

## BIDDING GUIDE:

# Re-opened bonds FXD1/2023/02 & FXD1/2024/03



The Central Bank of Kenya, in its capacity as a fiscal agent for the Republic of Kenya, is offering an opportunity to participate in the Re-opened bonds **FXD1/2023/02 & FXD1/2024/03** seeking to raise **KES 30.0Bn** for budgetary support in the FY 2023/2024 budget estimates.

NCBA Investment Bank Ltd is an authorized placing agent.

### WHY INVEST IN THE BOND?

1. Opportunity to lock in **attractive coupons** paid semi-annually.
2. The bond qualifies for statutory liquidity ratio requirements for commercial banks and Non-Banking Financial Institutions as stipulated in the Banking Act CAP 488 of the Laws of Kenya.
3. An opportunity to make **capital gains** in the future.

### BIDDING GUIDE

Our recommended bidding range is:

Issue	FXD1/2023/02(Re-opened)	FXD1/2024/03 (Re-opened)
Tenor to Maturity	1.22Yrs	2.6 Yrs
<b>Offered Amount (KES Bn)</b>	<b>30.00</b>	
Coupon Rate	<b>16.97%</b>	<b>18.39%</b>
Period of Sale	30th May 2024 to 05th June 2024	
Value Date	<b>10th June 2024</b>	
Minimum Amount	50,000	
<b>Bidding Guide</b>	<b>16.80%-17.20%</b>	<b>17.20%-17.60%</b>

Source: CBK, NCBA IB Research

### Comparable Papers:

#### Re-opened FXD1/2023/02

Issue No.	Tenor to Maturity	Outstanding Amount KES' Mn.	Fixed Coupon Rate	Implied Yield to Maturity
FXD2/2010/015	1.5 Years	25,199.80	<b>9.0000%</b>	<b>16.8155%</b>

Source: NSE, NCBA IB Research

#### Re-opened FXD1/2024/03

Issue No.	Tenor to Maturity	Outstanding Amount KES' Mn.	Fixed Coupon Rate	Implied Yield to Maturity
FXD1/2021/005	2.5 Years	66,075.85	11.2770%	<b>17.1817%</b>

Source: NSE, NCBA IB Research

#### Contacts:

Trading: Tel: +254 711056605 / +254 711056610  
Email: [ncbaibresearch@ncbagroup.com](mailto:ncbaibresearch@ncbagroup.com)  
Office: NCBA Annex, Hospital Road, Upper Hill,  
P O Box 44599-00100, Nairobi, Kenya  
Tel: +254 20 2884444 Mobile: +254 711 056444  
Website: [investment-bank.ncbagroup.com](http://investment-bank.ncbagroup.com)

**INVESTMENT CASE**

**Demand**

We anticipate high subscription given the short tenor and the attractive coupon.

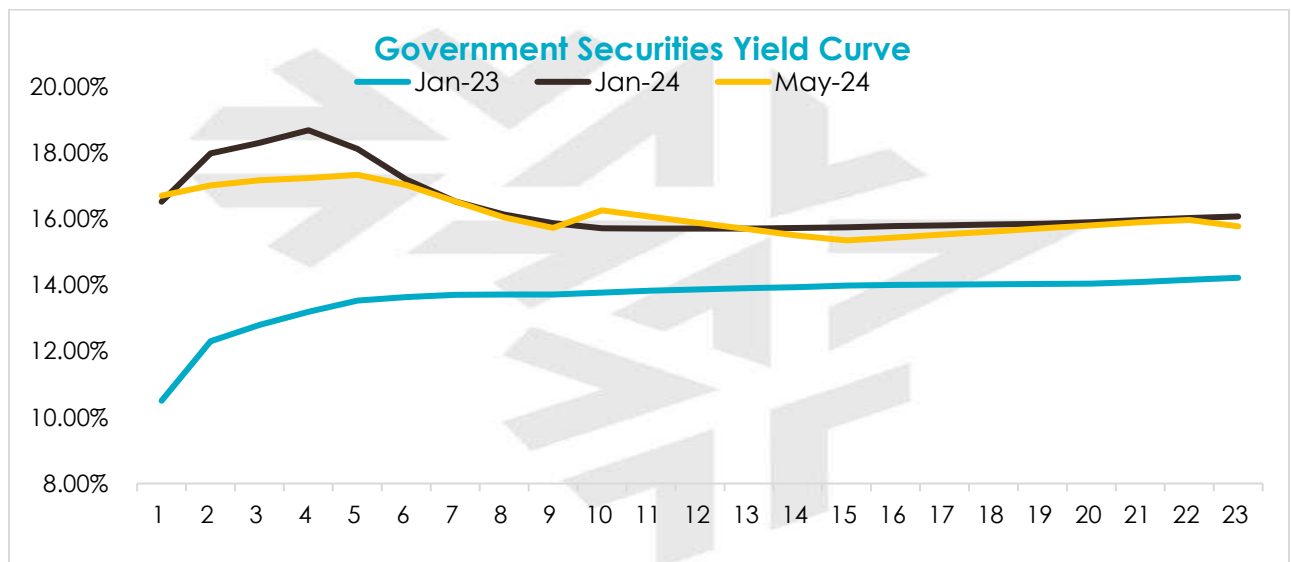
**Interest rates**

The Monetary Policy Committee retained the Central Bank Rate (CBR) at **13.00%** in its April meeting, citing the need to anchor inflationary pressures and the currency. The committee is set to meet on 5<sup>th</sup> June 2024.

Yields on treasury bills increased month-on-month. High subscription rates were recorded underpinning demand for short term papers. We believe investors will bid at moderate rates in the current interest rate environment.

Prevailing rates	May-24	Apr-24	M/M change (bps)
91 Day	15.955%	15.823%	13.13
182 Day	16.608%	16.460%	14.76
364 Day	16.706%	16.492%	21.37

The annual headline inflation rate as measured by the Consumer Price Index (CPI) rose to **5.1%** in May 2024 from **5.0%** in April 2024. The increase was mainly driven by rise in prices of commodities under Transport (8.1%); Food and Non-Alcoholic Beverages (6.2%); and Housing, Water, Electricity, Gas and other fuels (4.4%) between May 2023 and May 2024. We expect inflation to remain moderated in the near-term.



Source: NSE, NCBA IB Research

**Contacts:**

Trading: Tel: +254 711056605 / +254 711056610  
 Email: [ncbaibresearch@ncbagroup.com](mailto:ncbaibresearch@ncbagroup.com)  
 Office: NCBA Annex, Hospital Road, Upper Hill,  
 P O Box 44599-00100, Nairobi, Kenya  
 Tel: +254 20 2884444 Mobile: +254 711 056444  
 Website: [investment-bank.ncbagroup.com](http://investment-bank.ncbagroup.com)

**Budget Support**

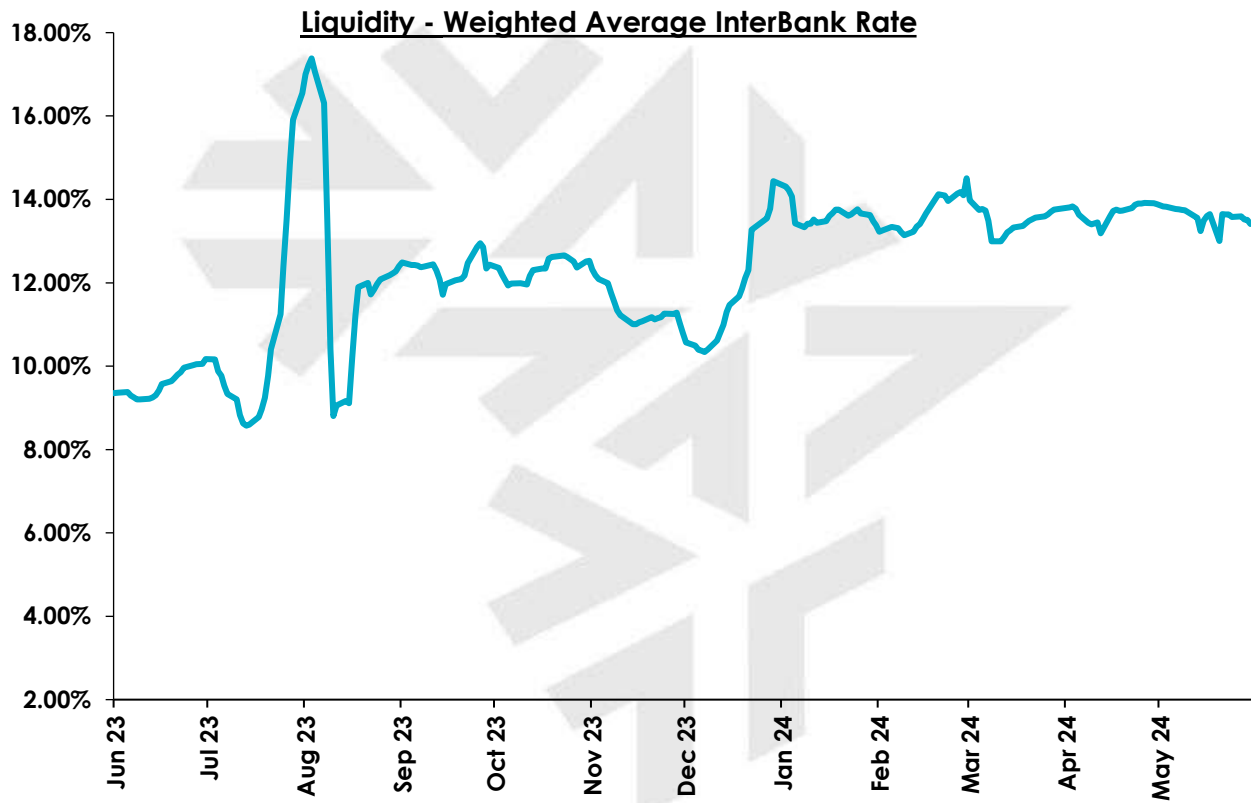
The government domestic financing for this fiscal year is almost hitting target. However, the Treasury increased the **domestic borrowing target** for the current financial year to KES 471.36Bn from the KES 415.3Bn in the original budget. This saw the government shifts its focus on domestic debt from the issuance of long-term instruments to more short and medium-term ones to align with investor appetite and realize the borrowing target for the fiscal year ending June 30 2024.

**Debt distress**

The government has experienced a liquidity crunch that has led to a delay in some of its recurrent expenditure payments. Investors have exhibited an averseness to investment in long-term bonds as witnessed in the recent long tenured auctions.

**Liquidity**

Liquidity conditions eased in May. Indicatively, the overnight interbank rate declined by 12.46bps month on month to close at 13.91%. The average daily traded volumes also decreased to KES 19.89Bn from KES 22.35Bn recorded in the previous month.



Source: CBK, NCBA IB Research

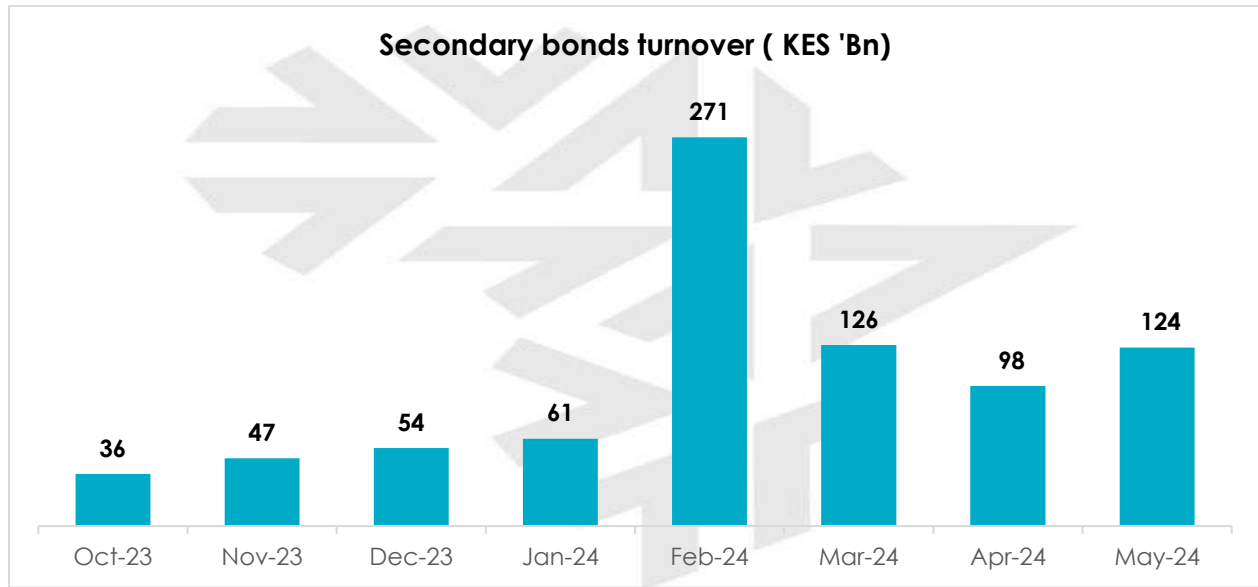
**Contacts:**

Trading: Tel: +254 711056605 / +254 711056610  
 Email: [ncbaibresearch@ncbagroup.com](mailto:ncbaibresearch@ncbagroup.com)  
 Office: NCBA Annex, Hospital Road, Upper Hill,  
 P O Box 44599-00100, Nairobi, Kenya  
 Tel: +254 20 2884444 Mobile: +254 711 056444  
 Website: [investment-bank.ncbagroup.com](http://investment-bank.ncbagroup.com)

**Secondary Market**

In the secondary bonds market, total bond turnover improved to KES 124Bn compared to April. The increase was on the back of heightened demand on short term papers at the beginning of the month and great demand on the IFB1/2024/8.5 towards the end of May, especially after announcement of the auction.

Trading is concentrated on **short term papers** as investors seek to minimize duration risk. However, investor's preference is seemingly turning to longer- dated bonds as they seek to lock in high returns.



Source: CBK, NCBA IB Research

**Contacts:**

Trading: Tel: +254 711056605 / +254 711056610

Email: [ncbaibresearch@ncbagroup.com](mailto:ncbaibresearch@ncbagroup.com)

Office: NCBA Annex, Hospital Road, Upper Hill,

P O Box 44599-00100, Nairobi, Kenya

Tel: +254 20 2884444 Mobile: +254 711 056444

Website: [investment-bank.ncbagroup.com](http://investment-bank.ncbagroup.com)

## BIDDING GUIDE:

### Re-opened bonds FXD1/2023/02 & FXD1/2024/03



#### Kenya Government Debt Maturities Schedule – June 2024:

The government has total domestic debt maturities of **KES 123.51Bn** in the month of June 2024 compared to **KES 240.81Bn** in May 2024. We expect **robust government activity** in the local market.

Coupon payments					
Issue No.	Next Coupon Payment Date	Tenor to Maturity	Outstanding Amount KES 'Mn	Fixed Coupon Rate	Coupon payment KES 'Mn
FXD3/2019/005	June 10, 2024	<b>0.52</b>	44,830.50	11.49%	2,575.96
FXD2/2010/015	June 10, 2024	<b>1.52</b>	25,199.80	9.00%	1,133.99
FXD1/2008/020	June 10, 2024	<b>4.02</b>	55,432.05	13.75%	3,810.95
FXD2/2018/010	June 10, 2024	<b>4.52</b>	63,820.20	12.50%	3,989.40
FXD1/2010/025	June 10, 2024	<b>11.02</b>	20,192.50	11.25%	1,135.83
FXD1/2018/025	June 17, 2024	<b>19.04</b>	94,326.70	13.40%	6,319.89
IFB1/2015/009	June 3, 2024	<b>0.50</b>	8,506.50	11.00%	467.86
IFB1/2022/018	June 10, 2024	<b>16.02</b>	79,827.50	13.74%	5,484.95
IFB1/2022/006	June 3, 2024	<b>4.50</b>	59,424.35	13.22%	3,926.46
IFB1/2023/007	June 17, 2024	<b>6.04</b>	213,251.60	15.84%	16,886.33
<b>Total</b>					<b>45,731.62</b>

Source: CBK, NCBA IB Research

Treasury Bills	
Payment Date	Amount KES 'Mn
June 3, 2024	17,478.56
June 10, 2024	28,109.89
June 17, 2024	18,442.92
June 24, 2024	13,750.80
<b>Total</b>	<b>77,782.17</b>

Source: CBK, NCBA IB Research

#### Contacts:

Trading: Tel: +254 711056605 / +254 711056610

Email: [ncbaibresearch@ncbagroup.com](mailto:ncbaibresearch@ncbagroup.com)

Office: NCBA Annex, Hospital Road, Upper Hill,

P O Box 44599-00100, Nairobi, Kenya

Tel: +254 20 2884444 Mobile: +254 711 056444

Website: [investment-bank.ncbagroup.com](http://investment-bank.ncbagroup.com)

**About NCBA Investment Bank**

NCBA Investment Bank is a subsidiary of NCBA Group. The services offered by the brokerage department include equities trading for listed securities, fixed income trading for both corporate and government bonds, Over the Counter (OTC) equity transactions as well as execution of equities transactions across the East African countries. Additionally, NCBA Investment Bank backs these activities with solid advice from the research team to enable investors meet their return objectives. NCBA Investment Bank deploys simple and convenient client driven technologies, robust risk management, highly competent and experienced staff and has the backing of robust research capabilities to differentiate itself from other players in the market.

**Physical Address**

NCBA Annex,  
Hospital Road, Upper Hill, Tel: +254 20 2884444  
Mobile: +254 711 056444/+254 732 156444

**Certification**

The following analyst(s) who prepared this research report hereby certifies(y) that:

- (i) all of the views and opinions expressed in this research report accurately reflect the research analyst's(s') personal views about the subject investment(s) and companies (y) and
- (ii) no part of the analyst's(s') compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the analyst(s) in this research report.

**Key Contacts: Research Team**

[ncbaresearch@ncbagroup.com](mailto:ncbaresearch@ncbagroup.com)

**Key Contacts: Trading Team**

[dealing@ncbagroup.com](mailto:dealing@ncbagroup.com)

**Contacts:**

Trading: Tel: +254 711056605 / +254 711056610  
Email: [ncbaibresearch@ncbagroup.com](mailto:ncbaibresearch@ncbagroup.com)  
Office: NCBA Annex, Hospital Road, Upper Hill,  
P O Box 44599-00100, Nairobi, Kenya  
Tel: +254 20 2884444 Mobile: +254 711 056444  
Website: [investment-bank.ncbagroup.com](http://investment-bank.ncbagroup.com)

## DISCLAIMER AND DISCLOSURES

### 1. GENERAL DISCLAIMER

This research report (Report) has been prepared by NCBA Investment Bank (NCBA-IB) and contains detailed industry analyses, statistics and forecasts exclusively for informational purposes and is intended solely for the use of NCBA-IB clients and may not be distributed, published, or reproduced, in whole or in part, nor may its contents be disclosed to any other party without the express written consent of NCBA-IB. While this Report contains analyses and insights aimed at assisting customers in making investment decisions regarding various securities, it does not constitute an offer, solicitation, or recommendation to buy or sell any securities, and it is not intended to provide the basis for any evaluation of the securities discussed herein. NCBA-IB expressly disclaims any responsibility for errors and omissions in this Report.

The Information set forth in this Report has been obtained from sources believed reliable and developed through the application of independent judgement, but NCBA-IB does not warrant its completeness or accuracy. Opinions expressed in this Report are current viewpoints as of the date of issue and are subject to change without notice. Furthermore, NCBA-IB is under no obligation to update or keep the information current. While every effort has been made to ensure the accuracy and completeness of the information provided, no representation or warranty, express or implied, is made as to the accuracy or completeness of the information contained herein, and nothing contained herein is, or shall be relied upon as, a promise or representation as to the future performance of any securities or financial product and market conditions which may change and this might materially impact the accuracy and validity of such analysis.

### 2. USE OF INFORMATION

The information presented in this Report is intended solely for informational purposes and is not a comprehensive treatment of the topic at hand. NCBA-IB makes every effort to use reliable, comprehensive information, but we do not represent that the information is accurate or complete. NCBA-IB is not responsible for errors or omissions nor for results obtained from the use of this information. All information is provided "as is", without warranty of any kind, express or implied.

### 3. NO GUARANTEES ON PERFORMANCE

NCBA-IB, its affiliates, employees, or any associated entities provide no guarantee, warranty, or representation regarding the potential performance or expected outcomes of any investment or financial transaction referenced within this document. Investment values can fluctuate, and the past performance of a security, industry, sector, market, financial product, trading strategy, or individual investment does not guarantee future results or returns.

### 4. INDEPENDENT DECISION MAKING

Recipients of this Report are strongly advised to make investment decisions based on their own investment objectives, careful consideration of their financial situation, operational capacity, and the availability of resources. It is recommended that all clients conduct thorough due diligence and, where appropriate, consult independent financial, legal, tax, or other professional advisors to assess the suitability of any potential investment.

### 5. LIMITATION OF LIABILITY

The Bank, its affiliates, and their respective officers, directors, employees, or agents accepts no liability whatsoever for any direct or consequential loss or damage arising from the use of this Report or the information contained herein. Past performance is not necessarily indicative of future results, and NCBA-IB does not undertake that the recipient of this report will obtain profits or avoid incurring losses. This Report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any advice or recommendation in these reports is suitable for their particular circumstances and, if necessary, seek professional advice, including tax advice.

### 6. AUTHORITY TO ENTER CONTRACTS

#### Contacts:

Trading: Tel: +254 711056605 / +254 711056610

Email: [ncbaibresearch@ncbagroup.com](mailto:ncbaibresearch@ncbagroup.com)

Office: NCBA Annex, Hospital Road, Upper Hill,

P O Box 44599-00100, Nairobi, Kenya

Tel: +254 20 2884444 Mobile: +254 711 056444

Website: [investment-bank.ncbagroup.com](http://investment-bank.ncbagroup.com)



## BIDDING GUIDE:

# Re-opened bonds FXD1/2023/02 & FXD1/2024/03



Please be advised that legally binding obligations on behalf of NCBA-IB can only be established through formal written agreements, duly signed by authorized representatives of NCBA-IB. No electronic communications or implied agreements through informal communications shall be considered binding under any circumstances.

### 7. DISCLOSURE STATEMENT

NCBA-IB may, from time to time, participate or invest in transactions with the companies mentioned herein, perform services for or solicit business from company(s) mentioned, and/or have a position or effect transactions in the securities or options thereof. Members of NCBA-IB, its principals or affiliates, may have a financial interest in securities of the companies mentioned in this report.

### 8. CONFLICTS OF INTEREST

NCBA-IB may engage in transactions in a manner that is inconsistent with the recommendations made in this Report, and it may have commercial relationships with entities mentioned in this Report. NCBA-IB may have provided advice or investment services relating to the investments concerned or a related investment to any company mentioned in this Report prior to its publication. Further, NCBA-IB may receive compensation for these services and acts as a market maker or liquidity provider in the securities that are the subject of this report. NCBA-IB does not prepare research on entities within its corporate group ("the NCBA Group") or other entities where a real or perceived conflict of interest may exist.

### 9. CONFIDENTIALITY

This Report is confidential and is intended only for the person or entity to which it is addressed. It may contain confidential, proprietary, or legally privileged information. No confidentiality or privilege is waived or lost by any misdelivery or transmission errors. If you are not the intended recipient, please immediately delete it and all copies of it from your system, destroy any hard copies of it, and notify the sender. You must not, directly or indirectly, use, disclose, distribute, print, or copy any part of this report if you are not the intended recipient.

### 10. INTELLECTUAL PROPERTY RIGHTS

All content, data, analyses, graphics, and logos provided in this Report are the exclusive property of NCBA-IB and/or its affiliates, unless otherwise noted, and cannot be copied, distributed, transmitted, displayed, published, or broadcast without the prior written permission of NCBA-IB.

### 11. REGULATORY COMPLIANCE

This Report is also subject to regulatory restrictions and obligations that may affect its use. NCBA-IB produces research reports which adhere to regulatory standards. This document may not be distributed in any jurisdiction where its distribution may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

### 12. USE AND DISTRIBUTION

These materials are intended only for clients of NCBA-IB, and may not be reproduced, redistributed, or copied in whole or in part for any purpose without the express written consent of NCBA-IB

© 2024 NCBA-IB. All rights reserved. This document contains intellectual property belonging to NCBA-IB. Unauthorized use is prohibited. For further information regarding the methodologies used or data in the report, contact NCBA-IB at [ncbaresearch@ncbagroup.com](mailto:ncbaresearch@ncbagroup.com)

#### Contacts:

Trading: Tel: +254 711056605 / +254 711056610

Email: [ncbaibresearch@ncbagroup.com](mailto:ncbaibresearch@ncbagroup.com)

Office: NCBA Annex, Hospital Road, Upper Hill,

P O Box 44599-00100, Nairobi, Kenya

Tel: +254 20 2884444 Mobile: +254 711 056444

Website: [investment-bank.ncbagroup.com](http://investment-bank.ncbagroup.com)