

Top Movers - July 2022

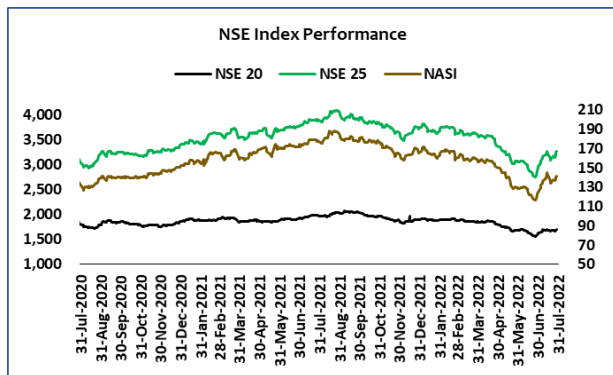
Counter	Volumes (Mn)	Value (KES Mn)	Net Foreign Activity (KES Mn)	% Foreign Activity
SCOM	120.90	3,402.99	(172.94)	60.2%
EQTY	41.69	1,888.62	(445.80)	41.5%
KCB	31.88	1,285.31	(116.97)	46.8%
EABL	2.41	339.28	0.60	91.1%
SCBK	2.01	252.35	0.58	0.0%

Top Gainers - July 2022

Counter	June-22	July-22	% Δ
Limuru	320.00	462.00	44.4%
Cables	0.90	1.14	26.7%
TPS	13.80	17.00	23.2%
Williamson	124.00	152.00	22.6%
Safaricom	24.95	29.95	20.0%

Top Losers - July 2022

Counter	June-22	July-22	% Δ
Kakuzi	441.25	367.50	-16.7%
Centum	9.78	9.32	-4.7%
Total	23.45	22.40	-4.5%
Jubilee	259.50	248.75	-4.1%
Crown	41.50	39.80	-4.1%



Top Foreign Buys - July 2022

Counter	Price	Foreign Buy (KES Mn)	% Foreign Buy
SCOM	29.95	1,674.84	49.2%
EQTY	48.00	651.20	34.5%
KCB	41.15	32.79	2.6%
EABL	155.25	161.73	47.7%
BAT	440.00	17.47	13.6%

Top Foreign Sales - July 2022

Counter	Price	Foreign sales (KES Mn)	% Foreign Sale
SCOM	29.95	2,821.53	82.9%
EQTY	48.00	1,229.23	65.1%
KCB	41.15	999.29	77.7%
EABL	155.25	264.97	78.1%
BAT	440.00	123.89	96.4%

NSE MARKET MONTHLY PERFORMANCE - July 2022

Indicator	Jul-21	Jun-22	Jul-22	Δ (%) Y/Y	Δ (%) M-M
NSE 20	1,974.29	1,612.89	1,701.31	-13.8%	5.5%
NSE 25	3,890.09	2,953.55	3,274.84	-15.8%	10.9%
NASI	177.52	124.47	141.05	-20.5%	13.3%
Mkt Cap (Bn)	2,766.28	1,939.21	2,198.26	-20.5%	13.4%
Equities Turnover (Mn)	9,173.18	9,334.14	7,997.01	-12.8%	-14.3%
Volumes (Mn)	283.58	357.11	263.71	-7.0%	-26.2%
Foreign Buys (KES Mn)	5,259.45	2,978.52	2,556.88	-51.4%	-14.2%
Foreign sells (Kes. Bn)	5,405.83	8,066.16	5,528.45	2.3%	-31.5%
Foreign Net (Kes. Bn)	(146.38)	(5,087.65)	(2,971.57)	1930.1%	-41.6%
Foreign Activity (%)	57.0%	57.5%	50.5%	640bps	690bps
Bonds Turnover (Bn)	92.38	64.51	60.93	-34.0%	-5.6%
Bonds deals	1,720	2,646	2,092	21.6%	-20.9%

Equities Market

- Equities performance for the month saw recoveries supported by local investors taking advantage of the discounted prices. NSE 20 gathered 5.5% M-M to close at 1,701.31 points on price gains on telecommunication, banking, and manufacturing sectors. In overall, the All-Share index enlarged by 13.3% M-M from 2,953.55 points to 3274.84 points on a general price recoveries.
- Volumes traded dipped 26.2% from 357.11Mn to 266.71Mn shares weighed down heavily by Safaricom (KES 29.95, +20.0%) whose volumes fell by 47.7% from 231.12Mn to 120.90Mn shares as foreigners shunned the counter.
- The banking sector was the only sector whose volumes jumped 38.4% from 71.03Mn to 98.29Mn shares rallied by the Q2 earnings season which is expected to sustain the market activity. The top three banks, Equity (KES 48.00, +11.6%), KCB (KES 41.15, +6.5%) and Co-op (KES 11.90, +9.2%) moved 82.8% or 81.39Mn of sectors volumes.
- Value traded sunk 14.3% from KES 9.33Bn to KES 8.0Bn on the above low volumes that overweighed the price upticks with Safaricom leading at KES 3.40Bn or 42.6% of the market value.
- Monthly foreign activity dropped to a 50.5% mark with a reduced foreign net outflow of KES 2.97Bn from that of 57.5% and a foreign net outflow of KES 5.09Bn in June. Equity Group topped on net foreign outflows at KES 445.80Bn followed by Safaricom and KCB at KES 172.94Bn and KES 116.97Mn with foreign activities of 43.8%, 46.9% and 38.8% respectively.
- Limuru Tea emerged the month's top gainer at 44.4% from KES 320.00 to KES 462.00 per share after Ekaterra Kenya Plc announced a 100% acquisition on the listed counter. Ekaterra Kenya plc said on its statement that it has no intention to delist Limuru from NSE.

- Kakuzi lost the most at 16.7% from KES 441.25 to KES 367.50 after moving a total of 429,800 shares on the month
- During the month, BAT Kenya reported a 7.9% growth in profits before tax (PBT) to KES 4.18Bn which saw the counter declare a KES 5.00 interim dividend whose book closure and payments are due on 12th July and 16th September respectively.
- Centum Investment Reported KES 0.587 dividend per share on 26th July whose book closure and payment shall be announced.
- East African Breweries plc declared a KES 7.25 final dividend whose book closure and payment are scheduled for 15th September and 30th October respectively. This was after posting a 121.2% spike in PBT to 24.02Bn. Find our full report on [Kingdom Securities Limited – EABL Plc FY 2022 Earnings Update](#)

In August, we expect the activity to slow in the first two weeks as the investors participate in the general elections with a resuscitation in the 2nd half rallied by the banking sector H1-22 earning season. Our focus remains on Safaricom, EABL, KCB, Equity, Co-operative and Bamburi.

Bonds Market

- A monthly total of KES 60.93 was moved in the secondary bonds market, representing a 5.6% drop in value which is attributed to the rising yields fueled by inflation and revision of the Central bank rate.
- FXD1/2013/10-Yr was the most traded paper at KES 4.79Bn with a 58.2bps rise in yields from 10.333% to 10.915%. Infrastructure bond papers shed 19.6% in value traded to a total of KES 14.37Bn compared to KES 17.88Bn traded in June 2022.

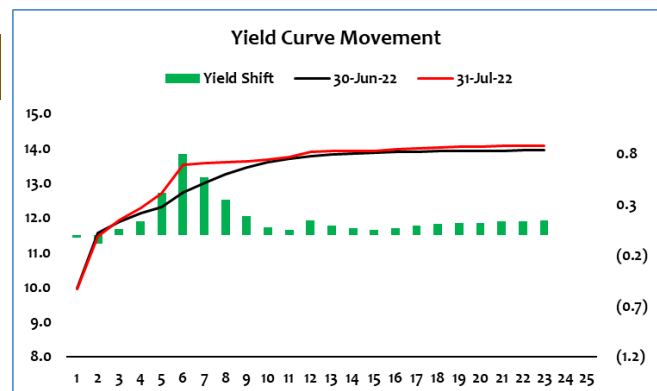
Top Movers – Bonds						
Bond	Week 22 (KES Mn)	Week 23 (KES Mn)	%D W/W	Yield Rate (%)	D Yields (bps)	
FXD1/2013/10Yr	1,058.00	4,793.05	10.1%	10.915	58.2	
FXD1/2014/10Yr(Re-opened)	207.60	3,360.20	7.1%	11.259	(15.9)	
FXD3/2019/15Yr	-	2,645.00	5.6%	12.735	(1,273.5)	
FXD1/2008/20Yr(Re-opened)	2,981.00	2,501.50	5.3%	13.396	(63.1)	
FXD1/2012/20Yr (Re-opened)	919.80	2,480.60	5.2%	14.040	(85.4)	

The primary market saw the government float KES 40 while receiving KES 10.57Bn, a 26.4% performance on a tight liquidity with an acceptance of KES 9.31Bn or 88.0%.

Yield Curve

- The yield curve remained stable on the short end as we see a shift in liquidity towards that end. The 5-year key rate range saw an upward shift due to the recently re-opened IFXD2/2013/15 while the long end was also affected by the reopened July primary issues.
- We forecast a downward shift on the long end with market pricing while the range will continue to be affected by the re-opened FXD1/2021/20-Yr

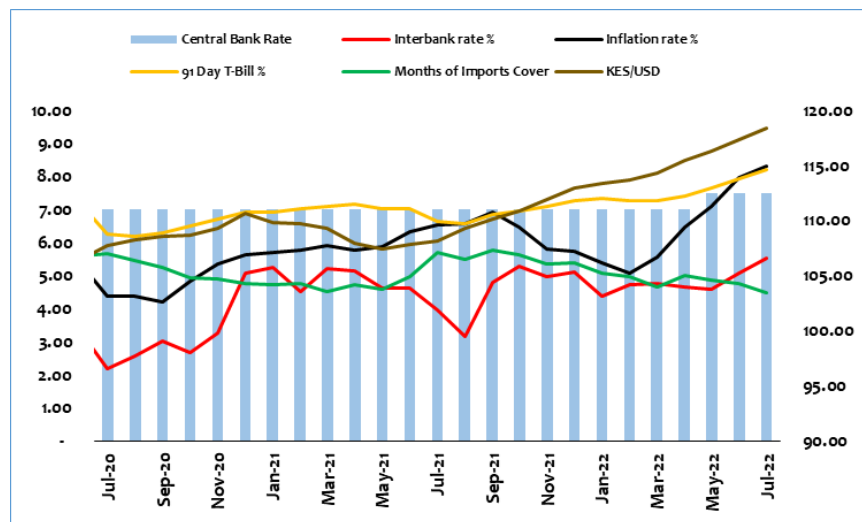
Yield Key	Rates %			y-y bps Δ	M-M bps Δ
	31-Jul-21	30-Jun-22	31-Jul-22		
2-Yr	9.3916	11.5572	11.4711	207.95	-8.61
5-Yr	11.0934	12.2933	12.7109	161.75	41.76
10-Yr	12.2981	13.5941	12.6660	36.79	-92.81
15-Yr	12.8824	13.8762	13.9289	104.65	5.27
20-Yr	13.2736	13.9231	14.0405	76.69	11.74
23-Yr	13.3857	13.9371	14.0785	-	14.14



Central Bank Rate

- Central Bank (CBK) Monetary Policy Committee (MPC) retained the Central Bank Rate (CBR) at 7.5%. This was contrary to majority international central banks which opted to hike the rates as inflation surged to new heights.
- Despite the uncertain Global economic Outlook, CBK remain optimistic on strong Q2-22 GDP data after Q1-22 growing by 6.8% compared to 2.7% in Q1-21. Leading economic data indicate positive economic heartbeat driven by transport and storage, wholesale and retail, construction, and the service sector. Agriculture is meant to be weak on depressed rains.
- The committee stated the retention of the rate was supported by government fiscal measures with the aim of containing inflation while international petroleum prices began to moderate.
- All key macroeconomic rates were on the rise except months of import cover which declined by 5.9% or a net of USD 242Mn. Growth in private sector credit increased by 12.3% in June compared to 11.5% in April while non-performing loans (NPLs) were at 14.7% in June from 14.1% in April.
- The committee also commented on the strong tax revenues collection which surpassed targets. This was seen as a reflection of enhanced tax administration effort and increased economic activity. We view inflationary pressure also contributed on the increase.

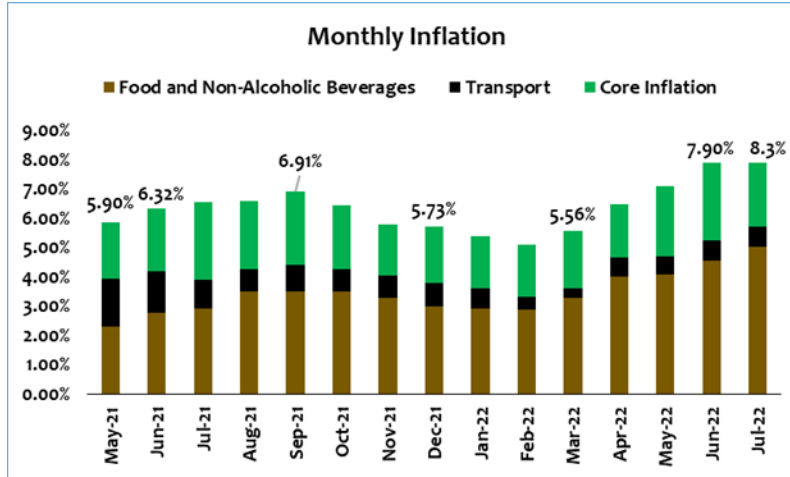
The next MPC meeting will be held on of Tuesday September 27th, 2022. We shall keep monitoring the macroeconomics reviews and give our forecast on the MPC as we approach the meeting date.



Inflation - July 2022

- Inflation rose for the fifth month running to 8.3% in July 2022 from 7.9% in June 2022. The rate is at a level last seen in June 2017. According to Kenya National Bureau of statistics, CPI increased by 0.7% from an index of 124.22 in June 2022 to 125.05 in July 2022. Core inflation declined to 2.19% from 2.67% supported by a sharp decline in Information and telecommunication index to 0.9% from 2.4%.
- The rate was affected by food and non-alcoholic index which increased by 15.3% y-y on higher prices of non-seasonal farm products. Housing, Water, Electricity, Gas and Other Fuels index eased to 5.6% y-y from 6.8% in June while transport Index remained flat at 7.1% due to no change in July petroleum pump prices on government subsidy.
- The inflation rate has remained low due to government containment measures on subsidies on key food item, maize meal flour, electricity prices, and petroleum pump prices. The retention of CBR rate at 7.5% will also support low cost of credit who's increase would have had an impact.

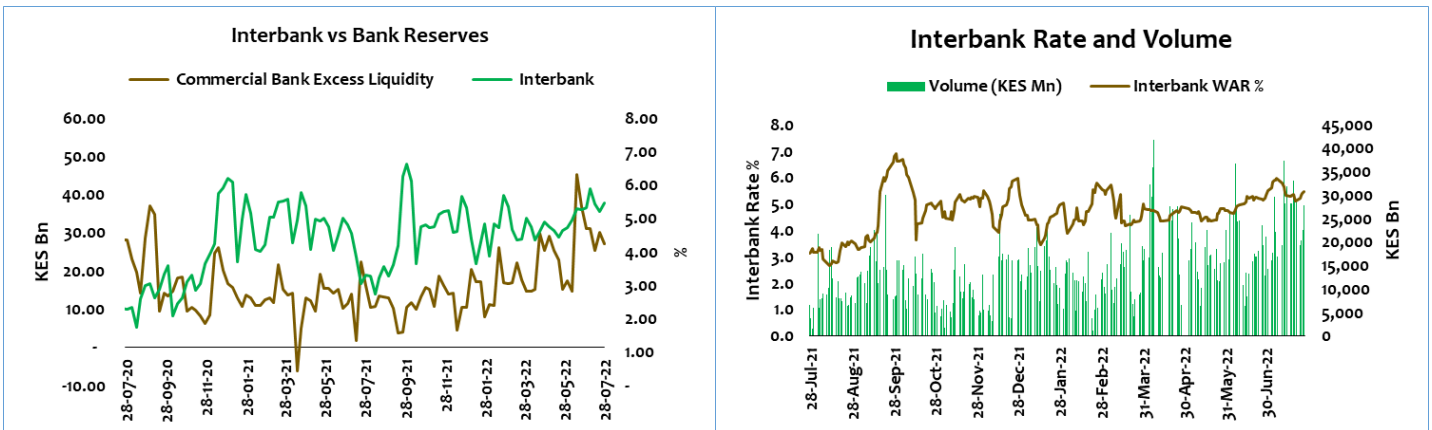
We project a further rise in inflation with August forecast of 8.7% - 9.1% on rise in food prices with the government subsidized maize meal flour and petroleum pump prices expected to come to an end in August.



Interbank Rate

- Interbank averaged at 5.51% in July, 45.2bps higher compared to 5.06% in June. Average demand was 31.2% higher with an average of KES 24.83Bn transacted compared to KES 18.93Bn over the period. There was tight liquidity which affected tier 2 and 3 banks leading to higher rates.
- Bank reserves remained high in July averaging KES 28.45Bn as CBK retained market management through TADs.

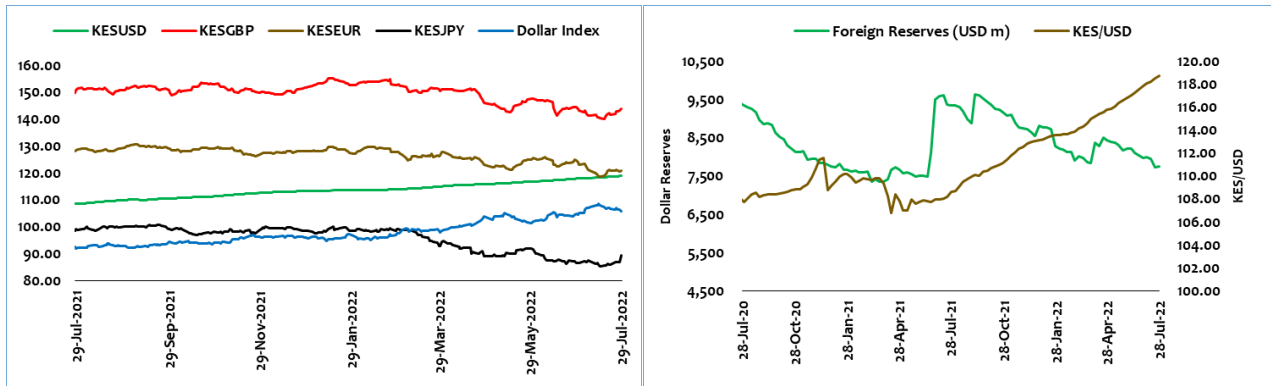
We do not forecast any reprieve as interbank rates are expected to remain under pressure into August with a range of 5.20% – 5.5% as liquidity remain tight.



Currency

- As per the CBK data, the shilling shed 0.9% and 3.4% m-m on the US Dollar and Japanese yen. It gained 0.5% and 3.2% on the British Pound and Euro respectively.
- Banks continue to adjust prices with some banks closing at 128.83 on the dollar which was 8.4% above the CBK rate.

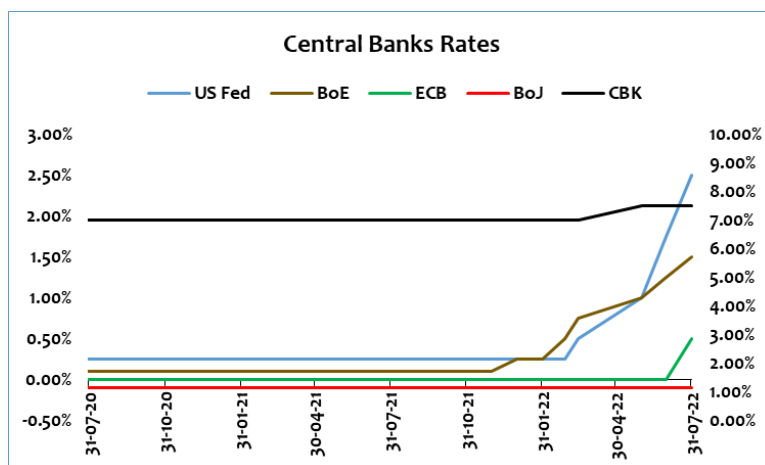
KES	KES/USD	KES/GBP	KES/EUR	KES/JPY	Dollar Index
29-Jul-22	118.8000	143.6903	120.6665	89.3804	105.7790
W/W	0.2%	1.5%	-0.2%	3.9%	-0.8%
M-t-D	0.8%	0.4%	-1.9%	3.4%	0.8%
M-M	0.9%	-0.5%	-3.2%	3.4%	0.9%
Y-t-D	5.0%	-5.7%	-5.8%	-8.9%	9.9%
Y/Y	9.4%	-4.6%	-5.9%	-9.7%	15.1%



- The forex reserves declined by a net of USD 242Mn to USD 7,740Mn or 4.46 months of import cover from USD 7,982Mn or 4.74 months of import cover at close of June 2022. The rate is higher than CBK target of 4.0 months of import cover but was lower to the East Africa Community (EAC) required target of 4.5 months of import cover.
- Forex reserves saw reprieve from an IMF disbursement of USD. 235.6Mn to aid in economic recovery. The country also received KES 7.3Bn from the African Development Bank (AfDB) for fertilizer subsidy and KES 7.2Bn loan facility towards cereals and oil seed production

Global News

- The global market, the dollar closed the month weak against other major currencies but remained 0.9% stronger on a month-on-month basis. The green buck lost on weak economic data with economic analysts viewing that the US economy was in a recession despite assurance by President Biden’s administration.
- Fed Reserves hiked the Fed Rate by 75bps to 2.5% as inflation touched 9.1% while the Q2-22 economic data showing an expansion of 1.6% which was a slower compared to Q1-22 growth of 3.5%. British June inflation increased to 9.4% with Bank of England (BoE) opting for a 25bps hike the rates to 1.25%. Bank of Japan retained 1.0% levels but opted to continue with the quantitative easing as inflation standing at 2.4% European Central Bank (ECB) had earlier opted to hike the Central Bank rate to 0.5% with zone inflation hitting 8.9%.

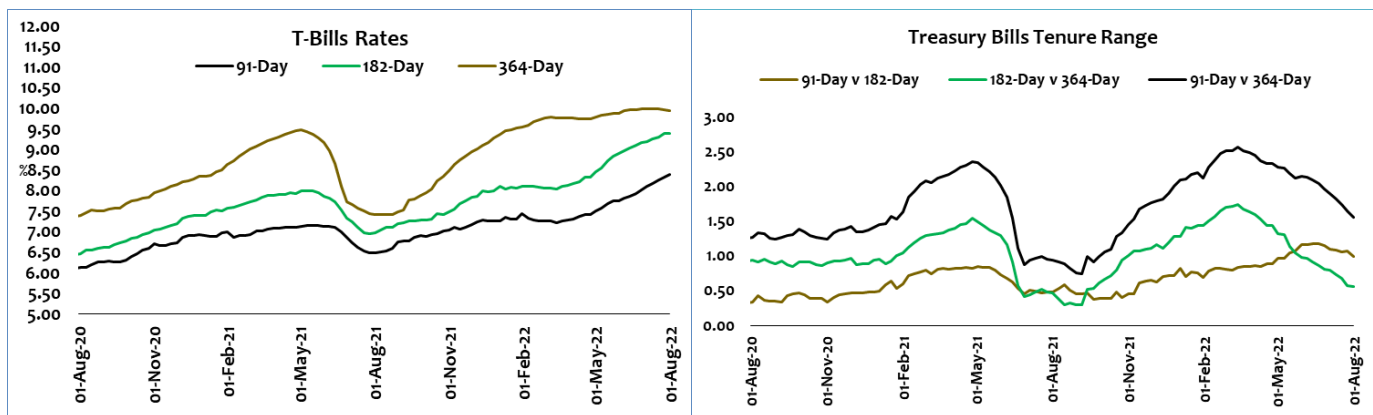


Treasury Bills

- In July, KES 93.47Bn was received in subscription against a target of KES 96.00Bn for a 97.4% subscription rate. This is compared to KES 84.91Bn received against a target of KES 120.00Bn in June for a subscription of 70.8%. A total of KES 88.11Bn or 94.3% was accepted. Overall performance for July was 91.8% from 59.5% seen in June.

- Tight market liquidity led to a shift on investors' interest in T-Bill tenures with 91-day paper receiving KES 44.49Bn from a target of KES 16.00Bn or 278.1% with the 364-day paper receiving KES 19.05BN from a target of KES 40.00Bn or 47.6%.
- The 91-day paper gave the best returns increasing by 30.9bps m-m to close at 8.322%. The 182-day paper saw yields gain by 23.0bps m-m to 9.393%. the 364-day paper thinned by 2.9bps m-m to 9.968%. Compared to June 2022, the range between the 91-day and 182-day paper was 107.1bps from 115.0bps range while range on 182-day against 364-day papers was by 57.5bps from 81.1bps.
- The shift was due to tightness in market liquidity and investors perceiving the 364-day paper having reached ceiling on rates and thus anticipating rate management by the CBK to contain cost of financing.

We forecast the market tightness to continue as August maturities stand at KES 72.03Bn against a target of KES 120.00Bn. This will favor the 91-day and 182-day papers despite the 182-day paper return seen to fade with the decline in 364-day paper return.



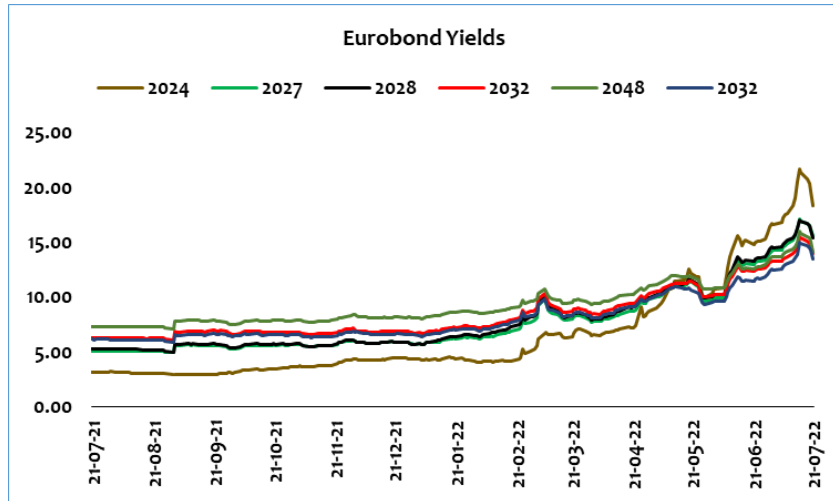
July-2022

Tenure	Offer (KES Bn)	Subscription	Acceptance	Performance	WAR % June 22	WAR % July 22	Δbps M-M
364-Day	40,000	47.6%	88.8%	42.3%	9.997%	9.968%	(2.9)
182-Day	40,000	74.8%	98.9%	73.9%	9.163%	9.393%	23.0
91-Day	16,000	278.1%	93.5%	260.1%	8.013%	8.322%	30.9
Total	96,000	97.4%	94.3%	91.8%			

Eurobond Yields

- Tenure for all Eurobonds eased with the 2024 Eurobond yield declining by 157.9bps while the 2048 bond shed 4.3bps. The rate was boosted by a UN backed agreement between Russia and Ukraine to resume grain export via the Black Sea. The deal is key to the global food supplies which will go a long way to ease inflationary pressure.
- The agreement is also seen as a positive indicator of additional agreements to come from the ongoing Eastern Europe war. This was also supported by a declining international petroleum price.

Eurobond BPSA						
Bond Tenure	2024	2027	2028	2032	2034	2048
29-Jul-22	14.860%	14.487%	14.602%	13.395%	12.694%	13.465%
W-W	-323.4	-102.3	-69.3	-56.1	-60.9	-56.2
M-T-D	-176.2	20.1	12.8	13.4	25.2	-20.5
M-M	-157.9	54.2	20.4	23.1	35.6	-4.3
Y-T-D	1,047.1	872.9	883.3	661.0	618.8	537.3
Y-Y	1,171.4	942.0	930.9	711.7	654.7	616.0



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