



**NOVEMBER 15, 2013**

## **Highlights**

The money market liquidity improved marginally during the week supported by Government payments and Ksh 23.5 billion injection through reverse repo securities. The average interbank rate increased to 12.12 percent during the week ending November 13, 2013 from 11.97 percent in the previous week.

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending November 14, 2013. It weakened marginally to trade at an average of Ksh 85.81 per US\$ compared to Ksh 85.38 per US\$ in the week ending November 7, 2013.

The usable official foreign exchange reserves held by Central Bank increased marginally to US\$ 5,859 million as at November 14, 2013 from US\$ 5,822 million as at November 7, 2013.

The Government offered for sale Treasury bills worth Ksh 7.0 billion during the week ending November 15, 2013. A total of Ksh 5.7 billion was accepted out of Ksh 7.9 billion bids received.

Gross Government domestic debt increased by Ksh 123.9 billion to reach Ksh 1,174.9 billion on November 8, 2013, from Ksh 1,051.0 billion held at the end of June 2013. During the week, gross government domestic debt rose by Ksh 1.8 billion, largely on account of Treasury bills.

Performance on leading indicators at the NSE declined in the week ending November 14, 2013.

# CBK WEEKLY BULLETIN

## Monetary Policy Operations

The money market liquidity marginally eased during the week ending November 13, 2013 supported by Government payments and Ksh 23.5 billion injection through reverse repo securities. Reserve money averaged Ksh 317.3 billion during the week and was Ksh 22.0 billion above 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(-)	Reverse Repo	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-Nov-13	299.6	294.8	4.8	0.0	0.0	0.0	0.0	6.3	305.8	11.0	8.4	2.6
10-Nov-13	306.0	294.8	11.1	0.0	0.0	0.0	0.0	8.0	316.9	22.1	19.0	3.1
11-Nov-13	316.4	295.7	20.7	0.0	0.0	0.0	0.0	9.2	325.2	29.5	27.1	2.4
12-Nov-13	325.3	295.7	29.6	0.0	0.0	0.0	0.0	0.0	323.1	27.4	24.8	2.6
13-Nov-13	315.7	295.7	20.0	0.0	0.0	0.0	0.0	0.0	315.6	19.9	17.8	2.0
<b>Average</b>	<b>312.6</b>	<b>295.4</b>	<b>17.2</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4.7</b>	<b>317.3</b>	<b>22.0</b>	<b>19.4</b>	<b>2.6</b>
<b>Sum</b>				<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>23.5</b>				

**Source: Central Bank of Kenya**

## Interbank and REPO Rates

The average interbank rate increased by 15.3 basis points to 12.12 percent during the week ending November 13, 2013 from 11.97 percent in the previous week. The average interbank volume transacted decreased to Ksh 12.44 billion in the week ending November 13, 2013 from Ksh 23.11 billion the previous week, while the average number of deals decreased to 47 from 79 (Table 2 and Chart A).

**TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES**

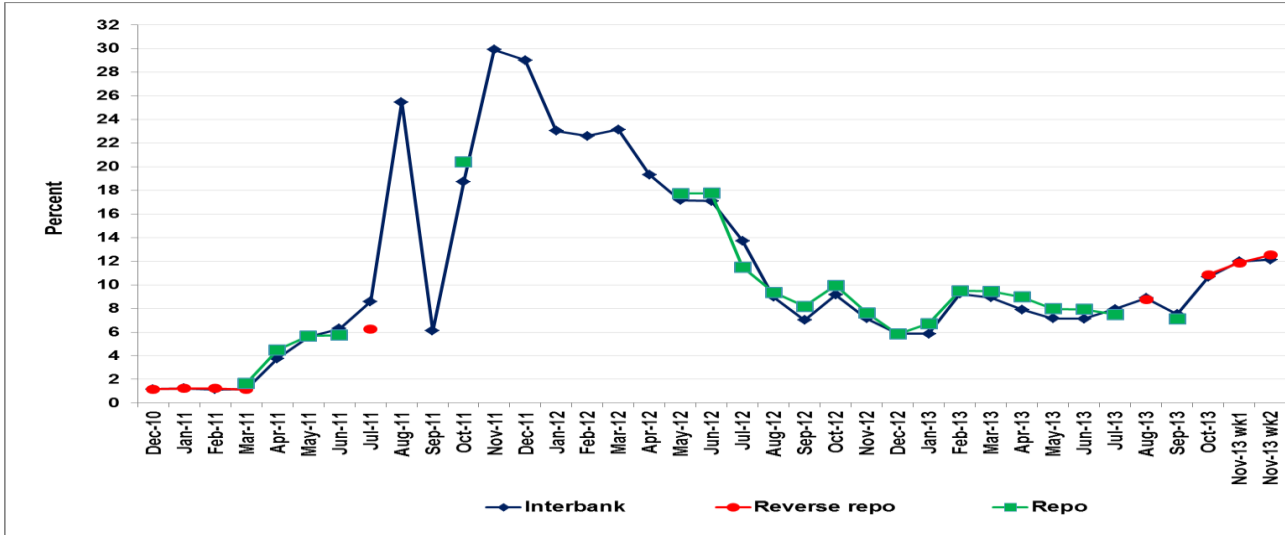
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
31-Oct-13	77	20,405	11.87
1-Nov-13	81	23,532	11.71
4-Nov-13	90	25,791	11.84
5-Nov-13	76	23,296	12.07
6-Nov-13	73	22,523	12.36
<b>October 31 -November 6, 2013</b>	<b>79</b>	<b>23,109</b>	<b>11.97</b>
7-Nov-13	67	17,409	12.70
10-Nov-13	71	18,945	12.88
11-Nov-13	41	9,841	12.77
12-Nov-13	23	4,610	11.84
13-Nov-13	33	11,385	10.42
<b>November 7 -November 13, 2013</b>	<b>47</b>	<b>12,438</b>	<b>12.12</b>

**Source: Central Bank of Kenya**

# CBK WEEKLY BULLETIN

Reverse repo securities issued by Central Bank during the week ending November 13, 2013 were at an average rate of 12.51 percent.

**CHART A: STRUCTURE OF INTEREST RATES**

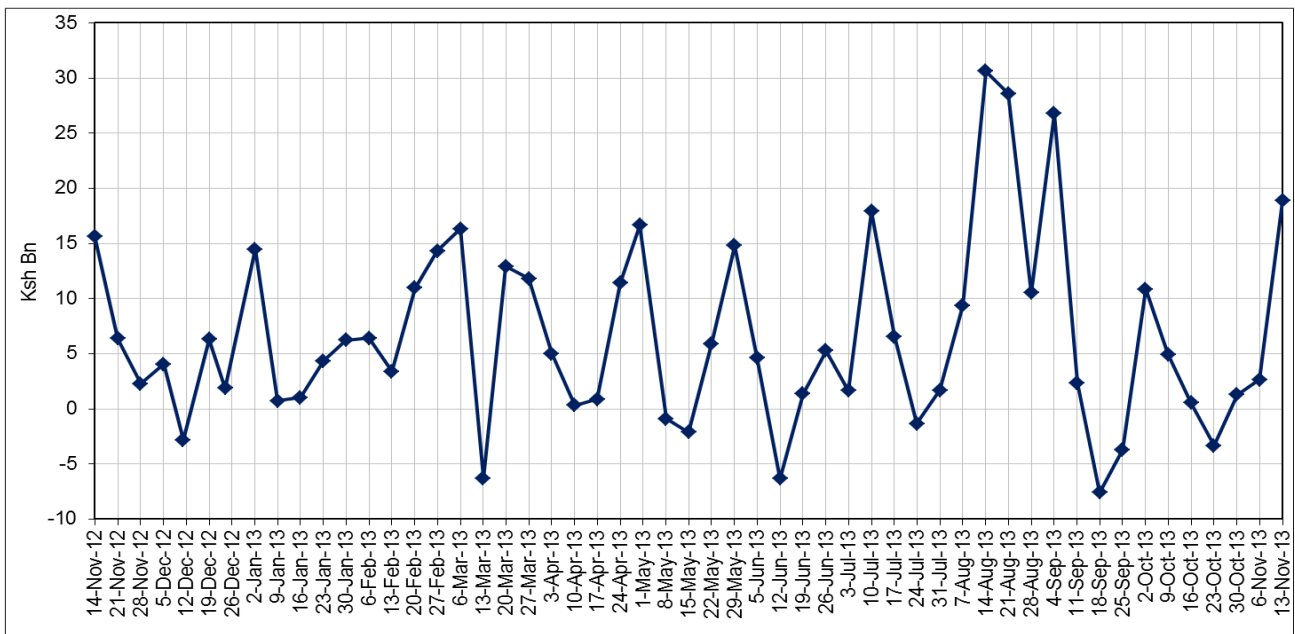


Source: Central Bank of Kenya

## Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 18.9 billion in their settlement accounts at the Central Bank in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 96.3 billion) in the week to November 13, 2013 compared with a surplus of Ksh 2.6 billion recorded in the previous week (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 depicted mixed performance against major international currencies in the week ending November 14, 2013. It depreciated by 0.50 percent and 0.44 percent against the US\$ and the Sterling Pound respectively, to exchange at an average of Ksh 85.81 per US\$ and Ksh 137.39 per Sterling Pound in the week ending November 7, 2013. The shilling however, strengthened marginally against the Euro and the Japanese Yen.

In the EAC region, the Kenya Shilling was marginally weaker against all the EAC currencies in the week ending November 14, 2013.

**TABLE 3: KENYA SHILLING EXCHANGE RATES**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
1-Nov-13	85.27	136.78	115.67	87.00	29.61	18.83	7.89	18.19
4-Nov-13	85.45	136.11	115.27	86.54	29.49	18.82	7.88	18.15
5-Nov-13	85.52	136.53	115.45	86.76	29.46	18.79	7.89	18.14
6-Nov-13	85.37	137.29	115.29	86.50	29.48	18.81	7.86	18.17
7-Nov-13	85.31	137.25	115.39	86.51	29.52	18.83	7.87	18.18
<b>1-7 Nov-13</b>	<b>85.38</b>	<b>136.79</b>	<b>115.41</b>	<b>86.66</b>	<b>29.51</b>	<b>18.82</b>	<b>7.88</b>	<b>18.17</b>
8-Nov-13	85.52	137.69	114.71	87.09	29.49	18.78	7.86	18.14
11-Nov-13	85.59	137.09	114.48	86.49	29.43	18.76	7.88	18.12
12-Nov-13	85.70	136.97	114.73	86.21	29.42	18.73	7.84	18.10
13-Nov-13	86.00	136.76	115.64	86.43	29.31	18.71	7.80	18.03
14-Nov-13	86.26	138.43	116.21	86.66	29.19	18.65	7.77	17.98
<b>8-14 Nov-13</b>	<b>85.81</b>	<b>137.39</b>	<b>115.16</b>	<b>86.57</b>	<b>29.37</b>	<b>18.73</b>	<b>7.83</b>	<b>18.07</b>

**Source: Central Bank of Kenya**

### Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased to US\$ 5,859 million (or 4.10 months of import cover) as at November 14, 2013 from US\$ 5,822 million (or 4.08 months of import cover) as at November 7, 2013, reflecting purchase from the interbank market.

**TABLE 4: OFFICIAL RESERVES USD MILLIONS**

	29-Aug-13	5-Sep-13	12-Sep-13	19-Sep-13	26-Sep-13	3-Oct-13	10-Oct-13	17-Oct-13	24-Oct-13	31-Oct-13	7-Nov-13	14-Nov-13
Usable Reserves*	5,754	5,748	5,881	5,883	5,903	5,931	5,894	5,881	5,891	5,869	5,822	5,859
Months of Imports Cover**	4.11	4.11	4.16	4.17	4.18	4.16	4.13	4.12	4.13	4.11	4.08	4.10

\*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 2.0 billion in the 91-day Treasury bills, and Ksh 2.5 billion in the 182-day and 364-day Treasury bills respectively, during the week ending November 15, 2013. Total bids received amounted to Ksh 7.9 billion, of which Ksh 2.7 billion, Ksh 1.8 billion and Ksh 3.4 billion was in the 91-day, 182 day and 364-day Treasury bills, representing performance rates of 134.28 percent, 71.29 percent and 135.95 percent, respectively. The Government accepted Ksh 2.1 billion, Ksh 1.2 billion and Ksh 2.4 billion, in the 9- day, 182-day and 364-day Treasury bills, respectively, during the week. Total non-competitive bids amounted to Ksh 1.3 billion.

## Interest Rates on Government securities

Weighted average interest rates on the 182-day Treasury bills increased by 4.4 basis points to reach 9.979 percent, while that on the 182-day and 364-day Treasury bills declined by 2.0 basis points and 0.6 basis points to reach 10.603 percent and 10.988 percent, respectively, during the week's auction.

**TABLE 5: GOVERNMENT SECURITIES INTEREST RATES**

	28-Jun-13	20-Sep-13	27-Sep-13	4-Oct-13	18-Oct-13	25-Oct-13	1-Nov-13	8-Nov-13	15-Nov-13
91-day T. Bills*	5.175	9.139	9.109	9.360	9.792	9.943	9.984	9.999	9.979
182-day T. Bills*	5.549	9.694	9.670	9.986	10.453	10.487	10.502	10.559	10.603
364-day T. Bills*	8.356	10.413	10.308	10.574	10.792	10.830	10.953	10.994	10.988

\*Weighted rates for accepted bids

**Source: Central Bank of Kenya**

## Government Domestic Debt

Gross Government domestic debt increased by Ksh 123.9 billion to reach Ksh 1,174.9 billion on November 8, 2013, from Ksh 1,051.0 billion held at the end of June 2013. This followed Ksh 46.0 billion, Ksh 57.3 billion and Ksh 21.0 billion respective increases in the stocks of Treasury bills, Treasury bonds and Government overdraft at the Central Bank, and partially offsetting Ksh 0.4 billion decline in other domestic debt, during the period.

**TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)**

	Jun 2013	Aug 2013	18th Oct 2013	25th Oct 2013	1st Nov 2013	8th Nov 2013	Changes	
							1st Nov 2013 to 8th Nov 2013	28th Jun 2013 - 8th Nov 2013
1. Treasury Bills (Excluding Repos)	267.8	278.0	305.2	309.7	312.0	313.8	1.8	46.0
<b>(As % of total securities)</b>	<b>26.5</b>	<b>26.4</b>	<b>27.7</b>	<b>28.3</b>	<b>28.0</b>	<b>28.1</b>	<b>0.1</b>	<b>1.7</b>
2. Treasury Bonds	744.2	774.4	794.8	784.8	801.5	801.5	0.0	57.3
<b>(As % of total securities)</b>	<b>73.5</b>	<b>73.6</b>	<b>72.3</b>	<b>71.7</b>	<b>72.0</b>	<b>71.9</b>	<b>-0.1</b>	<b>-1.7</b>
<b>3. Total Securities (1+2)</b>	<b>1011.9</b>	<b>1052.4</b>	<b>1100.1</b>	<b>1094.5</b>	<b>1113.5</b>	<b>1115.3</b>	<b>1.8</b>	<b>103.3</b>
4. Overdraft at Central Bank	7.0	34.2	10.8	23.5	28.0	28.0	0.0	21.0
5. Other Domestic debt*	32.0	31.6	31.5	31.6	31.6	31.6	0.1	-0.4
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1051.0</b>	<b>1118.2</b>	<b>1142.3</b>	<b>1149.6</b>	<b>1173.0</b>	<b>1174.9</b>	<b>1.8</b>	<b>123.9</b>
<b>7. Interest payments on domestic debt</b>	<b>110.2</b>	<b>14.2</b>	<b>26.0</b>	<b>29.2</b>	<b>34.1</b>	<b>34.5</b>	<b>0.4</b>	

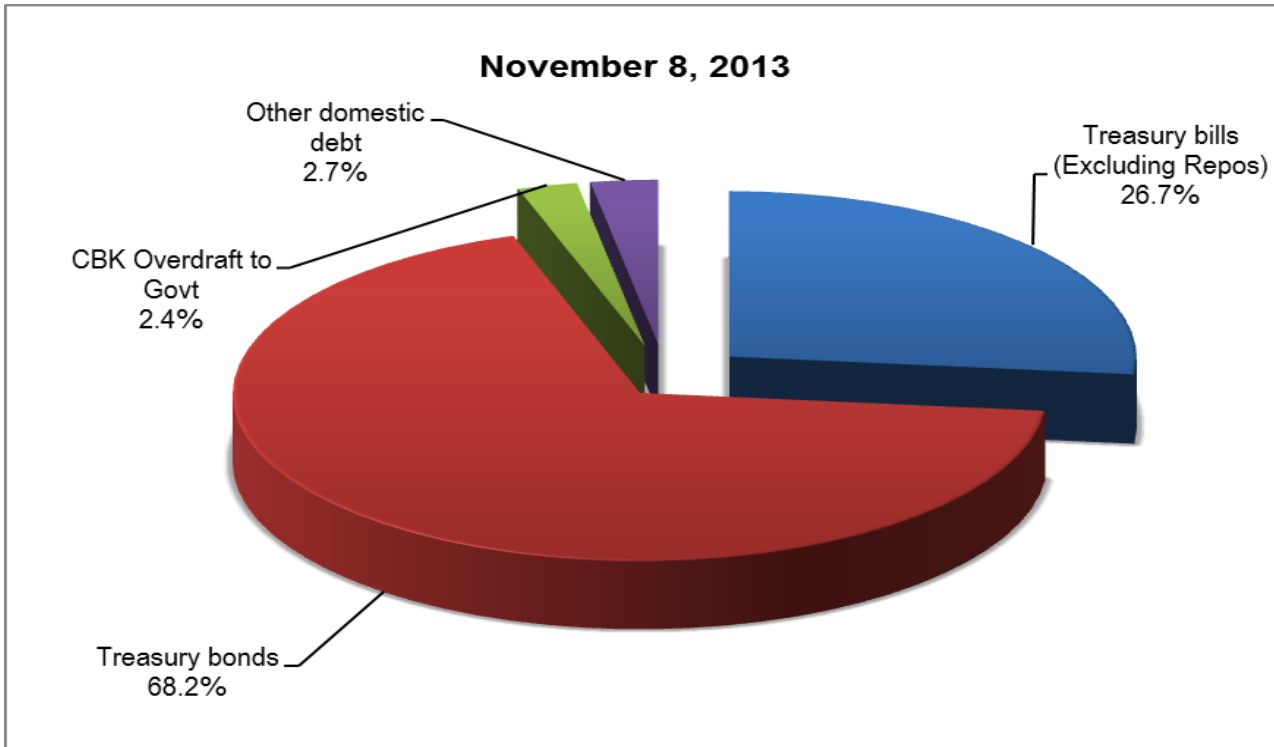
\* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and Tax Reserve Certificates .

**Source: Central Bank of Kenya**

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During the week under review, gross government domestic debt increased by Ksh 1.8 billion, largely on account of Treasury bills. Other domestic debt increased by Ksh 0.1 billion while Stocks of Treasury bonds and Government overdraft at the Central Bank remained unchanged during the week. The average time to maturity of Government securities stood at 4 years and 9 months on November 8, 2013, compared with 5 years and 2 months at the end of June 2013.

### CHART C: COMPOSITION OF GOVERNMENT SECURITIES

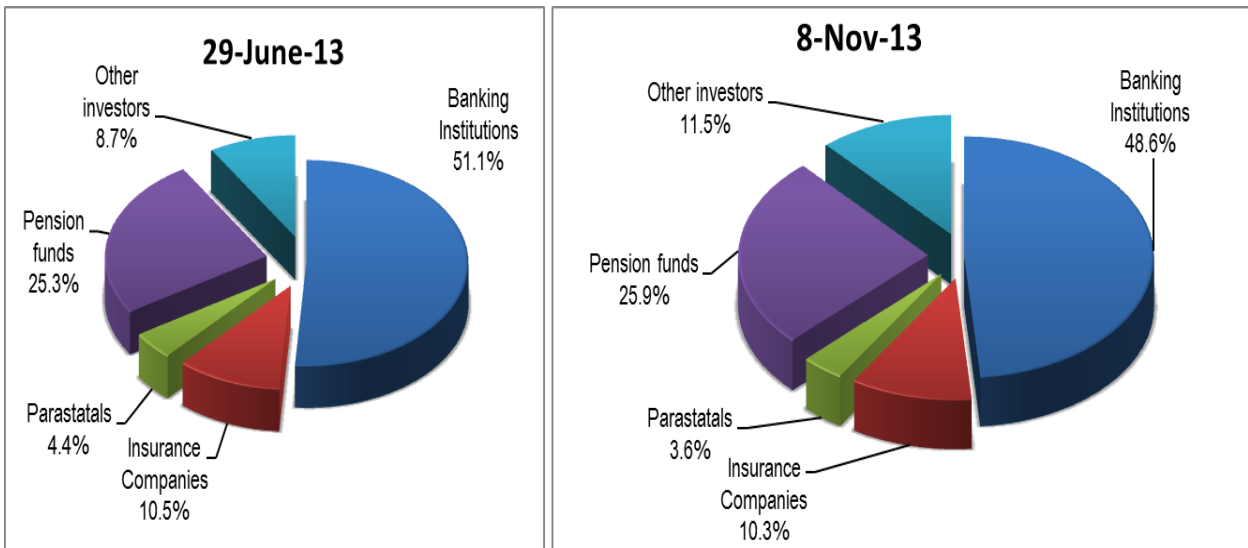


**Source:** Central Bank of Kenya

### Holding of Government Securities

Government securities accounted for 94.9 percent of gross domestic debt on November 08, 2013 (Chart C). Government securities held by commercial banks, insurance companies and parastatals declined from 51.1 percent, 10.5 percent and 4.4 percent in June, 2013 to 48.6 percent, 10.3 percent and 3.6 percent, respectively, on November 08, 2013. Those held by pension funds and other investors, which comprise SACCOs, listed and private companies, self-help groups, educational institutions, religious institutions and individuals increased to reach 25.9 percent and 11.5 percent of total securities, during the week under review (Chart D).

**CHART D: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS**

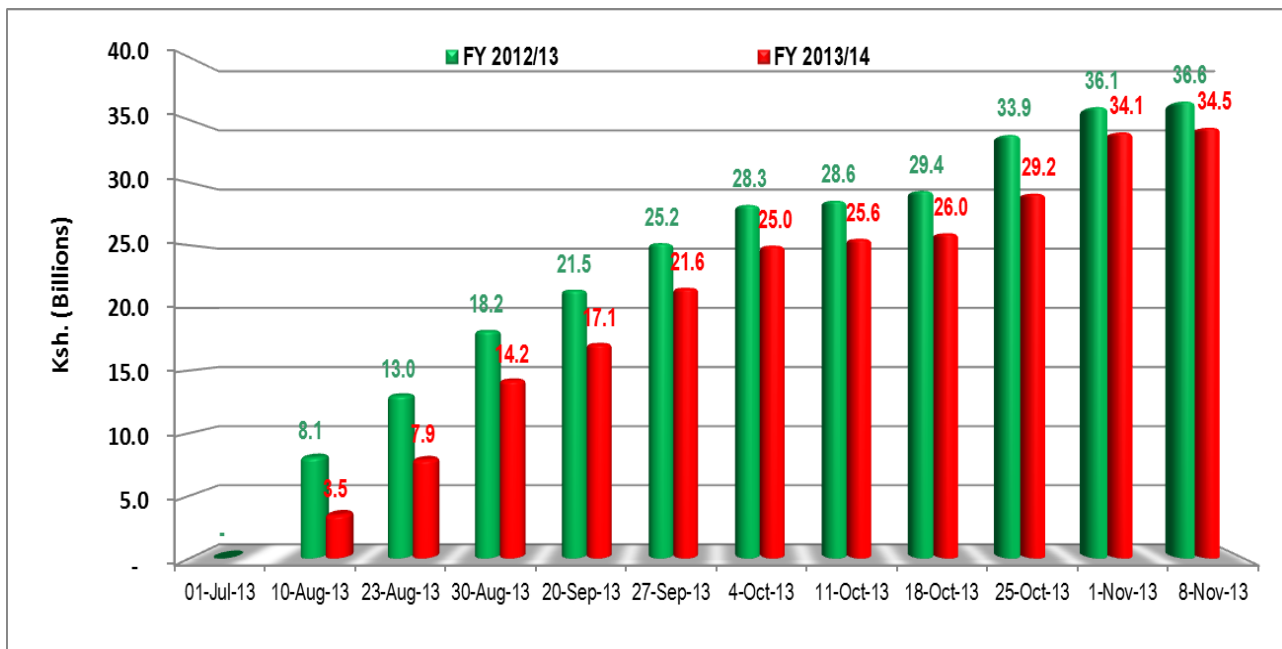


Source: Central Bank of Kenya

**Cost of Domestic Borrowing**

Cumulative interest and other charges on domestic debt during the week ending November 08, 2013 amounted to Ksh 34.5 billion compared with Ksh 36.6 billion during a similar period of the Fiscal Year 2012/13 (Chart E). The cost during the period was on account of interest and other charges on Treasury bills, Treasury bonds, Government overdraft at the Central Bank and the pre-1997 Government overdraft amounting to Ksh 5.9 billion, Ksh 27.5 billion, Ksh 0.4 billion and Ksh 0.7 billion, respectively.

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



Source: Central Bank of Kenya

# CBK WEEKLY BULLETIN

## Capital Markets Report

Capital markets performance largely declined during the week ending November 7, 2013 in both equities and bond markets.

### Equities Market

Both the average price for all equities quoted (NASI) and the volume of shares traded declined during the week ending November 15, 2013 (Table 7). Consequently, market capitalization, that measures shareholders' wealth posted a marginal fall, while equity turnover fell by 22.3 percent. The fall in equity turnover largely reflect in the volume of shares traded.

**TABLE 7: KEY WEEKLY MARKET STATISTICS**

Week Ending	19-Sep-13	26-Sep-13	3-Oct-13	10-Oct-13	17-Oct-13	24-Oct-13	31-Oct-13	7-Nov-13	14-Nov-13
NASI 100= Jan 2008	123.80	125.50	129.20	132.08	130.67	131.56	133.24	135.29	135.11
NSE 20 Share Index 100=1966	4,745.47	4,764.12	4,838.07	4,947.00	4,919.17	4,949.65	4,992.88	5,017.78	5,030.76
Number of Deals	7,697.00	6,860.00	7,585.00	10,206.00	9,584.00	7,737.00	7,881.00	9,638.00	9,995.00
Total Shares Traded (millions)	115.47	142.52	123.91	228.86	198.06	175.07	111.19	177.39	124.48
Equity Turnover (Ksh. millions)	2,748.18	2,351.29	3,040.89	3,609.26	2,965.00	4,199.81	2,984.06	3,398.10	2,618.31
Market Capitalization (Ksh. Bn.)	1,741.00	1,764.86	1,816.84	1,857.40	1,837.59	1,850.11	1,873.66	1,902.58	1,899.96
Bonds Turnover (Ksh. millions)	7,454.35	4,071.15	15,645.15	12,732.15	7,887.80	4,049.60	15,096.00	9,776.00	6,077.83
FTSE NSE Kenya 15 Index	161.46	164.06	168.83	174.14	171.67	172.84	174.65	175.32	175.02
FTSE NSE Kenya 25 Index	163.58	166.23	171.33	176.48	173.31	174.59	176.15	177.02	176.84
FTSE NSE Bond Index	92.35	92.02	92.24	92.00	92.32	91.56	91.11	91.25	91.18

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

**Source: Nairobi Securities Exchange**

Telecoms and Technology, Banking and Insurance were the top three most active sectors, transacting 52.58 million or 42.24 percent, 28.75 million or 23.10 percent and 13.06 million or 10.49 percent, respectively. Safaricom, KCB and CFC Insurance Ltd. were the three most active counters with 52.58 million, 13.77 million and 6.48 million shares traded, respectively. The least active sector was Automobile and Accessories sector with 233,300 shares traded.

### FTSE NSE Kenya Index Series

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization closed the week at 175.02 points down from 175.32 points the previous week. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, fell to 176.84 points from 177.02 points the previous week. FTSE NSE Bond Index declined marginally to 91.18 points from 91.25 points.

### The Bond Market

Bonds trading declined by 37.83 percent as turnover closed at Ksh 6,077 million from Ksh 9,776 million the previous week. Corresponding deals were 65 down from 97.