

# BIDDING GUIDE: Re-opened bonds FXD1/2024/10 & FXD1/2008/20



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 bonds **FXD1/2024/10 & FXD1/2008/20** seeking to raise **KES 30.0Bn** 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	FXD1/2024/10 (Re-opened)	FXD1/2008/20 (Re-opened)
Tenor to Maturity	9.7 Yrs	3.9 Yrs
<b>Offered Amount (KES Bn)</b>	<b>30.00</b>	
Coupon Rate	<b>16.00%</b>	<b>13.75%</b>
Period of Sale	26th June 2024 to 17th July 2024	
Value Date	<b>22nd July 2024</b>	
Minimum Amount	50,000	
<b>Taxation</b>	<b>10.00%</b>	
<b>Bidding Guide</b>	<b>16.40% - 16.90%</b>	<b>17.85% - 18.35%</b>

Source: CBK, NCBA IB Research

## Comparable Papers:

### Re-opened FXD1/2024/10

Issue No.	Tenor to Maturity	Outstanding Amount KES' Mn.	Fixed Coupon Rate	Implied Yield to Maturity
FXD2/2019/015	9.82 years	81,644.75	12.7340%	14.9330%

Source: NSE, NCBA IB Research

### Re-opened FXD1/2008/20

Issue No.	Tenor to Maturity	Outstanding Amount KES' Mn.	Fixed Coupon Rate	Implied Yield to Maturity
FXD1/2023/005	4.01 years	141,683.98	16.8440%	17.8942%

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  
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## INVESTMENT CASE

### Demand

We anticipate moderate subscription given the medium to long-term duration.

### Interest rates

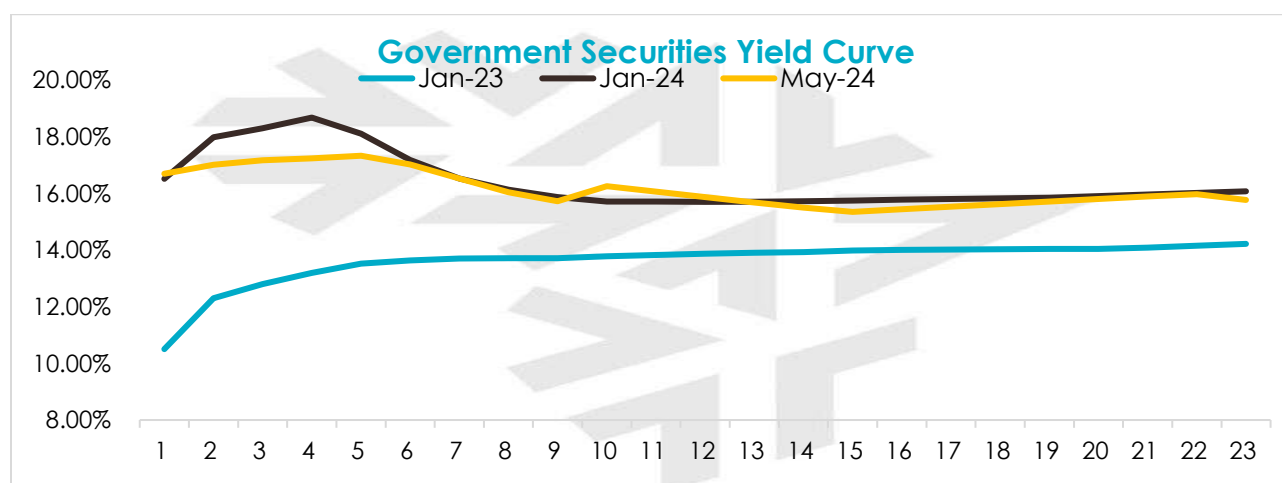
The Monetary Policy Committee retained the Central Bank Rate (CBR) at **13.00%** in its June meeting, citing the need to anchor inflationary pressures and the currency. The committee is set to meet on 6<sup>th</sup> August 2024.

Yields on treasury bills remained elevated in June with the largest rise in the 182-day paper driven by increased demand. 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	June-24	May-24	M/M change (bps)
91 Day	15.977%	15.955%	2.20
182 Day	16.764%	16.608%	15.60
364 Day	16.791%	16.706%	8.50

Source: CBK, NCBA IB Research

Annual consumer prices at the headline level declined to **4.6%** in June from **5.1%** in May 2024 – the lowest level recorded since September 2020. The deceleration in inflationary pressure was supported by lower food prices in the month falling to 5.6% from 6.2% the previous month. Similarly, fuel inflation declined to 6.4% from 7.8% reflecting lower international oil prices in June as well as currency stability.



Source: NSE, NCBA IB Research

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## Budget Support

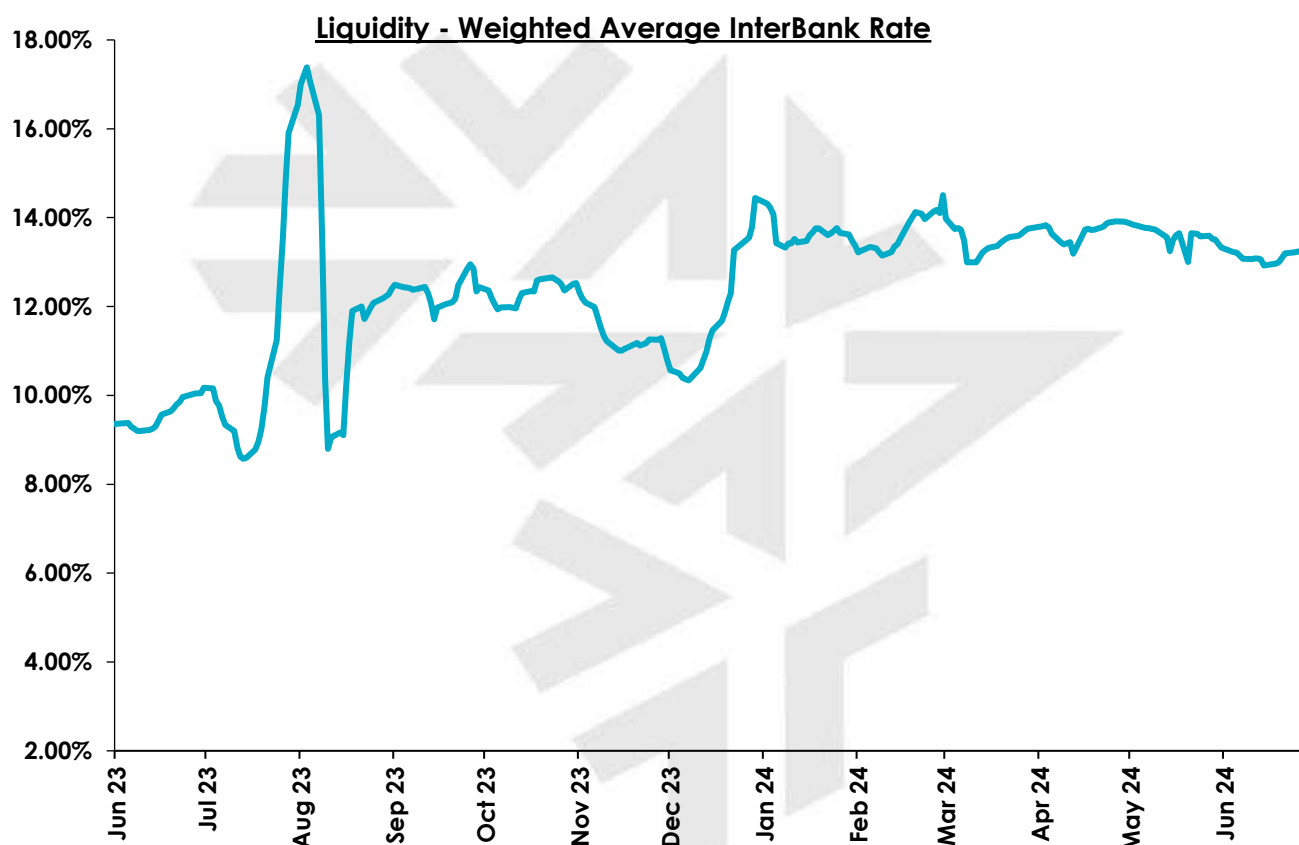
We await the government to present an early supplementary budget detailing expenditure cuts and increased borrowing targets from the KES 257Bn following the withdrawal of the finance bill 2024. This will see the government shifts its focus on domestic debt from the issuance of long-term instruments to more short and medium-term ones to align with investor appetite and realize the expected increased borrowing target for the fiscal year ending June 30 2025.

## 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 June. Indicatively, the overnight interbank rate decreased by 2.64bps month on month to close at 13.30%. The average daily traded volumes also increased to KES 24.10Bn from KES 19.97Bn recorded in the previous month.



Source; CBK, NCBA IB Research

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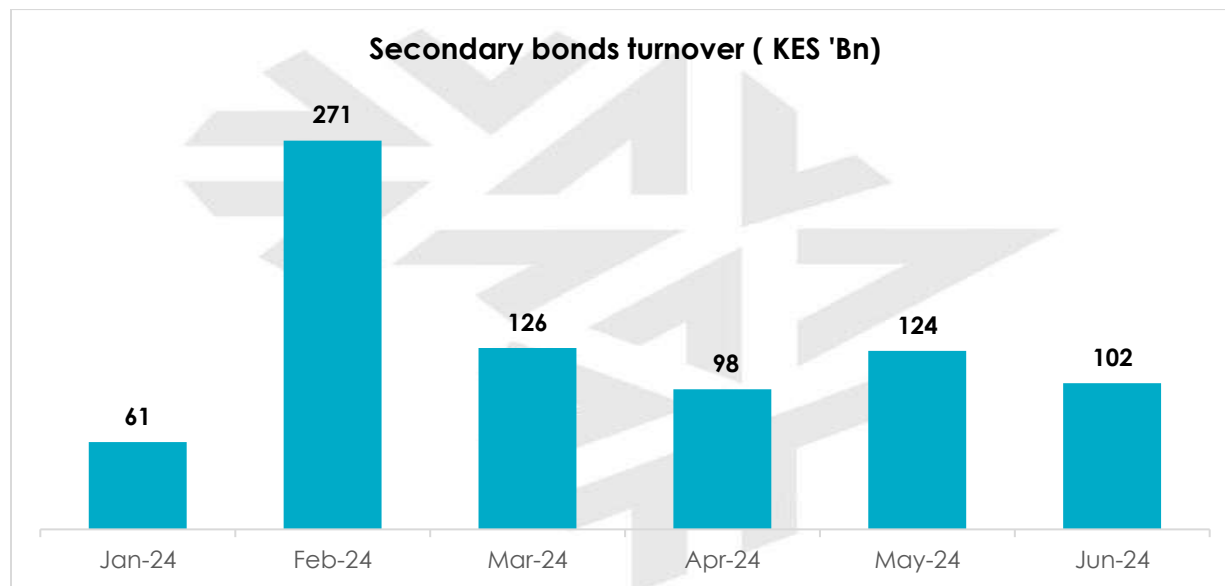
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## Secondary Market

In the secondary bonds market, total bond turnover declined to KES 102Bn compared to May but remained relatively high which has been the case since February 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 – July 2024:

The government has total domestic debt maturities of **KES 119.67Bn** in the month of July 2024 compared to **KES 123.51Bn** in June 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
FXD1/2024/003	July 15, 2024	<b>2.51</b>	92,085.62	18.39%	8,465.15
FXD1/2017/010	July 22, 2024	<b>3.03</b>	65,974.90	12.97%	4,277.15
FXD1/2023/005	July 15, 2024	<b>4.01</b>	141,683.98	16.84%	11,932.62
FXD1/2019/015	July 22, 2024	<b>9.53</b>	79,096.85	12.86%	5,084.74
FXD3/2019/015	July 22, 2024	<b>10.03</b>	53,919.80	12.34%	3,326.85
FXD2/2018/020	July 22, 2024	<b>14.03</b>	89,198.60	13.20%	5,887.11
IFB1/2018/015	July 22, 2024	<b>8.53</b>	41,184.80	12.50%	2,574.05
IFB1/2021/016	July 22, 2024	<b>12.53</b>	80,958.35	12.26%	4,961.53
<b>Total</b>					<b>46,509.22</b>

Source: CBK, NCBA IB Research

Treasury Bills	
Payment Date	Amount KES 'Mn
July 1, 2024	5,705.24
July 8, 2024	14,788.24
July 15, 2024	26,825.06
July 22, 2024	14,179.53
July 29, 2024	11,661.16
<b>Total</b>	<b>73,159.23</b>

Source: CBK, NCBA IB Research

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## Physical Address

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

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## 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)  
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Tel: +254 20 2884444 Mobile: +254 711 056444  
Website: [investment-bank.ncbagroup.com](http://investment-bank.ncbagroup.com)

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#### 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

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### 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  
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