



NOVEMBER 16, 2012,

Highlights

The money market was liquid during the week ending November 14, 2012. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 29.5 billion through repo securities and Ksh 12.2 billion in term auction deposits against maturities of repo and term auction deposits securities held by commercial banks of Ksh 27.3 billion and Ksh 26.7 billion, respectively.

The average interbank rate decreased to 7.75 percent during the week ending November 14, 2012 from 8.70 percent in the previous week reflecting improved liquidity in the money market.

The Kenya Shilling exchange rate was relatively stable against major international currencies in the week ending November 15, 2012. Against the US dollar the Kenya Shilling depreciated marginally to trade at Ksh 85.51 compared to Ksh 85.44 in the week ending November 8, 2012.

The usable official foreign exchange reserves held by Central Bank increased from US dollar 5,249 million (equivalent to 4.12 months of import cover) during the week ending November 8, 2012 to US dollar 5,267 million (equivalent to 4.13 months of import cover) in the week ending November 15, 2012

The Government offered for sale Treasury bills worth Ksh 8.0 billion during the week ending November 16, 2012. A total of Ksh 22.8 billion was accepted out of Ksh 43.3 billion bids received.

Gross government domestic debt increased by Ksh 72.4 billion to Ksh 931.3 billion on November 9, 2012, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt increased by Ksh 2.0 billion, on account of Treasury bills.

The capital market performance was mixed in the week ending November 15, 2012, with gains in most of the market indicators. NSE 20 Share Index gained 11.70 points, NASI rose 0.83 points, the FTSE NSE 15 Index up 1.01 points, FTSE NSE 25 Index up 1.00 points and FTSE NSE Kenyan Shilling Government Bond Index lost 5.82 points. Market Capitalization gained Ksh 15.60 billion with supply of shares rising 11.6 percent. However equities turnover and bonds turnover closed 3.3 percent and 36 percent lower, respectively.

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Monetary Policy Operations

The money market was liquid during the week ending November 14, 2012. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 29.5 billion through repo securities and Ksh 12.2 billion in term auction deposits against maturities of repo and term auction deposits securities held by commercial banks of Ksh 27.3 billion and Ksh 26.7 billion, respectively. Reserve money averaged Ksh 280.9 billion during the week and was Ksh 16.5 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)
8-Nov-12	278.9	262.8	16.1	13.0	10.0	1.5	-1.5	268.0	5.2	2.9	2.3
9-Nov-12	280.9	262.8	18.1	3.0	3.0	0.0	0.0	278.9	16.0	13.2	2.8
12-Nov-12	296.7	265.4	31.3	7.5	0.0	0.0	-7.5	294.4	29.0	29.4	-0.4
13-Nov-12	288.0	265.4	22.5	2.0	9.5	0.0	7.5	285.7	20.2	19.8	0.5
14-Nov-12	296.8	265.4	31.4	15.0	7.0	10.7	2.7	277.4	11.9	12.9	-1.0
Average	288.3	264.4	23.9	8.1	5.9	2.4	0.2	280.9	16.5	15.6	0.8

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased to 7.75 percent during the week ending November 14, 2012 from 8.70 percent in the previous week reflecting improved liquidity in the money market. The average interbank volumes transacted rose to Ksh 10.1 billion from Ksh 9.5 billion transacted in the previous week while the average number of deals was 40 compared with 45 deals in the previous week (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

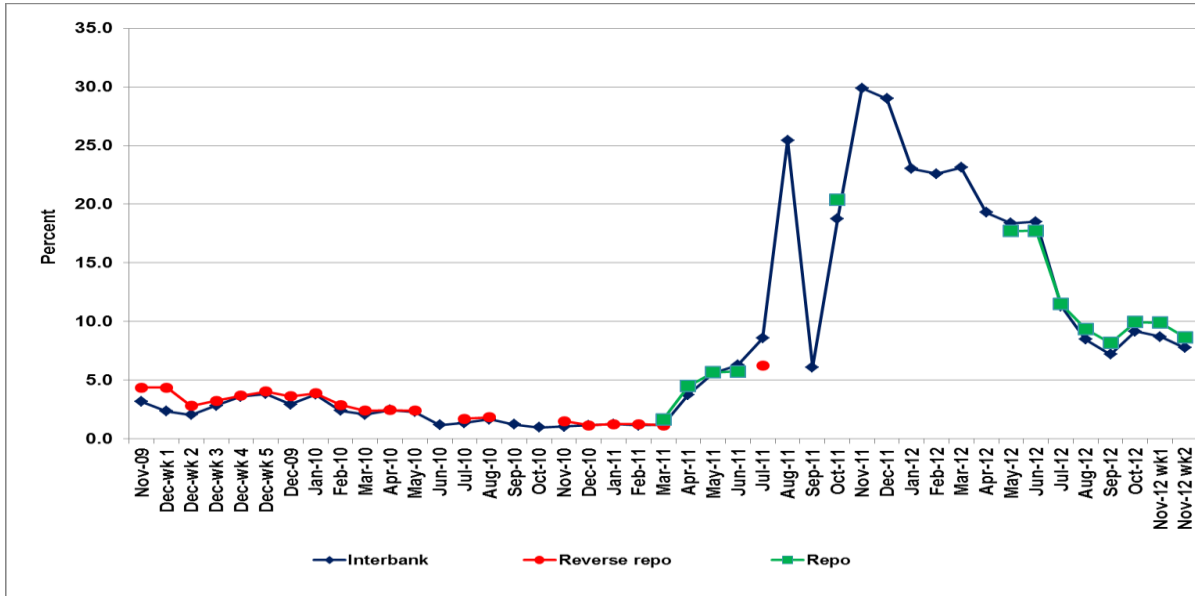
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
1-Nov-12	47	9,975	8.77
2-Nov-12	45	10,160	8.66
5-Nov-12	38	6,315	8.69
6-Nov-12	39	8,262	8.69
7-Nov-12	55	12,668	8.68
November 1-November 7, 2012	45	9,476	8.70
8-Nov-12	38	9,989	8.64
9-Nov-12	33	8,588	8.08
12-Nov-12	26	8,250	7.91
13-Nov-12	59	14,037	7.35
14-Nov-12	42	9,438	6.79
November 1 - November 7, 2012	40	10,060	7.75

Source: Central Bank of Kenya

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The average repo rate decreased to 8.66 percent during the week ending November 14, 2012 from 9.92 percent recorded in the previous week.

CHART A: SHORT TERM INTEREST RATES

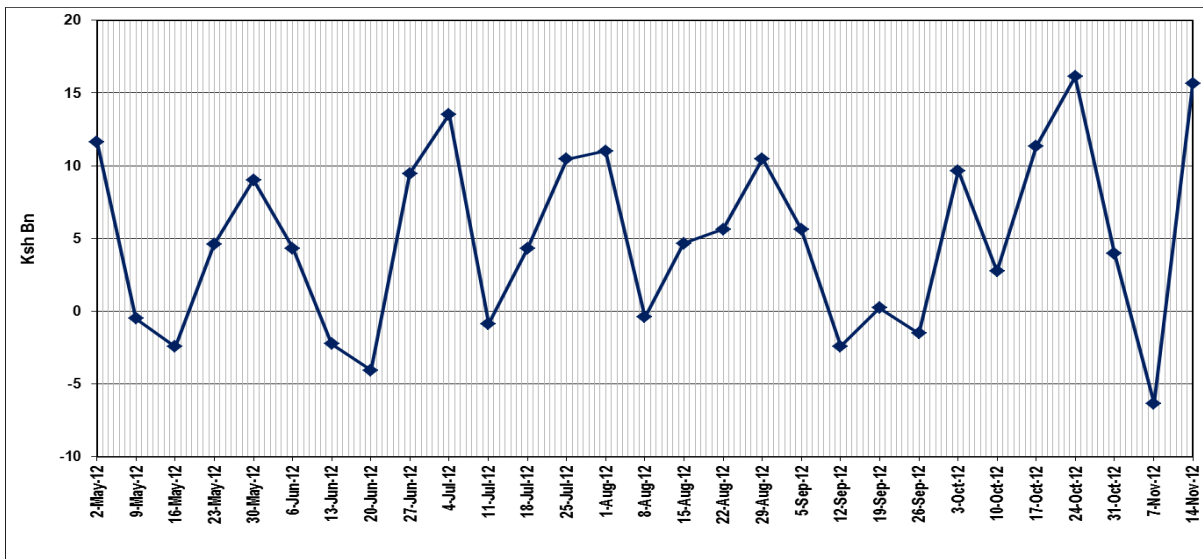


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 15.64 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 14, 2012 compared with a deficit of Ksh 6.35 billion in the previous week (Chart B).

CHART B: WEEKLY AVERAGE DEVIATION FROM CRR IN THE CLEARING ACCOUNT



Source: Central Bank of Kenya

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The Shilling Exchange Rate

The Kenya Shilling depreciated marginally against the US dollar and the Japanese Yen but appreciated against the Pound Sterling and the Euro to trade at an average of Ksh 85.51 per US dollar, Ksh 136.01 per Pound Sterling, Ksh 108.86 per Euro and Ksh 107.26 per 100 Japanese Yen during the week ending November 15, 2012. This is in comparison to the previous week's performance which saw the Kenya shilling exchange at an average of Ksh 85.44 to the US dollar, Ksh 136.95 to the Pound Sterling, Ksh 109.64 to the Euro and Ksh 106.6 to the 100 Japanese Yen.

In the EAC region, the Kenya Shilling depreciated marginally against the Uganda and Tanzania shillings and the Burundi Franc but appreciated marginally against the Rwanda Franc. On average the Shilling traded at Ush 30.38, Tsh 18.628, RWF 7.227 and BIF 17.21 during the week ending November 15, 2012 compared to Ush 30.21, Tsh 18.626, RWF 7.233 and BIF 17.18 in the week ending November 8, 2012 (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATES

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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	18.626	7.233	17.176
9-Nov-12	85.38	136.68	109.10	107.28	30.39	18.62	7.24	17.16
12-Nov-12	85.40	135.86	108.67	107.50	30.21	18.68	7.24	17.30
13-Nov-12	85.53	135.73	108.51	107.84	30.40	18.65	7.23	17.13
14-Nov-12	85.64	136.08	108.95	107.73	30.42	18.57	7.22	17.11
15-Nov-12	85.63	135.72	109.05	105.95	30.48	18.63	7.22	17.35
9 Nov - 15 Nov 2012	85.51	136.01	108.86	107.26	30.38	18.628	7.227	17.21

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US dollar 5,249 million (equivalent to 4.12 months of import cover) during the week ending November 8, 2012 to US dollar 5,267 million (equivalent to 4.13 months of import cover) in the week ending November 15, 2012 (Table 4).

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	15-Nov-12
Usable Reserves*	5,147	5,193	5,190	5,163	5,159	5,137	5,141	5,175	5,147	5,249	5,267
Months of Imports Cover**	4.16	4.13	4.13	4.11	4.05	4.03	4.04	4.06	4.04	4.12	4.13

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

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Government Securities Auction

During the week ending November 16, 2012, the Government offered for sale Ksh 4.0 billion each in 91 day and 182 day Treasury bills. The demand for both papers was high attracting bids worth Ksh 43.3 billion, representing performance rates of 628.5 percent and 457.0 percent, respectively, for the 91 day and 182 day papers. Bids worth Ksh 12.1 billion and Ksh 10.8 billion were accepted in the 91 day and 182 day Treasury bills, respectively. Total non-competitive bids received amounted to Ksh 1.3 billion.

Interest Rates on Government securities

Weighted average interest rates on the 91 day and 182 day Treasury bills declined by 72.5basis points and 59.8 basis points respectively, to 9.621 percent and 10.325 percent during this week's auction (Table 5).

TABLE 5: GOVERNMENT SECURITIES INTEREST RATES

Auction date	17-Aug-12	24-Aug-12	7-Sep-12	28-Sep-12	5-Oct-12	26-Oct-12	2-Nov-12	9-Nov-12	16-Nov-12
91 day T. Bills*	10.267	8.583	7.808	8.093	8.439	9.945	10.237	10.346	9.621
182 day T. Bills*	11.366	10.032	9.351	9.888	10.194	10.761	10.854	10.923	10.325
364 day T. Bills*					10.570			11.943	
2 year FXD T. Bonds		11.114				12.496			
5 year FXD T. Bonds									
10year FXD T. Bonds									
12-year Infrastructure Bond									
15year FXD T. Bonds									

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross government domestic debt increased by Ksh 72.4 billion to Ksh 931.3 billion on November 9, 2012, from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 23.0 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).

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

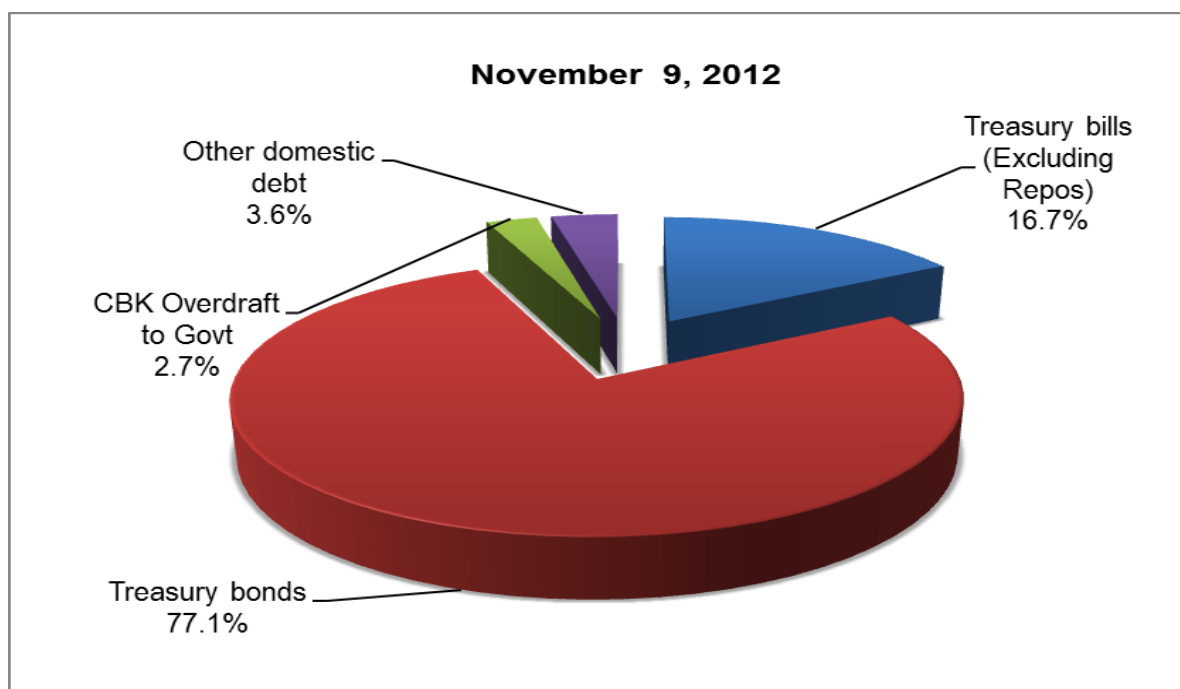
	Jun 2012	Sep 2012	Oct 2012	2nd Nov 2012	9th Nov 2012	Changes	
						2nd Nov 2012- 9th Nov 2012	29th Jun 2012 - 9th Nov 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	159.7 18.5	153.1 17.6	153.1 17.6	155.1 17.8	2.0	23.0
2. Treasury Bonds (As % of total securities)	687.0 83.9	703.9 81.5	717.6 82.4	717.6 82.4	717.6 82.2	0.0	30.7
3. Total Securities (1+2)	819.0	863.6	870.8	870.8	872.7	2.0	53.7
4. Overdraft at Central Bank	7.3	25.4	25.4	25.4	25.4	0.0	18.1
5. Other Domestic debt*	32.6	33.2	33.2	33.1	33.2	0.0	0.6
6. Gross Domestic Debt (3+4+5)	858.8	922.2	929.3	929.3	931.3	2.0	72.4
7. Interest payments on domestic debt	82.3	25.2	36.1	36.1	36.6	0.4	

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

Source: Central Bank of Kenya

In the week to November 9, 2012, outstanding stocks of Treasury bills increased by Ksh 2.0 billion, while Treasury bonds, Government overdraft and other domestic debt remained constant (Table 6). The average time to maturity of Government securities declined to 5 years and 1 month during the week ending November 9, 2012, from 5 years and 4 months at the end of June 2012.

CHART C: COMPOSITION OF GOVERNMENT SECURITIES

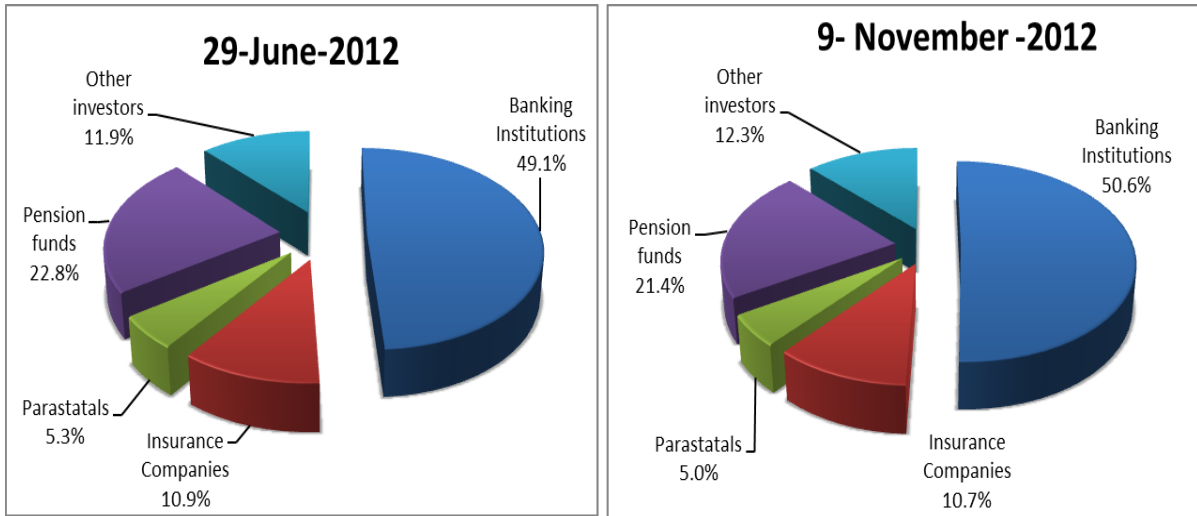


Source: Central Bank of Kenya

Holding of Government Securities

Government securities accounted for 93.8 percent of gross domestic debt on November 9, 2012 (Chart C). Commercial bank holdings of Government securities increased from 49.1 percent at the end of June 2012 to 50.6 percent on November 9, 2012. Percentage 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 21.4 percent, respectively, during the same period. Holdings by other investors, which comprise Sacco's, listed and private companies, self-help groups, educational institutions, religious institutions and individuals, increased from 11.9 percent to 12.3 percent, during the week ending November 9, 2012 (Chart D).

CHART D: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS

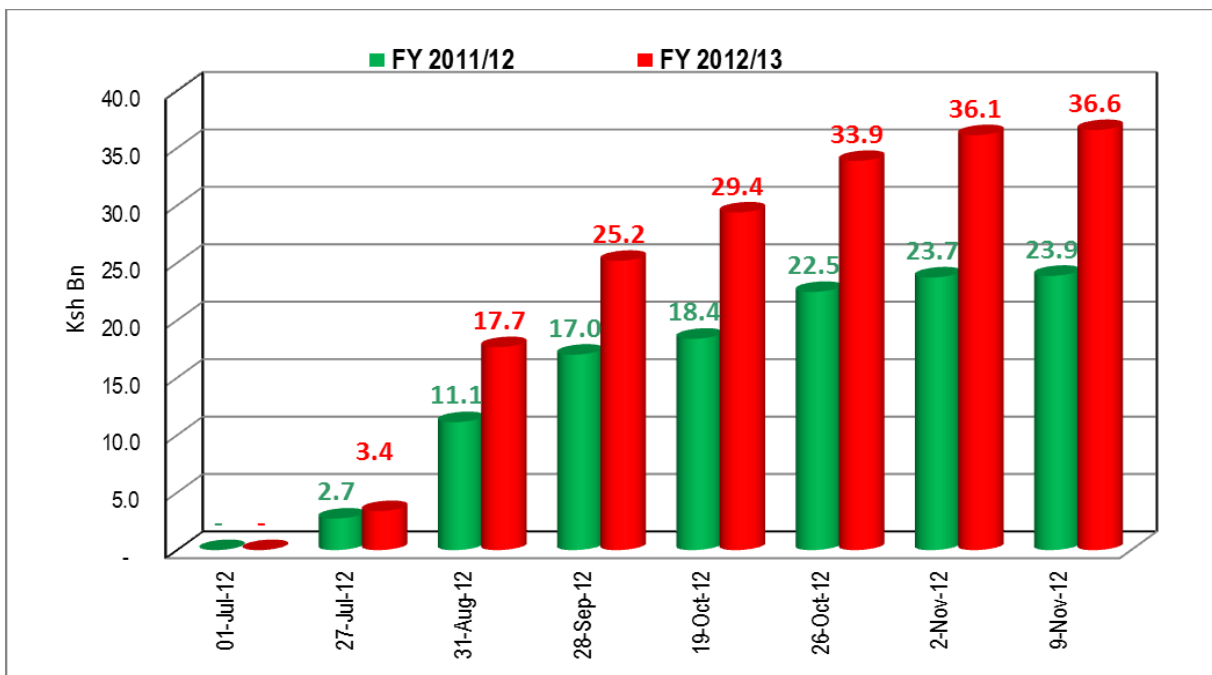


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to November 9, 2012 in the 2012/13 fiscal year amounted to Ksh 36.6 billion compared with Ksh 23.9 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 9.01 billion and Ksh 25.74 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 1.02 billion and Ksh 0.80 billion, respectively.

CHART E: CUMULATIVE INTEREST PAYMENTS ON DOMESTIC DEBT (KSH BILLION)



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Source: Central Bank of Kenya

Capital Markets

The capital markets performance improved in the week ending November 15, 2012 with most market indices and market capitalization recorded positive gains. However, turnover for both bonds and equities declined.

Equities Market

The NSE 20 Share Index rose to 4,160.49 points on November 15 from 4,148.79 points on November 8, 2012 (Table 7) and NASI rose to 92.66 points from 91.83 points. Market Capitalization that measures shareholders' wealth rose 1.3 percent to reach Ksh 1,234.9 billion. Equity turnover was 3.3 percent lower, to Ksh 2,056.19 million from Ksh 2,127.22 million in the previous week, with shares transacted rising to 144.78 million from 129.7 million the week earlier.

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	15-Nov-12
NASI 100= Jan 2008	85.35	87.22	86.37	87.08	87.85	88.50	90.62	91.28	91.83	92.66
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	4160.49
Number of Deals	6,335	7,504	7,732	6,534	6,815	6,510	6,496	7,462	6,875.00	6804
Total Shares Traded (millions)	83.90	158.31	98.82	106.45	94.28	78.42	100.77	114.52	129.71	144.78
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	2,056.2
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	1,234.9
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	7,240.8
FTSE NSE Kenya 15 Index	113.61	116.07	115.14	116.36	116.77	118.59	122.09	121.66	122.64	123.65
FTSE NSE Kenya 25 Index	116.17	118.52	117.56	118.99	119.44	121.19	124.63	124.27	125.19	126.19
Index(Jan2012=100)					96.18	93.85	96.99	96.00	102.65	96.832

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

Source: Nairobi Securities Exchange

Telecommunications and Technology, Banking and Energy and Petroleum sectors were the top three most active, transacting 70.613 million shares or 48.8 percent; 22.498 million shares or 15.5 percent and 17.153 million shares or 11.8 percent of all traded shares, respectively. Safaricom Ltd, Mumias Sugar Co. and Kenya Power and Lighting Co. were the three most active counters with 67.2 million, 11.23 million and 9.22 million shares traded, respectively. Construction and Allied sector was least active, trading 143,500 shares.

The biggest closing and average price gain for the week was for Nation Media at Ksh 8.0 and Ksh 7.0 per share, respectively. The biggest closing and average price loss was for Eaagads at Ksh 3.5 and Ksh 5.70 per share, respectively. Of the 48 active counters, half had average price gain in the week ending November 15, 2012.

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 1.01 points to close at 123.65 points from 122.64. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE rose by one point to 126.19 points from 125.19 points the previous week. The FTSE NSE Kenyan Shilling Government Bond Index, which measures the performance of Kenya's domestic debt market, closed November 15, 2012 at 96.83 points lower compared with 102.65 points the previous week that ended November 8, 2012.

The Bond Market

Bond trading activity was down 36.0 percent in turnover to record Ksh 7,240.8 million for the week ending November 15, 2012 from Ksh 11,309.2 million in the previous week. Corresponding deals fell to 155 from 165 the previous week.