

The Week in Review | Week 51

EQUITIES

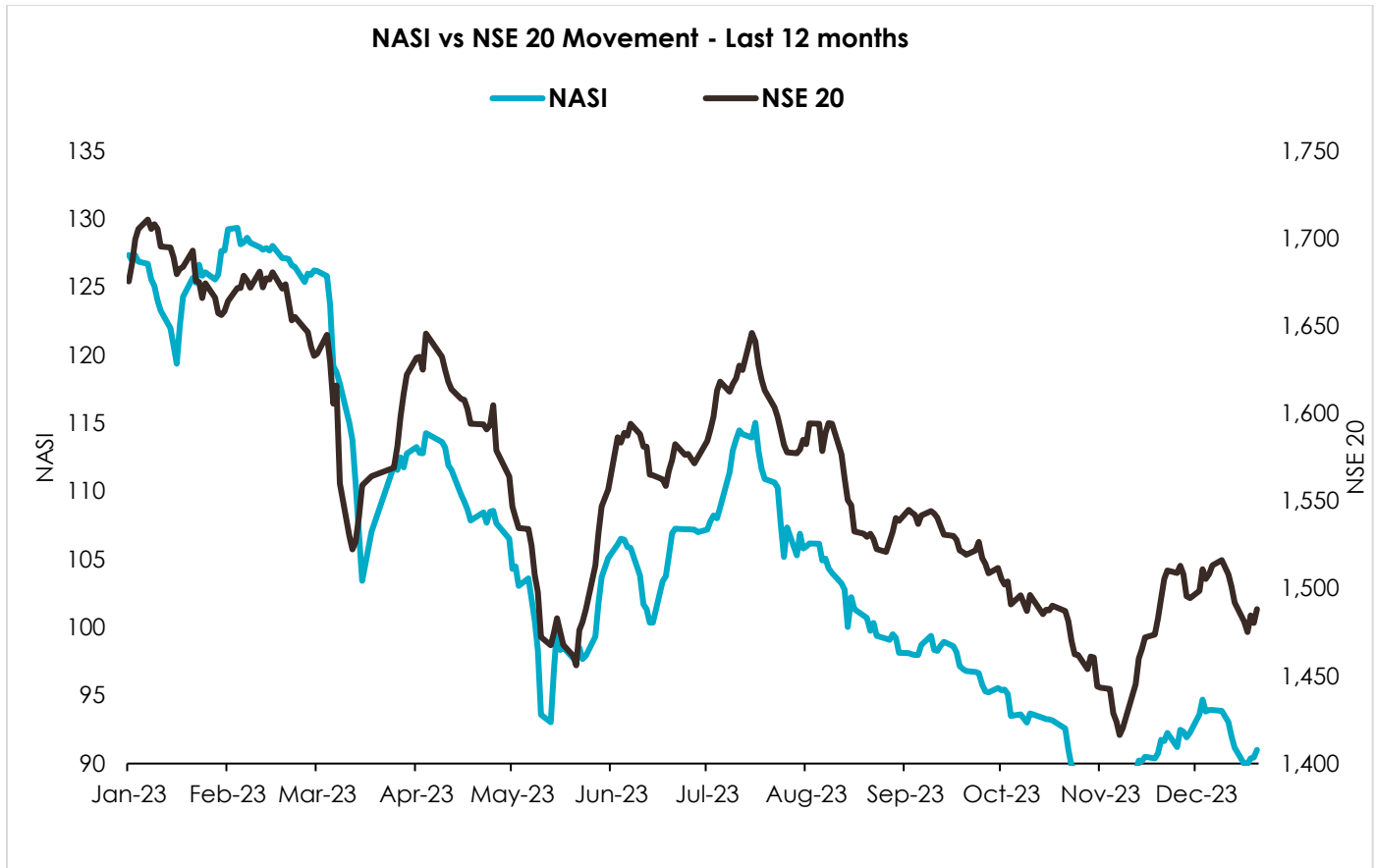
Local Market Performance

The market was down 1.08% week on week, with all share index (NASI) closing the week at **91.01**, a 28.53% decline year to date.

The NSE-20 and NSE-25 indices closed the week at **1489.13**, a **11.12%** decline year to date and **2,363.67**, a **24.68%** decline year to date, respectively.

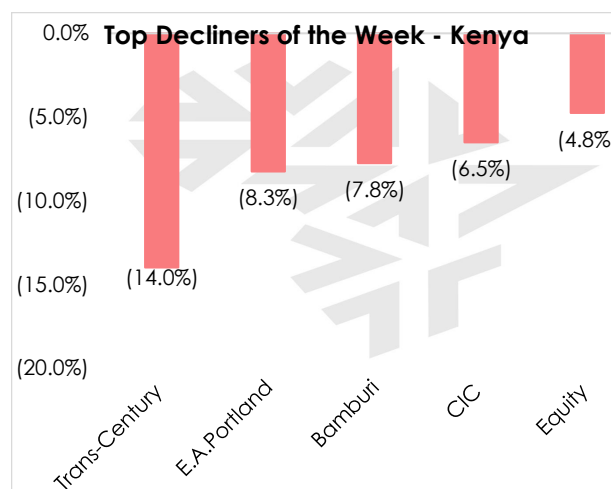
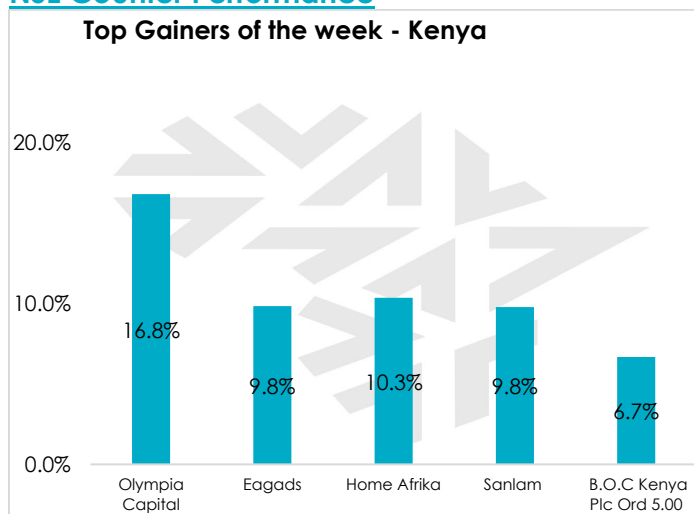
Foreign investors accounted for **67.00%** of the total turnover and they were net sellers with net foreign outflows of KES 0.90Bn last week. Foreign investors were mostly active on Safaricom, Equity, KCB, EABL and BOC in that order.

Market turnover decreased to KES **0.767Bn** from KES 1.109Bn traded the previous week.






Source: NSE, NCBA IB Research

NSE Counter Performance



Source: NSE, NCBA IB Research

Upcoming Dividend payments

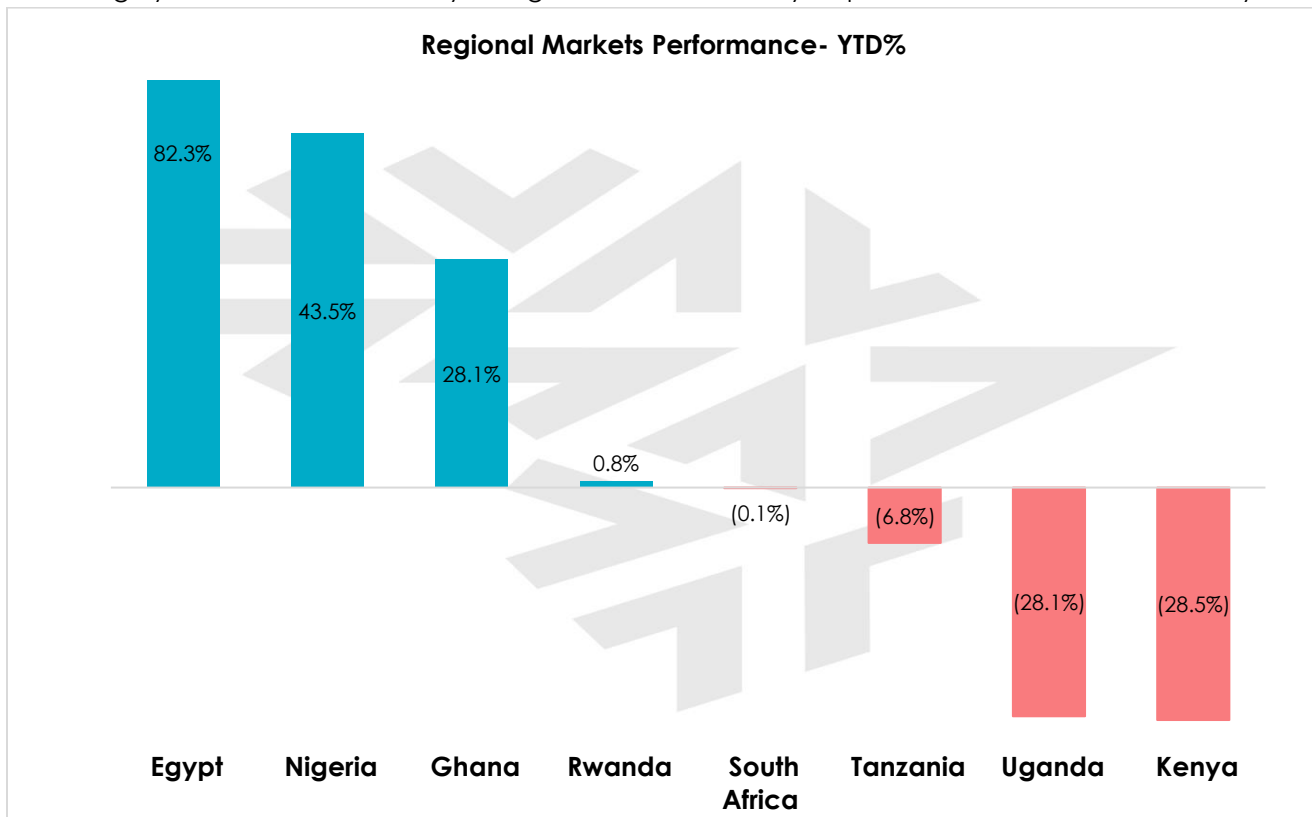
Counter	Dividend	Book Closure	Payment
 KenGen Energy for the nation	KES 0.30	30-Nov-23	15-Feb-24
 UMEME Powering Uganda	UGS 24.00	09-Feb-24	29-Feb-24
	KES 6.00	14-Dec-23	23-Dec-23

Source: Company Financials, NSE, NCBA IB Research

Regional Markets YTD% Performance.

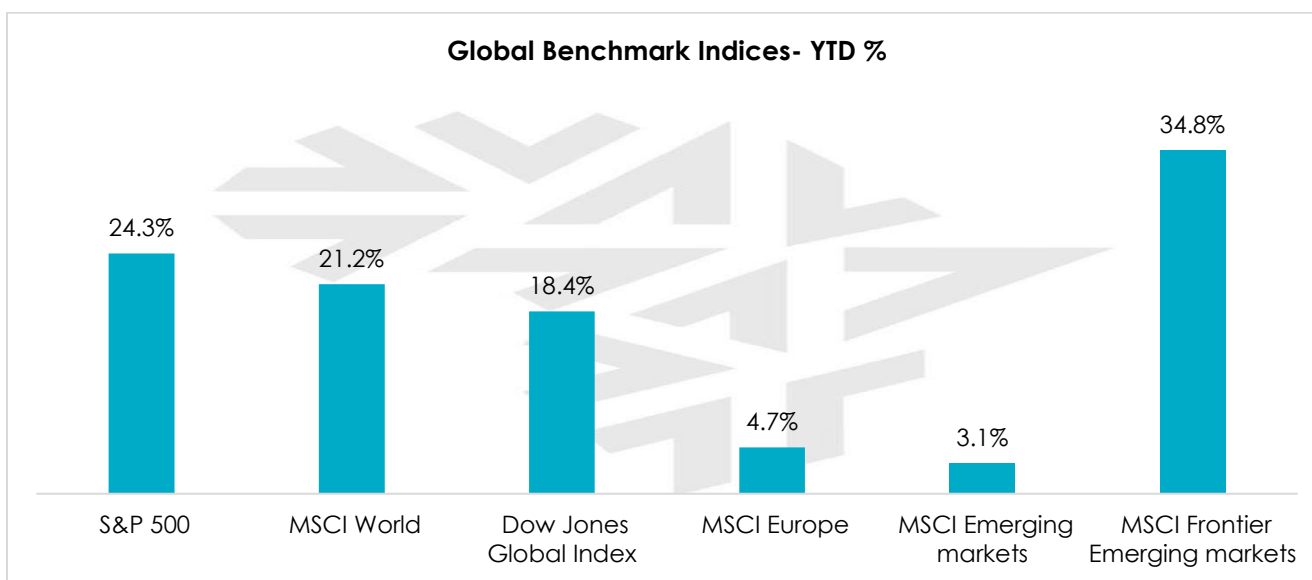
On a year to date basis, the Nairobi securities exchange recorded the worst performance compared to benchmark markets in Sub-Saharan Africa.

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 **86.83%** (up from 71.21% the previous week) and an acceptance rate of **99.4%**. Majority of the bids geared towards the 91-day paper, accounting for performance rate of 415.9% as investors look to mitigate for duration risk.

KES 20.72Bn was accepted at 15.883% (up 11.25bps), 15.972% (up 4.96bps) and 15.901% (up 6.72 bps) for the 91, 182 and 364-day papers, respectively.

Subscription	Amount offered KES Bn	Bids received week 51	Bids received week 50
91 day	4.00	16.63	13.54
182 day	10.00	2.29	2.92
364 day	10.00	1.92	0.63
Total	24.00	20.84	17.09

Prevailing rates	Week 51	Week 50	W/W change (bps)
91 Day	15.883%	15.771%	11.25
182 Day	15.972%	15.922%	4.96
364 Day	15.901%	15.834%	6.72

Source: CBK, NCBA IB Research

Secondary Market

In the secondary bonds market, **total turnover** declined to **KES 15.59Bn** from KES 20.91Bn traded in the previous week.

The S&P Sovereign Bond index declined to close at **91.05** from 91.01 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
IFB1/2023/6.5Yr	6.41	17.93%	17.05%	5,210.15	244
FXD 1/2022/3Yr	1.29	11.77%	17.23%	2,000.00	2
IFB1/2023/17Yr	16.22	14.40%	16.36%	1,464.00	17
FXD 1/2023/5Yr	4.56	16.84%	17.78%	1,281.30	11
FXD1/2021/025	22.37	13.92%	16.65%	756.00	8

Source: NSE, NCBAIB Research

JANUARY 2024 BOND AUCTIONS: FXD1/2024/03(New) AND FXD1/2023/05 (Re-opened)

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 sale of **FXD1/2024/03(New)** and **FXD1/2023/05 (Re-opened)** seeking to raise **KES 35.00Bn** for budgetary support for the current financial year.

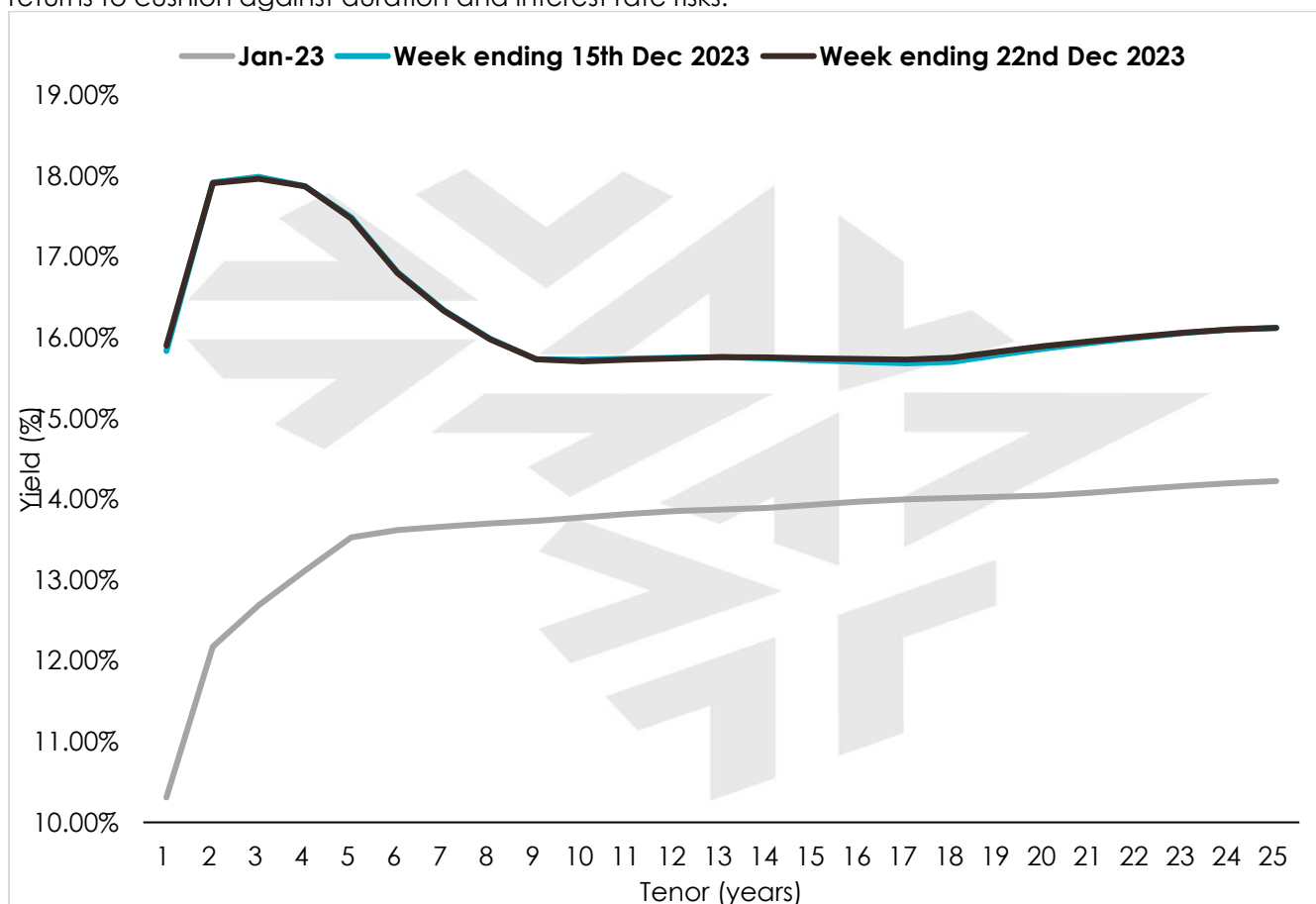
Summary of the offer:

Issue	FXD1/2023/05 (Re-opened)	FXD1/2024/03
Tenor to Maturity	4.57 Yrs	3 Yrs
Offered Amount (KES Bn)	35.00	
Value Date	15-Jan-24	
Period of Sale	14th Dec 2023 to 10th Jan 2024	
Redemption Date	10 Jul 28	11 Jan 27
Coupon Rate (%)	16.844%	Market Determined

Source:CBK,NCBA IB Research

Government Securities Yield Curve:

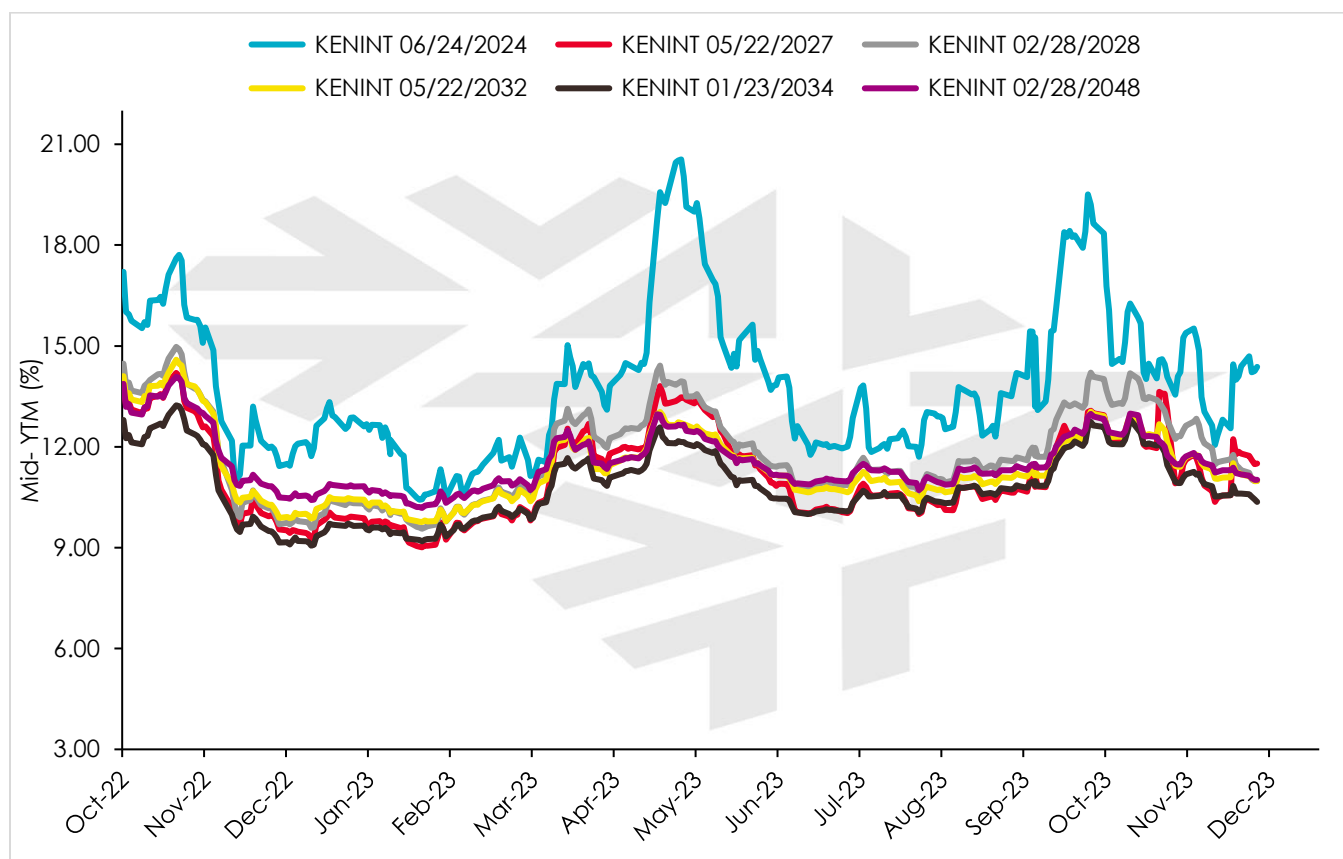
The yield on government securities has been on an **upward trajectory** with investors demanding higher returns to cushion against duration and interest rate risks.



Source: NSE, NCBA/IB Research

Kenya International Debt Yield Curves:

Kenyan Eurobonds' yields recorded 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 **13.37%**.



Source: Bloomberg, NCBA IB Research

Macroeconomic Developments:

Liquidity conditions in the interbank space tightened. Indicatively, the overnight **interbank rate** increased by 83.7bps week on week to close at **12.31%**. The average daily traded volumes increased to **KES 35.59Bn** from KES 32.18Bn observed in the previous week.

Statistic	Current	Previous	Change (bps)
CBR	12.50%	10.50%	200.0
Inflation	6.80%	6.90%	(10.0)
Average Interbank Rate	12.31%	11.47%	83.7

Source: CBK, NCBA/IB Research

Fiscal Tracker-November 2023

For the fourth month of FY'2023/2024, **total revenue** collected as reported by the National Treasury stood at **KES 1,182.57Bn** which represents a **28.61%** achievement against the full year target of **KES 4,132.74Bn**.

Net **domestic borrowing** stood at **KES 222.27Bn** reflecting a performance rate of **32.30%** compared to **21.04%** 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 45.83Bn** to **KES 1,183.19Bn** compared to **KES 1,137.36Bn** in the same period in 2022/2023 fiscal year. This is largely attributable to an increase in Consolidated Fund Services (CFS) by **KES 86.58Bn** to **KES 575.85Bn** and whereas county government expenditure decreased by **KES 14.55Bn** to **KES 107.55Bn** and development expenditure decreased by **KES 33.78Bn** to **KES 55.68Bn**.

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.

Nov-23						
	23/24 FY Budget	Nov-22	Nov-23	Variance (YoY)	Variance FY Budget	Variance FY Budget
INCOME(KES Bn)						
Total Tax Income	2,495.83	758.59	847.35	88.76	(1,648.48)	(66.05%)
Total Non-Tax Income	75.33	30.11	32.37	2.26	(42.96)	(57.03%)
Net Domestic Borrowing	688.21	218.89	222.27	3.39	(465.94)	(67.70%)
External Loans and Grants	870.18	116.14	77.04	(39.10)	(793.14)	(91.15%)
Other Domestic Financing	3.19	15.32	3.54	(11.78)	0.35	11.08%
Total Revenue	4,132.74	1,139.04	1,182.57	43.53	(2,950.17)	(71.39%)
EXPENDITURE(KES Bn)						
Recurrent	1,302.80	436.53	444.11	7.58	(858.70)	(65.91%)
CFS	1,963.70	489.27	575.85	86.58	(1,387.84)	(70.67%)
Development	480.82	89.46	55.68	(33.78)	(425.14)	(88.42%)
County Gvt	385.42	122.10	107.55	(14.55)	(277.88)	(72.10%)
Total Expenditure	4,132.74	1,137.36	1,183.19	45.83	(2,949.55)	(71.37%)
Balances at end month		2.30	2.00	(0.30)		

Source: National Treasury, NCBA IB Research.

Currency

On the FX front, the shilling continues to depreciate against the greenback, closing at **154.7294/155.4412** on Friday. With the average estimated **daily loss** now at **8.294 cents**.

Year to date, the Kenya shilling has depreciated by **25.65% 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, tourism and IMF will alleviate the pressure on the shilling.

Foreign exchange reserves decreased marginally by **0.01%** week on week to close at **US \$6,710Mn**, the reserves represent **3.6 months** of import cover which is below the CBK's statutory requirement of at least 4 months of import cover.

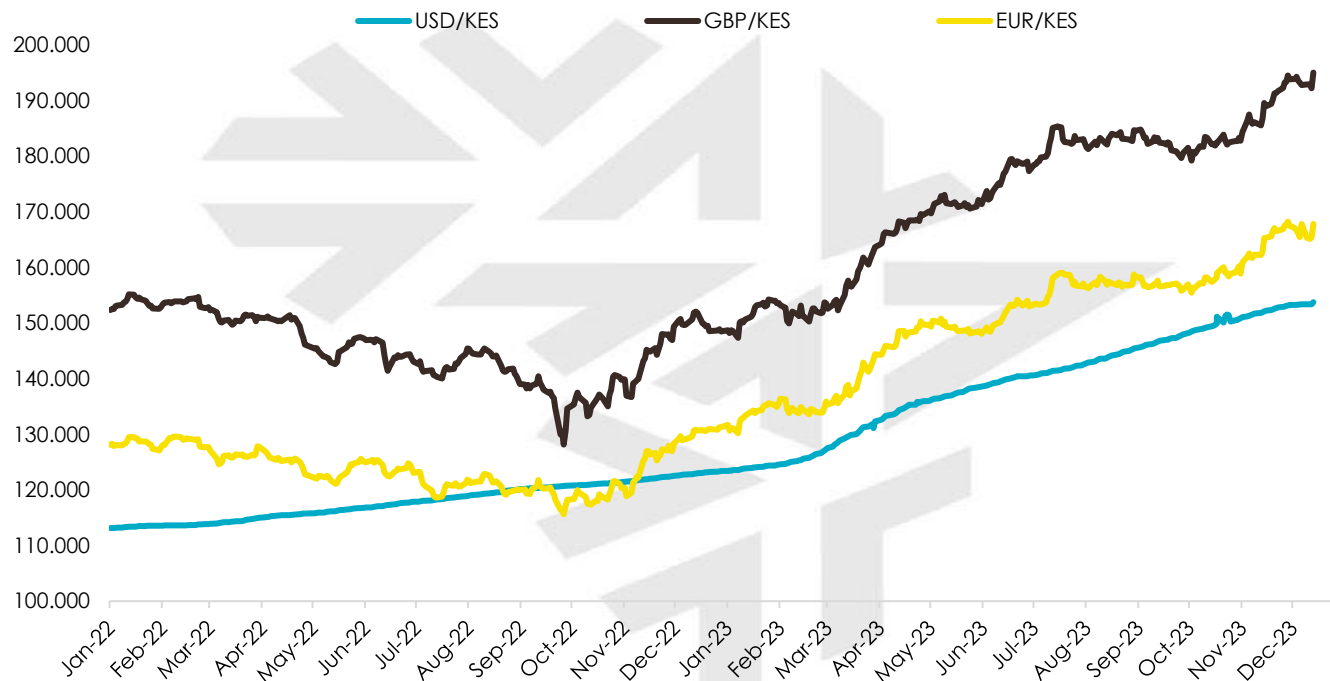
The **DXY** decreased to close at **101.71** from 102.42 in the previous week.

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 51	Week 50	W/W change (%)
US Dollar	154.690	153.738	0.6%
STG Pound	195.830	195.000	0.4%
Euro	169.330	167.770	0.9%
Forex reserves	6710.00	6711.00	(0.01%)

Negative () = Depreciation, Positive = Appreciation

Source: CBK, NCBA IB Research



Source: CBK, NCBA IB Research

Kenya Government Debt Maturities Schedule – December 2023:

The government has total domestic debt maturities of KES **150.99Bn** in the month of December 2023 compared to KES 158.25Bn in November 2023. We expect robust government activity in the local market.

Treasury Bills	
Payment Date	Amount KES 'Mn
December 4, 2023	24,604.34
December 11, 2023	38,516.10
December 18, 2023	22,689.75
December 25, 2023	19,448.44
Total	105,258.63

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
IFB1/2015/009	December 4, 2023	1.01	8,506.50	11.00%	467.86	12.5750%
IFB1/2022/006	December 4, 2023	5.01	59,561.98	13.22%	3,935.56	13.2533%
FXD3/2019/005	December 11, 2023	1.03	44,830.50	11.49%	2,575.96	15.8085%
FXD2/2010/015	December 11, 2023	2.03	25,199.80	9.00%	1,133.99	17.8721%
FXD1/2008/020	December 11, 2023	4.53	55,410.70	13.75%	3,809.49	17.7827%
FXD2/2018/010	December 11, 2023	5.03	63,574.02	12.50%	3,974.01	17.3775%
FXD1/2010/025	December 11, 2023	11.53	20,192.50	11.25%	1,135.83	15.7738%
IFB1/2022/018	December 11, 2023	16.53	79,827.50	13.74%	5,484.95	14.3600%
FXD1/2018/025	December 18, 2023	19.55	94,326.70	13.40%	6,319.89	16.0025%
IFB1/2023/007	December 18, 2023	6.55	213,399.35	15.84%	16,898.03	15.5083%
Total					45,735.56	

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