

March 19, 2010



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market recorded an oversubscription equivalent to 144 percent for the 182-day Treasury bill on offer during this week's auction. The 182-day Treasury bills cut-off rate was 6.298 percent.

The average interbank rate remained stable at 2.27 percent in the week ending March 18, 2010 at a similar level to the previous week.

The Kenya Shilling weakened against the US dollar, Sterling Pound and the Euro but strengthened against the Japanese Yen in the week ending March 19, 2010. Against the US dollar, the shilling weakened to exchange at an average of Ksh 76.83 per US dollar in the week ending March 19, 2010 compared with Ksh 76.72 per US dollar in the previous week.

The Central Bank holdings of official usable foreign exchange reserves increased from US\$ 2,610 million (equivalent to 3.16 months of imports) as at March 19, 2009 to US\$ 3,255 million (equivalent to 3.47 months of imports) as at March 19, 2010.

Central Bank stayed out of the market during the week ending March 17, 2010. There were reverse repo maturities worth Ksh 2.6 billion.

Government gross domestic debt increased by Ksh 94.9 billion from Ksh 518.3 billion in June 2009 to Ksh 613.2 billion as at March 12, 2010. The cumulative Government expenditure on interest and other charges on domestic debt for FY 2009/2010 to March 12, 2010 amounted to Ksh 39.5 billion.

Performance at the equities market improved during the week. Equity turnover increased by 35.8 percent, market capitalization remained stable while the NSE 20 Share index gained 43.31 points to settle at 4,008.17 points on March 18, 2010.

Government Securities Auction

The Government securities market posted a 144 percent performance during the 182-day auction. The Government offered for sale Treasury bills worth Ksh 8.5 billion and received bids totalling Ksh 12.2 billion. A total of Ksh 7.6 billion bids were accepted, of which Ksh 7.2 billion were competitive bids.

Interest Rates on Treasury Bills

The 182-day Treasury bills cut-off rate dropped by 19.9 basis points from 6.497 percent in the previous 182-day Treasury bill auction to 6.298 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	25-Feb-10	04-Mar-10	11-Mar-10	18-Mar-10
Average 91 day T. Bills*		6.401		6.199	6.248		6.099	
Average 182 day T. Bills*	7.000		6.700			6.497		6.298
Average 364 day T. Bills*			7.552					
Month	Nov-09	Dec-00	Jan-10	Feb-10				
Average savings rate	1.71	1.73	1.75	1.81				
Average overdraft rate	14.24	14.13	14.25	14.25				

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

Source: Central Bank of Kenya

Interbank and REPO Market

The average interbank rate remained stable at 2.27 percent in the week ending March 18, 2010 at a similar level to the previous week. The volumes traded rose from Ksh 52.4 billion in the previous week to Ksh 57.4 billion in the week ending March 18, 2010 (Table 2).

Table 2: Interbank Rates

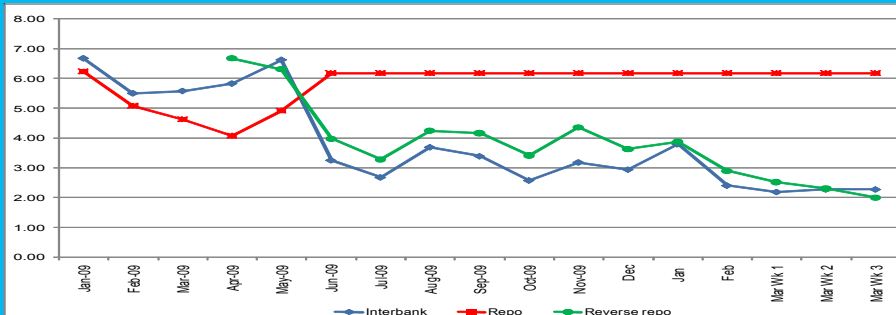
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
05-Mar-10	79	9,830	2.23
08-Mar-10	101	12,439	2.29
09-Mar-10	102	11,151	2.27
10-Mar-10	94	10,839	2.29
11-Mar-10	90	8,136	2.25
Mar 5 - Mar 11, 2010	466	52,395	2.27
12-Mar-10	73	8,009	2.19
15-Mar-10	84	11,278	2.20
16-Mar-10	92	11,304	2.24
17-Mar-10	93	13,249	2.32
18-Mar-10	92	13,546	2.38
Mar 12 - Mar 18, 2010	434	57,385	2.27

Source: Central Bank of Kenya

The reverse repo rate declined by 30 basis points from 2.30 percent in the previous week down to 2.00 percent in the week ending March 18, 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 17, 2010. During the week, Central Bank stayed out of the market (Table 3). Reverse repo maturities amounted to Ksh 2.6 billion during the week under review. The resultant net liquidity of Ksh 2.6 billion was offset by government spending. Commercial banks borrowed Ksh 2.21 billion from the overnight window, during the week. Reserve money averaged Ksh 176.0 billion during the week and was above target by Ksh 0.3 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-Mar	174.7	175.6	-0.8	0.0	0.0	0.0	175.9	0.3	7.0	-6.7
12-Mar	175.9	175.6	0.3	0.0	0.0	0.0	176.6	1.0	7.9	-6.9
15-Mar	176.4	175.7	0.7	0.0	0.0	0.0	176.3	0.5	7.8	-7.2
16-Mar	174.8	175.7	-1.0	0.0	0.0	0.0	175.9	0.2	7.4	-7.2
17-Mar	173.8	175.7	-2.0	0.0	0.0	0.0	175.3	-0.4	7.4	-7.8
Average	175.1	175.7	-0.6	0.0	0.0	0.0	176.0	0.3	7.5	-7.2

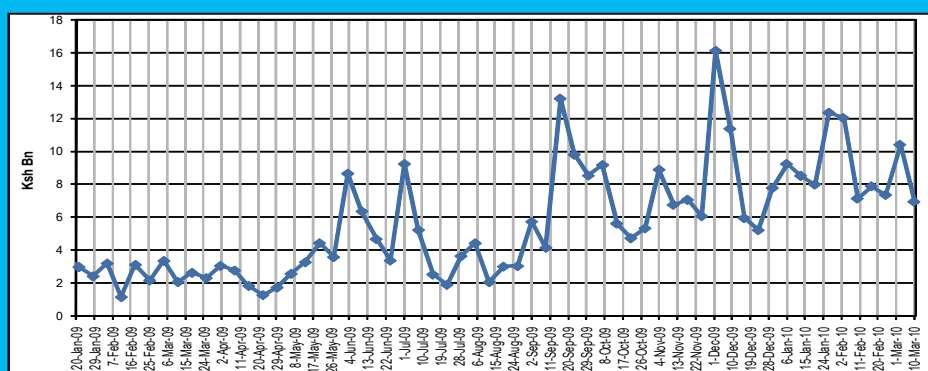
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Commercial
Banks
Clearing
Account
Balances**

Commercial banks maintained an average of Ksh 6.7 billion in their clearing accounts at the Central Bank in the week to March 17, 2010, compared with Ksh 7.0 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 weakened against the US dollar, Sterling Pound and the Euro but strengthened against the Japanese Yen in the week ending March 19, 2010 (Table 4). Against the US dollar, the shilling weakened to exchange at Ksh 76.83 per US dollar in the week ending March 19, 2010 compared with Ksh 76.72 per US dollar in the previous week. This was mainly due to more US dollar demand than supply in domestic interbank market. The shilling also weakened against the Sterling Pound and the Euro to exchange, respectively, at Ksh 116.68 per Sterling Pound and Ksh 105.28 per Euro in the week ending March 19, 2010 compared with Ksh 115.36 per Sterling Pound and Ksh 104.57 per Euro in the previous week. Against the Japanese Yen, the Shilling strengthened to trade at Ksh 85.00 per 100 Japanese Yen in the week ending March 19, 2010 compared with Ksh 85.19 per 100 Japanese Yen in the previous week.

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
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
15-Mar-10	76.66	116.26	105.34	84.66	27.25	17.70
16-Mar-10	76.84	115.70	105.26	85.24	27.26	17.67
17-Mar-10	76.83	116.96	105.90	84.80	27.27	17.67
18-Mar-10	76.86	117.45	105.13	85.22	27.43	17.69
19-Mar-10	76.97	117.04	104.78	85.09	27.74	17.66
Mar 15-19, 2010	76.83	116.68	105.28	85.00	27.39	17.68

Source: Central Bank of Kenya

In the regional scene, the Kenya Shilling strengthened against both the Uganda Shilling and the Tanzanian Shilling. It exchange at Ush 27.39 per Kenya Shilling and Tsh 17.68 per Kenya Shilling in the week ending March 19, 2010 compared with Ush 26.94 per Kenya Shilling and Tsh 17.65 per Kenya Shilling in the previous week.

Foreign Exchange Reserves

The Central Bank holdings of official usable foreign exchange reserves increased from US\$ 2,610 million (equivalent to 3.16 months of imports) as at March 19, 2009 to US\$ 3,255 million (equivalent to 3.47 months of imports) as at March 19, 2010 (Table 5). This accumulation in reserves was predominantly through purchases from domestic interbank foreign exchange market.

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\$ 1,532 million as at end February 2010 compared with US\$ 1,610 million as at end February 2009.

Government Domestic Debt

Government gross domestic debt increased from Ksh 518.3 billion in June 2009 to Ksh 613.2 billion as at March 12, 2010 (Table 6 and Chart C). This followed net increases of Ksh 37.8 billion and Ksh 63.2 billion in Treasury bills (excluding Repos) and Treasury bonds. Overdraft at the Central Bank and other domestic debt, however, decreased by Ksh 4.2 billion and Ksh 1.9 billion, respectively, 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 154.6 billion and Ksh 423.9 billion, respectively, as at March 12, 2010. Long term stocks remained unchanged at Ksh 0.8 billion during the period.

The proportion of Treasury bonds in total Government securities declined from 75.4 percent in June 2009 to 73.2 percent as at March 5, 2010, while that of Treasury bills increased from 24.4 percent to 26.7 percent during the same period. Following these developments, the debt maturity profile of Government securities, based on the days to maturity, increased to 4 years and 2 month in March 2010 compared to 3 years 9 months in June 2009 reflecting the successful issuance of longer dated securities during the financial year.

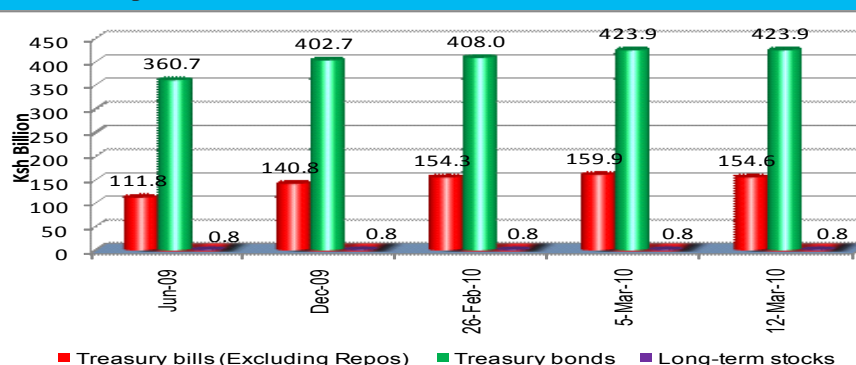
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-09	19th Feb 2010	26th Feb 2010	5th Mar 2010	12th Mar 2010	Changes	
						5th Mar-2010 - 12th Mar-2010	30th Jun-09 -12 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	154.6 26.7	-5.3 -0.7	37.8 2.3
2. Treasury Bonds (As % of total securities)	360.7 75.4	408.0 72.1	408.0 72.5	423.9 72.5	423.9 73.2	0.0 0.7	63.2 -2.2
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	0.0 0.0	0.0 0.0
4. Total Securities (1+2+3)	478.3	565.8	563.1	584.5	579.3	-5.3	101.0
5. Overdraft at Central Bank	5.1	5.9	11.4	9.2	0.9	-8.3	-4.2
6. Other Domestic debt*	34.9	33.6	33.6	33.6	33.0	-0.5	-1.9
7. Gross Domestic Debt (4+5+6)	518.3	605.3	608.1	627.3	613.2	-14.1	94.9
8. Interest payments on domestic debt (Cumulative in FY)	45.9	35.3	36.0	39.1	39.5	0.5	

* 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

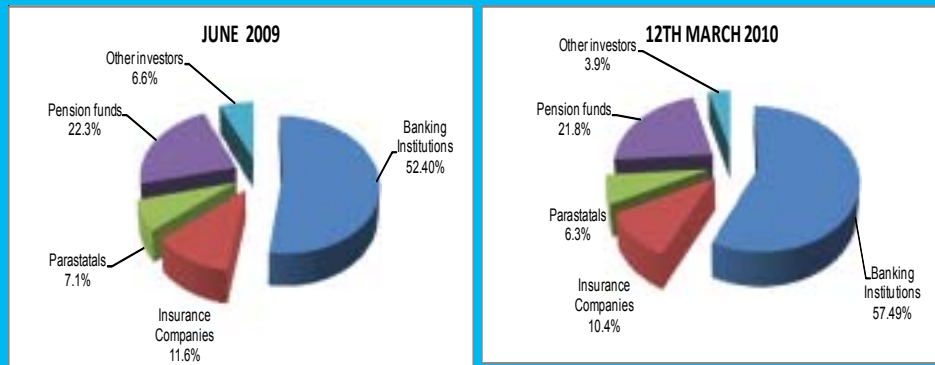


Source: Central Bank of Kenya

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 12, 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).

Chart D: Composition of Government Securities by Investor

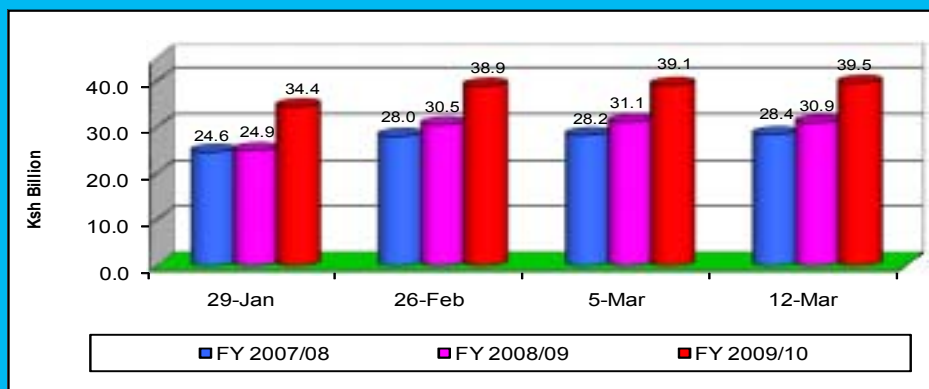


Source: Central Bank of Kenya

Cost of Domestic Borrowing

From July 01, 2009 to March 12, 2010, cumulative Government expenditure on interest and other charges on domestic debt amounted to Ksh 39.5 billion compared with Ksh 31.9 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 8.5 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.

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 March 19, 2010. Equity turnover increased by 35.8 percent as stocks worth Ksh 2.15 billion were traded compared with Ksh 1.59 billion traded in the previous week. The number of shares traded increased from 117.9 million in the previous week to 129.9 million shares in the week under review. Market capitalization as a measure of total shareholders wealth remained stable to close at Ksh 970.2 billion in the week under review from Ksh 969.9 billion in the previous week. The NSE 20 Share index gained 43.3 points to settle at 4,008.17 points on March 18, 2010 from 3,964.9 points on March 11, 2010. The Nairobi All Share Index gained 0.03 points to settle at 83.32 points on March 19, 2010 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	28-Jan-10	04-Feb-10	11-Feb-10	18-Feb-10	25-Feb-10	04-Mar-10	11-Mar-10	18-Mar-10
NASI 100= Jan 2008	78.95	79.75	78.83	78.13	79.16	80.41	83.29	83.32
NSE 20 Share Index 100=1966	3,572.39	3,584.24	3,591.02	3,536.72	3,627.30	3,675.54	3,964.86	4,008.17
Number of Deals	9,778	9,009	9,141	8,434	8,574	8,286	10,048	11,452
Total Shares Traded (millions)	112.05	125.24	85.31	52.91	95.77	91.21	117.90	129.94
Equity Turnover (Ksh. millions)	1,483.18	1,231.59	1,201.37	722.69	1,050.09	1,157.02	1,585.85	2,153.13
Market Capitalization (Ksh. Bn.)	919.35	928.75	918.00	909.91	921.77	936.22	969.88	970.24
Bonds Turnover (Ksh. millions)	11,381.60	10,316.60	13,131.70	10,730.55	7,393.45	15,917.65	13,164.20	6,398.15

* 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 88.3 million shares and accounted for 68.0 percent of total traded volume. Safaricom traded 76.7 million shares and was the most active stock in the sector. The Finance and Investment sector traded 25.5 million shares and accounted for 19.7 percent of total traded volume. Co-operative Bank Limited and Equity Bank Limited were the most active stocks in the sector, trading 10.5 million and 8.4 million shares, respectively. Industrial and Allied sector traded 10.9 million shares and accounted for 8.4 percent of traded volume. Mumias Sugar Company and KenolKobil were the most active counters, trading 4.9 and 1.4 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 6.4 billion were traded compared with Ksh 13.2 billion traded in the previous week.