

FIXED INCOME RESEARCH

2nd June 2017

Money Market	Latest	Previous
91 day	8.5400	8.6060
182 day	10.362	10.374
364 day	10.914	10.914
Repo Rate	4.7500	6.1800
Inflation Rate	11.700	11.480
Interbank Rate	3.7922	4.1917
Central Bank Rate	10.0000	10.0000

Exchange Rates

	Buy	Sell
USD	103.2628	103.4461
GBP	132.8678	133.1522
EUR	115.8378	116.0756
ZAR	7.9971	8.0222
KES/UGX	34.6847	34.8431
KES / TZS	21.5765	21.7116

Source: Central Bank of Kenya

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ECONOMIC UPDATE: Kenya central bank keeps benchmark rate at 10 percent

Kenya's central bank kept its benchmark lending rate at 10.0 percent on Monday, the bank's monetary policy committee said, a bid to reduce the threat of demand-driven inflation. Analysts polled by Reuters had predicted rates wouldn't change. The government, which faces parliamentary, presidential and local elections in August, is struggling to contain high inflation, caused mostly by higher food prices. Kenya's inflation rose to an annual 11.48 percent in April, up from 10.28 percent in March and the highest since May 2012. The government aims to contain inflation within a band of 2.5 to 7.5 percent. "The committee concluded that overall inflation is expected to remain above the government target range in the near term due to elevated prices for some food items," the central bank said in a statement. "Nevertheless, the prevailing policy stance had reduced the threat of demand-driven inflation." Kenya's government capped lending rates last September at 4 percentage points above the central bank rate, saying they were too high and banks had repeatedly failed to lower them. The central bank said that as a result of the caps, the number of loan applications had increased by 23.4 percent between August 2016 and April. The value of the loans applied for fell by 18.3 percent. Kenya predicts its economy will grow 5.9 percent this year, up from 5.8 percent in 2016. Loan approvals increased by 35.7 percent, the bank said. The value of the loans approved rose 16.3 percent. *(Reuters)*

NEWS UPDATE: 1) Rising food, fuel prices lift inflation to five-year high Inflation has hit a five-year high of 11.70 per cent, driven by higher food and fuel prices that have been on the rise since last year. This has pushed the cost of living measure further outside the government's preferred ceiling of 7.5 per cent. Official data shows inflation has increased from 11.48 per cent in April, making it the highest rate since May 2012, according to the Kenya National Bureau of Statistics (KNBS). "Between April and May 2017, food and non-alcoholic drinks' index increased by 1.26 per cent. The food index increased due to rise in prices of sugar, milk, maize grain and other food items," the bureau said in a statement Wednesday. "As a result, the year-on-year food inflation rose by 21.52 per cent in May 2017." The KNBS also partly attributed the inflation to increases in the cost of kerosene, cooking gas and charcoal. Food takes up the largest share (36 per cent) of the basket of goods that is used to calculate inflation, followed by utilities such as rent, water, electricity, gas and fuels at 18 per cent. The cost of flour at posho mills and consumed by the masses, rose the most at 54.3 per cent over the past year to Sh64.33 a kilogramme.

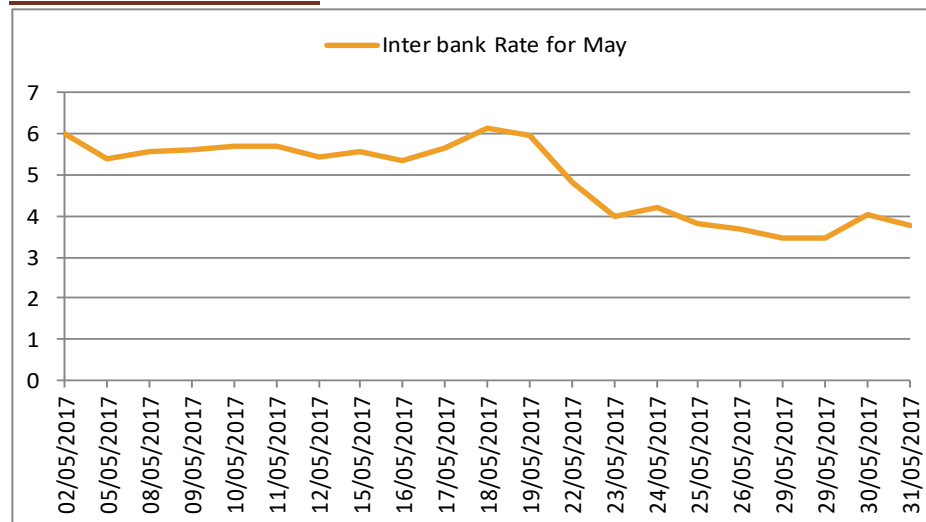
They have not benefited from a government subsidy of Sh6 billion. It cut the price 90 kg bag of maize to Sh2,300 from above Sh4,000, allowing the 2kg packet of sifted flour to be sold for Sh90 against the market cost of Sh140. Sugar prices rallied to Sh168.18 a kilo in May from Sh112.60 a year ago and Sh136.45 in April. Half-litre fresh milk pouch increased by Sh12 over the past year to Sh65 per packet in May, but is expected to come down by Sh10 on Thursday. The drought left about 2.7 million people in need of food aid, posing a political headache for President Uhuru Kenyatta as he seeks a second term. Policymakers held the benchmark lending rate at 10 per cent this week, saying its policy stance had reduced the threat of demand-driven inflation. Kerosene, used by the poor, rose 38.2 per cent to Sh66.26 while diesel was up 24.8 per cent to Sh89.70. *(Daily Nation)*

The 91 day, 182 day & 364 day Tbills were oversubscribed at 209.20%, 154.96% & 139.28% respectively. Acceptance rate on the 91 day Tbill was with a deficit of KES. 874.45mn, on the 182 day picked a surplus of KES. 3.919bn and the 364 day Tbill was taken up with a surplus of KES. 1.566bn. There is liquidity of upto KES. 9.181bn in rejection from this week's T-bill auctions.

Interbank rate has been showing mixed trends in the month. It however lowered in the week and as the month came to an end.

TREASURY BILL LATEST RESULTS 2215, 2188/182 /91 & 2126/364: 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. 37.79 Billion and the bids accepted amounted to Kshs.28.61 Billion. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 8.540% for the 91-day, 10.362 for 182-day and 10.914% for 364-day Treasury Bills. *(Central Bank of Kenya)*

INTERBANK RATE FOR MAY:



(Central Bank of Kenya)

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.

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%

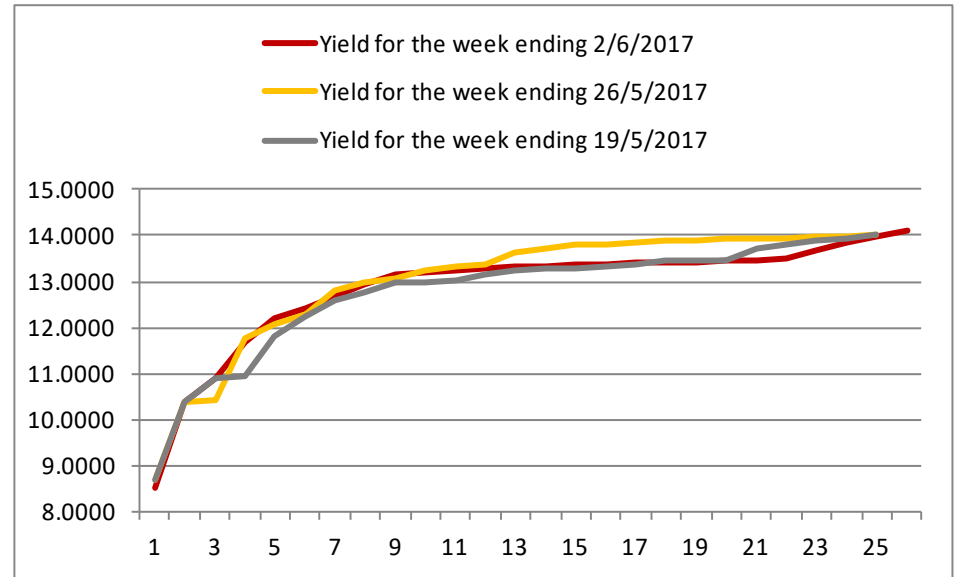
EXCHANGE RATE:

Currencies	26-May-17	2-Jun-17	Chg YTD
USD/KES	103.3094	103.3544	-0.04%
GBP/KES	133.7200	133.0100	0.53%
EUR/KES	115.7614	115.9567	-0.17%
JPY/KES	92.418	92.5535	-0.15%
ZAR/KES	8.0175	8.0097	0.10%
KES/UGX	34.8952	34.7639	0.38%
KES/TZS	21.6535	21.644	0.04%
KES/RWF	7.9672	7.9676	-0.01%
KES/BIF	16.6311	16.6404	-0.06%

Kenyan shilling stable, helped by inflows from charities

The Kenyan shilling was unchanged against the dollar on Friday supported by hard currency inflows from non-governmental organisations and remittances, traders said. *(Reuters)*

YIELD CURVE:



(Nairobi Securities exchange)

MOST TRADED BONDS FOR THE WEEK:

WEEKLY BONDS MARKET STATISTICS FOR THE WEEK-ENDING FRIDAY 2 JUNE, 2017

Bonds worth KES.12.110bn were traded in the week compared to KES. 16.391bn in the previous week. Deals totalling 157 were closed compared to 179 the previous week.

Issue No.	Coupon (%)	This Week			Total Value (kshs)
		Highest yield (%)	Lowest yield (%)	Average Traded Yield (%)	
FXD1/2012/20	12.000	13.7500	13.1600	13.4102	1,901,150,000
FXD2/2016/5	14.069	12.5636	12.0500	12.1734	1,900,000,000
FXD2/2014/5	10.934	12.0664	10.0000	11.2452	1,093,000,000
FXD3/2016/5	13.112	12.2000	12.0500	12.1500	1,300,000,000
FXD1/2012/10	12.300	12.7000	12.6000	12.6625	871,000,000

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