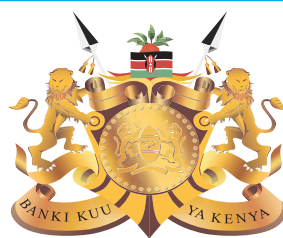


July 27, 2012



THE CBK WEEKLY BULLETIN

Highlights for the Week

The money market was relatively liquid during the week ending June 25, 2012. The Central Bank mopped Ksh 3.0 billion through repo securities and Ksh 2.0 billion through term auction deposits, against repo maturities of Ksh 8.8 billion and term auction deposits maturities of Ksh 4.3 billion.

The average interbank rate rose to 13.92 percent during the week ending July 25, 2012 compared with 13.46 percent in the previous week.

The Kenya Shilling depicted mixed performance against major international currencies in the week ending July 26, 2012. Against the US dollar the Kenya Shilling depreciated to exchange at an average of Ksh 84.21 per US dollar compared with Ksh 84.13 per US dollar in the week ending July 19, 2012.

The usable official foreign exchange reserves held by the Central Bank declined from US dollar 4,936 million (equivalent to 4.04 months of import cover) as at July 19, 2012 to US dollar 4,928 million (equivalent to 4.03 months of import cover) in the week ending July 26, 2012.

The Government offered for sale Treasury bills and Treasury bonds worth Ksh 16.0 billion during the week ending July 27, 2012. A total of Ksh 17.8 billion was accepted out of Ksh 25.2 billion bids received.

Gross Government domestic debt stood at Ksh 859.4 billion on July 20, 2012, a Ksh 0.6 billion increase from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt declined by Ksh 0.4 billion.

Stock market performance continued its strong rally in the week ending July 26, 2012 as reflected by all market indicators. All share indices were on the rise; NSE 20 Share Index was up 52.59 points, NASI closed 1.09 points higher, and FTSE NSE 15 Index and FTSE NSE 25 rose 1.68 points and 1.57 points, respectively. High equities demand ahead of half year results for some counters saw the equity turnover improve by 21.6 percent. Bonds market activity almost doubled from previous week, recording a 48.2 percent rise in turnover and 11.6 percent in corresponding deals.

**Monetary
Policy
Operations**

The money market was relatively liquid during the week ending June 25, 2012. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 3.0 billion through repo securities and Ksh 2.0 billion through term auction deposits, against repo maturities of Ksh 8.8 billion and term auction deposits maturities of Ksh 4.3 billion. Reserve money averaged Ksh 256.5 billion during the week and was Ksh 1.8 billion above the target (Table 1).

Table 1: Open Market Operations Ksh Billion

Date	Reserve Money* (Projected)			OMO			Reserve money performance		Bank Reserve s	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)
19-Jul-12	253.80	254.2	-0.4	0.0	0.0	0.0	0.0	255.0	0.9	7.9	-7.0
20-Jul-12	252.16	254.2	-2.0	0.0	0.0	0.0	0.0	254.6	0.5	7.8	-7.3
23-Jul-12	260.29	255.0	5.3	2.0	1.0	1.0	0.0	259.6	4.6	13.3	-8.6
24-Jul-12	259.32	255.0	4.4	2.0	1.0	1.0	0.0	257.4	2.4	11.1	-8.6
25-Jul-12	256.01	255.0	1.0	1.0	1.0	0.0	0.0	255.6	0.6	9.5	-8.9
Average	256.32	254.6	1.7	1.0	0.6	0.4	0.0	256.5	1.8	9.9	-8.1

Source: Central Bank of Kenya

**Interbank
and REPO
Rates**

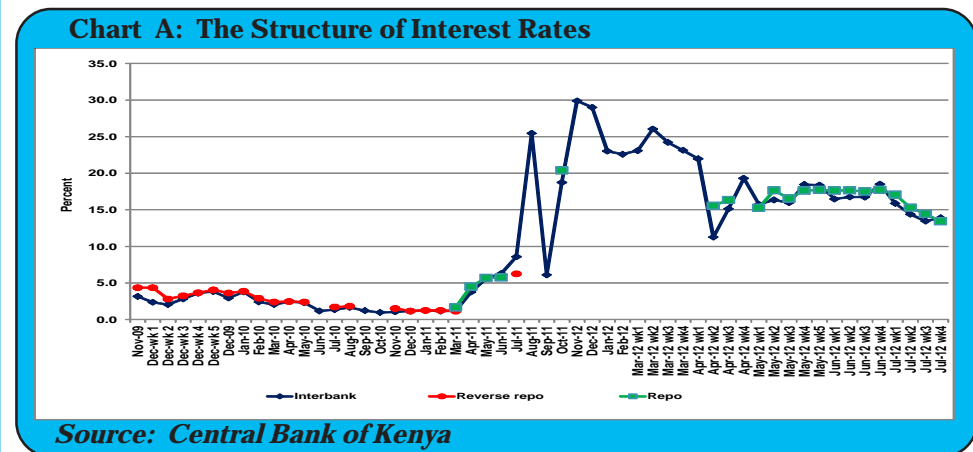
The average interbank interest rate rose to 13.92 percent during the week ending July 25, 2012 compared with 13.46 percent in the previous week, while the average interbank volumes transacted decreased to Ksh 12.40 billion compared with Ksh 13.73 billion transacted in the previous week. The average number of deals increased to 64 deals in the week ending June 25, 2012 from 60 deals 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 (%)
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
July 12 - July 18, 2012	60	13,732	13.46
19-Jul-12	70	14,122	13.98
20-Jul-12	59	12,541	14.19
23-Jul-12	60	11,808	14.15
24-Jul-12	61	10,836	13.97
25-Jul-12	69	12,709	13.32
July 19 - July 25, 2012	64	12,403	13.92

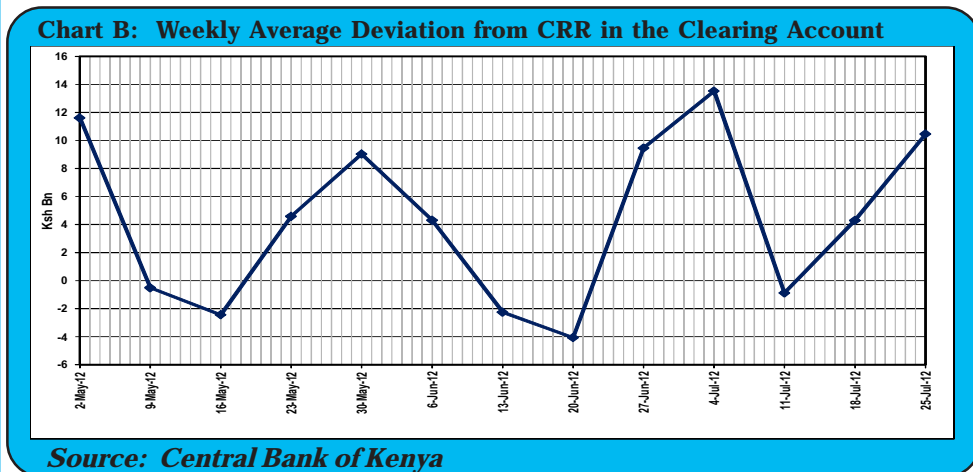
Source: Central Bank of Kenya

The average repo rate went down to 13.42 percent during the week ending July 25, 2012 from 14.45 percent in the previous week.



Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 10.46 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 25, 2012 compared with Ksh 4.30 billion in the previous week (Chart B).



The Shilling Exchange Rate

The Kenya Shilling depicted mixed performance against major international currencies in the week ending July 26, 2012. During the week, the Kenya Shilling depreciated by 0.09 percent and 1.00 percent against the US dollar and the Japanese Yen respectively to trade at an average of Ksh 84.21 per US dollar and Ksh 107.58 per 100 Japanese Yen compared to Ksh 84.13 per US dollar and Ksh 106.52 per 100 Japanese Yen in the week ending July 19, 2012. Over the same period, the Kenya Shilling appreciated against the Sterling Pound and the Euro by 0.14 per cent and 0.75 per cent to trade at Ksh 130.99 per Sterling Pound and Ksh 102.35 per Euro compared to Ksh 131.17 per Sterling Pound and Ksh 103.12 per Euro in the previous week.

In the EAC region, the Kenya Shilling weakened against the Uganda Shilling and Tanzania Shilling, but appreciated against the Burundi Franc. Against the Rwanda Franc the Shilling traded at the same level as the previous week. On average the Kenya Shilling traded at Ush 29.38, Tsh 18.81, RWF 7.19 and BIF 17.04 during the week compared to Ush 29.39, Tsh 18.84, RWF 7.19 and BIF 16.75 in the week ending July 19, 2012 (Table 3).

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
July 13-19, 2012	84.13	131.17	103.12	106.52	29.39	18.84	7.19	16.75
20-Jul-12	84.14	132.15	103.13	107.06	29.35	18.85	7.19	16.67
23-Jul-12	84.19	131.16	101.95	107.74	29.34	18.84	7.19	16.75
24-Jul-12	84.26	130.82	102.14	107.57	29.31	18.82	7.18	17.09
25-Jul-12	84.23	130.40	102.27	107.77	29.46	18.78	7.20	17.33
26-Jul-12	84.23	130.40	102.27	107.77	29.46	18.78	7.20	17.33
July 12-26, 2012	84.21	130.99	102.35	107.58	29.38	18.81	7.19	17.04

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank declined from US dollar 4,936 million (equivalent to 4.04 months of import cover) as at July 19, 2012 to US dollar 4,928 million (equivalent to 4.03 months of import cover) in the week ending July 26, 2012 (Table 4).

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

	24-May-12	31-May-12	7-Jun-12	14-Jun-12	21-Jun-12	28-Jun-12	5-Jul-12	12-Jul-12	19-Jul-12	26-Jul-12
Usable Reserves*	4,549	4,425	4,564	4,560	4,936	4,924	4,903	4,860	4,936	4,928
Months of Imports Cover**	3.86	3.75	3.87	3.86	4.18	4.13	4.11	4.08	4.04	4.03

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

Government Securities Auction

During the week ending July 27, 2012, the Government offered for sale Ksh 3.0 billion in 91-day Treasury bills and Ksh 3.0 billion in 182-day Treasury bills. The 91-day Treasury bills attracted bids worth Ksh 6.7 billion (or 222 percent performance), while 182-day attracted bids worth Ksh 2.5 billion (or 82.8 percent performance). The Government accepted bids worth Ksh 3.6 billion and Ksh 1.6 billion for the 91-day and 182-day issues, respectively.

The Government also offered a total of Ksh 10.0 billion in re-opened 5 year and 10 year discounted fixed rate Treasury bonds, originally issued in May 2012 and June 2012, respectively. Both Treasury bonds attracted a total of Ksh 16.0 billion bids equivalent to 160 percent subscription. A total of Ksh 12.5 billion worth of Treasury bonds were accepted comprising of Ksh 5.0 billion and Ksh 7.5 billion in 10 year and 5 year bonds, respectively.

Interest Rate on Treasury Bills

Weighted average interest rates on the 91-day and 182-day Treasury bills increased by 29.7 and 57.8 basis points respectively, to stand at 13.226 percent and 13.379 percent. Similarly, the weighted average interest rates on the re-opened 5 year and 10 year Treasury bonds increased by 169.3 and 92.5 basis points respectively, to 13.548 percent and 13.630 percent during this week's auction.

Table 5 : Interest Rates on Government Securities

Auction date	25-May-12	22-Jun-12	29-Jun-12	6-Jul-12	13-Jul-12	20-Jul-12	27-Jul-12
91 day T. Bills*	9.865	10.675	10.780	10.835	12.001	12.929	13.226
182 day T. Bills*	10.915	10.857	11.091	11.415	12.354	12.801	13.379
364 day T. Bills*				13.000			
1 year FXD T. Bonds							
2 year FXD T. Bonds							
5 year FXD T. Bonds	11.855						13.548
10year FXD T. Bonds		12.705					13.630
12-year Infrastructure Bond							

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt stood at Ksh 859.4 billion on July 20, 2012, a Ksh 0.6 billion increase from Ksh 858.8 billion at the end of June 2012. This followed Ksh 11.9 billion increase in the Government overdraft at the Central Bank which was partially offset by decreases of Ksh 7.2 billion, Ksh 4.1 billion and Ksh 0.1 billion in the stocks of Treasury bonds, Treasury bills and other domestic debt, respectively.

Table 6: Government Domestic Debt (Ksh Billion)

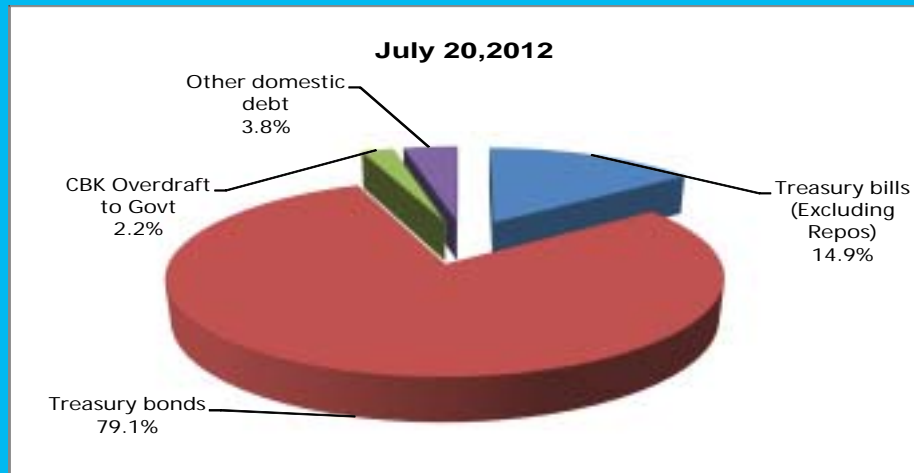
	Jun-11	June 2012	13th July 2012	20th July 2012	Changes	
					13th Jul 2012- 20th July 2012	29 Jun 2012 - 20th Jul 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	132.0 16.1	129.1 15.8	128.0 15.8	-1.2	-4.1
2. Treasury Bonds (As % of total securities)	595.7 82.5	687.0 83.9	687.0 84.2	679.8 84.2	-7.2	-7.2
3. Total Securities (1+2)	722.4	819.0	816.1	807.7	-8.4	-11.3
4. Overdraft at Central Bank	7.6	7.3	11.4	19.2	7.8	11.9
5. Other Domestic debt*	34.3	32.6	32.4	32.5	0.1	-0.1
6. Gross Domestic Debt (3+4+5)	764.2	858.8	859.8	859.4	-0.4	0.6
7. Interest payments on domestic debt	69.2	82.3	0.4	1.0	0.6	

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

Source: Central Bank of Kenya

During the week under review, gross government domestic debt declined by Ksh 0.4 billion, following Ksh 8.4 billion decrease in Government securities, which was in more than the increase of Ksh 7.8 billion and Ksh 0.1 billion in the Government overdraft at the Central Bank and other domestic debt, respectively (Table 6 and Chart C). The average time to maturity of Government securities declined to 5 years and 2 months as at July 20, 2012, from 5 years and 4 months at the end of June 2012.

Chart C: Composition of Government Securities

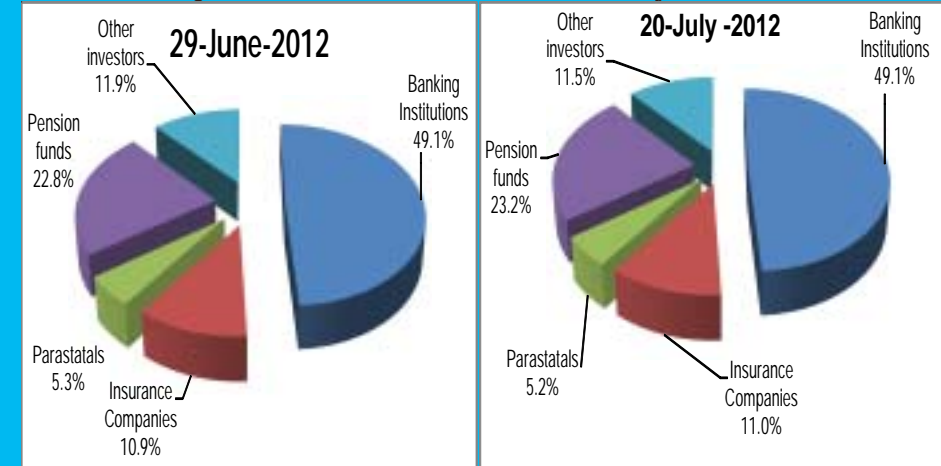


Source: Central Bank of Kenya

Holding of Govt Securities

Commercial banks held 49.1 percent of Government securities during the week under review. 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 23.2 percent, respectively, during the week ending July 20, 2012. Holdings by parastatals and other investors, which comprise of Sacco's, listed and private companies, self-help groups, educational institutions, religious institutions and individuals, declined from 5.3 percent and 12.0 percent to 5.2 percent and 11.5 percent, respectively, during the same period (Chart D).

Chart D: Composition of Government Securities by Investors

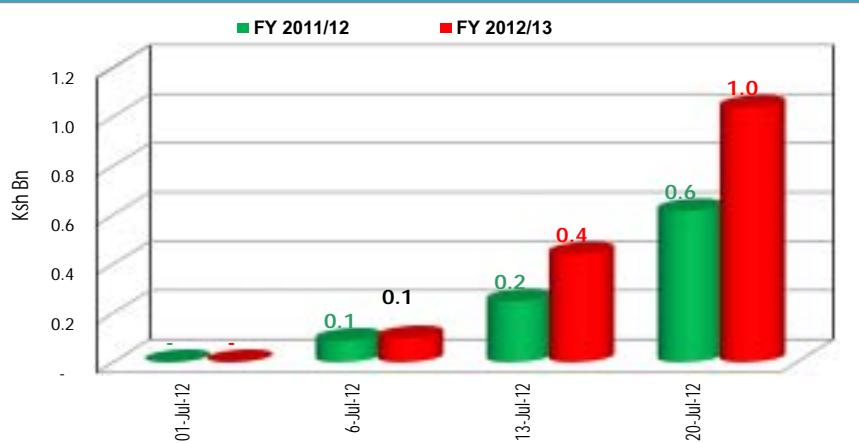


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the first three weeks of the 2012/13 fiscal year amounted to Ksh 1.0 billion compared with Ksh 0.6 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 and Treasury bonds amounting to Ksh 0.7 billion and Ksh 0.3 billion, respectively.

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



Source: Central Bank of Kenya

The Stock Market

Capital markets performance was buoyant in the week ending July 26, 2012, with all leading indicators recording high levels last seen in July 2011. Expectation for good half year results especially in the banking sector drove up shares traded as investors look out to earn capital gains and dividend income. The bonds segment was upbeat in turnover and corresponding deals.

The NSE 20 Share Index continued its rally to close at 3,878.52 points on July 26, 2012 from 3,825.93 points on July 19, 2012, a level last registered in July 2011. Similarly, NASI was up to 84.35 points, from 83.26 points, a performance last registered in August 2011 (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	7-Jun-12	14-Jun-12	21-Jun-12	28-Jun-12	5-Jul-12	12-Jul-12	19-Jul-12	26-Jul-12
NASI 100= Jan 2008	78.19	79.41	80.83	80.5	82.47	82.29	83.26	84.35
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	3878.52
Number of Deals	4,945	6,301	6,064	6849	6,226	6,047	5902	6604
Total Shares Traded (millions)	55.24	112.62	92.57	114.1385	83.53	69.8078	75.3819	113.6311
Equity Turnover (Ksh. millions)	1,236.46	1,573.39	1,495.51	1753.471	1542.18	1270.04	1165.181	1417.434
Market Capitalization (Ksh. Bn.)	1,002.13	1,017.75	1,049.80	1,045.50	1,078.82	1,076.51	1097.959	1112.316
Bonds Turnover (Ksh. millions)	3,750.20	7,181.10	6,033.35	7,552.85	4,249.15	6,445.90	6675.65	9892.7
FTSE NSE Kenya 15 Index	104.16	105.00	106.74	105.34	108.51	109.59	109.75	111.43
FTSE NSE Kenya 25 Index	106.88	107.68	109.53	108.13	111.43	112.26	112.26	113.83

* 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 14.36 billion to reach Ksh 1,112.32 billion, also a performance last recorded in the first week of July 2011. Equity turnover gained Ksh 252.25 million to trade stocks worth Ksh 1,417.43 million from Ksh 1,165.18 million the previous week, as shares traded rose to 113.63 million from 75.38 million.

Telecommunications and Technology sector was the most active sector transacting 55.70 million shares or 51.1 percent as Banking and Insurance sectors followed in second and third positions, trading 20.04 million shares or 18.4 percent and 14.35 million shares or 13.2 percent, respectively. Safaricom, CIC Insurance Group Ltd and Equity Bank Ltd were the three most active counters with 54.82 million, 12.81 million and 6.29 million shares traded, respectively. The Agriculture sector was the least active, trading 428,700 shares.

The biggest closing and average price gains in the week were with British American Tobacco Ltd and Athi River Mining Ltd at Ksh 11.0 and Ksh 8.0, per share, respectively. The biggest closing and average price margin losses were with Diamond Trust Bank Ltd and Williamson Tea Kenya Ltd at Ksh 2.5 and Ksh 5.83 per share, respectively. Of the 58 listed companies, 43 had average price gains in the week ending July 26, 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 111.43 points on July 26, 2012 from 109.75 points on July 19, 2012. FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange edged up to 113.83 points on July 26, from 112.26 points the previous week.

Bond Market

On the Fixed Income Securities Segment bonds trading rose by close to half to record a 48.2 percent improvement to Ksh 9,892.70 million for the week ending July 26, 2012, from Ksh 6,675.65 million in the previous week. Corresponding deals rose to 193 from 173, reflecting investor preference for long term securities in the secondary market.