

## KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 137.03	-3.5%	-3.5%	USD Mn – 20,075 KES Bn – 2,051
	NSE 20 Share Index – 2,783.88	-0.6%	-0.6%	USD Mn – 16,786 KES Bn – 1,715
	NSE 25 Share Index – 3,473.59	-3.0%	-3.0%	USD Mn – 18,299 KES Bn – 1,869
UGANDA	UGSINDX – 1,618.29	-1.2%	-1.2%	USD Mn – 6,311 UGS Bn – 23,317
TANZANIA	DSEI – 2,040.02	-0.3%	-0.3%	USD Mn – 8,619 TZS Bn – 19,664
RWANDA	RSEASI – 131.20	-	-	USD Mn – 3,354 RWF Bn – 2,949

Source: NSE, DSE, RSE, UGSE

## KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD – 102.16	-0.3%	-0.3%	5.7%(12/2019)	6.0%(3Q2019)
UGS/USD 3,724.74	-0.3%	-0.3%	2.2%(12/2019)	6.4%(3Q17/18)
TZS/USD – 2,281.55	-	-	3.0%(11/2019)	7.1%(FY2017)
RWF/USD – 879.39	-	-	0.1%(11/2019)	7.7%(3Q2019)

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

## Britam Issues Profit Warning for FY2018

Britam has announced a profit warning for FY2018, expecting after tax profits for FY2018 to contract by at least 25.0% y/y compared to FY2017. This implies that after tax profits for FY2018 will not exceed KES 395.5 million, a stark contrast from KES 527.4 million realized in FY2017. Some of the factors that affected Britam's performance include the bear run at NSE (NSE lost 17.0% per cent of market capitalization in FY2018 to close at KES 2.1 trillion compared to KES 2.5 trillion posted in FY2017) and a challenging operating environment. Sanlam and UAP also issued profit warnings, which they attributed to the poor performance of their equity investments. Going forward, we remain cautious on the impact of Britam's relatively high weighting in equities and real estate investments (as at 1H2018, Britam's investment in equities and real estate stood at 41% of total assets).

## Inflation Rises to 5.7% in December

The overall inflation rate rose to 5.7% in December 2018, marking the fourth consecutive rise since August 2018, where the rate stood at 4.0%. The rise in the overall inflation rate was predominantly driven by an increase in food and fuel prices, caused by heightened consumer demand during the festive period. The food and non-alcoholic drinks' index increased by 1.1% m/m due to an increase in the prices of most food items. The transport index climbed by 1.3% m/m owing to a surge in local and international flight charges as well as bus and matatu fares during the festive period. The housing, water, electricity, gas and other fuels' index, rose marginally by 0.1% m/m (owing to a slight rise in house rents, as electricity costs remained flat while the cost of cooking fuels dipped). Given the conclusion of the festive period, we expect subdued demand for foodstuffs and transport to aid in easing inflationary pressures.

### **CBK Invites Bids for 2-Year and 15-Year Fixed Coupon Bonds**

The Central Bank of Kenya (CBK) has invited bids for 2-Year and 15-Year fixed coupon bonds – FXD1/2019/2 and FXD1/2019/15 respectively, with the aim of raising a total KES 40.0 billion for budgetary support. The coupon rates for both bonds will be determined by the market. The previous longer dated paper issued by the CBK (FXD2/2018/10) had a subscription rate of 72.2% despite the tight liquidity (as indicated by an inter-bank rate of 7.7%). The interbank rate is currently 4.9% indicating ample liquidity in the money market. We expect the relatively high liquidity to support bond performance. Therefore, the 2-Year and 15-Year issues (combined) will be oversubscribed with yields ranging between 11.5% - 11.8% and 12.8% - 12.9% respectively. We expect poor performance of the other asset classes (real estate and equities) to drive more inflows into the bonds market.

### **Stock Market Performance and Outlook**

The overall market eased by 3.5% w/w to close the week at 137.03 (NASI) - characterized by low trading volumes and turnover. We continue to attribute the decline in the all share index to foreign investor outflows as they remain bearish on emerging and frontier markets due to their higher risk profile. Some of the counters with notable price declines include; Safaricom (6.8% w/w), EABL (6.0% w/w), Equity (4.1%) w/w, Kenya Airways (4.9% w/w) and Standard Chartered (1.9% w/w). We expect the downward trend adopted by the market to persist in the coming week.

# 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)	P/B (X)*	ROE
KCB	37.35	-0.3%	-0.3%	2,842,600	50.9%	5.81	8.0%	1.08	1.16	19.5%
Equity Bank	33.75	-3.2%	-4.1%	8,476,500	53.5%	6.75	5.9%	1.37	1.48	21.6%
NIC Bank	27.40	-1.4%	-0.7%	221,700	42.6%	4.23	3.6%	0.51	0.60	12.7%
Stanbic	90.00	-0.8%	-5.3%	51,500	57.2%	8.26	5.8%	0.83	0.84	10.4%
National Bank	5.18	-2.6%	-11.9%	4,600	83.2%	4.27	0.0%	0.24	0.30	4.5%
Barclays Bank	10.90	-0.5%	0.0%	461,800	55.5%	8.55	9.2%	1.40	1.45	16.3%
Housing Finance	5.62	1.4%	3.7%	51,000	78.9%	15.69	6.2%	0.17	0.20	1.1%
Co-operative Bank	13.90	-2.8%	-1.1%	271,000	52.2%	7.15	5.8%	1.16	1.19	17.4%
Diamond Trust Bank	156.00	-0.3%	3.8%	1,300	42.3%	6.76	1.7%	0.81	0.79	13.0%
Standard Chartered	190.25	-2.2%	-1.9%	5,000	45.7%	9.45	8.9%	1.43	1.46	15.3%
I&M	90.50	6.5%	6.5%	12,000	36.8%	5.53	3.9%	0.80	1.01	15.6%
<b>Sector Average</b>					<b>54.4%</b>	<b>7.50</b>	<b>5.4%</b>	<b>0.89</b>	<b>0.95</b>	<b>13.4%</b>

\*P/B (X) - 1H2018 & P/B (X) - FY2017

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	8.56	-3.8%	-4.9%	81,100	-10.57	0.0%	-0.81	N/M
Nation Media Group	64.25	-6.2%	-8.2%	44,500	9.31	15.6%	6.9	19.1%
WPP Scangroup	12.85	-8.2%	-1.2%	5,700	11.47	3.9%	1.12	5.2%
Uchumi Supermarket	0.75	-6.3%	-6.3%	196,100	-0.16	0.0%	-4.6	N/M
Longhorn Publishers	5.00	8.5%	6.6%	24,100	10.20	7.6%	0.49	13.1%
Eveready	0.90	-10.0%	-10.0%	24,400	0.71	111.1%	1.27	-35.3%
<b>Sector Average</b>					<b>3.49</b>	<b>5.4%</b>		<b>0.5%</b>

\*N/M - Not Meaningful

<b>Construction &amp; Allied</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>NPM*</b>	<b>ROE</b>
ARM Cement	5.55	0.0%	0.0%	0	-1.68	0.0%	-21.9%	-12.5%
Bamburi Cement	132.50	0.0%	0.0%	1,800	29.19	3.0%	15.5%	6.4%
E.A. Portland Cement	17.00	6.3%	6.3%	1,100	-1.04	0.0%	19.3%	25.0%
<b>Sector Average</b>					<b>8.82</b>	<b>1.0%</b>		<b>6.3%</b>

\*NPM - Net Profit Margin

<b>Energy &amp; Petroleum Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>	<b>ROE</b>
KenGen	7.00	-0.3%	-0.8%	3,513,100	5.83	5.7%	1.20	4.2%
KenolKobil	18.90	-0.8%	-0.5%	315,500	11.32	3.2%	1.67	23.4%
Kenya Power	4.07	0.0%	3.0%	5,043,300	4.15	0.0%	0.98	10.8%
Total Kenya	28.50	3.6%	9.6%	13,300	6.55	4.6%	4.35	13.4%
<b>Sector Average</b>					<b>6.96</b>	<b>3.0%</b>		<b>13.1%</b>

<b>Insurance Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/B(X)</b>	<b>P/E(X)</b>	<b>Loss Ratio</b>	<b>Expense Ratio</b>
CIC Insurance	3.75	-2.8%	2.7%	265,500	1.28	20.83	65.0%	59.7%
Britam	9.50	-5.0%	-7.3%	192,000	0.91	39.58	61.6%	133.1%
Jubilee	418.75	3.5%	2.1%	2,500	1.20	8.38	102.4%	142.2%
Kenya Re	14.40	3.2%	2.9%	96,100	0.37	2.82	55.5%	99.6%
Sanlam Kenya	20.00	-9.1%	-9.1%	3,800	0.71	95.24	83.7%	68.6%
Liberty	12.05	-6.6%	-6.6%	6,400	0.87	7.63	75.8%	77.4%
<b>Sector Average</b>					<b>0.89</b>	<b>9.57</b>	<b>74.0%</b>	<b>96.8%</b>

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Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	NAVPS**	EPS (KES)	ROE
Centum Investment	29.20	-0.2%	7.0%	67,700	6.96	0.38	73.2	4.20	5.6%
Home Afrika Ltd	0.67	-4.3%	-1.5%	184,700	-1.72	-6.51	0.85	-0.39	2.6%
Trans-Century	3.00	328.6%	3.4%	3,300	-1.92	0.24	40.96	-1.56	4.7%
<b>Sector Average</b>					<b>N/M</b>	<b>-1.96</b>			<b>4.3%</b>

\*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
NSE	14.65	0.7%	5.0%	74,500	17.65	2.0%	0.83	11.2%
<b>Sector Average</b>					<b>17.65</b>	<b>2.0%</b>		

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Mumias Sugar	0.56	-3.4%	-1.8%	438,100	-0.13	0.0%	-4.43	-69.4%
EABL	169.25	-3.1%	-6.0%	956,000	23.54	4.4%	7.19	61.4%
FTG Holdings	2.50	0.0%	0.8%	39,700	2.94	0.0%	0.85	22.3%
Carbacid	9.74	-2.6%	5.9%	22,400	7.06	7.2%	1.38	14.6%
BAT	725.00	0.0%	6.9%	5,000	21.73	3.6%	33.36	48.0%
<b>Sector Average</b>					<b>11.03</b>	<b>3.0%</b>		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	21.30	-4.1%	-6.8%	19,923,200	15.21	5.2%	1.40	47.8%
<b>Sector Average</b>					<b>15.21</b>	<b>5.2%</b>		

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<b>Real Estate Investment Trust</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>NAVPS*</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>
STANLIB FAHARI I-REIT	10.15	-7.3%	-7.3%	8,600	NA	NA	NA
<b>Sector Average</b>						<b>NA</b>	

\*NAVPS - Net Asset Value Per Share

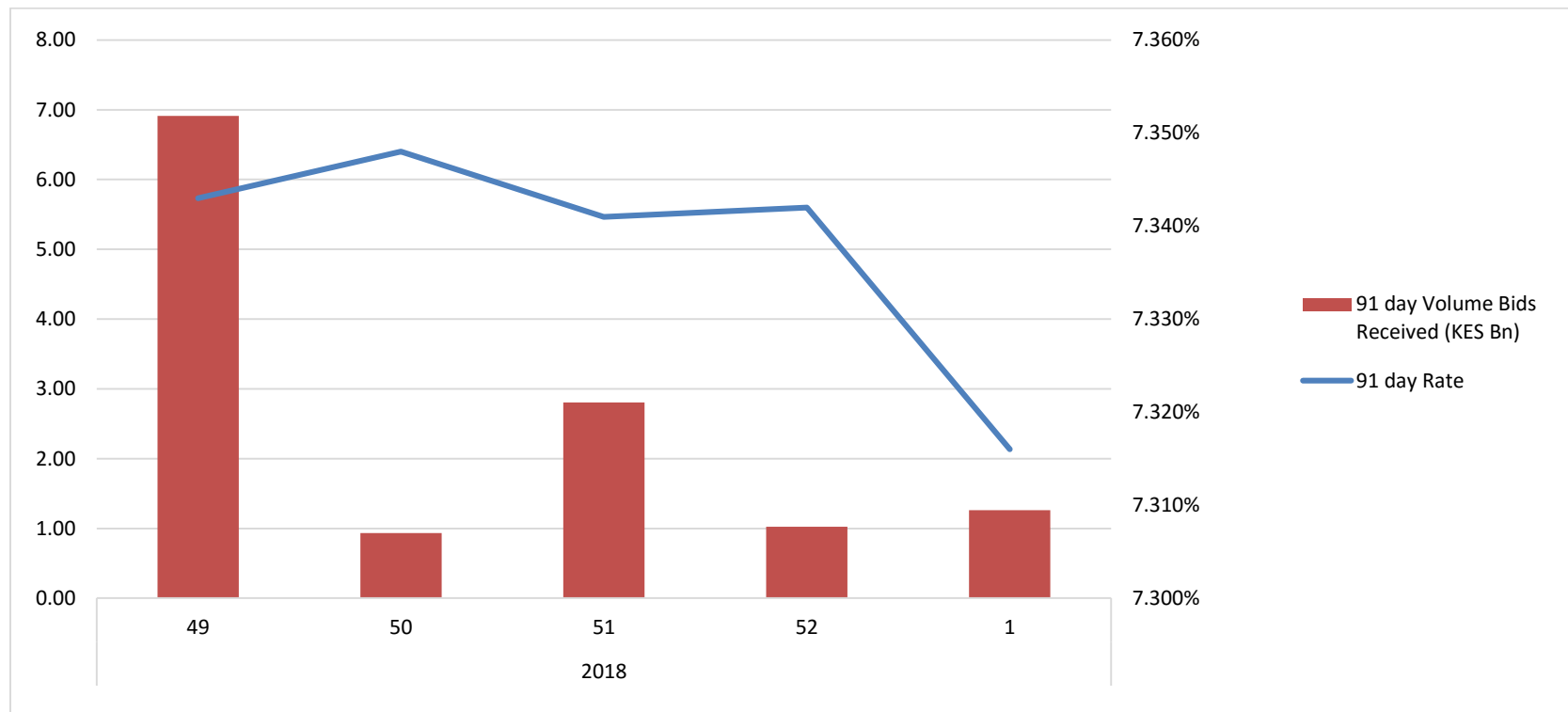
<b>Market Statistics</b>	<b>This Week</b>	<b>Last Week</b>	<b>% Change</b>
Total Volumes	44,095,000	23,432,100	88.2%
Total Turnover (KES)	1,096,390,064	425,849,186	157.5%

# Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	1.26Bn	31.57%	1.26Bn	7.316%	7.342%	-0.026
182 day T-bill	7.33Bn	73.26%	3.31Bn	8.997%	9.002%	-0.005
364 day T-bill	24.43Bn	244.34%	11.83Bn	10.001%	9.952%	0.059

Graph showing 91 day T-bill rate and volume

Week No. 1



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# Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
I&M Holdings Plc	Interim dividend	Kes.3.90	31-Dec-18	<b>28-Feb-19</b>	23-May-19
Car & General Ltd	Final dividend	Kes.0.80	27-Dec-18	<b>18-Feb-19</b>	25-Mar-19
Sasini Plc	Final dividend	Kes.0.50	19-Dec-18	<b>07-Jan-19</b>	31-Jan-19
Longhorn Publishers Plc	Interim dividend	Kes.0.42	03-Sep-18	<b>23-Nov-18</b>	23-Feb-19
Unga group	First & Final dividend	Kes.1.00	28-Sep-18	<b>06-Dec-18</b>	31-Jan-19
KenGen Plc	Final dividend	Kes.0.40	26-Oct-18	<b>06-Dec-18</b>	07-Feb-19
Umeme Ltd	Interim dividend	Ushs.12.70	20-Aug-18	<b>20-Dec-18</b>	11-Jan-19



# Market Recommendations

Counter	Recommendation	52-Week High	52-Week Low	YTD Change	Price as at 4th January 2019
KCB Group	Long-term Buy	55.00	34.00	(0.3%)	37.35
Equity Group Holdings	Long-term Buy	57.00	33.55	(3.2%)	33.75
Bamburi Cement	Hold	195.00	132.00	0.0%	132.50
Safaricom	Hold	33.50	21.00	(4.1%)	21.30
EABL	Hold	270.00	160.00	(3.1%)	169.25
Jubilee Holdings	Buy	550.00	355.25	3.5%	418.75
Nation Media Group	Sell	117.00	62.00	(6.2%)	64.25
Barclays Bank of Kenya	Hold	13.50	9.50	(0.5%)	10.90
Diamond Trust Bank	Hold	220.00	130.00	(0.3%)	156.00
Cooperative Bank	Long-term Buy	20.00	12.65	(2.8%)	13.90
Kenol Kobil	Neutral	21.75	12.80	(0.8%)	18.90
KenGen	Long-term Buy	9.25	5.50	(0.3%)	7.00
Britam Holdings	Hold	15.85	9.30	(5.0%)	9.50
NIC Group	Hold	40.75	22.00	(1.4%)	27.40
Centum	Long-term Buy	48.25	22.50	(0.2%)	29.20
NBK	Sell	10.00	4.05	(2.6%)	5.18
Mumias	Sell	1.20	0.50	(3.4%)	0.56

For more detailed information on the following recommendations, please click [here](#):

For Online Share Trading (OST) via browser, please click [here](#):

For the Faida M-Trader Application, please click [here](#):

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