



**AUGUST 30, 2013**

## **Highlights**

The money market was relatively tight during the week ending August 28, 2013 on account of payments for Treasury bills and bond primary issues of Ksh 10.3 billion and Ksh 18.5 billion, respectively. The distribution of liquidity was also skewed in favour of a few banks. In order to allow the market redistribute the available liquidity, the Central Bank stayed out of the market.

The average interbank rate increased by 25.7 basis points to 8.46 percent during the week ending August 28, 2013 from 8.20 percent in the previous week.

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending August 29, 2013. Against the US Dollar the Kenya Shilling weakened marginally to trade at an average of Ksh 87.54 per USD compared to Ksh 87.49 per USD in the week ending August 22, 2013.

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,736 million as at August 22, 2013 to US Dollar 5,754 million as at August 29, 2013.

The Government offered for sale Treasury bills worth Ksh 9.0 billion, during the week ending August 30, 2013. A total of Ksh 9.5 billion was accepted out of Ksh 16.4 billion bids received.

Gross Government domestic debt increased by Ksh 41.3 billion to reach Ksh 1,092.2 billion on August 23, 2013 from Ksh 1,051.0 billion held at the end of June 2013.

Capital markets activity maintained its downward trend in the week ending August 29, 2013. All leading performance indicators and Index Series declined, except for equity turnover, shares transacted and bonds turnover. Market capitalization shed 3.19 percent, bonds turnover was up 298.47 percent, and equity turnover rose by 40 percent over the previous week's performance. Shares traded rose by 54.6 percent.

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## Monetary Policy Operations

The money market was relatively tight during the week ending August 28, 2013 on account of payments for Treasury bills and bond primary issues of Ksh 10.3 billion and Ksh 18.5 billion, respectively. The distribution of liquidity was also skewed in favour of a few banks. In order to allow the market redistribute the available liquidity, the Central Bank stayed out of the market. Reserve money averaged Ksh 292.7 billion during the week and was Ksh 6.0 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)
22-Aug-13	299.6	286.6	13.0	0.0	0.0	0.0	0.0	298.7	12.1	15.1	-3.0
23-Aug-13	298.7	286.6	12.1	0.0	0.0	0.0	0.0	300.5	13.9	17.4	-3.5
26-Aug-13	281.7	286.8	-5.1	0.0	0.0	0.0	0.0	286.5	-0.3	3.4	-3.7
27-Aug-13	290.8	286.8	4.0	0.0	0.0	0.0	0.0	285.7	-1.0	3.0	-4.0
28-Aug-13	285.9	286.8	-0.9	0.0	0.0	0.0	0.0	292.1	5.3	9.7	-4.4
<b>Average</b>	<b>291.3</b>	<b>286.7</b>	<b>4.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>292.7</b>	<b>6.0</b>	<b>9.7</b>	<b>-3.7</b>

Source: Central Bank of Kenya

## Interbank and REPO Rates

The average interbank rate increased by 25.7 basis points to 8.46 percent during the week ending August 28, 2013 from 8.20 percent in the previous week reflecting tight liquidity in the money market. The interbank volumes transacted decreased to an average of Ksh 19.5 billion from Ksh 21.5 billion recorded in the previous week (Table 2 and Chart A).

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

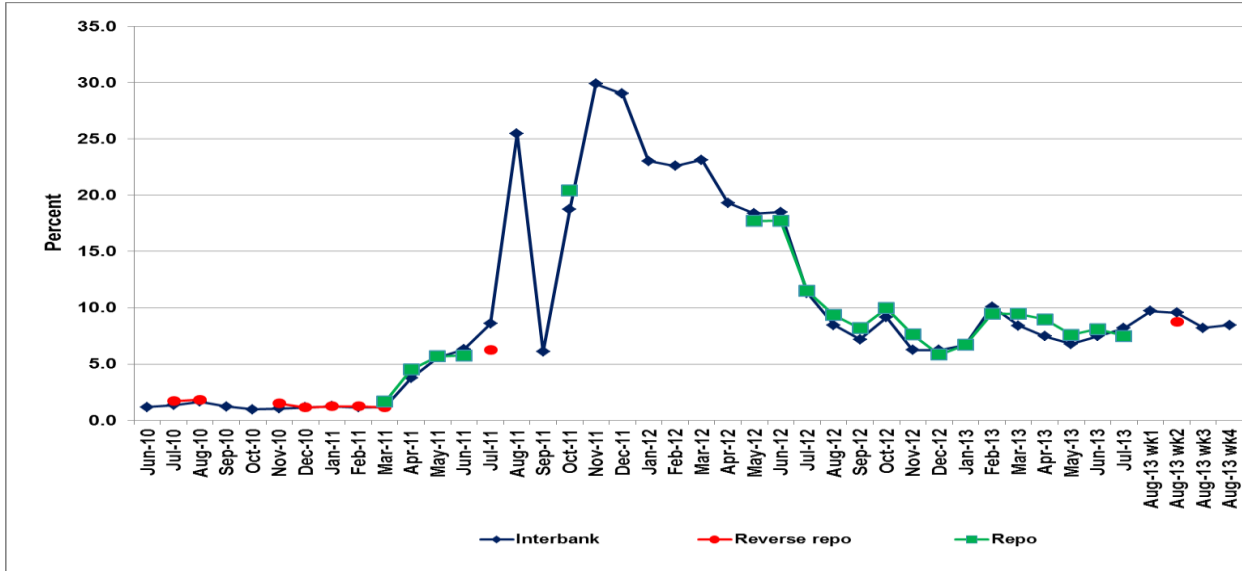
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
15-Aug-13	44	15,152	8.27
16-Aug-13	64	21,290	8.04
19-Aug-13	78	25,011	8.10
20-Aug-13	80	23,246	8.25
21-Aug-13	84	22,756	8.34
<b>August 15-August 21, 2013</b>	<b>70</b>	<b>21,491</b>	<b>8.20</b>
22-Aug-13	80	21,827	8.38
23-Aug-13	83	19,945	8.42
26-Aug-13	66	16,726	8.47
27-Aug-13	70	18,688	8.49
28-Aug-13	64	20,373	8.50
<b>August 22-August 28, 2013</b>	<b>73</b>	<b>19,512</b>	<b>8.46</b>

Source: Central Bank of Kenya

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The Central Bank stayed out of the market during the week ending August 28, 2013. As a result the average reverse repo rate remained unchanged at 8.72 percent recorded in the week ending August 14, 2013.

**CHART A: STRUCTURE OF INTEREST RATES**

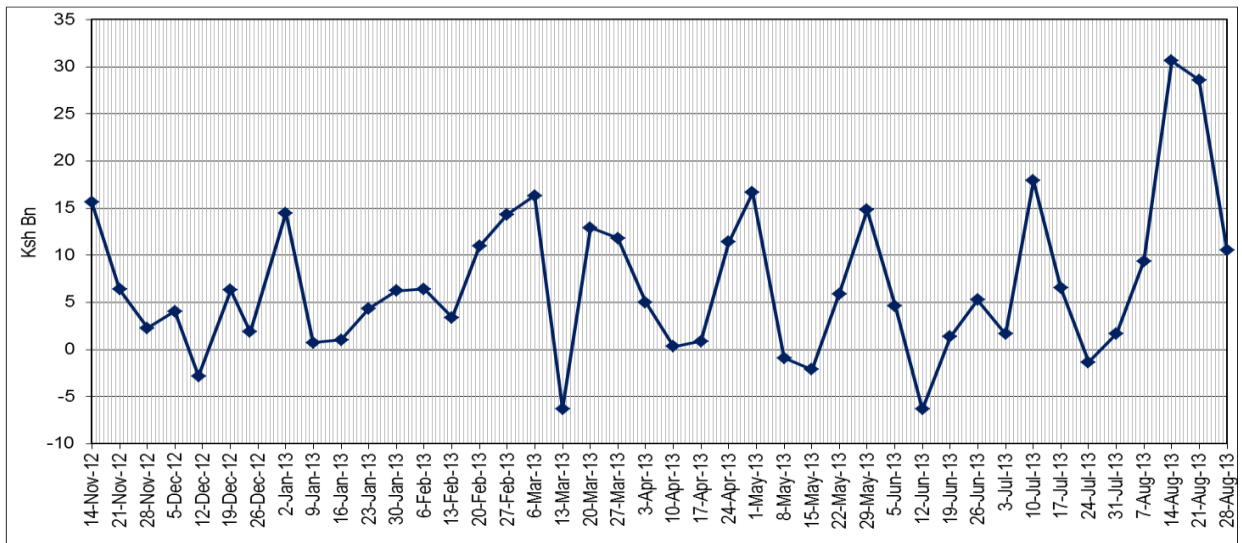


Source: Central Bank of Kenya

## Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 10.53 billion in their settlement account at the Central Bank in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 93.3 billion) in the week to August 28, 2013 compared with Ksh 28.59 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 exchange rate depicted mixed performance against major international currencies in the week ending August 29, 2013. During the week, the Kenya Shilling depreciated by 0.06 percent and 0.08 percent against the US dollar and the Euro, respectively, to trade at an average of Ksh 87.54 per USD and Ksh 116.92 per Euro compared to Ksh 87.49 per USD and Ksh 116.82 per Euro, in the week ending August 22, 2013. The Shilling appreciated by 0.43 percent against the Sterling Pound and 0.54 percent against the Japanese Yen to trade at an average of Ksh 136.16 per Sterling Pound and Ksh 89.15 per 100 Japanese Yen compared to Ksh 136.75 per Sterling Pound and Ksh 89.64 per 100 Japanese Yen the previous week.

In the EAC region, the Kenya Shilling weakened against the Uganda Shilling, the Tanzania Shilling and the Burundi Franc and strengthened against the Rwanda Franc. The Kenya Shilling traded at an average of US\$ 29.46, TSh 18.48, RWF 7.41 and BIF 17.57 in the week ending August 29 compared to US\$ 29.51, TSh 18.49, RWF 7.40 and BIF 17.59 in the week ending August 22, 2013.

**TABLE 3: KENYA SHILLING EXCHANGE RATES**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
16-Aug-13	87.50	136.68	116.70	89.59	29.41	18.53	7.39	17.58
19-Aug-13	87.47	136.61	116.55	89.80	29.44	18.49	7.40	17.59
20-Aug-13	87.54	137.02	116.83	90.13	29.53	18.47	7.39	17.57
21-Aug-13	87.46	137.01	117.36	89.66	29.64	18.49	7.42	17.61
22-Aug-13	87.46	136.44	116.66	89.00	29.52	18.50	7.42	17.61
<b>19-22 Aug-13</b>	<b>87.49</b>	<b>136.75</b>	<b>116.82</b>	<b>89.64</b>	<b>29.51</b>	<b>18.49</b>	<b>7.40</b>	<b>17.59</b>
23-Aug-13	87.53	136.38	116.76	88.34	29.42	18.47	7.43	17.59
26-Aug-13	87.56	136.34	117.14	88.81	29.41	18.47	7.42	17.59
27-Aug-13	87.53	136.32	117.03	89.14	29.44	18.51	7.42	17.60
28-Aug-13	87.49	135.81	117.04	89.92	29.52	18.49	7.39	17.54
29-Aug-13	87.58	135.94	116.62	89.55	29.52	18.48	7.39	17.53
<b>23-29 Aug-13</b>	<b>87.54</b>	<b>136.16</b>	<b>116.92</b>	<b>89.15</b>	<b>29.46</b>	<b>18.48</b>	<b>7.41</b>	<b>17.57</b>

Source: Central Bank of Kenya

### Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,736 million as at August 22, 2013 to US Dollar 5,754 million as at August 29, 2013. In terms of the months of imports cover, the foreign exchange reserves also increased from 4.10 months of import cover to 4.11 months of import cover (Table 4).

**TABLE 4: OFFICIAL RESERVES USD MILLIONS**

	2-May-13	9-May-13	16-May-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	22-Aug-13	29-Aug-13
Usable Reserves*	5,668	5,744	5,805	5,801	5,885	5,843	5,812	5,771	5,722	5,747	5,763	5,741	5,717	5,736	5,754
Months of Imports Cover**	4.19	4.25	4.29	4.26	4.32	4.29	4.22	4.16	4.13	4.15	4.12	4.10	4.09	4.10	4.11

\*Excludes encumbered reserves

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

Source: Central Bank of Kenya

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## 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 30, 2013. Total bids received amounted to Ksh 16.4 billion, of which Ksh 9.1 billion, Ksh 3.1 billion and Ksh 4.2 billion was in 91-day, 182-day and 364-day papers, representing performance rates of 303.71 percent, 103.67 percent and 138.71 percent, respectively. The Government accepted Ksh 4.0 billion in the 91-day paper, Ksh 2.1 billion in the 182-day paper and Ksh 3.5 billion in the 364-day paper, during the week. Total non-competitive bids received amounted to Ksh 1.1 billion.

## Interest Rates on Government securities

Weighted average interest rates on the 91-day and 182-day Treasury bills increased by 1.2 and 1.9 basis points, respectively, to reach 10.474 percent and 10.835 percent, while the weighted interest rate on the 364-day Treasury bill declined by 4.1 basis points to 11.649 percent during the week's auction.

**TABLE 5: GOVERNMENT SECURITIES INTEREST RATES**

	22-Mar-13	28-Jun-13	26-Jul-13	2-Aug-13	8-Aug-13	16-Aug-13	23-Aug-13	30-Aug-13
91-day T. Bills*	10.318	5.175	6.863	8.754	10.406	10.498	10.462	10.474
182-day T. Bills*	10.602	5.549	6.793	6.872	9.859	10.732	10.816	10.835
364-day T. Bills*	12.674	8.356	9.949	10.883	11.254	11.563	11.690	11.649
2 year FXD T. Bonds	12.940						12.939	0.000
5 year FXD T. Bonds		11.305						
10year FXD T. Bonds	13.720	12.371					12.371	0.000
15year FXD T. Bonds								
15year FXD T. Bonds	13.629		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 41.3 billion to reach Ksh 1,092.2 billion on August 23, 2013, from Ksh 1,051.0 billion held at the end of June 2013. This followed Ksh 4.2 billion, Ksh 11.8 billion and Ksh 25.7 billion respective increases in the stocks of Treasury bills, Treasury bonds and Government overdraft at the Central Bank, and a decline of Ksh 0.4 billion in other domestic debt, during the period.

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

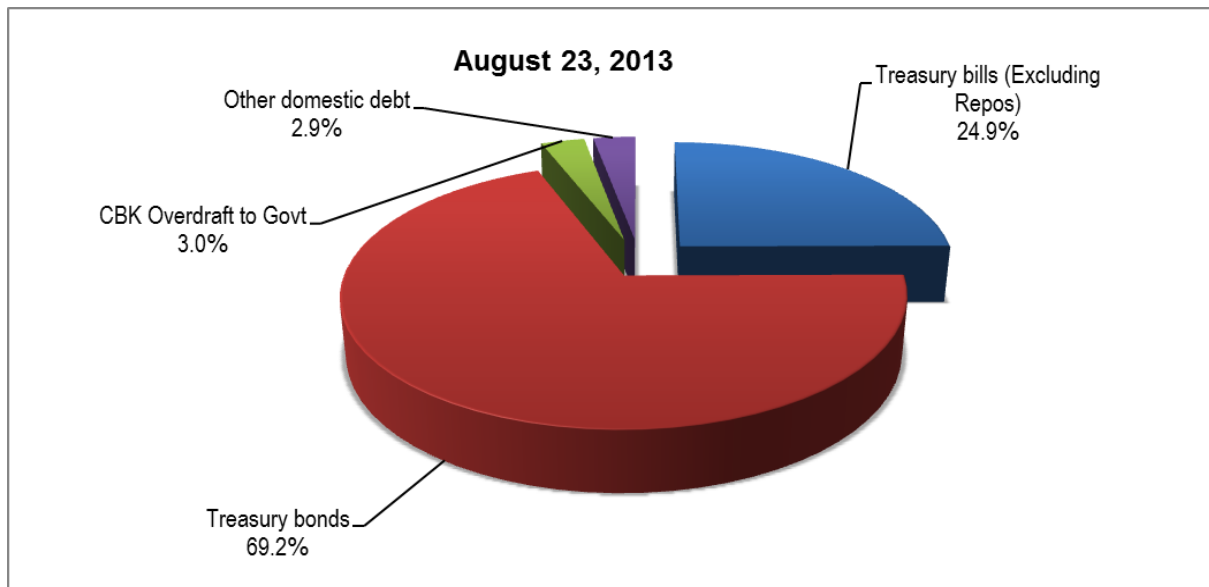
	Jun 2012	Jun 2013	16th August 2013	23rd August 2013	Changes	
					16th Aug 2013 - 23rd August 2013	28th Jun 2013 - 23rd Aug 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	267.8 26.5	264.5 25.5	271.9 26.5	7.4 0.9	4.2
2. Treasury Bonds (As % of total securities)	687.0 83.9	744.2 73.5	770.8 74.5	756.0 73.5	-14.8 -0.9	11.8
<b>3. Total Securities (1+2)</b>	<b>819.0</b>	<b>1011.9</b>	<b>1035.3</b>	<b>1027.9</b>	<b>-7.4</b>	<b>15.9</b>
4. Overdraft at Central Bank	7.3	7.0	19.9	32.7	12.8	25.7
5. Other Domestic debt*	32.6	32.0	31.6	31.6	0.0	-0.4
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>858.8</b>	<b>1051.0</b>	<b>1086.8</b>	<b>1092.2</b>	<b>5.4</b>	<b>41.3</b>
7. Interest payments on domestic debt	82.3	110.2	4.9	7.9	3.0	

\* 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 August 23, 2013, gross government domestic debt increased by Ksh 5.4 billion, on account of Treasury bills and Government overdraft at the Central Bank which increased by Ksh 7.4 billion and Ksh 12.8 billion, respectively. The increases were partially offset by Ksh 14.8 billion decline in the stock of Treasury bonds while other domestic debt remained unchanged during the week. 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**

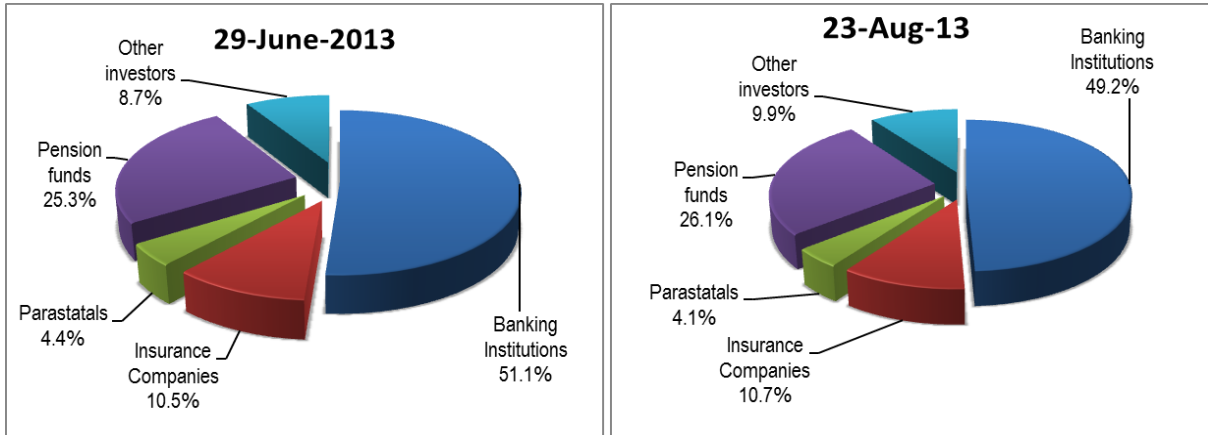
## Holding of Government Securities

Government securities accounted for 94.1 percent of gross domestic debt on August 23, 2013 (Chart C). The share of Government securities held by Insurance companies,

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Pension Schemes and other investors, which comprises SACCOs, 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 10.7 percent, 26.1 percent and 9.9 percent, on August 23, 2013. Government securities held by Banking Institutions and Parastatals decreased from 51.1 percent and 4.4 percent, to 49.2 percent and 4.1 percent, respectively, during the period under review (Chart D).

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

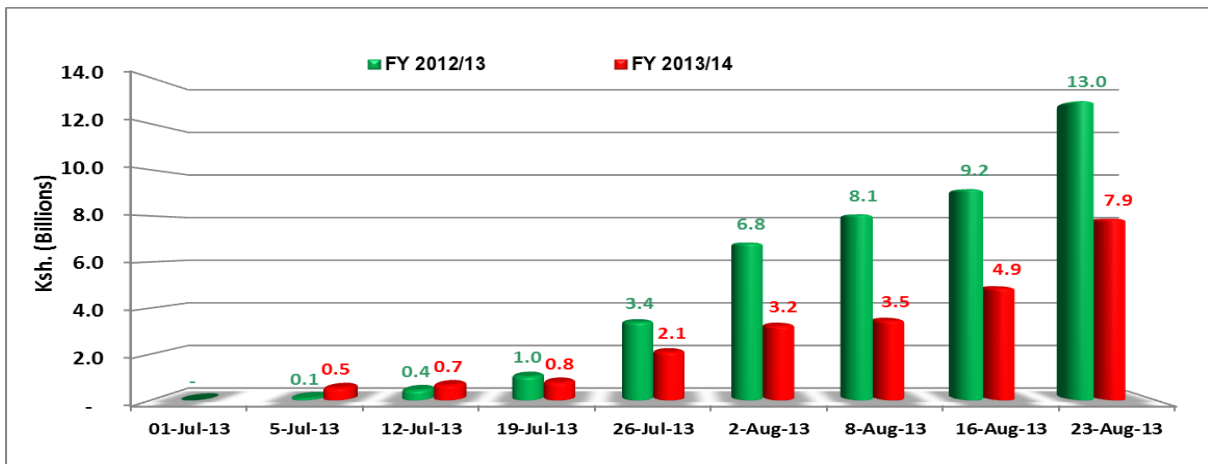


Source: Central Bank of Kenya

### Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt during the week ending August 23, 2013 amounted to Ksh 7.9 billion compared with Ksh 13.0 billion during a similar period of the Fiscal Year 2012/13 (Chart E). The cost during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 2.3 billion and Ksh 5.5 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

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## Capital Markets Report

The week ended August 29, 2013, saw equities turnover rise by Ksh 1.44 billion, bonds turnover increased by 6.99 billion, and number of shares traded up by 86 million. On the decline was Market Capitalization by Ksh 55.82 billion, and all the market indices; NASI, FTSE NSE Kenya 15 Index, FTSE NSE Kenya 25 Index, NSE 20 Share Index and FTSE NSE Bond Index.

### Equities Market

NSE 20 Share Index closed the week at 4,708.05 points down from last week's 4,814.12 points. NASI declined to 120.39 points from 124.36 points recorded on August 22, 2013 (Table 7). Market capitalization that measures shareholders' wealth was Ksh 1,692.67 billion down from Ksh 1,787.49 billion. However, equity turnover rose to Ksh 5,030.06 million on account of increased shares traded.

**TABLE 7: KEY WEEKLY MARKET STATISTICS**

Week Ending	18-Jul-13	25-Jul-13	1-Aug-13	8-Aug-13	15-Aug-13	22-Aug-13	29-Aug-13
NASI 100= Jan 2008	123.42	123.22	123.03	123.55	125.77	124.36	120.39
NSE 20 Share Index 100=1966	4,800.16	4,796.30	4,781.40	4,801.03	4,812.27	4,814.12	4,708.05
Number of Deals	8,251.00	8,007.00	7,993.00	5,715.00	8,771.00	8,595.00	8,053.00
Total Shares Traded (millions)	189.54	103.42	89.42	78.18	146.92	157.77	243.88
Equity Turnover (Ksh. millions)	2,929.34	2,024.50	1,773.49	3,024.39	8,198.03	3,591.78	5,030.06
Market Capitalization (Ksh. Bn.)	1,727.31	1,432.12	1,729.87	1,737.10	1,761.87	1,748.49	1,692.67
Bonds Turnover (Ksh. millions)	8,731.20	6,073.90	5,144.30	6,637.25	5,809.90	2,342.60	9,334.60
FTSE NSE Kenya 15 Index	160.92	161.03	160.15	161.04	164.51	162.43	156.72
FTSE NSE Kenya 25 Index	164.98	165.19	163.93	164.77	167.34	164.77	158.79
FTSE NSE Bond Index	94.38	94.80	94.83	93.90	93.90	94.06	94.06

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

**Source: Central Bank of Kenya**

Telecoms and Technology, Banking, and Energy and Petroleum were the top three active sectors, transacting 172.14 million or 70.58 percent; 46.37 million or 19.01 percent and 8.86 million or 3.63 percent of all shares traded, respectively. Safaricom, Equity Bank and KCB were the three most active counters with 172.14 million, 24.63 million and 11.58 million shares traded, respectively. The least active sector was Automobile and Accessories sector with 95,800 shares.

The biggest closing and average price gain for the week was for British American Tobacco Ltd at Ksh 12 and Ksh 3.30 per share, respectively. The biggest closing and average price loss was for East African Breweries at Ksh 19 and Ksh 12.2 per share, respectively. Of the 54 active counters, 13 had average price gain in the week compared to 19 counters for last week.



### **FTSE NSE Kenya Index Series**

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed the week at 156.72 points down from 162.43 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, declined to 158.79 points from 164.77 points of last week. FTSE NSE Bond Index was unchanged at 94.06 points from last week's level.

### **The Bond Market**

Bonds trading activity increased by 298.47 percent as turnover closed at Ksh 9,334.60 million from Ksh 2,342.60 million in the previous week. Corresponding deals were unchanged at 49 from last week.