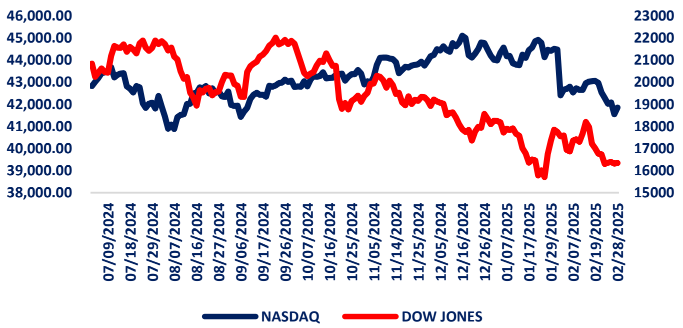
Monthly Bulletin **FEBRUARY 2025**

ORIENT ASSET MANAGERS LIMITED
INVESTING IN DREAMS

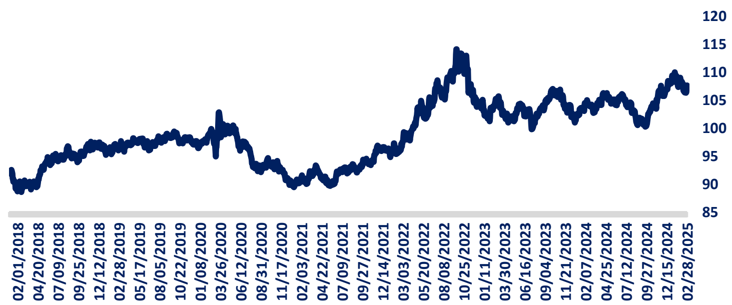
1.0 GLOBAL EQUITIES MARKETS- US INDICES

Due to trade tensions the NASDAQ (-1.57%) and Dow Jones (-12.23%) experienced notable declines with Trump's administration quantifying the tariffs to 25% on Canada and Mexican goods and a 10% in Chinese goods.



Market volatility to be driven by retaliation from the affected nations coupled by increase in the cost of goods. We expect to see a risk-off sentiment in global markets that will lead to foreign investors pulling money from emerging markets. Hence a depreciation of the underlying currencies

2.0 Dollar Index.



Source: OAML Research

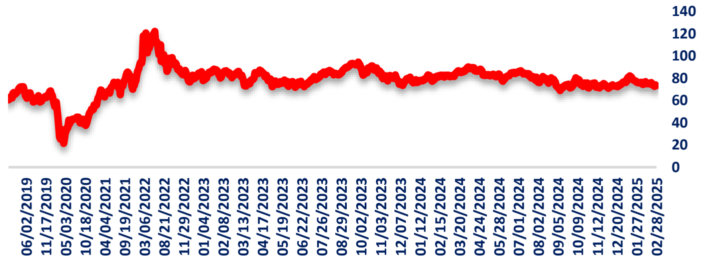
The index declined by -0.70% month on month from 108.37 to 107.61on account of the trade tariff uncertainty as the inflows have hence decreased. Further, the yields in the US bonds have declined on the expectation of a further rate cut with the 10Yr US Bond trading at 4.28%

US 10 YEAR BOND YIELD

Source: OAML Research, CNBC Reports

4.0 GLOBAL OIL PRICES

Global prices of oil declined by -3.29% from $75.67pbl to $73.18%pbl. The drop was driven by a strong growth in oil production outside of OPEC+ is expected to expand supply.



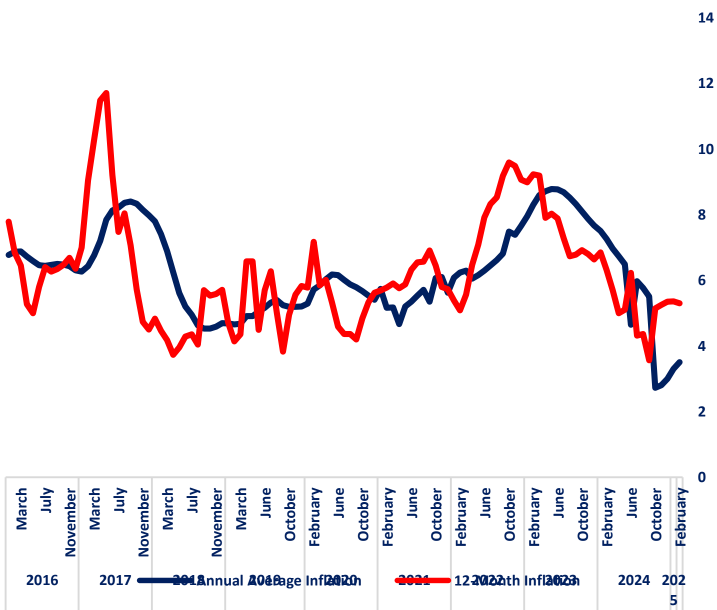
Source: Orient Asset Managers Limited, World Bank

5.0 KENYA'S INFLATION

In February 2025, Kenya's annual inflation rate rose to 3.5%, up from 3.3% in January, marking the 4th month on month increase. Despite the uptick, it still remained below the Central Bank's target midpoint of 5%.

The rise in inflation was primarily driven by higher food prices, which increased by 6.4% compared to 6.1% in January.

We expect food prices to go up due to the weather with the Highlands East of the Rift Valley will remain dry with light showers that won't be sufficient for fast growing foods.



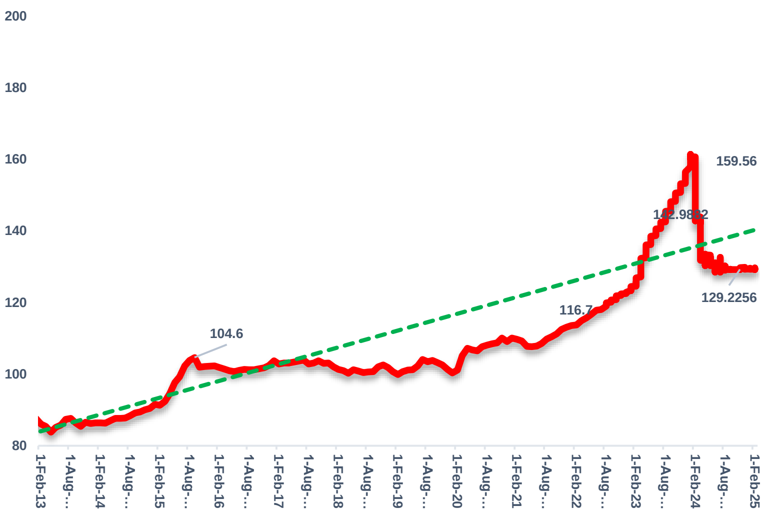
Disclaimer: The views expressed in this publication are those of the writers where particulars are not warranted.

6.0 CURRENCY MARKET & MONETARY POLICY

YTD, the shilling has appreciated by 6.2 bps against the greenback compared to the 17.4% appreciation recorded in 2024.

The KES to be further stabilized in the long term by the government's stance of a UAE private bond placement & a new Eurobond issuance.

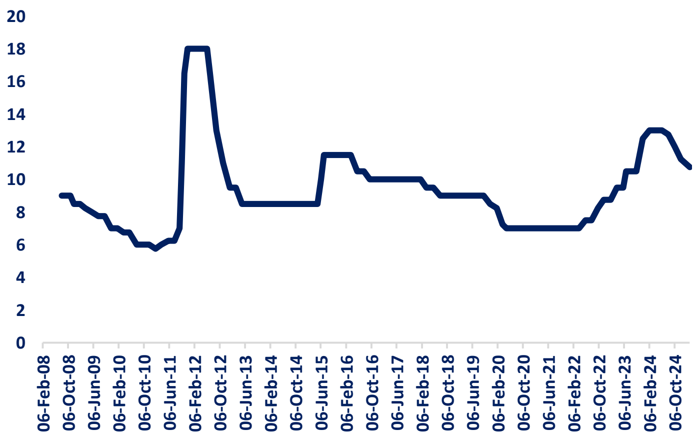
Kenya Shilling Movement



Source: Orient Asset Managers Limited

In response to the economic slowdown observed in 2024, the Central Bank of Kenya reduced its main interest rate by 50 basis points to 10.75% on February 5, 2025, aiming to support lending and boost economic growth.

CBR RATE

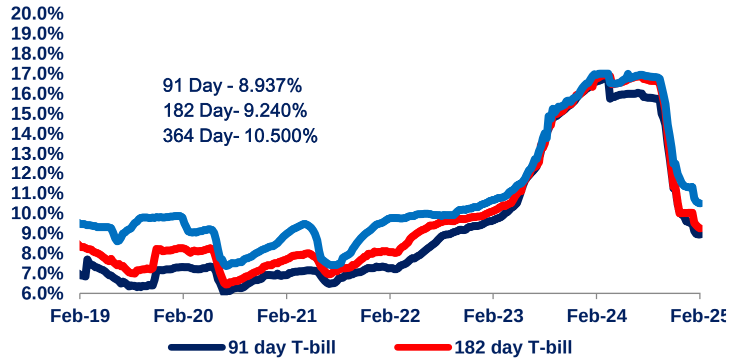


We expect the CBK to continue with the site inspections within the banking sector to ensure borrowing rates are in tandem with the central bank's adjustments. However, the cost of loans are set to rise as CBK increases annual fee license by 22X

7.0 SHORT-TERM RATE

Yields on all the papers are now firmly below 11.00% with the 91,182, and 364-day papers moving down to 8.93%, 9.24% and 10.50%. We expect the rates to decline further driven by the eased market liquidity.

Treasury bill Rates



Source: Orient Asset Managers Limited

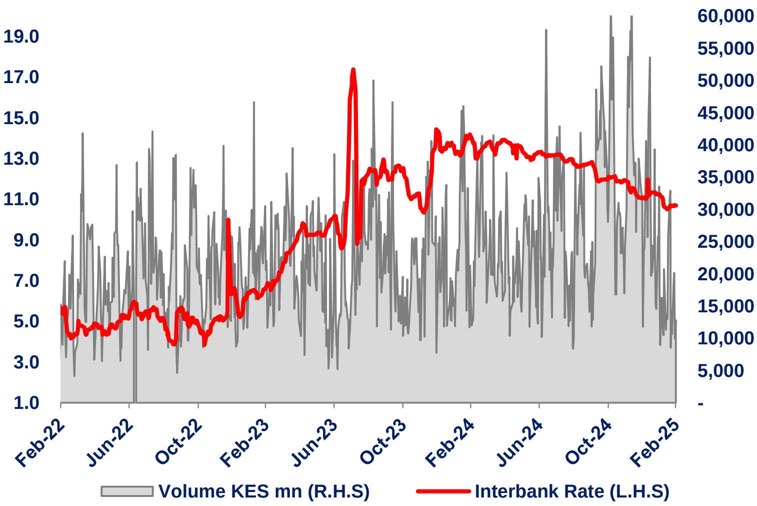
Despite MPC further reducing the rates and the lenders favourite paper trading at 8.93%, we are still observing oversubscriptions in that space.

Following the Riot Act on banks over lending rates we started seen action being taken by market leaders and now the industry is actively pushing for an amendment and review of this framework, with a strong demand for the review to be completed in Q1-2025.

8.0 INTERBANK MARKET

The liquidity has eased on the Banks Cash Reserve ratio's 100Bps decrease by CBK for the banks to lend in the retail and SME space with the interbank decreasing from 11.23% to 10.69%. Even with the rates declining, banks remain cautious, and key industry players are challenging the Central Bank on its Risk Based Pricing framework

Interbank Rates



Source: Orient Asset Managers Limited

9.0 EQUITIES MARKET

Equity turnover decreased by **(-10.88%)** from KES 9.57 Bn in Jan to KES 8.52 Bn in Feb 2025.

The top gainers during the month were

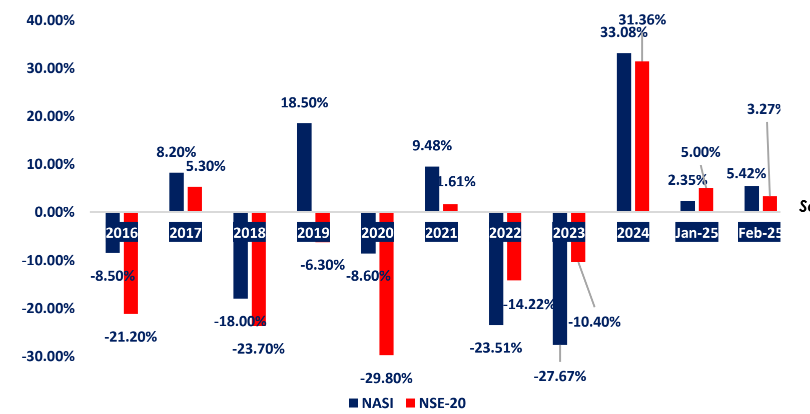
- Centum **(+39.72%)** closed at KES 14.95
- Uchumi **(+32.14%)** at KES 0.37
- Standard Group Limited **(+30.40%)** at KES 6.52.

The top losers were

- Flame Tree Group Holdings **(-32.20%)** closing at KES 1.20
- East African Cables **(-10.53%)** closing at KES 2.21
- Limuru Tea **(-9.09%)** closing at KES 300.00

We expect to see an improved share price performance by the banking sector as they are expected to record positive results in March for the period ending 2024

Equities Market

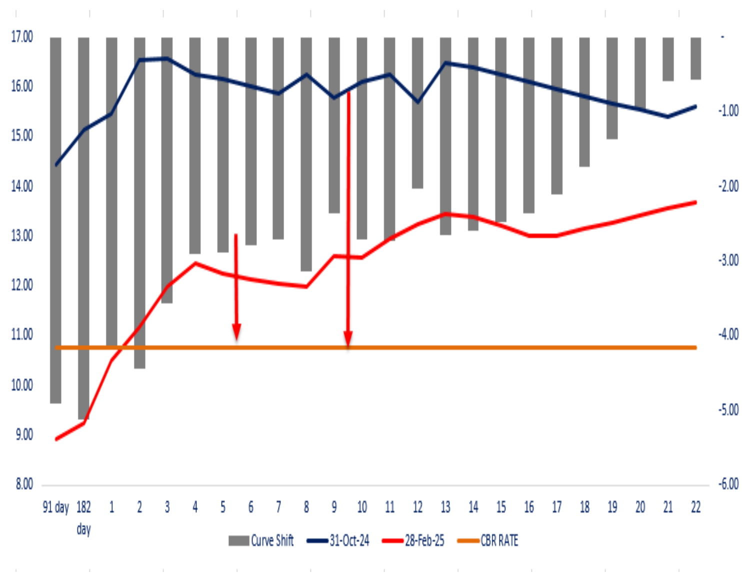


Source: Orient Asset Managers Limited

10.0 FIXED INOME

The Kenyan Government announced its domestic treasury bond buyback aiming to buyback KES 50.0Bn of KES 185.1Bn for the FXD1/2020/005, FXD1/2022/003 and IFB1/2016/009 and re issued 15 and 25 year papers that were issued in 2018 and 2022 when rates were within the government's accepted offer range.

Yield Curve Developments



Source: Orient Asset Managers Limited

The Government's strategy is to lengthen the maturity profile of its existing debt, lower short-term refinancing risks, and reduce debt service costs. With three bonds due for a total redemption of KES 185.1Bn in the upcoming months, the Government opted to mitigate maturity risks by redeeming these bonds ahead of schedule.

The Central Bank of Kenya (CBK) has invited bids for the re-opening of FXD1/2018/25 in a bid to raise KES.25Bn for the month of March 2025 and we expect the issue to be oversubscribed like the one in January 2025.

OAML INVESTMENTS

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