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Diaspora Remittances rise by
3.6% y/y to KES 427.4m in
January 2025

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WEEKLY FIXED INCOME REPORT

Subsidy kitty holds up fuel prices

MONEY MARKET ANALYSIS

In the money market, the interbank lending rate kept sliding as the impact of recent monetary action took shape. Banks lent to each other at an average of 10.5%, down 35.66bps from the previous week's 10.9%. Meanwhile, trading activity picked up by 7.6% to KES 15.36bn from KES 14.29bn, signaling a liquidity squeeze losing its grip.

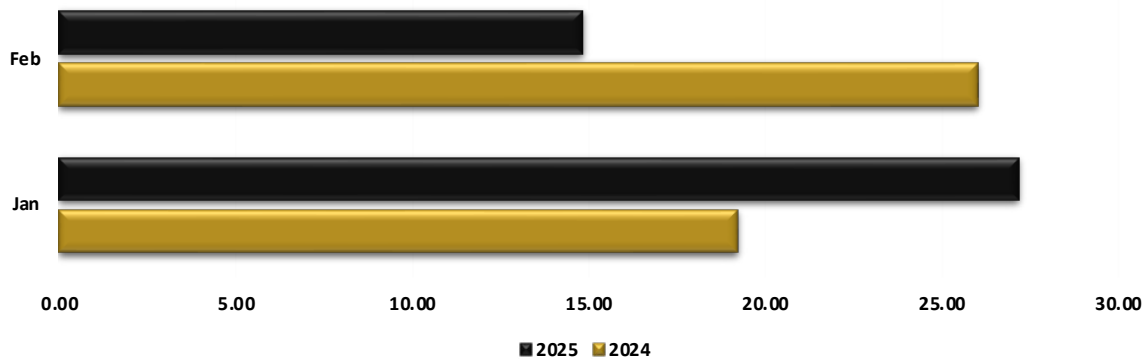
The table below summarizes the market liquidity indicators:

Average	Previous Week	Current Week	Change
Interbank Deals	27.00	26.00	(3.70%)
Inter- Bank volumes (KES bn)	14.29	15.36	7.55%
Inter – Bank Rates (bps)	10.90%	10.54%	(35.66)

Source: Central Bank of Kenya (CBK), Table: SIB

See below a visual chart of the interbank market trends so far;

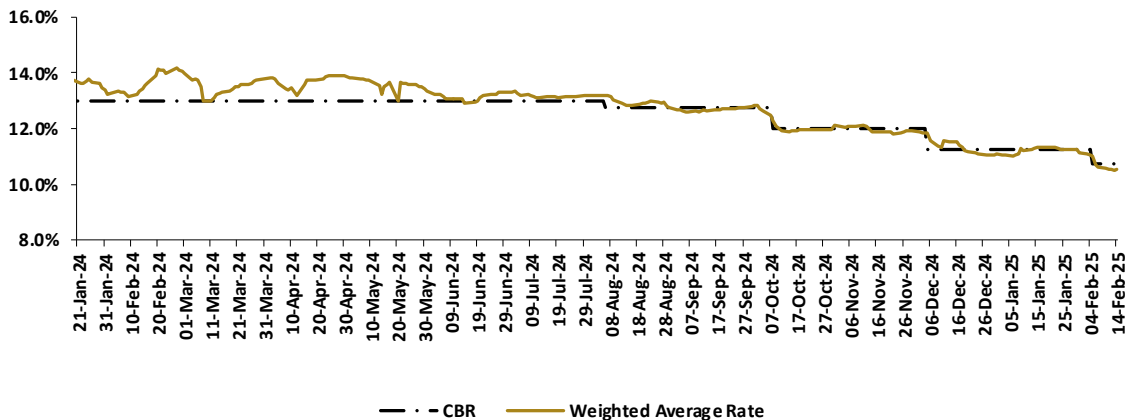
Average Interbank Volumes



Source: Central Bank of Kenya (CBK), Chart: SIB

The weighted average interbank rate has closely tracked the Central Bank Rate, underscoring the stability and effectiveness of the monetary policy framework. See the chart below;

Weighted Average Interbank Rates



Source: Central Bank of Kenya (CBK), Chart: SIB

GOVERNMENT SECURITIES MARKET

T-bills

Demand for Treasury bills remained solid, though the subscription rate eased to 184.4% from 296.6% the previous week. Investor appetite leaned heavily toward the 182-day and 364-day papers, which made up 94.3% of total bids. Overall, investors put up KES 44.26bn, but the fiscal agent took in only 56.8% of the submissions.

Yields on accepted bids dipped further across all tenors, mirroring the lower benchmark and selective acceptance rates. The 91- 182- and 364 – day papers settled at 8.97% (-14.59bps) an almost 3-year low, 9.41% (-10.90bps), and 10.59% (-16.40bps), respectively.

See the summary below;

KES bn

17-Feb-25	91-day 19-May-25	182-day 18-Aug-25	364-day 16-Feb-26	Totals
Amount offered	4.00	10.00	10.00	24.00
Bids received	2.53	23.62	18.11	44.26
Subscription rate (%)	63.2%	236.2%	181.1%	184.4%
Amount accepted	2.50	10.94	11.69	25.14
Acceptance rate (%)	99.2%	46.3%	64.6%	56.8%
Of which: Competitive Bids	1.07	9.55	6.49	17.12
Non-competitive bids	1.43	1.39	5.20	8.03
Rollover/Redemptions	3.98	11.76	5.50	21.24
New Borrowing/(Net Repayment)	(1.48)	(0.82)	6.20	3.90
Weighted Average Rate of Accepted Bids	8.97%	9.41%	10.59%	
Inflation	3.3%	3.3%	3.3%	
Real Return	5.7%	6.1%	7.3%	

Source: Central Bank of Kenya (CBK), Table: SIB

T-Bonds

In the primary bond market, the fiscal agent raised KES 130.81bn—nearly double the government's target. Contrary to our expectations, both bonds saw similar interest, but the longer-tenor bond, offering a slightly higher return, attracted the most subscriptions. Overall, demand soared, with a subscription rate of 2.8x, far exceeding our 1.5x projection.

IFB1/2022/14, with an effective tenor of 11.8 years, settled at a weighted average rate of 13.98%, slightly above our ceiling estimate, while IFB1/2023/17 came in at 14.28%, aligning with our expectations.

Both papers traded at a premium, but as interest rates continue to decline, bonds are expected to become pricier in the secondary market.

See a summary of the results below;

17-Feb-25	IFB1/2022/14 27-Oct-36	IFB1/2023/17 20-Feb-40	TOTALS
Amount offered (KES bn)			70.00
Bids received (KES bn)	93.13	100.77	193.90
Subscription rate (%)	133.05%	143.95%	277.00%
Amount accepted	65.26	65.55	130.81
Acceptance rate (%)	86.33%	83.40%	67.46%
Of which: Competitive Bids	54.88	17.85	72.73
Non-competitive bids	10.37	47.70	58.08
New Borrowing/(Net Repayment)			130.81
Market weighted average rate of accepted bids	13.98%	14.28%	
Coupon Rate	13.94%	14.40%	
Price per KES 100 at average yield	103.50	106.98	
Inflation	3.28%	3.28%	
Real Return	10.66%	11.12%	

Source: CBK, Table: SIB

Meanwhile, the Central Bank of Kenya remains active in the bond buyback market, seeking to partially prepay three bonds maturing in April and May. The offer aims to redeem KES 50bn against FXD1/2022/03, FXD1/2020/05, and IFB1/2016/09, which have a combined outstanding balance of KES 185.05bn—translating to a potential 27.0% settlement.

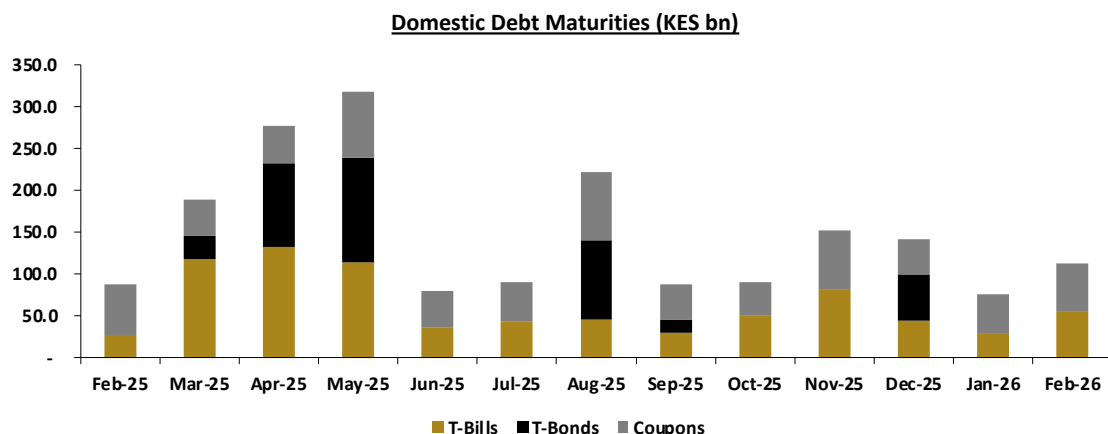
All bids must be submitted by Monday, 17th February 2024. See a summary of the offer;

Bond Buy Back							
	Maturity Date	Tenor to maturity (Days)	Coupon Rate	Target Amount	Amount Outstanding	Pending interest Outstanding Coupon	
	FXD1/2022/03	07-Apr-25	57	11.8%	50.00	60.61	3.57
	FXD1/2020/05	05-May-25	85	11.7%		104.52	6.10
	IFB1/2016/09	12-May-25	92	12.5%		19.93	1.25
TOTAL					185.05	10.91	

Source: CBK, Table: SIB

Outstanding Debt Maturities (T-Bills and T-Bonds):

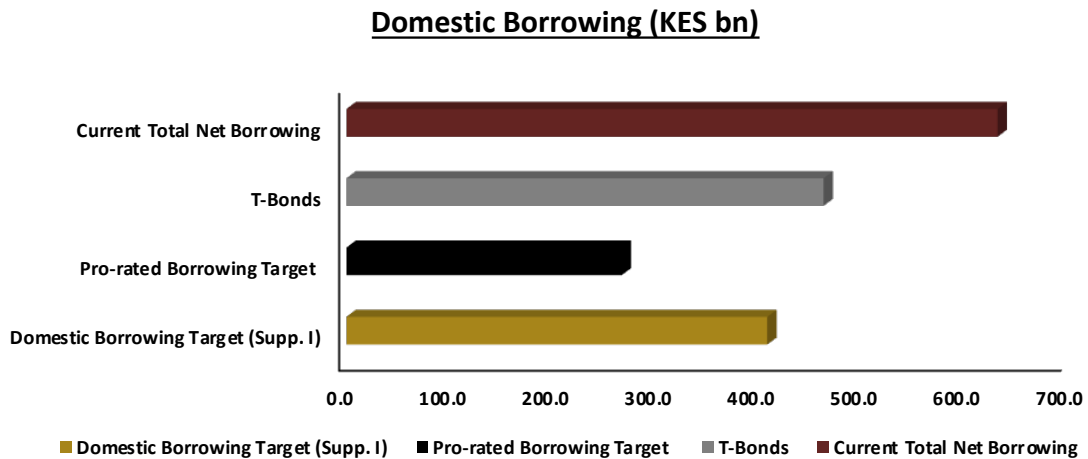
As of this week, the Government's outstanding T-Bill and T-Bond maturities for the next 12 months are at KES 755.16bn and KES 417.84bn, respectively. Including coupon payments, the total maturity profile is approximately KES 1.93tn, as outlined below;



Source: Central Bank of Kenya (CBK), Chart: SIB

The government is ahead of its domestic borrowing curve for FY24/25 by 54.7%, having mobilized KES 631.86bn against a target of KES 408.41bn. Excluding Treasury bills, domestic borrowing surpasses the prorated target by 73.3%, currently standing at 113.3% of the overall target.

We anticipate a post-buyback realignment, likely to gain traction as investors reposition their portfolios. Additionally, contrary to our earlier projections of a downward revision, the supplementary budget adjustments point to an upward revision of the domestic borrowing target – consistent with a levels persistently ahead of target. Persistent revenue shortfalls and rising expenditure pressures will necessitate additional borrowing.

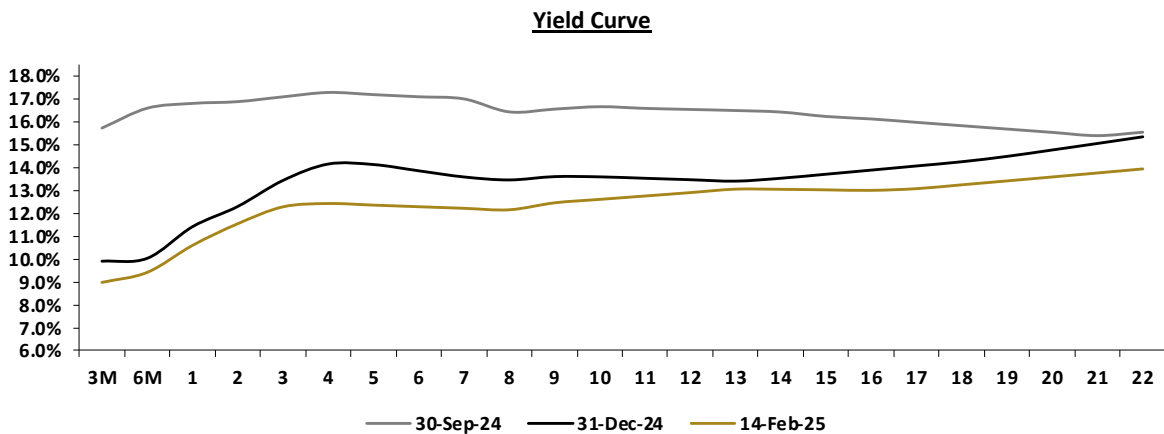


Source: Central Bank of Kenya (CBK), Treasury, Chart: SIB

Yield Curve

The yield curve continues its downward shift, with all rates now below 14%. Week-on-week, yields fell across all tenors, posting an average decline of 34.46bps.

Below is a visual representation;



Source: Nairobi Securities Exchange (NSE), Chart: SIB

The International Front

Kenyan Eurobonds

This week, Kenyan Eurobond yields showed mixed performance but trended moderately upward overall. Below is a summary of the performance;

Kenyan Eurobonds						
Issuance	KENINT 05/22/2027	KENINT 02/28/2028	KENINT 02/16/2031	KENINT 05/22/2032	KENINT 01/23/2034	KENINT 02/28/2048
Issue Date	May-27	Feb-28	Feb-31	May-32	Jun-34	Feb-48
Tenor to Maturity	2.3	3.0	6.0	7.3	9.3	23.0
31-Dec-24	8.5%	9.1%	10.1%	10.1%	10.1%	10.3%
6-Feb-25	8.2%	8.6%	9.7%	9.7%	9.7%	10.1%
10-Feb-25	8.1%	8.6%	9.7%	9.7%	9.7%	10.1%
11-Feb-25	8.2%	8.7%	9.8%	9.8%	9.8%	10.2%
12-Feb-25	8.2%	8.8%	9.9%	9.9%	9.9%	10.2%
13-Feb-25	8.2%	8.7%	9.9%	9.8%	9.9%	10.2%
Weekly Change	0.0%	0.1%	0.2%	0.1%	0.2%	0.1%
YTD Change	(0.3%)	(0.4%)	(0.2%)	(0.3%)	(0.2%)	(0.1%)

Source: Central Bank of Kenya (CBK), Table: SIB

Currency Performance

The Kenyan shilling recorded mixed performance across currency pairs that we track, with the steepest depreciation being recorded against the GBP. On the other hand, the highest appreciation was recorded against the TZS. The shilling remained relatively stable against the dollar even as the USD Index weakened further by 0.3%.

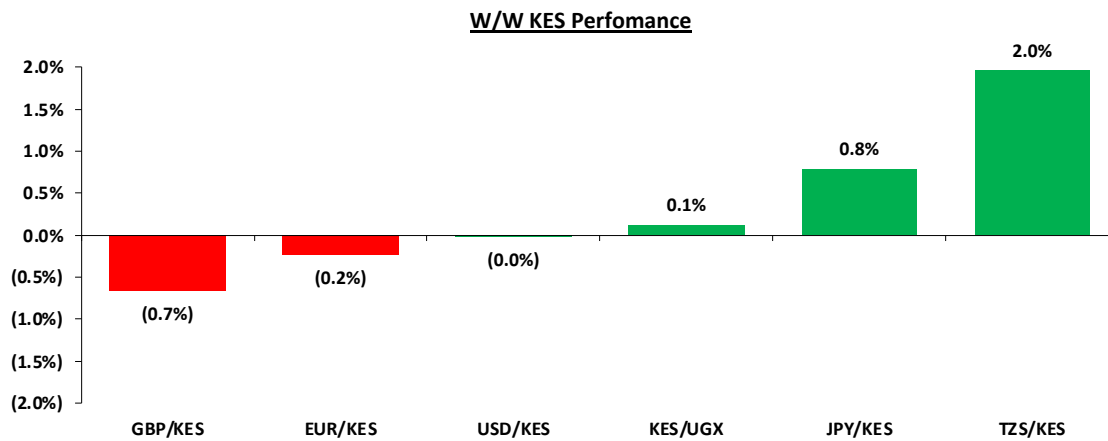
See the table below;

Currencies	29 Dec 2024	Previous Week	Current Week	w/w Change	YTD change
GBP/KES	162.3	160.1	161.1	(0.7%)	0.7%
EUR/KES	134.3	133.9	134.2	(0.2%)	0.1%
USD/KES	129.3	129.2	129.2	(0.0%)	0.1%
KES/UGX	28.4	28.4	28.5	0.1%	0.2%
JPY/KES	82.1	84.9	84.2	0.8%	(2.5%)
TZS/KES	19.0	19.8	20.2	2.0%	6.4%

Source: Central Bank of Kenya (CBK), Chart: SIB

Abb: GBP - British Pound, EUR - Euro, USD - US Dollar, UGX - Ugandan Shilling, TZS - Tanzanian Shilling, JPY - Japanese Yen | FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



Source: Central Bank of Kenya (CBK), Chart: SIB

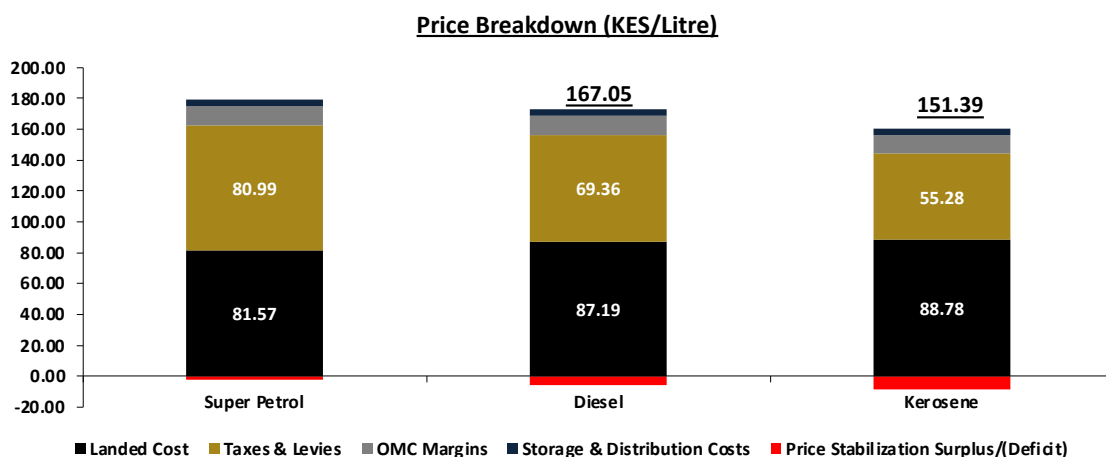
Kenya's foreign exchange reserves maintained an upward momentum, rising 1.7% to USD 9.37bn, extending import cover to 4.8 months from 4.7 months (USD 9.22bn) the previous week.

Meanwhile, diaspora remittances for January stood at USD 427.4m, marking a 3.6% y/y increase but a 4.0% m/m decline from USD 445.4m in December 2024. The United States remains the top source of Kenya's remittances at over 50% followed by Saudi Arabia at less than 10%, providing crucial support to foreign exchange reserves and the current account.

MARKET NEWS

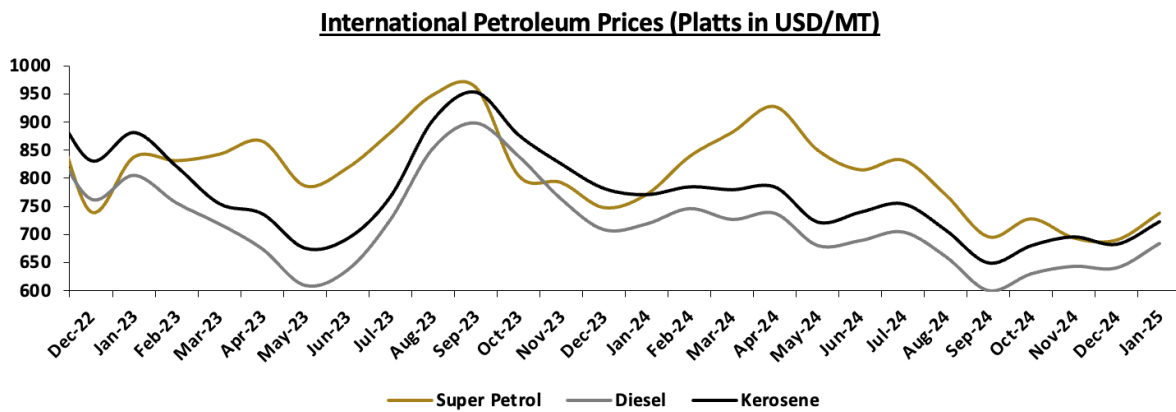
Subsidy kitty holds up fuel prices

The Energy and Petroleum Regulatory Authority (EPRA) announced fuel prices for the period from 15th February 2025 to 14th March 2025. The prices of petrol, diesel, and kerosene have remained unchanged with the retail prices at KES 176.58 per liter for petrol, KES 167.05 per liter for diesel, and KES 151.39 per liter for kerosene in Nairobi. See below the price breakdown;



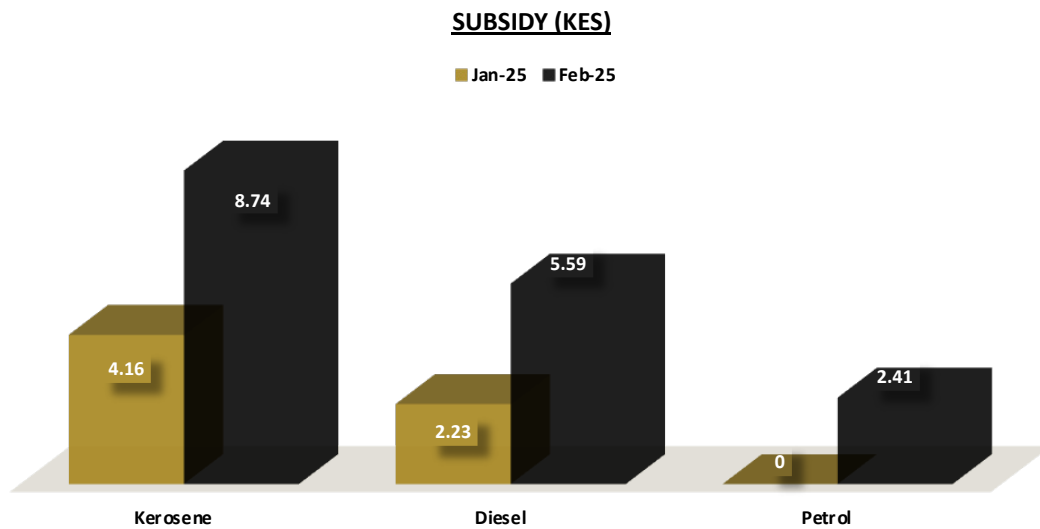
Source: EPRA, Chart: SIB

Fuel prices held steady despite rising landed costs, which increased by 2.8% for petrol, 4.2% for diesel, and 4.9% for kerosene in USD per cubic meter. Globally, the Platts index in USD/MT reflected even sharper gains, with petrol up 6.9%, diesel up 6.8%, and kerosene up 5.9%. See the chart below;



Source: EPRA, Chart: SIB, USD – Dollar, MT – Metric Tonnes

As seen in recent months, the government continued to subsidize fuel prices, covering KES 2.41, KES 5.59, and KES 8.74 per liter for petrol, diesel, and kerosene, respectively. This marks an increase across all fuels after a previous reduction, which had led to higher pump prices.



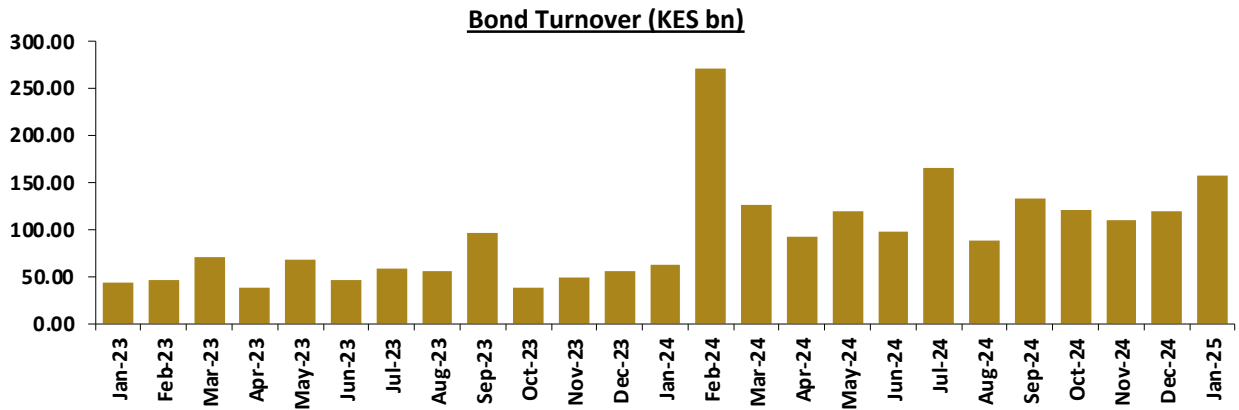
Source: EPRA, Chart: SIB,

Without the stabilization measures, fuel prices would have risen by 1.4% for petrol, 3.4% for diesel, and 5.8% for kerosene. In the short term, we anticipate minimal fluctuations in fuel prices, supported by a stable exchange rate and modest shifts in global prices.

However, the unpredictability of subsidies adds a layer of uncertainty. The government's shifting stance—reducing subsidies in one cycle and increasing them in another—creates ambiguity around production costs and, by extension, inflation trends.

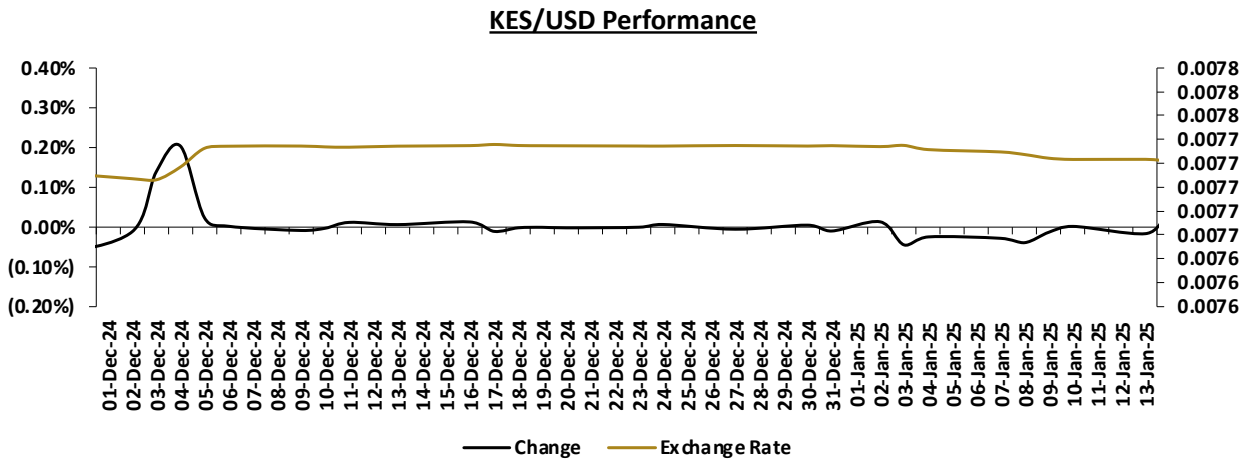
BACKGROUND CHARTS

Secondary Bond Turnover



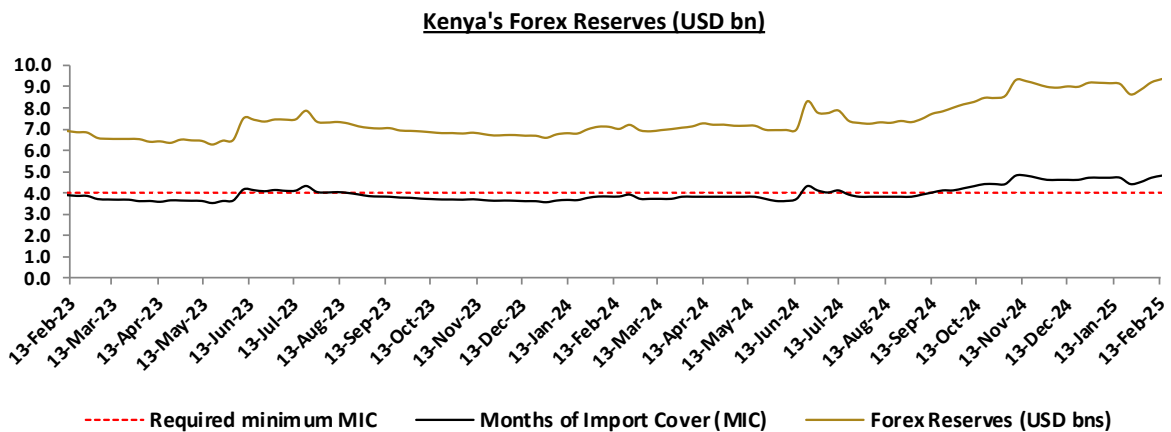
Source: Nairobi Securities Exchange (NSE)

KES/USD Performance



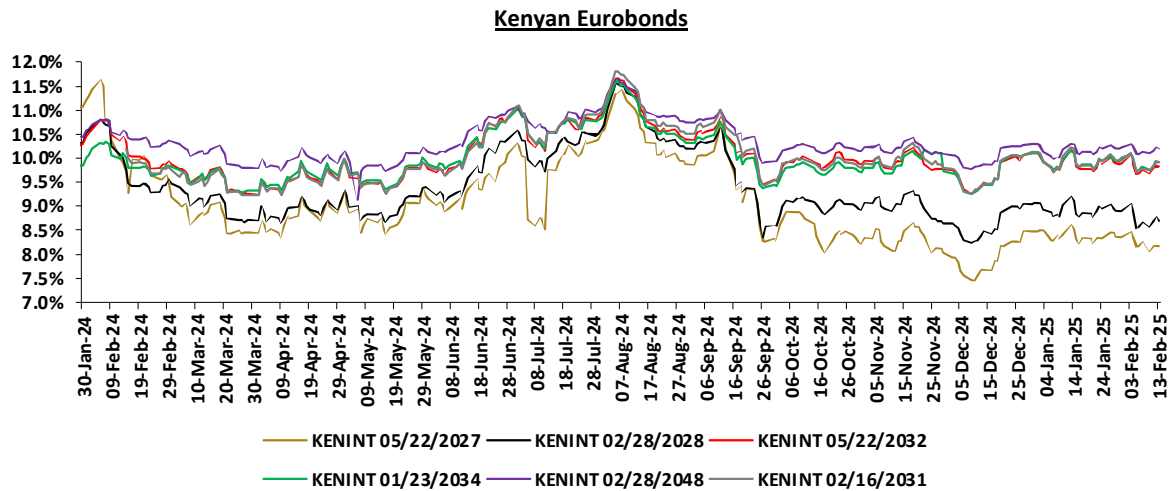
Source: Central Bank of Kenya (CBK)

Forex Reserves



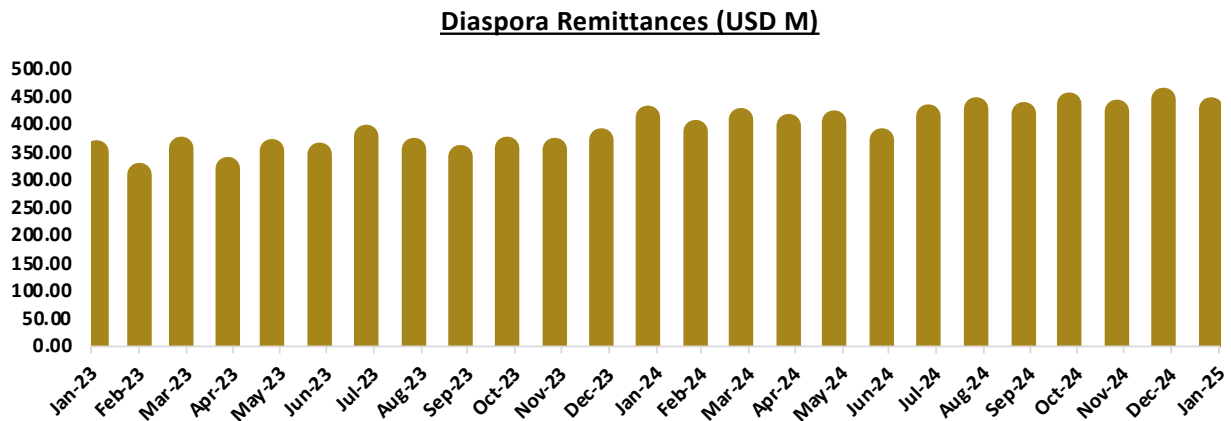
Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



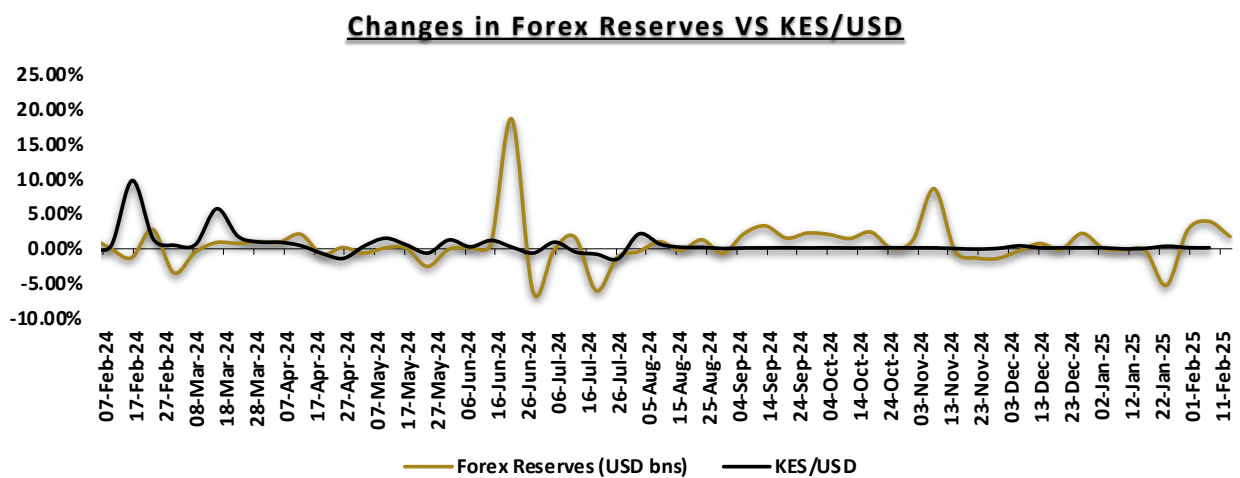
Source: Central Bank of Kenya (CBK)

Diaspora Remittances



Source: Central Bank of Kenya (CBK)

Forex Reserves



Source: Central Bank of Kenya (CBK)

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