



**OCTOBER 11, 2013**

## **Highlights**

The money market liquidity was relatively tight during the week ending October 9, 2013 on account of tax payments. Liquidity distribution was skewed to a few commercial banks as the interbank borrowing remained elevated in a bid by some banks to build their cash reserve requirement positions for the cycle ending October 14, 2013.

The average interbank rate increased to 9.75 percent during the week ending October 9, 2013 from 9.50 percent in the previous week.

The Kenya shilling strengthened against major global currencies as well as EAC currencies during the week ending October 10, 2013 supported by inflows from horticulture exports and strong demand for the Infrastructure bond. Against the Japanese Yen, the Kenya shilling remained unchanged from the previous week.

The usable official foreign exchange reserves held by Central Bank declined from US Dollar 5,907 million as at October 3, 2013 to US Dollar 5,870 million as at October 10, 2013.

The Government offered for sale Treasury bills worth Ksh 7.0 billion during the week ending October 11, 2013. A total of Ksh 2.2 billion was accepted out of Ksh 2.3 billion bids received.

Gross Government domestic debt increased by Ksh 117.2 billion to reach Ksh 1,168.2 billion on October 4, 2013, from Ksh 1,051.0 billion held at the end of June 2013. During the week under review, gross government domestic debt increased by Ksh 24.9 billion, largely on account of Treasury bonds.

The NSE maintained its bullish run in the week ending October 10, 2013. NSE Share Index rose 108.93 points, while NASI was up 2.88 points. Market capitalization added Ksh 40.56 billion, staying above the Ksh 1.8 trillion-mark. Equity turnover rose but the bonds turnover declined.

# CBK WEEKLY BULLETIN

## Monetary Policy Operations

The money market liquidity was relatively tight during the week ending October 9, 2013 on account of tax payments. Liquidity distribution was skewed to a few commercial banks as the interbank borrowing remained elevated in a bid by some banks to build their cash reserve requirement positions for the cycle ending October 14, 2013. The Central Bank stayed out of the money market. Reserve money averaged Ksh 290.5 billion during the week and was Ksh 0.6 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)
3-Oct-13	292.3	289.9	2.4	0.0	0.0	0.0	0.0	293.9	4.1	10.2	-6.1
4-Oct-13	292.2	289.9	2.3	0.0	0.0	0.0	0.0	292.8	2.9	7.2	-4.3
7-Oct-13	290.3	289.9	0.5	0.0	0.0	0.0	0.0	291.6	1.7	5.4	-3.7
8-Oct-13	288.8	289.9	-1.0	0.0	0.0	0.0	0.0	289.7	-0.1	1.2	-1.3
9-Oct-13	286.2	289.9	-3.7	0.0	0.0	0.0	0.0	284.4	-5.5	-3.2	-2.3
<b>Average</b>	<b>290.0</b>	<b>289.9</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>290.5</b>	<b>0.6</b>	<b>4.2</b>	<b>-3.6</b>

Source: Central Bank of Kenya

## Interbank and REPO Rates

The average interbank rate increased by 25.0 basis points to 9.75 percent during the week ending October 9, 2013 from 9.50 percent in the previous week reflecting tight liquidity in the money market. The average interbank volume transacted decreased to Ksh 21.0 billion in the week ending October 9, 2013 from Ksh 23.6 billion the previous week, while the average number of deals remained unchanged at 70 (Table 2 and Chart A).

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

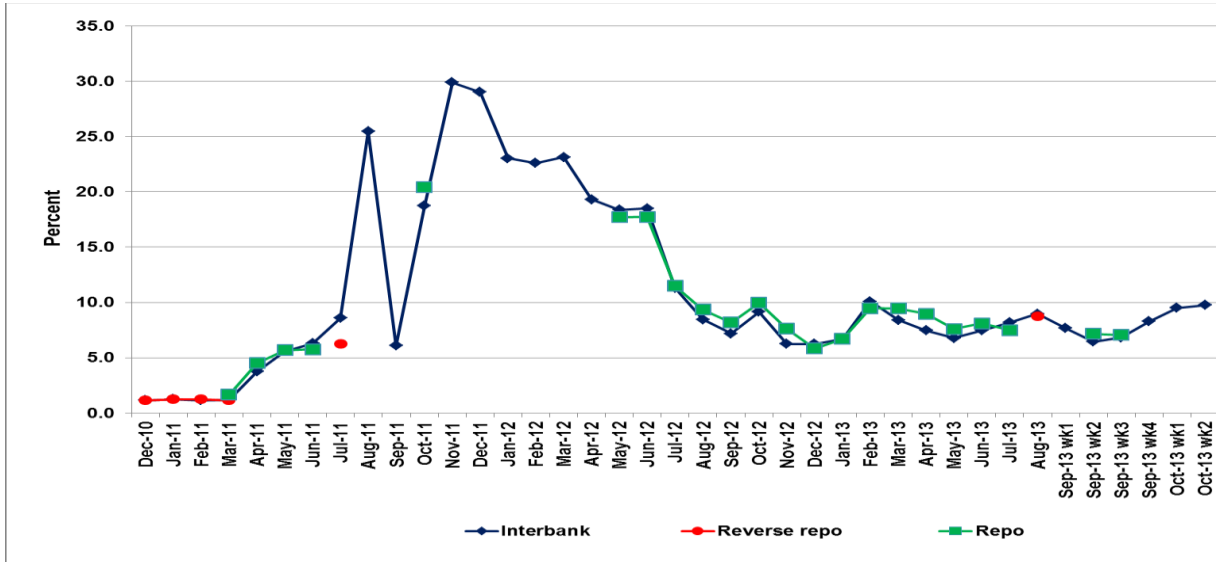
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
26-Sep-13	82	27,678	9.12
27-Sep-13	79	29,504	9.39
30-Sep-13	57	19,360	9.52
1-Oct-13	69	20,903	9.69
2-Oct-13	64	20,672	9.78
<b>September 26 -October 2, 2013</b>	<b>70</b>	<b>23,623</b>	<b>9.50</b>
3-Oct-13	62	20,725	9.76
4-Oct-13	72	22,214	9.70
7-Oct-13	77	22,497	9.74
8-Oct-13	71	20,940	9.73
9-Oct-13	68	18,651	9.80
<b>October 3 -October 9, 2013</b>	<b>70</b>	<b>21,005</b>	<b>9.75</b>

Source: Central Bank of Kenya

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The Central Bank stayed out of the market during the week ending October 9, 2013. As a result the average repo rate remained unchanged at 7.05 percent recorded in the week ending September 18, 2013.

**CHART A: STRUCTURE OF INTEREST RATES**

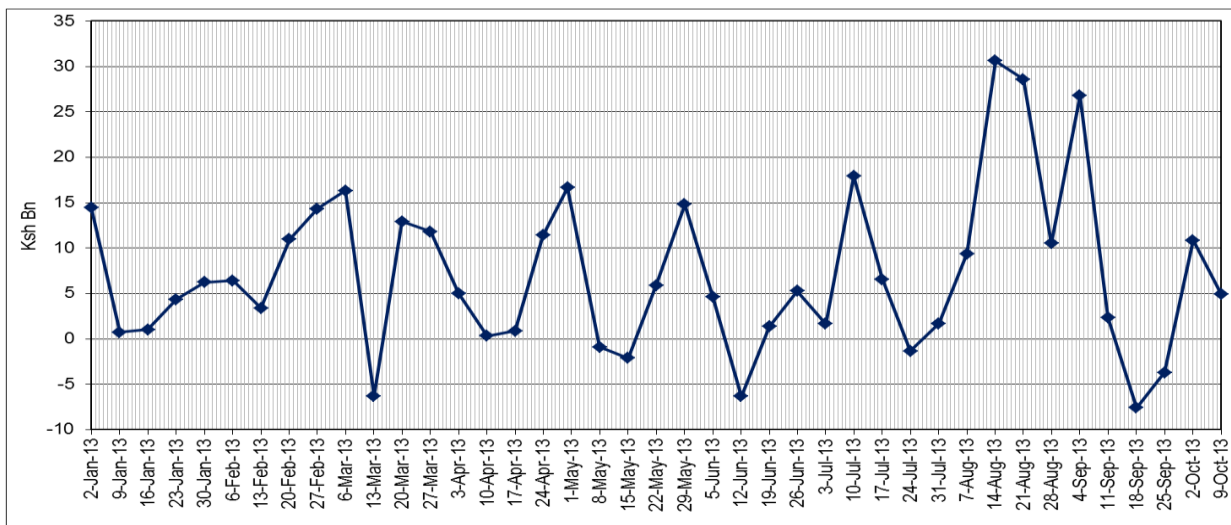


Source: Central Bank of Kenya

## Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 4.94 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 94.7 billion) at the Central Bank in the week to October 9, 2013 compared with Ksh 10.85 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 October 10, 2013, the Kenya shilling appreciated against the US Dollar, the Pound Sterling and the Euro and remained unchanged against the Japanese Yen to trade at an average of 85.65 per US Dollar, 137.53 per Pound Sterling, 116.19 per Euro and 88.33 per 100 Japanese Yen. This is in comparison to the shilling's performance during the previous week which saw it trade at an average of 86.59 per US Dollar, 139.96 per Pound Sterling, 117.10 per Euro and 88.33 per 100 Japanese Yen.

In the EAC region, the Kenya Shilling strengthened against all EAC currencies to trade at an average of Ush 29.72, Tsh 18.80, RWF 7.81 and BIF 18.05 during the week ending October 10, 2013 compared to Ush 29.60, Tsh 18.59, RWF 7.73 and BIF 17.79 during the week ending October 3, 2013 (Table 3).

**TABLE 3: KENYA SHILLING EXCHANGE RATES**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
27-Sep-13	86.99	139.55	117.16	88.16	29.58	18.51	7.69	17.69
30-Sep-13	86.65	139.96	116.88	88.39	29.64	18.58	7.72	17.76
1-Oct-13	86.15	139.71	116.67	87.75	29.73	18.68	7.78	17.87
2-Oct-13	86.37	139.77	116.73	88.44	29.61	18.62	7.75	17.82
3-Oct-13	86.79	140.81	118.05	88.89	29.46	18.57	7.71	17.81
<b>27 Sep-3 Oct-13</b>	<b>86.59</b>	<b>139.96</b>	<b>117.10</b>	<b>88.33</b>	<b>29.60</b>	<b>18.59</b>	<b>7.73</b>	<b>17.79</b>
4-Oct-13	86.5	139.9	117.9	89.1	29.5	18.6	7.7	17.9
7-Oct-13	86.1	138.0	116.8	88.6	29.6	18.7	7.7	17.9
8-Oct-13	85.3	137.1	115.7	88.0	29.8	18.9	7.8	18.1
9-Oct-13	85.0	136.5	115.2	87.2	29.9	18.9	7.9	18.2
10-Oct-13	85.4	136.2	115.3	87.4	29.7	18.9	7.8	18.2
<b>4 -10 Oct-13</b>	<b>85.65</b>	<b>137.53</b>	<b>116.19</b>	<b>88.33</b>	<b>29.72</b>	<b>18.80</b>	<b>7.81</b>	<b>18.05</b>

Source: Central Bank of Kenya

### Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank declined from US Dollar 5,907 million as at October 3, 2013 to US Dollar 5,870 million as at October 10, 2013. The decline is attributed to Government forex payments during the week. In terms of months of import cover, the foreign exchange reserves declined to 4.11 months of import cover but remained above the statutory minimum of 4 month holdings (Table 4).

**TABLE 4: OFFICIAL RESERVES USD MILLIONS**

	8-Aug-13	15-Aug-13	22-Aug-13	29-Aug-13	5-Sep-13	12-Sep-13	19-Sep-13	26-Sep-13	3-Oct-13	10-Oct-13
Usable Reserves*	5,741	5,717	5,736	5,754	5,748	5,881	5,883	5,903	5,907	5,870
Months of Imports Cover**	4.10	4.09	4.10	4.11	4.11	4.16	4.17	4.18	4.18	4.11

\*Excludes encumbered reserves

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

Source: Central Bank of Kenya

## CBK WEEKLY BULLETIN

### Government Securities Auction

The Government offered for sale Ksh 2.0 billion in the 91-day Treasury bill, and Ksh 2.5 billion each in the 182-day and 364-day Treasury bills during the week ending October 11, 2013. Total bids received amounted to Ksh 2.3 billion, of which Ksh 1.4 billion, Ksh 0.3 billion and Ksh 0.6 billion was in the 91-day, 182-day and 364-day papers, representing performance rates of 68.6 percent, 13.9 percent and 22.3 percent, respectively. The Government accepted all the 182-day and 364-day bids, and Ksh 1.3 billion of the 91-day bids received during the week. Total non-competitive bids amounted to Ksh 0.8 billion.

### Interest Rates on Government securities

Weighted average interest rates on the 91-day, 182-day and 364-day Treasury bills increased by 41.2 basis points, 19.9 basis points and 22.6 basis points to reach 9.772 percent, 10.185 percent and 10.800 percent, respectively, during the week's auction.

**TABLE 5: GOVERNMENT SECURITIES INTEREST RATES**

	24-Feb-12	26-Jul-13	30-Aug-13	13-Sep-13	20-Sep-13	27-Sep-13	4-Oct-13	11-Oct-13
91-day T. Bills*	19.152	6.863	10.474	9.235	9.139	9.109	9.360	9.772
182-day T. Bills*	19.247	6.793	10.835	10.089	9.694	9.670	9.986	10.185
364-day T. Bills*		9.949	11.649	10.756	10.413	10.308	10.574	10.800
12-year Infrastructure Bond	16.640					12.363		
15year FXD T. Bonds								
20 year FXD T. Bonds								

**Source: Central Bank of Kenya**

### Government Domestic Debt

Gross Government domestic debt increased by Ksh 117.2 billion to reach Ksh 1,168.2 billion on October 4, 2013, from Ksh 1,051.0 billion held at the end of June 2013. This followed Ksh 39.9 billion, Ksh 50.7 billion and Ksh 27.2 billion respective increases in the stocks of Treasury bills, Treasury bonds and Government overdraft at the Central Bank, which were partially offset by Ksh 0.5 billion in other domestic debt, during the period.

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

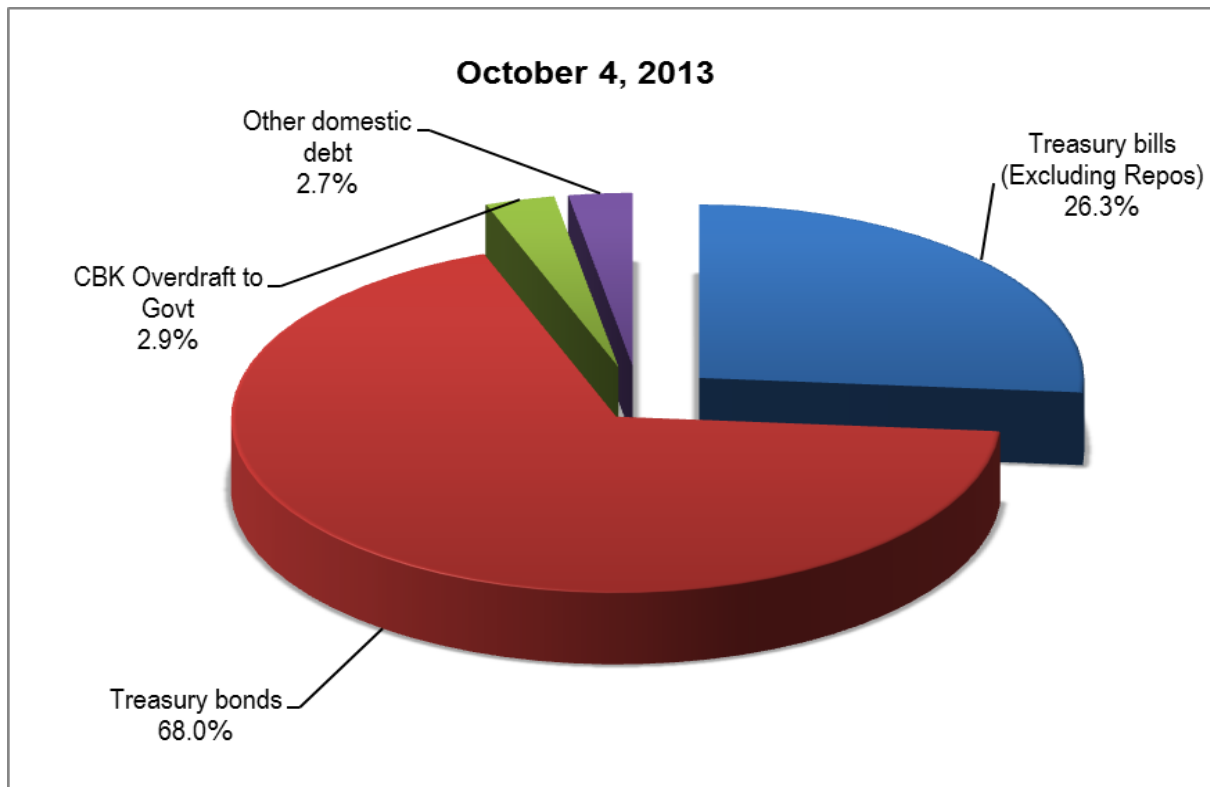
	Jun 2013	Aug 2013	27th Sept 2013	4th Oct 2013	Changes	
					27th Sept. 2013 - 4th Oct. 2013	28th Jun 2013 - 4th Oct 2013
1. Treasury Bills (Excluding Repos) <b>(As % of total securities)</b>	267.8 <b>26.5</b>	278.0 <b>26.4</b>	305.1 <b>28.3</b>	307.6 <b>27.9</b>	2.5 <b>-0.4</b>	39.9
2. Treasury Bonds <b>(As % of total securities)</b>	744.2 <b>73.5</b>	774.4 <b>73.6</b>	773.5 <b>71.7</b>	794.8 <b>72.1</b>	21.3 <b>0.4</b>	50.7
<b>3. Total Securities (1+2)</b>	<b>1011.9</b>	<b>1052.4</b>	<b>1078.6</b>	<b>1102.5</b>	<b>23.9</b>	<b>90.5</b>
4. Overdraft at Central Bank	7.0	34.2	33.1	34.2	1.1	27.2
5. Other Domestic debt*	32.0	31.6	31.6	31.5	0.0	-0.5
<b>6. Gross Domestic Debt (3+4+5)</b>	<b>1051.0</b>	<b>1118.2</b>	<b>1143.3</b>	<b>1168.2</b>	<b>24.9</b>	<b>117.2</b>
<b>7. Interest payments on domestic debt</b>	<b>110.2</b>	<b>14.2</b>	<b>21.6</b>	<b>25.0</b>	<b>3.4</b>	

\* 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 October 4, 2013, gross government domestic debt increased by Ksh 24.9 billion following increases of Ksh 21.3 billion, Ksh 2.5 billion and Ksh 1.1 billion in Treasury bonds, Treasury bills and Government overdraft at the Central Bank. Other domestic debt remained unchanged, while the average time to maturity of Government securities stood at 5 years on October 4, 2013, compared with 5 years and 2 months at the end of June 2013.

**CHART C: COMPOSITION OF GOVERNMENT SECURITIES**

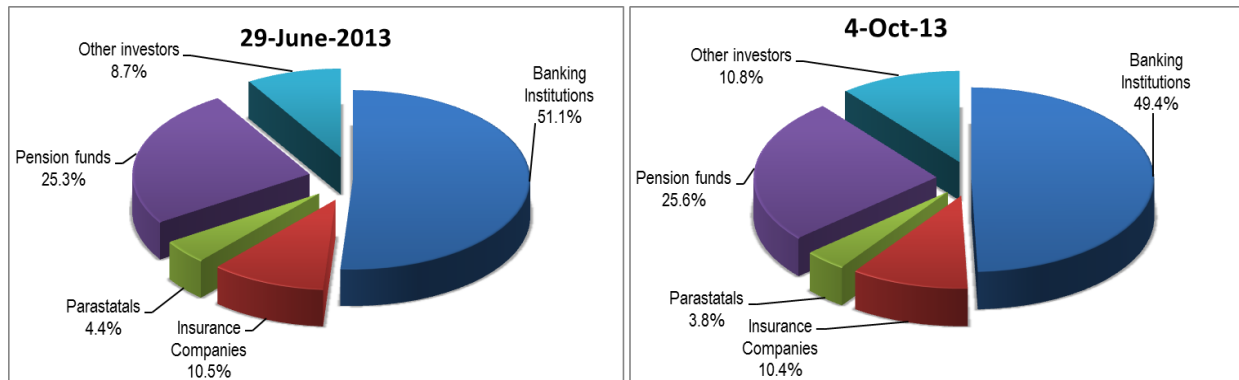


**Source: Central Bank of Kenya**

**Holding of Government Securities**

Government securities accounted for 94.3 percent of gross domestic debt on October 4, 2013 (Chart C). Government securities held by commercial banks, insurance companies and parastatals declined from 51.1, 10.5 and 4.4 percent in June, 20123 to 49.4, 10.4 and 3.8 percent, respectively, on October 4, 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 and 10.8 percent of total securities, from 25.3 and 8.7 percent, in June, 2013 (Chart D).

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

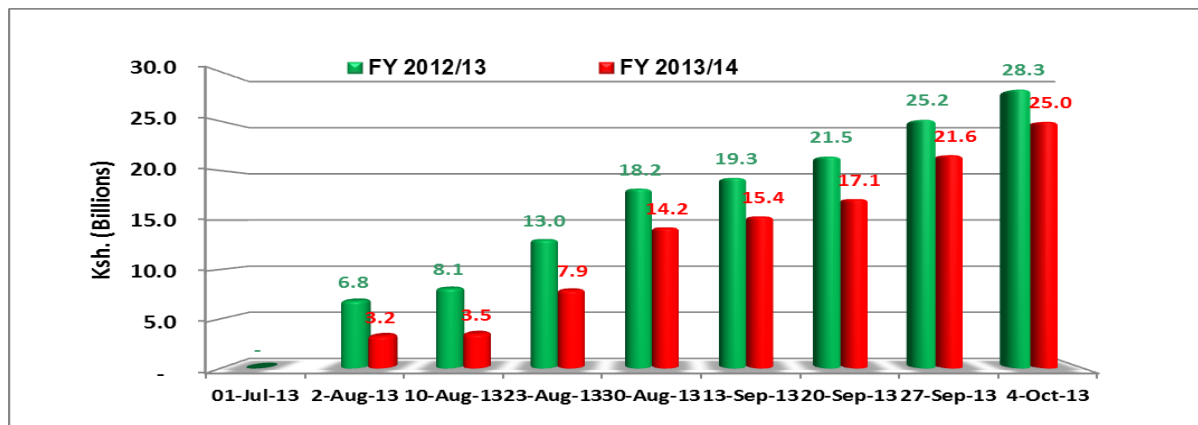


Source: Central Bank of Kenya

**Cost of Domestic Borrowing**

Cumulative interest and other charges on domestic debt during the week ending October 4, 2013 amounted to Ksh 25.0 billion compared with Ksh 28.3 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 4.6 billion and Ksh 20.0 billion, respectively. Interest on Government overdraft at the Central Bank amounted to Ksh 0.4 billion, during the same period.

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



Source: Central Bank of Kenya

# CBK WEEKLY BULLETIN

## Capital Markets Report

Capital markets performance remained strong in the week ended October 10, 2013 as both equities and bonds segments rose significantly. All market leading indicators except for the bond turnover rose during the week under review.

### Equities Market

NSE 20 Share Index closed the week at 4,947 points up from last week's 4,838.07 points (Table 7). NASI rose to 132.08 points from 129.20 points recorded on October 3, 2013. Market capitalization that measures shareholders' wealth was Ksh 1,857.40 billion up from Ksh 1,816.84 billion. Equity turnover rose to Ksh 3,609.26 million on higher volume traded.

**TABLE 7: KEY WEEKLY MARKET STATISTICS**

Week Ending	22-Aug-13	29-Aug-13	5-Sep-13	12-Sep-13	19-Sep-13	26-Sep-13	3-Oct-13	10-Oct-13
NASI 100= Jan 2008	124.36	120.39	121.82	122.88	123.80	125.50	129.20	132.08
NSE 20 Share Index 100=1966	4,814.12	4,708.05	4,677.60	4,732.92	4,745.47	4,764.12	4,838.07	4,947.00
Number of Deals	8,595.00	8,053.00	7,031.00	8,545.00	7,697.00	6,860.00	7,585.00	10,206.00
Total Shares Traded (millions)	157.77	243.88	80.16	141.11	115.47	142.52	123.91	228.86
Equity Turnover (Ksh. millions)	3,591.78	5,030.06	2,069.19	2,686.44	2,748.18	2,351.29	3,040.89	3,609.26
Market Capitalization (Ksh. Bn.)	1,748.49	1,692.67	1,696.87	1,728.65	1,741.00	1,764.86	1,816.84	1,857.40
Bonds Turnover (Ksh. millions)	2,342.60	9,334.60	8,218.65	10,253.10	7,454.35	4,071.15	15,645.15	12,732.15
FTSE NSE Kenya 15 Index	162.43	156.72	159.45	159.94	161.46	164.06	168.83	174.14
FTSE NSE Kenya 25 Index	164.77	158.79	161.31	162.08	163.58	166.23	171.33	176.48
FTSE NSE Bond Index	94.06	94.06	94.06	94.06	92.35	92.02	92.24	92.00

\* 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 active sectors, transacting 136.44 million or 59.62 percent, 38.93 million or 17.01 percent and 14.94 million or 6.53 percent, respectively. Safaricom, Equity Bank and Kenol Kobil were the three most active counters with 136.44 million, 17.02 million and 11.34 million shares traded, respectively. The least active sector was Automobile and Accessories sector with 84,200 shares.

The biggest closing and average price gain for the week was for Umeme Ltd and Nation Media Group Ksh 6 and Ksh 12.20 per share, respectively. The biggest closing and average price losses were for Nation Media Group and B.O.C Kenya at Ksh 9 and Ksh 5.00 per share, respectively. Of the 54 active counters, 40 had average price gain in the week compared to 35 of the last week, reflecting the market rally.



### **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 174.14 points up from 168.83 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE rose to 176.48 points from 171.33 points of the previous week. FTSE NSE Bond Index was up to 92.00 points from 92.24 points during the week, indicating slight increase in bond yields.

### **The Bond Market**

Bonds trading declined by 18.62 percent as turnover closed at Ksh 12,732.15 million from Ksh 15,645.15 million the previous week. Corresponding deals declined to 61 from 141 last week. The decline may be due to rising primary market yields and refocus on the tap sales on offer for the infrastructure bond, IFB 1/2013/12Yr issued in September 2013.