



Cytonn 2024 Markets Outlook

Outlook Summary

Cytonn Report: Fixed Income and Equities Outlook for 2024

Fixed Income

The government is 34.0% behind of its prorated net domestic borrowing target of Kshs 274.5 bn, having a net borrowing position of Kshs 181.2 bn out of the domestic net borrowing target of Kshs 471.4 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 maintain the fiscal surplus 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

Equities

We are **NEUTRAL** on the Equities markets in the short term due to the current adverse operating environment and huge foreign investor outflows, and, **BULLISH** in the long term due to current cheap valuations and expected global and local economic recovery. With the market currently trading at a discount to its future growth (PEG Ratio at 0.7x), we believe that investors should reposition towards value stocks with strong earnings growth and that are trading at discounts to their intrinsic value. We expect the current high foreign investors sell-offs to continue weighing down the economic outlook in the short term.

Cytonn Report: Real Estate Outlook Summary for 2024

Real Estate Sector

The overall outlook for the real estate sector is **NEUTRAL**, supported by; i) infrastructural development, ii) government and private sector focus on affordable housing, iii) focus on mortgage financing through the KMRC, iv) continued recovery of the hospitality sector, v) aggressive expansion by both local and international retailers in a bid to maintain market dominance, and, vi) Kenya's positive demographics driving housing demand. However, factors such as increased construction costs on the back of inflation, constrained financing to developers on the back of underdeveloped capital markets, oversupply in select sectors and low of investor appetite in Real Estate Investments Trusts (REITs) are expected to continue impeding optimal performance of the sector

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For more information, please see the Cytonn 2024 Markets Outlook Full Report.

