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T-bills record an
undersubscription for the
first time in eight weeks
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WEEKLY FIXED INCOME REPORT

Secondary bond turnover jumps 4.1% and 107.2% m/m and y/y, respectively

MONEY MARKET ANALYSIS

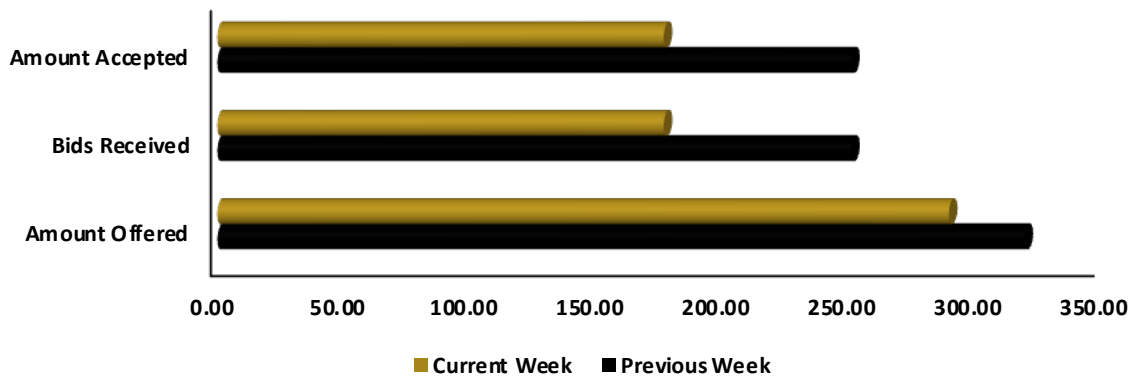
Interbank lending paced up during the week with the traded volumes jumping 30.1% to KES 12.12bn from KES 9.31bn, in the previous week, despite a decline in the number of transactions. Reflecting the softened liquidity stance, the average interbank rate dropped slightly to 10.65% from 10.68% the prior week. The table below summarizes the market liquidity indicators:

| Average | Previous Week | Current Week | Change |
|------------------------------|---------------|--------------|----------|
| Interbank Deals | 24.00 | 21.00 | (12.50%) |
| Inter- Bank volumes (KES bn) | 9.31 | 12.12 | 30.09% |
| Inter – Bank Rates (bps) | 10.68% | 10.65% | (2.68) |

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

During the week, the Central Bank mopped KES 176.95bn worth of liquidity from the market, a 29.6% decrease from last week’s KES 251.30bn. The amount fell below the target of KES 290bn with the average rate coming in at 10.74%. See below a visual chart;

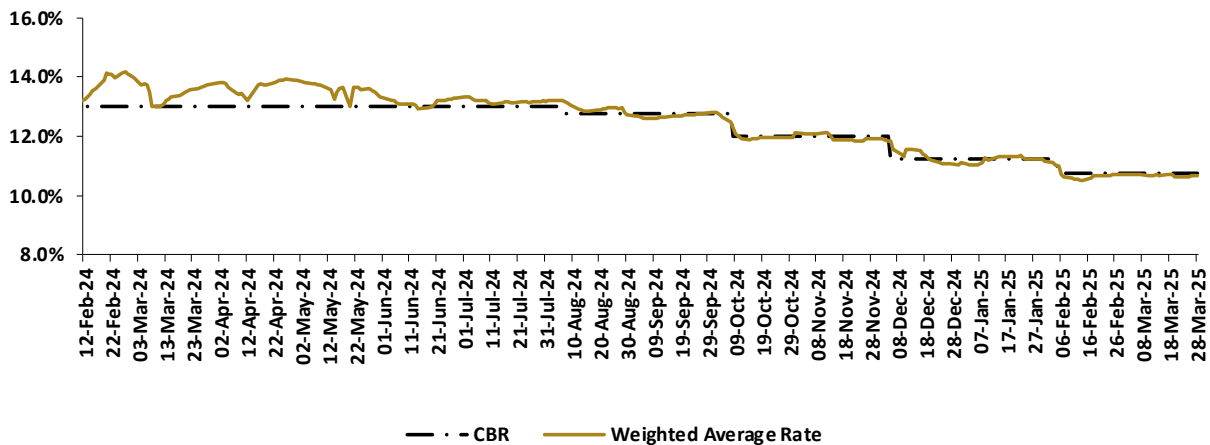
Term Auction Deposits (KES bn)



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 undersubscribed for the first time in eight weeks with the rate coming in at of 61.4%, from 129.0%, last week. In both subscription and absolute terms, the 364-day paper received the highest interest with the paper garnering 69.5% of the total bids – it remains the only paper among the short-term notes with a double-digit return. Investors poured in KES 14.75bn, and the fiscal agent took in 98.4% of the amount.

Overall average rates of accepted bids continue to dip across all tenors, with the 91- 182- and 364 – day papers settling at 8.79% (-4.95bps), 9.07% (-2.77bps), and 10.41% (-4.96bps), respectively. See the summary below;

KES bn

| 24-Mar-25 | 91-day 30-Jun-25 | 182-day 29-Sep-25 | 364-day 30-Mar-26 | Totals |
|--|---------------------|----------------------|----------------------|---------------|
| Amount offered | 4.00 | 10.00 | 10.00 | 24.00 |
| Bids received | 2.79 | 1.71 | 10.25 | 14.75 |
| Subscription rate (%) | 69.8% | 17.1% | 102.5% | 61.4% |
| Amount accepted | 2.70 | 1.70 | 10.10 | 14.51 |
| Acceptance rate (%) | 96.9% | 99.7% | 98.6% | 98.4% |
| Of which: Competitive Bids | 1.39 | 0.99 | 8.03 | 10.41 |
| Non-competitive bids | 1.31 | 0.71 | 2.08 | 4.10 |
| Rollover/Redemptions | 2.19 | 3.58 | 8.81 | 14.58 |
| New Borrowing/(Net Repayment) | 0.51 | (1.88) | 1.29 | (0.08) |
| Weighted Average Rate of Accepted Bids | 8.79% | 9.07% | 10.41% | |
| Inflation | 3.5% | 3.5% | 3.5% | |
| Real Return | 5.3% | 5.6% | 7.0% | |

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 the longest bond in Kenya's domestic debt profile currently. 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% | |

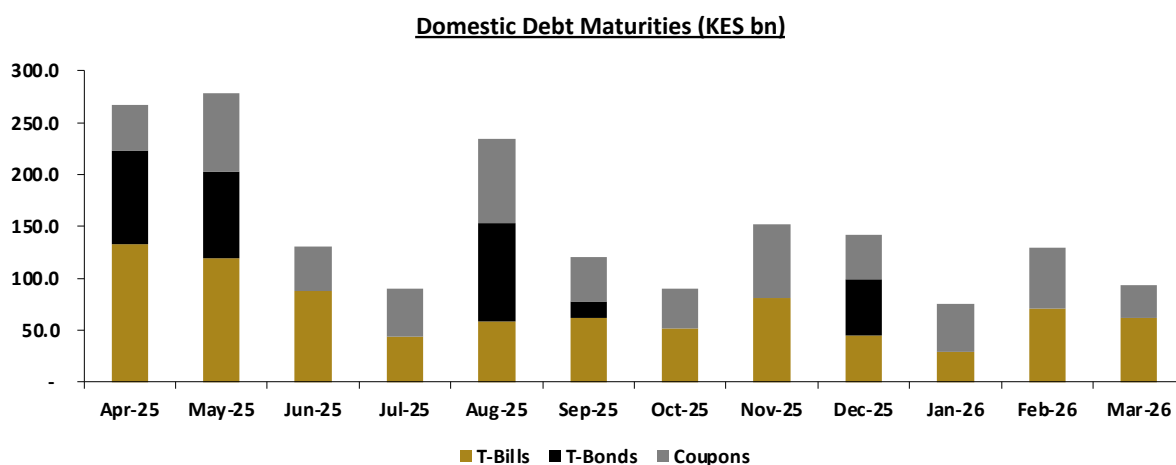
Source: Central Bank of Kenya (CBK), Table: SIB

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 an oversubscription for the offer.

In the secondary bond market, bond turnover rose by 4.1% and 107.2% m/m and y/y to KES 260.38bn, from KES 250.11bn and KES 125.65bn, respectively.

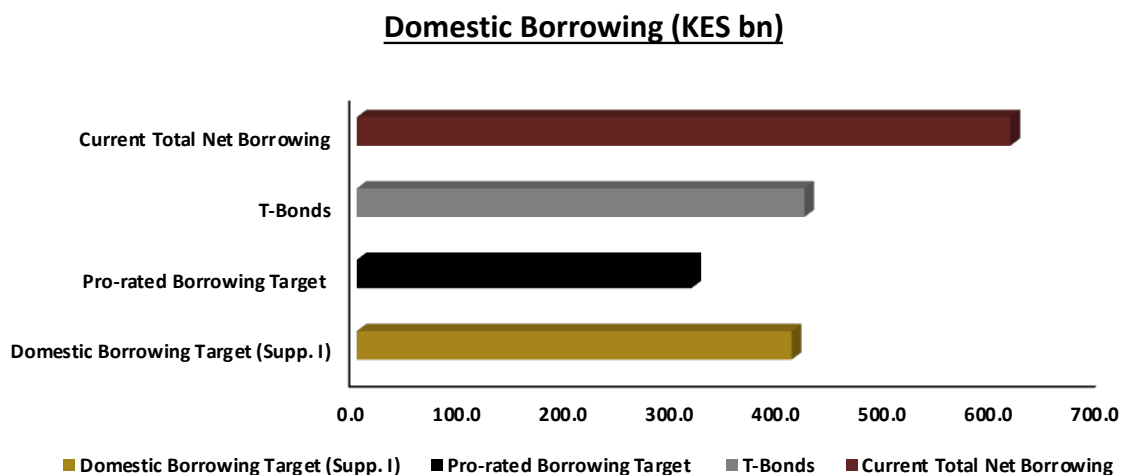
Outstanding Debt Maturities (T-Bills and T-Bonds):

As of this week, the Government's outstanding T-Bill and T-Bond maturities for the next 12 months are at KES 841.44bn and KES 340.06bn, respectively. Including coupon payments, the total maturity profile is approximately KES 1.85tn, as outlined below;



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

So far, the government has mobilized KES 613.77bn against a target of KES 408.41bn under supplementary budget I though target amount is set to increase under the second supplementary budget given the revenue shortfalls coupled with additional expenditure. 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.

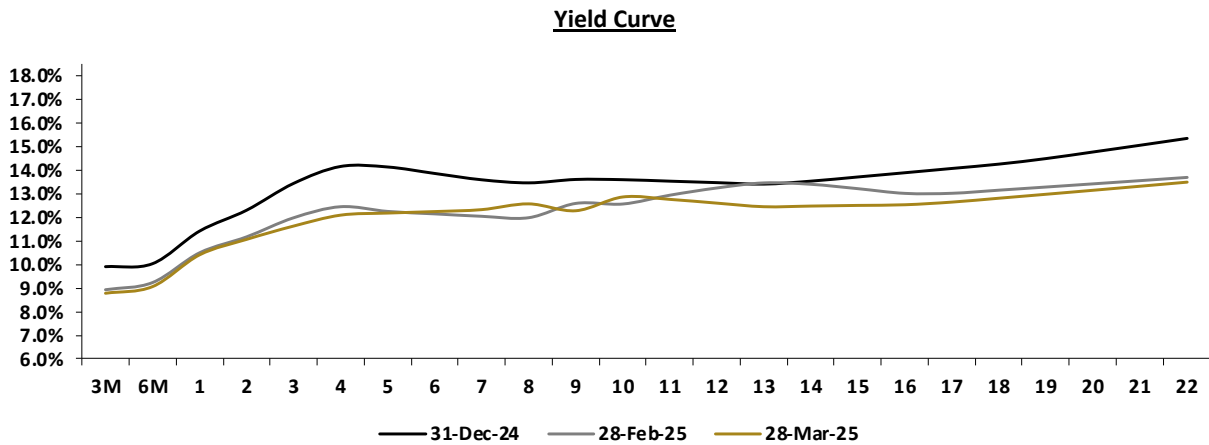


Source: Central Bank of Kenya (CBK), Treasury, Chart: SIB

Yield Curve

The yield curve maintained its downward drift across a few tenors but the general performance was an increase of 0.36bps on average week-on-week.

Below is a visual representation;



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

The International Front

Kenyan Eurobonds

This week, yields on Kenyan Eurobonds exhibited an upward trend, except for the 2034 maturity, which remained relatively stable. As the country strategizes to secure new or additional external funding, we expect market fluctuations as investors respond to the developments. 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 | 2.1 | 2.9 | 5.9 | 7.2 | 9.2 | 22.9 |
| 31-Dec-24 | 8.5% | 9.1% | 10.1% | 10.1% | 10.1% | 10.3% |
| 20-Mar-25 | 7.2% | 8.5% | 9.7% | 9.8% | 10.3% | 10.3% |
| 24-Mar-25 | 7.2% | 8.6% | 10.0% | 10.0% | 10.1% | 10.4% |
| 25-Mar-25 | 7.1% | 8.6% | 10.0% | 9.9% | 10.0% | 10.4% |
| 26-Mar-25 | 7.2% | 8.7% | 10.0% | 10.1% | 10.2% | 10.6% |
| 27-Mar-25 | 7.5% | 8.7% | 10.2% | 10.2% | 10.3% | 10.6% |
| Weekly Change | 0.2% | 0.2% | 0.5% | 0.4% | 0.0% | 0.4% |
| YTD Change | (1.0%) | (0.3%) | 0.1% | 0.1% | 0.1% | 0.3% |

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

Currency Performance

The Kenyan shilling remained strong against most of the currency pairs that we track, with the sharpest appreciation being recorded against the JPY and the TZS. The unit gained another 0.1% against the dollar – even as the US Dollar Index, strengthened marginally by 0.5%.

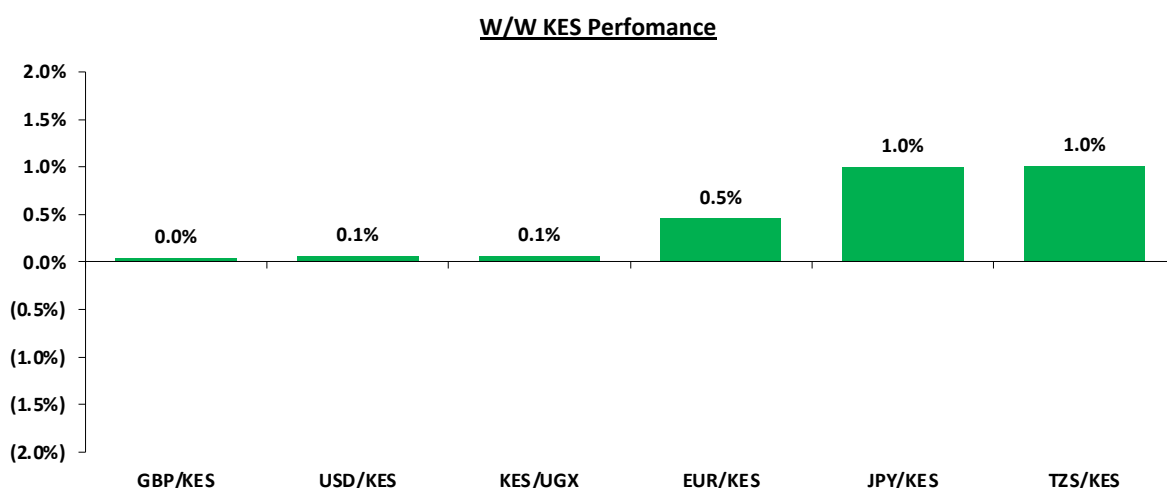
See the table below;

| Currencies | 29 Dec 2024 | Previous Week | Current Week | w/w Change | YTD change |
|------------|-------------|---------------|--------------|------------|------------|
| GBP/KES | 162.3 | 167.4 | 167.4 | 0.0% | (3.1%) |
| USD/KES | 129.3 | 129.4 | 129.3 | 0.1% | (0.0%) |
| KES/UGX | 28.4 | 28.3 | 28.3 | 0.1% | (0.2%) |
| EUR/KES | 134.3 | 140.1 | 139.5 | 0.5% | (3.9%) |
| JPY/KES | 82.1 | 86.6 | 85.7 | 1.0% | (4.4%) |
| TZS/KES | 19.0 | 20.4 | 20.6 | 1.0% | 8.7% |

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;

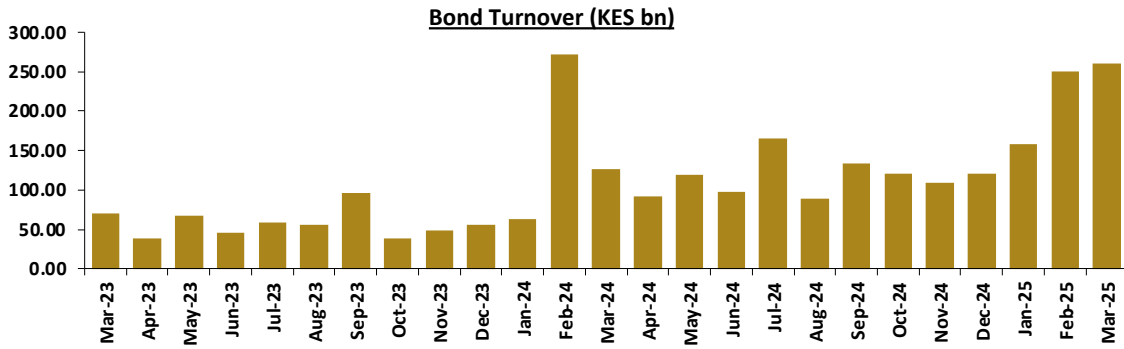


Source: Central Bank of Kenya (CBK), Chart: SIB

Kenya's foreign exchange reserves edged down slightly to USD 9.96bn, from the previous week's USD 10.0bn with import cover remaining at 5.1 months from the previous week.

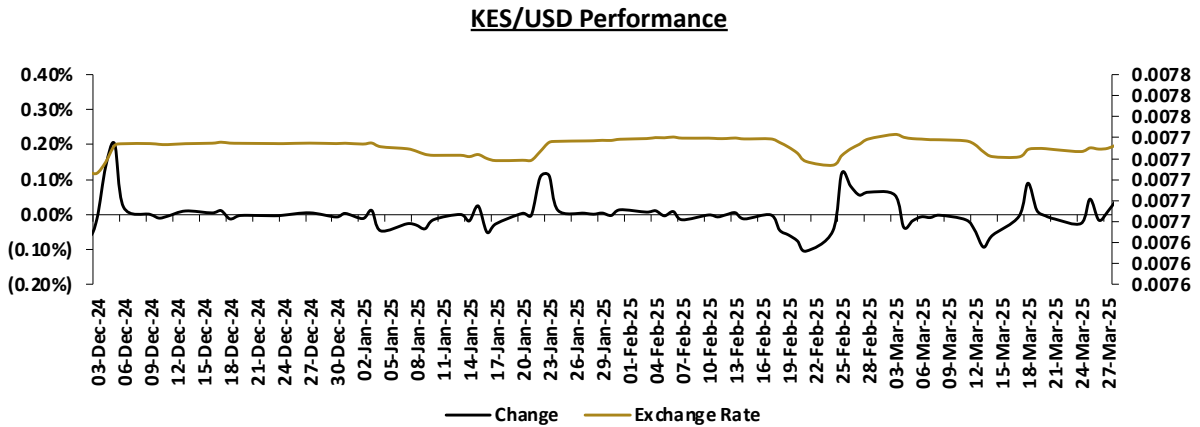
BACKGROUND CHARTS

Secondary Bond Turnover



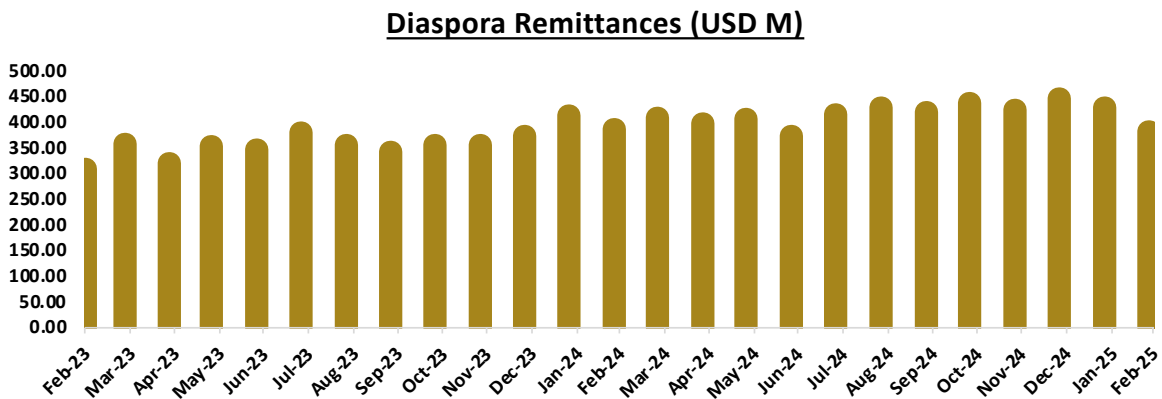
Source: Nairobi Securities Exchange (NSE)

KES/USD Performance



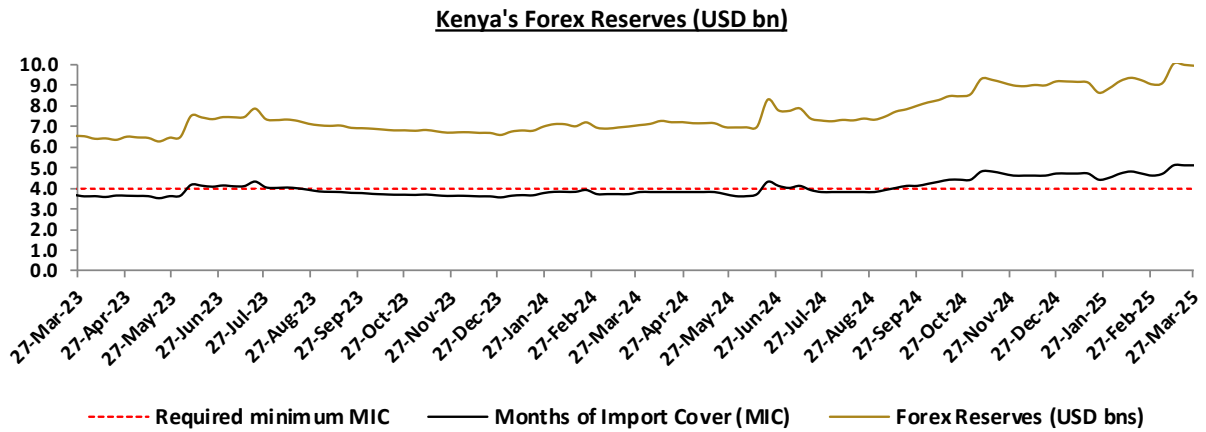
Source: Central Bank of Kenya (CBK)

Diaspora Remittances



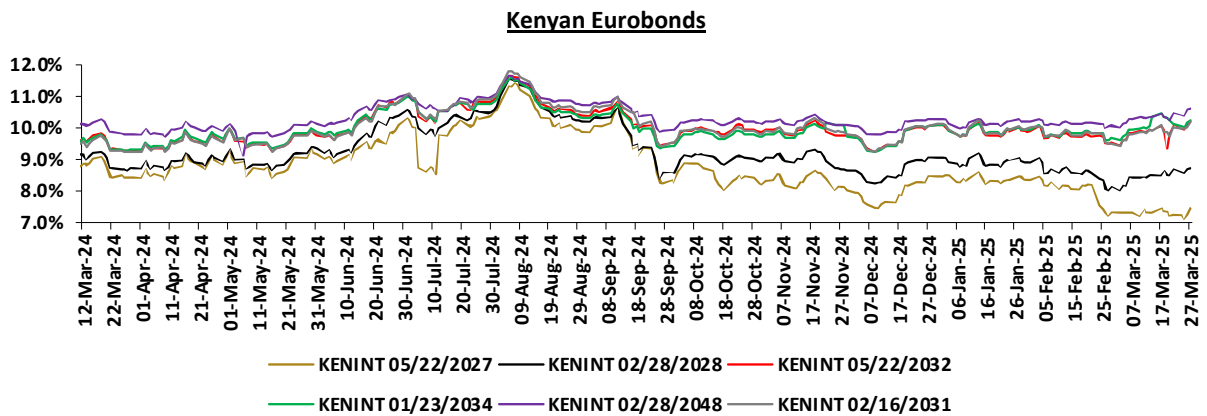
Source: Central Bank of Kenya (CBK)

Forex Reserves



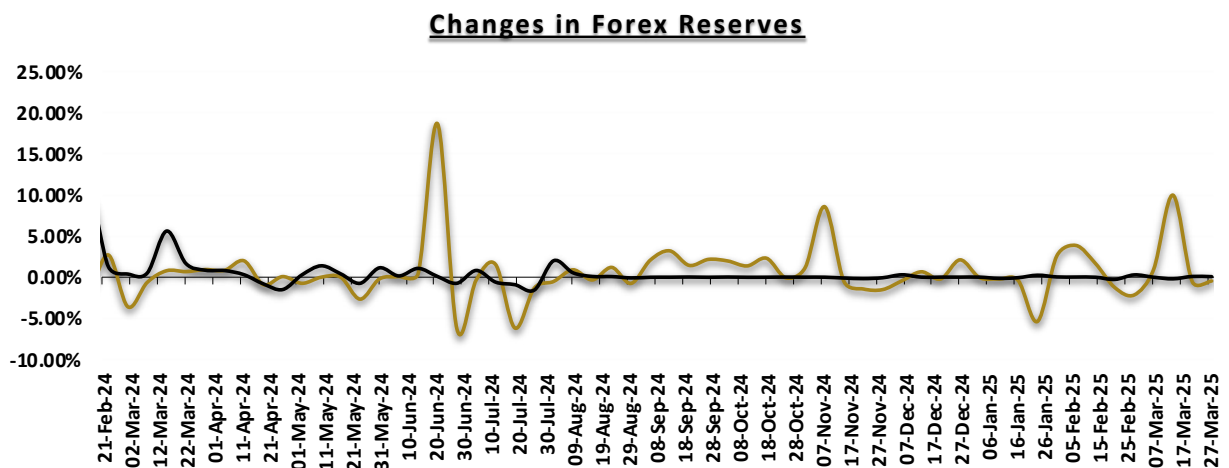
Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

Forex Reserves



Source: Central Bank of Kenya (CBK)

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