

April 30, 2010



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market was oversubscribed by 163 percent during the week. The Government had offered for sale 182-day Treasury bills amounting to Ksh 5.0 billion, received bids amounting to Ksh 13.2 billion and accepted bids amounting to Ksh 6.4 billion. The cut-off rate for the 182-day Treasury bill declined by 50.0 basis points to 4.950 percent.

The average interbank interest rates increased by 6 basis points to 2.55 percent in the week ending April 29, 2010 from 2.49 percent in the previous week. To support liquidity in the money market, the Central Bank injected a total of Ksh 24.4 billion through reverse repo purchases against reverse repo maturities of Ksh 24.7 billion during the week.

The Kenya Shilling appreciated against the major international currencies during the week ending April 30, 2010. Against the US dollar, the shilling appreciated to exchange at an average of Ksh 77.32 in the week compared with Ksh 77.36 per US dollar in the previous week.

Gross official foreign exchange reserves held by the Central Bank remained stable at US dollar 3.31 billion (equivalent to 3.50 months of imports) as at April 30, 2010.

Government gross domestic debt increased from Ksh 518.3 billion in June 2009 to Ksh 642.6 billion following increases of 54.5 billion and 76.7 billion in Treasury bills (excluding repos) and Treasury bonds respectively. This was, however, offset by repayments of Ksh 5.1 billion in overdraft to the Central Bank and Ksh 1.9 billion in other domestic debt.

Performance at the equities market was mixed during the week. The NSE 20 Share index gained 89.46 points to settle at 4,270.87 points on April 29, 2010.

Government Securities Auction

During this week’s auctions the Government securities market recorded a performance of 263.0 percent for Treasury bills . The Government offered for sale 182-day Treasury bills amounting to Ksh 5.0 billion during the auction of April 29, 2010 and received bids amounting to Ksh 13.2 billion.

The Government accepted Treasury bills bids amounting to Ksh 6.4 billion of which Ksh 4.5 billion (or 70.3 percent) were in competitive bids. The proceeds of this week’s auction went to offset Ksh 9.6 billion in redemption of Government securities falling due during the week.

Interest Rates on Treasury Bills and Bonds

The cut-off rate for the 182-day Treasury bill dropped by 50.0 basis points from 5.450 percent in the previous week’s auction to 4.950 percent during this week’s auction.

Table 1: Interest Rates

	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr wk 1	Apr wk 2	Apr wk 3	Apr wk 4
Interbank	3.17	2.93	3.79	2.40	2.06	2.32	2.43	2.49	2.55
Reverse repo	4.36	3.63	3.87	2.90	2.41	2.46	2.46	2.42	2.53

Source: Central Bank of Kenya

Interbank and REPO Market

The average interbank interest rate increased by 6 basis points to 2.55 percent in the week ending April 29, 2010 from 2.49 percent in the previous week. The volumes traded declined marginally from Ksh 51.8 billion in the previous week to Ksh 51.7 billion in the week ending April 29, 2010 (Table 2). The implied tightness of interbank liquidity is attributed to build up of Government deposits at the Central Bank that initially picked at Ksh 89.7 billion on April 26, 2010 before declining to Ksh 75.4 billion on April 29, 2010.

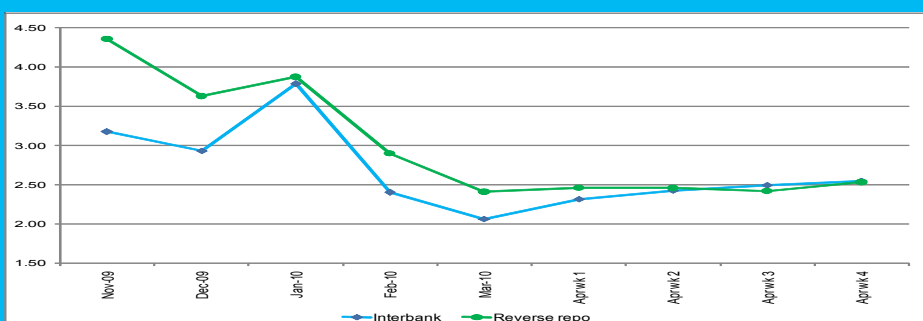
Table 2: Interbank Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
23-Apr-10	61	8,852	2.50
26-Apr-10	64	8,499	2.57
27-Apr-10	68	11,421	2.55
28-Apr-10	69	10,059	2.56
29-Apr-10	72	12,832	2.57
Apr 23 - 29, 2010	334	51,663	2.55

Source: Central Bank of Kenya

The reverse repo rate rose by 11 basis points to 2.53 percent in the week ending April 29, 2010 from 2.42 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 28, 2010 and the Central Bank injected a total of Ksh 24.4 billion as shown in Table 3. There were reverse repo maturities of Ksh 24.7 billion. Commercial banks borrowed Ksh 222.5 million from the overnight window, during the week. Reserve money averaged Ksh 176.8 billion during the week and was below target by Ksh 0.7 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
22-Apr	171.2	177.3	-6.1	3.5	3.5	0.0	174.5	-2.8	1.5	-4.3
23-Apr	177.9	177.3	0.6	0.0	0.0	0.0	178.6	1.3	5.8	-4.4
26-Apr	158.4	177.7	-19.3	17.0	17.0	0.0	174.8	-2.9	1.9	-4.8
27-Apr	173.2	177.7	-4.5	2.0	3.9	1.9	178.5	0.7	4.9	-4.1
28-Apr	176.0	177.7	-1.8	0.0	0.0	0.0	177.7	0.0	4.2	-4.2
Average	171.3	177.6	-6.2	4.5	4.9	0.4	176.8	-0.7	3.6	-4.4

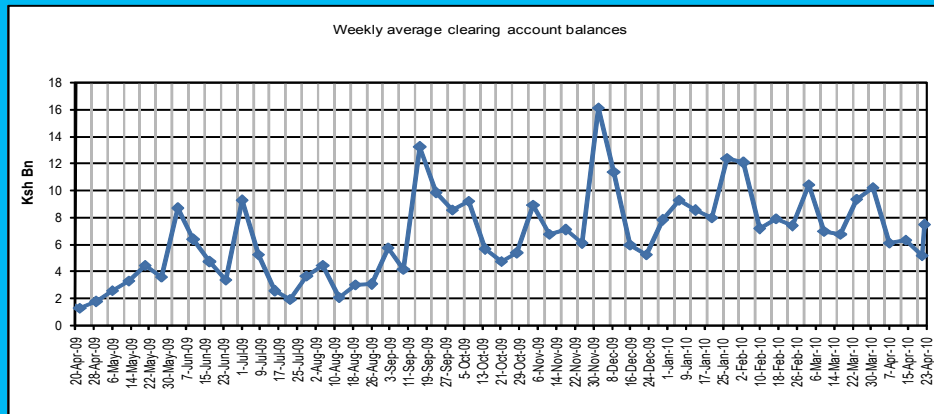
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 7.4 billion in their clearing accounts at the Central Bank in the week to April 28, 2010, compared with Ksh 5.2 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 appreciated against the major international currencies during the week ending April 23, 2010 (Table 4). Against the US dollar, the Sterling Pound, the Japanese Yen and the Euro the shilling appreciated to exchange at Ksh 77.32 per US dollar, Ksh 118.60 per Sterling Pound, Ksh 82.40 per 100 Japanese Yen and Ksh 102.74 per Euro compared with Ksh 77.36 per US dollar, Ksh 118.74 per Sterling Pound, Ksh 83.34 per 100 Japanese Yen and Ksh 103.64 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 27.17 per Kenya Shilling and Tsh 17.84 per Kenya Shilling in the week ending April 30, 2010, compared with Ush 26.92 per Kenya Shilling and Tsh 17.78 per Kenya Shilling in the previous week.

Table 4: Kenya Shilling Exchange Rate

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
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
26-Apr-10	77.30	119.63	103.42	82.16	26.91	17.79
27-Apr-10	77.33	119.35	103.37	82.37	27.00	17.84
28-Apr-10	77.34	118.10	102.17	82.95	27.04	17.84
29-Apr-10	77.35	117.19	102.27	82.31	27.28	17.83
30-Apr-10	77.27	118.71	102.45	82.18	27.62	17.90
April 26- April 30, 2010	77.32	118.60	102.74	82.40	27.17	17.84

Source: Central Bank of Kenya

Foreign Exchange Reserves

Gross official foreign exchange reserves held by the Central Bank remained stable at US dollar 3.31 billion (equivalent to 3.50 months of imports) as at April 30, 2010 (Table 5).

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

	9-Apr-09	30-Oct-09	30-Nov-09	31-Dec-09	26-Feb-10	26-Mar-10	1-Apr-10	23-Apr-10	30-Apr-10
Usable Reserves	2,623	3,302	3,392	3,309	3,235	3,224	3,223	3,308	3,307
Months of Imports Cover*	3.13	3.67	3.71	3.62	3.49	3.43	3.43	3.50	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 642.6 billion following increases of 54.5 billion and 76.7 billion in Treasury bills (excluding repos) and Treasury bonds respectively. (Table 6 and Chart D). This was, however, offset by repayments of Ksh 5.1 billion overdraft to the Central Bank and Ksh 1.9 billion in other domestic debt.

Treasury bills and Treasury bonds increased from Ksh 116.8 billion and 360.7 billion in June 2009 to Ksh 171.3 billion and Ksh 437.5 billion, respectively as at April 23, 2010. Long term stocks remained unchanged at 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 71.8 percent as at April 23, 2010 (which was close to the minimum threshold of 70 percent), while that of Treasury bills increased from 24.4 percent to 28.1 percent during the same period. The maturity profile of Government securities increased to 4 years and 1 month, from 3 years and 7 months in June 2009.

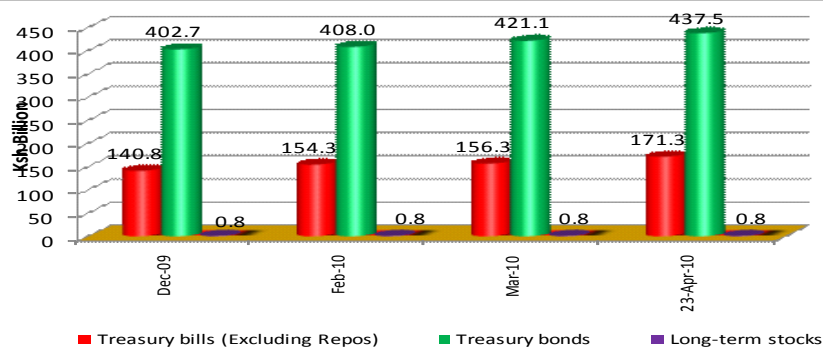
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-09	Sep-09	Dec-09	26th Mar 2010	16th April 2010	23rd April 2010	Changes	
							16th April-2010 - 23rd April-2010	30th Jun-09 - 23rd 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	167.3 27.6	171.3 28.1	4.0 0.5	54.5 3.7
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 72.2	437.5 71.8	0.0 -0.5	76.7 -3.7
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	605.6	609.5	4.0	131.3
5. Overdraft at Central Bank	5.1	8.0	11.1	5.9	0.0	0.0	0.0	-5.1
6. Other Domestic debt*	34.9	33.6	33.6	33.0	32.7	33.0	0.3	-1.9
7. Gross Domestic Debt (4+5+6)	518.3	550.6	589.0	617.1	638.3	642.6	4.3	124.2
8. Interest payments on domestic debt (Cumulative in FY)	45.9	13.5	31.2	43.0	46.5	48.6	2.7	

* 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

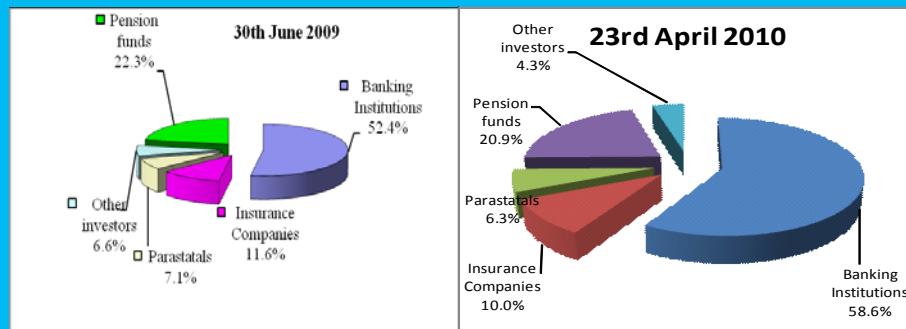


Source: Central Bank of Kenya

Holdings of Government Securities

The commercial banks dominated in holding Government securities by accounting for 58.6 percent as at April 23, 2010 compared with 52.4 percent in June 2009. The shares 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 as at June 30, 2009 to 10.0 percent, 6.3 percent, 20.9 percent and 4.3 percent during the same period (Chart D).

Chart D: Composition of Government Securities by Investor

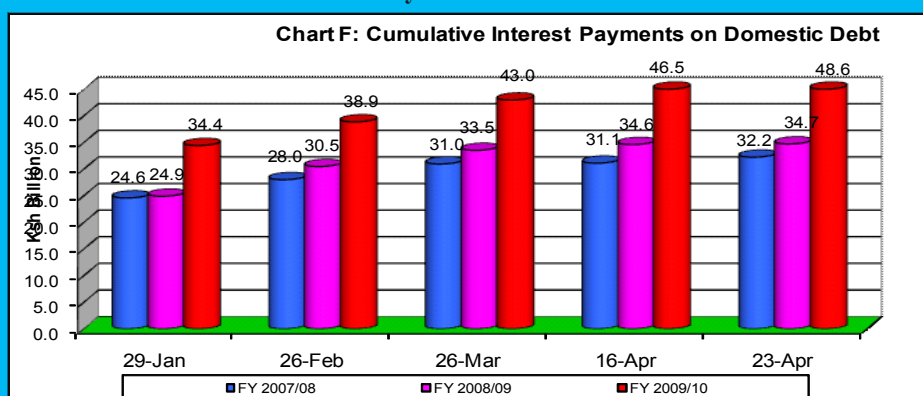


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative Government expenditure on interest and other charges on domestic debt for the period up to April 23, 2010 of the FY 2009/10 amounted to Ksh 48.6 billion compared with Ksh 34.7 billion in a similar period in the fiscal year 2008/09 (Chart F). The increase reflected the larger domestic debt. The interest cost on domestic debt during the period comprised Ksh 37.6 billion in interest and other charges on Treasury bonds, Ksh 10.1 billion in interest and other charges on Treasury bills, and Ksh 0.9 billion in interest on both 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

Performance at the equities market was mixed during the week ending April 29, 2010. Equity turnover decreased by 23.5 percent as stocks worth Ksh 1,685.0 million were traded compared with Ksh 2,201.4 million traded in the previous week. The decline in equity turnover reflected in the number of shares traded which decreased from 112.6 million in the previous week to 99.5 million shares in the week under review. Meanwhile, the NSE 20 Share index increased by 89.46 points to settle at 4,270.87 points on April 29, 2010 from 4,181.41 points on April 22, 2010. The Nairobi All Share Index gained 1.59 points to 90.31 points on April 29, 2010 from 88.72 points the previous week (Table 7). Market capitalization as a measure of total shareholders wealth increased by 1.8 percent or Ksh. 18.5 billion to close at Ksh 1,051.6 billion in the week under review from Ksh 1,033.02 billion in the previous week.

Table 7: Key Weekly Market Statistics

Week Ending	4-Mar-10	11-Mar-10	18-Mar-10	25-Mar-10	1-Apr-10	8-Apr-10	15-Apr-10	22-Apr-10	29-Apr-10
NASI 100= Jan 2008	80.41	83.29	83.32	84.11	84.40	85.01	87.91	88.72	90.31
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	4,270.87
Number of Deals	8,286	10,048	11,452	10,458	7,848	7,855	9,728	10,625	12,588
Total Shares Traded (millions)	91.21	117.90	129.94	180.85	128.70	77.89	97.69	112.65	99.5
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	1,684.97
Market Capitalization (Ksh. Bn.)	936.22	969.88	970.24	979.37	983.12	989.93	1,023.64	1,033.02	1,051.56
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	5,922.40

* 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 41.9 million shares and accounted for 42.1 percent of total traded volume. Safaricom traded 37.1 million shares and was the most active stock in the sector. The Finance and Investment sector traded 34.5 million shares and accounted for 34.6 percent of total traded volume. Equity Bank and Kenya Commercial Bank were the most active stocks in the sector, trading 13.1 million and 7.5

million shares, respectively. Industrial and Allied sector traded 21.5 million shares and accounted for 21.6 percent of traded volume. Mumias Sugar Company and KenolKobil were the most active counters, trading 15.5 and 2.1 million shares, respectively. The other sectors had minimal trading.

Bond Market

Bond turnover at the Fixed Income Securities Market increased from Ksh 4.3 billion traded in the previous week to Ksh 5.9 billion in the week under review.