

# Microstructure characteristics of the bonds market in Kenya

Date: 2009

## **Abstract:**

This paper focuses on Kenya's bonds market. It analyses the microstructure characteristics of the bonds market including volatility, efficiency and liquidity. The study captures both the Treasury bonds and corporate bonds markets. Findings show that the bonds market in Kenya has weak microstructure characteristics. This is not entirely unexpected, given that the market is in its initial stage in the development process of the bonds market in Kenya. The study establishes that these characteristics however differ across the treasury and corporate bonds and also across maturities. Treasury bonds market is found to be more liquid with higher traded value and more traded days as compared to the corporate bonds market. On the other hand, the corporate bond market is found to be less volatile and is comparable to the short end of the treasury bonds. The study establishes that treasury bonds returns have a higher volatility for the longer tenors than the shorter tenors. This may explain the preference that investors have shown for a long time for short tenor bonds to the longer tenor bonds.