Orient Asset Managers Limited

Macroeconomic Summary – H1-2024

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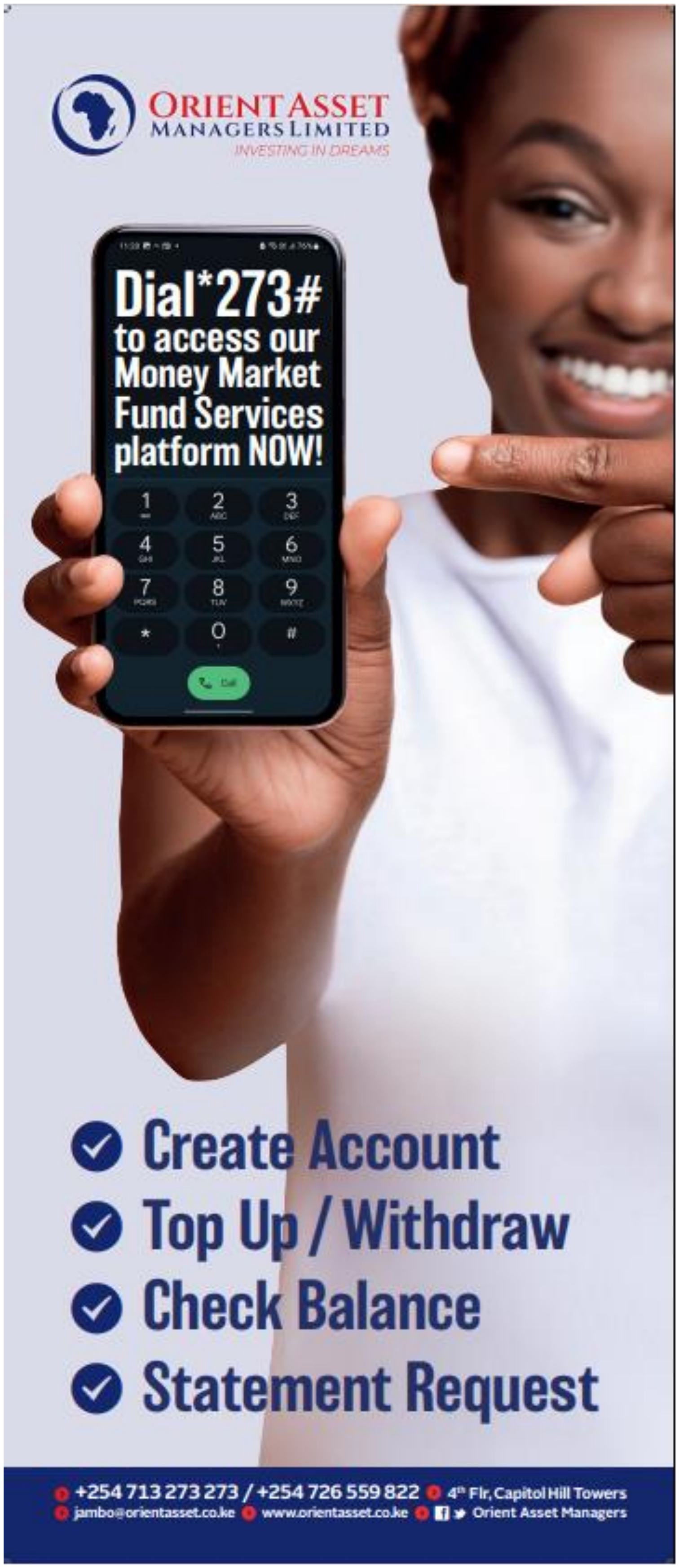
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1. Kenya GDP Growth Remains Resilient at 5.0% in Q1-2024

The Q1-2024 GDP Growth stood at 5.0%, a slower rate compared to 5.5% in Q1-2023. Agriculture sector grew by 6.1% y-y, slower to 6.4% in Q1-2023. Agriculture sector contribution improved to 19.0% from 18.8% in Q1-2023 with rain fed agriculture enjoying above normal rainfall.

Industry Sector growth thinned by 0.1% y-y from 1.5% in Q1-2023. Sector contribution was at 16.4% down from 17.2%. The sector had a hit with mining and quarry activity shrinking by 14.8% y-y while construction saw a growth of 0.1% y-y. Service sector had witnessed flat growth of remained sticky at 6.2% y-y with contribution to GDP up to 57.1% from 56.3% in Q1-2023. Financial and Insurance industries saw a 7.0% y-y growth while education was up 4.0% growth.

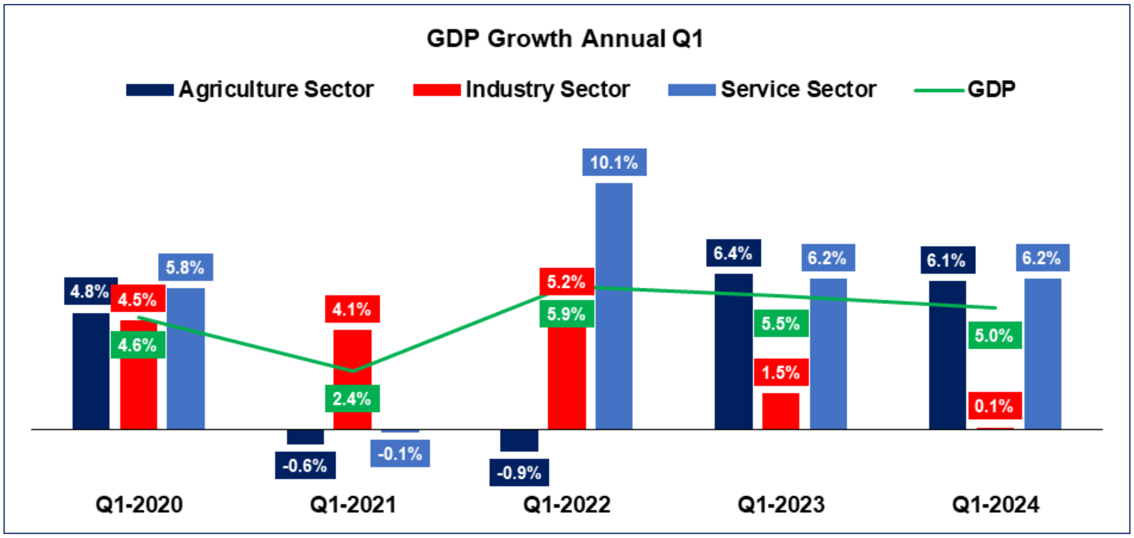

Figure 1: Kenya Annual GDP Growth Source: OAML, KNBS

The overall economy recorded a slower growth compared to 5.1% in Q4-2023 with all key sectors thinning in performance. Most affected was the service sector with growth declining from 6.5% in Q4-2023 to 6.2% in Q1-2024 heavily affected by transport and storage and information and communication that thinned to 3.8% and 7.8% in Q1-2024 from 8.5% and 11.0% respectively.

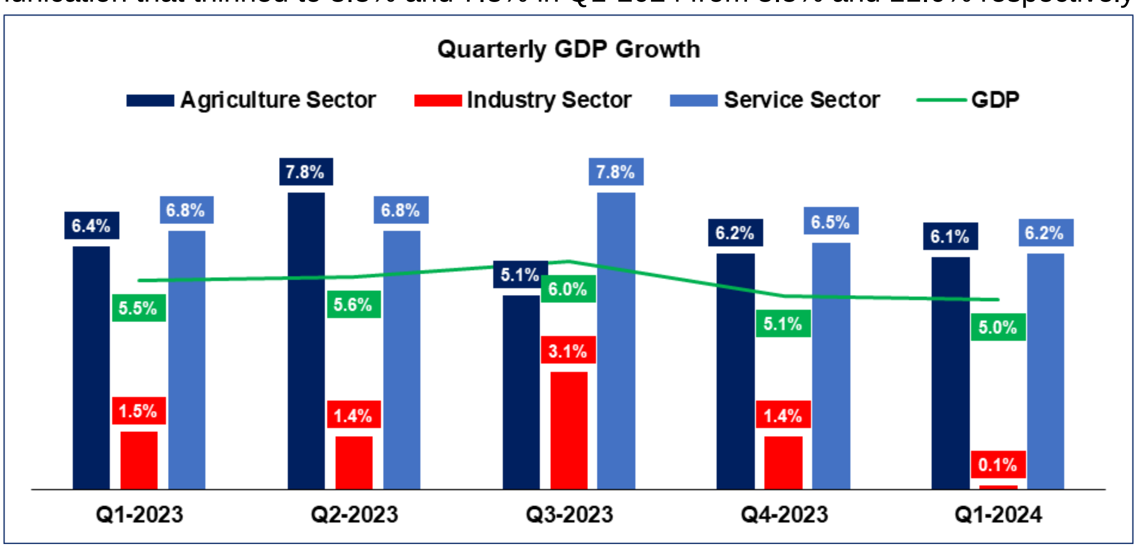

Figure 2: Kenya Quarterly GDP Growth Source: OAML, KNBS

2. Budget 2024- 2025 - Demand for Change - #Reject Finance Bill Movement

The Kenyan economic environment has been termed as volatile due to the ongoing demonstration against the leadership due to high cost of living and lack of accountability in government undertakings. The demonstrations which were triggered by the contents of Finance Bill 2024 led to a chain of events, first, the President rejecting to assent the bill opting to send it back to parliament. The bill which was meant to raise an additional KES 346.7Mn or 1.9% of Kenya's GDP was withdrawn while the President went ahead and signed the Appropriation Bill 2024 approving KES 1,821.72Bn for the fiscal year 2024/2025.

Secondly, the firing of all Cabinet Secretaries and the resignation of the Inspector General of National Police Service. Thirdly, the introduction Supplementary Budget 1 2024/2025.

The initial budget was set to spend KES 3,992.0Bn in the fiscal year 2024/2025 and targeted to collect KES 3,343.20Bn, equivalent to 18.5% of GDP and borrow KES 597.0Bn or 3.3% of GDP. The budget had a target of KES 2,917.2Bn, or 16.2% of GDP from ordinary revenue.

Expenditure	Allocation (KES Bn)	% of GDP
Ministerial Recurrent Expenditure	1,628.60	9.0%
Interest payments and pensions	1,213.40	6.7%
Ministerial Development Expenditure	745.90	4.1%
Contingency Fund	4.00	0.0%
Equitable share to Counties	400.10	2.2%
Total Expenditure	**3,992.00**	**22.10%**

Table 1: Kenya Budgetary Expense Fiscal Year 2024/2025 Source: OAML, GoK Treasury

The following changes are set out in Supplementary Budget Estimates 1. The reduction in total expenditure from 22.1% to 21.4% of GDP is critical.

Supplementary Expenditure	Allocation (KES Mn)	Supplementary Estimates 1 (KES Mn)	Variance (KES Mn)	Variance %
Ministerial Expenditure	**2,378,432.50**	**2,222,033.80**	**-156,398.70**	**-6.6%**
Ministerial Recurrent Expenditure	1,632,096.60	1,598,049.10	-34,047.50	-2.1%
Ministerial Development Expenditure	746,335.90	623,984.70	-122,351.20	-16.4%
Interest payments and pensions	1,213,453.20	1,237,233.80	23,780.60	2.0%
Equitable share to Counties	400,117.10	410,951.00	10,833.90	2.7%
Total Expenditure	**3,992,002.80**	**3,870,218.60**	**-121,784.20**	**-3.1%**

Table 2: Supplementary Budget Estimate Fiscal Year 2024/2025 Source: OAML, GoK Treasury

- The revenues were reversed down from the original budget of 18.5% to 17.5% of GDP with grants at 0.3% of GDP.
- Overall fiscal deficit and grants were pushed up to 3.6% of GDP from 3.3% of GDP
- Net foreign borrowing edging up 2.0% from 1.8% of GDP while net domestic borrowing increasing to 1.6% from 1.5% of GDP.

The government's GDP growth target is 5.5%, with a revenue target of 22.1% of GDP (later reduced to 21.4% of GDP). This is expected to be a difficult task due to the presidential rejection of the 2024 Finance Bill.

2.1. The economic effect of the rejection of the Finance Bill 2024 include:

- Revenue collection has slowly picked beating the logic of aggressive collection target as Kenya Revenue Authority collected KES 2.407Tr, being 95.5% of the target KES 2.52Tr.
- The Exchequer revenue grew by 9.5% after collection of KES 2.22Tr, which was 95.8% success on KES 2.32Tr.
- Increase of fiscal deficit from 3.3% to 3.6% of GDP. This will give a relief to revenue collection but will impact the economy with the government borrowing crowding out private sector which will leave the rates elevated slowing down private sector credit.
- To bridge the gap, the government will be forced to increase borrowing allocation to the domestic market. The borrowing pressure will keep the cost of financing high to attract investors.
- The crowding out effect will limit the contribution of the private sector to economic growth as seen by the decline of Private Sector Credit Growth from 13.9% in December 2023 to 6.6% in April 2024 while gross non-performing loans (NPLs) increasing to 16.1% from 14.8% during the same period. This is made worse by the low PMI of 47.2 seen in June 2024.
- Moody's Sovereign Credit Agency downgrade of Kenya's local and foreign-currency long-term issuer ratings and foreign-currency senior unsecured debt ratings to Caa1 from B3 with a negative outlook will create jitteriness on the international market pushing Kenya's bonds and equities further down towards junk category.

The expected economic slowdown will impact the ordinary revenues especially income revenue and in particular PAYE due to the expected slowdown in hiring and salary adjustment. Below is the initial revenue target prior to the changes in the supplementary budget.

Revenue Line	Budgetary Allocation (KES Bn)	Proportion of Total Revenue	% of GDP
Income Tax	1,230.30	36.8%	6.8%
VAT	815.74	24.4%	4.5%
Excise Duty	424.59	12.7%	2.3%
Import Duty	190.56	5.7%	1.1%
Other Taxes	257.43	7.7%	1.4%
A.I.A	426.00	12.7%	2.4%
Total Revenue	**3,343.20**	**100.0%**	**18.5%**

Table 3: Kenya Ordinary Revenues Fiscal Year 2024/2025 Source: OAML, GoK Treasury

3. Central Bank of Kenya (CBK)

The Central Bank maintained the Central Bank Rate (CBR) at 13.0% in H1-2024, with the goal of taming the shilling and easing inflation. According to the regulator, the impact of the rate retention was positive for both parameters, with the shilling appreciating by 17.2% against the dollar and inflation falling from 6.6% in December to 4.6% at the end of June.

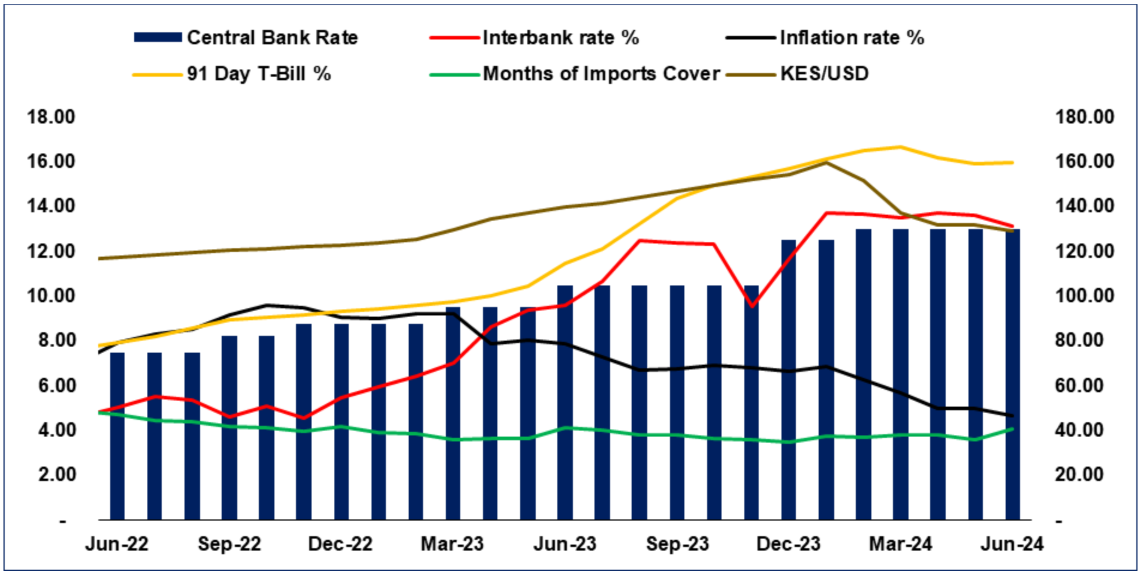

Figure 3: Key CBK Rate Source: OAML, KNBS, and

Despite the success, the CBK is expected to retain the rate in the upcoming August meeting taking cue from developed economies who majority retained the rates, apart from European Central Bank (ECB) which cut the rate by 25bps from 4.5% to 4.25%. Headline inflation remain above government target in all the economies apart from the UK inflation rate which was at government target of 2.0% in June. Core inflation has remained a key factor for the economies with all economies reporting core inflation above the target.

4. Inflation – Food and Fuel Prices Keep Rate below Government Target

The first half of the year saw inflation at 5.6% compared to 6.9% in H2-2023 and 8.5% in H1-2023. The low inflation was supported by low food prices, low fuel and electricity prices. Core inflation averaged 3.6% in first 5-months of 2024 from 4.3% during the same period in 2023and 3.6% in H2-2023.

Food inflation averaged at 2.5% in the first 5-months, down from 4.5% in H1-2023 and 3.0% in H2-2023. Fuel inflation averaged 2.2% in 5-months from 2.9% in first 5-months in 2023 and 2.8% in H2-2023.

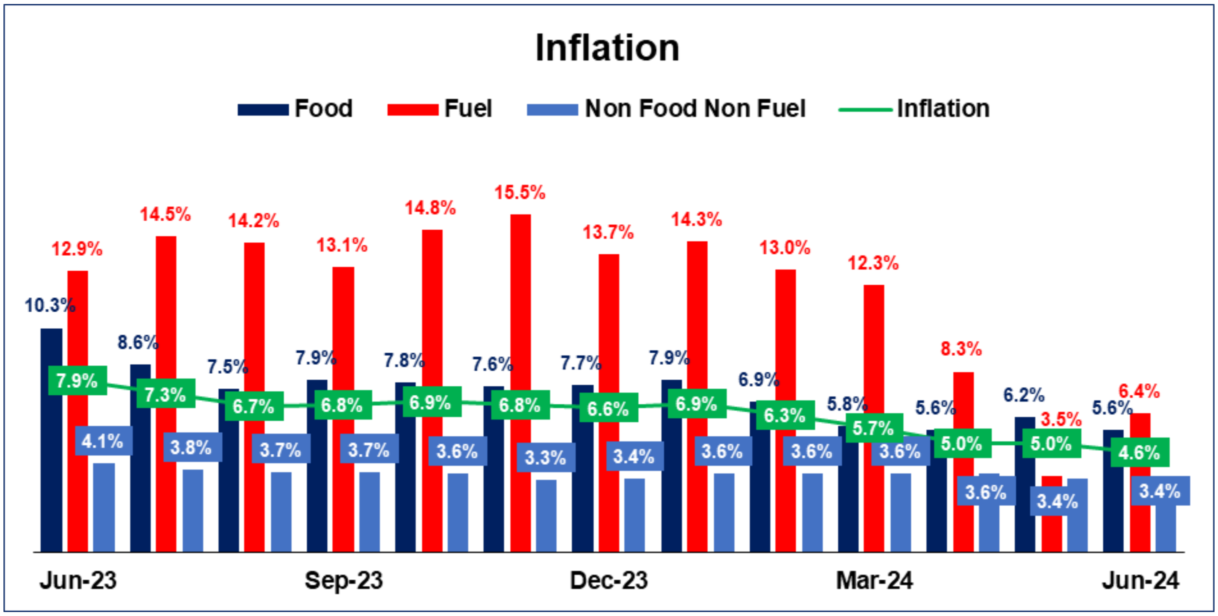

Figure 4: Kenya Inflation Rate Source: OAML, KNBS

The local landing petroleum prices have continued to be lag the international prices while the stabilization of the shilling against the dollar is seen to accelerate the range between the international prices and the landing price in Kenya.

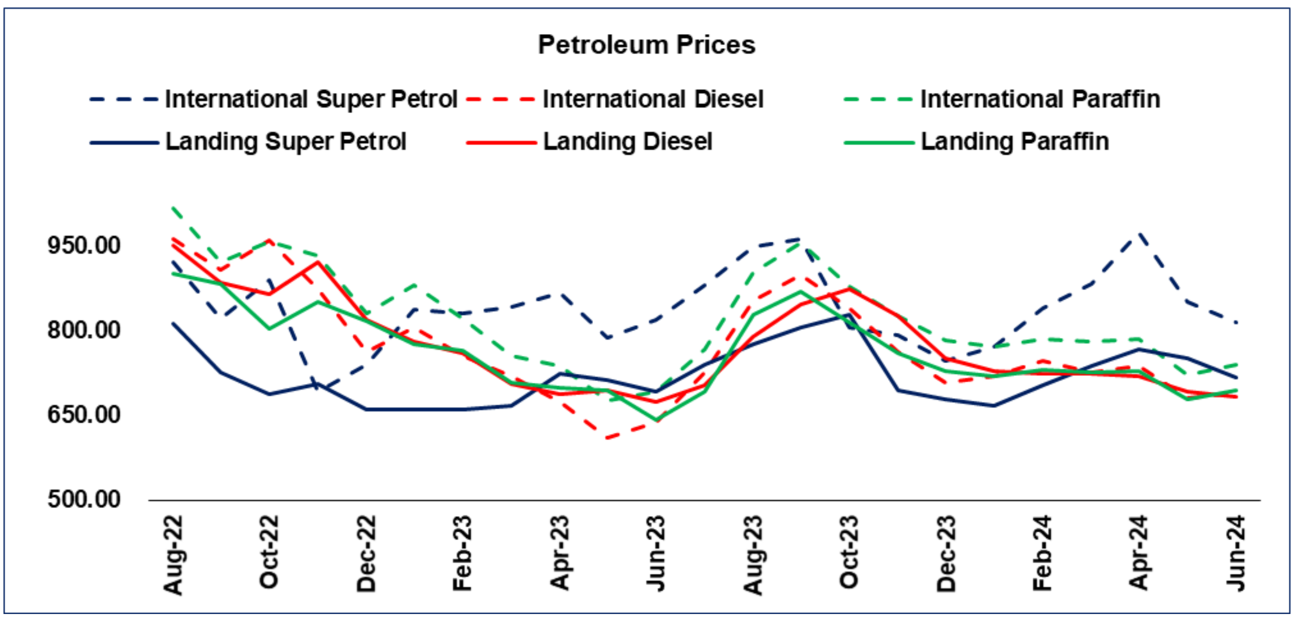

Figure 5: Petroleum Prices Global vs Kenya Landing Prices Source: OAML, EPRA

The country continues to receive fair weather with above average rainfall in the food basket region. This will cushion food prices to the end of the year. Stable international prices and strong KES/USD will assist with keeping fuel prices low.

The major risk comes from the increased Road Maintenance Levy by 38.8% from KES 18.00 to KES 25.00 whose affect will pump prices pushing up inflation. Despite the upward adjustment, pump prices for the month of July to August 2024 declined by 0.5%, 0.9% and 0.8% for Petrol, Diesel and Paraffin respectively. The main effect on the decline was due to reduce landing prices by 7.3%, 4.4% and 0.4% on Petrol, Diesel and Paraffin respectively. This led to a drop on the composition of landing rates to 49.2%, 51.5% and 55.8% from 52.8%, 53.4% and 55.6% on Petrol, Diesel and Paraffin respectively. The Road Maintenance Levy Fund, which is intended to repair and build roads, is out of date; it was last reviewed in 2016, and input prices and production costs have risen since then.

5. Interbank Rate – Stable on Fair Liquidity and Retention of CBR

Fair liquidity at the end of the half saw interbank ease to touch a low of 12.9220% in mid-June. The liquidity was buoyed by:

i. Low government payment with receipts matching the payments.
ii. Inflow from international partners towards the payment of the last batch of USD 560Mn (KES 72.0Bn) of the 2024 6.875% KENINT 24 that matured on June 22, 2024.
iii. Increased investment in short term papers continues to aid in liquidity especially flows on the 91-day paper.
iv. Commercial banks have switched tact from growing private sector credit moving found to more stable short term government with the 364-day paper offering 16.7911% compared to an average of 19.5% offered on private sector credit.

There has been a shift by commercial banks from lending to government securities with bank liquidity ending up to 53.6% in March from 51.0% in December while gross loan book contracted by 2.8% during the period.

Interbank Rate - 2024								
Period/Narration	**H1-2023**	**H2-2023**	**H1-2024**	**Y-YΔ**	**H-HΔ**	**Q1-2024**	**Q2-2024**	**%Q-Q**
Closed Week at	10.17%	14.44%	13.30%	**3.1**	**-1.1**	13.75%	13.30%	**-44.8**
Average Rate	7.81%	11.78%	13.55%	**5.7**	**1.8**	13.61%	13.49%	**-11.7**
Closing Demand (KES Bn)	38.54	7.75	3.49	**-91.0%**	**-55.0%**	15.48	34.88	**125.3%**
Average Demand (KES Bn)	21.21	21.68	22.98	**8.3%**	**6.0%**	23.84	22.07	**-7.4%**
Bank Excess Liquidity (KES Bn)	59.30	10.10	12.80	**-78.4%**	**26.7%**	18.30	12.80	**-30.1%**

Table 5: Interbank Rate and Demand   Source: OAML. CBK

Commercial bank reserves were in the positive closing the period at KES 12.80Bn compared to KES 10.10Bn at end of H2-20232 however lower to H1-2023. The levels improved based on the interbank rate which was positive for tier II and tier III banks.

We anticipate tight liquidity in the second half of 2024 with government payment of bond coupon and maturities standing at KES 411.37Bn and T-bills of KES 253.72Bn in Q3-2024. This will force the government to issues bonds worth KES 70.0Bn per month for the period while demand for T-Bills is KES 624.00Bn (this is a concern as payout for Q3-2024 underperform the quarter demand of KES 312.00Bn).

6. Currency – A Stable Shilling on Temporary Inflows

The shilling gained against all the major currencies and regional currencies. On a YTD basis, the shilling strengthened by 17.2%, 18.0%, 20.1% and 27.2% against the US Dollar, UK Pound, Euro and Japanese Yen. The gains were due to the gains made on the dollar despite the greenback remaining strong in the international FX markets.

The resilience was maintained on a Q-Q basis with weakness witnessed against the South African Rand and Ugandan Shilling with the local unit shedding 1.3% and 2.8% Q-Q respectively.

The positive move on the shilling was supported by inflows from concessionary loans received for budgetary support in February and June which went towards payment of Eurobond 2024. Further support came from inflows from the USD 1.50Bn on Eurobond 2031 and infrastructure bond issued February 2024.

Currency Performance								
Currency	H1-2023	H2-2023	H1-2024	%ΔY-Y	%ΔH-H	Q1-2024	Q2-20242	%ΔQ-Q
KES/USD	140.5235	156.4618	129.5270	7.8%	17.2%	131.8005	129.5270	1.7%
KES/GBP	177.2759	199.8047	163.9035	7.5%	18.0%	166.5497	163.9035	1.6%
KES/EUR	152.9815	173.7797	138.8659	9.2%	20.1%	142.6740	138.8659	2.7%
KES/JPY	97.0098	111.0013	80.7550	16.8%	27.2%	87.1149	80.7550	7.3%
KES/SAZ	7.4539	8.4402	7.0552	5.3%	16.4%	6.9630	7.0552	1.3%
KES/UGX	26.0811	24.1915	28.6427	9.8%	18.4%	29.4764	28.6427	2.8%
KES/TZS	17.1858	16.0744	20.2660	17.9%	26.1%	19.3626	20.2660	4.7%
KES/RWF	8.2520	8.0466	10.0859	22.2%	25.3%	9.7559	10.0859	3.4%

Table 6: Currency Movement — Source: OAML, CBK

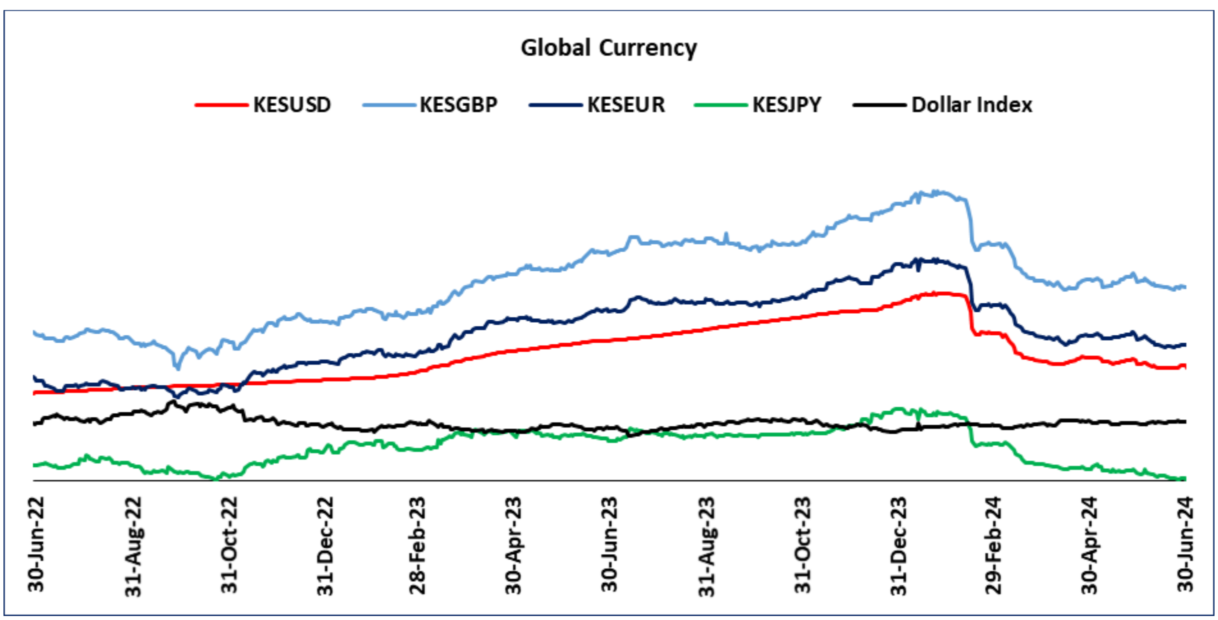

Figure 6: Currency Movement against the KES — Source: OAML, CBK

End month currency movement shows stability with the shilling closing stronger M-M for five consecutive months. The payment of the Eurobond necessitated the strengthening of the currency to enable the government pay lower in dollar terms compared to a weak shilling environment.

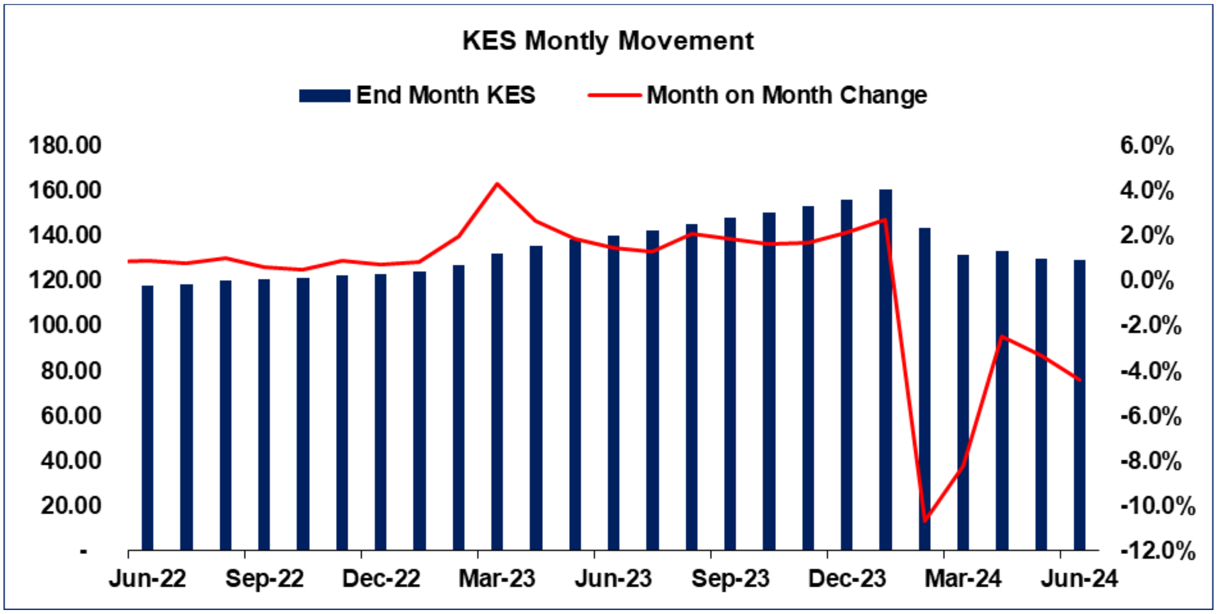

Figure 6: End Month Shilling Positive and Monthly Movements Source: OAML, CBK

Forex reserves at 4.1 months of import cover from 3.6 months in May and 3.5 months in December 2023. The level matched months the 4.12 months of import cover seen at close of H1-2023. This was due to inflows received from IMF towards clearing the USD 500Mn 2024 principal and coupon and cover the end of fiscal year debt payments**.**

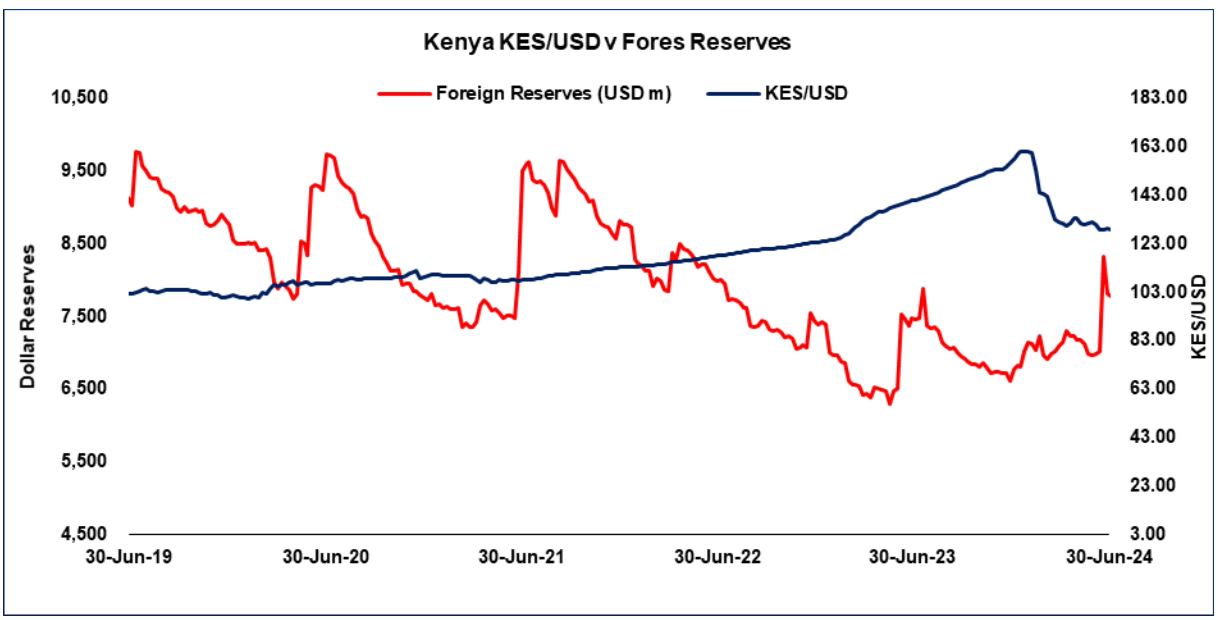

Figure 7: Foreign Currency Reserves Source: OAML, CBK

The shilling is expected to come under pressure in H2-2024 due to heavy infrastructure bonds coupon payments with the bonds dominated by foreign investors. Eurobond coupon payments will coincide with the December debt payment.

The high dependency on concessionary loan for budgetary support and to stabilize the shilling will test the GoK relationship IMF after the government withdrew the Finance Bill 2024. The Finance Bill which contained additional fiscal measures to grow local revenue towards government commitment to increase revenue collection to 22.0% of GDP was affected after the President withdrew Finance Bill 2024 which was supposed to increase collection by KES 301.7Bn of the overall KES 346.7Bn or 1.9% of Kenya's GDP in the 2024/2025 budget (KES 45.0Bn customs collection which is under the East Africa Legislative Assembly).

International Currency Updates

Dollar index gained 2.9% y-y and 4.7% compared to end of H2-2023 with demand elevated after the Israel vs Palestine war which saw a rise in global demand and increase in demand for commodity.

We expect a shift in policies after changes in leadership in the European Union Parliament and the French political scene with changes in representative composition and need for coalition to make majority in the two houses.

In the UK, 61 year old, Sir Keir Starmer, of the Labor Party, became Prime Minister in an election that saw the Conservative Party led the by former Prime Minister Rishi Sunak, subjected to its worst loss in history. The party saw Eleven Conservative cabinet ministers unseated in the election.

In the US elections, former President Donald Trump leads incumbent President Joe Biden in opinion polls, particularly in key swing states. Trump's campaign promises include repealing Biden's tax increases, aggressively tackling inflation, and reviewing the government's relationship with American energy producers.

7. Treasury Bills

The market continues to have positive response on the short term paper with a subscription for H1-2024 at 133.0% and an acceptance level of 91.8%, performance of 122.5%. The weighted yield of the period was 16.371%. The market was mildly affected by the Treasury and CBK threat on yield cut which saw a downward shift in mid-April 2024 when the 91-day paper yields declined by 99.1bps from 16.264% to 15.733%.

H1-2024									
Tenure	Offer (KES Bn)	Subscription	Acceptance	Subscription	Acceptance	Performance	WAR % H2-2023	WAR % H1-2024	Δbps Q-Q
364-Day	**260.00**	**209.94**	**190.75**	80.7%	90.9%	73.4%	16.100%	16.791%	**69.1**
182-Day	**260.00**	**199.83**	**183.88**	76.9%	92.0%	70.7%	15.967%	16.764%	**79.7**
91-Day	**104.00**	**420.36**	**387.06**	404.2%	92.1%	372.2%	15.983%	15.977%	**(0.6)**
Total	**624.00**	**830.12**	**761.70**	**133.0%**	**91.8%**	**122.1%**		**16.371%**	

Table 7: Treasury bill Performance Source: OAML, CBK

In spite of a 0.6bps H-H decline in yields, investors strategy on liquidity management continued target the 91-day paper which saw a subscription levels if 404.2% with an acceptance of 92.1%. The yield eased from 15.983% at close of H2-2023 to 15.977% in H1-2024.

A switch to 182-day paper in Q2-2024 driven by higher acceptance saw investors aggressively bid pushing the yield up 79.7bps to 16.764% as subscriptions lagged by 76.9%.

The 364-day paper was up 69.1bps to close at 16.971% managing a partial 80.7% subscription levels.

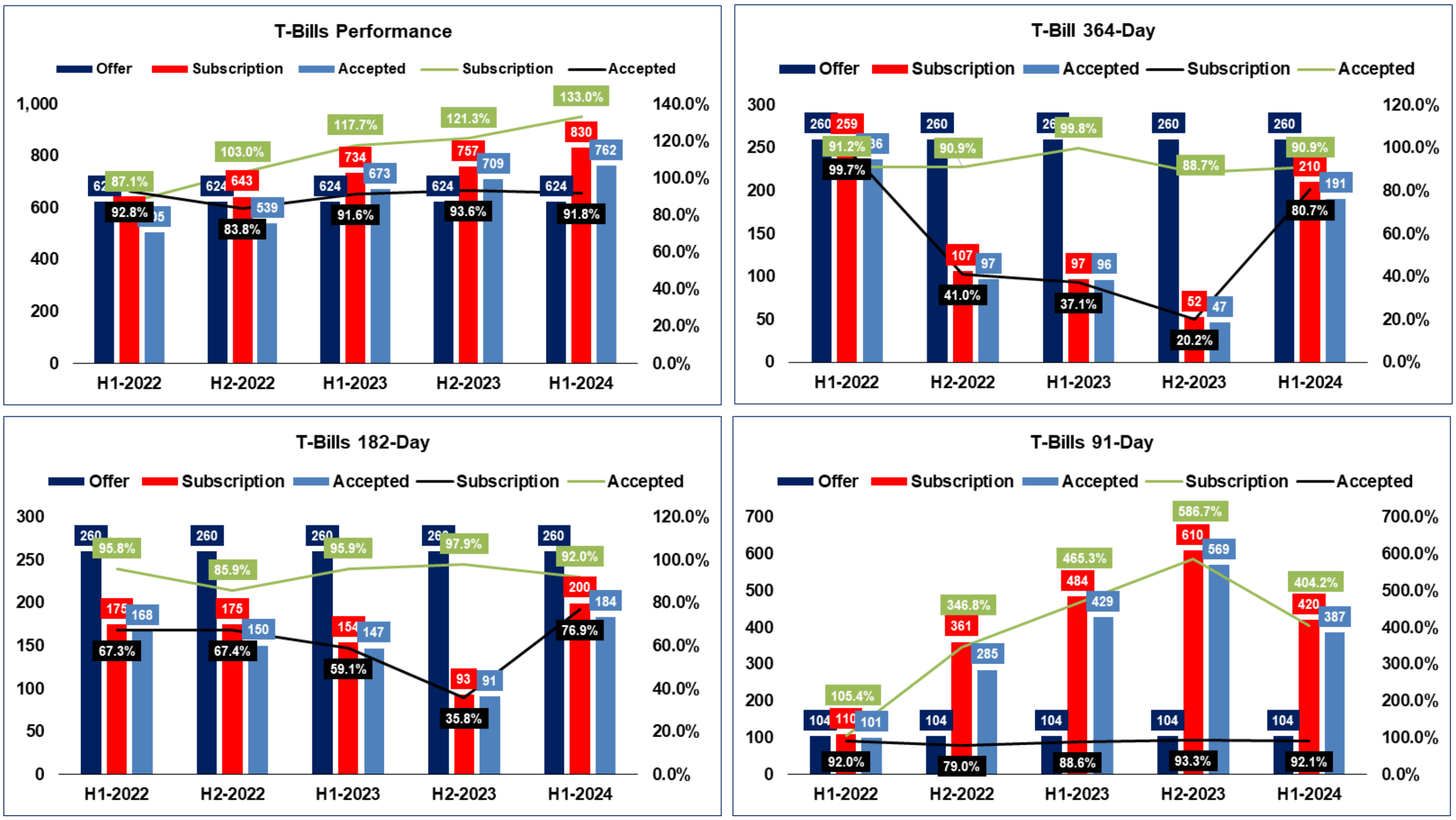

Figure 8: Treasury Bills Performance

Source: OAML, CBK

The range between the 364-day and 182-day paper gives the shorter tenure paper an edge in an upside market. High demand in Q2-2024 boosted yield recovery despite of favorable liquidity poised by flows from international lenders and banking industry strategic positioning as reflected by the interbank rate in the figure below.

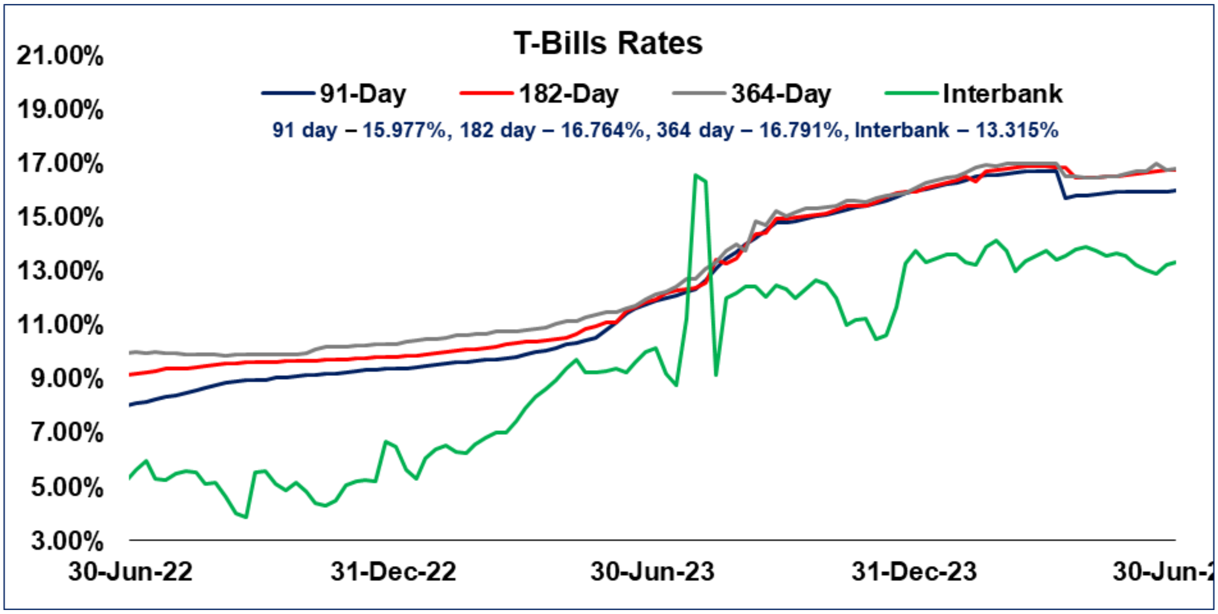

Figure 9: Treasury bill Rates Source: OAML, CBK

In H2-2024, the government is expected to borrow KES 624Bn in T-Bills. That is KES 312.00Bn per quarter with Q3-2024 payout standing at KES 253.72Bn, a mismatch of KES 58.58Bn which will lead to aggressive bidding keeping the rates at elevated levels.

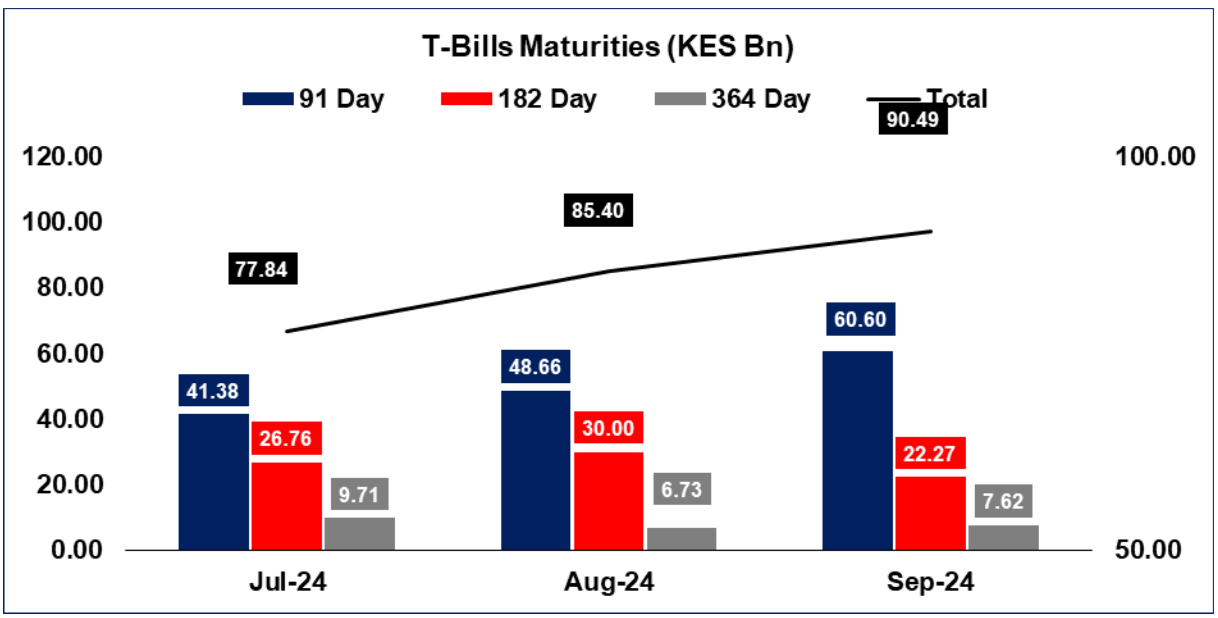

Figure 10: Treasury bill Q3-2024 Payout Source: OAML, CBK

8. Domestic Debt

Net domestic debt closed 16.3% higher at KES 5,409.11Bn from KES 4,650.56Bn. This was driven by a 21.1% increase in T-Bonds on the February infrastructure bond and reopening of the three year FXD1/2023/003. Holding in treasury bills declined 1.8% on intention reduction of the short term in February 2024.

However, strategic liquidity management and low interest in reopening and taps in bonds in 2024 has seen a reversal of T-Bills with a net borrowing of KES 68.99Bn or a 12.6% jump in T-Bill borrowing between December 2023 and end of H1-2024.

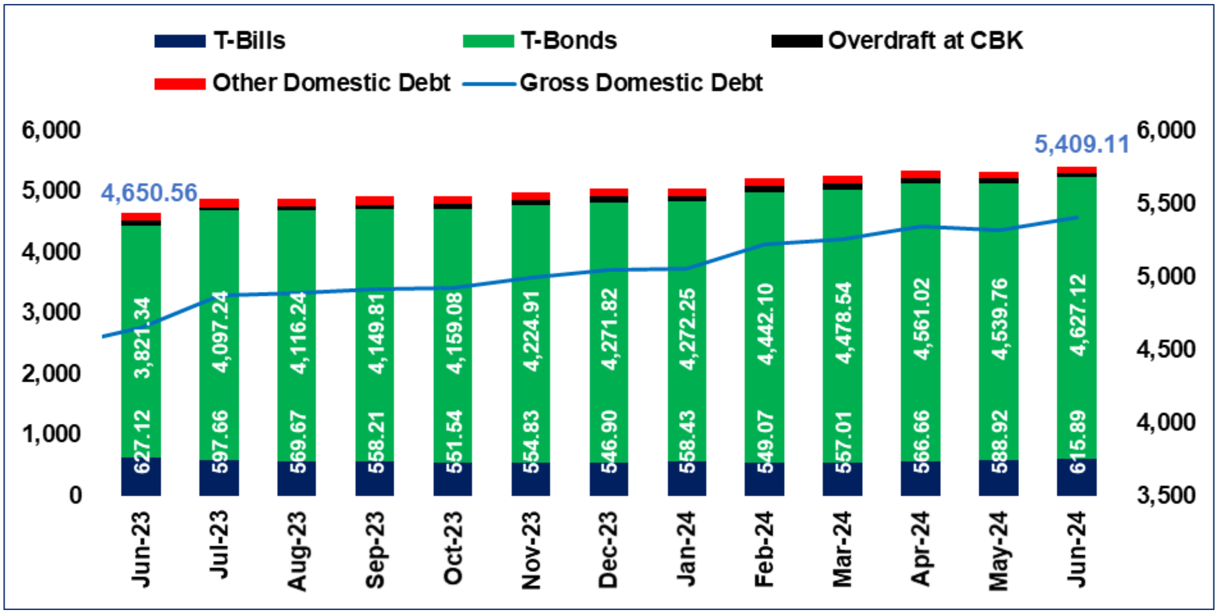

Figure 11: Kenya Domestic Debt Portfolio Source: OAML, CBK

The most notable element on the holding of domestic debt is the increase in other investors, the category containing retail investors, growing to 12.92% at end of June 2024 from 6.43% in December with a thinning in all other categories. This was enabled by the introduction of Dhows CSD investment platform that made it easy for retail investors to hold government papers.

9. Eurobond

Government settled the payment of the USD 560Mn or KES 72Bn balance of Eurobond 2024. The payment was a debt substitution with GoK receiving debt facility from the World Bank.

The yield on the Eurobonds had have seen an upward movement driven by the Reject Finance Bill protest and further worsened by the downgrade by Moody on Local Currency and Foreign Currency senior unsecured debt ratings to Caa1 from B3 with a negative outlook.

Eurobond BPSΔ						
Bond Tenure	**2027**	**2028**	**2031**	**2032**	**2034**	**2048**
28-Jun-24	**8.809%**	**10.155%**	**10.621%**	**10.445%**	**10.521%**	**10.885%**
W-W	20.6	8.0	8.1	4.2	17.5	7.9
M-T-D	64.2	111.4	97.6	101.6	100.0	89.4
M-M	59.6	115.6	92.9	90.6	90.0	83.8
Y-T-D	38.9	28.2	1,062.1	66.5	109.5	67.3
Y-Y	283.3	196.0	1,062.1	123.8	44.2	72.8

Table 8: Eurobond Yields Source: OAML, Bloomberg

We expect the rate to ease downwards as the protests have remained peaceful. Local economy continues to enjoy adequate liquidity and we expect the government to be able to fill demand on the local currency debt requirement.

We also do not expect much of a challenge on the foreign currency debt, which was priced into the fiscal year budget at a net of KES 330.80Bn.

10. Nairobi Securities Exchange

10.1. Equities Secondary Market

The stock market was upbeat with value boosted by foreign inflows. The NSE 20 Share Index was up 10.3% H-H after strong performance and positive dividend payment. NSE 25 Share Index and NASI recovered 20.2% and 18.9% supported by banking sector and energy sector.

Foreign flows boosted volume traded by 17.5% H-H. Volumes coupled with price increase saw value traded up by 72.5% during the period.

NSE Performance								
Indicator	**H1-2023**	**H2-2023**	**H1-2024**	**(Y-Y) %**	**(H-H) %**	**Q1-2024**	**Q2-2024**	**(M-M) %**
NSE 20	1,574.92	1,501.16	1,656.50	5.2%	10.3%	1,752.43	1,656.50	-5.5%
NSE 25	2,728.89	2,380.23	2,861.04	4.8%	20.2%	2,975.42	2,861.04	-3.8%
NSE 10		907.51	1,117.39	-	23.1%	1,155.41	1,117.39	-3.3%
NASI	107.00	92.11	109.49	2.3%	18.9%	113.09	109.49	-3.2%
NSE Mkt CAP (KES Bn)	1,666.29	1,439.02	1,710.64	2.7%	18.9%	1,766.95	1,710.64	-3.2%
NSE Mkt CAP (USD Mn)	12.66	9.74	12.16	-3.9%	24.8%	11.78	13.07	10.9%
VOLUMES (Bn)	1.85	1.84	2.16	16.8%	17.5%	1.07	1.09	1.9%
NSE Turnover (KES Bn)	59.22	27.18	46.89	-20.8%	72.5%	18.51	28.39	53.4%
NSE Turnover (USD Mn)	0.45	0.18	0.33	-25.9%	81.2%	0.12	0.22	75.7%
Foreign Buys (KES Bn)	25.15	12.47	21.76	-13.5%	74.5%	10.18	11.58	13.7%
Foreign Sales (KES Bn)	37.75	18.30	21.05	-44.2%	15.0%	12.45	8.60	-30.9%
Foreign Net ∆ (KES Bn)	-12.60	-5.83	0.71	-105.6%	112.2%	-2.27	2.98	231.2%
Dollar Return (NASI)	-4.4%	-4.2%	39.3%			27.9%	10.0%	

Table 9: NSE Equities Market Performance Source: OAML, NSE

The quarter saw a dip in valuation with a last minute value decline due to the protest, a show case of effects of political risk. NSE 20 Share index was down 5.5% Q-Q. Manufacturing sector remained upbeat with EABL up 12.5% Q-Q. Banking and Telekom Sector had value loss with DTB, Co-op Bank, Equity Stanbic and Safaricom shedding 15.5%, 15.3%, 10.4% 9.7%6.2% and 2.5% respectively.

Foreign inflows left volumes marginally up 1.9% while value was supported by price gains shouldered by the volumes increase. Foreign activities were suppressed by net outflow in Safaricom Plc with outflows of KES 2.02Bn on a 67.5% activity level. Positive inflows were seen in BAT, DTB, Equity Group and Housing Finance.

10.2. Bonds Market – Secondary Market

Bonds market remained active despite the slowdown in Q2-2024 with KES 310.00Bn traded compared to KES 459.97Bn in Q1-2024.

The market was controlled by a single bond IFB1/2024/008.5 which transacted 46.7% in Q2-2024 value and controlled 54.7% of value in H1-2024.

The reopening and tap sales of the recently issued bonds have led to saturation of the papers in the market leading to low interest in the short term papers of FXD1/2023/002 and FXD1/2024/003.

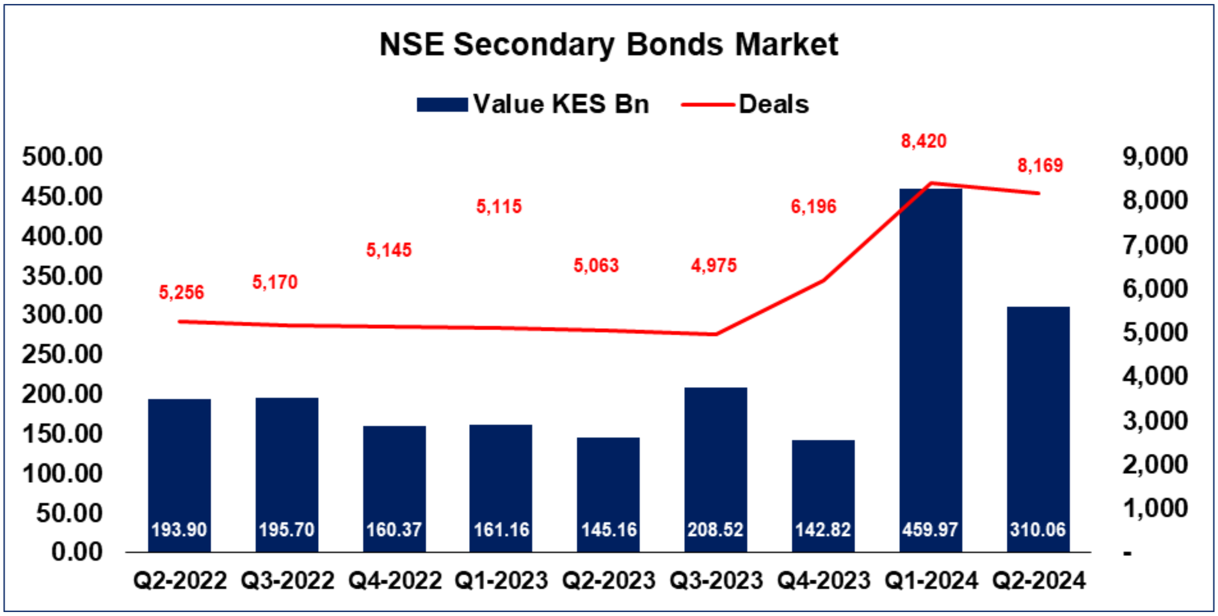

Figure 12: Secondary Bond Market Perform | Source: OAML, NSE

11. Yield Curve

Yields dropped on Q-Q levels with average rate down to 15.5235%, 94.8bps down compared to 16.4715% in Q1-2024 and down 71.1bps against and average rate of 16.2346% seen in end of 2023. However, the yields remain elevated by 102.2bps compare to an average of 14.5015%.

On overall, the Q2-2024 yield curve has shifted downwards compared to Q1-2024 and Q4-2023 yield curves driven by activities in the short end and lack of demand on the middle and long end of the curve.

Yield Key Rates %	30-Jun-23	31-Dec-22	31-Mar-24	30-Jun-24	Y-Y bps Δ	Y-T-D bps Δ	Q-Q bps Δ
2-Yr	13.7576	12.1736	18.1404	17.2423	348.5	506.9	-89.8
5-Yr	14.3588	13.5287	17.9811	15.6512	129.2	212.3	-233.0
10-Yr	14.7681	13.7746	16.5024	14.9767	20.9	120.2	-152.6
15-Yr	14.7582	13.9316	15.8254	14.9702	21.2	103.9	-85.5
20-Yr	14.6129	14.0459	16.0409	15.1852	57.2	113.9	-85.6
23-Yr	14.8710	14.1627	16.1387	15.8795	100.8	171.7	-25.9

Table 9: Monthly Key Yield Rates | Source: OAML, NSE

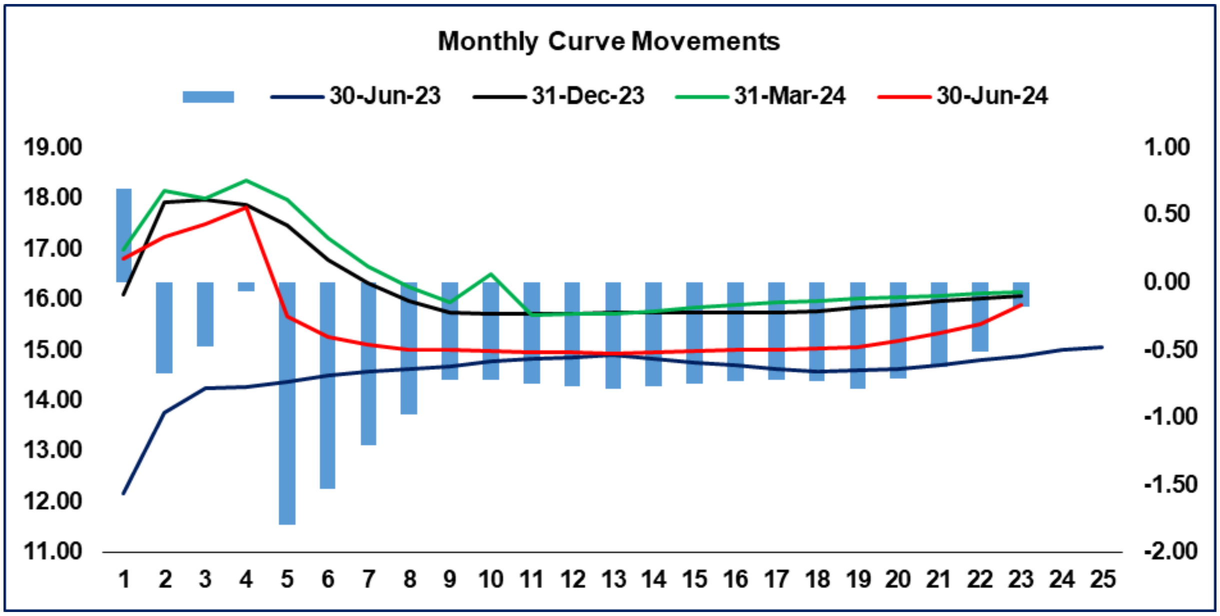

Figure 13: Monthly Yield Curve Source: OAML, NSE

The government is expected to pay KES 411.37Bn in H2-2024 with KES 336.77Bn in coupons and KES 74.60Bn in maturities. This is a monthly target of KES 68.56Bn a month. We forecast at least three new issues in H2-2024 with a 5-10 year duration as Government demand continues.

We opine September to be the best month for the second infrastructure bond issue with the third coming in either November or December.

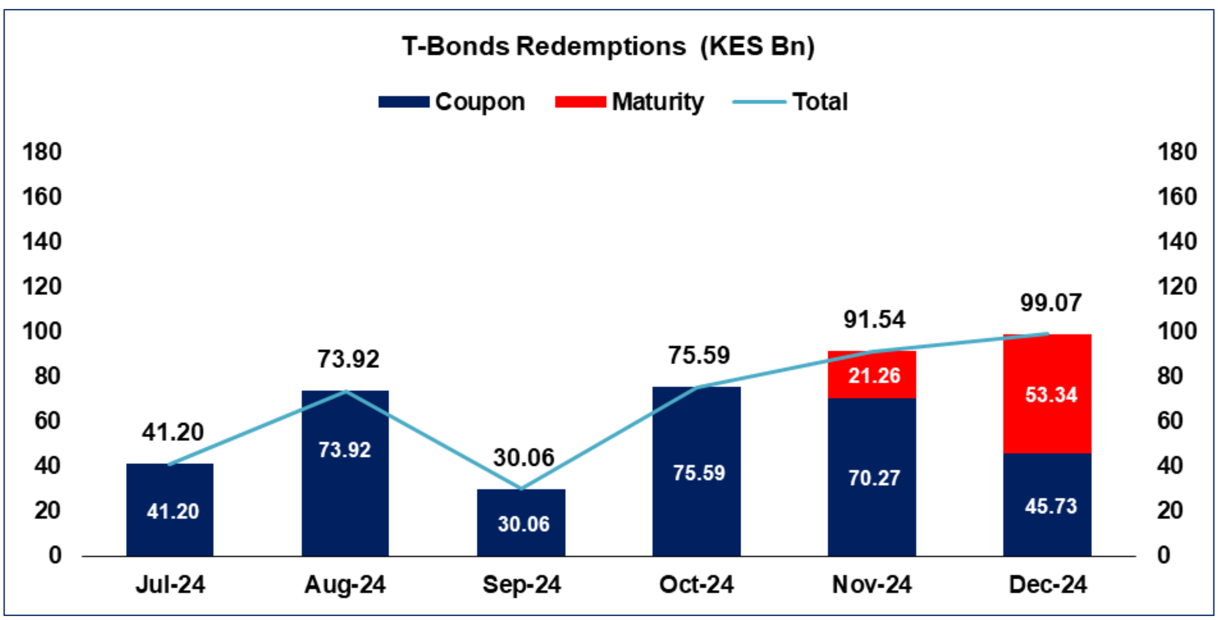

Figure 14: Treasury Bonds Maturities and Coupon Payment Source: OAML, NSE

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