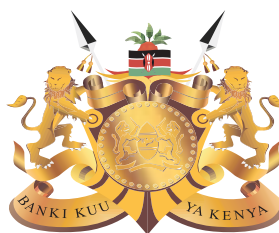


February 24, 2012



THE CBK WEEKLY BULLETIN

Highlights for the Week

The money market liquidity was relatively tight during the week ending February 22, 2012. Commercial banks augmented the inter bank liquidity by borrowing Ksh 3.96 billion at the Central Bank Discount Window and selling US dollars equivalent to Ksh 5.98 billion to the Central Bank.

The average interbank rate increased to 19.22 percent during the week ending February 22, 2012 from 12.45 percent in the previous week reflecting liquidity outflows from bank reserves largely on account of VAT payments.

The Kenya Shilling posted mixed results against major international currencies in the week ending February 24, 2012. Against the US dollar, the Kenya Shilling remained unchanged from the previous week, thereby exchanging at an average of Ksh 82.99 per US dollar.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 4,017 million (equivalent to 3.58 months of imports) as at February 17, 2012 to US dollar 4077 million (equivalent to 3.63 months of imports) in the week ending February 24, 2012.

During the week ending February 24, 2012 the Government offered Treasury bills and Treasury bonds worth Ksh 17.0 billion. A total of Ksh 15.5 billion was accepted out of Ksh 42.7 billion bids received.

Gross Government domestic debt increased by Ksh 70.9 billion from Ksh 764.2 billion in June 2011 to Ksh 835.1 billion in February 17, 2012.

Stock market performance reflected general upward trend in the week of February 23, 2012. The NSE 20 Share Index gained 54.17 points while the Nairobi All Share Index (NASI) that measures all listed companies gained 0.25 points. Market Capitalization was up 0.4 percent. FTSE NSE 15 Index and FTSE NSE 25 Index rose by 0.92 points and 1.02 points, respectively. However, Equity turnover was down 23.1 percent as number of shares traded declined by 41.8 percent. The bonds segment of the market was up 2.7 percent.

**Monetary
Policy
Operations**

The money market liquidity was relatively tight during the week ending February 22, 2012. Commercial banks augmented the interbank liquidity by borrowing Ksh 3.96 billion through the Central Bank Discount Window and selling US dollars equivalent to Ksh 5.98 billion to the Central Bank. Reserve money averaged Ksh 244.6 billion during the week and was Ksh 3.2 billion above the target. The excess was mainly in bank reserves which amounted to Ksh 4.0 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)
16-Feb-12	241.0	240.6	0.4	0.0	0.0	0.0	244.6	3.9	3.9	0.0
17-Feb-12	243.4	240.6	2.8	0.0	0.0	0.0	247.2	6.5	7.7	-1.2
20-Feb-12	244.7	241.9	2.7	0.0	0.0	0.0	242.3	0.3	1.4	-1.0
21-Feb-12	243.8	241.9	1.8	0.0	0.0	0.0	244.9	2.9	4.1	-1.1
22-Feb-12	243.2	241.9	1.2	0.0	0.0	0.0	244.0	2.1	3.2	-1.1
Average	243.2	241.4	1.8	0.0	0.0	0.0	244.6	3.2	4.0	-0.9

*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Interbank
and REPO
Rates**

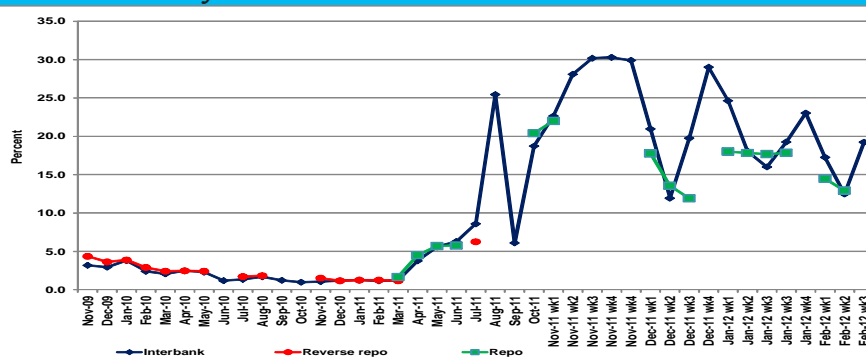
The average interbank rate increased to 19.22 percent during the week ending February 22, 2012 from 12.45 percent in the previous week reflecting liquidity outflow from bank reserves largely on account of VAT payments. The average interbank volumes transacted increased to Ksh 15.78 billion in the week ending February 22, 2012 from Ksh 10.85 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 (%)
9-Feb-12	49	8,873	10.66
10-Feb-12	65	11,792	11.07
13-Feb-12	73	11,131	12.35
14-Feb-12	73	12,231	13.69
15-Feb-12	65	10,219	14.49
Feb 09 - Feb 15, 2012	65	10,849	12.45
16-Feb-12	65	14,228	16.26
17-Feb-12	72	15,784	17.98
20-Feb-12	73	16,133	19.44
21-Feb-12	73	15,813	20.79
22-Feb-12	73	16,946	21.63
Feb 16 - Feb 22, 2012	71	15,781	19.22

Source: Central Bank of Kenya

Chart A: Money Market Interest Rates

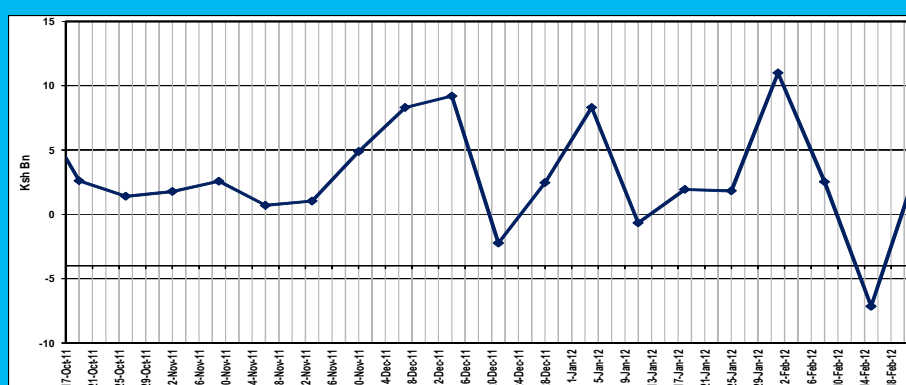


Source: Central Bank of Kenya

Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 3.73 billion in their settlement accounts above the monthly average cash reserve requirements at the Central Bank in the week to February 22, 2012, up from Ksh 1.5 billion below 5.25 percent 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 posted mixed results against major international currencies in the week ending February 24, 2012. Against the US dollar the Kenya Shilling remained unchanged from the previous week, to exchange at an average of Ksh 82.99 per US dollar (Table 3).

Against the Sterling Pound and the Euro, the Shilling depreciated by 0.32 percent and 0.90 percent, respectively, to trade at an average of Ksh 131.00 per Sterling Pound and Ksh 110.10 per Euro in the week ending February 24, 2012 compared with Ksh 130.58 per Sterling Pound and Ksh 109.11 per Euro in the previous week. The Shilling, however, appreciated against the Japanese Yen by 2.10 percent to exchange at an average of Ksh 103.76 per Japanese Yen in the week ending February 24, 2012 compared with Ksh 105.99 per Japanese Yen in the previous week.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
13-Feb-12	82.81	130.74	109.73	106.71	27.89	19.24	7.28	15.83
14-Feb-12	82.96	130.25	109.10	106.36	27.79	19.22	7.27	15.80
15-Feb-12	82.93	130.42	109.23	105.77	27.98	19.21	7.28	15.81
16-Feb-12	83.17	130.31	108.43	106.04	27.90	19.24	7.25	15.75
17-Feb-12	83.07	131.20	109.06	105.05	27.90	19.18	7.26	15.77
Feb 13-17, 2012	82.99	130.58	109.11	105.99	27.89	19.22	7.27	15.79
20-Feb-12	82.91	131.58	109.53	104.24	27.97	19.27	7.27	15.81
21-Feb-12	83.30	131.92	110.54	104.41	28.09	19.21	7.24	15.73
22-Feb-12	83.29	131.55	110.21	104.06	28.01	19.17	7.24	15.73
23-Feb-12	82.76	129.84	109.71	103.27	28.22	19.30	7.28	15.84
24-Feb-12	82.70	130.11	110.50	102.82	28.24	19.35	7.29	15.84
Feb 20-24, 2012	82.99	131.00	110.10	103.76	28.10	19.26	7.26	15.79

Source: Central Bank of Kenya

In the EAC region, the Kenya Shilling posted mixed results against the East African Currencies in the week ending February 24, 2012. The Kenya Shilling appreciated marginally against both the Uganda and Tanzania Shillings to exchange at Ush 28.10 and Tsh 19.26, per Kenya Shilling during the week compared to Ush 27.89 and Tsh 19.22, per Kenya Shilling the previous week. However, the Kenya Shilling depreciated marginally against the Rwanda Franc to exchange at RWF 7.26 per Kenya Shilling compared to RWF 7.27 per Kenya Shilling during the previous week. The Kenya Shilling remained stable against the Burundi Franc at BIF 15.79 per Kenya Shilling during the period under review (Table 3).

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

	6-Jan-12	13-Jan-12	20-Jan-12	27-Jan-12	3-Feb-12	10-Feb-12	17-Feb-12	24-Feb-12
Usable Reserves*	3,918	3,813	3,804	3,868	3,875	4,025	4,017	4,077
Months of Imports Cover**	3.53	3.43	3.39	3.45	3.45	3.59	3.58	3.63

*Excludes encumbered

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

Source: Central Bank of Kenya

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 4,017 million (equivalent to 3.58 months of imports) as at February 17, 2012 to US dollar 4,077 million (equivalent to 3.63 months of imports) in the week ending February 24, 2012 (Table 4). Although the foreign exchange reserves cover over imports is below the 4 months minimum the Central Bank should aspire to hold, the level of reserves is above that required under the current monetary programme.

The Government offered for sale Ksh 17.0 billion in 91-day and 182-day Treasury bills and 1-year Treasury bond during the week ending February 24, 2012. The performance for both tenures was 168.33 percent, 40 percent and 348 percent, respectively. The 91-day and 182-day bills attracted bids worth Ksh 6.7 billion and 1.2 billion, respectively, and the Government accepted Ksh 4.0 billion in 91-day bill and Ksh 968.4 million in 182-day bill. In addition, the Government accepted a total of Ksh 10.5 billion of the Ksh 34.8 billion bids received in the 1-year Treasury bond bids.

Foreign Exchange Reserves

Government Securities Auction

**Interest Rate
on Treasury
Bills &
Bonds**

The weighted average interest rate on the 91-day and 182-day Treasury bills decreased by 18.0 basis points and 29.2 basis points to 19.152 percent and 19.247 percent, respectively, while weighted average of the 1-year Treasury bond decreased by 305.2 basis points to 18.030 percent (Table 5).

Table 5 : Interest Rates

Auction date	18-Nov-11	25-Nov-11	6-Jan-12	13-Jan-12	20-Jan-12	27-Jan-12	3-Feb-12	10-Feb-12	17-Feb-12	24-Feb-12
91 day T. Bills*	16.202	16.601	20.696	20.799	20.769	20.614	20.503	19.807	19.332	19.152
182 day T. Bills*	15.738	16.471	20.714	20.780	20.914	20.801	20.723	20.024	19.839	19.247
364 day T. Bills*			21.961				20.956			
12-year Infrastructure Bond							16.640			
Month	Feb-11	Mar-11	Apr-11	May-11	Jul-11	Aug-11	Sept	Oct	Nov	Dec
Average savings rate	1.41	1.37	1.38	1.38	1.37	1.37	1.35	1.33	1.41	1.59
Average overdraft rate	13.65	13.60	13.68	13.72	13.89	14.28	14.64	14.87	18.67	20.20

*Weighted rates for accepted bids

Source: Central Bank of Kenya

**Government
Domestic
Debt**

Gross Government domestic debt increased by Ksh 70.9 billion from Ksh 764.2 billion in June 2011 to Ksh 835.1 billion in February 17, 2012 (Table 6 and Chart C). During the week under review, gross government domestic debt increased by Ksh 9.7 billion largely on account of outstanding stocks of Treasury bills and Treasury bonds.

Table 6: Government Domestic Debt (Ksh Billion)

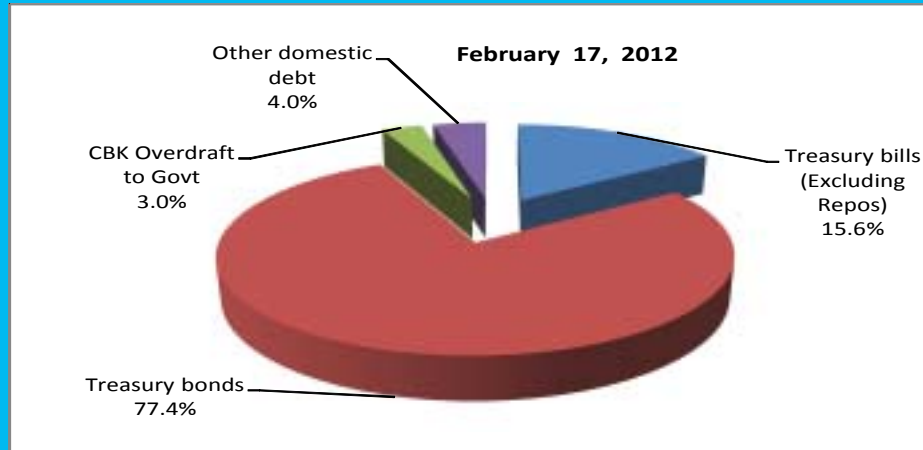
	Jun-11	Dec-11	27th Jan 2012	10th Feb 2012	17th Feb 2012	Changes	
						10th Feb 2012- 17th Feb 2012	17th Feb 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	107.1 14.5	104.3 14.2	120.9 15.8	130.5 16.8	9.6	3.8
2. Treasury Bonds (As % of total securities)	595.7 82.5	633.5 85.5	632.4 85.8	646.0 84.2	646.0 83.2	0.0	50.3
3. Total Securities (1+2)	722.4	740.6	736.7	766.9	776.5	9.6	54.1
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	31.70	33.17	33.22	0.1	1.0
6. Gross Domestic Debt (3+4+5)	764.2	800.7	793.8	825.4	835.1	9.7	70.9
7. Interest payments on domestic debt	69.2	37.7	41.6	43.6	44.0	0.7	

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

Source: Central Bank of Kenya

The stock of Treasury bills increased by Ksh 9.6 billion to stand at Ksh 130.5 billion during the week ending February 17, 2012. The stock of Treasury bonds and overdraft at the Central Bank remained unchanged at Ksh 646.0 billion and Ksh 25.4 billion, respectively, while other domestic debt increased by Ksh 0.1 billion during the week under review (Table 6). The average time to maturity of Government securities declined to 5 years and 8 months as at February 17, 2012, from 5 years and 10 months at the end of June 2011.

Chart C: Composition of Government Securities

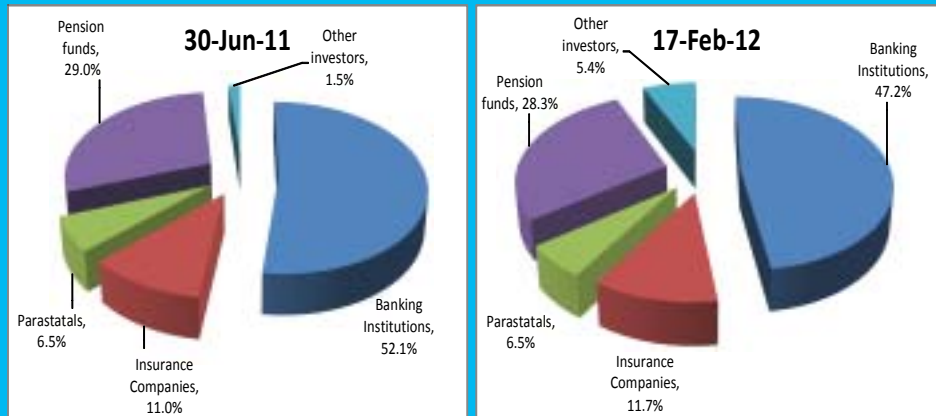


Source: Central Bank of Kenya

Holding of Govt Securities

The share of Government securities held by banking institutions and pension funds declined from 52.1 percent and 29.0 percent in June 2011 to 47.2 percent and 28.3 percent in February 17, 2012. Holdings of insurance companies and other investors increased from 11.0 and 1.5 percent to 11.7 and 5.4 percent, respectively, during the period (Chart D).

Chart D: Composition of Government Securities by Investors

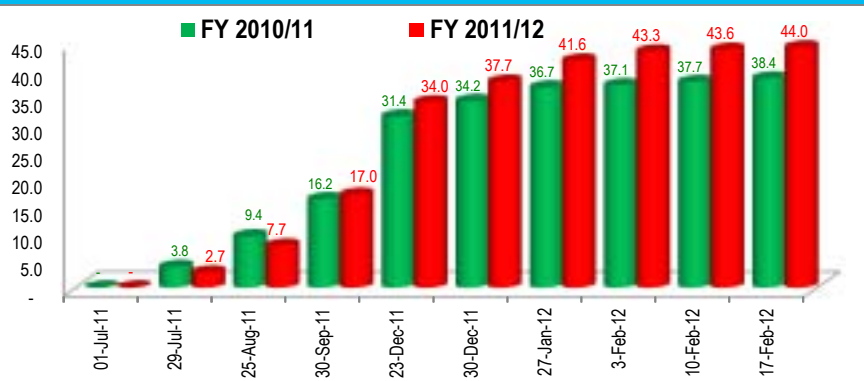


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative interest and other charges on domestic debt from July 1, 2011 to February 17, 2012 amounted to Ksh 44.0 billion compared with Ksh 38.4 billion in the same period of the Fiscal Year 2010/11(Chart E). The cost of domestic borrowing during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 7.8 billion and Ksh 34.4 billion, respectively. Government overdraft at Central Bank accounted for Ksh 1.8 billion. During the week under review, interest on domestic debt increased by Ksh 0.7 billion.

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



Source: Central Bank of Kenya

The Stock Market

Performance at the capital markets was generally positive during the week ending February 23, 2012. All key market indicators for equities and bonds, except the equity turnover and number of shares traded, recorded gains, signaling improved demand against constrained supply of shares.

The NSE 20 Share Index rose to 3,208.63 points on February 23, 2012 from 3,154.46 points on February 16, 2012, while NASI was 70.19 points up from 69.94 points. Market Capitalization which measures total shareholders' wealth gained Ksh 3.2 billion to peak at Ksh 895.8 billion. However, equity turnover declined by Ksh 222.1 million, to trade stocks worth Ksh 738.6 million from Ksh 960.7 million as the number of shares traded declined to 57.6 million from 99.1 million.

Table 7: Key Weekly Market Statistics

Week Ending	5-Jan-12	12-Jan-12	19-Jan-12	26-Jan-12	2-Feb-12	9-Feb-12	16-Feb-12	23-Feb-12
NASI 100= Jan 2008	68.31	68.84	68.76	67.97	69.05	68.96	69.94	70.19
NSE 20 Share Index 100=1966	3,220.74	3,196.86	3,204.76	3,188.23	3,215.70	3,156.87	3,154.46	3,208.63
Number of Deals	3,516	5,237	4,667	4,754	5,124	5,394	5,090	5,165
Total Shares Traded (millions)	37.98	55.26	58.47	131.34	87.34	126.31	99.15	57.6803
Equity Turnover (Ksh. millions)	430.05	614.11	495.57	1,228.83	1,089.93	810.03	960.77	738.6546
Market Capitalization (Ksh. Bn.)	871.68	878.60	877.60	867.44	881.19	880.09	892.589	895.816
Bonds Turnover (Ksh. millions)	6,442.95	9,150.70	4,034.50	3,106.90	2,673.60	4,707.50	6,196.55	6,366.6
FTSE NSE Kenya 15 Index	89.36	89.43	89.72	89.93	90.87	91.38	93.22	94.14
FTSE NSE Kenya 25 Index	91.78	91.83	91.99	91.17	92.89	93.39	94.96	95.98

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

Source: Nairobi Stock Exchange

Telecommunication and Technology sector was the most active, transacting 26.5 million shares or 46.1 percent. Banking sector followed with 20.6 million or 35.8 percent as the Energy and Petroleum sectors closed top three most active sectors with 3.66 million shares. Safaricom, Housing Finance and Barclays Bank were the top three most active counters with 26.1 million, 7.1 million and 6.1 million shares, respectively. Automobile and Accessories was least active, with 26,700 shares traded.

The biggest closing and average price gains in the week ending February 23, 2012 was Jubilee Holdings at Kshs 8 and Carbacid Investment at Ksh 5.88 per share. The biggest closing and average price margin losses was Standard Group at Kshs 3.75 and Williamson Tea at Ksh3.60 per share.

**FTSE NSE
Kenya Index
Series**

The FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, rose to 94.14 points on February 23, 2012 from 93.22 points on February 16, 2012. FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange rose to 95.98 points from 94.96 points during the previous week.

Bond Market

Bonds trading at the Fixed Income Securities Segment rose to Ksh 6,366.6 million for the week ending February 23, 2012 from Ksh 6,196.5 million for the week of February 16, 2012. Total deals transacted over the period dropped to 80 from 88 of previous week. This may be attributed to improving investor confidence in the bonds market which is also reflected in the oversubscription in the week's primary market offers.