



MAY 24, 2013

Highlights

The money market was relatively liquid during the week ending on May 22, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 1.6 billion through repo securities and Ksh 17.4 billion in term auction deposits against maturities of repo securities and term auction deposits held by commercial banks of Ksh 29.1 billion and Ksh 4.0 billion, respectively.

The average interbank rate decreased to 7.08 percent during the week ending May 22, 2013 from 7.28 percent in the previous week.

The Kenya Shilling exchange rate remained stable against major international currencies in the week ending May 23, 2013. During the week, the Kenya Shilling weakened slightly against the US Dollar to trade at an average of Ksh 84.04 per US Dollar compared to Ksh 83.81 per US Dollar in the week ending May 16, 2013.

The usable official foreign exchange reserves held by Central Bank increased from USD 5,805 million as at May 16, 2013 to USD 5,821 million as at May 23, 2013.

The Government offered for sale Treasury bills and Treasury bonds worth Ksh 20.0 billion, during the week ending May 24, 2013. A total of Ksh 20.2 billion was accepted out of Ksh 61.4 billion bids received. The 91 day Treasury bill interest rate fell by 89.4 basis points to 8.482 percent in the auction of 23 May, 2013.

Gross Government domestic debt increased by Ksh 213.3 billion to Ksh 1.1 trillion on May 17, 2013, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt increased by Ksh 1.5 billion, on account of increase in Treasury bills.

Capital markets maintained strong rally as reflected in performance of both bonds and equities. The NSE 20 Share Index, NASI, FTSE NSE 15 Index and FTSE NSE 25 Index as well as market capitalization rose above the previous week's levels. However equities turnover lost 35.64 percent during the week under review.

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Monetary Policy Operations

The money market was relatively liquid during the week ending on May 22, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 1.6 billion through repo securities and Ksh 17.4 billion in term auction deposits against maturities of repo securities and term auction deposits held by commercial banks of Ksh 29.1 billion and Ksh 4.0 billion, respectively. Reserve money averaged Ksh 279.5 billion during the week and was Ksh 0.5 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)
16-May-13	274.9	280.1	-5.2	5.0	0.0	2.6	-2.4	272.2	-7.9	-4.3	-3.6
17-May-13	289.0	280.1	8.8	13.0	0.0	7.9	-5.2	281.3	1.1	6.1	-5.0
20-May-13	281.6	280.0	1.6	8.0	0.0	5.5	-2.5	279.8	-0.2	5.1	-5.3
21-May-13	281.8	280.0	1.8	8.0	0.0	1.2	-6.9	280.8	0.8	6.5	-5.7
22-May-13	285.8	280.0	5.8	13.0	1.6	0.4	-11.1	283.6	3.6	10.3	-6.7
Average	282.6	280.0	2.6	9.4	0.3	3.5	-5.6	279.5	-0.5	4.7	-5.3

Source: Central Bank of Kenya

Interbank and REPO Interest Rates

The average interbank rate decreased to 7.08 percent during the week ending May 22, 2013 from 7.28 percent in the previous week. The interbank volumes transacted rose to an average of Ksh 9.4 billion compared with Ksh 7.0 billion recorded in the previous week, while the average number of deals was 47 compared with 46 deals in the previous week (Table 2 and Chart A).

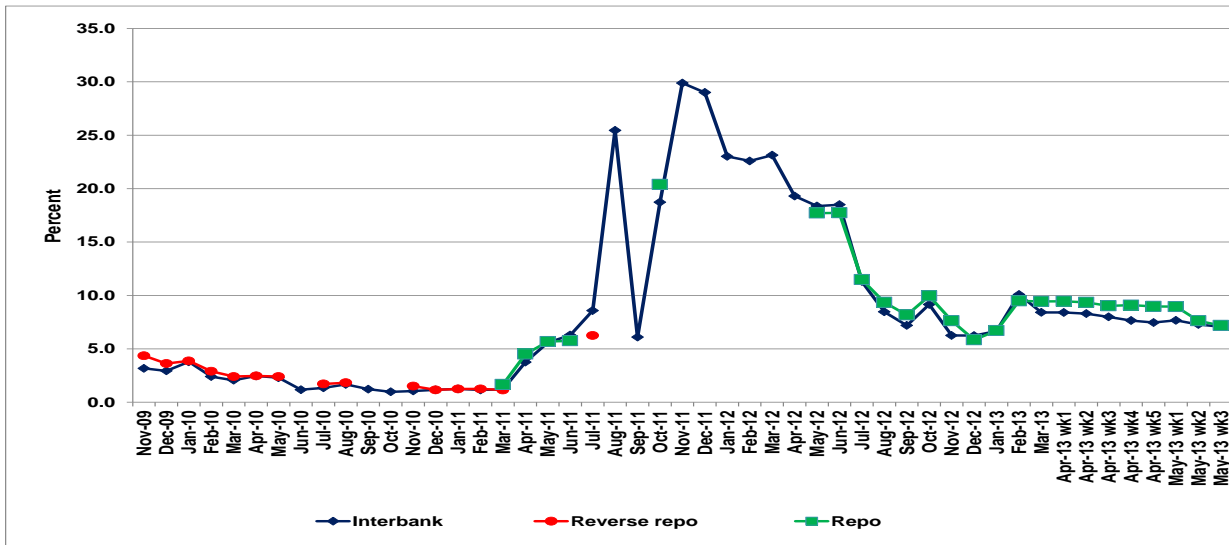
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
9-May-13	39	5,120	7.52
10-May-13	41	6,024	7.47
13-May-13	50	7,620	7.29
14-May-13	44	6,375	7.06
15-May-13	54	10,079	7.05
May 9- May 15, 2013	46	7,044	7.28
16-May-13	42	7,614	7.10
17-May-13	57	12,234	7.10
20-May-13	46	10,557	7.13
21-May-13	43	8,590	7.01
22-May-13	45	7,975	7.05
May 16- May 22, 2013	47	9,394	7.08

Source: Central Bank of Kenya

The average repo rate decreased to 7.19 percent during the week ending May 22, 2013 from 7.62 percent recorded in the previous week.

Chart A: The Structure of Interest Rates

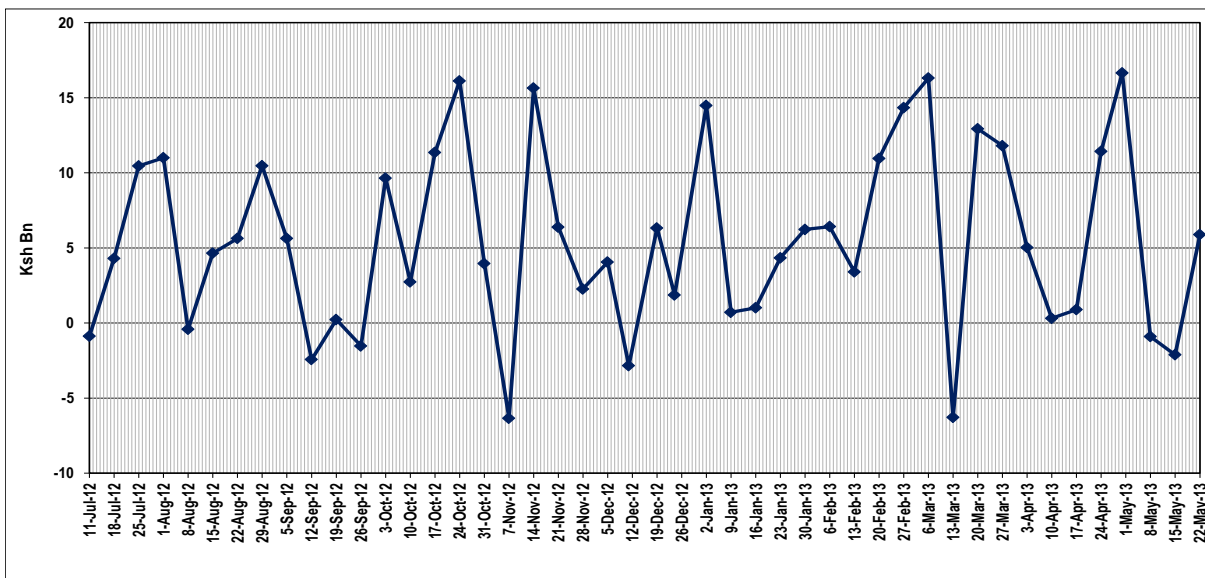


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 5.89 billion in their settlement accounts in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 92.1 billion) at the Central Bank in the week to May 22, 2013, compared with a deficit of Ksh 2.12 billion in the previous week (Chart B).

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



Source: Central Bank of Kenya

The Shilling Exchange Rate

During the week ending May 23, 2013, the Kenya Shilling remained stable against major international currencies. Against the US dollar the Shilling depreciated by 0.28 percent to trade at an average of Ksh 84.04 per US Dollar compared to Ksh 83.81 per US Dollar in the week ending May 16, 2013. Against the Sterling Pound, the Euro and the Japanese Yen the

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Kenya Shilling appreciated by 0.95 percent, 0.47 percent and 0.38 percent respectively to trade at an average of Ksh 127.50 per Sterling Pound, Ksh 108.14 per Euro and Ksh 82.08 per 100 Japanese Yen compared to an average of Ksh 128.72 per Sterling Pound, Ksh 108.65 per Euro and Ksh 82.40 per 100 Japanese Yen in the week ending May 16, 2013.

In the EAC region, the Kenya Shilling depicted mixed performance in the week ending May 23, 2013. During the week, the Shilling strengthened against the Uganda Shilling and the Rwanda Franc and weakened against the Tanzania Shilling and the Burundi Franc to trade at an average of Ush 30.89, Tsh 19.39, RWF 7.72 and BIF 18.75 compared to Ush 30.86, Tsh 19.43, RWF 7.67 and BIF 18.79 in the week ending May 16, 2013. (Table 3).

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
7-May-13	83.89	130.37	109.72	84.61	30.64	19.38	7.71	18.77
8-May-13	83.90	129.92	109.92	84.78	30.39	19.44	7.70	18.77
9-May-13	83.79	130.09	110.18	84.83	30.49	19.47	7.70	18.80
3- 9 May 2013	83.81	130.17	109.83	84.82	30.55	19.44	7.67	18.78
10-May-13	83.73	129.53	109.31	82.84	30.99	19.49	7.68	18.81
13-May-13	83.86	130.51	108.74	82.56	30.86	19.39	7.62	18.78
14-May-13	83.84	128.41	109.06	82.69	30.81	19.44	7.74	18.79
15-May-13	83.81	127.65	108.27	82.00	30.84	19.40	7.73	18.79
16-May-13	83.82	127.53	107.85	81.89	30.78	19.45	7.60	18.79
10-16 May 2013	83.81	128.72	108.65	82.40	30.86	19.43	7.67	18.79
17-May-13	83.80	127.73	107.78	81.87	30.73	19.44	7.74	18.81
20-May-13	83.84	127.36	107.71	81.65	30.71	19.43	7.74	18.80
21-May-13	83.85	127.80	108.02	81.85	31.01	19.46	7.76	18.80
22-May-13	84.26	127.63	108.80	82.13	30.92	19.32	7.70	18.70
23-May-13	84.48	126.96	108.40	82.89	31.07	19.28	7.66	18.66
17-23 May 2013	84.04	127.50	108.14	82.08	30.89	19.39	7.72	18.75

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from USD 5,805 million as at May 16, 2013 to USD 5,821 million as at May 23, 2013 equivalent to 4.29 and 4.27 months of import cover respectively (Table 4).

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

	7-Mar-13	14-Mar-13	21-Mar-13	28-Mar-13	4-Apr-13	11-Apr-13	18-Apr-13	25-Apr-13	2-May-13	9-May-13	16-May-13	23-May-13
Usable Reserves*	4,953	4,992	5,033	5,052	5,159	5,364	5,568	5,537	5,668	5,744	5,805	5,821
Months of Imports Cover**	3.75	3.78	3.81	3.78	3.86	4.01	4.16	4.09	4.19	4.25	4.29	4.27

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

Government Securities Auction

The Government offered for sale Ksh 3.0 billion in 91 day Treasury bills, Ksh 3.0 billion in 182 day Treasury bills, Ksh 4.0 billion in 364 day Treasury bills and re-opened a 20 year discounted fixed rate Treasury bonds worth Ksh 10.0 billion during the week ending May 24, 2013. Total bids received amounted to Ksh 61.4 billion, of which Ksh 8.7 billion, Ksh 8.1 billion, Ksh 18.9 billion and Ksh 25.9 billion was in 91 day, 182 day, 364 day and 20 year papers, representing performance rates of 288.5 percent, 268.5 percent, 471.6 percent and 258.8 percent, respectively. The Government accepted Ksh 4.1 billion in the 91 day paper,

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Ksh 2.2 billion in the 182 day paper, Ksh 3.8 billion in the 364 day paper and Ksh 10.1 billion in the 20 year paper, during the week. Total non-competitive bids received amounted to Ksh 5.5 billion.

Interest Rates on Government Securities

For the three consecutive weeks, the weighted average interest rates on all Treasury bills have been on a downward trend. The weighted average interest rates declined by 89.4 basis points, 55.0 basis points and 104.5 basis points to reach 8.482 percent, 9.430 percent and 10.108 percent during the week for the 91 day, 182 day and 364 day Treasury bills, respectively. Similarly, the weighted average interest rate on the 20 year Treasury bond declined by 71.3 basis points to 12.981 percent from 13.694 percent recorded during the last auction on January 28, 2013.

Table 5: Government Securities Interest Rates

	25-Jan-13	22-Feb-13	28-Mar-13	26-Apr-13	10-May-13	17-May-13	24-May-13
91-day T. Bills*	8.036	8.928	10.467	10.206	9.887	9.376	8.482
182-day T. Bills*	8.066	8.571	10.803	10.604	10.279	9.980	9.430
364-day T. Bills*			12.676	12.260	11.780	11.153	10.108
5 year FXD T. Bonds	12.791			12.892			
10year FXD T. Bonds							
15year FXD T. Bonds							
15year FXD T. Bonds		13.629		13.661			
20 year FXD T. Bonds	13.694						12.981

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 213.3 billion to Ksh 1.1 trillion on May 17, 2013, from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 130.0 billion, Ksh 55.8 billion, 24.1 billion and Ksh 3.5 billion in the stocks of Treasury bills, Treasury bonds, Government overdraft at the Central Bank and other domestic debt, respectively.

Table 6: Government Domestic Debt (Ksh Billion)

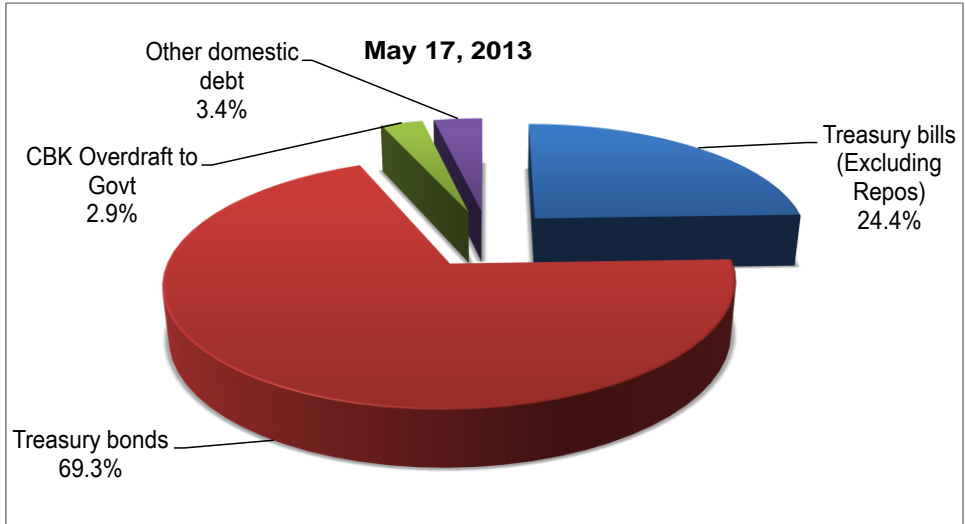
	Jun 2012	Dec-12	Mar 2013	10th May 2013	17th May 2013	Changes	
						10th May 2013 - 17th May 2013	29th Jun 2012 - 17th May 2013
1. Treasury Bills (Excluding Repos)	132.0	196.3	186.6	260.5	262.0	1.5	130.0
(As % of total securities)	16.1	21.5	20.3	26.0	26.1		
2. Treasury Bonds	687.0	716.1	733.2	742.7	742.7	0.0	55.8
(As % of total securities)	83.9	78.5	79.7	74.0	73.9		
3. Total Securities (1+2)	819.0	912.3	919.8	1003.2	1004.7	1.5	185.7
4. Overdraft at Central Bank	7.3	25.4	25.4	31.3	31.3	0.0	24.1
5. Other Domestic debt*	32.6	33.6	36.5	36.1	36.1	0.0	3.5
6. Gross Domestic Debt (3+4+5)	858.8	971.3	981.7	1070.7	1072.2	1.5	213.3
7. Interest payments on domestic debt	82.3	53.6	78.9	90.2	90.6	0.5	8.3

* 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 May 17, 2013, gross government domestic debt increased by Ksh 1.5 billion, on account of increase in Treasury bills (Table 6). The average time to maturity of Government securities declined to 4 years and 11 months during the week ending May 17, 2013, from 5 years and 4 months at the end of June 2012.

Chart C: Composition of Government Domestic Debt

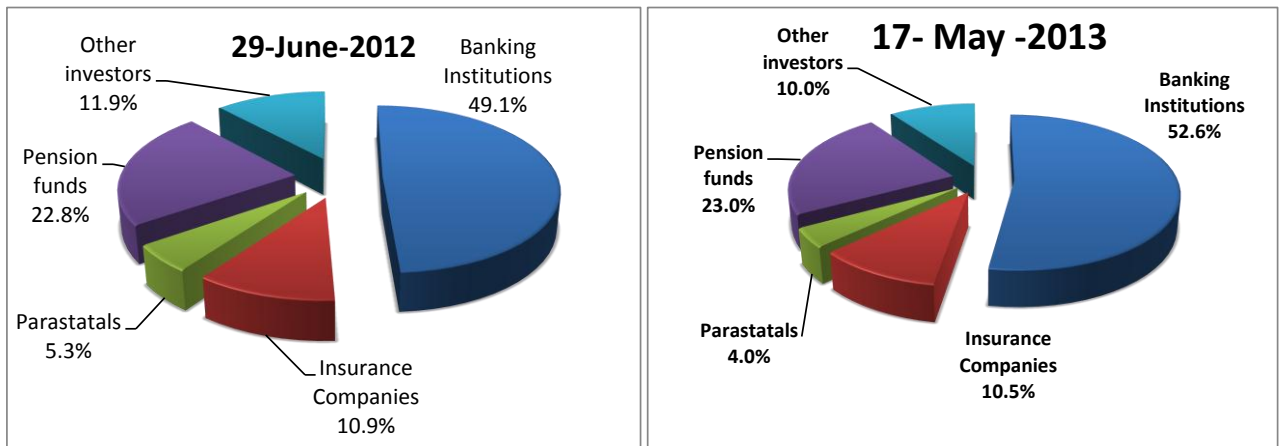


Source: Central Bank of Kenya

Holdings of Government Securities

Government securities accounted for 93.7 percent of gross domestic debt on May 17, 2013 (Chart C). Holdings by commercial banks and pension funds increased from 49.1 and 22.8 percent in June 2012 to 52.6 and 23.0 percent on May 17, 2013. Holding by insurance companies, parastatals, and other investors, which include 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, 4.0 percent and 10.0 percent, respectively, during the period (Chart D).

Chart D: Holding of Government Securities by Investors

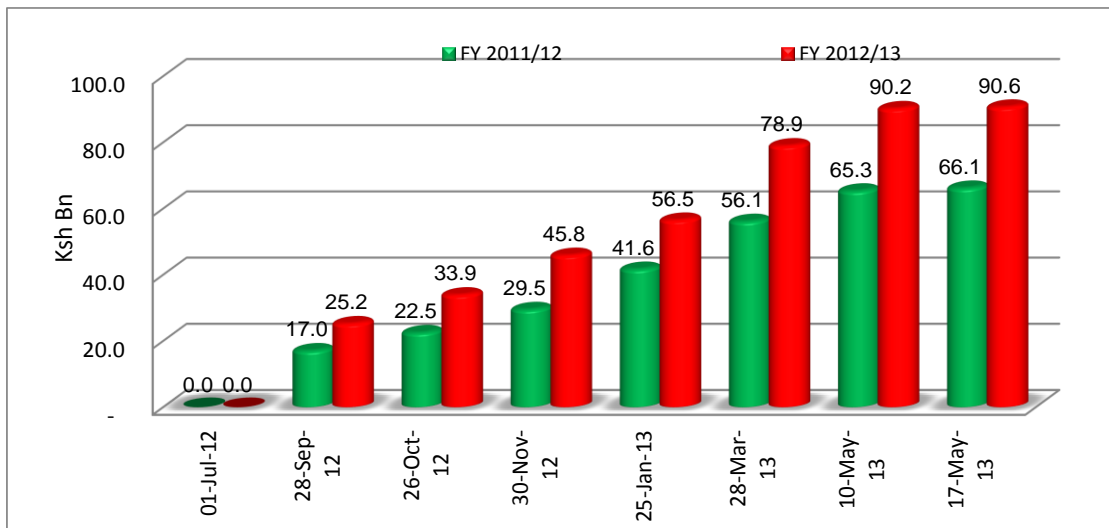


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to May 17, 2013 in the 2012/13 fiscal year amounted to Ksh 90.6 billion compared with Ksh 66.1 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 19.7 billion and Ksh 67.2 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 2.5 billion and Ksh 1.2 billion, respectively.

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



Source: Central Bank of Kenya

Capital Markets

Capital markets performance improved on the equities and bonds segments during the week ending May 23, 2013, with all the market indices rising.

Equities Market

NSE 20 Share Index closed the week at 4956.95 points or 0.03 percent above the previous week’s level, while NASI ended at 127.77 points or 0.99 percent higher (Table 7). Market capitalization that measures shareholders’ wealth reached Ksh 1,733.66 billion up from Ksh 1,716.61 billion recorded in the previous week. However, equity turnover lost 35.64 percent to close the week at Ksh 3,403.69 billion.

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Table 7: Key Weekly Market Statistics

Week Ending	28-Feb-13	7-Mar-13	27-Mar-13	4-Apr-13	11-Apr-13	18-Apr-13	25-Apr-13	2-May-13	9-May-13	16-May-13	23-May-13
NASI 100= Jan 2008	106.91	110.30	117.23	120.45	121.53	119.73	117.47	119.49	123.35	126.52	127.77
NSE 20 Share Index 100=1966	4,518.59	4,585.07	4,830.44	4,975.77	4,990.04	4,932.77	4,764.52	4,788.26	4,917.46	4,955.61	4956.95
Number of Deals	7,177	4,690	7,258	9,645	8,712	10,468	8,186	6,413	8,777	9,674	8991.00
Total Shares Traded (millions)	86.22	120.86	106.92	156.79	101.28	179.82	120.90	98.55	237.38	220.17	226.88
Equity Turnover (Ksh. millions)	3,021.12	1,738.16	2,449.40	2,437.21	1,871.65	3,418.00	1,684.02	2,039.33	3,772.52	5,288.33	3403.69
Market Capitalization (Ksh. Bn.)	1,451.03	1,496.61	1,590.62	1,634.29	1,648.86	1,624.56	1,593.86	1,621.21	1,673.69	1,716.61	1733.66
Bonds Turnover (Ksh. millions)	7,245.10	4,195.15	4,797.75	7,081.85	9,275.00	9,951.95	7,962.05	9,645.90	14,534.20	14,710.05	16977.70
FTSE NSE Kenya 15 Index	141.12	142.22	153.78	157.10	158.80	156.28	154.23	157.30	162.64	167.08	0
FTSE NSE Kenya 25 Index	144.27	145.18	157.07	160.19	161.58	159.39	157.28	160.77	166.66	171.97	0
FTSE NSE Bond Index	93.09	92.46	90.23	89.33	89.51	89.45	89.74	90.05	89.66	89.67	0

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

Source: Nairobi Securities Exchange

Insurance, Telecoms & Technology and Energy & Petroleum sectors were the top three most active, transacting 106.88 million or 47.1 percent; 56.57 million or 24.9 percent and 28.33 million or 12.5 percent of all shares traded, respectively. British-American Investments Ltd, Safaricom Ltd and KenolKobil Ltd were the three most active counters with 103.28 million, 56.57 million and 24.92 million shares traded, respectively. Automobile & Accessories sector was least active, trading 133,600 shares.

The biggest closing and average price gain for the week under review was for East African Breweries Ltd at Ksh 23.0 and Ksh 45.80 per share, respectively. The biggest closing and average price losses were for Pan Africa Insurance Holdings and Williamson Tea Kenya Ltd at Ksh 5.50 and Ksh 4.0 per share, respectively. Of the 53 active counters, 35 had average price gain in the week compared to 26 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, closed the week up at 169.90 points from 167.08 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, closed the week at 175.24 points up from 171.97 points of the previous trading week. The FTSE NSE Bond Index improved slightly to 90.78 points from the previous week's 89.67 points.

The Bond Market

Bonds trading improved by 15.42 percent in turnover, which closed the week at Ksh 16,977.7 million up from Ksh 14,710.05 million in the previous week. Similarly corresponding deals rose to 218 from 179 recorded in the previous week.