

The Week in Review | Week 11

EQUITIES

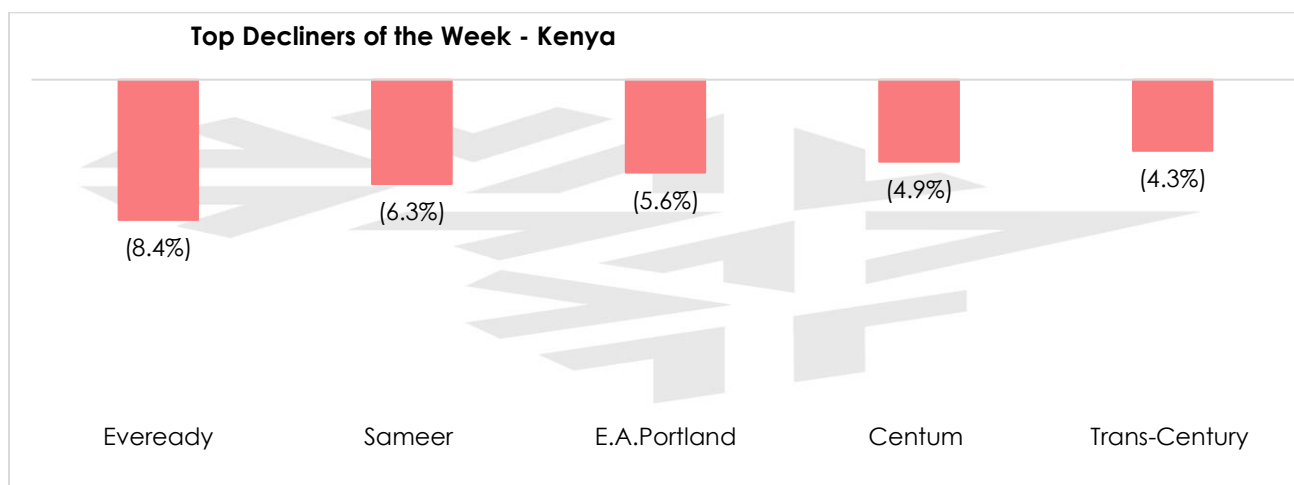
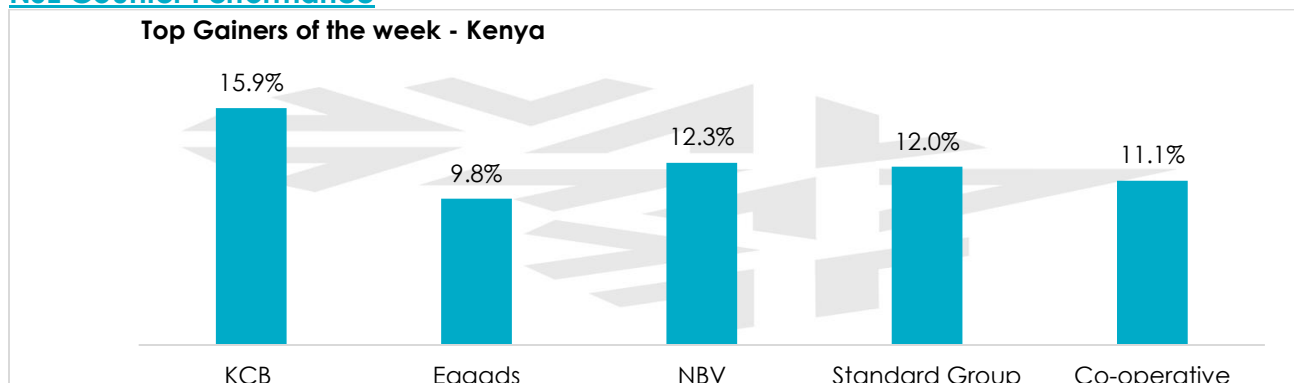
Local Market Performance

The market was up 7.3% week on week, with all share index (NASI) closing the week at **101.82**, a 10.71% increase year to date. The NSE-10, NSE-20 and NSE-25 indices closed the week at **1041.88** a **14.34%** increase year to date, **1,637.74** a **8.54%** increase year to date and **2,702.28**, a **13.19%** increase year to date, respectively.

Foreign investors accounted for **78%** of the total turnover and they were net buyers with net foreign inflows of KES 66.06Mn last week. Foreign investors were mostly active on Safaricom, Equity, KCB, EABL and Co-op in that order.

Market turnover declined to KES **0.77Bn** from KES 0.77Bn traded the previous week.

NSE Counter Performance



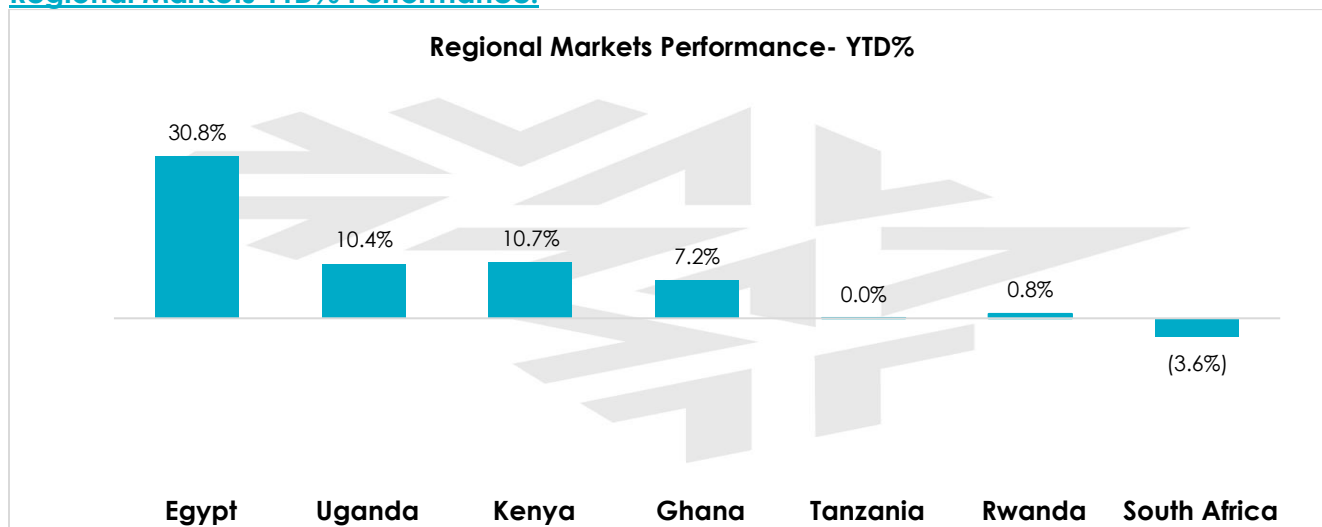
Source: NSE, NCBA IB Research

Upcoming Dividend payments

Corporate Actions	Dividend	Book Closure	Payment
EABL	KES 1.00	16-Feb-24	26-April-24
SASINI	KES 0.50	22-Feb 24	22-Mar-24
BAT	KES 45.00	24-May-24	24-June-24
Safaricom	KES 0.55	15-Mar-24	31-Mar-24
Stanbic	KES 14.20	17-May-24	Subject to Approval
Standard Chartered	KES 23.00	19-Apr-24	30-May-24

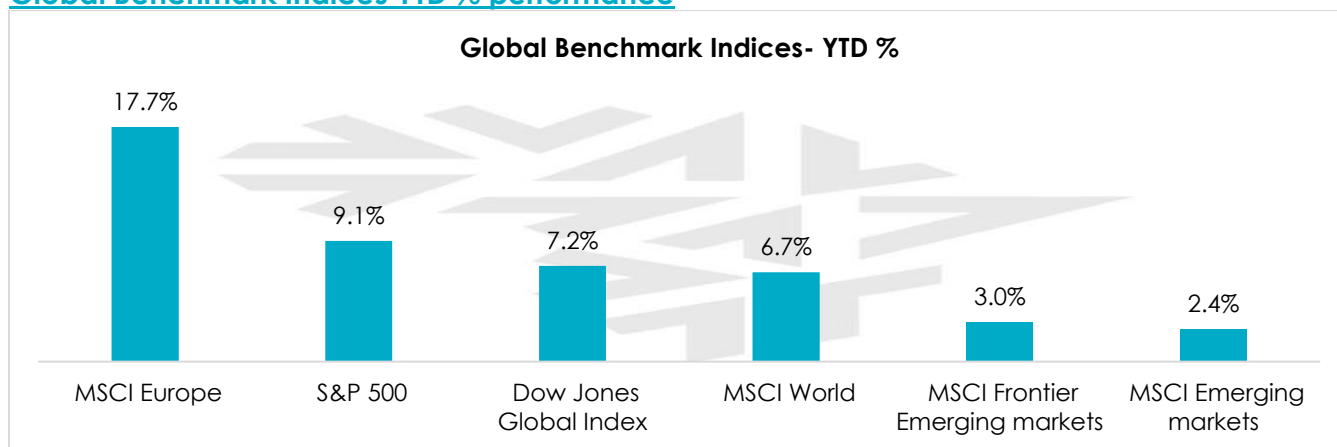
Source: Company Financials, NSE, NCBA IB Research

Regional Markets YTD% Performance.



Source: Bloomberg, NCBA IB Research

Global Benchmark Indices YTD % performance



Source: Bloomberg, NCBA IB Research

Earnings: Standard Chartered Bank Kenya PLC

Standard Chartered released FY2023 financial results posting a **15%** increase in profit after tax largely attributable to a 32% and 6% rise in net interest and non-interest income respectively. The **Return on Equity** increased to **23.5%** while **Earnings Per Share** rose to **KES 36.17** from KES 31.47 in the previous financial year.

The Board of directors recommended payment of a **KES 29.00** total dividend, translating to 18.00% dividend yield.

Following the **FY2023 earnings release**, and given some of the key business announcements by the company since our last publication, we have reviewed our forecasts and subsequently our **valuation** of the stock.

From our estimates and assumptions, we maintain our **SELL** recommendation with a target price of **KES 158.69**. The target price implies a downside of (1.6%) to the current trading price of KES 161.25 as of 11th March 2024 exclusive of the dividend yield.

FY2023 Performance – Standard Chartered Kenya (% = y/y performance)

Standard Chartered	Key Metrics Y/Y
Loans and Advances	Up 17.0% to KES 163.16Bn
Customer Deposits	Up 22.9% to KES 342.85Bn
Government Securities	Down 39.0% to KES 63.83Bn
Net Interest Income	Up 32.0% to KES 29.33Bn
Non-Funded Income	Up 5.5% to KES 12.40Bn
Forex trading income	Up 41.4% to KES 8.44Bn
Loan Loss Provisions	Up 154.4% to KES 3.38Bn
PBT	Up 15.0% to KES 19.67Bn
PAT	Up 14.7% to KES 13.84Bn

Standard Chartered	Key Ratios Y/Y
Loan Deposit ratio	Down to 47.6% from 50.0%
Net Interest Margin	Up to 6.8% from 5.8%
Cost to Income	Down 44.8% from 45.8%
NPL Ratio	Down to 9.5% from 13.9%
Cost of Risk	Up to 2.1% from 1.0%
ROE	Up to 23.5% from 20.5%
Current Market Price	KES 183.00
P/E	4.5x
P/B	1.0x
Final Dividend	KES 29.00

FIXED INCOME

Primary Market

Treasury bills were undersubscribed during the week, with a subscription rate of **82.69%** (down from 174.24% the previous week) and an acceptance rate of **88.5% (KES 19.84Bn)**. Majority of the bids geared towards the 91-day paper as investors look to mitigate for duration risk.

Subscription	Amount offered KES Bn	Bids received week 11	Bids received week 10
91 day	4.00	13.78	20.62
182 day	10.00	3.28	10.06
364 day	10.00	2.79	11.13
Total	24.00	19.85	41.82

Source: CBK, NCBA IB Research

Prevailing rates	Week 11	Week 10	W/W change (bps)
91 Day	16.70%	16.66%	4.03
182 Day	16.89%	16.85%	4.23
364 Day	16.99%	16.98%	0.55

Source: CBK, NCBA IB Research

Secondary Market

In the secondary bonds market, **total turnover** declined to **KES 34.02Bn** from KES 36.24Bn traded in the previous week.

The S&P Sovereign Bond index increased to close at **91.18** from 92.14 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.

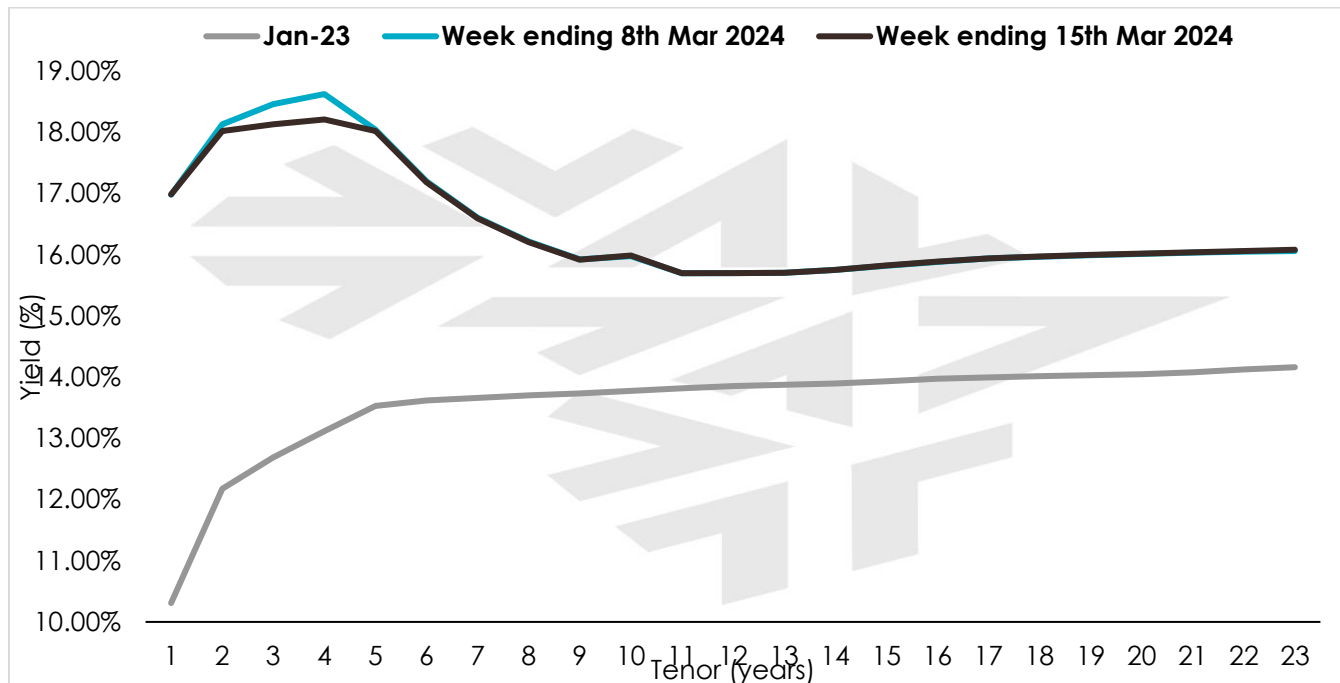
See the top moving bonds below:

Bond Identifier	Years to Maturity	Coupon	Average Yield	Total Value (KES Mn)	Number of Trades
IFB1/2024/8.5Yr	8.43	18.46%	17.02%	15,833.35	427
IFB1/2023/6.5Yr	6.16	11.67%	16.71%	3,327.05	19
FXD1/2012/20Yr	8.66	12.00%	17.20%	2,910.00	17
FXD 1/2020/5Yr	1.14	11.25%	17.80%	2,020.00	2
FXD 1/2024/3Yr	2.83	10.20%	17.16%	1,897.50	42

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 mixed trends in the international debt market with **KENINT 2034** increasing the highest by to trade at 9.84% from 9.76% last week.

Eurobond	Tenor (Years)	Coupon Rate	Current Yield
KENINT 06/24/2024	0.27	6.88%	8.82%
KENINT 05/22/2027	3.19	7.00%	8.88%
KENINT 02/28/2028	3.97	7.25%	9.09%
KENINT 02/16/2031	6.95	9.75%	9.52%
KENINT 05/22/2032	8.21	8.00%	9.64%
KENINT 01/23/2034	9.89	6.30%	9.61%
KENINT 02/28/2048	24.04	8.25%	10.10%

Source: Bloomberg, NCBA IB Research

Macroeconomic Developments:

Liquidity conditions in the interbank space tightened. Indicatively, the overnight **interbank rate** declined by 26 bps week on week to close at **13.89%**. The average daily traded volumes increased to **KES 29.85Bn** from KES 20.54Bn observed in the previous week.

Statistic	Current	Previous	Change (bps)
Central Bank Rate	13.00%	12.50%	50.0
Inflation	6.30%	6.90%	(60.0)
Average Interbank Rate	13.88%	14.14%	(25.7)

Source: CBK, NCBAIB Research

Currency

On the FX front, the shilling appreciated against the greenback, closing at **135.15**.

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 **0.17%** week on week to close at **US \$6,974Mn**, 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 **103.45** from 102.55 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 11	Week 10	W/W change (%)
US Dollar	135.15	143.52	(5.83%)
STG Pound	172.35	181.75	(5.17%)
Euro	147.31	155.65	(5.36%)
Forex reserves	6974.00	6962.00	0.17%

Negative () = Depreciation, Positive = Appreciation

Source: CBK, NCBA IB Research

Fiscal Tracker-February 2023

For the 8TH month of FY'2023/2024, **total revenue** collected as reported by the National Treasury stood at **KES 2,445.65Bn** which represents a **59.18%** achievement against the revised full year target of **KES**

Net **domestic borrowing** stood at **KES 545.64Bn** reflecting a performance rate of **79.28%** compared to **44.35%** in January FY'2023/2024. 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.

Domestic borrowing for the months of January and February 2024 of KES 851.90Bn comprises of net domestic borrowing of KES 471.36Bn and internal debt redemptions of KES 380.54Bn.

The **total expenditure** increased by **KES 743.36Bn** to **KES 2,438.52Bn** compared to **KES 1,695.16Bn** the previous month. This is largely attributable to an increase in Consolidated Fund Services (CFS) by **KES 435.20Bn** to **KES 1,266.77Bn** from KES 831.77Bn in the previous month.

The development expenditure increased by **KES 101.24Bn** to **KES 206.06Bn** largely driven by State department of economic planning receiving receipts of KES 21.229Bn, followed by State Department for Crop Development receiving receipts of KES 16.53Bn and state department of roads receiving receipts of KES 15.35Bn

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.

	Feb-24				
	23/24 FY Budget	Jan-24	Feb-24	Variance (MoM)	Variance FY Budget
INCOME(KES Bn)					
Total Tax Income	2,495.83	1,216.42	1,374.03	157.61	55.05%
Total Non-Tax Income	75.33	41.93	48.29	6.36	64.10%
Net Domestic Borrowing	688.21	305.25	545.64	240.39	79.28%
External Loans and Grants	870.18	241.65	474.15	232.50	54.49%
Other Domestic Financing	3.19	3.54	3.54	-	111.08%
Total Revenue	4,132.74	1,808.79	2,445.65	636.86	59.18%
EXPENDITURE(KES Bn)					
Recurrent	1,302.80	700.16	808.56	108.40	62.06%
CFS	1,963.70	831.77	1,266.97	435.20	64.52%
Development	480.82	55.68	156.92	101.24	32.64%
County Gvt	385.42	107.55	206.06	98.51	53.46%
Total Expenditure	4,132.74	1,695.16	2,438.52	743.36	0.59
Balances at end month		2.10	9.75	7.65	

Source: National Treasury, NCBA IB Research

Kenya Government Debt Maturities Schedule – March 2024:

The government has total domestic debt maturities of **KES 128.59Bn** in the month of February 2024 compared to **KES 273.21Bn** in March 2024. We expect **robust government activity** in the local market.

Treasury Bills	
Payment Date	Amount KES 'Mn
March 4, 2024	23,704.37
March 11, 2024	38,188.44
March 18, 2024	18,668.67
March 25, 2024	19,019.41
Total	99,580.89

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
FXD1/2010/015	March 11, 2024	1.03	27,693.90	10.25%	1,419.31
FXD1/2012/015	March 11, 2024	3.53	90,939.90	11.00%	5,001.69
IFB1/2021/021	March 11, 2024	18.53	106,742.20	12.74%	6,797.88
IFB1/2023/017	March 11, 2024	16.03	68,196.50	14.40%	4,909.81
FXD1/2016/020	March 18, 2024	12.55	12,761.20	14.00%	893.28
FXD1/2018/020	March 18, 2024	14.05	94,515.60	13.20%	6,238.03
IFB1/2013/012	March 18, 2024	1.55	16,060.21	11.00%	883.31
IFB1/2015/012	March 18, 2024	3.05	33,486.55	11.00%	1,841.76
IFB1/2019/025	March 18, 2024	20.05	16,828.65	12.20%	1,026.55
Total					29,011.62

Source: CBK, NCBA IB Research

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