



MONTHLY ECONOMIC REPORT

October 2024

Monthly Economic Report

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INVESTMENT STRATEGY

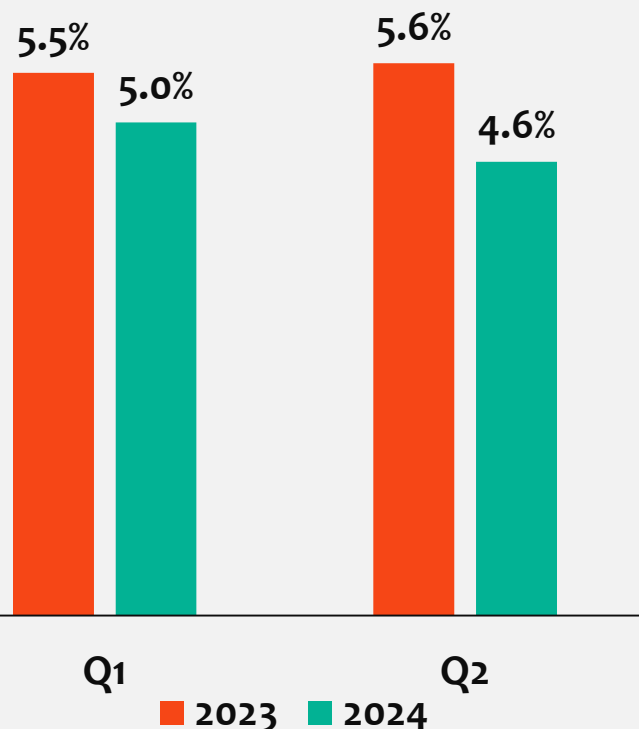
A brief Overview of our Investment Strategy.

Economic Performance

The Kenyan economy GDP decelerated to 4.6% in Q2'2024 compared to a 5.6% growth recorded in the corresponding quarter in 2023. Additionally, it was a slowdown compared to a 5.0% growth recorded in Q1'2024. The slowdown was reflected across all sectors of the economy except manufacturing, wholesale and retail trade, health and professional services which grew by 3.2%, 4.4% and 5.5% respectively.

The agricultural sector remained resilient during the quarter contributing 19.7% to GDP despite a slower growth of 4.8% compared to a 7.8% growth in corresponding quarter in 2023. The services sector recorded a growth of 5.5% compared to 6.8% in Q2'2023. However, the growth was somewhat hampered by contractions in the Mining & Quarrying and Construction sectors by 2.9% during the quarter compared to a growth of 2.7% recorded in Q2'2023.

Economic Growth Rates



Purchasing Manager Index



50.4

Kenya's private sector activity recorded an improvement in October 2024, as evident by the Purchasing Manager's Index (PMI), which rose to 50.4 from 49.7, which was registered in September, indicating modest expansion driven by increased demand and a small rise in employment. Nevertheless, households still face cash flow challenges due to economic difficulties and political uncertainty. Readings above 50.0 signal an improvement in business conditions, while readings below 50.0 show a deterioration.

Central Bank Rate



12.00%

During the Monetary Policy Committee (MPC) meeting held on 8th October 2024, the MPC lowered the CBR by 75 bps to 12.00%. The committee noted that their decision to lower the CBR rate was mainly on the ground of the eased overall inflation to below the midpoint of the target range, and expected to remain within the lower bound in the near term. The MPC also noted the sharp deceleration in credit to the private sector, and the slowdown in growth in Q2'2024, and concluded that there was scope for a further easing of the monetary policy stance to support economic activity, while ensuring exchange rate stability.

Interbank Rate

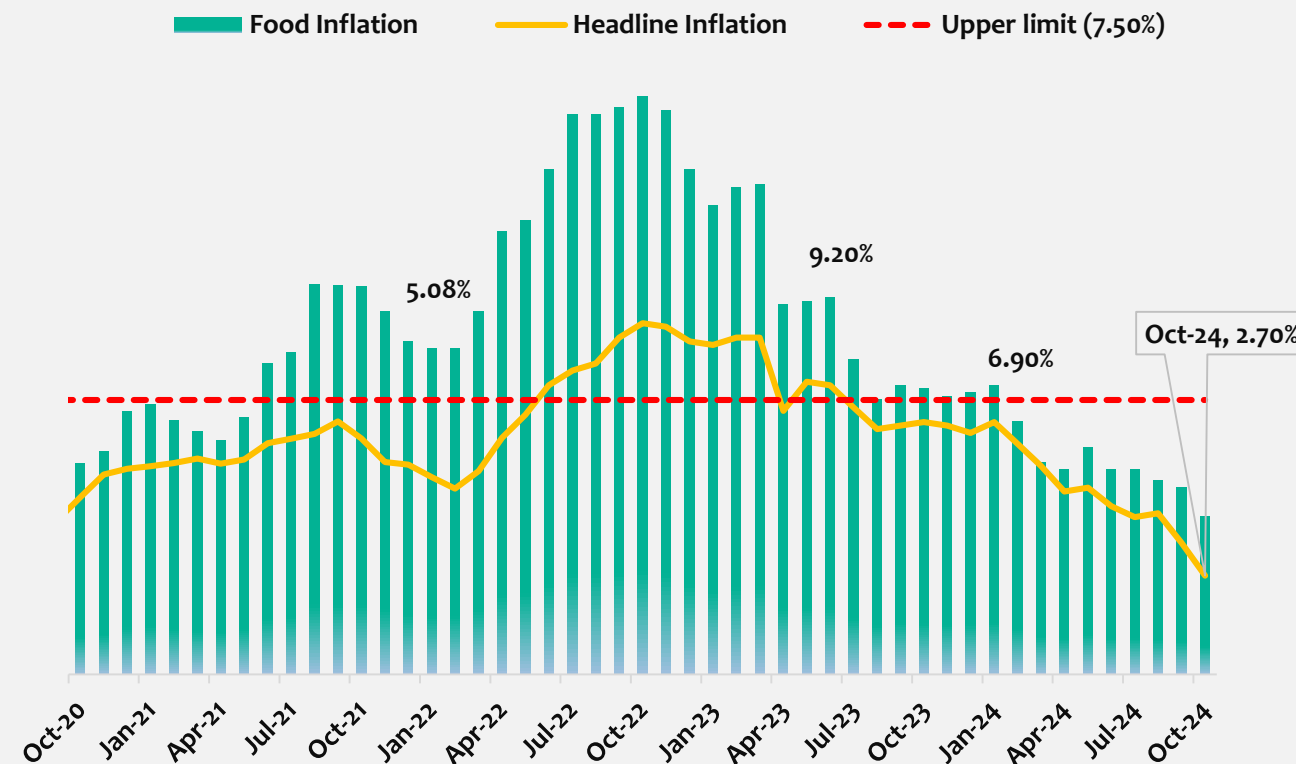


12.67%

In October 2024, liquidity improved, with the average interbank rate falling to 12.06% from 12.67% in September 2024. This improvement shows a shift in the cost of short-term borrowing among financial institutions following the 75 bps cut of the central bank rate.

Inflation

The y/y inflation in the month of October 2024 slowed down to 2.7% compared to a 3.6% recorded in the month of September 2024. The ease in inflation was partly driven by a y/y decline in prices of food commodities such as sugar and maize flour of 31.2% and 25.9%, respectively, as well as a decline in fuel prices, with diesel, petrol, and kerosene prices dropping by 18.1%, 16.8%, and 26.1%, respectively. Additionally, the tight monetary stance undertaken by MPC as well as the robust performance of the shilling this year also helped alleviate inflationary pressures.



	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	YTD 2024
Ave. Inflation Rate (Y/Y)	4.70%	5.20%	5.40%	6.10%	7.64%	7.63%	4.86%

October 2024 Price Changes



Food Prices

The food inflation index rose by 0.5% between the months of September 2024 and October 2024, with notable price increases of commodities such as mangoes (+9.9%) and carrots (+5.7%). Conversely, prices of sugar and maize flour-sifted decreased by 2.3% and 1.8%, respectively, between September 2024 and October 2024.



Transport

Transport index declined by 0.3% between the months of September 2024 and October 2024, attributable to a decrease in prices of petrol and diesel by 4.3% and 2.0%, respectively.



Housing and Electricity

The index dropped by 0.3% between September 2024 and October 2024, attributable to a decrease in prices of kerosene and LPG by 4.3% and 0.4%, respectively. During the same period, however, prices of 50 kWh of electricity and 200 kWh of electricity increased by 0.3% and 0.2%, respectively.

Currency



YTD: +17.4% Currency performance

Year to date, the Kenyan shilling has appreciated against the US dollar by +17.4%, a reversal compared to the 26.8% depreciation recorded in 2023. The local currency has also recorded gains against a basket of major currencies such as the Euro (+19.3%), Great Britain Pound (+16.3%) and the Japanese Yen (+23.9%) on a YTD basis. Regionally, it posted gains of +23.6% and +14.6% to the Tanzanian Shilling and Ugandan Shilling, respectively.

The positive performance is mainly attributable to improved market confidence following the government's ability to fully settle the USD 2.0 Bn which was due in June this year. This move reassured investors and contributed to a positive outlook in economic stability. The Central Bank has also been intervening in the currency market by ensuring supply meets demand.



US FEDERAL RESERVE

Continued easing of monetary policies across the advanced economies is expected to make the local currency stable. Particularly the USA, with the Fed policy rate currently set in the range of 4.75%-5.0% following a 50 bps cut in September.

FOREX RESERVES

The month of October saw reserves increase by USD 559.0 Mn to close at USD 8.03 Bn, equivalent to 4.1 months of import cover. The adequate forex reserves are expected to provide a buffer against any short-term foreign exchange shocks.

EXTERNAL BORROWING

The payment of the remaining portion of Eurobond that was due June this year continues to bolster investor confidence in the government's ability to fulfill its debt obligations, thereby stabilizing the shilling.

MONETARY POLICY

The Monetary Policy Committee (MPC) decided to further relax its policy stance by cutting the CBR by 75 bps to 12.0% during the month of October 2024, in response to eased inflationary pressures and the relative stability of the Kenyan shilling. As such, the MPC remains confident that the current monetary measures will continue to support the shilling's strength in the near future. Consequently, the shilling is expected to remain bolstered by the Central Bank interventions.



Fixed Income Market

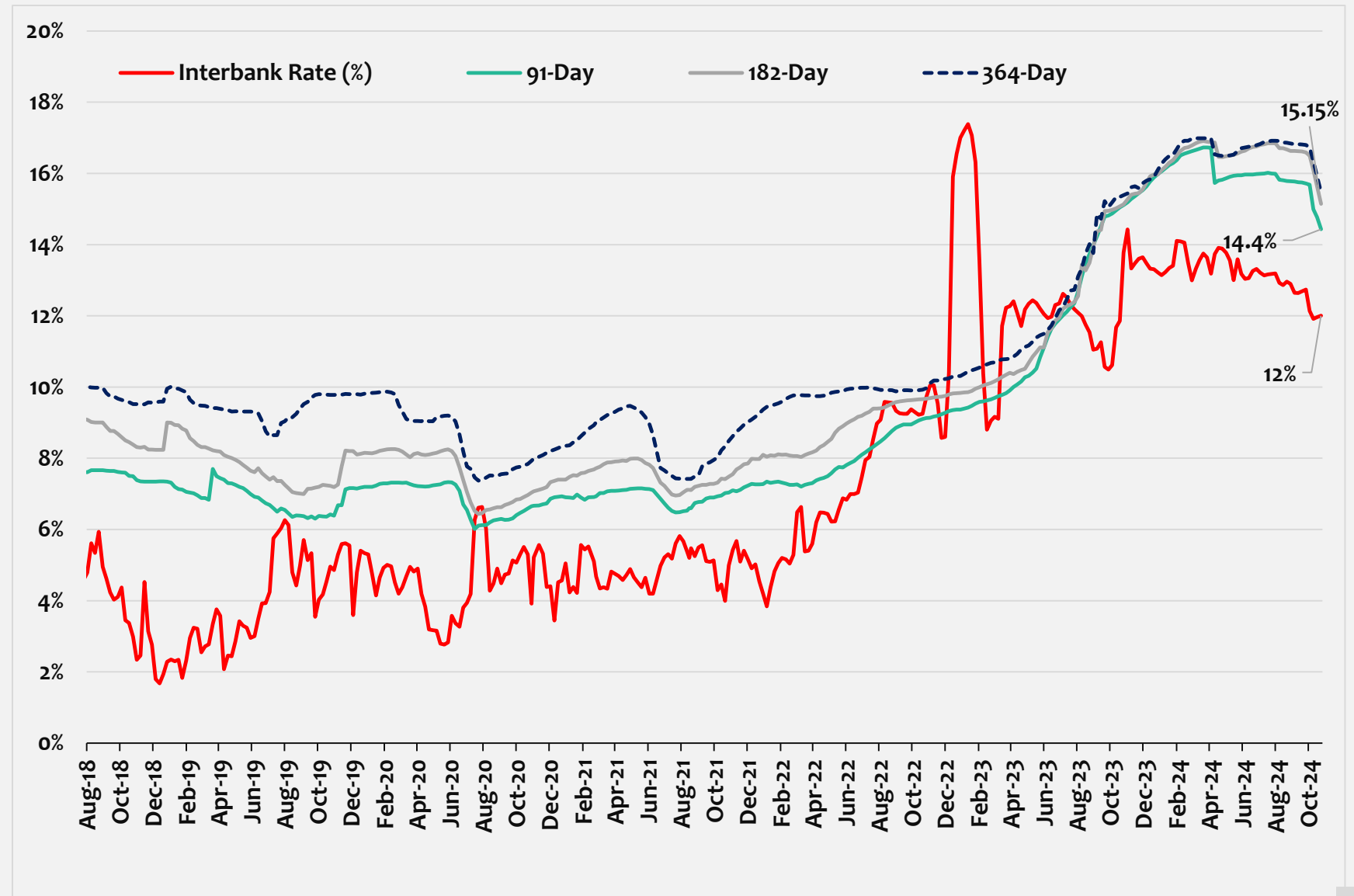
Short Term Interest rates

Treasury Bills

The downward trend on short-term government instruments' yields continued with the downward trend in October 2024, with the yield on the 182-day paper recording the largest decline, shedding 144bps, to bring its yield to 15.15% from 16.59% recorded in September 2024. Similarly, the 364-day paper registered a drop of 133bps in its yield to 15.47% from 16.80% registered in September, while that of the 91-day paper declined by 128bps to 14.43% from 15.72% recorded last month.

Interbank Rate

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Long Term Interest rates

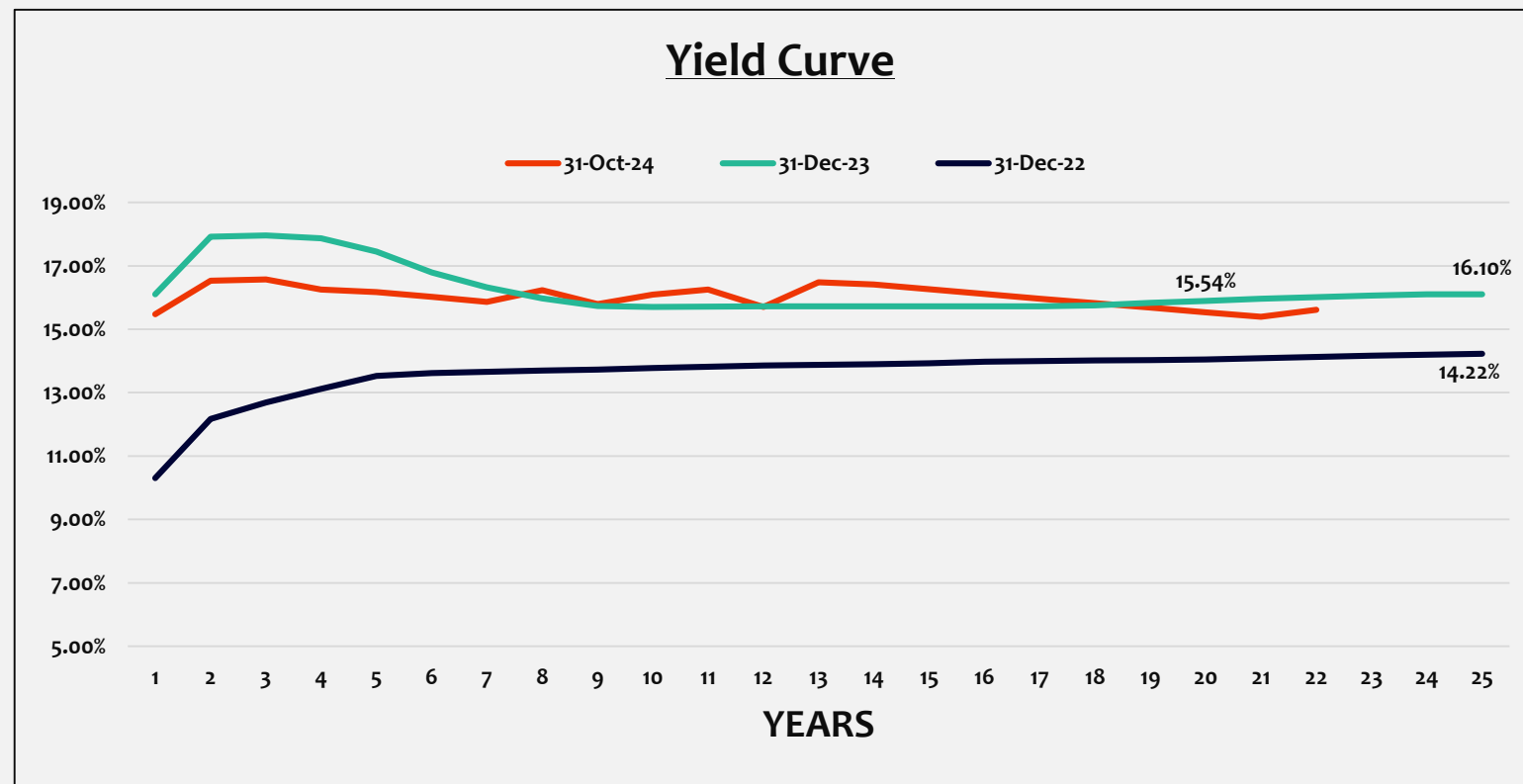


Year-To-Date, the overall yield curve has experienced mixed performance, having retreated by -126 bps on the 1-5 year tenors; -10 bps on the 6-10 year tenors. However, the curve shifted upwards by 50 bp across the 11-15 year tenors. Overall, the curve shifted downwards by -23 bps.

PRIMARY MARKET BOND ACTIVITY

In the primary market, the government re-opened two bonds during the month of October, the FXD1/2016/010 and FXD1/2022/010, with tenors to maturity of 1.8 yrs and 7.6 yrs, respectively. The government was seeking to raised KES 30.0 Bn to finance infrastructural projects.

The auction received bids worth KES 50.9 Bn translating to 169.8% performance rate. The government accepted KES 31.2 Bn of the bids received. The yields came in at 15.03% and 13.49% for FXD1/2016/010 and FXD1/2022/010, respectively.



SECONDARY MARKET

Activity in the secondary bond market decreased during the month of October 2024, with bond turnover decreasing by 9.29% to KES 120.8 Bn from KES 133.1 Bn recorded during the month of September 2024.

	1 - 5	6 - 10	11 - 15	16 - 25	Overall
October 2024 Change (bps)	-85	-74	-24	1	-41



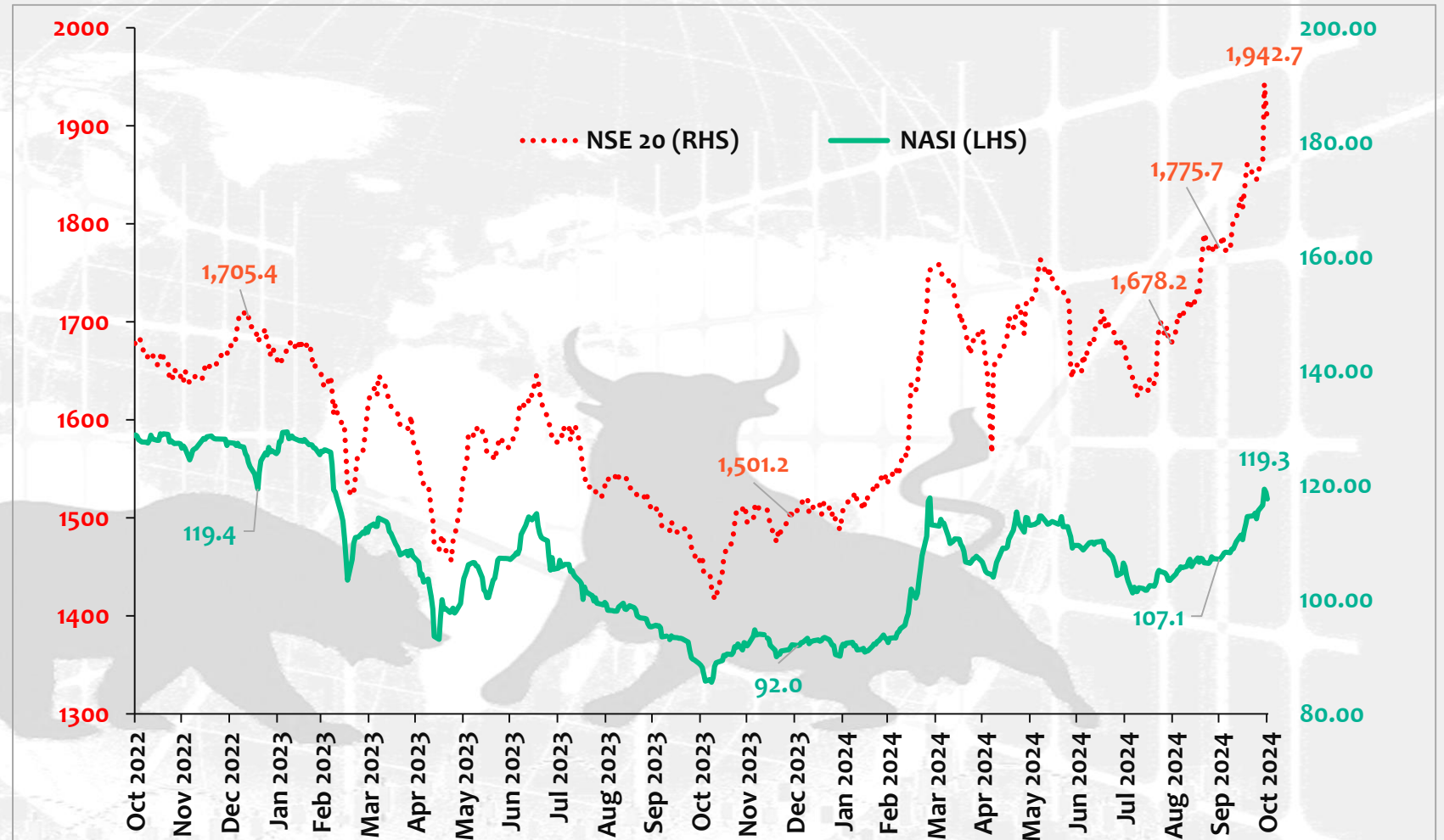
Equities Market

Performance

During the month of October 2024, equities market experienced a bullish momentum as indicated by gains across all the indices. NASI gained by 9.83%, and NSE 20, NSE 25 and NSE 10 all gained by 7.31%, 10.06% and 10.14% respectively. The performance was mainly attributable to gains blue-chip stocks such as EABL, Safaricom and KCB of 18.3%, 11.7% and 11.0% respectively.

Market Turnover

Equity turnover declined marginally by 1.54% in October 2024 to KES 4.94 Bn from KES 5.01 Bn recorded in the month of September 2024. Foreign investors turned net sellers with a net selling position of KES 569.9 Mn compared to a net buying of 28.7 Mn recorded in the month of September 2024.

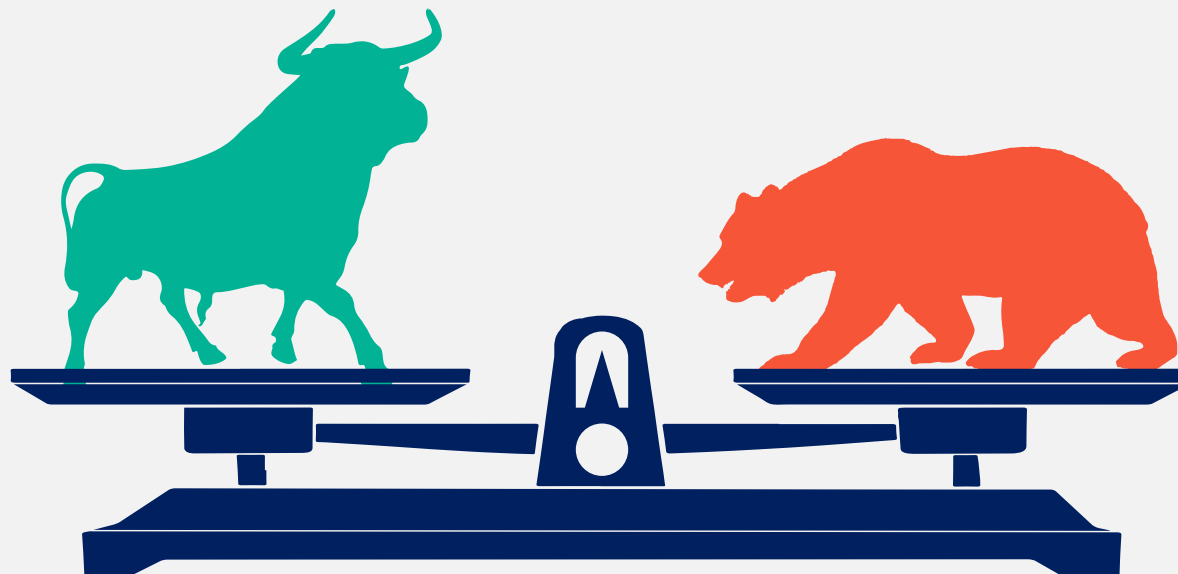


Top 10 Large Cap Stocks Year-to-Date Performance

Gainers YTD



- ❖ **Bamburi** +82.6%
- ❖ **KCB** +75.4%
- ❖ **EABL** +57.4%
- ❖ **Standard Chartered Bank** +44.8%
- ❖ **Equity bank** +38.3%
- ❖ **ABSA Bank** +32.5%
- ❖ **Cooperative Bank** +24.2%
- ❖ **Safaricom** +21.8%
- ❖ **Stanbic Bank** +21.7%
- ❖ **DTB-K** +18.4%



Loser YTD

- ❖ **BAT** -16.1%



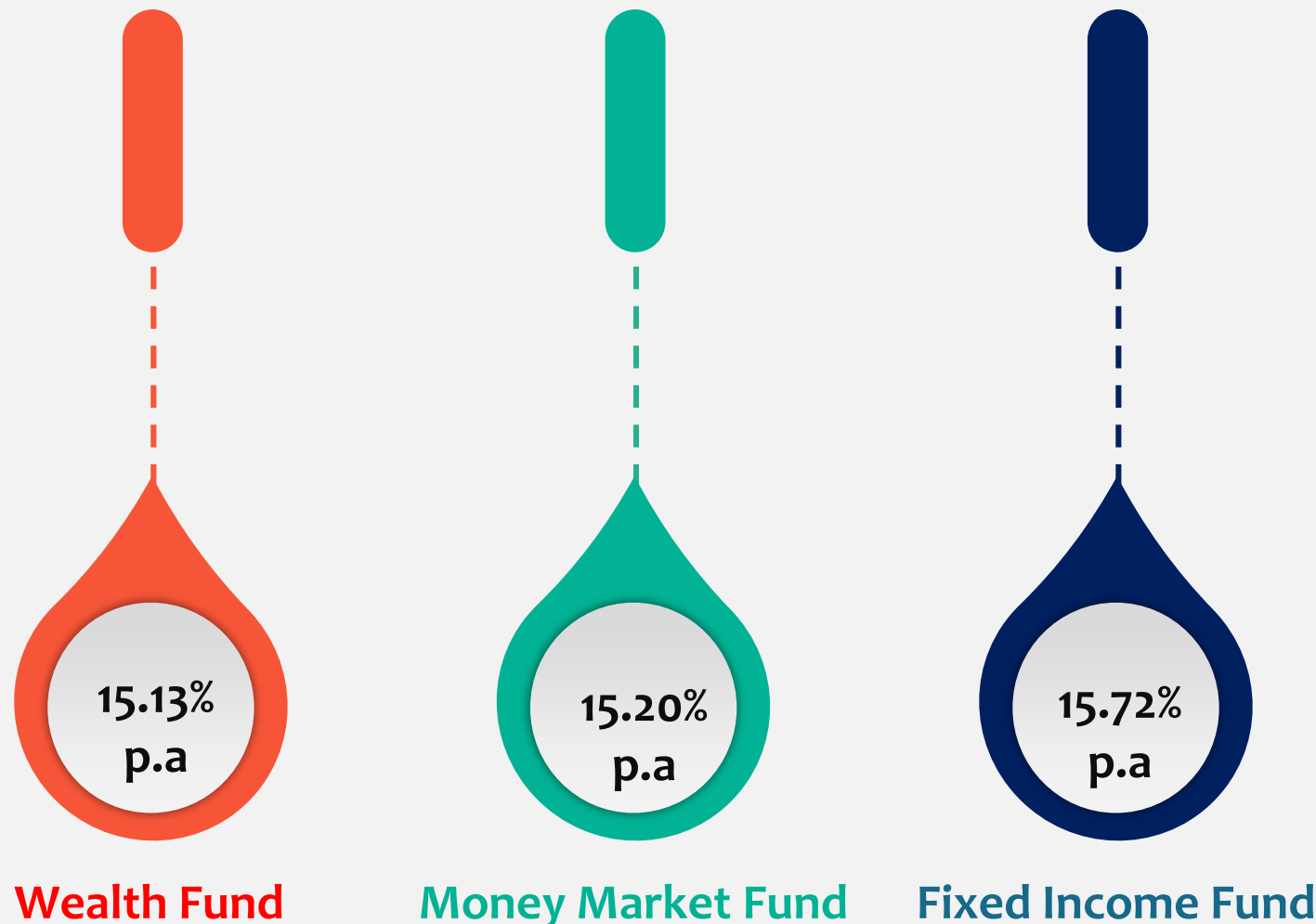


Our Funds' Performance

Performance for the Month of October 2024

Fund Performance

October 2024



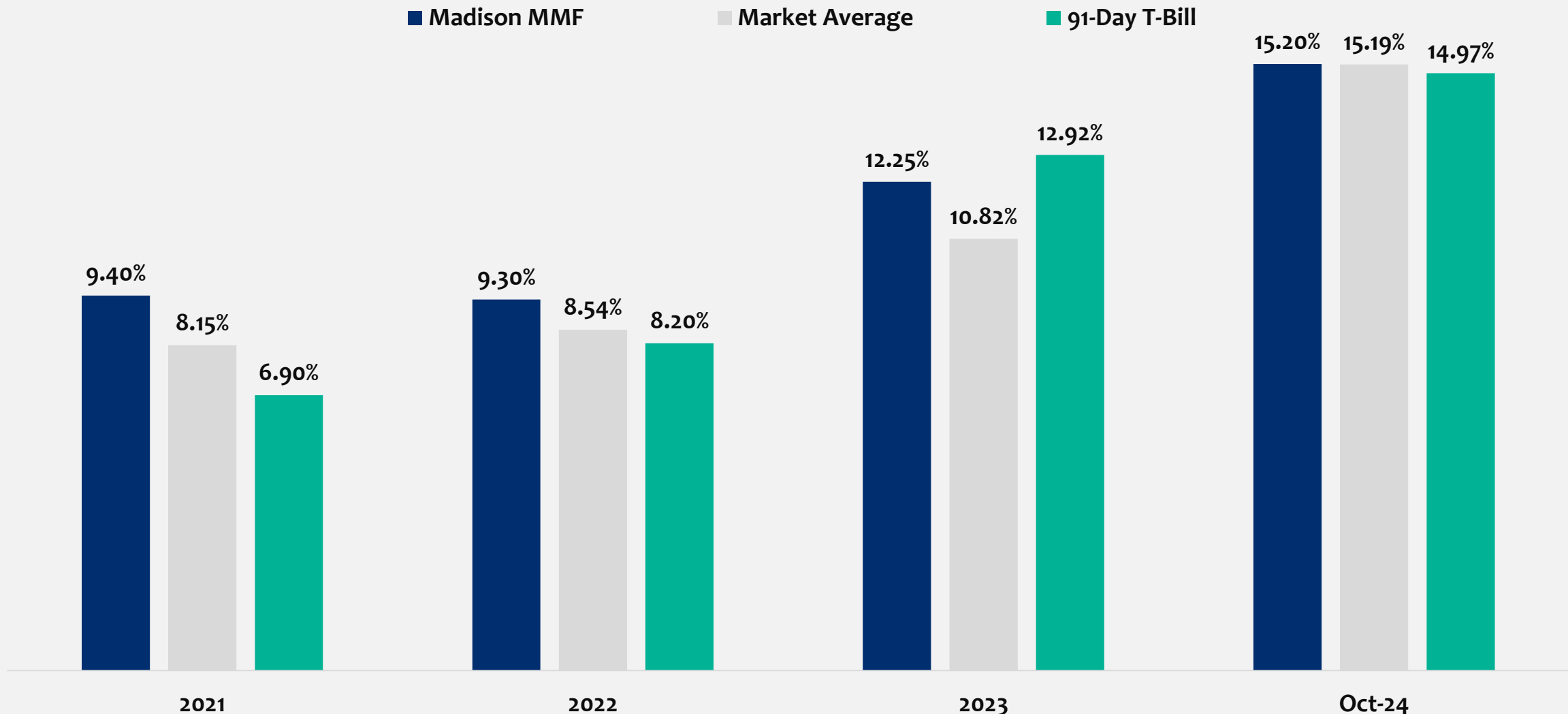
Performance Direction

Due to our investment style and strategy, our funds continue to deliver competitive returns despite markets interest rates trending downwards.

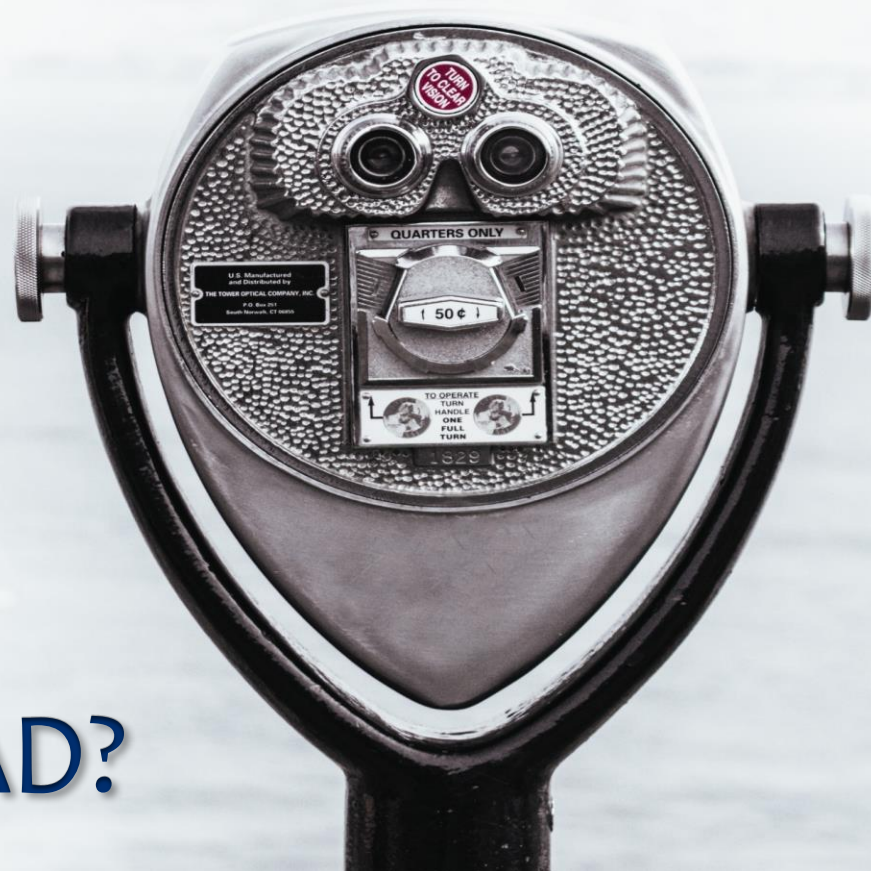
N/B: These are the effective annual yields net off fees for the month of October 2024

Fund Performance

MONEY MARKET FUND COMPARISON



N/B: These are the effective annual yields for the month of October 2024
T-Bill rate is an average yield of period under review



LOOKING AHEAD?



Fixed Income

- Interest rates on fixed income instruments continue trending downwards as market confidence has improved following the government's ability to fully refinance the Euro bond, which was due in June this year, thus significantly reducing borrowing pressure. The government has also been able to attract external funds, further easing the domestic borrowing pressure.
- Further, the Monetary Policy Committee has reduced the CBR rate by 75 bps to 12.00% in during the October 2024 meeting.
- In our short to medium term outlook, we expect rates to continue trending downwards, as such, investing in longer term assets to lock the higher interest rates for longer makes sense.
- Buying longer dated bonds at 16% and higher would be advisable.

Equities

- A strong shilling, improved investor confidence after the repayment of Euro bond and banking sector stock releasing strong results saw a bounce back in the equities market in the first half of the year.
- Global market volatility driven by elevated interest rates have to some extent inhibited flow of foreign funds back to the Kenya stock market, thus the market has not gotten a stable recovery yet.
- We maintain a cautious exposure in the asset class for long term investors.



Our Products...

Our tailored solutions:

1

MADISON MONEY MARKET FUND

INDICATIVE RATE:

15.20% pa

Features :

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

2

MADISON FIXED INCOME FUND

INDICATIVE RATE:

15.72% pa

Features :

- Initial min investment - **Kes 5,000**
- Minimum top-up - **Kes. 1,000**
- Tenor – 3 months
- Withdrawals - 4 working days
- Daily interest accrual
- Monthly distribution of interest.

3

MADISON WEALTH FUND

INDICATIVE RATE:

15.13% pa

Features :

- Initial min investment - **Kes 1 Million**
- Minimum top-up - **Kes 1 Million**
- Tenor – 6 months
- Withdrawals - 6 working days
- Daily interest accrual
- Monthly distribution of interest.

4

MADISON SEGREGATED SCHEME

INDICATIVE RATE:

15%-17% pa (KES)
5%-8% pa(USD)

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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