

October 21, 2011



THE CBK WEEKLY BULLETIN

Highlights for the Week

The government offered for sale Treasury bills worth Ksh 7 billion in 91-day and 182-day tenures during the week ending October 21, 2011. The 91-day and 182-day Treasury bills recorded performance rates of 77.218 and 32.51 percent, respectively. The average interest rates on all the securities issued during the week edged up to stand at 15.091 percent and 15.287 percent for the 91-day and 182-day, respectively.

The average interbank rate rose to 16.70 percent during the week ending October 19, 2011 from 12.81 percent in the previous week. The Central Bank was in the money market and mopped Ksh 0.8 billion during the week.

The Kenya Shilling appreciated against the major world currencies in the week ending October 21, 2011. Against the US dollar the Kenya Shilling strengthened to exchange at Ksh 99.73 per US dollar compared with Ksh 103.62 per US dollar in the previous week.

The usable official foreign exchange reserves held by the Central Bank declined from US dollar 3,766 million (equivalent to 3.46 months of imports) as at October 14, 2011 to US dollar 3,743 million (equivalent to 3.44 months of imports) in the week ending October 21, 2011.

Gross Government debt increased by Ksh 27.5 billion from Ksh 764.2 billion in June 2011 to Ksh 791.7 billion as at October 14, 2011. The cumulative interest and other charges on domestic debt from July 1, 2011 to October 14, 2011 amounted to Ksh 18.1 billion compared with Ksh 17.8 billion in the same period of the fiscal year 2010/11.

Activities at the equities market reflected a mixed performance during the week ending October 19, 2011. The NSE 20 Share Index increased by 9.6 points and the Nairobi All Share Index (NASI) increased by 50 basis points. Equity turnover closed the week 18.0 percent lower and the volume of shares traded rose by 92.3 percent. The bonds segment also recorded a 28.1 percent gain in trading activity during the week.

Government Securities Auction

The government offered for sale Ksh 4 billion in 91-day Treasury bills and Ksh 3 billion in 182-day Treasury bills during the week ending October 21, 2011. Collectively, the Treasury bill bids received amounted to Ksh 4.1 billion of which Ksh 3.1 billion or 76 percent were 91-day bids. The Government accepted bids worth Ksh 2.4 billion and Ksh 0.97 billion in 91-day and 182-day Treasury bills during the week.

Interest Rate on Treasury Bills & Bonds

The weighted average interest rate on the 91-day and 182-day Treasury bills increased by 100 and 314 basis points to stand at 15.091 percent and 15.287 percent, respectively in the week's auction (Table 1).

Table 1 : Interest Rates

Auction date	02-Sep-11	09-Sep-11	16-Sep-11	23-Sep-11	30-Sep-11	07-Oct-11	14-Oct-11	21-Oct-11
91 day T. Bills*	10.281	11.685	12.570	13.193	13.741	14.836	14.997	15.091
182 day T. Bills*		9.285	11.935	12.622	13.493	14.283	14.973	15.287
364 day T. Bills*		12.536				14.499		
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 16.70 percent during the week ending October 19, 2011 from 12.81 percent in the previous week. Reflecting relative tightness in the interbank liquidity, the average interbank volumes traded rose to Ksh 18.13 billion in the week ending October 19, 2011 from Ksh 10.04 billion in the previous week (Table 2 and Chart A).

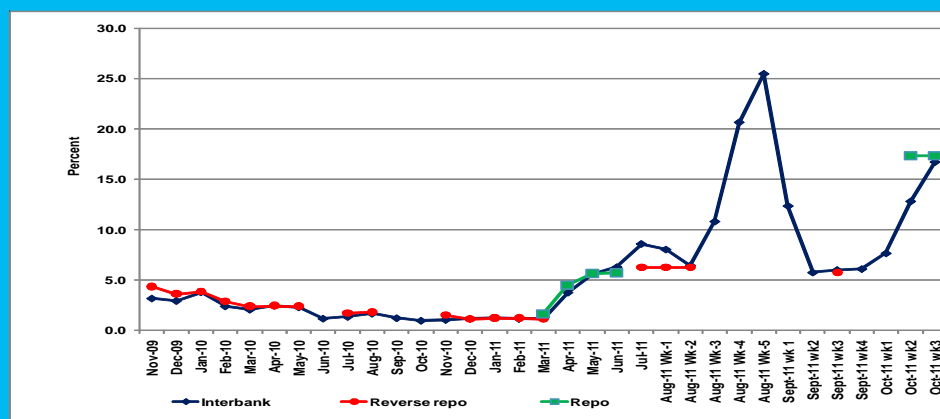
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
07-Oct-11	73	10,314	11.14
08-Oct-11	82	9,252	12.06
11-Oct-11	92	9,479	12.59
12-Oct-11	83	10,650	13.72
13-Oct-11	85	10,512	14.52
Oct 7- Oct 13, 2011	83	10,041	12.81
14-Oct-11	83	11,810	15.41
15-Oct-11	60	10,691	16.68
18-Oct-11	82	29,439	17.40
19-Oct-11	60	20,616	17.30
20-Oct-11			HOLIDAY
Oct 14- Oct 20, 2011	71	18,139	16.70

Source: Central Bank of Kenya

The average repo rate was 17.33 percent for the repo transactions during the week ending October 19, 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 October 19, 2011. The Central Bank mopped Ksh 0.8 billion from the money market through repo operations. Commercial banks borrowed Ksh 49.7 billion from the Central Bank overnight window during the week ending October 19, 2011 compared with Ksh 4.5 billion in the previous week. Reserve money averaged Ksh 230.5 billion during the week and was above target by Ksh 0.4 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)
13-Oct-11	223.2	229.0	-5.7	15.0	0.8	-14.3	224.8	-4.2	-10.6	6.4
14-Oct-11	223.8	229.0	-5.2	5.0	0.2	-4.8	227.0	-2.0	-7.5	5.5
17-Oct-11	222.3	231.0	-8.7	2.5	0.0	-2.5	229.4	-1.6	-7.0	5.4
18-Oct-11	219.7	231.0	-11.3	1.5	0.0	-1.5	234.3	3.3	-2.3	5.6
19-Oct-11	210.6	231.0	-20.4	0.0	0.0	0.0	237.2	6.2	0.9	5.3
Average	219.9	230.2	-10.3	4.8	0.2	-4.6	230.5	0.4	-5.3	5.6

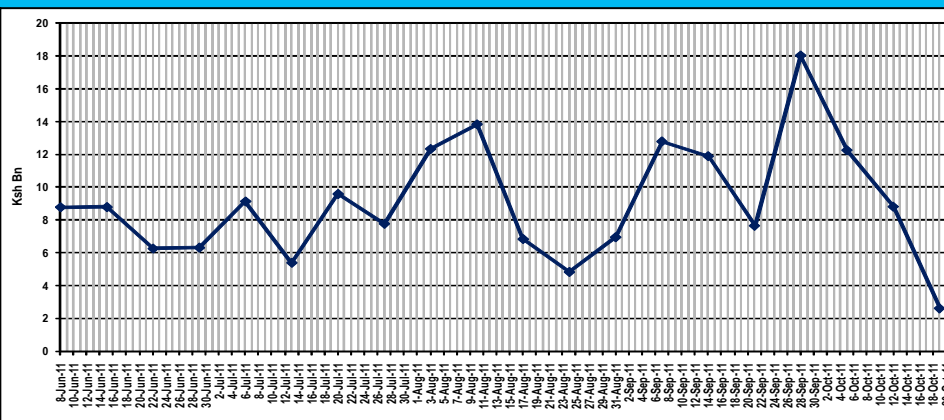
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 2.6 billion in their settlement accounts above the 4.75 percent monthly average cash reserve requirements at the Central Bank in the week to October 19, 2011, down from Ksh 8.8 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 99.73 per US dollar, Ksh 157.37 per Sterling Pound, Ksh 137.52 per Euro and Ksh 129.69 per 100 Japanese Yen in the week ending October 21, 2011 compared to Ksh 103.62 per US dollar, Ksh 162.47 per Sterling Pound, Ksh 141.71 per Euro and Ksh 134.97 per 100 Japanese Yen in the previous week. The appreciation was as a result of tightening of Kenya shilling liquidity in the domestic money markets.

In the EAC region, the Kenya Shilling also strengthened against the other East African currencies during the week ending October 21, 2011. On average, the Kenya Shilling exchanged at Ushs 28.49 per Kenya Shilling, Tshs 17.07 per Kenya Shilling, RWF 6.02 per Kenya Shilling and BIF 12.34 per Kenya Shilling during the week, compared to Ushs 27.67 per Kenya Shilling, Tshs 16.44 per Kenya Shilling, RWF 5.80 per Kenya Shilling and BIF 11.87 per Kenya Shilling, in the week ending October 14, 2011 (Table 4).

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
10-Oct-11	102.81	160.58	138.52	134.02	27.82	16.56	5.84	11.96
11-Oct-11	103.91	162.33	141.68	135.53	27.67	16.41	5.77	11.83
12-Oct-11	105.96	165.32	144.60	138.08	27.18	16.10	5.67	11.61
13-Oct-11	104.01	163.84	143.43	134.91	27.69	16.38	5.78	11.83
14-Oct-11	101.43	160.30	140.30	132.30	28.01	16.76	5.93	12.13
Oct 10 - 14, 2011	103.62	162.47	141.71	134.97	27.67	16.44	5.80	11.87
17-Oct-11	100.51	158.80	139.23	130.27	28.40	16.81	5.97	12.24
18-Oct-11	99.19	156.55	136.29	129.03	28.65	17.19	6.05	12.40
19-Oct-11	99.52	156.80	137.31	129.73	28.44	17.13	6.03	12.36
21-Oct-11	99.70	157.33	137.28	129.74	28.46	17.15	6.03	12.37
Oct 17 - 21, 2011	99.73	157.37	137.52	129.69	28.49	17.07	6.02	12.34

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank declined from US dollar 3,766 million (equivalent to 3.46 months of imports) as at October 14, 2011 to US dollar 3,743 million (equivalent to 3.44 months of imports) in the week ending October 21, 2011. (Table 5).

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

	29-Jul-11	19-Aug-11	16-Sep-11	23-Sep-11	30-Sep-11	07-Oct-11	14-Oct-11	21-Oct-11
Usable Reserves*	3,976	3,967	3,836	3,823	3,778	3,731	3,766	3,743
Months of Imports Cover**	3.73	3.68	3.53	3.52	3.47	3.42	3.46	3.44

*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 27.5 billion from Ksh 764.2 billion in June 2011 to Ksh 791.7 billion as at October 14, 2011 following rising stocks of Government securities and Government overdraft at the Central Bank during the period under review (Table 6 and Chart C). Government overdraft at the Central Bank increased by Ksh 17.8 billion to stand at Ksh 25.4 as at October 14, 2011, while the stocks of Treasury bonds and Treasury bills increased by Ksh 10.0 billion and Ksh 0.3 billion respectively during the period.

Table 6: Government Domestic Debt (Ksh Billion)

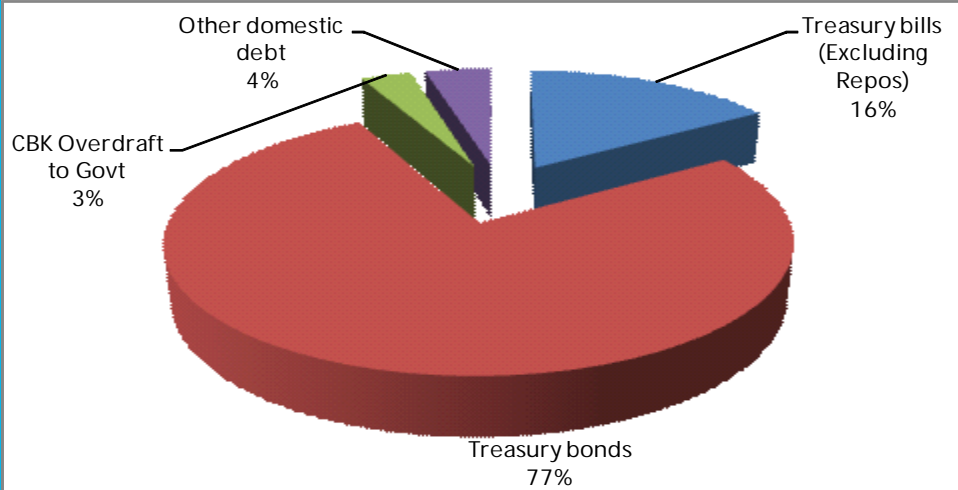
	Jun-11	Jul-11	Aug-11	Sep-11	7th Oct 2011	14th Oct 2011	Changes	
							7th Oct 2011-14th Oct 2011	30th Jun 2011-14th Oct 2011
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	119.3 16.6	113.5 15.8	113.7 16.1	123.2 16.9	127.1 17.3	3.9	0.3
2. Treasury Bonds (As % of total securities)	595.7 82.5	601.0 83.4	603.8 84.2	591.5 83.9	605.6 83.1	605.6 82.7	0.0	10.0
3. Total Securities (1+2+3)	722.4	720.3	717.3	705.3	728.8	732.7	3.9	10.3
4. Overdraft at Central Bank	7.6	19.9	25.4	25.4	25.4	25.4	0.0	17.8
5. Other Domestic debt*	34.3	41.5	34.0	33.6	33.6	33.6	0.1	-0.6
6. Gross Domestic Debt (4+5+6)	764.22	781.71	776.69	764.27	787.74	791.71	4.0	27.5
7. Interest payments on domestic debt (Cumulative in FY)	69.2	2.75	11.50	17.01	17.55	18.14	0.58	

* 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 holdings increased from Ksh 126.7 billion in June 2011 to Ksh 127.1 billion as at October 14, 2011, making up 17.3 percent of total securities. Similarly, the stocks of Treasury bonds increased from Ksh 595.7 billion in June 2011 to stand at Ksh 605.6 billion, equivalent to 82.5 percent of total securities (Table 6). The average time to maturity of Government securities increased from 5 years 10 months in June 2011 to 5 years 11 months as at October 14, 2011.

Chart C: Composition of Government Securities

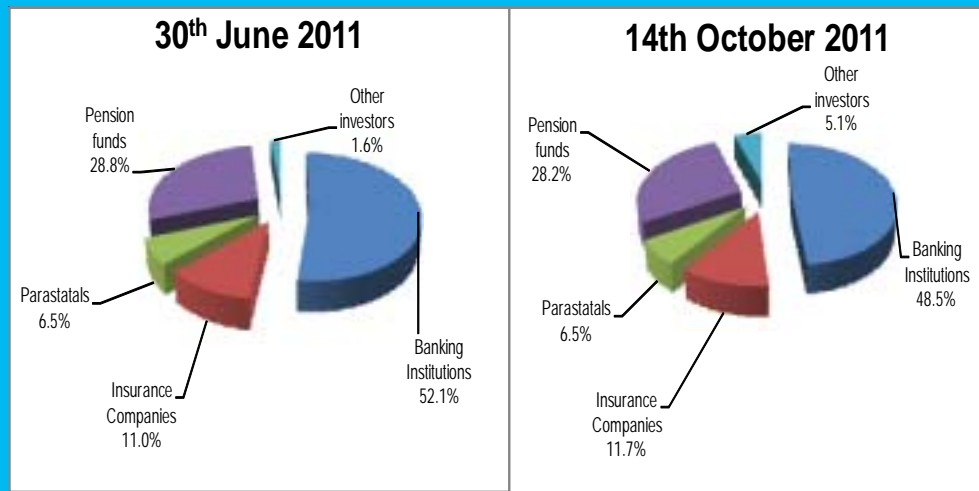


Source: Central Bank of Kenya

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 48.5 and 28.2 percent as at October 14, 2011. Holdings of insurance companies and other investors increased from 11.0 percent and 1.6 percent to 11.7 percent and 5.1 percent, respectively, during the period (Chart D).

Chart D: Composition of Government Securities by Investors

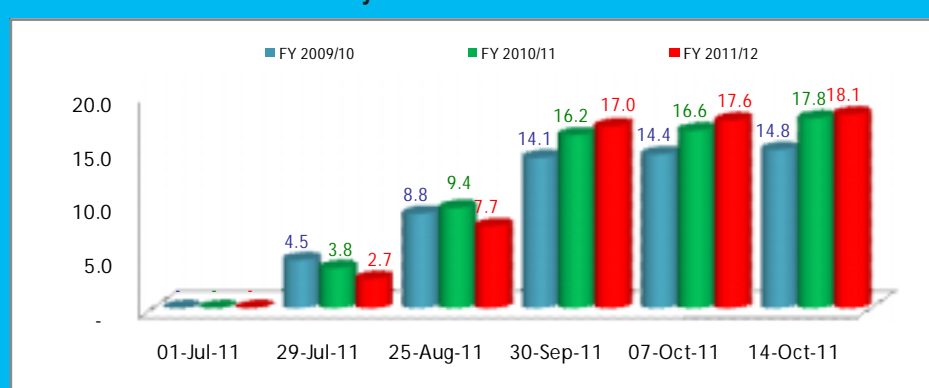


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt from July 1, 2011 to October 14, 2011 amounted to Ksh 18.1 billion compared with Ksh 17.8 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 3.2 billion and Ksh 14.6 billion, respectively. Government overdraft at Central Bank accounted for Ksh 0.3 billion.

Chart E: Cumulative Interest Payments on Domestic Debt



Source: Central Bank of Kenya

The Stock Market

The NSE 20 Share Index closed the week 9.6 points higher, to 3,300.5 points from 3,290.90 points on October 19, 2011. NASI, however, rose to 69 points from 68.52 points in the previous week. Equity turnover lost Ksh 130.9 million to trade stocks worth Ksh 595.9 million for week ended October 19, 2011, from Ksh 726.8 million of the previous week. Market Capitalization as a measure of total shareholders' wealth, gained Ksh 5.7 billion to level Ksh 879.4 billion from last week's value of Ksh 873.7 billion. The number of shares transacted increased to 98 million from 51 million the previous week.

Table 7: Key Weekly Market Statistics

Week Ending	01-Sep-11	08-Sep-11	15-Sep-11	22-Sep-11	29-Sep-11	06-Oct-11	13-Oct-11	19-Oct-11
NASI 100= Jan 2008	75.24	74.62	75.06	74.55	70.07	69.65	68.52	68.97
NSE 20 Share Index 100=1966	3,402.00	3,400.68	3,464.65	3,430.27	3,291.79	3,281.96	3,290.90	3,300.48
Number of Deals	5,022	5,922	5,257	6,141	4,645	4,003	5,368	4,993.00
Total Shares Traded (millions)	94.33	230.70	142.36	78.96	54.43	102.50	51.00	98.06
Equity Turnover (Ksh. millions)	820.65	1,609.50	1,335.67	850.48	1,001.73	1,088.30	726.80	595.88
Market Capitalization (Ksh. Bn.)	939.05	961.11	944.79	939.93	909.83	889.68	873.70	879.36
Bonds Turnover (Ksh. millions)	6,518.50	10,138.05	8,578.90	8,904.65	4,511.90	9,905.45	8,425.40	7,922.50

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

Source: Nairobi Stock Exchange

Telecommunication & Technology sector dominated trading, with 75.3 million shares, accounting for 76.9 percent of all shares transacted at the bourse. Of this, Safaricom was the most active counter, with 75.0 million shares traded. Banking sector followed, with 10.9 million shares, and Energy & Petroleum sector had 4.7 million shares traded. Safaricom and Housing Finance Co. Ltd dominated Telecommunication & Technology and Banking sectors, respectively. The least active sector was Investment with 175,800 shares traded during the week.

The biggest closing and average price gains between the week ending October 13 and October 19, 2011, was Williamson Tea Kenya Ltd at Kshs 25 and Kshs 17.5 per share, respectively. The biggest closing and average price margin losses were for East Africa Breweries Kenya Ltd and Jubilee Holdings Ltd counters at Kshs 5 and 29.25 per share, respectively.

Bond Market

Bonds trading at the Fixed Income Securities Market dropped from Ksh 8.4 billion for the week ending October 13 to Ksh 7.9 billion for the week ending October 19, 2011. Total deals transacted over the period also increased to 123 from 96 the previous week.