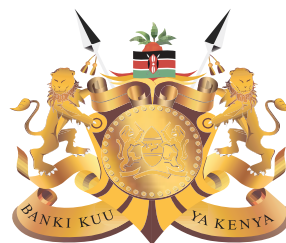


December 9, 2011



THE CBK WEEKLY BULLETIN

Highlights for the Week

The government offered for sale Ksh 4.0 billion in 91 day Treasury bills, Ksh 3.0 billion in 182 day Treasury bills, Ksh 3.0 billion in 364-day Treasury bills and Ksh 10.0 billion in the first tranche of tap sales for the 2-year discounted fixed rate bond value-dated November 28, 2011, during the week ending December 2, 2011. Collectively, the Government received bids worth Ksh 13.4 billion for the Treasury bills and Ksh 13.5 billion for the Treasury bond tap sale, and accepted Ksh 2.5 billion and Ksh 13.5 billion worth of bills and bonds, respectively. The average interest rates stood at 17.126 percent, 17.679 percent and 20.955 percent for the 91 day, 182 day and 364 day papers respectively, while the bond rate remained at 22.844 percent.

The average interbank rate declined to 20.95 percent during the week ending December 8 2011, from 29.89 percent in the previous week. Commercial banks did not borrow from the Central Bank overnight window during the week under review.

The Kenya Shilling strengthened against major international currencies in the week ending December 9, 2011. Against the US dollar, the Kenya Shilling appreciated by 0.35 percent to exchange at Ksh 89.63 per US dollar compared with Ksh 89.95 per US dollar in the previous week.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,745 million (equivalent to 3.44 months of imports) as at December 2, 2011 to US dollar 3,773 million (equivalent to 3.46 months of imports) in the week ending December 9, 2011.

Gross Government debt increased by Ksh 28.1 billion from Ksh 764.2 billion in June 2011 to Ksh 792.3 billion as at December 2, 2011. The cumulative interest and other charges on domestic debt from July 1, 2011 to December 2, 2011 amounted to Ksh 29.5 billion compared with Ksh 27.4 billion in the same period of the fiscal year 2010/11.

The overall performance of the securities exchange declined in the week ending December 8, 2011. The NSE 20 Share Index dropped 13.25 points as the Nairobi All Share Index (NASI) shed 0.63 points. The tradable FTSE NSE 15 Index and FTSE NSE 25 Index shed more value, highlighting investors' losses during the week. Similar to equities market, volume of bonds traded fell by 9.7 percent in the week. Equity turnover was down 31.9 percent but volume of shares traded up 63 percent, implying that investors offloaded shares at lower prices.

Government Securities Auction

The government offered for sale Treasury bills and Treasury bonds worth Ksh 20.0 billion during the week ending December 9, 2011. Demand was high for the 91-day, 364-day and the 2-year fixed rate bond which recorded performance rates of 236.0 percent, 129.1 percent and 134.6 percent, respectively. Despite the high demand, the Government only accepted Ksh 2.5 billion worth of Treasury bills during the week. The tap sales for the 2-year Treasury bond were fully accepted at the 22.844 percent average interest rate during the week.

Interest Rate on Treasury Bills & Bonds

Weighted average interest rate on the 364-day Treasury bills increased by 433.8 basis points to 20.955 percent, while that on the 182-day and 91-day Treasury bills increased by 113.6 and 26.7 basis points to 17.679 percent and 17.126 percent, respectively, during this week's auctions (Table 1). The average interest rate on the 12-year infrastructure bond tap sales remained at 22.844 percent, same as that for the original bond issued in November 2011.

Table 1 : Interest Rates

Auction date	14-Oct-11	21-Oct-11	28-Oct-11	4-Nov-11	11-Nov-11	18-Nov-11	25-Nov-11	2-Dec-11	9-Dec-11
91 day T. Bills*	14.997	15.091	15.313	15.743	15.998	16.202	16.601	16.859	17.126
182 day T. Bills*	14.973	15.287	15.364		15.661	15.738	16.471	16.543	17.679
364 day T. Bills*					16.617				20.955
Month	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jul-11	Aug-11	Sept	Oct
Average savings rate	1.25	1.41	1.37	1.38	1.38	1.37	1.37	1.35	1.33
Average overdraft rate	13.93	13.65	13.60	13.68	13.72	13.89	14.28	14.64	14.87

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Interbank and REPO Rates

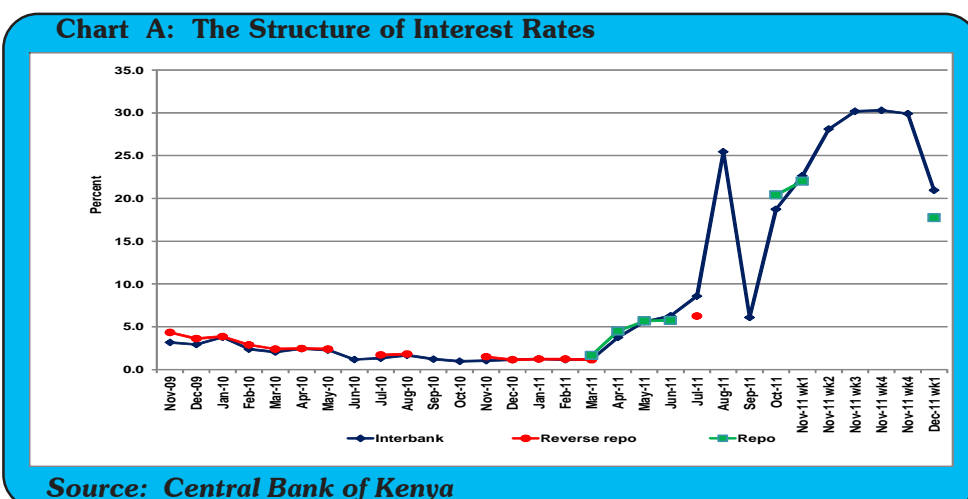
The average interbank rate declined to 20.95 percent during the week ending December 7, 2011, from 29.89 percent in the previous week (Table 2). Reflecting easing tightness in the interbank liquidity, the average interbank volumes declined to Ksh 6.78 billion in the week ending December 8, 2011 from Ksh 12.78 billion in the previous week.

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
25-Nov-11	80	14,618	30.87
26-Nov-11	74	11,630	30.66
29-Nov-11	78	15,682	30.34
30-Nov-11	76	10,868	29.67
1-Dec-11	66	11,150	27.89
Nov 25 - Dec 1, 2011	75	12,789	29.89
2-Dec-11	62	7,391	24.73
3-Dec-11	62	6,161	22.86
6-Dec-11	58	6,700	21.52
7-Dec-11	56	7,172	19.38
8-Dec-11	49	6,475	16.28
Dec 2 - Dec 8, 2011	57	6,780	20.95

Source: Central Bank of Kenya

The average repo rate was 17.75 percent for the repo transactions during the week ending December 8, 2011 (Table 2 and Chart A).



Monetary Policy Operations

Liquidity tightness in the money market eased during the week ending December 7, 2011 and consequently, commercial banks did not borrow from the Central Bank overnight window. Reserve money averaged Ksh 253.9 billion during the week and was above target by Ksh 18.2 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	Mop up	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)
1-Dec-11	255.9	235.7	20.2	0.0	0.0	0.0	256.1	20.4	25.4	-4.9
2-Dec-11	256.1	235.7	20.4	2.0	4.2	2.2	250.1	14.4	18.3	-3.9
5-Dec-11	256.5	235.7	20.8	0.0	0.0	0.0	256.9	21.2	25.1	-3.8
6-Dec-11	255.4	235.7	19.7	0.0	0.0	0.0	254.6	18.9	21.6	-2.7
7-Dec-11	254.5	235.7	18.8	0.0	0.0	0.0	251.7	16.0	17.9	-1.8
Average	255.7	235.7	20.0	0.4	0.8	0.4	253.9	18.2	21.6	-3.4

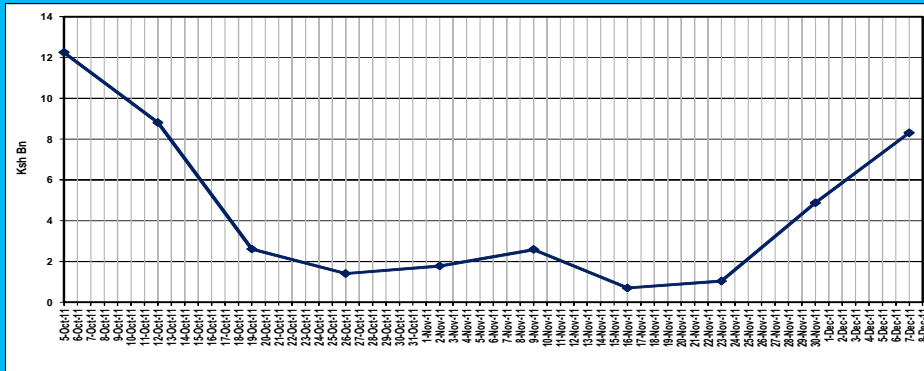
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 8.31 billion in their settlement accounts above the 4.75 percent monthly average cash reserve requirements at the Central Bank in the week to December 7, 2011, up from Ksh 4.88 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 strengthened slightly against major international currencies in the week ending December 9, 2011. Against the US dollar, the Kenya Shilling appreciated by 0.35 percent to exchange at an average of Ksh 89.63 in the week compared with Ksh 89.95 per US dollar in the week ending December 2, 2011. The appreciation was due to inflows from the tea sector as well as slow demand from the importers.

Against the Sterling Pound, the Euro and the Japanese Yen, the Shilling appreciated by 0.15 percent, 0.32 percent and 0.25 percent, respectively, to trade at an average of Ksh 140.10 per Sterling Pound, Ksh 119.98 per Euro and Ksh 115.27 per 100 Japanese Yen in the week ending December 9, 2011 compared to Ksh 140.31 per Sterling Pound, Ksh 120.37 per Euro and Ksh 115.56 per 100 Japanese Yen in the previous week.

In the EAC region, the Kenya Shilling weakened against the Uganda Shilling, and the Tanzania Shilling, and strengthened slightly against the Rwanda Franc and the Burundi Franc in the week ending December 9, 2011. On average, the Kenya Shilling exchanged at Ushs 27.71 per Kenya Shilling, Tshs 18.28 per Kenya Shilling, RWF 6.72 per Kenya Shilling and BIF 14.36 per Kenya Shilling during the week, compared with Ushs 28.48 per Kenya Shilling, Tshs 18.73 per Kenya Shilling, RWF 6.69 per Kenya Shilling and BIF 13.78 per Kenya Shilling in the week ending December 2, 2011 (Table 4).

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
28-Nov-11	90.56	140.49	120.51	116.67	28.54	18.72	6.66	13.69
29-Nov-11	90.17	140.03	120.48	115.46	28.56	18.71	6.67	13.75
30-Nov-11	89.72	139.81	119.53	115.10	28.64	18.78	6.70	13.82
1-Dec-11	89.60	140.54	120.54	115.28	28.47	18.75	6.72	13.84
2-Dec-11	89.71	140.67	120.80	115.28	28.20	18.69	6.70	13.82
Nov 21-25, 2011	89.95	140.31	120.37	115.56	28.48	18.73	6.69	13.78
5-Dec-11	89.83	140.17	120.45	115.14	27.83	18.54	6.71	13.80
6-Dec-11	89.55	139.92	119.77	115.11	27.86	18.50	6.73	14.41
7-Dec-11	89.62	139.99	120.30	115.32	27.84	18.24	6.73	14.39
8-Dec-11	89.67	140.72	120.19	115.48	27.51	18.07	6.71	14.39
9-Dec-11	89.50	139.68	119.21	115.30	27.49	18.05	6.74	14.83
Dec 5-8, 2011	89.63	140.10	119.98	115.27	27.71	18.28	6.72	14.36

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3745 million (equivalent to 3.44 months of imports) as at December 2, 2011 to US dollar 3,773 million (equivalent to 3.46 months of imports) in the week ending December 9, 2011 (Table 5). The net international reserves consistent with this week's level of usable reserves was US dollar 114 million above the US dollar 3,125 million target for December 2011.

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

	21-Oct-11	28-Oct-11	4-Nov-11	11-Nov-11	18-Nov-11	25-Nov-11	2-Dec-11	9-Dec-11
Usable Reserves*	3,743	3,723	3,691	3,716	3,697	3,711	3,745	3,773
Months of Imports Cover**	3.44	3.42	3.39	3.41	3.39	3.41	3.44	3.46

*Excludes encumbered reserves

**Based on 36 month average of imports of

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government debt increased by Ksh 28.1 billion from Ksh 764.2 billion in June 2011 to Ksh 792.3 billion as at December 2, 2011 (Table 6 and Chart C). Similarly, during the week under review, gross government debt expanded by Ksh 8.9 billion.

Table 6: Government Domestic Debt (Ksh Billion)

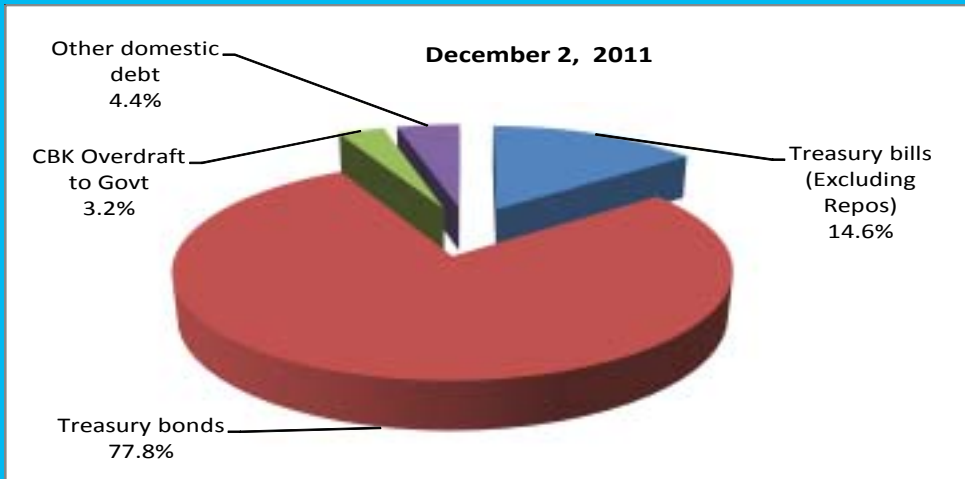
	Jun-11	Sep-11	25th Nov 2011	2nd Dec 2011	Changes	
					25th Nov 2011-2nd Dec 2011	30th Jun 2011-2nd Dec 2011
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	113.7 16.1	117.1 16.2	116.0 15.8	-1.1	-10.7
2. Treasury Bonds (As % of total securities)	595.7 82.5	591.5 83.9	606.2 83.8	616.2 84.2	10.0	20.5
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
3. Total Securities (1+2+3)	722.4	705.3	723.3	732.1	8.9	9.8
4. Overdraft at Central Bank	7.6	25.4	25.4	25.4	0.0	17.8
5. Other Domestic debt*	34.3	33.6	34.7	34.8	0.0	0.5
6. Gross Domestic Debt (4+5+6)	764.22	764.27	783.39	792.28	8.9	28.1
7. Interest payments on domestic debt	69.2	17.37	27.85	29.47	1.61	

* 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 stocks declined by Ksh 1.1 billion during the week ending December 2, 2011 to Ksh 116.0 billion. Treasury bonds, on the other hand, amounted to Ksh 616.2 billion or Ksh 10 billion above Ksh 606.2 billion in the previous week. The average time to maturity of Government securities remained at 5 years and 10 months, a position held at the end of June 2011.

Chart C: Composition of Government Securities

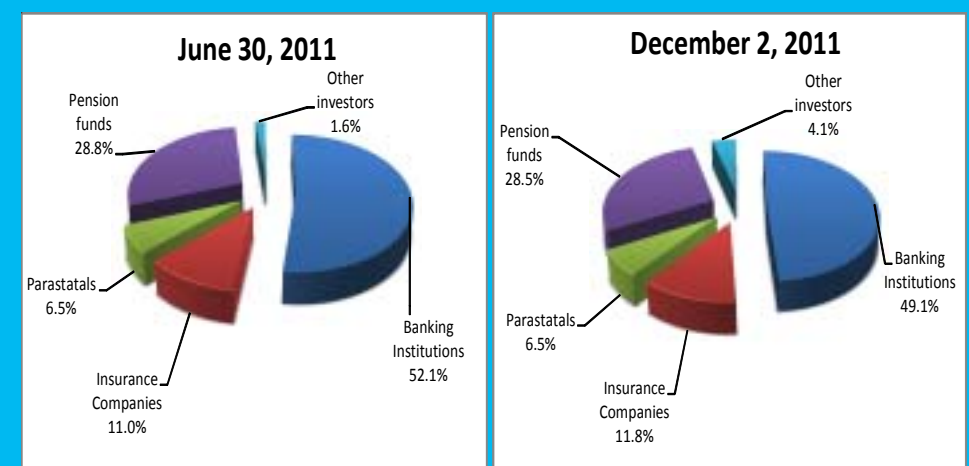


Source: Central Bank of Kenya

Holding of Govt Securities

The share of Government securities by banking institutions and pension funds decreased from 52.1 and 28.8 percent, respectively, in June 2011 to 49.1 and 28.5 percent as at December 2, 2011. Holdings of insurance companies and other investors increased from 11.0 percent and 1.6 percent to 11.8 percent and 4.1 percent, respectively, during the period (Chart D).

Chart D: Composition of Government Securities by Investors

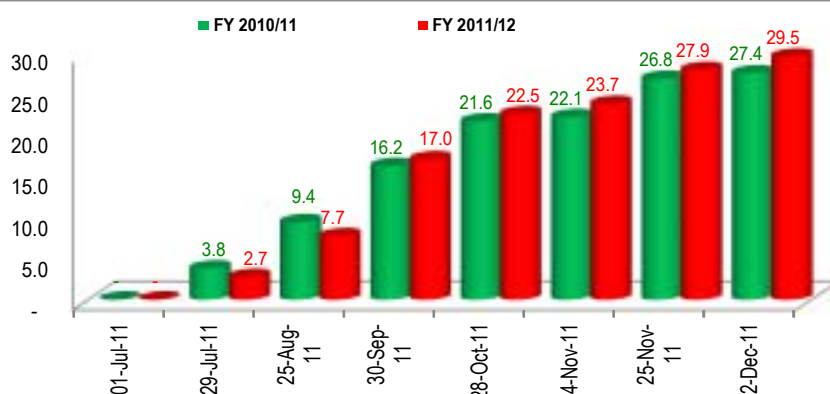


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative interest and other charges on domestic debt from July 1, 2011 to December 2, 2011 amounted to Ksh 29.5 billion compared with Ksh 27.4 billion in the same period of the fiscal year 2010/11 (Chart E). The cost during the period was on account of interest and other charges on Treasury bills and treasury bonds amounting to Ksh 4.0 billion and Ksh 24.5 billion, respectively. Government overdraft at Central Bank accounted for Ksh 1.0 billion.

Chart E: Cumulative Interest Payments on Domestic Debt (Ksh billion)



Source: Central Bank of Kenya

The Stock Market

The NSE 20 Share Index dropped to 3,109.25 points on December 8, 2011 from 3,122.50 points on December 1, 2011. NASI settled at 65.41 points from 66.04 points during the period. Equity turnover declined by Ksh 334.4 million to trade stocks worth Ksh 712.9 million from Ksh 1,047.3 million during period of review. Market Capitalization, at Ksh 834.7 billion closed Ksh 8.1 billion lower from last week’s value of Ksh 842.8 billion. The number of shares transacted increased to 113 million from 69.3 million the previous week, with equity turnover offloading stocks worth Ksh 712.9 million from Ksh 1,047.3 million during period. This fall in value against rising volume signify investors’ sell-off to cut losses as bear run market persists.

Table 7: Key Weekly Market Statistics

Week Ending	6-Oct-11	13-Oct-11	19-Oct-11	27-Oct-11	3-Nov-11	10-Nov-11	17-Nov-11	24-Nov-11	1-Dec-11	8-Dec-11
NASI 100= Jan 2008	69.65	68.52	68.97	70.45	72.53	72.47	71.60	69.46	66.04	65.41
NSE 20 Share Index 100=1966	3,281.96	3,290.90	3,300.48	3,381.90	3,497.10	3,447.66	3,370.72	3,288.70	3,122.50	3,109.25
Number of Deals	4,003	5,368	4,993	5,788	5,795	4,041	4,347	3,669	4,113	3,958
Total Shares Traded (millions)	102.50	51.00	98.06	253.53	131.80	53.08	89.28	47.60	69.30	113.08
Equity Turnover (Ksh. millions)	1,088.30	726.80	595.88	1,727.03	1,013.36	573.59	690.12	674.60	1,047.30	712.91
Market Capitalization (Ksh. Bn.)	889.68	873.70	879.36	898.17	924.70	924.04	913.81	886.49	842.84	834.69
Bonds Turnover (Ksh. millions)	9,905.45	8,425.40	7,922.50	7,900.30	3,541.10	4,119.10	7,913.20	6,411.35	7,875.75	7,113.55
FTSE NSE Kenya 15 Index								87.90	84.43	83.62
FTSE NSE Kenya 25 Index								84.43	86.65	85.81

* The Nairobi All Share Index (NASI) effected on February 25, 2008 (January 1, 2008 = 100)

Source: Nairobi Stock Exchange

Telecommunication and Technology sector remained dominant, with 85.9 million shares, accounting for 69.3 percent of all shares transacted at the bourse. Banking sector came second with 22.5 million shares as Energy and Petroleum sector closed third most active sector, with 6.2 million shares traded. Safaricom, Housing Finance and Equity Bank were the top three active counters with 81.4 million, 8.8 million and 6.7 million shares, respectively. The least active sector was Automobile and Accessories, with

176,000 shares, mainly due to suspended shares of CMC Holdings from trading.

The biggest closing and average price gains between the week ending December 8 and December 1, 2011, was City Trust Ltd. at Kshs 35 and Ksh 37.75 per share, respectively. The biggest closing and average price margin losses were for Bamburi Cement Ltd. and Jubilee Holdings at Ksh 4 per share and Standard Chartered Bank at Ksh 8.20 per share, respectively. Of the 58 listed companies, only three counters recorded average price gains for the whole week, reflecting investors' losses.

**FTSE NSE
Kenya Index
Series**

The FTSE NSE Kenya 15 Index, which measures performance of stocks of 15 largest companies by market capitalization at NSE, declined by 0.81 basis points to 83.62 points on December 7, 2011 from 84.43 points on December 1, 2011. FTSE NSE Kenya 25 Index, which measures performance of 25 most liquid stocks at the Exchange, edged lower by 0.84 basis points to 85.81 points from 86.65 points during the week under review. Thus value of the largest 15 stocks and 25 most liquid stocks at NSE declined in the week.

Bond Market

Bonds trading at the Fixed Income Securities Market dropped from Ksh 7.87 billion for the week ending December 1, 2011 to Ksh 7.11 billion for the week ending December 8, 2011. Total deals transacted over the period increased to 168 from 89.