

**October 16, 2009**



**THE CBK WEEKLY BULLETIN**

**Highlights for  
the Week**

The Government securities market posted a performance rate of 101.93 percent during the 182-day Treasury bills auction of October 15, 2009. The average 182-day Treasury bills rate was 7.97 percent during this week's auction.

The average interbank rate increased slightly by 17 basis points in the week ending October 15, 2009 to 2.31 percent as compared to the previous week at 2.14 percent. The number of deals and volumes declined.

The Kenya Shilling recorded mixed performance against all the major international currencies during the week ending October 16, 2009. Against the US dollar, the shilling remained stable to exchange at Ksh 75.27 per US dollar in the week ending October 16, 2009.

Official usable foreign exchange reserves held by the Central Bank increased from US\$ 2,952 million (equivalent to 3.88 months of imports) as at October 16, 2008 to US\$ 3,259 million (equivalent to 3.62 months of imports) as at October 16, 2009.

The Central Bank injected a total of Ksh 4.4 bn into the market during the week ending October 14, 2009.

The Government gross domestic debt increased by Ksh 33.5 billion, from Ksh 518.3 billion in June 2009 to Ksh 551.8 billion as at October 9, 2009. From July 1, 2009 to October 9, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 14.40 billion.

Performance at the equities market was mixed during the week. Equity turnover decreased by 9.5 percent, market capitalization improved by 0.6 percent while the NSE 20 Share index gained 14.0 points to settle at 3001.2 points on October 15, 2009.

**Government Securities Auction**

The Government securities market posted a performance rate of 101.93 percent during the 182-day Treasury bills auction of October 15, 2009. The Government offered for sale Treasury bills worth Ksh 6.5 billion and received bids totalling Ksh 6.6 billion.

The Government accepted all the bids totalling Ksh 6.6 billion, of which Ksh 5.8 billion or 87.1 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 8.4 billion in the week and provided net repayment of Ksh1.8 billion.

**Treasury Bills and Bonds Rates**

The average 182-day Treasury bills rate declined by 2.2 basis points, from 7.991 percent in the Treasury bills auction of the same security on October 1, 2009 to 7.969 percent during this week's auction (Table 1). Consequently, the 12-weeks moving average for the 182-day Treasury bills rate declined from 8.169 percent to 8.110 percent.

**Table 1 : Interest Rates**

Auction date	3-Sep-09	10-Sep-09	17-Sep-09	24-Sep-09	1-Oct-09	8-Oct-09	15-Oct-09
Average 182 day T. Bills	8.103		8.073		7.991		7.969
Month	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Average savings rate	2.10	2.13	1.90	1.91	1.67	2.08	1.67
Average overdraft rate	13.84	13.46	13.78	13.66	14.13	14.41	13.94

Source: Central Bank of Kenya

**Interbank and REPO Market**

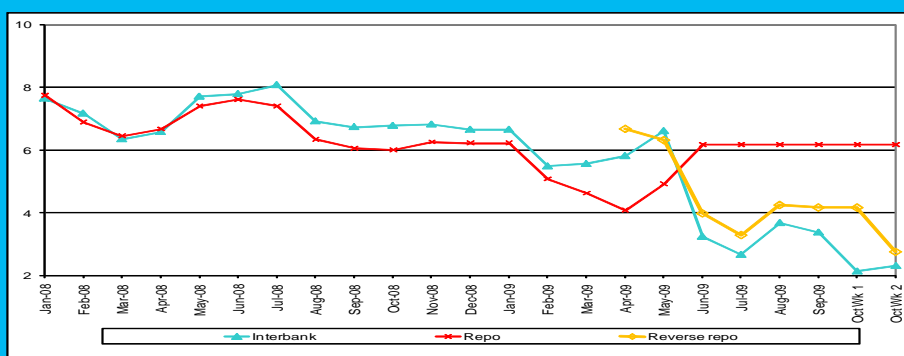
The average interbank rate increased slightly by 17 basis points in the week ending October 15, 2009 to 2.31 percent as compared to the previous week at 2.14 percent. The number of deals and volumes declined from 469 to 434 and from Ksh 73,222 to Ksh. 71,347, respectively, during the week ending October 15, 2009 (Table 2 and Chart A).

**Table 2: Interbank Rates**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
2-Oct-09	102	16,593	2.16
5-Oct-09	85	11,607	2.16
6-Oct-09	84	13,739	2.14
7-Oct-09	100	15,437	2.12
8-Oct-09	98	15,846	2.13
<b>Oct 2 - Oct 8, 2009</b>	<b>469</b>	<b>73,222</b>	<b>2.14</b>
9-Oct-09	90	13,440	2.12
12-Oct-09	93	14,517	2.21
13-Oct-09	83	14,206	2.33
14-Oct-09	89	15,372	2.41
15-Oct-09	79	13,812	2.48
<b>Oct 9 - Oct 15, 2009</b>	<b>434</b>	<b>71,347</b>	<b>2.31</b>

Source: Central Bank of Kenya

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

### The Shilling Exchange Rate

The Kenya Shilling recorded mixed performance against all the major international currencies during the week ending October 16, 2009 (Table 3). Against the US dollar, the shilling remained stable to exchange at Ksh 75.27 per US dollar in the week ending October 16, 2009 compared with Ksh 75.28 per US dollar in the week ending October 9, 2009 supported by foreign exchange inflows that matched demand. The shilling depreciated against the Sterling Pound and the Euro to exchange at Ksh 120.38 per Sterling Pound and Ksh 111.76 per Euro, respectively, compared with Ksh 120.20 per Sterling Pound and Ksh 110.31 per Euro. Against the Japanese Yen, the Shilling appreciated to exchange at Ksh 83.74 per 100 Japanese Yen in the week ending October 16, 2009 compared with Ksh 84.60 per 100 Japanese Yen in the previous week.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
5-Oct-09	75.48	120.69	108.43	84.04	25.57	17.36
6-Oct-09	75.54	120.75	111.22	84.89	25.48	17.32
7-Oct-09	75.11	119.19	110.42	84.74	25.43	17.45
8-Oct-09	75.18	120.15	110.88	85.11	25.37	17.42
9-Oct-09	75.11	120.23	110.61	84.20	25.43	17.51
<b>Oct 5-9, 2009</b>	<b>75.28</b>	<b>120.20</b>	<b>110.31</b>	<b>84.60</b>	<b>25.46</b>	<b>17.41</b>
12-Oct-09	75.12	118.91	110.46	83.23	25.41	17.50
13-Oct-09	75.39	118.82	111.36	83.74	25.60	17.48
14-Oct-09	75.41	120.48	112.27	84.77	25.43	17.47
15-Oct-09	75.19	120.93	112.52	84.16	25.40	17.52
16-Oct-09	75.22	122.76	112.22	82.79	25.23	17.56
<b>Oct 12-16, 2009</b>	<b>75.27</b>	<b>120.38</b>	<b>111.76</b>	<b>83.74</b>	<b>25.41</b>	<b>17.50</b>

Source: Central Bank of Kenya

In the regional scene, the Kenya Shilling weakened against the Uganda Shilling to exchange at Ush 25.41 per Kenya Shilling in the week ending October 16, 2009 compared with Ush 25.46 per Kenya Shilling in the week ending October 9, 2009. It appreciated against the Tanzanian Shilling to exchange at Tsh 17.50 per Kenya Shilling compared with Tsh 17.41 per Kenya Shilling in the previous week.

**Foreign Exchange Reserves**

Official usable foreign exchange reserves held by the Central Bank increased from US\$ 2,952 million (equivalent to 3.88 months of imports) as at October 16, 2008 to US\$ 3,259 million (equivalent to 3.62 months of imports) as at October 16, 2009 (Table 4). The decline in import cover in comparison with similar period last year reflected increased import bill.

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

	16-Oct-08	31-Mar-09	30-Apr-09	29-May-09	26-Jun-09	31-Jul-09	31-Aug-09	30-Sep-09	16-Oct-09
Usable Reserves	2,952	2,620	2,608	2,789	3,086	3,097	3,154	3,243	3,259
Months of Imports Cover*	3.88	3.13	3.11	3.22	3.56	3.52	3.54	3.67	3.62
Months of Imports Cover**	3.52	2.61	2.59	2.80	3.10	3.12	3.18	3.27	3.28

\*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

Commercial banks foreign exchange reserves, which are predominantly used by the private sector to meet external financial obligations, stood at US\$ 1,534 million as at end August 2009 compared with US\$ 2,023 million as at end August 2008.

**Monetary Policy Operations**

The money market was relatively tight in the week ending October 14, 2009 following the absorption of liquidity from the market by the 364-day Treasury bill. As shown in Table 5, the Central Bank injected a total of Ksh 4.4 billion in the week under review. There were no Reverse repo maturities during the week ending October 14, 2009. Reserve money averaged Ksh 163.3 billion in the week and was below 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
8-Oct	168.0	165.2	2.8	0.0	0.0	0.0	168.4	3.2	8.6	-5.4
9-Oct	162.6	165.2	-2.6	0.0	0.0	0.0	167.8	2.6	8.2	-5.5
12-Oct	157.9	165.7	-7.8	3.0	2.9	-0.1	159.1	-6.6	-1.9	-4.7
13-Oct	159.4	165.7	-6.3	1.5	1.5	0.0	161.3	-4.4	0.7	-5.1
14-Oct	160.6	165.7	-5.0	0.0	0.0	0.0	160.1	-5.6	-0.8	-4.7
Average	161.7	165.5	-3.8	0.9	0.9	0.0	163.3	-2.1	3.0	-5.1

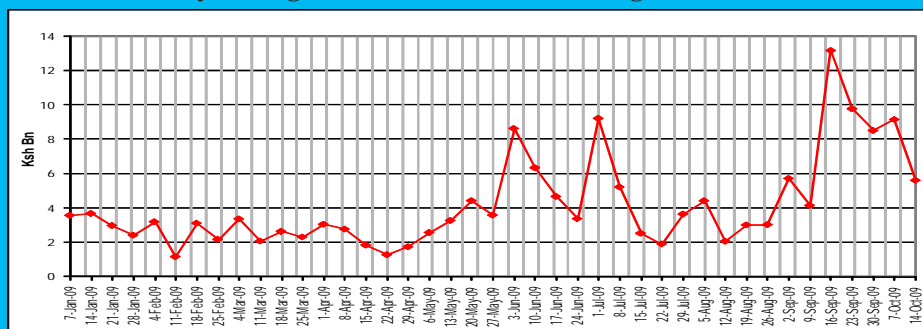
\*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Commercial Banks Clearing Account Balances**

Commercial banks maintained an average of Ksh 5.6 billion in their clearing accounts at the Central Bank in the week to October 14, 2009, compared with Ksh 9.2 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 33.5 billion, from Ksh 518.3 billion in June 2009 to Ksh 551.8 billion as at October 9, 2009 (Table 6 and Chart C). This was attributed to increases of Ksh 6.2 billion in Treasury bills excluding repos, Ksh 25.3 billion in Treasury bonds and Ksh 2.9 billion in overdraft at the Central Bank of Kenya. However, the increase in gross domestic debt was offset by a decrease of Ksh 1.0 billion in other domestic debt.

Treasury bills (excluding Repos) increased from Ksh 116.8 billion in June 2009 to Ksh 123.0 billion as at October 9, 2009 and Treasury bonds increased from Ksh 360.7 billion to Ksh 386.1 billion, while the overdraft at the Central Bank increased from Ksh 5.1 billion to Ksh 8.1 billion over the same period. However, other domestic debt decreased from Ksh 34.9 billion to Ksh 33.9 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 75.7 percent as at October 9, 2009, while Treasury bills holdings decreased from 24.4 percent to 24.1 percent during the period. As a result, the maturity profile of Government securities stood at 3 years and 9 months.

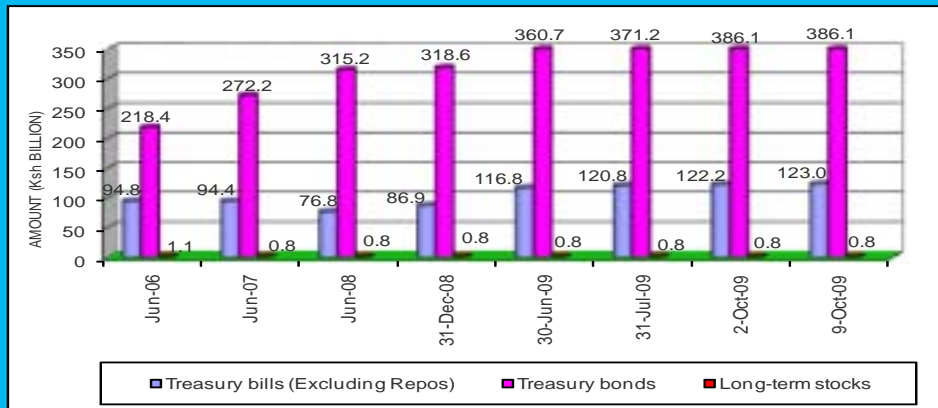
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-08	31st Dec 08	27th Mar 09	30th June 09	2nd Oct 2009	9th Oct 2009	Changes 2nd Oct-09 -9th Oct-09	30th Jun-09 -9th Oct-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	122.2 24.0	123.0 24.1	0.8 0.1	6.2 -0.3
2. Treasury Bonds (As % of total securities)	315.2 80.2	318.6 78.4	334.4 77.2	360.7 75.4	386.1 75.8	386.1 75.7	0.0 -0.1	25.3 0.3
3. Long Term Stocks (As % of total securities)	0.8 0.2	0.8 0.2	0.8 0.2	0.8 0.2	0.8 0.1	0.8 0.1	0.0 0.0	0.0 0.0
4. Total Securities (1+2+3)	392.8	406.3	433.1	478.3	509.0	509.9	0.8	31.6
5. Overdraft at Central Bank	0.0	15.1	5.5	5.1	8.0	8.1	0.0	2.9
6. Other Domestic debt*	37.8	34.9	35.4	34.9	33.5	33.9	0.4	-1.0
7. Gross Domestic Debt (4+5+6)	430.6	456.2	474.0	518.3	550.5	551.8	1.3	33.5
8. Interest payments on domestic debt (Cumulative in FY)	42.2	22.7	33.5	45.9	14.1	14.4	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

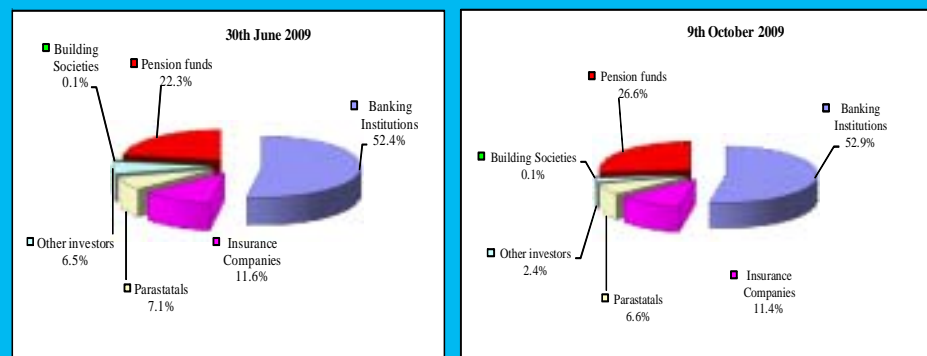


Source: Central Bank of Kenya

### Holding of Government Securities

Government securities holdings by pension funds and commercial banks increased from 22.3 percent and 52.4 percent in June 2009 to 26.6 percent and 52.9 percent, respectively, as at October 9, 2009 (Chart D). On the other hand, holdings of insurance companies, parastatals and other investors decreased from 11.6 percent, 7.1 percent and 6.5 percent, respectively, in June 2009 to 11.4 percent, 6.6 percent and 2.4 percent during the same period. Holdings of building societies however remained unchanged at 0.1 percent.

Chart D: Composition of Government Securities by Investor

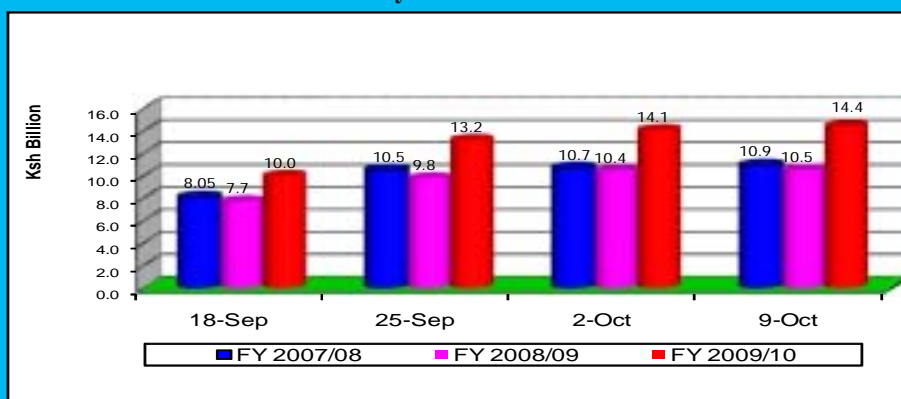


Source: Central Bank of Kenya

### Cost of Domestic Borrowing

From July 1, 2009 to October 9, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 14.40 billion as shown in Chart E. The interest cost on domestic debt during the period comprised Ksh 10.58 billion in interest and other charges on Treasury Bonds, Ksh 3.81 billion in interest and other charges on Treasury Bills and Ksh 0.01 billion in interest on Government overdraft at Central Bank.

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 October 15, 2009. Equity turnover decreased by 9.5 percent as stocks worth Ksh 557.1 million were traded compared with Ksh 615.5 million traded in the previous week. The number of shares traded increased, from 48.7 million in the previous week to 64.3 million shares in the week under review. Market capitalization as a measure of total shareholders wealth improved marginally by 0.6 percent or Ksh 4.8 billion to close at Ksh 766.4 billion in the week under review from Ksh 761.6 billion in the previous week. The NSE 20 Share index gained 14.0 points to settle at 3,001.2 points on October 15, 2009 from 2,987.2 points on October 08, 2009. The Nairobi All Share Index also gained 0.5 points to settle at 66.2 points on October 15, 2009 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	20-Aug-09	27-Aug-09	3-Sep-09	10-Sep-09	17-Sep-09	24-Sep-09	1-Oct-09	8-Oct-09	15-Oct-09
NASI 100= Jan 2008	69.40	67.53	69.42	67.87	68.15	68.14	67.04	65.74	66.16
NSE 20 Share Index 100=1966	3,183.71	3,099.92	3,188.87	3,090.31	3,064.42	3,040.69	3,022.33	2,987.20	3,001.21
Number of Deals	8,842	5,498	7,039	6,847	6,766	5,259	6,594	6,025	5,878
Total Shares Traded (millions)	80.50	58.42	52.96	34.36	64.06	59.79	60.07	48.69	64.34
Equity Turnover (Ksh. millions)	722.18	647.46	812.45	532.49	831.29	1,021.32	1,143.20	615.51	557.06
Market Capitalization (Ksh. Bn.)	803.69	782.26	804.13	786.22	789.42	789.29	775.20	761.55	766.41
Bonds Turnover (Ksh. millions)	1,073.00	2,721.80	1,760.40	4,391.10	1,445.90	1,621.70	2,339.50	1,666.55	3,256.75

\* 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 42.6 million shares and accounted for 66 percent of total traded volume. Safaricom traded 40.3 million shares to be the most active stock in the sector. The Finance and Investment sector traded 15.6 million shares and accounted for 24 percent of total traded volume. Equity Bank and Kenya Commercial Bank traded 9.6 million and 2.1 million shares and were the most active counters in the sector. Industrial and Allied sector traded 4.9 million shares and accounted for 8 percent of traded volume. Mumias and Kengen were the most active counters and traded 2.3 million and 1.8 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 3.3 billion were traded compared with Ksh 1.7 billion traded in the previous week.