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Fixed Income

Tap Sale Results Update Note

May 2022

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May 2022 Treasury Bond Tap Sale Auction Results Update

- The Central Bank of Kenya (CBK) issued a tap sale for **FXD1/2022/10** and **FXD1/2021/25** seeking to raise KES.10Bn following low subscription for the initial primary auction.
- Bids received amounted to KES.43.1Bn equivalent to a subscription rate of 71.9% with KES.31.7Bn accepted.
- The period of the tap sale was 17th May - 20th May 2022 with a value date of 23rd May 2022. Results [here](#).

Subscription Rates

- The CBK received bids worth KES.17Bn in bids against a target amount of KES.10Bn equivalent to a subscription rate of 170% (Figure.1).

Table.1: Results for Treasury Bonds Tap Sale Issues - FXD1/2022/10 & FXD1/2021/25

Domestic Debt Issue	FXD1/2022/10	FXD1/2021/25	Total
Total Advertised Amount (KES.Mn)	10,000		
Total Bids Received (KES.Mn)	5,967.65	11,044.75	17,012.40
Total Bids Accepted (KES.Mn)	5,967.17	11,003.44	16,970.61
Allocated average rate for accepted bids (%)	13.490	13.976	
Adjusted Average Price (Per KES) 100.00)	100.251	100.162	
Coupon Rate (%)	13.490	13.924	

Source: Central Bank of Kenya

Domestic Borrowing

- The National Treasury remained below the 2021/22 fiscal year domestic borrowing target at the end of April 2022 which is 10 months of the fiscal year at 72.9% against our linear target of 83.3%.
- This also partially explains why the CBK issued a tap sale and accepted bids above its target amount.
- From an investor perspective, the above still offers a compelling real return in consideration of alternative investment options.
- The CBK remains intent to keep rates below 14% and this has flattened the yield curve of 15 years and beyond tenors.
- The CBK will come under pressure to accept more aggressive bids for long-term debt to encourage subscription or risk an undersubscription in subsequent auctions.
- To manage the cost of borrowing within current levels, tap sales could become more common post primary debt auctions.

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