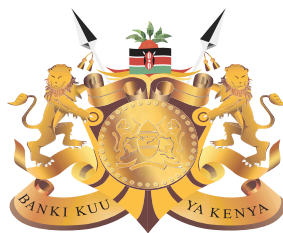


January 13, 2012



THE CBK WEEKLY BULLETIN

Highlights for the Week

The money market was liquid during the week ending January 11, 2012. The Central Bank mopped Ksh 9.2 billion through the repo market and Ksh 7.9 billion through sale of forex in the interbank market in the week. Reserve money averaged Ksh 243.8 billion during the week and was Ksh 0.4 billion below the target.

The average interbank rate decreased to 18.04 percent during the week ending January 11, 2012 from 24.63 percent in the previous week attributed to a liquid money market.

The Monetary Policy Committee meeting on January 11, 2012 maintained the current tight monetary policy stance and thus retained the Central Bank Rate at 18.0 percent to provide time for the adjustments in the CBR to have full impact together with the liquidity management instruments in place.

The Kenya Shilling depicted mixed performance against major international currencies in the week ending January 12, 2012. Against the US dollar the Kenya Shilling weakened marginally to exchange at Ksh 87.22 per US dollar compared with Ksh 86.53 per US dollar in the previous week.

The usable official foreign exchange reserves held by the Central Bank declined from US dollar 3,872 million (equivalent to 3.49 months of imports) as at January 9, 2012 to US dollar 3,818 million (equivalent to 3.44 months of imports) in the week ending January 12, 2012. The reduction partly reflect US dollar 73 million sales to mop excess liquidity in the money market.

The Government offered for sale a total of Ksh 7.0 billion in 91-day and 182-day Treasury bills during the week ending January 13, 2012. Total bids received amounted to Ksh 8.6 billion and Ksh 3.3 billion for the 91-day and 182-day Treasury bills, respectively. The Government accepted Ksh 6.0 billion in 91-day bills and Ksh 1.6 billion in 182-day bills. The weighted average interest rates was 20.799 percent for the 91-day Treasury bill and 20.780 percent for the 182-day Treasury bill.

Gross Government debt increased by Ksh 26.6 billion from Ksh 764.2 billion in June 2011 to Ksh 790.8 billion as at January 6, 2012. The cumulative interest and other charges on domestic debt from July 1, 2011 to January 6, 2012 amounted to Ksh 38.6 billion compared with Ksh 34.2 billion in the same period of the fiscal year 2010/11.

The stock market performance improved in the week ending January 12, 2012. Equity turnover and volume of shares traded increased by 42.8 percent and 45.5 percent, respectively. The tradable FTSE NSE 15 Index and FTSE NSE 25 Index added more value. Volume of bonds traded rose by 42.0 percent during the period. The NSE 20 Share Index dropped 23.88 points, while Nairobi All Share Index (NASI) gained 0.53 points.

**Monetary
Policy
Operations**

The money market was liquid during the week ending January 11, 2012. The Central Bank mopped Ksh 9.2 billion through the repo market and Ksh 7.9 billion through sale of forex in the interbank market in the week. Reserve money averaged Ksh 243.8 billion during the week and was Ksh 0.4 billion below the target (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)
05-Jan-12	253.3	246.2	7.2	3.0	3.5	0.0	248.5	2.3	3.8	-1.4
06-Jan-12	247.7	246.2	1.5	2.0	2.6	0.0	245.9	-0.2	0.2	-0.4
09-Jan-12	247.7	243.0	4.7	3.0	3.1	0.0	241.2	-1.8	-3.6	1.8
10-Jan-12	237.0	243.0	-6.1	0.0	0.0	0.0	238.2	-4.8	-5.8	0.9
11-Jan-12	243.4	243.0	0.4	0.0	0.0	0.0	245.3	2.3	2.1	0.2
Average	245.8	244.3	1.5	1.6	1.8	0.0	243.8	-0.4	-0.7	0.2

*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Interbank
and REPO
Rates**

The average interbank rate decreased to 18.04 percent during the week ending January 11, 2012 from 24.63 percent in the previous week attributed to a liquid money market. The average interbank volumes decreased to Ksh 12.73 billion in the week ending January 11, 2012 from Ksh 13.44 billion in the previous week (Table 2 and Chart A).

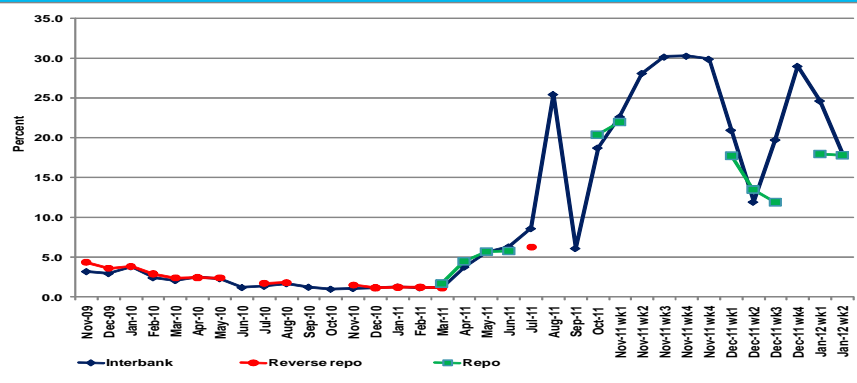
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
05-Jan-12	67	10,919	20.25
06-Jan-12	69	12,174	18.06
09-Jan-12	71	16,239	17.39
10-Jan-12	68	11,463	17.29
11-Jan-12	62	12,862	17.22
Jan 5 - Jan 11, 2012	67	12,731	18.04

Source: Central Bank of Kenya

The average repo rate declined to 17.82 percent in the week ending January 11, 2012 from 18.0 percent in the previous week.

Chart A: The Structure of Interest Rates

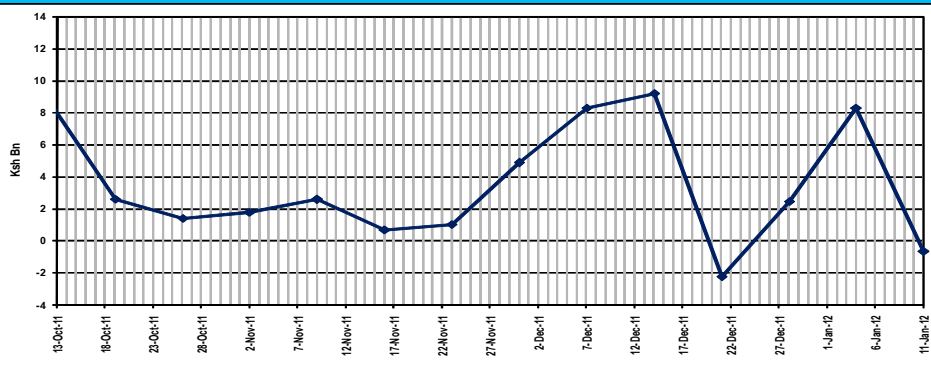


Source: Central Bank of Kenya

Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 0.66 billion in their settlement accounts below the 5.25 percent monthly average cash reserve requirements at the Central Bank in the week to January 11, 2012, down from Ksh 8.31 billion above the 5.25 percent average CRR in the previous week (Chart B). The commercial banks' reserves at the Central Bank were within the 3-5.25 percent allowed CRR corridor.

Chart B: Weekly Average Clearing A/c Balances



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling depreciated slightly against the US dollar and the Japanese Yen to exchange at Ksh 87.22 per US dollar and Ksh 113.39 per 100 Japanese Yen in the week ending January 12, 2012 compared to Ksh 86.53 per US dollar and Ksh 112.58 per 100 Japanese Yen in the previous week. The depreciation of the shilling was due to increased demand largely by commercial banks and the corporate sector.

Against the Sterling Pound and the Euro the Kenya Shilling appreciated to exchange at Ksh 134.57 per Sterling Pound and Ksh 111.15 per Euro in the week ending January 12, 2012 compared to Ksh 134.70 per Sterling Pound and Ksh 111.84 per Euro in the previous week.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
9-Jan-12	86.98	134.21	110.52	113.03	28.34	18.28	6.93	15.27
10-Jan-12	87.18	135.03	111.53	113.51	28.29	18.22	6.92	15.22
11-Jan-12	87.32	135.00	111.37	113.30	28.12	18.15	6.89	14.83
12-Jan-12	87.42	134.05	111.17	113.74	28.20	18.15	6.90	15.20
Jan 9-12, 2012	87.22	134.57	111.15	113.39	28.24	18.20	6.91	15.13

Source: Central Bank of Kenya

In the EAC region, the Kenya Shilling depreciated against the other East African currencies during the week ending January 12, 2012. On average, the Kenya shilling exchanged at Ushs 28.24 per Kenya Shilling, Tshs 18.20 per Kenya shilling, RWF 6.91 per Kenya shilling and BIF 15.13 per Kenya Shilling during the week, compared to 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, in the week ending January 9, 2012 (Table 3).

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank reduced from US dollar 3,872 million (equivalent to 3.49 months of imports) as at January 9, 2012 to US dollar 3,818 million (equivalent to 3.44 months of imports) in the week ending January 12, 2012 (Table 4). The decline is partly attributed to sale of US\$ 73 million to mop up excess liquidity in the money market.

Table 4: 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 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 and received bids worth Ksh 8.6 billion for the 91 day paper, equivalent to 215.6 percent performance rate, and Ksh 3.3 billion for the 182 day paper, equivalent to 110.8 percent performance rate during the week ending January 13, 2012. The Government accepted Ksh 6.0 billion in 91 day bills and Ksh 1.6 billion in 182 day bills .

**Interest Rate
on Treasury
Bills &
Bonds**

The weighted average interest rates at 20.799 percent for the 91 day Treasury bill increased less rapidly, by 10.3 basis points during the week compared with 79.1 basis points increase in the previous week. Similarly, the 182 day Treasury bill at 20.780 percent during the week ending January 2012 increased by 6.6 basis points compared with 47 basis points in the previous week (Table 5) .

Table 5 : Interest Rates

Auction date	14-Oct-11	21-Oct-11	04-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	13-Jan-12
91 day T. Bills*	14.997	15.091	15.743	16.202	16.601	16.859	17.126	18.659	18.948	19.905	20.696	20.799
182 day T. Bills*	14.973	15.287		15.738	16.471	16.543	17.679	18.445	18.576	20.244	20.714	20.780
364 day T. Bills*							20.955				21.961	
Month	Jan-11	Feb-11	Apr-11	Jul-11	Aug-11	Sept	Oct	Nov				
Average savings rate	1.25	1.41	1.38	1.37	1.37	1.35	1.33	1.41				
Average overdraft rate	13.93	13.65	13.68	13.89	14.28	14.64	14.87	18.67				

*Weighted rates for accepted bids

Source: Central Bank of Kenya

**Government
Domestic
Debt**

Gross Government debt increased by Ksh 26.6 billion from Ksh 764.2 billion in June 2011 to Ksh 790.8 billion as at January 6, 2012 (Table 6 and Chart C). During the week under review, however, gross government debt declined by Ksh 8.8 billion as shown below.

Table 6: Government Domestic Debt (Ksh Billion)

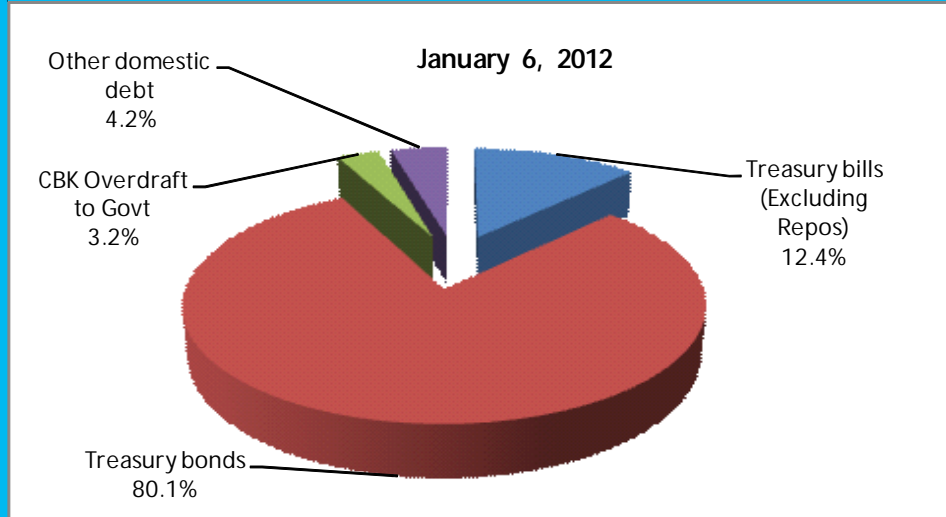
	Jun-11	Sep-11	30th Dec 2011	6th Jan 2012	Changes	
					30th Dec 2011- 6th Jan 2012	30th Jun 2011- 6th Jan 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	113.7 16.1	107.1 14.5	98.3 13.4	-8.8	-28.4
2. Treasury Bonds (As % of total securities)	595.7 82.5	591.5 83.9	633.5 85.5	633.5 86.6	0.0	37.9 4.1
3. Total Securities (1+2+3)	722.4	705.3	740.6	731.8	-8.8	9.5
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	33.6	33.6	0.0	-0.6
6. Gross Domestic Debt (4+5+6)	764.22	764.27	799.62	790.83	-8.79	26.61
7. Interest payments on domestic debt	69.2	17.37	37.7	38.6	0.8	

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

Source: Central Bank of Kenya

Outstanding Treasury bills declined by Ksh 8.8 billion to stand at Ksh 98.3 billion following large maturities during the week relative to new borrowing, while all other items which constitute domestic debt remained constant. 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

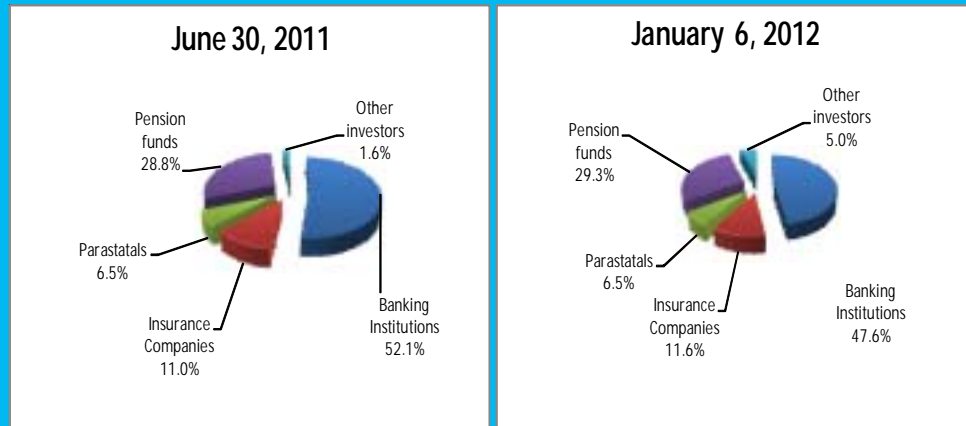


Source: Central Bank of Kenya

Holding of Govt Securities

The share of Government securities by banking institutions declined from 52.1 percent in June 2011 to 47.6 percent as at January 6, 2012. Holdings of insurance companies, pension funds and other investors increased from 11.0, 28.8 and 1.6 percent to 11.6, 29.3 and 5.0 percent, respectively, during the period. (Chart D).

Chart D: Composition of Government Securities by Investors

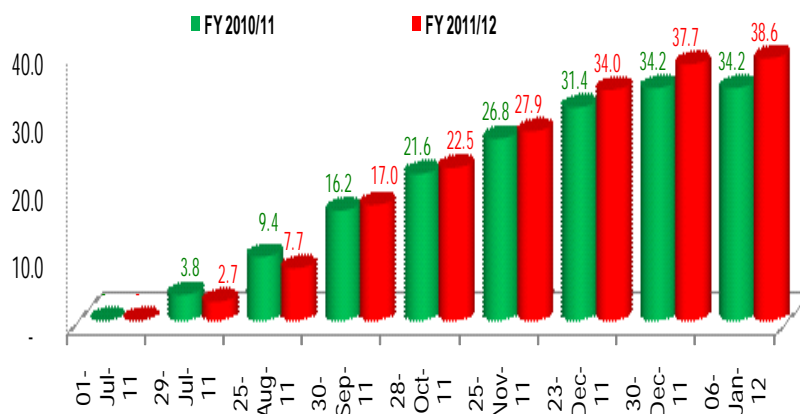


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative interest and other charges on domestic debt from July 1, 2011 to January 6, 2012 amounted to Ksh 38.6 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 6.2 billion and Ksh 31.0 billion, respectively. Government overdraft at central bank accounted for Ksh 1.4 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 12, 2012 (Table 7). Equity turnover rose to trade stocks worth Ksh 614.1 million from Ksh 430.0 million with the number of shares transacted rising to 55.3 million from 38.0 million. Market Capitalization which measures total shareholders' wealth, added Ksh 6.91 billion to last week's value of Ksh 871.6 billion. The NSE 20 Share Index declined to 3,196.86 points on January 12, 2012 from 3,220.74 points on January 5, 2012 while NASI edged up to 68.84 points from 68.31 points.

Telecommunication and Technology sector remained dominant, trading 31.5 million shares and accounting for 57.0 percent of all shares transacted at the bourse. Banking sector came second with 13.3 million shares as Commercial & Services sector closed third most active sector, with 2.1 million shares. Safaricom, Equity Bank and Mumias Sugar maintained top three active counters with 31.3 million, 6.8 million and 3.5 million shares respectively. The least active sector was Automobile and Accessories, with 48,100 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	12-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	68.84
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	3,196.86
Number of Deals	5,795	4,041	4,347	3,669	4,113	3,958	2,810	3,815	1,886	3,516	5,237
Total Shares Traded (millions)	131.80	53.08	89.28	47.60	69.30	124.00	64.36	74.56	8.05	37.98	55.26
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	614.11
Market Capitalization (Ksh. Bn.)	924.70	924.04	913.81	886.49	842.84	834.69	841.99	865.09	865.97	871.68	878.60
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	9,150.70
FTSE NSE Kenya 15 Index				87.90	84.43	83.62	85.42	87.14	89.35	89.36	89.43
FTSE NSE Kenya 25 Index				84.43	86.65	85.81	87.74	89.98	91.64	91.78	91.83

* 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 12, 2012 were East African Breweries & British American Tobacco at Ksh 2.0 and Ksh 12.47 per share, respectively. The biggest closing and average price margin losses were for Nation Media at Ksh 4.0 and 2.95 per share, respectively. On average, 20 out of the 57 listed companies recorded price increase during the week.

**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 7 basis points to level 89.43 points on January 12, 2012 from 89.36 points on January 5, 2012. FTSE NSE Kenya 25 Index, which measures performance of 25 most liquid stocks at the Exchange, gained 5 basis points to 91.83 points from 91.78 points during the previous week. Thus value of the largest 15 stocks and 25 most liquid stocks at NSE had marginal gains in the week.

Bond Market

Bonds' trading at the Fixed Income Securities Market rose from Ksh 6,442 billion in the week ending January 5, 2012 to Ksh 9,150 billion in the week of January 12, 2012. Total deals transacted over the period declined to 104 from 113. This is mainly explained by transactions in the Sell-Buyback window launched in October 2011 to minimize volatility in the yields and is preferred by institutional traders.