

FIXED INCOME RESEARCH

25th November 2016

Money Market	Latest	Previous
91 day	8.2360	8.3310
182 day	10.3710	10.3180
364 day	10.8250	10.8170
Repo Rate	6.0000	6.0000
Inflation Rate	6.4700	6.2600
Interbank Rate	5.9206	4.7985
Central Bank Rate	10.0000	10.5000

Exchange Rates

	Buy	Sell
USD	101.7650	101.9650
GBP	125.8711	126.1444
EUR	107.3633	107.5983
ZAR	7.1207	7.1397
KES/UGX	35.4533	35.6213
KES / TZS	21.3308	21.4710

Source: Central Bank of Kenya

Fixed Income Research

Christine Gatakaa

cgatakaa@securitiesafrica.com

Milkah Gathoni

mgathoni@securitiesafrica.com

Head of Fixed Income Trading

Anthony Munyiri

amunyiri@securitiesafrica.com

Tel: +254 714 646 406

Call Centre: +254 735 571 530

researchke@securitiesafrica.comwww.securitiesafrica.com2nd Floor, The Exchange

55 Westlands Road, Nairobi.

P.O. Box 19018-00100,

Nairobi, Kenya.

TREASURY BOND ON OFFER RESULTS:

ISSUE NUMBER: RESULTS

Amount:	KES: 30bn
Bids received:	KES. 22.88bn
Performance rate (%):	76.29%
Average:	Fifteen year- 13.575%
	Twenty year- 14.257%
Coupon:	Fifteen year- 12.50%
Value date:	Twenty year- 13.75%
Redemption date: 15 Year	7-Nov-22
20 Year	5-Jun-28
Price per 100 at Average Yield:	Fifteen year- 96.167
	Twenty year- 103.225
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) Slowing credit growth in Kenya, where a government cap on loan rates has yet to boost lending, will probably act as a drag on the country's economic expansion next year, the International Monetary Fund said. Lending to the private sector slowed for the 14th consecutive month in September, central bank data published this week show. In August, President Uhuru Kenyatta signed a law that capped banks' loan charges at four percentage points above the benchmark central bank rate, which is currently 10 percent. "We know credit growth has an impact with a lag, so we think we will have an impact in 2017," Armando Morales, the IMF's country representative in Kenya, said in a phone interview from the capital, Nairobi. Banks in East Africa's biggest economy have criticized the rate cap, warning that credit may dry up if they can't price loans according to the risks they're taking. The IMF has warned that the law may impede access to loans. Kenyatta introduced the caps against the advice of the central bank, which opposed the measure. A similar law in countries including Zambia and Nigeria failed to stimulate lending. Credit to the private sector grew 5.3 percent in September, the slowest pace since June 2008. That year, the Kenyan economy grew just 0.2 percent after two months of violence following a disputed presidential election slashed output. The country will hold its next presidential vote in August 2017.

Growth in private-sector credit may begin contracting before the end of this year, Aly Khan Satchu, chief executive officer of Nairobi-based Rich Management, said in an e-mailed response to questions. One of the side effects of the interest-rate bill has been a "stampede" into government debt, considered risk-free on banks' balance sheets, at the expense of lending to the private sector, he said. Standard Chartered Plc Chief Economist for Africa Razia Khan on Tuesday cut her forecast for growth next to 5 percent from a previous estimate of 5.6 percent, citing weaker credit growth. The Kenyan government has said it expects the economy to grow 6 percent in 2017. "We do not expect credit growth to pick up in the remaining part of the year," Morales said. "The question is how much would be the impact on economic growth from declining credit growth. We would like to collect information to have a clearer picture of this." Kenya's Monetary Policy Committee meets on Monday to decide its latest interest-rate stance. Economists surveyed by Bloomberg expect the MPC to leave the benchmark gauge at 10 percent. (*Bloomberg, Securities Africa Kenya*)

ECONOMIC UPDATE: MPC sits on Monday, 28 November 2016 This will be the second meeting since rates were capped by the National Assembly to not more than 4basis points above the Central Bank Rate. It has been interesting to see the spillover effects as the interbank lending went on a decline. We anticipate the Central Bank rate (CBR) to be maintained at 10.00% although at the last sitting they lowered the rate further from 10.50% (*Central Bank of Kenya, Securities Africa Kenya*)

There was over subscription by 147.78% for the 91 day Tbills. The rate however edged up as has been the case in recent weeks. The acceptance rate was almost 100% which could be a result of filling the deficit from the just concluded primary auction that saw undersubscription by 76% at KES.22.88bn copmapred to KES.30bn that was being issued.

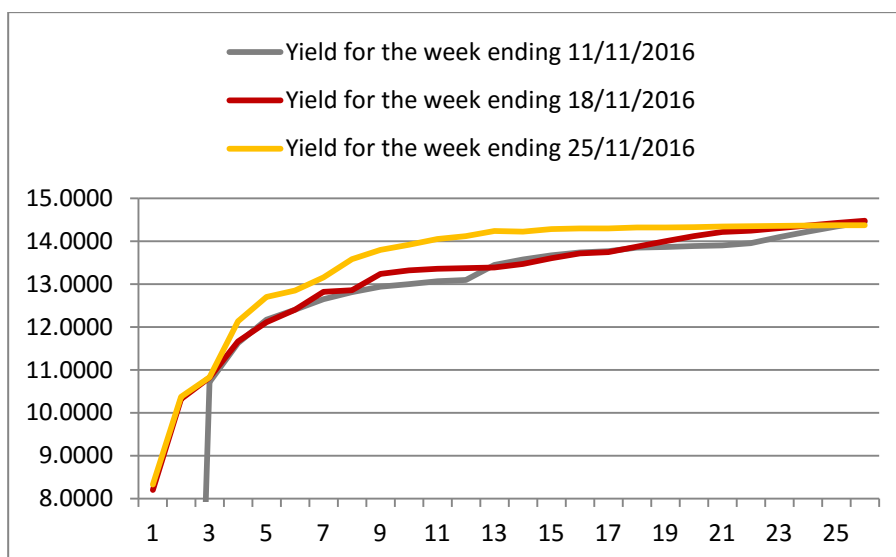
There was over subscription for the 182 day and under subscription on the 364 day Tbill. For the 182 day the subscription rate was 115.61% and 364 day the subscription rate was 88.61% the 364 day Tbill was undersubscribed signalling that most participants opted to participate in the just concluded primary auction on the FXD3/2007/15 which has 5 years to maturity and a coupon of 12.50%.

Yields are on a rise on the all tenure bonds and have maintained levels on the longer tenure bonds. This shows that the duration where rates have been on at their lowest may soon be coming to an end. It will be interesting to see the results of the MPC meeting which sits upcoming Monday.

TREASURY BILL LATEST RESULTS 2188/91: 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 239 amounting to Kshs 5.91 Billion, representing a subscription of 147.78%. Total bids accepted amounted to Kshs. 5.91 Billion. The market weighted average rate was 8.326% and the weighted average of accepted bids which will be applied for non-competitive bids was 8.326% up from 8.200% in the previous auction. *(Central Bank of Kenya)*

TREASURY BILL RESULTS 2169/182 and 2096/364: 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 281 amounting to Kshs. 6.94 Billion representing 115.61% subscription and 124 bids amounting to Kshs.5.32 Billion representing 88.61% subscription for 182 and 364 days, respectively. Bids accepted amounted to Kshs.6.94 Billion for 182 days and Kshs.3.27 Billion for 364 days Treasury Bills. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 10.371% for the 182-day and 10.825% for 364-day Treasury Bills. *(Central Bank of Kenya)*

YIELD CURVE:



(Nairobi Securities Exchange, Securities Africa Kenya)

MOST TRADED BONDS IN THE WEEK:

WEEKLY BONDS MARKET STATISTICS FOR THE WEEK-ENDING FRIDAY 25 NOVEMBER , 2016

Issue No.	Coupon (%)	Week Highest yield (%)	This		Total Value (kshs)	Number of Trades
			Lowest yield (%)	Average Traded Yield (%)		
IFB1/2016/15r	12.000	13.2500	12.0280	12.8390	2,978,100,000	36 14
IFB1/2016/9Yr	12.500	12.9500	11.9000	12.6980	1,441,500,000	
FXD1/2016/10	15.039	13.4000	13.1000	13.1950	1,200,000,000	10
IFB1/2015/12r	11.3510	12.6500	11.7471	11.9105	300,600,000	9
FXD1/2016/Yr	14.000	14.0629	13.9500	13.9556	290,000,000	81

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 have been several coupon payments in the month of November. This was seen in liquidity improvement in the month of November. The liquidity however tightened in the week ending 25 November 2016, giving a boost to the Kenya shilling.

EXCHANGE RATE:

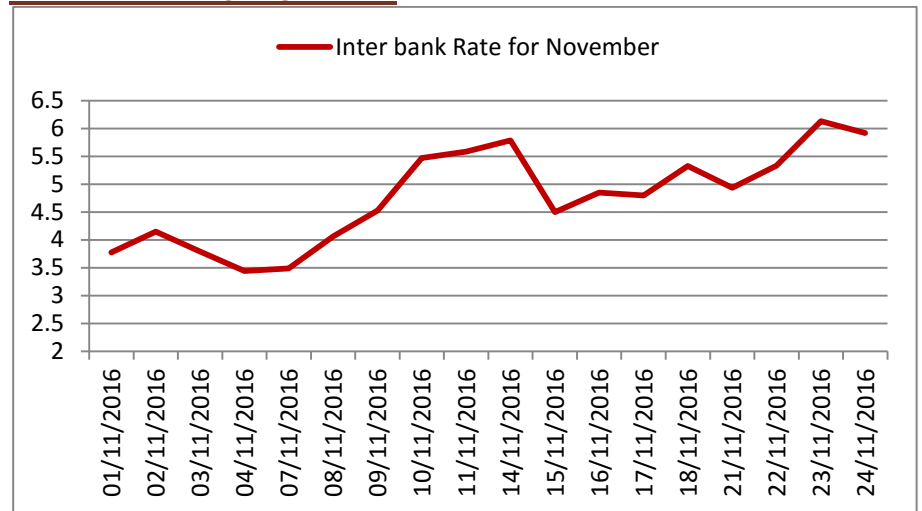
Currencies	18-Nov-16	25-Nov-16	Chg YTD
USD/KES	101.8278	101.8650	0.04%
GBP/KES	126.8083	126.0078	-0.64%
EUR/KES	109.0250	107.4808	-1.44%
JPY/KES	93.0529	90.6151	-2.69%
ZAR/KES	7.1233	7.1302	0.10%
KES/UGX	35.2360	35.5373	0.85%
KES/TZS	21.4088	21.4009	-0.04%
KES/RWF	7.9636	7.9656	0.03%
KES/BIF	16.5968	16.5007	-0.58%

The Kenyan shilling was steady against the dollar in the week despite pressure from firms buying dollars due to concerns about further weakening of the shilling caused by a firmer greenback. It showed strengthening trends with most currencies illustrated and shed marginally to those that had gained tendencies.

The Kenya shilling reported mixed performance to the international and local currencies. The US dollar marginally strengthened (0.04%) w/w to the Kenya shilling. The British pound also weakened 0.64% to the shilling. The Euro also lost to the shilling (1.44%) and same was for the Japanese Yen at (2.69%). On the continent, the shilling posted mixed trends in the week as it shed to the S.A Rand (0.10%); gained to the Uganda shilling (0.85%); however lost marginally to the Tanzania shilling (0.04%); marginally strengthened to the Rwanda Franc (0.03%) and further shed to the Burundi Franc (0.58%)

(Central Bank of Kenya, Securities Africa Kenya)

INTERBANK RATE FOR NOVEMBER:



The average interbank rate increased to 5.9206 percent in the week ending November 18, 2016 from 4.7895 percent recorded in the previous week.

(Central Bank of Kenya)

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