

July 22, 2011



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government securities market posted impressive performance rate of 213.75 percent and 117.87 percent during the auction of the 91 day Treasury bills and the auction of both the 2-year and 10-year Treasury bonds, respectively. The average 91 day Treasury bills rate settled at 9.004 percent. The two bonds average rates settled at 13.468 percent for the two year paper while that of 10-year paper settled at 13.624 percent.

The average interbank rate rose by 48 basis points to 9.32 percent during the week ending July 20, 2011 from 8.84 percent in the previous week, reflecting tight interbank liquidity.

The money market was tight during the week ending July 20, 2011 and the Central Bank injected Ksh 19.1 billion to the market through reverse repo operation.

The Kenya Shilling depreciated against major international currencies in the week ending July 22, 2011. Against the US dollar, the Kenya shilling depreciated to exchange at an average of Ksh 90.01 in the week compared with Ksh 89.88 per US dollar in the week ending July 15, 2011.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,918 million (equivalent to 3.68 months of imports) as at July 15, 2011, to US dollar 3,931 million (equivalent to 3.69 months of imports) as at July 22, 2011.

Government gross domestic debt increased by Ksh 2.5 billion from Ksh 764.1 billion in June 2011 to Ksh 766.6 billion as at July 15, 2011.

Trading at the equities and bonds markets was generally mixed during the week ending July 21, 2011. The NSE 20 Share Index gained 10.9 points while the Nairobi All Share Index (NASI) shed 0.61 points. Similarly, the volume of shares traded increased by 141.0 percent and equity turnover rose by 77.1 percent. The bonds segment of the market however saw a 52.5 percent decrease in trading during the week.

Government Securities Auction

The Government securities market posted a performance rate of 213.75 percent during the auction of the 91 day Treasury bills. Out of the Ksh 2.0 billion offered, a total Ksh 4.7 billion bids were received. During the same week, the government also offered for sale a two year and a ten year Treasury bonds worth Ksh 13.0 billion and received bids totalling Ksh 15.3 billion, equivalent to a performance of 117.87 percent on both auctions.

The Government accepted bids totalling Ksh 2.8 billion and Ksh 6.8 billion for both auctions respectively.

Interest Rate on Treasury Bills

The average interest rates for the 91 day Treasury bills edged up by 0.5 basis points from 8.999 percent in the previous auction of the same tenure to 9.004 percent during this week's auction (Table 1). Similarly, the Treasury bond rates edged up for both the two year and the ten year papers. The two year bond average rate went up by 2.42 basis points from 12.442 percent in the auction of June 2011 to 12.684 percent while the ten year paper rate went up by 3.406 percent from 9.683 percent in January 2011 to 13.624 percent.

Table 1 : Interest Rates

Auction date	10-Jun-11	17-Jun-11	24-Jun-11	1-Jul-11	8-Jul-11	15-Jul-11	22-Jul-11
91 day T. Bills*	9.016	9.006	8.995	8.988	8.954	8.999	9.004
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	May-11
Average savings rate	1.40	1.45	1.25	1.41	1.37	1.38	1.38
Average overdraft rate	13.77	13.69	13.93	13.65	13.60	13.68	13.72

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate rose by 48 basis points to 9.32 percent during the week ending July 20, 2011 from 8.84 percent in the previous week, reflecting tight interbank liquidity. The interbank liquidity was eased by the Central Bank injection of Ksh 19.1 billion to the market through reverse repo operations and the interbank rate declined to 8.05 percent by July 20, 2011. The average volumes traded decreased to Ksh 9.1 billion in the week ending July 20, 2011 from Ksh 10.46 billion in the previous week (Table 2).

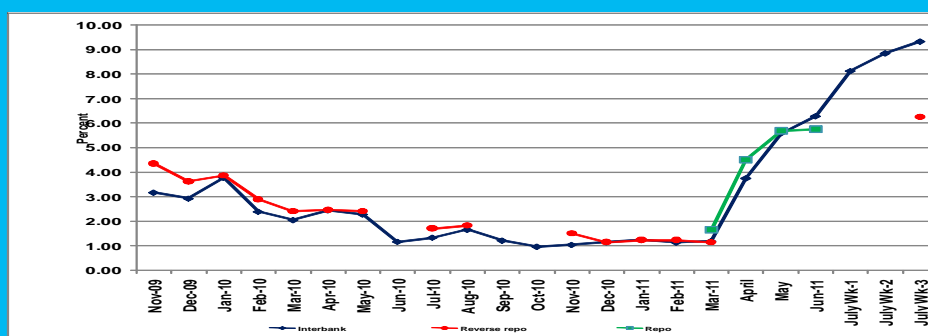
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
14-Jul-11	51	7,440	10.52
15-Jul-11	57	10,292	10.67
18-Jul-11	40	6,919	9.14
19-Jul-11	53	11,340	8.23
20-Jul-11	54	9,329	8.05
July 14- July 20, 2011	51	9,064	9.32

Source: Central Bank of Kenya

The reverse repo rate was 6.25 percent for the reverse repo transactions during the week ending July 20, 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 20, 2011 and the Central Bank injected Ksh 19.1 billion to the market through reverse repo operations. Consequently, commercial banks borrowing from the Central Bank overnight window decreased to Ksh 26.7 billion in the week ending July 20, 2011 compared with Ksh 83.94 billion borrowed from the Central Bank overnight window and Treasury bills rediscount amounting to Ksh 8.1 billion in the previous week. Reserve money averaged Ksh 227.4 billion during the week and was above target by Ksh 9.9 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)
14-Jul-11	223.2	217.0	6.1	0.0	0.0	0.0	226.0	8.9	-0.2	9.1
15-Jul-11	224.5	217.0	7.4	0.0	0.0	0.0	225.5	8.5	-0.5	9.0
18-Jul-11	226.4	217.9	8.5	0.0	0.0	0.0	233.4	15.6	6.7	8.9
19-Jul-11	230.1	217.9	12.2	0.0	0.0	0.0	226.3	8.4	-0.4	8.8
20-Jul-11	220.9	217.9	3.0	0.0	0.0	0.0	225.9	8.0	-0.5	8.5
Average	225.0	217.5	7.5	0.0	0.0	0.0	227.4	9.9	1.0	8.8

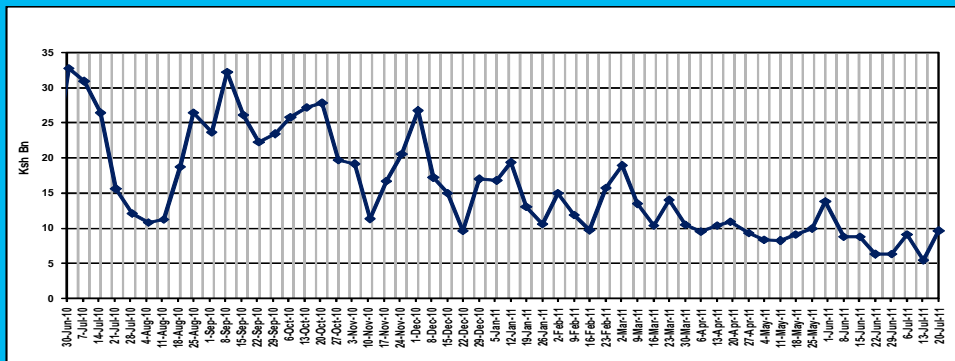
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Commercial
Banks
Clearing
Accounts
Balances**

Commercial banks maintained an average of Ksh 9.58 billion in their clearing accounts at the Central Bank in the week to July 20, 2011, up from Ksh 5.39 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 July 22, 2011. Against the US dollar, the Kenya shilling depreciated to exchange at an average of Ksh 90.01 in the week compared with Ksh 89.88 per US dollar in the week ending July 15, 2011. The Kenya shilling also depreciated against the Sterling Pound, the Euro and the Japanese Yen to exchange on average at Ksh 145.42 per Sterling Pound and Ksh 127.76 per Euro, and 114.08 per 100 Japanese Yen compared with Ksh 143.90 per Sterling Pound and Ksh 126.69 per Euro, and 112.72 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 22, 2011. The Kenya shilling weakened slightly against the Uganda shilling, Tanzania Shilling, the Rwanda Franc and Burundi Franc. On average, the Kenya shilling exchanged at Ushs 28.80 per Kenya Shilling, Tshs 17.29 per Kenya shilling, RWF 6.67 per Kenya shilling and BIF 13.68 per Kenya Shilling during the week, compared to 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, in the week ending July 22, 2011. (Table 4).

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
18-Jul-11	89.68	144.40	126.02	113.55	28.71	17.32	6.70	13.71
19-Jul-11	90.19	144.95	127.00	114.11	28.89	17.20	6.66	13.63
20-Jul-11	90.17	145.35	127.72	114.12	28.72	17.26	6.64	13.64
21-Jul-11	90.06	145.75	128.56	114.21	28.76	17.38	6.67	13.66
22-Jul-11	89.96	146.67	129.49	114.38	28.90	17.29	6.68	13.73
JULY 18 - 22, 2011	90.01	145.42	127.76	114.08	28.80	17.29	6.67	13.68

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,918 million (equivalent to 3.68 months of imports) as at July 15, 2011 to US dollar 3,931 million (equivalent to 3.69 months of imports) as at July 22, 2011, reflecting revaluation gain during the week (Table 5).

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

	24-Mar-11	31-Mar-11	29-Apr-11	27-May-11	24-Jun-11	1-Jul-11	15-Jul-11	22-Jul-11
Usable Reserves*	3,935	3,887	3,956	3,907	3,957	3,918	3,918	3,931
Months of Imports Cover**	3.90	3.77	3.82	3.79	3.72	3.73	3.68	3.69

*Excludes encumbered reserves

**Based on 36 month average of imports of goods and non-factor

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government debt increased by Ksh 2.5 billion from Ksh 764.1 billion in fiscal year 2010/11 to Ksh 766.6 billion in the fiscal year 2010/11 (Table 6). This reflects the increases in Treasury bills and Government overdraft at Central Bank of Ksh 1.1 billion and Ksh 1.5 billion respectively. This was, however, partially offset by decreases of Ksh 0.1 billion in other domestic debt (Chart C).

Table 6: Government Domestic Debt (Ksh Billion)

	Sep-10	Dec-10	Mar-11	Jun-11	8th July-2011	15th July-2011	Changes	
							30th June-11-8th July 2011	30th Jun 2011-8th July 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	129.0 17.8	127.8 17.7	-1.2	1.1
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 82.2	595.7 82.3	0.0	0.0
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
4. Total Securities (1+2+3)	636.6	662.8	699.2	722.4	724.6	723.5	-1.2	1.1
5. Overdraft at Central Bank	20.6	22.7	19.7	7.6	9.1	9.1	0.0	1.5
6. Other Domestic debt*	34.1	34.8	35.2	34.2	34.0	34.1	0.1	-0.1
7. Gross Domestic Debt (4+5+6)	691.3	720.2	754.1	764.14	767.66	766.61	-1.05	2.47
8. Interest payments on domestic debt	14.49	34.2	47.2	69.2	0.09	0.25	0.2	

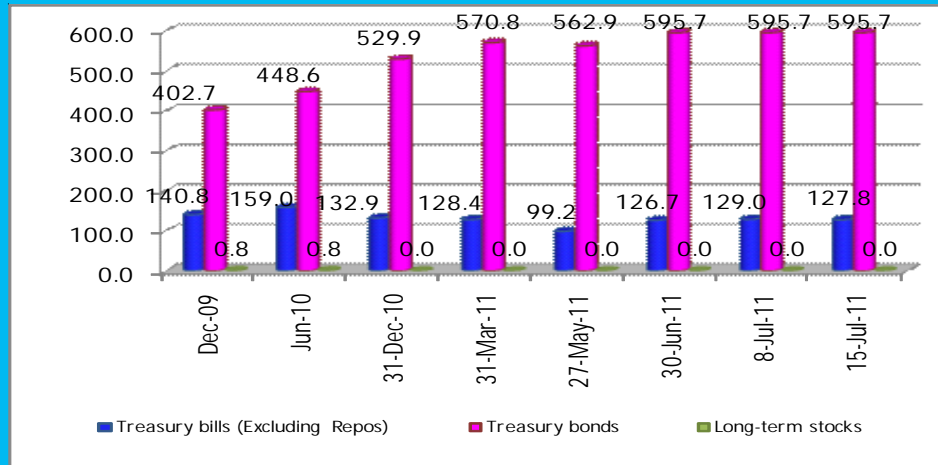
* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and TROs.

Source: Central Bank of Kenya

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Treasury bills increased from Ksh 126.7 billion to Ksh 127.8 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 82.3 percent as at July 15, 2011, while that of Treasury bills increased from 17.5 percent to 17.7 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 E: Composition of Government Securities

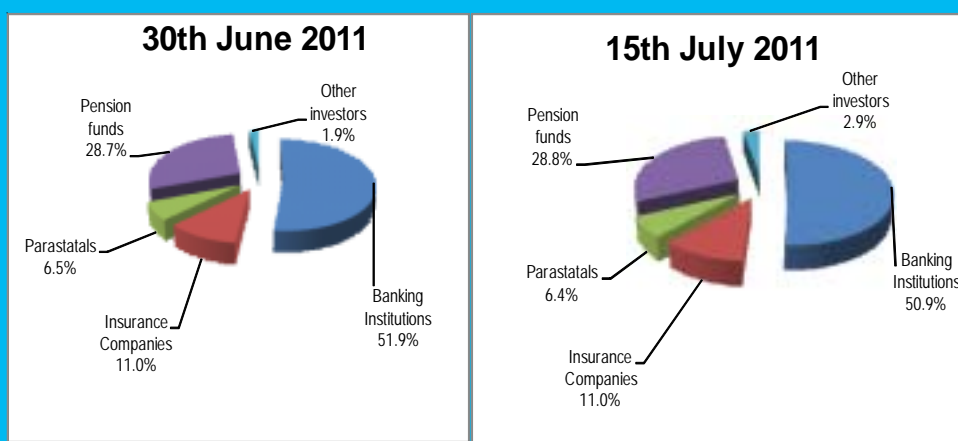


Source: Central Bank of Kenya

Holding of Govt Securities

The share of Government securities by banking institutions and parastatals decreased from 51.9 percent and 6.5 percent respectively in June 30, 2011 to 50.9 percent and 6.4 percent, respectively as at July 15, 2011. Holdings of pension fund and other investors, however, increased from 28.7 percent and 1.9 percent to 28.8 percent and 2.9 percent respectively while the share of insurance companies remained the same at 11.0 percent during the period (Chart D).

Chart D: Composition of Government Securities by Investors

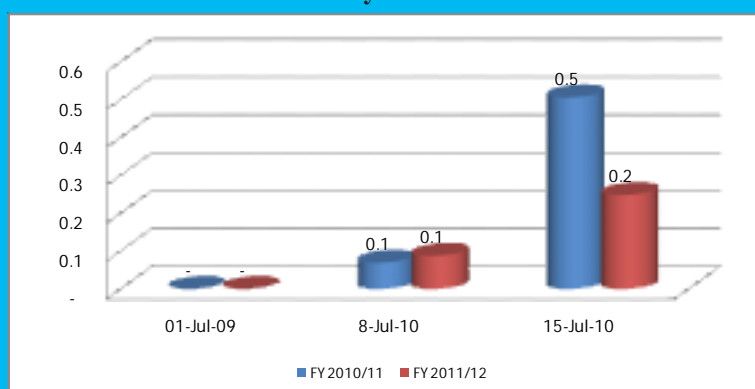


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative interest and other charges on domestic debt from July 1, 2011 to 15th July 2011 amounted to Ksh 0.25 billion compared with Ksh 0.5 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 (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 3,756.9 points on July 21, 2011, up from 3,746 points on July 14, 2011. However, the Nairobi All Share Index (NASI) was down to 85.40 points from 86.01 points during the same period. The equity turnover rose by Ksh 1,071.2 million to trade stocks worth Ksh 2,461.1 million by close of July 21, 2011, from Ksh 1,389.7 million for the previous week. The number of shares transacted increased by 94.7 million during the week, from 67.2 million shares to 161.9 million shares. Market Capitalization as a measure of total shareholders' wealth dropped by 0.7 percent or Ksh 7.6 billion to Ksh 1,063.4 billion from last week's value of Ksh 1,071.0 billion. The activities reflect investors' net disposal of stocks during the week (Table 7).

Table 7: Key Weekly Market Statistics

5-May-11	12-May-11	19-May-11	26-May-11	2-Jun-11	9-Jun-11	16-Jun-11	23-Jun-11	30-Jun-11	7-Jul-11	14-Jul-11	21-Jul-11
95.31	93.34	93.54	93.37	93.70	93.25	91.45	90.85	91.36	90.18	86.01	85.40
4,031.78	3,992.55	3,986.78	4,070.05	4,091.55	4,086.62	3992.3	3970.59	3968.12	3906.71	3746	3756.89
7,464.00	8,984.00	8,196.00	8,020.00	6,853.00	9,126.00	9356	9104	8590	8154	7611	8579
113.09	87.50	94.38	89.50	71.04	94.86	129.35	69.85	102.65	93.68	67.20	161.97
2,489.05	1,914.78	2,107.91	1,377.74	1,418.37	1,991.03	1835.94	1208.24	1741.55	1385.82	1389.97	2461.18
1,168.67	1,144.55	1,147.05	1,144.96	1,150.19	1,144.69	1122.58	1115.24	1121.44	1107.06	1070.98	1063.39
5,279.35	3,397.25	8,713.95	8,201.70	10,497.30	16,727.00	14291.15	12216.75	14548.75	8632.05	9467.25	4495.90

effectuated on February 25, 2008 (January 01, 2008 = 100)

Source: Nairobi Stock Exchange

Commercial and Services sector dominated trading, with 101.7 million shares or 62.8 percent of all shares transacted at the bourse. Of this, Safaricom was the most active counter in the sector, with 89.9 million shares transacted. Finance and Investment sector was second most active, with 47.1 million shares traded, and followed by Industrial and Allied sector at 12.7 million shares. Kenya Commercial Bank dominated the Finance and Investment sector, with 26.4 million shares while Kenya Power dominated Industrial and Allied sector at 4.2 million shares transacted.

The Alternative market segment for the first time overtook Agriculture sector in the MIMS trading 216,900 compared to 97,300 shares for Agricultural sector. This was due to listing of Trans Century shares by introduction in the MIMS. Activity was however down from 1,172,400 in the week ending July 14, 2011.

The biggest closing and average price margin gains between July 14 and 21, 2011, was for Carbacid and Bamburi Cement Ltd counters at Ksh 4 and Ksh 2 per share respectively. The biggest closing and average price margin losses was for Trans Century and Athi River Mining at Ksh 9 and 8.1 a share, respectively.

Bond Market

Bonds trading at the Fixed Income Securities Market dropped by 52.5 percent, from Ksh 9.4 billion for the week ended July 14, 2011 to Ksh 4.4 billion for the week ending July 21, 2011. The number of deals transacted, were down to 55 from 76.