

March 12, 2010



THE CBK WEEKLY BULLETIN

**Highlights for
the Week**

The Government securities market recorded an oversubscription equivalent to 221.2 percent for the 91-day Treasury bill on offer during this week's auction. The 91-day Treasury bills cut-off rate was 6.099 percent.

The average interbank rate rose by 9 basis points in the week ending March 11, 2010 up to 2.27 percent as compared with the previous week at 2.18 percent.

The Kenya Shilling strengthened against all major international currencies during the week ending March 12, 2010. Against the US dollar, the shilling strengthened to exchange at an average of Ksh 76.72 per US dollar in the week ending March 12, 2010 compared with Ksh 76.85 per US dollar in the previous week.

The Central Bank holdings of official usable foreign exchange reserves increased from US\$ 2,562 million (equivalent to 3.10 months of imports) as at March 12, 2009 to US\$ 3,227 million (equivalent to 3.44 months of imports) as at March 12, 2010.

Central Bank injected a total of Ksh 2.6 billion during the week ending March 10, 2010 against reverse repo maturities worth Ksh 10.8 billion.

Government gross domestic debt increased by Ksh 109.0 billion from Ksh 518.3 billion in June 2009 to Ksh 627.3 billion as at March 5, 2010. The cumulative Government expenditure on interest and other charges on domestic debt from July 2009 to March 5, 2010 amounted to Ksh 39.1 billion.

Performance at the equities market improved during the week. Equity turnover increased by 37.1 percent, market capitalization increased by 3.6 percent, while the NSE 20 Share index gained 289.32 points to settle at 3,964.86 points on March 11, 2010.

Government Securities Auction

The Government securities market recorded high liquidity with this week's 91-day auction registering a 221.2 percent subscription. The Government offered for sale Treasury bills worth Ksh 5.0 billion and received bids totalling Ksh 11.1 billion. Out of the Ksh 6.0 billion accepted, Ksh 5.8 billion were in competitive bids.

Interest Rates on Treasury Bills

The 91-day Treasury bills cut – off rate dropped by 14.9 basis points from 6.248 percent in the previous 91-day Treasury bill auction to 6.099 percent during this week's auction (Table 1).

Table 1: Interest Rates

Auction date	21-Jan-10	28-Jan-10	04-Feb-10	11-Feb-10	18-Feb-10	25-Feb-10	04-Mar-10	11-Mar-10
Average 91 day T. Bills*		6.401		6.199		6.248		6.099
Average 182 day T. Bills*	7.000		6.700		6.599		6.497	
Average 364 day T. Bills*			7.552					
Month	Nov-09	Dec-00	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10
Average savings rate	1.71	1.73	1.75					
Average overdraft rate	14.24	14.13	14.25					

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

Source: Central Bank of Kenya

Interbank and REPO Market

The average interbank rate increased by 9 basis points in the week ending March 11, 2010 to 2.27 percent as compared with the previous week at 2.18 percent. The volumes traded declined in the week from Ksh 55.7 billion in the previous week to Ksh 52.4 billion in the week ending March 11, 2010 (Table 2).

Table 2: Interbank Rates

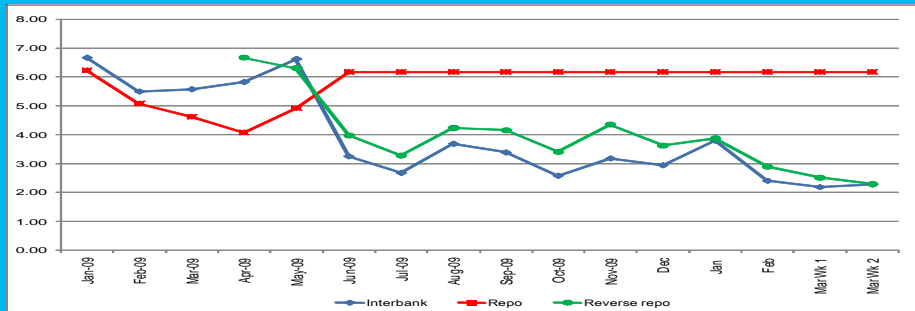
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
26-Feb-10	73	9,477	2.03
01-Mar-10	88	11,591	2.17
02-Mar-10	87	12,788	2.21
03-Mar-10	66	11,959	2.23
04-Mar-10	72	9,890	2.25
Feb 26 - Mar 4, 2010	386	55,705	2.18
05-Mar-10	79	9,830	2.23
08-Mar-10	101	12,439	2.29
09-Mar-10	102	11,151	2.27
10-Mar-10	94	10,839	2.29
11-Mar-10	90	8,136	2.25
Mar 5 - Mar 11, 2010	466	52,395	2.27

Source: Central Bank of Kenya

The reverse repo rate declined by 22 basis points from 2.52 percent in the previous week to 2.30 percent in the week ending March 11, 2010 (Chart A).

**Monetary
Policy
Operations**

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

The market was liquid in the week ending March 10, 2010. During the week, Central Bank injected a total of Ksh 2.6 billion into the market (Table 3) against reverse repo maturities of Ksh 10.8 billion during the week under review. The resultant net liquidity withdrawal of Ksh 8.2 billion was largely offset by government payments. Meanwhile, commercial banks borrowed Ksh 960 million from the overnight window. Reserve money averaged Ksh 176.1 billion during the week and was above target by Ksh 0.6 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
04-Mar	177.6	175.4	2.2	0.0	0.0	0.0	177.7	2.3	10.7	-8.4
05-Mar	178.9	175.4	3.5	0.0	0.0	0.0	178.6	3.1	10.7	-7.6
08-Mar	175.1	175.6	-0.5	0.0	0.0	0.0	175.2	-0.4	6.4	-6.8
09-Mar	173.2	175.6	-2.3	2.5	2.1	-0.4	175.7	0.1	5.7	-5.6
10-Mar	171.4	175.6	-4.1	4.0	0.5	-3.5	173.4	-2.2	3.7	-5.9
Average	175.3	175.5	-0.3	1.3	0.5	-0.8	176.1	0.6	7.5	-6.9

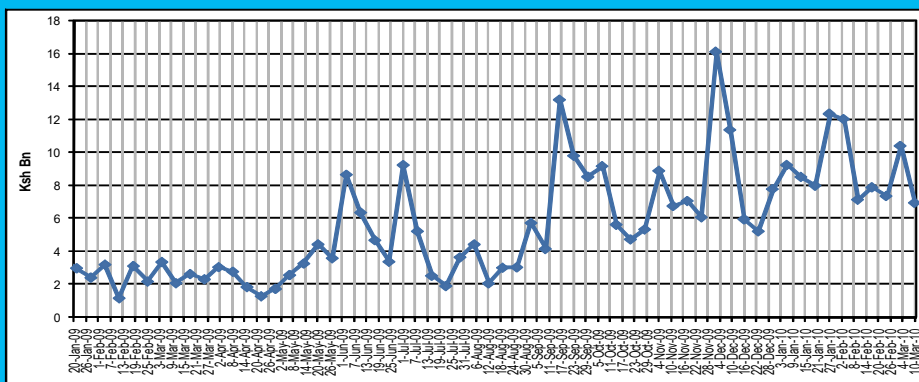
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Commercial
Banks
Clearing
Account
Balances**

Commercial banks maintained an average of Ksh 7.0 billion in their clearing accounts at the Central Bank in the week to March 10, 2010, compared with Ksh 10.4 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 strengthened against all major international currencies during the week ending March 12, 2010 (Table 4). Against the US dollar, the shilling strengthened to exchange at an average of Ksh 76.72 per US dollar compared with Ksh 76.85 per US dollar in the week ending March 5, 2010. This was supported by foreign exchange inflows from agriculture sector and non-government organisations coupled with low forex demand in the market. The shilling also strengthened against the Sterling Pound, the Euro and the Japanese Yen to exchange, respectively, at Ksh 115.36 per Sterling Pound, Ksh 104.57 per Euro and Ksh 85.19 per 100 Japanese Yen in the week ending March 12, 2010 compared with Ksh 115.52 per Sterling Pound, Ksh 104.66 per Euro and Ksh 86.35 per 100 Japanese Yen in the previous week.

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
01-Mar-10	76.81	116.29	104.47	86.14	26.66	17.70
02-Mar-10	76.94	114.27	104.70	86.17	26.65	17.59
03-Mar-10	76.89	115.68	104.84	86.55	26.75	17.58
04-Mar-10	76.85	115.91	105.04	86.92	26.65	17.63
05-Mar-10	76.74	115.45	104.24	85.96	26.78	17.63
Mar 01-05, 2010	76.85	115.52	104.66	86.35	26.70	17.62
08-Mar-10	76.79	116.28	104.48	86.14	26.68	17.61
09-Mar-10	76.67	115.15	104.40	85.12	26.81	17.64
10-Mar-10	76.78	114.95	104.39	85.22	26.96	17.65
11-Mar-10	76.66	114.83	104.56	84.86	27.07	17.71
12-Mar-10	76.72	115.57	105.03	84.62	27.16	17.67
Mar 08-12, 2010	76.72	115.36	104.57	85.19	26.94	17.65

Source: Central Bank of Kenya

In the regional scene, the Kenya Shilling also strengthened against both the Uganda Shilling and the Tanzanian Shilling. It exchanged at Ush 26.94 per Kenya Shilling and Tsh 17.65 per Kenya Shilling in the week ending March 12, 2010 compared with Ush 26.70 per Kenya Shilling and Tsh 17.62 per Kenya Shilling in the previous week.

Foreign Exchange Reserves

The Central Bank holdings of official usable foreign exchange reserves increased from US\$ 2,562 million (equivalent to 3.10 months of imports) as at March 12, 2009 to US \$ 3,227 million (equivalent to 3.44 months of imports) as at March 12, 2010 (Table 5). The stock of foreign exchange reserves declined marginally during the week under review.

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

	12-Mar-09	31-Jul-09	31-Aug-09	30-Sep-09	30-Oct-09	30-Nov-09	31-Dec-09	26-Feb-10	12-Mar-10
Usable Reserves	2,562	3,097	3,154	3,243	3,302	3,392	3,309	3,235	3,227
Months of Imports Cover*	3.10	3.52	3.54	3.67	3.67	3.71	3.62	3.49	3.44
Months of Imports Cover**	2.56	3.12	3.18	3.27	3.33	3.40	3.58	3.51	3.46

*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

Commercial banks foreign exchange reserves, which are largely used by the private sector to meet external financial obligations, stood at US\$ 1,470 million as at end of January 2010 compared with US\$ 1,579 million as at end of January 2009.

Government Domestic Debt

Government gross domestic debt increased from Ksh 518.3 billion in June 2009 to Ksh 627.3 billion as at March 5, 2010 (Table 6 and Chart C). This followed net increases of Ksh 43.1 billion, Ksh 63.2 billion and Ksh 4.1 billion in Treasury bills (excluding Repos), Treasury bonds and Overdraft at the Central Bank, respectively. Other domestic debt, however, decreased by Ksh 1.3 billion during the same period.

Treasury bills and Treasury bonds increased from Ksh 116.8 billion and Ksh 360.7 billion in June 2009 to Ksh 159.9 billion and Ksh 423.9 billion, respectively, as at March 5, 2010. Long term stocks remained unchanged at Ksh 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 72.5 percent as at March 5, 2010, while that of Treasury bills increased from 24.4 percent to 27.4 percent during the same period. However, the debt maturity profile of Government securities, based on the days to maturity increased to 4 years and 2 months compared to 3 years 9 months in June 2009 reflecting the successful issuance of longer dated securities during the fiscal year.

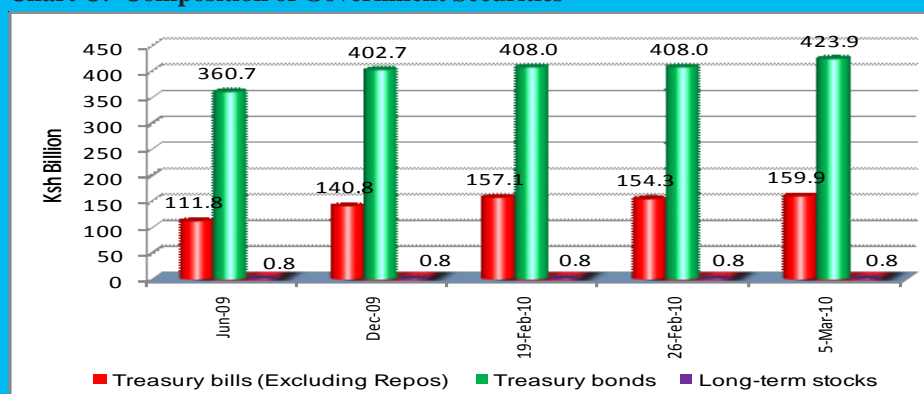
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-09	19th Feb 2010	26th Feb 2010	5th Mar 2010	Changes	
					26th Feb-2010 - 5th Mar-2010	30th Jun-09 -5th Mar-2010
1. Treasury Bills (Excluding Repos) (As % of total securities)	116.8 24.4	157.1 27.8	154.3 27.4	159.9 27.4	5.6 -0.1	43.1 2.9
2. Treasury Bonds (As % of total securities)	360.7 75.4	408.0 72.1	408.0 72.5	423.9 72.5	15.9 0.1	63.2 -2.9
3. Long Term Stocks (As % of total securities)	0.8 0.2	0.8 0.1	0.8 0.1	0.8 0.1	0.0 0.0	0.0 0.0
4. Total Securities (1+2+3)	478.3	565.8	563.1	584.5	21.5	106.2
5. Overdraft at Central Bank	5.1	5.9	11.4	9.2	-2.2	4.1
6. Other Domestic debt*	34.9	33.6	33.6	33.6	0.0	-1.3
7. Gross Domestic Debt (4+5+6)	518.3	605.3	608.1	627.3	19.2	109.0
8. Interest payments on domestic debt (Cumulative in FY)	45.9	35.3	36.0	39.1	3.1	

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

Source: Central Bank of Kenya

Chart C: Composition of Government Securities

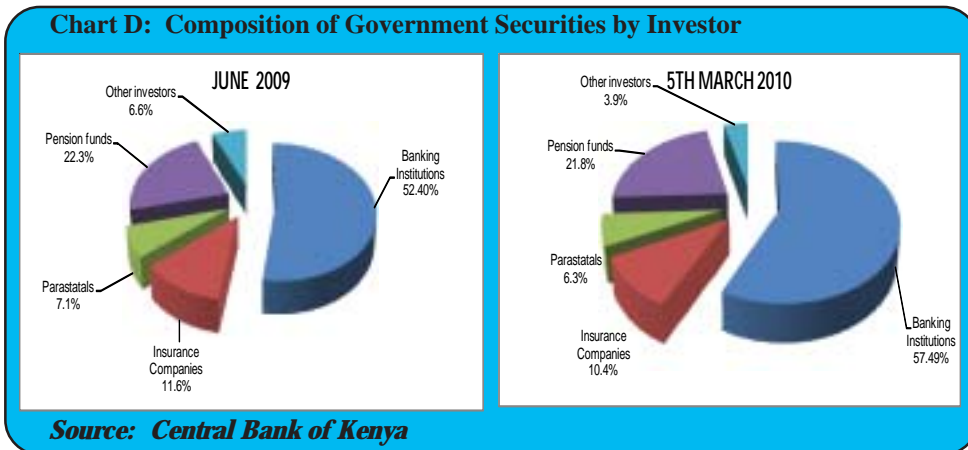


Source: Central Bank of Kenya

Holding of Government Securities

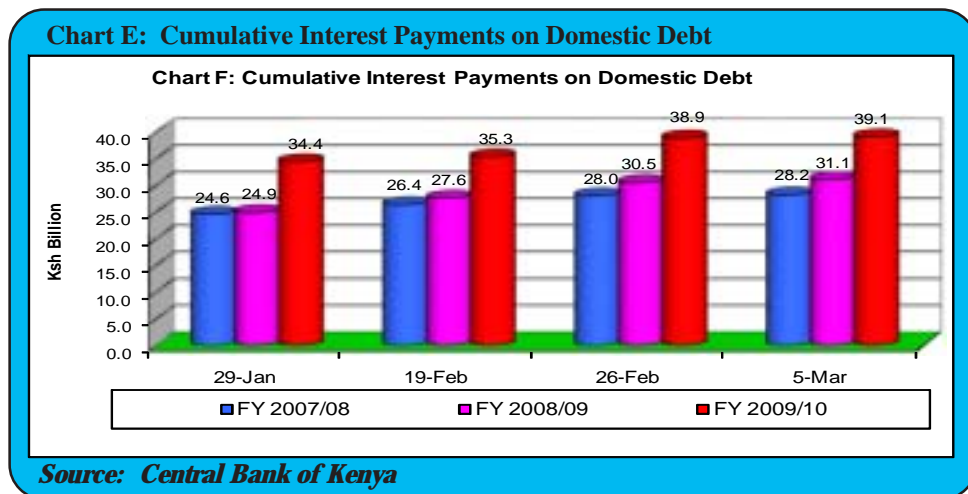
The holdings of Government securities by commercial banks increased from 52.4 percent in June 2009 to 57.5 percent as at March 5, 2010, while those of pension funds, insurance companies, parastatals, and other holders declined, respectively, from 22.3 percent, 11.6 percent, 7.1 percent

and 6.6 percent to 21.8 percent, 10.4 percent, 6.3 percent and 3.9 percent, during the same period (Chart D).



Cost of Domestic Borrowing

Cumulative Government expenditure on interest and other charges on domestic debt from July 2009 to March 5, 2010 amounted to Ksh 39.1 billion compared with Ksh 31.1 billion in a similar period in the previous fiscal year (Chart E). The interest cost on domestic debt during the period comprised Ksh 30.2 billion in interest and other charges on Treasury bonds, Ksh 8.1 billion in interest and other charges on Treasury bills, and Ksh 0.8 billion in interest on both the Government overdraft at Central Bank and the pre-1997 government overdraft.



The Stock Market

There was improved performance at the equities market during the week ending March 11, 2010. Equity turnover increased by 37.1 percent as stocks worth Ksh 1,585.8 million were traded compared with Ksh 1,157.0 million traded in the previous week. The number of shares traded increased from 91.2 million in the previous week to 117.9 million shares in the week under review. Market capitalization as a measure of total shareholders wealth increased by 3.6 percent or Ksh 33.7 billion to close at Ksh 969.9 billion in the week under review from Ksh 936.2 billion in the previous week. The NSE 20 Share index gained 289.3 points to settle at 3,964.9 points on March 11, 2010 from 3,675.5 points on March 4, 2010. The Nairobi All

Share Index gained 2.88 points to settle at 83.29 points on March 11, 2010 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	21-Jan-10	28-Jan-10	04-Feb-10	11-Feb-10	18-Feb-10	25-Feb-10	04-Mar-10	11-Mar-10
NASI 100= Jan 2008	79.99	78.95	79.75	78.83	78.13	79.16	80.41	83.29
NSE 20 Share Index 100=1966	3,628.53	3,572.39	3,584.24	3,591.02	3,536.72	3,627.30	3,675.54	3,964.86
Number of Deals	11,851	9,778	9,009	9,141	8,434	8,574	8,286	10,048
Total Shares Traded (millions)	234.03	112.05	125.24	85.31	52.91	95.77	91.21	117.90
Equity Turnover (Ksh. millions)	2,679.64	1,483.18	1,231.59	1,201.37	722.69	1,050.09	1,157.02	1,585.85
Market Capitalization (Ksh. Bn.)	931.47	919.35	928.75	918.00	909.91	921.77	936.22	969.88
Bonds Turnover (Ksh. millions)	6,946.70	11,381.60	10,316.60	13,131.70	10,730.55	7,393.45	15,917.65	13,164.20

* 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 58.5 million shares and accounted for 49.6 percent of total traded volume. Safaricom traded 55.6 million shares and was the most active stock in the sector. The Finance and Investment sector traded 43.8 million shares and accounted for 37.2 percent of total traded volume. Co-operative Bank Limited and Equity Bank Limited were the most active stocks in the sector, trading 19.8 million and 15.7 million shares, respectively. Industrial and Allied sector traded 11.7 million shares and accounted for 9.9 percent of traded volume. Mumias Sugar Company and KenolKobil were the most active counters, trading 4.6 and 2.9 million shares, respectively. The other sectors had minimal trading.

Bond Market

Bond market trading decreased at the Fixed Income Securities Market during the week. Bond turnover decreased as bonds worth Ksh 13.2 billion were traded compared with Ksh 15.9 billion traded in the previous week.