

November 13, 2009



THE CBK WEEKLY BULLETIN

**Highlights for
the Week**

The Government securities market recorded oversubscription of 131.9 percent during the Treasury bills auction of November 12, 2009. The government had offered for sale Treasury bills worth Ksh 6.5 billion, received bids totalling Ksh 8.6 billion and accepted bills bids totalling Ksh 6.5 billion. The average 182-day Treasury bills rate declined by 0.9 basis points during this week's auction.

The average interbank rate increased marginally by 13 basis points in the week ending November 12, 2009 to 3.43 percent from 3.30 percent the previous week.

The Kenya Shilling on average depicted mixed reaction against all the major international currencies during the week. Against the US dollar, the shilling appreciated to exchange at Ksh 74.51 in the week ending November 13, 2009 compared with Ksh 75.22 per US dollar in the previous week.

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,344 million (equivalent to 3.71 months of imports) as at November 13, 2009 compared with US dollar 2,752 million (equivalent to 3.62 months of imports) as at November 13, 2008.

Central Bank stayed out of the money market during the week ending November 11, 2009. There were no reverse repo maturities during the week under review.

Government gross domestic debt increased by Ksh 48.8 billion from Ksh 518.3 billion in June 2009 to Ksh 567.1 billion as at November 6, 2009. The cumulative Government expenditure on interest and other charges on domestic debt as at November 6, 2009 amounted to Ksh 20.9 billion.

Performance at the equities market improved during the week. Equity turnover increased by 37.2 percent, market capitalization improved by 1.3 percent, while the NSE 20 Share Index gained 54.4 points to settle at 3131.5 points on November 12, 2009.

Government Securities Auction

The Government securities market recorded oversubscription of 131.9 percent during the Treasury bills auction of November 12, 2009. The government had offered for sale Treasury bills worth Ksh 6.5 billion and received bids totalling Ksh 8.6 billion of which Ksh 6.8 billion or 79.1 percent were in competitive bids.

The government accepted Treasury bills bids amounting to Ksh 6.5 billion of which Ksh 4.2 billion or 64.6 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 5.1 billion in the week and provide the Government additional borrowing of Ksh 1.4 billion.

Treasury Bills Rates

The average 182-day Treasury bills rate declined by 0.9 basis points from 8.070 percent in the previous auction to 8.061 percent during the week under review (Table 1). The 12-weeks moving average for 182-day Treasury bills rate edged up marginally, from 8.086 percent to 8.088 percent.

Table 1: Interest Rates

Auction date	17-Sep-09	24-Sep-09	01-Oct-09	08-Oct-09	15-Oct-09	22-Oct-09	29-Oct-09	05-Nov-09	12-Nov-09
Average 91 day T. Bills		7.303		7.248		7.264		7.232	
Average 182 day T. Bills	8.073		7.991		7.969		8.070		8.061
Average 364 day T. Bills				8.438					
Month	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
Average savings rate	2.13	1.90	1.91	1.67	2.08	1.67	1.65	1.65	
Average overdraft rate	13.46	13.78	13.66	14.13	14.41	13.94	13.90	13.76	

Source: Central Bank of Kenya

Interbank and REPO Market

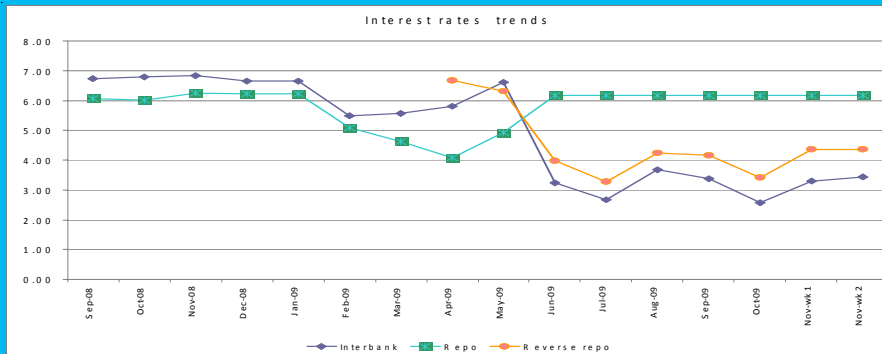
The average interbank rate increased by 13 basis points in the week ending November 12, 2009 to 3.43 percent as compared with the previous week at 3.30 percent. The number of deals and volumes, however, declined from 419 and Ksh 87.24 billion to 385 and Ksh 75.29 billion, respectively, in the week ending November 12, 2009 (Table 2 and Chart A).

Table 2: Interbank Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
30-Oct-09	92	14,035	3.20
02-Nov-09	84	21,089	3.26
03-Nov-09	84	18,936	3.35
04-Nov-09	71	14,769	3.33
05-Nov-09	88	18,412	3.35
Oct 30 - Nov 05, 2009	419	87,240	3.30
06-Nov-09	69	14,746	3.34
09-Nov-09	82	17,301	3.41
10-Nov-09	68	10,692	3.47
11-Nov-09	91	12,674	3.47
12-Nov-09	75	19,879	3.48
Nov 06 - Nov 12, 2009	385	75,292	3.43

Source: Central Bank of Kenya

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling on average depicted mixed trends against the major international currencies during the week ending November 13, 2009 (Table 3). Against the US dollar, the shilling appreciated to exchange at Ksh 74.51 in the week ending November 13, 2009 compared with Ksh 75.22 per US dollar in the previous week mainly due to weak corporate demand. The shilling appreciated against the Euro and the Japanese Yen to exchange at Ksh 111.71 per Euro and Ksh 82.86 per 100 Japanese Yen in the week ending November 13, 2009 compared with Ksh 111.78 per Euro and Ksh 83.24 per 100 Japanese Yen in the previous week, respectively. Against the Sterling Pound the shilling depreciated to exchange at Ksh 124.09 per Sterling Pound in the week ending November 13, 2009 compared with Ksh 123.97 per Sterling Pound in the previous week.

In the regional scene, the Kenya Shilling strengthened marginally against the Uganda Shilling and the Tanzania Shilling to exchange at Ush 25.23 per Kenya Shilling and Tsh 17.81 per Kenya Shilling in the week ending November 13, 2009 compared with Ush 24.99 per Kenya Shilling and Tsh 17.62 per Kenya Shilling in the previous week, respectively.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
02-Nov-09	75.23	123.70	111.03	83.52	24.99	17.60
03-Nov-09	75.25	123.28	111.33	83.38	24.95	17.58
04-Nov-09	75.43	124.12	111.91	83.37	24.91	17.59
05-Nov-09	75.20	124.23	112.34	83.11	25.05	17.65
06-Nov-09	75.00	124.53	112.27	82.80	25.04	17.70
Nov 02-06, 2009	75.22	123.97	111.78	83.24	24.99	17.62
09-Nov-09	74.69	124.81	112.33	82.96	25.13	17.74
10-Nov-09	74.38	123.91	112.16	82.78	25.27	17.88
11-Nov-09	74.56	124.72	111.69	83.14	25.22	17.79
12-Nov-09	74.41	123.29	111.56	82.84	25.27	17.83
13-Nov-09	74.50	123.73	110.79	82.58	25.24	17.80
Nov 09-13, 2009	74.51	124.09	111.71	82.86	25.23	17.81

Source: Central Bank of Kenya

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,344 million (equivalent to 3.71 months of imports) as at November 13, 2009, compared with US dollar 2,752 million (equivalent to 3.62 months of imports) as at November 13, 2008 (Table 4).

Foreign exchange reserves held by the commercial banks, predominantly used by the private sector to meet external financial obligations declined from US\$ 1,861 million at the end of September 2008 to US\$ 1,527 million at end of September 2009.

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

	13-Nov-08	29-May-09	26-Jun-09	31-Jul-09	31-Aug-09	30-Sep-09	30-Oct-09	13-Nov-09
Usable Reserves	2,752	2,789	3,086	3,097	3,154	3,243	3,302	3,344
Months of Imports Cover*	3.62	3.22	3.56	3.52	3.54	3.67	3.67	3.71
Months of Imports Cover**	3.28	2.80	3.10	3.12	3.18	3.27	3.33	3.37

*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 fairly liquid during the week ending November 11, 2009 following increased Government payments. During the week, Central Bank stayed out of the market as shown in Table 5. There were no reverse repo maturities during the week under review. Reserve money averaged Ksh 169.5 billion in the week and remained above target by Ksh 2.1 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
05-Nov	167.6	167.1	0.5	0.0	0.0	0.0	171.3	4.3	13.4	-9.1
06-Nov	170.3	167.1	3.3	0.0	0.0	0.0	170.5	3.5	12.3	-8.8
09-Nov	171.2	167.6	3.6	0.0	0.0	0.0	168.4	0.9	9.5	-8.6
10-Nov	170.8	167.6	3.3	0.0	0.0	0.0	168.9	1.3	8.6	-7.3
11-Nov	168.3	167.6	0.8	0.0	0.0	0.0	168.2	0.6	8.9	-8.2
Average	169.6	167.4	2.3	0.0	0.0	0.0	169.5	2.1	10.5	-8.4

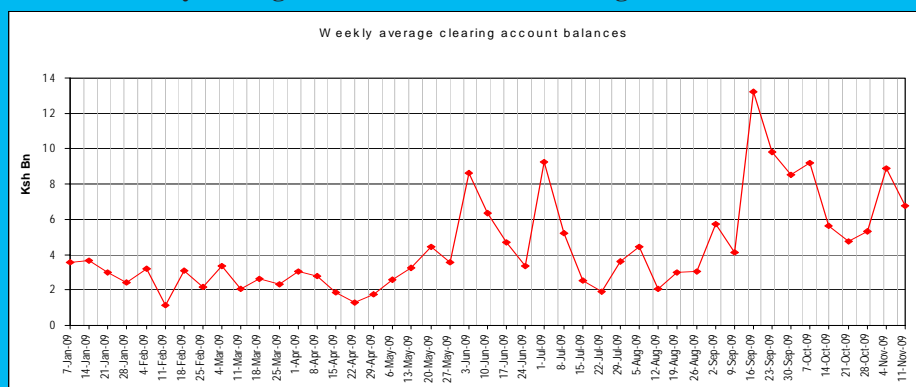
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 6.8 billion in their clearing accounts at the Central Bank in the week to November 11, 2009, compared with Ksh 8.9 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

Government gross domestic debt increased by Ksh 40.7 billion from Ksh 518.3 billion in June 2009 to Ksh 559.01 billion as at November 6, 2009 (Table 6 and Chart C). The expansion reflected increases of Ksh 7.3 billion, Ksh 29.1 billion, Ksh 5.6 billion in Treasury bills (excluding Repos), Treasury bonds and overdraft at the Central Bank, respectively, and a decline of Kshs 1.4 billion in other domestic debt.

Treasury bills, Treasury bonds, overdraft at Central Bank and other domestic debt increased from Ksh 116.8 billion, 360.7 billion, Ksh 5.1 billion and Ksh 34.9 billion in June 2009 to Ksh 124.1 billion, Ksh 389.9 billion, Ksh 10.7 billion and 41.7 billion, respectively, as at November 6, 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 increased from 75.4 percent in June 2009 to 75.7 percent as at November 6, 2009 while that of Treasury bills decreased from 24.4 percent to 24.1 percent. The maturity profile of Government securities stood at 3 years 10 months.

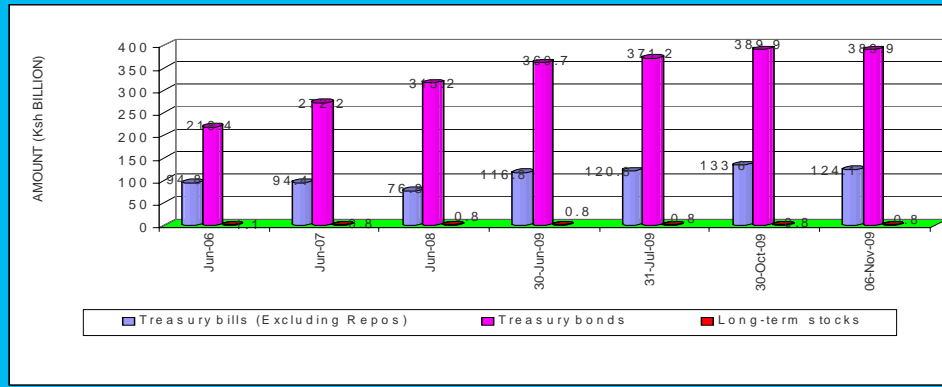
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-08	Jun-09	31st July 2009	28th Aug 2009	25th Sep 2009	30th Oct 2009	6th Nov 2009	Changes	
								30th Oct-09-6th Nov-09	30th Jun-09-6th Nov-09
1. Treasury Bills (Excluding Repos) (As % of total securities)	76.8 19.6	116.8 24.4	120.8 24.5	129.4 25.4	121.7 23.9	133.6 25.5	124.1 24.1	-9.5 -1.4	7.3 -0.3
2. Treasury Bonds (As % of total securities)	315.2 80.2	360.7 75.4	371.2 75.3	378.5 74.4	386.1 75.9	389.9 74.4	389.9 75.7	0.0 1.4	29.1 0.3
3. Long Term Stocks (As % of total securities)	0.8 0.2	0.8 0.2	0.8 0.2	0.8 0.1	0.8 0.1	0.8 0.1	0.8 0.1	0.0 0.0	0.0 0.0
4. Total Securities (1+2+3)	392.8	478.3	492.8	508.7	508.5	524.2	514.7	-9.5	36.4
5. Overdraft at Central Bank	0.0	5.1	3.9	6.1	16.0	9.3	10.7	1.4	5.6
6. Other Domestic debt*	37.8	34.9	33.7	33.8	33.7	33.6	33.5	8.1	6.8
7. Gross Domestic Debt (4+5+6)	430.6	518.3	530.4	548.6	558.2	567.1	559.0	0.0	48.8
8. Interest payments on domestic debt (Cumulative in FY)	42.2	45.9	4.5	9.8	13.2	19.2	20.9	1.8	

*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

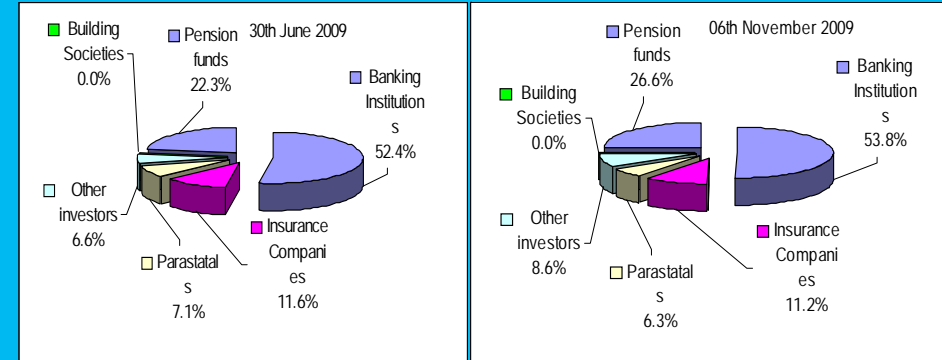


Source: Central Bank of Kenya

Holding of Government Securities

The holdings of Government securities by commercial banks, pension funds and other investors increased from 52.4 percent, 22.3 percent and 6.6 percent, respectively, in June 2009 to 53.8 percent, 26.6 percent and 8.6 percent, respectively, as at November 6, 2009. On the other hand, holdings by the insurance companies and parastatals declined from 11.6 percent and 7.1 percent, respectively, to 11.2 percent and 6.3 percent as at November 6, 2009 (Chart D).

Chart D: Composition of Government Securities by Investor

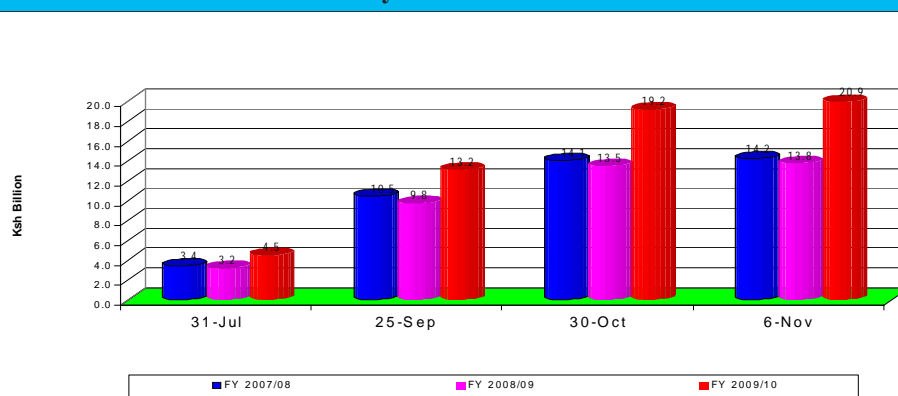


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative Government expenditure on interest and other charges on domestic debt for the period up to November 6, 2009 of the FY 2008/09 amounted to Ksh 20.9 billion compared with Ksh 13.8 billion in a similar period in the fiscal year 2007/08 (Chart E). The interest cost on domestic debt during the period comprised Ksh 14.5 billion in interest and other charges on Treasury bonds, Ksh 6.0 billion in interest and other charges on Treasury bills, and Ksh 0.4 billion in interest on both Government overdraft at 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 improved performance at the equities market during the week ending November 12, 2009. Equity turnover increased by 37.2 percent as stocks worth Ksh 1,378.5 million were traded compared with Ksh 1,005.1 million traded in the previous week. The number of shares traded decreased, from 77.1 million in the previous week to 55.2 million shares in the week under review. Market capitalization as a measure of total shareholders wealth improved by 1.3 percent or Ksh 10.3 billion to close at Ksh 792.4 billion in the week under review from Ksh 782.1 billion in the previous week. The NSE 20 Share Index gained 54.4 points to settle at 3131.5 points on November 12, 2009 from 3077.1 points on November 5, 2009. The Nairobi All Share Index also gained 0.9 points to settle at 68.4 points on November 12, 2009 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	17-Sep-09	24-Sep-09	01-Oct-09	08-Oct-09	15-Oct-09	22-Oct-09	29-Oct-09	05-Nov-09	12-Nov-09
NASI 100= Jan 2008	68.15	68.14	67.04	65.74	66.16	66.97	67.37	67.52	68.41
NSE 20 Share Index 100=1966	3,064.42	3,040.69	3,022.33	2,987.20	3,001.21	3,049.99	3,066.01	3,077.11	3,131.47
Number of Deals	6,766	5,259	6,594	6,025	5,878	4,861	6,160	6,545	6,584
Total Shares Traded (millions)	64.06	59.79	60.07	48.69	64.34	62.65	99.34	77.12	55.16
Equity Turnover (Ksh. millions)	831.29	1,021.32	1,143.20	615.51	557.06	1,656.08	1,082.83	1,005.12	1,378.54
Market Capitalization (Ksh. Bn.)	789.42	789.29	775.20	761.55	766.41	775.81	780.38	782.10	792.41
Bonds Turnover (Ksh. millions)	1,445.90	1,621.70	2,339.50	1,666.55	3,256.75	1,238.30	4,912.05	2,169.15	3,165.85

* 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 31.5 million shares and accounted for 57 percent of total traded volume. Safaricom traded 30.1 million shares to be the most active stock in the sector. The Finance and Investment sector traded 12.3 million shares and accounted for 22 percent of total traded volume. Equity Bank and Co-operative Bank traded 5.7 million and 2.5 million shares and were the most active counters in the sector. Industrial and Allied sector traded 10.9 million shares and accounted for 20 percent of traded volume. Mumias and B.A.T were the most active counters and traded 2.5 million and 2.1 million shares, respectively. The other sectors had minimal trading.

Bond Market Bond market trading improved at the Fixed Income Securities Market during the week. Bond turnover increased as bonds worth Ksh 3.2 billion were traded compared with Ksh 2.2 billion traded in the previous week.