

FIXED INCOME RESEARCH

4th August 2017

Money Market	Latest	Previous
91 day	8.1960	8.2020
182 day	10.324	10.321
364 day	10.889	10.894
Repo Rate	7.9850	8.4770
Inflation Rate	7.4700	9.2100
Interbank Rate	9.2191	7.1819
Central Bank Rate	10.0000	10.0000

Exchange Rates

	Buy	Sell
USD	103.7672	103.9672
GBP	136.1428	136.4233
EUR	122.8811	123.1433
ZAR	7.7913	7.8093
KES/UGX	34.7225	34.8858
KES / TZS	21.4779	21.6157

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.com

www.securitiesafrica.com

2nd Floor, The Exchange

55 Westlands Road, Nairobi.

P.O. Box 19018-00100,

Nairobi, Kenya.

TREASURY BOND OFFER FOR AUGUST FXD1/2017/5 & REOPENING FXD1/2017/10:

ISSUE NO. & REOPENING:	FXD1/2017/5 & FXD1/2017/10
Amount on offer:	KES: 30bn
Purpose:	Budgetary Support
Coupon: 5 year new	Market Determined
10 year reopen (9.9yrs)	12.966%
Period of Sale:	7-Aug-17
Offer Closing Date:	28-Aug-17
Auction date:	23-Aug-17
Results:	24-Aug-17
Value date:	28-Aug-17
Redemption date: 5 year new	22-Aug-22
10 year	19-Jul-27
Secondary Trading:	29-Jun-17
Taxation:	In multiples of Kshs. 50,000
Commission:	Discount/Interest is subject to withholding tax at a rate of 15% for the 5year and 10% for the 10year
	Licensing placing agents will be paid commission at the rate of 0.15% of actual sales (at cost) net of 5% withholding tax

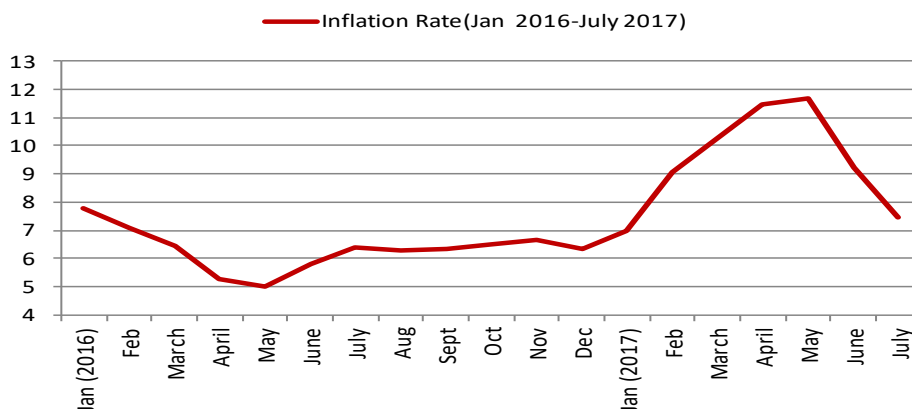
TREASURY BOND RESULTS FOR TAP ON FXD1/2017/10:

TAP RESULTS	ISSUE NUMBER:	FXD1/2017/10
Amount on offer:	KES: 25bn	
Coupon:	12.966%	
Amount Accepted:	7,015.41mn	
Results:	4-Aug-17	
Value date:	7-Aug17	
Redemption date:	19-Jul-27	
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.	

ECONOMIC UPDATE: 1) Kenya year-on-year inflation falls to 7.47 pct in July

Kenya's annual inflation dropped to 7.47 percent this month from 9.21 percent in June, falling within the government's preferred range for the first time since February this year, the statistics office said on Monday. The rate rose above the government's preferred band of 2.5 to 7.5 percent earlier in the year after a regional drought caused food prices to surge. It peaked at 11.7 percent in May before starting to drop last month after rains improved boosted food supplies. The lower rate of inflation this month was attributed to a decrease of 2.05 percent in the food and non-alcoholic drinks index compare with June, the statistics office said in a statement. "The drop was caused by significant falls in the prices of several food items arising out of good weather conditions in some parts of the country," the agency said. The central bank, whose monetary policy committee has held lending rates since late 2016, predicted earlier this month inflation would fall in line within this quarter. (Reuters)

Inflation Rate:

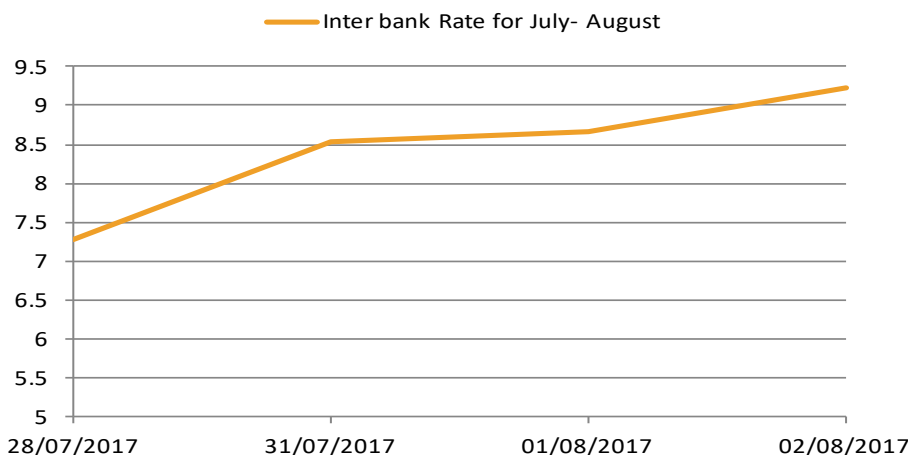


NEWS UPDATE: 1) Kenya private sector activity slowdown moderates ahead of polls

-PMI Kenya's private sector activity contracted for the third consecutive month in July, but at a slower pace, as firms took a cautious stance ahead of national elections next week, a survey showed on Thursday. The Markit Stanbic Bank Kenya Purchasing Managers' Index (PMI) edged up to 48.1 during the period, from a series low of 47.3 the previous month. The PMI fell below the 50.0 level which separates growth and contraction in May. "Elevated political temperatures and a lack of access to credit for firms and households, kept the Stanbic PMI in contractionary territory," said Jibran Qureishi, the regional economist for East Africa at Stanbic Bank. He said if the Aug. 8 elections -- in which voters will pick a president, parliament and regional authorities -- pass off peacefully, activity could start to improve gradually. A disputed presidential vote in 2007 descended into ethnic violence in which 1,200 people were killed although the next poll in 2013 passed off peacefully. A slowdown in private sector credit growth, mainly caused by a cap on commercial lending rates, has offered another drag to the economy in the run-up to the election. "In the event that the interest-rate-capping law remains in place for longer, economic activity is unlikely to improve meaningfully over the near to medium term," Qureishi said of the cap that was introduced last September. *(Reuters)*

TREASURY BILL LATEST RESULTS 2224/91, 2197/182 & 2135/364: 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. 9.742 Billion and the bids accepted amounted to Kshs. 9.171 Billion. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 8.196% for the 91-day, 10.324% for 182-day and 10.889% for 364-day Treasury Bills. *(Central Bank of Kenya)*

INTERBANK RATE FOR JULY - AUGUST:



(Central Bank of Kenya)

UPCOMING COUPON PAYMENTS FOR AUGUST:

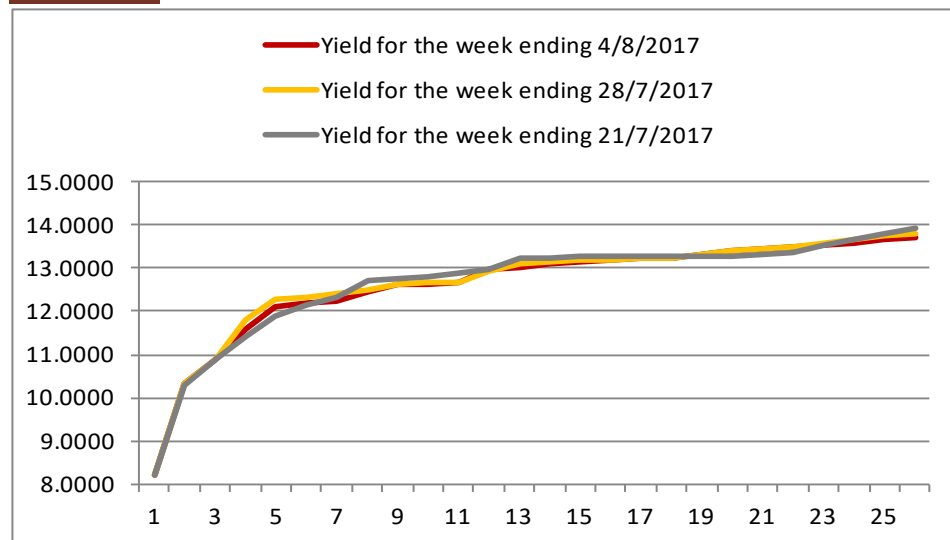
Issue No.	Next Coupon Payment Date	Maturity Date	Maturity (Tenor)	Outstanding Amt 'Mn.	Coupon Rate
IFB1/2009/012	14-Aug -17	8-Feb-21	1,288	7,868	12.500%
FXD1/2008/010	14-Aug -17	12-Feb-18	196	2,923	10.750%
FXD1/2006/012	14-Aug -17	13-Aug-18	378	3,901	14.000%
IFB1/2010/008	21-Aug -17	19-Feb-18	203	9,186	9.750%
IFB2/2010/009	21-Aug -17	19-Aug-19	749	21,005	6.000%
SDB1/2011/030	21-Aug -17	21-Jan-41	8,575	28,145	12.000%
FXD1/2013/015	21-Aug -17	7-Feb-28	3,843	42,138	11.250%
FXD1/2016/010	28-Aug -17	17-Aug-26	3,304	18,306	15.039%
IFB1/2017/012	28-Aug -17	12-Feb-29	4,214	14,330	12.500%

The 91 day, 182 day & 364 day Tbills were undersubscribed at 39.79%, 47.01% & 34.32% respectively. The undersubscription could be attributed to the tight liquidity in the market currently. However it should be noted the subscription could also have been spilt due to the tap auction on the FXD1/2017/10

Interbank rate has been edging up in the week indication of the tight liquidity in the market.

Coupon payments of treasury bonds amounting to KES. 11.490bn will be checking into the market in the month of August.

YIELD CURVE:



(Nairobi Securities Exchange)

EXCHANGE RATE:

Currencies	28-Jul-17	4-Aug-17	Chg YTD
USD/KES	103.9094	103.8672	0.04%
GBP/KES	136.4986	136.2831	0.16%
EUR/KES	121.5508	123.0122	-1.20%
JPY/KES	93.1965	94.0443	-0.91%
ZAR/KES	8.0124	7.8003	2.65%
KES/UGX	34.7419	34.8041	-0.18%
KES/TZS	21.5477	21.5468	0.00%
KES/RWF	7.9974	7.9693	0.35%
KES/BIF	16.7023	16.7113	-0.05%

The Kenyan shilling was firm against the dollar in thin trading on Friday with most importers staying on the sidelines having filled their dollar requirements in advance of an election next week. (Reuters)

MOST TRADED BONDS FOR THE WEEK:

WEEKLY BONDS MARKET STATISTICS FOR THE WEEK-ENDING FRIDAY 4 AUGUST, 2017

Issue No.	Coupon (%)	This Week			Total Value (kshs)
		Highest yield (%)	Lowest yield (%)	Average Yield (%)	
FXD1/2015/5	13.193	12.5000	12.0000	12.2188	1,150,000,000
FXD1/2012/10	12.300	12.5200	11.5800	12.3775	715,000,000
FXD1/2016/10	15.039	12.7000	12.6000	12.6023	640,000,000
FXD 1/2008/20	13.750	13.3128	12.7120	12.9899	600,000,000
FXD1/2012/20	12.000	13.5113	13.5113	13.5113	300,000,000

MONETARY POLICY OPERATIONS:

Transactions increasing and reducing liquidity were fairly matched during the week ending August 2, 2017. However, due to uneven distribution of liquidity the Central Bank was on both sides of the market. It withdrew excess liquidity from segments of the market with surpluses and used reverse repos to support segments facing temporary liquidity shortages. The weighted average interbank rate increased to 8.20 percent in the week ending August 2, 2017 from 7.24 percent recorded in the previous week. (Central Bank of Kenya)

Yields maintained the lowering trend as they have in the past weeks. They edged up in the short end slightly.

Kenya's shilling stable ahead of elections. Voters go to the polls on Tuesday to pick a president, parliament and regional authorities

The FTSE Bond Index declined by 0.07 percent, reflecting increase in secondary market yields.

Bonds worth KES.5.096bn were traded in the week compared to KES. 5.160bn in the previous week. Deals totalling 105 were closed compared to 141 the previous week.

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