SECURITIES AFRICA KENYA LIMITED

KENYA

FIXED INCOME WRAP

INVESTMENT

FIXED INCOME RESEARCH

10th March 2017

Money Market	Latest	Previous
91 day	8.6860	8.6280
182 day	10.525	10.525
364 day	10.901	10.895
Repo Rate	9.3200	8.6700
Inflation Rate	9.0400	6.9900
Interbank Rate	4.2935	5.2583
Central Bank Rate	10.0000	10.0000

Exchange Rates

	Buy	Sell
USD	102.4639	102.6639
GBP	124.7400	125.0128
EUR	108.1939	108.4306
ZAR	7.7322	7.7558
KES/UGX	34.9685	35.1343
KES / TZS	21.7214	21.8614

Source: Central Bank of Kenya

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TREASURY BONDS ON OFFER FOR THE MONTH OF MARCH:

ISSUE NUMBER:		**FXD2/2014/5 & FXD3/3013/5**
Amount on offer:		KES: 30bn
Coupon:		FXD2/2014/5 -11.934% p.a. FXD3/2013/5- 11.952% p.a.
Period of Sale:		12-Mar-17
Offer closing date:		21-Mar-17
Auction date:		22-Mar-17
Results:		23-Mar-17
Value date:		27-Mar-17
Redemption dates:	FXD2/2014/5	17-Jun-19
	FXD3/2013/5	19-Nov-18
Secondary Trading:		28-Mar-17
		In multiples of Kshs. 50,000
Classification:		These bonds are benchmark Bonds.
Commission:		Licensing placing agents will be paid commission at rate of 0.15% of actual sales (at cost) net of 5% withholding tax
Right to accept applications		The Central Bank reserves the right to accept bids in full or part thereof or reject them in total without giving any reason.

NEWS UPDATE: **1) Kenya says $750 mln syndicated loan plan still on track** A plan by Kenya to borrow about $750 million through a syndicated loan is on track, a senior Treasury official said on Tuesday, dismissing concerns about delays in the process. The government picked Standard Chartered, Standard Bank, Citi and Rand Merchant Bank to lead the loan back in January. Banking sources in Nairobi told Reuters a plan to sign and issue the mandate for the loan last month had been postponed. "We are progressing as planned. No change of mind," Kamau Thugge, principal secretary at the Treasury, told Reuters when asked to comment on the loan. He did not offer more details. The East African nation said it would raise 150 billion shillings ($1.46 billion) from external commercial sources, to partly plug a fiscal deficit equivalent 9.7 percent of GDP in its year to June 2017 budget. ***(Reuters)***

2) Treasury to craft tax rules for securities lending and borrowing. The Capital Markets Authority (CMA) is working on a tax framework for securities lending and borrowing that will ensure the product will not distort normal trading at the NSE once it goes live. CMA chief executive Paul Muthaura said Thursday that the CMA is working with The Treasury to ensure that there is tax neutrality for those looking to borrow or lend stocks. This is mainly to those looking to do margin trading or short selling— so that they don't enjoy a tax advantage over normal board traders. Securities lending and borrowing is a system in which traders borrow shares that they do not already own, or lend to other investors the stocks that they own but do not intend to trade on immediately. Uneven taxes in a securities market can cause distortion by driving activity to one segment at the expense of the other.

"With regards to a facilitative tax framework, we are in engagement with the National Treasury with a view to ensuring that there is tax neutrality for all SLB transactions in line with international best practice," said Mr Muthaura. "The framework itself is already with the Treasury awaiting passage and we remain hopeful that it will be adopted as part of the budget statement for this year which will be presented in the next coming weeks." Under short selling, savvy investors are able to sell borrowed shares or bonds in the hope of a future price drop that will allow them to buy back the same stock at a profit.

Short selling will only be carried out by regulated persons, as per draft regulations released by the CMA in October 2016. Speaking on the side-lines of a capital markets stakeholders forum on market liquidity in Nairobi, Mr Muthaura said significant progress has been made in putting in place the SLB framework. "We have had a

In the upcoming week, the 182 day Tbill is cancelled as the case was in the previous week; This is the second time in 2 consecutive weeks, the CBK has cancelled the 182day Tbill auction. There was 96.96% subscription with only KES.1.09bn going to rejection.

The 364 day Tbill was oversubscribed at 166.41%. There was high subscription as well as acceptance level with KES.0.52bn only going to rejection.The CBK picked the bids with an excess of KES.6.12bn. CBK has been mopping up the excess liquidity through Term Auction Deposits(TADs)

Interbank rate has been showing mixed trends in the month.But has been steadily dropping in the week.

In the month of February there were coupon payments and maturities worth KES. 106.0 bn We anticipate in the month of March for liquidity to ease greatly as KES. 91.5 bn is expected to check into the market.

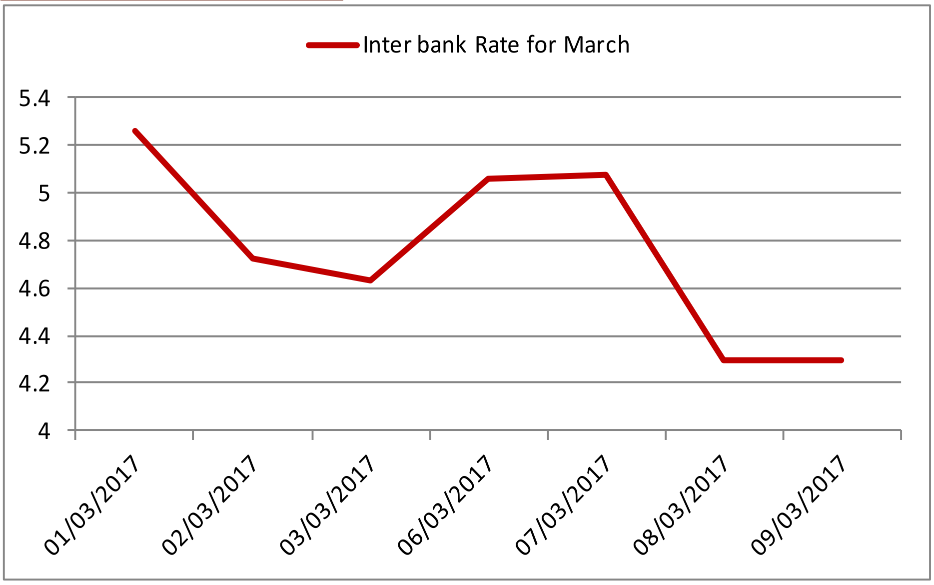
The Kenyan shilling edged down on Thursday and traders said inflows into government securities were likely to drop due to a standoff between the authorities and investors over yields.

number of meetings with the National Treasury budget team and they have recognised the opportunity presented by introduction of SLB," he said. The CMA and other players in the market are banking on the introduction of short selling to increase the liquidity in the market, especially on the corporate bonds segment. Corporate bonds lag behind government securities in terms of activity in the market, accounting for less than half a per cent of total bond turnover at the NSE. *(Nation)*

TREASURY BILL LATEST RESULTS 2203/91: This week the Central Bank of Kenya offered 91-day Treasury Bills for a total of Kshs.10 Billion. The total number of bids received was 268 amounting to Kshs 9.70 Billion, representing a subscription of 96.96%. Total bids accepted amounted to Kshs. 8.61 Billion. The market weighted average rate was 8.932% and the weighted average of accepted bids which will be applied for non-competitive bids was 8.686% up from 8.628% in the previous auction. *(Central Bank of Kenya)*

TREASURY BILL RESULTS 2113/364: This week the Central Bank of Kenya offered 364 Days Treasury Bills for a total of Kshs.10 Billion. The total number of bids received was 186 amounting to Kshs. 16.64 Billion representing 166.41% subscription subscription for 364 days. Bids accepted amounted to Kshs. 16.12Billion for the 364 days Treasury Bill. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 10.901% for 364-day Treasury Bills. *(Central Bank of Kenya, Securities Africa Kenya)*

INTERBANK RATE FOR MARCH:



(Central Bank of Kenya)

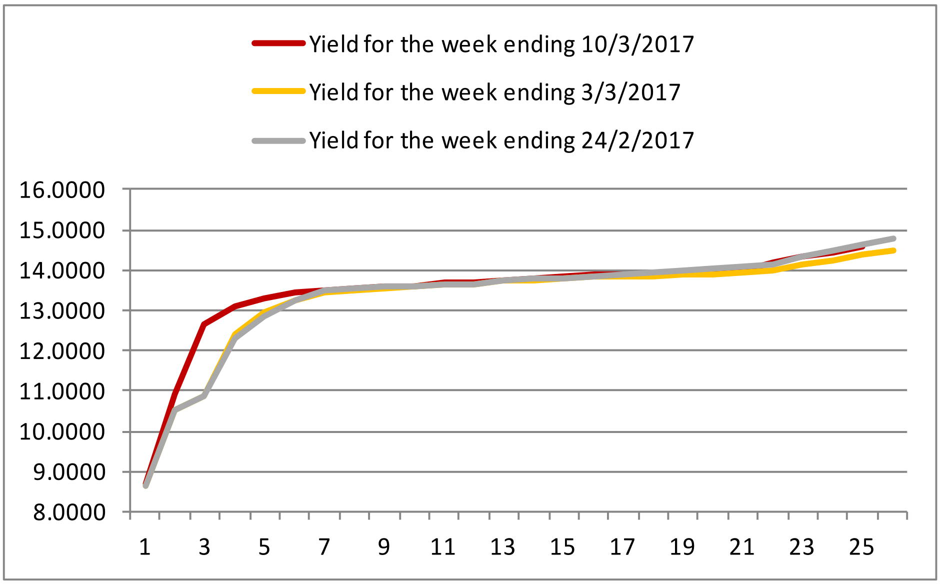
EXCHANGE RATE:

Currencies	3-Mar-17	10-Mar-17	Chg YTD
USD/KES	102.8761	102.5639	0.30%
GBP/KES	126.1522	124.8764	1.01%
EUR/KES	108.1667	108.3122	-0.13%
JPY/KES	90.0723	89.4622	0.68%
ZAR/KES	7.8219	7.7440	1.00%
KES/UGX	34.9450	35.0514	-0.30%
KES/TZS	21.7155	21.7914	-0.35%
KES/RWF	8.1482	7.9938	1.89%
KES/BIF	16.4216	16.6825	-1.59%

(Central Bank of Kenya)

The Kenyan shilling was on a strengthened note on Wednesday due to foreign exchange inflows from foreign investors looking to buy government securities, traders said. As the week progressed, the Kenyan shilling edged toward weakening on Friday as debt auction cancellations by the central bank eroded support typically provided by hard currency inflows from foreign investors who take up local debt. *(Reuters)*

YIELD CURVE:



The volume of bonds traded increased by 77.7 percent.The FTSE Bond Index marginally increased by 0.02 percent, reflecting a marginal decrease in secondary market yields. Investors offloaded part of their existing stocks of bonds to participate in the primary market bond issuance Tap Sale.

MOST TRADED BONDS FOR THE WEEK:

WEEKLY BONDS MARKET STATISTICS FOR THE WEEK-ENDING FRIDAY 10 MARCH , 2017

Issue No.	Coupon (%)	This Week Highest yield (%)	This Week Lowest yield (%)	Average Traded Yield (%)	Total Value (kshs)
IFB1/2011/12	12.000	13.8000	12.5114	13.4139	2,409,100,000
FXD1/2012/20	12.000	14.1661	13.8623	14.1067	1,495,200,000
FXD1/2008/20	13.750	14.0068	13.7000	13.9491	881,550,000
IFB1/2016/9	12.500	13.7571	13.3758	13.4062	785,000,000
FXD1/2016/10	15.039	13.9073	13.5000	13.6674	761,050,000

(Nairobi Securities Exchange)

Bonds worth KES.10.470bn were traded in the week compared to KES. 8.865bn bn in the previous week. Deals totalling 213 were closed compared to 174 the previous week.

MONETARY POLICY OPERATIONS:

The money market liquidity improved by Ksh 8.5 billion in the week ending March 8, 2017, largely supported by net government payments and a partially offset withdrawal through OMO. The average interbank rate declined to 4.76 percent during the week from 5.21 percent recorded in the previous week. *(Central Bank of Kenya)*

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