

February 19, 2010



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted a 65.9 percent performance rate during the 182-day Treasury bills auction of February 18, 2010. The cut-off interest rate on the 182-day Treasury bills was 6.599 percent.

The average interbank rate decreased by 18 basis points in the week ending February 18, 2010 to 2.19 percent from 2.37 percent the previous week.

The Kenya Shilling on average depicted mixed trends against the major international currencies during the week ending February 19, 2010. Against the US dollar, the shilling depreciated to exchange at Ksh 77.16 compared with Ksh 76.69 per US dollar in the previous week.

Usable official foreign exchange reserves held by the Central Bank stood at US dollar 3.24 billion (equivalent to 3.49 months of imports) as at February 19, 2010, compared with US dollar 3.26 billion (equivalent to 3.52 months of imports) as at February 12, 2010.

Central Bank injected a total of Ksh 12.75 billion using reverse repurchase agreement securities during the week ending February 17, 2010 against maturities worth Ksh 18.52 billion.

Government gross domestic debt increased by Ksh 77.6 billion from Ksh 518.3 billion in June 2009 to Ksh 596.0 billion as at February 12, 2010 in FY 2009/10. The cumulative Government expenditure on interest and other charges on domestic debt during the same period amounted to Ksh 34.9 billion.

Performance at the equities market declined during the week. Equity turnover decreased by 39.8 percent, market capitalization declined by 0.9 percent while the NSE 20 Share Index lost 54.3 points to settle at 3536.7 points on February 18, 2010.

Government Securities Auction

The Government securities market posted a 65.9 percent performance rate during the 182-day Treasury bills auction of February 18, 2010. The Government offered for sale Treasury bills worth Ksh 7.5 billion and received bids totalling Ksh 4.94 billion. The Government accepted all bids totalling Ksh 4.94 billion, of which Ksh 4.48 billion were competitive bids.

Interest Rates on Treasury Bills

The cut-off interest rates on the 182-day Treasury bills declined by 10.1 basis points from 6.700 percent in the previous auction to 6.599 percent during this week's auction (Table 1).

Table 1: Interest Rates

Auction date	26-Nov-09	03-Dec-09	10-Dec-09	17-Dec-09	24-Dec-09	31-Dec-09	07-Jan-10	14-Jan-10	21-Jan-10	28-Jan-10	04-Feb-10	11-Feb-10	18-Feb-10
Average 91 day T. Bills*		6.937		6.710		6.612		6.502		6.401		6.199	
Average 182 day T. Bills*	7.943		7.511		7.245		7.136		7.000		6.700		6.599
Average 364 day T. Bills*			8.008								7.552		
Month	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-10	Dec-10		
Average savings rate	1.90	1.91	1.67	2.08	1.67	1.65	1.65	1.85	1.71	1.73			
Average overdraft rate	13.78	13.66	14.13	14.41	13.94	13.90	13.76	14.03	14.24	14.13			

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

Source: Central Bank of Kenya

Interbank and REPO Market

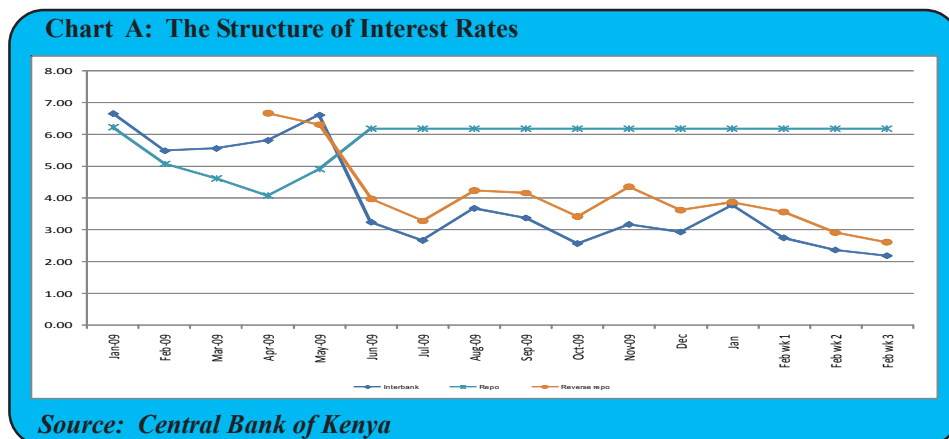
The average interbank rate decreased by 18 basis points in the week ending February 18, 2010 down to 2.19 percent from 2.37 percent in the previous week. The volumes traded increased in the week from Ksh 37.6 billion in the previous week to Ksh 49.3 billion in the week ending February 18, 2010 (Table 2).

Table 2: Interbank Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
05-Feb-10	68	6,893	2.48
08-Feb-10	67	8,585	2.64
09-Feb-10	53	7,225	2.52
10-Feb-10	48	6,839	2.24
11-Feb-10	69	8,095	1.98
Feb 05 - Feb 11, 2010	305	37,637	2.37
12-Feb-10	72	8,155	1.83
15-Feb-10	92	12,176	2.10
16-Feb-10	92	10,311	2.30
17-Feb-10	79	8,673	2.36
18-Feb-10	87	10,000	2.37
Feb 12 - Feb 18, 2010	422	49,315	2.19

Source: Central Bank of Kenya

The reverse repo rate declined by 30 basis points from 2.91 percent in the previous week up to 2.61 percent in the week ending February 18, 2010.



Monetary Policy Operations

The market was fairly tight in the week ending February 17, 2010. During the week, Central Bank injected a total of Ksh 12.75 billion into the market as shown in Table 3. Reverse repo maturities amounted to Ksh 18.52 billion during the week under review. In addition the commercial banks borrowed Ksh 80 million from the overnight window, during the week. Reserve money averaged Ksh 171.7 billion during the week and was below target by Ksh 2.9 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
11-Feb	177.9	174.3	3.5	0.0	0.0	0.0	179.0	4.6	13.1	-8.5
12-Feb	179.3	174.3	5.0	0.0	0.0	0.0	177.8	3.5	12.2	-8.7
15-Feb	162.6	174.8	-12.2	8.0	7.9	-0.1	169.5	-5.3	4.0	-9.3
16-Feb	167.5	174.8	-7.3	3.5	3.5	0.9	172.1	-2.7	5.8	-8.5
17-Feb	171.4	174.8	-3.3	1.5	1.4	-0.1	172.7	-2.1	7.6	-9.6
Average	171.7	174.6	-2.9	2.6	2.5	0.1	174.2	-0.4	8.5	-8.9

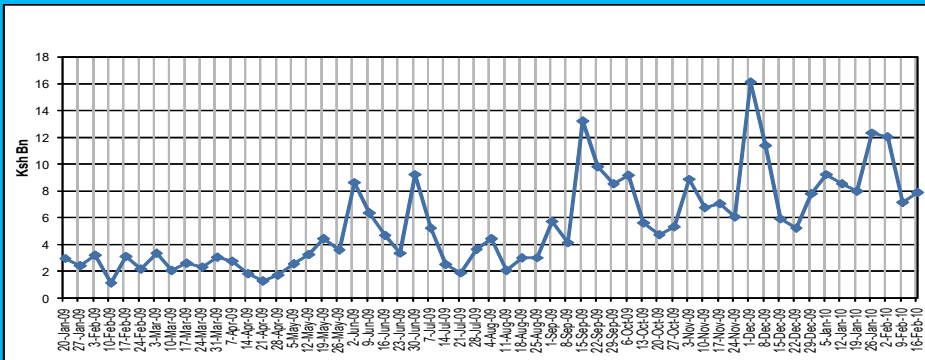
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 7.89 billion in their clearing accounts at the Central Bank in the week to February 17, 2010, compared with Ksh 7.14 billion held in 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 trends against the major international currencies during the week ending February 19, 2010 (Table 4). Against the US dollar, the shilling depreciated marginally to exchange at Ksh 77.16 in the week ending February 19, 2010 compared with Ksh 76.69 per US dollar in the previous week. The depreciation of the shilling during the week reflected increased demand for dollars by oil importers, the increased global demand for dollars on account of the ‘flight to safety’ phenomenon in the Euro area associated with the Greece budget deficit problem and the local market sentiments associated with political hiccup precipitated by disagreement in the governing coalition partners on the handling of recent corruption cases.

Similarly, the shilling also depreciated against the Sterling Pound to exchange at Ksh 120.66 per Sterling Pound compared with Ksh 119.98 per Sterling Pound in the previous week. However, the shilling appreciated marginally against Japanese Yen and the Euro the to exchange at Ksh 85.14 per 100 Japanese Yen and Ksh 105.07 per Euro compared with Ksh 85.82 per 100 Japanese Yen and Ksh 105.14 per Euro in the previous week.

In the regional scene, the Kenya Shilling strengthened marginally against Uganda Shilling and weakened marginally against the Tanzania Shilling to exchange at Ush 26.11 per Kenya Shilling and Tsh 17.45 per Kenya Shilling in the week ending February 19, 2010 compared with Ush 25.89 per Kenya Shilling and Tsh 17.59 per Kenya Shilling in the previous week respectively.

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
08-Feb-10	76.88	119.56	104.69	85.82	25.82	17.46
09-Feb-10	76.93	120.28	105.47	85.82	25.77	17.52
10-Feb-10	76.72	120.36	105.56	85.82	25.87	17.58
11-Feb-10	76.41	119.56	105.34	85.82	25.97	17.67
12-Feb-10	76.50	120.12	104.65	85.82	26.01	17.69
Feb 08-12, 2010	76.69	119.98	105.14	85.82	25.89	17.59
15-Feb-10	77.02	120.44	104.63	85.32	26.16	17.57
16-Feb-10	77.37	121.40	105.57	86.03	26.04	17.45
17-Feb-10	77.34	122.10	106.61	85.66	26.05	17.29
18-Feb-10	77.04	120.75	104.77	84.86	26.17	17.50
19-Feb-10	77.05	118.61	103.74	83.84	26.14	17.42
Feb 15-19, 2010	77.16	120.66	105.07	85.14	26.11	17.45

Foreign Exchange Reserves

Usable official foreign exchange reserves held by the Central Bank stood at US dollar 3.24 billion (equivalent to 3.49 months of imports) as at February 19, 2010, compared with US dollar 3.26 billion (equivalent to 3.52 months of imports) as at February 12, 2010 (Table 5). The foreign exchange reserves held by the commercial banks, predominantly used by the private sector to meet external financial obligations stood at US dollar 1,470 million at the end of January 2010.

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

	05-Feb-09	26-Jun-09	31-Jul-09	31-Aug-09	30-Sep-09	30-Oct-09	30-Nov-09	12-Feb-10	19-Feb-10
Usable Reserves	2,642	3,086	3,097	3,154	3,243	3,302	3,392	3,262	3,241
Months of Imports Cover*	3.20	3.56	3.52	3.54	3.67	3.67	3.71	3.52	3.49
Months of Imports Cover**	2.64	3.10	3.12	3.18	3.27	3.33	3.40	3.54	3.52

*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

Government Domestic Debt

Government gross domestic debt increased from Ksh 518.3 billion in June 2009 to Ksh 596.0 billion as at February 12, 2010 (Table 6 and Chart D). This was as a result of increases of Ksh 31.9 billion and Ksh 51.7 billion in Treasury bills (excluding Repos) and Treasury bonds. Overdraft at the Central bank and other domestic debt decreased by Ksh 4.6 billion and Ksh 1.3 billion respectively during the week.

Treasury bills and Treasury bonds increased from Ksh 116.8 billion and Ksh 360.7 billion in June 2009 to Ksh 148.7 billion and Ksh 412.4 billion, respectively as at February 12, 2010. Long term stocks remained unchanged from Ksh 0.8 billion during the period.

As a result of these developments, the proportion of Treasury bonds in total Government securities declined from 75.4 percent in June 2009 to 73.4 percent as at February 5, 2010 while that of Treasury bills increased from 24.4 percent to 26.5 percent. Despite the decline in the proportion of Treasury bonds in total stock of Government securities, the maturity profile of Government securities improved to 4 years 2 months compared to 3 years 9 months in June 2009 as a result of the continued success in the issuance of the 364-day Treasury bills.

Table 6: Government Domestic Debt (Ksh Billion)

	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	22nd Jan 2010	29th Jan 2010	5th Feb 2010	12th Feb 2010	Changes	
											5th Jan-09 - 12th Feb-2010	30th Jun-09 - 12th Feb-2010
1. Treasury Bills (Excluding Repos) (As % of total securities)	116.8 24.4	120.8 24.5	127.6 25.2	122.2 24.0	133.6 25.5	137.7 26.5	142.2 26.1	141.7 26.3	142.3 25.6	148.7 26.5	6.3 0.8	31.9 2.0
2. Treasury Bonds (As % of total securities)	360.7 75.4	371.2 75.3	378.5 74.7	386.1 75.8	389.9 74.4	381.0 73.3	402.2 73.8	395.5 73.5	412.4 74.2	412.4 73.4	0.0 -0.8	51.7 -2.0
3. Long Term Stocks (As % of total securities)	0.8 0.2	0.8 0.2	0.8 0.1	0.8 0.1	0.8 0.1	0.8 0.1	0.8 0.1	0.8 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	492.8	506.8	509.0	524.2	519.5	545.1	537.9	555.5	561.8	6.3	83.6
5. Overdraft at Central Bank	5.1	3.9	6.1	8.0	9.3	9.8	2.6	9.2	9.2	0.5	-8.6	-4.6
6. Other Domestic debt*	34.9	33.7	34.2	33.6	33.6	33.6	33.0	33.1	33.6	33.6	0.0	-1.3
7. Gross Domestic Debt (4+5+6)	518.3	530.4	547.2	550.6	567.1	562.9	580.8	580.2	598.3	596.0	-2.3	77.6
8. Interest payments on domestic debt (Cumulative in FY)	45.9	3.9	9.0	13.5	19.6	25.7	32.2	34.4	34.5	34.9	0.3	

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

Source: Central Bank of Kenya

Chart C: Composition of Government Securities

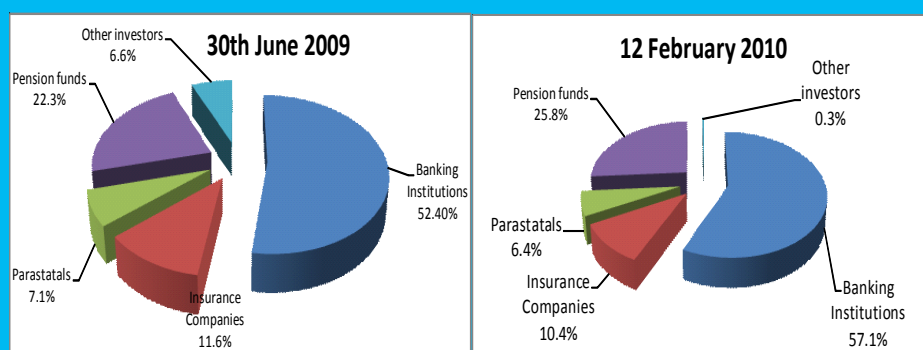


Source: Central Bank of Kenya

Holding of Government Securities

The holdings of Government securities by commercial banks and pension funds increased from 52.4 percent and 22.3 percent, respectively in June 2009 to 57.1 percent and 25.8 percent respectively as at February 12, 2010. However, holdings of insurance companies, parastatals and other investors declined from 11.6 percent, 7.1 percent and 6.6 percent, respectively to 10.4 percent, 6.4 percent and 0.3 percent during the same period (Chart D).

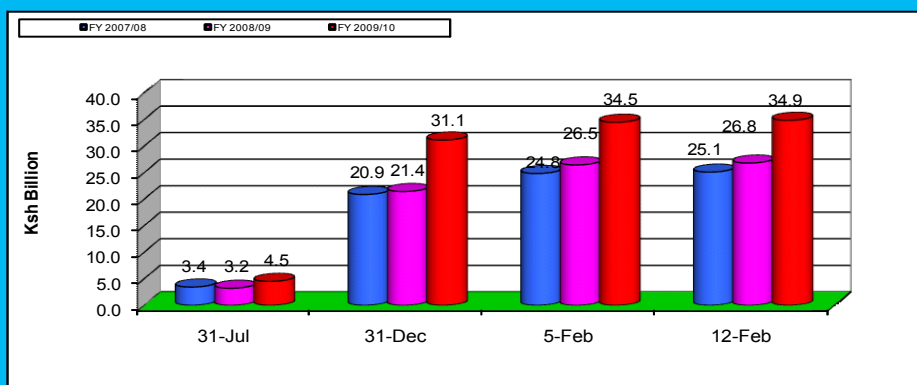
Chart D: Composition of Government Securities by Investor



Cost of Domestic Borrowing

The cumulative Government expenditure on interest and other charges on domestic debt for the period up to February 12, 2010 of the FY 2009/10 amounted to Ksh 34.9 billion compared with Ksh 26.8 billion in a similar period in the fiscal year 2008/09 (Chart E). The interest cost on domestic debt during the period comprised Ksh 26.3 billion in interest and other charges on Treasury bonds, Ksh 7.9 billion in interest and other charges on Treasury bills, and Ksh 0.7 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

The performance at the equities market declined during the week ending February 18, 2010 on account of market sentiments following the political hiccup in the coalition government. Equity turnover decreased by 39.8 percent as stocks worth Ksh 722.7 million were traded compared with Ksh 1,201.4 million traded in the previous week. The number of shares traded decreased, from 85.3 million in the previous week to 52.9 million shares in the week under review. Market capitalization as a measure of total shareholders wealth declined by 0.9 percent or Ksh 8.1 billion to close at Ksh 909.9 billion in the week under review from Ksh 918.0 billion in the previous week. The NSE 20 Share Index lost 54.3 points to settle at 3536.7 points on February 18, 2010 from 3591.0 points on February 11, 2010.

The Nairobi All Share Index lost 0.7 points to settle at 78.1 points on February 18, 2010 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	10-Dec-09	17-Dec-09	24-Dec-09	31-Dec-09	07-Jan-10	14-Jan-10	21-Jan-10	28-Jan-10	04-Feb-10	11-Feb-10	18-Feb-10
NASI 100= Jan 2008	70.14	70.82	71.27	71.64	73.62	78.14	79.99	78.95	79.75	78.83	78.13
NSE 20 Share Index 100=1966	3,181.76	3,186.76	3,209.67	3,247.44	3,282.58	3,426.41	3,628.53	3,572.39	3,584.24	3,591.02	3,536.72
Number of Deals	7,095	6,437	5,434	4,278	4,768	9,220	11,851	9,778	9,009	9,141	8,434
Total Shares Traded (millions)	62.49	56.73	38.00	29.61	39.58	206.97	234.03	112.05	125.24	85.31	52.91
Equity Turnover (Ksh. millions)	624.78	821.72	554.03	287.68	423.97	1,609.24	2,679.64	1,483.18	1,231.59	1,201.37	722.69
Market Capitalization (Ksh. Bn.)	812.21	821.21	829.82	834.17	857.25	909.84	931.47	919.35	928.75	918.00	909.91
Bonds Turnover (Ksh. millions)	6,416.00	4,863.40	1,822.55	547.30	2,448.65	3,986.35	6,946.70	11,381.60	10,316.60	13,131.70	10,730.55

* 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 30.8 million shares and accounted for 58.1 percent of total traded volume. Safaricom traded 27.7 million shares to be the most active stock in the sector. The Finance and Investment sector traded 13.4 million shares accounting for 25.3 percent of total traded volume. Co-operative Bank and Kenya Re traded 3.9 million and 3.6 million shares and were the most active counters in the sector. Industrial and Allied sector traded 8.4 million shares equivalent to 16.0 percent of traded volume. Mumias and Kenol Kobil were the most active counters trading 4.6 million and 2.2 million shares, respectively. The other sectors had minimal trading.

Bond Market

Bond market trading declined at the Fixed Income Securities Market during the week. Bond turnover decreased as bonds worth Ksh 10.7 billion were traded compared with Ksh 13.1 billion traded in the previous week.