BIDDING GUIDE: Re-opened bonds FXD1/2016/10 AND FXD1/2022/10

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 **FXD1/2016/10 AND FXD1/2022/10** 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	FXD1/2016/10 (Re-opened)	FXD1/2022/10 (Re-opened)
Tenor to Maturity	1.8 Yrs	7.6 Yrs
Coupon Rate	**15.04%**	**13.49%**
Offered Amount	**KES 30 Bn**	
Period of Sale	25th Sept 2024 to 9th Oct 2024	
Value Date	**14th Oct 2024**	
Minimum Bidding Amount	KES 50,000.00	
Taxation	**10.00%**	
Our Bidding Guide	**16.80% to 17.30%**	**16.70% to 17.20%**

Source: CBK, NCBA IB Research

Comparable Papers:

Re-opened FXD1/2016/10

Bond Issue	Tenor to Maturity	Outstanding Amount Shs'M.	Fixed Coupon Rate	Implied Yield To Maturity
FXD1/2023/003	1.6 years	76,537.95	14.2280%	16.8097%

Re-opened FXD1/2022/10

Bond Issue	Tenor to Maturity	Outstanding Amount Shs'M.	Fixed Coupon Rate	Implied Yield To Maturity
FXD1/2012/020	8.08 years	87,285.65	12.0000%	16.8000%

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 medium-term paper, and higher subscription rate for short-term paper with the prevailing investor preference for short-term instruments.

Interest rates

The Monetary Policy Committee cut the Central Bank Rate (CBR) to **12.75%** in its August meeting, citing anchored inflation expectations and a stable exchange rate.

Yields on treasury bills recorded mixed performance, with the 91-day rate rising by 85bps while the 182-day and 364-day rates both declined by 4bps. 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	Sept-24	Aug-24	M/M change (bps)
91 Day	15.72%	14.87%	84.49
182 Day	16.59%	16.63%	(4.39)
364 Day	16.80%	16.84%	(4.22)

Source: CBK, NCBA IB Research

Annual consumer prices at the headline level ticked down to 3.6% in September from 4.4% in August 2024. The inflation was mainly driven by prices for food, transportation, water, electricity, gas and other fuels.

Statistic	Sept-24	Aug-24	Change
Inflation	3.60%	4.40%	(0.8%)
CPI	140.13	139.87	0.26

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.

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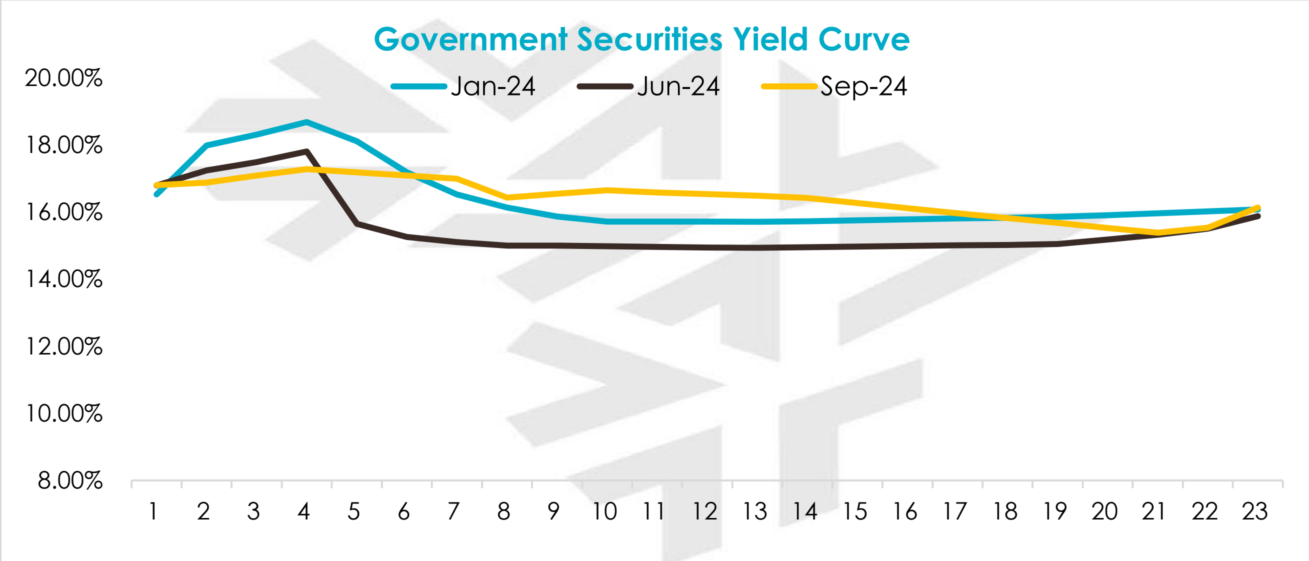
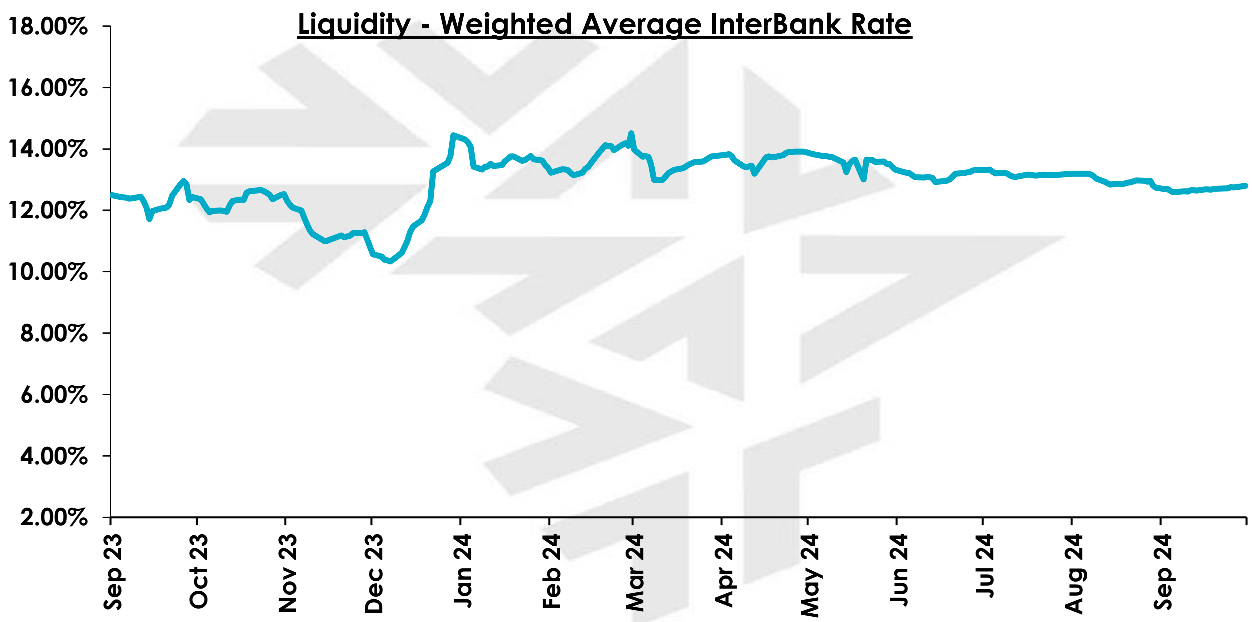


Source; NSE, NCBA IB Research

Liquidity

In September, 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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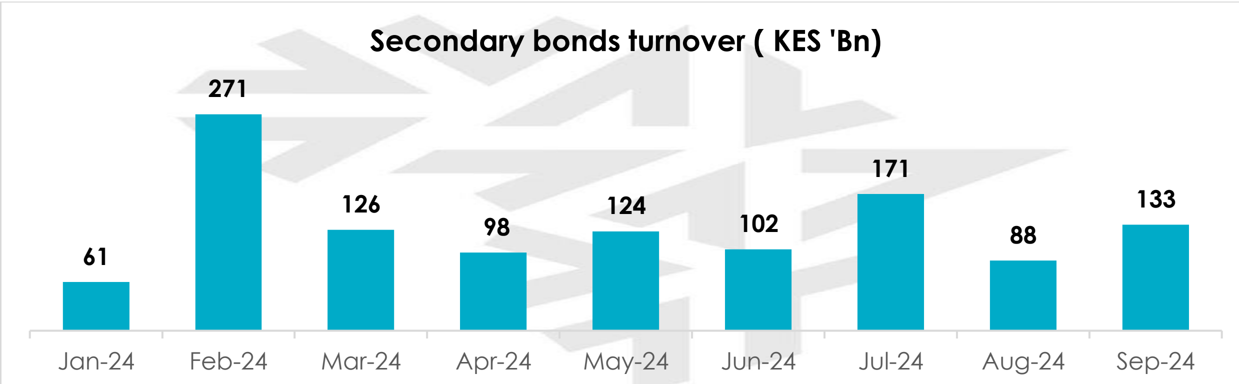
Secondary Market

In the secondary bonds market, total bond turnover increased to KES 133Bn in September 2024 compared to KES 88Bn in July-24. 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 – October 2024:

The government has total domestic debt maturities of **KES 225.6Bn** in the month of October 2024 compared to **KES 133.09Bn** in September 2024. We expect robust government activity in the local market.

Coupon payments					
Issue No.	Next Coupon Payment Date	Maturity date	Outstanding Amount KES 'Mn	Fixed Coupon Rate	Coupon payment KES 'Mn
FXD1/2009/015	7-Oct-24	7-Oct-24	31,952.45	12.50%	1,997.03
FXD1/2022/003	7-Oct-24	7-Apr-25	60,605.75	11.77%	3,565.44
FXD2/2019/010	7-Oct-24	2-Apr-29	60,725.30	12.30%	3,734.61
FXD1/2019/020	7-Oct-24	21-Mar-39	83,350.00	12.87%	5,364.82
IFB1/2020/009	7-Oct-24	2-Apr-29	78,973.60	10.85%	4,284.32
IFB1/2021/018	7-Oct-24	21-Mar-39	81,785.60	12.67%	5,179.89
FXD2/2013/015	14-Oct-24	10-Apr-28	70,859.75	12.00%	4,251.59
FXD2/2018/015	14-Oct-24	3-Oct-33	33,411.70	12.75%	2,130.00
IFB1/2014/012	14-Oct-24	12-Oct-26	16,631.48	11.00%	914.73
IFB1/2016/015	14-Oct-24	6-Oct-31	30,004.70	12.00%	1,800.28
FXD1/2022/015	21-Oct-24	6-Apr-37	68,357.70	13.94%	4,765.22
FXD1/2022/025	21-Oct-24	23-Sep-47	20,773.50	14.19%	1,473.67
IFB1/2019/016	21-Oct-24	8-Oct-35	71,028.55	11.75%	4,172.93
Total					**43,634.51**

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Treasury Bond Maturities			
Issue No.	**Maturity Date**	**Fixed Coupon Rate**	**Outstanding Amount KES 'Mn**
FXD1/2009/015	October 7, 2024	12.50%	31,952.45
Total			**31,952.45**

Treasury Bills	
Payment Date	**Amount KES 'Mn**
October 7, 2024	25,250.50
October 14, 2024	35,883.25
October 21, 2024	43,087.72
October 28, 2024	45,853.12
Total	**150,074.59**

Source: CBK, NCBA IB Research

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