

# The Week in Review | Week 04

## EQUITIES

### Local Market Performance

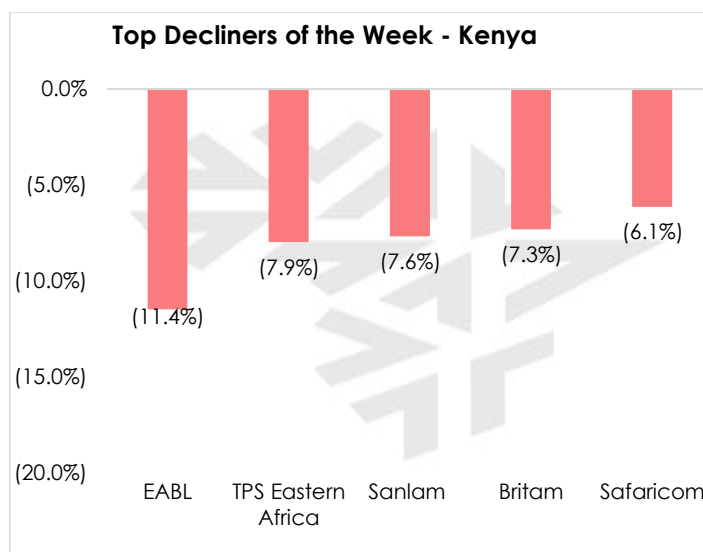
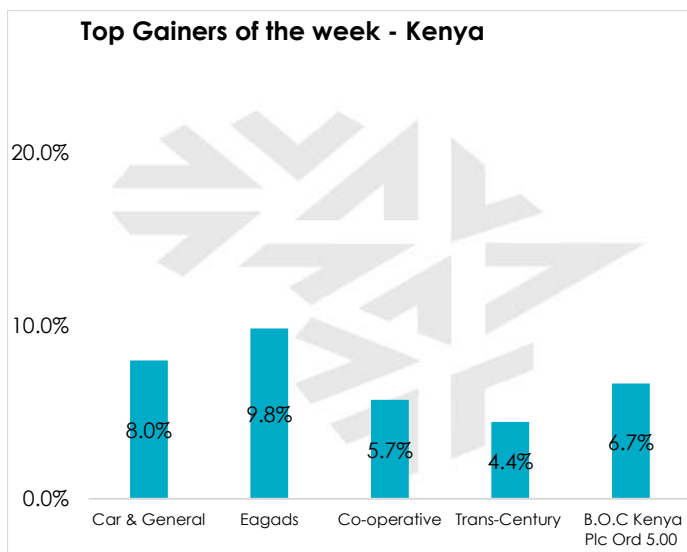
The market was down 3.21% week on week, with all share index (NASI) closing the week at **90.37**, a 1.74% decrease year to date.

The NSE-20 and NSE-25 indices closed the week at **1,497.97**, a **0.72%** decrease year to date and **2,370.80**, a **0.69%** decrease year to date, respectively.

Foreign investors accounted for **57%** of the total turnover and they were net buyers with net foreign inflows of KES 315.52Mn last week. Foreign investors were mostly active on Equity, Safaricom, KCB, Stanbic and Co-op in that order.



Market turnover increased to KES **1.42Bn** from KES 1.411Bn traded the previous week.

### NSE Counter Performance

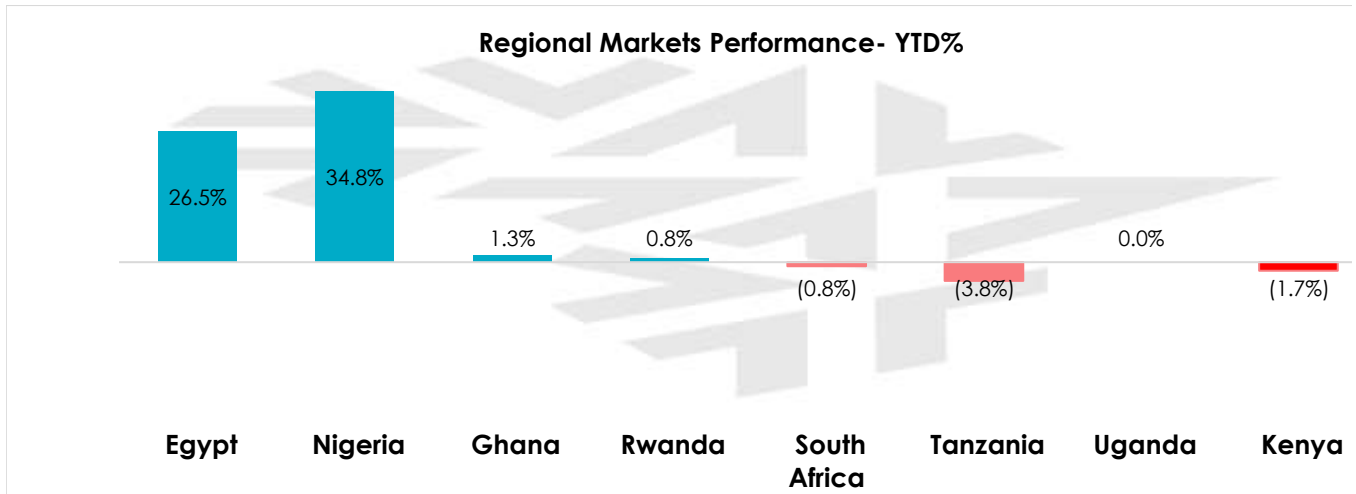


Source: NSE, NCBA IB Research

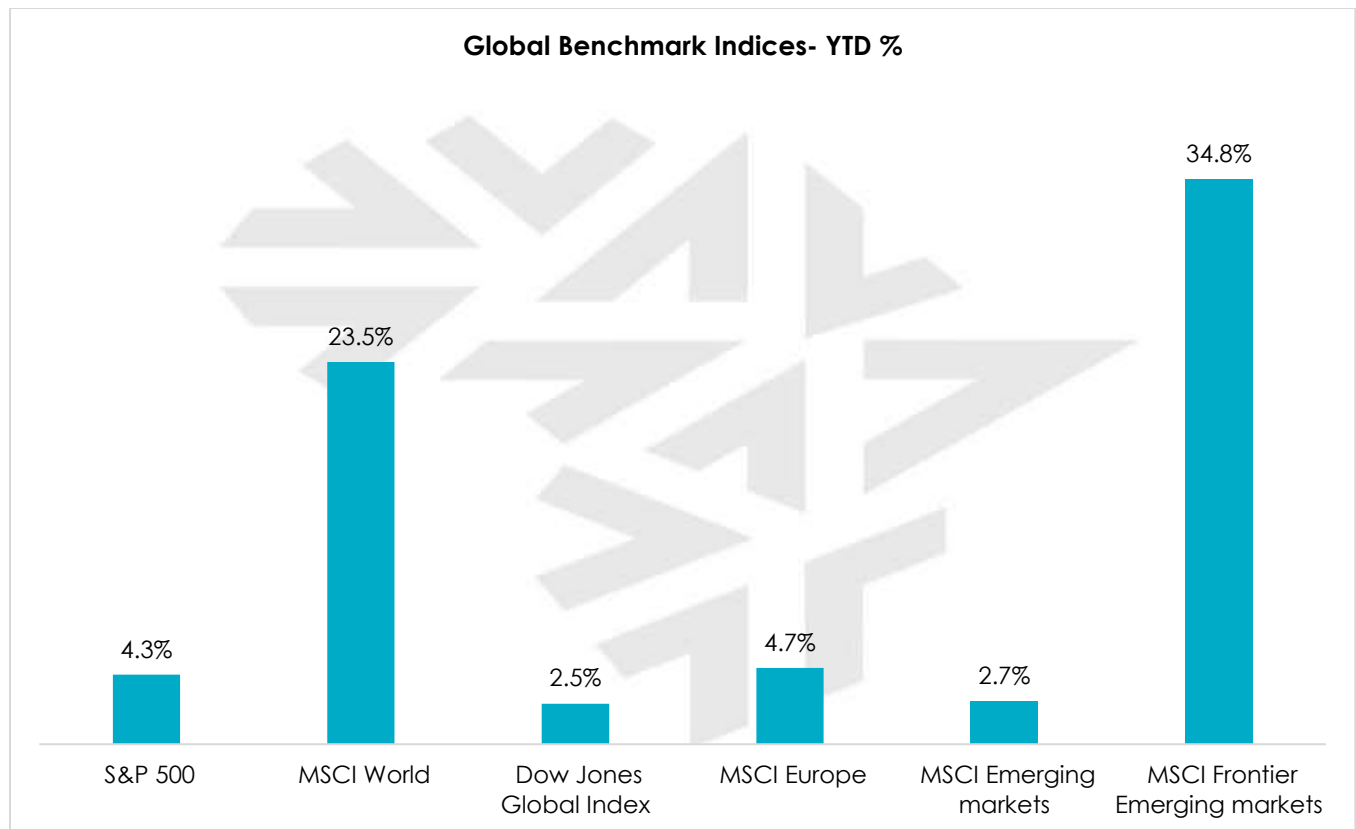
### Upcoming Dividend payments

Counter	Dividend	Book Closure	Payment
	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.


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 **101.97%** (down from 146.99% the previous week) and an acceptance rate of **89.5%**. Majority of the bids geared towards the 91-day paper, accounting for performance rate of 414.0% as investors look to mitigate for duration risk.

**KES 21.91Bn** was accepted at 16.290% (up 5.56bps), 16.376% (up 7.49bps) and 16.523% (up 3.08 bps) for the 91, 182 and 364-day papers, respectively.

Subscription	Amount offered KES Bn	Bids received week 4	Bids received week 3
91 day	4.00	16.56	25.56
182 day	10.00	5.24	6.19
364 day	10.00	2.67	3.53
<b>Total</b>	<b>24.00</b>	<b>24.47</b>	<b>35.28</b>

Prevailing rates	Week 4	Week 3	W/W change (bps)
91 Day	16.290%	16.235%	5.56
182 Day	16.376%	16.301%	7.49
364 Day	16.523%	16.492%	3.08

Source: CBK, NCBA IB Research

### Secondary Market

In the secondary bonds market, **total turnover** increased to **KES 19.24Bn** from KES 17.36Bn traded in the previous week.

The S&P Sovereign Bond index declined to close at **91.03** from 91.08 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	6.30	17.93%	<b>16.88%</b>	<b>4,466.80</b>	185
FXD 1/2024/3Yr	2.97	18.39%	<b>17.00%</b>	<b>1,338.35</b>	59
FXD 1/2023/2Yr(Re-opened)	1.57	16.97%	<b>18.51%</b>	<b>1,322.10</b>	4
FXD1/2009/15Yr	0.70	12.50%	<b>17.95%</b>	<b>1,750.00</b>	1
FXD1/2021/025(Re-opened)	22.28	13.92%	<b>16.33%</b>	<b>1,296.40</b>	10

Source: CBK, NSE, NCBA IB Research

## FEBRUARY 2024 BOND OFFER: IFB1/2024/8.5

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 sale **IFB1/2024/8.5** seeking to raise **KES 70.00Bn** for funding of Infrastructure projects in the FY 2023/2024 budget estimates.

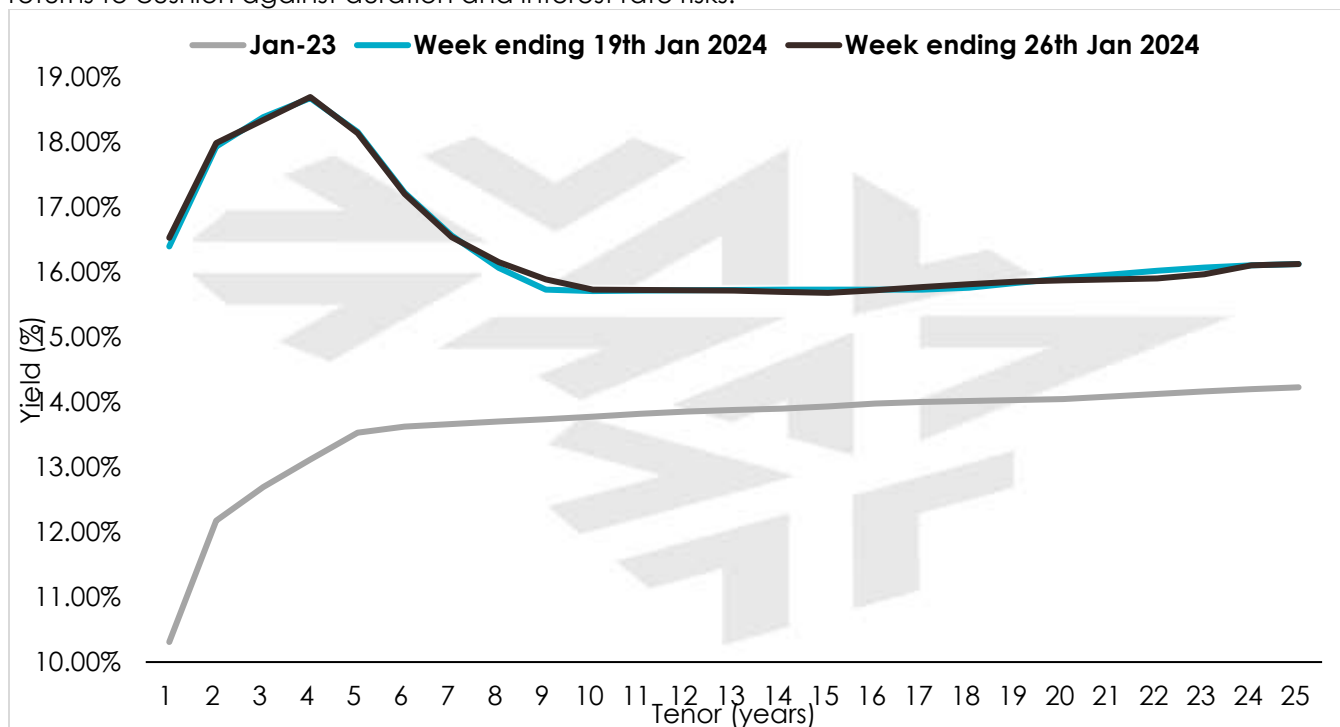
See below a summary of the treasury bond auction results:

Bond Offer	
Issue	<b>IFB1/2024/8.5</b>
Tenor to Maturity	8.5
Redemption date	9-Aug-32
Coupon Rate	<b>Market Determined</b>
Offered Amount (KES Bn)	70.00
Opening Date	24-Jan-24
Closing date	14-Feb-24
Value Date	19-Feb-24
Taxation	Tax - free
Minimum Amount	50,000.00

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 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 **14.329%**

	Eurobond	Tenor (Years)	Coupon Rate	Current Yield
1	KENINT 06/24/2024	0.48	6.88%	14.33%
2	KENINT 05/22/2027	3.39	7.00%	11.19%
3	KENINT 02/28/2028	4.17	7.25%	10.33%
4	KENINT 05/22/2032	8.41	8.00%	10.39%
5	KENINT 01/23/2034	10.09	6.30%	9.94%
6	KENINT 02/28/2048	24.24	8.25%	10.34%

Source: Bloomberg, NCBA IB Research

### Macroeconomic Developments:

Liquidity conditions in the interbank space tightened. Indicatively, the overnight **interbank rate** increased by 0.7 bps week on week to close at **13.76%**. The average daily traded volumes decreased to **KES 15.15Bn** from KES 21.0Bn observed in the previous week.

Statistic	Current	Previous	Change (bps)
CBR	12.50%	10.50%	200.0
Inflation	6.60%	6.80%	(20.0)
Average Interbank Rate	13.76%	13.76%	0.7

Source: CBK, NCBA/IB Research

### Currency

On the FX front, the shilling continues to depreciate against the greenback, closing at **160.79**.

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 increased by **2.98%** week on week to close at **US \$7,017Mn**, 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 rise is driven by IMF'S disbursement of KES **109.8Bn** (\$684.7 million) to Kenya.

The **DXY** increased to close at **103.47** from 103.24 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 4	Week 3	W/W change (%)
US Dollar	160.900	160.790	0.07%
STG Pound	205.320	203.360	0.96%
Euro	175.690	174.650	0.60%
Forex reserves	7017.00	6814.00	2.98%

Negative () = Depreciation, Positive = Appreciation

Source: CBK, NCBA IB Research

### Fiscal Tracker-December 2023

For the fifth month of FY'2023/2024, **total revenue** collected as reported by the National Treasury stood at **KES 1,1441.29Bn** which represents a **33.66%** achievement against the revised full year target of **KES 4,281.61Bn**.

Net **domestic borrowing** stood at **KES 269.71Bn** reflecting a performance rate of **31.66%** compared to **24.41%** 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 72.58Bn** to **KES 1,441.81Bn** compared to **KES 1,369.22Bn** in the same period in 2022/2023 fiscal year. This is largely attributable to an increase in Consolidated Fund Services (CFS) by **KES 112.12Bn** to **KES 667.95Bn**. However, the development expenditure decreased by **KES 51.34Bn** to **KES 70.41Bn**.

The increase in public **expenditure** continues to hamper government's efforts of achieving reduced **fiscal deficit** to GDP for FY'23/2024 through fiscal consolidation measures.

Dec-23						
	23/24 FY Budget	Dec-22	Dec-23	Variance (YoY)	Variance FY Budget	Variance FY Budget
<b>INCOME (KES Bn)</b>						
Total Tax Income	2,495.83	952.65	1,050.85	98.20	(1,444.98)	(57.90%)
Total Non-Tax Income	80.93	34.66	38.67	4.01	(42.26)	(52.22%)
Net Domestic Borrowing	851.90	253.96	269.71	15.75	(582.19)	(68.34%)
External Loans and Grants	849.76	177.89	78.53	(99.37)	(771.24)	(90.76%)
Other Domestic Financing	3.19	15.32	3.54	(11.78)	0.35	11.08%
<b>Total Revenue</b>	<b>4,281.61</b>	<b>1,434.48</b>	<b>1,441.29</b>	<b>6.81</b>	<b>(2,840.32)</b>	<b>(66.34%)</b>
<b>EXPENDITURE (KES Bn)</b>						
Recurrent	1,360.12	550.57	560.99	10.41	(799.14)	(58.75%)
CFS	2,078.85	555.81	667.95	112.13	(1,410.90)	(67.87%)
Development	457.22	121.75	70.41	(51.34)	(386.81)	(84.60%)
County Gvt	385.42	141.09	142.47	1.38	(242.96)	(63.04%)
<b>Total Expenditure</b>	<b>4,281.61</b>	<b>1,369.22</b>	<b>1,441.81</b>	<b>72.58</b>	<b>(2,839.81)</b>	<b>(66.33%)</b>
<b>Balances at end month</b>		<b>65.87</b>	<b>2.10</b>	<b>(63.77)</b>		

Source: National Treasury, NCBA IB Research

### Kenya Government Debt Maturities Schedule – January 2024:

The government has total domestic debt maturities of **KES 193.6Bn** in the month of January 2024 compared to **KES 150.99Bn** in December 2023. We expect **robust government activity** in the local market.

Treasury Bills	
Payment Date	Amount KES 'Mn
January 1, 2024	6,295.54
January 8, 2024	29,866.43
January 15, 2024	41,314.26
January 22, 2024	32,249.79
January 29, 2024	15,510.20
<b>Total</b>	<b>125,236.22</b>

Source: CBK, NCBA IB Research

Treasury Bond Maturities					
Issue No.	Maturity Date	Tenor to Maturity	Fixed Coupon Rate	Outstanding Amount KES 'Mn	Implied Yield To Maturity
FXD1/2014/010	January 15, 2024	<b>0.02</b>	12.18%	35,852.15	15.0412%
<b>Total</b>				<b>35,852.15</b>	

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
FXD1/2014/010	January 15, 2024	<b>0.03</b>	35,852.15	12.18%	2,183.40	15.0412%
FXD1/2023/005	January 15, 2024	<b>4.53</b>	50,134.20	16.84%	4,222.30	17.8854%
FXD1/2017/010	January 22, 2024	<b>3.55</b>	65,974.90	12.97%	4,277.15	17.8611%
FXD1/2019/015	January 22, 2024	<b>10.05</b>	79,096.85	12.86%	5,084.74	15.7048%
FXD3/2019/015	January 22, 2024	<b>10.55</b>	53,919.80	12.34%	3,326.85	15.7088%
FXD2/2018/020	January 22, 2024	<b>14.55</b>	89,198.60	13.20%	5,887.11	15.7253%
IFB1/2018/015	January 22, 2024	<b>9.05</b>	41,184.80	12.50%	2,574.05	13.6500%
IFB1/2021/016	January 22, 2024	<b>13.05</b>	80,958.35	12.26%	4,961.53	15.3851%
<b>Total</b>					<b>32,517.13</b>	

Source: CBK, NCBA IB Research

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