

FIXED INCOME RESEARCH

26th May 2017

Money Market	Latest	Previous
91 day	8.6060	8.6770
182 day	10.374	10.389
364 day	10.914	10.914
Repo Rate	6.1800	5.4980
Inflation Rate	11.480	10.280
Interbank Rate	4.1917	6.1623
Central Bank Rate	10.0000	10.0000

Exchange Rates

	Buy	Sell
USD	103.2094	103.4094
GBP	133.5789	133.8611
EUR	115.6367	115.8861
ZAR	8.0071	8.0279
KES/UGX	34.8131	34.9774
KES / TZS	21.5841	21.7228

Source: Central Bank of Kenya

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ECONOMIC UPDATE:

TAP RESULTS- ISSUE NUMBER:	FXD2/2010/010 & FXD1/2009/015
Amount on offer:	KES: 20bn on a first-come-first-served basis.
Coupon:	FXD2/2010/10 -9.307% p.a. FXD1/2009/15- 12.50% p.a.
Results:	26-May-17
Value date:	29-May-17
Redemption dates: FXD2/2010/10	19-Oct-20
FXD1/2009/15	7-Oct-24
Secondary Trading:	23-May-17
Commission:	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
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 Said to Consider Eurobond Sale to Repay Existing Debt

Kenya's Treasury is considering selling a Eurobond in the year starting in July to refinance maturing debt, according to a person familiar with the matter. The timing of the offering will be decided by Treasury Secretary Henry Rotich, said the person, who asked not to be identified because they aren't authorized to speak about the matter. The Eurobond is among a number of options being considered as a two-year, \$750 million syndicated loan falls due in October and the same amount in five-year Eurobonds in June 2019, the person said. The government secured the syndicated loan from Citigroup Inc., Standard Bank Ltd. and Standard Chartered Plc in October 2015. Kenya is mulling a return to international capital markets as a global hunt for higher returns drives an index of emerging-market bonds to near its highest levels since November. It comes as President Uhuru Kenyatta prepares for elections in August that will pit him against Raila Odinga in a rematch of a 2013 vote. The government is seeking to plug a spending deficit that's forecast to narrow to 6 percent of gross domestic product from about 9 percent in the current fiscal year. The Treasury has said it's also considering sukuk as a potential source of financing. Kenya's government plans to borrow 256 billion shillings (\$2.5 billion) from external creditors in the 2017-18 fiscal year, Rotich said on March 28. Rotich couldn't be reached for comment on his mobile phone, while Principal Secretary Kamau Thugge didn't respond to calls and a text message seeking a comment.

Kenya sold its debut Eurobond in 2014 and used \$600 million of the proceeds to settle a syndicated loan that had matured. The yield on Kenya's 2019 securities fell 4 basis points to 4.1 percent by 3:54 p.m. in London on Monday, the lowest on a closing basis on record. Rates on the country's \$2 billion of bonds due June 2024 declined 4 basis points to 6.45 percent, after dropping to their lowest since June 2015 last week. East Africa's largest economy may target issuance in the fourth quarter when a new government is expected to be in place after the Aug. 8 elections, said Mark Bohlund, an economist at Bloomberg Intelligence. Spreading out maturing debt obligations over the long term through another Eurobond issue is "likely to be an attractive option," he said. "Kenya remains among the better stories in sub-Saharan Africa with the allure of competitors such as Ivory Coast," Bohlund said in emailed responses to questions. "This should support demand for a bond issue, but Kenya is unlikely to match the yields of recent bond issues such as Senegal." The yield at issue on the West African country's \$1.1 billion of bonds sold last week was 6.25 percent. (Bloomberg)

2) Kenya's current account deficit widens to 7.7 pct in February

Kenya's current account deficit widened to 7.7 percent of GDP in February from 5.9 percent the same time a year earlier, the finance ministry said on Tuesday. The Treasury blamed a 5.6 percent fall in the value of exported goods and services. Combined with other unspecified income drops, the fall more than offset a 4.5

The 91 day, 182 day & 364 day Tbills were oversubscribed at 129.29%, 150.70% & 138.21% respectively. Acceptance rate on the 91 day Tbill was with a deficit of KES. 1.355bn, on the 182 day picked a surplus of KES. 3.608bn and the 364 day Tbill was taken up with surplus of KES. 1.869bn. There is liquidity of upto KES. 5.94bn 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 as liquidity improved from the primary auction payments.

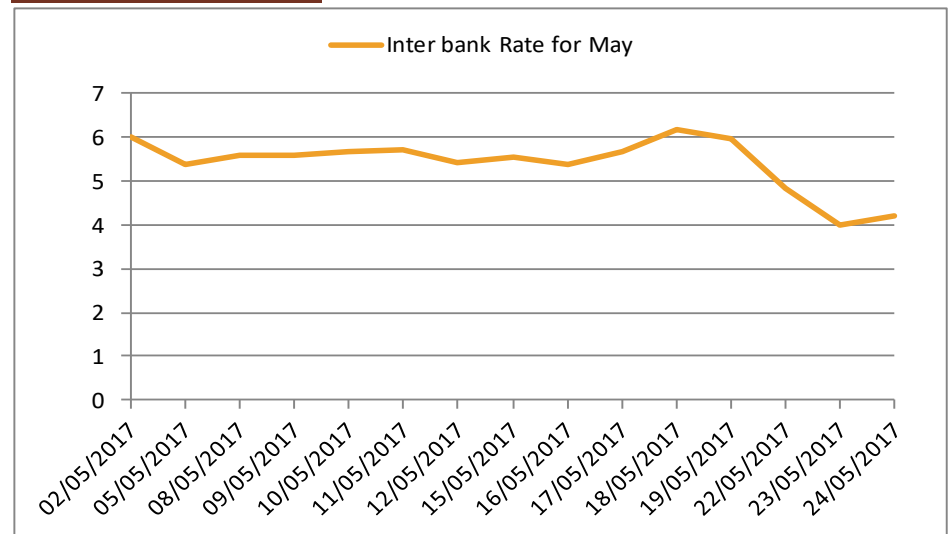
Coupon payments and maturity on FXD1/2012/5 on treasury bonds amounting to KES. 14.123bn will be checking into the market in the month of May.

The Kenya shilling (KES) remained unchanged against the dollar helped by low dollar demand offset by supply from local producers.

percent drop in imports. The overall balance of payments swung to a deficit of \$6.7 million during the year ended February from a surplus of \$112.4 million in the year to February 2016, the ministry said. The Kenyan shilling has been broadly stable against the dollar for most of this year and foreign exchange reserves have risen to record highs. (Reuters)

TREASURY BILL LATEST RESULTS 2214, 2187/182 /91 & 2125/364: 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. 34.06 Billion and the bids accepted amounted to Kshs.28.12 Billion. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 8.606% for the 91-day, 10.374 for 182-day and 10.914% for 364-day Treasury Bills. (Central Bank of Kenya)

INTERBANK RATE FOR MAY:



(Central Bank of Kenya)

UPCOMING COUPON PAYMENTS FOR MAY:

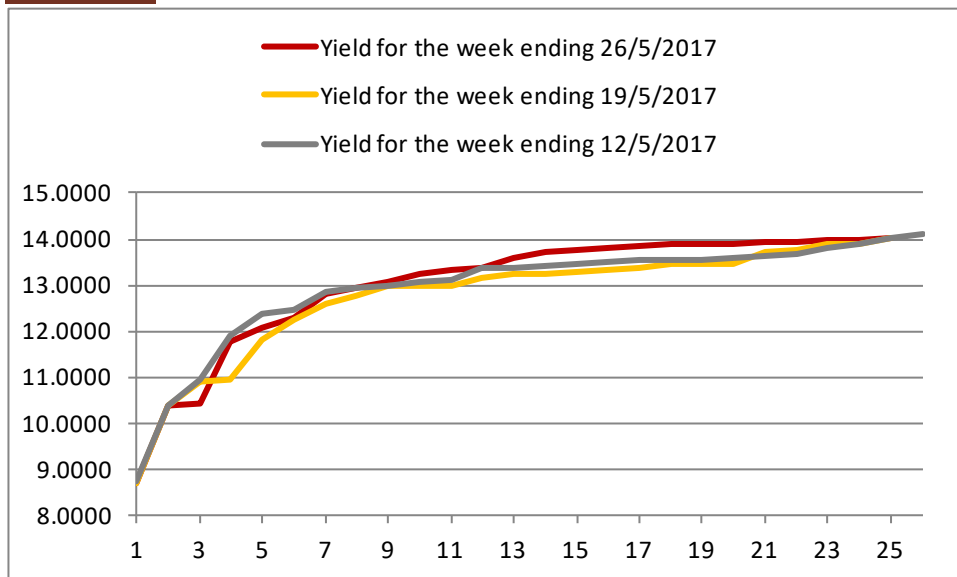
Issue No.	Next Coupon Payment Date	Maturity Date	Maturity (Tenor)	Outstanding Amt Shs'M.	Coupon Rate
FXD3/2007/15	May 15, 2017	Nov 7, 2022	2,007	18,030	12.500%
FXD1/2007/12	May 15, 2017	May 13, 2019	731	4,865	13.000%
FXD1/2011/20	May 22, 2017	May 5, 2031	5,106	9,366	10.000%
FXD1/2012/5	May 22, 2017	May 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%

EXCHANGE RATE:

Currencies	19-May-17	26-May-17	Chg YTD
USD/KES	103.3406	103.3094	0.03%
GBP/KES	133.7472	133.72	0.02%
EUR/KES	114.9686	115.7614	-0.69%
JPY/KES	92.7778	92.418	0.39%
ZAR/KES	7.7847	8.0175	-2.99%
KES/UGX	35.0589	34.8952	0.47%
KES/TZS	21.6469	21.6535	-0.03%
KES/RWF	8.1335	7.9672	2.04%
KES/BIF	16.4002	16.6311	-1.41%

The Kenyan shilling was broadly stable against the dollar on Friday but was expected to ease due to end month importer demand, traders said *(Reuters)*

YIELD CURVE:



(Nairobi Securities exchange)

Yields have been on a lowering trend in the past few weeks.

Bond turnover recorded a sharp increase of 145.57 percent in volume traded over the week ending May 25, 2017, which may be attributed to investors moving to take advantage of the first-come, first served tap-sale of the FXD2/2010/010 and FXD1/2009/015 bonds. The number of bond deals increased from 175 to 176 over the period under review.

MOST TRADED BONDS FOR THE WEEK:

WEEKLY BONDS MARKET STATISTICS FOR THE WEEK-ENDING FRIDAY 26 MAY , 2017

Bonds worth KES. 16.391bn were traded in the week compared to KES. 6.698bn in the previous week. Deals totalling 179 were closed compared to 152 the previous week.

Issue No.	Coupon (%)	This Week		Average Traded Yield (%)	Total Value (kshs)
		Highest yield (%)	Lowest yield (%)		
FXD1/2008/20	13.750	13.3000	13.1000	13.2000	3,550,000,000
FXD1/2009/15	12.500	13.0000	12.7000	12.8500	2,500,000,000
FXD1/2012/20	12.000	13.5500	13.3500	13.4300	2,220,100,000
IFB1/2016/9	12.500	12.5500	11.6800	12.4600	1,595,000,000
IFB1/2016/15	12.000	13.2000	12.6800	12.6900	1,053,000,000

MONETARY POLICY OPERATIONS:

Liquidity in the money market increased during the week ending May 24, 2017, reflecting a net injection of KSh 8.3 billion from interbank transactions. The increase is partly attributed to injections through open market operations of KSh 6.4 billion largely through Term Auction Deposits maturities *(Central Bank of Kenya)*

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