

## The Week in Review | Week 39

### EQUITIES

#### Local Market Performance

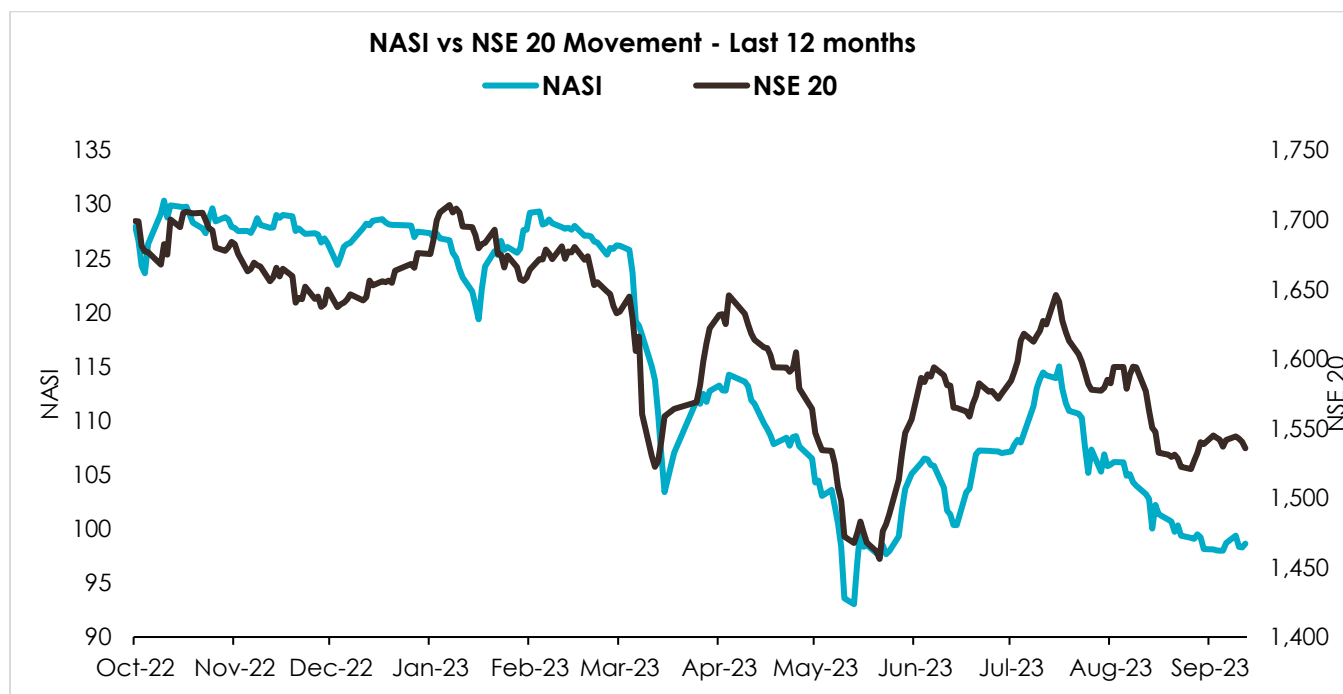
The market was down 3.75% week on week, with all share index (NASI) closing the week at **95.22**, a 25.22% decline year to date.

The NSE-20 and NSE-25 indices closed the week at **1,5108.75**, a **9.95%** decline year to date and **2,473.71**, a **21.18%** decline year to date, respectively.

Trading activity was concentrated on Safaricom, KCB, Jubilee Holdings, DTB and Equity accounting for 64.08% of the total turnover at KES 0.33Bn

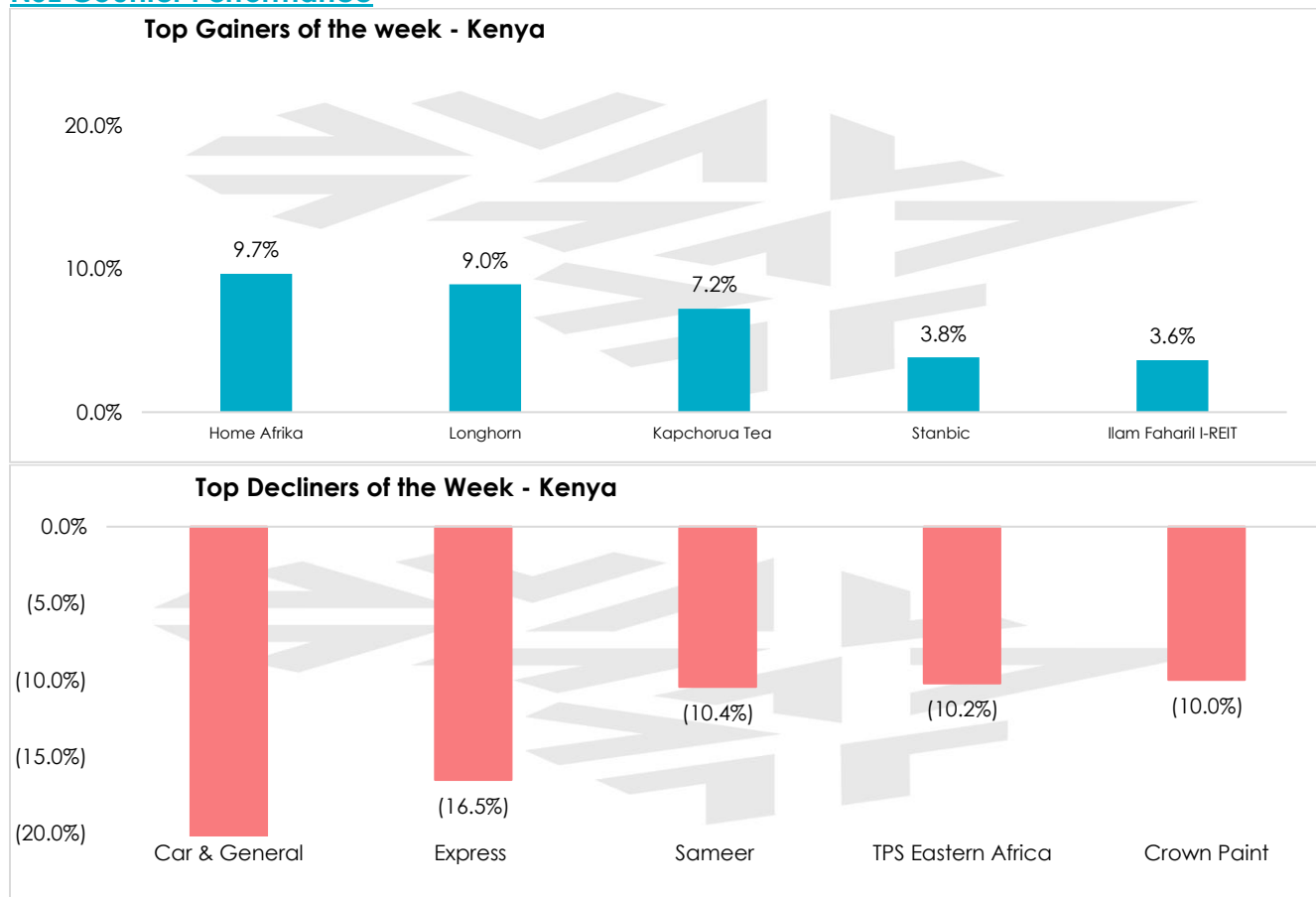
Foreign investors accounted for **44.00%** of the total turnover and they were net sellers with net foreign outflows of KES 0.95Bn last week. Foreign investors were mostly active on Safaricom, KCB, Jubilee Holdings, DTB and Equity in that order.

Market turnover decreased to KES **0.51Bn** from KES 1.11Bn traded the previous week.








Source: NSE, NCBA IB Research

### NSE Counter Performance



Source: NSE, NCBA IB Research

### Upcoming Dividend payments

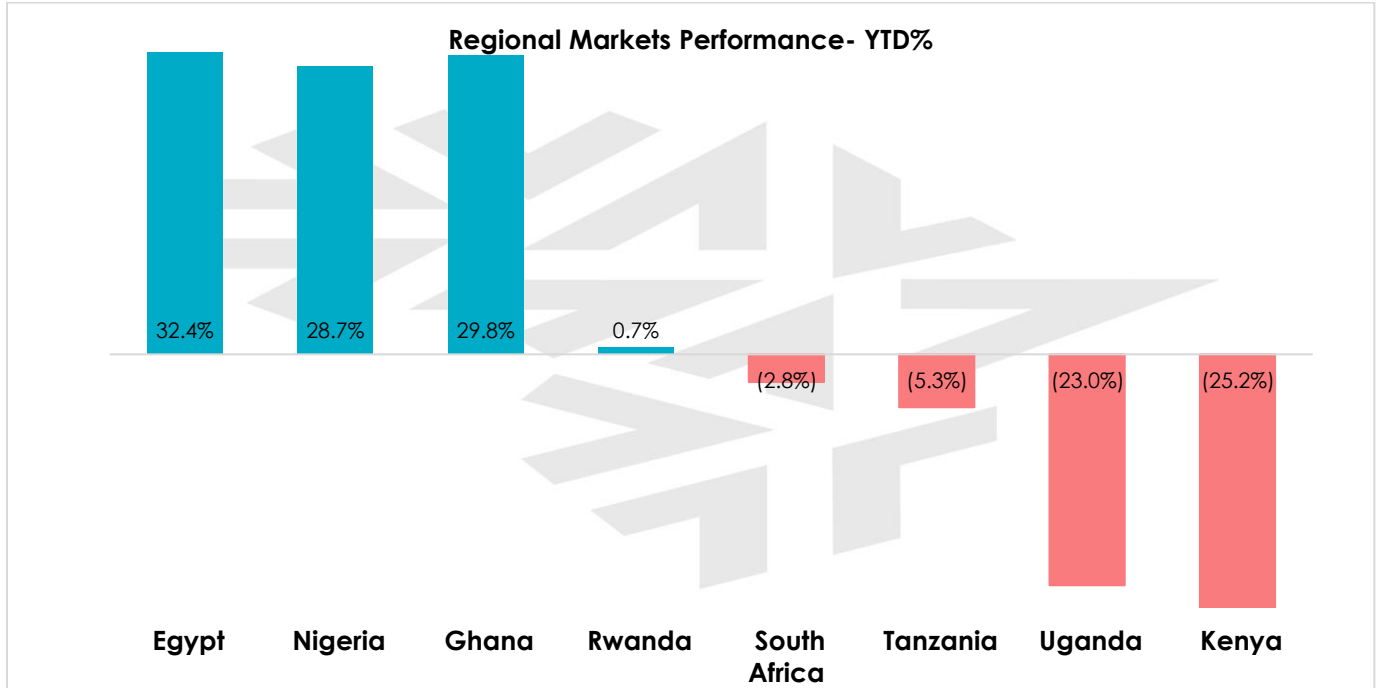
Counter	Dividend	Book Closure	Payment
	KES 0.60	11-Oct-23	30-Nov-23
	KES 1.75	14-Sep-23	27-Oct-23
	KES 2.00	8-Sep-23	11-Oct-23
	KES 0.20	21-Sep-23	12-Oct-23
	UGS 24.00	09-Feb-24	29-Feb-24

Source: Company Financials, NSE, NCBA IB Research

### Regional Markets YTD% Performance.

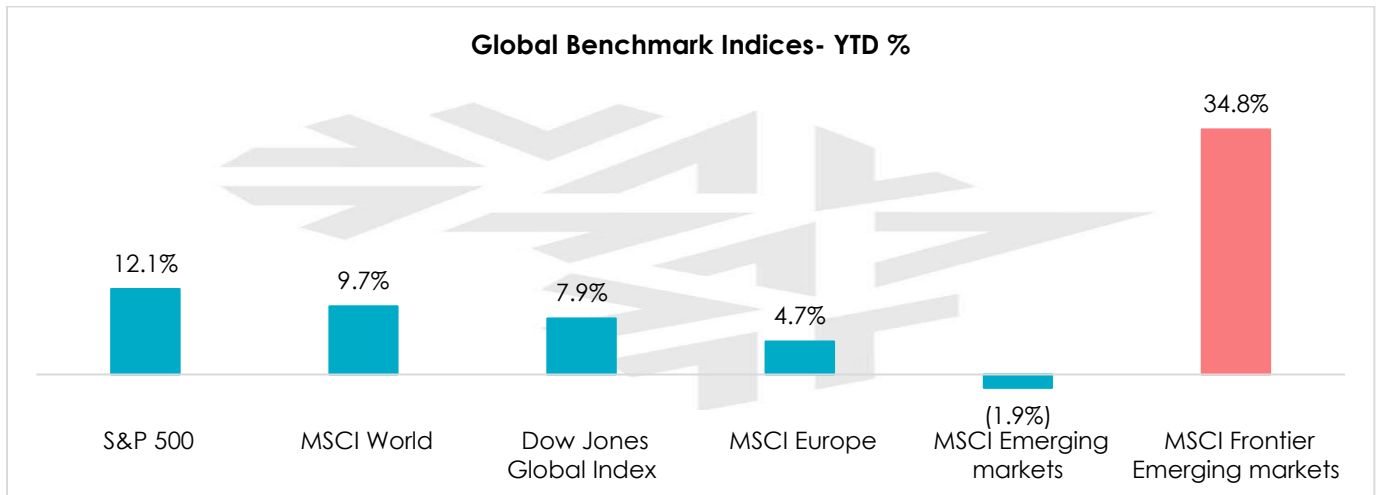
On a year to date basis, the Nairobi securities exchange recorded the worst performance compared to benchmark markets in Sub-Saharan Africa.

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 **56.91%** (down from 84.07% the previous week) and an acceptance rate of **33.1%**. Majority of the bids geared towards the 91-day paper, accounting for performance rate of 275.2% as investors look to mitigate for duration risk.

**KES 4.52Bn** was accepted at 14.821% (up 3.40bps), 14.950% (up 1.00bps) and 15.054% (down 16.70 bps) for the 91, 182 and 364-day papers, respectively.

Subscription	Amount offered KES Bn	Bids received week 39	Bids received week 38
91 day	4.00	11.01	16.07
182 day	10.00	0.81	1.58
364 day	10.00	1.84	2.53
<b>Total</b>	<b>24.00</b>	<b>13.66</b>	<b>20.18</b>

Prevailing rates	Week 39	Week 38	W/W change (bps)
91 Day	14.821%	14.787%	3.40
182 Day	14.950%	14.940%	1.00
364 Day	15.054%	15.221%	(16.70)

Source: CBK, NCBA IB Research

### Tap Sale Results: FXD1/2023/002 and FXD1/2016/010

The Central Bank of Kenya received a total of **KES 3.44Bn (22.97% Subscription rate)**, out of which it accepted **KES 3.37Bn (97.88% Acceptance rate)**.

See below a summary of the treasury bond auction results;

Issue	FXD1/2023/002	FXD1/2016/010
Tenor to Maturity	1.93 Yrs	2.9 Yrs
Offered Amount (KES Mn)	15,000.00	
Bids Received (KES Mn)	2,631.25	814.90
<b>Amount Accepted (KES Mn)</b>	<b>2,609.97</b>	<b>763.17</b>
<b>Weighted Average Rate of Accepted Bids (%)</b>	<b>17.454%</b>	<b>17.927%</b>
Adjusted Average Price (Per KES 100)	101.15	95.39
<b>Coupon Rate (%)</b>	<b>16.972%</b>	<b>15.039%</b>

Source: CBK, NCBA IB Research

## Secondary Market

In the secondary bonds market, **total turnover** increased to **KES 48.33Bn** from KES 15.42Bn traded in the previous week.

The S&P Sovereign Bond index increased to close at **94.31** from 94.38 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.

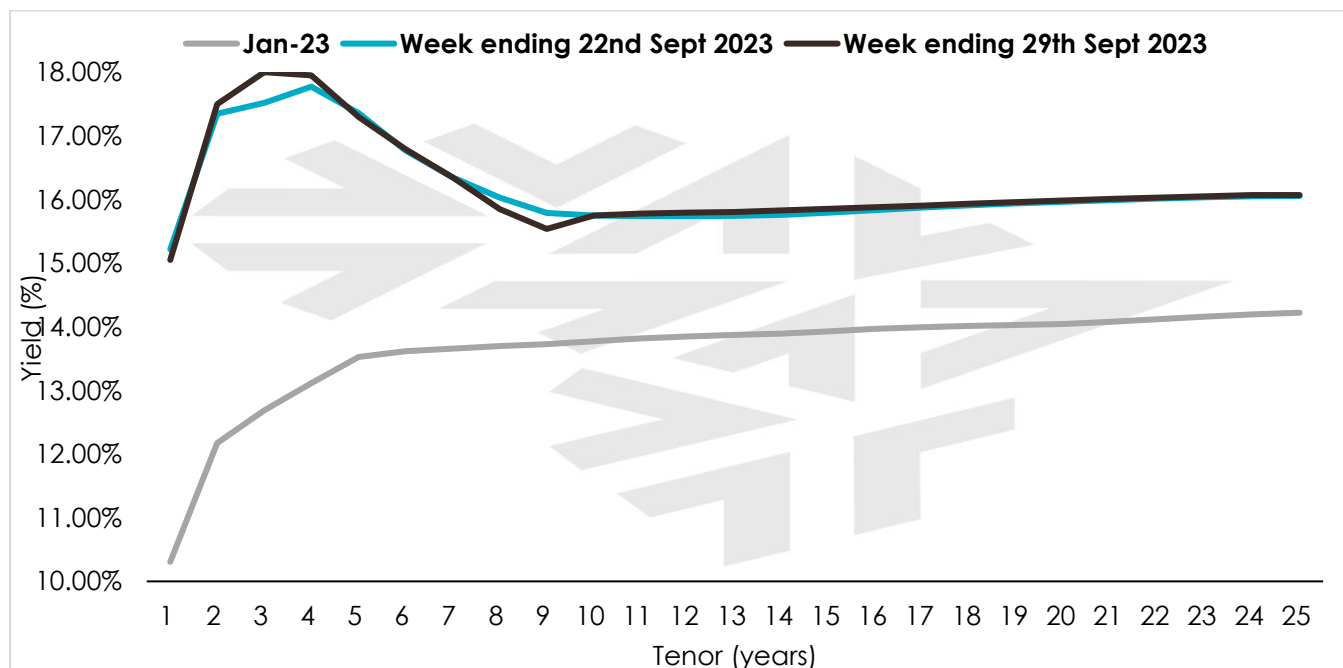
See the top moving bonds below:

Bond Identifier	Years to Maturity	Coupon	Average Yield	Total Value (KES Mn)	Number of Trades
FXD 1/2021/5Yr	3.12	11.28%	<b>17.49%</b>	<b>10,700.20</b>	36
FXD1/2012/15Yr	3.95	11.00%	<b>16.99%</b>	<b>4,655.05</b>	7
FXD1/2020/15Yr	11.39	12.76%	<b>14.85%</b>	<b>4,000.00</b>	2
IFB1/2021/21Yr	18.95	12.74%	<b>14.95%</b>	<b>3,890.90</b>	12
FXD3/2019/10Yr	5.87	11.49%	<b>14.65%</b>	<b>3,501.00</b>	4

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.

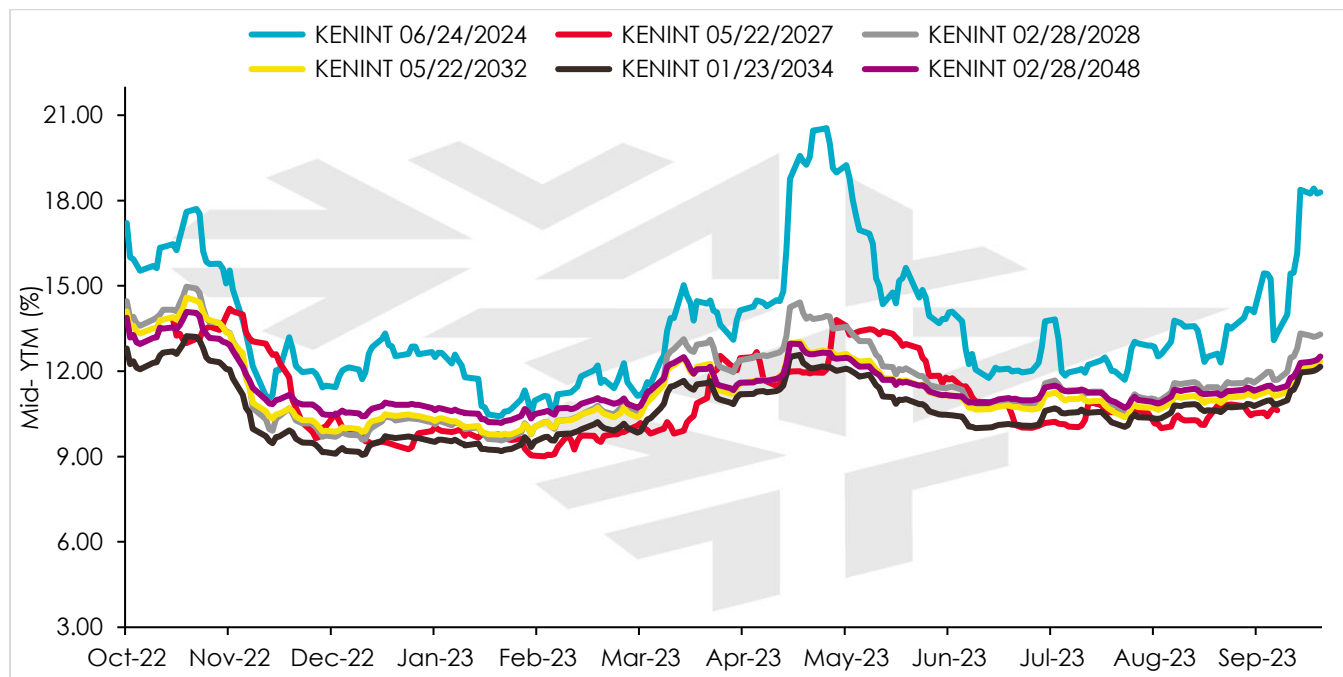


Source: NSE, NCBAIB Research

### Kenya International Debt Yield Curves:

Kenyan Eurobonds' yields recorded upward trends in the international debt market. **KENINT 2024**, whose principal amounts to **USD 2.0Bn** matures in **June 2024** and is currently trading at **18.3%**.

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 3.8 bps week on week to close at **12.44%**. The average daily traded volumes declined to **KES 23.89Bn** from KES 24.03Bn observed in the previous week.

Statistic	Current	Previous	Change (bps)
CBR	10.50%	9.50%	100.0
Inflation	6.80%	6.70%	10.0
Average Interbank Rate	12.44%	12.47%	(3.8)

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
<b>INCOME (KES Bn)</b>						
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%)
<b>Total Revenue</b>	<b>4,132.74</b>	<b>383.37</b>	<b>502.38</b>	<b>119.00</b>	<b>(3,630.36)</b>	<b>(87.84%)</b>

<b>EXPENDITURE (KES Bn)</b>						
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%)
<b>Total Expenditure</b>	<b>4,132.74</b>	<b>383.90</b>	<b>502.74</b>	<b>118.85</b>	<b>(3,630.00)</b>	<b>(87.84%)</b>

<b>Balances at end month</b>		<b>0.09</b>	<b>2.25</b>	<b>2.16</b>		
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Source: National Treasury, NCBA IB Research

## Currency

On the FX front, the shilling continues to depreciate the greenback, closing at **148.00/148.20** on Friday. With the average estimated **daily loss** now at **15.13 cents**, we anticipate the shilling will break the 150 – mark by end of year.

Year to date, the Kenya shilling has depreciated by **19.99% 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 diaspora remittances and tourism will alleviate the downward pressure on the shilling.

Foreign exchange reserves decreased by **0.2%** week on week to close at **US \$6,939Mn**, the reserves represent **3.8 months** of import cover which meets CBK's statutory requirement of at least 4 months of import cover.

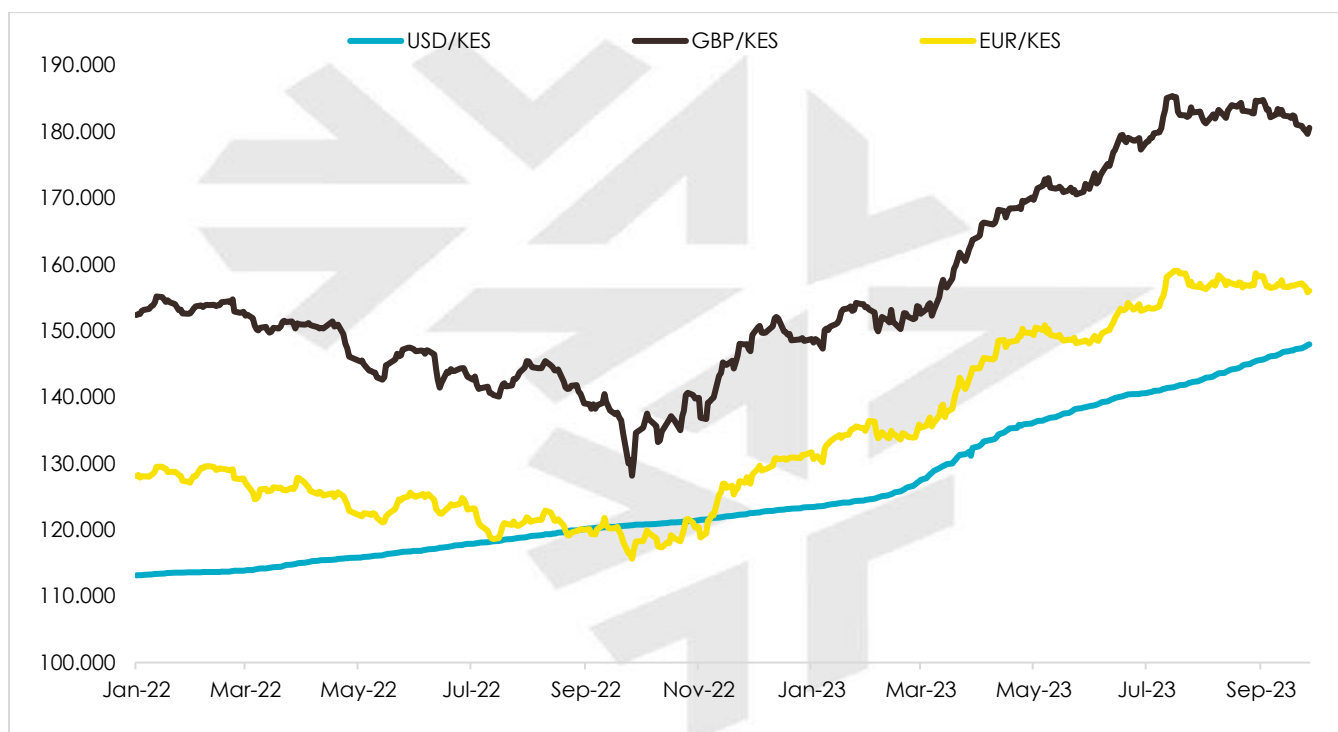
The **DXY** increased to close at **106.17** from 105.58 in the previous week.

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 39	Week 38	W/W change (%)
US Dollar	148.10	147.36	(0.5%)
STG Pound	180.56	181.02	0.3%
Euro	156.00	156.94	0.6%
Forex reserves	6,939.00	6,955.00	(0.2%)

Negative () = Depreciation, Positive = Appreciation

Source: CBK, NCBA IB Research



Source: CBK, NCBA IB Research



## Macroeconomic Developments:

### September 2023 Inflation

The headline inflation for the month of September increased marginally to 6.8% from 6.7% recorded in August 2023. The marginal surge was mainly on the back of increases in prices of commodities in all sectors. Despite the hike, inflation stills falls within the government target range of 2.5%-7.5%.

### MPC October Meeting.

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

### Kenya Government Debt Maturities Schedule – October 2023:

The government has total domestic debt maturities of **KES 161.30Bn** in the month of October 2023 compared to **KES 83.05Bn** in September 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
FXD1/2009/015	October 9, 2023	<b>1.03</b>	31,952.45	12.50%	1,997.03	15.4060%
FXD1/2022/003	October 9, 2023	<b>1.53</b>	60,594.09	11.77%	3,564.75	16.6919%
FXD2/2019/010	October 9, 2023	<b>5.53</b>	60,725.30	12.30%	3,734.61	17.0131%
IFB1/2020/009	October 9, 2023	<b>5.53</b>	78,973.60	10.85%	4,284.32	14.3000%
FXD1/2019/020	October 9, 2023	<b>15.53</b>	83,350.00	12.87%	5,364.82	15.8206%
IFB1/2021/018	October 9, 2023	<b>15.53</b>	81,785.60	12.67%	5,179.89	14.9029%
IFB1/2014/012	October 16, 2023	<b>3.05</b>	16,631.48	11.00%	914.73	12.5525%
FXD2/2013/015	October 16, 2023	<b>4.55</b>	70,859.75	12.00%	4,251.59	17.5745%
IFB1/2016/015	October 16, 2023	<b>8.05</b>	30,004.70	12.00%	1,800.28	14.3600%
FXD2/2018/015	October 16, 2023	<b>10.05</b>	33,411.70	12.75%	2,130.00	15.7496%
IFB1/2019/016	October 23, 2023	<b>12.07</b>	71,028.55	11.75%	4,172.93	14.8500%
FXD1/2022/015	October 23, 2023	<b>13.57</b>	68,200.07	13.94%	4,754.23	15.7494%
FXD1/2022/025	October 23, 2023	<b>24.07</b>	20,699.83	14.19%	1,468.45	16.0583%
<b>Total</b>					<b>43,617.61</b>	

Treasury Bills	
Payment Date	Amount KES 'Mn
October 2, 2023	7,287.62
October 9, 2023	28,680.19
October 16, 2023	39,005.20
October 23, 2023	31,429.96
October 30, 2023	11,280.08
<b>Total</b>	<b>117,683.05</b>

Source: CBK, NCBA IB Research