

April 27, 2012



THE CBK WEEKLY BULLETIN

Highlights

The money market was relatively tight during the week ending April 25, 2012 on account of VAT payments to government that fell due on April 20, 2012.

The average interbank rate increased to 19.31 percent during the week ending April 25, 2012 from 15.14 percent in the previous week.

The Kenya Shilling depreciated marginally against the major international currencies in the week ending April 26, 2012. Against the US dollar the Kenya Shilling weakened to exchange at an average of Ksh 83.23 per US dollar compared with Ksh 83.19 per US dollar in the week ending April 19, 2012.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 4,454 million (equivalent to 3.89 months of import cover) as at April 19, 2012 to US dollar 4,637 million (equivalent to 4.05 months of import cover) in the week ending April 26, 2012. The increase in the foreign exchange reserves in the week is largely attributed to release of funds by the IMF to Kenya under the Extended Credit Facility (ECF).

The Government offered for sale Treasury bills and Treasury bonds worth Ksh 9.0 billion in the week ending April 27, 2012. A total of Ksh 12.7 billion was accepted out of the Ksh 38.3 billion worth of bids received.

Gross Government domestic debt increased by Ksh 125.1 billion from Ksh 764.2 billion in June 2011 to Ksh 889.3 billion in April 20, 2012. In the week under review, gross government domestic debt declined by Ksh 0.4 billion, on account of other domestic debt.

Stock market performance was mixed in the week ending April 26, 2012 as reflected by gains in some of the market indicators and losses in others. The NSE 20 Share Index gained 22.86 points and the Nairobi All Share Index (NASI) for all listed companies gained 0.98 points. Similarly, Market Capitalization and equity turnover gained 1.3 percent and 38.3 percent, respectively. The FTSE NSE 15 Index and FTSE NSE 25 Index both dropped by 0.57 points and 0.66 points in the week under review. Number of shares traded was down 18.5 percent with bonds segment recording a 1 percent decline.

Monetary
Policy
Operations

The money market was relatively tight during the week ending April 25, 2012 on account of VAT payments to government that fell due on April 20, 2012. Reserve money averaged Ksh 244.9 billion during the week and was Ksh 0.5 billion below the target. The shortfall was mainly in currency outside banks of Ksh 6.9 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)
19-Apr-12	248.9	245.0	-3.9	0.0	0.0	0.0	244.3	-0.7	4.6	-5.2
20-Apr-12	249.4	245.0	-4.4	0.0	0.0	0.0	242.6	-2.4	3.5	-6.0
23-Apr-12	247.6	245.6	-1.9	0.0	0.0	0.0	244.3	-1.3	6.1	-7.4
24-Apr-12	243.1	245.6	2.6	0.0	0.0	0.0	242.1	-3.5	4.2	-7.7
25-Apr-12	250.6	245.6	-4.9	0.0	0.0	0.0	251.0	5.3	13.3	-8.0
Average	247.9	245.4	-2.5	0.0	0.0	0.0	244.9	-0.5	6.3	-6.9

Source: Central Bank of Kenya

Interbank
and REPO
Rates

The average interbank rate increased to 19.31 percent during the week ending April 25, 2012 from 15.14 percent in the previous week reflecting tight liquidity in the money market due to payment of VAT taxes to Government. The average interbank volumes transacted increased to Ksh 13.08 billion in the week ending April 25, 2012 compared to Ksh 9.80 billion in the previous week. The average number of deals decreased to 61 in the week ending April 25, 2012 from 63 deals in the previous week (Table 2 and Chart A).

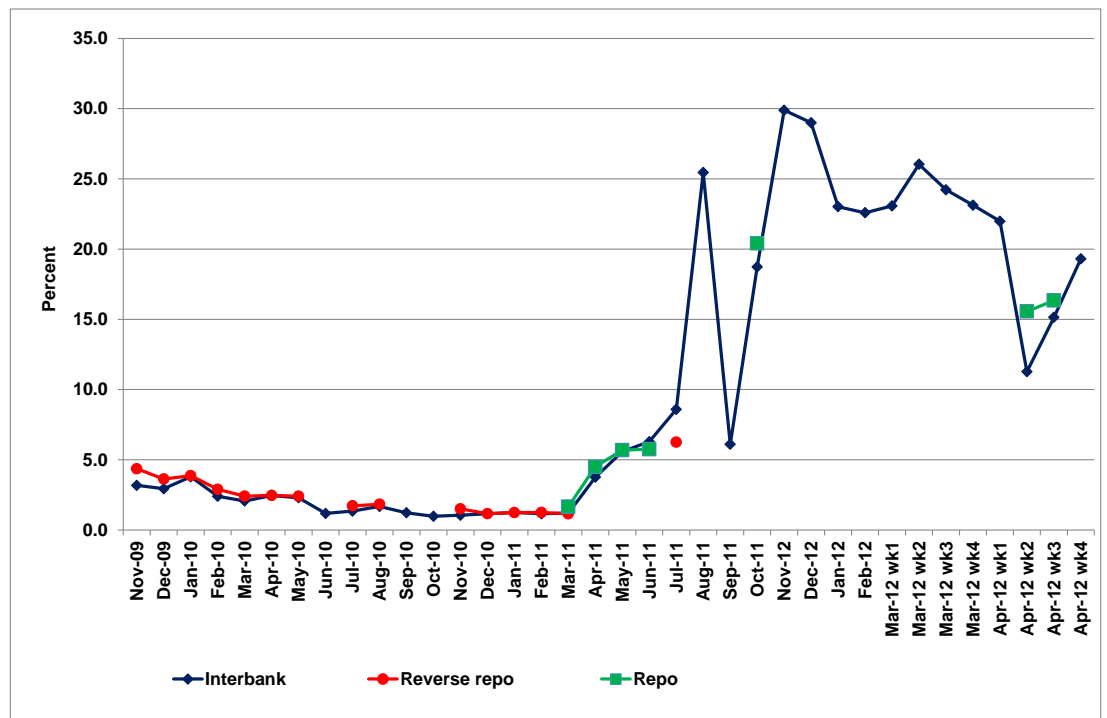
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
19-Apr-12	61	11,171	17.51
20-Apr-12	59	13,134	18.28
23-Apr-12	58	11,081	19.42
24-Apr-12	68	16,610	20.61
25-Apr-12	59	13,399	20.70
April 19- April 25 2012	61	13,079	19.31

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

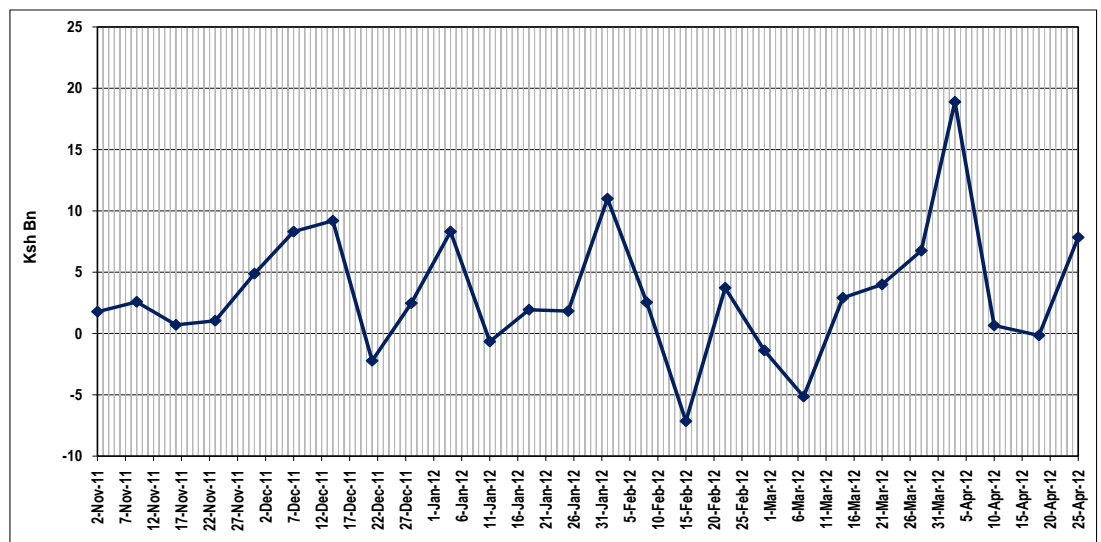


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks maintained an average of Ksh 7.84 billion in their settlement accounts above the monthly average cash reserve requirements of 5.25 percent at the Central Bank in the week to April 25, 2012 compared with Ksh 0.16 billion below the monthly average 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 depreciated marginally against the major international currencies in the week ending April 26, 2012. During the week, the Kenya shilling depreciated by 0.05 percent, 1.32 percent and 0.64 percent against the US dollar, the Sterling Pound and the Euro, respectively, to trade at an average of Ksh 83.23 per US dollar, Ksh 134.18 per Sterling Pound and Ksh 109.72 per Euro, compared with Ksh 83.19 per US dollar, Ksh 132.43 per Sterling Pound and Ksh 109.72 per Euro during the week ending April 19, 2012.

In the week, the Kenya shilling gained marginally against the Japanese Yen, to trade at an average of Ksh 102.38 per 100 Japanese Yen compared to Ksh 102.71 per 100 Japanese Yen in the week ending April 19.

In the EAC region, the Kenya Shilling posted mixed results against the East African currencies in the week ending April 26, 2012. The Kenya Shilling appreciated against the Tanzania Shilling and the Burundi Franc to exchange at an average of Tshs 19.06 and BIF 16.56 compared with Tshs 19.05 and BIF 15.53 in the week ending April 19, 2012. Over the same period, the Kenya Shilling depreciated marginally against the Rwanda Franc to exchange at RWF 7.24 per Kenya Shilling compared to RWF 7.27 per Kenya Shilling during the previous week. The Kenya Shilling remained stable against the Uganda shilling at Ushs 30.15 per Kenya Shilling during the period under review (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
20-Apr-12	83.20	133.62	109.40	102.03	30.17	19.05	7.24	16.38
23-Apr-12	83.22	134.13	109.77	102.33	30.16	19.05	7.24	16.38
24-Apr-12	83.23	134.15	109.50	102.81	30.19	19.07	7.24	16.73
25-Apr-12	83.25	134.39	109.83	102.25	30.14	19.07	7.24	16.64
26-Apr-12	83.27	134.60	110.09	102.50	30.08	19.07	7.24	16.66
April 20- 26, 2012	83.23	134.18	109.72	102.38	30.15	19.06	7.24	16.56

Source: Central Bank of Kenya

**Foreign
Exchange
Reserves**

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 4,454 million (equivalent to 3.89 months of import cover) as at April 19, 2012 to US dollar 4,637 million (equivalent to 4.05 months of import cover) in the week ending April 26, 2012. The increase in the foreign exchange reserves in the week is largely attributed to release of funds by the IMF to Kenya under the Extended Credit Facility (ECF) (Table 4).

Table 4: Official Foreign Reserves US\$ Million (Usable)

	09-Mar-12	16-Mar-12	22-Mar-12	29-Mar-12	05-Apr-12	12-Apr-12	19-Apr-12	26-Apr-12
Usable Reserves*	4,195	4,260	4,311	4,365	4,416	4,424	4,454	4,637
Months of Imports Cover**	3.69	3.75	3.80	3.84	3.86	3.86	3.89	4.05

*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 2.0 billion in 91-day Treasury bills, Ksh 2.0 billion in 182-day Treasury bills and Ksh 5.0 billion in 2-year discounted fixed rate bonds during the week ending April 27, 2012. The Treasury bonds attracted bids worth Ksh 27.7 billion (72.3 percent), while the 91-day and 182-day Treasury bills performed at 392.3 and 137.0 percent, respectively, attracting total bids worth Ksh 10.6 billion. The government accepted Ksh 6.5 billion in the 2-year Treasury bonds, Ksh 3.4 billion in 91-day Treasury bills and Ksh 2.7 billion in 182-day Treasury bills during the week. Total non-competitive bids amounted to Ksh 2.3 billion.

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 93.8 and 1.5 basis points, respectively, to 14.992 percent and 16.623 percent respectively. The average interest rate for the 2-year discounted fixed rate bond was 13.826 percent.

Table 5: Interest Rates

Auction date	09-Mar-12	16-Mar-12	23-Mar-12	30-Mar-12	05-Apr-12	13-Apr-12	20-Apr-12	27-Apr-12
91 day T. Bills*	17.983	17.461	17.006	16.728	16.340	16.078	15.930	14.992
182 day T. Bills*	18.377	18.112	17.726	17.660	16.960	16.737	16.638	16.623
364 day T. Bills*	17.035				16.915			
1 year FXD T. Bonds			16.432					
2 year FXD T. Bonds								13.826
Month	Jan-12	Feb-12						
Average savings rate	1.62	1.69						
Average overdraft rate	20.38	20.53						

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 125.1 billion from Ksh 764.2 billion in June 2011 to Ksh 889.3 billion on April 20, 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. 21.0 billion and Ksh 17.8 billion, respectively. Other domestic debt, however, declined by Ksh 1.6 billion to Ksh 32.7 billion on April 20, 2012.

Table 6: Government Domestic Debt (Ksh Billion)

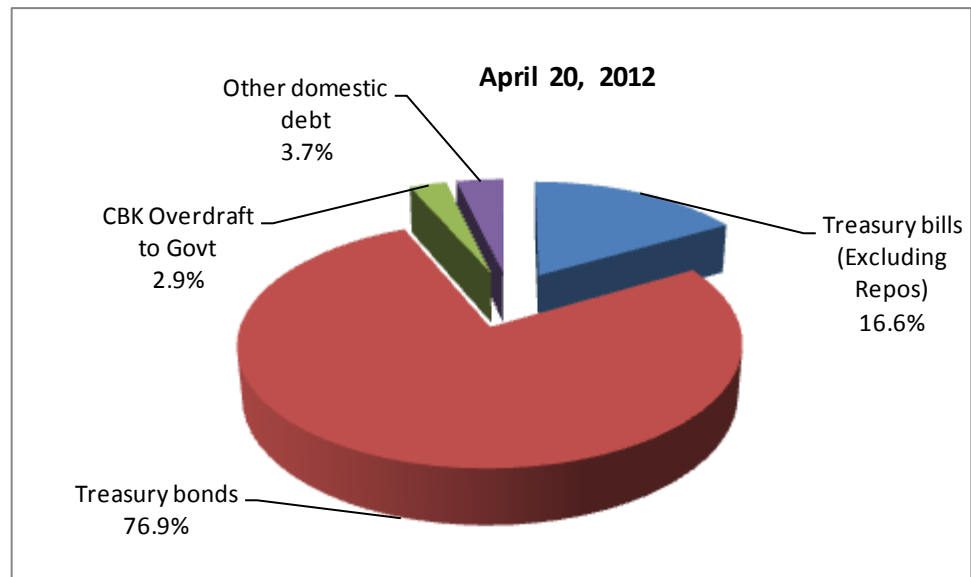
	Jun-11	Dec-11	Mar-12	13th Apr 2012	20th Apr 2012	Changes	
						13th Apr 2012- 20th Apr 2012	30th Jun 2011 - 20th Apr 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	107.1 14.5	145.5 17.5	147.4 17.7	147.7 17.8	0.4	21.0
2. Treasury Bonds (As % of total securities)	595.7 82.5	633.5 85.5	683.6 82.5	683.6 82.3	683.6 82.2	0.0	87.9
3. Total Securities (1+2)	722.4	740.6	829.0	830.9	831.3	0.4	108.9
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	889.8	889.3	-0.4	125.1
7. Interest payments on domestic debt	69.2	37.7	56.1	58.5	59.1	0.6	

* 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 20, 2012, gross domestic debt declined by Ksh 0.4 billion compared with the previous week's position, following a decrease of Ksh. 0.8 billion in other domestic debt. The average time to maturity of Government securities declined to 5 years and 5 months as at April 20, 2012, from 5 years and 10 months at the end of June 2011.

Chart C: Composition of Government Securities

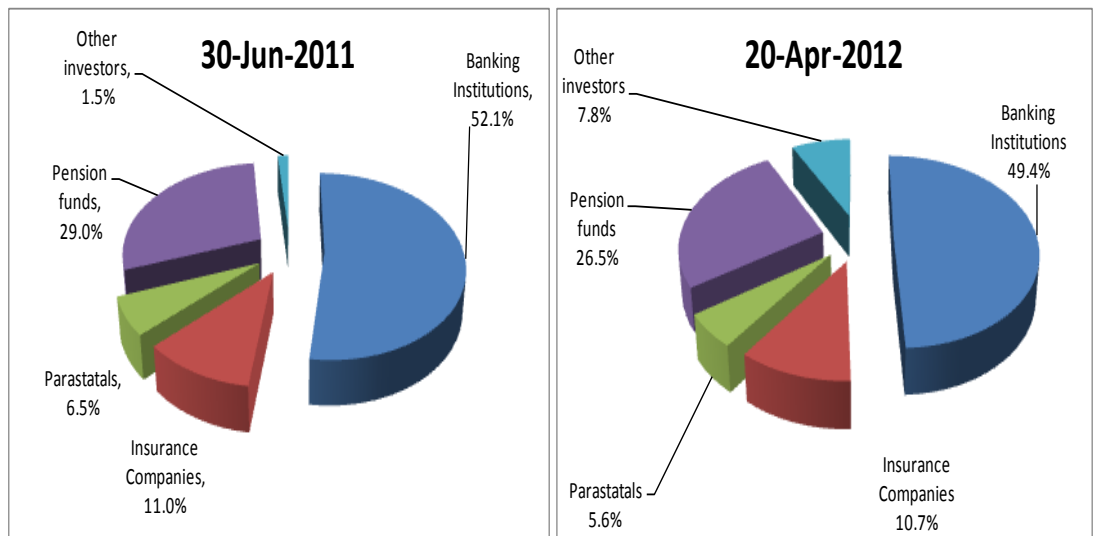


Source: Central Bank of Kenya

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 49.4 percent, 26.5 percent, 5.6 percent and 10.7 percent, respectively, in April 20, 2012. Holdings of other investors increased from 1.5 percent to 7.8 percent during the same period (Chart D).

Chart D: Composition of Government Securities by Investor

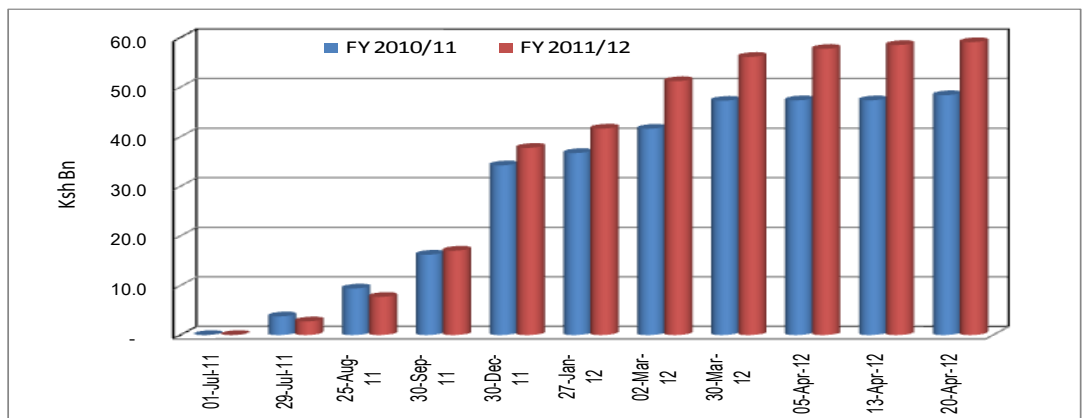


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt from July 1, 2011 to April 20, 2012 amounted to Ksh 59.1 billion compared with Ksh 48.4 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 10.3 billion and Ksh 46.3 billion, respectively. Government overdraft at the Central Bank accounted for Ksh 2.5 billion. During the week under review, total interest on domestic debt amounted to Ksh 0.6 billion.

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



Source: Central Bank of Kenya

Stock
Market

Stock market performance was mixed in the week ending April 26, 2012 as reflected by gains in some of the market indicators and losses in others. The NSE 20 Share Index gained 22.86 points and the Nairobi All Share Index (NASI) for all listed companies gained 0.98 points.

As indicated in table 7, the NSE 20 Share Index rose to 3557.13 points on April 26, 2012 from 3534.27 points on April 26, 2012, while NASI was 77.12 points, up from 76.14 points.

Table 7: Key Weekly Market Statistics

Week Ending	08-Mar-12	15-Mar-12	22-Mar-12	29-Mar-12	04-Apr-12	12-Apr-12	19-Apr-12	20-Apr-12
NASI 100= Jan 2008	74.52	73.06	72.98	73.46	73.92	74.37	76.14	77.12
NSE 20 Share Index 100=1966	3,394.29	3,326.35	3,293.91	3,360.12	3,408.70	3,454.34	3,534.27	3,557.13
Number of Deals	5,825.00	5,395.00	5,981.00	5,398.00	4,128.00	4,260.00	6,439.00	7,221.00
Total Shares Traded (millions)	74.09	74.74	81.64	83.40	122.56	118.08	159.92	130.28
Equity Turnover (Ksh. millions)	1,401.98	1,225.36	1,632.56	1,625.72	1,318.00	1,156.07	1,858.48	2,570.47
Market Capitalization (Ksh. Bn.)	951.00	932.29	931.45	940.61	946.60	952.45	974.99	987.47
Bonds Turnover (Ksh. millions)	9,913.05	12,514.05	9,095.10	8,751.55	4,262.35	6,986.80	9,356.10	9,259.10
FTSE NSE Kenya 15 Index	98.40	96.56	97.43	97.88	99.65	100.19	102.91	102.34
FTSE NSE Kenya 25 Index	100.65	98.76	99.32	99.70	101.35	101.84	105.04	104.38

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

Source: Nairobi Securities Exchange

Market Capitalization, a measure of shareholders' wealth gained Ksh 20.78 billion to reach Ksh 987.47 billion. Equity turnover gained Ksh 711.99 million to trade stocks worth Ksh 2,570.47 million from Ksh 1,858.48 million the previous week. The number of shares traded dropped to 130.28 million from 159.92 million, signaling constrained supply as investors hold onto their shares given improving prices.

The weekly shares trading volume in different sectors was balanced, with Telecommunications and Technology sector transacting 52.57 million shares or 40.3 percent followed by Banking at 39.47 million shares or 30.3 percent. Manufacturing and Allied sector were among the three most active sectors with 15.77 million shares. Safaricom, Equity Bank and Mumias Sugar Co. Ltd were the top three most active counters with 52.12 million, 23.07 million and 10.51 million shares traded, respectively. The Agriculture sector traded 670,300 shares.

The biggest closing price gains were for Williamson Tea Kenya Ltd and Athi River Mining both at Ksh 10 per share while the biggest weekly average price gain was for British American Tobacco Kenya Ltd at Ksh 14.15 per share. The biggest closing and average price margin losses was for East African Breweries Ltd and Standard Chartered Bank Ltd at Ksh 3 and Ksh 3.20, respectively. Of the 54 listed companies, 8 had average price declines in the week, implying overall price gain for bourse.

**FTSE NSE
Kenya Index
Series**

The FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization dropped to 102.34 points on April 26, 2012 from 102.91 points on April 19th, 2012. Similarly, FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange dropped to 104.38 points from 105.04 points in the same period.

**The Bond
Market**

Bonds trading at the Fixed Income Securities Segment dropped slightly to Ksh 9,259.1 million for the week ending April 26, 2012 from Ksh 9,356.1 million by close of April 19, 2012. Corresponding deals increased to 95 from 84, reflecting stagnation in the bonds market as yields in primary market continue to decline.