

June 15, 2012



THE CBK WEEKLY BULLETIN

Highlights for the Week

The money market was liquid during the week ending June 13, 2012. The Central Bank mopped the excess liquidity in the money market to the tune Ksh 10.2 billion using the repo securities and Ksh 16.6 billion through term auction deposits against the repo maturities of Ksh 19.4 billion. The average interbank rate increased to 16.75 percent during the week ending June 13, 2012 from 16.47 percent in the previous week.

The Kenya shilling strengthened against major international currencies in the week ending June 14, 2012. Against the US dollar the Kenya shilling appreciated to exchange at an average of Ksh 85.09 per US dollar compared with Ksh 85.81 per US dollar in the week ending June 7, 2012.

The usable official foreign exchange reserves held by the Central Bank declined from US dollar 4,564 million (equivalent to 3.87 months of import cover) as at June 7, 2012 to US dollar 4,560 million (equivalent to 3.87 months of import cover) in the week ending June 14, 2012.

The Government offered for sale Treasury bills worth Ksh 4.0 billion during the week ending June 15, 2012. Bids worth Ksh 3.0 billion were received and virtually all were accepted.

Gross Government domestic debt increased by Ksh 121.3 billion from Ksh 764.2 billion in June 2011 to Ksh 885.5 billion on June 8, 2012. During the week under review, gross government domestic debt declined by Ksh 3.7 billion, on account of Treasury bills.

Stock market performance remained bullish in the week ending June 14th 2012 as reflected by most of the market indicators. The NSE 20 Share Index and Nairobi All Share Index (NASI) gained 34.09 points and 0.79 points respectively. Market Capitalization rose by 1.0 percent as the FTSE NSE 15 Index and FTSE NSE 25 Index rose 0.73 points and 0.77 points respectively. However, equity turnover declined by 9.1 percent as supply remained low, while number of shares traded dropped 11.6 percent. Bonds segment was up 32.5 percent, in turnover with number of deals up 22.2 percent.

**Monetary
Policy
Operations**

The money market was liquid during the week ending June 13, 2012. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 10.2 billion by use of the repo securities and Ksh 16.6 billion through term auction deposits against the repo maturities of Ksh 19.4 billion. Reserve money averaged Ksh 237.8 billion during the week and was Ksh 5.9 billion below the target. The shortfall was reflected in bank reserves amounting to Ksh 2.9 billion and currency outside banks of Ksh 3.0 billion (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)
07-Jun-12	241.1	243.6	-2.5	4.0	0.8	3.6	0.4	237.6	-6.0	-3.2	-2.9
08-Jun-12	235.5	243.6	-8.1	2.0	0.0	2.0	0.0	234.0	-9.6	-6.5	-3.1
11-Jun-12	245.6	243.6	1.9	10.0	5.7	4.6	0.3	239.0	-4.7	-1.9	-2.7
12-Jun-12	246.8	243.6	3.2	10.0	3.6	3.1	-3.4	239.9	-3.8	-0.7	-3.0
13-Jun-12	239.6	243.6	-4.1	3.5	0.1	3.4	0.0	238.4	-5.2	-2.2	-3.0
Average	241.7	243.6	-1.9	5.9	2.0	3.3	-0.5	237.8	-5.9	-2.9	-3.0

Source: Central Bank of Kenya

**Interbank
and REPO
Rates**

The average interbank rate increased to 16.75 percent during the week ending June 13, 2012 from 16.47 percent in the previous week. The interbank volumes transacted increased at an average of Ksh 10.70 billion compared with Ksh 9.95 billion in the previous week. Similarly, the number of deals decreased to 52 deals in the week ending June 13, 2012 compared with 57 deals in the previous week (Table 2 and Chart A).

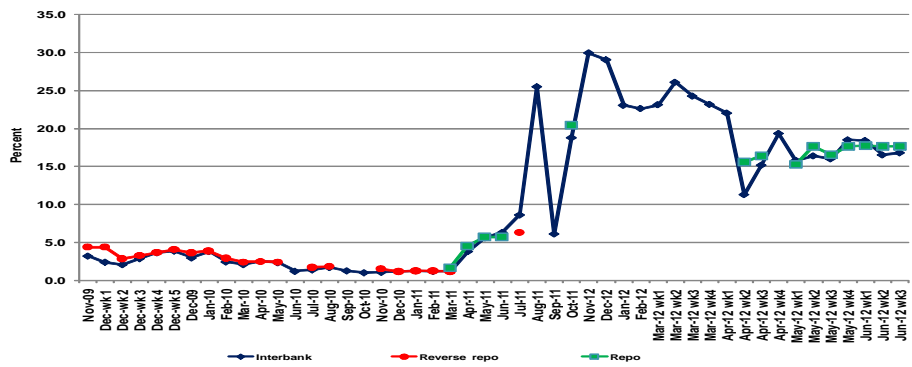
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
31-May-12	54	12,431	16.22
04-Jun-12	56	8,687	16.16
05-Jun-12	55	7,222	16.58
06-Jun-12	62	11,460	16.93
May 31- June 6 2012	57	9,950	16.47
07-Jun-12	56	10,892	17.16
08-Jun-12	62	12,654	17.33
11-Jun-12	59	14,221	16.78
12-Jun-12	45	8,055	16.50
13-Jun-12	38	7,679	16.00
June 7- June 13 2012	52	10,700	16.75

Source: Central Bank of Kenya

The average repo rate relatively remained stable at 17.65 percent during the week ending June 13, 2012 compared with 17.64 percent in the previous week.

Chart A: The Structure of Interest Rates

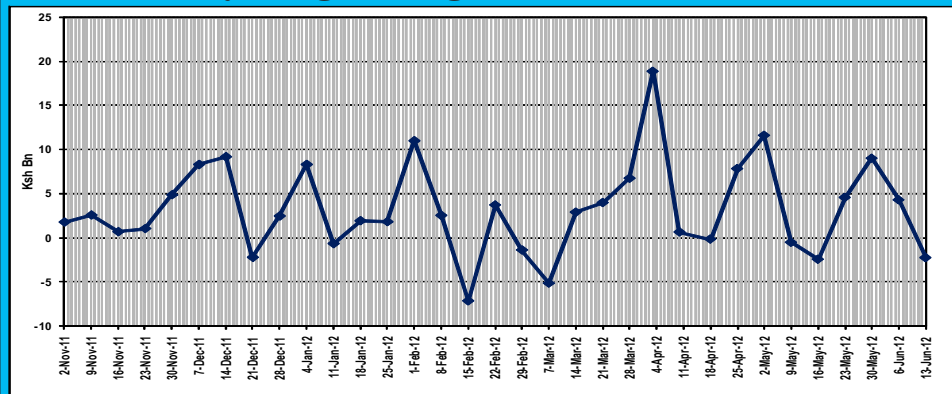


Source: Central Bank of Kenya

Commercial Banks Clearing Accounts Balances

Commercial banks maintained an average of Ksh 2.25 billion in their settlement accounts below the monthly average cash reserve requirements of 5.25 percent at the Central Bank in the week to June 13, 2012 compared with Ksh 4.31 billion above the cash reserve requirements 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 strengthened against major international currencies in the week ending June 14, 2012. During the week, the Kenya shilling appreciated against the US dollar, the Sterling pound, the Euro and the Japanese Yen by 0.84 per cent, 0.19 per cent and 0.48 per cent and 1.86 per cent respectively to trade at an average of Kshs 85.09 per US dollar, Kshs 132.06 per Sterling pound, Ksh 106.74 per Euro and Kshs 107.02 per 100 Japanese Yen compared to Ksh 85.81 per US dollar, Kshs 132.31 per Sterling pound, Ksh 107.25 per Euro and Kshs 109.05 per 100 Japanese Yen in the week ending June 7, 2012.

In the EAC region, the Kenya shilling strengthened against the East African Currencies in the week ending June 14, 2012. The Kenya shilling appreciated against the Tanzania shilling, Uganda shilling, Rwanda Franc and the Burundi Franc to exchange at an average of Ushs 29.25, Tshs 18.66, RWF 7.09 and BIF 16.39 during the week ending June 14, 2012 compared with Ushs 29.10, Tshs 18.50, RWF 7.03 and BIF 16.26 in the previous week (Table 3).

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
4-Jun-12	86.12	132.35	106.89	110.18	29.12	18.45	7.00	16.19
5-Jun-12	85.96	132.35	107.62	109.58	29.20	18.43	7.01	16.23
6-Jun-12	85.65	132.17	107.10	108.80	29.07	18.55	7.03	16.31
7-Jun-12	85.51	132.36	107.39	107.65	29.00	18.56	7.07	16.31
June 4-7, 2012	85.81	132.31	107.25	109.05	29.10	18.50	7.03	16.26
8-Jun-12	84.67	131.01	105.94	106.83	29.28	18.78	7.12	16.45
11-Jun-12	84.81	132.02	107.25	106.52	29.34	18.72	7.12	16.43
12-Jun-12	85.24	132.02	106.47	107.24	29.21	18.62	7.08	16.37
13-Jun-12	85.46	132.91	106.79	107.19	29.18	18.57	7.05	16.32
14-Jun-12	85.27	132.33	107.24	107.31	29.23	18.59	7.07	16.35
June 8-14, 2012	85.09	132.06	106.74	107.02	29.25	18.66	7.09	16.39

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank declined from US dollar 4,564 million (equivalent to 3.87 months of import cover) as at June 7, 2012 to US dollar 4,560 million (equivalent to 3.87 months of import cover) in the week ending June 14, 2012 (Table 4).

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

	19-Apr-12	26-Apr-12	03-May-12	10-May-12	17-May-12	24-May-12	31-May-12	07-Jun-12	14-Jun-12
Usable Reserves*	4,454	4,637	4,670	4,660	4,627	4,549	4,425	4,564	4,560
Months of Imports Cover**	3.89	4.05	3.96	3.95	3.92	3.86	3.75	3.87	3.87

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

Government Securities Auction

During the week ending June 15, 2012, the Government offered for sale Ksh 2.0 billion in 91 day Treasury bills and Ksh 2.0 billion in 182 day Treasury bills. Demand for the 91 day paper was low as reflected in the 32.0 percent performance rate, equivalent to Ksh 0.6 billion worth of bids received. The 182 day paper performed at 120.9 percent, attracting bids worth Ksh 2.4 billion, all of which were accepted. Total non-competitive bids amounted to Ksh 0.6 billion.

Table 6: Government Domestic Debt (Ksh Billion)

	Jun-11	Apr-12	25th May 2012	31st May 2012	8th June 2012	Changes	
						31st May 2012 - 8th June 2012	30th Jun 2011 - 8th June 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	147.6 17.6	141.7 17.1	138.5 16.7	134.8 16.3	-3.7	8.1
2. Treasury Bonds (As % of total securities)	595.7 82.5	690.0 82.4	687.6 82.9	692.3 83.3	692.3 83.7	0.0	96.7
3. Total Securities (1+2)	722.4	837.6	829.3	830.8	827.1	-3.7	104.7
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	33.1	33.0	33.0	33.0	0.0	-1.2
6. Gross Domestic Debt (3+4+5)	764.2	896.0	887.7	889.2	885.5	-3.7	121.3
7. Interest payments on domestic debt	69.2	65.0	69.9	73.8	75.7	1.9	

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

Source: Central Bank of Kenya

Interest Rate on Treasury Bills & Bonds

The weighted average interest rate for the 91 day Treasury bills increased by 73.6 basis points to stand at 10.537 percent, while that of the 182 day paper declined by 1.3 basis points to stand at 10.737 percent during the week.

Table 5 : Interest Rates

Auction date	26-Aug-11	30-Mar-12	13-Apr-12	20-Apr-12	27-Apr-12	04-May-12	18-May-12	25-May-12	31-May-12	08-Jun-12	15-Jun-12
91 day T. Bills*	9.708	16.728	16.078	15.930	14.992	13.382	10.075	9.865	9.336	9.801	10.537
182 day T. Bills*	10.356	17.660	16.737	16.638	16.623	14.775	12.078	10.915	10.327	10.750	10.737
364 day T. Bills*										12.431	
1 year FXD T. Bonds											
2 year FXD T. Bonds					13.826						
5 year FXD T. Bonds	13.887							11.855			
12-year Infrastructure Bond											

*Weighted rates for accepted bids

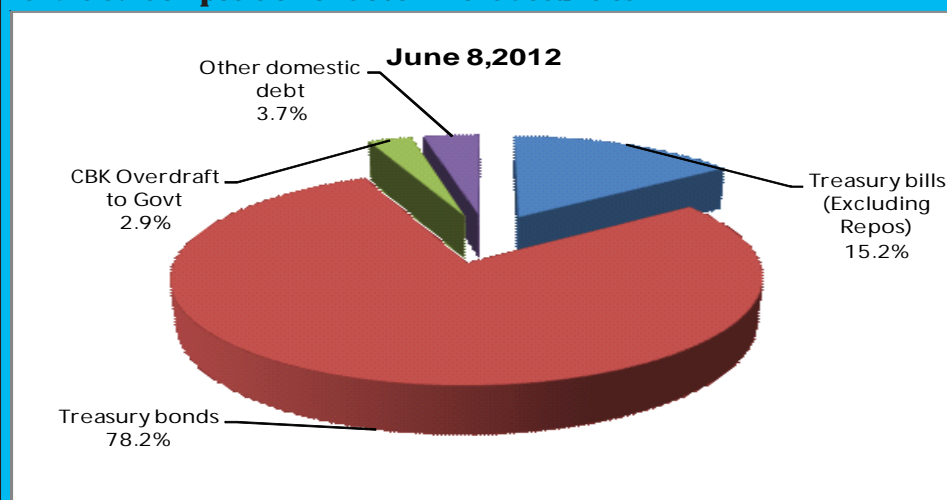
Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 121.3 billion from Ksh 764.2 billion in June 2011 to Ksh 885.5 billion on June 8, 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 96.7 billion, Ksh 8.1 billion and Ksh 17.8 billion, respectively. Other domestic debt, however, declined by Ksh 1.2 billion to stand at Ksh 33.0 billion.

During the week ending June 8, 2012, gross domestic debt declined by Ksh 3.7 billion compared with the previous week's position, following an equivalent decline in the stocks of Treasury bills. Stocks of Treasury bonds, 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 4 months as at June 8, 2012, from 5 years and 10 months at the end of June 2011.

Chart C: Composition of Government Securities

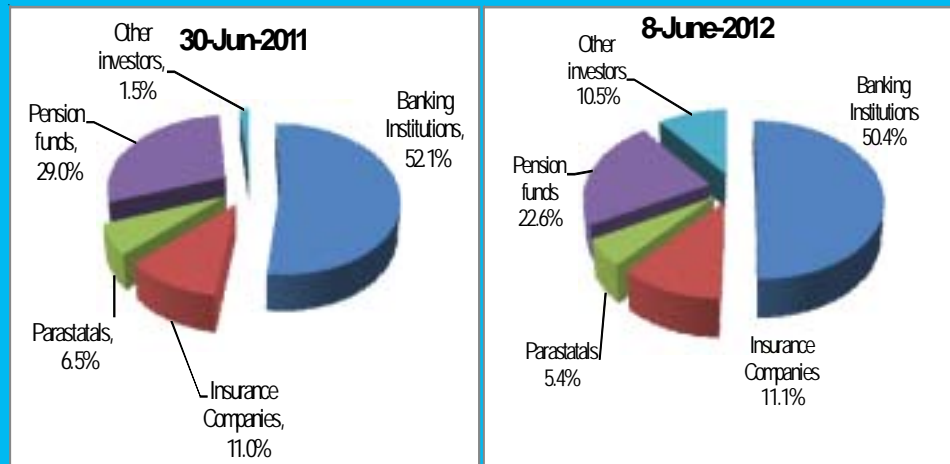


Source: Central Bank of Kenya

Holding of Govt Securities

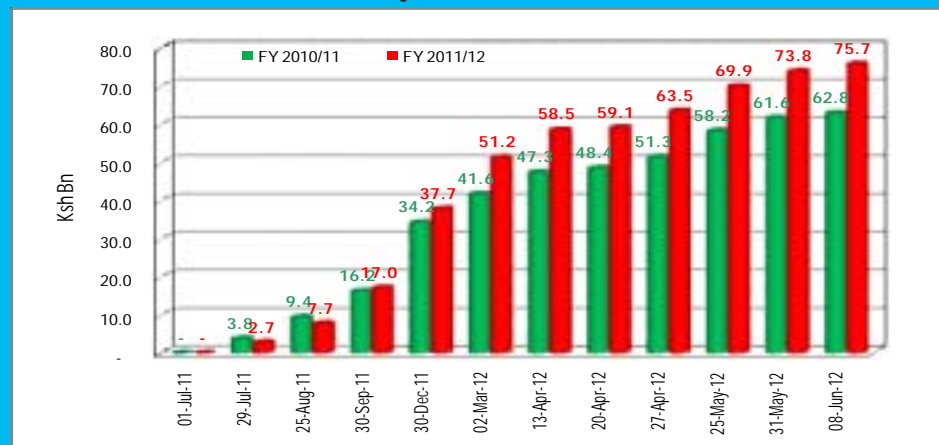
The share of Government securities held by banking institutions, pension funds and parastatals declined from 52.1 percent, 29.0 percent and 6.5 percent in June 2011 to 50.4 percent, 22.6 percent and 5.4 percent, respectively on June 8, 2012. Holdings by insurance companies and other investors, which includes Sacco's, listed and private companies, self-help groups, educational institutions, religious institutions and individuals, increased from 11.0 percent and 1.5 percent to 11.1 percent and 10.5 percent, respectively, during the same period (Chart D).

Chart D: Composition of Government Securities by Investors



Source: Central Bank of Kenya

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



Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt from July 1, 2011 to June 8, 2012 amounted to Ksh 75.7 billion compared with Ksh 62.8 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 12.7 billion and Ksh 59.7 billion, respectively. Government overdraft at Central Bank accounted for Ksh 3.3 billion. During the week under review, total interest on domestic debt amounted to Ksh 1.9 billion.

Table 7: Key Weekly Market Statistics

Week Ending	27-Apr-12	04-May-12	10-May-12	17-May-12	24-May-12	30-May-12	07-Jun-12	14-Jun-12
NASI 100= Jan 2008	77.93	77.93	78.36	79.91	78.79	78.15	78.19	79.41
NSE 20 Share Index 100=1966	3,585.12	3,585.12	3,589.43	3,677.81	3,668.21	3,626.07	3634.82	3685.36
Number of Deals	5,636.00	5,636.00	6,335.00	6,985.00	6,833.00	4,499.00	4945	6301
Total Shares Traded (millions)	88.46	88.45	120.03	98.21	89.03	107.17	55.2416	112.6212
Equity Turnover (Ksh. millions)	1,869.56	1,869.56	2,645.70	1,819.06	1,480.01	1,472.56	1236.465	1573.394
Market Capitalization (Ksh. Bn.)	997.78	997.78	1,003.30	1,022.96	1,008.64	1,001.68	1002.126	1017.754
Bonds Turnover (Ksh. millions)	8,878.45	8,878.45	8,373.15	15,565.90	7,738.95	8,294.05	3750.2	7181.1
FTSE NSE Kenya 15 Index	104.90	104.90	105.23	107.53	104.25	104.42	104.16	105
FTSE NSE Kenya 25 Index	107.19	107.19	107.48	109.94	106.97	106.97	106.88	107.68

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

Source: Nairobi Stock Exchange

The Stock Market

Capital markets maintained a strong rally during the week ending June 14, 2012 as shown by gains in most equity market indicators. NSE 20 Share Index was 15 points shy of 3700 points mark, a level once reached on August 05th 2011. Market capitalization remained above the trillion shillings mark. On the downward side were equity turnover and number of shares traded due to constrained supply. Bonds market was, however, strong.

As indicated in table 7, NSE 20 Share Index closed at 3685.36 points on June 14, 2012 from 3651.27 points on June 7, 2012. NASI was up to 79.41 points, from 78.62 points during the week under review.

Market Capitalization, a measure of shareholders' wealth gained Ksh 10.052 billion to reach Ksh 1,017.75 billion. Equity turnover lost Ksh 157.52 million to trade stocks worth Ksh 1,573.39 million from Ksh 1,730.92 million the previous week. The number of shares traded also edged down to 112.62 million from 127.33 million. These two indicators show investors, probably waiting for prices to rise further and take profits.

Telecommunications & Technology sector transacted 59.06 million shares or 52.4 percent, with banking and Manufacturing sectors trading 35.80 million shares or 31.8 percent and 6.08 million shares respectively. Safaricom, Equity Bank and Housing Finance Co. were the three most active counters with 57.76 million, 21.43 million and 7.97 million shares traded, respectively. Automobile and Accessories sector was least active, trading 115,200 shares.

The biggest closing and average price margin gain in the week ending June 14, 2012 was with Kapchorua Tea Co. Ltd at Ksh 8.0 and Ksh 8.75 respectively. The biggest closing and average price margin loss was with Williamson Tea Kenya Ltd at Ksh 13.0 and Ksh 2.2, respectively. Of the 58 listed companies, 30 had average price gain in the week.

**FTSE NSE
Kenya Index
Series**

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization rose to 105 points on June 14th, 2012 from 104.27 points on June 7th, 2012. FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange was also on the up, recording 107.68 points on June 14th, 2012 from 106.91 points on June 7th 2012.

Bond Market

Bonds trading at the Fixed Income Securities segment rose to Ksh 7,181.10 million for the week ending June 14th 2012 from Ksh 5,418.20 million on 7th June 2012. Corresponding deals rose to 88 from 72. This indicates continued investor confidence in the secondary market as yields in the primary market continue to fall.