

October 30, 2009



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted a performance rate of 78.56 percent during the Treasury bills auction of October 29, 2009. The average 182-day Treasury bills rate was 8.070 percent during the week.

The average interbank rate increased by 35 basis points in the week ending October 29, 2009 to 3.09 percent as compared to the previous week at 2.74 percent.

The Kenya Shilling on average depicted mixed reaction against all the major international currencies during the week ending October 30, 2009. Against the US dollar, the shilling depreciated marginally to exchange at Ksh 75.25 in the week ending October 30, 2009 compared with Ksh 75.19 per US dollar in the previous week.

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,293 million (equivalent to 3.66 months of imports) as at October 30, 2009 compared with US dollar 2,761 million (equivalent to 3.63 months of imports) as at October 30, 2008.

Central Bank's Open Market Operations injected Ksh 5.5 billion to commercial banks and redeemed maturing reverse repo securities worth Ksh 7.1 billion during the week ending October 28, 2009.

The Government gross domestic debt increased by Ksh 34.8 billion from Ksh 518.3 billion in June 2009 to Ksh 553.2 billion as at October 23, 2009. From July 1, 2009 to October 23, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 15.95 billion

Performance at the equities market was mixed during the week. Equity turnover decreased by 35 percent, market capitalization improved by 0.6 percent, while the NSE 20 Share index gained 16.0 points to settle at 3066.0 points on October 29, 2009.

Government Securities Auction

The Government securities market posted a performance rate of 78.56 percent during the Treasury bills auction of October 29, 2009. During the auction, the Government had offered for sale Treasury bills worth Ksh 6.5 billion and received bids totalling Ksh 5.11 billion. The Government accepted bids totalling Ksh 5.1 billion of which Ksh 3.2 billion were competitive bids. Proceeds of the auction were used to meet the cost of rolling over Treasury bills maturities amounting to Ksh 7.8 billion in the week and provided the Government a net repayment of Ksh 2.8 billion.

Treasury Bills Rates

The average 182-day Treasury bills rate increased by 10.1 basis points, from 7.969 percent in the previous week's auction of the same security to 8.070 percent during this week's auction (Table 1). However, the 12-weeks moving average for the 182-day Treasury bills rate declined from 8.110 percent to 8.086 percent during the week.

Table 1 : Interest Rates

Auction date	10-Sep-09	17-Sep-09	24-Sep-09	01-Oct-09	08-Oct-09	15-Oct-09	22-Oct-09	29-Oct-09
Average 91 day T. Bills	7.272		7.303		7.248		7.264	
Average 182 day T. Bills		8.073		7.991		7.969		8.070
Average 364 day T. Bills					8.438			
Month	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-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

* Revised

Source: Central Bank of Kenya

Treasury Bonds Rates

The average interest rates on the 15-year Treasury bond increased by 17.9 basis points from 13.530 percent for a bond of a similar tenor issued in May 2009 to 13.709 percent during this week's auction.

Interbank and REPO Market

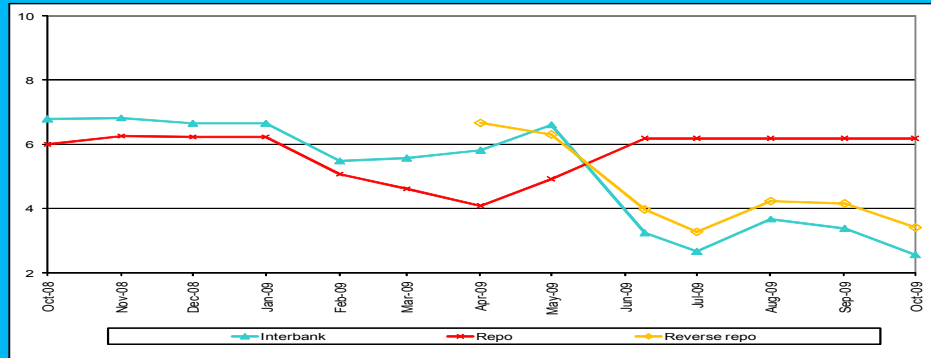
The average interbank rate increased by 35 basis points in the week ending October 29, 2009 to 3.09 percent as compared to the previous week at 2.75 percent (Table 2 and Chart A). The number of deals and volumes increased from 337 and Ksh 15.36 billion respectively in the week to October 22, 2009 to 380 and Ksh 54.25 billion during the week.

Table 2: Interbank Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
Oct 2 - Oct 8, 2009	469	73,222	2.14
09-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
Oct 9 - Oct 15, 2009	434	71,347	2.31
16-Oct-09	81	15,357	2.58
19-Oct-09	87	14,498	2.61
21-Oct-09	88	15,546	2.85
22-Oct-09	81	16,028	2.94
Oct 16 - Oct 22, 2009	337	15,357	2.75
23-Oct-09	73	12,976	3.07
26-Oct-09	80	12,539	3.05
27-Oct-09	65	9,758	3.09
28-Oct-09	86	10,188	3.11
29-Oct-09	76	8,787	3.14
Oct 23 - Oct 29, 2009	380	54,248	3.09

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 reaction against the major international currencies during the week ending October 30, 2009 (Table 3). Against the US dollar, the shilling depreciated marginally to exchange at Ksh 75.25 in the week ending October 30, 2009 compared with Ksh 75.19 per US dollar in the previous week mainly due to reduced demand from the corporate activities. The shilling appreciated against Sterling Pound, the Euro and the Japanese Yen to exchange at Ksh 123.29 per Sterling Pound, Ksh 111.84 per Euro and Ksh 82.41 per 100 Japanese Yen in the week ending October 30, 2009 compared with Ksh 123.93 per Sterling Pound, Ksh 112.44 per Euro and Ksh 82.47 per 100 Japanese Yen in the previous week.

In the regional scene, the Kenya Shilling weakened marginally against the Uganda Shilling and the Tanzania Shilling to exchange at Ush 24.96 per Kenya Shilling and Tsh 17.56 per Kenya Shilling in the week ending October 30, 2009 compared with Ush 25.04 per Kenya Shilling and Tsh 17.58 per Kenya Shilling in the previous week, respectively.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
19-Oct-09	75.28	122.75	112.08	82.88	25.17	17.55
21-Oct-09	75.30	123.53	112.45	83.01	24.99	17.51
22-Oct-09	75.09	124.56	112.51	82.15	25.04	17.71
23-Oct-09	75.11	124.87	112.71	81.85	24.96	17.55
Oct 19- 23, 2009	75.19	123.93	112.44	82.47	25.04	17.58
26-Oct-09	75.20	122.57	112.96	81.96	24.87	17.52
27-Oct-09	75.28	122.98	112.18	81.79	24.93	17.56
28-Oct-09	75.30	123.11	111.60	82.39	24.90	17.50
29-Oct-09	75.24	123.28	110.86	83.21	25.04	17.61
30-Oct-09	75.24	124.50	111.62	82.68	25.07	17.61
Oct 26- 30, 2009	75.25	123.29	111.84	82.41	24.96	17.56

Source: Central Bank of Kenya

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,293 million (equivalent to 3.66 months of imports) as at October 30, 2009 compared with US dollar 2,761 million (equivalent to 3.63 months of imports) as at October 30, 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 Reserves

	30-Oct-08	30-Apr-09	29-May-09	26-Jun-09	31-Jul-09	31-Aug-09	30-Sep-09	30-Oct-09
Usable Reserves	2,761	2,608	2,789	3,086	3,097	3,154	3,243	3,293
Months of Imports Cover*	3.63	3.11	3.22	3.56	3.52	3.54	3.67	3.66
Months of Imports Cover**	3.29	2.59	2.80	3.10	3.12	3.18	3.27	3.32

*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

Liquidity in the money market continued to be tight in the week ending October 28, 2009 as reflected by injection of liquidity by Central Bank in the week. To ensure continued market stability, Central Bank provided liquidity amounting to Ksh 5.5 billion to commercial banks using the reverse repurchase agreement securities as shown in Table 5. During the week, maturing reverse repo securities amounted to Ksh 7.1 billion. Reserve money averaged Ksh 161.3 billion in the week and remained below target by Ksh 5.1 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
22-Oct	158.3	166.1	-7.9	2.0	2.0	0.0	161.5	-4.7	1.1	-5.8
23-Oct	159.6	166.1	-6.6	0.0	0.0	0.0	162.0	-4.1	3.0	-7.1
26-Oct	163.0	166.6	-3.6	0.0	0.0	0.0	160.3	-6.3	0.8	-7.0
27-Oct	161.6	166.6	-5.0	0.0	0.0	0.0	162.8	-3.8	2.4	-6.2
28-Oct	157.0	166.6	-9.6	3.5	3.5	0.0	160.0	-6.6	-1.3	-5.3
Average	159.9	166.4	-6.5	1.1	1.1	0.0	161.3	-5.1	1.2	-6.3

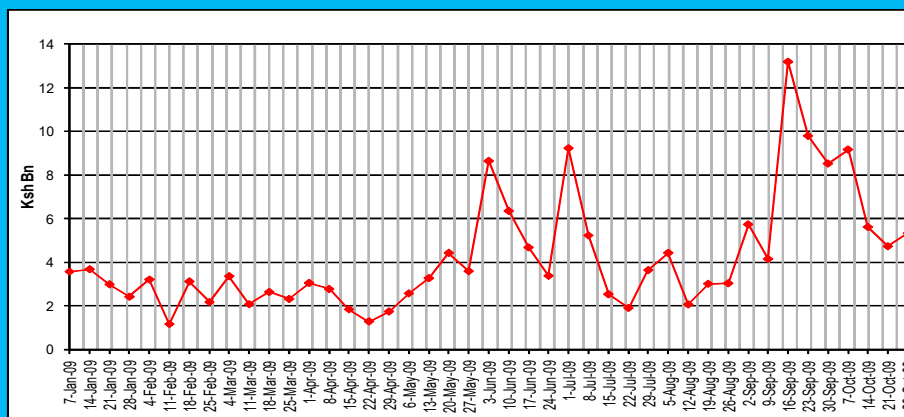
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Commercial
Banks
Clearing
Account
Balances**

Commercial banks maintained an average of Ksh 5.3 billion in their clearing accounts at the Central Bank in the week to October 28, 2009, compared with Ksh 4.7 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 34.8 billion, from Ksh 518.3 billion in June 2009 to Ksh 553.2 billion as at October 23, 2009 (Table 6 and Chart C). This was attributed to increases of Ksh 14.4 billion in Treasury bills excluding repos and Ksh 25.3 billion in Treasury bonds. However, the increase in gross domestic debt was offset by decreases of Ksh 3.7 billion in overdraft at the Central Bank of Kenya and Ksh 1.3 billion in other domestic debt.

Treasury bills (excluding repos) increased from Ksh 116.8 billion in June 2009 to Ksh 131.2 billion as at October 23, 2009, while Treasury bonds increased from Ksh 360.7 billion to Ksh 386.1 billion. However, overdraft at the CBK decreased from Ksh 5.1 billion to Ksh 1.5 billion, while 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 decreased from 75.4 percent in June 2009 to 74.5 percent as at October 23, 2009 while Treasury bills holdings increased from 24.4 percent to 25.3 percent during the period. As a result, the maturity profile of Government securities stood at 3 years and 8 months.

Table 6: Government Domestic Debt (Ksh Billion)

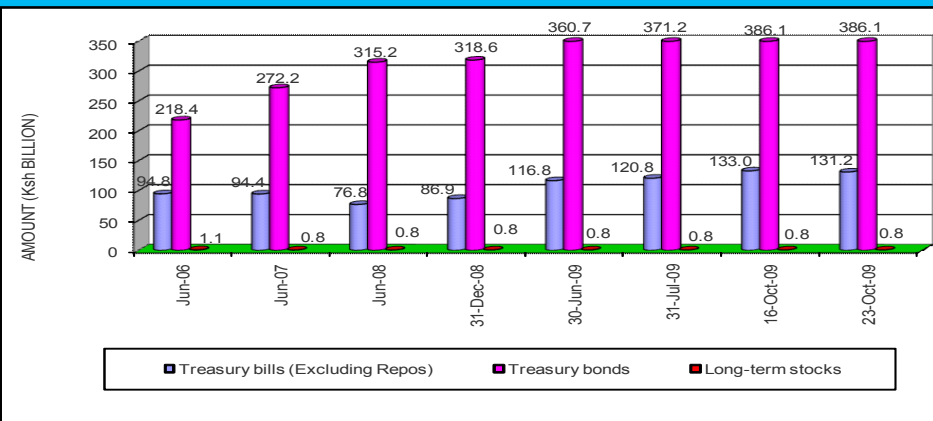
	Jun-08	31st Dec 08	27th Mar 09	30th June 09	16th Oct 2009	23rd Oct 2009	Changes 16th Oct-09 -23rd Oct-09	30th Jun-09 -23rd Oct-09
1. Treasury Bills (Excluding Repos) (As % of total securities)	76.8 19.6	86.9 21.4	97.9 22.6	116.8 24.4	133.0 25.6	131.2 25.3	-1.8 -0.3	14.4 0.9
2. Treasury Bonds (As % of total securities)	315.2 80.2	318.6 78.4	334.4 77.2	360.7 75.4	386.1 74.3	386.1 74.5	0.0 0.3	25.3 -0.9
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 0.1	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	519.9	518.1	-1.8	39.8
5. Overdraft at Central Bank	0.0	15.1	5.5	5.1	8.1	1.5	-6.6	-3.7
6. Other Domestic debt*	37.8	34.9	35.4	34.9	33.9	33.6	-0.2	-1.3
7. Gross Domestic Debt (4+5+6)	430.6	456.2	474.0	518.3	561.8	553.2	-8.6	34.8
8. Interest payments on domestic debt (Cumulative in FY)	42.2	22.7	33.5	45.9	14.8	16.0	1.1	

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

Source: Central Bank of Kenya

Source: Central Bank of Kenya

Chart C: Composition of Government Securities

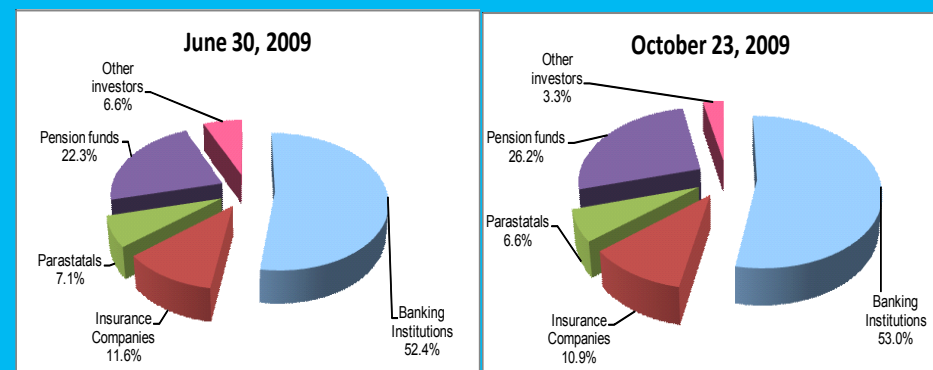


Source: Central Bank of Kenya

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 26.2 percent and 53.0 percent, respectively, as at October 23, 2009. On the other hand, holdings of insurance companies, parastatals and other investors decreased from 11.6 percent, 7.1 percent and 6.6 percent, respectively, in June 2009 to 10.9 percent, 6.6 percent and 2.3 percent during the same period.

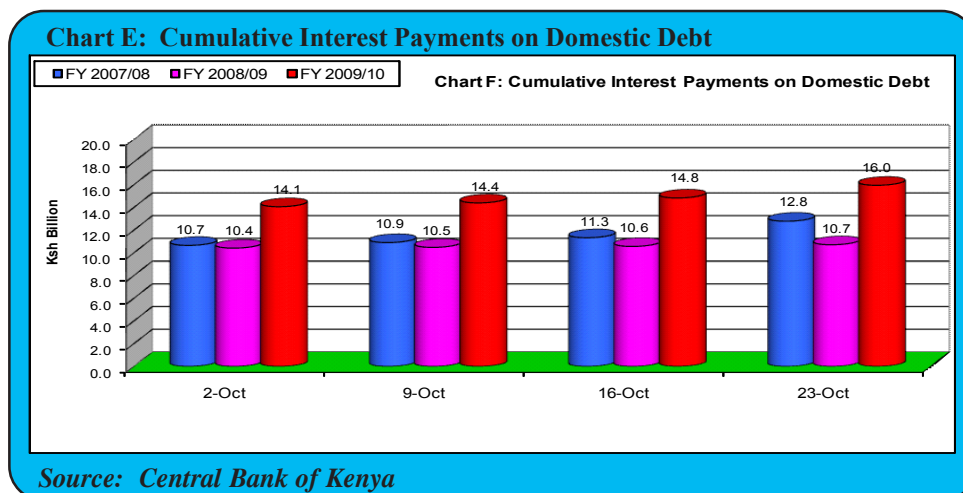
Chart D: Composition of Government Securities by Investor



Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1, 2009 to October 23, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 15.95 billion as shown in Chart E. The interest cost on domestic debt during the period comprised Ksh 11.36 billion in interest and other charges on Treasury Bonds, Ksh 4.59 billion in interest and other charges on Treasury Bills and Ksh 0.01 billion in interest on Government overdraft at Central Bank of Kenya.



The Stock Market

There was mixed performance at the equities market during the week ending October 29, 2009. Equity turnover decreased by 35 percent as stocks worth Ksh 1,082.8 million were traded compared with Ksh 1,656.1 million traded in the previous week. The number of shares traded increased from 62.7 million in the previous week to 99.3 million shares in the week under review. Market capitalization as a measure of total shareholders wealth improved by 0.6 percent or Ksh 4.6 billion to close at Ksh 780.4 billion in the week under review from Ksh 775.8 billion in the previous week. The NSE 20 Share index gained 16.0 points to settle at 3066.0 points on October 29, 2009 from 3050.0 points on October 22, 2009. The Nairobi All Share Index also gained 0.4 points to settle at 67.4 points on October 29, 2009 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	03-Sep-09	10-Sep-09	17-Sep-09	24-Sep-09	01-Oct-09	08-Oct-09	15-Oct-09	22-Oct-09	29-Oct-09
NASI 100= Jan 2008	69.42	67.87	68.15	68.14	67.04	65.74	66.16	66.97	67.37
NSE 20 Share Index 100=1966	3,188.87	3,090.31	3,064.42	3,040.69	3,022.33	2,987.20	3,001.21	3,049.99	3,066.01
Number of Deals	7,039	6,847	6,766	5,259	6,594	6,025	5,878	4,861	6,160
Total Shares Traded (millions)	52.96	34.36	64.06	59.79	60.07	48.69	64.34	62.65	99.34
Equity Turnover (Ksh. millions)	812.45	532.49	831.29	1,021.32	1,143.20	615.51	557.06	1,656.08	1,082.83
Market Capitalization (Ksh. Bn.)	804.13	786.22	789.42	789.29	775.20	761.55	766.41	775.81	780.38
Bonds Turnover (Ksh. millions)	1,760.40	4,391.10	1,445.90	1,621.70	2,339.50	1,666.55	3,256.75	1,238.30	4,912.05

* 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 66.8 million shares and accounted for 67 percent of total traded volume. Safaricom traded 65.3 million shares to be the most active stock in the sector. The Finance and Investment sector traded 23.5 million shares and accounted for 24 percent of total traded volume. Equity Bank and Co-operative Bank traded 19.3 million and 1.6 million shares and were the most active counters in the sector. Industrial and Allied sector traded 8.4 million shares and accounted for 9 percent of traded volume. Athi River Mining and KenGen were the most active counters and each traded 2.2 million shares. 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 4.9 billion were traded compared with Ksh 1.2 billion traded in the previous week.