

August 12, 2011



THE CBK WEEKLY BULLETIN

**Highlights for
the Week**

The Government securities market posted performance rate of 81 percent during the auction of 91 day Treasury bills. The auction of the 182 - and 364 - days Treasury bills recorded subscription of 58 percent and 15 percent, respectively. The average 91 day Treasury bills rate settled at 9.145 percent while the 182 and 364 days Treasury bills rate settled at 10.308 percent and 11.066 percent, respectively.

The average interbank rate declined by 17 basis points to 6.45 percent during the week ending August 10, 2011 from 8.03 percent in the previous week. During the week under review, the Central Bank injected Ksh 26.9 billion to the market through reverse repo operations.

The Kenya Shilling depreciated against major international currencies in the week ending August 12, 2011. Against the US dollar, the Kenya shilling depreciated to exchange at an average of Ksh 93.63 in the week compared with Ksh 91.61 per US dollar in the week ending August 5, 2011.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,941 million (equivalent to 3.70 months of imports) as at August 5, 2011, to US dollar 3,948 million (equivalent to 3.69 months of imports) as at August 12, 2011.

Government gross domestic debt increased by Ksh 4.05 billion, from Ksh 764.1 billion in June 2011 to Ksh 768.2 billion as at August 05, 2011. During the week ending August 5, 2011, gross domestic debt decreased by Ksh 6.1 billion, from Ksh 774.3 billion held at the end of the previous week.

Trading at the equities and bonds markets generally declined during the week ending August 11, 2011. The NSE 20 Share Index and Nairobi All Share Index (NASI) fell by 225.31 and 5.8 points, respectively. Similarly, the volume of shares traded decreased by 45.2 percent but equity turnover rose by 4.1 percent. The bonds segment of the market saw 15.3 percent decrease in trading activity during the week.

Government Securities Auction

The Government securities market posted performance rate of 81 percent during the auction of the 91 day Treasury bills. Out of the Ksh 2.0 billion offered, a total of Ksh 1.62 billion subscription were received. During the same week, the government also offered for sale 182 - and 364-days Treasury bills worth Ksh 3.0 billion and Ksh 5.0 billion, respectively. The bids received on 182 and 364 days Treasury bills amounted to Ksh 1.73 billion and Ksh 0.77 billion, respectively, equivalent to a performance rate 58 percent and 15 percent, respectively.

The Government accepted bids totalling Ksh 1.62 billion, Ksh 1.73 billion and Ksh 0.35 billion on 91 day, 182 day and 364 day tenors, respectively.

Interest Rate on Treasury Bills

The average interest rates for the 91 day Treasury bills edged up by 13 basis points from 9.015 percent in the previous auction of the same tenure to 9.145 percent during this week's auction (Table 1). Similarly, the 182 day and 364 day Treasury bills rates went up by 51 and 85 basis points, respectively, from 9.799 percent and 10.22 percent in the previous auction of the same tenure to 10.308 percent and 11.066 percent during this week's auction.

Table 1 : Interest Rates

Auction date	10-Jun-11	17-Jun-11	24-Jun-11	01-Jul-11	08-Jul-11	15-Jul-11	22-Jul-11	29-Jul-11	05-Aug-11	12-Aug-11
91 day T. Bills*	9.016	9.006	8.995	8.988	8.954	8.999	9.004	9.010	9.015	9.145
182 day T. Bills*	9.949	9.906		9.854		9.845		9.799		10.308
364 day T. Bills*	10.249				10.220					11.066
Month	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11		
Average savings rate	1.40	1.45	1.25	1.41	1.37	1.38	1.38	1.37		
Average overdraft rate	13.77	13.69	13.93	13.65	13.60	13.68	13.72	13.59		

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate declined by 17 basis points to 6.45 percent during the week ending August 10, 2011 from 8.03 percent in the previous week supported by improved interbank liquidity following the Central Bank injection of Ksh 26.9 billion to the market through reverse repo operations. The average volumes traded decreased to Ksh 5.48 billion in the week ending August 10, 2011 from Ksh 7.06 billion in the previous week (Table 2 and Chart A).

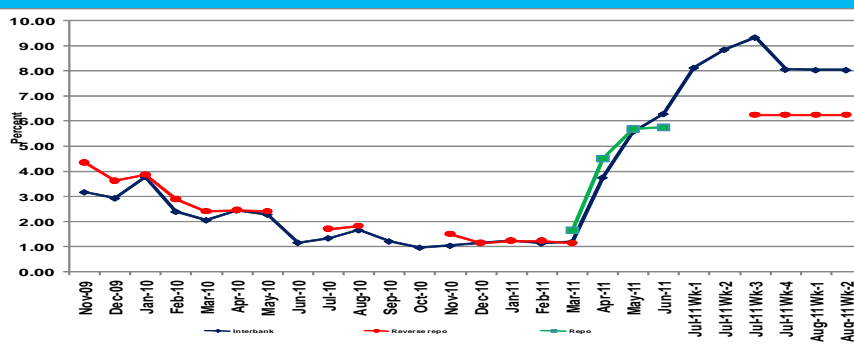
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
28-Jul-11	56	10,404	8.44
29-Jul-11	51	7,095	8.63
01-Aug-11	42	9,000	9.01
02-Aug-11	26	2,567	7.80
03-Aug-11	32	6,249	6.28
July 28- Aug 3, 2011	41	7,063	8.03
04-Aug-11	35	3,705	6.29
05-Aug-11	45	8,015	6.28
08-Aug-11	42	4,613	6.40
09-Aug-11	44	4,357	6.51
10-Aug-11	46	6,727	6.74
Aug 4- Aug 10, 2011	42	5,483	6.45

Source: Central Bank of Kenya

The reverse repo rate was 6.25 percent during the week ending August 10, 2011.

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

Monetary Policy Operations

The money market was tight during the week ending August 3, 2011 and the Central Bank injected Ksh 26.9 billion to the market through reverse repo operations against the reverse repo maturities of Ksh 32.9 billion. Consequently, commercial bank borrowing from the Central Bank overnight window decreased to Ksh 649 million in the week ending August 10, 2011 compared with Ksh 1.93 billion in the previous week. Reserve money averaged Ksh 237.7 billion during the week and was above target by Ksh 17.7 billion (Table 3).

Table 3: Open Market Operations Ksh Billion

Date	Reserve Money* (Projected)			OMO (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)
04-Aug-11	244.7	219.5	25.1	0.0	0.0	0.0	244.9	25.4	19.0	6.4
05-Aug-11	243.0	219.5	23.5	0.0	0.0	0.0	242.9	23.3	16.6	6.7
08-Aug-11	224.3	220.4	4.0		14.9		238.4	18.1	10.2	7.9
09-Aug-11	222.6	220.4	2.2		12.0		231.5	11.2	2.4	8.8
10-Aug-11	231.2	220.4	10.9	0.0	0.0	0.0	230.7	10.3	2.3	8.1
Average	233.2	220.0	13.1	0.0	5.4	0.0	237.7	17.7	10.1	7.6

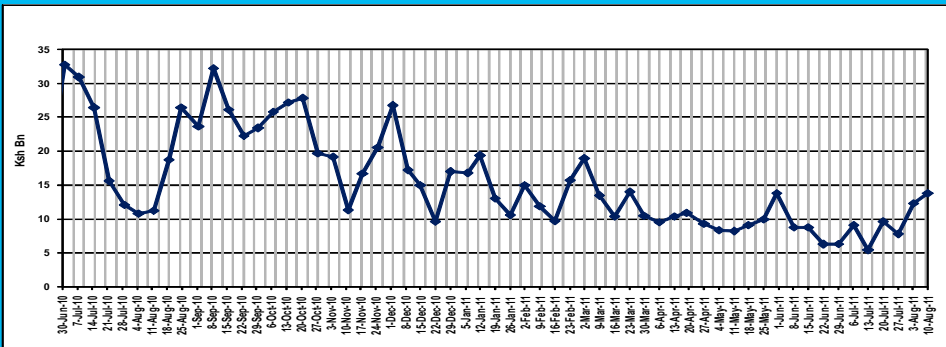
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Commercial
Banks
Clearing
Accounts
Balances**

Commercial banks maintained an average of Ksh 13.82 billion in their clearing accounts at the Central Bank in the week to August 10, 2011, up from Ksh 12.32 billion in the previous week (Chart B).

Chart B: Weekly Average Clearing A/c Balances



Source: Central Bank of Kenya

**The Shilling
Exchange
Rate**

The Kenya Shilling depreciated against major international currencies in the week ending August 12, 2011. Against the US dollar, the Kenya shilling depreciated to exchange at an average of Ksh 93.63 in the week compared with Ksh 91.61 per US dollar in the week ending August 5, 2011. The Kenya shilling also depreciated against the Sterling Pound, the Euro and the Japanese Yen to exchange on average at Ksh 152.56 per Sterling Pound, Ksh 133.68 per Euro, and Ksh 121.51 per 100 Japanese Yen compared with Ksh 149.65 per Sterling Pound, Ksh 130.55 per Euro, and Ksh 117.36 per 100 Japanese Yen in the previous week (Table 4).

In the EAC region, the Kenya Shilling depreciated against the other East African currencies during the week ending August 12, 2011. The Kenya shilling strengthened slightly against the Uganda shilling and weakened against the Tanzania Shilling, the Rwanda Franc and Burundi Franc. On average, the Kenya shilling exchanged at Ushs 29.24 per Kenya Shilling, Tshs 17.22 per Kenya shilling, RWF 6.39 per Kenya shilling and BIF 13.18 per Kenya Shilling during the week, compared to Ushs 29.00 per Kenya Shilling, Tshs 17.40 per Kenya shilling, RWF 6.54 per Kenya shilling and BIF 13.45 per Kenya Shilling, in the week ending August 5, 2011, respectively.

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
01-Aug-11	90.98	149.50	131.06	117.16	29.13	17.52	6.60	13.49
02-Aug-11	91.21	148.75	129.91	117.93	28.97	17.44	6.56	13.52
03-Aug-11	91.58	149.23	130.05	118.76	28.94	17.38	6.54	13.47
04-Aug-11	91.94	150.43	131.43	115.74	29.04	17.37	6.51	13.42
05-Aug-11	92.35	150.34	130.32	117.21	28.91	17.32	6.48	13.36
August 01 - 05, 2011	91.61	149.65	130.55	117.36	29.00	17.40	6.54	13.45
08-Aug-11	92.77	152.66	133.37	119.36	28.84	17.24	6.45	13.30
09-Aug-11	93.74	153.06	133.37	121.30	28.75	17.14	6.38	13.16
10-Aug-11	94.52	153.80	135.56	122.96	28.99	17.11	6.33	13.06
11-Aug-11	93.91	152.21	133.82	122.71	29.66	17.26	6.37	13.14
12-Aug-11	93.23	151.09	132.26	121.24	29.98	17.36	6.42	13.24
August 08 - 12, 2011	93.63	152.56	133.68	121.51	29.24	17.22	6.39	13.18

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,941 million (equivalent to 3.70 months of imports) as at August 5, 2011 to US dollar 3,948 million (equivalent to 3.69 months of imports) as at August 12, 2011, reflecting revaluation gain during the week (Table 5).

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

	31-Mar-11	29-Apr-11	27-May-11	24-Jun-11	22-Jul-11	29-Jul-11	05-Aug-11	12-Aug-11
Usable Reserves*	3,887	3,956	3,907	3,957	3,931	3,976	3,941	3,948
Months of Imports Cover**	3.77	3.82	3.79	3.72	3.69	3.73	3.70	3.69

*Excludes encumbered reserves

**Based on 36 month average of imports of goods

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government debt increased by Ksh 4.05 billion from Ksh 764.1 billion in June 2011 to Ksh 768.2 billion as at August 05, 2011 (Table 6 and Chart C). This reflects increases in Treasury bonds, Government overdraft at central bank and other domestic debt of Ksh 5.3 billion, Ksh 8.7 billion and Ksh 0.7 billion, respectively. This was, however, partially offset by decreases of Ksh 10.7 billion in Treasury bills.

Table 6: Government Domestic Debt (Ksh Billion)

	Sep-10	Dec-10	Mar-11	Jun-11	22nd July-2011	29th July-2011	05th Aug-2011	Changes 29th Jul 2011- 05th August 2011	30th Jun 2011- 05th August 2011
1. Treasury Bills (Excluding Repos) (As % of total securities)	147.4 23.2	132.9 20.1	128.4 18.4	126.7 17.5	125.3 17.4	119.3 16.6	116.1 16.2	-3.2 -0.4	-10.7 -1.4
2. Treasury Bonds (As % of total securities)	488.5 76.7	529.9 79.9	570.8 81.6	595.7 82.5	595.7 82.6	601.0 83.4	601.0 83.8	0.0 0.4	5.3 1.4
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 0.0	0.0 0.0	0.0 0.0	0.0 0.0
4. Total Securities (1+2+3)	636.6	662.8	699.2	722.4	721.0	720.3	717.0	-3.2	-5.4
5. Overdraft at Central Bank	20.6	22.7	19.7	7.6	9.3	19.9	16.2	-3.7	8.7
6. Other Domestic debt*	34.1	34.8	35.2	34.2	34.8	34.1	34.9	0.9	0.7
7. Gross Domestic Debt (4+5+6)	691.3	720.2	754.1	764.14	765.14	774.27	788.19	-6.08	4.05
8. Interest payments on domestic debt	14.49	34.2	47.2	69.2	0.62	2.75	2.64	-0.10	-66.57

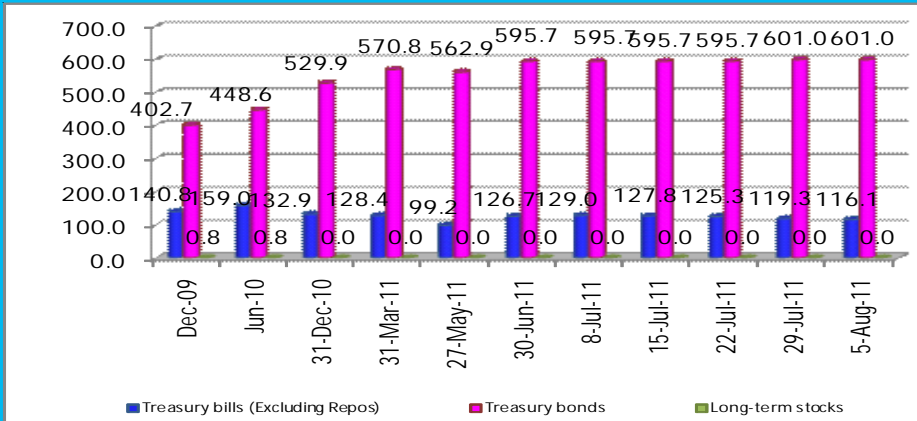
* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and TRCs.

Source: Central Bank of Kenya

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Treasury bills decreased from Ksh 126.7 billion to Ksh 116.1 billion during the same period. As a result, the share of Treasury bonds in total domestic debt increased from 82.5 percent in June 2011 to 83.8 percent as at August 5, 2011, while that of Treasury bills decreased from 17.5 percent to 16.2 percent. The average time to maturity of Government securities increased from 5 years 10 months in June 2011 to 6 years during this period.

Chart C: Composition of Government Securities

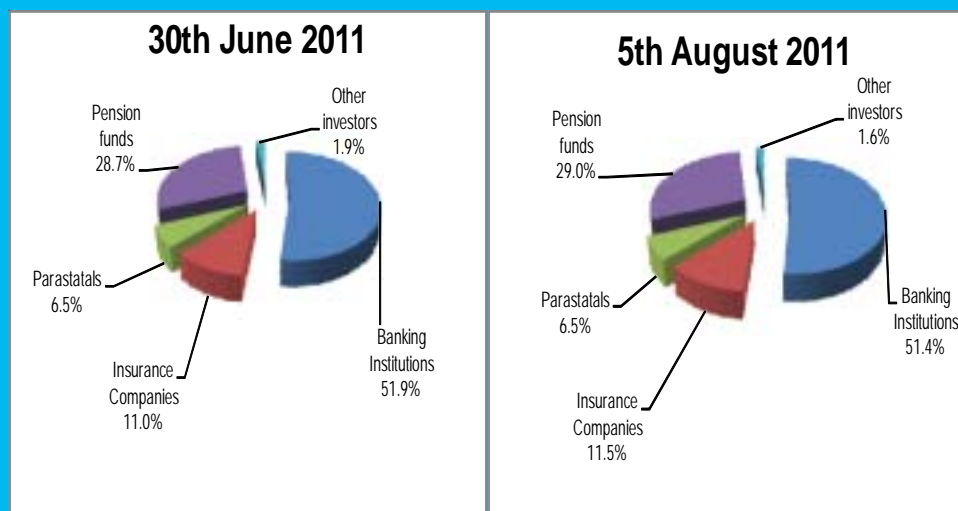


Source: Central Bank of Kenya

Holding of Govt Securities

The share of Government securities by banking institutions and other investors decreased from 51.9 percent and 1.94 percent, respectively in June 2011 to 51.4 percent and 1.59 percent as at August 05, 2011. Holdings by pension funds, insurance and parastatals increased from 28.73 percent, 10.95 percent and 6.47 percent, respectively in June 2011 to 28.99 percent, 11.49 percent and 6.52 percent as at August 05, 2011 (Chart D).

Chart D: Composition of Government Securities by Investors

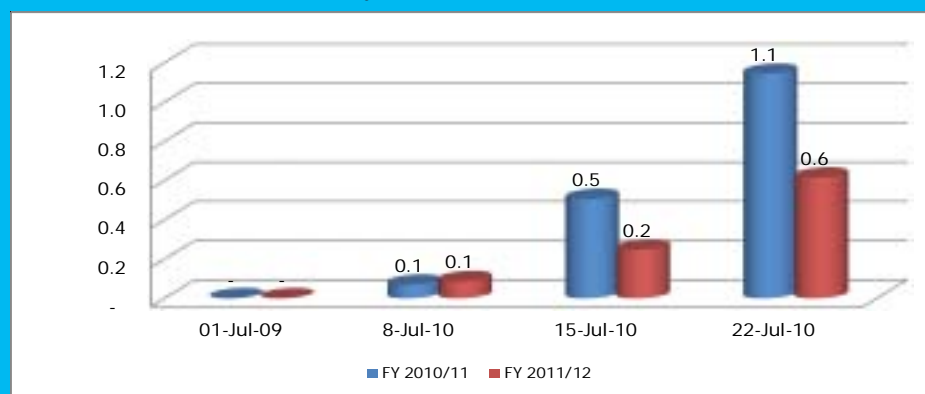


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative interest and other charges on domestic debt from July 1, 2011 to August 5, 2011 amounted to Ksh 2.5 billion compared with Ksh 4.2 billion in the same period of the fiscal year 2010/11. The cost during the period was on account of interest and other charges on Treasury bills (Chart E).

Chart E: Cumulative Interest Payments on Domestic Debt



Source: Central Bank of Kenya

The Stock Market

The NSE 20 Share Index closed at 3519.3 points on August 11, 2011, down from 3744.6 points on August 4, 2011. Similarly, the Nairobi All Share Index (NASI) was down to 78.95 points from 84.75 points during the same period. The number of shares transacted decreased by 69.8 million shares, to 84.59 million, from 154.4 million shares. Market Capitalization as a measure of total shareholders' wealth decreased by 6.9 percent or Ksh 72 billion to Ksh 985.2 billion from last week's value of Ksh 1,057.7 billion. However, the equity turnover increased by Ksh 55 million to trade stocks worth Ksh 1,394.1 million by close of August 11, 2011, from Ksh 1,339.1 million for the previous week (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	23-Jun-11	30-Jun-11	07-Jul-11	14-Jul-11	21-Jul-11	28-Jul-11	04-Aug-11	11-Aug-11
NASI 100= Jan 2008	90.85	91.36	90.18	86.01	85.40	84.65	84.75	78.95
NSE 20 Share Index 100=1966	3,970.59	3,968.12	3,906.71	3,746.00	3,756.89	3,733.30	3,744.59	3,519.28
Number of Deals	9,104.00	8,590.00	8,154.00	7,611.00	8,579.00	6,726.00	7,215	7,413
Total Shares Traded (millions)	69.85	102.65	93.68	67.20	161.97	100.80	154.43	84.59
Equity Turnover (Ksh. millions)	1,208.24	1,741.55	1,385.82	1,389.97	2,461.18	2,037.10	1,339.11	1,394.12
Market Capitalization (Ksh. Bn.)	1,115.24	1,121.44	1,107.06	1,070.98	1,063.39	1,054.10	1,057.69	985.19
Bonds Turnover (Ksh. millions)	12,216.75	14,548.75	8,632.05	9,467.25	4,495.90	10,699.25	15,374.30	10,297.75

* The Nairobi All Share Index (NASI) effected on February 25, 2008 (January 01, 2008 = 100)

Source: Nairobi Stock Exchange

Telecommunication & Technology sector dominated trading, with 34.76 million shares or 41.1 percent of all shares transacted at the bourse. Of this, Safaricom was the most active counter, with 34.7 million shares transacted. Banking was second most active, with 28.3 million shares traded, and Energy & Petroleum sector came third with 6.3 million shares. The least active sector in position ten was Agriculture with 189,000 shares. Equity Bank and Kenol Kobil dominated the Banking and Energy & Petroleum sectors, respectively.

The biggest closing and average price margin gains between August 4 and August 11, 2011, was for Eaagads and Kakuzi counters at Ksh 1.5 and Ksh 1.5 per share, respectively. The biggest closing and average price margin losses was for Standard Chartered Bank at Ksh 22 and Ksh 7.8 a share, respectively.

Bond Market Bonds trading at the Fixed Income Securities Market fell significantly by 33 percent, from Ksh 15.3 billion for the week ended August 4, 2011 to Ksh 10.2 billion for the week ending August 11, 2011. The number of deals transacted, were down to 163 from 188.