Orient Asset Managers Limited

Quarterly Macroeconomic Summary – Q3-2024

4th Floor, Capitol Hill Towers, Cathedral Road
Nairobi P.O. Box 34530 - 00100, Nairobi, Kenya
Email: jambo@orientasset.co.ke
Phone: +254 20 259 5449
Mobile: +254 726 559 822


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4th Floor, Capitol Hill Towers, Cathedral Road, Nairobi, Kenya
Orient Asset Managers
PAST PERFORMANCE IS NOT NECESSARILY A GUIDE TO FUTURE INVESTMENT PERFORMANCE

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1. Global Economic Scene

The escalating geopolitical tension in Middle East has created unstable ground for global economic growth. Israel airstrikes have seen to target Yemen, Syria, Lebanon and Gaza with invasion of Lebanon by ground troops becoming a reality. The assassination of Hezbollah leader, Hassan Nasrallah, is seen to escalate matters with Israel's growing international isolation over the death of more than 41,600 civilians in Gaza. America remains Israel's the only ally that support the invasion of Lebanon stating "Israel's right to defend itself". An escalation of an all-out war will have an impact on the global economy especially the Middle East regional economy.

International oil prices closed the quarter weak after a decision by OPEC+ opted to increase supply. The market was influence by the decision by the Petroleum organization and the reintroduction of Libya supply. The production increase in set for December 1st is after a delay in in September and October production increase.

The market sentiments was elevated by a Chinese stimulus which was expected to translate to higher petroleum demand that would counter the downward pricing that would be created by the supply increase. The stimulus is aimed at meeting the 5% economic growth target in 2025.

However, we forecast the prices to be volatile with an upward edge as we brace for an actual disruption to supply from the Middle East. This will have an impact on Kenya's trade deficit and domestic pump prices which will trickle down to the inflation figures.

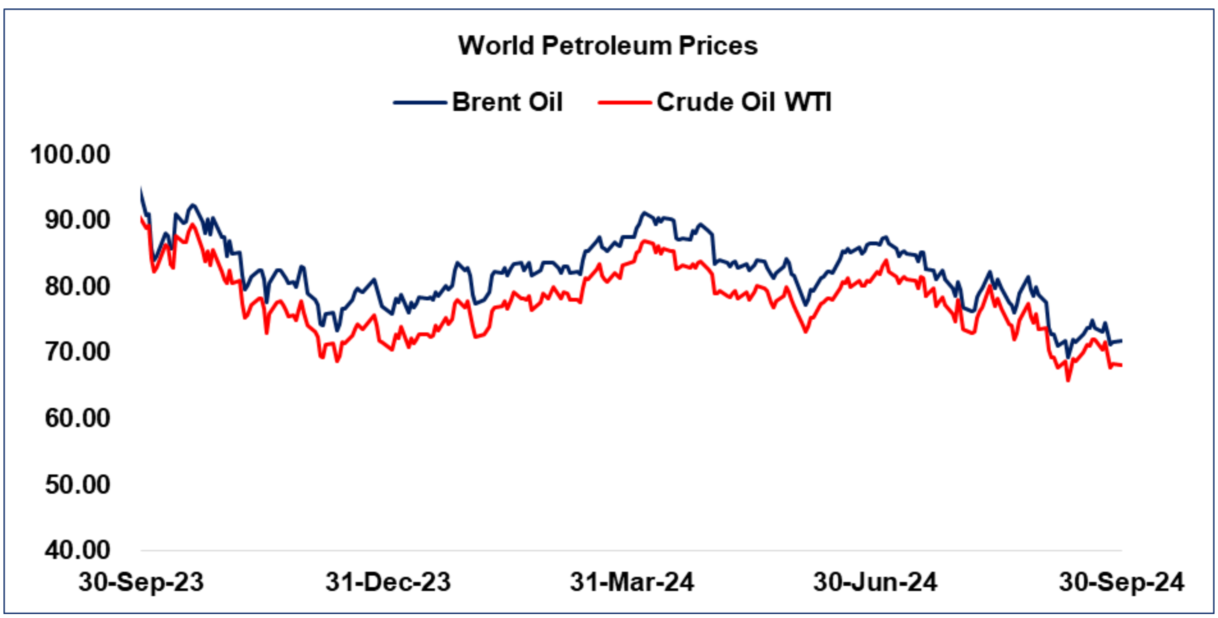

Figure 1: International Petroleum Prices Source: OAML, Investing.Com

Global market saw inflation rates edge downward in the USA and Eurozone in August while the rest of the developed economies saw a marginal 0.1% rise. Core inflation remained a concern with all developed economies reporting a marginal rise to remain above the government target.

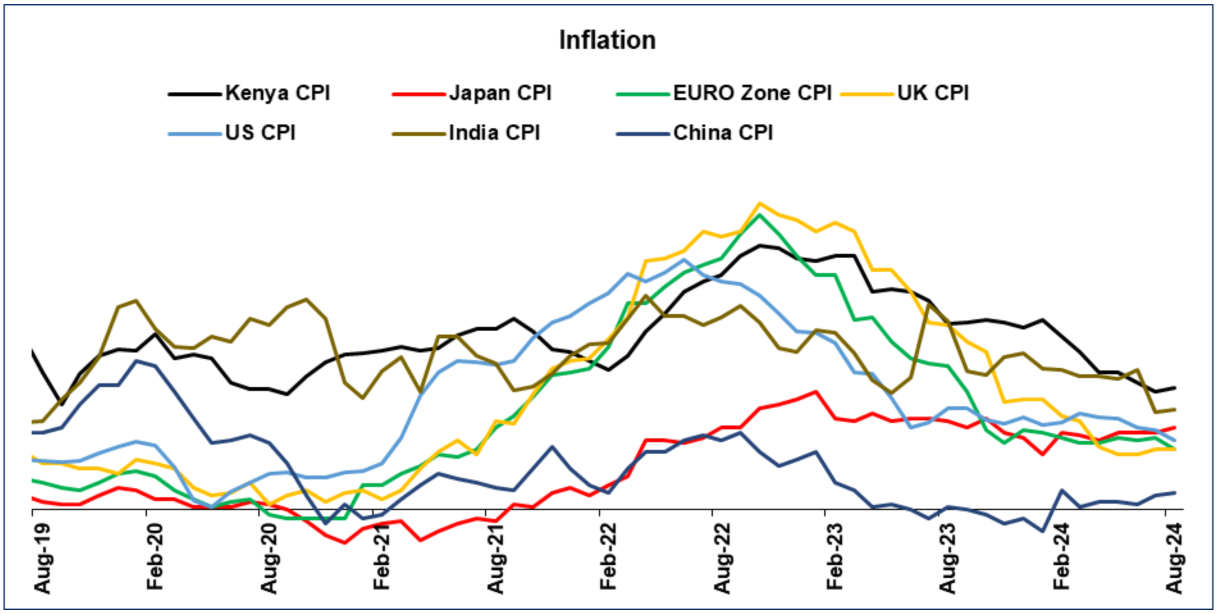

Figure 2: Developed Economies Inflation Rate Source: OAML, Investing.Com

On the international front, the Fed Reserve cut the Fed Rate by 50bps to 4.75% - 5.00%, the first cut since March 2022. The Chairman of the Fed Reserves stated the high rates had achieved its mission of taming the high inflation expected to drop to the 2.0% target while maintaining the labor market. The rate cut was followed by rate cut by European Central Bank (ECB) and retention Bank of England (BoE) during the period.

Inflation declined in Europe largest economies, Germany and France. We anticipate that this will justify a rate cut in the Eurozone, aimed at supporting the struggling economy, especially as inflation is expected to fall below 2.0% in September. Analysts also foresee further rate cuts in the U.S, projecting an additional 50 basis points reduction by the end of 2024.

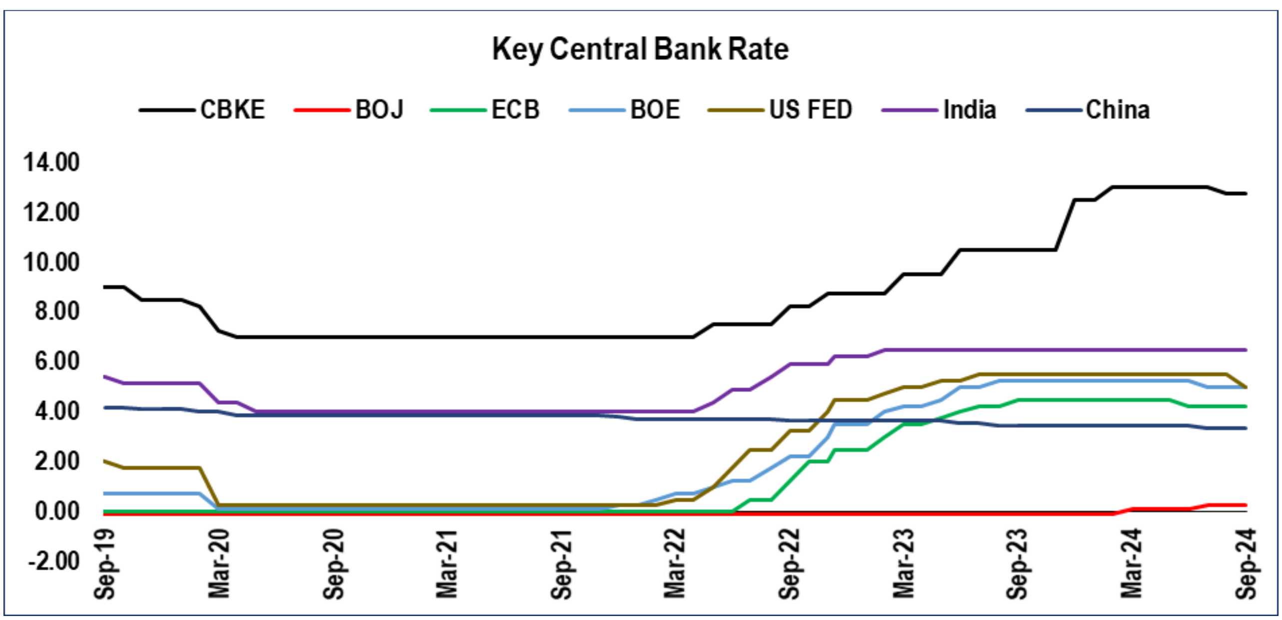

Figure 3: Developed Economies Central Bank Rates Source: OAML, Investing.Com

The global growth with America reporting an annual GDP growth of 3.0% in Q2-2024 compared to a revised growth of 1.6% seen in Q1-2024. India GDP grew by 6.7%, China expanded by 4.7%, Japan annualized growth of 2.9% during the period.

United States Elections: The United States election are scheduled for less than a month, Tuesday November 5th, 2024, polls and count for early votes indicating a tight race with Democrat candidate holding a slight lead about 2.0%. Polls on the Vice President debate showed a draw and with no visible impact on the Presidential Polls.

2. Kenyan Economy

Local economy has seen a heat on the political front with the impeachment motion of the Deputy President while citizens demand accountability on what is seen as secretive government tenders that range into hundreds of billions.

2.1. Kenya Gross Domestic Product (GDP) – Q2-2024

Growth Kenya National Bureau of Statistics (KNBS) reported the Kenya GDP expanded by 4.6% in Q2-2024, a drop from a 5.6% growth in Q2-2023. The rate performance was higher compared to the 5-year average growth rate of 4.3% seen in Q2.

The Central Bank of Kenya (CBK) stated there was a review of the 2024 GDP projected growth rate from 5.4% to 5.1% with the cut on the geopolitical tension witnessed in different regions, slow growth in private sector credit lending and as reflected on the slow growth in Q2-2024.

Figure 4: Kenya GDP Growth Rate Source: OAML, KNBS

The economy was driven by service sector which expanded by 6.2% albeit lower compared to 6.8% seen in Q2-2023. Service sector contributed a total of 56.2% of the overall GDP. Real Estate and Financial & insurance subsectors grew by 6.0% and 5.1% respectively with the two contributing 10.3% and 9.6% to the total GDP.

Fair weather and adequate rainfall saw Agriculture, Forestry and Fishing activities grow by 4.8% a contraction despite being lower from a 7.8% growth in Q2-2023. The sector contributed 19.7% to the GDP.

Industrial sector expanded marginally by 0.6% during the period from a growth of 1.4% in Q2-2023. The slow growth was caused by a 2.9% and 2.7% contraction in Construction and Mining and Quarrying subsectors.

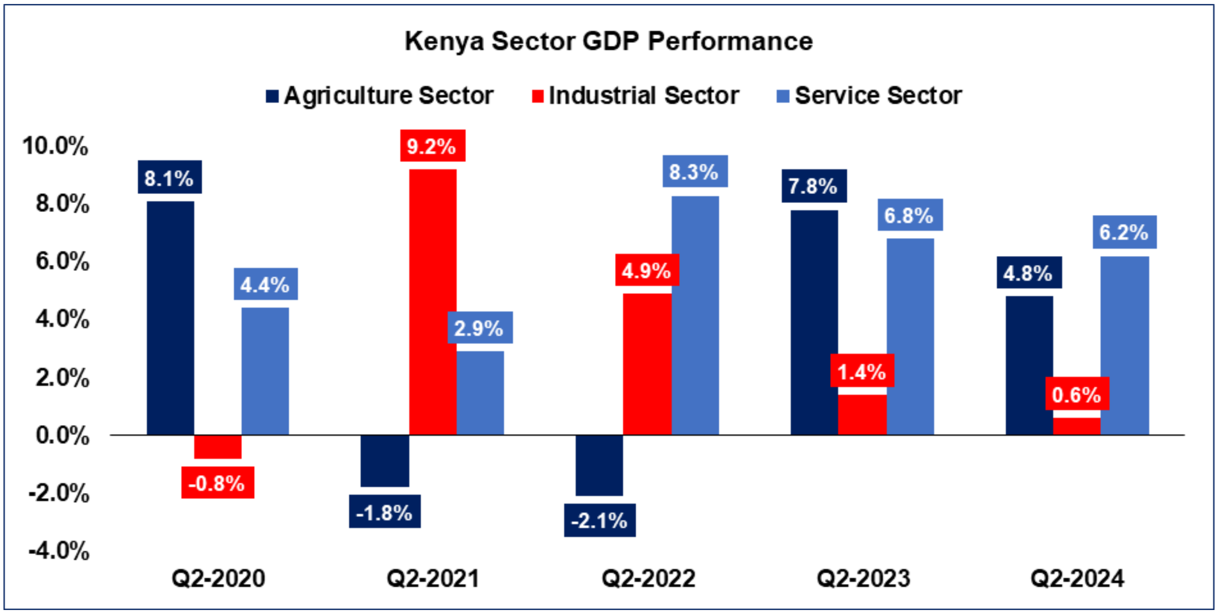

Figure 5: Kenya GDP Growth Rate – Sector Growth Rates Source: OAML, KNBS

2.2. Draft Budget Review and Outlook Paper (BROP)

The September 2024 Draft Budget Review and Outlook Paper (BROP) adjusted the 2024 GDP growth from 5.4% to 5.2% with a 2.8% cut on expenditure. Recurrent expenditure was slashed by 0.6% from KES 2,846Bn to KES 2,829Bn and development budget by 14.3% to KES 629Bn from KES 734Bn.

The rejection of the Finance Bill created a gap in revenue collection which was cut by 8.5% with tax revenue target reduced by 10.2% to KES 2,389Bn from KES 2,659Bn. The reduction on revenue targets led to a 28.6% increase to KES 768Bn or 4.3% of GDP from KES 597 or 3.3% of GDP. Net domestic borrowing target was increased by 58.4%.

Item	Budget	Supplementary 1	Change
Total Revenue	**3,343**	**3,060**	**-8.5%**
Ordinary Revenue	2,917	2,632	**-9.8%**
Tax Revenue	2,659	2,389	**-10.2%**
Non-Tax Revenue	258	243	**-5.8%**
AIA	426	429	**0.7%**
Total Expenditure	**3,992**	**3,881**	**-2.8%**
Recurrent Expenditure	2,846	2,829	**-0.6%**
Development Expenditure	734	629	**-14.3%**
Total Fiscal Deficit	**597**	**768**	**28.6%**
Net Foreign Financing	334	355	**6.3%**
Domestic Loan Repayment (Receipts)	6	6	**0.0%**
Net Domestic Borrowing	257	407	**58.4%**
Deficit to GDP	***3.3%***	***4.3%***	

Table 1: Kenya Budget Figures Source: OAML, GoK Treasury

2.3. Kenya - Statement of Actual Revenues and Net Exchequer Issues – August 2024

The August exchequer figures improved with august monthly collection increasing by 35.2% M-M with a total of KES 253.64Bn collected compared to KES 187.53Bn in July 2024. The revenues stood at 10.5% of the annual target and 62.9% of the two months target. On the expenditure front, a total of KES 258.44Bn, 42.2% M-M higher against KES 181.51Bnn same period. Expenditure performance stood at 10.2% of annual budget and 62.7% of periodic budget.

Revenue Exchequer Issues (KES Bn)	Original Estimates (KES Bn)	Revised Estimates I (KES Bn)	Proportionate Estimate (KES Bn)	Actual Receipts (KES Bn)	Receipts to Original Estimates	Receipts to Proportional Estimates
Opening Balance		-		1.17	0.0%	0.0%
Tax Revenue	2,745.22	2,475.06	412.51	312.84	12.6%	75.8%
Non-Tax Revenue	171.98	156.35	26.06	17.63	11.3%	67.6%
Domestic Borrowing	828.38	978.30	163.05	102.19	10.4%	62.7%
External Loans and Grants	571.22	593.50	98.92	3.07	0.5%	3.1%
Other Domestic Financing	4.69	4.69	0.78	4.28	91.3%	548.0%
Total Revenue	**4,321.49**	**4,207.91**	**701.32**	**441.17**	**10.5%**	**62.9%**

Table 2: Exchequer Revenue Items Source: OAML, GoK Treasury

Revenue figures were boosted by in domestic borrowing with KES 99.77Bn borrowed. Ordinary tax collection were weak with month's collection shrinking by 3.9% to KES 153.33Bn against KES 159.10Bn in July.

Revenues	Jul-24	Aug-24	%Δ Y-Y	%Δ M-M
Opening Balance	1,165	-	-5.7%	-3.9%
Tax Revenue	159,510	153,327	187.4%	-71.4%
Non-Tax Revenue	13,711	3,915	117.8%	781.0%
Domestic Borrowing	10,417	91,772	-69.1%	100.0%
External Loans and Grants	-	3,070	-20.9%	-43.1%
Other Domestic Financing	2,728	1,552	16.4%	35.2%
Total Revenue	**187,532**	**253,636**	**-5.7%**	**-3.9%**

Table 3: Exchequer Revenue Items- Monthly Revenue Items Source: OAML, GoK Treasury

Recurrent expenditure and debt repayment were the main monthly drivers with KES 119.11Bn and KES 125.15Bn disbursed respectively. Figures improved by 106.4% and 29.5% M-M disbursed during the month.

Expenditure	Original Estimates (KES Bn)	Revised Estimates I (KES Bn)	Proportionate Estimate (KES Bn)	Actual Expenditure (KES Bn)	Cash Released to Original Estimates	Cash Released to Proportional Estimates
Recurrent Exchequer	1,348.45	1,307.94	217.99	162.35	12.0%	74.5%
Public Debt	1,910.48	1,910.48	318.41	221.82	11.6%	69.7%
FCS Exchequer Issues	2,114.06	2,137.84	356.31	228.50	10.8%	64.1%
Development Exchequer	458.87	351.29	58.55	18.25	4.0%	31.2%
Total to National Government	**3,921.37**	**3,797.07**	**632.85**	**409.11**	**10.4%**	**64.6%**
County Government	400.12	410.83	68.47	30.83	7.7%	45.0%
Total Exchequer Issue	**4,321.49**	**4,207.91**	**701.32**	**439.95**	**10.2%**	**62.7%**

Table 4: Exchequer Expenditure Items Source: OAML, GoK Treasury

Recurrent, CFS, Development and Country Exchequer Issues (KES Bn)	Jul-24	Aug-24	%Δ Y-Y	%Δ M-M
Recurrent Expenditure	52,994	109,360	18.9%	106.4%
Public Debt	96,667	125,152	19.0%	29.5%
FCS Expenditure	96,667	131,837	17.7%	36.4%
Development Expenditure	1,014	17,239	37.0%	1,600.5%
National Govt Expenditure	**150,675**	**258,436**	**19.3%**	**71.5%**
County Govt Expenditure	30,834	-	-100.0%	-100.0%
Total Govt Expense	**181,509**	**258,436**	**15.8%**	**42.4%**

Table 5: Exchequer Expenditure Items- Monthly Revenue Items Source: OAML, GoK Treasury

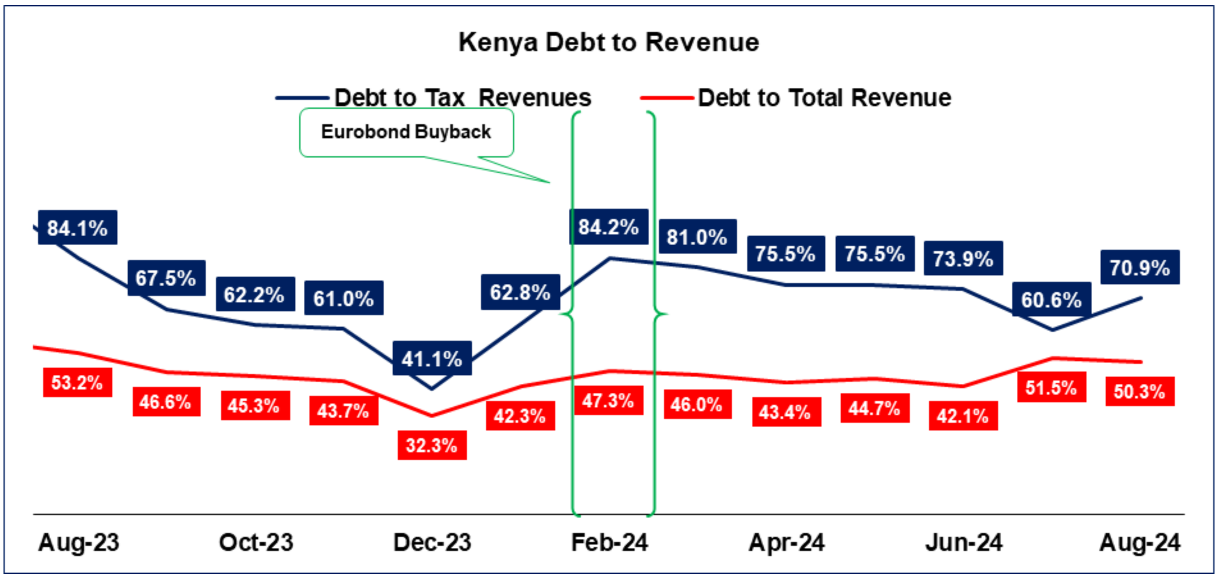

Figure 6: Kenya Debt Repayment to Revenue and Debt Repayment to Tax Revenue Source: OAML, GoK Treasury

Slow tax revenue collection pushed the ratio debt payment to tax collection to a high of 70.9% while the levels eased to 50.3% M-M but remained ahead of 6-months average of 46.3%.

The International Monetary Fund (IMF) concluded its visit in Kenya, led by the Mission Chief, where they retaliated the committed to support the executive on their efforts to identify a set of policies the domestic economy. The current support agreement comes to an end in April and was worth USD 3.6Bn and USD 120Mn under Extended Fund Facility (EFF) and Extended Credit Facility (ECF) arrangements and the Resilience and Sustainability Facility (RSF) respectively, which was to be disbursed over a period of 5-years.

We expect a better revenue performance in the month of September driven by corporate tax payment and inflow from external debt. The revenue performance will push the debt to revenue and debt to tax revenue downwards.

3. Central Bank - Monetary Policy Committee

The Central Bank (CBK) Monetary Policy Committee (MPC) met on Tuesday October 8th, 2024 and voted to cut the Central Bank Rate (CBR) from 12.75% to 12.00%. The committee noted:

- The global growth with America reporting an annual GDP growth of 3.0% in Q2-2024 compared to a revised growth of 1.6% seen in Q1-2024. India GDP grew by 6.7% while china was at 4.7% during the period.
- September inflation stood at 3.6% with Non-food non-fuel (NFNF) inflation easing to 3.4% in September from 3.5% in August, reflecting the lagged effects of August monetary policy tightening on the 25bps rate cut.
- Kenya's Q2-2024 GDP growth of 4.6% driven by agriculture and service sectors.
- In August 2024, the current account stood at 3.8%, up from 3.7% during the same period in 2023. Goods exports rose by 8.8% Y-Y, while imports grew by 3.8%. However, risks persist due to global tensions and potential fluctuations in international petroleum prices.
- September PMI eased to 49.7 from 50.6 in August on weak private sector economy and decline in new business intake. However, expansion in their purchasing activity for the second month running.
- Banking industry gross non-performing loans (NPLs) to gross loans stood at 16.7% in August 2024 compared to 16.3% in June.
- Private sector credit growth stood at 1.3% in August 2024 compared to 3.7% in July, partly reflecting exchange rate valuation effects on foreign currency denominated loans following the appreciation of the Shilling, and the lagged effects of monetary policy tightening.

4. Interbank Rate

The interbank rate closed ended the quarter stable in line with our August 2024 review. The rate closed at 12.80%, 50.8bps lower compared to 13.30% seen in Q2-2024. The demand traded closed the month at low of KES 23.50Bn. On average basis, the average demand was 18.0% higher at KES 26.05Bn as the quarterly average rate moved down 54.0bps signaling adequate liquidity in the market.

On monthly basis, the rate closed 5.8bps higher compared to 12.74% at the close of August 2024 while monthly average demand closed 139.1% higher compared to August. Average demand stood at KES 26.53Bn, a 123.9% higher than august while the average monthly rated dipped by 29.3bps.

Commercial bank excess liquidity remained sticky at KES 12.40Bn on quarterly basis but 38.9% lower M-M as the due to the cash reserves required in august to finance the reopened IFB1/2023/006.5Yr and IFB1/2023/017 which had a total acceptance of KES 120.72Bn.

Interbank Rate - Q3-2024								
Period/Narration	**Q3-2023**	**Q2-2024**	**Q3-2024**	**%Y-Y**	**%Q-Q**	**Aug-24**	**Sep-24**	**%M-M**
Closed Week at	12.44%	13.30%	12.80%	**35.9**	**-50.8**	12.74%	12.80%	**5.8**
Average Rate	11.88%	13.49%	12.95%	**107.5**	**-54.0**	12.97%	12.68%	**-29.3**
Closing Demand (KES BN)	20.00	34.88	23.50	**17.5%**	**-32.6%**	9.83	23.50	**139.1%**
Average Demand (KES BN)	22.75	22.07	26.05	**14.5%**	**18.0%**	11.85	26.53	**123.9%**
Bank Excess Liquidity (KES BN)	19.30	12.80	12.40	**-35.8%**	**-3.1%**	20.30	12.40	**-38.9%**

Table 6: Interbank Rate Source: OAML, CBK

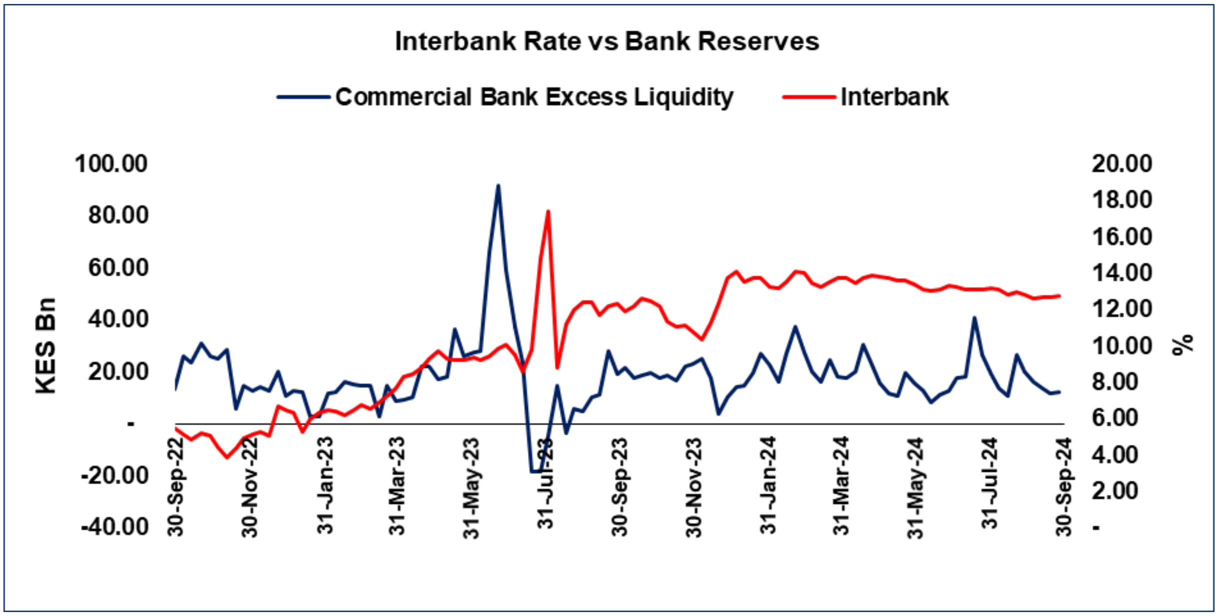

Figure 7: Interbank Rate and Commercial Bank Excess Reserves Source: OAML, CBK

The rate cut is set to release the liquidity that was packed for strategic deployment by financial institutions and government receipt-payment is set to create an environment with adequate liquidity that will keep the interbank rate down. We anticipate the interbank rate to edge downwards following the CBK rate cut to the 11.5% - 11.75% range maintaining the ±250bps corridor created by the CBK.

5. Inflation

The September inflation dropped to 3.6% from 4.4% in August. The Food and Non-Alcoholic Beverages Index increased by 0.4% m-m, The Housing, Water, Electricity, Gas and Other Fuels' Index dropped by 0.1% due to a decline in prices of kerosene, 50 kWh of electricity and 200 kWh of electricity by 2.1%, 0.8% and 0.7% respectively. The Transport Index increased by 0.1% on increase to urban transport prices while prices of petrol and diesel were unchanged.

The low food, energy and transport (which contribute 57.2% in weight) have aided the low inflation levels as Q3-2024 inflation was 4.1% compared to 4.9% in Q2-2024 and 6.9% in Q3-2023.

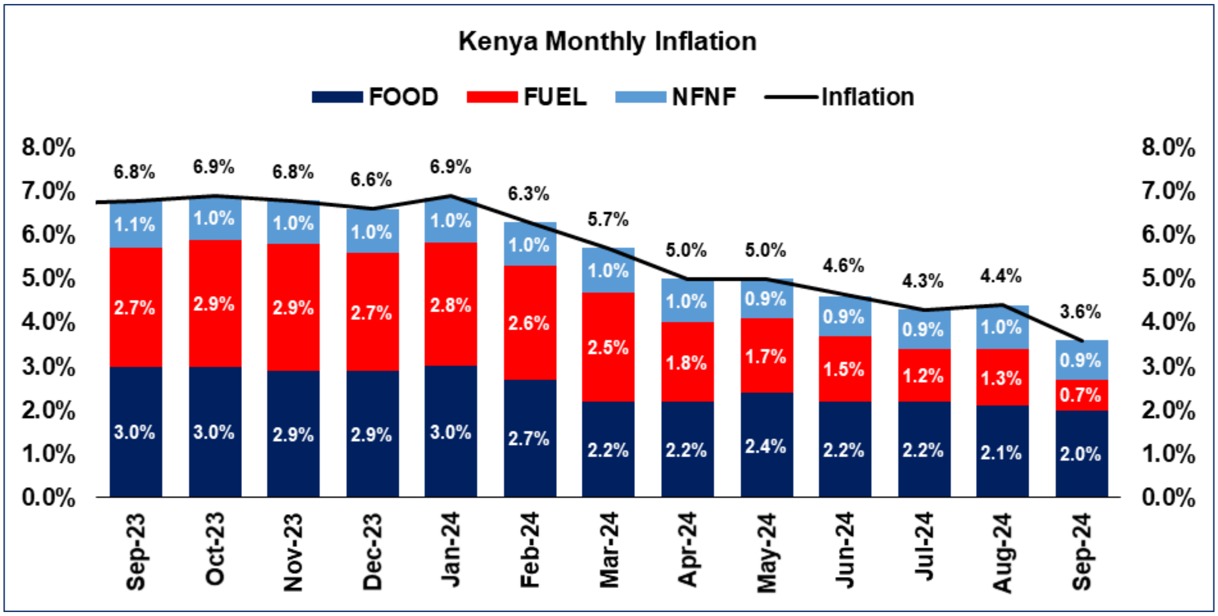

Figure 8: Interbank Rate and Commercial Bank Excess Reserves

Source: OAML, CBK

The Kenya Meteorological Department predicts near to above-average rainfall for the highlands and Lake Basin, while the coastal region is expected to receive different conditions, most of the Southeast and most of the Northeast are likely to experience near to below average rainfall.

Regards to the short rain season, October, November and December, western sector of the country is expected to receive near to slightly above average rainfall while the central parts of the country and isolated areas over northeast and southeastern lowlands are predicted to receive near to below average rainfall. The Coastal region, most of the Southeastern lowlands and Northeastern Kenya are expected to receive below average rainfall.

This will ensure availability of food to retain the Food and Non-Alcoholic Beverages low while, electivity prices will remain tamed on low inflation, stable currency and adequate hydro supply while transport index will benefit from stable international petroleum prices that have seen low volatility. We expect October inflation rate to ease further to the range of 3.13% - 3.53%.

6. Currency

The shilling closed the quarters at KES 129.1957/USD, a 0.3% Q-Q gain. However the local currency shed 5.6%, 3.9% and 12.6% on the British pound, euro and Japanese yen respectively. The gain on the dollar was supported foreign inflows from concessionary borrowing, global weakening of the dollar as the green buck shed 5.2% Q-Q as per the dollar index which is seen as an aftermath of the 50bps rate cut by the Federal Reserve.

Month on month, the shilling was flat on the US dollar but lost 1.8%, 0.8%, 2.3% on the British pound, euro and Japanese yen respectively.

Local scene had a mixed reaction with KES gaining 4.3% and 2.9% on the Rwandese Franc and Tanzanian shilling while losing 7.2% and 0.2% Q-Q against the South Africa rand and Ugandan shillings. On monthly basis, the trend remained with a gain of 0.8% and 0.7% on the Rwandese Franc and Tanzanian shilling while losing 4.1% and 0.6% M-M against the South Africa rand and Ugandan shillings

Currency Performance								
Currency	**Q3-2023**	**Q2-2024**	**Q3-2024**	**ΔY-Y**	**ΔQ-Q**	**31-Aug-24**	**30-Sep-24**	**%ΔQ-Q**
KES/USD	**148.1000**	**129.5270**	**129.1957**	**-12.8%**	**-0.3%**	**129.175**	**129.196**	**0.0%**
KES/GBP	**180.5556**	**163.9035**	**173.0253**	**-4.2%**	**5.6%**	**169.936**	**173.025**	**-1.8%**
KES/EUR	**156.0029**	**138.8659**	**144.2405**	**-7.5%**	**3.9%**	**143.042**	**144.241**	**-0.8%**
KES/JPY	**99.1664**	**80.7550**	**90.9669**	**-8.3%**	**12.6%**	**88.911**	**90.967**	**-2.3%**
KES/SAZ	**7.8164**	**7.0552**	**7.5639**	**3.2%**	**7.2%**	**7.265**	**7.564**	**-4.1%**
KES/UGX	**25.3545**	**28.6427**	**28.5768**	**12.7%**	**-0.2%**	**28.760**	**28.577**	**-0.6%**
KES/TZS	**16.9143**	**20.2660**	**21.1307**	**24.9%**	**4.3%**	**20.979**	**21.131**	**0.7%**
KES/RWF	**8.1703**	**10.0859**	**10.3757**	**27.0%**	**2.9%**	**10.290**	**10.376**	**0.8%**

Table 7: Currency Change Source: OAML, CBK

The shilling remained stable against the United States Dollar supported by inflows from lending partners with forex reserves closing the quarter at USD 8,027Mn or 4.1 months of import cover, a 2.9% increase compare to USD 7,800Mn at end of June 2024. The inflows was to support quarterly debt repayment aided in maintaining liquidity towards the end of the quarter.

Diaspora inflows improved by 16.4% in the first 8-months to USD 3.22Bn form USD 2.77Bn same period 2023. The performance was supported by a 29.3% rise in inflows from Rest of the World category. Europe remittance increased by 16.2% while North America performance rose by 11.6% over the period.

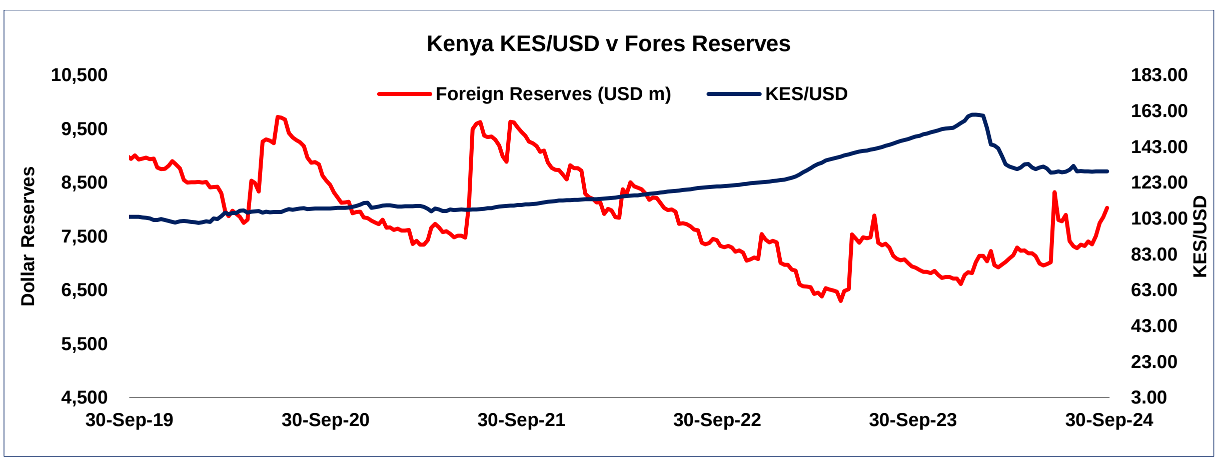

Figure 9: KES/USD and Forex Reserves Source: OAML, CBK

We expect forex reserves to return to the 6-month average of 3.8 months of import cover, while the shilling is likely to remain stable until the end of Q4 2024. Pressure may emanate from delay on IMF disbursement in December during heavy debt repayment.

7. Treasury Bills

During the quarter, the market subscription stood at KES 367.54Bn against an offer of KES 336.00Bn for a 109.4%. The subscription declined in Q3-2024 on the back of liquidity performance (see table 8). Acceptance stood at 88.3% and a performance of 96.6%. The analysis depicts the direction the government expects the rates to go down due to the heavy rejections seen in September with only 87.3% of the subscribed amounts accepted.

The 91-day paper had an oversubscription of 338.3% with only 85.8% accepted with the rate 25.9% bps down Q-Q to close quarter at 15.718%. Although the performance of the tenure was a recovery compared to Q2-2024, it was a more that KES 100Mn compared top Q3-2023.

The 182-day papers saw a 77.6% subscription with 90.2% acceptance the yield on the paper easing by 17.5bps to 16.589%.

The temporary uptake on the 364-day paper was reversed to see only 49.6% subscriptions compared to 98.2% in Q2-2024. The acceptance remained high at 92.1% with the yield edging up 0.9bps to close at 16.800%.

Q3-2024									
Tenure	Offer (KES Bn)	Subscription	Acceptance	Subscription	Acceptance	Performance	WAR % Q2-24	WAR % Q3-24	Δbps Q-Q
364-Day	**140.00**	**69.38**	**63.88**	49.6%	92.1%	45.6%	16.791%	16.800%	0.9
182-Day	**140.00**	**108.71**	**98.07**	77.6%	90.2%	70.0%	16.764%	16.589%	(17.5)
91-Day	**56.00**	**189.45**	**162.56**	338.3%	85.8%	290.3%	15.977%	15.718%	(25.9)
Total	**336.00**	**367.54**	**324.50**	109.4%	88.3%	96.6%			

Table 8: T-Bill Performance - Quarterly Source: OAML, CBK

September-24									
Tenure	Offer (KES Bn)	Subscription	Acceptance	Subscription	Acceptance	Performance	WAR % Aug 24	WAR % Sept 24	Δbps M-M
364-Day	**50.00**	**30.90**	**26.28**	61.8%	85.1%	52.6%	16.859%	16.800%	(5.9)
182-Day	**50.00**	**31.73**	**28.26**	63.5%	89.1%	56.5%	16.669%	16.589%	(8.0)
91-Day	**20.00**	**73.17**	**64.00**	365.8%	87.5%	320.0%	15.794%	15.718%	(7.6)
Total	**120.00**	**135.80**	**118.54**	113.2%	87.3%	98.8%	16.349%	16.166%	

Table 9: T-Bill Performance - Monthly Source: OAML, CBK

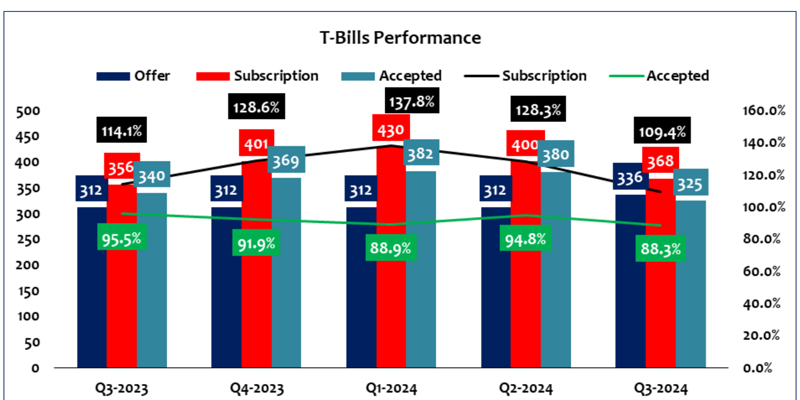

Figure 10: T-Bill Performance Source: OAML, CBK

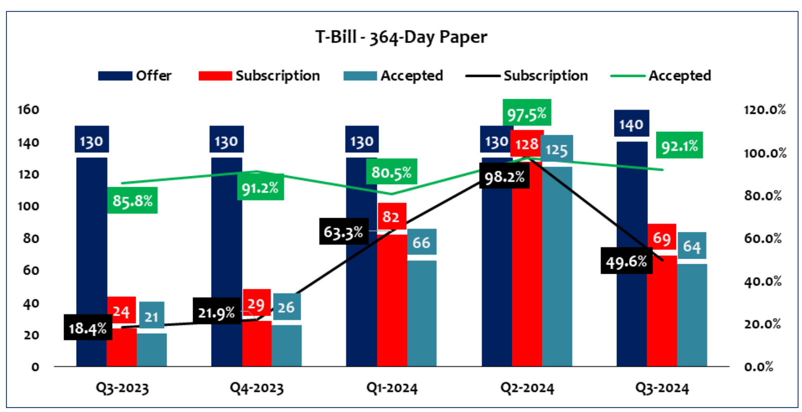

Figure 11: T-Bill Performance 364-Day Source: OAML, CBK

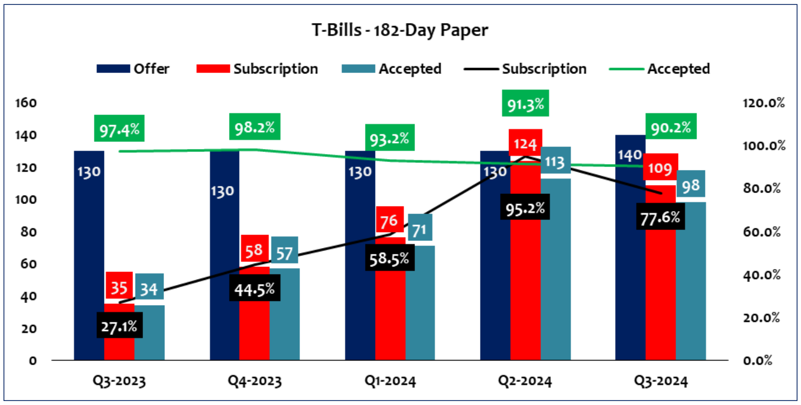

Figure 12: T-Bill Performance 182-Day Source: OAML, CBK

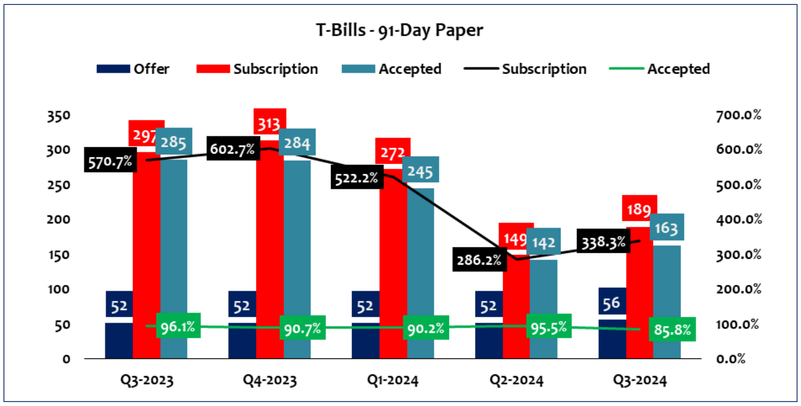

Figure 13: T-Bill Performance 91-Day Source: OAML, CBK

The downward yield movement on the short term papers and high subscription supports the element of liquidity in the market which is further supported by the downward movement of the interbank rate as depicted in figure 7.

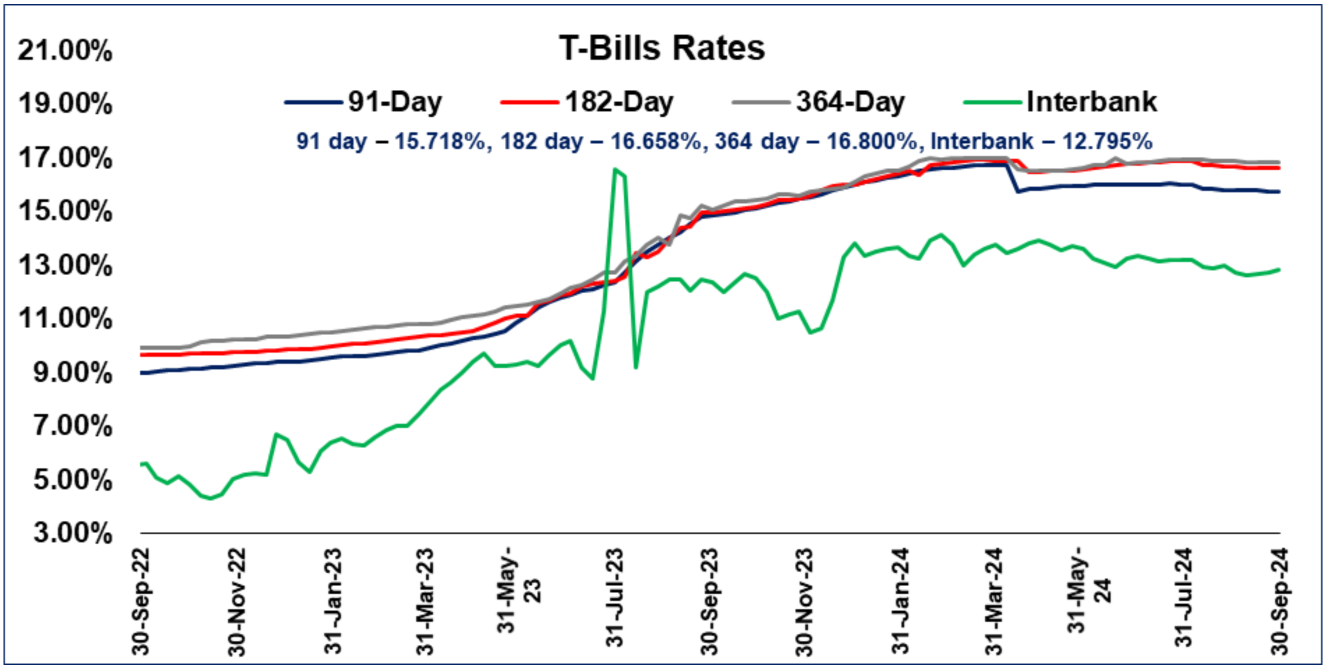

Figure 14: T-Bill Short Term Rates Source: OAML, CBK

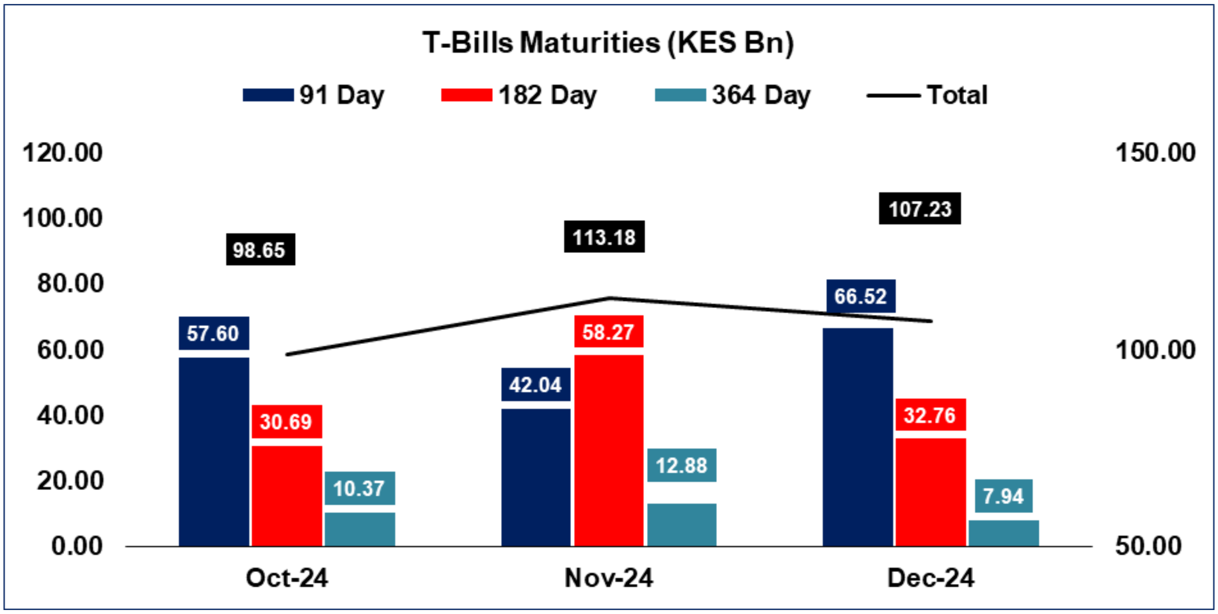

Figure 15: T-Bill Expected Payout for Q4-2024 Source: OAML, CBK

The expected payout is of KES 319.06Bn will be able to match the demand of KES 312.00Bn expected in Q4-2024. The receipt-payment match will continue to see the rate decline while demand will remain on the 91-day paper till the end of the year due to liquidity management strategy depicted by banks. The October CBR 75bps rate cut aid with the acceleration of the downward rate movement.

8. Domestic Debt

Net domestic debt increased by 3.6% Q-Q to KES 5,603.75Mn with an annual growth of 14.0% Y-Y as of end of September 2024. T-Bill has been the key driver of growth by 15.7% Q-Q while T-Bonds closed the quarter 3.4% higher.

The government retained the strategy in reopening of bonds limiting the ability of market pricing which led to the reduced interest in T-Bond issues and focus on short term papers. This has also enable the government limit high cost of financing that would have accompanied new issues in the bonds market.

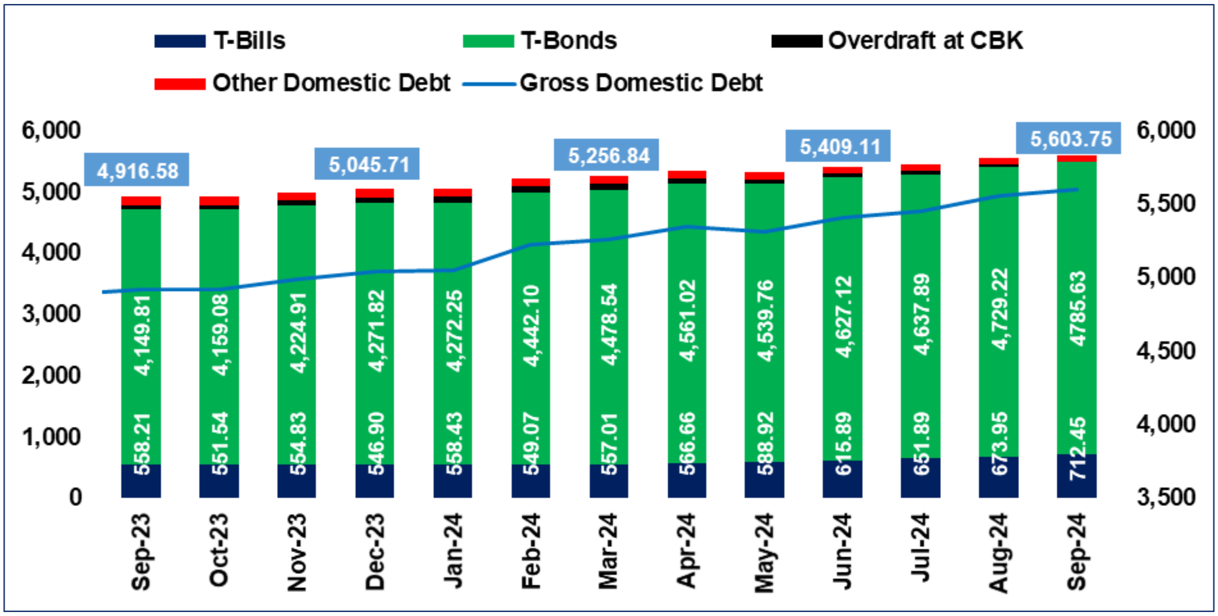

Figure 16: Kenya Domestic Debt Holdings Source: OAML, CBK

9. Eurobond

Strong economic sentiments and anticipated rate cut saw Eurobond yields edge downwards with the largest downward movement seen on the 2028 Eurobond. The international market continues to favor international bonds as investors interest increase especially on the African Eurobonds.

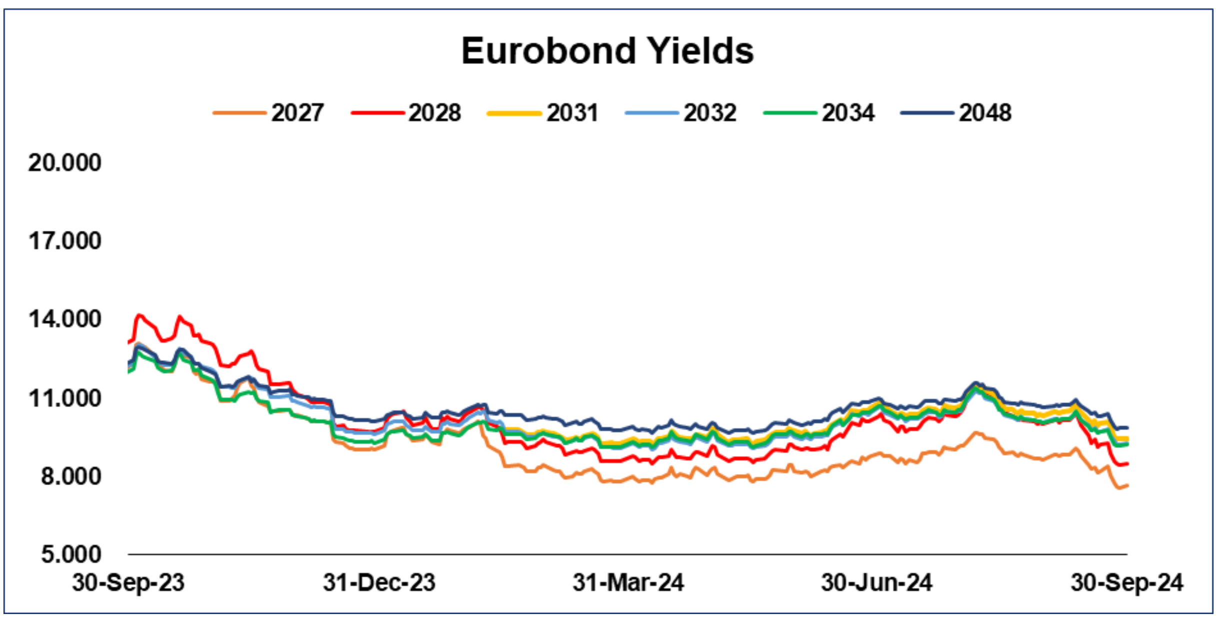

Figure 17: Eurobond Yields Source: OAML, Bloomberg

10. Nairobi Securities Exchange

10.1. Equities Market

The equities market had an improved performance with the NSE 20 Share index gaining 7.2% Q-Q driven by gains in the financial sector. The All Share Index declined by 2.2% Q-Q while market cap thinned by 2.0%.

Value traded declined by 39.5% driven by a 7.3% drop in volumes and a 13.3% value loss in Safaricom Plc. Trades were impacted by low foreign activity with foreign participation at 42.1% with a net outflow of KES 0.63Bn.

Safaricom Plc maintained market dominance transacting 416.68Mn shares or 41.1% of quarterly value traded. Volume was supported by transaction in KPLC and trades of bonus shares in Kenya Re after a 1:2 bonus shares that started trading on September 4th, 2024.

On monthly basis, all key indices turned green with the NSE 20 Share Index up 5.8% while All Share Index gained 3.3% boosted by recovery on Safaricom Plc, EABL, Equity Group and KCB Group.

NSE Performance – Quarterly								
Indicator	**Q3-2023**	**Q2-2024**	**Q3-2024**	**(Y-Y) %**	**(Q-Q) %**	**Aug-24**	**Sep-24**	**(M-M) %**
NSE 20	1,508.75	1,656.50	1,775.67	17.7%	7.2%	1,678.21	1,775.67	5.8%
NSE 25	2,473.71	2,861.04	2,899.20	17.2%	1.3%	2,812.75	2,899.20	3.1%
NSE 10	951.35	1,117.39	1,124.72	0.0%	0.7%	1,088.19	1,124.72	3.4%
NASI	95.22	109.49	107.08	12.5%	2.2%	103.67	107.08	3.3%
NSE Mkt CAP (KES Bn)	1,487.67	1,710.64	1,676.24	12.7%	2.0%	1,619.78	1,676.24	3.5%
NSE Mkt CAP (USD Mn)	10.33	13.07	12.95	25.4%	0.9%	12.53	12.97	3.6%
VOLUMES (Bn)	1.06	1.09	1.01	4.4%	7.3%	0.38	0.33	12.5%
NSE Turnover (KES Bn)	15.99	28.39	17.18	7.4%	39.5%	6.30	5.02	20.3%
NSE Turnover (USD Mn)	0.11	0.22	0.13	19.5%	38.8%	0.05	0.04	20.3%
Foreign Buys (KES Bn)	6.71	11.58	7.01	4.5%	39.4%	2.89	2.15	25.7%
Foreign Sales (KES Bn)	10.21	8.60	7.64	25.1%	11.1%	2.89	2.12	26.7%
Foreign Net ∆ (KES Bn)	-3.49	2.98	-0.63	82.0%	121.1%	- 0.00	0.03	1854.2%
Dollar Return (NASI)	26.8%	10.0%	-0.2%			-0.6%	3.3%	

Table 10: Equity Market Performance

Source: OAML, NSE

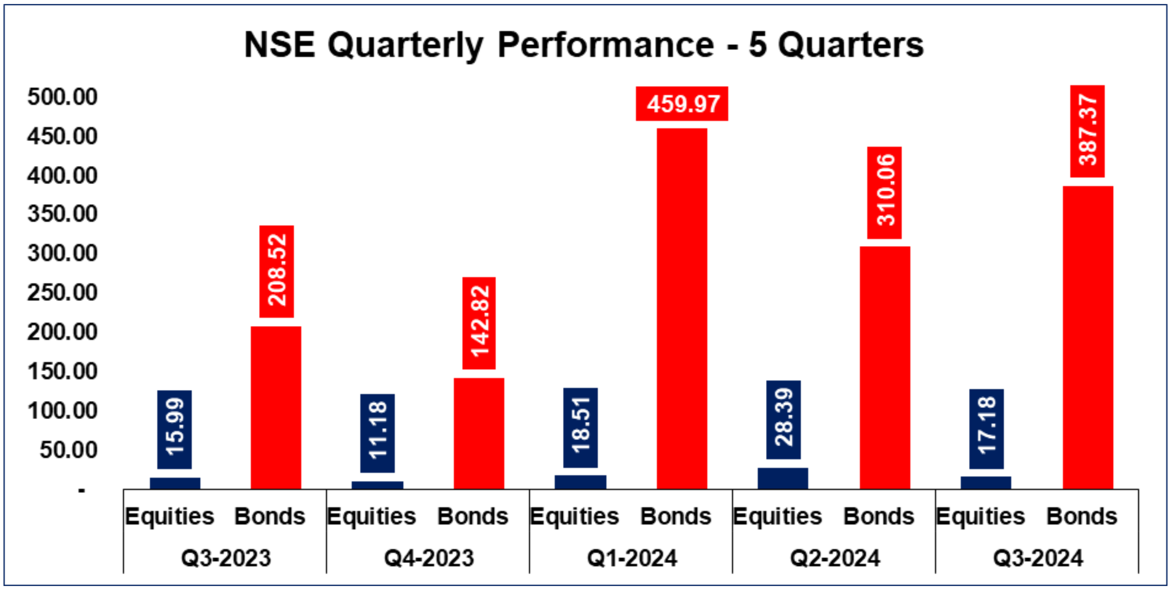

Figure 18: NSE Market Performance Source: OAML, NSE

10.2. Bonds Market

Bonds secondary market saw improved activities with value traded increasing by 24.9% Q-Q to KES 387.37Bn. Trades continue to be dominated by the IFB1/2023/6.5.

NSE Bonds Quarterly Performance								
Indicator	Q3-2023	Q2-2024	Q3-2024	(Y-Y) %	(Q-Q) %	Aug-24	Sep-24	(M-M) %
Deals	7,094	8,169	8,004	12.8%	-2.0%	2,642	2,589	-2.0%
Value (KES Bn)	208.56	310.06	387.37	85.7%	24.9%	88.35	133.18	50.7%

Table 11: Secondary Bonds Market Source: OAML, NSE

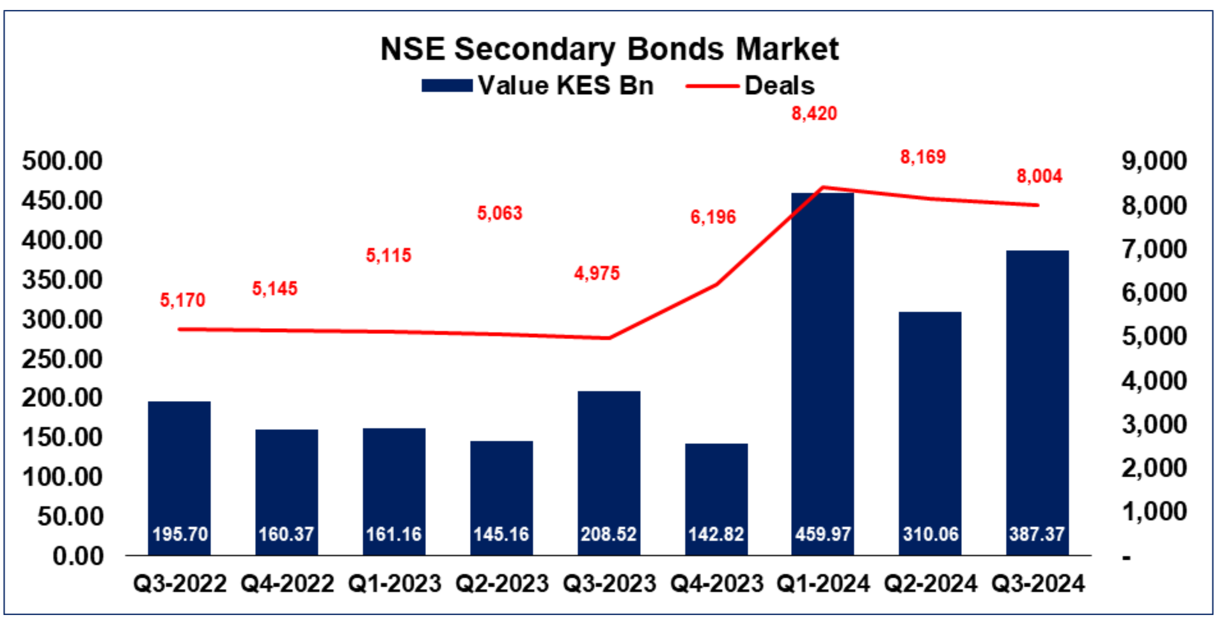

Figure 19: NSE Quarterly Bonds Performance Source: OAML, NSE

Month on month value increased by 50.7% to KES 133.18Bn from KES 88.35Bn in August based on the reopened infrastructure bond.

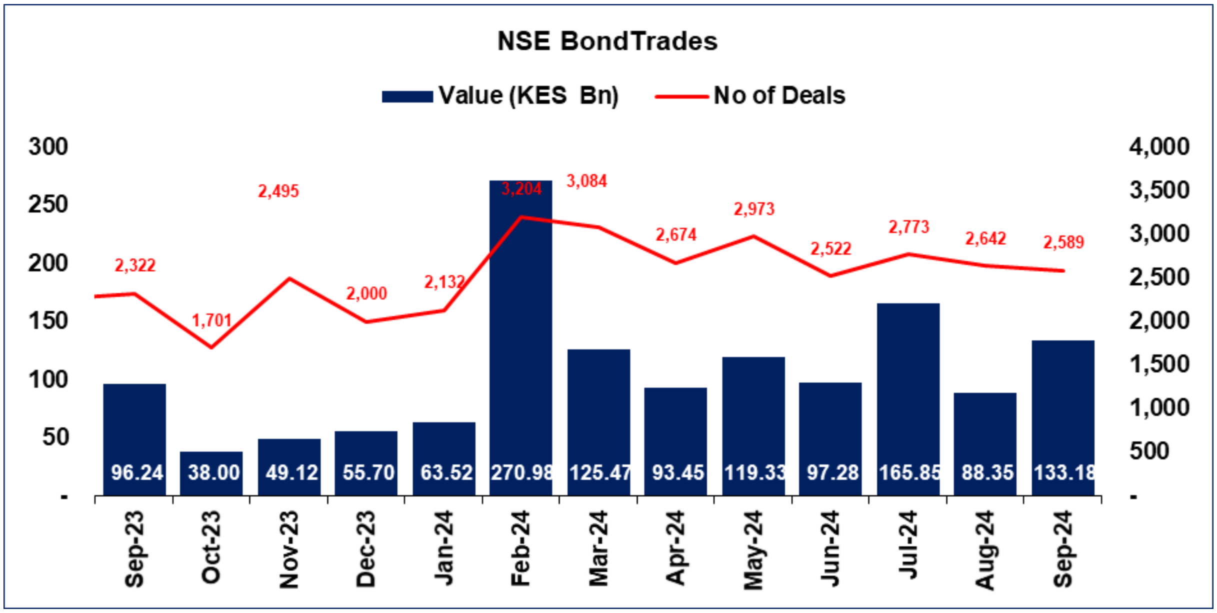

Figure 20: NSE Monthly Bonds Performance Source: OAML, NSE

10.3. Quarterly Yield Curve

The quarter reported an average upward shift of 88.6bps elevated by the mid-range holdings. On the short end saw a downward shift 36.5bps on the 2-year tenure while the 5-year space was affected by the reopening of IFB1/2023/006.5 bond in August.

Yield Key Rates %	30-Sep-23	31-Dec-23	30-Jun-24	30-Sep-24	Y-Y bps Δ	Y-T-D bps Δ	Q-Q bps Δ
2-Yr	17.5018	17.9195	17.2423	16.8775	62.4	104.2	36.5
5-Yr	17.2996	17.4514	15.6512	17.1851	11.5	26.6	153.4
10-Yr	15.7542	15.7043	14.9767	16.6554	90.1	95.1	167.9
15-Yr	15.8599	15.7253	14.9702	16.2685	40.9	54.3	129.8
20-Yr	15.9912	15.8974	15.1852	15.5289	46.2	36.9	34.4
23-Yr	16.0559	16.0641	15.8795	16.1347	7.9	7.1	25.5

Table 12: Bonds Yield Curve – Quarterly Yields Source: OAML, NSE

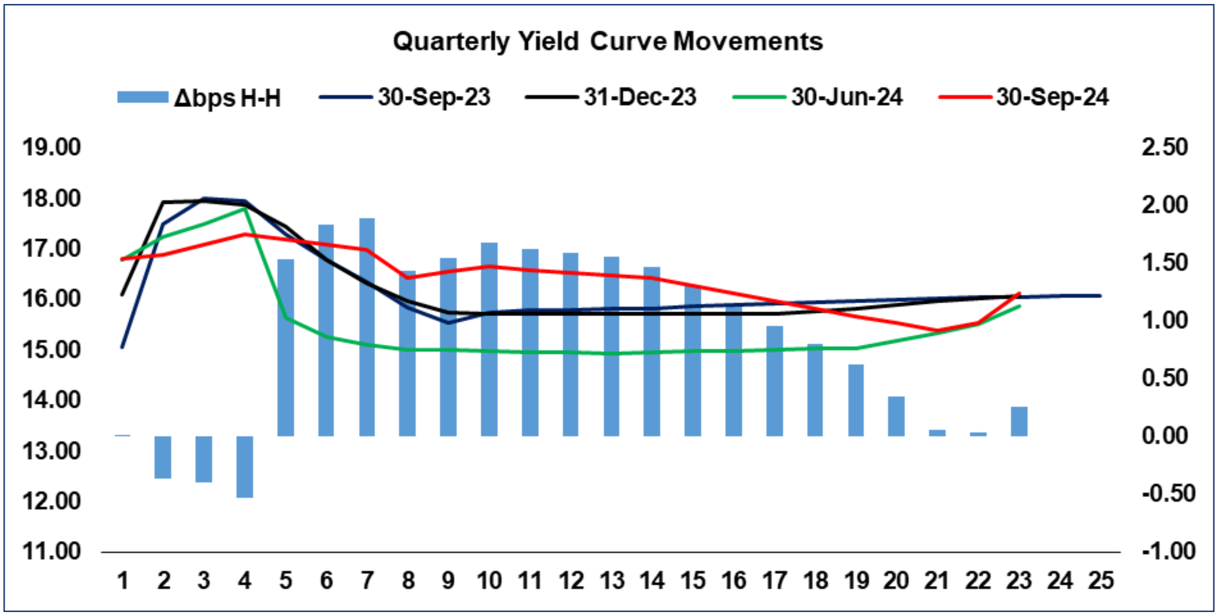

Figure 21: NSE Yield Curve – Quarterly Yield Curves Source: OAML, NSE

10.4. Monthly Yield

The yield curve shifted downwards by an average of 33.1bps with the short end seeing the 2-year and 5-year tenure dipping by more than 100bps while the long end saw an overall downward shift.

The mid curve was affected by the September primary issues with the reopening of the FXD1/2024/010 and the FXD1/2016/020 bonds.

The daily yields continue to give an indicator or falling yields and that has been confirmed by the October reopening of FXD1/2016/010 AND FXD1/2022/010 which will force an upward shift on the short end of the curve.

Yield Key Rates %	30-Sep-23	31-Dec-23	31-Aug-24	30-Sep-24	Y-Y bps Δ	Y-T-D bps Δ	M-M bps Δ
2-Yr	17.5018	17.9195	17.9711	16.8775	-62.4	-104.2	-109.4
5-Yr	17.2996	17.4514	18.6369	17.1851	-11.5	-26.6	-145.2
10-Yr	15.7542	15.7043	16.3586	16.6554	90.1	95.1	29.7
15-Yr	15.8599	15.7253	16.3707	16.2685	40.9	54.3	-10.2
20-Yr	15.9912	15.8974	16.0172	15.5289	-46.2	-36.9	-48.8
23-Yr	16.0559	16.0641	16.1434	16.1347	7.9	7.1	-0.9

Table 13: Bonds Yield Curve – Monthly Yields Source: OAML, NSE

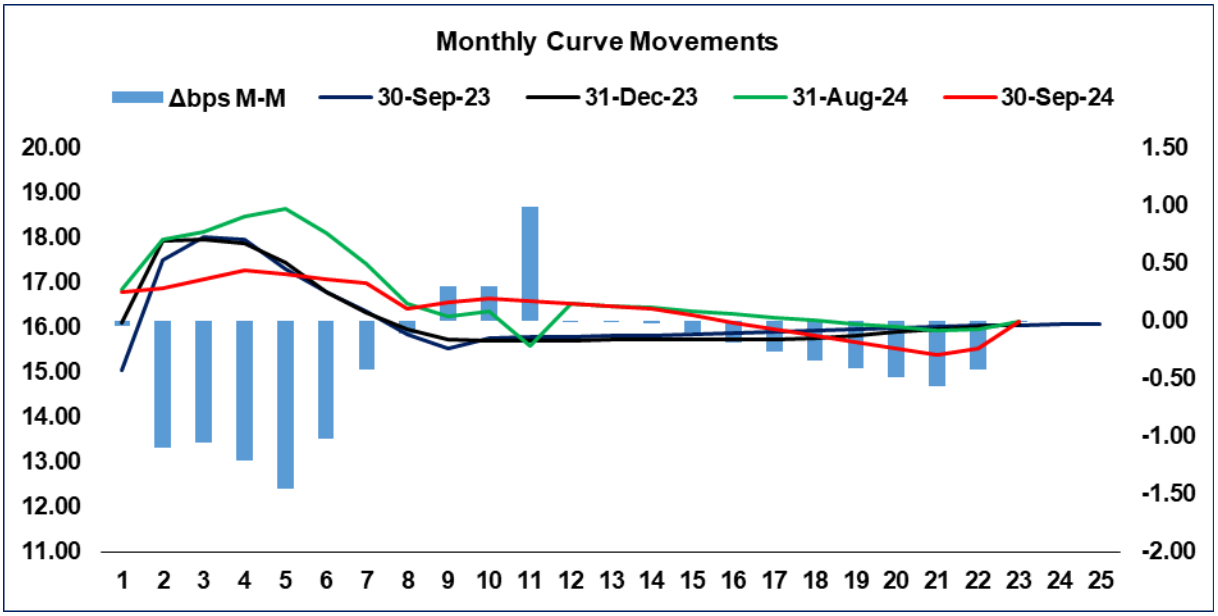

Figure 22: NSE Yield Curve – Monthly Yield Curves Source: OAML, NSE

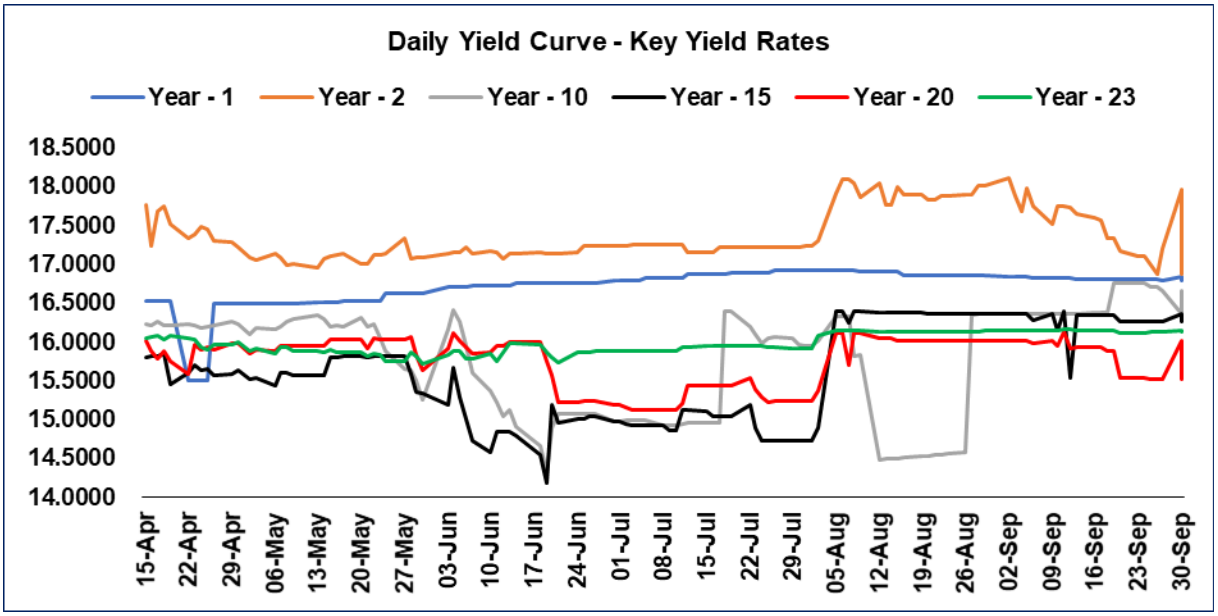

Figure 23: NSE Yield Curve – Daily Yield Curves – Key Rates Source: OAML, NSE

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OAML Investments

Willis Nalwenge, CFA
Email- wnalwenge@orientasset.co.ke

Elvin Khama
Email- eoduor@orientasset.co.ke