



AUGUST 8, 2013

Highlights

The money market liquidity was relatively tight during the week ending August 7, 2013. The tightness is attributed to accumulation of deposits by Government at the Central Bank awaiting finalization of payment arrangements for the reconstituted Government Ministries. To alleviate the liquidity tightness the Central Bank injected Ksh 11.8 billion through net redemptions of repo securities.

The average interbank rate rose by 116.4 basis points to 9.71 percent during the week ending August 7, 2013 from 8.54 percent in the previous week.

The Kenya Shilling exchange rate weakened marginally against major international currencies during the week ending August 8, 2013. It traded at an average of Ksh 87.39 against the US Dollar compared to Ksh 87.31 during the week ending August 1, 2013. The depreciation is attributed to increased dollar demand from exporters.

The usable official foreign exchange reserves held by Central Bank declined marginally to US Dollar 5,741 million as at August 8, 2013 from US Dollar 5,763 million as at August 1, 2013

The Government offered for sale Ksh 6.0 billion in 182-day and 364-day Treasury bills during the auction dated August 7, 2013. A total of Ksh 7.0 billion was accepted out of Ksh 10.4 billion bids received.

Gross Government domestic debt stood at Ksh 1,078.9 billion by August 2, 2013, representing Ksh 27.9 billion increase from Ksh 1,051.0 billion at the end of June 2013.

Capital markets activity improved in the week ending August 7, 2013 as reflected in all indicators of performance.

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Monetary Policy Operations

The money market liquidity was relatively tight during the week ending August 7, 2013. The tightness is attributed to accumulation of deposits by Government at the Central Bank awaiting finalization of payment arrangements for the reconstituted Government Ministries. To alleviate the liquidity tightness the Central Bank injected Ksh 11.8 billion through net redemptions of repo securities. Reserve money averaged Ksh 292.2 billion during the week and was Ksh 5.9 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)
1-Aug-13	285.0	286.2	-1.3	0.0	0.0	0.0	0.0	285.0	-1.2	4.0	-5.2
2-Aug-13	295.4	286.2	9.2	0.0	0.0	0.0	0.0	293.7	7.5	11.3	-3.8
5-Aug-13	290.4	286.2	4.2	0.0	0.0	0.0	0.0	292.6	6.4	9.7	-3.3
6-Aug-13	292.9	286.2	6.7	0.0	0.0	0.0	0.0	293.9	7.7	8.9	-1.2
7-Aug-13	294.3	286.2	8.1	0.0	0.0	0.0	0.0	295.4	9.2	9.8	-0.6
Average	291.6	286.2	5.4	0.0	0.0	0.0	0.0	292.2	5.9	8.7	-2.8

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate rose by 116.4 basis points to 9.71 percent during the week ending August 7, 2013 from 8.54 percent in the previous week reflecting tight liquidity in the money market. The interbank volumes transacted increased to an average of Ksh 28.5 billion from Ksh 18.2 billion recorded in the previous week (Table 2 and Chart A).

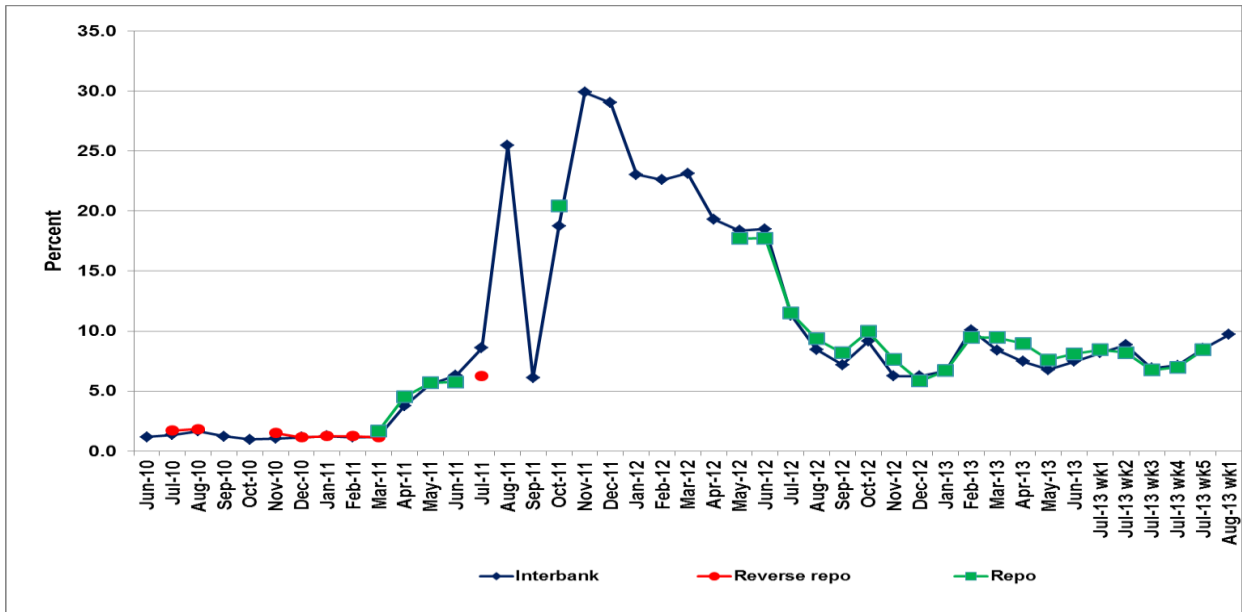
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
25-Jul-13	58	14,528	7.72
26-Jul-13	53	14,270	8.10
29-Jul-13	65	14,790	8.55
30-Jul-13	84	22,090	8.97
31-Jul-13	88	25,390	9.38
July 25-July 31, 2013	70	18,214	8.54
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
August 1-August 7, 2013	91	28,460	9.71

Source: Central Bank of Kenya

No repo securities were advertised during the week ending August 7, 2013. As a result the average repo rate remained unchanged at 8.46 percent recorded in the previous week.

CHART A: STRUCTURE OF INTEREST RATES

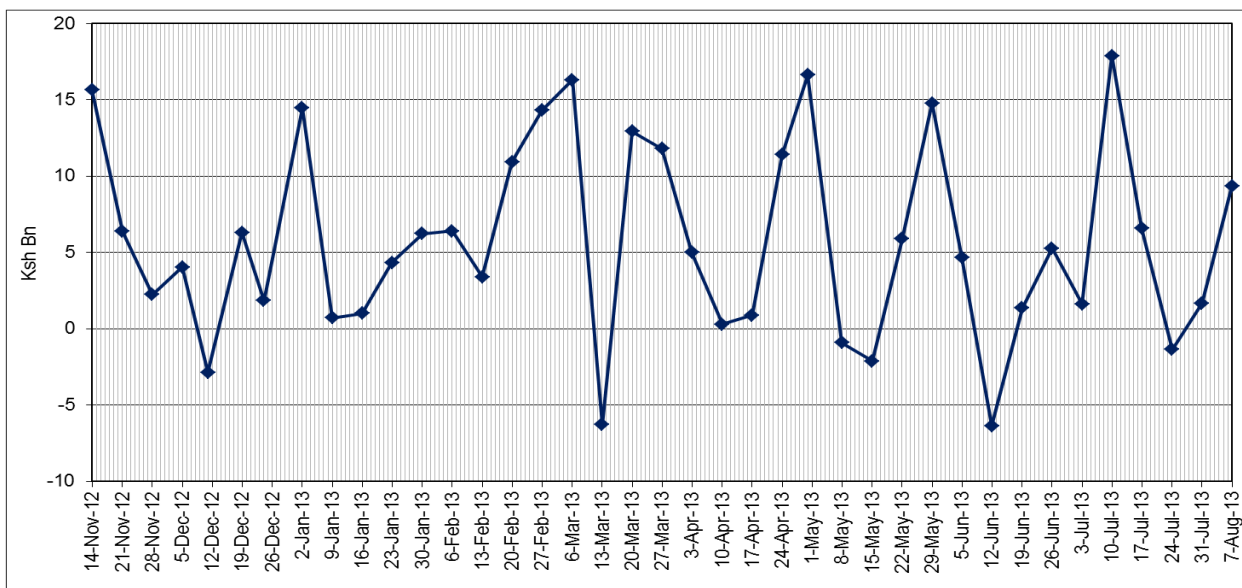


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 9.36 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 7, 2013 compared with Ksh 1.69 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 weakened marginally against major international currencies during the week ending August 8, 2013. It depreciated by 0.09 percent, 0.16 percent, 0.18 percent, and 0.24 percent to trade at an average of Ksh 87.39 per US dollar, Ksh 133.91 per Sterling Pound, Ksh 116.07 per Euro and Ksh 89.16 per 100 Japanese Yen.

The Kenya Shilling also weakened marginally against most of EAC regional currencies to trade at an average of Ush 29.52, Tsh 18.54, and RWF 7.39 during the week ending August 8, 2013 compared to Ush 29.63, Tsh 18.58, and RWF 7.44 during the week ending August 1, 2013 (Table 3). It stabilized against the BIF.

TABLE 3: KENYA SHILLING EXCHANGE RATES

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
26-Jul-13	87.40	134.48	116.06	88.47	29.46	18.55	7.43	17.59
29-Jul-13	87.24	134.30	115.86	89.22	29.77	18.59	7.44	17.62
30-Jul-13	87.23	133.81	115.66	88.96	29.74	18.64	7.44	17.62
31-Jul-13	87.28	133.31	115.75	89.37	29.62	18.57	7.44	17.62
1-Aug-13	87.40	132.59	115.94	88.72	29.58	18.52	7.44	17.62
26-1 Aug-13	87.31	133.70	115.85	88.95	29.63	18.58	7.44	17.61
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
2-8 Aug-13	87.39	133.91	116.07	89.16	29.52	18.54	7.39	17.61

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank declined marginally to US Dollar 5,741 million equivalent to 4.10 months of import cover as at August 8, 2013 from US Dollar 5,763 million equivalent to 4.12 months of import cover as at August 1, 2013. The months of import cover remain above the statutory minimum of 4 months (Table 4).

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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
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
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

*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 each in 182-day and 364-day Treasury bills during the auction dated August 7, 2013. Total bids received amounted to Ksh 10.4 billion, of which Ksh 0.5 billion and Ksh 9.9 billion was in 182-day and 364-day bills, representing performance rates of 15.2 percent, and 330.3 percent, respectively. The Government accepted Ksh 0.3 billion in the 182-day paper and Ksh 6.7 billion in the 364-day paper. Total non-competitive bids received amounted to Ksh 3.7 billion.

Interest Rates on Government securities

Weighted average interest rates on the 182-day and 364-day Treasury bills increased by 298.7 basis points and 37.1 basis points, respectively, to reach 9.859 percent and 11.254 percent, during the week's auction.

TABLE 5: GOVERNMENT SECURITIES INTEREST RATES

	22-Mar-13	31-May-13	7-Jun-13	14-Jun-13	5-Jul-13	12-Jul-13	19-Jul-13	26-Jul-13	2-Aug-13	8-Aug-13
91-day T. Bills*	10.318	7.569	6.721	5.424	5.496	5.759	6.293	6.863	8.754	
182-day T. Bills*	10.602	8.840	7.899	6.117	6.000	6.320	6.484	6.793	6.872	9.859
364-day T. Bills*	12.674	9.383	8.504	8.270	8.356	8.356	9.055	9.949	10.883	11.254
5 year FXD T. Bonds										
10year FXD T. Bonds	13.720									
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 stood at Ksh 1,078.9 billion on August 2, 2013, or Ksh 27.9 billion above Ksh 1,051.0 billion outstanding at the end of June 2013. This followed Ksh 32.5 billion and Ksh 8.5 billion increases in the stock of Treasury bonds and in the Government overdraft at the Central Bank, respectively and net redemptions of Ksh 13.0 billion and Ksh 0.1 billion in Treasury bills and other domestic debt, respectively.

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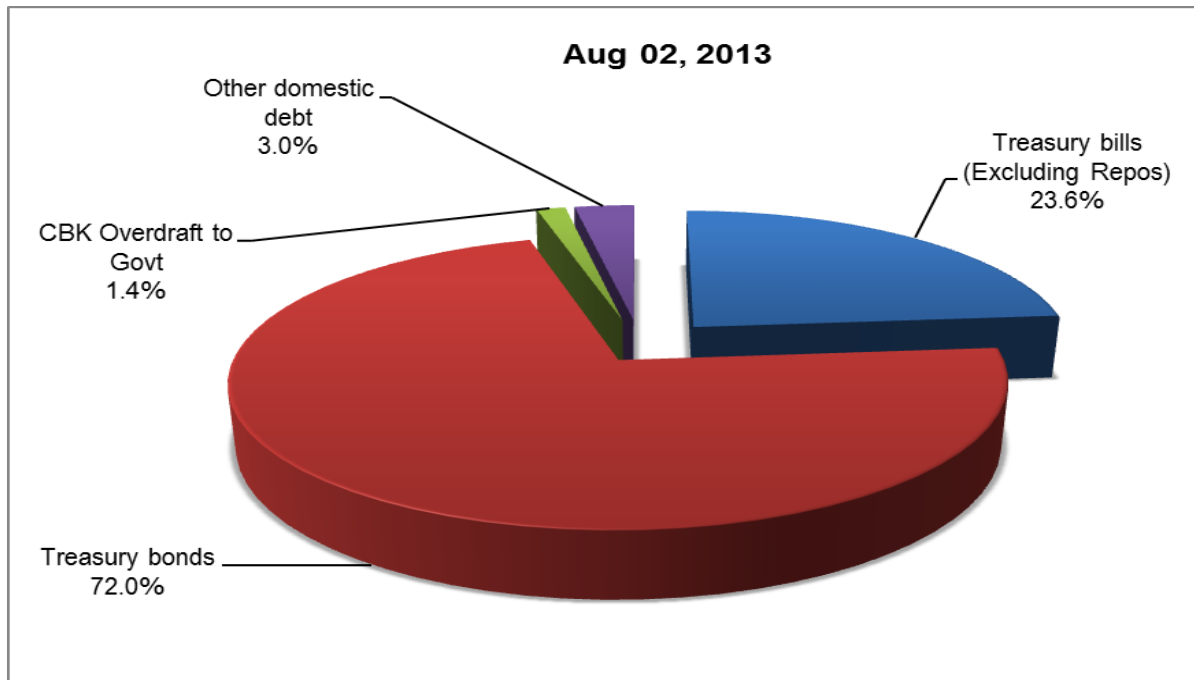
TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	Jun 2012	Jun 2013	19th July 2013	26th July 2013	2nd August 2013	Changes	
						26th July 2013 -2nd August 2013	28th Jun 2013 - 2 Aug 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	267.8 26.5	264.3 25.6	260.4 25.3	254.8 24.7	-5.6	-13.0
2. Treasury Bonds (As % of total securities)	687.0 83.9	744.2 73.5	769.2 74.4	769.2 74.7	776.7 75.3	7.5	32.5
3. Total Securities (1+2)	819.0	1011.9	1033.5	1029.6	1031.5	1.9	19.5
4. Overdraft at Central Bank	7.3	7.0	10.5	15.6	15.5	-0.2	8.5
5. Other Domestic debt*	32.6	32.0	31.9	31.9	31.9	0.0	-0.1
6. Gross Domestic Debt (3+4+5)	858.8	1051.0	1075.9	1077.1	1078.9	1.7	27.9
7. Interest payments on domestic debt	82.3	110.2	0.8	2.1	3.3	1.2	

* 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

CHART C: COMPOSITION OF GOVERNMENT SECURITIES



Source: Central Bank of Kenya

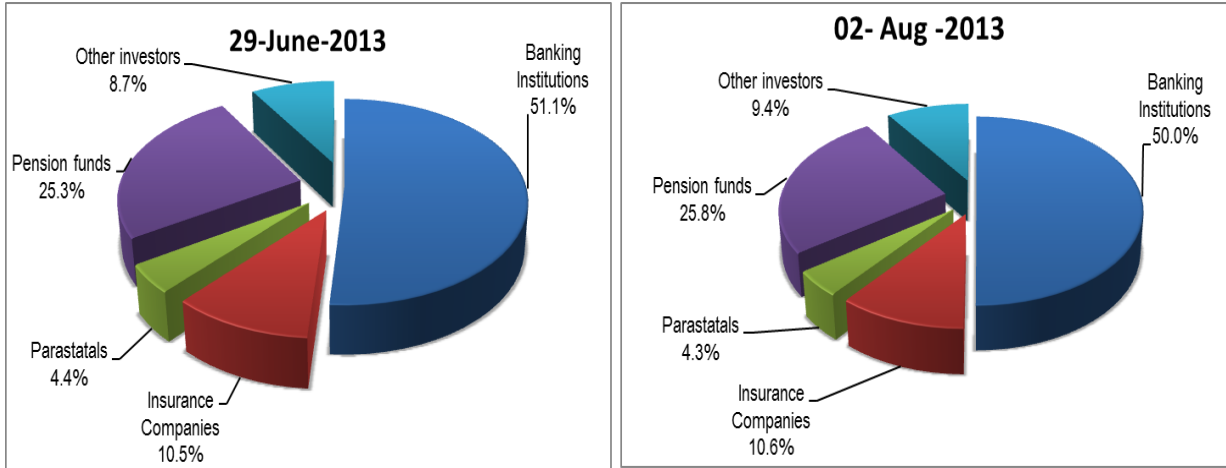
Holding of Government Securities

Government securities accounted for 95.6 percent of gross domestic debt on August 2, 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, 25.8 percent and 9.4 percent, on Aug 02, 2013. Government securities held

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by Banking Institutions and Parastatals decreased from 51.1 percent and 4.4 percent, to 50.0 percent and 4.3 percent, respectively, during the period under review (Chart D).

CHART D: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS

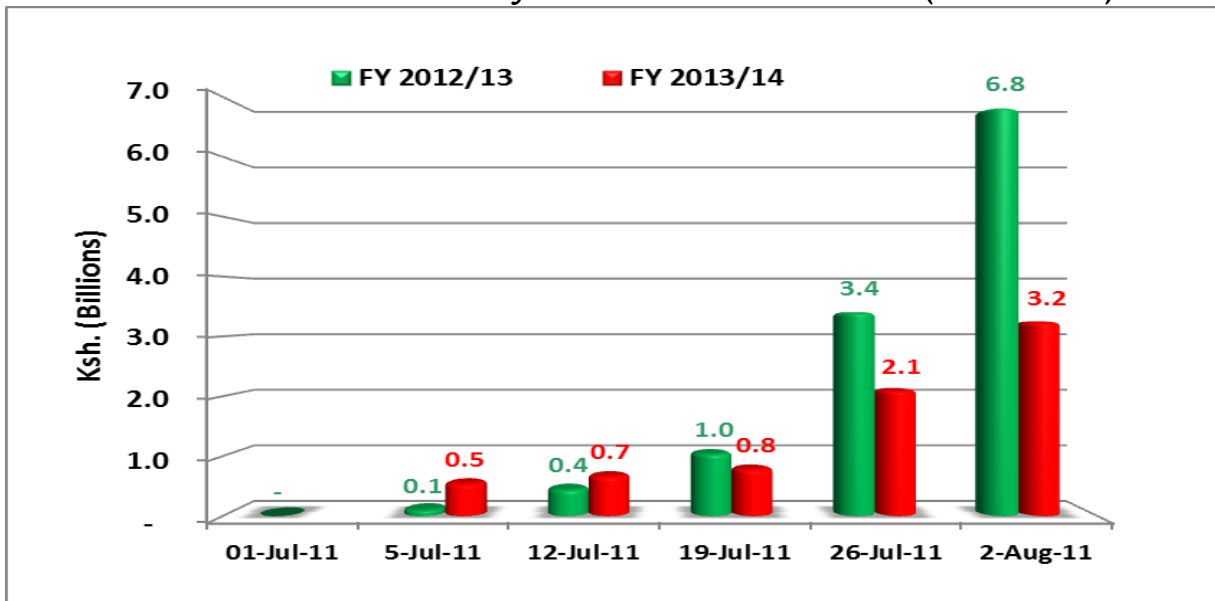


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt during the week ending Aug 02, 2013 amounted to Ksh 3.2 billion compared with Ksh 6.8 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 0.7 billion and Ksh 2.5 billion, respectively. Interest on Government overdraft at the Central Bank amounted to Ksh 0.07 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

All Capital Markets performance indicators improved in the week ending August 8, 2013 compared to the August 1, 2013 week. Equities turnover rose by 70.5 percent, while the bonds turnover rose by 29.0 percent. All equities and bonds indices rose, signifying increase in share prices as listed companies released second quarter results.

Equities Market

As indicated in Table 7, NSE 20 Share Index closed the week at 4,801.03 points up from last week's 4,781.40 points. NASI rose to 123.55 points from 123.03 points recorded on August 1, 2013. Similarly, market capitalization that measures shareholders' wealth increased by 0.4 percent to Ksh 1,737.10 billion from Ksh 1,729.87 billion. Equity turnover increased by 70.5 percent, to Ksh 3,024.39 million due to higher share prices as volumes traded declined.

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
NASI 100= Jan 2008	115.33	116.23	119.87	123.42	123.22	123.03	123.55
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
Number of Deals	7,564.00	6,201.00	6,782.00	8,251.00	8,007.00	7,993.00	5,715.00
Total Shares Traded (millions)	131.78	123.98	137.96	189.54	103.42	89.42	78.18
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
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
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
FTSE NSE Kenya 15 Index	188.31	149.73	156.41	160.92	161.03	160.15	161.04
FTSE NSE Kenya 25 Index	152.52	153.96	160.44	164.98	165.19	163.93	164.77
FTSE NSE Bond Index	93.61	94.02	94.40	94.38	94.80	94.83	93.90

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

Source: Nairobi Securities Exchange

Banking, Telecoms and Technology, and Energy and Petroleum were the top three most active sectors, transacting 31.46 million shares or 40.24 percent; 27.40 million or 35.05 percent and 9.73 million shares or 12.45 percent of all shares traded, respectively. Safaricom, Cfc Stanbic and KCB were the three most active counters with 27.40 million shares, 11.96 million and 7.75 million shares traded, respectively. Growth Enterprise Market Segment (GEMS) had the lowest shares traded at 48,500.

The biggest closing and average price gain for the week was for Jubilee Holdings and Diamond Trust Bank at Ksh 2 and Ksh 3 per share, respectively. The biggest closing and average price losses was for Carbacid Investments at Ksh 10 and Ksh 7.5 per share, respectively. Of the 54 active counters, 20 had average price gain in the week.

FTSE NSE Kenya Index Series

FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, increased to 161.04 points from 160.15 points previously. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, closed higher at 164.77 points from 163.93 points of last week. But the FTSE NSE Bond Index declined to 93.90 points from 94.83 points as trading yields rose.

The Bond Market

Bonds trading activity increased by 29.02 percent in turnover, to Ksh 6,637.25 million from Ksh 5,144.30 million in the previous week. Corresponding deals rose to 94 from 93 recorded in the previous week.