

July 15, 2011



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted a performance rate of 108.3 percent and 19.2 percent during the auctions of the 182 day and 91 day Treasury bills respectively. The average 182 day Treasury bills rate settled at 9.845 percent while that of 91 day Treasury bills average interest rate settled at 8.999 percent.

The average interbank rate rose by 72 basis points to 8.84 percent during the week ending July 13, 2011 from 8.12 percent in the previous week reflecting tight interbank liquidity.

The money market was tight during the week ending July 13, 2011 and the Central Bank stayed out of the market. Owing to the tight liquidity conditions in the money market, commercial banks borrowed Ksh 83.94 billion from the Central Bank overnight window and rediscounted Treasury bills amounting to Ksh 8.1 billion compared to Ksh 97.73 billion overnight borrowing in the previous week.

The Kenya Shilling appreciated against the Euro but weakened against the US dollar and the Sterling Pound in the week ending July 15, 2011.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,894 million (equivalent to 3.65 months of imports) as at July 8, 2011 to US dollar 3,918 million (equivalent to 3.68 months of imports) as at July 15, 2011

Government gross domestic debt increased by Ksh 3.6 billion from Ksh 764.1 billion in June 2011 to Ksh 767.7 billion as at July 8, 2011.

Trading at the equities and bonds markets was generally mixed during the week ending July 14, 2011. The NSE 20 Share Index lost 160.7 points, while the Nairobi All Share Index (NASI) shed 4.6 points during the period under review. Similarly, the volume of shares traded declined by 28.3 percent but equity turnover rose by 0.3 percent. The fixed income segment of the market recorded a 9.7 percent increase in trading during the week.

Government Securities Auction

The Government securities market posted a performance rate of 108.3 percent and 19.2 percent during the auctions of the 182 day and 91 day Treasury bills respectively. During the week, the government offered for sale treasury bills worth Ksh 5.0 billion and received bids totalling Ksh 2.74 billion.

The Government accepted bids totalling Ksh 1.7 billion for both auctions. Proceeds of the auction were to be used to meet part of the cost of Treasury bills maturities amounting to Ksh 4.2 billion in the week.

Interest Rate on Treasury Bills

The average interest rates for the 182 day Treasury bills decreased by 0.9 basis points from 9.854 percent in the previous auction of the same tenure to 9.845 percent during this week's auction (Table 1). However, the average interest rate for the 91 day treasury bills was 4.5 basis points above the previous week's auction of 8.954 percent to settle at 8.999 percent.

Table 1 : Interest Rates

Auction date	27-May-11	3-Jun-11	10-Jun-11	17-Jun-11	24-Jun-11	1-Jul-11	8-Jul-11	15-Jul-11
91 day T. Bills*	7.942	8.798	9.016	9.006	8.995	8.988	8.954	8.999
182 day T. Bills*			9.949	9.906		9.854		9.845
364 day T. Bills*			10.249				10.220	
Month	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11		
Average savings rate	1.40	1.45	1.25	1.41	1.37	1.38		
Average overdraft rate	13.77	13.69	13.93	13.65	13.60	13.68		

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate rose by 72 basis points to 8.84 percent during the week ending July 13, 2011 from 8.12 percent in the previous week, reflecting tight interbank liquidity. The average volumes traded decreased to Ksh 10.46 billion in the week ending July 13, 2011 from Ksh 12.97 billion in the previous week (Table 2).

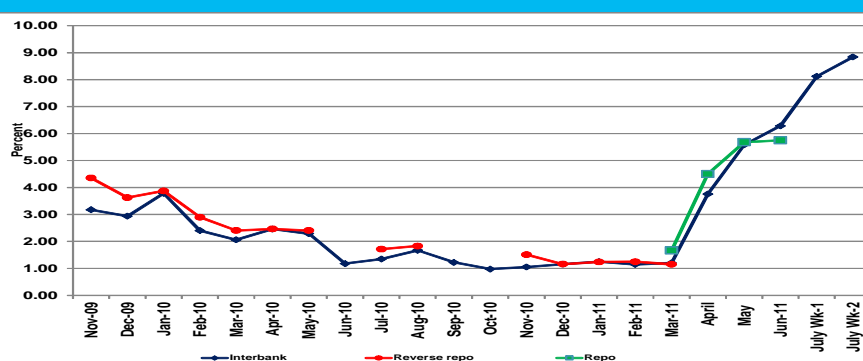
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
30-Jun-11	57	9,845	8.00
1-Jul-11	76	15,490	8.05
4-Jul-11	84	11,961	8.15
5-Jul-11	78	15,399	8.18
6-Jul-11	70	12,133	8.23
June 30- July 06, 2011	73	12,966	8.12
7-Jul-11	68	12,864	8.24
8-Jul-11	68	11,047	8.28
11-Jul-11	57	10,160	8.36
12-Jul-11	54	7,819	9.17
13-Jul-11	63	10,401	10.17
July 07- July 13, 2011	62	10,458	8.84

Source: Central Bank of Kenya

The repo rate was 5.75 percent in the last repo transaction on June 14, 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 July 13, 2011 and the Central Bank stayed out of the market. Reflecting the tight liquidity conditions in the money market, commercial banks borrowed Ksh 83.94 billion from the Central Bank overnight window and rediscounted Treasury bills amounting to Ksh 8.1 billion compared to Ksh 97.73 billion overnight borrowing in the previous week. Reserve money averaged Ksh 223.7 billion during the week and was above target by Ksh 7.0 billion (Table 3).

Table 3: Open Market Operations Ksh Billion

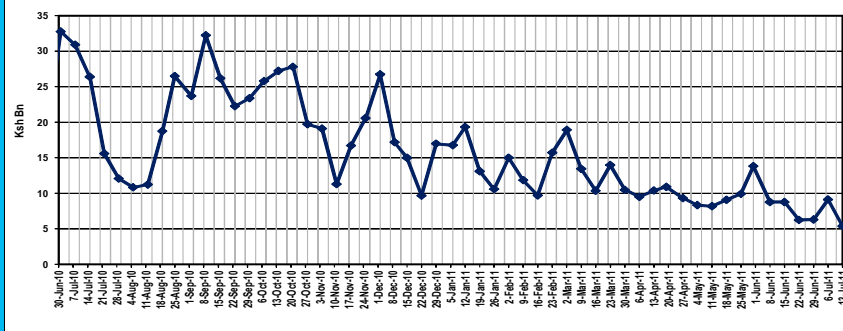
Date	Reserve Money* (Projected)			OMO (REPO)			Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/ Short(-)	Posted	Mopped	Exc(+)/ Short(-)	Actual	Exc(+)/ Short(-)	Exc(+)/ Short(-)	Exc(+)/ Short(-)
	(1)	(2)	3=(1-2)	(4)	(5)	6=(5-4)	(7)	8=(7-2)	(9)	(10)
7-Jul-11	225.3	216.2	9.1	0.0	0.0	0.0	224.9	8.7	-1.5	10.2
8-Jul-11	221.9	216.2	5.7	0.0	0.0	0.0	224.6	8.4	-1.6	10.0
11-Jul-11	224.3	217.0	7.3	0.0	0.0	0.0	223.9	6.8	-3.6	10.4
12-Jul-11	222.3	217.0	5.3	0.0	0.0	0.0	222.0	5.0	-5.4	10.4
13-Jul-11	220.4	217.0	3.4	0.0	0.0	0.0	223.0	6.0	-3.9	9.9
Average	222.9	216.7	6.2	0.0	0.0	0.0	223.7	7.0	-3.2	10.2

Source: Central Bank of Kenya

Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 5.39 billion in their clearing accounts at the Central Bank in the week to July 13, 2011, down from Ksh 9.13 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 against the Euro but weakened against the US dollar and the Sterling Pound in the week ending July 15, 2011. The Kenya shilling appreciated against the Euro to exchange at an average of Ksh 126.69 per Euro in the week ending July 15, 2011 compared with Ksh 128.67 in the previous week partly reflecting depreciation of the Euro in international currency markets. The weakening of the Euro in international markets reflected rising concerns on deepening of Europe’s sovereign-debt crisis.

Against the US dollar, the Kenya shilling weakened to exchange at an average of Ksh 89.88 per US dollar in the week compared with Ksh 89.18 per US dollar in the week ending July 8, 2011. The Kenya shilling also depreciated against the Sterling Pound and the Japanese Yen to exchange on average at Ksh 143.90 per Sterling Pound and 112.72 per 100 Japanese Yen compared with Ksh 142.85 per Sterling Pound and 110.12 per 100 Japanese Yen in the previous week.

In the EAC region, the Kenya Shilling depreciated against the other East African currencies during the week ending July 15, 2011. On average, the Kenya shilling exchanged at Ushs 28.90 per Kenya Shilling, Tshs 17.51 per Kenya shilling, RWF 6.68 per Kenya shilling and BIF 13.69 per Kenya Shilling during the week, compared to Ushs 29.03 per Kenya Shilling, Tshs 18.08 per Kenya shilling, RWF 6.73 per Kenya shilling and BIF 13.82 per Kenya Shilling, in the week ending July 8, 2011 (Table 4).

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
4-Jul-11	88.69	142.61	128.84	109.81	29.35	18.26	6.77	13.90
5-Jul-11	88.45	141.71	128.03	109.13	28.77	18.31	6.77	13.95
6-Jul-11	88.97	142.88	128.69	109.85	29.11	18.12	6.75	13.85
7-Jul-11	89.86	143.53	128.74	111.06	28.93	17.94	6.68	13.72
8-Jul-11	89.94	143.52	129.06	110.75	28.96	17.75	6.68	13.70
July 04 - 07, 2011	89.18	142.85	128.67	110.12	29.03	18.08	6.73	13.82
11-Jul-11	90.24	144.33	128.09	111.76	28.92	17.62	6.65	13.66
12-Jul-11	90.44	143.34	126.05	112.73	28.98	17.50	6.64	13.63
13-Jul-11	89.67	142.87	125.62	112.76	28.97	17.48	6.70	13.70
14-Jul-11	89.48	144.27	126.85	113.18	28.89	17.49	6.71	13.74
15-Jul-11	89.58	144.70	126.85	113.18	28.72	17.44	6.70	13.73
July 11 - 15, 2011	89.88	143.90	126.69	112.72	28.90	17.51	6.68	13.69

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,894 million (equivalent to 3.65 months of imports) as at July 8, 2011 to US dollar 3,918 million (equivalent to 3.68 months of imports) as at July 15, 2011 (Table 5).

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

	27-May-11	17-Jun-11	24-Jun-11	1-Jul-11	8-Jul-11	15-Jul-11
Usable Reserves*	3,907	3,976	3,957	3,918	3,894	3,918
Months of Imports Cover**	3.79	3.79	3.72	3.73	3.65	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 3.5 billion from Ksh 764.1 billion in fiscal year 2010/11 to Ksh 767.7 billion in the fiscal year 2010/11 (Table 6). This reflects the increases in Treasury bills and Government overdraft at central bank of Ksh 2.2 billion and Ksh 1.5 billion respectively. This was, however, partially offset by decreases of Ksh 0.2 billion in other domestic debt.

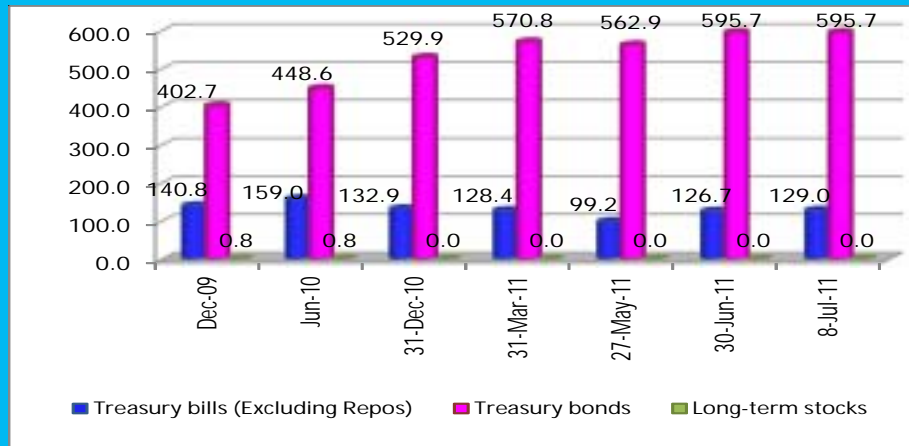
Table 6: Government Domestic Debt (Ksh Billion)

	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	8th July-2011	Changes	
							30th June-11-8th July 2011	30th Jun 2011-8th July 2011
1. Treasury Bills (Excluding Repos) (As % of total securities)	159.0 26.1	147.4 23.2	132.9 20.1	128.4 18.4	126.7 17.5	129.0 17.8	2.2	2.2
2. Treasury Bonds (As % of total securities)	448.6 73.7	488.5 76.7	529.9 79.9	570.8 81.6	595.7 82.5	595.7 82.2	0.0	0.0
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	0.0
4. Total Securities (1+2+3)	608.4	636.6	662.8	699.2	722.4	724.6	2.2	2.2
5. Overdraft at Central Bank	17.6	20.6	22.7	19.7	7.6	9.1	1.5	1.5
6. Other Domestic debt*	34.2	34.1	34.8	35.2	34.2	34.0	-0.2	-0.2
7. Gross Domestic Debt (4+5+6)	660.3	691.3	720.2	754.1	764.14	767.66	3.52	3.5
8. Interest payments on domestic debt	57.8	14.49	34.2	47.2	69.2	0.1		

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

Source: Central Bank of Kenya

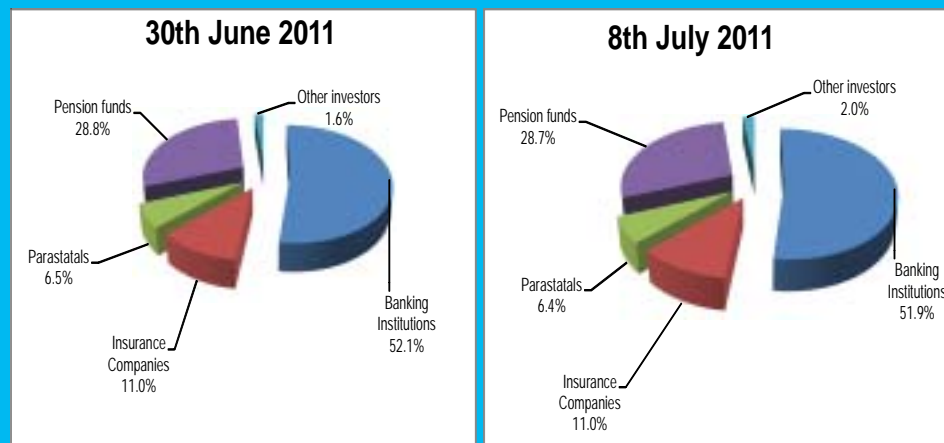
Chart C: Composition of Government Securities



Source: Central Bank of Kenya

Treasury bills increased from Ksh 126.7 billion to Ksh 129.0 billion during the same period. As a result, the share of Treasury bonds in total domestic debt declined from 82.5 percent in June 2011 to 82.2 percent as at July 8, 2011, while that of Treasury bills increased from 17.5 percent to 17.8 percent over the same period. The average time to maturity of Government securities increased from 5 years 10 months in June 2011 to 5 years 9 month during this period.

Chart D: Composition of Government Securities by Investors



Source: Central Bank of Kenya

Holding of Govt Securities

The holdings of Government securities by parastatals, and other investors increased from 6.5 percent, and 1.6 percent, respectively in June 2011 to 6.4 percent, and 2.0 percent, respectively as at July 8, 2011. Holdings of commercial banks and pension fund declined from 52.1 percent and 28.8 percent to 51.9 percent and 28.7 percent respectively, while the share of insurance companies remained the same at 11.0 percent (Chart D).

The Stock Market

The NSE 20 Share Index settled at 3,746 points on July 14, 2011, down from 3,906.7 points on July 7, 2011. The Nairobi All Share Index (NASI) levelled at 86.01 points from 90.18 points during the same period. The equity turnover rose by Ksh 0.415 million to trade stocks worth Ksh 1, 389.97 million by close of July 14, 2011, from Ksh 1,385.82 million for the previous week. The number of shares transacted declined by 26.45 million during the week, from 93.68 million shares to 67.20 million shares. Market Capitalization as a measure of total shareholders' wealth dropped by 3.3 percent or Ksh 36.10 billion to Ksh 1,071.98 billion from last week's value of Ksh 1,107.06 billion (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	2-Jun-11	9-Jun-11	16-Jun-11	23-Jun-11	30-Jun-11	7-Jul-11	14-Jul-11
NASI 100= Jan 2008	93.70	93.25	91.45	90.85	91.36	90.18	86.01
NSE 20 Share Index 100=1966	4,091.55	4,086.62	3992.3	3970.59	3968.12	3906.71	3,746.00
Number of Deals	6,853.00	9,126.00	9356	9104	8590	8154	7,611.00
Total Shares Traded (millions)	71.04	94.86	129.35	69.85	102.65	93.68	67.20
Equity Turnover (Ksh. millions)	1,418.37	1,991.03	1835.94	1208.24	1741.55	1385.82	1,389.97
Market Capitalization (Ksh. Bn.)	1,150.19	1,144.69	1122.58	1115.24	1121.44	1107.06	1,070.98
Bonds Turnover (Ksh. millions)	10,497.30	16,727.00	14291.15	12216.75	14548.75	8632.05	9,467.25

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

Source: Nairobi Stock Exchange

Finance and Investment sector dominated trading, at 39.1 million shares or 58.3 percent of all shares transacted at the bourse. Of this, Kenya Commercial Bank counters dominated the sector with 24.8 million shares transacted. Commercial and Services sector was second most active, with 15.3 million shares traded, followed by Industrial and Allied sector at 11.3 million shares. Safaricom dominated the Commercial and Services sector, with 11.7 million shares while Kenya Power dominated Industrial and Allied sector at 3.4 million shares transacted.

The Alternative market segment traded 1,172.4 from 41,000 in the previous period. The biggest jump in the transacted volume was due to the listing of Trans-Century Ltd shares to the NSE AIMS segment by private introduction during the week. A total of 1,141,200 shares of this company were traded, with price range of Ksh 50 - 60 per share.

The biggest closing and average price margin gains between July 7 and 14, 2011, was for BAT counter at Ksh 9 and Ksh 1.2 per share, respectively. The biggest closing and average price margin losses was for Nation Media Group at Ksh 8 per share and EABL Ltd at 4.80 a share. Only 5 counters out of all listings in both MMIS and AIMS recorded weekly average price increase during the period, reflecting the overall losses in the stock market.

Bond Market

Bonds trading at the Fixed Income Securities Market rose by 9.7 percent, from Ksh 8.6 billion for the week ended July 7, 2011 to Ksh 9.4 billion for the week ending July 14 2011. The number of deals transacted, were up to 76 from 73.