

FIXED INCOME RESEARCH

10th February 2017

Money Market	Latest	Previous
91 day	8.6560	8.6620
182 day	10.521	10.551
364 day	10.940	10.940
Repo Rate	9.9600	6.2300
Inflation Rate	6.9900	6.3500
Interbank Rate	7.2315	6.6633
Central Bank Rate	10.0000	10.0000

Exchange Rates

	Buy	Sell
USD	103.4333	103.6333
GBP	129.3233	129.6194
EUR	110.1972	110.4517
ZAR	7.6998	7.7225
KES/UGX	34.5159	34.6793
KES / TZS	21.5182	21.6565

Source: Central Bank of Kenya

Fixed Income Research

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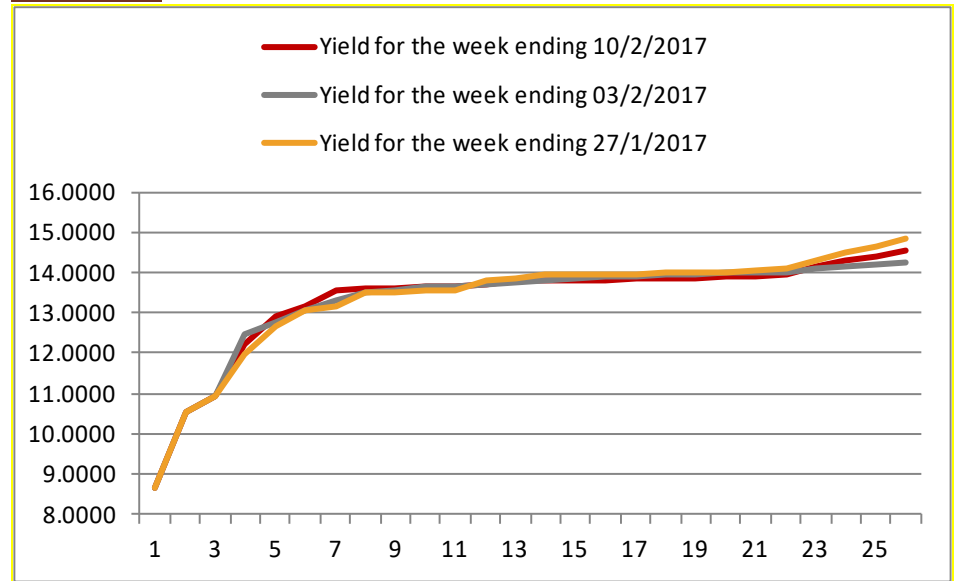
ECONOMIC UPDATE:

ISSUE NUMBER:	IFB1/2017/12
Amount on offer:	KES: 30bn
Coupon:	12.500%
Period of Sale:	7-Feb-17
Offer closing date:	21-Feb-17
Auction date:	22-Feb-17
Results:	23-Feb-17
Value date:	27-Feb-17
Redemption date:	12-Feb-29
Secondary Trading:	28-Feb-17
	In multiples of Kshs. 50,000
Redemption Structure:	21st-Feb-2022- 20.000%
	19th-Feb-2024- 45.000%
	12th-Feb-2029- 100%
Commission:	Licensing placing agents will be paid commission at the rate of 0.15% of actual sales (at cost) net of 5% withholding tax

NEWS UPDATE: Kenya's retail spending hit Sh1.8 trillion in 2016 as the sector expanded by 13 per cent, a new survey by Procter & Gamble (P&G) shows. The survey, released on Tuesday, says the rapid expansion of the retail sector is driven by several shopping dynamics including a tendency by Kenyan consumers to shop for goods in bulk as opposed to shopping for individual items when the need arises. "The total cumulative figure for retail spending in 2016 is \$17.62 billion (Sh1.8 trillion) which can be allocated across different channels based on 30 per cent supermarkets, 67 per cent traditional retail, and three per cent special channels. Overall, retail spending accounts for 30 per cent of Kenya's GDP," said P&G, one of the biggest manufacturers of consumer products. The availability of quality brands and better prices for bulk purchases are said to have contributed to the expansion. The study says that over half of Kenyan urbanites now shop in supermarkets regularly. This is driven by the fact that supermarkets stock branded products which are well known and perceived to be of good quality, says the study. "Kenya was reclassified as a middle-income economy in 2015 and this is being evidenced by the shopping habits and rising consumerism. Although traditional retail stores still dominate the fast moving consumer goods (FMCG) sector, supermarkets and hypermarkets are catching up fast," said P&G managing director Vivek Sunder. The study points out that supermarkets are moving into residential areas as residents' buying power increases. "This is happening because neighborhoods are now dense enough that they have the spending power to sustain such businesses, and also out of the need for retailers to compete with traditional traders on convenience. Proximity will be one of the big drivers for supermarkets as a channel gaining importance within retail," the report says.

The rise in the cost of living has made consumers more discerning, opting for retail stores with a variety of products. "Inflation has made consumers start to make choices between the products they buy, this is one of the reasons why supermarkets are welcome these days. "Supermarket shelves represent choice, and choice makes it possible for shoppers to feel like they're making smart decisions in an inflation ridden environment," it says. Meanwhile, e-commerce and m-commerce are driving the growth of non-store retailing. M-commerce, where Kenyans use mobile payment to shop, has tripled in the past two years making it the fastest growing sector in retail, according to the study. "Traditional retail still dominates the market although supermarkets and malls, a distant second, are catching up as the choice shopping destination for Kenyans," it notes. Malls and proposed shopping complexes currently occupy more than 470,000 square metres of land including residential areas and attract more retailers who would not travel to the city to shop. P&G's data also reveals that Kenyans spend the bulk of their income (about 60 per cent) on food and beverages and 23 per cent is spent on personal and household care products. (*Daily Nation*)

YIELD CURVE:



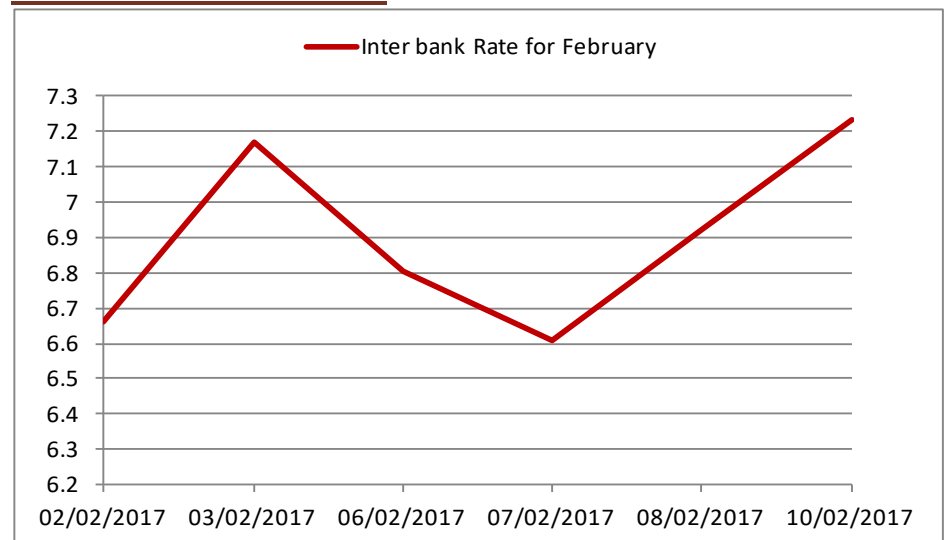
(Nairobi Securities Exchange)

TREASURY BILL LATEST RESULTS 2199/91: This week the Central Bank of Kenya offered 91-day Treasury Bills for a total of Kshs.4 Billion. The total number of bids received was 217 amounting to Kshs 1.76 Billion, representing a subscription of 44.02%. Total bids accepted amounted to Kshs. 1.37 Billion. The market weighted average rate was 9.578% and the weighted average of accepted bids which will be applied for non-competitive bids was 8.656% down from the weighted average in the previous auction (Central Bank of Kenya)

TREASURY BILL RESULTS 2180/182 & 2109/364: This week the Central Bank of Kenya offered 182 and 364 Days Treasury Bills for a total of Kshs.12 Billion. The total number of bids received was 364 amounting to Kshs. 17.92 Billion representing 298.63% subscription and 119 bids amounting to Kshs.8.24 Billion representing 137.35% subscription for 182 and 364 days, respectively. Bids accepted amounted to Kshs. 15.04 Billion for 182 days and Kshs. 6.01 Billion for 364 days Treasury Bills. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 10.521% for the 182-day and 10.940% for 364-day Treasury Bills. (Central Bank of Kenya, Securities Africa Kenya)

The 182 day and 364 day Tbills were oversubscribed by 298.63% and 137.35%. This subscription was high as well as the acceptance level with KES.4.646bn only going to rejection. The CBK picked the bids with an excess of KES.9.512bn. This was one of the CBK's actions to mop up the excess liquidity from the market.

INTERBANK RATE FOR FEBRUARY:



(Central Bank of Kenya)

Interbank rate has been seen easing in the week.

EXCHANGE RATE:

Currencies	3-Feb-17	10-Feb-17	Chg YTD
USD/KES	103.8144	103.5333	0.27%
GBP/KES	129.9944	129.4714	0.40%
EUR/KES	111.6867	110.3244	1.22%
JPY/KES	91.8062	91.0824	0.79%
ZAR/KES	7.7509	7.7112	0.51%
KES/UGX	34.5328	34.5976	-0.19%
KES/TZS	21.5289	21.5873	-0.27%
KES/RWF	8.0628	8.0879	-0.31%
KES/BIF	16.2528	16.2991	-0.28%

(Central Bank of Kenya)

The Kenyan shilling showed strengthening trends in the week as it gained against most international currencies as well as East African currencies.

Kenyan shilling was seen supported by remittances due to subdued importer demand and was strengthening due to foreign exchange inflows from charities, traders said.

*(Reuters)***UPCOMING COUPON PAYMENTS AND MATURITIES:**

Issue No.	Next Coupon Payment Date	Maturity Date	Maturity (Tenor)	Outstanding Amount Shs'M.	Fixed Coupon Rate
FXD1/2015/2	February 20, 2017	February 20, 2017	18	23,592	11.47%
FXD1/2008/10	February 13, 2017	February 12, 2018	375	2,993	10.75%
FXD1/2006/12	February 13, 2017	August 13, 2018	557	3,901	14.00%
FXD1/2016/10	February 27, 2017	August 17, 2026	3,483	18,312	15.04%
FXD1/2013/15	February 20, 2017	February 7, 2028	4,022	42,138	11.25%
SDB1/2011/30	February 20, 2017	January 21, 2041	8,754	28,145	12.00%
IFB1/2010/8Yr	February 20, 2017	February 19, 2018	382	7,132	9.75%
IFB1/2009/12Yr	February 13, 2017	February 8, 2021	1,467	11,244	12.50%
IFB2/2010/9Yr	February 20, 2017	August 19, 2019	928	18,672	6.00%

(Nairobi Securities Exchange)

We anticipate in the month of February and March for liquidity to ease greatly in the market. There will be coupon payments and maturities worth KES. 106.0 bn in the month of February and KES. 91.5 bn in the month of March that is expected to check into the market.

MOST TRADED BONDS FOR THE WEEK:**WEEKLY BONDS MARKET STATISTICS FOR THE WEEK-ENDING FRIDAY 10 FEBRUARY , 2017**

Issue No.	Coupon (%)	This Week		Average	Total Value (Kshs)
		Highest yield (%)	Lowest yield (%)	Traded Yield (%)	
FXD1/2016/10	15.039	13.7826	12.6000	13.3300	800,000,000
IFB1/2016/9	12.5000	13.4000	12.4900	13.1210	668,900,000
FXD3/2007/15	12.500	13.6406	14.6700	13.1571	646,800,000
FXD1/2012/20	12.000	14.0000	13.5000	13.7500	600,000,000
FXD1/2015/5	13.193	13.1383	13.0500	13.0942	600,000,000

Bonds worth KES.6.356bn were traded in the week compared to KES. 6.423bn in the previous week. Deals totalling 253 were closed compared to 306 the previous week.

MONETARY POLICY OPERATIONS:

The money market was relatively liquid during the week ending February 10, 2017. The Central Bank's open market operations resulted in KSh 42.1 billion withdrawal largely through repo sales. There was, however, an offsetting of KSh 44.1 billion net payments by Government. *(Central Bank of Kenya)*

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