

FIXED INCOME RESEARCH

21st April 2017

Money Market	Latest	Previous
91 day	8.7790	8.7730
182 day	10.525	10.525
364 day	10.924	10.925
Repo Rate	5.1190	5.0030
Inflation Rate	10.280	9.0400
Interbank Rate	4.0341	3.8835
Central Bank Rate	10.0000	10.0000

Exchange Rates

	Buy	Sell
USD	103.3139	103.5139
GBP	132.4694	132.7639
EUR	110.6522	110.8939
ZAR	7.7551	7.7789
KES/UGX	34.8456	35.0098
KES / TZS	21.543	21.6815

Source: Central Bank of Kenya

Fixed Income Research

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ECONOMIC UPDATE: RESULTS ON CONCLUDED PRIMARY AUCTION

ISSUE NUMBER:	FXD3/2008/010 & FXD1/2009/010
Amount on offer:	KES: 30bn
Coupon:	FXD3/2008/10 -10.75% p.a. FXD1/2009/10- 10.75% p.a.
Total bids received:	49,386.99
Amount Accepted:	32,764.24
Auction date:	19-Apr-17
Results:	20-Apr-17
Value date:	24-Apr-17
Redemption dates:	FXD3/2008/10 17-Sep-18 FXD1/2009/10 15-Apr-19
Secondary Trading:	25-Apr-17
Commission:	Licensing placing agents will be paid commission at the rate of 0.15% of actual sales (at cost) net of 5% withholding tax
Right to accept applications	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) IMF cuts Kenya growth outlook on persistent drought The International Monetary Fund (IMF) has slashed Kenya's growth forecast to 5.3 per cent on persistent drought, sluggish private sector credit growth and rising oil prices. The Fund had earlier predicted the country's economic growth rate will slow in 2017 but within the 5 to under 6 per cent range from nearly 6 per cent last year over the general election. In its latest World Economic Outlook released on Monday, the IMF projected growth rate for 2017 at 5.3 per cent and 5.8 per cent for 2018. The projection is the lowest made on Kenya this year. Several agencies including the World Bank have projected the sub-six per cent growth though. Last week, the World Bank forecast Kenya's GDP growth would decelerate to 5.5 per cent, a 0.5 percentage point mark down from the 2016 forecast over poll jitters and drought. Economic challenges this year have included the slowdown in credit growth for the private sector and the rise in global oil prices. In February, the Central Bank of Kenya downgraded economic growth forecast to 5.7 per cent in 2017 from 5.9 per cent last year, citing uncertainties in the global economy. The economy grew at 5.8 per cent in 2016. The economy expanded by 5.7 per cent in the third quarter of 2016, a slight dip from the 6 per cent recorded in the third quarter of 2015 on the back of stunted growth in agriculture, manufacturing, real estate and construction sectors. The economy ordinarily takes a dip every five years as businesses hold back investments awaiting the outcome of the elections. A severe drought experienced in major agricultural areas of Kenya since the beginning of this year has caused substantial shocks in local food supplies as consumers struggle with rising prices and shortages of popular food items. Inflation has hit a 57month high due to rising food prices that have pushed the rate outside the government's preferred ceiling. (*Business Daily*)

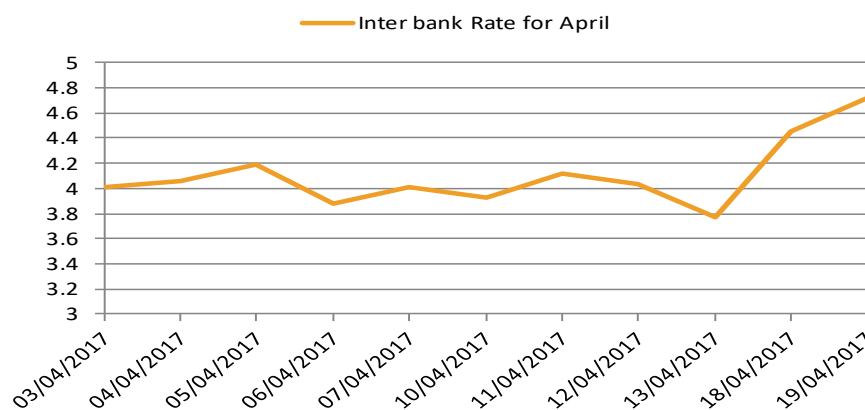
2) World Bank in fresh warning as Kenya's debt hits Sh3.8 A rapid build-up of public debt in the past four years has put the Kenyan economy at the risk of turbulence, the World Bank warned on Wednesday, adding its voice to rising concerns over the possible impact of heavy borrowing on the country's future. World Bank Chief Economist for Africa, Albert Zeufack, and the bank's Lead Economist, Punam Chuhan-Pole, said borrowing to finance infrastructure projects should be balanced with the dire risks of over borrowing. "Any borrowing to support infrastructure projects should be done judiciously," said Ms Chuhan-Pole when the bank presented the latest edition of Africa's Pulse, a biannual analysis of the state of African economies. Kenya has in the past four years borrowed billions of shillings to finance mega public infrastructure, including the ongoing construction of the standard gauge railway (SGR) line, power generation and road projects. Recent forecasts indicate that the borrowings could soon take the debt load past 60 per cent of GDP. Kenya's total public debt stood at Sh3.827 trillion or 51.50 per cent of GDP in December 2016, according to latest data from the Treasury. The World Bank's warning comes at a time when mounting debt

has dominated public discourse in Kenya and after several think tanks and experts expressed similar sentiments in recent months. The International Monetary Fund (IMF) has urged Kenya to lower her budget deficit in order to keep the debt at manageable levels. President Uhuru Kenyatta's Jubilee government has, however, often remained defiant in the face of the warnings. "Every year since the start of my administration, we have made adequate budgetary provisions to service the debt. I want to assure Kenyans that at no point has the country been at risk of default," said Mr Kenyatta in mid-March. The President repeated the defence of his government's unprecedented accumulation of public debt during the State of the Nation address in March, saying the money will eventually spur economic growth. "The money is not going towards payment of salaries or consumption but to projects that will spur economic growth and create employment," he said. To continue financing the ongoing and planned mega projects Kenya must reform its public investment mechanism to attract more private players, the World Bank said. "The impact of public investment on economic growth can be improved if countries implement policies that make public investment more efficient," said Ms Chuhan-Pole. Mr Zeufack said that improving "institutions and procedures governing project appraisal, selection, and monitoring" could produce a sound public investment system for Kenya. The latest Africa's Pulse report shows economic growth in Sub-Saharan Africa is projected to grow at the rate of 2.6 per cent in 2017, following a deceleration in 2016. *(Daily Nation)*

The 91 day Tbill and 364 day Tbill were oversubscribed at 136.73% and 196.61% respectively. Acceptance rate on the 91 day Tbill was with a deficit of KES. 3.328bn and the 364 day Tbill was with a surplus of KES. 9.431bn. 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 303 amounting to Kshs. 13.67 Billion representing 136.73% subscription and 194 bids amounting to Kshs.19.66 Billion representing 196.61% subscription for 91 and 364 days, respectively. Bids accepted amounted to Kshs. 6.67 Billion for 91 days and Kshs. 19.43 Billion for 364 days Treasury Bills. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 8.779% for the 91-day and 10.924% for 364-day Treasury Bills *(Central Bank of Kenya)*

INTERBANK RATE FOR APRIL:



Interbank rate has been showing mixed trends in the month.

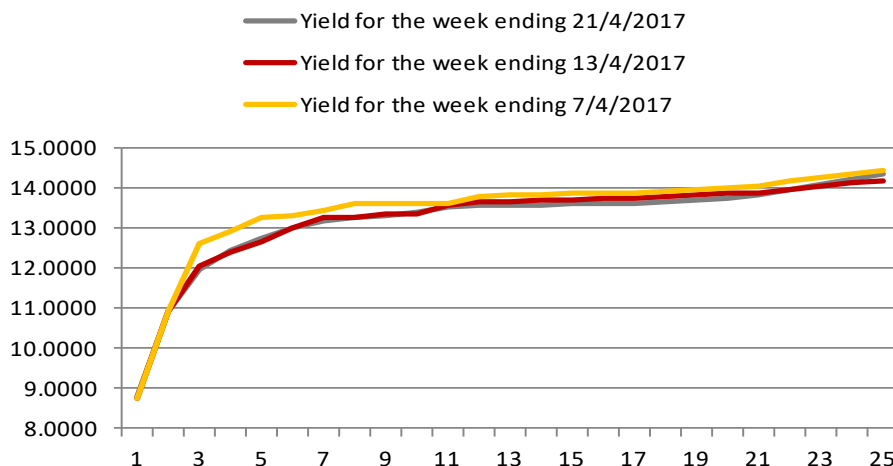
(Central Bank of Kenya)

EXCHANGE RATE:

Currencies	13-Apr-17	21-Apr-17	Chg YTD
USD/KES	103.4089	103.4139	0.00%
GBP/KES	129.1414	132.6167	-2.69%
EUR/KES	109.7625	110.7731	-0.92%
JPY/KES	94.7793	94.7578	0.02%
ZAR/KES	7.6662	7.767	-1.31%
KES/UGX	34.9584	34.9277	0.09%
KES/TZS	21.594	21.6123	-0.08%
KES/RWF	8.1183	7.9497	2.08%
KES/BIF	16.3722	16.5434	-1.05%

The Kenyan shilling was stable against the dollar on Thursday, propped by foreign exchange inflows from charities and the tourism sector, traders said. *(Reuters)*

YIELD CURVE:



MOST TRADED BONDS FOR THE WEEK:

WEEKLY BONDS MARKET STATISTICS FOR THE WEEK-ENDING FRIDAY 21 APRIL, 2017

Issue No.	Coupon (%)	This Week		Average Traded Yield (%)	Total Value (kshs)
		Highest yield (%)	Lowest yield (%)		
FXD1/2008/20	13.750	13.9000	13.5000	13.7250	1,550,000,000
FXD1/2012/10	12.300	13.450	13.0000	13.1750	1,500,000,000
FXD1/2012/20	12.000	13.6850	13.5000	13.3486	810,000,000
FXD1/2007/15	14.500	13.1500	12.6000	12.8750	400,000,000
IFB1/2016/09	12.500	12.7800	12.7800	12.7800	200,000,000

Bonds worth KES.5.034bn were traded in the week compared to KES. 3.881bn in the previous week. Deals totalling 118 were closed compared to 109 the previous week.

UPCOMING COUPON PAYMENTS FOR APRIL:

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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