

FIXED INCOME RESEARCH

24th March 2017

Money Market	Latest	Previous
91 day	8.7190	8.7420
182 day	10.525	10.525
364 day	10.914	10.909
Repo Rate	6.5830	6.9110
Inflation Rate	9.0400	6.9900
Interbank Rate	4.7411	4.4038
Central Bank Rate	10.0000	10.0000

Exchange Rates

	Buy	Sell
USD	102.8472	103.0472
GBP	128.5822	128.8550
EUR	110.8828	111.1278
ZAR	8.2269	8.2463
KES/UGX	34.8190	34.9839
KES / TZS	21.6503	21.7896

Source: Central Bank of Kenya

Fixed Income Research

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RESULTS ON BONDS OFFERED FOR THE MONTH OF MARCH:

ISSUE NUMBER:	FXD2/2014/5 & FXD3/3013/5
Amount on offer:	KES: 30bn
Coupon:	FXD2/2014/5 -11.934% p.a. FXD3/2013/5- 11.952% p.a.
Total bids received:	64,248.40
Amount Accepted:	24,864.00
Auction date:	22-Mar-17
Results:	23-Mar-17
Value date:	27-Mar-17
Redemption dates: FXD2/2014/5	17-Jun-19
FXD3/3013/5	19-Nov-18
Secondary Trading:	28-Mar-17
	In multiples of Kshs. 50,000
Classification:	These bonds are benchmark Bonds.
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) Kenya Treasury Concludes \$800 Million Syndicated Loan Accord

Kenya's Treasury concluded talks on an \$800 million syndicated loan and the funds have already been disbursed, Treasury Principal Secretary Kamau Thugge said. "We have concluded the negotiations and disbursements have been made," Thugge said in response to questions sent by mobile-phone text message. He didn't immediately respond to a request to confirm which banks were involved in the loan. The Treasury said last month it was close to signing the syndicated-loan agreement with banks including Citigroup Inc., Standard Bank Group Ltd., Standard Chartered Plc and Rand Merchant Bank. The spokeswoman for Rand Merchant wasn't available when Bloomberg called seeking comment, while spokesmen for the other three lenders declined to comment, citing client confidentiality. The syndicated loan matures in three years, according to a person familiar with the matter who asked not to be identified because they aren't authorized to speak about it. The \$800 million was disbursed to the Treasury last week, the person said. The government will also receive \$500 million this week from the Trade and Development Bank, an East African trade-finance bank based in Burundi, the person said. The 10-year loan is in addition to the \$250 million it raised from the same lender in January. The loans complete the Kenyan government's foreign borrowing plans for the 2016-17 fiscal year that ends June 30, the person said. The state planned to raise 154 billion shillings (\$1.5 billion) in the period. *(Bloomberg)*

2) M-Pesa cash ceiling to go up in bid to boost M-Akiba bond Plans are in the offing to raise the daily mobile money transaction ceiling from the current Sh140,000 to accommodate higher purchases of the M-Akiba product launched on Thursday. Treasury Cabinet Secretary Henry Rotich said the move is aimed at allowing those with a higher ability to buy the mobile-based government security instrument as the daily limitation may lock them out of the new investment. "We are discussing with Central Bank of Kenya to see to what extent we can increase the daily limit to a higher amount to allow higher purchases. This is one way to allow as many Kenyans as possible to participate in Treasury bills, promote financial inclusion and boost our infrastructure financing," said Mr Rotich. The initial phase of the Sh5 billion government bond was launched on Thursday, with buyers allowed to take a minimum of Sh3,000 or a maximum of Sh140,000 a day exclusively via mobile phones. The current offer runs until 10th April or until Sh150 million is raised with the remaining Sh4.85 billion expected to be floated in June. Treasury has also planned a marketing drive before June to popularise the bond which attracts a 10 per cent interest paid bi-annually within a period of three years when it matures. It is also tax free. M-Pesa which is the largest mobile money platform increased single limits from Sh35,000 in 2010 to Sh50,000 before the limit went up to the current Sh70,000. Vendors had complained of limitations of the channel especially in the purchase of air tickets. Currently, one is

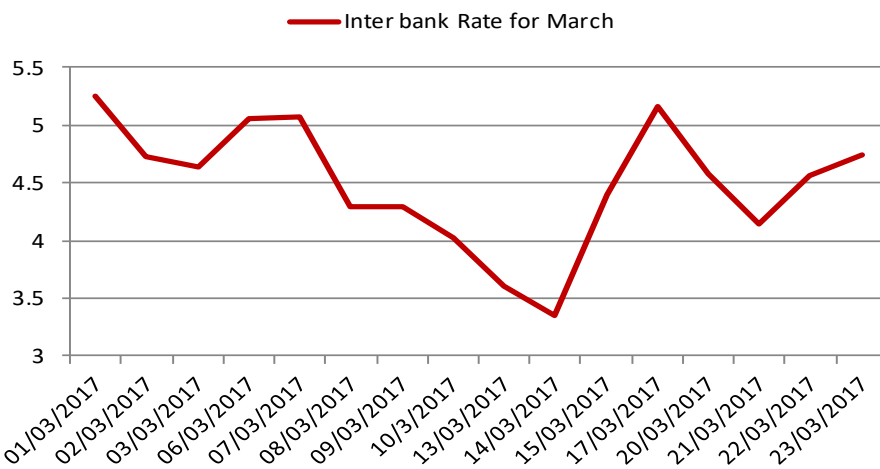
allowed a maximum account balance is Sh100,000 but the daily transaction is capped at Sh140,000.

The CBK limits on e-payments amounts are aimed at curbing money laundering and fraud, but the new product may force further extension on the daily limits. CBK Governor Patrick Njoroge, who was present at the launch, lauded the move, terming it a 'transformational and a momentous milestone' in deepening financial inclusion. "This will dramatically change the savings culture of our people. The success of MAKiba is a testimony of how collaboration can democratise finance and there are many other products coming to showcase Kenya as a hot bed for innovation beyond financial technology." The initiative that went live on Thursday involved the national Treasury as the issuer of the bond, CBK which issues bond on behalf of government), the Capital markets Authority as the capital markets regulator, Safaricom and Airtel as mobile network operators, the Nairobi Securities Exchange, where the bond shall be traded and listed among other players. (Nation)

TREASURY BILL LATEST RESULTS 2205/91 & 2115/364: 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 288 amounting to Kshs. 8.81 Billion representing 88.07% subscription and 243 bids amounting to Kshs.20.31 Billion representing 203.05% subscription for 91 and 364 days, respectively. Bids accepted amounted to Kshs. 2.16 Billion for 91 days and Kshs. 15.44 Billion for 364 days Treasury Bills. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 8.719% for the 91-day and 10.914% for 364-day Treasury Bills. (Central Bank of Kenya)

The 91 day Tbill was undersubscribed at 88.07% and and 364 day Tbill oversubscribed at 203.05%. There was high subscription as well as acceptance level with KES.6.65bn going to rejection on the 91 day Tbill and 364 day Tbill KES.4.87bn.The CBK picked the bids with an excess of KES.4.87bn. CBK has been mopping up the excess liquidity through Term Auction Deposits(TADs)

INTERBANK RATE FOR MARCH:



Interbank rate has been showing mixed trends in the month.

(Central Bank of Kenya)

UPCOMING COUPON PAYMENTS & MATURITIES:

Issue No.	Next Coupon Payment Date	Maturity Date	Maturity (Tenor)	Outstanding Amount Shs'M.	Fixed Coupon Rate
FXD1/2006/11	March 13, 2017	Sep 11, 2017	234	4,031	13.75%
FXD3/2008/10	March 20, 2017	Sep 17, 2018	605	4,152	10.75%
FXD3/2016/5	March 27, 2017	Sep 20, 2021	1,704	23,052	13.11%
FXD1/2007/15	March 13, 2017	March 7, 2022	1,872	3,655	14.50%
FXD1/2008/15	March 20, 2017	March 13, 2023	2,243	7,831	12.50%
FXD1/2010/15	March 20, 2017	March 10, 2025	2,971	22,336	10.25%
FXD1/2012/15	March 20, 2017	Sep 6, 2027	3,881	27,094	11.00%
FXD1/2016/20	March 27, 2017	Sep 1, 2036	7,164	12,290	14.00%
IFB1/2011/12Yr	March 27, 2017	Sep 18, 2023	2,432	24,326	12.00%
IFB1/2013/12Yr	March 27, 2017	Sep 15, 2025	3,160	38,364	11.00%
IFB1/2015/12Yr	March 27, 2017	March 15, 2027	3,706	51,192	11.00%

(Nairobi Securities Exchange)

In the month of February there were coupon payments and maturities worth KES. 106.0 bn We anticipate in the month of March for liquidity to ease greatly as KES. 91.5 bn is expected to check into the market.

EXCHANGE RATE:

Currencies	17-Mar-17	24-Mar-17	Chg YTD
USD/KES	103.0306	102.9472	0.08%
GBP/KES	127.2267	128.7186	-1.17%
EUR/KES	110.5583	111.0053	-0.40%
JPY/KES	90.8519	92.8708	-2.22%
ZAR/KES	8.0872	8.2366	-1.85%
KES/UGX	34.8635	34.9015	-0.11%
KES/TZS	21.6927	21.7199	-0.13%
KES/RWF	7.9618	7.973	-0.14%
KES/BIF	16.5381	16.5643	-0.16%

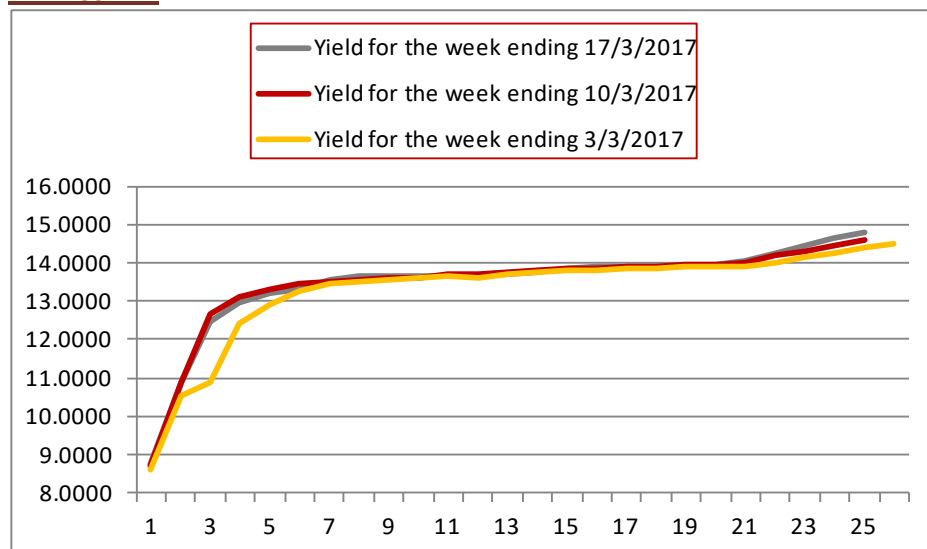
(Central Bank of Kenya)

The Kenyan shilling is expected to remain stable over the next week, with importer demand for dollars set to outweigh inflows, from farm exports. Market participants said there was no consensus on what policymakers are likely to do when they meet to set interest rates on March 27.

The Kenyan shilling traded stable against the dollar on Thursday, with market players eyeing a monetary policy rate decision by the central bank on Monday, traders said.

(Reuters)

YIELD CURVE:



Bond turnover decreased by 46.43 percent. The number of deals decreased from 351 to 157 in the week ending March 23, 2017. 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 24 MARCH, 2017

Issue No.	Coupon (%)	This Week		Average Traded Yield (%)	Total Value (kshs)
		Highest yield (%)	Lowest yield (%)		
FXD1/2014/10	12.180	14.2000	13.54000	13.8780	1,628,500,000
IFB1/2016/15	12.000	13.8718	13.0000	13.5501	1,087,000,000
FXD1/2016/10	15.039	13.6000	13.5250	13.5600	1,000,000,000
FXD1/2012/20	12.000	14.6000	13.6000	13.8366	902,500,000
IFB1/2014/12	11.000	13.7795	12.3100	12.9912	665,850,000

(Nairobi Securities Exchange)

Bonds worth KES.8.564bn were traded in the week compared to KES. 13.448bn in the previous week. Deals totalling 163 were closed compared to 324 the previous week.

MONETARY POLICY OPERATIONS:

The money market was relatively liquid during the week ending March 22, 2017, largely supported by OMO maturities. CBK liquidity operations injected KSh 9.6 billion in the interbank market. The average interbank rate increased to 4.80 percent in the week ending March 22, 2017, from 3.94 percent recorded in the previous week.

(Central Bank of Kenya)

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