

**April 15, 2011**



### **THE CBK WEEKLY BULLETIN**

#### **Highlights for the Week**

The Government securities market registered 224.8 percent performance during auction held this week. The Government had offered for sale 91-day Treasury bills amounting to Ksh 2.0 billion, received bids amounting to Ksh 4.5 billion and accepted bids amounting to Ksh. 4.2 billion. The 91-day Treasury bill rate edged up to 3.46 percent.

The average interbank interest rate declined by 18 basis points to 2.70 percent in the week ending April 13, 2011, from 2.88 percent in the previous week.

The money market was relatively liquid in the week ending April 13, 2011 and the Central Bank stayed out of market. Reverse repo maturities amounted to Ksh 5.8 billion, during the week.

The Kenya Shilling on average depreciated against the major international currencies, as well as most of the EAC currencies, during the week ending April 15, 2011. Against the US dollar, the shilling depreciated to exchange at an average of Ksh 84.11 in the week compared with Ksh 83.98 per US dollar in the previous week.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,922 as at April 8, 2011 to US dollar 3,930 million (equivalent to 3.81 months of imports) as at April 15, 2011.

Government gross domestic debt increased by Ksh 90.3 billion from Ksh 660.3 billion in June 2010 to Ksh 750.5 billion as at April 08, 2011. The cumulative Government expenditure on interest and other charges on domestic debt during the same period amounted to Ksh 49.2 billion.

Performance at the equities market improved during the week ending April 14, 2011. The NSE 20 Share Index gained 5.5 points to settle at 3,998.6 from 3,993.1 points on April 7, 2011, whereas turnover increased by 28.4 percent.

**Government Securities Auction**

The Government securities market during the week registered mixed performance, as the Government offered for sale both the 91-day and 364-day Treasury bills. In the auction of April 13, 2011 Ksh 5.0 billion was offered for the 364-day Treasury bill. This attracted bids amounting to Ksh 1.7 billion representing a 33 percent performance. Bids amounting to Ksh. 0.53 billion were accepted of which Ksh. 0.477 billion were competitive. During the auction of April 14, 2011 the Government offered for sale 91-day Treasury bills amounting to Ksh 2.0 billion and received bids amounting to Ksh 4.5 billion, a 224.8 percent performance. The Government accepted bids worth Ksh 4.2 billion of which Ksh 4.0 billion were competitive.

The 91-day Treasury bill interest rate edged up 30.4 basis points to settle at 3.461 percent, while the 364-day Treasury bill rate rose 100 basis points to reach 4.998 percent.

**Table 1 : Interest Rates**

Auction date	3-Feb-11	10-Feb-11	17-Feb-11	24-Feb-11	3-Mar-11	25-Mar-11	31-Mar-11	8-Apr-11	15-Apr-11
91 day T. Bills*	2.555	2.595	2.592	2.603	2.627	2.905	2.989	3.157	3.461
182 day T. Bills*		2.749		2.764		3.271		3.442	
364 day T. Bills*	3.722				3.996				4.998
Month	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	
Average savings rate	1.55	1.50	1.47	1.46	1.40	1.45	1.25	1.41	
Average overdraft rate	14.03	13.97	13.81	13.64	13.77	13.69	13.93	13.65	

\*Weighted rates for accepted bids

Source: Central Bank of Kenya

**Interbank and REPO Rates**

The average interbank interest rate declined by 18 basis points to 2.70 percent in the week ending April 13, 2011. The average volumes traded increased to Ksh 13.06 billion in the week ending April 13, 2011 from Ksh 9.84 billion in the previous week. The Government deposits at the Central Bank rose from Ksh 45.3 billion in the week ending April 06, 2011 to Ksh 52.3 billion in the week ending April 13, 2011.

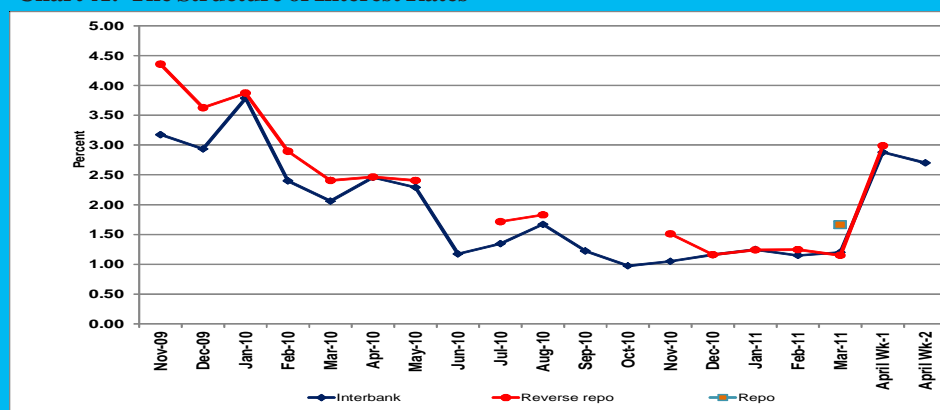
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
31-Mar-11	56	7,932	2.23
1-Apr-11	66	11,930	2.70
4-Apr-11	60	9,542	3.05
5-Apr-11	55	9,429	3.19
6-Apr-11	49	10,069	3.23
<b>March 31- April 6, 2011</b>	<b>57</b>	<b>9,840</b>	<b>2.88</b>
7-Apr-11	50	10,029	2.98
8-Apr-11	52	14,761	2.58
11-Apr-11	78	14,022	2.59
12-Apr-11	73	14,735	2.62
13-Apr-11	72	12,702	2.74
<b>April 7- April 13, 2011</b>	<b>62</b>	<b>13,057</b>	<b>2.70</b>

Source: Central Bank of Kenya

The reverse repo rate was 2.99 percent as at the last reverse repo transaction on April 06, 2011.

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

## Monetary Policy Operations

The money market was relatively liquid in the week ending April 13, 2011, following reverse repo injections of Ksh 5.8 billion in the previous week. The Central bank therefore stayed out of market (Table 3). Reverse repo maturities (from the previous week's injection) amounted to Ksh 5.8 billion towards the end of the week. Commercial banks borrowed Ksh 1.1 billion from the overnight window. Reserve money averaged Ksh 218.5 billion during the week and was above target by Ksh 7.3 billion.

Table 3: Open Market Operations

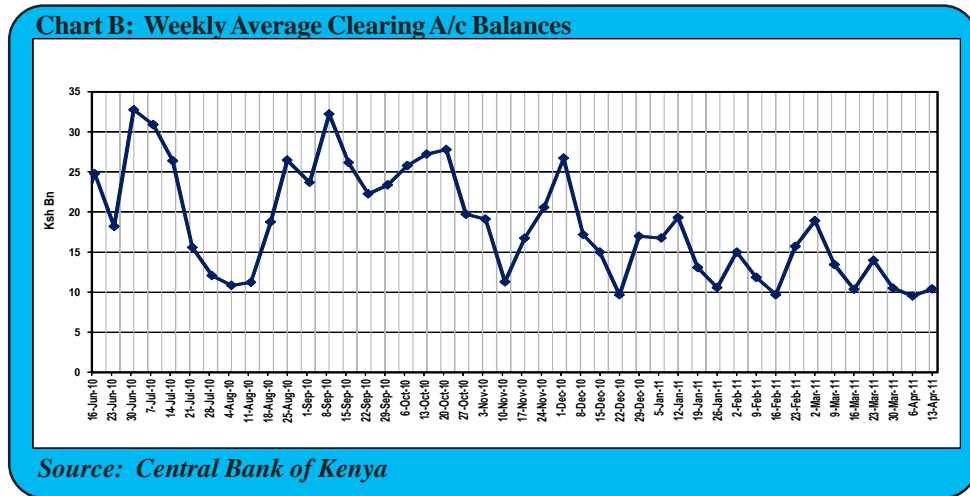
Date	Reserve Money* (Projected)			OMO ( Reverse REPO)			Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/ Short(-)	Posted	Injected	Exc(+)/ Short(-)	Actual	Exc(+)/ Short(-)	Exc(+)/ Short(-)	Exc(+)/ Short(-)
	(1)	(2)	3=(1-2)	(4)	(5)	6=(5-4)	(7)	8=(7-2)	(9)	(10)
7-Apr	225.3	211.4	13.9	0.0	0.0	0.0	224.8	13.4	9.3	4.1
8-Apr	222.0	211.4	10.6	0.0	0.0	0.0	221.0	9.6	5.2	4.4
11-Apr	217.8	211.0	6.8	0.0	0.0	0.0	216.6	5.5	0.3	5.2
12-Apr	215.5	211.0	4.4	0.0	0.0	0.0	216.4	5.4	0.4	5.0
13-Apr	212.7	211.0	1.7	0.0	0.0	0.0	213.5	2.5	-2.8	5.3
Average	218.7	211.2	7.5	0.0	0.0	0.0	218.5	7.3	2.5	4.8

\*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Commercial Banks Clearing Accounts Balances**

Commercial banks maintained an average of Ksh 10.4 billion in their clearing accounts at the Central Bank in the week to April 13, 2011, compared with Ksh 9.5 billion held the previous week (Chart B).



**The Shilling Exchange Rate**

The Kenya Shilling on average depreciated against the major international currencies during the week ending April 15, 2011 (Table 4). In the week, it exchanged at an average of Ksh 84.11 per US dollar, Ksh 137.29 per Sterling Pound, Ksh 121.64 per Euro and Ksh 100.20 per 100 Japanese Yen compared to Ksh 83.98 per US dollar, Ksh 136.49 per Sterling Pound, Ksh 119.95 per Euro and Ksh 98.94 per 100 Japanese Yen, in the week ending April 8, 2011.

**EAC Exchange Rates**

In the EAC region, the Kenya Shilling weakened against the Uganda shilling and Burundi Franc to exchange at Ush 27.84 per Kenya Shilling and BIF 14.62 per Kenya Shilling in the week ending April 15, 2011, compared with Ush 28.23 per Kenya Shilling and BIF 14.63 per Kenya Shilling in the previous week. On the other hand it strengthened against the Tanzania shilling from Tsh 17.93 per Kenya shilling in the week ending April 8, 2011 to Tsh 17.97 per Kenya shilling in the week ending April 15, 2011.

**Table 4: Kenya Shilling Exchange Rates**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
4-Apr-11	83.37	134.70	118.58	99.05	28.55	18.05	7.19	14.70
5-Apr-11	83.74	134.99	118.93	99.25	28.47	17.99	7.16	14.67
6-Apr-11	83.73	136.74	119.44	98.16	28.36	17.97	7.16	14.69
7-Apr-11	84.77	137.97	121.25	99.42	27.79	17.75	7.07	14.50
8-Apr-11	84.29	138.05	121.57	98.81	28.00	17.88	7.11	14.59
<b>April 4 - 8, 2011</b>	<b>83.98</b>	<b>136.49</b>	<b>119.95</b>	<b>98.94</b>	<b>28.23</b>	<b>17.93</b>	<b>7.14</b>	<b>14.63</b>
11-Apr-11	84.14	137.64	121.64	99.24	27.95	17.96	7.12	14.62
12-Apr-11	84.24	137.27	121.27	100.37	27.66	17.95	7.12	14.60
13-Apr-11	83.94	136.69	121.62	99.74	27.72	18.01	7.15	14.66
14-Apr-11	84.07	137.46	121.95	100.68	27.77	18.00	7.13	14.62
15-Apr-11	84.15	137.40	121.70	100.99	28.11	17.93	7.14	14.61
<b>April 11 - 15, 2011</b>	<b>84.11</b>	<b>137.29</b>	<b>121.64</b>	<b>100.20</b>	<b>27.84</b>	<b>17.97</b>	<b>7.13</b>	<b>14.62</b>

Source: Central Bank of Kenya

## Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollars 3,922 million (equivalent to 3.81 months of imports) as at April 8, 2011 to US dollars 3,930 million (equivalent to 3.81 months of imports) as at April 15, 2011 (Table 5).

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

	17-Feb-11	24-Feb-11	3-Mar-11	10-Mar-11	17-Mar-11	24-Mar-11	31-Mar-11	8-Apr-11	15-Apr-11
Usable Reserves*	3,495	3,610	3,645	3,663	3,931	3,935	3,887	3,922	3,930
Months of Imports Cover**	3.46	3.57	3.61	3.63	3.89	3.90	3.77	3.81	3.81

\*Excludes encumbered reserves

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

Source: Central Bank of Kenya

## Government Domestic Debt

Gross Government debt stood at Ksh 750.5 billion as at April 8, 2011, an increase of Ksh. 90.3 billion from Ksh 660.3 billion at the end June 2010 (Table 6 and Chart C). As at April 8, 2011, Government securities accounted for 92.4 percent of the total domestic debt, while overdraft at Central Bank and other Government debt accounted for 3.1 percent and 4.5 percent respectively.

**Table 6: Government Domestic Debt (Ksh Billion)**

	25th June 2010	Jun-10	31st Dec-2010	25th Mar-2011	31st Mar-2011	8th Apr-2011	Changes	
							31st Mar-11-8th Apr-11	30th Jun-10 -8th Apr-11
1. Treasury Bills (Excluding Repos) (As % of total securities)	165.8 27.3	159.0 26.1	132.9 20.1	130.8 19.0	128.4 18.4	122.7 17.7	-5.7	-36.4
2. Treasury Bonds (As % of total securities)	441.6 72.6	448.6 73.7	529.9 79.9	558.1 81.0	570.8 81.6	570.8 82.3	0.0	122.2
3. Long Term Stocks (As % of total securities)	0.8 0.1	0.8 0.1	0.0 0.0	0.0 0.0	0.0 0.0	0.0 0.0	0.0	-0.8
4. Total Securities (1+2+3)	608.1	608.4	662.8	689.0	699.2	693.5	-5.7	85.0
5. Overdraft at Central Bank	15.5	17.6	22.7	18.2	19.7	22.9	3.2	5.3
6. Other Domestic debt*	33.9	34.2	34.8	35.2	35.2	34.1	-1.1	-0.1
7. Gross Domestic Debt (4+5+6)	657.5	660.3	720.2	742.4	754.1	750.5	-3.6	90.3
8. Interest payments on domestic debt	55.6	57.8	34.2	44.8	49.2	49.2	0.0	

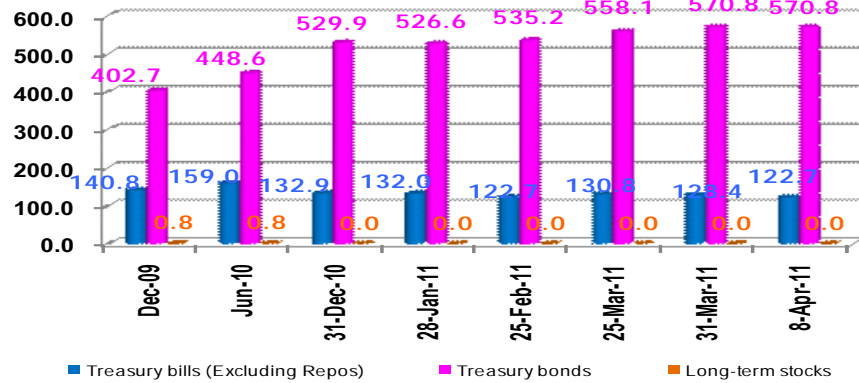
\*Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and TRCs.

Source: Central Bank of Kenya

Treasury bonds increased from Ksh 448.6 billion in June 2010 to Ksh 570.8 billion as at April 8, 2011, while Treasury bills declined from Ksh 159.0 billion to Ksh 122.7 billion during the same period. As a result the share of Treasury bonds in total domestic debt increased from 73.7 percent in June 2010 to 82.3 percent as at April 8, 2011, while that of Treasury bills declined from 26.1 percent to 17.7 percent over the same period.

The average time to maturity of Government securities increased from 4 years 3 months in June 2010 to 5 years 9 months as at April 08, 2011.

Chart C: Composition of Government Securities

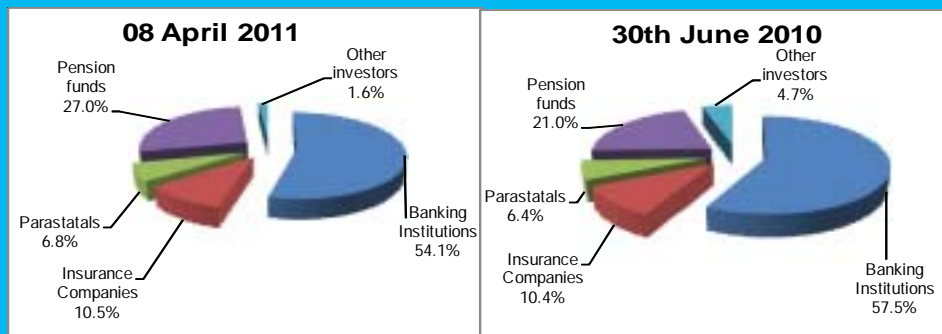


Source: Central Bank of Kenya

### Holding of Govt Securities

The holdings of Government securities by parastatals, insurance companies and pension funds increased from 6.4 percent, 10.4 percent and 21.0 percent, respectively in June 2010 to 6.8 percent, 10.5 percent and 27.0 percent, respectively as at April 08, 2011. However, Government securities holdings of 'other investors' declined from 4.7 percent to 1.6 percent during the same period (Chart D).

Chart D: Composition of Government Securities by Investors

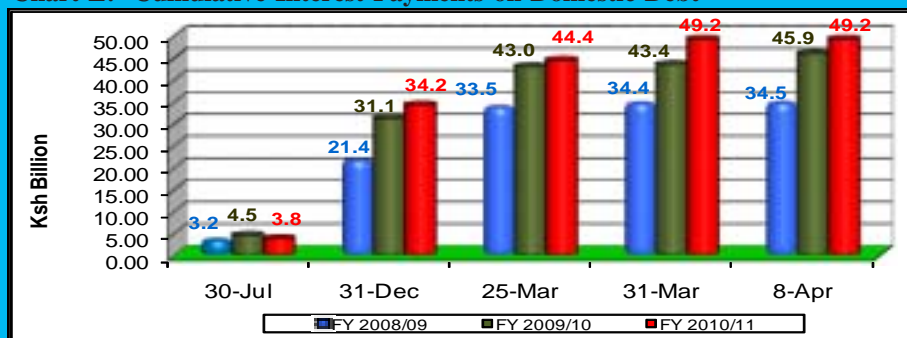


Source: Central Bank of Kenya

### Cost of Domestic Borrowing

The cumulative Government expenditure on interest and other charges on domestic debt as at April 08, 2011 of the fiscal year 2010/11 amounted to Ksh 49.2 billion compared with Ksh 45.9 billion in a similar period of the fiscal year 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 7.5 billion and 41.2 billion, respectively, while interest on Government overdraft at the Central Bank amounted to Ksh 0.6 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 April 14, 2011. Turnover increased by 28.4 percent as stocks worth Ksh 2,399.8 million were traded compared to Ksh 1,869.3 million traded in the previous week. The number of shares traded increased from 156.8 million to 163.2 shares during the period under review. Market capitalization as a measure of total shareholders wealth increased to 1,141.4 from last week's level of 1,136.4. The NSE 20 Share Index gained 5.5 points to settle at 3,998.6 points on April 14, 2011 from 3,993.1 points on April 7, 2011. The Nairobi All Share Index rose to 93.7 from 93.3 points in the previous week (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	10-Feb-11	17-Feb-11	24-Feb-11	3-Mar-11	10-Mar-11	17-Mar-11	24-Mar-11	31-Mar-11	7-Apr-11	14-Apr-11
NASI 100= Jan 2008	97.63	97.77	97.52	95.08	89.24	92.27	89.22	89.50	93.29	93.70
NSE 20 Share Index 100=1966	4,326.57	4,284.90	4,264.66	4,182.58	3,915.01	3,993.53	3,873.45	3,887.07	3,993.07	3,998.60
Number of Deals	9,408.00	9,730.00	10,357.00	9,585.00	9,269.00	9,380.00	7,574.00	7,626.00	7,765.00	7,237.00
Total Shares Traded (millions)	72.64	72.25	95.57	108.07	79.44	111.04	55.11	161.59	156.82	163.20
Equity Turnover (Ksh. millions)	1,706.72	1,236.49	1,795.99	1,996.43	1,244.90	2,063.68	1,089.73	2,396.78	1,869.35	2,399.80
Market Capitalization (Ksh. Bn.)	1,189.87	1,190.38	1,187.55	1,157.81	1,086.38	1,123.77	1,086.36	1,090.21	1,136.41	1,141.40
Bonds Turnover (Ksh. millions)	10,690.85	17,247.40	12,617.15	9,202.50	10,430.75	8,159.15	5,819.15	10,275.55	10,406.20	11.00

\* 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 111.2 million shares or 68.2 percent of the traded volume. Of this, the Safaricom counter saw 102.4 million shares change hands during the week. The Finance and Investment sector traded 27.5 million shares, while the Industrial and Allied sector traded 24.0 million shares. These sectors accounted for 16.9 percent and 14.7 percent of total volume transacted, respectively.

Kenya Commercial Bank and Equity Bank were the most active stocks in the Finance and Investment sector, trading 9.5 million and 10.1 million shares, respectively. Kenya Power and Lighting Co. Ltd. and KenGen Ltd.

were the most active counters in the Industrial and Allied sector, with 9.9 million and 5.7 million shares traded, respectively. The biggest closing price gain between April 7 and April 14, 2011, was on Diamond Trust Bank at Ksh 9 per share, followed by Nation Media Group at Ksh 6 per share. The biggest closing price loss was on CFC Bank at Ksh 11.5 per share. The Alternative market segment traded 22,200 down from 38,300 in the previous period.

**Bond Market**

Bond turnover at the Fixed Income Securities Market increased by 6.5 percent, from Ksh 10.4 billion traded in the previous week to Ksh 11.0 billion in the week under review. The number of deals transacted rose from 131 to 149 during the period under review.