

FIXED INCOME RESEARCH

30th June 2017

Money Market	Latest	Previous
91 day	8.2840	8.3100
182 day	10.329	10.314
364 day	10.895	10.868
Repo Rate	4.7500	6.1800
Inflation Rate	11.700	11.480
Interbank Rate	4.4700	5.7478
Central Bank Rate	10.0000	10.0000

Exchange Rates

	Buy	Sell
USD	103.6117	103.8117
GBP	134.4517	134.7456
EUR	118.1822	118.4394
ZAR	7.9592	7.9796
KES/UGX	34.4855	34.66486
KES / TZS	21.5005	21.6385

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.

NEWS UPDATE: 1) Kenya sells additional 1 bln shillings worth of bonds via mobile

phone. Kenya started selling another 1 billion shillings (\$9.64 million) worth of bonds via mobile phone on Friday after an initial 150 million shillings issued sold out in days. The East African nation started selling a three-year infrastructure bond, called M-Akiba, on March 23, becoming the first country in the world to issue a mobile phone-based bond without any need for a bank account. "Today we again celebrate our leadership in mobile money innovation," Kenya's finance minister Henry Rotich said during an event to launch the bond at the Nairobi Securities Exchange. The initial 150 million shillings raised was the first tranche of the bond. Friday's offering left another 3.85 billion shillings to be sold at a later date. The bond sale is a further advance in financial technology for the country which pioneered mobile money with M-Pesa in 2007. Kenya has borrowed intensively in the past four years to fund an ambitious development programme, including new roads and a coast-capital railway, and the government wants to raise more cash. However, few ordinary Kenyans bought government bonds, scared off by the minimum investment of 50,000 shillings and the need for a commercial bank account. M-Akiba allows a single investor to put in a minimum of 3,000 shillings and a maximum 1 million shillings, earning tax-free interest of 10 percent. They will be able to trade them on the secondary market.

The bond was initially available on telecom companies' money transfer services, but has since also been opened to a similar operation run by commercial banks, known as Pesalink. The bond will be on sale from June 30-July 21 and will be tradable on the stock exchange on July 25. Rotich said that in future all infrastructure bonds offered by the government will have a portion of them dedicated for sale via mobile phone.

(Reuters, Kenya)

2) CMA backs selection of Islamic cash committee. The Treasury has appointed members to the Islamic Finance Consultative Committee (IFCC) signalling Kenya's readiness to increase financial products and services that are Shariah-compliant. Capital Markets Authority (CMA) chief executive Paul Muthaura said this would help the regulator fast-track decision-making in matters finance thereby enabling more Muslims to enjoy financial services that conform to their beliefs. "The formal appointment of the IFCC is yet another positive development as we firm-up the Islamic Finance advisory structures to prepare the ground for an Islamic finance policy and regulatory framework in Kenya," Mr Muthaura said without disclosing details of the membership. Three fully fledged Islamic banks, five Islamic windows, two credit unions/saccos, one Takaful company, one Retakaful window and one capital market unit trust fund operate in various parts of the country. Mr Muthaura also lauded President Uhuru Kenyatta's assent of the Finance Act 2017, saying it contains measures that support the growth of Islamic finance in Kenya through recognition of Shariah-compliant capital market products, provision of equivalent tax treatment of Shariah-compliant products with conventional financial products as well as exemption from payment of Stamp Duty on transfer of title relating to Sukuk. Sukuk is the Shariah-compliant equivalent of conventional bonds. The changes also support asset-backed securities' transactions and allows the government to invest in Sukuk. *(Business Daily)*

3) Kenya delays crude production until oil law amendments agreed. Kenya has delayed plans to start crude oil production and exports until the government passes an amended law that includes setting out how revenues will be shared between national and county government and local communities. The law is expected to be in place by late September, when a new senate and national assembly convene after August elections. Kenya announced plans last year to start small-scale production in June 2017, involving trucking about 2,000 barrels a day to the coast. The government said this was not expected to generate any profit. "After consultation with the leadership of Turkana (county) and the community, we have decided that instead of having the project commence by this month, we will defer it until the bill which is pending before the Senate," Energy and Petroleum Cabinet Secretary Charles Keter

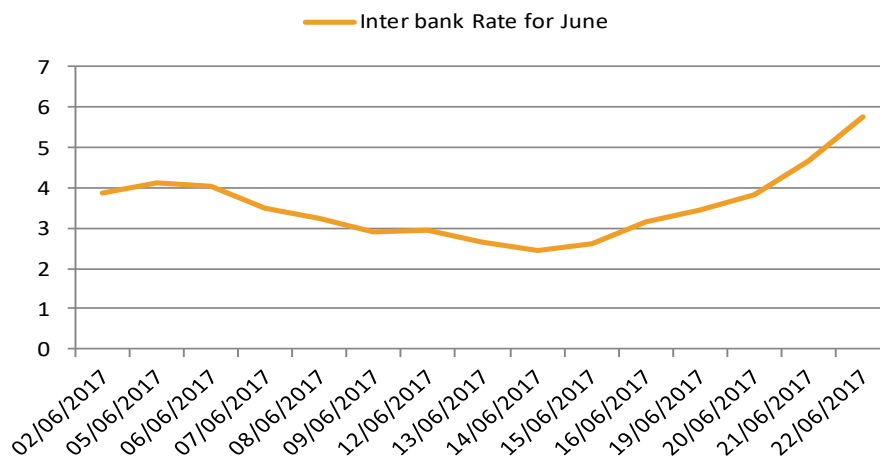
told a news conference. "So the one-month extension (is) until the next parliament - essentially August or September. We will do it before the end of the year, because it is a programme that will run until the pipeline is done." Kenya has an estimated 750 million barrels of recoverable reserves in onshore fields but no pipeline to take the waxy crude from the northwest to an export terminal on the east coast. Africa Oil and Tullow Oil were 50-50 partners in blocks 10 BB and 13T where the discoveries were made. Africa Oil has since sold a 25-percent stake in those blocks to A.P. Moller-Maersk. Keter said they expect to award a contract soon to a company that will carry out an environmental impact study and a front-end engineering and design (FEED) for a crude oil pipeline. "What we want right now, is to award for the environmental impact assessment and front-end engineering design, in preparation for the award for the construction of the pipeline. Anytime now, maybe by next month," he said. *(Reuters, Kenya)*

TREASURY BILL LATEST RESULTS 2219/91, 2192/182 & 2130/364: 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. 17.546 Billion and the bids accepted amounted to Kshs.17.074 Billion. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 8.284% for the 91-day, 10.329% for 182-day and 10.895% for 364-day Treasury Bills. *(Central Bank of Kenya)*

The 91 day, 182 day & 364 day Tbills were subscribed at 57.69%, 100.64% & 51.74% respectively.

INTERBANK RATE FOR JUNE:

Interbank rate has been on a lowering trend in the month. It however was seen rising in the week as a result of corporate tax remittance for the quarter as well as dividends payments.



(Central Bank of Kenya)

UPCOMING COUPON PAYMENTS FOR JUNE:

Coupon payments and maturity on FXD2/2015/2 of treasury bonds amounting to KES. 17.595bn will be checking into the market in the month of June.

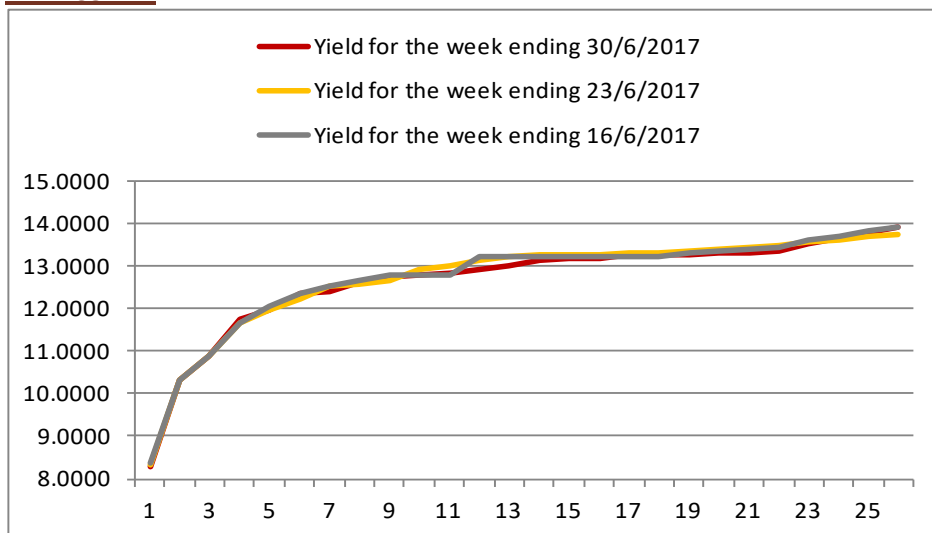
Issue No.	Next Coupon Payment Date	Maturity Date	Maturity (Tenor)	Outstanding Amt 'Mn.	Coupon Rate
FXD2/2007/15	June 12, 2017	June 6, 2022	2,005	7,237	13.500%
IFB1/2015/9	June 12, 2017	Dec 2, 2024	2,915	25,120	11.000%
FXD2/2010/15	June 19, 2017	Dec 8, 2025	3,286	13,513	9.000%
FXD1/2010/25	June 19, 2017	May 28, 2035	6,744	20,192	11.250%
FXD1/2008/20	June 19, 2017	June 5, 2028	4,196	29,464	13.750%
FXD1/2012/10	June 19, 2017	June 13, 2022	2,012	35,274	12.705%
FXD2/2014/5	June 19, 2017	June 17, 2019	920	16,418	11.934%
FXD3/2016/2	June 19, 2017	Dec 17, 2018	564	25,478	12.509%
FXD2/2013/5	June 26, 2017	June 25, 2018	563	26,340	11.305%
FXD1/2013/10	June 26, 2017	June 19, 2023	2,383	39,248	12.371%
FXD2/2015/2	June 26, 2017	June 26, 2017	199	18,747	12.629%
FXD1/2015/5	June 26, 2017	June 22, 2020	1,291	30,956	13.193%

EXCHANGE RATE:

Currencies	23-Jun-17	30-Jun-17	Chg YTD
USD/KES	103.6283	103.7117	-0.08%
GBP/KES	131.2192	134.5986	-2.58%
EUR/KES	115.635	118.3108	-2.31%
JPY/KES	93.1533	91.9797	1.26%
ZAR/KES	7.9531	7.9694	-0.20%
KES/UGX	34.6142	34.5671	0.14%
KES/TZS	21.5868	21.5695	0.08%
KES/RWF	7.9564	7.9577	-0.02%
KES/BIF	16.649	16.6505	-0.01%

The Kenyan shilling traded flat against the dollar on Friday with oil importer demand being matched by diaspora remittances, traders said. *(Reuters)*

YIELD CURVE:



(Nairobi Securities exchange)

Yields maintained the lowering trend as they have in the past weeks.

The FTSE Bond Index slightly declined by 0.02 percent, reflecting an increase in secondary market yields

MOST TRADED BONDS FOR THE WEEK:

WEEKLY BONDS MARKET STATISTICS FOR THE WEEK-ENDING FRIDAY 30 JUNE, 2017

Bonds worth KES.13.3129bn were traded in the week compared to KES. 9.861bn in the previous week. Deals totalling 223 were closed compared to 218 the previous week.

Issue No.	Coupon (%)	This Week			Total Value (kshs)
		Highest yield (%)	Lowest yield (%)	Average Traded Yield (%)	
IFB1/2016/9	12.500	12.4000	11.2300	12.0915	3,874,400,000
FXD1/2016/10	15.039	13.0000	12.7000	12.8123	1,470,000,000
IFB1/2016/15	12.000	12.6000	11.7600	12.2490	1,035,300,000
FXD1/2012/20	12.000	13.3157	13.2250	13.2753	805,000,000
FXD1/2008/20	13.750	13.2591	12.9500	13.0869	717,500,000

MONETARY POLICY OPERATIONS:

The money market was fairly liquid during the week ending June 28, 2017, supported by government end month payments which partly offset the tightness at the beginning of the week arising from Government Treasury bond issue. and reverse repo purchases. Net liquidity injection through open market operations amounted to KSh 9.4 billion in the week under review *(Central Bank of Kenya)*

Disclosures Appendix

This Publication is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of any jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or would subject Securities Africa Kenya Limited, or its subsidiaries or affiliates to any registration or licensing requirement within such jurisdiction. Neither this Publication nor any copy of it may be distributed in any jurisdiction where its distribution may be restricted by law and any persons into whose possession this Publication comes should inform themselves about, and observe, any such restrictions.

The information contained in this Publication or on which this Publication is based has been derived from sources believed to be reliable and accurate however no representation or warranty, express or implied, is made as to the fairness, completeness, accuracy, timeliness or otherwise of the information or opinions contained in this Publication and no reliance should be placed on such information or opinions. The information contained in this Publication has not been independently verified by Securities Africa Kenya Limited. While reasonable care has been taken in preparing this document, no responsibility or liability is accepted as to or in relation to the fairness, completeness, accuracy or timeliness or otherwise of this Publication or as to the reasonableness of any assumption contained, nor for errors of fact or omission or for any opinion expressed in this Publication.

Past performance should not be taken as an indication of future performance, and no representation of any kind is made as to future performance. The information, opinions and estimates contained in this Publication are provided as at the date of this Publication and are subject to change without notice. Distribution of this Publication does not constitute a representation, express or implied, by Securities Africa Kenya Limited, or its advisers, affiliates, officials, directors, employees or representatives (the "Parties") that the information contained in the Publication will be updated at any time after the date of the Publication. The Parties expressly do not undertake to advise you of any information coming to any or all of their attention.

Any opinions expressed in this Publication may differ or be contrary to opinions expressed by other business areas or groups of Securities Africa Kenya Limited as a result of using different assumptions and criteria. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results.

All projections and forecasts in this Publication are illustrative only. The actual results may be materially affected by changes in economic or other circumstances, which cannot be foreseen. No representation or warranty is made by any of the Parties as to the achievability or reasonableness of any projection or forecast contained in this Publication.

This publication is provided to you for information purposes only on the understanding that Securities Africa Kenya Limited is not acting in a fiduciary capacity. It does not address specific investment objectives or financial situations, and any investments discussed may not be suitable for all investors. Prospective investors must make their own examination and evaluation of the merits and risks involved in the securities set out in this Publication including any legal, taxation, financial and other consequences of investment and should not treat the contents as advice relating to legal, taxation or other matters.

This report is not to be relied upon in the substitution of independent judgment with respect to any investment decision. Investors should consider this Publication as only a single factor in making their investment decision, and as such, the Publication should not be viewed as identifying all risks, direct or indirect, that may be associated with any investment decision.

Foreign currency-denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of, or income derived from, the investment. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies, effectively assume currency risk.

Securities Africa Kenya Limited conducts designated investment business only with eligible counterparties and professional clients. To the extent permitted by law and regulation, Securities Africa Kenya Limited accepts no liability whatsoever for any loss howsoever arising, directly or indirectly, from any use of this Publication or its contents or otherwise arising in connection with that. This Publication is not intended for distribution to retail clients.

By receiving this Publication, the recipient agrees to keep confidential the information contained in this Publication together with any additional information made available following further inquiries. None of the material, nor its content, nor any copy of it, may be altered in any way, disclosed, published, reproduced or distributed to any other party, in whole or in part, at any time, without the prior written permission of Securities Africa Kenya Limited.

Nothing in this Publication constitutes or forms part of, and should not be construed as, an offer for sale or subscription of, or solicitation of any offer to buy, sell or subscribe for, the securities of the Company, nor should it or any part of, form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

Securities Africa Kenya Limited and/or its associates and/or any of their respective clients may have acted upon the information or opinions in this Publication prior to your receipt of it. Securities Africa Kenya Limited and/or its associates may provide investment banking services to the Company and in that capacity may have received confidential information relevant to the securities mentioned in this Publication which is not known to the researchers who have compiled this Publication.

Securities Africa Kenya Limited and/or its associates and/or their officers, directors, employees or representatives may from time to time purchase, subscribe for, add to, dispose of or have positions or options in or warrants in or rights to or interests in the securities of the Company or any of its associated companies mentioned in this Publication (or may have done so before publication of this Publication) or may make a market or act as principal or agent in any transactions in such securities.

This report may not have been distributed to all recipients at the same time. This report is issued only for the information of and may only be distributed to professional investors (or, in the case of the United States, major US institutional investors as defined in Rule 15a-6 of the US Securities Exchange Act of 1934) and dealers in securities and must not be copied, published or reproduced or redistributed (in whole or in part) by any recipient for any purpose.

English law governs the issue, publication and terms of this Publication and any disputes arising in relation to any of them will be subject to the exclusive jurisdiction of the English courts.

By accepting this Publication, you agree to be bound by the foregoing limitations. No part of this material may be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed without the prior written consent of Securities Africa Kenya Limited.