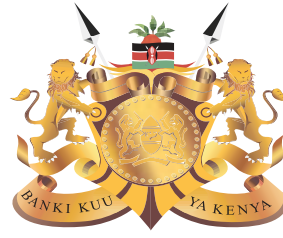


July 13, 2012



## THE CBK WEEKLY BULLETIN

### Highlights for the Week

The money market was relatively liquid during the week ending July 11, 2012. The Central Bank sterilized Ksh 15.7 billion excess liquidity in the money market through repo securities and Ksh 9.7 billion through term auction deposits against repo maturities of Ksh 19.4 billion and term auction deposits maturities of Ksh 6.5 billion.

The average interbank rate decreased to 14.38 percent during the week ending July 11, 2012 compared with 15.87 percent in the previous week. The decline in the interbank rate reflected improved liquidity in the money market.

The Kenya Shilling strengthened against major international currencies in the week ending July 12, 2012. Against the US dollar the Kenya Shilling appreciated to exchange at an average of Ksh 84.09 per US dollar compared with Ksh 84.11 per US dollar in the week ending July 5, 2012.

The usable official foreign exchange reserves held by the Central Bank reduced from US dollar 4,903 million (equivalent to 4.11 months of import cover) as at July 5, 2012 to US dollar 4,860 million (equivalent to 4.08 months of import cover) in the week ending July 12, 2012.

The Government offered for sale Treasury bills worth Ksh 6.0 billion during the week ending July 13, 2012. Bids worth Ksh 2.6 billion were received, of which Ksh 2.1 billion were accepted.

Gross Government domestic debt stood at Ksh 858.3 billion during the first week of the 2012/13 fiscal year, a Ksh 0.9 billion decline from Ksh 859.2 billion at the end of June 2012.

Stock market performance maintained bullish run in the week ending July 12th 2012. NSE 20 Share Index was up 7.64 points as FTSE NSE 15 Index and FTSE NSE 25 Index rose 1.08 points and 0.83 points respectively. Nairobi All Share Index (NASI) however slipped slightly by 0.18 points. Market capitalization and equity turnover edged down 0.2 percent and 17.6 percent, respectively, constrained by low supply which saw shares traded fall 16.4 percent. Bonds market activity improved by 51.7 percent in turnover and 19.3 percent in deals.

**Monetary  
Policy  
Operations**

The money market was relatively liquid during the week ending July 11, 2012. The Central Bank sterilized Ksh 15.7 billion excess liquidity in the money market through repo securities and Ksh 9.7 billion through term auction deposits against repo maturities of Ksh 19.4 billion and term auction deposits maturities of Ksh 6.5 billion. Reserve money averaged Ksh 245.0 billion during the week and was Ksh 8.0 billion below the target (Table 1)

**Table 1: Open Market Operations Ksh Billion**

Date	Reserve Money* (Projected)			OMO			Reserve money performance		Bank Reserves	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)
05-Jul-12	255.57	252.6	3.0	7.0	4.0	3.0	0.0	247.4	-5.2	1.8	-7.0
06-Jul-12	246.65	252.6	-5.9	7.0	3.8	3.2	0.0	245.4	-7.1	-1.7	-5.4
09-Jul-12	246.93	253.4	-6.4	5.0	5.4	1.2	0.0	243.3	-10.1	-4.0	-6.1
10-Jul-12	240.98	253.4	-12.4	5.0	0.1	1.0	-4.0	243.2	-10.1	-4.9	-5.3
11-Jul-12	249.55	253.4	-3.8	3.0	2.3	1.5	0.8	245.9	-7.5	-2.2	-5.3
<b>Average</b>	<b>247.94</b>	<b>253.0</b>	<b>-5.1</b>	<b>5.4</b>	<b>3.1</b>	<b>1.9</b>	<b>-0.6</b>	<b>245.0</b>	<b>-8.0</b>	<b>-2.2</b>	<b>-5.8</b>

Source: Central Bank of Kenya

**Interbank  
and REPO  
Rates**

The average interbank rate decreased to 14.38 percent during the week ending July 11, 2012 compared with 15.87 percent in the previous week. The decline in the interbank rate reflected improved liquidity in the money market. The interbank volumes transacted rose to an average of Ksh 10.58 billion compared with Ksh 9.31 billion in the previous week while the number of deals increased to 57 deals from 53 deals (Table 2 and Chart A).

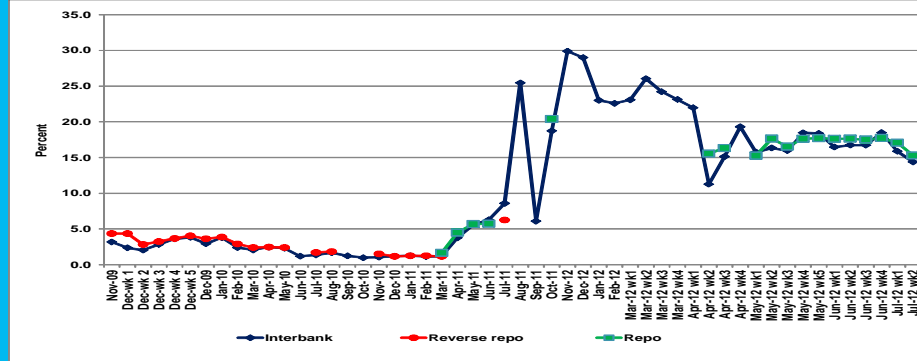
**Table 2: Interbank Deals, Volumes and Interest Rates**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
28-Jun-12	70	14,602	16.43
29-Jun-12	59	9,271	15.84
02-Jul-12	44	5,671	15.64
03-Jul-12	47	8,294	15.74
04-Jul-12	46	8,690	15.72
<b>June 28 - July 4, 2012</b>	<b>53</b>	<b>9,306</b>	<b>15.87</b>
05-Jul-12	37	6,596	15.24
06-Jul-12	44	7,053	14.37
09-Jul-12	61	10,264	14.31
10-Jul-12	81	16,039	14.10
11-Jul-12	60	12,968	13.90
<b>July 5 - July 11, 2012</b>	<b>57</b>	<b>10,584</b>	<b>14.38</b>

Source: Central Bank of Kenya

The average repo rate decreased to 15.29 percent during the week ending July 11, 2012 from 17.08 percent in the previous week.

**Chart A: The Structure of Interest Rates**

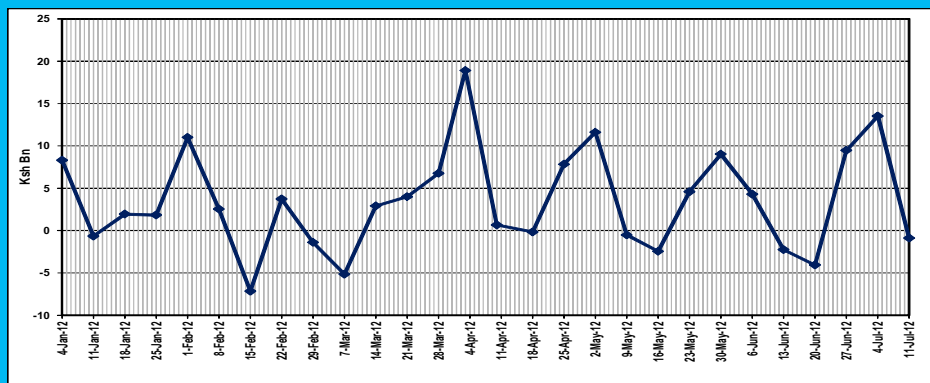


Source: Central Bank of Kenya

**Commercial Banks Clearing Accounts Balances**

Commercial banks maintained an average of 0.88 Ksh billion in their settlement accounts below the monthly average cash reserve requirements of 5.25 percent at the Central Bank in the week to July 11, 2012 compared with Ksh 13.53 billion above cash reserve requirement 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 strengthened against major international currencies in the week ending July 12, 2012. During the week, the Kenya Shilling appreciated by 0.02 percent, 0.93 percent and 2.34 percent against the US dollar, the Sterling Pound and the Euro respectively to trade at an average of Ksh 84.09 per US dollar, Kshs 130.41 per Sterling Pound, Ksh 103.37 per Euro compared to Ksh 84.11 per US dollar, Ksh 131.62 per Sterling Pound and Ksh 105.85 per Euro in the week ending July 5, 2012. Over the same period, the Kenya Shilling depreciated by 0.08 per cent against 100 Japanese Yen to trade at Ksh 105.64 per 100 Japanese Yen compared to Ksh 105.56 per 100 Japanese Yen.

In the EAC region, the Kenya Shilling appreciated against the Uganda Shilling, Tanzania Shilling and Rwanda Franc and depreciated against the Burundi Franc. On average the Kenya Shilling traded at Ush 29.43, Tsh 18.88, RWF 7.21 and BIF 16.71 during the week compared to Ush 29.42, Tsh 18.79, RWF 7.19 and BIF 16.75 in the week ending July 5, 2012 (Table 3). Table 3: Kenya Shilling Exchange Rate

**Table 3: Kenya Shilling Exchange Rates**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
<b>June 22-28, 2012</b>	<b>84.10</b>	<b>131.28</b>	<b>105.34</b>	<b>105.34</b>	<b>29.34</b>	<b>18.78</b>	<b>7.17</b>	<b>16.75</b>
29-Jun-12	84.23	131.42	105.96	106.15	29.38	18.71	7.17	16.68
2-Jul-12	84.13	131.79	106.19	105.66	29.42	18.72	7.18	16.69
3-Jul-12	84.12	132.09	106.03	105.36	29.42	18.81	7.18	16.70
4-Jul-12	84.03	131.74	105.82	105.33	29.45	18.83	7.19	16.95
5-Jul-12	84.03	131.09	105.27	105.28	29.43	18.86	7.23	16.71
<b>June 29- July 5, 2012</b>	<b>84.11</b>	<b>131.62</b>	<b>105.85</b>	<b>105.56</b>	<b>29.42</b>	<b>18.79</b>	<b>7.19</b>	<b>16.75</b>
6-Jul-12	84.53	131.20	104.73	105.82	29.26	18.77	7.19	16.62
9-Jul-12	84.10	130.31	103.35	105.47	29.47	18.91	7.19	16.71
10-Jul-12	83.94	130.13	103.13	105.49	29.43	18.94	7.24	16.74
11-Jul-12	83.96	130.36	102.93	105.87	29.48	18.89	7.24	16.73
12-Jul-12	83.93	130.04	102.73	105.55	29.53	18.89	7.21	16.73
<b>July 5-12, 2012</b>	<b>84.09</b>	<b>130.41</b>	<b>103.37</b>	<b>105.64</b>	<b>29.43</b>	<b>18.88</b>	<b>7.21</b>	<b>16.71</b>

Source: Central Bank of Kenya

### Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank reduced from US dollar 4,903 million (equivalent to 4.11 months of import cover) as at July 5, 2012 to US dollar 4,860 million (equivalent to 4.08 months of import cover) in the week ending July 12, 2012 (Table 4).

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

	10-May-12	17-May-12	24-May-12	31-May-12	07-Jun-12	14-Jun-12	21-Jun-12	28-Jun-12	05-Jul-12	12-Jul-12
Usable Reserves*	4,660	4,627	4,549	4,425	4,564	4,560	4,936	4,924	4,903	4,860
Months of Imports Cover**	3.95	3.92	3.86	3.75	3.87	3.86	4.18	4.13	4.11	4.08

\*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 3.0 billion each in 91 day and 182 day Treasury bills during the week ending July 13, 2012. The auction attracted bids worth Ksh 2.6 billion, representing performance rates of 43.3 percent and 42.8 percent, respectively, for the 91 day and 182 day papers. All the 91 day bids, equivalent to Ksh 1.3 billion, and only a fraction of the 182 day bids, amounting to Ksh 0.8 billion were accepted during the week. Total non-competitive bids amounted to Ksh 1.0 billion.

**Table 5 : Interest Rates on Government Securities**

Auction date	04-May-12	31-May-12	08-Jun-12	15-Jun-12	22-Jun-12	29-Jun-12	06-Jul-12	13-Jul-12
91 day T. Bills*	13.382	9.336	9.801	10.537	10.675	10.780	10.835	12.001
182 day T. Bills*	14.775	10.327	10.750	10.737	10.857	11.091	11.415	12.354
364 day T. Bills*			12.431				13.000	
1 year FXD T. Bonds								
2 year FXD T. Bonds								
5 year FXD T. Bonds								
10 year FXD T. Bonds					12.705			
12-year Infrastructure Bond								

\*Weighted rates for accepted bids

Source: Central Bank of Kenya

**Interest Rate  
on Treasury  
Bills &  
Bonds**

Weighted average interest rates on the 91 day and 182 day Treasury bills edged up by 116.6 and 93.9 basis points, respectively, to stand at 12.001 percent and 12.354 percent, during the week under review.

**Table 6: Government Domestic Debt (Ksh Billion)**

	Jun-11	Apr-12	31st May 2012	8th June 2012	15th June 2012	Changes	
						8th June 2012- 15th June 2012	30th Jun 2011 - 15th June 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	147.6 17.6	138.5 16.7	134.8 16.3	132.3 16.0	-2.5	5.5
2. Treasury Bonds (As % of total securities)	595.7 82.5	690.0 82.4	692.3 83.3	692.3 83.7	692.3 84.0	0.0	96.7
3. Total Securities (1+2)	722.4	837.6	830.8	827.1	824.6	-2.5	102.2
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	33.1	32.7	32.7	32.7	0.0	-1.6
6. Gross Domestic Debt (3+4+5)	764.2	896.0	888.9	885.1	882.6	-2.5	118.4
7. Interest payments on domestic debt	69.2	65.0	73.8	75.7	76.1	0.4	

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

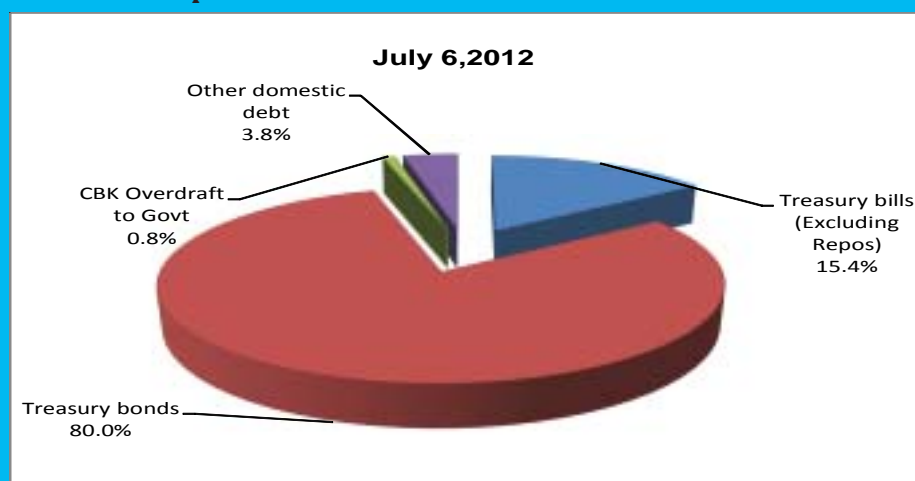
**Source: Central Bank of Kenya**

Weighted average interest rates on the 91-day and 182-day Treasury bills increased by 13.8 and 12.0 basis points respectively, to stand at 10.675 percent and 10.857 percent. However, the 10-year Treasury bond rate declined by 38.4 basis points to 12.705 percent, from 13.089 percent attained in the last 10-year bond auction in July 2011.

**Government  
Domestic  
Debt**

Gross Government domestic debt stood at Ksh 858.3 billion at the end of the first week of the 2012/13 fiscal year, a decline of Ksh 0.9 billion from Ksh 859.2 billion in June 2012. This was largely on account of Ksh 0.7 billion redemption in the stocks of Treasury bills (Table 6 and Chart C). During this period, Treasury bonds and Government overdraft at the Central Bank remained constant, while other domestic debt declined by Ksh 0.2 billion. The average time to maturity of Government securities was maintained at 5 years and 4 months, unchanged from the end of June 2012.

**Chart C: Composition of Government Securities**

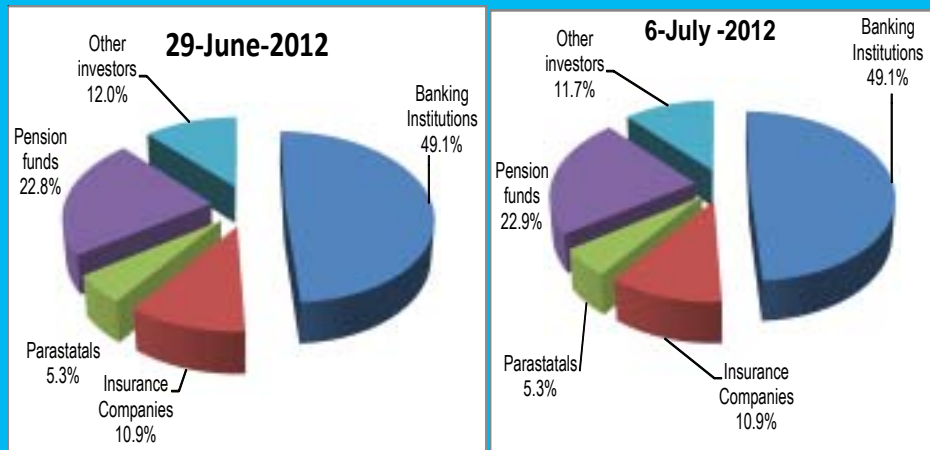


**Source: Central Bank of Kenya**

**Holding of Govt Securities**

The share of Government securities held by pension funds increased from 22.8 percent in June 2012 to 22.9 percent at the end of the first week of the 2012/13 fiscal year. Those held by other investors, which comprises Sacco's, listed and private companies, self-help groups, educational institutions, religious institutions and individuals, declined from 12.0 percent to 11.7 percent, during the same period. Banking institutions, parastatals and insurance companies' holdings of Government securities remained constant during the period (Chart D).

**Chart D: Composition of Government Securities by Investors**

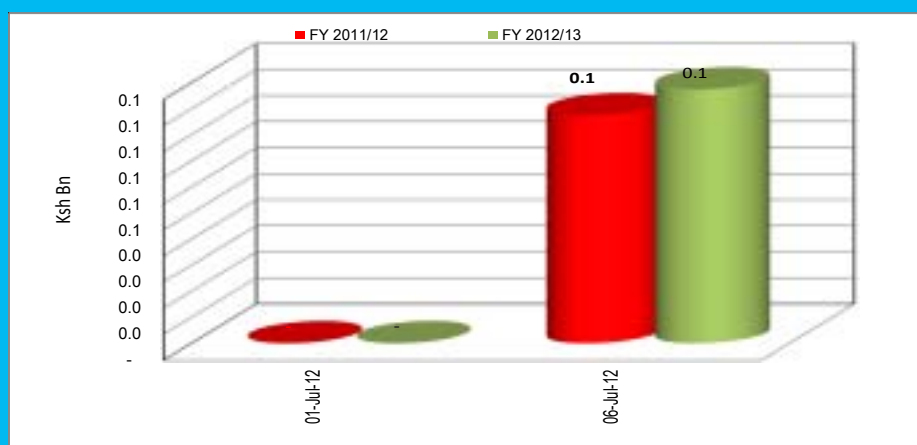


Source: Central Bank of Kenya

**Cost of Domestic Borrowing**

Cumulative interest and other charges on domestic debt during the first week of the 2012/13 fiscal year amounted to Ksh 0.097 billion compared with Ksh 0.087 billion during a similar period of the Fiscal Year 2011/12 (Chart E). The cost during the period was on account of interest and other charges on Treasury bills.

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



Source: Central Bank of Kenya

## The Stock Market

Capital markets performance was robust in all key market indicators, except the equities' supply-related measures during the week ending July 12, 2012. All share indices recorded gains except the Nairobi All Share Index. Supply, measured by Equity turnover and number of shares traded was constrained. But bonds market had strong rally, recording more than 50 percent rise in turnover.

As indicated in Table 7, NSE 20 Share Index continued its rally, crossing the 3,800 point mark, to close at 3,802.96 points on July 12, 2012 from 3,795.32 points on July 5, 2012. The last time this index hit this level was on July 12, 2011, when it closed at 3,813.18 points.

**Table 7: Key Weekly Market Statistics**

Week Ending	07-Jun-12	14-Jun-12	21-Jun-12	28-Jun-12	05-Jul-12	12-Jul-12
NASI 100= Jan 2008	78.19	79.41	80.83	80.5	82.47	82.29
NSE 20 Share Index 100=1966	3,634.82	3,685.36	3,682.24	3709.84	3,795.32	3,802.96
Number of Deals	4,945	6,301	6,064	6849	6,226	6,047
Total Shares Traded (millions)	55.24	112.62	92.57	114.1385	83.53	69.8078
Equity Turnover (Ksh. millions)	1,236.46	1,573.39	1,495.51	1753.471	1542.18	1270.04
Market Capitalization (Ksh. Bn.)	1,002.13	1,017.75	1,049.80	1,045.50	1,078.82	1,076.51
Bonds Turnover (Ksh. millions)	3,750.20	7,181.10	6,033.35	7,552.85	4,249.15	6,445.90
FTSE NSE Kenya 15 Index	104.16	105.00	106.74	105.34	108.51	109.59
FTSE NSE Kenya 25 Index	106.88	107.68	109.53	108.13	111.43	112.26

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

**Source: Nairobi Stock Exchange**

NASI, however, edged down slightly to 82.29 points, from 82.47 points during the week under review. Market Capitalization that measures shareholders' wealth fell by Ksh 2.31 billion to reach Ksh 1,076.51 billion. Equity turnover closed Ksh 272.14 million lower, and traded stocks worth Ksh 1,270.04 million from Ksh 1,542.18 million the previous week. The number of shares traded also dropped to 69.81 million from 83.53 million.

Banking sector was the most active sector transacting 26.27 million shares or 37.6 percent. Telecommunications and Technology and Manufacturing and Allied sectors came second and third, trading 22.33 million shares or 32.0 percent and 7.0 million shares or 10.0 percent respectively. Safaricom, Co-operative Bank of Kenya and Housing Finance Ltd were the three most active counters with 22.09 million, 8.08 million and 8.01 million shares traded, respectively. Automobile and Accessories sector was least active, trading 216,300 shares.

The biggest closing and average price gain in the week ending July 12, 2012 was Kapchorua Tea Co. Ltd at Ksh 9 and Ksh 6.9, respectively. The biggest closing and average price margin loss was Williamson Tea Kenya Ltd at Ksh 14 and Ksh 20.2, respectively. Of the 58 listed companies, 35 recorded average price gains in the week ending July 12, 2012.

**FTSE NSE  
Kenya Index  
Series**

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization edged up to 109.59 points on July 12, 2012 from 108.51 points on July 5, 2012. FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange was also up, recording 112.26 points on July 12, 2012 from 111.43 points on July 5, 2012. These were the highest trading levels recorded since their launch in November 8, 2011.

**Bond Market**

Bonds trading at the Fixed Income Securities Segment increased by more than 50 percent to Ksh 6,445.90 million for the week ending July 12, 2012 from Ksh 4,249.15 million in the previous week. Corresponding deals rose to 99 from 83, reflecting investor preference for long term securities in the secondary market to short term securities in the primary, as shown by continued under-subscriptions.