



JULY 12, 2013

Highlights

The Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 8.5 percent on July 9, 2013.

The average interbank rate increased to 8.83 percent during the week ending July 10, 2013 from 8.17 percent in the previous week.

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending July 11, 2013. Against the US Dollar the Kenya Shilling depreciated to trade at an average of Ksh 86.70 per USD compared to Ksh 85.98 per USD in the week ending July 4, 2013.

The usable official foreign exchange reserves held by Central Bank decreased marginally from US Dollar 5,812 million as at July 4, 2013 to US Dollar 5,771 million as at July 11, 2013.

The Government offered for sale Treasury bills worth Ksh 7.0 billion, during the week ending July 12, 2013. A total of Ksh 1.8 billion was accepted out of Ksh 2.3 billion received.

Gross Government domestic debt increased by Ksh 24.8 billion during the first week of the 2013/14 fiscal year, from Ksh 1.05 trillion at the end of June 2013 to Ksh 1.08 trillion on July 5, 2013 on account of Treasury Bonds and Government Overdraft at the Central Bank.

Capital markets recovered from its recent low activity by recording better performance in the week ended July 11, 2013. Key market indicators were largely in the positive territory.

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Monetary Policy Operations

The money market liquidity tightened during the week ending July 10, 2013. The Central Bank liquidity management transactions through repo securities therefore resulted in Ksh 3.0 billion net injection into the market. Sales of repo securities comprised Ksh 6.0 billion and Ksh 4.0 billion, respectively in repo securities and term auction deposits, against maturities of Ksh 5.3 billion and Ksh 7.7 billion, respectively. Reserve money averaged Ksh 299.6 billion during the week and was Ksh 15.6 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)
4-Jul-13	290.0	283.4	6.6	6.5	1.0	2.0	-3.5	286.7	3.3	6.3	-3.0
5-Jul-13	302.3	283.4	18.9	0.0	0.0	0.0	0.0	298.7	15.3	17.4	-2.1
8-Jul-13	306.3	284.3	22.0	0.0	0.0	0.0	0.0	304.0	19.7	21.7	-2.0
9-Jul-13	306.8	284.3	22.5	0.0	0.0	0.0	0.0	305.7	21.4	22.4	-1.0
10-Jul-13	309.9	284.3	25.6	7.0	5.0	2.0	0.0	302.6	18.3	19.6	-1.3
Average	303.1	284.0	19.1	2.7	1.2	0.8	-0.7	299.6	15.6	17.5	-1.9

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate increased to 8.83 percent during the week ending July 10, 2013 from 8.17 percent in the previous week. The interbank volumes transacted declined to an average of Ksh 13.7 billion compared with Ksh 20.2 billion recorded in the previous week, for an average 51 deals compared with 80 deals in the previous week (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

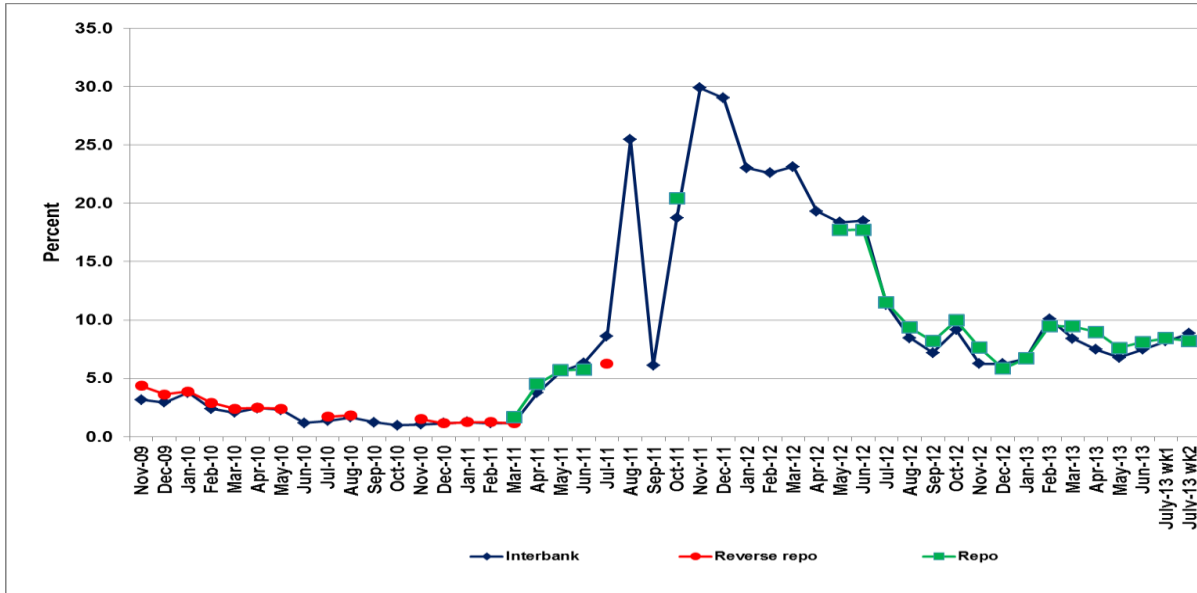
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
27-Jun-13	74	16,489	7.67
28-Jun-13	85	16,741	7.72
1-Jul-13	88	22,285	8.03
2-Jul-13	75	22,090	8.48
3-Jul-13	78	23,550	8.96
June 27-July 3, 2013	80	20,231	8.17
4-Jul-13	64	17,312	9.27
5-Jul-13	67	17,810	9.39
8-Jul-13	44	12,619	9.11
9-Jul-13	41	9,287	8.40
10-Jul-13	38	11,232	8.00
July 4-July 10, 2013	51	13,652	8.83

Source: Central Bank of Kenya

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The average repo rate marginally declined to 8.19 percent during the week ending July 10, 2013 from 8.42 percent recorded in the previous week.

CHART A: STRUCTURE OF INTEREST RATES

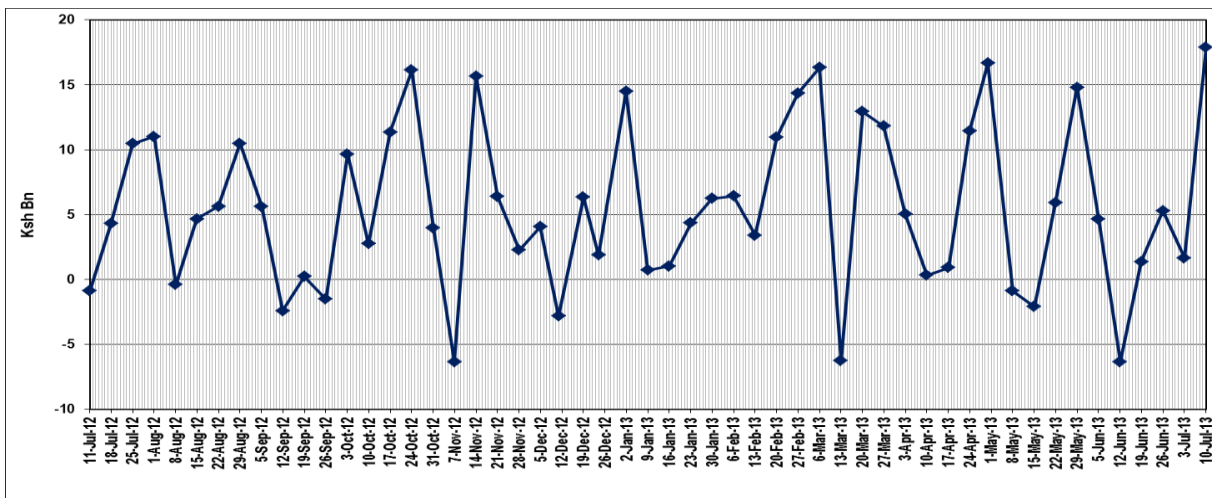


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 17.89 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 July 10, 2013 compared with Ksh 1.64 billion recorded in the previous week (Chart B). The surplus is attributed to some government payments and net redemptions of repo and TAD maturities to ease liquidity tightness observed in the previous week.

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 July 11, 2013. During the Week, the Kenya Shilling depreciated by 0.84 percent and 0.16 percent against the USD and the Japanese Yen, respectively to trade at an average of Ksh 86.70 per USD and Ksh 86.38 per 100 Japanese Yen. Against the Sterling Pound and the Euro the Shilling depreciated by 0.79 percent and 0.21 percent respectively to exchange at an average of Ksh 129.86 per Sterling Pound and Ksh 111.78 per Euro.

The performance of the Kenya Shilling reflects both international and local events, where on the international scene; the US Dollar has been appreciating against other major world currencies, while on the domestic scene, there was increased demand for the US Dollar by importers.

In the EAC region, the Kenya Shilling weakened against all the EAC regional currencies to trade at an average of Ush 29.97, Tsh 18.74, RWF 7.49 and BIF 17.95 in the week ending July 11, 2013 compared to Ush 30.11, Tsh 18.98, RWF 7.54 and BIF 18.10 in the week ending July 4, 2013.

TABLE 3: KENYA SHILLING EXCHANGE RATES

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
28-Jun-13	86.01	131.33	112.40	87.04	30.17	18.92	7.56	18.09
1-Jul-13	85.83	130.68	111.84	86.29	30.23	19.04	7.56	18.13
2-Jul-13	85.86	130.64	112.16	86.06	30.17	19.04	7.55	18.12
3-Jul-13	85.99	130.34	111.64	85.32	30.00	18.98	7.50	18.10
4-Jul-13	86.20	131.48	112.04	86.47	29.97	18.91	7.52	18.04
28 Jun - 4 Jul 2013	85.98	130.90	112.02	86.24	30.11	18.98	7.54	18.10
5-Jul-13	86.26	129.76	111.23	85.98	30.07	18.86	7.54	18.03
8-Jul-13	86.68	129.06	111.08	85.81	29.94	18.75	7.49	17.95
9-Jul-13	86.80	129.74	111.72	85.79	29.96	18.72	7.47	17.93
10-Jul-13	86.90	129.44	111.14	86.42	29.93	18.67	7.46	17.91
11-Jul-13	86.86	131.30	113.69	87.89	29.93	18.69	7.49	17.92
4 - 11 Jul 2013	86.70	129.86	111.78	86.38	29.97	18.74	7.49	17.95

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank decreased from US Dollar 5,812 million equivalent to 4.22 months of import cover as at July 4, 2013 to US Dollar 5,771 million equivalent to 4.16 months of import cover as at July 11, 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

	4-Apr-13	11-Apr-13	18-Apr-13	25-Apr-13	2-May-13	9-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
Usable Reserves*	5,159	5,364	5,568	5,537	5,668	5,744	5,805	5,821	5,805	5,800	5,801	5,885	5,843	5,812	5,771
Months of Imports Cover**	3.86	4.01	4.16	4.09	4.19	4.25	4.29	4.27	4.26	4.26	4.26	4.32	4.29	4.22	4.16

*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 2.0 billion in 91-day Treasury bills, Ksh 2.0 billion in 182-day Treasury bills and Ksh 3.0 billion in 364-day Treasury bills, during the week ending July 12, 2013. Total bids received amounted to Ksh 2.3 billion, of which Ksh 1.4 billion, Ksh 0.7 billion and Ksh 0.2 billion was in 91-day, 182-day and 364-day papers, representing performance rates of 70.6 percent, 37.3 percent and 5.2 percent, respectively. The Government accepted all the 91-day and 364-day bids, and Ksh 0.3 billion of the 182-day bids. Total non-competitive bids amounted to Ksh 1.2 billion.

Interest Rates on Government securities

Weighted average interest rates on the 91-day and 182-day Treasury bills increased by 26.3 basis points and 32.0 basis points, respectively, to reach 5.759 percent and 6.320 percent, while that of the 364-day paper remained unchanged at 8.356 percent, during the week's auction.

TABLE 5: GOVERNMENT SECURITIES INTEREST RATES

	22-Mar-13	24-May-13	31-May-13	7-Jun-13	14-Jun-13	21-Jun-13	28-Jun-13	5-Jul-13	12-Jul-13
91-day T. Bills*	10.318	8.482	7.569	6.721	5.424	5.110	5.175	5.496	5.759
182-day T. Bills*	10.602	9.430	8.840	7.899	6.117	5.642	5.549	6.000	6.320
364-day T. Bills*	12.674	10.108	9.383	8.504	8.270	8.141	8.356	8.356	8.356
5 year FXD T. Bonds							11.305		
10 year FXD T. Bonds	13.720						12.371		
15 year FXD T. Bonds									
15 year FXD T. Bonds	13.629								
20 year FXD T. Bonds		12.981							

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt stood at Ksh 1.08 trillion at the end of the first week of the 2013/14 fiscal year, an increase of Ksh 24.8 billion from Ksh 1.05 billion in June 2013. This followed increases of Ksh 25.0 billion and Ksh 2.0 billion, respectively, in the stocks of Treasury bonds and Government overdraft at the Central Bank, which were partially offset by declines in the stocks of Treasury bills and other domestic debt, during the week (Table 6). The average time to maturity of Government securities stood at 5 years and 2 months.

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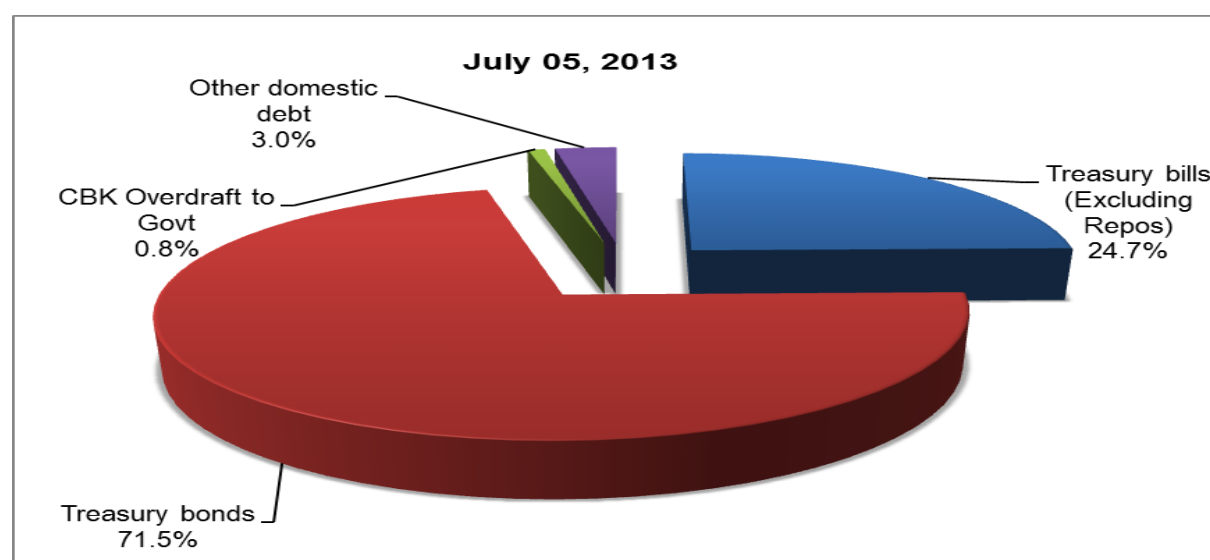
TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	Jun 2012	Jun 2013	5th July 2013	Changes
				28th Jun 2013 - 5th Jul 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	267.8 26.5	265.7 25.7	-2.1
2. Treasury Bonds (As % of total securities)	687.0 83.9	744.2 73.5	769.2 74.3	25.0
3. Total Securities (1+2)	819.0	1011.9	1034.9	22.9
4. Overdraft at Central Bank	7.3	7.0	9.0	2.0
5. Other Domestic debt*	32.6	32.0	31.9	-0.1
6. Gross Domestic Debt (3+4+5)	858.8	1051.0	1075.8	24.8
7. Interest payments on domestic debt	82.3	110.2	0.5	

* 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

CHART C: COMPOSITION OF GOVERNMENT SECURITIES

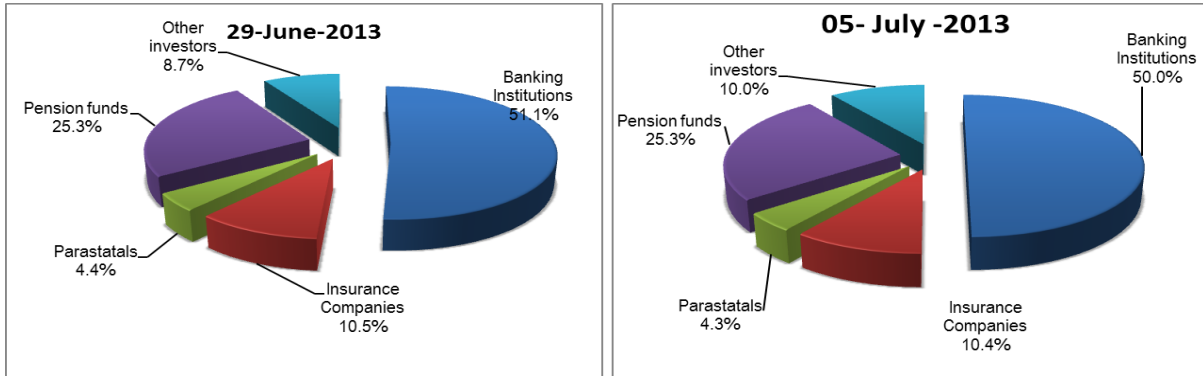


Source: Central Bank of Kenya

Holding of Government Securities

Government securities accounted for 96.2 percent of gross domestic debt on July 5, 2013 (Chart C). The share of Government securities held by Banking institutions, Insurance companies and Parastatals declined from 51.1 percent, 10.5 percent and 4.4 percent, respectively, in June 2013 to 50.0 percent, 10.4 percent and 4.3 percent at the end of the first week of the 2013/14 fiscal year. Government securities held by other investors, which comprise of SACCO's, listed and private companies, self-help groups, educational institutions, religious institutions and individuals, increased from 8.7 percent to 10.0 percent, while those held by pension funds, remained constant during the period (Chart D).

CHART D: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS

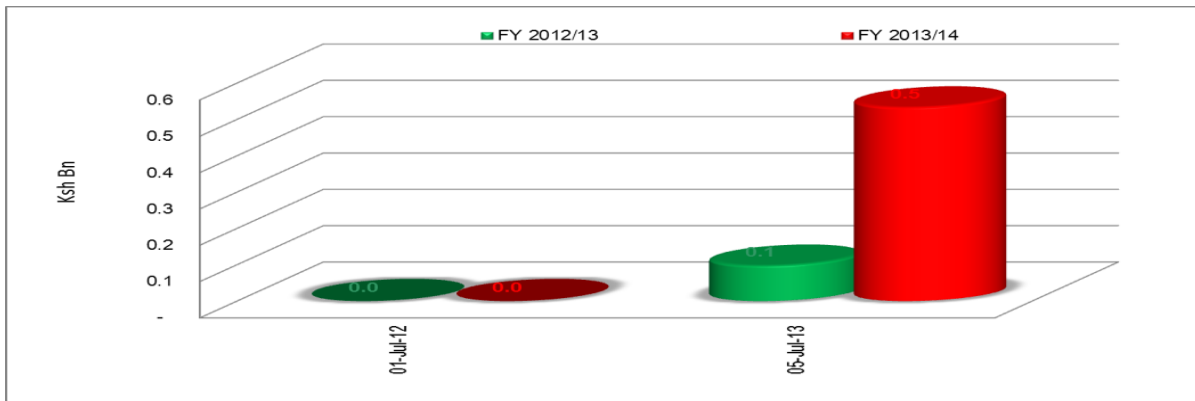


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt during the first week of the 2013/14 fiscal year amounted to Ksh 0.5 billion compared with Ksh 0.1 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 0.1 billion and Ksh 0.4 billion, respectively.

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



Source: Central Bank of Kenya

Capital Markets Report

Except for the Bonds turnover, all indicators of Capital Markets performance recorded significant gains in the week ending July 11, 2013 compared to the previous week.

Equities Market

NSE 20 Share Index closed the week at 4,658.46 points higher than last week’s 4,574.10 points. NASI rose to 119.87 points from 116.23 points recorded on July 4, 2013. Market capitalization that measures shareholders’ wealth closed at Ksh 1,677.64 billion up from Ksh 1,626.64 billion. Equity turnover rose by 34.71 percent on account of increased supply and prices of shares.

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TABLE 7: KEY WEEKLY MARKET STATISTICS

Week Ending	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
NASI 100= Jan 2008	126.52	127.77	126.72	126.58	122.97	120.33	115.33	116.23	119.87
NSE 20 Share Index 100=1966	4,955.61	4,956.95	4,996.07	4,989.04	4,838.01	4,713.39	4,584.50	4,574.10	4,658.46
Number of Deals	9,674.00	8,991.00	8,967.00	9,198.00	9,168.00	8,916.00	7,564.00	6,201.00	6,782.00
Total Shares Traded (millions)	220.17	226.88	94.22	294.39	121.58	219.83	131.78	123.98	137.96
Equity Turnover (Ksh. millions)	5,288.33	3,403.69	1,961.99	5,293.45	2,542.28	3,226.74	2,532.51	2,110.46	2,843.10
Market Capitalization (Ksh. Bn.)	1,716.61	1,733.66	1,719.34	1,717.97	1,669.05	1,633.17	1,604.69	1,626.64	1,677.64
Bonds Turnover (Ksh. millions)	14,710.05	16,977.70	20,052.85	28,681.85	21,477.75	12,459.20	20,264.25	9,290.25	8,592.05
FTSE NSE Kenya 15 Index	167.08	169.90	167.48	166.41	160.28	156.36	188.31	149.73	156.41
FTSE NSE Kenya 25 Index	171.97	175.24	171.68	171.54	164.45	160.43	152.52	153.96	160.44
FTSE NSE Bond Index	89.67	90.78	92.51	92.90	92.73	94.51	93.61	94.02	94.40

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

Source: Nairobi Securities Exchange

Telecoms and Technology, Banking and Energy and Petroleum were the top three most active sectors, transacting 77.18 million or 55.9 percent; 27.15 million or 19.7 percent and 22.05 million or 16 percent of all shares traded, respectively. Safaricom Ltd, Kenol Kobil and Equity Bank Ltd were the three most active counters with 77.18 million, 13.50 million and 8.28 million shares being traded, respectively. Agricultural sector was the least active, with 107, 900 shares traded.

The biggest closing and average price gains for the week were for East African Breweries and Equity Bank at Ksh 10.0 and Ksh 7.10 per share, respectively. The biggest closing and average price losses were for Nation Media/Bamburi Cement and BAT Ltd at Ksh 6 and Ksh 3.20 per share, respectively. Of the 53 active counters, 35 had average price gain in the week compared to 15 counters in the previous week.

FTSE NSE Kenya Index Series

FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, closed the week up at 160.44 points from 153.96 points of last week. FTSE NSE Bond Index rose to 94.40 points from 94.02 points due to declining yields. The FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed the week higher at 156.41 points compared with 149.73 points in the previous week (Table 7).

The Bond Market

Bonds trading activity declined by 7.52 percent with turnover declining to Ksh 8,592.05 million from Ksh 9,290.25 million in the previous week. Corresponding deals fell to 116 from 117 recorded in the previous week.