



DECEMBER 28, 2012

Highlights

The money market was relatively liquid during the week ending December 24, 2012. The Central Bank partially sterilized the excess liquidity in the money market by mopping Ksh 9.5 billion through repo securities against maturities of repo securities held by commercial banks of Ksh 26.7 billion.

The average interbank rate increased to 6.24 percent during the week ending December 24, 2012 compared with 5.62 percent recorded in the previous week.

The Kenya Shilling exchange rate was relatively stable against major international currencies in the week ending December 27, 2012. Against the US dollar the Kenya Shilling appreciated marginally to trade at Ksh 85.92 compared to Ksh 86.06 in the week ending December 20, 2012.

The usable official foreign exchange reserves held by Central Bank increased from US\$ 5,385 million (equivalent to 4.23 months of import cover) during the week ending December 20, 2012 to US\$ 5,396 million (equivalent to 4.24 months of import cover) in the week ending December 27, 2012.

The Government offered for sale Treasury bills worth Ksh 7.0 billion in the week ending December 28, 2012. Bids worth Ksh 0.9 billion were received, out of which bids worth Ksh 0.8 billion were accepted.

Gross Government domestic debt increased by Ksh 108.3 billion or 12.6 percent, to Ksh 967.1 billion on December 21, 2012, from Ksh 858.8 billion at the end of June 2012. During the week ending December 21, 2012, gross government domestic debt decreased by Ksh 2.0 billion, on account of Treasury bills.

The capital market performance weakened during the week ending December 27, 2012. The NSE 20 Share Index and NASI lost 4.86 points and 0.74 points, respectively while the FTSE NSE 15 Index and FTSE NSE 25 Index gained by 1.70 points and 1.64 points, respectively. Market capitalization gained Ksh 9.91 billion, while equity turnover declined by 85.8 percent. Bond's market activity recorded 55.4 percent drop in turnover and 2.96 percent drop in the FTSE NSE Kenyan Shilling Government Bond Index.

CBK WEEKLY BULLETIN

Monetary Policy Operations

The money market was relatively liquid during the week ending December 24, 2012. The Central Bank partially sterilized the excess liquidity in the money market by mopping Ksh 9.5 billion through repo securities against maturities of repo securities held by commercial banks of Ksh 26.7 billion. Reserve money averaged Ksh 278.0 billion during the week and was Ksh 7.6 billion below target (Table 1).

Table 1: Open Market Operations (Ksh Billion)

Date	Reserve Money* (Projected)			OMO			Reserve money performance		Bank Reserve s	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)
20-Dec-12	284.1	284.1	0.0	10.0	7.0	0.0	-3.1	270.8	-13.3	-4.8	-8.5
21-Dec-12	276.3	284.1	-7.8	2.5	2.5	0.0	0.0	273.0	-11.1	-4.4	-6.7
24-Dec-12	279.8	288.6	-8.8	3.0	0.0	0.0	-3.0	290.3	1.6	9.7	-8.1
Average	280.1	285.6	-5.5	5.2	3.2	0.0	-2.0	278.0	-7.6	0.2	-7.7

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate increased to 6.24 percent during the week ending December 24, 2012 compared with 5.62 percent recorded in the previous week. The average interbank volumes transacted rose to Ksh 16.7 billion from Ksh 12.6 billion transacted in the previous week, as the average number of deals increased to 53 from 50 deals in the previous week (Table 2 and Chart A).

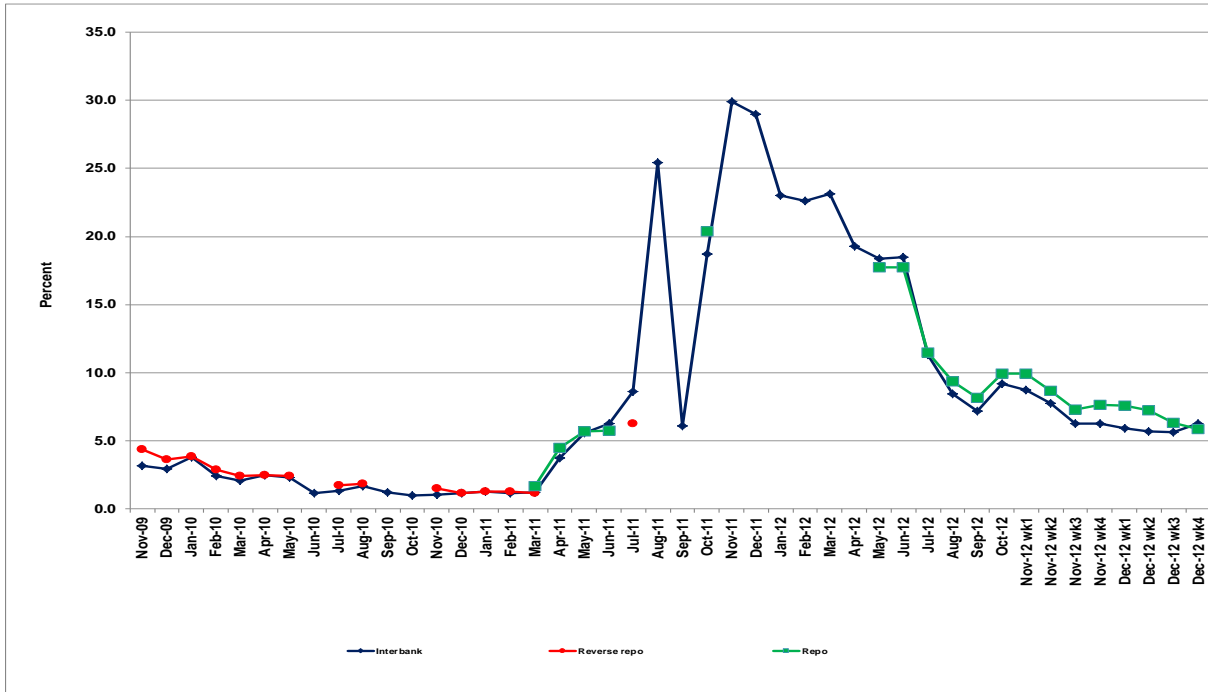
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
13-Dec-12	58	13,945	5.95
14-Dec-12	52	10,840	5.95
17-Dec-12	44	11,380	5.45
18-Dec-12	44	12,450	5.21
19-Dec-12	50	14,410	5.54
December 13 -December 19, 2012	50	12,605	5.62
20-Dec-12	53	11,970	5.76
21-Dec-12	57	17,970	6.34
24-Dec-12	50	20,040	6.63
December 20 -December 24, 2012	53	16,660	6.24

Source: Central Bank of Kenya

The average repo rate decreased to 5.84 percent during the week ending December 24, 2012 from 6.33 percent recorded in the previous week.

Chart A: The Structure of Interest Rates

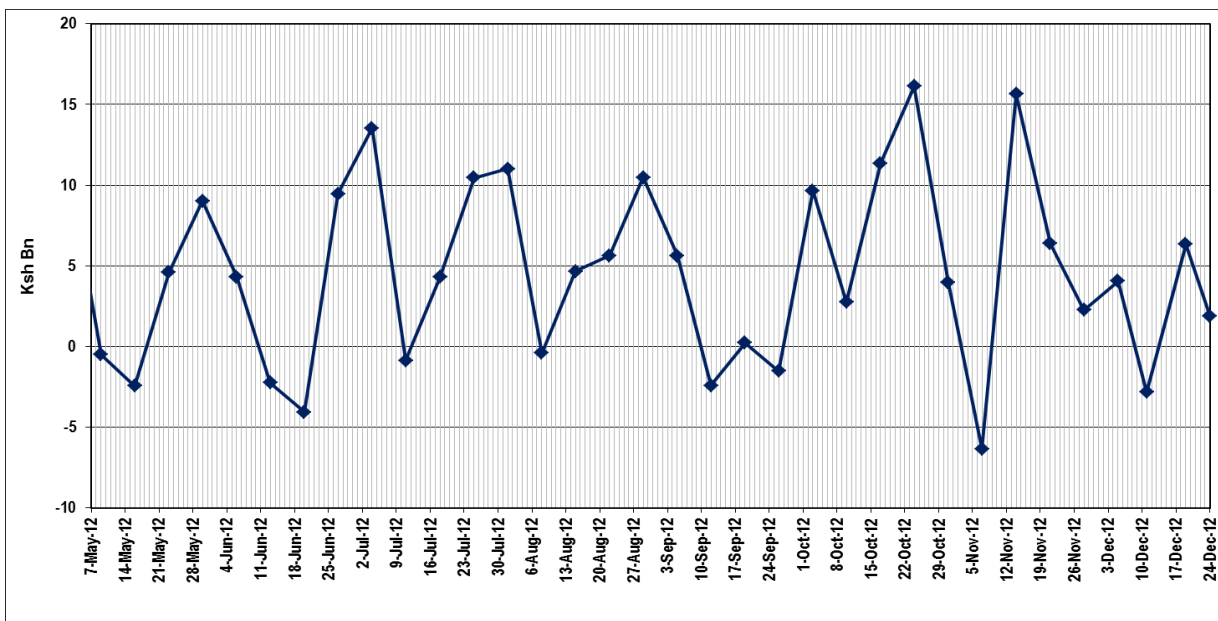


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 1.87 billion in their settlement accounts at the Central Bank in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 89.4 billion) in the week to December 24, 2012 compared with Ksh 6.32 billion in the previous week (Chart B).

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



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling appreciated against all of the major International currencies, except the Euro in the week ending December 27, 2012. It depreciated by 0.12 percent against Euro but appreciated against the US dollar, the Pound Sterling and the Japanese Yen by 0.16 percent, 0.22 percent and 0.94 percent respectively, to trade at an average of Ksh 85.92 per US dollar, Ksh 139.11 to the Sterling Pound, Ksh 113.46 per Euro and Ksh 101.42 per 100 Japanese Yen.

In the EAC region, the Kenya Shilling appreciated against the Rwanda Franc and Burundi Franc, but depreciated against the Uganda Shilling and Tanzania shilling. On average the Shilling traded at Ush 30.87, Tsh 18.40, RWF 7.19 and BIF 17.86 during the week ending December 27, 2012 compared to Ush 30.93, Tsh 18.56, RWF 7.18 and BIF 17.58 (Table 3).

Table 3: Kenya Shillings Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
14-Dec-12	86.04	138.74	112.61	102.59	31.09	18.56	7.18	17.48
17-Dec-12	86.07	139.17	113.26	102.40	30.98	18.58	7.18	17.42
18-Dec-12	86.06	139.51	113.34	102.35	30.91	18.59	7.18	17.69
19-Dec-12	86.07	139.99	113.99	102.06	30.89	18.57	7.18	17.61
20-Dec-12	86.05	139.65	113.46	102.49	30.80	18.51	7.18	17.72
14-20 Dec 2012	86.06	139.41	113.33	102.38	30.93	18.56	7.18	17.58
21-Dec-12	86.00	139.70	113.53	102.29	30.77	18.43	7.19	17.85
24-Dec-12	85.90	138.97	113.28	101.91	30.88	18.45	7.19	17.87
27-Dec-12	85.86	138.66	113.59	100.07	30.96	18.33	7.20	17.85
21-27 Dec 2012	85.92	139.11	113.46	101.42	30.87	18.40	7.19	17.86

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US\$ 5,385 million (equivalent to 4.23 months of import cover) during the week ending December 20, 2012 to US\$ 5,396 million (equivalent to 4.24 months of import cover) in the week ending December 27, 2012.

Table 4: Official Foreign Reserves US\$ million (usable)

	25-Oct-12	1-Nov-12	8-Nov-12	15-Nov-12	22-Nov-12	29-Nov-12	6-Dec-12	13-Dec-12	20-Dec-12	27-Dec-12
Usable Reserves*	5,175	5,147	5,249	5,267	5,383	5,382	5,374	5,377	5,385	5,396
Months of Imports Cover**	4.06	4.04	4.12	4.13	4.23	4.22	4.22	4.22	4.23	4.24

Source: Central Bank of Kenya

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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 28, 2012. The 91-day Treasury bill attracted bids worth Ksh 0.6 billion (14.35 performance rate), all of which was accepted. Similarly, the 182-day Treasury bill attracted bids amounting to Ksh 0.3 billion, representing a performance rate of 10.23 percent, out of which 0.2 billion was accepted. Total non-competitive bids amounted to Ksh 0.6 billion.

Interest Rate on the Treasury Bills and Bonds

Weighted average interest rates for the 91-day and 182-day Treasury bills declined further by 0.4 and 94.6 basis points, respectively, to stand at 8.138 percent and 8.10 percent during the week ending December 28, 2012.

Table 5: Interest Rates

Auction date	24-Jun-11	26-Oct-12	23-Nov-12	30-Nov-12	7-Dec-12	14-Dec-12	21-Dec-12	28-Dec-12
91-day T. Bills*	8.995	9.945	8.987	8.445	8.339	8.174	8.142	8.138
182-day T. Bills*		10.761	9.773	9.336	9.080	9.021	9.046	8.100
364-day T. Bills*				11.709				
2 year FXD T. Bonds		12.496					12.382	
5 year FXD T. Bonds								
15year FXD T. Bonds								
20 year FXD T. Bonds	14.822		13.540					

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 108.3 billion or 12.6 percent to Ksh 967.1 billion on December 21, 2012, from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 60.7 billion, Ksh 28.4 billion, Ksh 18.1 billion and Ksh 1 billion in Treasury bills, Treasury bonds, the Government overdraft at the Central Bank, and other domestic debt, respectively.

Table 6: Government Domestic Debt (Ksh Billion)

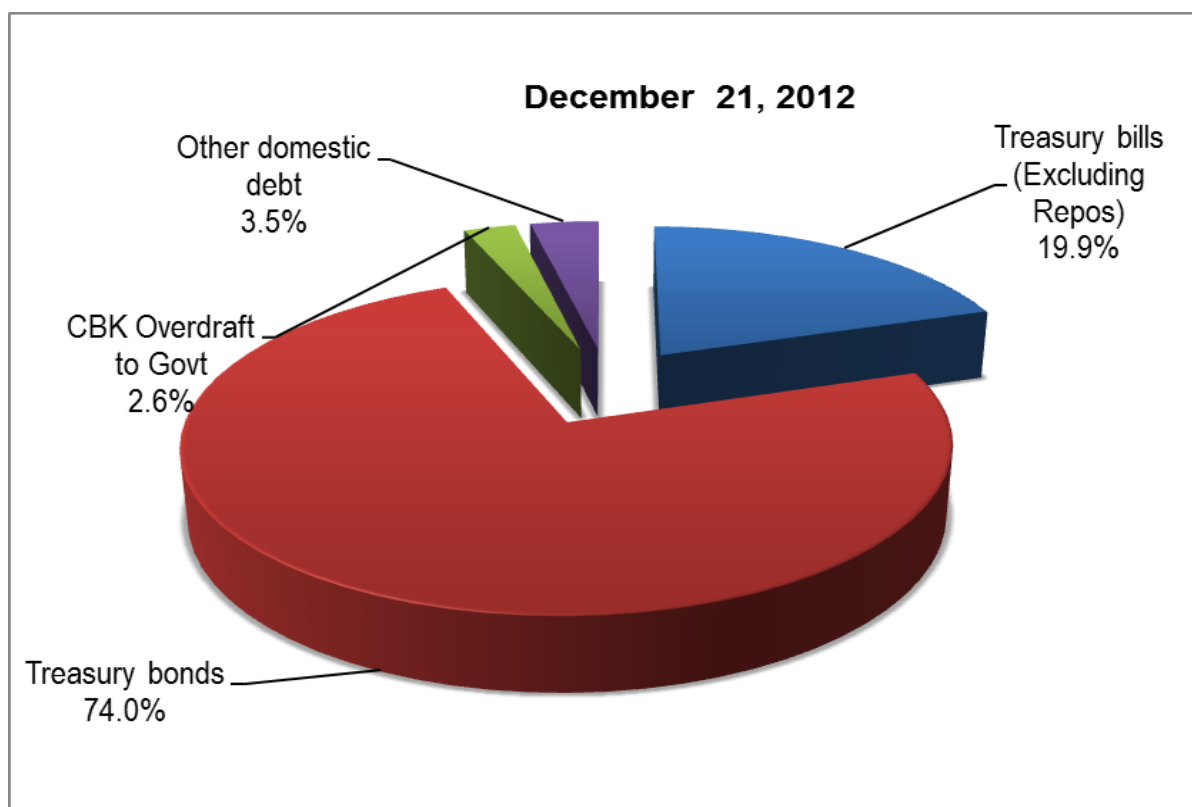
	Jun 2012	Sep 2012	30th Nov 2012	7th Dec 2012	14th Dec 2012	21st Dec 2012	Changes	
							14th Dec 2012- 21st Dec 2012	29th Jun 2012 - 21st Dec 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	159.7 18.5	184.2 20.5	195.1 21.4	194.8 21.4	192.8 21.2	-2.0	60.7
2. Treasury Bonds (As % of total securities)	687.0 83.9	703.9 81.5	715.3 79.5	715.3 78.6	715.3 78.6	715.3 78.8	0.0	28.4
3. Total Securities (1+2)	819.0	863.6	899.5	910.4	910.2	908.1	-2.0	89.1
4. Overdraft at Central Bank	7.3	25.4	25.4	25.4	25.4	25.4	0.0	18.1
5. Other Domestic debt*	32.6	33.2	33.5	33.5	33.6	33.6	0.0	1.0
6. Gross Domestic Debt (3+4+5)	858.8	922.2	958.4	969.3	969.2	967.1	-2.0	108.3
7. Interest payments on domestic debt	82.3	25.2	45.8	47.1	47.5	48.3	0.8	

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Source: Central Bank of Kenya

Gross government domestic debt decreased by Ksh 2.0 billion on account of Treasury bills maturities during the week under review. Meanwhile, Treasury bonds, Government overdraft at the Central Bank and other domestic debt remained unchanged during the week (Table 6 and Chart C). The average time to maturity of government securities declined to 4 years and 9 months as at December 21, 2012, from 5 years and 4 months at the end of June 2012.

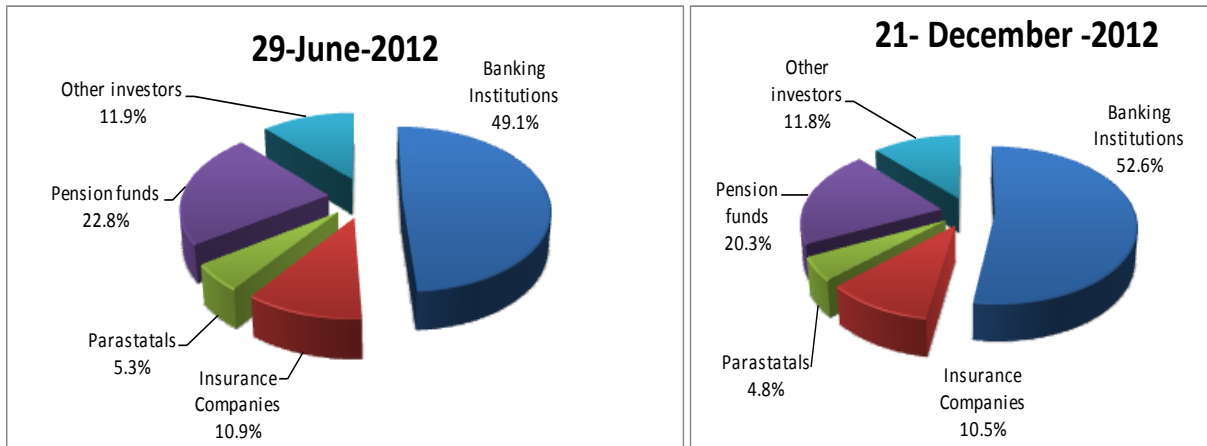
Chart C: Composition of Government Securities



Holding of Government Securities

Commercial banks held 52.6 percent of government securities during the week ending December 21, 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 10.5 percent, 4.8 percent and 20.3 percent, respectively, during the week ending December 21, 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).

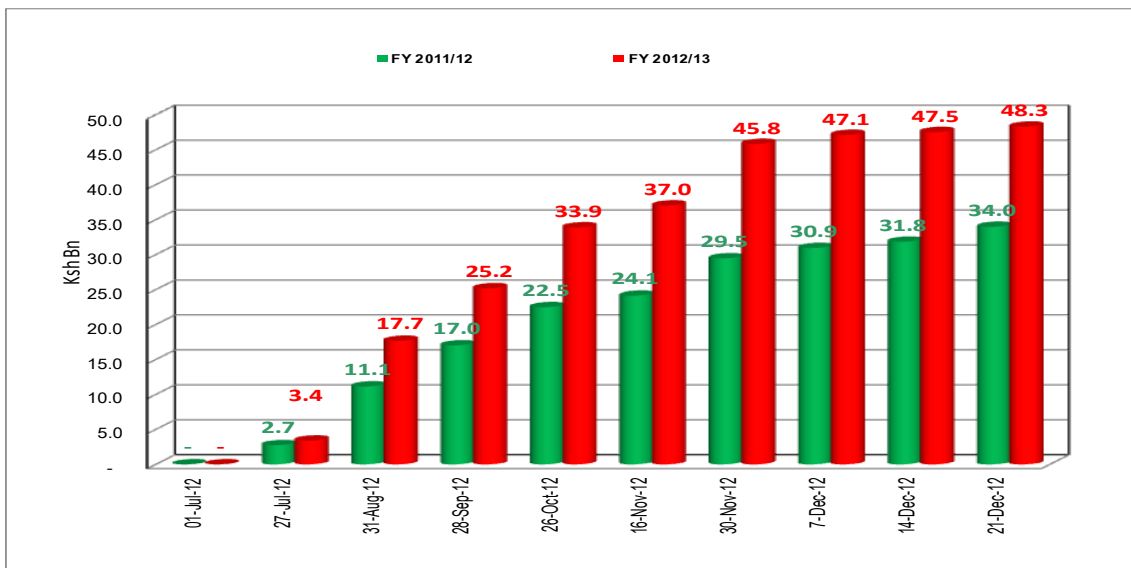
Chart D: Composition of Government Securities by Investors



Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to December 21, 2012 in the 2012/13 fiscal year amounted to Ksh 48.3 billion compared with Ksh 34 billion during a similar period of the previous fiscal year (Chart E). The cost during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 10.5 billion and Ksh 35.7 billion, respectively. Interest on overdraft at the Central Bank amounted to Ksh 2.1 billion.

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



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Capital Markets

The capital market showed weak performance in the week ending December 27, 2012 with most key market indicators on the decline for both the equities and bonds segments. This is attributed to the short trading week due to festive season closure.

Equities Market

The NSE 20 Share Index dropped to 4,122.74 points on December 27 from 4,127.60 points on December 20, 2012 (Table 7). The NASI increased to 94.74 points from 94.00 points. Market capitalization that measures shareholders' wealth also rose to KSh 1,270.35 billion from KSh. 1,260.44 billion the previous week. Equity turnover was 85.8 percent lower on account of reduced shares transacted to record KSh 438.88 million from KSh 3,101.46 million the previous week.

Table 7: Key Weekly Market Statistics

Week Ending	15-Nov-12	22-Nov-12	29-Nov-12	6-Dec-12	13-Dec-12	20-Dec-12	27-Dec-12
NASI 100= Jan 2008	92.66	93.18	92.26	91.52	92.80	94.00	94.74
NSE 20 Share Index 100=1966	4,160.49	4,162.79	4,111.92	4,022.64	4,031.70	4,127.60	4,122.74
Number of Deals	6,804	6,606	7,206	6,611	4,933	6,211	2,034
Total Shares Traded (millions)	144.78	206.39	294.09	154.13	162.88	123.43	39.67
Equity Turnover (Ksh. millions)	2,056.20	2,624.16	2,923.53	2,068.16	2,106.87	3,101.46	438.88
Market Capitalization (Ksh. Billions)	1,234.90	1,241.92	1,235.26	1,225.32	1,244.37	1,260.44	1,270.35
Bonds Turnover (Ksh. millions)	7,240.80	4,359.75	8,979.95	6,630.55	3,972.85	9,845.70	4,390.55
FTSE NSE Kenya 15 Index	123.65	122.50	120.82	119.53	121.70	123.64	125.34
FTSE NSE Kenya 25 Index	126.19	124.87	123.50	122.35	124.61	126.43	128.07
FTSE NSE KSH Government Bond Index	96.83	96.71	96.00	94.84	95.26	94.86	91.90

Source: Nairobi Securities Exchange

Telecommunications and Technology, Banking and Investment sectors were the top three most active, transacting 28.2 million shares or 71.1 percent; 5.1 million shares or 12.9 percent and 2.4 million shares or 6.0 percent of all traded shares, respectively. Safaricom Ltd, Centum Investment Co. Ltd and Kenya Commercial Bank Ltd were the three most active counters with 28.14 million, 2.11 million and 1.47 million shares traded, respectively. Automobile and Accessories sector was least active, trading 107,000 shares.

The biggest closing and average price gains for the week were for East African Breweries Ltd and Diamond Trust Bank Kenya Ltd at KSh 4.0 and KSh 3.5 per share, respectively. The biggest closing and average price losses were for Scangroup Ltd and KenolKobil Ltd at KSh 1.5 and KSh 0.35 per share, respectively. Of the 48 active counters, 23 had average price gain in the week ending December 27, 2012.

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 1.70 points to close at 125.34 points from 123.64. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE gained by 1.64 points to 128.07 points from 126.43 points the previous week. FTSE NSE Kenyan Shilling Government Bond Index, which measures the performance of Kenya's domestic debt market, closed at 91.90 points compared to 94.86 points the previous week, reflecting lower yields.

The Bond Market

Bond trading activity was low, with 55.4 percent drop in turnover, in the week ending December 27, 2012 from KSh 9,845.7 million in the previous week. Corresponding deals dropped to 64 from 135 the previous week (Table 7). The trading week was short due to market closure for the Christmas holiday.