

Week ending 27<sup>th</sup> September 2019

# Weekly Fixed Income Note

## Key Highlights:

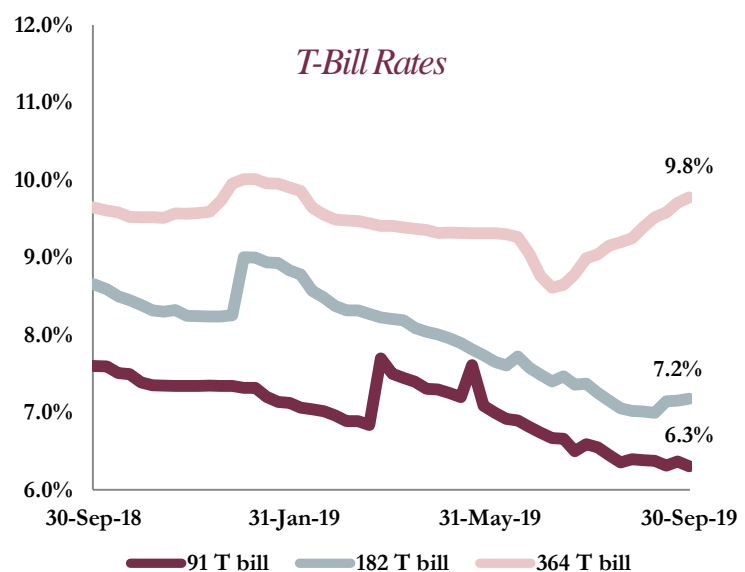
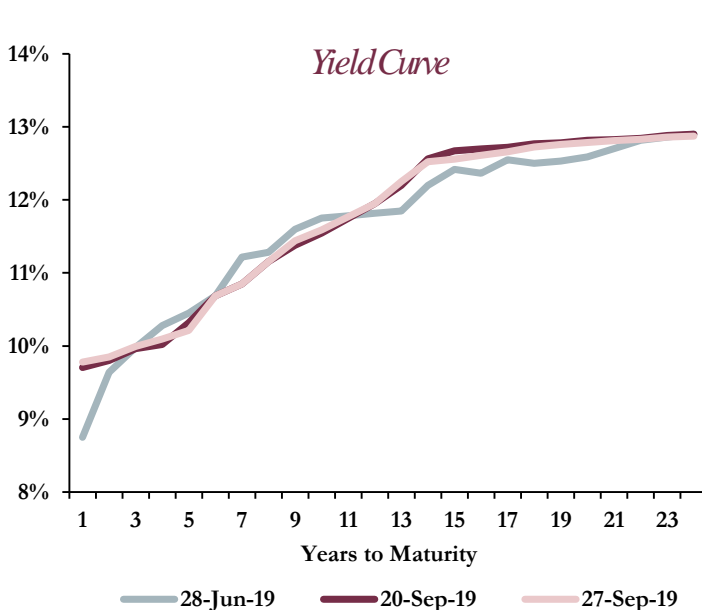
A total of **KES 24.0 Billion** worth of T-bills were on offer during the week. The **364-day** T-bill on offer was oversubscribed recording **199%** subscription rate while the subscription rates on the **91-day** and **182-day** T-bill stood at **82%** and **4%** respectively. CBK accepted all the bids for the **91-day** and **182-day** T-bills on offer.

CBK's Monetary Policy Committee met on 23<sup>rd</sup> September and elected to maintain the CBR at 9.00% on the back of a stable macro-economic environment. We see room for the Bank to **reduce the CBR** at its next meeting as the Committee noted that the prospective tightening of fiscal policy would provide scope for accommodative monetary policy in the near term.

## Key Indicators

	Current	Previous	%Change	Macroeconomic data	Current	Previous
91-day	6.31%	6.37%	-0.06%	GDP (1Q19 vs 1Q18)	5.6%	6.5%
182-day	7.18%	7.15%	0.03%	Inflation (Aug)	5.0%	6.3%
364-day	9.78%	9.71%	0.07%	Private sector credit growth (Jun)	5.2%	4.4%
Interbank	7.31%	6.99%	0.32%	Money Supply (Jun)	9.2%	8.7%

## Interest Rates



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## MACROECONOMIC NEWS

### *Currency*

The Kenyan shilling slightly gained ground against the USD closing the week up **0.01%**. The shilling was expected to depreciate against the USD due to month end dollar demand but CBK's intervention in the money market helped maintain the shilling's stability. CBK withdrew a total of KES 75 billion from the market through its open market operations (OMO), while its reserves declined by USD 163 million as the Bank sought to support the shilling. CBK's usable forex reserves now stand at USD 8.99 billion (5.61 months of import cover) versus USD 9.14 billion (5.72 months of import cover) during the previous week.

### *Inflation:*

Inflation fell to **5.0%** in August from **6.3%** in July. However, the CPI decreased by **0.90%** mainly due to a **1.89%** decline in the Food and Non-alcoholic beverages index.

### *GDP growth*

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**

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