



November 9, 2012

Highlights

The Monetary Policy Committee lowered the Central Bank Rate (CBR) by 200 basis points to 11.0 percent from 13.0 percent set on September 5, 2012.

The money market was liquid during the week ending November 7, 2012. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 27.3 billion through repo securities and Ksh 5.2 billion in term auction deposits against maturities of repo and term auction deposits securities held by commercial banks of Ksh 27.9 billion and Ksh 8.1 billion, respectively.

The average interbank rate decreased to 8.70 percent during the week ending November 7, 2012 from 9.16 percent in the previous week reflecting increase of liquidity in the money market.

The Kenya Shilling exchange rate was relatively stable against major international currencies in the week ending November 8, 2012. Against the US dollar the Kenya Shilling depreciated marginally to trade at Ksh 85.44 compared to Ksh 85.18 in the week ending November 1, 2012.

The usable official foreign exchange reserves held by Central Bank increased from US dollar 5,147 million (equivalent to 4.04 months of import cover) during the week ending November 1, 2012 to US dollar 5,249 million (equivalent to 4.12 months of import cover) in the week ending November 8, 2012.

During the week ending November 9, 2012, the Government offered for sale Treasury bills worth Ksh 12.0 billion. A total of Ksh 8.9 billion was accepted out of the Ksh 22.2 billion bids received.

Gross Government domestic debt increased by Ksh 70.5 billion to Ksh 929.3 billion on November 2, 2012, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt increased by Ksh 10.4 billion, on account of Treasury bonds.

The capital market performance was strong in the week ending November 8, 2012, with gains in all market indicators. The market recorded increase in the NSE 20 Share Index (15.51 points), NASI (0.55 points), FTSE NSE 15 Index (0.98 points), FTSE NSE 25 Index (0.92 points) and FTSE NSE Kenyan Shilling Government Bond Index (6.66 points.)

Market Capitalization increased Ksh 7.41billion with supply of shares rising 13.26 percent. However, equities turnover and bonds turnover closed 30.32 percent and 36 percent lower respectively.

Monetary Policy Operations

The money market was liquid during the week ending November 7, 2012. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 27.3 billion through repo securities and Ksh 5.2 billion in term auction deposits against maturities of repo and term auction deposits securities held by commercial banks of Ksh 27.9 billion and Ksh 8.1 billion, respectively. Reserve money averaged Ksh 256.4 billion during the week and was Ksh 8.0 billion below the target (Table 1).

Table1: 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)
1-Nov-12	258.2	262.8	-4.7	7.0	8.4	1.0	2.4	249.5	-13.4	-10.1	-3.3
2-Nov-12	257.9	262.8	-5.0	2.0	2.6	0.0	0.6	255.0	-7.8	-6.0	-1.8
5-Nov-12	265.5	265.4	0.1	7.0	7.0	3.2	3.2	257.1	-8.3	-5.0	-3.3
6-Nov-12	261.9	265.4	-3.5	5.0	2.0	0.5	-2.5	259.0	-6.4	-6.4	0.0
7-Nov-12	268.3	265.4	2.9	7.0	7.3	0.5	0.8	261.3	-4.1	-4.2	0.1
Average	262.3	264.4	-2.0	5.6	5.5	1.0	0.9	256.4	-8.0	-6.3	-1.7

Source: Central Bank of Kenya

Interbank and REPO Interest Rates

The average interbank rate decreased to 8.70 percent during the week ending November 7, 2012 from 9.16 percent in the previous week reflecting improved liquidity in the money market. The average interbank volumes transacted rose to Ksh 9.5 billion from Ksh 7.7 billion transacted in the previous week, while the average number of deals was 45 compared with 39 deals in the previous week (Table 2 and Chart A).

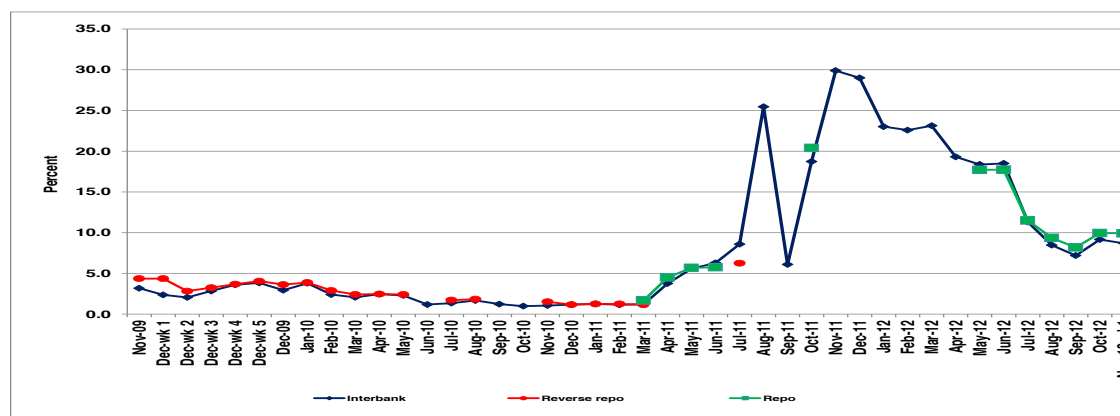
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
25-Oct-12	39	8,708	9.37
26-Oct-12	35	3,884	9.32
29-Oct-12	35	8,527	9.21
30-Oct-12	45	8,105	9.09
31-Oct-12	42	9,360	8.79
October 25-October 31, 2012	39	7,717	9.16
1-Nov-12	47	9,975	8.77
2-Nov-12	45	10,160	8.66
5-Nov-12	38	6,315	8.69
6-Nov-12	39	8,262	8.69
7-Nov-12	55	12,668	8.68
November 1-November 7, 2012	45	9,476	8.70

Source: Central Bank of Kenya

The average repo rate remained unchanged at 9.92 percent during the week ending November 7, 2012 compared with 9.95 percent recorded in the previous week.

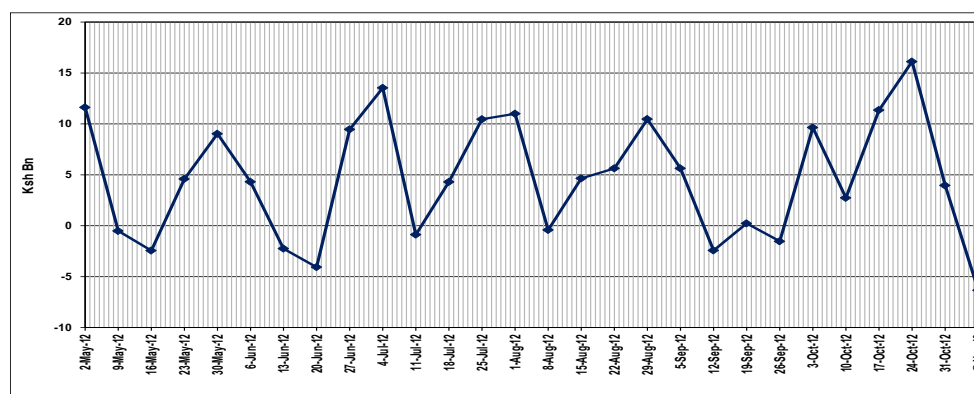
Chart A: The Structure of Interest Rates



Commercial Banks Clearing Account Balances

Commercial banks recorded a deficit of Ksh 6.35 billion in their settlement accounts in relation to the monthly average cash reserve requirements of 5.25 percent at the Central Bank in the week to November 7, 2012 compared with a surplus of Ksh 3.96 billion in the previous week (Chart B).

Chart B: Weekly Average Deviation from CRR in the Commercial Banks Clearing Accounts



The Shilling Exchange Rate

The Kenya Shilling depreciated marginally against the US dollar but appreciated against the Pound Sterling, the Euro and the Japanese Yen to trade at an average of Ksh 85.44 per US dollar, Ksh 136.95 per Pound Sterling, Ksh 109.64 per Euro and Ksh 106.6 per 100 Japanese Yen during the week ending November 8, 2012. This is in comparison to the previous week's performance where the Kenya shilling exchanged at an average of Ksh 85.18 to the US dollar, Ksh 137.02 to the Pound Sterling, Ksh 110.2 to the Euro and 106.73 to the 100 Japanese Yen.

In the EAC region, the Kenya Shilling depreciated against all East African Currencies. On average the Shilling traded at Ush 30.21, Tsh 18.63, RWF 7.23 and BIF 17.18 during the week ending November 8, 2012 compared to Ush 30.38, Tsh 18.63, RWF 7.26 and BIF 17.37 in the week ending November 1, 2012 (Table 3).

Table 3: Kenya Shilling Exchange Rates

	US dollar	Pound Sterling	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
26-Oct-12	85.13	137.10	110.11	106.31	30.42	18.62	7.27	17.38
29-Oct-12	85.17	136.97	110.09	106.90	30.39	18.62	7.27	17.38
30-Oct-12	85.17	136.65	109.94	106.89	30.41	18.63	7.26	17.40
31-Oct-12	85.18	136.95	110.37	107.00	30.41	18.63	7.26	17.32
1-Nov-12	85.24	137.45	110.48	106.57	30.27	18.64	7.25	17.36
26 Oct - 1 Nov 2012	85.18	137.02	110.20	106.73	30.38	18.63	7.26	17.37
2-Nov-12	85.31	137.46	110.34	106.47	30.22	18.67	7.24	17.17
5-Nov-12	85.45	136.98	109.65	106.26	30.19	18.66	7.23	17.15
6-Nov-12	85.55	136.83	109.39	106.75	30.16	18.57	7.22	17.12
7-Nov-12	85.51	136.99	109.92	106.74	30.23	18.61	7.23	17.31
8-Nov-12	85.41	136.47	108.90	106.79	30.27	18.62	7.24	17.13
2 Nov - 8 Nov 2012	85.44	136.95	109.64	106.60	30.21	18.63	7.23	17.18

Source Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US dollar 5,147 million (equivalent to 4.04 months of import cover) during the week ending November 1, 2012 to US dollar 5,249 million (equivalent to 4.12 months of import cover) in the week ending November 8, 2012 (Table 4). The increase largely reflects US\$ 110.63 million receipt from the IMF in respect of 5th tranche support under the Extended Credit Facility programme 2011 - 14

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

	6-Sep-12	13-Sep-12	20-Sep-12	27-Sep-12	4-Oct-12	11-Oct-12	18-Oct-12	25-Oct-12	1-Nov-12	8-Nov-12
Usable Reserves*	5,147	5,193	5,190	5,163	5,159	5,137	5,141	5,175	5,147	5,249
Months of Imports Cover**	4.16	4.13	4.13	4.11	4.05	4.03	4.04	4.06	4.04	4.12

*Excludes encumbered reserves

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

Government Securities Auction

The Government offered for sale Ksh 3.0 billion each in the 91-day and 182-day Treasury bills and Ksh 6.0 billion in the 364-day Treasury bills during the week ending November 9, 2012. The 91 day Treasury bill attracted bids worth Ksh 13.4 billion (446.7 performance rate), of which Ksh 3.2 billion was accepted. The 182 day and 364 day Treasury bills issued attracted bids amounting to Ksh 4.8 billion (158.6 percent performance) and Ksh 4.0 billion (66.5 percent performance) respectively, of which Ksh 3.3 billion and Ksh 2.5 billion were accepted. Total non-competitive bids amounted to Ksh 1.4 billion.

Interest Rates on Government Securities

Weighted average interest rates for the 91-day, 182-day and 364 –day Treasury bills increased by 10.9, 6.9 and 137.3 basis points, respectively, to stand at 10.346 percent, 10.923 percent and 11.943 percent during the week ending November 9, 2012.

Table 5: Interest Rates

Auction date	7-Sep-12	28-Sep-12	5-Oct-12	19-Oct-12	26-Oct-12	2-Nov-12	9-Nov-12
91 day T. Bills*	7.808	8.093	8.439	9.437	9.945	10.237	10.346
182 day T. Bills*	9.351	9.888	10.194	10.484	10.761	10.854	10.923
364 day T. Bills*			10.570				11.943
2 year FXD T. Bonds					12.496		

*Weighted rates for accepted

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 70.5 billion on November 2, 2012 from Ksh 858.8 billion at the end of June 2012 to Ksh 929.3 billion. This followed increases of Ksh 21.1 billion, Ksh 30.7 billion, Ksh 18.1 billion and Ksh 0.6 billion in the stocks of Treasury bills, Treasury bonds, Government overdraft at the Central Bank and other domestic debt, respectively.

Table 6: Government Domestic Debt (Ksh Billion)

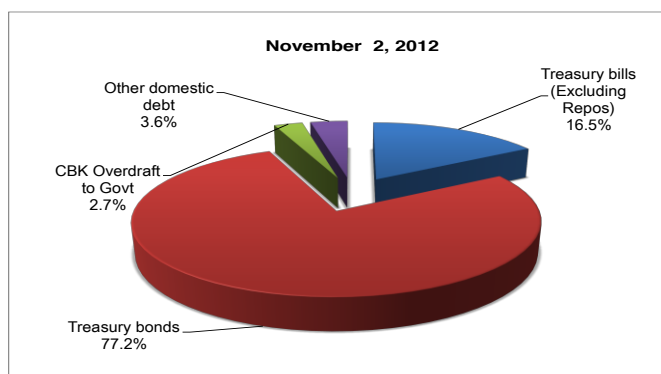
	Jun 2011	Jun 2012	Sep 2012	26th Oct 2012	2nd Nov 2012	Changes	
						26th Oct 2012- 2nd Nov 2012	29th Jun 2012 - 2nd Nov 2012
1. Treasury Bills (Excluding Repos)	126.7	132.0	159.7	156.5	153.1	-3.4	21.1
(As % of total securities)	17.5	16.1	18.5	18.2	17.6		
2. Treasury Bonds	595.7	687.0	703.9	703.9	717.6	13.8	30.7
(As % of total securities)	82.5	83.9	81.5	81.8	82.4		
3. Total Securities (1+2)	722.4	819.0	863.6	860.4	870.8	10.4	51.8
4. Overdraft at Central Bank	7.6	7.3	25.4	25.4	25.4	0.0	18.1
5. Other Domestic debt*	34.3	32.6	33.2	33.2	33.2	0.0	0.6
6. Gross Domestic Debt (3+4+5)	764.2	858.8	922.2	919.0	929.3	10.4	70.5
7. Interest payments on domestic debt	69.2	82.3	25.2	33.9	36.1	2.2	

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

Source: Central Bank of Kenya

In the week ending October 26, 2012 to the week ending November 2, 2012, the stocks of Treasury bonds increased by Ksh 13.8 billion, while Treasury bills stocks declined by Ksh 3.4 billion. This resulted in Ksh 10.4 billion increase in gross government domestic debt during the week (Table 6). The average time to maturity of government securities declined to 5 years and 1 month during the week ending November 2, 2012, from 5 years and 4 months at the end of June 2012.

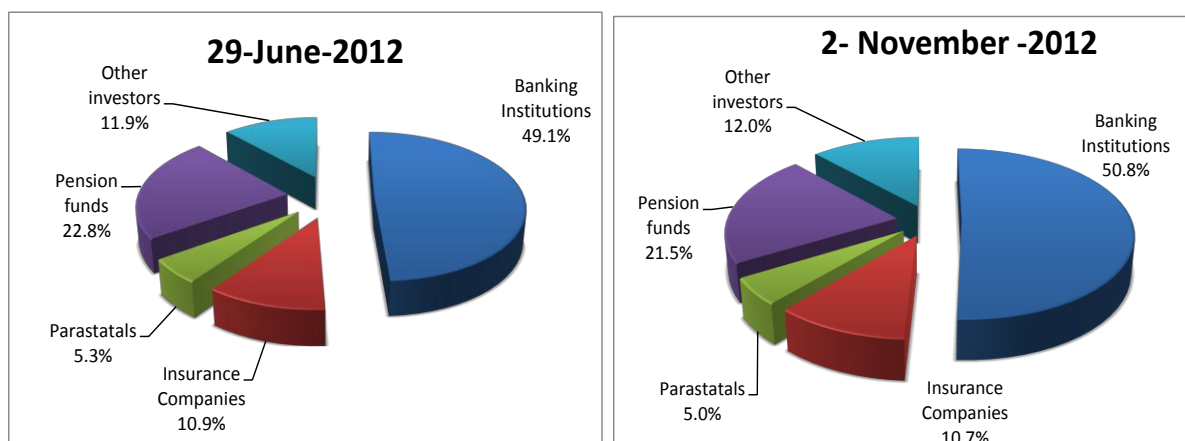
Chart C: Composition of Government Securities



Holding of Government Securities

Government securities accounted for 93.7 percent of gross domestic debt on November 2, 2012 (Chart C). Treasury bonds dominated accounting for 77.2 percent of gross domestic debt. Commercial bank holdings of Government securities increased from 49.1 percent at the end of June 2012 to 50.8 percent on November 2, 2012. Holdings of insurance companies, parastatals and pension funds declined from 10.9 percent, 5.3 percent and 22.8 percent to 10.7 percent, 5.0 percent and 21.5 percent, respectively, during the same period. Holdings by other investors, which comprises Sacco's, listed and private companies, self-help groups, educational institutions, religious institutions and individuals, increased from 11.9 percent to 12.0 percent, during the week under review (Chart D).

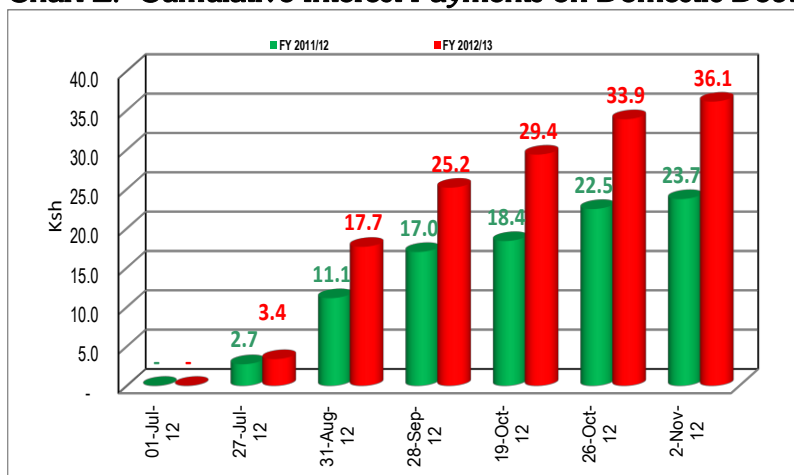
Chart D: Composition of Government Securities by Investors



Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period up to November 2, 2012 of the 2012/13 fiscal year amounted to Ksh 36.1 billion compared with Ksh 23.7 billion during a similar period of the previous fiscal year (Chart E). The cost during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 8.6 billion and Ksh 25.7 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 1.0 billion and Ksh 0.8 billion, respectively.

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



The Capital Markets

The capital markets rallied in the week ending November 8, 2012 with all market indices and market capitalization closing in positive territory. However, turnover for both bonds and equities lost declined.

Equities Market

The NSE 20 Share Index rose to 4148.79 points on November 8 from 4133.28 points on November 1, 2012 (Table 7) and NASI rose to 91.83 points from 91.28 points. Market Capitalization that measures shareholders' wealth rose 0.61 percent to reach Ksh 1,219.30 billion. Equity turnover was 30.32 percent lower, from Ksh 3,052.73 million in the previous week to Ksh 2,127.22 million, with shares transacted rising to 129.71 million from 114.52 million the week earlier. The fall in the equity turnover reflects mixed trends in shares prices.

Table 7: Key Weekly Market Statistics

Week Ending	6-Sep-12	13-Sep-12	20-Sep-12	4-Oct-12	11-Oct-12	18-Oct-12	25-Oct-12	1-Nov-12	8-Nov-12
NASI 100= Jan 2008	85.35	87.22	86.37	87.08	87.85	88.50	90.62	91.28	91.83
NSE 20 Share Index 100=1966	3,888.14	3,953.84	3,934.52	3,961.05	3,997.00	4,023.55	4,119.50	4,133.28	4,148.79
Number of Deals	6,335	7,504	7,732	6,534	6,815	6,510	6,496	7,462	6,875.00
Total Shares Traded (millions)	83.90	158.31	98.82	106.45	94.28	78.42	100.77	114.52	129.71
Equity Turnover (Ksh. millions)	1,807.91	3,284.60	1,826.56	3,001.31	1,638.95	1,565.45	2,631.55	3,052.73	2,127.22
Market Capitalization (Ksh. Bn.)	1,126.55	1,153.64	1,142.43	1,151.99	1,162.25	1,175.39	1,203.18	1,211.89	1,219.30
Bonds Turnover (Ksh. millions)	22,828.10	24,833.65	23,099.40	16,506.65	13,856.85	13,558.40	14,861.55	17,671.45	11,309.25
FTSE NSE Kenya 15 Index	113.61	116.07	115.14	116.36	116.77	118.59	122.09	121.66	122.64
FTSE NSE Kenya 25 Index	116.17	118.52	117.56	118.99	119.44	121.19	124.63	124.27	125.19
Index(Jan2012=100)					96.18	93.85	96.99	96.00	102.65

Telecommunications and Technology, Banking and Energy & Petroleum sectors were the top three most active, transacting 49.64 million shares or 38.27 percent; 38.85 million shares or 29.95 percent and 18.79 million shares or 14.48 percent of all traded shares, respectively. Safaricom Ltd, KCB Ltd and Equity Bank Ltd were the three most active counters with 27.5 million, 14.9 million and 14.6 million shares traded, respectively. Automobile and Accessories sector was least active, trading 101,600 shares.

The biggest closing and average price gain for the week was for Bamburi Cement Ltd at Ksh 3.0 and Ksh 2.53 per share, respectively. The biggest closing and average price loss was for Athi River Mining Ltd at Ksh 5.0 and Ksh 3.60 per share, respectively. Of the 48 active counters, 22 had average price gain in the week under review.

FTSE NSE Kenya Index Series

As indicated in Table 7, FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, gained 0.98 points to close at 122.64 points from 121.66 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE rose by 0.92 points, to 125.19 points from 124.27 points in the previous week. The FTSE NSE Kenyan Shilling Government Bond Index, which measures the performance of Kenya's domestic debt market, closed November 8, 2012 at 102.65 points from 96.00 points for the week ended November 1, 2012.

The Bond Market

Bond trading activity was down 36.0 percent in turnover to record Ksh 11,309.25 million for the week ending November 8, 2012 from Ksh 17,671.45 million in the previous week. Corresponding deals fell to 165 from 202 the previous week.