



OCTOBER 25, 2013

Highlights

The money market liquidity was relatively tight during the week ending October 23, 2013 on account of payment of taxes to Government, skewed in favor of a few banks. In order to allow the market redistribute available liquidity, the Central Bank stayed out of the market.

Reflective of the tight liquidity, the average interbank rate increased to 11.08 percent during the week ending October 23, 2013 from 10.51 percent in the previous week.

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending October 24, 2013. Against the US\$, the Kenya Shilling strengthened to trade at an average of Ksh 84.78 per US\$ compared to Ksh 85.03 per US\$ in the week ending October 17, 2013.

The usable official foreign exchange reserves held by Central Bank increased from US\$ 5,881 million as at October 17, 2013 to US\$ 5,891 million as at October 24, 2013.

The Government offered for sale Treasury bills worth Ksh 7.0 billion during the week ending October 25, 2013. A total of Ksh 4.7 billion was accepted out of Ksh 7.6 billion bids received.

Gross Government domestic debt increased by Ksh 91.4 billion to reach Ksh 1,142.3 billion on October 18, 2013, from Ksh 1,051.0 billion held at the end of June 2013. During the week under review, gross government domestic debt declined by Ksh 2.4 billion, largely on account of Treasury bills.

The NSE performance improved in the week ending October 24th 2013. NSE 20 Share Index gained 30.48 points while NASI was up, 0.89 points. Market capitalization added Ksh 12.52 billion as Equity turnover rose by 41.6 percent. The bonds turnover however shed 48.7 percent. FTSE NSE 15 Index and FTSE NSE 25 Index rose by 1.17 points and 1.28 points respectively, but FTSE Government Bond Index declined by 0.76 points.

CBK WEEKLY BULLETIN

Monetary Policy Operations

The money market liquidity was relatively tight during the week ending October 23, 2013 on account of payment of taxes to Government. Liquidity distribution was also skewed to a few commercial banks and interbank borrowing remained high as some banks were shoring up their reserves positions early in the cycle. To enable the market redistribute available liquidity, the Central Bank stayed out of the market. Reserve money averaged KSh. 283.1 billion during the week and was KSh. 8.9 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)
17-Oct-13	285.9	291.2	-5.3	0.0	0.0	0.0	0.0	285.9	-5.3	-1.1	-4.2
18-Oct-13	276.9	291.2	-14.4	0.0	0.0	0.0	0.0	278.5	-12.8	-8.8	-4.0
22-Oct-13	278.5	292.6	-14.1	0.0	0.0	0.0	0.0	285.1	-7.5	-2.4	-5.2
23-Oct-13	282.3	292.6	-10.3	0.0	0.0	0.0	0.0	282.8	-9.8	-5.1	-4.7
Average	280.9	291.9	-11.0	0.0	0.0	0.0	0.0	283.1	-8.9	-4.3	-4.5

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate increased by 57 basis points to 11.08 percent during the week ending October 23, 2013 from 10.51 percent in the previous week reflecting tight liquidity in the money market. The average interbank volume transacted increased to Ksh 27.97 billion in the week ending October 23, 2013 from Ksh 15.80 billion the previous week, while the average number of deals increased to 65 from 57 deals (Table 2 and Chart A).

CBK WEEKLY BULLETIN

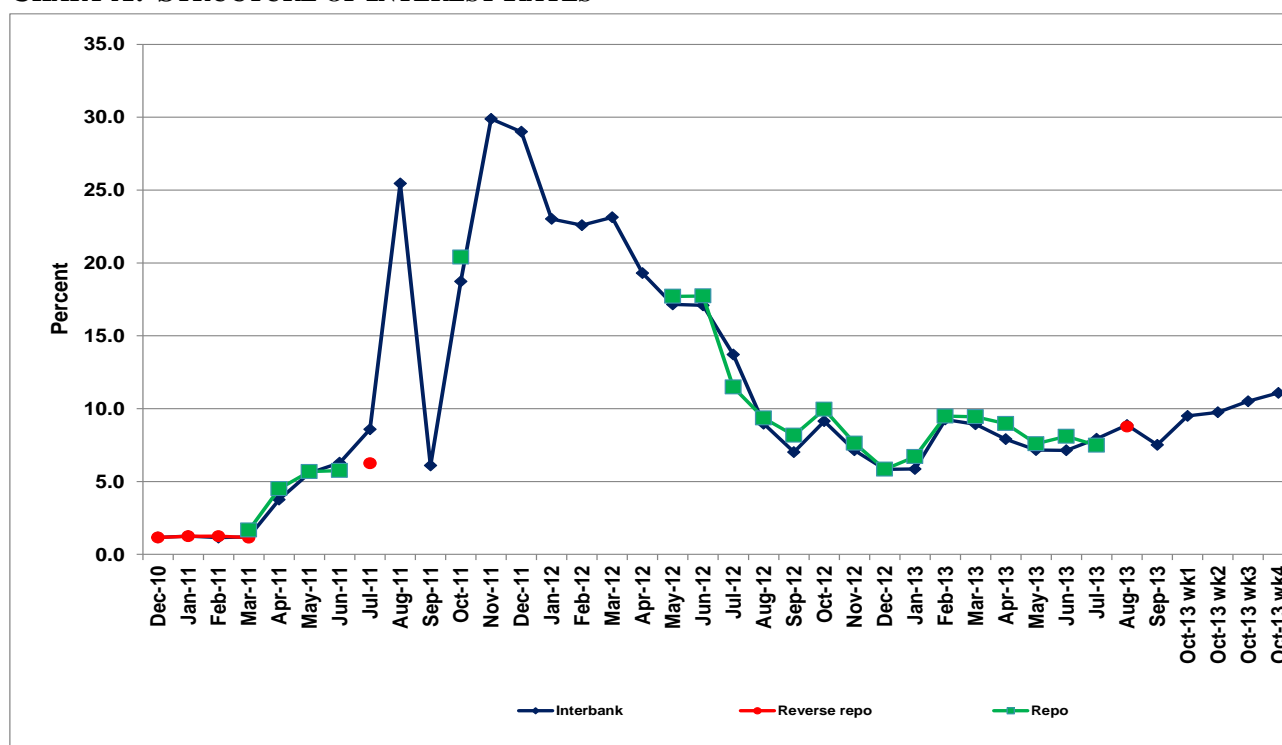
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
10-Oct-13	70	16,851	9.92
11-Oct-13	65	17,505	10.40
14-Oct-13	53	11,800	10.84
15-Oct-13	50	16,192	10.66
16-Oct-13	49	16,670	10.71
October 10 -October 16, 2013	57	15,804	10.51
17-Oct-13	54	17,830	10.82
18-Oct-13	62	31,545	11.07
22-Oct-13	68	33,768	11.12
23-Oct-13	74	28,748	11.32
October 17 -October 23, 2013	65	27,973	11.08

Source: Central Bank of Kenya

The Central Bank stayed out of the market during the week ending October 23, 2013. As a result, the average repo rate remained unchanged at 7.05 percent recorded in the week ending September 18, 2013.

CHART A: STRUCTURE OF INTEREST RATES

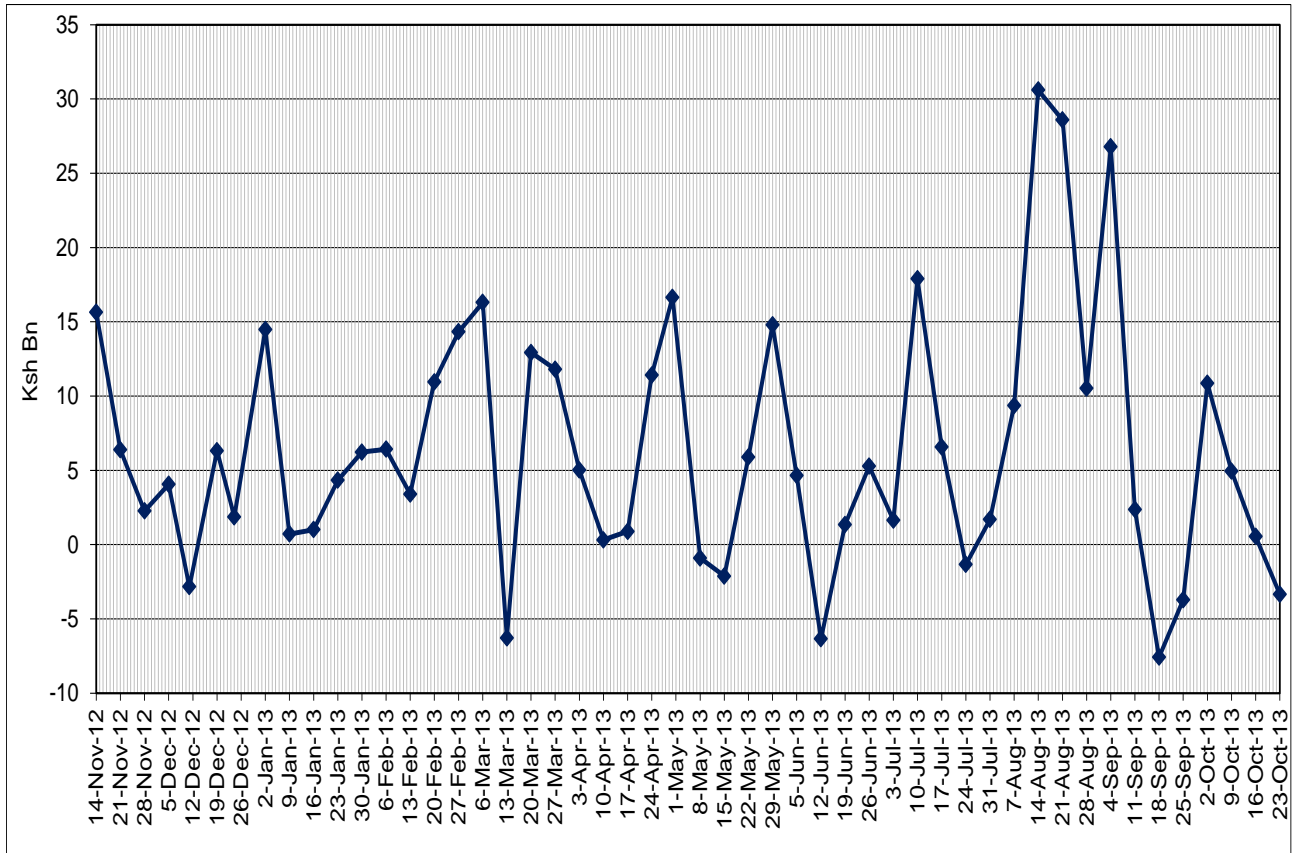


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 0.55 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 96.3 billion) at the Central Bank in the week to October 16, 2013 compared with Ksh 4.94 billion recorded in the previous week (Chart B).

CHART B: WEEKLY AVERAGE DEVIATION FROM CRR IN THE CLEARING ACCOUNT



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending October 24, 2013. The Kenya Shilling appreciated by 0.29 percent against the US\$ to exchange at an average of Ksh 84.78 per US\$ compared to Ksh 85.03 per US\$ in the week ending October 17, 2013. The Shilling appreciation against the US\$ largely reflects tight liquidity in the money market.

Against the Sterling Pound, the Euro and the Japanese Yen, the Shilling weakened by 0.90 percent, 1.05 percent and 0.26 percent respectively to trade at an average of Ksh 137.11 per Sterling Pound, Ksh 116.42 per Euro and Ksh 86.68 per 100 Japanese Yen.

In the EAC region, the Kenya Shilling weakened against the Uganda Shilling and the Tanzania Shilling and Strengthened against the Rwanda Franc and Burundi Franc to trade at an average of US\$ 29.73, TSh 18.96, RWF 7.90 and BIF 18.29 in the week ending October 24 compared to US\$ 29.86, TSh 18.99, RWF 7.87 and BIF 18.15 in the week ending October 17, 2013 (Table 3)

CBK WEEKLY BULLETIN

TABLE 3: KENYA SHILLING EXCHANGE RATES

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
4-Oct-13	86.52	139.90	117.91	89.09	29.49	18.60	7.73	17.90
7-Oct-13	86.13	138.00	116.79	88.60	29.63	18.69	7.74	17.87
8-Oct-13	85.26	137.05	115.73	87.97	29.82	18.88	7.85	18.13
9-Oct-13	84.96	136.49	115.20	87.24	29.93	18.95	7.87	18.20
10-Oct-13	85.39	136.19	115.34	87.44	29.73	18.85	7.83	18.17
4 -10 Oct-13	85.65	137.53	116.19	88.33	29.72	18.80	7.81	18.05
11-Oct-13	85.20	136.26	115.36	86.60	29.90	18.90	7.85	18.12
14-Oct-13	84.97	135.67	115.31	86.50	29.90	19.07	7.87	18.15
15-Oct-13	84.99	135.72	115.28	86.64	29.90	18.96	7.87	18.13
16-Oct-13	84.99	135.77	114.88	86.28	29.89	19.06	7.87	18.13
17-Oct-13	84.97	136.00	115.23	86.27	29.72	18.96	7.87	18.21
11 -17 Oct-13	85.03	135.88	115.21	88.33	29.86	18.99	7.87	18.15

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US\$ 5,881 million (or 4.12 months of import cover) as at October 17, 2013 to US\$ 5,891 million (or 4.13 months of import cover) as at October 24, 2013 (Table 4).

TABLE 4: OFFICIAL RESERVES USD MILLIONS

	01-Aug-13	08-Aug-13	15-Aug-13	22-Aug-13	29-Aug-13	05-Sep-13	12-Sep-13	19-Sep-13	26-Sep-13	03-Oct-13	10-Oct-13	17-Oct-13	24-Oct-13
Usable Reserves*	5,763	5,741	5,717	5,736	5,754	5,748	5,881	5,883	5,903	5,931	5,894	5,881	5,891
Months of Imports Cover**	4.12	4.10	4.09	4.10	4.11	4.11	4.16	4.17	4.18	4.16	4.13	4.12	4.13

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

Source: Central Bank of Kenya

Government Securities Auction

The Government offered for sale Ksh 2.0 billion in the 91 day Treasury bill, and Ksh 2.5 billion each in the 182 day and 364 day Treasury bills during the week ending October 25, 2013. Total bids received amounted to Ksh 7.6 billion, of which Ksh 3.7 billion, Ksh 2.3 billion and Ksh 1.6 billion was in the 91 day, 182 day and 364 day papers, representing performance rates of 187.7 percent, 91.8 percent and 63.1 percent, respectively. The Government accepted Ksh 2.1 billion, Ksh 1.6 billion and Ksh 1.0 billion, in the 91 day, 182 day and 364 day Treasury bills, respectively, during the week. Total non-competitive bids amounted to Ksh 1.2 billion.

CBK WEEKLY BULLETIN

Interest Rates on Government securities

Weighted average interest rates on the 91 day, 182 day and 364 day Treasury bills increased by 15.1, 3.4 and 3.8 basis points to reach 9.943 percent, 10.487 percent and 10.830 percent, respectively, during the week's auction.

TABLE 5: GOVERNMENT SECURITIES INTEREST RATES

	28-Jun-13	20-Sep-13	27-Sep-13	04-Oct-13	11-Oct-13	18-Oct-13	25-Oct-13
91-day T. Bills*	5.175	9.139	9.109	9.360	9.772	9.792	9.943
182-day T. Bills*	5.549	9.694	9.670	9.986	10.185	10.453	10.487
364-day T. Bills*	8.356	10.413	10.308	10.574	10.800	10.792	10.830

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 91.4 billion to reach Ksh 1,142.3 billion on October 18, 2013, from Ksh 1,051.0 billion held at the end of June 2013. This followed Ksh 37.5 billion, Ksh 50.7 billion and Ksh 3.8 billion respective increases in the stocks of Treasury bills, Treasury bonds and Government overdraft at the Central Bank, which were partially offset by a Ksh 0.5 billion decline in other domestic debt, during the period.

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

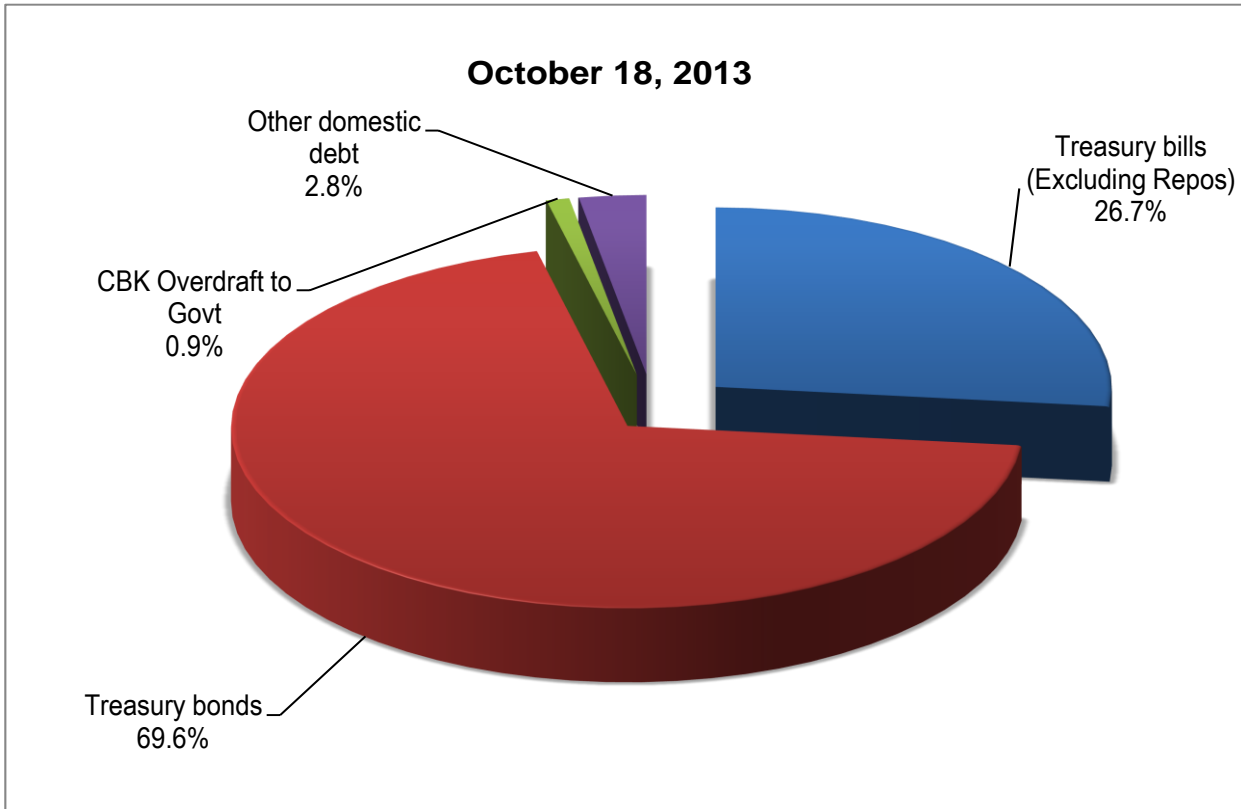
	Jun 2013	Aug 2013	4th Oct 2013	11th Oct 2013	18th Oct 2013	Changes	
						11th Oct 2013 - 18th Oct 2013	28th Jun 2013 - 18th Oct 2013
1. Treasury Bills (Excluding Repos)	267.8	278.0	307.6	307.9	305.2	-2.7	37.5
(As % of total securities)	26.5	26.4	27.9	27.9	27.7	-0.2	
2. Treasury Bonds	744.2	774.4	794.8	794.8	794.8	0.0	50.7
(As % of total securities)	73.5	73.6	72.1	72.1	72.3	0.2	
3. Total Securities (1+2)	1011.9	1052.4	1102.5	1102.8	1100.1	-2.7	88.1
4. Overdraft at Central Bank	7.0	34.2	34.2	10.6	10.8	0.2	3.8
5. Other Domestic debt*	32.0	31.6	31.4	31.4	31.5	0.0	-0.5
6. Gross Domestic Debt (3+4+5)	1051.0	1118.2	1168.1	1144.7	1142.3	-2.4	91.4
7. Interest payments on domestic debt	110.2	14.2	25.0	25.6	26.0	0.4	

Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

During the week under review, gross government domestic debt declined by Ksh 2.4 billion, largely on account of Treasury bills, which declined by Ksh 2.7 billion on October 18, 2013. Government overdraft at the Central Bank increased by Ksh 0.2 billion to reach 10.8 billion, while Treasury bonds and other domestic debt remained largely unchanged during the week. The average time to maturity of Government securities stood at 5 years as at October 18, 2013, compared with 5 years and 2 months at the end of June 2013.

CHART C: COMPOSITION OF GOVERNMENT SECURITIES

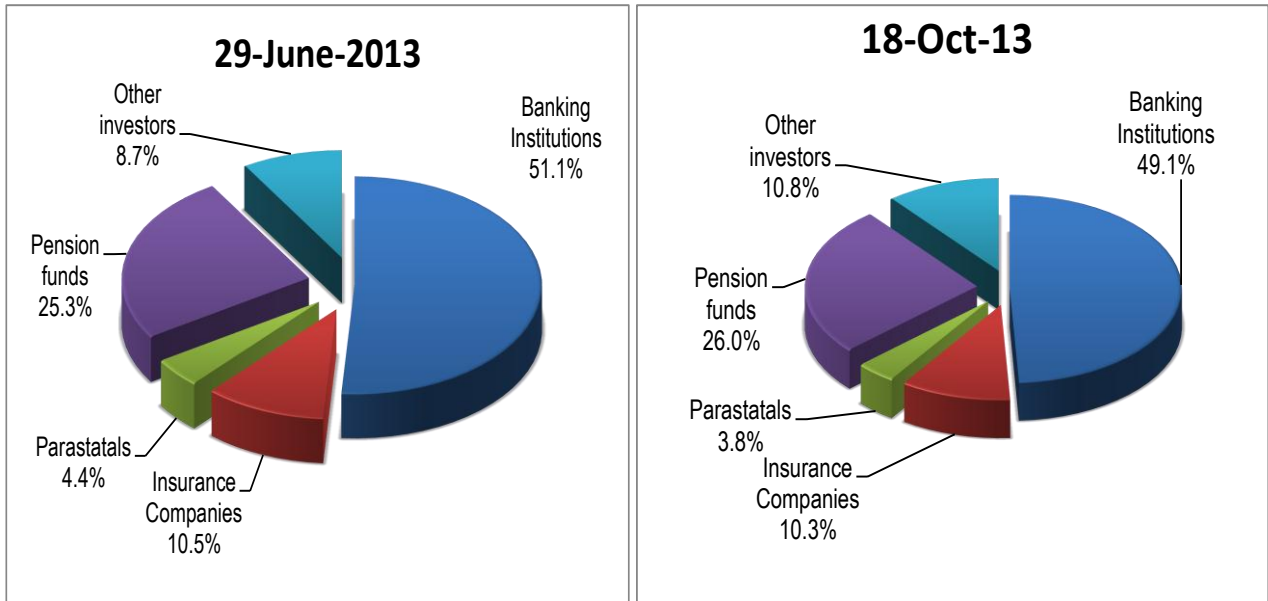


Source: Central Bank of Kenya

Holding of Government Securities

Government securities accounted for 96.3 percent of gross domestic debt on October 18, 2013 (Chart C). Government securities held by commercial banks, insurance companies and parastatals declined from 51.1, 10.5 and 4.4 percent in June, 2012 to 49.1, 10.3 and 3.8 percent, respectively, on October 18, 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 26.0 and 10.8 percent of total securities during the week under review (Chart D).

CHART D: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS

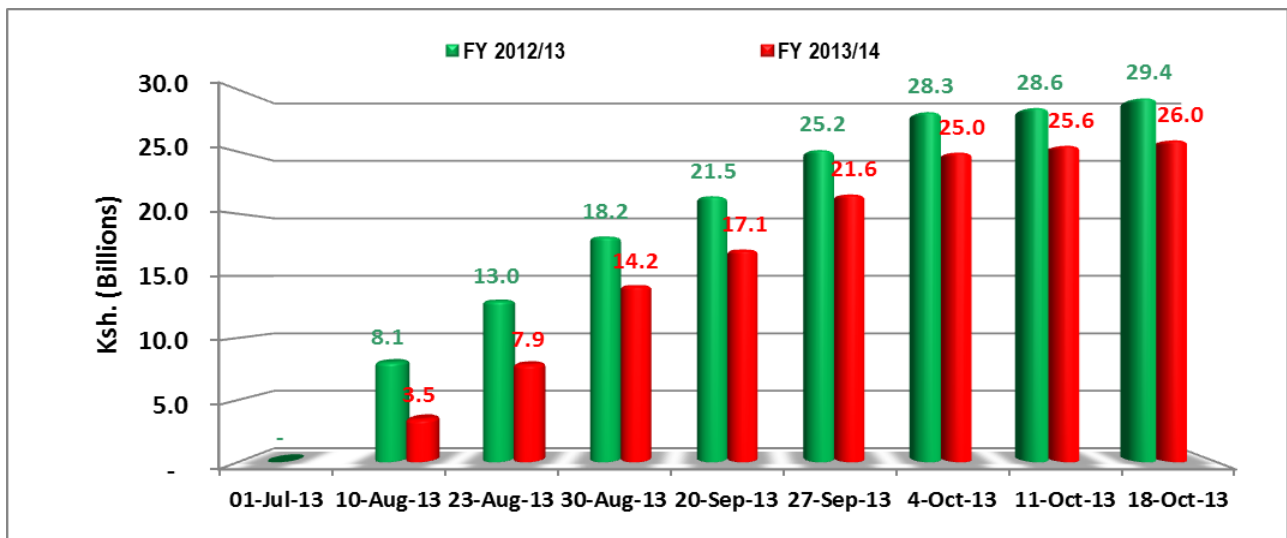


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt during the week ending October 18, 2013 amounted to Ksh 26.0 billion compared with Ksh 29.4 billion during a similar period of the Fiscal Year 2012/13 (Chart E). The cost comprised 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 5.2 billion, Ksh 20.2 billion, Ksh 0.4 billion and Ksh 0.2 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 was generally strong during the week ending October 24, 2013. Equities segment made gains, with all FTSE NSE Index series rising but Bonds turnover and FTSE Government Bond Index declined during the period on rising yields.

Equities Market

As indicated in Table 7, NSE 20 Share Index closed the week at 4949.65 points up from last week's 4919.17 points. NASI rose to 131.56 points from 130.67 points recorded on October 17, 2013. Market capitalization that measures shareholders' wealth was Ksh 1,850.11 billion up from Ksh 1,837.59 billion. Equity turnover rose to Ksh 4,199.81 million driven by higher prices.

TABLE 7: KEY WEEKLY MARKET STATISTICS

Week Ending	12-Sep-13	19-Sep-13	26-Sep-13	03-Oct-13	10-Oct-13	17-Oct-13	24-Oct-13
NASI 100= Jan 2008	122.88	123.80	125.50	129.20	132.08	130.67	131.56
NSE 20 Share Index 100=1966	4,732.92	4,745.47	4,764.12	4,838.07	4,947.00	4,919.17	4,949.65
Number of Deals	8,545.00	7,697.00	6,860.00	7,585.00	10,206.00	9,584.00	7,737.00
Total Shares Traded (millions)	141.11	115.47	142.52	123.91	228.86	198.06	175.07
Equity Turnover (Ksh. millions)	2,686.44	2,748.18	2,351.29	3,040.89	3,609.26	2,965.00	4,199.81
Market Capitalization (Ksh. Bn.)	1,728.65	1,741.00	1,764.86	1,816.84	1,857.40	1,837.59	1,850.11
Bonds Turnover (Ksh. millions)	10,253.10	7,454.35	4,071.15	15,645.15	12,732.15	7,887.80	4,049.60
FTSE NSE Kenya 15 Index	159.94	161.46	164.06	168.83	174.14	171.67	172.84
FTSE NSE Kenya 25 Index	162.08	163.58	166.23	171.33	176.48	173.31	174.59
FTSE NSE Bond Index	94.06	92.35	92.02	92.24	92.00	92.32	91.56

Source: Nairobi Securities Exchange

Telecoms & Technology, Banking, and Energy & Petroleum were the top three active sectors, transacting 106.25 million or 60.69 percent, 36.31 million or 20.74 percent and 13.61 million or 7.78 percent of shares, respectively. Safaricom, I&M Bank and Equity Bank were the three most active counters with 106.25 million, 14.62 million and 8.23 million shares traded, respectively. The least active sector was Automobile and Accessories sector with 80,200 shares.

The biggest closing and average price gain for the week was for East African Breweries and Jubilee Holdings at Ksh 9 and Ksh 6.80 per share, respectively. The biggest closing and average price losses were for Diamond Trust Bank and East African Breweries at Ksh 8 and Ksh 4.70 per share, respectively. Of the 54 active counters, 33 had average price gain in the week compared to 30 of the last week, reflecting better market performance.

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 172.84 points up from 171.67 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE rose to 174.59 points from 173.31 points of the previous week. FTSE NSE Bond Index was however down to 91.56 points from 92.32 points, signalling rising bond market yields.

The Bond Market

Bonds trading declined by 48.66 percent as turnover closed at Ksh 4,049.60 million from Ksh 7,887.80 million the previous week. Corresponding deals were 128 from 53. The decline may be due to rising primary market yields leading to low demand.