KCB CAPITAL

BOND AUCTION NOTE

BOND AUCTION

Bond Offers	
Issue Number	FXD1/2021/05
Effective Tenor	4.7 years
Coupon Rate	11.277%
Issue Number	FXD1/2020/15
Effective Tenor	12.9 years
Coupon Rate	12.756%
Issue Number	FXD1/2021/25
Effective Tenor	24.2 years
Coupon Rate	13.924%

CBK re-opens three bond issues: 5-year, 15-year and 25-year - FXD1/2021/05, FXD1/2020/15 and FXD1/2021/25

The Central Bank has re-opened three bond issues, seeking to raise KES 50.0Bn, with the period of sale running up till Tuesday 8th March 2022. We anticipate the following weighted average accepted rate for the bonds.

- FXD1/2021/05 within 11.89% - 12.11%
- FXD1/2020/15 within 13.19% - 13.32%
- FXD1/2021/25 within 13.99% - 14.08%

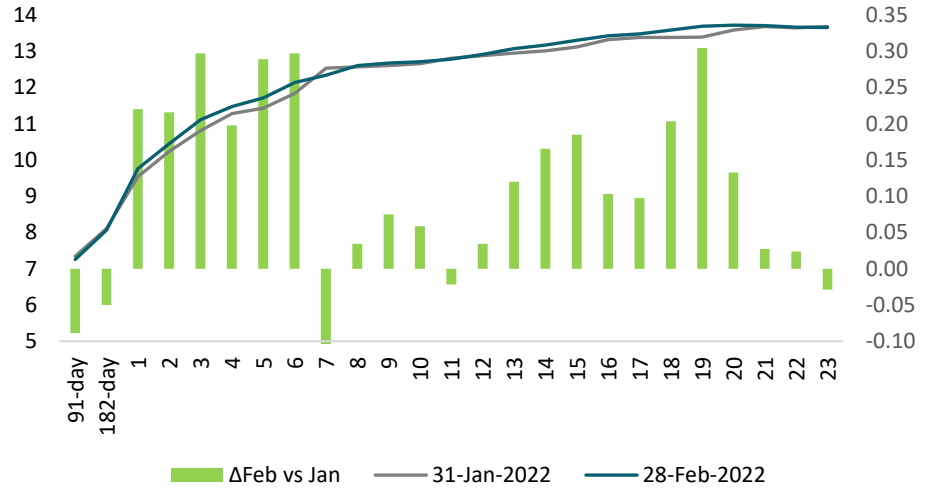
Yield Curve Expectation

In February, the yield curve was relatively stable but with a pronounced bulge on the belly and long end of the curve. We expect the KES 50.0Bn on each offer in this auction to witness healthy demand with an oversubscription on the medium term bond.

Summary Bidding Levels	
Paper	FXD1/2021/05
Expected Discount	0.72%
Aggressive	12.11%
Conservative	11.89%
Bidding Range	11.89% - 12.11%
Mid Yield	**12.00%**
Paper	FXD1/2020/15
Expected Discount	0.49%
Aggressive	13.32%
Conservative	13.19%
Bidding Range	13.19% - 13.32%
Mid Yield	**13.25%**
Paper	FXD1/2021/25
Expected Discount	0.11%
Aggressive	14.08%
Conservative	13.99%
Bidding Range	13.99% - 14.08%
Mid Yield	**14.03%**

Bidding Rationale

The recent comparable bond re-open, issued in January, commanded an average premium of 110bps for the 10-year and 20-year papers in the auction, compared to yields in the market a week prior. Given our expectation of upward pressure on the yield curve, and using the previous auction as an anchor, we anticipate a discount on the papers, in comparison to current market yield.



Source: NSE, KCB Capital

DISCLOSURES

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