



JULY 19, 2013

Highlights

The money market was liquid during the week ending July 17, 2013. The Central Bank liquidity management transactions through repo securities resulted in Ksh 21.0 billion net withdrawal from the market.

The average interbank rate decreased to 6.90 percent during the week ending July 17, 2013 from 8.83 percent in the previous week.

The Kenya Shilling exchange rate weakened against major international currencies in the week ending July 18, 2013. Against the US Dollar the Kenya Shilling depreciated to trade at an average of Ksh 87.02 per USD compared to Ksh 86.70 per USD in the week ending July 11, 2013. This follows increased demand for the dollar against low supplies of Foreign exchange.

The usable official foreign exchange reserves held by the Central Bank decreased marginally from US Dollar 5,771 million as at July 11, 2013 to US Dollar 5,722 million as at July 18, 2013.

The Government offered for sale Treasury bills worth Ksh 9.0 billion, during the week ending July 19, 2013. A total of Ksh 1.9 billion in bids was received and accepted.

Gross Government domestic debt stood at Ksh 1075.8 billion on July 12, 2013, a Ksh 24.9 billion increase from Ksh 1051.0 billion at the end of June 2013, largely on account of Treasury bonds.

Capital markets recorded strong recovery in the week ending July 18th 2013, from its last week's low activity. Key market indicators; NSE 20 Share index, NASI, and all Index Series were in the positive territory. The equities and bonds turnover, market capitalization and number of shares traded also gained.

CBK WEEKLY BULLETIN

Monetary Policy Operations

The money market was liquid during the week ending July 17, 2013. The Central Bank liquidity management transactions through repo securities resulted in Ksh 21.0 billion net withdrawal from the money market. Sales of repo securities comprised Ksh 27.0 billion and Ksh 7.9 billion, respectively in repo securities and term auction deposits, against maturities of Ksh 6.0 billion and Ksh 7.9 billion, respectively. Reserve money averaged Ksh 288.3 billion during the week and was Ksh 3.5 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(-)	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)
11-Jul-13	305.8	284.3	21.5	11.0	8.7	2.3	0.0	294.0	9.7	10.8	-1.1
12-Jul-13	301.9	284.3	17.6	8.0	8.0	0.0	0.0	294.5	10.1	11.6	-1.5
15-Jul-13	298.0	285.2	12.8	12.0	7.0	1.0	-4.0	289.2	4.1	6.6	-2.5
16-Jul-13	288.6	285.2	3.4	6.5	0.0	4.6	-1.9	284.3	-0.9	2.4	-3.2
17-Jul-13	284.8	285.2	-0.3	3.5	3.3	0.0	-0.3	279.6	-5.5	-1.3	-4.2
Average	295.8	284.8	11.0	8.2	5.4	1.6	-1.2	288.3	3.5	6.0	-2.5

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased to 6.90 percent during the week ending July 17, 2013 from 8.83 percent in the previous week reflecting improved money market liquidity. The interbank volumes transacted increased to an average of Ksh 14.4 billion compared with Ksh 13.7 billion recorded in the previous week, for an average 43 deals compared with 51 deals in the previous week (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

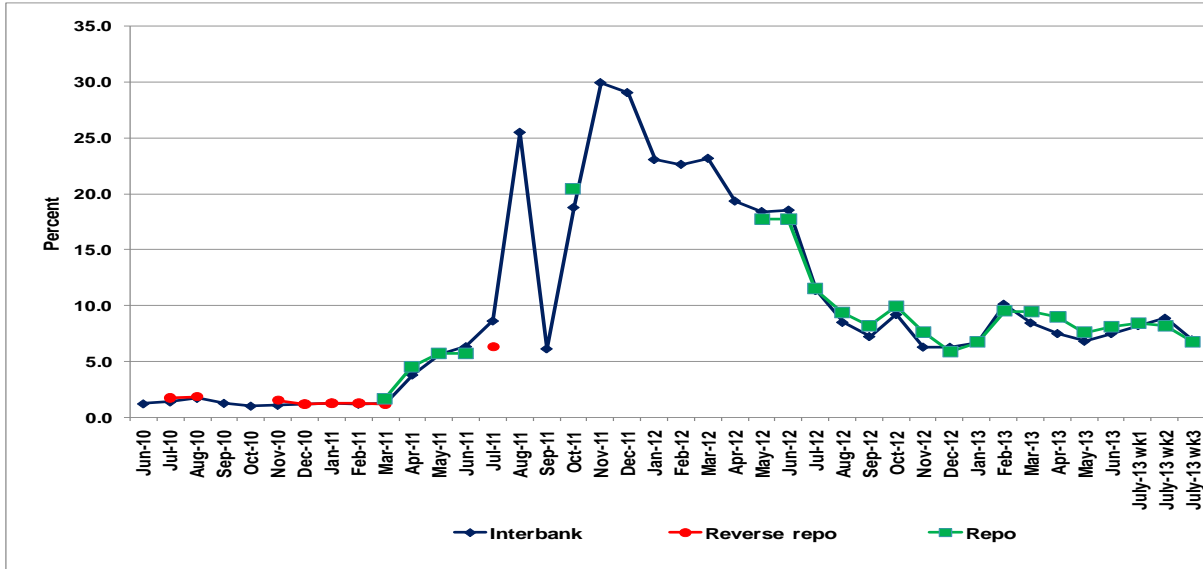
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
04-Jul-13	64	17,312	9.27
05-Jul-13	67	17,810	9.39
08-Jul-13	44	12,619	9.11
09-Jul-13	41	9,287	8.40
10-Jul-13	38	11,232	8.00
July 4-July 10, 2013	51	13,652	8.83
11-Jul-13	45	16,350	7.34
12-Jul-13	50	15,425	6.99
15-Jul-13	33	10,777	6.79
16-Jul-13	39	11,493	6.69
17-Jul-13	50	17,949	6.68
July 11-July 17, 2013	43	14,399	6.90

Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

The average repo rate declined to 6.76 percent during the week ending July 17, 2013 from 8.19 percent recorded in the previous week.

CHART A: STRUCTURE OF INTEREST RATES

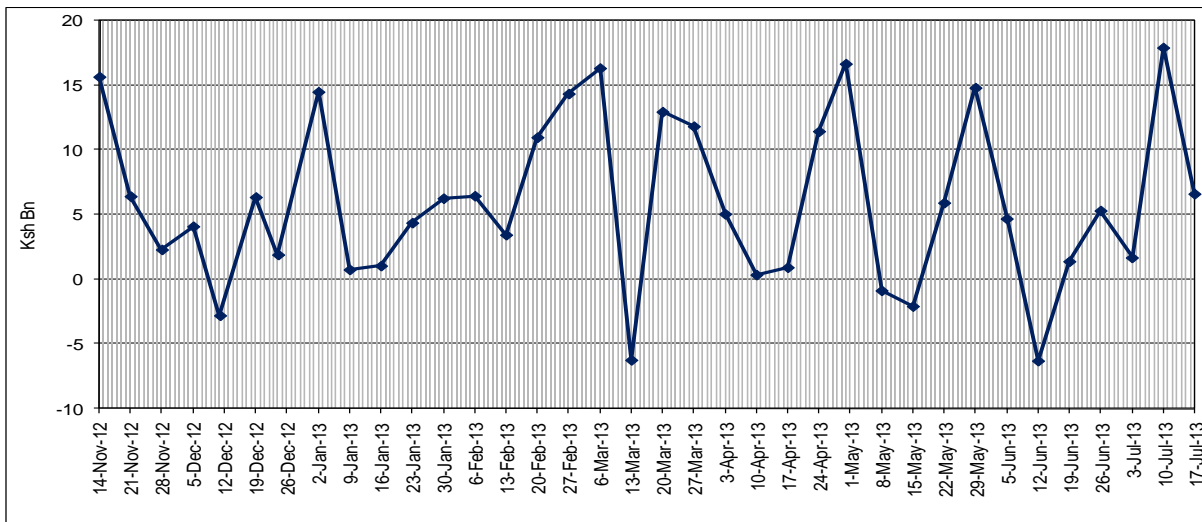


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 6.58 billion in their settlement account at the Central Bank in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 93.2 billion) in the week to July 17, 2013 compared with Ksh 17.89 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 weakened against major international currencies in the week ending July 18, 2013. During the Week, the Kenya Shilling depreciated by 0.37 percent against the USD, 1.43 percent against the Sterling Pound, 1.89 percent against the Euro and 1.24 percent against the Japanese Yen to trade at an average of 87.02 per USD, 131.72 per Pound Sterling, 113.89 per Euro and 87.45 per 100 Japanese Yen compared to 86.70 per USD, 129.86 per Pound Sterling, 111.78 per Euro and 86.38 per 100 Japanese Yen in the week ending July 11, 2013.

In the EAC region, the Kenya Shilling weakened against all the EAC regional currencies to trade at an average of Ush 29.78, Tsh 18.64, RWF 7.46 and BIF 17.83 in the week ending July 18, 2013 compared to Ush 29.97, Tsh 18.74, RWF 7.49 and BIF 17.95 in the week ending July 11, 2013. (Table 3)

TABLE 3: KENYA SHILLING EXCHANGE RATES

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
5-Jul-13	86.26	129.76	111.23	85.98	30.07	18.86	7.54	18.03
8-Jul-13	86.68	129.06	111.08	85.81	29.94	18.75	7.49	17.95
9-Jul-13	86.80	129.74	111.72	85.79	29.96	18.72	7.47	17.93
10-Jul-13	86.90	129.44	111.14	86.42	29.93	18.67	7.46	17.91
11-Jul-13	86.86	131.30	113.69	87.89	29.93	18.69	7.49	17.92
4 - 11 Jul 2013	86.70	129.86	111.78	86.38	29.97	18.74	7.49	17.95
12-Jul-13	87.17	132.27	113.96	88.04	29.77	18.61	7.45	17.84
15-Jul-13	87.24	131.84	114.02	87.93	29.75	18.59	7.44	17.84
16-Jul-13	87.00	131.45	113.69	87.11	29.86	18.60	7.46	17.67
17-Jul-13	86.79	131.16	114.01	87.33	29.79	18.69	7.48	17.92
18-Jul-13	86.89	131.87	113.77	86.83	29.74	18.69	7.47	17.90
12 - 18 Jul 2013	87.02	131.72	113.89	87.45	29.78	18.64	7.46	17.83

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank decreased marginally from USD 5,771 million equivalent to 4.16 months of import cover as at July 11, 2013 to USD 5,722 million equivalent to 4.13 months of import cover as at July 18, 2013. The months of import cover remain above the statutory minimum of 4 months. (Table 4)

TABLE 4: OFFICIAL RESERVES US\$ MILLIONS

	11-Apr-13	18-Apr-13	25-Apr-13	02-May-13	09-May-13	16-May-13	23-May-13	30-May-13	06-Jun-13	13-Jun-13	20-Jun-13	27-Jun-13	04-Jul-13	11-Jul-13	18-Jul-13
Usable Reserves*	5,364	5,568	5,537	5,668	5,744	5,805	5,821	5,805	5,800	5,801	5,885	5,843	5,812	5,771	5,722
Months of Imports Cover**	4.01	4.16	4.09	4.19	4.25	4.29	4.27	4.26	4.26	4.26	4.32	4.29	4.22	4.16	4.13

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

Government Securities Auction

The Government offered for sale Ksh 3 billion, each in the 91 day, 182 day and 364 day Treasury bills, during the week ending July 19, 2013. Total bids received amounted to Ksh 1.9 billion, of which Ksh 1.3 billion, Ksh 0.1 billion and Ksh 0.5 billion was in 91 day, 182 day and 364 day papers, representing performance rates of 43.5 percent, 3.7 percent and 16.5 percent, respectively. The Government accepted all bids received. Total non competitive bids amounted to Ksh 1.0 billion.

Interest Rates on Government securities

Weighted average interest rates on the 91 day, 182 day and 364 day Treasury bills increased by 53.4 basis points, 16.4 basis points and 69.9 basis points, respectively, to reach 6.293 percent, 6.484 percent and 9.055 percent (Table 5).

TABLE 5: GOVERNMENT SECURITIES INTEREST RATES

	22-Mar-13	31-May-13	07-Jun-13	14-Jun-13	21-Jun-13	28-Jun-13	05-Jul-13	12-Jul-13	19-Jul-13
91-day T. Bills*	10.318	7.569	6.721	5.424	5.110	5.175	5.496	5.759	6.293
182-day T. Bills*	10.602	8.840	7.899	6.117	5.642	5.549	6.000	6.320	6.484
364-day T. Bills*	12.674	9.383	8.504	8.270	8.141	8.356	8.356	8.356	9.055
5 year FXD T. Bonds						11.305			
10year FXD T. Bonds	13.720					12.371			
15year FXD T. Bonds									
15year FXD T. Bonds	13.629								
20 year FXD T. Bonds									

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt stood at Ksh 1075.8 billion on July 12, 2013, a Ksh 24.9 billion increase from Ksh 1051.0 billion at the end of June 2013. This followed Ksh 25.0 billion and Ksh 2.5 billion increases in stocks of Treasury bonds and the Government overdraft at the Central Bank, respectively, while stocks of Treasury bills and other domestic debt declined by Ksh 2.5 billion and Ksh 0.1 billion, respectively. During the week under review, gross government domestic debt remained unchanged following an increase of Ksh.0.4 billion in Overdraft at Central Bank of Kenya, which was off set by a decline in stocks of Treasury bills (Table 6 and Chart C). The average time to maturity of Government securities reduced to 5 years and 1 month from 5 years and 2 months as at end of June 2013.

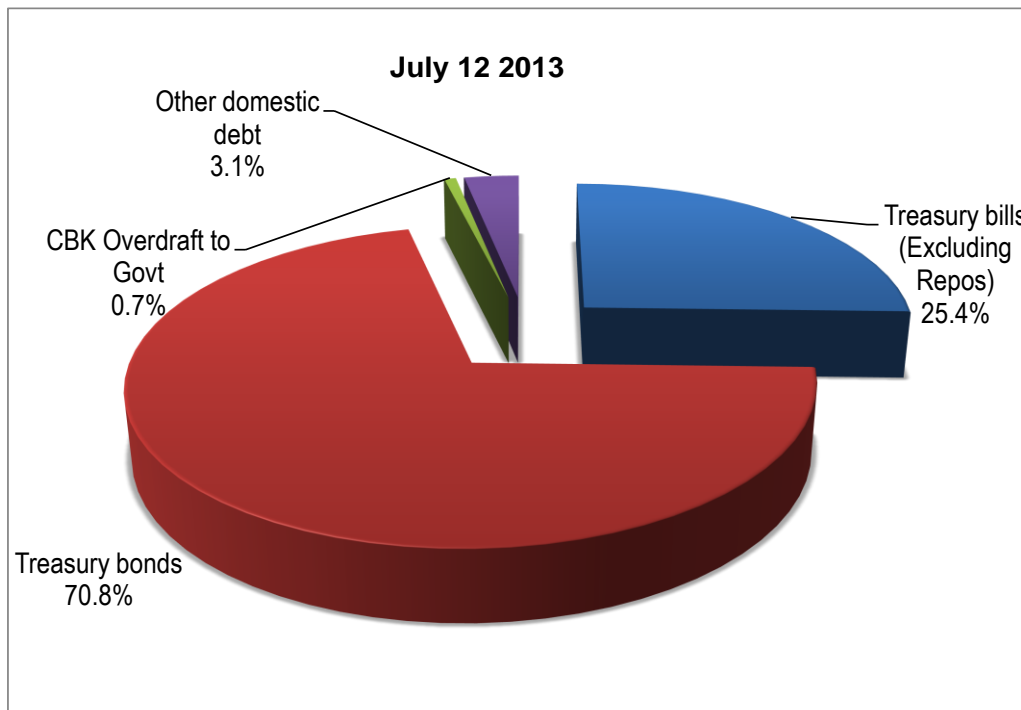
TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	Jun 2012	Jun 2013	5th July 2013	12th July 2013	Changes	
					5th July 2013 - 12th July 2013	28th Jun 2013 - 12th Jul 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	267.8 26.5	265.7 25.7	265.3 25.6	-0.4	-2.5
2. Treasury Bonds (As % of total securities)	687.0 83.9	744.2 73.5	769.2 74.3	769.2 74.4	0.0	25.0
3. Total Securities (1+2)	819.0	1011.9	1034.9	1034.5	-0.4	22.5
4. Overdraft at Central Bank	7.3	7.0	9.0	9.5	0.4	2.5
5. Other Domestic debt*	32.6	32.0	31.9	31.9	0.0	-0.1
6. Gross Domestic Debt (3+4+5)	858.8	1051.0	1075.8	1075.8	0.0	24.9
7. Interest payments on domestic debt	82.3	110.2	0.5	0.7	0.2	

* 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

CHART C: COMPOSITION OF GOVERNMENT SECURITIES



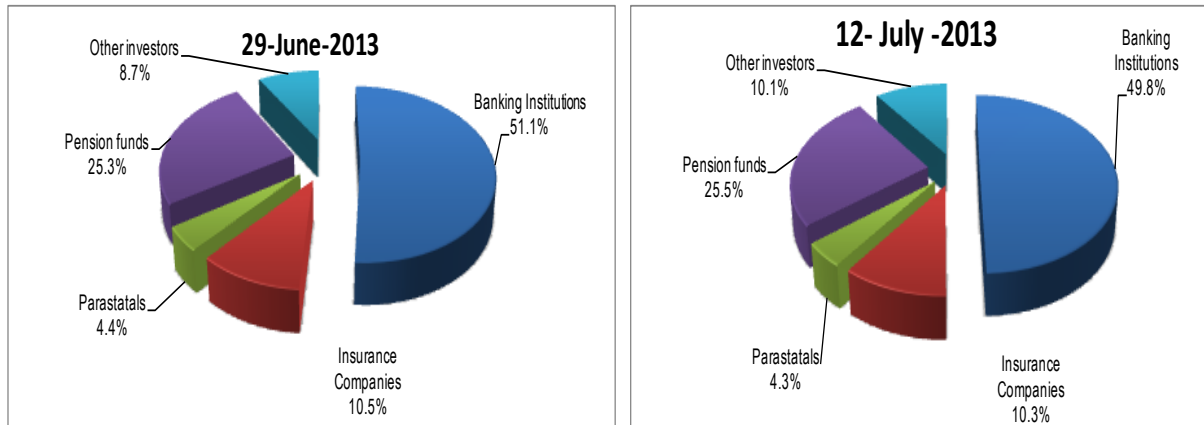
Source: Central Bank of Kenya

Holding of Government Securities

CBK WEEKLY BULLETIN

Government securities accounted for 96.2 percent of gross domestic debt on July 12, 2013 (Chart D). The share of Government securities held by Banking institutions, Insurance companies and Parastatals declined from 51.1 percent, 10.5 percent and 4.4 percent, respectively, in June 2013 to 49.8 percent, 10.3 percent and 4.3 percent at July 12, 2013. Government securities held by Pension funds and other investors, which comprise of Sacco's, listed and private companies, self-help groups, educational institutions, religious institutions and individuals, increased from 25.3 percent and 8.7 percent, respectively, to 25.5 percent and 10.1 percent.

CHART D: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS

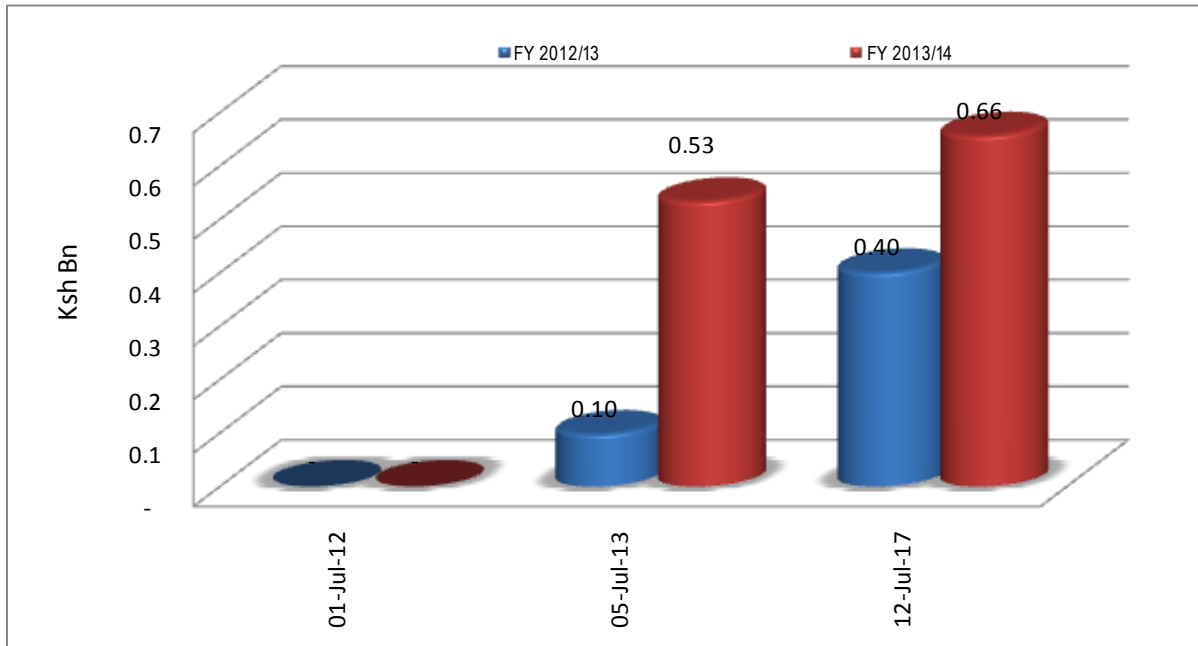


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt during the week ending July 12, 2013 amounted to Ksh 0.66 billion compared with Ksh 0.4 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 and Treasury bonds amounting to Ksh 0.23 billion and Ksh 0.4 billion, respectively.

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



Source: Central Bank of Kenya

Capital Markets Report

All Capital Markets performance indicators recorded significant gains in the week ending July 18th 2013 compared to the previous week. Equities turnover rose by 3.03 percent while bonds turnover gained by 1.62 percent. All equities and bonds index series as well as market capitalization recorded gains in the week under review.

Equities Market

As indicated in Table 7, NSE 20 Share Index closed the week at 4800.16 points higher than last week's 4658.46 points. NASI rose to 123.42 points from 119.87 points recorded on July 11th 2013. Market capitalization that measures shareholders' wealth closed at Ksh 1,727.31 billion up from Ksh 1,677.64 billion. Similarly, equity turnover rose to Ksh 2,929.34 million on account of higher shares supply and prices.

TABLE 7: KEY WEEKLY MARKET STATISTICS

CBK WEEKLY BULLETIN

Week Ending	06-Jun-13	13-Jun-13	20-Jun-13	27-Jun-13	04-Jul-13	11-Jul-13	18-Jul-13
NASI 100= Jan 2008	126.58	122.97	120.33	115.33	116.23	119.87	123.42
NSE 20 Share Index 100=1966	4,989.04	4,838.01	4,713.39	4,584.50	4,574.10	4,658.46	4,800.16
Number of Deals	9,198.00	9,168.00	8,916.00	7,564.00	6,201.00	6,782.00	8,251.00
Total Shares Traded (millions)	294.39	121.58	219.83	131.78	123.98	137.96	189.54
Equity Turnover (Ksh. millions)	5,293.45	2,542.28	3,226.74	2,532.51	2,110.46	2,843.10	2,929.34
Market Capitalization (Ksh. Bn.)	1,717.97	1,669.05	1,633.17	1,604.69	1,626.64	1,677.64	1,727.31
Bonds Turnover (Ksh. millions)	28,681.85	21,477.75	12,459.20	20,264.25	9,290.25	8,592.05	8,731.20
FTSE NSE Kenya 15 Index	166.41	160.28	156.36	188.31	149.73	156.41	160.92
FTSE NSE Kenya 25 Index	171.54	164.45	160.43	152.52	153.96	160.44	164.98
FTSE NSE Bond Index	92.90	92.73	94.51	93.61	94.02	94.40	94.38

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

Source: Nairobi Securities Exchange

Telecoms & Technology, Banking and Manufacturing & Allied were the top three most active sectors, transacting 112.75 million or 59.5 percent; 31.88 million or 16.8 percent and 17.85 million or 9.40 percent of all shares traded, respectively. Safaricom, Mumias Sugar and Equity Bank were the three most active counters with 112.75 million, 16.62 million and 9.30 million shares being traded, respectively. Automobile and Accessories sector was the least active, with 280, 600 shares traded.

The biggest closing and average price gains for the week were for StanChart Bank and East African Breweries at Ksh 14 and Ksh 15.60 per share, respectively. The biggest closing and average price losses were for Olympia Capital and Diamond Trust Bank at Ksh 2.0 and Ksh 3.39 per share, respectively. Of the 53 active counters, 39 had average price gain in the week compared to 35 counters in the previous week.

FTSE NSE Kenya Index Series

From Table 7, FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed the week at 160.92 points up from 156.41 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, was up to 164.98 points from 160.44 points of last week. FTSE NSE Bond Index slightly down to 94.38 points from 94.40 points due to uptick in trading yields.

The Bond Market

Bonds trading activity rose marginally by 1.62 percent with turnover declining to Ksh 8,731.20 million from Ksh 8,592.05 million in the previous week. However, corresponding deals declined to 108 from 116 recorded in the previous week.