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Investors Pivot to the 364-  
Day Paper Amid Falling  
Interest Rates

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## WEEKLY FIXED INCOME REPORT

*Central Bank Targets KES 70bn via Reopening of Three Long-Tenor Bonds*

# MONEY MARKET ANALYSIS

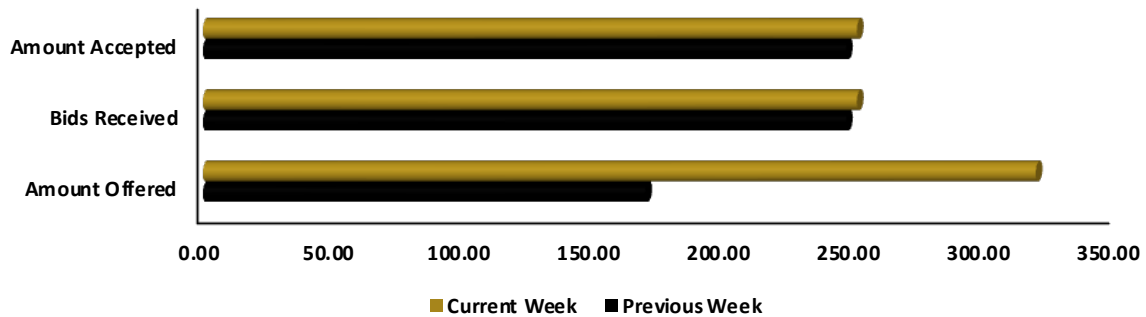
Interbank lending dipped by more than half, following a week of recovery as traded volumes jumped 60.4% to KES 8.66bn from KES 21.85bn, in the previous week. Deal numbers echoed the decline, decreasing by 35.1%. On the flip side, the average interbank rate has remained relatively stable, inching up marginally to 10.69% from 10.69% the week before. The table below summarizes the market liquidity indicators:

Average	Previous Week	Current Week	Change
Interbank Deals	37.00	24.00	(35.14%)
Inter- Bank volumes (KES bn)	21.85	8.66	(60.35%)
Inter – Bank Rates (bps)	10.68%	10.69%	1.34

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

During the week, the Central Bank mopped KES 251.3bn worth of liquidity from the market, a 1.7% increase from last week’s KES 241.13bn. The amount fell below the target of KES 320bn with the operations average rate coming in at 10.75%. See below a visual chart;

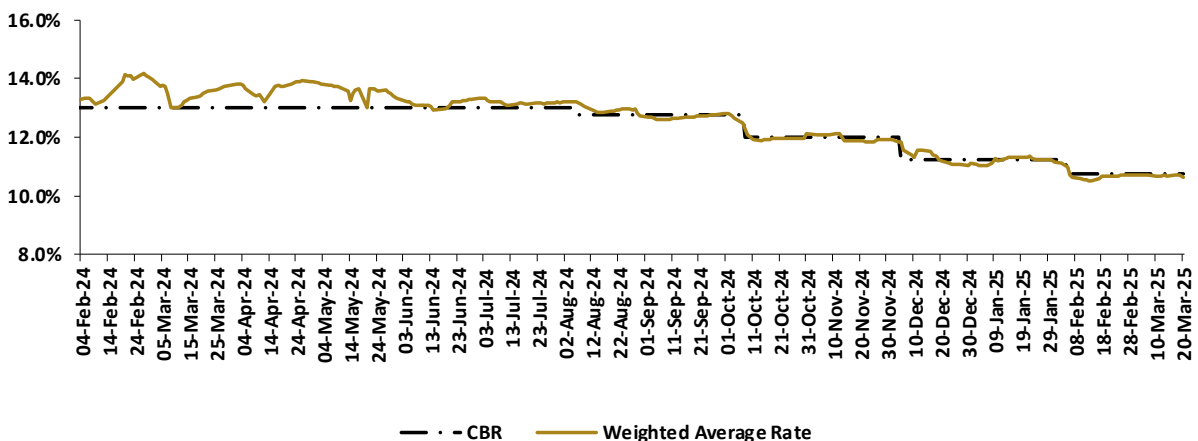
## Term Auction Deposits (KES bn)



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

Treasury bills were oversubscribed albeit at a lower rate of 129.0%, from 149.2%, last week. In absolute terms, the 364-day paper received the highest subscription with the paper garnering more than half of the total bids. Investors poured in KES 30.96bn, and the fiscal agent took in 79.0% of the amount. The lowest acceptance rate was on the 91-day paper whose weighted market average rate increased further from last week.

Overall average rates of accepted bids continue to dip across all tenors, with the 91- 182- and 364 – day papers settling at 8.84% (-7.78bps), 9.09% (-2.89bps), and 10.46% (-1.23bps), respectively. See the summary below;

KES bn

24-Mar-25	91-day 23-Jun-25	182-day 22-Sep-25	364-day 23-Mar-26	Totals
Amount offered	4.00	10.00	10.00	24.00
Bids received	1.73	8.40	20.82	30.96
Subscription rate (%)	43.2%	84.0%	208.2%	129.0%
<b>Amount accepted</b>	<b>1.67</b>	<b>6.49</b>	<b>16.30</b>	<b>24.46</b>
Acceptance rate (%)	96.4%	77.2%	78.3%	79.0%
Of which: Competitive Bids	0.26	4.79	12.32	17.36
Non-competitive bids	1.41	1.70	3.98	7.10
Rollover/Redemptions	6.30	7.64	9.67	23.61
<b>New Borrowing/(Net Repayment)</b>	<b>(4.64)</b>	<b>(1.15)</b>	<b>6.63</b>	<b>0.84</b>
Weighted Average Rate of Accepted Bids	8.84%	9.09%	10.46%	
Inflation	3.5%	3.5%	3.5%	
<b>Real Return</b>	<b>5.5%</b>	<b>5.7%</b>	<b>7.0%</b>	

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

## T-Bonds

In the primary bond market, the CBK is seeking KES 70bn through three long term reopened bonds; FXD1/2020/015, FXD1/2022/015 and FXD1/2022/025 with effective tenors of 9.9-, 12.0- and 22.5 years. The bonds have coupon rates of 12.76% for FXD1/2020/015, 13.94% for FXD1/2022/015 and 14.19% for FXD1/2022/025, which also doubles up as currently the longest bond in Kenya's domestic debt profile. See below a summary of the offer;

Bond Auction	Maturity Date	Effective Tenor	Amount Offered	Coupon	Sale Period
FXD1/2020/015	05-Feb-35	9.9	70.00	12.76%	Upto 2nd April 2025
FXD1/2022/015	06-Apr-37	12.0		13.94%	
FXD1/2022/025	23-Sep-47	22.5		14.19%	

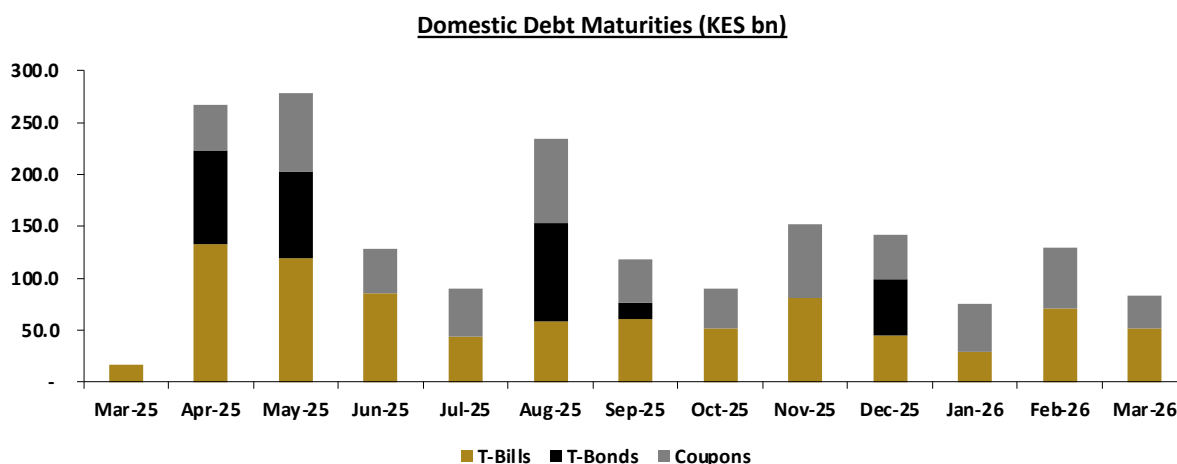
Source: Central Bank of Kenya (CBK), Table: SIB

The total outstanding amount for the bonds stands at KES 204.59 billion, with the longest-tenured paper holding the smallest allocation. Given the ample liquidity, subdued private sector lending, and limited investment opportunities in other mainstream asset classes, we anticipate strong oversubscription for the offer.

We shall provide our bidding estimates in next week's report.

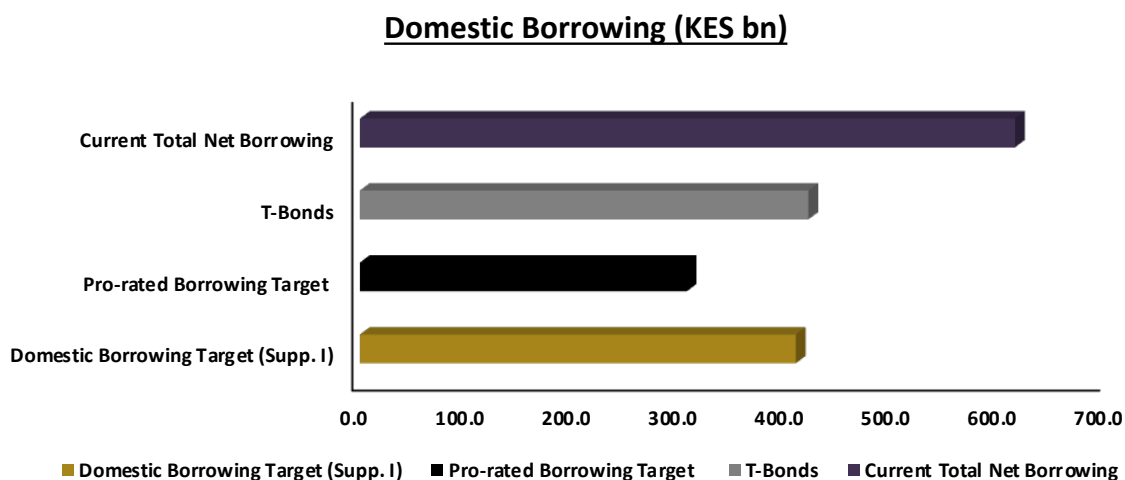
## Outstanding Debt Maturities (T-Bills and T-Bonds):

As of this week, the Government's outstanding T-Bill and T-Bond maturities for the next 12 months are at KES 843.95bn 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

So far, the government has mobilized KES 613.84bn against a target of KES 408.41bn under supplementary budget I – the figure is higher under the second supplementary budget which was signed this week. Excluding Treasury bills, domestic borrowing stands at KES 420.35bn. This is not expected to significantly change even with the three remaining auctions due to the April and May bond maturities.



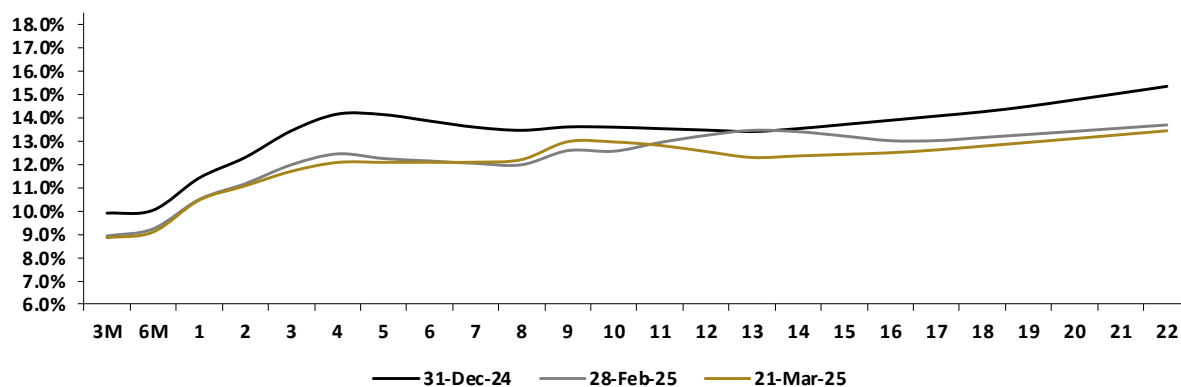
Source: Central Bank of Kenya (CBK), Treasury, Chart: SIB

## Yield Curve

The yield curve maintained its downward drift across a few tenors but the general performance was an increase of 3.58bps on average week-on-week.

Below is a visual representation;

### Yield Curve



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

## The International Front

### Kenyan Eurobonds

This week, yields on Kenyan Eurobonds recorded a mixed performance reflecting different perspectives across the different tenors represented on the Eurobond profile. 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	2.9	5.9	7.2	9.2	23.0
31-Dec-24	8.5%	9.1%	10.1%	10.1%	10.1%	10.3%
13-Mar-25	7.3%	8.5%	9.9%	10.0%	10.1%	10.4%
17-Mar-25	7.4%	8.5%	10.1%	10.1%	10.5%	10.5%
18-Mar-25	7.3%	8.7%	9.9%	9.9%	10.4%	10.4%
19-Mar-25	7.3%	8.5%	9.9%	9.3%	10.3%	10.3%
20-Mar-25	7.2%	8.5%	9.7%	9.8%	10.3%	10.3%
Weekly Change	(0.1%)	0.0%	(0.2%)	(0.2%)	0.2%	(0.1%)
YTD Change	(1.3%)	(0.5%)	(0.4%)	(0.3%)	0.1%	(0.0%)

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

## Currency Performance

The Kenyan shilling reversed its losing streak against all the currency pairs that we track, with the sharpest appreciation being recorded against the JPY. The unit gained 0.1% against the dollar –even as the US Dollar Index, strengthened marginally by 0.02%.

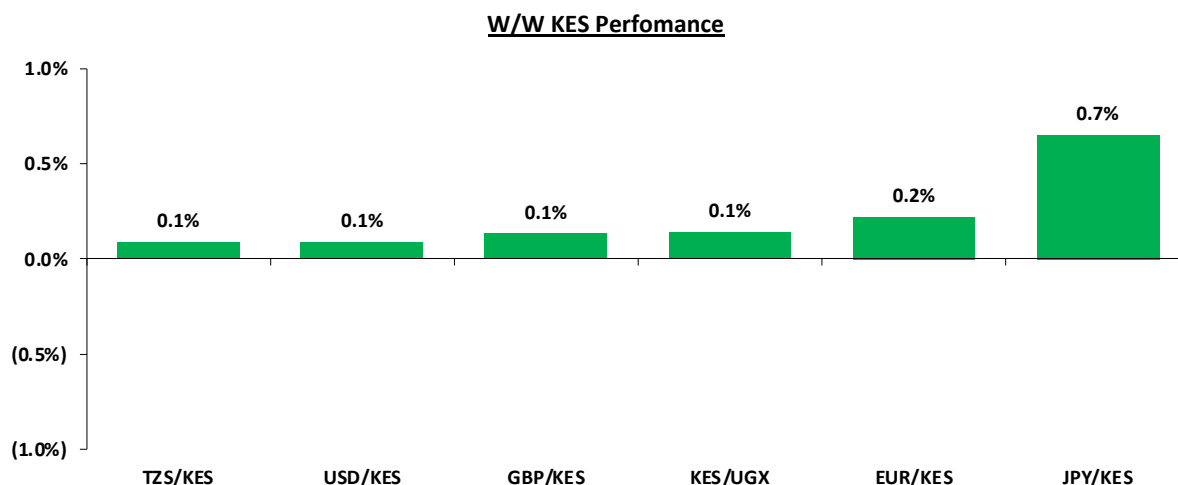
See the table below;

Currencies	29 Dec 2024	Previous Week	Current Week	w/w Change	YTD change
TZS/KES	19.0	20.4	20.4	0.1%	7.7%
USD/KES	129.3	129.5	129.4	0.1%	(0.1%)
GBP/KES	162.3	167.6	167.4	0.1%	(3.2%)
KES/UGX	28.4	28.3	28.3	0.1%	(0.3%)
EUR/KES	134.3	140.5	140.1	0.2%	(4.4%)
JPY/KES	82.1	87.2	86.6	0.7%	(5.4%)

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;

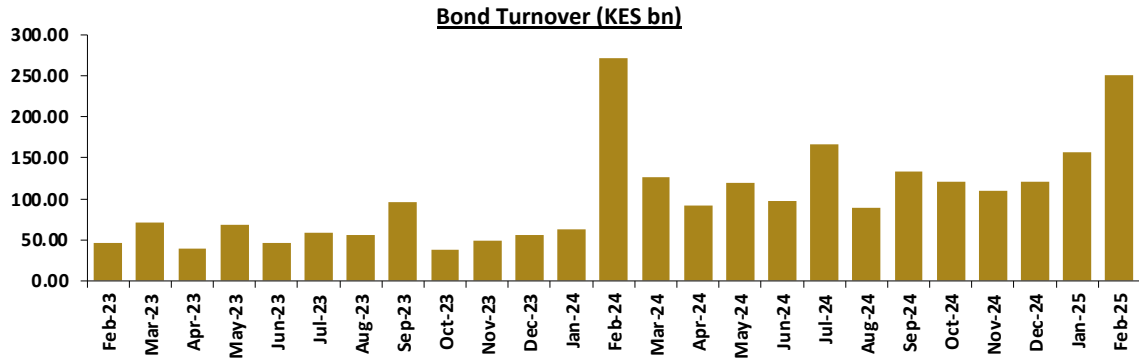


Source: Central Bank of Kenya (CBK), Chart: SIB

Kenya's foreign exchange reserves edged down slightly to USD 10.0bn, with import cover remaining at 5.1 months from the previous week.

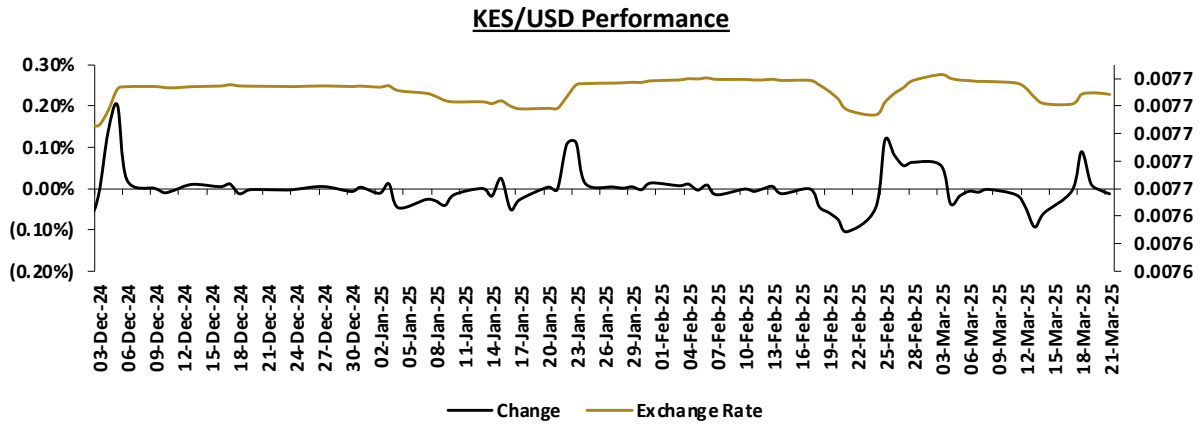
# BACKGROUND CHARTS

## Secondary Bond Turnover



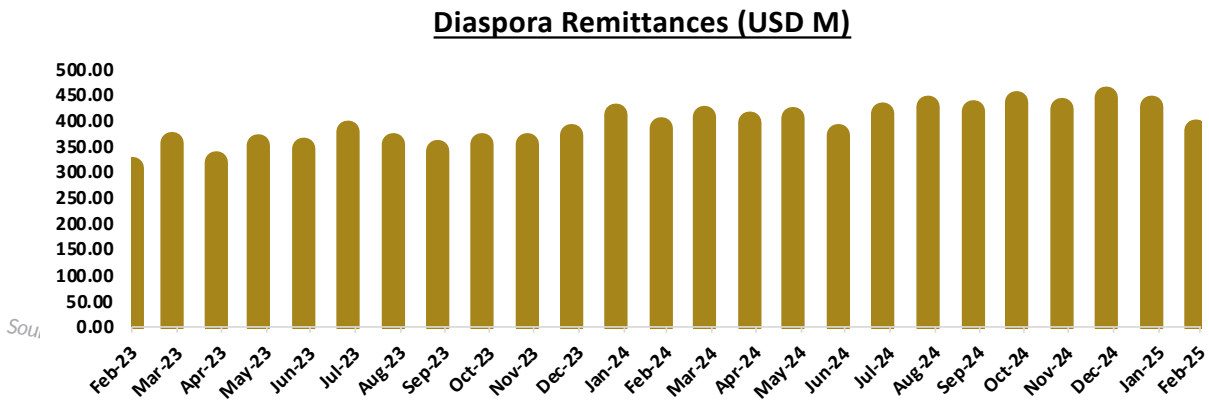
Source: Nairobi Securities Exchange (NSE)

## KES/USD Performance

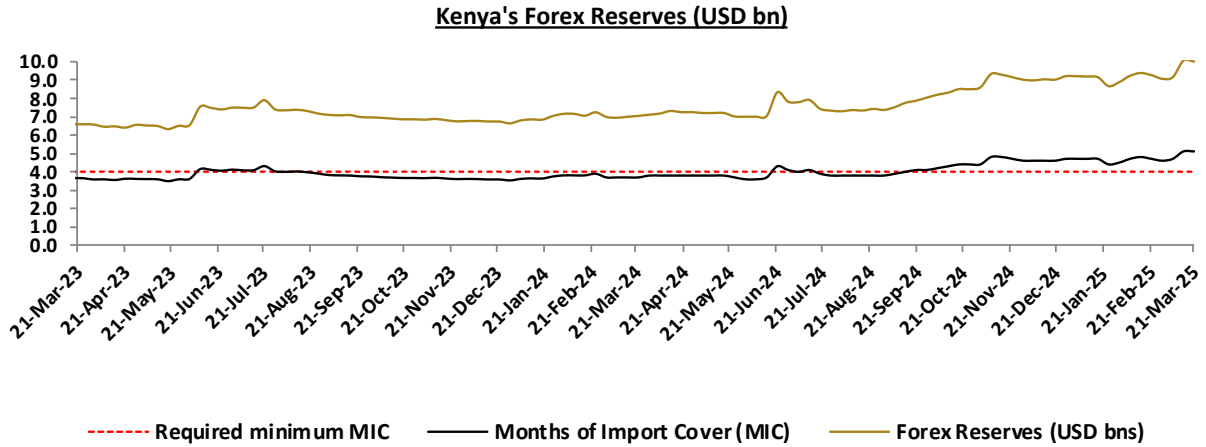


Source: Central Bank of Kenya (CBK)

## Diaspora Remittances

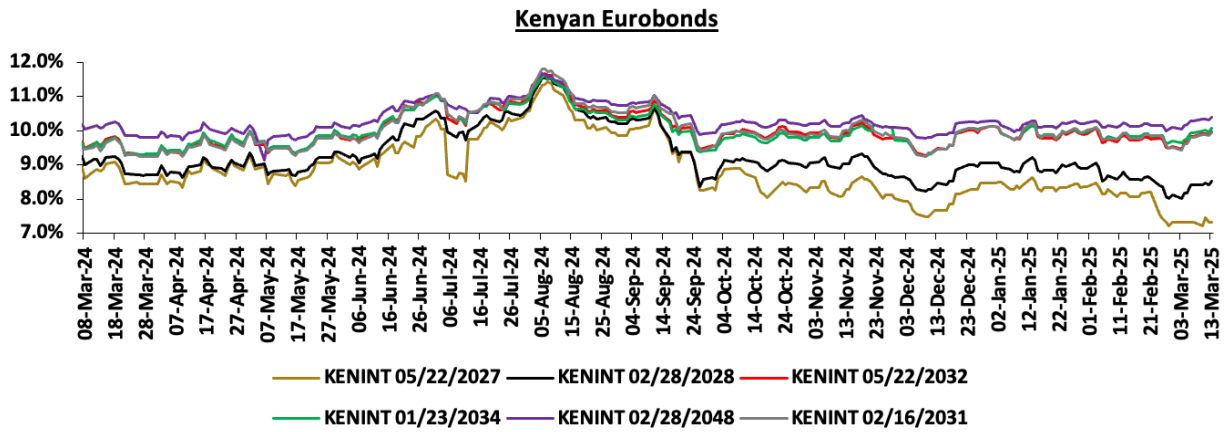


## Forex Reserves



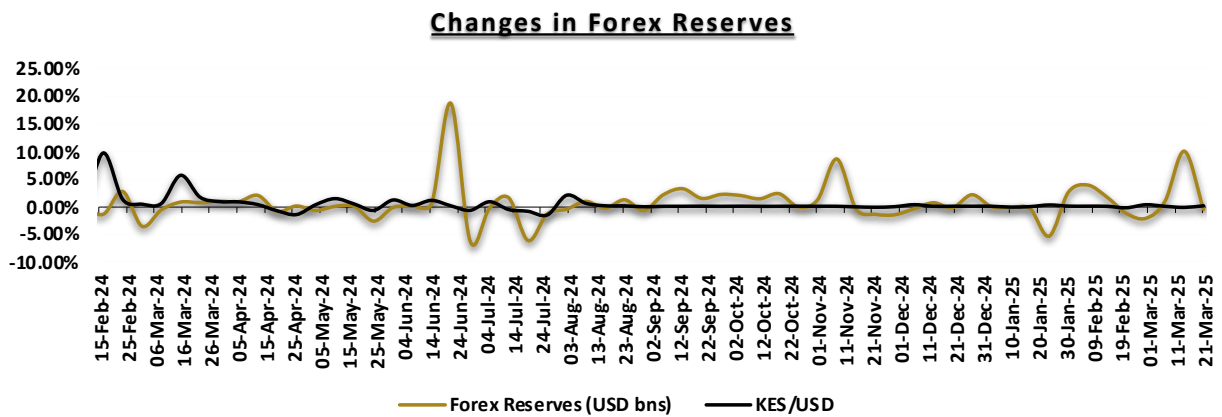
Source: Central Bank of Kenya (CBK)

## Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

## Forex Reserves



Source: Central Bank of Kenya (CBK)



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