

The Week in Review | Week 31

EQUITIES

Local Market Performance

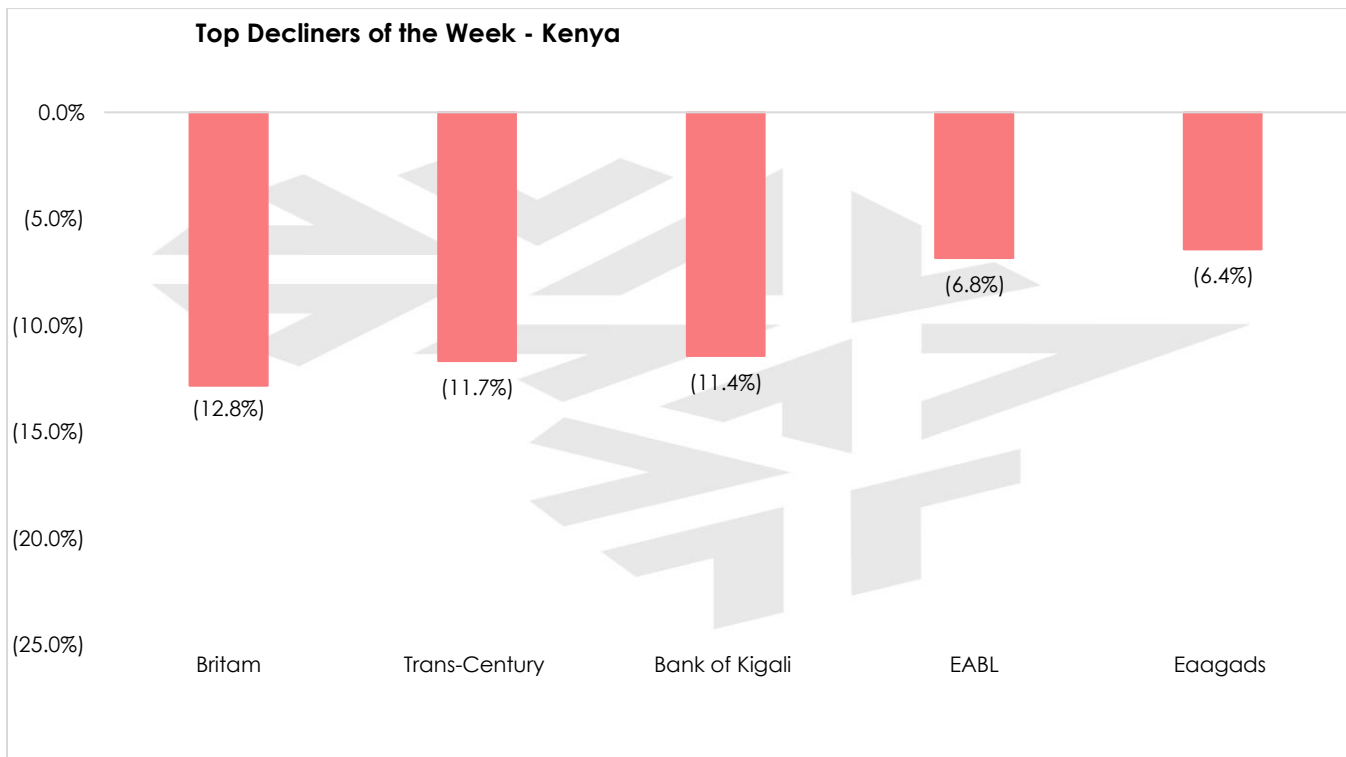
The market was slightly up 0.84% week on week, with all share index (NASI) closing the week at **106.17**, a **16.62%** decline year to date.

The NSE-20 and NSE-25 indices closed the week at **1,594.19**, a **4.85%** decline year to date and **2,758.79**, an **12.09%** decline year to date, respectively.

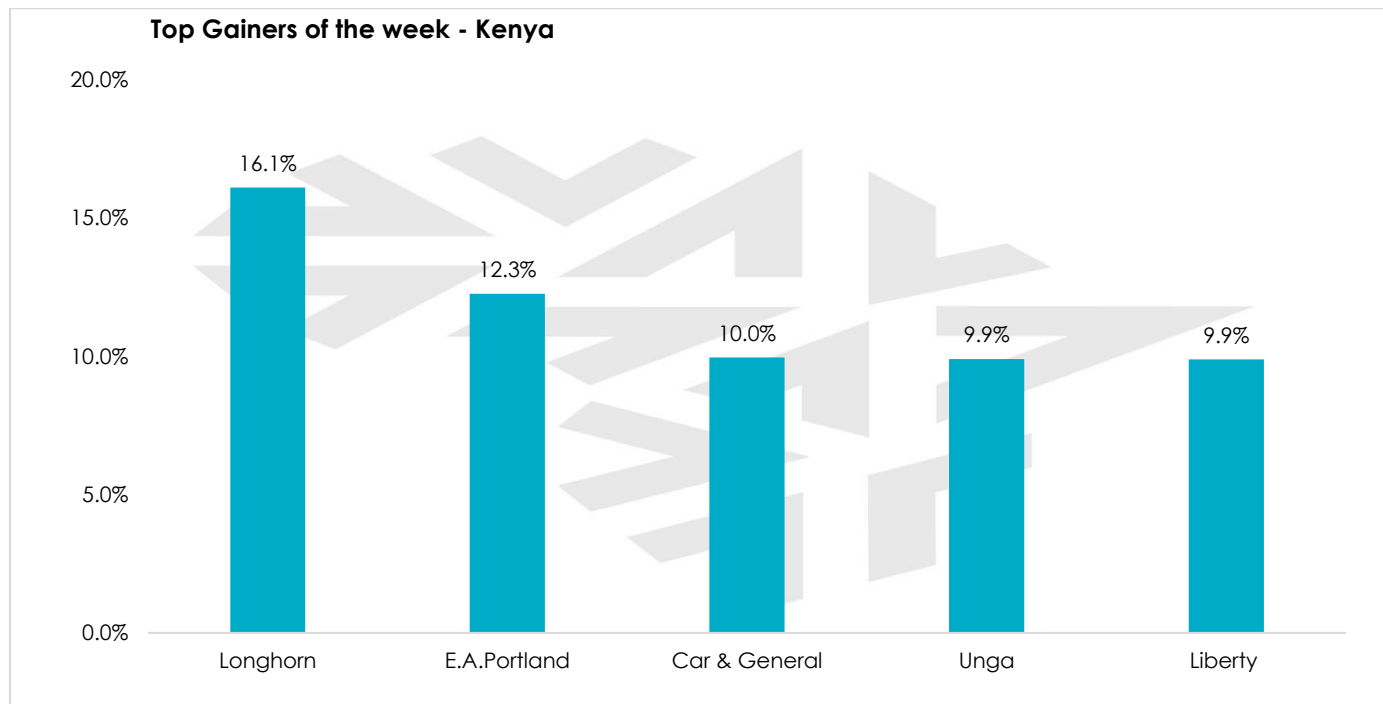
Trading activity was concentrated on Safaricom, KCB, Equity Bank, Ke Re-insurance, and NCBA accounting for **79.74%** of the total turnover.

Foreign investors accounted for **45.13%** of the total turnover and they were net sellers with net foreign outflows of KES 0.169Bn last week. Foreign investors were mostly active on Safaricom, KCB, Equity, Kenya Re-insurance and NCBA in that order.

Market turnover decreased notably by **90.34%** to **KES 0.418Bn** from KES 4.33Bn traded the previous week.




Source: NSE, NCBA IB Research



Source: NSE, NCBA IB Research

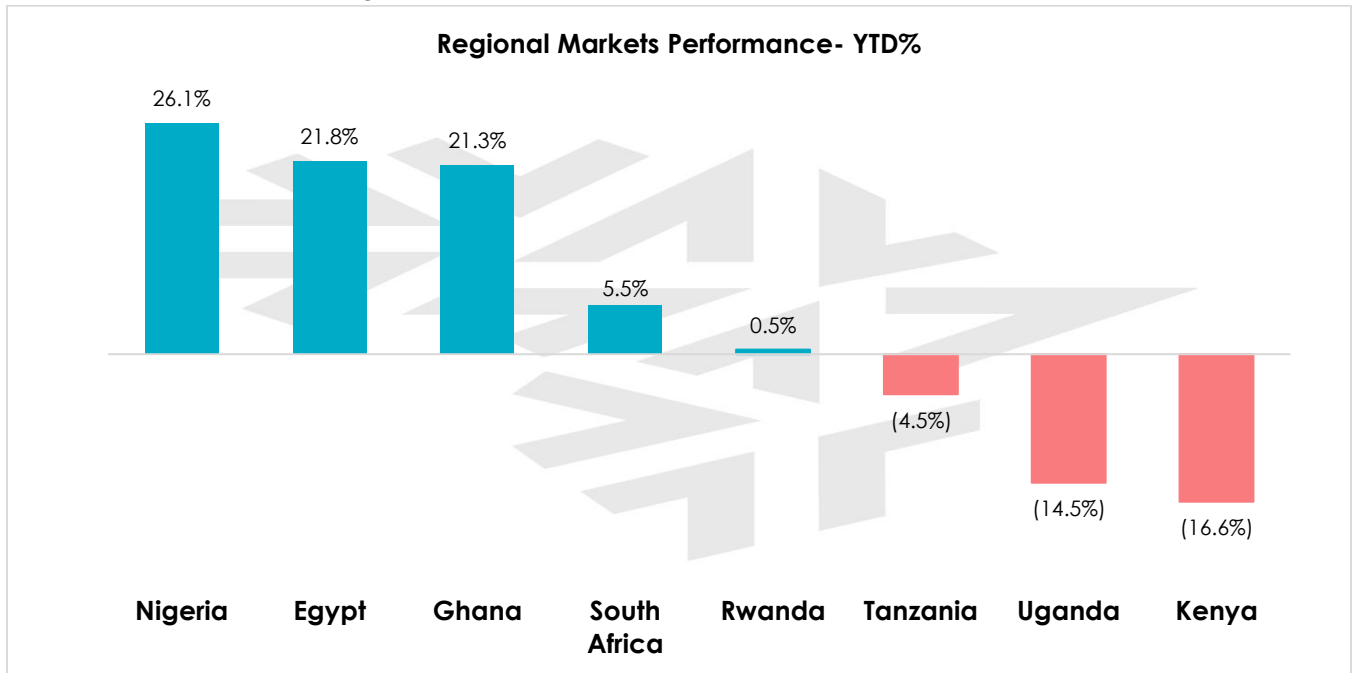
Upcoming Dividend payments

Counter	Dividend	Book Closure	Payment
	25.0	23-Aug-23	04-Sep-23
	30.00	23-Aug-23	04-Sep-23
	5.00	18-Aug-23	22-Sep-23
	0.60	Subject to Approval	Subject to Approval
	1.75	15-Sep-23	27-Oct-23

Source: Company Financials, NSE, NCBA IB Research

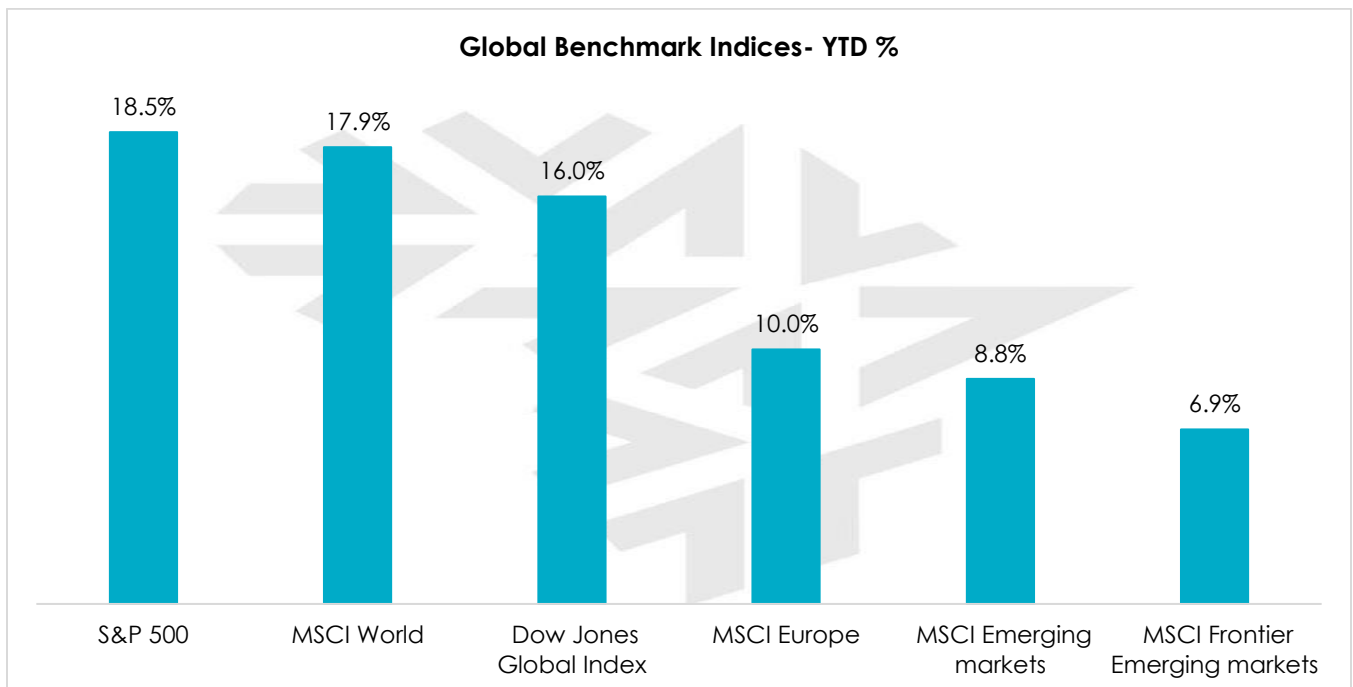
Regional Markets YTD% Performance

NSE recorded the worst performance compared to benchmark markets in Sub-Saharan Africa which is largely 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 bills were undersubscribed due to tight liquidity in the market, with a subscription rate of **47.08%** (up from 38.10% the previous week) and an acceptance rate of **91.4%**. Majority of the bids geared towards the 91-day paper, accounting for performance rate of 167.4% as investors look to mitigate for duration risk.

KES 10.33Bn was accepted at 12.686% (up 33.35bps), 12.558% (up 16.59bps) and 13.107% (up 37.92bps) for the 91, 182 and 364-day papers, respectively.

Subscription	Amount offered KES Bn	Bids received week 31	Bids received week 30
91 day	4.00	6.69	7.07
182 day	10.00	4.35	1.36
364 day	10.00	0.26	0.71
Total	24.00	11.30	9.14

Prevailing rates	Week 31	Week 30	W/W change (bps)
91 Day	12.6855%	12.352%	33.35
182 Day	12.5579%	12.392%	16.59
364 Day	13.1072%	12.728%	37.92

Source: CBK, NCBA IB Research

Secondary Market

In the secondary bonds market, **total turnover** increased to **KES 9.68Bn** from KES 18.74Bn traded in the previous week.

The S&P Sovereign Bond index declined to close at **89.54** from 98.70 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.

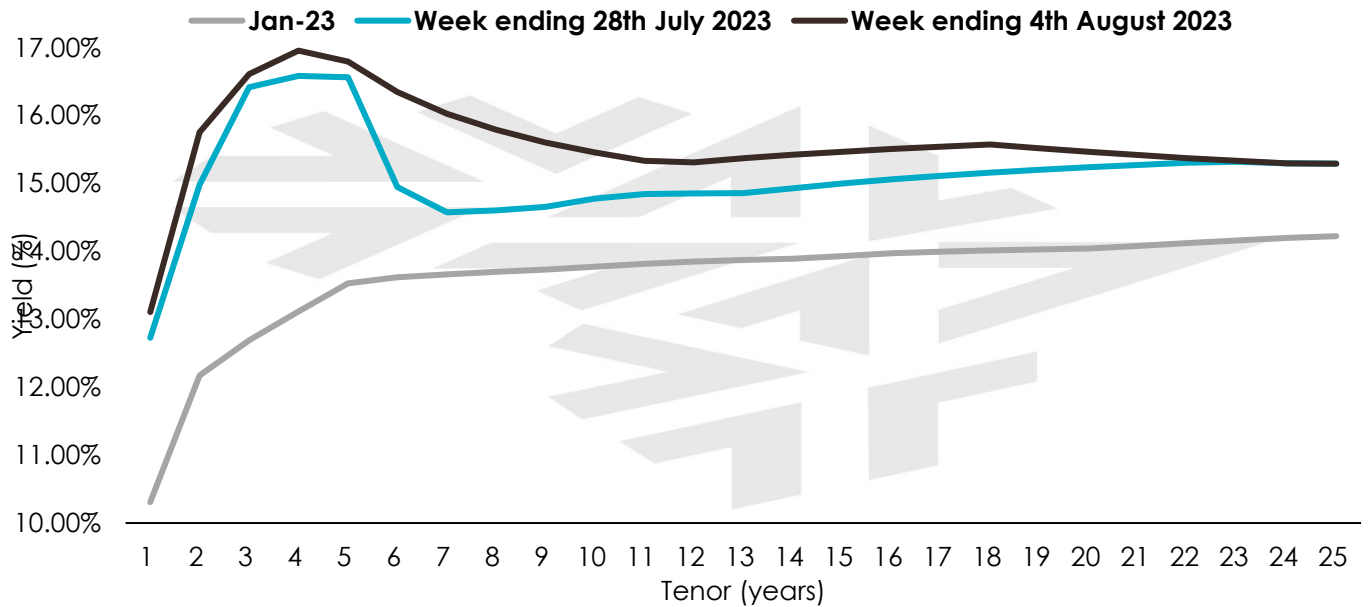
See the top moving bonds below:

Bond Identifier	Years to Maturity	Coupon	Average Yield	Total Value (KES Mn)	Number of Trades
IFB1/2023/7Yr	6.89	15.84%	14.83%	4,778.45	184
IFB1/2021/21Yr	19.12	12.74%	15.56%	3,632.80	16
FXD 1/2023/3Yr	2.80	14.23%	16.32%	2,992.85	21
FXD1/2016/10Yr	3.07	15.04%	16.93%	1,795.80	14
IFB1/2023/17Yr	16.62	14.40%	15.38%	1,093.15	46

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 rate risks. The government has also increased appetite for domestic debt necessary to meet the net domestic debt target for FY 23/24.

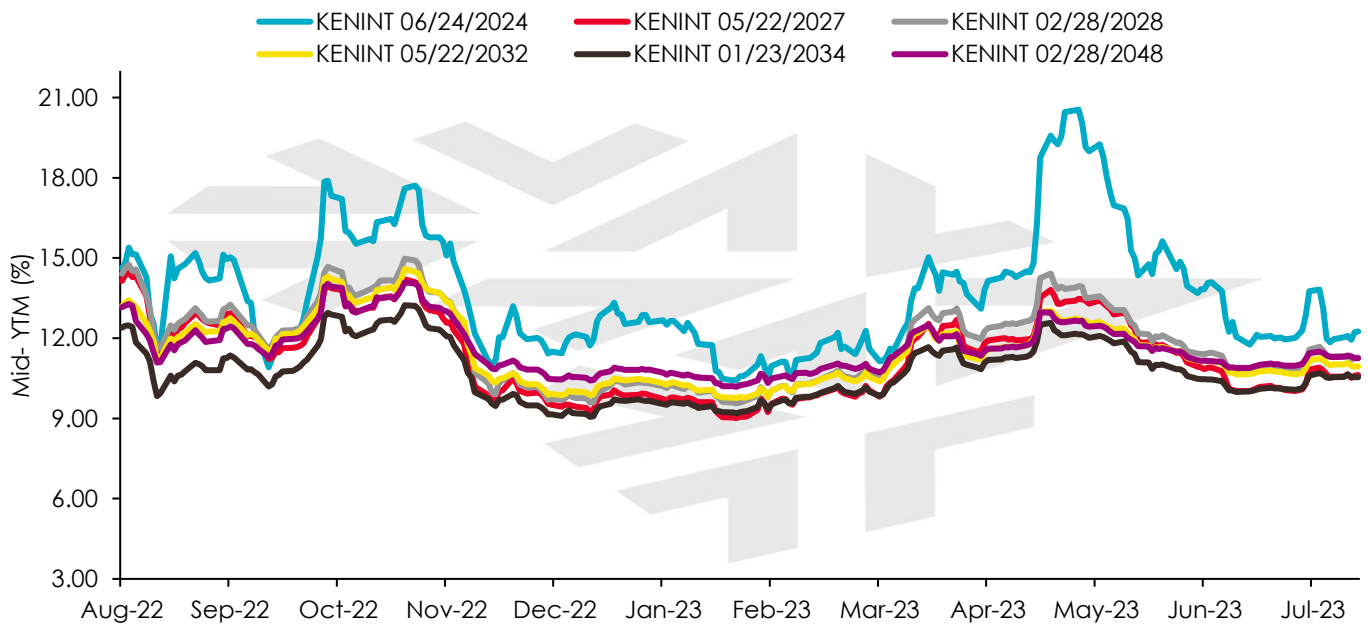


Source: NSE, NCBA IB Research

Kenya International Debt Yield Curves:

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

KENINT 2024, whose principal amounts to **USD 2.0Bn** matures in **June 2024** and is currently trading at **12.26%**, up from 11.96% in the previous week.



Source: Bloomberg, NCBA IB Research

Macroeconomic Developments:

Liquidity conditions in the interbank space tightened. Indicatively, the **overnight interbank rate** increased by 116.45 bps week on week to close at 17.07%. The average daily traded volumes declined to **KES 26.73Bn** from **KES 11.16Bn** observed in the previous week.

Statistic	Current	Previous	change (bps)
CBR	10.50%	9.50%	100.0
Inflation	7.30%	7.90%	(60.0)
Average Interbank Rate	17.07%	15.91%	116.45

Source: CBK, NCBA IB Research

Fiscal Tracker-June 2023

The total revenue collected as reported by the National treasury stood at **KES 3,244.79Bn** which represents **89.63%** achievement of the revised estimates. Net domestic borrowing stood at **KES 696.4Bn** against a revised target of **KES 948.11Bn** in the FY 22/23 budget.

The total expenditure increased by **KES 164.40Bn** to **KES 3,242.79Bn** compared to **KES 3,078.39Bn** in 2022 same period. This is largely attributable to the increase in recurrent expenditure by **KES 15.66Bn** to **KES 1,221.57Bn** and county government expenditure by **KES 59.20Bn** to **KES 399.6Bn**.

The increase in the recurrent expenditure continue to hamper government's efforts of achieving fiscal deficit to GDP of 4.4% projection for FY'23/2024.

	22/23 FY Revised Budget	Jun-22	Jun-23	Variance (YoY)	Variance FY Budget	Variance FY Budget
INCOME(KES Bn)						
Total Tax Income	2,079.84	1,839.47	1,961.97	122.50	(117.86)	(5.67%)
Total Non-Tax Income	65.56	78.44	82.00	3.56	16.44	25.07%
Net Domestic Borrowing	948.11	877.04	696.40	(180.64)	(251.70)	(26.55%)
External Loans and Grants	513.42	239.61	488.31	248.70	(25.11)	(4.89%)
Other Domestic Financing	13.23	23.16	16.10	(7.06)	2.88	21.75%
Total Revenue	3,620.15	3,057.72	3,244.79	187.07	(375.36)	(10.37%)

EXPENDITURE(KES Bn)						
Recurrent	1,268.81	1,205.91	1,221.57	15.66	(47.24)	(3.72%)
CFS	1,577.74	1,191.07	1,313.59	122.52	(264.15)	(16.74%)
Development	374.00	341.01	308.03	(32.97)	(65.97)	(17.64%)
County Government	399.60	340.40	399.60	59.20	-	0.00%
Total Expenditure	3,620.15	3,078.39	3,242.79	164.40	(377.36)	(10.42%)

Balances at end month		0.62	2.62	2.00		
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Source: National Treasury, NCBA IB Research

Currency

On the FX front, the shilling ceded **58.97 cents** to the greenback, closing at **142.79/142.99** on Friday. With the average estimated **daily loss** now at **13.18 cents**, we anticipate the shilling will break the 150 –mark by end of year.

Year to date, the Kenya shilling has depreciated by **13.62% 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 decreased by **0.6%** week on week to close at **US \$7,330.0Mn**, the reserves represent **4.00 months** of import cover which meets CBK's statutory requirement of at least 4 months of import cover.

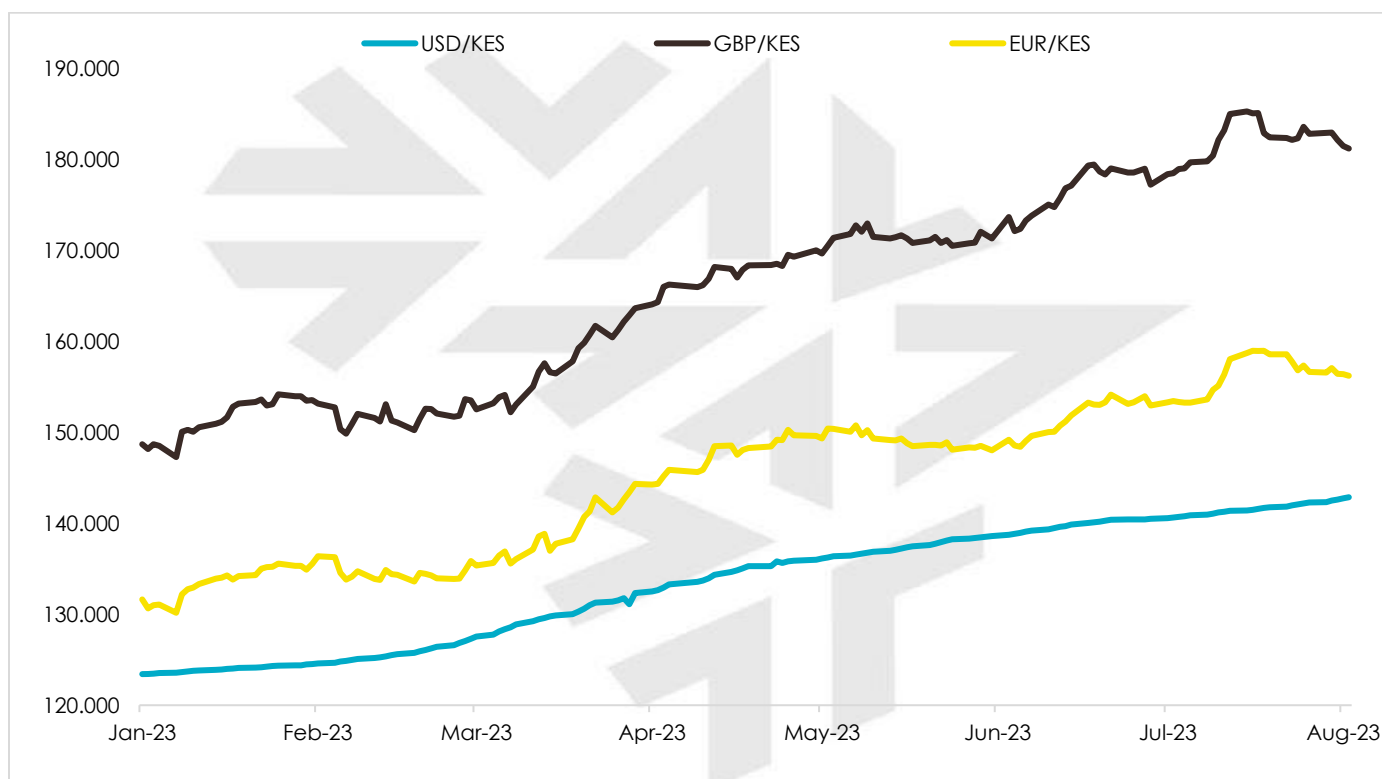
The **DXY** increased to close at **102.01** from 101.30 in the previous week.

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 31	Week 30	w/w change (%)
US Dollar	142.89	142.29	(0.4%)
STG Pound	181.25	182.87	0.9%
EURO	156.25	158.68	(0.3%)
Forex reserves (USD Mn)	7,330.00	7,377.00	(7.0%)

Negative () = Depreciation, Positive = Appreciation

Source: CBK, NCBA IB Research



Source: CBK, NCBA IB Research

Kenya Government Debt Maturities Schedule – August 2023:

The government has total domestic debt maturities of **KES 183.46Bn** in the month of August 2023 compared to **KES 180.96Bn** in July 2023.

We expect robust government activity in the local market attributable to elevated debt obligations which will consequently lead to an upsurge in yields.

Coupon payments						
Issue No.	Coupon Payment Date	Tenor to Maturity	Outstanding Amount KES 'Mn	Fixed Coupon Rate	Coupon payment (KES 'Mn)	Implied Yield To Maturity
FXD1/2013/015	Aug 14, 2023	4.55	82,473.25	11.25%	4,639.12	16.5591%
FXD3/2019/010	Aug 14, 2023	6.05	68,743.45	11.52%	3,958.59	14.8847%
FXD1/2023/010	Aug 14, 2023	9.55	12,886.51	14.15%	911.79	14.7290%
SDB1/2011/030	Aug 14, 2023	17.55	28,144.70	12.00%	1,688.68	14.5957%
FXD1/2021/020	Aug 14, 2023	18.05	75,984.00	13.44%	5,107.64	14.5700%
FXD1/2019/005	Aug 21, 2023	0.57	65,359.50	11.30%	3,694.12	10.4384%
FXD1/2016/010	Aug 21, 2023	3.07	34,046.92	15.04%	2,560.16	16.3280%
FXD1/2018/010	Aug 21, 2023	5.07	40,584.60	12.69%	2,574.28	16.2619%
FXD1/2019/010	Aug 21, 2023	5.57	67,524.85	12.44%	4,199.37	15.5657%
FXD1/2020/015	Aug 21, 2023	11.57	73,156.30	12.76%	4,665.91	14.8505%
IFB1/2017/012	Aug 21, 2023	5.57	11,402.85	12.50%	712.68	12.8525%
IFB1/2020/011	Aug 21, 2023	8.07	80,249.60	10.90%	4,373.60	14.5250%
IFB1/2022/019	Aug 21, 2023	17.57	98,377.55	12.97%	6,377.32	14.1953%
Total					45,463.27	

Treasury Bills	
Payment Date	Amount KES 'Mn
August 7, 2023	27,789.73
August 14, 2023	45,203.13
August 21, 2023	42,748.23
August 28, 2023	22,031.10
Total	137,772.19

Source: CBK, NCBA IB Research

About NCBA Investment Bank

NCBA Investment Bank is a subsidiary of NCBA Group. The services offered by the brokerage department include equities trading for listed securities, fixed income trading for both corporate and government bonds, Over the Counter (OTC) equity transactions as well as execution of equities transactions across the East African countries. Additionally, NCBA Investment Bank backs these activities with solid advice from the research team to enable investors meet their return objectives. NCBA Investment Bank deploys simple and convenient client driven technologies, robust risk management, highly competent and experienced staff and has the backing of robust research capabilities to differentiate itself from other players in the market.

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