

September 25, 2009



THE CBK WEEKLY BULLETIN

**Highlights for
the Week**

The Government securities market posted a 147.7 percent performance rate during the 91-day Treasury bills auction of September 24, 2009. The average 91-day Treasury bills rate was 7.303 percent during this week's auction.

The average interbank rate declined by 128 basis points during the week ending September 24, 2009.

The Kenya Shilling on average appreciated against all the major international currencies during the week ending September 25, 2009. Against the US dollar, the shilling strengthened to exchange at Ksh 74.70 compared with Ksh 75.57 per US dollar in the previous week.

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,239 million (equivalent to 3.66 months of imports) as at September 25, 2009 compared with US dollar 3,062 million (equivalent to 4.02 months of imports) as at September 25, 2008.

The Central Bank injected a total of Ksh 5.2 billion in the money market during the week ending September 23, 2009.

The Government gross domestic debt increased by Ksh 28.9 billion, from Ksh 518.3 billion in June 2009 to Ksh 547.2 billion as at September 18, 2009. From July 1, 2009 to September 11, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 10.0 billion.

Performance at the equities market was mixed during the week. Equity turnover increased by 22.9 percent, market capitalization declined by 0.02 percent while the NSE 20 Share index shed off 23.7 points to settle at 3040.7 points on September 24, 2009.

Government Securities Auction

The Government securities market posted a 147.7 percent performance rate during the 91-day Treasury bills auction of September 24, 2009. The Government offered for sale Treasury bills worth Ksh 4.0 billion and received bids totalling Ksh 5.9 billion.

The Government accepted bids totalling Ksh 4.4 billion, of which Ksh 4.0 billion or 91.1 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 3.9 billion in the week and provided new borrowing of Ksh 0.5 billion.

Treasury Bills and Bonds Rates

The average 91-day Treasury bills rate went up by 3.1 basis points, from 7.272 percent in the previous auction of the same security to 7.303 percent during this week's auction (Table 1). However, the 12-weeks moving average for the 91-day Treasury bills rate declined from 7.302 percent to 7.285 percent.

Table 1 : Interest Rates

Auction date	13-Aug09	20-Aug09	27-Aug09	03-Sep09	10-Sep09	17-Sep09	24-Sep09
Average 91 day T. Bills	7.261		7.223		7.272		7.303
Month	Jan09	Feb09	Mar09	Apr09	May09	Jun09	Jul09
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

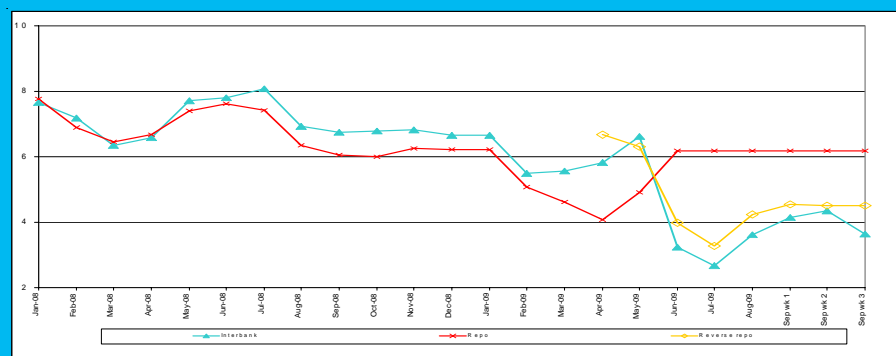
The average interbank rate decreased by 128 basis points in the week ending September 24, 2009 to 2.48 percent as compared to the previous week at 3.64 percent. The number of deals and volumes declined slightly from 355 to 352 and from Ksh 57,837 to Ksh. 50,689 respectively during the week ending September 24, 2009.

Table 2 Interbank Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
Sep 04 - Sep 10, 2009	508	88,674	4.34
11-Sep-09	100	16,883	4.42
14-Sep-09	55	10,618	4.16
15-Sep-09	72	10,886	3.75
16-Sep-09	66	10,737	3.09
17-Sep-09	62	8,713	2.77
Sep 11 - Sep 17, 2009	355	57,837	3.64
18-Sep-09	53	9,337	2.17
21-Sep-09	HOLIDAY		
22-Sep-09	111	18,614	2.31
23-Sep-09	98	12,214	2.48
24-Sep-09	90	10,524	2.48
Sep 17 - Sep 24 2009	352	50,689	2.36

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 appreciated against the major international currencies during the week ending September 25, 2009 (Table 3). Against the US dollar, the shilling strengthened to exchange at Ksh 74.70 in the week ending September 25, 2009 compared with Ksh 75.57 per US dollar in the previous week mainly due to reduced corporate demand. The shilling also strengthened against the Sterling Pound, the Euro and the Japanese Yen to trade at Ksh 121.65 per Sterling Pound, Ksh 110.22 per Euro and Ksh 82.17 per 100 Japanese Yen in the week ending September 25, 2009 compared with Ksh 124.82 per Sterling Pound, Ksh 110.76 per Euro and Ksh 83.17 per 100 Japanese Yen respectively in the week ending September 18, 2009.

In the regional scene, the Kenya Shilling weakened marginally against the Uganda Shilling and strengthened marginally against the Tanzania Shilling to exchange at Ush 25.71 per Kenya Shilling and Tsh 17.40 per Kenya Shilling in the week ending September 25, 2009 compared with Ush 25.96 per Kenya Shilling and Tsh 17.29 per Kenya Shilling in the previous week respectively.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
14-Sep-09	75.83	125.70	110.10	83.73	25.99	17.28
15-Sep-09	75.81	125.99	110.79	83.11	25.92	17.25
16-Sep-09	75.71	124.66	111.08	83.47	25.96	17.24
17-Sep-09	75.57	124.93	111.40	83.12	25.88	17.30
18-Sep-09	74.95	122.80	110.43	82.40	26.05	17.39
Sep 14- Sep 18, 2009	75.57	124.82	110.76	83.17	25.96	17.29
22-Sep-09	74.83	121.96	110.30	81.81	25.73	17.39
23-Sep-09	74.74	122.69	110.74	82.35	25.72	17.43
24-Sep-09	74.74	122.46	110.30	82.36	25.66	17.29
25-Sep-09	74.50	119.51	109.53	82.16	25.74	17.48
Sep 22- Sep 25, 2009	74.70	121.65	110.22	82.17	25.71	17.40

Source: Central Bank of Kenya

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank stood at US\$ 3,239 million (equivalent to 3.66 months of imports) as at September 25, 2009, compared with US dollar 3,062 million (equivalent to 4.02 months of imports) as at September 25, 2008 (Table 4). The decline in import cover reflects a higher import bill in the past year.

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

	25-Sep-08	31-Mar-09	30-Apr-09	29-May-09	26-Jun-09	31-Jul-09	31-Aug-09	04-Sep-09	25-Sep-09
Usable Reserves	3,062	2,620	2,608	2,789	3,086	3,097	3,154	3,166	3,239
Months of Imports Cover*	4.02	3.13	3.11	3.22	3.56	3.52	3.54	3.58	3.66
Months of Imports Cover**	3.65	2.61	2.59	2.80	3.10	3.12	3.18	3.19	3.26

*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

Foreign exchange reserves held by the commercial banks, and used by the private sector to meet external financial obligations, decreased from US\$ 2,177 million as at end July 2008 to US\$ 1,614 million as at end July 2009. The foreign exchange reserves have increased gradually since May 2009.

Monetary Policy Operations

The money market was fairly tight in the week ending September 23, 2009 following payment of quarterly corporate taxes, and investments in government securities which drained liquidity from the market. As shown in Table 5, the Central Bank injected a total of Ksh 5.2 billion during the week. There were no reverse repo maturities during the week ending September 23. Reserve money averaged Ksh 161.8 billion in the week and was below target by Ksh 3.0 billion.

Table 5: Open Market Operations (Ksh Billion)

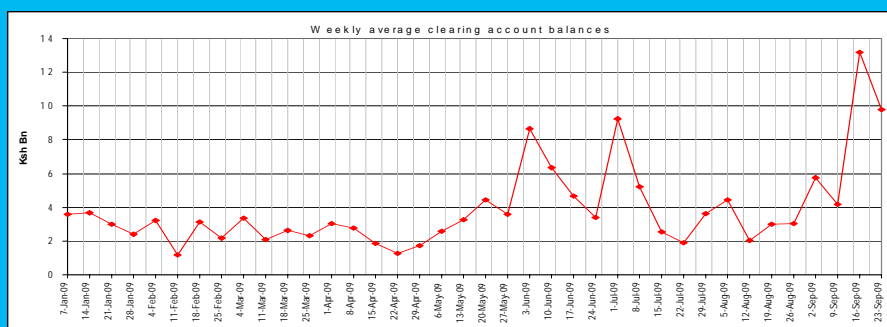
Date	Reserve Money* (Projected)			OMO (Reverse REPO)			Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/ Short(-)	Posted	Injected	Exc(+)/ Short(-)	Actual	Exc(+)/ Short(-)	Exc(+)/ Short(-)	Exc(+)/ Short(-)
	(1)	(2)	3=(2-1)	(4)	(5)	6=(5-4)	(8)	9=(10+11)	10	11
17-Sep	166.8	164.7	2.0	0.0	0.0	0.0	168.5	3.8	11.9	-8.1
18-Sep	167.3	164.7	2.6	0.0	0.0	0.0	166.1	1.3	9.6	-8.3
21-Sep	HOLIDAY									
22-Sep	157.8	164.7	-6.9	0.0	0.0	0.0	157.1	-7.6	0.4	-8.1
23-Sep	150.7	164.7	-14.1	6.0	5.2	-0.8	155.3	-9.4	-1.3	-8.1
Average	160.7	164.7	-4.1	1.5	1.3	-0.2	161.8	-3.0	5.2	-8.2

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 9.8 billion in their clearing accounts at the Central Bank in the week to September 23, 2009, compared with Ksh 13.2 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 28.9 billion, from Ksh 518.3 billion in June 2009 to Ksh 547.2 billion as at September 18, 2009 (Table 6 and Chart C). This was attributed to increases of Ksh 4.7 billion in Treasury bills excluding repos and Ksh 17.7 billion in Treasury bonds. Similarly, the rise in gross domestic debt followed increases of Ksh 4.8 billion in overdraft at the Central Bank of Kenya and Ksh 1.7 billion in other domestic debt.

Treasury bills (excluding Repos) increased from Ksh 116.8 billion in June 2009 to Ksh 121.5 billion as at September 18, 2009 while the Treasury bonds increased from Ksh 360.7 billion to Ksh 378.5 billion. The overdraft at the CBK also increased from Ksh 5.1 billion to Ksh 9.9 billion while other domestic debt increased from Ksh 34.9 billion to Ksh 36.6 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 September 18, 2009 while Treasury bills holdings decreased from 24.4 percent to 24.3 percent during the period. The maturity profile of Government securities stood at 3 years and 9 months.

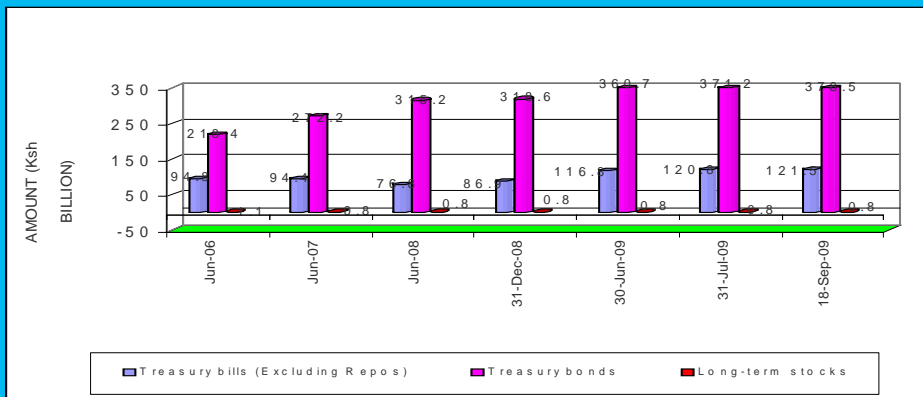
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-08	31st Dec 08	27th Mar 09	30th June 09	11th Sep 2009	18th Sep 2009	Changes 11th Sep-09 - 19th Sep-09	30th Jun-09 - 18th Sep-09
1. Treasury Bills (Excluding Repos)	76.8	86.9	97.9	116.8	128.5	121.5	-7.0	4.7
(As % of total securities)	19.6	21.4	22.6	24.4	25.3	24.3	-1.0	-0.1
2. Treasury Bonds	315.2	318.6	334.4	360.7	378.5	378.5	0.0	17.7
(As % of total securities)	80.2	78.4	77.2	75.4	74.5	75.6	1.0	0.2
3. Long Term Stocks	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	0.2	0.1	0.2	0.0	0.0
4. Total Securities (1+2+3)	392.8	406.3	433.1	478.3	507.8	500.8	-7.0	22.5
5. Overdraft at Central Bank	0.0	15.1	5.5	5.1	2.4	9.9	7.5	4.8
6. Other Domestic debt*	37.8	34.9	35.4	34.9	33.7	36.6	2.9	1.7
7. Gross Domestic Debt (4+5+6)	430.6	456.2	474.0	518.3	543.9	547.2	3.3	28.9
8. Interest payments on domestic debt (Cumulative in FY)	42.2	22.7	33.5	45.9	9.4	10.0	0.6	

* 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

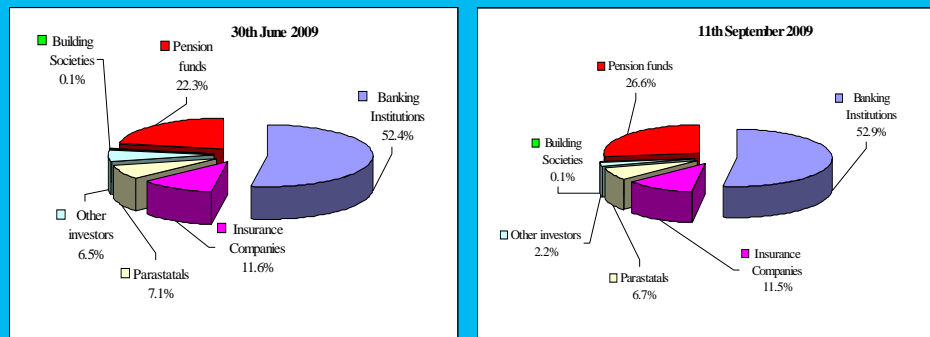


Source: Central Bank of Kenya

Holding of Government Securities

Government securities holdings by pension funds increased from 22.3 percent in June 2009 to 26.6 percent as at September 18, 2009. On the other hand, holdings of insurance companies, commercial banks, parastatals and other investors decreased from 11.6 percent, 52.4 percent, 7.1 percent and 6.5 percent, respectively, in June 2009 to 11.5 percent, 52.9 percent, 6.7 percent and 2.2 percent during the same period. Holdings of building societies however remained unchanged at 0.1 percent.

Chart D: Composition of Government Securities by Investor

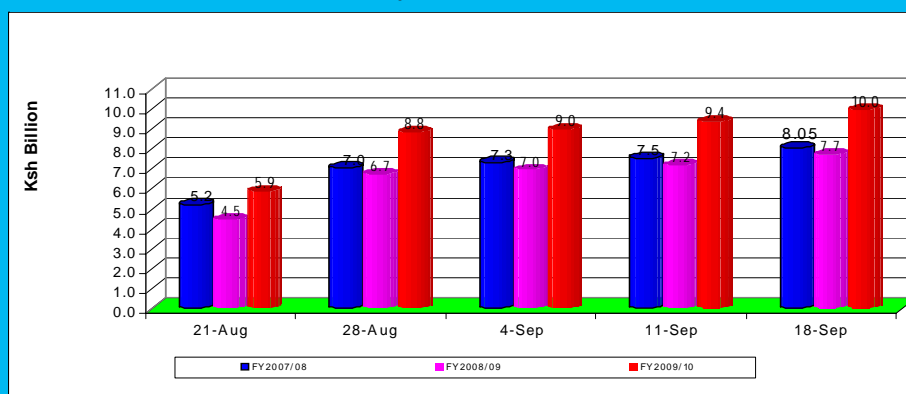


Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 1, 2009 to September 18, 2009, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 10.0 billion as shown in Chart E. The interest cost on domestic debt during the period comprised Ksh 7.2 billion in interest and other charges on Treasury Bonds, Ksh 2.7 billion in interest and other charges on Treasury Bills and Ksh 0.01 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 a mixed performance at the equities market during the week ending September 24, 2009. Equity turnover increased by 22.9 percent as stocks worth Ksh 1,021.3 million were traded compared with Ksh 831.3 million traded in the previous week. The number of shares traded decreased, from 64.1 million in the previous week to 59.8 million shares traded in the week under review. Market capitalization as a measure of total shareholders wealth declined marginally by 0.02 percent or Ksh 0.1 billion to close at Ksh 789.3 billion in the week under review from Ksh 789.4 billion in the previous week. The NSE 20 Share index shed off 23.7 points to settle at 3040.7 points on September 24, 2009 from 3064.4 points on September 17, 2009. The Nairobi All Share Index lost 0.1 points to settle at 68.1 points on September 24, 2009. (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	30-Jul-09	06-Aug-09	13-Aug-09	20-Aug-09	27-Aug-09	03-Sep-09	10-Sep-09	17-Sep-09	24-Sep-09
NASI 100=Jan 2008	70.99	71.81	71.12	69.40	67.53	69.42	67.87	68.15	68.14
NSE 20 Share Index 100=1966	3,246.09	3,237.20	3,255.19	3,183.71	3,099.92	3,188.87	3,090.31	3,064.42	3,040.69
Number of Deals	8,410	7,233	7,546	8,842	5,498	7,039	6,847	6,766	5,259
Total Shares Traded (millions)	59.02	68.72	58.16	80.50	58.42	52.96	34.36	64.06	59.79
Equity Turnover (Ksh. millions)	687.17	771.91	638.29	722.18	647.46	812.45	532.49	831.29	1,021.32
Market Capitalization (Ksh. Bn.)	822.15	831.60	823.64	803.69	782.26	804.13	786.22	789.42	789.29
Bonds Turnover (Ksh. millions)	1,375.00	828.35	1,302.80	1,073.00	2,721.80	1,760.40	4,391.10	1,445.90	1,621.70

* 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 26.1 million shares and accounted for 44 percent of total traded volume. Safaricom traded 22.0 million shares to be the most active stock in the sector. The Finance and Investment sector traded 27.8 million shares and accounted for 47 percent of total traded volume. Equity Bank and Kenya Commercial Bank traded 19.4 million and 4.4 million shares and were the most active counters in the sector. Industrial and Allied sector traded 5.7 million shares and accounted for 10 percent of traded volume. Mumias and E.A Breweries

were the most active counters and traded 2.2 million and 1.6 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 1.6 billion were traded compared with Ksh 1.5 billion traded in the previous week.