

Primary Bonds Pre-Auction Note

October 2025

Reopenings

FXD1/2018/015
FXD1/2021/020

Total Value:
KES 50 billion

October 2025 Primary Auction - FXD1/2018/015 & FXD1/2021/020

The government of Kenya through the Central Bank, reopened two papers, FXD1/2018/015 and FXD1/2021/020 seeking KES 50 billion from the public for budgetary support.

The auction comes at the wake of a weak liquidity demand from the government with only KES 48.16Bn coupon payouts due in October 2025. The demand is further subdued by overflows from the KES 405.28Bn borrowed in the first quarter of the fiscal year 2025/26, out of which KES 293.28Bn offset bond maturities and coupon payouts.

According to the August exchequer statistics, domestic borrowing performance stands at 196.6% or KES 359.82Bn against a proportionate target of KES 183.04Bn while tax revenue recording KES 328.75Bn or 75.1% performance against target.

We also anticipate the recent interest rate cut of 25.0bps from 9.50% to 9.25% to weigh in on this auction's pricing even as the general rate transmission takes effect gradually across the market. As such, we recommend the following bidding rates for your consideration:

Bond	FXD1/2018/015	FXD1/2021/020
Amount	KES 50 billion	
Tenure	7.7-Yrs	15.9-Yrs
Coupon	12.6500%	13.4440%
With-holding Tax	10%	
Period of Sale	26 th Sept - 15 th Oct. 2025	
Auction Date	15 Oct 2025	
Value Date	21 Oct 2025	
Conservative	12.70% - 12.90%	13.60% - 13.80%
Aggressive	12.91% - 13.10%	13.81% - 13.99%

We forecast an overall oversubscription supported by improved liquidity in the market and the re-opening of a short-term paper which the market has been short of for a while. This is even as we expect institutional clients such as insurances and pension funds to go for the long-term FXD1/2021/20 paper.

The FXD1/2018/15 (7-7-years) has an outstanding amount of KES 100.10Bn with its next coupon happening on 17th November 2025 (28-days away from value date). The paper was last re-opened in January 2025, where its accepted yield to maturity (YTM) was 14.2096% after being oversubscribed at 101.9% against KES 30.00Bn target.

The FXD1/2021/20 has a withholding amount of KES 75.98Bn and was last re-opened in August 2022. Its next coupon payments will happen in February and in August 2026.

Note:

Exchequer performance summary for the first two months of FY2025/26 points to a surplus of KES 78.67Bn with domestic borrowing recording being a head at 196.6% against target. Eurobond issuance in October plus domestic borrowing is expected to mute any tax reviews in the upcoming budget estimate reviews.

Revenue Exchequer (KES millions)	Original Estimates	Actual Receipts	Proportional Performance
Opening Balance 1.7.2025	-	6,428	
Tax Revenue	2,627,062	328,755	75.1%
Non-Tax Revenue	127,646	8,219	38.6%
Domestic Borrowing (Note 1)	1,098,262	359,825	196.6%
External Loans and Grants	569,809	4,697	4.9%
Other Domestic Financing	10,795	1,744	97.0%
Total Revenue	4,433,575	709,668	96.0%

Expenditure Exchequer (KES millions)	Original Estimates	Total Cash Released	Proportional Performance
Recurrent Exchequer Issues	1,470,450	230,432	188.1%
Public Debt (CFS)	1,901,390	385,968	243.6%
Pensions and gratuities (CFS)	234,898	10,189	52.1%
Salaries, Allowances & Others (CFS)	4,737	609	154.4%
Total CFS Exchequer issues	2,141,025	396,766	
Total Development Exchequer Issues	407,100	3,800	11.2%
Total Issues To National Government	4,018,575	630,998	188.4%
Equitable Share	415,000	-	0.0%
Totals	4,433,575	630,998	170.8%

Yield Curve

The middle to the long-end yield curve has generally shifted upwards in spite of the sustained interest rate cuts. Yields on papers above 7-years all the way to 22-years recorded upticks of between 20.0bps and 93.2bps.

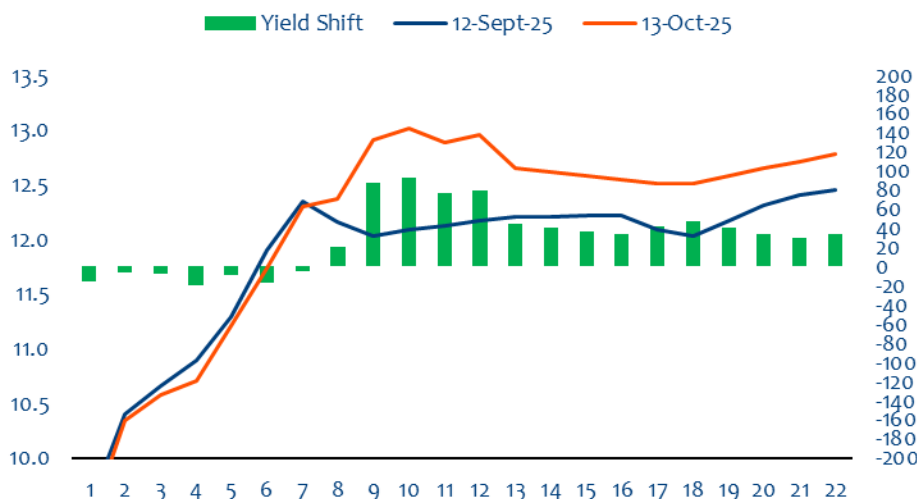
The upward shift is largely informed by these re-openings where investors usually push for better discounts in compensation to the risk of holding these papers.

As such, we forecast a 50.0bps rise in the FXD1/2018/015 and FXD1/2021/020 which will also work towards wooing investors to purchase the papers. However, immediately after the auction, we expect to see a general relaxation of the rates across the market and follow the normal interest rate direction.

The short-end of the yield curve of below 5-years will continue being relatively stable on little to no activities in the section.

Yield Key Rates %	03-Jan-25	12-Sep-25	13-Oct-25	Δ bps y-t-d	Δbps w-w
2-Yr	12.3048	10.4016	10.3392	196.56	6.24
5-Yr	14.1161	11.2890	11.2058	291.03	8.32
10-Yr	13.6006	12.0831	13.0150	58.56	-93.19
15-Yr	13.7186	12.2162	12.5834	113.52	-36.72
20-Yr	14.7843	12.3070	12.6460	213.83	-33.90

Yield Curve



Primary Bonds Market Performance

The recent primary auctions have largely been oversubscribed with August 2025 being the most subscribed, supported by improved liquidity and issuance of the second infrastructure bond papers for the year.

September auction was oversubscribed with a total of 105.35Bn or 175.35Bn oversubscription while the government accepting KES 63.84Bn or 106.4% performance against target, leaving out KES 41.52Bn in the market.

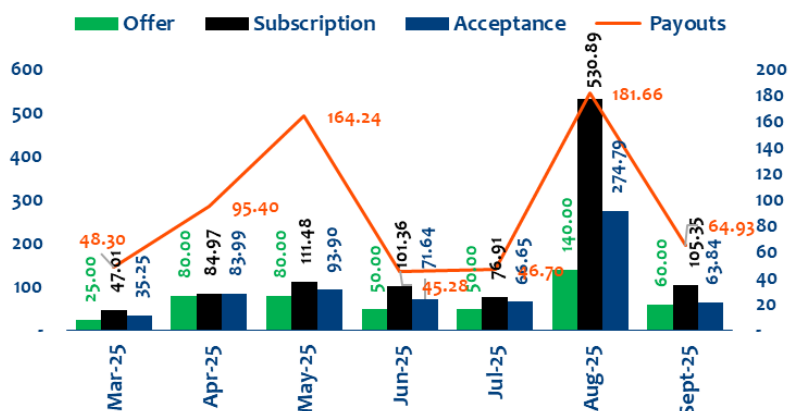
Coupon payouts for October 2025 stands at KES 48.16Bn with no maturity redemption.

Overall, we expect total payouts of KES 199.34Bn from bonds in Q4-2025, out of which KES 25.20Bn are maturities for FXD2/2010/15 and KES 174.14Bn are coupon payouts.

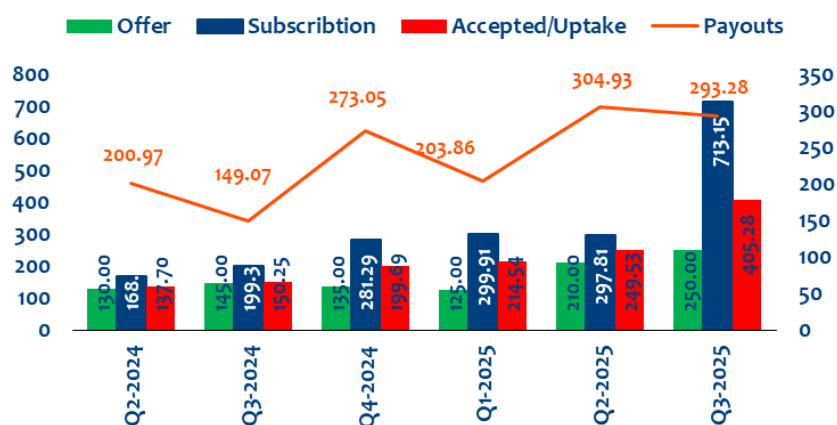
Bond Payouts - Q4 2025 (KES Mn)

Month	Principal Redemption	Coupons	Totals
Oct-25	-	48,155.89	48,155.89
Nov-25	-	78,279.23	78,279.23
Dec-25	25,199.80	47,701.31	72,901.11

Primary Market Bonds Performance (KES Bn)



Primary Auctions Bonds Performance (KES Bn)



End

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