

Orient Asset Managers Limited

Monthly Macroeconomic Summary – October - 2024



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INVESTING IN DREAMS

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1.0 OVERVIEW OF THE WORLD ECONOMIC PROSPECTS

Activity in the global scene continued to expand in October at a moderate pace with key indicators pointing towards a steady growth in 2024 with ECB and Fed reserve expected to continue cutting the key rates by a quarter basis points each to tame inflation.

Geopolitical risks have eased since July 2024 in the Middle East hence lower shipping costs and an ease in supply chain disruptions. Since the begin of 2024, the global freight rate has been significantly increasing, hitting over 5,900 U.S. dollars in July 2024. As of October, freight rates decreased to 3,349 U.S. dollars per 40FT container.

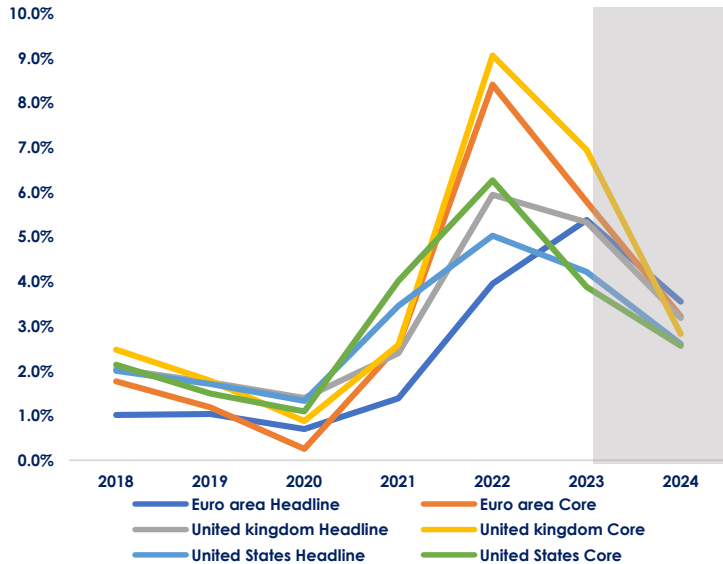


Rate to be cut by 25 Bps



Rate cut by 25 Bps

2.0 OAML projected headline inflation in 2023 and 2024.



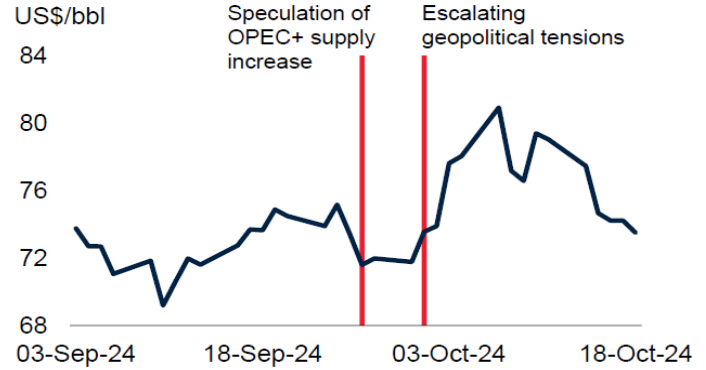
Source: Orient Asset Managers Limited (Grey Area is Projected) OAML Research

Inflation rates to remain sticky in the US between the ranges of 2.50%-3.00% spilling into Q1-2024 as we expect to see the quantitative impact of the tariffs that the trump's administration coupled by the government spending.

Despite the inflation easing in the UK the labor market remained tight in the month of October. However with the expected rates to go down. Market confidence will set to improve with financing costs set to decline.

3.0 GLOBAL OIL PRICES

Oil prices hit +\$78/BBL in early October owing to the tension in the Middle East. However by Mid-October the prices had eased to \$75/BBL. We expect the demand in the long run to decrease, partly due to differences over demand from China and the pace of the world's switch to cleaner fuels. However we shall be keen to monitor OPEC's+ key supply decisions.

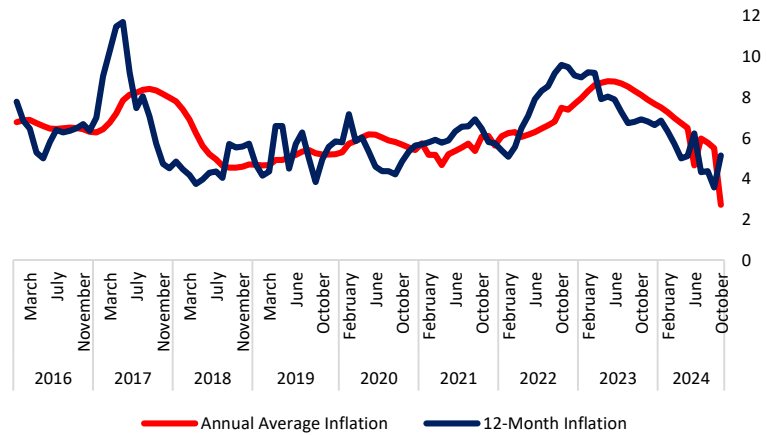


Source: Orient Asset Managers Limited, World Bank

4.0 KENYA'S INFLATION

October's annual inflation was primarily driven by increase in Food and Non-Alcoholic Beverages that recorded a 4.3% rise and a 0.4% rise in the Housing, Water, Electricity, Gas and other fuels prices.

Inflation Growth in Kenya



Source: Central Bank of Kenya

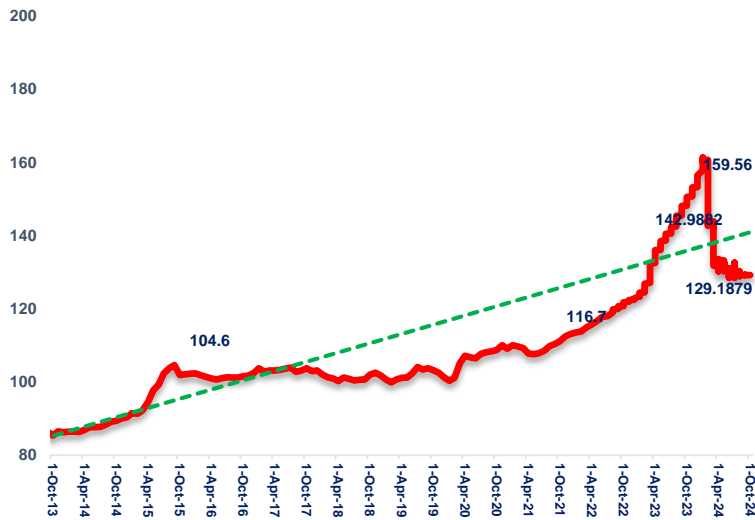
October's inflation rate eased to 2.7%, down from 3.3% in September 2024. We anticipate that inflation will remain within the government's target range of 3% to 5% through year-end, supported by the approaching short rains season and a softening in global oil prices, which directly impact electricity costs and retail prices.

However, disposable income for many households continues to decline due to increased taxes that are not aligned with supply-side growth. This imbalance is placing additional pressure on household spending power, which could dampen overall consumption and economic resilience in the coming months.

5.0 CURRENCY MARKET & MONITERY POLICY

YTD, the shilling has strengthened by 17.7% against the dollar, marking a turnaround in 2024 from the 26.8% depreciation seen in 2023.

Kenya Shilling Movement



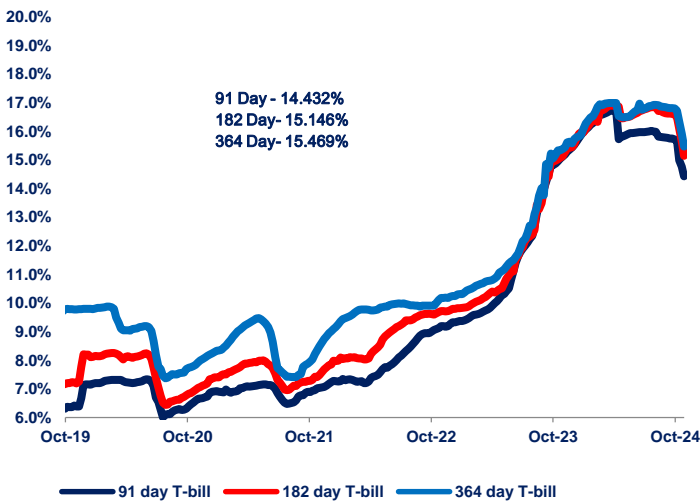
Source: Orient Asset Managers Limited

We expect the rate to remain sticky between ranges KES 129.10-129.50 as we continue to receive funds from IMF coupled by the improvement of diaspora remittances towards the festivity season.

6.0 SHORT-TERM RATES

With the apex banker rejecting aggressive bids and cutting the CBK rate by 0.25% in October, the rates on the short term papers have been on a nose dive with the 91, 182 and 364 papers declining by 128Bps, 144Bps and 133Bps respectively from 15.718%, 16.589% and 16.80% respectively.

Treasury bill Rates



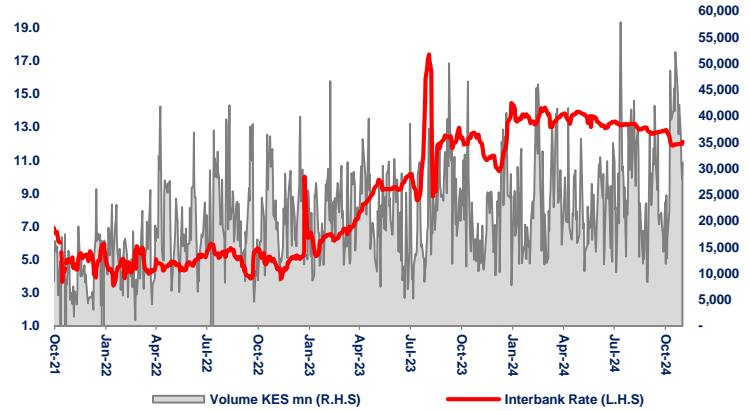
Source: Orient Asset Managers Limited

We expect the rates to decline further as the central bank is expected to do another rate cut by the end of year.

7.0 INTERBANK MARKET

Liquidity improved in the interbank market, with the rate decreasing by 69 basis points to 12.10% from 12.80% in September. This decline is attributed to the central bank's recent policy cuts and a slowdown in private sector lending.

Interbank Rates



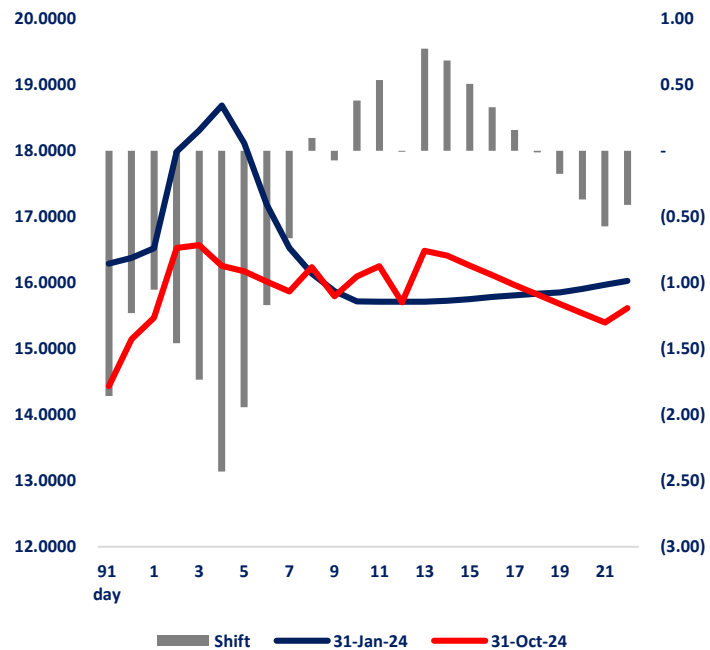
Source: Orient Asset Managers

8.0 FIXED INCOME

The average decline of the curve was 49Bps YTD as the government continues to reject aggressive bids and issue re-opens in a bid to control the interest rates

CBK re-opened FXD1/2016/010 and FXD1/2022/010 receiving bids worth KES 51.0 Bn against the offered KES 30.0 Bn translating to an oversubscription rate of 169.9%, with the government accepting bids worth KES 31.3 Bn. They further issued a Tap sale of the FXD1/2022/010 receiving KES 16.5Bn worth of Bids accepting 15.1Bn against the KES 15Bn offer.

Yield Curve Developments



Source: Orient Asset Managers Limited

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