

FIXED INCOME RESEARCH

30th December 2016

Money Market	Latest	Previous
91 day	8.553	8.561
182 day	10.475	10.493
364 day	11.024	11.024
Repo Rate	6.2300	6.2300
Inflation Rate	6.3500	6.6800
Interbank Rate	8.7300	8.2207
Central Bank Rate	10.0000	10.0000

Exchange Rates

	Buy	Sell
USD	102.3872	102.5844
GBP	125.28	125.5556
EUR	106.9444	107.1767
ZAR	7.3785	7.3953
KES/UGX	35.1905	35.356
KES / TZS	21.1825	21.321

Source: Central Bank of Kenya

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TAP SALE FOR TREASURY BOND ISSUE FXD3/2016/002:

ISSUE NUMBER:	FXD3/2016/002
Maximum Amount on offer:	KES: 20bn
Purpose:	Budgetary Support
Coupon:	12.509% p.a.
Period of Sale:	20- Dec-2016 to 29-Dec-2016
Offer closing date:	Upon attainment of quantum
Value date:	26-Dec-16 and 2-Jan-2016
Bids Allotment:	First-come- first-served basis
Average Yield Rate:	12.509%
Average Adjusted Price (per 100):	100.234 and 100.468 for respective value dates
Secondary Trading:	20-Dec-16 In multiples of Kshs. 50,000
Taxation:	Discount/ Interest is subject to withholding tax at 15%
Commission:	Licensing placing agents will be paid commission at the rate of 0.15% of actual sales (at cost) net of 5% withholding tax

ECONOMIC UPDATE: Stock market investors lose Sh147 billion in year of storm

Stock market investors lost a whopping Sh147 billion this year as a prolonged bear run hit most counters, making 2016 the second year of pain at the Nairobi bourse. The Nairobi Securities Exchange (NSE) was Thursday headed to closing this year's trading at a five-year low, a trend that has meant that any retail investor exiting today must take a sizeable loss on his or her investment.

Those unwilling to cut their losses have to live with the reality of having their capital tied up for a while because a market rally is not expected in the next eight months of electioneering. The NSE has more than 1.2 million local retail investors, holding 26 per cent of the 89 billion issued shares. By close of trading Thursday, the market's capitalisation — the valuation of all issued shares at the prevailing prices — had dropped to Sh1.901 trillion having opened the year at Sh2.05 trillion.

This is the second year that the market has suffered erosion. In 2015, investors were Sh250.5 billion in the red, meaning the bourse has shed a total of Sh398 billion investor wealth in the past two years. The NSE 20 share index lost 22 per cent this year, while the All share index was down 9.9 per cent. Turnover, which measures the volume of trade at the bourse, shrunk this year to about Sh146 billion compared to Sh209 billion in 2015, setting up market intermediaries for lower earnings from brokerage commissions. Aly-Khan Satchu, an independent market analyst, said the banking sector had been a major drag on the indices, a trend he expects to deepen as more mergers and acquisitions take place. "It has not been a good year for equities with some notable exceptions like Safaricom, Kenya Airways and KenolKobil. Investors need to be nimble stock-pickers through 2017 to stay ahead of the curve," he said. The 11 listed banks collectively shed Sh182 billion to stand at Sh494 billion.

Standard Chartered was the best performing bank stock having shed 3.1 per cent its value a year to date to close at Sh189, while National Bank of Kenya, which shed 54 per cent to close at Sh7.20, was the worst performer. Market analysts, however, said that while they expect the market to remain depressed going into 2017, the worst of the slide may have passed.

Market valuations were Thursday approaching what analysts call the bottom of the trough because a number of counters were trading at near all-time lows. "Notwithstanding increased political risk (and it is worth noting a general sub-Saharan Africa trend, which has eroded the incumbency advantage) valuations are now close to rock-bottom. It is difficult to see prices falling much further," said Mr Satchu. (*Business Daily*)

NEWS UPDATE: 1. Kenya central bank to hold next rate-setting meeting on Jan. 30

The Central Bank of Kenya has said it will hold its next Monetary Policy Committee meeting on Jan. 30 to set its benchmark lending rate. The bank held the rate at 10.0 percent at its last meeting in November. *(Reuters)*

2. Kenya's inflation at 6.35 pct year-on-year in December.

Inflation eased to 6.35 per cent in December even as food, fuel and electricity prices continued to increase amid a drop in cooking gas costs. The Kenya National Bureau of Statistics (KNBS) data shows that the cost of living dropped from a nine-month high of 6.68 per cent in November.

Homes got a further relief in December from cheaper cooking gas prices that have been falling due to lower global prices of crude from which the fuel is extracted and the removal of value added tax (VAT) in July. Refilling a 13-kilogramme gas cylinder costs an average of Sh1,983 in December, down from Sh1,987 a month earlier and Sh2,369 in December last year – representing savings of Sh386 for homes over the past one year.

But food prices rally continued, piling pressure on consumers. “Between November and December, food and non-alcoholic drinks’ index increased by 1.31 per cent. This was attributed to increase in prices of several food items which outweighed the decreases of others,” the KNBS said. Food takes up the largest share (36 per cent) of the basket of goods that is used to calculate inflation, making it the main driver of the cost of living. Motorists also had to contend with rising petroleum prices, after the energy regulator adjusted the prices upwards mid-December on recovering global oil prices. *(Kenya National Bureau of Statistics)*

3. Choice Microfinance Bank in drive to raise Sh60 million for expansion

Diaspora-backed Choice Microfinance Bank is set to raise Sh60 million by selling new shares to investors to enable it fund a planned nationwide expansion. The Central Bank of Kenya licensed Choice Microfinance Bank (MFB) as a community microfinance bank in May last year allowing it to mobilise deposits and service Kajiado County.

The micro financier’s chairman, Ben Kamiri, said in a circular to members that it needs to raise enough capital to convert her licence from community to national bank. “We need Sh60 million. Investors can still buy shares: 1,000 shares are going for Sh350,000 and that means you can buy in multiples of a minimum 200 shares at 70,000. We shall close once we get the needed Sh60 million,” Mr Kamiri told investors.

As a community microfinance bank, Choice required a lower minimum capital of Sh20 million compared to Sh60 million required for MFBs conducting business across the country. The institution was started by a group of Kenyans living in the US and seeks to facilitate investment of diaspora funds into small and medium size enterprises (SMEs) in the marginalised areas of Kenya. Many locals have taken up stake.

The Rongai-based micro lender became the 11th MFB to be licensed in the country. The Central Bank of Kenya has been pushing for financial inclusion, which is seen as key in improving economic opportunities available to communities. Kenya’s financial inclusion is among the highest in Africa at 67 per cent, but some segments have been left behind. This year, the CBK stopped the issuance of banking

licences citing supervision capacity constraints after the collapse of three banks but has continued licensing micro-lenders. *(Business Daily)*

TREASURY BILL LATEST RESULTS 2193/91: 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 178 amounting to Kshs 3.69 Billion, representing a subscription of 92.19%. Total bids accepted amounted to Kshs. 3.69 Billion. The market weighted average rate was 8.561% and the weighted average of accepted bids which will be applied for non-competitive bids was 8.561% up from 8.484% in the previous auction. *(Central Bank of Kenya)*

TREASURY BILL RESULTS 2174/182 & 2103/364: This week the Central Bank of Kenya offered 182 Days and 364 Days Treasury Bills for a total of Kshs.12 Billion. The total number of bids received was 90 amounting to Kshs.2.14 Billion representing 35.68% subscription for 182 days Treasury Bill. Bids accepted amounted to Kshs.1.15 Billion for 182 days Treasury Bills. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 10.475% for the 182-day Treasury Bill. The 364-day Treasury Bill Auction was cancelled. *(Central Bank of Kenya)*

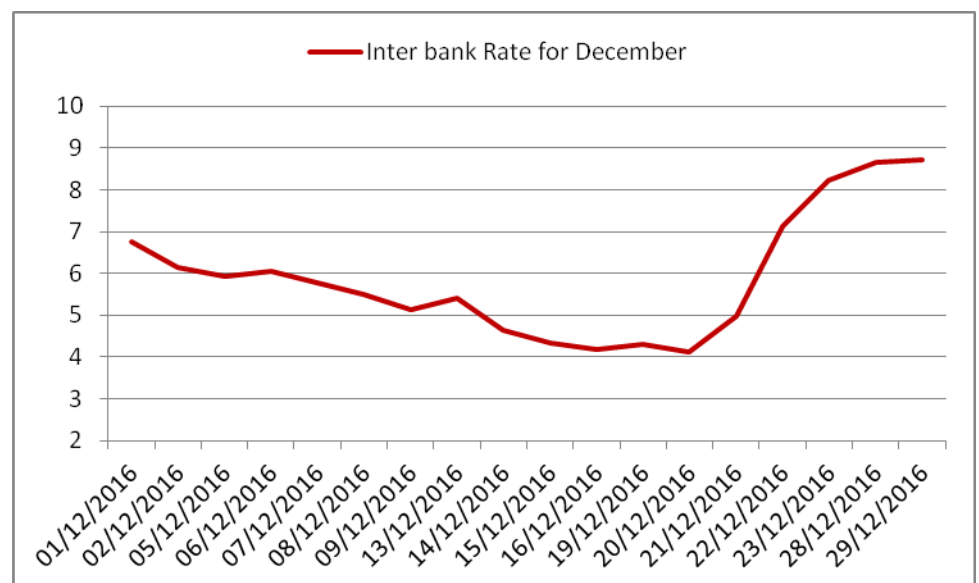
EXCHANGE RATE:

Currencies	23-Dec-16	30-Dec-16	Chg YTD
USD/KES	102.3578	102.4858	0.12%
GBP/KES	126.275	125.4178	-0.68%
EUR/KES	106.9081	107.0606	0.14%
JPY/KES	86.8801	87.0627	0.21%
ZAR/KES	7.279	7.3869	1.46%
KES/UGX	34.9266	35.2732	0.98%
KES/TZS	21.2784	21.2518	-0.13%
KES/RWF	8.1412	7.9555	-2.33%
KES/BIF	16.3624	16.3468	-0.10%

(Central Bank of Kenya, Securities Africa Kenya)

Kenya's shilling was steady on Thursday and traders said it was seen weaker due to dollar demand from sectors like telecoms and manufacturing, while tight liquidity would limit its losses. At 0720 GMT, commercial banks quoted the shilling at 102.40/60 to the dollar, from Wednesday's close of 102.35/55.

INTERBANK RATE FOR DECEMBER:



(Central Bank of Kenya)

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