

FIXED INCOME RESEARCH

18th November 2016

Money Market	Latest	Previous
91 day	8.3310	8.2300
182 day	10.3180	10.3020
364 day	10.8170	10.7170
Repo Rate	6.0000	6.0000
Inflation Rate	6.4700	6.2600
Interbank Rate	4.7985	5.5875
Central Bank Rate	10.0000	10.5000

Exchange Rates

	Buy	Sell
USD	101.7278	101.9278
GBP	126.6644	126.9522
EUR	108.9039	109.1461
ZAR	7.1151	93.1613
KES/UGX	35.1523	7.1316
KES / TZS	21.3386	21.4789

Source: Central Bank of Kenya

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TREASURY BOND ON OFFER REOPENING:

ISSUE NUMBER: REOPENING	FXD3/2007/015 & FXD1/2008/020- KES.30bn
Amount:	KES: 30bn
Offer opening date:	10-Nov-16
Offer Closing date:	22-Nov-16
Coupon:	Fifteen year- 12.50% Twenty year- 13.75%
Auction date:	23-Nov-16
Value date:	28-Nov-16
Redemption date: 15 Year	7-Nov-22
20 Year	5-Jun-28
Secondary trading:	29-Nov-16
Taxation:	Discount/ Interest is subject to withholding tax at 10% rate
Results:	24-Nov-16
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: 1) Kenya's economy is not all doom and gloom, after all. According to the International Monetary Fund (IMF), the country's growth prospects and debt/gross domestic product (GDP) ratio are within acceptable levels. IMF further asserts that Kenya's current and projected growth prospects are better than those of her peers in the sub-Saharan African region. The Bretton Woods institution has tipped sub-Saharan Africa's economy to expand at 4.5 per cent in 2015. The institution has since downgraded Kenya's GDP growth for 2015 from 6.9 per cent to 6.5 per cent. Speaking during the launch of the Regional Economic Outlook for sub-Saharan Africa, Kenya's IMF Resident Representative Armando Morales, downplayed fears that the country's debt-to-GDP ratio was spiraling out of control. Debt in Kenya is classified by the IMF as low-distress risk. And to move to distress, you have to move through two other categories - moderate risk and high risk, and Kenya is below that. So it is very unlikely that the country will face a situation of distress in the coming years, Mr Morales said. He added the country's deficit is not alarming. He said: As long as the deficits for this year and the coming fiscal years remain projected at the same levels, then they are sustainable. He revealed that IMF has a programme in place to review the country's progress on maintenance of deficit. Morales' position was supported by Chris Kiptoo of Trademark East Africa who asked the Government to find a way to counter the prevailing negative perceptions on the country's macro-economic stability. Kenya's credit outlook has since seen it enter into the bad books of such global credit rating agencies as Standard and Poor's (S&P) and Fitch Ratings. However, Morales insisted that these agencies have downgraded Kenya's economic outlook and not her rating. "Rating agencies have been downgrading the outlook for Kenya but not the rate, meaning that they still believe, as we do, that it is sustainable," he said. However, Nikhil Hira of Deloitte and Touche insisted that things are not that rosy.

Mr Hira said being a mid-income country, it was worrying that there are huge wealth disparities between the poor and the rich; that the huge infrastructure spending, though good in the long-term, was eating into the country's cash reserve in the short-term. Hira said although the country's position in the World Bank's ease of doing business report had improved, it was still difficult to start a business. IMF and World Bank have occasionally come under attack for being economic with the truth. Although they have downgraded Kenya's growth projections for 2016 and said the economy is facing some headwinds, they nevertheless insist the country's growth is solid. (IMF, Securities Africa Kenya)

ECONOMIC UPDATE: Consumers to pay more for petrol, kerosene Energy Regulatory Commission has increased the petroleum pump prices for the month of November 2016.

The changes in this month's prices have been as a consequence of the average landed cost of imported Super Petrol increasing by 8.12% from US\$ 479.33 per ton in September 2016 to US\$ 518.23 per ton in October 2016. The average landed cost of Diesel increased from US\$ 435.40 per ton to US\$ 435.46 per ton and Kerosene increased by 10.68% from US\$ 433.07 per ton to US\$ 479.30 per ton.

Taking into account the weighted average cost of imported refined petroleum products, the changes in the maximum allowed petroleum pump prices in Nairobi are as follows: Super Petrol increases by KShs 3.38 per litre, Diesel increases by KShs 0.05 per litre while Kerosene increases by KShs 3.45 per litre. *(ERC, Securities Africa Kenya)*

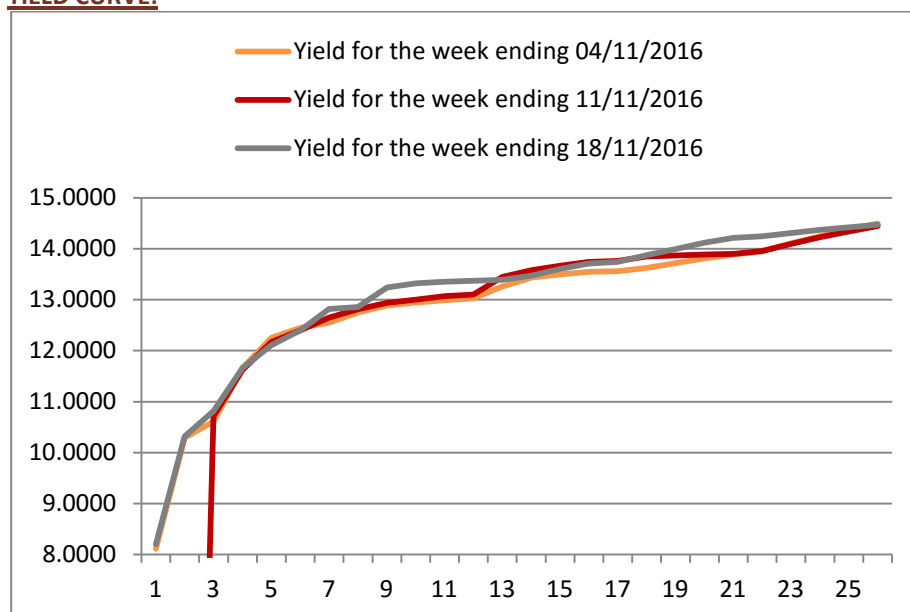
There was over subscription by 146.05% for the 91 day Tbills. The rate however lowered with 3bps unlike what has been the trend for the past month. This was unexpected as the trend has been an upward trend.

TREASURY BILL LATEST RESULTS 2187/91: 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 221 amounting to Kshs.5.84 Billion, representing a subscription of 146.05%. Total bids accepted amounted to Kshs. 2.02 Billion. The market weighted average rate was 8.331% and the weighted average of accepted bids which will be applied for non-competitive bids was 8.200% down from 8.230% in the previous auction. *(Central Bank of Kenya)*

There was over subscription for the 182 day and the 364 day Tbills. For the 182 day the subscription rate was 182.49% and 364 day the subscription rate was 152.31% there was rejections on the bidded volumes by upto KES.6.23bn. This shows the ease of liquidity in the market. As also evidenced by the interbank rate.

TREASURY BILL RESULTS 2168/182 and 2095/364: 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 396 amounting to Kshs. 10.95 Billion representing 182.49% subscription and 147 bids amounting to Kshs.9.14 Billion representing 152.31% subscription for 182 and 364 days, respectively. Bids accepted amounted to Kshs.6.63 Billion for 182 days and Kshs.7.23 Billion for 364 days Treasury Bills. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 10.318% for the 182-day and 10.817% for 364-day Treasury Bills. *(Central Bank of Kenya)*

YIELD CURVE:



(Nairobi Securities Exchange, Securities Africa Kenya)

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

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.

EXCHANGE RATE:

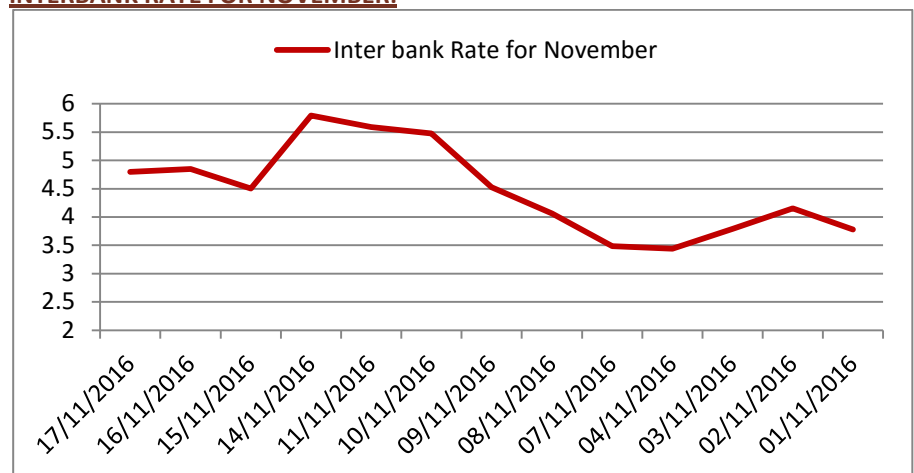
Currencies	11-Dec-15	18-Nov-16	Chg YTD
USD/KES	101.8771	101.8278	0.0%
GBP/KES	154.5836	126.8083	18.0%
EUR/KES	111.4978	109.025	2.2%
JPY/KES	83.8530	93.0529	-11.0%
ZAR/KES	6.6857	7.1233	-6.5%
KES/UGX	33.0301	35.236	-6.7%
KES/TZS	21.2021	21.4088	-1.0%
KES/RWF	7.3226	7.9636	-8.8%
KES/BIF	15.4110	16.5968	-7.7%

The Kenyan shilling was steady against the dollar earlier in the week but was seen easing on increased demand from importers and multinational companies making foreign exchange settlements. It came under pressure against the dollar as the week progressed with foreign exchange demand from multinational companies outweighing dollar sales from charities and exporters traders said.

The Kenya shilling reported mixed performance to the international currencies. The US dollar strengthened (0.1%) w/w to the Kenya shilling. The British pound also gained 0.3% to the shilling. However The Euro lost to the shilling (1.6%) and same was for the Japanese Yen at (2.4%). On the continent, the shilling posted mixed trends in the week as it gained to the S.A Rand (3.3%); still gained to the Uganda shilling (1.9%); lost to the Tanzania shilling (0.2%); marginally shed to the Rwanda Franc (0.0%) and gained to the Burundi Franc (0.6%)

(Central Bank of Kenya, Securities Africa Kenya)

INTERBANK RATE FOR NOVEMBER:



The average interbank rate declined to 4.7895 percent in the week ending November 18, 2016 from 5.5875 percent recorded in the previous week.

(Central Bank of Kenya)

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