

MONTHLY ECONOMIC REPORT - November 2021



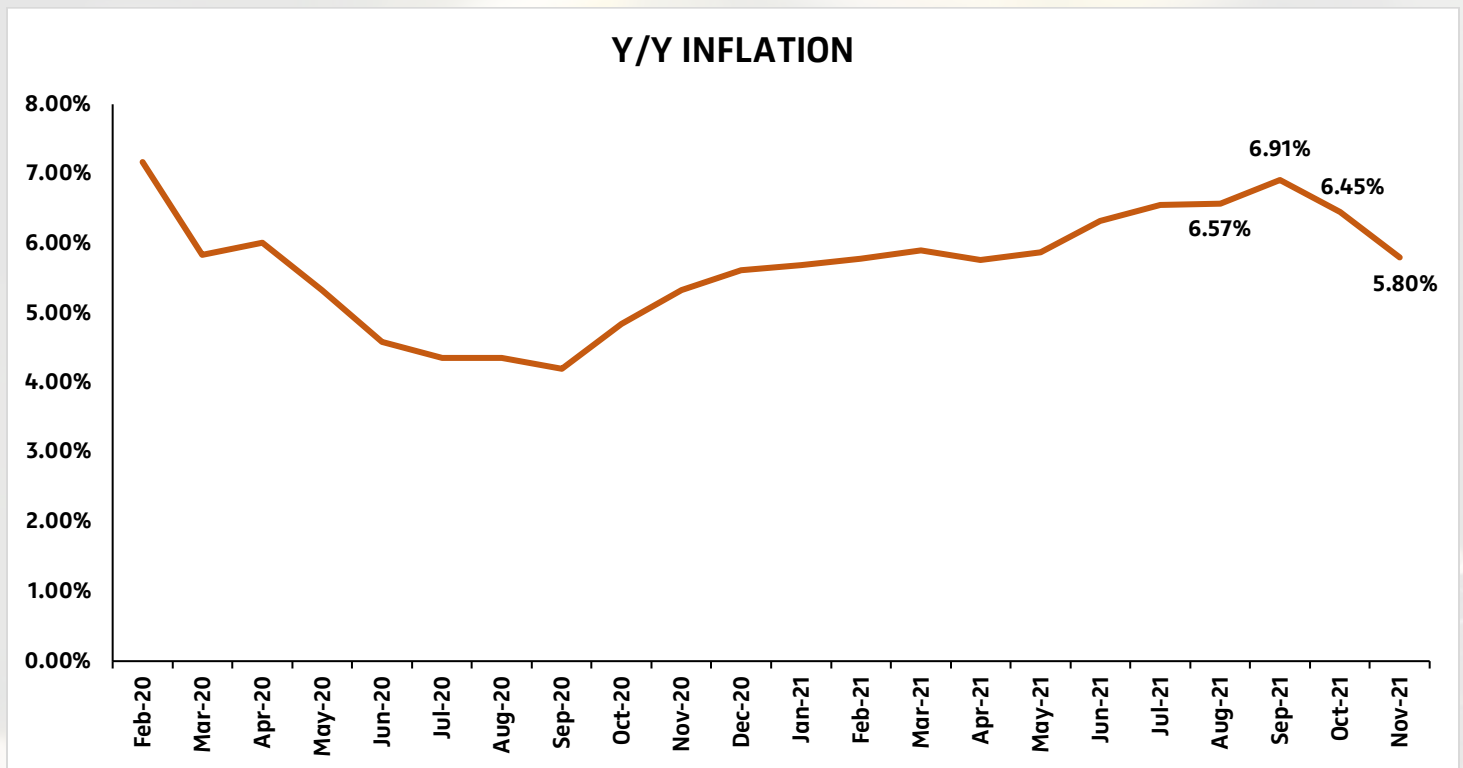
Disclaimer: Whilst all considerable care has been taken by NatBank Trustee and Investment Services Ltd in preparation of this Market Bulletin, NTISL does not assume liability for any losses arising from errors, omissions, Opinions, forecasts or information given by NTISL, its affiliates, or employees and whether such losses be direct, indirect or consequential.

MACROECONOMIC HIGHLIGHTS

Inflation:

Data from the Kenya National Bureau of Statistics indicate that annual inflation for the month of November came in at 5.80%, a decline from 6.45% recorded in October 2021. This was driven by y/y increases in prices of commodities under: food and non-alcoholic beverages (9.92%); transport (8.14%); and housing, water, electricity, gas and other fuels (6.24%) between November 2020 and November 2021.

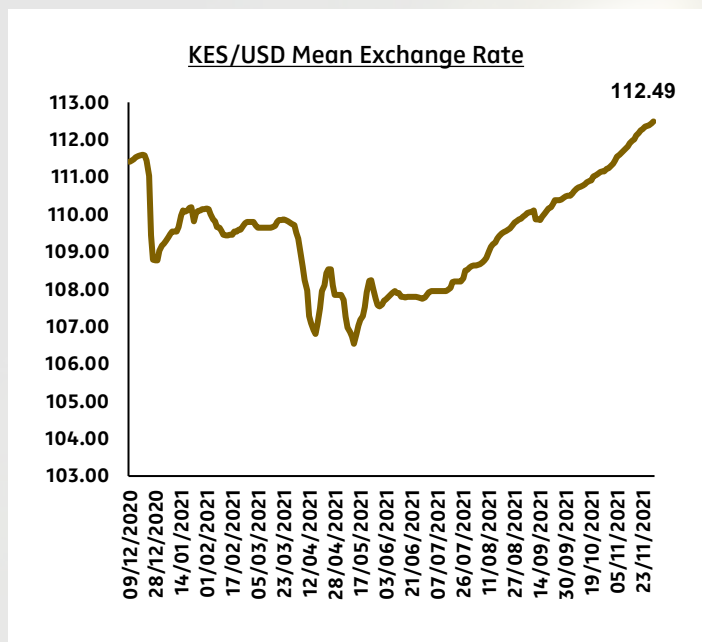
Month on month inflation came in at 0.45%, driven by a 0.91% increase in food & non-alcoholic beverages, coupled with a 0.49% increase in housing, water, electricity, gas and other fuels. Notably, the transport index was the only decliner month on month by 0.16%, attributable to a decline in bus fares of country public service vehicles.



Inflation Outlook: Inflation is expected to remain at the current levels in the short term on account of increased global fuel prices, higher food prices domestically due to depressed short rains, coupled with increased demand for both goods & services as we approach the festive season also elevated by the full re-opening of the economy, compared to last year.

Currency Performance:

The Kenya Shilling depreciated by 1.15% against the US Dollar in November to close the month at Kshs 112.49, from Kshs 111.21 recorded at the end of October 2021. The depreciation was largely driven by the strengthening of the dollar on increased demand as inflation data revived bets of tighter monetary policy. On a YTD basis, the shilling has depreciated by 3.04% and 1.15% against the US dollar and Pound Sterling, respectively. It has however appreciated by 5.18% against the Euro.



Performance against major global currencies					
Currencies	Dec 2020 (vs KES)	29 Oct 2021	30 Nov 2021	m/m Δ	YTD Δ
USD	109.17	111.21	112.49	(1.15%)	(3.04%)
EUR	133.90	129.08	126.96	1.64%	5.18%
GBP	148.40	152.96	150.11	1.87%	(1.15%)

Currency Outlook: Kenya's current account has remained resilient notwithstanding the COVID 19 shock, with the deficit estimated at 5.4% of GDP in the 12 months to October and is projected at 5.2% of GDP in 2021. Export of goods continues to deliver strong performance, growing by 10.8% in the period January to October 2021 compared to a similar period in 2020. Receipts from tourism and transport services have improved as international travel continues to recover. Remittances on the other hand have maintained robust growth at USD 337.4 mn in October 2021 and are 20.1% higher in the period January to October 2021 compared to a similar period in 2020. **Pressure on the currency is however expected to sustain attributable to the strengthening of the US dollar, coupled with a high oil imports bill following the continued rise in global crude oil prices as supply remains constrained whilst demand is accelerating.**

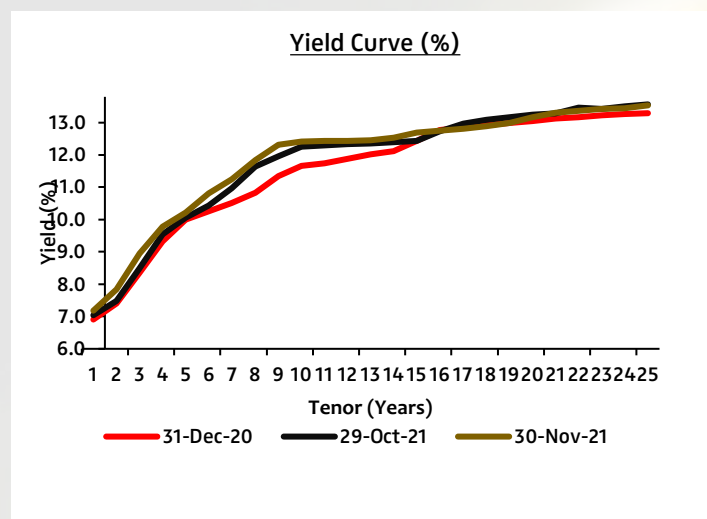
FIXED INCOME HIGHLIGHTS

During the month of November, T-bills remained undersubscribed, with the overall subscription rate coming in at 87.9%, up from 57.9% recorded in October 2021. The 91-day, 182-day and 364-day T-bills closed the month at yields of 7.2%, 7.8% and 8.9% up from 7.0%, 7.4% and 8.1%, recorded in October, respectively.

In the Primary Bond Market, the government re-opened the FXD1/2019/20 and issued a new bond FXD1/2021/5 with the issue recording an overall a subscription rate of 168.34%. The government had sought to raise Kshs 50.0 bn for budgetary support, received bids worth Kshs 84.17 bn and accepted bids worth Kshs 69.51 bn, translating to an acceptance rate of 82.58%. The short-tenor issue i.e. FXD1/2021/5, received more interest from the market, with total bids coming in at Kshs 66.60 bn, equivalent to 79.13% of the total bids received from the entire issue.

The coupons for the FXD1/2021/5 and FXD1/2019/20 were; **11.277% and 12.873%**, respectively. The weighted average yield rates for the issue on the other hand came in at **11.277% and 13.408%** for the FXD1/2021/5 and FXD1/2019/20, respectively.

The yield curve on the other hand recorded an upward readjustment in the short- and medium-term bonds, during the month of November which saw the FTSE NSE bond index shed 0.1%, bringing the YTD performance to a decline of 1.4%. The secondary bond turnover edged up by 0.25% to Kshs 63.8 bn, from Kshs 63.6 bn recorded in October.



Tenor	31-Dec-20	29-Oct-21	30-Nov-21	YTD Δ (% Points)	m/m Δ (%Points)
91-day	6.9%	7.0%	7.2%	0.3%	0.1%
1yr	8.3%	8.5%	8.9%	0.6%	0.5%
2Yr	9.3%	9.6%	9.8%	0.5%	0.2%
5Yr	10.5%	11.0%	11.3%	0.7%	0.3%
10Yr	11.9%	12.3%	12.4%	0.6%	0.1%
15Yr	12.8%	13.0%	12.8%	(0.0%)	(0.2%)
20Yr	13.2%	13.5%	13.4%	0.2%	(0.1%)
23Yr	13.3%	13.6%	13.5%	0.2%	(0.0%)
25Yr	-	13.7%	13.6%	-	(0.1%)

Fixed Income Outlook: There has been a notable Improvement in revenue collections in the current financial year. Revenue collections overshoot the government's prorated estimates in the first four months of the FY 2021/2022, by 1.1% to close at Kshs 591.9 bn. Despite this, rising expenditure pressures consistent with the government's efforts to stimulate growth, coupled with debt service requirements could sustain wide deficits and as such we expect Interest rates to continue picking up as debt pressure builds following increased fiscal needs in the medium-term.

EQUITIES MARKET PERFORMANCE

The equities market was on a downward trajectory in November, which saw the NASI, NSE 20 and NSE 25 shed 7.90%, 4.59% and 5.67%, respectively. The equities market performance was mainly driven by declines recorded in some large cap counters such as Safaricom (-11.33%) and banking counters such as Diamond Trust Bank of Kenya (-4.68%), I&M Holdings (-3.03%) and Co-operative Bank (-2.40).

Equities turnover rose by 51.60% in November to Kshs 15.57 bn, from Kshs 10.27 bn recorded in October 2021. Foreign investors remained net sellers with a net selling position of Kshs 4.29 bn from a net selling position of Kshs 1.0 bn in October.

Indicator	29-Oct-2021	30-Nov-2021	% Δ
NASI	177.96	163.90	(7.90%)
NSE-20	1,961.33	1,871.31	(4.59%)
NSE-25	3,851.67	3,633.46	(5.67%)
Mkt cap, KES Bn	2,777.066	2,552.929	(8.07%)
Shares traded	263,857,600	456,951,300	73.18%
Equities TO, KES	10,271,431,616	15,571,362,449	51.60%

Security	Top Gainers		
	29-Oct-2021	30-Nov-2021	% Δ
Nairobi Business Ventures	5.04	6.00	19.05%
HF Group Ltd	3.81	4.21	10.50%
Kakuzi Plc	385.00	423.50	10.00%
ABSA	10.20	11.05	8.33%
Eaagads	12.00	12.70	5.83%

Security	Top Losers		
	29-Oct-2021	30-Nov-2021	% Δ
Liberty Kenya Holdings	8.00	6.56	(18.00%)
WPP ScanGroup Plc	4.79	4.01	(16.28%)
Centum Investment Company	17.75	15.05	(15.21%)
Eveready East Africa	1.00	0.86	(14.00%)
CIC	2.56	2.24	(12.50%)

Equities Outlook: We expect the broad-based declines in stock prices recorded in November linked to profit-taking to slow down in the short term, mainly supported by Banking counters that recently released impressive Q3'2021 financial performance, as well as investors taking positions for the dividend play. We are however cognizant of the risks in the medium term, as we approach the election year, coupled with emergence of new COVID 19 strain (Omicron variant), which might have a negative impact on investor sentiments. Pockets of value however exist in several counters currently trading at discounts to their intrinsic value and median sector multiples despite exhibiting strong earnings growth.





NatBank
Trustee and Investment Services LTD



National
Bank

A Subsidiary of KCB Group PLC

This is the time to grow

We know how to make your money grow and yield better returns. Talk to us today on the investment opportunities available for you.

☎ Call: +254 703 088 900 | +254(20) 282 8900 | +254 732 118 900

✉ Email: callcentre@nationalbank.co.ke

Regulated by the Retirement Benefits Authority



Natbank Trustee and Investment Services Ltd (A wholly owned subsidiary of the National Bank of Kenya). 13th Floor, National Bank Building, Harambee Avenue, Nairobi. P.O. Box 72866-00200 Email: ntislstaff@nationalbank.co.ke; Tel: 020 - 2828356; 8357;8252, 8692, Esther Kariuki -0723565743; David Gitau- 0727808484