

## FIXED INCOME RESEARCH

11<sup>th</sup> November 2016

Money Market	Latest	Previous
91 day	8.2300	8.1130
182 day	10.3020	10.2960
364 day	10.7170	10.6090
Repo Rate	6.0000	6.0000
Inflation Rate	6.4700	6.2600
Interbank Rate	5.5875	3.4399
Central Bank Rate	10.0000	10.5000

## Exchange Rates

	Buy	Sell
USD	101.6072	101.7983
GBP	126.2356	126.5061
EUR	110.7244	110.9422
ZAR	7.3594	7.3759
KES/UGX	34.4996	34.6629
KES / TZS	21.3756	21.5142

Source: Central Bank of Kenya

## Fixed Income Research

Christine Gatakaa

[cgatakaa@securitiesafrica.com](mailto:cgatakaa@securitiesafrica.com)

Milkah Gathoni

[mgathoni@securitiesafrica.com](mailto:mgathoni@securitiesafrica.com)

## Head of Fixed Income Trading

Anthony Munyiri

[amunyiri@securitiesafrica.com](mailto:amunyiri@securitiesafrica.com)

Tel: +254 714 646 406

Call Centre: +254 735 571 530

[researchke@securitiesafrica.com](mailto:researchke@securitiesafrica.com)[www.securitiesafrica.com](http://www.securitiesafrica.com)2<sup>nd</sup> Floor, The Exchange

55 Westlands Road, Nairobi.

P.O. Box 19018-00100,

Nairobi, Kenya.

## TREASURY BOND ON OFFER REOPENING:

<b>ISSUE NUMBER: REOPENING</b>	FXD3/2007/015 & FXD1/2008/020- KES.30bn
<b>Amount:</b>	KES: 30bn
<b>Offer opening date:</b>	10-Nov-16
<b>Offer Closing date:</b>	22-Nov-16
<b>Coupon:</b>	Fifteen year- 12.50% Twenty year- 13.75%
<b>Auction date:</b>	23-Nov-16
<b>Value date:</b>	28-Nov-16
<b>Redemption date: 15 Year</b>	7-Nov-22
<b>20 Year</b>	5-Jun-28
<b>Secondary trading:</b>	29-Nov-16
<b>Taxation:</b>	Discount/ Interest is subject to withholding tax at 10% rate
<b>Results:</b>	24-Nov-16
<b>Commission:</b>	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: 1) Current account deficit falls to 5.5pc of GDP on low import bill, high remittances**

The International Monetary Fund (IMF) said Kenya's current account deficit has fallen to 5.5 per cent of the gross domestic product (GDP), confirming projections by Central Bank based. The country is therefore on track to record its lowest end of year current account deficit position since 2009, when it stood at 4.6 per cent. The findings were made by an IMF team, which was in Kenya from October 19 to November 3 conducting a fiscal review under the "The external current account deficit (on a 12month basis) declined to 5.5 per cent of GDP by September 2016 from 6.8 per cent in The IMF team's findings on the current account mirror the projections made by the CBK Monetary Policy Committee in its last meeting. The gap between exports and imports has narrowed this year, going by data provided by the Kenya National Bureau of Statistics.

In the first seven months of 2016, Kenya's imports stood at Sh807.2 billion and exports at Sh347.1 billion, resulting in a trade gap. Over the same period in 2015, the gap stood at Sh577.6 billion, arising from imports worth Sh901.9 billion—driven by the railway. KNBS shows that horticulture exports for the first eight months of the year rose by 11.2 per cent, to Sh56.5 8 billion from Sh50.8. On the diaspora remittance side, CBK data shows an increase of 14.5 per cent in the first half of this year. Kenyans abroad sent home Sh86.2 billion in the six months to June, compared to Sh75.3 billion in the first half of 2015.

The increase in remittances has mainly been driven by Kenyan diaspora in the United States, whose economy is on a relatively stronger footing than in Europe, the other abode of a strong. While the narrowing current account balance has helped keep the currency stable, the World Bank notes that this has come despite a widening fiscal deficit, which could bear pressure in the IMF has also raised concerns on the impact of rising public debt that is financing the budget deficit, urging the Treasury to cut the fiscal deficit as had been agreed under the standby programme.

In the recently released 2016 Budget outlook paper (BROP), the Treasury has revised downward the development budget for the 2016/17 fiscal year by Sh216 billion to Sh600 billion from the 9.7 percent, as was originally budgeted. (IMF, Securities Africa Kenya)

**2) Kenyan share trading set to move towards same-day settlement** Kenya's securities depository and settlement firm is ready to launch a new trading platform from April that will allow trades to be settled in one day, it said on Thursday. The Nairobi Securities Exchange (NSE) now uses a system in which transactions are completed three days later, known as T+3. Experts say same-day trading and settlement would deepen liquidity on the bourse.

Trades are handled by the Central Depository and Settlement Corporation (CDSC), which provides clearing, settlement and depository services for listed securities. April next year is when we will launch the new system, and then after that is when we can talk about day trading, Rose Mambo, chief executive officer of CDSC, told reporters.

Mambo said the system could handle same-day trades but said regulatory approval was needed before this would go ahead, adding that the Capital Markets Authority would likely need to develop new regulations and guidelines before this happened. The securities settlements platform had initially been expected to go live a year ago, but was delayed to ensure the new system worked seamlessly with the one working on the bourse.

The CDSC was looking at the possibility of adding stocks from bourses in other countries to its depository, starting with Nigeria, Mambo said, adding tests were going on. *(Reuters, Securities Africa Kenya)*

*There was over subscription by 106.97% for the 91 day Tbills. The rate edged up again which has been the trend for the past three weeks. It will be interesting to watch the direction the rates take seeing as it is an obvious indicator they are heading north again.*

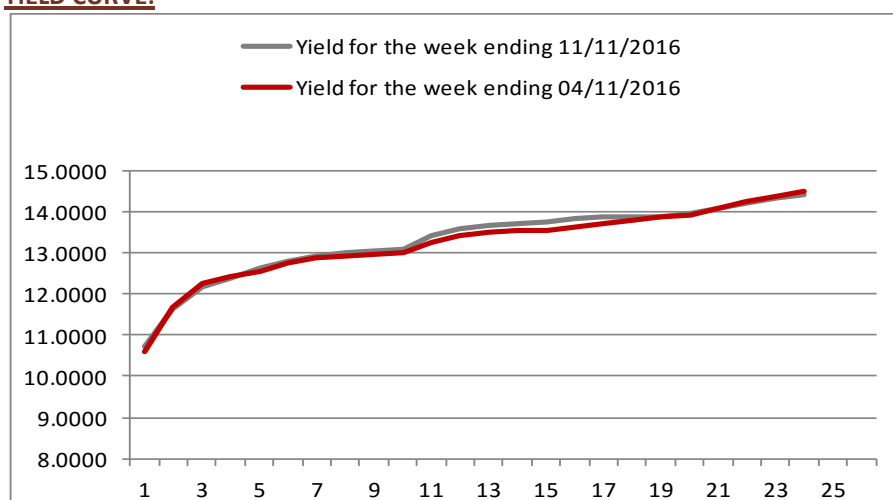
*There was over subscription for the 182 day and the 364 day Tbills. For the 182 day the subscription rate was 159.96% and 364 day the subscription rate was 215.02% there was rejections on the bidden volumes by upto KES.4.02bn*

*Yields are on a slight rise on the mid term papers as compared to the long term papers.*

**TREASURY BILL LATEST RESULTS 2186/91:** 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 219 amounting to Kshs 4.28 Billion, representing a subscription of 106.97%. Total bids accepted amounted to Kshs.4.17 Billion. The market weighted average rate was 8.239% and the weighted average of accepted bids which will be applied for non-competitive bids was 8.230% up from 8.113% in the previous auction. *(Central Bank of Kenya)*

**TREASURY BILL RESULTS 2167/182 and 2094/364:** 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 438 amounting to Kshs. 9.60 Billion representing 159.96% subscription and 189 bids amounting to Kshs.12.90 Billion representing 215.02% subscription for 182 and 364 days, respectively. Bids accepted amounted to Kshs.6.66 Billion for 182 days and Kshs.11.82 Billion for 364 days Treasury Bills. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 10.302% for the 182-day and 10.717% for 364-day Treasury Bills. *(Central Bank of Kenya)*

**YIELD CURVE:**



*(Nairobi Securities Exchange, Securities Africa Kenya)*

**UPCOMING COUPON PAYMENTS AND MATURITIES:**

Issue No.	Next Coupon Payment Date	Maturity Date	Maturity (Days)	Outstanding Amount Shs'M.	Fixed Coupon Rate
FXD1/2012/5	November 21, 2016	May 22, 2017	192	31,079.55	11.86%
FXD2/2016/2	November 21, 2016	May 21, 2018	556	30,218.35	12.02%
FXD3/2013/5	November 21, 2016	Nov 19, 2018	738	14,937.8	11.95%
FXD1/2007/12	November 14, 2016	May 13, 2019	913	4,864.6	13.00%
FXD2/2015/5	November 28, 2016	Nov 23, 2020	1473	30,673.85	13.92%
FXD3/2007/15	November 14, 2016	Nov 7, 2022	2187	18,030.2	12.50%
FXD1/2011/20	November 21, 2016	May 5, 2031	5288	9,365.8	10.00%
FXD1/2012/20	November 21, 2016	Nov 1, 2032	5834	44,581.65	12.00%
IFB2/2009/12r	November 28, 2016	Nov 22, 2021	1837	9,703.95	12.00%
IFB1/2016/9Yr	November 21, 2016	May 12, 2025	3104	36,303.2	12.50%

*There are several coupon payments in the month of November. We anticipate these will boost the liquidity in the market.*

**MONETARY POLICY OPERATIONS:**

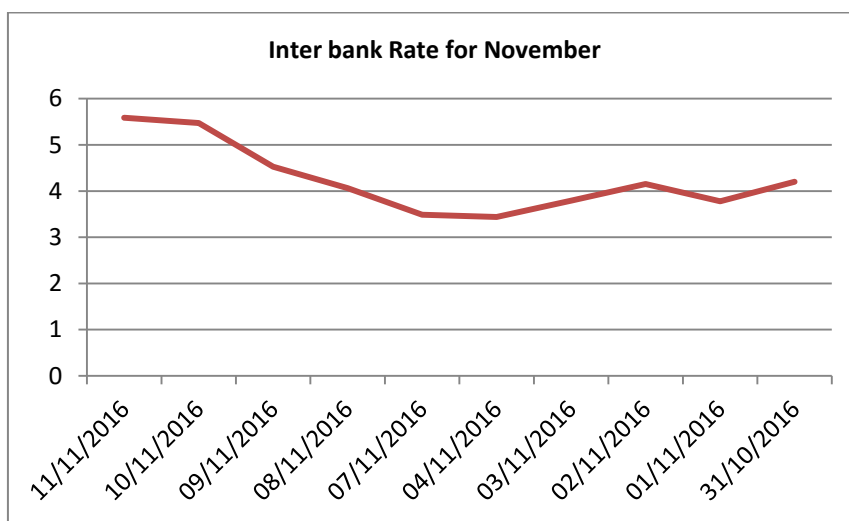
The money market was liquid in the week ending November 9, 2016, with commercial banks' excess reserves above 5.25 percent averaging requirement at KSh 12.9 billion in the week ending November 9, 2016 and marginally lower from KSh 13.6 billion recorded in the previous week. The average interbank rate declined to 3.86 percent in the week ending November 9, 2016 from 4.16 percent recorded in the previous week. *(Central Bank of Kenya, Securities Africa Kenya)*

**EXCHANGE RATE:**

The Kenya Shilling weakened against major international currencies and depicted mixed performance against the EAC currencies during the week ending November 10, 2016. In the EAC region, the Kenya Shilling strengthened against the Uganda Shilling but weakened against the Tanzania Shilling, Rwanda Franc and Burundi Franc.

**INTERBANK RATE FOR NOVEMBER:**

*The average interbank rate declined to 3.86 percent in the week ending November 9, 2016 from 4.16 percent recorded in the previous week. Over 70 percent of the volumes traded transacted at less than 4 percent interest in the week under review.*



*(Central Bank of Kenya)*

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