



MARCH 8, 2013

Highlights

The money market was liquid during the week ending March 6, 2013. The Central Bank's repo operations resulted in a net liquidity withdrawal of Ksh 6.8 billion during the week. However, the average interbank rate decreased to 9.72 percent during the week ending March 6, 2013 from 10.09 percent recorded in the previous week.

The Kenya Shilling exchange rate remained relatively stable against major international currencies in the week ending March 7, 2013. Against the US Dollar the Kenya Shilling strengthened to trade at an average of Ksh 86.23 per USD compared to Ksh 87.16 per USD in the week ending February 28, 2013.

The Government offered for sale Treasury bills worth Ksh 14.0 billion, during the week ending March 8, 2013. A total of Ksh 13.0 billion was accepted out of Ksh 19.3 billion bids received.

Gross Government domestic debt increased by 9.5 percent (or Ksh 81.6 billion) to Ksh 940.4 billion on March 1, 2013, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt declined by Ksh 5.2 billion, on account of Treasury bills net redemptions.

The capital market recorded mixed trends in the equities and bond market segments. The equities market remained largely steady as reflected by marginal gains in the average share prices and market capitalization. Secondary trading in the bond market however, recorded a drop in total turnover.

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Monetary Policy Operations

The money market was liquid during the week ending March 6, 2013. The Central Bank's open market repo transactions resulted in a net liquidity withdrawal of Ksh 6.8 billion during the week. Reserve money averaged Ksh 296.6 billion during the week and was Kshs 2.1 billion below (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)
28-Feb-12	295.0	288.6	-5.2	10.0	3.9	4.2	-4.6	287.9	-10.8	9.6	-11.9
1-Mar-12	297.0	288.4	2.0	10.0	3.6	0.2	-8.2	303.9	-1.9	22.1	-12.9
5-Mar-12	308.7	288.1	18.5	5.0	1.2	8.9	1.0	297.8	3.4	14.9	-14.0
6-Mar-12	312.3	288.1	4.3	16.0	13.1	2.3	-6.4	296.9	0.9	12.9	-13.1
Average	303.3	288.3	4.9	10.3	5.4	3.9	-4.5	296.6	-2.1	14.9	-13.0

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased to 9.72 percent during the week ending March 6, 2013 from 10.09 percent recorded in the previous week reflecting improved liquidity in the money market. The average interbank volumes transacted declined from Ksh 7.0 billion on February 27, 2013 to Ksh 5.2 billion transacted on March 6, 2013, while the average number of deals was 37 compared with 40 deals in the previous week (Table 2 and Chart A)

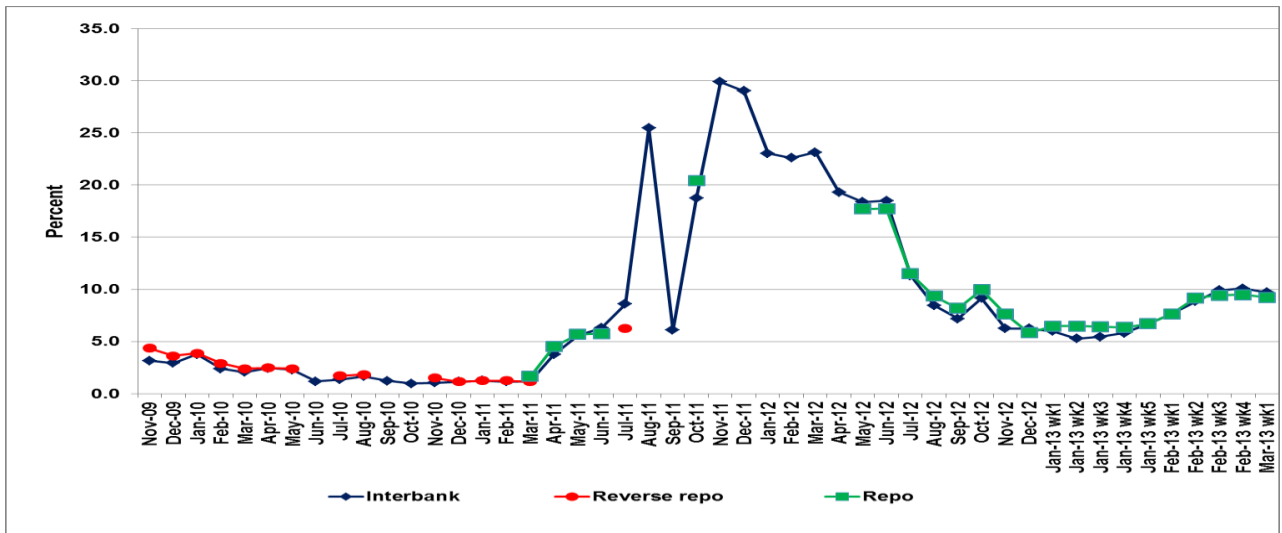
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
21-Feb-13	48	7,910	10.04
22-Feb-13	48	7,241	10.12
25-Feb-13	36	7,098	10.12
26-Feb-13	40	8,128	10.14
27-Feb-13	30	4,680	10.02
February 21 -February 27, 2013	40	7,011	10.09
28-Feb-13	40	6,550	9.93
1-Mar-13	48	7,458	9.68
5-Mar-13	27	3,379	9.61
6-Mar-13	33	3,478	9.64
February 28 -March 6, 2013	37	5,216	9.72

Source: Central Bank of Kenya

The average repo rate decreased to 9.21 percent during the week ending March 6, 2013 from 9.49 percent recorded in the previous week.

Chart A: The Structure of Interest Rates

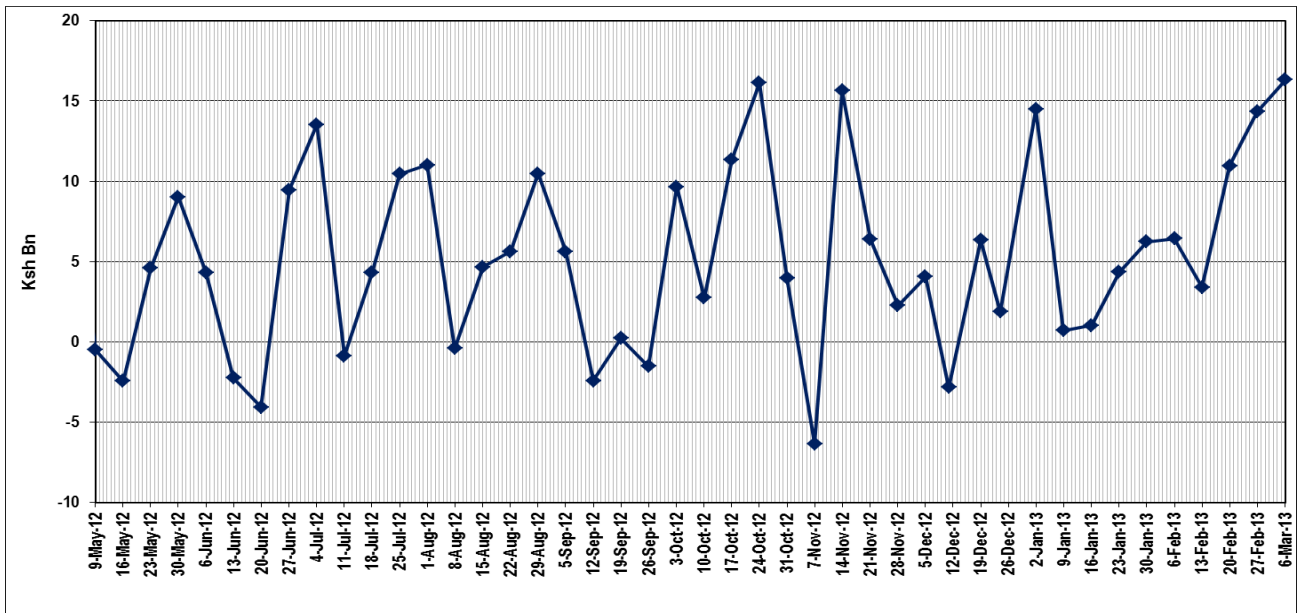


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 16.31 billion in their settlement accounts at the Central Bank, in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 88.7 billion) in the week to March 6, 2013 compared with Ksh 14.33 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 appreciated against all major international currencies in the week ending March 7, 2013. During the week, the Kenya Shilling appreciated by 1.07 percent against the US Dollar to trade at an average of Ksh 86.23, 1.51 percent against the Pound Sterling to trade at an average of Ksh 130.3, 1.76 percent against the Euro to trade at an average of Ksh 112.50 and 1.47 against the Japanese Yen to trade at an average of Ksh 92.60.

In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling, the Tanzania Shilling and the Rwanda Franc but depreciated against the Burundi Franc to trade at an average of Ush 30.78, Tsh 18.81, RWF 7.34 and BIF 17.53 compared to Ush 30.55, Tsh 18.69, RWF 7.25 and BIF 17.80 in the week ending February 28, 2013.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
15-21 Feb 2013	87.53	134.98	116.79	93.75	30.37	18.48	7.06	17.86
22-Feb-13	87.54	133.81	115.66	93.85	30.67	18.60	7.22	18.00
25-Feb-13	87.48	132.53	115.44	93.12	30.58	18.68	7.22	17.78
26-Feb-13	87.32	132.69	114.10	94.70	30.33	18.71	7.24	17.75
27-Feb-13	87.23	131.74	113.93	94.98	30.55	18.64	7.25	17.69
28-Feb-13	86.24	130.74	113.45	93.25	30.63	18.81	7.33	17.80
22-28 Feb 2013	87.16	132.30	114.52	93.98	30.55	18.69	7.25	17.80
1-Mar-13	86.14	130.77	112.72	93.05	30.82	18.83	7.34	17.74
5-Mar-13	86.04	130.06	112.19	92.43	30.86	18.86	7.35	17.59
6-Mar-13	86.17	130.32	112.44	92.53	30.79	18.82	7.34	17.49
7-Mar-13	86.58	130.06	112.67	92.39	30.66	18.73	7.31	17.32
1-5 March 2013	86.23	130.30	112.50	92.60	30.78	18.81	7.34	17.53

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 4,940 million as at February 28, 2013 to US Dollar 4,953 million in the week ending March 7, 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
Usable Reserves*	4,975	4,960	4,974	4,940	4,953
Months of Imports Cover**	3.79	3.78	3.79	3.76	3.75

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

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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 6.0 billion in 364 day Treasury bills during the week ending March 8, 2013. Total bids received amounted to Ksh 19.3 billion of which Ksh 3.8 billion, Ksh 4.6 billion and Ksh 10.9 billion was in 91 day, 182 day and 364 day papers, representing performance rates of 95.1 percent, 113.9 percent and 182.5 percent, respectively. The Government accepted Ksh 2.1 billion in the 91 day paper, Ksh 4.0 billion in the 182 day paper and Ksh 6.9 billion in the 364 day paper during the week. Total non-competitive bids received amounted to Ksh 0.9 billion.

Interest Rates on Government securities

Weighted average interest rates on the 91 day, 182 day and 364 day Treasury bills increased by 37.9, 61.3 and 18.0 basis points to reach 9.747 percent, 9.697 percent and 12.542 percent, respectively, during the week's auction (Table 5).

Table 5: Government Securities Interest Rates

Auction date	29-Jun-12	21-Dec-12	25-Jan-13	1-Feb-13	8-Feb-13	15-Feb-13	22-Feb-13	1-Mar-13	8-Mar-13
91-day T. Bills*	10.780	8.142	8.036	8.164	8.229	8.213	8.928	9.368	9.747
182-day T. Bills*	11.091	9.046	8.066	8.065	8.450	8.502	8.571	9.084	9.697
364-day T. Bills*				11.662				12.362	12.542
2 year FXD T. Bonds		12.382					12.844		
15year FXD T. Bonds							13.629		

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 81.6 billion to Ksh 940.4 billion on March 1, 2013, from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 32.5 billion, Ksh 30.2 billion, 18.1 billion and Ksh 0.8 billion in the stocks of Treasury bills, Treasury bonds, Government overdraft at the Central Bank and other domestic debt, respectively (Table 6).

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Table 6: Government Domestic Debt (Ksh Billion)

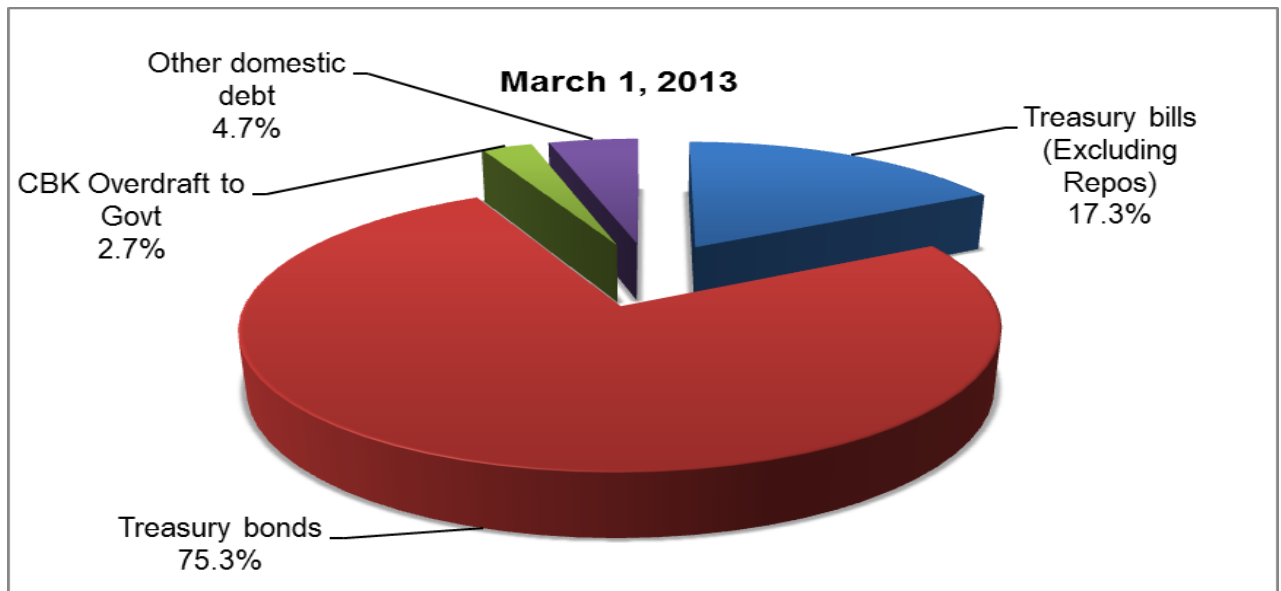
	Jun 2012	Sep 2012	Dec-12	15th Feb 2013	22nd Feb 2013	1st March 2013	Changes	
							22nd Feb 2013- 1st March 2013	29th Jun 2012 - 1st March 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	159.7 18.5	196.3 21.5	187.4 20.8	171.3 19.3	164.5 18.7	-6.8	32.5
2. Treasury Bonds (As % of total securities)	687.0 83.9	703.9 81.5	716.1 78.5	715.6 79.2	715.6 80.7	717.2 81.3	1.6	30.2
3. Total Securities (1+2)	819.0	863.6	912.3	902.9	886.9	881.7	-5.2	62.7
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	32.6	33.3	33.4	0.0	0.8
6. Gross Domestic Debt (3+4+5)	858.8	922.2	971.3	960.9	945.6	940.4	-5.2	81.6
7. Interest payments on domestic debt	82.3	25.2	53.6	62.3	65.6	71.5	5.9	

* 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 March 1, 2013, gross government domestic debt declined by Ksh 5.2 billion, on account of the stocks of Treasury bills which was partially offset by a Ksh 1.6 billion increase in stocks of Treasury bonds (Table 6). The average time to maturity of Government securities declined to 5 years and 2 month during the week ending March 1, 2013, from 5 years and 4 months at the end of June 2012.

Chart C: Composition of Government Domestic Debt

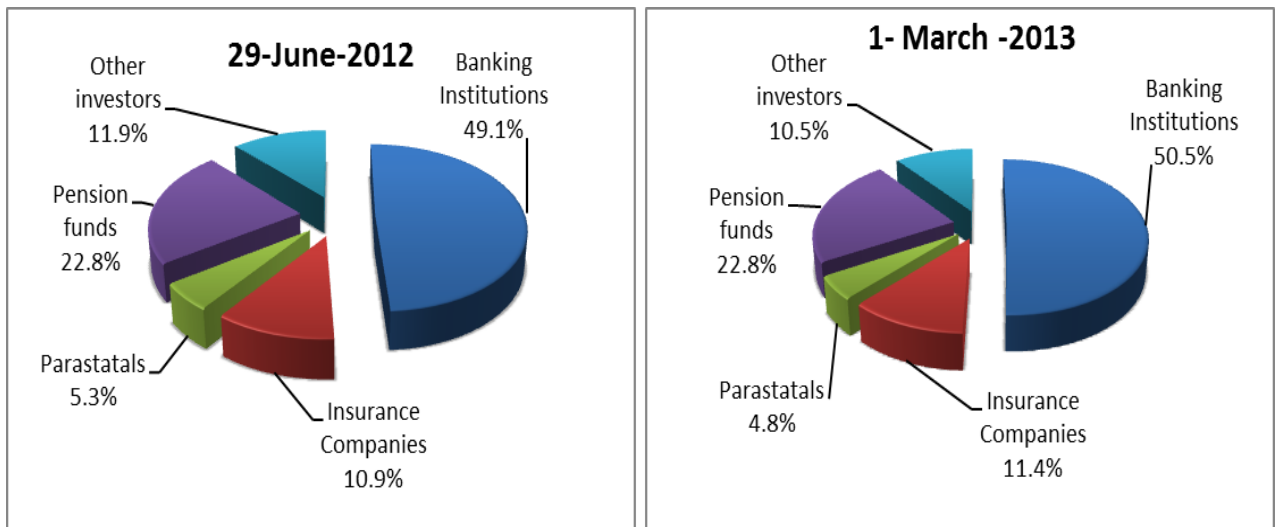


Source: Central Bank of Kenya

Holdings of Government Securities

Government securities accounted for 93.8 percent of gross domestic debt on March 1, 2013 (Chart C). The proportion of Government securities held by Commercial banks and insurance companies increased from 49.1 percent and 10.9 percent at the end of June 2012 to 50.5 percent and 11.4 percent respectively on March 1, 2013. Percentage holdings of parastatals and other investors, which comprise of Saccos', listed and private companies, self-help groups, educational institutions, religious institutions and individuals, decreased from 5.3 percent and 11.9 percent to 4.8 percent and 10.5 percent, respectively, during the period (Chart D).

Chart D: Holding of Government Securities by Investors

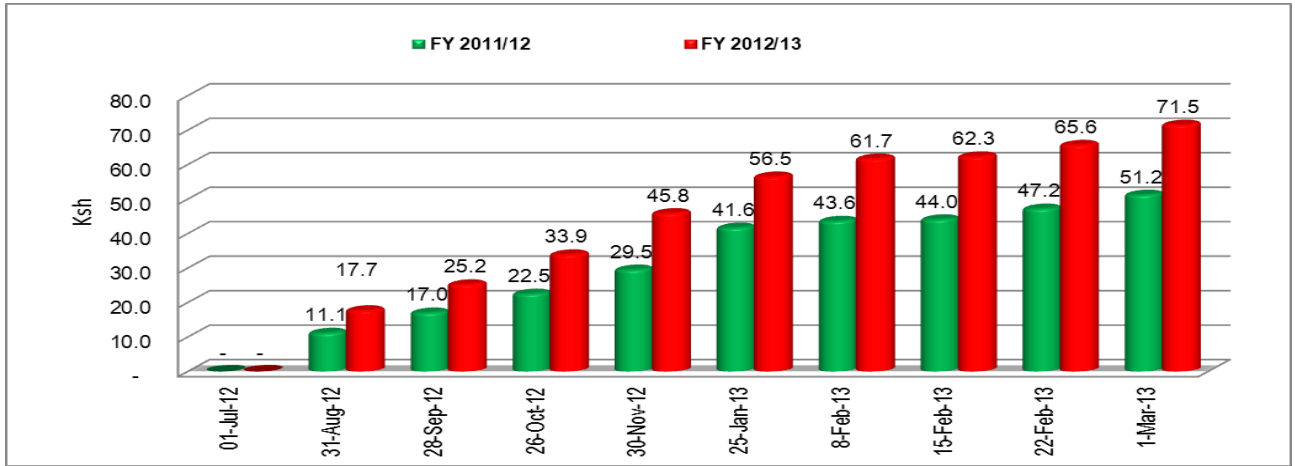


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to March 1, 2013 in the 2012/13 fiscal year amounted to Ksh 71.51 billion compared with Ksh 51.2 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 15.29 billion and Ksh 53.09 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 1.94 billion and Ksh 1.18 billion, respectively.

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



Source: Central Bank of Kenya

Capital Markets

The capital market recorded mixed trends in the main indices during the week ending March 7, 2013.

Equities Market

The NSE 20 Share Index closed the week at 4,585.07 points or 1.5 percent above previous week’s level, while the NASI recorded 110.30 points; 3.2 percent higher than the previous week (Table 7). Market capitalization that measures shareholders’ wealth closed 314 basis points higher at Ksh 1,496.61 billion while Equity turnover declined by 42.5 percent to register Ksh 1,738.16 billion.

Table 7: Key Weekly Market Statistics

Week Ending	3-Jan-13	10-Jan-13	17-Jan-13	24-Jan-13	31-Jan-13	7-Feb-13	14-Feb-13	21-Feb-13	28-Feb-13	7-Mar-13
NASI 100= Jan 2008	96.07	101.02	105.82	102.45	103.50	106.23	108.50	105.39	106.91	110.30
NSE 20 Share Index 100=1966	4,159.25	4,319.73	4,545.70	4,385.00	4,416.60	4,561.16	4,637.54	4,505.59	4,518.59	4,585.07
Number of Deals	3,407	6,697	8,800	7,951	7,224	7,773	8,697	7,897	7,177	4,690
Total Shares Traded (millions)	3,250.00	99.60	125.96	154.43	118.42	267.81	157.50	180.66	86.22	120.86
Equity Turnover (Ksh. millions)	4,826.54	2,014.43	2,553.42	1,930.53	1,711.85	4,499.71	3,663.48	3,509.54	3,021.12	1,738.16
Market Capitalization (Ksh. Bn.)	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	1,451.03	1,496.61
Bonds Turnover (Ksh. millions)	3,447.90	8,575.75	5,678.55	2,361.85	4,071.95	5,189.00	3,433.00	4,027.70	7,245.10	4,195.15
FTSE NSE Kenya 15 Index	126.74	132.91	136.78	134.83	136.44	139.71	141.53	137.09	141.12	142.22
FTSE NSE Kenya 25 Index	129.64	136.12	139.99	138.08	139.73	143.12	144.93	140.05	144.27	145.18
Index(Jan2012=100)	92.86	92.02	91.73	91.25	91.37	91.77	91.96	91.78	93.09	91.53

* 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 Insurance sectors were the top three most active, transacting 67.39 million or 55.8 percent; 28.79 million or 23.8 percent and 8.25 million or 6.8 percent of all shares traded, respectively. Safaricom Ltd, Kenya Commercial Bank Ltd and Mumias Sugar Ltd were the three most active counters with 67.08 million, 13.85 million and 5.65 million shares traded, respectively. Automobile and Accessories sector was the least active, trading 240,000 shares.

The biggest closing and average price gains for the week was recorded by Standard Chartered Bank Ltd at Ksh 28 and Ksh 18.45 per share, respectively. The biggest closing and average price losses were registered by Scangroup Ltd and Bamburi Cement Ltd at Ksh 3.5 and Ksh 4.25 per share, respectively. Of the 48 active counters, 36 had average price gain in the week ending March 07, 2013 up from 16 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 higher at 142.22 points from 141.12 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, also rose to 145.18 points from 144.27 points in the previous trading week. FTSE NSE Kenyan Shilling Government Bond Index, which measures valuation of domestic bond market traded portfolio, closed at 91.53 points from 92.63 points.

The Bond Market

Bond trading posted 42.1 percent drop in turnover, trading Ksh 4,049.2 million for the week ending March 07, 2013 from Ksh 7,245.1 million in the previous week. Corresponding deals fell to 54 from 145 the previous week. The decline may be attributed to low investor trading during the country's general elections.