

The Week in Review | Week 06

EQUITIES

Local Market Performance

The market was down 1.29% week on week, with all share index (NASI) closing the week at **91.18**, a 0.86% decrease year to date.

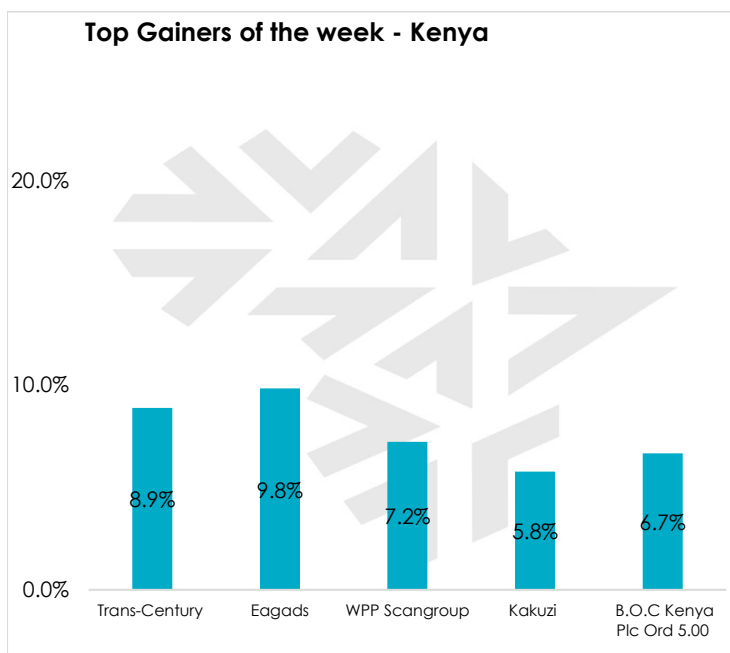
The NSE-10, NSE-20 and NSE-25 indices closed the week at **918.46** a **0.79%** increase year to date, **1,516.50** a **0.51%** increase year to date and **2,415.45**, a **1.18%** increase year to date, respectively.

Foreign investors accounted for **68%** of the total turnover and they were net sellers with net foreign outflows of KES 63.2Mn last week. Foreign investors were mostly active on Equity, Safaricom, EABL, Stanbic and KCB in that order.

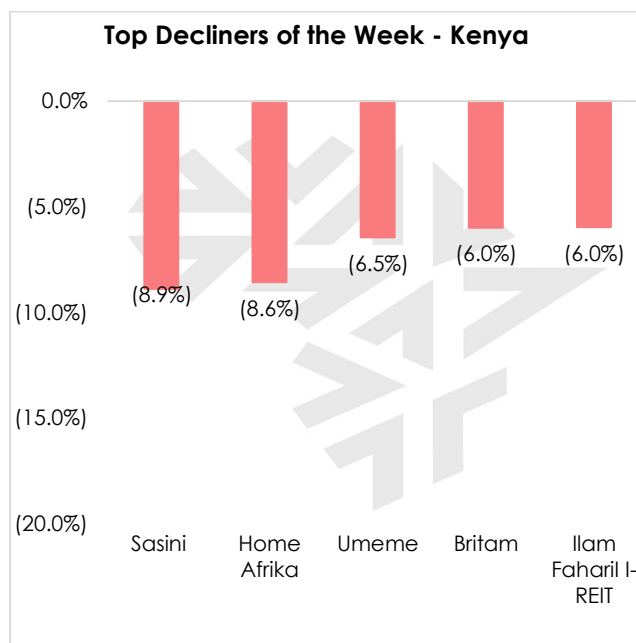
Market turnover increased to KES **1.00Bn** from KES 0.839Bn traded the previous week.

NSE Counter Performance

Top Gainers of the week - Kenya







Top Decliners of the Week - Kenya

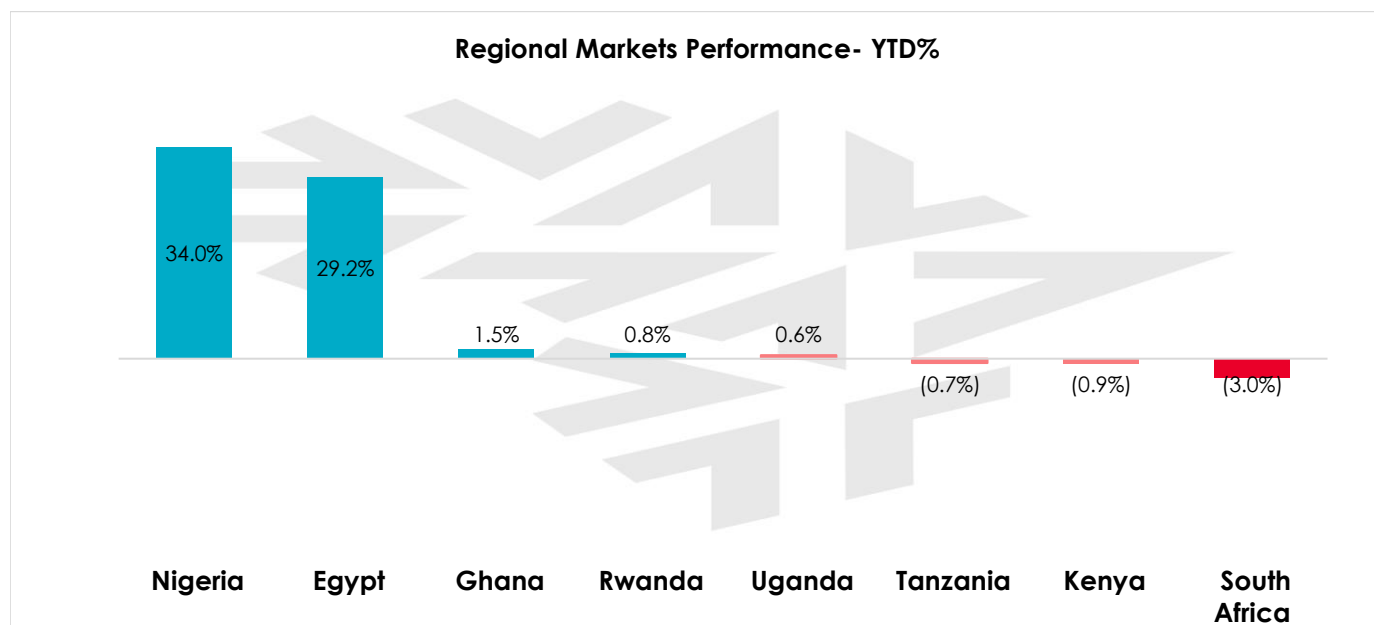


Source: NSE, NCBA IB Research

Upcoming Dividend payments

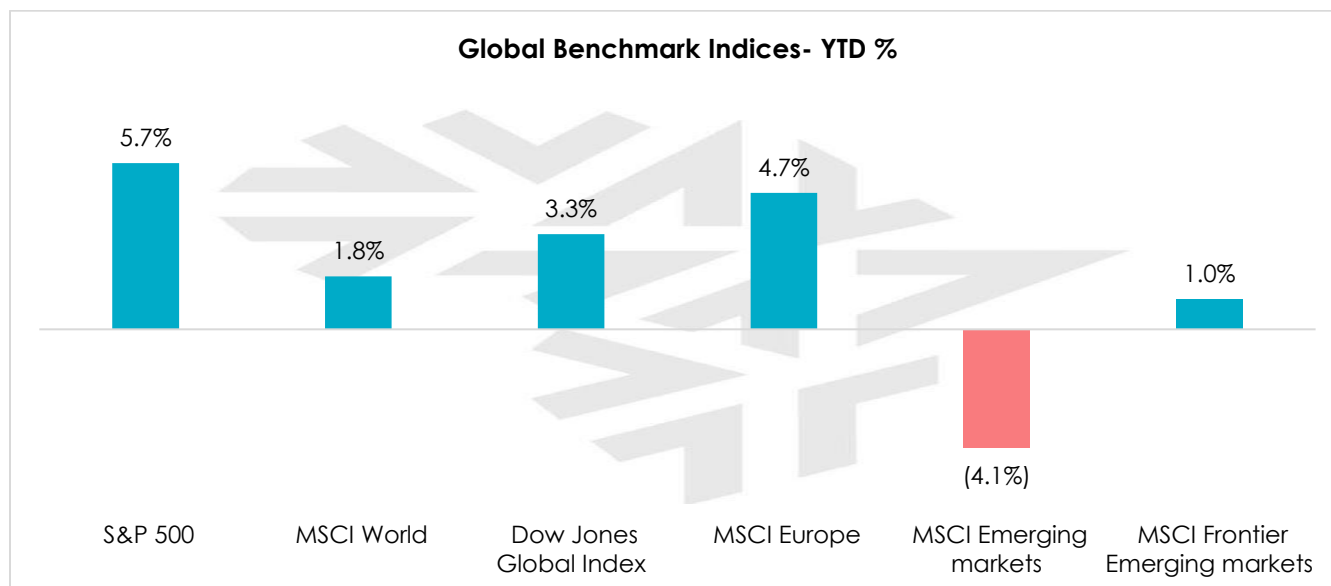
Counter	Dividend	Book Closure	Payment
 KenGen Energy for the nation.	KES 0.30	30-Nov-23	15-Feb-24
 UMEME Powering Uganda	UGS 24.00	09-Feb-24	29-Feb-24
 eabl SINCE 1982 CELEBRATING LIFE	KES 1.00	16-Feb-2024	26-04-2024
 Sasini	KES 0.50	22-Feb 2024	22-Mar-24

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 **213.0%** (up from 107.5% the previous week) and an acceptance rate of **95.4%**. Majority of the bids geared towards the 91-day paper, accounting for performance rate of 867.6% as investors look to mitigate for duration risk.

KES 48.76Bn was accepted at 16.504% (up 12.91bps), 16.633% (up 20.72 bps) and 16.857% (up 17.73 bps) for the 91, 182 and 364-day papers, respectively.

Subscription	Amount offered KES Bn	Bids received week 6	Bids received week 5
91 day	4.00	34.70	19.60
182 day	10.00	9.45	1.64
364 day	10.00	6.97	3.49
Total	24.00	51.12	24.73

Prevailing rates	Week 6	Week 5	W/W change (bps)
91 Day	16.504%	16.375%	12.91
182 Day	16.633%	16.506%	12.72
364 Day	16.857%	16.680%	17.73

Source: CBK, NCBA IB Research

Secondary Market

In the secondary bonds market, **total turnover** increased to **KES 23.41Bn** from KES 23.28Bn traded in the previous week.

The S&P Sovereign Bond index increased to close at **92.14** from 91.03 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 1/2022/3Yr	1.16	11.77%	18.30%	3,862.40	5
IFB1/2023/6.5Yr	6.26	17.93%	16.72%	3,831.75	88
FXD 1/2020/5Yr	1.24	11.67%	17.82%	3,250.50	8
FXD 1/2021/5Yr(Re-opened)	2.76	11.28%	18.18%	2,998.40	9
FXD2/2013/15Yr(Re-opened)	4.18	12.00%	11.48%	1,400.00	12

Source: NSE, NCBAIB Research

Bond Auction Guide: 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 auction of an 8.5 Year Amortized Bond IFB1/2024/8.5 seeking to raise KES 70.00Bn for funding of Infrastructure projects in the FY 2023/2024 budget estimates.

The auction performance will be driven by investors' interest rate expectations and the government's appetite for funds to plug into the budget. We expect the paper to exhibit a high subscription rate in line with the previous infrastructure bond auction as investors seek a high tax-exempt return and the paper's relatively short tenor.

We expect interest rates to continue in their upward adjustment as investors price in the Central Bank rate hike and surging inflationary pressures. We believe investors will bid aggressively as they seek to get a premium in lieu of these risks.

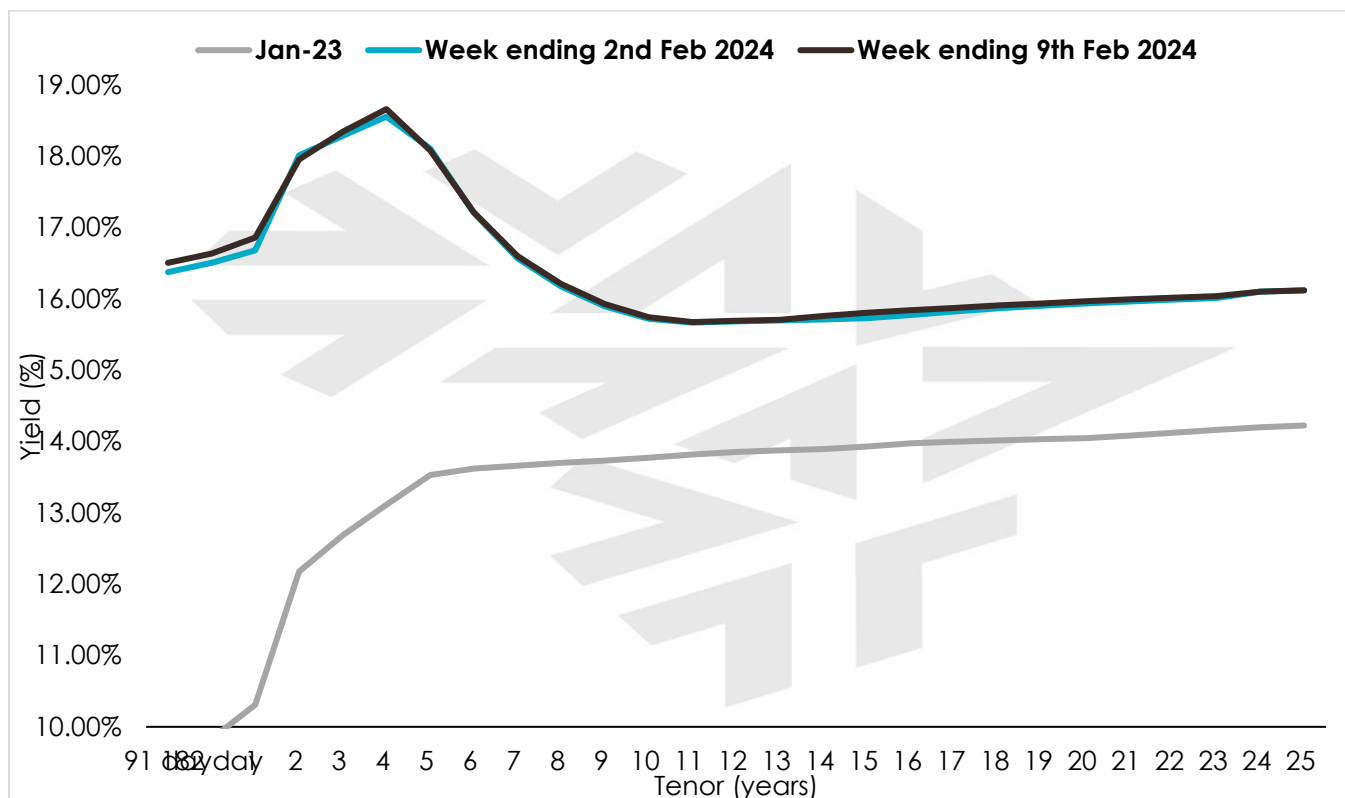
Our recommended bidding range is:

Bond Offer	
Issue	IFB1/2024/8.5
Tenor to Maturity	8.5
Redemption date	09-Aug-32
Coupon Rate	Market Determined
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
Bidding Guide	18.80% - 19.50%

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 **9.83%** mainly on the back of the buyback.

	Eurobond	Tenor (Years)	Coupon Rate	Current Yield
1	KENINT 06/24/2024	0.48	6.88%	9.83%
2	KENINT 05/22/2027	3.39	7.00%	9.21%
3	KENINT 02/28/2028	4.17	7.25%	10.11%
4	KENINT 05/22/2032	8.41	8.00%	10.16%
5	KENINT 01/23/2034	10.09	6.30%	9.85%
6	KENINT 02/28/2048	24.24	8.25%	10.52%

Source: Bloomberg, NCBA IB Research

Macroeconomic Developments:

Liquidity conditions in the interbank space tightened. Indicatively, the overnight **interbank rate** declined by 11.2 bps week on week to close at **13.14%**. The average daily traded volumes increased to **KES 24.88Bn** from KES 15.54Bn observed in the previous week.

Statistic	Current	Previous	Change (bps)
CBR	13.00%	12.50%	50.0
Inflation	6.90%	6.60%	30.0
Average Interbank Rate	13.14%	13.26%	(11.2)

Source: CBK,KNBS, NCBAIB Research

US \$2.0Bn Eurobond Buyback

Kenya announced a buy-back offer for its US \$2Bn, 6.875% (Coupon Rate) Eurobonds maturing in June 2024 which commenced on 7th Feb 2024 and will open until 14th Feb 2024. The purchase price is US \$1,000 per US \$1,000 in principal amount of notes accepted, purchase at par plus the accrued interest.

Kenya expects to finance the tender offer with proceeds of the new notes issue, to be priced on 12th Feb 2024. The offer is conditional on the successful issuance of new U.S. dollar-denominated notes, with the maximum tender amount to be determined post-pricing of the new Eurobond issued. Kenya is making the Offer, in conjunction with the offering of the New Notes, as part of the proactive management of Kenya's external indebtedness, specifically to smooth out the maturity profile of the Notes due in June 2024.

The buy-back process will be managed by Citigroup Global markets and Standard Bank South Africa. Kenya expects to accomplish the process following the oversubscriptions from the Eurobonds issued by Ivory Coast and Benin.

Currency

On the FX front, the shilling continues to depreciate against the greenback, closing at **160.09**.

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 declined by **0.04%** week on week to close at **US \$7,131Mn**, 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** increased to close at **104.98** from 103.96 in the previous week.

The U.S. Dollar Index (DXY) indicates the general international value of the USD. The DXI does this by averaging the exchange rates between the US Dollar and major world currencies.

Currency	Week 6	Week 5	W/W change (%)
US Dollar	160.09	160.67	(0.36%)
STG Pound	202.00	204.18	(1.07%)
Euro	172.43	174.49	(1.18%)
Forex reserves	7131.00	7134.00	(0.04%)

Negative () = Depreciation, Positive = Appreciation

Source: CBK, NCBA IB Research

Fiscal Tracker-December 2023

For the sixth month of FY'2023/2024, **total revenue** collected as reported by the National Treasury stood at **KES 1,141.29Bn** 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
INCOME (KES Bn)						
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%
Total Revenue	4,281.61	1,434.48	1,441.29	6.81	(2,840.32)	(66.34%)

EXPENDITURE (KES Bn)						
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%)
Total Expenditure	4,281.61	1,369.22	1,441.81	72.58	(2,839.81)	(66.33%)

Balances at end month		65.87	2.10	(63.77)		
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Source: National Treasury, NCBA IB Research

Kenya Government Debt Maturities Schedule – February 2024:

The government has total domestic debt maturities of **KES 250.28Bn** in the month of February 2024 compared to **KES 193.61Bn** in January 2024. We expect **robust government activity** in the local market.

Treasury Bills	
Payment Date	Amount KES 'Mn
February 5, 2024	36,395.23
February 12, 2024	46,709.62
February 19, 2024	43,299.23
February 26, 2024	28,642.66
Total	155,046.74

Source: CBK, NCBA IB Research

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
FXD1/2019/005	February 19, 2024	0.05	65,359.50	11.30%	3,694.12	16.0925%
FXD1/2023/002	February 19, 2024	1.55	50,604.40	16.97%	4,294.37	17.8000%
FXD1/2016/010	February 19, 2024	2.55	74,495.75	15.04%	5,601.71	18.1246%
FXD1/2013/015	February 12, 2024	4.03	82,473.25	11.25%	4,639.12	18.6932%
FXD1/2018/010	February 19, 2024	4.55	40,584.60	12.69%	2,574.28	18.6668%
FXD1/2019/010	February 19, 2024	5.05	67,524.85	12.44%	4,199.37	18.0576%
FXD3/2019/010	February 12, 2024	5.53	68,743.45	11.52%	3,958.59	17.5779%
FXD1/2023/010	February 12, 2024	9.03	12,886.51	14.15%	911.79	15.8629%
FXD1/2020/015	February 19, 2024	11.05	73,156.30	12.76%	4,665.91	15.7130%
SDB1/2011/030	February 12, 2024	17.03	28,144.70	12.00%	1,688.68	15.8109%
FXD1/2021/020	February 12, 2024	17.53	75,984.00	13.44%	5,107.64	15.8231%
IFB1/2017/012	February 19, 2024	5.05	11,402.85	12.50%	712.68	12.9000%
IFB1/2020/011	February 19, 2024	7.55	80,249.60	10.90%	4,373.60	15.0250%
IFB1/2022/019	February 19, 2024	17.05	98,377.55	12.97%	6,377.32	14.2750%
Total					29,873.34	

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
FXD1/2019/005	February 19, 2024	0.05	11.30%	65,359.50	16.0925%
Total				65,359.50	

Source: CBK, NCBA IB Research

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