

January 29, 2010



THE CBK WEEKLY BULLETIN

**Highlights for
the Week**

The Government securities market posted impressive performance of 171.1 percent and 242.3 percent during the Treasury bills and Treasury bonds auctions, respectively during this week's auctions. The average 91-day Treasury bill rate declined by 27.6 basis points while the average 2- and 5-year Treasury bond rates declined by 206.9 basis points and 151.6 basis points, respectively during this week's auction.

The average interbank rate declined by 28 basis points in the week ending January 28, 2010 down to 3.52 percent as compared with the previous week at 3.79 percent.

The Kenya Shilling recorded mixed performance against the major international currencies during the week ending January 29, 2010. Against the US dollar, the shilling depreciated to exchange at Ksh 76.11 in the week ending January 29, 2010 compared with Ksh 75.96 per US dollar in the previous week

Gross official foreign exchange reserves held by the Central Bank stood at US dollar 3.77 billion (equivalent to 4.06 months of imports) as at January 29, 2010, compared with US dollar 3.85 billion (equivalent to 4.18 months of imports) as at December 31, 2009.

Central Bank injected a total of Ksh 2.1 billion and matured reverse repo maturities of Ksh 5.5 billion during the week, under review.

Government gross domestic debt increased by Ksh 62.4 billion from Ksh 518.3 billion in June 2009 to Ksh 580.8 billion as at January 22, 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 32.2 billion.

Performance at the equities market declined during the week. Equity turnover decreased by 44.7 percent, market capitalization declined by 1.3 percent while the NSE 20 Share Index lost 56.1 points to settle at 3572.4 points on January 28, 2010.

Government Securities Auction

The Government securities market posted impressive performance of 171.1 percent and 242.3 percent in Treasury bills and Treasury bonds, respectively during this week's auctions. The Government had offered for sale 91-day Treasury bills amounting to Ksh 3.5 billion during the auction of January 28, 2010 and received bids amounting to Ksh 5.7 billion of which Ksh 4.3 billion were in competitive bids. During the Treasury bonds auction of January 27, 2010, the government had offered for sale 2-year and re-opened 5-year Treasury bonds both amounting to Ksh 12.0 billion. The bids received amounted to Ksh 29.1 billion of which 60.4 percent were in 5-year Treasury bonds.

The Government accepted Treasury bills amounting to Ksh 4.6 billion of which Ksh 4.3 billion (or 93.5 percent) were in competitive bids. In the Treasury bonds auction, the Government accepted bids amounting to Ksh 16.9 billion of which Ksh 15.7 billion (or 93.1 percent) were in competitive bids. The proceeds of the auctions were used to redeem Government securities amounting to Ksh 6.1 billion falling due during the week and provide government additional borrowing totalling Ksh 15.4 billion.

Interest Rates on Treasury Bills

The average 91-day Treasury bill rate declined by 27.6 basis points from 6.502 percent in the previous auction of January 18, 2010 to 6.226 percent during this week's auction (Table 1).

The average 2-year Treasury bond rate declined by 206.9 basis points from 10.196 percent in the previous auction of the same tenure of September 2009 to 8.127 percent during this week's auction. Similarly, the average 5-year Treasury bond rate declined by 151.6 basis points from 11.108 percent in the previous auction of the same tenure of September 2009 to 9.592 percent during this week's auction.

Table 1: Interest Rates

Auction date	26-Nov-09	3-Dec-09	10-Dec-09	17-Dec-09	24-Dec-09	31-Dec-09	7-Jan-10	14-Jan-10	21-Jan-10	28-Jan-10
Average 91 day T. Bills		6.937		6.710		6.612		6.502		6.226
Average 182 day T. Bills	7.943		7.511		7.245		7.136		6.900	
Average 364 day T. Bills			8.008							
Month	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	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

Source: Central Bank of Kenya

Interbank and REPO Market

The average interbank rate decreased by 28 basis points in the week ending January 28, 2010 to 3.52 percent as compared with the previous week at 3.79 percent. The volumes traded declined in the week from Ksh 45.7 billion in the previous week to Ksh 33.9 billion in the week ending January 28, 2010 (Table 2 and Chart A).

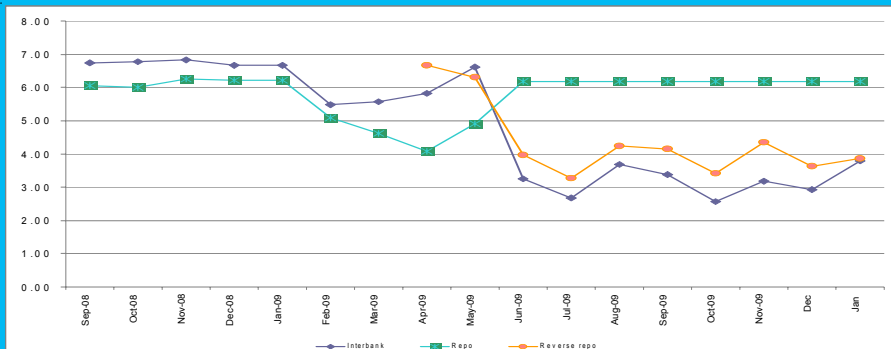
The reverse repo rate stood at an average of 3.87 percent for the month of January 2010.

Table 2: Interbank Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
15-Jan-10	55	5,435	3.75
18-Jan-10	95	9,696	3.78
19-Jan-10	95	11,634	3.78
20-Jan-10	93	11,898	3.81
21-Jan-10	92	7,097	3.85
Jan 15 - Jan 21, 2010	430	45,760	3.79
22-Jan-10	85	8,328	3.89
25-Jan-10	71	7,623	3.79
26-Jan-10	61	5,933	3.58
27-Jan-10	74	5,860	3.35
28-Jan-10	66	6,249	2.98
Jan 22 - Jan 28, 2010	357	33,993	3.52

Source: Central Bank of Kenya

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

Monetary Policy Operations

The market was liquid in the week ending January 27, 2010. During the week, Central Bank injected a total of Ksh 2.1 billion into the market as shown in Table 3. There were reverse repo maturities of Ksh 5.5 billion during the week under review. Commercial banks did not borrow any monies from the overnight window in the week under review. Reserve money averaged Ksh 175.4 billion during the week under review and was above target by Ksh 1.9 billion (Table 3).

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
21-Jan	167.4	173.7	-6.3	2.0	2.1	0.1	170.2	-3.4	5.8	-9.3
22-Jan	170.3	173.7	-3.4	0.0	0.0	0.0	171.3	-2.4	7.2	-9.6
25-Jan	180.0	173.4	6.6	0.0	0.0	0.0	179.0	5.7	15.5	-9.9
26-Jan	179.3	173.4	5.9	0.0	0.0	0.0	179.3	5.9	15.8	-9.9
27-Jan	176.2	173.4	2.8	0.0	0.0	0.0	177.2	3.8	13.7	-9.9
Average	174.6	173.5	1.1	0.4	0.4	0.0	175.4	1.9	11.6	-9.7

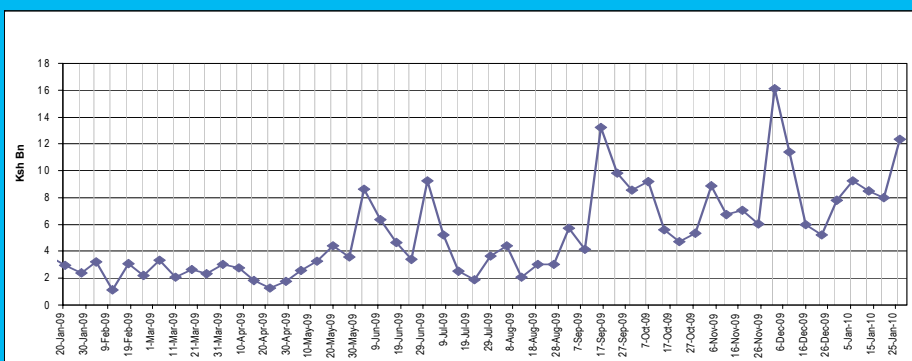
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 12.4 billion in their clearing accounts at the Central Bank in the week to January 27, 2010, compared with Ksh 7.9 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 the major international currencies during the week ending January 29, 2010 (Table 4). Against the US dollar, the shilling depreciated to exchange at Ksh 76.11 in the week ending January 29, 2010 compared with Ksh 75.96 per US dollar in the previous week. The shilling also depreciated against the Japanese Yen to exchange at Ksh 84.74 per 100 Japanese Yen compared with Ksh 83.61 per 100 Japanese Yen in the previous week respectively. Against the Sterling Pound and the Euro, the shilling appreciated to exchange, respectively, at Ksh 122.96 per Sterling Pound and Ksh 106.97 per Euro in the week ending January 29, 2010 compared with Ksh 123.80 per Sterling Pound and Ksh 108.18 per Euro in the previous week.

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
18-Jan-10	75.86	123.55	109.09	83.44	25.37	17.71
19-Jan-10	76.05	124.82	109.50	84.03	25.49	17.60
20-Jan-10	75.99	123.83	107.87	83.29	25.79	17.78
21-Jan-10	75.98	123.60	107.11	82.97	25.86	17.91
22-Jan-10	75.93	123.17	107.32	84.33	25.94	17.79
Jan 18-22, 2010	75.96	123.80	108.18	83.61	25.69	17.76
25-Jan-10	75.96	122.53	107.60	84.24	25.41	17.77
26-Jan-10	76.10	123.29	107.18	84.78	25.68	17.65
27-Jan-10	76.28	122.98	107.27	85.47	25.68	17.67
28-Jan-10	76.32	123.59	106.94	84.70	25.58	17.67
29-Jan-10	75.89	122.42	105.86	84.51	25.70	17.66
Jan 25-29, 2010	76.11	122.96	106.97	84.74	25.61	17.69

Source: Central Bank of Kenya

In the regional scene, the Kenya Shilling weakened against Uganda Shilling to exchange at Ush 25.61 per Kenya Shilling compared with Ush 25.69 in the previous week. It strengthened against the Tanzanian Shilling to exchange at Tsh 17.69 per Kenya Shilling compared with Tsh 17.76 per Kenya Shilling in the previous week.

**Foreign
Exchange
Reserves**

Gross official foreign exchange reserves held by the Central Bank stood at US dollar 3.77 billion (equivalent to 4.06 months of imports) as at January 29, 2010, compared with US dollar 3.85 billion (equivalent to 4.18 months of imports) as at December 31, 2009 (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 1,215 million at the end of November 2009 compared with US dollar 1,765 million at end of December 2008.

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

	30Jan09	31Mar09	26Jun09	30Sep09	30Oct09	30Nov09	31Dec09	29Jan10
Gross Official Reserves	2769	2714	3219	3708	3810	3934	3847	3765**
Months of Imports Cover*	320	310	361	407	414	424	418	406
of which Usable Reserves	2671	2620	3086	3243	3302	3392	3309	3303
Months of Imports Cover*	319	313	356	367	367	371	362	359

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

** Provisional

Source: Central Bank of Kenya

**Government
Domestic
Debt**

Government gross domestic debt grew by 12 percent from Ksh 518.3 billion in June 2009 to Ksh 580.8 billion as at January 22, 2010 (Table 6 and Chart C). This reflected Ksh 25.4 billion and Ksh 41.4 billion growth in Treasury bills (excluding Repos) and Treasury bonds, which was partly offset by a decrease of Ksh 2.5 billion and Ksh 2.1 billion in overdraft at the Central Bank of Kenya (CBK) and other domestic debt, respectively.

Treasury bills and Treasury bonds increased from Ksh 116.8 billion and Ksh 360.7 billion in June 2009 to Ksh 412.2 billion and Ksh 402.7 billion, respectively as at January 22, 2010. Long term stocks remained unchanged at 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 73.8 percent as at January 22, 2010 while that of Treasury bills increased from 24.4 percent to 26.1 percent. Similarly, the maturity profile of Government securities improved to 4 years 3 months compared to 3 years 9 months in June 2009.

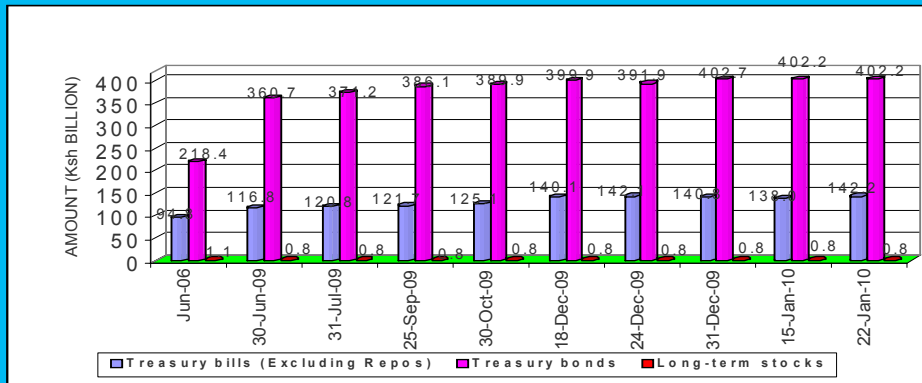
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	15th Jan 2010	22nd Jan 2010	Changes	
									24th Dec-09 - 22nd Jan-2010	30th Jun-09 - 22nd Jan-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	138.0 25.5	142.2 26.1	4.2 0.6	25.4 1.7
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 74.4	402.2 73.8	0.0 -0.6	41.4 -1.6
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	0.0 0.0	0.0 0.0
4. Total Securities (1+2+3)	478.3	492.8	506.8	509.0	524.2	519.5	540.9	545.1	4.2	66.8
5. Overdraft at Central Bank	5.1	3.9	6.1	8.0	9.3	9.8	1.6	2.6	1.0	-2.5
6. Other Domestic debt*	34.9	33.7	34.2	33.6	33.6	33.6	33.6	32.8	-0.8	-2.1
7. Gross Domestic Debt (4+5+6)	518.3	530.4	547.2	550.6	567.1	562.9	576.1	580.8	4.7	62.4
8. Interest payments on domestic debt (Cumulative in FY)	45.9	3.9	9.0	13.5	19.6	25.7	31.5	32.2	0.7	

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

Source: Central Bank of Kenya

Chart C: Composition of Government Securities

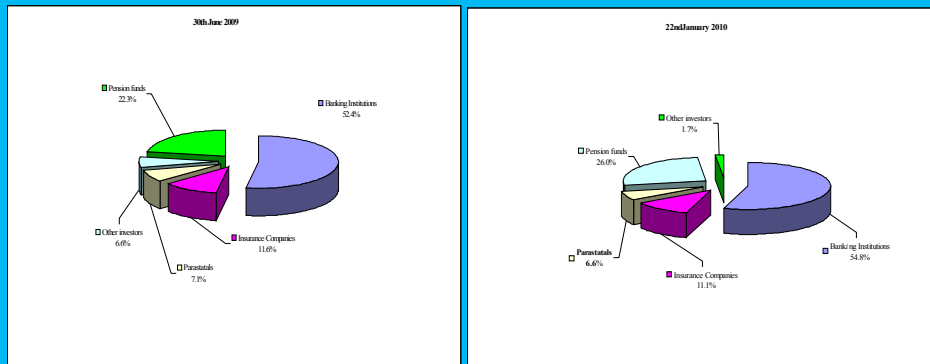


Source: Central Bank of Kenya

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 54.8 percent and 26.0 percent respectively as at January 22, 2010. However, holdings of insurance companies, parastatals and other investors declined from 11.6 percent, 7.1 percent and 6.6 percent, respectively to 11.1 percent, 6.6 percent and 1.7 percent during the same period (Chart D).

Chart D: Composition of Government Securities by Investor

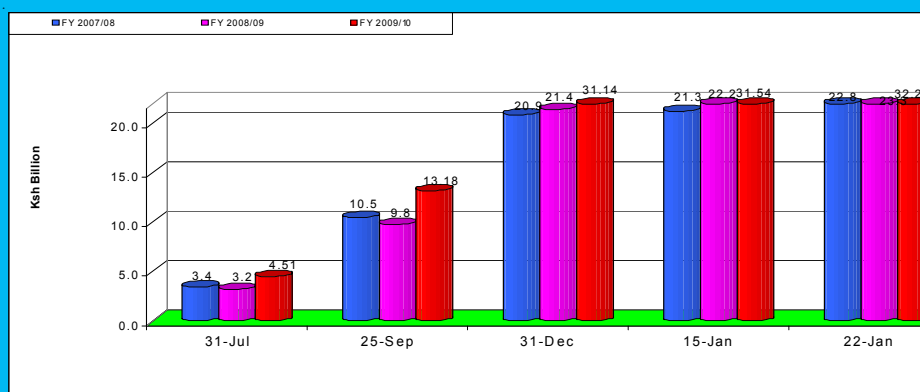


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative Government expenditure on interest and other charges on domestic debt for the period up to January 22, 2010 of the FY 2009/10 amounted to Ksh 32.2 billion compared with Ksh 23.3 billion in a similar period in the fiscal year 2008/09 (Chart E). The interest cost on domestic debt during the period comprised Ksh 24.3 billion in interest and other charges on Treasury bonds, Ksh 7.2 billion in interest and other charges on Treasury bills, and Ksh 0.7 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 a decline in performance at the equities market during the week ending January 28, 2010. Equity turnover decreased by 44.7 percent as stocks worth Ksh 1,483.2 million were traded compared with Ksh 2,679.6 million traded in the previous week. The number of shares traded decreased, from 234.0 million in the previous week to 112.1 million shares in the week under review. Market capitalization as a measure of total shareholders wealth declined by 1.3 percent or Ksh 12.1 billion to close at Ksh 919.4 billion in the week under review from Ksh 931.5 billion in the previous week. The NSE 20 Share Index lost 56.1 points to settle at 3572.4 points on January 28, 2010 from 3628.5 points on January 21, 2010. The Nairobi All Share Index lost 1.0 points to settle at 79.0 points on January 28, 2010 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	26-Nov-09	3-Dec-09	10-Dec-09	17-Dec-09	24-Dec-09	31-Dec-09	7-Jan-10	14-Jan-10	21-Jan-10	28-Jan-10
NASI 100=Jan 2008	72.08	70.51	70.14	70.82	71.27	71.64	73.62	78.14	79.99	78.96
NSE 20 Share Index 100=1996	3,191.93	3,170.51	3,181.76	3,186.76	3,209.67	3,247.44	3,282.58	3,426.41	3,628.53	3,572.39
Number of Deals	6,694	6,772	7,095	6,437	5,434	4,278	4,768	9,220	11,851	9,778
Total Shares Traded (millions)	179.27	55.83	62.49	56.73	38.00	29.61	39.58	206.97	234.03	112.06
Equity Turnover (Ksh. millions)	1,206.34	577.30	624.78	821.72	554.03	287.68	423.97	1,609.24	2,679.64	1,483.18
Market Capitalization (Ksh. Bn)	834.97	816.68	812.21	821.21	829.82	834.17	857.25	909.84	931.47	919.35
Bonds Turnover (Ksh. millions)	1,720.90	2,437.45	6,416.00	4,863.40	1,822.55	547.30	2,448.65	3,986.35	6,946.70	11,381.60

* 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 57.7 million shares and accounted for 51.5 percent of total traded volume. Safaricom traded 54.9 million shares and was the most active stock in the sector. The Finance and Investment sector traded 44.9 million shares and accounted for 40.1 percent of total traded volume. Equity Bank and Co-operative Bank traded 32.7 million and 5.3 million shares and were the most active counters in the sector. Industrial and Allied sector traded 9.2 million shares and accounted for 8.2 percent of traded volume. Mumias and KenolKobil were the most active counters and traded 6.3 million and 1.0 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 11.4 billion were traded compared with Ksh 6.9 billion traded in the previous week.