

June 22, 2012



THE CBK WEEKLY BULLETIN

Highlights for the Week

The money market was relatively liquid during the week ending June 20, 2012. The Central Bank mopped Ksh 3.0 billion excess liquidity through sale of repo securities and Ksh 5.8 billion through the term auction deposits, thereby partially offsetting liquidity injections of Ksh 10.7 billion and Ksh 2.5 billion through repo securities and term auction maturities, respectively.

The average interbank rate stabilised at 16.73 percent during the week ending June 20, 2012 compared with 16.75 percent in the previous week.

The Kenya Shilling depicted mixed performance against major international currencies in the week ending June 21, 2012. Against the US dollar, the Kenya Shilling strengthened to exchange at an average of Ksh 84.47 per US dollar compared with Ksh 85.09 per US dollar in the week ending June 14, 2012 attributed mainly to the tight Kenya shilling liquidity in the market and the receipt of the second tranche syndicated loan, during the week.

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 4560 million (equivalent to 3.86 months of import cover) as at June 14, 2012 to US dollar 4,936 million (equivalent to 4.18 months of import cover) in the week ending June 21, 2012.

The Government offered for sale Treasury bills and bonds worth Ksh 9.0 billion during the week ending June 22, 2012 and accepted Ksh 3.1 billion out of Ksh 6.9 billion bids received.

Gross Government domestic debt increased by Ksh 118.4 billion from Ksh 764.2 billion in June 2011 to Ksh 882.6 billion on June 15, 2012. During the week under review, gross government domestic debt declined by Ksh 2.5 billion, on account of net Treasury bills redemption.

Stock market performance was balanced in the week ending June 21, 2012 in most of the market indicators. The Nairobi All Share Index (NASI) gained 1.42 points, Market Capitalization rose by 3.1 percent as the FTSE NSE 15 Index and FTSE NSE 25 Index rose 1.74 points 1.85 points, respectively. However, NSE 20 Share Index shed 3.12 points; equity turnover declined by 5.0 percent where the number of shares traded dropped 17.8 percent. Bonds market turnover declined by 16 percent and deals edged 13.6 percent lower.

**Monetary
Policy
Operations**

The money market was relatively liquid during the week ending June 20, 2012. The Central Bank mopped Ksh 3.0 billion excess liquidity through sale of repo securities and Ksh 5.8 billion through term auction deposits, thereby partially offsetting liquidity injection of Ksh 10.7 billion and Ksh 2.5 billion through repo securities and term auction deposits maturities, respectively. Reserve money averaged Ksh 235.2 billion during the week, or Ksh 11.7 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(-)
					Repo	Term Auction Deposit					
	(1)	(2)	3=(1-2)	(4)	(5)	(6)	7=(5+6-4)	(8)	9=(8-2)	(10)	(11)
14-Jun-12	239.26	243.6	-4.4	3.0	0.3	0.3	-2.5	237.9	-5.7	-2.0	-3.8
15-Jun-12	239.60	243.6	-4.0	2.0	1.9	0.2	0.0	236.7	-7.0	-4.2	-2.7
18-Jun-12	247.80	249.1	-1.3	5.0	0.9	4.2	0.0	241.2	-7.9	0.0	-7.8
19-Jun-12	240.11	249.1	-8.9	1.0	0.0	1.0	0.0	229.8	-19.3	-11.1	-8.2
20-Jun-12	223.04	249.1	-26.0	0.0	0.0	0.0	0.0	230.6	-18.5	-9.9	-8.6
Average	237.96	246.9	-8.9	2.2	0.6	1.1	-0.5	235.2	-11.7	-5.4	-6.2

Source: Central Bank of Kenya

**Interbank
and REPO
Rates**

The average interbank rate was stabilised at 16.73 percent during the week ending June 20, 2012 compared with 16.75 percent in the previous week. The interbank volumes transacted increased to an average of Ksh 12.55 billion compared with Ksh 10.70 billion in the previous week. The number of deals was unchanged at 53 deals in the week ending June 20, 2012 compared with 52 deals in the previous week (Table 2 and Chart A).

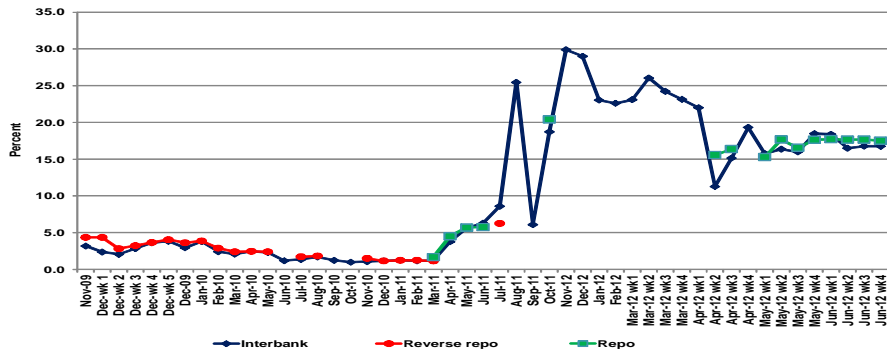
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
14-Jun-12	48	13,827	16.01
15-Jun-12	51	12,211	16.25
18-Jun-12	63	19,141	16.54
19-Jun-12	52	10,866	17.00
20-Jun-12	52	6,710	17.86
June 14 - June 20, 2012	53	12,551	16.73

Source: Central Bank of Kenya

The average repo rate decreased marginally to 17.51 percent during the week ending June 20, 2012 from 17.63 percent in the previous week.

Chart A: The Structure of Interest Rates

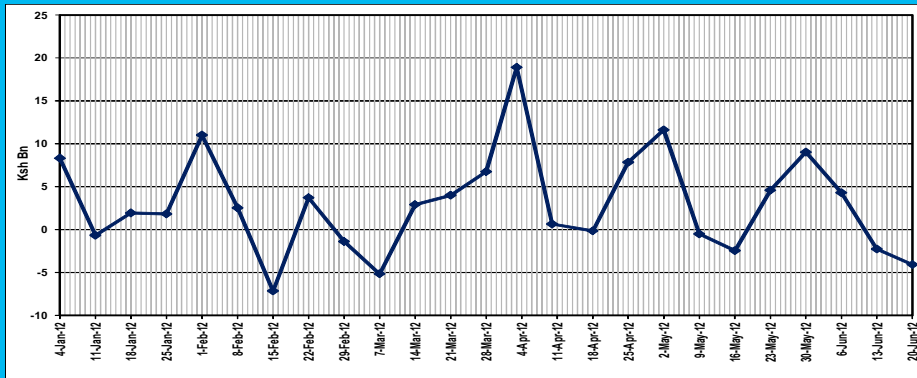


Source: Central Bank of Kenya

Commercial Banks Clearing Accounts Balances

Commercial banks clearing account balances declined by Ksh 4.07 billion from the monthly average cash reserve requirements of 5.25 percent in the week to June 20, 2012 compared with Ksh 2.25 billion deficiency in the previous week (Chart B). The shortfall reflects tax payments in the week under review.

Chart B: Weekly Average Clearing A/c Balances



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling depicted mixed performance against major international currencies in the week ending June 21, 2012. The Kenya Shilling appreciated against the US dollar and the Japanese Yen by 0.73 percent and 0.19 percent, respectively, to trade at an average of Ksh 84.47 per US dollar and Ksh 106.81 per 100 Japanese Yen compared to Ksh 85.09 per US dollar and Ksh 107.02 per 100 Japanese Yen in the week ending June 14, 2012. Against the Sterling Pound and the Euro, the Kenya Shilling depreciated by 0.21 percent and 0.20 percent to trade at an average of Ksh 132.33 per Sterling Pound and Ksh 106.95 per Euro compared to Ksh 132.06 per Sterling Pound and Ksh 106.74 per Euro in the week ending June 14, 2012.

In the EAC region, the Kenya Shilling strengthened against all the East African Currencies in the week ending June 21, 2012. The Kenya Shilling appreciated against the Tanzania Shilling, Uganda Shilling, Rwanda Franc and the Burundi Franc to exchange at an average of Ushs 29.48, Tshs

18.74, RWF 7.16 and BIF 16.50 during the week ending June 21, 2012 compared with Ushs 29.25, Tshs 18.66, RWF 7.09 and BIF 16.39 in the previous week (Table 3).

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
15-Jun-12	85.13	132.32	107.58	107.87	29.41	18.61	7.08	16.38
18-Jun-12	84.88	133.22	107.85	107.30	29.39	18.65	7.16	16.43
19-Jun-12	84.53	132.59	106.54	107.02	29.46	18.73	7.18	16.43
20-Jun-12	84.16	132.37	106.72	106.73	29.53	18.80	7.16	16.57
21-Jun-12	83.64	131.15	106.06	105.13	29.59	18.91	7.20	16.67
June 15-21, 2012	84.47	132.33	106.95	106.81	29.48	18.74	7.16	16.50

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US dollar 4,560 million (equivalent to 3.86 months of import cover) as at June 14, 2012 to US dollar 4,936 million (equivalent to 4.18 months of import cover) in the week ending June 21, 2012 (Table 4). The increase in the foreign exchange reserves reflect receipt by the government of the second tranche syndicated loan amounting to US dollar 360 million.

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	21-Jun-12
Usable Reserves*	4,454	4,637	4,670	4,660	4,627	4,549	4,425	4,564	4,560	4,936
Months of Imports Cover**	3.89	4.05	3.96	3.95	3.92	3.86	3.75	3.87	3.86	4.18

*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 22, 2012, the Government offered for sale Ksh 2.0 billion in 91-day Treasury bills, Ksh 2.0 billion in 182-day Treasury bills and Ksh 5.0 billion in 10 year discounted fixed-rate bonds. The 10 year bond attracted bids worth Ksh 4.1 billion (81.38 percent performance rate), of which Ksh 0.4 billion was accepted. Demand for the Treasury bills was low with total bids worth Ksh 2.9 billion, of which Ksh 2.6 billion were accepted during the auction. Total non-competitive bids amounted to Ksh 0.7 billion.

Table 5 : Interest Rates on Government Securities

Auction date	04-May-12	18-May-12	25-May-12	31-May-12	08-Jun-12	15-Jun-12	22-Jun-12
91 day T. Bills*	13.382	10.075	9.865	9.336	9.801	10.537	10.675
182 day T. Bills*	14.775	12.078	10.915	10.327	10.750	10.737	10.857
364 day T. Bills*					12.431		
1 year FXD T. Bonds							
2 year FXD T. Bonds							
5 year FXD T. Bonds			11.855				
10year FXD T. Bonds							12.705
12-year Infrastructure Bond							

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Interest Rate on Treasury Bills & Bonds

Weighted average interest rates on the 91-day and 182-day Treasury bills increased by 13.8 and 12.0 basis points respectively, to stand at 10.675 percent and 10.857 percent. However, the 10-year Treasury bond rate declined by 38.4 basis points to 12.705 percent, from 13.089 percent attained in the last 10-year bond auction in July 2011.

Government Domestic Debt

Gross Government domestic debt increased by Ksh 118.4 billion from Ksh 764.2 billion in June 2011 to Ksh 882.6 billion on June 15, 2012 (Table 6 and Chart C). Over this period, the stocks of Treasury bonds, Treasury bills and overdraft at the Central Bank increased by Ksh 96.7 billion, Ksh 5.5 billion and Ksh 17.8 billion, respectively. Other domestic debt, however, declined by Ksh 1.6 billion to Ksh 32.7 billion outstanding on June 15, 2012.

Table 6: Government Domestic Debt (Ksh Billion)

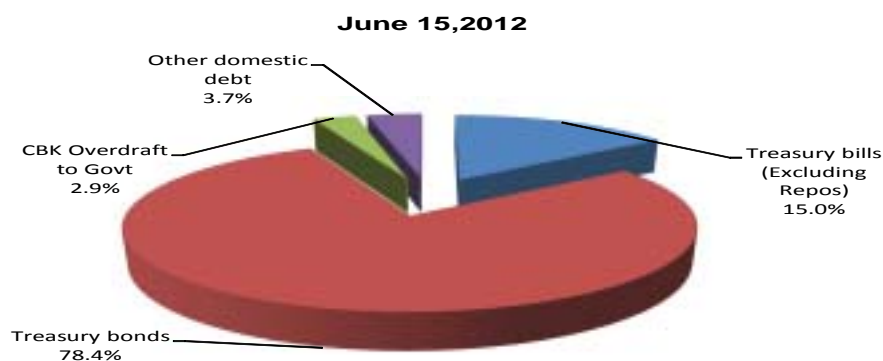
	Jun-11	Apr-12	31st May 2012	8th June 2012	15th June 2012	Changes	
						8th June 2012-15th June 2012	30th Jun 2011 - 15th June 2012
1. Treasury Bills (Excluding Repos) (As % of total securities)	126.7 17.5	147.6 17.6	138.5 16.7	134.8 16.3	132.3 16.0	-2.5	5.5
2. Treasury Bonds (As % of total securities)	595.7 82.5	690.0 82.4	692.3 83.3	692.3 83.7	692.3 84.0	0.0	96.7
3. Total Securities (1+2)	722.4	837.6	830.8	827.1	824.6	-2.5	102.2
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	32.7	32.7	32.7	0.0	-1.6
6. Gross Domestic Debt (3+4+5)	764.2	896.0	888.9	885.1	882.6	-2.5	118.4
7. Interest payments on domestic debt	69.2	65.0	73.8	75.7	76.1	0.4	

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

Source: Central Bank of Kenya

During the week ending June 15, 2012, gross domestic debt declined by Ksh 2.5 billion compared with the previous week's position, following an equivalent net redemption of Treasury bills. Stocks of Treasury bonds, government overdraft and other domestic debt at the Central Bank were unchanged during the week under review. The average time to maturity of Government securities declined to 5 years and 4 months as at June 15, 2012, from 5 years and 10 months at the end of June 2011.

Chart C: Composition of Government Securities

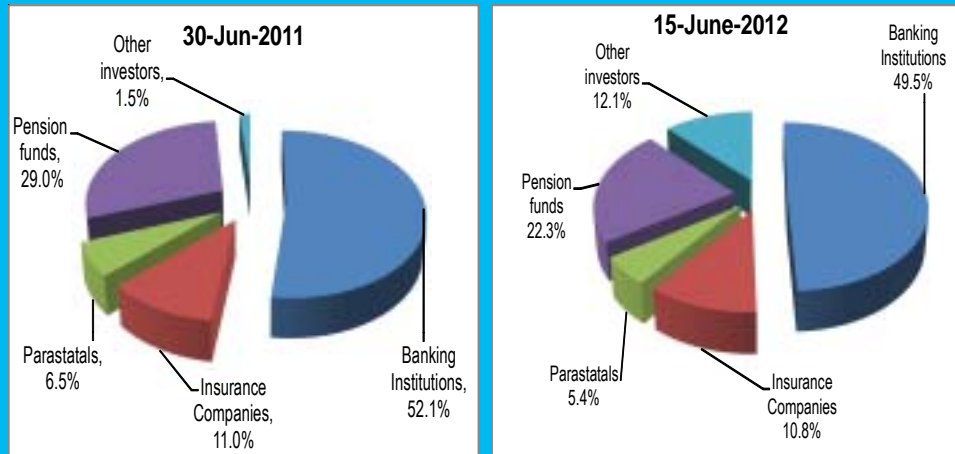


Source: Central Bank of Kenya

Holding of Govt Securities

The share of Government securities held by banking institutions, insurance companies, pension funds and parastatals declined from 52.1 percent, 11.0 percent, 29.0 percent and 6.5 percent in June 2011 to 49.5 percent, 10.8 percent, 22.3 percent and 5.4 percent, respectively on June 15, 2012. Holdings by other investors, which includes Sacco's, listed and private companies, self-help groups, educational institutions, religious institutions and individuals, increased from 1.5 percent to 12.1 percent during the same period (Chart D).

Chart D: Composition of Government Securities by Investors

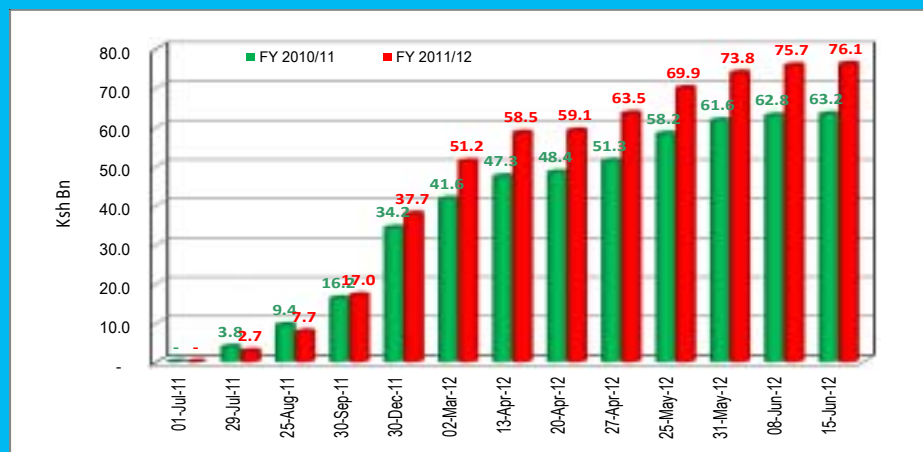


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt from July 1, 2011 to June 15, 2012 amounted to Ksh 76.1 billion compared with Ksh 63.2 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 12.9 billion and Ksh 59.9 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 0.4 billion.

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



Source: Central Bank of Kenya

The Stock Market

The stock market recorded mixed performance in key indicators during the week ended June 21, 2012. The NSE 20 Share Index, equity turnover and number of shares recorded losses, while the market capitalization, NASI and all the FTSE NSE Kenya Indices recorded gains in the week. Fixed Income Segment was down both in turnover and deals transacted.

The NSE 20 Share Index closed at 3,682.24 points on June 21, 2012 from 3,685.36 points on June 14, 2012. NASI edged up to 80.83 points, from 79.41 points during the week under review (Table 7).

Table 7: Key Weekly Market Statistics

Week Ending	04-May-12	10-May-12	17-May-12	24-May-12	30-May-12	07-Jun-12	14-Jun-12	22-Jun-12
NASI 100= Jan 2008	77.93	78.36	79.91	78.79	78.15	78.19	79.41	80.83
NSE 20 Share Index 100=1966	3,585.12	3,589.43	3,677.81	3,668.21	3,626.07	3,634.82	3,685.36	3,682.24
Number of Deals	5,636	6,335	6,985	6,833	4,499	4,945	6,301	6,064
Total Shares Traded (millions)	88.45	120.03	98.21	89.03	107.17	55.24	112.62	92.57
Equity Turnover (Ksh. millions)	1,869.56	2,645.70	1,819.06	1,480.01	1,472.56	1,236.46	1,573.39	1,495.51
Market Capitalization (Ksh. Bn.)	997.78	1,003.30	1,022.96	1,008.64	1,001.68	1,002.13	1,017.75	1,049.80
Bonds Turnover (Ksh. millions)	8,878.45	8,373.15	15,565.90	7,738.95	8,294.05	3,750.20	7,181.10	6,033.35
FTSE NSE Kenya 15 Index	104.90	105.23	107.53	104.25	104.42	104.16	105.00	106.74
FTSE NSE Kenya 25 Index	107.19	107.48	109.94	106.97	106.97	106.88	107.68	109.53

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

Source: Nairobi Stock Exchange

Market Capitalization, a measure of shareholders' wealth, gained Ksh 32.04 billion to reach Ksh 1,049.80 billion. Equity turnover reduced by Ksh 77.89 million to trade stocks worth Ksh 1,495.51 million from Ksh 1,573.39 million the previous week. The number of shares traded declined to 92.57 million from 112.62 million, a signal of constrained supply due to investors need to stabilize prices and prevent further fall.

Telecommunications and Technology sector was the most active sector transacting 36.94 million shares or 39.9 percent. Banking and Manufacturing sectors came second and third, trading 24.1 million shares or 26.0 percent and 13.24 million shares or 14.3 percent respectively. Safaricom, Mumias Sugar and Equity Bank were the three most active counters with 36.75 million, 11.20 million and 7.23 million shares traded, respectively. Automobile and Accessories sector was least active, trading 66,000 shares.

The biggest closing and average price gain in the week ending June 21, 2012 was with Bamburi Cement and Standard Chartered Bank at Ksh 9 and Ksh 10.20, respectively. The biggest closing and average price margin loss was for Kapchorua Tea Co. Ltd and Co-operative Bank Ltd at Ksh 4

and Ksh 1.78, respectively. Of the 58 listed companies, 22 had average price fall in the week ending June 21, 2012.

**FTSE NSE
Kenya Index
Series**

FTSE NSE Kenya 15 Index, which measures stocks performance of the 15 largest companies by market capitalization rose to 106.74 points on June 21, 2012 from 105.00 points on June 14, 2012. FTSE NSE Kenya 25 Index, a performance measure of 25 most liquid stocks at the Exchange was also up, recording 109.53 points on June 21, 2012 from 107.68 points on June 14, 2012.

Bond Market

Bonds trading at the Fixed Income Securities Segment dropped to Ksh 6,033.35 million for the week ending June 21, 2012 from Ksh 7,181.10 million on June 14, 2012. Corresponding deals dropped to 76 from 88. This indicates a fall in investor confidence in the secondary market as yields for the short term securities in the primary market increased.