



SEPTEMBER 20, 2013

Highlights

The money market was relatively tight during the week ending September 18, 2013 on account of payment of taxes. The Central Bank liquidity management transactions through repo securities resulted in Ksh 7.1 billion net injection into the money market to mitigate liquidity outflow to Government.

Reflecting the tightness, the average interbank rate increased to 6.83 percent during the week ending September 18, 2013 from 6.46 percent in the previous week.

The Kenya Shilling exchange rate remained relatively stable against major international currencies in the week ending September 19, 2013. Against the US\$ the Kenya Shilling weakened marginally to trade at an average of Ksh 87.53 per US\$ compared to Ksh 87.47 per US\$ in the week ending September 12, 2013.

The usable official foreign exchange reserves held by Central Bank increased from US\$ 5,881 million (equivalent to 4.16 months of import cover) as at September 12, 2013 to US\$ 5,883 million (or 4.17 months cover) as at September 19, 2013.

The Government offered for sale Treasury bills worth Ksh 9.0 billion, during the week ending September 20, 2013. A total of Ksh 11.0 billion was accepted out of Ksh 11.9 billion bids received.

Gross Government domestic debt increased by Ksh 42.9 billion to reach Ksh 1,093.8 billion on September 13, 2013, from Ksh 1,051.0 billion held at the end of June 2013.

Capital markets performance was mixed in the week ending September 19, 2013. NSE Share Index rose 12.55 points while NASI was up 0.92 points. Equity turnover rose 2.3 percent and market capitalization added Ksh 3.13 billion to the previous week's value. In the bonds segment, turnover was down 27.30 percent and correspondent deals to 109 from 128 of the previous.

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Monetary Policy Operations

The money market was relatively tight during the week ending September 18, 2013 on account of payment of taxes. The Central Bank liquidity management transactions through repo securities resulted in Ksh 7.1 billion net injection to the money market thereby mitigating liquidity withdrawal through Government transactions. Sale of repo securities was Ksh 21.0 billion against maturities of Ksh 28.1 billion. Reserve money averaged Ksh 276.8 billion during the week and was Ksh 11.1 billion below 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)
12-Sep-13	280.0	287.6	-7.6	4.0	4.0	0.0	0.0	277.5	-10.1	-8.3	-1.9
13-Sep-13	291.9	287.6	4.2	14.0	14.0	0.0	0.0	278.3	-9.3	-6.3	-3.0
16-Sep-13	281.4	288.1	-6.7	3.0	3.0	0.0	0.0	278.0	-10.1	-7.5	-2.6
17-Sep-13	277.4	288.1	-10.7	0.0	0.0	0.0	0.0	278.3	-9.8	-6.7	-3.1
18-Sep-13	274.6	288.1	-13.5	0.0	0.0	0.0	0.0	271.8	-16.3	-12.4	-3.9
Average	281.0	287.9	-6.9	4.2	4.2	0.0	0.0	276.8	-11.1	-8.2	-2.9

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate increased by 37.7 basis points to 6.83 percent during the week ending September 18, 2013 from 6.46 percent in the previous week reflecting tight liquidity in the money market. The average interbank volume transacted increased to Ksh 12.4 billion in the week ending September 18, 2013 from Ksh 11.5 billion the previous week, while the average number of deals was 58 compared with 55 deals in the previous week (Table 2 and Chart A).

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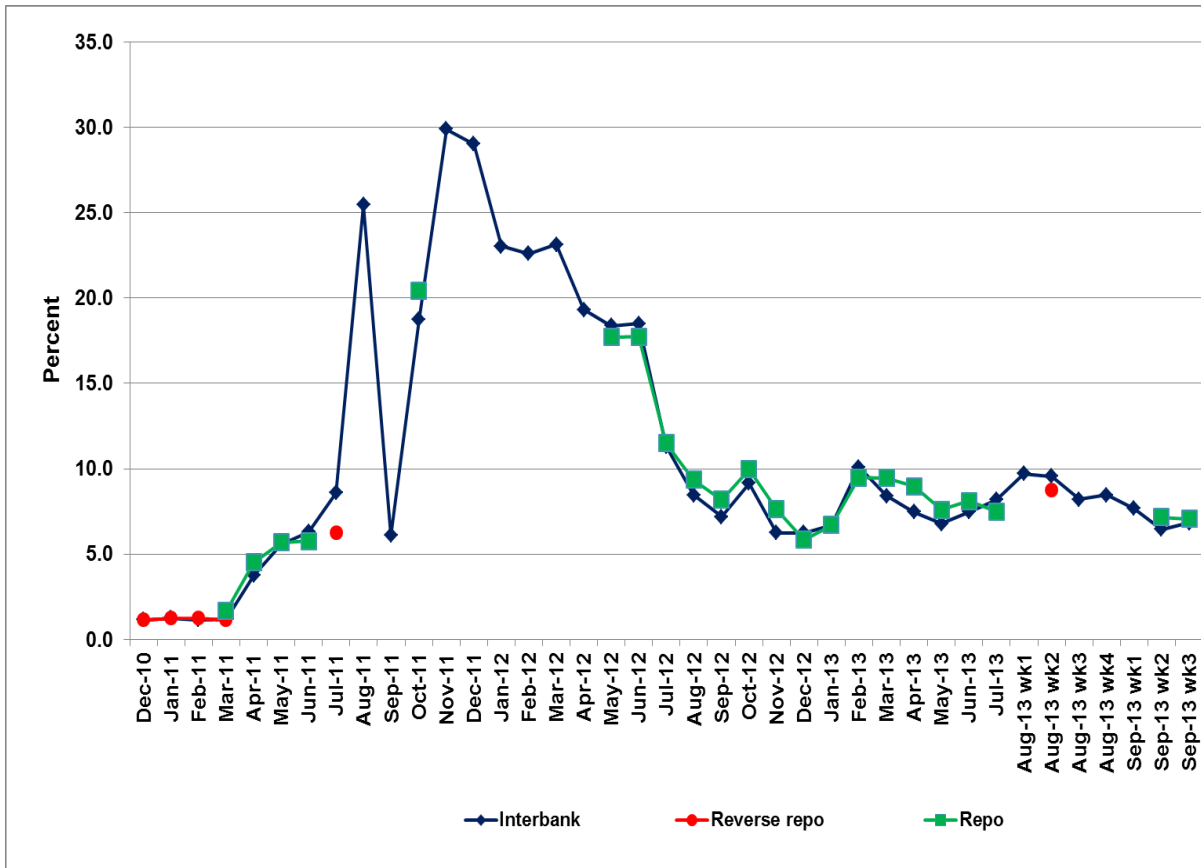
TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
5-Sep-13	48	10,588	6.61
6-Sep-13	42	9,218	6.39
9-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
12-Sep-13	70	15,545	6.60
13-Sep-13	55	10,708	6.60
16-Sep-13	52	11,558	6.72
17-Sep-13	55	11,835	6.94
18-Sep-13	60	12,470	7.31
September 12 -September 18, 2013	58	12,423	6.83

Source: Central Bank of Kenya

The average repo rate decreased to 7.05 percent during the week ending September 18, 2013 from 7.15 percent recorded in the previous week.

CHART A: STRUCTURE OF INTEREST RATES

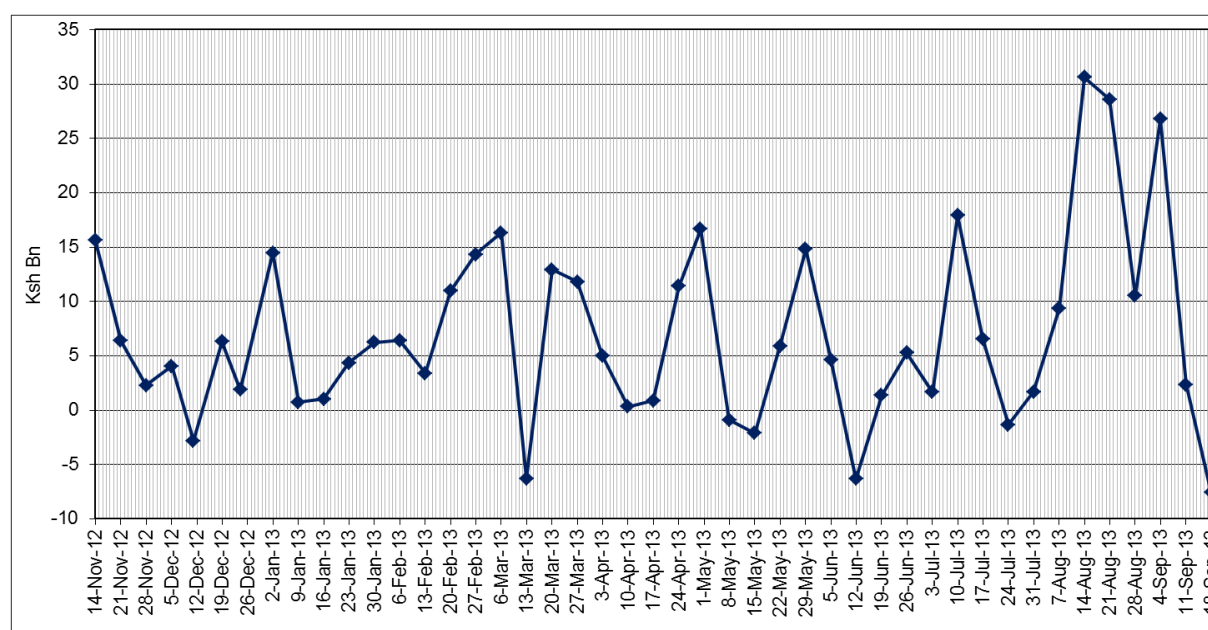


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

As further indication of the tightness of interbank market liquidity, commercial banks recorded a shortfall of Ksh 7.58 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 September 18, 2013 compared with a surplus of Ksh 2.36 billion recorded in the previous week (Chart B).

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



Source: Central Bank of Kenya

The Shilling Exchange Rate

The Kenya Shilling exchange rate remained stable against major international currencies in the week ending September 19, 2013. During the week, the Kenya Shilling depreciated by 0.07 percent and 1.62 percent, 1.14 percent and 0.77 percent against the US\$, the Sterling Pound, the Euro and the Japanese Yen, respectively to trade at an average of Ksh 87.53 per US\$, Ksh 139.51 per Sterling Pound, Ksh 117.04 per Euro and Ksh 88.39 per 100 Japanese Yen.

In the EAC region, the Kenya Shilling weakened against the Uganda Shilling, the Tanzania Shilling and the Rwanda Franc and strengthened against the Burundi Franc. The Kenya Shilling traded at an average of US\$ 29.31, TSh 18.45, RWF 7.46 and BIF 17.58 in the week ending September 19 compared to US\$ 29.46, TSh 18.48, RWF 7.47 and BIF 17.57 in the week ending September 12, 2013.

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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
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
13-Sep-13	87.54	138.23	116.14	87.86	29.30	18.46	7.46	17.58
16-Sep-13	87.58	139.70	117.00	88.85	29.36	18.47	7.46	17.57
17-Sep-13	87.54	139.31	116.76	88.19	29.30	18.45	7.46	17.58
18-Sep-13	87.54	139.31	116.94	88.17	29.36	18.44	7.46	17.58
19-Sep-13	87.45	141.01	118.36	88.88	29.24	18.44	7.47	17.60
12-19 Sep-13	87.53	139.51	117.04	88.39	29.31	18.45	7.46	17.58

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US\$ 5,881 million as at September 12, 2013 to US\$ 5,883 million as at September 19, 2013. In terms of the months of imports cover, the foreign exchange reserves also increased from 4.16 months of import cover to 4.17 months of import cover (Table 4).

TABLE 4: OFFICIAL RESERVES USD MILLIONS

	1-Aug-13	8-Aug-13	15-Aug-13	22-Aug-13	29-Aug-13	5-Sep-13	12-Sep-13	19-Sep-13
Usable Reserves*	5,763	5,741	5,717	5,736	5,754	5,748	5,881	5,883
Months of Imports Cover**	4.12	4.10	4.09	4.10	4.11	4.11	4.16	4.17

*Excludes encumbered reserves

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

Government Securities Auction

The Government offered for sale Ksh 3.0 billion each in the 91-day, 182-day and 364-day Treasury bills during the week ending September 20, 2013. Total bids received amounted to Ksh 11.9 billion, of which Ksh 3.5 billion, Ksh 3.5 billion and Ksh 4.9 billion was in the 91-day, 182-day and 364-day bills. The Government accepted Ksh 3.0 billion in the 91-day bills, Ksh 3.1 billion in the 182-day bills and Ksh 4.9 billion in the 364-day bills, during the week. Total non-competitive bids received amounted to Ksh 1.8 billion.

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Interest Rates on Government securities

Weighted average interest rates on the 91-day, 182-day and 364-day Treasury bills decreased by 9.6, 39.5 and 34.3 basis points, respectively, to reach 9.139 percent, 9.694 percent and 10.413 percent, during the week's auction.

TABLE 5: GOVERNMENT SECURITIES INTEREST RATES

	22-Mar-13	28-Jun-13	26-Jul-13	16-Aug-13	23-Aug-13	30-Aug-13	6-Sep-13	13-Sep-13	20-Sep-13
91-day T. Bills*	10.318	5.175	6.863	10.498	10.462	10.474	9.928	9.235	9.139
182-day T. Bills*	10.602	5.549	6.793	10.732	10.816	10.835	10.460	10.089	9.694
364-day T. Bills*	12.674	8.356	9.949	11.563	11.690	11.649	11.402	10.756	10.413
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									

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 42.9 billion to reach Ksh 1,093.8 billion on September 13, 2013, from Ksh 1,051.0 billion held at the end of June 2013. This followed Ksh 30.2 billion and Ksh 20.1 billion respective increases in the stocks of Treasury bonds and Government overdraft at the Central Bank, which were partially offset by Ksh 7.1 billion and Ksh. 0.3 billion declines in Treasury bills and other domestic debt, respectively, during the period.

TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

	Jun 2012	Jun 2013	Aug 2013	6th Sept 2013	13th Sept 2013	Changes	
						6th Sept. 2013 - 13 sept. 2013	28th Jun 2013 - 13th Sept 2013
1. Treasury Bills (Excluding Repos)	132.0	267.8	278.0	280.3	260.7	-19.6	-7.1
(As % of total securities)	16.1	26.5	26.4	26.6	25.2	-1.4	
2. Treasury Bonds	687.0	744.2	774.4	774.4	774.4	0.0	30.2
(As % of total securities)	83.9	73.5	73.6	73.4	74.8	1.4	
3. Total Securities (1+2)	819.0	1011.9	1052.4	1054.7	1035.1	-19.6	23.1
4. Overdraft at Central Bank	7.3	7.0	34.2	27.1	27.1	0.0	20.1
5. Other Domestic debt*	32.6	32.0	31.6	31.7	31.7	0.0	-0.3
6. Gross Domestic Debt (3+4+5)	858.8	1051.0	1118.2	1113.5	1093.8	-19.6	42.9
7. Interest payments on domestic debt	82.3	110.2	14.2	14.9	15.4	0.4	

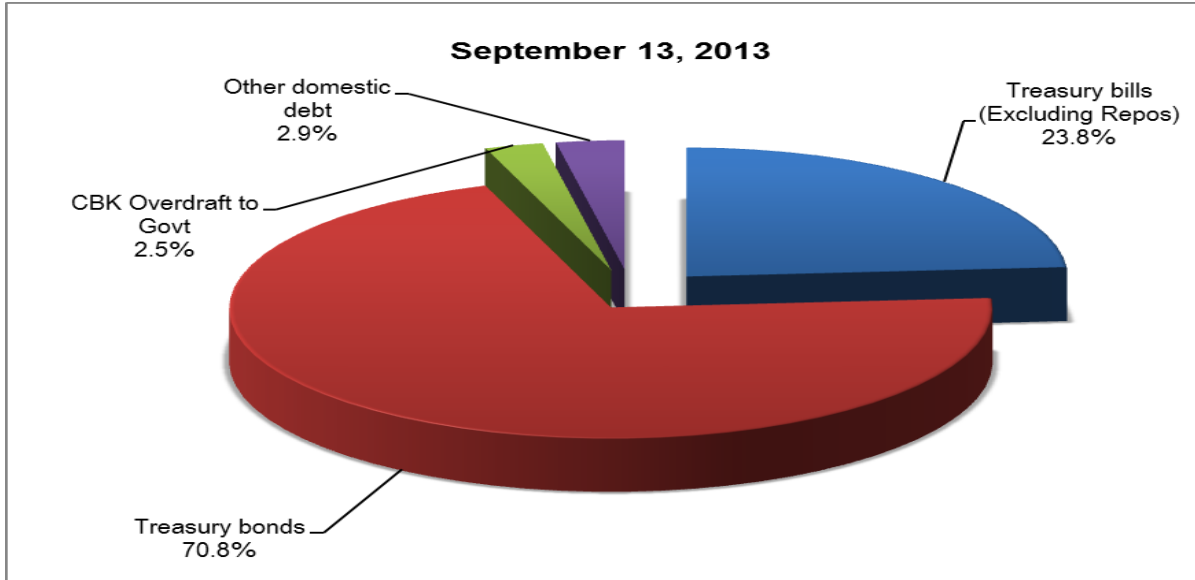
* Other domestic debt includes clearing items in transit, advances from commercial banks, Pre-1997 Government Overdraft and Tax Reserve Certificates.

Source: Central Bank of Kenya

During the week ending September 13, 2013, gross government domestic debt decreased by Ksh 19.6 billion on account of Treasury bills, while Treasury bonds, Government overdraft at the Central Bank and other domestic debt remained unchanged. 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

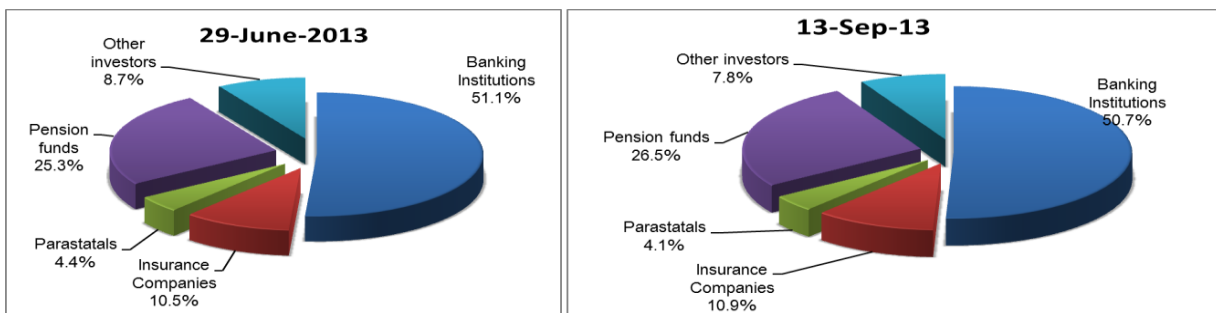


Source: Central Bank of Kenya

Holding of Government Securities

Government securities accounted for 94.6 percent of gross domestic debt on September 13, 2013 (Chart C). The share of Government securities held by Insurance companies and Pension funds increased from 10.5 percent and 25.3 percent respectively, in June 2013 to 10.9 percent and 26.5 percent on September 13, 2013. Government securities held by Banking Institutions, Parastatals and other investors, which comprise of Sacco’s, listed and private companies, self-help groups, educational institutions, religious institutions and individuals decreased from 51.1 percent, 4.4 percent and 8.7 percent to 50.7 percent, 4.1 percent and 7.8 percent, respectively, during the period under review (Chart D).

CHART D: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS

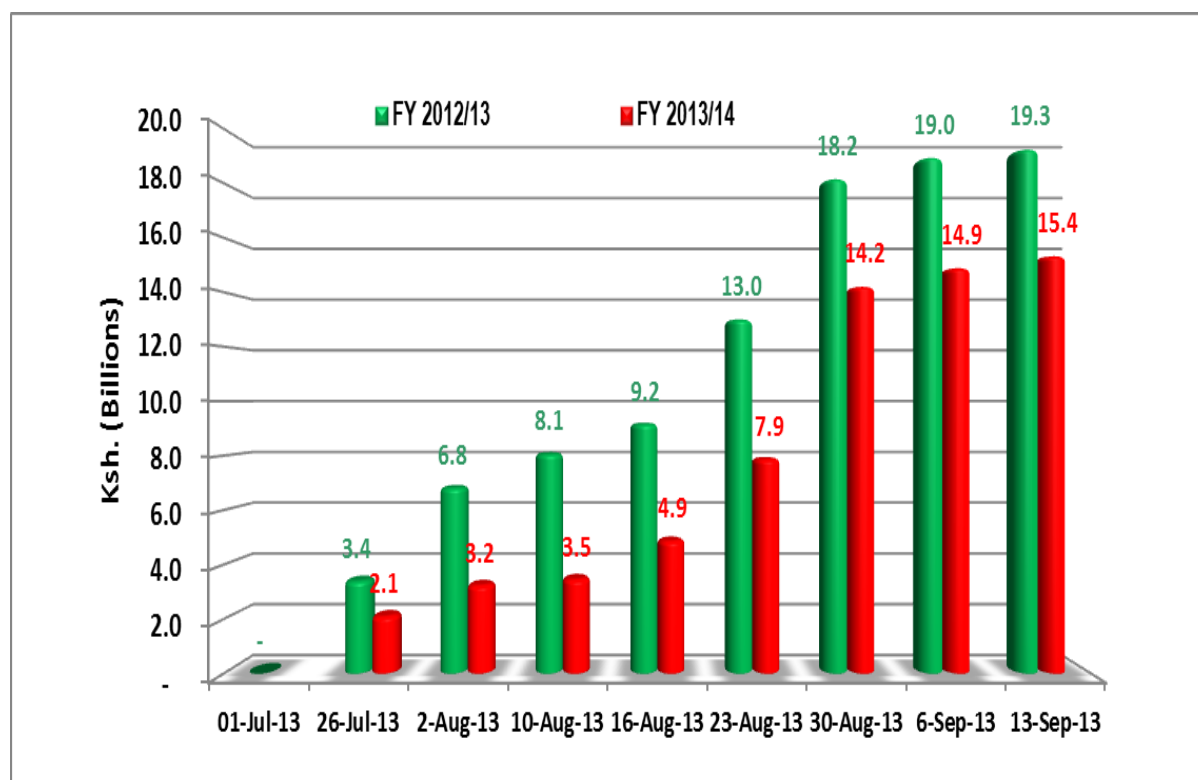


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt during the week ending September 13, 2013 amounted to Ksh 15.4 billion compared with Ksh 19.3 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 3.7 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

Capital Markets Report

Capital markets performance for the week ended September 19, 2013 was mixed in equities segment while bonds segment activity declined. All indices except Government Bond Index increased. Both equity and bonds turnover declined.

Equities Market

NSE 20 Share Index closed the week at 4,745.47 points up from last week’s 4,732.92 points. NASI rose to 123.80 points from 122.88 points recorded on September 19, 2013. Market capitalization that measures shareholders’ wealth was Ksh 1,741.002 billion up from Ksh 1,728.65 billion. Equity turnover also rose to Ksh 2,748.18 million on account of higher volumes traded (Table 7).

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TABLE 7: KEY WEEKLY MARKET STATISTICS

Week Ending	8-Aug-13	15-Aug-13	22-Aug-13	29-Aug-13	5-Sep-13	12-Sep-13	19-Sep-13
NASI 100= Jan 2008	123.55	125.77	124.36	120.39	121.82	122.88	123.80
NSE 20 Share Index 100=1966	4,801.03	4,812.27	4,814.12	4,708.05	4,677.60	4,732.92	4,745.47
Number of Deals	5,715.00	8,771.00	8,595.00	8,053.00	7,031.00	8,545.00	7,697.00
Total Shares Traded (millions)	78.18	146.92	157.77	243.88	80.16	141.11	115.47
Equity Turnover (Ksh. millions)	3,024.39	8,198.03	3,591.78	5,030.06	2,069.19	2,686.44	2,748.18
Market Capitalization (Ksh. Bn.)	1,737.10	1,761.87	1,748.49	1,692.67	1,696.87	1,728.65	1,741.00
Bonds Turnover (Ksh. millions)	6,637.25	5,809.90	2,342.60	9,334.60	8,218.65	10,253.10	7,454.35
FTSE NSE Kenya 15 Index	161.04	164.51	162.43	156.72	159.45	159.94	161.46
FTSE NSE Kenya 25 Index	164.77	167.34	164.77	158.79	161.31	162.08	163.58
FTSE NSE Bond Index	93.90	93.90	94.06	94.06	94.06	94.06	92.35

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

Source: Central Bank of Kenya

Telecoms and Technology, Banking, and Insurance were the top three active sectors, transacting 62.86 million or 54.4 per cent, 28.54 million or 24.7 per cent and 5.82 million or 4.7 per cent, respectively. Safaricom, Equity Bank and Co-operative Bank were the three most active counters with 62.86 million, 10.01 million and 6.67 million shares traded, respectively. The least active sector was Automobile and Accessories sector with 79,700 shares.

The biggest closing and average price gain for the week was for East African Breweries and Home Afrika at Ksh 2 and Ksh 2.40 per share, respectively. The biggest closing and average price loss was for Nation Media Group at Ksh 11 and Ksh 6.20 per share, respectively. Of the 54 active counters, 18 had average price gain in the week.

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 161.46 points up from 159.94 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE rose to 163.58 points from 162.08 points the previous week. FTSE NSE Bond Index was down to 92.35 points from 94.06 points during the week under review.

The Bond Market

Bonds trading activity declined by 27.30 percent as turnover closed at Ksh 7,454.35 million from Ksh 10,253.10 million the previous week. Corresponding deals were 109 more than doubling from 128 of last week.