



MONTHLY ECONOMIC REPORT

April 2023



**ECONOMIC
PERFORMANCE**



**FIXED
INCOME**



**EQUITY
MARKETS**



**INVESTMENT
STRATEGY**

Report Overview

April 2023

Economic Performance

Kenya's GDP growth is forecasted to grow to 5.3% in 2023 from 4.8% in 2022

Kenya's Economic Growth

The GDP growth in 2022 was mainly supported by resilience in the services sectors particularly the Financial and Insurance that grew 12.8%, Information and Communication 9.9% and Transportation and Storage 5.6% sectors.

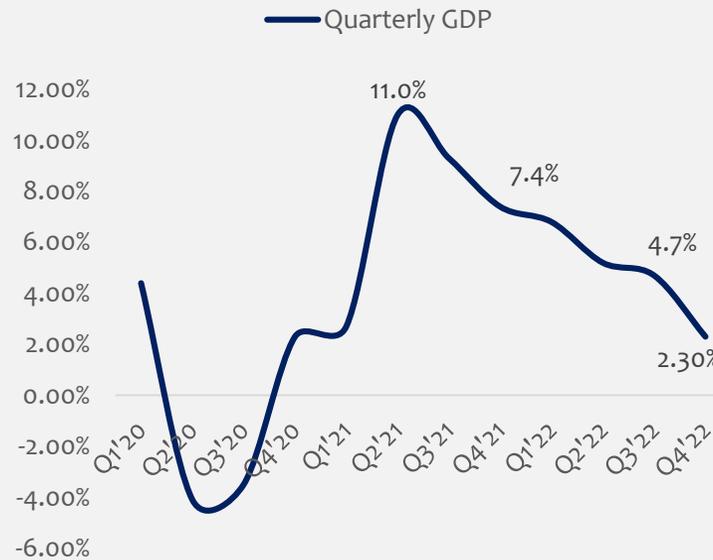
Growth contractions were however experienced in sectors such as Agriculture, which retreated by 1.6% in 2022, following the adverse weather conditions experienced in the country during the period under review. Additionally, growth of the industrial sector slowed to 3.9 percent from 7.5 percent in 2021, mainly on account of a deceleration in manufacturing sector.

According to the International Monetary Fund, Kenya's economy is projected to grow by 5.3% this year. This is an upward revision from the 5.1% forecasted in October 2022.



Kenya GDP

GDP expanded by 4.8% in 2022. This was lower than the 7.6% growth reported in 2021. The downturn was attributed to drought, tighter financial conditions and base effects from the Covid-19 pandemic.

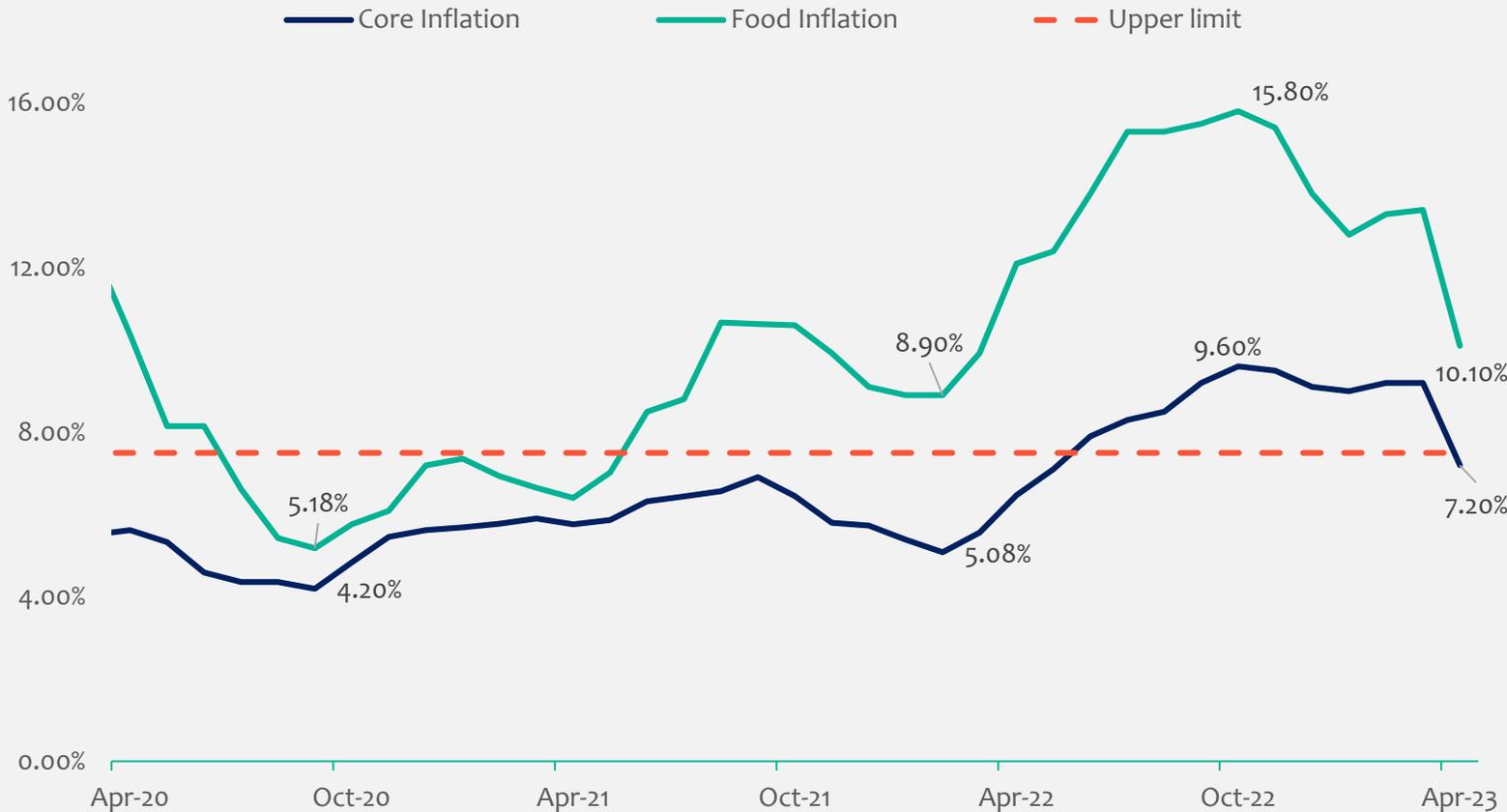


GDP OUTLOOK 2023

We forecast a growth of 5.3% in 2023.

Inflation

Headline inflation drops to a 10-month low of 7.9% in April 2023.



Headline inflation eased to 7.9% in April 2023 from 9.2% in March. This was supported by a decline in the food and fuel prices.

Food Prices



As a result of the adequate rainfall experienced in the month, the prices of vegetables such as spinach, kales and tomatoes retreated. Consequently, the food inflation index dipped to 10.1% in April from 13.4% reported in the prior month.

Fuel Prices



Annual fuel inflation declined for the second consecutive month to 13.2% - a 20.00bps decline from April. The decrease reflected the continued moderation of international crude oil prices.

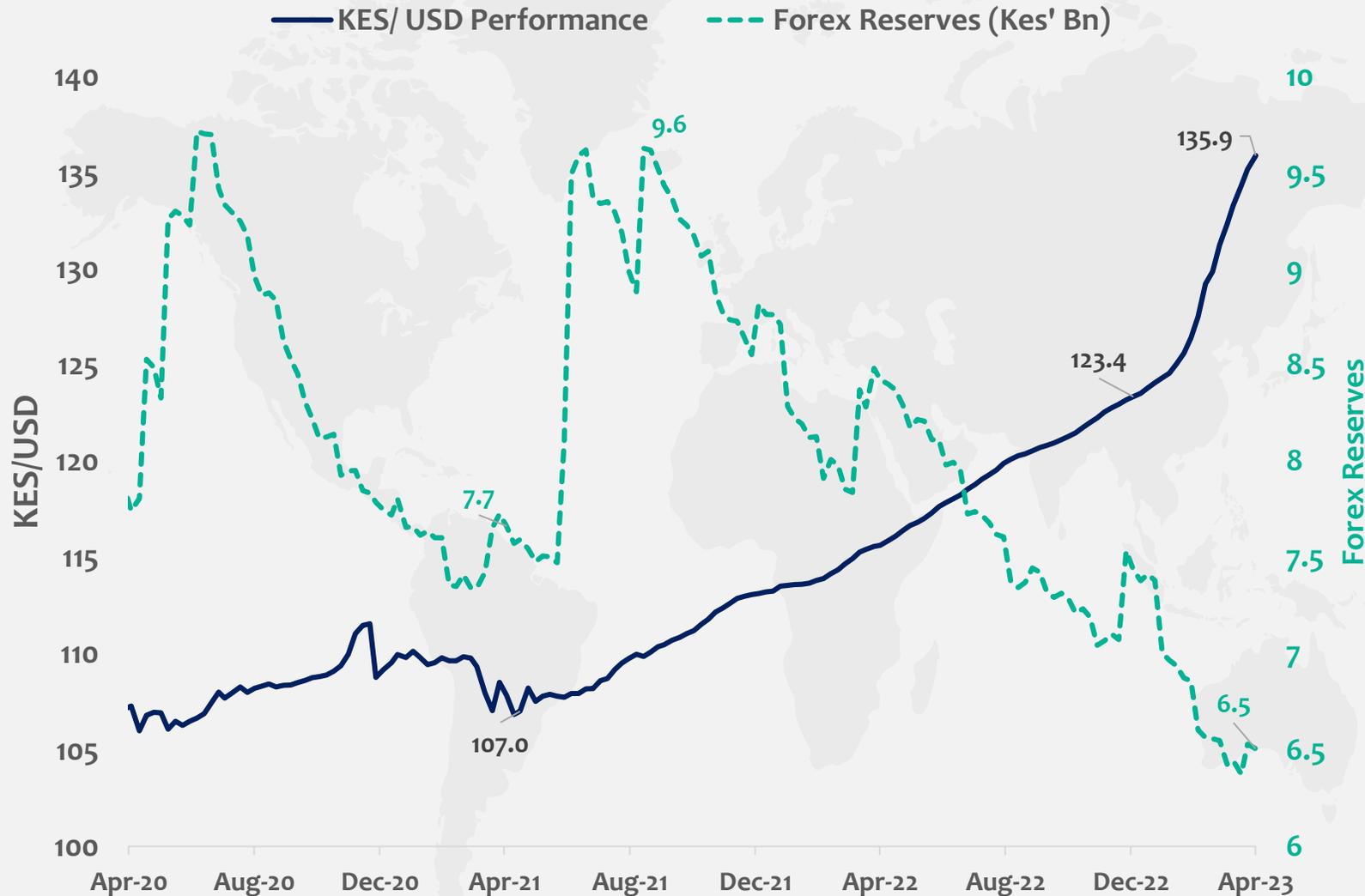
Housing and Electricity



The Housing, Water, Electricity, Gas and other Fuel's index rose by 270bps which was mainly attributable to the increase in the prices of electricity (+18.7%) in the month of April.

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	YTD 2023
Ave. Inflation Rate (Y/Y)	4.70%	5.20%	5.40%	6.10%	7.60%	8.65%

The KES continued to depreciate against the dollar



Performance

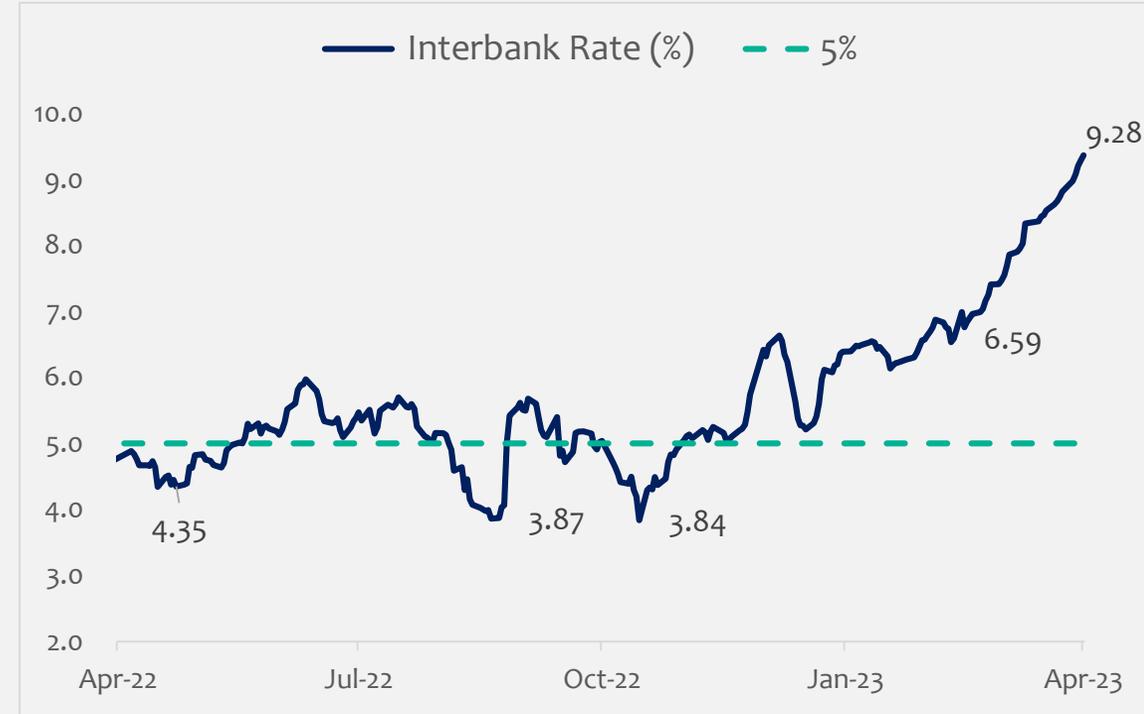
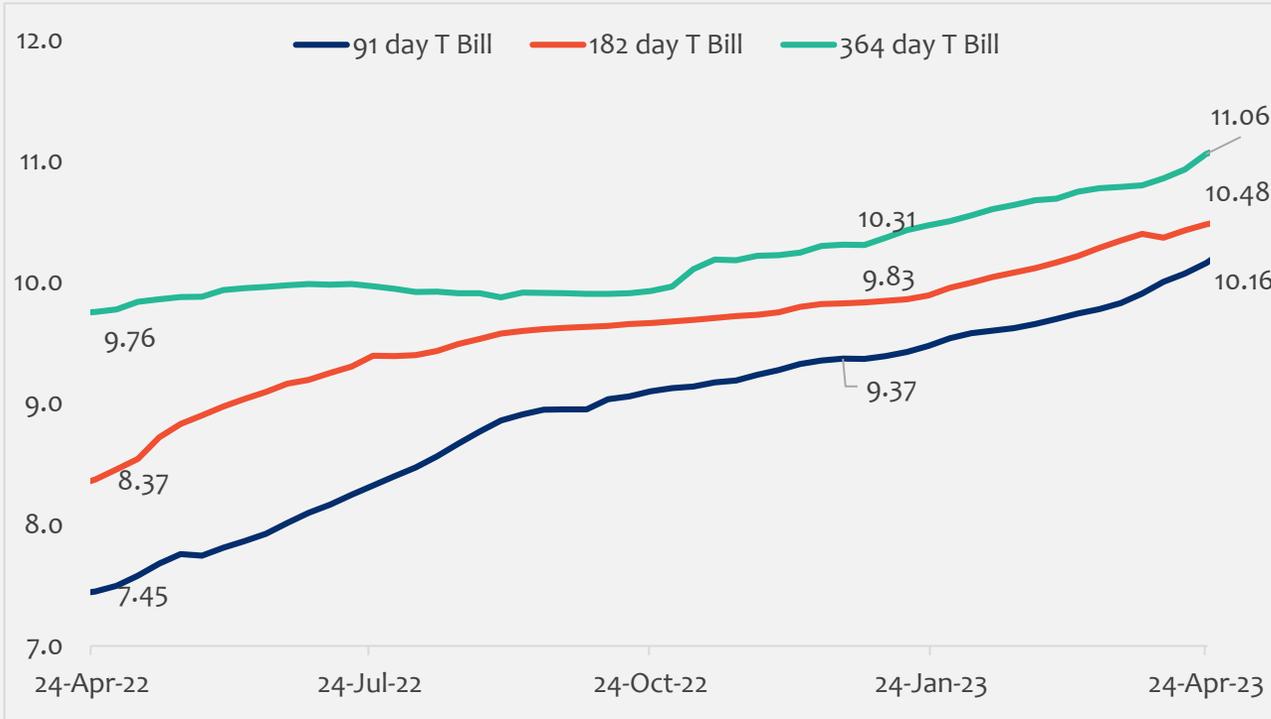
- The Kenya Shilling depreciated by 2.7% against the US dollar within the month of April to close at KES 135.91 from KES 132.33 in March.
- YTD, the KES has lost by 10.2%.

Drivers

- The depreciation was largely attributable to:
 - **Deteriorating forex reserves;** High foreign debt servicing costs and a widening trade deficit have been putting pressure on foreign reserves. Kenya's forex reserves fell to USD 6.51 billion (3.62 months of import cover) as of April 28th.
 - **A widening Current Account (CA) deficit:** as of 31st December 2022, the CA had widened to a deficit of Kes 679.6Bn following an increase in the cost of imports.
 - **Declining Remittances;** diaspora remittances fell to a 13-month low of USD 1.0Bn in the 1st quarter of 2023. This was attributable to rising inflation across the globe.
 - **US rate hikes;** the sustained rate hikes by the US Fed has seen the dollar maintain a stronger position as compared to other currencies.

Money Markets

Yields on money market instruments maintained an upward momentum



Rates raging higher month on month



During the month, short-term interest rates were on the rise: the 91-day, 182-day and 364-day treasury bills rose by 27bps, 17bps and 16bps, and closed the month at 10.16%, 10.48% and 11.06%, respectively.

Rate movement drivers



Despite the decline in inflationary figures, price pressures remain elevated. As a result, investors have been demanding more compensation for the elevated perceived risk. Inflation has also had an impact on Central Bank rates and thereby interest rates. CBR rate up to 9.50% from 8.75%.

Liquidity



Tight liquidity conditions continue to prevail in the market as evidenced by the high interbank rates (9.28% as of 30th April). These levels were last seen in 2018. On a YTD basis, 1 - 3months deposit rates have averaged at 11.99% while 4 – 12 months deposits averaged at 12.04% across different banks.

Fixed Income – Longer Tenors

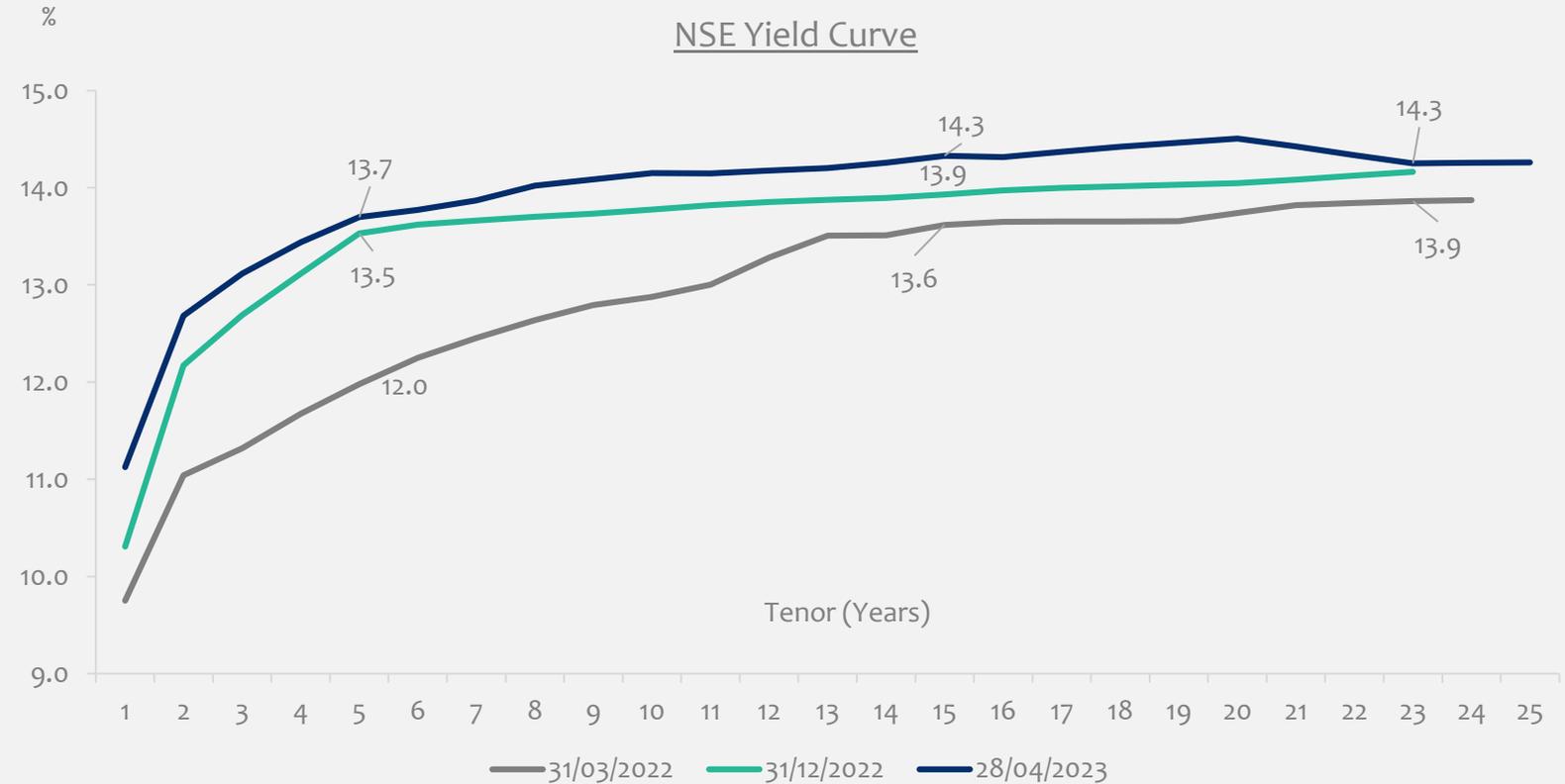
Yields on treasury bonds were on an upward trajectory in April 2023

The yield curve registered an upward shift across majority of the tenors in the month. The short (1-5 Year) and long (15 – 25 Year) term papers jumped by 17bps and 18bps, respectively. Overall, the yield curve rose by 14bps in April 2023.

Inflation, tight liquidity and increased appetite on government borrowing matched with low bids on issued bonds have seen yields rise through out the yield curve with more emphasis on the short - medium(1-15 Year) tenors.

In the primary market, the government re-opened FXD1/2022/3 and FXD2/2018/10 seeking to raise KES 50Bn. Overall, they received bids worth KES 10.9Bn and accepted KES 5.1Bn in total. They also issued a tap-sale on IFB1/2023/17, accepting bids worth KES 5.1Bn. As a result, the CBK raised KES 10.2Bn.

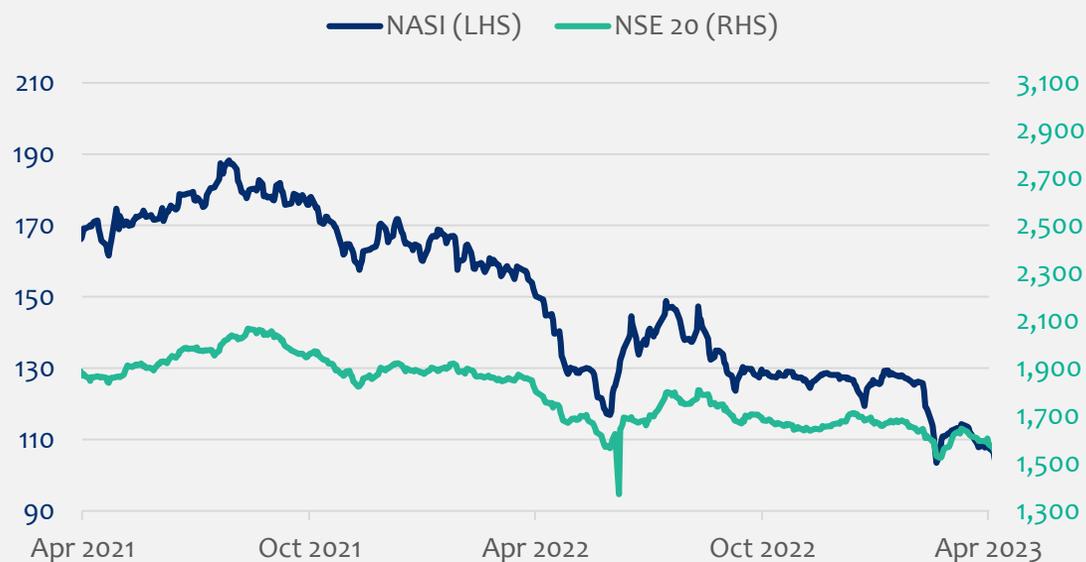
In the secondary market, bond market turnover retreated by 45.1% to KES 38.7Bn from KES 70.5Bn recorded in March 2023.



	1-5Yr	6-10Yr	11-15Yr	15-25Yr
April 2023 change(bps)	16.5	1.9	14	18.2

Equities Market Performance

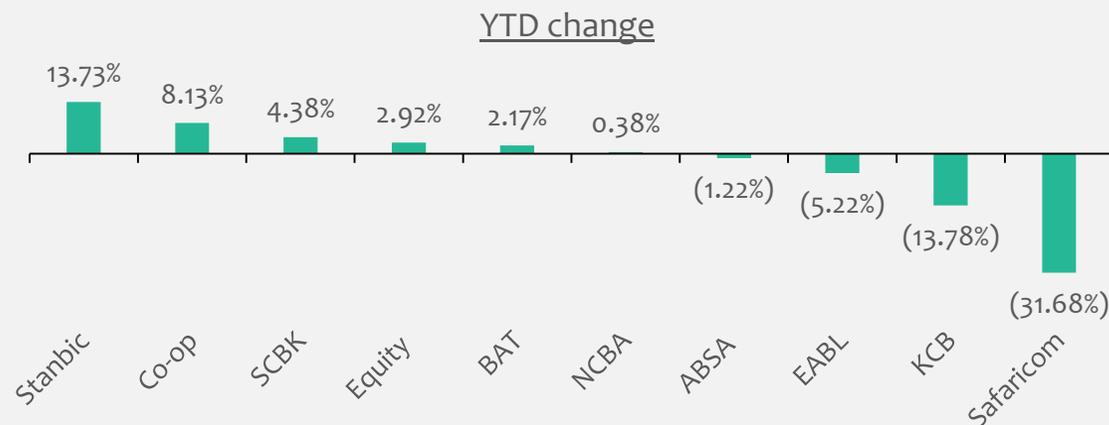
NSE benchmark indices close the month in negative territory



During the month, the equities benchmark indices closed in the negative territory. This was led by the NASI which retreated by 4.6%, followed by the NSE 25 and NSE 20, which declined by 3.7% and 2.7%, respectively. On a YTD basis, the NASI, NSE 25 and NSE 20 have shed by 15.6%, 8.9% and 5.8%, respectively.

Equity turnover in April eased by 87.0% to KES 4.2bn from KES 32.4bn recorded in the prior month. Foreign investors maintained a net selling position in the month, with net outflows of KES 0.3bn, compared to net outflows of KES 1.8bn recorded in March.

Performance of the top 10 counters based on market capitalisation



In April, most banks maintained stock price recoveries after declaring all-time high dividends in the prior month. Out of the top-10 counters (based on market capitalization); Stanbic led the pack with a price gain of 13.7%, followed by Co-operative Bank +8.1%.

On a year-to-date basis, Safaricom lost 31.7% to close at Kshs.18.10 per share on increased foreign selling. KCB was also among the leading losers after the bank cut its dividend despite other lenders announcing record payouts.

Some of the stocks that went ex-dividend in the month of April were: NCBA, I&M, Standard Chartered, KCB and ABSA.

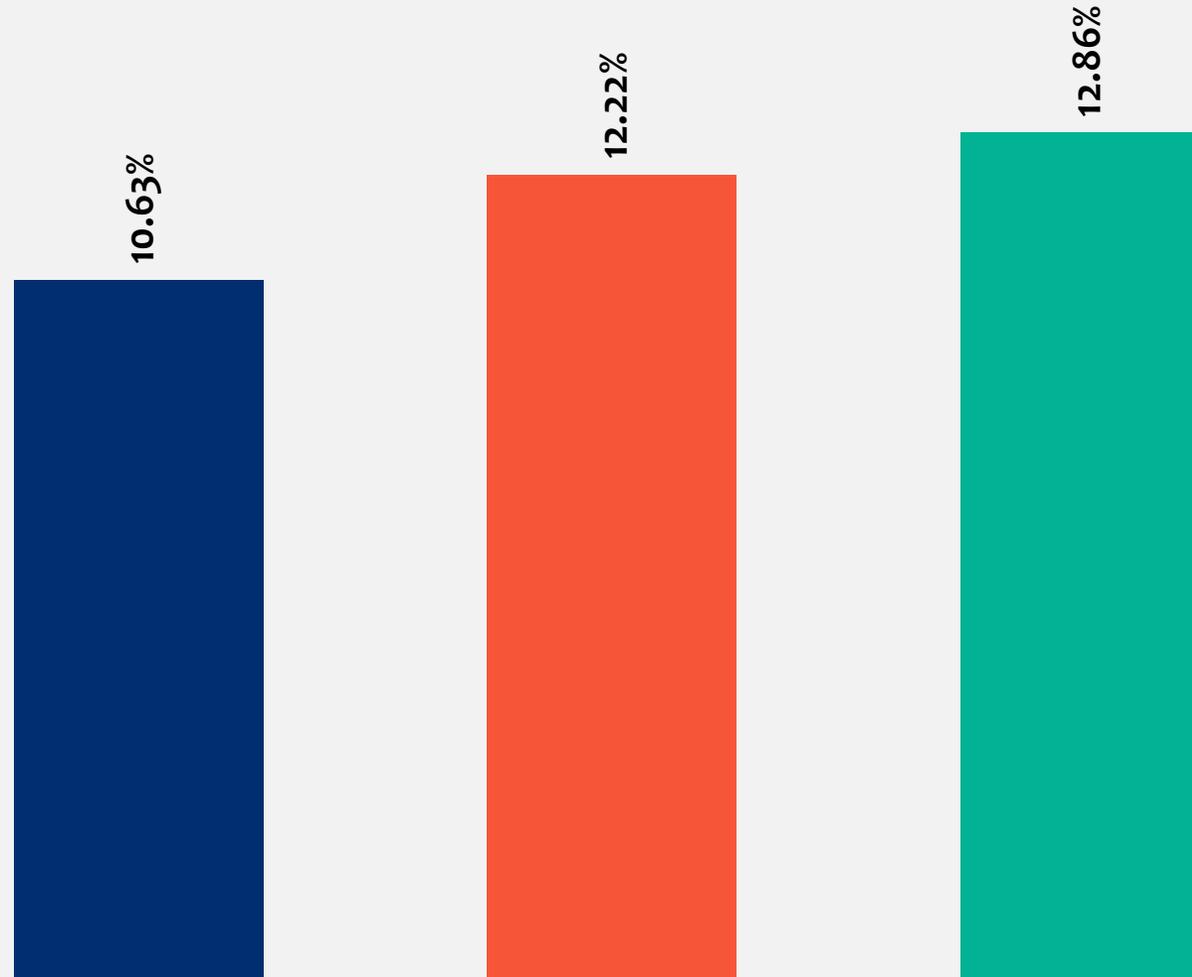


Performance

Fund Performance: MADISON FUNDS

OUR FUNDS' PERFORMANCE

■ Madison Money Market Fund ■ Madison Fixed Income Fund ■ Madison Wealth Fund



APR-2023

Market Analysis: Money Market Funds

■ Madison MMF ■ Market Average ■ 91-Day Tbill





LOOKING AHEAD?



Fixed Income

- Heightened inflation, depreciating KES, global increase in interest rates, tightening liquidity (as demonstrated by the high interbank rates), rising private sector growth and budgetary deficit - all point to a rising interest rate environment.
- Investing in short term tenor assets of not more than 3 months for deposits might prove to be beneficial to investors. This will shield portfolios from interest rate risk and duration risk. Bank deposits of rates of 12% and above remain attractive.
- On a long-term basis, Infrastructure Bonds (IFBs) are likely to provide value for investors in the bonds space more than Fixed Coupon Bonds (FXDs) due to their tax-free nature.

Equities

- Increased global volatility driven by weak macro economic conditions continue to see foreign investors pull out from the Kenyan market in search of safe havens. Currency depreciation and dollar scarcity has compounded the foreign out flows.
- Although the market is cheap on a price to earnings perspective and attractive on a dividend perspective. We feel that global volatility still continues to further weigh on the equities market.
- We maintain a cautious exposure in the asset class for long term investors



Fit your size...



Our tailored solutions:

1

**MADISON
MONEY MARKET
FUND**

INDICATIVE RATE:

10.5% pa

Features :

- Initial minimum investment - **Kes 5,000**
- Minimum top-up - **Kes 1,000**
- No restriction on tenor
- Monthly distribution of interest
- Withdrawal – 2 working days

2

**MADISON
FIXED INCOME
FUND**

INDICATIVE RATE:

11.3% pa

Features :

- Initial min investment - **Kes 5,000**
- Minimum top-up - **Kes. 1,000**
- Tenor – 6 months
- Withdrawals - 4 working days
- Semi-annual distribution of interest.

3

**MADISON
WEALTH
FUND**

INDICATIVE RATE:

12% pa

Features :

- Initial min investment - **Kes 1 Million**
- Minimum top-up - **Kes. 500,000**
- Tenor – 6 months
- Withdrawals - 6 working days
- Semi-annual distribution of interest.

4

**MADISON
SEGREGATED
SCHEME**

INDICATIVE RATE:

9%-15% pa

Features :

- Minimum investment - **Kes 30 Million**
- Portfolio is constructed as per particular client desire
- Access markets locally and globally
- Allows for flexibility in investments.

5

**MADISON
TRAINING &
ADVISORY SERVICES**

Financial training
for organizations
and individuals

Features :

- Financial and Investment Planning for Individuals
- Pre and Post Retirement Planning for individuals
- Workforce Upskilling for salaried employees
- Formulation of Investment Policy Statements (IPS) .

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