

November 27, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

The bids for Government securities surpassed the value issued by 92.6 percent during the 182-day Treasury bills auction of November 26, 2009. The average 182-day Treasury bills rate declined by 11.8 basis to 7.943 percent during this week's auction.

The average interbank rate declined by 45 basis points in the week ending November 26, 2009 to 2.76 percent as compared with the previous week's average at 3.21 percent.

The Kenya Shilling depreciated against the major international currencies, except for the Sterling Pound during the week ending November 27, 2009. Against the US dollar, the shilling depreciated to exchange at Ksh 74.65 in the week ending November 26, 2009 compared with Ksh 74.55 per US dollar in the previous week.

Official usable foreign exchange reserves held by the Central Bank increased to US\$ 3,383 million (equivalent to 3.76 months of imports) as at November 27, 2009 from US dollar 3,302 million (equivalent to 3.67 months of imports) in October 2009 and US dollars 3,097 million (or 3.52 months of import cover) in June 2009.

Central Bank stayed out of the money market during the week ending November 25, 2009, and there were no reverse repo maturities or issues during the week under review.

The Monetary Policy Committee reviewed the CBR downwards by 7.5 basis points to 7 percent in order to boost credit to the private sector and thereby support the nascent economic recovery.

The Government gross domestic debt increased by Ksh 38.6 billion, from Ksh 518.3 billion in June 2009 to Ksh 556.9 billion as at November 20, 2009. From July 1, 2009 to November 13, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 20.5 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 a 192.6 percent performance rate during the 182-day Treasury bills auction of November 26, 2009. The Government offered for sale Treasury bills worth Ksh 6.5 billion and received bids totalling Ksh 12.5 billion.

The Government accepted bids totalling Ksh 7.4 billion, of which Ksh 6.9 billion or 93.3 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 6.6 billion in the week and provided new borrowing of Ksh 0.8 billion.

Treasury Bills Rates

The average 182-day Treasury bills rate declined by 11.8 basis points from 8.061 percent in the previous auction of the same tenure to 7.943 percent during this week's auction (Table 1). The 12-weeks moving average for the 182-day Treasury bills rate also declined from 8.088 percent to 8.076 percent.

Table 1: Interest Rates

Auction date	01-Oct-09	08-Oct-09	15-Oct-09	22-Oct-09	29-Oct-09	05-Nov-09	12-Nov-09	19-Nov-09	26-Nov-09
Average 91 day T. Bills		7.248		7.264		7.232		7.198	
Average 182 day T. Bills	7.991		7.969		8.070		8.061		7.943
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

* Revised

Source: Central Bank of Kenya

Interbank and REPO Market

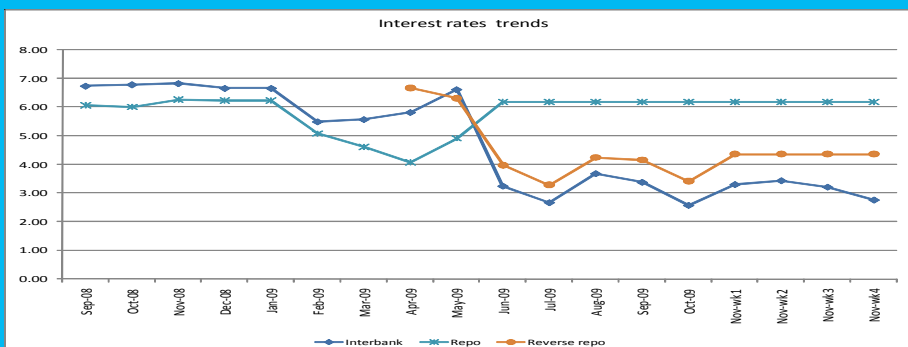
The average interbank rate declined by 45 basis points in the week ending November 26, 2009 down to 2.76 percent as compared with the previous week at 3.21 percent. The number of deals and volumes however increased from 381 and Ksh 61.19 billion to 475 and Ksh 77.78 billion respectively, in the week ending November 26, 2009. The decline in the interbank rate indicates a fairly liquid market during the week ending November 26, 2009.

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
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
20-Nov-09	100	15,512	2.85
24-Nov-09	91	14,111	2.91
24-Nov-09	98	16,103	2.77
25-Nov-09	99	16,082	2.72
26-Nov-09	87	15,979	2.65
Nov 20 - Nov 26, 2009	475	77,787	2.76

Source: Central Bank of Kenya

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling depreciated against the major international currencies, except for the Sterling Pound during the week ending November 27, 2009 (Table 3). Against the US dollar, the shilling depreciated to exchange at Ksh 74.65 in the week ending November 27, 2009 compared with Ksh 74.55 per US dollar in the previous week. The shilling also depreciated against the Euro and the Japanese Yen by 0.4 percent and 1.5 percent respectively. Against the Sterling Pound the shilling appreciated by 0.9 percent.

In the regional scene, the Kenya Shilling weakened marginally against Uganda Shilling and the Tanzania Shilling to exchange at Ush 25.19 per Kenya Shilling and Tsh 17.77 per Kenya Shilling in the week ending November 27, 2009 compared with Ush 25.23 per Kenya Shilling and Tsh 17.79 per Kenya Shilling in the previous week respectively.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
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
23-Nov-09	74.75	123.75	111.62	84.11	25.16	17.75
24-Nov-09	74.69	123.80	111.52	84.09	25.18	17.76
25-Nov-09	74.74	124.26	112.00	84.49	25.16	17.75
26-Nov-09	74.50	124.26	112.36	85.72	25.24	17.80
27-Nov-09	74.54	122.43	111.24	86.07	25.23	17.80
Nov 23-27, 2009	74.65	123.70	111.75	84.90	25.19	17.77

Source: Central Bank of Kenya

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,383 million (equivalent to 3.76 months of imports) as at November 27, 2009, compared with US dollar 2,720 million (equivalent to 3.57 months of imports) as at November 27, 2008 (Table 4). However, foreign exchange have increased gradually since July 2009 reflecting purchases from the interbank market.

Foreign exchange reserves held by the commercial banks, predominantly used by the private sector to meet external financial obligations declined from US\$ 1,807 million at the end of October 2008 to US\$ 1,536 million at end of October 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	27-Nov-09
Usable Reserves	2,720	2,789	3,086	3,097	3,154	3,243	3,302	3,383
Months of Imports Cover*	3.57	3.22	3.56	3.52	3.54	3.67	3.67	3.76
Months of Imports Cover**	3.24	2.80	3.10	3.12	3.18	3.27	3.33	3.41

*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 25, 2009 following Treasury bill and bond redemptions as well as increased Government spending. During the week, Central Bank stayed out of the market as shown in Table 5. There were no reverse repo maturities for the week under review. Reserve money averaged Ksh 165.2 billion during the week under review and remained below target by Ksh 3.1 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
19-Nov	166.9	168.0	-1.1	0.0	0.0	0.0	164.2	-3.9	0.8	-4.6
20-Nov	161.7	168.0	-6.3	0.0	0.0	0.0	162.0	-6.0	-0.9	-5.1
23-Nov	166.3	168.5	-2.2	0.0	0.0	0.0	167.4	-1.1	4.4	-5.5
24-Nov	166.8	168.5	-1.7	0.0	0.0	0.0	165.9	-2.6	3.0	-5.7
25-Nov	166.6	168.5	-1.9	0.0	0.0	0.0	166.7	-1.8	3.9	-5.7
Average	165.7	168.3	-2.6	0.0	0.0	0.0	165.2	-3.1	2.2	-5.3

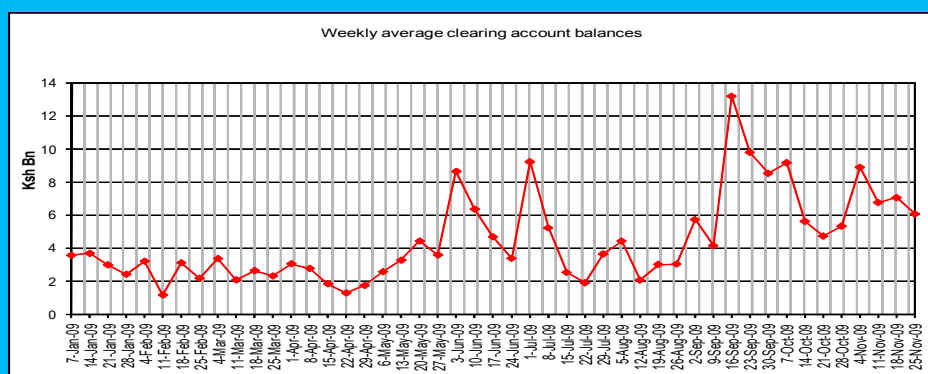
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 6.1 billion in their clearing accounts at the Central Bank in the week to November 23, 2009, compared with Ksh 7.1 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 38.6 billion, or 7.4 percent from Ksh 518.3 billion in June 2009 to Ksh 556.9 billion as at November 20, 2009 (Table 6 and Chart D). This was attributed to increases of Ksh 9.8 billion in Treasury bills excluding repos, Ksh 27.4 billion in Treasury bonds and Ksh 2.7 billion in overdraft at the Central Bank of Kenya. However, other domestic debt declined by Ksh 1.3 billion.

Following these developments, the holdings of Treasury bonds in total Government securities decreased from 75.4 percent in June 2009 to 75.3 percent as at November 20, 2009 while Treasury bills holdings increased from 24.4 percent to 24.6 percent during the period. The maturity profile of Government securities increased by 5 months, to 3 years and 11 months, reflecting the impact of the reopening of the benchmark bonds and issuance of the 364 days Treasury bill.

Table 6: Government Domestic Debt (Ksh Billion)

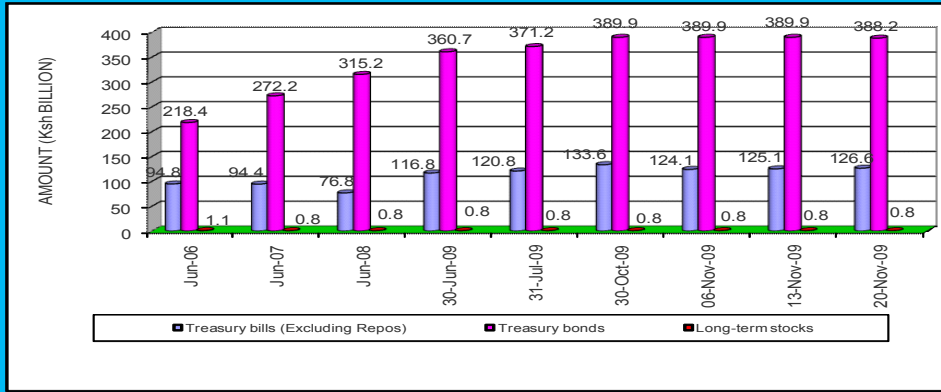
	Jun-08	Jun-09	31st July 2009	28th Aug 2009	25th Sep 2009	30th Oct 2009	6th Nov 2009	12th Nov 2009	20th Nov 2009	Changes	
										30th Oct-09-20th Nov-09	30th Jun-09-20th Nov-09
1. Treasury Bills (Excluding Repos) (As % of total securities)	76.8 19.6	116.8 24.4	120.8 24.5	129.4 25.4	121.7 23.9	133.6 25.5	124.1 24.1	125.1 24.3	126.6 24.6	1.4 0.3	9.8 0.1
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	389.9 75.6	388.2 75.3	-1.7 -0.3	27.4 -0.1
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	0.8 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	515.8	515.5	-0.3	37.2
5. Overdraft at Central Bank	0.0	5.1	3.9	6.1	16.0	9.3	10.7	7.8	7.8	0.0	2.7
6. Other Domestic debt*	37.8	34.9	33.7	33.8	33.7	33.6	33.5	33.6	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	556.9	-0.3	38.6
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	20.5	0.5	

* 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

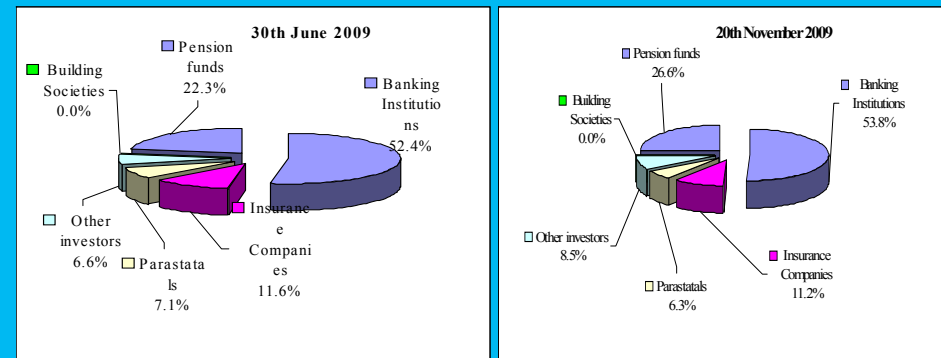


Source: Central Bank of Kenya

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 26.6 percent, 53.8 percent and 8.3 percent respectively, as at November 20, 2009. 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

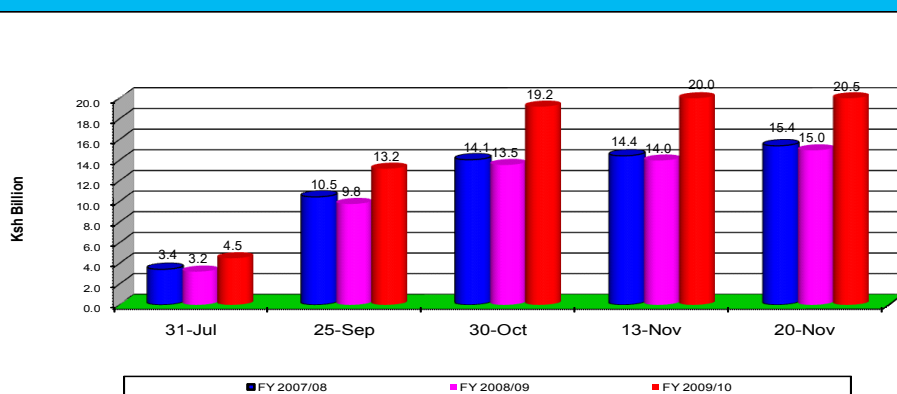


Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1, 2009 to November 20, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 20.5 billion (in Chart F) which was Ksh 5.5 bn or 36.6 percent above the level in the period July 1 to November 20, 2008. The interest cost on domestic debt during the review period comprised Ksh 14.7 billion in interest and other charges on Treasury Bonds, Ksh 5.4 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

Performance at the equities market improved during the week ending November 26, 2009. Equity turnover increased by 7.7 percent as stocks worth Ksh 1,206.3 million were traded compared with Ksh 1,119.8 million traded in the previous week. The number of shares traded increased, from 76.3 million in the previous week to 179.26 million shares in the week under review. Market capitalization as a measure of total shareholders wealth improved by 4.7 percent, or Ksh 37.3 billion to close at Ksh 835 billion in the week under review from Ksh 797.7 billion in the previous week. The NSE 20 Share index gained 79.98 points to settle at 3191.93 points on November 26, 2009 from 3111.95 points on November 19, 2009. The Nairobi All Share Index gained 3.2 points to settle at 72.1 points on November 26, 2009 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	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	26-Nov-09
NASI 100= Jan 2008	68.14	67.04	65.74	66.16	66.97	67.37	67.52	68.41	68.86	72.08
NSE 20 Share Index 100=1966	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	3,191.93
Number of Deals	5,259	6,594	6,025	5,878	4,861	6,160	6,545	6,584	6,382	6,694
Total Shares Traded (millions)	59.79	60.07	48.69	64.34	62.65	99.34	77.12	55.16	76.33	179.27
Equity Turnover (Ksh. millions)	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	1,206.34
Market Capitalization (Ksh. Bn.)	789.29	775.20	761.55	766.41	775.81	780.38	782.10	792.41	797.69	834.97
Bonds Turnover (Ksh. millions)	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	1,720.90

* 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 164.4 million shares and accounted for 91.7 percent of total traded volume. Safaricom traded 162.0 million shares to be the most active stock in the sector. The Finance and Investment sector traded 8.4 million shares and accounted for 4.7 percent of total traded volume. Equity Bank and Kenya Commercial Bank traded 2.6 million and 2.2 million shares, respectively and were the most active counters in the sector. Industrial and Allied sector traded 6.2 million shares

and accounted for 3.4 percent of traded volume. Mumias and KenGen were the most active counters and traded 2.4 million and 2.1 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 1.7 billion were traded compared with Ksh 1.9 billion traded in the previous week.