

August 19, 2011



## THE CBK WEEKLY BULLETIN

### Highlights for the Week

The government offered for sale 91-day Treasury bill amounting Ksh 2.0 billion during the week ending August 19, 2011. It received bids amounting to Ksh 1.35 billion, a performance rate of 68 percent. The interest on the paper edged up by 11.3 basis points to 9.258 percent compared to the last auction's average rate of 9.145.

The average interbank rate increased by 436 basis points to 10.81 percent during the week ending August 17, 2011 from 6.45 percent in the previous week, reflecting tight interbank liquidity. The Central Bank was not in the money market during the week.

The Kenya Shilling appreciated slightly against major international currencies in the week ending August 19, 2011. Against the US dollar, the Kenya shilling appreciated to exchange at an average of Ksh 92.95 in the week compared with Ksh 93.63 per US dollar in the week ending August 13, 2011.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,948 million (equivalent to 3.69 months of imports) as at August 12, 2011 to US dollar 3,967 million (equivalent to 3.68 months of imports) as at August 19, 2011.

Government gross domestic debt increased by Ksh 15.3 billion, from Ksh 764.1 billion in June 2011 to Ksh 779.4 billion as at August 12, 2011.

Activities at the equities and bonds markets moved in both directions during the week ending August 18, 2011. The NSE 20 Share Index closed the week 0.6 percent up but the Nairobi All Share Index (NASI) was down 0.2 percent. The volume of shares traded almost doubled, rising by 83.6 percent, but equity turnover fell by 0.7 percent. The bonds segment of the market saw a 1.1 percent increase in trading activity during the week.

**Government Securities Auction**

The government had offered for sale 91-day Treasury bill amounting Ksh 2.0 billion during the week ending August 19, 2011. During the auction, a total of Ksh 1.35 billion bids were received resulting to performance rate of 68 percent. The government accepted bids worth Ksh 1.31 billion of which Ksh 0.53 billion was competitive bids. Proceeds of the auction were to be used to meet part of redemptions of Treasury bills maturities amounting to Ksh 2.01 billion during the week.

**Interest Rate on Treasury Bills**

The weighted average rate of the accepted bids increased by 11.3 basis points from 9.145 percent in the previous auction to 9.258 percent (Table 1).

**Table 1 : Interest Rates**

Auction date	1-Jul-11	8-Jul-11	15-Jul-11	22-Jul-11	29-Jul-11	5-Aug-11	12-Aug-11	19-Aug-11
91 day T. Bills*	8.988	8.954	8.999	9.004	9.010	9.015	9.145	9.258
182 day T. Bills*	9.854		9.845		9.799		10.308	
364 day T. Bills*		10.220					11.066	
Month	Feb-11	Mar-11	Apr-11	May-11	Jun-11			
Average savings rate	1.41	1.37	1.38	1.38	1.37			
Average overdraft rate	13.65	13.60	13.68	13.72	13.59			

\*Weighted rates for accepted bids

Source: Central Bank of Kenya

**Interbank and REPO Rates**

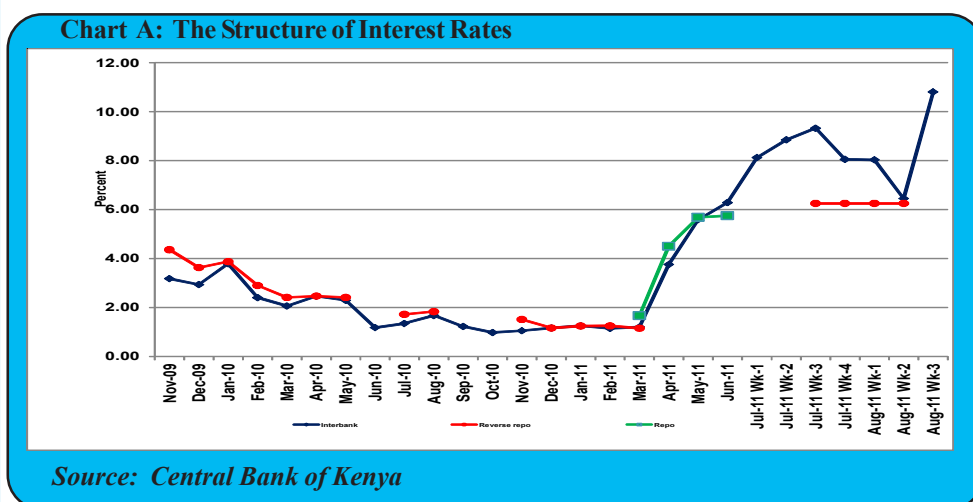
The average interbank rate increased by 436 basis points to 10.81 percent during the week ending August 17, 2011 from 6.45 percent in the previous week, reflecting tight interbank liquidity. The average volumes traded increased to Ksh 8.87 billion in the week ending August 17, 2011 from Ksh 5.48 billion in the previous week (Table 2).

**Table 2: Interbank Deals, Volumes and Interest Rates**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
4-Aug-11	35	3,705	6.29
5-Aug-11	45	8,015	6.28
8-Aug-11	42	4,613	6.40
9-Aug-11	44	4,357	6.51
10-Aug-11	46	6,727	6.74
<b>Aug 4- Aug 10, 2011</b>	<b>42</b>	<b>5,483</b>	<b>6.45</b>
11-Aug-11	52	4,210	7.26
12-Aug-11	63	9,150	8.34
15-Aug-11	60	9,995	10.87
16-Aug-11	52	10,725	12.68
17-Aug-11	56	10,283	14.89
<b>Aug 11- Aug 17, 2011</b>	<b>57</b>	<b>8,873</b>	<b>10.81</b>

Source: Central Bank of Kenya

The reverse repo rate was 6.25 percent for the last reverse repo transactions on August 9, 2011.



**Monetary Policy Operations**

The money market was tight during the week ending August 17, 2011 and the Central Bank was not in the market. There was a reverse repo maturity of Ksh 26.1 billion during the week from commercial banks. Consequently, commercial bank borrowing from the Central Bank overnight window increased to Ksh 38.3 billion in the week ending August 17, 2011 compared with Ksh 649 million in the previous week. Reserve money averaged Ksh 230.5 billion during the week and was above target by Ksh 9.6 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)
11-Aug-11	229.4	220.4	9.0	0.0	0.0	0.0	230.9	10.5	2.0	8.5
12-Aug-11	232.0	220.4	11.7	0.0	0.0	0.0	230.7	10.3	2.0	8.3
15-Aug-11	222.2	221.2	1.1	0.0	0.0	0.0	230.2	9.1	1.0	8.1
16-Aug-11	211.5	221.2	-9.7	0.0	0.0	0.0	229.7	8.5	0.3	8.2
17-Aug-11	214.6	221.2	-6.6	0.0	0.0	0.0	231.0	9.8	1.7	8.1
Average	221.9	220.9	1.1	0.0	0.0	0.0	230.5	9.6	1.4	8.2

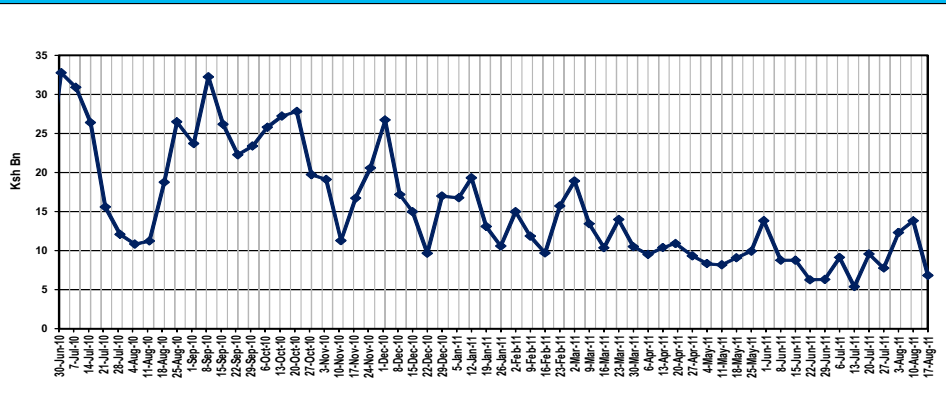
\*Reserve money comprises bank reserves and currency outside banks

*Source: Central Bank of Kenya*

**Commercial Banks Clearing Accounts Balances**

Commercial banks maintained an average of Ksh 6.83 billion in their clearing accounts at the Central Bank in the week to August 17, 2011, down from Ksh 13.82 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 appreciated slightly against major international currencies in the week ending August 19, 2011. Against the US dollar, the Kenya shilling appreciated to exchange at an average of Ksh 92.95 in the week compared with Ksh 93.63 per US dollar in the week ending August 13, 2011. The Kenya shilling also appreciated against the Sterling Pound, the Euro and the Japanese Yen to exchange on average at Ksh 152.54 per Sterling Pound, Ksh 133.38 per Euro and Ksh 121.20 per 100 Japanese Yen compared with Ksh 152.56 per Sterling Pound, Ksh 133.68 per Euro and Ksh 121.51 per 100 Japanese Yen in the previous week, respectively .

In the EAC region, the Kenya Shilling appreciated against the other East African currencies during the week ending August 19, 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 exchange at Ushs 30.02 per Kenya Shilling, Tshs 17.22 per Kenya shilling, RWF 6.39 per Kenya shilling and BIF 13.27 per Kenya Shilling during the week, compared to Ushs 29.24 per Kenya Shilling, Tshs 17.46 per Kenya shilling, RWF 6.44 per Kenya shilling and BIF 13.18 per Kenya Shilling, in the week ending August 19, 2011, respectively (Table 4).

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
8-Aug-11	92.77	152.66	133.37	119.36	28.84	17.24	6.45	13.30
9-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
<b>August 08 - 12, 2011</b>	<b>93.63</b>	<b>152.56</b>	<b>133.68</b>	<b>121.51</b>	<b>29.24</b>	<b>17.22</b>	<b>6.39</b>	<b>13.18</b>
15/8/2011	92.72	151.06	132.37	120.72	30.15	17.46	6.46	13.31
16/8/2012	92.85	151.74	133.66	120.90	30.10	17.50	6.45	13.29
17/8/2013	93.14	153.00	133.95	121.53	30.01	17.44	6.43	13.25
18/8/2014	93.14	153.87	134.09	121.51	29.88	17.45	6.43	13.25
19/8/2015	92.90	153.00	132.80	121.35	29.95	17.46	6.44	13.23
<b>August 15 - 19, 2011</b>	<b>92.95</b>	<b>152.54</b>	<b>133.38</b>	<b>121.20</b>	<b>30.02</b>	<b>17.46</b>	<b>6.44</b>	<b>13.27</b>

Source: Central Bank of Kenya

## Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,948 million (equivalent to 3.69 months of imports) as at August 12, 2011 to US dollar 3,967 million (equivalent to 3.68 months of imports) as at August 19, 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	29-Jul-11	5-Aug-11	12-Aug-11	19-Aug-11
Usable Reserves*	3,887	3,956	3,907	3,957	3,976	3,941	3,948	3,967
Months of Imports Cover**	3.77	3.82	3.79	3.72	3.73	3.70	3.69	3.68

\*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 increased by Ksh 15.3 billion from Ksh 764.1 billion in June 2011 to Ksh 779.4 billion as at August 12, 2011. This reflects increases in Treasury bonds and Government overdraft at Central Bank of Ksh 5.3 billion and Ksh 11.9 billion, respectively. Treasury bills and other domestic debt declined by Ksh 1.8 billion and Ksh 0.1 billion, respectively (Table 6 and Chart C).

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

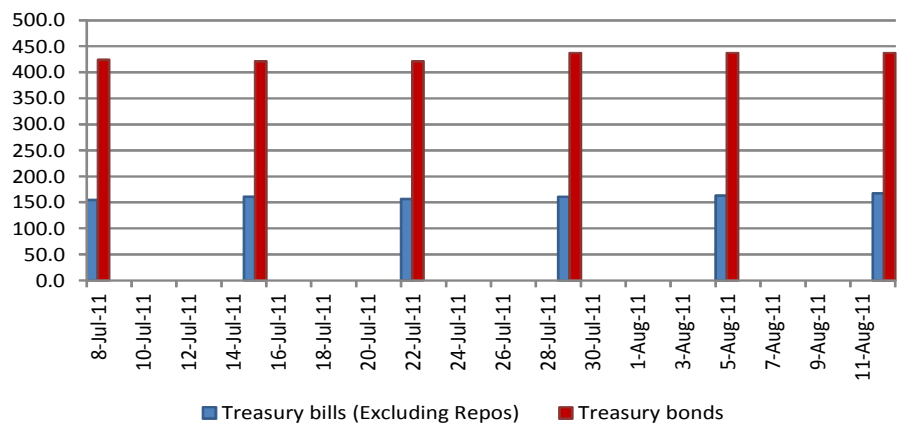
	Jun-11	29th July-2011	05th Aug-2011	12th Aug-2011	Changes	
					29th Jul 2011-12th August 2011	30th Jun 2011-12th August 2011
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	119.3 16.6	116.1 16.2	124.9 17.2	8.8 1.0	-1.8 -0.3
2. Treasury Bonds (As % of total securities)	595.7 82.5	601.0 83.4	601.0 83.8	601.0 82.8	0.0 -1.0	5.3 0.3
3. Long Term Stocks (As % of total securities)	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)	722.4	720.3	717.0	725.9	8.8	3.5
5. Overdraft at Central Bank	7.6	19.9	16.2	19.5	3.2	11.9
6. Other Domestic debt*	34.2	34.1	34.9	34.1	-0.9	-0.1
7. Gross Domestic Debt (4+5+6)	764.14	774.27	768.19	779.40	11.21	15.26
8. Interest payments on domestic debt	69.2	2.75	4.04	4.14	0.09	

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

Source: Central Bank of Kenya

Treasury bills decreased from Ksh 126.7 billion to Ksh 124.9 billion during the same period. As a result, the share of Treasury bills decreased from 17.5 percent to 17.2 percent. The average time to maturity of Government securities decreased from 5 years 10 months in June 2011 to 5 years 9 month during this period.

**Chart C: Composition of Government Securities**

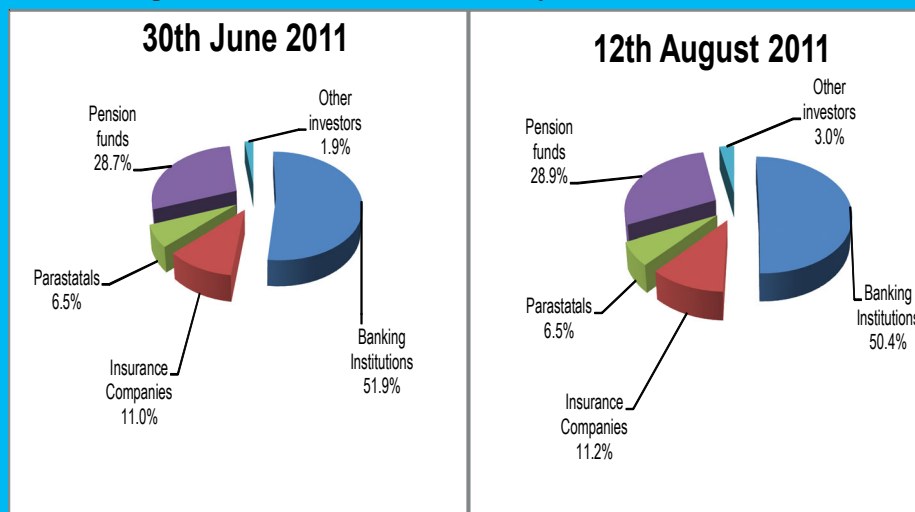


Source: Central Bank of Kenya

**Holding of Govt Securities**

The share of Government securities by banking institutions decreased from 51.9 percent in June 2011 to 50.4 percent as at August 12, 2011. Holdings by insurance, pension funds and other investors increased from 11.0 percent, 28.7 percent and 1.9 percent to 11.2 percent, 28.9 percent and 3.0 percent, respectively (Chart D).

**Chart D: Composition of Government Securities by Investors**

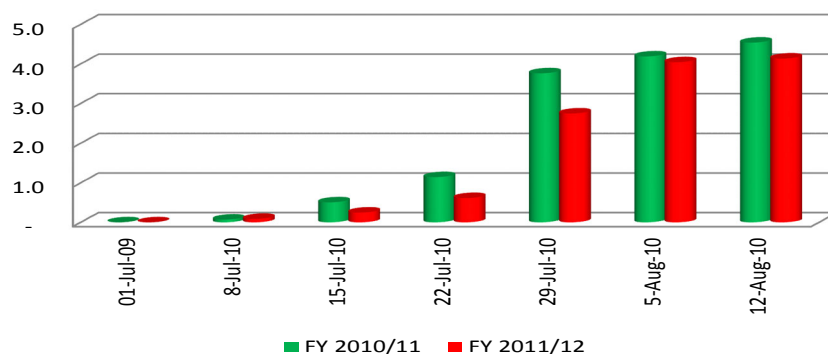


Source: Central Bank of Kenya

**Cost of Domestic Borrowing**

The cumulative interest and other charges on domestic debt from July 1, 2011 to August 12, 2011 amounted to Ksh 4.14 billion compared with Ksh 4.5 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 and treasury bonds amounting to Ksh 3.5 billion and Ksh 0.6 billion (Chart E).

Chart E: Cumulative Interest Payments on Domestic Debt



Source: Central Bank of Kenya

## The Stock Market

The NSE 20 Share Index closed the week at 3,540.4 points on August 18, 2011, up from 3,519.3 points on August 11, 2011. The NASI was, however, down to 78.82 points from 78.95 points during the week. The number of shares transacted increased to 155.3 million from 84.5 million shares in previous week. Market Capitalization as a measure of total shareholders' wealth lost 0.2 percent or Ksh 2 billion to level at Ksh 983.6 billion from last week's value of Ksh 985.2 billion. However, the equity turnover decreased by Ksh 9.4 million to trade stocks worth Ksh 1,384.6 million by close of August 18, 2011 from Ksh 1,394.1 million in the previous week (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	21-Jul-11	28-Jul-11	4-Aug-11	11-Aug-11	18-Aug-11
NASI 100= Jan 2008	85.40	84.65	84.75	78.95	78.82
NSE 20 Share Index 100=1966	3,756.89	3,733.30	3,744.59	3,519.28	3,540.42
Number of Deals	8,579.00	6,726.00	7,215	7,413	6,609
Total Shares Traded (millions)	161.97	100.80	154.43	84.59	155.35
Equity Turnover (Ksh. millions)	2,461.18	2,037.10	1,339.11	1,394.12	1,384.67
Market Capitalization (Ksh. Bn.)	1,063.39	1,054.10	1,057.69	985.19	983.60
Bonds Turnover (Ksh. millions)	4,495.90	10,699.25	15,374.30	10,297.75	10,414.50

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

Source: Nairobi Stock Exchange

Telecommunication and Technology sector dominated trading, with 91.99 million shares, accounting for 59.2 percent of all shares transacted at the bourse. Of this, Safaricom was the most active counter, with 91.5 million shares transacted. Energy and Petroleum was second most active, with 30.5 million shares traded, and banking sector closed third best with 24.6 million shares. Equity Bank and Kenol Kobil dominated Banking and Energy & Petroleum sectors, respectively. The least active sector was Agriculture, with 346,200 shares.

The biggest closing and average price margin gains between August 18 and 11, 2011, was for Stanchart Bank and City Trust at Ksh 10 and Ksh 1.67 per share, respectively. The biggest closing and average price margin losses was for BAT at Ksh 9 and Ksh 13.7 a share, respectively. Stanchart's weekly average was, however, down Ksh 11 per share.

**Bond Market**

Bonds trading at the Fixed Income Securities Market rose by 1.1 percent, from Ksh 10,297.5 billion for the week ended August 11, 2011 to Ksh 10,414.5 billion for the week ending August 18, 2011. The number of deals transacted was down to 112 deals from 188 deals.