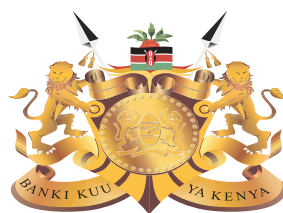


January 27, 2012



THE CBK WEEKLY BULLETIN

Highlights for the Week

The money market liquidity was tight during the week ending January 25, 2012. The Central Bank mopped Ksh 0.6 billion in the repo market against repo maturities of Ksh 13.3 billion in the week. Reserve money averaged Ksh 241.8 billion during the week and was Ksh 3.8 billion above the target.

The average interbank rate increased to 19.25 percent during the week ending January 25, 2012 from 15.99 percent in the previous week attributed to tight liquidity in the money market.

The Kenya Shilling depicted mixed performance against major international currencies in the week ending January 27, 2012. Against the US dollar the Kenya Shilling appreciated marginally to exchange at Ksh 85.68 per US dollar compared with Ksh 86.54 per US dollar in the previous week.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,804 million (equivalent to 3.39 months of imports) as at January 20, 2012 to US dollar 3,868 million (equivalent to 3.45 months of imports) in the week ending January 27, 2012.

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 10.0 billion in 1-year discounted fixed rate Treasury bonds during the week ending January 27, 2012. Total bids received amounted to Ksh 5.6 billion and Ksh 3.9 billion for the 91-day and 182-day Treasury bills, respectively, and Ksh 31.8 billion for the 1-year discounted fixed rate Treasury bond. The Government accepted Ksh 4.8 billion in 91-day Treasury bills, Ksh 3.4 billion in 182-day Treasury bills and Ksh 14.9 billion in the 1-year Treasury bond. The weighted average interest rates stood at 20.614 percent for the 91-day Treasury bill, 20.801 percent for the 182-day Treasury bill and 21.082 percent for the 1-year Treasury bond.

Gross Government debt increased by Ksh 25.9 billion from Ksh 764.2 billion in June 2011 to Ksh 790.1 billion as at January 20, 2012. The cumulative interest and other charges on domestic debt from July 1, 2011 to January 20, 2012 amounted to Ksh 39.6 billion compared with Ksh 34.7 billion in the same period of the fiscal year 2010/11.

Stock market performance was mixed in the week of January 26, 2012. The NSE 20 Share Index lost 16.53 points and the Nairobi All Share Index (NASI) lost 0.79 points. Equity turnover increased by 148 percent and the volume of shares traded increased by 124.6 percent, respectively. The tradable FTSE NSE 15 Index lost value but the FTSE NSE 25 Index rose in value. Volume of bonds traded dropped by 23.0 percent.

**Monetary
Policy
Operations**

The money market liquidity was tight during the week ending January 25, 2012. The Central Bank mopped Ksh 0.6 billion in the repo market against repo maturities of Ksh 13.3 billion in the week. Reserve money averaged Ksh 241.8 billion during the week and was Ksh 3.8 billion above 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)
19-Jan-12	242.4	239.9	2.5	5.0	0.2	-4.8	241.1	1.2	-0.2	1.4
20-Jan-12	243.3	239.9	3.4	1.0	0.2	-0.9	242.1	2.2	1.7	0.5
23-Jan-12	242.4	236.8	5.6	1.0	0.0	-1.0	242.7	5.9	3.0	2.9
24-Jan-12	241.8	236.8	5.0	0.5	0.3	-0.3	240.4	3.6	1.0	2.6
25-Jan-12	240.2	236.8	3.5	0.0	0.0	0.0	242.9	6.2	3.7	2.5
Average	242.0	238.0	4.0	1.5	0.1	-1.4	241.8	3.8	1.8	2.0

*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Interbank
and REPO
Rates**

The average interbank rate increased to 19.25 percent during the week ending January 25, 2012 from 15.99 percent in the previous week attributed to tight liquidity in the money market. The average interbank volumes decreased to Ksh 11.50 billion in the week ending January 25, 2012 from Ksh 11.57 billion in the previous week (Table 2 and Chart A).

Table 2: Interbank Deals, Volumes and Interest Rates

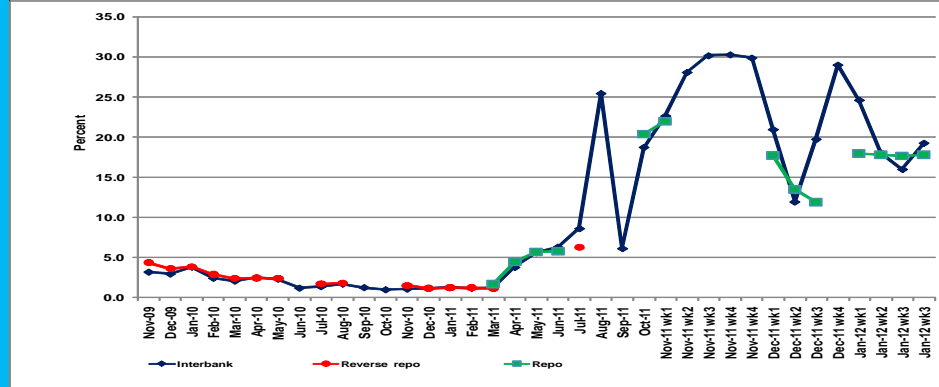
Date	Number of deals	Volumes (Ksh M)	Average Interest Rate (%)
12-Jan-12	67	12,162	16.47
13-Jan-12	61	8,987	15.85
16-Jan-12	58	9,106	15.34
17-Jan-12	74	12,604	15.68
18-Jan-12	76	15,016	16.59
Jan12 - Jan 18, 2012	67	11,575	15.99
19-Jan-12	73	11,191	17.35
20-Jan-12	75	12,096	18.23
23-Jan-12	70	10,606	19.22
24-Jan-12	62	10,358	20.34
25-Jan-12	77	13,234	21.11
Jan19 - Jan 25, 2012	71	11,497	19.25

Source: Central Bank of Kenya

Source: Central Bank of Kenya

The average repo rate increased to 17.83 percent in the repo sales in the week ending January 25, 2012 from 17.67 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 1.83 billion in their settlement accounts above the 5.25 percent monthly average cash reserve requirements (CRR) at the Central Bank in the week to January 25, 2012, down from Ksh 1.94 billion below the 5.25 percent average CRR 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 depicted mixed performance against major international currencies in the week ending January 27, 2012. Against the US dollar and the Japanese Yen, the shilling appreciated by 0.99 percent and 1.72 percent respectively to exchange at an average of Ksh 85.68 per US dollar and Ksh 110.72 per 100 Japanese Yen in week ending January 27, 2012 compared with Ksh 86.54 per US dollar and Ksh 112.66 per 100 Japanese Yen in the previous week.

The appreciation of the Kenya Shilling was mainly because of tight liquidity in the money market, increased dollar inflows from the agriculture sector and foreign investors purchasing of government securities.

Against the Sterling Pound and the Euro the shilling depreciated by 0.37 percent and 0.87 percent respectively to trade at an average of Ksh 133.68 per Sterling Pound and Ksh. 111.66 per Euro in the week ending January

27, 2012 compared with Ksh 133.19 per Sterling Pound and Ksh. 110.69 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	18.37	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
13-Jan-12	87.59	134.64	112.74	114.09	27.34	18.12	6.88	15.17
Jan 9-12, 2012	87.30	134.59	111.47	113.53	28.06	18.18	6.90	15.14
16-Jan-12	87.50	133.93	110.63	113.85	27.72	18.12	6.89	15.16
17-Jan-12	86.96	133.67	110.70	113.39	27.66	18.20	6.92	14.89
18-Jan-12	86.33	132.52	110.22	112.64	27.80	18.65	6.98	14.99
19-Jan-12	86.22	133.02	110.79	112.33	27.85	18.44	6.99	15.01
20-Jan-12	85.68	132.79	111.12	111.07	28.00	18.58	7.04	15.11
Jan 16-20, 2012	86.54	133.19	110.69	112.66	27.80	18.40	6.97	15.03
23-Jan-12	86.04	133.70	110.98	111.61	27.83	18.54	7.00	15.05
24-Jan-12	86.10	133.86	111.95	111.79	27.56	18.58	7.00	15.10
25-Jan-12	85.84	133.85	111.80	110.15	27.55	18.63	7.02	15.14
26-Jan-12	85.36	133.65	111.98	109.82	27.53	18.74	7.06	15.24
27-Jan-12	85.03	133.32	111.59	110.24	27.64	18.81	7.07	15.29
Jan 23-27, 2012	85.68	133.68	111.66	110.72	27.62	18.66	7.03	15.16

Source: Central Bank of Kenya

In the EAC region, the Kenya Shilling depreciated against the Burundi Franc, Tanzania Shilling and the Rwanda Franc and strengthened against the Uganda Shilling in the week ending January 27, 2012. On average, the Kenya shilling exchanged at Ushs 27.62 per Kenya Shilling, Tshs 18.66 per Kenya shilling, RWF 7.03 per Kenya shilling and BIF 15.16 per Kenya Shilling during the week, compared to Ushs 27.80 per Kenya Shilling, Tshs 18.40 per Kenya shilling, RWF 6.97 per Kenya shilling and BIF 15.03 per Kenya Shilling during, in the week ending January 20, 2012 (Table 3).

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 3,804 million (equivalent to 3.39 months of imports) as at January 20, 2012 to US dollar 3,868 million (equivalent to 3.45 months of imports) in the week ending January 27, 2012 (Table 4).

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

	18-Nov-11	25-Nov-11	02-Dec-11	09-Dec-11	16-Dec-11	21-Dec-11	30-Dec-11	06-Jan-12	13-Jan-12	20-Jan-12	27-Jan-12
Usable Reserves*	3,697	3,711	3,745	3,773	3,768	3,800	4,002	3,918	3,813	3,804	3,868
Months of Imports Cover**	3.39	3.41	3.44	3.46	3.46	3.42	3.61	3.53	3.43	3.39	3.45

*Excludes encumbered reserves

**Based on 36 month average of imports of goods and

Source: Central Bank of Kenya

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 10.0 billion in 1-year discounted fixed rate bonds, during the week ending January 27, 2012. Demand was high during the week, with performance rates equivalent to 139.0 percent for the 91-day bill, 129.9 percent for the 182-day bill and 317.9 percent for the 1-year Treasury bond. Collectively, Ksh 9.5 billion worth of bids in Treasury

bills was received, of which Ksh 8.3 billion was accepted, against a targeted amount of Ksh 7.0 billion during the week. Similarly, Ksh 31.8 billion worth of 1-year Treasury bond bids was received of which Ksh 14.9 billion was accepted against a target of Ksh 10.0 billion, during the week. Of the total bids received during the week, Ksh 4.1 billion, equivalent to 10.0 percent, was in non-competitive bids.

Interest Rate on Treasury Bills & Bonds

Following the high demand for securities during the week, the weighted average interest rates for the 91-day and 182-day Treasury bills declined by 15.5 and 11.3 basis points, to stand at 20.614 percent and 20.801 percent, respectively. Similarly, the weighted average interest rate for the 1-year discounted Treasury bond declined by 32.6 basis points to stand at 21.082 percent, from an average of 21.408 percent in the last issue of a similar security in December 2011 (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	20-Jan-12	27-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	20.6%	20.799	20.769	20.614
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	20.914	20.801
364 day T. Bills*							20.955				21.961			
1 year FXD T. Bonds									21.408					21.082
Month	Jan-11	Feb-11	Apr-11	Jul-11	Aug-11	Sept	Oct	Nov	Dec					
Average savings rate	1.25	1.41	1.38	1.37	1.37	1.35	1.33	1.41	1.59					
Average overdraft rate	13.93	13.65	13.68	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 debt increased by Ksh 25.9 billion from Ksh 764.2 billion in June 2011 to Ksh 790.1 billion as at January 20, 2012 (Table 6 and Chart C). Similarly, during the week under review, gross government debt increased by Ksh 4.4 billion following increased stocks of Treasury bills as shown below.

Table 6: Government Domestic Debt (Ksh Billion)

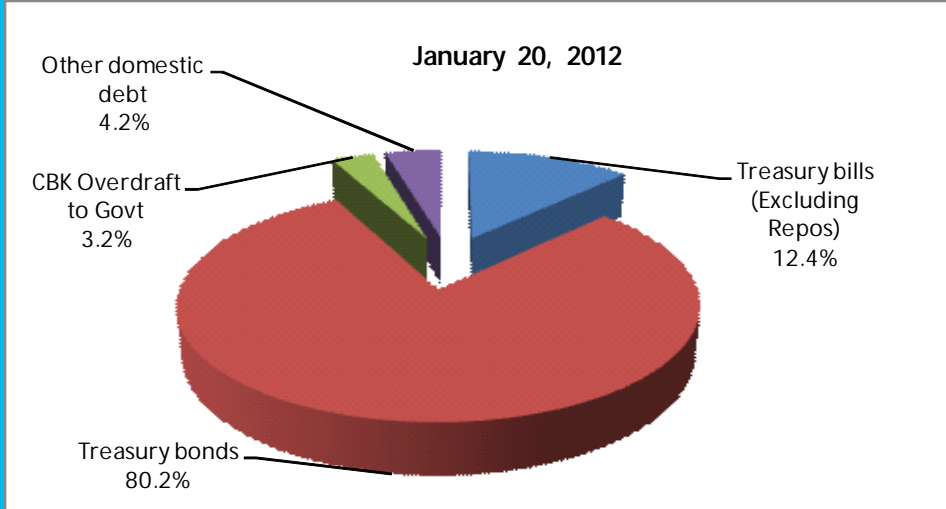
	Jun-11	Sep-11	Dec-11	13th Jan 2012	20th Jan 2012	Changes	
						13th Jan 2012-20th Jan 2012	30th Jun 2011-20th Jan 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	113.7 16.1	107.1 14.5	93.4 12.9	97.7 13.4	4.3	-29.0
2. Treasury Bonds (As % of total securities)	595.7 82.5	591.5 83.9	633.5 85.5	633.5 87.1	633.5 86.6	0.0	37.9
3. Total Securities (1+2)	722.4	705.3	740.6	727.0	731.3	4.3	8.9
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	33.6	34.7	33.33	33.47	0.14	-0.8
6. Gross Domestic Debt (3+4+5)	764.22	764.27	800.68	785.67	790.10	4.42	25.87
7. Interest payments on domestic debt	69.2	17.37	37.7	39.2	39.6	0.4	

* 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 increased by Ksh 4.3 billion to stand at Ksh 97.7 billion during the week ending January 20, 2012, but remained relatively lower than the Ksh 126.7 billion held at the end of June 2011. Treasury bonds and Government overdraft at the Central Bank remained constant during the week under review while other domestic debt increased marginally by Ksh 0.1 billion. The average time to maturity of Government securities stood at 5 years and 10 months, same as at the end of June 2011.

Chart C: Composition of Government Securities

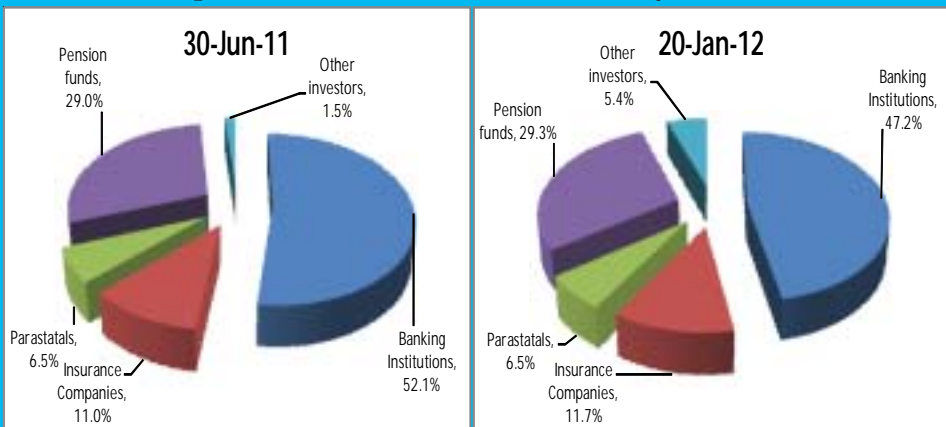


Source: Central Bank of Kenya

Holding of Govt Securities

The share of Government securities by banking institutions declined from 52.1 percent in June 2011 to 47.2 percent as at January 20, 2012. Holdings of insurance companies, pension funds and other investors increased from 11.0, 29.0 and 1.5 percent to 11.7, 29.3 and 5.4 percent, respectively, during the period. (Chart D).

Chart D: Composition of Government Securities by Investors

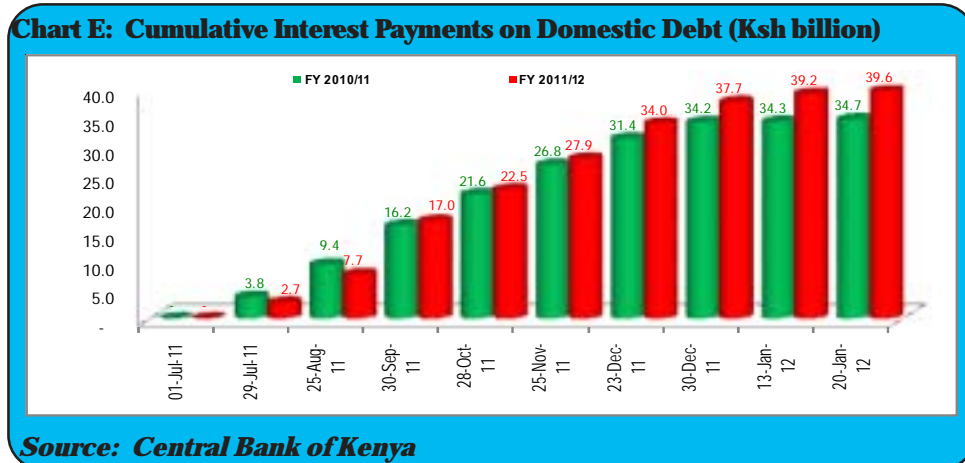


Source: Central Bank of Kenya

Cost of Domestic Borrowing

The cumulative interest and other charges on domestic debt from July 1, 2011 to January 20, 2012 amounted to Ksh 39.6 billion compared with Ksh 34.7 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 6.88 billion and Ksh 31.38 billion, respectively. Government overdraft at the Bank accounted for Ksh 1.36 billion.



The Stock Market

The NSE 20 Share Index dropped to 3188.23 points on January 26, 2012 from 3204.76 points on January 19, 2012 while NASI was 67.97 points down from 68.76 points. Market Capitalization which measures total shareholders' wealth lost Ksh 10.15 billion on the last week's value of Ksh 877.59 billion. Similarly equity turnover gained Ksh 733.2 million, to trade stocks worth Ksh 1,228.8 billion from Ksh 495.5 million. The number of shares also rose to 131.3 million from 58.4 million, signifying investors return to the market amid further decline in prices.

Telecommunication and Technology sector remained dominant, trading 78.6 million shares or 59.9 percent of all shares transacted at the bourse. Banking sector came second with 40.9 million shares as Energy & Petroleum sector closed third most active sector with 4.48 million shares. Safaricom, Equity Bank and Mumias Sugar maintained top three active counters with 78.5 million, 35.4 million and 2.88 million shares respectively. The least active sector was Construction and Allied, with 270,200 shares.

Table 7: Key Weekly Market Statistics

Week Ending	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	19-Jan-12	26-Jan-12
NASI 100= Jan 2008	71.60	69.46	66.04	65.41	65.98	67.8	67.85	68.31	68.84	68.76	67.97
NSE 20 Share Index 100=1966	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	3,204.76	3,188.23
Number of Deals	4,347	3,669	4,113	3,958	2,810	3,815	1,886	3,516	5,237	4,667	4,754
Total Shares Traded (millions)	89.28	47.60	69.30	124.00	64.36	74.56	8.05	37.98	55.26	58.47	131.34
Equity Turnover (Ksh. millions)	690.12	674.60	1,047.30	954.30	827.68	1,142.34	167.38	430.05	614.11	495.57	1,228.83
Market Capitalization (Ksh. Bn.)	913.81	886.49	842.84	834.69	841.99	865.09	865.97	871.68	878.60	877.60	867.44
Bonds Turnover (Ksh. millions)	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	4,034.50	3,106.90
FTSE NSE Kenya 15 Index		87.90	84.43	83.62	85.42	87.14	89.35	89.36	89.43	89.72	89.93
FTSE NSE Kenya 25 Index		84.43	86.65	85.81	87.74	89.98	91.64	91.78	91.83	91.99	91.17

* 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 26, 2012 was Kakuzi Ltd at Ksh 6 and Ksh 5.38 per share respectively. The biggest closing and average price margin losses was East African Breweries at Ksh 8 and Ksh 7.8 per share, respectively.

**FTSE NSE
Kenya Index
Series**

The FTSE NSE Kenya 15 Index, a performance measure for stocks of 15 largest companies by market capitalization at NSE, gained 0.21 basis points to level 89.93 points on January 26, 2012 from 89.72 points on January 19, 2012. FTSE NSE Kenya 25 Index, which measures performance of 25 most liquid stocks at the Exchange, lost 0.82 basis points to 91.17 points from 91.99 points during the previous week. Thus value of the largest 15 stocks and 25 most liquid stocks at NSE was mixed in the week.

Bond Market

Bonds trading at the Fixed Income Securities Market dropped from Ksh 4,034 billion for the week ending January 19, 2012 to Ksh 3,106 billion for the week of January 26, 2012. Total deals transacted over the period declined to 71 from 80 the previous week.