

The Week in Review | Week 36

EQUITIES

Local Market Performance

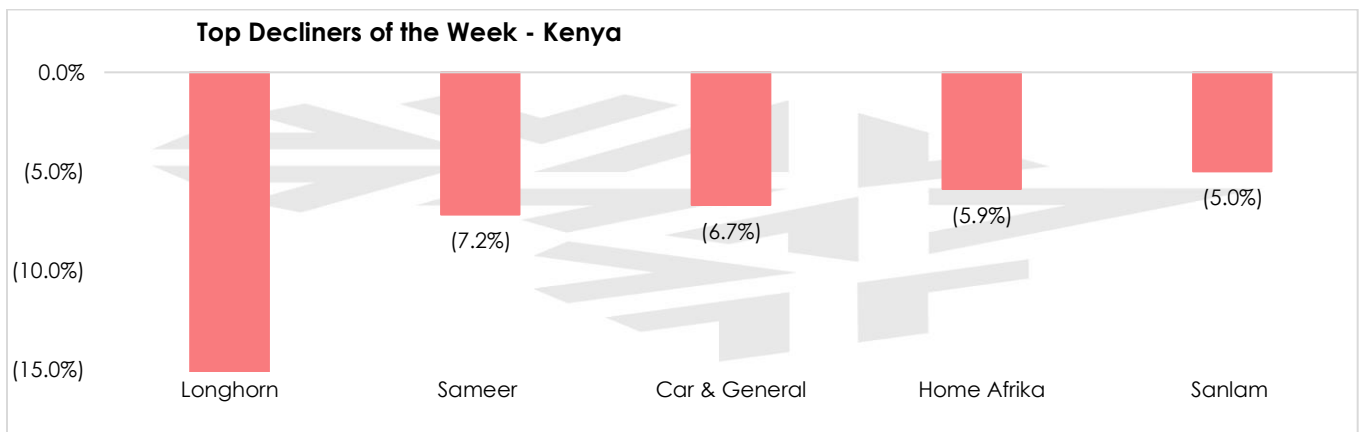
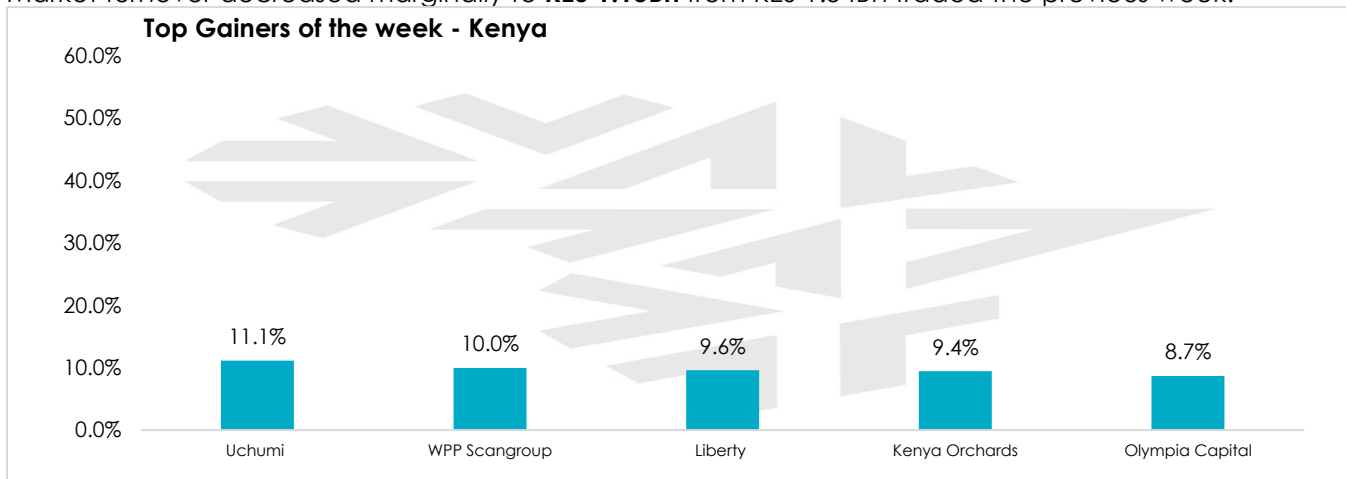
The market was up 0.57% week on week, with all share index (NASI) closing the week at **98.70**, an **22.49%** decline year to date.

The NSE-20 and NSE-25 indices closed the week at **1,541.67**, an **7.98%** decline year to date and **2,548.82**, a **18.78%** decline year to date, respectively.

Trading activity was concentrated on Safaricom, ABSA, Equity, BAT and Bamburi accounting for **90.30%** of the total turnover at **KES1.04Bn**







Foreign investors accounted for **45%** of the total turnover and they were net sellers with net foreign outflows of KES 0.4Bn last week. Foreign investors were mostly active on Equity, Safaricom, KCB, EABL and Bamburi in that order.

Market turnover decreased marginally to **KES 1.15Bn** from KES 1.54Bn traded the previous week.



Source: NSE, NCBA IB Research

Upcoming Dividend payments

Counter	Dividend	Book Closure	Payment
 CENTUM <small>tangible wealth</small>	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

Market News.

Nairobi securities exchange plc launches two new indices and reviews the NSE -20 share index constituent companies.

The Nairobi Securities Exchange Plc wishes to notify the investing public that it has launched two new market indices, **NSE 10 Share Index (N10)** and the **NSE Bond Index (NSE-BI)**. The two indices will track the performance of the equities market and bonds market respectively. This development follows extensive engagements with various stakeholders including potential issuers of structured products like the Exchange Traded Funds (ETF).

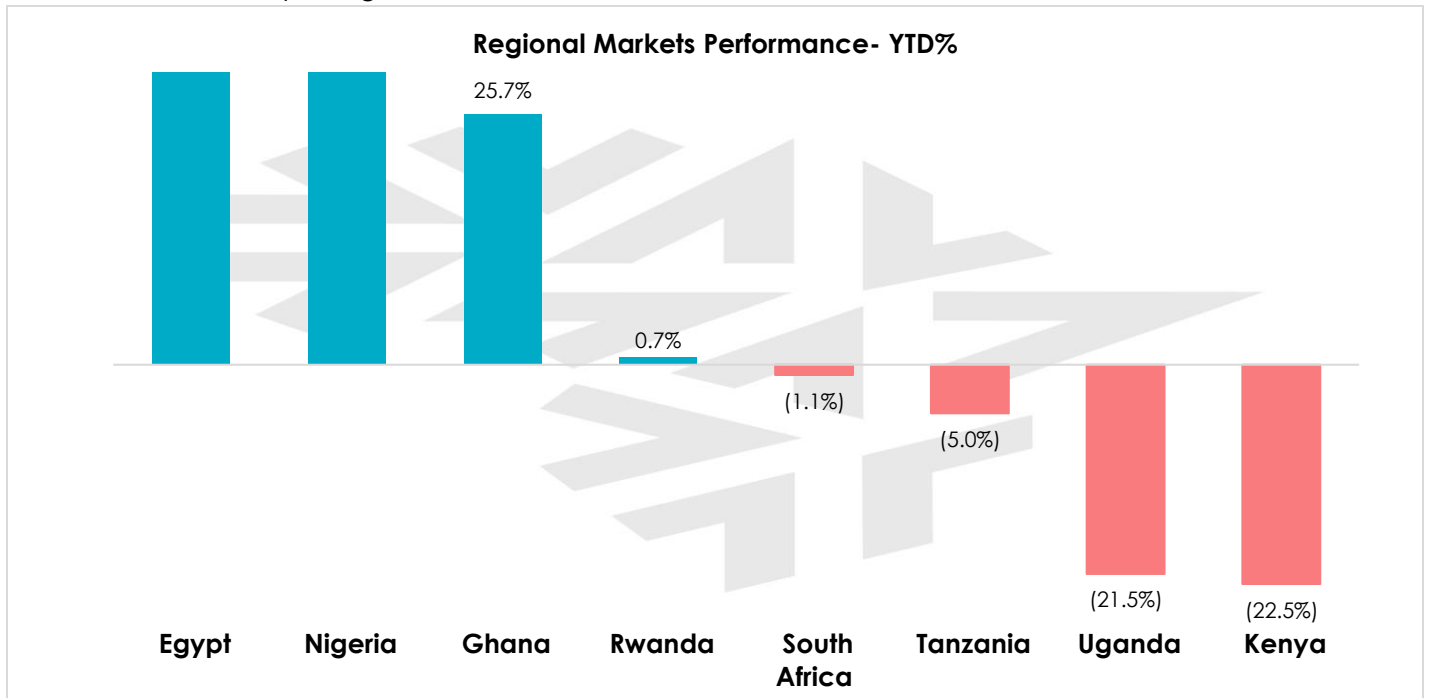
The NSE 10 index (N10 index) based on a set of 10 companies namely, Safaricom, Equity Group, KCB Group, Co-op Bank, Absa Bank, EABL, NCBA Group, KenGen, Kenya Re, Centum

The NSE Bond Index (NSE-BI) will be based on the benchmark Government bonds listed on the NSE.

NSE has also reviewed the NSE 20 share index replacing WPP Scan Group Plc, Nairobi Securities Exchange Plc, DTB with CIC Insurance Group, Bank of Kigali, I&M Holdings PLC.

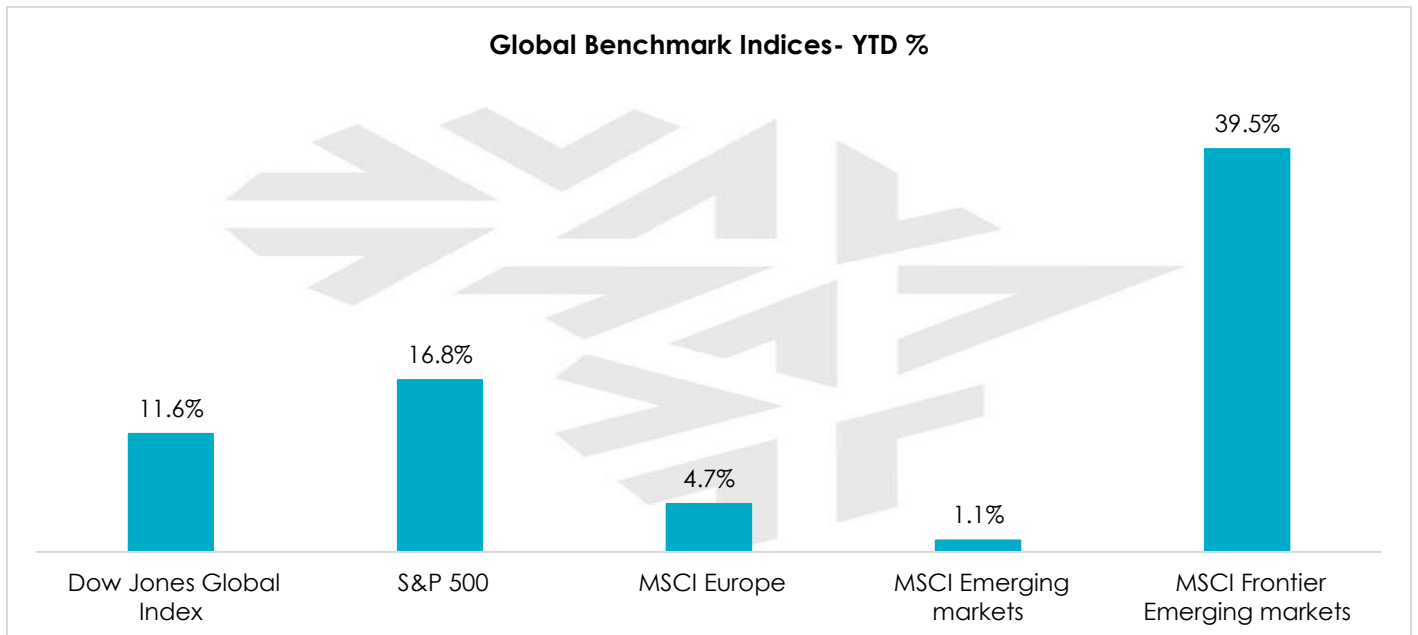
Regional Markets YTD% Performance.

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 **161.8%** (up from 96.6% the previous week) and an acceptance rate of **99.8%**. Majority of the bids geared towards the 91-day paper, accounting for performance rate of 870.8% as investors look to mitigate for duration risk.

KES 38.77Bn was accepted at 14.234% (up 24.86bps), 14.369% (up 42.98bps) and 14.860% (up 109.53 bps) for the 91, 182 and 364-day papers, respectively.

Treasury bill results

Subscription	Amount offered KES Bn	Bids received week 36	Bids received week 35
91 day	4.00	34.83	21.59
182 day	10.00	1.23	0.96
364 day	10.00	2.78	0.62
Total	24.00	38.84	23.18

Prevailing rates	Week 36	Week 35	W/W change (bps)
91 Day	14.234%	13.985%	24.86
182 Day	14.369%	13.939%	42.98
364 Day	14.860%	13.765%	109.53

Source: CBK, NCBA IB Research

Bidding Guide for Re-opened bonds: 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.

Issue Number	Re-opened FXD1/2023/002	Re-opened FXD1/2016/010
Tenor	1.9 years	2.9 years
Period of Sale	01/09/2023 to 13/09/2023	
Value Date	18 th September 2023	
Redemption Date	18 August 2025	17 August 2026
Coupon (%)	16.9723%	15.0390%
Bidding Guide	17.30% - 17.90%	17.90% - 18.50%

Source: CBK, NCBA IB Research

Secondary Market

In the secondary bonds market, **total turnover** increased to **KES 14.08Bn** from KES 9.52Bn traded in the previous week.

The S&P Sovereign Bond index increased to close at **94.57** from 94.79 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.

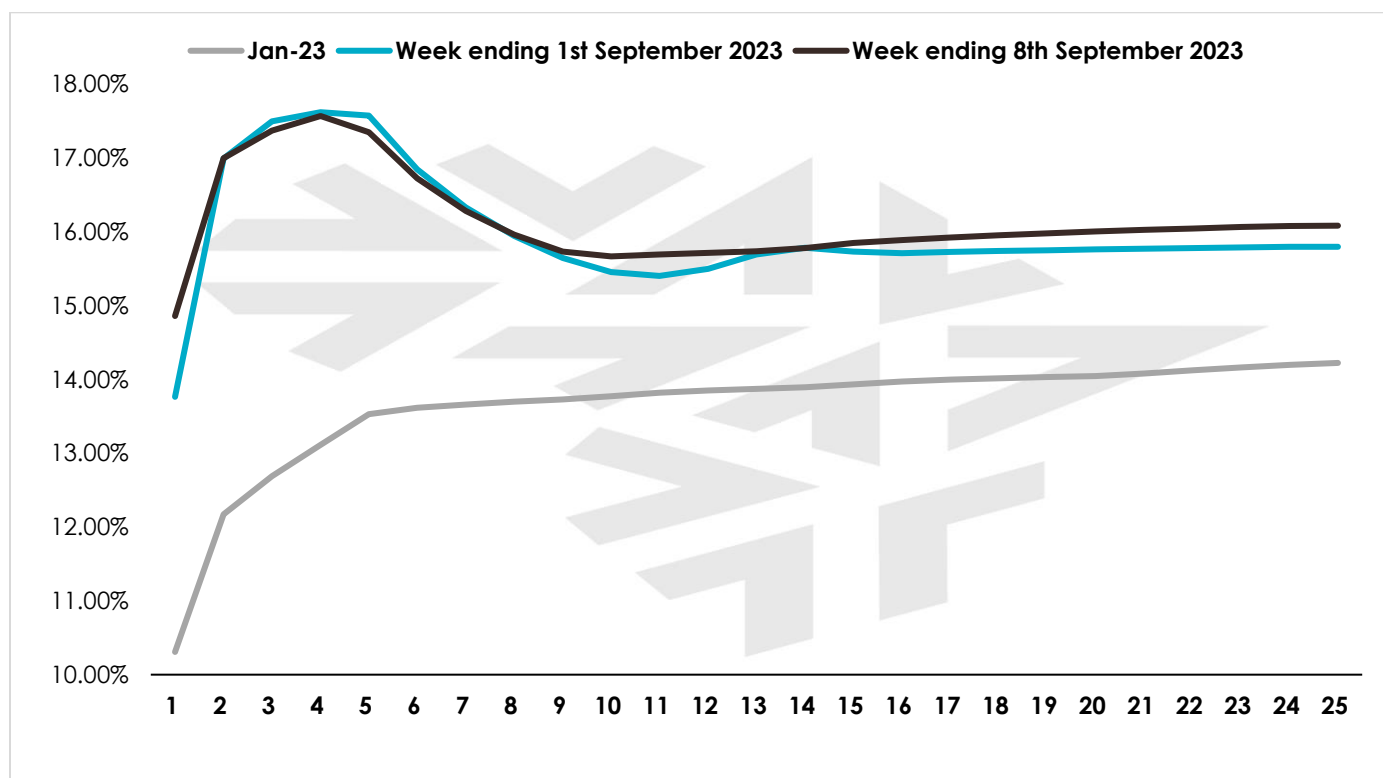
See the top moving bonds below:

Bond Identifier	Years to Maturity	Coupon	Average Yield	Total Value (KES Mn)	Number of Trades
FXD1/2017/10Yr	3.87	12.97%	18.07%	2,515.60	7
FXD1/2013/15Yr	4.43	11.25%	17.53%	1,845.30	6
FXD2/2018/20Yr	14.87	12.18%	15.78%	1,660.00	22
FXD1/2014/10Yr	0.35	12.18%	14.93%	1,100.00	2
FXD1/2023/10Yr	9.43	14.15%	15.62%	915.00	10

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.

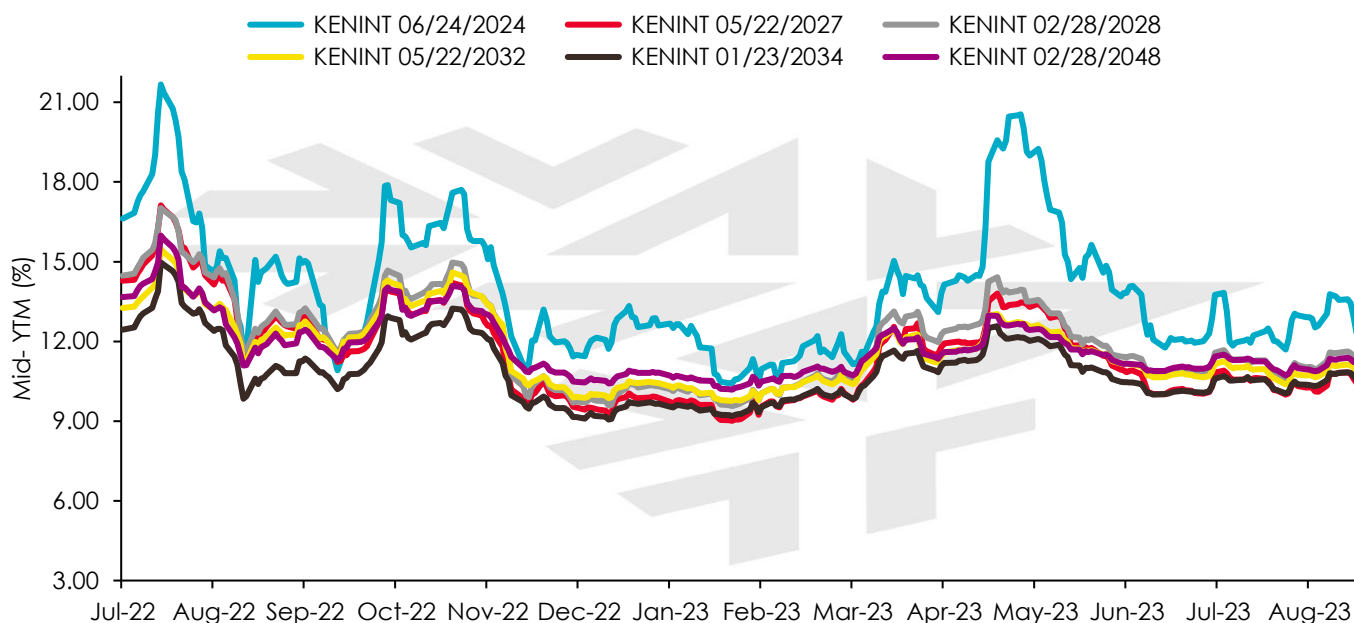


Source: NSE, NCBA/IB Research

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 **12.31%**.

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 eased. Indicatively, the overnight **interbank rate** declined by 11.6 bps week on week to close at **12.38%**. The average daily traded volumes increased to **KES 31.87Bn** from KES 28.30Bn 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	12.38%	12.49%	(11.6)

Source: CBK, NCBAIB Research

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 **146.14/146.04** on Friday. With the average estimated **daily loss** now at **12.57 cents**, we anticipate the shilling will break the 150 –mark by end of year.

Year to date, the Kenya shilling has depreciated by **18.40% 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 **0.4%** week on week to close at **US \$7,051Mn**, the reserves represent **3.81 months** of import cover which meets CBK's statutory requirement of at least 4 months of import cover.

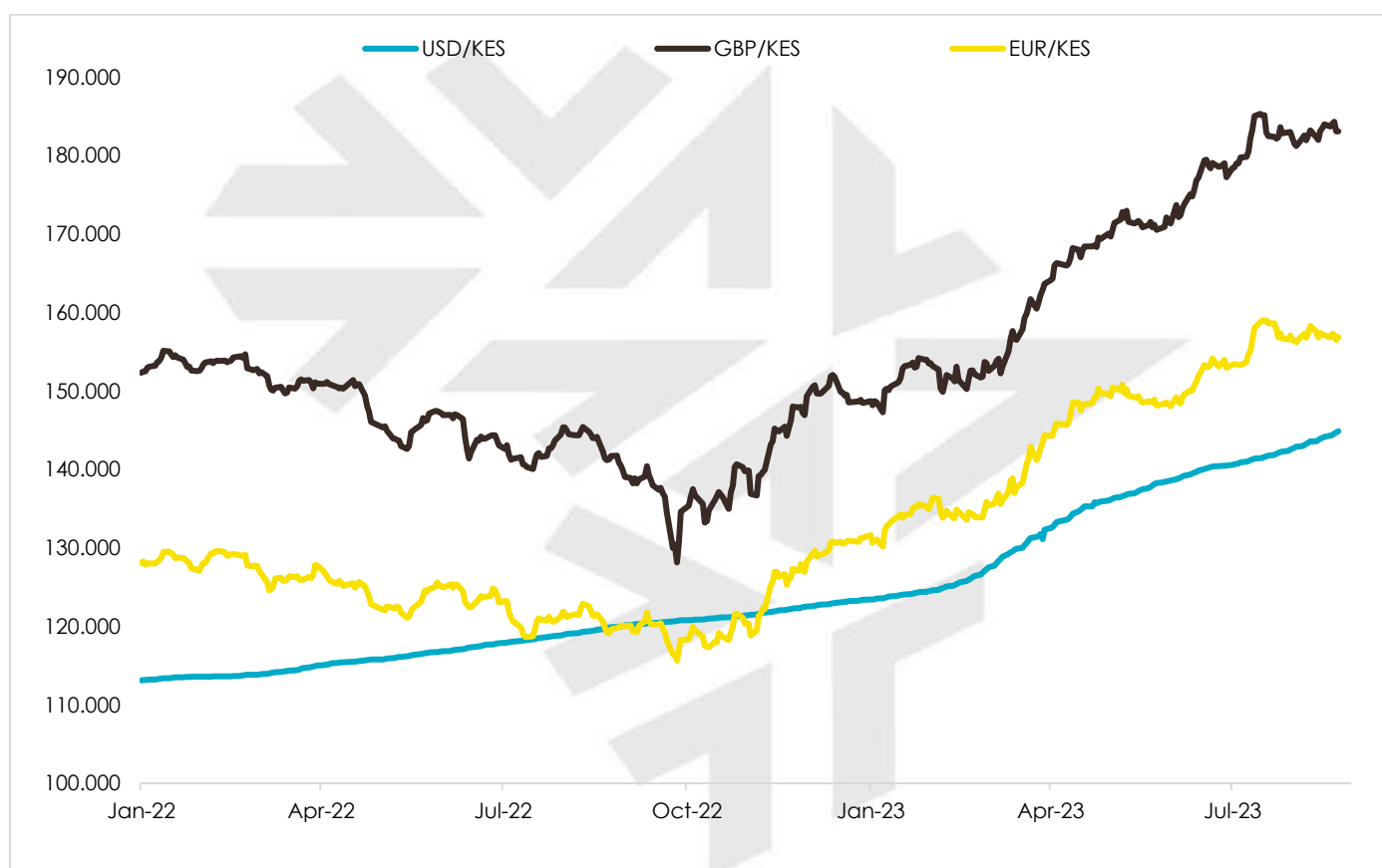
The **DXY** increased to close at **105.00** from 104.27 in the previous week.

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 36	Week 35	W/W change (%)
US Dollar	146.14	145.41	(0.5%)
STG Pound	182.17	184.64	1.4%
Euro	156.39	158.69	1.5%
Forex reserves	7051.00	7080.00	(0.4%)

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.

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

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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- (ii) no part of the analyst's(s') compensation was, is or will be directly or indirectly related to the specific recommendations or views expressed by the analyst(s) in this research report.

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