

The Week in Review | Week 40

EQUITIES

Local Market Performance

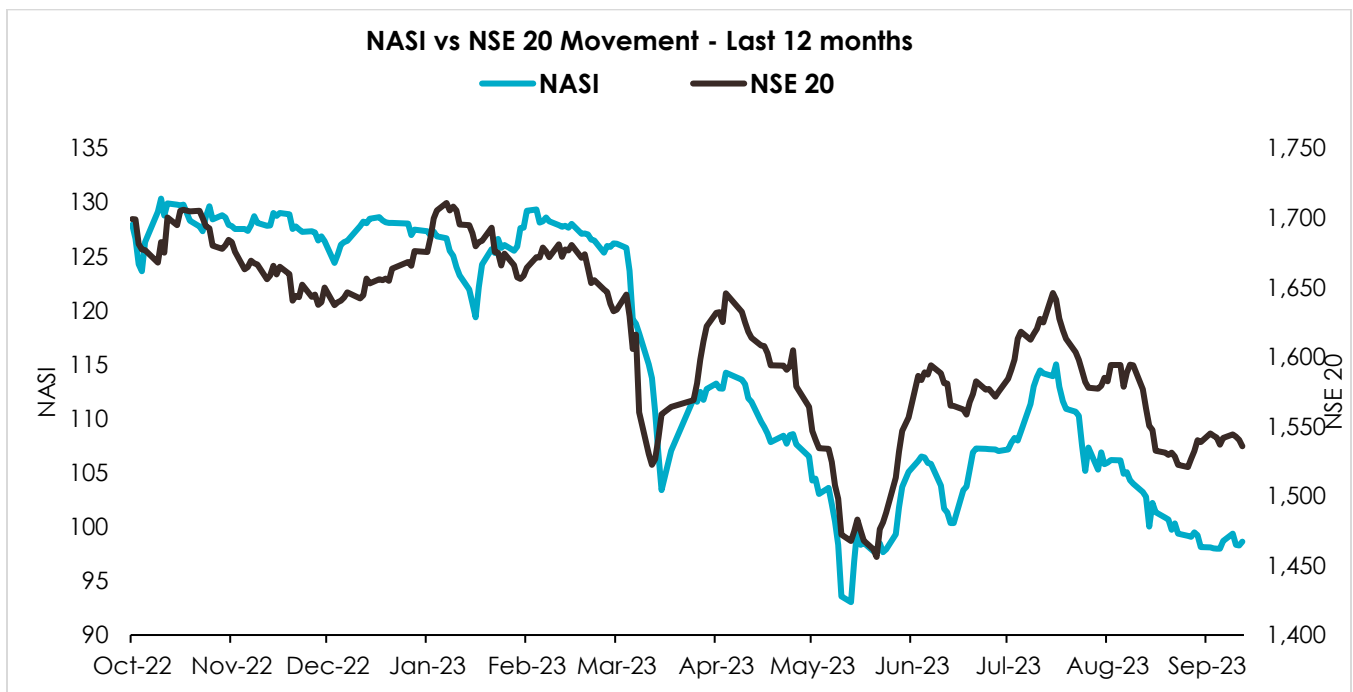
The market was down 5.50% week on week, with all share index (NASI) closing the week at **93.49**, a 26.58% decline year to date.

The NSE-20 and NSE-25 indices closed the week at **1,409.98**, an **11.01%** decline year to date and **2,454.85**, a **21.78%** decline year to date, respectively.

Trading activity was concentrated on Safaricom, Co-op, Equity, KCB and Standard Chartered accounting for 93.15% of the total turnover at KES 0.93Bn

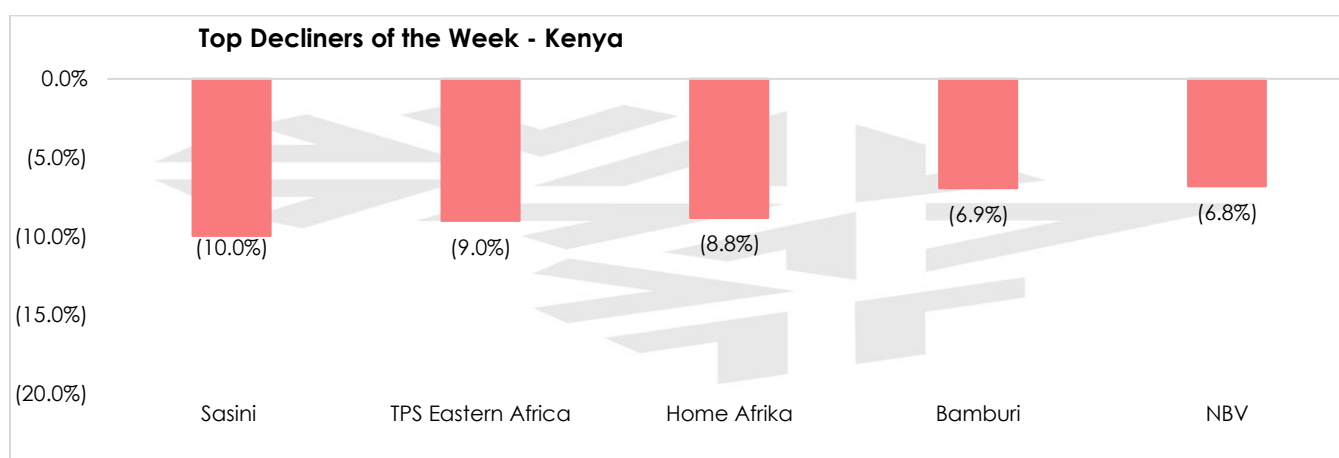
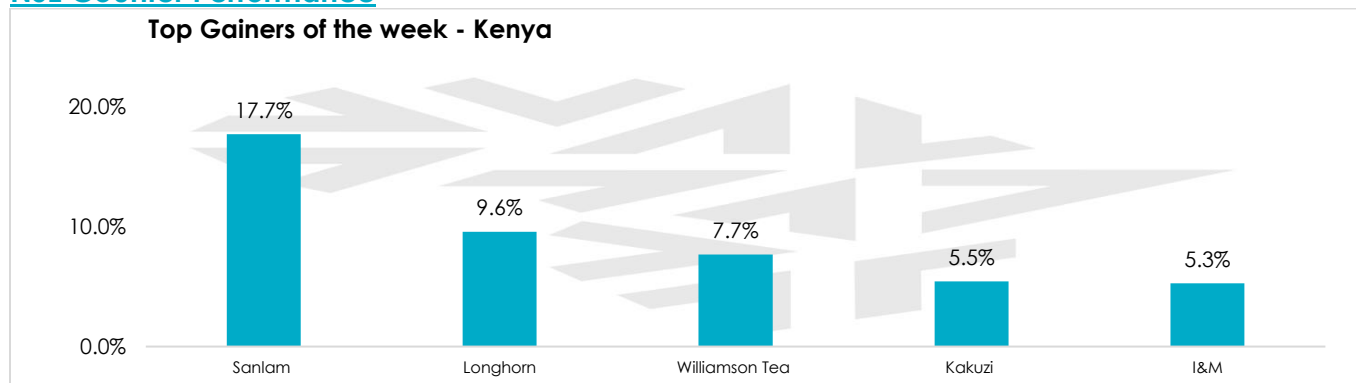
Foreign investors accounted for **44.00%** of the total turnover and they were net sellers with net foreign outflows of KES 0.44Bn last week. Foreign investors were mostly active on Safaricom, Co-op, Equity, KCB, and Standard Chartered in that order.

Market turnover increased to KES **1.19Bn** from KES 0.51Bn traded the previous week.








Source: NSE, NCBA IB Research

NSE Counter Performance



Source: NSE, NCBA IB Research

Upcoming Dividend payments

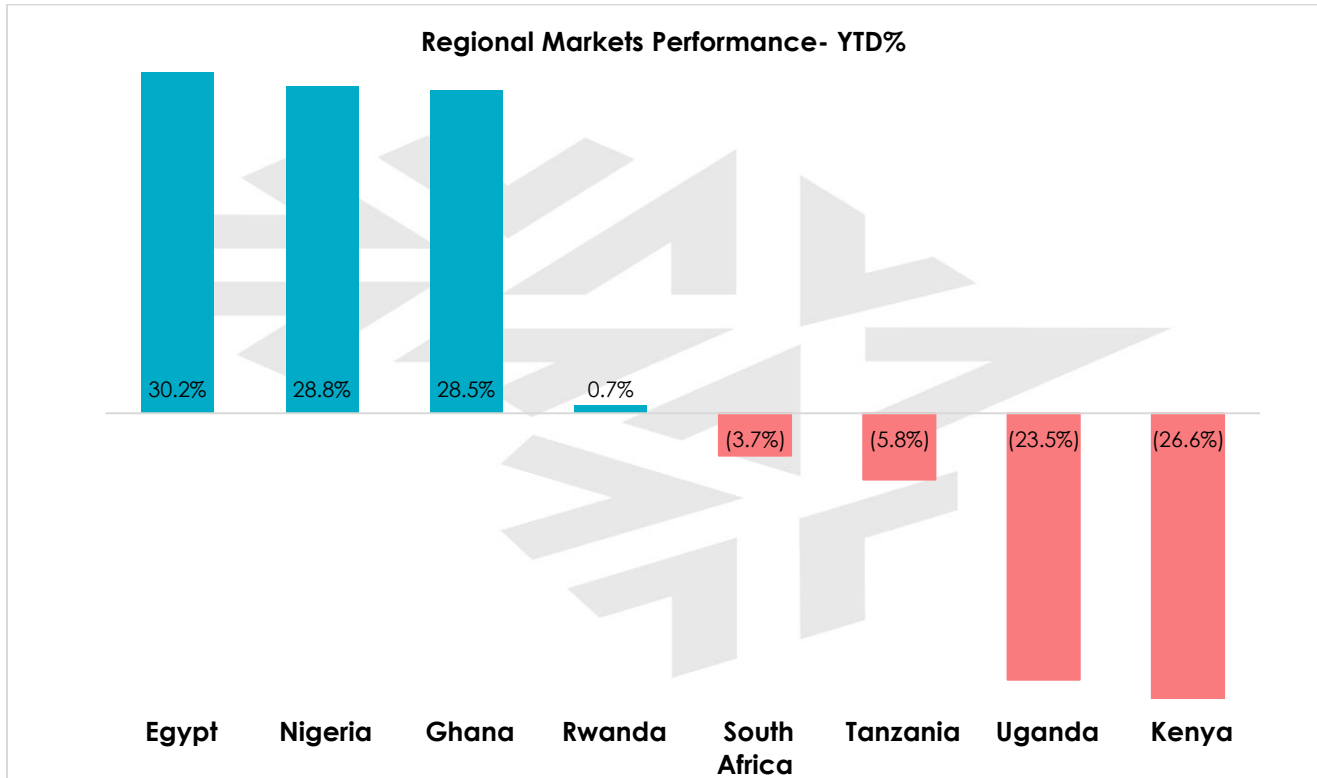
Counter	Dividend	Book Closure	Payment
	KES 0.60	11-Oct-23	30-Nov-23
	KES 1.75	14-Sep-23	27-Oct-23
	KES 2.00	8-Sep-23	11-Oct-23
	KES 0.20	21-Sep-23	12-Oct-23
	UGS 24.00	09-Feb-24	29-Feb-24

Source: Company Financials, NSE, NCBA IB Research

Regional Markets YTD% Performance.

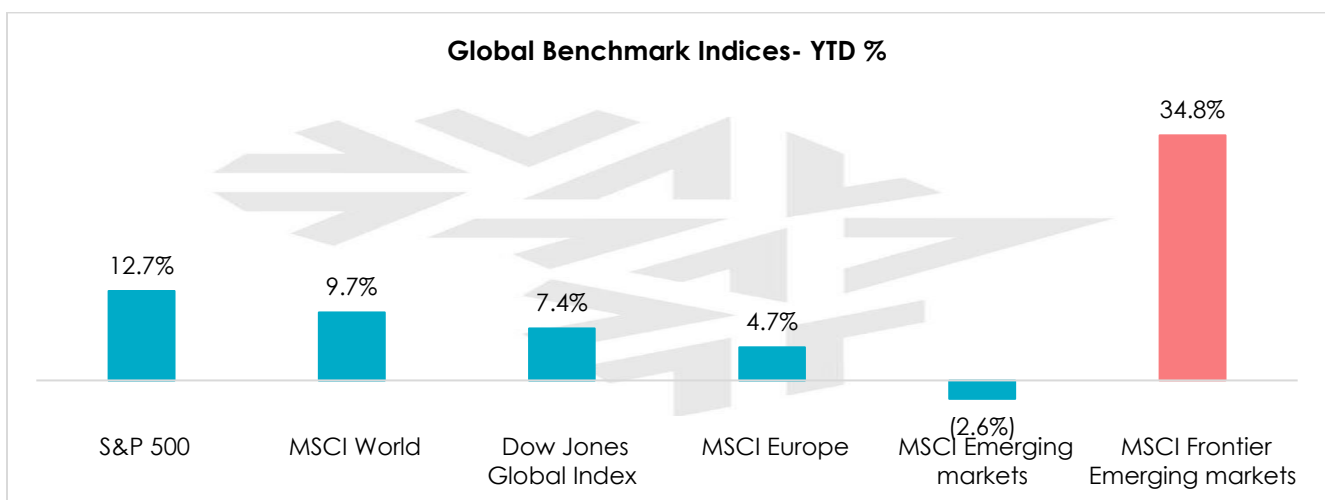
On a year to date basis, the Nairobi securities exchange recorded the worst performance compared to benchmark markets in Sub-Saharan Africa.

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 oversubscribed during the week, with a subscription rate of **138.11%** (up from 56.91% the previous week) and an acceptance rate of **82.2%**. Majority of the bids geared towards the 91-day paper, accounting for performance rate of 714.5% as investors look to mitigate for duration risk.

KES 27.23Bn was accepted at 14.873% (up 5.28bps), 14.978% (up 2.79bps) and 15.187% (up 13.23 bps) for the 91, 182 and 364-day papers, respectively.

Subscription	Amount offered KES Bn	Bids received week 40	Bids received week 39
91 day	4.00	28.58	11.01
182 day	10.00	1.41	0.81
364 day	10.00	3.16	1.84
Total	24.00	33.15	13.66

Prevailing rates	Week 40	Week 39	W/W change (bps)
91 Day	14.873%	14.821%	5.28
182 Day	14.978%	14.950%	2.79
364 Day	15.187%	15.054%	13.23

Source: CBK, NCBA IB Research

October 2023 Bond Auction Guide: Re-opened 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 Re-opened Treasury bonds FXD1/2023/002 and FXD1/2023/005 seeking to raise a total of KES 35.0Bn for FY 2023/2024 budgetary support.

Our recommended bidding range is:

Issue Number	Re-opened FXD1/2023/002	Re-opened FXD1/2023/005
Tenor	1.9 years	4.8 years
Period of Sale	2/10/2023 to 11/10/2023	
Value Date	16 th October 2023	
Redemption Date	18 August 2025	10 July 2028
Coupon (%)	16.972%	16.844%
Bidding Guide	17.50% - 18.09%	18.00% - 18.59%

Source: CBK, NCBA IB Research

Secondary Market

In the secondary bonds market, **total turnover** declined to **KES 8.97Bn** from KES 48.33Bn traded in the previous week.

The S&P Sovereign Bond index declined to close at **94.27** from 94.32 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.

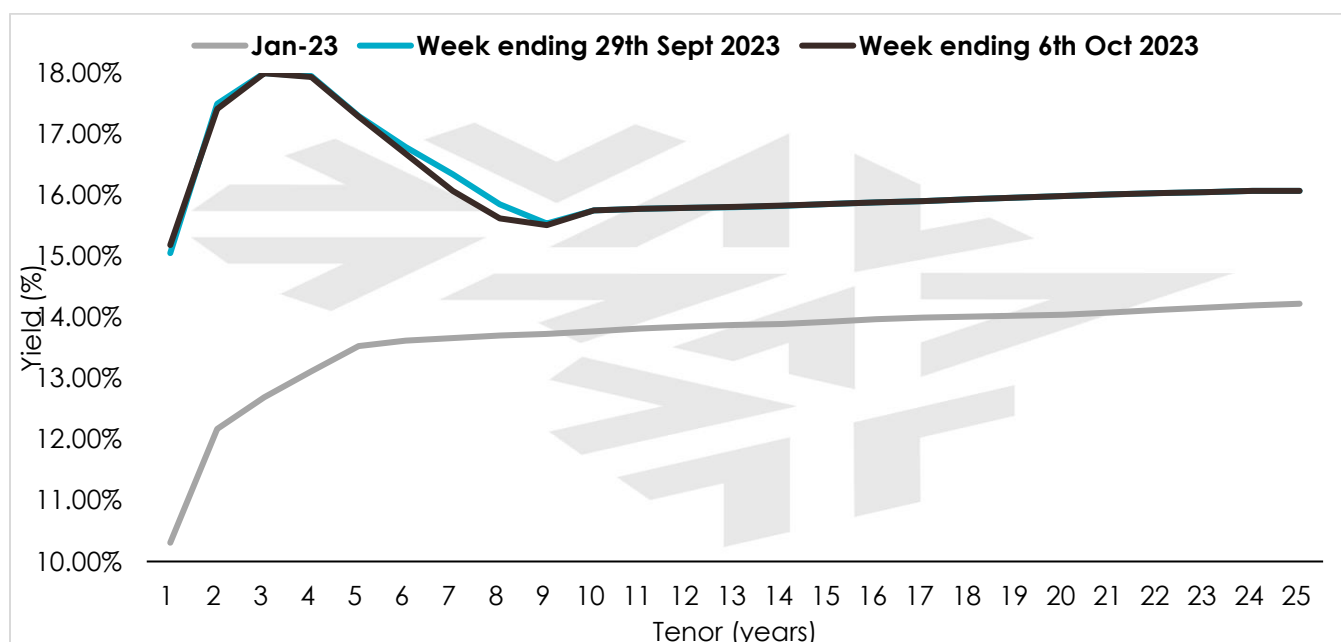
See the top moving bonds below:

Bond Identifier	Years to Maturity	Coupon	Average Yield	Total Value (KES Mn)	Number of Trades
IFB1/2023/17Yr	16.43	14.40%	15.31%	2,744.00	65
IFB1/2018/20Yr	15.10	11.95%	15.93%	1,620.00	4
FXD 1/2019/5Yr	0.37	11.30%	16.00%	961.90	1
FXD1/2016/10Yr	2.87	15.04%	17.51%	739.60	14
FXD 1/2021/5Yr	3.10	11.28%	17.71%	681.40	4

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.

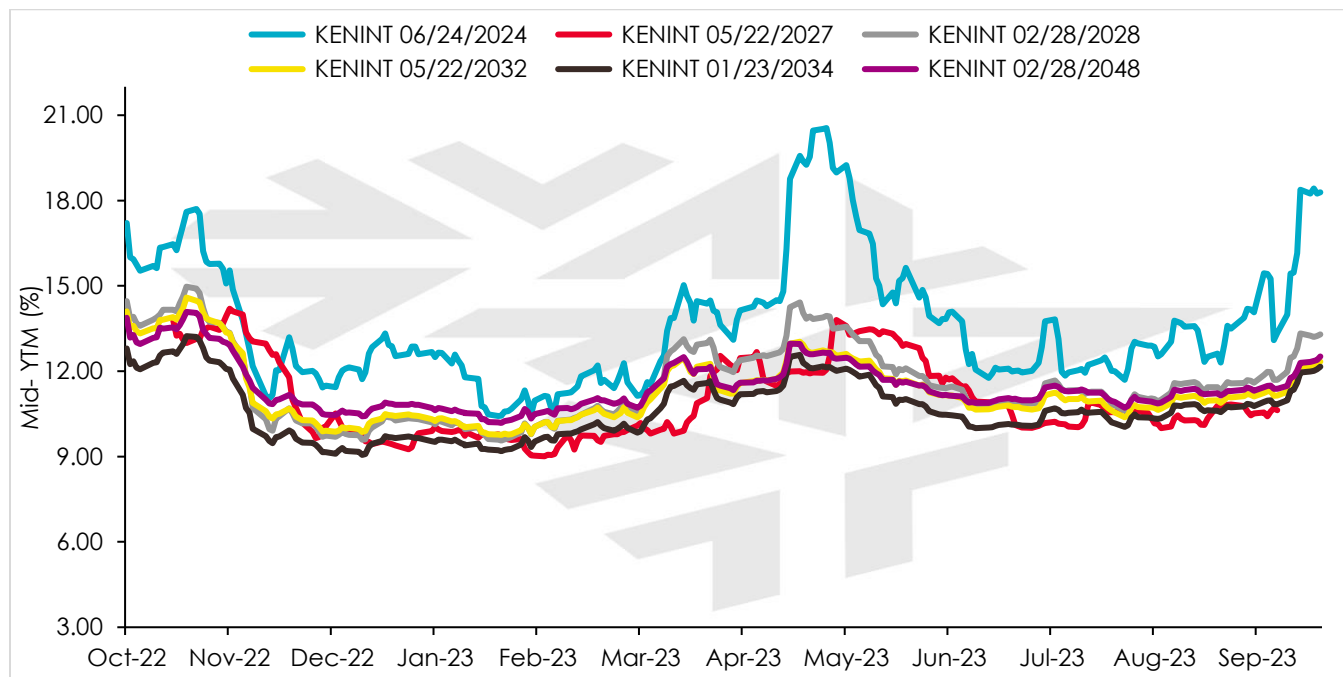


Source: NSE, NCBAIB Research

Kenya International Debt Yield Curves:

Kenyan Eurobonds' yields recorded 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 **19.281%**.

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 50.2 bps week on week to close at **11.98%**. The average daily traded volumes increased to **KES 25.15Bn** from KES 23.11Bn 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	11.98%	12.44%	(45.7)

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 **148.68/148.58** on Friday. With the average estimated **daily loss** now at **12.16 cents**, we anticipate the shilling will break the 150 – mark by end of year.

Year to date, the Kenya shilling has depreciated by **20.47% 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 **0.4%** week on week to close at **US \$6,913Mn**, the reserves represent **3.8 months** of import cover which is below the CBK's statutory requirement of at least 4 months of import cover.

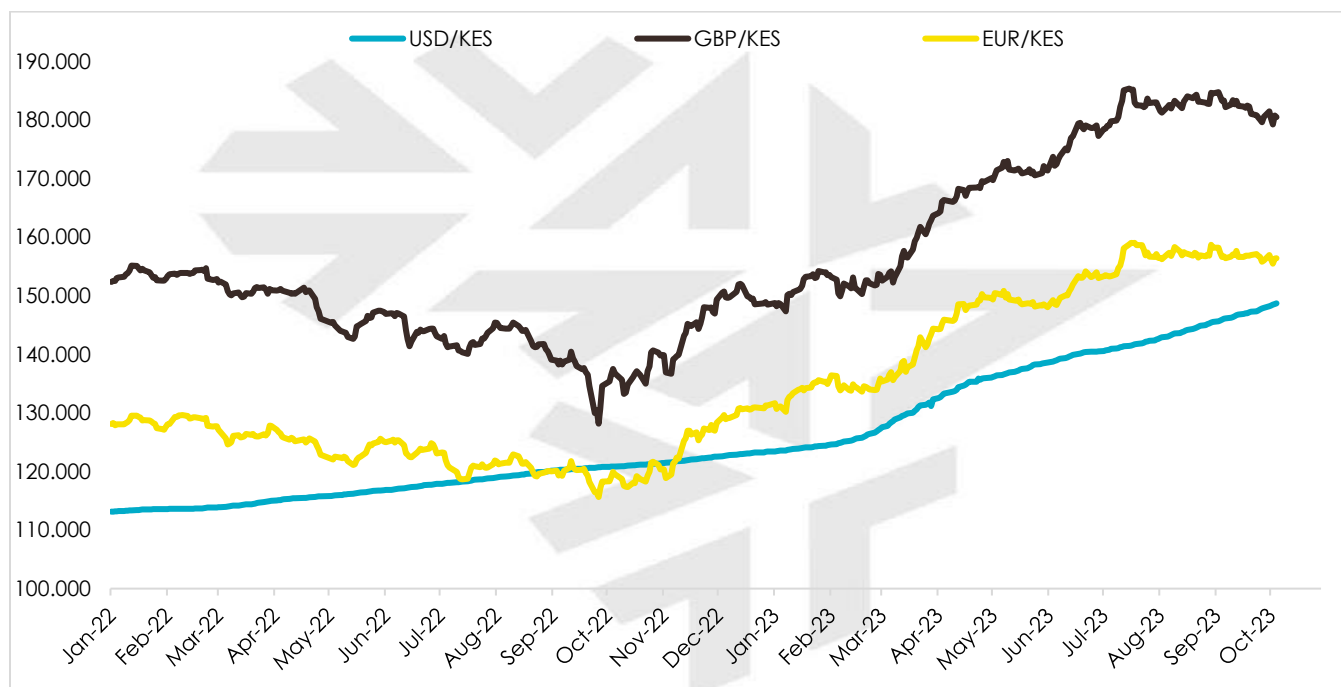
The **DXY** decreased to close at **106.10** from 106.17 in the previous week.

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 40	Week 39	W/W change (%)
US Dollar	148.56	148.10	(0.3%)
STG Pound	180.73	180.56	(0.1%)
Euro	156.32	156.00	(0.2%)
Forex reserves	6913.00	6939.00	(0.4%)

Negative () = Depreciation, Positive = Appreciation

Source: CBK, NCBA IB Research



Source: CBK, NCBA IB Research

Macroeconomic Developments:

MPC October Meeting.

Monetary Policy Committee (MPC) meet on 3rd October 2023 and maintained the CBR at **10.50%** as the committee continues to closely monitor the impact of policy measures and any developments globally and locally.

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

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
Total	117,683.05

Source: CBK, NCBA IB Research