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May Diaspora
Remittances rise
8.8%y/y

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WEEKLY FIXED INCOME REPORT

*May Tax Revenues Jump 15.1%y/y to KES 210.62bn,
as the Fiscal Year Draws to a Close*

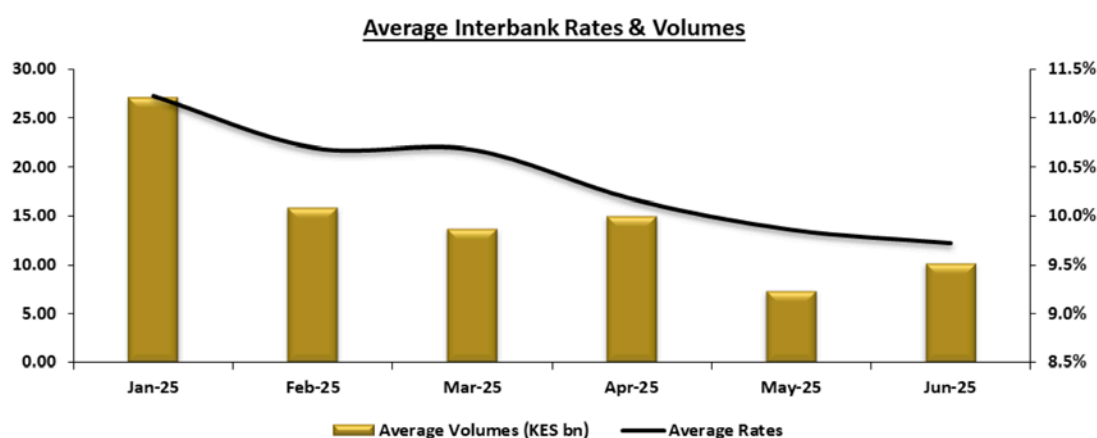
MONEY MARKET STATISTICS

Interbank lending plummeted to KES 4.47bn from KES 17.48bn, mirroring a halving in transaction count over the week. Meanwhile, the average interbank rate held steady at 9.70%, signaling calm after the pricing in of the recent rate cut. The table below summarizes the market liquidity indicators:

Average	Previous Week	Current Week	Change
Interbank Deals	28.00	14.00	(50.00%)
Inter- Bank volumes (KES bn)	17.48	4.47	(74.44%)
Inter – Bank Rates (bps)	9.70%	9.70%	(0.47)

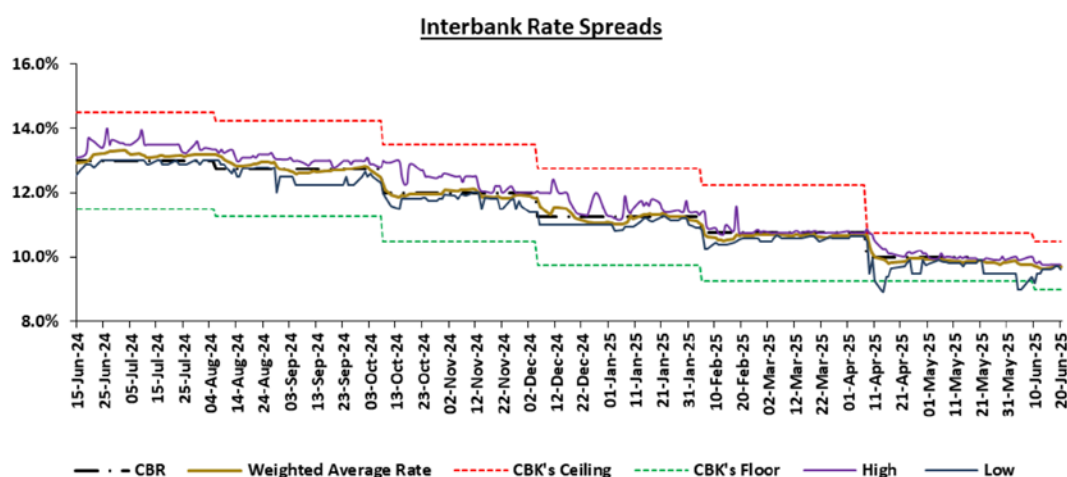
Source: Central Bank of Kenya (CBK), Table: SIB

On a month-on-month basis, average monthly traded volumes appear to have picked up momentum in June, although market activity remains highly volatile. See the chart below:



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

Interbank rates remain well anchored within the corridor. See the chart below;



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

GOVERNMENT SECURITIES MARKET

T-Bills: Performance Holds Firm Amid Waning Demand

Treasury bill performance remained robust, albeit with relatively lower demand compared to the previous week. The overall subscription rate stood at 114.1%, a notable dip from 237.4%. The decline in demand was likely influenced by the concurrent bond issuance. Nonetheless, the continued oversubscription suggests that the market remains awash with liquidity—driven in part by muted private sector lending and unattractive entry points in alternative asset classes.

Despite the healthy subscription, the fiscal agent accepted only 87.7% of total bids—just enough to meet the offer amount. Competitive bids dominated, particularly in the 364-day tenor.

That said, the average accepted rates currently stand at 8.17% (- 1.02bps), 8.48% (1.87bps), and 9.74% (-1.12bps), for the 91-, 182-, and 364-day papers, respectively. See the summary below;

KES bn

23-June-25	91-day	182-day	364-day	Totals
	22-Sep-25	22-Dec-25	22-Jun-26	
Due Date	4.00	10.00	10.00	24.00
Amount offered	3.75	2.61	21.04	27.40
Bids received	93.6%	26.1%	210.4%	114.1%
Subscription rate (%)	3.73	2.55	17.73	24.01
Amount accepted	99.7%	97.7%	84.3%	87.7%
Acceptance rate (%)	2.05	1.10	16.09	19.24
Of which: Competitive Bids	1.68	1.45	1.64	4.77
Non-competitive bids	1.62	3.16	5.17	9.94
Rollover/Redemptions	2.11	(0.60)	12.56	14.07
New Borrowing/(Net Repayment)	8.17%	8.48%	9.74%	
Weighted Average Rate of Accepted Bids	3.8%	3.8%	3.8%	
Inflation	4.4%	4.7%	6.0%	

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

T-Bonds:

In the primary bond market, the fiscal agent raised KES 71.64bn through the June bonds; FXD1/2020/015 and SDB1/2011/030. While the offer size initially suggested restraint, the government's decision to absorb more funds despite being ahead of the borrowing curve makes the initial target appear largely symbolic. Investor appetite was strong, with total bids amounting to KES 101.36bn—more than double the offered amount.

As projected, FXD1/2020/015 attracted the most interest, owing to its relatively shorter tenor and higher yield. The weighted average rate of accepted bids stood at 13.5% for FXD1/2020/015—well aligned with our estimate—and 14.0% for SDB1/2011/030, landing at the upper bound of our projection. See a summary of the offer below;

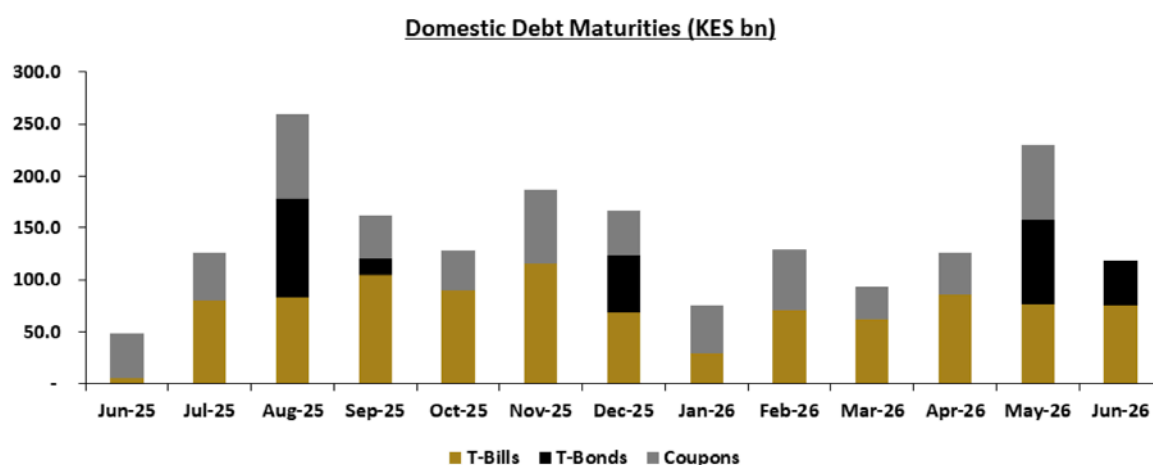
23-Jun-25	FXD1/2020/015	SDB1/2011/030	Totals
Due Date	5-Feb-35	21-Jan-41	
Amount offered (KES bn)			50.00
Bids received (KES bn)	84.73	16.62	101.36
Subscription rate (%)	169.47%	33.25%	202.72%
Amount accepted	57.87	13.77	71.64
Acceptance rate (%)	68.30%	82.81%	70.68%
Of which: Competitive Bids	44.72	11.16	55.88
Non-competitive bids	13.15	2.61	15.76
New Borrowing/(Net Repayment)			71.64
Market weighted average rate of accepted bids	13.49%	14.00%	
Coupon Rate	12.76%	12.00%	
Price per KES 100 at average yield	100.49	91.79	

In the secondary bond market, turnover more than doubled to KES 71.0bn, up from KES 30.0bn in the previous week.

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 946.26bn and KES 289.92bn, respectively. August 2025 emerges as the next significant maturity month, with a total maturity profile of approximately KES 259.23 billion, inclusive of coupon payments.

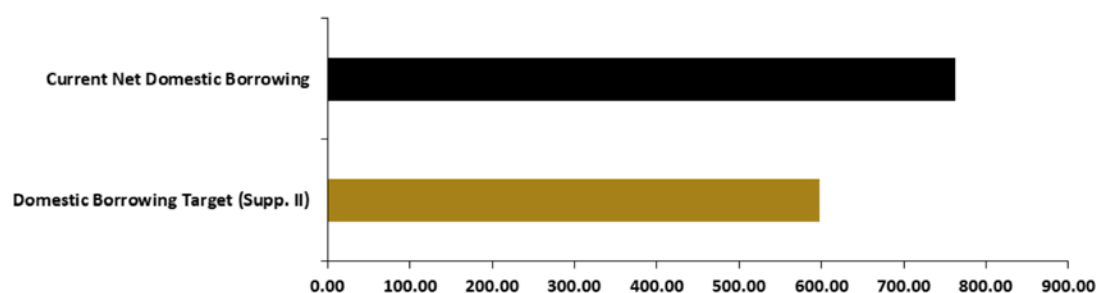
See the chart below;



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

This week's auction pushed total domestic government borrowing for FY24/25 to KES 762.65bn – which is 27.7% above the domestic borrowing target of KES 597.15bn for FY24/25 under supplementary budget II (We shall update the figure from Supplementary budget III). See the chart below;

Net Domestic Borrowing Profile for FY24/25 (KES bn)

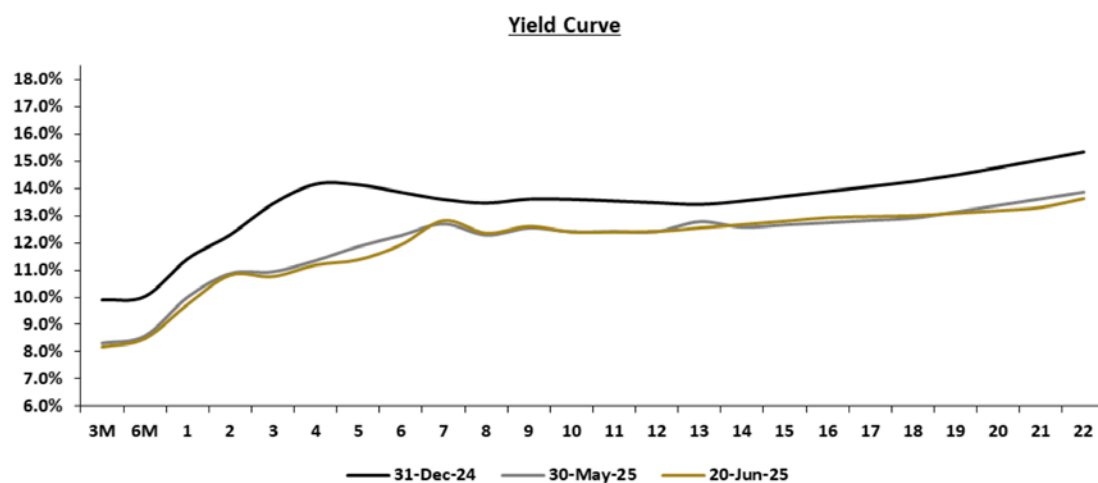


Source: Central Bank of Kenya (CBK), National Treasury, SIB Estimates, Chart: SIB

Yield Curve:

During the week, yields on government securities were largely on an upward trajectory. On average, the yield curve recorded a 17.42bps jump w/w compared to the 24.57bps decline the previous week.

Below is a visual representation;



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

THE INTERNATIONAL SCENE

Kenyan Eurobonds:

Kenyan Eurobonds reversed the gains recorded in previous weeks, albeit to a lesser extent than the declines witnessed from the start of the month. During the week, yields on the international papers rose by an average of 27 basis points (bps), reflecting a mild shift in investor sentiment.

Below is a summary of the performance;

Issuance	KENINT 02/28/2028	KENINT 02/16/2031	KENINT 05/22/2032	KENINT 01/23/2034	KENINT 02/28/2048
Maturity Date	28-Feb-28	16-Feb-31	22-May-32	1-Jun-34	28-Feb-48
Tenor to Maturity	2.7	5.7	6.9	8.9	22.7
31-Dec-24	9.1%	10.1%	10.1%	10.1%	10.3%
12-Jun-25	8.3%	9.4%	9.5%	9.7%	10.5%
16-Jun-25	8.5%	9.6%	9.7%	9.9%	10.6%
17-Jun-25	8.4%	9.6%	9.7%	9.9%	10.6%
18-Jun-25	8.5%	9.7%	9.8%	10.0%	10.7%
19-Jun-25	8.5%	9.7%	9.8%	10.0%	10.7%
Weekly Change	0.2%	0.3%	0.2%	0.4%	0.2%
YTD Change	(0.5%)	(0.4%)	(0.3%)	(0.1%)	0.4%

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

Currency Performance

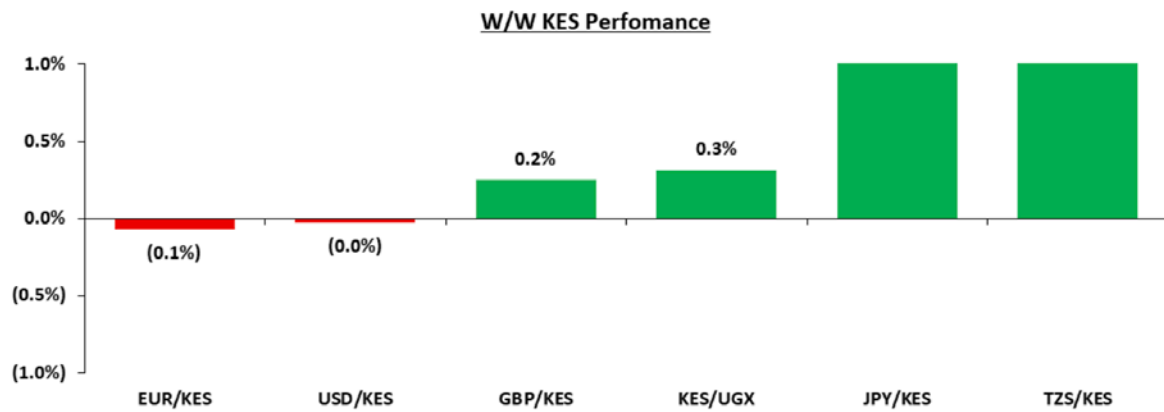
The Kenyan shilling was broadly on an upward trend but held steady against the USD as has been the case for close to a year now. However, the unit lost 0.1% against the Euro – which was the only loser amongst the currencies that we track. Over the same period, the dollar index strengthened by 1.0%. See the table below;

Currencies	30 April 2025 (vs KES)	Previous Week	Current	w/w Change	M/m change
EUR/KES	134.3	148.8	148.9	(0.1%)	(10.9%)
USD/KES	129.3	129.2	129.3	(0.0%)	0.0%
GBP/KES	162.3	174.9	174.4	0.2%	(7.5%)
KES/UGX	28.4	27.8	27.9	0.3%	(1.8%)
JPY/KES	82.1	89.9	88.9	1.1%	(8.2%)
TZS/KES	19.0	20.2	20.5	1.5%	7.8%

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

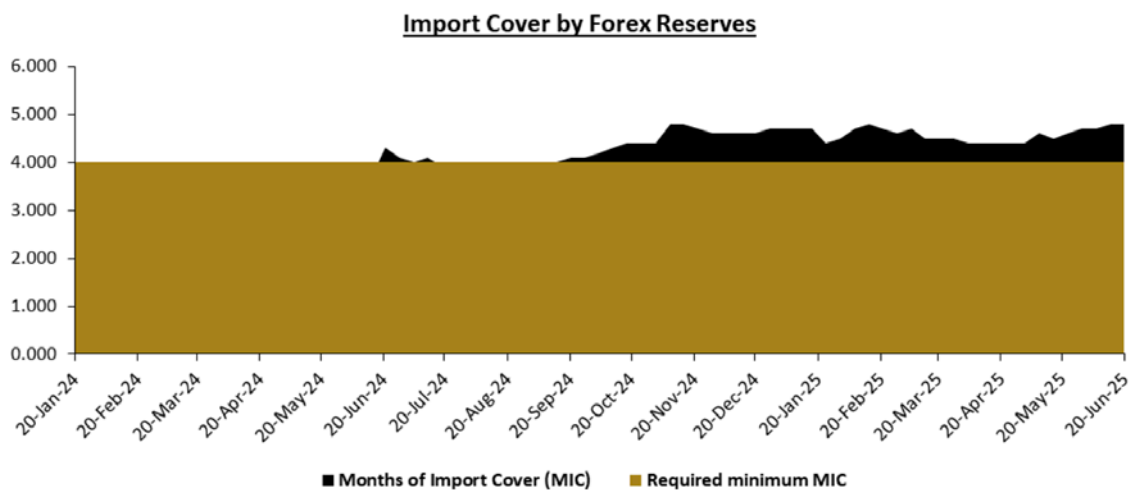
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen | FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

Meanwhile, Kenya's foreign exchange reserves remain robust, even as significant debt service obligations for the month of July loom. The reserves declined slightly to USD 10.91bn from USD 10.95bn, maintaining an import cover of 4.8 months—well above the Central Bank's statutory threshold of at least 4 months. See the chart below for a visual trend of the months of import cover;



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

THE MACRO WRAP

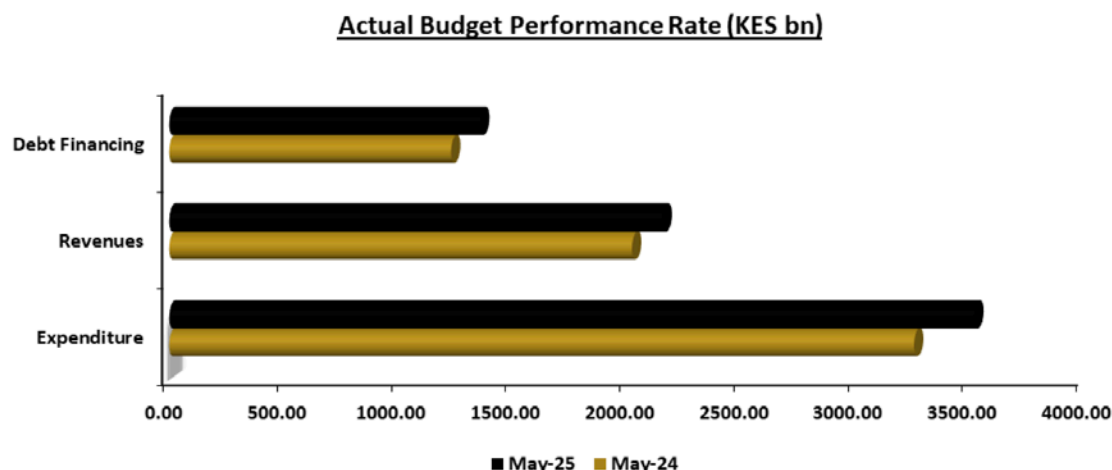
1. May Tax Revenues Jump 15.1%y/y to KES 210.62bn, as the Fiscal Year Draws to a Close

The National Treasury published the actual receipts and releases for the first eleven months of FY 2024/25 and below is our assessment;

1.1. Year-on-year Performance

- The government collected KES 2,156.67bn in ordinary revenues, reflecting a 6.6% increase from KES 2,022.98bn collected during the same period in FY2023/24. Within this, tax revenues rose by 4.3% y/y, reaching KES2,011.45bn, up from KES 1,928.82bn.
- Total expenditure stood at KES 3,519.23bn, marking an 8.1% increase from KES 3,255.80bn in the corresponding period of FY2023/24. This performance is attributable 13.5% and 2.7% rise in recurrent expenditure and debt servicing.
- The budget deficit amounted to KES 1,362.57bn, representing a 10.5% increase from KES 1,232.82bn recorded in FY2023/24 over the same period. This shortfall was financed through a mix of external and domestic borrowing, with the latter accounting for 68.6% of the amount.

See the chart below for a quick summary;



Source: Treasury, Chart: SIB

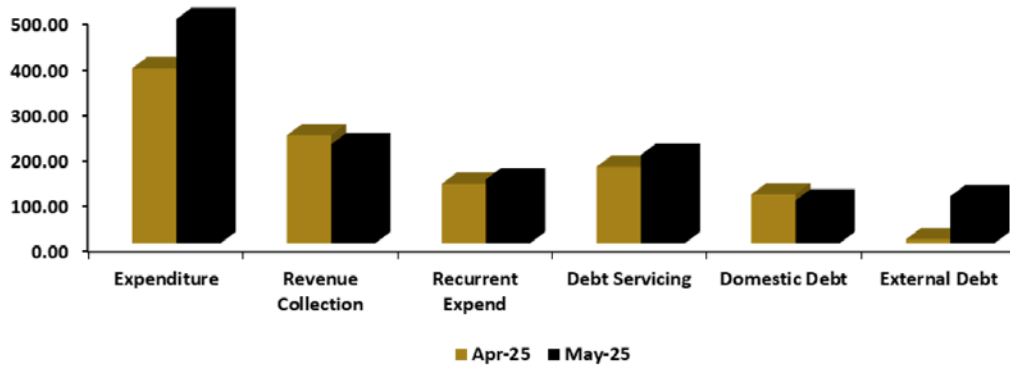
Overall, actual development spending rose by a meagre 1.4% to KES 264.81bn, down from KES 261.15bn over the same period in FY23/24. Below, we provide a breakdown of the m/m performance;

1.2. Month-on-month Performance

- Total expenditure for the month of May, rose by 28.1% to KES 492.98bn, from KES 384.83bn, in April 2025. The performance was largely on higher disbursements towards development spending as well as a 15.4% increase in debt servicing.
- Domestic borrowing for the same period dropped to KES 93.98bn, compared to the KES 107.29bn borrowed in April 2025. External financing surged to KES 103.19bn, from KES 8.85bn, following a drawdown from the UAE private placement.
- Meanwhile, the total revenue performance for the month of April recorded an 8.5% decline to KES 217.39bn, from KES 237.53bn, in April 2025.

See the chart below for a summary;

Monthly Budget Performance (KES bn)



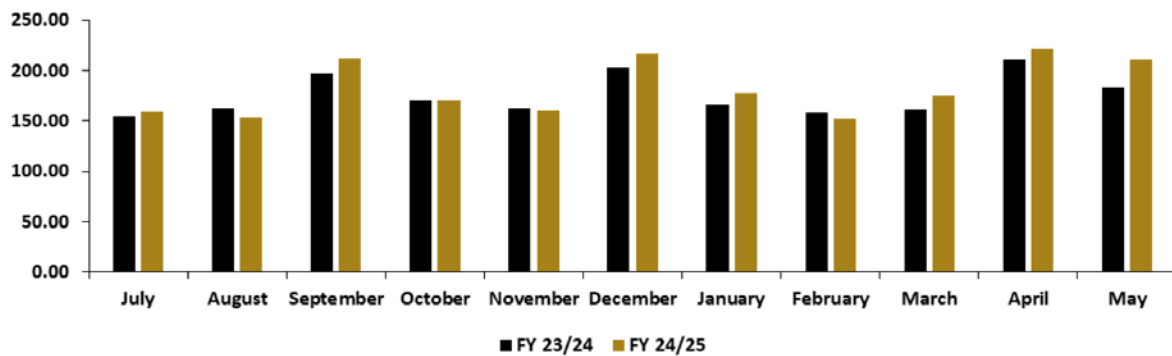
Source: Treasury, Chart: SIB

1.3. Tax Revenue Performance

Over the eleven-month period, cumulative tax revenue grew by 4.3%y/y. In April alone, collections reached KES 210.62bn, marking a robust 15.1% increase from KES 183.06bn in April FY23/24—reflecting continued compliance as the fiscal year draws towards the end.

See the chart below for a summary;

Tax Revenue Collections (KES bn)



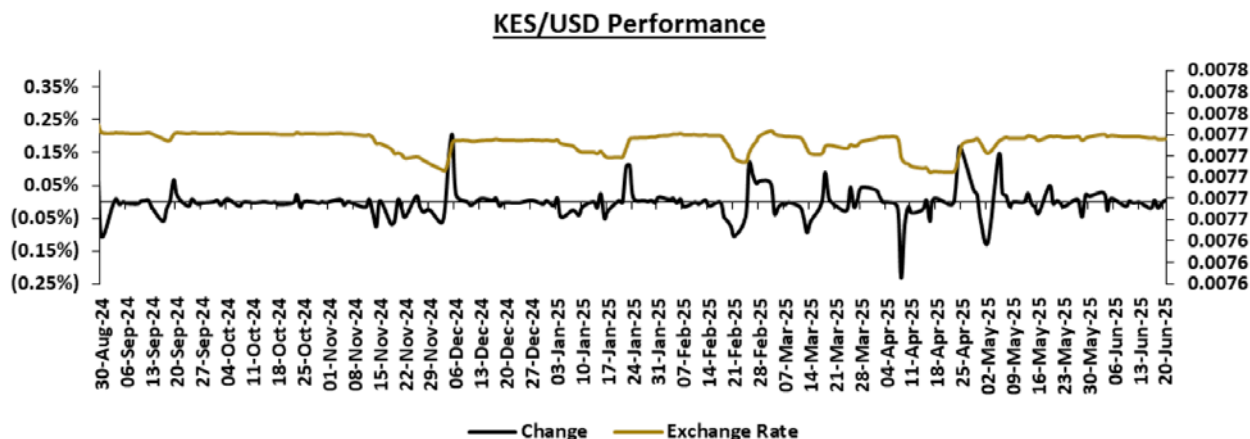
Source: Treasury, Chart: SIB

Our Take:

With the release of Supplementary Budget III estimates, we project ordinary revenue collections to perform at approximately 96%–98% of the revised target. As previously highlighted, we expect borrowing to shoulder the additional expenditure of about KES 22.44bn under this supplementary budget. Given that the government is already 27.7% ahead of the borrowing target outlined in Supplementary Budget II, we have little doubt it will surpass the revised target.

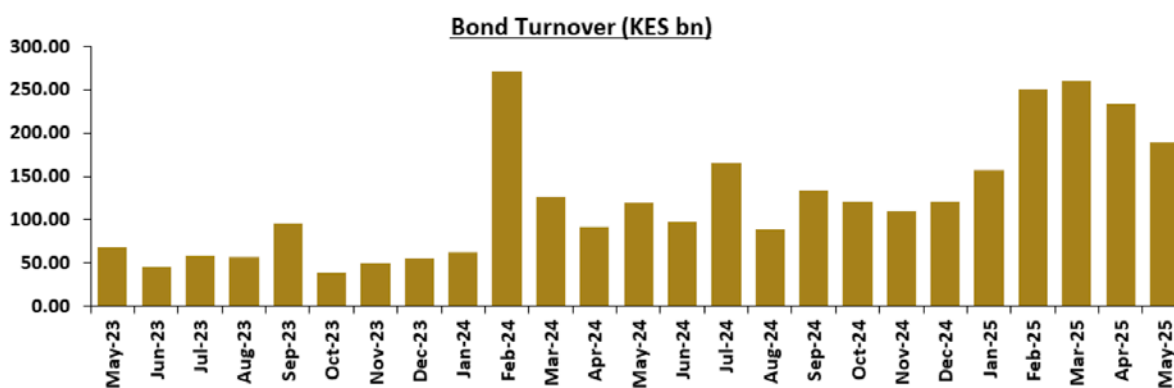
BACKGROUND CHARTS

KES/USD Performance



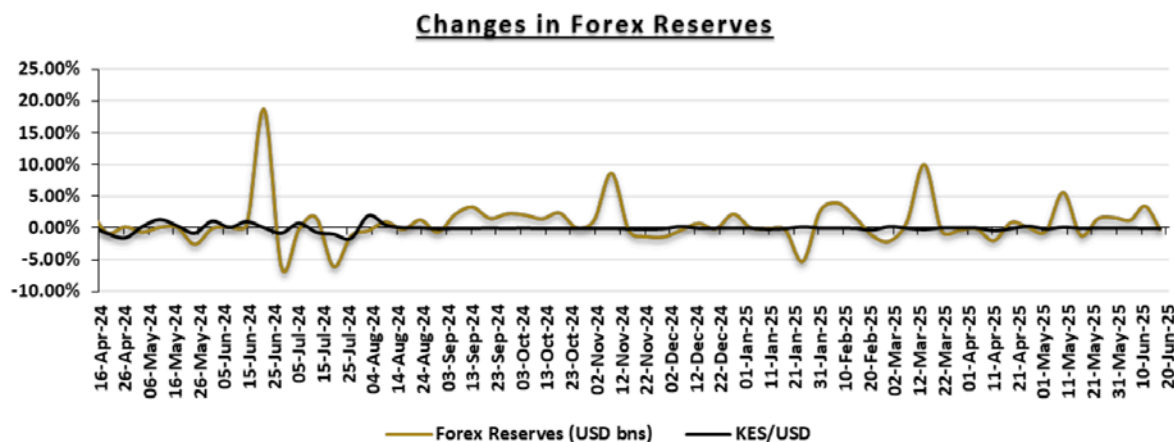
Source: Nairobi Securities Exchange (NSE)

Bond Turnover



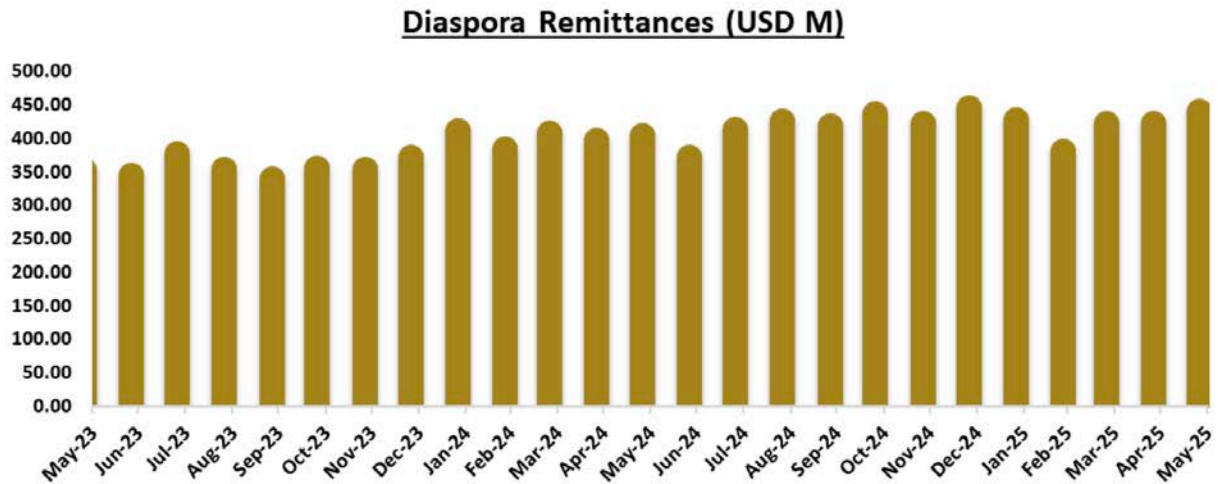
Source: Central Bank of Kenya (CBK)

Forex Reserves



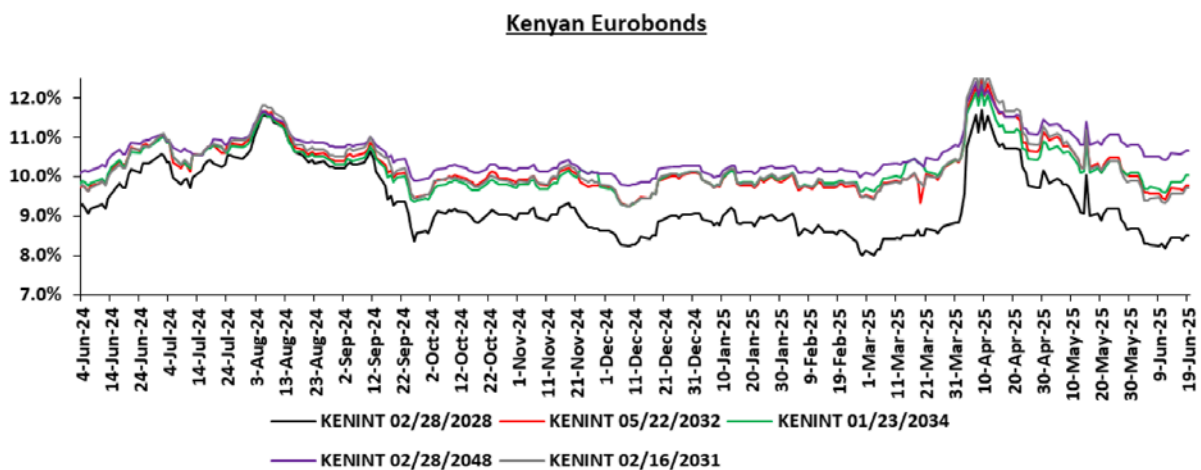
Source: Central Bank of Kenya (CBK)

Diaspora Remittances



Source: Nairobi Securities Exchange (NSE)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

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