



**FEBRUARY 8, 2013**

## **Highlights**

The money market was relatively liquid during the week ending February 6, 2013. The Central Bank therefore, sterilized Ksh 3.4 billion, on a net basis, through open market repurchase arrangements with commercial banks. The average interbank rate increased to 7.65 percent during the week ending February 6, 2013 from 6.66 percent recorded in the previous week.

The Kenya Shilling exchange rate changed marginally against major international currencies in the week ending February 7, 2013. Against the US Dollar, the Kenya Shilling stabilized at Ksh 87.59 compared to the previous week.

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 4,960million (equivalent to 3.78 months of import cover) as at January 31, 2013 to US Dollar 4,975 million (equivalent to 3.79 months of import cover) in the week ending February 7, 2013.

The Government offered for sale Treasury bills worth Ksh 5.0 billion during the week ending February 8, 2013. A total of Ksh 3.4 billion was accepted out of Ksh 4.0 billion bids received.

Gross Government domestic debt increased by Ksh 117.7 billion from Ksh 858.8 billion at the end of June 2012 to Ksh 976.5 billion on February 1, 2013. During the week under review, gross government domestic debt increased by Ksh 7.1 billion, on account of Treasury bonds auction.

Capital markets recorded improved performance compared to the previous week as reflected by all equities and bond market indicators. NSE 20 Share Index, NASI, FTSE NSE 15 Index and FTSE NSE 25 Index gained 144.56 points, 2.73 points, 3.27 points and 3.39 points, respectively. Market capitalization increased by Ksh 38.09 billion, while equity turnover gained 162.9 percent. Bonds market activity improved, gaining 27.4 percent in turnover, while FTSE NSE Kenyan Shilling Government Bond Index gained 43 basis points.

# CBK WEEKLY BULLETIN

## Monetary Policy Operations

The money market was relatively liquid during the week ending February 6, 2013. The Central Bank auctioned repo securities worth Ksh 18.5 billion against maturities of Ksh 15.1 billion. Reserve money averaged Ksh 275.7 billion during the week and was Ksh 10.7 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)
31-Jan-12	268.3	286.5	<b>-18.2</b>	4.0	0.2	0.0	<b>-3.8</b>	266.3	-20.2	-3.3	-16.9
1-Feb-12	267.9	286.3	<b>-18.4</b>	2.0	0.0	0.0	<b>-2.0</b>	266.8	-19.5	-4.2	-15.4
4-Feb-12	279.9	286.3	<b>-6.4</b>	10.0	2.0	0.0	<b>-8.0</b>	280.5	-5.8	8.8	-14.6
5-Feb-12	291.1	286.3	<b>4.8</b>	10.0	6.5	0.0	<b>-3.5</b>	284.5	-1.8	10.4	-12.2
6-Feb-12	288.2	286.3	<b>1.9</b>	10.0	9.8	0.0	<b>-0.3</b>	280.2	-6.1	5.0	-11.1
<b>Average</b>	<b>279.1</b>	<b>286.3</b>	<b>-7.3</b>	<b>7.2</b>	<b>3.7</b>	<b>0.0</b>	<b>-3.5</b>	<b>275.7</b>	<b>-10.7</b>	<b>3.3</b>	<b>-14.0</b>

Source: Central Bank of Kenya

## Interbank and REPO Rates

The average interbank rate increased to 7.65 percent during the week ending February 6, 2013 from 6.66 percent recorded in the previous week. The average interbank volumes transacted rose from Ksh 9.8 billion on January 30, 2013 to Ksh 12.8 billion transacted on February 6, 2013 on the back of 62 and 52 deals, respectively (Table 2 and Chart A).

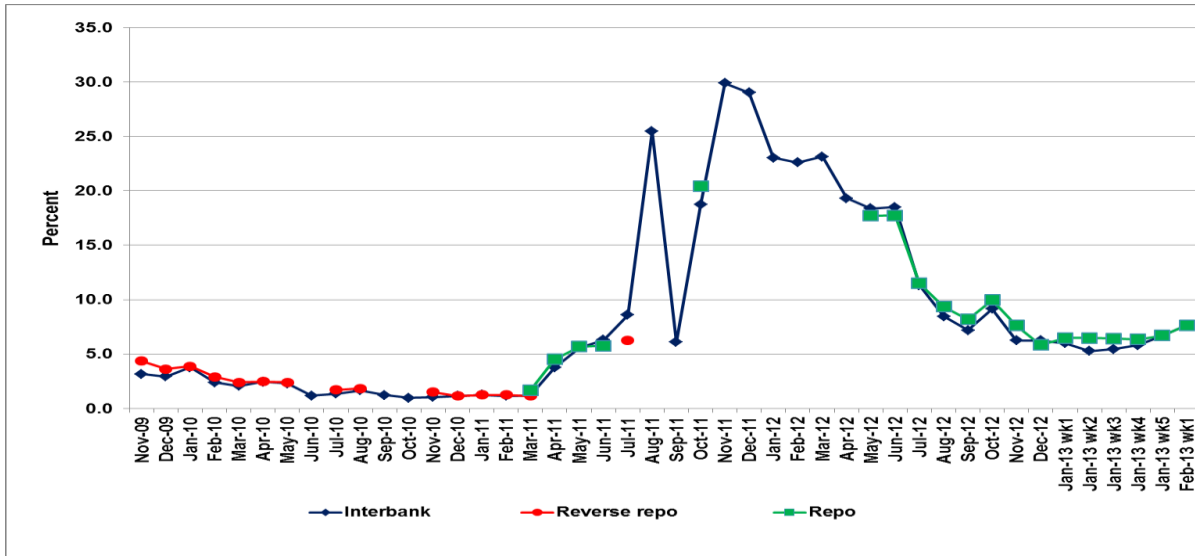
**Table 2: Interbank Deals, Volumes and Interest Rates**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
24-Jan-13	53	10,752	6.13
25-Jan-13	46	8,867	6.38
28-Jan-13	54	11,204	6.67
29-Jan-13	51	8,366	6.93
30-Jan-13	54	9,626	7.21
<b>January 24 -January 30, 2013</b>	<b>52</b>	<b>9,763</b>	<b>6.66</b>
31-Jan-13	68	13,550	7.40
1-Feb-13	60	11,000	7.57
4-Feb-13	52	12,140	7.67
5-Feb-13	60	12,634	7.77
6-Feb-13	71	14,782	7.84
<b>January 31 -February 6, 2013</b>	<b>62</b>	<b>12,821</b>	<b>7.65</b>

Source: Central Bank of Kenya

The average repo rate increased to 7.64 percent during the week ending February 6, 2013 from 6.71 percent recorded in the previous week as the Central Bank stepped up sales of repo securities to banks.

**Chart A: The Structure of Interest Rates**

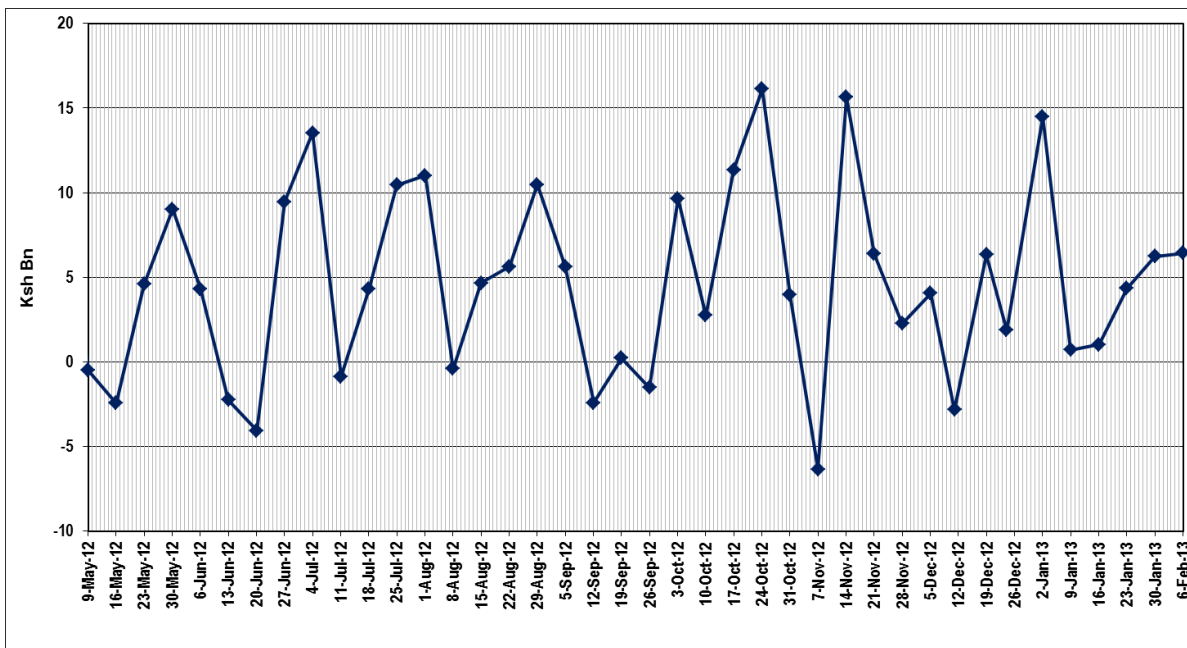


Source: Central Bank of Kenya

**Commercial Banks Clearing Account Balances**

Commercial banks recorded a surplus of Ksh 6.42 billion in their settlement accounts in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 88.6 billion) at the Central Bank in the week to February 6, 2013 compared with Ksh 4.34 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 exchange rate changed marginally against major international currencies in the week ending February 7, 2013. During the week, the Kenya Shilling depreciated by 0.01 percent and 0.75 percent against the US Dollar and the Euro respectively to trade at an average of Ksh 87.59 per USD and Ksh 118.81 per Euro. Against the Sterling pound and the Japanese Yen, the Shilling appreciated by 0.20 percent and 2.18 percent, respectively to trade at an average of Ksh 137.75 per Sterling Pound and Ksh 94.37 per 100 Japanese Yen.

In the EAC region, the Kenya Shilling weakened against the Uganda Shilling but strengthened against the Tanzania Shilling and Burundi Franc. Against the Rwanda Franc, the Shilling traded at the same level as previous week. The Shilling exchanged at an average of Ush 30.38, Tsh 18.53, RWF 7.06 and BIF 17.79 compared to Ush 30.46, Tsh 18.40, RWF 7.06 and BIF 17.53 in the week ending January 31, 2013.

**Table 3: Kenya Shilling Exchange Rates**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
25-Jan-13	87.52	138.05	116.97	96.78	30.55	18.37	7.06	17.25
28-Jan-13	87.58	138.00	117.80	96.42	30.53	18.36	7.06	17.24
29-Jan-13	87.59	137.58	117.76	96.56	30.41	18.39	7.06	17.40
30-Jan-13	87.59	137.94	118.16	96.29	30.43	18.43	7.06	17.98
31-Jan-13	87.61	138.57	118.95	96.29	30.36	18.45	7.05	17.75
<b>25-31 Jan 2013</b>	<b>87.58</b>	<b>138.03</b>	<b>117.93</b>	<b>96.47</b>	<b>30.46</b>	<b>18.40</b>	<b>7.06</b>	<b>17.53</b>
1-Feb-13	87.58	138.92	119.27	95.32	30.37	18.55	7.06	17.75
4-Feb-13	87.57	137.48	119.32	94.55	30.43	18.51	7.06	17.76
5-Feb-13	87.58	137.98	118.11	94.83	30.41	18.53	7.06	17.93
6-Feb-13	87.60	137.15	118.88	93.46	30.36	18.54	7.05	17.75
7-Feb-13	87.61	137.23	118.47	93.68	30.31	18.49	7.05	17.75
<b>1-7 Feb 2013</b>	<b>87.59</b>	<b>137.75</b>	<b>118.81</b>	<b>94.37</b>	<b>30.38</b>	<b>18.53</b>	<b>7.06</b>	<b>17.79</b>

*Source: Central Bank of Kenya*

### Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 4,960 million (equivalent to 3.78 months of import cover) as at January 31, 2013 to US Dollar 4,975 million (equivalent to 3.79 months of import cover) in the week ending February 7, 2013 (Table 4).

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

	6-Dec-12	13-Dec-12	20-Dec-12	27-Dec-12	3-Jan-13	10-Jan-13	17-Jan-13	24-Jan-13	31-Jan-13	7-Feb-13
Usable Reserves*	5,374	5,377	5,385	5,396	5,369	5,282	5,264	5,177	4,960	4,975
Months of Imports Cover**	4.22	4.22	4.23	4.24	4.21	4.15	4.13	4.06	3.78	3.79

\*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 2.5 billion in 91-day Treasury bills and Ksh 2.5 billion in 182-day Treasury bills during the week ending February 8, 2013. The 91-day paper performed at 91.3 percent, attracting bids worth Ksh 2.3 billion, of which Ksh 1.9 billion was accepted. The 182-day Treasury bills attracted bids worth Ksh 1.7 billion (47.9 percent performance rate) of which Ksh 1.5 billion was accepted. Total non-competitive bids received amounted to Ksh 1.7 billion.

## Interest Rates on Government securities

Weighted average interest rates on the 91-day and 182-day Treasury bills rose by 6.5 and 38.5 basis points respectively, during this week's auction to 8.229 percent and 8.450 percent.

**Table 5: Government Securities Interest rates**

Auction date	29-Jun-12	28-Sep-12	28-Dec-12	11-Jan-13	18-Jan-13	25-Jan-13	1-Feb-13	8-Feb-13
91-day T. Bills*	10.780	8.093	8.138	8.105	8.052	8.036	8.164	8.229
182-day T. Bills*	11.091	9.888	8.100	8.093	8.088	8.066	8.065	8.450
364-day T. Bills*							11.662	
2 year FXD T. Bonds								
5 year FXD T. Bonds						12.791		
15year FXD T. Bonds								
20 year FXD T. Bonds						13.694		

\*Weighted rates for accepted bids

**Source: Central Bank of Kenya**

## Government Domestic Debt

Gross Government domestic debt increased by Ksh 117.7 billion from Ksh 858.8 billion at the end of June 2012 to Ksh 976.5 billion on February 1, 2013. This followed increases of Ksh 72.4 billion, Ksh 26.9 billion and Ksh 17.8 billion in the stocks of Treasury bills, Treasury bonds and Government overdraft at the Central Bank, respectively. Other domestic debt increased by Ksh 0.5 billion during the period.

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**Table 6: Government Domestic Debt (Ksh Billion)**

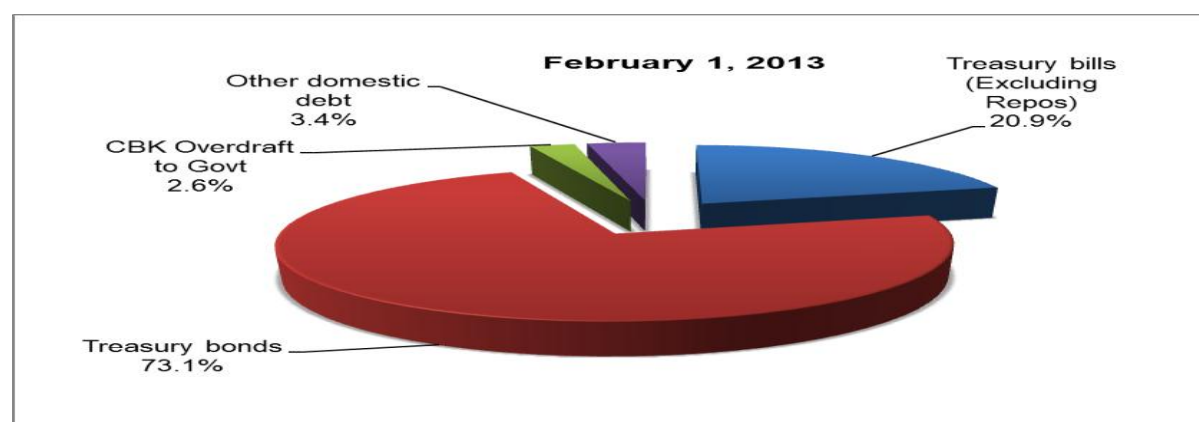
	Jun 2012	Sep 2012	Dec-12	25th Jan 2013	1st Feb 2013	Changes	
						25th Jan 2013- 1st Feb 2013	29th Jun 2012 - 1st Feb 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	159.7 18.5	196.3 21.5	204.4 22.4	204.5 22.3	0.1	72.4
2. Treasury Bonds (As % of total securities)	687.0 83.9	703.9 81.5	716.1 78.5	706.9 77.6	713.8 77.7	6.9	26.9
<b>3. Total Securities (1+2)</b>	<b>819.0</b>	<b>863.6</b>	<b>912.3</b>	<b>911.3</b>	<b>918.3</b>	<b>7.0</b>	<b>99.3</b>
4. Overdraft at Central Bank	7.3	25.4	25.4	25.1	25.1	0.0	17.8
5. Other Domestic debt*	32.6	33.2	33.6	33.0	33.1	0.0	0.5
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>858.8</b>	<b>922.2</b>	<b>971.3</b>	<b>969.5</b>	<b>976.5</b>	<b>7.1</b>	<b>117.7</b>
<b>7. Interest payments on domestic debt</b>	<b>82.3</b>	<b>25.2</b>	<b>53.6</b>	<b>56.5</b>	<b>59.3</b>	<b>2.8</b>	

\* 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 February 1, 2013, gross government domestic debt increased by Ksh 7.1 billion, largely on account of the stocks of Treasury bonds (Table 6). The average time to maturity of Government securities declined to 4 years and 11 months during the week ending February 1, 2013, from 5 years and 4 months at the end of June 2012.

**Chart C: Composition of Government Domestic Debt**



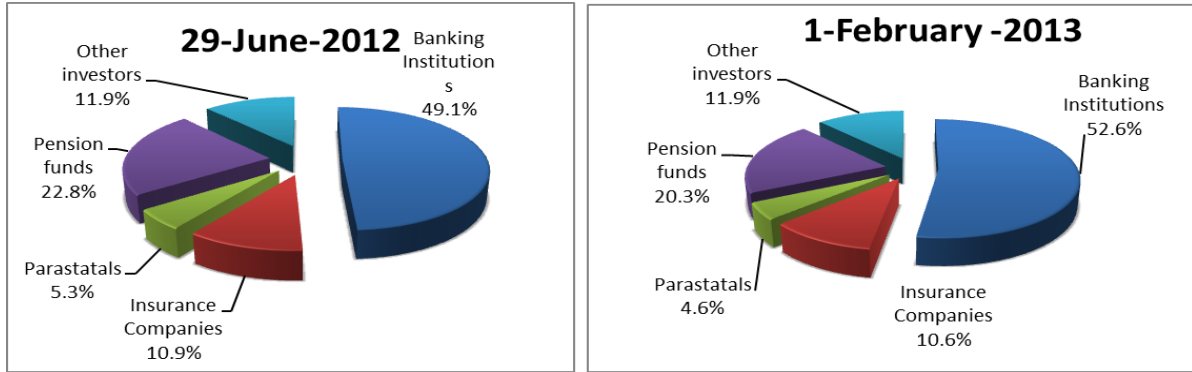
**Source: Central Bank of Kenya**

### Holdings of Government Securities

Government securities accounted for 94.0 percent of gross domestic debt on February 1, 2013 (Chart C). Commercial bank holdings of Government securities increased from 49.1 percent at the end of June 2012 to 52.6 percent on February 1, 2013. Percentage holdings of insurance companies, parastatals and pension funds declined from 10.9 percent, 5.3 percent and 22.8 percent at the end of June 2012 to 10.6 percent, 4.6 percent and 20.3 percent, respectively, on February 1, 2013. Holdings of other investors, which comprise of Saccos', listed and private companies, self-help groups,

educational institutions, religious institutions and individuals, was unchanged at 11.9 percent (Chart D).

**Chart D: Holding of Government Securities by Investors**

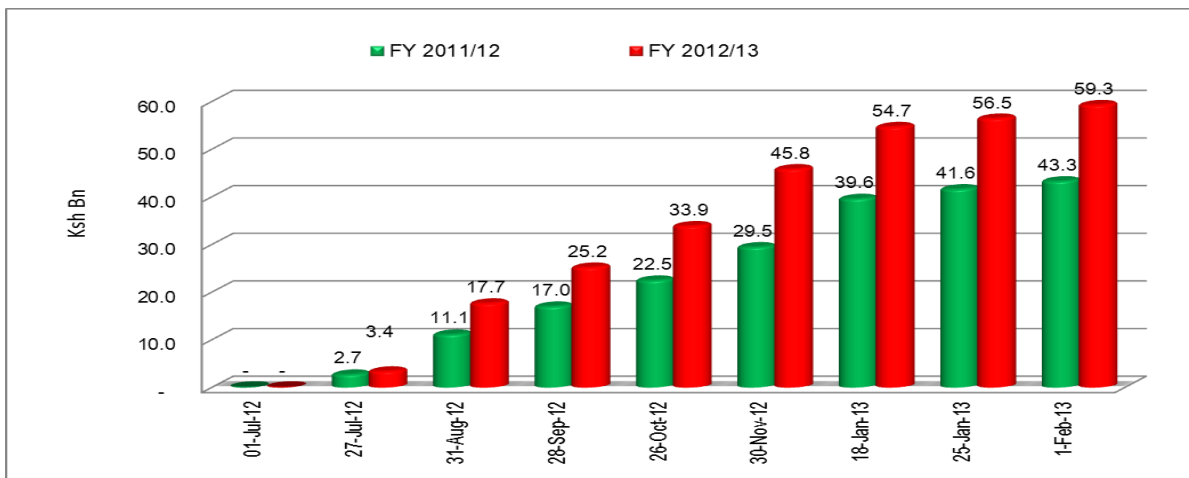


Source: Central Bank of Kenya

**Cost of Domestic Borrowing**

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to February 1, 2013 in the 2012/13 fiscal year amounted to Ksh 59.3 billion, compared with Ksh 43.3 billion during a similar period of the previous fiscal year (Chart E). The cost during the period under review comprised of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 11.65 billion and Ksh 44.71 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 1.77 billion and Ksh 1.18 billion, respectively.

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



Source: Central Bank of Kenya

# CBK WEEKLY BULLETIN

## Capital Markets

The capital market performance improved in the week ending February 8, 2013, with both equities and bonds segments recording significant gains in all market indices.

## Equities Market

NSE 20 Share Index crossed the 4,500 point mark during the week, at 4,561.16 points compared with 4,416.60 points on January 31, 2013 (Table 7). NASI rose to 106.23 points (highest since July 22, 2008) from 103.50 points, while Market capitalization that measures shareholders' wealth, closed at Ksh 1,425.90 billion high. Equity turnover gained 162.9 percent on account of high volume of shares traded, to record Ksh 4,499.71 million from Ksh 1,711.85 million.

**Table 7: Key Weekly Market Statistics**

Week Ending	6-Dec-12	13-Dec-12	27-Dec-13	3-Jan-13	10-Jan-13	17-Jan-13	24-Jan-13	31-Jan-13	7-Feb-13
NASI 100= Jan 2008	91.52	92.80	96.07	96.07	101.02	105.82	102.45	103.50	106.23
NSE 20 Share Index 100=1966	4,022.64	4,031.70	4,159.25	4,159.25	4,319.73	4,545.70	4,385.00	4,416.60	4,561.16
Number of Deals	6,611	4,933	3,407	3,407	6,697	8,800	7,951	7,224	7,773
Total Shares Traded (millions)	154.13	162.88	32.50	3,250.00	99.60	125.96	154.43	118.42	267.81
Equity Turnover (Ksh. millions)	2,068.16	2,106.87	482.65	4,826.54	2,014.43	2,553.42	1,930.53	1,711.85	4,499.71
Market Capitalization (Ksh. Bn.)	1,225.32	1,244.37	1,288.14	1,288,137.00	1,354.57	1,418.88	1,373.72	1,387.81	1,425.90
Bonds Turnover (Ksh. millions)	6,630.55	3,972.85	3,447.90	3,447.90	8,575.75	5,678.55	2,361.85	4,071.95	5,189.00
FTSE NSE Kenya 15 Index	119.53	121.70	126.74	126.74	132.91	136.78	134.83	136.44	139.71
FTSE NSE Kenya 25 Index	122.35	124.61	129.64	129.64	136.12	139.99	138.08	139.73	143.12
Index(Jan2012=100)	94.84	95.26	92.86	92.86	92.02	91.73	91.25	91.37	91.77

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

**Source: Nairobi Securities Exchange**

Telecoms and Technology, Banking and Construction and Allied sectors were the top three most active, transacting 182.37 million or 68.1 percent; 41.54 million or 15.5 percent and 15.75 million or 5.9 percent of all traded shares, respectively. Safaricom Ltd, Kenya Commercial Bank Ltd and Athi River Mining Ltd were the three most active counters with 181.50 million, 26.36 million and 14.94 million shares traded, respectively. Agriculture sector was least active, trading 273,900 shares.

The biggest closing and average price gains for the week were for BAT Ltd and Nation Media Group Ltd at Ksh 11 and Ksh 7.6 per share, respectively. The biggest closing and average price losses was for TPS Eastern Africa (Serena) Ltd at Ksh 2.75 and Ksh 1.47 per share, respectively. Of the 48 active counters, 34 had average price gain in the week ending February 8, 2013 up from 16 counters in the previous week.



### **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, increased to 139.71 points from 136.44. FTSE NSE Kenya 25 Index, which measures the 25 most liquid stocks at NSE also increased to 143.12 points from 139.73 points from the previous trading week. These are the highest levels since launch on November 8, 2011. FTSE NSE Kenyan Shilling Government Bond Index, which measures the performance of Kenya's domestic bond market, closed at 91.77 points compared to 91.37 points the previous week.

### **The Bond Market**

Bond trading closed 27.4 percent higher in turnover, to trade Ksh 5,189.0 million for the week ending February 8, 2013 from Ksh 4,071.95 million in the previous week. Corresponding deals rose to 118 from 49 the previous week. The recovery towards December 2012 levels is attributed to the investor focus on the secondary market since there were no bonds offered in the primary market during the week under review.