

October 22, 2010



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market registered a performance of 107.2 percent during the auction held this week. The Government had offered for sale 91-day Treasury bills amounting to Ksh 4.5 billion, received bids amounting to Ksh 4.8 billion and accepted all bids. The average 91-day Treasury bill rate declined during this week's auction to 2.116 percent from 2.125 percent the previous week.

The average interbank rate increased marginally by 2 basis points to 0.94 percent in the week ending October 21, 2010 from 0.92 percent in the previous week.

The money market was liquid in the week ending October 21, 2010 and the Central Bank stayed out of the market.

The Kenya Shilling depicted mixed performance against the major international currencies during the week ending October 22, 2010. Against the US dollar, the shilling depreciated marginally to exchange at an average of Ksh 80.77 in the week compared with Ksh 80.62 per US dollar in the previous week.

The usable official foreign exchange reserves held by the Central Bank decreased to US dollar 3.484 billion (equivalent to 3.54 months of imports) as at October 22, 2010, compared to US dollar 3.492 billion (equivalent to 3.55 months of imports) held on October 15, 2010.

Government gross domestic debt increased by Ksh 40 billion from Ksh 660.3 billion in June 2010 to Ksh 700.3 billion as at October 15, 2010. The cumulative Government expenditure on interest and other charges on domestic debt during the same period amounted to Ksh 17.8 billion.

Performance at the equities market improved during the week ending October 21, 2010, with the NSE 20 Share Index gaining 55.67 points to settle at 4,664 points from 4,608 points on October 14, 2010 and equity turnover increased by 8.0 percent.

Government Securities Auction

The Government securities market registered a performance of 107.2 percent during the auction held this week. The Government had offered for sale 91-day Treasury bills amounting to Ksh 4.5 billion and received bids amounting to Ksh 4.8 billion. The Government accepted bids amounting to Ksh 4.8 billion of which Ksh 4.7 billion were competitive.

Interest Rates on Treasury Bills

The average 91-day Treasury bill rate declined to settle at 2.116 percent compared with 2.125 percent registered in October 15, 2010 (Table 1).

Table 1: Interest Rates

Auction date	26-Aug-10	02-Sep-10	09-Sep-10	16-Sep-10	23-Sep-10	30-Sep-10	07-Oct-10	14-Oct-10	21-Oct-10
91 day T. Bills*	2.202		2.100		2.202		2.299		2.299
182 day T. Bills*		2.199		2.199		2.199		2.199	
364 day T. Bills*							3.249		
Month	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10
Average savings rate	1.75	1.81	1.81	1.81	1.76	1.75	1.55	1.50	1.47
Average overdraft rate	14.25	14.25	14.06	14.50	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

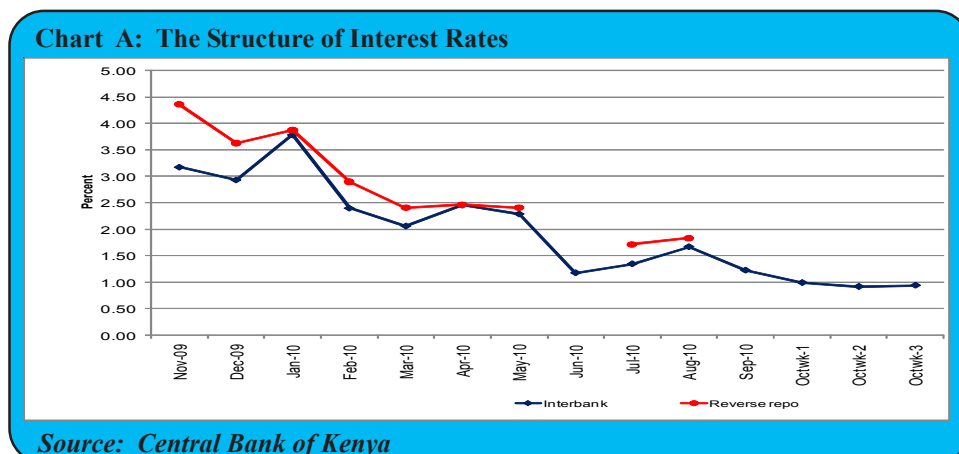
The average interbank rate increased marginally by 2 basis points to 0.94 percent in the week ending October 21 from 0.92 percent in the previous week (Table 2). The volumes traded also increased from Ksh 43.9 billion in the previous week to Ksh 56.5 billion in the week ending October 21, 2010. The Government deposits at the Central bank rose from Ksh 45.6 billion in the week ending October 14, 2010 to Ksh 49.4 billion in the week ending October 21, 2010.

Table 2: Interbank Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
Sept 24 - Sept 30, 2010	308	50,036	1.05
01-Oct-10	53	8,889	1.01
04-Oct-10	60	12,553	0.99
05-Oct-10	64	13,560	0.99
06-Oct-10	55	12,999	0.98
07-Oct-10	49	10,295	0.98
Oct 01 - Oct 07, 2010	281	58,296	0.99
08-Oct-10	52	7,085	0.94
11-Oct-10	63	10,548	0.93
12-Oct-10	55	10,206	0.91
13-Oct-10	46	7,540	0.90
14-Oct-10	59	8,517	0.91
Oct 08 - Oct 14, 2010	275	43,897	0.92
15-Oct-10	58	7,765	0.90
18-Oct-10	61	12,574	0.90
19-Oct-10	81	20,325	0.96
20-Oct-10		HOLIDAY	
21-Oct-10	82	15,835	1.00
Oct 15 - Oct 21, 2010	282	56,498	0.94

Source: Central Bank of Kenya

The reverse repo rate was 1.84 percent as at the last reverse repo transaction on August 30, 2010 as shown in Chart A.



Monetary Policy Operations

Money market was liquid in the week ending October 21, 2010 and the Central Bank stayed out of the market (Table 3). During the week under review, commercial banks borrowed a total of Ksh 3.9 billion from the Central Bank overnight window. Reserve money averaged Ksh 214.9 billion during the week and was above target by Ksh 26.4 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=(1-2)	(4)	(5)	6=(5-4)	(7)	8=(7-2)	(9)	(10)
15-Oct	215.3	187.9	27.4	0.0	0.0	0.0	215.5	27.5	24.6	2.9
18-Oct	219.5	188.7	30.8	0.0	0.0	0.0	219.1	30.4	27.9	2.5
19-Oct	215.5	188.7	26.8	0.0	0.0	0.0	213.6	24.9	22.1	2.8
20-Oct	HOLIDAY									
21-Oct	209.6	188.7	20.9	0.0	0.0	0.0	211.3	22.5	19.8	2.7
Average	215.0	188.5	26.5	0.0	0.0	0.0	214.9	26.4	23.6	2.8

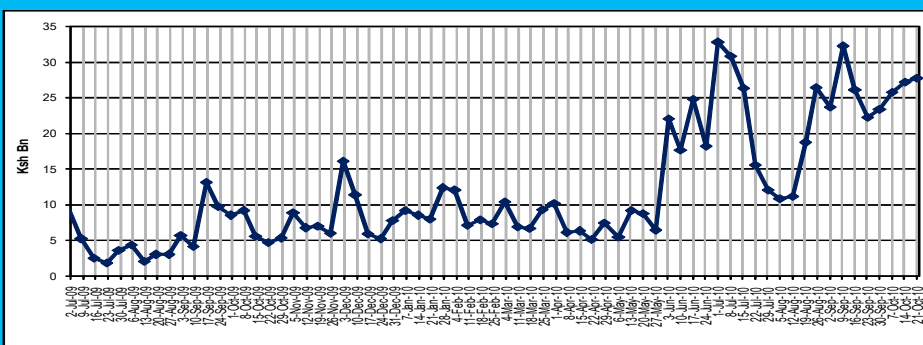
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 27.8 billion in their clearing accounts at the Central Bank in the week to October 21, 2010 compared with Ksh 27.2 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 depicted mixed performance against the major international currencies during the week ending October 22, 2010 (Table 4). Against the US dollar, the shilling depreciated marginally to exchange at Ksh 80.77 in the week compared with Ksh 80.62 per US dollar in the previous week. During the week, the shilling appreciated against the Sterling Pound, the Euro and the Japanese Yen to exchange on average at Ksh 127.90 per Sterling Pound, Ksh 112.47 per Euro and Ksh 99.48 per 100 Japanese Yen in the week compared with Ksh 128.48 per Sterling Pound, Ksh 112.74 per Euro and Ksh 98.75 per 100 Japanese Yen in the previous week.

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS
11-Oct-10	80.56	128.42	112.57	98.25	27.93	18.35
12-Oct-10	80.74	128.30	111.73	98.58	27.96	18.70
13-Oct-10	80.73	127.84	112.68	98.63	27.99	18.65
14-Oct-10	80.59	128.87	113.49	99.20	28.06	18.64
15-Oct-10	80.50	128.99	113.24	99.09	28.09	18.64
October 11- October 15, 2010	80.62	128.48	112.74	98.75	28.01	18.60
18-Oct-10	80.67	128.55	111.99	99.34	28.03	18.54
19-Oct-10	80.76	128.07	112.33	99.10	28.07	18.51
21-Oct-10	80.84	127.78	112.81	99.78	28.16	18.50
22-Oct-10	80.80	127.18	112.74	99.69	28.17	18.51
October 18- October 22, 2010	80.77	127.90	112.47	99.48	28.11	18.51

Source: Central Bank of Kenya

In the local market, the Kenya shilling depreciated marginally against the US dollar weighed down by end-month dollar demand from importers. In the international market, the dollar gained against the euro but lost to the sterling pound in the week.

On the regional scene, the Kenya Shilling strengthened against the Uganda Shilling and the Tanzania Shilling to exchange at Ush 28.01 per Kenya Shilling and Tsh 18.60 per Kenya Shilling in the week ending October 15, 2010 compared with 27.86 per Kenya Shilling and Tsh 18.43 per Kenya Shilling in the previous week, respectively.

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank decreased to US dollar 3.484 billion (equivalent to 3.54 months of imports) as at October 22, 2010 compared to US dollar 3.492 billion (equivalent to 3.55 months of imports) held on October 15, 2010 (Table 5).

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

	27-May-10	25-Jun-10	26-Aug-10	10-Sep-10	17-Sep-10	24-Sep-10	01-Oct-10	08-Oct-10	15-Oct-10	22-Oct-10
Usable Reserves	3,252	3,310	3,396	3,427	3,454	3,476	3,487	3,491	3,492	3,484
Months of Imports Cover*	3.41	3.47	3.51	3.52	3.55	3.57	3.54	3.55	3.55	3.54

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

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government debt increased by Ksh 40.0 billion from Ksh 660.3 billion in June 2010 to Ksh 700.3 billion at October 15, 2010 (Table 6 and Chart C). This increase was on account of increases in Treasury bonds and overdraft at the Central Bank amounting to Ksh 52.6 billion and Ksh 4.4 billion, respectively, which was, however, partly offset by decreases of Ksh 16.3 billion in Treasury bills.

Treasury bonds and overdraft at the Central Bank increased from Ksh 448.6 billion and Ksh 17.6 billion, respectively in June 2010 to Ksh 501.2 billion and Ksh 22.1 billion as at October 15, 2010. Treasury bills declined from Ksh 159.0 billion in June 2010 to Ksh 142.8 billion during the same period.

Table 6: Government Domestic Debt (Ksh Billion)

	Jun-10	Jul-10	Aug-10	8th Oct-2010	15th Oct-2010	Changes	
						8th Oct-10- 15th Oct-10	30th Jun-10 - 15th Oct-10
1. Treasury Bills (Excluding Repos) (As % of total securities)	159.0 26.1	158.2 25.6	151.8 23.7	141.5 22.0	142.8 22.2	1.3 0.2	-16.3
2. Treasury Bonds (As % of total securities)	448.6 73.7	459.3 74.3	488.5 76.2	501.2 78.0	501.2 77.8	0.0 -0.2	52.6
3. Long Term Stocks (As % of total securities)	0.8 0.1	0.8 0.1	0.8 0.1	0.0 0.0	0.0 0.0	0.0 0.0	-0.8
4. Total Securities (1+2+3)	608.4	618.2	641.0	642.7	644.0	1.3	35.6
5. Overdraft at Central Bank	17.6	15.5	22.5	22.9	22.1	-0.9	4.4
6. Other Domestic debt*	34.2	34.0	34.5	34.0	34.2	0.2	0.0
7. Gross Domestic Debt (4+5+6)	660.3	667.7	698.0	699.7	700.3	0.6	40.0
8. Interest payments on domestic debt	57.8	2.62	9.38	16.63	17.80	1.2	

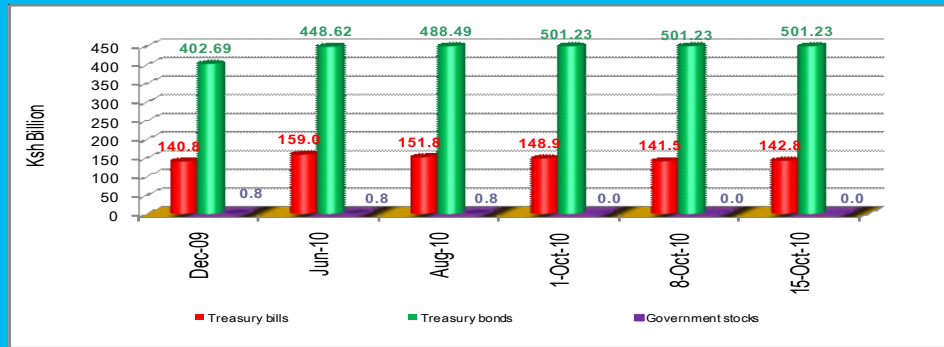
* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and TRCs.

Source: Central Bank of Kenya

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In view of the above, the share of Treasury bonds increased from 73.8 percent in June 2010 to 77.8 percent as at October 15, 2010, while that of Treasury bills declined from 26.1 percent to 22.1 percent. The average period to maturity of Government securities increased from 4 years 3 months in June 2010 to 5 years as at October 15, 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

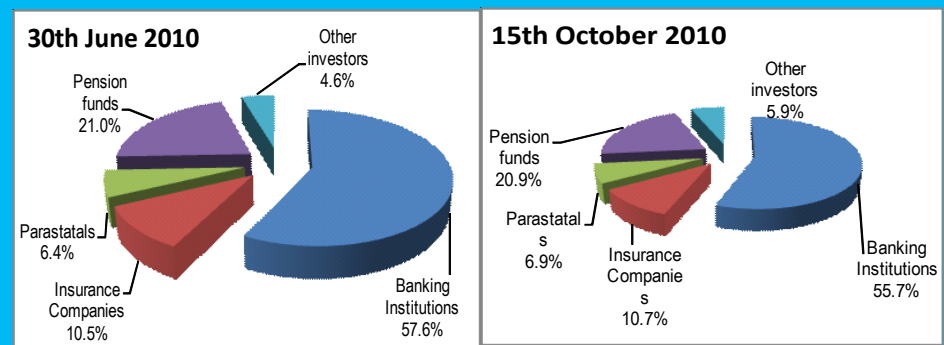


Source: Central Bank of Kenya

Holding of Government Securities

The holdings of Government securities by parastatals, insurance companies and other investors increased from 6.4 percent, 10.5 percent and 4.6 percent in June 2010 to 6.9 percent, 10.7 percent and 5.9 percent, respectively as at October 15, 2010. However, holdings by commercial banks and pension funds declined from 57.6 percent and 21.0 percent to 55.7 percent and 20.9 percent, respectively (Chart D).

Chart D: Composition of Government Securities by Investor

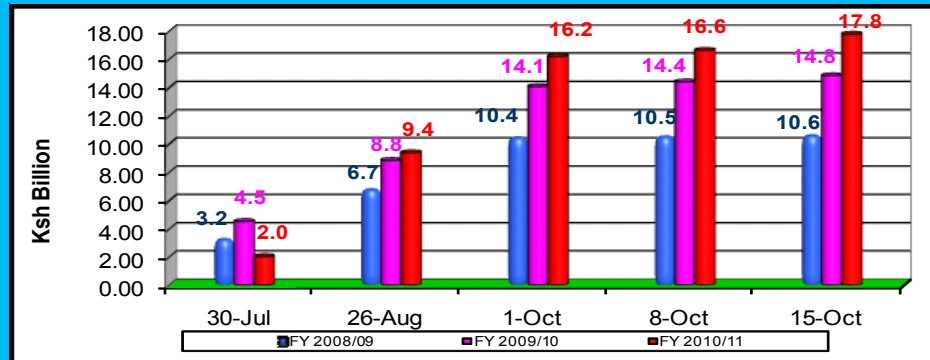


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative Government expenditure on interest and other charges on domestic debt as at October 15, 2010 amounted to Ksh 17.8 billion compared with Ksh 14.8 billion in a similar period of the FY 2009/10 (Chart E). The interest cost on domestic debt during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 4.9 billion and 12.6 billion, respectively, while interest on Government overdraft at the Central Bank amounted to Ksh 0.2 billion.

Chart E: Cumulative Interest Payments on Domestic Debt



Source: Central Bank of Kenya

The Stock Market

Performance at the equities market improved during the week ending October 21, 2010. Turnover increased by 8.0 percent as stocks worth Ksh 2,467.0 million were traded compared with Ksh 2,285.0 million traded in the previous week. The number of shares traded decreased from 118.2 million in the previous week to 105.7 million shares in the week under review. Market capitalization as a measure of total shareholders wealth increased by 1.7 percent or Ksh. 20.2 billion to close at Ksh 1,214 billion in the week under review from Ksh 1,194 billion in the previous week. The NSE 20 Share Index gained 55.67 points to settle at 4,664 points on October 21, 2010 from 4,608 points on October 14, 2010. The Nairobi All Share Index gained 1.7 points to settle at 102.15 points from 100.45 points the previous week (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	12-Aug-10	19-Aug-10	25-Aug-10	02-Sep-10	09-Sep-10	16-Sep-10	23-Sep-10	30-Sep-10	07-Oct-10	14-Oct-10	21-Oct-10
NASI 100= Jan 2008	98.86	100.49	97.8	96.11	95.38	97.76	98.33	98.92	100.59	100.45	102.15
NSE 20 Share Index 100=1966	4,544.52	4,603.26	4,541.70	4,466.96	4,457.47	4,541.25	4,601.81	4,629.80	4,626.19	4,608.36	4,664.03
Number of Deals	12,230	12,358	10,351	11,230	10,076	10,196	11,132	11,563	11,782	11,612	8,679
Total Shares Traded (millions)	108.68	111.0753	137.42	73.31	81.47	95.98	100.54	101.23	138.75	118.26	105.66
Equity Turnover (Ksh. millions)	2,065.74	1,837.56	1,496.01	1,185.77	1,608.37	2,067.06	1,777.21	1,883.94	2,743.85	2,285.00	2,467.01
Market Capitalization (Ksh. Bn.)	1,155.51	1,189.07	1,158.34	1,138.18	1,129.65	1,157.62	1,164.59	1,173.70	1,194.89	1,194.20	1,214.39
Bonds Turnover (Ksh. millions)	3,888.30	3,225.05	5,220.35	13,584.95	6,121.90	8,982.30	6,490.10	4,720.10	8,811.05	6,324.50	6,680.25

* 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 66.6 million shares and accounted for 63.1 per cent of the traded volume with Safaricom trading 44.2 million shares in the sector. The Finance and Investment sector traded 16.6 million shares and accounted for 15.7 percent of total traded volume. Equity Bank and Cooperative Bank were the most active stocks in the sector, trading 6.5 million and 4.1 million shares, respectively. Industrial

and Allied sector traded 22.1 million shares and accounted for 20.9 percent of traded volume. KenolKobil was the most active counter, trading 11.8 million shares. The Alternative market segment traded 54,300 shares.

Bond Market

Bond turnover at the Fixed Income Securities Market increased from Ksh 6.3 billion traded in the previous week to Ksh 6.7 billion traded in the week under review.