

BIDDING GUIDE: Re-opened bonds FXD1/2023/10 AND FXD1/2022/15



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 **FXD1/2023/10 AND FXD1/2022/15** seeking to raise **KES 25.0Bn** for budgetary support.

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	FXD1/2023/10 (Re-opened)	FXD1/2022/15 (Re-opened)
Tenor to Maturity	8.3 Yrs	12.5 Yrs
Coupon Rate	14.15%	13.94%
Offered Amount	KES 25 Bn	
Period of Sale	25/10/2024 to 06/11/2024	
Value Date	11th Nov 2024	
Minimum Bidding Amount	KES 50,000.00	
Taxation	10.00%	
Our Bidding Guide	15.35% to 15.85%	15.70% to 16.20%

Source: CBK, NCBA IB Research

Comparable Papers:

Re-opened FXD1/2023/10

Bond Issue	Tenor to Maturity	Outstanding Amount Shs'M.	Fixed Coupon Rate	Implied Yield To Maturity
FXD1/2012/020	8.0 years	87,285.65	12.000%	16.265%

Re-opened FXD1/2022/15

Bond Issue	Tenor to Maturity	Outstanding Amount Shs'M.	Fixed Coupon Rate	Implied Yield To Maturity
FXD1/2016/020	11.9 years	20,472.32	14.000%	16.5365%

Source: NSE, NCBA IB Research

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INVESTMENT CASE

Demand

The auction performance will be driven by investors' interest rate expectations and the government's appetite for funds to plug into the financial year budget.

We anticipate a moderate subscription rate for the papers with the prevailing investor preference for short-term instruments.

Interest rates

The Monetary Policy Committee cut the Central Bank Rate (CBR) to **12.00%** in its October meeting, citing anchored inflation expectations and a stable exchange rate.

Yields on treasury bills recorded an overall decline with the 91-day rate declining by 129bps, the 182-day by 144bps, and the 364-day rates by 133bps. High subscription rates were recorded underpinning demand for short term papers as investors looked to mitigate duration risk. We believe investors will bid at moderate rates in the current interest rate environment.

Prevailing rates	Oct-24	Sep-24	M/M change (bps)
91 Day	14.432%	15.72%	(128.79)
182 Day	15.147%	16.59%	(144.33)
364 Day	15.469%	16.80%	(133.09)

Source: CBK, NCBA IB Research

Annual consumer prices at the headline level decreased marginally to 2.70% in October from 3.6% in September 2024. The Monetary Policy Committee (MPC) in its October 8, 2024, meeting lowered the Central Bank Rate (CBR) to 12.00% citing an improved global outlook for growth, continued easing of inflation.

Statistic	Oct-24	Sep-24	Change (bps)
Inflation	2.70%	3.60%	(90.00)
CPI	140.44	140.13	22.12

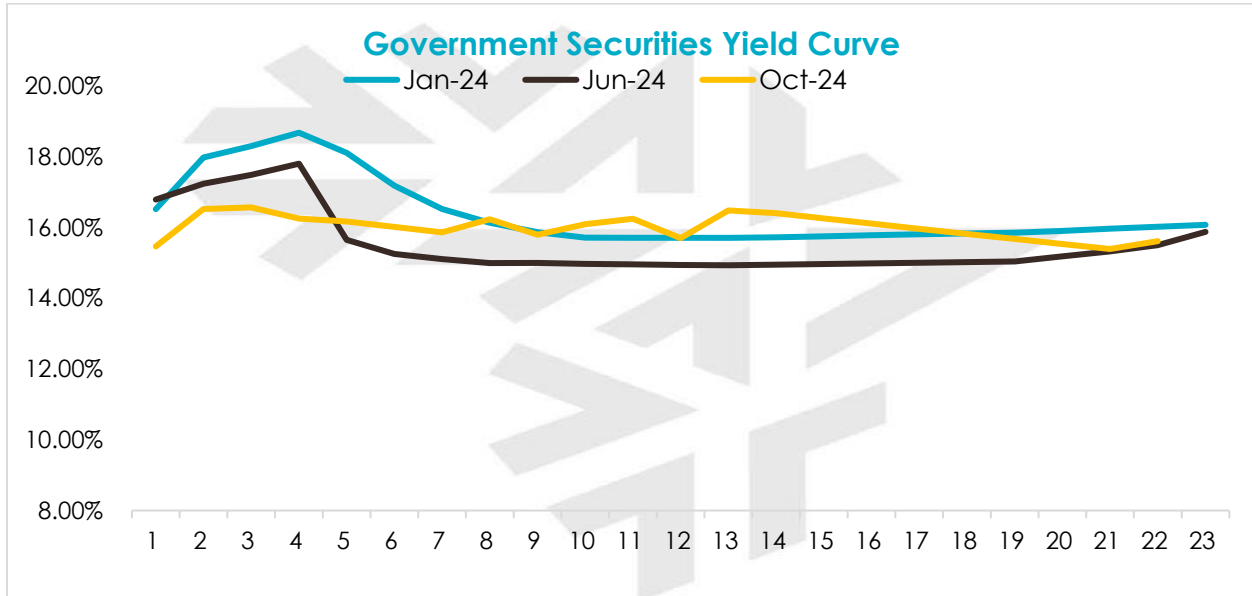
Statistic	Oct-24	Sep-24	Change (bps)
CBR	12.00%	12.75%	(75.00)
Average Interbank Rate	12.15%	12.68%	(53.00)

Source: CBK, KNBS, NCBA IB Research

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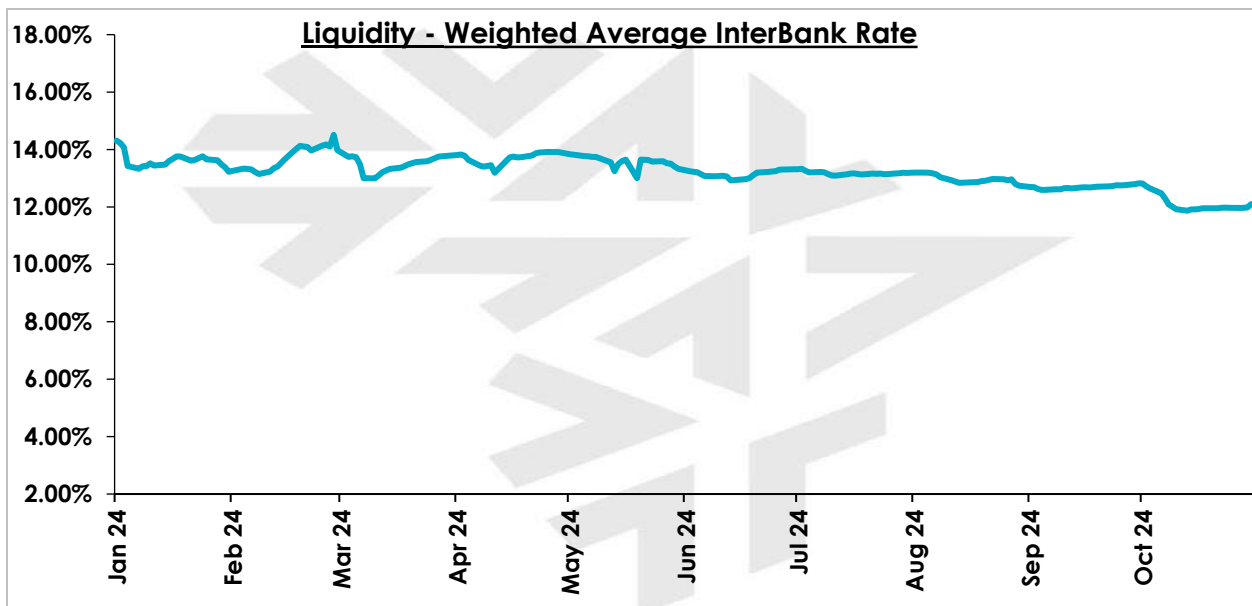
Looking ahead, we expect the annual inflation rate to remain stable and within the midpoint of CBK's target range supported by stability in food prices and aided by declining global fuel prices.



Source: NSE, NCBA IB Research

Liquidity

Liquidity conditions eased marginally. Indicatively, the overnight interbank rate declined by 29bps month on month to close at 12.68%. The average daily traded volumes rose to KES 26.53Bn from KES 22.92Bn recorded the previous month.



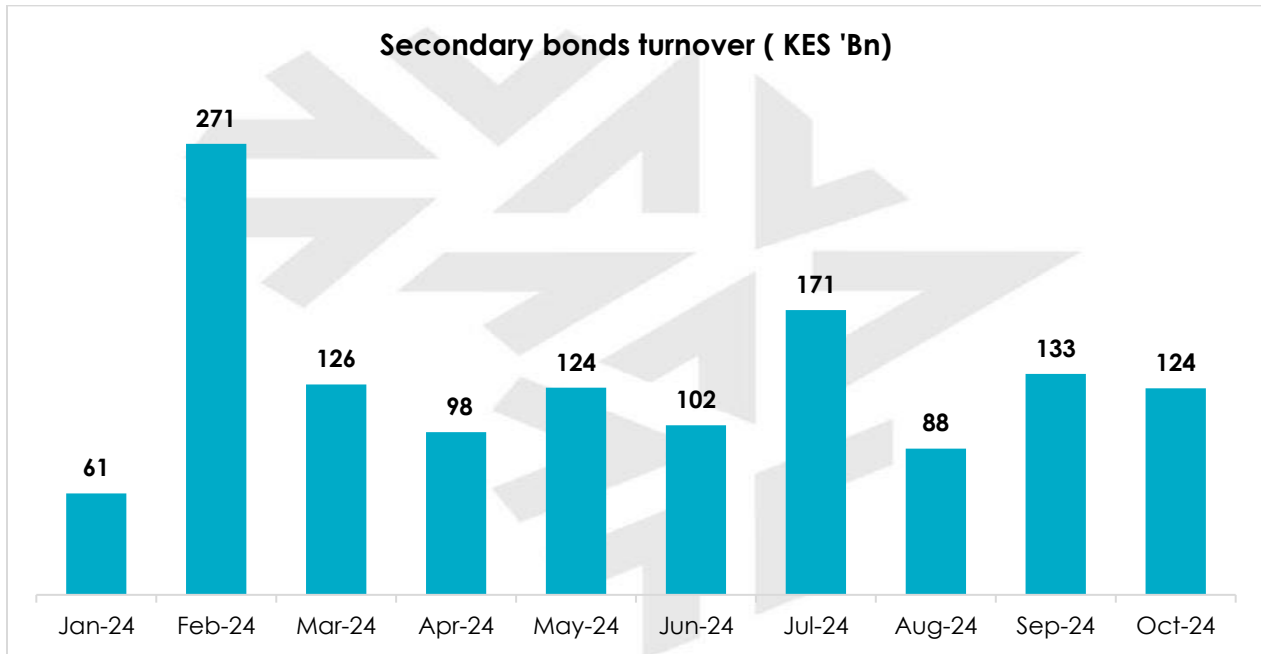
Source: CBK, NCBA IB Research

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Secondary Market

In the secondary bonds market, total bond turnover declined to KES 124Bn in October 2024 compared to KES 133Bn in September 2024. Trading is still concentrated on **short term papers** as investors seek to minimize duration risk. Investor's preference remains averse for longer-dated bonds attributable to duration risks.



Source: CBK, NCBA IB Research

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Kenya Government Debt Maturities Schedule – November 2024:

The government has total domestic debt maturities of **KES 249.83Bn** in the month of November 2024 compared to **KES 225.66Bn** in October 2024. We expect robust government activity in the local market.

Treasury Bond Maturities			
Issue No.	Maturity Date	Fixed Coupon Rate	Outstanding Amount KES 'Mn
IFB1/2017/007	November 18, 2024	12.50%	21,262.25
Total			21,262.25

Coupon payments					
Issue No.	Next Coupon Payment Date	Maturity date	Outstanding Amount KES 'Mn	Fixed Coupon Rate	Coupon payment KES 'Mn
FXD1/2020/005	4-Nov-24	5-May-25	104,518.70	11.67%	6,097.10
FXD2/2019/015	4-Nov-24	24-Apr-34	81,644.75	12.73%	5,198.32
FXD1/2021/025	4-Nov-24	9-Apr-46	90,490.00	13.92%	6,299.91
FXD1/2023/003	11-Nov-24	11-May-26	76,537.95	14.23%	5,444.91
FXD1/2021/005	11-Nov-24	9-Nov-26	66,075.85	11.28%	3,725.69
FXD1/2011/020	11-Nov-24	5-May-31	37,029.40	10.00%	1,851.47
FXD1/2022/010	11-Nov-24	3-May-32	63,956.30	13.49%	4,313.85
FXD1/2012/020	11-Nov-24	1-Nov-32	87,285.65	12.00%	5,237.14
IFB1/2016/009	11-Nov-24	12-May-25	19,925.79	12.50%	1,245.36
IFB1/2018/020	11-Nov-24	25-Oct-38	36,787.30	11.95%	2,198.04
IFB1/2022/014	11-Nov-24	27-Oct-36	94,258.60	13.94%	6,568.88
IFB1/2023/6.5	11-Nov-24	6-May-30	186,900.55	17.93%	16,758.16
FXD4/2019/010	18-Nov-24	12-Nov-29	89,972.85	12.28%	5,524.33
FXD1/2018/015	18-Nov-24	9-May-33	76,351.65	12.65%	4,829.24
IFB1/2017/007	18-Nov-24	18-Nov-24	21,262.25	12.50%	1,328.89
IFB1/2020/006	25-Nov-24	25-May-26	10,252.00	10.20%	522.85
Total					77,144.15

Treasury Bills	
Payment Date	Amount KES 'Mn
November 4, 2024	27,624.43
November 11, 2024	33,041.55
November 18, 2024	42,177.32
November 25, 2024	48,575.51
Total	151,418.81

Source: NSE, NCBA IB Research

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