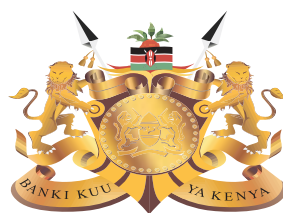


**May 18, 2012**



## **THE CBK WEEKLY BULLETIN**

### **Highlights for the Week**

The money market was relatively liquid during the week ending May 16, 2012. The Central Bank sterilized the excess liquidity in the market by mopping Ksh 19.3 billion through the repo market.

The average interbank rate decreased to 15.96 percent during the week ending May 16, 2012 from 16.35 percent in the previous week.

The Kenya Shilling depicted mixed performance against major international currencies in the week ending May 17, 2012. Against the US dollar the Kenya Shilling weakened to exchange at an average of Ksh 83.95 per US dollar compared with Ksh 83.31 per US dollar in the week ending May 10, 2012.

The usable official foreign exchange reserves held by the Central Bank declined from US dollar 4,660 million (equivalent to 3.95 months of import cover) as at May 3, 2012 to US dollar 4,627 million (equivalent to 3.92 months of import cover) in the week ending May 17, 2012.

During the week ending May 17, 2012 the Government offered Treasury bills worth Ksh 4.0 billion. A total of Ksh 4.7 billion was accepted out of Ksh 6.3 billion bids received.

Gross Government domestic debt increased by Ksh 131.2 billion from Ksh 764.2 billion in June 2011 to Ksh 895.5 billion in May 11, 2012. During the week under review, gross government domestic debt declined by Ksh 1.0 billion on account of Treasury bills.

Stock market performance was strong in the week ending May 17, 2012 as reflected by gains in most of the market indicators. The NSE 20 Share Index gained 88.38 points and the Nairobi All Share Index (NASI) for all listed companies gained 1.55 points. Market Capitalization was up 2.0 percent while equity turnover and number of shares traded dropped 31.2 percent and 18.2 percent, respectively. FTSE NSE 15 Index and FTSE NSE 25 Index both gained by 2.30 points and 2.46 points respectively. The bonds segment recorded 85.9 percent improvement.

**Monetary  
Policy  
Operations**

The money market was relatively liquid during the week ending May 16, 2012. The Central Bank sterilized the excess liquidity in the market by mopping Ksh 19.3 billion through the repo market. Reserve money averaged Ksh 238.8 billion during the week and was Ksh 5.0 billion below the target. The shortfall was reflected in bank reserves (Ksh 2.9 billion) and currency outside banks (Ksh 2.1 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)
10-May-12	239.0	244.5	5.4	0.0	0.0	0.0	240.8	-3.6	-2.1	-1.6
11-May-12	244.8	244.5	-0.3	5.0	9.3	4.3	235.9	-8.6	-6.2	-2.4
14-May-12	252.9	243.3	-9.6	12.0	7.0	-5.0	239.7	-3.6	-1.7	-1.9
15-May-12	240.0	243.3	3.3	5.0	2.5	-2.5	238.9	-4.4	-2.7	-1.7
16-May-12	238.4	243.3	4.9	3.0	0.5	-2.5	238.6	-4.7	-1.9	-2.8
<b>Average</b>	<b>243.0</b>	<b>243.8</b>	<b>0.8</b>	<b>5.0</b>	<b>3.9</b>	<b>-1.1</b>	<b>238.8</b>	<b>-5.0</b>	<b>-2.9</b>	<b>-2.1</b>

Source: Central Bank of Kenya

**Interbank  
and REPO  
Rates**

The average interbank rate decreased to 15.96 percent during the week ending May 16, 2012 from 16.35 percent in the previous week. The average interbank volumes transacted decreased to Ksh 7.30 billion in the week ending May 16, 2012 compared to Ksh 10.86 billion in the previous week. The average number of deals decreased to 52 in the week ending May 16, 2012 from 64 deals in the previous week (Table 2 and Chart A).

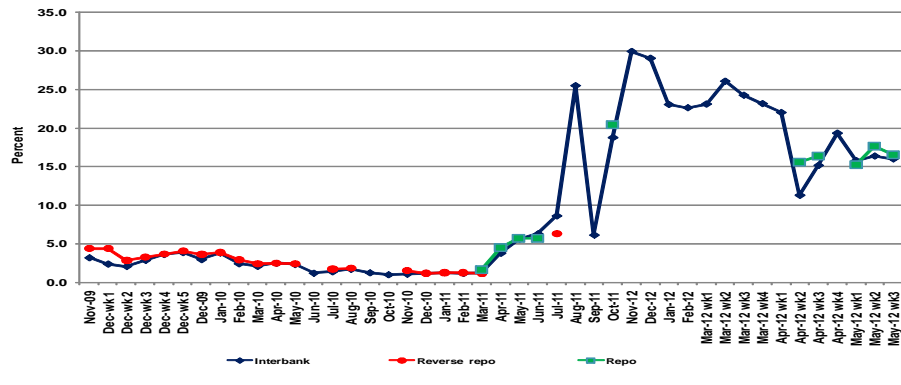
**Table 2: Interbank Deals, Volumes and Interest Rates**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
<b>May 3- May 9 2012</b>	<b>64</b>	<b>10,860</b>	<b>16.35</b>
10-May-12	53	6,682	16.60
11-May-12	59	7,723	15.67
14-May-12	53	8,994	15.22
15-May-12	46	5,410	15.95
16-May-12	50	7,674	16.35
<b>May 10- May 16 2012</b>	<b>52</b>	<b>7,296</b>	<b>15.96</b>

Source: Central Bank of Kenya

The average repo rate was 16.53 percent during the week ending May 16, 2012.

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

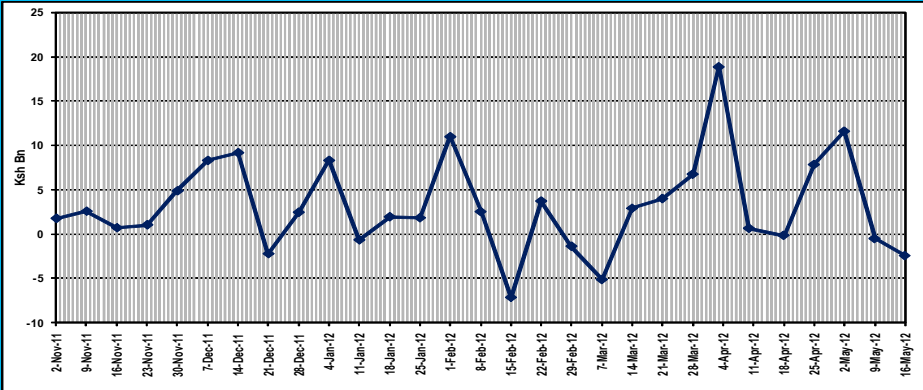


Source: Central Bank of Kenya

**Commercial Banks Clearing Accounts Balances**

Commercial banks maintained an average of Ksh 2.4 billion in their settlement accounts below the monthly average cash reserve requirement of 5.25 percent at the Central Bank in the week to May 16, 2012 compared with Ksh 0.5 billion below 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 17, 2012. During the week, the Kenya shilling depreciated against the US dollar, the Sterling Pound and the Japanese Yen by 0.78 per cent, 0.02 per cent and 0.73 per cent respectively to trade at an average of Ksh 83.95 per US dollar, Ksh 134.60 per Sterling Pound and Ksh 104.84 per 100 Japanese Yen compared to Ksh 83.31 per US dollar, Ksh 134.57 per Sterling Pound and Ksh 104.28 per 100 Japanese Yen in the week ending May 10, 2012. Against the Euro, the Kenya shilling gained by 0.73 per cent to trade at an average of Ksh 107.67 per Euro compared to Ksh 108.47 per Euro in the week ending May 10, 2012.

In the EAC region, the Kenya Shilling posted mixed performance against the East African Currencies in the week ending May 17, 2012. The Kenya Shilling depreciated against the Tanzania Shilling, Uganda Shilling and

Rwanda Franc and appreciated against the Burundi Franc. On average, the Kenya Shilling exchanged at Ushs 29.52, Tshs 18.80, RWF 7.20 and BIF 16.54 during the week ending May 17, 2012 compared with Ushs 29.70, Tshs 18.98, RWF 7.24 and BIF 16.43 in the week ending May 10, 2012 (Table 3).

**Table 3: Kenya Shilling Exchange Rates**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
<b>April 20-26, 2012</b>	<b>83.23</b>	<b>134.18</b>	<b>109.72</b>	<b>102.38</b>	<b>30.15</b>	<b>19.06</b>	<b>7.24</b>	<b>16.56</b>
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
<b>April 27- May 3, 2012</b>	<b>83.29</b>	<b>135.09</b>	<b>109.97</b>	<b>103.62</b>	<b>30.01</b>	<b>19.05</b>	<b>7.28</b>	<b>16.60</b>
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
<b>May 4-10, 2012</b>	<b>83.31</b>	<b>134.57</b>	<b>108.47</b>	<b>104.28</b>	<b>29.70</b>	<b>18.98</b>	<b>7.24</b>	<b>16.43</b>
11-May-12	83.62	134.79	108.07	104.76	29.66	18.88	7.26	16.72
14-May-12	83.68	134.45	107.90	104.65	29.54	18.82	7.20	16.46
15-May-12	83.95	135.17	107.85	105.02	29.40	18.81	7.18	16.59
16-May-12	84.14	134.34	107.01	104.69	29.59	18.77	7.23	16.48
17-May-12	84.39	134.28	107.54	105.09	29.39	18.75	7.14	16.43
<b>May 13-17, 2012</b>	<b>83.95</b>	<b>134.60</b>	<b>107.67</b>	<b>104.84</b>	<b>29.52</b>	<b>18.80</b>	<b>7.20</b>	<b>16.54</b>

Source: Central Bank of Kenya

### Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank declined from US dollar 4,660 million (equivalent to 3.95 months of import cover) as at May 3, 2012 to US dollar 4,627 million (equivalent to 3.92 months of import cover) in the week ending May 17, 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	17-May-12
Usable Reserves*	4,260	4,311	4,365	4,416	4,424	4,454	4,637	4,670	4,660	4,627
Months of Imports Cover**	3.75	3.80	3.84	3.86	3.86	3.89	4.05	3.96	3.95	3.92

\*Excludes encumbered reserves

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

Source: Central Bank of Kenya

### Government Securities Auction

The Government offered for sale Ksh 2.0 billion in 91 day and Ksh 2.0 billion in 182 day Treasury bills during the week ending May 18, 2012. The 91 day paper attracted bids worth Ksh 3.0 billion, equivalent to 150.0 percent performance rate, while the 182 day paper attracted Ksh 3.3 billion worth of bids, equivalent to 167.1 percent performance rate. Collectively, the Government accepted bids amounting to Ksh 4.7 billion during the week. Total non-competitive bids amounted to Ksh 1.1 billion.

### Interest Rate on Treasury Bills & Bonds

Weighted average interest rates on the 91 day and 182 day Treasury bills decreased further by 130.6 and 99.8 basis points, respectively, to stand at 10.075 percent and 12.078 percent (Table 5).

**Table 5 : Interest Rates**

Auction date	09-Mar-12	16-Mar-12	30-Mar-12	13-Apr-12	20-Apr-12	27-Apr-12	04-May-12	11-May-12	18-May-12
91 day T. Bills*	17.983	17.461	16.728	16.078	15.930	14.992	13.382	11.381	10.075
182 day T. Bills*	18.377	18.112	17.660	16.737	16.638	16.623	14.775	13.076	12.078
364 day T. Bills*	17.035							12.431	
1 year FXD T. Bonds									
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**

## Government Domestic Debt

Gross Government domestic debt increased by Ksh 131.2 billion from Ksh 764.2 billion in June 2011 to Ksh 895.5 billion on May 11, 2012 (Table 6 and Chart C). During this period, the stocks of Treasury bonds, Treasury bills and overdraft at the Central Bank increased by Ksh 94.3 billion, Ksh 19.9 billion and Ksh 17.8 billion, respectively. Other domestic debt, however, declined by 0.8 billion to stand at Ksh 33.5 billion on May 11, 2012.

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

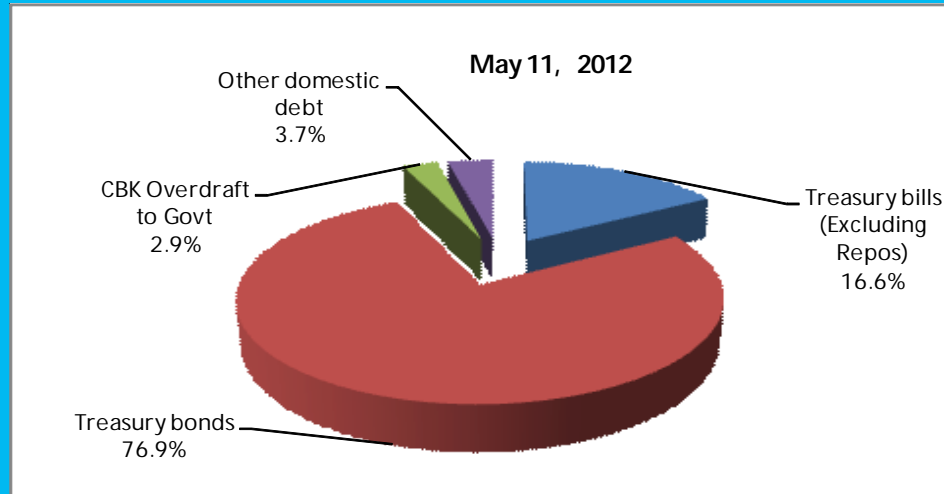
	Jun-11	Dec-11	27th Ap 2012	4th May 2012	11th May 2012	Changes	
						4th Apr 2012-11th May 2012	30th Jun 2011-11th May 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	107.1 14.5	146.6 17.7	147.6 17.6	146.6 17.5	-1.0	19.9
2. Treasury Bonds (As % of total securities)	595.7 82.5	633.5 85.5	683.6 82.3	690.0 82.4	690.0 82.5	0.0	94.3
3. Total Securities (1+2)	722.4	740.6	830.1	837.6	836.6	-1.0	114.2
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	33.5	33.5	33.5	0.0	-0.8
6. Gross Domestic Debt (3+4+5)	764.2	800.7	889.0	896.4	895.5	-1.0	131.2
7. Interest payments on domestic debt	69.2	37.7	63.5	65.0	65.3	0.3	-3.9

\* 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 ending May 11, 2012, gross domestic debt declined by Ksh 1.0 billion compared with the previous week's position, on account of Treasury bills, to stand at Ksh 146.6 billion and Ksh 690.0 billion in Treasury bills and Treasury bonds, respectively. Government overdraft at the Central Bank and other domestic debt remained constant during the week under review. The average time to maturity of Government securities declined to 5 years and 3 months as at May 11, 2012, from 5 years and 10 months at the end of June 2011.

**Chart C: Composition of Government Securities**

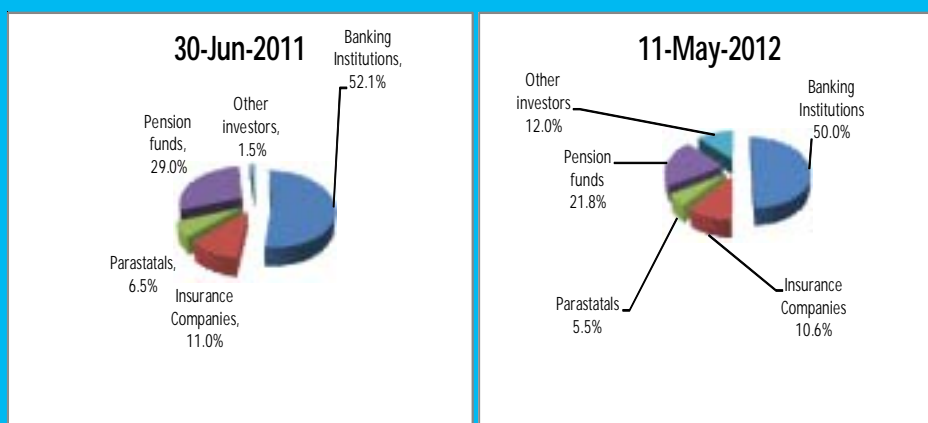


Source: Central Bank of Kenya

**Holding of Govt Securities**

The share of Government securities held by banking institutions, pension funds, parastatals and insurance companies declined from 52.1 percent, 29.0 percent, 6.5 percent and 11.0 percent in June 2011 to 50.0 percent, 21.8 percent, 5.5 percent and 10.6 percent in May 11, 2012, respectively. Holdings of other investors increased from 1.5 percent to 12.0 percent during the same period (Chart D).

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

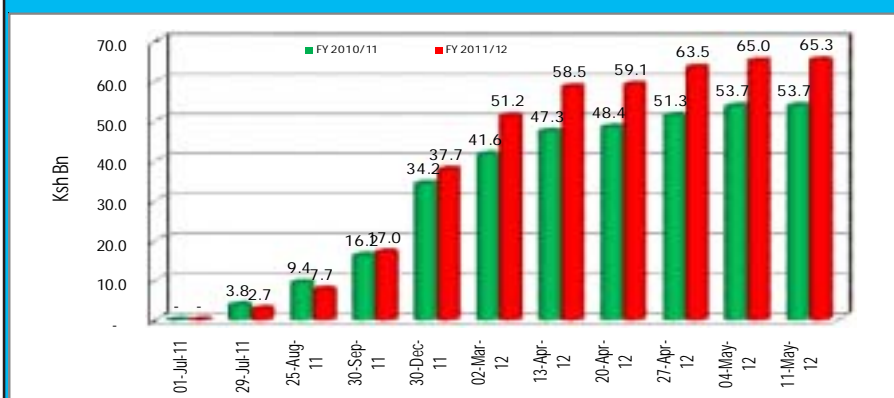


Source: Central Bank of Kenya

**Cost of Domestic Borrowing**

The cumulative interest and other charges on domestic debt from July 1, 2011 to May 11, 2012 amounted to Ksh 65.3 billion compared with Ksh 53.7 billion during 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 11.26 billion and Ksh 51.17 billion, respectively. Government overdraft at Central Bank accounted for Ksh 2.85 billion. During the week under review, total interest on domestic debt amounted to Ksh 0.3 billion.

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



Source: Central Bank of Kenya

## The Stock Market

Performance in the capital market was strong in the week ending May 17, 2012 with most equity market indicators recording gains. The NSE 20 Share Index was still above the 3,500 points psychological mark while market capitalization remained above the trillion shillings mark. On the downward side was equity turnover and total shares traded. The bonds market recorded gains in turnover, but decline on number of deals.

As indicated in table 7, the NSE 20 Share Index rose to 3,677.81 points on May 17, 2012 from 3,589.43 points on May 10, 2012, while NASI was 79.91 points, up from 78.36 points.

**Table 7: Key Weekly Market Statistics**

Week Ending	12-Apr-12	19-Apr-12	20-Apr-12	27-Apr-12	04-May-12	10-May-12	17-May-12
NASI 100= Jan 2008	74.37	76.14	77.12	77.93	77.93	78.36	79.91
NSE 20 Share Index 100=1966	3,454.34	3,534.27	3,557.13	3,585.12	3,585.12	3,589.43	3,677.81
Number of Deals	4,260.00	6,439.00	7,221.00	5,636.00	5,636.00	6,335.00	6,985
Total Shares Traded (millions)	118.08	159.92	130.28	88.46	88.45	120.03	98.2139
Equity Turnover (Ksh. millions)	1,156.07	1,858.48	2,570.47	1,869.56	1,869.56	2,645.70	1,819.055
Market Capitalization (Ksh. Bn.)	952.45	974.99	987.47	997.78	997.78	1,003.30	1,022.96
Bonds Turnover (Ksh. millions)	6,986.80	9,356.10	9,259.10	8,878.45	8,878.45	8,373.15	15,565.85
FTSE NSE Kenya 15 Index	100.19	102.91	102.34	104.90	104.90	105.23	107.53
FTSE NSE Kenya 25 Index	101.84	105.04	104.38	107.19	107.19	107.48	109.94

\* 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 19.66 billion to reach Ksh 1,022.96 billion. Equity turnover lost Ksh 826.65 million to trade stocks worth Ksh 1,819.06 million from Ksh 2,645.70 million the previous week. The number of shares traded dropped to 98.21 million from 120.03 million.

Banking sector transacted 36.84 million shares or 37.5 percent followed by Telecommunications & Technology sector at 32.33 million shares or 32.9 percent. Manufacturing and Allied sector closed top three most active sectors with 7.52 million shares. Safaricom, Housing Finance Co. Ltd and Equity Bank were the top three most active counters with 32.03 million, 16.93 million and 9.15 million shares traded, respectively. Automobile and Accessories sector was least active, trading 165,500 shares.

The biggest closing and average price gains were NIC Bank Ltd and Athi River Mining at Ksh 6.5 and Ksh 9.00 per share, respectively. The biggest closing and average price margin losses were Standard Group Ltd and Pan Africa Insurance Holdings Ltd at Ksh 1.25 and Ksh 2.06, respectively. Of the 54 listed companies, 18 had average price declines in the week, implying overall price gain for the bourse.

**FTSE NSE  
Kenya Index  
Series**

The FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization gained to 107.53 points on May 17, 2012 from 105.23 points on May 10, 2012. Similarly, FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange gained 109.94 points from 107.48 points in the same period.

**Bond Market**

Bonds trading at the Fixed Income Securities Segment increased to Ksh 15,565.9 million for the week ending May 17, 2012 from Ksh 8,373.2 million with corresponding deals declining to 119 from 143 by close of May 10, 2012 owing to a shift by investors to the secondary market given falling interest rates on government securities in the primary market.