



MAY 17, 2013

Highlights

The money market was liquid during the week ending May 15, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 31.2 billion through repo securities and Ksh 18.9 billion in term auction deposits against maturities of Ksh 27.8 billion and Ksh 11.4 billion, respectively held by commercial banks.

The average interbank rate decreased to 7.28 percent during the week ending May 15, 2013 from 7.66 percent in the previous week

The Kenya Shilling appreciated against most major international currencies in the week ending May 16, 2013. However, against the US dollar, the Kenya Shilling remained stable and exchanged at the previous week's average of Ksh 83.81.

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,744 million as at May 9, 2013 to US Dollar 5,805 million as at May 16, 2013 on account of purchases from the inter bank market.

The Government offered for sale Treasury bills worth Ksh 11.0 billion, during the week ending May 17, 2013. A total of Ksh 13.6 billion was accepted out of Ksh 36.4 billion bids received.

Gross Government domestic debt increased by Ksh 212.5 billion (or 24.7 percent) by May 10, 2013 from Ksh 858.8 billion at the end of June 2012. During the week under review, gross government domestic debt increased by Ksh 3.5 billion on account of Treasury bills.

Capital markets maintained strong rally as reflected in performance of both bonds and equities. The NSE 20 Share Index, NASI, FTSE NSE 15 Index and FTSE NSE 25 Index market capitalization and turnover in both market segments, all exceeded previous week's levels.

CBK WEEKLY BULLETIN

Monetary Policy Operations

The money market was liquid during the week ending May 15, 2013. The Central Bank sterilized the excess liquidity in the money market by mopping Ksh 31.2 billion through repo securities and Ksh 18.9 billion in term auction deposits against maturities of repo securities and term auction deposits of Ksh 27.8 billion and Ksh 11.4 billion, respectively held by commercial banks. Reserve money averaged Ksh 275.0 billion during the week and was Ksh 5.2 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)
09-May-13	283.3	280.2	3.0	5.0	5.0	0.0	0.0	276.8	-3.4	-1.5	-2.0
10-May-13	293.9	280.2	13.7	16.0	11.1	4.9	0.0	282.3	2.1	4.3	-2.3
13-May-13	291.4	280.1	11.3	17.0	9.0	8.0	0.0	275.6	-4.5	-1.7	-2.9
14-May-13	279.6	280.1	-0.5	10.0	4.0	6.0	0.0	269.4	-10.7	-7.7	-3.1
15-May-13	270.3	280.1	-9.8	3.0	2.1	0.0	-1.0	270.8	-9.3	-6.9	-2.4
Average	283.7	280.1	3.5	10.2	6.2	3.8	-0.2	275.0	-5.2	-2.7	-2.5

Source: Central Bank of Kenya

Interbank and REPO Interest Rates

The average interbank rate decreased to 7.28 percent during the week ending May 15, 2013 from 7.66 percent in the previous week. The interbank volumes transacted declined to an average of Ksh 7.0 billion compared with Ksh 8.1 billion recorded in the previous week, while the average number of deals was 46 compared with 48 deals in the previous week (Table 2 and Chart A).

Table 2: Interbank Deals, Volumes and Interest Rates

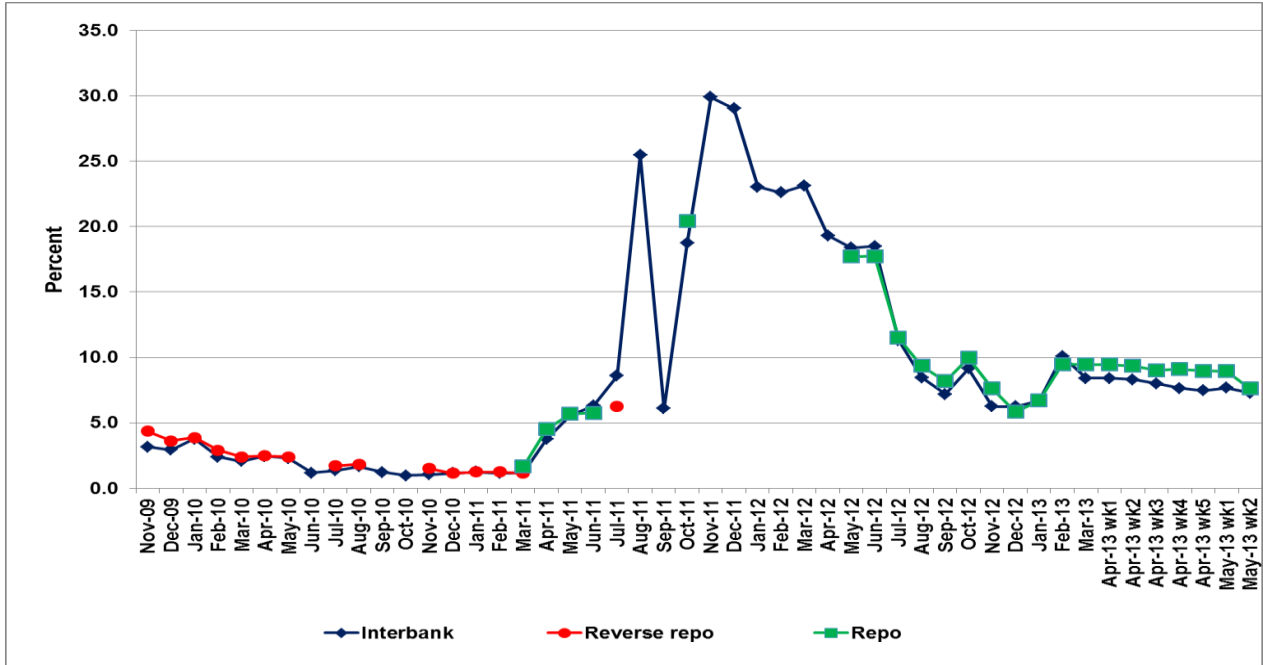
Date	Number of deals	Value (Ksh M)	Average Interest Rate (%)
02-May-13	68	14,509	7.64
03-May-13	59	9,721	7.66
06-May-13	38	5,101	7.69
07-May-13	41	6,110	7.74
08-May-13	36	4,938	7.60
May 2- May 8, 2013	48	8,076	7.66
09-May-13	39	5,120	7.52
10-May-13	41	6,024	7.47
13-May-13	50	7,620	7.29
14-May-13	44	6,375	7.06
15-May-13	54	10,079	7.05
May 9- May 15, 2013	46	7,044	7.28

Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

The average repo rate declined to 7.62 percent during the week ending May 15, 2013 from 8.96 percent recorded in the previous week.

Chart A: The Structure of Interest Rates

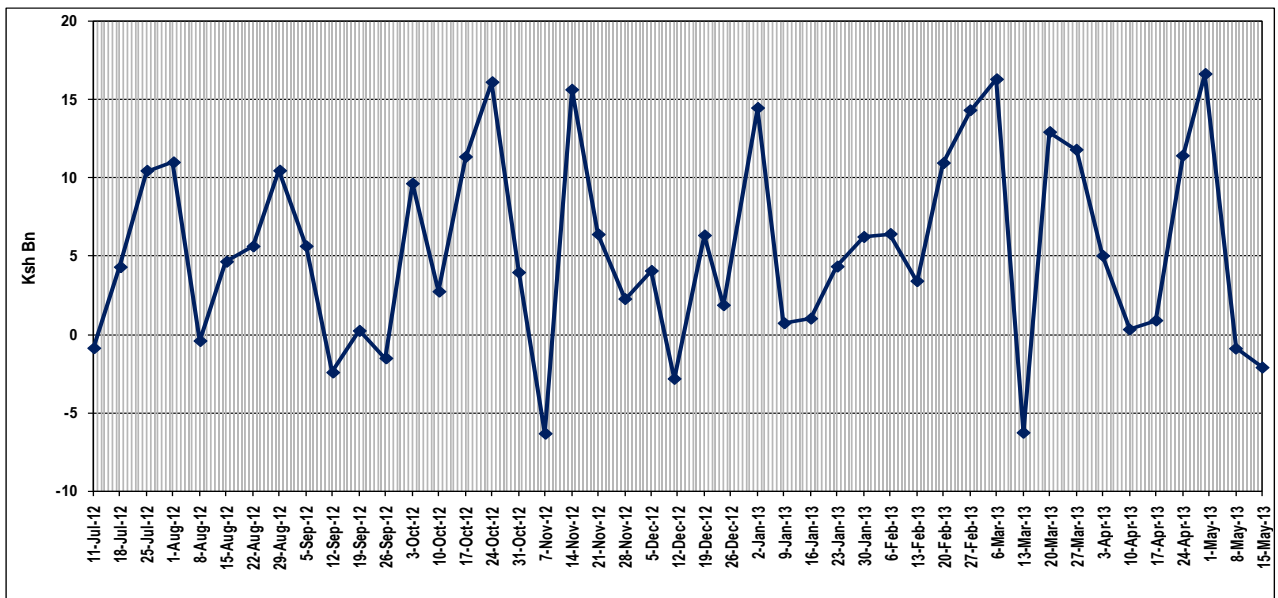


Source: Central Bank of Kenya

Commercial Banks Clearing Account Balances

Commercial banks balances at the Central Bank closed Ksh 2.12 billion below the monthly average cash reserve requirement of 5.25 percent (Ksh 90.2 billion) in the week to May 15, 2013 compared with a deficiency of Ksh 0.91 billion 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

The Kenya Shilling appreciated against most major international currencies during the week ending May 16, 2013. However, against the US dollar, the Kenya Shilling remained stable and exchanged at the previous week's average of Ksh 83.81. Against the Sterling Pound, the Euro and the Japanese Yen the Kenya shilling appreciated by 1.11 percent, 1.08 percent and 2.86 percent respectively to trade at an average of Ksh 128.72 per Sterling Pound, Ksh 108.65 per Euro and Ksh 82.40 per 100 Japanese Yen.

In the EAC region, the Kenya shilling depicted mixed performance by appreciating against the Uganda shilling and the Burundi Franc, depreciating against the Tanzania shilling and remaining stable against the Rwanda Franc. The Kenya Shilling traded at an average of Ush 30.86, Tsh 19.43, RWF 7.67 and BIF 18.79 compared to Ush 30.55, Tsh 19.44, RWF 7.67 and BIF 18.78 in the week ending May 9, 2013 (Table 3).

Table 3: Kenya Shilling Exchange Rates

	US dollar	Sterling Pound	Euro	Japanese Yen	USHS	TSHS	RWF	BIF
3-May-13	83.76	130.06	109.50	85.49	30.63	19.44	7.50	18.82
6-May-13	83.72	130.43	109.82	84.42	30.58	19.46	7.76	18.75
7-May-13	83.89	130.37	109.72	84.61	30.64	19.38	7.71	18.77
8-May-13	83.90	129.92	109.92	84.78	30.39	19.44	7.70	18.77
9-May-13	83.79	130.09	110.18	84.83	30.49	19.47	7.70	18.80
3- 9 May 2013	83.81	130.17	109.83	84.82	30.55	19.44	7.67	18.78
10-May-13	83.73	129.53	109.31	82.84	30.99	19.49	7.68	18.81
13-May-13	83.86	130.51	108.74	82.56	30.86	19.39	7.62	18.78
14-May-13	83.84	128.41	109.06	82.69	30.81	19.44	7.74	18.79
15-May-13	83.81	127.65	108.27	82.00	30.84	19.40	7.73	18.79
16-May-13	83.82	127.53	107.85	81.89	30.78	19.45	7.60	18.79
10-16 May 2013	83.81	128.72	108.65	82.40	30.86	19.43	7.67	18.79

Source: Central Bank of Kenya

Foreign Exchange Reserves

The usable official foreign exchange reserves held by Central Bank increased from US Dollar 5,744 million as at May 9, 2013 to US Dollar 5,805 million as at May 16, 2013 (Table 4) on account of purchases from the inter bank market. The build up is intended to provide a buffer against shocks that may hit the foreign exchange market while payments for purchases of foreign currency augment inter bank liquidity.

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

	14-Mar-13	21-Mar-13	28-Mar-13	04-Apr-13	11-Apr-13	18-Apr-13	25-Apr-13	02-May-13	09-May-13	16-May-13
Usable Reserves*	4,992	5,033	5,052	5,159	5,364	5,568	5,537	5,668	5,744	5,805
Months of Imports Cover**	3.78	3.81	3.78	3.86	4.01	4.16	4.09	4.19	4.25	4.29

*Excludes encumbered reserves

**Based on 36 month average of imports of goods and

Source: Central Bank of Kenya

Government Securities Auction

The Government offered for sale Ksh 3.0 billion in 91-day Treasury bills, Ksh 3.0 billion in 182-day Treasury bills and Ksh 5.0 billion in 364-day Treasury bills during the week ending May 17, 2013. Total bids received amounted to Ksh 36.4 billion, of which Ksh 6.0 billion, Ksh 6.2 billion and Ksh 24.2 billion was in 91-day, 182-day and 364-day securities, representing performance rate of 200.3 percent, 207.4 percent and 484.0 percent, respectively. The Government accepted Ksh 2.1 billion in the 91-day Treasury bill, Ksh 4.5 billion in the 182-day Treasury bill and Ksh 7.1 billion in the 364-day Treasury bill, during the week. Total non competitive bids amounted to Ksh 2.6 billion.

Interest Rates on Government Securities

Weighted average interest rates on the 91-day, 182-day and 364-day Treasury bills decreased by 51.1, 29.9 and 62.7 basis points to reach 9.376 percent, 9.980 percent and 11.153 percent, respectively, during the week's auction.

Table 5: Government Securities Interest Rates

Auction date	25-Jan-13	22-Feb-13	28-Mar-13	26-Apr-13	03-May-13	10-May-13	17-May-13
91-day T. Bills*	8.036	8.928	10.467	10.206	10.104	9.887	9.376
182-day T. Bills*	8.066	8.571	10.803	10.604	10.489	10.279	9.980
364-day T. Bills*			12.676	12.260	12.127	11.780	11.153
5 year FXD T. Bonds	12.791			12.892			
10year FXD T. Bonds							
15year FXD T. Bonds							
15year FXD T. Bonds		13.629		13.661			

*Weighted rates for accepted bids

Source: Central Bank of Kenya

Government Domestic Debt

Gross Government domestic debt increased by Ksh 212.5 billion (or 24.7 percent) by May 10, 2013 from Ksh 858.8 billion at the end of June 2012. This followed increases of Ksh 128.5 billion, Ksh 55.8 billion, 24.1 billion and Ksh 4.2 billion in the stocks of Treasury bills, Treasury bonds, Government overdraft at the Central Bank and other domestic debt, respectively (Table 6).

Table 6: Government Domestic Debt (Ksh Billion)

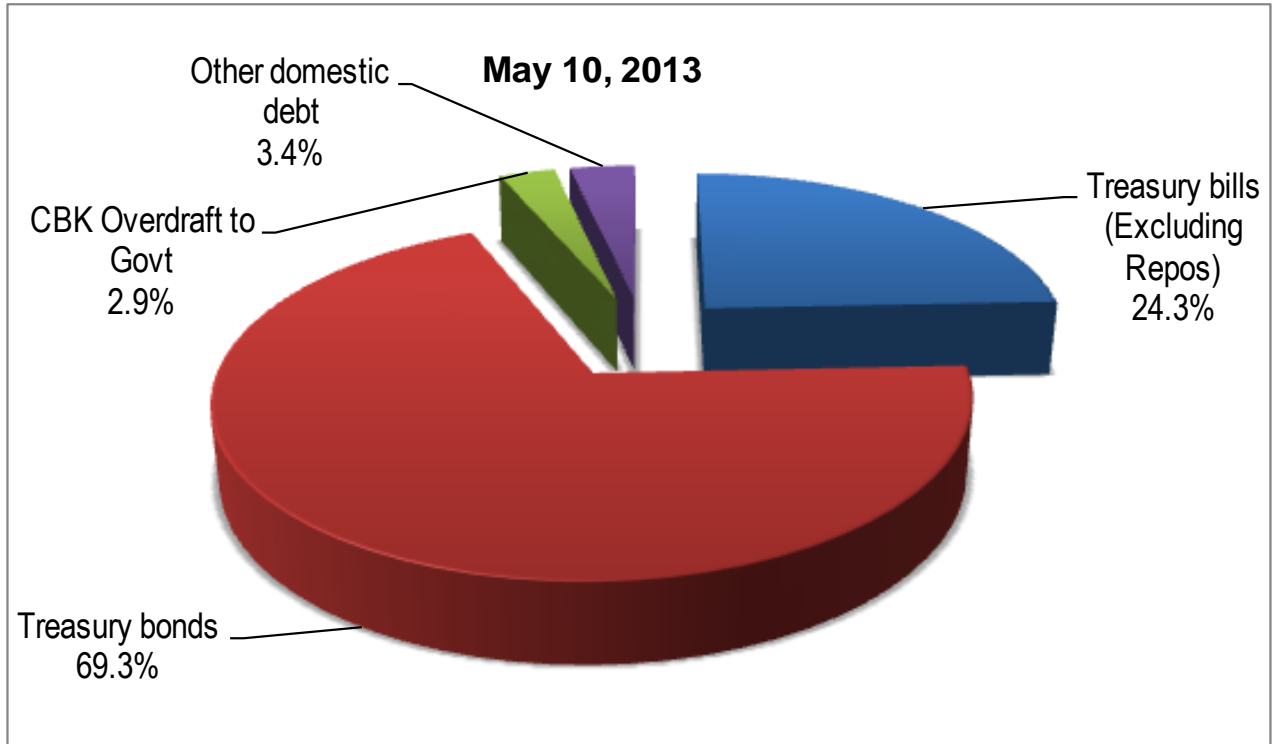
	Jun 2012	Dec-12	Mar 2013	3rd May 2013	10th May 2013	Changes	
						26th April 2013 - 10th May 2013	29th Jun 2012 - 10th May 2013
1. Treasury Bills (Excluding Repos)	132.0	196.3	186.6	254.1	260.5	6.5	128.5
(As % of total securities)	16.1	21.5	20.3	25.5	26.0		
2. Treasury Bonds	687.0	716.1	733.2	742.7	742.7	0.0	55.8
(As % of total securities)	83.9	78.5	79.7	74.5	74.0		
3. Total Securities (1+2)	819.0	912.3	919.8	996.8	1003.2	6.5	184.2
4. Overdraft at Central Bank	7.3	25.4	25.4	34.2	31.3	-2.9	24.1
5. Other Domestic debt*	32.6	33.6	36.5	36.9	36.8	-0.1	4.2
6. Gross Domestic Debt (3+4+5)	858.8	971.3	981.7	1067.8	1071.4	3.5	212.5
7. Interest payments on domestic debt	82.3	53.6	78.9	89.9	90.2	0.3	7.8

* 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 May 10, 2013, gross government domestic debt increased by Ksh 3.5 billion following Ksh 6.5 billion increase in Treasury bills, which was partially offset by repayments in Government overdraft at the Central Bank and in other domestic debt (Table 6). The average time to maturity of Government securities declined to 4 years and 11 months during the week ending May 10, 2013, from 5 years and 4 months at the end of June 2012.

Chart C: Composition of Government Domestic Debt

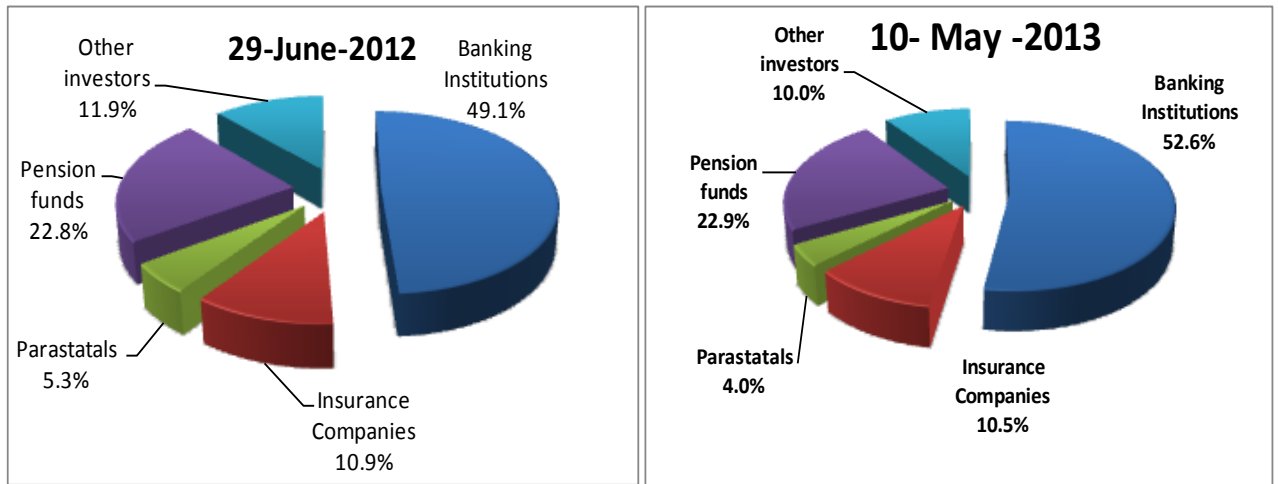


Source: Central Bank of Kenya

Holdings of Government Securities

Government securities accounted for 93.6 percent of gross domestic debt on May 10, 2013 (Chart C). Holdings by commercial banks and pension funds increased from 49.1 and 22.8 percent in June 2012 to 52.6 and 22.9 percent on May 10, 2013. The holding by insurance companies, Parastatals, and other investor, which comprise of Saccos', listed and private companies, self-help groups, educational institutions, religious institutions and individuals, declined from 10.9 percent, 5.3 percent and 11.9 percent to 10.5 percent, 4.0 percent and 10.0 percent, respectively, during the period (Chart D).

Chart D: Holding of Government Securities by Investors

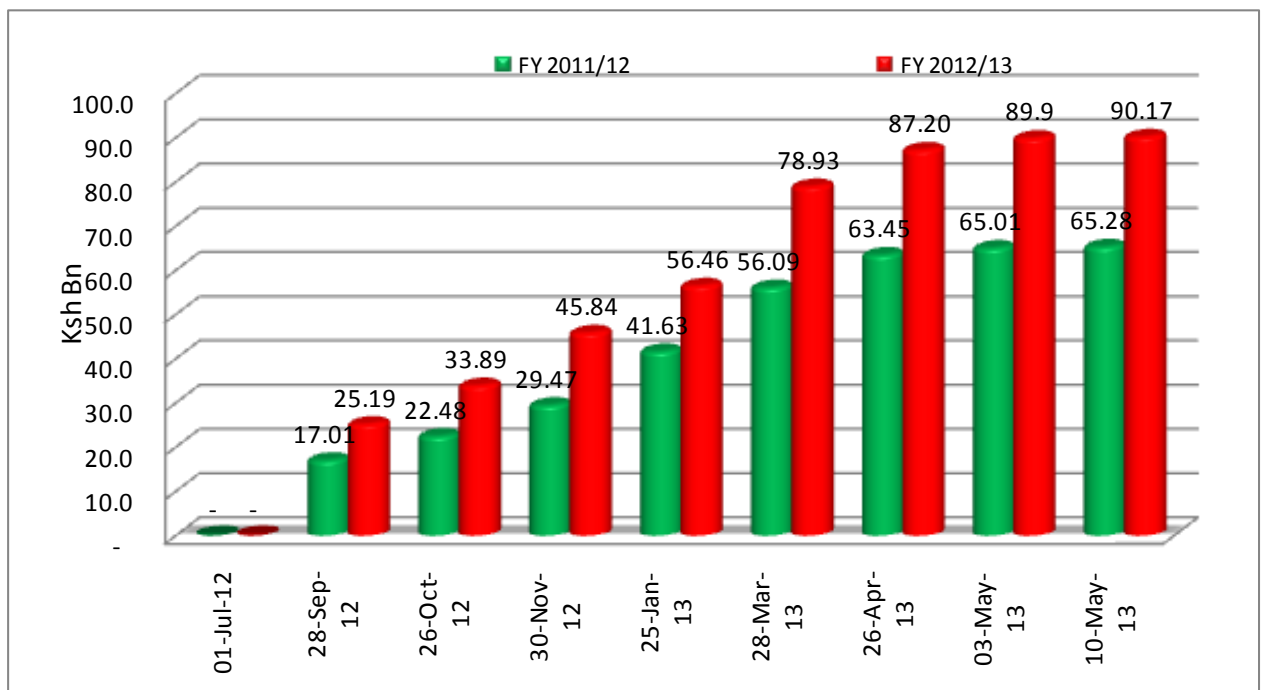


Source: Central Bank of Kenya

Cost of Domestic Borrowing

Cumulative interest and other charges on domestic debt for the period July 1, 2012 to May 10, 2013 in the 2012/13 fiscal year amounted to Ksh 90.17 billion compared with Ksh 65.28 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 19.23 billion and Ksh 67.24 billion, respectively. In addition, interest on Government overdraft and the pre-1997 Government overdraft amounted to Ksh 2.51 billion and Ksh 1.18 billion, respectively.

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



Source: Central Bank of Kenya

CBK WEEKLY BULLETIN

Capital Markets

Capital markets performance improved in the equities and bonds segments during the week ending May 16, 2013. All the market indices except the FTSE NSE Bond Index posted increases compared to the previous week. Equities market capitalization gained 2.56 percent to close at a historical high.

Equities Market

NSE 20 Share Index closed the week at 4955.61 points or 0.78 percent above the previous week's level, while NASI ended at 126.52 points or 2.57 percent higher (Table 7). Market capitalization that measures shareholders' wealth reached a historical high of Ksh 1,716.61 billion since its launch in January 2008. Equity turnover was up 40.18 percent to close the week at Ksh 5,288.33 billion on account of share price rally.

Table 7: Key Weekly Market Statistics

Week Ending	28-Feb-13	7-Mar-13	27-Mar-13	4-Apr-13	11-Apr-13	18-Apr-13	25-Apr-13	2-May-13	9-May-13	16-May-13
NASI 100= Jan 2008	106.91	110.30	117.23	120.45	121.53	119.73	117.47	119.49	123.35	126.52
NSE 20 Share Index 100=1966	4,518.59	4,585.07	4,830.44	4,975.77	4,990.04	4,932.77	4,764.52	4,788.26	4,917.46	4,955.61
Number of Deals	7,177	4,690	7,258	9,645	8,712	10,468	8,186	6,413	8,777	9,674
Total Shares Traded (millions)	86.22	120.86	106.92	156.79	101.28	179.82	120.90	98.55	237.38	220.17
Equity Turnover (Ksh. millions)	3,021.12	1,738.16	2,449.40	2,437.21	1,871.65	3,418.00	1,684.02	2,039.33	3,772.52	5,288.33
Market Capitalization (Ksh. Bn.)	1,451.03	1,496.61	1,590.62	1,634.29	1,648.86	1,624.56	1,593.86	1,621.21	1,673.69	1,716.61
Bonds Turnover (Ksh. millions)	7,245.10	4,195.15	4,797.75	7,081.85	9,275.00	9,951.95	7,962.05	9,645.90	14,534.20	14,710.05
FTSE NSE Kenya 15 Index	141.12	142.22	153.78	157.10	158.80	156.28	154.23	157.30	162.64	167.08
FTSE NSE Kenya 25 Index	144.27	145.18	157.07	160.19	161.58	159.39	157.28	160.77	166.66	171.97
FTSE NSE Bond Index	93.09	92.46	90.23	89.33	89.51	89.45	89.74	90.05	89.66	89.67

* 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 sectors were the top three most active counters, transacting 86.2 million or 39.2 percent; 59.9 million or 27.2 percent and 40.1 million or 18.2 percent of all shares traded, respectively. Safaricom, Kenol Kobil and CFC Stanbic bank were the three most active counters with 86.2 million, 30.7 million and 28.5 million shares traded, respectively. Automobile and Accessories sector was least active, trading 158,900 shares.

The biggest closing and average price gain for the week under review was for East African Breweries Ltd at Ksh 45 and Ksh 30.87 per share, respectively. The biggest closing and average price losses were for KCB and BAT at Ksh 2 and Ksh 7 per share, respectively. Of the 53 active counters, 26 had average price gain in the week compared to 34 counters in the previous week.

FTSE NSE Kenya Index Series

The FTSE NSE Kenya 15 Index, which measures stocks performance of 15 largest companies by market capitalization, closed the week higher at 167.08 points from 162.64 points. FTSE NSE Kenya 25 Index, which measures 25 most liquid stocks at NSE, closed the week at 171.97 points from 166.66 points of the previous trading week. The FTSE NSE Bond Index edged up slightly to 89.67 points from the previous week's 89.66 points.

The Bond Market

Bonds turnover increased by 1.21 percent to Ksh.14, 710.05 million from Ksh 14, 534.2 million in the previous week. Corresponding deals rose to 179 from 160 the previous week.