

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 163.78	1.0%	0.5%	USD Mn – 23,835 KES Bn – 2,291
	NSE 20 Share Index – 4784.07	-0.1%	-6.4%	USD Mn – 20,256 KES Bn 1,947
UGANDA	UGSINDX – 1,975.14	4.8%	2.5%	USD Mn- 8,514 UGS Bn – 26,254
TANZANIA	DSEI – 2842.36	4.7%	12.8%	USD Mn – 12,175 TZS Bn – 24,885
RWANDA	RSEASI – 136.06	0.0%	0.2%	USD Mn – 4,049 RWF Bn - 2,896

Source: NSE,UGSE,RSE,DSE

KEY ECONOMIC INDICATORS

COUNTRY	EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KENYA	KES/USD – 96.11	1.7%	-6.1%	6.9%(05/2015)	5.5%(3Q2014)
UGANDA	UGS/USD – 3083.46	-1.0%	11.2%	4.9%(05/2015)	3.4%(2Q2015)
TANZANIA	TZS/USD - 2043.96	-2.3%	18.0%	4.5%(04/2015)	6.8%(3Q2014)
RWANDA	RWF/USD – 715.16	-0.1%	-3.0%	1.1%(04/2015)	6.2%(4Q2014)

Source: CBK, BOT, NBR, BOU, KNBS, UBOS, NISR, NBS

Britam to Scrap Individual Linda Jamii Health Cover

Britam will no longer off its low-end Linda Jamii health insurance cover to individual customers, choosing to instead focus on small and mid-sized enterprises (SME) and investment clubs. Individuals who bought the cover will continue to get the services until expiry however no new policies will be sold

starting from this month. The newly targeted customers would help the firm reduce administrative burden associated with selling the cover thus improving efficiency. As at 2014, data from the Insurance Regulatory Authority (IRA) showed that KES 12.3 billion was paid out in claims from KES 9.0 in 2013 resulting in the class recording an underwriting loss of KES 437.0 million. We therefore see this as a way for Britam to manage their risks coming from individual covers as opposed to SMEs and larger companies.

Monetary Policy Committee (MPC) Meeting Expected to Guide Market Direction

The MPC meeting expected for 9/6/2015 is expected to give the market direction. The meeting was brought forward following the recent weakening of the shilling. The currency has weakened 6.8% to now stand at KES 96.94 against the dollar, its lowest level since November 2011. This is attributed to the global strengthening of the dollar and weaker tourism and export earnings. FX reserves stand at around 4.0 months of import cover but we remain concerned about the country's large current account deficit. Inflation as at May stood at 6.9%, near the government's upper target of 7.5%. The current CBR rate stands at 8.5%. With the shilling's depreciation and an import-reliant economy, we expect further pressure on inflation. We therefore expect an upward revision of the CBR rate to give way for the onset of a tightening stance and help the weakening currency.

Kenyan Stock Market Performance and Outlook

The overall market experienced a marginal increase of (1.0%) to 163.78 compared to the previous week. We attribute the recovery in the index to price gains made on several large caps notably Safaricom, KCB, EABL and Kenya Power. The market however experienced lower activity compared to the previous week. We expect the MPC meeting tomorrow to dictate the direction of the overall market (index and activity wise). A more proactive stance to support the shilling will instil investor confidence.

Equity Market Summary

KCB and equity saw large volumes traded on the back of predominant foreign activity

Co-op bank eased 1.1% on the back of local supply

Banking Sector	Price (KES)	YTD change	% w-o-w Change	Volume Traded	C/I Ratio	P/E (X)	Dividend Yield	P/B (X)	ROE
KCB	59.00	3.5%	4.4%	5,120,000	50.20%	10.48	3.4%	2.33	22.30%
Equity Bank	47.25	-6.4%	0.0%	10,354,500	55.30%	10.38	3.8%	2.74	25.80%
NIC Bank	51.50	-10.4%	0.0%	343,800	46.10%	7.28	1.9%	1.45	18.40%
CFC Stanbic	102.00	-17.7%	-0.9%	91,800	52.40%	7.09	6.0%	1.09	15.40%
National Bank	20.00	-19.2%	-4.8%	41,000	75.50%	6.43	0.0%	0.47	7.00%
Barclays Bank	15.30	-8.7%	-0.3%	4,572,900	57.30%	9.94	6.5%	2.18	23.60%
Housing Finance	29.75	-36.4%	-2.5%	333,800	49.20%	7.07	5.0%	1.07	14.90%
Co-operative Bank	21.75	11.5%	-1.1%	3,574,700	58.90%	13.26	2.3%	2.45	18.50%
Diamond Trust Bank	227.00	-4.2%	0.4%	734,700	48.60%	10.36	1.0%	1.55	22.00%
Standard Chartered	279.00	-16.5%	-7.6%	8,500	39.90%	8.40	6.1%	2.13	25.80%
I&M	117.00	-6.4%	0.0%	34,500	37.40%	8.63	2.5%	1.63	20.40%
Sector Average						9.78	3.50%	1.74	19.46%

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	7.00	-19.5%	-0.7%	313,600	N/M	0.00%	-2.25	-25.20%
Nation Media Group	194.00	-31.9%	-0.5%	235,100	14.81	5.15%	13.1	30.70%
Scangroup	39.00	-13.3%	0.0%	912,500	26.00	0.00%	2.7	10.60%
Uchumi Supermarket	10.55	2.4%	-1.9%	56,900	7.28	2.84%	1.45	12.20%
Atlas Development	10.70	-13.0%	-3.6%	17,100	N/M	0.00%	-0.04	-7.5%
Sector P/E					85.61			

ARM remained flat w-o-w on the back of foreign demand and local supply

Construction & Allied	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	NPM*	ROE
ARM Cement	73.00	-15.1%	0.0%	2,035,100	24.25	0.82%	10.86%	15.85%
Bamburi Cement	147.00	5.8%	0.0%	212,600	15.00	8.16%	10.80%	11.70%
E.A. Portland Cement	59.00	1.79%	0.0%	0	N/M	0.00%	19.30%	25.00%
Sector P/E					19.63			17.51%

Energy & Petroleum Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS(KES)	ROE
KenGen	9.05	-10.8%	-1.1%	1,290,600	7.02	4.42%	1.29	3.70%
KenolKobil	8.40	-2.3%	-2.3%	4,117,500	11.35	2.38%	0.74	14.80%
Kenya Power	16.85	18.2%	4.3%	452,800	5.09	2.97%	3.31	11.90%
Sector P/E					7.52			

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio	ROE
CIC insurance	8.05	-19.5%	-3.0%	0.93	18.72	65.80%	-	20.90%
Britam	22.00	-26.1%	-1.1%	1.02	16.79	68.0%	32.90%	13.00%
Jubilee	554.00	23.1%	-3.3%	0.95	11.54	-	19.70%	18.80%
Kenya Re	17.00	0.0%	0.3%	1.00	3.79	57.70%	9.40%	15.70%
Pan Africa Insurance	80.00	-33.3%	0.0%	1.09	8.10	-	16.70%	37.50%
Liberty	24.50	5.4%	-1.0%	1.00	11.45	75.70%	54.90%	17.40%
Sector Average				1.00	11.08			22.10%

Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	NAVPS**	EPS (KES)	ROE
Centum Investment	61.50	0.0%	1.6%	688,500	13.55	1.78	34.5	4.54	18.40%
Home Afrika Ltd	2.95	-28.9%	-3.3%	522,900	N/M	3.47	0.85	-0.04	45.40%
Kurwitu Ventures Ltd	1,500.00	0.0%	0.0%	-	N/M	1.44	1043.71	-62.40	0.0%
Trans-Century	13.00	-33.3%	0.0%	32,300	N/M	0.32	40.96	1.06	4.70%
Sector P/E					74.04				

*NPM- Net Profit Margin, **NAVPS- Net Asset Value Per Share

Investment Services	Price (KES)	YTD Change	%w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS(KES)	ROE
Nairobi Securities Exchange Ltd	21.00	1.2%	-1.2%	2,982,500	9.86	1.81%	2.13	20.70%
Sector P/E					9.86			

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS(KES)	ROE
Mumias Sugar	1.95	0.0%	-2.5%	4,323,100	N/M	0.00%	-1.77	-12.60%
EABL	315.00	4.3%	5.0%	1,514,300	38.37	1.75%	8.21	17.60%
FTG Holdings	8.10	-1.8%	-6.9%	223,100	8.18	0.00%	0.99	97.4%
Carbacid	17.80	-19.1%	-2.2%	52,000	9.22	1.69%	1.93	24.70%
Eveready	4.05	3.8%	-8.9%	138,200	N/M	0.00%	-0.8	20.10%
BAT	720.00	-20.1%	-6.7%	202,300	16.92	5.90%	42.55	52.30%
Sector P/E					37.48			19.80%

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS(KES)	ROE
Safaricom	16.35	15.5%	3.1%	36,796,700	20.44	3.91%	0.57	21.90%
Sector PE					20.44			

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Fixed Income Market Summary

The week saw the government put up the 91, 182 and 364 day T - bills for auction and managed to raise KES 3.6 billion out of a target of KES 8.0 billion.

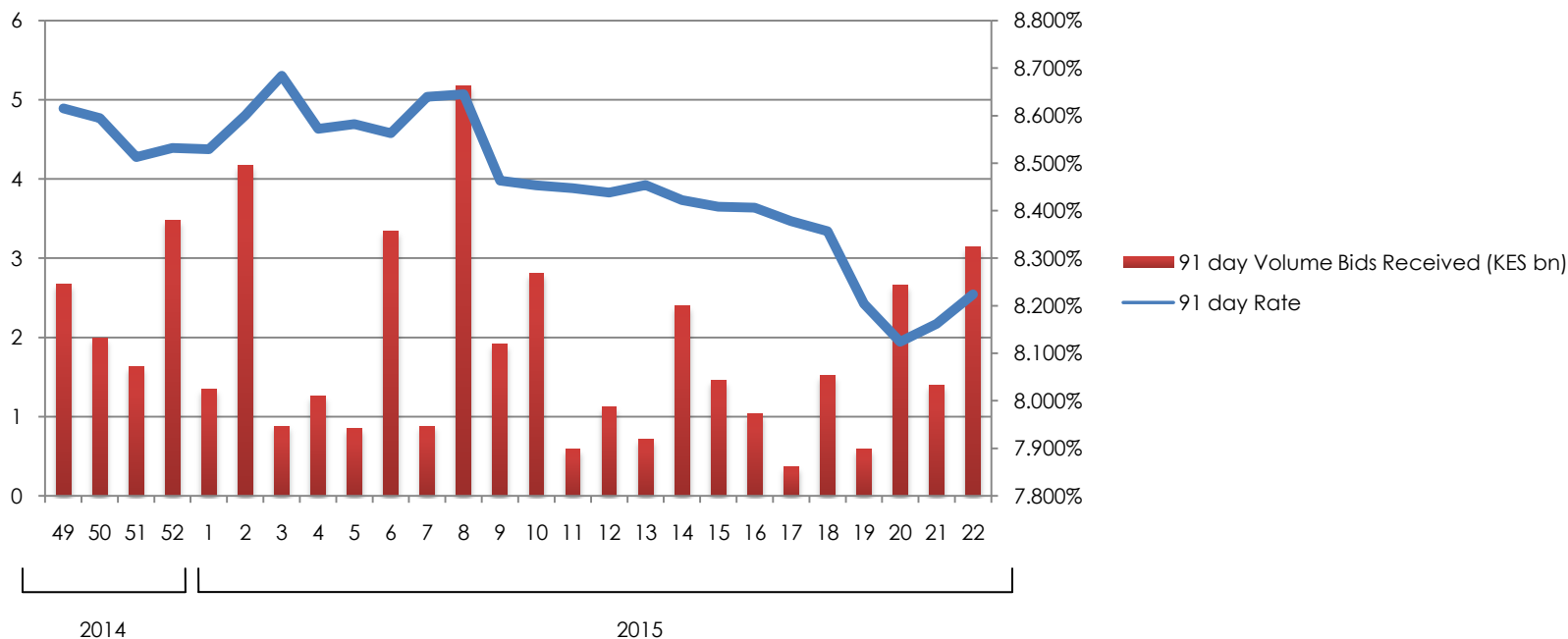
- 91 day t-bill rate down w-o-w
- Under-subscription recorded in 182 day and 364 day t-bill auctions

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate
91 day T-bill	3.1 Bn	314.0%	3.1 Bn	8.224%
182 day T-bill	0.2 Bn	6.6%	0.2 Bn	10.500%
364 day T-bill	0.3 Bn	6.7%	0.3 Bn	10.800%

- Oversubscription in the 91 day t-bill is expected in the coming week.

The week under review saw the 91 day t-bill rise from 8.162% the previous week. The 182 day and 364 day t-bill rates remained unchanged w-o-w.

Graph showing 91 day t-bill rate and volume



The Secondary Market

Current week Turnover (KES)	Previous week Turnover (KES)	Current week No. of Deals	Previous week No. of deals
3,056,950,000	8,513,480,000	63	153

	Average Traded Yield	Total Value (KES)	No. of Trades
FXD3/2014/2Yr	11.5481%	151,000,000	4
FXD1/2013/10Yr	12.6904%	360,000,000	3
FXD1/2014/10Yr	12.7004%	220,000,000	3
FXD2/2010/15Yr	12.5790%	113,800,000	2
FXD2/2013/15Yr	12.7400%	200,000,000	2
FXD1/2012/20Yr	13.1293%	105,000,000	1

Actively Traded Infrastructure Bonds

	Average Traded Yield	Total Value (KES)	No. of Trades
IFB1/2015/12Yr	10.7185%	108,400,000	6

Actively Traded Corporate Bonds

	Average Traded Yield	Total Value (KES)	No. of Trades
FXIB 1/2009/10Yr	12.3600%	16,350,000	5

- Decrease in bond turnover and number of deals w-o-w

Bond Market Outlook

- The government has offered 2 and 10 year Treasury bonds (FXD3/2014/2 & FXD1/2014/10) to raise KES 25.0 billion. We expect subdued activity in the secondary market as the market awaits the MPC (Monetary Policy Committee) meeting to be held on 9/6/2015

Market Recommendations

Counter	Recommendation	Comment
Bamburi	BUY	Our price target of KES 233.24 provides a 58.7% upside of from the current market price of KES 147.00. We expect the export and contractors market to be key drivers of growth. We also expect Bamburi to leverage on its parent company (Lafarge) in its strategy to make cement more of a service than a commodity.
Co-operative Bank	Hold	We revise our recommendation from BUY to HOLD based on our Target Price of KES 22.11, an upside potential of 1.7% from the current market price of KES 22.00. The bank's next phase of growth is hinged on the ongoing transformation strategy, dubbed the "soaring eagle transformation project". This strategy is expected to deliver operating efficiency and unlock new growth opportunities (such as cross-selling). Management targets a C/I ratio of 53.0% in FY2015. The bank boasts of a branch network that covers the entire country (in every county). With the wide branch network and the equally wide distribution of agents, the bank expects to build a strong deposit mobilization system. Management targets to grow the deposit base by 20%-25% FY2015.

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