January 15, 2010

THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted impressive performance of 232.3 percent during the Treasury bills auction of January 14, 2010. The Government had offered for sale Treasury bills amounting to Ksh 3.0 billion; received bids amounting to Ksh 7.0 billion and accepted bids amounting to Ksh 4.2 billion. The average 91-day Treasury bill rate declined by 11.0 basis points during the auction to 6.5 percent.

The average interbank rate decreased by 12 basis points in the week ending January 14, 2010 to 3.85 percent from 3.97 percent the previous week.

The Kenya Shilling on average depicted mixed trends against the major international currencies during the week ending January 15, 2010. Against the US dollar, the shilling appreciated to exchange at Ksh 75.43 in the week ending January 15, 2010 compared with Ksh 75.64 per US dollar in the previous week.

Official usable foreign exchange reserves held by the Central Bank stood at US dollar 3,326 million (equivalent to 3.61months of imports) as at January 15, 2010 compared with US dollar 2,727 million(equivalent to 3.30 months of imports) as at January 15, 2009.

Central Bank injected a total of Ksh 4.3 billion during the week ending January 13, 2010 and matured reverse repos of Ksh 9.9 billion during the week.

Government gross domestic debt increased by Ksh 71.9 billion from Ksh 518.3 billion in June 2009 to Ksh 590.2 billion as at January 8, 2010 of the FY 2009/10. The cumulative Government expenditure on interest and other charges on domestic debt during the same period amounted to Ksh 31.2 billion.

Performance at the equities market improved during the week. Equity turnover increased by 279.6 percent, market capitalization improved by 6.1 percent while the NSE 20 Share Index gained 143.8 points to settle at 3426.4 points on January 14, 2010.

Government Securities Auction

The Government securities market posted impressive performance of 232.3 percent during the Treasury bills auction of January 14, 2010. The government had offered for sale 91-day Treasury bills worth Ksh 3.0 billion during the auction and received bids totalling Ksh 7.0 billion of which Ksh 6.8 billion were in competitive bids.

The Government accepted bids amounting to Ksh 4.2 billion of which Ksh 4.0 million or 95.2 percent were in competitive bids. The amount raised during the auction was directed at providing additional borrowing to Government given that there was no corresponding maturity.

Interest Rates on Treasury Bills

The average 91-day Treasury bill rate declined by 11.0 basis points from 6.612 percent in the previous auction of December 31, 2009 to 6.502 percent during this week's auction (Table I).

Table 1: Interest Rates

Auction date	12-Nov-09	19-Nov-09	26-Nov-09	03-Dec-09	10-Dec-09	17-Dec-09	24-Dec-09	31-Dec-09	07-Jan-10	14-Jan-10
Average 91 day T. Bills		7.198		6.937		6.710		6.612		6.502
Average 182 day T. Bills	8.061		7.943		7.511		7.245		7.136	
Average 364 day T. Bills					8.008					
Month	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09
Average savings rate	2.13	1.90	1.91	1.67	2.08	1.67	1.65	1.65	1.85	1.71
Average overdraft rate	13.46	13.78	13.66	14.13	14.41	13.94	13.90	13.76	14.03	14.24

* Revised

Source: Central Bank of Kenya

Interbank and REPO Market

The average interbank rate decreased by 12 basis points in the week ending January 14, 2010 to 3.85 percent compared with 3.97 percent during the previous week. The volumes traded declined in the week from Ksh 54.6 billion in the previous week to Ksh 47.8 billion in the week ending January 14, 2010.

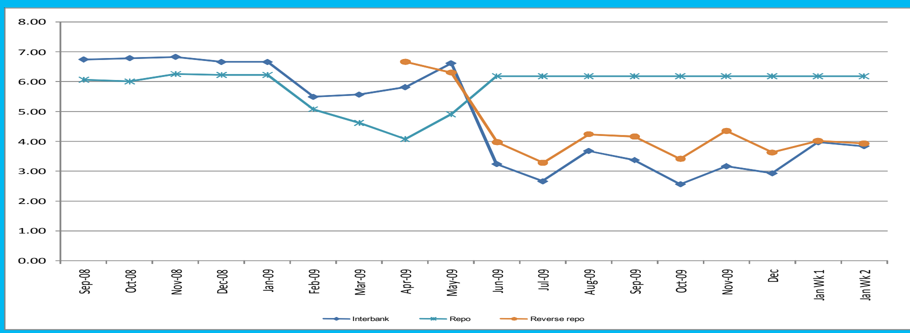
Table 2: Interbank Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
Dec 24 - Dec 30, 2009	**304**	**45,046**	**3.83**
31-Dec-09	66	7,944	3.95
04-Jan-10	86	14,416	3.95
05-Jan-10	70	9,428	3.99
06-Jan-10	71	11,599	3.98
07-Jan-10	82	11,254	4.00
Dec 31 - Jan 07, 2009	**375**	**54,641**	**3.97**
08-Jan-10	75	7,370	3.86
11-Jan-10	79	10,484	3.88
12-Jan-10	78	8,601	3.85
13-Jan-10	72	11,454	3.84
14-Jan-10	72	9,875	3.80
Jan 08 - Jan 14, 2009	**376**	**47,784**	**3.85**

Source: Central Bank of Kenya

The reverse repo rate declined slightly by 9.5 basis points from 4.02 percent in the previous week to 3.93 percent in the week ending January 14, 2010 (Chart A).

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

Monetary Policy Operations

The market was fairly liquid in the week ending January 13, 2010. During the week, Central Bank injected a total of Ksh 4.3 billion into the market as shown in Table 3. There were reverse repo maturities of Ksh 9.9 billion. Reserve money averaged Ksh 176.0 billion during the week under review and was above target by Ksh 2.0 billion.

Table 3: Open Market Operations (Ksh Billion)

	Reserve Money* (Projected)			OMO (Reverse REPO)			Reserve money performance		Bank Reserves	Currency Outside Banks
Date	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
07-Jan	173.0	174.2	**-1.2**	2.0	2.0	**0.0**	173.6	-0.6	4.0	-4.6
08-Jan	178.3	174.2	**4.0**	0.0	0.0	**0.0**	176.6	2.4	7.1	-4.7
11-Jan	178.6	173.9	**4.7**	0.0	0.0	**0.0**	177.9	3.9	9.7	-5.8
12-Jan	177.7	173.9	**3.8**	0.0	0.0	**0.0**	177.4	3.5	9.3	-5.8
13-Jan	160.9	173.9	**-13.0**	3.0	2.3	**-0.7**	174.5	0.5	6.5	-6.0
Average	**173.7**	**174.1**	**-0.3**	**1.0**	**0.9**	**-0.1**	**176.0**	**2.0**	**7.3**	**-5.4**

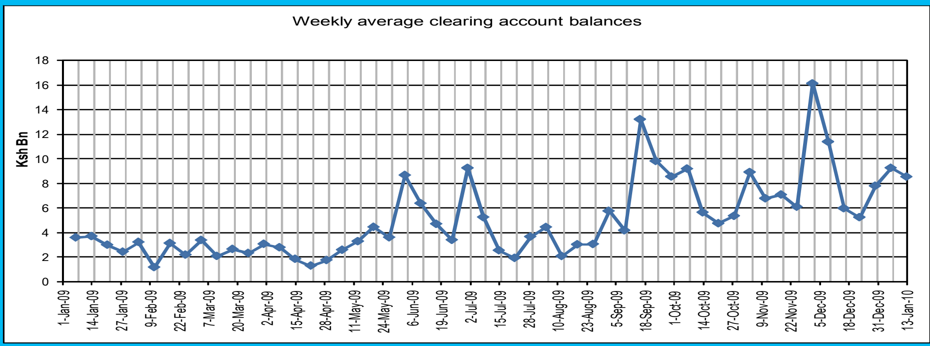
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 8.5 billion in their clearing accounts at the Central Bank in the week to January 13, 2010, compared with Ksh 9.2 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 on average depicted mixed trends against the major international currencies during the week ending January 15, 2010 (Table 4). Against the US dollar, the shilling appreciated marginally to exchange at Ksh 75.43 in the week ending January 15, 2010 compared with Ksh 75.64 per US dollar in the previous week. The shilling depreciated against the Sterling Pound, the Euro, and the Japanese Yen to exchange at Ksh 122.11 per Sterling Pound, Ksh 109.30 per Euro and Ksh 82.25 per 100 Japanese Yen compared with Ksh 121.25 per Sterling Pound, Ksh 108.63 per Euro and Ksh 81.86 per 100 Japanese Yen in the previous week, respectively.

In the regional scene, the Kenya Shilling strengthened marginally against Uganda Shilling and the Tanzania Shilling to exchange at Ush 25.51 per Kenya Shilling and Tsh 17.72 per Kenya Shilling in the week ending January 15, 2010 compared with Ush 25.31 per Kenya Shilling and Tsh 17.66 per Kenya Shilling in the previous week, respectively.

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
04-Jan-10	75.84	122.14	108.50	81.73	25.08	17.66
05-Jan-10	75.59	121.85	109.20	82.27	25.32	17.70
06-Jan-10	75.55	120.78	108.45	82.20	25.39	17.66
07-Jan-10	75.67	120.95	108.84	82.07	25.33	17.62
08-Jan-10	75.57	120.54	108.14	81.01	25.41	17.67
Jan 04-08, 2010	**75.64**	**121.25**	**108.63**	**81.86**	**25.31**	**17.66**
11-Jan-10	75.38	121.16	109.31	81.71	25.51	17.73
12-Jan-10	75.36	121.38	109.23	81.76	25.48	17.68
13-Jan-10	75.53	122.19	109.43	82.80	25.47	17.68
14-Jan-10	75.43	122.66	109.62	82.16	25.52	17.74
15-Jan-10	75.44	123.16	108.88	82.82	25.58	17.75
Jan 11-15, 2010	**75.43**	**122.11**	**109.30**	**82.25**	**25.51**	**17.72**

Source: Central Bank of Kenya

Foreign Exchange Reserves

Official usable foreign exchange reserves held by the Central Bank stood at US dollar 3,326 million (equivalent to 3.61 months of imports) as at January 15, 2010, compared with US dollar 2,727 million(equivalent to 3.30 months of imports) as at January 15, 2009 (Table 5). Useable reserves declined between November 2009 and January 2010, as the Government met its external obligations against subdued purchases of foreign exchange from the interbank market by the Central Bank.

Foreign exchange reserves held by the commercial banks, predominantly used by the private sector to meet external financial obligations stood at US dollar 1,386 million at the end of November 2009 compared with US dollar 1,654 million at end of November 2008.

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

	15-Jan-09	26-Jun-09	31-Jul-09	31-Aug-09	30-Sep-09	30-Oct-09	30-Nov-09	31-Dec-09	15-Jan-10
Usable Reserves	2,727	3,086	3,097	3,154	3,243	3,302	3,392	3,309	3,326
Months of Imports Cover*	3.30	3.56	3.52	3.54	3.67	3.67	3.71	3.62	3.61
Months of Imports Cover**	2.73	3.10	3.12	3.18	3.27	3.33	3.40	3.32	3.33

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

**Based on current year's average imports of imports of goods and non-factor services

Source: Central Bank of Kenya

Government Domestic Debt

Government gross domestic debt increased by Ksh 71.9 billion from Ksh 518.3 billion in June 2009 to Ksh 590.2 billion as at January 8, 2010 (Table 6 and Chart C). The increase was as a result of increases of Ksh 25.1 billion, Ksh 41.9 billion and Ksh 6.2 billion in Treasury bills (excluding Repos), Treasury bonds and overdraft at the Central Bank of Kenya (CBK), respectively.

Treasury bills, Treasury bonds and overdraft at CBK increased from Ksh 116.8 billion, 360.7 billion and Ksh 5.1 billion in June 2009 to Ksh 141.9 billion, Ksh 402.7 billion and Ksh 11.3 billion, respectively as at January 8, 2010. Long term stocks remained unchanged at Ksh 0.8 billion.

Following these developments, the proportion of Treasury bonds in total Government securities declined from 75.4 percent in June 2009 to 73.8 percent as at January 8, 2010 while that of Treasury bills increased from 24.4 percent to 26.0 percent following the successful issues of the 364 day treasury bills during the period. As a result, the maturity profile of Government securities stood at 4 years 3 months compared to 3 years 9 months in June 2009.

Table 6: Government Domestic Debt (Ksh Billion)

Table 6: Government Domestic Debt (Ksh Billion)

	June 09	Sep-09	Nov-09	31st Dec 2009	8th Jan 2010	Changes	
						31st Dec-09 - 8th Jan-10	30th Jun-09 -8th Jan-10
1. Treasury Bills (Excluding Repos)	116.8	122.2	137.7	140.8	141.9	1.1	25.1
(As % of total securities)	24.4	24.0	26.5	25.9	26.0	0.1	1.6
2. Treasury Bonds	360.7	386.1	381.0	402.7	402.7	0.0	41.9
(As % of total securities)	75.4	75.8	73.3	74.0	73.8	-0.1	-1.6
3. Long Term Stocks	0.8	0.8	0.8	0.8	0.8	0.0	0.0
(As % of total securities)	0.2	0.1	0.1	0.1	0.1	0.0	0.0
4. Total Securities (1+2+3)	478.3	509.0	519.5	544.3	545.4	1.1	67.1
5. Overdraft at Central Bank	5.1	8.0	9.8	11.1	11.3	0.2	6.2
6. Other Domestic debt*	34.9	33.6	33.6	33.5	33.6	0.1	-1.3
7. Gross Domestic Debt (4+5+6)	518.3	550.6	562.9	588.9	590.2	1.3	71.9
8. Interest payments on domestic debt (Cumulative in FY)	45.9	13.5	25.7	31.1	31.2	0.1	

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

Source: Central Bank of Kenya

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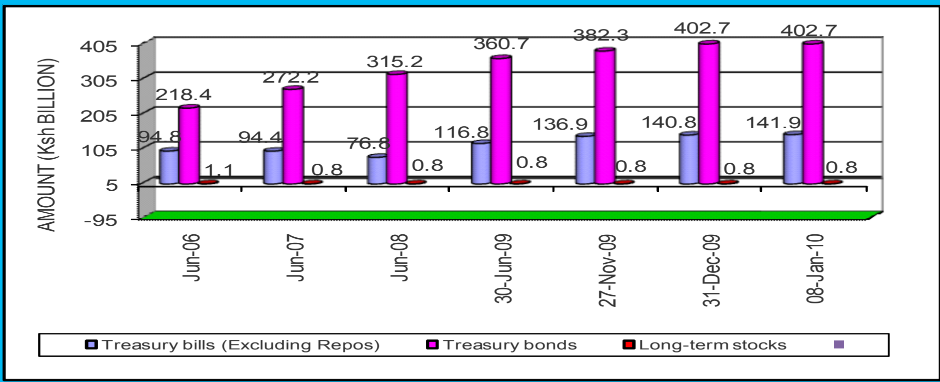
Chart C: Composition of Government Securities

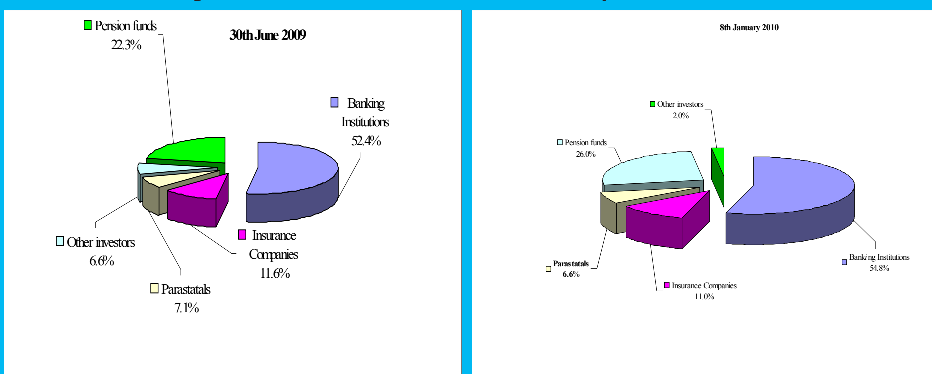


Source: Central Bank of Kenya

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 54.8 percent and 26.0 percent, respectively, as at January 8, 2010. On the other hand, holdings of insurance companies, parastatals and other investors declined from 11.6 percent, 7.1 percent and 6.6 percent, respectively to 11.0 percent, 6.6 percent and 2.0 percent during the same period (Chart D).

Chart D: Composition of Government Securities by Investor

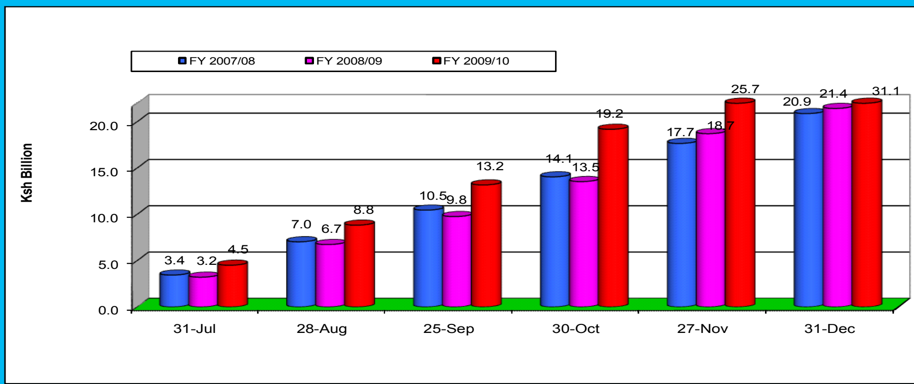


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative Government expenditure on interest and other charges on domestic debt for the period up to January 8, 2010 of the FY 2009/10 amounted to Ksh 31.2 billion compared with Ksh 21.5 billion in a similar period in the fiscal year 2008/09 (Chart E). The interest cost on domestic debt during the period comprised Ksh 23.8 billion in interest and other charges on Treasury bonds, Ksh 6.9 billion in interest and other charges on Treasury bills, and Ksh 0.5 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

There was improved performance at the equities market during the week ending January 14, 2010. Equity turnover increased by 279.6 percent as stocks worth Ksh 1,609.2 million were traded compared with Ksh 424.0 million traded in the previous week. The number of shares traded increased from 39.6 million in the previous week to 207.0 million shares in the week under review. Market capitalization as a measure of total shareholders wealth improved by 6.1 percent or Ksh 52.5 billion to close at Ksh 909.8 billion in the week under review from Ksh 857.3 billion in the previous week. The NSE 20 Share Index gained 143.8 points to settle at 3426.4 points on January 14, 2010 from 3282.6 points on January 07, 2010. The Nairobi All Share Index gained 4.5 points to settle at 78.1 points on January 14, 2010 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	12-Nov-09	19-Nov-09	26-Nov-09	03-Dec-09	10-Dec-09	17-Dec-09	24-Dec-09	31-Dec-09	07-Jan-10	14-Jan-10
NASI 100= Jan 2008	68.41	68.86	72.08	70.51	70.14	70.82	71.27	71.64	73.62	78.14
NSE 20 Share Index 100=1966	3,131.47	3,111.95	3,191.93	3,170.51	3,181.76	3,186.76	3,209.67	3,247.44	3,282.58	3,426.41
Number of Deals	6,584	6,382	6,694	6,772	7,095	6,437	5,434	4,278	4,768	9,220
Total Shares Traded (millions)	55.16	76.33	179.27	55.83	62.49	56.73	38.00	29.61	39.58	206.97
Equity Turnover (Ksh. millions)	1,378.54	1,119.81	1,206.34	577.30	624.78	821.72	554.03	287.68	423.97	1,609.24
Market Capitalization (Ksh. Bn.)	792.41	797.69	834.97	816.68	812.21	821.21	829.82	834.17	857.25	909.84
Bonds Turnover (Ksh. millions)	3,165.85	1,893.90	1,720.90	2,437.45	6,416.00	4,863.40	1,822.55	547.30	2,448.65	3,986.35

* 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 180.8 million shares and accounted for 87.4 percent of total traded volume. Safaricom traded 176.1 million shares and was the most active stock in the sector. The Finance and Investment sector traded 14.7 million shares and accounted for 7.1 percent of total traded volume. Co-operative Bank and Equity Bank traded 3.7 million and 3.5 million shares respectively and were the most active counters in the sector. Industrial and Allied sector traded 10.2 million shares and accounted for 4.9 percent of traded volume. Mumias and Kenol Kobil were the most active counters and traded 6.5 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 4.0 billion were traded compared with Ksh 2.4 billion traded in the previous week.