



NOVEMBER 22, 2013

Highlights

The money market liquidity was relatively tight during the week ending November 20, 2013 on account of maturity of reverse repo securities and payment of taxes to Government.

The average interbank rate decreased to 9.51 percent during the week ending November 20, 2013 from 12.12 percent in the previous week on account of liquidity support through reverse repo securities in the previous week. However, it fluctuated marginally during the week under review.

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending November 21, 2013. During the week, the Kenya Shilling weakened marginally to trade at an average of Ksh 86.34 per US\$ compared to Ksh 85.81 per US\$ in the week ending November 14, 2013.

The usable official foreign exchange reserves held by Central Bank increased to US\$ 5,879 million as at November 21, 2013 from US\$ 5,859 million as at November 14, 2013.

The Government offered for sale Treasury bills and bonds worth Ksh 17.0 billion during the week ending November 22, 2013. A total of Ksh 21.6 billion was accepted out of Ksh 28.8 billion bids received.

Gross Government domestic debt increased by Ksh 125.1 billion to reach Ksh 1,176.0 billion on November 15, 2013, from Ksh 1,051.0 billion held at the end of June 2013. During the week, gross government domestic debt rose by Ksh 1.1 billion, largely on account of other domestic debt.

The NSE recorded mixed performance in the week ending November 21, 2013. The equities segment posted slight improvement in most market indicators, while the bond market turnover declined.

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Monetary Policy Operations

The money market liquidity tightened marginally during the week ending November 20, 2013 on account of maturity of reverse repo securities and payment of taxes to Government. Reserve money averaged KSh 298.1 billion during the week and was KSh 1.8 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	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-Nov-13	310.1	295.7	14.4	0.0	0.0	0.0	0.0	0.0	309.9	14.2	12.3	1.9
15-Nov-13	303.0	295.7	7.2	0.0	0.0	0.0	0.0	0.0	300.6	4.9	4.0	1.0
18-Nov-13	296.5	296.6	-0.1	0.0	0.0	0.0	0.0	0.0	296.2	-0.5	-0.6	0.1
19-Nov-13	292.6	296.6	-4.0	0.0	0.0	0.0	0.0	0.0	294.0	-2.7	-2.3	-0.3
20-Nov-13	286.8	296.6	-9.8	0.0	0.0	0.0	0.0	0.0	289.7	-6.9	-6.3	-0.6
Average	297.8	296.3	1.5	0.0	0.0	0.0	0.0	0.0	298.1	1.8	1.4	0.4
Sum				0.0	0.0	0.0	0.0	0.0				

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate decreased by 261.1 basis points to 9.51 percent during the week ending November 20, 2013 from 12.12 percent in the previous week. However, during the week under review, the interbank rate fluctuated within the narrow range of 9.18 – 9.79 percent. The average interbank volume transacted increased to KSh 18.19 billion in the week ending November 20, 2013 from KSh 12.44 billion the previous week, while the average number of deals increased to 69 from 47 (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

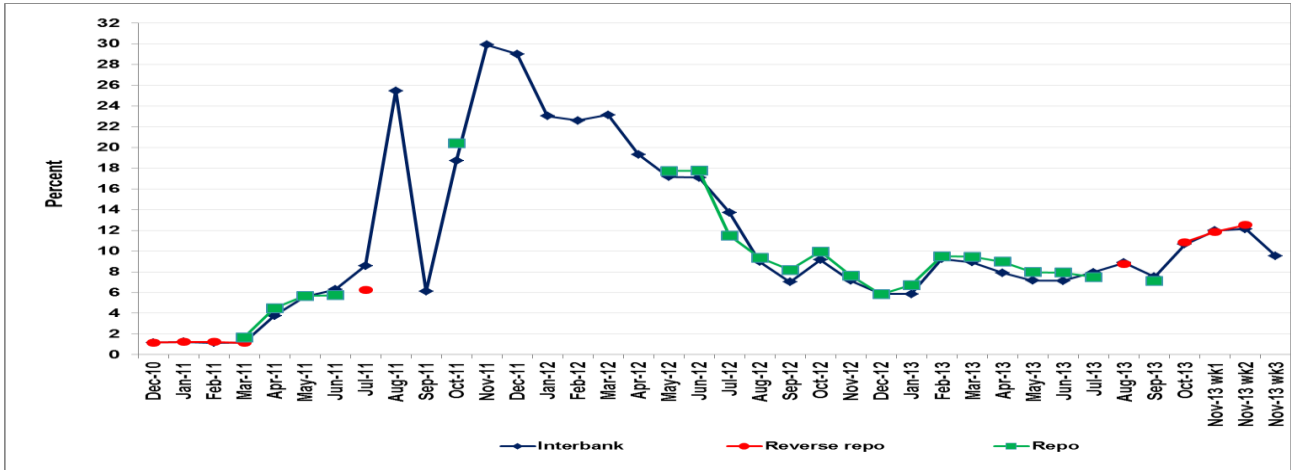
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
7-Nov-13	67	17,409	12.70
8-Nov-13	71	18,945	12.88
11-Nov-13	41	9,841	12.77
12-Nov-13	23	4,610	11.84
13-Nov-13	33	11,385	10.42
November 7 -November 13, 2013	47	12,438	12.12
14-Nov-13	40	10,855	9.62
15-Nov-13	66	16,027	9.18
18-Nov-13	73	19,197	9.40
19-Nov-13	82	22,775	9.56
20-Nov-13	84	22,080	9.79
November 14 -November 20, 2013	69	18,187	9.51

Source: Central Bank of Kenya

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Commercial banks redeemed maturing reverse repo securities during the week ending November 20, 2013. The average reverse repo rate therefore, remained unchanged at 12.51 percent recorded in the previous week.

CHART A: STRUCTURE OF INTEREST RATES

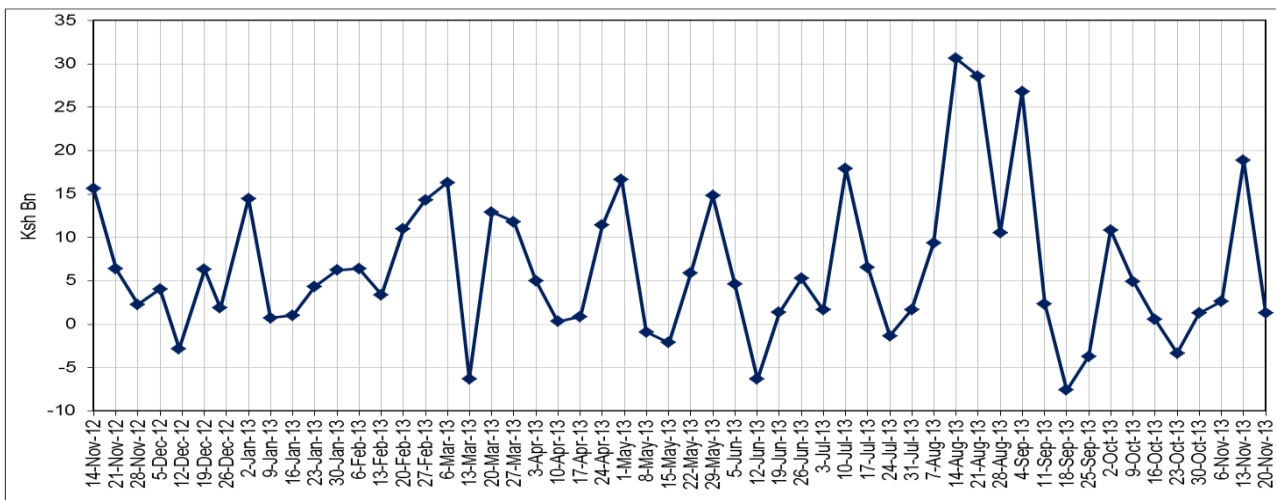


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded (in their settlement accounts at the Central Bank) excess reserves of KSh 1.3 billion in relation to the monthly average cash reserve requirement of 5.25 percent (KSh 96.5 billion) in the week to November 20, 2013 compared with KSh 18.9 billion recorded in the previous week (Chart B). The decline is attributed to tax payments and redemptions of maturing reverse repo securities.

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 November 21, 2013 (Table 3). During the week, the Kenya Shilling depreciated by 0.61 percent, 1.18 percent and 1.10 percent against the US\$, the Sterling Pound and the Euro respectively to exchange at an average of Ksh 86.34 per US\$, Ksh 139.01 per Sterling Pound and 116.43 per Euro. The weakening of the Shilling was largely on account of increased demand by importers.

During the week, the shilling strengthened marginally against the Japanese Yen to exchange at an average of Ksh 86.30 per 100 Japanese Yen compared to Ksh 86.57 per 100 Japanese Yen in the week ending November 14, 2013.

In the EAC region, the Kenya Shilling weakened against all the other EAC currencies (Table 3).

TABLE 3: KENYA SHILLING EXCHANGE RATES

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
8-Nov-13	85.52	137.69	114.71	87.09	29.49	18.78	7.86	18.14
11-Nov-13	85.59	137.09	114.48	86.49	29.43	18.76	7.88	18.12
12-Nov-13	85.70	136.97	114.73	86.21	29.42	18.73	7.84	18.10
13-Nov-13	86.00	136.76	115.64	86.43	29.31	18.71	7.80	18.03
14-Nov-13	86.26	138.43	116.21	86.66	29.19	18.65	7.77	17.98
8-14 Nov-13	85.81	137.39	115.16	86.57	29.37	18.73	7.83	18.07
15-Nov-13	86.28	138.85	116.21	86.37	29.15	18.63	7.78	17.98
18-Nov-13	86.46	139.30	116.61	86.43	29.10	18.59	7.76	17.94
19-Nov-13	86.47	139.30	116.80	86.58	29.15	18.60	7.76	17.94
20-Nov-13	86.31	139.01	116.81	86.31	29.26	18.67	7.77	17.97
21-Nov-13	86.17	138.58	115.71	85.81	29.30	18.67	7.80	18.00
15-21 Nov-13	86.34	139.01	116.43	86.30	29.19	18.63	7.77	17.96

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased to US\$ 5,879 million (or 4.12 months of import cover) as at November 21, 2013 from US\$ 5,859 million (or 4.11 months of import cover) as at November 14, 2013 (Table 4).

TABLE 4: OFFICIAL RESERVES USD MILLIONS

	5-Sep-13	12-Sep-13	19-Sep-13	26-Sep-13	3-Oct-13	10-Oct-13	17-Oct-13	24-Oct-13	31-Oct-13	7-Nov-13	14-Nov-13	21-Nov-13
Usable Reserves*	5,748	5,881	5,883	5,903	5,931	5,894	5,881	5,891	5,869	5,822	5,859	5,879
Months of Imports Cover**	4.11	4.16	4.17	4.18	4.16	4.13	4.12	4.13	4.11	4.08	4.11	4.12

*Excludes encumbered reserves

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

Source: Central Bank of Kenya

Government Securities Auction

The Government offered for sale Ksh 2.0 billion in 91-day Treasury bills and Ksh 2.5 billion in each of the 182-day and 364-day Treasury bills and a further Ksh 10.0 billion in the 5 year discounted fixed rate Treasury bonds during the week ending November 22, 2013. Total bids received for the Treasury bills amounted to Ksh 7.3 billion, of which Ksh 2.1 billion, Ksh 2.0 billion and Ksh 3.2 billion was in 91-day, 182-day and 364-day securities. In addition, Ksh 28.8 billion was received for the 5 year Treasury bonds, representing 214.48 percent performance. The Government accepted Ksh. 2.1 billion, Ksh 2.0 billion and Ksh 2.6 billion in the 91-day, 182-day and 364-day Treasury bills in addition to Ksh 14.9 billion in the 5 year Treasury bond. Total non-competitive bids received amounted to Ksh 2.8 billion.

Interest Rates on Government securities

Weighted average interest rates on the 91-day, 182-day and 364-day Treasury bills declined by 16.3 basis points, 8.8 basis points and 4.95 basis points, respectively, to reach 9.816 percent, 10.515 percent and 10.939 percent, during the week's auction. The weighted average interest rate for the 5 year Treasury bonds rose by 64.7 basis points, compared with the last auction for the similar bond conducted in June 2013 (Table 5).

TABLE 5: GOVERNMENT SECURITIES INTEREST RATES

	4-Oct-13	18-Oct-13	25-Oct-13	1-Nov-13	8-Nov-13	15-Nov-13	22-Nov-13
91-day T. Bills*	9.360	9.792	9.943	9.984	9.999	9.979	9.816
182-day T. Bills*	9.986	10.453	10.487	10.502	10.559	10.603	10.515
364-day T. Bills*	10.574	10.792	10.830	10.953	10.994	10.988	10.939
1 year FXD T. Bonds							
2 year FXD T. Bonds							
2 year FXD T. Bonds							
5 year FXD T. Bonds							11.952

Source: *Central Bank of Kenya*

Government Domestic Debt

Gross Government domestic debt increased by Ksh 125.1 billion to reach Ksh 1,176.0 billion on November 15, 2013, from Ksh 1,051.0 billion held at the end of June 2013 (Table 6). This followed increases of Ksh 43.6 billion, Ksh 57.7 billion, Ksh 21.0 billion and Ksh 2.9 billion respectively, in the stocks of Treasury bills, Treasury bonds, Government overdraft at the Central Bank and other domestic debt, during the period.

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

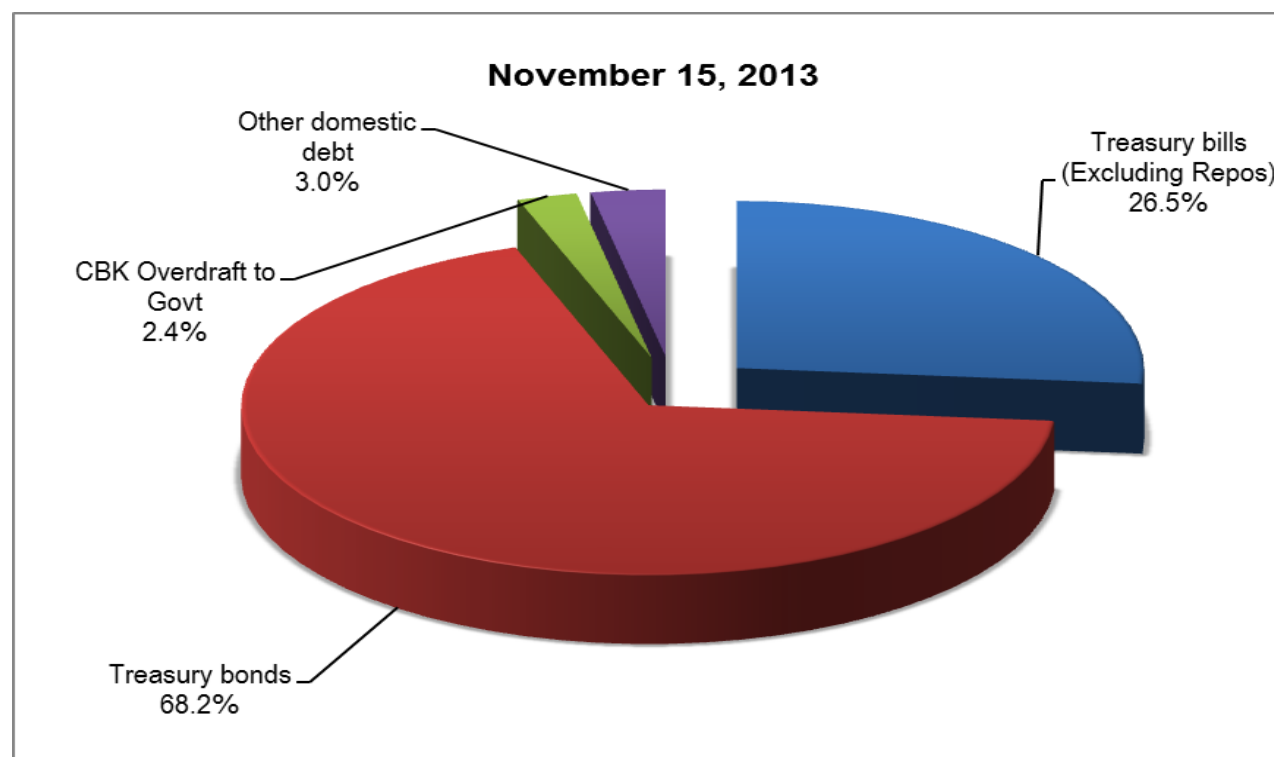
	Jun 2013	Aug 2013	18th Oct 2013	25th Oct 2013	1st Nov 2013	8th Nov 2013	15th Nov 2013	Changes	
								8th Nov 2013 to 15th Nov 2013	28th Jun 2013 - 15th Nov 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	267.8 26.5	278.0 26.4	305.2 27.7	309.7 28.3	312.0 28.0	313.8 28.1	311.3 28.0	-2.5 -0.2	43.6 1.5
2. Treasury Bonds (As % of total securities)	744.2 73.5	774.4 73.6	794.8 72.3	784.8 71.7	801.5 72.0	801.5 71.9	801.8 72.0	0.4 0.2	57.7 -1.5
3. Total Securities (1+2)	1011.9	1052.4	1100.1	1094.5	1113.5	1115.3	1113.2	-2.1	101.2
4. Overdraft at Central Bank	7.0	34.2	10.8	23.5	28.0	28.0	28.0	0.0	21.0
5. Other Domestic debt*	32.0	31.6	31.5	31.6	31.6	31.6	34.9	3.2	2.9
6. Gross Domestic Debt (3+4+5)	1051.0	1118.2	1142.3	1149.6	1173.0	1174.9	1176.0	1.1	125.1
7. Interest payments on domestic debt	110.2	14.2	26.0	29.2	34.1	34.5	34.7	0.2	

* 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

Gross government domestic debt increased by Ksh 1.1 billion, largely on account of other domestic debt which increased by Ksh 3.2 billion to reach Ksh 34.9 billion. Stocks of Treasury bonds increased by Ksh 0.4 billion while stocks of Treasury bills declined by Ksh 2.5 billion. The average time to maturity of Government securities stood at 4 years and 10 months on November 15, 2013, compared with 5 years and 2 months at the end of June 2013.

CHART C: COMPOSITION OF GOVERNMENT SECURITIES

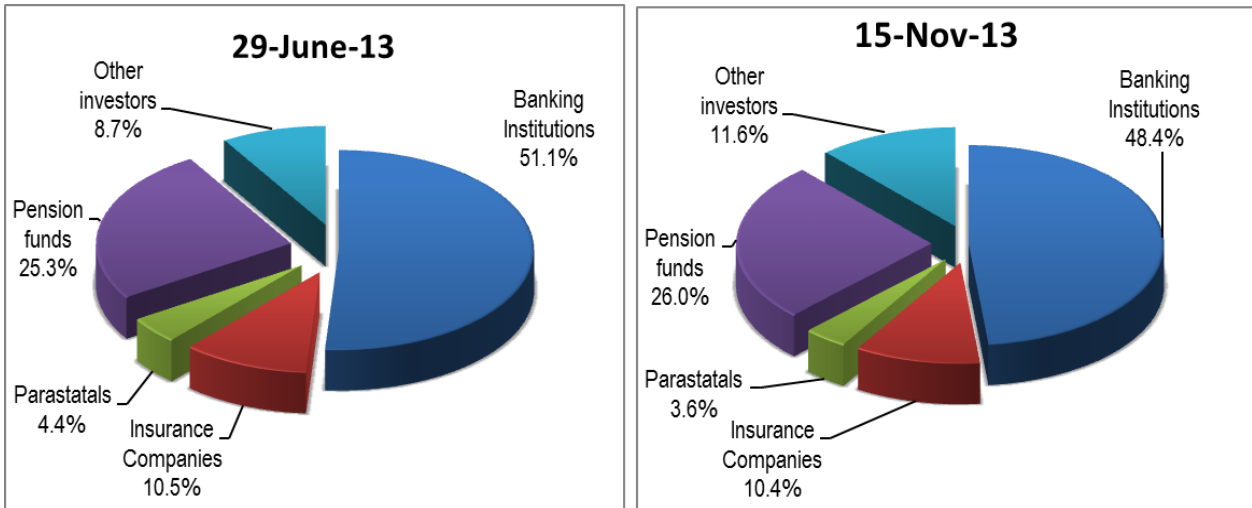


Source: Central Bank of Kenya

Holding of Government Securities

Government securities accounted for 94.7 percent of gross domestic debt on November 15, 2013 (Chart C). Government securities held by commercial banks, insurance companies and parastatals declined from 51.1 percent, 10.5 percent and 4.4 percent in June, 2013 to 48.4 percent, 10.4 percent and 3.6 percent, respectively, on November 15, 2013. Those held by pension funds and other investors, which comprise SACCOs, listed and private companies, self-help groups, educational institutions, religious institutions and individuals increased to reach 26.0 percent and 11.6 percent of total securities, during the week under review (Chart D).

CHART D: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS

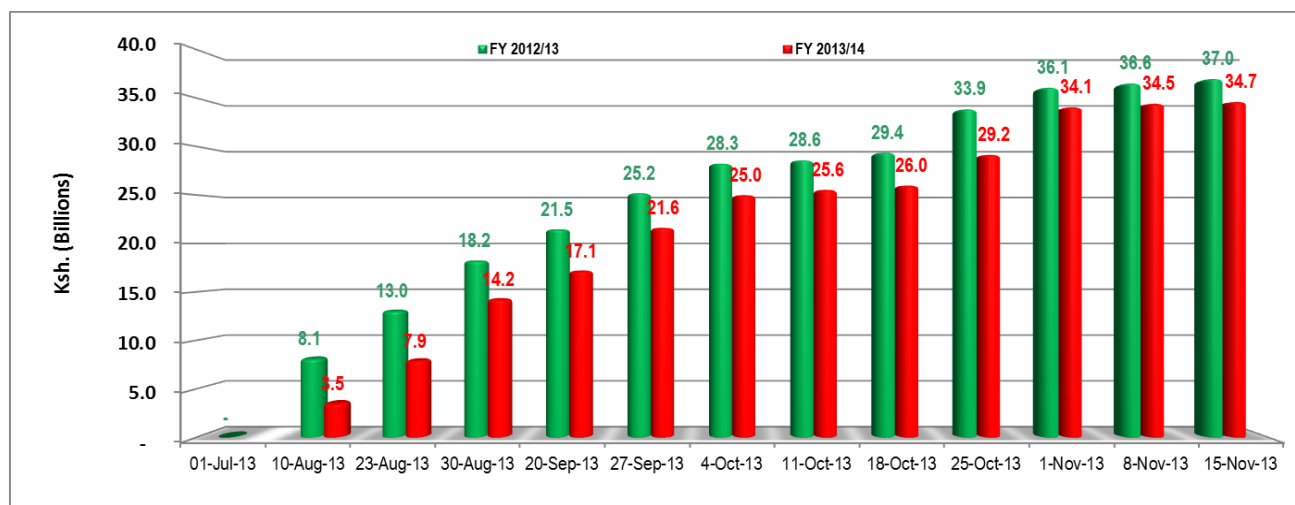


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt during the week ending November 15, 2013 amounted to Ksh 34.7 billion compared with Ksh 37.0 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, Treasury bonds, Government overdraft at the Central Bank and the pre-1997 Government overdraft amounting to Ksh 6.4 billion, Ksh 27.6 billion, Ksh 0.4 billion and Ksh 0.3 billion, respectively.

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



Source: Central Bank of Kenya

Capital Markets Report

Capital markets recorded mixed performance during the week ending November 21, 2013. The equities segment recorded gains in most indicators as the Bonds market declined.

Equities Market

NSE 20 Share Index closed the week at 5,053.91 points up from last week's 5,030.78 points, gaining 23.15 points. NASI rose to 138.14 points from 135.11 points recorded on November 14, 2013, while Market capitalization that measures shareholders' wealth increased to KSh 1,942.52 billion from KSh 1,899.96 billion the previous week (Table 7). Equity turnover increased to KSh 2,650.45 million in the week under review from KSh 2,618.31 on November 14, 2013. The improvement reflected in share prices as volume traded declined partly due to release of the third quarter results and increased demand in some counters.

TABLE 7: KEY WEEKLY MARKET STATISTICS

Week Ending	19-Sep-13	26-Sep-13	3-Oct-13	10-Oct-13	17-Oct-13	24-Oct-13	31-Oct-13	7-Nov-13	14-Nov-13	21-Nov-13
NASI 100= Jan 2008	123.80	125.50	129.20	132.08	130.67	131.56	133.24	135.29	135.11	138.14
NSE 20 Share Index 100=1966	4,745.47	4,764.12	4,838.07	4,947.00	4,919.17	4,949.65	4,992.88	5,017.78	5,030.76	5,053.91
Number of Deals	7,697.00	6,860.00	7,585.00	10,206.00	9,584.00	7,737.00	7,881.00	9,638.00	9,995.00	9,785.00
Total Shares Traded (millions)	115.47	142.52	123.91	228.86	198.06	175.07	111.19	177.39	124.48	116.86
Equity Turnover (Ksh. millions)	2,748.18	2,351.29	3,040.89	3,609.26	2,965.00	4,199.81	2,984.06	3,398.10	2,618.31	2,650.45
Market Capitalization (Ksh. Bn.)	1,741.00	1,764.86	1,816.84	1,857.40	1,837.59	1,850.11	1,873.66	1,902.58	1,899.96	1,942.58
Bonds Turnover (Ksh. millions)	7,454.35	4,071.15	15,645.15	12,732.15	7,887.80	4,049.60	15,096.00	9,776.00	6,077.83	5,746.98
FTSE NSE Kenya 15 Index	161.46	164.06	168.83	174.14	171.67	172.84	174.65	175.32	175.02	178.79
FTSE NSE Kenya 25 Index	163.58	166.23	171.33	176.48	173.31	174.59	176.15	177.02	176.84	180.3
FTSE NSE Bond Index	92.35	92.02	92.24	92.00	92.32	91.56	91.11	91.25	91.18	91.13

Source: Nairobi Securities Exchange

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Telecoms and Technology, Banking and Manufacturing and Allied were the top three most active sectors, transacting 52.95 million (45.31 percent), 26.73 million (22.88 percent) and 10.81 million (9.3 percent), respectively. Safaricom, Mumias Sugar Co. Ltd and KCB were the three most active counters with 52.95 million, 8.95 million and 7.54 million shares traded, respectively. The least active sector was Automobile and Accessories sector with 288,000 shares traded.

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 178.79 points up from 175.02 points the previous week. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, rose to 180.30 points from 176.84 points the previous week. FTSE NSE Bond Index, however, declined to 91.13 points from 91.18 points.

The Bond Market

Bonds trading declined by 5.44 percent with turnover at KSh 5,746 million from KSh 6,077 million the previous week. Corresponding deals increased to 149 from 65.