

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 150.45	1.4%	-7.6%	USD Mn – 20,267 KES Bn – 2,077
	NSE 20 Share Index – 4415.09	0.2%	-13.6%	USD Mn – 17597 KES Bn-1,783
UGANDA	UGSINDX – 1940.94	4.9%	0.7%	USD Mn- 7,273 UGS Bn – 25,647
TANZANIA	DSEI –2558.12	0.3%	1.5%	USD Mn–10,695 TZS Bn – 22,382
RWANDA	RSEASI –143.20	-0.3%	5.4%	USD Mn - 4,271 RWF Bn - 3,093

Source: NSE,UGSE,RSE,DSE

KEY ECONOMIC INDICATORS

COUNTRY	EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KENYA	KES/USD – 102.52	-1.8%	-1.2%	6.6%(06/2015)	4.9%(1Q2015)
UGANDA	UGS/USD – 3425.81	-2.5%	-23.5%	4.9%(06/2015)	0.3%(3Q2014/15))
TANZANIA	TZS/USD -2086.44	-0.2%	-20.5%	6.1%(06/2015)	6.8%(3Q2014)
RWANDA	RWF/USD – 723.57	-0.1%	-4.2%	1.3%(06/2015)	7.6%(1Q2015)

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

CBK Maintains Central Bank Rate (CBR) at 11.5%

Central Bank of Kenya (CBK) maintained the Central Bank Rate (CBR) at 11.5% on the back of falling inflation for the month of July as well as reduced volatility of the shilling. Furthermore, CBK is looking to allow previous interest hikes to be fully transmitted in the economy. The current account deficit was

in deficit of KES 614 billion in the year to April, compared to KES 459 billion in April 2014 driven by importation of capital goods. Overall liquidity remains tight as the interbank rate is currently at 22.9%. Diaspora remittances went up 9.2% during the first half of the year to KES 76.9 billion compared to a similar period last year. We expect the shilling to remain relatively stable in the short term prior to the anticipated increase in U.S. interest rates.

Equity Posts 11.8% Increase in After Tax Profits to KES 8.5Billion for 1H2015

Equity Group posted an 11.8% increase in net profit to KES 8.5billion for 1H2015. Interest income grew by 13.5% to KES 19.3 billion with non funded income growing by 30.0% to KES 10.8 billion. Merchant business grew its commission income by 57% while forex income grew by 76% during the same period driven by growing diaspora remittances. Operating expenses grew by 22.3% to KES 14.2 billion on the back of IT investments. The group's loan book grew by 26.9% to KES 236.8 billion driven by a 40.0% growth in customer deposits. SMEs and large enterprises now account for 68.4 of the loan book. Equitel, which was launched in January, registered over a million customers for 1H2015 with mobile banking loan disbursements peaking to KES 2.4 billion in June. We expect bottom line growth to continue on the back of growth in non-funded income, mobile banking and agency banking.

Kenyan Stock Market Performance and Outlook

The overall market reversed a 5 week consecutive slump to record a gain of 1.4% to 150.45 characterized by increased activity compared to the previous week. Notable price appreciations were experienced on Britam, CIC, Equity Bank, National Bank and E.A. Portland as investors took advantage of the price dips. We expect recovery in the overall market as the shilling remains relatively stable against the dollar and supply side pressures on most counters ease.

Equity Market Summary

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	49.25	-13.6%	-1.5%	27,492,800	50.20%	8.75	4.1%	1.94	22.30%
Equity Bank	43.25	-14.4%	10.2%	38,580,800	55.30%	9.51	4.2%	2.51	25.80%
NIC Bank	49.50	-13.9%	0.0%	131,600	46.10%	7.00	2.0%	1.39	18.40%
CFC Stanbic	97.50	-21.4%	2.6%	2,013,000	52.40%	6.78	6.3%	1.04	15.40%
National Bank	20.50	-17.2%	8.5%	103,200	75.50%	6.59	0.0%	0.48	7.00%
Barclays Bank	14.35	-14.3%	2.1%	555,900	57.30%	9.32	6.9%	2.04	23.60%
Housing Finance	22.75	-51.3%	-1.1%	332,600	49.20%	5.40	6.6%	0.82	14.90%
Co-operative Bank	19.80	1.5%	0.2%	3,479,500	58.90%	12.07	2.5%	2.23	18.50%
Diamond Trust Bank	204.00	-13.9%	-0.5%	607,500	48.60%	9.31	1.2%	1.39	22.00%
Standard Chartered	275.00	-17.7%	1.8%	30,100	39.90%	8.28	6.2%	2.10	25.80%
I&M	106.00	-15.2%	0.0%	7,200	37.40%	7.82	2.7%	1.48	20.40%
Sector Average						8.88	3.88%	1.59	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	5.25	-39.7%	-7.9%	3,775,900	N/M	0.00%	-2.25	-25.20%
Nation Media Group	178.00	-37.5%	-4.8%	217,400	13.59	5.62%	13.1	30.70%
Scangroup	38.00	-15.6%	-1.9%	14,600	25.33	0.00%	2.7	10.60%
Uchumi Supermarket	6.50	-37.8%	-10.3%	307,100	4.48	4.62%	1.45	12.20%
Atlas Development	9.50	-22.8%	-5.0%	1,100	N/M	0.00%	-0.04	-7.5%
Sector P/E					(4.68)			

Construction & Allied	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	NPM*	ROE
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ARM Cement	61.00	-29.1%	-3.2%	10,900	20.27	0.98%	10.86%	15.85%
Bamburi Cement	154.00	10.8%	0.0%	90,000	15.71	7.79%	10.80%	11.70%
E.A. Portland Cement	59.00	1.7%	9.3%	4,400	N/M	0.00%	19.30%	25.00%
Sector P/E					18.56			17.51%

Energy & Petroleum Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS(KES)	ROE
KenGen	8.25	-18.7%	-2.4%	654,900	6.40	4.85%	1.29	3.70%
KenolKobil	8.55	-0.6%	6.9%	3,157,800	11.55	2.34%	0.74	14.80%
Kenya Power	16.00	10.9%	0.0%	7,385,900	4.83	3.13%	3.31	11.90%
Sector P/E					7.24			

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio	ROE
CIC insurance	7.65	-23.5%	9.3%	0.88	17.79	65.80%	-	20.90%
Britam	18.20	-38.8%	4.3%	0.85	13.89	68.0%	32.90%	13.00%
Jubilee	557.00	23.8%	-0.5%	0.95	11.60	-	19.70%	18.80%
Kenya Re	16.55	-2.6%	0.3%	0.97	3.69	57.70%	9.40%	15.70%
Pan Africa Insurance	67.00	-44.2%	-6.9%	0.91	7.39	-	16.70%	37.50%
Liberty	21.25	-8.6%	-2.3%	0.87	9.93	75.70%	54.90%	17.40%
Sector Average				0.91	10.10			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	53.00	-13.8%	1.9%	1,838,500	5.08	1.10	48.00	10.44	20.60%
Home Afrika Ltd	2.45	-41.00%	0.0%	294,600	N/M	2.88	0.85	-0.04	2.57%
Kurwitu Ventures Ltd	1,500.00	0.0%	0.0%	-	N/M	1.44	1043.71	-62.40	0.0%
Trans-Century	15.00	-23.1%	-1.3%	532,100	N/M	0.37	40.96	1.06	4.70%
Sector P/E					9.09				

*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
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Nairobi Securities Exchange Ltd	20.00	-3.6%	0.0%	2,129,900	9.39	1.90%	2.13	20.70%
Sector P/E					9.39			

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS(KES)	ROE
Mumias Sugar	2.00	2.6%	5.3%	3,030,500	N/M	0.00%	-1.77	-12.60%
EABL	304.00	0.7%	3.4%	846,600	26.88	1.97%	11.31	31.70%
FTG Holdings	7.00	-5.5%	-10.3%	65,000	7.07	0.00%	0.99	97.4%
Carbacid	17.45	-20.7%	2.9%	79,300	9.04	1.72%	1.93	24.70%
Eveready	3.90	0.0%	0.0%	158,800	N/M	0.00%	-0.8	20.10%
BAT	736.00	-18.3%	-0.7%	167,500	17.30	5.77%	42.55	52.30%
Sector P/E					28.82			19.80%

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS(KES)	ROE
Safaricom	14.55	2.8%	1.0%	77,202,400	18.19	4.40%	0.57	21.90%
Sector PE					18.19			

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Fixed Income Market Summary

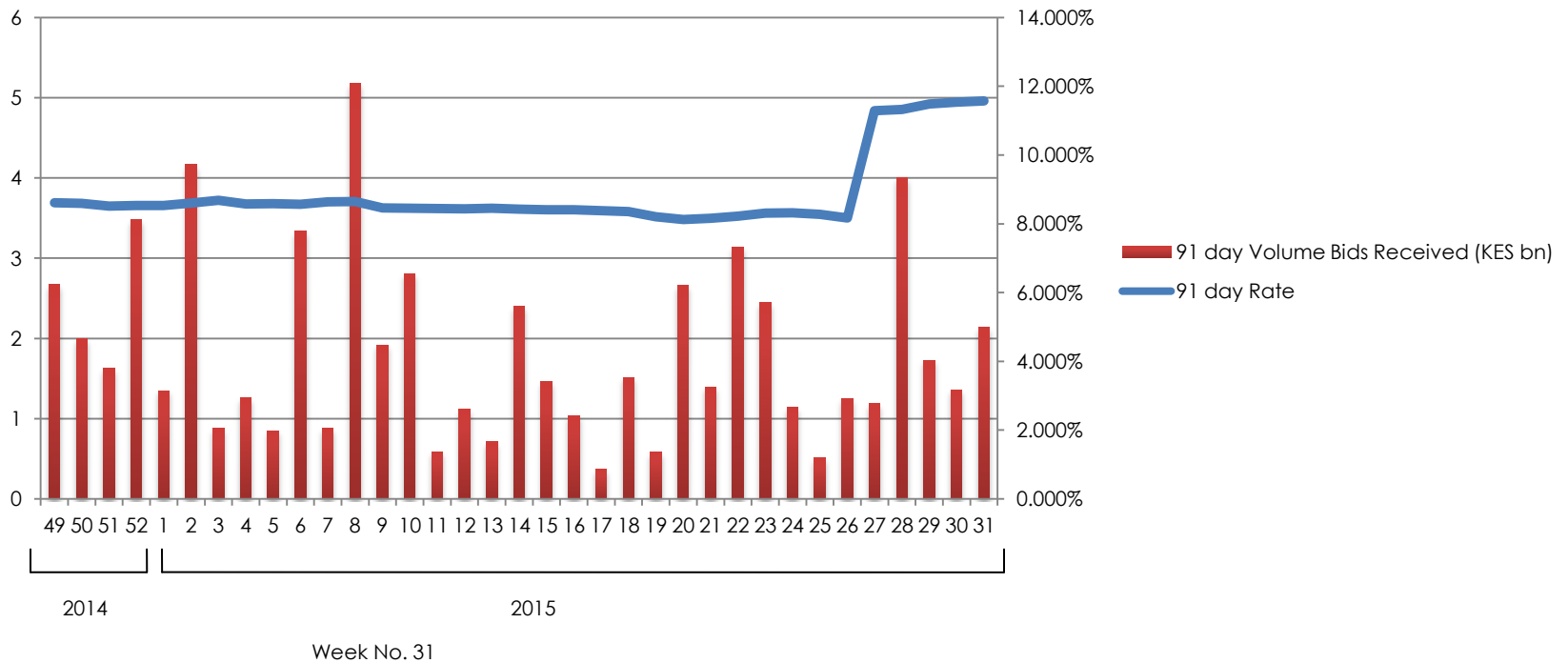
The week saw the government put up the 91, 182 and 364 day T - bills for auction and managed to raise KES 6.03 billion out of a target of KES 11.0 billion.

- 91 day t-bill rates up w-o-w
- Under-subscription recorded in 91 day and 182 day t-bill auctions

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate
91 day T-bill	2.14 Bn	71.3%	0.69 Bn	11.570%
182 day T-bill	0.72 Bn	18.0%	0.21 Bn	11.828%
364 day T-bill	6.96 Bn	174.0%	5.13 Bn	13.133%

The week under review saw the 91 day t-bill rise from 11.539%. The 182 and 364 day t-bills dropped from 11.929% and 13.500% respectively from 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
9,111,206,250	5,485,100,000	147	62

	Average Traded Yield	Total Value (KES)	No. of Trades
FXD1/2015/5Yr	12.6975%	618,100,000	10
FXD1/2014/10Yr	11.7625%	260,600,000	4
FXD1/2012/20Yr	13.1150%	500,000,000	4
SDB1/2011/30Yr	13.9643%	1,741,900,000	45

Actively Traded Infrastructure Bonds

	Average Traded Yield	Total Value (KES)	No. of Trades
IFB1/2011/12Yr	17.0000%	50,000	1
IFB1/2014/12Yr	11.8445%	800,000,000	3
IFB1/2015/12Yr	14.0187%	3,893,200,000	65

Actively Traded Corporate Bonds

	Average Traded Yield	Total Value (KES)	No. of Trades
FXIB1/2009/10Yr	14.0000%	56,250	1

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

Bond Market Outlook

- Subdued activity is still expected in the coming week due to liquidity constraints and a higher interest rate environment. The interbank rate currently stands at a new high of 22.93%.
- Increased activity expected in the IFB1/2015/12Yr trading at a range between 14.5000% and 15.0000%.

Market Recommendations

Counter	Recommendation	Comment
Bamburi	BUY	Our price target of KES 233.24 provides a 51.4% upside of from the current market price of KES 154.00. 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 11.7% from the current market price of KES 19.80. 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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