



APRIL 26, 2013

Highlights

The money market was relatively liquid during the week ending on April 24, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 26.0 billion through repo securities and Ksh 8.0 billion in term auction deposits, against maturities of repo securities and term auction deposits held by commercial banks of Ksh 16.1 billion and Ksh 24.0 billion, respectively.

The average interbank interest rate fell to 7.65 percent during the week ending on April 24, 2013 from 7.99 percent recorded in the week to April 17, 2013.

The Kenya Shilling exchange rate strengthened against major international currencies in the week ending April 25, 2013. Against the US Dollar the Kenya Shilling appreciated to trade at an average of Ksh 83.83 per USD compared to Ksh 83.95 per USD in the week ending April 18, 2013.

The usable official foreign exchange reserves held by Central Bank decreased from US Dollar 5,568 million as at April 18, 2013 to US Dollar 5,537 million in the week ending April 25, 2013.

The Government offered for sale Treasury bills and bonds worth Ksh 36.0 billion, during the week ending April 26, 2013. A total of Ksh 42.4 billion was accepted out of Ksh 72.0 billion bids received.

Gross Government domestic debt increased by Ksh 180.4 billion to Ksh 1.0 trillion on April 19, 2013, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt increased by Ksh 15.8 billion.

The capital market recorded subdued performance for both bonds and equities segments. The NSE 20 Share Index, NASI, FTSE NSE 15 Index and FTSE NSE 25 Index as well as market capitalization were down from the previous week's levels. Turnover in both segments fell too.

Monetary Policy Operations

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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)
18-Apr-13	292.6	280.4	12.2	10.0	10.0	0.0	0.0	275.9	-4.5	0.8	-5.3
19-Apr-13	281.0	280.4	0.7	7.0	3.0	0.0	-4.0	274.5	-5.9	-0.2	-5.7
22-Apr-13	302.1	280.3	21.8	20.0	12.1	1.7	-6.2	289.5	9.2	15.1	-5.9
23-Apr-13	288.3	280.3	8.0	10.0	0.0	1.5	-8.5	285.2	4.8	11.9	-7.1
24-Apr-13	300.7	280.3	20.4	15.0	0.9	4.8	-9.3	295.8	15.5	22.7	-7.2
Average	292.9	280.3	12.6	12.4	5.2	1.6	-5.6	284.2	3.8	10.1	-6.2

Source: Central Bank of Kenya

Interbank and REPO Interest Rates

The average interbank interest rate fell to 7.65 percent during the week ending April 24, 2013 from 7.99 percent recorded in the week to April 17, 2013. The interbank volumes transacted declined to an average of Ksh 10.0 billion compared with Ksh 13.4 billion recorded in the previous week, while the average number of deals was 49 compared with 54 deals in the previous week (Table 2 and Chart A).

Table 2: Interbank Deals, Volumes and Interest Rates

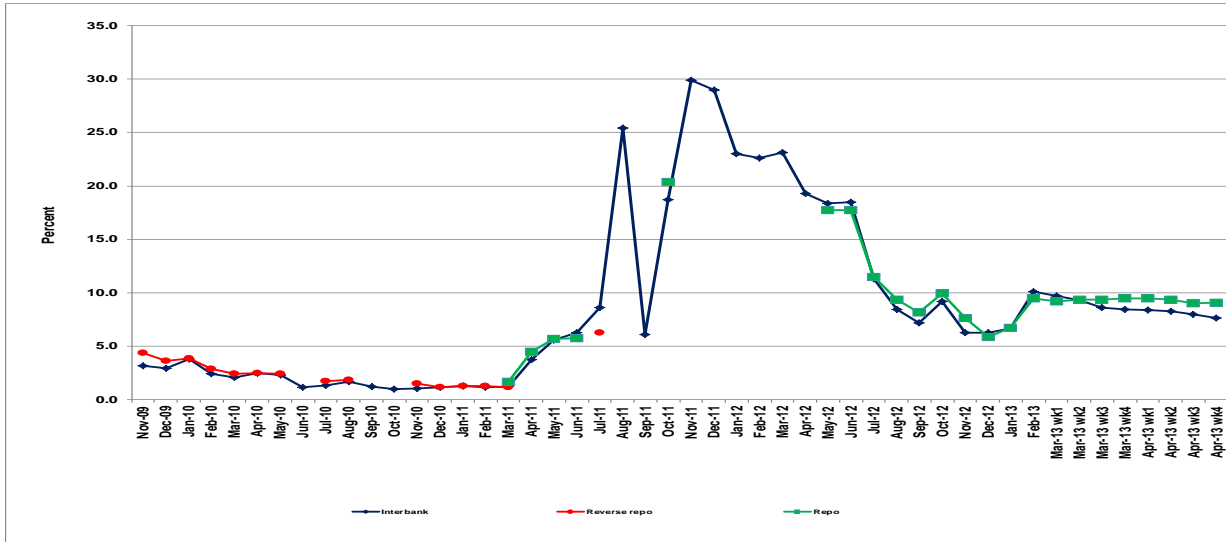
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
11-Apr-13	48	8,845	8.11
12-Apr-13	56	10,591	8.05
15-Apr-13	53	14,476	7.97
16-Apr-13	58	15,577	7.92
17-Apr-13	56	17,651	7.90
April 11 - April 17, 2013	54	13,428	7.99
18-Apr-13	44	10,925	7.76
19-Apr-13	53	9,923	7.72
22-Apr-13	46	9,048	7.66
23-Apr-13	53	10,832	7.59
24-Apr-13	47	9,486	7.52
April 18 - April 24, 2013	49	10,043	7.65

Source: Central Bank of Kenya

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The average repo rate also declined to 9.09 percent during the week ending April 24, 2013 from with 9.02 percent recorded in the previous week.

Chart A: The Structure of Interest Rates

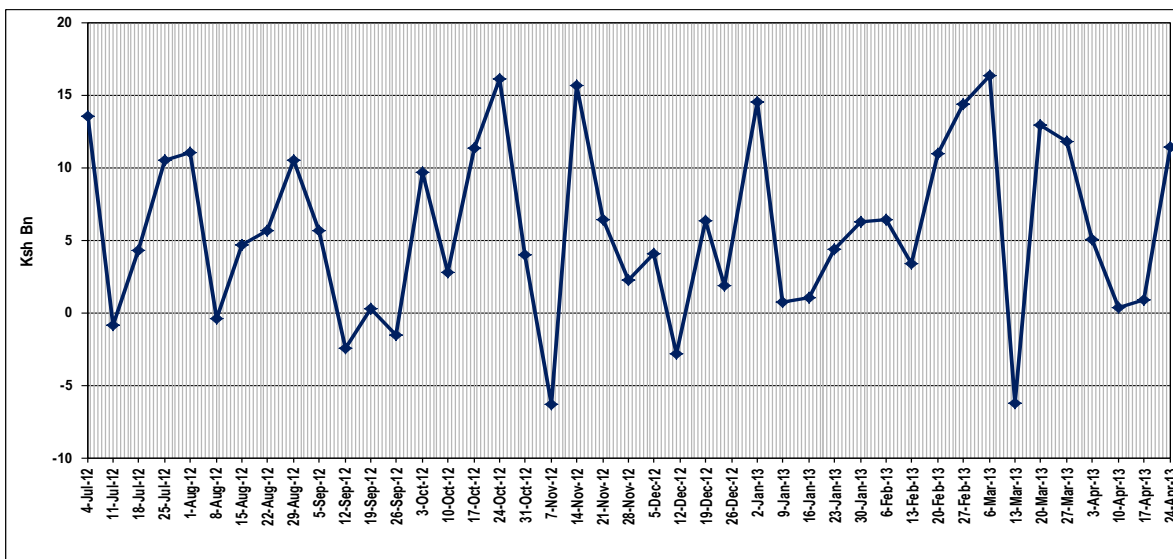


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 11.42 billion in their settlement accounts in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 90.2 billion) at the Central Bank in the week to April 24, 2013 compared with Ksh 0.89 billion in the week to April 17, 2013 (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 strengthened against major international currencies in the week ending April 25, 2013. The strengthening of the Shilling is as a result of increased inflows from the agriculture sector.

During the week, the Kenya Shilling appreciated by 0.14 percent, 0.52 percent, 0.54 percent and 1.06 percent against the US Dollar, the Sterling Pound, the Euro and the Japanese Yen respectively to trade at an average of Ksh 83.83 per USD, Ksh 127.97 per Sterling Pound, Ksh 109.35 per Euro and Ksh 84.52 per 100 Japanese Yen compared to Ksh 83.95 per USD, Ksh 128.63 per Sterling Pound, Ksh 109.95 per Euro and Ksh 85.43 per 100 Japanese Yen in the week ending April 18, 2013.

In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling, the Tanzania Shilling and the Rwanda Franc and weakened against the Burundi Franc to trade at average of Ush 30.71, Tsh 19.43, RWF 7.58 and BIF 18.72 compared to Ush 30.37, Tsh 19.33, RWF 7.56 and BIF 18.78 in the week ending April 18, 2013.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
2-Apr-13	84.98	129.51	109.43	91.69	30.51	19.06	7.46	18.55
3-Apr-13	84.99	128.37	108.99	90.93	30.53	19.08	7.46	18.54
4-Apr-13	84.86	128.04	108.85	89.60	30.58	19.10	7.47	18.57
2-4 April 2013	84.94	128.64	109.09	90.74	30.54	19.08	7.46	18.55
5-Apr-13	84.86	129.21	109.61	88.07	30.64	19.05	7.48	18.51
8-Apr-13	84.79	129.83	110.05	86.02	30.66	19.09	7.49	18.59
10-Apr-13	84.68	129.65	110.70	85.42	30.59	19.13	7.50	18.61
11-Apr-13	84.30	129.24	110.19	84.60	30.54	19.20	7.53	18.69
5-11 April 2013	84.66	129.48	110.14	86.03	30.61	19.12	7.50	18.60
12-Apr-13	84.19	129.53	110.34	84.58	30.33	19.18	7.54	18.73
15-Apr-13	83.99	128.75	109.86	85.74	30.21	19.36	7.56	18.76
16-Apr-13	83.88	128.38	109.67	86.06	30.10	19.28	7.56	18.79
17-Apr-13	83.90	128.73	110.53	85.30	30.31	19.40	7.56	18.78
18-Apr-13	83.79	127.77	109.34	85.46	30.91	19.43	7.58	18.81
12-18 April 2013	83.95	128.63	109.95	85.43	30.37	19.33	7.56	18.78
19-Apr-13	83.82	128.14	109.52	85.01	30.70	19.45	7.59	18.80
22-Apr-13	83.88	127.74	109.61	84.19	30.67	19.43	7.58	18.79
23-Apr-13	83.88	127.99	109.40	84.83	30.64	19.40	7.56	18.58
24-Apr-13	83.78	127.74	108.96	84.21	30.67	19.42	7.57	18.60
25-Apr-13	83.77	128.25	109.25	84.39	30.86	19.43	7.58	18.81
19-25 April 2013	83.83	127.97	109.35	84.52	30.71	19.43	7.58	18.72

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank decreased from US Dollar 5,568 million as at April 18, 2013 to US Dollar 5,537 million in the week ending April 25, 2013 (Table 4).

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

	7-Feb-13	14-Feb-13	21-Feb-13	28-Feb-13	7-Mar-13	14-Mar-13	21-Mar-13	28-Mar-13	4-Apr-13	11-Apr-13	18-Apr-13	25-Apr-13
Usable Reserves*	4,975	4,960	4,974	4,940	4,953	4,992	5,033	5,052	5,159	5,364	5,568	5,537
Months of Imports Cover**	3.79	3.78	3.79	3.76	3.75	3.78	3.81	3.78	3.86	4.01	4.16	4.09

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

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 5.0 billion in 364 day Treasury bills and a total Ksh 25.0 billion in 5 year and 15 year discounted fixed rate Treasury bonds during the week ending April 26, 2013. Total bids received for the Treasury bills amounted to Ksh 15.4 billion, of which Ksh 2.9 billion, Ksh 1.1 billion and Ksh 11.4 billion was in 91 day, 182 day and 364 day papers, representing performance rates of 97.2 percent, 38.3 percent and 227.3 percent, respectively. In addition, Ksh 56.6 billion was received for the 5 year and 15 year Treasury bonds collectively, representing 226.3 percent performance. The Government accepted Ksh 2.9 billion in the 91 day paper, Ksh 1.1 billion in the 182 day paper, Ksh 6.7 billion in the 364 day paper, Ksh 20.2 billion in the 5 year bond and Ksh 15.6 billion in the 15 year bond. Total non-competitive bids received amounted to Ksh 5.8 billion in both Treasury bills and Bonds.

Interest Rates on Government Securities

The weighted average interest rates on the 91 day, 182 day and 364 day Treasury bills declined by 5.2 basis points, 3.3 basis points and 14.5 basis points to 10.206 percent, 10.604 percent and 12.260 percent, respectively, during the week's auction. In addition the weighted average interest rates on the 5 year and 15 year Treasury bonds edged up by 10.1 basis points and 3.2 basis points to 12.892 percent and 13.661 percent, respectively, compared with similar auctions held in January 2013 and February 2013.

Table 5: Government Securities Interest Rates

Auction date	25-Jan-13	22-Feb-13	28-Mar-13	5-Apr-13	12-Apr-13	19-Apr-13	26-Apr-13
91-day T. Bills*	8.036	8.928	10.467	10.541	10.423	10.258	10.206
182-day T. Bills*	8.066	8.571	10.803	10.892	10.827	10.637	10.604
364-day T. Bills*			12.676	12.618	12.504	12.405	12.260
5 year FXD T. Bonds	12.791						12.892
15year FXD T. Bonds		13.629					13.661

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 180.4 billion to Ksh 1.0 trillion on April 19, 2013, from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 102.3 billion, Ksh 46.3 billion, 26.9 billion and Ksh 4.9 billion in the stocks of Treasury bills, Treasury bonds, Government overdraft at the Central Bank and other domestic debt, respectively.

CBK WEEKLY BULLETIN

Table 6: Government Domestic Debt (Ksh Billion)

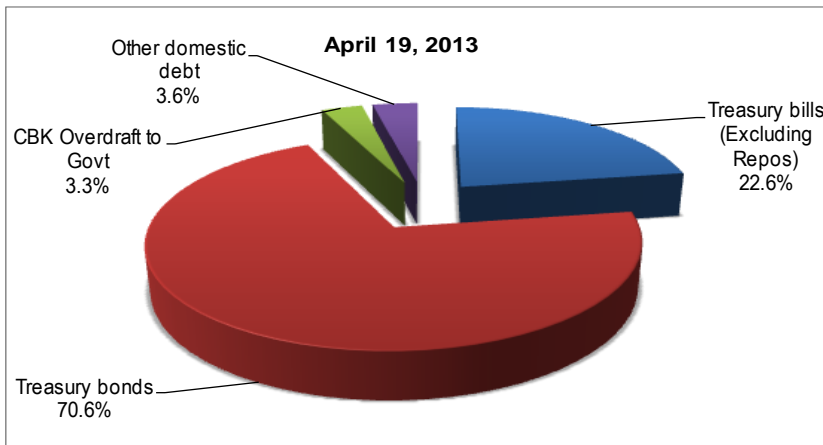
	Jun 2012	Mar 2013	12th April 2013	19th April 2013	Changes	
					12th April 2013 - 19th April 2013	29th Jun 2012 - 19th April 2013
1. Treasury Bills (Excluding Repos)	132.0	186.6	219.1	234.4	15.3	102.3
(As % of total securities)	16.1	20.3	23.0	24.2		
2. Treasury Bonds	687.0	733.2	733.2	733.2	0.0	46.3
(As % of total securities)	83.9	79.7	77.0	75.8		
3. Total Securities (1+2)	819.0	919.8	952.3	967.6	15.3	148.6
4. Overdraft at Central Bank	7.3	25.4	34.2	34.2	0.0	26.9
5. Other Domestic debt*	32.6	36.5	36.9	37.43	0.5	4.9
6. Gross Domestic Debt (3+4+5)	858.8	981.7	1023.4	1039.2	15.8	180.4
7. Interest payments on domestic debt	82.3	78.9	82.5	82.9	0.4	0.6

* 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 April 19, 2013, gross government domestic debt increased by Ksh 15.8 billion, on account of Treasury bills (Table 6). The average time to maturity of Government securities declined to 4 years and 9 months during the week ending April 19, 2013, from 5 years and 4 months at the end of June 2012 reflecting the issuance of the long term securities (5 and 15 years Treasury bonds) during the week.

Chart C: Composition of Government Domestic Debt

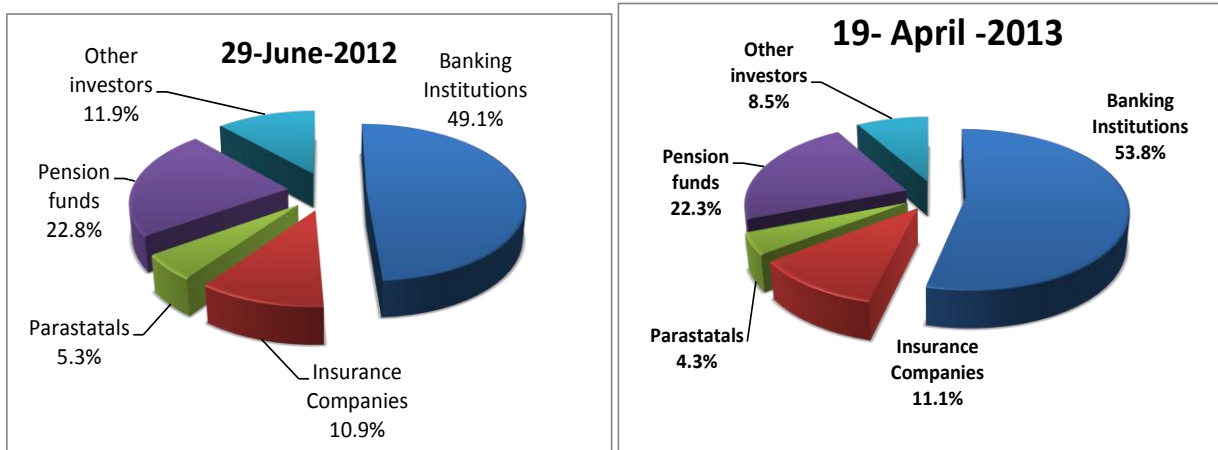


Source: Central Bank of Kenya

Holdings of Government Securities

Government securities accounted for 93.2 percent of gross domestic debt on April 19, 2013 (Chart C). Holdings by commercial banks and insurance companies increased from 49.1 percent and 10.9 percent in June 2012 to 53.8 percent and 11.1 percent, respectively, on April 19, 2013. Pension fund, Parastatal, and other investor holdings, which comprise of Saccos', listed and private companies, self-help groups, educational institutions, religious institutions and individuals, declined from 22.8 percent, 5.3 percent and 11.9 percent to 22.3 percent, 4.3 percent and 8.5 percent, respectively, during the period (Chart D).

Chart D: Holding of Government Securities by Investors

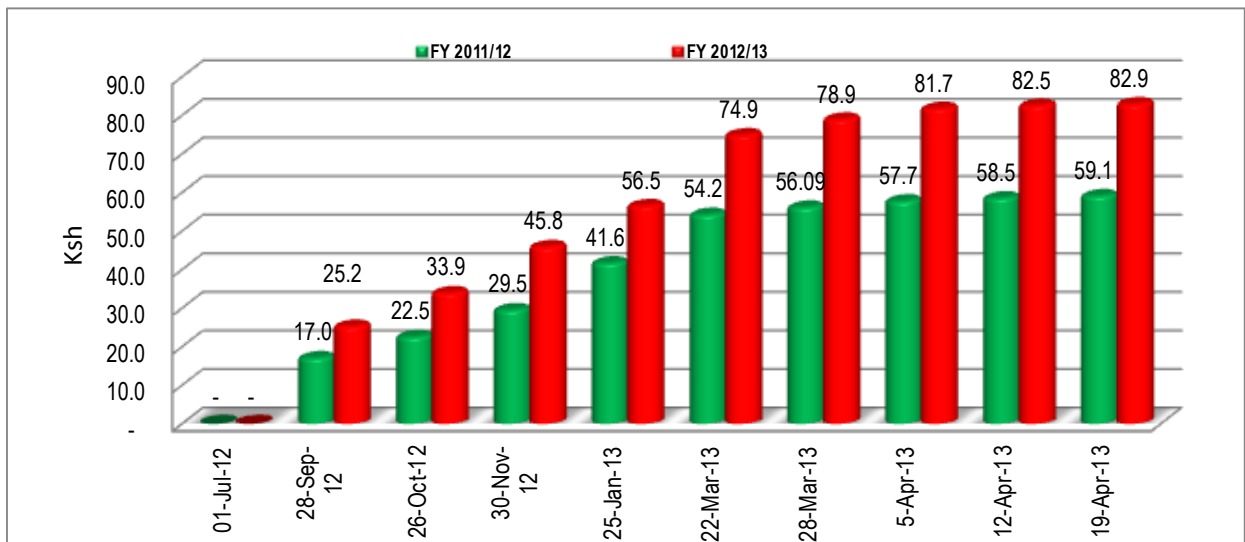


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to April 19, 2013 in the 2012/13 fiscal year amounted to Ksh 82.9 billion compared with Ksh 59.1 billion during a similar period of the previous fiscal year (Chart E). The cost of debt during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 18.5 billion and Ksh 61.0 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 2.2 billion and Ksh 1.2 billion, respectively.

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



Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

Capital Markets

Capital markets performance slowed down on the equities and bonds segments during the week ending April 25, 2013. All the equities indices fell as well as turnover for both bonds and equities.

Equities Market

NSE 20 Share Index closed the week at 4764.52 points or 3.41 percent below the previous week's level, while NASI recorded 117.47 points or 1.89 percent lower than the previous week (Table 7). Market capitalization that measures shareholders' wealth closed 189 percent lower to Ksh.1,593.86 billion, while Equity turnover lost by slightly more than half the previous week's level to record a 50.7 percent loss to end the week at Ksh.1,684.02 billion. This was on account of a 32.8 percent fall in number of shares transacted and prices across most counters.

Table 7: Key Weekly Market Statistics

Week Ending	7-Mar-13	14-Mar-13	21-Mar-13	27-Mar-13	4-Apr-13	11-Apr-13	18-Apr-13	25-Apr-13
NASI 100= Jan 2008	110.30	115.93	113.21	117.23	120.45	121.53	119.73	117.47
NSE 20 Share Index 100=1966	4,585.07	4,831.85	4708.56	4830.44	4975.77	4990.04	4932.77	4764.52
Number of Deals	4,690	11,619	8,944.00	7258	9645	8712	10468	8186
Total Shares Traded (millions)	120.86	197.84	124.88	106.9161	156.7903	101.2765	179.8199	120.9049
Equity Turnover (Ksh. millions)	1,738.16	4,040.75	2,478.88	2449.3953	2437.215	1871.646	3418	1684.021
Market Capitalization (Ksh. Bn.)	1,496.61	1,572.89	1,536.05	1590.622	1634.294	1648.864	1624.556	1593.86
Bonds Turnover (Ksh. millions)	4,195.15	4,091.55	10,658.80	4797.75	7081.85	9275	9951.95	7962.05
FTSE NSE Kenya 15 Index	142.22	150.18	147.06	153.78	157.1	158.8	156.28	154.23
FTSE NSE Kenya 25 Index	145.18	153.62	150.68	157.07	160.19	161.58	159.39	157.28

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

Source: Nairobi Securities Exchange

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Telecoms and Technology, Banking and Energy & Petroleum sectors were the top three most active, transacting 65.82 million or 54.4 percent; 22.50 million or 18.6 percent and 12.31 million or 10.2 percent of all shares traded, respectively. Safaricom Ltd, KenolKobil Ltd and Mumias Sugar Co. Ltd were the three most active counters with 65.34 million, 9.37 million and 6.50 million shares traded, respectively. Agriculture sector was the least active, trading 153,800 shares.

The biggest closing and average price gain for the week under review was for British American Tobacco Ltd at Ksh.12.0 and Ksh.13.0 per share, respectively. The biggest closing and average price loss was for Standard Chartered Bank and Nation Media Group Ltd at Ksh.23.0 and Ksh.48.0 per share, respectively. Of the 53 active counters, 14 had average price gain in the week compared to 30 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 down at 154.23 points from 156.28 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, also fell to register 157.28 points from 159.39 points in the previous trading week.

The Bond Market

Bonds trading lost some ground and registered a 20.0 percentage fall in turnover. Turnover touched KSh.7, 962.05 million for the week ending April 25, 2013, down from KSh. 9, 951.95 million in the previous week. Corresponding deals however rose to 134 from 109 the previous week. This low activity is ahead of the closure of the government's new issue of 5 year and 15 year bonds in the primary market.