

November 20, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted 154.6 percent performance rate during the 91-day Treasury bills auction of November 19, 2009. The average 91-day Treasury bills rate was 7.198 percent during this week's auction.

The average interbank rate declined by 23 basis points in the week ending November 19, 2009 to 3.21 percent compared with 3.43 percent in the previous week.

The Kenya Shilling on average depreciated against the major international currencies during the week ending November 20, 2009. Against the US dollar, the shilling depreciated marginally to exchange at Ksh 74.55 in the week ending November 20, 2009 compared with Ksh 74.51 per US dollar in the previous week.

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,356 million (equivalent to 3.73 months of imports) as at November 20, 2009 compared with US dollar 2,681 million (equivalent to 3.52 months of imports) as at November 20, 2008.

Central Bank stayed out of the market during the week ending November 18, 2009. There were no reverse repo maturities during the week, under review.

The Government gross domestic debt increased by Ksh 38.8 billion, from Ksh 518.3 billion in June 2009 to Ksh 557.2 billion as at November 13, 2009. From July 1, 2009 to November 13, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 20.0 billion.

Performance at the equities market was mixed during the week. Equity turnover decreased by 18.8 percent, market capitalization improved by 0.7 percent while the NSE 20 Share index lost 19.5 points to settle at 3112.0 points on November 19, 2009.

Government Securities Auction

The Government securities market posted 154.6 percent performance rate during the 91-day Treasury bills auction of November 19, 2009. The Government offered for sale Treasury bills worth Ksh 3.5 billion and received bids totalling Ksh 5.4 billion.

The Government accepted bids totalling Ksh 4.15 billion, of which Ksh 3.9 billion or 94.5 percent were in competitive bids. The proceeds of the auction were partly used to meet the cost of rolling over Treasury bills maturities amounting to Ksh 0.50 billion in the week and provided new borrowing of Ksh 3.61 billion.

Treasury Bills Rates

The average 91-day Treasury bills rate declined by 3.4 basis points from 7.232 percent in the previous auction of the same tenure to 7.198 percent during this week's auction (Table 1). However, the 12-weeks moving average for the 91-day Treasury bills rate declined from 7.244 percent to 7.230 percent.

Table 1: Interest Rates

Auction date	24-Sep-09	01-Oct-09	08-Oct-09	15-Oct-09	22-Oct-09	29-Oct-09	05-Nov-09	12-Nov-09	19-Nov-09
Average 91 day T. Bills	7.303		7.248		7.264		7.232		7.198
Average 182 day T. Bills		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	1.85
Average overdraft rate	13.46	13.78	13.66	14.13	14.41	13.94	13.90	13.76	14.03

Source: Central Bank of Kenya

Interbank and REPO Market

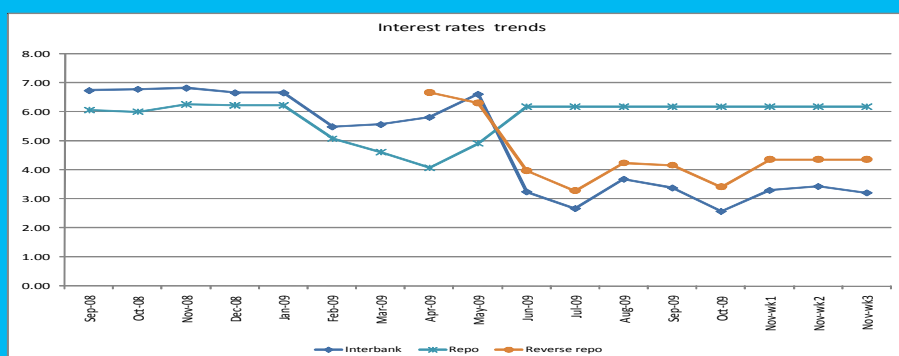
The average interbank rate declined by 23 basis points in the week ending November 19, 2009 to 3.21 percent as compared with 3.43 percent in the previous week (Table 2 and Chart A). The number of deals and volumes also declined from 385 and Ksh 75.29 billion to 381 and Ksh 61.19 respectively, in the week ending November 19, 2009. The Central Bank stayed out of the market in the week ending November 18, 2009 and there were no reverse repo maturities during the week under review.

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	87,246	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	19,579	3.43
Nov 06 - Nov 12, 2009	385	75,292	3.43
13-Nov-09	73	11,069	3.51
16-Nov-09	64	9,474	3.46
17-Nov-09	74	12,370	3.21
18-Nov-09	78	14,848	2.92
19-Nov-09	92	13,430	2.93
Nov 13 - Nov 19, 2009	381	61,190	3.21

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 depreciated against the major international currencies during the week ending November 20, 2009 (Table 3). Against the US dollar, the shilling depreciated marginally to exchange at Ksh 74.55 in the week ending November 20, 2009 compared with Ksh 74.51 per US dollar in the previous week mainly due to low demand from the corporate activities. The shilling also depreciated against the Sterling Pound and the Japanese Yen to exchange at Ksh 124.81 per Sterling Pound and Ksh 83.63 per 100 Japanese Yen in the week ending November 20, 2009 compared with Ksh 124.09 per Sterling Pound and Ksh 82.86 per 100 Japanese Yen in the previous week respectively. Against the Euro, the shilling appreciated to exchange at Ksh 111.30 per Euro in the week ending November 20, 2009 compared with Ksh 111.71 per Euro in the previous week.

In the regional scene, the Kenya Shilling was stable against the Uganda Shilling and weakened marginally against the Tanzania Shilling to exchange at Ush 25.23 per Kenya Shilling and Tsh 17.79 per Kenya Shilling in the week ending November 20, 2009 compared with Ush 25.23 per Kenya Shilling and Tsh 17.81 per Kenya Shilling in the previous week, respectively.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
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
16-Nov-09	74.68	124.86	111.79	83.41	25.18	17.76
17-Nov-09	74.72	125.64	111.69	83.89	25.17	17.75
18-Nov-09	74.47	125.18	110.88	83.49	25.25	17.81
19-Nov-09	74.33	124.21	110.86	83.43	25.30	17.85
20-Nov-09	74.54	124.15	111.27	83.93	25.23	17.80
Nov 16-20, 2009	74.55	124.81	111.30	83.63	25.23	17.79

Source: Central Bank of Kenya

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,356 million (equivalent to 3.73 months of imports) as at November 20, 2009, compared with US dollar 2,681 million (equivalent to 3.52 months of imports) as at November 20, 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)

	20-Nov-08	29-May-09	26-Jun-09	31-Jul-09	31-Aug-09	30-Sep-09	30-Oct-09	20-Nov-09
Usable Reserves	2,681	2,789	3,086	3,097	3,154	3,243	3,302	3,356
Months of Imports Cover*	3.52	3.22	3.56	3.52	3.54	3.67	3.67	3.73
Months of Imports Cover**	3.20	2.80	3.10	3.12	3.18	3.27	3.33	3.38

*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 money market was fairly liquid during the week ending November 18, 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 169.1 billion in the week and remained above target by Ksh 1.3 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
12-Nov	169.2	167.6	1.6	0.0	0.0	0.0	168.4	0.8	2.9	-2.1
13-Nov	168.4	167.6	0.8	0.0	0.0	0.0	169.0	1.4	4.1	-2.7
16-Nov	170.7	168.0	2.6	0.0	0.0	0.0	170.6	2.6	5.8	-3.2
17-Nov	170.6	168.0	2.6	0.0	0.0	0.0	168.9	0.9	4.4	-3.5
18-Nov	167.7	168.0	-0.3	0.0	0.0	0.0	168.6	0.6	4.4	-3.8
Average	169.3	167.8	1.5	0.0	0.0	0.0	169.1	1.3	4.3	-3.1

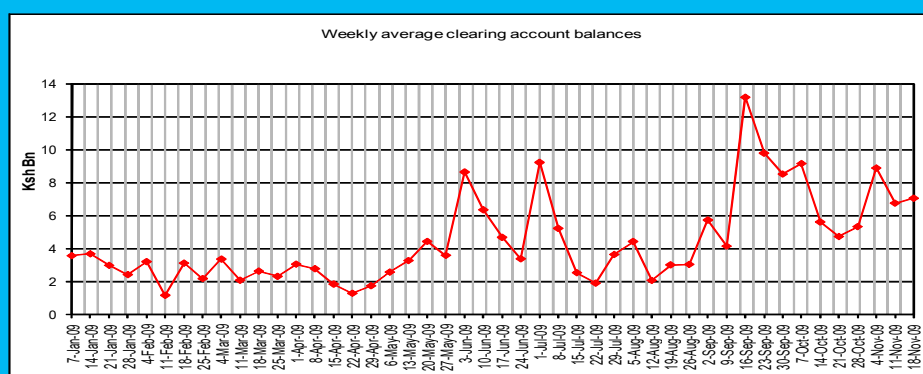
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 7.1 billion in their clearing accounts at the Central Bank in the week to November 18, 2009, compared with Ksh 6.8 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 increased by Ksh 38.8 billion, from Ksh 518.3 billion in June 2009 to Ksh 557.2 billion as at November 13, 2009 (Table 6 and Chart C). This was attributed to increases of Ksh 8.3 billion in Treasury bills excluding repos, Ksh 29.1 billion in Treasury bonds and Ksh 2.7 billion in overdraft at the Central Bank of Kenya. However, the increase in gross domestic debt was offset by a decrease of Ksh 1.3 billion in other domestic debt.

Treasury bills (excluding repos) increased from Ksh 116.8 billion in June 2009 to Ksh 125.1 billion as at November 13, 2009, Treasury bonds increased from Ksh 360.7 billion to Ksh 389.9 billion while the overdraft at the CBK increased from Ksh 5.1 billion to Ksh 7.8 billion. However, other domestic debt decreased from Ksh 34.9 billion to Ksh 33.6 billion during the period. 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 increased from 75.4 percent in June 2009 to 75.6 percent as at November 13, 2009 while Treasury bills holdings decreased from 24.4 percent to 24.3 percent during the period. As a result, the maturity profile of Government securities stood at 3 years and 11 months.

Table 6: Government Domestic Debt (Ksh Billion)

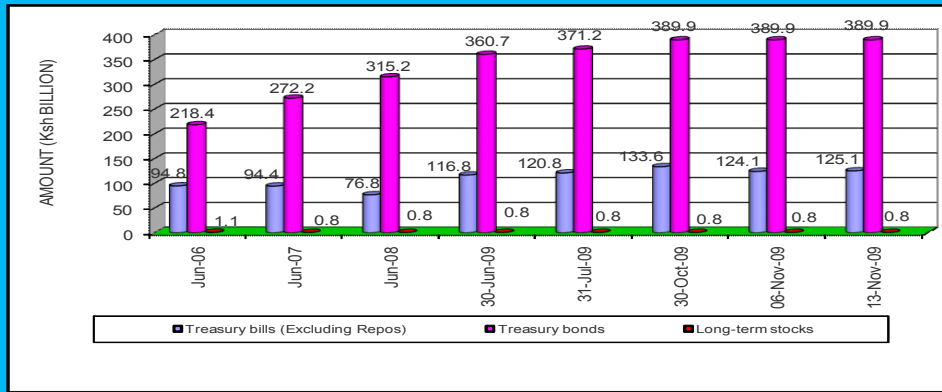
	Jun-08	Jun-09	31st July 2009	28th Aug 2009	25th Sep 2009	30th Oct 2009	6th Nov 2009	13th Nov 2009	Changes	
									30th Oct-09-6th Nov-09	30th Jun-09-6th Nov-09
1. Treasury Bills (Excluding Repos)	76.8	116.8	120.8	129.4	121.7	133.6	124.1	125.1	1.1	8.3
(As % of total securities)	19.6	24.4	24.5	25.4	23.9	25.5	24.1	24.3	0.2	-0.2
2. Treasury Bonds	315.2	360.7	371.2	378.5	386.1	389.9	389.9	389.9	0.0	29.1
(As % of total securities)	80.2	75.4	75.3	74.4	75.9	74.4	75.7	75.6	-0.2	0.2
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	0.2	0.1	0.1	0.1	0.1	0.1	0.0	0.0
4. Total Securities (1+2+3)	392.8	478.3	492.8	508.7	508.5	524.2	514.7	515.8	1.1	37.5
5. Overdraft at Central Bank	0.0	5.1	3.9	6.1	16.0	9.3	10.7	7.8	-2.9	2.7
6. Other Domestic debt*	37.8	34.9	33.7	33.8	33.7	33.6	33.5	33.6	0.0	-1.3
7. Gross Domestic Debt (4+5+6)	430.6	518.3	530.4	548.6	558.2	567.1	559.0	557.2	-1.8	38.8
8. Interest payments on domestic debt (Cumulative in FY)	42.2	45.9	4.5	9.8	13.2	19.2	19.9	20.0	0.1	

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

Source: Central Bank of Kenya

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Chart C: Composition of Government Securities

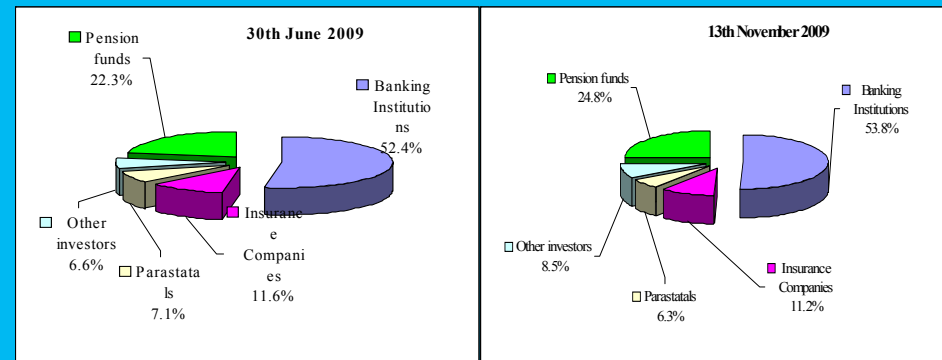


Source: Central Bank of Kenya

Holding of Government Securities

Government securities holdings by pension funds and commercial banks and other investors increased from 22.3 percent, 52.4 percent and 6.6 percent in June 2009 to 24.8 percent, 53.8 percent and 8.5 percent respectively, as at November 13, 2009 (Chart D). On the other hand, holdings of insurance companies and parastatals decreased from 11.6 percent and 7.1 percent, respectively, in June 2009 to 11.2 percent and 6.3 percent during the same period.

Chart D: Composition of Government Securities by Investor

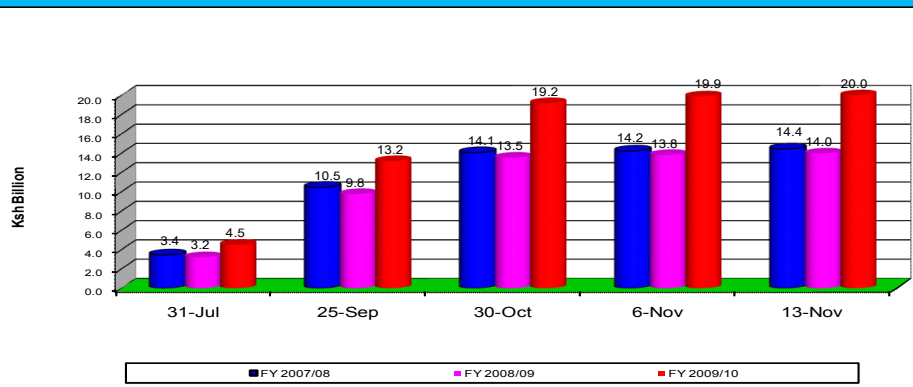


Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1, 2009 to November 13, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 20.0 billion as shown in 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 5.0 billion in interest and other charges on Treasury Bills and Ksh 0.4 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 mixed performance at the equities market during the week ending November 19, 2009. Equity turnover decreased by 18.8 percent as stocks worth Ksh 1,119.8 million were traded compared with Ksh 1,378.5 million traded in the previous week. The number of shares traded increased, from 55.2 million in the previous week to 76.3 million shares in the week under review. Market capitalization as a measure of total shareholders wealth improved by 0.7 percent or Ksh 5.3 billion to close at Ksh 797.7 billion in the week under review from Ksh 792.4 billion in the previous week. The NSE 20 Share index lost 19.5 points to settle at 3112.0 points on November 19, 2009 from 3131.5 points on November 12, 2009. The Nairobi All Share Index gained 0.5 points to settle at 68.9 points on November 19, 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	19-Nov-09
NASI 100= Jan 2008	68.15	68.14	67.04	65.74	66.16	66.97	67.37	67.52	68.41	68.86
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	3,111.95
Number of Deals	6,766	5,259	6,594	6,025	5,878	4,861	6,160	6,545	6,584	6,382
Total Shares Traded (millions)	64.06	59.79	60.07	48.69	64.34	62.65	99.34	77.12	55.16	76.33
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	1,119.81
Market Capitalization (Ksh. Bn.)	789.42	789.29	775.20	761.55	766.41	775.81	780.38	782.10	792.41	797.69
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	1,893.90

* 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 33.8 million shares and accounted for 44 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 30.8 million shares and accounted for 40 percent of total traded volume. Equity Bank and Co-operative Bank traded 25.1 million and 2.5 million shares and were the most active counters in the sector. Industrial and Allied sector traded 10.4 million shares and accounted

for 14 percent of traded volume. KenolKobil and Mumias were the most active counters and traded 6.4 million and 1.9 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 1.9 billion were traded compared with Ksh 3.2 billion traded in the previous week.