

**July 20, 2012**



### **THE CBK WEEKLY BULLETIN**

#### **Highlights for the Week**

The money market was relatively liquid during the week ending July 18, 2012. The Central Bank mopped Ksh 12.7 billion through repo securities and Ksh 6.9 billion through term auction deposits against repo maturities of Ksh 15.7 billion and term auction deposits maturities of Ksh 10.1 billion.

The average interbank rate decreased to 13.46 percent during the week ending July 18, 2012 compared with 14.38 percent in the previous week, reflecting improved liquidity in the money market.

The Kenya Shilling depicted mixed performance against major international currencies in the week ending July 19, 2012. Against the US dollar the Kenya Shilling depreciated to exchange at an average of Ksh 84.13 per US dollar compared with Ksh 84.09 per US dollar in the week ending July 12, 2012.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 4,860 million (equivalent to 4.08 months of import cover) as at July 12, 2012 to US dollar 4,936 million (equivalent to 4.04 months of import cover) in the week ending July 19, 2012.

The Government offered for sale Treasury bills worth Ksh 6.0 billion during the week ending July 20, 2012. Bids worth Ksh 6.4 billion were received, of which Ksh 4.6 billion were accepted.

Gross Government domestic debt stood at Ksh 860.2 billion on July 13, 2012, an increase of Ksh 1.5 billion from Ksh 858.7 billion at the end of June 2012. During the week under review, gross government domestic debt increased by Ksh 1.8 billion, on account of Government overdraft at the Central Bank.

Stock market performance maintained strong rally in the week ending July 19, 2012 as reflected in the leading market indicators. NSE 20 Share Index was up 22.97 points, NASI rose 0.97 points, FTSE NSE 15 Index rose 0.16 points, market capitalization gained 2 percent as the number of shares traded rose 8 percent. FTSE NSE 25 remained unchanged at 112.226 points. Average price decline for many counters, while equity turnover edge down 8.3 percent. Bonds market activity improved 3.6 percent in turnover and 74.7 percent in deals. The week also saw CIC Insurance, the first micro-insurance company, list 2.1 billion shares by introduction at the NSE at Ksh 3.50 per share.

**Monetary  
Policy  
Operations**

The money market was relatively liquid during the week ending July 18, 2012. The Central Bank mopped Ksh 12.7 billion through repo securities and Ksh 6.9 billion through term auction deposits, against repo maturities of Ksh 15.7 billion and term auction deposits maturities of Ksh 10.1 billion. Reserve money averaged Ksh 250.2 billion during the week and was Ksh 3.6 billion below the target. The shortfall was reflected in currency outside banks of Ksh 6.5 billion (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)
12-Jul-12	250.28	253.4	-3.1	4.5	2.0	1.7	-0.8	247.3	-6.1	0.1	-6.2
13-Jul-12	250.19	253.4	-3.2	2.0	6.0	0.0	0.0	245.4	-8.0	-1.8	-6.2
16-Jul-12	259.56	254.2	5.4	7.0	3.5	3.5	0.0	250.3	-3.9	2.3	-6.2
17-Jul-12	253.88	254.2	-0.3	2.0	0.8	1.2	0.0	254.0	-0.2	6.3	-6.4
18-Jul-12	256.43	254.2	2.3	1.0	0.5	0.5	0.0	254.3	0.1	7.4	-7.3
<b>Average</b>	<b>254.07</b>	<b>253.8</b>	<b>0.2</b>	<b>3.3</b>	<b>2.5</b>	<b>1.4</b>	<b>-0.2</b>	<b>250.2</b>	<b>-3.6</b>	<b>2.9</b>	<b>-6.5</b>

Source: Central Bank of Kenya

**Interbank  
and REPO  
Rates**

The average interbank interest rate dropped to 13.46 percent during the week ending July 18, 2012 compared with 14.38 percent in the previous week, reflecting higher liquidity in the money market. The interbank volumes transacted rose to an average of Ksh 13.73 billion compared with Ksh 10.58 billion in the previous week, while the number of deals increased to 60 from 57 over the same period (Table 2 and Chart A).

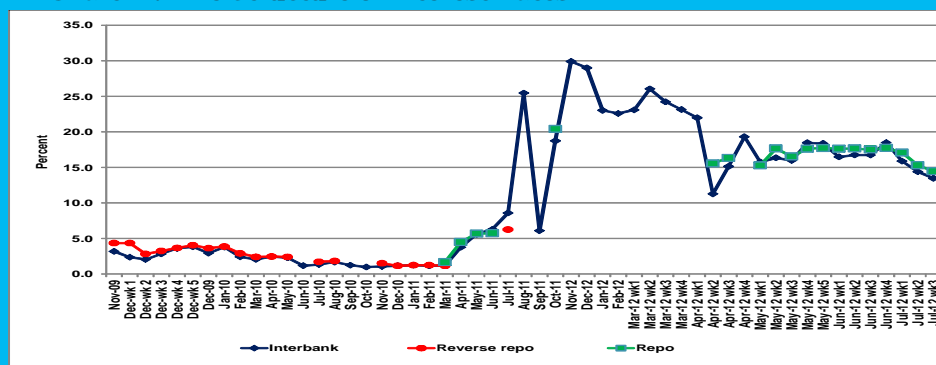
**Table 2: Interbank Deals, Volumes and Interest Rates**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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>
12-Jul-12	57	11,815	13.65
13-Jul-12	62	13,198	13.14
16-Jul-12	56	13,183	13.23
17-Jul-12	62	15,321	13.56
18-Jul-12	62	15,143	13.70
<b>July 12 - July 18, 2012</b>	<b>60</b>	<b>13,732</b>	<b>13.46</b>

Source: Central Bank of Kenya

The average repo rate decreased to 14.45 percent during the week ending July 18, 2012 from 15.29 percent in the previous week.

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

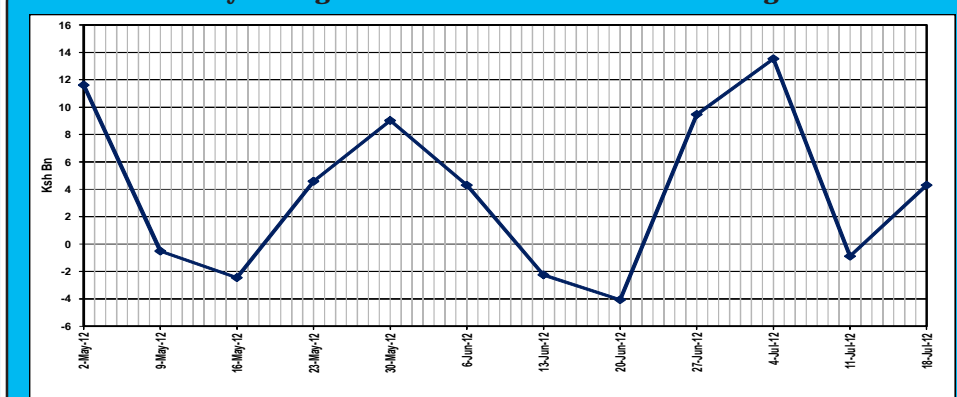


Source: Central Bank of Kenya

**Commercial Banks Clearing Accounts Balances**

Commercial banks maintained an average of Ksh 4.30 billion in their settlement accounts above the monthly average cash reserve requirements of 5.25 percent at the Central Bank in the week to July 18, 2012 compared with Ksh 0.88 billion below cash reserve requirement in the previous week (Chart B).

**Chart B: Weekly Average Deviation from CRR in the Clearing Account**



Source: Central Bank of Kenya

**The Shilling Exchange Rate**

The Kenya Shilling depicted mixed performance against major international currencies in the week ending July 19, 2012. During the week, the Kenya Shilling depreciated by 0.05 percent, 0.59 percent and 0.83 percent against the US dollar, the Sterling Pound and the Japanese Yen, respectively, to trade at an average of Ksh 84.13 per US dollar, Ksh 131.17 per Sterling Pound and Ksh 106.52 per 100 Japanese Yen, compared to Ksh 84.09 per US dollar, Ksh 130.41 per Sterling Pound, Ksh 105.64 per 100 Japanese Yen in the week ending July 12, 2012. Over the same period, the Kenya Shilling appreciated by 0.24 percent against Euro to trade at Ksh 103.12 per Euro compared to Ksh 103.37 per Euro in the previous week.

In the EAC region, the Kenya Shilling weakened against the Uganda Shilling, Tanzania Shilling and Rwanda Franc and appreciated against the Burundi Franc. On average the Kenya Shilling traded at Ushs 29.39, Tshs 18.84,

RWF 7.19 and BIF 16.75 during the week compared to Ushs 29.43, Tshs 18.88, RWF 7.21 and BIF 16.71 in the week ending July 12, 2012 (Table 3).

**Table 3: Kenya Shilling Exchange Rates**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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>
13-Jul-12	84.03	129.69	102.53	105.99	29.46	18.84	7.20	16.72
16-Jul-12	84.12	130.97	102.98	106.30	29.48	18.84	7.19	16.62
17-Jul-12	84.19	131.79	103.42	106.66	29.34	18.84	7.19	16.86
18-Jul-12	84.18	131.68	103.33	106.56	29.34	18.84	7.19	16.85
19-Jul-12	84.16	131.73	103.35	107.08	29.33	18.85	7.19	16.70
<b>July 13-19, 2012</b>	<b>84.13</b>	<b>131.17</b>	<b>103.12</b>	<b>106.52</b>	<b>29.39</b>	<b>18.84</b>	<b>7.19</b>	<b>16.75</b>

**Source: Central Bank of Kenya**

### Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 4,860 million (equivalent to 4.08 months of import cover) as at July 12, 2012 to US dollar 4,936 million (equivalent to 4.04 months of import cover) in the week ending July 19, 2012 (Table 4).

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

	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	19-Jul-12
Usable Reserves*	4,627	4,549	4,425	4,564	4,560	4,936	4,924	4,903	4,860	4,936
Months of Imports Cover**	3.92	3.86	3.75	3.87	3.86	4.18	4.13	4.11	4.08	4.04

\*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 20, 2012. The auction attracted bids worth Ksh 4.2 billion and 2.2 billion for the 91-day and 182-day papers, representing performance rates of 140.2 percent and 72.2 percent, respectively. The Government accepted Ksh 2.9 billion and Ksh 1.7 billion respectively in 91-day and 182-day Treasury bills. Total non-competitive bids amounted to Ksh 1.1 billion.

### Interest Rate on Treasury Bills

Weighted average interest rates on the 91-day and 182-day Treasury bills edged up by 92.8 and 44.7 basis points, respectively, to 12.929 percent and 12.801 percent, during the week under review.

**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	20-Jul-12
91 day T. Bills*	13.382	9.336	9.801	10.537	10.675	10.780	10.835	12.001	12.929
182 day T. Bills*	14.775	10.327	10.750	10.737	10.857	11.091	11.415	12.354	12.801
364 day T. Bills*			12.431				13.000		
1 year FXD T. Bonds									
2 year FXD T. Bonds									
5 year FXD T. Bonds									
10year FXD T. Bonds					12.705				
12-year Infrastructure Bond									

\*Weighted rates for accepted bids

**Source: Central Bank of Kenya**

## Government Domestic Debt

Gross Government domestic debt stood at Ksh 860.2 billion on July 13, 2012, a Ksh 1.5 billion increase from Ksh 858.7 billion at the end of June 2012. This followed Ksh 4.1 billion and Ksh 0.3 billion increases in the Government overdraft at the Central Bank and other domestic debt, respectively. During this period, Treasury bills declined by Ksh 2.9 billion while the stocks of Treasury bonds remained constant at Ksh 687.0 billion.

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

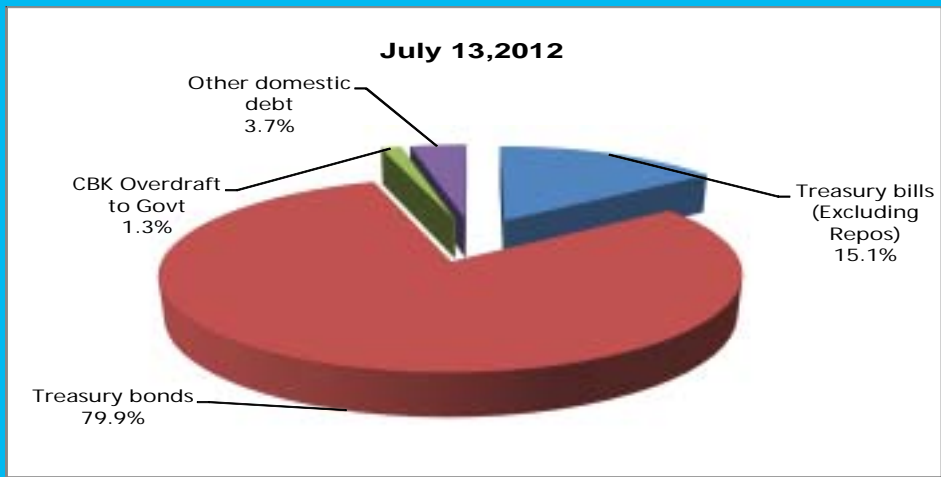
	Jun-11	June 2012	6th July 2012	13th July 2012	Changes	
					6th Jul 2012- 13th July 2012	29 Jun 2012 - 13th Jul 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	132.6 16.2	131.9 16.1	129.7 15.9	-2.2	-2.9
2. Treasury Bonds (As % of total securities)	595.7 82.5	687.0 83.8	687.0 83.9	687.0 84.1	0.0	0.0
3. Total Securities (1+2)	722.4	819.6	818.9	816.6	-2.2	-2.9
4. Overdraft at Central Bank	7.6	7.3	7.3	11.4	4.1	4.1
5. Other Domestic debt*	34.3	31.9	32.2	32.2	0.0	0.3
6. Gross Domestic Debt (3+4+5)	764.2	858.7	858.3	860.2	1.8	1.5
7. Interest payments on domestic debt	69.2	82.3	0.1	0.4	0.3	

\* Other domestic debt includes clearing items in transit, advances from con

**Source: Central Bank of Kenya**

During the week under review, gross government domestic debt increased by Ksh 1.8 billion, following an increase of Ksh 4.1 billion in the Government overdraft at the Central Bank, which was partially offset by a decline in the Treasury bills stocks (Table 6 and Chart C). The average time to maturity of Government securities remained at 5 years and 4 months as at July 13, 2012, compared with end of June 2012.

**Chart C: Composition of Government Securities**

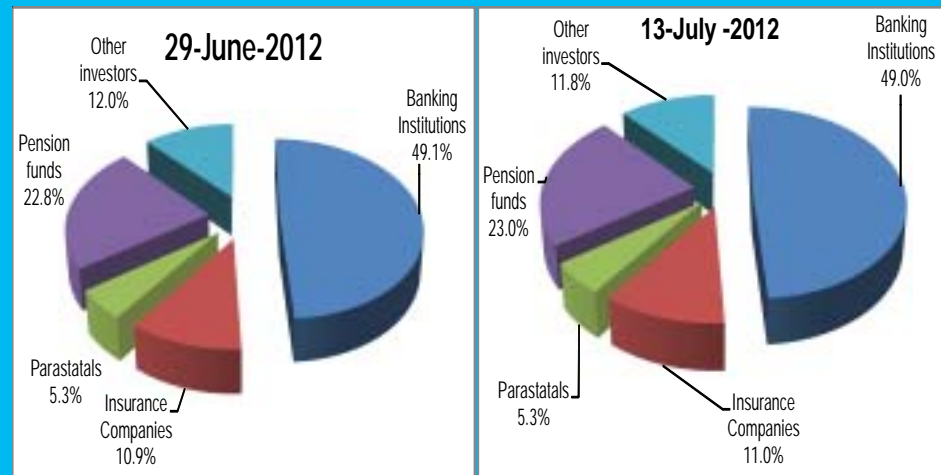


Source: Central Bank of Kenya

**Holding of Govt Securities**

The share of Government securities held by insurance companies and pension funds increased from 10.9 percent and 22.8 percent in June 2012 to 11.0 percent and 23.0 percent, respectively, at the end of the second week of the 2012/13 fiscal year. Those held by commercial banks and other investors, which comprise Sacco's, listed and private companies, self-help groups, educational institutions, religious institutions and individuals, declined from 49.1 percent and 12.0 percent to 49.0 and 11.8 percent, respectively, during the same period. Holdings by parastatals remained the same during the period (Chart D).

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

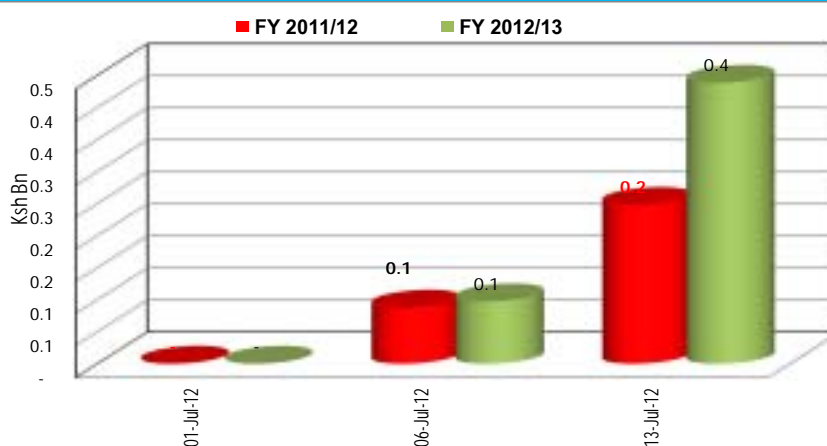


Source: Central Bank of Kenya

**Cost of Domestic Borrowing**

Cumulative interest and other charges on domestic debt for the first two weeks of the 2012/13 fiscal year amounted to Ksh 0.44 billion compared with Ksh 0.25 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 the week ending July 19, 2012, with leading indicators reaching their highest level last recorded in July 2011. Equity turnover however edged down, due to the general decline in the average price of equities. Bonds market was resurgent, in number of deals and turnover. The bourse saw new listing of shares, by the introduction, of the first micro-insurance company.

As indicated in Table 7, NSE 20 Share Index continued its rally to close at 3825.93 points on July 19, 2012 from 3802.96 points on July 12, 2012, the highest level seen on July 11, 2011. Similarly, NASI was up to 83.26 points, from 82.29 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	19-Jul-12
NASI 100= Jan 2008	78.19	79.41	80.83	80.5	82.47	82.29	83.26
NSE 20 Share Index 100=1966	3,634.82	3,685.36	3,682.24	3709.84	3,795.32	3,802.96	3825.93
Number of Deals	4,945	6,301	6,064	6849	6,226	6,047	5902
Total Shares Traded (millions)	55.24	112.62	92.57	114.1385	83.53	69.8078	75.3819
Equity Turnover (Ksh. millions)	1,236.46	1,573.39	1,495.51	1753.471	1542.18	1270.04	1165.181
Market Capitalization (Ksh. Bn.)	1,002.13	1,017.75	1,049.80	1,045.50	1,078.82	1,076.51	1097.959
Bonds Turnover (Ksh. millions)	3,750.20	7,181.10	6,033.35	7,552.85	4,249.15	6,445.90	6675.65
FTSE NSE Kenya 15 Index	104.16	105.00	106.74	105.34	108.51	109.59	109.75
FTSE NSE Kenya 25 Index	106.88	107.68	109.53	108.13	111.43	112.26	112.26

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

Source: Nairobi Stock Exchange

Market Capitalization that measures shareholders' wealth, gained Ksh 21.45 billion to reach Ksh 1,097.96 billion, just Ksh 2 billion shy of the level last recorded on July 8, 2011. Equity turnover lost Ksh 104.86 million to trade stocks worth Ksh 1,165.18 million from Ksh 1,270.04 million the previous week, but the shares traded rose to 75.38 million from 69.81 million.

Telecommunications and Technology sector was the most active sector transacting 32.62 million shares or 43.8 percent as Banking and Insurance sectors followed in second and third positions, trading 17.75 million shares or 23.8 percent and 9.08 million shares or 12.2 percent respectively. Safaricom, CIC Insurance Group Ltd and Housing Finance Ltd were the three most active counters with 32.05 million, 7.32 million and 6.06 million shares traded, respectively. Agriculture sector was least active, trading 204,600 shares.

The biggest closing and average price gain in the week was for Carbacid Investments Ltd and Bamburi Cement Ltd at Ksh 7 and Ksh 10.85, respectively. The biggest closing and average price margin loss were with Williamson Tea Kenya Ltd and East African Breweries Ltd at Ksh 17 and Ksh 11.4, respectively. Of the 58 listed companies, only 19 had average price gains in the week ending July 19, 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 109.75 points on July 19, 2012 from 109.59 points on July 12, 2012, the highest level since its launch on November 8, 2011. FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange remained flat at 112.26 points on July 19, 2012 from last week's level.

**Bond Market**

Bonds trading at the Fixed Income Securities Segment were up by 3.6 percent to Ksh 6,675.65 million for the week ending July 19, 2012 from Ksh 6,445.90 million in the previous week. Corresponding deals rose to 173 from 99, reflecting investor preference for long term securities in the secondary market to short term securities in the primary, with the latter maintaining under-subscriptions.