SIB Standard Investment Bank

Regulated by the Capital Markets Authority

5TH MAY 2025

"Secondary Bond Turnover Surges 154.4% y/y in April 2025"

WEEKLY FIXED INCOME REPORT

April Inflation Ticks Up to 4.1%

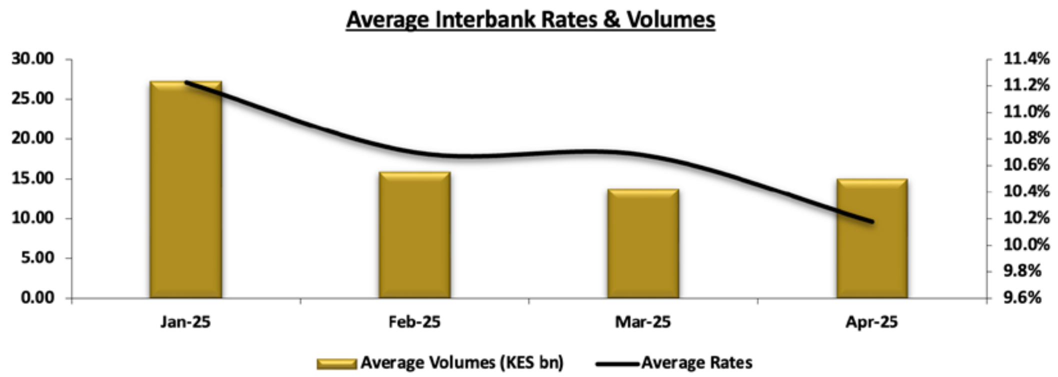
MONEY MARKET ANALYSIS

Interbank lending waned during the week, with average traded volumes dropping by 28.6% to KES 16.65bn from KES 23.31bn the previous week. This was accompanied by an 11.8% fall in the number of transactions. Meanwhile, the average interbank rate rose marginally to 9.94%, from 9.91%, further reflecting lower liquidity compared to the previous week. The table below summarizes the market liquidity indicators:

Average	Previous Week	Current Week	Change
Interbank Deals	34.00	30.00	(11.76%)
Inter- Bank volumes (KES bn)	23.31	16.65	(28.56%)
Inter – Bank Rates (bps)	9.91%	9.94%	3.01

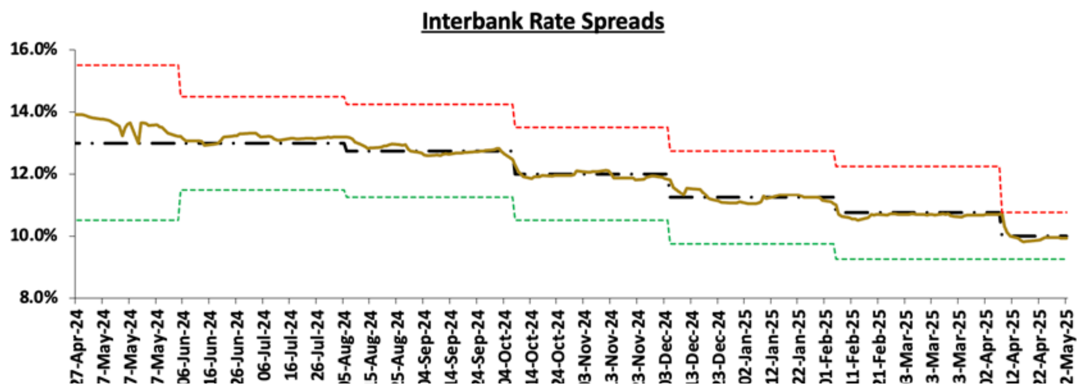
Source: Central Bank of Kenya (CBK), Table: SIB

In April, interbank volumes increased by 9.1% month-on-month (m/m), while the average interbank lending rate declined by 25 basis points. This was largely attributed to the reduction in the Central Bank Rate (CBR) and the narrowing of the interbank rate corridor from ±150 basis points to ±75 basis points relative to the policy rate. See the chart below:



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

Interbank rates remain firmly anchored to the Central Bank Rate, with the highs slightly above the policy rate and the lows closer to the rate but squarely within the corridor. See the chart below;



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

GOVERNMENT SECURITIES MARKET

T-bills

Demand for Treasury bills waned, likely due to the concurrent bond issuance and lower redemptions with overall subscription rate dropping sharply to 76.6%, from 178.5% the previous week. The 364-day paper reclaimed its dominance, attracting 81.1% of total bids and recording a 149.1% subscription rate—the highest among the tenors—bolstered by its double-digit return and a strong showing of competitive bids. In contrast, the 182-day paper saw the weakest demand in 18 weeks and notably attracted no competitive bids. Overall, investors bid KES 18.37bn, with the fiscal agent accepting all the bids.

Average accepted rates continued on a downward trend, with the 91-, 182-, and 364-day papers settling at 8.41% (- 3.76bps), 8.62% (0.0bps), and 10.01% (-1.50bps), respectively. See the summary below;

KES bn

5-May-25	91-day	182-day	364-day	Totals
	4-Aug-25	3-Nov-25	4-May-26	
Amount offered	4.00	10.00	10.00	24.00
Bids received	2.18	1.28	14.91	18.37
Subscription rate (%)	54.6%	12.8%	149.1%	76.6%
Amount accepted	**2.18**	**1.28**	**14.91**	**18.37**
Acceptance rate (%)	99.9%	100.0%	100.0%	100.0%
Of which: Competitive Bids	0.08	0.00	13.95	14.02
Non-competitive bids	2.11	1.28	0.96	4.35
Rollover/Redemptions	2.38	6.16	12.26	20.79
New Borrowing/(Net Repayment)	**(0.20)**	**(4.87)**	**2.65**	**(2.42)**
Weighted Average Rate of Accepted Bids	8.41%	8.62%	10.01%	
Inflation	4.1%	4.1%	4.1%	
Real Return	**4.3%**	**4.5%**	**5.9%**	

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

T-Bonds

In the primary bond market, the CBK successfully raised KES 50.38bn via FXD1/2022/015 and FXD1/2022/025, slightly above the KES 50bn target. The papers were oversubscribed by 14.2% with the longer FXD1/2022/025 garnering more interest likely due to the higher coupon. See below a summary of the offers;

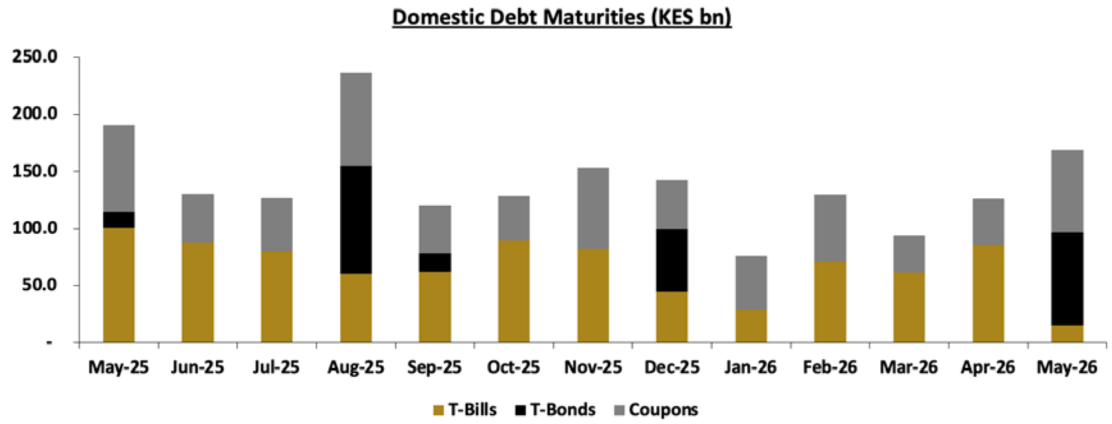
5-May-25	FXD1/2022/015	FXD1/2022/025	Totals
Due Date	**6-Apr-37**	**23-Sep-47**	
Amount offered (KES bn)			50.00
Bids received (KES bn)	26.41	30.68	57.10
Subscription rate (%)	52.83%	61.36%	114.19%
Amount accepted	**25.28**	**25.10**	**50.38**
Acceptance rate (%)	95.71%	81.82%	88.25%
Of which: Competitive Bids	19.65	21.17	40.81
Non-competitive bids	5.64	3.94	9.57
Bid to Cover ratio	1.04	1.22	1.13
Redemptions			69.62
New Borrowing/(Net Repayment)			**(19.24)**
Market weighted average rate of accepted bids	13.91%	14.54%	
Coupon Rate	13.94%	14.19%	

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

The papers settled at 13.91% and 14.54% for FXD1/2022/015 (relatively at par) and FXD1/2022/025 (at a discount), respectively. Meanwhile, FXD1/2022/020 is still in the market until 7th May 2025.

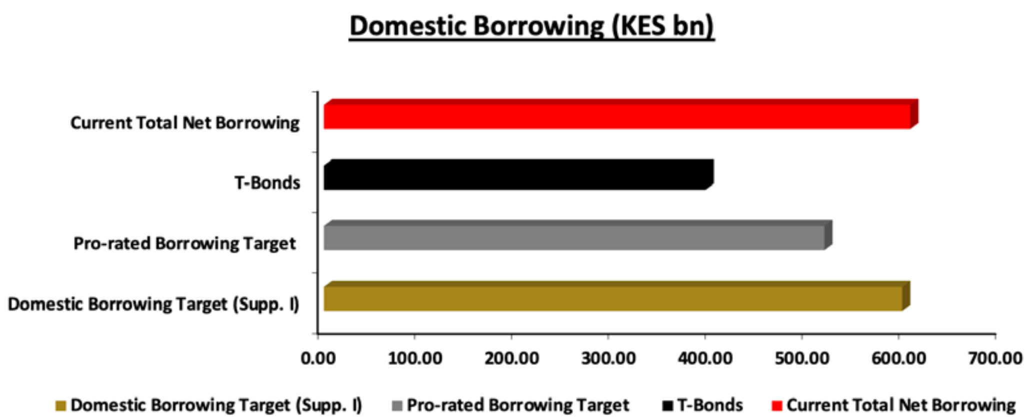
Outstanding Debt Maturities (T-Bills and T-Bonds):

As of this week, the Government's outstanding T-Bill and T-Bond maturities for the next 12 months are at KES 869.06bn and KES 261.46bn, respectively. August 2025 appears particularly stressful, with a total maturity profile of approximately KES 236.36bn, inclusive of coupon payments, as outlined below;



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

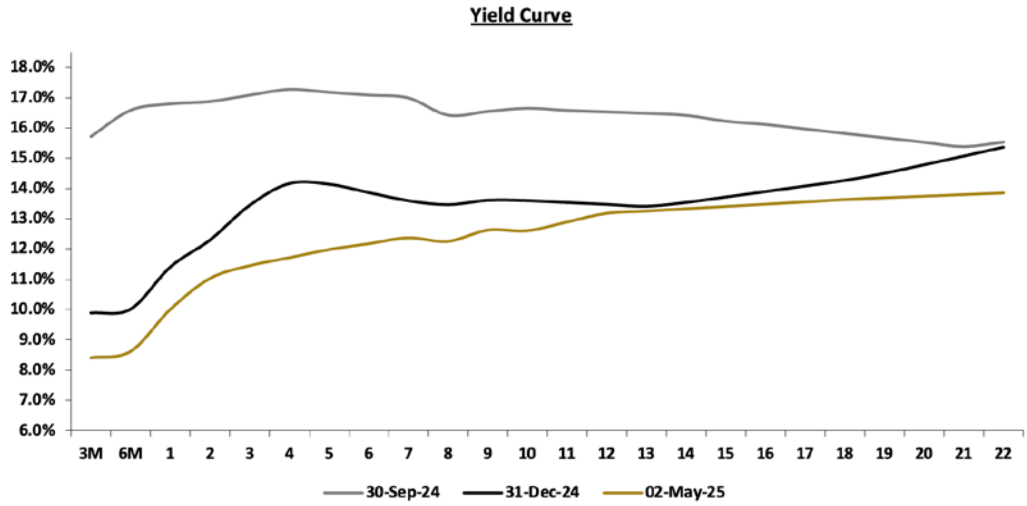
Total domestic government borrowing for FY24/25 now stands at KES 605.37bn, drawn from both Treasury bills and bonds. Of this, Treasury bonds have contributed a hefty KES 394.25bn — equivalent to 66.0% of the domestic borrowing target for FY24/25 currently set at KES 597.15bn. It is also worth highlighting that the KES 69.62 billion May maturity had the anticipated net effect, creating potential additional fiscal space for government to refinance from the domestic market.



Yield Curve

The yield curve shifted upward during the week, with average yields rising by 61.54bps week-on-week, effectively reversing the gains recorded in previous weeks. As a result, yields on nearly all long-term papers climbed above the 13% mark.

Below is a visual representation;



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

The International Front

Kenyan Eurobonds

This week, yields on Kenyan Eurobonds edged higher across most maturities, with the exception of the 2027 bond—which saw partial buybacks in March and is now largely off investors' radar. As noted in our previous reports, we expect continued volatility in longer dated Eurobond yields, driven by evolving domestic and global developments. Below is a summary of the performance;

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
Maturity Date	22-May-27	28-Feb-28	16-Feb-31	22-May-32	1-Jun-34	28-Feb-48
Tenor to Maturity	2.1	2.8	5.8	7.1	9.1	22.8
31-Dec-24	8.5%	9.1%	10.1%	10.1%	10.1%	10.3%
24-Apr-25	8.9%	10.1%	11.1%	10.9%	10.7%	11.2%
28-Apr-25	8.5%	9.7%	10.8%	10.6%	10.4%	11.1%
29-Apr-25	8.4%	9.7%	10.8%	10.7%	10.5%	11.2%
30-Apr-25	8.4%	10.2%	11.3%	11.1%	10.9%	11.4%
1-May-25	8.4%	10.1%	11.2%	11.1%	10.9%	11.4%
Weekly Change	(0.1%)	0.3%	0.4%	0.4%	0.4%	0.3%
YTD Change	(0.1%)	1.0%	1.1%	1.0%	0.7%	1.1%

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

Currency Performance

The Kenyan shilling appreciated against all currencies we track, except for the GBP, which depreciated by 0.3%, and the TZS pair, which remained unchanged. The shilling also gained a further 0.3% against the USD, even as the USD Index strengthened by 0.1% during the week.

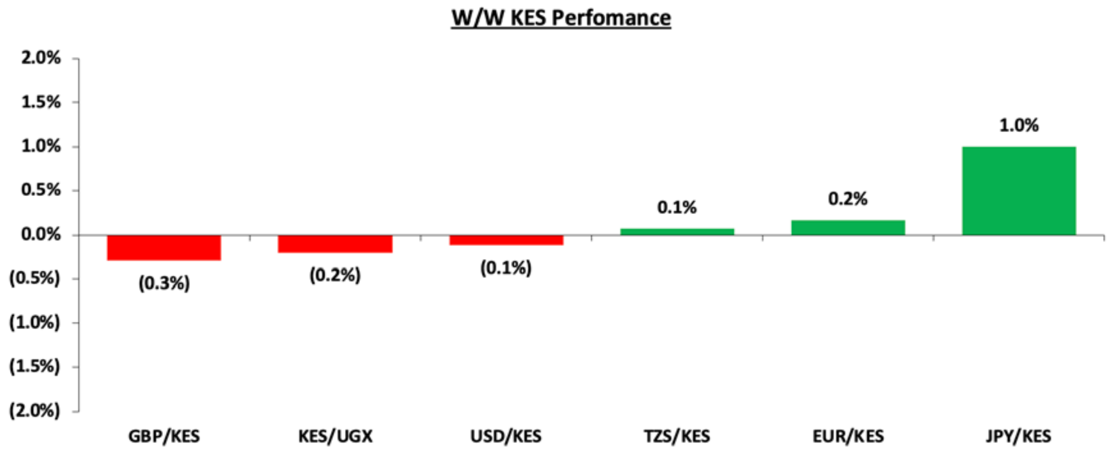
See the table below;

Currencies	31 Dec 2024 (vs KES)	Previous Week	Current	w/w Change	YTD change
GBP/KES	162.3	171.9	172.4	(0.3%)	(6.2%)
KES/UGX	28.4	28.3	28.3	(0.2%)	(0.4%)
USD/KES	129.3	129.3	129.5	(0.1%)	(0.2%)
TZS/KES	19.0	20.6	20.6	0.1%	8.6%
EUR/KES	134.3	146.7	146.4	0.2%	(9.0%)
JPY/KES	82.1	90.0	89.1	1.0%	(8.5%)

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;



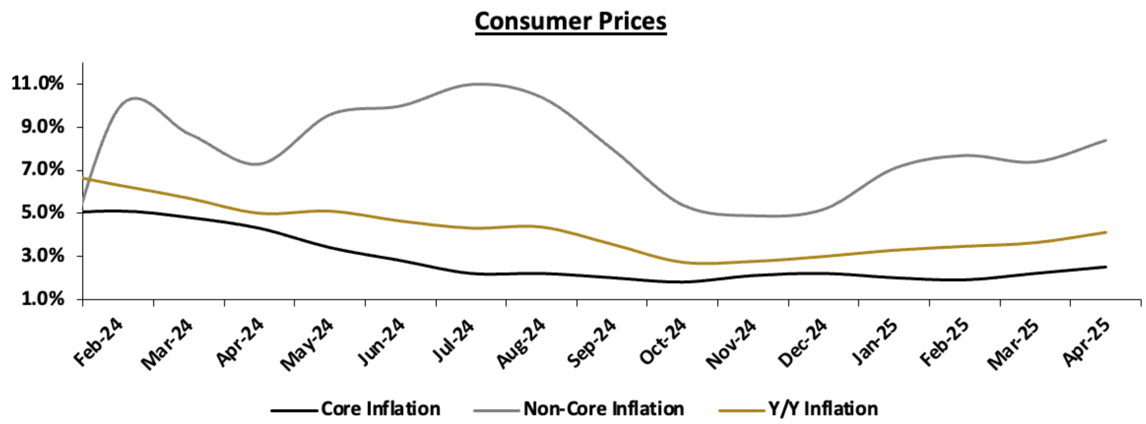
Source: Central Bank of Kenya (CBK), Chart: SIB

Kenya's foreign exchange reserves dropped slightly to USD 9.75bn, from USD 9.81bn, with import cover remaining at 4.4 months.

MARKET NEWS

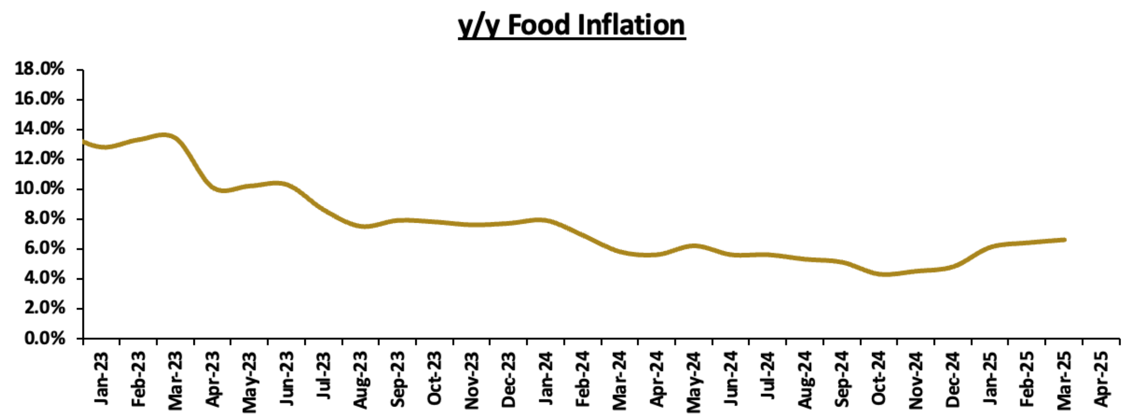
April Inflation Ticks Up to 4.1%

In April 2025, consumer prices rose by 4.1% year-on-year (y/y), up from 3.6% in March. Core inflation edged higher to 2.5%, from 2.2%, primarily driven by rising prices of fortified and loose maize flour, as well as cooking oil. Similarly, non-core inflation accelerated by 100bps to 8.4%, up from 7.4%, largely reflecting higher prices of fruits and vegetables. See the chart below;



Source: KNBS, CBK, Chart: SIB

The year-on-year overall increase in headline inflation was primarily driven by a rise in food prices, with the food index accelerating to 7.1% in April, up from 6.6% in March. This was largely attributed to higher prices of tomatoes, maize flour, potatoes, and other vegetables. The transport index recorded a 2.3% increase, reflecting a faster pace of growth, while the household utilities index rose by 0.8%, reversing a similar decline observed in March. The chart below illustrates the growth trajectory of the food and non-alcoholic beverages index;

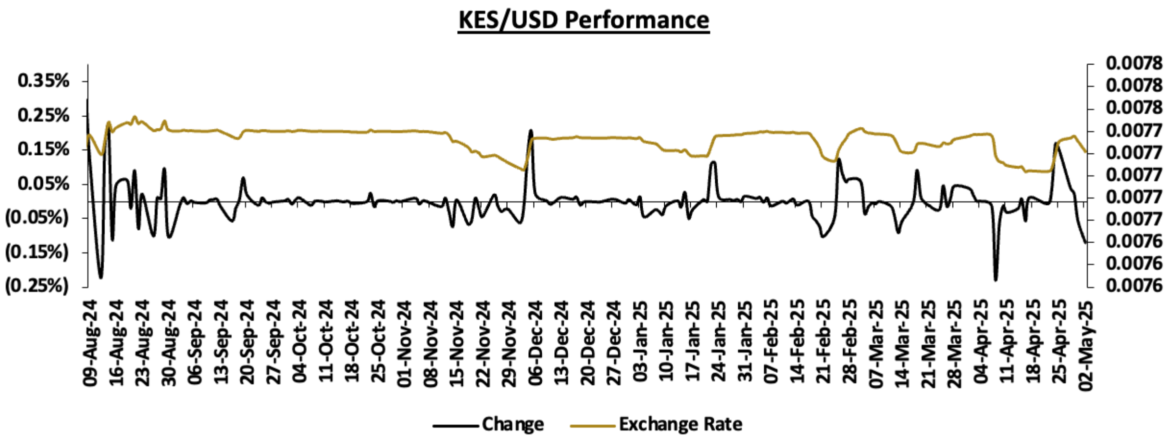


Source: KNBS, CBK, Chart: SIB

Notably, for the first time in a year, small-scale electricity tariffs increased by 0.3% per kilowatt hour, likely contributing to the modest uptick observed in the household utilities index. Looking ahead, food inflation remains a primary concern, largely influenced by the volatility in fruit and vegetable prices. Furthermore, the low base effect is expected to exert upward pressure on the y/y inflation figures for a significant portion of the year.

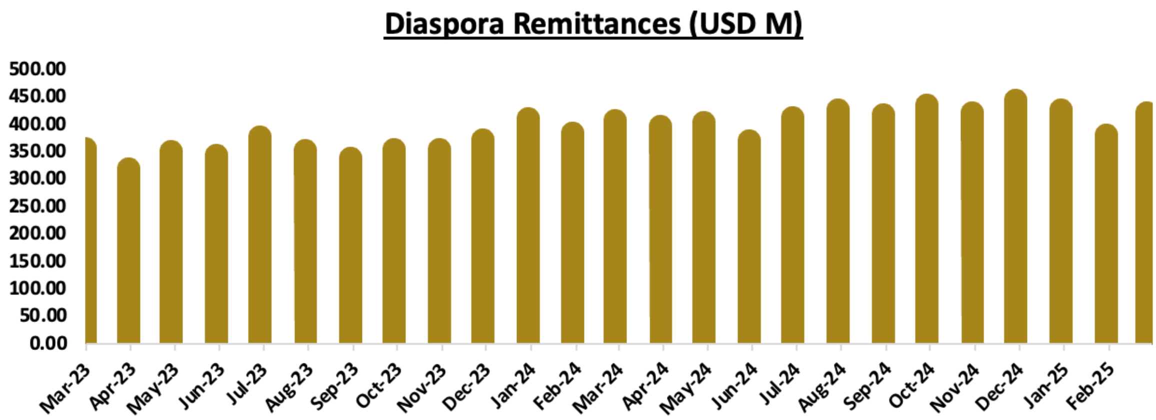
BACKGROUND CHARTS

KES/USD Performance



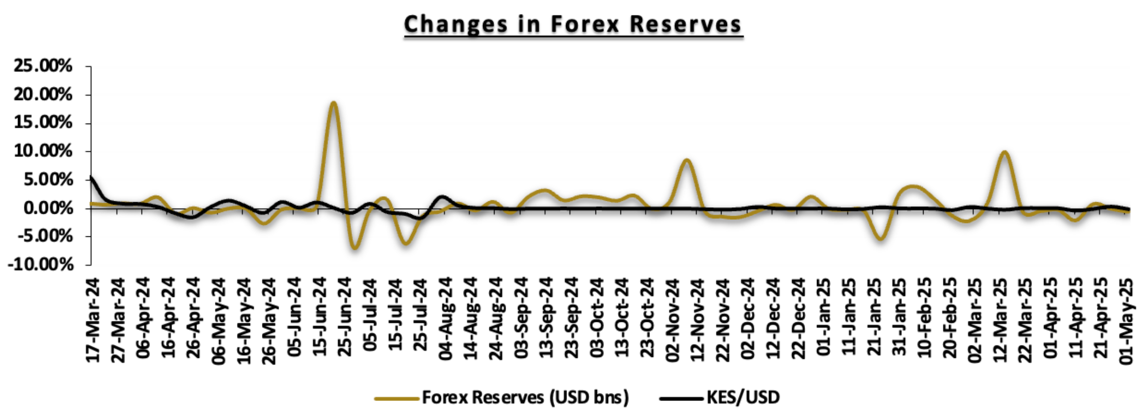
Source: Nairobi Securities Exchange (NSE)

Diaspora Remittances



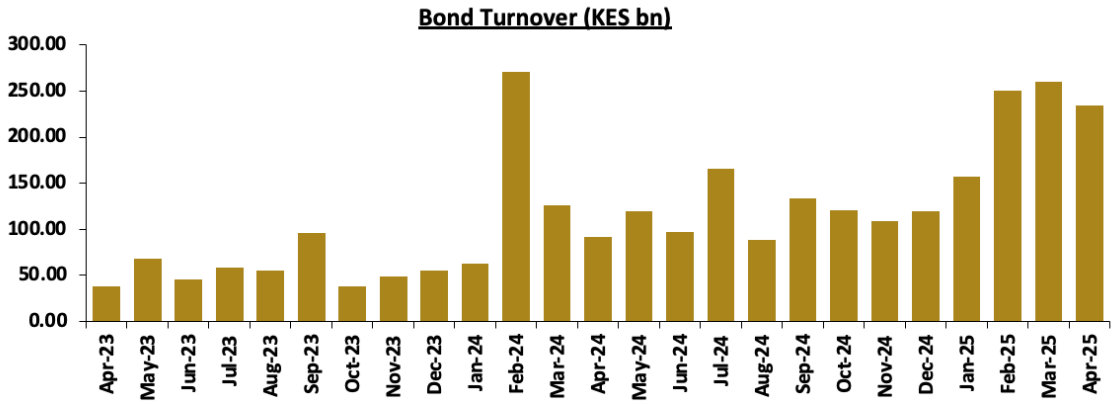
Source: Central Bank of Kenya (CBK)

Forex Reserves



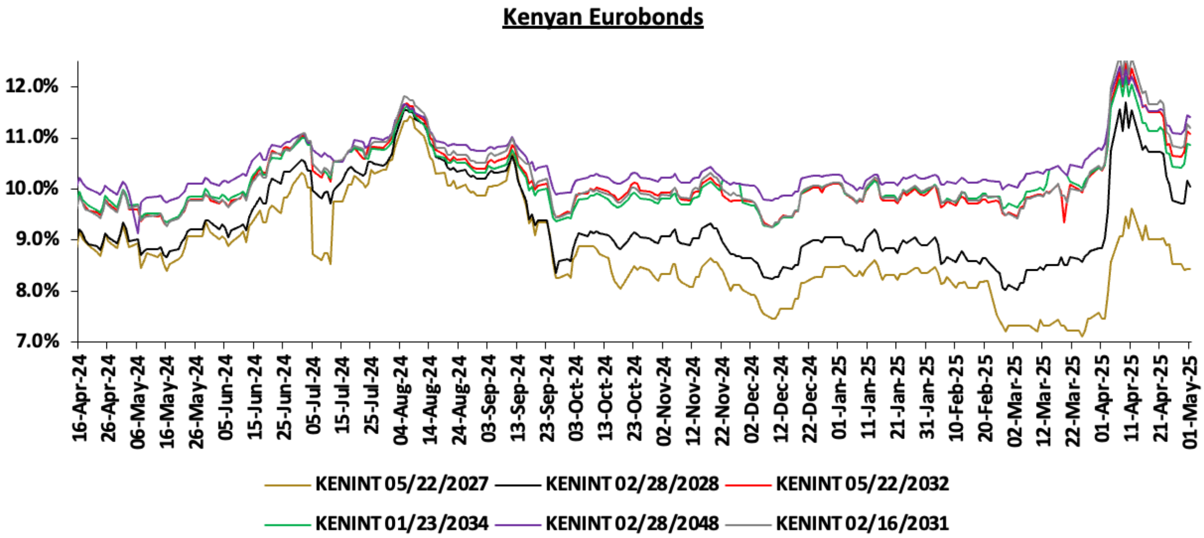
Source: Central Bank of Kenya (CBK)

Secondary Bond Market



Source: Nairobi Securities Exchange (NSE)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

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