

July 24, 2009



**Highlights for
the Week**

THE CBK WEEKLY BULLETIN

The Government securities market posted a performance rate of 144.2 percent during the 182-day Treasury bills auction of July 23, 2009. The average 182-day Treasury bills rate declined by 0.4 basis points, to 8.151 percent during this week's auction.

The average interbank interest rate remained stable in the week ending July 22, 2009 at 2.54 percent. The 182 day Treasury bill rate edged downwards slightly in the week ending July 22, 2009 to 8.151 percent compared to the last trading in the week ending July 7, 2009 at 8.155 percent.

The Kenya Shilling appreciated against the US dollar and the Japanese Yen but depreciated against the Sterling Pound and the Euro during the week ending July 24, 2009. Against the US dollar, the shilling appreciated to exchange at Ksh 76.81 in the week ending July 17, 2009 compared with Ksh 77.19 per US dollar in the previous week.

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,093 million (equivalent to 3.51 months of imports) as at July 24, 2009 compared with US dollar 3,320 million (equivalent to 4.62 months of imports) as at July 24, 2008.

Central Bank's Open Market Operations injected Ksh 10.5 billion to commercial banks but redeemed maturing reverse repo securities worth Ksh 7.0 billion during the week ending July 22, 2009.

The Government gross domestic debt decreased by Ksh 3.9 billion, from Ksh 518.3 billion in June 2009 to Ksh 514.5 billion as at July 17, 2009. From July 1, 2009 to July 17, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 0.4 billion.

Performance at the equities market improved during the week. Equity turnover improved by 11 percent, market capitalization increased by 1 percent while the NSE 20 Share index gained 60.8 points to settle at 3317.6 points on July 23, 2009.

Government Securities Auction

The Government securities market posted a performance rate of 144.2 percent for the 182 day Treasury bills auction of July 23, 2009. The Government offered for sale Treasury bills worth Ksh 6.0 billion and received bids totalling Ksh 8.7 billion, of which Ksh 93.9 percent were in competitive bids.

The Government accepted Treasury bills bids totalling Ksh 5.2 billion, of which Ksh 4.7 billion or 90.0 percent 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 3.6 billion, of which Ksh 2.7 billion were in 182- days Treasury bills, and also provided additional borrowing of Ksh 1.6 billion.

Treasury Bills Rates

The average 182-day Treasury bills rate declined by 0.4 basis points, from 8.155 percent in the Treasury bills auction of the same security on July 9, 2009 to 8.151 percent during this week's auction (Table 1 and Chart A). The 12-weeks moving average for the 182-day Treasury bills rate declined from 8.456 percent to 8.430 percent.

Table 1 : Interest Rates

Auction date	11-Jun-09	18-Jun-09	25-Jun-09	2-Jul-09	9-Jul-09	16-Jul-09	23-Jul-09
Average 182 day T. Bills	8.039	8.077	8.153	8.153	8.155	8.155	8.151
Month	Oct-08	Nov-08	Dec-09	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

Source: Central Bank of Kenya

Interbank and REPO Market

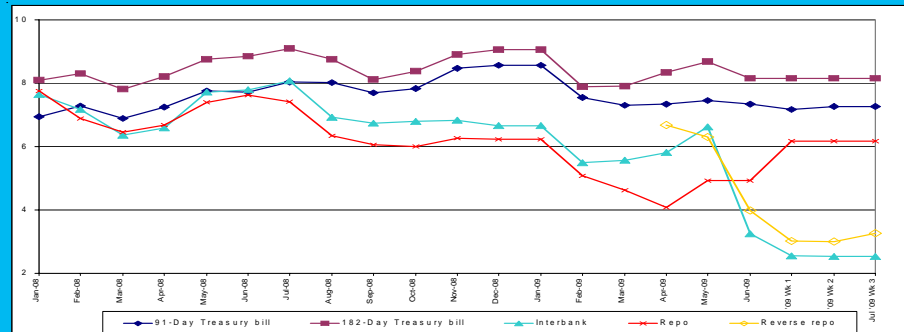
The average interbank rate stabilised at the previous week's level of 2.54 percent. The number of deals increased from 383 to 434 during the week ending July 22, 2009. The average volume of transactions decreased marginally from Ksh 50.04 billion to Ksh 49.20 transacted in the week to July 22, 2009, reflecting a stable liquidity situation in the banking system (Table 2 and Chart A).

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
July 3 - July 9, 2009	412	59,891	2.54
09-Jul-09	80	12,244	2.56
10-Jul-09	78	11,140	2.53
13-Jul-09	81	8,859	2.53
14-Jul-09	70	8,796	2.54
15-Jul-09	74	9,000	2.52
July 9 - July 15, 2009	383	50,039	2.54
16-Jul-09	75	8,065	2.48
17-Jul-09	79	9,198	2.36
20-Jul-09	95	12,428	2.46
21-Jul-09	98	10,098	2.62
22-Jul-09	87	9,409	2.78
July 16 - July 22, 2009	434	49,198	2.54

Source: Central Bank of Kenya

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling had mixed performance against major international currencies during the week ending July 24, 2009 (Table 2). The Shilling appreciated against the US dollar and the Japanese Yen to exchange, respectively at Ksh 76.81 per US dollar and Ksh 81.50 per 100 Japanese Yen compared with Ksh 77.19 per US dollar and Ksh 82.77 per 100 Japanese Yen. The Strengthening of the shilling is attributed mainly to increased foreign exchange inflows especially from tourism amid subdued demand. The Shilling depreciated against the Sterling Pound and the Euro to trade, respectively, at Ksh 126.34 per Sterling Pound and Ksh 108.98 per Euro in the week ending July 24, 2009, compared with Ksh 125.84 per Sterling Pound and Ksh 108.15 per Euro in the week ending July 17, 2009. In the international market, the US dollar weakened against the Euro and the sterling Pound but strengthened against the Japanese Yen.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
13-Jul-09	76.86	124.05	106.97	83.33	28.17	16.98
14-Jul-09	77.54	126.26	108.50	83.18	27.66	17.09
15-Jul-09	77.45	126.79	108.48	82.98	27.41	17.13
16-Jul-09	77.31	126.50	108.62	82.36	27.13	17.16
17-Jul-09	76.82	125.61	108.19	82.01	27.47	17.31
Jul 13 - 17, 2009	77.19	125.84	108.15	82.77	27.57	17.13
20-Jul-09	76.83	125.82	108.43	81.25	27.30	17.31
21-Jul-09	76.89	126.80	109.23	81.77	27.28	17.32
22-Jul-09	76.90	125.86	109.22	82.19	27.31	17.16
23-Jul-09	76.85	126.82	109.52	81.44	27.33	17.36
24-Jul-09	76.55	126.37	108.51	80.84	27.42	17.37
Jul 20 - 24, 2009	76.81	126.34	108.98	81.50	27.33	17.31

Source: Central Bank of Kenya

On the regional scene, the Kenya Shilling depreciated against the Uganda Shilling and appreciated against the Tanzania Shilling in the week ending July 24, 2009 to exchange respectively, at Ush 27.33 per Kenya Shilling and Tsh 17.31 per Kenya Shilling compared with Ush 27.57 per Kenya Shilling and Tsh 17.13 per Kenya Shilling in the previous week.

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank were US\$ 3,093 million (equivalent to 3.51 months of imports) as at July 24, 2009 compared with US\$ 3,062 million in the previous week and US dollar 3,320 million (equivalent to 4.62 months of imports) as at July 24, 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\$ 2,341 million as at end June 2008 to US\$ 1,602 million as at end June 2009.

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

	24-Jul-08	30-Sep-08	31-Dec-08	30-Jan-09	27-Feb-09	31-Mar-09	30-Apr-09	26-Jun-09	24-Jul-09
Usable Reserves	3,320	3,086	2,768	2,671	2,661	2,620	2,608	3,086	3,093
Months of Imports Cover*	4.62	4.06	3.35	3.19	3.17	3.13	3.11	3.56	3.51
Months of Imports Cover**	3.68	3.35	2.77	2.66	2.65	2.61	2.59	3.10	3.12

*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 remained relatively tight in the week ending July 22, 2009 as reflected by a net injection of liquidity by the Central Bank during the week. To ensure continued market stability, Central Bank provided liquidity amounting to Ksh 10.5 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 7.0 billion. Reserve money averaged Ksh 156.4 billion in the week and remained below target by Ksh 9.1 billion.

Table 5: Open Market Operations (Ksh Billion)

Date	Reserve Money* (Projected)			OMO		OMO (Reverse REPO)		Reserve money performance	
	Forecast	Target	Exc(+)/Short(-)	Posted	Realised	Posted	Injected	Actual	Exc(+)/Short(-)
	(1)	(2)	3=(2-1)	(4)	(5)	(6)	(7)	(8)	9=(8-2)
16-Jul	158.6	165.5	-6.9	0.0	0.0	0.0	0.0	157.7	-7.8
17-Jul	156.2	165.5	-9.3	0.0	0.0	0.0	0.0	158.9	-6.6
20-Jul	153.6	165.5	-12.0	0.0	0.0	4.0	4.0	155.7	-9.8
21-Jul	153.1	165.5	-12.4	0.0	0.0	2.0	2.0	155.4	-10.1
22-Jul	151.2	165.5	-14.3	0.0	0.0	4.5	4.5	154.5	-11.0
Average	0.2	165.5	-11.0	0.0	0.0	2.1	2.1	156.4	-9.1

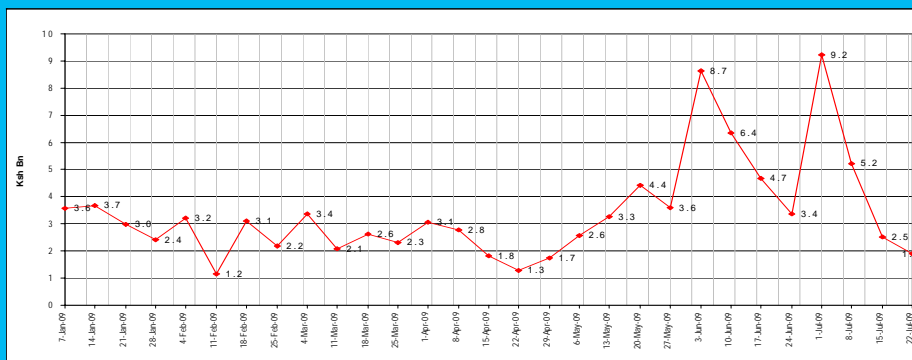
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 1.9 billion in their clearing accounts at the Central Bank in the week to July 22, 2009, compared with Ksh 2.5 billion held in the previous week (Charts B).

Chart B: Weekly Average Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

Government Domestic Debt

The Government gross domestic debt decreased by Ksh 3.9 billion, from Ksh 518.3 billion in June 2009 to Ksh 514.5 billion as at July 17, 2009 (Table 6 and Chart C). This was attributed to decreases of Ksh 3.6 billion and Ksh 1.1 billion in Treasury bills, excluding repos, and in other domestic debt, respectively. This was however offset by an increase in the overdraft at the Central Bank of Kenya (CBK) of Ksh 0.9 billion.

Treasury bills (excluding Repos) decreased from Ksh 116.8 billion in June 2009 to Ksh 113.2 billion as at July 17, 2009, while other domestic debt decreased from Ksh 34.9 billion to Ksh 33.8 billion over the same period. Treasury bonds and long-term stocks remained unchanged at Ksh 360.7 billion and Ksh 0.8 billion, respectively, while overdraft at the CBK increased from Ksh 5.1 billion to Ksh 6.0 billion during the period.

Following these developments, the holdings of Treasury bonds in total Government securities increased from 75.4 percent in June 2009 to 76.0 percent as at July 17, 2009, while Treasury bills holdings decreased from 24.4 percent to 23.8 percent during the period. The maturity profile of Government securities decreased from 3 years and 9 months to 3 years and 8 months during the period.

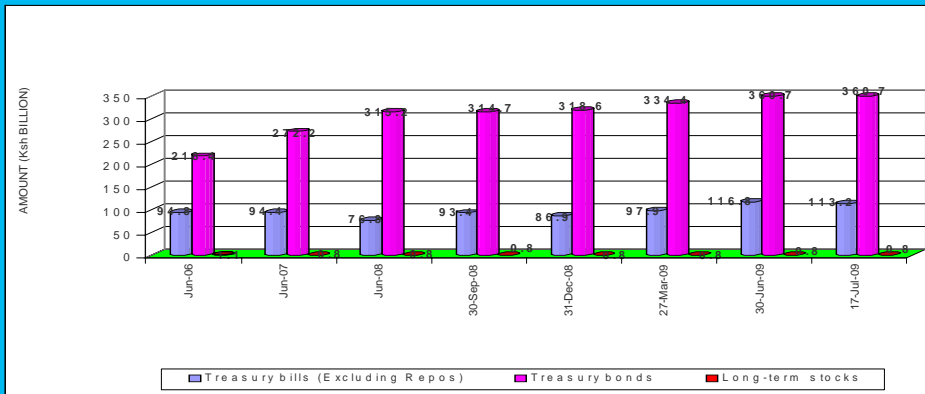
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-08	31st Dec 08	27th Mar 09	30th June 09	10th July 09	17th July 2009	Changes 10th July-09 -17th July-09	30th Jun-08 - 17th July-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	111.8 23.6	113.2 23.8	1.3 0.2	-3.6 -0.6
2. Treasury Bonds (As % of total securities)	315.2 80.2	318.6 78.4	334.4 77.2	360.7 75.4	360.7 76.2	360.7 76.0	0.0 -0.2	0.0 0.6
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	473.3	474.7	1.3	-3.6
5. Overdraft at Central Bank	0.0	15.1	5.5	5.1	6.0	6.0	0.0	0.9
6. Other Domestic debt*	37.8	34.9	35.4	34.9	33.7	33.8	0.1	-1.1
7. Gross Domestic Debt (4+5+6)	430.6	456.2	474.0	518.3	513.0	514.5	1.5	-3.9
8. Interest payments on domestic debt (Cumulative in FY)	42.2	22.7	33.5	45.9	0.1	0.4	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

Chart C: Composition of Government Securities

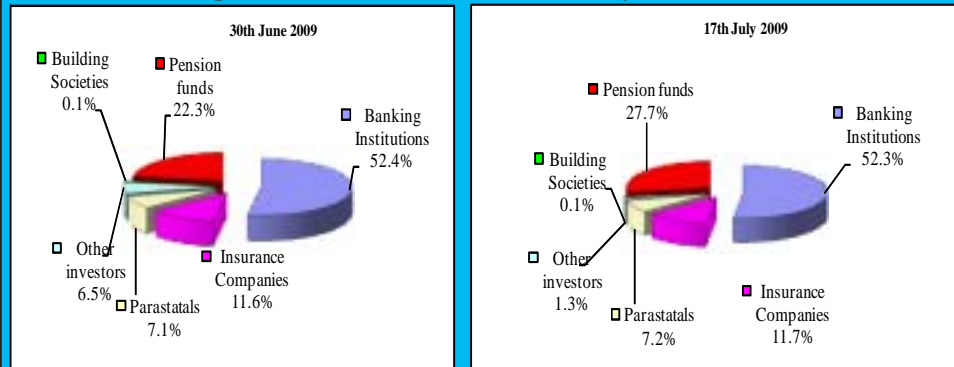


Source: Central Bank of Kenya

Holding of Government Securities

Government securities holdings by commercial banks and other investors decreased from 52.4 percent and 6.5 percent, respectively, in June 2009 to 52.3 percent and 1.3 percent as at July 17, 2009. Meanwhile, holdings of insurance companies, parastatals and pension funds increased from 11.6 percent, 7.1 percent and 22.3 percent, respectively to 11.7 percent, 7.2 percent and 27.7 percent during the period. Holdings of building societies however remained unchanged at 0.1 percent (Chart D).

Chart D: Composition of Government Securities by Investor

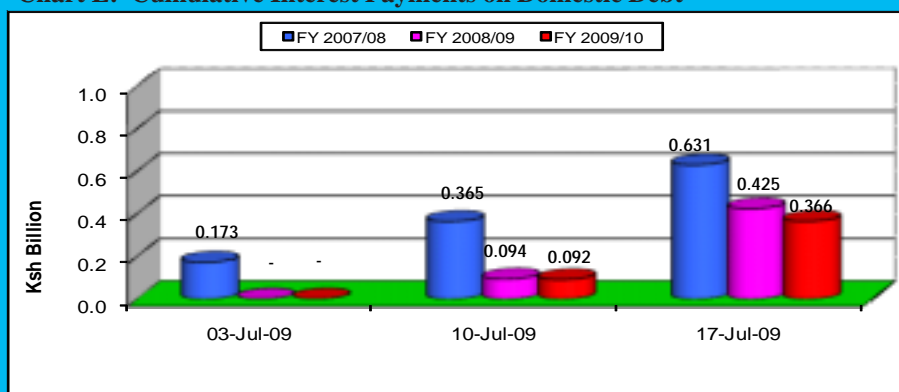


Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1, 2009 to July 17, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 0.4 billion as shown in Chart E. The interest cost on domestic debt during the period was entirely on Treasury bills.

Chart E: Cumulative Interest Payments on Domestic Debt



Source: Central Bank of Kenya

The Stock Market

The performance at the equities market improved during the week ending July 23, 2009. Equity turnover improved by 11 percent as stocks worth Ksh 633.5 million were traded compared with Ksh 573.0 million traded in the previous week. The number of shares traded decreased, from 60.8 million in the previous week to 52.6 million shares in the week under review. Market capitalization as a measure of total shareholders wealth increased by 1.0 percent or Ksh 7.4 billion to close at Ksh 831.4 billion in the week under review from Ksh 824.0 billion in the previous week, reflecting improved prices in most stocks during the week. The NSE 20 Share index gained 60.8 points to settle at 3317.6 points on July 23, 2009 from 3256.8 points on July 16, 2009. The Nairobi All Share Index also lost 0.6 points to settle at 71.8 points on July 23, 2009. (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	28-May-09	4-Jun-09	11-Jun-09	18-Jun-09	25-Jun-09	2-Jul-09	9-Jul-09	16-Jul-09	23-Jul-09
NASI 100= Jan 2008	59.70	61.01	62.95	69.20	69.74	72.30	71.85	71.15	71.79
NSE 20 Share Index	2,849.43	2,924.77	2,959.47	3,202.18	3,246.43	3,357.66	3,312.64	3,256.75	3,317.62
Number of Deals	7,807	5,894	7,876	9,238	13,116	9,631	10,026	8,926	8,196
Total Shares Traded (millions)	100.73	72.38	76.16	102.46	96.97	81.41	76.43	60.76	52.61
Equity Turnover (Ksh)	1,129.25	448.56	822.05	996.50	1,264.18	1,073.35	826.83	573.02	633.49
Market Capitalization (Ksh)	693.13	706.59	728.99	801.46	807.62	837.30	832.05	824.02	831.36
Bonds Turnover (Ksh)	6,457.95	3,903.00	-	1,655.05	1,015.60	2,549.50	1,712.55	1,807.90	1,087.15

* 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 31 million shares and accounted for 60 percent of total traded volume. Safaricom traded 29.5 million shares to be the most active stock in the sector. The Finance and Investment sector traded 16.6 million shares and accounted for 32 percent of total traded volume. Equity Bank and Co-operative Bank traded 6.3 million and 3.6 million shares and were the most active counters in the sector. Industrial and Allied sector traded 4.0 million shares and accounted for 8 percent of traded volume. Mumias and E.A Breweries were the most

active counters and traded 2.1 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 1.1 billion were traded compared with Ksh 1.8 billion traded in the previous week.