



**JUNE 28, 2013**

## **Highlights**

The money market was relatively liquid during the week ending June 26, 2013 partly on account of Ksh 23.9 billion injection through repo transactions. Meanwhile, the average interbank rate increased to 7.46 percent during the week ending June 26, 2013 from 7.10 percent in the previous week.

The Kenya Shilling recorded a marginal depreciation against the US Dollar but appreciated against all other major international currencies during the week ending June 27, 2013. The shilling exchanged against the Dollar at an average of Ksh 85.95 compared to an average of 85.62 during the week ending June 20, 2013.

The usable official foreign exchange reserves held by the Central Bank stabilized at US Dollar 5,843 million (equivalent to 4.29 months of import cover) as at June 27, 2013 compared 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 and bonds worth Ksh 29.0 billion, during the week ending June 28, 2013. A total of Ksh 26.2 billion was accepted out of Ksh 33.3 billion bids received.

Gross Government domestic debt increased by Ksh 220.9 billion to Ksh 1.1 trillion on June 21, 2013, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt increased by Ksh 5.3 billion, largely reflecting in net Treasury bills sales.

Capital markets recorded mixed performance as reflected by most indicators for the bonds and equities segments. Market capitalization declined by 1.74 percent while the bonds turnover was up 62.6 percent.

# CBK WEEKLY BULLETIN

## Monetary Policy Operations

The money market was relatively liquid during the week ending June 26, 2013. The Central Bank liquidity management transactions through repo securities resulted in Ksh 23.9 billion net injection into the market. Sales of repo securities comprised Ksh 6.3 billion and Ksh 8.9 billion, respectively in repo securities and term auction deposits, against maturities of Ksh 21.8 billion and Ksh 17.3 billion, respectively. Reserve money averaged Ksh 280.8 billion during the week and was Ksh 1.5 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)
20-Jun-13	268.7	281.9	-13.2	1.0	0.0	0.6	-0.4	261.9	-20.0	-14.8	-5.2
21-Jun-13	273.3	281.9	-8.6	1.0	0.0	0.1	-0.9	274.3	-7.6	-2.7	-4.8
24-Jun-13	291.0	282.6	8.4	15.0	0.0	0.3	-14.7	291.2	8.6	14.7	-6.1
25-Jun-13	296.9	282.6	14.3	8.0	3.5	1.8	-2.7	291.5	8.9	14.7	-5.8
26-Jun-13	293.7	282.6	11.1	11.0	2.8	6.1	-2.2	285.4	2.8	8.5	-5.7
<b>Average</b>	<b>284.7</b>	<b>282.3</b>	<b>2.4</b>	<b>7.2</b>	<b>1.3</b>	<b>1.8</b>	<b>-4.2</b>	<b>280.8</b>	<b>-1.5</b>	<b>4.1</b>	<b>-5.5</b>

Source: Central Bank of Kenya

## Interbank and REPO Interest Rates

The average interbank rate increased to 7.46 percent during the week ending June 26, 2013 from 7.10 percent in the previous week. The interbank volumes transacted rose to an average of Ksh 11.9 billion compared with Ksh 7.6 billion recorded in the previous week, for an average 57 deals compared with 39 deals in the previous week (Table 2 and Chart A).

**Table 2: Interbank Deals, Volumes and Interest Rates**

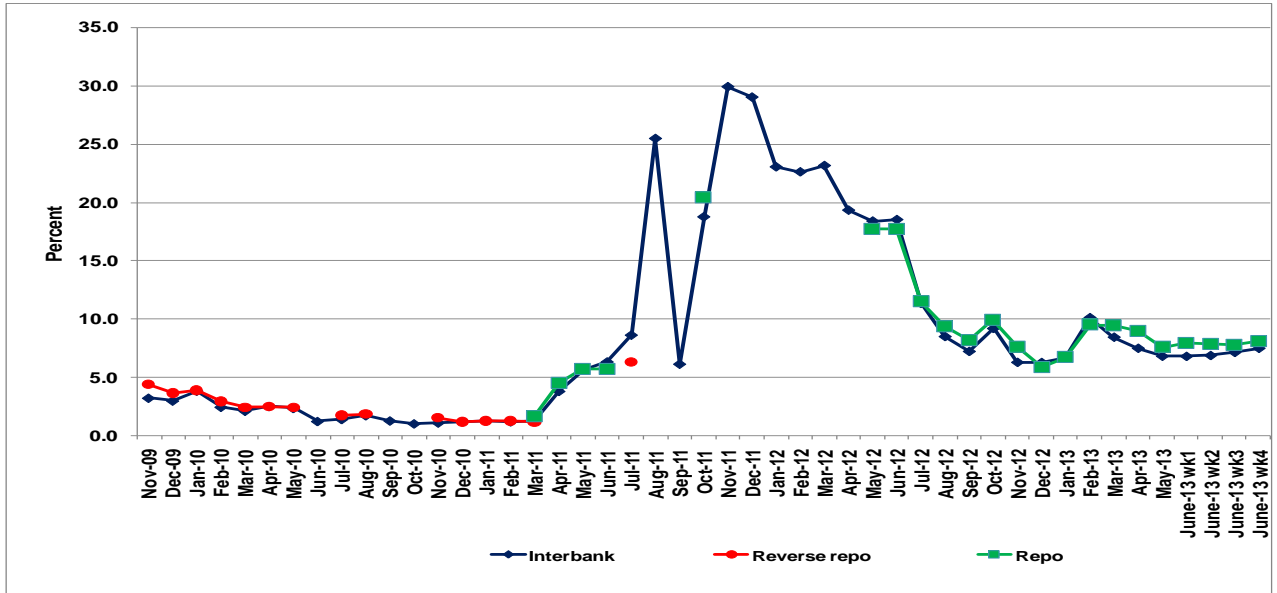
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
13-Jun-13	39	9,951	6.99
14-Jun-13	33	6,587	7.10
17-Jun-13	40	8,383	7.12
18-Jun-13	42	6,047	7.14
19-Jun-13	43	6,937	7.17
<b>June 13-June 19, 2013</b>	<b>39</b>	<b>7,581</b>	<b>7.10</b>
20-Jun-13	45	7,710	7.26
21-Jun-13	64	15,156	7.43
24-Jun-13	64	12,567	7.52
25-Jun-13	59	15,349	7.50
26-Jun-13	55	8,665	7.56
<b>June 20-June 26, 2013</b>	<b>57</b>	<b>11,889</b>	<b>7.46</b>

Source: Central Bank of Kenya

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The average repo rate increased to 8.10 percent during the week ending June 26, 2013 from 7.75 percent recorded in the previous week.

**Chart A: The Structure of Interest Rates**

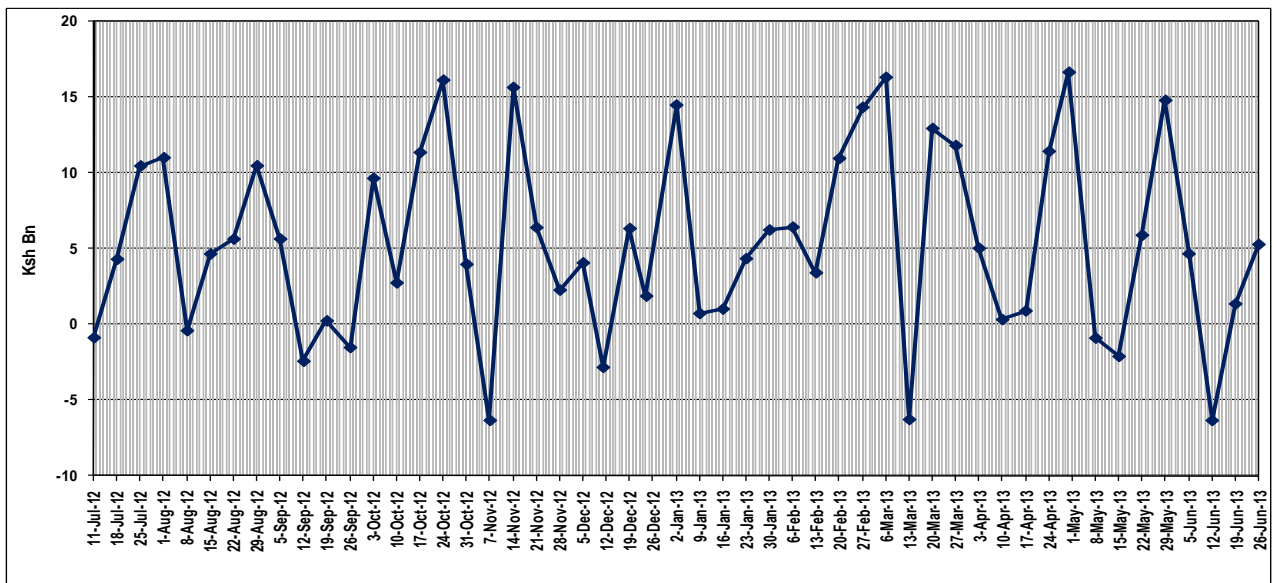


Source: Central Bank of Kenya

## Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 5.27 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 26, 2013 compared with Ksh 1.35 billion recorded in the previous week (Chart B).

**Chart B: Weekly Average Deviation from CRR in the Clearing Account**



Source: Central Bank of Kenya

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### The Shilling Exchange Rate

The Kenya Shilling traded against the US Dollar at an average of 85.95 compared to an average of 85.62 during the week ending June 20, 2013. The marginal drop is attributed to increased demand for the dollar to finance imports. The shilling however appreciated by 1 percent, 1.23 percent and 2.05 percent against the Sterling Pound, the Euro and the Japanese Yen to trade at an average of 132.53 per Sterling Pound, 112.73 per Euro and 87.89 per 100 Japanese Yen.

In the EAC region, the Kenya shilling appreciated marginally against the Burundi Franc but depreciated against all other EAC currencies to trade at an average of Ush 30.22, Tsh 18.96, RWF 7.44 and BIF 18.19 compared to an average of Ush 30.36, Tsh 19.17, RWF 7.58 and BIF 18.18 during the week ending June 20, 2013 (**Table 3**).

**Table 3: Kenya Shilling Exchange Rates**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
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
<b>14 - 20 Jun 2013</b>	<b>85.62</b>	<b>133.87</b>	<b>114.13</b>	<b>89.73</b>	<b>30.36</b>	<b>19.17</b>	<b>7.58</b>	<b>18.18</b>
21-Jun-13	85.74	132.88	113.49	87.79	30.33	19.12	7.59	18.23
24-Jun-13	85.89	132.20	112.68	87.34	30.27	19.04	7.37	18.20
25-Jun-13	86.06	132.90	112.92	88.21	30.21	18.98	7.36	18.16
26-Jun-13	86.03	132.69	112.42	88.11	30.17	18.91	7.43	18.17
27-Jun-13	86.03	131.96	112.14	88.00	30.14	18.77	7.44	18.17
<b>21 - 27 Jun 2013</b>	<b>85.95</b>	<b>132.53</b>	<b>112.73</b>	<b>87.89</b>	<b>30.22</b>	<b>18.96</b>	<b>7.44</b>	<b>18.19</b>

Source: Central Bank of Kenya

### Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank stabilised at US Dollar 5,843 million (equivalent to 4.29 months of import cover) as at June 27, 2013 compared with 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 holding (Table 4).

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

	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
Usable Reserves*	5,568	5,537	5,668	5,744	5,805	5,821	5,805	5,800	5,801	5,885	5,843
Months of Imports Cover**	4.16	4.09	4.19	4.25	4.29	4.27	4.26	4.26	4.26	4.32	4.29

\*Excludes encumbered reserves

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

Source: Central Bank of Kenya

## CBK WEEKLY BULLETIN

### Government Securities Auction

The Government offered for sale Ksh 3.0 billion in 91 day Treasury bills, Ksh 3.0 billion in 182 day Treasury bills, Ksh 3.0 billion in 364 day Treasury bills and Ksh 20.0 billion collectively in 5 year and 10 year discounted fixed rate Treasury bonds during the week ending June 28, 2013. Total bids received for the Treasury bills amounted to Ksh 1.1 billion, of which Ksh 0.65 billion, Ksh 0.38 billion and Ksh 0.12 billion was in 91 day, 182 day and 364 day papers, representing performance rates of 21.7 percent, 12.5 percent and 4.1 percent, respectively. A total of Ksh 32.1 billion was received for the 5 year and 10 year Treasury bonds collectively, representing 160.6 percent performance. The Government accepted all the Treasury bills received, amounting to Ksh 1.1 billion, in addition to Ksh 12.9 billion in the 5 year Treasury bond and Ksh 12.1 billion in the 10 year Treasury bond, during the week. Total non-competitive bids received amounted to Ksh 2.4 billion.

### Interest Rates on Government Securities

Weighted average interest rates on the 91 day and 364 day Treasury bills increased by 6.5 and 21.5 basis points, respectively, to reach 5.175 percent and 8.356 percent, during the week's auction. The 182 day Treasury bill weighted interest rate declined further by 9.3 basis points to 5.549 percent, while the 5 year and 10 year Treasury bonds weighted average interest rates declined by 158.7 and 134.9 basis points, respectively, compared with auctions for similar papers conducted in April 2013 and March 2013 (Table 5).

**Table 5: Government Securities Interest Rates**

	22-Mar-13	26-Apr-13	24-May-13	31-May-13	07-Jun-13	14-Jun-13	21-Jun-13	28-Jun-13
91-day T. Bills*	10.318	10.206	8.482	7.569	6.721	5.424	5.110	5.175
182-day T. Bills*	10.602	10.604	9.430	8.840	7.899	6.117	5.642	5.549
364-day T. Bills*	12.674	12.260	10.108	9.383	8.504	8.270	8.141	8.356
5 year FXD T. Bonds		12.892						11.305
10 year FXD T. Bonds	13.720							12.371
15 year FXD T. Bonds								
15 year FXD T. Bonds	13.629	13.661						
20 year FXD T. Bonds			12.981					

\*Weighted rates for accepted bids

Source: Central Bank of Kenya

### Government Domestic Debt

Gross Government domestic debt increased by Ksh 220.9 billion from Ksh 858.8 billion at the end of June 2012 to Ksh 1.1 trillion on June 21, 2013. This followed increases of Ksh 136.7 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, while other domestic debt remained unchanged during the period (Table 6).

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**Table 6: Government Domestic Debt (Ksh Billion)**

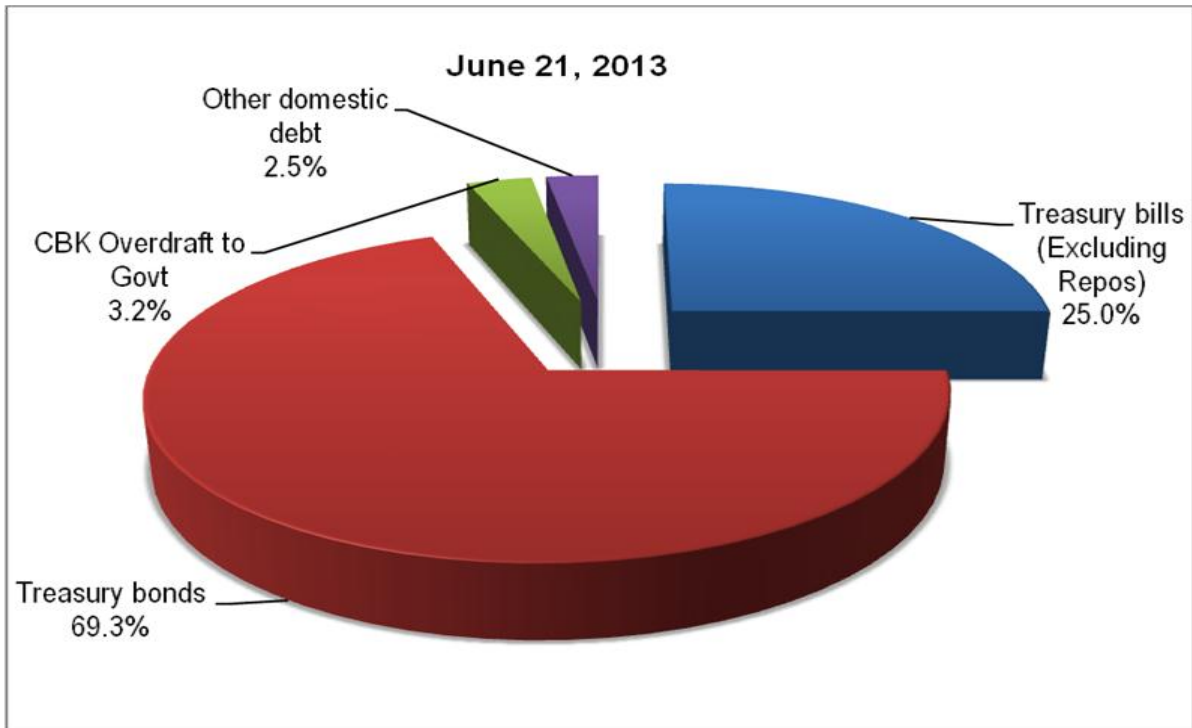
	Jun 2012	Dec-12	Mar 2013	7th Jun 2013	14th Jun 2013	21st Jun 2013	Changes	
							14th Jun 2013 - 21st Jun 2013	29th Jun 2012 - 21st Jun 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	196.3 21.5	186.6 20.3	260.5 25.9	263.6 26.2	268.7 26.5	5.2	136.7
2. Treasury Bonds (As % of total securities)	687.0 83.9	716.1 78.5	733.2 79.7	746.9 74.1	744.2 73.8	744.2 73.5	0.0	57.2
3. Total Securities (1+2)	819.0	912.3	919.8	1007.4	1007.7	1012.9	5.2	193.9
4. Overdraft at Central Bank	7.3	25.4	25.4	34.2	34.2	34.2	0.0	26.9
5. Other Domestic debt*	32.6	33.6	36.7	32.5	32.5	32.6	0.1	0.0
6. Gross Domestic Debt (3+4+5)	858.8	971.3	981.9	1074.0	1074.4	1079.7	5.3	220.9
7. Interest payments on domestic debt	82.3	53.6	78.9	102.7	103.0	103.8	0.8	21.5

\* 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 21, 2013, gross government domestic debt increased by Ksh 5.3 billion, following increases of Ksh 5.2 billion and Ksh 0.1 billion, respectively, in Treasury bills and other domestic debt (Table 6). At Ksh 744.2 billion as at June 21, 2013, Treasury bonds accounted for 69.3 percent of outstanding gross Government debt (Chart C) The average time to maturity of Government securities declined to 5 years and 2 months during the week ending June 21, 2013, from 5 years and 4 months as at the end of June 2012.

**Chart C: Composition of Government Domestic Debt**

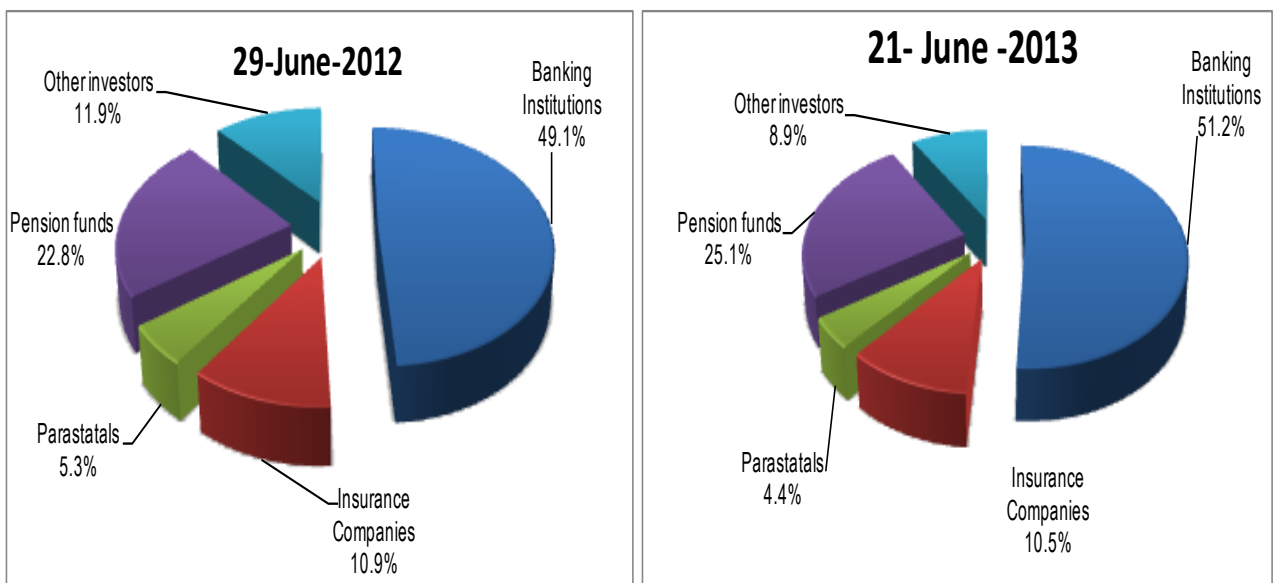


**Source: Central Bank of Kenya**

**Holdings of Government Securities**

Government securities accounted for 94.3 percent of gross domestic debt on June 21, 2013 (Chart C). In terms of category of investor, commercial banks and pension funds increased from their share from 49.1 percent and 22.8 percent in June 2012 to 51.2 percent and 25.1 percent on June 21, 2013 respectively. The proportion held by Insurance companies, Parastatals, and other investors (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, 4.4 percent and 8.9 percent, respectively, during the period (Chart D).

**Chart D: Holding of Government Securities by Investors**

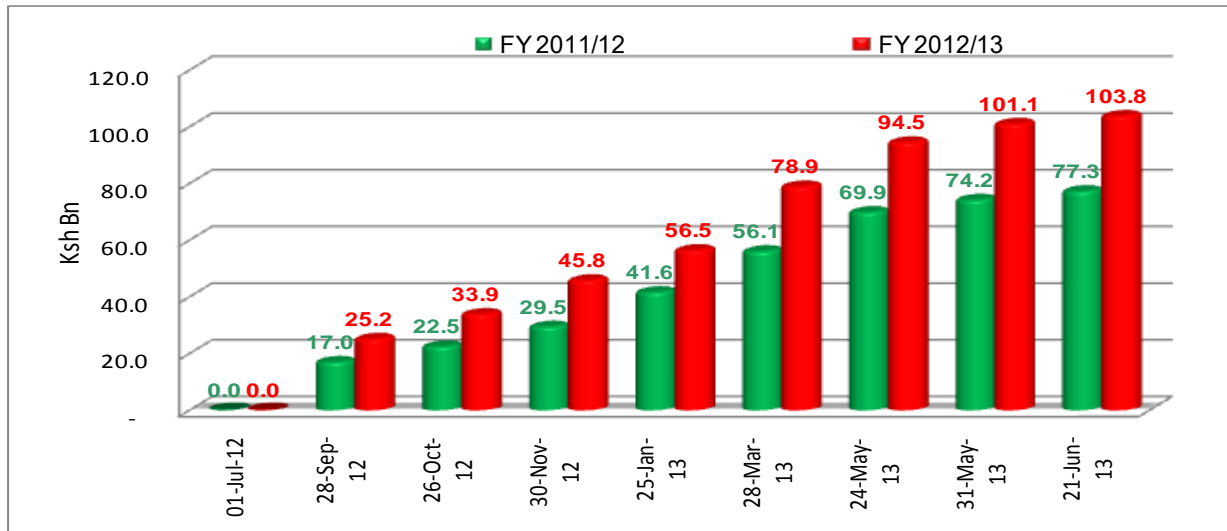


Source: Central Bank of Kenya

**Cost of Domestic Borrowing**

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to June 21, 2013 amounted to Ksh 103.8 billion compared with Ksh 77.3 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 21.4 billion and Ksh 78.5 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 the equities and bonds segments was mixed in the week ending June 27, 2013. All equities indices and market capitalization declined. However, bonds turnover increased by 62.64 percent.

**Equities Market**

NSE 20 Share Index closed the week at 4,584.50 points or 2.7 percent below last week’s level. NASI closed at 115.33 points or 4.2 percent lower than the previous week’s level (Table 7). Market capitalization that measures shareholders’ wealth closed at Ksh 1,604.468 billion down from Ksh 1,633.172 billion recorded the previous week. Equity turnover declined by 21.5 percent to close at Ksh 2,532.51 billion on account of 40.1 percent decrease in the number of shares transacted.

**Table 7: Key Weekly Market Statistics**

Week Ending	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
NASI 100= Jan 2008	119.73	117.47	119.49	123.35	126.52	127.77	126.72	126.58	122.97	120.33	115.33
NSE 20 Share Index 100=1966	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	4,584.50
Number of Deals	10,468	8,186	6,413	8,777	9,674	8,991	8,967	9,198	9,168.00	8,916.00	7,564.00
Total Shares Traded (millions)	179.82	120.90	98.55	237.38	220.17	226.88	94.22	294.39	121.58	219.83	131.78
Equity Turnover (Ksh. millions)	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	2,532.51
Market Capitalization (Ksh. Bn.)	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	1,604.69
Bonds Turnover (Ksh. millions)	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	20,264.25
FTSE NSE Kenya 15 Index	156.28	154.23	157.30	162.64	167.08	169.90	167.48	166.41	160.28	156.36	188.31
FTSE NSE Kenya 25 Index	159.39	157.28	160.77	166.66	171.97	175.24	171.68	171.54	164.45	160.43	152.52
FTSE NSE Bond Index	89.45	89.74	90.05	89.66	89.67	90.78	92.51	92.90	92.73	94.51	93.61

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

Source: Nairobi Securities Exchange



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Telecoms and Technology, Banking and Insurance were the top three most active sectors, transacting 69.32 million or 52.6 percent; 41.48 million or 31.5 percent and 5.10 million or 3.9 percent of all shares traded, respectively. Safaricom Ltd, Kenya Commercial Bank and Equity Bank Ltd were the three most active counters with 69.31 million, 16.63 million and 15.26 million shares being traded, respectively. Automobile and Accessories sector was the least active, with 490,000 shares traded.

The biggest closing and average price gains for the week under review were Diamond Trust Bank and Olympia at Ksh 4.0 and Ksh 4.85 per share, respectively. The biggest closing and average price losses were East African Breweries Ltd and Jubilee Holdings Ltd at Ksh 20.0 and Ksh 13.0 per share, respectively. Of the 53 active counters, 11 had average price gain in the week compared to 8 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 up at 188.31 points from 156.36 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, closed the week down at 152.52 points from 160.43 points of the previous trading week. The FTSE NSE Bond Index dropped to 93.61 points from the previous week's 94.51 points due to decrease in prices as corresponding yields fall.

### **The Bond Market**

Bonds trading increased by 62.64 percent as turnover rose to Ksh 20,264.2 million from Ksh 12,459.2 million in the previous week. Corresponding deals rose to 200 from 121 recorded the previous week.