

Kingdom Securities Limited

Post-Auction Fixed Income Note – March 2022



Total Issue KES 50.00Bn

Subscription KES 40.95Bn – 81.9%

Accepted KES 18.45Bn – 45.1%

Overall Performance – 36.9%

March 10, 2022

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Primary Issue - March 2022 - Weak Subscription Performance

Overall March 2022 performance was weak subscription of 81.9% with KES 40.95Bn received. CBK accepted KES 18.45Bn representing 45.1% acceptance and a performance of 36.9% of offer.

Pre-auction closure, interbank edged upwards to 5.7069% from 5.5830% a week earlier. Market liquidity remained balanced with CBK opting to stay out of the open market.

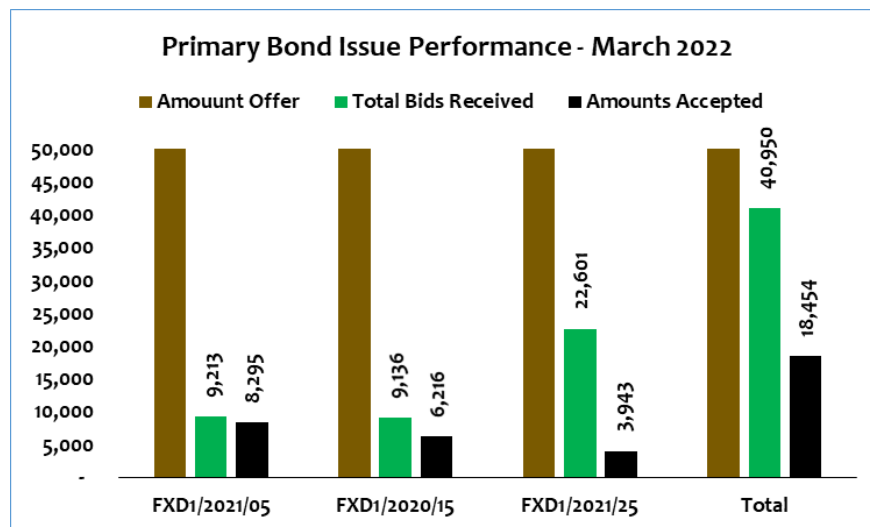


Figure 1: Primary Issue Bond Performance

Source: KSL, CBK

FXD1/2021/05 received KES 9.21Bn for a 18.4% subscription with treasury accepting KES 8.30Bn on 90.0% acceptance rate with bond performing 16.6% on the amount on offer. The accepted weighted average rate (WAR) was 11.997%. The low subscription is an indicator that not much downward shift is expected on the short end of the yield curve coupled by previous oversubscription on the initial issue.

FXD1/2020/15 subscription was at 18.3% with KES 9.14Bn received and KES 6.22Bn accepted a 68.0% level. The bond performed at 12.4%. Acceptance WAR was 13.732%. Investors on this bond expect a better downward shift to market adjustment with mid-yield curve seen to be the most volatile after primary issue.

The negative on the paper is the low trade demand with the paper trading 0.8% of total bonds value traded in 2021 and 1.4% of the paper value was transacted. Year to date, it has moved 0.03% on total bonds value traded and 0.01% of amount held by investors.

FXD1/2021/25 Surprise of the issue receiving KES 22.60Bn for a 45.2% subscription. Aggressive bidding saw only KES 3.94Bn accepted on a 17.4% acceptance rate for a 7.9% performance. Accepted WAR was 13.973% which was 26.2bps lower compared to market WAR.

Not much activity is expected on this bond as it tends to attract long term investors while long end of the yield curve has remained stationary for long.

We foresee an early primary issue in the month on April with an expectation of close of sale on April 4th, 2022 due to heavy coupon payments of c.KES 18.63Bn scheduled for April 11th, 2022.

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