



JULY 5, 2013

Highlights

Overall 12-month inflation increased to 4.9 percent in June 2013 from 4.1 percent in May 2013 due to a rise in food inflation. Non food non fuel inflation eased slightly by 5 basis points to 3.86 percent in June 2013 from 3.91 percent in May 2013.

The money market liquidity was relatively tight during the week ending July 3, 2012 on account of payments for Treasury bond primary issue of KES 25.0 billion and payments of taxes. The Central Bank liquidity management transactions through repo securities resulted in Ksh 7.0 billion net injection into the market to mitigate liquidity outflow to Government.

Reflecting the tightness, the average interbank rate increased to 8.17 percent during the week ending July 3, 2013 from 7.46 percent in the previous week.

The Kenya Shilling depreciated marginally against the US Dollar but appreciated against all other major international currencies during the week ending July 4, 2013. The shilling depreciated against the Dollar to trade at an average of 85.98 compared to an average of 85.95 during the week ending June 27, 2013.

The usable official foreign exchange reserves held by the Central Bank declined marginally from US Dollar 5,843 million (equivalent to 4.29 months of import cover) as at June 27, 2013 to US Dollar 5,812 million (equivalent to 4.22 months of import cover) as at July 4, 2013.

The Government offered for sale Treasury bills worth Ksh 7.0 billion, during the week ending July 5, 2013, and received bids amounting to Ksh 2.3 billion all of which were accepted.

Gross Government domestic debt increased by 192.1 billion to Ksh 1.1 trillion on June 28, 2013, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt decreased by Ksh 28.7 billion, largely on account of repayment of Government overdraft at the Central Bank.

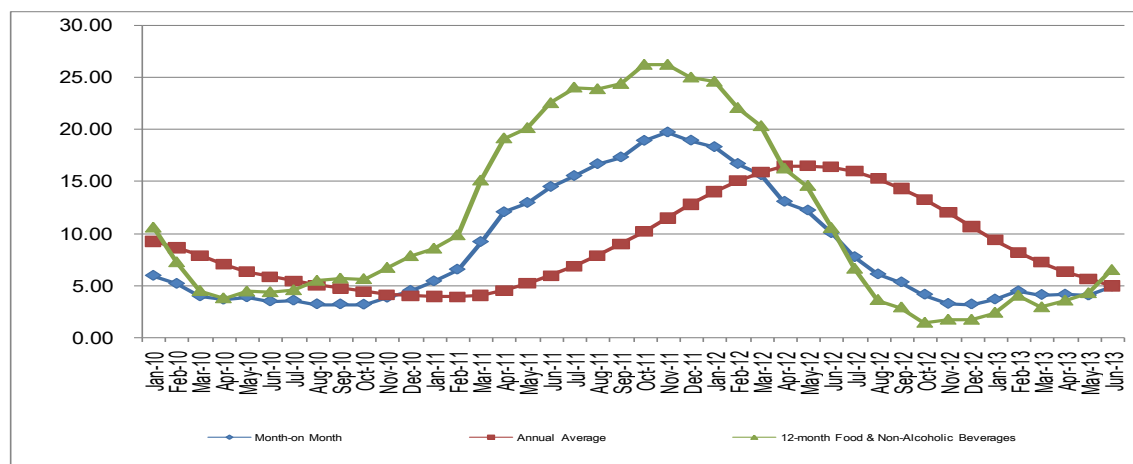
Capital markets recorded mixed performance among key market indicators across market segments. In particular, the NSE 20 Share Index, equity and bonds turnover declined while equity market capitalization increased during the week under review.

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Inflation

Overall 12-month inflation increased by 86 basis points to 4.9 percent in June 2013 from 4.1 percent in May 2013 (**Chart A**). The increase in the overall inflation in June 2013 was reflected largely in food inflation which accelerated to 6.5 percent from 4.3 percent.

CHART A: MONTH-ON-MONTH ANNUAL AVERAGE AND 12-MONTH FOOD & NON-ALCOHOLIC BEVERAGES INFLATION RATES



Source: Kenya National Bureau of Statistics

Monetary Policy Operations

The money market liquidity was relatively tight during the week ending July 3, 2012 on account of payments for The Treasury bond primary issue of KES 25.0 billion and taxes. The Central Bank liquidity management transactions through repo securities resulted in Ksh 7.0 billion net injection into the market thereby mitigating the liquidity withdrawal through Government transactions. Sales of repo securities comprised Ksh 7.1 billion and Ksh 6.9 billion, respectively in repo securities and term auction deposits, against maturities of Ksh 6.3 billion and Ksh 14.7 billion, respectively. Reserve money averaged Ksh 278.9 billion during the week and was Ksh 4.2 billion below 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)
27-Jun-13	284.4	282.6	1.8	8.0	4.2	3.5	-0.4	278.1	-4.5	1.5	-6.0
28-Jun-13	281.8	282.6	-0.8	6.5	0.2	1.2	-5.1	287.5	4.9	9.7	-4.8
1-Jul-13	270.0	283.4	-13.4	0.0	0.0	0.0	0.0	275.1	-8.3	-3.1	-5.2
2-Jul-13	277.3	283.4	-6.1	2.0	0.9	1.1	0.0	276.0	-7.5	-3.1	-4.4
3-Jul-13	281.4	283.4	-2.0	3.0	1.8	1.2	0.0	277.8	-5.7	-2.0	-3.6
Average	279.0	283.1	-4.1	3.9	1.4	1.4	-1.1	278.9	-4.2	0.6	-4.8

Source: Central Bank of Kenya

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Interbank and REPO Rates

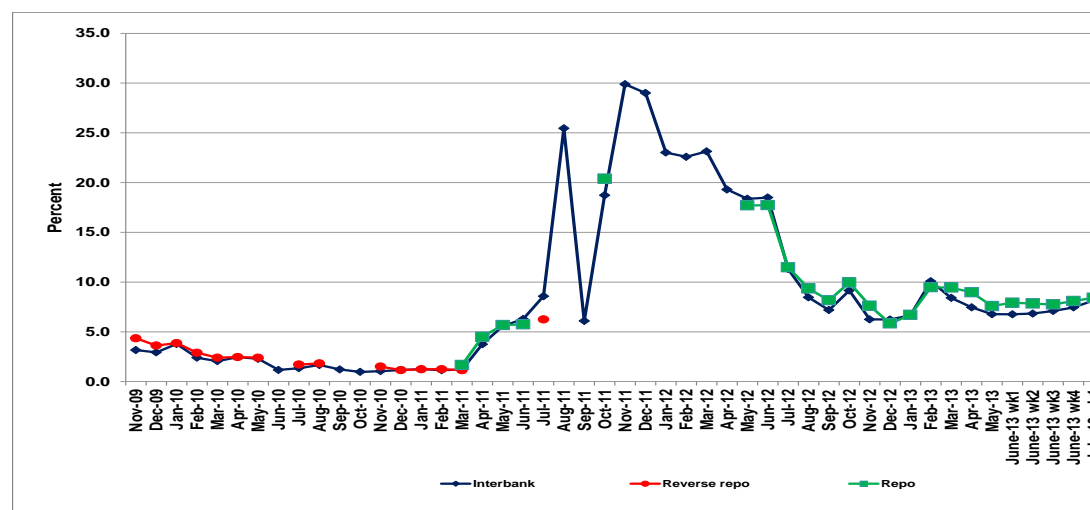
The average interbank rate increased to 8.17 percent during the week ending July 3, 2013 from 7.46 percent in the previous week. The interbank volumes transacted rose to an average of Ksh 20.2billion compared with Ksh 11.9 billion recorded in the previous week, for an average 80 deals compared with 57 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 (%)
20-Jun-13	45	7,710	7.26
21-Jun-13	64	15,156	7.43
24-Jun-13	64	12,567	7.52
25-Jun-13	59	15,349	7.50
26-Jun-13	55	8,665	7.56
June 20-June 26, 2013	57	11,889	7.46
27-Jun-13	74	16,489	7.67
28-Jun-13	85	16,741	7.72
1-Jul-13	88	22,285	8.03
2-Jul-13	75	22,090	8.48
3-Jul-13	78	23,550	8.96
June 27-July 3, 2013	80	20,231	8.17

The average repo rate increased to 8.42 percent during the week ending July 3, 2013 from 8.10 percent recorded in the previous week.

CHART B: STRUCTURE OF INTEREST RATES



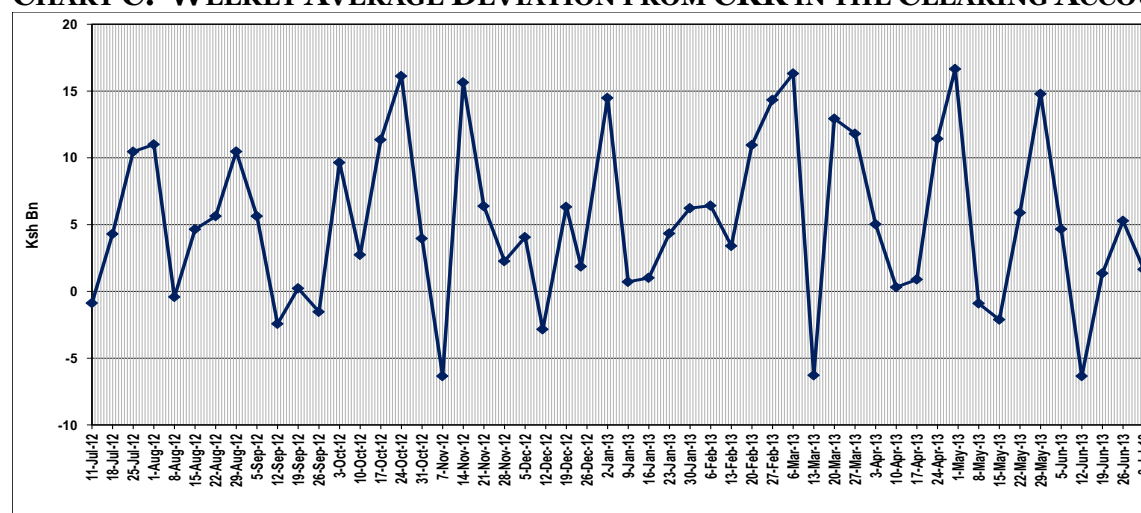
Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

As further indication of the tightness of interbank market liquidity, commercial banks surplus in their settlement account at the Central Bank in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 93.6 billion) in the week to July 3, 2013 declined to Ksh 1.64 billion compared with Ksh 5.27 billion recorded in the previous week (Chart B).

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



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling stabilized against the US Dollar to trade at an average of 85.98 compared to an average of 85.95 during the week ending July 4, 2013. The shilling however appreciated by 1.23 percent, 0.63 percent and 1.88 percent against the Sterling Pound, the Euro and the Japanese Yen respectively, to trade at an average of 130.90 per Sterling Pound, 112.02 per Euro and 86.24 per 100 Japanese Yen on account of these currencies weakening to the US Dollar.

In the EAC region, the Kenya shilling appreciated against the Tanzania shilling and the Rwanda Franc but depreciated against the Uganda shilling and the Burundi Franc to trade at an average of Ush 30.11, Tsh 18.98, RWF 7.54 and BIF 18.10 compared to an average of Ush 30.22, Tsh 18.96, RWF 7.44 and BIF 18.19 during the week ending June 27, 2013. (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATES

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
21-Jun-13	85.74	132.88	113.49	87.79	30.33	19.12	7.59	18.23
24-Jun-13	85.89	132.20	112.68	87.34	30.27	19.04	7.37	18.20
25-Jun-13	86.06	132.90	112.92	88.21	30.21	18.98	7.36	18.16
26-Jun-13	86.03	132.69	112.42	88.11	30.17	18.91	7.43	18.17
27-Jun-13	86.03	131.96	112.14	88.00	30.14	18.77	7.44	18.17
21 - 27 Jun 2013	85.95	132.53	112.73	87.89	30.22	18.96	7.44	18.19
28-Jun-13	86.01	131.33	112.40	87.04	30.17	18.92	7.56	18.09
1-Jul-13	85.83	130.68	111.84	86.29	30.23	19.04	7.56	18.13
2-Jul-13	85.86	130.64	112.16	86.06	30.17	19.04	7.55	18.12
3-Jul-13	85.99	130.34	111.64	85.32	30.00	18.98	7.50	18.10
4-Jul-13	86.20	131.48	112.04	86.47	29.97	18.91	7.52	18.04
28 Jun - 4 Jul 2013	85.98	130.90	112.02	86.24	30.11	18.98	7.54	18.10

Source: Central Bank of Kenya

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Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank declined marginally from US Dollar 5,843 million (equivalent to 4.29 months of import cover) as at June 27, 2013 to US Dollar 5,812 million (equivalent to 4.22 months of import cover) as at July 4, 2013. (Table 4).

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

	4-Apr-13	11-Apr-13	18-Apr-13	25-Apr-13	2-May-13	9-May-13	16-May-13	23-May-13	30-May-13	6-Jun-13	13-Jun-13	20-Jun-13	27-Jun-13	4-Jul-13
Usable Reserves*	5,159	5,364	5,568	5,537	5,668	5,744	5,805	5,821	5,805	5,800	5,801	5,885	5,843	5,812
Months of Imports Cover**	3.86	4.01	4.16	4.09	4.19	4.25	4.29	4.27	4.26	4.26	4.26	4.32	4.29	4.22

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

Government Securities Auction

The Government offered for sale Ksh 2.0 billion respectively, in 91 day and 182 day and Ksh 3.0 billion in 364 day Treasury bills during the week ending July 5, 2013. Total bids received amounted to Ksh 2.3 billion, of which Ksh 2.1 billion, Ksh 0.1 billion and Ksh 0.04 billion was in 91 day, 182 day and 364 day papers, representing performance rates of 106.19 percent, 4.54 percent and 1.25 percent, respectively. The Government accepted all the bids received. Total non competitive bids amounted to Ksh 0.6 billion.

Interest Rates on Government securities

Weighted average interest rates on the 91 day and 182 day Treasury bills increased by 32.1 basis points and 45.1 basis points, respectively, to reach 5.496 percent and 6.0 percent. However, the weighted average interest rate on the 364 day Treasury bill remained unchanged at 8.356 percent, during the week's auction.

TABLE 5: GOVERNMENT SECURITIES INTEREST RATES

	22-Mar-13	24-May-13	31-May-13	7-Jun-13	14-Jun-13	21-Jun-13	28-Jun-13	5-Jul-13
91-day T. Bills*	10.318	8.482	7.569	6.721	5.424	5.110	5.175	5.496
182-day T. Bills*	10.602	9.430	8.840	7.899	6.117	5.642	5.549	6.000
364-day T. Bills*	12.674	10.108	9.383	8.504	8.270	8.141	8.356	8.356
5 year FXD T. Bonds							11.305	
10year FXD T. Bonds	13.720						12.371	
15year FXD T. Bonds								
15year FXD T. Bonds	13.629							
20 year FXD T. Bonds		12.981						

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 192.1 billion from Ksh 858.8 billion at the end of June 2012 to Ksh 1.1 trillion on June 28, 2013. This followed increases of Ksh 135.2 billion and Ksh 57.2 billion in the stocks of Treasury bills and Treasury bonds

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respectively, while Government overdraft at the Central Bank decreased by Ksh 0.3 billion. Other domestic debt remained unchanged during the period.

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

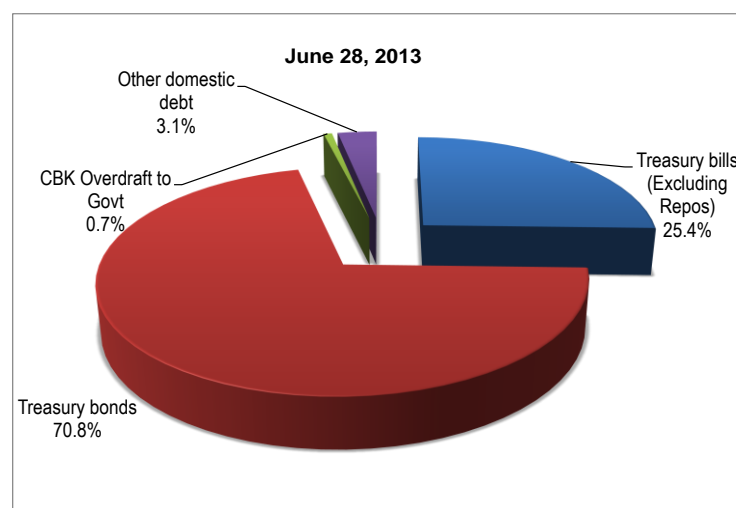
	Jun 2012	Mar 2013	7th Jun 2013	14th Jun 2013	21st Jun 2013	28th Jun 2013	Changes	
							21st - 28th Jun 2013	29th Jun 2012 - 28th Jun 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	186.6 20.3	260.5 25.9	263.6 26.2	268.7 26.5	267.2 26.4	-1.5	135.2
2. Treasury Bonds (As % of total securities)	687.0 83.9	733.2 79.7	746.9 74.1	744.2 73.8	744.2 73.5	744.2 73.6	0.0	57.2
3. Total Securities (1+2)	819.0	919.8	1007.4	1007.7	1012.9	1011.4	-1.5	192.4
4. Overdraft at Central Bank	7.3	25.4	34.2	34.2	34.2	7.0	-27.2	-0.3
5. Other Domestic debt*	32.6	36.7	32.5	32.5	32.6	32.6	0.0	0.0
6. Gross Domestic Debt (3+4+5)	858.8	981.9	1074.0	1074.4	1079.7	1051.0	-28.7	192.1
7. Interest payments on domestic debt	82.3	78.9	102.7	103.0	103.8	109.7	5.9	27.4

* 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

During the week ending June 28, 2013, gross government domestic debt decreased by Ksh 28.7 billion, following net redemption of Ksh 1.5 billion in Treasury bills and Ksh 27.2 repayment of Government overdraft at the Central Bank (Table 6). The average time to maturity of Government securities declined to 5 years and 2 months during the week ending June 28, 2013, from 5 years and 4 months as at the end of June 2012.

CHART D: COMPOSITION OF GOVERNMENT SECURITIES



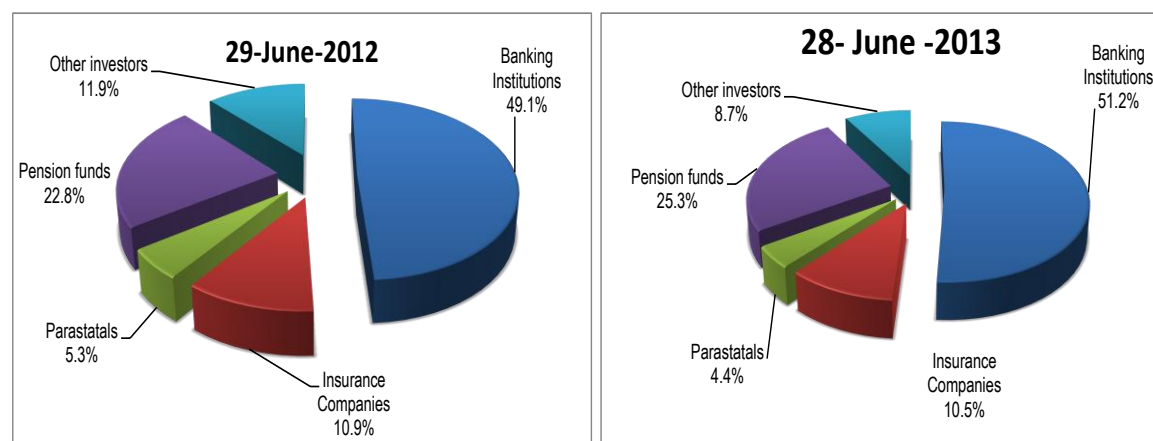
Source: Central Bank of Kenya

Holding of Government Securities

Government securities accounted for 96.2 percent of gross domestic debt on June 28, 2013 (Chart C). Holdings by commercial banks and pension funds increased from 49.1 and 22.8 percent in June 2012 to 51.2 and 25.3 percent on June 28, 2013 respectively. Insurance companies, Parastatal, and other investor holdings (which comprise of Saccos', listed and private companies, self-help groups, educational institutions, religious institutions and

individuals) declined from 10.9 percent, 5.3 percent and 11.9 percent to 10.5 percent, 4.4 percent and 8.7 percent, respectively, during the period (Chart D).

CHART E: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS

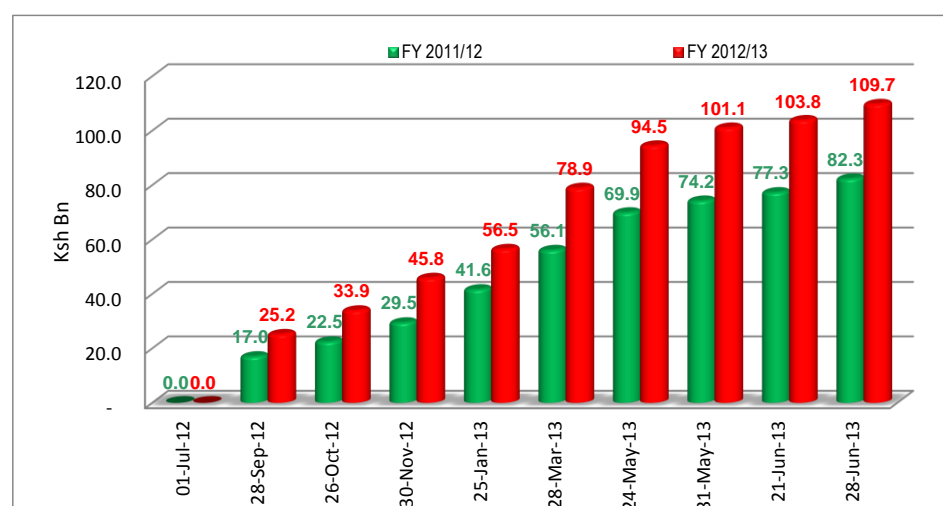


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to June 28, 2013 in the 2012/13 fiscal year amounted to Ksh 109.7 billion compared with Ksh 82.3 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 21.7 billion and Ksh 83.9 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 2.9 billion and Ksh 1.2 billion, respectively.

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



Source: Central Bank of Kenya

Capital Markets Report

Capital Markets recorded mixed performance in the week ending July 4, 2013. Turnover for both equities and bonds declined by 16.7 percent and 54.2 percent

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respectively and NSE 20 Share index closed 10.4 points lower. Market capitalization and the NASI increased.

Equities Market

The NSE 20 Share Index closed the week at 4574.10 points or 10.4 points lower than last week's 4584.50 points. NASI, however rose to 116.23 points from 115.33 points recorded on June 27th 2013 (Table 7). Market capitalization that measures shareholders' wealth, increased to KSh.1,626.64 billion from KSh.1,604.69 billion as equity turnover declined to Ksh. 2,110.46 billion on account of 6 percent fall in volume of shares transacted.

TABLE 7: KEY WEEKLY MARKET STATISTICS

Week Ending	16-May-13	23-May-13	30-May-13	6-Jun-13	13-Jun-13	20-Jun-13	27-Jun-13	4-Jul-13
NASI 100= Jan 2008	126.52	127.77	126.72	126.58	122.97	120.33	115.33	116.23
NSE 20 Share Index 100=1966	4,955.61	4,956.95	4,996.07	4,989.04	4,838.01	4,713.39	4,584.50	4,574.10
Number of Deals	9,674.00	8,991.00	8,967.00	9,198.00	9,168.00	8,916.00	7,564.00	6,201.00
Total Shares Traded (millions)	220.17	226.88	94.22	294.39	121.58	219.83	131.78	123.98
Equity Turnover (Ksh. millions)	5,288.33	3,403.69	1,961.99	5,293.45	2,542.28	3,226.74	2,532.51	2,110.46
Market Capitalization (Ksh. Bn.)	1,716.61	1,733.66	1,719.34	1,717.97	1,669.05	1,633.17	1,604.69	1,626.64
Bonds Turnover (Ksh. millions)	14,710.05	16,977.70	20,052.85	28,681.85	21,477.75	12,459.20	20,264.25	9,290.25
FTSE NSE Kenya 15 Index	167.08	169.90	167.48	166.41	160.28	156.36	188.31	149.73
FTSE NSE Kenya 25 Index	171.97	175.24	171.68	171.54	164.45	160.43	152.52	153.96
FTSE NSE Bond Index	89.67	90.78	92.51	92.90	92.73	94.51	93.61	94.02

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

Source: Nairobi Securities Exchange

Telecoms & Technology, Banking and Energy & Petroleum were the top three most active sectors, transacting 50.91 million or 48.1 percent; 36.53 million or 34.5 percent and 4.54 million or 4.3 percent of all shares traded, respectively. Safaricom Ltd, Equity Bank Ltd and Co-operative Bank Ltd were the three most active counters with 50.91 million, 12.94 million and 10.95 million shares being traded, respectively; and Automobile and Accessories sector the least active, with 96, 200 shares traded.

The biggest closing and average price gains for the week were for Jubilee Holdings Ltd and British American Tobacco Ltd at KSh.14.0 and Ksh.5.6 per share, respectively. The biggest closing and average price losses were for Nation Media and Bamburi Cement Ltd at Ksh.6.20 and Ksh.5.0 per share, respectively. Of the 53 active counters, 15 had average price gain in the week compared to 11 counters in the previous week.

FTSE NSE Kenya Index Series

As indicated in Table 7, the FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, declined to 149.73 points from 188.31 points. The FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, increased to 153.96 points from 152.52 points the previous week. The FTSE NSE Bond Index rose to 94.02 points from 93.61 points due to increase in prices as corresponding yields declined.

The Bond Market

Bonds trading activity declined by 54.15 percent as turnover decreased to Ksh.9,290.25 million from Ksh. 20,264.25 million in the previous week. Corresponding deals fell to 117 from 200 recorded in the previous week.