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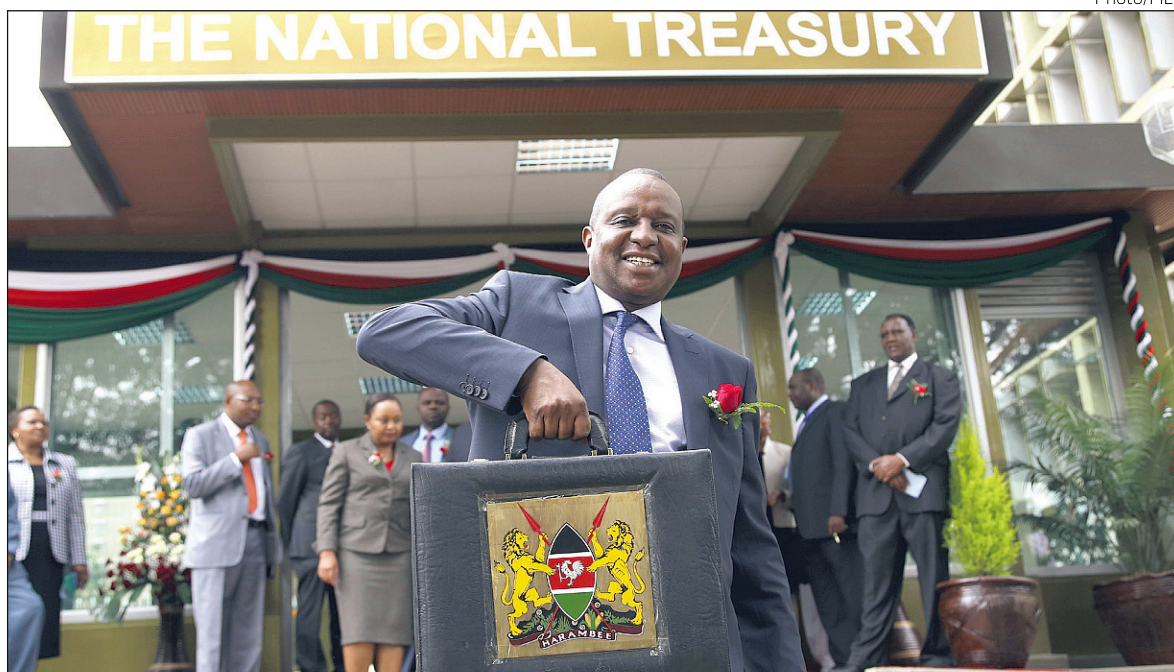

ADJUSTMENT: Cabinet Secretary Henry Rotich heading to Parliament to present the budget statement on June 12.

State's local debt slashed by Sh70bn

BY CONSTANT MUNDA

THE National Treasury is looking at cutting the domestic borrowing target by up to Sh70.30 billion after successfully raising $2.75 billion (Sh248.30 billion) from international investors at cheaper rates.

Cabinet Secretary Henry Rotich said the government will slash the amount it had budgeted to borrow locally – Sh190.30 billion – in the current financial year, which ends next June.

He said the government's affinity for domestic debt will be 36.9 per cent less because cheaper international dollars are readily available.

"It will certainly drop to around Sh130 billion or Sh120 billion. But we will give the right figure soon when we have prepared the revised documents [budget policy and outlook paper]," Rotich said on Friday.

The government raised an additional $750 million (Sh67.72 billion) in a reopening of the $2 billion (Sh180.58 billion based on the prevailing exchange rate) debut Eurobond initially issued in June.

The reopening was subscribed 400 per cent, with bids valued at $3 billion (Sh270.87 billion), comprised of a 10-year $500 million tranche at an interest rate of 5.9 per cent and a five-year $250 million tranche yielding five per cent.

Consequently, plans to issue Islamic bonds (sukuk) and samurai bond (yen-denominated) this year have also been shelved till the next fiscal year because they require "lengthy documentation".

"The two tranches of the reopened bond are identical in all material features to the inaugural bond, but were issued at current favourable prices," he said, adding that the dollars were deposited with the Central Bank last Wednesday.

UK investors snapped up half of the $500 million bond and 33 per cent of the $250 million note while their counterparts from the US took up 37 per cent and 33 per cent of the respective offers.

Proceeds will fund infrastructure projects in energy, transport and agriculture sectors – where the Sh35 billion raised from the domestic market recently was channelled too.

The Treasury first raised Sh15.81 billion in an auction oversubscribed by 158 per cent between October 8 and 21, and re-opened the same bond on October 29 in a tap sale running up to November 20, which sought Sh20 billion. The 12-year offer was priced at 11.26 per cent yield.

National Treasury Principal Secretary Kamau Thugge said the window to re-open the Eurobond again for additional cash if need arises remains wide open.

"An analysis of our debt shows it's sustainable, at below 50 per cent to GDP in the medium term. In fact, our debt stock is set to decline in the coming years," Thugge said.

"Rotich said he has held "successful" discussions with parliament on the rationale for doubling the external debt ceiling to Sh2.5 trillion from Sh1.2 trillion currently.

He said emerging risks associated with external debt will be cushioned through the $750 million IMF insurance facility, whose negotiations were concluded last month.

Mauritian lender opens Nairobi liaison office

BY CONSTANT MUNDA

THE Central Bank has licensed Mauritius Commercial Bank to establish a representative office in Kenya, according to a statement posted on its website last Friday.

This allows the lender to market its products and offer advise to its clients, but it cannot carry out commercial banking business in the country.

"The Mauritius Commercial Bank through its Representative Office in Kenya aims at exploring potential business opportunities in the country. The office will also support the growing trade and investment flows between Kenya and Mauritius," the CBK said.

The lender, which is listed on the Mauritius Stock Exchange, was as at last June valued at $1.7 billion (Sh153.5 billion) with a 22 per cent of the market share in the renowned tax-friendly haven.

It is owned 24 per cent by foreign investors and 76 per cent by Mauritians.

When parallelled with Kenyan lenders, the valuation places it behind only Equity and KCB in market capitalisation. The two had market capitalisation of Sh186.95 billion and Sh175.45 billion respectively as of last Friday.

It becomes the eighth foreign bank to have such a licence in Kenya.

Can YOU outsmart the expert?

ALY KHAN'S STAR PORTFOLIO

INSECURITY OUR ACHILLES' HEEL, AS ICC FOLDS CASE

THE news that the ICC has withdrawn charges against President Uhuru Kenyatta had been expected, and at least by me, since Friday July 19, 2013 when I wrote then that: 'The case against the President is crumbling like a stale biscuit'.

The markets had long ago looked through the interference that the ICC presented and discounted it as a non-event.

The Nairobi All-Share Index struck a record high Thursday and Friday this week and has now posted a 21.8 per cent return year-to-date. NASI entered a bull run – characterised by a market that has rallied 20 per cent up – in June 2012, and has since remained relentlessly bullish.

The All-Share has rallied 155.2 per cent over the last three years, which is remarkable when you consider the curveballs that it has had to deal with. Last month, Kenya and Estonia were the best frontier markets world-wide.

NASI has been lifted to new highs recently by its two big hitters – Safaricom and EABL. Safaricom surged a further 1.7 per cent on Friday to a fresh record high of Sh14.80. A 19.3 per cent rally since releasing first half earnings on November 4 has been a key catalyst in the All-Share's surge. The reaction is testament to how far Safaricom beat earnings estimates. Its move to pipe 4G into homes is now set to spike data spending big and the price is set to slice through Sh15 as early as next week.

EABL has been another key precipitator of the bull move in the Nairobi All-Share. EABL has surged 13.6 per cent over the last four weeks. It has now lapped its Senator debacle and anecdotal evidence confirms that the business is strengthening further.

Kenya is set to receive a meaningful stimulus from the sharply lower oil price, as the commodity has been caught up in the cross-fire of a hot geopolitical war and is set to stay lower and for longer than the forward curve and the market expects.

Of course, this has negative and spill-over consequences for our very nascent oil and gas sector, something I, for one, am not convinced that our policy makers have internalised. This also will mark a seismic shift for Africa, and its consumer economy in particular, as high-flyers like Nigeria and Angola wrestle with a new price normal.

The shilling continues to confound expectations. I get asked to comment on the slumping shilling. In response, I always start with: 'Well, actually it is not slumping, it's doing rather well when you consider that it is facing down a rampant dollar, which is at a more than four-year highs against a basket of currencies'.

The shilling is at scratch for the year when you add in the carry [the interest rate differential between the shilling and the dollar] and that's why I call it the 'Teflon' shilling. The performance is even more impressive when you consider the cratering of hard currency tourism and tea receipts.

The GoK tapped its record breaking $2 billion Eurobond issue for another $750 million last month. Who would have believed that Kenya could pull down $2.75 billion from the international capital markets? Of course, we have to put this money to work and earn a return on it.

The $2.75 billion for Kenya is a breakthrough number whichever way you choose to cut it. I remain of the view that the Eurobond cedes important pricing power to international bond holders [we now have an always price on Kenya's credit] and that this will positively impact policy making. Any hare-brained policy making will mean our credit spread will take an immediate hit. This cause and effect is a good thing in my view.

My friend Herve Gogo [who is now in Kinshasa but was once in Haiti and during the earthquake and survived by taking cover under his desk] told me the decision to let the IG of Police David Kimaiyo and the CS for Interior Joseph Lenku go was a "no-brainer" and I agree with him.

Both had rock bottom ratings with the public and those ratings were beginning to infect the President's. In high stakes politics the world over, that infection is always a signal. The point is that security remains our Achilles' Heel as it is in the West and for Nigeria as well.

Shares go up and down and readers are advised that this column represents Satchu's personal opinions.