

FIXED INCOME RESEARCH

28th April 2017

Money Market	Latest	Previous
91 day	8.7780	8.7790
182 day	10.525	10.525
364 day	10.938	10.924
Repo Rate	5.1190	5.0030
Inflation Rate	10.280	9.0400
Interbank Rate	6.5792	4.9328
Central Bank Rate	10.0000	10.0000

Exchange Rates

	Buy	Sell
USD	103.1250	103.3194
GBP	133.3833	133.6572
EUR	112.2511	112.4806
ZAR	7.7593	7.7769
KES/UGX	35.2305	35.3939
KES / TZS	21.5835	21.7212

Source: Central Bank of Kenya

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ECONOMIC UPDATE: RESULTS ON CONCLUDED TAP AUCTION

ISSUE NUMBER:	FXD3/2008/010 & FXD1/2009/010
Amount on offer:	KES: 7bn
Coupon:	FXD3/2008/10 -10.75% p.a. FXD1/2009/10- 10.75% p.a.
Amount Accepted:	7,173.09
Results:	28-Apr-17
Value date:	2-May-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 upon the attainment of quantum on offer

NEWS UPDATE: 1) Ratings agency Fitch in fresh debt warning

Failure to cut the budget deficit and stabilise debt level will be a negative for Kenya's credit profile, global ratings agency Fitch Ratings has warned. The firm said effective implementation of a fiscal consolidation plan and stabilisation of debt-to-GDP ratio will lead to a positive rating. "The impact on Kenya's sovereign credit profile will depend on the authorities' ability to deliver ambitious revenue increases and keep control of spending in an election year," said the firm in new outlook. The Treasury targets to reduce the fiscal deficit to six per cent of GDP, from a projected 8.3 per cent in the financial year 2017. Treasury secretary Henry Rotich told Parliament that the government would "reduce the fiscal deficit and ensure the continued sustainability of our debt" and that one-off expenditures seen in the current financial year such as the Sh19.3 billion election-related costs are not expected to recur. "At around 55 per cent, Kenya's government debt to GDP ratio remains slightly below the 'B' category median, but failure to narrow the budget deficit could increase the stock of debt," says Fitch. It notes the August elections present the most significant risk to fiscal consolidation, as potential social and economic disruption could reduce growth, leading to lower revenue collection. "The election is also likely to contribute to higher-than expected current expenditures through the first half of Financial Year 2018," it said. *(Nation Media)*

2) CBK to finalise study on law capping rates

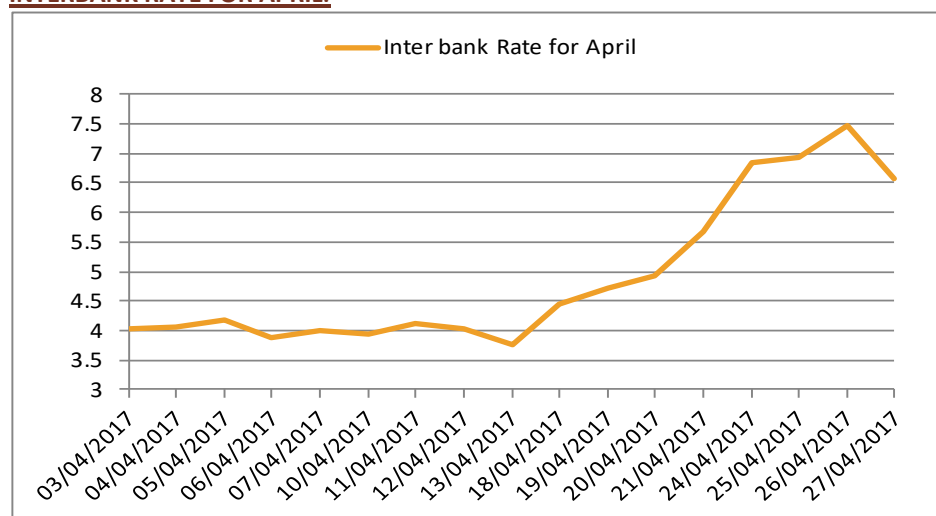
The Central Bank of Kenya (CBK) is set to conclude a study on the law capping interest rates and its impact on the economy, CBK Chairman Mohammed Nyaoga announced on Tuesday. This comes as concern grows over the slow growth of credit following the implementation of the law last September. "That (study) is (meant) to assist law makers to make a decision on whether that law should remain or whether it is affecting the economy and (whether) it should change," said Mr Nyaoga in Nairobi at a meeting hosted by Credit info Credit Bureau for bank executives. "We started (the study) at the beginning of this year and by the end of this month I think it should be out." Private sector credit growth fell to 4.3 per cent in December 2016 compared to more than 17 per cent a year earlier, CBK data show. Critics have accused banks of engaging in blackmail and economic sabotage to force amendments though. "There is a concerted effort by banks, which have formed cartels, to keep off credit from the public thus blackmailing Parliament into changing a law that protects Wanjiku," said the architect of the law, Kiambu Town MP Jude Njomo in March. Mid this month, the International Monetary Fund (IMF) piled pressure on Kenya to remove interest rate controls maintaining they were harming the economy. But the Consumers Federation of Kenya (COFEK) secretary-general Stephen Mutoro has hit out at the International Monetary Fund for its sustained push against the caps, claiming that failed fund policies are to blame for the sad state of Kenya banking industry. *(Daily Nation)*

The 91 day Tbill was oversubscribed and 364 day Tbill was undersubscribed at 123.73% and 82.46% respectively. The undersubscription on the 364 day Tbill was as a result of the tap sale auction. Acceptance rate on the 91 day Tbill was with a surplus of KES. 1.24bn and the 364 day Tbill was with a deficit of KES. 2.01bn CBK has been mopping up the excess liquidity through Term Auction Deposits(TADs)

TREASURY BILL LATEST RESULTS 2210/91 & 2121/364: 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 280 amounting to Kshs. 12.37 Billion representing 123.73% subscription and 241 bids amounting to Kshs.8.25 Billion representing 82.46% subscription for 91 and 364 days, respectively. Bids accepted amounted to Kshs. 11.24 Billion for 91 days and Kshs. 7.99 Billion for 364 days Treasury Bills. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 8.778% for the 91-day and 10.938% for 364-day Treasury Bills. (Central Bank of Kenya)

Interbank rate has been showing mixed trends in the month. It has however been on a rise over the past week.

INTERBANK RATE FOR APRIL:



(Central Bank of Kenya)

UPCOMING COUPON PAYMENTS FOR APRIL:

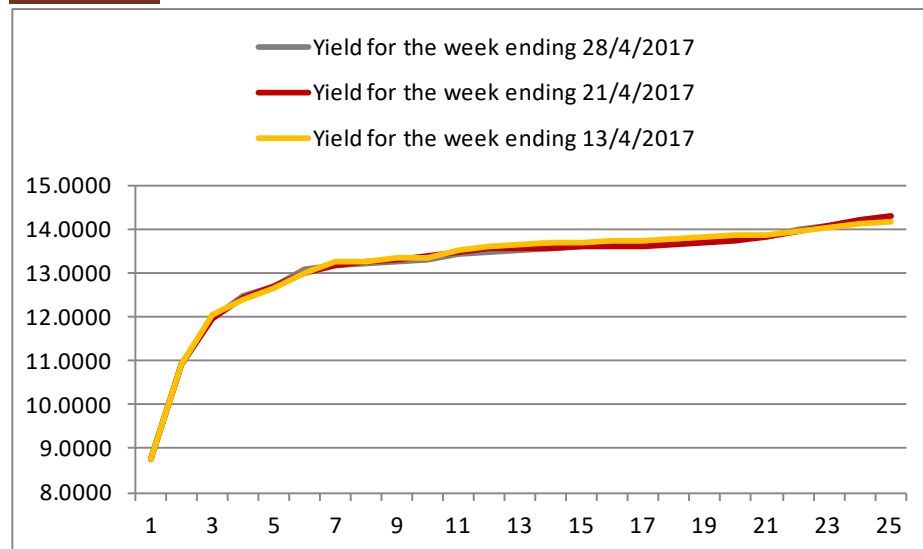
Coupon payments on treasury bonds amounting to KES. 12.881bn will be checking into the market in the month of April.

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%

EXCHANGE RATE:

Currencies	21-Apr-17	28-Apr-17	Chg YTD
USD/KES	103.4139	103.2222	0.19%
GBP/KES	132.6167	133.5203	-0.68%
EUR/KES	110.7731	112.3658	-1.44%
JPY/KES	94.7578	92.7715	2.10%
ZAR/KES	7.767	7.7681	-0.01%
KES/UGX	34.9277	35.3122	-1.10%
KES/TZS	21.6123	21.6524	-0.19%
KES/RWF	7.9497	8.1359	-2.34%
KES/BIF	16.5434	16.4132	0.79%

The Kenyan shilling was stable against the dollar on Wednesday, helped by foreign exchange inflows from remittances and flat end-month dollar demand from oil importers. (Reuters)

YIELD CURVE:

(Nairobi Securities exchange)

Yields have been on a lowering trend in the past few weeks, as a result of CBK taking a stance to not pick costly funds as the case has been in previous auctions.

Bond turnover increased by 167.71 percent, largely due to continued secondary trading of the M-Akiba mobile Government bond. The number of bond deals increased from 114 to 204 in the week ending April 27, 2017. The FTSE Bond Index increased marginally by seven basis points.

MOST TRADED BONDS FOR THE WEEK:**WEEKLY BONDS MARKET STATISTICS FOR THE WEEK-ENDING FRIDAY 28 APRIL, 2017**

Bonds worth KES.12.146 bn were traded in the week compared to KES.5.034bn in the previous week. Deals totalling 239 were closed compared to 118 the previous week.

Issue No.	Coupon (%)	This Week			Total Value (kshs)
		Highest yield (%)	Lowest yield (%)	Average Traded Yield (%)	
IFB1/2016/15	12.000	13.100	12.8062	12.9512	2,103,500,000
FXD1/2008/20	13.750	13.6000	13.2000	13.5050	1,805,000,000
FXD1/2012/20	12.000	14.0367	13.4000	13.6677	992,000,000
FXD1/2016/10	15.039	13.5364	12.5500	12.9619	901,000,000
FXD1/2012/10	12.300	13.1500	13.0000	13.1000	900,000,000

MONETARY POLICY OPERATIONS:

The money market was relatively liquid during the week ending April 26, 2017, with net liquidity injections through open market operations matched by net withdrawals largely through tax payment to Government. The volumes transacted in the interbank market increased to 20.9 billion during the week ending April 26, 2017 from KSh 8.8 billion recorded in the previous week. The average interbank rate increased to 6.42 percent from 4.31 percent recorded in the previous week reflecting interbank market segmentation. The average number of deals increased to 38 from 22 over the same period. (Central Bank of Kenya)

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