



NOVEMBER 23, 2012,

Highlights

The money market was liquid during the week ending November 21, 2012. The Central Bank's liquidity management operations resulted in a net mop up of Ksh 3.3 billion. The average interbank rate decreased to 6.27 percent during the week ending November 21, 2012 from 7.75 percent in the previous week.

The Kenya Shilling exchange rate was relatively stable against major international currencies in the week ending November 22, 2012. Against the US dollar the Kenya Shilling depreciated marginally to trade at Ksh 85.69 compared to Ksh 85.51 in the week ending November 15, 2012.

The usable official foreign exchange reserves held by Central Bank increased from US\$ 5,267 million (equivalent to 4.13 months of import cover) during the week ending November 15, 2012 to US\$ 5,383 million (equivalent to 4.23 months of import cover) in the week ending November 22, 2012.

The Government offered for sale Treasury bills and bonds worth Ksh 20.0 billion during the week ending November 23, 2012. A total of Ksh 19.4 billion was accepted out of Ksh 38.3 billion bids received.

Gross Government domestic debt increased by Ksh 73.7 billion from Ksh 858.8 billion at the end of June 2012 to Ksh 932.5 billion on November 16, 2012. During the week under review, gross government domestic debt increased by Ksh 1.3 billion, on account of Treasury bills.

The capital market performance was mixed in the week ending November 22, 2012, with gains and losses in key market indicators. NSE 20 Share Index and NASI rose 2.30 points and 0.52 points, respectively, while the FTSE NSE 15 Index and FTSE NSE 25 Index closed the week 1.15 points and 1.32 points lower, respectively. The FTSE NSE Kenyan Shilling Government Bond Index closed 13 basis points lower. Market Capitalization gained Ksh7.02 billion with equity turnover rising 27.6 percent. However, bonds turnover was down 39.8 percent.

CBK WEEKLY BULLETIN

Monetary Policy Operations

The money market was liquid during the week ending November 21, 2012. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 26.5 billion through repo securities and Ksh 12.5 billion in term auction deposits against maturities of repo and term auction deposits securities held by commercial banks of Ksh 29.5 billion and Ksh 6.2 billion, respectively. Reserve money averaged Ksh 269.4 billion during the week or Ksh 2.5 billion above the target (Table 1).

TABLE 1: OPEN MARKET OPERATIONS (KSH BILLION)

Date	Reserve Money* (Projected)			OMO				Reserve money performance		Bank Reserves	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)
15-Nov-12	288.5	265.4	23.0	10.0	10.0	0.0	0.0	278.3	12.9	14.1	-1.2
16-Nov-12	284.7	265.4	19.2	10.0	0.6	6.5	-2.9	277.1	11.6	13.3	-1.6
19-Nov-12	275.9	268.0	7.9	10.0	1.5	6.0	-2.6	267.5	-0.5	3.9	-4.3
20-Nov-12	273.7	268.0	5.6	10.0	8.2	0.0	-1.8	262.0	-6.0	-1.8	-4.2
21-Nov-12	269.3	268.0	1.3	7.0	6.3	0.0	-0.8	262.2	-5.8	-1.1	-4.7
Average	278.4	267.0	11.4	9.4	5.3	2.5	-1.6	269.4	2.5	5.7	-3.2

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate declined to 6.27 percent during the week ending November 21, 2012 from 7.75 percent in the previous week reflecting a liquid money market. The average interbank volumes transacted rose to Ksh 12.2 billion from Ksh 10.1 billion transacted in the previous week, while the average number of deals was 50 compared with 40 deals in the previous week (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

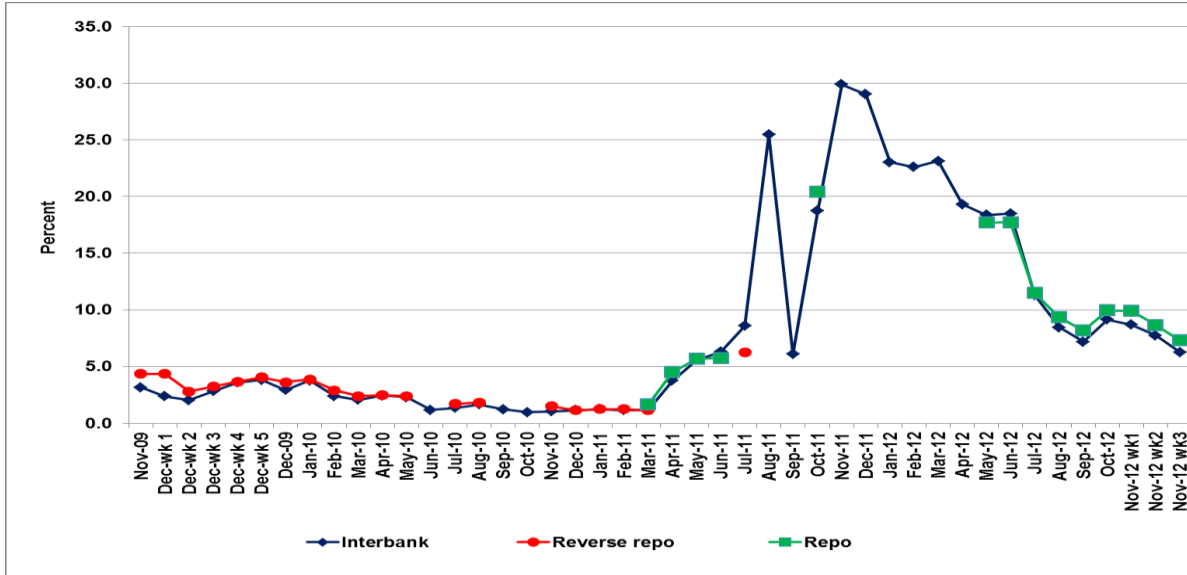
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
8-Nov-12	38	9,989	8.64
9-Nov-12	33	8,588	8.08
12-Nov-12	26	8,250	7.91
13-Nov-12	59	14,037	7.35
14-Nov-12	42	9,438	6.79
November 1 - November 7, 2012	40	10,060	7.75
15-Nov-12	39	10,335	6.65
16-Nov-12	50	11,920	6.22
19-Nov-12	52	13,480	6.13
20-Nov-12	54	13,190	6.18
21-Nov-12	54	12,168	6.14
November 15 - November 21, 2012	50	12,219	6.27

Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

The average repo rate decreased to 7.31 percent during the week ending November 21, 2012 from 8.66 percent recorded in the previous week.

CHART A: SHORT TERM INTEREST RATES

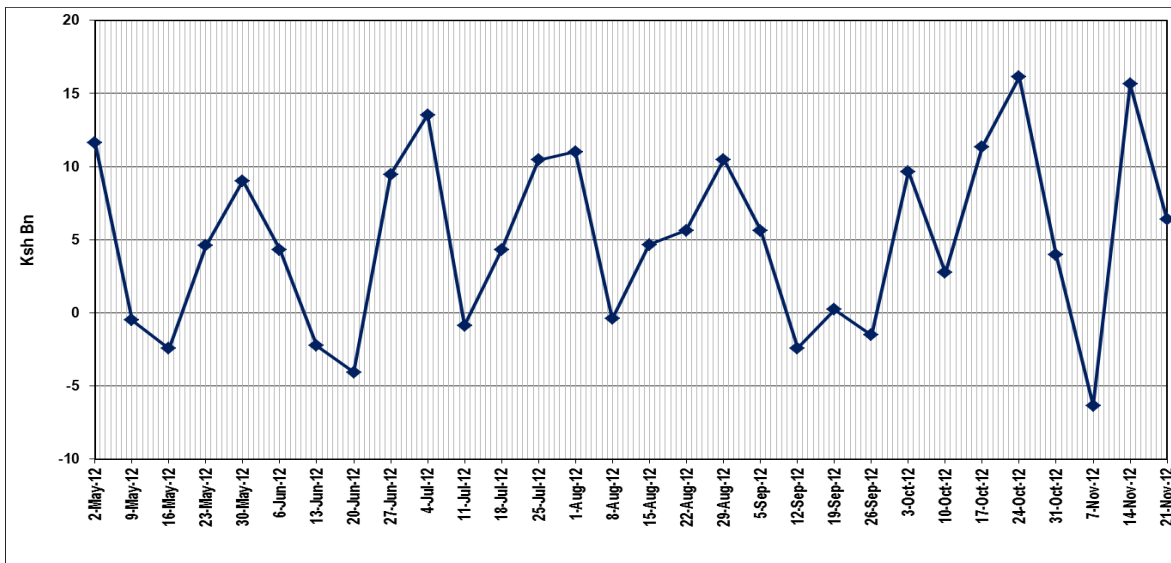


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 6.39 billion in their settlement accounts in relation to the monthly average cash reserve requirements of 5.25 percent in the week to November 21, 2012 compared with Ksh 15.64 billion in the previous week (Chart B).

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



Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

The Shilling Exchange Rate

The Kenya Shilling depreciated marginally against all major international currencies except the Japanese Yen in the week ending November 22, 2012. It appreciated by 2.06 percent against Japanese Yen and depreciated against the US dollar, the Pound Sterling and the Euro by 0.2 percent, 0.24 percent and 0.63 percent, respectively to trade at an average of Ksh 85.69 per US dollar, Ksh 136.34 to the Sterling Pound, Ksh 109.54 per Euro and Ksh 105.05 per 100 Japanese Yen (Table 3).

In the EAC region, the Kenya Shilling recorded marginal change, appreciating against the Burundi Franc, the Uganda and Tanzania shillings but weaker against the Rwanda Franc. On average the Shilling traded at Ush 30.59, Tsh 18.64, RWF 7.21 and BIF 17.30 during the week ending November 22, 2012 compared to Ush 30.38, Tsh 18.63, RWF 7.23 and BIF 17.21 (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATES

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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	18.63	7.23	17.21
16-Nov-12	85.65	135.84	109.33	105.65	30.51	18.57	7.22	17.11
19-Nov-12	85.66	136.32	109.27	105.45	30.50	18.64	7.21	17.10
20-Nov-12	85.71	136.42	109.64	105.48	30.55	18.63	7.21	17.03
21-Nov-12	85.71	136.34	109.37	104.66	30.63	18.63	7.21	17.67
22-Nov-12	85.71	136.76	110.09	103.99	30.74	18.75	7.21	17.62
16 Nov - 22 Nov 2012	85.69	136.34	109.54	105.05	30.59	18.64	7.21	17.30

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US\$ 5,267 million (equivalent to 4.13 months of import cover) during the week ending November 15, 2012 to US\$ 5,383 million (equivalent to 4.23 months of import cover) in the week ending November 22, 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	22-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	5,383
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	4.23

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

Government Securities Auction

During the week ending November 23, 2012, the Government offered for sale Ksh 4.0 billion in 91 day Treasury bills, Ksh 4.0 billion in 182 day Treasury bills and Ksh 12.0 billion in a 20 year discounted fixed-rate bond. Demand for the Government securities was high as reflected in the total bids received during the week. The 20 - year bond, 91-day bill and 182- day bill attracted bids worth Ksh 12.7 billion (106.0 percent performance), Ksh 11.2 billion (279.1 percent performance) and Ksh 14.5 billion (361.4 percent performance), respectively, during the week. The Government accepted Ksh 3.2 billion, Ksh 4.8 billion and Ksh 11.4 billion worth of bids in the 20 year bond, 91 day and 182 day bills, respectively.

Interest Rates on Government securities

Weighted average interest rates on the 91 day and 182 day Treasury bills declined by 63.4 and 55.2 basis points, respectively to 8.987 percent and 9.773 percent during this week's auction. Similarly, the weighted average interest on the 20 year bond declined by 128.2 basis points to 13.540 percent (Table 5).

TABLE 5: GOVERNMENT SECURITIES INTEREST RATES

Auction date	24-Jun-11	28-Sep-12	5-Oct-12	26-Oct-12	2-Nov-12	9-Nov-12	16-Nov-12	23-Nov-12
91-day T. Bills*	8.995	8.093	8.439	9.945	10.237	10.346	9.621	8.987
182-day T. Bills*		9.888	10.194	10.761	10.854	10.923	10.325	9.773
364-day T. Bills*			10.570			11.943		
2 year FXD T. Bonds				12.496				
20 year FXD T. Bonds	14.822							13.540

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 73.7 billion to Ksh 932.5 billion on November 16, 2012, from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 24.3 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 2012	Sep 2012	Oct 2012	9th Nov 2012	16th Nov 2012	Changes	
						9th Nov 2012 - 16th Nov 2012	29th Jun 2012 - 16th Nov 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	159.7 18.5	153.1 17.6	155.1 17.8	156.3 17.9	1.2	24.3
2. Treasury Bonds (As % of total securities)	687.0 83.9	703.9 81.5	717.6 82.4	717.6 82.2	717.6 82.1	0.0	30.7
3. Total Securities (1+2)	819.0	863.6	870.8	872.7	874.0	1.2	55.0
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	33.2	33.2	0.0	0.6
6. Gross Domestic Debt (3+4+5)	858.8	922.2	929.3	931.3	932.5	1.3	73.7
7. Interest payments on domestic debt	82.3	25.2	36.1	36.6	37.0	0.5	

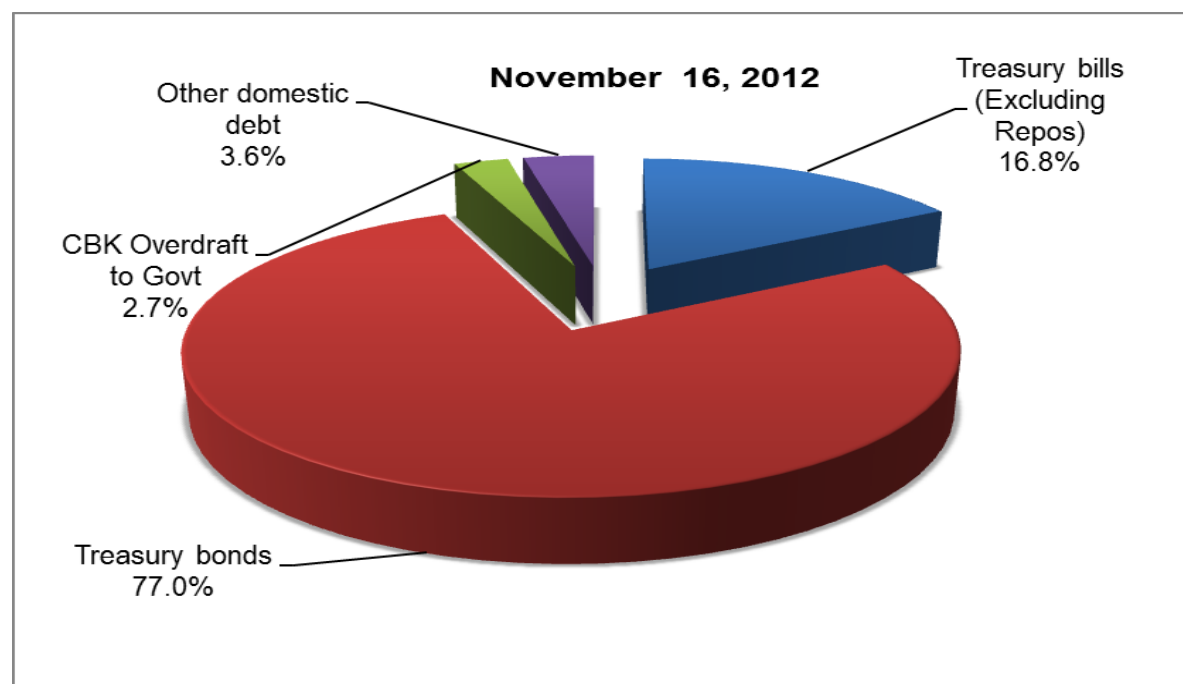
* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and Tax Reserve Certificates .

Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

In the week November 9, 2012 to November 16, 2012, outstanding stocks of Treasury bills increased by Ksh 1.2 billion, while Treasury bonds, Government overdraft and other domestic debt remained constant (Table 6). The average time to maturity for Government securities declined to 5 years during the week ending November 16, 2012, from 5 years and 4 months at the end of June 2012.

CHART C: COMPOSITION OF GOVERNMENT SECURITIES

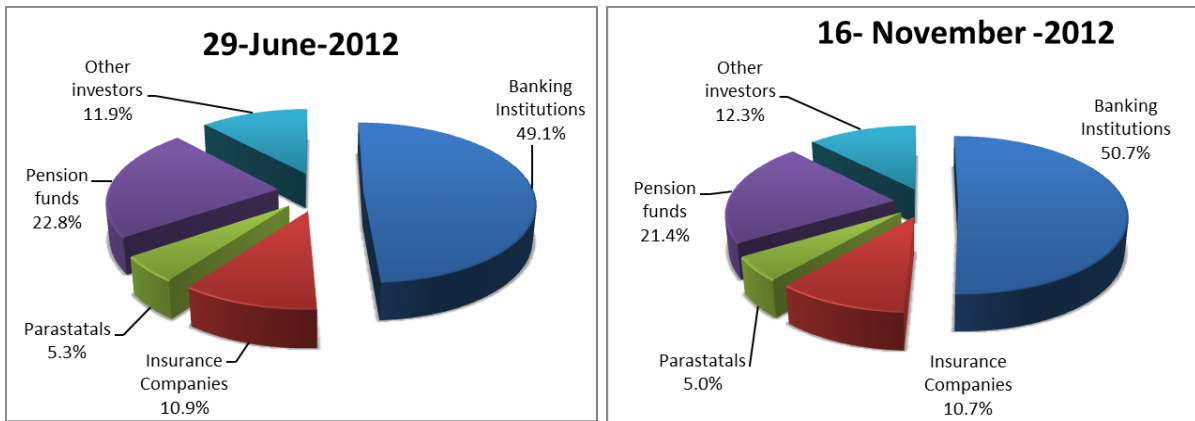


Source: Central Bank of Kenya

Holding of Government Securities

Government securities accounted for 93.8 percent of gross domestic debt as at November 16, 2012 (Chart C). Commercial bank holdings of Government securities increased from 49.1 percent at the end of June 2012 to 50.7 percent on November 16, 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 of 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 16, 2012 (Chart D).

CHART D: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS

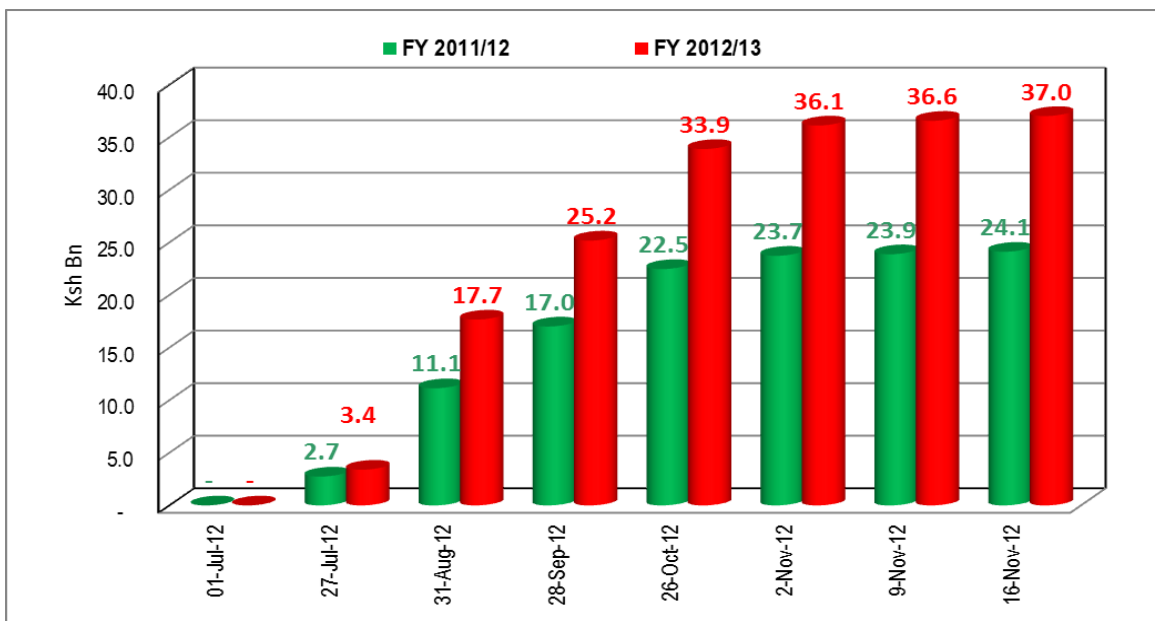


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to November 16, 2012 in the 2012/13 fiscal year amounted to Ksh 37.0 billion (on Ksh 932.5 billion debt) compared with Ksh 24.1 billion (on Ksh 795.4 billion debt) 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 9.5 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)



Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

Capital Markets

Capital markets performance indicators recorded minimal change in the week ending November 22, 2012. Equity turnover, market capitalization and shares traded gained but bonds segment posted both lower values in turnover and corresponding deals.

Equities Market

The NSE 20 Share Index rose to 4162.79 points on November 22 from 4,160.49 points on November 15, 2012 and NASI rose to 93.18 points from 92.66 points, (Table 7). Market Capitalization that measures shareholders' wealth rose by 56 basis points to reach Ksh 1,241.92 billion. Equity turnover closed 27.6 percent higher, at Ksh 2,624.16 million compared with Ksh 2,056.19 million in the previous week, largely reflecting increase in the supply of shares to 206.39 million from 144.78 million the previous week.

TABLE 7: KEY WEEKLY MARKET STATISTICS

Week Ending	4-Oct-12	11-Oct-12	18-Oct-12	25-Oct-12	1-Nov-12	8-Nov-12	15-Nov-12	22-Nov-12
NASI 100= Jan 2008	87.08	87.85	88.50	90.62	91.28	91.83	92.66	93.18
NSE 20 Share Index 100=1966	3,961.05	3,997.00	4,023.55	4,119.50	4,133.28	4,148.79	4160.49	4162.79
Number of Deals	6,534	6,815	6,510	6,496	7,462	6,875.00	6804	6606
Total Shares Traded (millions)	106.45	94.28	78.42	100.77	114.52	129.71	144.78	206.39
Equity Turnover (Ksh. millions)	3,001.31	1,638.95	1,565.45	2,631.55	3,052.73	2,127.22	2,056.2	2,624.2
Market Capitalization (Ksh. Bn.)	1,151.99	1,162.25	1,175.39	1,203.18	1,211.89	1,219.30	1,234.9	1,241.9
Bonds Turnover (Ksh. millions)	16,506.65	13,856.85	13,558.40	14,861.55	17,671.45	11,309.25	7,240.8	4,359.8
FTSE NSE Kenya 15 Index	116.36	116.77	118.59	122.09	121.66	122.64	123.65	122.5
FTSE NSE Kenya 25 Index	118.99	119.44	121.19	124.63	124.27	125.19	126.19	124.87
Index(Jan2012=100)		96.18	93.85	96.99	96.00	102.65	96.832	96.707

* 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 121.47 million shares or 58.9 percent; 38.12 million shares or 18.5 percent and 15.99 million shares or 7.8 percent of all traded shares, respectively. Safaricom Ltd, Equity Bank Ltd and Kenya Commercial Bank were the three most active counters with 119.35 million, 17.54 million and 12.78 million shares traded, respectively. Automobile and Accessories sector was least active, trading 91,500 shares.

The biggest closing and average price gain for the week was for Nation Media at Ksh 6 and Ksh 9 per share, respectively. The biggest closing and average price losses were for

CBK WEEKLY BULLETIN

Williamson Tea Ltd at Ksh 10 and BAT Ltd at Ksh 16.15 per share, respectively. Of the 48 active counters, 23 had average price gains.

FTSE NSE Kenya Index Series

As shown in table 7, FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed lower at 122.50 points from 123.65. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, fell by 1.32 points to 124.87 points from 126.19 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 22, 2012 at 96.71 points compared with 96.83 points the previous week that ended November 15, 2012.

The Bond Market

Bond trading activity declined with total turnover 39.8 percent lower at Ksh 4,359.8 million for the week ending November 22, 2012 compared with Ksh 7,240.8 million turnover in the previous week. Corresponding deals fell to 99 from 155 the previous week. This may be attributed to investors shift towards short term Treasury bills market, which was highly oversubscribed.