Kenya’s Listed Banks H1’2023 Report, & Cytonn Weekly #38/2023

Fixed Income

Money Markets, T-Bills Primary Auction:

During the week, T-bills were undersubscribed for the second consecutive week, with the overall subscription rate coming in at 84.1%, from the undersubscription rate of 92.1% recorded the previous week. Investors’ preference for the shorter 91-day paper persisted, with the paper receiving bids worth Kshs 16.1 bn against the offered Kshs 4.0 bn, translating to an oversubscription rate of 401.7%, albeit lower than the subscription rate of 450.0% recorded the previous week. The subscription rate for the 364-day paper decreased to 25.3% from 34.1% recorded the previous week, while that of the 182-day paper increased to 15.8% from 7.0% recorded the previous week. The government accepted a total of Kshs 18.8 bn worth of bids out of Kshs 20.2 bn of bids received, translating to an acceptance rate of 93.1%. The yields on the government papers were on an upward trajectory, with the yields on the 364-day, 182-day and 91-day papers increasing by 43.9 bps, 52.5 bps and 27.2 bps to 15.2%, 14.9% and 14.8%, respectively. The chart below compares the overall average T- bills subscription rates obtained in 2017, 2022 and 2023 Year to Date (YTD):

Money Market Performance:

In the money markets, 3-month bank placements ended the week at 11.8% (based on what we have been offered by various banks), the yield on the 364-day paper increased by 43.9 bps to 15.2%, while that of 91-day paper increased by 27.2 bps to 14.8%. The yield of Cytonn Money Market Fund increased by 23.0 bps, to 13.7%, from 13.4% and the average yields on the Top 5 Money Market Funds increased by 16.0 bps to 13.4% from 13.2% recorded the previous week.

The table below shows the Money Market Fund Yields for Kenyan Fund Managers as published on 22nd Sep 2023:

Cytonn Report: Money Market Fund Yield for Fund Managers as published on 22nd September 2023

Rank	Fund Manager	Effective Annual
1	GenAfrica Money Market Fund	13.8%
2	Cytonn Money Market Fund	13.7%
3	Enwealth Money Market Fund	13.7%
4	Lofty-Corban Money Market Fund	12.9%
5	Apollo Money Market Fund	12.8%
6	Etica Money Market Fund	12.8%

Cytonn Report: Money Market Fund Yield for Fund Managers as published on 22nd September 2023

Rank	Fund Manager	Effective Annual
7	Jubilee Money Market Fund	12.7%
8	Madison Money Market Fund	12.5%
9	Co-op Money Market Fund	12.5%
10	Kuza Money Market fund	12.2%
11	GenCap Hela Imara Money Market Fund	12.2%
12	Sanlam Money Market Fund	11.9%
13	Old Mutual Money Market Fund	11.9%
14	Absa Shilling Money Market Fund	11.7%
15	ICEA Lion Money Market Fund	11.6%
16	KCB Money Market Fund	11.5%
17	Dry Associates Money Market Fund	11.3%
18	Nabo Africa Money Market Fund	10.6%
19	CIC Money Market Fund	10.5%
20	AA Kenya Shillings Fund	10.2%
21	Mali Money Market Fund	10.1%
22	Orient Kasha Money Market Fund	10.0%
23	Equity Money Market Fund	9.8%
24	British-American Money Market Fund	9.2%

Source: Business Daily

Liquidity:

During the week, liquidity in the money markets tightened, with the average interbank rate increasing to 12.2%, from 12.1% recorded the previous week, partly attributable to tax remittances that offset government payments. The average interbank volumes traded decreased by 16.9% to Kshs 21.8 bn, from Kshs 26.3 bn recorded the previous week. The chart below shows the interbank rates in the market over the years:

Kenya Eurobonds:

During the week, the yields on Eurobonds were on an upward trajectory, with the yield on the 10-year Eurobond issued in 2014 increasing the most by 3.2% points to 16.8%, from 13.6%, recorded the previous week. The table below shows the summary of the performance of the Kenyan Eurobonds as of 21st Sep 2023;

Cytonn Report: Kenya Eurobonds Performance

	2014	2018		2019		2021
Tenor	**10-year issue**	**10-year issue**	**30-year issue**	**7-year issue**	**12-year issue**	**12-year issue**
Amount Issued (USD)	**2.0 bn**	**1.0 bn**	**1.0 bn**	**0.9 bn**	**1.2 bn**	**1.0 bn**
Years to Maturity	**0.8**	**4.5**	**24.5**	**3.7**	**8.7**	**10.8**
Yields at Issue	**6.6%**	**7.3%**	**8.3%**	**7.0%**	**7.9%**	**6.2%**
02-Jan-23	12.9%	10.5%	10.9%	10.9%	10.8%	9.9%
01-Sep-23	13.8%	11.7%	11.4%	12.0%	11.5%	11.0%
14-Sep-23	13.6%	11.8%	11.5%	12.3%	11.5%	11.1%
15-Sep-23	14.0%	11.8%	11.5%	12.3%	11.5%	11.1%
18-Sep-23	14.7%	12.3%	11.6%	12.9%	11.8%	11.3%
19-Sep-23	15.9%	12.7%	11.8%	13.5%	12.1%	11.6%
20-Sep-23	15.7%	12.6%	11.9%	13.5%	12.0%	11.6%
21-Sep-23	16.8%	13.0%	12.1%	14.0%	12.3%	11.9%
Weekly Change	**3.2%**	**1.2%**	**0.6%**	**1.7%**	**0.8%**	**0.8%**
MTD Change	**3.0%**	**1.3%**	**0.7%**	**2.0%**	**0.8%**	**0.9%**
YTD Change	**3.9%**	**2.5%**	**1.2%**	**3.1%**	**1.5%**	**2.1%**

Source: Central Bank of Kenya (CBK) and National Treasury

Kenya Shilling:

During the week, the Kenya Shilling depreciated by 0.4% against the US dollar to close the week at Kshs 147.4, from Kshs 146.8 recorded the previous week. On a year to date basis, the shilling has depreciated by 19.4% against the dollar, adding to the 9.0% depreciation recorded in 2022. We expect the shilling to remain under pressure in 2023 as a result of:

i. An ever-present current account deficit, which came at 2.3% of GDP in Q1'2023 from 4.2% recorded in a similar period last year, and,
ii. The need for government debt servicing, continues to put pressure on forex reserves given that 66.8% of Kenya's external debt is US Dollar denominated as of April 2023, and,
iii. Dwindling forex reserves currently at USD 7.0 bn (equivalent to 3.8-months of import cover), which is below the statutory requirement of maintaining at least 4.0-months of import cover.

The shilling is however expected to be supported by:

i. Diaspora remittances standing at a cumulative USD 2,766.3 mn in 2023 as of August 2023, 3.4% higher than the USD 2,674.5 mn recorded over the same period in 2022, and,
ii. The tourism inflow receipts which came in at Kshs 268.1 bn in 2022, a significant 82.9% increase from Kshs 146.5 bn inflow receipts recorded in 2021.

The chart below summarizes the evolution of Kenya months of import cover over the years:

Rates in the Fixed Income market have been on an upward trend given the continued high

demand for cash by the government and the occasional liquidity tightness in the money market. The government is 2.2% ahead of its prorated net domestic borrowing target of Kshs 68.1 bn, having a net borrowing position of Kshs 69.6 bn of the domestic net borrowing target of Kshs 313.6 bn for the FY'2023/2024. Therefore, we expect a continued upward readjustment of the yield curve in the short and medium term, with the government looking to bridge the fiscal deficit through the domestic market. Owing to this, our view is that investors should be biased towards short-term fixed-income securities to reduce duration risk.

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