



NOVEMBER 29, 2013

Highlights

The money market liquidity improved during the week ending November 27, 2013 supported by redemption of Government securities. In order to allow the market to distribute the available liquidity, the Central Bank stayed out of the market.

The average interbank rate increased to 10.22 percent during the week ending November 27, 2013 from 9.51 percent in the previous week.

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending November 28, 2013. The Kenya Shilling weakened marginally to trade at an average of Ksh 86.70 per US\$ compared to Ksh 86.34 per US\$ in the week ending November 21, 2013.

The usable official foreign exchange reserves held by Central Bank increased to US\$ 5,898 million as at November 28, 2013 from US\$ 5,879 million as at November 21, 2013.

The Government offered for sale Treasury bills worth Ksh 7.0 billion, during the week ending November 29, 2013. A total of Ksh 14.2 billion was accepted out of Ksh 14.7 billion bids received.

Gross Government domestic debt increased by Ksh 126.5 billion to reach Ksh 1,177.5 billion on November 22, 2013, from Ksh 1,051.0 billion held at the end of June 2013. During the week, gross government domestic debt rose by Ksh 1.4 billion, largely on account of Overdraft at the Central Bank of Kenya.

The NSE performance improved during the week ending November 28, 2013. The equities segment most leading market indicators demonstrated good performance. The NSE 20 Share Index gained 83.30 points, while NASI was up 4.44 points. Market capitalization gained Ksh 52.14 billion and Equity turnover increased by 55.48 percent. FTSE NSE 15 Index and FTSE NSE 25 Index also rose by 3.77 and 3.46 points, respectively. The bonds turnover, however, declined by 5.44 percent, while the Bond Index also declined marginally by 0.05 points.

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Monetary Policy Operations

The money market liquidity increased during the week ending November 27, 2013 on account of redemption of Government securities. The Central Bank stayed out of the market to allow the market to distribute the available liquidity. Reserve money averaged KSh 299.6 billion during the week and was KSh 2.5 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(-) | Reverse Repo | 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) | |
| 21-Nov-13 | 289.6 | 296.6 | -7.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 288.3 | -8.3 | -7.2 | -1.1 |
| 22-Nov-13 | 290.7 | 296.6 | -5.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 291.1 | -5.5 | -3.6 | -1.9 |
| 25-Nov-13 | 306.8 | 297.5 | 9.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 308.3 | 10.8 | 13.9 | -3.1 |
| 26-Nov-13 | 307.4 | 297.5 | 9.9 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 305.0 | 7.5 | 10.6 | -3.1 |
| 27-Nov-13 | 303.8 | 297.5 | 6.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 300.9 | 3.4 | 7.2 | -3.8 |
| Average | 299.6 | 297.1 | 2.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 298.7 | 1.6 | 4.2 | -2.6 |

Source: Central Bank of Kenya

Interbank and REPO Rates

The average interbank rate increased by 71.3 basis points to 10.22 percent during the week ending November 27, 2013 from 9.51 percent the previous week. The average interbank volume transacted decreased to KSh 16.33 billion in the week ending November 27, 2013 from KSh 18.19 billion the previous week, while the average number of deals decreased to 68 from 69 (Table 2 and Chart A).

TABLE 2: INTERBANK DEALS, VOLUMES AND INTEREST RATES

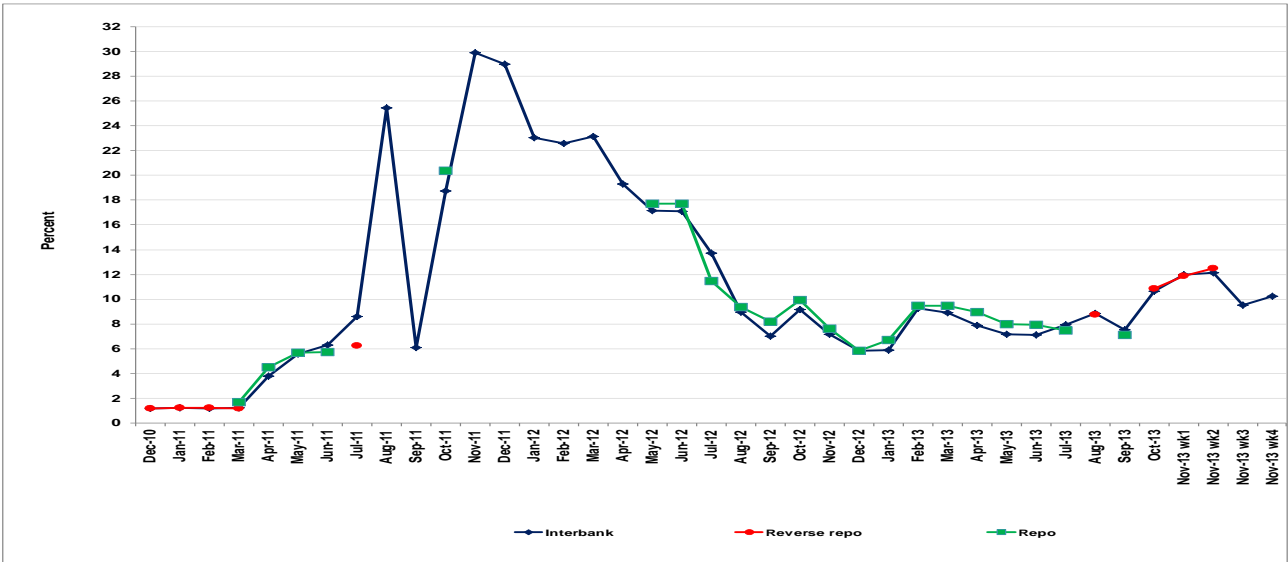
| Date | Number of deals | Value (Ksh M) | Average Interest Rate (%) |
|---------------------------------------|-----------------|---------------|---------------------------|
| 14-Nov-13 | 40 | 10,855 | 9.62 |
| 15-Nov-13 | 66 | 16,027 | 9.18 |
| 18-Nov-13 | 73 | 19,197 | 9.40 |
| 19-Nov-13 | 82 | 22,775 | 9.56 |
| 20-Nov-13 | 84 | 22,080 | 9.79 |
| November 14 -November 20, 2013 | 69 | 18,187 | 9.51 |
| 21-Nov-13 | 81 | 20,245 | 10.04 |
| 22-Nov-13 | 80 | 16,426 | 10.57 |
| 25-Nov-13 | 35 | 7,865 | 10.42 |
| 26-Nov-13 | 74 | 17,148 | 10.15 |
| 27-Nov-13 | 72 | 19,977 | 9.94 |
| November 21 -November 27, 2013 | 68 | 16,332 | 10.22 |

Source: Central Bank of Kenya

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Commercial banks recorded a surplus of Ksh 4.8 billion in their settlement accounts in relation to the monthly average cash reserve requirement of 5.25 percent (Ksh 96.5 billion) at the Central Bank in the week to November 27, 2013 compared with Ksh 1.3 billion recorded in the previous week (Chart B).

CHART A: STRUCTURE OF INTEREST RATES

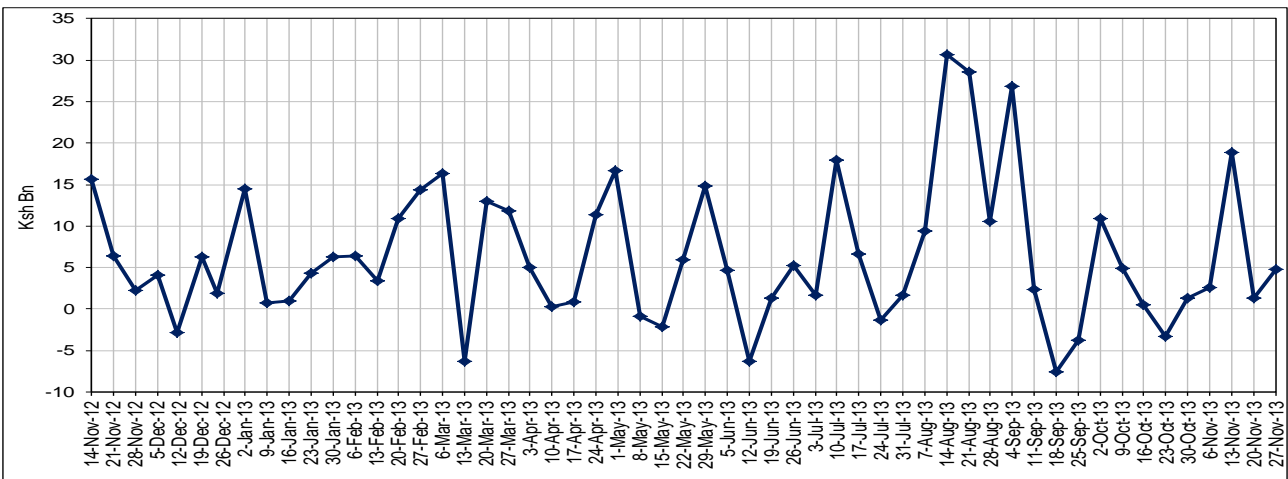


Source: Central Bank of Kenya

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 28, 2013. During the week, the Kenya Shilling depreciated by 0.42 percent, 1.17 percent and 0.86 percent against the US\$, the Sterling Pound and the Euro, respectively, to exchange at an average of Ksh 86.70 per US\$, Ksh 140.63 per Sterling Pound and 117.43 per Euro compared to Ksh 86.34 per US\$, Ksh 139.01 per Sterling Pound and 116.43 per Euro in the week ending November 21, 2013. The weakening of the Shilling was largely on account of increased demand by importers.

During the same period, the shilling strengthened marginally against the Japanese Yen to exchange at an average of Ksh 85.51 per 100 Japanese Yen compared to Ksh 86.30 per 100 Japanese Yen in the week ending November 21, 2013.

In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling to trade at an average of USh 29.23 compare to USh 29.19 and weakened against the other EAC currencies to trade at an average of, TSh 18.59, RWF 7.74 and BIF 17.89 in the week ending November 28, 2013 compared to, TSh 18.63, RWF 7.77 and BIF 17.96 in the week ending November 21, 2013.

TABLE 3: KENYA SHILLING EXCHANGE RATES

| | US dollar | Sterling Pound | Euro | Japanese Yen | USHS | TSHS | RWF | BIF |
|----------------------|--------------|----------------|---------------|--------------|--------------|--------------|-------------|--------------|
| 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 |
| 22-Nov-13 | 86.30 | 139.75 | 116.26 | 85.65 | 29.32 | 18.64 | 7.78 | 17.97 |
| 25-Nov-13 | 86.68 | 140.54 | 117.22 | 85.64 | 29.30 | 18.62 | 7.74 | 17.89 |
| 26-Nov-13 | 86.65 | 140.06 | 117.31 | 85.35 | 29.35 | 18.60 | 7.74 | 17.90 |
| 27-Nov-13 | 86.89 | 140.87 | 118.12 | 85.64 | 29.14 | 18.54 | 7.72 | 17.85 |
| 28-Nov-13 | 86.99 | 141.93 | 118.22 | 85.28 | 29.03 | 18.53 | 7.71 | 17.83 |
| 22-28 Nov- 13 | 86.70 | 140.63 | 117.43 | 85.51 | 29.23 | 18.59 | 7.74 | 17.89 |

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by the Central Bank increased to US\$ 5,898 million (or 4.17 months of import cover) as at November 28, 2013 from US\$ 5,879 million (or 4.12 months of import cover) as at November 21, 2013.

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TABLE 4: OFFICIAL RESERVES USD MILLIONS

| | 05-Sep-13 | 12-Sep-13 | 19-Sep-13 | 26-Sep-13 | 03-Oct-13 | 31-Oct-13 | 07-Nov-13 | 14-Nov-13 | 21-Nov-13 | 28-Nov-13 |
|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Usable Reserves* | 5,748 | 5,881 | 5,883 | 5,903 | 5,931 | 5,869 | 5,822 | 5,859 | 5,879 | 5,898 |
| Months of Imports Cover** | 4.11 | 4.16 | 4.17 | 4.18 | 4.16 | 4.11 | 4.08 | 4.11 | 4.12 | 4.17 |

*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 during the week ending November 29, 2013. Total bids received amounted to Ksh 14.7 billion, of which Ksh 4.8 billion, Ksh 2.7 billion and Ksh 7.2 billion was in 91 day, 182 day and 364 day papers, representing performance rates of 238.13 percent, 106.77 percent and 288.94 percent, respectively. The Government accepted Ksh. 4.8 billion, Ksh 2.7 billion and Ksh 6.7 billion in the 91 day, 182 day and 364 day Treasury bills, during the week. Total non-competitive bids received amounted to Ksh 1.8 billion.

Interest Rates on Government securities

Weighted average interest rate on the 91 day, 182 day and 364 day Treasury bills decreased by 5.6 basis points, 4.2 basis points and 4.95 basis points, respectively, to reach 9.760 percent, 10.473 percent and 10.835 percent, during the week's auction,

TABLE 5: GOVERNMENT SECURITIES INTEREST RATES

| | 04-Oct-13 | 18-Oct-13 | 25-Oct-13 | 01-Nov-13 | 08-Nov-13 | 15-Nov-13 | 22-Nov-13 | 29-Nov-13 |
|---------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| 91-day T. Bills* | 9.360 | 9.792 | 9.943 | 9.984 | 9.999 | 9.979 | 9.816 | 9.760 |
| 182-day T. Bills* | 9.986 | 10.453 | 10.487 | 10.502 | 10.559 | 10.603 | 10.515 | 10.473 |
| 364-day T. Bills* | 10.574 | 10.792 | 10.830 | 10.953 | 10.994 | 10.988 | 10.939 | 10.835 |
| 1 year FXD T. Bonds | | | | | | | | |
| 2 year FXD T. Bonds | | | | | | | | |
| 2 year FXD T. Bonds | | | | | | | | |
| 5 year FXD T. Bonds | | | | | | | 11.952 | |

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 126.5 billion to reach Ksh 1,177.5 billion on November 22, 2013, from Ksh 1,051.0 billion held at the end of June 2013. This followed Ksh 41.8 billion, Ksh 57.7 billion, Ksh 24.0 billion and Ksh 3.2 billion respective increases in the stocks of Treasury bills, Treasury bonds, Government overdraft at the Central Bank and other domestic debt, during the period.

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TABLE 6: GOVERNMENT DOMESTIC DEBT (KSH BILLION)

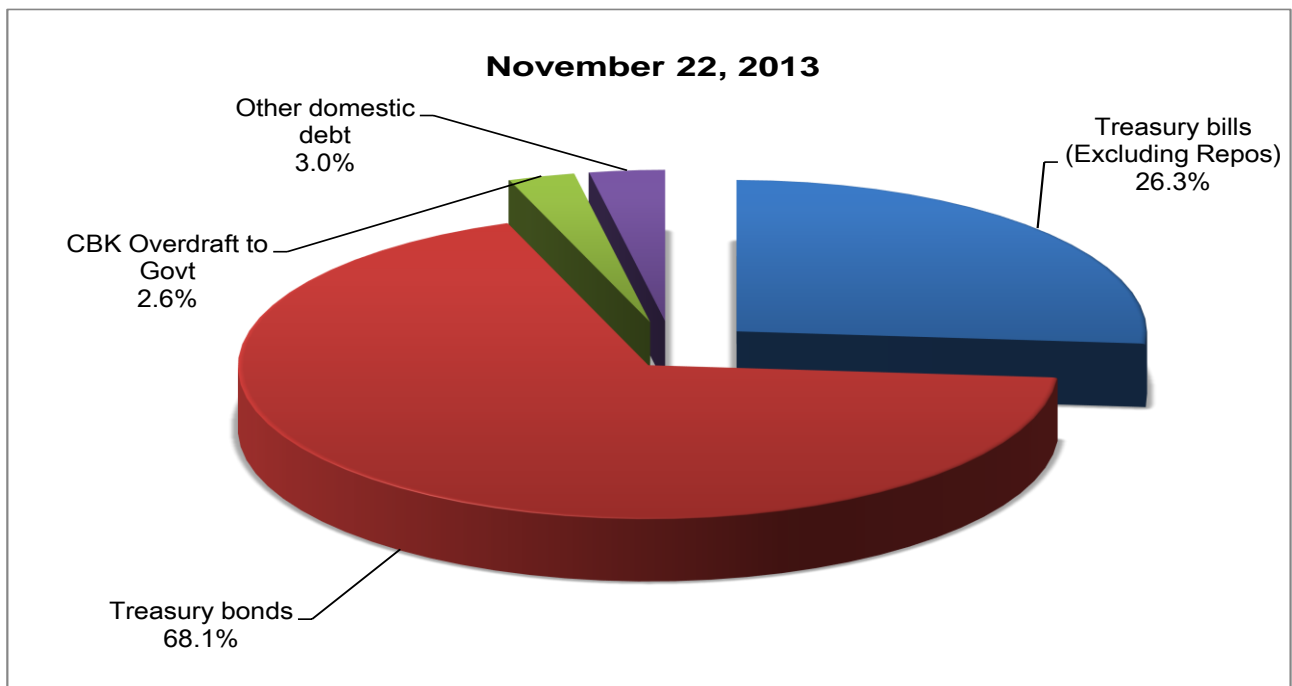
| | Jun 2013 | Aug 2013 | 18th Oct 2013 | 25th Oct 2013 | 1st Nov 2013 | 8th Nov 2013 | 15th Nov 2013 | 22nd Nov 2013 | Changes | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------------------|-------------------------------|
| | | | | | | | | | 15th Nov 2013 to 22nd Nov 2013 | 28th Jun 2013 - 22nd 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 | 309.5 27.9 | -1.8 -0.1 | 41.8 1.4 |
| 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 | 801.8 72.1 | 0.0 0.1 | 57.7 -1.4 |
| 3. Total Securities (1+2) | 1011.9 | 1052.4 | 1100.1 | 1094.5 | 1113.5 | 1115.3 | 1113.2 | 1111.3 | -1.8 | 99.4 |
| 4. Overdraft at Central Bank | 7.0 | 34.2 | 10.8 | 23.5 | 28.0 | 28.0 | 28.0 | 30.9 | 3.0 | 24.0 |
| 5. Other Domestic debt* | 32.0 | 31.6 | 31.5 | 31.6 | 31.6 | 31.6 | 34.9 | 35.2 | 0.3 | 3.2 |
| 6. Gross Domestic Debt (3+4+5) | 1051.0 | 1118.2 | 1142.3 | 1149.6 | 1173.0 | 1174.9 | 1176.0 | 1177.5 | 1.4 | 126.5 |
| 7. Interest payments on domestic debt | 110.2 | 14.2 | 26.0 | 29.2 | 34.1 | 34.5 | 34.7 | 37.2 | 2.5 | |

* 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 1.4 billion, largely on account of overdraft at the Central Bank which increased by Ksh 3.0 billion to reach Ksh 30.9 billion. Other domestic debt increased by Ksh 0.3 billion while Stocks of Treasury bills decreased by Ksh 1.8 billion to reach Ksh 309.5 billion. Stocks of Treasury bonds remained unchanged during the week. The average time to maturity of Government securities stood at 4 years and 10 months on November 22, 2013, compared with 5 years and 2 months at the end of June 2013.

CHART C: COMPOSITION OF GOVERNMENT SECURITIES

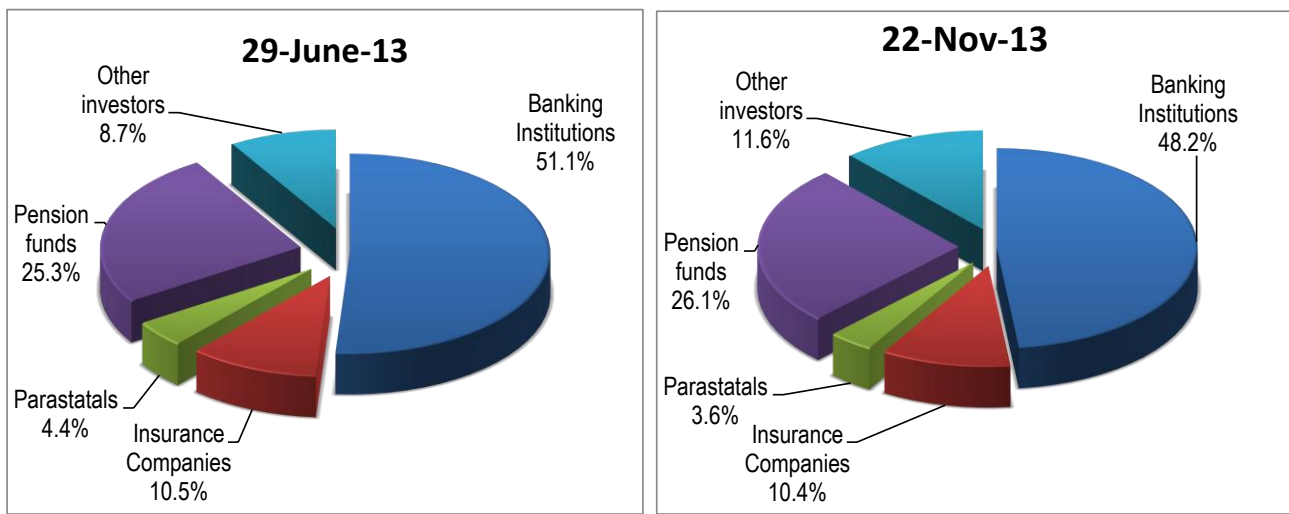


Source: Central Bank of Kenya

Holding of Government Securities

Government securities accounted for 94.4 percent of gross domestic debt on November 22, 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 48.2 percent, 10.4 percent and 3.6 percent, respectively, on November 22, 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 26.1 percent and 11.6 percent of total securities, during the week under review (Chart D).

CHART D: COMPOSITION OF GOVERNMENT SECURITIES BY INVESTORS

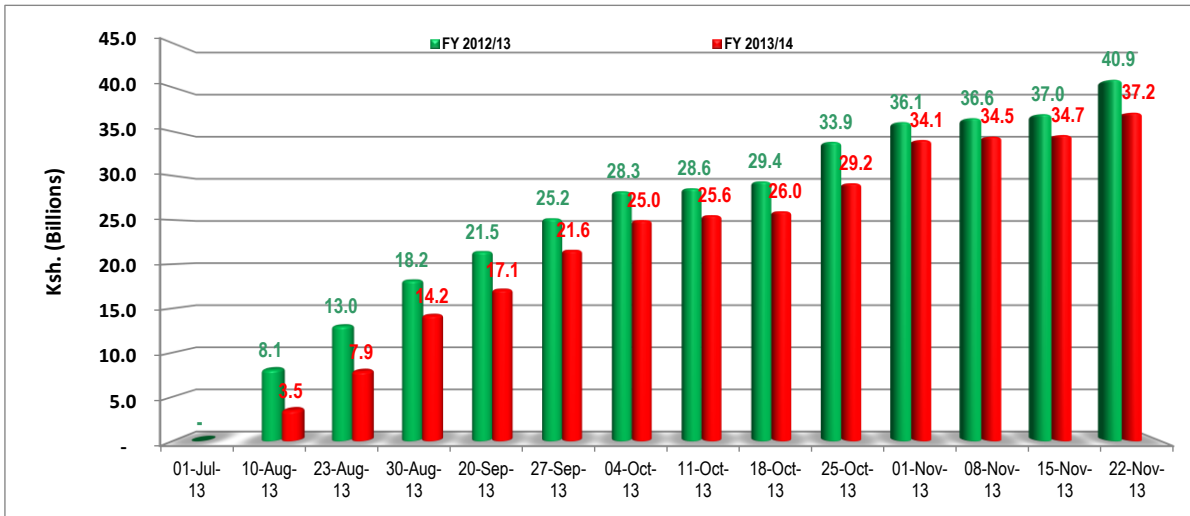


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt during the week ending November 22, 2013 amounted to Ksh 37.2 billion compared with Ksh 40.9 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 6.7 billion, Ksh 29.7 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 performance improved during the week ending November 28, 2013. The equities segment recorded gains for most leading market indicators. The NSE 20 Share Index gained 83.30 points, NASI was up 4.44 points and equity turnover increased by 55.48 per cent. The Bonds market performance, however, declined during the period.

Equities Market

As indicated in Table 7, NSE 20 Share Index closed the week at 5,137.21 points up from last week's 5,53.91 points, gaining 83.30 points. NASI rose to 142.58 points from 138.14 points recorded on November 21, 2013, while Market capitalization that measures shareholders' wealth was Ksh 1,994.72 billion up from KSh 1,942.52 billion the previous week. Equity turnover increased 55.48 percent to KSh 4,120.85 million in the week under review from KSh 2,650.45 on November 21, 2013.

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TABLE 7: KEY WEEKLY MARKET STATISTICS

| Week Ending | 26-Sep-13 | 03-Oct-13 | 10-Oct-13 | 17-Oct-13 | 24-Oct-13 | 31-Oct-13 | 07-Nov-13 | 14-Nov-13 | 21-Nov-13 | 28-Nov-13 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| NASI 100= Jan 2008 | 125.50 | 129.20 | 132.08 | 130.67 | 131.56 | 133.24 | 135.29 | 135.11 | 138.14 | 142.58 |
| NSE 20 Share Index 100=1966 | 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 | 5,137.21 |
| Number of Deals | 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 | 11,771.00 |
| Total Shares Traded (millions) | 142.52 | 123.91 | 228.86 | 198.06 | 175.07 | 111.19 | 177.39 | 124.48 | 116.86 | 212.08 |
| Equity Turnover (Ksh. millions) | 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 | 4,120.86 |
| Market Capitalization (Ksh. Bn.) | 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 | 1,994.73 |
| Bonds Turnover (Ksh. millions) | 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 | 5,176.77 |
| FTSE NSE Kenya 15 Index | 164.06 | 168.83 | 174.14 | 171.67 | 172.84 | 174.65 | 175.32 | 175.02 | 178.79 | 181.66 |
| FTSE NSE Kenya 25 Index | 166.23 | 171.33 | 176.48 | 173.31 | 174.59 | 176.15 | 177.02 | 176.84 | 180.3 | 183.50 |
| FTSE NSE Bond Index | 92.02 | 92.24 | 92.00 | 92.32 | 91.56 | 91.11 | 91.25 | 91.18 | 91.13 | 91.09 |

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

Source: Nairobi Securities Exchange

Telecoms & Technology, Banking and Insurance were the top three most active sectors, transacting 118.73 million or 56.02 per cent, 32.48 million or 15.33 per cent and 28.16 million or 13.29 per cent, respectively. Safaricom, British American Investment Co. Ltd and KCB were the three most active counters with 118.73 million, 12.72 million and 9.07 million shares traded, respectively. The least active sector was Automobile and Accessories sector with 111,400 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 181.66 points up from 178.79 points the previous week. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, also rose to 183.50 points from 180.30 points the previous week. FTSE NSE Bond Index declined marginally to 91.09 points from 91.13 points.

The Bond Market

Bonds trading declined by 9.92 per cent as turnover closed at KSh 5,176.77 million from KSh 5,746.98 million the previous week. Corresponding deals were 84 down from 149.