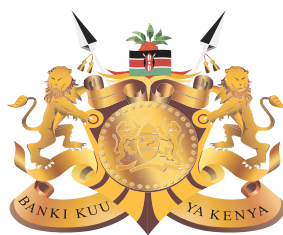


January 06, 2012



THE CBK WEEKLY BULLETIN

Highlights for the Week

The Government offered for sale a total of Ksh 10.0 billion in 91 day, 182 day and 364 day Treasury bills during the week ending January 6, 2012. Total bids received amounted to Ksh 4.9 billion, Ksh 1.1 billion and Ksh 6.1 billion for the 91 day, 182 day and 364 day Treasury bills respectively. The Government accepted Ksh 3.9 billion in 91 day bills, Ksh 1.1 billion in 182 day bills and Ksh 2.4 billion in 364 day bills during the week. The weighted average interest rates stood at 20.696 percent for the 91 day Treasury bill, 20.714 percent for the 182 day Treasury bill and 21.961 percent for the 364 day Treasury bill.

The average interbank rate declined to 24.63 percent during the week ending January 4, 2012 from 29.00 percent in the previous week on account of increased liquidity in the money market. The Central Bank mopped Ksh 2.5 billion through the repo market and Ksh 1.4 billion through sale of forex in the interbank market in the week.

The Kenya Shilling weakened against major international currencies in the week ending January 6, 2012. Against the US dollar the Kenya Shilling depreciated by 2.68 percent to exchange at an average of Ksh 86.53 compared with Ksh 84.27 per US dollar in the previous week.

The usable official foreign exchange reserves held by the Central Bank decreased from US dollar 4002 million (equivalent to 3.61 months of imports) as at December 30, 2011 to US dollar 3,918 million (equivalent to 3.53 months of imports) in the week ending January 6, 2012

Gross Government debt increased by Ksh 35.4 billion during the first half of fiscal year 2011/12, from Ksh 764.2 billion in June 2011 to Ksh 799.6 billion as at December 30, 2011. The cumulative interest and other charges on domestic debt from July 1, 2011 to December 30, 2011 amounted to Ksh 37.7 billion compared with Ksh 34.2 billion in the same period of the fiscal year 2010/11

Stock market performance improved across key indicators in the week of January 5, 2012. The NSE 20 Share Index rose 60.71 points and the Nairobi All Share Index (NASI) gained 0.46 points. Equity turnover and volume of shares traded increased by 156.9 percent and 86.4 percent, respectively. The tradable FTSE NSE 15 Index and FTSE NSE 25 Index added more value. Volume of bonds traded rose by 54.6 percent in the first week of 2012.

Government Securities Auction

The Government offered for sale Ksh 4.0 billion in 91 day Treasury bills, Ksh 3.0 billion in 182-day Treasury bills and Ksh 3.0 billion in 364 day Treasury bills during the week ending January 6, 2012. The 91 day and 364 day bills performed at 123.7 and 202.0 percent, respectively. Demand was low for the 182 day bill which recorded a performance rate of 37.6 percent during the week. Collectively, the Government received bids amounting to Ksh 12.1 billion during the week, of which they accepted Ksh 7.4 billion.

Interest Rate on Treasury Bills & Bonds

During the week's auctions, the weighted average interest rates on the 91 day, 182-day and 364 day Treasury bills increased by 79.1, 47.0 and 100.6 basis points to stand at 20.696 percent, 20.714 percent and 21.961 percent, respectively (Table 1).

Table 1 : Interest Rates

Auction date	14-Oct-11	21-Oct-11	04-Nov-11	11-Nov-11	18-Nov-11	25-Nov-11	02-Dec-11	09-Dec-11	16-Dec-11	23-Dec-11	30-Dec-11	06-Jan-12
91 day T. Bills*	14.997	15.091	15.743	15.998	16.202	16.601	16.859	17.126	18.659	18.948	19.905	20.696
182 day T. Bills*	14.973	15.287		15.661	15.738	16.471	16.543	17.679	18.445	18.576	20.244	20.714
364 day T. Bills*				16.617				20.955				21.961
Month	Jan-11	Feb-11	Apr-11	May-11	Jul-11	Aug-11	Sept	Oct	Nov			
Average savings rate	1.25	1.41	1.38	1.38	1.37	1.37	1.35	1.33	1.41			
Average overdraft rate	13.93	13.65	13.68	13.72	13.89	14.28	14.64	14.87	18.67			

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Interbank and REPO Rates

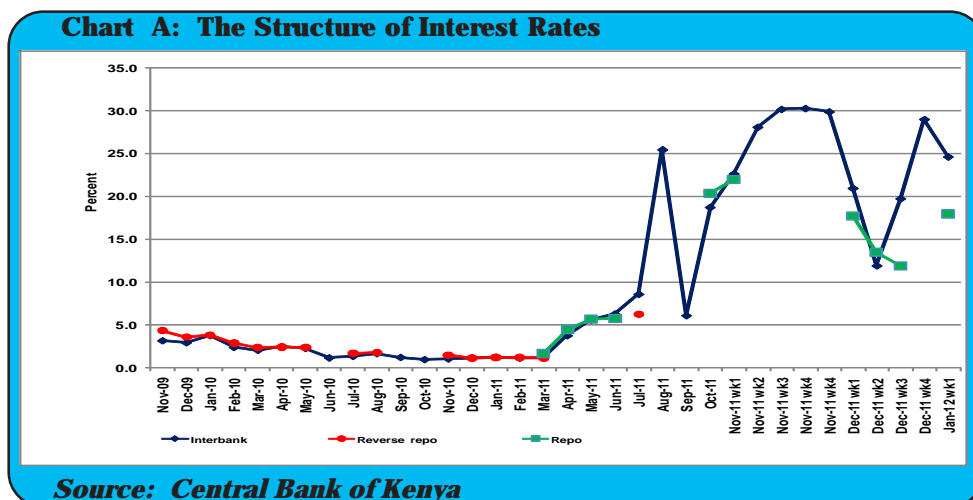
The average interbank rate declined to 24.63 percent during the week ending January 4, 2012 from 29.00 percent in the previous week on account of net payments by Government which increased liquidity in the money market. The average interbank volumes rose to Ksh 13.44 billion in the week ending January 4, 2012 from Ksh 12.81 billion in the previous week (Table 2).

Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
22-Dec-11	58	10,923	27.63
23-Dec-11	70	15,924	29.34
26-Dec-11	HOLIDAY		
27-Dec-11	61	11,909	30.23
28-Dec-11	66	12,500	28.79
Dec 22 - Dec 28, 2011	64	12,814	29.00
29-Dec-11	65	13,226	26.82
30-Dec-11	77	16,478	25.00
02-Jan-12	HOLIDAY		
03-Jan-12	69	13,895	24.19
04-Jan-12	63	10,154	22.50
Dec 29 - Jan 4, 2012	69	13,438	24.63

Source: Central Bank of Kenya

The average repo rate was 18.0 percent in the repo transaction on January 4, 2012.



Monetary Policy Operations

The money market was liquid during the week ending January 4, 2012. The Central Bank mopped Ksh 2.5 billion through the repo market and Ksh 1.4 billion through sale of forex in the interbank market. Reserve money averaged Ksh 255.5 billion during the week and was Ksh 10.1 billion above the target (Table 3).

Table 3: 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)
29-Dec-11	252.6	244.8	7.9	0.0	0.0	0.0	254.3	9.6	5.7	3.9
30-Dec-11	253.7	244.8	8.9	0.0	0.0	0.0	254.0	9.2	7.4	1.8
02-Jan-12	HOLIDAY									
03-Jan-12	259.0	246.2	12.9	5.0	0.0	-5.0	259.0	12.9	12.1	0.8
04-Jan-12	258.3	246.2	12.1	5.0	2.5	-2.5	254.8	8.7	8.1	0.5
Average	255.9	245.5	10.4	2.5	0.6	-1.9	255.5	10.1	8.3	1.8

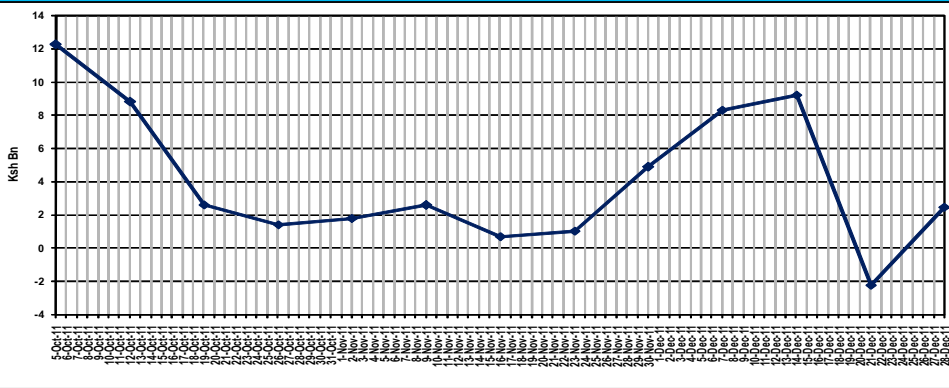
*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 8.31 billion in their settlement accounts above the 5.25 percent monthly average cash reserve requirements at the Central Bank in the week to January 4, 2012, up from Ksh 2.47 billion 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 against major international currencies in the week ending January 6, 2012. The weakening of the shilling reflected increased demand from corporates coupled with thin inflows of foreign exchange. Against the US dollar, the Kenya shilling depreciated by 2.68 percent to exchange at an average of Ksh 86.53 per US dollar compared with Ksh 84.27 per US dollar in the week ending December 30, 2011. The Kenya shilling also depreciated against the Sterling Pound, the Euro and the Japanese Yen to exchange on average at Ksh 134.70 per Sterling Pound and Ksh 111.84 per Euro, and 112.58 per 100 Japanese Yen compared with Ksh 130.97 per Sterling Pound and Ksh 109.56 per Euro, and 108.39 per 100 Japanese Yen in the week ending December 30, 2011.

In the EAC region, the Kenya Shilling depreciated against the other East African currencies during the week ending January 6, 2012. On average, the Kenya shilling exchanged at Ushs 28.36 per Kenya Shilling, Tshs 18.35 per Kenya shilling, RWF 6.97 per Kenya shilling and BIF 15.34 per Kenya Shilling during the week, compared to Ushs 29.28 per Kenya Shilling, Tshs 18.92 per Kenya shilling, RWF 7.15 per Kenya Shilling and BIF 15.76 per Kenya Shilling, in the week ending December 30, 2011 (Table 4).

Table 4: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
Dec 5-8, 2011	89.63	140.10	119.98	115.27	27.71	18.28	6.72	14.36
13-Dec-11	89.55	139.76	118.12	114.97	27.30	18.01	6.73	14.83
14-Dec-11	88.98	137.76	115.98	114.14	27.06	18.06	6.76	14.93
15-Dec-11	87.28	134.78	113.33	111.79	27.27	18.27	6.91	15.22
16-Dec-11	84.60	131.28	110.22	108.66	28.23	19.03	7.12	15.71
Dec 13-16, 2011	87.60	135.89	114.41	112.39	27.47	18.34	6.88	15.17
19-Dec-11	83.69	129.67	108.85	107.32	28.34	19.20	7.21	15.86
20-Dec-11	83.83	130.14	108.94	107.59	28.21	18.97	7.19	15.83
21-Dec-11	83.52	130.84	109.57	107.46	28.26	19.04	7.21	15.91
Dec 19-21, 2011	83.68	130.21	109.12	107.46	28.27	19.07	7.20	15.87
27-Dec-11	83.65	130.77	109.36	107.37	28.99	19.18	7.21	15.88
28-Dec-11	83.72	131.08	109.38	107.56	29.33	19.03	7.20	15.86
29-Dec-11	84.67	130.89	109.43	108.93	29.29	18.66	7.12	15.69
30-Dec-11	85.07	131.12	110.06	109.69	29.51	18.81	7.09	15.62
Dec 27-30, 2011	84.27	130.97	109.56	108.39	29.28	18.92	7.15	15.76
3-Jan-12	85.09	132.36	110.40	110.83	29.00	18.65	7.09	15.61
4-Jan-12	85.57	133.76	111.47	111.59	28.55	18.52	7.03	15.51
5-Jan-12	88.44	137.89	114.23	115.31	27.70	17.97	6.82	15.00
6-Jan-12	87.04	134.81	111.27	112.57	28.21	18.27	6.93	15.26
Jan 3-6, 2012	86.53	134.70	111.84	112.58	28.36	18.35	6.97	15.34

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank decreased from US dollar 4002 million (equivalent to 3.61 months of imports) as at December 30, 2011 to US dollar 3,918 million (equivalent to 3.53 months of imports) in the week ending January 6, 2012 (Table 5). The foreign reserves position at the close of the week is consistent with an average net international reserves of US dollar 3.4 billion (or US dollar 0.2 billion above program target of US \$ 3.1 billion).

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

	04-Nov-11	11-Nov-11	18-Nov-11	25-Nov-11	02-Dec-11	09-Dec-11	16-Dec-11	21-Dec-11	30-Dec-11	06-Jan-12
Usable Reserves*	3,691	3,716	3,697	3,711	3,745	3,773	3,768	3,800	4,002	3,918
Months of Imports Cover**	3.39	3.41	3.39	3.41	3.44	3.46	3.46	3.42	3.61	3.53

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government debt increased by Ksh 35.4 billion from Ksh 764.2 billion in June 2011 to Ksh 799.6 billion as at December 30, 2011 (Table 6 and Chart D). During the week under review, gross government debt increased by Ksh 8.0 billion on account of increased Treasury bond stocks as shown below.

Table 6: Government Domestic Debt (Ksh Billion)

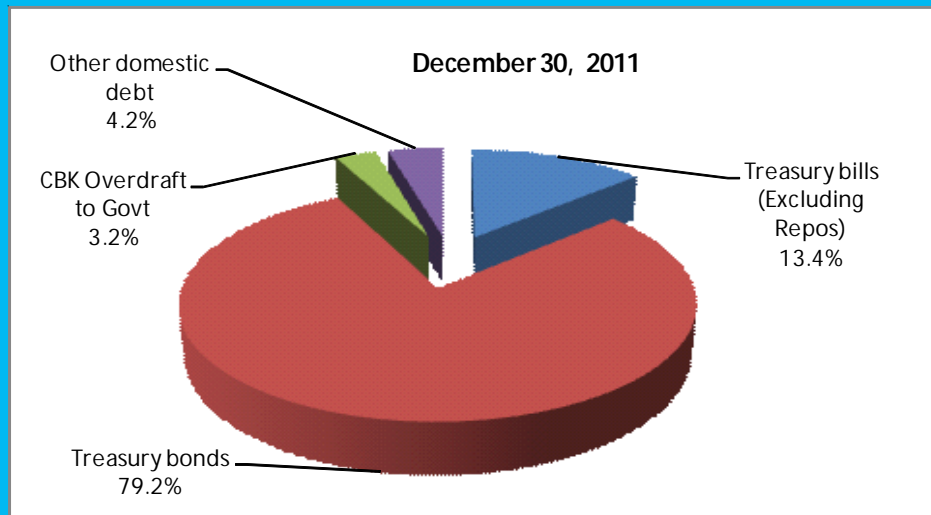
	Jun-11	Sep-11	23rd Dec 2011	30th Dec 2011	Changes	
					23rd Dec 2011-30th Dec 2011	30th Jun 2011-30th Dec 2011
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	113.7 16.1	110.1 15.0	107.1 14.5	-3.0	-19.6
2. Treasury Bonds (As % of total securities)	595.7 82.5	591.5 83.9	622.4 85.0	633.5 85.5	11.1	37.9
3. Long Term Stocks (As % of total securities)	0.0 0.0	0.0 0.0	0.0 0.0	0.0 0.0	0.0 0.0	0.0 0.0
3. Total Securities (1+2+3)	722.4	705.3	732.6	740.6	8.1	18.2
4. Overdraft at Central Bank	7.6	25.4	25.4	25.4	0.0	17.8
5. Other Domestic debt*	34.3	33.6	33.7	33.6	-0.1	-0.6
6. Gross Domestic Debt (4+5+6)	764.22	764.27	791.59	799.62	8.03	35.40
7. Interest payments on domestic debt	69.2	17.37	33.97	37.7	3.8	

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

Source: Central Bank of Kenya

Treasury bond stocks increased by Ksh 11.1 billion following a successful issue of a 1-year rediscounted Treasury bond while Treasury bill stocks declined by Ksh 3.0 billion, during the week under review. Other domestic debt declined by Ksh 0.1 billion during the week to close at Ksh 33.6 billion. The average time to maturity of Government securities declined to 5 years and 9 months, from 5 years and 10 months at the end of June 2011.

Chart C: Composition of Government Securities

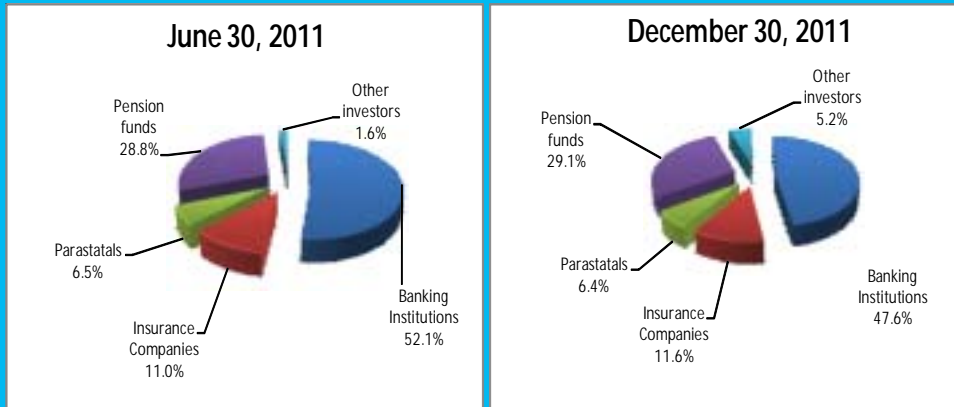


Source: Central Bank of Kenya

Holding of Govt Securities

The share of Government securities by banking institutions and parastatals decreased from 52.1 and 6.5 percent in June 2011 to 47.6 and 6.4 percent respectively as at December 30, 2011. Holdings of insurance companies, pension funds and other investors increased from 11.0, 28.8 and 1.6 percent to 11.6, 29.1 and 5.2 percent, respectively, during the period. (Chart D).

Chart D: Composition of Government Securities by Investors

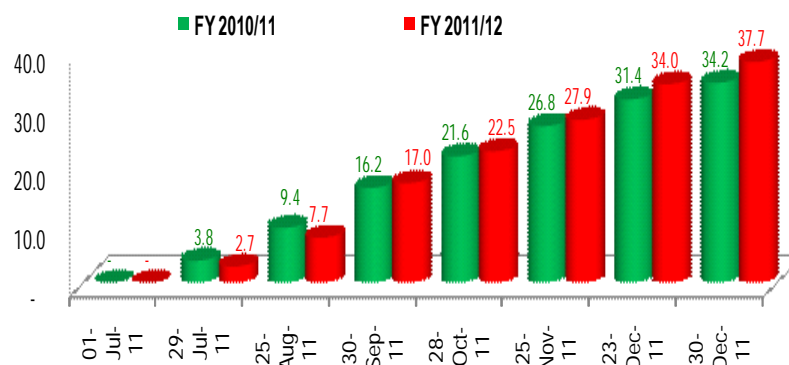


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative interest and other charges on domestic debt from July 1, 2011 to December 30, 2011 amounted to Ksh 37.7 billion compared with Ksh 34.2 billion in 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 5.7 billion and Ksh 31.0 billion, respectively. Government overdraft at central bank accounted for Ksh 1.0 billion.

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



Source: Central Bank of Kenya

The Stock Market

The stock market performance improved in the week ending January 5, 2012 as reflected in key market indicators (Table 7) .

The NSE 20 Share Index rose to 3,220.74 points on January 5, 2012 from 3,160.03 points on December 29, 2011 while NASI was 68.31 points up from 67.85 points. Market Capitalization which measures total shareholders’ wealth added Ksh 5.72 billion to last week’s value of Ksh 87.2 billion. Similarly equity turnover rose to trade stocks worth Ksh 430.05 million from Ksh 167.38 million with the number of shares transacted rising to 37.98 million from 8.05 million.

Telecommunication and Technology sector remained dominant, trading 20.37 million shares, accounting for 55.2 percent of all shares transacted at the bourse. Banking sector came second with 8.44 million shares as Manufacturing & Allied sector closed third most active sector, with 2.5 million shares. Safaricom, Housing Finance and Mumias Sugar maintained top three active counters with 19.52 million, 2.48 million and 1.9 million shares respectively. The least active sector was Automobile and Accessories, with 3,300 shares.

Table 7: Key Weekly Market Statistics

Week Ending	03-Nov-11	10-Nov-11	17-Nov-11	24-Nov-11	01-Dec-11	08-Dec-11	15-Dec-11	22-Dec-11	29-Dec-11	05-Jan-12
NASI 100= Jan 2008	72.53	72.47	71.60	69.46	66.04	65.41	65.98	67.8	67.85	68.31
NSE 20 Share Index 100=1966	3,497.10	3,447.66	3,370.72	3,288.70	3,122.50	3,109.25	3,106.90	3,139.67	3,160.03	3,220.74
Number of Deals	5,795	4,041	4,347	3,669	4,113	3,958	2,810	3,815	1,886	3,516
Total Shares Traded (millions)	131.80	53.08	89.28	47.60	69.30	124.00	64.36	74.56	8.05	37.98
Equity Turnover (Ksh. millions)	1,013.36	573.59	690.12	674.60	1,047.30	954.30	827.68	1,142.34	167.38	430.05
Market Capitalization (Ksh. Bn.)	924.70	924.04	913.81	886.49	842.84	834.69	841.99	865.09	865.97	871.68
Bonds Turnover (Ksh. millions)	3,541.10	4,119.10	7,913.20	6,411.35	7,875.75	7,113.55	7,158.15	4,723.35	4,168.60	6,442.95
FTSE NSE Kenya 15 Index				87.90	84.43	83.62	85.42	87.14	89.35	89.36
FTSE NSE Kenya 25 Index				84.43	86.65	85.81	87.74	89.98	91.64	91.78

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

Source: Nairobi Stock Exchange

The biggest closing and average price gains in the week ending January 5, 2012 were East African Breweries & British American Tobacco at Ksh 3 and Ksh 2.58 per share, respectively. The biggest closing and average price margin losses were for Carbacid at Ksh 3.5 and 3.75 per share, respectively.

**FTSE NSE
Kenya Index
Series**

The FTSE NSE Kenya 15 Index, which measures performance of stocks of 15 largest companies by market capitalization at NSE, gained 1 basis point to level 89.36 points on January 5, 2012 from 89.35 points on December 29, 2011. FTSE NSE Kenya 25 Index, which measures performance of 25 most liquid stocks at the Exchange, gained 14 basis points to 91.78 points from 91.64 points during the previous week. Thus value of the largest 15 stocks and 25 most liquid stocks at NSE improved in the week ending January 5, 2012.

Bond Market

Bonds trading at the Fixed Income Securities Market rose from Ksh 4,168 billion for the week ending December 29, 2011 to Ksh 6,442 billion for the week of January 5, 2012. Total deals transacted over the period increased to 113 from 81.