



FEBRUARY 22, 2013

Highlights

The money market was relatively liquid during the week ending February 20, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 28.9 billion and Ksh 2.2 billion through repo securities and term auction deposits against maturities of repo securities held by commercial banks of Ksh 11.6 billion.

The average interbank rate increased to 9.92 percent during the week ending February 20, 2013 from 8.84 percent recorded in the previous week.

The Kenya Shilling exchange rate remained relatively stable against major international currencies in the week ending February 21, 2013. Against the US Dollar the Kenya Shilling weakened marginally to trade at an average of Ksh 87.53 per USD compared to Ksh 87.50 per USD in the week ending February 14, 2013.

The usable official foreign exchange reserves held by Central Bank decreased from US Dollar 4,992 million as at February 14, 2013 to US Dollar 4,974 million in the week ending February 21, 2013.

The Government offered for sale Treasury bills and Treasury bonds worth Ksh 23.0 billion, during the week ending February 22, 2013. A total of Ksh 24.4 billion was accepted out of Ksh 47.2 billion bids received.

Gross Government domestic debt increased by Ksh 100.7 billion to Ksh 959.5 billion on February 15, 2013, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt declined by Ksh 4.6 billion, on account of Treasury bills.

The equities market lost its rally as reflected by all equities market indices. The NSE 20 Share Index, NASI, FTSE NSE 15 and FTSE NSE 25 Index lost 131.95 points, 3.11 points, 4.44 points and 4.88 points, respectively. Market capitalization lost Ksh 41.76 billion. The equity turnover lost 4.2 percent, while bonds trading rose 17.3 percent in turnover. FTSE NSE Kenyan Shilling Government Bond Index lost 0.18 points, implying rising yields.

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Monetary Policy Operations

The money market was relatively liquid during the week ending February 20, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 28.9 billion and Ksh 2.2 billion through repo securities and term auction deposits, respectively against maturities of repo securities held by commercial banks of Ksh 11.6 billion. Reserve money averaged Ksh 284.2 billion during the week and was Ksh 3.0 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)
14-Feb-13	286.9	287.6	-0.6	5.0	3.7	0.0	-1.3	283.0	-4.5	7.2	-11.7
15-Feb-13	292.0	287.6	4.4	2.0	8.7	0.0	6.7	283.7	-3.8	7.9	-11.7
18-Feb-13	304.8	287.0	17.8	2.0	13.0	0.0	11.0	292.2	5.2	16.5	-11.3
19-Feb-13	290.8	287.0	3.8	4.0	2.7	0.0	-1.3	283.1	-3.9	7.3	-11.1
20-Feb-13	273.6	287.0	-13.4	5.0	0.8	0.0	-4.2	279.1	-7.9	3.4	-11.3
Average	289.6	287.2	2.4	3.6	5.8	0.0	2.2	284.2	-3.0	8.4	-11.4

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate increased to 9.92 percent during the week ending February 20, 2013 from 8.84 percent recorded in the previous week. The average interbank volumes transacted declined from Ksh 14.0 billion on February 13, 2013 to Ksh 8.2 billion transacted on February 20, 2013, while the average number of deals was 50 compared with 64 deals in the previous week (Table 2 and Chart A)

Table 2: Interbank Deals, Volumes and Interest Rates

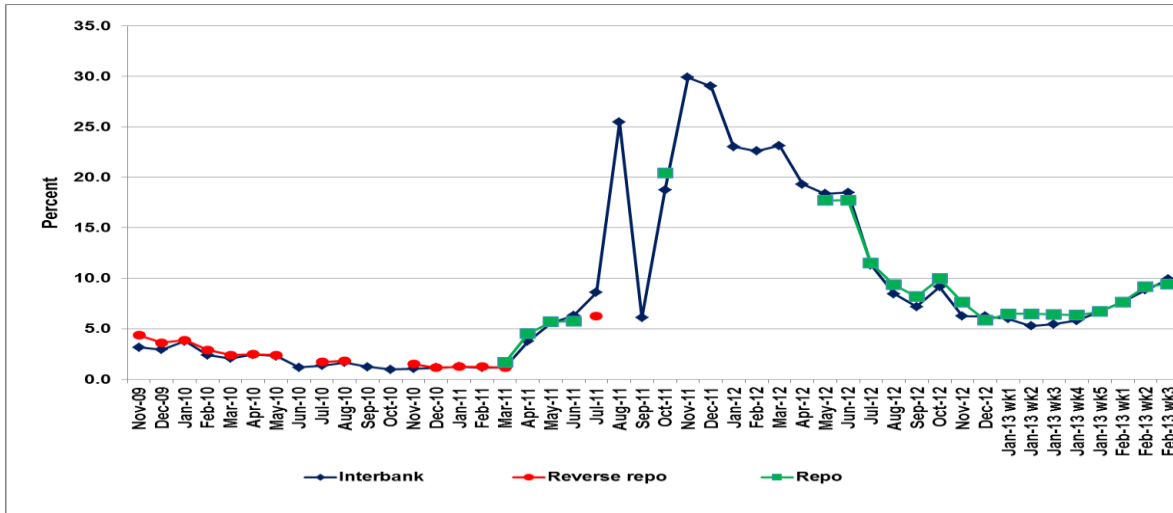
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
7-Feb-13	61	12,645	7.99
8-Feb-13	65	15,078	8.28
11-Feb-13	52	11,646	8.83
12-Feb-13	70	14,573	9.40
13-Feb-13	74	16,064	9.72
February 07 -February 13, 2013	64	14,001	8.84
14-Feb-13	63	10,678	9.91
15-Feb-13	46	7,437	9.82
18-Feb-13	43	5,750	9.92
19-Feb-13	49	7,829	9.97
20-Feb-13	50	9,137	9.96
February 14 -February 20, 2013	50	8,166	9.92

Source: Central Bank of Kenya

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The average repo rate increased to 9.43 percent during the week ending February 20, 2013 from 9.14 percent recorded in the previous week (Chart A).

Chart A: The Structure of Interest Rates

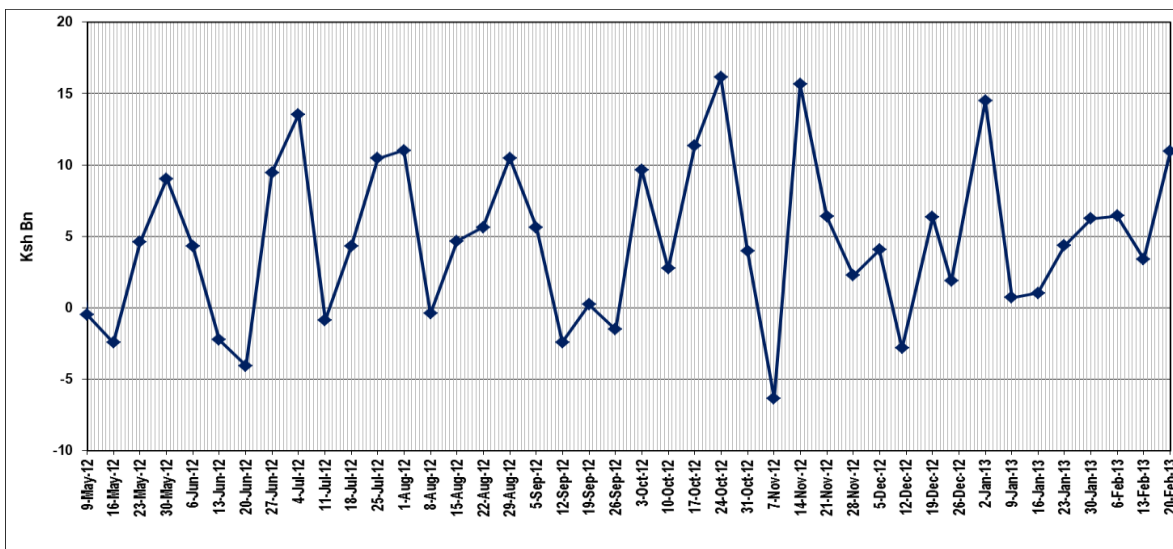


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 10.96 billion in their settlement accounts in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 88.7 billion) at the Central Bank in the week to February 20, 2013 compared with Ksh 3.40 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 remained relatively stable against major international currencies in the week ending February 21, 2013 (Table 3). During the week, the Kenya Shilling depreciated by 0.04 percent against the US Dollar to trade at an average of Ksh 87.53 per USD and appreciated by 1.57 percent and 0.45 percent against the Sterling Pound and the Euro respectively to trade at an average of Ksh 134.98 per Sterling Pound and Ksh 116.79 per Euro. Against the Japanese Yen, the Shilling traded at an average of Ksh 93.75 per 100 Japanese Yen, which was the same level as the previous period.

In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling, the Tanzania Shilling and the Burundi Franc and remained stable against the Rwanda Franc to trade at an average of US\$ 30.37, TSh 18.48, RWF 7.06 and BIF 17.86 compared to US\$ 30.28, TSh 18.47, RWF 7.06 and BIF 17.77 in the week ending February 14, 2013.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
8-Feb-13	87.55	137.70	117.38	93.81	30.27	18.47	7.06	17.76
11-Feb-13	87.57	138.31	117.15	94.49	30.29	18.44	7.06	17.76
12-Feb-13	87.58	137.11	117.17	93.17	30.29	18.46	7.06	17.76
13-Feb-13	87.45	137.00	117.48	93.88	30.30	18.47	7.07	17.78
14-Feb-13	87.34	135.56	117.38	93.41	30.25	18.52	7.08	17.80
8-14 Feb 2013	87.50	137.13	117.31	93.75	30.28	18.47	7.06	17.77
15-Feb-13	87.42	135.62	116.77	94.46	30.20	18.50	7.07	17.79
18-Feb-13	87.41	135.37	116.61	93.07	30.26	18.51	7.07	17.79
19-Feb-13	87.61	135.57	116.96	93.62	30.34	18.48	7.05	17.99
20-Feb-13	87.63	135.37	117.41	93.87	30.43	18.49	7.05	17.74
21-Feb-13	87.60	132.97	116.20	93.73	30.64	18.44	7.06	17.99
15-21 Feb 2013	87.53	134.98	116.79	93.75	30.37	18.48	7.06	17.86

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank decreased from US Dollar 4,992 million as at February 14, 2013 to US Dollar 4,974 million in the week ending February 21, 2013.

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Government Securities Auction

The Government offered for sale Ksh 4.0 billion in 91 day Treasury bills, Ksh 4.0 billion in 182 day Treasury bills and Ksh 15.0 billion collectively in 2 year and 15 year discounted fixed rate Treasury bonds during the week ending February 22, 2013. The Treasury bills performed dismally compared with the Treasury bonds during the week. A total of Ksh 2.5 billion, representing 45.9 percent and 15.9 percent performance rates for the 91 day and 182 day papers, respectively, was received, of which Ksh 1.6 billion was accepted. The Treasury bonds attracted bids worth Ksh 44.8 billion (298.4 percent performance), of which Ksh 18.5 billion and Ksh 4.3 billion was accepted for the 2 year and 15 year bonds, respectively. Total non-competitive bids received amounted to Ksh 3.6 billion.

Interest Rates on Government securities

Weighted average interest rates on the 91 day and 182 day Treasury bills edged up by 71.5 and 6.9 basis points to reach 8.928 percent and 8.571 percent, respectively, during the week's auction. Similarly, weighted average interest rates on the 2 year and 15 year Treasury bonds increased by 46.2 and 154.0 basis points to stand at 12.844 percent and 13.629 percent, respectively, compared with the last respective auctions carried out in December 2012 and September 2012 (Table 4).

Table 4: Government Securities Interest Rates

Auction date	29-Jun-12	21-Sep-12	21-Dec-12	25-Jan-13	1-Feb-13	8-Feb-13	15-Feb-13	22-Feb-13
91-day T. Bills*	10.780	7.647	8.142	8.036	8.164	8.229	8.213	8.928
182-day T. Bills*	11.091	9.265	9.046	8.066	8.065	8.450	8.502	8.571
364-day T. Bills*					11.662			
2 year FXD T. Bonds			12.382					12.844
15year FXD T. Bonds		12.089						13.629

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 100.7 billion to Ksh 959.5 billion on February 15, 2013, from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 55.3 billion, Ksh 28.6 billion and Ksh 18.1 billion in the stocks of Treasury bills, Treasury bonds and Government overdraft at the Central Bank, respectively. Other domestic debt declined by Ksh 1.3 billion during the period (Table 5).

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Table 5: Government Domestic Debt (Ksh Billion)

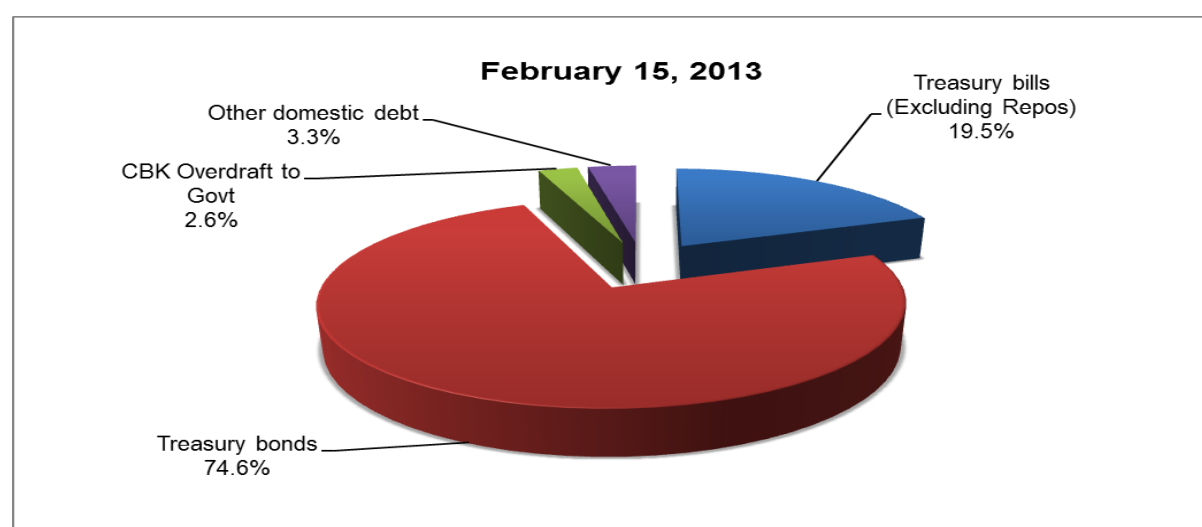
	Jun 2012	Sep 2012	Dec-12	8th Feb 2013	15th Feb 2013	Changes	
						8th Feb 2013-15th Feb 2013	29th Jun 2012 - 15th Feb 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	159.7 18.5	196.3 21.5	192.0 21.2	187.4 20.8	-4.7	55.3
2. Treasury Bonds (As % of total securities)	687.0 83.9	703.9 81.5	716.1 78.5	715.6 78.8	715.6 79.2	0.0	28.6
3. Total Securities (1+2)	819.0	863.6	912.3	907.6	902.9	-4.7	83.9
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	31.2	31.2	0.0	-1.3
6. Gross Domestic Debt (3+4+5)	858.8	922.2	971.3	964.2	959.5	-4.6	100.7
7. Interest payments on domestic debt	82.3	25.2	53.6	61.7	62.3	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 February 15, 2013, gross government domestic debt declined by Ksh 4.6 billion, on account of declining stocks of Treasury bills (Table 5). The average time to maturity of Government securities declined to 5 years during the week ending February 15, 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

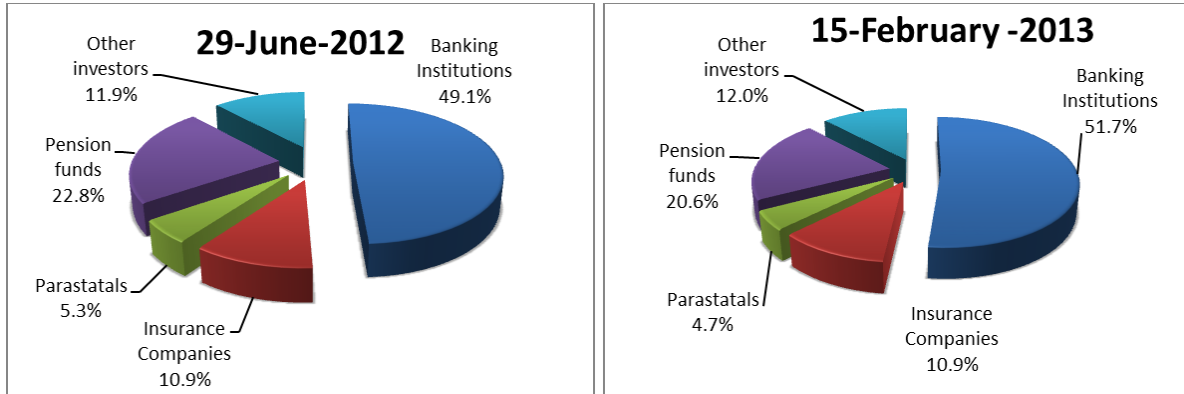
Holdings of Government Securities

Government securities accounted for 94.1 percent of gross domestic debt on February 15, 2013 (Chart C). Commercial bank holdings of Government securities increased from 49.1 percent at the end of June 2012 to 51.7 percent on February 15, 2013. Percentage holdings of parastatals and pension funds declined from 5.3 percent and 22.8 percent to 4.7 percent and 20.6 percent respectively, while holdings of insurance companies

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remained constant during the period. Holdings by other investors, which comprise of Saccos', listed and private companies, self-help groups, educational institutions, religious institutions and individuals, increased from 11.9 percent to 12.0 percent, during the period (Chart D).

Chart D: Holding of Government Securities by Investors

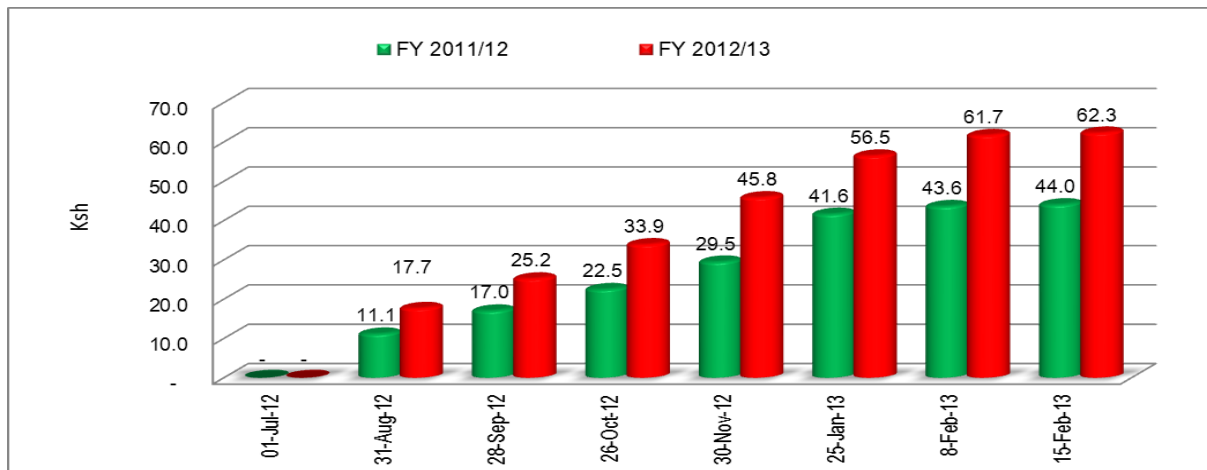


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to February 15, 2013 in the 2012/13 fiscal year amounted to Ksh 62.3 billion compared with Ksh 44.0 billion during a similar period 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 14.39 billion and Ksh 44.96 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

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Capital Markets

Capital market performance was down for the equities segment in the week ending February 21, 2013 while the bonds segment was up against the previous week's turnover. All equities market indices were down except the number of shares traded.

Equities Market

NSE 20 Share Index closed the week at 4,505.59 points from 4,637.54 points on February 14, 2013 (Table 6). NASI declined to 105.39 points from 108.50 points, while Market capitalization that measures shareholders' wealth, closed at Ksh 1,414.53 billion high. Equity turnover fell 4.2 percent on account of declining prices, to record Ksh 3,509.54 million from Ksh 3,663.48 million.

Table 6: Key Weekly Market Statistics

Week Ending	13-Dec-12	27-Dec-13	3-Jan-13	10-Jan-13	17-Jan-13	24-Jan-13	31-Jan-13	7-Feb-13	14-Feb-13	21-Feb-13
NASI 100= Jan 2008	92.80	96.07	96.07	101.02	105.82	102.45	103.50	106.23	108.50	105.39
NSE 20 Share Index 100=1966	4,031.70	4,159.25	4,159.25	4,319.73	4,545.70	4,385.00	4,416.60	4,561.16	4,637.54	4,505.59
Number of Deals	4,933	3,407	3,407	6,697	8,800	7,951	7,224	7,773	8,697	7,897
Total Shares Traded (millions)	162.88	32.50	3,250.00	99.60	125.96	154.43	118.42	267.81	157.50	180.66
Equity Turnover (Ksh. millions)	2,106.87	482.65	4,826.54	2,014.43	2,553.42	1,930.53	1,711.85	4,499.71	3,663.48	3,509.54
Market Capitalization (Ksh. Bn.)	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	1,456.29	1,414.53
Bonds Turnover (Ksh. millions)	3,972.85	3,447.90	3,447.90	8,575.75	5,678.55	2,361.85	4,071.95	5,189.00	3,433.00	4,027.70
FTSE NSE Kenya 15 Index	121.70	126.74	126.74	132.91	136.78	134.83	136.44	139.71	141.53	137.09
FTSE NSE Kenya 25 Index	124.61	129.64	129.64	136.12	139.99	138.08	139.73	143.12	144.93	140.05
Index(Jan2012=100)	95.26	92.86	92.86	92.02	91.73	91.25	91.37	91.77	91.96	91.78

Source: Nairobi Securities Exchange

Telecoms and Technology, Banking and Insurance sectors were the top three most active, transacting 103.59 million or 57.3 percent; 34.35 million or 19.0 percent and 16.52 million or 9.1 percent of all shares traded, respectively. Safaricom Ltd, Kenya Commercial Bank Ltd and KenyaRe Ltd were the three most active counters with 101.85 million, 13.67 million and 10.67 million shares traded, respectively. Automobile and Accessories sector was least active, trading 190,700 shares.

The biggest closing and average price gains for the week were for E.A. Portland Cement and Williamson Tea at Ksh 4.5 and Ksh 5 per share respectively. The biggest closing and average price losses were for EABL Ltd at Ksh 31 and Ksh 29.20 per share, respectively. Of the 48 active counters, 27 had average price loss in the week ending February 21, 2013 up from 10 counters in the previous week.

FTSE NSE Kenya Index Series

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, ended the week down to 137.09 points from 141.53. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE also lost, closing at 140.05 points from 144.93 points from the previous trading week. FTSE NSE Kenyan Shilling Government Bond Index, which measures valuation of domestic bond market traded portfolio, closed at 91.78 points from 91.96 points (Table 6).

The Bond Market

Bond trading closed 17.3 percent up in turnover, to trade Ksh 4,027.7 million for the week ending February 21, 2013 from Ksh 3,433.0 million in the previous week. Corresponding deals fell to 52 from 146 the previous week. The bonds market activity seems to be gaining from portfolio shift from equities market.