

The Week in Review | Week 38

EQUITIES

Local Market Performance

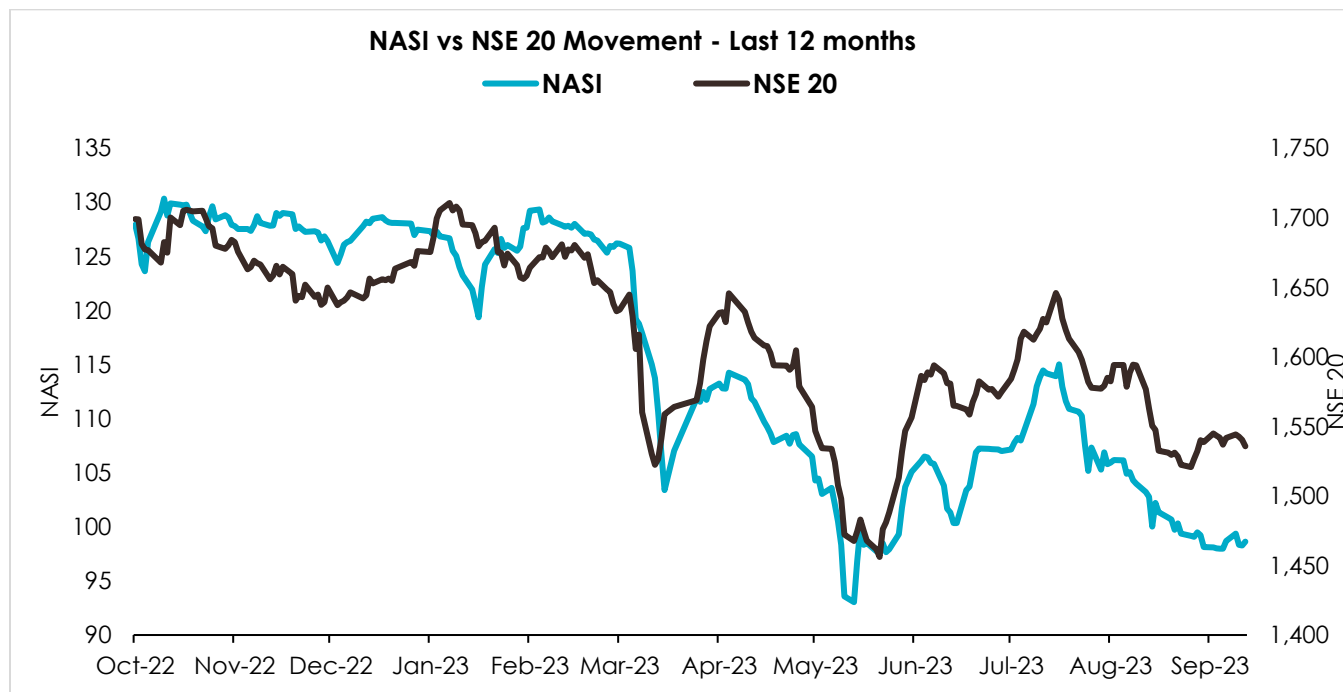
The market was down 2.16% week on week, with all share index (NASI) closing the week at **96.79**, a 23.99% decline year to date.

The NSE-20 and NSE-25 indices closed the week at **1,519.26**, a **9.32%** decline year to date and **2,505.69**, a **20.16%** decline year to date, respectively.

Trading activity was concentrated on Safaricom, Equity, BAT, Co-operative and Centum accounting for 91.34% of the total turnover at KES 1.19Bn

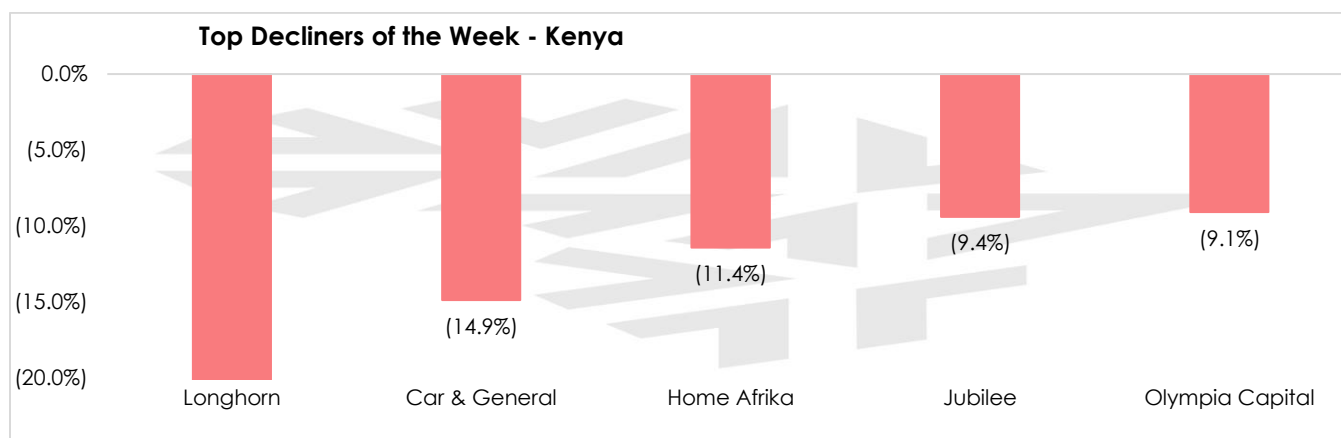
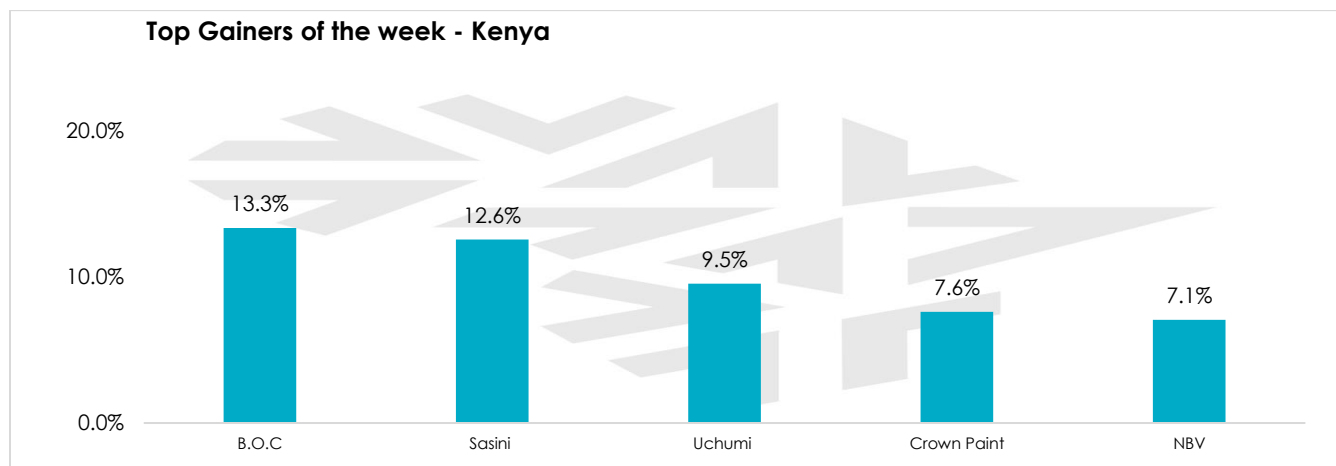
Foreign investors accounted for **61.03%** of the total turnover and they were net sellers with net foreign outflows of KES 1.2Bn last week. Foreign investors were mostly active on Safaricom, Equity, BAT, Co-operative and Centum in that order.

Market turnover increased to KES **1.31Bn** from KES 1.09Bn traded the previous week.








Source: NSE, NCBA IB Research



NSE Counter Performance



Source: NSE, NCBA IB Research

Upcoming Dividend payments

Counter	Dividend	Book Closure	Payment
	KES 0.60	Subject to Approval	Subject to Approval
	KES 1.75	15-Sep-23	27-Oct-23
	KES 1.15	04-Sep-23	27-Sep-23
	KES 1.75	14-Sep-23	28-Sep-23
	KES 2.00	8-Sep-23	11-Oct-23

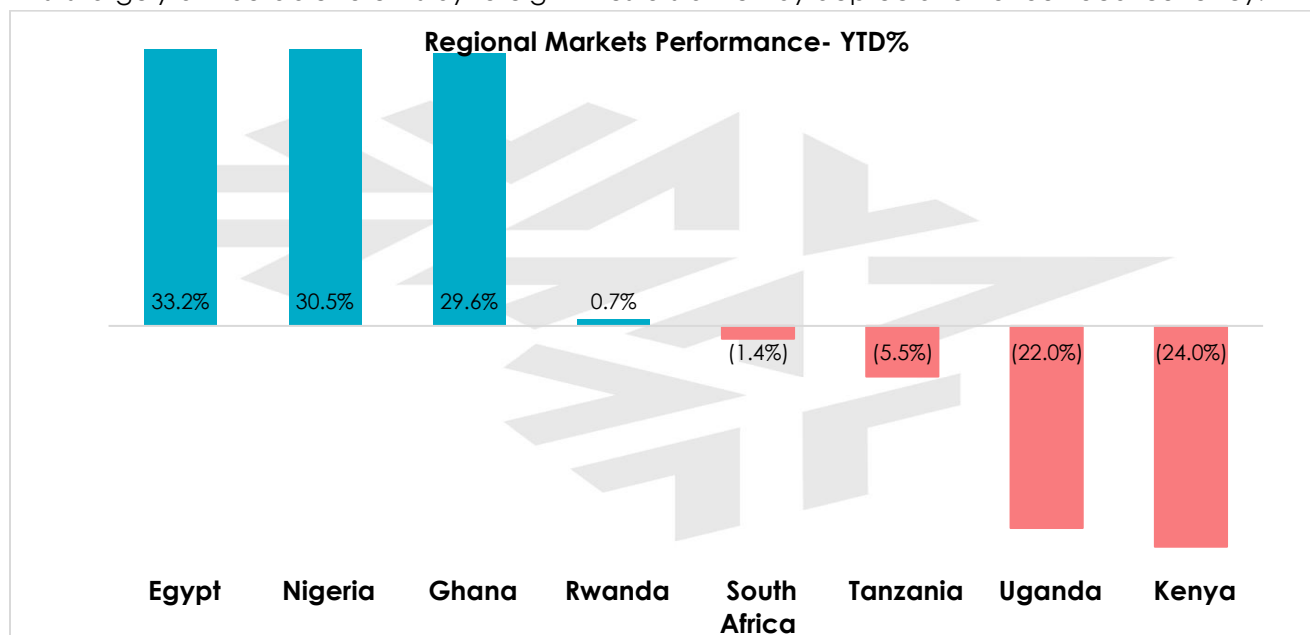
	KES 0.20	21-Sep-23	12-Oct-23
	UGS 24.00	09-Feb-24	29-Feb-24

Source: Company Financials, NSE, NCBA IB Research

Regional Markets YTD% Performance.

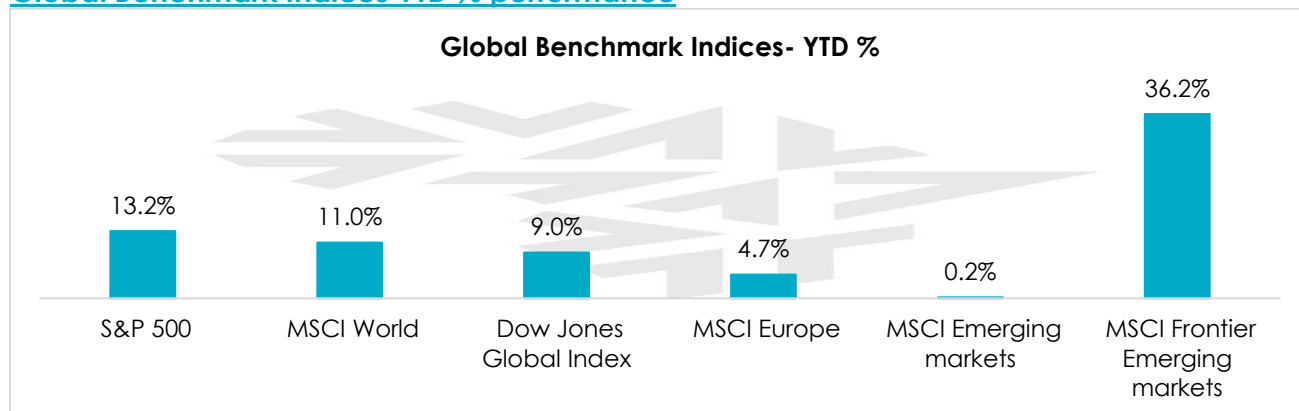
On a year to date basis, the Nairobi securities exchange recorded the worst performance compared to benchmark markets in Sub-Saharan Africa.

This is largely attributable to exits by foreign investors driven by depreciation of our local currency.



Source: Bloomberg, NCBA IB Research

Global Benchmark Indices YTD % performance



Source: Bloomberg, NCBA IB Research

FIXED INCOME

Primary Market

Treasury bills were undersubscribed during the week, with a subscription rate of **84.07%** (down from 92.11% the previous week) and an acceptance rate of **93.1%**. Majority of the bids geared towards the 91-day paper, accounting for performance rate of 401.7% as investors look to mitigate for duration risk.

KES 18.79Bn was accepted at 14.787% (up 27.15bps), 14.940% (up 52.51bps) and 15.221% (down 49.32 bps) for the 91, 182 and 364-day papers, respectively.

Subscription	Amount offered KES Bn	Bids received week 38	Bids received week 37
91 day	4.00	16.07	18.00
182 day	10.00	1.58	0.70
364 day	10.00	2.53	3.41
Total	24.00	20.18	22.11

Prevailing rates	Week 38	Week 37	W/W change (bps)
91 Day	14.787%	14.515%	27.15
182 Day	14.940%	14.415%	52.51
364 Day	15.221%	14.728%	49.32

Source: CBK, NCBA IB Research

Tap Sale Offer: FXD1/2023/002 and FXD1/2016/010

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 **tap sale** of Treasury bonds **FXD1/2023/002** and **FXD1/2016/010** seeking to raise a total of **KES 15.0Bn**.

See below a summary of the treasury bond auction;

Issue	FXD1/2023/002	FXD1/2016/010
Tenor to Maturity	2 yrs	2.9 yrs
Offered Amount (KES Bn)	15.00	
Value Date	2-Oct-23	
Period of Sale	9/22/2023 to 9/28/2023	
Average Yield (%)	17.453%	17.927%
Coupon Rate (%)	16.972%	15.039%

Source: CBK, NCBA IB Research

Secondary Market

In the secondary bonds market, **total turnover** declined to **KES 15.42Bn** from KES 16.44Bn traded in the previous week.

The S&P Sovereign Bond index increased to close at **94.38** from 94.26 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.

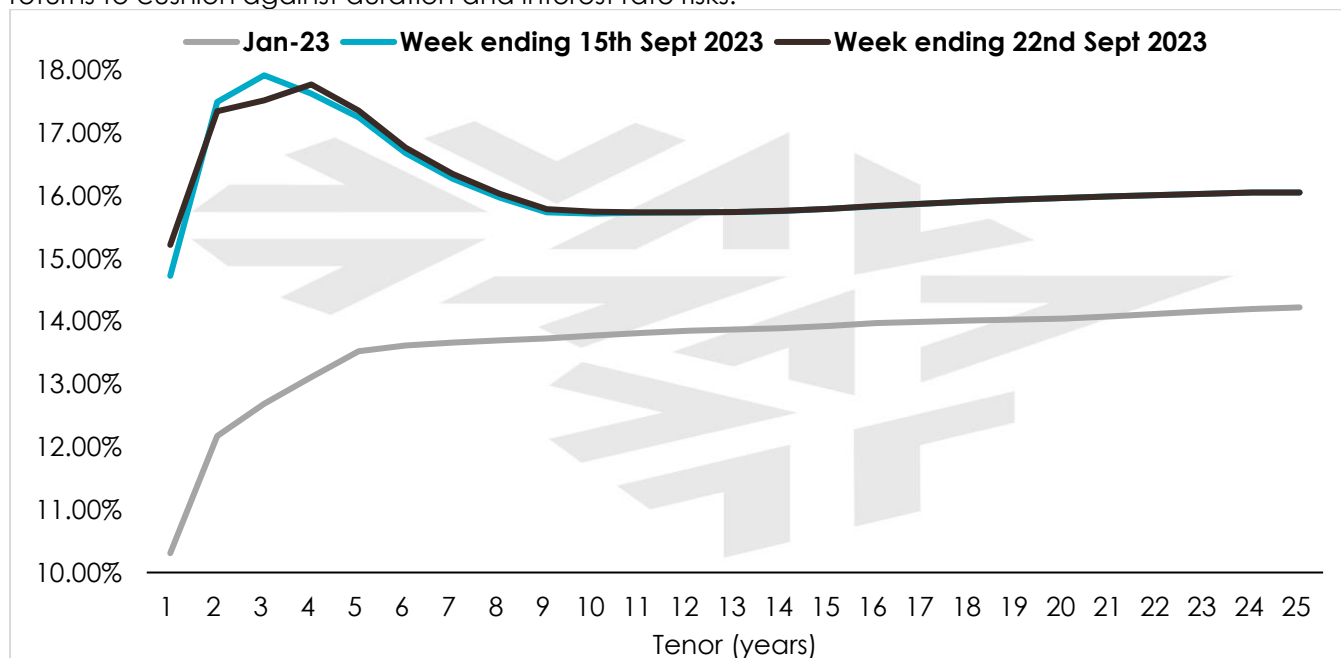
See the top moving bonds below:

Bond Identifier	Years to Maturity	Coupon	Average Yield	Total Value (KES Mn)	Number of Trades
FXD1/2012/15Yr	3.97	11.00%	18.34%	3,630.10	13
FXD1/2016/10Yr	2.91	15.04%	16.59%	1,496.60	35
IFB1/2021/21Yr	18.97	12.74%	15.23%	1,438.70	16
FXD 1/2023/2Yr	1.91	16.97%	15.86%	1,028.75	85
FXD 1/2021/5Yr	3.14	11.28%	18.20%	1,000.00	1

Source: CBK, NCBA IB 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.

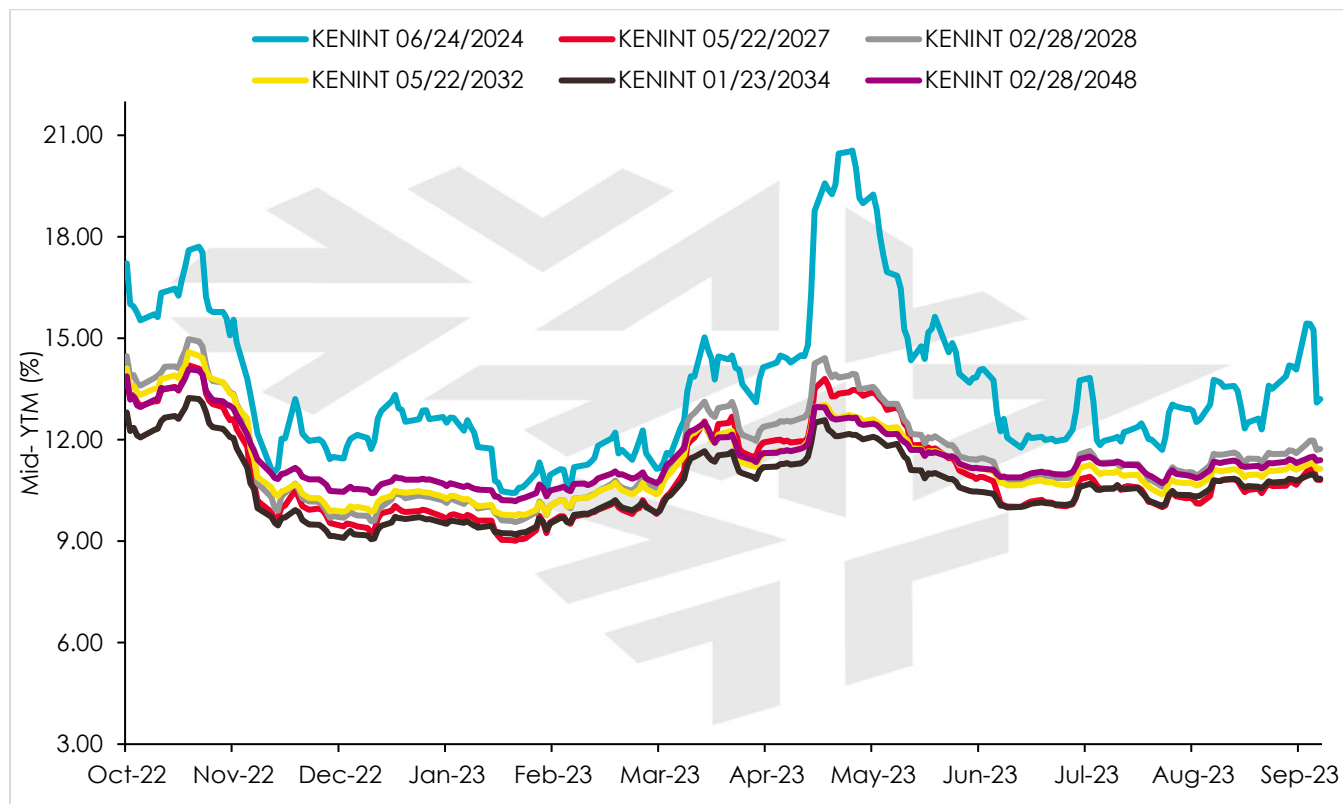


Source: NSE, NCBA/IB Research

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 **16.81%**.

Yield on all Eurobond papers edged upwards with the 10-year 2024 paper recording the highest increase.



Source: Bloomberg, NCBA IB Research

Macroeconomic Developments:

Liquidity conditions in the interbank space tightened. Indicatively, the overnight **interbank rate** increased by 20.8 bps week on week to close at **12.18%**. The average daily traded volumes declined to **KES 25.76Bn** from KES 26.28Bn observed in the previous week.

Statistic	Current	Previous	Change (bps)
CBR	10.50%	9.50%	100.0
Inflation	6.70%	7.30%	(60.0)
Average Interbank Rate	12.18%	11.97%	20.8

Source: CBK, NCBAIB Research

Fiscal Tracker-August 2023

For the second month of FY'2023/2024, **total revenue** collected as reported by the National Treasury stood at **KES 502.38Bn** which represents a **12.16%** achievement against the full year target of **KES 4,132.74Bn**.

Net **domestic borrowing** stood at **KES 125.70Bn** reflecting a performance rate of **18.27%** compared to **5.27%** in the same period in FY'2022/2023. The performance in domestic borrowing comes as the government shifts its focus on domestic debt from the issuance of long-term instruments to more **short-term** bonds to align with investor appetite and realize the borrowing target.

The **total expenditure** increased by **KES 118.85Bn** to **KES 502.74Bn** compared to **KES 383.90Bn** in the same period in 2022/2023 fiscal year. This is largely attributable to an increase in Consolidated Fund Services (CFS) by **KES 116.51Bn** to **KES 300.01Bn** and county government expenditure by **KES 9.02Bn** to **KES 30.24Bn**.

The increase in public **expenditure** continues to hamper government's efforts of achieving a **fiscal deficit** to GDP of **4.4%** projection for FY'23/2024 through fiscal consolidation measures.

	23/24 FY Budget	Aug-22	Aug-23	Variance (YoY)	Variance FY Budget	Variance FY Budget
INCOME (KES Bn)						
Total Tax Income	2,495.83	280.23	317.58	37.35	(2,178.24)	(87.28%)
Total Non-Tax Income	75.33	3.12	3.23	0.11	(72.10)	(95.71%)
Net Domestic Borrowing	688.21	54.83	125.70	70.87	(562.51)	(81.73%)
External Loans and Grants	870.18	31.77	53.02	21.25	(817.16)	(93.91%)
Other Domestic Financing	3.19	13.42	2.84	(10.58)	(0.35)	(10.92%)
Total Revenue	4,132.74	383.37	502.38	119.00	(3,630.36)	(87.84%)

EXPENDITURE (KES Bn)						
Recurrent	1,302.80	149.39	148.98	(0.41)	(1,153.82)	(88.56%)
CFS	1,963.70	183.51	300.01	116.51	(1,663.68)	(84.72%)
Development	480.82	20.75	14.48	(6.28)	(466.34)	(96.99%)
County Gvt	385.42	30.24	39.27	9.02	(346.16)	(89.81%)
Total Expenditure	4,132.74	383.90	502.74	118.85	(3,630.00)	(87.84%)

Balances at end month		0.09	2.25	2.16		
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Source: National Treasury, NCBA IB Research

Currency

On the FX front, the shilling continues to depreciate the greenback, closing at **147.36/147.25** on Friday. With the average estimated **daily loss** now at **11.25 cents**, we anticipate the shilling will break the 150 – mark by end of year.

Year to date, the Kenya shilling has depreciated by **19.39% 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 **1.6%** week on week to close at **US \$6,955Mn**, the reserves represent **3.8 months** of import cover which meets CBK's statutory requirement of at least 4 months of import cover.

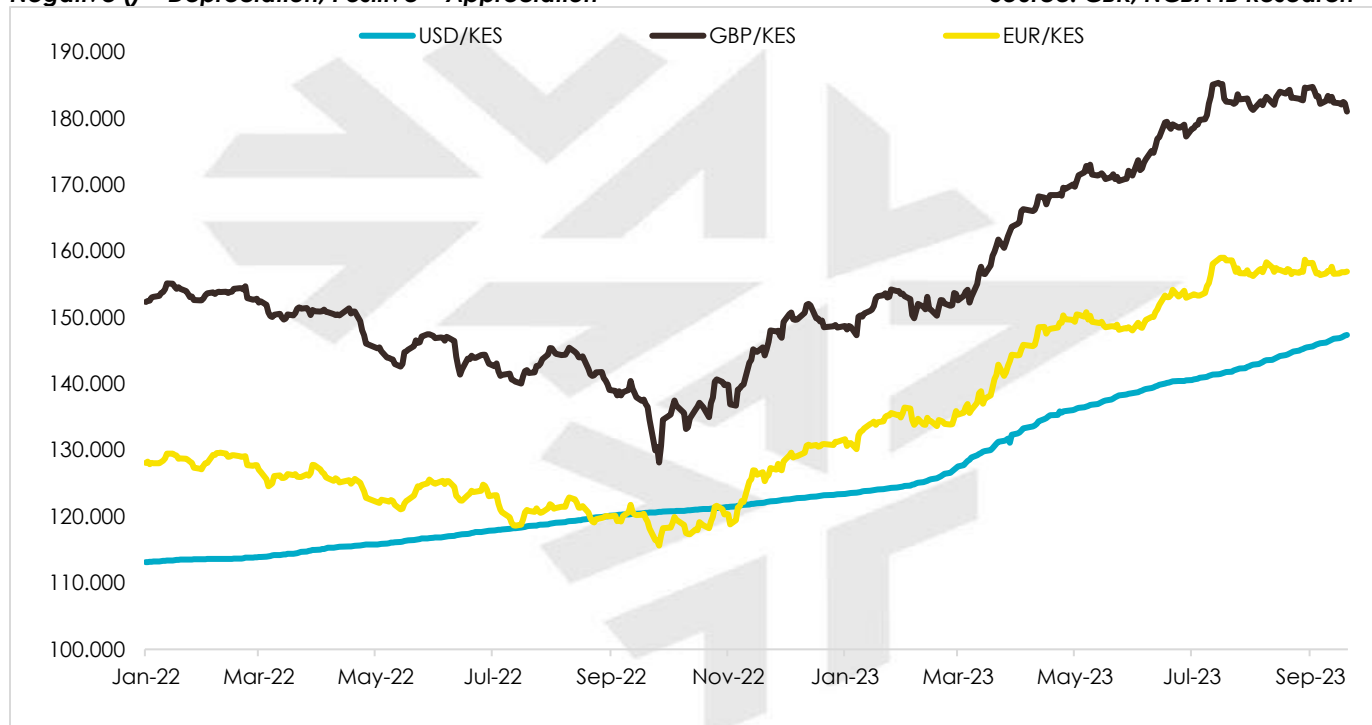
The **DXY** increased to close at **105.58** from 105.33 in the previous week.

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 38	Week 37	W/W change (%)
US Dollar	147.36	146.79	(0.4%)
STG Pound	181.02	182.38	0.8%
Euro	156.94	156.58	(0.2%)
Forex reserves	6955.00	7067.00	(1.6%)

Negative () = Depreciation, Positive = Appreciation

Source: CBK, NCBA IB Research



Source: CBK, NCBA IB Research

Macroeconomic Developments:

EPRA Fuel Prices Review.

The Energy and Petroleum Regulatory Authority (EPRA) met on 14th August and reviewed upwards the prices of Fuel for the month. The price of Super Petrol, Diesel and Kerosene is set to increase by KES 16.96, KES 21.32 and KES 33.13, to KES 211.64, KES 201.00 and KES 202.13, respectively. The increase in fuel prices is likely to exert an upward pressure in fuel index, however, headline inflation would likely moderate in the near term owing to an ease in prices of food items.

MPC October Meeting.

Monetary Policy Committee (MPC) is expected to meet on 3rd October 2023.

Kenya Government Debt Maturities Schedule – September 2023:

The government has total domestic debt maturities of **KES 83.05Bn** in the month of September 2023 compared to **KES 183.24Bn** in August 2023.

We expect **robust government activity** in the local market.

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
FXD1/2010/015	September 11, 2023	1.51	27,693.90	10.25%	1,419.31	16.0053%
FXD1/2012/015	September 11, 2023	4.01	90,939.90	11.00%	5,001.69	17.6253%
IFB1/2021/021	September 11, 2023	19.01	106,742.20	12.74%	6,797.88	15.5113%
IFB1/2023/017	September 11, 2023	16.51	68,705.36	14.40%	4,946.44	15.5904%
FXD1/2016/020	September 18, 2023	13.03	12,761.20	14.00%	893.28	15.7028%
FXD1/2018/020	September 18, 2023	14.53	94,515.60	13.20%	6,238.03	15.7551%
IFB1/2011/012	September 18, 2023	0.03	11,735.50	12.00%	704.13	10.0000%
IFB1/2013/012	September 18, 2023	2.03	16,060.21	11.00%	883.31	12.8350%
IFB1/2015/012	September 18, 2023	3.53	33,486.55	11.00%	1,841.76	12.6250%
IFB1/2019/025	September 18, 2023	20.53	16,828.65	12.20%	1,026.55	13.9500%
Total					29,752.39	

Treasury Bills	
Payment Date	Amount KES 'Mn
September 4, 2023	11,361.35
September 11, 2023	12,751.69
September 18, 2023	20,328.03
September 25, 2023	8,856.87
Total	53,297.94

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

Key Social Media: NCBA Investment bank.

<https://whatsapp.com/channel/0029Va1lvDN1CYoXtjBQFd13>