

The Week in Review | Week 27

EQUITIES

Local Market Performance

The market was up week on week, with all share index (NASI) closing the week at **111.37**, a **12.54%** decline year to date.

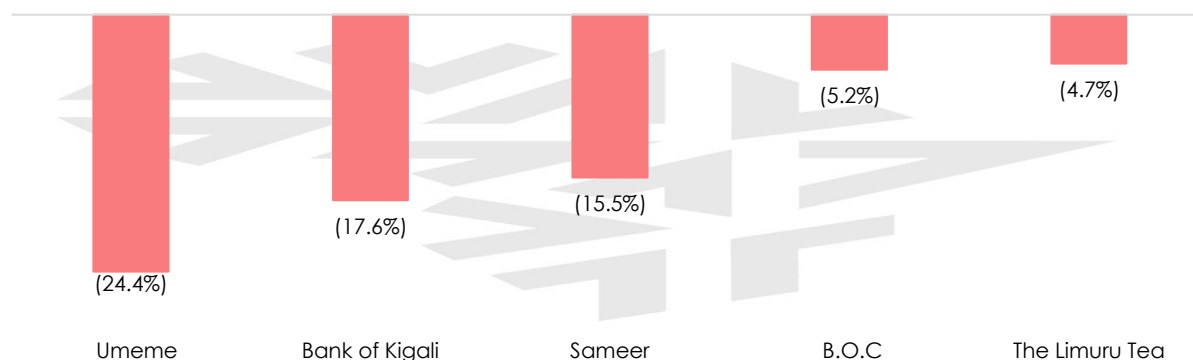
The NSE-20 and NSE-25 indices closed the week at **1,618.11**, a **3.42%** decline year to date and **2,838.32**, a **9.56%** decline year to date, respectively.

Trading activity was concentrated on Safaricom, KCB, Equity, ABSA Kenya and Nation Media accounting for **92.67%** of the total turnover.

Foreign investors accounted for **52.04%** of the total turnover and they were net buyers as foreign inflows stood at KES 43.3Mn last week. Foreign investors were mostly active on Safaricom, Equity, KCB, ABSA Kenya and Standard Chartered in that order.

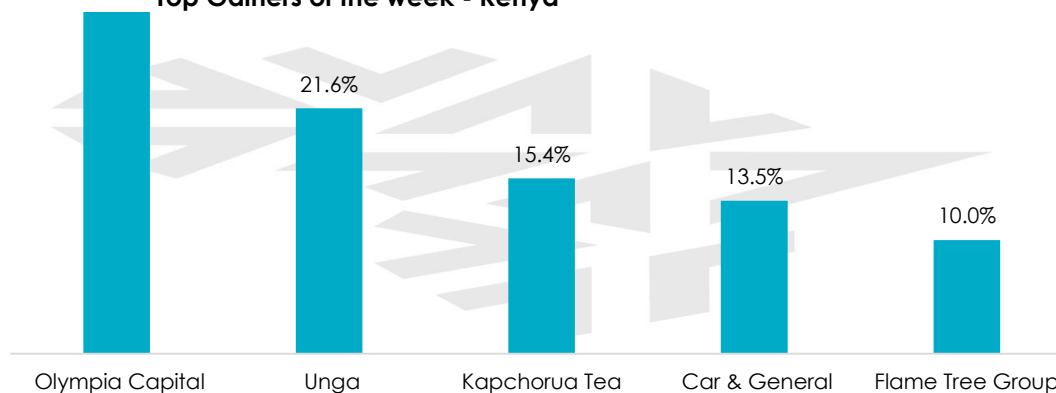
Market turnover increased to **KES 1.59Bn** from KES 0.59Bn traded the previous week.

Top Decliners of the Week - Kenya



Source: NSE, NCBA IB Research

Top Gainers of the week - Kenya



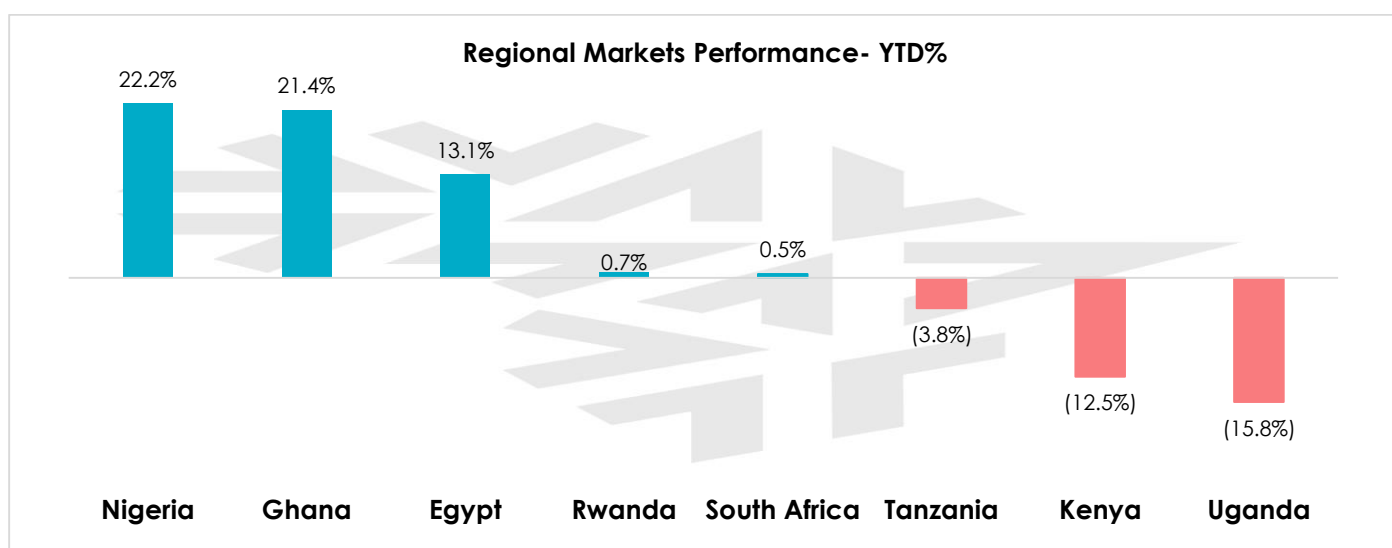
Source: NSE, NCBA IB Research

Key Corporate Announcements during the week (Base Lending Rate Changes)

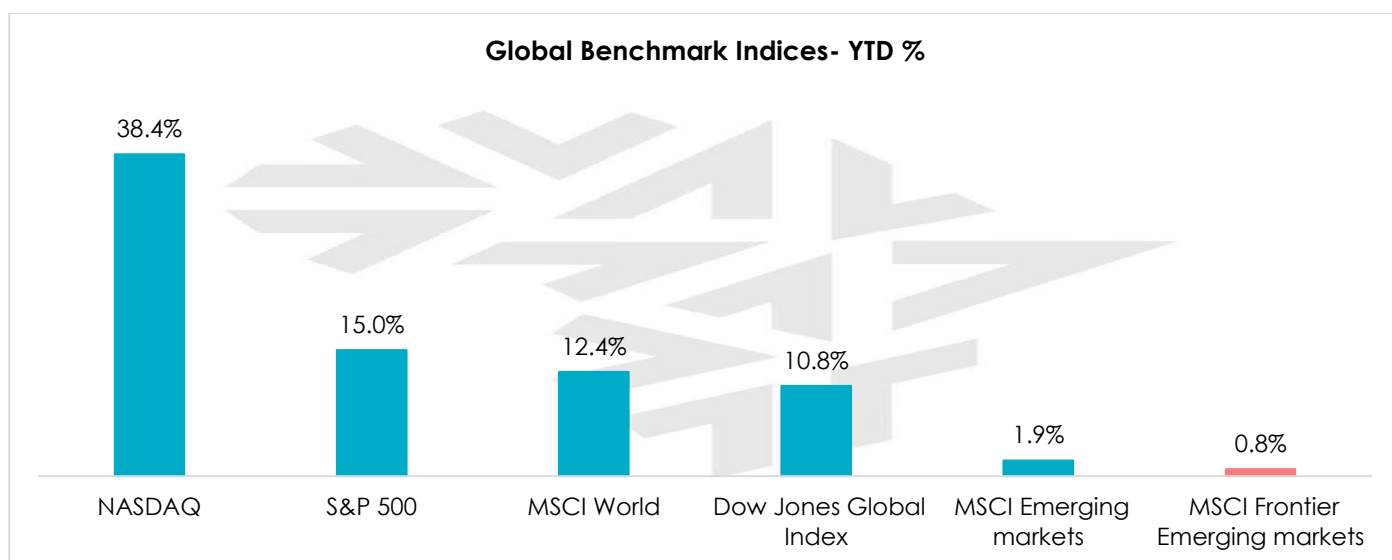
Bank	Current Rate	Previous
Equity Bank	14.69%	12.5%
NCBA Bank	13.0%	12.0%
Cooperative Bank	13.0%	

Regional Markets YTD% Performance

USE has recorded the worst performance compared to benchmark markets in Sub-Saharan Africa. This is attributable to exits by foreign investors.



Source; Bloomberg, NCBA IB Research

Global Benchmark Indices YTD % performance


Source; Bloomberg, NCBA IB Research

FIXED INCOME

Primary Market

Treasury Bill Results

Treasury bills were oversubscribed, with a subscription rate of **125.49%** (down from 39.54% the previous week) and an acceptance rate of 99.9%. Majority of the bids geared towards the 91-day paper, accounting for performance rate of 667.7% as investors look to mitigate for duration risk.

KES 26.68Bn accepted at 12.014% (up 11.00bps), 12.199% (up 25.20bps) and 12.250% (up 9.30bps) for the 91, 182 and 364-day papers, respectively.

Subscription	Amount offered KES Bn	Bids received Week 27	Bids received Week 26
91 day	4.00	26.71	5.78
182 day	10.00	1.14	2.20
364 day	10.00	2.27	1.51
Total	24.00	30.12	9.49

Prevailing rates	Week 27	Week 26	W/W change (bps)
91 Day	12.014%	11.904%	11.00
182 Day	12.199%	11.947%	25.20
364 Day	12.250%	12.157%	9.30

Source: CBK, NCBA IB Research

July Bond Offers

The Central Bank of Kenya, in its capacity as a fiscal agent for the Republic of Kenya, is offering investors an opportunity to participate in the auction of a new treasury bond **FXD1/2023/005** and re-opened **FXD1/2016/10** seeking to raise a total of KES 40.0Bn for budgetary support in the FY 2023/2024.

Issue	New FXD1/2023/005	Re-opened FXD1/2016/10
Tenor to Maturity	5 yrs	3.2 yrs.
Redemption Date	17/07/2028	17/07/2025
Coupon Rate (%)	Market determined	15.039%
Bidding Guide	16.49% to 16.99%	15.99% to 16.39%
Offered Amount (KES Mn)	40,000.00	
Value Date	17/07/2023	
Period of Sale	28/06/2023 - 11/07/2023	
Minimum bidding Amount (KES)	50,000.00	

Source: CBK, NCBA IB Research

Secondary Market

In the secondary bonds market, **total turnover** decreased to **KES 12.17Bn** from KES 16.46Bn traded in the previous week.

The S&P Sovereign Bond index declined to close at **98.70** from 100.38 in the previous week.

The S&P Kenya Sovereign Bond Index tracks the performance of local currency denominated public government debt and has an inverse relationship to yield curve.

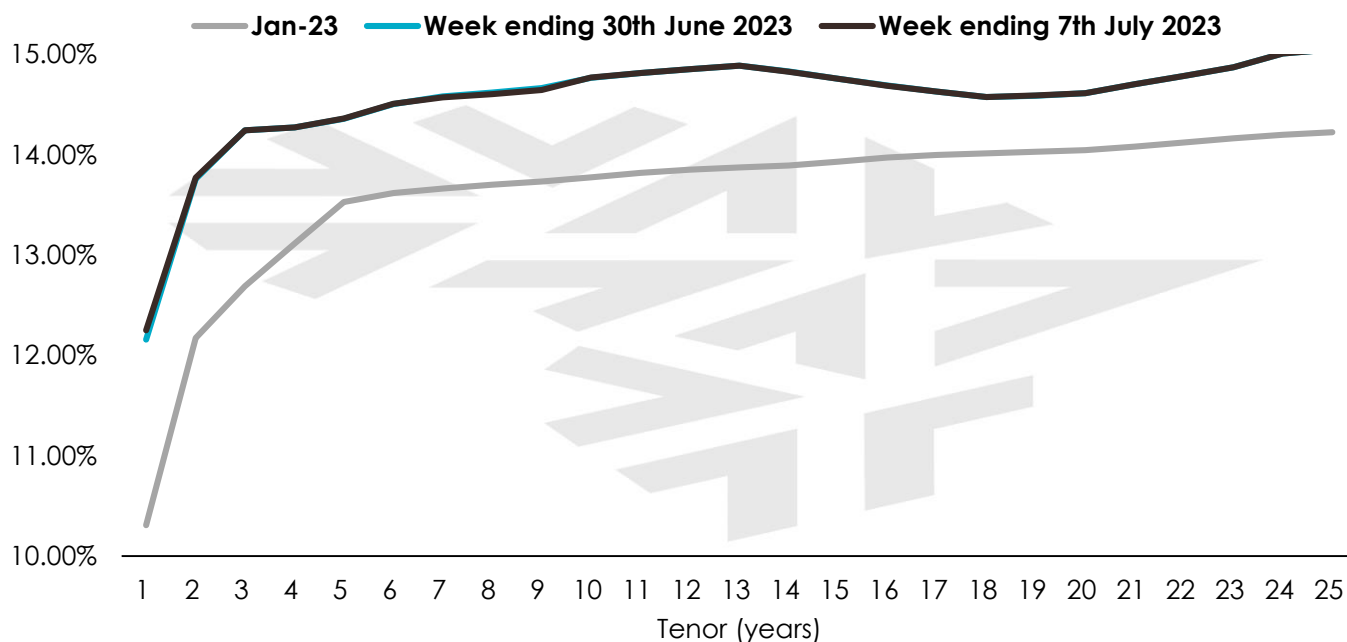
See the top moving bonds below:

Bond Identifier	Years to Maturity	Coupon	Average Yield	Total Value (KES Mn)	Number of Trades
IFB1/2023/17Yr	6.95	15.84%	14.81%	4,406.25	512
IFB1/2022/14Yr	13.35	13.94%	14.83%	1,430.35	41
IFB1/2021/21Yr	19.18	12.74%	15.27%	1,343.90	18
IFB1/2018/20Yr	15.35	11.95%	15.72%	960.00	6
IFB1/2022/18Yr	16.93	13.74%	15.18%	948.05	17

Source: NSE, NCBAIB Research

Government Securities Yield Curve:

The yield on government securities has been on an **upward trajectory** with investors demanding higher returns to cushion against duration and interest risks. The government has also increased appetite for the domestic debt necessary to meet the net domestic debt target for FY 23/24.

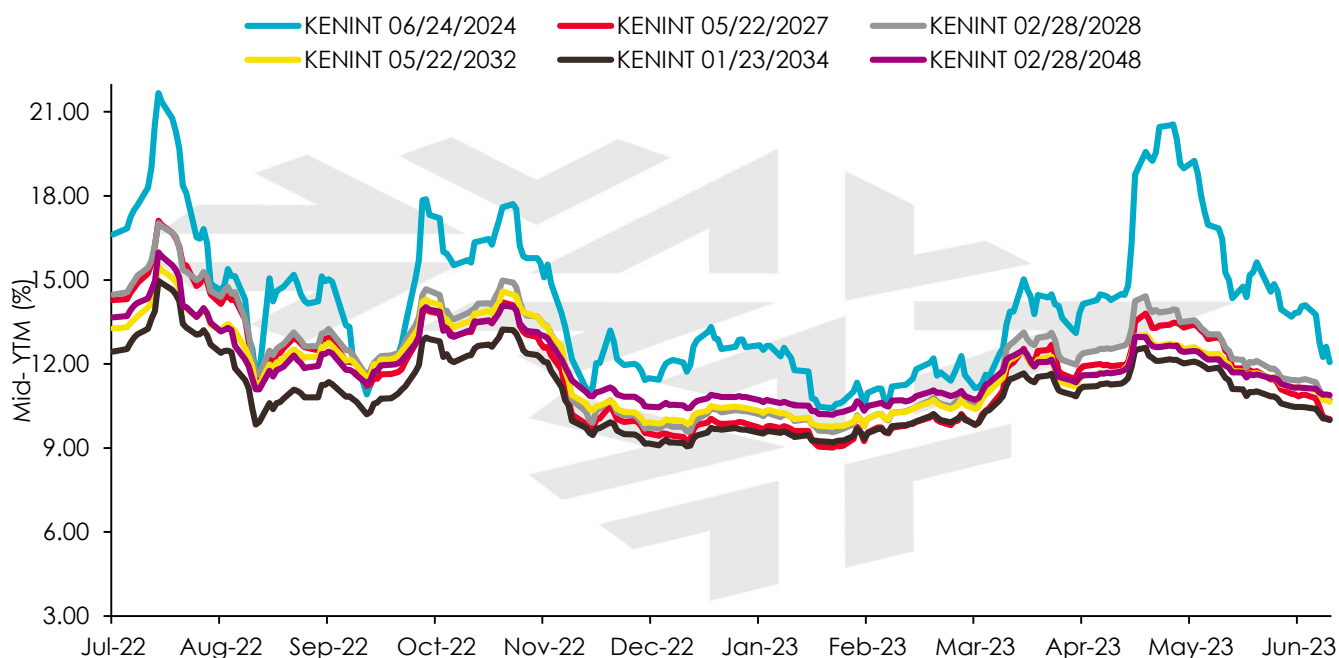


Source: NSE, NCBA IB Research

Kenya International Debt Yield Curves:

Kenyan Eurobonds' yields recorded mixed trends in the international market.

KENINT 2024, whose principal amounts to **USD 2.0Bn** matures in **June 2024** and is currently trading at **13.72%**, down from 12.65% in the previous week.



Source: Bloomberg, NCBA IB Research

Macroeconomic Developments:

During the week, Kenya Government secured a **USD 500Mn** 3-year and 5-year **syndicated medium term loan** facility with bookrunners as Citibank, Rand Merchant Bank, Standard Bank of South Africa, Standard Chartered bank and their respective affiliates. Notably, the proceeds from the loan facility would go to financing development budget as approved by parliament in the FY'2022/2023 that ended in June.

Liquidity conditions in the interbank space improved. Indicatively, the overnight **interbank rate** declined by 83.2 bps week on week to close at **9.34%**. The average daily traded volumes declined to **KES 9.5Bn** from KES 17.1Bn observed in the previous week.

Statistic	Current	Previous	change (bps)
CBR	10.50%	9.50%	100.0
Inflation	7.90%	8.00%	(10.0)
Average Interbank Rate	9.34%	10.17%	(83.2)

Source: CBK, NCBA IB Research

Currency

On the FX front, the shilling ceded **13.82-cents** to the greenback, closing at **140.92/141.82** on Friday. With the average estimated **daily loss** now at **11.96-cents**, we anticipate the shilling will break the 145 –mark by end of July.

Year to date, the Kenya shilling has depreciated by **12.40% Y/Y** against the dollar. Continued intervention by the central bank through activity in the interbank foreign exchange market and expected foreign currency inflows from the IMF will alleviate the downward pressure on the shilling.

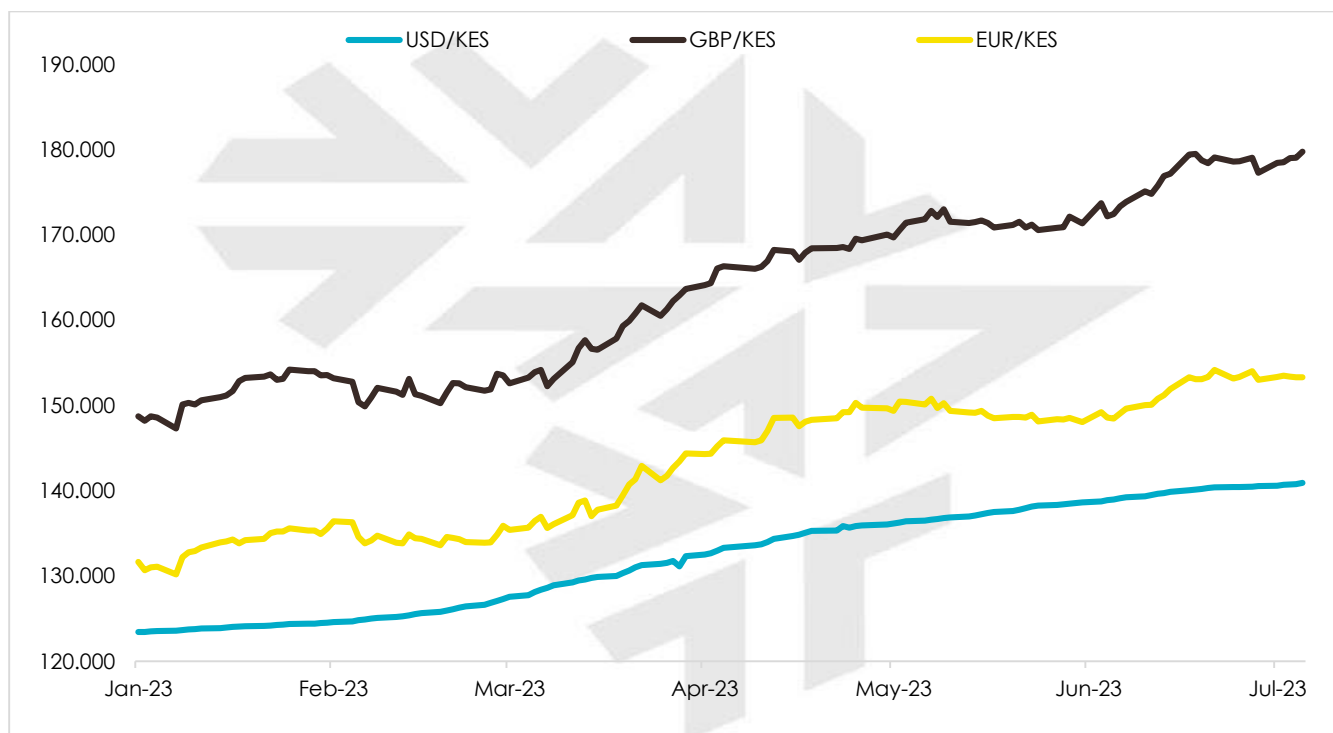
Foreign exchange reserves declined marginally by **0.2%** week on week to close at **US \$7,462Mn**. Following an inflow from World bank under the development policy operation, the reserves represent **4.08 months** of import cover which meets CBK's statutory requirement of at least 4 months of import cover.

The **DXY** increased marginally to close at **102.45** from 102.92 in the previous week.

The U.S. Dollar Index (DXY) indicates the general international value of the USD. The DXY does this by averaging the exchange rates between the US Dollar and major world currencies.

Currency	Week 27	Week 26	w/w change (%)
US Dollar	140.92	140.52	(0.3%)
STG Pound	179.76	177.28	(1.4%)
EURO	153.31	152.98	(0.2%)
Forex reserves (USD Mn)	7,462.00	7,476.00	(0.2%)

Negative () = Depreciation, Positive = Appreciation



Source: CBK, NCBA IB Research

Kenya Government Debt Maturities Schedule – July 2023:

The government has total domestic debt maturities of **KES 180.96Bn** for the month of July 2023 compared to **KES 156.85Bn** for June 2023.

The **high debt maturities** have seen **aggressive domestic borrowing** as seen with the government appetite for treasury bills as well as the latest primary auction (government accepted KES 213.39Bn from KES 220.52Bn bids received for the June 2023 infrastructure bond).

Going forward, we expect the **robust government activity** in the local market attributable to elevated debt obligations which will consequently lead to an upsurge in the yields.

Coupon payments						
Issue No.	Next Coupon Payment Date	Tenor to Maturity	Outstanding Amount KES 'Mn	Fixed Coupon Rate	Coupon payment KES 'Mn	Implied Yield To Maturity
FXD1/2014/010	July 17, 2023	0.53	35,852.15	12.18%	2,183.40	12.2043%
FXD1/2017/010	July 24, 2023	4.05	65,495.14	12.97%	4,246.05	14.2750%
FXD1/2019/015	July 24, 2023	10.55	79,096.85	12.86%	5,084.74	14.7957%
FXD3/2019/015	July 24, 2023	11.05	53,919.80	12.34%	3,326.85	14.8178%
FXD2/2018/020	July 24, 2023	15.05	89,198.60	13.20%	5,887.11	14.7538%
IFB1/2018/015	July 24, 2023	9.55	41,184.80	12.50%	2,574.05	13.6550%
IFB1/2021/016	July 24, 2023	13.55	80,958.35	12.26%	4,961.53	13.5125%
Total					28,263.73	

Treasury Bills	
Payment Date	Amount KES 'Mn
July 3, 2023	5,460.43
July 10, 2023	38,115.32
July 17, 2023	43,393.98
July 24, 2023	46,449.95
July 31, 2023	19,276.04
Total	152,695.72

Source: CBK, NCBA IB Research

About NCBA Investment Bank

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Physical Address

NCBA Annex,
Hospital Road, Upper Hill, Tel: +254 20 2884444
Mobile: +254 711 056444/+254 732 156444

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Key Contacts: Research Team

ncbaresearch@ncbagroup.com

Key Contacts: Trading Team

dealing@ncbagroup.com