

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 161.50	-0.9%	-0.6%	USD Mn – 22,710 KES Bn – 2,261
	NSE 20 Share Index – 4810.36	0.7%	-5.9%	USD Mn – 19,565 KES Bn-1,930
UGANDA	UGSINDX – 1957.62	-1.3%	1.6%	USD Mn- 8,053 UGS Bn – 27,094
TANZANIA	DSEI –2641.08	-5.8%	4.8%	USD Mn–11,706 TZS Bn – 23,112
RWANDA	RSEASI –161.9*	19.35%*	19.17%*	USD Mn - 4,796* RWF Bn - 3,453

Source: NSE,UGSE,RSE,DSE

*2nd July 2015

KEY ECONOMIC INDICATORS

COUNTRY	EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KENYA	KES/USD – 99.57	-1.1%	-9.9%	7.0%(06/2015)	4.9%(1Q2015)
UGANDA	UGS/USD – 3364.58	-3.3%	-21.3%	4.9%(06/2015)	3.4%(2Q2015)
TANZANIA	TZS/USD -1974.32	5.5%	-14.0%	5.3%(05/2015)	6.8%(3Q2014)
RWANDA	RWF/USD – 720.03	-0.2%	-3.7%	1.1%(05/2015)	7.6%(1Q2015)

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

Inflation for the Month of June Edges up to 7.03%

Inflation for the month of June 2015 went up to 7.03% from 6.87% in May 2015 attributed to an increase in fuel prices and the continued weakening of the shilling. Housing, Water, Electricity, Gas and Other Fuels' Index increased by 0.4% due to increase in costs of cooking fuels, house rent and other utilities.

Despite the decrease in fuel cost adjustment, cost of electricity remained unchanged as the volatile shilling caused an increase in the forex levy. Food and Non-Alcoholic Drinks' Index decreased by 0.1% on the back of decreases in food prices. Transport Index increased by 0.8% due to a rise in the cost of petrol and diesel. Going forward, we expect inflation to face upward pressure as the shilling continues to weaken. The shilling stood at KES 99.56 as at 3/7/2015, edging closer to the KES 100.00 mark.

Kenya Power Tariff Cut Effective this Month

Kenya Power is set to reduce tariffs for households consuming more than 50 units of electricity per month effective this month. The new tariffs will see homes using between 51-1500 units pay KES 12.75 per unit from KES 13.68. Homes consuming above 1500 units will pay KES 20.57 per unit from KES 21.57. Households consuming between 0-50 units per month will continue paying KES 2.50. Small commercial power consumers will also benefit by paying KES 13.50 from KES 14.00 while large commercial users will save KES 0.25 per unit. We attribute the tariff review to increased generation of low cost geothermal power. The new tariffs are set to last for a year and will benefit consumers in the form of cheaper electricity reflected on the electricity price index.

Kenyan Stock Market Performance and Outlook

The overall market experienced a marginal decline of -0.6% to 161.50 and a surge in activity compared to the previous week. Notably, activity was high on Equity, Centum and EABL. Equity Bank was the week's biggest mover and accounted for 67.0% of overall market activity. We expect activity on the counter to remain relatively high. We also expect a slight price decline on EABL with supply outstripping demand. We attribute this to the possibility of EABL selling part or entire 51% of its shareholding in Serengeti Breweries as part of regulation by Fair Competition Commission (FCC) of Tanzania. The subsidiary contributes about 12.0% to total revenues.

Equity Market Summary

Equity contributed to 67% to the week's volumes on the back of Helios exiting the counter creating increasing demand for the stock.

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	55.00	-3.5%	-0.9%	9,638,600	50.20%	9.77	3.6%	2.17	22.30%
Equity Bank	45.25	-10.4%	-1.6%	167,851,900	55.30%	9.95	3.9%	2.63	25.80%
NIC Bank	51.50	-10.4%	-4.6%	132,900	46.10%	7.25	1.9%	1.45	18.40%
CFC Stanbic	107.00	-13.7%	0.9%	970,900	52.40%	7.44	5.7%	1.15	15.40%
National Bank	19.80	-16.2%	-4.6%	100,500	75.50%	6.37	0.0%	0.47	7.00%
Barclays Bank	15.25	-9.0%	-1.6%	1,783,000	57.30%	9.90	6.6%	2.17	23.60%
Housing Finance	27.00	-42.2%	-0.9%	199,700	49.20%	6.41	5.6%	0.97	14.90%
Co-operative Bank	20.75	6.4%	-3.5%	5,516,400	58.90%	12.65	2.4%	2.34	18.50%
Diamond Trust Bank	225.00	-5.1%	0.0%	55,000	48.60%	10.26	1.1%	1.53	22.00%
Standard Chartered	304.00	-9.0%	-0.9%	28,900	39.90%	9.15	5.6%	2.32	25.80%
I&M	117.00	-3.5%	0.0%	19,900	37.40%	8.63	2.5%	1.63	20.40%
Sector Average						9.58	3.54%	1.71	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	7.30	-16.1%	6.6%	678,800	N/M	0.00%	-2.25	-25.20%
Nation Media Group	201.00	-29.5%	11.7%	392,200	15.34	4.98%	13.1	30.70%
Scangroup	40.75	-9.4%	-4.1%	38,500	27.17	0.00%	2.7	10.60%
Uchumi Supermarket	8.25	-13.9%	-8.3%	212,800	5.69	3.64%	1.45	12.20%
Atlas Development	10.95	-10.6%	-0.4%	105,200	N/M	0.00%	-0.04	-7.5%
Sector P/E					87.62			

Construction & Allied	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	NPM*	ROE
ARM Cement	75.00	-12.8%	3.4%	433,500	24.92	0.80%	10.86%	15.85%
Bamburi Cement	156.00	12.2%	1.9%	154,100	15.92	7.69%	10.80%	11.70%
E.A. Portland Cement	56.00	-3.4%	0.0%	1,900	N/M	0.00%	19.30%	25.00%
Sector P/E					20.02			17.51%

Energy & Petroleum Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS(KES)	ROE
KenGen	9.10	-10.3%	1.1%	1,692,700	7.05	4.40%	1.29	3.70%
KenolKobil	8.45	-1.7%	0.6%	4,572,400	11.42	2.37%	0.74	14.80%
Kenya Power	18.10	27.0%	-0.3%	3,187,300	5.47	2.76%	3.31	11.90%
Sector P/E					7.67			

Kenol gained 0.6% on the back of foreign demand

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio	ROE
CIC insurance	7.60	-24.0%	-4.4%	0.88	17.67	65.80%	-	20.90%
Britam	20.00	-32.8%	-3.6%	0.93	15.27	68.0%	32.90%	13.00%
Jubilee	565.00	25.6%	0.2%	0.97	11.77	-	19.70%	18.80%
Kenya Re	17.85	5.0%	0.6%	1.05	3.98	57.70%	9.40%	15.70%
Pan Africa Insurance	75.00	-37.5%	0.0%	1.02	8.27	-	16.70%	37.50%
Liberty	24.75	6.5%	-2.9%	1.01	11.57	75.70%	54.90%	17.40%
Sector Average				0.98	10.73			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	63.50	3.3%	-3.0%	7,587,000	6.08	1.32	48.00	10.44	20.60%
Home Afrika Ltd	2.90	-30.1%	0.0%	551,800	N/M	3.41	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	14.00	-28.2%	12.00%	114,800	N/M	0.34	40.96	1.06	4.70%
Sector P/E					10.62				

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

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Investment Services	Price (KES)	YTD Change	%w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS(KES)	ROE
Nairobi Securities Exchange Ltd	20.25	-2.4%	0.0%	314,100	9.51	1.88%	2.13	20.70%
Sector P/E					9.51			

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS(KES)	ROE
Mumias Sugar	2.25	15.4%	0.0%	9,519,900	N/M	0.00%	-1.77	-12.60%
EABL	290.00	-4.0%	-5.8%	2,580,800	35.32	1.90%	8.21	17.60%
FTG Holdings	8.45	7.9%	-5.1%	99,400	8.54	0.00%	0.99	97.4%
Carbacid	17.95	-18.4%	1.1%	123,100	9.30	1.67%	1.93	24.70%
Eveready	4.15	6.4%	1.2%	452,400	N/M	0.00%	-0.8	20.10%
BAT	701.00	-22.2%	0.0%	911,100	16.47	6.06%	42.55	52.30%
Sector P/E					35.21			19.80%

EABL eased 5.8% as supply outstripping demand

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%	1.5%	24,007,300	20.44	3.91%	0.57	21.90%
Sector PE					20.44			

Safaricom gained 1.5% on the back of foreign demand

Fixed Income Market Summary

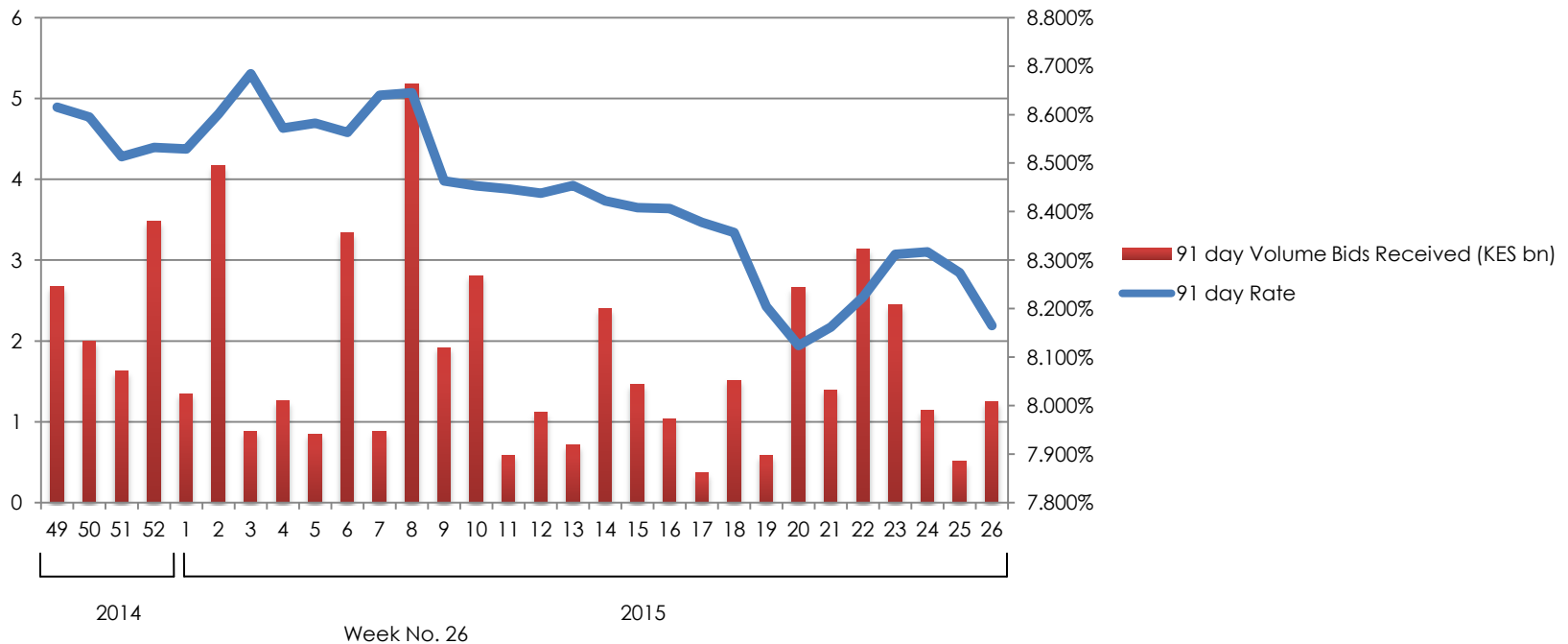
The week saw the government put up the 91, 182 and 364 day T - bills for auction and managed to raise KES 2.5 billion out of a target of KES 8.0 billion.

- 91 day t-bill rate down w-o-w
- Under-subscription recorded in all t-bill auctions

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate
91 day T-bill	1.25 Bn	125.0%	1.25 Bn	8.165%
182 day T-bill	1.18 Bn	39.3%	1.18 Bn	11.320%
364 day T-bill	0.07 Bn	1.7%	0.07 Bn	11.025%

The week under review saw the 91 and 364 day t-bill rates drop from 8.274% and 11.071% respectively from the previous week. The 182 day t-bill rate rose from 10.554% the previous week.

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
3,481,668,750	856,246,375	66	29

	Average Traded Yield	Total Value (KES)	No. of Trades
FXD1/2015/5Yr	13.0969%	551,800,000	12
FXD1/2014/10Yr	12.7285%	600,000,000	4
FXD2/2007/15Yr	13.6808%	900,000,000	6
FXD1/2012/20Yr	13.5833%	70,000,000	6

Actively Traded Infrastructure Bonds

	Average Traded Yield	Total Value (KES)	No. of Trades
IFB1/2013/12Yr	12.0409%	352,900,000	11
IFB1/2015/12Yr	11.0500%	166,000,000	8

Actively Traded Corporate Bonds

	Average Traded Yield	Total Value (KES)	No. of Trades
FXIB 1/2009/10Yr	12.5000%	5,218,750	2

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

Bond Market Outlook

- Subdued activity in the secondary market is expected due to low liquidity and increasing rates. The government is also expected to soon make its first interest payment on the sovereign bond this month. We expect this to further exacerbate the low liquidity market position.

Market Recommendations

Counter	Recommendation	Comment
Bamburi	BUY	Our price target of KES 233.24 provides a 49.5% upside of from the current market price of KES 153.00. 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 6.5% from the current market price of KES 20.75. 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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