



**AUGUST 16, 2013**

## **Highlights**

The money market liquidity was relatively tight during the week ending August 14, 2013. The distribution of liquidity was also skewed with most banks accumulating reserves to meet the monthly average cash reserve requirement of 5.25 percent in the cycle ending August 14, 2013. The Central Bank liquidity management transactions through reverse repo securities resulted in Ksh 18.6 billion injection to boost liquidity in the market.

The average interbank rate declined by 15 basis points to 9.56 percent during the week ending August 14, 2013 from 9.71 percent in the previous week.

The Kenya Shilling exchange rate remained relatively stable against major international currencies in the week ending August 15, 2013. Against the US Dollar the Kenya Shilling weakened marginally to trade at an average of Ksh 87.57 per USD compared to Ksh 87.39 per USD in the week ending August 8, 2013.

The usable official foreign exchange reserves held by Central Bank declined marginally from US Dollar 5,741 million as at August 8, 2013 to US Dollar 5,717 million as at August 15, 2013.

The Government offered for sale Treasury bills worth Ksh 9.0 billion, during the week ending August 16, 2013. A total of Ksh 10.1 billion was accepted out of Ksh 19.3 billion bids received.

Gross Government domestic debt increased by Ksh 28.3 billion from Ksh 1,051.0 billion at the end of June 2013 to Ksh 1,079.3 billion on August 8, 2013.

Capital Markets performance improved in the week ending August 15, 2013 compared to the August 8, 2013 week except for bonds. Equities turnover and total shares traded rose by 171.1 percent and 87.9 percent, respectively, while the bonds turnover declined by 12.47 percent.

# CBK WEEKLY BULLETIN

## Monetary Policy Operations

The money market liquidity was relatively tight during the week ending August 14, 2013. The distribution of liquidity was also skewed with most banks accumulating reserves to meet the monthly average cash reserve requirement of 5.25 percent in the cycle ending August 14, 2013. To boost liquidity in the market, the Central Bank injected Ksh 18.6 billion through reverse repo securities. Reserve money averaged Ksh 317.7 billion during the week and was Ksh 31.4 billion above target (Table 1).

**TABLE 1: OPEN MARKET OPERATIONS (KSH BILLION)**

Date	Reserve Money* (Projected)			OMO (Reverse Repo)			Reserve money performance		Bank Reserves	Currency Outside Banks
	Forecast	Target	Exc(+)/ Short(-)	Posted	Injected	Exc(+)/ Short(-)	Actual	Exc(+)/ Short(-)	Exc(+)/ Short(-)	Exc(+)/ Short(-)
	(1)	(2)	3=(1-2)	(4)	(5)	7=(5+6-4)	(8)	9=(8-2)	(10)	(11)
8-Aug-13	296.7	286.2	<b>10.5</b>	0.0	0.0	<b>0.0</b>	299.1	<b>12.9</b>	11.7	1.2
12-Aug-13	297.4	286.4	<b>11.0</b>	18.0	12.6	<b>-5.4</b>	317.5	<b>31.1</b>	30.4	0.7
13-Aug-13	323.6	286.4	<b>37.2</b>	6.0	6.0	<b>0.0</b>	327.5	<b>41.1</b>	40.5	0.7
14-Aug-13	332.8	286.4	<b>46.4</b>	0.0	0.0	<b>0.0</b>	326.8	<b>40.4</b>	40.4	0.0
<b>Average</b>	<b>312.6</b>	<b>286.4</b>	<b>26.3</b>	<b>6.0</b>	<b>4.7</b>	<b>-1.3</b>	<b>317.7</b>	<b>31.4</b>	<b>30.7</b>	<b>0.6</b>

Source: Central Bank of Kenya

## Interbank and REPO Rates

The average interbank rate declined by 15 basis points to 9.56 percent during the week ending August 14, 2013 from 9.71 percent in the previous week reflecting effect of liquidity injections by Central Bank to stabilise the money market. The interbank volumes transacted decreased to an average of Ksh 19.3 billion from Ksh 28.5 billion recorded in the previous week (Table 2 and Chart A).

**TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES**

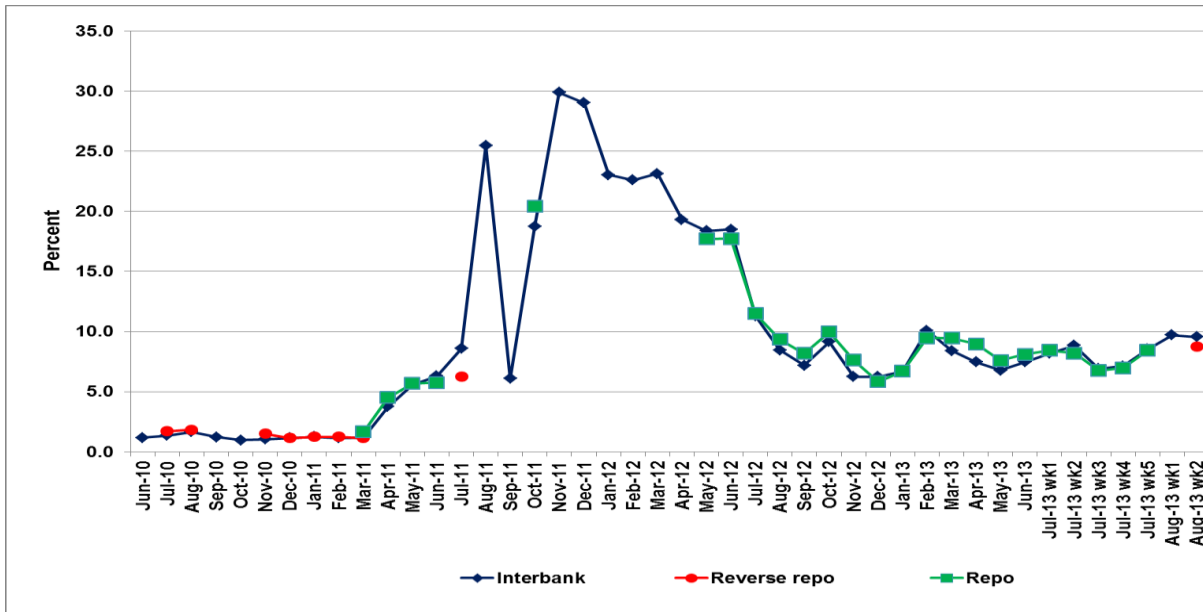
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
1-Aug-13	96	27,031	9.54
2-Aug-13	92	30,929	9.59
5-Aug-13	92	28,587	9.64
6-Aug-13	93	29,046	9.76
7-Aug-13	81	26,705	10.00
<b>August 1-August 7, 2013</b>	<b>91</b>	<b>28,460</b>	<b>9.71</b>
8-Aug-13	81	27,408	10.37
12-Aug-13	64	14,900	10.38
13-Aug-13	61	17,984	8.90
14-Aug-13	53	16,817	8.60
<b>August 8-August 14, 2013</b>	<b>65</b>	<b>19,277</b>	<b>9.56</b>

Source: Central Bank of Kenya

# CBK WEEKLY BULLETIN

The reverse repo rate averaged 8.72 percent in the week ending August 14, 2013.

**CHART A: STRUCTURE OF INTEREST RATES**

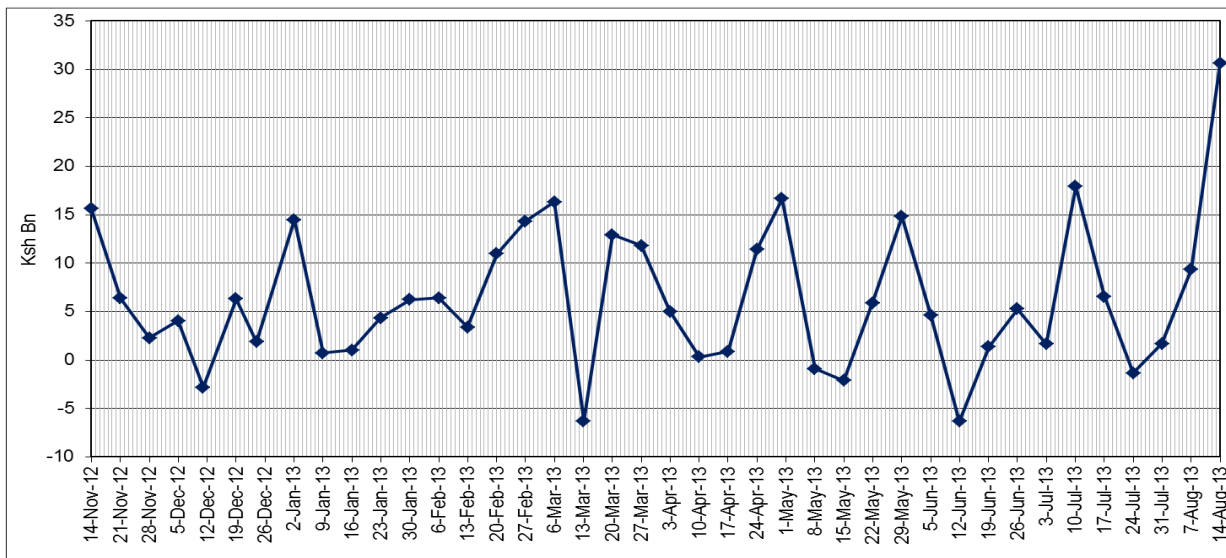


Source: Central Bank of Kenya

## Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 30.60 billion in their settlement account at the Central Bank in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 93.2 billion) in the week to August 14, 2013 compared with Ksh 9.36 billion recorded 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

## CBK WEEKLY BULLETIN

The Kenya Shilling exchange rate remained relatively stable against major international currencies in the week ending February 21, 2013. It depreciated by 0.21 percent, 1.21 percent, 0.31 percent and 0.81 percent against the USD, the Sterling Pound, the Euro and the Japanese Yen respectively to trade at an average of Ksh 87.57 per USD, Ksh 135.54 per Sterling Pound, Ksh 116.43 per Euro and 89.89 per 100 Japanese Yen.

In the EAC region, the Kenya Shilling weakened against the Uganda Shilling, the Tanzania Shilling and the Burundi Franc and remained stable against the Rwanda Franc in the week ending August 8, 2013.

**TABLE 3: KENYA SHILLING EXCHANGE RATES**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
2-Aug-13	87.41	132.47	115.60	87.88	29.57	18.53	7.43	17.62
5-Aug-13	87.37	133.51	116.01	88.90	29.56	18.55	7.38	17.63
6-Aug-13	87.38	134.02	115.85	88.77	29.55	18.55	7.36	17.59
7-Aug-13	87.40	134.10	116.32	90.04	29.46	18.55	7.38	17.60
8-Aug-13	87.39	135.45	116.55	90.22	29.47	18.54	7.38	17.60
<b>2-8 Aug-13</b>	<b>87.39</b>	<b>133.91</b>	<b>116.07</b>	<b>89.16</b>	<b>29.52</b>	<b>18.54</b>	<b>7.39</b>	<b>17.61</b>
12-Aug-13	87.39	135.39	116.44	90.57	29.44	18.54	7.40	17.60
13-Aug-13	87.61	135.43	116.55	90.18	29.38	18.48	7.37	17.56
14-Aug-13	87.70	135.44	116.35	89.20	29.30	18.44	7.38	17.54
15-Aug-13	87.59	135.88	116.39	89.59	29.30	18.46	7.39	17.56
<b>12-15 Aug-13</b>	<b>87.57</b>	<b>135.54</b>	<b>116.43</b>	<b>89.89</b>	<b>29.35</b>	<b>18.48</b>	<b>7.39</b>	<b>17.56</b>

Source: Central Bank of Kenya

### Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank declined marginally from US Dollar 5,741 million as at August 8, 2013 to US Dollar 5,717 million as at August 15, 2013. In terms of the months of imports cover, the foreign exchange reserves also declined from 4.10 months of import cover to 4.09 months of import cover but was above the statutory minimum of 4 months holdings (Table 4).

**TABLE 4: OFFICIAL RESERVES US\$ MILLIONS**

	2-May-13	16-May-13	23-May-13	30-May-13	6-Jun-13	13-Jun-13	20-Jun-13	27-Jun-13	4-Jul-13	11-Jul-13	18-Jul-13	25-Jul-13	1-Aug-13	8-Aug-13	15-Aug-13
Usable Reserves*	5,668	5,805	5,821	5,805	5,800	5,801	5,885	5,843	5,812	5,771	5,722	5,747	5,763	5,741	5,717
Months of Imports Cover**	4.19	4.29	4.27	4.26	4.26	4.26	4.32	4.29	4.22	4.16	4.13	4.15	4.12	4.10	4.09

\*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 each of the 91-day, 182-day and 364-day Treasury bills during the week ending August 16, 2013. Total bids received amounted to Ksh 19.3 billion, of which Ksh 8.01 billion, Ksh 4.84 billion and Ksh 6.43 billion was in

## CBK WEEKLY BULLETIN

the 91-day, 182-day and 364-day securities, representing performance rates of 267.03 percent, 161.25 percent and 214.29 percent, respectively. The Government accepted Ksh 3.14 billion in the 91-day Treasury bill, Ksh 2.73 billion in the 182-day and Ksh 4.19 billion in the 364-day Treasury bill. Total non-competitive bids received amounted to Ksh 2.09 billion.

### Interest Rates on Government securities

Weighted average interest rates on the 91-day, 182-day and 364-day Treasury bills increased by 9.2 basis points, 87.3 basis points and 30.9 basis points, respectively, to reach 10.498 percent, 10.732 percent and 11.563 percent, during this week's auction.

**TABLE 5: GOVERNMENT SECURITIES INTEREST RATES**

	7-Jun-13	14-Jun-13	5-Jul-13	19-Jul-13	26-Jul-13	2-Aug-13	8-Aug-13	16-Aug-13
91-day T. Bills*	6.721	5.424	5.496	6.293	6.863	8.754	10.406	10.498
182-day T. Bills*	7.899	6.117	6.000	6.484	6.793	6.872	9.859	10.732
364-day T. Bills*	8.504	8.270	8.356	9.055	9.949	10.883	11.254	11.563
5 year FXD T. Bonds								
10year FXD T. Bonds								
15year FXD T. Bonds								
15year FXD T. Bonds					13.769			
20 year FXD T. Bonds								

\*Weighted rates for accepted bids

Source: Central Bank of Kenya

### Government Domestic Debt

Gross Government domestic debt increased by Ksh 28.3 billion from Ksh 1,051.0 billion at the end of June 2013 to Ksh 1,079.3 billion on August 8, 2013. This followed Ksh 32.5 billion and Ksh 5.5 billion increases in the stock of Treasury bonds and Government overdraft at the Central Bank, respectively. Treasury bills and other domestic debt declined by Ksh 9.6 billion and Ksh 0.1 billion, respectively, during the period under review.

**TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)**

	Jun 2012	Jun 2013	2nd August 2013	8th August 2013	Changes	
					2nd Aug 2013 - 8th August 2013	28th Jun 2013 - 8th Aug 2013
1. Treasury Bills (Excluding Repos)	132.0	267.8	254.8	258.2	3.4	-9.6
(As % of total securities)	16.1	26.5	24.7	24.9		
2. Treasury Bonds	687.0	744.2	776.7	776.7	0.0	32.5
(As % of total securities)	83.9	73.5	75.3	75.1		
<b>3. Total Securities (1+2)</b>	<b>819.0</b>	<b>1011.9</b>	<b>1031.5</b>	<b>1034.9</b>	<b>3.4</b>	<b>22.9</b>
4. Overdraft at Central Bank	7.3	7.0	15.5	12.5	-2.9	5.5
5. Other Domestic debt*	32.6	32.0	31.9	31.9	0.0	-0.1
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>858.8</b>	<b>1051.0</b>	<b>1078.9</b>	<b>1079.3</b>	<b>0.4</b>	<b>28.3</b>
<b>7. Interest payments on domestic debt</b>	<b>82.3</b>	<b>110.2</b>	<b>3.3</b>	<b>3.5</b>	<b>0.1</b>	

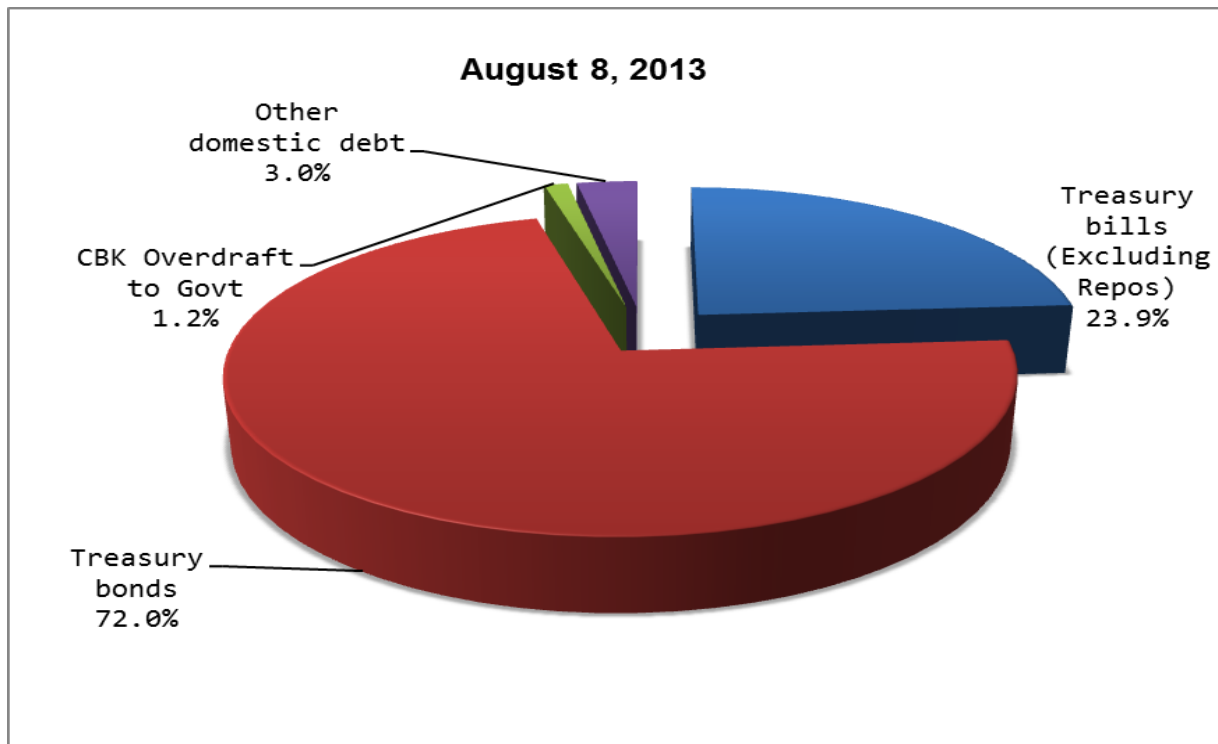
\* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and Tax Reserve Certificates .

# CBK WEEKLY BULLETIN

**Source: Central Bank of Kenya**

Gross government domestic debt increased by Ksh 0.4 billion during the week ending August 8, 2013, on account of Ksh 3.4 billion increase in the stock of Treasury bills, and a partially offsetting Ksh 2.9 billion decrease in the overdraft at Central Bank of Kenya (Table 6) Stocks of Treasury bonds and other domestic debt remained unchanged. The average time to maturity of Government securities remained at the end June, 2013 level of 5 years and 2 months.

**CHART C: COMPOSITION OF GOVERNMENT SECURITIES**

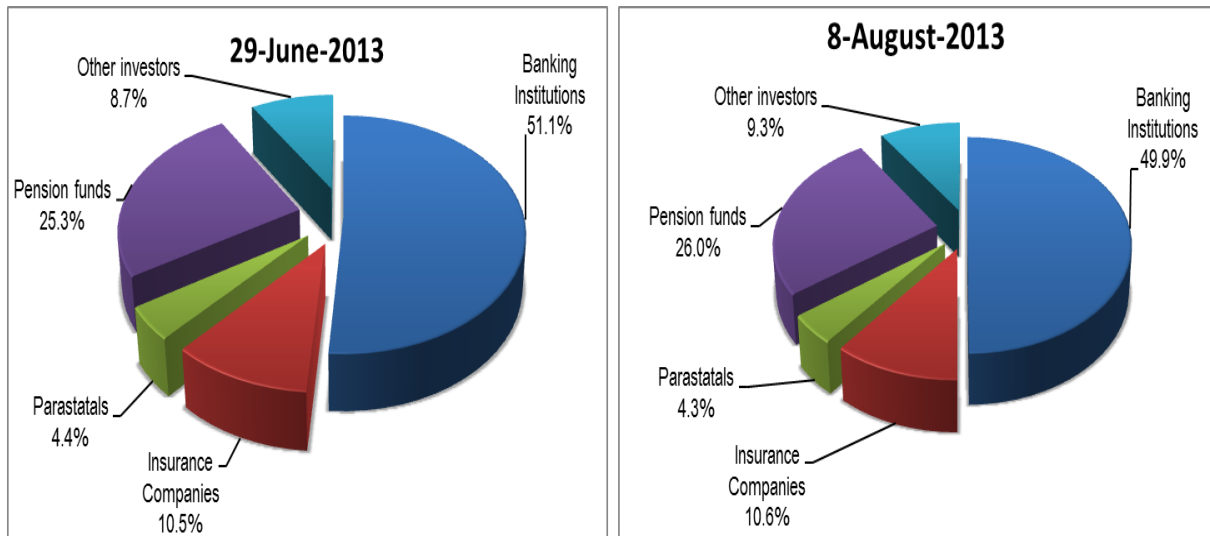


**Source: Central Bank of Kenya**

## Holding of Government Securities

Government securities accounted for 95.9 percent of gross domestic debt on August 8, 2013 (Chart C). The share of Government securities held by Insurance companies, Pension Schemes and other investors, which comprise of Sacco's, listed and private companies, self-help groups, educational institutions, religious institutions and individuals, increased from 10.5 percent, 25.3 percent and 8.7 percent, respectively, in June 2013 to 10.6 percent, 26.0 percent and 9.3 percent, on August 8, 2013. Government securities held by Banking Institutions and Parastatals decreased from 51.1 percent and 4.4 percent, to 49.9 percent and 4.3 percent, respectively, during the period (Chart D).

**CHART D: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS**

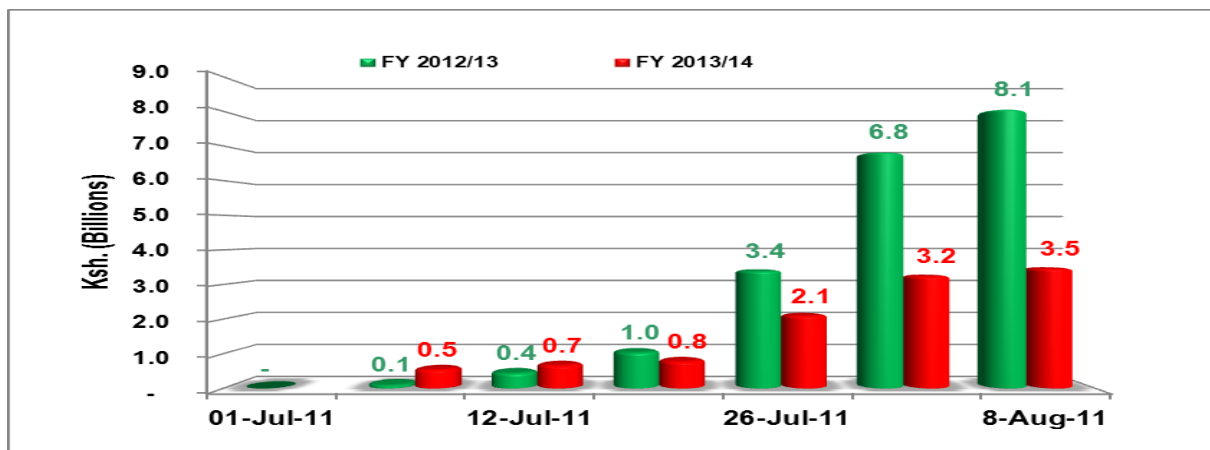


Source: Central Bank of Kenya

**Cost of Domestic Borrowing**

Cumulative interest and other charges on domestic debt during the week ending August 8, 2013 amounted to Ksh 3.5 billion compared with Ksh 8.1 billion during a similar period of the fiscal year 2012/13 (Chart E). The cost during the period under review was on account of interest and other charges on Treasury bills and Treasury bonds which amounted to Ksh 0.9 billion and Ksh 2.5 billion, respectively. Interest on Government overdraft at the Central Bank amounted to Ksh 0.1 billion, during the same period.

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



Source: Central Bank of Kenya

# CBK WEEKLY BULLETIN

## Capital Markets Report

All Capital Markets performance improved for the equities market segment but declined for bonds segment in the week ending August 15, 2013.

## Equities Market

As indicated in Table 7, NSE 20 Share Index closed the week higher at 4,812.27 points or 0.2 percent from last week's 4,801.03 points. NASI rose by 1.6 percent, to 125.77 points from 123.55 points recorded on August 8, 2013. Market capitalization, that measures shareholders' wealth increased, by 1.43 percent to Ksh 1,761.87 billion from Ksh 1,737.10 billion. Equity turnover also increased by 171.1 percent, to Ksh 8,198.03 million due to increase in share prices and volumes traded.

**TABLE 7: KEY WEEKLY MARKET STATISTICS**

Week Ending	27-Jun-13	4-Jul-13	11-Jul-13	18-Jul-13	25-Jul-13	1-Aug-13	8-Aug-13	15-Aug-13
NASI 100= Jan 2008	115.33	116.23	119.87	123.42	123.22	123.03	123.55	125.77
NSE 20 Share Index 100=1966	4,584.50	4,574.10	4,658.46	4,800.16	4,796.30	4,781.40	4,801.03	4,812.27
Number of Deals	7,564.00	6,201.00	6,782.00	8,251.00	8,007.00	7,993.00	5,715.00	8,771.00
Total Shares Traded (millions)	131.78	123.98	137.96	189.54	103.42	89.42	78.18	146.92
Equity Turnover (Ksh. millions)	2,532.51	2,110.46	2,843.10	2,929.34	2,024.50	1,773.49	3,024.39	8,198.03
Market Capitalization (Ksh. Bn.)	1,604.69	1,626.64	1,677.64	1,727.31	1,432.12	1,729.87	1,737.10	1,761.87
Bonds Turnover (Ksh. millions)	20,264.25	9,290.25	8,592.05	8,731.20	6,073.90	5,144.30	6,637.25	5,809.90
FTSE NSE Kenya 15 Index	188.31	149.73	156.41	160.92	161.03	160.15	161.04	164.51
FTSE NSE Kenya 25 Index	152.52	153.96	160.44	164.98	165.19	163.93	164.77	167.34
FTSE NSE Bond Index	93.61	94.02	94.40	94.38	94.80	94.83	93.90	93.90

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

**Source: Central Bank of Kenya**

Telecom and Technology, Banking and Insurance were the top three most active sectors, transacting 65.40 million shares or 44.5 percent; 22.88 million or 15.6 percent and 13.28 million shares or 9.0 percent of all shares traded, respectively. Safaricom, Nation Media and KCB were the three most active counters with 48.9 million shares, 19.2 million and 6.3 million shares traded, respectively. Growth Enterprise Market Segment (GEMS) had the lowest shares traded at 136,800.

## FTSE NSE Kenya Index Series

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, increased to 164.51 points from 161.04 points in the previous week. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, closed higher at 167.34 points from 164.77 points of last week. But the FTSE NSE Bond Index stabilized at 93.90 points as reported in the previous week.



### **The Bond Market**

Bonds trading activity decreased by 29.02 percent in turnover to Ksh 5,809.90 million from Ksh 6,637.25 million in the previous week. Corresponding deals dropped to 37 from 94 recorded in the previous week.