

November 26, 2010



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government had offered for sale a 5-year Treasury bond and 182-day Treasury bills totalling Ksh 12.0 billion and Ksh 6.5 billion respectively during the week ending November 26, 2010 and received bids equivalent to 151.3 percent and 37.7 percent of the offered amounts respectively. The weighted average rate of the accepted 182-day Treasury bills was 2.46 percent while the 5-year discounted fixed rate bonds average weighted interest was 6.67 percent.

The average interbank rate increased by 2 basis points to 1.10 percent in the week ending November 25, from 1.08 percent in the previous week.

The money market was liquid in the week ending November 25, 2010 and the Central Bank injected a total of Ksh 3.3 billion into the market, during the week. There were no reverse repos maturities during the week.

The Kenya Shilling appreciated against the major international currencies during the week ending November 26, 2010. Against the US dollar, the shilling appreciated marginally to exchange at an average of Ksh 80.25 in the week compared with Ksh 80.34 per US dollar in the previous week.

The usable official foreign exchange reserves held by the Central Bank decreased marginally to US dollar 3.471 billion (equivalent to 3.52 months of imports) as at November 26, 2010, compared to US dollar 3.472 billion (equivalent to 3.52 months of imports) held on November 19, 2010, reflecting a revaluation loss during the week.

Gross Government debt increased by Ksh 33.9 billion from Ksh 660.3 billion in June 2010 to Ksh 694.1 billion as at November 19, 2010 of the FY 2010/11. The cumulative Government expenditure on interest and other charges on domestic debt during the same period amounted to Ksh 22.6 billion.

Performance at the equities market was mixed during the week ending November 25, 2010, with the NSE 20 Share Index losing 27.02 points to settle at 4,528 from 4,555 points on November 18, 2010 while equity turnover gained by 2.8 percent.

Government Securities Auction

The Government had offered for sale a 5-year Treasury bond and 182-day Treasury bills totalling Ksh 12.0 billion and Ksh 6.5 billion respectively during the week ending November 26, 2010. During the treasury bonds auction of November 24, 2010, total bids received amounted to Ksh 18.2 billion equivalent to 151.3 percent performance. The 182 day Treasury bill auction of November 25, 2010 however posted a performance of 37.7 percent with total bids received amounting to Ksh 2.5 billion.

Of the total bids received, the Government accepted Ksh 12.0 billion and Ksh 1.7 billion on Treasury bonds and Treasury bills respectively. The proceeds of the auction were used to redeem Treasury bills maturities amounting to Ksh 7.2 billion and Treasury bond maturities worth Ksh 6.2 billion, and to provide government additional funds amounting to Ksh 0.3 billion, in line with the borrowing programme.

Interest Rates on Treasury Bills

The weighted average rate of the accepted 182-day Treasury bills increased by 20.8 basis points from 2.256 percent to 2.464 percent in the previous auction of a similar tenure, (Table 1).

Table 1A: Interest Rates (Weighted Treasury Bill Rates)

Auction date	30-Sep-10	07-Oct-10	14-Oct-10	21-Oct-10	28-Oct-10	04-Nov-10	11-Nov-10	18-Nov-10	25-Nov-10
91 day T. Bills*		2.125		2.116		2.180		2.242	
182 day T. Bills*	2.093		2.111		2.132		2.256		2.464
364 day T. Bills*		3.060							
Month	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10			
Average savings rate	1.76	1.75	1.55	1.50	1.47	1.46			
Average overdraft rate	14.38	14.23	14.03	13.97	13.81	13.64			

*Weighted rates

Table 1B: Interest Rates (Cut off Treasury Bill Rates)

Auction date	30-Sep-10	07-Oct-10	14-Oct-10	21-Oct-10	28-Oct-10	04-Nov-10	11-Nov-10	18-Nov-10	25-Nov-10
91 day T. Bills*		2.299		2.299		2.214		2.299	
182 day T. Bills*	2.199		2.199		2.345		2.345		2.800
364 day T. Bills*		3.249							
Month	May-10	Jun-10	Jul-10	Aug-10	Sep-10				
Average savings rate	1.76	1.75	1.55	1.50	1.47				
Average overdraft rate	14.38	14.23	14.03	13.97	13.81				

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

Source: Central Bank of Kenya

Interbank and Repo Market

The average interbank rate increased by 2 basis points to 1.10 percent in the week ending November 25, from 1.08 percent in the previous week. The volumes traded were similar to those of the previous week and stood at Ksh 11.7 billion in the week ending November 25, 2010. The Government deposits at the Central bank declined marginally from Ksh 49.4 billion in the week ending November 18, to Ksh 48.3 billion in the week ending November 25, 2010.

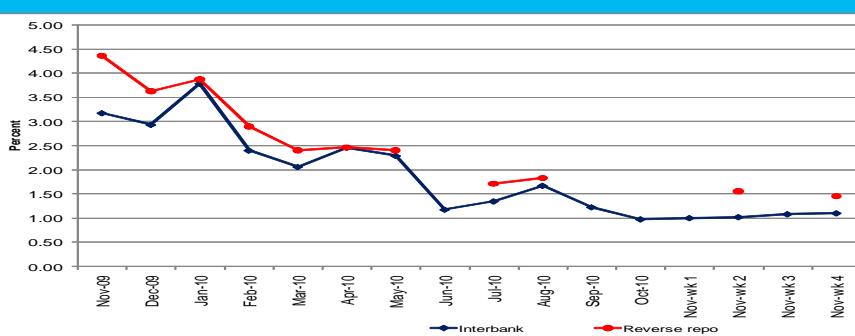
The reverse repo rate was 1.460 percent as at the last reverse repo transaction on November 22, 2010.

Table 2: Interbank Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
Nov 5 - Nov 11, 2010	68	14,201	1.02
12-Nov-10	68	8,641	1.08
15-Nov-10	76	12,904	1.07
16-Nov-10	78	11,731	1.05
17-Nov-10	77	12,421	1.07
18-Nov-10	81	12,713	1.10
Nov 12 - Nov 18, 2010	76	11,682	1.08
19-Nov-10	67	10,618	1.09
22-Nov-10	71	13,465	1.10
23-Nov-10	63	11,548	1.11
24-Nov-10	64	12,997	1.09
25-Nov-10	54	9,838	1.12
Nov 19 - Nov 25, 2010	64	11,693	1.10

Source: Central Bank of Kenya

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

Monetary Policy Operations

The money market was liquid in the week ending November 25, 2010. However, the distribution of liquidity among commercial banks was skewed. Arising from this, the Central Bank injected a total of Ksh 3.3 billion into the market during the week (Table 3). There were no reverse repos maturities during the week. Commercial Banks borrowed Ksh 2.5 billion from the Central Bank overnight window during the week under review. Reserve money averaged Ksh 215.2 billion during the week and was above target by Ksh 19.9 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(-)	Exc(+)/Short(-)	Exc(+)/Short(-)		
	(1)	(2)	3=(1-2)	(4)	(5)	6=(5-4)	(7)	(8=(7-2))	(9)	(10)
19-Nov	210.2	194.1	16.1	0.0	0.0	0.0	210.5	16.4	13.0	3.4
22-Nov	213.9	195.6	18.4	2.0	3.3	-1.3	216.2	20.6	17.3	3.3
23-Nov	215.4	195.6	19.9	0.0	0.0	0.0	215.3	19.7	16.6	3.1
24-Nov	216.1	195.6	20.5	0.0	0.0	0.0	216.0	20.5	18.3	2.2
25-Nov	217.5	195.6	21.9	0.0	0.0	0.0	217.8	22.2	20.1	2.1
Average	214.6	195.3	19.3	0.4	0.7	-0.3	215.2	19.9	17.1	2.8

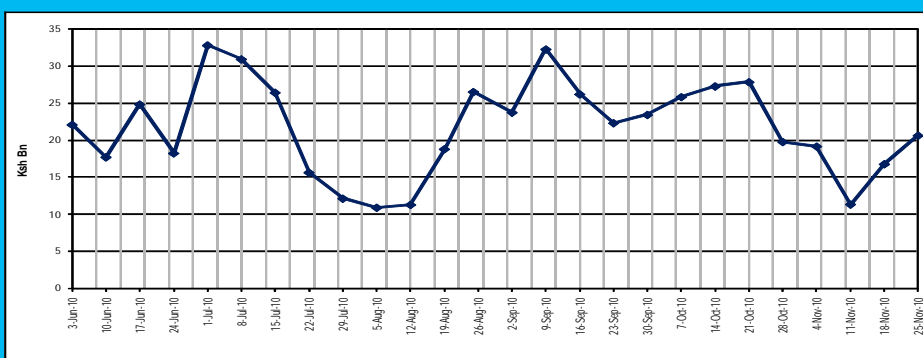
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 20.6 billion in their clearing accounts at the Central Bank in the week to November 25, 2010, compared with Ksh 16.7 billion held 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 appreciated against the major international currencies during the week ending November 26, 2010 (Table 4). Against the US dollar, the shilling appreciated marginally to exchange at Ksh 80.25 in the week compared with Ksh 80.34 per US dollar in the previous week. Similarly, the shilling strengthened against the Sterling Pound, the Euro the Japanese Yen and to exchange on average at Ksh 127.19 per Sterling Pound, Ksh 108.09 per Euro and Ksh 96.07 per 100 Japanese Yen in the week compared with Ksh 128.57 per Sterling Pound, Ksh 109.30 per Euro and Ksh 96.62 per 100 Japanese Yen in the previous week. In the local market the Kenya shilling appreciated against the US dollar in the week supported by offshore selling of the US dollar.

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
15-Nov-10	80.51	129.74	110.14	97.21	28.44	18.61
16-Nov-10	80.46	129.19	109.56	97.05	28.40	18.67
17-Nov-10	80.45	127.79	108.61	96.40	28.53	18.71
18-Nov-10	80.16	127.60	108.90	96.32	28.50	18.69
19-Nov-10	80.10	128.52	109.27	96.12	28.53	18.70
November 15- 19, 2010	80.34	128.57	109.30	96.62	28.48	18.68
22-Nov-10	80.04	128.19	109.98	95.69	28.54	18.56
23-Nov-10	80.16	127.67	108.78	96.04	28.54	18.59
24-Nov-10	80.35	127.16	107.69	96.55	28.50	18.50
25-Nov-10	80.29	126.51	106.98	96.18	28.53	18.50
26-Nov-10	80.39	126.42	107.01	95.91	28.55	18.50
November 22- 26, 2010	80.25	127.19	108.09	96.07	28.53	18.53

Source: Central Bank of Kenya

On the regional scene, the Kenya Shilling strengthened against the Uganda Shilling and weakened against the Tanzania Shilling to exchange at Ush 28.53 per Kenya Shilling and Tsh 18.53 per Kenya Shilling in the week ending November 26, 2010, compared with 28.48 per Kenya Shilling and Tsh 18.68 per Kenya Shilling in the previous week respectively.

Foreign Exchange Reserves

Usable official foreign exchange reserves held by the Central Bank decreased marginally to US dollar 3.471 billion (equivalent to 3.52 months of imports) as at November 26, 2010, compared to US dollar 3.472 billion (equivalent to 3.524 months of imports) held on November 19, 2010, reflecting a revaluation loss during the week (Table 5).

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

	13-Aug-10	20-Aug-10	22-Oct-10	29-Oct-10	05-Nov-10	12-Nov-10	19-Nov-10	26-Nov-10
Usable Reserves	3,417	3,416	3,484	3,471	3,492	3,489	3,472	3,471
Months of Imports Cover*	3.53	3.53	3.54	3.53	3.54	3.54	3.52	3.52

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

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government debt increased by Ksh 33.9 billion from Ksh 660.3 billion in June 2010 to Ksh 694.1 billion as at November 19, 2010 (Table 6 and Chart D). This increase reflected borrowing through Treasury bonds amounting to Ksh 63.4 billion. The stock of Treasury bills and other domestic debt declined by Ksh 20.5 bn and 7.3 billion respectively. The Government repaid its overdraft at the Central Bank by Ksh 1.0 billion.

The stock of Treasury bonds increased from Ksh 448.6 billion in June 2010 to Ksh 512.0 billion as at November 19, 2010. The stock of Treasury bills, overdraft at the Central Bank and other domestic debt declined from Ksh 159.0 billion, Ksh 17.6 billion and Ksh 34.2 billion, respectively in June 2010 to Ksh 138.6 billion, Ksh 16.7 billion and Ksh 26.9 billion respectively during the same period.

Table 6: Government Domestic Debt (Ksh Billion)

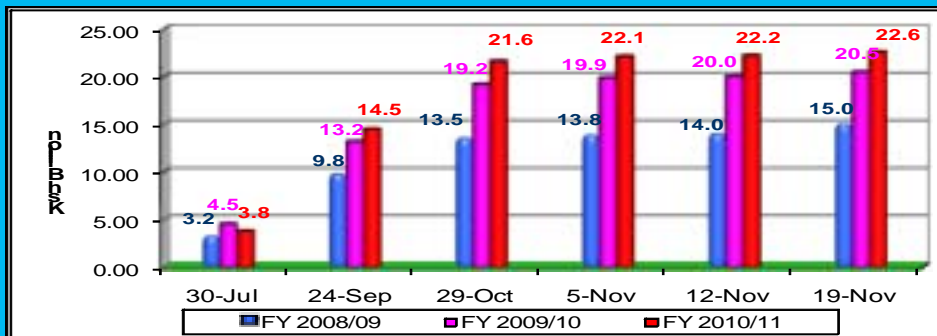
	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	12th Nov-2010	19th Nov-2010	Changes	
								12th Oct-10 - 19th Nov-10	30th Jun-10 - 19th Nov-10
1. Treasury Bills (Excluding Repos) (As % of total securities)	159.0 26.1	158.2 25.6	151.8 23.7	147.4 23.2	144.2 22.4	144.5 22.0	138.6 21.3	-5.9 -0.1	-20.5
2. Treasury Bonds (As % of total securities)	448.6 73.7	459.3 74.3	488.5 76.2	488.5 76.7	498.1 77.6	512.0 78.0	512.0 78.7	0.0 0.1	63.4
3. Long Term Stocks (As % of total securities)	0.8 0.1	0.8 0.1	0.8 0.1	0.8 0.1	0.0 0.0	0.0 0.0	0.0 0.0	0.0 0.0	-0.8
4. Total Securities (1+2+3)	608.4	618.2	641.0	636.6	642.3	656.5	650.6	-0.6	42.2
5. Overdraft at Central Bank	17.6	15.5	22.5	20.6	22.1	16.7	16.7	0.0	-1.0
6. Other Domestic debt*	34.2	34.0	34.5	34.1	34.0	26.8	26.9	0.1	-7.3
7. Gross Domestic Debt (4+5+6)	660.3	667.7	698.0	691.3	698.4	700.0	694.1	-5.8	33.9
8. Interest payments on domestic debt	57.8	2.62	9.38	14.49	21.61	22.21	22.58	0.4	

* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and TRCs.
Source: Central Bank of Kenya

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The share of Treasury bonds thus increased from 73.7 percent in June to 78.7 percent as at November 19, 2010 while that of Treasury bills declined from 26.1 percent to 21.3 percent. The average time to maturity of Government securities increased from 4 years 3 months in June 2010 to 5 years 1 month as at November 19, 2010. This development is largely in line with the Government debt management strategy of lengthening the maturity profile of domestic debt.

Chart C: Composition of Government Securities

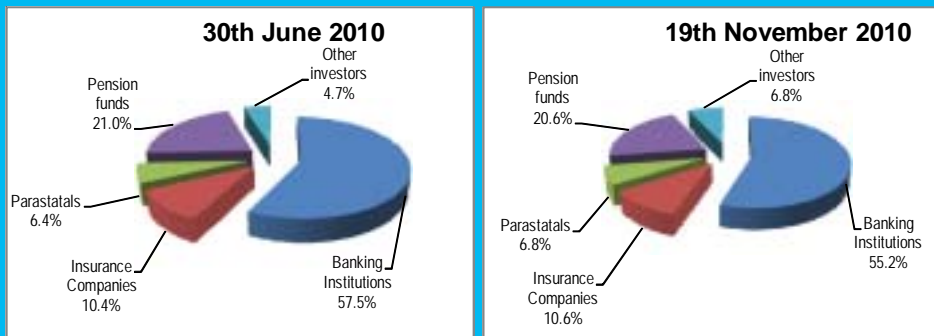


Source: Central Bank of Kenya

Holding of Government Securities

The holdings of Government securities by parastatals, insurance and other investors increased from 6.4 percent, 10.4 percent and 4.6 percent, respectively in June 2010 to 6.8 percent, 10.6 percent and 6.8 percent, respectively as at November 19, 2010. However, holdings of commercial banks and pension funds declined from 57.5 percent and 21.0 percent to 55.2 percent and 20.6 percent, respectively during this period (Chart D).

Chart D: Composition of Government Securities by Investor

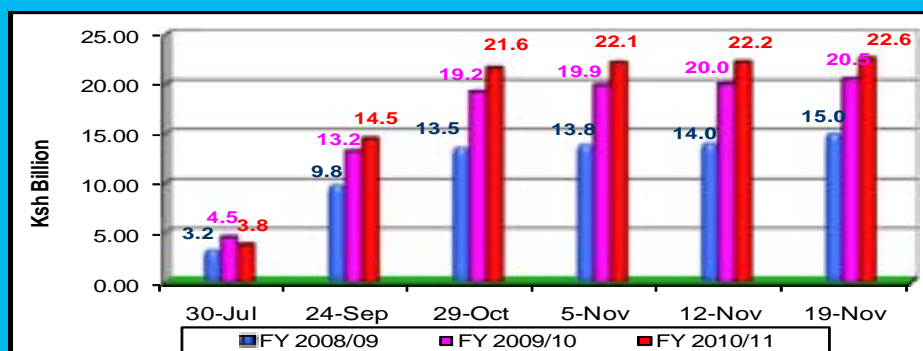


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative Government expenditure on interest and other charges on domestic debt as at November 19, 2010 of the FY 2010/11 amounted to Ksh 22.6 billion compared with Ksh 20.5 billion in a similar period of the FY 2009/10 (Chart E). The interest cost on domestic debt during the period comprised of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 5.9 billion and 16.4 billion, respectively while interest on Government overdraft at the Central Bank amounted to Ksh 0.3 billion.

Chart E: Cumulative Interest Payments on Domestic Debt



Source: Central Bank of Kenya

The Stock Market

Performance at the equities market was mixed during the week ending November 25, 2010. Turnover gained by 2.8 percent as stocks worth Ksh 2,109.0 million were traded compared with Ksh 2,052.5 million traded in the previous week. The number of shares traded increased from 97.7 million in the previous week to 109.6 million shares in the week under review. Market capitalization as a measure of total shareholders wealth decreased by 0.9 percent or Ksh. 10.7 billion to close at Ksh 1,188 billion from Ksh 1,199 billion in the previous week. The NSE 20 Share Index lost 27.02 points to settle at 4,528 points on November 25, 2010 from 4,555 points on November 18, 2010. The Nairobi All Share Index lost 0.89 points to settle at 99.6 from 100.52 points the previous week (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	07-Oct-10	14-Oct-10	21-Oct-10	28-Oct-10	04-Nov-10	11-Nov-10	18-Nov-10	25-Nov-10
NASI 100- Jan 2008	100.59	100.45	102.15	101.95	101.95	101.36	100.52	99.6287
NSE 20 Share Index 100=1966	4,626.19	4,608.36	4,664.03	4,640.42	4,629.03	4,587.49	4,555.28	4,528.26
Number of Deals	11,782	11,612	8,679	12,818	11,138	10,426	8,869	9,818
Total Shares Traded (millions)	138.75	118.26	105.66	120.97	110.87	146.38	97.66	109.58
Equity Turnover (Ksh. millions)	2,743.85	2,285.00	2,467.01	2,410.67	2,243.27	2,126.41	2,052.47	2,109.04
Market Capitalization (Ksh. Bn.)	1,194.89	1,194.20	1,214.39	1,212.98	1,216.05	1,209.09	1,199.17	1,188.50
Bonds Turnover (Ksh. millions)	8,811.05	6,324.50	6,680.25	7,448.35	4,412.25	7,929.35	8,010.60	9,622.65

* 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 71.1 million shares and accounted for 64.9 per cent of the traded volume with Safaricom trading 64.4 million shares in the sector. The Finance and Investment sector traded 22.9 million shares and accounted for 20.9 percent of total traded volume. Co-operative Bank and Equity Bank were the most active stocks in the sector, trading 7.0 million and 6.5 million shares respectively. Industrial and Allied sector traded 15.0 million shares and accounted for 13.7 percent

of traded volume. Mumias Sugar Co. was the most active counter, trading 4.3 million shares. The Alternative market segment traded 24,000 shares.

Bond Market

Bond turnover at the Fixed Income Securities Market increased from Ksh 8.0 billion traded in the previous week to Ksh 9.6 billion in the week under review.