

April 23, 2010



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market recorded a performance of 306 percent and 139.6 percent in the Treasury bills and Treasury bonds, respectively.

The average interbank interest rate increased by 6 basis points to 2.49 percent in the week ending April 22, 2010 from 2.43 percent in the previous week.

The Kenya Shilling depicted mixed performance against the major international currencies during the week ending April 23, 2010. Against the US dollar, the shilling depreciated to exchange at an average of Ksh 77.36 in the week ending April 23, 2010 compared with Ksh 77.08 per US dollar in the previous week.

Reflecting foreign exchange purchases, the usable official foreign exchange reserves held by the Central Bank decreased to US dollar 3.31 billion (equivalent to 3.50 months of imports) as at April 23, 2010, from US dollar 3.32 billion (equivalent to 3.51 months of imports) as at April 16, 2010.

To ease the liquidity tightness in the money market, the Central Bank injected a total of Ksh 24.7 billion through reverse repo purchases during the week ending April 21, 2010. Reverse repo maturities amounted to Ksh 12.8 billion during the week.

Government gross domestic debt increased by Ksh 120.0 billion from Ksh 518.3 billion in June 2009 to Ksh 638.3 billion as at April 16, 2010 of the fiscal year 2009/10. The cumulative Government expenditure on interest and other charges on domestic debt during the same period amounted to Ksh 46.5 billion.

Performance at the equities market improved during the week. The NSE 20 Share Index gained 81.97 points to settle at 4,181.41 points on April 22, 2010.

Government Securities Auction

During this week’s auctions the Government securities posted good performance of 306 percent and 139.6 percent in Treasury bills and Treasury bonds, respectively. The Government had offered for sale 91-day Treasury bills amounting to Ksh 3.5 billion during the auction of April 23, 2010 and received bids amounting to Ksh 10.7 billion. At the auction of April 22, 2010, 10-year Treasury bonds worth Ksh 12.0 billion were on offer and bids worth Ksh 16.8 billion were received.

The Government accepted 91- day Treasury bills bids amounting to Ksh 4.8 billion of which Ksh 4.5 billion (or 93.8 percent) were in competitive bids. For the Treasury bonds, the Government accepted 10-year Treasury bonds bids amounting to Ksh 12.2 billion of which Ksh 11.0 billion (or 90.2 percent) were in competitive bids. The proceeds of this week’s auctions was adequate to cover the cost of redemptions of Government securities maturities amounting to Ksh 3.2 billion falling due during the week and provide government additional borrowing amounting to Ksh 13.8 billion.

Interest Rates on Treasury Bills and Bonds

The cut-off rate for the 91-day Treasury bill dropped by 63.8 basis points from 5.538 percent in the previous week’s auction to 4.9 percent during this week’s auction. Similarly, the cut-off of the Treasury bond dropped from 11.995 percent in the last auction of July 27, 2009 to 8.63 percent.

Table 1: Interest Rates

	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr wk 1	Apr wk 2	Apr wk 3
Interbank	3.17	2.93	3.79	2.40	2.06	2.32	2.43	2.49
Repo								
Reverse repo	4.36	3.63	3.87	2.90	2.41	2.46	2.46	2.42

Source: Central Bank of Kenya

Interbank and REPO Market

The average interbank interest rate increased by 16 basis points to 2.49 percent in the week ending April 22, 2010 from 2.43 percent in the previous week. The volumes traded rose from Ksh 40.3 billion in the previous week to Ksh 51.8 billion in the week ending April 22, 2010 (Table 2). The implied tightness of interbank liquidity is attributed to build up of Government deposits at the Central Bank.

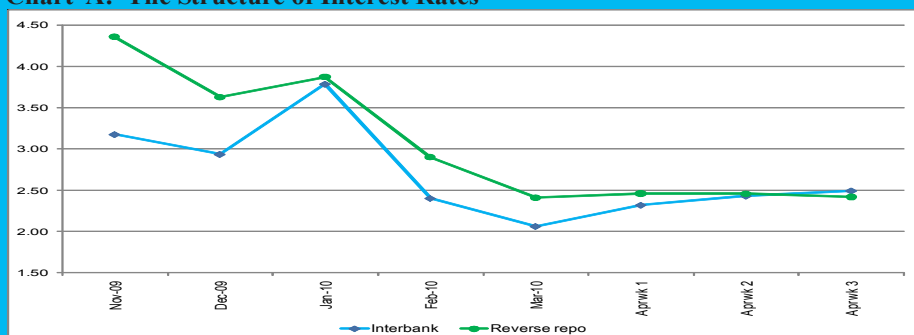
Table 2: Interbank Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
Apr 1 - Apr 8, 2010	319	43,326	2.32
09-Apr-10	71	8,115	2.41
12-Apr-10	72	7,623	2.43
13-Apr-10	74	7,516	2.44
14-Apr-10	61	6,448	2.42
15-Apr-10	85	10,593	2.43
Apr 9 - 15, 2010	363	40,295	2.43
16-Apr-10	90	15,315	2.45
19-Apr-10	64	8,925	2.50
20-Apr-10	69	11,737	2.49
21-Apr-10	59	8,911	2.50
22-Apr-10	61	6,939	2.52
Apr 16 - 22, 2010	343	51,826	2.49

Source: Central Bank of Kenya

The reverse repo rate declined slightly by 4 basis points to 2.42 percent in the week ending April 22, 2010 from 2.46 percent in the previous week. (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 21, 2010 and the Central Bank injected a total of Ksh 24.7 billion as shown in Table 3. There were reverse repo maturities of Ksh 12.8 billion. Commercial banks borrowed Ksh 584 million from the overnight window, during the week. Reserve money averaged Ksh 176.0 billion during the week and was below target by Ksh 1.0 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
15-Apr	172.5	176.8	-4.4	3.0	3.0	0.0	175.7	-1.1	1.8	-2.9
16-Apr	175.2	176.8	-1.6	0.0	0.0	0.0	173.4	-3.4	0.1	-3.5
19-Apr	170.3	177.3	-7.0	12.0	10.8	-1.2	178.7	1.4	5.5	-4.0
20-Apr	168.8	177.3	-8.5	7.0	6.7	-0.3	174.4	-2.9	0.8	-3.8
21-Apr	170.6	177.3	-6.7	5.0	4.2	-0.8	174.9	-2.4	1.8	-4.1
Average	172.7	177.0	-4.3	5.0	4.6	-0.4	176.0	-1.0	2.5	-3.5

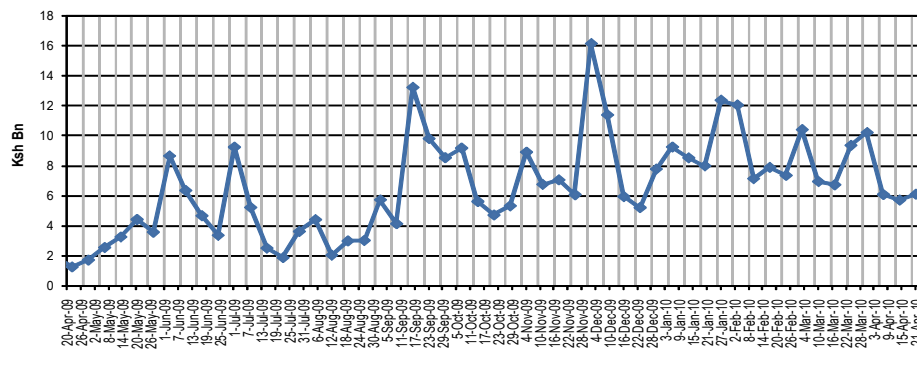
*Reserve money comprises bank reserves and currency outside banks

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 21, 2010, compared with Ksh 5.7 billion held the previous week (Chart B).

Chart B: Weekly Average Commercial Banks Clearing Account Balances



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling on average depicted mixed performance against the major international currencies during the week ending April 23, 2010 (Table 4). Against the US dollar and the Japanese Yen, the shilling depreciated to exchange at Ksh 77.36 and Ksh 83.34 per 100 Japanese Yen compared with Ksh 77.08 per US dollar and Ksh 82.82 per 100 Japanese Yen, respectively, in the previous week. During the week, the shilling appreciated against the Sterling Pound, and the Euro to exchange at Ksh 118.74 per Sterling Pound and Ksh 103.64 per Euro compared with Ksh 118.97 per Sterling Pound and Ksh 104.93 per Euro in the previous week.

On the regional scene, the Kenya Shilling strengthened marginally against the Uganda Shilling and the Tanzania Shilling to exchange at Ush 26.92 per Kenya Shilling and Tsh 17.78 per Kenya Shilling in the week ending April 23, 2010, compared with Ush 26.88 per Kenya Shilling and Tsh 17.74 per Kenya Shilling in the previous week.

Table 4: Kenya Shilling Exchange Rate

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
12-Apr-10	77.17	119.19	105.32	82.80	26.72	17.74
13-Apr-10	77.18	118.68	104.91	83.18	26.87	17.72
14-Apr-10	77.10	118.90	105.25	82.55	26.99	17.75
15-Apr-10	76.95	119.35	104.94	82.47	26.94	17.77
16-Apr-10	77.03	118.75	104.24	83.09	26.87	17.73
April 12- April 16, 2010	77.08	118.97	104.93	82.82	26.88	17.74
19-Apr-10	77.35	117.96	104.16	84.06	26.92	17.68
20-Apr-10	77.50	118.58	104.30	83.79	26.89	17.69
21-Apr-10	77.27	118.96	103.81	82.83	26.98	17.79
22-Apr-10	77.29	119.40	103.52	83.15	26.85	17.88
23-Apr-10	77.38	118.79	102.43	82.88	26.95	17.87
April 19- April 26, 2010	77.36	118.74	103.64	83.34	26.92	17.78

Source: Central Bank of Kenya

Foreign Exchange Reserves

Usable official foreign exchange reserves held by the Central Bank stood at US dollar 3.31 billion (equivalent to 3.50 months of imports) as at April 23, 2010, compared with US dollar 3.32 billion (equivalent to 3.51 months of imports) as at April 16, 2010 (Table 5).

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	16-Apr-10	23-Apr-10
Usable Reserves	2,623	3,302	3,392	3,309	3,235	3,224	3,223	3,258	3,319	3,308
Months of Imports Cover*	3.13	3.67	3.71	3.62	3.49	3.43	3.43	3.45	3.51	3.50

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

Source: Central Bank of Kenya

Government Domestic Debt

Government gross domestic debt increased from Ksh 518.3 billion in June 2009 to Ksh 638.3 billion following increases of Ksh 50.6 billion and Ksh 76.7 billion in Treasury bills (excluding Repos) and Treasury bonds, respectively. However, these increases were partly offset by decreases of Ksh 5.1 billion and Ksh 2.2 billion in overdraft at the Central Bank and other domestic debt, respectively.

Treasury bills and Treasury bonds increased from Ksh 116.8 billion and 360.7 billion in June 2009 to Ksh 167.3 billion and Ksh 437.5 billion, respectively as at April 16, 2010. However, Government overdraft at the Central Bank and other domestic debt declined during the period, while long term stocks remained unchanged during the period.

Following these developments, the share of Treasury bonds in total Government securities declined from 75.4 percent in June 2009 to 72.2 percent as at April 16, 2010, while that of Treasury bills increased from 24.4 percent to 27.6 percent. Consequently, the maturity profile of Government securities stood at 4 years and 1 month.

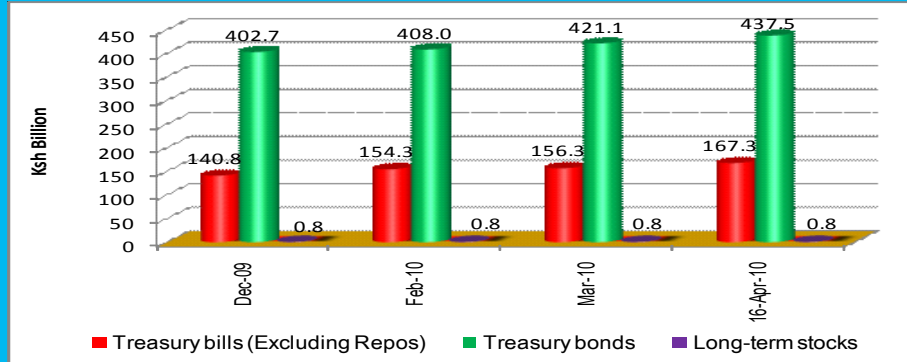
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-09	Sep-09	Dec-09	26th Mar 2010	9th April 2010	16th April 2010	Changes	
							9th April-2010 - 16th April-2010	30th Jun-09 -16th Apr-2010
1. Treasury Bills (Excluding Repos) (As % of total securities)	116.8 24.4	122.2 24.0	140.8 25.9	156.3 27.0	162.9 27.1	167.3 27.6	11.0 0.6	50.6 3.2
2. Treasury Bonds (As % of total securities)	360.7 75.4	386.1 75.8	402.7 74.0	421.1 72.8	437.5 72.8	437.5 72.2	16.4 -0.6	76.7 -3.2
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	578.2	601.2	605.6	27.4	127.3
5. Overdraft at Central Bank	5.1	8.0	11.1	5.9	0.0	0.0	-5.9	-5.1
6. Other Domestic debt*	34.9	33.6	33.6	33.0	33.0	32.7	-0.3	-2.2
7. Gross Domestic Debt (4+5+6)	518.3	550.6	589.0	617.1	634.2	638.3	21.2	120.0
8. Interest payments on domestic debt (Cumulative in FY)	45.9	13.5	31.2	43.0	45.9	46.5	0.6	

* 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

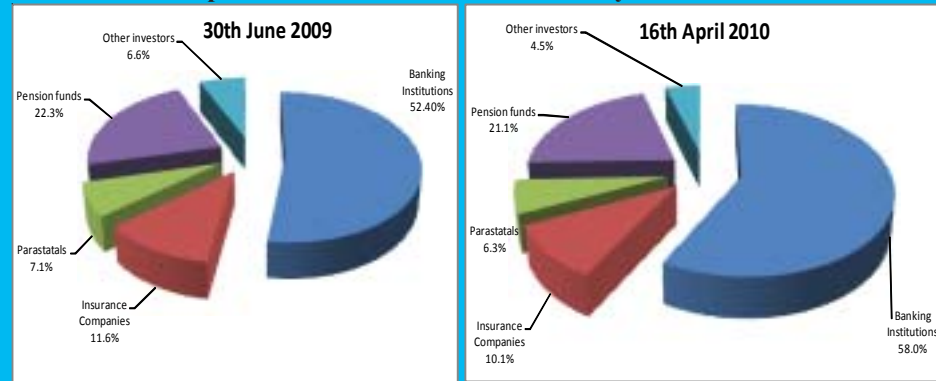


Source: Central Bank of Kenya

Holdings of Government Securities

The holdings of Government securities by commercial banks increased from 52.4 percent in June 2009 to 58.0 percent as at April 16, 2010. However, holdings of insurance companies, parastatals, pension funds and other investors declined from 11.6 percent, 7.1 percent, 22.3 percent and 6.6 percent, respectively to 10.1 percent, 6.3 percent, 21.1 percent and 4.5 percent during the same period (Chart D).

Chart D: Composition of Government Securities by Investor

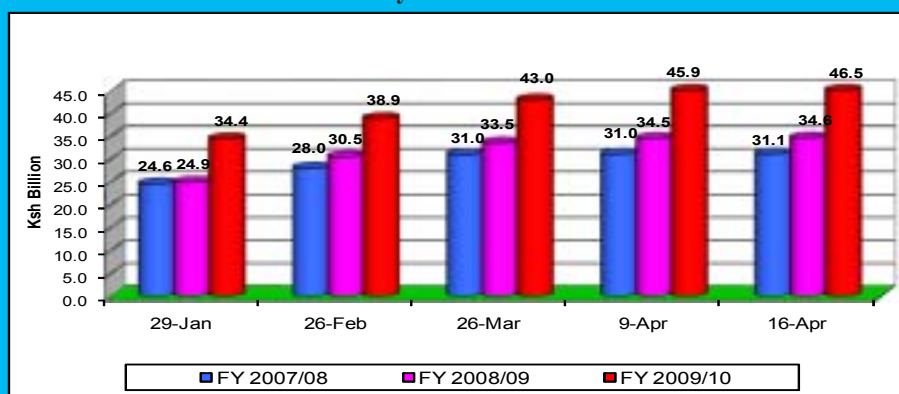


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative Government expenditure on interest and other charges on domestic debt for the period up to April 16, 2010 of the fiscal year 2009/10 amounted to Ksh 46.5 billion compared with Ksh 34.6 billion in a similar period in the fiscal year 2008/09 (Chart E). The interest cost on domestic debt during the period comprised Ksh 34.2 billion in interest and other charges on Treasury bonds, Ksh 9.4 billion in interest and other charges on Treasury bills, and Ksh 0.8 billion in interest on both Government overdraft at the Central Bank and the pre-1997 government overdraft.

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 April 22, 2010. Equity turnover increased by 60.9 percent as stocks worth Ksh 2,201.4 million were traded compared with Ksh 1,368.1 million traded in the previous week. The number of shares traded increased from 97.7 million in the previous week to 112.6 million shares in the week under review. Market capitalization as a measure of total shareholders wealth increased by 0.9 percent or Ksh. 9.4 billion to close at Ksh 1,033.02 billion in the week under review from Ksh 1,023.6 billion in the previous week. The NSE 20 Share index gained 81.97 points to settle at 4,181.41 points on April 22, 2010 from 4,099.4 points on April 15, 2010. The Nairobi All Share Index gained 0.81 points to settle at 88.72 points on April 22, 2010 from 87.9 points the previous week (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	04-Mar-10	11-Mar-10	18-Mar-10	25-Mar-10	01-Apr-10	08-Apr-10	15-Apr-10	22-Apr-10
NASI100= Jan 2008	80.41	83.29	83.32	84.11	84.40	85.01	87.91	88.72
NSE 20 Share Index 100=1966	3,675.54	3,964.86	4,008.17	4,042.87	4,072.93	4,062.91	4,099.44	4,181.41
Number of Deals	8,286	10,048	11,452	10,458	7,848	7,855	9,728	10,625
Total Shares Traded (millions)	91.21	117.90	129.94	180.85	128.70	77.89	97.69	112.65
Equity Turnover (Ksh. millions)	1,157.02	1,585.85	2,153.13	2,191.66	1,405.55	1,294.35	1,368.14	2,201.38
Market Capitalization (Ksh. Bn.)	936.22	969.88	970.24	979.37	983.12	989.93	1,023.64	1,033.02
Bonds Turnover (Ksh. millions)	15,917.65	13,164.20	6,398.15	8,090.30	9,737.80	6,216.70	6,222.60	4,339.35

*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 51.1 million shares and accounted for 45.3 percent of total traded volume. Safaricom traded 47.4 million shares and was the most active stock in the sector. The Finance and Investment sector traded 39.8 million shares and accounted for 35.3 percent of total traded volume. Equity Bank and Cooperative Bank were the most active stocks in the sector, trading 18.8 million and 7.9 million shares, respectively. Industrial and Allied sector traded 20.7 million shares and accounted for 18.4 percent of traded volume. Mumias Sugar Company

and Bamburi Cement Ltd were the most active counters, trading 12.7 and 3.7 million shares, respectively. The other sectors had minimal trading.

Bond Market

Bond turnover at the Fixed Income Securities Market declined from Ksh 6.2 billion traded in the previous week to Ksh 4.3 billion in the week under review.