

Weekly Fixed Income

Key Highlights:

A total of KES 24.0 billion worth of T-bills were on offer during the week. The 364 day T-bill on offer was oversubscribed, recording a 250% subscription rate, as investors sought to lock in higher interest rates while both the 91-Day and 182-day T-bill on offer were undersubscribed as subscription rates stood at 54% and 48% respectively.

In a bid to raise KES 40 billion, CBK will this month auction a 15 year bond, FXD3/2019/15. The bond's coupon will be market determined and the sale period runs from 2nd July to 23rd July.

Recommended Trades:

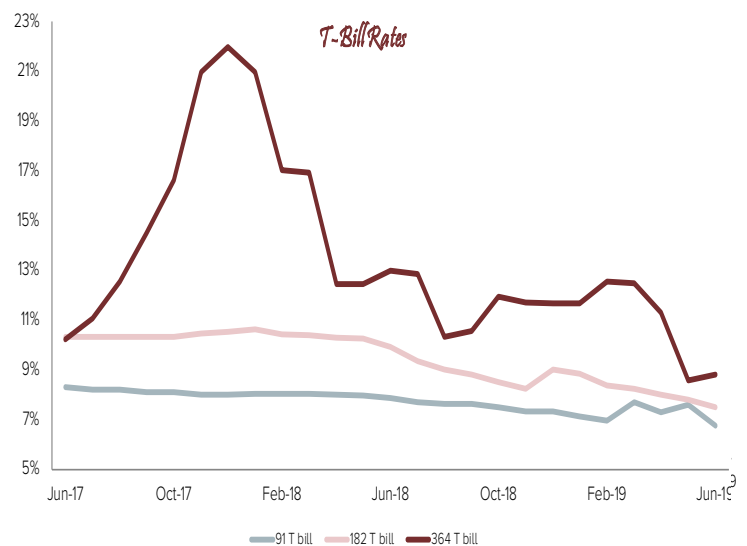
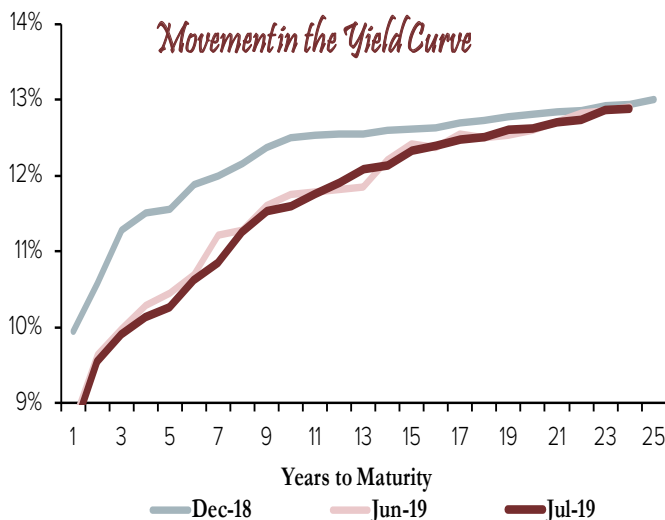
We are advising investors to utilize Capital gains play. We recommend investors to buy the 11-year, 12-year and the 15-year fixed coupon bonds, whose yields are currently at 11.7800%, 11.8157% and 12.4176%. As the yield curve continues to decline, investors are expected to benefit from an increase in price.

Key Indicators

	Current	Previous	% Change
91-day	6.67%	6.74%	-0.07%
182-day	7.40%	7.49%	-0.09%
364-day	8.61%	8.76%	-0.15%
Interbank	2.20%	2.23%	-0.03%

Macroeconomic data	Current	Previous
GDP (1Q19 vs 1Q18)	5.6%	6.5%
Inflation (Jun)	5.7%	5.5%
Private sector credit growth (Apr)	4.9%	4.3%
Money Supply (April)	10.7%	12.5%

Interest Rates



MACROECONOMIC NEWS

Economic Growth:

GDP growth slowed to 5.6% in 1Q19 from 6.5% in the corresponding period of 2018. This is mainly attributed to a slowdown in the Agricultural sector where growth reduced to 5.3% from 7.5% in 1Q18.

Currency:

The KES lost 0.3% against the USD during the week as dollar demand increased. The shilling is expected to continue to lose against the USD as dollar demand remains elevated.

Inflation:

Inflation rose to 5.7% in June from 5.49% in May. However, the CPI also decreased by 0.69% mainly due to a 1.6% decline in the Food and non-alcoholic beverages index.

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