

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 131.91	0.8%	-9.5%	USD Mn – 18,668 KES Bn – 1,911
	NSE 20 Share Index – 3,113.61	0.3%	-22.9%	USD Mn – 16,102 KES Bn – 1,648
	NSE 25 Share Index – 3,455.06	-0.3%	-17.6%	USD Mn – 17,445 KES Bn – 1,786
UGANDA	UGSINDX – 1,479.02	-2.2%	-16.1%	USD Mn – 5,660 UGS Bn – 20,217
TANZANIA	DSEI – 2,250.96	1.14%	-3.5%	USD Mn – 8,024 TZS Bn – 19,582
RWANDA*	RSEASI – 127.13	0.2%	-2.7%	USD Mn – 3,351 RWF Bn – 2,745

• 21/12/2016

KEY ECONOMIC INDICATORS

COUNTRY	EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KENYA	KES/USD – 102.36	-0.2%	0.0%	6.7%(11/2016)	6.2%(2Q2016)
UGANDA	UGS/USD – 3,572.04	0.7%	-5.9%	4.6%(11/2016)	0.3%(3Q2015/16)
TANZANIA	TZS/USD – 2,169.92	0.0%	-1.0%	4.8%(11/2016)	7.9%(2Q2016)
RWANDA	RWF/USD – 819.51	-0.1%	-9.6%	6.4%(11/2016)	5.4%(2Q2016)

Eveready Terminates its Distribution Contract with Energizer Holdings

Eveready East Africa has ended its distribution agreement with Energizer Holdings' subsidiary Energizer Middle East and Africa Limited. Eveready attributed the termination to restrictions in product pricing and portfolio diversification. The company has opted to enter into partnership deals with other

global manufacturers. The company has been developing its own brand of portable power solutions under the TURBO brand name in line with its Strategic Plan (2013 – 2017). The termination of the contract, however, will not affect the 10.5% ownership of Energizer Holdings in Eveready East Africa. We expect the contract termination to negatively affect Eveready's topline as Energizer brands account for 80% of sales and the TURBO brands continues to face stiff competition from cheaper Chinese imports.

Kenya and India sign MoU Permitting Additional Flights between Both Countries

Kenya and India have signed a MoU that allows carriers from both countries to enter into additional codeshare agreements. The agreement gives both countries the right to introduce seven more weekly flights. The MoU compliments Kenya Airways (KQ) recent codeshare agreement with Indian airline Jet Airways that allowed for direct flights to three cities in India. The MoU is expected to increase flights to India by Kenya Airways, allowing it to enhance its competitiveness in the Kenya – India route, mostly used by passengers traveling for business or health reasons. We therefore expect this MoU to increase Kenya Airways' passenger numbers.

Kenyan Stock Market Performance and Outlook

The overall market edged up marginally by 0.8%, closing the week at 131.91 characterized by an increase in trading activity and turnover compared to the previous week. We attribute the gain in the index to renewed investor interest in Safaricom in the last three sessions. There was an increase in foreign investor demand in KCB, Equity and Scan Group as investors anticipate improved financial performance from these counters. We expect minimal price movements in most of the counters in the coming week, however, we expect continued interest in the aforementioned stocks.

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	28.25	-40.1%	0.0%	16,331,400	50.1%	4.35	7.1%	1.07	25.0%
Equity Bank	30.00	-25.0%	0.0%	3,968,500	52.8%	6.54	6.7%	1.57	25.5%
NIC Bank	25.25	-41.6%	-4.7%	156,500	41.6%	3.68	5.0%	0.61	18.4%
Stanbic	69.50	-15.8%	0.0%	13,500	51.2%	5.60	8.8%	0.72	13.0%
National Bank	6.75	-57.1%	-1.5%	260,100	75.5%	-1.76	0.0%	0.16	-9.9%
Barclays Bank	8.15	-40.1%	-4.1%	4,243,400	53.0%	5.26	12.3%	1.11	21.6%
Housing Finance	13.00	-41.6%	8.3%	132,500	49.2%	3.79	10.0%	0.43	14.9%
Co-operative Bank	13.20	-26.7%	-2.2%	2,776,100	53.2%	6.17	6.1%	1.32	25.2%
Diamond Trust Bank	118.00	-36.9%	-1.7%	43,400	48.6%	5.96	2.1%	0.82	22.0%
Standard Chartered	183.00	-6.2%	-1.1%	35,000	39.9%	9.16	9.3%	1.52	25.8%
I&M	89.00	-11.0%	-6.3%	168,000	37.2%	6.56	3.3%	1.04	24.9%
Sector Average						5.03	6.4%	0.94	18.8%

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	5.90	20.4%	-1.7%	798,900	-0.34	0.0%	-17.53	-25.2%
Nation Media Group	88.00	-53.9%	-2.2%	339,900	7.63	11.4%	11.8	30.7%
WPP Scangroup	19.00	-36.7%	10.1%	5,018,200	15.40	0.0%	1.12	10.6%
Uchumi Supermarket	3.35	-69.4%	6.3%	707,800	-0.29	0.0%	-10.85	12.2%
Atlas Development	1.05	-50.0%	0.0%	-	-0.29	0.0%	-3.58	-7.5%
Longhorn Publishers	4.85	13.8%	0.0%	79,600	7.35	7.2%	0.66	13.1%
Sector Average					-1.36			

Construction & Allied	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	NPM*	ROE
ARM Cement	22.50	-46.1%	-2.17%	74,400	-3.94	0.0%	10.9%	15.9%
Bamburi Cement	155.00	-11.4%	0.00%	33,000	10.70	8.4%	10.8%	11.7%
E.A. Portland Cement	23.50	-49.7%	6.82%	2,600	0.28	0.0%	19.3%	25.0%
Sector Average					25.40			17.5%

Energy & Petroleum Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
KenGen	5.90	-16.9%	4.42%	3,630,400	1.13	11.02%	5.24	3.70%
KenolKobil	14.25	48.4%	1.79%	1,109,500	10.40	2.46%	1.37	14.80%
Kenya Power	8.10	-38.6%	-0.61%	1,750,800	2.13	3.70%	3.81	12.10%
Sector Average					5.20			

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio	ROE
CIC insurance	3.80	-38.7%	-5.00%	1.27	8.84	65.80%	-	20.90%
Britam	9.95	-23.5%	-1.49%	1.09	7.60	68.00%	32.90%	13.00%
Jubilee	489.00	1.0%	0.41%	1.44	11.45	-	19.70%	18.80%
Kenya Re	22.50	7.1%	3.45%	0.72	4.59	57.70%	9.40%	15.70%
Sanlam Kenya	27.75	-53.8%	0.00%	0.70	9.96	-	16.70%	37.50%
Liberty	13.65	-30.0%	-3.87%	1.17	-64.53	75.70%	54.90%	17.40%
Sector Average				1.06	8.37			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	39.25	-15.6%	7.53%	414,500	3.34	0.60	48	11.75	20.60%
Home Afrika Ltd	1.30	-50.0%	4.00%	1,661,200	-1.43	(13.00)	0.85	-0.91	2.57%
Kurwitu Ventures Ltd	1500.00	0.0%	0.00%	-	-13.16	1.68	1043.71	-114	0.00%
Trans-Century	6.70	-18.8%	-2.90%	400	-0.94	0.53	40.96	-7.09	4.70%
Sector Average					5.33				

*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)
NSE	14.45	-41.6%	3.21%	199,400	9.20	3.39%	1.57
Sector Average					9.20		

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)
Mumias Sugar	1.30	-18.8%	0.00%	792,800	-0.43	0.00%	-3.04
EABL	229.00	-16.1%	-3.38%	561,300	18.77	3.28%	12.20
FTG Holdings	4.80	-31.4%	0.00%	11,100	3.53	0.00%	1.36
Carbacid	13.35	-18.1%	2.69%	84,500	8.61	5.24%	1.55
Eveready	2.45	-9.3%	0.00%	84,500	0.88	0.00%	2.80
BAT	835.00	6.4%	-0.60%	900	16.78	5.93%	49.76
Sector Average					23.96		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)
Safaricom	19.50	19.6%	4.00%	45,332,500	20.53	3.90%	0.95
Sector Average					20.53		

Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
STANLIB FAHARI I-REIT	12.35	-43.9%	-8.52%	7,400	NA	NA	NA
Sector Average					NA		

*NAVPS- Net Asset Value Per Share

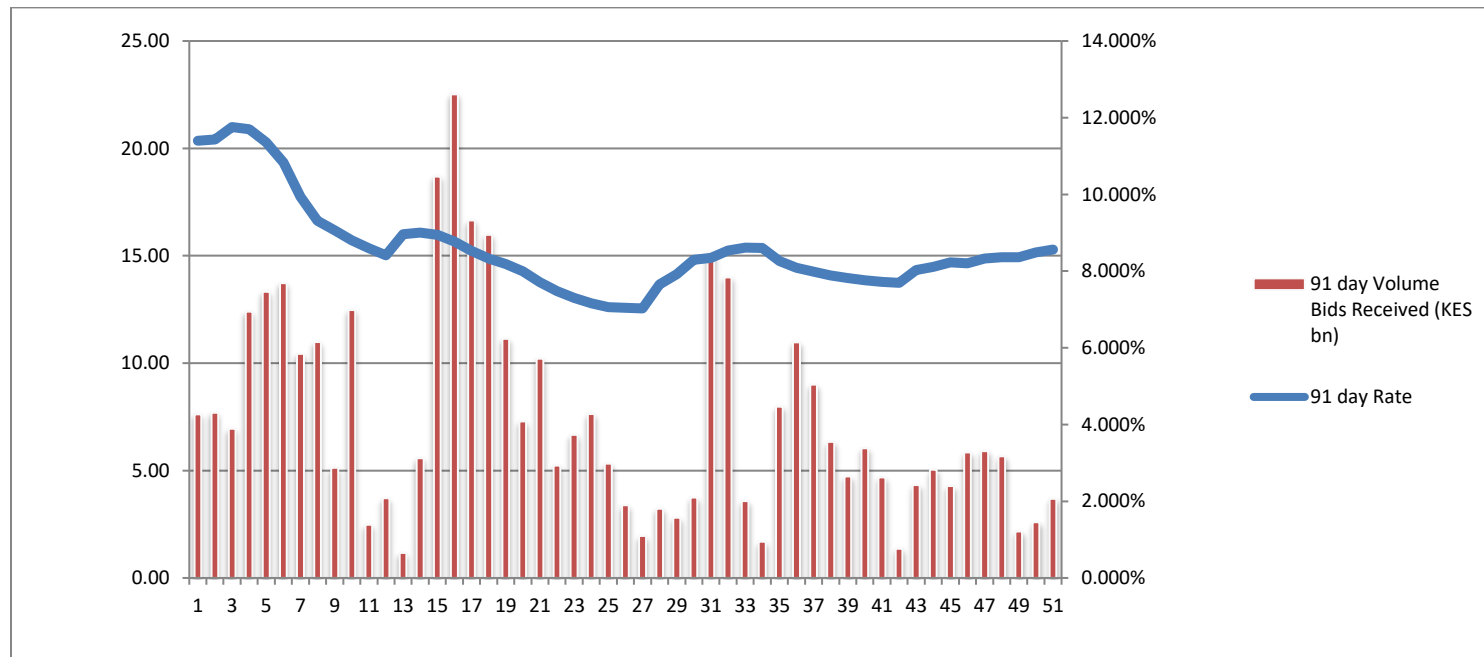
Market Statistics	This week	Last week	% change
Total Volumes	95,849,000	60,416,700	58.6%
Total Turnover(KES)	1,962,652,404	1,541,259,733	27.3%
Main Market P/E	13.59	13.47	0.9%

Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	%Change
91 day T-bill	3.69Bn	92.19%	3.69Bn	8.561%	8.484%	0.077
182 day T-bill	15.84Bn	264.08%	11.27Bn	10.493%	10.560%	0.067
364 day T-bill	2.12Bn	35.27%	1.95Bn	11.024%	11.053%	0.029

Week No. 51

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
7,734,381,300	5,169,536,919	184	77

	Average Traded Yield	Total Value (KES)	No. of Trades
-			
FXD1/2016/5Yr	13.0100%	404,000,000	5
FXD1/2016/10Yr	13.7400%	2,408,400,000	34
FXD3/2007/15Yr	13.4500%	820,000,000	15
FXD1/2008/20Yr	14.1271%	1,179,350,000	15

Actively Traded Infrastructure Bonds

	Average Traded Yield	Total Value (KES)	No. of Trades
IFB1/2015/12Yr	13.0000%	1,183,700,000	12
IFB1/2016/15Yr	12.8778%	354,000,000	6

Corporate Actions

- KPLC announced a Final dividend of Kes.0.30 on 31-Oct-2016; Books Closure 30-Nov-2016. Payment 31-Jan-2017.
- Unga Ltd announced a First & Final dividend of Kes.1.00 on 30-Sep-2016; Books Closure 01-Dec-2016. Payment 11-Jan-2017.

Market Recommendations

Counter	Recommendation	Target Price	Comment
Safaricom	HOLD	<p>Target Price: 21.50</p> <p>Current market price: 19.50</p> <p>10.3% upside potential</p>	<p>MPESA continues to drive growth for the company. We expect total MPESA transaction value and MPESA revenue to grow by 27.0% and 27.7% to KES 6,608 billion and KES 53.0 billion respectively.</p> <p>Increased availability of low cost smart devices, improved broadband coverage and affordable data pricing continues to drive mobile data revenues. We therefore expect mobile data revenue for the FY2017 to grow by 35.4% to KES 28.6 billion, slightly higher than our previous forecast of KES 28.3 billion.</p>
BAT	HOLD	Not Rated	<p>We maintain our HOLD recommendation on BAT. Our key considerations include:</p> <p>a) We expect revenues to continue growing gradually albeit regulatory measures driven by the growing smoking population (WHO forecasts of 11.1% growth rate by 2020) and up-trading of premium products.</p> <p>b) BAT remains an attractive dividend counter with a dividend yield of 5.9% and a dividend payout ratio of 99%.</p> <p>c) The company will continue enjoying economies of scale to optimize its cost of operations (KES 1.9 billion in savings over 5 years), boosting its bottom line.</p> <p>In light of regulatory implementations, we expect the company to face a tougher operating environment. Being a market leader however, BAT is positioned to increase profits through price competition as it passes on the tax burden to consumers.</p>
EABL	BUY	Target Price: KES 311.62	We recommend a HOLD on EABL with a target price of KES 311.62, which represents a 17.6% upside from the current price of KES 265.00. The stock is

		Current market price: KES 229.00 36.1% upside potential	trading at a TTM P/E multiple of 23.4X, forward P/E multiple of 24.2X against the industry average of 27.7X. We believe that the emerging beer and Ready to Drink (RTD) segment together with the spirits portfolio will continue to drive growth of the business through innovation and expansion of brands in the region. However, we remain cautious of profitability in export markets due to the political instability in South Sudan, Burundi and DRC. We take a wait and see approach in Tanzania over the differences with the regulator (Fair Competition Commission) regarding the takeover of Serengeti Breweries Limited.
KCB	LONG-TERM BUY	Not Rated	We recommend a Long Term Buy on KCB due to the attractive entry price of KES 29.75 (0.99X price to book). Given the major shift in the banking sector after the introduction of the interest rate cap, we opine that KCB Group will be one of the banks to weather the upcoming storm from shrinkage in margins due to the significant investments done by the group in technology. In addition, the q-o-q decline in non-performing loans (2Q2016 to 3Q2016) is a good sign of improvement in asset quality.
EQUITY	BUY	Not Rated	Currently Equity is trading at a P/B of 1.6x compared to the average sector P/B of 1.0x. We attribute this to higher growth expectations. Equity's 3.0 strategy entails digitization and automation of processes. The growth rate in transactional value and numbers in alternative channels has been significant, with notable decline in traditional banking channels. Transactional value of Equitel grew by 476.0% y/y to KES 250.8 billion for 3Q2016 (3Q2015: KES 43.6 billion) with transactions of up to 150.8 million (3Q2015: 62.2 million). Total loan disbursements via mobile banking now stand at 84.0% as at 3Q2016 (branch at 16.0%). Agency and merchant banking grew by 36.0% and 35.0% to transactional value of KES 331.6 billion and KES 34.8 billion respectively. On the other hand, ATM and Branch transactional numbers declined by 18.0% and 12.0% to 18.8 and 16.2 million transactions respectively. With expected thinning margins due to the interest rate cap, we expect Equity to gain competitive advantage going forward with its disruptive shift to digital banking.

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