

## FIXED INCOME RESEARCH

13<sup>th</sup> April 2017

Money Market	Latest	Previous
91 day	8.7730	8.7690
182 day	10.525	10.525
364 day	10.925	10.925
Repo Rate	5.3800	6.0000
Inflation Rate	9.0400	6.9900
Interbank Rate	4.0341	3.8835
Central Bank Rate	10.0000	10.0000

## Exchange Rates

	Buy	Sell
USD	103.3089	103.5089
GBP	129.0000	129.2828
EUR	109.6422	109.8828
ZAR	7.6545	7.6778
KES/UGX	34.8762	35.0405
KES / TZS	21.5247	21.6632

Source: Central Bank of Kenya

## Fixed Income Research

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## ECONOMIC UPDATE:

## REOPENING:

Amount on offer:

Purpose:

Coupon: FXD3/2008/010

:FXD1/2009/010

Period of Sale:

Offer Closing Date:

Auction date:

Results:

Value date:

Redemption: FXD3/2008/010

: FXD1/2009/010

Secondary Trading:

Taxation:

Commission:

## FXD3/2008/010 &amp; FXD1/2009/010

KES: 30bn

Budgetary Support

10.750% (1.40 years)

10.750% (1.98 years)

10-Apr-17

18-Apr-17

19-Apr-17

20-Apr-17

24-Apr-17

17-Sep-18

15\_Apr-19

25-Apr-17

In multiples of Kshs. 50,000

Discount/Interest is subject to withholding tax at a rate of 15% for both bonds.

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) The World Bank cut Kenya's economic growth forecast for this year by half a percentage point on Wednesday to 5.5 percent**, citing drought, sluggish private sector credit growth and rising prices of oil. The country is estimated to have expanded by 5.9 percent last year, the highest annual expansion in half a decade. But the outlook has been hit by months of dry weather, that left 2.7 million people in need of food aid, and a drop in annual private sector credit growth to 4 percent in February from 17 percent at the end of 2015. In its latest report on the Kenyan economy, the World Bank said growth would pick up after this year, driven by the expected normalisation of rainfall, a firmer global economy, a rebound in tourism and the resolution of challenges curbing credit growth. "GDP growth is expected to accelerate to 5.8 percent and 6.1 percent in 2018 and 2019 respectively," the Bank said. The main risks facing the economy were the weather and any slowdown in economies of major trading partners, the bank said. It urged the government to stick to its fiscal consolidation path and to review last year's changes to the banking law, which capped commercial lending rates at 4 percentage points above the central bank rate. Henry Rotich, the finance minister, set the deficit for the fiscal year starting in July at 6 percent of economic output and promised to reduce it further towards 4 percent in the 2019/20 fiscal year.

The budget deficits, which have driven up borrowing, have been used to fund a range of public investments in roads, railways and energy generation, the government says. The cap on commercial lending rates, which was imposed last September, has been partly blamed for the slowdown in credit growth. The World Bank said Kenya can quicken economic growth by boosting its construction sector, through offering innovative housing financing through the creation of mortgage refinance companies and the provision of housing finance guarantees. There were less than 25,000 mortgages in Kenya and mortgage debt made up just 3.15 percent of the GDP in 2015, the bank said. "Unlocking the residential housing market through the development of the housing finance market can provide a wide range of income opportunities," the bank said. *(Reuters)*

**2) Kenya's CBA Bank to offer liquidity for mobile phone bond** Kenyan lender CBA Group has agreed to make a market for the country's debut mobile phone-based bond, guaranteeing investors an exit whenever they need it, officials said on Tuesday. Kenya raised 150 million shillings (\$1.45 million) with the three-year bond, called M-Akiba, becoming the first in the world to issue a government bond exclusively via mobile phone. "They (CBA) will be the buyer to every seller and a seller to every buyer," said Geoffrey Odundo, the chief executive of the Nairobi Securities Exchange. CBA's status as a market maker for the new bond followed negotiations with the government. Neither parties disclosed the costs of the provision of liquidity for the

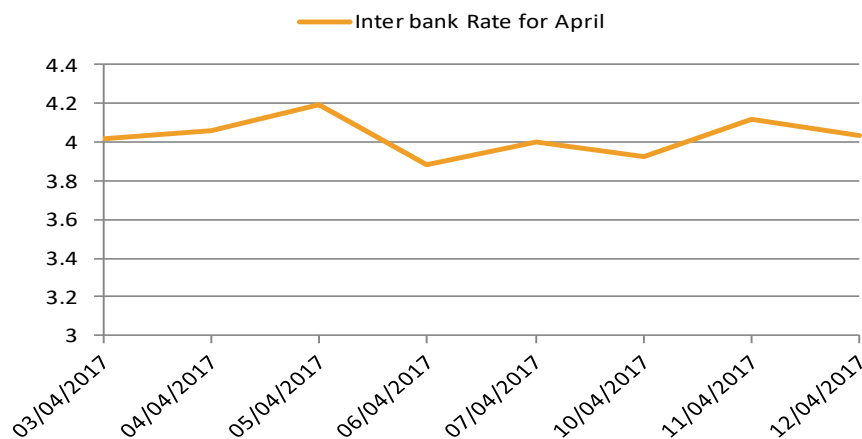
three-year life of the bond. CBA was the first to start offering saving and lending products on mobile phones. In 2012, it launched M-Shwari on the M-Pesa mobile cash platform, owned by telecoms operator Safaricom. More than the equivalent of \$1.5 billion has since been lent to customers on M-Shwari since then in Kenya and in neighbouring nations where CBA operates, the bank said. The second tranche of M-Akiba, worth 4.85 billion shillings is set to open in June and Wohoro Ndoho, the head of debt at the ministry of finance, said other mobile issues would follow. "We do not envisage this as a one-off. This has to be a permanent part of our financial sector infrastructure to make sure the average Kenyan gets an opportunity to participate," Ndoho said at a bell ringing ceremony for the bond. About 108,000 Kenyans have registered on their mobile phones to invest in M-Akiba since last month, compared with just 20,000 existing retail investor accounts with the central bank for normal Treasury bonds, showing the potential for M-Akiba to help mobilise savings, Odundo said. *(Reuters)*

*The 91 day Tbill and 364 day Tbill were oversubscribed at 127.49% and 107.09% respectively. CBK has been mopping up the excess liquidity through Term Auction Deposits( TADs)*

**TREASURY BILL LATEST RESULTS 2208/91 & 2118/364:** This week the Central Bank of Kenya offered 91 and 364 Days Treasury Bills for a total of Kshs.20 Billion. The total number of bids received was 234 amounting to Kshs. 12.75 Billion representing 127.49% subscription and 190 bids amounting to Kshs.10.71 Billion representing 107.09% subscription for 91 and 364 days, respectively. Bids accepted amounted to Kshs. 8.74 Billion for 91 days and Kshs. 10.26 Billion for 364 days Treasury Bills. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 8.773% for the 91-day and 10.925% for 364-day Treasury Bills. *(Central Bank of Kenya)*

*Interbank rate has been showing mixed trends in the month.*

#### **INTERBANK RATE FOR APRIL:**



*(Central Bank of Kenya)*

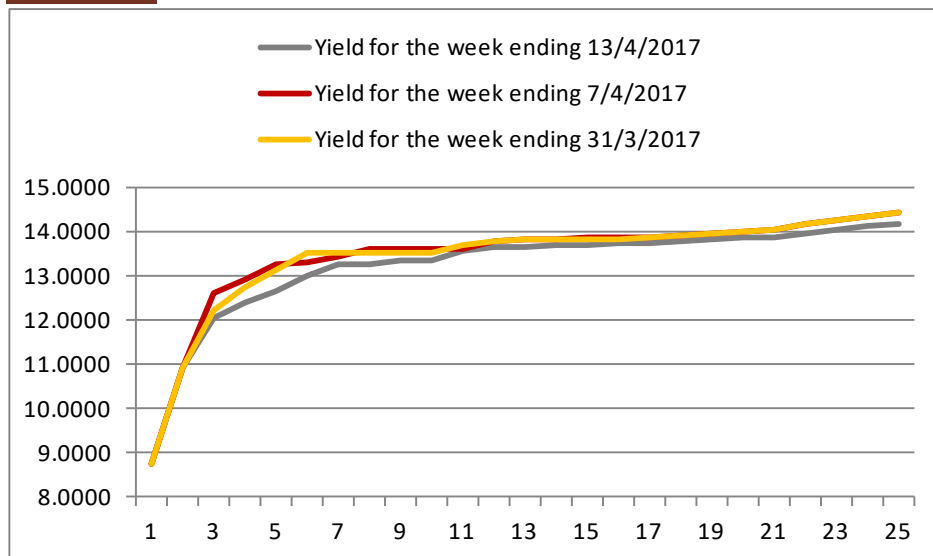
#### **EXCHANGE RATE:**

Currencies	7-Apr-17	13-Apr-17	Chg YTD
USD/KES	103.4372	103.4089	0.03%
GBP/KES	129.0983	129.1414	-0.03%
EUR/KES	110.2747	109.7625	0.46%
JPY/KES	93.2876	94.7793	-1.60%
ZAR/KES	7.4906	7.6662	-2.34%
KES/UGX	34.9972	34.9584	0.11%
KES/TZS	21.588	21.594	-0.03%
KES/RWF	8.1161	8.1183	-0.03%
KES/BIF	16.5154	16.3722	0.87%

*(Central Bank of Kenya)*

The Kenyan shilling was steady against the dollar on Thursday due to weak demand from oil importers ahead of Easter holidays. *(Reuters)*

**YIELD CURVE:**



The volume of Bonds traded declined by 46.17 per cent with corresponding deals at 94 in the week ending April 12, 2017 from 103 recorded in the previous week. The FTSE Bond Index marginally increased by 0.14 per cent, reflecting marginal decline in secondary market yields. Reduced activity reflect short trading period due to Easter Holidays.

**MONETARY POLICY OPERATIONS:**

The money market was relatively liquid in the week ending April 12, 2017. The Central Bank's open market operations resulted in KSh 3.2 billion net liquidity withdrawal. The average interbank rate remained stable at 3.99 per cent in the ending April 12, 2017 compared to 4.11 per cent recorded in the previous week. (Central Bank of Kenya)

**MOST TRADED BONDS FOR THE WEEK:**

**WEEKLY BONDS MARKET STATISTICS FOR THE WEEK-ENDING FRIDAY 13 APRIL, 2017**

Bonds worth KES. 3.881bn were traded in the week compared to KES. 8.1126bn in the previous week. Deals totalling 109 were closed compared to 99 the previous week.

Issue No.	Coupon (%)	This Week		Average Traded Yield (%)	Total Value (kshs)
		Highest yield (%)	Lowest yield (%)		
IFB1/2016/15	12.000	13.1500	12.3700	12.9692	713,000,000
IFB1/2016/09	12.500	12.9000	11.9100	12.6320	707,500,000
FXD1/2016/10	15.039	13.5250	13.2000	13.3950	600,000,000
IFB1/2013/12	11.000	13.4062	11.6300	11.9457	468,500,000
FXD3/2007/15	12.500	13.3000	13.1000	13.1542	300,000,000

**UPCOMING COUPON PAYMENTS:**

Issue No.	Next Coupon Payment Date	Maturity Date	Tenor to Maturity (Days)	Outstanding Amount Shs'M.	Fixed Coupon Rate
FXD1/2007/10	17-Apr-17	16-Oct-17	249	9,309	10.75%
FXD1/2013/5	24-Apr-17	23-Apr-18	438	20,241	12.89%
FXD1/2009/10	17-Apr-17	15-Apr-19	795	4,967	10.75%
FXD1/2014/5	24-Apr-17	22-Apr-19	802	25,734	10.87%
FXD1/2010/10	17-Apr-17	13-Apr-20	1159	19,394	8.79%
FXD2/2010/10	24-Apr-17	19-Oct-20	1348	18,850	9.31%
FXD1/2016/5	24-Apr-17	19-Apr-21	1530	19,544	14.33%
FXD1/2009/15	17-Apr-17	7-Oct-24	2797	9,420	12.50%
FXD2/2013/15	24-Apr-17	10-Apr-28	4078	27,001	12.00%
IFB1/2014/12Yr	24-Apr-17	12-Oct-26	3532	35,481	11.00%

Coupon payments on treasury bonds amounting to KES. 12.881bn will be checking into the market in the month of April.

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