

April 20, 2012



THE CBK WEEKLY BULLETIN

Highlights

The money market was relatively liquid during the week ending April 18, 2012. The Central Bank sterilized the excess liquidity in the market by mopping Ksh 18.9 billion through the repo market.

The average interbank rate increased to 15.14 percent during the week ending April 18, 2012 from 11.27 percent in the previous week.

The Kenya Shilling posted mixed results against major international currencies in the week ending April 19, 2012. Against the US dollar the Kenya Shilling weakened to exchange at an average of Ksh 83.19 per US dollar compared with Ksh 83.18 per US dollar in the week ending April 12, 2012.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 4,423 million (equivalent to 3.86 months of import cover) as at April 12, 2012 to 4,453 US dollar million (equivalent to 3.89 months of import cover) in the week ending April 19, 2012.

During the week ending April 20, 2012 the Government offered for sale Treasury bills worth Ksh 7.0 billion. A total of Ksh 6.8 billion was accepted out of the Ksh 8.0 billion bids received.

Gross Government domestic debt increased by Ksh 124.7 billion from Ksh 764.2 billion in June 2011 to Ksh 889.0 billion in April 13, 2012. During the week under review, gross government domestic debt expanded by Ksh 0.1 billion, on account of Treasury bill issues.

Stock market performance reflected a continued upward trend in the week of April 19, 2012 as shown by most market indicators. The NSE 20 Share Index gained 105.25 points and the Nairobi All Share Index (NASI) that measures all listed companies gained 2.04 points. FTSE NSE 15 Index and FTSE NSE 25 Index both gained by 3.57 points and 4.03 points, respectively, as Market Capitalization gained 2.7 percent. Equity turnover and number of shares traded were up 60.8 percent and 35.4 percent, respectively. The bonds segment of the market was up 33.9 percent.

**Monetary
Policy
Operations**

The money market was liquid during the week ending April 18, 2012. The Central Bank sterilized the excess liquidity in the market by mopping Ksh 18.9 billion through the repo market. Reserve money averaged Ksh 240.0 billion during the week and was below the target by Ksh 4.7 billion. The shortfall was reflected in bank reserves (Ksh 2.6 billion) and currency outside banks (Ksh 2.1 billion) (Table 1).

Table 1: 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)
12-Apr-12	250.1	244.4	5.7	5.0	5.0	0.0	242.7	-1.7	-0.8	-0.9
13-Apr-12	244.2	244.4	-0.2	6.5	6.5	0.0	237.5	-6.9	-4.8	-2.1
16-Apr-12	237.2	245.0	-7.8	5.0	0.0	-5.0	237.8	-7.2	-4.7	-2.5
17-Apr-12	240.8	245.0	-4.2	2.0	0.6	-1.5	242.0	-3.0	0.0	-3.0
18-Apr-12	247.4	245.0	2.4	0.0	0.0	0.0	246.7	1.7	6.6	-4.9
Average	243.1	244.7	-1.6	3.7	3.0	-1.3	240.0	-4.7	-2.6	-2.1

Source: Central Bank of Kenya

**Interbank
and REPO
Rates**

The average interbank rate increased to 15.14 percent during the week ending April 18, 2012 from 11.27 percent in the previous week. The average interbank volumes transacted decreased to Ksh 9.80 in the week ending April 18, 2012 compared to Ksh 12.20 billion in the previous week. The average number of deals increased to 63 in the week ending April 18, 2012 from 61 deals in the previous week (Table 2 and Chart A).

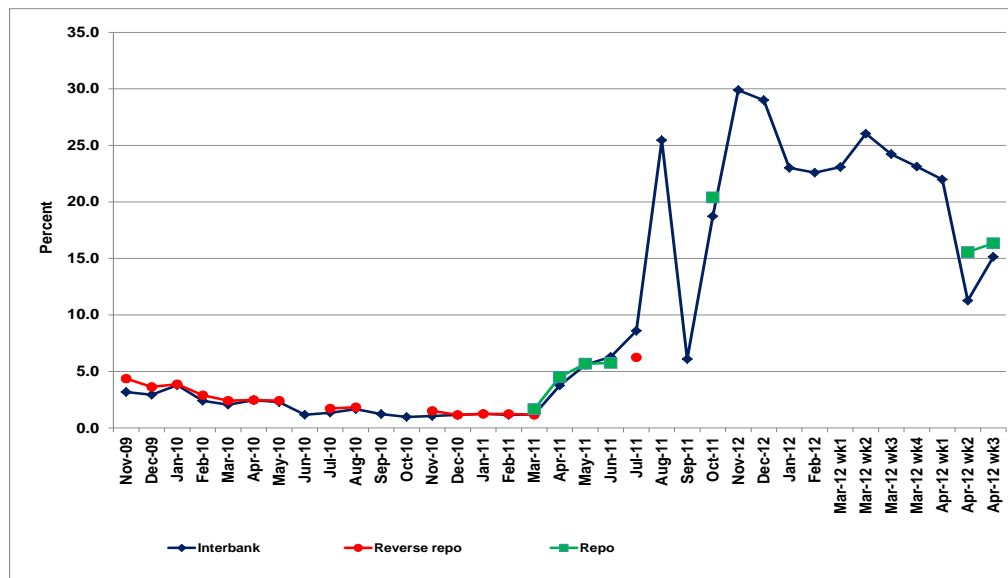
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
Mar 29- Apr 04 2012	71	10,729	19.89
5-Apr-12	70	14,510	10.26
6-Apr-12	EASTER		
9-Apr-12			
10-Apr-12	56	13,069	11.07
11-Apr-12	57	9,018	12.47
April 05- April 11 2012	61	12,199	11.27
12-Apr-12	76	11,540	13.36
13-Apr-12	76	11,958	13.81
16-Apr-12	42	5,446	15.00
17-Apr-12	55	5,681	16.40
18-Apr-12	66	14,390	17.12
April 12- April 18 2012	63	9,803	15.14

Source: Central Bank of Kenya

The average repo rate increased to 16.34 percent during the week ending April 18, 2012 from 11.63 percent the previous week.

Chart A: Structure of Interest Rates



Source: Central Bank of Kenya

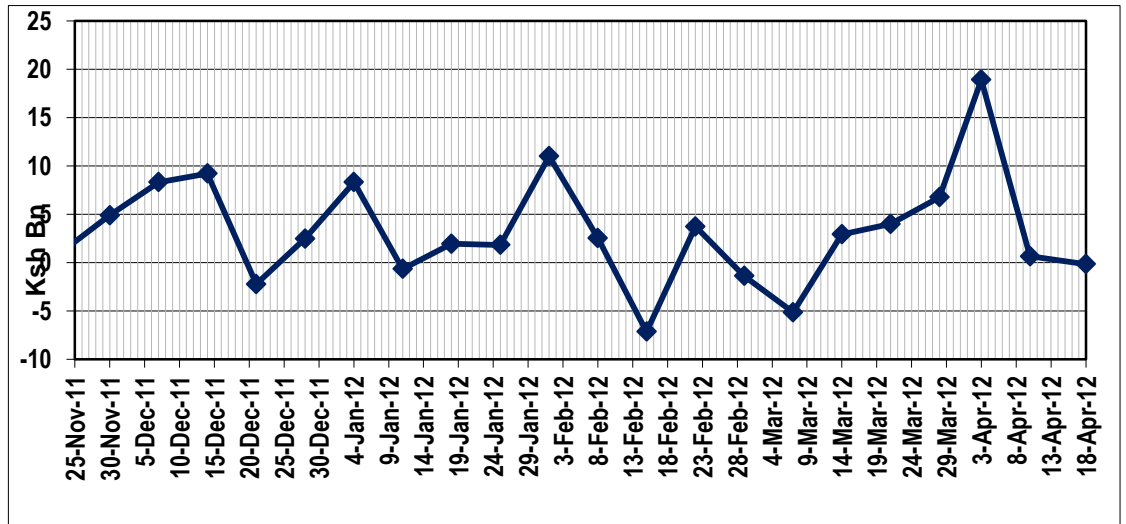
**Commercial
Banks
Clearing**

Commercial banks maintained an average of Ksh 0.16 billion in their settlement accounts below the monthly average cash reserve requirements of 5.25 percent at the Central Bank in the week to April 18, 2012 compared with Ksh 0.66 billion above the monthly average

Account Balances

cash reserve requirements 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 posted mixed results against major international currencies in the week ending April 19, 2012. During the week, the Kenya Shilling depreciated against the US dollar, the Sterling Pound and the Japanese Yen by 0.01 percent, 0.06 percent and 0.06 percent, respectively, to trade at an average of Ksh 83.19 per US dollar, Ksh 132.43 per Sterling Pound and Ksh 102.71 per Japanese Yen, compared to Ksh 83.18 per US dollar, Ksh 132.36 per Sterling Pound and Ksh 102.64 per Japanese Yen during the week ending April 12, 2012. Against the Euro, the Kenya Shilling gained by 0.10 percent to trade at an average of Ksh 109.02 per Euro compared to Ksh 109.13 per Euro in the week ending April 12, 2012.

In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling and the Rwanda Franc but weakened against the Tanzania Shilling and the Burundi Franc. On average, the Kenya Shilling exchanged at Ushs30.15, Tshs19.05, RWF 7.27 and BIF 15.53 during the week, compared with Ushs30.01, Tshs19.07, RWF 7.24 and BIF 15.56 during the week ending April 12, 2012 (Table 3).

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
10-Apr-12	83.10	132.29	109.02	102.09	29.90	19.10	7.25	15.56
11-Apr-12	83.20	132.17	108.99	102.95	29.93	19.08	7.24	15.55
12-Apr-12	83.25	132.61	109.38	102.89	30.18	19.04	7.24	15.55
April 10- 12, 2012	83.18	132.36	109.13	102.64	30.01	19.07	7.24	15.56
13-Apr-12	83.37	132.89	109.73	102.97	30.17	19.04	7.23	15.53
16-Apr-12	83.16	131.64	108.29	103.07	30.12	19.02	7.29	15.57
17-Apr-12	83.15	131.92	108.95	103.38	30.07	19.06	7.29	15.50
18-Apr-12	83.14	132.42	109.06	102.10	30.23	19.09	7.30	15.49
19-Apr-12	83.15	133.29	109.06	102.03	30.19	19.05	7.25	15.54
April 13- 19, 2012	83.19	132.43	109.02	102.71	30.15	19.05	7.27	15.53

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 4,423 million (equivalent to 3.86 months of import cover) as at April 12, 2012 to 4,453 US dollar million (equivalent to 3.89 months of import cover) in the week ending April 19, 2012.(Table 4).

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

	1-Mar-12	9-Mar-12	16-Mar-12	22-Mar-12	29-Mar-12	5-Apr-12	12-Apr-12	19-Apr-12
Usable Reserves*	4,140	4,195	4,260	4,311	4,365	4,416	4,423	4,453
Months of Imports Cover**	3.69	3.69	3.75	3.80	3.84	3.86	3.86	3.89

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

Government Securities Auction

The Government offered for sale Ksh 4.0 billion in 91-day Treasury bills and Ksh 3.0 billion in 182-day Treasury bills during the week ending April 20, 2012. The 91-day paper performed at 66.7 percent, attracting bids worth Ksh 2.7 billion. The 182-day paper recorded 177.2 percent performance rate, equivalent to Ksh 5.3 billion worth of bids, during the week. Collectively, the government accepted Ksh 6.8 billion worth of Treasury bills during the week.

Interest Rate on the Treasury Bills

Weighted average interest rates on the 91-day and 182-day Treasury bills declined further during the week under review by 14.8 and 9.9 basis points, respectively, to stand at 15.930 percent and 16.638 percent.

Table 5: Interest Rates

Auction date	2-Mar-12	9-Mar-12	16-Mar-12	23-Mar-12	30-Mar-12	5-Apr-12	13-Apr-12	20-Apr-12
91 day T. Bills*	18.745	17.983	17.461	17.006	16.728	16.340	16.078	15.930
182 day T. Bills*	18.757	18.377	18.112	17.726	17.660	16.960	16.737	16.638
364 day T. Bills*		17.035				16.915		
1 year FXD T. Bonds				16.432				
12-year Infrastructure Bond								
Month	Dec-11	Jan-12	Feb-12					
Average savings rate	1.59	1.62	1.69					
Average overdraft rate	20.20	20.38	20.53					

*Weighted rates for accepted bids

Source: Central Bank of Kenya

**Government
Domestic
Debt**

Gross Government domestic debt increased by Ksh 124.7 billion from Ksh764.2 billion in June 2011 to Ksh 889.0 billion in April 13, 2012 (Table 6 and Chart C). During this period, the stocks of Treasury bonds, Treasury bills and overdraft at the Central Bank increased by Ksh 87.9 billion, Ksh. 20.6 billion and Ksh 17.8 billion, respectively. Other domestic debt, however, declined by Ksh 1.6 billion to stand at Ksh 32.7 billion in April 13, 2012.

Table 6: Government Domestic Debt (Ksh Billion)

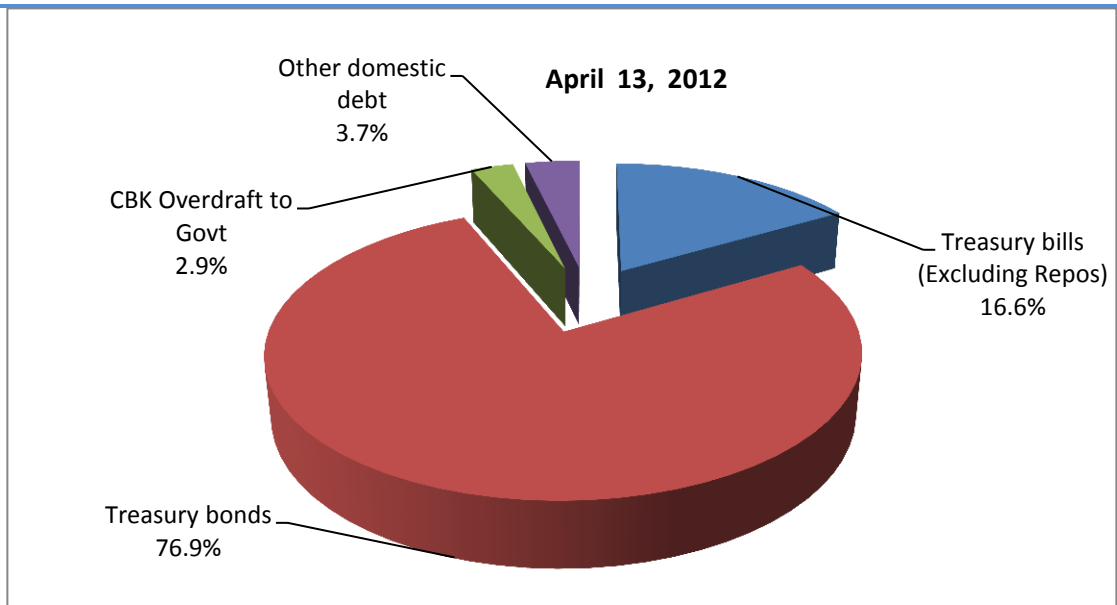
	Jun-11	Dec-11	Mar-12	5th Apr 2012	13th Apr 2012	Changes	
						5th Apr 2012- 13th Apr 2012	30th Jun 2011 - 13th Apr 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	107.1 14.5	145.5 17.5	146.4 17.6	147.4 17.7	0.9	20.6
2. Treasury Bonds (As % of total securities)	595.7 82.5	633.5 85.5	683.6 82.5	683.6 82.4	683.6 82.3	0.0	87.9
3. Total Securities (1+2)	722.4	740.6	829.0	830.0	830.9	0.9	108.5
4. Overdraft at Central Bank	7.6	25.4	25.4	25.4	25.4	0.0	17.8
5. Other Domestic debt*	34.3	34.7	33.5	33.5	32.7	-0.8	-1.6
6. Gross Domestic Debt (3+4+5)	764.2	800.7	887.9	888.8	889.0	0.1	124.7
7. Interest payments on domestic debt	69.2	37.7	56.1	57.7	58.5	0.8	

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

Source: Central Bank of Kenya

During the week ending April 13, 2012, gross domestic debt increased by Ksh 0.1 billion compared with the previous week's position, following an increase of Ksh 0.9 billion in the stocks of Treasury bills, which was offset by a Ksh 0.8 billion decline in other domestic debt. The average time to maturity of Government securities declined to 5 years and 5 months as at April 13, 2012, from 5 years and 10 months at the end of June 2011.

Chart C: Composition of Government Securities

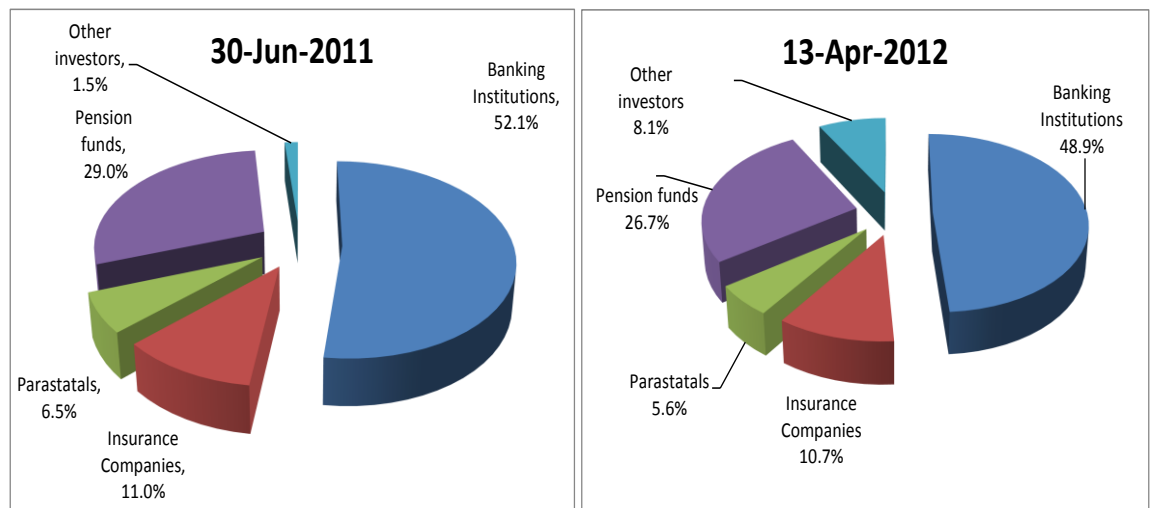


Source: Central Bank of Kenya

Holding of Government Securities

The share of Government securities held by banking institutions, pension funds, parastatals and insurance companies declined from 52.1 percent, 29.0 percent, 6.5 percent and 11.0 percent in June 2011 to 48.9 percent, 26.7 percent, 5.6 percent and 10.7 percent, respectively, in April 13, 2012. Holdings of other investors increased from 1.5 percent to 8.1 percent during the same period (Chart D).

Chart D: Composition of Government Securities by Investor

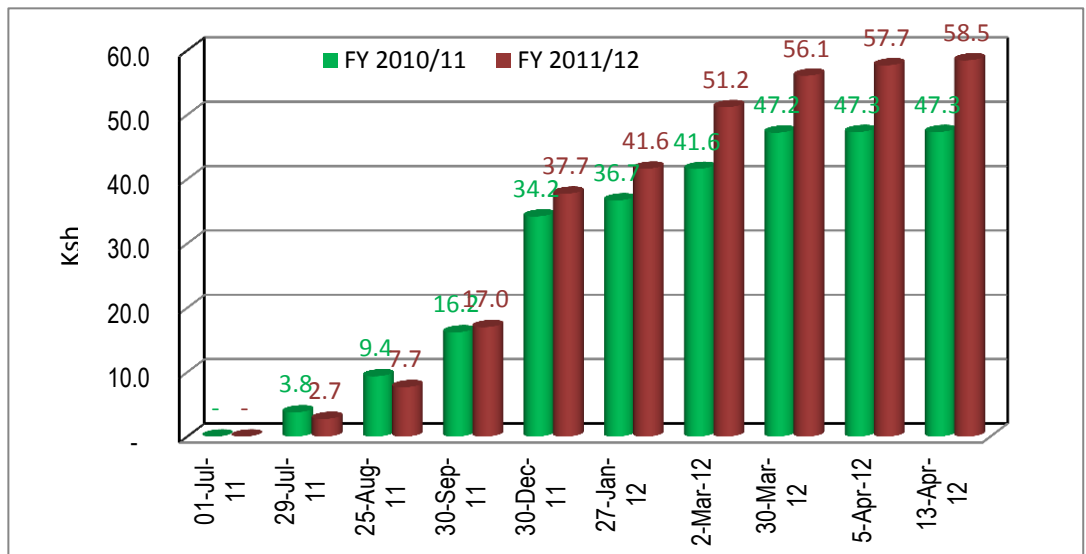


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt from July 1, 2011 to April 13, 2012 amounted to Ksh 58.5 billion compared with Ksh 47.3 billion during 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 9.9 billion and Ksh46.1 billion, respectively. Government overdraft at Central Bank accounted for Ksh 2.5 billion. During the week under review, total interest changes on domestic debt amounted to Ksh 0.8 billion.

Chart E: Cumulative Interest Payments on Domestic Debt (Ksh billion)



Source: Central Bank of Kenya

Stock
Market

The capital market was bullish on all fronts in the week ending April 19, 2012. This performance indicates continued investor confidence in the market.

As indicated in Table 7, the NSE 20 Share Index rose to 3,534.27 points on April 19, 2012 from 3,454.34 points on April 12, 2012, while NASI was 76.14 points, from 74.37 points. Market Capitalization, a measure of shareholders' wealth gained Ksh 26.06 billion to reach Ksh 974.99 billion. Equity turnover gained Ksh 702.41 million to trade stocks worth Ksh 1,858.48 million from Ksh 1,156.07 million the previous week. The number of shares traded increased to 159.92 million from 118.08 million, signaling market recovery.

Table 7: Key Weekly Market Statistics

Week Ending	1-Mar-12	8-Mar-12	15-Mar-12	22-Mar-12	29-Mar-12	4-Apr-12	12-Apr-12	19-Apr-12
NASI 100= Jan 2008	72.37	74.52	73.06	72.98	73.46	73.92	74.37	76.14
NSE 20 Share Index 100=1966	3,312.15	3,394.29	3,326.35	3,293.91	3,360.12	3,408.70	3,454.34	3,534.27
Number of Deals	5,207.00	5,825.00	5,395.00	5,981.00	5,398.00	4,128.00	4,260.00	6,439.00
Total Shares Traded (millions)	59.93	74.09	74.74	81.64	83.40	122.56	118.08	159.92
Equity Turnover (Ksh. millions)	1,010.89	1,401.98	1,225.36	1,632.56	1,625.72	1,318.00	1,156.07	1,858.48
Market Capitalization (Ksh. Bn.)	923.57	951.00	932.29	931.45	940.61	946.60	952.45	974.99
Bonds Turnover (Ksh. millions)	7,991.50	9,913.05	12,514.05	9,095.10	8,751.55	4,262.35	6,986.80	9,356.10
FTSE NSE Kenya 15 Index	95.62	98.40	96.56	97.43	97.88	99.65	100.19	102.91
FTSE NSE Kenya 25 Index	97.75	100.65	98.76	99.32	99.70	101.35	101.84	105.04

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

Source: Nairobi Securities Exchange

Telecommunications and Technology sector was the most active, transacting 69.31 million shares or 46.4 percent followed by Banking at 35.99 million shares or 24.1 percent. Manufacturing and Allied sector closed top three most active sectors with 16.12 million shares. Safaricom, Housing Finance and Equity Bank were the top three most active counters with 66.95 million, 17.89 million and 17.43 million shares traded, respectively. Agriculture sector was least active, trading 154,300 shares only in the week ending April 19, 2012.

The biggest closing and average price gains in the week ending April 19, 2012 was

with British American Tobacco Kenya Ltd at Ksh 15 and Ksh 12, respectively. The biggest closing price and average price margin losses was with Scangroup Ltd at Ksh 5.75 and Standard Chartered Bank Ltd at Ksh 6, respectively. Of the 54 listed companies, 14 had average price declines in the week, a sign of confidence in the market.

**FTSE NSE
Kenya Index
Series**

The FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, crossed the 100 points market to close at 102.91 points on April 19, 2012 from 100.19 points on April 12, 2012. Similarly, FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange rose to 105.04 points from 101.84 points in the same period.

**The Bond
Market**

Bonds trading at the Fixed Income Securities Segment increased to Ksh 9,356.1 million for the week ending April 19, 2012 from Ksh 6,986.8 million by close of April 12, 2012. Corresponding deals increased to 84 from 59, a sign of investor confidence in the bonds market as yields in primary market continue to decline and inflation pressures ease.