SIB Standard Investment Bank

Regulated by the Capital Markets Authority

10TH MARCH 2025

"March Bond successfully raises KES 35.25bn, surpassing target by 88.0%"

WEEKLY FIXED INCOME REPORT

Private sector conditions hold steady, keeping pace with recent patterns

MONEY MARKET ANALYSIS

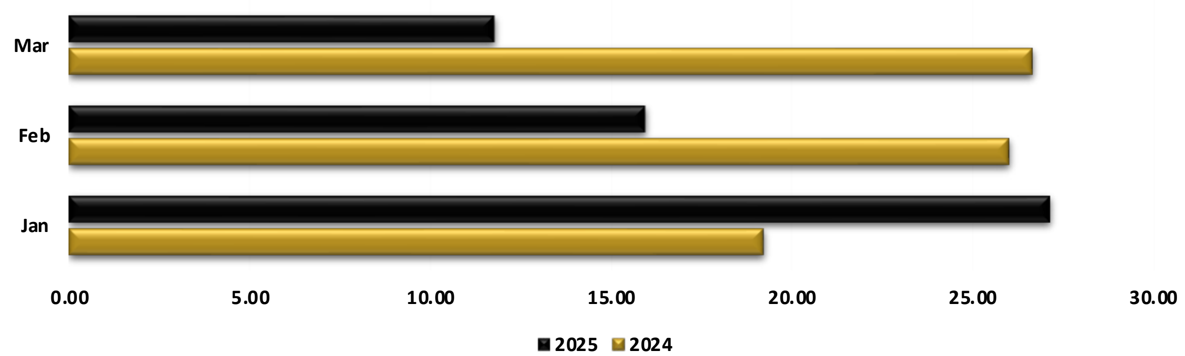
Interbank lending pulled back even more this week, extending last week's slump as traded volumes dropped another 18.5%, sliding to KES 11.79bn from KES 14.46bn. Deal numbers echoed the slowdown, dipping by 6.9%. On the flip side, the average interbank rate barely budged, ticking up to 10.70% from 10.69% the week before. The table below summarizes the market liquidity indicators:

Average	Previous Week	Current Week	Change
Interbank Deals	29.00	27.00	(6.90%)
Inter- Bank volumes (KES bn)	14.46	11.79	(18.46%)
Inter – Bank Rates (bps)	10.69%	10.70%	0.63

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

The month of March kicked off at a rather slow note with the average interbank volumes traded remaining below historical levels. See below a visual chart of the interbank market trends;

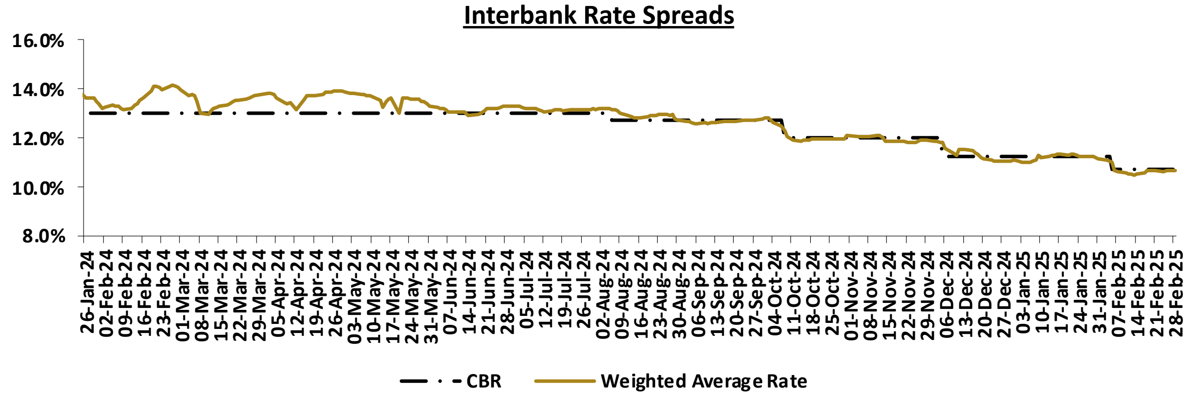
Average Interbank Volumes



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;

Interbank Rate Spreads



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

GOVERNMENT SECURITIES MARKET

T-bills

Investor appetite for Treasury bills rejuvenated further with the subscription rate climbing to 210.7%, from 152.3% last week. Interest for the 91-day paper persisted with the paper garnering almost half of the total bids. Investors poured in KES 50.56bn, and the fiscal agent took in 84.1% of the amount.

Overall yields continue to dip across all tenors, with the 91- 182- and 364 – day papers settling at 8.92% (-1.41bps), 9.15% (-8.87bps), and 10.50% (-0.34bps), respectively.

See the summary below;

KES bn

10-Mar-25	91-day 9-Jun-25	182-day 8-Sep-25	364-day 9-Mar-26	Totals
Amount offered	4.00	10.00	10.00	24.00
Bids received	23.95	12.44	14.17	50.56
Subscription rate (%)	598.8%	124.4%	141.7%	210.7%
Amount accepted	**23.93**	**7.17**	**11.41**	**42.51**
Acceptance rate (%)	99.9%	57.6%	80.6%	84.1%
Of which: Competitive Bids	12.59	6.38	4.90	23.87
Non-competitive bids	11.35	0.79	6.51	18.65
Rollover/Redemptions	19.32	10.93	11.33	41.59
New Borrowing/(Net Repayment)	**4.61**	**(3.77)**	**0.08**	**0.93**
Weighted Average Rate of Accepted Bids	8.92%	9.15%	10.50%	
Inflation	3.5%	3.5%	3.5%	
Real Return	**5.5%**	**5.7%**	**7.0%**	

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

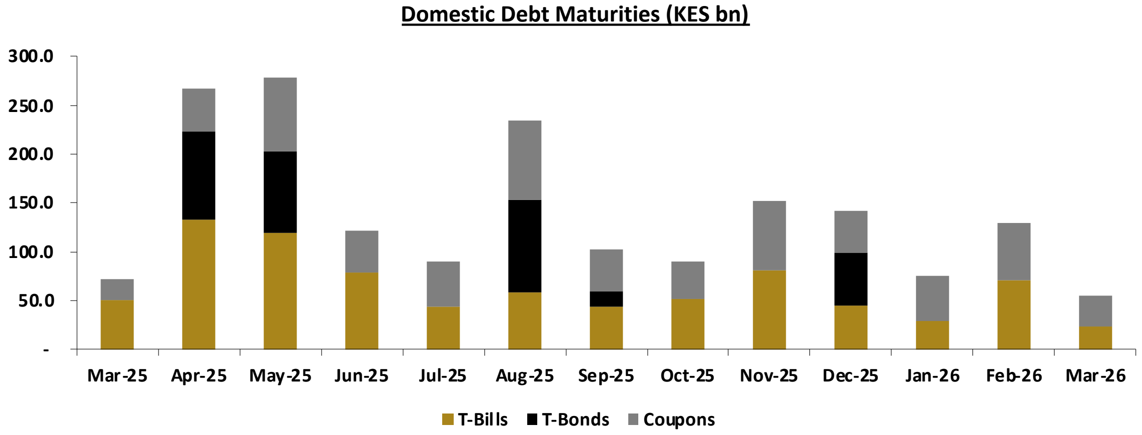
T-Bonds

In the primary bond market, the Central Bank of Kenya successfully raised KES 35.25bn through FXD1/2018/25 at an average weighted rate of 13.80%, a hair below our bold bidding forecasts. The paper with a coupon of 13.4% received a lot of interest from investors, recording a 188.0% subscription, an indication that investors are gradually warming up to long term papers. See the summary below;

10-Mar-25	FXD1/2018/25
Due Date	**24-May-43**
Amount offered (KES bn)	25.00
Bids received (KES bn)	47.01
Subscription rate (%)	188.0%
Amount accepted	**35.25**
Acceptance rate (%)	75.0%
Of which: Competitive Bids	26.49
Non-competitive bids	8.76
Rollover/Redemptions	27.69
New Borrowing/(Net Repayment)	**7.55**
Price per KES 100 at average yield	100.37
Weighted average rate of accepted bids	13.80%
Coupon Rate	13.40%

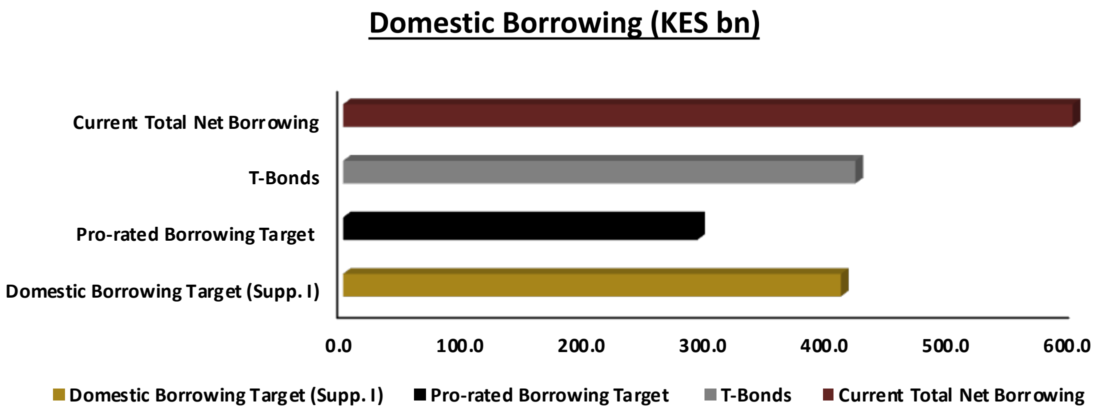
Outstanding Debt Maturities (T-Bills and T-Bonds):

As of this week, the Government's outstanding T-Bill and T-Bond maturities for the next 12 months are at KES 826.23bn and KES 340.06bn, respectively. Including coupon payments, the total maturity profile is approximately KES 1.81tn, as outlined below;



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

Nonetheless the government is ahead of its domestic borrowing curve for FY24/25 by 44.6%, having mobilized KES 598.64bn against a target of KES 408.41bn. Excluding Treasury bills, domestic borrowing surpasses the prorated target by 44.6%, currently standing at 102.9% of the overall target.



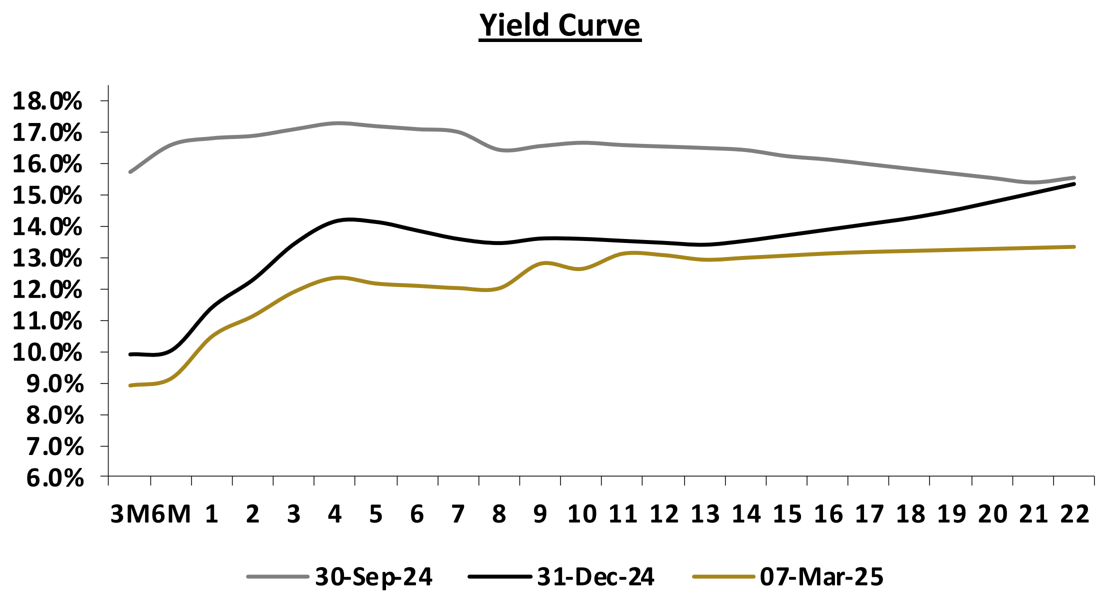
Source: Central Bank of Kenya (CBK), Treasury, Chart: SIB

Yield Curve

The yield curve maintained its downward drift, though some yields on medium term papers saw an uptick during the week. Overall, the curve posted a modest 6.81bps decline week-on-week.

Below is a visual representation;

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



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

The International Front

Kenyan Eurobonds

This week, yields on Kenyan Eurobonds climbed higher, though the shortest-maturity bond—earmarked for a buyback—experienced the smallest uptick. Interestingly, of the USD 900m offered for repurchase, investors opted to sell back just 64.2%, a move suggesting they're keen to cling to the bond until it matures, bucking the trend of the prior buyback. 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	22-May-27	28-Feb-28	16-Feb-31	22-May-32	1-Jun-34	28-Feb-48
Tenor to Maturity	2.2	3.0	5.9	7.2	9.2	23.0
31-Dec-24	8.5%	9.1%	10.1%	10.1%	10.1%	10.3%
27-Feb-25	7.2%	8.0%	9.5%	9.5%	9.6%	10.0%
3-Mar-25	7.3%	8.0%	9.4%	9.5%	9.6%	10.0%
4-Mar-25	7.3%	8.2%	9.6%	9.6%	9.7%	10.1%
5-Mar-25	7.3%	8.2%	9.6%	9.7%	9.8%	10.2%
6-Mar-25	7.3%	8.4%	9.8%	9.8%	9.9%	10.3%
Weekly Change	0.1%	0.4%	0.3%	0.3%	0.3%	0.2%
YTD Change	(1.2%)	(0.6%)	(0.3%)	(0.3%)	(0.2%)	0.0%

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

Currency Performance

The Kenyan shilling reversed last week's gains, weakening against most tracked currency pairs except the TZS, which edged UP 1.6%. The biggest loss came against the Euro, while the KES/USD pair remained relatively unchanged —this, despite a 3.0% decline in the US Dollar Index.

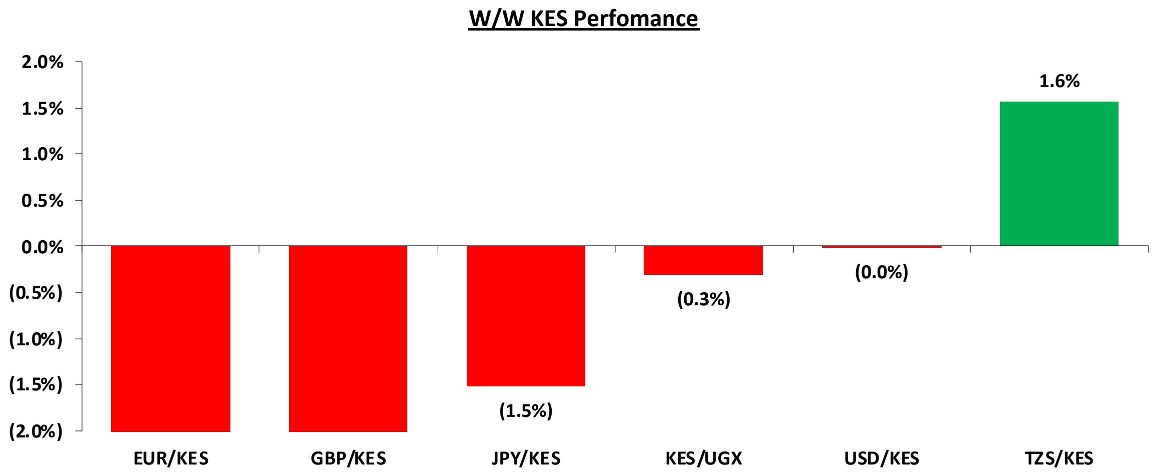
See the table below;

Currencies	29 Dec 2024	Previous Week	Current Week	w/w Change	YTD change
EUR/KES	134.3	134.2	139.9	(4.2%)	(4.2%)
GBP/KES	162.3	162.6	166.7	(2.5%)	(2.7%)
JPY/KES	82.1	86.3	87.6	(1.5%)	(6.7%)
KES/UGX	28.4	28.5	28.4	(0.3%)	(0.0%)
USD/KES	129.3	129.2	129.2	(0.0%)	0.0%
TZS/KES	19.0	20.1	20.4	1.6%	7.4%

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 I 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

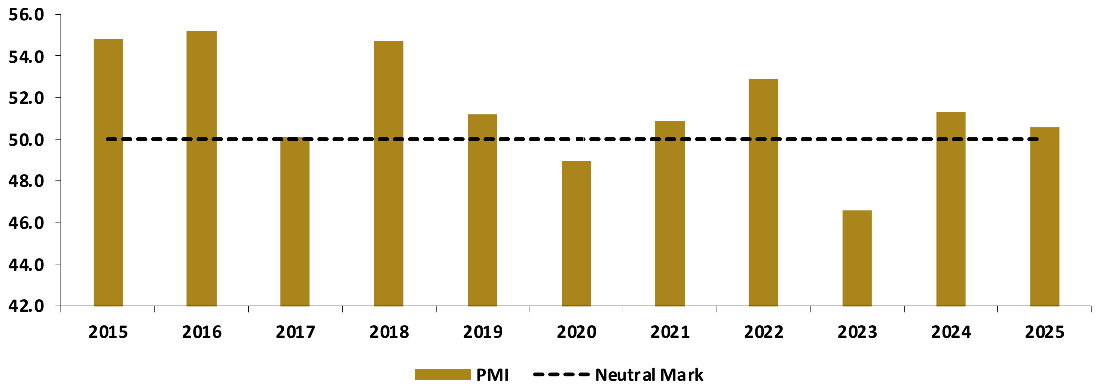
Kenya's foreign exchange reserves edged up by 0.9% to USD 9.14bn, with import cover notching higher to 4.7 months from 4.6 months (USD 9.06bn) the previous week. Still, there's optimism brewing for a stronger recovery once the dust settles on the latest Eurobond payout.

MARKET NEWS

Private sector conditions hold steady, keeping pace with recent patterns

According to Stanbic Bank Kenya's PMI survey, business activity in the private sector remained relatively stable in February, with the index coming in at 50.6, slightly up from 50.5 in January 2025. Although a marginal improvement, the performance still falls below the historical February average. See the chart below;

February Purchasing Manager's Index

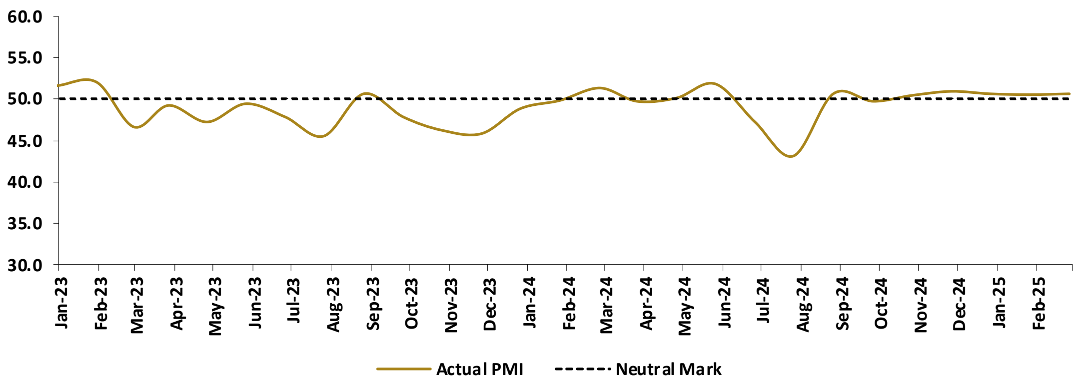


Source: Stanbic, S&P Global, Chart: SIB

**The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.*

On the bright side, Kenya's private sector has held steady for five straight months, riding a wave of tamed inflation and a calm exchange rate. Still, the PMI's needle is barely nudging past the tipping point, hinting at a fragile balance that could topple with the slightest jolt, leaving plenty of room for a nasty tumble if unexpected pressures flare up. See the chart below;

Purchasing Manager's Index



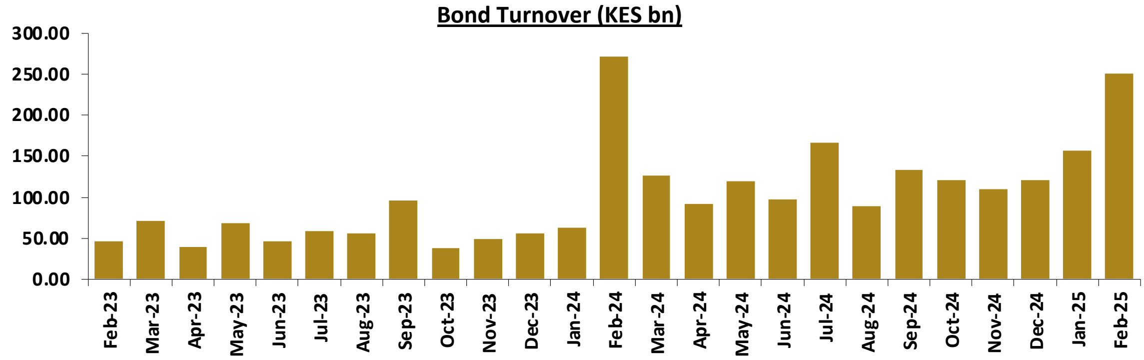
Demand and output ticked up across Kenya's private sector, with price hikes for inputs and outputs cooling to their tamest pace in four months. Yet, optimism remains scarce—only 5% of firms see growth on the horizon—while businesses hustle to sharpen efficiency and bulk up inventories to match demand. Dropping interest rates might just light a spark under lending and activity in the coming months.

That said, this modest expansion offers little comfort. A minor shock could easily tip the index into negative territory, given that the underlying drivers of growth appear fragile and reversible, especially as inflation edges back up. This highlights the urgent need for proactive measures to strengthen key sectors like manufacturing and agriculture, which form a significant backbone of the economy. Persistent weaknesses in the private sector continue to reveal deep-rooted inefficiencies that demand immediate attention.

The Stanbic Bank Kenya PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

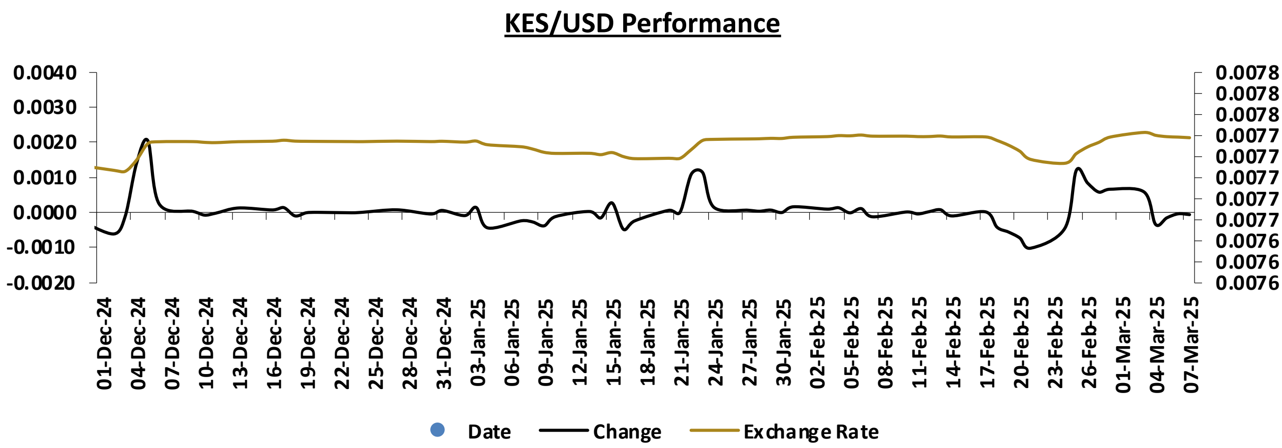
BACKGROUND CHARTS

Secondary Bond Turnover



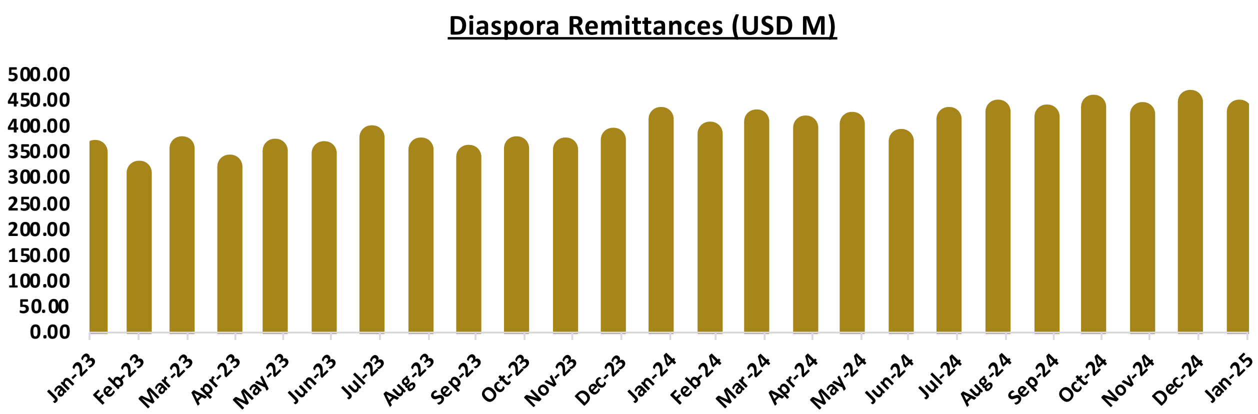
Source: Nairobi Securities Exchange (NSE)

KES/USD Performance



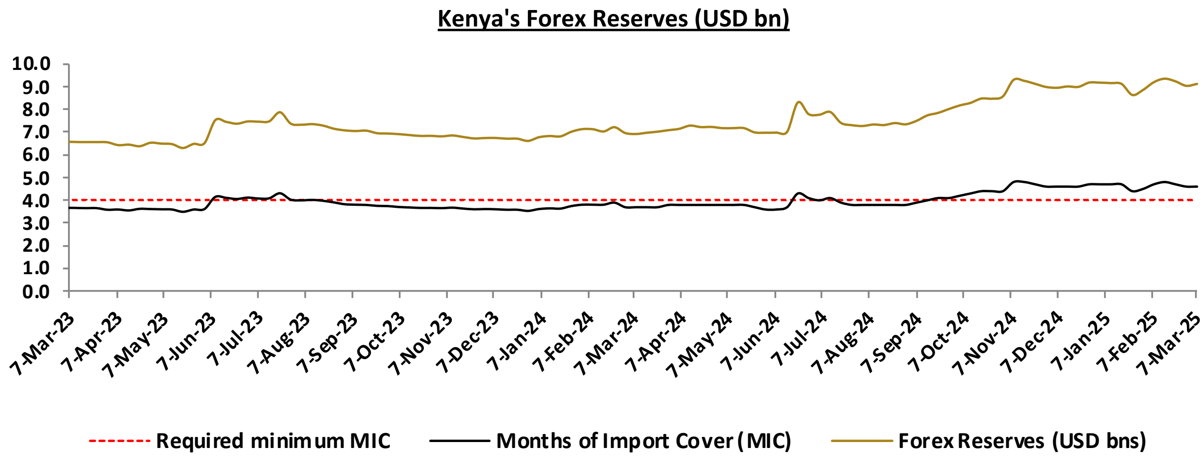
Source: Central Bank of Kenya (CBK)

Diaspora Remittances



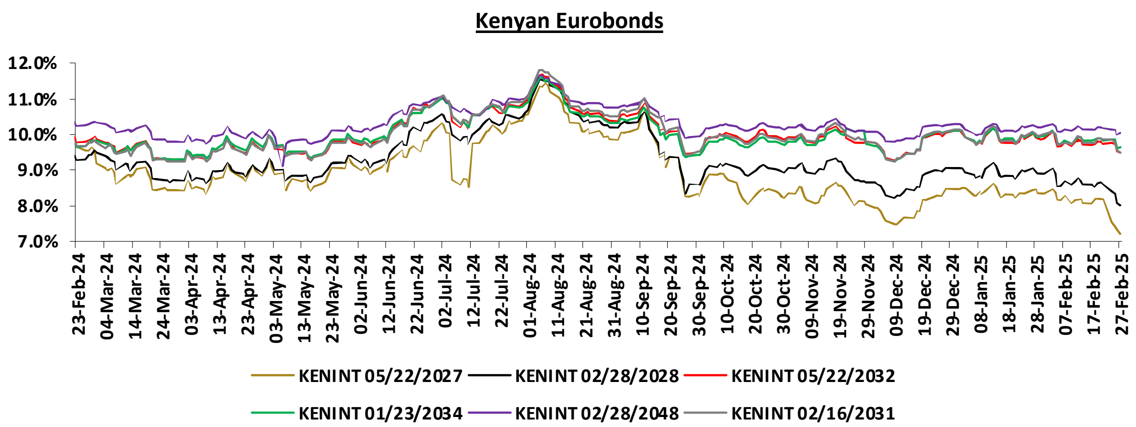
Source: Central Bank of Kenya (CBK)

Forex Reserves



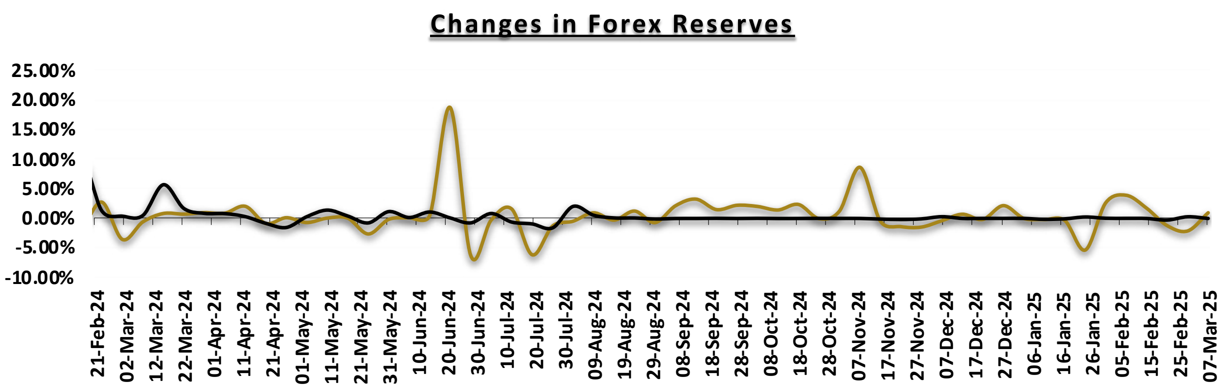
Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

Forex Reserves



Source: Central Bank of Kenya (CBK)

Disclosure and Disclaimer

Analyst Certification Disclosure: The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report.

Global Disclaimer: Standard Investment Bank (SIB) and/or its affiliates makes no representation or warranty of any kind, express, implied or statutory regarding this document or any information contained or referred to in the document. The information in this document is provided for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices, or represent that any such future movements will not exceed those shown in any illustration. The stated price of the securities mentioned herein, if any, is as of the date indicated and is not any representation that any transaction can be effected at this price. While reasonable care has been taken in preparing this document, no responsibility or liability is accepted for errors of fact or for any opinion expressed herein. The contents of this document may not be suitable for all investors as it has not been prepared with regard to the specific investment objectives or financial situation of any particular person. Any investments discussed may not be suitable for all investors. Users of this document should seek professional advice regarding the appropriateness of investing in any securities, financial instruments or investment strategies referred to in this document and should understand that statements regarding future prospects may not be realised. Opinions, forecasts, assumptions, estimates, derived valuations, projections and price target(s), if any, contained in this document are as of the date indicated and are subject to change at any time without prior notice. Our recommendations are under constant review. The value and income of any of the securities or financial instruments mentioned in this document can fall as well as rise and an investor may get back less than invested. Future returns are not guaranteed, and a loss of original capital may be incurred. Foreign-currency denominated securities and financial instruments are subject to fluctuation in exchange rates that could have a positive or adverse effect on the value, price or income of such securities and financial instruments. Past performance is not indicative of comparable future results and no representation or warranty is made regarding future performance. While we endeavour to update on a reasonable basis the information and opinions contained herein, there may be regulatory, compliance or other reasons that prevent us from doing so. Accordingly, information may be available to us which is not reflected in this material, and we may have acted upon or used the information prior to or immediately following its publication. SIB is not a legal or tax adviser, and is not purporting to provide legal or tax advice. Independent legal and/or tax advice should be sought for any queries relating to the legal or tax implications of any investment. SIB and/or its affiliates may have a position in any of the securities, instruments or currencies mentioned in this document. SIB has in place policies and procedures and physical information walls between its Research Department and differing business functions to help ensure confidential information, including 'inside' information is not disclosed unless in line with its policies and procedures and the rules of its regulators. Data, opinions and other information appearing herein may have been obtained from public sources. SIB makes no representation or warranty as to the accuracy or completeness of such information obtained from public sources. You are advised to make your own independent judgment (with the advice of your professional advisers as necessary) with respect to any matter contained herein and not rely on this document as the basis for making any trading, hedging or investment decision. SIB accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental, consequential, punitive or exemplary damages) from the use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any part thereof or any contents or associated services. This material is for the use of intended recipients only and, in any jurisdiction in which distribution to private/retail customers would require registration or licensing of the distributor which the distributor does not currently have, this document is intended solely for distribution to professional and institutional investors.

CONTACTS

Research

Eric Musau
emusau@sib.co.ke

Stellah Swakei
sswakei@sib.co.ke

Wesley Manambo
wmanambo@sib.co.ke

Melodie Gatuguta
mgatuguta@sib.co.ke

Equity Trading

Tony Waweru
awaweru@sib.co.ke

Foreign Equity Sales

John Mucheru
jmucheru@sib.co.ke

Fixed Income Trading

Brian Mutunga
bmutunga@sib.co.ke

Barry Omotto
bomotto@sib.co.ke

Global Markets

Nahashon Mungai
nmungai@sib.co.ke

Nickay Wangunyu
nwangunyu@sib.co.ke

Investment Solutions

Robin Mathenge
rmathenge@sib.co.ke

Corporate Finance

Job Kihumba
jkihumba@sib.co.ke

Lorna Wambui
wndungi@sib.co.ke

Private Client Services

Boniface Kiundi
bkiundi@sib.co.ke

Frankline Kirigia
fkirigia@sib.co.ke

Laban Githuki
lgithuki@sib.co.ke

Distribution

Victor Marangu
vmarangu@sib.co.ke

Marketing & Communications

Victor Ooko
communications@sib.co.ke

Client Services
clientservices@sib.co.ke

Headquarters

JKUAT Towers (Formerly ICEA Building),
16th Floor , Kenyatta Avenue, Nairobi,
Kenya.

Telephone: +254 777 333 000,
+254 20 227 7000, +254 20 227 7100

Email: clientservices@sib.co.ke