



APRIL 12, 2013

Highlights

The money market was relatively liquid during the week ending April 10, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 28.4 billion through repo securities and Ksh 24.0 billion in term auction deposits against maturities of repo securities and term auction deposits held by commercial banks of Ksh 25.9 billion and Ksh 16.8 billion, respectively.

The average interbank rate decreased marginally to 8.30 percent during the week ending April 10, 2013 from 8.41 percent in the previous week.

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending April 11, 2013. Against the US Dollar the Kenya Shilling appreciated to trade at an average of Ksh 84.66 per USD compared to Ksh 84.94 per USD in the week ending April 4, 2013.

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,159 million as at April 4, 2013 to US Dollar 5,352 million in the week ending April 11, 2013.

The Government offered for sale Treasury bills worth Ksh 11.0 billion, during the week ending April 12, 2013. A total of Ksh 19.5 billion was accepted out of Ksh 27.6 billion bids received.

Gross Government domestic debt increased by Ksh 141.4 billion to Ksh 1.0 trillion on April 5, 2013, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt increased by Ksh 18.6 billion, on account of Treasury bills.

The capital market recorded improved performance with gains in both the equities and bonds segments. The NSE 20 Share Index and NASI gained as well as market capitalization. Bonds turnover recorded a 30.97 percent rise compared to the previous week.

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Monetary Policy Operations

The money market was relatively liquid during the week ending April 10, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 28.4 billion through repo securities and Ksh 24.0 billion in term auction deposits against maturities of repo securities and term auction deposits held by commercial banks of Ksh 25.9 billion and Ksh 16.8 billion, respectively. Reserve money averaged Ksh 278.4 billion during the week and was Ksh 2.1 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)
04-Apr-13	294.7	280.5	14.2	15.0	9.6	0.3	-5.2	282.5	2.0	4.7	-2.7
05-Apr-13	296.9	280.5	16.4	14.0	1.4	12.6	0.0	279.9	-0.6	1.9	-2.6
08-Apr-13	277.3	280.4	-3.2	3.5	0.0	3.5	0.0	274.9	-5.5	-3.8	-1.7
10-Apr-13	303.0	280.4	22.6	25.0	17.5	7.6	0.0	276.4	-4.0	-3.3	-0.8
Average	293.0	280.5	12.5	14.4	7.1	6.0	-1.3	278.4	-2.1	-0.1	-1.9

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased marginally to 8.30 percent during the week ending April 10, 2013 from 8.41 percent in the previous week. The interbank volumes transacted declined to an average of Ksh 7.2 billion compared with Ksh 10.1 billion in the previous week, while the average number of deals was 39 compared with 49 deals in the previous week (Table 2 and Chart A).

Table 2: Interbank Deals, Volumes and Interest Rates

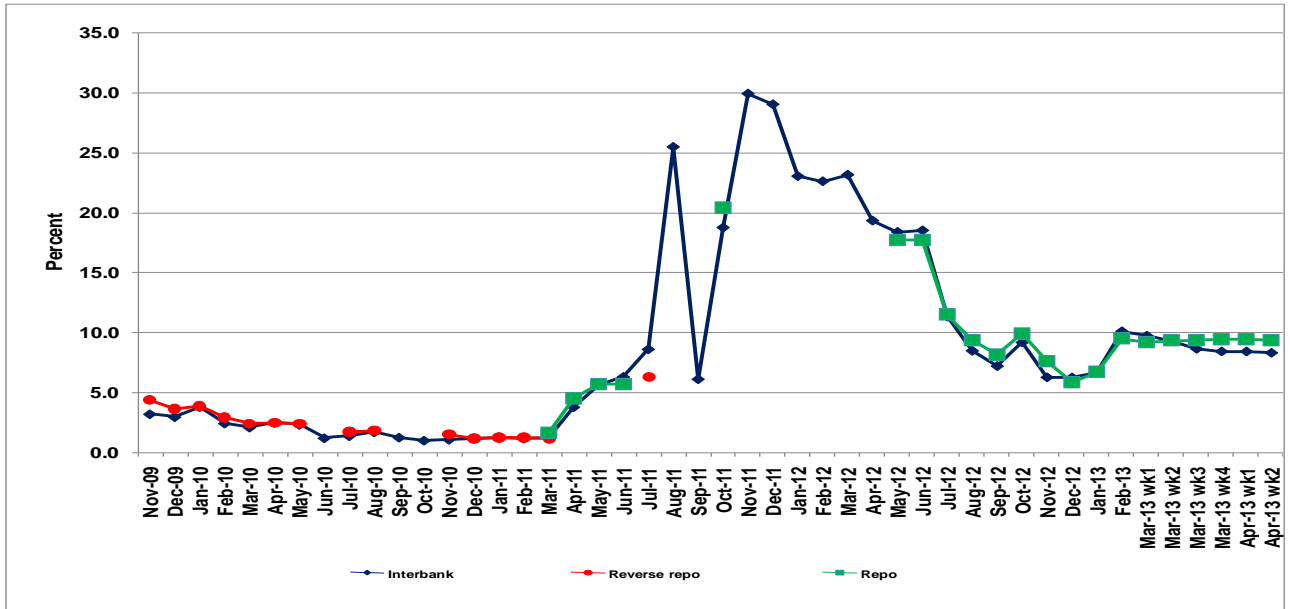
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
28-Mar-13	60	14,613	8.40
02-Apr-13	51	9,935	8.41
03-Apr-13	37	5,853	8.40
March 28 - April 3, 2013	49	10,133	8.41
04-Apr-13	34	5,687	8.40
05-Apr-13	39	6,284	8.34
08-Apr-13	41	9,621	8.27
10-Apr-13	42	7,187	8.18
April 4 - April 10, 2013	39	7,195	8.30

Source: Central Bank of Kenya

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The average repo rate decreased to 9.36 percent during the week ending April 10, 2013 from 9.46 percent recorded in the previous week.

Chart A: The Structure of Interest Rates

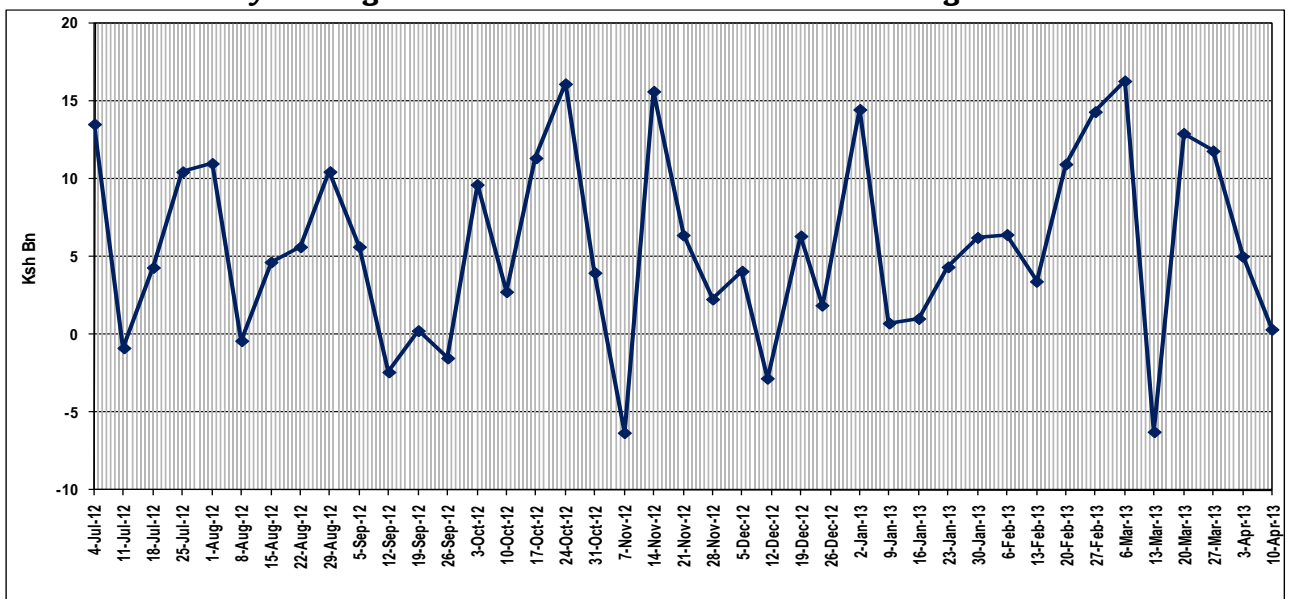


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 0.31 billion in their settlement accounts in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 89.4 billion) at the Central Bank in the week to April 10, 2013 compared with Ksh 5.02 billion in the previous week (Chart B).

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



Source: Central Bank of Kenya

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The Shilling Exchange Rate

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending April 11, 2013. During the week, the Kenya Shilling appreciated against the US Dollar and the Japanese Yen by 0.33 percent and 5.19 percent respectively and depreciated against the Sterling Pound and Euro by 0.66 percent and 0.96 percent respectively to trade at an average of Ksh 84.66 per USD, Ksh 129.48 per Sterling Pound, Ksh 110.14 per Euro and Ksh 86.03 per 100 Japanese Yen compared to Ksh 84.94 per USD, Ksh 128.64 per Sterling Pound, Ksh 109.09 per Euro and Ksh 90.74 per 100 Japanese Yen in the week ending April 4, 2013.

In the EAC region, the Kenya Shilling strengthened against all the East African currencies to trade at an average of Ush 30.61, Tsh 19.12, RWF 7.50 and BIF 18.60 compared to Ush 30.54, Tsh 19.08, RWF 7.46 and BIF 18.55 in the week ending April 4, 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

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,159 million as at April 4, 2013 to US Dollar 5,352 million in the week ending April 11, 2013 (Table 4).

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

	07-Feb-13	14-Feb-13	21-Feb-13	28-Feb-13	07-Mar-13	14-Mar-13	21-Mar-13	28-Mar-13	04-Apr-13	11-Apr-13
Usable Reserves*	4,975	4,960	4,974	4,940	4,953	4,992	5,033	5,052	5,159	5,352
Months of Imports Cover**	3.79	3.78	3.79	3.76	3.75	3.78	3.81	3.78	3.86	4.00

*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 3.0 billion in 91 day Treasury bills, Ksh 3.0 billion in 182 day Treasury bills and Ksh 5.0 billion in 364 day Treasury bills, during the week ending April 12, 2013. Total bids received amounted to Ksh 27.6 billion, of which Ksh 1.7 billion was

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in the 91 day paper, representing 55.6 percent performance, Ksh 4.3 billion was in the 182 day paper, representing 142.4 percent performance and Ksh 21.6 billion in the 364 day paper, equivalent to 432.2 percent performance rate. The Government accepted Ksh 1.4 billion of the 91 day bids, Ksh 3.4 billion of the 182 day bids and Ksh 14.7 billion of the 364 day bids, during the week. Total non-competitive bids received amounted to Ksh 1.5 billion.

Interest Rates on Government securities

Weighted average interest rates on the 91 day, 182 day and 364 day Treasury bills decreased by 11.8, 6.5 and 11.4 basis points, respectively, to reach 10.423 percent, 10.827 percent and 12.504 percent, during the week's auctions.

Table 5: Government Securities Interest Rates

Auction date	29-Jun-12	27-Jul-12	22-Feb-13	08-Mar-13	15-Mar-13	22-Mar-13	28-Mar-13	05-Apr-13	12-Apr-13
91-day T. Bills*	10.780	13.226	8.928	9.747	10.097	10.318	10.467	10.541	10.423
182-day T. Bills*	11.091	13.379	8.571	9.697	10.182	10.602	10.803	10.892	10.827
364-day T. Bills*				12.542	12.595	12.674	12.676	12.618	12.504
2 year FXD T. Bonds			12.844			12.940			
10year FXD T. Bonds		13.630				13.720			

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 141.4 billion to Ksh 1.0 trillion on April 5, 2013, from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 73.2 billion, Ksh 46.3 billion, 18.1 billion and Ksh 3.9 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	Sep 2012	Dec-12	28th March 2013	5th April 2013	Changes	
						28th Mar 2013- 5th April 2013	29th Jun 2012 - 5 April 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	159.7 18.5	196.3 21.5	186.6 20.3	205.2 21.9	18.6	73.2
2. Treasury Bonds (As % of total securities)	687.0 83.9	703.9 81.5	716.1 78.5	733.2 79.7	733.2 78.1	0.0	46.3
3. Total Securities (1+2)	819.0	863.6	912.3	919.8	938.4	18.6	119.4
4. Overdraft at Central Bank	7.3	25.4	25.4	25.4	25.4	0.0	18.1
5. Other Domestic debt*	32.6	33.2	33.6	36.5	36.5	0.0	3.9
6. Gross Domestic Debt (3+4+5)	858.8	922.2	971.3	981.7	1000.3	18.6	141.4
7. Interest payments on domestic debt	82.3	25.2	53.6	78.9	81.7	2.8	

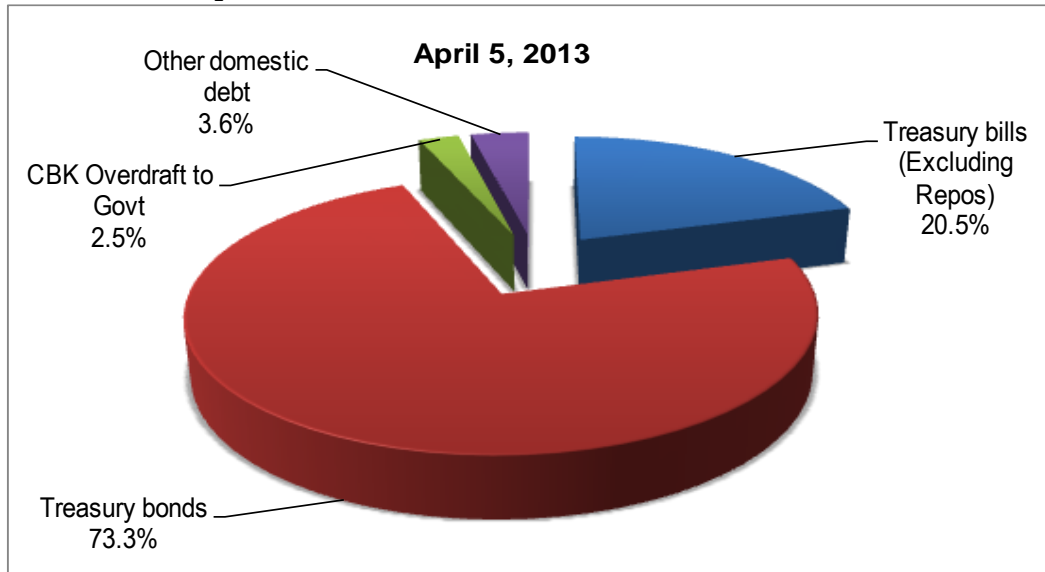
* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and Tax Reserve Certificates.

Source: Central Bank of Kenya

During the week ending April 5, 2013, gross government domestic debt increased by Ksh 18.6 billion, on account of Treasury bills (Table 6). The average time to maturity of

Government securities declined to 5 years during the week ending April 5, 2013, from 5 years and 4 months at the end of June 2012.

Chart C: Composition of Government Domestic Debt

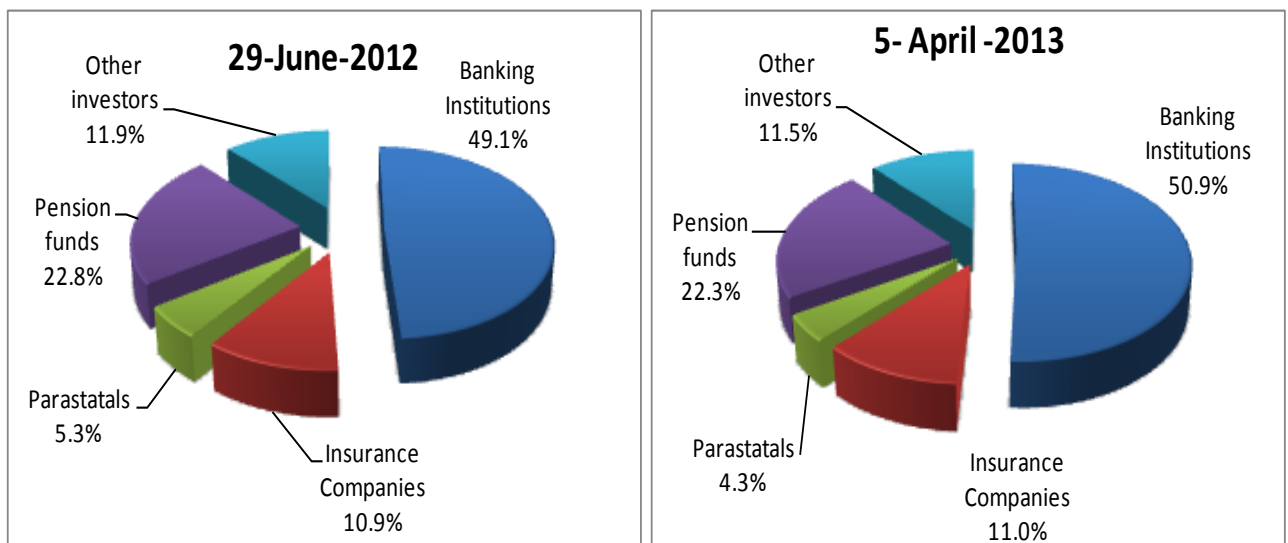


Source: Central Bank of Kenya

Holdings of Government Securities

Government securities accounted for 93.8 percent of gross domestic debt on April 5, 2013 (Chart C). Holdings by commercial banks and insurance companies increased from 49.1 percent and 10.9 percent in June 2012 to 50.9 percent and 11.0 percent, respectively, on April 5, 2013. Pension fund, Parastatal, and other investor holdings, which comprise 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 11.5 percent, respectively, during the period (Chart D).

Chart D: Holding of Government Securities by Investors

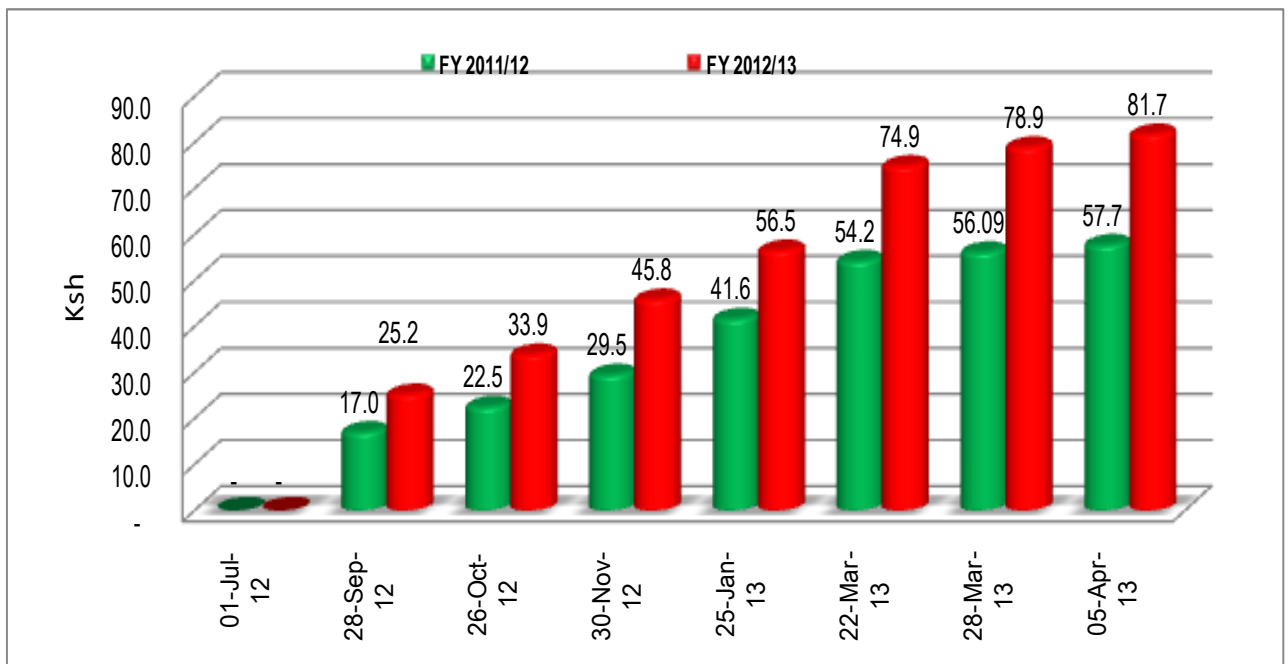


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Source: Central Bank of Kenya
Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to April 5, 2013 in the 2012/13 fiscal year amounted to Ksh 81.7 billion compared with Ksh 57.7 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 17.5 billion and Ksh 60.8 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

Capital Markets

Capital markets recorded improved performance during the week ending April 11, 2013. Market capitalization gained 89 basis points, while equities turnover fell 23.2 percentage points. The bonds segment turnover recorded an improvement of 30.97 percent.

Equities Market

NSE 20 Share Index closed the week at 4990.04 points or 0.29 percent above the previous week's level, while NASI recorded 121.53 points or 0.90 percent higher than the previous week (Table 7). Market capitalization that measures shareholders' wealth closed 89 basis points higher to Ksh 1, 648.86 billion, while Equity turnover declined 23.2 percent to end the week at Ksh 1, 871.65 billion. This was on account of the 35.4 percent fall in supply of shares.

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Table 7: Key Weekly Market Statistics

Week Ending	21-Feb-13	28-Feb-13	07-Mar-13	14-Mar-13	21-Mar-13	27-Mar-13	04-Apr-13	11-Apr-13
NASI 100= Jan 2008	105.39	106.91	110.30	115.93	113.21	117.23	120.45	121.53
NSE 20 Share Index 100=1966	4,505.59	4,518.59	4,585.07	4,831.85	4,708.56	4,830.44	4,975.77	4,990.04
Number of Deals	7,897	7,177	4,690	11,619	8,944	7,258	9,645	8,712
Total Shares Traded (millions)	180.66	86.22	120.86	197.84	124.88	106.92	156.79	101.28
Equity Turnover (Ksh. millions)	3,509.54	3,021.12	1,738.16	4,040.75	2,478.88	2,449.40	2,437.21	1,871.65
Market Capitalization (Ksh. Billions)	1,414.53	1,451.03	1,496.61	1,572.89	1,536.05	1,590.62	1,634.29	1,648.86
Bonds Turnover (Ksh. millions)	4,027.70	7,245.10	4,195.15	4,091.55	10,658.80	4,797.75	7,081.85	9,275.00
FTSE NSE Kenya 15 Index	137.09	141.12	145.35	150.18	147.06	153.78	157.10	156.58
FTSE NSE Kenya 25 Index	140.05	144.27	148.51	153.62	150.68	157.07	160.19	159.15

Source: Nairobi Securities Exchange

Telecoms and Technology, Banking and Insurance sectors were the top three most active, transacting 52.46 million or 51.8 percent; 14.42 million or 14.2 percent and 9.8 million or 9.7 percent of all shares traded, respectively. Safaricom Ltd, British-American Investments Co and Mumias Sugar Co. Ltd were the three most active counters with 51.52 million, 7.42 million and 5.02 million shares traded, respectively. Construction & Allied sector was the least active, trading 215,800 shares.

The biggest closing and average price gains for the week under review was for Nation Media Group Ltd at Ksh 25.0 and Ksh 18.25 per share, respectively. The biggest closing and average price loss were for East African Breweries Ltd and Bamburi Cement Ltd at Ksh 6.0 and Ksh 11.5 per share, respectively. Of the 53 active counters, 37 had average price gain in the week compared to 48 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 156.58 points from 157.10 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, also fell to register 159.15 points from 160.19 points in the previous trading week.

The Bond Market

Bonds trading improved from the previous week's trading to register a 30.97 percentage rise in turnover. Turnover touched Ksh 9, 275.0 million for the week ending April 11, 2013, up from Ksh 7, 081.85 million in the previous week. Corresponding deals fell to 77 from 115 the previous week.