

April 9, 2010



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted an oversubscription of 59.9 percent during this week's auction. The Government offered for sale Treasury bills amounting to Ksh 4.0 billion, received bids amounting to Ksh 6.4 billion and accepted bids amounting to ksh 4.4 billion. The cut off rate of 91-day Treasury bills declined by 21.0 basis points to settle at 5.538 percent.

The average interbank increased by 26 basis points to 2.32 percent in the week ending April 8, 2010 from 2.06 percent in the previous week.

Central Bank injected a total of Ksh 7.8 billion to the market during the week ending April 7, 2010. There were repo maturities of Ksh 10.5 billion during the week

The Kenya Shilling recorded mixed performance against major international currencies during the week ending April 9, 2010 . Against the US dollar, the shilling appreciated to trade at Ksh 77.25 while it depreciated against the sterling pound to trade at Ksh 117.75.

Gross official foreign exchange reserves held by the Central Bank stood at US\$ 3.26 billion (equivalent to 3.45 months of imports) as at April 9, 2010 compared with US\$ 2.62 billion (equivalent to 3.13 months of imports) as at April 9 2009.

Government gross domestic debt increased by Ksh 120.8 billion from Ksh 518.3 billion in June 2009 to Ksh 639.1 billion as at April 1, 2010. The cumulative Government expenditure on interest and other charges on domestic debt for FY 2009/2010 to April 1, 2010 amounted to Ksh 43.4 billion.

Performance at the equities market was mixed during the week. Equity turnover decreased by 7.9 percent, market capitalization increased by 0.7 percent while the NSE 20 Share index lost 10.02 points to settle at 4,062.91 points on April 8, 2010.

Government Securities Auction

The Government securities market posted an oversubscription of 59.9 percent during this week's auction. The Government had offered for sale 91-day Treasury bills amounting to Ksh 4.0 billion during the auction of April 8, 2010 and received bids amounting to Ksh 6.4 billion of which Ksh 6.2 billion were in competitive bids.

The Government accepted Treasury bills bids amounting to Ksh 4.4 billion of which Ksh 4.2 billion (or 95.5 percent) were in competitive bids. The proceeds of the auction will provide government addition borrowing totalling Ksh 4.4 billion.

Interest Rates on Treasury Bills

The cut-off rate for the 91 day Treasury bills dropped by 35.1 basis points from 5.748 percent in the previous 91-day Treasury bill auction to 5.538 percent during this week's auction (Table 1).

Table 1: Interest Rates

Auction date	11-Feb-10	18-Feb-10	25-Feb-10	04-Mar-10	11-Mar-10	18-Mar-10	25-Mar-10	01-Apr-10	08-Apr-10
Average 91 day T. Bills*	6.199		6.248		6.099		5.748		5.538
Average 182 day T. Bills*		6.599		6.497		6.298		5.940	
Average 364 day T. Bills*									
Month	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10			
Average savings rate	1.65	1.85	1.71	1.73	1.75	1.81			
Average overdraft rate	13.76	14.03	14.24	14.13	14.25	14.25			

*Refers to cut off rate beginning 21st January 2010.

Source: Central Bank of Kenya

Interbank and REPO Market

The average interbank increased by 26 basis points to 2.32 percent in the week ending April 8, 2010 from 2.06 percent in the previous week. The volumes traded rose from Ksh 36.4 billion in the previous week to Ksh 43.3 billion in the week ending April 8, 2010 (Table 2).

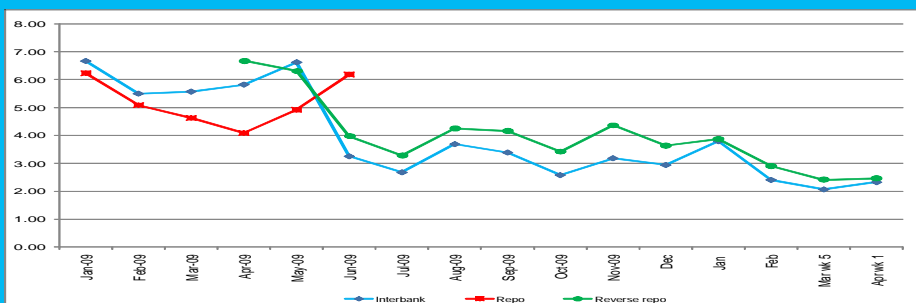
Table 2: Interbank Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
05-Mar-10	79	9,830	2.23
08-Mar-10	101	12,439	2.29
09-Mar-10	102	11,151	2.27
10-Mar-10	94	10,832	2.29
11-Mar-10	90	8,336	2.25
Mar 5 - Mar 11, 2010	466	52,395	2.27
12-Mar-10	73	8,009	2.19
15-Mar-10	84	11,278	2.20
16-Mar-10	92	11,304	2.24
17-Mar-10	93	13,242	2.32
18-Mar-10	92	13,546	2.38
Mar 12 - Mar 18, 2010	434	57,385	2.27
19-Mar-10	68	7,028	2.41
22-Mar-10	72	8,989	2.46
23-Mar-10	75	5,739	2.28
24-Mar-10	62	5,340	2.18
25-Mar-10	64	5,565	1.93
Mar 19 - Mar 25, 2010	341	32,660	2.23
26-Mar-10	82	8,194	1.80
29-Mar-10	89	12,080	2.08
30-Mar-10	77	6,677	2.19
31-Mar-10	97	9,407	2.17
Mar 26 - Mar 31, 2010	315	36,359	2.06
01-Apr-10	88	9,042	2.18
06-Apr-10	72	12,780	2.31
07-Apr-10	83	11,371	2.36
08-Apr-10	76	10,132	2.32
Apr 1 - Apr 8, 2010	319	43,326	2.32

Source: Central Bank of Kenya

The reverse repo rate rose slightly by 5 basis points from 2.41 percent in the previous week up to 2.46 percent in the week ending April 8, 2010 (Chart A).

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

Monetary Policy Operations

The market was tight in the week ending April 7, 2010 and the Central Bank injected a total of Ksh 7.8 billion as shown in Table 3. There were reverse repo maturities of Ksh 10.5 billion. The resultant net liquidity of Ksh 2.7 billion was offset by government spending. Commercial banks borrowed Ksh 986 million from the overnight window, during the week. Reserve money averaged Ksh 177.8 billion during the week and was above target by Ksh 1.4 billion.

Table 3: 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
01-Apr	179.3	176.4	3.0	0.0	0.0	0.0	180.0	3.6	11.4	-7.7
06-Apr	171.2	176.4	-5.2	4.5	5.9	1.4	176.1	-0.3	6.4	-6.7
07-Apr	175.6	176.4	-0.8	3.0	1.8	-1.2	177.2	0.8	6.0	-5.1
Average	175.4	176.4	-1.0	2.5	2.6	0.1	177.8	1.4	7.9	-6.5

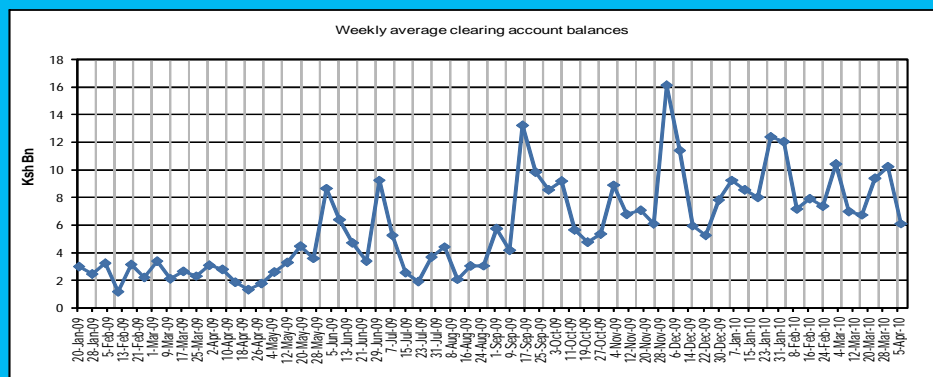
*Reserve money comprises bank reserves and currency outside banks

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 April 7, 2010, compared with Ksh 10.2 billion held in the previous week (Charts B).

Chart B: Weekly Average Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling recorded mixed performance against major international currencies during the week ending April 9, 2010 (Table 4). Against the US dollar and Euro, the shilling appreciated to trade at Ksh 77.25 and Ksh 103.31 compared with Ksh 77.31 and Ksh 104.09 in the previous week, respectively. These developments reflected weakening of the US dollar in the international foreign currency market following positive economic data from the UK economy compared with other economic regions. As a result, the shilling depreciated against the Sterling pound to exchange at Ksh 117.75 from Ksh 116.46 the previous week. The Japanese Yen traded at Ksh 82.46 from Ksh 83.17 over the same period.

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
29-Mar-10	77.30	115.52	103.82	83.44	26.62	17.58
30-Mar-10	77.30	116.22	104.46	83.65	26.97	17.56
31-Mar-10	77.33	116.52	103.72	82.92	26.96	17.57
01-Apr-10	77.30	117.57	104.35	82.67	26.84	17.60
Mar 29- April 1, 2010	77.31	116.46	104.09	83.17	26.85	17.58
06-Apr-10	77.21	117.55	103.70	82.31	26.85	17.63
07-Apr-10	77.21	117.75	103.26	82.14	26.94	17.59
08-Apr-10	77.30	117.50	103.02	82.87	26.88	17.63
09-Apr-10	77.28	118.19	103.26	82.53	26.80	17.70
April 6- April 9, 2010	77.25	117.75	103.31	82.46	26.87	17.63

Source: Central Bank of Kenya

In the regional scene, the Kenya shilling strengthened marginally against both the Uganda shilling and the Tanzania shilling to exchange at Ush 26.87 and Tsh 17.63 in the week ending April 9, 2010 compared with Ush 26.85 and Tsh 17.58 in the previous week respectively.

Foreign Exchange Reserves

Gross official foreign exchange reserves held by the Central Bank stood at US\$ 3.26 billion (equivalent to 3.45 months of imports) as at April 9, 2010 compared with US\$ 2.62 billion (equivalent to 3.13 months of imports) as at April 9, 2009 (Table 5). The accumulation in reserves was predominantly through purchases from the domestic interbank foreign exchange market. During the week, official reserves increased by US\$ 35 million mainly due to US dollar purchases from the interbank market by the Central Bank.

Table 5: Official Foreign Exchange Reserves (US\$ Million)

	09-Apr-09	30-Oct-09	30-Nov-09	31-Dec-09	26-Feb-10	26-Mar-10	01-Apr-10	09-Apr-10
Usable Reserves	2,623	3,302	3,392	3,309	3,235	3,224	3,223	3,258
Months of Imports Cover*	3.13	3.67	3.71	3.62	3.49	3.43	3.43	3.45

*Based on 36 month average of imports of goods and non-factor services

Source: Central Bank of Kenya

Commercial banks foreign exchange reserves, which are largely used by the private sector to meet external financial obligations, stood at US\$ 1.53 billion as at end of February 2010 compared with US\$ 1.61 billion as at end February 2009.

Government Domestic Debt

Government gross domestic debt increased from Ksh 518.3 billion in June 2009 to Ksh 639.1 billion following increases of Ksh 44.5 billion, Ksh 76.7 billion and Ksh 1.5 billion in Treasury bills (excluding Repos), Treasury bonds and overdraft at the Central Bank, respectively (Table 6). Other domestic debt, however, decreased by Ksh 1.9 billion during the same period.

Treasury bills and Treasury bonds increased from Ksh 116.8 billion and Ksh 360.7 billion in June 2009 to Ksh 161.3 billion and Ksh 437.5 billion, respectively as at April 1, 2010. Long term stocks remained unchanged at Ksh 0.8 billion during the period.

Meanwhile, the proportion of Treasury bonds in total Government securities declined from 75.4 percent in June 2009 to 73.0 percent as at April 1, 2010, while that of Treasury bills increased from 24.4 percent to 26.9 percent during the same period (Chart C). Following these developments, the debt maturity profile of Government securities, based on the days to maturity increased to 4 years and 1 month compared to 3 years 9 months in June 2009 reflecting the successful issuance of longer dated securities during the fiscal year.

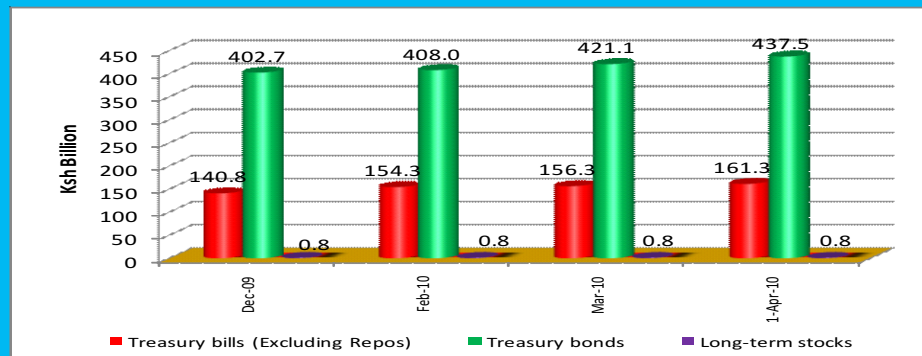
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-09	Sep-09	Dec-09	Jan-10	26th Mar 2010	1st April 2010	Changes	
							12th Mar-2010 - 19th Mar-2010	30th Jun-09 -19th Mar-2010
1. Treasury Bills (Excluding Repos) (As % of total securities)	116.8 24.4	122.2 24.0	140.8 25.9	141.7 26.3	156.3 27.0	161.3 26.9	4.9 -0.1	44.5 2.5
2. Treasury Bonds (As % of total securities)	360.7 75.4	386.1 75.8	402.7 74.0	395.5 73.5	421.1 72.8	437.5 73.0	16.4 0.1	76.7 -2.5
3. Long Term Stocks (As % of total securities)	0.8 0.2	0.8 0.1	0.8 0.1	0.8 0.1	0.8 0.1	0.8 0.1	0.0 0.0	0.0 0.0
4. Total Securities (1+2+3)	478.3	509.0	544.3	537.9	578.2	599.5	21.3	121.2
5. Overdraft at Central Bank	5.1	8.0	11.1	9.2	5.9	6.6	0.7	1.5
6. Other Domestic debt*	34.9	33.6	33.6	33.6	33.0	33.1	0.0	-1.9
7. Gross Domestic Debt (4+5+6)	518.3	550.6	589.0	580.7	617.1	639.1	22.0	120.8
8. Interest payments on domestic debt (Cumulative in FY)	45.9	13.5	31.2	34.4	43.0	43.4	0.5	

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

Source: Central Bank of Kenya

Chart C: Composition of Government Securities

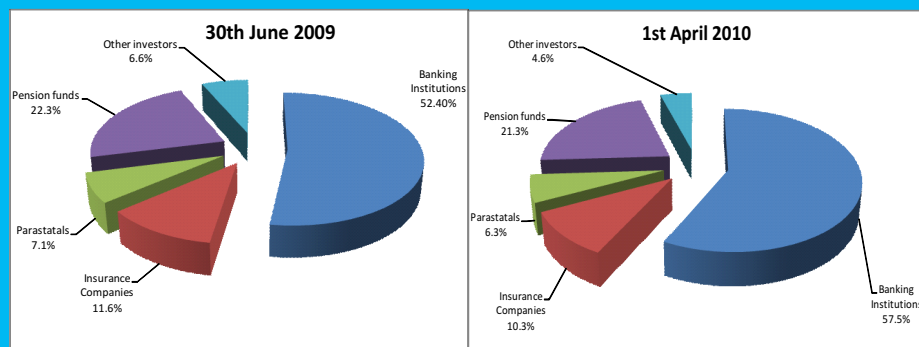


Source: Central Bank of Kenya

Holdings of Government Securities

Commercial banks increased their dominance in the Government Securities market by raising their share holdings from 52.4 percent in June 2009 to 57.5 percent as at April 1, 2010. Consequently, the shareholding of pension funds, insurance companies, parastatals, and other holders declined respectively from 22.3 percent, 11.6 percent, 7.1 percent and 6.6 percent to 21.3 percent, 10.3 percent, 6.3 percent and 4.6 percent, during the same period (Chart D).

Chart D: Composition of Government Securities by Investor

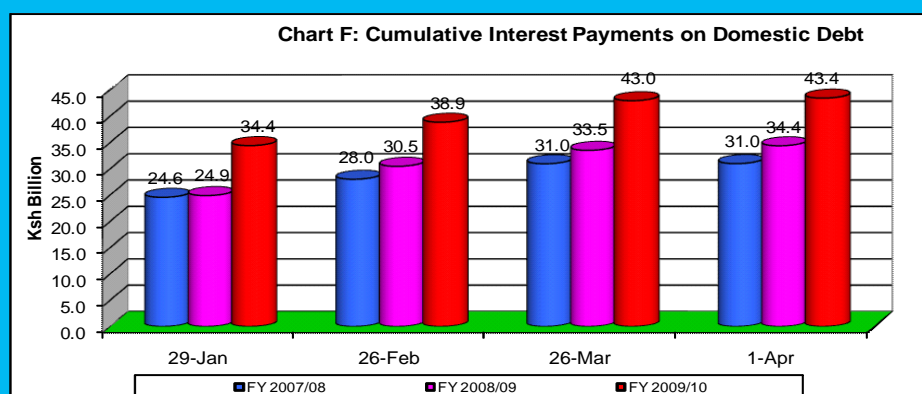


Source: Central Bank of Kenya

Cost of Domestic Borrowing

From 1st July 2009 to April 1, 2010, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 43.4 billion compared with Ksh 34.4 billion in a similar period in the previous fiscal year (Chart E). The interest cost on domestic debt during the period comprised Ksh 33.7 billion in interest and other charges on Treasury bonds, Ksh 8.9 billion in interest and other charges on Treasury bills, and Ksh 0.8 billion in interest on both the Government overdraft at CBK and the pre-1997 government overdraft.

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 April 8, 2010. Equity turnover decreased by 7.9 percent as stocks worth Ksh 1,294.3 million were traded compared with Ksh 1,405.5 million traded in the previous week. The number of shares traded decreased from 128.7 million in the previous week to 77.9 million shares in the week under review. Market capitalization as a measure of total shareholders wealth increased by 0.7 percent or Ksh. 6.8 billion to close at Ksh 989.9 billion in the week under review from Ksh 983.1 billion in the previous week. The NSE 20 Share index lost 10.02 points to settle at 4,062.9 points on April 8, 2010 from 4,072.9 points on April 1, 2010. The Nairobi All Share Index gained 0.58 points to settle at 85.01 points on April 8, 2010 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	18-Feb-10	25-Feb-10	4-Mar-10	11-Mar-10	18-Mar-10	25-Mar-10	1-Apr-10	8-Apr-10
NASI 100= Jan 2008	78.13	79.16	80.41	83.29	83.32	84.11	84.40	85.01
NSE 20 Share Index 100=1966	3,536.72	3,627.30	3,675.54	3,964.86	4,008.17	4,042.87	4,072.93	4,062.91
Number of Deals	8,434	8,574	8,286	10,048	11,452	10,458	7,848	7,855
Total Shares Traded (millions)	52.91	95.77	91.21	117.90	129.94	180.85	128.70	77.89
Equity Turnover (Ksh. millions)	722.69	1,050.09	1,157.02	1,585.85	2,153.13	2,191.66	1,405.55	1,294.35
Market Capitalization (Ksh. Bn.)	909.91	921.77	936.22	969.88	970.24	979.37	983.12	989.93
Bonds Turnover (Ksh. millions)	10,730.55	7,393.45	15,917.65	13,164.20	6,398.15	8,090.30	9,737.80	6,216.70

* 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 43.8 million shares and accounted for 56.2 percent of total traded volume. Safaricom traded 38.5 million shares and was the most active stock in the sector. The Finance and Investment sector traded 22.3 million shares and accounted for 28.6 percent of total traded volume. Equity Bank and Kenya Commercial Bank were the most active stocks in the sector, trading 6.6 million and 6.3 million shares, respectively. Industrial and Allied sector traded 7.2 million shares and accounted for 9.3 percent of traded volume. Mumias Sugar Company and KenolKobil were the most active counters, trading 3.7 and 1.3 million shares, respectively. The other sectors had minimal trading.

Bond Market

Bond market trading decreased at the Fixed Income Securities Market during the week. Bond turnover decreased as bonds worth Ksh 6.2 billion were traded compared with Ksh 9.7 billion traded in the previous week.