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**DAILY TREASURY
RESEARCH**

Monday, 16 May 2011



NAKURU BRANCH
CONTACT NUMBERS :
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WORKING HOURS:
MON-FRI: 9.00 A.M -5.00 P.M.
SAT: 10.00 A.M – 3.00 P.M.

KES Indicative Exchange Rates

Currency	Bid	Offer	Cross Rates		
USD	85.70	86.20	1.0000		
GBP	138.35	139.75	1.6145/1.6210		
EUR	120.60	121.80	1.4070/1.4130		
JPY	1.0515	1.0720	80.40/81.50		
AUD	90.25	91.30	1.0530/1.0595		
ZAR	12.15	12.40	6.95/7.05		
INR	1.8835	1.9370	44.50/45.50		
CAD	88.10	89.30	0.9655/0.9730		
FWD Rates	7days	1 M	2 M	3 M	6 M
USD / KES Selling	86.30	86.55	86.90	87.30	88.50

Local Market

The Kenya Shilling firmed up against the Dollar on Friday after the CBK stayed out of the FX market and mopped up Kes 1 billion through the open market operations. The local unit opened at 85.90/86.10, touched a low of 86.05/86.25 before the announcement and later strengthened to close at 85.70/85.90 to the greenback.

The CBK stayed out of the Forex Market but was in the Repo market for 1 Billion. It received bids worth Kes 700 million and accepted the entire amount at a weighted average rate of 5.7%. Overnight money market volume was KES 13,543.70bn at an average rate of 5.6190%.

Kenya Stock & Bond Market

The NSE-20 Share Index fell for a second straight day, dropping 5.36 points to 3,987.19. Top gainers were Athi River up by Kes 5.00 to Kes 170 and E.A Breweries up by Kes 2.00 to Kes 203.00. Top losers included Jubilee Insurance down by Kes 1.00 to Kes 210 and NBK down by Kes 0.75 to Kes 36.00.

International Markets

The U.S. Dollar rose to a five-week high against major currencies on Friday as renewed worries about possible Euro zone sovereign debt restructuring continued to drive a broad pullback from risky trades in commodities, stocks, and high-yielding currencies.

The Euro fell against most currencies, following to six weeks low against USD and JPY on renewed concerns that Greece may restructure its debt and as ECB president dampened expectations of further interest rate rises. It closed down about 1.0% at \$1.4097, after hitting a session low at \$1.40650 against the USD.

Sterling slipped against the Euro and also trailed against the Dollar on risk aversion. It was down 0.3% at 87.65 Pence having touched a low of 87.99 Pence against the Euro on the day. Against the Dollar it dipped 0.5% at \$1.6199.

Oil rose 85 cents to settle at \$113.83 on the day in late short-covering, ending the week higher after a volatile session whipsawed by European economic concerns and news Libyan leader Muammar Gaddafi may have been wounded in a NATO strike on his compound. Gold fell sharply reversing early gains, as a USD surge against the Euro. Spot gold fell 0.7% to \$1,492.50 an ounce.

International Stock Market Update

U.S. stocks ended a second week of losses on a down note on Friday, reflecting growing worries that stocks are on the precipice of a pullback. The Dow Jones industrial average was down 0.79% at 12,595.67 and the Nasdaq Composite Index was down 34.57 points, at 2,828.47.

Britain's top share index closed lower on the day after a slight recovery in battered metal prices failed to restore confidence in the sustainability of the global economic recovery FTSE 100 fell 0.3% to close at 5,925.87.

Market Outlook

The KES is expected to trade nervously with a weaker bias on negative correlation to USD strength against the major currencies. A retest of recent lows of 86.40 may not be ruled out. Strength may stay restricted to 85.70-80 levels.

Indicative Libor Rates (%)

CCY	1 Mth	2 Mths	3 Mths	6 Mths	1 Yr
USD	0.20733	0.24033	0.27090	0.41718	0.73428
EUR	1.20125	1.24688	1.38063	1.66575	2.11625
GBP	0.62563	0.70000	0.82188	1.10938	1.58344

Today's Key Data / Events

Time	Data / Event	Country	Prev	Expected
12.00	CPI (YoY)	EU	2.7%	2.8%
12.00	Trade Balance (Mar)	EU	-2.4B	-1.7B
15.30	NY Empire State Manufacturing Index	US	21.7%	21.3%
19.00	Fed Bernanke's Speech	US		

I&M Deposit Rates

CCY	Call	1 Mth	3 Mths	6 Mths	1 Yr	2 Yrs
KES	1.00	2.25	4.25	5.25	5.75	6.00
USD	0.25	1.50	2.50	2.75	2.75	-
EUR	0.50	1.50	1.75	1.75	-	-
GBP	0.50	1.50	1.75	1.75	-	-
ZAR	2.50	5.75	6.25	6.75	-	-

*** The above Deposit Rates are applicable for:

KES – above 20.00M and USD, GBP, EUR & ZAR above 100,000

Kenya's Treasury Bills & Bonds Rates (Primary & Sec Mkt. Yields)

TENOR	91-DAY	182-DAY	1 YR	2 YRS	3 YRS	4 YRS	5 YRS	
CURR %	4.018	3.691	4.998	7.439	5.190	6.130	8.501	
PREV %	3.577	3.580	3.996	5.284	9.700	10.970	7.636	
6 YRS	7 YRS	8 YRS	9 YRS	10 YRS	12 YRS	15 YRS	20 YRS	25 YRS
11.282	10.421	9.579	13.60	9.683	12.537	12.38	14.614	10.458
11.840	12.530	12.537	12.51	8.646	12.550	10.92	14.741	-

Kenya's Inflation Data

Overall

Month-on-Month	4.51%	December-2010
Average Annual Provisional	3.20%	June-2010

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