

April 21, 2011



THE CBK WEEKLY BULLETIN

**Highlights for
the Week**

The Government offered Treasury bills and Treasury bonds to raise Ksh 20.5 billion in the week ending April 21, 2011. Bids amounting to Ksh 10.8 billion, were received of which Ksh 6.4 billion was accepted.

The average interbank rate rose by 104 basis points to 3.74 percent in the week ending April 19, 2011, from 2.70 percent in the previous week.

The Kenya Shilling depicted mixed performance against the major international currencies in the week ending April 21, 2011. Against the US dollar, the shilling appreciated to exchange at an average of Ksh 83.94 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 decreased from US dollar 3,930 million (equivalent to 3.81 months of imports of goods and non factor services) as at April 15, 2011 to US dollar 3,928 million (equivalent to 3.79 months of imports cover) as at April 21, 2011.

Government gross domestic debt increased by Ksh 89.7 billion from Ksh 660.3 billion in June 2010 to Ksh 750.0 billion as at April 15, 2011. The cumulative Government expenditure on interest and other charges on domestic debt during the same period amounted to Ksh 51.0 billion.

Performance at the equities market was mixed during the week ending April 20, 2011, with the NSE 20 Share Index gaining 9.1 points to settle at 4,007.7 from 3,998.6 points on April 14, 2011. The equity turnover decreased by 46.6 percent on account of 50 percent drop in the number of shares traded.

Government Securities Auction

In the securities market, the Government offered for sale Ksh 2.5 billion 182-day Treasury bills. Bids amounting to Ksh 424.0 million were received, (17.0 percent performance). In the Treasury bonds counter, the Government offered for sale 2-year and 15-year Treasury bonds to raise Ksh 18.0 billion, and received Ksh 10.4 billion, a performance of 57.8 percent.

The Government accepted bids worth Ksh 6.4 billion. The proceeds of these auctions are targeted at funding part of the cost of redemptions of Government securities amounting to Ksh. 9.5 billion.

The average interest on Government securities increased during the week. The 182-day Treasury bill rate edged up 13.8 basis points to 3.580 percent and the 2-year and 15-year Treasury bonds rates increased by 215.5 basis points and 146.5 basis points to 7.439 percent and 12.388 percent, respectively.

Table 1 : Interest Rates

Auction date	10-Feb-11	17-Feb-11	24-Feb-11	3-Mar-11	25-Mar-11	31-Mar-11	8-Apr-11	15-Apr-11	21-Apr-11
91 day T. Bills*	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		3.580
364 day T. Bills*				3.996				4.998	
Month	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11		
Average savings rate	1.50	1.47	1.46	1.40	1.45	1.25	1.41		
Average overdraft rate	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 rate rose by 104 basis points to 3.74 percent in the week ending April 19, 2011. The average volumes traded also increased to Ksh 13.35 billion in the week ending April 19, 2011 from Ksh 13.06 billion in the previous week. The Government partially argued interbank liquidity by running down its deposits at the Central Bank from Ksh 52.3 billion in the week ending April 13, to Ksh 40.9 billion in the week ending April 19, 2011.

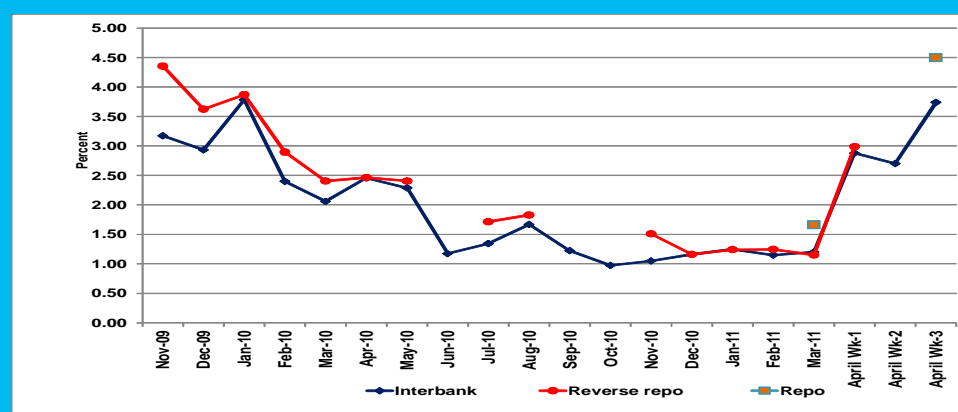
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
April 7- April 13, 2011	62	13,057	2.70
14-Apr-11	85	14,760	3.27
15-Apr-11	77	14,869	3.85
18-Apr-11	71	11,602	4.32
19-Apr-11	75	13,976	4.54
April 14- April 19, 2011	73	13,349	3.74

Source: Central Bank of Kenya

The repo rate was 4.500 percent as at the last repo transaction on April 18, 2011.

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

Monetary Policy Operations

Reflecting the tightness in the money market in the week ending April 19, 2011 (Table 3), commercial banks borrowed a total of Ksh 16.6 billion from the overnight window. Reserve money averaged Ksh 219.0 billion during the week and was above target by Ksh 8.1 billion.

Table 3: Open Market Operations

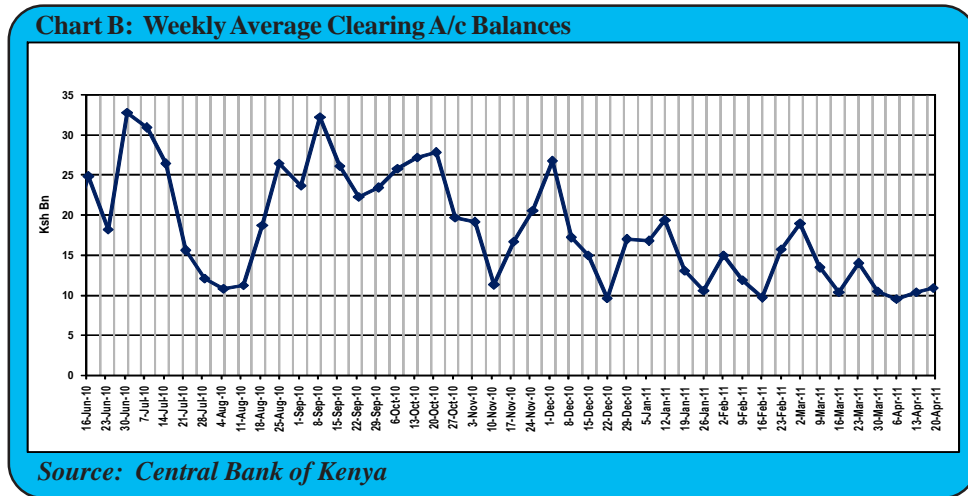
Date	Reserve Money* (Projected)			OMO (REPO)			Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/ Short(-)	Posted	Mopped	Exc(+)/ Short(-)	Actual	Exc(+)/ Short(-)	Exc(+)/ Short(-)	Exc(+)/ Short(-)
	(1)	(2)	3=(1-2)	(4)	(5)	6=(5-4)	(7)	8=(7-2)	(9)	(10)
14-Apr	213.0	211.0	2.0	0.0	0.0	0.0	214.8	3.8	-1.2	5.0
15-Apr	210.2	211.0	-0.8	0.0	0.0	0.0	214.8	3.8	-0.8	4.6
18-Apr	228.3	210.7	17.7	8.0	1.0	7.0	226.5	15.9	11.7	4.2
19-Apr	220.3	210.7	9.6	0.0	0.0	0.0	219.8	9.1	4.5	4.6
Average	218.0	210.9	7.1	2.0	0.3	1.8	219.0	8.1	3.5	4.6

*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 10.9 billion in their clearing accounts at the Central Bank in the week to April 19, 2011, compared with Ksh 10.4 billion held the previous week (Chart B).



**The Shilling
Exchange
Rate**

The Kenya Shilling depicted mixed performance against the major international currencies during the week ending April 21, 2011 (Table 4). Against the US dollar, the shilling appreciated to exchange at an average of Ksh 83.94 compared with Ksh 83.98 per US dollar in the previous week. The shilling depreciated against the Sterling Pound, the Euro and the Japanese Yen to exchange at Ksh 137.11 per Sterling Pound, Ksh 120.88 per Euro and Ksh 101.63 per 100 Japanese Yen compared with Ksh 136.49 per Sterling Pound, Ksh 119.95 per Euro and Ksh 98.94 per 100 Japanese Yen in the previous week.

The weakening of the Kenya shilling in recent weeks is an over reaction driven by expectation of future shortages of foreign exchange reserves due to oil price increases largely attributed to political turbulence in the crude oil producing countries in North Africa and the Middle East.

In the EAC region, the Kenya Shilling strengthened against the Tanzania shilling, Uganda shilling, Rwandan Franc and Burundi Franc to exchange at Tsh 18.01 per Kenya Shilling, Ush 28.32 per Kenya Shilling, RWF 7.15 per Kenya Shilling and BIF 14.66 per Kenya Shilling in the week ending April 21, 2011, compared with Tsh 17.93 per Kenya Shilling, Ush 28.23 per Kenya Shilling, RWF 7.14 per Kenya Shilling and BIF 14.63 per Kenya Shilling in the previous week.

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
11-Apr-11	83.37	134.70	118.58	99.05	28.55	18.05	7.19	14.70
12-Apr-11	83.74	134.99	118.93	99.25	28.47	17.99	7.16	14.67
13-Apr-11	83.73	136.74	119.44	98.16	28.36	17.97	7.16	14.69
14-Apr-11	84.77	137.97	121.25	99.42	27.79	17.75	7.07	14.50
15-Apr-11	84.29	138.05	121.57	98.81	28.00	17.88	7.11	14.59
April 11 - 15, 2011	83.98	136.49	119.95	98.94	28.23	17.93	7.14	14.63
18-Apr-11	84.01	136.74	120.70	101.18	28.27	17.98	7.14	14.65
19-Apr-11	83.84	136.19	119.22	101.70	28.38	18.03	7.16	14.66
20-Apr-11	83.92	137.26	120.90	101.27	28.36	18.01	7.16	14.66
21-Apr-11	83.98	138.25	122.68	102.38	28.28	18.01	7.14	14.65
April 18 - 21, 2011	83.94	137.11	120.88	101.63	28.32	18.01	7.15	14.66

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank decreased from US dollar 3,930 million (equivalent to 3.81 months of imports) as at April 15, 2011 to US dollar 3,928 million (equivalent to 3.79 months of imports) as at April 21, 2011 (Table 5).

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

	6-Jan-11	24-Feb-11	24-Mar-11	31-Mar-11	8-Apr-11	15-Apr-11	21-Apr-11
Usable Reserves*	3,466	3,610	3,935	3,887	3,922	3,930	3,928
Months of Imports Cover**	3.48	3.57	3.90	3.77	3.81	3.81	3.79

*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 750.0 billion as at April 15, 2011, an increase of Ksh. 89.7 billion from Ksh 660.3 billion at the end June 2010 (Table 6 and Chart C). As at April 15, 2011, Government securities accounted for 92.8 percent of the total domestic debt, while overdraft at Central Bank and other Government debt accounted for 2.6 percent and 4.5 percent, respectively.

Treasury bonds increased from Ksh 448.6 billion in June 2010 to Ksh 570.8 billion as at April 15, 2011, while Treasury bills declined from Ksh 159.0 billion to Ksh 125.6 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 82.0 percent as at April 15, 2011, while that of Treasury bills declined from 26.1 percent to 18.0 percent over the same period.

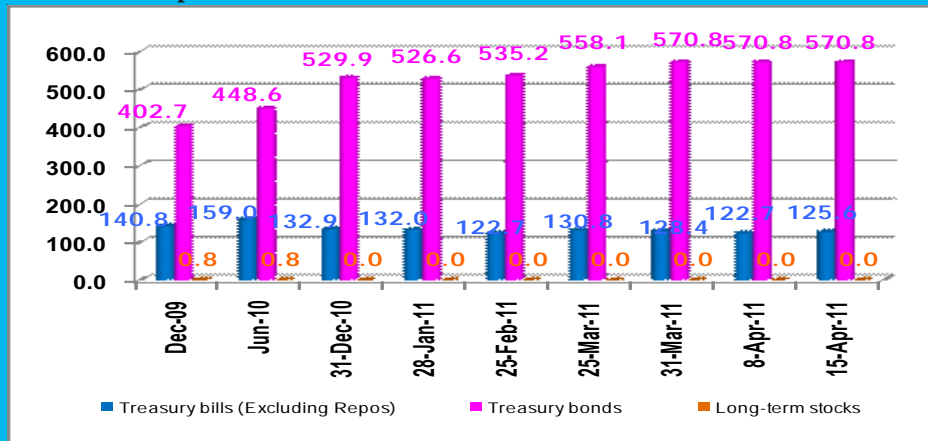
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-10	31st Dec-2010	31st Mar-2011	8th Apr-2011	15th Apr-2011	Changes	
						8th Apr-11- 15th Apr-11	30th Jun-10 - 15th Apr-11
1. Treasury Bills (Excluding Repos) (As % of total securities)	159.0 26.1	132.9 20.1	128.4 18.4	122.7 17.7	125.6 18.0	2.9	-33.5
2. Treasury Bonds (As % of total securities)	448.6 73.7	529.9 79.9	570.8 81.6	570.8 82.3	570.8 82.0	0.0	122.2
3. Long Term Stocks (As % of total securities)	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)	608.4	662.8	699.2	693.5	696.3	2.9	87.9
5. Overdraft at Central Bank	17.6	22.7	19.7	22.9	19.5	-3.4	1.9
6. Other Domestic debt*	34.2	34.8	35.2	34.1	34.1	0.0	-0.1
7. Gross Domestic Debt (4+5+6)	660.3	720.2	754.1	750.5	750.0	-0.5	89.7
8. Interest payments on domestic debt	57.8	34.2	49.2	49.2	51.0	1.8	

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

Source: Central Bank of Kenya

Chart C: Composition of Government Securities



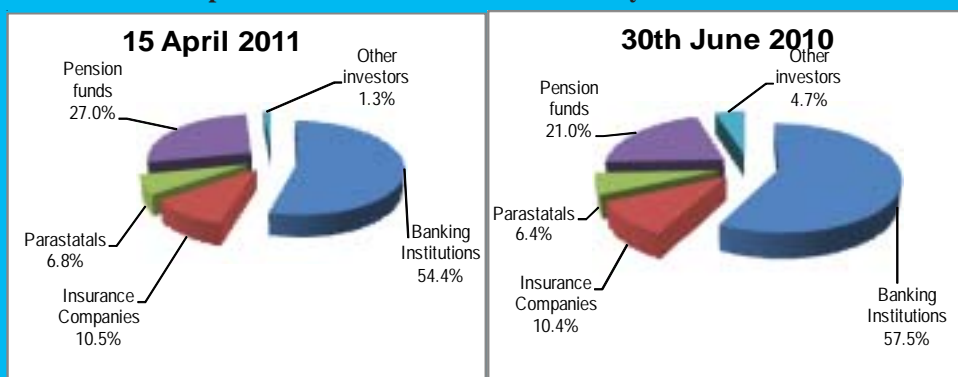
Source: Central Bank of Kenya

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 15, 2011.

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 15, 2011. However, Government securities holdings of 'other investors' declined from 4.7 percent to 1.3 percent during the same period (Chart D).

Chart D: Composition of Government Securities by Investors

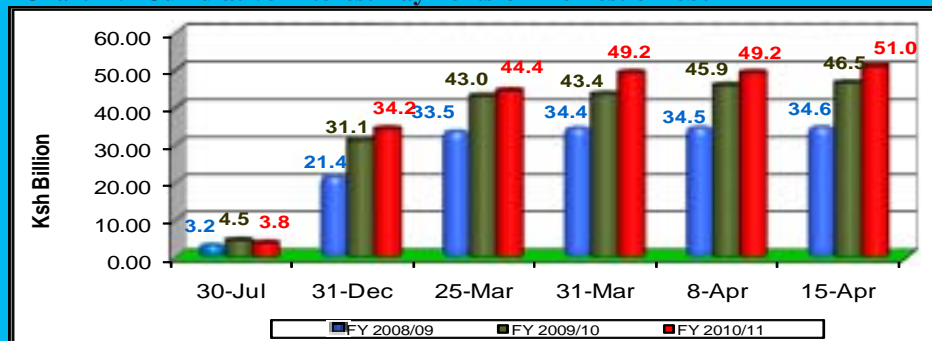


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative Government expenditure on interest and other charges on domestic debt as at April 15, 2011 of the fiscal year 2010/11 amounted to Ksh 51.0 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 7.6 billion and 42.8 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 was mixed during the week ending April 20, 2011. Turnover decreased by 46.6 percent on stocks trading worth Ksh 1,281.6 million compared to Ksh 2,399.8 million traded in the previous week. This reflected a reduction of 50 percent in the number of shares traded during the week. Market capitalization as a measure of total shareholders wealth stabilised at 1,141.6. The NSE 20 Share Index gained 9.1 points to 4,007.7 points on April 20, 2011 from 3,998.6 points on April 14, 2011. The Nairobi All Share Index also rose to 93.72 from 93.69 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	20-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	93.72
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	4,007.73
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	9,005.00	6,642.00
Total Shares Traded (millions)	72.64	72.25	95.57	108.07	79.44	111.04	55.11	161.59	156.82	163.20	81.27
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	1,281.67
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	1,141.64
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	6,593.25

* 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 48.5 million shares or 59.7 percent of the traded volume. Of this, the Safaricom counter accounted for 40.9 million shares. The Finance and Investment sector traded 22.6 million shares, while Industrial and Allied sector traded 9.8 million shares. These

sectors accounted for 27.9 percent and 12.2 percent of total volume transacted, respectively.

Kenya Commercial Bank and Equity Bank were the most active stocks in the Finance and Investment sector, trading 7.8 million and 9.6 million shares, respectively. Kenya Power and Lighting Co. Ltd. and Kenol/Kobil Ltd. were the most active counters in the Industrial and Allied sector, with 2.3 million and 2.1 million shares traded, respectively. The biggest closing price gain between April 14 and April 20, 2011, was on East African Portland Cement Ltd at Ksh 7 per share, followed by East African Breweries at Ksh 5 per share. The biggest closing price loss was on Standard Chartered Bank at Ksh 5 per share. The Alternative market segment traded 18,900 up from 22,200 in the previous period.

Bond Market Bond turnover at the Fixed Income Securities Market decreased by 40.5 percent, from Ksh 11.0 billion traded in the previous week to Ksh 6.5 billion in the week under review. The number of deals transacted reduced from 149 to 76 during the period under review.