

The Week in Review | Week 32

EQUITIES

Local Market Performance

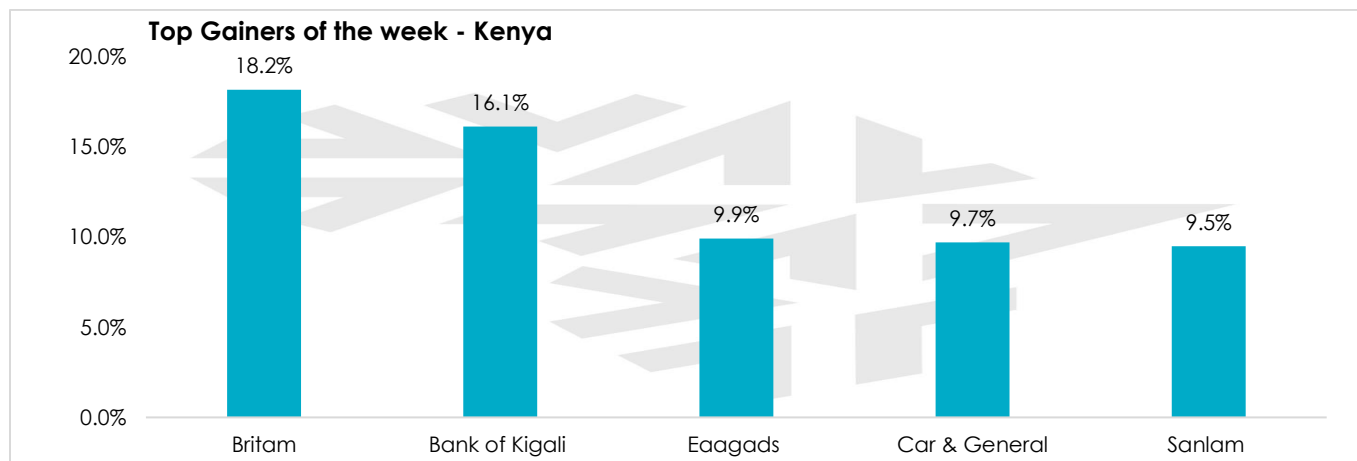
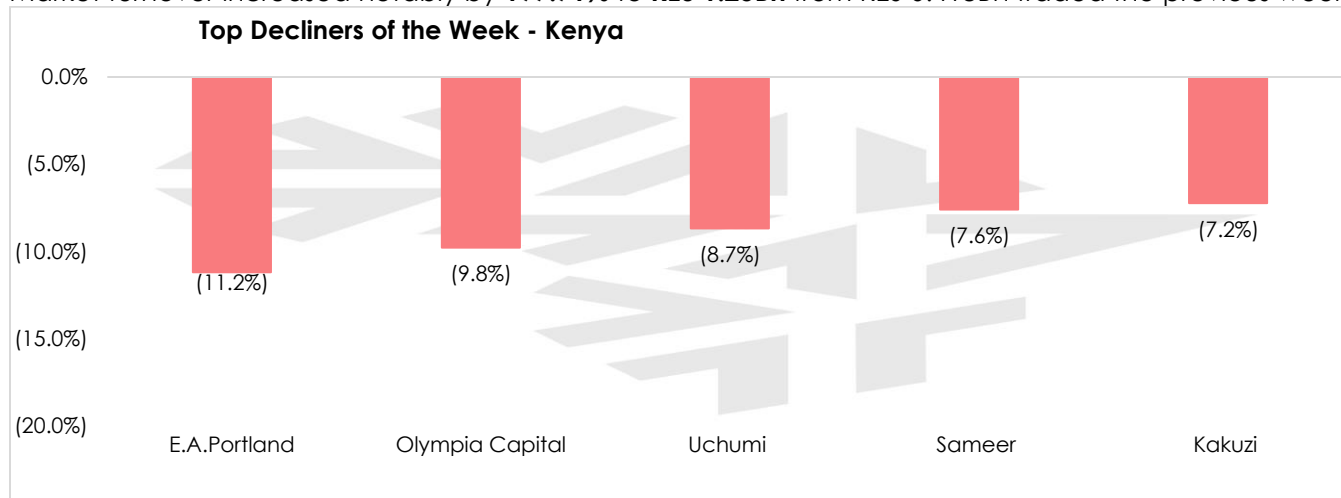
The market was down 2.04% week on week, with all share index (NASI) closing the week at **104.0**, an **18.33%** decline year to date.

The NSE-20 and NSE-25 indices closed the week at **1,594.02**, a **4.86%** decline year to date and **2,709.30**, a **13.67%** decline year to date, respectively.

Trading activity was concentrated on Equity, Safaricom, Absa Kenya, KCB and Bamburi accounting for **87.31%** of the total turnover.

Foreign investors accounted for **49.06%** of the total turnover and they were net buyers with net foreign inflows of KES 0.69Bn last week. Foreign investors were mostly active on Equity, Absa Kenya, Safaricom, KCB and Jubilee in that order.

Market turnover increased notably by **197.71%** to **KES 1.25Bn** from KES 0.418Bn traded the previous week.



Corporate Actions

Stanbic H1'2023 Financial Results

Stanbic Bank shareholders will receive interim dividends of **KES 1.15** per share after the listed lender reported a net profit of **KES 7.05Bn** for the six months ending June 2023. Total assets grew by 12.5% to **KES 384.2Bn from KES 341.5Bn**, supported by a 15.3% growth in customer loans to **KES 281.4Bn** from KES 244.0Bn in H1'2022. Customer deposits grew by 10.5% to **KES 285.4Bn** from KES 258.3Bn in H1'2022. Shareholder funds grew by 10% to KES 63.9Bn

The 47% growth in profitability by the holding company was supported by 43% growth in profit after taxes by Stanbic Bank Kenya to **KES 6.7Bn**, 31% growth in Stanbic Bancassurance Intermediary Ltd net income to KES 53Mn, and over 100% growth in profit after taxes by SBG Securities to **KES 153Mn**.

Digital lending on the bank's mjeki Instant loans platform stood at KES 23Bn as of June 2023 compared to KES 16Bn in June 2022. The bank's Chama App, launched earlier this year had 31,518 users as of the end of June 2023. 98% of the bank's accounts are now opened digitally. This saw customer numbers rise by 12%. The cost-to-income ratio improved to 41.6% an indication that digital transformation is making the bank more efficient.

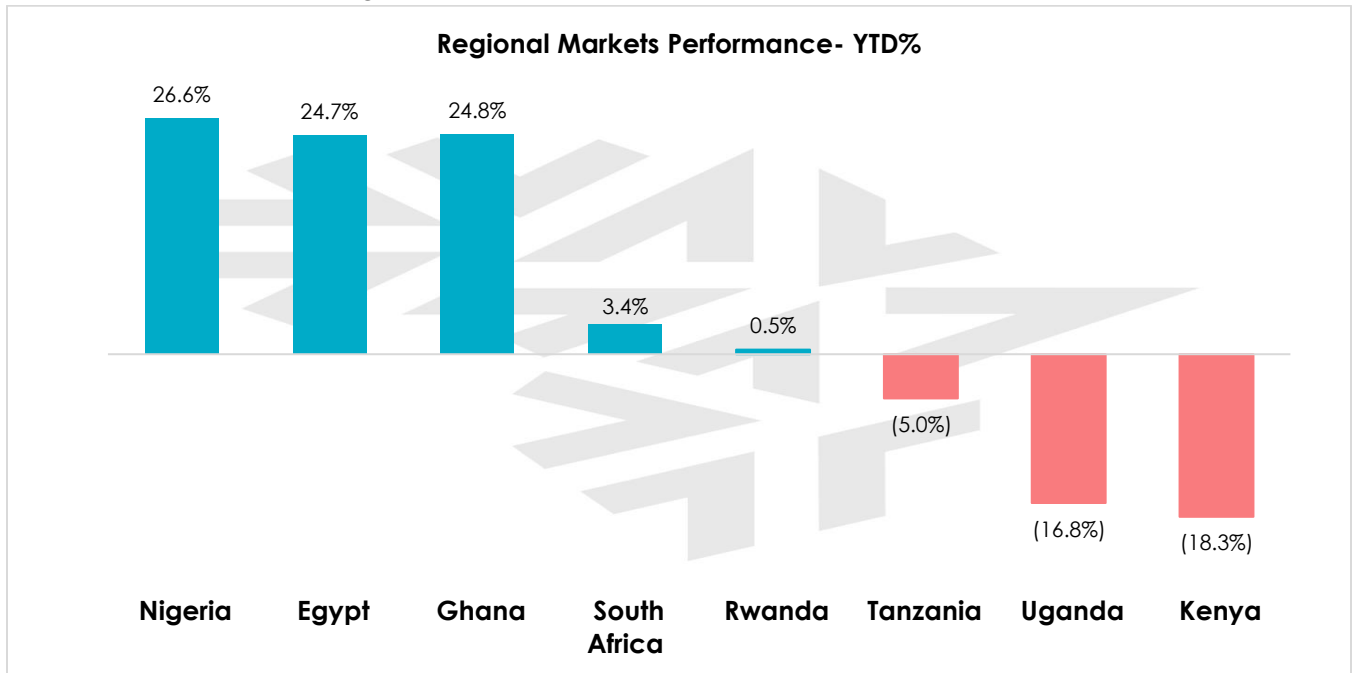
Upcoming Dividend payments

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
	1.15	04-Sep-23	27-Sep-23

Source: Company Financials, NSE, NCBA IB Research

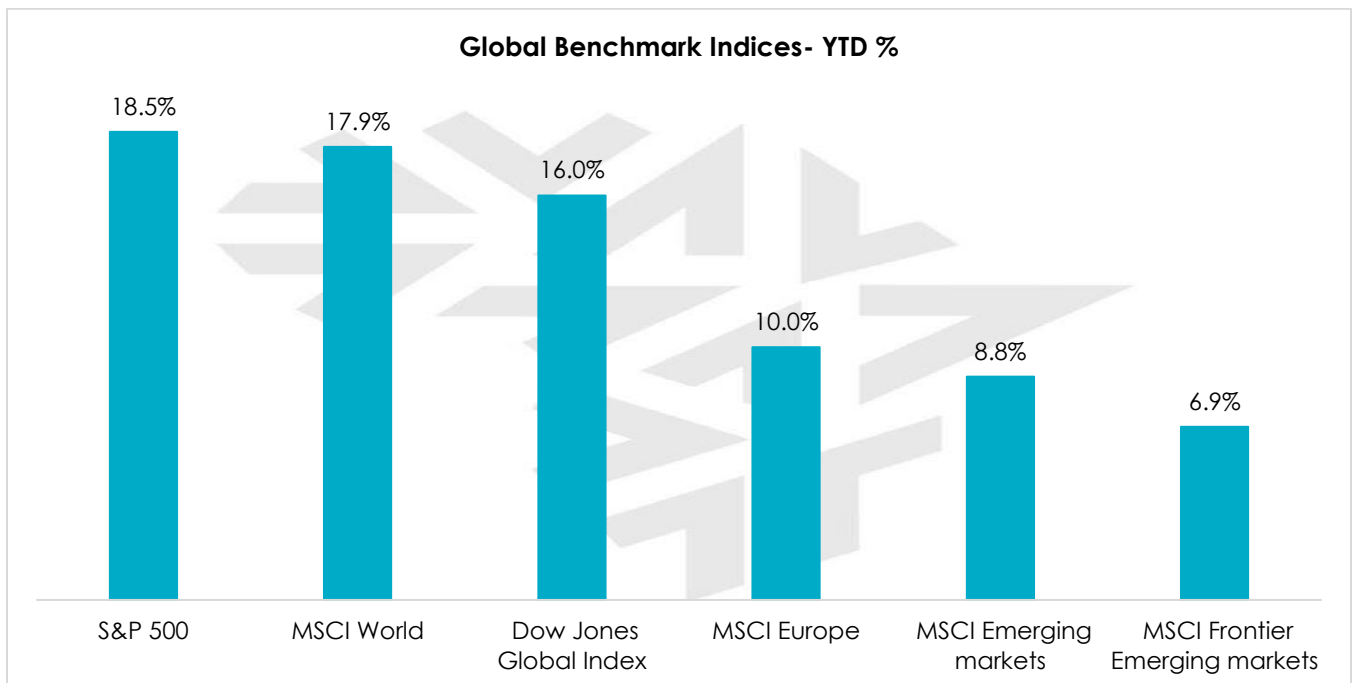
Regional Markets YTD% Performance

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 oversubscribed during the week, with a subscription rate of **199.67%** (up from 47.08% the previous week) and an acceptance rate of **99.7%**. Majority of the bids geared towards the 91-day paper, accounting for performance rate of 1,044.6% as investors look to mitigate for duration risk.

KES 47.81Bn was accepted at 13.1104% (up 42.49bps), 13.4381% (up 88.02bps) and 13.3402% (up 23.30bps) for the 91, 182 and 364-day papers, respectively.

Subscription	Amount offered KES Bn	Bids received week 32	Bids received week 31
91 day	4.00	41.78	6.69
182 day	10.00	5.25	4.35
364 day	10.00	0.89	0.26
Total	24.00	47.92	11.30

Prevailing rates	Week 32	Week 31	W/W change (bps)
91 Day	13.110%	12.686%	42.49
182 Day	13.438%	12.558%	88.02
364 Day	13.340%	13.107%	23.30

Source: CBK, NCBA IB Research

August Bond FXD1/2023/002 and Re-opened FXD1/2023/005

The Central Bank of Kenya, in its capacity as a fiscal agent for the Republic of Kenya, is offering an opportunity to participate in the auction of a new Treasury bond **FXD1/2023/002** and **Re-opened FXD1/2023/005** seeking to raise **KES 40.0Bn** for budgetary support. Below is our recommended bidding range:

Issue Number	FXD1/2023/002	FXD1/2023/005- Re-opened
Tenor	2 years	4.9 years
Period of Sale	31 Jul 2023 to 16 Aug 2023	
Value Date	Monday, 21 Aug 2023	
Redemption Date	18 August 2025	10 July 2028
Coupon (%)	Market Determined	16.844%
Bidding Guide	17.40% - 17.80%	17.60% - 18.30%

Source: CBK, NCBA IB Research

Secondary Market

In the secondary bonds market, **total turnover** increased to **KES 14.63Bn** from KES 9.68Bn traded in the previous week.

The S&P Sovereign Bond index increased to close at **95.92** from 95.89 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.

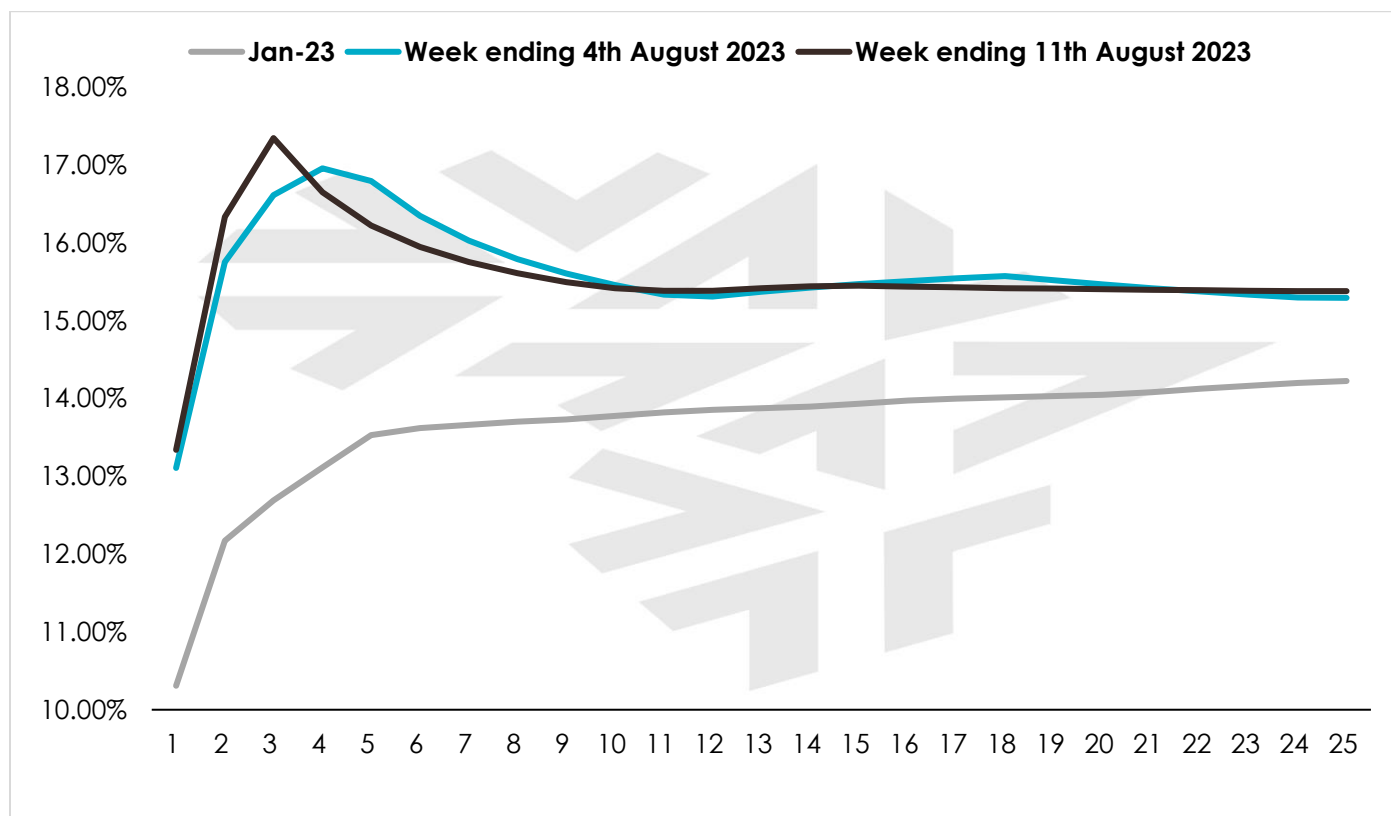
See the top moving bonds below:

Bond Identifier	Years to Maturity	Coupon	Average Yield	Total Value (KES Mn)	Number of Trades
FXD1/2016/10Yr	3.03	15.04%	16.73%	4,558.00	50
IFB1/2021/16Yr	13.45	12.26%	15.55%	2,126.10	28
IFB1/2023/7Yr	6.85	15.84%	14.81%	1,743.90	158
IFB1/2021/21Yr	19.09	12.74%	15.62%	1,227.65	33
FXD1/2019/20Yr	15.66	12.87%	14.79%	1,117.00	6

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.

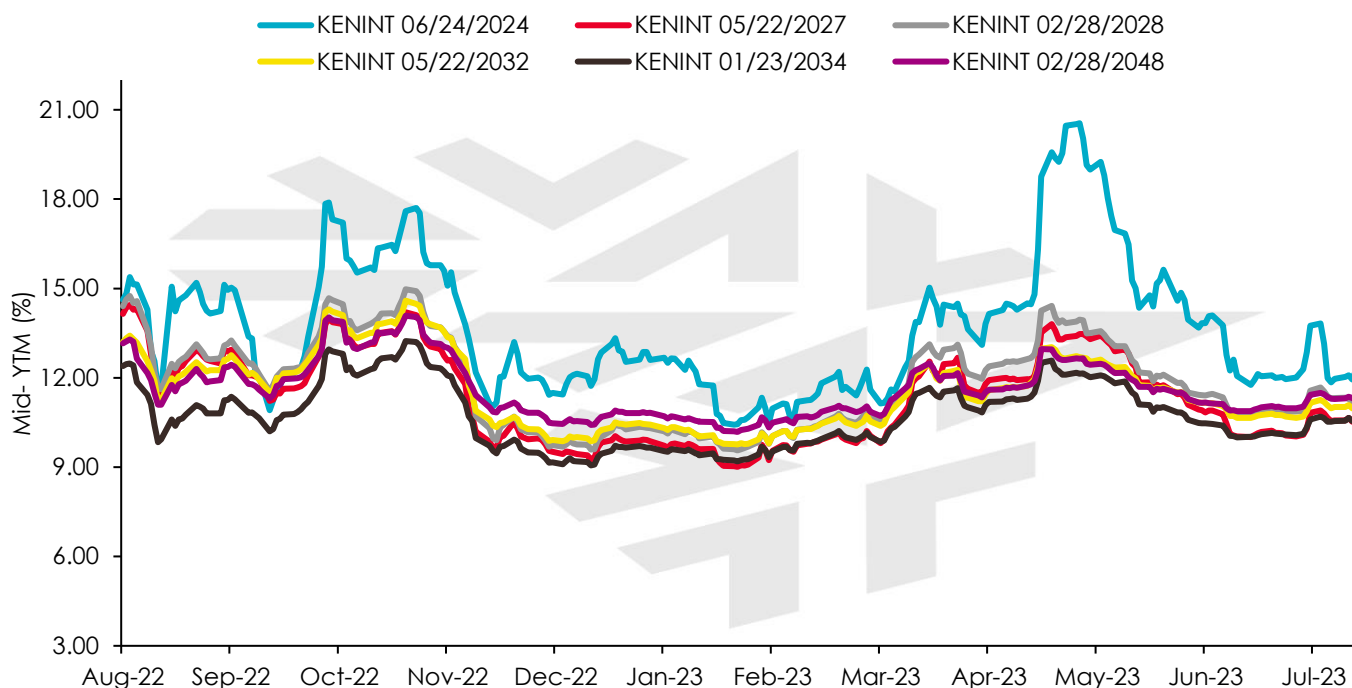


Source: NSE, NCBAIB Research

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 **12.59%**.



Source: Bloomberg, NCBA IB Research

Macroeconomic Developments:

Monetary Policy Committee (MPC) met on 9th August 2023 and maintained the CBR rate at 10.5% after the 100-bps hike in July. The decision comes after observing a decline in inflation rate. In July, inflation eased to 7.3%, aligning with the government's target range of 2.5%-7.5%. Furthermore, core inflation, which observes the ripple effects of food and fuel prices on other goods, dropped to 3.8% from 4.1% in June.

Liquidity conditions in the interbank space improved. Indicatively, the overnight **interbank rate** declined by 801.9 bps week on week to close at **9.05%**. The average daily traded volumes declined to **KES 20.98Bn** from KES 26.73Bn 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	9.05%	17.07%	(801.9)

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 **68.97 cents** to the greenback, closing at **143.48/143.68** on Friday. With the average estimated **daily loss** now at **14.71 cents**, we anticipate the shilling will break the 150 –mark by end of year.

Year to date, the Kenya shilling has depreciated by **14.04% 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 **0.4%** week on week to close at **US \$7,3570Mn**, the reserves represent **4.02 months** of import cover which meets CBK's statutory requirement of at least 4 months of import cover.

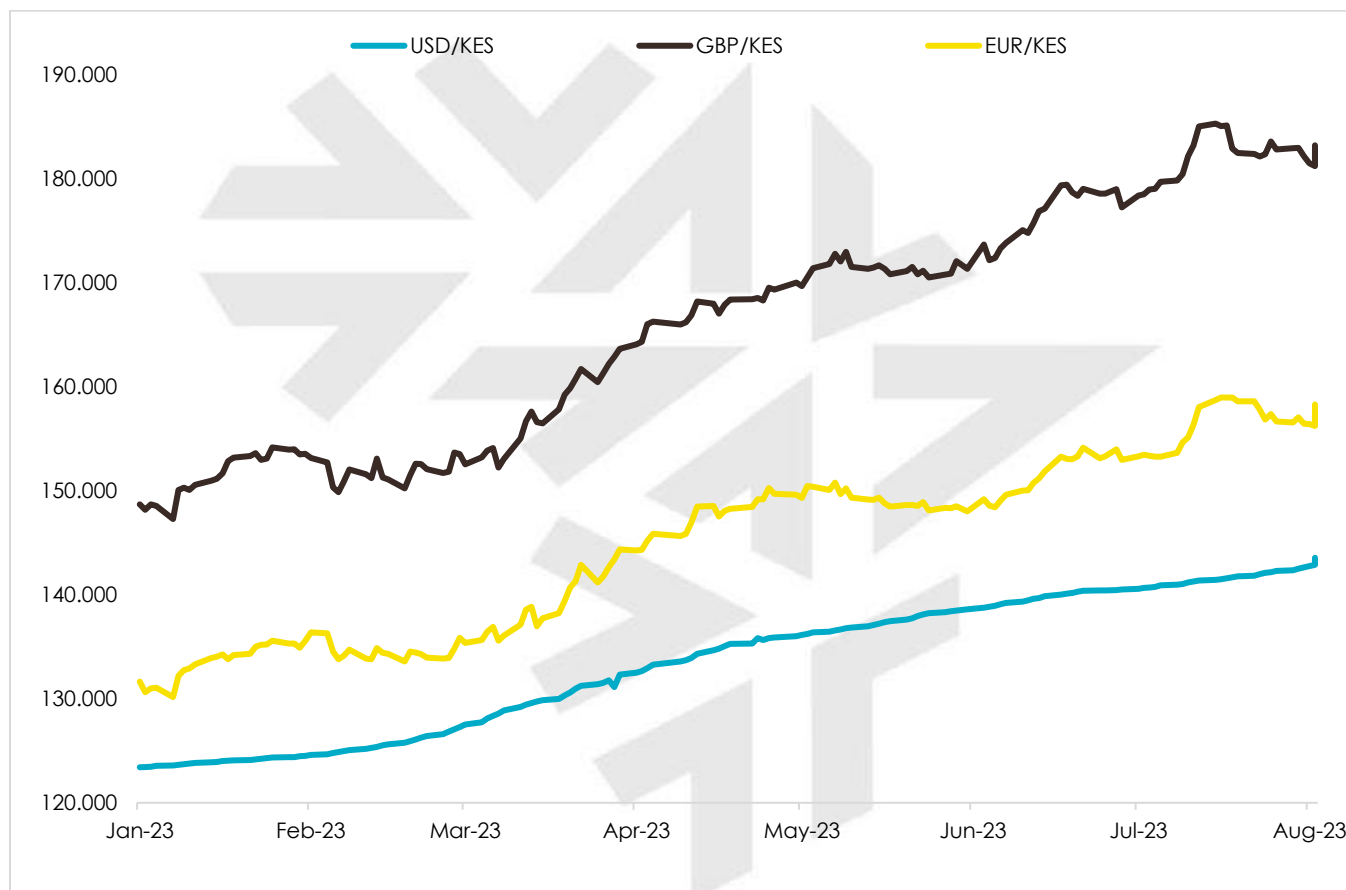
The **DXY** increased to close at **102.85** from 102.01 in the previous week.

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 32	Week 31	W/W change (%)
US Dollar	143.58	142.89	(0.5%)
STG Pound	183.25	181.25	(1.1%)
Euro	158.31	156.25	(1.3%)
Forex reserves	7,357.00	7,330.00	0.4%

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	16.40000%
FXD3/2019/010	Aug 14, 2023	6.05	68,743.45	11.52%	3,958.59	15.9473%
FXD1/2023/010	Aug 14, 2023	9.55	12,886.51	14.15%	911.79	15.4485%
SDB1/2011/030	Aug 14, 2023	17.55	28,144.70	12.00%	1,688.68	15.44228%
FXD1/2021/020	Aug 14, 2023	18.05	75,984.00	13.44%	5,107.64	15.4185%
FXD1/2019/005	Aug 21, 2023	0.57	65,359.50	11.30%	3,694.12	13.3748%
FXD1/2016/010	Aug 21, 2023	3.07	34,046.92	15.04%	2,560.16	17.3651%
FXD1/2018/010	Aug 21, 2023	5.07	40,584.60	12.69%	2,574.28	16.2125%
FXD1/2019/010	Aug 21, 2023	5.57	67,524.85	12.44%	4,199.37	16.0655%
FXD1/2020/015	Aug 21, 2023	11.57	73,156.30	12.76%	4,665.91	15.3700%
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

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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