



JUNE 21, 2013

Highlights

The money market was relatively liquid during the week ending June 19, 2013. The Central Bank sterilized the excess liquidity, mopping Ksh 22.2 billion through repo securities and Ksh 15.2 billion in term auction deposits against maturities of repo securities and term auction deposits held by commercial banks of Ksh 25.8 billion and Ksh 25.4 billion, respectively.

The average interbank rate increased to 7.10 percent during the week ending June 19, 2013 from 6.84 percent in the previous week.

The Kenya Shilling depreciated against major international currencies in the week ending June 20, 2013. Against the US dollar, the Kenya shilling depreciated marginally to trade at an average of 85.62 compared to an average of 85.06 during the week ending June 13, 2013.

The usable official foreign exchange reserves held by the Central Bank increased marginally from US Dollar 5,801 million (equivalent to 4.26 months of import cover) as at June 13, 2013 to US Dollar 5,885 million (equivalent to 4.32 months of import cover) as at June 20, 2013.

The Government offered for sale Treasury bills worth Ksh 6.0 billion, during the week ending June 21, 2013, and accepted all the bids received, which amounted to Ksh 4.46 billion.

Gross Government domestic debt increased by Ksh 215.6 billion to Ksh 1.1 trillion on June 14, 2013, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt increased by Ksh 0.4 billion.

Capital markets recorded low performance as reflected by most indicators for the bonds and equities segments. Market capitalization and bonds turnover were down by 2.15 percent and 41.99 percent, respectively.

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Monetary Policy Operations

The money market was relatively liquid during the week ending June 19, 2013. The Central Bank sterilized the excess liquidity, mopping Ksh 22.2 billion through repo securities and Ksh 15.2 billion in term auction deposits against maturities of repo securities and term auction deposits held by commercial banks of Ksh 25.8 billion and Ksh 25.4 billion, respectively. This resulted in a net mop up of Ksh 3.1 of the excess liquidity. Reserve money averaged Ksh 278.9 billion during the week and was Ksh 2.8 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)
13-Jun-13	285.0	281.2	3.8	12.0	0.9	2.8	-8.3	280.9	-0.3	2.3	-2.7
14-Jun-13	298.9	281.2	17.7	18.0	10.7	7.3	0.0	282.7	1.4	4.3	-2.9
17-Jun-13	290.2	281.9	8.2	11.0	6.6	4.5	0.0	277.3	-4.6	-1.6	-3.0
18-Jun-13	282.2	281.9	0.3	5.0	4.0	0.5	-0.5	278.6	-3.3	0.3	-3.7
19-Jun-13	281.8	281.9	-0.1	4.5	0.0	0.2	-4.4	275.0	-6.9	-2.3	-4.6
Average	287.6	281.6	6.0	10.1	4.4	3.0	-2.6	278.9	-2.8	0.6	-3.4

Source: Central Bank of Kenya

Interbank and REPO Interest Rates

The average interbank rate increased to 7.10 percent during the week ending June 19, 2013 from 6.84 percent in the previous week. The interbank volumes transacted edged downward to an average of Ksh 7.6 billion compared with Ksh 9.0 billion recorded in the previous week, while the average number of deals was 39 compared with 51 deals in the previous week (Table 2 and Chart A).

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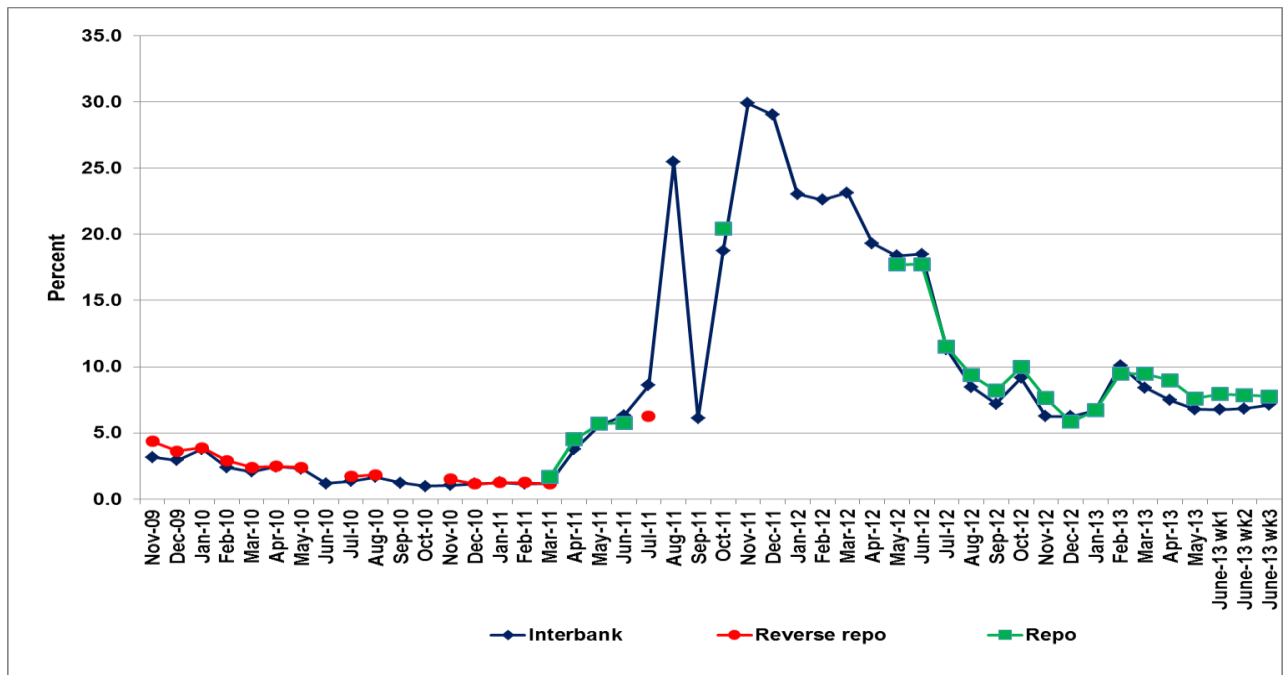
Table 2: Interbank Deals, Volumes and Interest Rates

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
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
13-Jun-13	39	9,951	6.99
14-Jun-13	33	6,587	7.10
17-Jun-13	40	8,383	7.12
18-Jun-13	42	6,047	7.14
19-Jun-13	43	6,937	7.17
June 13-June 19, 2013	39	7,581	7.10

Source: Central Bank of Kenya

The average repo rate decreased to 7.75 percent during the week ending June 19, 2013 from 7.84 percent recorded in the previous week.

Chart A: The Structure of Interest Rates

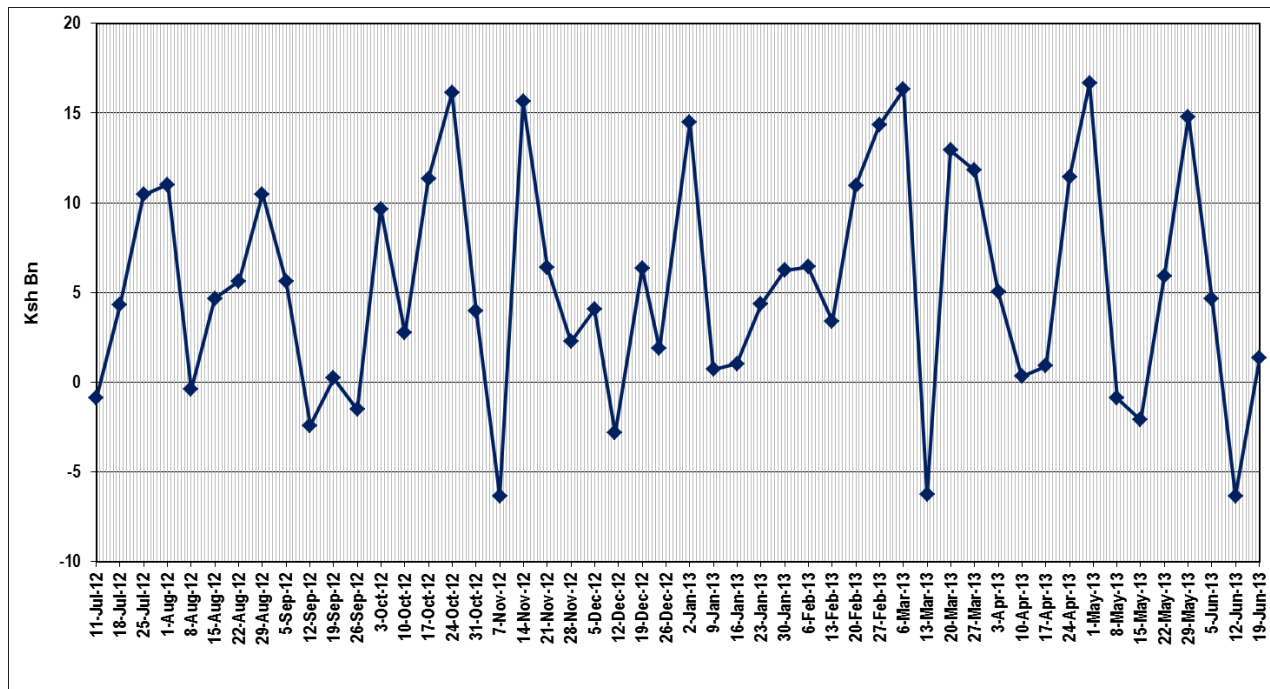


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 1.35 billion in their settlement account at the Central Bank in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 93.6 billion) in the week to June 19, 2013 compared with a deficit of Ksh 6.35 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 depreciated against major international currencies in the week ending June 20, 2013. This follows increased demand for Forex against the Kenya shilling. On average, the shilling depreciated by 0.66 percent to the US dollar to trade at an average of 85.62 compared to an average of 85.06 during the week ending June 13, 2013. Against the Sterling Pound, the Euro and the Japanese Yen, the shilling weakened by 0.89 percent, 1.08 percent and 2.17 percent respectively to trade at an average of 133.87 per Sterling Pound, 114.13 per Euro and 89.73 per 100 Japanese Yen compared to the previous week's performance of 132.69 per Sterling Pound, 112.91 per Euro and 87.83 per 100 Japanese Yen.

In the EAC region, the Kenya shilling depreciated against all EAC currencies to trade at an average of Ush 30.36, Tsh 19.17, RWF 7.58 and BIF 18.18 compared to an average of Ush 30.43, Tsh 19.25, RWF 7.63 and BIF 18.29 during the week ending June 13, 2013 (Table 3).

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Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
14-Jun-13	85.39	134.09	113.96	89.87	30.44	19.18	7.60	18.22
17-Jun-13	85.61	134.36	114.05	90.27	30.37	19.19	7.58	18.16
18-Jun-13	85.71	134.45	114.39	90.37	30.33	19.15	7.59	18.14
19-Jun-13	85.72	134.12	114.74	90.03	30.33	19.15	7.57	18.14
20-Jun-13	85.68	132.34	113.50	88.12	30.31	19.15	7.56	18.24
14 - 20 Jun 2013	85.62	133.87	114.13	89.73	30.36	19.17	7.58	18.18

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased from US Dollar 5,801 million (equivalent to 4.26 months of import cover) as at June 13, 2013 to US Dollar 5,885 million (equivalent to 4.32 months of import cover) as at June 20, 2013. Foreign exchange reserves remained above the statutory minimum of 4 months import cover (Table 4).

Table 4: Official Foreign Reserves Exchange 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	20-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	5,885
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	4.32

*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 21, 2013. Total bids received amounted to Ksh 4.46 billion, of which Ksh 2.62 billion, Ksh 1.40 billion and Ksh 0.44 billion was in 91 day, 182 day and 364 day papers, representing performance rates of 130.9 percent, 70.1 percent and 21.8 percent, respectively. The Government accepted all the bids received. Total non-competitive bids amounted to Ksh 1.46 billion.

Interest Rates on Government Securities

Weighted average interest rates on the 91 day, 182 day and 364 day Treasury bills decreased further by 31.4, 47.5 and 12.9 basis points to reach 5.110 percent, 5.642 percent and 8.141 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	31-May-13	7-Jun-13	14-Jun-13	21-Jun-13
91-day T. Bills*	8.036	8.928	10.467	10.206	7.569	6.721	5.424	5.110
182-day T. Bills*	8.066	8.571	10.803	10.604	8.840	7.899	6.117	5.642
364-day T. Bills*			12.676	12.260	9.383	8.504	8.270	8.141
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							

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 215.6 billion to Ksh 1.1 trillion on June 14, 2013, from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 131.5 billion, Ksh 57.2 billion and Ksh 26.9 billion in the stocks of Treasury bills, Treasury bonds and Government overdraft at the Central Bank, respectively, and a decline of Ksh 0.1 billion in other domestic debt, during the period.

Table 6: Government Domestic Debt (Ksh Billion)

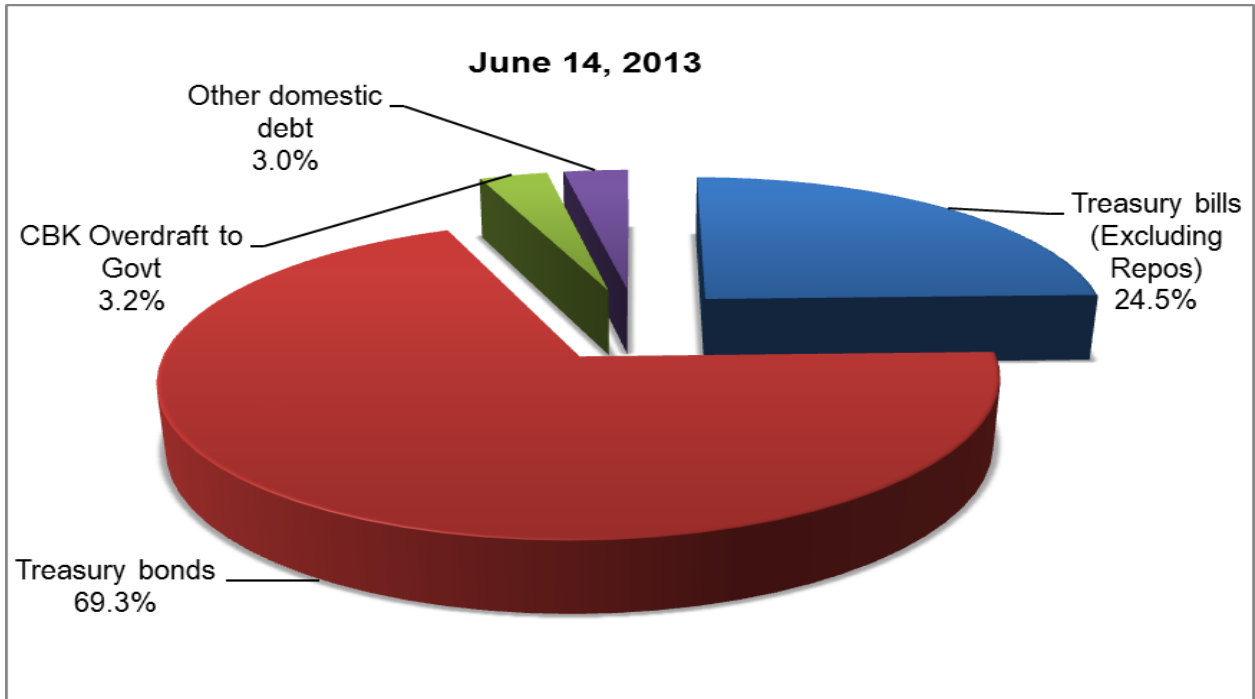
	Jun 2012	Dec-12	Mar 2013	7th Jun 2013	14th Jun 2013	Changes	
						7th Jun 2013 - 14th Jun 2013	29th Jun 2012 - 14th Jun 2013
1. Treasury Bills (Excluding Repos)	132.0	196.3	186.6	260.5	263.6	3.1	131.5
(As % of total securities)	16.1	21.5	20.3	25.9	26.2		
2. Treasury Bonds	687.0	716.1	733.2	746.9	744.2	-2.7	57.2
(As % of total securities)	83.9	78.5	79.7	74.1	73.8		
3. Total Securities (1+2)	819.0	912.3	919.8	1007.4	1007.7	0.3	188.7
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	32.5	32.5	0.0	-0.1
6. Gross Domestic Debt (3+4+5)	858.8	971.3	981.9	1074.0	1074.4	0.4	215.6
7. Interest payments on domestic debt	82.3	53.6	78.9	102.7	103.0	0.3	20.7

* 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 14, 2013, gross government domestic debt increased by Ksh 0.4 billion, on account of Ksh 3.1 billion increase in Treasury bills, which was partially offset by a Ksh 2.7 billion decline in Treasury bonds (Table 6). The average time to maturity of Government securities declined to 5 years and 2 months during the week ending June 14, 2013, from 5 years and 4 months as at the end of June 2012.

Chart C: Composition of Government Domestic Debt

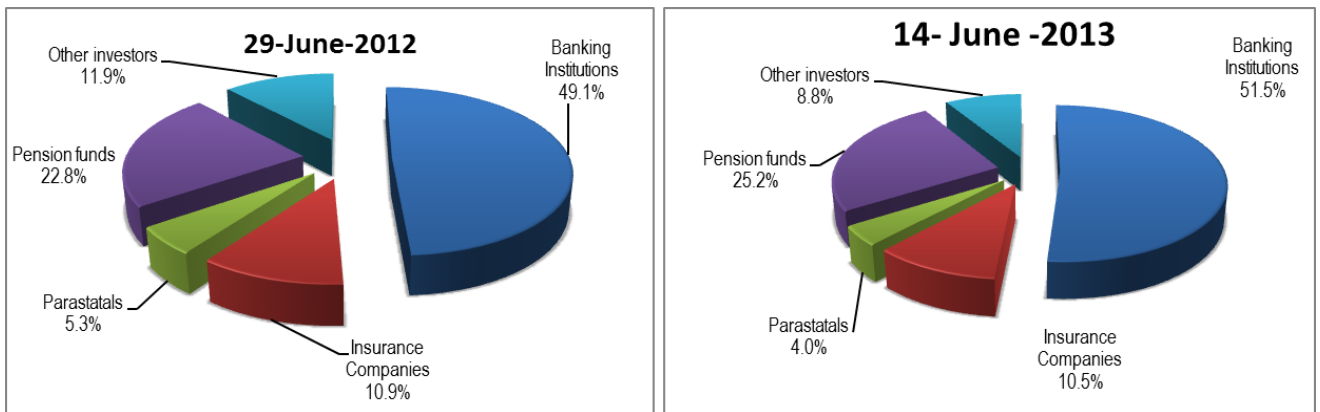


Source: Central Bank of Kenya

Holdings of Government Securities

Government securities accounted for 93.8 percent of gross domestic debt on June 14, 2013 (Chart C). Holdings by commercial banks and pension funds increased from 49.1 and 22.8 percent in June 2012 to 51.5 and 25.2 percent on June 14, 2013. Insurance companies, Parastatals, 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

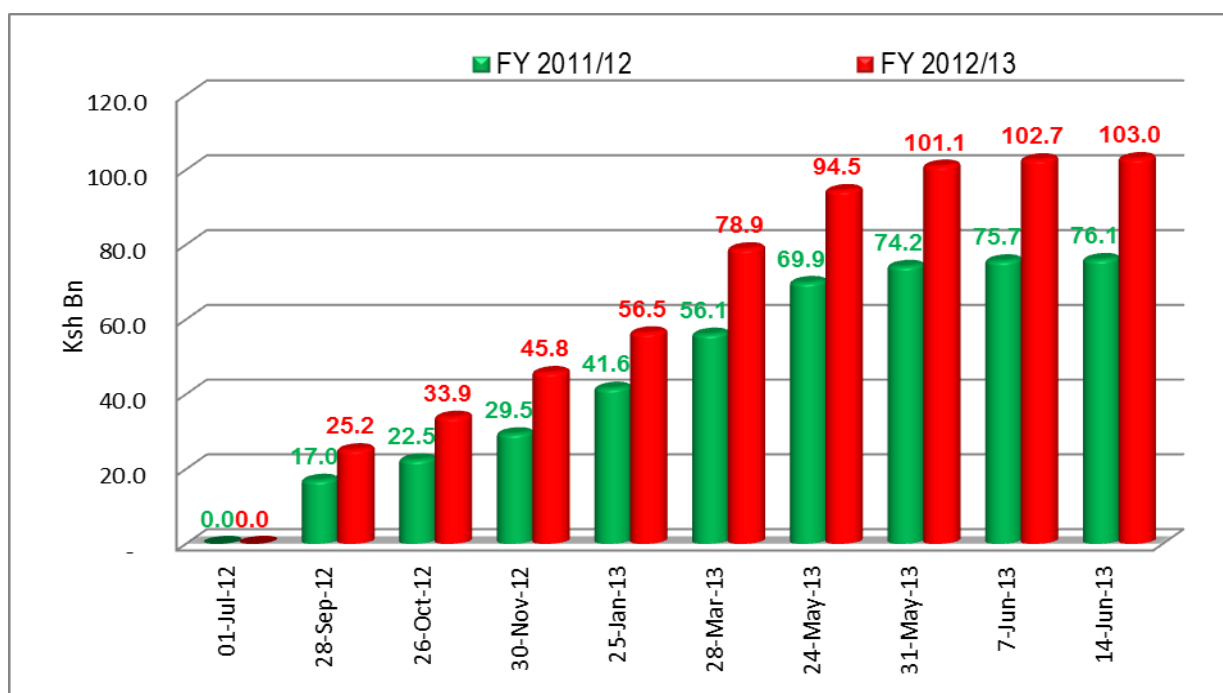


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to June 14, 2013 in the 2012/13 fiscal year amounted to Ksh 103.0 billion compared with Ksh 76.1 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 21.3 billion and Ksh 77.8 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

Performance of both the equities and bonds segments declined in the week ending June 20, 2013. All equities indices, market capitalization and bonds turnover also declined.

Equities Market

NSE 20 Share Index closed the week at 4,713.39 points or 2.6 percent below last week's level. Similarly, NASI closed at 120.33 points or 2.1 percent lower than the previous week's level (Table 7). Market capitalization that measures shareholders' wealth closed at Ksh 1,633.17 billion down from Ksh 1,669.05 billion recorded in the previous week. Equity turnover gained 26.9 percent to close the week at Ksh 3,226.75 billion on account of 80.8 percent increase in the number of shares transacted.

Table 7: Key Weekly Market Statistics

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Week Ending	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	20-Jun-13
NASI 100= Jan 2008	121.53	119.73	117.47	119.49	123.35	126.52	127.77	126.72	126.58	122.97	120.33
NSE 20 Share Index 100=1966	4,990.04	4,932.77	4,764.52	4,788.26	4,917.46	4,955.61	4,956.95	4,996.07	4,989.04	4,838.01	4,713.39
Number of Deals	8,712	10,468	8,186	6,413	8,777	9,674	8,991	8,967	9,198	9,168.00	8,916.00
Total Shares Traded (millions)	101.28	179.82	120.90	98.55	237.38	220.17	226.88	94.22	294.39	121.58	219.83
Equity Turnover (Ksh. millions)	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	3,226.74
Market Capitalization (Ksh. Bn.)	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	1,633.17
Bonds Turnover (Ksh. millions)	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	12,459.20
FTSE NSE Kenya 15 Index	158.80	156.28	154.23	157.30	162.64	167.08	169.90	167.48	166.41	160.28	156.36
FTSE NSE Kenya 25 Index	161.58	159.39	157.28	160.77	166.66	171.97	175.24	171.68	171.54	164.45	160.43
FTSE NSE Bond Index	89.51	89.45	89.74	90.05	89.66	89.67	90.78	92.51	92.90	92.73	94.51

* 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 154.02 million or 70.1 percent; 38.07 million or 17.3 percent and 8.58 million or 3.9 percent of all shares traded, respectively. Safaricom Ltd, Equity Bank Ltd and Kenya Commercial Bank Ltd were the three most active counters with 154.02 million, 14.67 million and 11.30 million shares being traded, respectively. Automobile and Accessories sector was the least active, with 257, 800 shares traded.

The biggest closing and average price gains for the week under review were Bamburi Cement Ltd and British American Tobacco Ltd at Ksh 14.0 and Ksh 16.0 per share, respectively. The biggest closing and average price losses were Jubilee Holdings Ltd and East African Breweries Ltd at Ksh 10.0 and Ksh 23.0 per share, respectively. Of the 53 active counters, 8 had average price gain in the week compared to 15 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 156.36 points from 160.28 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, closed the week down at 160.43 points from 164.45 points of the previous trading week. The FTSE NSE Bond Index rose to 94.51 points from the previous week's 92.73 points due to increase in prices as corresponding yields fall.

The Bond Market

Bonds trading declined by 41.99 percent as turnover fell to Ksh 12,459.2 million from Ksh 21,477.75 million in the previous week. Corresponding deals fell to 121 from 399 recorded in the previous week.