

The Week in Review | Week 35

EQUITIES

Local Market Performance

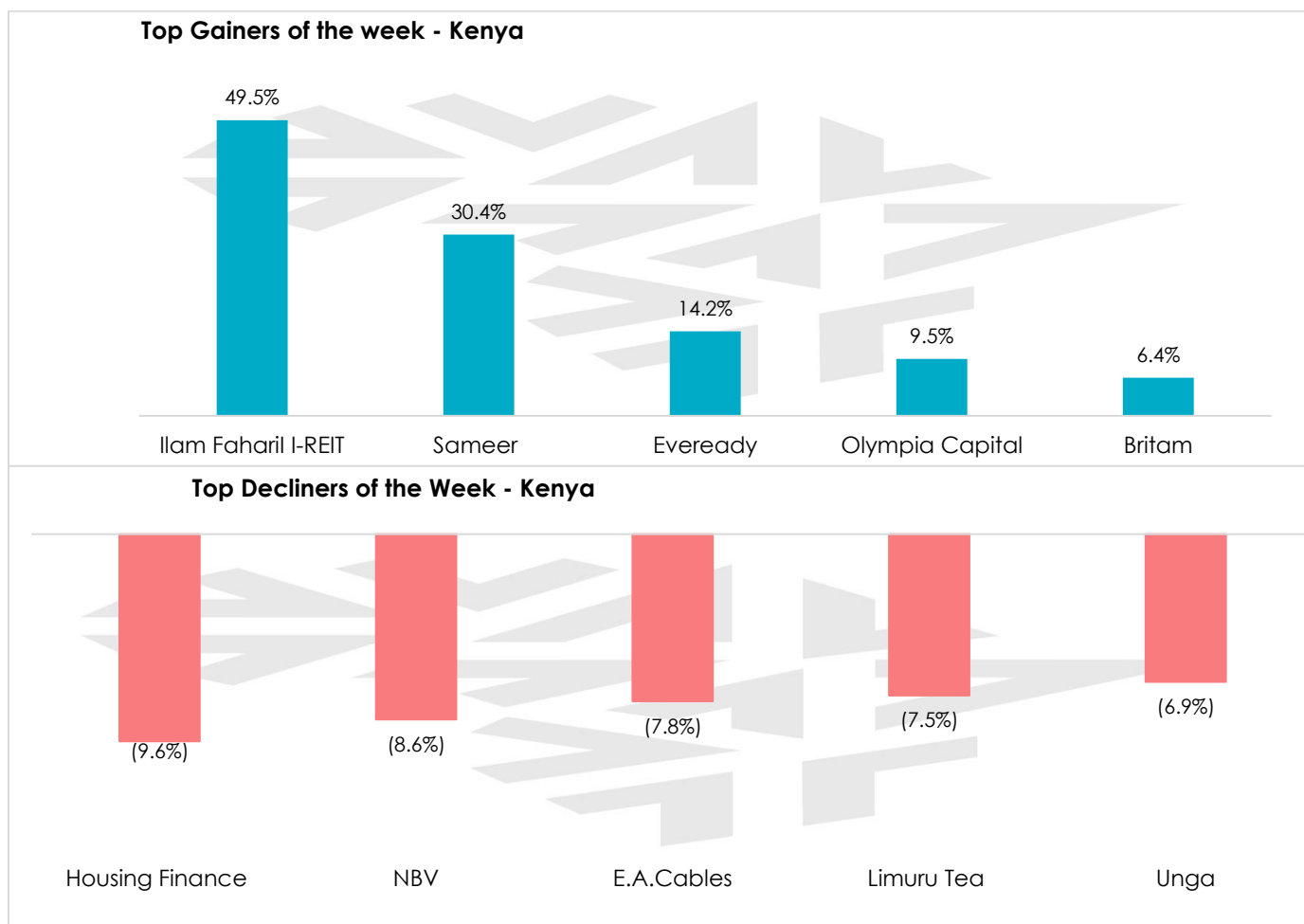
The market was down 2.17% week on week, with all share index (NASI) closing the week at **98.14**, an **22.93%** decline year to date.

The NSE-20 and NSE-25 indices closed the week at **1,538.65**, an **8.16%** decline year to date and **2,578.57**, a **17.83%** decline year to date, respectively.

Market turnover increased notably to **KES 1.77Bn** from KES 0.46Bn traded the previous week.







Trading activity was concentrated on Britam, Safaricom, ILAM Faharil I-REIT, Equity, and KCB, accounting for **89.15%** of the total turnover at **KES1.58Bn**

Foreign investors accounted for **19.59%** of the total turnover and they were net sellers with net foreign outflows of KES 0.23Bn last week.



Source: NSE, NCBA IB Research

Upcoming Dividend payments

Counter	Dividend	Book Closure	Payment
	0.60	Subject to Approval	Subject to Approval
	1.75	15-Sep-23	27-Oct-23
	1.15	04-Sep-23	27-Sep-23
	1.75	14-Sep-23	24-Sep-23
	2.00	8-Sep-23	11-Oct-23
	0.20	21-Sep-23	12-Oct-23

Source: Company Financials, NSE, NCBA IB Research

Corporate Announcements.

ABSA Bank H1'2023 Financial Results

Absa Bank Kenya	Key Metrics Y/Y	Absa Bank Kenya	Key Ratios Y/Y
Loans and Advances	Up 18.5% to KES 309.9Bn	Loan Deposit ratio	Up 93.2% from 92.9%
Customer Deposits	Up 18.1% to KES 332.5Bn	Net Interest Margin	Up to 3.8% to 3.2%
Government Securities	Down 3.0% to KES 87.02Bn	Cost to Income	Down to 55.9% from 56.4%
Net Interest Income	Up 36.9% to KES 25.3Bn	NPL Ratio	Up to 1.6% from 1.1%
Non-Funded Income	Up 25.7% to KES 8.14Bn	Cost of Risk	Up 1.7% from 1.1%
Forex trading income	Up 25.9% to KES 3.8Bn	ROE	Up to 13.8% from 10.5%
Loan Loss Provisions	Up 74.4% to KES 5.15Bn	Current Market Price	KES 11.35
PBT	Up 32.5% to KES 12.0Bn	P/E	7.4x
PAT	Up 32.0% to KES 8.3Bn	P/B	0.1x
EPS	Up 31.9% to KES 1.53	Dividend Type	Interim dividend of KES 0.20

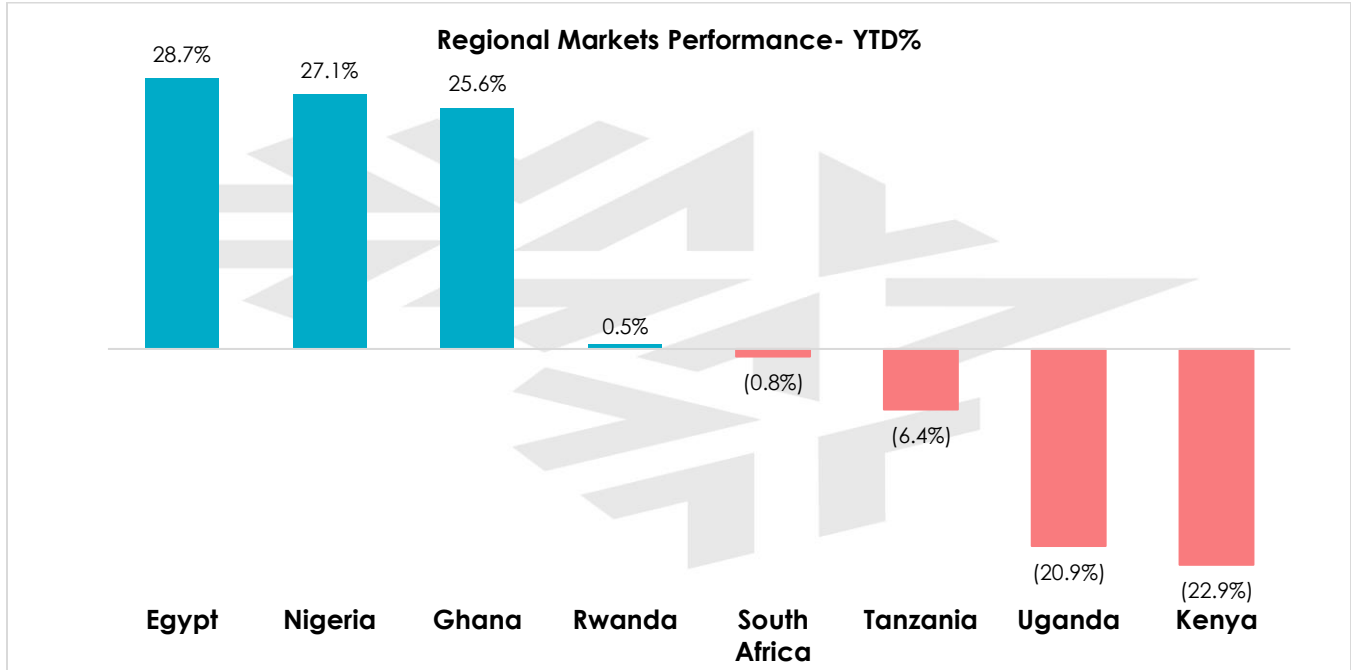
ABSA Group's net profit for six months ended June grew **32.0%** to **Kes 8.3Bn** as interest income saw an increase by 36.9% to Kes 25.31Bn.

Non-interest income rose by 25.7% to Kes 8.14Bn driven by an increase in FX income to 25.9% to KES 3.8Bn

ABSA however, raised the provisioning for loan defaults to Kes 5.15Bn, mirroring the trend that has been seen among its tier I peers, including KCB Group, Equity Group and Stanbic Holdings.

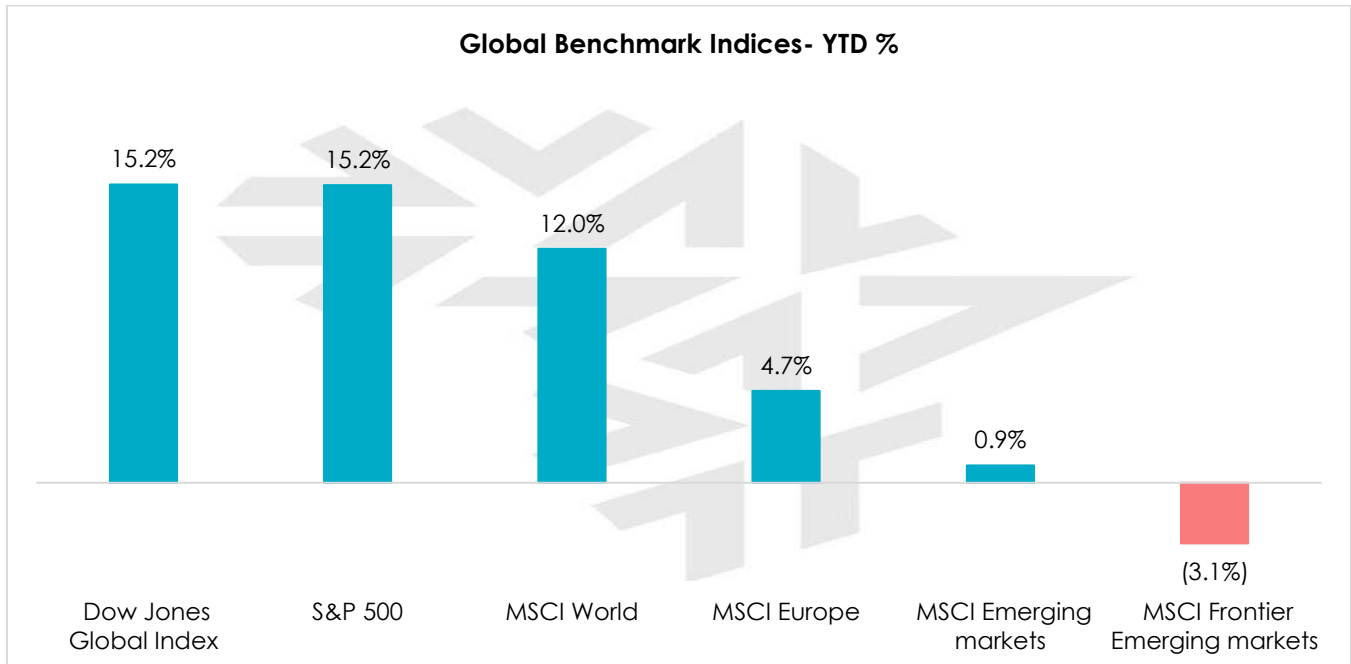
Regional Markets YTD% Performance

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 during week, with a subscription rate of **96.6%** (up from 95.8% 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 539.8% as investors look to mitigate for duration risk.

KES 23.10Bn was accepted at 13.985% (up 25.19bps), 13.939% (up 44.77bps) and 13.765% (down 24.90 bps) for the 91, 182 and 364-day papers, respectively.

Treasury bill results

Subscription	Amount offered KES Bn	Bids received week 35	Bids received week 34
91 day	4.00	21.59	18.22
182 day	10.00	0.96	2.58
364 day	10.00	0.62	2.20
Total	24.00	23.18	22.99

Prevailing rates	Week 35	Week 34	W/W change (bps)
91 Day	13.985%	13.733%	25.19
182 Day	13.939%	13.491%	44.77
364 Day	13.765%	14.014%	(24.90)

Source: CBK, NCBA IB Research

Tap Sale Auctions: 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** auction of a Treasury bond **FXD1/2023/002** and FXD1/2016/010 seeking to raise a total of KES 35.0Bn for FY 2023/2024 budgetary support.

See below a summary of the Treasury bond auction results;

Issue	FXD1/2023/002	FXD1/2016/010
Tenor to Maturity	1.9 yrs.	2.9 yrs
Offered Amount (KES Mn)	35,000.00	
Coupon Date	18-Aug-25	17-Aug-26
Coupon Rate	16.9723%	15.0390%
Value date	18-Sept-23	
Period of sale	01/09/2023 to 13/09/2023	
Minimum Bidding Amount	50,000.00	

Source: CBK, NCBA IB Research

Secondary Market

In the secondary bonds market, **total turnover** increased to **KES 9.52Bn** from KES 8.18Bn traded in the previous week.

The S&P Sovereign Bond index increased to close at **94.79** from 94.77 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.

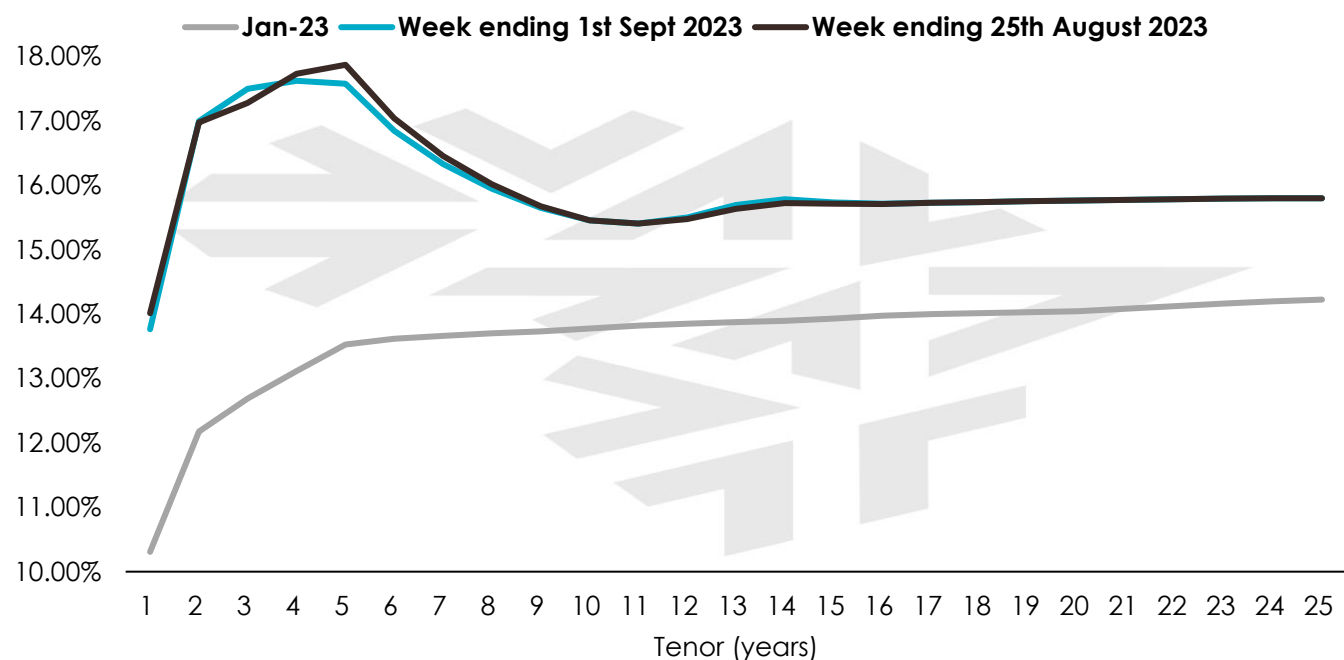
See the top moving bonds below:

Bond Identifier	Years to Maturity	Coupon	Average Yield	Total Value (KES Mn)	Number of Trades
FXD1/2016/10Yr	2.97	15.04%	16.44%	2,055.85	32
FXD1/2022/15Yr	13.64	13.94%	15.68%	1,061.00	12
FXD1/2014/10Yr	0.37	12.18%	14.50%	1,000.00	2
IFB1/2023/7Yr	6.80	15.84%	14.96%	824.15	130
IFB1/2021/21Yr	19.03	12.74%	15.19%	570.50	21

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.

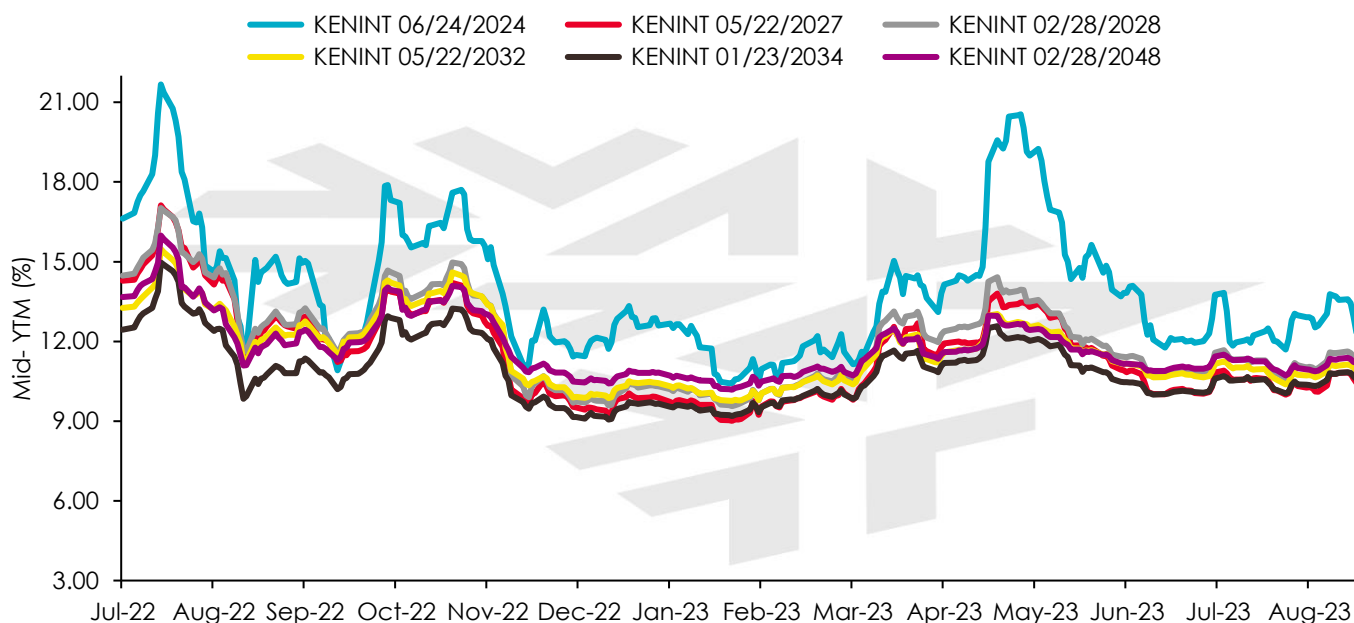


Source: NSE, NCBAIB Research

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 **11.76%**.

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 31.7 bps week on week to close at **12.40%**. The average daily traded volumes decreased to **KES 26.88Bn** from KES 29.13Bn 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	12.40%	12.08%	31.7

Source: CBK, NCBAIB Research

August 2023 Inflation

The overall year on year Inflation for the month of August eased to **6.7%** from 7.3% in July falling within the Central Bank's target range of 2.5%-7.5%.

The slowdown was mainly on the back of food and Non-alcoholic beverages index declining by 0.5% from July.

Fuel inflation remained elevated in August, reflecting high energy prices. Non-food-non-fuel (NFNF) inflation also declined, reflecting muted demand pressures.

Fiscal Tracker-July 2023

For the first month of FY'2023/2024, **total revenue** collected as reported by the National Treasury stood at **KES 284.46Bn** which represents a **6.88%** achievement against the full year target of **KES 4,132.74Bn**.

Net **domestic borrowing** stood at **KES 83.57Bn** reflecting a performance rate of **12%** compared to **2%** 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 100.31Bn** to **KES 279.64Bn** compared to **KES 179.33Bn** in the same period in 2022/2023 fiscal year. This is largely attributable to an increase in Consolidated Fund Services (CFS) by **KES 98.47Bn** to **KES 188.0Bn** and county government expenditure by **KES 9.77Bn** to **KES 32.76Bn**.

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	Jul-22	Jul-23	Variance (YoY)	Variance FY Budget	Variance FY Budget
INCOME(KES Bn)						
Total Tax Income	2,495.83	130.60	155.07	24.46	(2,340.76)	(93.79%)
Total Non-Tax Income	75.33	1.95	1.87	(0.08)	(73.46)	(97.52%)
Net Domestic Borrowing	688.21	15.61	83.57	67.97	(604.64)	(87.86%)
External Loans and Grants	870.18	27.85	43.07	15.22	(827.11)	(95.05%)
Other Domestic Financing	3.19	2.77	0.88	(1.89)	(2.31)	(72.43%)
Total Revenue	4,132.74	178.78	284.46	105.68	(3,848.28)	(93.12%)

EXPENDITURE(KES Bn)						
Recurrent	1,302.80	66.80	56.99	(9.81)	(1,245.82)	(95.63%)
CFS	1,963.70	89.53	188.00	98.47	(1,775.69)	(90.43%)
Development	480.82	-	1.89	1.89	(478.93)	(99.61%)
County Gvt	385.42	22.99	32.76	9.77	(352.66)	(91.50%)
Total Expenditure	4,132.74	179.33	279.64	100.31	(3,853.10)	(93.23%)

Balances at end month		0.71	7.44	6.73		
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Source: National Treasury, NCBA IB Research

Currency

On the FX front, the shilling continues to depreciate the greenback, closing at **145.50/145.40** on Friday. With the average estimated **daily loss** now at **13.19 cents**, we anticipate the shilling will break the 150 –mark by end of year.

Year to date, the Kenya shilling has depreciated by **17.89% 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 **1.0%** week on week to close at **US \$7,080Mn**, the reserves represent **3.83 months** of import cover which meets CBK's statutory requirement of at least 4 months of import cover.

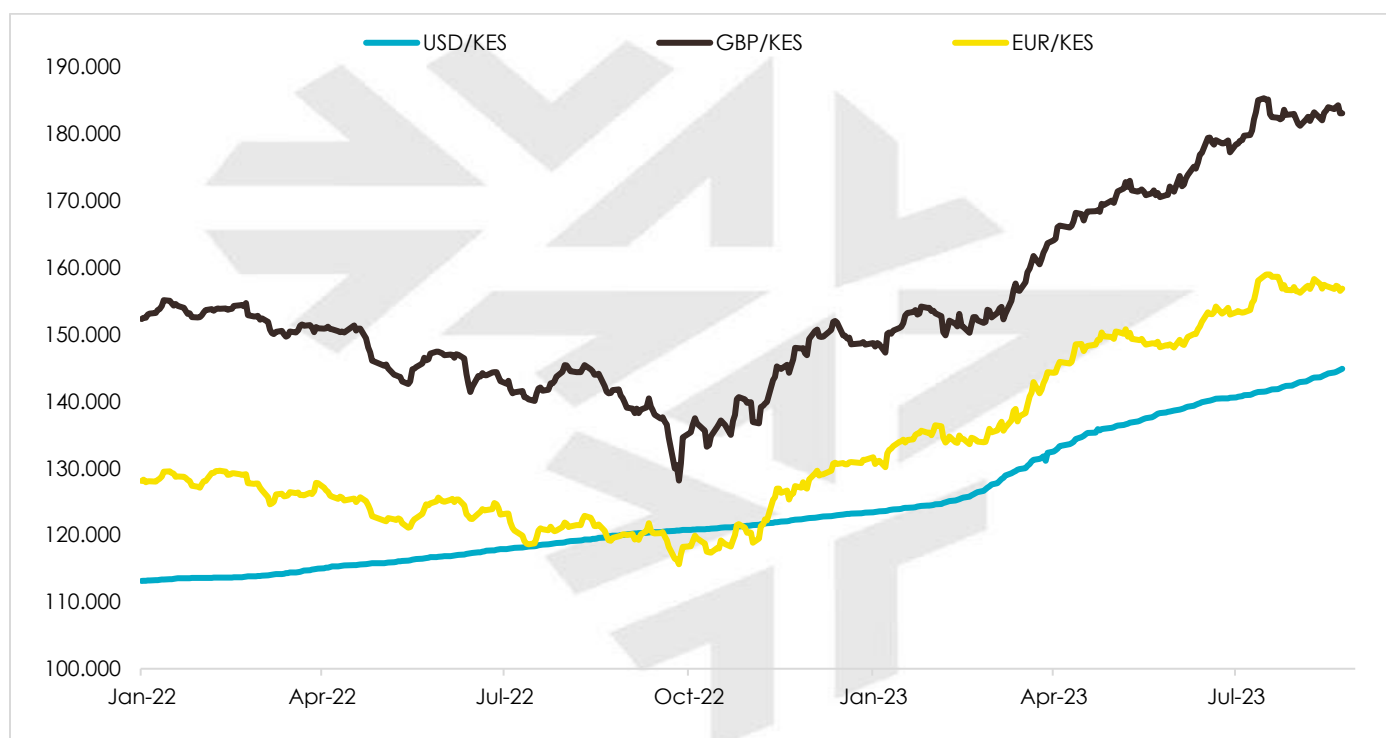
The **DXY** increased to close at **104.27** from 104.19 in the previous week.

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 35	Week 34	w/w change (%)
US Dollar	145.41	144.87	(0.4%)
STG Pound	184.64	183.10	(0.8%)
EURO	158.69	156.88	(1.1%)
Forex reserves (USD Mn)	7,080.00	7,153.00	(1.0%)

Negative () = Depreciation, Positive = Appreciation

Source: CBK, NCBA IB Research



Source: CBK, NCBA IB Research

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 attributable to elevated debt obligations which will consequently lead to an upsurge in yields.

Coupon payments						
Issue No.	Next Coupon Payment Date	Tenor to Maturity	Outstanding Amount KES 'Mn	Coupon Rate	Coupon payment KES 'Mn	Implied Yield To Maturity
FXD1/2010/015	September 11, 2023	1.52	27,693.90	10.25%	1,419.31	16.0053%
FXD1/2012/015	September 11, 2023	4.02	90,939.90	11.00%	5,001.69	17.6253%
IFB1/2021/021	September 11, 2023	19.02	106,742.20	12.74%	6,797.88	15.5113%
IFB1/2023/017	September 11, 2023	16.52	68,705.36	14.40%	4,946.44	15.5904%
FXD1/2016/020	September 18, 2023	13.04	12,761.20	14.00%	893.28	15.7028%
FXD1/2018/020	September 18, 2023	14.54	94,515.60	13.20%	6,238.03	15.7551%
IFB1/2011/012	September 18, 2023	0.04	11,735.50	12.00%	704.13	10.0000%
IFB1/2013/012	September 18, 2023	2.04	16,060.21	11.00%	883.31	12.8350%
IFB1/2015/012	September 18, 2023	3.54	33,486.55	11.00%	1,841.76	12.6250%
IFB1/2019/025	September 18, 2023	20.54	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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The analyst(s) who prepared this research report: Victoria Mututu hereby certifies(y) that:

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