

# Weekly Fixed Income

## Key Highlights:

CBK's monetary policy committee (MPC) is set to meet on Wednesday, July 24<sup>th</sup>. We expect the committee to leave the CBR unchanged on the back of a stable macroeconomic environment. The Kenyan shilling has depreciated since the last policy meeting but inflation remains below CBK's upper target of **7.5%**.

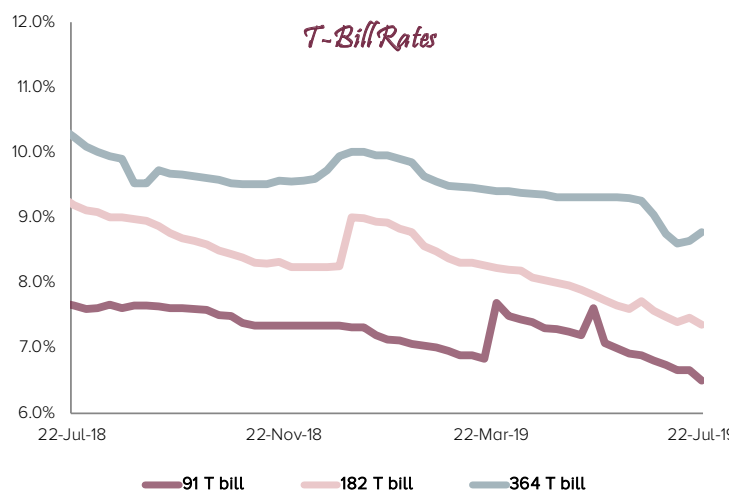
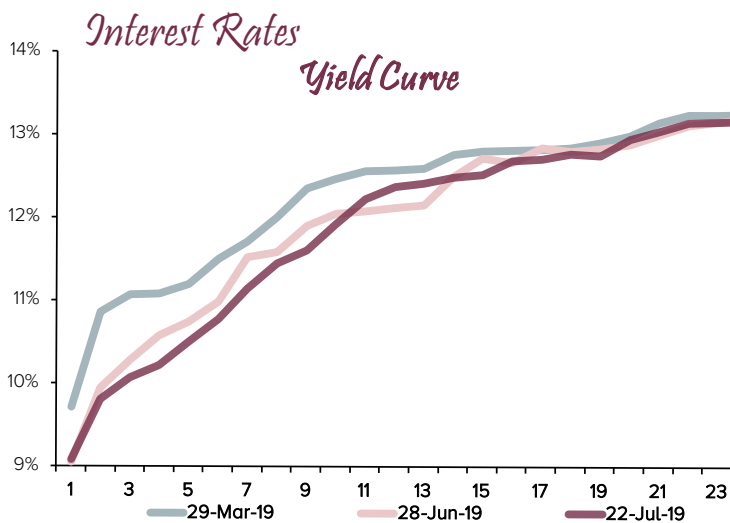
A total of **KES 24.0 Billion** worth of T-bills were on offer during the week. Both the **91-day** and **364-day** T-bill on offer were oversubscribed recording **187.56%** and **115.57%** subscription rates respectively while the subscription rate on the **182-day** T-bill stood at **69.56%**. CBK accepted all bids for the **91-day** and **182-day** T-bills on offer even as the interest rates declined.

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 2<sup>nd</sup> July to 23<sup>rd</sup> July. We have revised our recommended bids upward to within the range of **12.25%** to **12.35%**.

## Key Indicators

	Current	Previous	% Change
91-day	6.50%	6.60%	-0.10%
182-day	7.36%	7.47%	-0.11%
364-day	8.79%	8.65%	0.14%
Interbank	2.00%	2.39%	-0.39%

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%



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## 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 Kenyan shilling continued to lose ground against the **USD** closing the week down **0.35%**. 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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