



**JANUARY 18, 2013**

## **Highlights**

The money market was relatively liquid during the week ending January 16, 2013 with Central Bank's liquidity management through repo securities resulting in Ksh 8.8 billion net injection.

The average interbank rate increased to 5.45 percent during the week ending January 16, 2013 compared with 5.26 percent recorded in the previous week.

The Kenya Shilling exchange rate depicted mixed performance against major international currencies in the week ending January 17, 2013. Against the US Dollar the Kenya Shilling depreciated marginally to trade at an average of Ksh 86.69 per US Dollar compared to Ksh 86.50 per US Dollar in the week ending January 10, 2013.

The usable official foreign exchange reserves held by Central Bank decreased from US Dollar 5,282 million (equivalent to 4.15 months of import cover) as at January 10, 2013 to US Dollar 5,264 million (equivalent to 4.13 months of import cover) in the week ending January 17, 2013.

The Government offered for sale Treasury bills worth Ksh 7.0 billion during the week ending January 18, 2013. A total of Ksh 6.6 billion was accepted out of Ksh 7.4 billion bids received.

Gross Government domestic debt increased by Ksh 115.3 billion from Ksh 858.8 billion at the end of June 2012 to Ksh 974.1 billion on January 11, 2013. During the week under review, gross government domestic debt increased by Ksh 2.9 billion, on account of Treasury bills.

The equities segment of the Capital Markets remained strong in the week ending January 17, 2013, with the market indices; NSE 20 Share Index, NASI, FTSE NSE 15 Index and FTSE NSE 25 Index gaining 225.97 points, 4.80 points, 3.87 points and 3.87 points, respectively. Market capitalization closed higher by Ksh 64.31 billion, as equity turnover gained 26.8 percent. Bonds activity however declined, posting 33.8 percent fall in turnover, as the FTSE NSE Kenyan Shilling Government Bond Index eased by 32 basis points.

# CBK WEEKLY BULLETIN

## Monetary Policy Operations

The money market was relatively liquid during the week ending January 16, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 11.5 billion through repo securities against Ksh 20.3 billion in maturities of repo securities held by commercial banks. Reserve money averaged Ksh 274.9 billion during the week and was Ksh 12.4 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)
10-Jan-12	272.3	287.6	-15.2	2.0	0.6	0.0	-1.4	272.0	-15.6	-5.9	-9.6
11-Jan-12	277.7	287.6	-9.8	2.0	2.0	0.0	0.0	275.3	-12.2	-2.0	-10.2
14-Jan-12	280.0	287.0	-7.0	4.0	0.9	0.0	-3.1	279.3	-7.7	3.1	-10.8
15-Jan-12	278.0	287.0	-9.1	4.0	4.0	0.0	0.0	274.1	-13.0	-1.4	-11.5
16-Jan-12	277.9	287.0	-9.1	4.0	4.0	0.0	0.0	273.6	-13.4	-0.7	-12.7
<b>Average</b>	<b>277.2</b>	<b>287.2</b>	<b>-10.0</b>	<b>3.2</b>	<b>2.3</b>	<b>0.0</b>	<b>-0.9</b>	<b>274.9</b>	<b>-12.4</b>	<b>-1.4</b>	<b>-11.0</b>

Source: Central Bank of Kenya

## Interbank and REPO Rates

The average interbank rate increased to 5.45 percent during the week ending January 16, 2013 compared with 5.26 percent recorded in the previous week. The average interbank volumes transacted rose to Ksh 12.2 billion from Ksh 7.8 billion transacted in the previous week, while the average number of deals was 45 compared with 41 deals in the previous week (Table 2 and Chart A).

**Table 2: Interbank Deals, Volumes and Interest Rates**

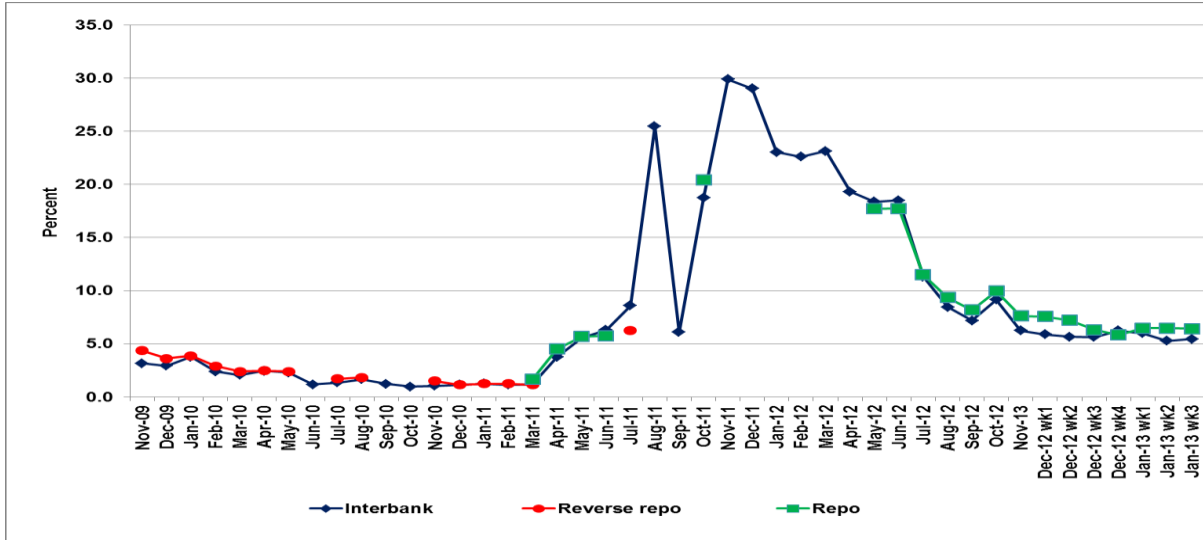
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
3-Jan-13	36	7,551	5.37
4-Jan-13	43	6,966	5.25
7-Jan-13	46	8,624	5.22
8-Jan-13	37	5,826	5.23
9-Jan-13	44	10,155	5.25
<b>January 3 -January 9, 2013</b>	<b>41</b>	<b>7,824</b>	<b>5.26</b>
10-Jan-13	42	11,436	5.30
11-Jan-13	53	13,611	5.50
14-Jan-13	46	12,198	5.48
15-Jan-13	40	11,531	5.43
16-Jan-13	42	12,023	5.52
<b>January 10 -January 16, 2013</b>	<b>45</b>	<b>12,160</b>	<b>5.45</b>

Source: Central Bank of Kenya

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The average repo rate remained largely unchanged at 6.41 percent during the week ending January 16, 2013 compared with 6.48 percent recorded in the previous week.

**Chart A: The Structure of Interest Rates**

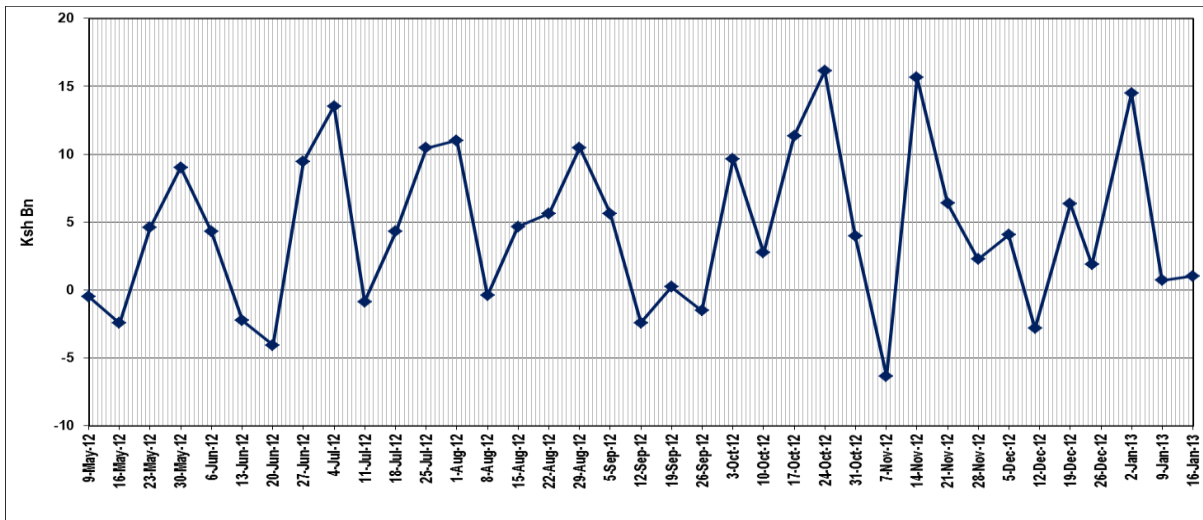


Source: Central Bank of Kenya

## Commercial Banks Clearing Account Balances

Commercial banks recorded a surplus of Ksh 1.01 billion in their settlement accounts in relation to the monthly average cash reserve requirements of 5.25 percent (Ksh 88.6 billion) at the Central Bank in the week to January 16, 2013 compared with Ksh 0.71 billion 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 depicted mixed performance against major international currencies in the week ending January 17, 2013. It depreciated by 0.22 percent, 0.37 percent and 2.14 percent against the US Dollar, the Sterling Pound and the Euro, respectively and appreciated by 0.98 percent against the Japanese Yen to trade at an average of Ksh 86.69 per US Dollar, Ksh 139.39 per Sterling Pound, Ksh 115.43 per Euro and Ksh 97.60 per 100 Japanese Yen.

The Kenya Shilling also depicted mixed performance against the East African currencies in the week ending January 17, 2013. It depreciated against the Uganda Shilling but appreciated against the Tanzania Shilling, the Rwanda Franc and the Burundi Franc to trade at an average of Ush 30.91, Tsh 18.48, RWF 7.15 and BIF 17.38.

**Table 3: Kenya Shilling Exchange Rates**

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
4-Jan-13	86.44	138.99	112.72	98.48	31.29	18.41	7.15	17.47
7-Jan-13	86.43	138.55	112.66	98.32	31.44	18.39	7.15	17.41
8-Jan-13	86.48	139.28	113.52	98.84	31.63	18.42	7.15	17.31
9-Jan-13	86.52	138.90	113.23	98.95	31.26	18.43	7.14	17.24
10-Jan-13	86.61	138.68	112.95	98.24	31.26	18.43	7.14	17.26
<b>4 -10 Jan 2013</b>	<b>86.50</b>	<b>138.88</b>	<b>113.01</b>	<b>98.57</b>	<b>31.38</b>	<b>18.42</b>	<b>7.14</b>	<b>17.34</b>
11-Jan-13	86.67	139.77	114.97	97.28	31.15	18.48	7.13	17.42
14-Jan-13	86.68	139.92	116.04	96.75	30.92	18.52	7.13	17.25
15-Jan-13	86.69	139.35	115.77	97.41	30.92	18.48	7.13	17.48
16-Jan-13	86.70	139.17	115.21	98.37	30.82	18.47	7.24	17.24
17-Jan-13	86.70	138.76	115.17	98.18	30.74	18.45	7.13	17.50
<b>11-17 Jan 2013</b>	<b>86.69</b>	<b>139.39</b>	<b>115.43</b>	<b>97.60</b>	<b>30.91</b>	<b>18.48</b>	<b>7.15</b>	<b>17.38</b>

**Source: Central Bank of Kenya**

### **Foreign Exchange Reserves**

The usable official foreign exchange reserves held by Central Bank decreased from US Dollar 5,282 million (equivalent to 4.15 months of import cover) as at January 10, 2013 to US Dollar 5,264 million (equivalent to 4.13 months of import cover) in the week ending January 17, 2013 (Table 4).

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**Table 4: Official Foreign Reserves US\$ Million (Usable)**

	1-Nov-12	8-Nov-12	15-Nov-12	22-Nov-12	29-Nov-12	6-Dec-12	13-Dec-12	20-Dec-12	27-Dec-12	3-Jan-13	10-Jan-13	17-Jan-13
Usable Reserves*	5,147	5,249	5,267	5,383	5,382	5,374	5,377	5,385	5,396	5,369	5,282	5,264
Months of Imports Cover**	4.04	4.12	4.13	4.23	4.22	4.22	4.22	4.23	4.24	4.21	4.15	4.13

\*Excludes encumbered reserves

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

**Source: Central Bank of Kenya**

## Government Securities Auction

During the week ending January 18, 2013, the Government offered for sale Ksh 4.0 billion in 91-day Treasury bills and Ksh 3.0 billion in 182-day Treasury bills. The 91-day paper performed at 148.8 percent, attracting bids worth Ksh 6.0 billion, of which Ksh 5.4 billion was accepted. The 182-day Treasury bills recorded 47.9 percent performance rate, with Ksh 1.2 billion accepted out of Ksh 1.4 billion worth of bids received.

## Interest Rates on Government securities

Weighted average interest rates on the 91-day and 182-day Treasury bills declined by 5.3 and 0.5 basis points, respectively, to 8.052 percent and 8.088 percent during the week.

**Table 5: Government Securities Interest rates**

Auction date	24-Jun-11	26-Oct-12	30-Nov-12	14-Dec-12	21-Dec-12	28-Dec-12	4-Jan-13	11-Jan-13	18-Jan-13
91-day T. Bills*	8.995	9.945	8.445	8.174	8.142	8.138	8.122	8.105	8.052
182-day T. Bills*		10.761	9.336	9.021	9.046	8.100	8.100	8.093	8.088
364-day T. Bills*			11.709				11.670		
2 year FXD T. Bonds		12.496			12.382				
5 year FXD T. Bonds									
15year FXD T. Bonds									
20 year FXD T. Bonds	14.822								

\*Weighted rates for accepted bids

**Source: Central Bank of Kenya**

## Government Domestic Debt

Gross Government domestic debt increased by Ksh 115.3 billion from Ksh 858.8 billion at the end of June 2012 to Ksh 974.1 billion on January 11, 2013. During the week under review, gross government domestic debt increased by Ksh 2.9 billion, on account of Treasury bills.

**Table 6: Government Domestic Debt (Ksh Billion)**

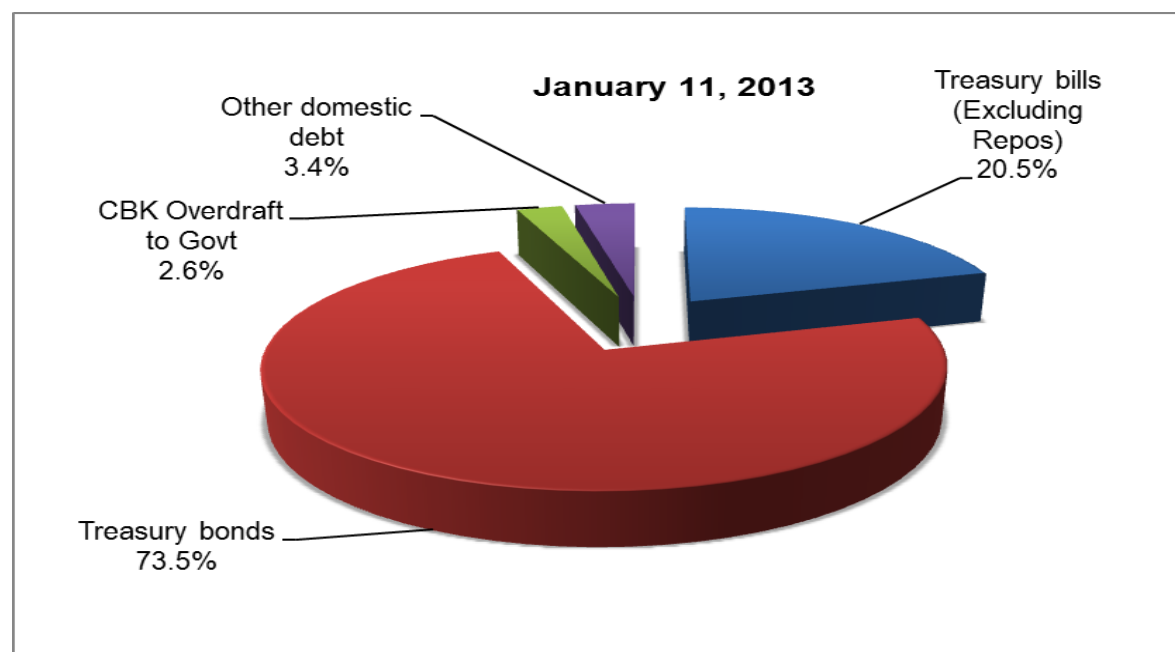
	Jun 2012	Sep 2012	Dec-12	4th Jan 2013	11th Jan 2013	Changes	
						4th Jan 2013-11th Jan 2013	29th Jun 2012 - 11th Jan2013
1. Treasury Bills (Excluding Repos) (As % of total securities)	132.0 16.1	159.7 18.5	196.3 21.5	196.3 21.5	199.7 21.8	3.5	67.7
2. Treasury Bonds (As % of total securities)	687.0 83.9	703.9 81.5	716.1 78.5	716.1 78.5	716.1 78.2	0.0	29.1
3. Total Securities (1+2)	819.0	863.6	912.3	912.3	915.8	3.5	96.8
4. Overdraft at Central Bank	7.3	25.4	25.4	25.4	25.4	0.0	18.1
5. Other Domestic debt*	32.6	33.2	33.6	33.5	33.0	-0.5	0.4
6. Gross Domestic Debt (3+4+5)	858.8	922.2	971.3	971.2	974.1	2.9	115.3
7. Interest payments on domestic debt	82.3	25.2	53.6	53.6	54.6	1.0	

\* 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 January 11, 2013, gross government domestic debt increased by Ksh 2.9 billion of which Ksh 3.5 billion was in Treasury bills and a partially offsetting Ksh 0.5 billion repayment of other domestic debt. The average time to maturity of Government securities declined to 4 years and 10 months during the week ending January 11, 2013, from 5 years and 4 months at the end of June 2012.

**Chart C: Composition of Government Domestic Debt**

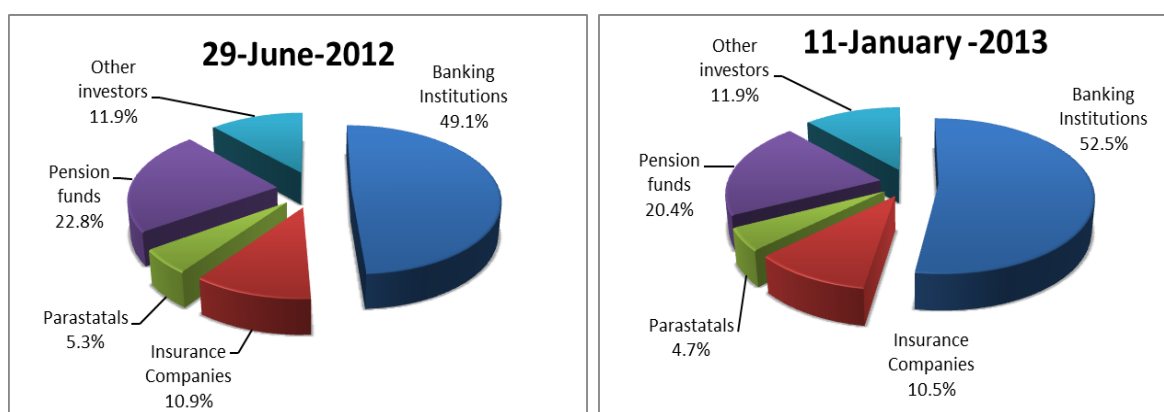


**Source: Central Bank of Kenya**

**Holdings of Government Securities**

Government securities accounted for 94.0 percent of gross domestic debt on January 11, 2013 (Chart C). Commercial bank holdings of Government securities increased from 49.1 percent at the end of June 2012 to 52.5 percent on January 11, 2013. The proportion held by insurance companies, parastatals and pension funds declined from 10.9 percent, 5.3 percent and 22.8 percent to 10.5 percent, 4.7 percent and 20.4 percent, respectively, during the same period. The share of other investors, which include Saccos', listed and private companies, self-help groups, educational institutions, religious institutions and individuals, remained unchanged at 11.9 percent, during the same period (Chart D).

**Chart D: Holding of Government Securities by Investors**

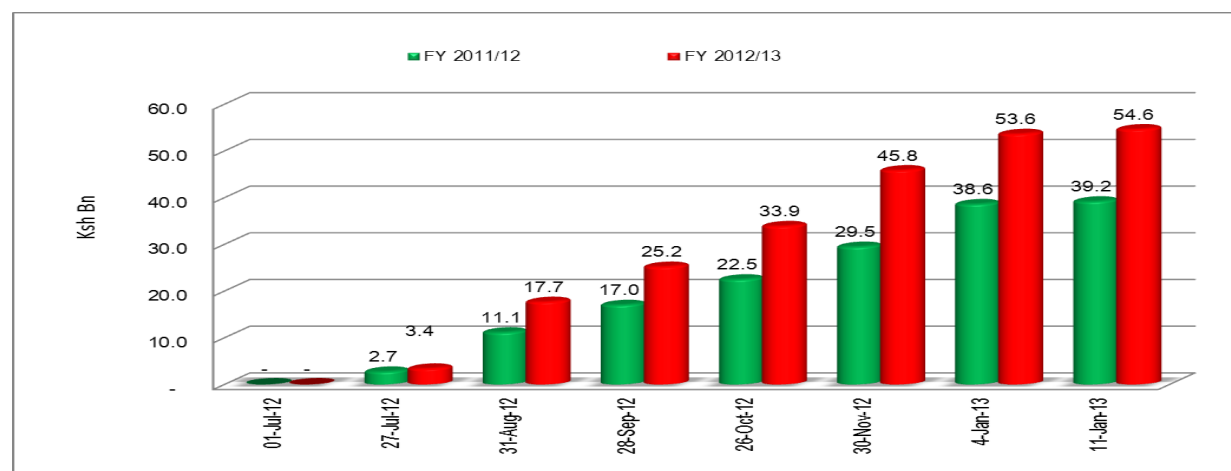


**Source: Central Bank of Kenya**

**Cost of Domestic Borrowing**

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to January 11, 2013 in the 2012/13 fiscal year amounted to Ksh 54.6 billion compared with Ksh 39.2 billion during a similar period of the previous fiscal year (Chart E). The cost during the period was on account of interest and other charges on Treasury bills and Treasury bonds amounting to Ksh 11.3 billion and Ksh 40.6 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 1.55 billion and Ksh 1.18 billion, respectively.

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



Source: Central Bank of Kenya

## Capital Markets

The capital markets recorded mixed performance in the week ending January 17, 2013, with equities segment remaining bullish, but the bonds segment less vibrant.

## Equities Market

The NSE 20 Share Index rose broke the 4,500 points mark to close 4,545.70 points on January 17, 2013 from 4319.73 points on January 10, 2013 (Table 7). NASI surpassed the 100 points mark last recorded on August 21st 2008, to peak at 105.82 points from 101.02 points the previous week. Market capitalization, that measures shareholders' wealth rose to Ksh 1,418.88 billion from Ksh. 1,354.57 billion. Equity turnover was 26.8 percent higher due to high volume of shares traded.

**Table 7: Key Weekly Market Statistics**

Week Ending	6-Dec-12	13-Dec-12	27-Dec-12	3-Jan-13	10-Jan-13	17-Jan-13
NASI 100= Jan 2008	91.52	92.80	96.07	96.07	101.02	105.82
NSE 20 Share Index 100=1966	4,022.64	4,031.70	4,159.25	4,159.25	4,319.73	4,545.70
Number of Deals	6,611	4,933	3,407	3,407	6,697	8,800
Total Shares Traded (millions)	154.13	162.88	32.50	3,250.00	99.60	125.96
Equity Turnover (Ksh. millions)	2,068.16	2,106.87	482.65	4,826.54	2,014.43	2,553.42
Market Capitalization (Ksh. Bn.)	1,225.32	1,244.37	1,288.14	1,288,137.00	1,354.57	1,418.88
Bonds Turnover (Ksh. millions)	6,630.55	3,972.85	3,447.90	3,447.90	8,575.75	5,678.55
FTSE NSE Kenya 15 Index	119.53	121.70	126.74	126.74	132.91	136.78
FTSE NSE Kenya 25 Index	122.35	124.61	129.64	129.64	136.12	139.99
Index(Jan2012=100)	94.84	95.26	92.86	92.86	92.02	91.73

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

Source: Nairobi Securities Exchange



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Telecoms and Technology, Banking and Energy and Petroleum sectors were the top three most active. In terms of volume transacted and proportion in total trading, these sectors accounted for 53.52 million shares (42.5 percent); 30.98 million shares (24.6 percent) and 14.72 million shares (11.7 percent), respectively. Safaricom Ltd, Kenya Commercial Bank Ltd and KenGen Ltd were the three most active counters with 52.13 million, 8.23 million and 8.03 million shares traded, respectively. Automobile and Accessories sector was least active, trading 123,300 shares.

The biggest closing and average price gains for the week were for Standard Chartered Bank and BAT Kenya Ltd at KSh 26.0 per share each. The biggest closing and average price losses were for Carbacid Investments Ltd and Kenya Re-Insurance at Ksh 5.0 and KSh 2.43 per share, respectively. Of the 48 active counters, 37 had average price gain in the week ending January 17, 2013.

### **FTSE NSE Kenya Index Series**

As indicated in Table 7, FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, gained 3.87 points to close at 136.78 points from 132.91. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE also gained by a similar margin to record 139.99 points from 136.12 points the previous week. This is the highest level since these indices were launched on November 08 2011. FTSE NSE Kenyan Shilling Government Bond Index, which measures the performance of Kenya's domestic bond market, closed at 91.73 points compared to 92.02 points the previous week.

### **The Bond Market**

Bond trading activity closed 33.8 percent lower in turnover, to reach Ksh 5,678.6 million for the week ending January 17, 2013 from Ksh 8,575.8 million in the previous week. Corresponding deals fell to 79 from 125 the previous week. This may be attributed to a shift to equities as investors look for higher returns.