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# Fixed Income Note

February 2024

## Auction Bid Prediction Revision

(IFB1/2024/8.5)

## February 2024 Treasury Bond Primary Auction Weighted Average Bid Prediction Revision

- The Central Bank of Kenya (CBK) has invited bids for an 8.5-year amortized Infrastructure Bond **(IFB1/2024/8.5)**, with a market-determined coupon to raise KES.70Bn.
- We recently released a fixed income note that gave our weighted average rate predictions which, based on fast changing market sentiment, appear to be aggressive.
- We estimate that the recent 2024 Eurobond buyback announcement has reduced perceived risks associated with investing in Kenya and prompted a return of foreign capital.
- We would also like to highlight slight gains on the Shilling from KES.161.35 recorded on the 21st of January 2024 to KES.158.66 recorded today (13th February 2024) - majority of which came in February which we estimate to be a function of foreign investor inflows seeking to take advantage of this issuance.
- We also expect these inflows to bid less aggressively than local investor bids.
- Finally, we expect that the bond will be oversubscribed with bids likely to come in excess of KES.150Bn.
- Given all these factors, we expect the CBK to reject aggressive bids given the volume of capital flowing in and as such, we have revised our weighted average rate predictions as shown below:

**Table.1: Auction Bid Predictions**

Domestic Debt Issue	Weighted Average Bid Predictions (%)	
	Previous	Updated
<b>IFB1/2024/8.5</b>	19.19 - 19.49	18.89 – 19.09

Source: Sterling Capital Research

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