



MARCH 22, 2013

Highlights

The money market was relatively liquid during the week ending March 20, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 21.8 billion through repo securities and Ksh 1.0 billion in term auction deposits against maturities of repo securities and term auction deposits held by commercial banks of Ksh 29.3 billion and Ksh 15.6 billion, respectively.

The average interbank rate decreased to 8.63 percent during the week ending March 20, 2013 from 9.27 percent recorded in the previous week reflecting improved liquidity in the money market.

The Kenya Shilling exchange rate remained relatively stable against major international currencies in the week ending March 21, 2013. Against the US Dollar, the Kenya Shilling weakened marginally to trade at an average of Ksh 85.70 per USD compared to Ksh 85.65 per USD in the week ending March 14, 2013.

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 4,992 million as at March 14, 2013 to US Dollar 5,033 million in the week ending March 21, 2013.

The Government offered for sale Treasury bills and bonds worth Ksh 31.0 billion, during the week ending March 22, 2013. A total of Ksh 43.8 billion was accepted out of Ksh 79.9 billion bids received.

Gross Government domestic debt increased by Ksh 86.9 billion to Ksh 945.7 billion on March 15, 2013, from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt declined by Ksh 0.4 billion, on account of Treasury bills.

The capital market recorded strong performance in the bond market segment with weak performance in the equities market. Bonds turnover more than doubled compared to the previous week. All equities market indices lost, with market capitalization falling as well as the equity turnover on account of lower share prices and low transaction volume.

CBK WEEKLY BULLETIN

Monetary Policy Operations

The money market was relatively liquid during the week ending March 20, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 21.8 billion through repo securities and Ksh 1.0 billion in term auction deposits against maturities of repo securities and term auction deposits held by commercial banks of Ksh 29.3 billion and Ksh 15.6 billion, respectively. Reserve money averaged Ksh 290.4 billion during the week and was Ksh 5.0 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)
14-Mar-13	291.1	287.6	3.6	15.0	3.2	0.4	-11.5	287.3	-0.3	6.8	-7.1
15-Mar-13	294.5	287.6	7.0	15.0	2.1	0.2	-12.8	293.0	5.5	12.8	-7.3
18-Mar-13	286.9	287.0	-0.1	8.0	0.2	0.5	-7.4	286.4	-0.6	7.0	-7.6
19-Mar-13	300.5	282.6	17.9	10.0	8.4	0.0	-1.7	295.3	12.8	17.5	-4.7
20-Mar-13	302.9	282.6	20.4	12.0	8.0	0.0	-4.0	290.1	7.6	13.4	-5.8
Average	295.2	285.4	9.7	12.0	4.4	0.2	-7.4	290.4	5.0	11.5	-6.5

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased to 8.63 percent during the week ending March 20, 2013 from 9.27 percent recorded in the previous week reflecting improved liquidity in the money market. The average interbank volumes transacted increased from Ksh 5.3 billion recorded on March 13, 2013 to Ksh 8.6 billion transacted on March 20, 2013, while the average number of deals was 43 compared with 35 deals in the previous week (Table 2 and Chart A).

Table 2: Interbank Deals, Volumes and Interest Rates

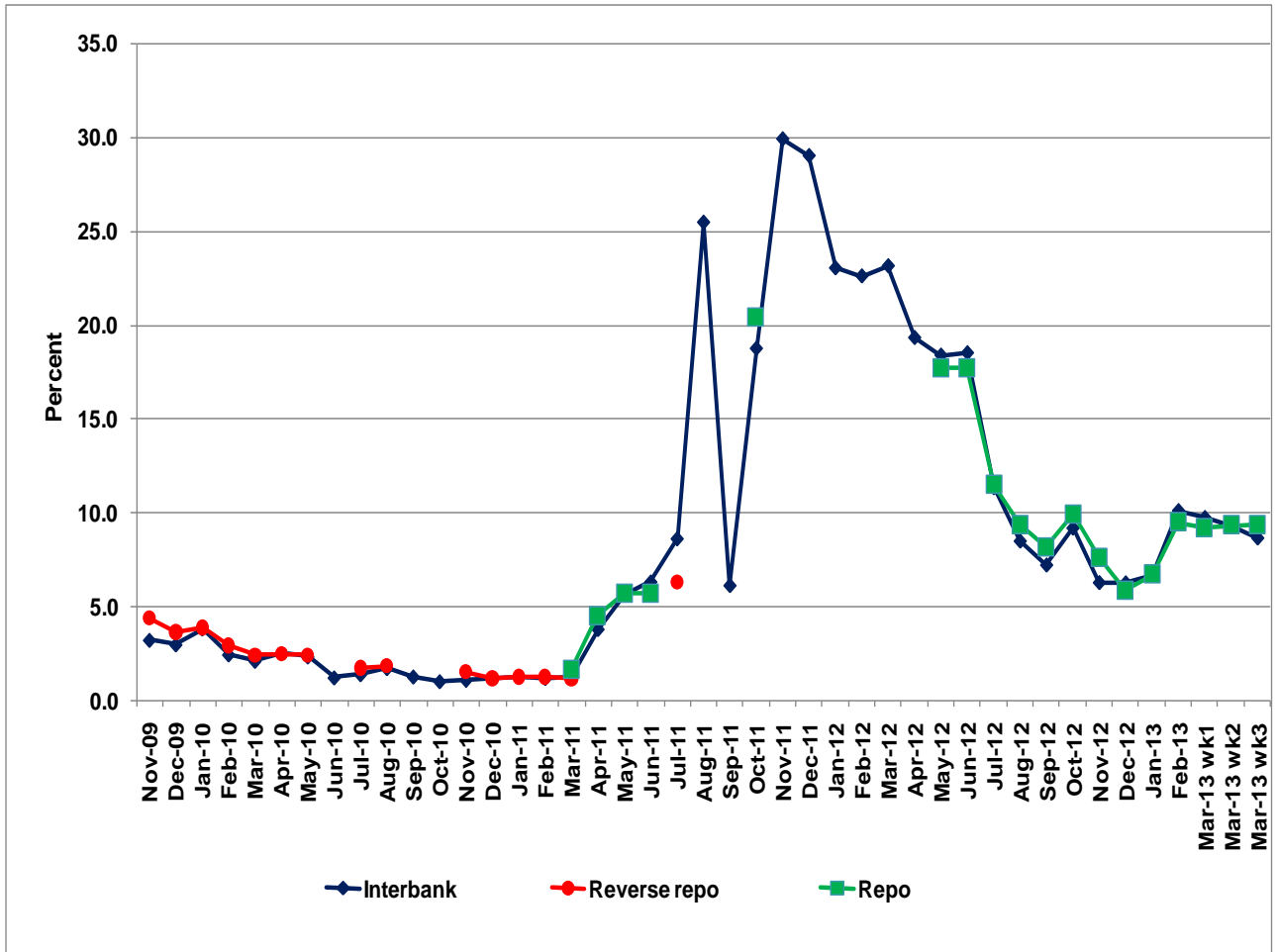
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
07-Mar-13	28	3,282	9.62
08-Mar-13	43	6,035	9.40
11-Mar-13	34	7,770	9.34
12-Mar-13	35	5,269	9.09
13-Mar-13	33	3,975	8.92
March 7 -March 13, 2013	35	5,266	9.27
14-Mar-13	42	7,748	8.78
15-Mar-13	44	9,060	8.63
18-Mar-13	50	10,388	8.63
19-Mar-13	39	6,071	8.56
20-Mar-13	39	9,769	8.54
March 14 -March 20, 2013	43	8,607	8.63

Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

The average repo rate remained largely unchanged at 9.37 percent during the week ending March 20, 2013 compared with 9.34 percent recorded in the previous week.

Chart A: The Structure of Interest Rates

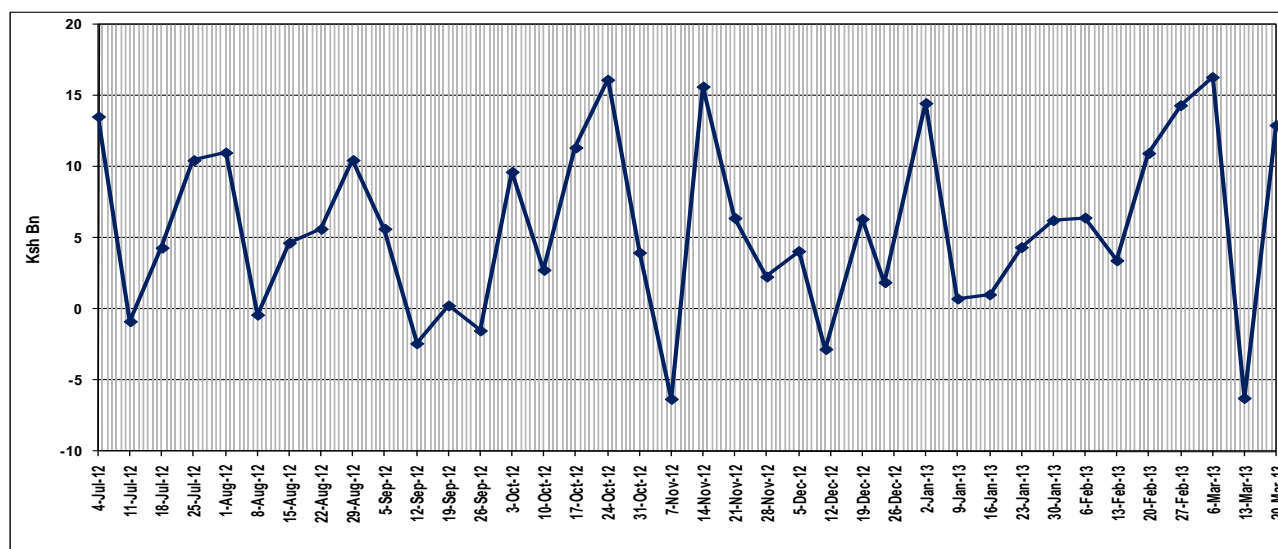


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 12.93 billion in their settlement accounts in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 89.4 billion) at the Central Bank in the week to March 20, 2013 compared with a deficit of Ksh 6.28 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 weakened against major international currencies in the week ending March 21, 2013. During the week, the Kenya Shilling depreciated by 0.06 percent, 1.08 percent and 0.60 percent against the US Dollar, Sterling Pound and the Japanese Yen respectively, and appreciated by 0.59 percent against the Euro to trade at an average of Ksh 85.70 per USD, Ksh 129.37 per Sterling Pound, Ksh 110.89 per Euro and Ksh 89.84 per 100 Japanese Yen compared to Ksh 85.65 per USD, Ksh 127.98 per Sterling Pound, Ksh 111.55 per Euro and Ksh 89.30 per 100 Japanese Yen in the week ending March 14 2013.

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 Ush 30.76, Tsh 18.95, RWF 7.42 and BIF 18.45 in the week ending March 21, 2013 compared to Ush 30.91, Tsh 18.96, RWF 7.39 and BIF 18.12 in the week ending March 14, 2013.

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
8-Mar-13	86.16	129.22	112.84	90.36	30.81	18.85	7.35	18.25
11-Mar-13	85.82	128.29	111.62	89.35	30.91	18.91	7.38	17.48
12-Mar-13	85.59	127.53	111.50	88.81	30.85	18.96	7.40	17.52
13-Mar-13	85.32	127.43	111.26	89.11	31.00	19.05	7.42	18.90
14-Mar-13	85.34	127.45	110.53	88.90	30.99	19.03	7.42	18.43
8-14 March 2013	85.65	127.98	111.55	89.30	30.91	18.96	7.39	18.12
15-Mar-13	85.64	129.18	111.53	89.09	30.91	18.98	7.40	18.40
18-Mar-13	85.60	129.23	110.53	90.61	30.78	18.97	7.53	18.63
19-Mar-13	85.81	129.56	111.13	89.88	30.65	18.94	7.39	18.52
20-Mar-13	85.71	129.31	110.37	90.10	30.68	18.94	7.40	18.39
21-Mar-13	85.73	129.57	110.91	89.52	30.77	18.94	7.40	18.31
15-21 March 2013	85.70	129.37	110.89	89.84	30.76	18.95	7.42	18.45

Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 4,992 million as at March 14, 2013 to US Dollar 5,033 million in the week ending March 21, 2013 (Table 4).

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

	07-Feb-13	14-Feb-13	21-Feb-13	28-Feb-13	07-Mar-13	14-Mar-13	21-Mar-13
Usable Reserves*	4,975	4,960	4,974	4,940	4,953	4,992	5,033
Months of Imports Cover**	3.79	3.78	3.79	3.76	3.75	3.78	3.81

*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 3.0 billion in 91 day Treasury bills, Ksh 3.0 billion in 182 day Treasury bills, Ksh 5.0 billion in 364 day Treasury bills and Ksh 20.0 billion collectively in 2 year and 10 year discounted fixed rate Treasury bonds during the week ending March 22, 2013. Total bids received for the Treasury bills amounted to Ksh 26.1 billion, of which Ksh 5.0 billion, Ksh 4.6 billion and Ksh 16.5 billion was in 91 day, 182 day and 364 day papers, representing performance rates of 167.1 percent, 154.7 percent and 329.4 percent, respectively. In addition, Ksh 53.8 billion was received for the 2 year and 10 year Treasury bonds collectively, representing 268.8 percent performance. The Government accepted Ksh 2.4 billion in the 91 day paper, Ksh 2.6 billion in the 182 day paper, Ksh 10.6 billion in the 364 day paper, Ksh 18.4 billion in the 2 year bond and Ksh 9.8 billion in the 10 year bond, during the week. Total non-competitive bids received amounted to Ksh 3.5 billion.

Interest Rates on Government securities

Weighted average interest rates on the 91 day, 182 day and 364 day Treasury bills increased by 22.1, 42.0 and 7.9 basis points to reach 10.318 percent, 10.602 percent and 12.674 percent, respectively, during the week's auction. In addition, weighted average interest rates on the 2 year and 10 year Treasury bonds edged up by 9.6 and 9.0 basis points to reach 12.940 percent and 13.720 percent, respectively, compared with past similar auctions held in February 2013 and July 2012.

Table 5: Government Securities Interest Rates

Auction date	27-Jul-12	08-Feb-13	15-Feb-13	22-Feb-13	01-Mar-13	08-Mar-13	15-Mar-13	22-Mar-13
91-day T. Bills*	13.226	8.229	8.213	8.928	9.368	9.747	10.097	10.318
182-day T. Bills*	13.379	8.450	8.502	8.571	9.084	9.697	10.182	10.602
364-day T. Bills*					12.362	12.542	12.595	12.674
2 year FXD T. Bonds				12.844				12.940
10year FXD T. Bonds	13.630							13.720

*Weighted rates for accepted bids

Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

Government Domestic Debt

Gross Government domestic debt increased by Ksh 86.9 billion to Ksh 945.7 billion on March 15, 2013, from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 34.7 billion, Ksh 30.2 billion, 18.1 billion and Ksh 3.9 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)

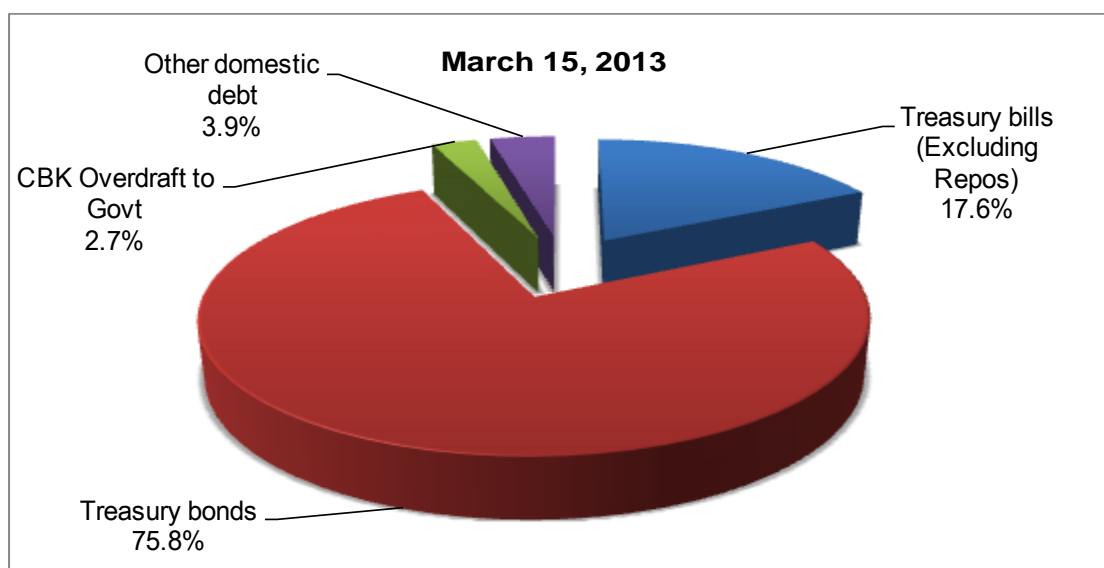
	Jun 2012	Sep 2012	Dec-12	8th March 2013	15th March 2013	Changes	
						8th Mar 2013-15th Mar 2013	29th Jun 2012 - 15th March 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	159.7 18.5	196.3 21.5	167.1 18.9	166.7 18.9	-0.4	34.7
2. Treasury Bonds (As % of total securities)	687.0 83.9	703.9 81.5	716.1 78.5	717.2 81.1	717.2 81.1	0.0	30.2
3. Total Securities (1+2)	819.0	863.6	912.3	884.3	883.9	-0.4	64.9
4. Overdraft at Central Bank	7.3	25.4	25.4	25.4	25.4	0.0	18.1
5. Other Domestic debt*	32.6	33.2	33.6	36.5	36.5	0.0	3.9
6. Gross Domestic Debt (3+4+5)	858.8	922.2	971.3	946.1	945.7	-0.4	86.9
7. Interest payments on domestic debt	82.3	25.2	53.6	71.9	73.2	1.3	

* 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 March 15, 2013, gross government domestic debt declined by Ksh 0.4 billion on account of the stocks of Treasury bills (Table 6). The average time to maturity of Government securities declined to 5 years and 3 months during the week ending March 15, 2013, from 5 years and 4 months at the end of June 2012.

Chart C: Composition of Government Domestic Debt

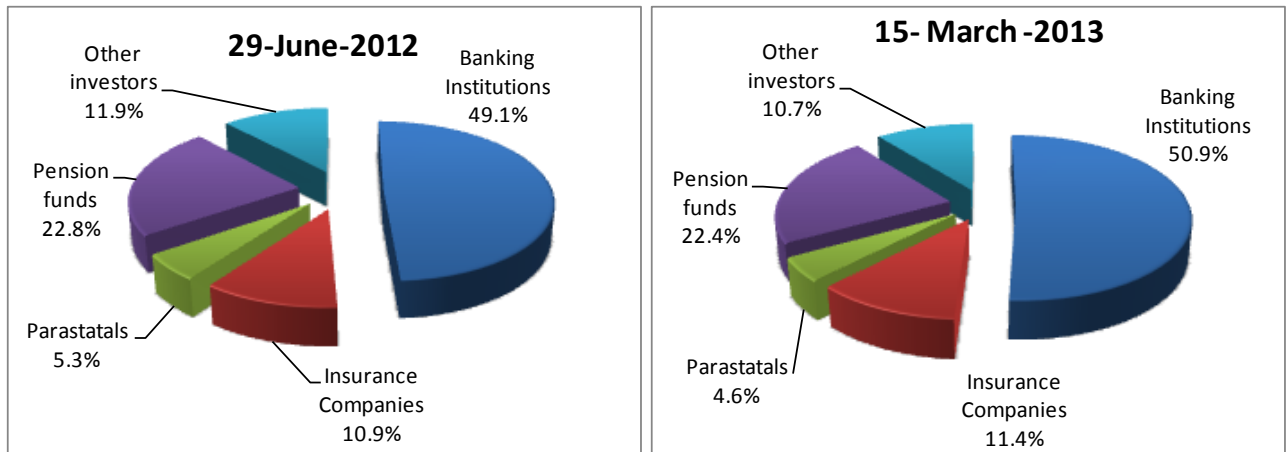


Source: Central Bank of Kenya

Holdings of Government Securities

Government securities accounted for 93.4 percent of gross domestic debt on March 15, 2013 (Chart C). Of this, 50.9 percent was held by commercial banks as at March 15, 2013. Holdings by insurance companies increased from 10.9 percent in June 2012 to 11.4 percent on March 15, 2013. Pension funds, Parastatals, and other investor holdings, which comprise Saccos, listed and private companies, self-help groups, educational institutions, religious institutions and individuals, declined from 22.8 percent, 5.3 percent and 11.9 percent to 22.4 percent, 4.6 percent and 10.7 percent, respectively, during the period (Chart D).

Chart D: Holding of Government Securities by Investors

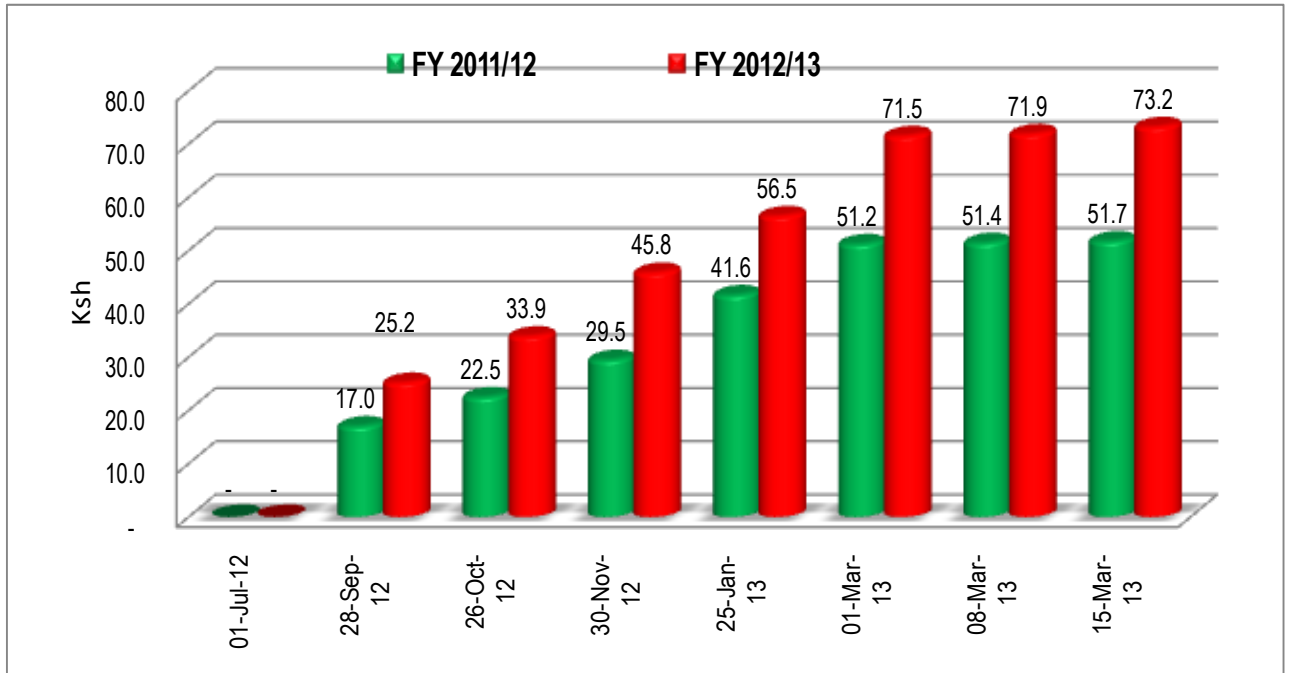


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to March 15, 2013 in the 2012/13 fiscal year amounted to Ksh 73.2 billion compared with Ksh 51.7 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 17.0 billion and Ksh 53.1 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 1.9 billion and Ksh 1.2 billion, respectively.

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



Source: Central Bank of Kenya

Capital Markets

The capital markets recorded mixed performance during the week ending March 21, 2013. Market capitalization lost 234 basis points, while equities turnover fell 38.7 percentage points. The bonds segment turnover recorded remarkable improvement by registering a 160.5 percent rise.

Equities Market

The NSE 20 Share Index closed the week at 4708.56 points or 2.6 percent below previous week’s level, while the NASI recorded 113.21 points or 2.7 percent lower than the previous week (Table 7). Market capitalization that measures shareholders’ wealth closed 234 basis points lower to Ksh 1, 536.05 billion, while Equity turnover lost 38.7 percent to end the week at Ksh 2, 478.88 billion. This was due to a 36.9 percent fall in number of shares transacted and share price levels. This low activity in the equities segment may be attributed to a shift to the debt market by some investors.

CBK WEEKLY BULLETIN

Table 7: Key Weekly Market Statistics

Week Ending	31-Jan-13	07-Feb-13	14-Feb-13	21-Feb-13	28-Feb-13	07-Mar-13	14-Mar-13	21-Mar-13
NASI 100= Jan 2008	103.50	106.23	108.50	105.39	106.91	110.30	115.93	113.21
NSE 20 Share Index 100=1966	4,416.60	4,561.16	4,637.54	4,505.59	4,518.59	4,585.07	4,831.85	4,708.56
Number of Deals	7,224	7,773	8,697	7,897	7,177	4,690	11,619	8,944
Total Shares Traded (millions)	118.42	267.81	157.50	180.66	86.22	120.86	197.84	124.88
Equity Turnover (Ksh. millions)	1,711.85	4,499.71	3,663.48	3,509.54	3,021.12	1,738.16	4,040.75	2,478.88
Market Capitalization (Ksh. Billions)	1,387.81	1,425.90	1,456.29	1,414.53	1,451.03	1,496.61	1,572.89	1,536.05
Bonds Turnover (Ksh. millions)	4,071.95	5,189.00	3,433.00	4,027.70	7,245.10	4,195.15	4,091.55	10,658.80
FTSE NSE Kenya 15 Index	136.44	139.71	141.53	137.09	141.12	145.35	150.18	147.06
FTSE NSE Kenya 25 Index	139.73	143.12	144.93	140.05	144.27	148.51	153.62	150.68

Source: Nairobi Securities Exchange

Telecoms and Technology, Banking and Insurance sectors were the top three most active, transacting 46.67 million or 37.4 percent; 43.04 million or 34.5 percent and 13.13 million or 10.5 percent of all shares traded, respectively. Safaricom Ltd, Equity Bank Ltd and the Co-operative Bank of Kenya Ltd were the three most active counters with 41.75 million, 23.64 million and 6.99 million shares traded, respectively. Agriculture sector was the least active, trading 137,200 shares.

The biggest closing and average price gains for the week under review was for Nation Media Group Ltd at Ksh 23.0 and Ksh 9.8 per share, respectively. The biggest closing and average price losses were for Williamson Tea Kenya Ltd and CIC Insurance Group Ltd at Ksh 14.0 and Ksh 12.8 per share, respectively. Of the 48 active counters, 12 had average price gain in the week compared to the 44 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 147.06 points from 150.18 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, also fell to register 150.68 points from 153.62 points in the previous trading week.

The Bond Market

Bonds trading more than doubled to register a 160.51 percent rise in turnover. Turnover touched Ksh 10, 658.80 million for the week ending March 21, 2013 from Ksh 4, 091.55 million in the previous week. Corresponding deals rose to 157 from 55 the previous week. The high level of activity signifies improved investor confidence in Kenya's debt market.