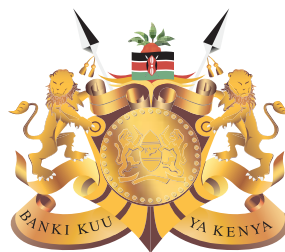


November 18, 2011



THE CBK WEEKLY BULLETIN

Highlights for the Week

The government offered for sale 91-day Treasury bills worth Ksh 4.0 billion and 182-day Treasury bills worth Ksh 3.0 billion during the week ending November 18, 2011. Performance was varied with the 91-day paper recording a rate of 81.9 percent, while the 182-day paper recorded 24.4 percent performance rate. Overall, competitive and non-competitive bids worth Ksh 4.0 billion were received, of which Ksh 3.96 billion were accepted. The average interest rates stood at 16.202 percent for the 91-day bill and 15.738 percent for the 182-day Treasury bills.

The average interbank rate rose to 30.17 percent during the week ending November 16, 2011 from 28.09 percent in the previous week. Commercial banks borrowing from the Central Bank overnight window declined to Ksh 26.3 billion during the week compared with Ksh 45.5 billion in the previous week.

The Kenya Shilling strengthened against the major world currencies in the week ending November 18, 2011. Against the US dollar the Kenya Shilling appreciated to exchange at Ksh 93.46 per US dollar compared with Ksh 96.22 per US dollar in the previous week.

The usable official foreign exchange reserves held by the Central Bank decreased from US dollar 3,716 million (equivalent to 3.41 months of imports) as at November 11, 2011 to US dollar 3,697 million (equivalent to 3.39 months of imports) in the week ending November 18, 2011.

Gross Government debt increased by Ksh 29.4 billion from Ksh 764.2 billion in June 2011 to Ksh 793.6 billion as at November 11, 2011. The cumulative interest and other charges on domestic debt from July 1, 2011 to November 11, 2011 amounted to Ksh 24.8 billion compared with Ksh 22.2 billion in the same period of the fiscal year 2010/11.

Overall performance of the securities exchange closed the week ending November 17, 2011 down. The NSE 20 Share Index dropped 76.9 points as the Nairobi All Share Index (NASI) shed 0.9 points. Equity turnover was 21.2 percent lower, with the volume of shares traded declining by 15.8 percent. The bonds' trading was however up by 92.1 percent during the week. The tradable FTSE NSE 15 Index and FTSE NSE 25 Index lost value, further highlighting investor losses during the week.

Government Securities Auction

The government offered for sale Ksh 7.0 billion in 91-day and 182-day Treasury bills during the week ending November 18, 2011. The 91-day bill performed better at 81.9 percent, during the week. Demand was low for the 182-day paper which recorded a performance rate of 24.4 percent. The 91-day bill attracted bids worth Ksh 3.3 billion of which Ksh 3.2 billion were accepted during the week. In addition, the Government accepted all the 182-day bids, equivalent to Ksh 0.7 billion, during the week.

Interest Rate on Treasury Bills & Bonds

Weighted average interest rate on the 91- day Treasury bills increased by 20.4 basis points to stand at 16.202 percent, while that on the 182-day Treasury bills increased by 7.7 basis points to stand at 15.738 percent during this week's auctions.

Table 1 : Interest Rates

Auction date	2-Sep-11	30-Sep-11	7-Oct-11	14-Oct-11	21-Oct-11	28-Oct-11	4-Nov-11	11-Nov-11
91 day T. Bills*	10.281	13.741	14.836	14.997	15.091	15.313	15.998	16.202
182 day T. Bills*		13.493	14.283	14.973	15.287	15.364	15.661	15.738
364 day T. Bills*			14.499				16.617	
Month	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jul-11	Aug-11	Sept
Average savings rate	1.25	1.41	1.37	1.38	1.38	1.37	1.37	1.35
Average overdraft rate	13.93	13.65	13.60	13.68	13.72	13.89	14.28	14.64

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate rose to 30.17 percent during the week ending November 16, 2011 from 28.09 percent in the previous week. Reflecting easing tightness in the interbank liquidity, the average interbank volumes traded declined to Ksh 11.55 billion in the week ending November 16, 2011 from Ksh 13.08 billion in the previous week.

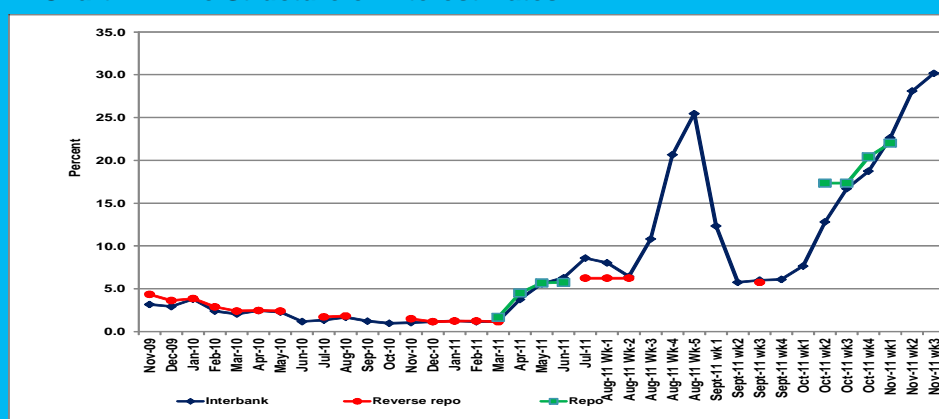
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
Oct 28 - Nov 3, 2011	59	10,844	22.64
4-Nov-11	76	14,321	25.94
5-Nov-11	76	13,567	27.02
8-Nov-11	69	12,392	28.00
9-Nov-11	66	13,119	29.43
10-Nov-11	70	12,004	30.06
Nov 4 - Nov 10, 2011	71	13,080	28.09
11-Nov-11	70	12,004	30.06
12-Nov-11	57	10,580	30.67
15-Nov-11	54	8,759	30.82
16-Nov-11	68	12,938	30.01
17-Nov-11	72	13,491	29.31
Nov 11 - Nov 17, 2011	64	11,554	30.17

Source: Central Bank of Kenya

The average repo rate was 22.0 percent for the repo transactions during the week ending November 3, 2011.

Chart A: The Structure of Interest Rates



Source: Central Bank of Kenya

Monetary Policy Operations

The money market was relatively tight during the week ending November 16, 2011. Commercial banks borrowed Ksh 26.3 billion from the Central Bank overnight window during the week ending November 16, 2011 compared with Ksh 45.5 billion in the previous week. Reserve money averaged Ksh 237.7 billion during the week and was above target by Ksh 5.8 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)
3-Nov-11	230.0	232.6	-2.6	0.0	0.0	0.0	236.9	4.3	-3.6	7.9
10-Nov-11	226.3	232.1	-5.8	0.0	0.0	0.0	241.3	9.2	-2.1	11.3
11-Nov-11	231.5	232.1	-0.6	0.0	0.0	0.0	238.2	6.1	-5.5	11.6
14-Nov-11	232.5	231.6	0.9	0.0	0.0	0.0	237.4	5.7	-5.4	11.1
15-Nov-11	233.5	231.6	1.8	0.0	0.0	0.0	235.2	3.6	-7.2	10.8
16-Nov-11	233.2	231.6	1.5	0.0	0.0	0.0	237.5	5.8	-4.6	10.4
Average	231.2	231.9	-0.8	0.0	0.0	0.0	237.7	5.8	-4.7	10.5

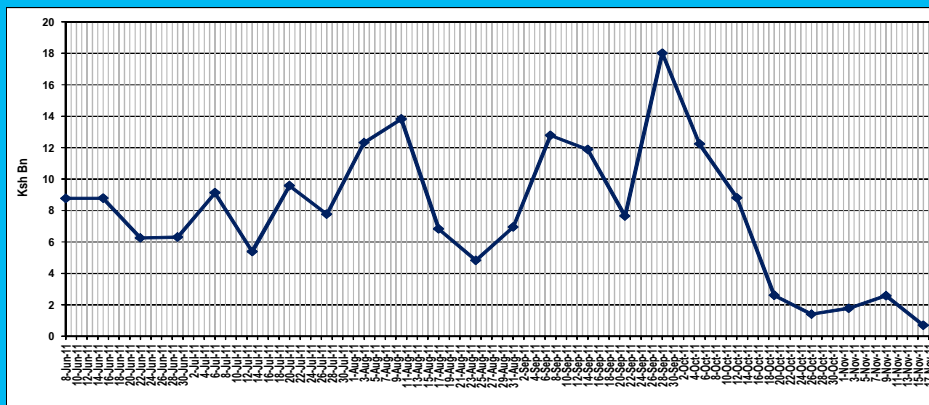
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 0.7 billion in their settlement accounts above the 4.75 percent monthly average cash reserve requirements at the Central Bank in the week to November 16, 2011, up from Ksh 2.6 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 US dollar, the Sterling Pound, the Euro and the Japanese Yen to exchange at Ksh 93.46 per US dollar, Ksh 148.11 per Sterling Pound, Ksh 126.70 per Euro and Ksh 121.37 per 100 Japanese Yen in the week ending November 18, 2011 compared to Ksh 96.22 per US dollar, Ksh 153.94 per Sterling Pound, Ksh 131.79 per Euro and Ksh 123.68 per 100 Japanese Yen in the previous week. The local currency strengthened as commercial banks offloaded long dollar positions in the face of a shilling liquidity crunch and as importers withheld orders for dollars, expecting further shilling gains.

In the EAC region, the Kenya Shilling appreciated against the other East African currencies during the week ending November 18, 2011. The Kenya shilling strengthened against the Uganda shilling, Tanzania Shilling, the Rwanda Franc and Burundi Franc. On average, the Kenya shilling exchange at Ushs 27.64 per Kenya Shilling, Tshs 18.68 per Kenya shilling, RWF 6.45 per Kenya shilling and BIF 13.33 per Kenya Shilling during the week, compared to Ushs 27.04 per Kenya Shilling, Tshs 18.38 per Kenya shilling, RWF 6.26 per Kenya shilling and BIF 13.00 per Kenya Shilling, in the week ending November 11, 2011 respectively (Table 4).

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
7-Nov-11	97.38	155.84	134.00	124.52	26.85	18.29	6.18	13.20
8-Nov-11	96.97	155.54	133.29	124.24	26.76	18.31	6.22	12.84
9-Nov-11	96.27	154.96	133.16	124.17	26.83	18.36	6.25	12.90
10-Nov-11	95.69	152.37	129.41	123.22	27.22	18.34	6.29	12.98
11-Nov-11	94.80	150.99	129.09	122.24	27.55	18.59	6.35	13.10
Nov 04-11, 2011	96.22	153.94	131.79	123.68	27.04	18.38	6.26	13.00
14-Nov-11	93.22	149.43	128.00	120.89	27.84	18.86	6.46	13.33
15-Nov-11	93.72	149.09	127.51	121.66	27.64	18.67	6.43	13.31
16-Nov-11	94.15	148.49	126.60	122.21	27.50	18.64	6.41	13.25
17-Nov-11	93.68	147.59	126.58	121.67	27.64	18.73	6.44	13.32
18-Nov-11	92.54	145.95	124.84	120.40	27.61	18.48	6.52	13.46
Nov 14-18, 2011	93.46	148.11	126.70	121.37	27.64	18.68	6.45	13.33

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank decreased from US dollar 3,716 million (equivalent to 3.41 months of imports) as at November 11, 2011 to US dollar 3,697 million (equivalent to 3.39 months of imports) in the week ending November 18, 2011 (Table 5).

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

	7-Oct-11	14-Oct-11	21-Oct-11	28-Oct-11	4-Nov-11	11-Nov-11	18-Nov-11
Usable Reserves*	3,731	3,766	3,743	3,723	3,691	3,716	3,697
Months of Imports Cover**	3.42	3.46	3.44	3.42	3.39	3.41	3.39

*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 29.4 billion from Ksh 764.2 billion in June 2011 to Ksh 793.6 billion as at November 11, 2011 (Table 6 and Chart D). This was largely on account of increases of Ksh 17.8 billion and Ksh 10.5 billion respectively in the Government overdraft at the Central Bank and the stock of Treasury bonds during the period. The Treasury bills market experienced more fluctuations during the period, responding faster to the economic dynamics created by the high interest rates and the falling shilling, mainly due to their short term nature. Other government debt declined during the period as shown below. Movements during the week ending November 11, 2011 resulted in a net decline in gross domestic debt, equivalent to Ksh 1.0 billion.

Table 6: Government Domestic Debt (Ksh Billion)

	Jun-11	Sep-11	4th Nov 2011	11th Nov 2011	Changes	
					4th Nov 2011-11th Nov 2011	30th Jun 2011-11th Nov 2011
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	113.7 16.1	128.6 17.5	127.3 17.4	-1.3	0.5
2. Treasury Bonds (As % of total securities)	595.7 82.5	591.5 83.9	606.9 82.5	606.2 82.6	-0.7	10.5
3. Total Securities (1+2+3)	722.4	705.3	735.5	733.4	-2.1	11.0
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	33.7	34.8	1.1	0.5
6. Gross Domestic Debt (4+5+6)	764.22	764.27	794.54	793.56	-1.0	29.3
7. Interest payments on domestic debt	69.2	17.37	23.47	24.76	1.30	

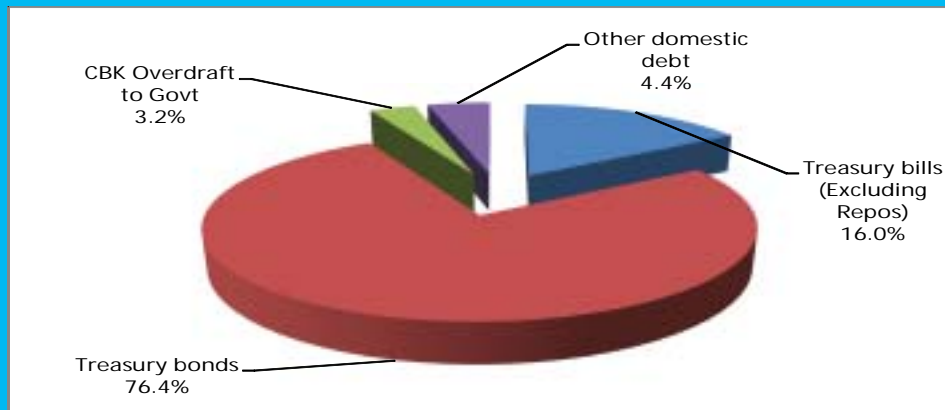
* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and TRCs.

Source: Central Bank of Kenya

Treasury bill and Treasury bond stocks declined during the week ending November 11, 2011, to stand at Ksh 127.3 billion and Ksh 606.2 billion respectively, from Ksh 128.6 billion and Ksh 606.9 billion in the previous week. Compared with June 2011, however, Treasury bonds and bills expanded by Ksh 10.5 billion and Ksh 0.5 billion, respectively. Overall, the

proportions of Treasury bills and Treasury bonds in total securities changed marginally, to stand at 17.4 and 82.6 percent respectively as at November 11, 2011, from 17.5 and 82.5 percent respectively in June 2011. Following this, the average time to maturity of Government securities stood at 5 years and 10 months, a position held at the end of June 2011.

Chart C: Composition of Government Securities (November 11, 2011)

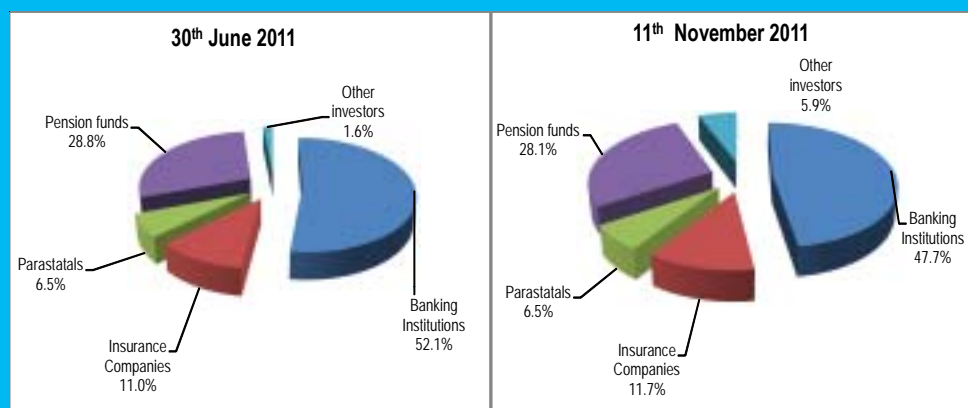


Source: Central Bank of Kenya

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 stand at 47.7 and 28.1 percent as at November 11, 2011. Holdings of insurance companies and other investors increased from 11.0 percent and 1.6 percent to 11.7 percent and 5.9 percent, respectively, during the period (Chart D).

Chart D: Composition of Government Securities by Investors

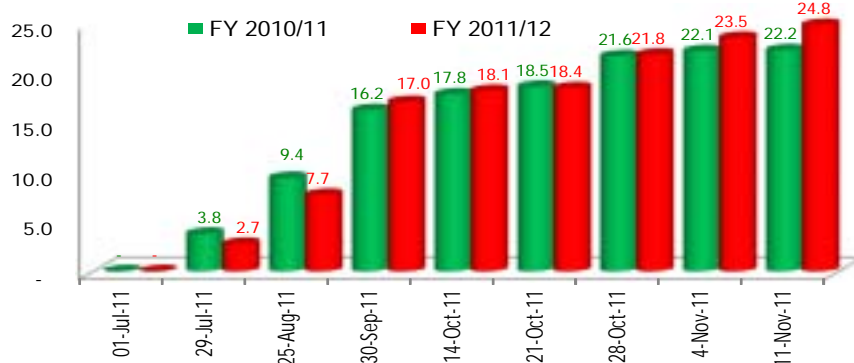


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative interest and other charges on domestic debt from July 1, 2011 to November 11, 2011 amounted to Ksh 24.8 billion compared with Ksh 22.2 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 3.7 billion and Ksh 20.5 billion, respectively. Government overdraft at Central Bank accounted for Ksh 0.6 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 3370.72 points on November 17, 2011 from 3447.66 points on November 10, 2011. Similarly, NASI dropped to 71.60 points from 72.47 points during the period. Equity turnover lost Ksh 185.5 million to trade stocks worth Ksh 690.1 million for the week ended November 17, 2011, from Ksh 875.6 million by close of November 10, 2011. Market Capitalization as a measure of total shareholders' wealth, lost Ksh 10.2 billion to level Ksh 913.8 billion from last week's value of Ksh 924 billion. The number of shares transacted increased to 89.2 million from 77.1 million the previous week, reflecting investors' intention to minimize losses.

Table 7: Key Weekly Market Statistics

Week Ending	22-Sep-11	29-Sep-11	6-Oct-11	13-Oct-11	19-Oct-11	27-Oct-11	3-Nov-11	10-Nov-11	17-Nov-11
NASI 100= Jan 2008	74.55	70.07	69.65	68.52	68.97	70.45	72.53	72.47	71.60
NSE 20 Share Index 100=1966	3,430.27	3,291.79	3,281.96	3,290.90	3,300.48	3,381.90	3,497.10	3,447.66	3,370.72
Number of Deals	6,141	4,645	4,003	5,368	4,993	5,788	5,795	4,041	4,347
Total Shares Traded (millions)	78.96	54.43	102.50	51.00	98.06	253.53	131.80	53.08	89.28
Equity Turnover (Ksh. millions)	850.48	1,001.73	1,088.30	726.80	595.88	1,727.03	1,013.36	573.59	690.12
Market Capitalization (Ksh. Bn.)	939.93	909.83	889.68	873.70	879.36	898.17	924.70	924.04	913.81
Bonds Turnover (Ksh. millions)	8,904.65	4,511.90	9,905.45	8,425.40	7,922.50	7,900.30	3,541.10	4,119.10	7,913.20

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

Source: Nairobi Stock Exchange

Telecommunication and Technology sector dominated trading, with 85 million shares, accounting for 73.9 percent of all shares transacted at the bourse. Of this, Safaricom was the most active counter, with 82.9 million shares traded. Banking sector had 15.0 million shares, and Energy and Petroleum sector came third, with 5.4 million shares traded. Safaricom, Equity Bank and Mumias Sugar were the top three most active counters with 82.9 million, 8.5 million and 3.0 million, respectively. The least active sector was Automobile and Accessories with 71,700 shares traded during the week.

The biggest closing and average price gains between the week ending November 10 and November 17, 2011, were East African Breweries and Scangroup at Ksh 12 and Ksh 9 per share respectively. The biggest closing and average price margin losses were for Kakuzi and Athi River Mining at Ksh 7 and Ksh 14.3 per share, respectively.

**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, lost 151 basis points to level 91.89 points on November 17, 2011 from 93.40 points on its debut on November 10, 2011. Similarly, FTSE NSE Kenya 25 Index, which measures performance of 25 most liquid stocks trading at the Exchange, lost 153 basis points to level 94.50 points from 96.03 points during the period of 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 rose from Ksh 4.1 billion for the week ending November 10 to Ksh 7.9 billion for the week ending November 17, 2011. Total deals transacted over the period increased to 102 from 47 the previous week.