

March 26, 2010



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market recorded a performance of 183.8 percent and 355 percent in the Treasury bonds and Treasury bills auctions held during the week. The cut-off rates for both auctions went down.

The average interbank declined slightly by 4 basis points to 2.23 percent in the week ending March 25, 2010 from 2.27 percent in the previous week. On March 23, 2010, the Monetary Policy Committee lowered the CBR by 25 basis points to 6.75 percent from the previous level of 7.0 percent.

The Kenya Shilling on average depicted mixed performance against the major international currencies during the week ending March 26, 2010. Against the US dollar, the shilling depreciated to exchange at Ksh 77.16 in the week ending March 26, 2010 compared with Ksh 76.83 per US dollar in the previous week.

Usable official foreign exchange reserves held by the Central Bank stood at US dollar 3.22 billion (equivalent to 3.46 months of imports) as at March 26, 2010, compared with US dollar 3.26 billion (equivalent to 3.49 months of imports) as at March 19, 2010.

Central Bank injected a total of Ksh 8 billion in the money market during the week ending March 24, 2010. There were no reverse repo maturities.

Government gross domestic debt increased by Ksh 94.9 billion from Ksh 518.3 billion in June 2009 to Ksh 619.5 billion as at March 19, 2010. The cumulative Government expenditure on interest and other charges on domestic debt for FY 2009/2010 to March 19, 2010 amounted to Ksh 39.8 billion.

Performance at the equities market improved during the week. Equity turnover increased by 1.8 percent, market capitalization increased by 0.94 percent while the NSE 20 Share index gained 34.7 points to close at 4,042.9 points on March 25, 2010.

Government Securities Auction

The Government securities market has been posting impressive performance in the recent months. During the auction of 24th March, 2010, the bank had offered 2-year and 15-year Treasury bonds totalling up to Ksh 16.5 billion with a performance rate of 183.8 percent. The total amount accepted was Ksh 16.6 billion, of which Ksh 14.8 billion was in competitive bids. In the Treasury bills auction of 25th March, 2010, the amount offered was Ksh 4.0 billion against Ksh 14.2 billion bids received. This was equivalent to 355 percent performance. The bids accepted totalled Ksh 4.9 billion, of which Ksh 4.6 billion was competitive bids.

Interest Rates on Treasury Bills

The cut-off rate for the 91 day Treasury bills dropped by 35.1 basis points from 6.099 percent in the previous 91-day Treasury bill auction to 5.748 percent during this week's auction. Similarly, the cut-off rates for the 2-year Treasury bonds decreased from 8.25 percent in the last auction of 1st February, 2010 to 6.99 percent while that of the 15-year Treasury bonds fell from 13.99 percent in the last auction of 26th October, 2010 to 10.249 percent (Table 1)

Table 1: Interest Rates

Auction date	28-Jan-10	04-Feb-10	11-Feb-10	18-Feb-10	04-Mar-10	11-Mar-10	18-Mar-10	25-Mar-10
Average 91 day T. Bills*	6.401		6.199			6.099		5.748
Average 182 day T. Bills*		6.700		6.599	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

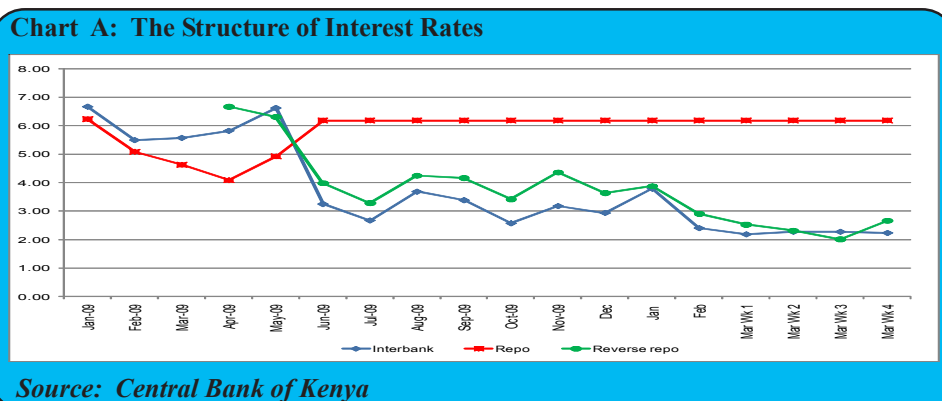
The average interbank declined slightly by 4 basis points to 2.23 percent in the week ending March 25, 2010 from 2.27 percent in the previous week. The volumes traded declined from Ksh 57.4 billion in the previous week to Ksh 32.7 billion in the week ending March 23, 2010 (Table 2).

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
19-Mar-10	68	7,028	2.41
22-Mar-10	72	8,989	2.36
23-Mar-10	75	5,739	2.28
24-Mar-10	62	5,340	2.18
25-Mar-10	64	5,565	1.93
Mar 19 - Mar 25, 2010	341	32,660	2.23

Source: Central Bank of Kenya

The reverse repo rate rose by 66 basis points from 2.00 percent in the previous week up to 2.66 percent in the week ending March 25, 2010 (Chart A).



Monetary Policy Operations

The market was fairly tight in the week ending March 24, 2010. During the week, Central Bank injected a total of Ksh 8 billion as shown in Table 3. There were no reverse repo maturities during the week under review. Commercial banks borrowed Ksh 5,476 million from the overnight window, during the week. Reserve money averaged Ksh 176.9 billion during the week and was above target by Ksh 1.1 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
18-Mar	172.6	175.7	-3.1	0.0	0.0	0.0	171.4	-4.3	4.1	-8.4
19-Mar	162.7	175.7	-13.1	11.0	8.0	-3.0	173.4	-2.3	6.1	-8.4
22-Mar	179.2	175.9	3.3	0.0	0.0	0.0	180.0	4.1	12.9	-8.8
23-Mar	179.4	175.9	3.5	0.0	0.0	0.0	179.1	3.2	11.9	-8.8
24-Mar	179.9	175.9	4.0	0.0	0.0	0.0	180.6	4.7	14.4	-9.8
Average	174.8	175.8	-1.1	2.2	1.6	-0.6	176.9	1.1	9.9	-8.8

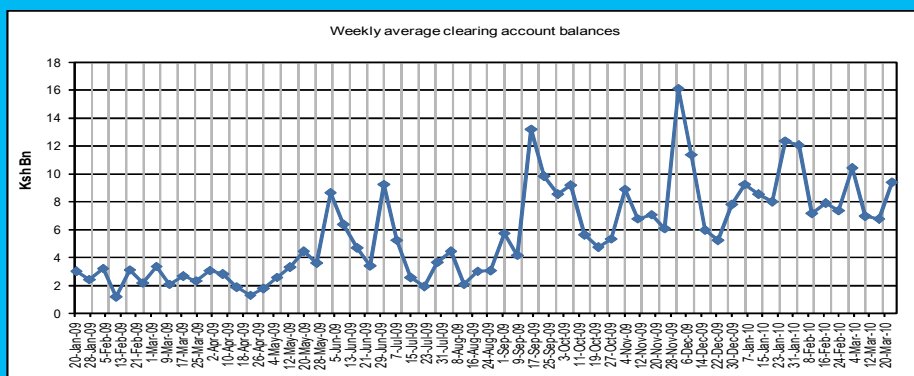
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 9.4 billion in their clearing accounts at the Central Bank in the week to March 24, 2010, compared with Ksh 6.7 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 performance against the major international currencies during the week ending March 26, 2010 (Table 3). Against the US dollar, the shilling depreciated to exchange at Ksh 77.16 in the week ending March 26, 2010 compared with Ksh 76.83 per US dollar in the previous week. During the week, the shilling appreciated against the Sterling Pound, the Japanese Yen and the Euro to exchange at Ksh 115.39 per Sterling Pound, Ksh 84.63 per 100 Japanese Yen and Ksh 103.59 per Euro compared with Ksh 116.68 per Sterling Pound, Ksh 85.00 per 100 Japanese Yen and Ksh 105.28 per Euro in the previous week. These movements reflect relatively strong end month demand for US dollars in the domestic market, and the strengthening of the US dollars in the international foreign currency market.

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
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
22-Mar-10	76.95	115.12	103.98	85.04	27.81	17.69
23-Mar-10	77.05	116.12	104.26	85.28	27.71	17.65
24-Mar-10	77.05	115.38	103.41	85.12	27.62	17.66
25-Mar-10	77.46	115.27	103.11	84.15	27.32	17.50
26-Mar-10	77.31	115.04	103.19	83.55	27.07	17.59
Mar 22-26, 2010	77.16	115.39	103.59	84.63	27.51	17.62

Source: Central Bank of Kenya

In the regional scene, the Kenya Shilling strengthened marginally against Uganda Shilling and weakened marginally against the Tanzania Shilling to exchange at Ush 27.51 per Kenya Shilling and Tsh 17.62 per Kenya Shilling in the week ending March 26, 2010 compared with Ush 27.39 per Kenya Shilling and Tsh 17.68 per Kenya Shilling in the previous week respectively.

Foreign Exchange Reserves

Usable official foreign exchange reserves held by the Central Bank closed at US dollar 3.22 billion (equivalent to 3.46 months of imports) as at March 26, 2010, compared with US dollar 3.26 billion (equivalent to 3.49 months of imports) as at March 19, 2010 (Table 5). This accumulation in reserves was predominantly through purchases from domestic interbank foreign exchange market. Commercial banks foreign exchange reserves, which are largely used by the private sector to meet external financial obligations, closed at US\$ 1,532 million as at end February 2010 compared with US\$ 1,610 million as at end February 2009.

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

	19-Mar-09	31-Jul-09	31-Aug-09	30-Sep-09	30-Oct-09	30-Nov-09	31-Dec-09	26-Feb-10	19-Mar-10	26-Mar-10
Usable Reserves	2,610	3,097	3,154	3,243	3,302	3,392	3,309	3,235	3,255	3,224
Months of Imports Cover*	3.16	3.52	3.54	3.67	3.67	3.71	3.62	3.49	3.47	3.43
Months of Imports Cover**	2.61	3.12	3.18	3.27	3.33	3.40	3.58	3.51	3.49	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 619.5 billion as at March 19, 2010 (Table 6 and Chart C). This followed net increases of Ksh 60.4 billion in Treasury bills (excluding Repos) Ksh 43.9 billion in and Treasury bonds. The overdraft at the Central Bank and other domestic debt, however, decreased by Ksh 1.3 billion and Ksh 1.8 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 160.7 billion and Ksh 421.1 billion, respectively as at March 19, 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 72.3 percent as at March 19, 2010 while that of Treasury bills increased from 24.4 percent to 27.6 percent during the same period. The debt maturity profile of Government securities, based on the days to maturity increased to 4 years and 1 month compared to 3 years 9 months in June 2009 reflecting the successful issuance of longer dated securities during the fiscal year.

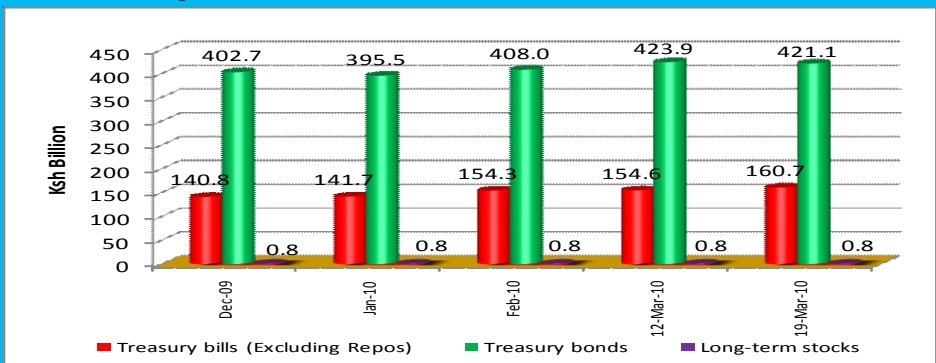
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-09	Sep-09	Dec-09	Jan-10	12th Mar 2010	19th Mar 2010	Changes	
							12th Mar-2010 - 19th Mar-2010	30th Jun-09 -19th Mar-2010
1. Treasury Bills (Excluding Repos) (As % of total securities)	116.8 24.4	122.2 24.0	140.8 25.9	141.7 26.3	154.6 26.7	160.7 27.6	6.1 0.9	43.9 3.2
2. Treasury Bonds (As % of total securities)	360.7 75.4	386.1 75.8	402.7 74.0	395.5 73.5	423.9 73.2	421.1 72.3	-2.8 -0.9	60.4 -3.1
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	0.8 0.1	0.0 0.0	0.0 0.0
4. Total Securities (1+2+3)	478.3	509.0	544.3	537.9	579.3	582.6	3.3	104.3
5. Overdraft at Central Bank	5.1	8.0	11.1	9.2	0.9	3.8	2.9	-1.3
6. Other Domestic debt [*]	34.9	33.6	33.6	33.6	33.0	33.1	0.1	-1.8
7. Gross Domestic Debt (4+5+6)	518.3	550.6	589.0	580.7	613.2	619.5	6.3	101.1
8. Interest payments on domestic debt (Cumulative in FY)	45.9	13.5	31.2	34.4	39.5		-39.5	

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

Source: Central Bank of Kenya

Chart C: Composition of Government Securities

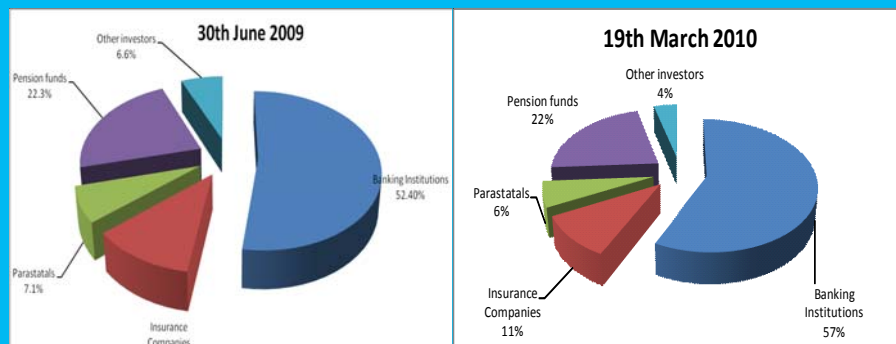


Source: Central Bank of Kenya

Holdings of Government Securities

Commercial banks increased their dominance in the Government Securities market by raising their share holding from 52.4 percent in June 2009 to 57.5 percent as at March 19, 2010. Consequently the share holding of pension funds, insurance companies, parastatals, and other holders in the total securities outstanding 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

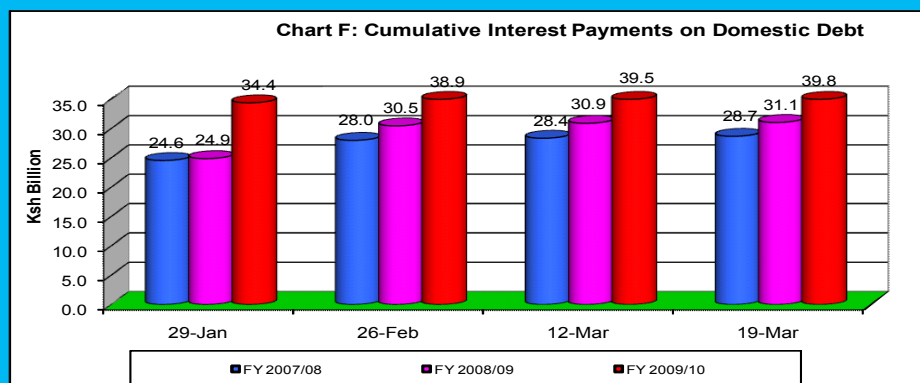


Source: Central Bank of Kenya

Cost of Domestic Borrowing

From 1st July 2009 to 12th March 2010, cumulative Government expenditure on interest and other charges on domestic debt increased by 24.8 percent to Ksh 39.8 billion from 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 30.5 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 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 an improvement in performance at the equities market during the week ending March 25, 2010. Equity turnover increased by 1.8 percent as stocks worth Ksh 2,191.7 million were traded compared with Ksh 2,153.1 million traded in the previous week. The number of shares traded increased from 129.9 million in the previous week to 180.9 million shares in the week under review. Market capitalization as a measure of total shareholders wealth increased by 0.94 percent or Ksh. 9.2 billion to close at Ksh 979.4 billion in the week under review from Ksh 970.2 billion in the previous week. The NSE 20 Share index gained 1.8 points to settle at 4,042.9 points on March 25, 2010 from 4,008.2 points on March 18, 2010. The Nairobi All Share Index gained 0.79 points to settle at 84.1 points on March 25, 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	25-Mar-10
NASI 100= Jan 2008	78.95	79.75	78.83	78.13	79.16	80.41	83.29	83.32	84.11
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	4,042.87
Number of Deals	9,778	9,009	9,141	8,434	8,574	8,286	10,048	11,452	10,458
Total Shares Traded (millions)	112.05	125.24	85.31	52.91	95.77	91.21	117.90	129.94	180.85
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	2,191.66
Market Capitalization (Ksh. Bn.)	919.35	928.75	918.00	909.91	921.77	936.22	969.88	970.24	979.37
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	8,090.30

* 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 123.7 million shares and accounted for 68.4 percent of total traded volume. Safaricom traded 116.4 million shares and was the most active stock in the sector. The Finance and Investment sector traded 37.9 million shares and accounted for 21.0 percent of total traded volume. Kenya Commercial Bank and Cooperative Bank limited were the most active stocks in the sector, trading 20.8 million and 5.7 million shares, respectively. Industrial and Allied sector traded 15.9 million shares and accounted for 8.8 percent of traded volume. Mumias Sugar Company and KenolKobil were the most active counters, trading 7.3 and 5.7 million shares, respectively. The other sectors had minimal trading.

Bond Market Bond market trading increased at the Fixed Income Securities Market during the week. Bond turnover increased as bonds worth Ksh 8.1 billion were traded compared with Ksh 6.4 billion traded in the previous week.