

FIXED INCOME RESEARCH

16th June 2017

Money Market	Latest	Previous
91 day	8.3710	8.4590
182 day	10.301	10.326
364 day	10.863	10.885
Repo Rate	4.7500	6.1800
Inflation Rate	11.700	11.480
Interbank Rate	2.5997	3.5116
Central Bank Rate	10.0000	10.0000

Exchange Rates

	Buy	Sell
USD	103.4561	103.6533
GBP	131.8978	132.1867
EUR	115.3756	115.6172
ZAR	8.1650	8.1849
KES/UGX	34.5382	34.7007
KES / TZS	21.5430	21.6807

Source: Central Bank of Kenya

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ECONOMIC UPDATE: TREASURY BOND AUCTION FOR JUNE

REOPENING:	FXD2/2007/15
Amount on offer:	KES: 30bn
Purpose:	Budgetary Support
Coupon: (4.96 years)	13.500%
Period of Sale:	9-Jun-17
Offer Closing Date:	20-Jun-17
Auction date:	21-Jun-17
Results:	22-Jun-17
Value date:	26-Jun-17
Redemption date:	6-Jun-22
Secondary Trading:	27-Jun-17
	In multiples of Kshs. 50,000
Taxation:	Discount/Interest is subject to withholding tax at a rate of 10%
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: Bond turnover at NSE rises to 11-month high

Bond turnover at the Nairobi Securities Exchange (NSE) rose to an 11-month high in May as investors turned to the secondary market in search of higher fixed income yields. The money market has been liquid in recent weeks as indicated by the heavy subscriptions on primary treasuries. The government has, however been, reluctant to take up expensive money leaving a lot of offers on the table. Some of this cash has found its way into the secondary market.

“Heavy liquidity in the market has seen some marginal drop in yields across the curve. This has somewhat revived activity in what has been a dormant secondary bond market although the bias remains broadly on the short end of the curve and on the infrastructure bonds,” said Commercial Bank of Africa in a fixed income note. “With expectations of further downward pressure on yields from the prevailing liquidity, bond traders will continue to look for tradable papers given demand for treasuries remains generally high.”

Yields on the primary government securities sales have been trending downwards, especially on the 91-day Treasury bill, while May’s reopened 10 and 15 year issues fetched a coupon of 12.4 and 13.1 per cent respectively.

Although the turnover on bonds has hit an 11-month high, the cumulative turnover for the year-to-date is still trailing that of a similar period in 2016.

Total bond turnover in the five months to May stands at Sh191.1 billion, compared to Sh207.2 billion in the first five months of 2016. Going forward, activity will be largely determined by appetite for additional domestic debt from the government, which has just about achieved its target of Sh235 billion for the fiscal year.

The performance of the equities market may also be a negative factor, should the recent resurgence in share prices continue.

Investors had been turning capital towards the fixed income market from equities during the worst of the bear run that took root in 2015 but may now start trooping back if share prices keep rising. *(Daily Nation)*

The 91 day, 182 day & 364 day Tbills were subscribed at 311.39%, 158.62% & 89.37% respectively. Acceptance rate on the 91 day Tbill was with a surplus of KES. 6.067bn, on the 182 day picked a surplus of KES. 5.691bn and the 364 day Tbill was taken up with a deficit of KES. 1.11bn. There is liquidity of upto KES. 2.615bn in rejection from this week's T-bill auctions.

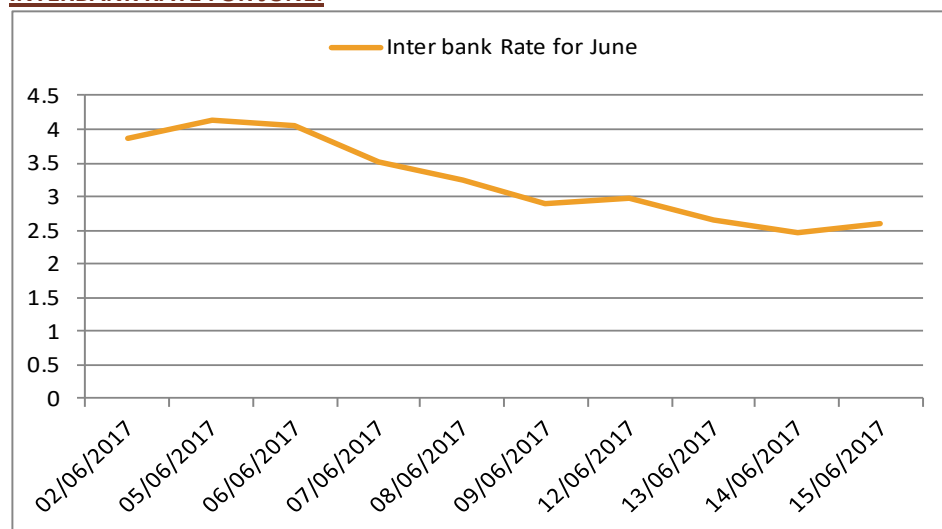
Interbank rate has been on a lowering trend in the month. It went lower to levels below 2.5 percent indicating how liquid the market is.

Coupon payments and maturity on FXD2/2015/2 of treasury bonds amounting to KES. 17.595bn will be checking into the market in the month of June.

The shilling had weakened mainly due to heavy demand from clients like oil importers, prompting the central bank's intervention. It was still trading at that level midway through the session, even after the intervention.

TREASURY BILL LATEST RESULTS 2217, 2190/182 /91 & 2128/364: This week the Central Bank of Kenya offered 91, 182 and 364 Days Treasury Bills for a total of Kshs. 24 Billion. The total amount received was Kshs. 37.25 Billion and the bids accepted amounted to Kshs.34.65 Billion. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 8.371% for the 91-day, 10.301 for 182-day and 10.863% for 364-day Treasury Bills. *(Central Bank of Kenya)*

INTERBANK RATE FOR JUNE:



(Central Bank of Kenya)

UPCOMING COUPON PAYMENTS FOR JUNE:

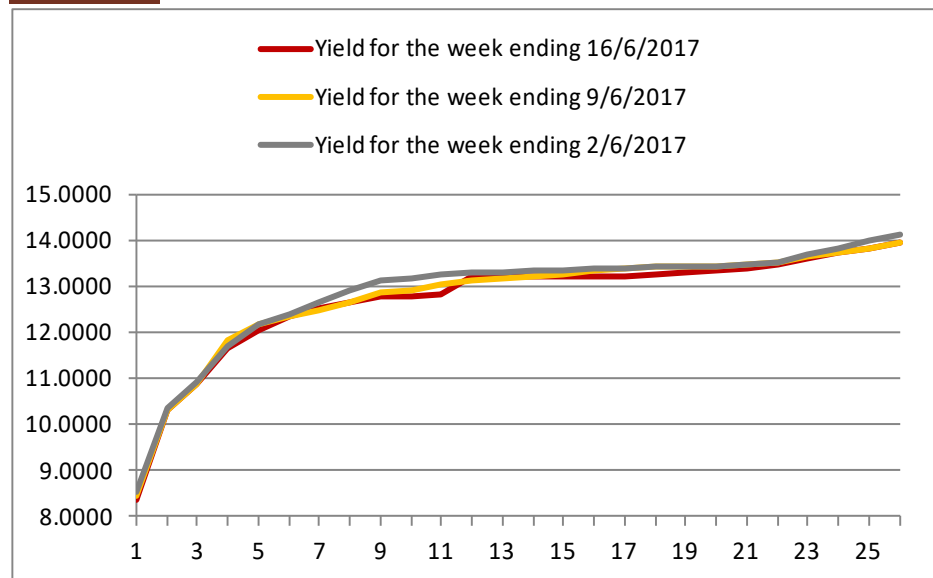
Issue No.	Next Coupon Payment Date	Maturity Date	Maturity (Tenor)	Outstanding Amount Shs'M.	Fixed Coupon Rate
FXD2/2007/15	June 12, 2017	June 6, 2022	2,005	7,237	13.500%
IFB1/2015/9	June 12, 2017	Dec 2, 2024	2,915	25,120	11.000%
FXD2/2010/15	June 19, 2017	Dec 8, 2025	3,286	13,513	9.000%
FXD1/2010/25	June 19, 2017	May 28, 2035	6,744	20,192	11.250%
FXD1/2008/20	June 19, 2017	June 5, 2028	4,196	29,464	13.750%
FXD1/2012/10	June 19, 2017	June 13, 2022	2,012	35,274	12.705%
FXD2/2014/5	June 19, 2017	June 17, 2019	920	16,418	11.934%
FXD3/2016/2	June 19, 2017	Dec 17, 2018	564	25,478	12.509%
FXD2/2013/5	June 26, 2017	June 25, 2018	563	26,340	11.305%
FXD1/2013/10	June 26, 2017	June 19, 2023	2,383	39,248	12.371%
FXD2/2015/2	June 26, 2017	June 26, 2017	199	18,747	12.629%
FXD1/2015/5	June 26, 2017	June 22, 2020	1,291	30,956	13.193%

EXCHANGE RATE:

Currencies	9-Jun-17	16-Jun-17	Chg YTD
USD/KES	103.3208	103.5547	-0.23%
GBP/KES	133.5139	132.0422	1.10%
EUR/KES	115.9383	115.4964	0.38%
JPY/KES	94.1291	94.4843	-0.38%
ZAR/KES	8.0433	8.1750	-1.64%
KES/UGX	34.7462	34.6195	0.36%
KES/TZS	21.6607	21.6118	0.23%
KES/RWF	7.9947	8.0973	-1.28%
KES/BIF	16.6958	16.6433	0.31%

The Kenyan central bank pumped in dollars into the market on Friday after the shilling weakened against the dollar, traders said. *(Reuters)*

YIELD CURVE:



(Nairobi Securities exchange)

Yields maintained the lowering trend as they have in the past weeks.

The FTSE Bond Index marginally decreased by 0.02 percent, reflecting marginal increase in secondary market yields.

MOST TRADED BONDS FOR THE WEEK:

WEEKLY BONDS MARKET STATISTICS FOR THE WEEK-ENDING FRIDAY 16 JUNE, 2017

Bonds worth KES.10.515bn were traded in the week compared to KES. 10.852bn in the previous week. Deals totalling 199 were closed compared to 164 the previous week.

Issue No.	Coupon (%)	This Week			Total Value (kshs)
		Highest yield (%)	Lowest yield (%)	Average Traded Yield (%)	
FXD1/2009/15	12.500	12.9000	12.7000	12.7827	3,650,000,000
IFB1/2016/9	12.500	12.3500	11.5200	12.0421	1,097,700,000
IFB1/2016/15	12.000	13.5137	11.5700	12.1314	796,000,000
FXD1/2012/15	11.000	13.4159	13.0000	13.2040	790,000,000
FXD1/2012/20	12.000	13.4500	13.1000	13.2450	702,000,000

MONETARY POLICY OPERATIONS:

The money market remained relatively liquid during the week ending June 14, 2017, supported by repo maturities. Interbank market transactions during the week resulted in a net liquidity injection of KSh 6.2 billion. The weighted average interbank rate declined to 2.84 percent in the week ending June 14, 2017 from 3.89 percent recorded in the previous week. (Central Bank of Kenya)

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