

## The Week in Review | Week 43

### EQUITIES

#### Local Market Performance

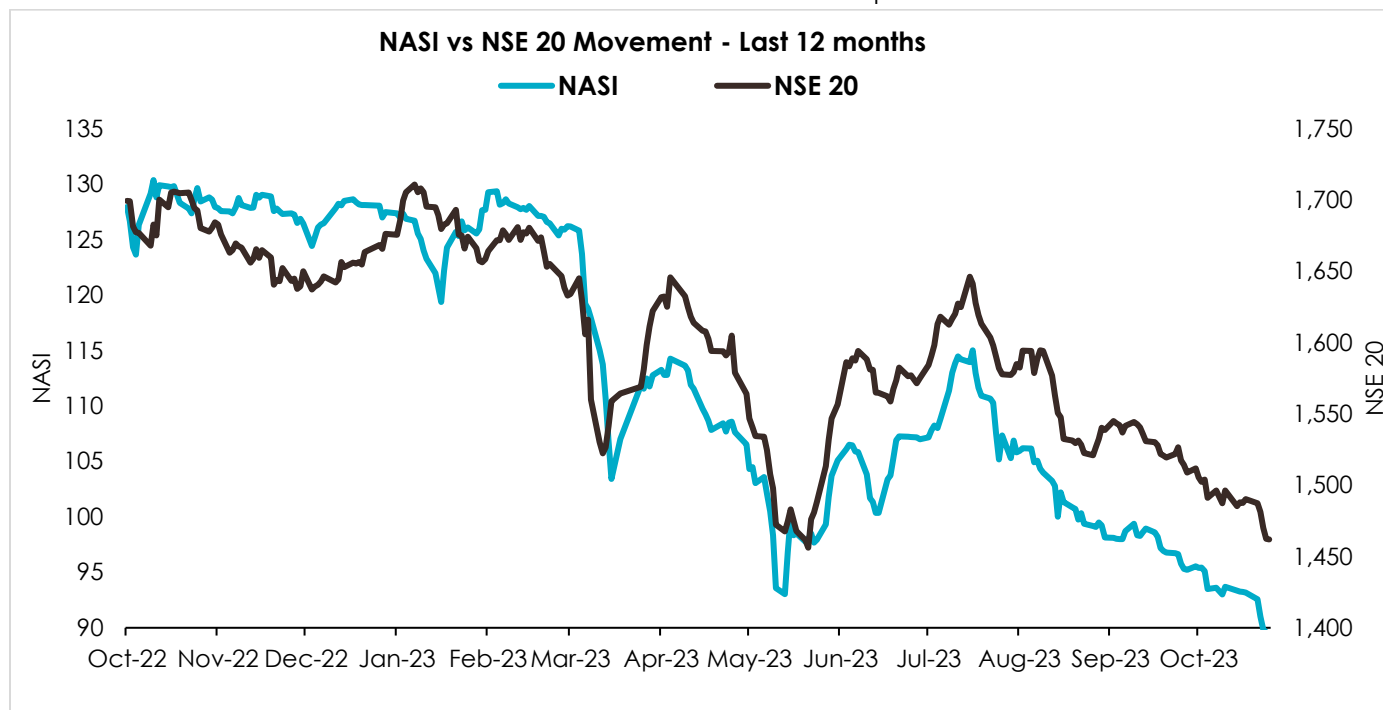
The market was down 4.02% week on week, with all share index (NASI) closing the week at **89.42**, a 29.78% decline year to date.

The NSE-20 and NSE-25 indices closed the week at **1,461.99**, an **12.74%** decline year to date and **2,401.29**, a **23.48%** decline year to date, respectively.

Trading activity was concentrated on Safaricom, Laptrust, Equity, Nation media and Britam accounting for 93.92% of the total turnover at KES 0.21Bn

Foreign investors accounted for **49.63%** of the total turnover and they were net sellers with net foreign outflows of KES 0.35Bn last week. Foreign investors were mostly active on Standard Chartered, Equity Bank, Uchumi, Kapchorua tea and I&M in that order.

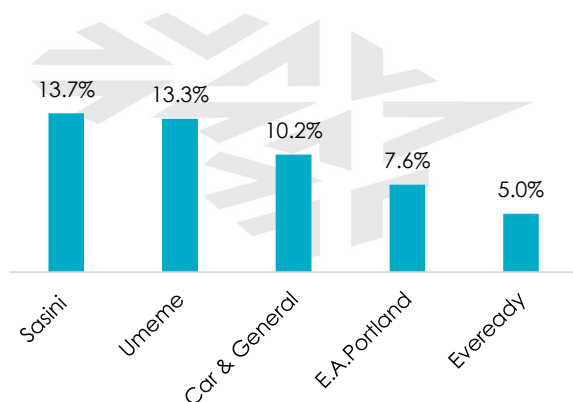
Market turnover increased to KES **2.2Bn** from KES 0.61Bn traded the previous week.



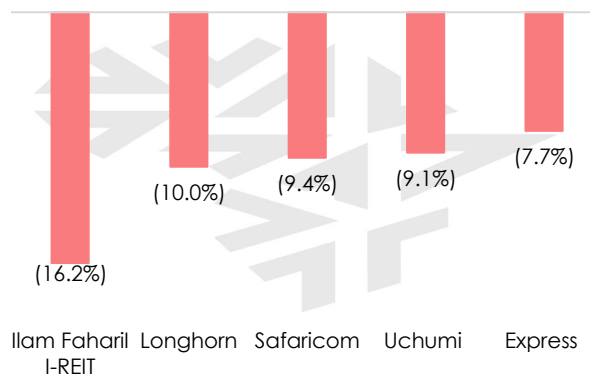
Source: NSE, NCBA IB Research

### NSE Counter Performance

**Top Gainers of the week - Kenya**



**Top Decliners of the Week - Kenya**



Source: NSE, NCBA IB Research

### Upcoming Dividend payments

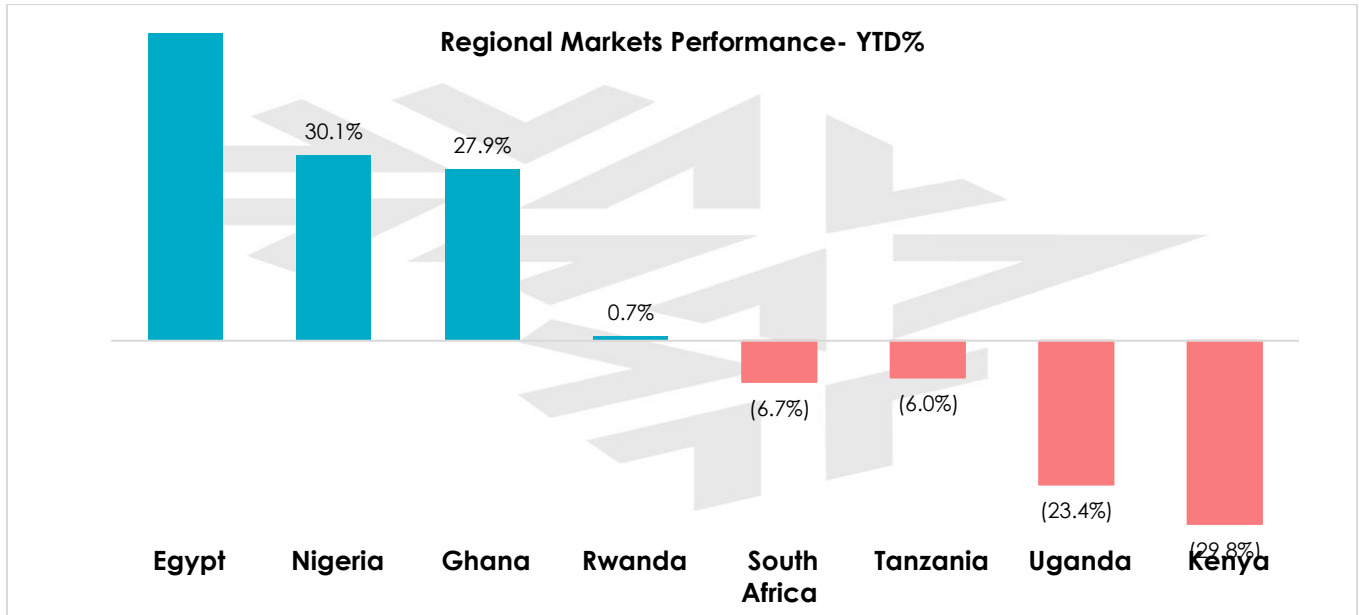
Counter	Dividend	Book Closure	Payment
	KES 0.60	11-Oct-23	30-Nov-23
	KES 1.70	24-Nov-23	15-Dec-23
	KES 0.30	30-Nov-23	15-Feb-24
	UGS 24.00	09-Feb-24	29-Feb-24

Source: Company Financials, NSE, NCBA IB Research

### Regional Markets YTD% Performance.

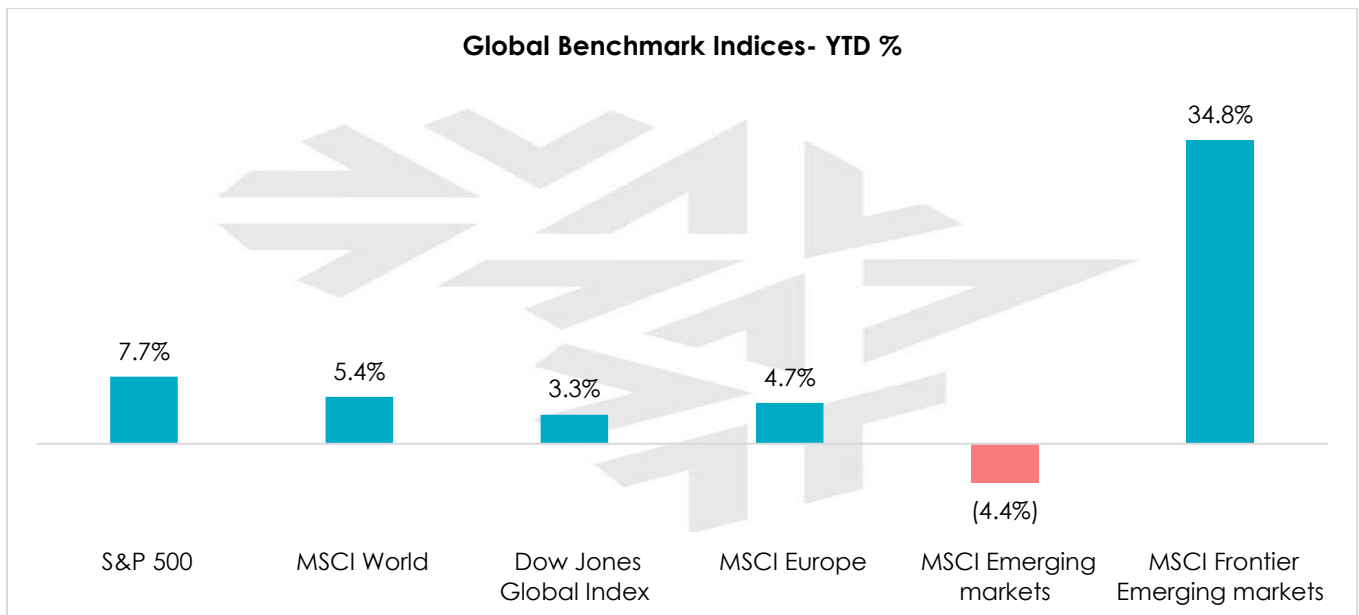
On a year to date basis, the Nairobi securities exchange recorded the worst performance compared to benchmark markets in Sub-Saharan Africa.

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 **75.63%** (down from 123.42% the previous week) and an acceptance rate of **86.2%**. Majority of the bids geared towards the 91-day paper, accounting for performance rate of 266.0% as investors look to mitigate for duration risk.

**KES 15.66Bn** was accepted at 15.110% (up 6.42bps), 15.130% (up 5.37bps) and 15.390% (up 4.95 bps) for the 91, 182 and 364-day papers, respectively.

Subscription	Amount offered KES Bn	Bids received week 43	Bids received week 42
91 day	4.00	10.64	23.56
182 day	10.00	5.67	3.79
364 day	10.00	1.84	2.27
<b>Total</b>	<b>24.00</b>	<b>18.15</b>	<b>29.62</b>

Prevailing rates	Week 43	Week 42	W/W change (bps)
91 Day	15.110%	15.046%	6.42
182 Day	15.130%	15.076%	5.37
364 Day	15.390%	15.341%	4.95

Source: CBK, NCBA IB Research

### November 2023 Bond Auction: 6.5 Year Amortized Bond Issue No IFB1/2023/6.5.

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 **6.5 Year Amortized Bond Issue No IFB1/2023/6.5** and seeking to raise **KES 50.00Bn** for funding of Infrastructure projects in the FY 2023/2024 budget estimates.

Find attached details prospectus here:

Bond Offer	
Issue	<b>IFB1/2023/6.5</b>
Tenor to Maturity	6.5
Redemption date	06-May-30
Coupon Rate	<b>Market Determined</b>
Offered Amount (KES Mn)	50,000.00
Opening Date	20-Oct-23
Closing date	08-Nov-23
Value Date	13-Nov-23
Taxation	Tax - free

Source: CBK, NCBA IB Research

## Secondary Market

In the secondary bonds market, **total turnover** increased to **KES 12.02Bn** from KES 9.28Bn traded in the previous week.

The S&P Sovereign Bond index declined to close at **94.24** from 94.28 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.

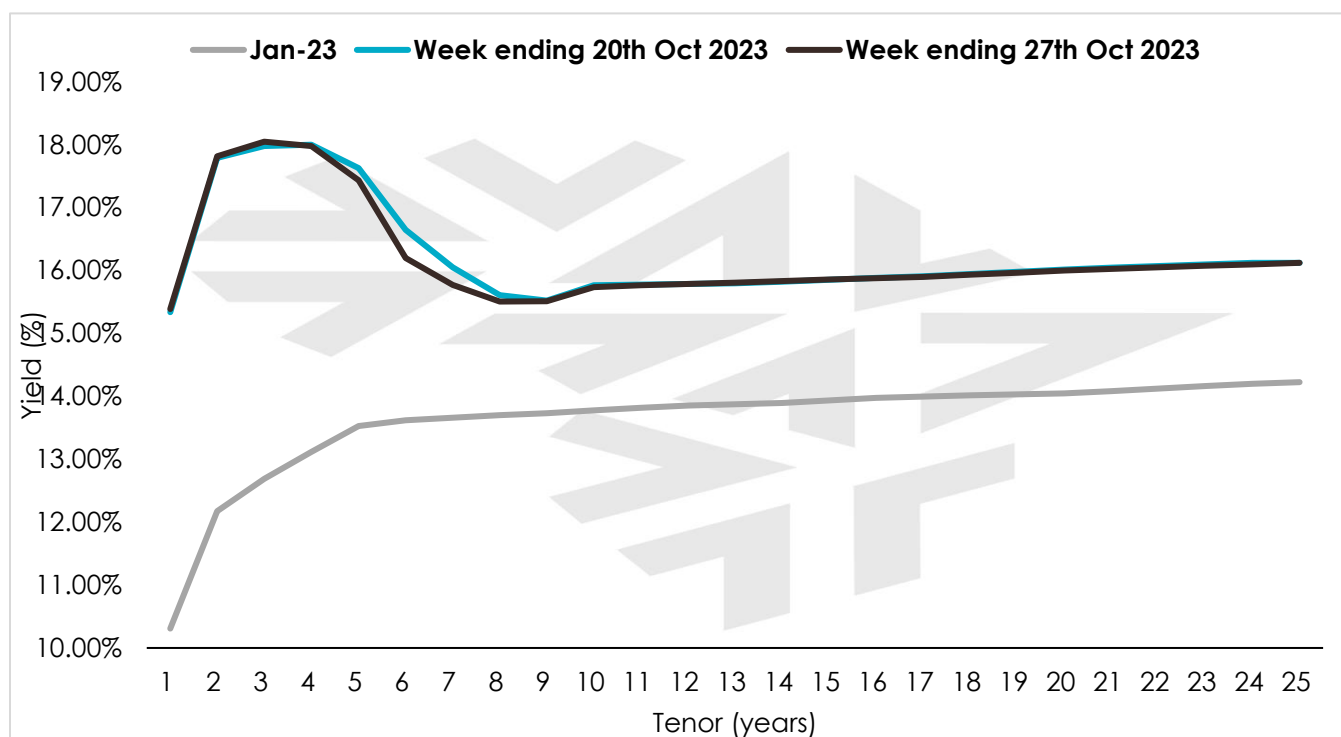
See the top moving bonds below:

Bond Identifier	Years to Maturity	Coupon	Average Yield	Total Value (KES Mn)	Number of Trades
FXD 1/2023/5Yr	2.84	16.84%	<b>17.06%</b>	<b>2,091.70</b>	50
IFB1/2021/16Yr	15.06	12.26%	<b>15.43%</b>	<b>1,316.90</b>	20
IFB1/2022/18Yr	6.66	13.74%	<b>15.20%</b>	<b>1,175.00</b>	14
IFB1/2021/21Yr	9.25	12.74%	<b>15.53%</b>	<b>1,001.10</b>	20
FXD1/2016/10Yr	7.83	15.04%	<b>17.35%</b>	<b>986.80</b>	20

Source: NSE, NCBAIB Research

## Government Securities Yield Curve:

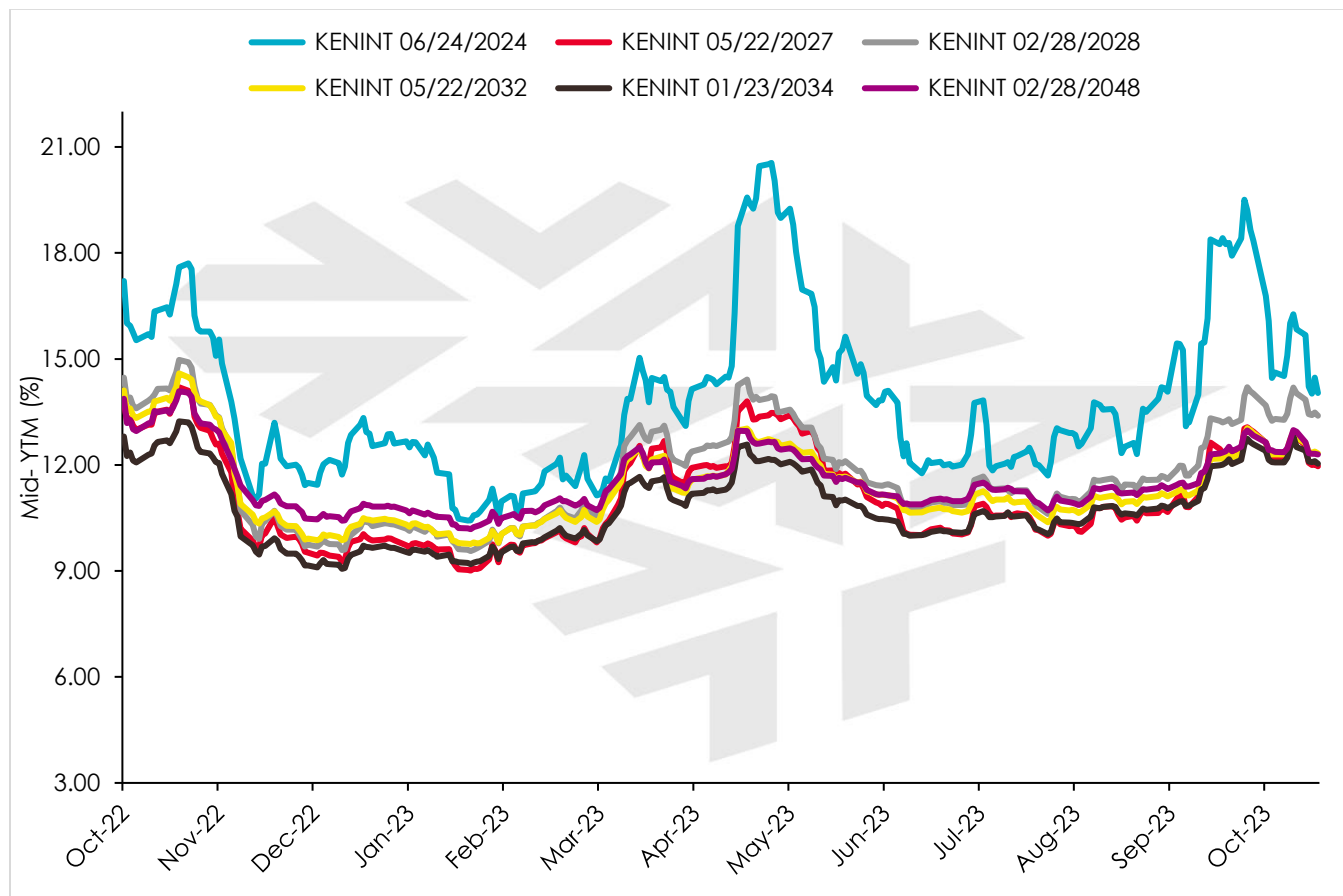
The yield on government securities has been on an **upward trajectory** with investors demanding higher returns to cushion against duration and interest rate risks.



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 **14.04%**.



Source: Bloomberg, NCBA IB Research

### Macroeconomic Developments:

Liquidity conditions in the interbank space tightened. Indicatively, the overnight **interbank rate** increased by 12.0 bps week on week to close at **12.59%**. The average daily traded volumes decreased to **KES 22.84Bn** from KES 26.44Bn observed in the previous week.

Statistic	Current	Previous	Change (bps)
CBR	10.50%	10.50%	0.0
Inflation	6.80%	6.70%	10.0
Average Interbank Rate	12.59%	12.47%	12.0

Source: CBK, NCBAIB Research

### Fiscal Tracker-September 2023

For the second month of FY'2023/2024, **total revenue** collected as reported by the National Treasury stood at **KES 745.35Bn** which represents an **18.04%** achievement against the full year target of **KES 4,132.74Bn**.

Net **domestic borrowing** stood at **KES 147.16Bn** reflecting a performance rate of **21.36%** compared to **9.19%** 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 66.51Bn** to **KES 745.80Bn** compared to **KES 679.29Bn** in the same period in 2022/2023 fiscal year. This is largely attributable to an increase in Consolidated Fund Services (CFS) by **KES 120.16Bn** to **KES 384.95Bn** and whereas county government expenditure decreased by **KES 9.23Bn** to **KES 61.22Bn** and development expenditure decreased by **KES 36.41Bn** to **KES 31.65Bn**

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.

Sep-23						
	23/24 FY Budget	Sep-22	Sep-23	Variance (YoY)	Variance FY Budget	Variance FY Budget
<b>INCOME(KES Bn)</b>						
Total Tax Income	2,495.83	465.20	514.26	49.07	(1,981.57)	(79.40%)
Total Non-Tax Income	75.33	20.21	23.08	2.87	(52.25)	(69.36%)
Net Domestic Borrowing	688.21	95.66	147.16	51.50	(541.05)	(78.62%)
External Loans and Grants	870.18	86.19	57.81	(28.38)	(812.37)	(93.36%)
Other Domestic Financing	3.19	13.42	3.04	(10.38)	(0.15)	(4.70%)
<b>Total Revenue</b>	<b>4,132.74</b>	<b>680.68</b>	<b>745.35</b>	<b>64.67</b>	<b>(3,387.39)</b>	<b>(81.96%)</b>

<b>EXPENDITURE(KES Bn)</b>						
Recurrent	1,302.80	276.11	268.10	(8.01)	(1,034.71)	(79.42%)
CFS	1,963.70	264.79	384.95	120.16	(1,578.75)	(80.40%)
Development	480.82	68.06	31.65	(36.41)	(449.17)	(93.42%)
County Gvt	385.42	70.34	61.11	(9.23)	(324.31)	(84.14%)
<b>Total Expenditure</b>	<b>4,132.74</b>	<b>679.29</b>	<b>745.80</b>	<b>66.51</b>	<b>(3,386.94)</b>	<b>(81.95%)</b>

<b>Balances at end month</b>		<b>2.00</b>	<b>2.17</b>	<b>0.17</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 **150.3618/150.26188** on Friday. With the average estimated **daily loss** now at **4.250 cents**.

Year to date, the Kenya shilling has depreciated by **21.83% 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 increased marginally by **0.04%** week on week to close at **US \$6,836Mn**, the reserves represent **3.7 months** of import cover which is below the CBK's statutory requirement of at least 4 months of import cover.

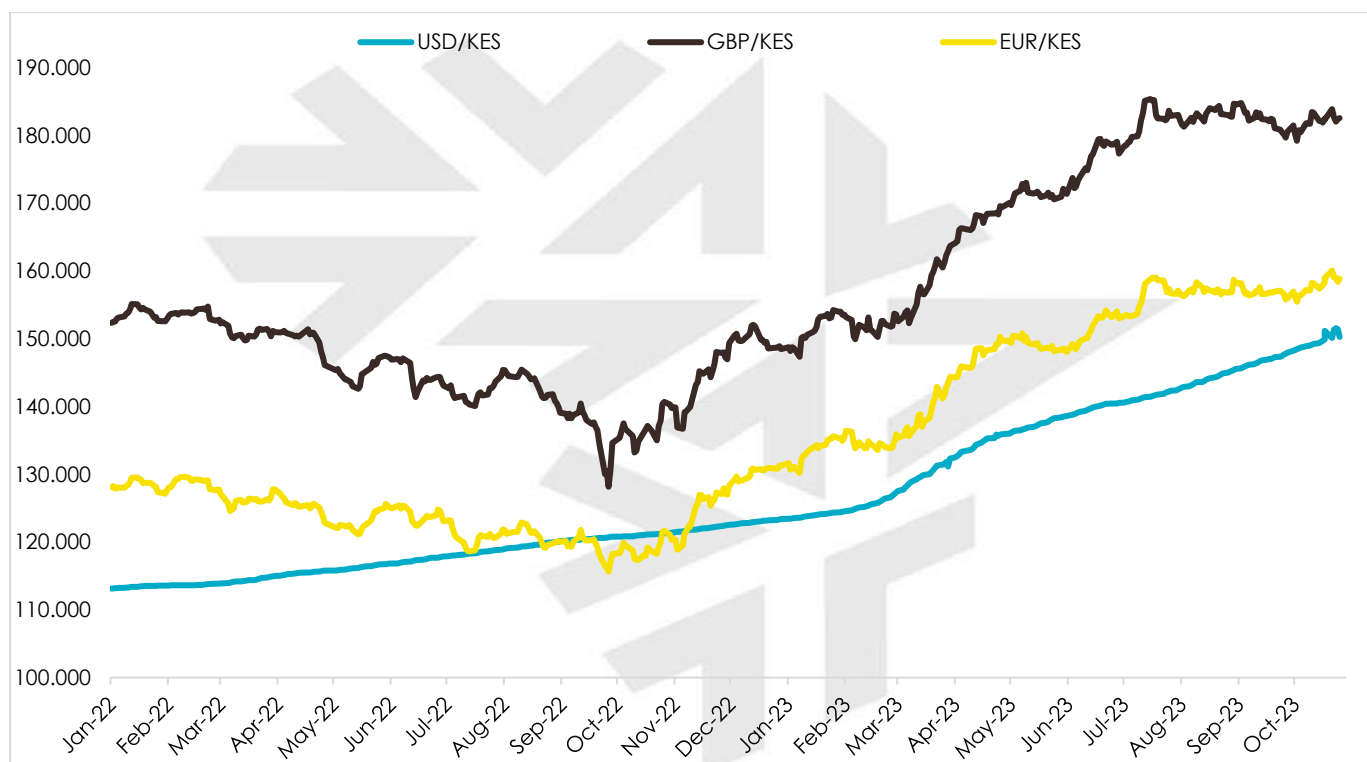
The **DXY** increased to close at **106.58** from 106.16 in the previous week.

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 43	Week 42	W/W change (%)
US Dollar	150.270	148.132	1.4%
STG Pound	182.380	183.172	(0.4%)
Euro	158.990	158.062	0.6%
Forex reserves	6836.00	6833.00	0.04%

Negative () = Depreciation, Positive = Appreciation

Source: CBK, NCBA IB Research



Source: CBK, NCBA IB Research



### 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

## 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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The analyst(s) who prepared this research report: Victoria Mututu hereby certifies(y) that:

- (i) all of the views and opinions expressed in this research report accurately reflect the research analyst's(s') personal views about the subject investment(s) and companies (y) and
- (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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