

Kingdom Securities Limited

Post-Auction Fixed Income Note – November 2022



IFB1/2022/14Yrs

Total Issue KES 60.00Bn

Subscription KES 91.89Bn – 153.2%

Accepted KES 75.57Bn – 82.2%

Overall Performance – 126.0%

November 10, 2022

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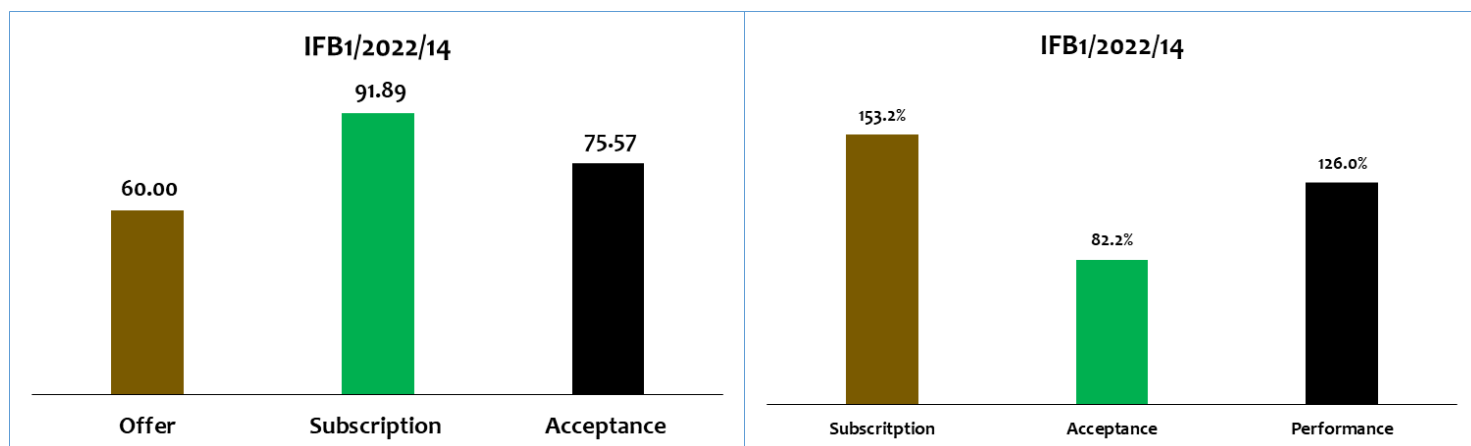
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Auction Results – IFB1/2022/014Years

Treasury released the auction result for the November infrastructure bond auction. A total of KES 91.89Bn was received from an offer of KES 60.00Bn for a subscription of 153.2%. KES 75.57Bn was accepted on an 82.2% acceptance rate and a performance of 126.0%.

The bond yield performed very well in a tight liquidity environment for a weighted average rate of return (WAR) of 13.938% from a market WAR of 14.008%, a 6.9bps difference. The upper cut off rate was above our upper aggressive bid rate of 13.950%. Read our [Pre-Auction Fixed Income Note-November-2022](#).

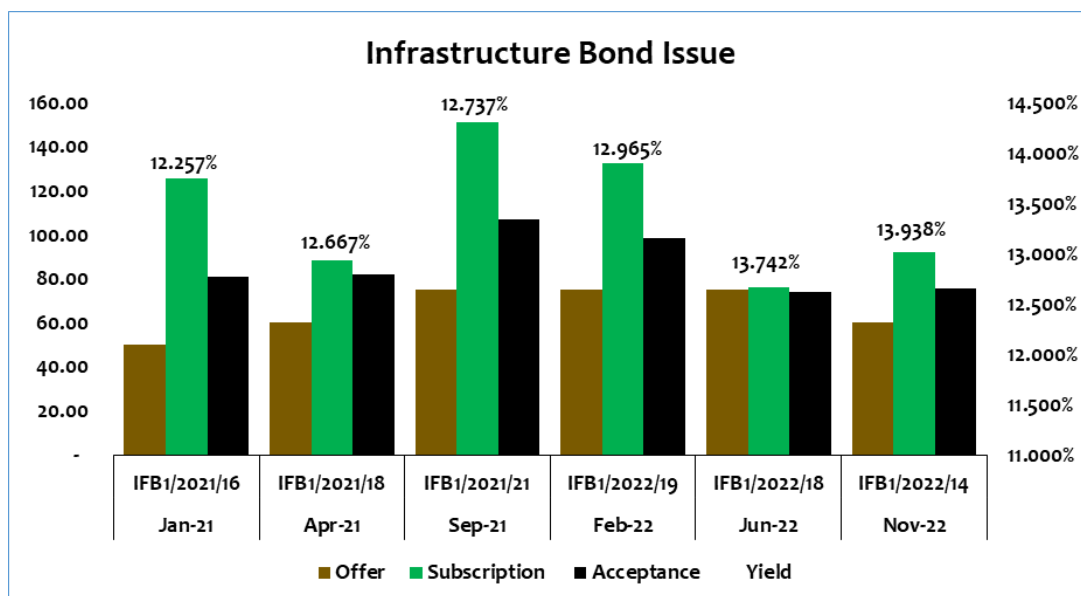
The response was an indication of the market being starved for a good investment vehicle. Being a tax-free bond, the yield is equivalent to 15.487% taxable on a 10% tax levels as the bond tenure is above 10-years.

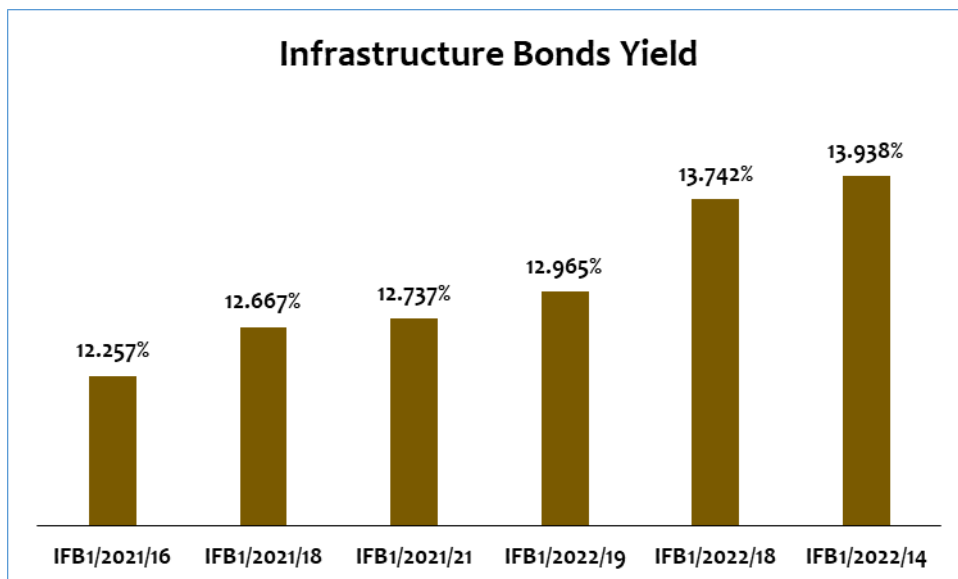


Previous Offerings

Recent offerings have witnessed an upward trend in Accepted WAR as the yields on infrastructure bonds moved up by 168.1bps between January 2021 and November 2022 despite a decline in tenure. This will have an impact on the government strategy of managing yields by issuing long-term bonds.

The performance of the bonds has also been on the decline, reflecting the tight market liquidity environment and low foreign investor participation.





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