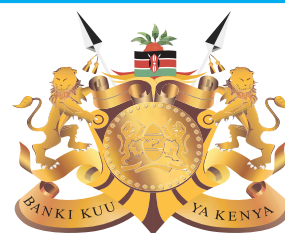


March 9, 2012



## THE CBK WEEKLY BULLETIN

### Highlights for the Week

The money market was tight in the week ending March 7, 2012, partly due to continued remittances of taxes to Government as well as increased net Government borrowing through treasury bills. To ease the liquidity situation during the week, the Central Bank purchased US dollars equivalent to Ksh 5.91 billion.

The average interbank rate increased to 23.08 percent during the week ending March 7, 2012 from 22.59 percent.

The Kenya Shilling depicted mixed performance against major international currencies in the week ending March 8, 2012. Against the US Dollar the Kenya Shilling weakened to exchange at an average of Ksh 83.10 per US Dollar compared with Ksh 82.91 per US Dollar in the week ending March 1, 2012.

The usable official foreign exchange reserves held by the Central Bank increased from US Dollar 4,140 million (equivalent to 3.65 months of imports) in the week ending March 1, 2012, to US Dollar 4,181 million (equivalent to 3.68 months of imports) in the week ending March 8, 2012.

During the week ending March 9, 2012 the Government offered for sale Treasury bills worth Ksh 10.0 billion. A total of Ksh 10.4 billion was accepted out of Ksh 18.3 billion bids received.

Gross Government domestic debt increased by Ksh 80.9 billion from Ksh 764.2 billion in June 2011 to Ksh 845.2 billion in March 2, 2012. During the week under review, gross government domestic debt increased by Ksh 3.4 billion on account of outstanding stocks of Treasury bills.

Stock market performance reflected an upward trend in the week of March 8, 2012 as shown by all market indicators. The NSE 20 Share Index gained 82.14 points and the Nairobi All Share Index (NASI) that measures all listed companies gained 2.15 points. FTSE NSE 15 Index and FTSE NSE 25 Index both rose by 2.78 points and 2.90 points, respectively. Market Capitalization was up 3.0 percent as equity turnover and number of shares traded gained 38.7 percent and 23.6 percent, respectively. The bonds segment of the market was up 24.0 percent.

**Monetary  
Policy  
Operations**

The money market was tight during the week ending March 07, 2012 as compared to the previous week. The tightness was partly due to continued remittance of taxes to Government as well as increased net Government borrowing through treasury bills from the money market. To ease the liquidity situation during the week, the Central Bank purchased US dollars equivalent to Ksh 5.91 billion. Reserve money averaged Ksh 247.6 billion during the week remaining above target by Ksh 5.4 billion. The excess reserve money was mainly held as bank reserves of Ksh 5.2 billion (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)
1-Mar-12	237.9	242.2	-4.3	0.0	0.0	0.0	244.5	2.3	4.1	-1.8
2-Mar-12	238.0	242.2	-4.3	0.0	0.0	0.0	249.9	7.7	10.6	-2.9
5-Mar-12	238.4	242.2	-3.9	0.0	0.0	0.0	256.0	13.8	10.1	3.7
6-Mar-12	234.6	242.2	-7.6	0.0	0.0	0.0	242.2	0.0	-1.9	1.9
7-Mar-12	230.7	242.2	-11.5	0.0	0.0	0.0	245.3	3.1	3.3	-0.2
Average	235.9	242.2	-6.3	0.0	0.0	0.0	247.6	5.4	5.2	0.1

\*Reserve money comprises bank reserves and currency outside banks

Source: Central Bank of Kenya

**Interbank  
and REPO  
Rates**

The average interbank rate increased to 23.08 percent during the week ending March 07, 2012 from 22.59 percent. The average interbank volumes transacted decreased to Ksh 9.71 billion in the week ending March 07, 2012 from Ksh 14.12 billion in the previous week.

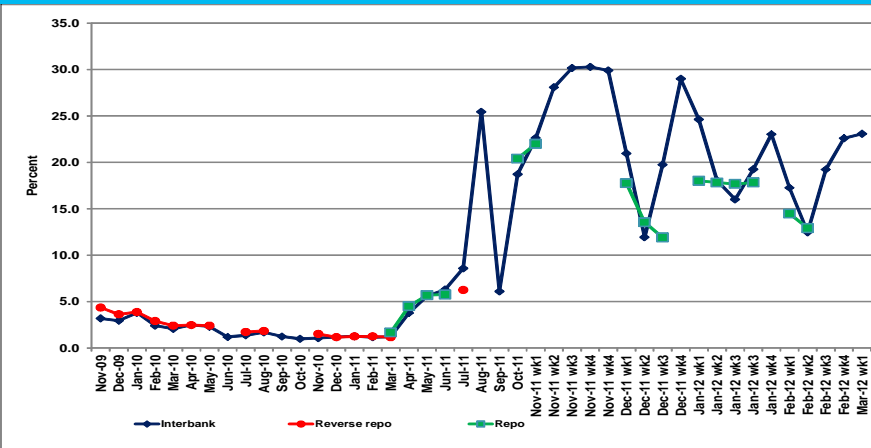
**Table 2: Interbank Deals, Volumes and Interest Rates**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
23-Feb-12	76	13,029	21.91
24-Feb-12	79	13,974	21.98
27-Feb-12	82	11,973	23.09
28-Feb-12	93	15,242	23.56
29-Feb-12	87	16,367	22.41
<b>Feb 23 - Feb 29 2012</b>	<b>83</b>	<b>14,117</b>	<b>22.59</b>
1-Mar-12	84	15,485	22.31
2-Mar-12	78	10,645	22.40
5-Mar-12	66	8,673	23.02
6-Mar-12	59	6,095	23.61
7-Mar-12	58	7,657	24.04
<b>Mar 01- Mar 07 2012</b>	<b>69</b>	<b>9,711</b>	<b>23.08</b>

Source: Central Bank of Kenya

The average repo rate was 13.10 percent in the last repo sale on February 10, 2012.

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

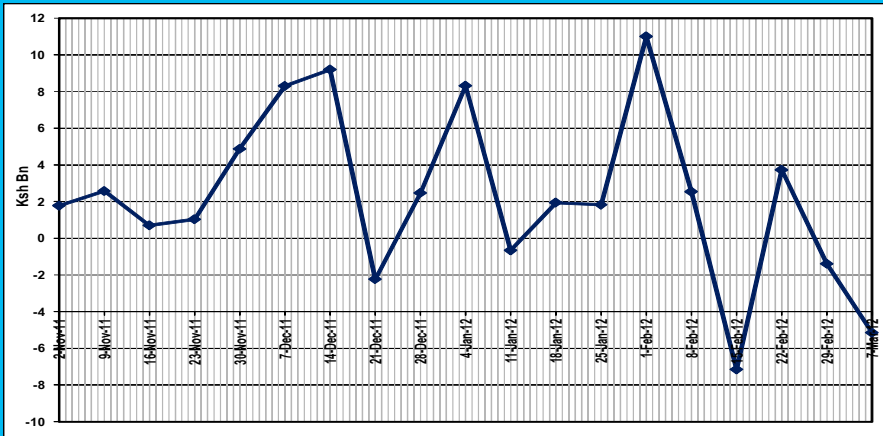


Source: Central Bank of Kenya

**Commercial Banks Clearing Accounts Balances**

Commercial banks maintained an average of Ksh 5.15 billion in their settlement accounts below the monthly average cash reserve requirements of 5.25 percent at the Central Bank in the week to March 07, 2012 compared with Ksh 1.39 billion 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 March 8, 2012, weakening against the US Dollar whilst marginally strengthening against the Pound Sterling, the Euro and the Japanese Yen.

The week ending March 8, 2012 saw the Kenya Shilling depreciate against the American Dollar, to exchange at an average of Ksh 83.10 per Dollar as compared to Ksh 82.91 per Dollar in the week ending March 1, 2012. The Kenya Shilling, however, strengthened against the Pound Sterling, Euro and the Japanese Yen to exchange at an average of Ksh 131.48 per Pound Sterling, 109.73 per Euro and 102.45 per Japanese Yen as compared to 131.73 to the Pound Sterling, 111.27 to the Euro and 102.73 to the Japanese Yen in the week ending March 1, 2012 (Table 3).

**Table 3: Kenya Shilling Exchange Rates**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
27-Feb-12	82.65	131.09	111.01	101.87	28.43	19.36	7.29	15.86
28-Feb-12	82.75	131.06	111.22	102.73	28.58	19.20	7.29	16.20
29-Feb-12	82.97	132.20	111.75	103.48	28.55	19.21	7.26	15.79
1-Mar-12	83.26	132.58	111.11	102.84	28.70	19.13	7.27	16.10
<b>Feb 27- March 1, 2012</b>	<b>82.91</b>	<b>131.73</b>	<b>111.27</b>	<b>102.73</b>	<b>28.57</b>	<b>19.23</b>	<b>7.28</b>	<b>15.99</b>
2-Mar-12	83.26	132.74	110.76	102.14	28.95	19.15	7.24	15.75
5-Mar-12	83.23	131.73	109.87	103.26	30.58	19.15	7.27	15.56
6-Mar-12	83.36	132.20	110.08	102.41	31.10	19.12	7.28	15.56
7-Mar-12	82.82	130.26	108.88	102.60	29.88	19.26	7.34	15.60
8-Mar-12	82.83	130.48	109.04	101.82	29.76	19.23	7.32	15.54
<b>March 2- March 8, 2012</b>	<b>83.10</b>	<b>131.48</b>	<b>109.73</b>	<b>102.45</b>	<b>30.05</b>	<b>19.18</b>	<b>7.29</b>	<b>15.60</b>

Source: Central Bank of Kenya

In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling and the Rwanda Franc but weakened against the Burundi Franc and the Tanzanian Shilling. On average, the Kenya Shilling exchanged at Ushs 30.05, Tshs 19.18, RWF 7.29 and BIF 15.60 during the week, compared to Ushs 28.57, Tshs 19.23, RWF 7.28 and BIF 15.99 during the week ending March 1, 2012 (Table 3).

### Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US Dollar 4,140 million (equivalent to 3.69 months of imports) in the week ending March 1, 2012, to US Dollar 4,181 million (equivalent to 3.68 months of imports) in the week ending March 8, 2012 (Table 4).

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

	27-Jan-12	3-Feb-12	10-Feb-12	17-Feb-12	23-Feb-12	1-Mar-12	8-Mar-12
Usable Reserves*	3,868	3,875	4,025	4,017	4,074	4,140	4,181
Months of Imports Cover**	3.45	3.45	3.59	3.58	3.63	3.69	3.68

\*Excludes encumbered

\*\*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 10.0 billion in 91-day, 182-day and 364-day Treasury bills during the week ending March 9, 2012. The performance for the tenures was 80 percent, 27.5 percent and 474.8 percent, respectively. The 91-day and 182-bills attracted bids worth Ksh 3.2 billion and 0.8 billion, respectively, and the government accepted Ksh 3.2 billion in 91-day bills and Ksh 0.8 billion in 182-day bills. In addition, the Government accepted a total of Ksh 6.4 billion of the 14.2 billion bids received in the 364-day Treasury bill bids.

**Interest Rate  
on Treasury  
Bills &  
Bonds**

Weighted average interest rates on the 91-day, 182-day and 364-day Treasury bills decreased by 76.2 basis points, 38.0 basis points and 392.1 basis points to 17.983 percent, 18.377 percent and 17.035 percent, respectively.

**Table 5 : Interest Rates**

Auction date	14-Oct-11	21-Oct-11	27-Jan-12	3-Feb-12	10-Feb-12	17-Feb-12	24-Feb-12	2-Mar-12	9-Mar-12
91 day T. Bills*	14.997	15.091	20.614	20.503	19.807	19.332	19.152	18.745	17.983
182 day T. Bills*	14.973	15.287	20.801	20.723	20.024	19.839	19.247	18.757	18.377
364 day T. Bills*				20.956					17.035
1 year FXD T. Bonds			21.082				18.030		
12-year Infrastructure Bond				16.640			16.640		
Month	Jan-11	Feb-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12
Average savings rate	1.25	1.41	1.37	1.37	1.35	1.33	1.41	1.59	1.62
Average overdraft rate	13.93	13.65	13.89	14.28	14.64	14.87	18.67	20.20	20.38

\*Weighted rates for accepted bids

**Source: Central Bank of Kenya**

**Government  
Domestic  
Debt**

Gross Government domestic debt increased by Ksh 80.9 billion from Ksh 764.2 billion in June 2011 to Ksh 845.2 billion in March 2, 2012 (Table 6 and Chart C). During the week under review, gross government domestic debt increased by Ksh 3.4 billion on account of outstanding stocks of Treasury bills.

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

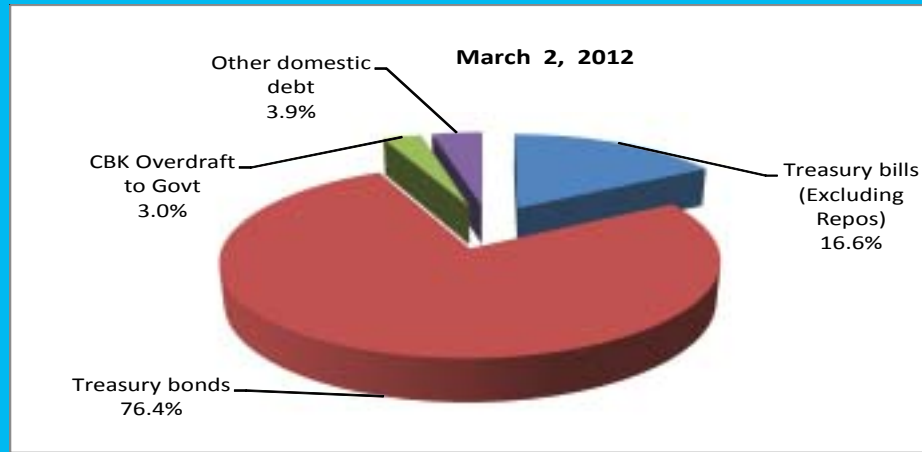
	Jun-11	Dec-11	Jan-12	24th Feb 2012	2nd Mar 2012	Changes	
						24th Feb 2012 - 2nd Mar 2012	30th Jun 2011 - 2nd Mar 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	107.1 14.5	110.6 14.7	137.3 17.5	140.6 17.9	3.4	13.9
2. Treasury Bonds (As % of total securities)	595.7 82.5	633.5 85.5	640.1 85.3	646.0 82.5	646.0 82.1	0.0	50.3
3. Total Securities (1+2)	722.4	740.6	750.7	783.2	786.6	3.4	64.2
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	34.7	33.35	33.2	33.2	0.0	-1.1
6. Gross Domestic Debt (3+4+5)	764.2	800.7	809.5	841.8	845.2	3.4	80.9
7. Interest payments on domestic debt	69.2	37.7	43.3	47.2	47.2	0.0	

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

**Source: Central Bank of Kenya**

Treasury bills increased by Ksh 3.4 billion to stand at Ksh 140.6 billion during the week ending March 2, 2012, compared with Ksh 126.7 billion held at the end of June 2011. Treasury bonds, domestic debt and Government overdraft at the Central Bank remained constant during the week under review (Table 6). The average time to maturity of Government securities declined to 5 years and 6 months as at March 2, 2012, from 5 years and 10 months at the end of June 2011.

**Chart C: Composition of Government Securities**

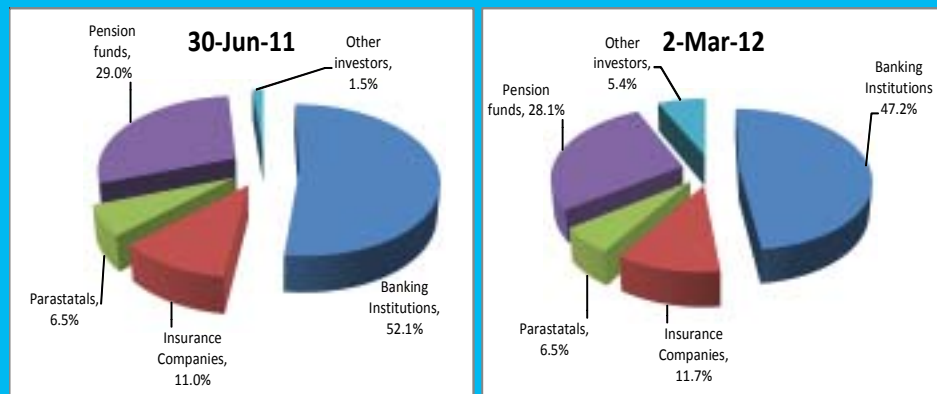


Source: Central Bank of Kenya

**Holding of Govt Securities**

The share of Government securities held by banking institutions declined from 52.1 percent in June 2011 to 47.2 percent in March 2, 2012. Holdings of insurance companies, pension funds and other investors increased from 11.0 percent, 29.0 percent and 1.5 percent to 11.7 percent, 28.1 percent and 5.4 percent, respectively, during the period (Chart D).

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

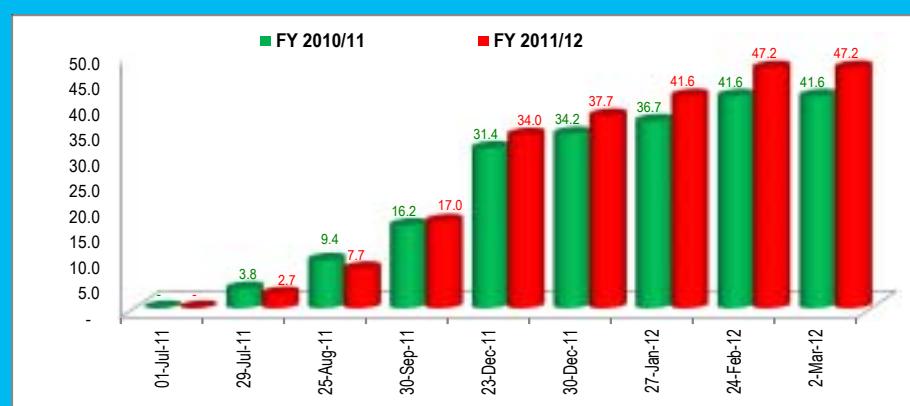


Source: Central Bank of Kenya

**Cost of Domestic Borrowing**

The cumulative interest and other charges on domestic debt from July 1, 2011 to March 2, 2012 amounted to Ksh 51.2 billion compared with Ksh 41.6 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 8.0 billion and Ksh 41.1 billion, respectively. Government overdraft at Central Bank accounted for Ksh 2.1 billion. During the week under review, interest on domestic debt amounted to Ksh 4 billion.

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



Source: Central Bank of Kenya

### The Stock Market

Performance at the capital markets was robust in the week ending March 8, 2012. All key market indicators for equities and fixed income segments recorded gains, signaling improved demand attributable to investor confidence, improved macroeconomic environment and the release by several companies of their end year, 2011 trading results.

The NSE 20 Share Index rose to 3,394.29 points on March 8, 2012 from 3,312.15 points on March 1, 2012, while NASI was 74.52 points up from 72.37 points (Table 7). Market Capitalization which measures total shareholders' wealth gained Ksh 27.4 billion to peak at Ksh 951.0 billion. Equity turnover gained Ksh 391.1 million to trade stocks worth Ksh 1,402.0 million from Ksh 1,010.9 million the previous week. The number of shares traded increased to 74.09 million from 59.9 million.

**Table 7: Key Weekly Market Statistics**

Week Ending	2-Feb-12	9-Feb-12	16-Feb-12	23-Feb-12	1-Mar-12	8-Mar-12
NASI 100= Jan 2008	69.05	68.96	69.94	70.19	72.37	74.52
NSE 20 Share Index 100=1966	3,215.70	3,156.87	3,154.46	3,208.63	3,312.15	3,394.29
Number of Deals	5,124	5,394	5,090	5,165	5,207	5,825
Total Shares Traded (millions)	87.34	126.31	99.15	57.68	59.93	74.09
Equity Turnover (Ksh. millions)	1,089.93	810.03	960.77	738.65	1,010.89	1,401.98
Market Capitalization (Ksh. Bn.)	881.19	880.09	892.59	895.82	923.57	951.00
Bonds Turnover (Ksh. millions)	2,673.60	4,707.50	6,196.55	6,366.60	7,991.50	9,913.05
FTSE NSE Kenya 15 Index	90.87	91.38	93.22	94.14	95.62	98.40
FTSE NSE Kenya 25 Index	92.89	93.39	94.96	95.98	97.75	100.65

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

Source: Nairobi Stock Exchange

Banking sector was the most active, transacting 43.3 million shares or 58.5 followed by Telecommunications and Technology at 18.3 million shares or 24.7 percent. Commercial and Services sector closed among the top three most active sectors with 3.2 million shares. Equity Bank, Safaricom, and Housing Finance were the top three most active counters with 18.8 million, 18.1 million and 11.2 million shares traded, respectively. Automobile and Accessories sector was least active, trading 39,700 shares only in the week ending March 8, 2012.

The biggest closing and average price gains in the week ending March 8, 2012 was Williamson Tea Kenya at Ksh 11 and Ksh 13.15, respectively. The biggest closing and average price margin losses was Pan Africa Insurance Holding at Ksh 4.50 and British American Tobacco at Ksh 8.80 per share. Of the 54 listed companies, 32 had average price gain in the week.

**FTSE NSE  
Kenya Index  
Series**

The FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization rose to 98.40 points on March 8, 2012 from 95.62 points on March 1, 2012. FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange rose to 100.65 points from 97.75 points during the previous week, reflecting market recovery.

**Bond Market**

Bonds trading at the Fixed Income Securities Segment rose to Ksh 9,913.1 million for the week ending March 8, 2012 from Ksh 7,991.5 million for the week ending March 1, 2012. Total deals transacted over the period rose to 89 from 59 of previous week. This may be attributed to improving investor confidence in the bonds market, which also reflected the oversubscriptions in the latest primary market offers.