

BIDDING GUIDE: Re-opened bond FXD1/2023/10 & FXD1/2018/20



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 bond **FXD1/2023/10 and FXD1/2018/20** 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 | FXD1/2018/20 Re-opened |
|--------------------------|-------------------------------|------------------------|
| Tenor to Maturity | 8.2 Yrs | 13.3 Yrs |
| Coupon Rate | 14.15% | 13.20% |
| Our Bidding Guide | 14.30% - 14.80% | 14.50% - 15.00% |
| Offered Amount | KES 25 Bn | |
| Period of Sale | 21st Nov 2024 to 4th Dec 2024 | |
| Value Date | 9th Dec 2024 | |
| Minimum Bidding Amount | KES 50,000.00 | |
| Taxation | 10.00% | |

Comparable Papers:

Re-opened FXD1/2023/10

| | Tenor to Maturity | Outstanding Amount Shs'M. | Fixed Coupon Rate | Implied Yield To Maturity |
|---------------|-------------------|---------------------------|-------------------|---------------------------|
| FXD1/2012/020 | 7.94 years | 87,285.65 | 12.0000% | 13.8774% |

Re-opened FXD1/2018/20

| | Tenor to Maturity | Outstanding Amount Shs'M. | Fixed Coupon Rate | Implied Yield To Maturity |
|---------------|-------------------|---------------------------|-------------------|---------------------------|
| FXD2/2018/020 | 13.63 years | 89,198.60 | 13.2000% | 14.0000% |

Source: NSE, NCBA IB Research

DISCOVER THE MARKETS



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 ample subscription for the papers with the prevailing investor looking to lock in higher interest rates.

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 318bps, the 182-day by 381bps, and the 364-day rates by 298bps. 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 | Nov-24 | Oct-24 | m/m change (bps) |
|------------------|---------|---------|------------------|
| 91 Day | 11.250% | 14.432% | (318.21) |
| 182 Day | 11.338% | 15.147% | (380.90) |
| 364 Day | 12.490% | 15.469% | (297.88) |

Source: CBK, NCBA IB Research

Annual consumer prices at the headline level rose to 2.80% in November from 2.7% in October 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.

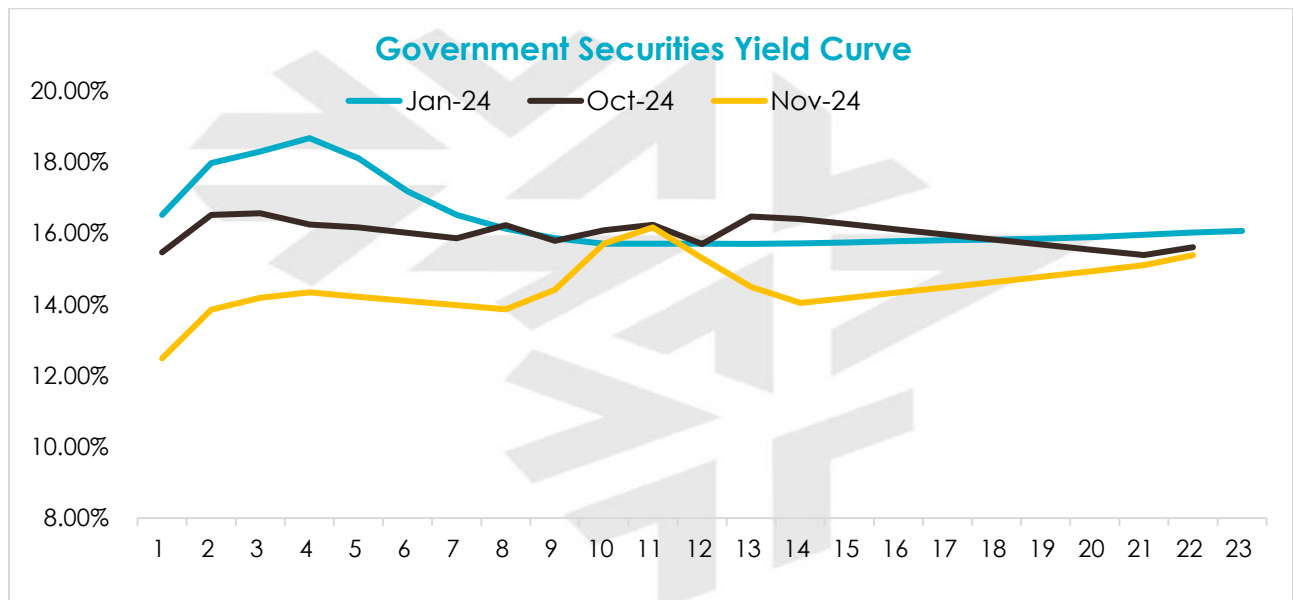
| Statistic | Nov-24 | Oct-24 | Change (bps) |
|-----------|--------|--------|--------------|
| Inflation | 2.80% | 2.70% | 10.00 |
| CPI | 140.81 | 140.44 | 26.35 |

| Statistic | Nov-24 | Oct-24 | Change (bps) |
|------------------------|--------|--------|--------------|
| CBR | 12.00% | 12.00% | - |
| Average Interbank Rate | 11.96% | 12.15% | (18.80) |

Source: CBK, KNBS, NCBA IB Research

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.

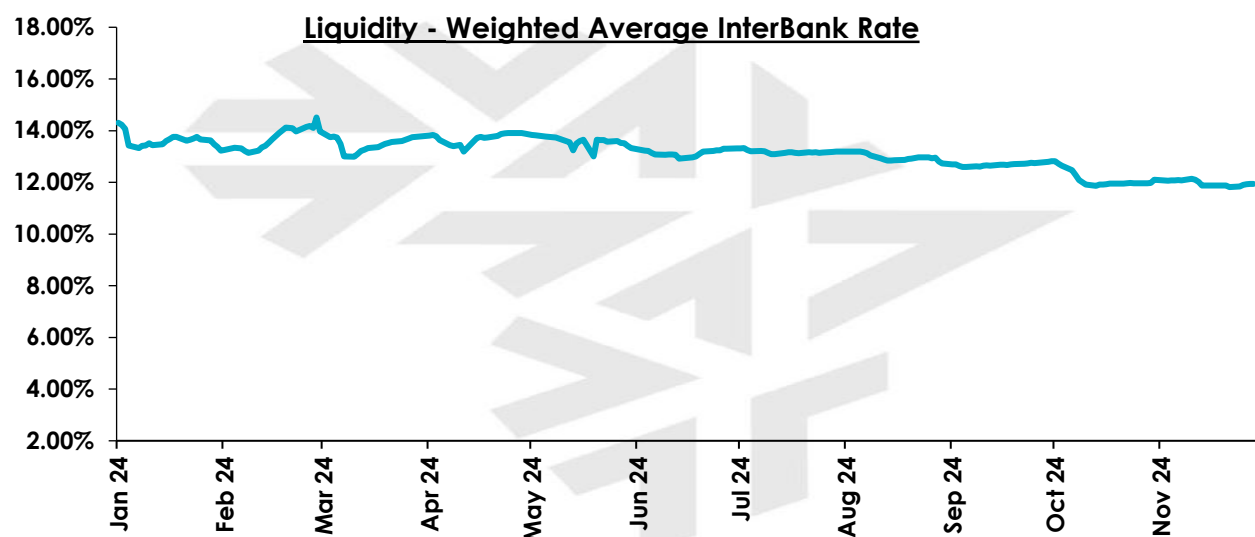
The yields on government securities have continued to decline, this trend is expected to persist as CBK maintains its ongoing monetary easing measures.



Source; NSE, NCBA IB Research

Liquidity

Liquidity conditions eased marginally. Indicatively, the overnight interbank rate declined by 19bps month on month to close at 11.96%. The average daily traded volumes declined to KES 31.99Bn from KES 34.10Bn recorded the previous month.



Source; CBK, NCBA IB Research

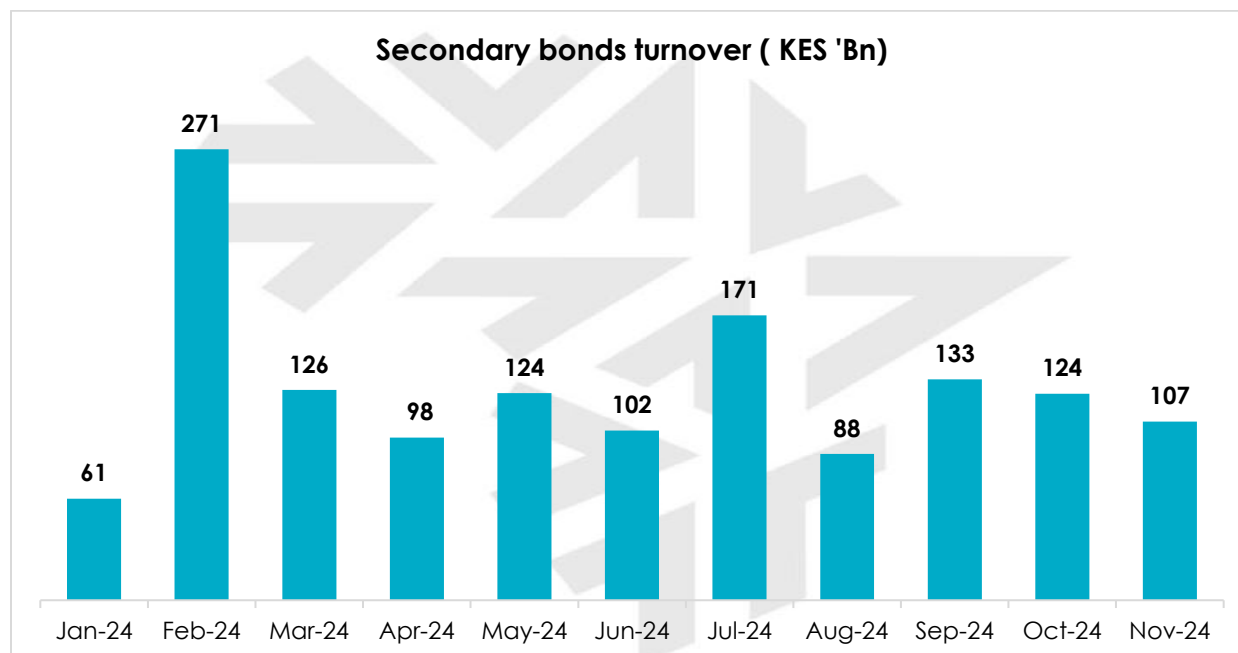
DISCOVER THE MARKETS

Secondary Market

In the secondary bonds market, total bond turnover declined to KES 107Bn in November 2024 compared to KES 124Bn in October 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

Kenya Government Debt Maturities Schedule – December 2024:

The government has total domestic debt maturities of **KES 207.71Bn** in the month of December 2024 compared to **KES 249.83Bn** in November 2024. We expect robust government activity in the local market.

| Treasury Bond Maturities | | | |
|--------------------------|---------------|-------------------|----------------------------|
| Issue No. | Maturity Date | Fixed Coupon Rate | Outstanding Amount KES 'Mn |
| IFB1/2015/009 | 2-Dec-24 | 11.00% | 8,506.50 |
| FXD3/2019/005 | 9-Dec-24 | 11.49% | 44,830.50 |
| Total | | | 53,337.00 |

| Coupon payments | | | | | |
|-----------------|--------------------------|---------------|----------------------------|-------------------|------------------------|
| Issue No. | Next Coupon Payment Date | Maturity date | Outstanding Amount KES 'Mn | Fixed Coupon Rate | Coupon payment KES 'Mn |
| IFB1/2015/009 | 2-Dec-24 | 2-Dec-24 | 8,506.50 | 11.00% | 467.86 |
| IFB1/2022/006 | 2-Dec-24 | 27-Nov-28 | 59,424.35 | 13.22% | 3,926.46 |
| FXD3/2019/005 | 9-Dec-24 | 9-Dec-24 | 44,830.50 | 11.49% | 2,575.96 |
| FXD2/2010/015 | 9-Dec-24 | 8-Dec-25 | 25,199.80 | 9.00% | 1,133.99 |
| FXD1/2008/020 | 9-Dec-24 | 5-Jun-28 | 58,446.13 | 13.75% | 4,018.17 |
| FXD2/2018/010 | 9-Dec-24 | 4-Dec-28 | 63,820.20 | 12.50% | 3,989.40 |
| FXD1/2010/025 | 9-Dec-24 | 28-May-35 | 20,192.50 | 11.25% | 1,135.83 |
| IFB1/2022/018 | 9-Dec-24 | 21-May-40 | 79,827.50 | 13.74% | 5,484.95 |
| FXD1/2018/025 | 16-Dec-24 | 25-May-43 | 94,326.70 | 13.40% | 6,319.89 |
| IFB1/2023/007 | 16-Dec-24 | 10-Jun-30 | 213,251.60 | 15.84% | 16,886.33 |
| Total | | | | | 45,938.84 |

| Treasury Bills | |
|----------------|-------------------|
| Payment Date | Amount KES 'Mn |
| 2-Dec-24 | 35,144.53 |
| 9-Dec-24 | 27,989.90 |
| 16-Dec-24 | 23,596.70 |
| 23-Dec-24 | 15,186.29 |
| 30-Dec-24 | 6,512.48 |
| Total | 108,429.90 |

Source: CBK, NCBA IB Research

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