



NOVEMBER 30, 2012

Highlights

The money market was relatively liquid in the week ending November 30, 2012. Central Bank's liquidity management operations mopped Ksh 31.6 billion through repo securities and term auction deposits against maturities of Kshs 38.7 billion. The average interbank rate decreased marginally to 6.25 percent during the week ending November 28, 2012 from 6.27 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 29, 2012. Against the US dollar the Kenya Shilling depreciated marginally to trade at Ksh 85.88 compared to Ksh 85.69 in the week ending November 22, 2012.

The usable official foreign exchange reserves held by Central Bank were stable at US\$ 5,383 million (equivalent to 4.23 months of import cover) during the week ending November 22, 2012 compared with US\$ 5,382 million (equivalent to 4.22 months of import cover) in the week ending November 29, 2012.

The Government offered for sale Treasury bills worth Ksh 14.0 billion during the week ending November 30, 2012. A total of Ksh 16.0 billion was accepted out of Ksh 17.5 billion bids received in the week.

Gross Government domestic debt increased by Ksh 84.0 billion to Ksh 942.8 billion on November 23, 2012, from Ksh 858.8 billion at the end of June 2012. In the week ending November 30, 2012, gross government domestic debt increased by Ksh 10.3 billion on account of Treasury bills.

The capital market performance indicators were inactive in the week ending November 29, 2012 with a majority of key market indicators on the decline. All equities indices; NSE 20 Share Index, NASI, the FTSE NSE 15 Index and FTSE NSE 25 Index lost 50.87 points, 0.92 points, 1.68 points and 1.37 points, respectively. The FTSE NSE Kenyan Shilling Government Bond Index declined by 73 basis points. Market Capitalization declined by Ksh 6.66 billion, while equity turnover rose by 42.49 percent on account of increased number of shares transacted.

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Monetary Policy Operations

The money market was relatively liquid during the week ending November 28, 2012. The Central Bank sterilized the excess liquidity from the money market by mopping Ksh 17.0 billion through repo securities and Ksh 14.6 billion in term auction deposits against maturities of repo and term auction deposits securities held by commercial banks of Ksh 26.5 billion and Ksh 12.2 billion, respectively. Reserve money averaged Ksh 264.2 billion during the week and was Ksh 5.4 billion below 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(-)
	(1)	(2)	3=(1-2)	(4)	Repo	Term Auction Deposit	7=(5+6-4)	(8)	9=(8-2)	(10)	(11)
22-Nov-12	274.0	268.0	6.0	11.0	7.7	0.0	-3.4	266.3	-1.7	3.6	-5.3
23-Nov-12	266.7	268.0	-1.4	5.0	4.4	0.0	-0.6	263.9	-4.1	0.8	-4.9
26-Nov-12	258.3	270.6	-12.2	1.0	1.5	0.0	0.5	257.4	-13.2	-5.9	-7.4
27-Nov-12	268.0	270.6	-2.6	8.0	2.9	5.1	-0.1	260.0	-10.6	-3.8	-6.9
28-Nov-12	283.3	270.6	12.7	10.0	0.7	9.5	0.2	273.4	2.8	9.7	-6.9
Average	270.1	269.6	0.5	7.0	3.4	2.9	-0.7	264.2	-5.4	0.9	-6.3

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased marginally to 6.25 percent during the week ending November 28, 2012 from 6.27 percent in the previous week reflecting improved liquidity in the money market. The average interbank volumes transacted declined to Ksh 11.4 billion from Ksh 12.2 billion transacted in the previous week while the average number of deals was 51 compared with 50 deals in the previous week (Table 2 and Chart A).

Table 2: Interbank Deals, Volumes and Interest Rates

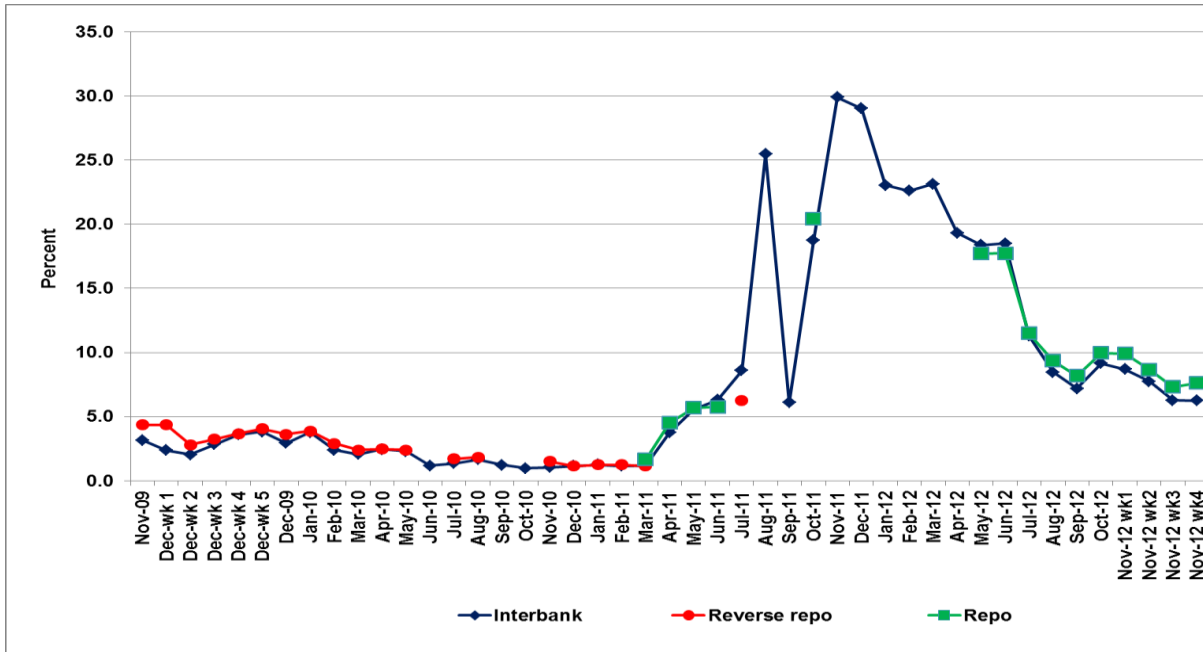
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
15-Nov-12	39	10,335	6.65
16-Nov-12	50	11,920	6.22
19-Nov-12	52	13,480	6.13
20-Nov-12	54	13,190	6.18
21-Nov-12	54	12,168	6.14
November 15 - November 21, 2012	50	12,219	6.27
22-Nov-12	53	13,156	6.10
23-Nov-12	61	12,540	6.14
26-Nov-12	56	10,340	6.27
27-Nov-12	50	11,610	6.41
28-Nov-12	36	9,260	6.35
November 22 - November 28, 2012	51	11,381	6.25

Source: Central Bank of Kenya

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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.

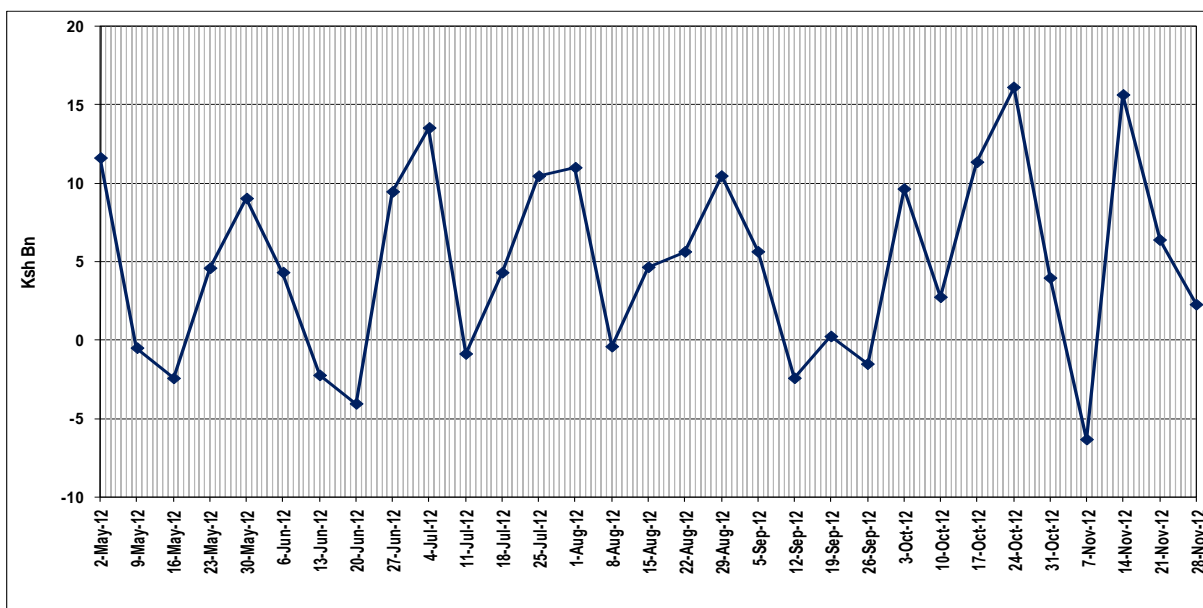
Chart A: The Structure of Interest Rates



Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 2.29 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 28, 2012 compared with Ksh 6.39 billion in the previous week (Chart B).

Chart B: Weekly Average Deviation from CRR in the Clearing Account



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The Shilling Exchange Rate

The Kenya Shilling appreciated marginally against the Japanese Yen but depreciated against all the other major International currencies in the week ending November 29, 2012. In effect, the shilling appreciated by 0.52 percent against the Japanese Yen and depreciated against the US dollar, the Pound Sterling and the Euro by 0.23 percent, 0.82 percent and 1.48 percent respectively to trade at an average of Ksh 85.88 per US dollar, Ksh 137.45 to the Sterling Pound, Ksh 111.16 per Euro and Ksh 104.50 per 100 Japanese Yen. This is in comparison to the previous week's performance which saw the Kenya shilling exchange at an average of Ksh 85.69 per US dollar, Ksh 136.34 per Pound Sterling, Ksh 109.54 per Euro and Ksh 105.05 per 100 Japanese Yen during the week ending November 22, 2012.

In the EAC region, the Kenya Shilling depreciated against all the EAC currencies with the exception of the Rwanda Franc. On average the Shilling traded at Ush 31.18, Tsh 18.71, RWF 7.20 and BIF 17.59 during the week ending November 29, 2012 compared to Ush 30.59, Tsh 18.64, RWF 7.21 and BIF 17.30 during the week ending November 22, 2012 (Table 3).

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
23-Nov-12	85.72	136.73	110.47	104.15	31.15	18.81	7.21	17.62
26-Nov-12	85.80	137.43	111.09	104.19	31.00	18.74	7.20	17.60
27-Nov-12	85.99	137.89	111.67	104.59	30.93	18.69	7.23	17.86
28-Nov-12	85.97	137.57	111.22	104.93	31.41	18.65	7.19	17.39
29-Nov-12	85.94	137.61	111.32	104.65	31.39	18.64	7.19	17.47
23 Nov - 29 Nov 2012	85.88	137.45	111.16	104.50	31.18	18.71	7.20	17.59

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank were stable at US\$ 5,383 million (equivalent to 4.23 months of import cover) during the week ending November 22, 2012 compared with US\$ 5,382 million (equivalent to 4.22 months of import cover) in the week ending November 29, 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	29-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	5,382
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	4.22

*Excludes encumbered reserves

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

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Government Securities Auction

During the week ending November 30, 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 6.0 billion in 364-day Treasury bills. The 91-day, 182-day and 364-day Treasury bills attracted bids worth Ksh 7.9 billion (196.5 percent performance), Ksh 3.8 billion (94.5 percent performance) and Ksh 5.9 billion (98.4 percent performance), respectively, during the week under review. The Government accepted Ksh 6.4 billion in 91-day bills, Ksh 3.8 billion in 182-day bills and Ksh 5.8 billion in 364-day bills. Total non-competitive bids received amounted to Ksh 1.3 billion in the week ending November 30, 2012.

Interest Rates on Government securities

Weighted average interest rates on the 91-day, 182 day and 364-day Treasury bills declined further by 54.2, 43.7 and 23.4 basis points respectively, to 8.445 percent, 9.336 percent and 11.709 percent during this week's auction (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	30-Nov-12
91-day T. Bills*	8.995	8.093	8.439	9.945	10.237	10.346	9.621	8.987	8.445
182-day T. Bills*		9.888	10.194	10.761	10.854	10.923	10.325	9.773	9.336
364-day T. Bills*			10.570			11.943			11.709
2 year FXD T. Bonds				12.496					
20 year FXD T. Bonds	14.822							13.540	

Government Domestic Debt

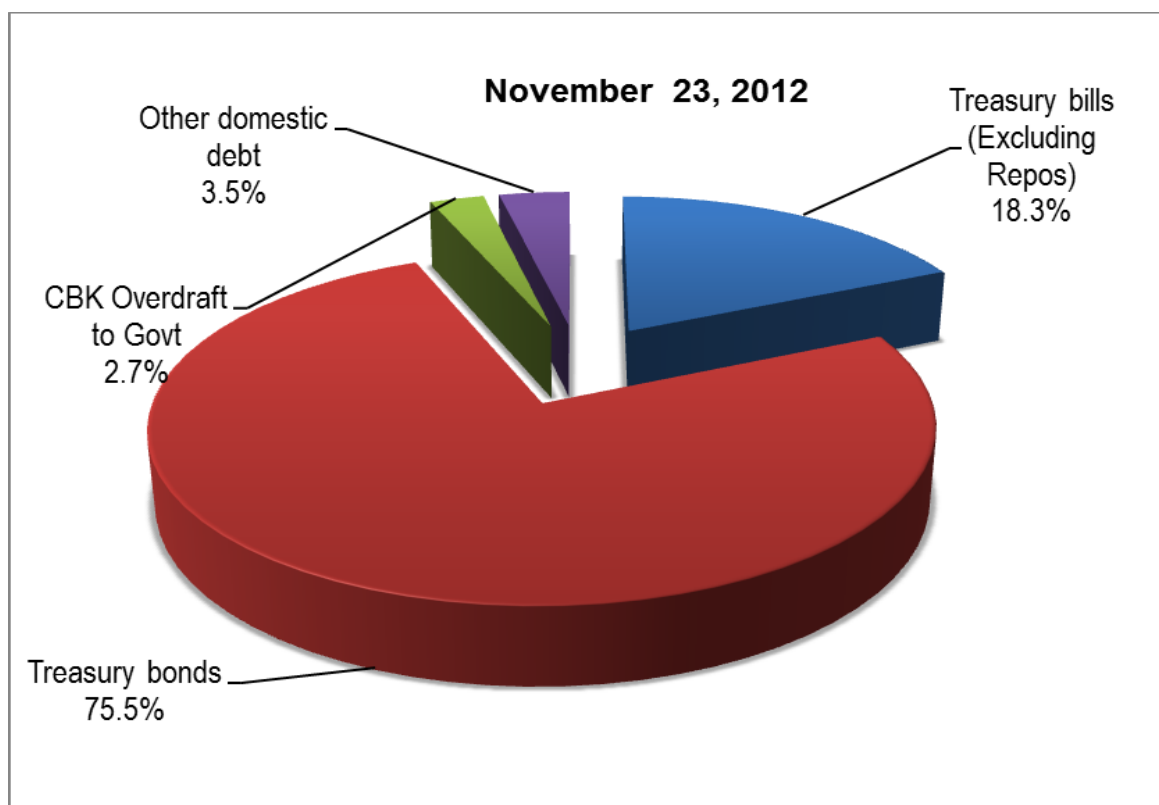
Gross Government domestic debt increased by Ksh 84.0 billion to Ksh 942.8 billion on November 23, 2012, from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 40.4 billion, Ksh 24.9 billion, Ksh 18.1 billion and Ksh 0.6 billion in the stocks of Treasury bills, Treasury bonds, 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	16th Nov 2012	23rd Nov 2012	Changes	
						16th Nov 2012- 23rd Nov 2012	29th Jun 2012 - 23rd Nov 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	159.7 18.5	153.1 17.6	156.3 17.9	172.4 19.5	16.1	40.4
2. Treasury Bonds (As % of total securities)	687.0 83.9	703.9 81.5	717.6 82.4	717.6 82.1	711.9 80.5	-5.8	24.9
3. Total Securities (1+2)	819.0	863.6	870.8	874.0	884.3	10.3	65.3
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	33.1	-0.1	0.6
6. Gross Domestic Debt (3+4+5)	858.8	922.2	929.3	932.5	942.8	10.3	84.0
7. Interest payments on domestic debt	82.3	25.2	36.1	37.0	40.9	3.9	

In the week to November 23, 2012, outstanding stocks of Treasury bills increased by Ksh 16.1 billion, while Treasury bonds and other domestic debt declined by Ksh 5.8 billion and Ksh 0.1 billion, respectively (Table 6). The average time to maturity of Government securities declined to 5 years during the week ending November 23, 2012, from 5 years and 4 months at the end of June 2012.

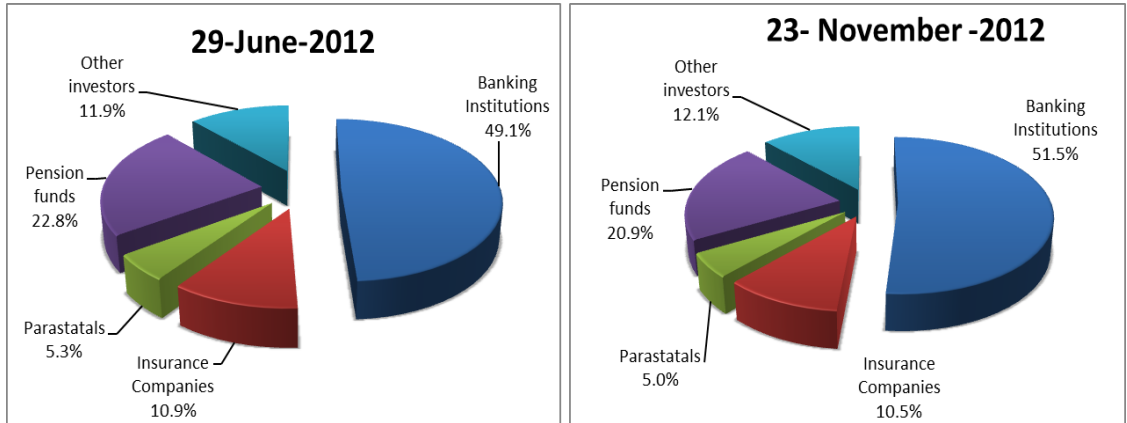
Chart C: Composition of Government Domestic Debt



Holdings of Government Securities

Government securities accounted for 93.8 percent of gross domestic debt on November 23, 2012 (Chart C). Commercial bank holdings of Government securities increased from 49.1 percent at the end of June 2012 to 51.5 percent on November 23, 2012. Percentage holdings of insurance companies, parastatals and pension funds declined from 10.9 percent, 5.3 percent and 22.8 percent to 10.5 percent, 5.0 percent and 20.9 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 12.1 percent, during the week ending November 23, 2012 (Chart D).

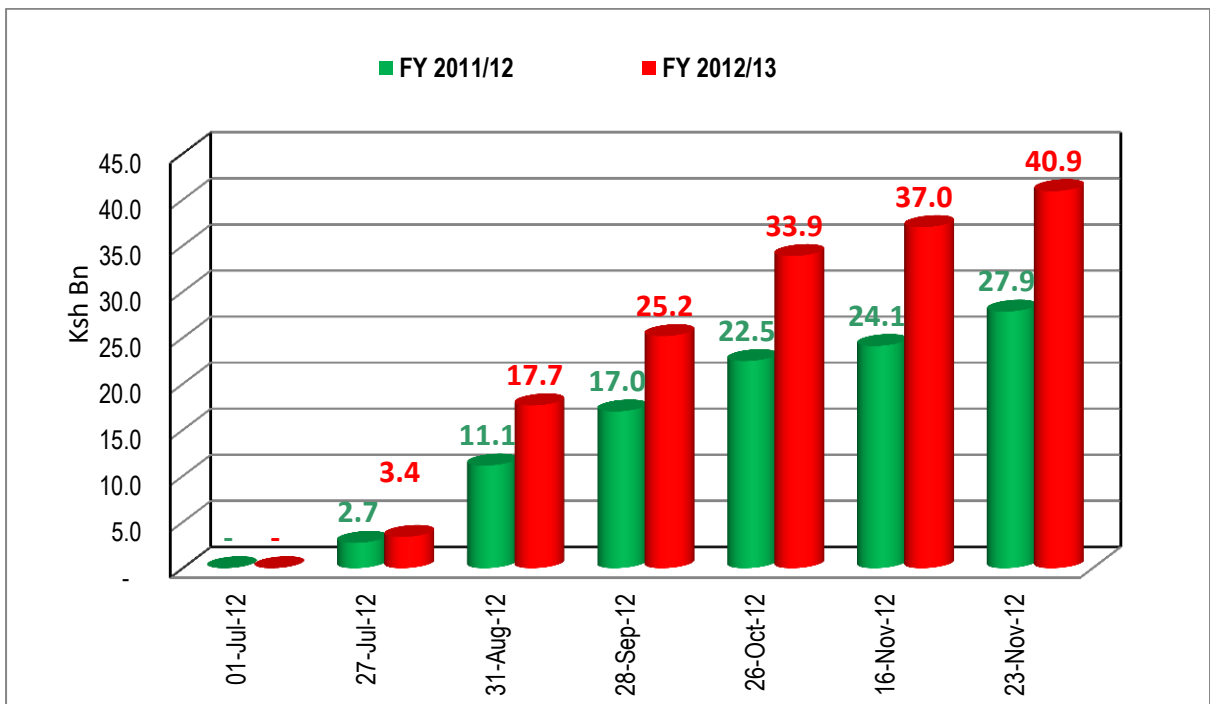
Chart D: Holding of Government Securities by Investors



Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to November 23, 2012 in the 2012/13 fiscal year amounted to Ksh 40.9 billion on Ksh 942.8 billion debt compared with Ksh 27.9 billion on Ksh 796.1 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 9.8 billion and Ksh 29.3 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)



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Capital Markets

Capital market performance indicators were inactive in the week ending November 29, 2012 with a majority of key market indicators on the decline. However, turnover in equities and bonds as well as the number of shares traded recorded gains.

Equities Market

The NSE 20 Share Index declined to 4111.92 points on November 29 from 4,162.79 points on November 22, 2012 (Table 7). The NASI fell to 92.26 points from 93.18 points. Market Capitalization that measures shareholders' wealth dropped by 54 basis points to Ksh 1,235.26 billion in the week to November 29, 2012 while equity turnover rose by 11.41 percent to Ksh 2,923.53 million from Ksh 2,624.16 million in the previous week. The improvement of equity turnover was largely on account of a rise in shares transacted that reached 294.09 million from 206.39 million the week earlier.

Table 7: Key Weekly Market Statistics

Week Ending	18-Oct-12	25-Oct-12	1-Nov-12	8-Nov-12	15-Nov-12	22-Nov-12	29-Nov-12
NASI 100= Jan 2008	88.50	90.62	91.28	91.83	92.66	93.18	92.26
NSE 20 Share Index 100=1966	4,023.55	4,119.50	4,133.28	4,148.79	4,160.49	4,162.79	4,111.92
Number of Deals	6,510	6,496	7,462	6,875	6,804	6,606	7,206
Total Shares Traded (millions)	78.42	100.77	114.52	129.71	144.78	206.39	294.09
Equity Turnover (Ksh. millions)	1,565.45	2,631.55	3,052.73	2,127.22	2,056.20	2,624.16	2,923.53
Market Capitalization (Ksh. Billions)	1,175.39	1,203.18	1,211.89	1,219.30	1,234.90	1,241.92	1,235.26
Bonds Turnover (Ksh. millions)	13,558.40	14,861.55	17,671.45	11,309.25	7,240.80	4,359.75	8,979.95
FTSE NSE Kenya 15 Index	118.59	122.09	121.66	122.64	123.65	122.50	120.82
FTSE NSE Kenya 25 Index	121.19	124.63	124.27	125.19	126.19	124.87	123.50
FTSE NSE KSH Government Bond Index	93.85	96.99	96.00	102.65	96.83	96.71	96.00

Source: Nairobi Securities Exchange

Telecommunications and Technology, Banking and Energy & Petroleum sectors were the top three most active, transacting 230.90 million shares or 78.5 percent; 32.86 million shares or 11.2 percent and 9.58 million shares or 3.3 percent of all traded shares, respectively. Safaricom Ltd, Kenya Commercial Bank and Equity Bank Ltd were the three most active counters with 230.74 million, 11.84 million and 10.52 million shares traded, respectively. Agriculture sector was least active, trading 139,600 shares.

The biggest closing and average price gains for the week were for CFC Stanbic Bank and BAT Ltd at Ksh 3.5 and Ksh 10.4 per share, respectively. The biggest closing and average price loss was for Nation Media at Ksh 5.0 and Ksh 2.4 per share, respectively. Of the 48 active counters, 21 had average price gain in the week ending November 29, 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, lost 1.68 points to close at 120.82 points from 122.50. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, fell by 1.37 points to 123.50 points from 124.87 points the previous week. FTSE NSE Kenyan Shilling Government Bond Index, which measures the performance of Kenya's domestic debt market, closed at 96.0 points compared to 96.71 points the previous week, reflecting higher yields.

The Bond Market

Bond trading activity more than doubled, rising 106 percent in turnover, to reach Ksh 8,979.95 million for the week ending November 29, 2012 from Ksh 4,359.8 million in the previous week. Corresponding deals rose to 136 from 99 the previous week.