



SEPTEMBER 13, 2013

Highlights

The money market was relatively liquid during the week ending September 11, 2013. The Central Bank's open market operations resulted in liquidity withdrawal of Ksh 40.2 billion during the week.

The average interbank rate declined by 121.6 basis points to 6.46 percent during the week ending September 11, 2013 from 7.67 percent in the previous week

The Kenya Shilling exchange rate remained relatively stable against major international currencies in the week ending September 12, 2013. Against the US Dollar the Kenya Shilling strengthened marginally to trade at an average of KSh 87.47 per USD compared to KSh 87.54 per USD in the week ending September 5, 2013.

The usable official foreign exchange reserves held by Central Bank increased from USD 5,748 million as at September 5, 2013 to USD 5,881 million as at September 12, 2013.

The Government offered for sale Treasury bills worth Ksh 9.0 billion, during the week ending September 13, 2013. A total of Ksh 14.9 billion was accepted out of Ksh 29.2 billion bids received.

Gross Government domestic debt increased by Ksh 62.5 billion to reach Ksh 1,113.5 billion on September 06, 2013, from Ksh 1,051.0 billion held at the end of June 2013.

Capital markets performance was up in the week ending September 5, 2013. All leading market indicators improved. NSE Share Index rose 55.32 points while NASI was up 1.06 points. Equity turnover rose 29.8 percent and market capitalization added Ksh 31.78 billion to previous week. In the bonds segment, turnover was up 24.75 percent and number of deals more than doubled to 128 from 61.

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Monetary Policy Operations

The money market was relatively liquid during the week ending September 11, 2013. The Central Bank mopped Ksh 40.2 billion excess liquidity through sale of Ksh 28.1 billion repo securities and Ksh 12.1 billion term auction deposits. Reserve money averaged Ksh 288.9 billion during the week and was Ksh 1.4 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)
05-Sep-13	312.4	287.2	25.2	5.0	3.8	0.0	-1.2	310.6	23.4	24.3	-0.9
06-Sep-13	307.0	287.2	19.7	15.0	15.0	0.0	0.0	295.9	8.7	8.8	-0.1
09-Sep-13	291.3	287.6	3.7	5.0	8.9	0.0	3.9	283.7	-3.9	-2.7	-1.2
10-Sep-13	286.7	287.6	-1.0	5.0	0.4	10.1	5.5	278.8	-8.8	-8.0	-0.8
11-Sep-13	277.0	287.6	-10.7	2.0	0.0	2.0	0.0	275.2	-12.4	-11.5	-0.9
Average	294.9	287.5	7.4	6.4	5.6	2.4	1.6	288.9	1.4	2.2	-0.8

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate declined by 121.6 basis points to 6.46 percent during the week ending September 11, 2013 from 7.67 percent in the previous week reflecting improved liquidity in the money market. The average interbank volumes transacted decreased to Ksh 11.5 billion in the week ending September 11, 2013 from Ksh 15.7 billion in the week ending September 4, 2013, while the average number of deals was 55 compared with 54 deals in the previous week (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

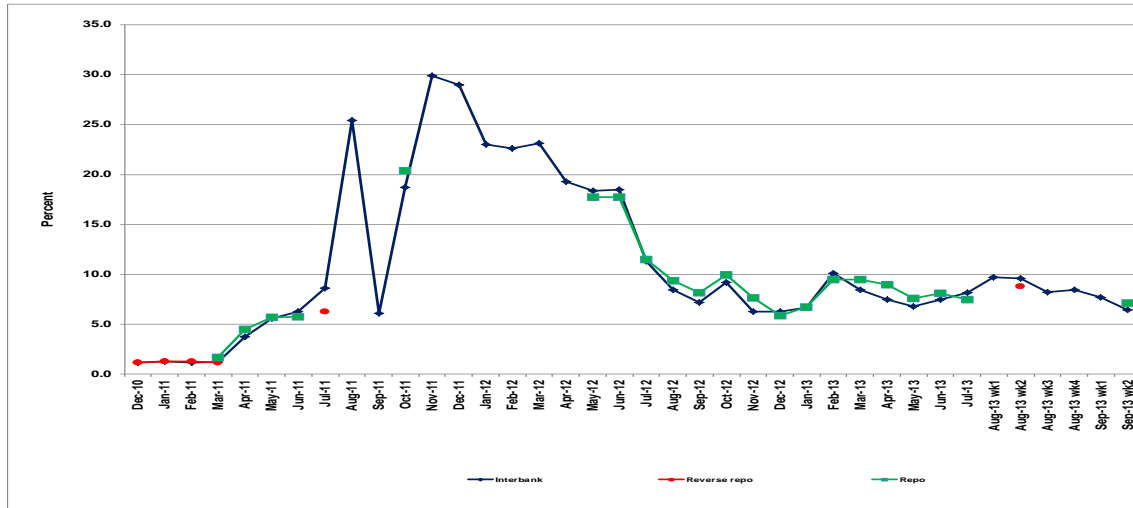
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
29-Aug-13	60	15,714	8.36
30-Aug-13	59	16,833	7.97
02-Sep-13	55	16,668	7.69
03-Sep-13	48	15,450	7.35
04-Sep-13	46	13,733	6.99
August 29-September 4, 2013	54	15,680	7.67
05-Sep-13	48	10,588	6.61
06-Sep-13	42	9,218	6.39
09-Sep-13	60	12,523	6.35
10-Sep-13	63	11,449	6.40
11-Sep-13	60	13,480	6.53
September 5-September 11, 2013	55	11,452	6.46

Source: Central Bank of Kenya

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The Repo rate during the week ending September 11, 2013 averaged at 7.15 percent.

CHART A: STRUCTURE OF INTEREST RATES

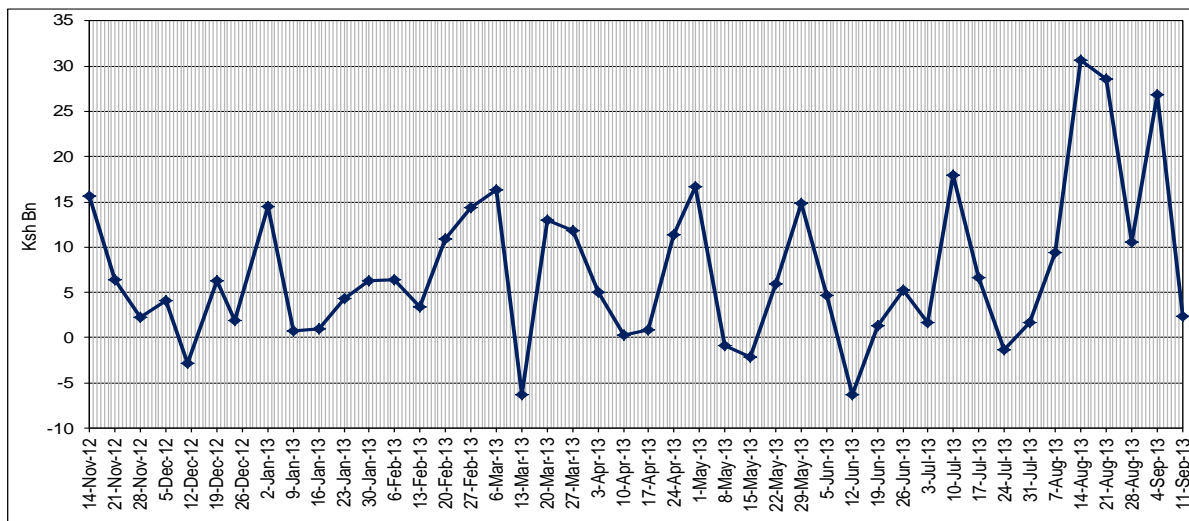


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 2.36 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 93.3 billion) at the Central Bank in the week to September 11, 2013 compared with Ksh 26.78 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 remained relatively stable against major international currencies in the week ending September 12, 2013. During the week, the Kenya Shilling appreciated by 0.08 percent and 0.67 percent against the US dollar and the Japanese Yen respectively to trade at an average of Ksh 87.47 per USD and Ksh 87.72 per 100 Japanese Yen compared to Ksh 87.54 per USD and Ksh 88.31 per 100 Japanese Yen, in the week ending September 5, 2013. The Shilling depreciated by 0.80 percent against the Sterling Pound and by 0.15 percent against the Euro to trade at an average of Ksh 137.29 per Sterling Pound and Ksh 115.72 per Euro compared to Ksh 136.20 per Sterling Pound and Ksh 115.55 per Euro, the previous week.

In the EAC region, the Kenya Shilling weakened against the Tanzania Shilling, the Rwanda Franc and the Burundi Franc and strengthened against the Uganda Shilling. The Kenya Shilling traded at an average of USh 29.46, TSh 18.48, RWF 7.47 and BIF 17.57 in the week ending September 12, 2013 compared to USh 29.57, TSh 18.47, RWF 7.45 and BIF 17.53 in the week ending September 5, 2013.

TABLE 3: KENYA SHILLING EXCHANGE RATES

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
23-29 Aug-13	87.54	136.16	116.92	89.15	29.46	18.48	7.41	17.57
30-Aug-13	87.60	135.98	116.05	89.26	29.53	18.45	7.43	17.52
2-Sep-13	87.56	136.22	115.70	88.79	29.90	18.50	7.41	17.53
3-Sep-13	87.52	136.10	115.39	88.00	29.59	18.48	7.49	17.54
4-Sep-13	87.53	136.23	115.29	87.84	29.41	18.46	7.44	17.54
5-Sep-13	87.50	136.47	115.29	87.64	29.42	18.46	7.46	17.54
30 Aug-5 Sep-13	87.54	136.20	115.55	88.31	29.57	18.47	7.45	17.53
6-Sep-13	87.42	136.37	114.77	87.58	29.49	18.51	7.48	17.56
9-Sep-13	87.40	136.58	115.21	87.98	29.50	18.51	7.46	17.56
10-Sep-13	87.48	137.39	116.09	87.71	29.51	18.47	7.46	17.59
11-Sep-13	87.52	137.58	116.00	87.09	29.40	18.48	7.46	17.59
12-Sep-13	87.55	138.55	116.56	88.23	29.39	18.45	7.46	17.53
6-12 Sep-13	87.47	137.29	115.72	87.72	29.46	18.48	7.47	17.57

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,748 million as at September 5, 2013 to US Dollar 5,881 million as at September 12, 2013. In terms of the months of imports cover, the foreign exchange reserves also increased from 4.11 months of import cover to 4.16 months of import cover (Table 4).

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TABLE 4: OFFICIAL RESERVES USD MILLIONS

	04-Jul-13	11-Jul-13	18-Jul-13	25-Jul-13	01-Aug-13	08-Aug-13	15-Aug-13	22-Aug-13	29-Aug-13	05-Sep-13	12-Sep-13
Usable Reserves*	5,812	5,771	5,722	5,747	5,763	5,741	5,717	5,736	5,754	5,748	5,881
Months of Imports Cover**	4.22	4.16	4.13	4.15	4.12	4.10	4.09	4.10	4.11	4.11	4.16

*Excludes encumbered reserves

**Based on 36 month average of

Government Securities Auction

The Government offered for sale Ksh 3.0 billion in each of the 91-day, 182-day and 364-day Treasury bills during the week ending September 13, 2013. Total bids received amounted to Ksh 29.2 billion, of which Ksh 15.2 billion, Ksh 6.0 billion and Ksh 8.1 billion was in the 91 day, 182 day and 364 day papers, representing performance rates of 506.28 percent, 199.63 percent and 268.48 percent, respectively. The Government accepted Ksh 7.0 billion in the 91-day paper, Ksh 3.3 billion in the 182-day paper and Ksh 4.6 billion in the 364-day paper, during the week. Total non-competitive bids received amounted to Ksh 2.2 billion.

Interest Rates on Government securities

Weighted average interest rates on the 91-day, 182-day and 364-day Treasury bills declined by 69.3 basis points, 37.1 basis points and 64.6 basis points, respectively, to reach 9.235 percent, 10.089 percent and 10.756 percent, during the week's auction.

TABLE 5: GOVERNMENT SECURITIES INTEREST RATES

	22-Mar-13	28-Jun-13	26-Jul-13	08-Aug-13	16-Aug-13	23-Aug-13	30-Aug-13	06-Sep-13	13-Sep-13
91-day T. Bills*	10.318	5.175	6.863	10.406	10.498	10.462	10.474	9.928	9.235
182-day T. Bills*	10.602	5.549	6.793	9.859	10.732	10.816	10.835	10.460	10.089
364-day T. Bills*	12.674	8.356	9.949	11.254	11.563	11.690	11.649	11.402	10.756
2 year FXD T. Bonds	12.940					12.939			
5 year FXD T. Bonds		11.305							
10year FXD T. Bonds	13.720	12.371				12.371			
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 increased by Ksh 62.5 billion to reach Ksh 1,113.5 billion on September 06, 2013, from Ksh 1,051.0 billion held at the end of June 2013. This followed Ksh 12.5 billion, Ksh 30.2 billion and Ksh 20.1 billion respective increases in the stocks of Treasury bills, Treasury bonds and Government overdraft at the Central Bank, and a decline of Ksh 0.4 billion in other domestic debt, during the period.

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TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

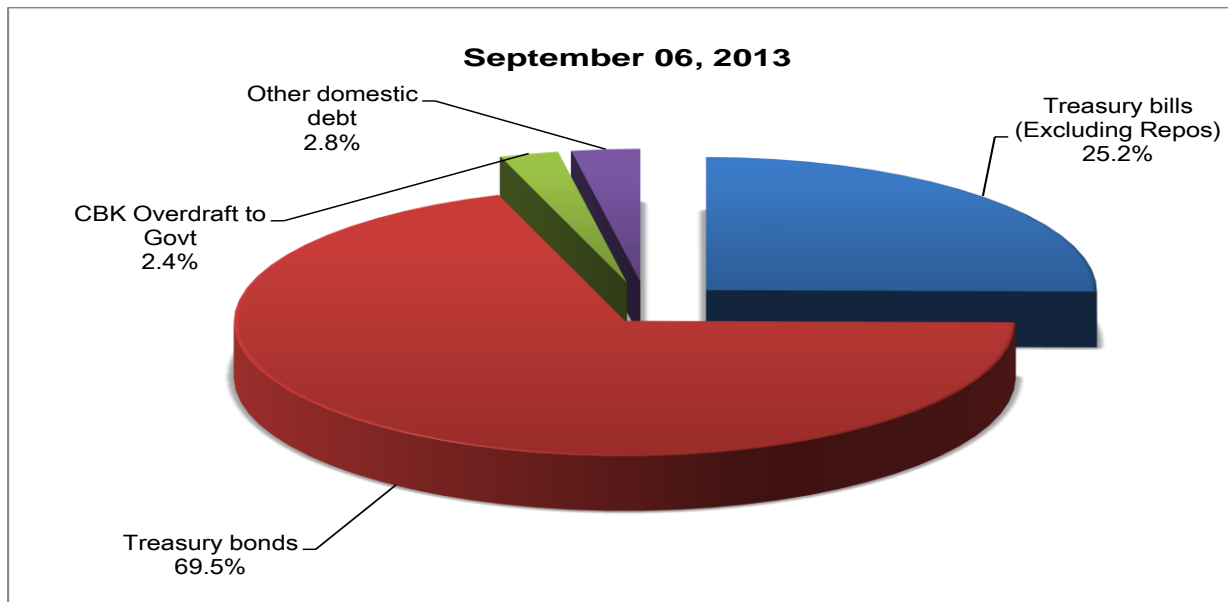
	Jun 2012	Jun 2013	23rd August 2013	30th August 2013	6th September 2013	Changes	
						30th Aug 2013 -6th Sept. 2013	28th Jun 2013 -6th Sept 2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	267.8 26.5	271.9 26.5	278.0 26.4	280.3 26.6	2.3	12.5
2. Treasury Bonds (As % of total securities)	687.0 83.9	744.2 73.5	756.0 73.5	774.4 73.6	774.4 73.4	0.0	30.2
3. Total Securities (1+2)	819.0	1011.9	1027.9	1052.4	1054.7	2.3	42.8
4. Overdraft at Central Bank	7.3	7.0	32.7	34.2	27.1	-7.1	20.1
5. Other Domestic debt*	32.6	32.0	31.6	31.6	31.7	0.0	-0.4
6. Gross Domestic Debt (3+4+5)	858.8	1051.0	1092.2	1118.2	1113.5	-4.8	62.5
7. Interest payments on domestic debt	82.3	110.2	7.9	14.2	14.9	0.7	

* 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 September 06, 2013, gross government domestic debt decreased by Ksh 4.8 billion, mainly on account of Government overdraft at the Central Bank which decreased by Ksh 7.1 billion, while stocks of Treasury bills increased by Ksh. 2.3 billion. However, stocks of Treasury bonds and other domestic debt remained unchanged during the week. The average time to maturity of Government securities reduced to 5 years and 1 month from 5 years and 2 months at the end of June 2013.

CHART C: COMPOSITION OF GOVERNMENT SECURITIES



Source: Central Bank of Kenya

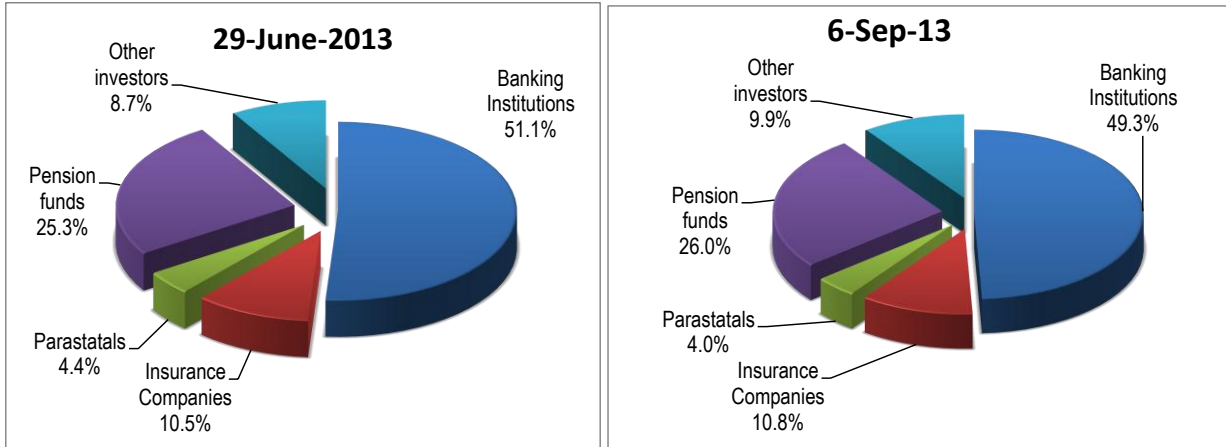
Holding of Government Securities

Government securities accounted for 94.7 percent of gross domestic debt on September 06, 2013 (Chart C). The share of Government securities held by Insurance companies,

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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 10.8 percent, 26.0 percent and 9.9 percent, on September 06, 2013. Government securities held by Banking Institutions and Parastatals decreased from 51.1 percent and 4.4 percent, to 49.3 percent and 4.0 percent, respectively, during the period under review (Chart D).

CHART D: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS

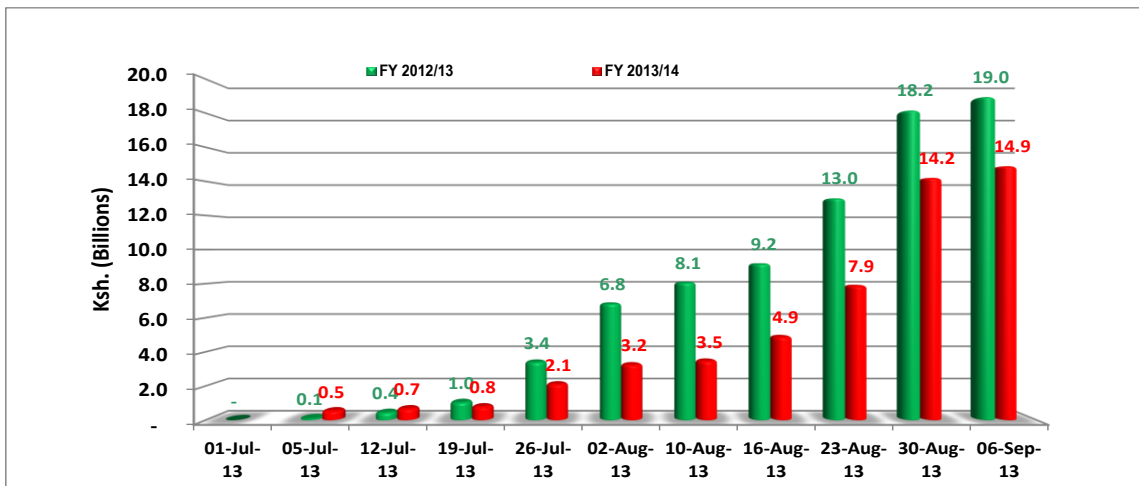


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt during the week ending September 06, 2013 amounted to Ksh 14.9 billion compared with Ksh 19.0 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 and Treasury bonds amounting to Ksh 3.2 billion and Ksh 11.5 billion, respectively. Interest on Government overdraft at the Central Bank amounted to Ksh 0.2 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

Capital markets performance for the week ended September 12, 2013 improved on both equities and bonds segments. All indices and turnover in both segments rose.

Equities Market

As indicated in Table 7, NSE 20 Share Index closed the week at 4,732.92 points up from last week's 4,677.6 points. The NASI rose to 122.88 points from 121.82 points recorded on September 5, 2013. Market capitalization that measures shareholders' wealth was Ksh 1,728.65 billion, up from Ksh 1,696.87 billion the previous week. Equity turnover also rose to Ksh 2,686.44 million on account of higher volumes traded.

TABLE 7: KEY WEEKLY MARKET STATISTICS

Week Ending	25-Jul-13	01-Aug-13	08-Aug-13	15-Aug-13	22-Aug-13	29-Aug-13	05-Sep-13	12-Sep-13
NASI 100= Jan 2008	123.22	123.03	123.55	125.77	124.36	120.39	121.82	122.88
NSE 20 Share Index 100=1966	4,796.30	4,781.40	4,801.03	4,812.27	4,814.12	4,708.05	4,677.60	4,732.92
Number of Deals	8,007.00	7,993.00	5,715.00	8,771.00	8,595.00	8,053.00	7,031.00	8,545.00
Total Shares Traded (millions)	103.42	89.42	78.18	146.92	157.77	243.88	80.16	141.11
Equity Turnover (Ksh. millions)	2,024.50	1,773.49	3,024.39	8,198.03	3,591.78	5,030.06	2,069.19	2,686.44
Market Capitalization (Ksh. Bn.)	1,432.12	1,729.87	1,737.10	1,761.87	1,748.49	1,692.67	1,696.87	1,728.65
Bonds Turnover (Ksh. millions)	6,073.90	5,144.30	6,637.25	5,809.90	2,342.60	9,334.60	8,218.65	10,253.10
FTSE NSE Kenya 15 Index	161.03	160.15	161.04	164.51	162.43	156.72	159.45	159.94
FTSE NSE Kenya 25 Index	165.19	163.93	164.77	167.34	164.77	158.79	161.31	162.08
FTSE NSE Bond Index	94.80	94.83	93.90	93.90	94.06	94.06	94.06	94.06

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

Source: Central Bank of Kenya

Telecoms & Technology, Banking, and Energy & Petroleum were the top three active sectors, transacting 84.40 million, 35.51 million and 7.87 million, respectively, reflecting increases of 59.8 percent, 22.3 percent and or 5.6 percent respectively from last week. Safaricom, Equity Bank and Barclays were the three most active counters with 84.40 million, 11.97 million and 7.10 million shares traded, respectively. The least active sector was Automobile and Accessories sector with 31,600 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 159.94 points up from 159.45 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE rose to 162.08 points from 161.31 points the previous week. FTSE NSE Bond Index was unchanged at 94.06 points for the third week in a row.

The Bond Market

Bonds trading activity increased by 24.75 percent as turnover closed at Ksh 10,253.10 million from Ksh 8,218.65 million the previous week. Corresponding number of deals were 128, more than doubling from 61 of last week.