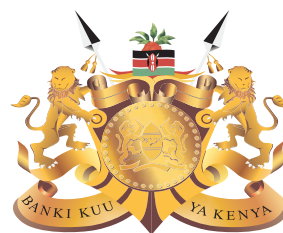


May 11, 2012



THE CBK WEEKLY BULLETIN

Highlights for the Week

The money market was relatively liquid during the week ending May 9, 2012. The Central Bank sterilized the excess liquidity in the market by mopping Ksh 11.2 billion through the repo market.

The average interbank rate increased to 16.35 percent during the week ending May 9, 2012 from 15.74 percent in the previous week.

During the week the Kenya Shilling depreciated marginally against the US dollar and the Japanese Yen, while it strengthened against the Sterling Pound and the Euro. Against the US dollar the Kenya Shilling weakened to exchange at an average of Ksh 83.31 per US dollar compared with Ksh 83.29 per US dollar in the week ending May 3, 2012.

The usable official foreign exchange reserves held by the Central Bank remained largely unchanged at US dollar 4,660 million (equivalent to 3.95 months of import cover) as at May 10, 2012 compared with US dollar 4,670 million (equivalent to 3.96 months of import cover) as at May 3, 2012.

In the week ending May 11, 2012, the Government offered for sale Treasury bills worth Ksh 6.0 billion. A total of Ksh 6.5 billion was accepted against the Ksh 18.9 billion bids received.

Stock market performance was strong in the week ending May 10, 2012 as reflected by gains in most of the market indicators. The NSE 20 Share Index gained 4.31 points and the Nairobi All Share Index (NASI) for all listed companies gained 0.43 points. Market Capitalization, equity turnover and number of shares traded gained 0.6 percent, 41.5 percent and 35.7 percent, respectively. In addition, FTSE NSE 15 Index and FTSE NSE 25 Index both gained by 0.33 points and 0.29 points, respectively. The bonds segment recorded a 5.7 percent decline.

**Monetary
Policy
Operations**

The money market was relatively liquid during the week ending May 9, 2012. The Central Bank sterilized the excess liquidity in the market by mopping Ksh 11.2 billion through the repo market. Reserve money averaged Ksh 241.2 billion during the week and was Ksh 3.2 billion below the target. The shortfall was reflected in bank reserves (Ksh 1.0 billion) and currency outside banks (Ksh 2.2 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)
03-May-12	241.1	244.5	-3.3	1.5	1.2	-0.3	237.6	-6.9	-2.7	-4.1
04-May-12	245.0	244.5	0.5	5.0	5.0	0.0	239.9	-4.6	-1.6	-3.0
07-May-12	246.6	244.5	2.1	5.0	5.0	0.0	245.1	0.7	3.2	-2.5
08-May-12	239.9	244.5	-4.5	0.0	0.0	0.0	241.3	-3.2	-2.5	-0.6
09-May-12	244.3	244.5	-0.2	0.0	0.0	0.0	242.4	-2.1	-1.4	-0.7
Average	243.4	244.5	-1.1	2.3	2.2	-0.1	241.2	-3.2	-1.0	-2.2

Source: Central Bank of Kenya

**Interbank
and REPO
Rates**

The average interbank rate increased to 16.35 percent during the week ending May 9, 2012 from 15.74 percent in the previous week. The average interbank volumes transacted decreased to Ksh 10.86 in the week ending May 9, 2012 compared to Ksh 15.18 billion in the previous week. The average number of deals decreased to 64 in the week from 65 deals in the previous week (Table 2 and Chart A).

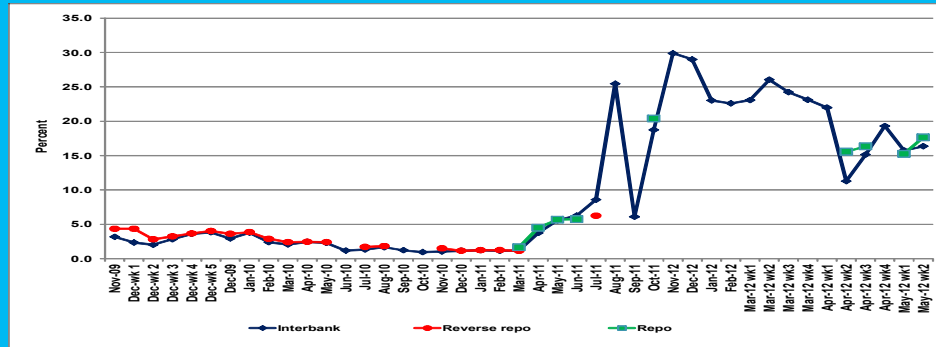
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
26-Apr-12	56	12,794	18.05
27-Apr-12	62	14,896	14.89
30-Apr-12	70	18,032	14.54
02-May-12	73	14,982	15.50
April 26- May 2 2012	65	15,176	15.74
03-May-12	68	13,739	15.79
04-May-12	71	14,489	15.98
07-May-12	58	8,296	16.32
08-May-12	59	9,045	16.81
09-May-12	66	8,731	16.82
May 3- May 9 2012	64	10,860	16.35

Source: Central Bank of Kenya

The average repo rate was 17.65 percent during the week ending May 9, 2012

Chart A: Money Market Interest Rates

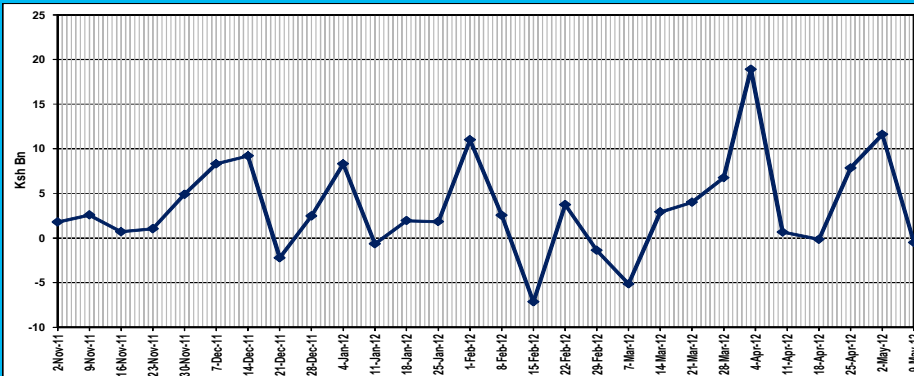


Source: Central Bank of Kenya

Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 0.5 billion in their settlement accounts below the monthly average cash reserve requirements of 5.25 percent at the Central Bank in the week to May 9, 2012 compared with Ksh 11.6 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 depicted mixed performance against major International currencies in the week ending May 10, 2012. The Kenya Shilling depreciated marginally against the US dollar and the Japanese Yen by 0.02 percent and 0.64 percent, respectively, to trade at an average of Ksh 83.31 per US dollar and Ksh 104.28 per 100 Japanese Yen compared to Ksh 83.29 per US dollar and Ksh 103.62 per 100 Japanese Yen in the week ending May 3, 2012. Against the Sterling Pound and the Euro, the Kenya Shilling gained by 0.38 percent and 1.36 percent, respectively, to trade at an average of Ksh 134.57 per Sterling Pound and Ksh 108.47 per Euro compared to Ksh 135.09 per Sterling Pound and Ksh 109.97 per Euro in the previous week.

In the EAC region, the Kenya Shilling depreciated against all the East African Currencies in the week ending May 10, 2012. On average, the Kenya Shilling exchanged at Ushs 29.70, Tshs 18.98, RWF 7.24 and BIF 16.43 compared with Ushs 30.01, Tshs 19.05, RWF 7.28 and BIF 16.60 during the week ending May 3, 2012 (Table 3).

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
April 20- 26, 2012	83.23	134.18	109.72	102.38	30.15	19.06	7.24	16.56
27-Apr-12	83.25	134.64	109.82	102.90	30.09	19.07	7.29	16.71
30-Apr-12	83.22	135.51	110.30	103.84	30.14	19.08	7.26	16.57
2-May-12	83.29	135.16	110.10	103.72	30.02	19.06	7.28	16.41
3-May-12	83.41	135.04	109.65	104.02	29.79	19.00	7.28	16.73
April 27- May 3, 2012	83.29	135.09	109.97	103.62	30.01	19.05	7.28	16.60
4-May-12	83.28	134.81	109.51	103.88	29.54	19.02	7.29	16.85
7-May-12	83.27	134.26	108.17	104.31	29.54	19.02	7.24	16.45
8-May-12	83.28	134.72	108.56	104.09	29.78	18.98	7.23	16.37
9-May-12	83.30	134.46	108.10	104.39	29.80	18.98	7.23	16.29
10-May-12	83.40	134.61	108.00	104.74	29.86	18.89	7.22	16.18
May 4-10, 2012	83.31	134.57	108.47	104.28	29.70	18.98	7.24	16.43

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank largely remained unchanged at US dollar 4,660 million (equivalent to 3.95 months of import cover) as at May 10, 2012 compared with US dollar 4,670 million (equivalent to 3.96 months of import cover) as at May 3, 2012 (Table 4).

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

	16-Mar-12	22-Mar-12	29-Mar-12	05-Apr-12	12-Apr-12	19-Apr-12	26-Apr-12	03-May-12	10-May-12
Usable Reserves*	4,260	4,311	4,365	4,416	4,424	4,454	4,637	4,670	4,660
Months of Imports Cover**	3.75	3.80	3.84	3.86	3.86	3.89	4.05	3.96	3.95

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

Government Securities Auction

The Government offered for sale Ksh 2.0 billion each in 91-day, 182-day and 364-day Treasury bills during the week ending May 11, 2012. Demand for all the papers was high with performance rates of 302.1 percent, 231.7 percent and 413.2 percent, respectively for the 91-day, 182-day and 364-day papers, which represented a total of Ksh 18.9 billion worth of bids received during the week. The government accepted Ksh 2.6 billion, Ksh 1.9 billion and Ksh 2.0 billion in the 91-day, 182-day and 364-day Treasury bills, respectively, during the week. Total non-competitive bids amounted to Ksh 1.7 billion.

Interest Rate on Government Securities

Weighted average interest rates on the 91-day, 182-day and 364-day Treasury bills declined by 200.1, 169.9 and 448.4 basis points to 11.381 percent, 13.076 percent and 12.431 percent, respectively, during the auction in the week ending May 11, 2012.

Table 5 : Interest Rates

Auction date	09-Mar-12	16-Mar-12	23-Mar-12	30-Mar-12	05-Apr-12	13-Apr-12	20-Apr-12	27-Apr-12	04-May-12	11-May-12
91 day T. Bills*	17.983	17.461	17.006	16.728	16.340	16.078	15.930	14.992	13.382	11.381
182 day T. Bills*	18.377	18.112	17.726	17.660	16.960	16.737	16.638	16.623	14.775	13.076
364 day T. Bills*	17.035				16.915					12.431
1 year FXD T. Bonds			16.432							
2 year FXD T. Bonds								13.826		
Month	Jan-12	Feb-12								
Average savings rate	1.62	1.69								
Average overdraft rate	20.38	20.53								

*Weighted rates for accepted bids

Source: Central Bank of Kenya

The Stock Market

Performance in the capital market improved in the week ending May 10, 2012 reflected by gains in all equity market indicators.

The NSE 20 Share Index rose to 3,589.43 points on May 10, 2012 from 3,585.12 points on May 3, 2012, while NASI was 78.36 points, up from 77.93 points (Table 7) .

Table 7: Key Weekly Market Statistics

Week Ending	15-Mar-12	22-Mar-12	29-Mar-12	04-Apr-12	12-Apr-12	19-Apr-12	20-Apr-12	27-Apr-12	04-May-12	10-May-12
NASI 100= Jan 2008	73.06	72.98	73.46	73.92	74.37	76.14	77.12	77.93	77.93	78.36
NSE 20 Share Index 100=1966	3,326.35	3,293.91	3,360.12	3,408.70	3,454.34	3,534.27	3,557.13	3,585.12	3,585.12	3,589.43
Number of Deals	5,395.00	5,981.00	5,398.00	4,128.00	4,260.00	6,439.00	7,221.00	5,636.00	5,636.00	6,335.00
Total Shares Traded (millions)	74.74	81.64	83.40	122.56	118.08	159.92	130.28	88.46	88.45	120.03
Equity Turnover (Ksh. millions)	1,225.36	1,632.56	1,625.72	1,318.00	1,156.07	1,858.48	2,570.47	1,869.56	1,869.56	2,645.70
Market Capitalization (Ksh. Bn.)	932.29	931.45	940.61	946.60	952.45	974.99	987.47	997.78	997.78	1,003.30
Bonds Turnover (Ksh. millions)	12,514.05	9,095.10	8,751.55	4,262.35	6,986.80	9,356.10	9,259.10	8,878.45	8,878.45	8,373.15
FTSE NSE Kenya 15 Index	96.56	97.43	97.88	99.65	100.19	102.91	102.34	104.90	104.90	105.23
FTSE NSE Kenya 25 Index	98.76	99.32	99.70	101.35	101.84	105.04	104.38	107.19	107.19	107.48

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

Source: Nairobi Stock Exchange

Market Capitalization, a measure of shareholders' wealth gained Ksh 5.52 billion to Ksh 1,003.30 billion on May 10, 2012. Equity turnover gained Ksh 776.15 million to trade stocks worth Ksh 2,645.70 million from Ksh 1,869.56 million in the previous week. The number of shares traded increased to 120.03 million from 88.46 million.

Telecommunications and Technology sector transacted 44.30 million shares or 36.9 percent followed by Banking sector at 36.40 million shares or 30.3 percent. Manufacturing and Allied sector closed top three most active sectors with 11.94 million shares. Safaricom, Housing Finance Co. Ltd and Equity Bank were the top three most active counters with 44.15 million, 12.43 million and 12.20 million shares traded, respectively. Automobile and Accessories sector was least active, trading 404,700 shares.

The biggest closing and average price gains was Athi River Mining both at Ksh 11.00 and Ksh 6.95 per share, respectively. The biggest closing and average price margin losses were with Crown Berger Ltd and Eaagads Ltd at Ksh 2.25 and Ksh 2.08, respectively. Of the 54 listed companies, 37 had average price increases 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 gained to 105.23 points on May 10, 2012 from 104.90 points on May 3, 2012. Similarly, FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange gained to 107.48 points from 107.19 points in the same period.

Bond Market

Bonds trading at the Fixed Income Securities Segment dropped to Ksh 8,373.2 million for the week ending May 10, 2012 from Ksh 8,878.5 million with corresponding deals declining to 143 from 165 by close of May 3, 2012 owing to a shift by investors to equities market given the rising equity prices.