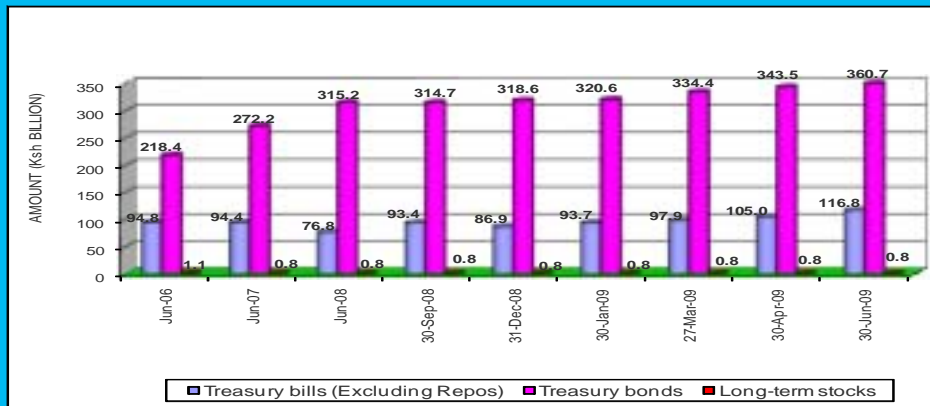
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-08	31st Dec 08	27th Mar 09	30th April 09	29th May 09	19th June 09	30th June 09	Changes 26th June-09-30th	30th June-08 - 30th June-09
1. Treasury Bills (Excluding Repos)	76.8	86.9	97.9	105.0	99.1	115.6	116.8	2.0	39.9
(As % of total securities)	19.6	21.4	22.6	23.4	22.1	24.9	24.4		
2. Treasury Bonds	315.2	318.6	334.4	343.5	348.3	348.3	360.7	13.7	45.6
(As % of total securities)	80.2	78.4	77.2	76.5	77.7	75.0	75.4		
3. Long Term Stocks	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	0.2	0.2	0.2	0.2	0.2		
4. Total Securities (1+2+3)	392.8	406.3	433.1	449.2	448.1	464.7	478.3	15.7	85.5
5. Overdraft at Central Bank	0.0	15.1	5.5	12.4	6.7	2.0	5.1	1.3	5.1
6. Other Domestic debt*	37.8	34.9	35.4	35.9	34.4	35.8	34.9	-4.0	-2.9
7. Gross Domestic Debt (4+5+6)	430.6	456.2	474.0	497.5	489.2	502.5	518.3	13.0	87.7
8. Interest payments on domestic debt (Cumulative in FY)	42.2	22.7	33.5	37.3	38.6	42.9	45.9	0.9	

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

Source: Central Bank of Kenya

Chart C: Composition of Government Securities

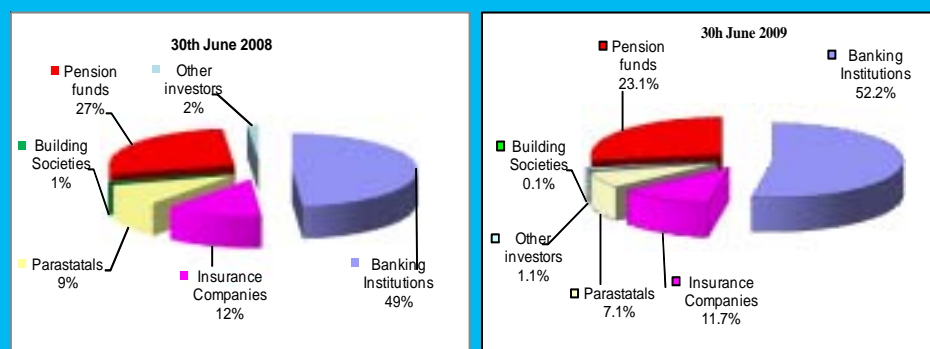


Source: Central Bank of Kenya

Holding of Government Securities

Government securities holdings by commercial banks increased from 48.6 percent in June 2008 to 52.2 percent in June 2009. However, holdings of insurance companies, parastatals, building societies, pension funds and other investors declined from 12.5 percent, 9.4 percent, 0.5 percent, 27.4 percent and 1.5 percent, respectively to 11.7 percent, 7.1 percent, 0.1 percent, 23.1 percent and 1.1 percent during the same period (Chart D).

Chart D: Composition of Government Securities by Investor

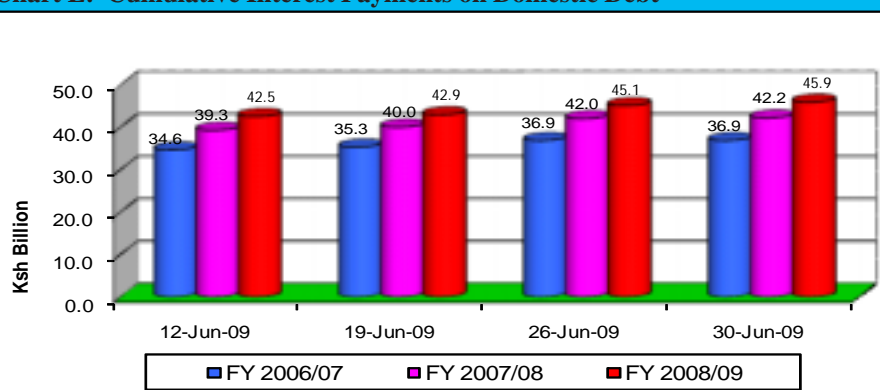


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative Government expenditure on interest and other charges on domestic debt during the fiscal year 2008/09 amounted to Ksh 45.9 billion compared with Ksh 42.2 billion in the fiscal year 2007/08 (Chart E). The interest cost on domestic debt during the period comprised Ksh 35.4 billion in interest and other charges on Treasury bonds, Ksh 9.0 billion in interest and other charges on Treasury bills and Ksh 1.5 billion in interest on Government overdraft at Central Bank of Kenya.

Chart E: Cumulative Interest Payments on Domestic Debt



Source: Central Bank of Kenya

The Stock Market

There was a decline in performance at the equities market during the week ending July 09, 2009. Equity turnover declined by 23 percent as stocks worth Ksh 826.8 million were traded compared with Ksh 1,073.4 million traded in the previous week. The number of shares traded decreased, from 81.4 million in the previous week to 76.4 million shares traded in the week under review. Market capitalization as a measure of total shareholders wealth decreased by 1.0 percent or Ksh 5.2 billion to close at Ksh 832.1 billion in the week under review from Ksh 837.3 billion the previous week, reflecting reduced prices in most stocks during the week. The NSE 20 Share index lost 45.1 points to settle at 3,312.6 points on July 09, 2009 from 3,357.7 points on July 02, 2009. The Nairobi All Share Index also lost 0.4 points to settle at 71.9 points on July 09, 2009 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	14th May	21st May	28-May-09	4-Jun-09	11-Jun-09	18-Jun-09	25-Jun-09	2-Jul-09	9-Jul-09
NASI 100= Jan 2008	59.39	59.72	59.70	61.01	62.95	69.20	69.74	72.30	71.85
NSE 20 Share Index	2,836.16	2,877.56	2,849.43	2,924.77	2,959.47	3,202.18	3,246.43	3,357.66	3,312.64
Number of Deals	7,318	8,216	7,807	5,894	7,876	9,238	13,116	9,631	10,026
Total Shares Traded (millions)	46.97	77.02	100.73	72.38	76.16	102.46	96.97	81.41	76.43
Equity Turnover (Ksh.)	580.52	656.59	1,129.25	448.56	822.05	996.50	1,264.18	1,073.35	826.83
Market Capitalization (Ksh.)	690.04	693.35	693.13	706.59	728.99	801.46	807.62	837.30	832.05
Bonds Turnover (Ksh.)	209.00	-	6,457.95	3,903.00	-	1,655.05	1,015.60	2,549.50	1,712.55

* 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 51 million shares and accounted for 67 percent of total traded volume. Safaricom traded 49.0 million shares to be the most active stock in the sector. The Finance and Investment sector traded 15.3 million shares, accounting for 20 percent of total traded volume with Co-operative Bank and Equity Bank trading 4.9 million and 4.2 million shares to be the most active counters in the sector. Industrial and Allied sector traded 8.4 million shares and accounted

for 11 percent of traded volume. Mumias and KenGen were the most active counters and traded 4.6 million and 1.8 million shares, respectively. The other sectors had minimal trading.

Bond Market

In the Fixed Income Securities Market, the Bond market trading declined at the during the week. Bond turnover decreased as bonds worth Ksh 1.7 billion were traded compared with Ksh 2.5 billion traded the previous week.