

## FIXED INCOME RESEARCH

7<sup>th</sup> July 2017

Money Market	Latest	Previous
91 day	8.2210	8.2840
182 day	10.312	10.329
364 day	10.889	10.895
Repo Rate	4.7500	4.7500
Inflation Rate	9.200	11.700
Interbank Rate	5.1800	4.4700
Central Bank Rate	10.0000	10.0000

## Exchange Rates

	Buy	Sell
USD	103.7372	103.9372
GBP	134.1800	134.4717
EUR	118.2094	118.4600
ZAR	7.7177	7.7374
KES/UGX	34.5882	34.7513
KES / TZS	21.4841	21.6219

Source: Central Bank of Kenya

## Fixed Income Research

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## TREASURY BOND ON OFFER FOR THE MONTH OF JULY

<b>ISSUE NUMBER:</b>	<b>FXD1/2017/010- KES.30bn</b>
<b>Amount:</b>	KES: 30bn
<b>Purpose:</b>	Budgetary Support
<b>Coupon:</b>	Market Determined
<b>Offer opening date:</b>	07-July-17
<b>Offer closing date:</b>	25-July-17
<b>Value date:</b>	31-July-17
<b>Redemption date:</b>	19-July-27
<b>Auction date:</b>	26-July-17
<b>Results:</b>	27-July-17
<b>Secondary Trading:</b>	01-August-16
<b>Taxation:</b>	In multiples of Kshs. 50,000
<b>Commission:</b>	Discount/ Interest is subject to withholding tax at 15% Licensing placing agents will be paid commission at the rate of 0.15% of actual sales (at cost) net of 5% withholding tax

**NEWS UPDATE: 1) Sh1 billion M-Akiba bond in slow start with Sh17.7m sales** The sale of the Sh1 billion M-Akiba bond started on a low note, with investors buying Sh17.7million or 1.7 per cent of the mobile phone-based bond six days after it was floated. The number of those registering to take up the offer has been equally low, adding 21,000 new registrations made since the launch last Friday, Treasury sources revealed. The slow uptake is a stark contrast to the initial offer of Sh150 million floated in March where over Sh1 million was purchased within the first one hour of its launch and offer hit target ahead of deadline. The three-year infrastructure bond will be on sale until July 21 and left another Sh3.85 billion to be sold at a later date depending on the subscription of the second tranche. The Treasury's Director of Public Debt Wahoro Ndoho did not respond to our calls and SMS question on the sale. The second tranche will be able to trade on the secondary market at the Nairobi Securities Exchange (NSE) from July 25. "We are going to dispatch agents to all the Huduma centres and beef up investor's education to promote awareness and boost the sales from next week," said Wagemma Irungu, an executive at the NSE. "Now investment groups can use their bank accounts to buy the offer through PesaLink and that is also expected to prop up sales," Mr Wagemma said. The Pesalink inclusion allows investors to make bond purchases of up to Sh999, 999, boosting uptake and removing the lower daily cap of Sh140, 000 set for mobile phone cash transactions. M-Akiba allows a single investor to put in a minimum of Sh3,000 and a maximum Sh1 million, earning tax-free interest of 10 per cent. The sale of bonds via mobile phones is a world first and is aimed at expanding the pool of investors in a country that needs money for infrastructure projects and where many people do not have a bank account. Few ordinary Kenyans bought government bonds, scared off by the minimum investment of Sh50,000 and the need for a commercial bank account. Kenya has borrowed heavily in the past four years to fund an ambitious development programme, including new roads and railway. (*Business Daily, Kenya*)

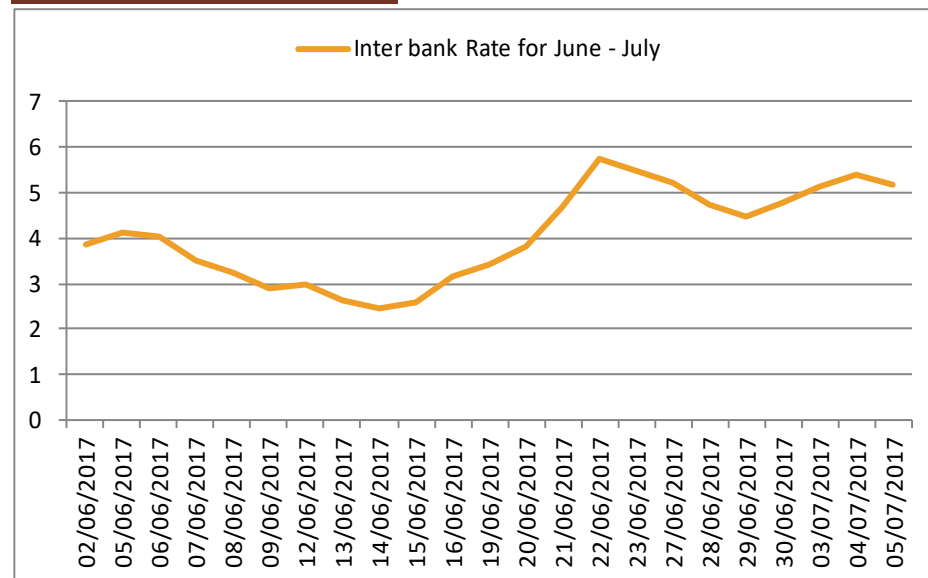
**2) Islamic finance provides Kenyans with cushion against drought.** Hamara Hujale tries to keep an eye on two squirming children and a pot of simmering ugali – a white doughy dish – as she reaches for her buzzing phone. After speaking a few words, she hangs up and scribbles in a wrinkled notebook. "My driver has found another customer so won't be back for another 30 minutes," she says with a satisfied smile. Hujale, who lives in the northeast Kenyan town of Wajir, used to make and sell kitchen utensils, "mostly to pastoralists who would use them as dowry for their daughters' weddings". "But as they lost their animals to drought, they had no money left to buy my products. So I had to find an alternative," she said. Last year she secured a loan of 370,000 Kenyan shillings (about \$3,560) through Crescent Takaful Sacco, an Islamic finance institution, and used the money to buy a tuk-tuk and set up a taxi business in Wajir. Access to credit is critical to help communities prepare for and cope with

increasingly frequent climate shocks like droughts and floods, experts say. But in this Kenyan region bordering Somalia, where over 90 percent of the population is Muslim, few banks or institutions offer financial services that comply with Islamic law, which bans gambling and speculation, including interest-bearing loans, said Diyad Hujale, a programme coordinator at Mercy Corps, a charity, and no relation to Hamara. To remedy this, in 2016 a project helped set up the county's first private cooperative offering financial products in accordance with Islamic principles – such as interest-free loans, with no fees for late payment. The initiative, which is part of the Building Resilience and Adaptation to Climate Extremes and Disasters (BRACED) programme, is funded by the UK Department for International Development (DFID) and led by Mercy Corps. Gladys Mutisya, manager of the Wajir sacco, said it targets "the unbanked: pastoralists – who make up half of our clients – farmers, and poorer communities in general." "We're trying to fill a gap that banks and traditional institutions are not able or willing to fill." Diyad Hujale explained that while Sharia-compliant financial services already exist in Nairobi, the capital, and elsewhere in the country, they are too far away and expensive for local residents to access – so the BRACED programme supported the sacco to hire and train staff in Wajir. *(Reuters, Kenya)*

**TREASURY BILL LATEST RESULTS 2220/91, 2193/182 & 2131/364:** 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. 27.923 Billion and the bids accepted amounted to Kshs.24.901 Billion. The weighted average rate of accepted bids, which will be applied for non-competitive bids, was 8.221% for the 91-day, 10.312% for 182-day and 10.889% for 364-day Treasury Bills. *(Central Bank of Kenya)*

*The 91 day, 182 day & 364 day Tbills were subscribed at 106.15%, 152.59% & 84.19% respectively.*

**INTERBANK RATE FOR JUNE - JULY:**



*(Central Bank of Kenya)*

**UPCOMING COUPON PAYMENTS FOR JULY:**

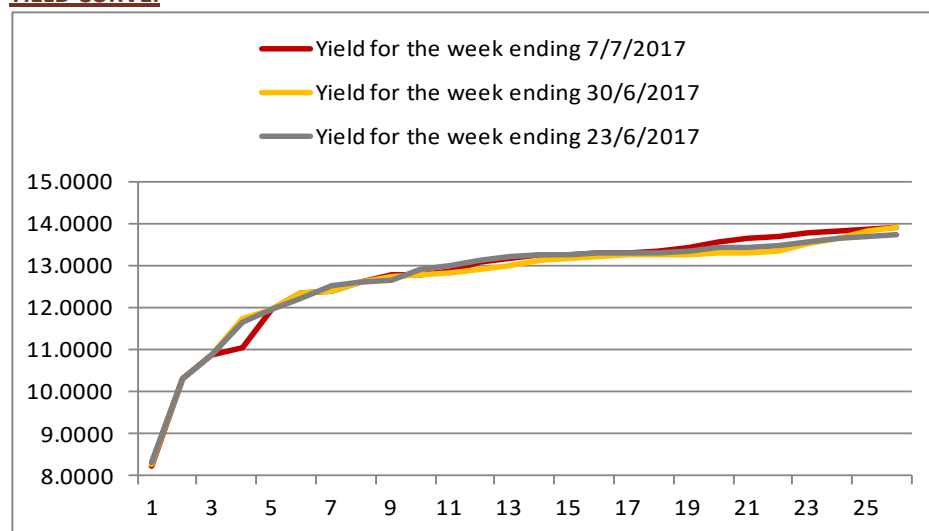
*Coupon payments of treasury bonds amounting to KES. 6.213bn will be checking into the market in the month of July.*

Issue No.	Next Coupon Payment Date	Maturity Date	Maturity (Tenor)	Outstanding Amt 'Mn.	Coupon Rate
FXD2/2008/10	Jul 17, 2017	Jul 16, 2018	591	13,505	10.75%
FXD1/2016/2	Jul 24, 2017	Jan 22, 2018	416	20,154	15.76%
FXD1/2014/10	Jul 24, 2017	Jan 15, 2024	2,600	35,852	12.18%
FXD2/2016/5	Jul 24, 2017	Jul 19, 2021	1,690	24,401	14.069%

**EXCHANGE RATE:**

Currencies	30-Jun-17	7-Jul-17	Chg YTD
USD/KES	103.7117	103.8372	-0.12%
GBP/KES	134.5986	134.3258	0.20%
EUR/KES	118.3108	118.3347	-0.02%
JPY/KES	91.9797	91.802	0.19%
ZAR/KES	7.9694	7.7276	3.03%
KES/UGX	34.5671	34.6697	-0.30%
KES/TZS	21.5695	21.553	0.08%
KES/RWF	7.9577	7.9539	0.05%
KES/BIF	16.6505	16.6472	0.02%

The Kenyan shilling weakened on Friday and was forecast to lose more ground due to increased dollar demand from food and oil importers, traders said. *(Reuters)*

**YIELD CURVE:**

*Yields maintained the lowering trend in the short term especially as they have in the past weeks.*

*FTSE Bond Index increased by 0.50 percent, reflecting a marginal decline in secondary market yields.*

*(Nairobi Securities exchange)*

**MOST TRADED BONDS FOR THE WEEK:****WEEKLY BONDS MARKET STATISTICS FOR THE WEEK-ENDING FRIDAY 7 JULY, 2017**

Issue No.	Coupon (%)	This Week			Total Value (kshs)
		Highest yield (%)	Lowest yield (%)	Average Traded Yield (%)	
FXD2/2007/15	13.500	12.5500	12.3000	12.3776	2,250,000,000
IFB1/2014/12	11.000	12.3500	11.1600	11.6327	1,840,000,000
IFB1/2016/9	12.50	12.1750	11.2200	11.7638	1,239,700,000
IFB1/2016/15	12.000	12.3121	12.2750	12.2821	997,500,000
FXD1/2009/15	12.500	12.8000	12.7500	12.7750	400,000,000

*Bonds worth KES.9.602bn were traded in the week compared to KES.13.3129bn in the previous week. Deals totalling 329 were closed compared to 223 the previous week.*

**MONETARY POLICY OPERATIONS:**

The money market was liquid during the week ending July 5, 2017, largely attributed to increased government payments at the end of the financial year. The Central Bank's open market operations during the week resulted in net liquidity absorption of KSh 31.8 billion. The weighted average interbank rate remained stable at 5.0 percent in the week ending July 5, 2017 compared to 5.3 percent recorded in the previous week, reflecting ample liquidity in the interbank market. *(Central Bank of Kenya)*

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