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STERLING CAPITAL LIMITED

Fixed Income Kenya Treasury Bond Tap Sale Results Update Note

February 2021

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February 2021 bond Tap-sale Results update

- The Central Bank of Kenya (CBK) opened a tap sale for two Kenya Treasury bonds reopened earlier in the month: **FXD1/2013/15 (7.1 years)** and **FXD1/2012/20 (11.8 Years)** seeking to raise KES.18Bn.
- The tap sale closed on Wednesday 17th February receiving an underwhelming bid subscription rate of 62% (KES.11.2Bn).
- In our Tap sale update note <https://www.sterlingib.com/reports/fixed-income/v/fixed-income-tap-sale-update-note-february-2021> earlier in the month, we anticipated the tap sale to be undersubscribed based on the high concentration around similar tenors .
- The CBK has been re-opening bonds around the 7-8 years maturity profile resulting in a perceived oversupply of the tenors.
- Weighted Average Accepted rates (WAR) for the re-opened FXD1/2013/15 and FXD1/2012/20 were 11.784% and 12.587% respectively which also applied to the tap sale.
- CBK accepted KES.10.9Bn of the KES.11.2Bn bids received with KES.7Bn for FXD1/2013/15 and KES.3.9Bn for FXD1/2012/20
- Market liquidity has improved so far in February with an average inter bank rate at 4.7% (between 1st February and 17th February 2021) from an average of 5.248% in January.
- The repo rate has declined by 80bps to 6% over the same period compared to 6.8% at the beginning of January.
- Total debt service in February 2021 is KES.135.8Bn, with KES.7.9Bn and KES.113.5Bn in T-Bond and T-Bill redemptions respectively while coupon payments stand at KES.14.5Bn.

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