

## The Week in Review | Week 28

### EQUITIES

#### Local Market Performance

The market was up week on week, with all share index (NASI) closing the week at **113.93**, a **10.53%** decline year to date.

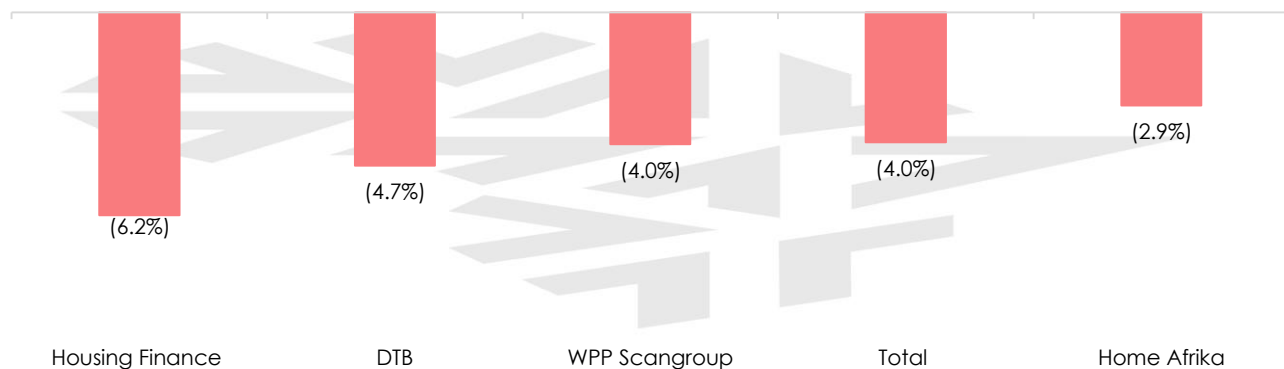
The NSE-20 and NSE-25 indices closed the week at **1,624.71**, a **3.03%** decline year to date and **2,902.91**, a **7.50%** decline year to date, respectively.

Trading activity was concentrated on Safaricom, Equity, KCB, Stanbic and Standard Chartered accounting for **87.11%** of the total turnover.

Foreign investors accounted for **42.19%** of the total turnover and they were net buyers as foreign inflows stood at KES 67.8Mn last week. Foreign investors were mostly active on Equity, Safaricom, KCB, Umeme and BAT in that order.

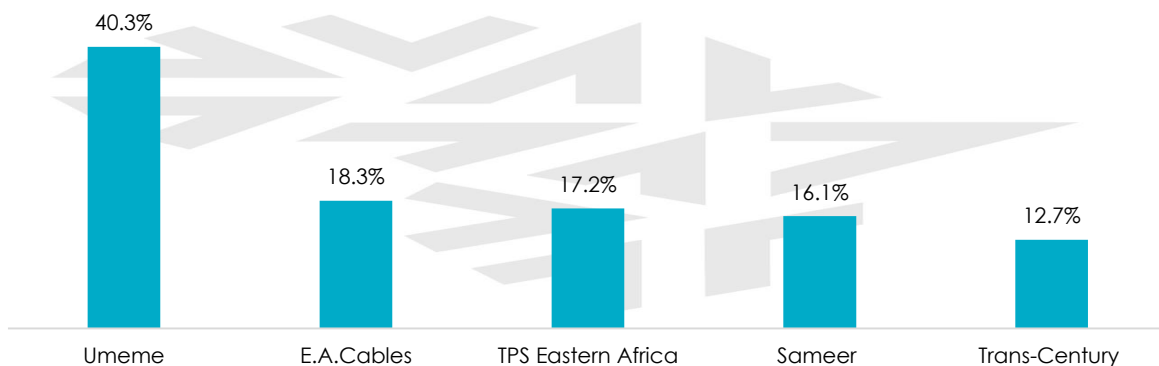
Market turnover declined to **KES 0.83Bn** from KES 1.59Bn traded the previous week.

#### Top Decliners of the Week - Kenya



Source: NSE, NCBA IB Research

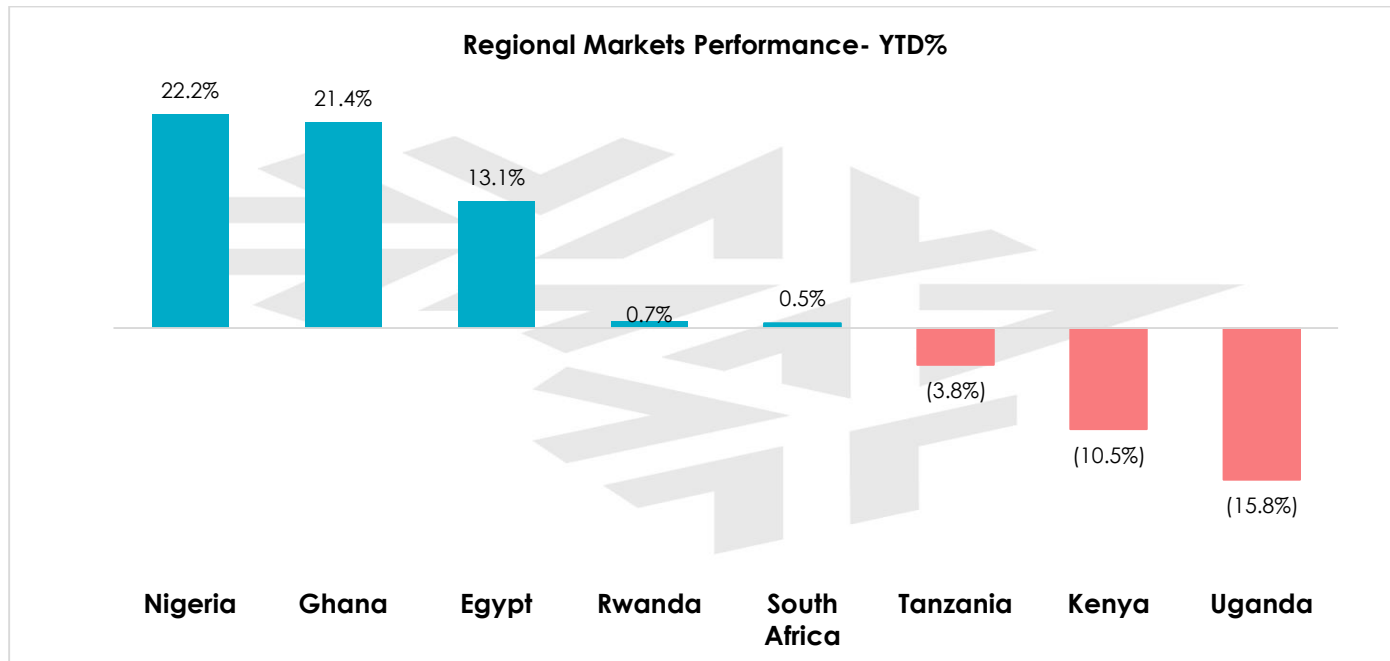
#### Top Gainers of the week - Kenya



Source: NSE, NCBA IB Research

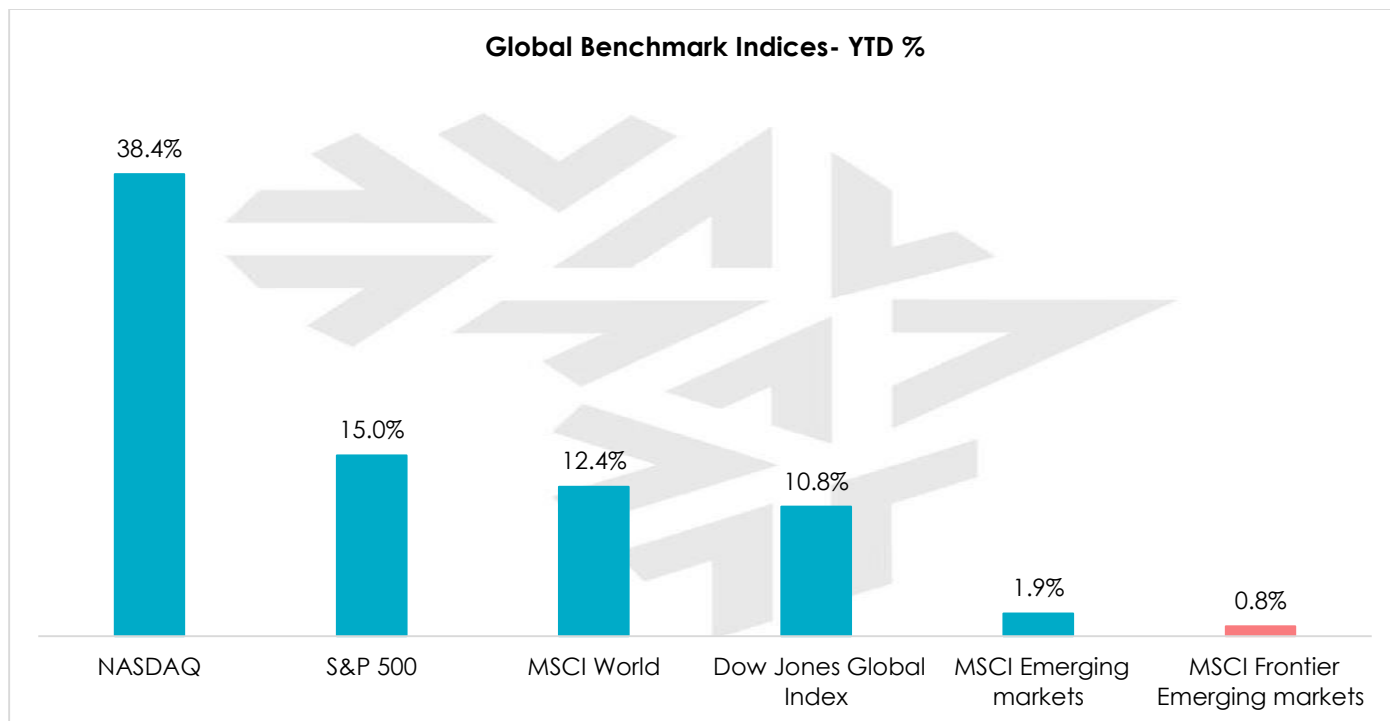
### Regional Markets YTD% Performance

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 **151.85%** (up from 125.49% the previous week) and an acceptance rate of 109.0%. Majority of the bids geared towards the 91-day paper, accounting for performance rate of 833.1% as investors look to mitigate for duration risk.

**KES 36.39Bn** accepted at 12.109% (up 9.50bps), 12.271% (up 7.20bps) and 12.452% (up 20.20bps) for the 91, 182 and 364-day papers, respectively.

Subscription	Amount offered KES Bn	Bids received week 28	Bids received week 27
91 day	4.00	33.32	26.71
182 day	10.00	1.35	1.14
364 day	10.00	1.77	2.27
<b>Total</b>	<b>24.00</b>	<b>36.44</b>	<b>30.12</b>

Prevailing rates	Week 28	Week 27	W/W change (bps)
91 Day	12.109%	12.014%	9.50
182 Day	12.271%	12.199%	7.20
364 Day	12.452%	12.250%	20.20

Source: CBK, NCBA IB Research

#### July Bond Auction Results

The Central Bank of Kenya received a total of **KES 51.76Bn** (129.41% Subscription rate), out of which it accepted **KES 38.57Bn** (74.92% Acceptance rate).

Issue	FXD1/2023/05	FXD1/2016/10
Tenor to Maturity	5 yrs	3.2 yrs
Offered Amount (KES Mn)	40,000.00	
Bids Received (KES Mn)	29,099.83	22,663.75
<b>Amount Accepted (KES Mn)</b>	22,832.72	15,740.07
<b>Market Weighted Average Rate (%)</b>	17.03%	16.58%
<b>Weighted Average Rate of Accepted Bids (%)</b>	<b>16.844%</b>	<b>16.328%</b>
<b>Our bidding guidance</b>	<b>16.49% - 16.99%</b>	<b>15.99% - 16.39%</b>
Adjusted Average Price (Per KES 100)	100.00	100.00
<b>Coupon Rate (%)</b>	16.844%	15.039%

Source: CBK, NCBA IB Research

## Secondary Market

In the secondary bonds market, **total turnover** increased to **KES 12.83Bn** from KES 12.17Bn 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.

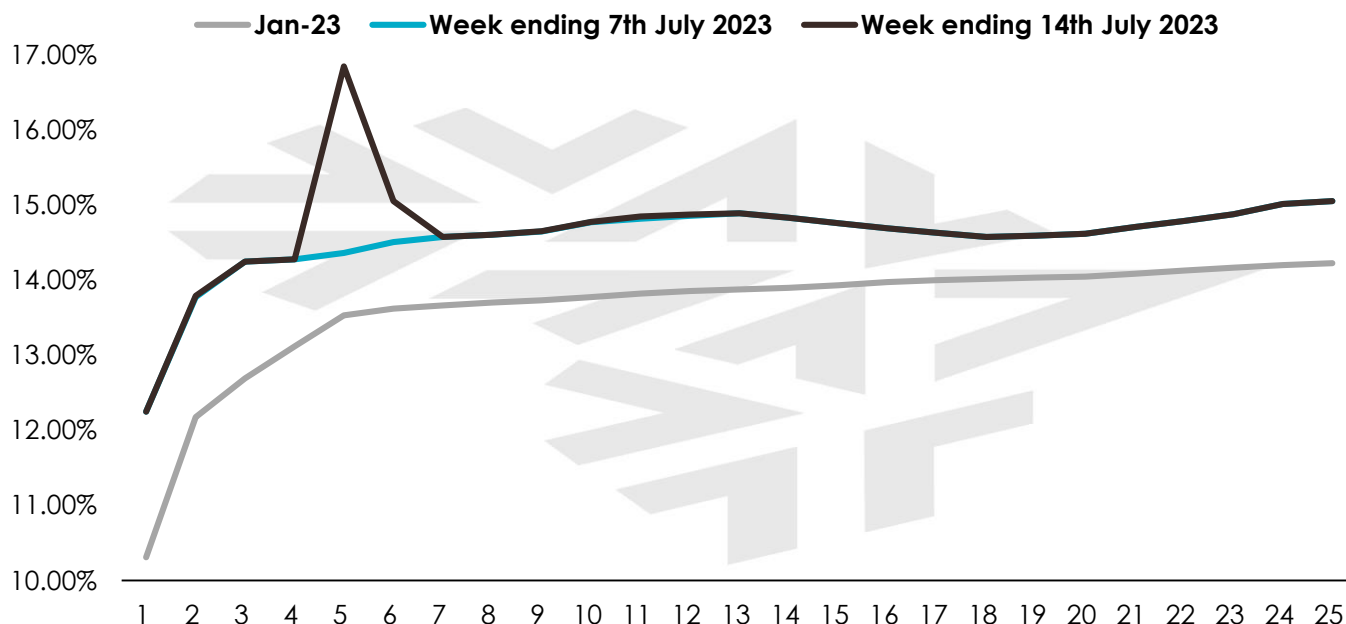
See the top moving bonds below:

Bond Identifier	Years to Maturity	Coupon	Average Yield	Total Value (KES Mn)	Number of Trades
IFB1/2023/7Yr	6.93	15.84%	14.84%	5,427.70	414
IFB1/2018/20Yr	15.33	11.95%	15.07%	1,725.00	7
FXD 1/2023/3Yr	2.83	14.23%	15.99%	984.40	6
IFB1/2022/19Yr	17.60	12.97%	14.67%	749.10	15
IFB1/2021/21Yr	19.16	12.74%	15.50%	639.10	13

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.

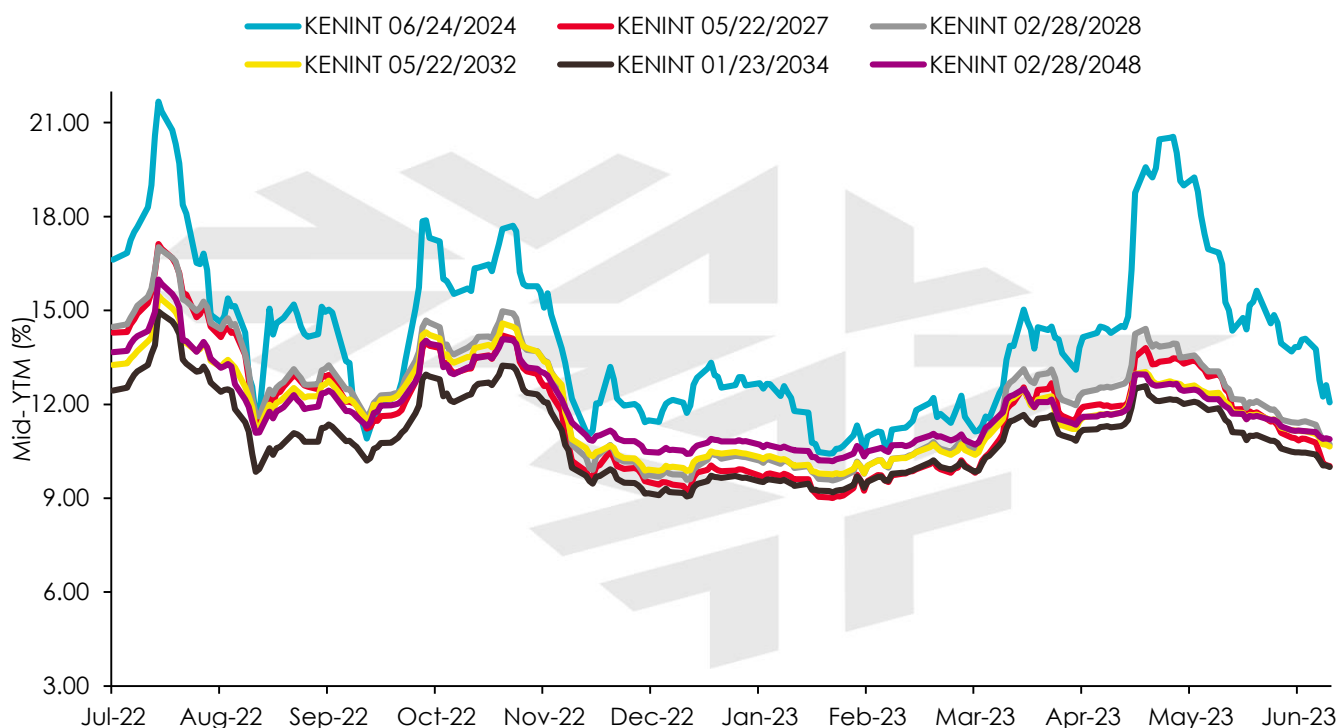


Source: NSE, NCBA IB Research

### 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:

#### Revenue Performance

Kenya Revenue Authority (KRA) released the revenue performance for FY'2022/23 citing a 6.65% growth in revenue collection to KES 2.17Tn from KES 2.03Tn in FY'2021/22.

The revenue performance recorded a 95.3% performance rate against the target of KES 2.27Tn. The performance was affected by the slowed economic growth in 2022 due to multiple shocks that affected the economy.

Domestic VAT collection stood at KES 272.45Bn, an 11.3% growth attributable to the implementation of the Tax Invoice Management System (TIMS).

Corporation tax also recorded a performance rate of 94.2% with a collection of KES 263.82Bn representing a growth of 9.0% from last financial year.

PAYE registered a growth of 7.2% from last fiscal year to KES 494.98Bn mainly on the back of remittances from private and public sector.

The key drivers for the revenue performance were;

- **Customer support programs** aimed at creating customer-centric tax environment to enhance voluntary compliance and improve revenue collection.
- **Tax base expansion** aimed at onboarding those who were not paying taxes in the past.
- **Taxation of digital economy** through digital service tax and VAT on Digital Money Supply.
- **Tax at source program** allows for collection of information and revenue directly at the source of income on real time basis.
- **Enhanced debt collection** efforts on non-compliant customers.

Liquidity conditions in the interbank space increased. Indicatively, the overnight **interbank rate** declined by 73.9 bps week on week to close at **8.60%**. The average daily traded volumes increased to **KES 17.67Bn** from KES 9.5Bn 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	8.60%	9.34%	(73.9)

Source: CBK, NCBA IB Research

### Currency

On the FX front, the shilling ceded **9.71-cents** to the greenback, closing at **141.38/141.28** on Friday. With the average estimated **daily loss** now at **13.54-cents**, we anticipate the shilling will break the 150 –mark by end of year.

Year to date, the Kenya shilling has depreciated by **12.70% 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.

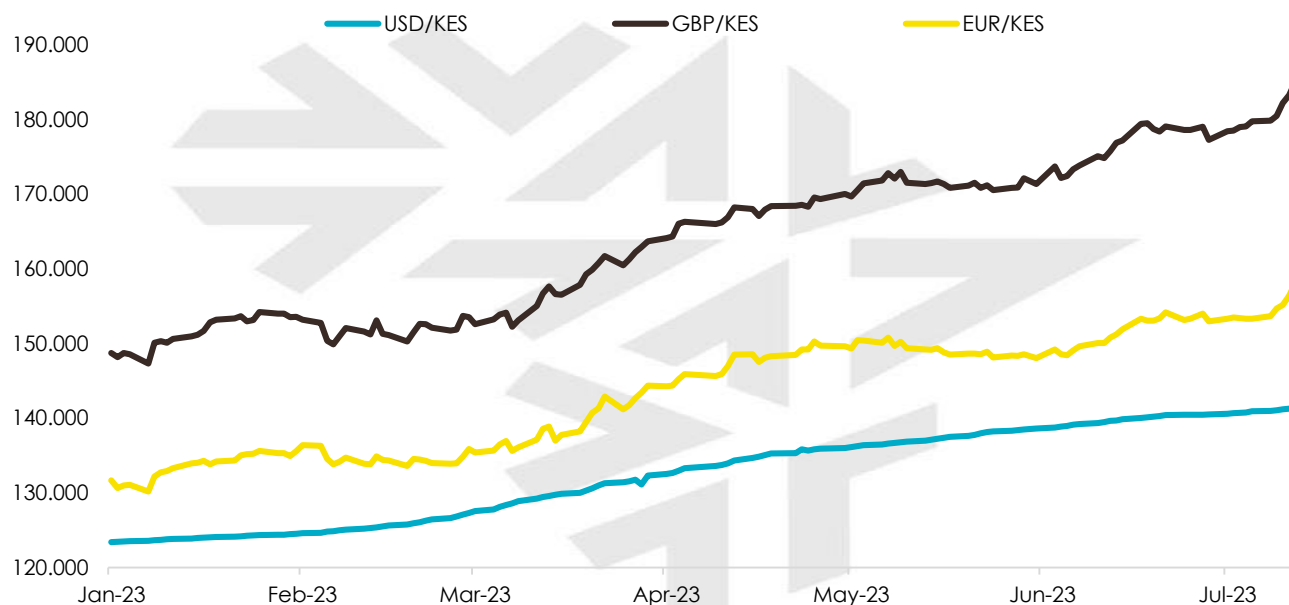
Foreign exchange reserves increased by **0.3%** week on week to close at **US \$7,481.0Mn**. Following an inflow from World bank under the development policy operation and the **US \$500.0Mn** syndicated loan, the reserves represent **4.09 months** of import cover which meets CBK's statutory requirement of at least 4 months of import cover.

The **DXY** increased marginally to close at **99.91** from 102.45 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 28	Week 27	w/w change (%)
US Dollar	141.38	140.92	(0.3%)
STG Pound	185.06	179.76	(2.9%)
EURO	158.08	153.31	(3.0%)
Forex reserves (USD Mn)	7,481.00	7,462.00	0.3%

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 and the bonds market. However, the government rejected expensive bids only accepting 74.52% of the bids received in the latest July 2022 bond primary auction.

Going forward, we expect the **robust government activity** in the local market attributable to elevated debt obligations hence continued 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	<b>0.53</b>	35,852.15	12.18%	2,183.40	12.2769%
FXD1/2017/010	July 24, 2023	<b>4.05</b>	65,495.14	12.97%	4,246.05	14.2750%
FXD1/2019/015	July 24, 2023	<b>10.55</b>	79,096.85	12.86%	5,084.74	14.8151%
FXD3/2019/015	July 24, 2023	<b>11.05</b>	53,919.80	12.34%	3,326.85	14.8500%
FXD2/2018/020	July 24, 2023	<b>15.05</b>	89,198.60	13.20%	5,887.11	14.7538%
IFB1/2018/015	July 24, 2023	<b>9.55</b>	41,184.80	12.50%	2,574.05	13.6550%
IFB1/2021/016	July 24, 2023	<b>13.55</b>	80,958.35	12.26%	4,961.53	13.5125%
<b>Total</b>					<b>28,263.73</b>	

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
<b>Total</b>	<b>152,695.72</b>

Source: CBK, NCBA IB Research



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