



**NOVEMBER 8, 2013**

## **Highlights**

The money market liquidity was relatively tight during the week ending November 6, 2013 on account of maturity of reverse repo securities and sale of Government securities. The Central Bank liquidity management transactions through reverse repo securities resulted in Ksh 7.0 billion injection.

Reflective of the tight liquidity, the average interbank rate increased to 11.97 percent during the week ending November 6, 2013 from 11.55 percent in the previous week.

The Kenya shilling displayed mixed performance against major international currencies during the week ending November 7, 2013, appreciating against the Pound Sterling, the Euro and the Japanese Yen, but depreciating marginally against the US dollar.

The usable official foreign exchange reserves held by the Central Bank declined from US Dollar 5,869 million as at October 31, 2013 to US Dollar 5,858 million as at November 7, 2013.

The Government offered for sale Treasury bills worth Ksh 7.0 billion during the week ending November 08, 2013. A total of Ksh 6.0 billion was accepted out of Ksh 6.6 billion bids received. Average interest rate on the 91-day Treasury bills was 9.999 percent compared with 9.984 percent the previous week.

Gross Government domestic debt increased by Ksh 122.1 billion to reach Ksh 1,173.0 billion on November 1, 2013, from Ksh 1,051.0 billion held at the end of June 2013. During the week under review, gross government domestic debt rose by Ksh 23.5 billion, largely on account of Treasury bonds.

The NSE showed mixed performance in the week ending November 7, 2013. The equities segment recorded gains in all leading market indicators. The NSE 20 Share Index gained 24.9 points while NASI was up 2.05 points. Market capitalization added Ksh 28.92 billion and Equity turnover increased by 13.9 percent. FTSE NSE 15 Index and FTSE NSE 25 Index also rose by 0.67 points and 0.87 points, respectively. The bonds turnover, however, declined by 35.24 percent, while the Bond Index rose by 0.14 points.

# CBK WEEKLY BULLETIN

## Monetary Policy Operations

The money market liquidity remained relatively tight during the week ending November 6, 2013 on account of maturity of reverse repo securities and sale of Government securities. The Central Bank liquidity management transactions through reverse repo securities resulted in Ksh 7.0 billion injection to boost liquidity in the market. Reserve money averaged Ksh 296.4 billion during the week and was Ksh 1.9 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)
31-Oct-13	306.9	294.0	<b>13.0</b>	0.0	0.0	0.0	<b>0.0</b>	306.8	<b>12.9</b>	15.6	-2.8
1-Nov-13	307.3	294.0	<b>13.4</b>	0.0	0.0	0.0	<b>0.0</b>	305.6	<b>11.6</b>	13.1	-1.4
4-Nov-13	287.7	294.8	<b>-7.2</b>	0.0	0.0	0.0	<b>0.0</b>	287.7	<b>-7.2</b>	-6.1	-1.1
5-Nov-13	285.1	294.8	<b>-9.8</b>	0.0	0.0	0.0	<b>0.0</b>	286.3	<b>-8.5</b>	-9.5	1.0
6-Nov-13	287.5	294.8	<b>-7.3</b>	0.0	0.0	0.0	<b>0.0</b>	295.7	<b>0.8</b>	-0.5	1.3
<b>Average</b>	<b>294.9</b>	<b>294.5</b>	<b>0.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>296.4</b>	<b>1.9</b>	2.5	<b>-0.6</b>

**Source: Central Bank of Kenya**

## Interbank and REPO Rates

The average interbank rate increased by 42.3 basis points to 11.97 percent during the week ending November 6, 2013 from 11.55 percent in the previous week, reflecting tight liquidity in the money market. The average interbank volume transacted increased to Ksh 23.11 billion in the week ending November 6, 2013 from Ksh 19.56 billion the previous week, while the average number of deals increased to 79 from 68 (Table 2 and Chart A).

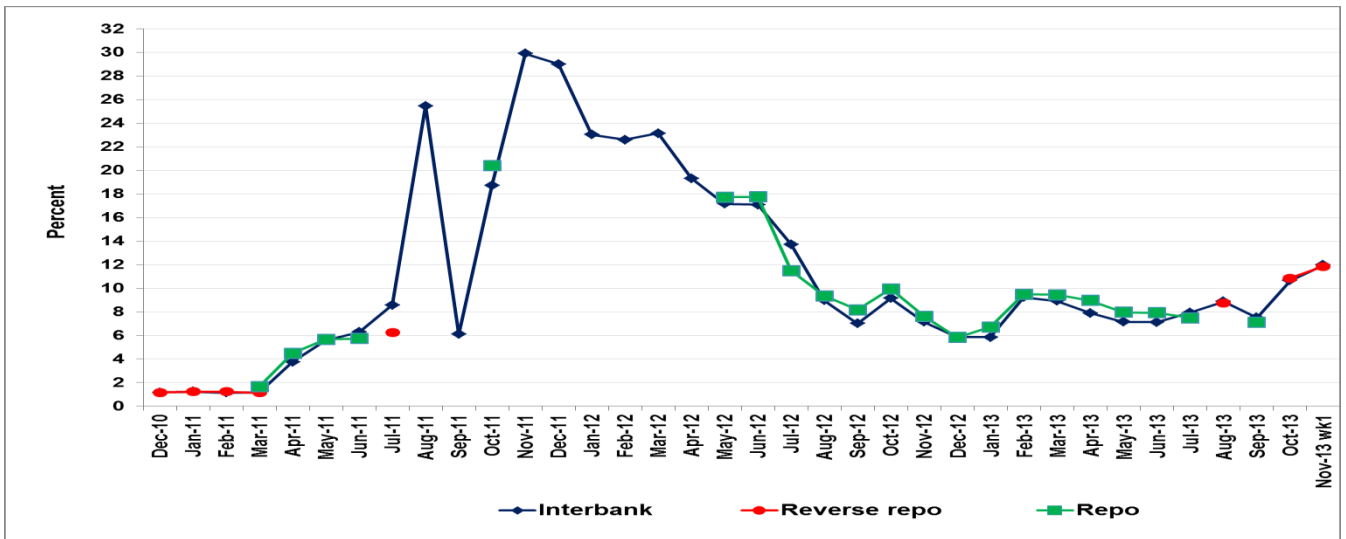
**TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES**

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
24-Oct-13	74	28,748	11.32
25-Oct-13	88	25,440	11.49
28-Oct-13	64	14,395	11.48
29-Oct-13	50	11,175	11.70
30-Oct-13	66	18,035	11.75
<b>October 24 -October 30, 2013</b>	<b>68</b>	<b>19,559</b>	<b>11.55</b>
31-Oct-13	77	20,405	11.87
1-Nov-13	81	23,532	11.71
4-Nov-13	90	25,791	11.84
5-Nov-13	76	23,296	12.07
6-Nov-13	73	22,523	12.36
<b>October 31 -November 6, 2013</b>	<b>79</b>	<b>23,109</b>	<b>11.97</b>

**Source: Central Bank of Kenya**

Interest on reverse repo securities issued by Central Bank during the week ending November 6, 2013 averaged 11.85 percent.

**CHART A: STRUCTURE OF INTEREST RATES**

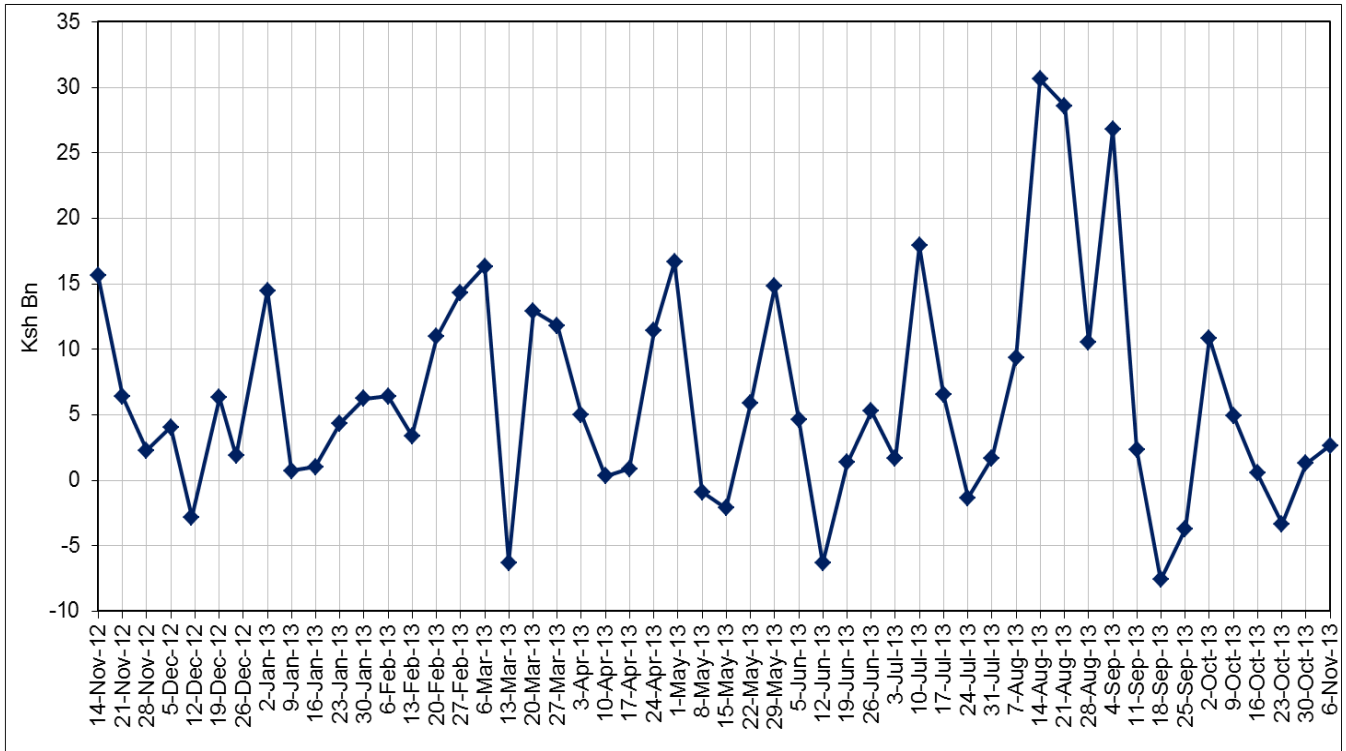


Source: Central Bank of Kenya

**Commercial Banks Clearing Account Balances**

Commercial banks recorded a surplus of Ksh. 2.6 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent at the Central Bank in the week to November 6, 2013 compared with a surplus of Ksh. 1.3 billion recorded in the previous week (Chart B).

**CHART B: WEEKLY AVERAGE DEVIATION FROM CRR IN THE CLEARING ACCOUNT**



Source: Central Bank of Kenya

# CBK WEEKLY BULLETIN

## The Shilling Exchange Rate

During the week ending November 7, 2013, the Kenya shilling displayed mixed performance against major international currencies appreciating against the Pound Sterling, the Euro and the Japanese Yen, but depreciating marginally against the US dollar.

Against the US Dollar, the Kenya shilling depreciated by 0.45 percent to an average of 85.38 per US Dollar compared to an average of 85.00 per US Dollar during the week ending October 31, 2013. The Kenya shilling strengthened by 0.15 percent, 1.38 percent, 0.35 percent against the Sterling Pound, the Euro and the Japanese Yen, respectively, to trade at an average of Ksh 136.79 per Sterling Pound, Ksh 115.41 per Euro and Ksh 86.66 per 100 Japanese Yen during the week compared to Ksh 136.99 per Sterling Pound, Ksh 117.03 per Euro and Ksh 86.97 per 100 Japanese Yen the previous week.

However, the Kenya Shilling weakened against all EAC currencies to trade at an average of Ush 29.51, Tsh 18.82, RWF 7.88 and BIF 18.17 during the week ending November 7, 2013 compared to Ush 29.72, Tsh 18.89, RWF 7.89 and BIF 18.25 during the week ending October 31, 2013. (Table 3)

**TABLE 3: KENYA SHILLING EXCHANGE RATES**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
25-Oct-13	84.74	137.50	117.12	87.28	29.86	18.93	7.89	18.30
28-Oct-13	84.87	137.30	117.13	87.00	29.78	18.91	7.88	18.28
29-Oct-13	85.08	137.00	117.13	87.16	29.68	18.86	7.89	18.23
30-Oct-13	85.17	136.78	117.11	86.83	29.64	18.86	7.88	18.21
31-Oct-13	85.15	136.38	116.68	86.57	29.65	18.86	7.89	18.22
<b>18-24 Oct-13</b>	<b>85.00</b>	<b>136.99</b>	<b>117.03</b>	<b>86.97</b>	<b>29.72</b>	<b>18.89</b>	<b>7.89</b>	<b>18.25</b>
1-Nov-13	85.27	136.78	115.67	87.00	29.61	18.83	7.89	18.19
4-Nov-13	85.45	136.11	115.27	86.54	29.49	18.82	7.88	18.15
5-Nov-13	85.52	136.53	115.45	86.76	29.46	18.79	7.89	18.14
6-Nov-13	85.37	137.29	115.29	86.50	29.48	18.81	7.86	18.17
7-Nov-13	85.31	137.25	115.39	86.51	29.52	18.83	7.87	18.18
<b>1-7 Nov-13</b>	<b>85.38</b>	<b>136.79</b>	<b>115.41</b>	<b>86.66</b>	<b>29.51</b>	<b>18.82</b>	<b>7.88</b>	<b>18.17</b>

**Source: Central Bank of Kenya**

## Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank declined from US Dollar 5,869 million as at October 31, 2013 to US Dollar 5,858 million as at November 7, 2013. However, in terms of months of import cover, foreign exchange reserves remained constant at 4.11 months, and above the statutory minimum of 4 month holdings (Table 4).

# CBK WEEKLY BULLETIN

**TABLE 4: OFFICIAL RESERVES USD MILLIONS**

	22-Aug-13	29-Aug-13	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
Usable Reserves*	5,736	5,754	5,748	5,881	5,883	5,903	5,931	5,894	5,881	5,891	5,869	5,858
Months of Imports Cover**	4.10	4.11	4.11	4.16	4.17	4.18	4.16	4.13	4.12	4.13	4.11	4.11

\*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 the 91-day Treasury bills, and Ksh 2.5 billion each in the 182-day and 364-day Treasury bills during the week ending November 8, 2013. Total bids received amounted to Ksh 6.6 billion, of which Ksh 2.1 billion, Ksh 2.0 billion and Ksh 2.5 billion was in the 91-day, 182-day and 364-day papers, representing performance rates of 103.5 percent, 79.36 percent and 100.29 percent, respectively. The Government accepted Ksh 1.9 billion each in the 91-day and 182-day, and Ksh 2.2 billion, in the 364-day Treasury bills. Total non-competitive bids amounted to Ksh 1.7 billion.

## Interest Rates on Government securities

Weighted average interest rates on the 91-day, 182-day and 364-day Treasury bills increased by 1.5 basis points, 5.7 basis points and 4.1 basis points to reach 9.999 percent, 10.559 percent and 10.994 percent, respectively, during the week's auction.

**TABLE 5: GOVERNMENT SECURITIES INTEREST RATES**

	28-Jun-13	20-Sep-13	27-Sep-13	4-Oct-13	11-Oct-13	18-Oct-13	25-Oct-13	1-Nov-13	8-Nov-13
91-day T. Bills*	5.175	9.139	9.109	9.360	9.772	9.792	9.943	9.984	9.999
182-day T. Bills*	5.549	9.694	9.670	9.986	10.185	10.453	10.487	10.502	10.559
364-day T. Bills*	8.356	10.413	10.308	10.574	10.800	10.792	10.830	10.953	10.994

\*Weighted rates for accepted bids

**Source: Central Bank of Kenya**

## Government Domestic Debt

Gross Government domestic debt increased by Ksh 122.1 billion to reach Ksh 1,173.0 billion on November 01, 2013, from Ksh 1,051.0 billion held at the end of June 2013. This followed Ksh 44.3 billion, Ksh 57.3 billion and Ksh 21.0 billion respective increases in the stocks of Treasury bills, Treasury bonds and Government overdraft at the Central Bank, which were partially offset by Ksh 0.4 billion decline in other domestic debt, during the period.

## CBK WEEKLY BULLETIN

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

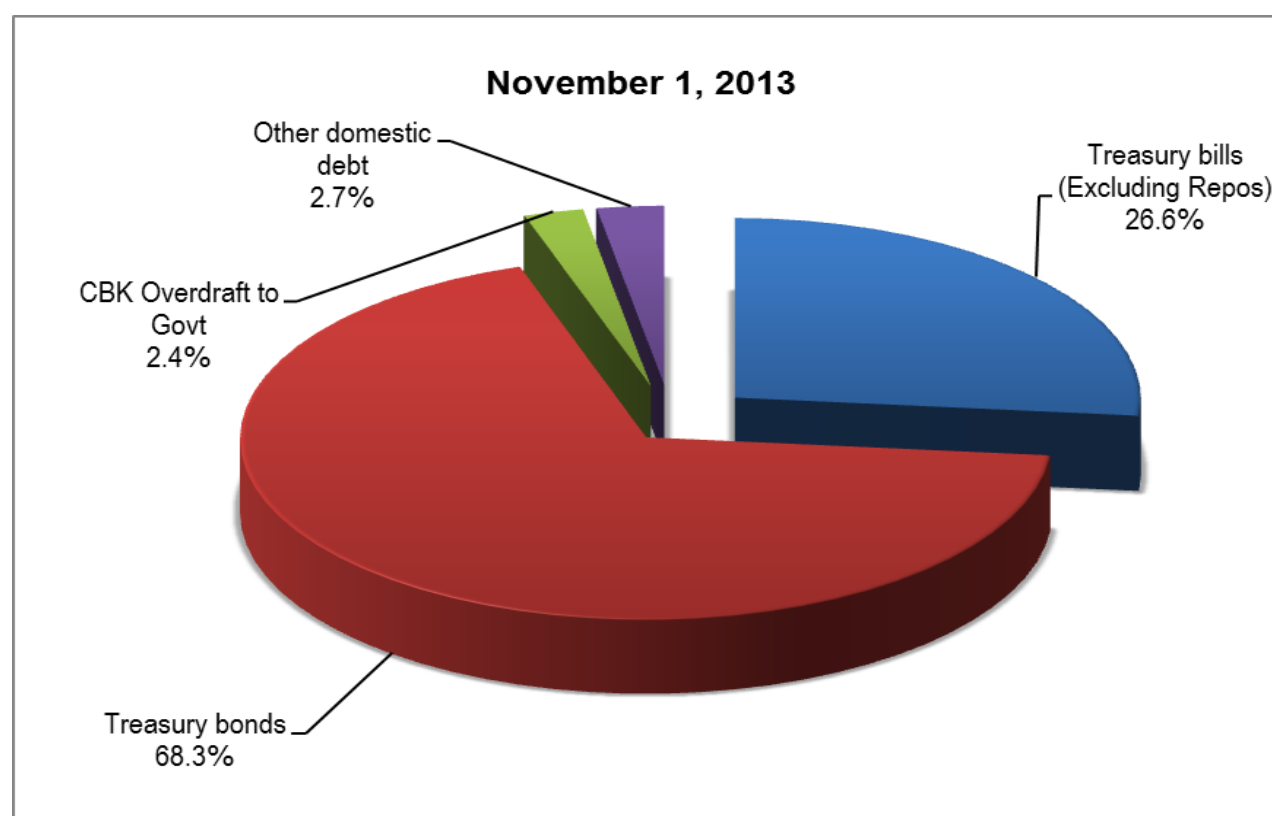
	Jun 2013	Aug 2013	4th Oct 2013	11th Oct 2013	18th Oct 2013	25th Oct 2013	1st Nov 2013	Changes	
								25th Oct 2013 - 1st Nov 2013	28th Jun 2013 - 1st Nov 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	267.8 26.5	278.0 26.4	307.6 27.9	307.9 27.9	305.2 27.7	309.7 28.3	312.0 28.0	2.4 -0.3	44.3 1.6
2. Treasury Bonds (As % of total securities)	744.2 73.5	774.4 73.6	794.8 72.1	794.8 72.1	794.8 72.3	784.8 71.7	801.5 72.0	16.6 0.3	57.3 -1.6
3. Total Securities (1+2)	1011.9	1052.4	1102.5	1102.8	1100.1	1094.5	1113.5	19.0	101.6
4. Overdraft at Central Bank	7.0	34.2	34.2	10.6	10.8	23.5	28.0	4.5	21.0
5. Other Domestic debt*	32.0	31.6	31.4	31.4	31.5	31.6	31.6	0.0	-0.4
6. Gross Domestic Debt (3+4+5)	1051.0	1118.2	1168.1	1144.7	1142.3	1149.6	1173.0	23.5	122.1
7. Interest payments on domestic debt	110.2	14.2	25.0	25.6	26.0	29.2	34.1	4.9	

\* 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 under review, gross government domestic debt increased by Ksh 23.5 billion, largely on account of Treasury bonds which increased by Ksh 16.6 billion to reach 801.5 billion. Stocks of Treasury bills and Government overdraft at the Central Bank increased by Ksh 2.4 billion and Ksh 4.5 billion, respectively, while other domestic debt remained unchanged during the week. The average time to maturity of Government securities stood at 5 years on November 1, 2013, compared with 5 years and 2 months at the end of June 2013.

**CHART C: COMPOSITION OF GOVERNMENT SECURITIES**

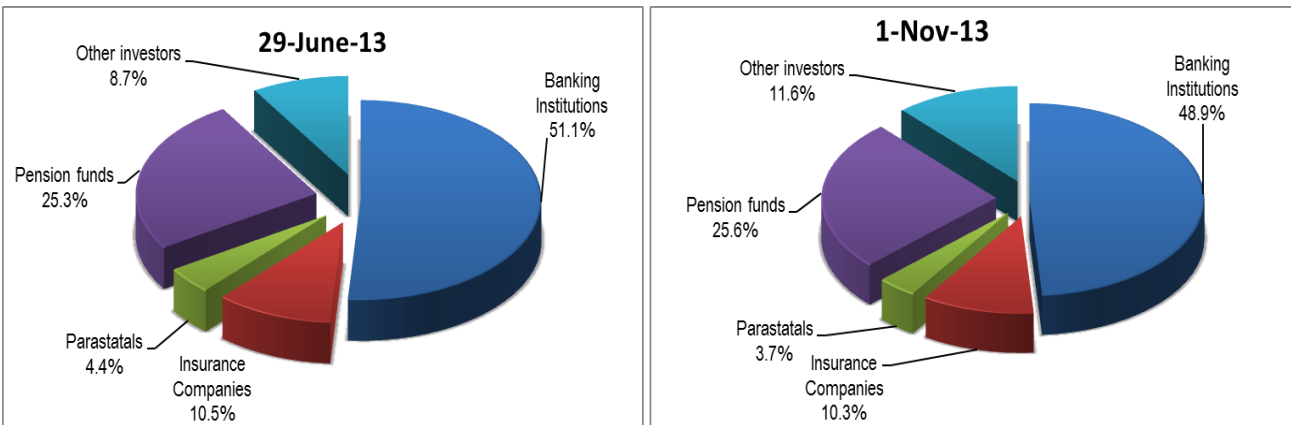


**Source: Central Bank of Kenya**

**Holding of Government Securities**

Government securities accounted for 96.8 percent of gross domestic debt on November 01, 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 48.9 percent, 10.3 percent and 3.7 percent, respectively, on November 01, 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 25.6 percent and 11.6 percent of total securities, during the week under review (Chart D).

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



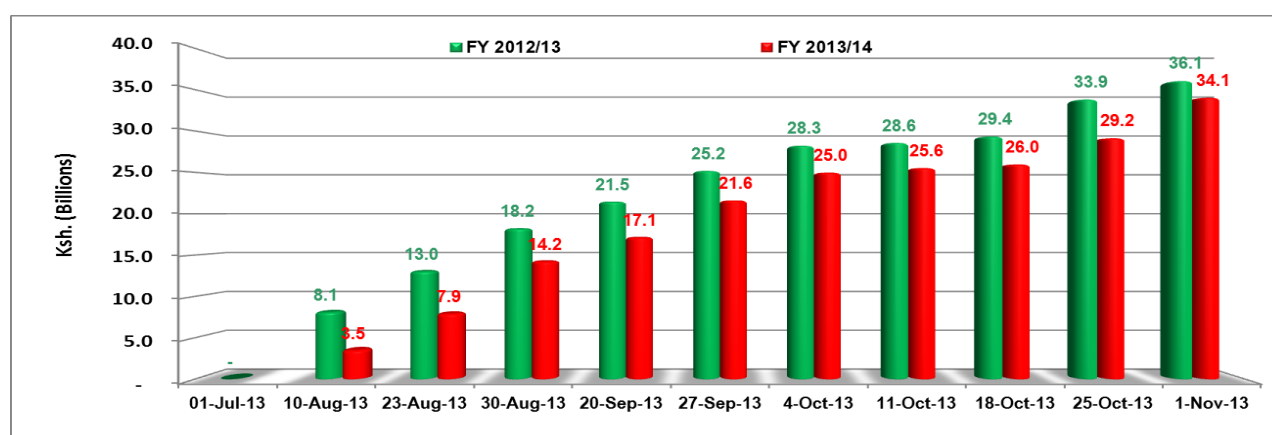
**Source: Central Bank of Kenya**

**Cost of Domestic Borrowing**

Cumulative interest and other charges on domestic debt during the week ending November 01, 2013 amounted to Ksh 34.1 billion compared with Ksh 36.1 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, Treasury bonds, Government overdraft at the Central Bank and the pre-1997 Government overdraft amounting to Ksh 5.6 billion, Ksh 27.5 billion, Ksh 0.4 billion and Ksh 0.5 billion, respectively.

# CBK WEEKLY BULLETIN

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



**Source: Central Bank of Kenya**

## Capital Markets Report

Capital markets performance was mixed during the week ending November 7, 2013. The equities segment recorded gains for all leading market indicators. The Bonds market performance, however, declined during the period.

### Equities Market

NSE 20 Share Index closed the week at 5,017.78 points up from last week's 4,992.88 points. NASI rose to 135.29 points from 133.24 points recorded on October 31, 2013 (Table 7). Market capitalization that measures shareholders' wealth was Ksh 1,902.58 billion up from Ksh 1,873.66 billion. Equity turnover also rose to Ksh 3,398.10 million driven by increased volume on closure of the market on October 31, 2013.

**TABLE 7: KEY WEEKLY MARKET STATISTICS**

Week Ending	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
NASI 100= Jan 2008	121.82	122.88	123.80	125.50	129.20	132.08	130.67	131.56	133.24	135.29
NSE 20 Share Index 100=1966	4,677.60	4,732.92	4,745.47	4,764.12	4,838.07	4,947.00	4,919.17	4,949.65	4,992.88	5,017.78
Number of Deals	7,031.00	8,545.00	7,697.00	6,860.00	7,585.00	10,206.00	9,584.00	7,737.00	7,881.00	9,638.00
Total Shares Traded (millions)	80.16	141.11	115.47	142.52	123.91	228.86	198.06	175.07	111.19	177.39
Equity Turnover (Ksh. millions)	2,069.19	2,686.44	2,748.18	2,351.29	3,040.89	3,609.26	2,965.00	4,199.81	2,984.06	3,398.10
Market Capitalization (Ksh. Bn.)	1,696.87	1,728.65	1,741.00	1,764.86	1,816.84	1,857.40	1,837.59	1,850.11	1,873.66	1,902.58
Bonds Turnover (Ksh. millions)	8,218.65	10,253.10	7,454.35	4,071.15	15,645.15	12,732.15	7,887.80	4,049.60	15,096.00	9,776.00
FTSE NSE Kenya 15 Index	159.45	159.94	161.46	164.06	168.83	174.14	171.67	172.84	174.65	175.32
FTSE NSE Kenya 25 Index	161.31	162.08	163.58	166.23	171.33	176.48	173.31	174.59	176.15	177.02
FTSE NSE Bond Index	94.06	94.06	92.35	92.02	92.24	92.00	92.32	91.56	91.11	91.25

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

**Source: Nairobi Securities Exchange**

Telecoms and Technology, Banking and Insurance were the top three active sectors, transacting 100.49 million or 56.65 percent, 30.13 million or 16.98 percent and 15.68 million



## CBK WEEKLY BULLETIN

---

or 8.84 percent, respectively. Safaricom, British-American Investment Company and KCB were the three most active counters with 100.47 million, 11.41 million and 8.99 million shares traded, respectively. The least active sector was Automobile and Accessories sector with 157,700 shares.

### **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 175.32 points up from 174.65 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE rose to 177.02 points from 176.15 points the previous week. FTSE NSE Bond Index was also rose marginally to 91.25 points from 91.11 points.

### **The Bond Market**

Bonds trading declined by 35.24 percent as turnover closed at Ksh 9,776 million from Ksh 15,096 million the previous week. Corresponding deals were 97 down from 324.