

FIXED INCOME RESEARCH

19th May 2017

Money Market	Latest	Previous
91 day	8.6770	8.7260
182 day	10.389	10.407
364 day	10.914	10.929
Repo Rate	6.1800	5.4980
Inflation Rate	11.480	10.280
Interbank Rate	6.1623	5.7150
Central Bank Rate	10.0000	10.0000

Exchange Rates

	Buy	Sell
USD	103.2778	103.4778
GBP	133.0128	133.3028
EUR	112.2183	112.4672
ZAR	7.7246	7.7453
KES/UGX	35.1090	35.2738
KES / TZS	21.5505	21.6891

Source: Central Bank of Kenya

Fixed Income Research

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ECONOMIC UPDATE:

RESULTS- ISSUE NUMBER:

Amount on offer:

Coupon:

Total bids received:

Amount Accepted:

Auction date:

Results:

Value date:

Redemption dates: FXD2/2010/10

FXD1/2009/15

Secondary Trading:

Commission:

Right to accept applications

FXD2/2010/010 & FXD1/2009/015

KES: 40bn

FXD2/2010/10 -9.307% p.a.

FXD1/2009/15- 12.50% p.a.

38,849.84

19,996.13

17-May-17

18-May-17

22-May-17

19-Oct-20

7-Oct-24

23-May-17

In multiples of Kshs. 50,000

Licensing placing agents will be paid commission at the rate of 0.15% of actual sales (at cost) net of 5% withholding tax

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) Public debt crosses Sh4 trillion mark as State eyes more loans

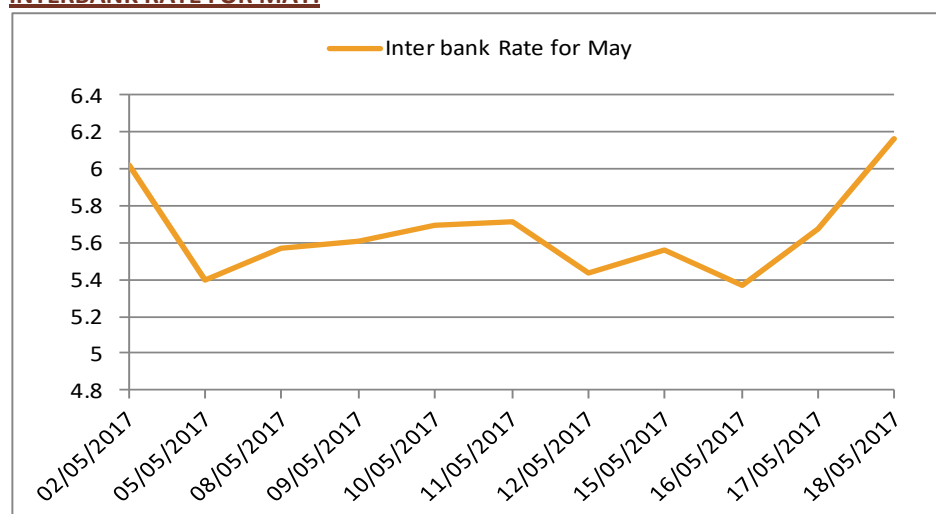
Kenya's public debt crossed the Sh4 trillion mark at the end of March this year, reflecting the Jubilee government's sharp appetite for loans. This has raised fears of the country's future ability to repay the mounting credit. The latest Quarterly Economic and Budgetary Review report released Wednesday by the Treasury shows that total public debt has now risen to an equivalent of more than half (52.6 per cent) of the gross domestic product (GDP), on the back of massive increase in borrowing since the Jubilee administration took power four years ago. The public debt comprises 51.9 per cent foreign and 48.1 per cent domestic loans. "The gross public debt increased by Sh782.3 billion from Sh3.26 billion as at the end of March 2016 to Sh4.04 trillion, equivalent to 52.6 per cent of GDP by March 31, 2017," says Treasury in the report tabled in Parliament. "The overall increase is attributed to increased external debt due to exchange rate fluctuations, disbursements from external loans and more uptake of domestic debt during the period." The rate of increase in the debt load, however, does not correspond with growth in revenue generation, indicating the widening gap and mounting pressure on government's capacity to repay loans. The ability to generate and grow tax revenue is a strong indicator of future ability to repay debt. The Treasury report shows that the government's cumulative revenue collection for the period July last year to March this year amounted to Sh984.6 billion against a target of Sh1.05 trillion. "This represented an under-performance of Sh65.9 billion mainly due to shortfalls in income tax, (fees, charges and court fines) collection, Investment Income and Imports Declaration Fee (IDF)," says Treasury in its documents. The total external debt stock including the international sovereign bond stood at Sh2.1 trillion at the period ending March 2017. The debt stock comprised multilateral debt at 38.4 per cent, bilateral debt at 32.8 per cent, commercial banks debt at 28.3 per cent including international sovereign bond and suppliers' credit debt at 0.5 per cent. Corresponding to the rising debt load, foreign interest payments rose to Sh38.2 billion in the period compared to Sh26 billion in the same period of the 2015/16 financial year. On the other hand interest payments on domestic debt totaled Sh145.8 billion, which was higher than the Sh122.6 billion paid in the corresponding period of the previous financial year. According to the budgetary review, Kenya's loan repayment to China stood at Sh18 billion over the period representing over half of the total bilateral loans (Sh32.8 billion) highlighting the country's growing appetite for Chinese loans. Kenya this week committed to borrowing additional billions of shillings to finance the ongoing construction of the standard gauge railway (SGR) line indicating that the borrowings could soon take the debt load past 60 per cent of GDP level. On Monday the government announced it is seeking an additional Sh370 billion (\$3.59 billion) Chinese loan to extend the SGR from Naivasha to Kisumu, pushing the construction cost to Sh847 billion. The country has in the past four years borrowed

The 91 day, 182 day & 364 day Tbills were oversubscribed at 221.19%, 168.16% & 157.48% respectively. Acceptance rate on the 91 day Tbill was with a deficit of KES. 1.765bn, on the 182 day picked a surplus of KES. 5.452bn and the 364 day Tbill was taken up with surplus of KES. 4.815bn. There is liquidity of upto KES. 8.909bn in rejection from this week's T-bill auctions. CBK has been mopping up the excess liquidity through Term Auction Deposits(TADs)

billions of shillings to finance power generation and road construction projects. In addition to Sh327 billion spent on the first phase between Mombasa and Nairobi and Sh150 billion that the emerging Asian economy extended recently for the Nairobi-Naivasha section, the Chinese will have pumped a total of Sh847 billion in the venture. This excludes interest on the loans that would push the overall cost beyond Sh1 trillion. (Daily Nation)

TREASURY BILL LATEST RESULTS 2213, 2186/182 /91 & 2124/364: 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. 41.41 Billion and the bids accepted amounted to Kshs.32.50 Billion. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 8.677% for the 91-day, 10.389 for 182-day and 10.914% for 364-day Treasury Bills. (Central Bank of Kenya)

INTERBANK RATE FOR MAY:



(Central Bank of Kenya)

Interbank rate has been showing mixed trends in the month.

The central bank of Kenya said on Friday it planned to mop up 10 billion shillings

UPCOMING COUPON PAYMENTS FOR MAY:

Issue No.	Next Coupon Payment Date	Maturity Date	Maturity (Tenor)	Outstanding Amt Shs'M.	Coupon Rate
FXD3/2007/15	May 15, 2017	Nov 7, 2022	2,007	18,030	12.500%
FXD1/2007/12	May 15, 2017	May 13, 2019	731	4,865	13.000%
FXD1/2011/20	May 22, 2017	May 5, 2031	5,106	9,366	10.000%
FXD1/2012/5	May 22, 2017	May 22, 2017	10	31,080	11.855%
FXD1/2012/20	May 22, 2017	Nov 1, 2032	5,652	44,582	12.000%
FXD3/2013/5	May 22, 2017	Nov 19, 2018	556	14,938	11.952%
FXD2/2016/2	May 22, 2017	May 21, 2018	374	30,218	12.020%
IFB1/2016/9	May 22, 2017	May 12, 2025	2,922	36,303	12.500%
IFB2/2009/12	May 29, 2017	Nov 22, 2021	1,657	9,704	12.000%
FXD2/2015/5	May 29, 2017	Nov 23, 2020	1,291	30,674	13.920%

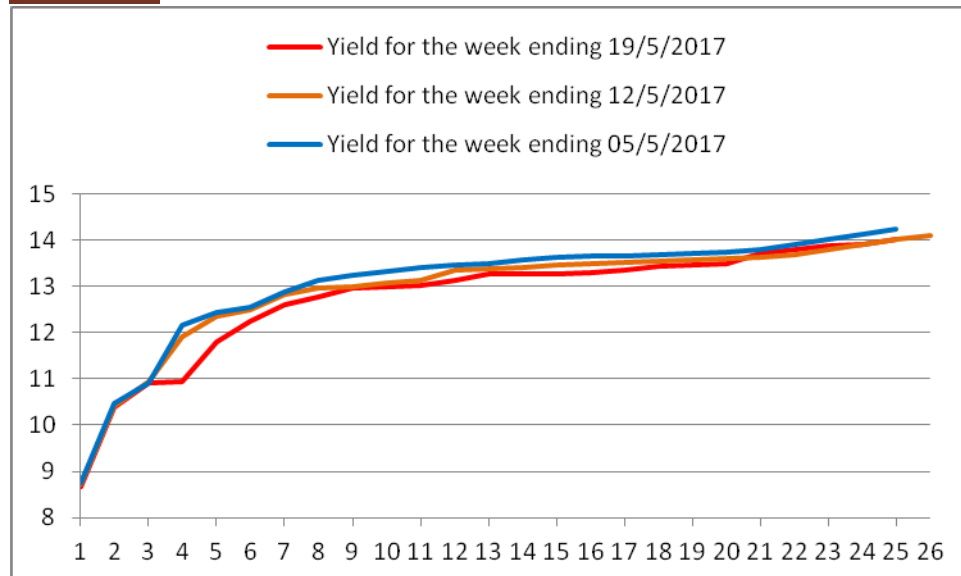
Coupon payments and maturity on FXD1/2012/5 on treasury bonds amounting to KES. 14.123bn will be checking into the market in the month of May.

EXCHANGE RATE:

Currencies	12-May-17	19-May-17	Chg YTD
USD/KES	103.3778	103.3406	0.04%
GBP/KES	133.1578	133.7472	-0.44%
EUR/KES	112.3428	114.9686	-2.34%
JPY/KES	91.0216	92.7778	-1.93%
ZAR/KES	7.7350	7.7847	-0.64%
KES/UGX	35.1914	35.0589	0.38%
KES/TZS	21.6198	21.6469	-0.13%
KES/RWF	7.9594	8.1335	-2.19%
KES/BIF	16.5940	16.4002	1.17%

The Kenyan shilling was steady against the dollar on Friday, helped by weak dollar demand from oil importers, traders said. *(Reuters)*

YIELD CURVE:



(Nairobi Securities exchange)

Yields have been on a lowering trend in the past few weeks, as a result of CBK taking a stance to not pick costly funds as the case has been in previous auctions.

MOST TRADED BONDS FOR THE WEEK:

WEEKLY BONDS MARKET STATISTICS FOR THE WEEK-ENDING FRIDAY 19 MAY , 2017

Bonds worth KES. 6.698bn were traded in the week compared to KES. 13.618bn in the previous week. Deals totalling 152 were closed compared to 206 the previous week.

Issue No.	Coupon (%)	This Week			Total Value (kshs)
		Highest yield (%)	Lowest yield (%)	Average Traded Yield (%)	
IFB1/2016/15	12.000	12.9000	11.9700	12.6726	2,051,000,000
FXD1/2015/5	13.193	13.1930	12.1000	12.5393	1,166,000,000
FXD3/2016/5	13.112	12.3000	12.3000	12.3000	500,000,000
FXD1/2008/20	13.750	13.8000	13.3500	13.5137	450,000,000
FXD3/2007/15	12.500	13.5000	12.9000	13.0229	429,500,000

MONETARY POLICY OPERATIONS:

The money market was fairly liquid during the week ending May 17, 2017. The Central Bank’s open market operations resulted in KSh 2.8 billion withdrawal largely through Term Auction Deposits sales. As a result, net liquidity injection into the money market during the week under review amounted to KSh 5.7 billion. Commercial banks’ excess reserves above 5.25 per cent averaging requirement declined to KSh 4.7 billion, from the previous week’s KSh 13.1 billion *(Central Bank of Kenya)*

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