



JUNE 14, 2013

Highlights

The money market was relatively liquid during the week ending June 12, 2013. The Central Bank liquidity management through open market operations resulted in a net mop up of Ksh 3.1 of the excess liquidity.

The average interbank rate increased to 6.84 percent during the week ending June 12, 2013 from 6.77 percent in the previous week.

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending June 13, 2013. Against the US Dollar the Kenya Shilling appreciated marginally to trade at an average of Ksh 85.06 per USD compared to Ksh 85.15 per USD in the week ending June 6, 2013.

The usable official foreign exchange reserves held by Central Bank increased marginally from US Dollar 5,800 million as at June 6, 2013 to US Dollar 5,801 million as at June 13, 2013.

The Government offered for sale Treasury bills worth Ksh 6.0 billion, during the week ending June 14, 2013. A total of Ksh 9.9 billion was accepted out of Ksh 11.7 billion bids received.

Gross Government domestic debt increased by Ksh 218.8 billion to Ksh 1.1 trillion on June 7, 2013, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt declined by Ksh 0.7 billion, on account of Treasury bills.

Capital markets recorded low performance with decline in both bonds and equities segments indicators. NSE 20 Share Index, FTSE NSE Kenya 15 Index, FTSE 25 Kenya index, NASI and FTSE NSE Bond Index fell. Market capitalization, equities and bonds turnover fell by 2.85 percent, 52.0 percent and 25.12 percent, respectively.

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Monetary Policy Operations

The money market was relatively liquid during the week ending June 12, 2013. The Central Bank sterilized the excess liquidity, mopping Ksh 25.8 billion through repo securities and Ksh 21.0 billion in term auction deposits against maturities of repo securities and term auction deposits held by commercial banks of Ksh 25.6 billion and Ksh 18.2 billion, respectively. This resulted in a net mop up of Ksh 3.1 of the excess liquidity. Reserve money averaged Ksh 272.7 billion during the week and was Ksh 8.3 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)
6-Jun-13	274.6	280.6	-6.0	11.0	5.8	5.2	0.0	274.2	-6.3	-4.3	-2.0
7-Jun-13	279.7	280.6	-0.8	9.0	5.9	3.1	0.0	271.6	-8.9	-7.7	-1.2
10-Jun-13	281.3	281.2	0.0	16.0	7.1	5.9	-3.1	274.0	-7.2	-5.7	-1.5
11-Jun-13	275.7	281.2	-5.6	5.0	1.3	3.7	0.0	270.6	-10.6	-9.5	-1.1
12-Jun-13	279.6	281.2	-1.6	11.0	5.8	3.2	-2.1	272.9	-8.3	-6.3	-2.1
Average	278.2	281.0	-2.8	10.4	5.2	4.2	-1.0	272.7	-8.3	-6.7	-1.6

Source: Central Bank of Kenya

Interbank and REPO Interest Rates

The average interbank rate increased to 6.84 percent during the week ending June 12, 2013 from 6.77 percent in the previous week. The interbank volumes transacted rose to an average of Ksh 9.0 billion compared with Ksh 6.78 billion recorded in the previous week, while the average number of deals was 51 compared with 45 deals in the previous week (Table 2 and Chart A).

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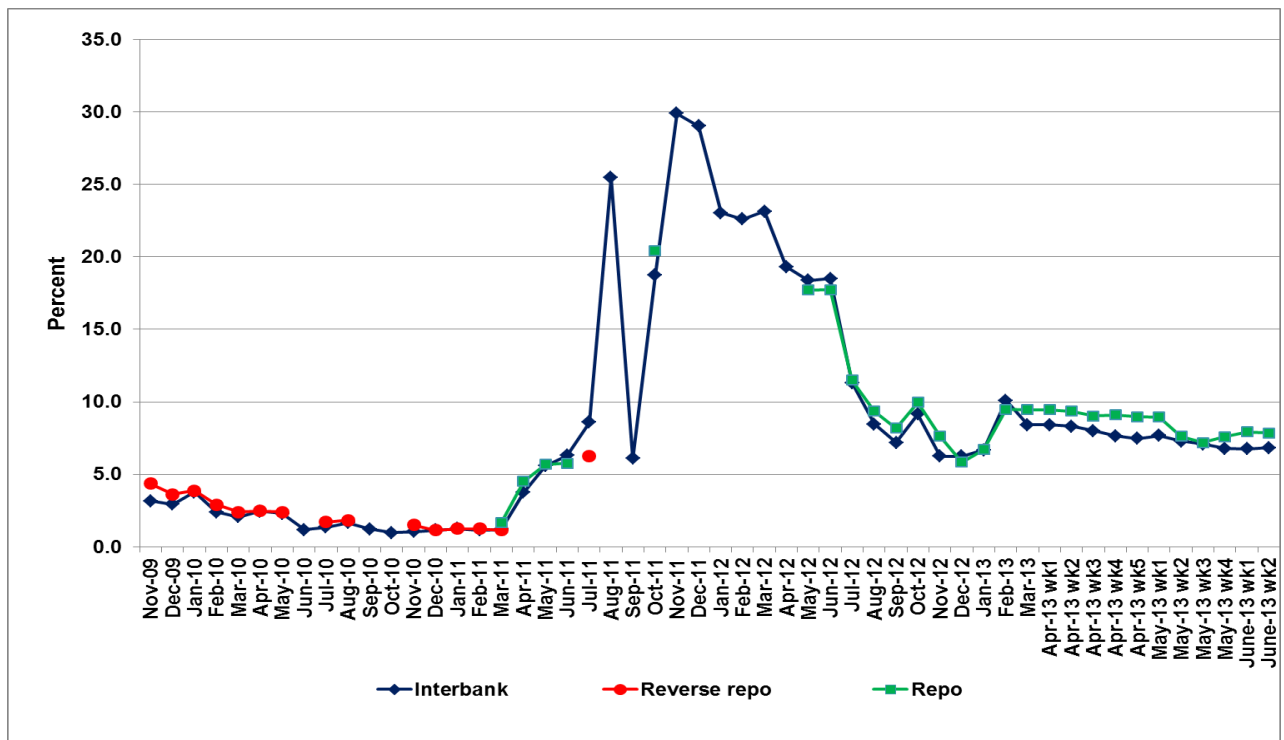
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
30-May-13	35	5,683	6.75
31-May-13	51	9,357	6.72
3-Jun-13	38	6,823	6.77
4-Jun-13	54	6,273	6.79
5-Jun-13	45	5,782	6.79
May 30-June 5, 2013	45	6,784	6.77
6-Jun-13	46	8,137	6.74
7-Jun-13	51	8,532	6.79
10-Jun-13	50	8,677	6.84
11-Jun-13	58	10,387	6.88
12-Jun-13	48	9,267	6.95
June 6-June 12, 2013	51	9,000	6.84

Source: Central Bank of Kenya

The average repo rate decreased to 7.84 percent during the week ending June 12, 2013 from 7.93 percent recorded in the previous week.

Chart A: The Structure of Interest Rates

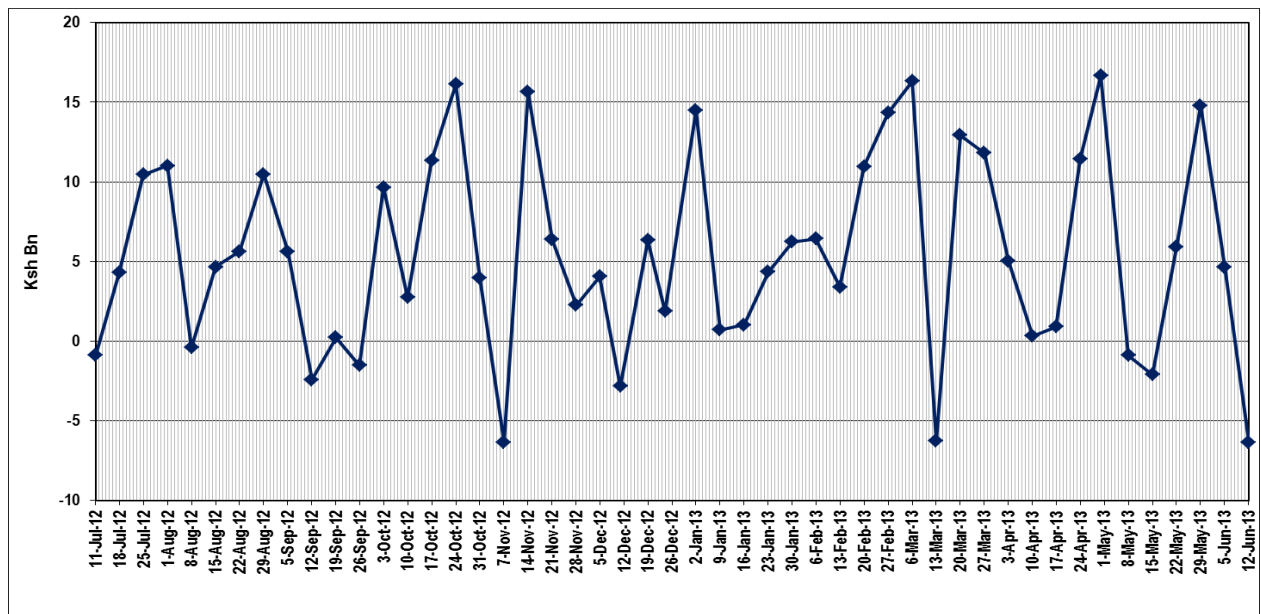


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a deficit of Ksh 6.35 billion in their settlement account at the Central Bank in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 92.1 billion) in the week to June 12, 2013 compared with a surplus of Ksh 4.66 billion 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 June 13, 2013. During the Week, the Kenya Shilling appreciated marginally against the USD to trade at an average of Ksh 85.06 per USD compared to Ksh 85.15 per USD in the week ending June 6, 2013. The appreciation is largely attributed to inflows from the tea sector. Against the Sterling Pound, the Euro and the Japanese Yen the Shilling depreciated by 1.91 percent, 1.56 percent and 3.22 percent respectively to exchange at an average of Ksh 132.69 per Sterling Pound, Ksh 112.91 per Euro and Ksh 87.83 per 100 Japanese Yen.

In the EAC region, the Kenya Shilling strengthened against all the EAC regional currencies to trade at an average of Ush 30.43, Tsh 19.25, RWF 7.63 and BIF 18.29 in the week ending June 13, 2013 compared to Ush 30.40, Tsh 19.18, RWF 7.62 and BIF 18.27 in the week ending June 6, 2013 (Table 3).

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Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
31-May-13	85.12	129.50	110.92	84.36	30.46	19.16	7.61	18.28
3-Jun-13	85.13	129.46	110.71	84.73	30.48	19.19	7.61	18.28
4-Jun-13	85.22	130.49	111.31	85.17	30.45	19.15	7.63	18.26
5-Jun-13	85.10	130.37	111.36	85.37	30.32	19.20	7.63	18.29
6-Jun-13	85.18	131.22	111.60	85.81	30.29	19.18	7.62	18.27
31 May - 6 Jun 2013	85.15	130.21	111.18	85.09	30.40	19.18	7.62	18.27
7-Jun-13	84.95	132.44	112.56	87.66	30.49	19.29	7.64	18.32
10-Jun-13	84.88	131.80	112.00	86.30	30.51	19.26	7.63	18.33
11-Jun-13	85.05	132.38	112.75	86.53	30.39	19.25	7.63	18.29
12-Jun-13	85.05	132.99	113.14	87.99	30.45	19.25	7.63	18.29
13-Jun-13	85.35	133.85	114.11	90.65	30.32	19.21	7.60	18.23
7 - 13 Jun 2013	85.06	132.69	112.91	87.83	30.43	19.25	7.63	18.29

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased marginally from US Dollar 5,800 million as at June 6, 2013 to US Dollar 5,801 million as at June 13, 2013. In terms of months of imports cover, the foreign exchange reserves remained at 4.26 months, which is above the statutory minimum of 4 months holdings (Table 4).

Table 4: Official Foreign Reserves US\$ Million (Usable)

	4-Apr-13	11-Apr-13	18-Apr-13	25-Apr-13	2-May-13	9-May-13	16-May-13	23-May-13	30-May-13	6-Jun-13	13-Jun-13
Usable Reserves*	5,159	5,364	5,568	5,537	5,668	5,744	5,805	5,821	5,805	5,800	5,801
Months of Imports Cover**	3.86	4.01	4.16	4.09	4.19	4.25	4.29	4.27	4.26	4.26	4.26

*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 2.0 billion each in 91-day, 182-day and 364-day Treasury bills during the week ending June 14, 2013. Total bids received amounted to Ksh 11.7 billion, of which Ksh 4.74 billion, Ksh 2.90 billion and Ksh 4.02 billion was in 91-day, 182-day and 364-day papers, representing performance rates of 237.0 percent, 145.2 percent and 200.9 percent, respectively. The Government accepted all the 91-day and 182-day bids, and Ksh 2.3 billion in the 364-day paper. Total non-competitive bids amounted to Ksh 1.4 billion.

Interest Rates on Government securities

Weighted average interest rates on the 91-day, 182-day and 364-day Treasury bills decreased further by 129.7, 178.2 and 23.4 basis points to 5.424 percent, 6.117 percent and 8.270 percent, respectively, during the week's auction.

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Table 5: Government Securities Interest Rates

	25-Jan-13	22-Feb-13	28-Mar-13	26-Apr-13	24-May-13	31-May-13	7-Jun-13	14-Jun-13
91-day T. Bills*	8.036	8.928	10.467	10.206	8.482	7.569	6.721	5.424
182-day T. Bills*	8.066	8.571	10.803	10.604	9.430	8.840	7.899	6.117
364-day T. Bills*			12.676	12.260	10.108	9.383	8.504	8.270
5 year FXD T. Bonds	12.791			12.892				
10year FXD T. Bonds								
15year FXD T. Bonds								
15year FXD T. Bonds		13.629		13.661				
20 year FXD T. Bonds	13.694				12.981			

*Weighted rates for accepted bids

Government Domestic Debt

Gross Government domestic debt increased by Ksh 218.8 billion to Ksh 1.1 trillion on June 7, 2013, from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 128.5 billion, Ksh 59.9 billion, 26.9 billion and Ksh 3.5 billion in the stocks of Treasury bills, Treasury bonds, Government overdraft at the Central Bank and other domestic debt, respectively (Table 6).

Table 6: Government Domestic Debt (Ksh Billion)

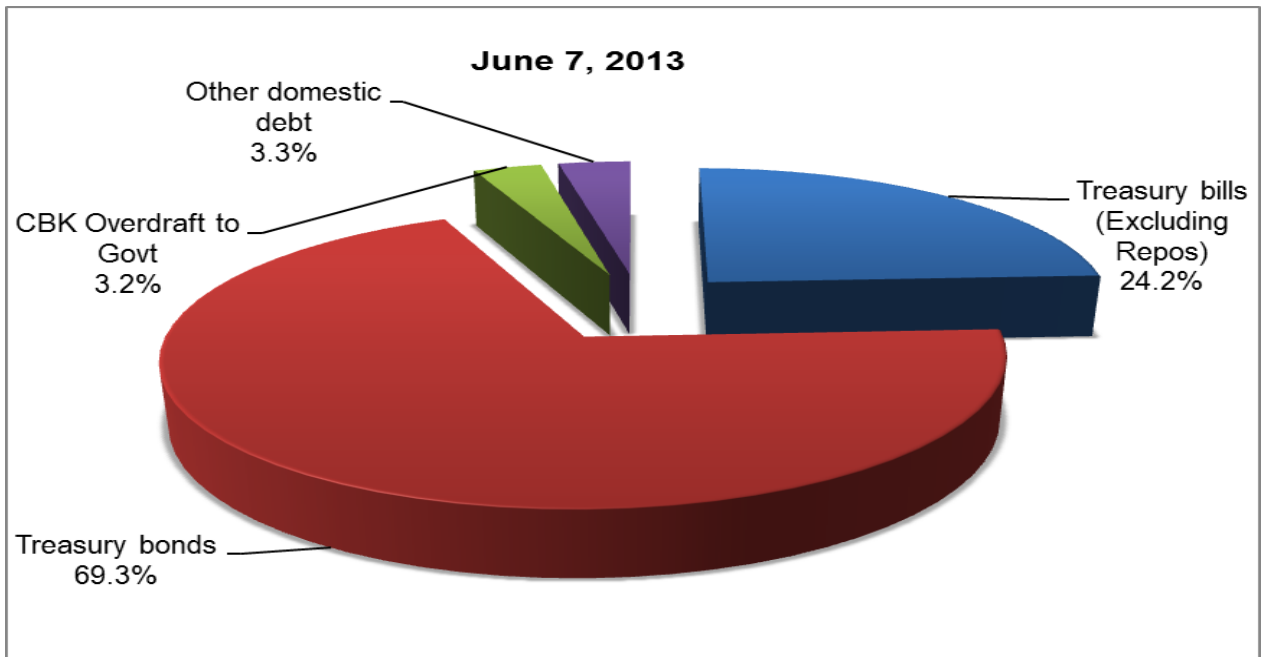
	Jun 2012	Dec-12	Mar 2013	31st May 2013	7th Jun 2013	Changes	
						31st May 2013 - 7th Jun 2013	29th Jun 2012 - 7th Jun 2013
1. Treasury Bills (Excluding Repos)	132.0	196.3	186.6	261.2	260.5	-0.7	128.5
(As % of total securities)	16.1	21.5	20.3	25.9	25.9		
2. Treasury Bonds	687.0	716.1	733.2	746.9	746.9	0.0	59.9
(As % of total securities)	83.9	78.5	79.7	74.1	74.1		
3. Total Securities (1+2)	819.0	912.3	919.8	1008.1	1007.4	-0.7	188.4
4. Overdraft at Central Bank	7.3	25.4	25.4	34.2	34.2	0.0	26.9
5. Other Domestic debt*	32.6	33.6	36.7	36.1	36.1	0.0	3.5
6. Gross Domestic Debt (3+4+5)	858.8	971.3	981.9	1078.4	1077.7	-0.7	218.8
7. Interest payments on domestic debt	82.3	53.6	78.9	101.1	102.7	1.7	20.4

* 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 June 7, 2013, gross government domestic debt declined by Ksh 0.7 billion, on account of Treasury bills (Table 6). The average time to maturity of Government securities declined to 5 years and 2 months during the week ending June 7, 2013, from 5 years and 4 months as at the end of June 2012.

Chart C: Composition of Government Domestic Debt

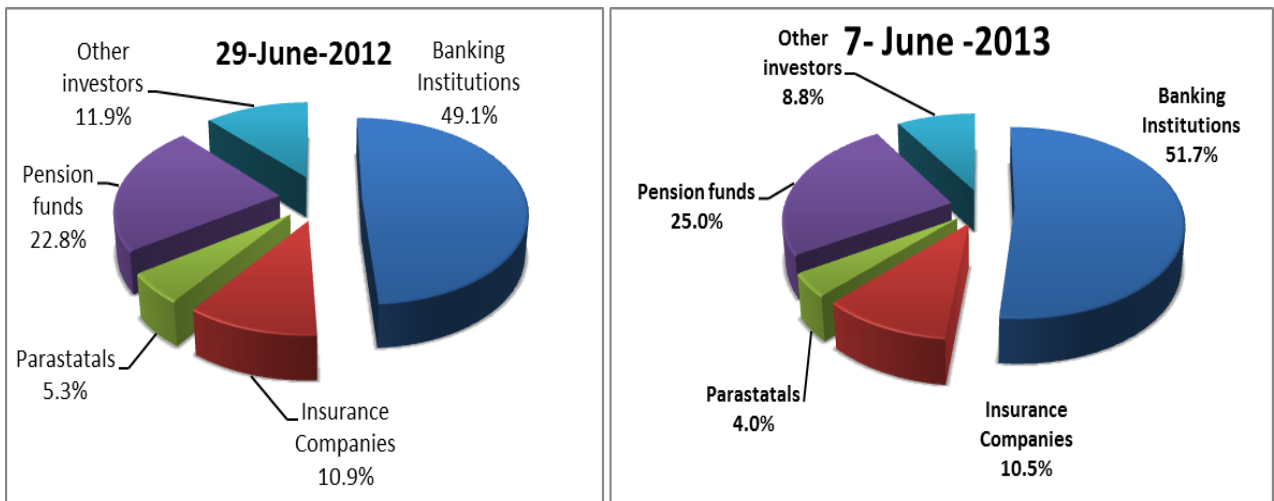


Source: Central Bank of Kenya

Holdings of Government Securities

Government securities accounted for 93.5 percent of gross domestic debt on June 7, 2013 (Chart C). Holdings by commercial banks and pension funds increased from 49.1 and 22.8 percent in June 2012 to 51.7 and 25.0 percent on June 7, 2013. Insurance companies, Parastatal, and other investors’ holdings, which comprise of SACCOs, listed and private companies, self-help groups, educational institutions, religious institutions and individuals, declined from 10.9 percent, 5.3 percent and 11.9 percent to 10.5 percent, 4.0 percent and 8.8 percent, respectively, during the period (Chart D).

Chart D: Holding of Government Securities by Investors

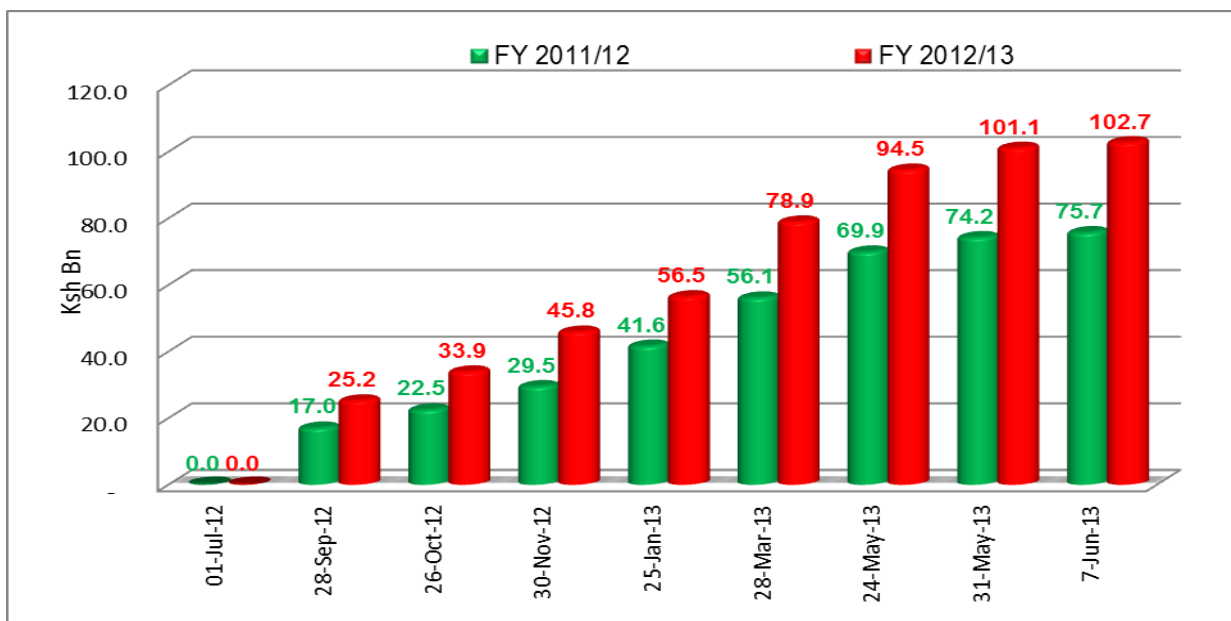


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to June 7, 2013 in the 2012/13 fiscal year amounted to Ksh 102.7 billion compared with Ksh 75.7 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 21.2 billion and Ksh 77.6 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 2.7 billion and Ksh 1.2 billion, respectively.

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



Source: Central Bank of Kenya

Capital Markets

Capital markets performance declined on both equities and bonds segment during the week ending June 13, 2013. All indices and turnover ceded ground.

Equities Market

NSE 20 Share Index closed the week at 4,838.01 points or 3.0 percent below the previous week’s level, while NASI ended at 122.97 points or 2.9 percent lower than the previous week’s level (Table 7). Market capitalization that measures shareholders’ wealth closed lower at Ksh 1,669.05 billion down from Ksh 1,717.97 billion recorded in the previous week. Equity turnover lost 52.0 percent to close the week at Ksh 2,542.28 billion. This was on account of a 58.7 percent fall in the number of shares transacted.

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Table 7: Key Weekly Market Statistics

Week Ending	4-Apr-13	11-Apr-13	18-Apr-13	25-Apr-13	2-May-13	9-May-13	16-May-13	23-May-13	30-May-13	6-Jun-13	13-Jun-13
NASI 100= Jan 2008	120.45	121.53	119.73	117.47	119.49	123.35	126.52	127.77	126.72	126.58	122.97
NSE 20 Share Index 100=1966	4,975.77	4,990.04	4,932.77	4,764.52	4,788.26	4,917.46	4,956.61	4,956.95	4,996.07	4,989.04	4,838.01
Number of Deals	9,645	8,712	10,468	8,186	6,413	8,777	9,674	8,991	8,967	9,198	9,168.00
Total Shares Traded (millions)	156.79	101.28	179.82	120.90	98.55	237.38	220.17	226.88	94.22	294.39	121.58
Equity Turnover (Ksh. millions)	2,437.21	1,871.65	3,418.00	1,684.02	2,039.33	3,772.52	5,288.33	3,403.69	1,961.99	5,293.45	2,542.28
Market Capitalization (Ksh. Bn.)	1,634.29	1,648.86	1,624.56	1,593.86	1,621.21	1,673.69	1,716.61	1,733.66	1,719.34	1,717.97	1,669.05
Bonds Turnover (Ksh. millions)	7,081.85	9,275.00	9,951.95	7,962.05	9,645.90	14,534.20	14,710.05	16,977.70	20,052.85	28,681.85	21,477.75
FTSE NSE Kenya 15 Index	157.10	158.80	156.28	154.23	157.30	162.64	167.08	169.90	167.48	166.41	160.28
FTSE NSE Kenya 25 Index	160.19	161.58	159.39	157.28	160.77	166.66	171.97	175.24	171.68	171.54	164.45
FTSE NSE Bond Index	89.33	89.51	89.45	89.74	90.05	89.66	89.67	90.78	92.51	92.90	92.73

* 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 59.91 million or 49.3 percent; 26.35 million or 21.7 percent and 14.18 million or 11.7 percent of all shares traded, respectively. Safaricom Ltd, Equity Bank Ltd and Kenya Commercial Bank Ltd were the three most active counters with 59.91 million, 10.17 million and 7.15 million shares being traded, respectively. Agriculture sector was the least active, with 227,500 shares traded.

The biggest closing and average price gain for the week under review was Kapchorua Tea Co. Ltd at Ksh 9.0 and Ksh 11.25 per share, respectively. The biggest closing and average price losses were East African Breweries Ltd and Nation Media Group Ltd at Ksh 24.0 and Ksh 11.0 per share, respectively. Of the 53 active counters, 15 had average price gain in the week compared to 27 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 down at 160.28 points from 166.41 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, closed the week down at 164.45 points from 171.54 points of the previous trading week. The FTSE NSE Bond Index fell to 92.73 points from the previous week's 92.90 points.

The Bond Market

Bonds trading declined by 25.12 percent with turnover falling to Ksh 21,477.75 million from Ksh 28, 681.85 million in the previous week. Corresponding deals rose to 399 from 251 recorded in the previous week.