

**June 10, 2011**



**THE CBK WEEKLY BULLETIN**

**Highlights for  
the Week**

The Government securities market posted a performance rate of 178.4 percent and 874.6 during the auctions of the 364-day and 91-day Treasury bills, respectively. The average 364-day Treasury bills rate was at 10.249 percent, while that of 91-day Treasury bills average interest rate settled at 9.016 percent.

Reflecting tight interbank liquidity during the week ending June 8, 2011, the average interbank rate rose to 5.98 percent from 5.31 percent in the previous week.

The Kenya Shilling depreciated against major international currencies in the week ending June 10, 2011. Against the US dollar, the Kenya shilling depreciated to exchange at Ksh 87.36 in the week compared with Ksh 86.09 per US dollar in the previous week.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,965 million (equivalent to 3.85 months of imports) as at June 3, 2011, to US dollar 3,998 million (equivalent to 3.88 months of imports) as at June 10, 2011.

The Central Bank conducted open market operations by mopping Ksh 1.1 billion from the market in the week ending June 8, 2011. Reflecting tight liquidity conditions in the money market, commercial banks borrowed Ksh 30.04 billion from the Central Bank overnight window up from Ksh 3.8 billion in the previous week.

Government gross domestic debt increased by Ksh 81.4 billion from Ksh 660.3 billion in June 2010 to Ksh 741.7 billion as at June 3, 2011. The cumulative Government expenditure on interest and other charges on domestic debt during the same period amounted to Ksh 61.6 billion.

Performance at the equities market was mixed during the week ending June 9, 2011. The NSE 20 Share Index lost 4.9 points to settle at 4,086.6 from 4,091.6 points recorded for the week ended June 2, 2011 while equity turnover increased by 40.4 percent. The number of shares transacted increased by 23.8 million during the period under review. The fixed income segment of the market recorded a 59.3 percent increase in activity.

**Government Securities Auction**

The Government securities market posted a performance rate of 178.4 percent and 874.6 during the auctions of the 364 day and 91-day Treasury bills, respectively. During the week, the government offered for sale treasury bills worth Ksh 2.5 billion and Ksh 5.0 billion for the 91-day and 364-day Treasury bills and respectively received bids totalling Ksh 21.9 billion and Ksh 8.9 billion.

The Government accepted bids totalling Ksh 280.8 million for the 364 day Treasury bills and Ksh 17.1 billion for the 91 day Treasury bills. Proceeds of the auction were to be used to meet the cost of rolling over Treasury bills maturities amounting to Ksh 7.7 billion in the week and provide the Government additional borrowing of Ksh 9.7 billion.

**Interest Rate on Treasury Bills**

The average interest rates for the 91 day Treasury bills increased by 21.8 basis points from 8.798 percent in the previous week's auction of the same tenure to 9.016 percent during this week's auction (Table 1). Similarly, the average interest rates for the 364 day treasury bills edged up by 347.7 basis points from 6.772 percent previously to 10.249 percent.

**Table 1 : Interest Rates**

Auction date	21-Apr-11	29-Apr-11	6-May-11	13-May-11	20-May-11	27-May-11	3-Jun-11	10-Jun-11
91 day T. Bills*	3.524	3.577	4.018	4.796	6.409	7.942	8.798	9.016
182 day T. Bills*	3.580		3.691		5.444			10.249
364 day T. Bills*				6.772				
Month	Nov-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11
Average savings rate	1.40	1.46	1.40	1.45	1.25	1.41	1.37	1.38
Average overdraft rate	13.77	13.64	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**

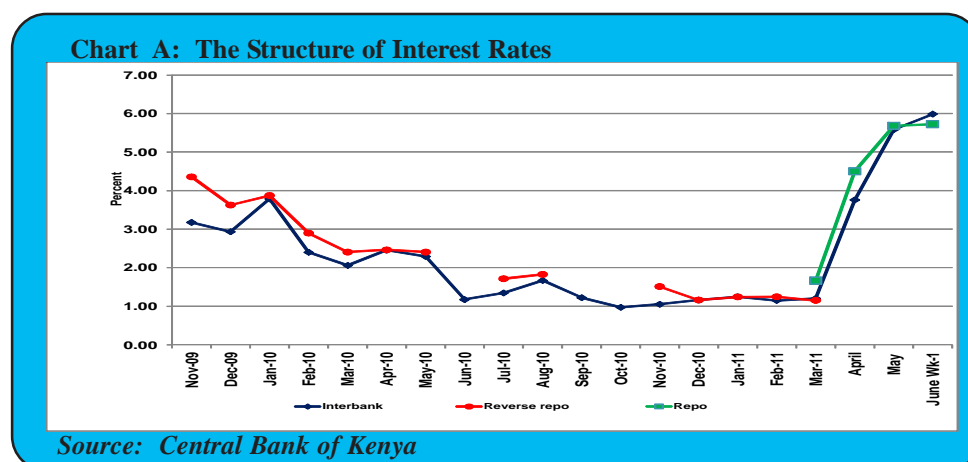
Reflecting tight interbank liquidity during the week ending June 8, 2011, the average interbank rate rose to 5.98 percent from 5.31 percent in the previous week. The average volumes traded rose to Ksh 16.67 billion in the week ending June 8, 2011 from Ksh 12.66 billion in the previous week. The interbank liquidity was also supported by Ksh 1.2 billion injection by the Central Bank through purchases of foreign exchange from domestic interbank for foreign exchange reserves build up and to meet government external obligation.

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

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
26-May-11	62	13,240	5.25
27-May-11	44	8,097	5.10
30-May-11	68	14,129	5.37
31-May-11	68	15,165	5.51
1-Jun-11	<b>HOLIDAY</b>		
<b>May 26- June 01, 2011</b>	<b>61</b>	<b>12,658</b>	<b>5.31</b>
2-Jun-11	69	13,801	5.71
3-Jun-11	75	17,855	5.89
6-Jun-11	73	15,185	6.01
7-Jun-11	75	17,742	6.12
8-Jun-11	71	18,784	6.16
<b>June 02- June 08, 2011</b>	<b>73</b>	<b>16,673</b>	<b>5.98</b>

Source: Central Bank of Kenya

The repo rate declined by 2 basis points from 5.74 percent on the repo transaction in the week ending June 1, 2011 to 5.72 percent on the repo transaction in the week ending June 8, 2011.



**Monetary Policy Operations**

The Central Bank conducted open market operations by mopping Ksh 1.1 billion from the market in the week ending June 8, 2011. Reflecting tight liquidity conditions in the money market, commercial banks borrowed Ksh 30.04 billion from the Central Bank overnight window up from Ksh 3.8 billion in the previous week. Reserve money averaged Ksh 229.6 billion during the week and was above target by Ksh 16.0 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)
2-Jun-11	217.2	213.4	3.8	0.5	0.5	0.0	228.5	15.1	6.1	9.0
3-Jun-11	218.7	213.4	5.3	0.5	0.1	-0.4	231.8	18.4	8.8	9.5
6-Jun-11	221.6	213.6	8.0	0.0	0.0	0.0	227.6	14.0	3.4	10.6
7-Jun-11	224.1	213.6	10.5	0.5	0.5	0.0	229.4	15.8	3.9	11.9
8-Jun-11	220.7	213.6	7.1	0.0	0.0	0.0	230.4	16.8	5.8	11.0
Average	220.5	213.5	6.9	0.3	0.2	-0.1	229.6	16.0	5.6	10.4

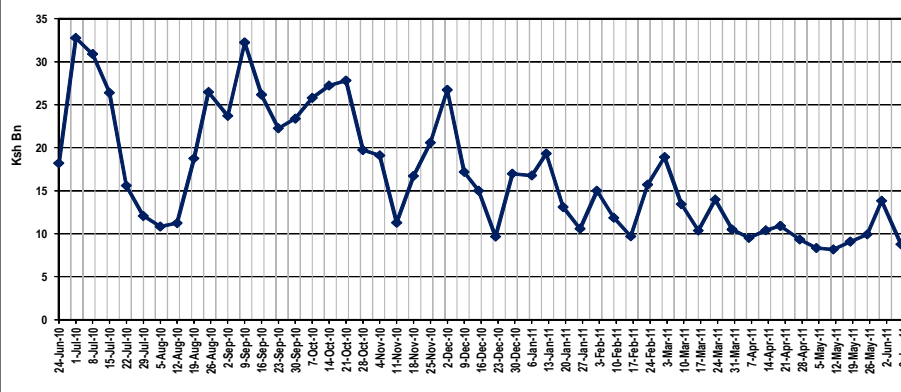
\*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Commercial Banks Clearing Accounts Balances**

Commercial banks maintained an average of Ksh 8.8 billion in their clearing accounts at the Central Bank in the week to June 8, 2011, compared with Ksh 13.8 billion held 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 on average depreciated against the major international currencies during the week ending June 10, 2011 (Table 4). Against the US dollar, the shilling depreciated to exchange at Ksh 87.36 in the week compared with Ksh 86.09 per US dollar in the previous week. The weakening of the shilling reflected demand for the US dollar from the energy sector. The shilling also depreciated against the Sterling Pound, the Euro and the Japanese Yen to exchange on average at Ksh 143.22 per Sterling Pound, Ksh 127.67 per Euro and Ksh 108.94 per 100 Japanese Yen compared with Ksh 141.36 per Sterling Pound, Ksh 123.78 per Euro and Ksh 106.39 per 100 Japanese Yen in the previous week.

In the EAC region, the Kenya Shilling depicted mixed performance against other East African currencies during the week ending June 10, 2011. The Kenya shilling weakened against Uganda shilling, Rwanda Franc and Burundi Franc to exchange at Ushs 27.44 per Kenya Shilling, RWF 6.86 per Kenya shilling and BIF 14.08 per Kenya Shilling, respectively in the week ending June 10, 2011. Against the Tanzania shilling, it appreciated to trade at Tshs 18.02 per Kenya shilling compared with Tshs 17.95 per Kenya Shilling in the week ending June 3, 2011.

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
30-May-11	85.52	140.80	122.00	105.85	28.01	18.13	7.02	14.38
31-May-11	85.70	141.63	123.47	105.52	27.89	17.92	7.00	14.35
2-Jun-11	86.38	141.32	124.20	106.71	27.65	17.89	6.95	14.24
3-Jun-11	86.75	141.70	125.46	107.49	27.55	17.86	6.92	14.18
<b>May 30 - June 3, 2011</b>	<b>86.09</b>	<b>141.36</b>	<b>123.78</b>	<b>106.39</b>	<b>27.77</b>	<b>17.95</b>	<b>6.97</b>	<b>14.29</b>
6-Jun-11	86.83	142.66	127.15	108.10	27.53	17.94	6.89	14.17
7-Jun-11	87.04	142.48	127.40	108.35	27.49	18.01	6.89	14.14
8-Jun-11	87.72	144.18	128.80	109.56	27.36	17.90	6.83	14.02
9-Jun-11	87.56	143.81	128.03	109.29	27.41	17.99	6.85	14.05
10-Jun-11	87.66	142.97	126.97	109.40	27.41	18.25	6.83	14.03
<b>June 6 - June 10, 2011</b>	<b>87.36</b>	<b>143.22</b>	<b>127.67</b>	<b>108.94</b>	<b>27.44</b>	<b>18.02</b>	<b>6.86</b>	<b>14.08</b>

Source: Central Bank of Kenya

## Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,965 million (equivalent to 3.85 months of imports) as at June 3, 2011, to US dollar 3,998 million (equivalent to 3.88 months of imports) as at June 10, 2011 (Table 5).

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

	31-Mar-11	29-Apr-11	13-May-11	20-May-11	27-May-11	3-Jun-11	10-Jun-11
Usable Reserves*	3,887	3,956	3,925	3,923	3,907	3,965	3,998
Months of Imports Cover**	3.77	3.82	3.81	3.81	3.79	3.85	3.88

\*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 81.4 billion from Ksh 660.3 billion in June 2010 to Ksh 741.7 billion as at June 3, 2011 (Table 6 and Chart C). This reflects the increases in Treasury bonds and overdraft at the Central Bank of Ksh 136.8 billion and Ksh 0.2 billion respectively. This was, however, partially offset by decreases of Ksh 55.6 billion in both Treasury bills, other domestic debt and long term stocks.

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

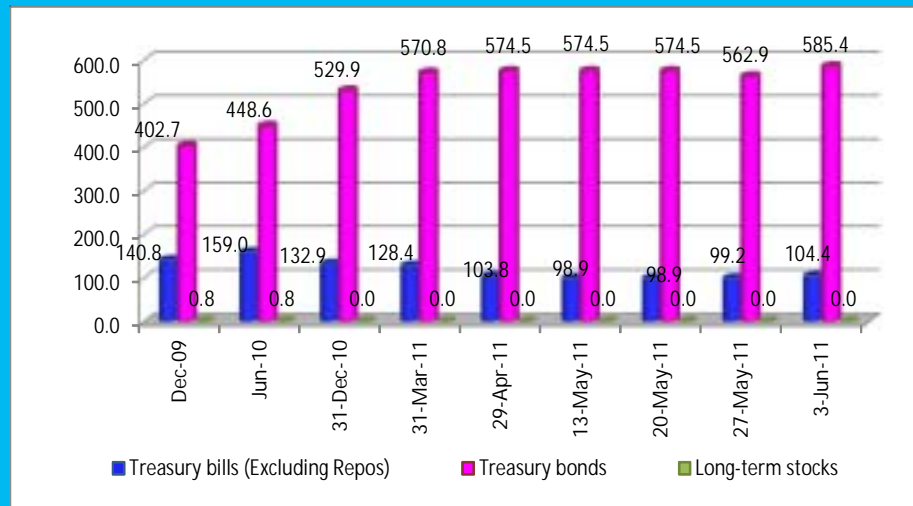
	Jun-10	Dec-10	27th May-2011	3rd June-2011	Changes	
					27th May 2011-3rd June-11	30th Jun 2011-3rd June 2011
1. Treasury Bills (Excluding Repos) (As % of total securities)	159.0 26.1	132.9 20.1	99.2 15.0	104.4 15.1	5.2	-54.7
2. Treasury Bonds (As % of total securities)	448.6 73.7	529.9 79.9	562.9 85.0	585.4 84.9	22.5	136.8
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	-0.8
4. Total Securities (1+2+3)	608.4	662.8	662.1	689.7	27.7	81.3
5. Overdraft at Central Bank	17.6	22.7	22.9	17.8	-5.1	0.2
6. Other Domestic debt*	34.2	34.8	34.1	34.1	0.0	-0.1
7. Gross Domestic Debt (4+5+6)	660.3	720.2	719.1	741.7	22.6	81.4
8. Interest payments on domestic debt	57.8	34.2	58.2	61.6	3.4	

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

Source: Central Bank of Kenya

Treasury bonds increased from Ksh 448.6 billion in June 2010 to Ksh 585.4 billion as at June 3, 2011, while Treasury bills declined from Ksh 159.0 billion to Ksh 104.4 billion during the same period. As a result, the share of Treasury bonds in total domestic debt increased from 73.7 percent in June 2010 to 84.9 percent as at June 3, 2011, while that of Treasury bills declined from 26.1 percent to 15.1 percent. The average time to maturity of Government securities increased from 4 years 3 months in June 2010 to 6 years 1 month during this period.

**Chart C: Composition of Government Securities**

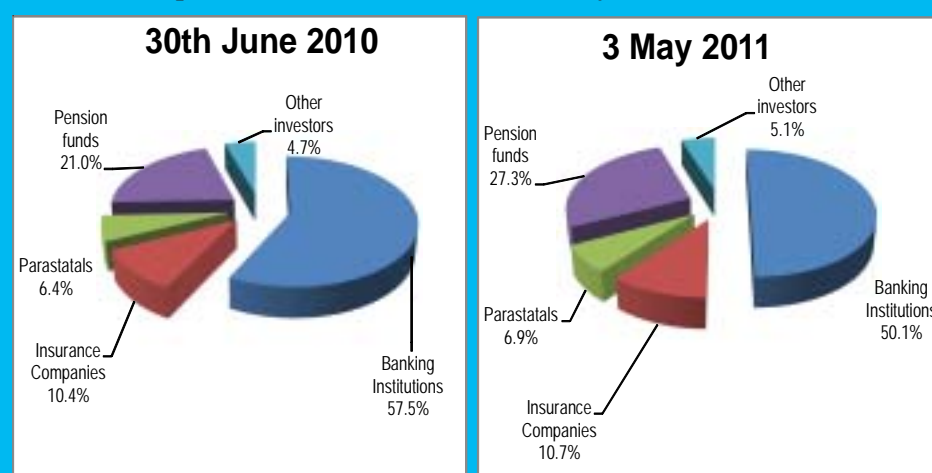


Source: Central Bank of Kenya

**Holding of Govt Securities**

The holdings of Government securities by parastatals, pension funds and insurance companies increased from 6.4 percent, 21.0 percent and 10.4 percent, respectively in June 2010 to 6.9 percent, 27.3 percent and 10.7 percent, respectively as at June 3, 2011. Holdings of commercial banks declined from 57.5 percent to 50.1 percent (Chart D).

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

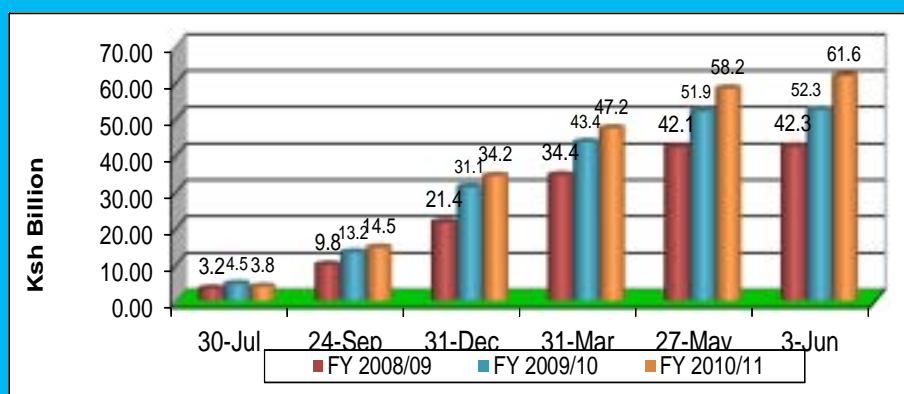


Source: Central Bank of Kenya

**Cost of Domestic Borrowing**

The cumulative interest and other charges on domestic debt as at June 3, 2011 amounted to Ksh 61.6 billion compared with Ksh 52.3 billion in a similar period of the fiscal year 2009/10 (Chart E). The cost during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 8.4 billion and Ksh 52.2 billion, respectively, while interest on Government overdraft at the Central Bank amounted to Ksh 1.0 billion.

Chart E: Cumulative Interest Payments on Domestic Debt



Source: Central Bank of Kenya

### The Stock Market

The equities turnover increased by 40.4 percent, with stocks worth Ksh 1,991.0 million being traded compared to Ksh 1,418.3 million traded in the week ended June 2, 2011. The number of shares traded increased from 71.3 million to 94.8 million shares during the period under review. Market capitalization as a measure of total shareholders' wealth however, decreased to Ksh 1,144.7 billion from last week's value of Ksh 1,150.2 billion. Similarly, the NSE 20 Share Index lost 4.9 points to a level of 4,086.6 points on June 9, 2011 from 4,091.6 points on June 2, 2011. Likewise, the Nairobi All Share Index dropped to 93.25 from 93.70 points (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	7-Apr-11	14-Apr-11	20-Apr-11	28-Apr-11	5-May-11	12-May-11	19-May-11	26-May-11	2-Jun-11	9-Jun-11
NASI 100= Jan 2008	93.29	93.70	93.72	93.81	95.31	93.34	93.54	93.37	93.70	93.25
NSE 20 Share Index 100=1966	3,993.07	3,998.60	4,007.73	4,005.78	4,031.78	3,992.55	3,986.78	4,070.05	4,091.55	4,086.62
Number of Deals	7,765.00	9,005.00	6,642.00	6,212.00	7,464.00	8,984.00	8,196.00	8,020.00	6,853.00	9,126.00
Total Shares Traded (millions)	156.82	163.20	81.27	65.20	113.09	87.50	94.38	89.50	71.04	94.86
Equity Turnover (Ksh. millions)	1,869.35	2,399.80	1,281.67	1,700.74	2,489.05	1,914.78	2,107.91	1,377.74	1,418.37	1,991.03
Market Capitalization (Ksh. Bn.)	1,136.41	1,141.40	1,141.64	1,150.38	1,168.67	1,144.55	1,147.05	1,144.96	1,150.19	1,144.69
Bonds Turnover (Ksh. millions)	10,406.20	11,081.75	6,593.25	3,953.00	5,279.35	3,397.25	8,713.95	8,201.70	10,497.30	16,727.00

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

Source: Nairobi Stock Exchange

Commercial and Services sector was most active, transacting 49.4 million shares or 52.2 percent of the traded volume. Of this, Safaricom counter accounted for 29.7 million shares during the week. Finance and Investment sector traded 30.1 million shares, while Industrial and Allied sector had 14.3 million shares change hands. These sectors accounted for 31.8 percent and 15.1 percent of total volume transacted, respectively.

Equity Bank and Kenya Commercial Bank Ltd were the most active stocks in Finance and Investment sector, trading 8.1 million and 9.2 million shares, respectively. KenGen Ltd. and Mumias Sugar Co. Ltd. were the most active counters in the Industrial and Allied sector, with 3.5 million and 4.2 million shares traded, respectively. The Alternative market segment traded 41,400 from 32,000 in the previous period.

The biggest closing and average price margin gains between June 2 and June 9, 2011, was for Bamburi Cement Ltd counter at Ksh 5 and Ksh 4.33 per share respectively. The biggest closing and average price margin losses was for Nation Media and Kakuzi Tea Limited at Ksh 5 and 3.125 per share, respectively.

**Bond Market**

Bond turnover at the Fixed Income Securities segment had a 59.3 percent rise, from Ksh 10.4 billion traded to Ksh 16.7 billion during the period under review.