



DECEMBER 14, 2012

Highlights

The money market was relatively liquid during the week ending December 11, 2012. The Central Bank's liquidity management operations mopped Ksh 15.5 billion through repo securities and term auction deposits against maturities of Kshs 20.6 billion.

The average interbank rate decreased to 5.67 percent during the week ending December 11, 2012 from 5.90 percent in the previous week.

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending December 13, 2012. Against the US dollar the Kenya Shilling depreciated marginally to trade at an average of Ksh 86.01 per USD compared to Ksh 85.95 per USD in the week ending December 6, 2012.

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,374 million (equivalent to 4.22 months of import cover) as at December 6, 2012 to US Dollar 5,377 million (equivalent to 4.22 months of import cover) in the week ending December 13, 2012.

During the week ending December 14, 2012, the Government offered for sale Treasury bills worth Ksh 7.0 billion. Bids worth Ksh 1.5 billion were received all of which were accepted.

Gross government domestic debt increased by Ksh 110.2 billion to stand at Ksh 969.0 billion on December 7, 2012, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt increased by Ksh 10.9 billion, on account of Treasury bills.

The capital market performance was mixed during the week ending December 13, 2012. The equities' market indices; NSE 20 Share Index, NASI, the FTSE NSE 15 Index and FTSE NSE 25 Index gained 9.06 points, 1.28 points, 2.17 points and 2.26 points, respectively. The FTSE NSE Kenyan Shilling Government Bond Index gained 0.41 points. Market Capitalization gained Ksh19.058 billion while equity turnover gained 1.9 percent on account of increased number of shares transacted.

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Monetary Policy Operations

The money market was relatively liquid during the week ending December 11, 2012. The Central Bank sterilized Ksh 15.5 billion of the excess liquidity through repo securities against maturities of repo and term auction deposits securities of Ksh 15.2 billion and Ksh 5.1 billion, respectively. Reserve money averaged Ksh 267.1 billion during the week and was Ksh 10.3 billion below the target (Table 1).

Table 1: Open Market Operations (Ksh Billion)

Date	Reserve Money* (Projected)			OMO			Reserve money performance		Bank Reserves	Currency Outside Banks	
	Forecast	Target	Exc(+)/ Short(-)	Posted	Mop up		Exc(+)/ Short(-)	Actual	Exc(+)/ Short(-)	Exc(+)/ Short(-)	Exc(+)/ Short(-)
					Repo	Term Auction Deposit					
	(1)	(2)	3=(1-2)	(4)	(5)	(6)	7=(5+6-4)	(8)	9=(8-2)	(10)	(11)
06-Dec-12	274.6	275.1	-0.5	5.5	5.5	0.0	0.0	268.1	-7.0	-1.0	-5.9
07-Dec-12	273.1	275.1	-2.0	5.0	5.0	0.0	0.0	266.1	-9.0	-4.3	-4.7
10-Dec-12	268.0	279.6	-11.6	2.0	2.0	0.0	0.0	267.1	-12.5	-4.6	-7.9
11-Dec-12	272.3	279.6	-7.3	3.0	3.0	0.0	0.0	266.8	-12.8	-6.7	-6.0
Average	272.0	277.3	-5.3	3.9	3.9	0.0	0.0	267.1	-10.3	-4.2	-6.1

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased to 5.67 percent during the week ending December 11, 2012 from 5.90 percent in the previous week. The average interbank volumes transacted increased to Ksh 10.8 billion from Ksh 8.5 billion transacted in the previous week, while the average number of deals increased to 49 from 33 in the previous week (Table 2 and Chart A).

Table 2: Interbank Deals, Volumes and Interest Rates

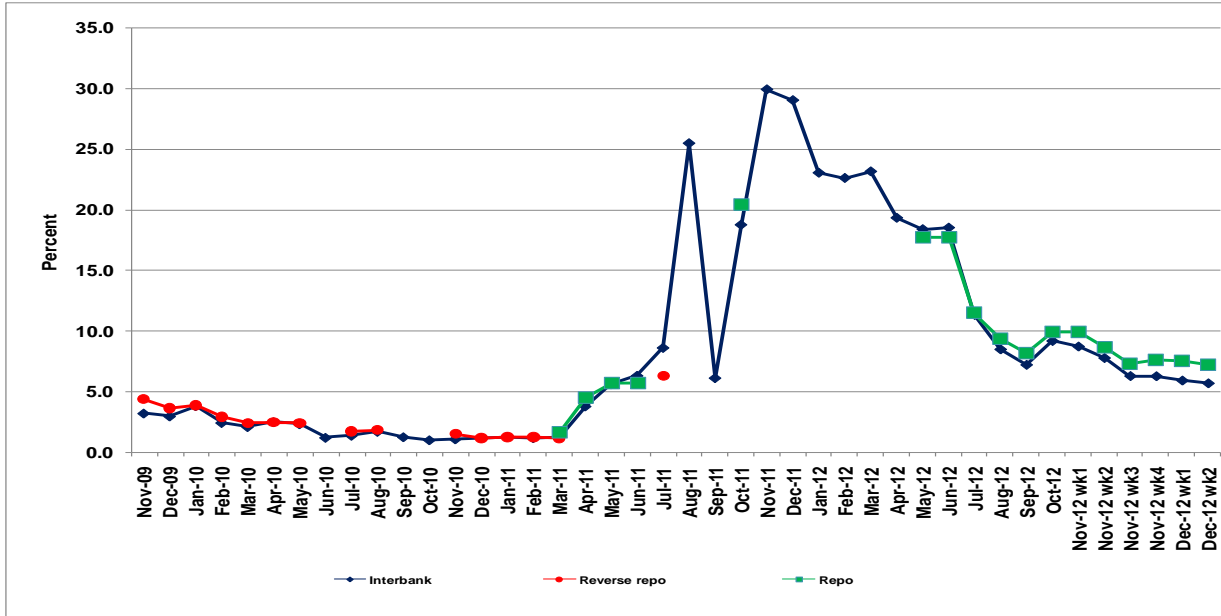
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
29-Nov-12	34	9,030	6.24
30-Nov-12	30	7,850	6.01
03-Dec-12	34	8,593	5.81
04-Dec-12	33	7,340	5.76
05-Dec-12	34	9,508	5.66
November 29 -December 5, 2012	33	8,464	5.90
06-Dec-12	39	7,065	5.62
07-Dec-12	45	6,825	5.68
10-Dec-12	51	13,305	5.67
11-Dec-12	60	16,090	5.70
December 6 -December 11, 2012	49	10,821	5.67

Source: Central Bank of Kenya

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The average repo rate decreased to 7.22 percent during the week ending December 11, 2012 from 7.58 percent recorded in the previous week.

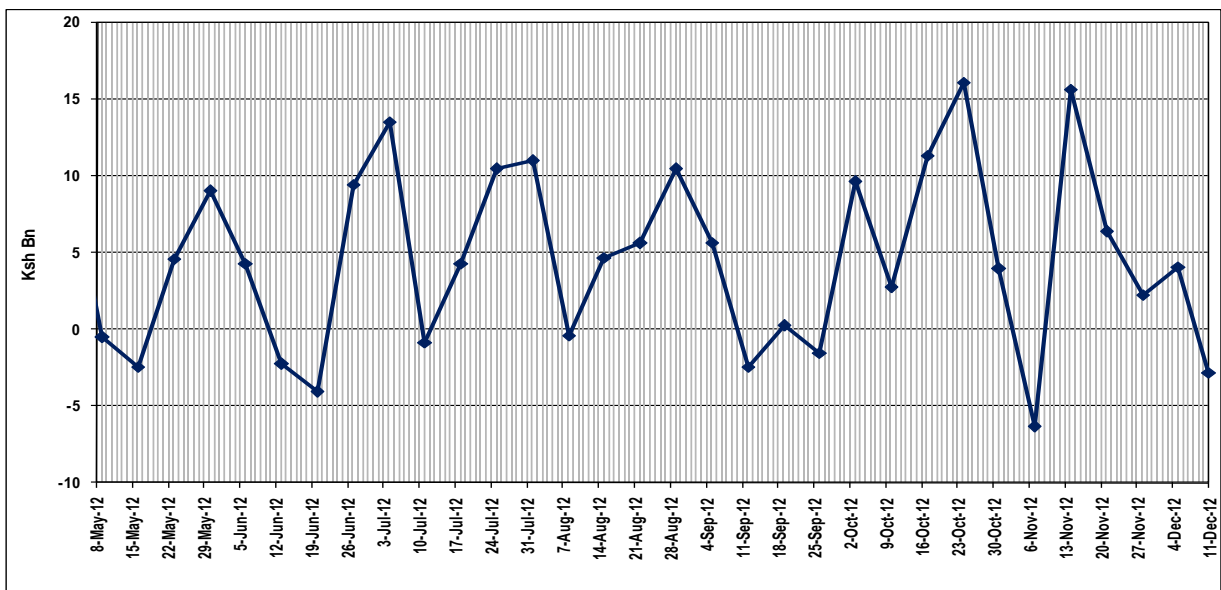
Chart A: The Structure of Interest Rates



Commercial Banks Clearing Account Balances

Commercial banks recorded a shortfall of Ksh 2.84 billion in their settlement accounts at the Central Bank in relation to the monthly average cash reserve requirements of 5.25 percent (or Ksh 87.43 billion) in the week to December 11, 2012 compared with a surplus of Ksh 4.06 billion in the previous week (Chart B).

Chart B: Weekly Average Deviation from CRR in the Clearing Account



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The Shilling Exchange Rate

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending December 13, 2012. It depreciated by 0.07 percent and 0.10 percent against the USD and the Sterling Pound, respectively to trade at an average of Ksh 86.01 per USD and Ksh 138.27 per Sterling Pound. The Shilling however, strengthened by 0.47 percent and 0.24 percent against the Euro and the Japanese Yen respectively to trade at an average of Ksh 111.62 per Euro and Ksh 104.12 per 100 Japanese Yen during the week under review.

In the EAC region, the Kenya Shilling was relatively stable against the East African currencies in the week ending December 13, 2012. It appreciated against Tanzania Shilling and Burundi Franc to trade at an average of Tsh 18.62 and BIF 17.31 compared to Tsh 18.64 and BIF 17.45 in the week ending December 6, 2012. Against the Uganda Shilling and Rwanda Franc the Shilling traded at the same level as the previous week, exchanging at an average of Ush 31.26 and RWF 7.19 (Table 3).

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
30-Nov-12	85.93	137.82	111.61	104.22	31.30	18.63	7.19	17.40
3-Dec-12	85.91	137.69	111.89	104.27	31.20	18.66	7.19	17.40
4-Dec-12	85.96	138.36	112.21	104.74	31.18	18.62	7.19	17.41
5-Dec-12	85.94	138.49	112.71	104.47	31.30	18.64	7.19	17.40
6-Dec-12	85.99	138.35	112.28	104.20	31.34	18.64	7.19	17.62
29 Nov -6 Dec 2012	85.95	138.14	112.14	104.38	31.26	18.64	7.19	17.45
7-Dec-12	85.96	138.07	111.39	104.30	31.29	18.65	7.19	17.39
10-Dec-12	85.99	137.81	111.02	104.51	31.35	18.63	7.19	17.30
11-Dec-12	86.05	138.37	111.50	104.77	31.26	18.61	7.18	17.35
13-Dec-12	86.04	138.84	112.55	102.92	31.15	18.60	7.18	17.20
7 - 13 Dec 2012	86.01	138.27	111.62	104.12	31.26	18.62	7.19	17.31

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,374 million (equivalent to 4.22 months of import cover) as at December 6, 2012 to US Dollar 5,377 million (equivalent to 4.22 months of import cover) in the week ending December 13, 2012 (Table 4).

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

	01-Nov-12	08-Nov-12	15-Nov-12	22-Nov-12	29-Nov-12	06-Dec-12	13-Dec-12
Usable Reserves*	5,147	5,249	5,267	5,383	5,382	5,374	5,377
Months of Imports Cover**	4.04	4.12	4.13	4.23	4.22	4.22	4.22

*Excludes encumbered reserves

**Based on 36 month average of

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 December 14, 2012. The 91 day paper attracted bids worth Ksh 0.6 billion (14.08 performance rate), all of which

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was accepted. Similarly, the 182 day paper attracted bids amounting to Ksh 0.9 billion, representing a performance rate of 31.24 percent, all of which was also accepted. Total non-competitive bids amounted to Ksh 0.6 billion.

Interest Rates on Government securities

Weighted average interest rates for the 91-day and 182-day Treasury bills declined further by 16.5 and 5.9 basis points, respectively, to stand at 8.174 percent and 9.021 percent during the week ending December 14, 2012.

Table 5: Government Securities Interest rates

Auction date	24-Jun-11	05-Oct-12	26-Oct-12	02-Nov-12	09-Nov-12	16-Nov-12	23-Nov-12	30-Nov-12	07-Dec-12	14-Dec-12
91-day T. Bills*	8.995	8.439	9.945	10.237	10.346	9.621	8.987	8.445	8.339	8.174
182-day T. Bills*		10.194	10.761	10.854	10.923	10.325	9.773	9.336	9.080	9.021
364-day T. Bills*		10.570			11.943			11.709		
2 year FXD T. Bonds			12.496							
20 year FXD T. Bonds	14.822						13.540			

*Weighted rates for accepted bids

Government Domestic Debt

Gross Government domestic debt increased by Ksh 110.2 billion from Ksh 858.8 billion at the end of June 2012 to Ksh 869.0 billion on December 7, 2012. This followed an increase of Ksh 63.0 billion, Ksh 28.4 billion and Ksh 18.1 billion in Treasury bills, Treasury bonds and the Government overdraft at the Central Bank, respectively.

Table 6: Government Domestic Debt (Ksh Billion)

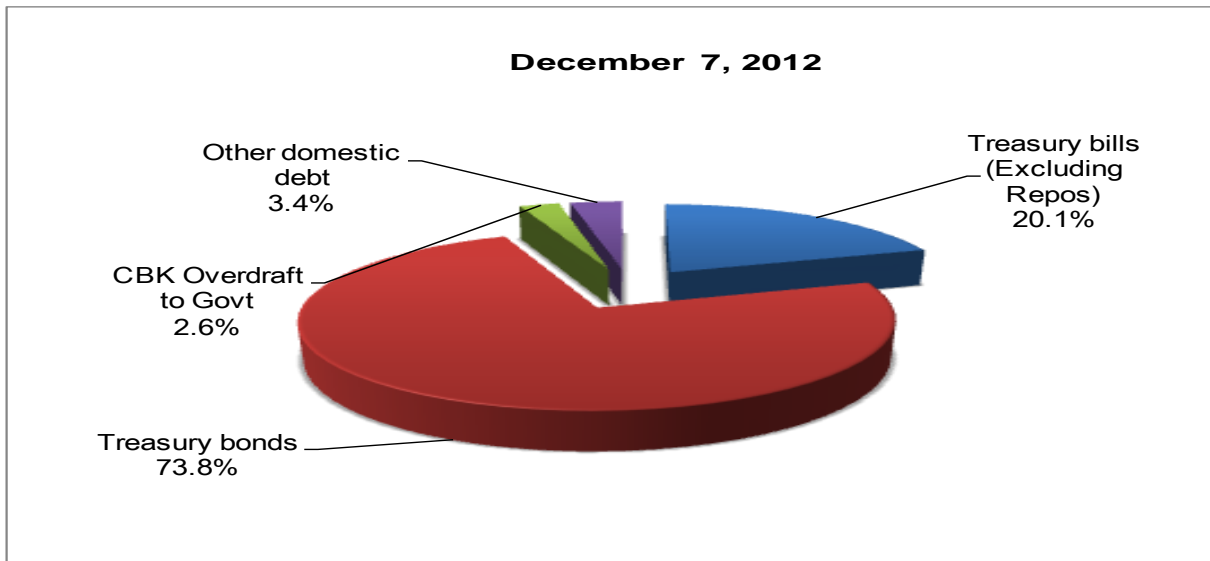
	Jun 2012	Sep 2012	23rd Nov 2012	30th Nov 2012	7th Dec 2012	Changes	
						30th Nov 2012- 7th Dec 2012	29th Jun 2012 - 7th Dec 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	159.7 18.5	172.4 19.5	184.2 20.5	195.1 21.4	10.9	63.0
2. Treasury Bonds (As % of total securities)	687.0 83.9	703.9 81.5	711.9 80.5	715.3 79.5	715.3 78.6	0.0	28.4
3. Total Securities (1+2)	819.0	863.6	884.3	899.5	910.4	10.9	91.4
4. Overdraft at Central Bank	7.3	25.4	25.4	25.4	25.4	0.0	18.1
5. Other Domestic debt*	32.6	33.2	33.1	33.2	33.2	0.0	0.6
6. Gross Domestic Debt (3+4+5)	858.8	922.2	942.8	958.1	969.0	10.9	110.2
7. Interest payments on domestic debt	82.3	25.2	40.9	45.8	47.1	1.3	

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

Source: Central Bank of Kenya

During the week under review, gross government domestic debt increased by Ksh 10.9 billion on account of Treasury bills. Treasury bonds, Government overdraft at the Central Bank and other domestic debts stabilized at previous week's level (Table 6 and Chart C). The average time to maturity of Government securities declined to 4 years and 9 months as at December 7, 2012, from 5 years and 4 months at the end of June 2012.

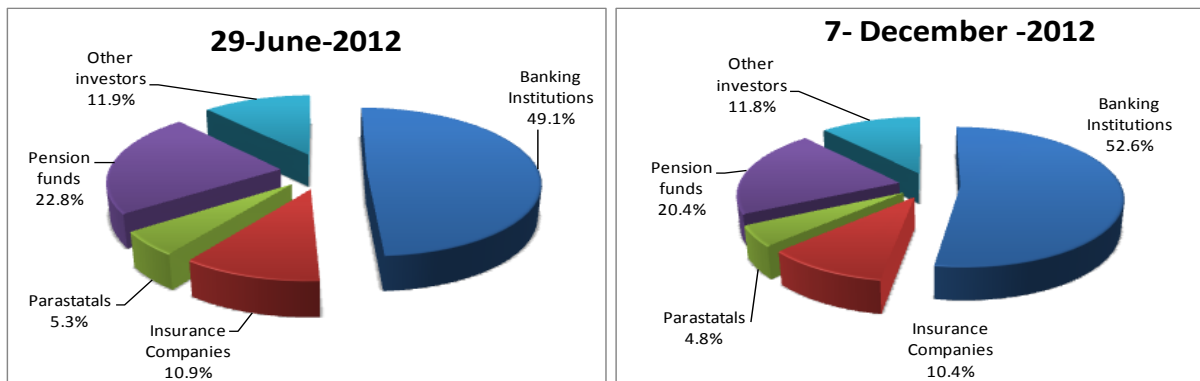
Chart C: Composition of Government Domestic Debt



Holdings of Government Securities

Commercial banks held 52.6 percent of Government securities during the week ending December 7, 2012 up from 49.1 percent at the end of June 2012. The share of Government securities held by insurance companies, parastatals and pension funds decreased from 10.9 percent, 5.3 percent and 22.8 percent in June 2012 to 10.4 percent, 4.8 percent and 20.4 percent, respectively, during the week ending December 7, 2012. Holdings by other investors, which comprise of Sacco’s, listed and private companies, self-help groups, educational institutions, religious institutions and individuals also declined slightly from 11.9 percent to 11.8 percent during the same period (Chart D).

Chart D: Holding of Government Securities by Investors

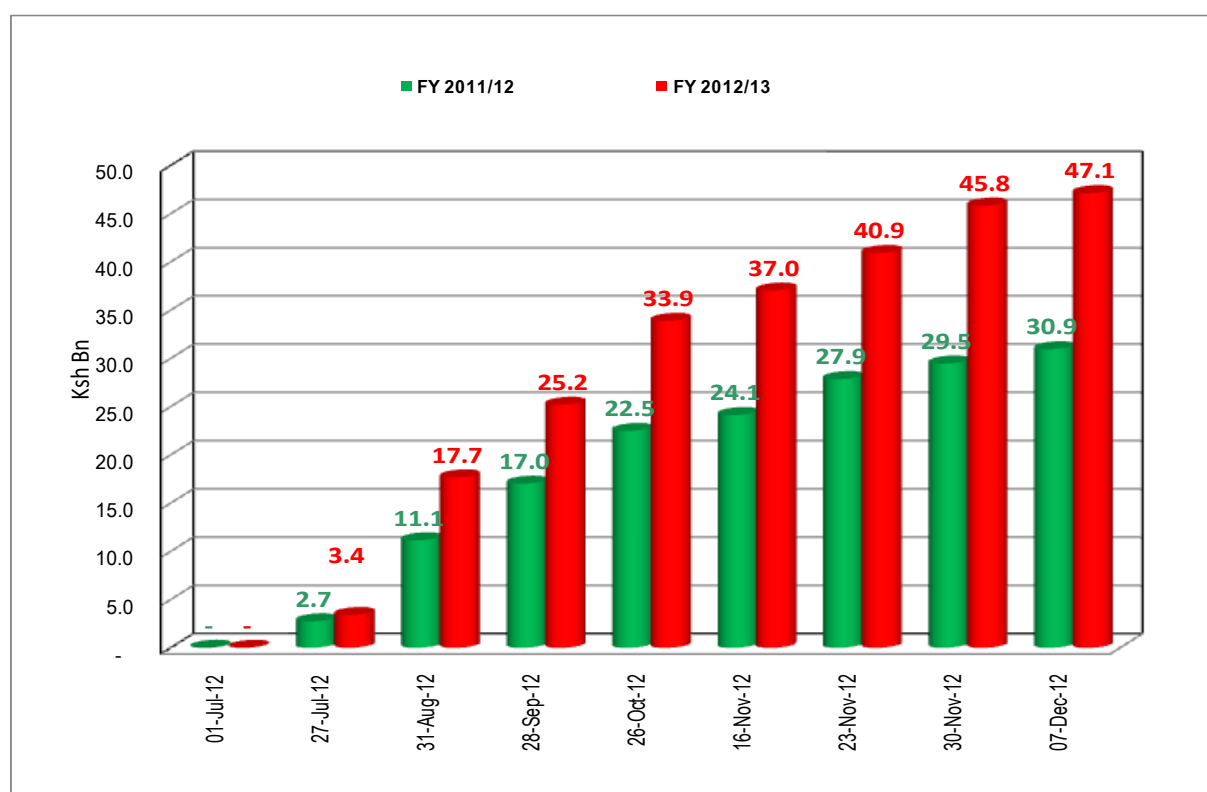


Cost of Domestic Borrowing

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Cumulative interest and other charges on domestic debt for the period July 1, 2012 to December 7, 2012 in the 2012/13 fiscal year amounted to Ksh 47.1 billion compared with Ksh 30.9 billion during a similar period of the previous fiscal year (Chart E). The increase is attributed to the enhanced uptake of government securities at high interest rates. The cost during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 10.1 billion and Ksh 34.9 billion, respectively. Interest on overdraft at the Central Bank amounted to Ksh 2.12 billion during the same period. During the week ending December 7, 2012, interest and other charges on domestic debt amounted to Ksh 1.3 billion.

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



Capital Markets

The capital market performance largely improved in equities segment but declined in bonds segment in the week ending December 13, 2012.

Equities Market

The NSE 20 Share Index rose to 4,031.70 points on December 13th from 4,022.64 points on December 6th, 2012 (Table 7). The NASI gained to 92.80 points from 91.52 points.

Market Capitalization that measures shareholders' wealth increased to Ksh 1,244.373 billion from Ksh.1,225.32 billion the previous week. Equity turnover was 1.9 percent

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higher, to record Ksh 2,106.868 million from Ksh 2,068.157 million in the previous week.

Table 7: Key Weekly Market Statistics

Week Ending	01-Nov-12	08-Nov-12	15-Nov-12	22-Nov-12	29-Nov-12	06-Dec-12	13-Dec-12
NASI 100= Jan 2008	91.28	91.83	92.66	93.18	92.26	91.52	92.8
NSE 20 Share Index 100=1966	4,133.28	4,148.79	4,160.49	4,162.79	4,111.92	4,022.64	4,031.70
Number of Deals	7,462	6,875	6,804	6,606	7,206	6,611	4933
Total Shares Traded (millions)	114.52	129.71	144.78	206.39	294.09	154.13	162.88
Equity Turnover (Ksh. millions)	3,052.73	2,127.22	2,056.20	2,624.16	2,923.53	2,068.16	2,106.87
Market Capitalization (Ksh. Billions)	1,211.89	1,219.30	1,234.90	1,241.92	1,235.26	1,225.32	1,244.37
Bonds Turnover (Ksh. millions)	17,671.45	11,309.25	7,240.80	4,359.75	8,979.95	6,630.55	3,972.85
FTSE NSE Kenya 15 Index	121.66	122.64	123.65	122.50	120.82	119.53	121.7
FTSE NSE Kenya 25 Index	124.27	125.19	126.19	124.87	123.50	122.35	124.61
FTSE NSE KSH Government Bond Index	96.00	102.65	96.83	96.71	96.00	94.84	95.255

Source: Nairobi Securities Exchange

Telecommunications and Technology, Banking and Energy & Petroleum sectors were the top three most active, transacting 127.58 million shares or 78.3 percent; 20.10 million shares or 12.3 percent and 3.384 million shares or 2.1 percent of all traded shares, respectively. Safaricom Ltd, Equity Bank Ltd. and Kenya Commercial Bank Ltd. were the three most active counters with 127.43 million, 10.31 million and 7.082 million shares traded, respectively. Agriculture sector was least active, trading 70,400 shares.

FTSE NSE Kenya Index Series

As indicated in Table 7, FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, gained 2.17 points to close at 121.70 points from 119.53. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, gained by 2.26 points to 124.61 points from 122.35 points the previous week. FTSE NSE Kenyan Shilling Government Bond Index, which measures the performance of Kenya's domestic debt market, closed at 95.26 points compared to 94.84 points the previous week, reflecting higher yields.

The Bond Market

Bond trading activity declined, losing 40.1 percent in turnover, to reach Ksh 3,972.8 million for the week ending December 13th, 2012 from Ksh 6,630.55 million in the previous week. Corresponding deals dropped to 55 from 184 the previous week.