



ICEA Asset Management

Weekly market review for the week ending 05th September 2008

Interest rates

	Last Week's Auction	This Week	Change
91-Day	7.7%	7.68%	▼ 5.5 basis points
182-Day	8.1%	8.06%	▼ 8.8 basis points
Spread	0.405	0.38	
Performance	145.24%	145.46%	

In the T-Bill market the good performance continued to exert downward pressure on the short-term rates sliding to six weeks low with bench-mark 91-day shaving off 6 basis points to record a rate of 7.68% and the spread narrowing to 38 basis points. GOK is accepting bids for the second issue of the 10 year discounted T-bond hoping to raise 8Bn. with the same coupon of 10.75% as the last same-tenor bond issued early in the year. YTM for a 10 year T-bond stands at 11.50%.

Exchange Rates

	Last Week	This Week	Change (%)
	Average rate		
Dollar (\$)	68.7217	70.3644	▼ 0.02
Sterling Pound (£)	126.2407	125.2155	▲ 0.01
Euro	101.5194	102.1627	▼ 0.01
Rand	8.8974	8.9473	▼ 0.01
USHS	23.9227	23.3784	▲ 0.02
TSHS	16.9598	16.5354	▲ 0.03

Forex trading remained volatile in the week with the local unit recording mixed fortunes; trading in the 68.50/70.40 range to the green back touching the 70 level witnessed during the times post-election violence. Regionally it gained marginally and going forward the strength of the local unit will largely depend on the inflows received from key sectors such as tourism as we head towards its high season and horticulture remittances.

NSE Performance

	24 th Dec 07	04 th Sept	03 rd Sept	02 nd Sept	01 st Sept	29 th Aug	Performance	
							Year to Date	Weekly
NSE 20 Index	5444.83	4564.65	4594.35	4634.77	4622.61	4648.78	▼ 15.5%	▼ 2.15%

The bourse recorded thin trading in the week with supply overriding demand though there was sustained marginal gain in the index in each of the trade days'. Notable events were EABL's PBT growth by 16% announcement and the perennial heavy volume mover, Safaricom moving an average 13.9M shares daily to close at 5.25 on Thursday, losing 7% in share price value compared to similar period last week.

Inflation

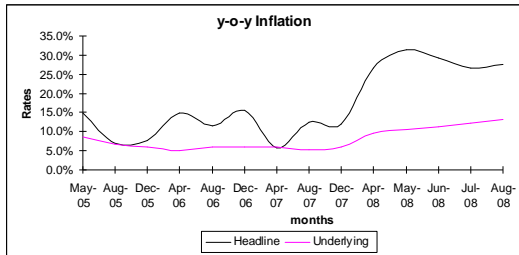
Month (2008)	Mar	Apr	May	June	July	Aug
Overall CPI	274.49	281.88	291.79	290.75	286.62	288.06
%Change over same month 1 yr ago	21.8%	26.6%	31.5%	29.3%	26.5%	27.6%

The latest inflation figures showed a slight spike in inflation to 27.6% on the backdrop of increased prices of basic food stuffs, electricity (rates having been revised upwards recently) and petroleum products. However on the global front the oil prices softened to levels below \$110 per barrel, which if maintained could ease our oil import bill significantly.

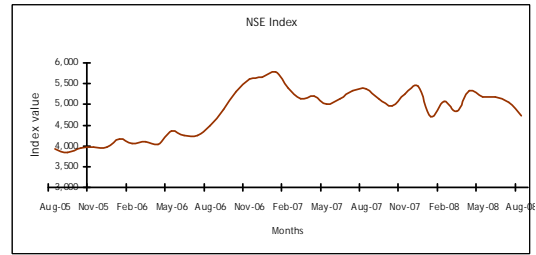


Long Term Trends in Macro-Economic Indicators

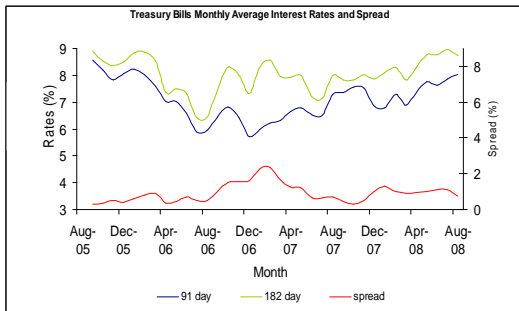
Inflation



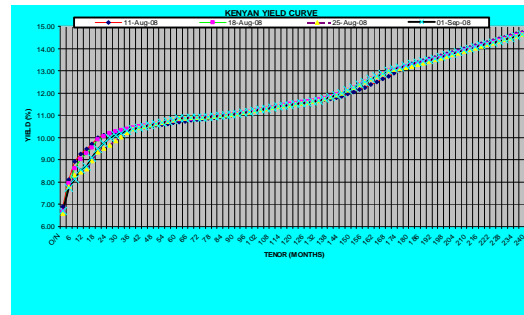
NSE Index



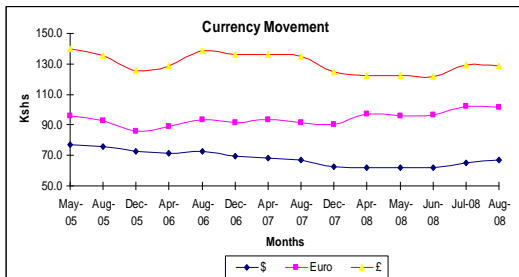
Interest Rates



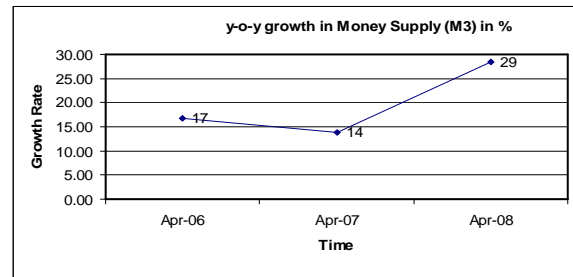
Yield Curve



Currency



Money (M3) Supply



Source: NSE, CBK