

FIXED INCOME RESEARCH

5th May 2017

Money Market	Latest	Previous
91 day	8.7590	8.7780
182 day	10.475	10.525
364 day	10.926	10.938
Repo Rate	6.1800	5.4980
Inflation Rate	11.480	10.280
Interbank Rate	6.0162	6.5792
Central Bank Rate	10.0000	10.0000

Exchange Rates

	Buy	Sell
USD	103.0428	103.2456
GBP	132.9117	133.2017
EUR	112.6283	112.8733
ZAR	7.5944	7.6126
KES/UGX	35.1105	35.2766
KES / TZS	21.599	21.7385

Source: Central Bank of Kenya

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ECONOMIC UPDATE: Kenya's foreign exchange reserves hit record high last week

Kenya's central bank held \$8.309 billion in foreign exchange reserves at the end of last week, a record high for a weekly close, the central bank data showed. The bank said in its weekly bulletin, seen by Reuters that the reserves were enough to cover about five and-half months worth of imports. There was no immediate explanation for the high reserves, which are legally required to be at a minimum of four months worth of imports. The bank has struggled to build up reserves in the past, due to low exports that are far outstripped by imports of items like petrol. The East African nation, which goes to the polls in August, also has a stand-by credit with the IMF of \$1.5 billion, which it can tap in case of unforeseen shocks. *(Reuters)*

NEWS UPDATE: 1) Kenya central bank to hold rate-setting meeting on May 29

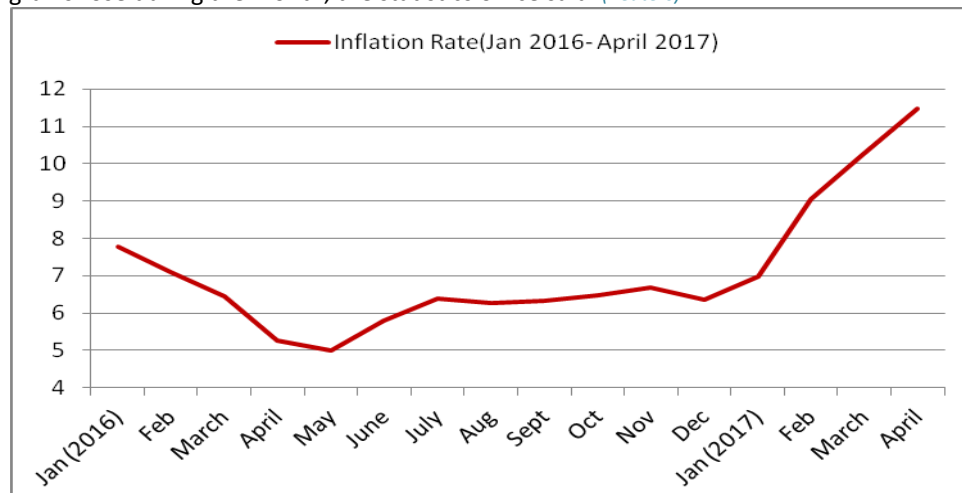
The Monetary Policy Committee of Kenya's central bank will meet to set lending rates on May 29, the bank said on Wednesday. The policymakers held the bank's benchmark lending rate at 10.0 percent at the last meeting in March. *(Reuters)*

2) Kenya private sector activity stabilise in April

Activity in Kenya's private sector stabilised in April after a contraction in the previous month, as new orders for firms in the local market improved, a survey showed on Thursday. The Markit Stanbic Bank Kenya Purchasing Managers' Index (PMI) rebounded to 50.3 after dropping in March to 48.5, the lowest reading since the survey began in January 2014. A reading above 50.0 indicates growth and anything below is a contraction. "Domestic demand is showing some signs of recovery; however we would still urge caution for now," said Jibran Qureishi, regional economist for East Africa at Stanbic Bank. A reported outbreak of fall army worms in maize fields could curb food production and cause shortages again, putting pressure on the economy, he warned. Voters go to the polls in August to pick a president, parliamentarians and local officials. Violence following past elections, most notably after a disputed presidential result in 2007, makes some investors nervous about this year's poll. "Political risk is likely to remain elevated which could prompt the private sector to scale back on investment spending," Qureishi said. *(Reuters)*

3) Kenya inflation rises to 11.48 pct in year to April

Kenya's year-on-year inflation rose to 11.48 percent in April from 10.28 percent last month, on the back of higher prices of food, the statistics office said on Friday. The rate first rose outside of the government's preferred band of 2.5-7.5 percent in February, after food prices surged due to a drought, which left about 2.7 million people in need of food aid. April's rate of inflation is the highest since May 2012. Month-on-month inflation increased to 1.79 percent from 1.67 percent last month. Policymakers held the benchmark lending rate at 10.0 percent last month saying they expected inflation to fall in line soon. Prices of vegetables, maize flour and maize grains rose during the month, the statistics office said. *(Reuters)*

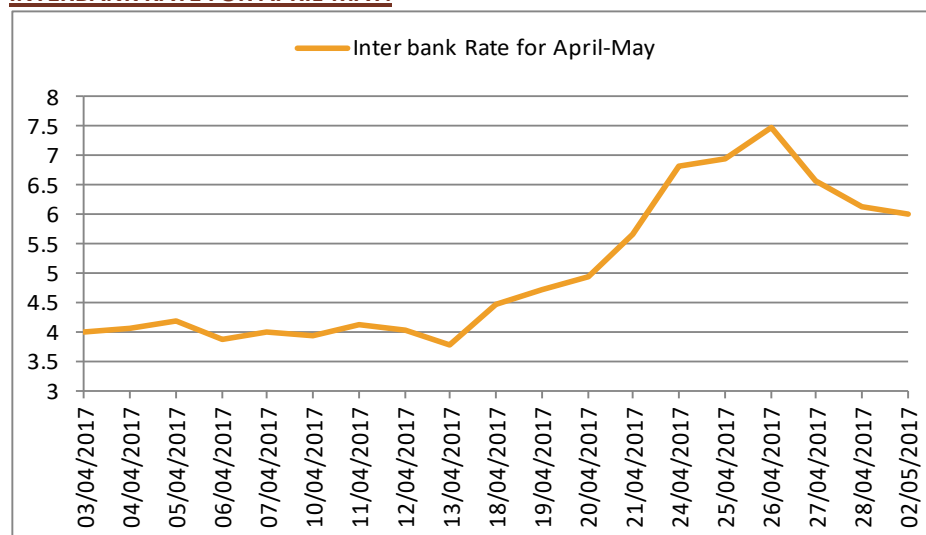


This week, the 182 day Tbill was auctioned after suspension of upto 8 weeks. The 91 day, & 182 day Tbill were oversubscribed at 295.72% & 253.75% respectively, as the 364 day Tbill was slightly undersubscribed at 98.93%. Acceptance rate on the 91 day Tbill was with a deficit of KES. 0.398bn, on the 182 day picked a surplus of KES. 10.401bn and the 364 day Tbill was taken up with deficit of KES. 1.122bn. There is liquidity of upto KES. 14.214bn in rejection from this week's T-bill auctions. CBK has been mopping up the excess liquidity through Term Auction Deposits(TADs)

Interbank rate has been showing mixed trends in the month. The CBK kept off the interbank market this week except for Tuesday, causing participants to opt for secondary market and other investments.

TREASURY BILL LATEST RESULTS 2211, 2184/182 /91 & 2122/364: 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. 47.10 Billion and the bids accepted amounted to Kshs.32.88 Billion. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 8.759% for the 91-day, 10.475 for 182-day and 10.926% for 364-day Treasury Bills. (Central Bank of Kenya)

INTERBANK RATE FOR APRIL-MAY:



(Central Bank of Kenya)

UPCOMING COUPON PAYMENTS FOR MAY:

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.

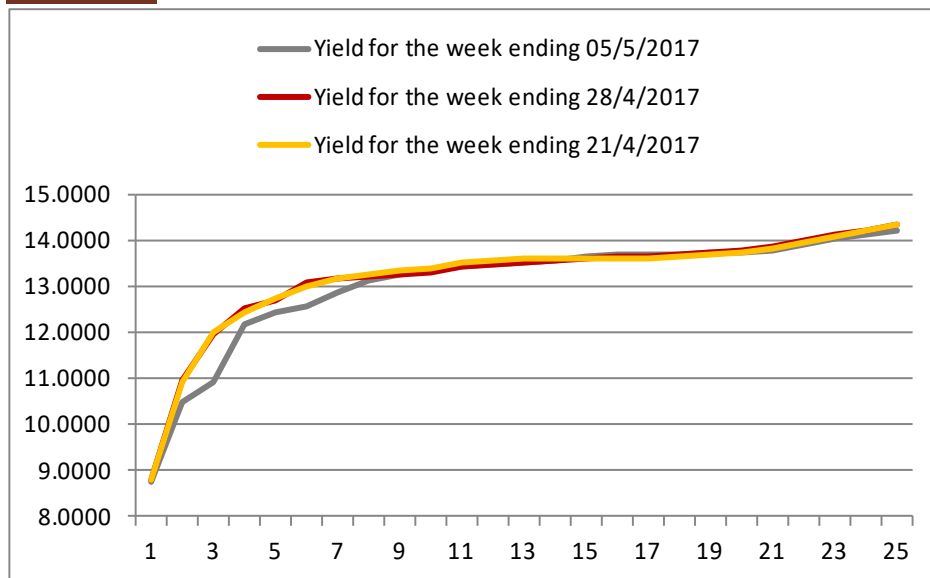
Issue No.	Next Coupon Payment Date	Maturity Date	Maturity (Tenor)	Outstanding Amount Shs'M.	Fixed Coupon Rate
FXD3/2007/15	May 15, 2017	Nov 7, 2022	2,012	18,030	12.500%
FXD1/2007/12	May 15, 2017	May 13, 2019	738	4,865	13.000%
FXD1/2011/20	May 22, 2017	May 5, 2031	5,113	9,366	10.000%
FXD1/2012/5	May 22, 2017	May 22, 2017	17	31,080	11.855%
FXD1/2012/20	May 22, 2017	Nov 1, 2032	5,659	44,582	12.000%
FXD3/2013/5	May 22, 2017	Nov 19, 2018	563	14,938	11.952%
FXD2/2016/2	May 22, 2017	May 21, 2018	381	30,218	12.020%
IFB1/2016/9	May 22, 2017	May 12, 2025	2,929	36,303	12.500%
IFB2/2009/12	May 29, 2017	Nov 22, 2021	1,662	9,704	12.000%
FXD2/2015/5	May 29, 2017	Nov 23, 2020	1,298	30,674	13.920%

EXCHANGE RATE:

Currencies	28-Apr-17	5-May-17	Chg YTD
USD/KES	103.2222	103.1442	0.08%
GBP/KES	133.5203	133.0567	0.35%
EUR/KES	112.3658	112.7508	-0.34%
JPY/KES	92.7715	91.4926	1.38%
ZAR/KES	7.7681	7.6035	2.12%
KES/UGX	35.3122	35.1935	0.34%
KES/TZS	21.6524	21.6688	-0.08%
KES/RWF	8.1359	8.1434	-0.09%
KES/BIF	16.4132	16.4283	-0.09%

The Kenyan shilling could weaken due to increased oil importer demand outweighing dwindling dollar inflows from offshore investors buying government debt, traders said. (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.

The volume of bonds traded declined by 18.23 per cent in the week ending May 4, 2017 with corresponding deals down to 180 from 204 for the previous week.

Bonds worth KES. 8.396bn were traded in the week compared to KES. 12.146bn in the previous week. Deals totalling 149 were closed compared to 239 the previous week.

MOST TRADED BONDS FOR THE WEEK:

WEEKLY BONDS MARKET STATISTICS FOR THE WEEK-ENDING FRIDAY 5 MAY , 2017

Issue No.	Coupon (%)	This Week			Total Value (kshs)
		Highest yield (%)	Lowest yield (%)	Average Traded Yield (%)	
IFB1/2016/9	12.500	12.7500	11.7300	12.3727	1,828,700,000
FXD1/2008/20	13.750	14.0350	13.4000	13.5633	1,231,000,000
FXD1/2016/10	15.039	13.4500	13.2070	13.3143	800,000,000
FXD2/2015/5	13.920	12.7000	12.4500	12.6167	600,000,000
FXD1/2016/5	14.334	12.5500	12.5500	12.5500	600,000,000

MONETARY POLICY OPERATIONS:

The money market was fairly liquid during the week ending May 3, 2017, largely supported by net Government payments. However, these inflows were more than offset by withdrawals through Central Bank’s open market operations of KSh 15.6 billion. The net liquidity withdrawal in the interbank market amounted to KSh 11.9 billion. (Central Bank of Kenya)

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