

ASSESSMENT OF INTEREST RATES VOLATILITY IN KENYA

UNIVERSITY OF NAIROBI
GIROMO LIBRARY

A project submitted in the partial fulfillment of the requirements for the
postgraduate diploma in Actuarial Sciences.

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By

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Abstract

Variation in the price, market, and even interest rates is a vital subject of discussion. These variations also called volatility may be high or low depending on the frequency of its causes.

Interest rates in an important subject in the financial and investment sector. it affects the person's borrowing, lending and even investing habits. This paper seeks to assess the volatility of interest rates in Kenya since 1992 and further estimates this volatility by the historical volatility approach. This approach is easy to understand and is readily available in spreadsheets, calculators, etc

In line with finance and investment, the paper incorporates the study of the bond market and how the interest rates affect it. Also included is a look at interest rates from the borrowers and lenders point of view.

The study breaks down in six chapters. Chapter one deals with introduction and objective of the study. Chapter two talks about volatility while chapters three and four considers the bond market and interest rates respectively. Chapter five contains the description and analysis of data. It highlights volatility estimation of individual interest rates and also how to calculate treasury zero rate and forward rate. The study ends in chapter six with conclusion and recommendation