

June 19, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted a performance rate of 103.97 percent during the Treasury bills auction of June 18, 2009. The average 91-day Treasury bills rate increased by 5.8 basis points while the average 182-day Treasury bills rate went up by 3.8 basis points during this week's auction.

The average interbank interest rate declined in the week to June 17, 2009 to 2.9 percent from 3.0 percent in the week ending June 11, 2009

During the week ending June 19, 2009, the Kenya Shilling on average depicted mixed performance against the major international currencies; remaining fairly stable against the US Dollar, strengthening against the Euro but depreciating against the Sterling Pound and the Japanese Yen. Against the US dollar, the Shilling exchanged at an average of Ksh 77.97 in the week ending June 19, 2009 compared with Ksh 78.03 per US dollar in the previous week.

Official usable foreign exchange reserves held by the Central Bank declined from US dollar 3,268 million (equivalent to 4.54 months of imports) as at June 19, 2008 to US dollar 3,057 million (equivalent to 3.53 months of imports) as at June 19, 2009.

Central Bank's Open Market Operations injected Ksh 7.9 billion to commercial banks during the week ending June 17, 2009.

The Government gross domestic debt increased by Ksh 60.3 billion, from Ksh 430.6 billion in June 2008 to Ksh 490.9 billion as at June 12, 2009. From July 1, 2008 to June 12, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 42.5 billion compared with Ksh 39.3 billion in a similar period of 2007/08.

Performance at the equities market improved during the week. Equity turnover improved by 21 percent, market capitalization increased by 10.0 percent while the NSE 20 Share index gained 242.7 points to settle at 3202.2 points on June 18, 2009.

Government Securities Auction

The Government securities market posted a performance rate of 103.97 percent during the Treasury bills auction of June 18, 2009. The Government had offered for sale Treasury bills worth Ksh 6.5 billion and received bids totalling Ksh 6.8 billion of which Ksh 1.9 billion were in 182 days Treasury bills.

The Government accepted Treasury bills bids totalling Ksh 6.5 billion of which Ksh 6.0 billion or 92.1 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 4.6 billion in the week and provide the Government additional borrowing of Ksh 1.9 billion.

Treasury Bills Interest Rates

The average 91-day Treasury bills rate went up by 5.8 basis points from 7.309 percent in the previous week's auction to 7.367 percent during this week's auction, while the average 182-day Treasury bills rate rose by 3.8 basis points from 8.039 percent in the previous week's auction to 8.077 percent (Table 1). Consequently, the 12-weeks moving average for the 91-day Treasury bills rate remained at 7.395 percent while that of 182-day Treasury bills rate declined from 8.478 percent to 8.466 percent.

Table 1 : Interest Rates

Auction date	30-Apr-09	07-May-09	14-May-09	21-May-09	28-May-09	04-Jun-09	11-Jun-09	18-Jun-09
Average 91 day T. Bills	7.381	7.358	7.549	7.507	7.494	7.431	7.309	7.367
Average 182 day T. Bills	8.603	8.686	8.914	8.875	8.674	8.362	8.039	8.077
Month	Sep-08	Oct-08	Nov-08	Dec-08	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

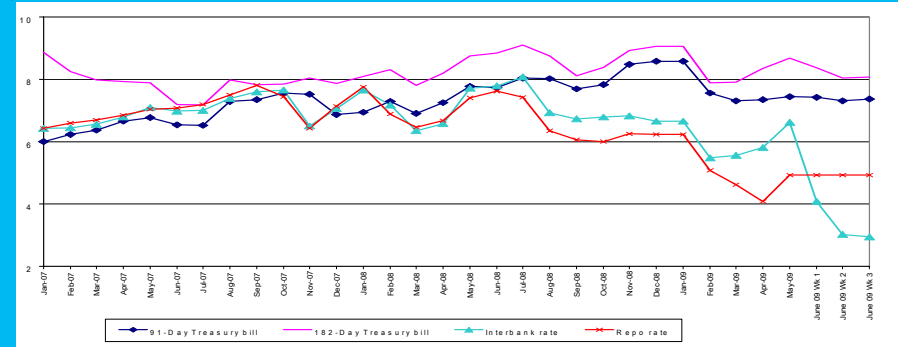
The average interbank interest rate declined from 3.0 percent in the week to June 11, 2009 to 2.9 percent in the week under review. Activity in the interbank market improved in the week to June 17, 2009 with the number of deals increasing from 286 in the previous week to 342, while the average volume of transaction increased from Ksh 37.3 billion to Ksh 43.0 billion.

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
May 29 - June 4 2009	260	32,563	4.08
05-Jun-09	82	8,631	3.47
08-Jun-09	57	6,516	3.22
09-Jun-09	46	6,708	3.05
10-Jun-09	50	7,504	2.81
11-Jun-09	51	7,930	2.60
June 5 - June 11, 2009	286	37,289	3.03
12-Jun-09	66	9,440	2.49
15-Jun-09	67	8,206	2.91
16-Jun-09	68	8,498	3.13
17-Jun-09	67	7,488	3.18
18-Jun-09	74	9,337	3.00
June 12 - June 18, 2009	342	42,969	2.94

Source: Central Bank of Kenya

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

The Shilling Exchange Rate

During the week ending June 19, 2009, the Kenya Shilling on average depicted mixed performance against the major international currencies; remaining fairly stable against the US Dollar, strengthening against the Euro but weakening against the Sterling Pound and the Japanese Yen. Against the US dollar, the Shilling exchanged at an average of Ksh 77.97 in the week ending June 19, 2009 compared with Ksh 78.03 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
08.11.09	77.87	123.26	108.20	79.21	27.67	16.98
09.11.09	78.08	125.08	108.38	79.79	27.92	16.75
10.11.09	78.08	127.15	109.73	80.08	27.93	16.79
11.11.09	78.12	127.36	109.34	79.88	27.90	16.90
12.11.09	78.04	128.36	109.55	79.86	27.94	16.66
June 08-12 2009	78.03	126.24	109.06	79.76	27.88	16.82
15.11.09	77.99	126.58	108.10	79.30	27.69	16.73
16.11.09	77.94	127.08	107.83	80.55	27.74	16.72
17.11.09	78.08	128.27	108.36	80.86	27.66	16.66
18.11.09	77.95	127.74	108.78	81.34	27.10	16.73
19.11.09	77.99	127.22	108.56	80.52	27.16	16.84
June 15-19 2009	77.97	127.40	108.33	80.51	27.47	16.73

Source: Central Bank of Kenya

The Shilling also strengthened against the Euro in the week under review to exchange at an average of Ksh 108.33 compared with Ksh 109.06 per Euro in the previous week. However, the local currency weakened against the Sterling Pound and the Japanese Yen in the week ending June 19, 2009 to trade at an average of Ksh 127.40 and Ksh 80.51 compared with Ksh 126.24 per Sterling Pound and Ksh 79.76 per 100 Japanese Yen in the previous week. In the regional foreign exchange market, the Shilling weakened against the Uganda Shilling and the Tanzania Shilling in the week ending June 19, 2009 to exchange at Ush 27.47 per Kenya Shilling and Tsh 16.73 per Kenya shilling.

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank declined from US dollar 3,268 million (equivalent to 4.54 months of imports) as at June 19, 2008 to US dollar 3,057 million (equivalent to 3.53 months of imports) as at June 19, 2009 (Table 4). The decline in import cover reflects reduction in the level of reserves as well as an increased import bill. Commercial banks foreign exchange reserves holdings, which are predominantly used by private sector to meet external financial obligations, increased from US\$ 1,587 million as at end April 2008 to US\$ 1,733 million as at end April 2009.

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

	18-Jun-08	29-Aug-08	30-Sep-08	31-Dec-08	30-Jan-09	27-Feb-09	31-Mar-09	30-Apr-09	29-May-09	18-Jun-09
Usable Reserves	3,268	3,152	3,086	2,768	2,671	2,661	2,620	2,608	2,789	3,057
Months of Imports Cover*	4.54	4.14	4.06	3.35	3.19	3.17	3.13	3.11	3.22	3.53
Months of Imports Cover**	3.62	3.43	3.35	2.77	2.66	2.65	2.61	2.59	2.80	3.07

*Based on 36 month average of imports of goods and non-factor services

**Based on current year's average imports of imports of goods and non-factor services

Source: Central Bank of Kenya

Monetary Policy Operations

The money market experienced liquidity constraints in the week ending June 17, 2009. To ensure market stability, Central Bank provided liquidity amounting to Ksh 7.9 billion to commercial banks using the reverse repurchase agreement securities (Table 5). Reserve money averaged Ksh 156.6 billion in the week and remained below target by Ksh 9.7 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
11-Jun	157.5	163.6	-6.1	0.0	0.0	0.0	157.9	-5.6	3.3	-8.9
12-Jun	157.9	163.6	-5.7	0.0	0.0	0.0	157.9	-5.6	4.2	-9.9
15-Jun	149.4	163.6	-14.2	5.0	5.0	0.0	154.3	-9.2	0.6	-9.8
16-Jun	154.2	163.6	-9.3	2.0	2.0	0.0	155.9	-7.7	2.2	-9.9
17-Jun	155.6	163.6	-8.0	1.0	0.9	-0.1	156.8	-6.7	3.3	-10.1
Average	154.9	163.6	-8.7	1.6	1.6	0.0	156.6	-7.0	2.7	-9.7

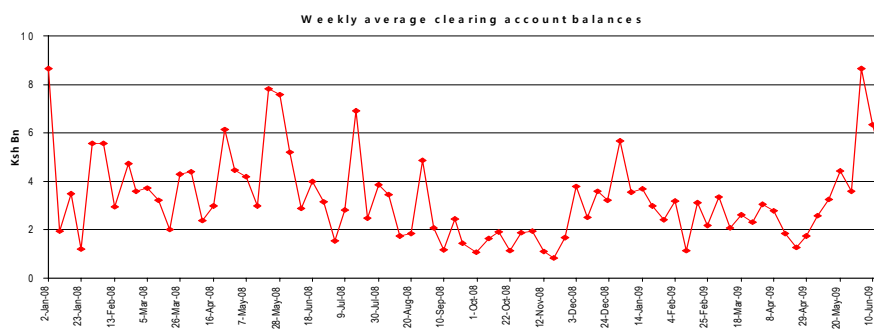
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

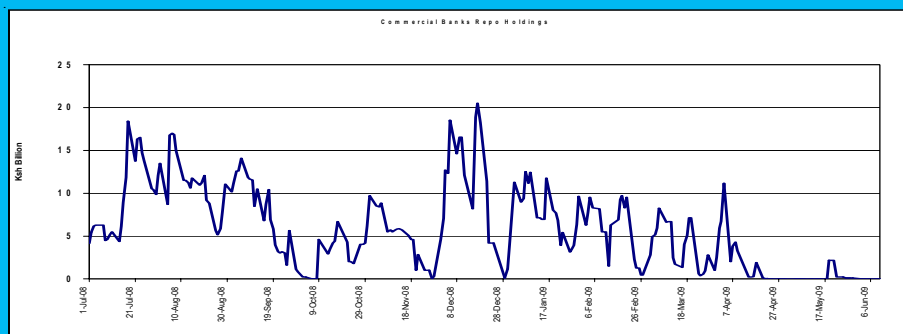
Commercial banks maintained an average of Ksh 6.4 billion in their clearing accounts at the Central Bank in the week to June 17, 2009, compared with Ksh 4.7 billion held in the previous week (Charts B1 and B2).

Chart B1: Weekly Average Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

Chart B2: Commercial Banks Repo Holdings



Source: Central Bank of Kenya

Government Domestic Debt

The Government's gross domestic debt increased by Ksh 60.3 billion, from Ksh 430.6 billion in June 2008 to Ksh 490.9 billion as at June 12, 2009 (Table 6 and Chart D). This was attributed to Ksh 27.1 billion increase in Treasury bills excluding repos, Ksh 33.1 billion in Treasury bonds and Ksh 3.7 billion in overdraft at the Central Bank of Kenya (CBK). However, the Ksh 60.3 billion increase was partly offset by a Ksh 3.6 billion decrease in other domestic debt.

Treasury bills (excluding Repos) increased from Ksh 76.8 billion in June 2008 to Ksh 103.9 billion as at June 12, 2009. Treasury bonds also increased from Ksh 315.2 billion to Ksh 348.3 billion, while Government overdraft at the Central Bank increased to Ksh 3.7 billion during the same period. However, other domestic debt decreased from Ksh 37.8 billion to Ksh 34.2 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 76.9 percent as at June 12, 2009, while Treasury bills holdings increased from 19.6 percent to 22.9 percent during the period. As a result, the maturity profile of Government securities decreased from 3 years and 8 months to 3 years and 7 months during the period.

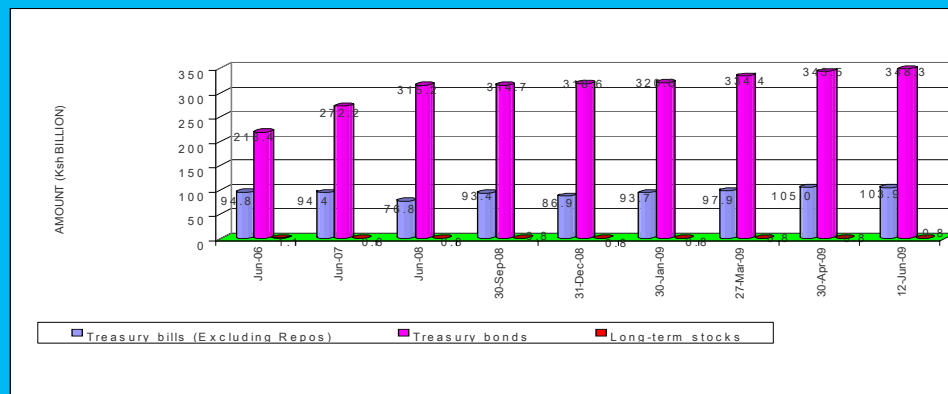
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-08	31st Dec 08	27th Mar 09	30th April 09	29th May 09	5th June 09	12th June 09
1. Treasury Bills (Excluding Repos) (As % of total securities)	76.8 19.6	86.9 21.4	97.9 22.6	105.0 23.4	99.1 22.1	102.2 22.6	103.9 22.9
2. Treasury Bonds (As % of total securities)	315.2 80.2	318.6 78.4	334.4 77.2	343.5 76.5	348.3 77.7	348.3 77.2	348.3 76.9
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	0.8 0.2
4. Total Securities (1+2+3)	392.8	406.3	433.1	449.2	448.1	451.3	453.0
5. Overdraft at Central Bank	0.0	15.1	5.5	12.4	6.7	5.1	3.7
6. Other Domestic debt*	37.8	34.9	35.4	35.9	34.4	34.3	34.2
7. Gross Domestic Debt (4+5+6)	430.6	456.2	474.0	497.5	489.2	490.7	490.9
8. Interest payments on domestic debt (Cumulative in FY)	42.2	22.7	33.5	37.3	38.6	42.1	42.3

* 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

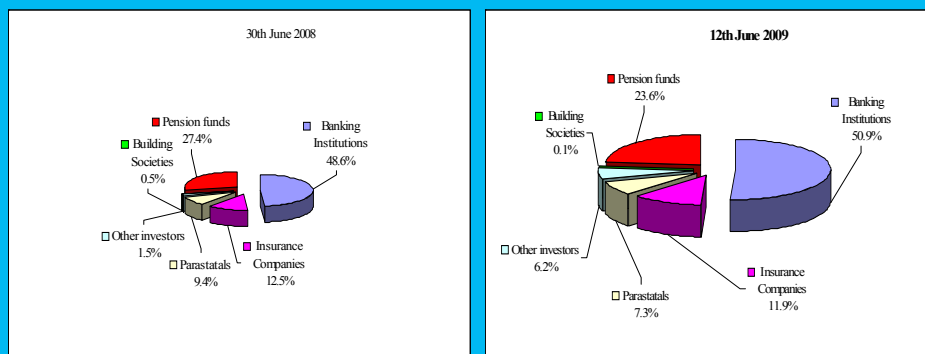


Source: Central Bank of Kenya

Holding of Government Securities

Holdings of Government securities by commercial banks and other investors increased from 48.6 percent and 1.5 percent in June 2008 to 50.9 percent and 6.2 percent as at June 12, 2009. However, holdings by insurance companies, parastatals, building societies, and pension funds declined from 12.5 percent, 9.4 percent, 0.5 percent and 27.4 percent, respectively, to 11.9 percent, 7.3 percent, 0.1 percent and 23.6 percent during the same period.

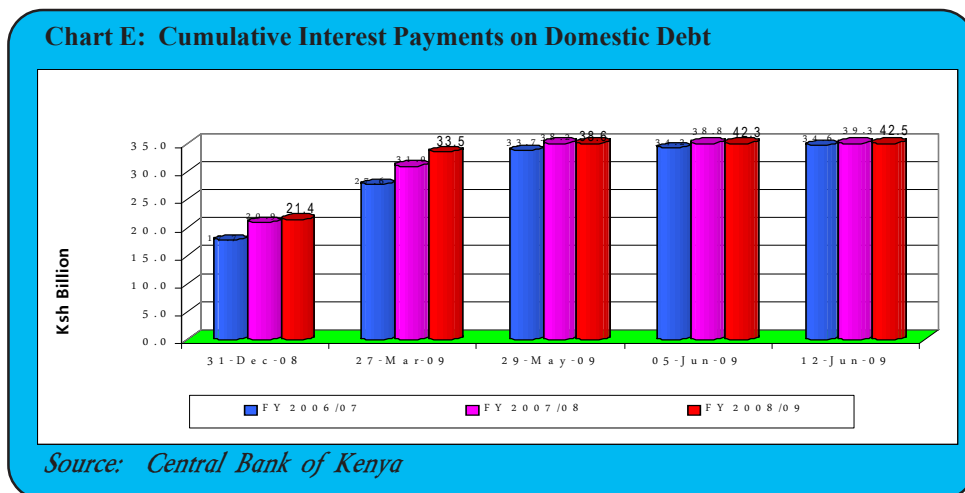
Chart D: Composition of Government Securities by Investor



Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1 2008 to June 12, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 42.5 billion compared with Ksh 39.3 billion in a similar period of 2007/08 (Chart E). The interest cost on domestic debt during the period comprised Ksh 32.9 billion in interest and other charges on Treasury bonds, Ksh 8.7 billion in interest and other charges on Treasury bills and Ksh 1.0 billion in interest on Government overdraft at Central Bank of Kenya.



The Stock Market

There was improved performance at the equities market during the week ending June 18, 2009. Equity turnover improved by 21 percent as stocks worth Ksh 996.5 million were traded compared with Ksh 822.1 million traded in the previous week. The number of shares traded increased from 76.2 million in the previous week to 102.5 million in the week under review. Market capitalization as a measure of total shareholders' wealth increased by 10.0 percent or Ksh 72.5 billion to close at Ksh 801.5 billion in the week under review from Ksh 729.0 billion in the previous week, reflecting improved prices in most stocks during the week. The NSE 20 Share index gained 242.7 points to settle at 3202.2 points on June 18, 2009 from 2959.5 points on June 11, 2009. The Nairobi All Share Index also gained 6.25 points to settle at 69.2 points on June 18, 2009. (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	16th Apr	23rd Apr	29th Apr	7th May	14th May	21st May	28-May-09	04-Jun-09	11-Jun-09	18-Jun-09
NASI 100=Jan 2008	56.86	58.48	59.00	58.98	59.39	59.72	59.70	61.01	62.95	69.20
NSE 20 Share Index	2,699.40	2,764.05	2,813.02	2,829.42	2,836.16	2,877.56	2,849.43	2,924.77	2,959.47	3,202.18
Number of Deals	8,680	8,316	6,978	7,597	7,318	8,216	7,807	5,894	7,876	9,238
Total Shares Traded	29.22	83.93	39.95	69.83	46.97	77.02	100.73	72.38	76.16	102.46
Equity Turnover (Ksh.)	366.78	762.46	460.10	690.50	580.52	656.59	1,129.25	448.56	822.05	996.50
Market Capitalization (Ksh.)	658.64	677.99	684.05	684.79	690.04	693.35	693.13	706.59	728.99	801.46
Bonds Turnover (Ksh.)	949.61	576.10	74.10	805.80	209.00	-	6,457.95	3,903.00	-	1,655.05

* 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 71 million shares and accounted for 70 percent of total traded volume. Safaricom traded 68 million shares to be the most active stock in the sector. The Finance and Investment sector traded 16 million shares and accounted for 15 percent of total traded volume. Equity Bank and Co-operative Bank traded 7.4 million and 2.4 million shares and were the most active counters in the sector. Industrial and Allied sector traded 11.7 million shares and accounted for 12 percent of traded volume. KenGen and Mumias shares were the most active counters and traded 4.3 million and 2.8 million shares, respectively. The other sectors had minimal trading.

Bond Market Bond market trading improved at the Fixed Income Securities Market as bonds worth Ksh 1.7 billion were traded during the week ending June 18, 2009.