Investment Play 2025

The Fragile Bull

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- Capital protection

- Outperformance of local economic conditions

- Minimize exposure to currency risk

Your Investment GPS

List of Abbreviations

AfDB	African Development Bank
CBK	Central Bank of Kenya
CBR	Central Bank Rate
ECF	Extended Credit Facility
EFF	Extended Fund Facility
EMDE	Emerging Markets and Developing Economies
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
KES	Kenya Shilling
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
LCU	Local Currency Units
MPC	Monetary Policy Committee
NSE	Nairobi Securities Exchange
PMI	Purchasing Managers Index
RSF	Resilience and Sustainability Fund
SDR	Special Drawing Rights
SSA	Sub-Sahara Africa
USD	United States Dollar
VAT	Value Added Tax

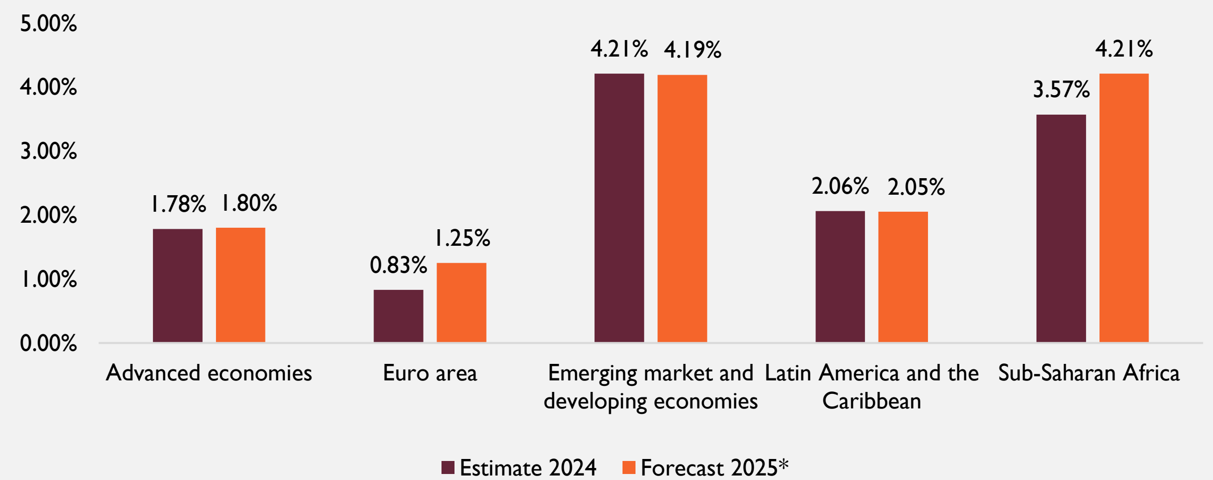
Global Macro Outlook

A Year of Resilience Amid Turmoil – Bracing for a Fragile Bull in 2025

Elevated inflation, rising interest rates, and volatility in the geopolitical scene are the various factors that characterized the 2024 macroeconomic landscape, and despite this global GDP growth is projected at 3.2 % as we dubbed it, "The Year of Resilience". Economic fortunes varied across markets with some weathering the storm better than others. The US economy, in particular, recorded sustained economic growth as services spending remained strong and labor demands robust- showcasing "US exceptionalism". On the other hand, advanced economy peers like those in the Euro area struggled to contend with the headwind trifecta as weakening domestic consumption and manufacturing overcapacity hindered growth, with economic powerhouses such as Germany narrowly avoiding recession.

Similar cases were observed in Latin America and other emerging markets, where tightened monetary policies restricted consumption and investment spending. Additionally, increasing foreign capital outflows driven by investors redirecting funds to advanced economies, strengthened the dollar, subsequently elevating import costs while constraining economic activity even further. Furthermore, rising global interest rates elevated funding costs, limiting fiscal headroom in various markets with many governments resorting to tax-raising measures to cater to rising expenditure needs. This further escalated cost of living pressures, leading to an onset of political unrest in some.

Chart 1: Regional Growth Projections



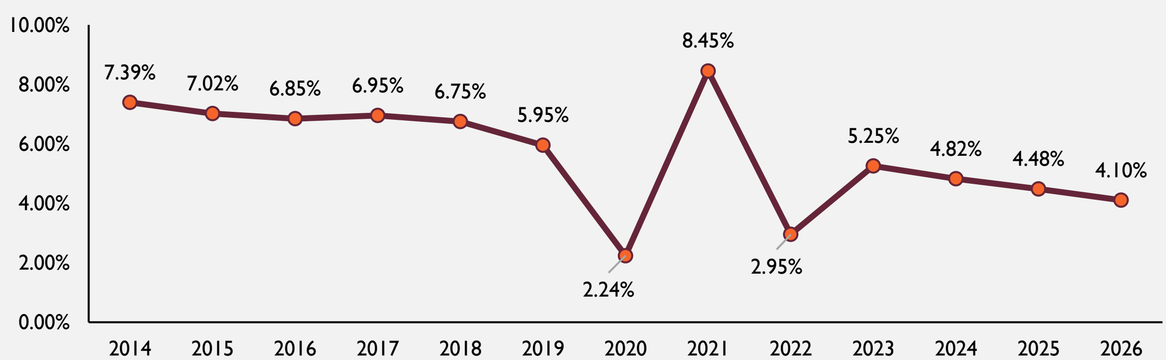
Source: IMF October 2024 World Economic Outlook, AIB-AXYS Research

Heading into 2025, policy changes are expected to take centre stage in determining global market performance with many markets having experienced government changes in 2024. Competing policy objectives are expected to shape market movements with potential US policy changes at the cornerstone as President Donald Trump takes office. The possibility of restrictive trade policy enactment could further exacerbate geopolitical fragmentation, hampering growth and leading to a potential resurgence in inflationary pressures. This coming at a time when the world economy was gearing itself for a recovery as inflation subsided and interest rates declined. However, the outlook does remain precarious as the extent of policy implementation remains unclear. This ties into our central theme "The Fragile Bull," where growth in 2025 remains unpredictable, with significant policy changes possibly reshaping the economic landscape.

China's Growth Slump: Debt, Trade, and Tough Choices

In China, growth is estimated to fall short of the 5% target set by the government as overhangs in the property sector continue to impede economic fortunes. This occurred despite various monetary and fiscal incentives issued by the government to support recovery including a $1.36Tn debt package set to ease local government debt exposures coupled with the implementation of a trade-in subsidy that was set to boost consumer spending. As 2025 unfolds, the Chinese economy is set to face further headwinds as potential trade tariff introductions could further lower economic growth in the country, limiting exports. To tame the fallout, the government is likely to devalue the yuan seeking to minimize export costs, however, these measures might be insufficient with growth projected to decline even further. The government could be forced to introduce further direct fiscal measures to support consumption in a bid to prevent economic tensions from spilling over into the political sphere as was witnessed in various emerging and frontier markets in 2024.

Chart 2: China GDP Growth



Source: Statista, IMF projections, AIB-AXYS Research

Inflation, Rate Cuts, and Risks: The 2025 Global Monetary Policy Outlook

Post-pandemic inflation continued to shape global monetary policy initiatives, with Central Banks raising interest rates to tame rising cost pressures. This incremental rise in rates, elevated borrowing costs, ultimately limiting consumer expenditure with service and manufacturing sector players bearing the brunt. However, there were some exceptions to this, specifically the US market, that saw consumer spending remain undeterred, despite the rise in policy rates. This is attributable to the capital buffers raised by households and businesses during the low-interest periods, that helped sustain expenditure.

Elevated interest rates persisted well into 2024, as inflationary pressures remained sticky, with analysts projecting a 'higher for longer' interest rate environment. However, cost pressures continued to gradually ease as supply chains stabilized and the impact of interest rate hikes reverberated through markets. As a result, inflation rates trended closer to target benchmarks in the second half of 2024, enabling Central Banks to begin easing measures aimed at achieving a "soft landing."

As we move into 2025, we expect policy rate easing to proceed at a more moderate pace, with Central Banks anticipated to remain cautious given the potential uncertainty of policy developments in 2025. We believe this holds especially true for the US Federal Reserve, given that President Trump's policy agenda is expected to reignite inflation, as a crackdown on immigration tightens labor supply and import tariff imposition raises import costs. This could lead to further divergence in global monetary policy outlooks, with Central Banks—especially those in the Euro area—expected to continue cutting interest rates to stimulate their stagnating economies.

Spillover risks could also come into play in 2025, with a potential US-China "trade war" possibly cascading into other regions. This would prompt emerging and frontier market Central Banks to pause their rate-cutting cycles, as they monitor possible changes in global financial markets in a bid to avoid reckless monetary easing that could lead to currency devaluations, as interest rate differentials influence exchange rates.

Asset Class Shake-Up: 2024 Trends and 2025 Outlook

Divergence in asset class performance carried into 2024, with certain markets experiencing unprecedented growth fueled by the artificial intelligence boom. Earnings from listed information technology firms continued to surpass analysts' expectations, drawing investors eager to secure a position in this high-growth sector. Conversely, returns from manufacturing and consumer discretionary businesses remained under pressure due to ongoing weak consumer spending. In the fixed-income market, elevated interest rates attracted yield-seeking investors with Sub-Saharan economies making a notable return to the Eurobond market, achieving high subscription rates despite credit risk concerns. Going into 2025, we expect to see a broadening in equity market performance to non-tech-related industries with earnings momentum projected to be driven by a recovery in consumer spending. In the fixed-income market, lower investor participation is anticipated as yields trend lower, however, the downside potential could be limited, given the uncertain global policy outlook.

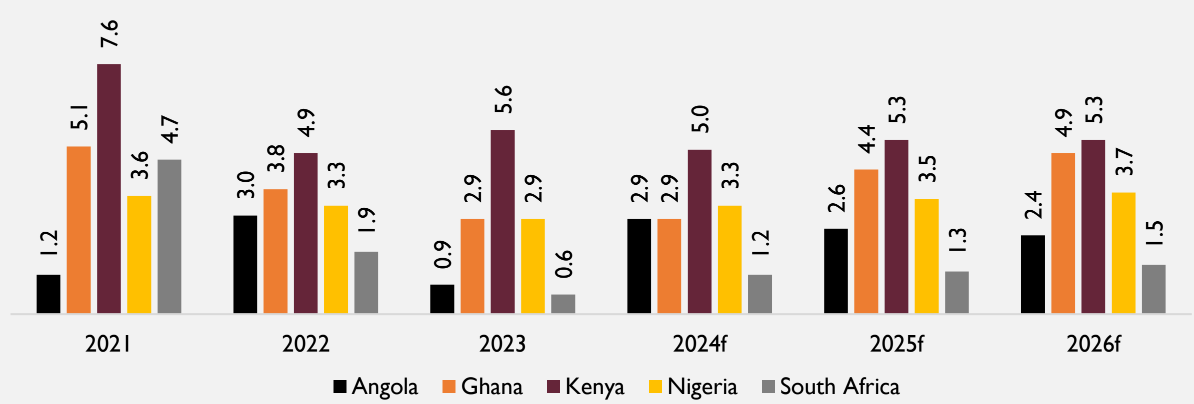
Sub-Sahara Africa Macro Outlook

SSA's Growth: Slow and Steady Wins…Eventually

GDP Growth in SSA remained subdued and uneven in 2024 at 3.6% as Resource-Intensive Countries (RIC) continued to grow at about half the pace of the rest of the region, with oil exporters struggling the most. Growth was similarly influenced by increased agricultural risks in Malawi, Zambia, and Zimbabwe, along with persistent electricity shortages and ongoing macroeconomic tightening.

A sluggish recovery is envisioned in 2025 as SSA regional growth is projected to pick up modestly to 4.2 percent underpinned by fading inflationary pressures, allowing for interest cut rates which will support private consumption and investment. Significant increases are also anticipated in Ghana as it continues re-establishing its macroeconomic stability; in Botswana and Senegal, reflecting an increase in resource exports, and in Malawi, Zambia, and Zimbabwe, as they recover from drought. Given optimistic post-election sentiment and reduced power outages, growth is also expected to improve in South Africa. Over the medium term, projected GDP growth is expected to stabilize at about 4.4 percent, with a continued divergence between Resource Intensive Countries (RICs) and the rest of the region.

Chart 3: SSA Countries GDP Forecasts



Source: World Bank, AIB-AXYS Research

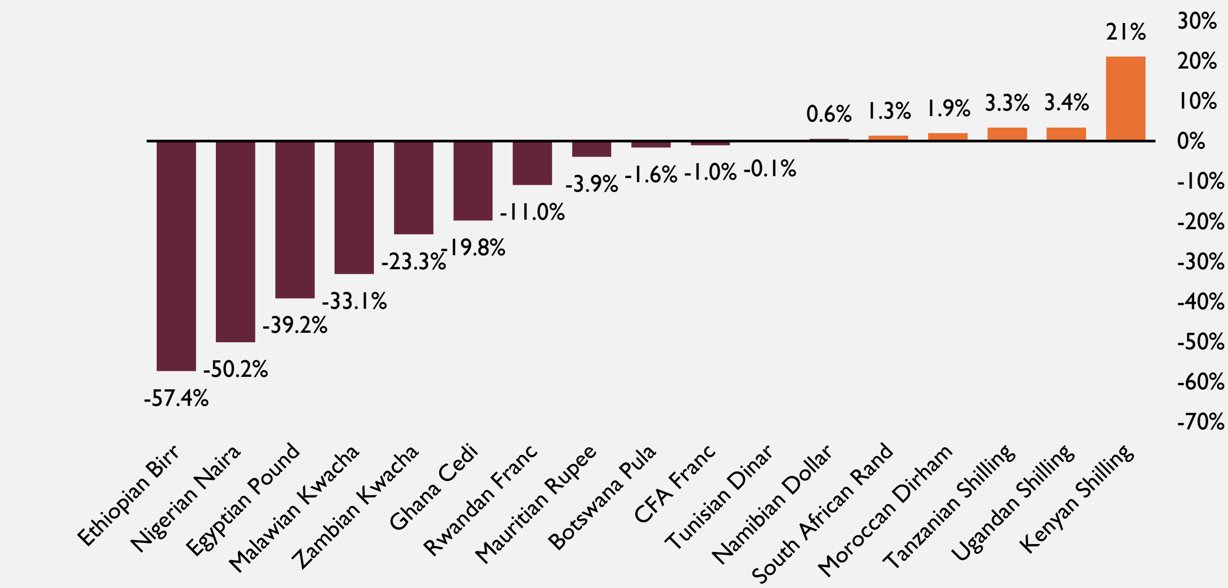
The Inflation Diet: Inflation Takes a Chill Pill

Inflation is expected to decline from 7.1 percent in 2023 to 4.8 percent in 2024 and 4.6 percent in 2025 to 2026. The decline is honed by the stabilization of commodity prices in 2024, the alleviation of supply chain disruptions, the effects of tightened monetary and fiscal policies, and the stabilization of currencies. However, inflation remained in double-digit territory in almost one-third of countries including Angola, Ethiopia, and Nigeria, and has been rising in tandem with the exchange rates. On the flip side, inflation was within target in nearly half of the region particularly where monetary policy was not anchored by an exchange rate peg.

Currency Rodeo: Wild Ride on Exchange Rates

African currencies demonstrated strong performance relative to hard currencies in 2024 compared to 2023, delivering notable gains across the Sub-Saharan region as shown below.

Chart 4: Select African Exchange Rate 2024 Performance vs US Dollar



Source: Central Banks Data, AIB-AXYS Research

Currency headwinds persisted in other SSA countries due to the ripple effects of trade imbalances, elevated inflationary pressures, political instability, and dwindling foreign reserves which contributed to the depreciation seen. The Ethiopian Birr recorded the steepest decline, trimming up to 57.4 percent against the dollar following the adoption of the new exchange rate reforms by Ethiopia's Central Bank. These new reforms allowed the local currency to float freely based on market forces leading to its plunge. On the flip side, The Kenyan Shilling remained resilient against the dollar for the better part of 2024, recording a 21 percent gain in the year due to remittance and offshore dollar inflows. This is on the back of improvements in its foreign exchange reserves currently at USD 9.0Bn equivalent to 4.6 months of import cover which is above the statutory requirement.

Riding the Recovery Wave: Financing and Debt Sustainability in SSA

Sovereign spreads narrowed significantly since their peak in mid-2022, partly in response to easing global financial conditions. Consequently, ongoing fiscal consolidation efforts helped rebuild buffers and ensure debt sustainability as SSA countries witnessed a return to the Eurobond markets throughout 2024. Additionally, countries with monetary and fiscal stability such as Cote D'Ivoire and South Africa have been more resilient to external financing shocks.

Despite the progress in debt sustainability, some SSA countries' public debt servicing is not yet on a solid footing. Domestic and external financing conditions remained tight in 2024 as the funding shocks persisted. Many countries were still unable to access or afford financing as yields on Eurobond issuances were still above the levels exhibited during the pre-pandemic era, ranging from 7.6 percent to 10.7 percent for instruments issued during the year. Similarly, the domestic debt market remained saturated as auctions were undersubscribed in many countries leading to higher borrowing costs and economic imbalances for those countries. Contractionary monetary policy led to elevated domestic borrowing rates for the private sector, exerting a drag on investment and dampening economic activity.

Going into 2025, we anticipate a steady reduction in US policy rates which would reinvigorate financing flows to the SSA markets. Easing inflationary pressures and reduced interest rates set by major global Central Banks would support regional expansionary monetary policies adoption that would gradually lower borrowing costs. Conversely, many SSA countries will still face headwinds in accessing financing as high external debt servicing needs remain a significant risk in comparison to available forex reserves in those countries. A consistent gain in the value of the US dollar against African currencies in 2025 would also see the cost of servicing foreign debt rise.

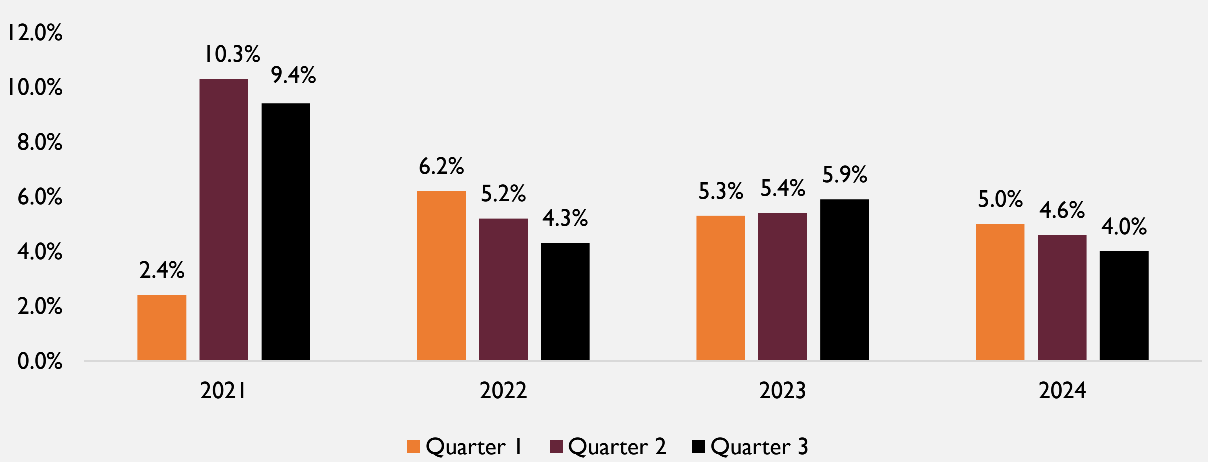
Kenya Macro Outlook

High Costs, Political Turmoil Weigh on Economic Momentum

The Kenyan economy registered its slowest Q3 economic growth since the pandemic, coming in at 4.0%, as interplays between elevated interest rates, high taxes, and political uncertainty weighed on sectoral economic performance. The construction sector, in particular, registered its second consecutive growth contraction at 2.0%, as ongoing fiscal reforms limited government development expenditure. Nevertheless, growth in the quarter was supported by a notable performance in agriculture as favourable weather conditions persisted. Similarly, transportation and storage activities witnessed a 5.2% uptick in the quarter, as declining fuel prices offered cost relief to transport operators. On the other hand, accommodation and food services activities registered a 208bps decline in growth to 13.7%, a trend we partially attribute to the instability witnessed in the local political climate that saw anti-government protests grip the country, leading to an uptick in tourist reservation cancellations.

We foresee improved consumer sentiment typically observed during the holiday season to drive GDP growth recovery in the fourth quarter of 2024, as we anticipate a growth of 5.0%. However, overhangs from reduced private-sector credit lending could potentially constrain the growth outlook, with a recovery in consumer spending unlikely in the near term. Growth in 2025, is also anticipated to face similar challenges, with unpredictable tax measures and geopolitical uncertainties expected to be a drag on growth prospects. Nevertheless, continued adoption of expansionary monetary policy could support economic activity going forward with GDP growth expected to rebound above the 5.0% mark.

Chart 5: Kenya Quarterly GDP Growth



Source: Kenya National Bureau of Statistics, AIB-AXYS Research

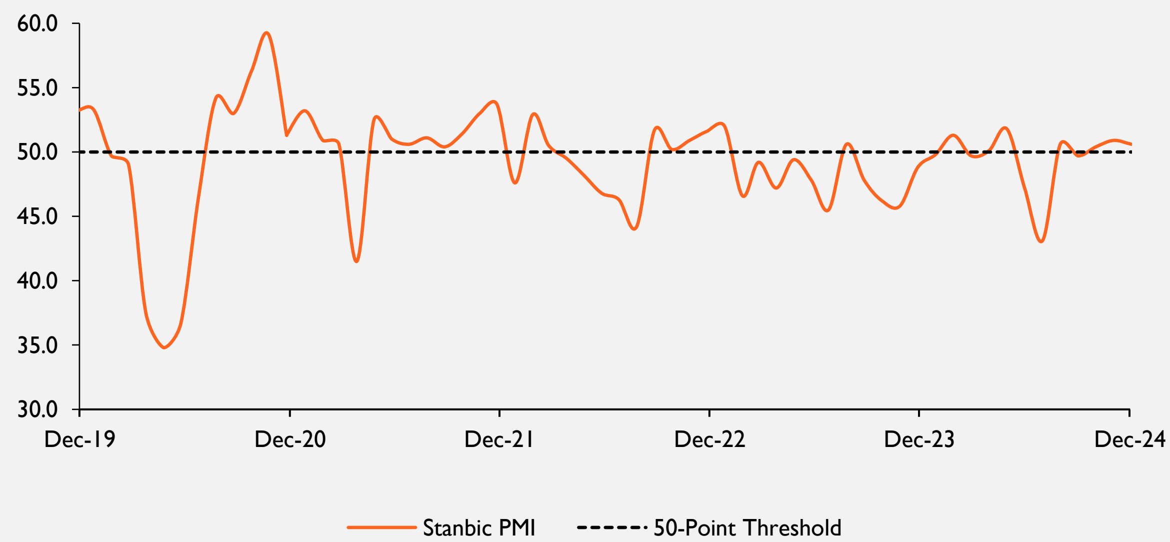
Purchasing management index

Modest Recovery: Cost Relief Amidst Unrest

Stanbic Bank Kenya's Purchasing Managers Index (PMI) registered a marginal improvement in 2024, with average readings coming in at 49.6 compared to 48.1 registered in 2023. PMI readings above 50.0 signal improvements in business sentiment, while readings below 50.0 signal a deterioration. The uptick witnessed in 2024 was driven by declining cost pressures as a strengthening exchange rate and diminishing inflationary pressures helped minimize input costs ultimately leading to softer increases in selling charges. This helped sustain sales volume growth, despite contractions in consumer spending power.

Nevertheless, private sector activity maintained minimal momentum throughout the year, with consumer spending remaining under constant pressure from new tax measures and a high-interest rate environment that drove up borrowing costs. Additionally, political unrest witnessed during anti-government protests, severely dampened business confidence forcing many businesses to shut down temporarily to avoid looting. Going into 2025, declining interest rates and recovering consumer spending are expected to support business sentiment recovery in the near term. However, the looming risk of supply chain disruptions and tax policy uncertainty could weigh on outlook prospects.

Chart 6: Stanbic Bank Kenya Purchasing Managers Index



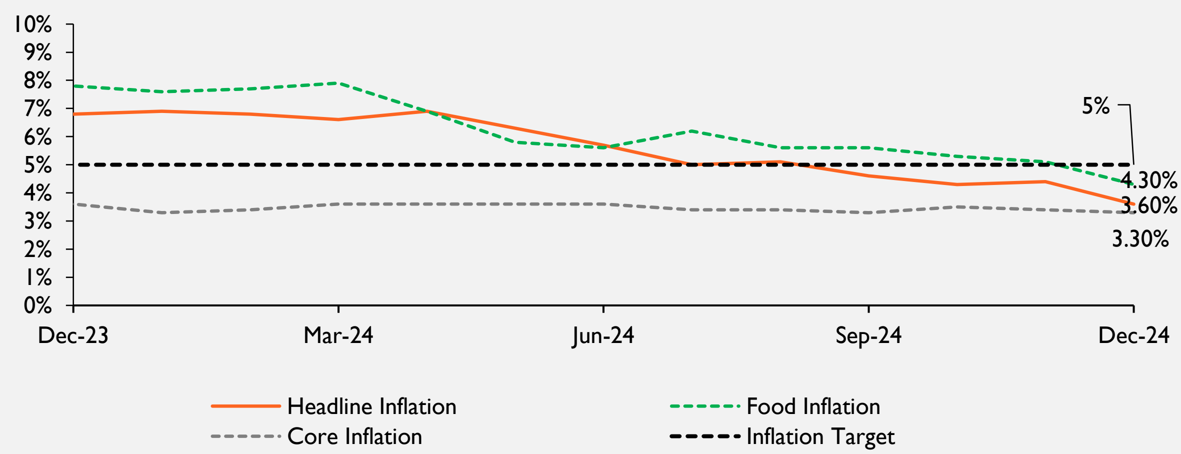
Source: Stanbic Bank Kenya, AIB-AXYS Research

Inflation: Cooling prices and Core challenges

Headline inflation eased for the better part of 2024, closing December at 3.0% - a 360bps decline from the close of Q4 2023. This was well below the Central Bank's 5% inflation target, showcasing the progress made through the tightening of monetary conditions in the country. This disinflationary trend came largely on the back of easing food prices, with the favourable weather conditions witnessed during the year helping to replenish food supplies. This saw food inflation decline to 4.80% in December, as opposed to 7.70% registered in December 2023. Additionally, diminishing import costs, brought about by a strengthening of the local exchange rate helped minimize cost push pressures even further, with fuel prices experiencing a sustained downward momentum, a sharp contrast from 2023.

Despite easing price pressures being the norm in 2024, core inflation remained stubborn, registering a marginal 20bps y/y decline to 3.20% in December 2024. We believe that the stickiness witnessed in core inflation was driven by elevated taxes and levies imposed on business inputs that limited the transmission of declining inflationary pressures.

Chart 7: Kenya's Inflation



Source: Kenya National Bureau of Statistics, AIB-AXYS Research

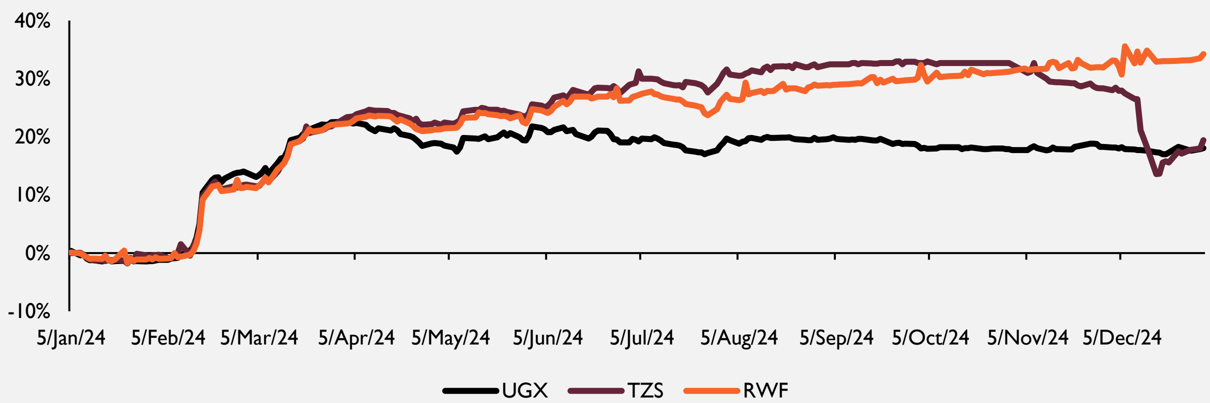
Going into 2025, we anticipate inflationary pressure to hover around the 5% mark, with exchange rate stability expected to persist well into the year. Similarly, food supplies are expected to be maintained due to harvests from the short rain periods experienced in the latter half of 2024. However, downside risks do hinge on possible supply chain disruptions, brought about by a change in global trade policies that could spark the onset of a "trade war", further fragmenting supply chains and ultimately reigniting inflation. Unpredictable tax measures also pose a risk to our outlook; although the impact could be minimal, due to the current government lacking sufficient political capital to implement significant additional tax measures in the near term.

Exchange rate

Kenyan Shilling's Big Win: 2024 Surge, 2025 in Focus

The Kenyan Shilling registered a stellar performance in 2024, with a 21% appreciation against the dollar, placing it amongst the top-performing global currencies in the year. This appreciation was primarily driven by a decline in credit default risk sentiment following the partial buyback of the 2024 Eurobond in February. The partial buyback did well to allay investor fears whilst renewing confidence in the country's credit position, bolstering interest in shilling-denominated assets. Furthermore, the recovery in diaspora remittances coupled with increased inflows from multilateral lenders supported foreign exchange reserves and alleviated demand pressures.

Chart 8: Kenya Shilling Performance Against Regional Peers



Source: Central Bank of Kenya, AIB-AXYS Research

The Shilling registered a similar appreciation against regional peers, a trend we believe was driven by investors seeking to hedge their assets against dollar depreciation in their home markets. Interplays between attractive yields offered by government securities and a lower credit default risk perception could also be viewed as factors, with Kenyan government securities offering one of the highest yields in the East African region. On the flip side, the strengthening of the shilling does present some downsides, with export prices expected to rise in tandem, potentially hampering their demand in the region.

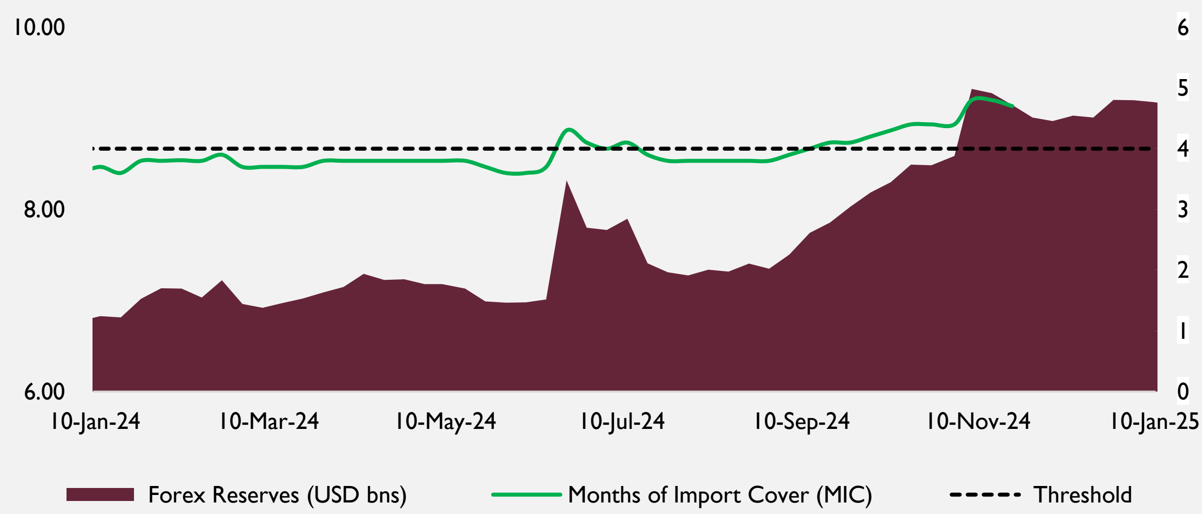
Moving into 2025, we anticipate range-bound volatility on the Kenya shilling - owing to mixed expectations of the balance of payments deficit, fiscal sustainability, and an ever-evolving geopolitical environment. Portfolio dollar inflows and recovery in Kenya's key exports are expected to continue to support the shilling. However, elevated external debt-service commitments continue to pose downside risks for the shilling. Similarly, changes in global policy directives could weigh on the shilling with investors expected to seek out safe-haven assets to hedge against uncertainty.

Rising buffers: Foreign exchange reserves

Gross Official Reserves witnessed a significant improvement in 2024, having crossed the National Treasury's recommended threshold of 4 months of import cover in June while proceeding to cross the East African 4.5-month threshold in November. Official Reserves closed the year at KES 9.20Bn representing 4.7 months of import cover, a prominent upturn from KES 6.61 Bn registered at the close of 2023. Liquidity injections from multilateral lenders, rising diaspora remittances, and improving export earnings, helped bolster reserve levels during the year despite the drags from external debt repayments.

We anticipate sustained stability in reserve levels going forward, as declines in global policy rates shift investor flows back into emerging and frontier markets, as they seek higher investment yields. However, uncertainties in global trade policy agendas could lead to reemerging global inflationary trends and increase reserve demand.

Chart 9: Forex Reserves Trend



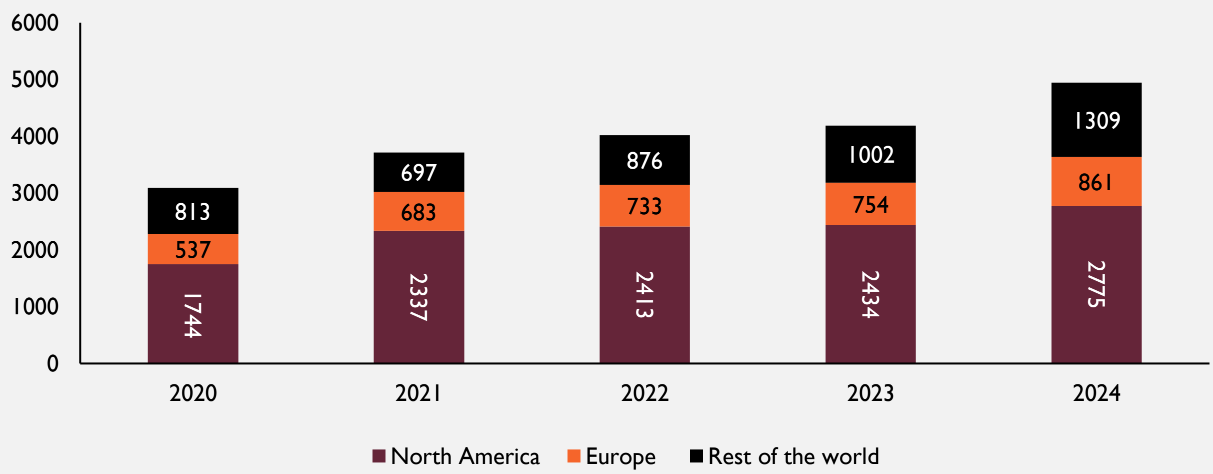
Source: Central Bank of Kenya, AIB-AXYS Research

Diaspora Remittances: U.S Leads the Way

Official statistics from the CBK indicate that diaspora remittances in 2024 witnessed a 15.52% uptick with remittance inflows in the period equalling USD 4.84Bn (KES 626.72Bn) vis-à-vis USD 4.19Bn (KES 541.60Bn) recorded in 2023. Contributions from the United States remained the highest at 57.34%, while inflows from citizens domiciled in Europe stood at 17.78%. We believe that this rise in remittances is tied to the growth in disposable incomes as developed markets benefited from declining inflationary pressures. We anticipate that remittances could witness further upticks in 2025, as expansionary monetary policy update effects continue to

reverberate through markets. Additionally, a rise in the export of the workforce due to government initiatives aimed at creating more foreign job opportunities for locals could further drive remittance growth in the medium term.

Chart 10: Remittances (USD '000s)



Source: Central Bank of Kenya, AIB-AXYS Research

Tax Troubles and Borrowing Blues: The Fiscal Tight Rope.

The Financial Year 2024/25 Budget was to be funded through additional revenue-raising measures amounting to KES 346.7 Bn. These measures were contained in the now-withdrawn 2024 Finance Bill, following the protests led by the Gen Z. This resulted in a downward revision in Supplementary Estimates for FY 2024/25 to reflect a lower base coupled with reprioritization and rationalization to ensure a seamless implementation of the FY 2024/25 budget. With this, total expenditure saw a downward revision of KES 4,207.9Bn in contrast to the original projection of KES 4,321.49Bn. Whilst, total revenue raised over the first six months of the fiscal year 2024 totalled KES 1,161.3 Bn, which was below the prorated target of KES 1,315.7 Bn achieving 88.3% performance.

Tax revenue amounted to KES 1,074.1Bn trailing below the pro-rated target of KES 1,237.6Bn required to stay on track to meet its full-year target of KES 2,475.2Bn. This sluggish growth in revenue, exerted pressure on the government to finance the budget through a combination of domestic and external borrowing. This has seen domestic borrowing achieve 97.6% of its prorated estimate with the government using local debt markets to finance its revenue shortcoming. On the other hand, external loans and grants raised amounted to KES 92.8Bn, representing 31.3% of its prorated target. We believe this underperformance stems from the high credit costs the country faces in international debt markets, driven by a combination of recent credit rating downgrades and elevated global interest rates. These factors have limited the country's ability to access debt markets at a time when it is striving to manage its increasing interest repayment burden.

Table 1: Fiscal Performance for the first six months of FY2024/2025

Item	Revised Estimates	Prorated Estimates	Actual Receipts	% Achieved of the Revised Estimates	% achieved of the Prorated
Opening Balance			1.2		
Tax Revenue	2,475.1	1,237.6	1,074.1	43.4%	86.8%
Non-Tax Revenue	156.4	78.2	86.1	55.1%	110.1%
Total Revenue	**2,631.4**	**1,315.7**	**1,161.3**	**44.1%**	**88.3%**
External Loans & Grants	593.5	296.8	92.8	15.6%	31.3%
Domestic Borrowings	978.3	489.2	477.2	48.8%	97.6%
Other Domestic Financing	4.7	2.3	4.4	94.8%	189.6%
Total Financing	**1,576.5**	**788.3**	**574.4**	**36.4%**	**72.9%**
Recurrent Exchequer issues	1,307.9	654.0	654.5	50.0%	100.1%
CFS Exchequer Issues	2,137.8	1,068.9	738.1	34.5%	69.1%
Development Expenditure & Net Lending	351.3	175.6	129.8	37.0%	73.9%
County Governments + Contingencies	410.8	205.4	191.6	46.6%	93.3%
Total Expenditure	**4,207.9**	**2,104.0**	**1,714.1**	**40.7%**	**81.5%**

Source: The National Treasury and Planning, AIB-AXYS Research

The recent draft 2025 Budget Policy Statement proposes that the domestic borrowing target of the 2025/26 fiscal year will be KES 545.8 billion representing an increase of KES 132.7 Bn from the current year's target of KES 413.1Bn. We expect that this increase coupled with the expected underperformance of tax collection against the target in the fiscal year will risk a further upward adjustment of borrowing targets via a supplementary budget coming into FY 2025/26. Additionally, the domestic market will shoulder the bulk of financing KES 759.4Bn budget deficit for the upcoming year which will pressure the Central Bank of Kenya to accept more funds from the domestic borrowings risking upward pressures on yields.

Kenya's Debt Dilemma: Progress, Pressures, and Risks Ahead

The present value of the government's debt-to-GDP ratio declined from 68.2% in 2023 to 63% in 2024, a trend we believe was occasioned by the strengthening of the Shilling that helped lessen the value of external debt obligations, the majority of which are dollar-denominated. However, this decline in the value of foreign currency debt did lead to an overall improvement in the country's debt burden, given that outstanding debt stood at KES 10,581.88Bn as of June 2024, an increase from KES 10,278.88Bn recorded in 2023. Debt-to-GDP ratio remained above the IMF threshold of 55.0%, underscoring the pressing need to enhance fiscal management and revenue mobilization strategies, with the country still facing mounting debt servicing pressures.

According to the Annual Public Debt Management Report for the financial year 2023/2024, debt servicing costs stood at KES 1.56Tn representing 68.3% of ordinary revenue. This left a marginal 31.7% of ordinary revenue to cater for recurrent and development expenditure in the country. Interest payments accounted for the majority of repayments, driven by elevated interest rates, with interest payments clocking in at 5.4% of GDP in 2024. We anticipate a further rise in repayment costs in the current financial year, with domestic interest payments projected at KES 749.9 billion. Additionally, redemption costs are set to increase, with external debt maturities reaching KES 475.5 billion and domestic redemptions surpassing the KES 500 billion mark for the first time, at KES 512.58 billion further constraining revenue available for service delivery.

On the other hand, refinancing risks going into 2025 are expected to minimalize as yields decline on government securities, lowering interest requirements. This decline in yields has also seen investor preference shift to the medium to longer end of the yield curve, as they seek to lock-in yields. This aligning with the government's debt management strategy set at lengthening its maturity profile. However, challenges are to be expected with recent credit rating downgrades set to limit accessibility to affordable commercial external debt, as investors seek higher returns due to the country's increased risk profile.

Table 2: Kenya Sovereign Credit Ratings

Credit Rating Agency	Date	Current Rating
Moody's Investor Service	8th July 2024	▼ Caa1 (negative outlook)
Fitch Ratings	2nd August 2024	▼ B – (stable)
S&P Ratings	23rd August 2024	▼ B – (stable)

Source: Moody's Analytics, Fitch Ratings & S&P Rating

In the Eurobond market, volatility was largely tame for the better part of the year as the risk perception of a possible default among investors waned following the partial buyback and subsequent full repayment of the KENINT/2024/10. However, sovereign default risks did reemerge following the withdrawal of the contentious 2024 Finance Bill a trend we believe will drive volatility into 2025 with the government needing to rethink its austerity roadmap.

Chart 11: Kenya Eurobond Yield Evolution

Source: Central Bank of Kenya, AIB-AXYS Research

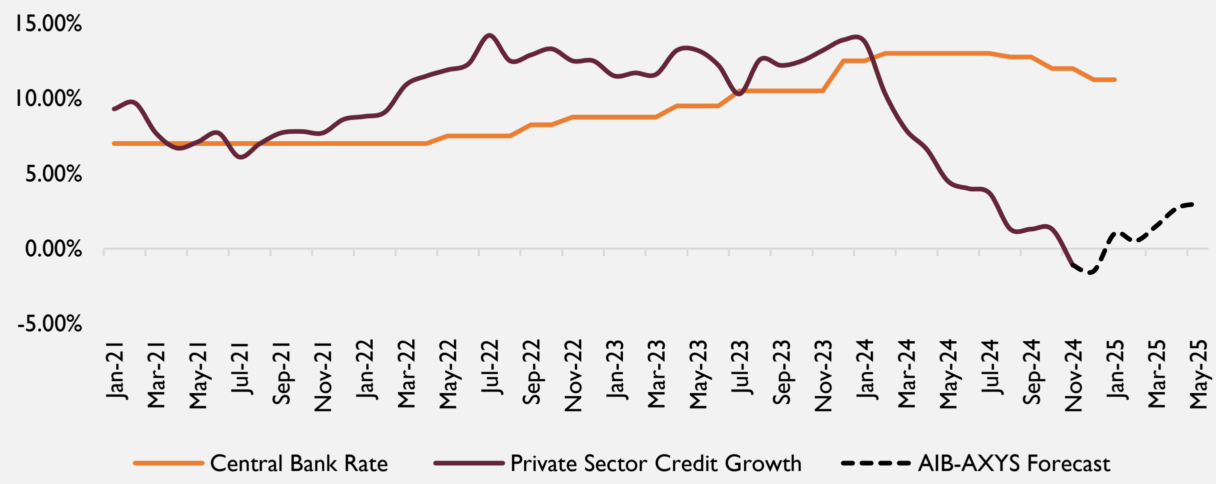
Kenya's Monetary Tightrope: Navigating Rates, Lending, and Stability

At the onset of 2024, the Central Bank of Kenya (CBK) enacted a 50 basis-point increase to the benchmark rate, aiming to address exchange volatility that had gripped the market pushing the dollar above the KES 160 threshold. This saw the Central Bank rate rise to 13.00%, marking a 12-year high. As the effects of tightened monetary policy reverberated throughout the economy, yields on government securities rose to an average of 16.00% with players in the banking sector resorting to lending to the government as they sought higher returns at lower risk in contrast to the returns offered by borrowers in the private sector.

This saw private-sector lending decline to record lows in November, contracting by 1.1% as elevated borrowing costs limited credit access for many. Gross non-performing loans (NPLs) similarly witnessed an uptick during the year, peaking at 16.7% with many credit holders failing to contend with heightened interest repayments. This interplay of factors led the CBK to initiate its rate-cutting cycle, with the benchmarking rate declining from 13.00% to 11.25% as it sought to reinvigorate private sector lending growth. Similarly, in the interbank market, the CBK further reviewed the interest rate corridor from +250bps to +150bps to enhance the effectiveness of monetary policy transmission. Despite these measures, the average commercial bank lending rate rose to 17.22% as of November from 16.84% recorded in August, with the lag in monetary policy transmission persisting.

We believe this lag is occasioned by the locking in of bank deposits at higher rates, limiting commercial banks' immediate ability to reduce lending rates. As we move into 2025, we expect lending rates to initiate their decline gradually, providing borrowers with some relief in interest repayments. We also foresee the CBK proceeding with its rate-cutting cycle at a measured pace, whilst closely monitoring developments in American financial markets to avoid overly aggressive cuts. This approach will aim to prevent a significant widening of interest rate differentials, which could potentially trigger renewed exchange rate volatility in the country, as would be the case in other emerging and frontier economies.

Chart 12: Central Bank Rate and Private Sector Credit Growth Forecast



Source: Central Bank of Kenya, AIB-AXYS Research

Equities Outlook

Although the US election, a rising dollar, and increasing rates contributed to heightened market fluctuations in the year, 2024 ended on a positive note with stocks closing on a strong footing. The Federal Reserve's rate-cutting cycles have often coincided with rising stock prices, as the S&P clocked one of its strongest two-year period returns for the index. This remarkable performance of the equities market can be attributed to the combination of soaring valuations and robust fundamental growth, which together created a compelling investment landscape in 2024. We, however, believe that these rising valuations will leave US stocks in a vulnerable position for a correction coming into 2025.

Consequently, emerging markets equities faced challenges in 2024 impacted by global growth concerns, tighter monetary policies, and a strong US dollar leading to a nuanced performance. This saw a 22bps decline in the MSCI Emerging Markets index in 2024. Despite the headwinds, emerging markets' returns were stronger than those of their frontier market counterparts. The MSCI World Average clocked an average gross return of 19.2% plummeting by 5.2% from 24.4% recorded in 2023. We ascribe this decline to the varied macroeconomic challenges that plagued markets during the year. Moving into 2025, we expect that positive momentum will favour emerging markets catapulted by decent earnings growth, extremely low positioning, and attractive valuations.

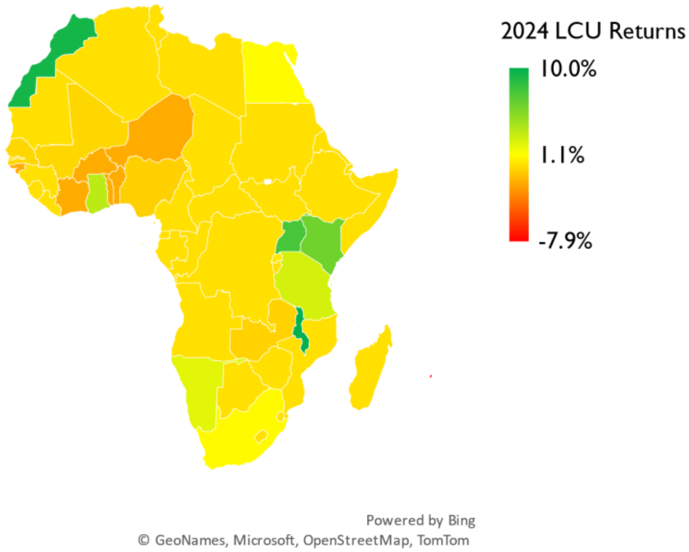
Table 3: Regional Equities Performance (USD % Terms)

Regional Equities	2024 Return	2023 Return	% Change
MSCI Emerging Markets	▲ 8.1%	▲ 10.3%	▼ (2.2%)
MSCI Frontier Markets	▲ 9.9%	▲ 12.2%	▼ (2.3%)
MSCI World Average	**▲ 19.2%**	**▲ 24.4%**	**▼ (5.2%)**

Source: MSCI World, AIB-AXYS Research

From a regional perspective, the equities market benefited from a strong performance with many countries reporting above-average GDP growth rates. African equities market registered a bullish momentum in 2024, to clock a median gain of 0.4%. Inflationary pressures paired with currency devaluations led to hedging against eroding value by moving assets into equities with Malawi emerging as the best-performing market in the year, posting an average return of 10.0% in Local Currency Units (LCU) terms.

Chart 13: African Equities LCU Return Heatmap



Source: African-Markets, AIB-AXYS Research

Kenyan Equities Outlook

The Kenyan Equities market saw a rebound in 2024 with investors shifting their focus to equity returns. Trading activity surged to KES 104.3Bn with a 59.5% uptick galvanized by the effects of monetary easing that led to the appeal of the equity asset class as interest rates dwindled. Consequently, the total market capitalization soared to KES 1,940Bn in the year, attributable to positive market sentiments.

Table 4: Kenya Equity Market Yearly Statistics

Statistic	2024	2023	% change
Equity Turnover (KES, Mn)	104,365.82	65,450.31	▲ 59.5%
Market Cap (KES Bn)	1,939.74	1,439.02	▲ 34.8%
Nairobi All-Share Index	123.48	92.11	▲ 34.1%
NSE-10 Index	1,302.31	907.51	▲ 30.2%
NSE-20 Index	2,010.65	1,501.16	▲ 33.9%
NSE-25 Index	3,402.80	2,380.23	▲ 43.0%
Foreigner buys (KES Mn)	44,793.00	26,616.37	▲ 68.3%
Foreigner sales (KES Mn)	47,011.93	39,077.23	▲ 20.3%
Net foreign flows (KES, Mn)	(2,397.90)	(12,460.86)	▲ 80.8%

Source: NSE, AIB-AXYS Research

The Nairobi All Share index rose notably by 34.1% to 123.48 points largely driven by gains in large-cap stocks such as I&M Holdings, KCB Group, Standard Chartered, and ABSA Bank which gained by 107.1%, 90.0%, 72.7% and 57.6% respectively in the year. This marks a positive turnaround from the losses witnessed in 2023 with substantial gains across major indices such as the NSE 10 Index, NSE 20 Index, and NSE 25 Index posting an increase of 30.2%, 33.9%, and 43.0% respectively. This upturn was attributable to a strengthening Kenyan shilling coupled with moderating credit default risks that helped renew investor confidence in the equities market.

Bullish foreigner sentiments more than doubled in the year to register net inflows amounting to KES 44.8Bn, delineating the rebound in foreign investor sentiment locally. This was further exuberated by the easing of the dollar supply crisis, and the subsequent strengthening of the shilling in the forex market, which allowed foreign investors to repatriate returns more easily. Additionally, the increased number of NSE-linked stocks on the MSCI small cap index from three counters to eleven counters boosted the visibility of the counters, ultimately attracting further investment.

Table 5: Kenya Listed Equities Sectoral Performance

Sector	2024 Sectoral Return	2023 Sectoral Return	Change (%)
Agriculture	▼ (4.3%)	▲ 22.0%	▼ (26.3%)
Automobiles and Accessories	-	▼ (47.3%)	▲ 47.3%
Banking	▲ 52.1%	▼ (4.2%)	▲ 56.3%
Commercial and Services	▼ (6.8%)	▼ (3.0%)	▼ (3.8%)
Construction and Allied	▲ 80.2%	▲ 8.0%	▲ 72.2%
Energy & Petroleum	▲ 92.2%	▲ 11.1%	▲ 81.1%
Insurance	▲ 7.9%	▼ (11.4%)	▲ 19.3%
Investment	▼ (3.1%)	▼ (3.5%)	▲ 0.4%
Investment Services	▼ (2.0%)	▼ (11.2%)	▲ 9.2%
Manufacturing and Allied	▲ 47.2%	▲ 4.3%	▲ 42.9%
Telecommunication	▲ 23.7%	▼ (42.4%)	▲ 66.1%
Market Average*	**▲ 36.1%**	**▼ (7.1%)**	**▲ 43.2%**

** - Market Average computed on an equal-weighted sector average basis*
Source: Nairobi Securities Exchange, AIB-AXYS Research

The Energy and petroleum sector exhibited accelerated earnings growth in the year, propelled by stabilizing energy supplies, declining prices, and robust demand. Similarly, banking sector stock valuations improved significantly by 56.3% in 2024 buoyed by high interest rates that increased net interest margin and an appreciating shilling that boosted income from forex trading and remittance transactions. On the flip side, the agricultural sector saw a decline of 26.3% due to the Shilling's appreciation, which negatively impacted the competitiveness of exports.

Overall, the equity stock market rebound saw the NSE emerging as the top-performing African market in dollar-denominated returns posing to be a new era of equity-led portfolios in 2025. We also expect investors to shift gears from fixed-income securities into the equities market, as they seek higher returns, as yields decline following the adoption of expansionary monetary policies.

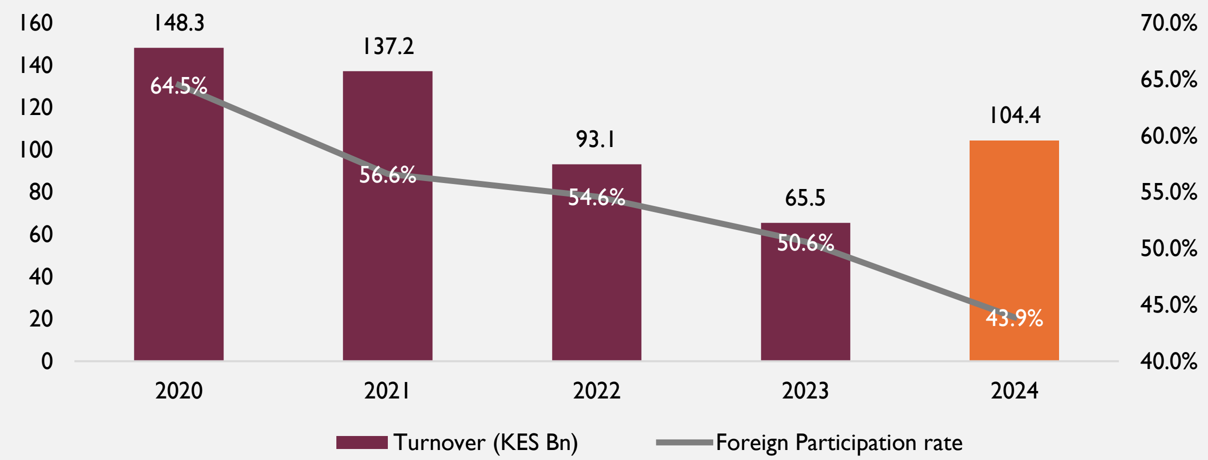
Table 6: NSE Top Movers 2024

Top Movers 2024	Turnover (KES Mn)	Closing Price	
Safaricom Plc	28,105.09	KES	17.05
Equity Group Holdings	14,465.08	KES	48.30
KCB Group	10,064.39	KES	41.60
I&M Holdings	8,945.58	KES	36.25
East African Breweries	3,884.59	KES	175.50
Co-operative Bank of Kenya	2,187.42	KES	16.45
British American Tobacco Kenya	1,686.10	KES	376.00
Bamburi Cement	1,654.36	KES	55.00
Absa Bank Kenya	1,527.28	KES	18.05
Stanbic Holdings	1,146.31	KES	137.25

Source: NSE, AIB-AXYS Research

The top traded counters of 2024 were Safaricom PLC, Equity Group Holdings, and KCB Group with aggregate turnovers clocking KES 28.1Mn, KES 14.5Mn, and KES 10.1Mn respectively. We note a general positive sentiment towards trading activity with a surge from KES 65.5Bn to KES 104.4Bn in 2024. Despite a decline of 6.7% in foreign participation rate in 2024, we expect that foreign participation will improve going into 2025 which will be majorly attributable to the subsequent strengthening of the shilling coupled with the increase of constituent companies to the MSCI Frontier Markets Small Cap Index that will offer global investment exposure to Kenya's listed companies.

Chart 14: Total Equities Market Turnover (in Bn KES) and Foreign Participation Rate (%)



Source: Nairobi Securities Exchange, AIB-AXYS Research

Table 7: Net Foreigner Buys and Sales

Top Foreigner Net Buys 2024	Turnover (KES Mn)	
KCB Group	KES	2,074.70
East African Breweries	KES	733.47
Absa Bank Kenya	KES	271.35
BK Group	KES	267.10
I&M Holdings	KES	240.78
Standard Chartered Bank	KES	93.20
Kenya Power & Lighting Co	KES	59.00
Stanbic Holdings	KES	17.43
Diamond Trust Bank	KES	9.64
Jubilee Holdings	KES	9.23

Top Foreigner Net Sales 2024	Turnover (KES Mn)	
Safaricom Plc	KES	(4,015.49)
British American Tobacco Kenya	KES	(633.73)
Equity Group Holdings	KES	(429.41)
Bamburi Cement	KES	(291.35)
KenGen Co.	KES	(233.62)
Kenya Re Insurance Corporation	KES	(230.45)
Centum Investment	KES	(163.51)
B.O.C Kenya	KES	(85.84)
ABSA New Gold ETF	KES	(46.17)
HF Group Plc	KES	(18.01)

Source: Nairobi Securities Exchange, AIB-AXYS Research

Bullish foreign investor sentiment was skewed towards KCB Group, as it registered net inflows amounting to KES 2,074.7 Mn. This coincided with the promotion of the bank to the closely watched MSCI main frontier markets index from its small caps index in May, bolstering its visibility among foreign investors. On the flip side, bearish foreign sentiments were pronounced on Safaricom to register net outflows totaling KES 4,015.5 Mn.

Table 8: 2024 Winners and Losers (Capital Gains)

Top Gainers 2024	Closing Price		% Change	Top Losers 2024	Closing Price		% Change
E.A. Portland Cement	KES	30.60	▲ 282.5%	ILAM FAHARI I-REIT	KES	1.05	▼ (83.3%)
Kenya Orchards	KES	70.00	▲ 259.0%	Standard Group	KES	5.02	▼ (35.1%)
Kenya Power & Lighting Co	KES	4.81	▲ 238.7%	Kenya Re Insurance Corporation	KES	1.28	▼ (31.9%)
I&M Holdings	KES	36.25	▲ 107.1%	Nation Media Group Plc	KES	14.40	▼ (28.2%)
KCB Group	KES	41.60	▲ 90.0%	Nairobi Business Ventures	KES	2.01	▼ (25.6%)
KenGen Co.	KES	3.64	▲ 81.1%	Sasini Plc	KES	15.00	▼ (25.0%)
Liberty Kenya Holdings	KES	6.68	▲ 81.0%	Trans-Century Plc	KES	0.39	▼ (25.0%)
Standard Chartered Bank	KES	279.75	▲ 72.7%	Sanlam Kenya Plc	KES	4.95	▼ (17.5%)
Absa Bank Kenya	KES	18.05	▲ 57.6%	Olympia Capital Holdings	KES	2.80	▼ (14.4%)
East African Breweries	KES	175.50	▲ 53.9%	Eaagads Ltd	KES	12.00	▼ (14.0%)

**Prices as of 31st December 2024*

In the top gainers, small-cap and medium-cap counters outperformed the large-cap counters with E.A Portland Cement leading the pack with a 282.5% valuation gain in 2024. Notably, large-cap stocks like KCB Group, Standard Catered Bank, Absa Bank Kenya, and East African Breweries exhibited positive valuation gains in the year registering returns of 90.0%, 72.7%, 57.6%, and 53.9% respectively. On the other hand, the small-cap and medium-cap counters were losers in the year reflecting sensitivity to market sentiments and external shocks. ILAM FAHARI I-REIT posted the worst valuation losses dwindling by 83.3% to KES 1.05 per share.

Table 9: Top 2024 Dividend Picks (Dividend Yields)

Top Dividend Counters 2024	Dividend		Closing Price		Dividend Yield
Bamburi Cement	KES	23.72	KES	55.00	▲ 41.98%
Umeme Ltd	KES	3.11	KES	16.75	▲ 18.29%
KenGen Co.	KES	0.65	KES	3.64	▲ 16.05%
British American Tobacco Kenya	KES	50.00	KES	376.00	▲ 13.53%
BK Group	KES	3.90	KES	32.55	▲ 11.64%
Williamson Tea Kenya	KES	25.00	KES	226.50	▲ 11.57%
Stanbic Holdings	KES	15.35	KES	137.25	▲ 11.10%
Kenya Power & Lighting Co	KES	0.70	KES	4.81	▲ 10.80%
Kapchorua Tea Kenya	KES	25.00	KES	235.00	▲ 10.42%

*Source: Nairobi Securities Exchange, AIB-AXYS Research (*Prices as of 31st December 2024)*

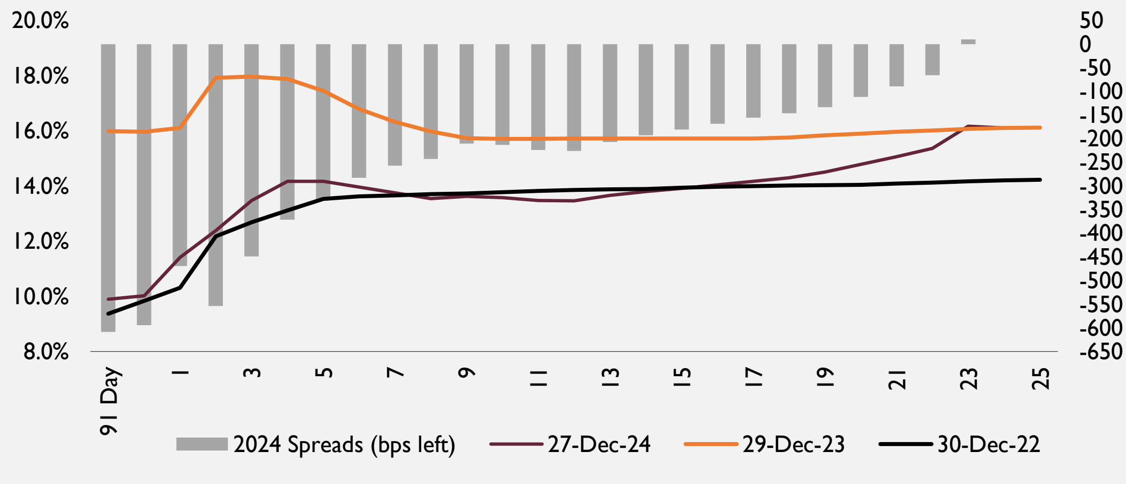
Bamburi Cement emerged as the best counter in 2024 regarding its dividend yield, which was 41.98%. Umeme Limited came in second, posting a strong dividend yield of 18.92%. Notably, the construction & allied, energy & petroleum, agricultural, and banking sectors portrayed an exceptional dividend play for investors in 2024.

Fixed Income Outlook

Volatility in the fixed-income market tapered out during the year, with the buyback and consequent repayment of the 2024 Eurobond allaying investor's fears of a possible credit default. Declining inflation rates – that saw real rates soar- coupled with a pause in the tightening of monetary policy, saw upward pressure on the yield curve moderate toward the first half of the year. Subsequently, with global Central Banks shifting toward more expansionary policy rate outlooks in the latter half of the year, yields on government securities began edging downward with investors pricing in further rate cuts.

Yield declines, specifically in the discount securities market, were driven by an upsurge in bidding rejections, with the government shifting its borrowing strategy into more long-term issues in a bid to lengthen its maturity profile while minimizing refinance risks. This saw short-term yields declining by an average of 557bps. Yield declines at the belly-to-tailed end of the yield curve similarly witnessed declines, however, at a slower pace due to a shift in investor preference as they sought to invest in longer-term issues in a bid to lock in rates at current levels before further declines were realized.

Chart 15: Kenya Domestic Yield Curve Evolution



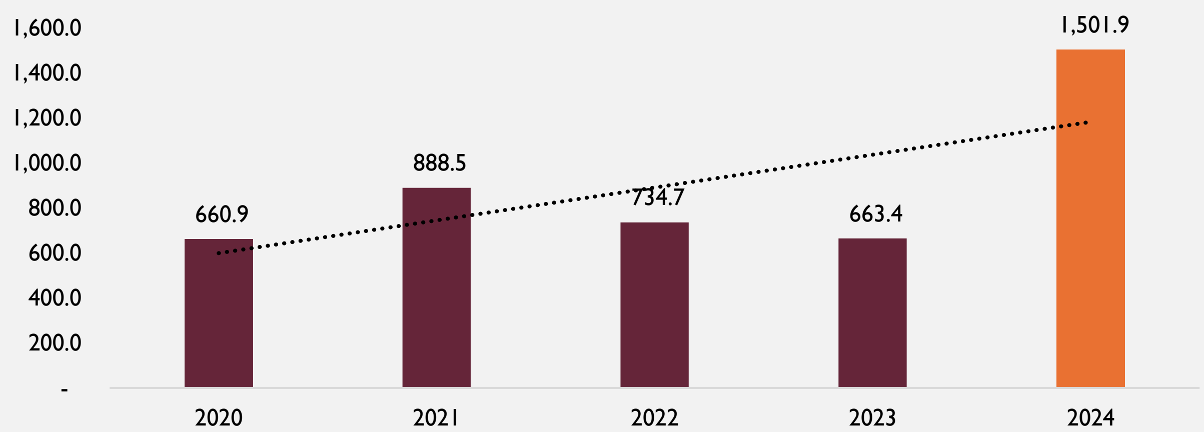
Source: NSE, AIB-AXYS Research

In 2025, we believe further declines in yields on government securities are to be expected, as Central banks proceed with their rate-cutting cycles. However, the downward potential of these declines could be limited due to the uncertainty of fiscal reform measures in the country, with the government still facing a high risk of debt distress.

Recent credit rating downgrades could also limit yield declines, with foreign investors likely to still seek significant risk premiums, as the risk profile of government debt remains elevated.

In the secondary market, activity in 2024 witnessed a significant uptick with turnover printing at KES 1,501.9Bn, marking a 126.4% increase compared to KES 663.4Bn in volumes registered in 2023. We attribute this overperformance to the oversubscribed IFB1/2024/8.5 bonds issue that witnessed a performance rate of 412.37%., with investors that missed out on the original issue securing positions in the secondary market, whilst those who had secured positions sought out to cash out and secure profits. We anticipate trading activity to remain elevated in 2025, as declining yields see investors seek out higher returns from older issues.

Chart 16: NSE Secondary Bond Market Turnover of KES (2020-2024)



Source: NSE, AIB-AXYS Research

In the corporate bond space, despite a decline in interest rates, activity remained largely suppressed in 2024 with corporates continuing to shy away from issuing new fixed-income bonds. However, we could see a shift in 2025 with yields set to further decline allowing corporates to access funding at more affordable rates.

Portfolio Recommendation

As investors adjust their portfolios for the new year, our recommendations have become more urgent due to a new era in equity markets characterized by declining interest rates, policy uncertainties, and unexpected shifts in market dynamics. We recommend a fully integrated portfolio management system that will optimize investor utility by creating an asset mix that generates appropriate risks and rewards.

Similarly, it is crucial for investors to monitor changes in their circumstances so as to ascertain that the portfolio continues to be aligned with their purpose, distribution requirements, and financial circumstances. As a result, a constant mix portfolio management approach balances the portfolio periodically which forms the major scope of our portfolio recommendations. Traditionally, stocks and bonds have moved inversely, providing a natural hedge in diversified portfolios and below is an elaborate allocation that we recommend as the year starts.

AIB-AXYS Africa Equities Portfolio Recommendation 2025

Given a rebound in the equities market, we are bullish on select stocks in the agriculture, banking, energy & petroleum, insurance, and manufacturing & allied sectors that we believe will position investors strategically to benefit from capital appreciation prospects. Below is a list of our constituents' Equities Portfolio in 2025.

Table 10: AIB-AXYS Equities Portfolio

Counter	Sector	Opening Price (as at 2nd Jan 2025)	Target Price	Expected Return	Weight
Kapchorua Tea	Agriculture	239.25	280.00	19.15%	10.00%
ABSA Bank Kenya	Banking	18.85	21.20	17.45%	10.00%
Equity Group	Banking	48.00	52.00	7.66%	10.00%
KCB Bank	Banking	42.40	45.25	8.77%	10.00%
Standard Chartered Bank	Banking	285.25	331.50	18.50%	10.00%
KenGen Plc.	Energy & Petroleum	3.75	4.40	20.88%	10.00%
CIC Group	Insurance	2.14	2.50	16.28%	10.00%
British American Tobacco Kenya Plc	Manufacturing & Allied	376.25	436.25	16.02%	10.00%
Carbacid Investments	Manufacturing & Allied	20.35	24.22	15.61%	10.00%
East African Breweries Ltd	Manufacturing & Allied	175.50	201.25	14.67%	10.00%

Source: NSE, AIB-AXYS Africa Research

Table 11: 2025 AIB-AXYS Equities Portfolio Characteristics

Feature	Statistic
Expected Return	15.50%
Time Horizon	6 months to 1 year
Periodic Rebalancing	Yes

Source: NSE, AIB-AXYS Africa Research

AIB-AXYS Africa Fixed Income Portfolio recommendation 2025

For fixed income, we recommend conservative investors extend duration by investing in longer-term bonds in a bid to benefit from the declining interest rate environment that would see prices rise as a result due to their augmented sensitivity. For income -oriented investors we recommend this list of coupon-paying bonds below.

Table 12: Top Ten bonds by Coupon Rate

Issue No.	Next Coupon Payment Date	Maturity Date	Tenor to Maturity (Years)	Fixed Coupon Rate*	Modified Duration (%)
IFB1/2024/8.5	Feb-2025	Aug-2032	7.6	18.4607%	4.0
FXD1/2024/003	Jul-2025	Jan-2027	2.0	18.3854%	1.6
IFB1/2023/6.5	May-2025	May-2030	5.4	17.9327%	3.4
FXD1/2023/002	Feb-2025	Aug-2025	0.6	16.9723%	0.5
FXD1/2023/005	Jul-2025	Jul-2028	3.5	16.8440%	2.6
FXD1/2024/010	Mar-2025	Mar-2034	9.2	16.0000%	4.7
IFB1/2023/007	Jun-2025	Jun-2030	5.4	15.8370%	3.6
FXD1/2016/010	Feb-2025	Aug-2026	1.6	15.0390%	1.3
IFB1/2023/017	Mar-2025	Feb-2040	15.2	14.3990%	6.1
FXD1/2023/003	May-2025	May-2026	1.4	14.2280%	1.1

Source: NSE, AIB-AXYS Research
**Fixed Coupon Rates are Gross of Withholding Tax where applicable.*

	Offered Amount (KES, Mn)	Paper(s)	Duration at Issuance (yrs)	Performance Rate	Coupon Rate (%)	Market Average Yield (%)	Accepted Average Yield (%)	Deviation from Yield Curve
Jan-24	35,000	FXD1/2024/003 - New Issue	3		18.385%	18.770%	18.385%	▲ 43 bps
		FXD1/2024/005 - Re-open	4.5		16.844%	19.068%	18.770%	▲ 111 bps
				106.1%				
	15,000	FXD1/2024/003 - Tap Sale	3		18.385%			
		FXD1/2024/005 - Tap Sale	4.5		16.844%			
				78.4%				
Feb-24	70,000	IFB1/2024/8.5 - New Issue	6.8		18.461%	18.622%	18.461%	▲ 125 bps
				412.4%				
Mar-24	40,000	FXD1/2024/003 - Re-open	2.9	**107.7%**	18.385%	18.516%	18.422%	▲ 11 bps
		FXD1/2023/005 - Re-open	4.4		16.844%	18.595%	18.410%	▼ (34 bps)
		FXD1/2024/010 - New	10		16.000%	17.759%	16.519%	▲ 53 bps
				149.3%				
Apr-24	25,000	FXD1/2023/005 - Tap Sale	4.4		16.844%		18.410%	
		FXD1/2024/010 - Tap Sale	9.9	**183.4%**	16.000%		16.519%	
	40,000	FXD1/2023/002 - Re-open	1.4	**118.0%**	16.972%	17.147%	16.992%	▼ (54 bps)
May-24	25,000	FXD1/2024/010 - Re-opened	9.9	**16.668%**	16.000%	16.668%	16.227%	▲ 7 bps
	15,000	FXD1/2024/010 - Tap Sale	9.9	**46.8%**	16.000%			
Jun-24	30,000	FXD1/2023/002 - Re-opened	1.2		16.972%	17.187%	17.123%	▲ 37 bps
		FXD1/2024/003 - Re-opened	2.6	**102.9%**	18.385%	17.627%	17.586%	▲ 40 bps
	30,000	FXD1/2023/005 - Re-opened	4.1		16.844%	18.277%	18.165%	▲ 86 bps
		FXD1/2023/010 - Re-opened	8.7	**138.5%**	14.151%	16.571%	16.392%	▲ 163 bps
	20,000	FXD1/2023/002 - Tap Sale	1.2		16.972%			
		FXD1/2024/003 - Tap Sale	2.6		18.385%			
		FXD1/2023/005 - Tap Sale	4.1		16.844%			
		FXD1/2023/010 - Tap Sale	8.7	**125.7%**	14.151%			
Jul-24	20,000	FXD1/2023/002 - Tap Sale	1.2	**2.4%**	16.972%			
	30,000	FXD1/2024/010 - Re-opened	9.7		16.000%	16.636%	16.592%	▲ 166 bps
		FXD1/2008/020- Re-opened	3.9	**48.9%**	13.750%	18.475%	18.290%	▲ 53 bps
Aug-24	50,000	IFB1/2023/6.5 - Re-opened	5.8		17.933%	18.469%	18.299%	▲ 77 bps
		IFB1/2023/17 - Re-opened	15.7	**252.6%**	14.399%	18.158%	17.728%	▲ 32 bps
Sep-24	15,000	IFB1/2023/17 -Tap Sale	15.7	**234.6%**	14.399%			
	30,000	FXD1/2024/010 - Re-opened	9.5		16.000%	16.972%	16.870%	▲ 18 bps
		FXD1/2016/020 - Re-opened	12.0	**75.5%**	14.000%	17.349%	17.285%	▲ 176 bps
Oct-24	30,000	FXD1/2016/010 re-opened	1.8		15.039%	17.064%	16.984%	▲ 14 bps
		FXD1/2022/010 re-opened	7.6	**169.9%**	13.490%	17.340%	16.952%	▲ 1 bps
	15,000	FXD1/2022/010 (Tap sale)	7.6	**110.0%**	13.490%			
Nov-24	25,000	FXD1/2023/010 re-opened	8.3		14.151%	16.150%	15.972%	▼ (17 bps)
		FXD1/2022/015 re-opened	12.5	**132.2%**	13.942%	16.385%	16.299%	▼ (21 bps)
	20,000	FXD1/2024/010 re-opened	9.4	**277.9%**	16.000%	16.113%	15.855%	▲ 25 bps
Dec-24	25,000	FXD1/2023/010 re-opened	8.2		14.151%	14.864%	14.691%	▲ 84 bps
		FXD1/2018/020 re-opened	13.3	**285.3%**	13.200%	15.271%	15.112%	▲ 85 bps
	20,000	FXD1/2024/010 re-opened	9.3	**268.1%**	16.000%	14.782%	14.685%	▲ 4 bps
Average*	**33,333**		**7.2**	**166.4%**	**15.858%**	**17.263%**	**17.041%**	**▲ 49 bps**

*Source: CBK, AIB-AXYS Research,   * - Yearly average results excludes tap sales*

AGRICULTURAL	Current Price	Daily Change (%)	YTD change (%)	Volumes Traded	Book Value per Share	Market Cap (KES, Mn)	Trailing EPS	Dividend Per Share	P/E Ratio	P/B Ratio	Dividend yield (%)	Payout Ratio (%)	ROE (%)	ROA (%)
Eaagads Ltd	12.00	-	▼ (14.0%)	0	44.67	385.9	(1.91)	-	(6.3x)	0.3x	0.0%	0.0%	0.0%	0.0%
Kakuzi Plc	392.50	▲ 1.9%	▲ 1.9%	200	302.55	7,693.0	(14.02)	24.00	(28.0x)	1.3x	6.1%	103.7%	0.0%	0.0%
Kapchorua Tea Kenya Plc	239.25	▲ 1.8%	▲ 11.3%	1,000	249.69	1,871.9	25.49	25.00	9.4x	1.0x	10.4%	49.0%	10.2%	7.5%
The Limuru Tea Co. Plc	350.00	-	▼ (7.9%)	0	76.28	840.0	0.11	1.00	3,181.8x	4.6x	0.3%	29.6%	0.1%	0.1%
Sasini Plc	15.00	-	▼ (25.0%)	38,700	63.16	3,420.8	1.70	1.00	8.8x	0.2x	6.7%	41.5%	2.7%	2.2%
Williamson Tea Kenya Plc	224.75	▼ (0.8%)	▲ 8.1%	4,600	365.89	3,936.0	(3.64)	25.00	(61.7x)	0.6x	11.1%	88.0%	0.0%	0.0%
Industry Median		**-**	**▼ (4.3%)**			**18,147.6**			**1.3x**	**0.8x**	**6.4%**	**45.2%**	**0.1%**	**0.1%**
AUTOMOBILES & ACCESSORIES	**Current Price**	**Daily Change (%)**	**YTD change (%)**	**Volumes Traded**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**Payout Ratio (%)**	**ROE (%)**	**ROA (%)**
Car & General (K) Ltd	25.00	▲ 9.9%	-	5,600	133.35	1,002.6	(3.77)	-	(6.6x)	0.2x	0.0%	0.0%	0.0%	0.0%
BANKING	**Current Price**	**Daily Change (%)**	**YTD change (%)**	**Volumes Traded**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**Payout Ratio (%)**	**ROE (%)**	**ROA (%)**
ABSA Bank Kenya Plc	18.85	▲ 4.4%	▲ 64.6%	94,200	14.24	102,384.5	3.45	1.55	5.5x	1.3x	8.2%	51.5%	24.2%	3.9%
BK Group Plc	35.00	▲ 7.5%	▼ (2.2%)	301,100	49.40	31,386.6	10.93	3.90	3.2x	0.7x	11.1%	38.0%	22.1%	3.8%
Diamond Trust Bank Kenya Ltd	66.75	▼ (3.3%)	▲ 48.2%	37,500	265.28	18,663.4	26.41	6.00	2.5x	0.3x	9.0%	24.4%	10.0%	1.3%
Equity Group Holdings Plc	48.00	▼ (0.6%)	▲ 42.6%	161,900	60.17	181,136.4	12.36	4.00	3.9x	0.8x	8.3%	36.0%	20.5%	2.7%
HF Group Plc	4.60	▲ 2.0%	▲ 32.2%	33,800	24.22	1,769.2	1.01	-	4.6x	0.2x	0.0%	0.0%	4.2%	0.6%
I&M Group Plc	36.00	▼ (0.7%)	▲ 105.7%	127,900	52.98	59,530.4	8.47	2.55	4.3x	0.7x	7.1%	33.4%	16.0%	2.5%
KCB Group Plc	42.40	▲ 1.9%	▲ 93.6%	262,600	77.47	136,250.8	17.90	1.50	2.4x	0.5x	3.5%	12.9%	23.1%	2.9%
NCBA Group Plc	51.00	▲ 5.8%	▲ 30.9%	16,600	60.58	84,023.5	13.29	4.75	3.8x	0.8x	9.3%	36.5%	21.9%	3.2%
Stanbic Holdings Plc	139.75	▲ 1.8%	▲ 28.5%	14,900	175.45	55,246.2	31.16	15.35	4.5x	0.8x	11.0%	49.9%	17.8%	2.5%
Standard Chartered Bank Kenya Ltd	285.25	▲ 2.0%	▲ 76.1%	19,800	176.09	107,781.8	52.33	29.00	5.5x	1.6x	10.2%	80.2%	29.7%	5.3%
The Co-operative Bank of Kenya Ltd	17.45	▲ 6.1%	▲ 53.1%	831,200	22.47	102,382.3	4.06	1.50	4.3x	0.8x	8.6%	38.3%	18.1%	3.2%
Industry Median		**▲ 2.0%**	**▲ 52.1%**			**880,555.1**			**4.3x**	**0.8x**	**8.6%**	**36.5%**	**20.5%**	**2.9%**
COMMERCIAL AND SERVICES	**Current Price**	**Daily Change (%)**	**YTD change (%)**	**Volumes Traded**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**Payout Ratio (%)**	**ROE (%)**	**ROA (%)**
Eveready East Africa Ltd	1.17	▲ 1.7%	▲ 8.3%	46,600	0.30	245.7	(0.28)	-	(4.2x)	3.9x	0.0%	0.0%	0.0%	0.0%
Express Kenya Plc	3.60	-	▼ (2.7%)	10,200	9.76	171.8	(1.13)	-	(3.2x)	0.4x	0.0%	0.0%	0.0%	0.0%
Homeboyz Entertainment Plc	4.66	-	-	0	0.35	294.5	(0.74)	-	(6.3x)	13.2x	0.0%	0.0%	0.0%	0.0%
Longhorn Publishers Plc	2.30	-	▼ (4.6%)	26,800	0.39	626.6	(2.45)	-	(0.9x)	5.8x	0.0%	0.0%	0.0%	0.0%
Nairobi Business Ventures Ltd	2.01	-	▼ (25.6%)	10,700	0.48	2,721.0	0.01	-	217.6x	4.2x	0.0%	0.0%	1.9%	1.6%
Nation Media Group Plc	14.40	-	▼ (28.2%)	8,700	2.50	2,986.5	(2.60)	-	(5.5x)	5.8x	0.0%	0.0%	0.0%	0.0%
Sameer Africa Plc	2.44	▲ 0.4%	▲ 7.5%	700	1.70	679.2	0.17	-	14.4x	1.4x	0.0%	0.0%	10.0%	3.2%
Standard Group Plc	4.99	▼ (0.6%)	▼ (35.5%)	2,000	15.36	407.8	(10.15)	-	(0.5x)	0.3x	0.0%	0.0%	0.0%	0.0%
TPS Eastern Africa (Serena) Ltd	15.85	▲ 6.4%	▼ (3.6%)	100	57.78	2,887.5	2.89	-	5.5x	0.3x	0.0%	0.0%	5.0%	2.6%
Uchumi Supermarket Plc	0.16	▼ (5.9%)	▼ (5.9%)	359,300	-11.73	58.4	(5.56)	-	(0.0x)	(0.0x)	0.0%	0.0%	0.0%	0.0%
WPP Scangroup Plc	2.51	▲ 1.2%	▲ 15.1%	100	11.72	1,084.7	0.31	-	8.1x	0.2x	0.0%	0.0%	2.6%	1.8%
Industry Median		**-**	**▼ (6.8%)**			**12,163.6**			**(0.5x)**	**0.9x**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
CONSTRUCTION & ALLIED	**Current Price**	**Daily Change (%)**	**YTD change (%)**	**Volumes Traded**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**Payout Ratio (%)**	**ROE (%)**	**ROA (%)**
Bamburi Cement Ltd	55.00	-	▲ 53.4%	200	85.85	19,962.8	2.67	23.72	20.6x	0.6x	43.1%	1285.0%	3.1%	3.0%
Crown Paints Kenya Plc	33.90	▲ 3.0%	▼ (4.9%)	100	22.25	4,826.1	0.07	-	484.3x	1.5x	0.0%	0.0%	0.3%	0.1%
E.A Cables Ltd	1.06	▼ (1.9%)	▲ 9.3%	46,600	0.84	268.3	(1.20)	-	(0.9x)	1.3x	0.0%	0.0%	0.0%	0.0%
E.A Portland Cement Co. Ltd	29.05	▼ (5.1%)	▲ 263.1%	3,200	226.67	2,614.5	12.74	-	2.3x	0.1x	0.0%	0.0%	5.6%	3.3%
Industry Median		**▼ (0.9%)**	**▲ 80.2%**			**27,671.6**			**11.5x**	**1.0x**	**0.0%**	**0.0%**	**1.7%**	**1.6%**
ENERGY & PETROLEUM	**Current Price**	**Daily Change (%)**	**YTD change (%)**	**Volumes Traded**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**Payout Ratio (%)**	**ROE (%)**	**ROA (%)**
KenGen Co. Plc	3.75	▲ 3.0%	▲ 86.6%	1,058,400	42.17	24,729.5	1.03	0.65	3.6x	0.1x	17.3%	85.5%	2.4%	1.4%
Kenya Power & Lighting Co Plc	5.18	▲ 7.7%	▲ 264.8%	586,200	44.74	10,108.6	15.41	0.70	0.3x	0.1x	13.5%	4.5%	34.4%	8.4%
TotalEnergies Marketing Kenya Plc	20.35	▲ 1.8%	▲ 13.1%	1,200	51.19	12,811.2	4.48	1.92	4.5x	0.4x	9.4%	42.9%	8.8%	3.7%
Umeme Ltd	16.70	▼ (0.3%)	▲ 4.4%	5,700	19.64	27,118.8	0.24	3.11	69.1x	0.9x	18.6%	1287.5%	1.2%	0.5%
Industry Median		**▲ 2.4%**	**▲ 92.2%**			**74,768.0**			**4.1x**	**0.3x**	**15.4%**	**64.2%**	**5.6%**	**2.6%**
INSURANCE	**Current Price**	**Daily Change (%)**	**YTD change (%)**	**Volumes Traded**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**Payout Ratio (%)**	**ROE (%)**	**ROA (%)**
Britam Holdings Plc	5.82	▲ 0.3%	▲ 21.5%	15,800	10.18	14,686.7	1.29	-	4.5x	0.6x	0.0%	0.0%	12.7%	1.9%
CIC Insurance Group Ltd	2.14	▼ (0.5%)	▼ (4.5%)	59,000	2.91	5,597.3	0.57	0.13	3.8x	0.7x	6.1%	22.8%	19.6%	3.0%
Jubilee Holdings Ltd	174.75	▲ 0.7%	▼ (5.5%)	1,000	784.89	12,664.6	59.00	14.30	3.0x	0.2x	8.2%	24.2%	7.5%	2.1%
Kenya Re- Insurance Corporation Ltd	1.35	▲ 5.5%	▼ (28.2%)	1,052,700	8.60	7,559.4	0.89	0.15	1.5x	0.2x	11.1%	16.9%	10.3%	7.6%
Liberty Kenya Holdings Ltd	6.70	▲ 0.3%	▲ 81.6%	100	17.88	3,589.2	1.22	0.37	5.5x	0.4x	5.6%	30.6%	6.8%	1.5%
Sanlam Kenya Plc	4.95	-	▼ (17.5%)	0	7.98	712.8	(1.12)	-	(4.4x)	0.6x	0.0%	0.0%	0.0%	0.0%
Industry Median		**▲ 0.3%**	**▲ 7.9%**			**44,810.1**			**3.4x**	**0.5x**	**5.8%**	**19.8%**	**8.9%**	**2.0%**
INVESTMENT	**Current Price**	**Daily Change (%)**	**YTD change (%)**	**Volumes Traded**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**Payout Ratio (%)**	**ROE (%)**	**ROA (%)**
Centum Investment Co Plc	10.20	▲ 3.2%	▲ 21.4%	63,200	59.75	6,788.6	4.27	0.60	2.4x	0.2x	5.9%	14.1%	7.1%	3.7%
Home Afrika Ltd	0.37	-	-	36,100	-5.97	149.9	0.13	-	2.8x	(0.1x)	0.0%	0.0%	(2.2%)	1.1%
Kurwitu Ventures Ltd	1,500.00	-	-	0	502.63	153.4	(19.22)	-	(78.1x)	3.0x	0.0%	0.0%	0.0%	0.0%
Olympia Capital Holdings Ltd	2.81	▲ 0.4%	▼ (14.1%)	2,600	32.70	112.4	0.49	-	5.7x	0.1x	0.0%	0.0%	1.5%	1.4%
Trans-Century Plc	0.40	▲ 2.6%	▼ (23.1%)	77,900	-24.20	150.1	(9.11)	-	(0.0x)	(0.0x)	0.0%	0.0%	0.0%	0.0%
Industry Median		**▲ 0.4%**	**▼ (3.1%)**			**7,354.5**			**2.4x**	**0.1x**	**0.0%**	**0.0%**	**0.0%**	**1.1%**
INVESTMENT SERVICES	**Current Price**	**Daily Change (%)**	**YTD change (%)**	**Volumes Traded**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**Payout Ratio (%)**	**ROE (%)**	**ROA (%)**
Nairobi Securities Exchange Plc	5.90	▼ (1.7%)	▼ (2.0%)	2,281,200	7.25	1,536.3	0.07	0.16	84.3x	0.8x	2.7%	228.6%	1.0%	0.9%
MANUFACTURING & ALLIED	**Current Price**	**Daily Change (%)**	**YTD change (%)**	**Volumes Traded**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**Payout Ratio (%)**	**ROE (%)**	**ROA (%)**
B.O.C Kenya Plc	88.75	-	▲ 8.2%	0	97.29	1,732.9	10.14	6.05	8.8x	0.9x	6.8%	59.7%	10.4%	9.6%
British American Tobacco Kenya Plc	376.25	▲ 0.1%	▼ (7.7%)	7,400	144.44	37,625.0	48.82	50.00	7.7x	2.6x	13.3%	89.8%	33.8%	21.9%
Carbacid Investments Plc	20.35	▼ (2.9%)	▲ 35.7%	19,700	17.94	5,186.2	3.31	1.70	6.1x	1.1x	8.4%	51.4%	18.5%	18.9%
East African Breweries Plc	175.50	-	▲ 53.9%	9,300	35.38	182,215.6	12.47	7.00	14.1x	5.0x	4.0%	56.1%	35.2%	10.4%
Flame Tree Group Holdings Ltd	0.96	▼ (4.0%)	▼ (7.7%)	25,900	7.21	170.9	(0.42)	-	(2.3x)	0.1x	0.0%	0.0%	0.0%	0.0%
Kenya Orchards Ltd	70.00	-	▲ 259.0%	0	2.18	900.8	0.13	-	538.5x	32.1x	0.0%	0.0%	6.0%	1.2%
Unga Group Ltd	15.00	-	▼ (11.0%)	0	72.52	1,135.6	(9.78)	-	(1.5x)	0.2x	0.0%	0.0%	0.0%	0.0%
Industry Median			**▲ 47.2%**			**228,967.1**			**7.7x**	**1.1x**	**4.0%**	**51.4%**	**10.4%**	**9.6%**
TELECOMMUNICATION	**Current Price**	**Daily Change (%)**	**YTD change (%)**	**Volumes Traded**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**Payout Ratio (%)**	**ROE (%)**	**ROA (%)**
Safaricom Plc	17.20	▲ 0.9%	▲ 23.7%	1,347,700	3.88	689,125.4	1.42	1.20	12.1x	4.4x	7.0%	76.4%	36.6%	11.8%
Market Average		**▲ 1.5%**	**▲ 36.1%**						**11.3x**	**1.0x**	**4.5%**		**7.7%**	**2.9%**

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