



**FEBRUARY 15, 2013**

## **Highlights**

The money market was relatively liquid during the week ending February 13, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 11.6 billion through repo securities against maturities of Ksh 18.5 billion. The average interbank interest rate rose to 8.84 percent during the week ending February 13, 2013 from 7.65 percent recorded in the previous week.

The Kenya Shilling strengthened against major international currencies in the week ending February 14, 2013. Against the US dollar the Kenya Shilling traded at an average of 87.50 compared to 87.59 in the week ending February 7, 2013.

The usable official foreign exchange reserves held by Central Bank decreased from US Dollar 4,975 million (equivalent to 3.79 months of import cover) as at February 7, 2013 to US Dollar 4,960 million (equivalent to 3.78 months of import cover) in the week ending February 14, 2013.

The Government offered for sale Treasury bills worth Ksh 8.0 billion during the week ending February 15, 2013. A total of Ksh 2.1 billion was accepted out of Ksh 2.2 billion bids received.

Gross Government domestic debt increased by Ksh 105.3 billion to Ksh 964.2 billion on February 8, 2013, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt declined by Ksh 12.3 billion, on account of Treasury bills.

The equities market maintained its rally as reflected by all equities market indices. The NSE 20 Share Index, NASI, FTSE NSE 15 and FTSE NSE 25 Index gained 76.38 points, 2.27 points, 1.82 points and 1.81 points, respectively. Market capitalization added Ksh 30.39 billion. The equity turnover lost 18.6 percent, while bonds trading fell 33.8 percent in turnover. FTSE NSE Kenyan Shilling Government Bond Index gained 20 basis points, implying decline in yields.

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## Monetary Policy Operations

The money market was relatively liquid during the week ending February 13, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 11.6 billion through repo securities against maturities of repo securities held by commercial banks of Ksh 18.5 billion. Reserve money averaged Ksh 277.7 billion during the week and was Ksh 9.4 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)
7-Feb-13	279.8	286.3	<b>-6.6</b>	5.0	2.7	0.0	<b>-2.4</b>	277.2	-9.1	1.4	-10.5
8-Feb-13	274.0	286.3	<b>-12.3</b>	2.0	3.9	0.0	<b>1.9</b>	269.2	-17.1	-7.3	-9.9
11-Feb-13	274.0	287.6	<b>-13.6</b>	2.0	1.7	0.0	<b>-0.3</b>	276.4	-11.2	-0.4	-10.8
12-Feb-13	278.6	287.6	<b>-9.0</b>	4.0	2.1	0.0	<b>-2.0</b>	279.5	-8.1	2.5	-10.6
13-Feb-13	284.4	287.6	<b>-3.1</b>	5.0	1.3	0.0	<b>-3.8</b>	286.2	-1.4	9.2	-10.6
<b>Average</b>	<b>278.1</b>	<b>287.1</b>	<b>-8.9</b>	<b>3.6</b>	<b>2.3</b>	<b>0.0</b>	<b>-1.3</b>	<b>277.7</b>	<b>-9.4</b>	<b>1.1</b>	<b>-10.5</b>

Source: Central Bank of Kenya

## Interbank and REPO Rates

The average interbank interest rate rose to 8.84 percent during the week ending February 13, 2013 from 7.65 percent recorded in the previous week. The average interbank volumes transacted rose from Ksh 12.8 billion on February 6, 2013 to Ksh 14.0 billion transacted on February 13, 2013, while the average number of deals was 64 compared with 62 deals in the previous week (Table 2 and Chart A)

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

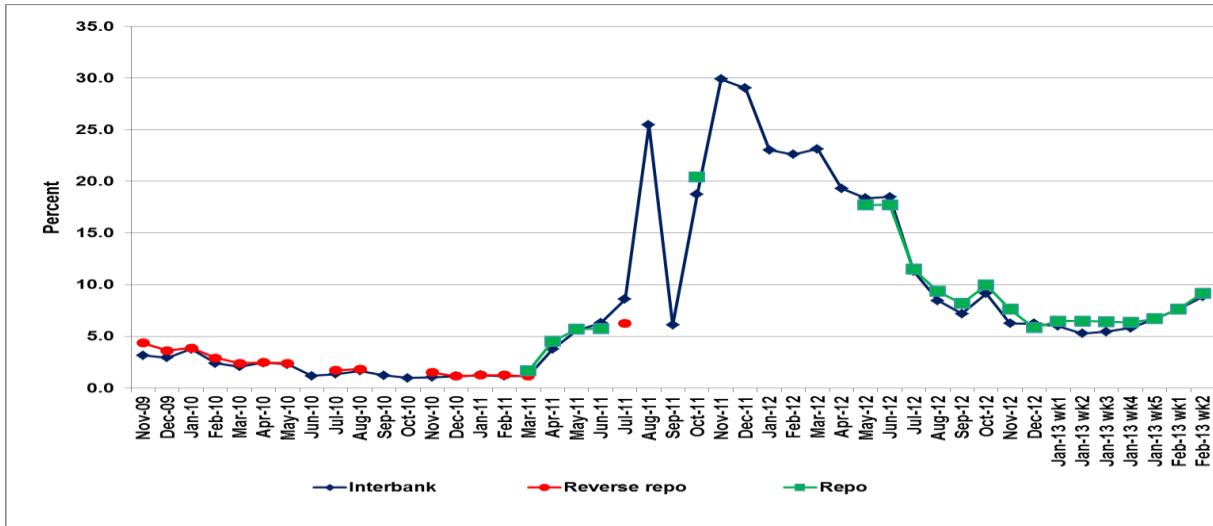
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
31-Jan-13	68	13,550	7.40
1-Feb-13	60	11,000	7.57
4-Feb-13	52	12,140	7.67
5-Feb-13	60	12,634	7.77
6-Feb-13	71	14,782	7.84
<b>January 31 -February 6, 2013</b>	<b>62</b>	<b>12,821</b>	<b>7.65</b>
7-Feb-13	61	12,645	7.99
8-Feb-13	65	15,078	8.28
11-Feb-13	52	11,646	8.83
12-Feb-13	70	14,573	9.40
13-Feb-13	74	16,064	9.72
<b>February 07 -February 13, 2013</b>	<b>64</b>	<b>14,001</b>	<b>8.84</b>

Source: Central Bank of Kenya

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The average repo interest rate went up to 9.17 percent during the week ending February 13, 2013 from 7.64 percent recorded in the previous week.

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

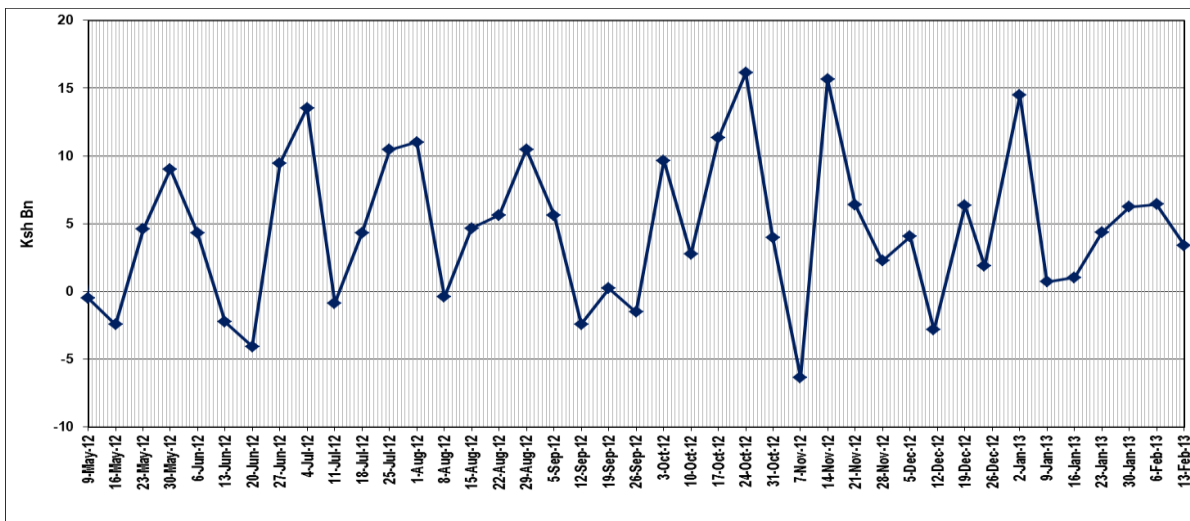


Source: Central Bank of Kenya

## Commercial Banks Clearing Account Balances

Commercial banks recorded an excess of Ksh 3.40 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 13, 2013 compared with Ksh 6.42 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 strengthened against major international currencies in the week ending February 14, 2013 appreciating by 0.1 percent against the US Dollar, 0.45 percent against the Pound Sterling, 1.26 percent against the Euro and 0.66 percent against the Japanese Yen to trade at an average of Ksh 87.5 per USD, Ksh 137.13 per Pound Sterling, Ksh 117.31 per Euro and Ksh 93.75 per 100 Japanese Yen.

In the EAC region, the Kenya Shilling depicted mixed performance, weakening against the Uganda Shilling, the Tanzania Shilling and the Burundi Franc while strengthening against the Rwanda Franc to trade at an average of Ush 30.28, Tsh 18.47, RWF 7.063 and BIF 17.77, per Kenya shilling in the week ending February 14, 2013 compared to Ush 30.38, Tsh 18.53, RWF 7.056 and BIF 17.79, per Kenya shilling in the week ending February 7, 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
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>7.056</b>	<b>17.79</b>
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
<b>8-14 Feb 2013</b>	<b>87.50</b>	<b>137.13</b>	<b>117.31</b>	<b>93.75</b>	<b>30.28</b>	<b>18.47</b>	<b>7.063</b>	<b>17.77</b>

*Source: Central Bank of Kenya*

### Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank decreased from US Dollar 4,975 million (equivalent to 3.79 months of import cover) as at February 7, 2013 to US Dollar 4,960 million (equivalent to 3.78 months of import cover) in the week ending February 14, 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	14-Feb-13
Usable Reserves*	5,374	5,377	5,385	5,396	5,369	5,282	5,264	5,177	4,960	4,975	4,960
Months of Imports Cover**	4.22	4.22	4.23	4.24	4.21	4.15	4.13	4.06	3.78	3.79	3.78

\*Excludes encumbered reserves

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

**Source: Central Bank of Kenya**

## Government Securities Auction

During the week ending February 15, 2013, the Government offered for sale Ksh 4 billion in 91-day Treasury bills and Ksh 4 billion in 182-day Treasury bills. The 91-day paper performed at 21.6 percent, attracting bids worth Ksh 0.86 billion, of which Ksh 0.85 billion was accepted. The 182-day Treasury bills attracted bids worth Ksh 1.3 billion (32.9 percent performance rate) of which Ksh 1.2 billion was accepted. Total non-competitive bids received for both 91-day and 182-day Treasury bills amounted to Ksh 1.0 billion.

## Interest Rates on Government Securities

Weighted average interest rate on the 91 day Treasury bills declined by 1.6 basis points to 8.213 percent during the week's auction. However, the weighted average interest rate on the 182-day Treasury bills rose by 5.2 basis points to 8.502 percent during the week under review.

**Table 5: Government Securities Interest Rates**

Auction date	29-Jun-12	28-Sep-12	28-Dec-12	18-Jan-13	25-Jan-13	1-Feb-13	8-Feb-13	15-Feb-13
91-day T. Bills*	10.780	8.093	8.138	8.052	8.036	8.164	8.229	8.213
182-day T. Bills*	11.091	9.888	8.100	8.088	8.066	8.065	8.450	8.502
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 105.3 billion to Ksh 964.2 billion on February 8, 2013, from Ksh 858.8 billion at the end of June 2012. This followed

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increases of Ksh 60.0 billion, Ksh 26.9 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 increased by Ksh 0.4 billion during the period.

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

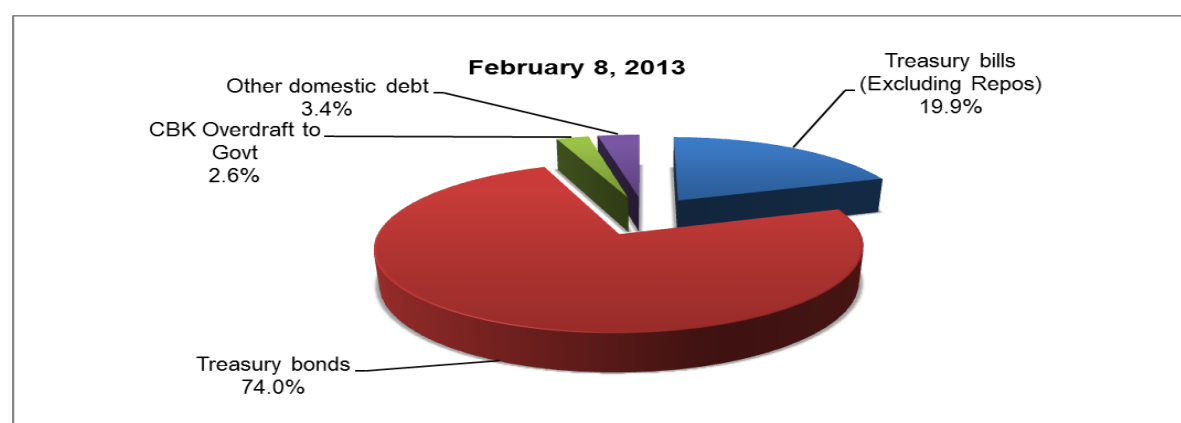
	Jun 2012	Sep 2012	Dec-12	25th Jan 2013	1st Feb 2013	8th Feb 2013	Changes	
							1st Feb 2013 - 8th Feb 2013	29th Jun 2012 - 8th Feb 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	159.7 18.5	196.3 21.5	204.4 22.4	204.5 22.3	192.0 21.2	-12.5	60.0
2. Treasury Bonds (As % of total securities)	687.0 83.9	703.9 81.5	716.1 78.5	706.9 77.6	713.8 77.7	713.8 78.8	0.0	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>905.9</b>	<b>-12.5</b>	<b>86.9</b>
4. Overdraft at Central Bank	7.3	25.4	25.4	25.4	25.4	25.4	0.0	18.1
5. Other Domestic debt*	32.6	33.2	33.6	32.8	32.8	32.9	0.1	0.4
<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>964.2</b>	<b>-12.3</b>	<b>105.3</b>
7. Interest payments on domestic debt	82.3	25.2	53.6	56.5	59.3	61.7	2.4	

\* 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 8, 2013, gross government domestic debt declined by Ksh 12.3 billion, on account of the stocks of Treasury bills (Table 6). The average time to maturity of Government securities declined to 5 years during the week ending February 8, 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**

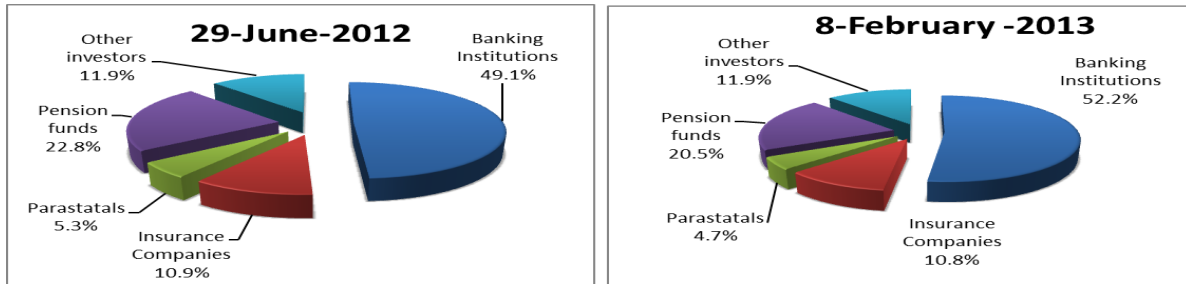
### Holdings of Government Securities

Government securities accounted for 94.0 percent of gross domestic debt on February 8, 2013 (Chart C). Commercial bank holdings of Government securities increased from 49.1 percent at the end of June 2012 to 52.2 percent on February 8, 2013. Percentage

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holdings by insurance companies, parastatals and pension funds declined from 10.9 percent, 5.3 percent and 22.8 percent to 10.8 percent, 4.7 percent and 20.5 percent respectively, during the same period. However, the percentage holding by other investors, which comprise of Saccos', listed and private companies, self-help groups, educational institutions, religious institutions and individuals remained the same at 11.9 percent (Chart D).

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

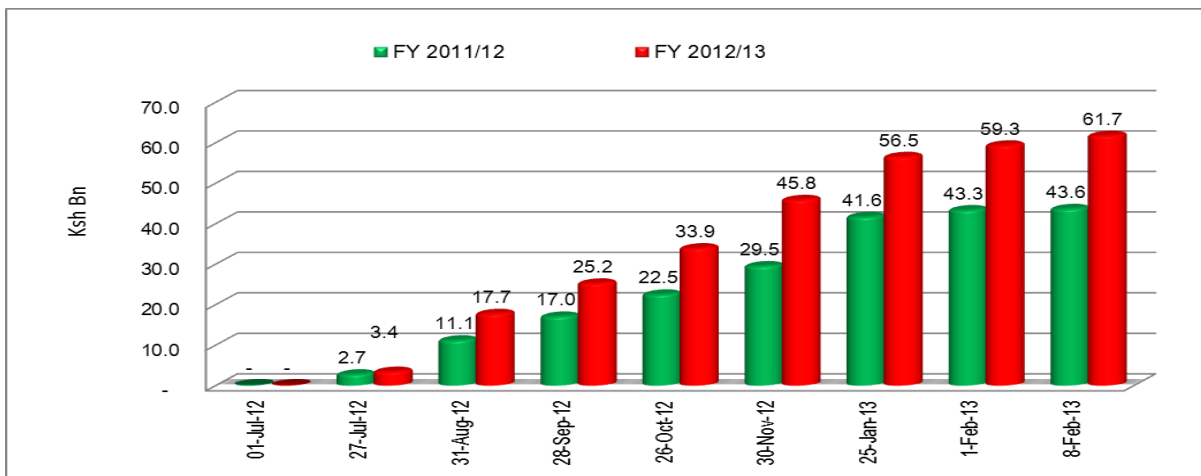


Source: Central Bank of Kenya

## Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to February 8, 2013 in the 2012/13 fiscal year amounted to Ksh 61.7 billion compared with Ksh 43.6 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 14.0 billion and Ksh 44.7 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 1.8 billion and Ksh 1.2 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 improved for the equities segment in the week ending February 14, 2013, while the bonds segment was subdued against the previous week's turnover. All equities market indices went up, while market capitalization gained 213 basis points.

### Equities Market

NSE 20 Share Index crossed the 4,600 points mark to close the week at 4,637.54 points from 4,561.16 points on February 7, 2013 (Table 7). NASI rose to 108.50 points from 106.23 points, while Market capitalization that measures shareholders' wealth, closed at Ksh 1,456.29 billion. Equity turnover fell 18.6 percent on account of low volume of shares transacted, to record Ksh 3,663.48 million from Ksh 4,499.71 million the previous week.

**Table 7: 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
NASI 100= Jan 2008	92.80	96.07	96.07	101.02	105.82	102.45	103.50	106.23	108.5
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	4637.54
Number of Deals	4,933	3,407	3,407	6,697	8,800	7,951	7,224	7,773	8697
Total Shares Traded (millions)	162.88	32.50	3,250.00	99.60	125.96	154.43	118.42	267.81	157.4985
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	3663.476
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	1456.289
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	3433
FTSE NSE Kenya 15 Index	121.70	126.74	126.74	132.91	136.78	134.83	136.44	139.71	141.53
FTSE NSE Kenya 25 Index	124.61	129.64	129.64	136.12	139.99	138.08	139.73	143.12	144.93
Index(Jan2012=100)	95.26	92.86	92.86	92.02	91.73	91.25	91.37	91.77	91.955

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

**Source: Nairobi Securities Exchange**

Telecoms and Technology, Banking and Energy and Petroleum sectors were the top three most active, transacting 85.23 million or 54.1 percent; 33.23 million or 21.1 percent and 12.69 million or 8.1 percent of all shares traded, respectively. Safaricom Ltd, Kenya Commercial Bank Ltd and Barclays Bank Ltd were the three most active counters with 78.76 million, 10.63 million and 9.91 million shares traded, respectively. Automobile and Accessories sector was least active, trading 284,400 shares.

The biggest closing and average price gains for the week were for City Trust Ltd and BAT Ltd at Ksh 16 and Ksh 15.4 per share, respectively. The biggest closing and average price losses were for Carbacid Investments Ltd and Eaagads Ltd at Ksh 2.0 and Ksh 1.44 per share, respectively. Of the 48 active counters, 38 had average price gain in the week ending February 14, 2013 up from 34 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 up at 141.53 points from 139.71. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE also gained to record 144.93 points from 143.12 points from the previous trading week. FTSE NSE Kenyan Shilling Government Bond Index, which measures valuation of domestic bond market traded portfolio, closed at 91.96 points from 91.77 points (Table 7).

### **The Bond Market**

Bond trading closed 33.8 percent lower in turnover, to trade Ksh 3,433.0 million for the week ending February 14, 2013 from Ksh 5,189.0 million in the previous week. Corresponding deals rose to 146 from 118 the previous week. The bonds market activity seems to have suffered from the shift by investors to the bullish equities market ahead of release of full year financial results by various listed counters, expected to be strong.