

November 25, 2011



THE CBK WEEKLY BULLETIN

Highlights for the Week

The government offered for sale 91-day and 182-day Treasury bills worth Ksh 4.0 billion and Ksh 3.0 billion, respectively, and a 2-year fixed rate Treasury bond worth Ksh 15.0 billion during the week ending November 25, 2011. The Treasury bills recorded a performance of 33.1 percent and 22.7 percent for the 91-day and 182-day bills, respectively, while the Treasury bond recorded 71.9 percent performance rate. The average interest rates for 91-day and 182-day Treasury bills was 16.601 percent and 16.471 percent, respectively, while that of 2-year Treasury bond was 22.844 percent.

The average interbank rate rose to 30.28 percent during the week ending November 23, 2011 from 30.17 percent in the previous week. Commercial banks borrowing from the Central Bank overnight window declined to Ksh 19.2 billion during the week compared with Ksh 26.3 billion in the previous week.

The Kenya Shilling strengthened against major international currencies in the week ending November 25, 2011. Against the US dollar the Kenya Shilling appreciated by 3.20 percent to exchange at Ksh 90.47 per US dollar compared with Ksh 93.46 per US dollar in the previous week.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,697 million (equivalent to 3.39 months of imports) as at November 18, 2011 to US dollar 3,711 million (equivalent to 3.41 months of imports) in the week ending November 25, 2011. At this level, the official foreign exchange reserves were within the Net International Reserves (NIR) target for December 2011 under the Extended Credit Facility (ECF).

Gross Government debt increased by Ksh 31.3 billion from Ksh 764.2 billion in June 2011 to Ksh 795.5 billion as at November 18, 2011. The cumulative interest and other charges on domestic debt from July 1, 2011 to November 18, 2011 amounted to Ksh 24.1 billion compared with Ksh 22.6 billion in the same period of the fiscal year 2010/11.

Overall performance of the securities exchange declined in the week ending November 24, 2011. The NSE 20 Share index declined to 3,288.70 on November 24, 2011 from 3,370.72 on November 17, 2011, while equity turnover was 36.0 percent weaker. Both the FTSE NSE 15 Index and FTSE NSE 25 Index declined in value during the week.

Government Securities Auction

The government offered for sale Treasury bills and Treasury bonds worth Ksh 7.0 billion and Ksh 15.0 billion, respectively during the week ending November 25, 2011. Treasury bills attracted bids worth Ksh 2.0 billion during the week, while Treasury bonds attracted Ksh 10.8 billion, of which Ksh 9.8 billion were accepted. Performance rate for the Treasury bond stood at 71.9 percent.

Interest Rate on Treasury Bills & Bonds

Weighted average interest rate on the 91- day Treasury bills increased by 39.9 basis points to 16.601 percent, while that on the 182-day Treasury bills increased by 73.3 basis points to 16.471 percent during this week's auctions. The average interest rate on the 2-year Treasury bond went up by 631.8 basis points, from 16.526 percent in the previous auction of the same tenure to 22.844 percent in this week's auction (Table 1).

Table 1 : Interest Rates

Auction date	30-Sep-11	7-Oct-11	14-Oct-11	21-Oct-11	28-Oct-11	4-Nov-11	11-Nov-11	18-Nov-11	25-Nov-11
91 day T. Bills*	13.741	14.836	14.997	15.091	15.313	15.743	15.998	16.202	16.601
182 day T. Bills*	13.493	14.283	14.973	15.287	15.364	15.742	15.661	15.738	16.471
364 day T. Bills*		14.499					16.617		
Month	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jul-11	Aug-11	Sep-11	Oct-11
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

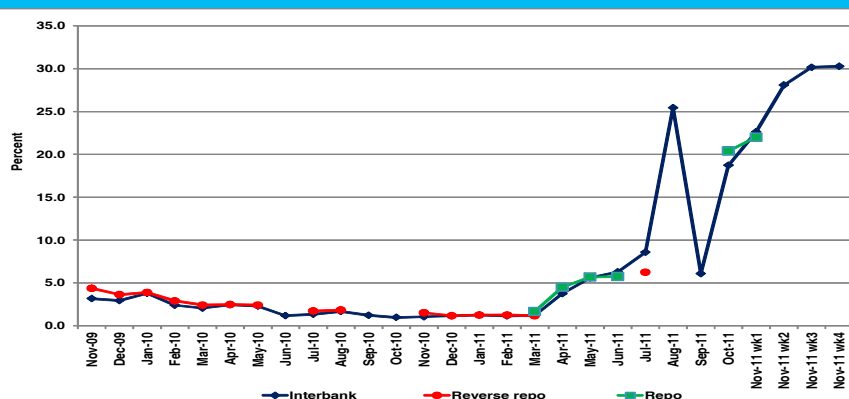
The average interbank rate rose to 30.28 percent during the week ending November 24, 2011 from 30.17 percent in the previous week. The average interbank volumes traded rose to Ksh 14.78 billion in the week ending November 23, 2011 from Ksh 11.55 billion in the previous week (Table 2 and Chart A).

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
18-Nov-11	63	16,103	29.70
19-Nov-11	70	13,902	29.48
22-Nov-11	80	15,711	30.25
23-Nov-11	73	14,136	30.62
24-Nov-11	92	14,069	31.36
Nov 18 - Nov 24, 2011	76	14,784	30.28

Source: Central Bank of Kenya

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 23, 2011. Commercial banks borrowed Ksh 19.2 billion from the Central Bank overnight window during the week ending November 23, 2011 compared with Ksh 26.3 billion in the previous week. Reserve money averaged Ksh 237.2 billion during the week and was above target by Ksh 5.9 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	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)
17-Nov-11	233.4	231.6	1.8	0.0	0.0	0.0	233.7	2.1	-7.9	10.0
18-Nov-11	228.7	231.6	-2.9	0.0	0.0	0.0	239.4	7.8	-2.8	10.6
21-Nov-11	229.9	231.2	-1.3	0.0	0.0	0.0	235.2	4.1	-5.1	9.1
22-Nov-11	231.3	231.2	0.1	0.0	0.0	0.0	239.1	7.9	-1.2	9.1
23-Nov-11	236.9	231.2	5.7	0.0	0.0	0.0	238.6	7.5	-1.3	8.8
Average	232.0	231.4	0.7	0.0	0.0	0.0	237.2	5.9	-3.7	9.5

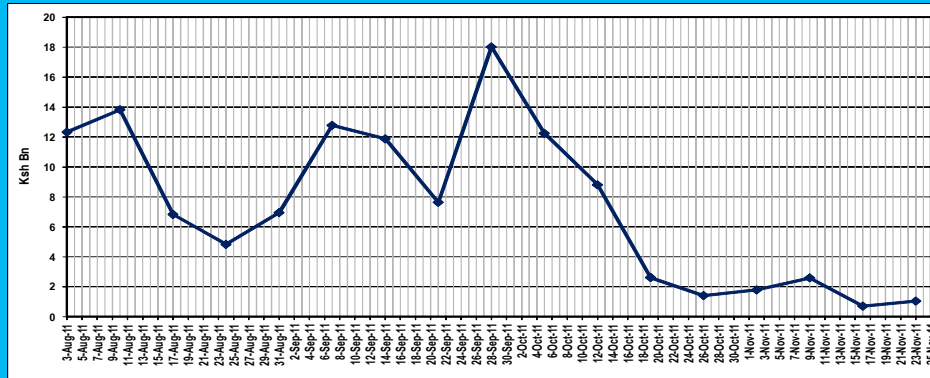
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 1.04 billion in their settlement accounts above the 4.75 percent monthly average cash reserve requirements at the Central Bank in the week to November 23, 2011, up from Ksh 0.7 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 against major international currencies in the week ending November 25, 2011. Against the US dollar, the Kenya Shilling appreciated by 3.20 percent to exchange at an average of Ksh 90.47 in the week compared with Ksh 93.46 per US dollar in the week ending November 18, 2011. The Kenya Shilling also appreciated against the Sterling Pound, the Euro and the Japanese Yen to exchange on average at Ksh 141.16 per Sterling Pound, Ksh 121.48 per Euro and Ksh 117.37 per 100 Japanese Yen in the week ending November 25, 2011 compared to Ksh 148.11 per Sterling Pound, Ksh 126.70 per Euro and Ksh 121.37 per 100 Japanese Yen in the previous week.

In the EAC region, the Kenya Shilling exchanged at Ushs 28.23 per Kenya Shilling, Tshs 18.86 per Kenya Shilling, RWF 6.66 per Kenya Shilling and BIF 13.75 per Kenya Shilling during the week, compared to 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, in the week ending November 18, 2011, respectively (Table 4).

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
21-Nov-11	91.04	143.33	123.10	118.48	27.66	18.89	6.62	13.69
22-Nov-11	90.67	141.89	122.37	117.69	27.76	18.75	6.64	13.73
23-Nov-11	90.06	140.74	121.23	116.92	28.18	18.89	6.70	13.83
24-Nov-11	90.31	140.39	120.64	117.09	28.79	18.88	6.67	13.79
25-Nov-11	90.27	139.46	120.04	116.66	28.75	18.89	6.66	13.73
Nov 21-25, 2011	90.47	141.16	121.48	117.37	28.23	18.86	6.66	13.75

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,697 million (equivalent to 3.39 months of imports) as at November 18, 2011 to US dollar 3,711 million (equivalent to 3.41

months of imports) in the week ending November 25, 2011 (Table 5). At this level, the official foreign exchange reserves were within the Net International Reserves (NIR) target for December 2011 under the Extended Credit Facility (ECF).

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	25-Nov-11
Usable Reserves*	3,731	3,766	3,743	3,723	3,691	3,716	3,697	3,711
Months of Imports Cover**	3.42	3.46	3.44	3.42	3.39	3.41	3.39	3.41

*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 31.3 billion from Ksh 764.2 billion in June 2011 to Ksh 795.5 billion as at November 18, 2011 (Table 6 and Chart C). This was on account of increases of Ksh 17.8 billion, Ksh 10.5 billion and Ksh 2.4 billion, respectively, in the Government overdraft at the Central Bank, the stock of Treasury bonds and Treasury bills during the period. The Government overdraft remained within the statutory limit of Ksh 25.4 billion, based on the 2009/10 audited Government accounts. Other government debt declined during the period. Movements during the week ending November 18, 2011 resulted in a net increase in gross domestic debt, equivalent to Ksh 1.9 billion.

Table 6: Government Domestic Debt (Ksh Billion)

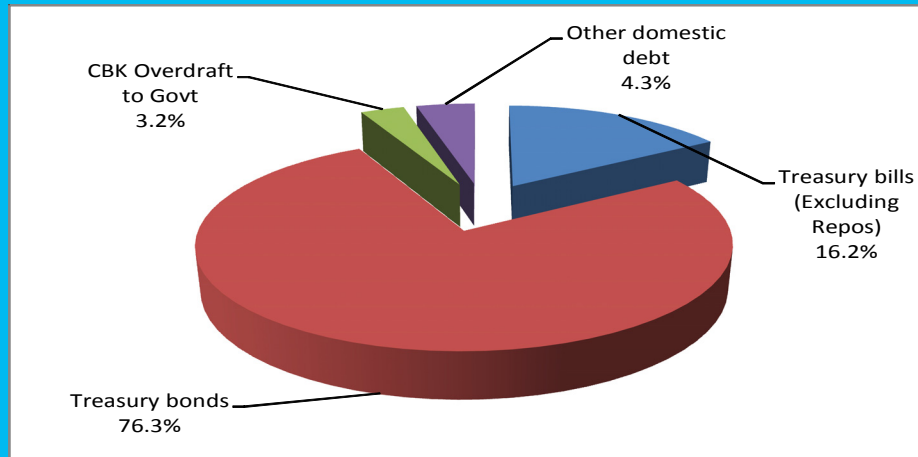
	Jun-11	Sep-11	11th Nov 2011	18th Nov 2011	Changes	
					11th Nov 2011-18th Nov 2011	30th Jun 2011-18th Nov 2011
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	113.7 16.1	127.3 17.4	129.1 17.5	1.8	2.4
2. Treasury Bonds (As % of total securities)	595.7 82.5	591.5 83.9	606.2 82.6	606.2 82.3	0.0	10.5
3. Total Securities (1+2+3)	722.4	705.3	733.4	736.3	2.8	13.9
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	34.8	33.8	-0.9	-0.4
6. Gross Domestic Debt (4+5+6)	764.22	764.27	793.56	795.49	1.9	31.3
7. Interest payments on domestic debt	69.2	17.37	23.89	24.12	0.24	

* 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 increased by Ksh 1.8 billion during the week ending November 18, 2011 to stand at Ksh 129.1 billion. The week remained quiet with no activity in the bond market and no movements in the government overdraft. Following this, the average time to maturity of government securities stood at 5 years and 10 months, same as the position held at the end of June 2011.

Chart C: Composition of Government Securities (November 18, 2011)

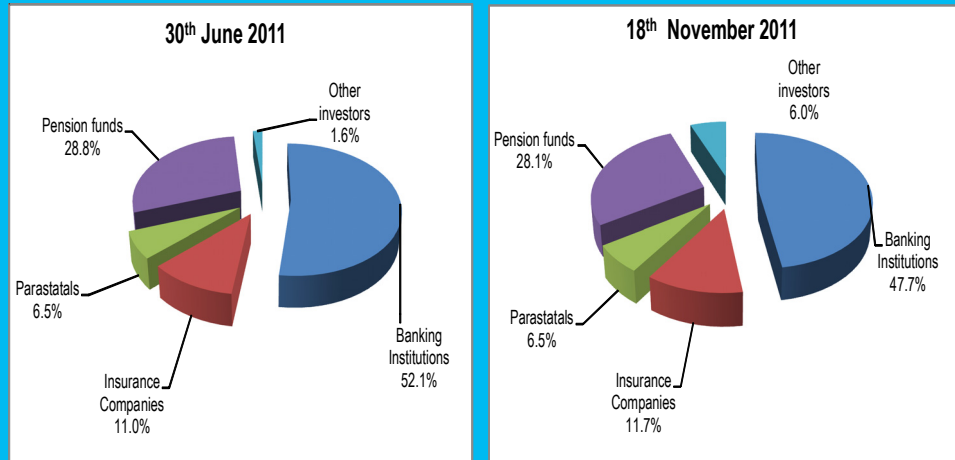


Source: Central Bank of Kenya

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 18, 2011. Holdings of insurance companies and other investors increased from 11.0 percent and 1.6 percent to 11.7 percent and 6.0 percent, respectively, during the period (Chart D).

Chart D: Composition of Government Securities by Investors

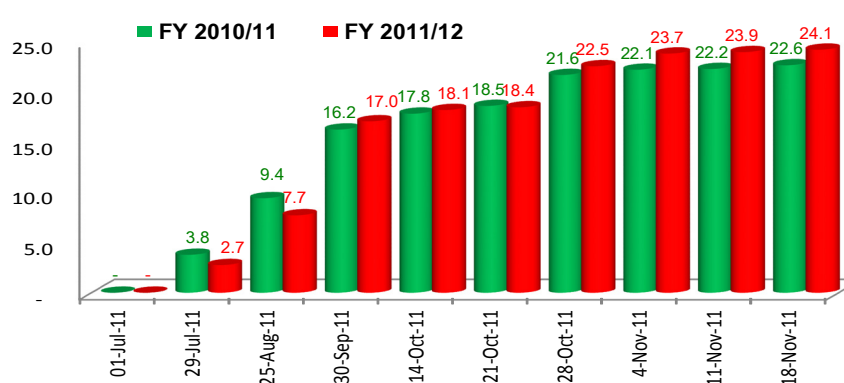


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative interest and other charges on domestic debt from July 1, 2011 to November 18, 2011 amounted to Ksh 24.1 billion compared with Ksh 22.6 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 3.76 billion and Ksh 19.76 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 declined to 3,288.70 points on November 24, 2011 from 3,370.72 points on November 17, 2011, as NASI settled to 69.46 points from 71.60 points during the period (Table 7). Equity turnover declined by Ksh 317.4 million to trade stocks worth Ksh 564.9 million from Ksh 882.4 million during period of review. Market Capitalization as a measure of total shareholders’ wealth declined by Ksh 27.3 billion to Ksh 886.492 billion from last week’s value of Ksh 913.810 billion. The number of shares traded during the week was 33.8 million.

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
NASI 100= Jan 2008	69.65	68.52	68.97	70.45	72.53	72.47	71.60	69.46
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
Number of Deals	4,003	5,368	4,993	5,788	5,795	4,041	4,347	3,669
Total Shares Traded (millions)	102.50	51.00	98.06	253.53	131.80	53.08	89.28	33.87
Equity Turnover (Ksh. millions)	1,088.30	726.80	595.88	1,727.03	1,013.36	573.59	690.12	564.99
Market Capitalization (Ksh. Bn.)	889.68	873.70	879.36	898.17	924.70	924.04	913.81	886.49
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

* 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 18.1 million shares, accounting for 38 percent of all shares transacted at the bourse. Banking sector came second with 17.7 million shares, and Manufacturing and Allied sector closed third most active sector, with 6.5 million shares traded. Safaricom, Equity Bank and Mumias Sugar were the top three most active counters with 15.3 million, 10.0 million and 5.8 million shares, respectively. The least active sector was Agriculture with 199,100 shares.

The biggest closing and average price gains between the week ending November 17 and November 24, 2011, were Jubilee Holdings Ltd. and East African Breweries at Ksh 4 and Ksh 5.4 per share, respectively. The biggest closing and average price margin losses were for Athi River Mining and Carbacid Investment at Ksh 12 and Ksh 4.5 per share, respectively. Of the 58 listed companies, only six counters recorded price gains during the 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 397 basis points to level 87.92 points on November 24, 2011 from 91.9 points on November 17, 2011. FTSE NSE Kenya 25 Index, which measures performance of 25 most liquid stocks trading at the Exchange, declined by 419 basis points to level 90.31 points from 94.5 points during the period of review.

Bond Market

Bonds trading at the Fixed Income Securities Market dropped from Ksh 7.91 billion for the week ending November 17 2011 to Ksh 6.41 billion for the week ending November 24, 2011 with total deals transacted over the period declining to 65 from 102.