

Q3 2023 NSE Market performance summary

NSE MARKET QUARTERLY PERFORMANCE - Q3 2023

Indicator	Q3 2022	Q2 2023	Q3 2023	%Δ Y-Y	%Δ Q-Q
NSE 10			951.35		
NSE 20	1,717.68	1,574.92	1,508.75	-12.2%	-4.2%
NSE 25	3,102.05	2,728.89	2,473.71	-20.3%	-9.4%
NASI	128.41	107.00	95.22	-25.8%	-11.0%
MKT CAP	2,000.82	1,666.29	1,487.67	-25.6%	-10.7%
Equities Turnover (Mn)	22,903.53	14,147.47	16,991.32	-25.8%	20.1%
Eq. Turnover (USD Mn)	191.80	103.06	117.96	-38.5%	14.5%
Volumes (Mn)	827.74	763.87	1,059.93	28.1%	38.8%
Foreign Buys (KES Mn)	6,723.82	5,586.68	6,534.32	-2.8%	17.0%
Foreign sells (Kes. Bn)	13,578.26	7,090.60	10,096.52	-25.6%	42.4%
Foreign Net (Kes. Bn)	(6,854.44)	(1,503.92)	(3,562.21)	-48.0%	136.9%
Foreign Net (USD Mn)	(57.40)	(10.96)	(24.73)	-56.9%	125.7%
Foreign Activity (%)	44.7%	45.2%	47.3%		
Bonds Turnover (Bn)	195.70	164.46	207.32	5.9%	26.1%
Bonds deals	6,054	6,254.00	7,139	17.9%	14.2%

Top Gainers - Q3 2023

Counter	30-Sep-22	30-Jun-23	30-Sep-2023	%Δ Y-Y	%Δ Q-Q
Kenya Orchards	10.40	15.00	19.50	87.5%	30.0%
Portland Cement	7.46	6.04	7.40	-0.8%	22.5%
FAHARI I-REIT	7.10	6.04	7.40	4.2%	22.5%
Cables	1.19	0.79	0.94	-21.0%	19.0%
Eaagads	13.45	12.00	14.00	4.1%	16.7%

Top Losers - Q3 2023

Counter	30-Sep-22	30-Jun-23	30-Sep-2023	%Δ Y-Y	%Δ Q-Q
KCB Group	41.45	29.30	20.85	-49.7%	-28.8%
Trans-Century	1.20	0.66	0.50	-58.3%	-24.2%
Standard Group	12.60	9.16	7.16	-43.2%	-21.8%
Sasini	23.75	30.00	24.10	1.5%	-19.7%
Crown Paints	39.15	43.85	35.65	-8.9%	-18.7%

Top Movers – Q3 2023

Counter	Turnover (KES Mn)	Volumes (Mn)	Net Foreign Activity (KES Mn)	% Foreign Activity
Safaricom	8,441.23	518.35	(4,682.90)	61.9%
Equity Group	2,946.37	72.98	806.38	58.5%
KCB Group	1,015.87	37.49	(92.15)	29.4%
Britam	939.96	176.88	1.36	0.1%
ABSA Bank	859.63	71.13	120.54	18.2%
Total (KES Mn)	17,564.71	1,098.61	(3,992.87)	48.6%
Total (USD Mn)	119.38		(27.14)	

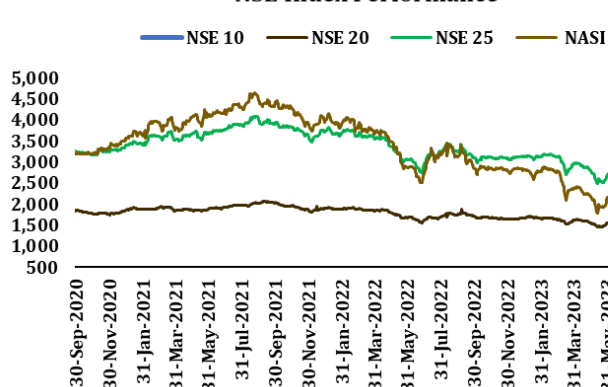
Top Foreign Buys – Q3 2023

Counter	Foreign Buy (KES Mn)	% Foreign Buy
Safaricom	2,883.73	34.2%
Equity Group	2,125.75	72.1%
BAT	437.11	75.7%
EABL	317.13	77.8%
KCB Group	252.69	24.9%
Total (KES Mn)	6,534.32	37.2%
Total (USD Mn)	44.41	

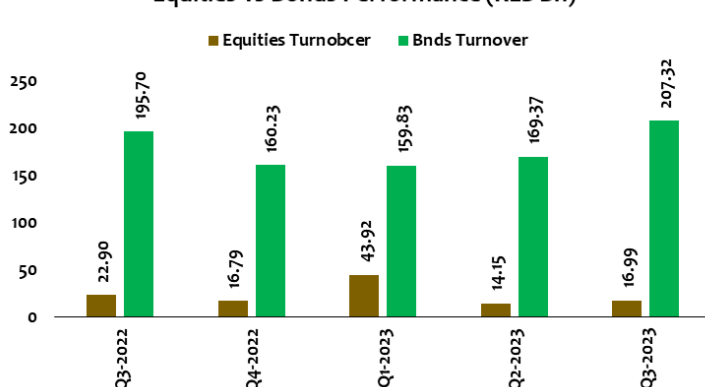
Top Foreign Sales – Q3 2023

Counter	Foreign sales (KES Mn)	% Foreign Sale
Safaricom	7,566.63	89.6%
Equity Group	1,319.38	44.8%
BAT	509.01	88.1%
KCB Group	344.84	33.9%
EABL	294.96	72.4%
Total (KES Mn)	10,527.19	59.9%
Total (USD Mn)	71.55	

NSE Index Performance



Equities Vs Bonds Performance (KES Bn)



Equities Market

Stock market was the most hit in quarter three 2023 with several stocks recording new lows being affected by local and global economic performance which has seen interest rates soar higher, high inflations, political uncertainties, industry specific crisis, and economic recession fears in some parts of the world. A weak local currency also has accelerated the drop.

Indices tracking stock prices fell drastically in the quarter with the Nairobi All-Share index shedding 11.0% or 11.78 points to 95.22 points, operating below 100mark since late August 2023. NSE 20 fell 4.2% Q-Q as the NSE 25 went down 4.2% Q-Q.

The new N10 index launched on 1st September 2023, lost 48.65 points from 1000 to 951.35 points on losses especially in KCB (KES 20.85, -28.8% Q-Q Safaricom (KES 14.60, -16.6% Q-Q), EABL (KES 131.00, -15.5%), and Equity (KES 35.55, -7.1% Q-Q) among others.

Market capitalization shrunk 10.7% Q-Q from KES 1,666.29Bn to KES 1,487.67Bn, heavily losing from the general loss in prices.

Volumes traded jumped 38.8% Q-Q up to 1,059.93Mn shares mainly elevated by the shunning of local stocks by foreigners in a run to take advantage of better interest rates while dodging the currency losses. This saw the market value 20.1% up to KES 16,991.32Bn.

Foreign participation slightly improved to 47.3% from an average of 45.2% in Q2 2023 with an increased foreign sale of 57.5% compared to a total foreign buy of 37.2% of all the buys. High foreign outflows were witnessed on Safaricom at 89.6% of KES 7,566.63Bn followed by Equity Group at 44.8% of KES 1,319.38Mn and British American Tobacco (BAT) at 509.01Mn compared to their foreign buys of 34.2% of KES 2,883.73Mn, 72.1% of KES 2,125.75Mn and 75.7% of KES 437.11Mn respectively.

Kenya Orchards, a food processing company emerged the top gainer of the quarter at 30.0% from KES 15.00 at the close of June 2023 to close September at KES 19.50 per share. This follows a new revenue line of producing spices and seasonings introduced at the close of 2022, which has seen its price rise progressively from KES 10.40 per share at the start of 2023.

East African Portland Cement came second after a price recovery of 22.5% from KES 6.04 to KES 7.40 per share immediately after announcing a resumption to full scale cement production in August on what we view as a move to tap into the supply of Cement to the government affordable housing program.

Fahari I-REIT came third at a 22.5% Q-Q price gain from KES 6.04 to KES 7.40 following the ongoing conversion offering to a restricted REIT by way of moving from unrestricted to a restricted professional REIT at an offer price of KES 11.00 per unit. The conversion offer is closing today, 6th October 2023.

KCB Group, the largest Kenyan Bank by asset, was the quarter's top loser at 28.8% from KES 29.30 to KES 20.85 per share. We attribute the drop to investor sentimental reaction to the decline in H1 2023 net profits resulting from spikes in loan loss provisions and other operating expenses towards a consolidation of its recently acquired Trust Merchant Bank of Congo. Overall, the lender's revenue remained string.

Ongoing Corporate Actions

Counter	Declared	Issue Date	Book Closure	Payment Date	Dividend	Total Dividend	EPS	Payout
Umeme**	Interim	21-Aug-23	9-Feb-24	29-Feb-24	24.00	-	-	-
EABL	Final	28-Jul-23	15-Sep-23	27-Oct-23	1.75	5.50	12.47	44.1%
Absa Bank	Interim	29-Aug-23	21-Sep-23	12-Oct-23	0.20	-	-	-
NCBA Group	Interim	24-Aug-23	14-Sep-23	28-Sep-23	1.75	-	-	-
Stanbic	Interim	10-Aug-23	4-Sep-23	27-Sep-23	1.15	-	-	-
Jubilee	Interim	31-Aug-23	8-Sep-23	11-Oct-23	2.00	-	-	-
Centum	Final	28-Jul-23	TBA	TBA	0.60	0.60	(6.28)	(0.10)
Fahari I-REIT	Conversion Offering	6-Sep-23	6-Oct-23	Offer Price of KES 11.00 per share				

** Uganda shilling (UGX), TBA - To be advised

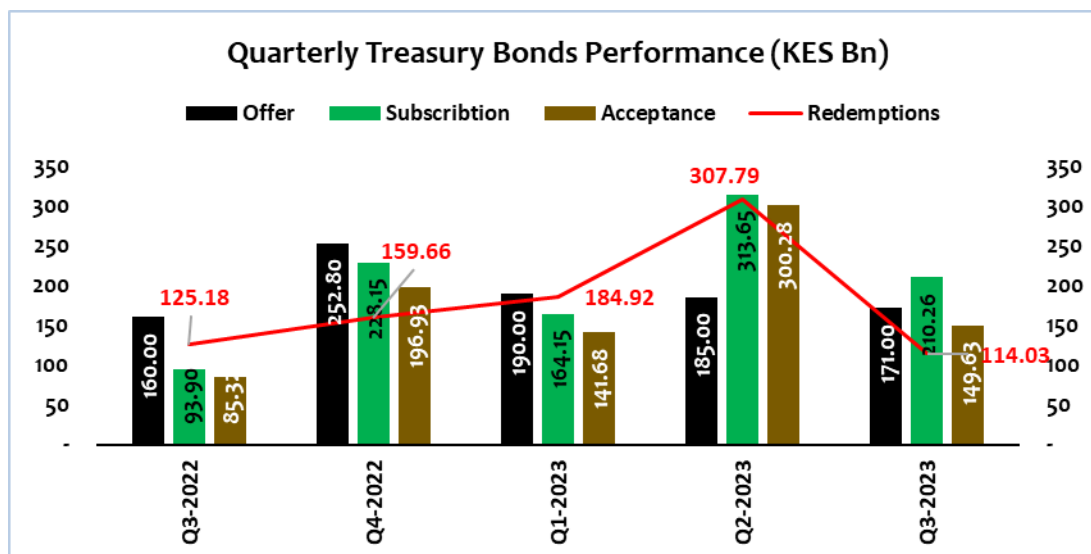
Bonds Market

Secondary bonds market performed extremely well in the quarter supported by better rates especially in the on the run papers immediately after aggressive bidding. A total of KES 207.32Bn was exchanged, a 26.1% spike from that of KES 164.46Bn exchanged in Q2 2023.

IFB1/2023/7 was the most traded moving a total of KES 24.00Bn as its yield rate operated below the coupon rate of 15.837% the entire quarter at some point going for a yield rate of 14.658%. The paper remained among the few whose value improved in the period.

Bond	Top Bond Movers				
	Value Traded (KES Mn)		Yield Movement (%)		Δ Yields (bps)
	Q2 2023	Q3 2023	Q2 2023	Q3 2023	
IFB1/2023/7Yr	19,050.20	23,998.35	15.078	15.621	4.5
FXD1/2016/10Yr (Re-opened)	633.30	14,261.40	16.591	16.459	(13.1)
FXD1/2013/15Yr (Re-opened)	5,885.50	13,740.50	15.613	17.675	(206.2)
FXD 1/2021/5Yr (Re-opened)	256.70	13,501.15	18.200	17.491	(70.9)
IFB1/2021/21Yr	578.65	12,531.75	15.228	14.947	(28.1)
Total Mkt Value	164,458.67	207,316.10			

Primary market performance performed below target at 87.5% of KES 149.63Bn from a subscription of 123.0% or KES 210.26Bn against a government target of 171.00Bn. The performance was impacted by high government rejection amounting to 60.23B on aggressive bidding by investors.



In the new quarter, q4 2023, we expect bonds activity to remain high in the secondary market if the government does not issue a new paper following the KES 152.62Bn coupon payouts expected in the quarter.

However, if the government issues new papers in the month, we forecast aggressive bidding based on the current macro-economic performance and the high appetite for funds by the government on its public debt obligations.

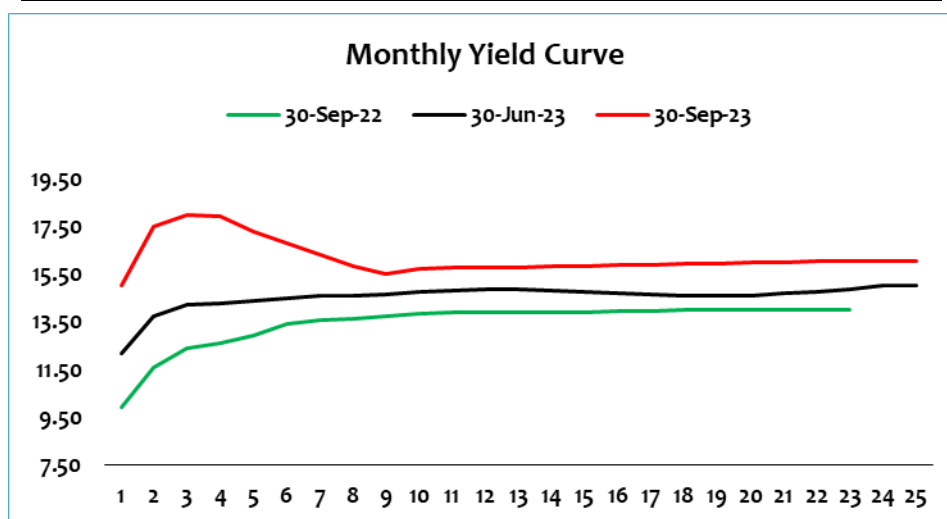
Yield Curve

The NSE yield curve shifted upwards, widening right from last year largely because of a liquidity crunch that has witnessed higher yields in the market as investors demand better compensation.

High activity on the short end saw the yield curve widen faster with the government having no option that issuing short-term paper as investors shunned long-term papers.

We view that the yield curve will continue shifting upwards in Q4-2023 on a tight liquidity in the market.

Yield Key Rates %	30-Sep-22	30-Jun-23	30-Sep-23	Δbps y-y	Δbps m-m
2-Yr	11.5772	13.7576	17.5018	-592.46	-374.42
5-Yr	12.9382	14.3588	17.2996	-436.14	-294.09
10-Yr	13.8625	14.7681	15.7542	-189.17	-98.61
15-Yr	13.9206	14.7582	15.8599	-193.93	-110.17
20-Yr	13.9970	14.6129	15.9912	-199.42	-137.84
23-Yr		15.0500	16.0750		-102.50



Interbank

The quarter saw a tight liquidity environment pushing the interbank to touch as high as 17.38% in early August 2023. This prompted the intervention of CBK to come up with an interbank policy framework where the regulator pegged the interbank to the CBR rate with a maximum upper limit of 250bps from the CBR rate.

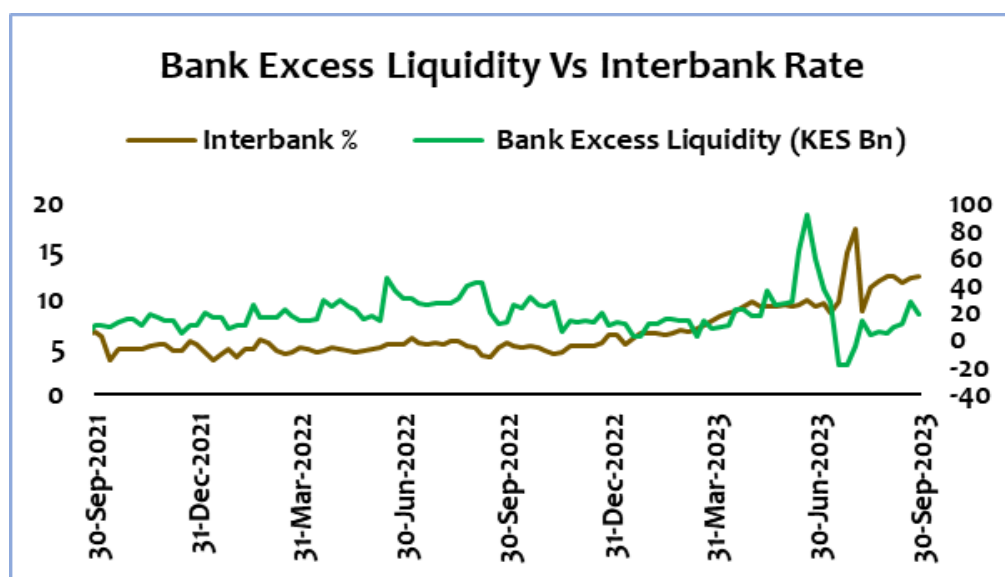
This saw the interbank closed the quarter at 12.44% with a quarterly average rate of 11.84% compared to 10.16% of the end of Q2-2023 whose average stood at 9.24%. Year-on-year, the rate almost tripled from that of 5.68% of 30th Sept. 2023.

Liquidity demand remained high at a daily average of KES 22.75Bn in relation to an average of KES 21.14Bn of Q2-2023 and KES 21.67Bn of Q3-2023.

Bank excess reserves fell drastically to an average of KES 9.45Bn in the quarter with some weeks in July and August 2023 recording shortfalls against the 4.25% cash reserve requirement.

We forecast the liquidity to remain strained in Q4-2023 to keep the interbank rate on the upper side of the CBR ranging from 10.5% to 12.95%.

Key Rates	Q3-2022	Q2-2023	Q3-2023
Central Bank Rate	8.25%	10.50%	10.50%
Inter-Bank Rate	5.68%	10.17%	12.44%
Average Monthly Interbank	5.15%	9.24%	11.85%
Cash Reserve Requirement (CRR)	4.25%	4.25%	4.25%
Inflation	9.20%	6.70%	6.80%
91-Day T-Bill	8.951%	11.785%	14.787%
182-Day T-Bill	9.625%	11.863%	14.940%
364-Day T-Bill	9.909%	11.934%	15.221%
Bank Excess Liquidity (Avg)	11.81	33.44	9.45
Forex Reserves (USD Mn)	7,424	7,476	6,939
Forex Reserves -Avg (USD Mn)	7,616	6,765	7,264
Months of Import Cover	4.19	4.12	3.80
Bank Excess Average Liquidity (Avg)	28.25	33.44	9.45



Treasury Bills

Better returns in Treasury bills saw overall total oversubscriptions in the quarter buoyed by investor preference on the 91-day paper on its stellar returns compared to the rest.

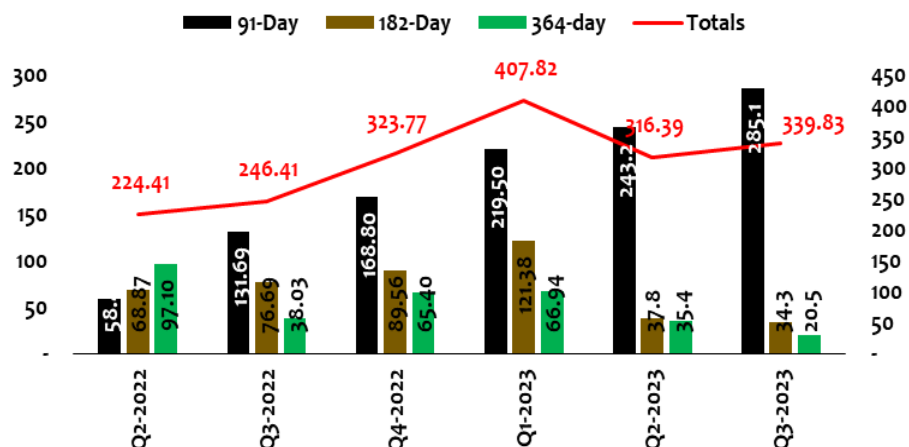
A total of KES 104.30Bn was offered against a target of KES 96Bn with KES 100.18Bn being accepted, a 104.4% performance. Individual paper contribution saw the 91-day paper contribute 83.9% of the accepted amount as the 182- and 364-day papers struggled with contributions of 10.1% and 6.0% respectively.

Return on investment flourished across the papers with the 91-day paper hitting an 8-year high of 14.7866% y closure of Q3 2023, deviating from that on the 182-day and 364-day papers by only 15.3bps and 43.48bps respectively.

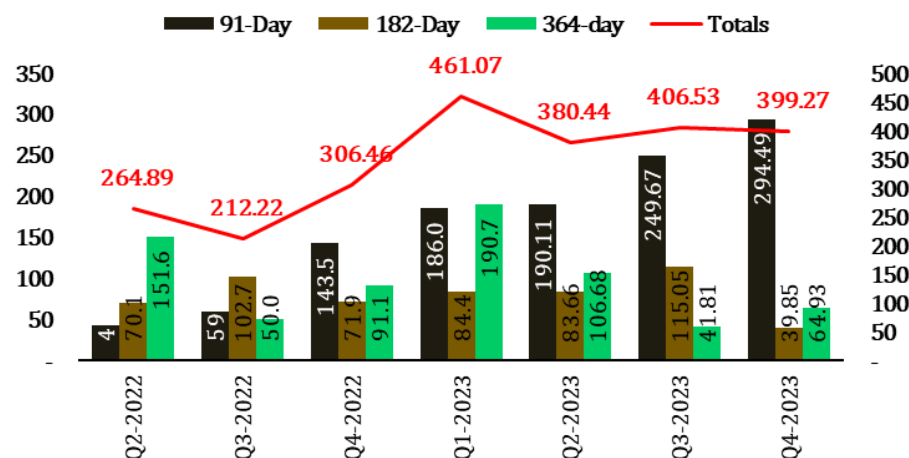
In the new quarter we expect the rates to keep soaring on heavy demands from the government, with KES 399.27Bn due for Q4-2023, where KES 123.09Bn, KES 166.39Bn and KES 109.79Bn are due for October, November and December 2023 respectively.

Month	91	182	364
Sept-2022	8.95%	9.39%	9.97%
Dec-2022	9.37%	9.83%	10.31%
Mar-2023	9.83%	10.34%	10.79%
Jun-2023	11.79%	11.86%	11.93%
Sep-2023	14.79%	14.94%	15.22%

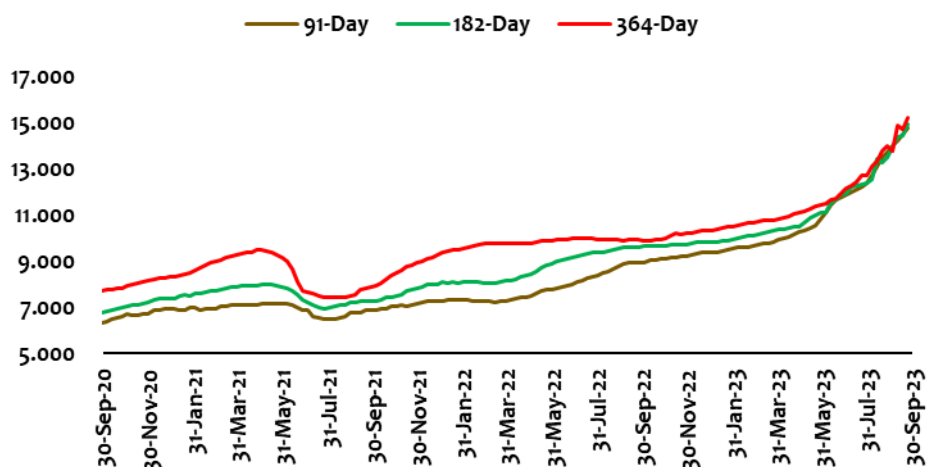
Quarterly Treasury-Bills Borrowings



Treasury Bills Maturity Payouts (KES Bn)



T-Bills Rates Performance

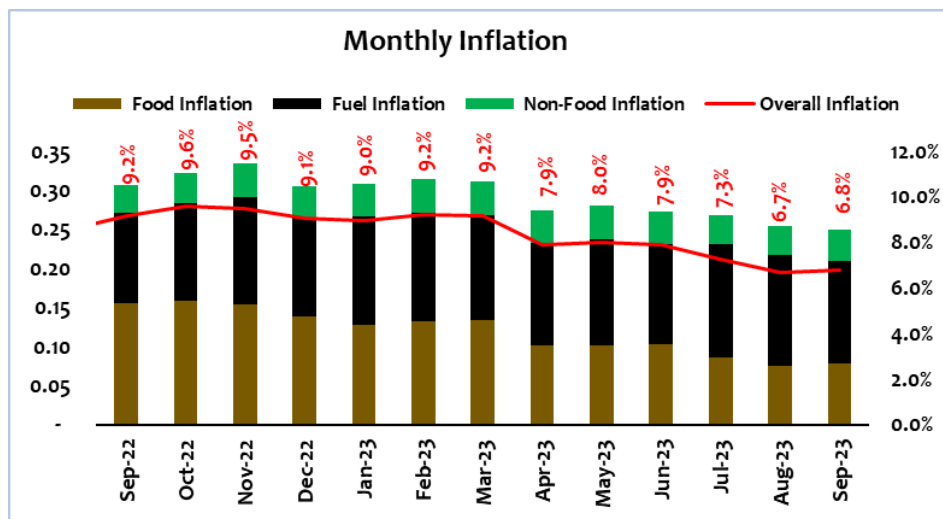


Inflation

The inflation rate cooled down in the quarter to close the quarter at 6.8% against our forecast of above 7.0%. The drop emanated from price declines in food items including maize and wheat which fell 5.6% and 3.6% respectively supported by a 10.0% decline in gas prices from KES 3,106.

The 0.8% and 11.8% rise in petrol and diesel pushed the transport index 3.5% up from August to September 2023 even as prices of electricity fell 35.9% and 26.4% per 50 and 200 kilowatt per hour.

The fuel's price index was up 1.4% on kerosene prices by 19.4% from KES 170.25 to KES 203.34 per litre in the period.



Currency

The local currency weakened in the quarter shedding 5.4% Q-Q from KES 140.52 to KES 148.10 per US dollar largely driven down by high dollar demand in the market occasioned by fuel importation, lower forex inflows in relation to importations, external debt which all continue draining the forex reserves.

Year-on-year, the US dollar has strengthened 22.7% from KES 120.73 to KES 148.10 per US dollar despite the dollar index weakening 5.4% against some major currencies.

On overall, the US dollar index that measures the strength of the US dollar against other major currencies gained faster in the quarter at 3.1% Q-Q from 102.91 to 106.07 points. This largely on a better economic data especially business activity, employment and the defying of economic recessions.

In Q2-2023, US gross domestic product (GDP) went up by 2.1% immediately after a 2.2% growth in Q1-2023.

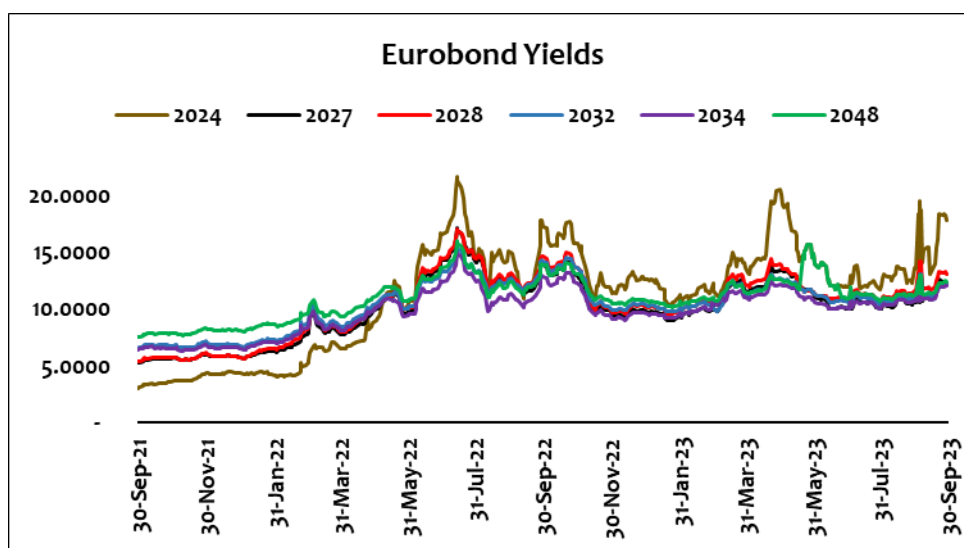
Eurobond

Yields on Kenya's international bonds spiked up at a faster rate providing good entry points for local investors as the bonds are trading at Highly discounted prices. The rise in yield rates followed the general rise in rates on the same papers across the globe.

The Jun-2024 paper lost the most at 588.6bps Q-Q from 11.952% to 17.838%, the best entry point for investors wishing to invest in the paper. Feb-2028 paper came second easing 223.4bps Q-Q from 10.864% to 13.098%

We view that rates will remain high as the country's economic outlook remains negative on external financing constraints.

Euro-bond Paper	29-Sep-22	30-Jun-23	29-Sep-23	Δ bps Y-Y	Δ bps Q-Q
Jun-2024	17.884	11.952	17.838	4.60	(588.60)
May-2027	14.005	10.060	12.169	183.60	(210.90)
Feb-2028	14.675	10.864	13.098	157.70	(223.40)
May-2032	14.299	10.698	12.208	209.10	(151.00)
Jan-2034	12.950	10.094	12.014	93.60	(192.00)
Feb-2048	14.030	10.977	12.376	165.40	(139.90)



Research analyst certification:

The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all of the views expressed herein accurately reflect their personal views. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the view(s) expressed by that research analyst in this research report.

Terms of use – Disclaimer:

This research report has been prepared by Kingdom Securities Limited and is for information purposes only. This research report should not be construed as an offer or solicitation to sell or buy any investment or product. Any opinions expressed herein reflect the analyst's judgment at the date of publication and neither Kingdom Securities Limited, nor any of its affiliates or employees accepts any responsibility in respect of the information or recommendations contained herein. Unless otherwise stated, the opinions contained in this material are as of the date indicated and are subject to change at any time without prior notice. Past performance is not a guarantee or indication of future results.

The information and opinions contained in this Material have been derived from sources believed to be reliable and in good faith or constitute Kingdom Securities' judgement as at the date of this research but no warranty is made as to their accuracy and any opinions are subject to change and may be superseded without notice. In no circumstances will Kingdom Securities or its employees be liable to you for any errors or omissions in this report or for any losses you may incur in following any recommendations in the report. Kingdom Securities is a Subsidiary of Co-operative Bank of Kenya.

Kingdom Securities Ltd – A subsidiary of Co-operative Bank Limited. Co-operative Bank House- 5th floor, P.O Box 48231 - 00100 Nairobi, Kenya

Office: 0711049540

Email: kingdomresearch@co-opbank.co.ke

Research Department

Shadrack Manyinsa

smanyinsa@co-opbank.co.ke

Equities Trading/Fixed Income Trading

Ashley Odundo

aodundo@co-opbank.co.ke

+254 711 049 150

Alfred Too

atoo@co-opbank.co.ke

+254 711 049 240