

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 145.27	1.9%	3.4%	USD Mn – 21,376 KES Bn – 2,175
	NSE 20 Share Index – 2,851.77	2.1%	0.6%	USD Mn – 18,054 KES Bn – 1,837
	NSE 25 Share Index – 3,667.70	2.9%	3.3%	USD Mn – 19,632 KES Bn – 1,997
UGANDA	UGSINDX – 1,645.40	2.4%	-0.2%	USD Mn – 6,220 UGS Bn – 23,096
TANZANIA	DSEI – 2009.66	0.9%	-1.6%	USD Mn – 8,485 TZS Bn – 19,371
RWANDA	RSEASI – 131.15	-	-	USD Mn – 3,346 RWF Bn – 2,948

Source: NSE, DSE, RSE, UGSE

KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –101.73	-	0.1%	5.7%(12/2018)	6.0%(3Q2018)
UGS/USD 3,713.08	-0.1%	0.1%	2.2%(12/2018)	6.4%(3Q17/18)
TZS/USD –2,282.83	-0.1%	-0.1%	3.3%(12/2018)	7.1%(FY2017)
RWF/USD – 880.97	-0.1%	0.2%	1.1%(12/2018)	7.7%(3Q2018)

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

Airtel/Telkom Merger Talks Resume

Airtel Kenya and Telkom Kenya have resumed talks on a possible merger or acquisition. This comes at a time when Safaricom is facing increasing competitive and regulatory pressure. According to the Communications Authority of Kenya (CA) 3Q2018 report, Safaricom's market dipped to 64.2% in the 3Q2018 from 71.9% in the 3Q2017. This marked the fifth consecutive quarter that the company had lost market share. On the other hand, over the same period, Airtel's and Telkom's market share grew from 14.9% and 8.4% to 22.3% and 9.0% respectively. For Airtel, that was the fourth consecutive quarter the company had registered positive growth in market share. Based on the 3Q2018 industry statistics, the combined entity would have a market share of 31.3% reducing the market share spread with Safaricom. We opine that one of the reasons the company is now facing intensified competition is increased infrastructure investments by the competition. Safaricom has historically enjoyed a wide coverage gap between it and the competition due to its huge CAPEX spend. However, we've seen the competition step up investments in infrastructure to try and close this gap. For instance, Telkom recently made a KES 1.0 billion investment to boost its 3G and 4G coverage. Telkom is also expected to leverage on Google's project loon to extend coverage to other parts of the country. We expect the combined entity to maintain the momentum in infrastructure investments. The combined entity will likely enjoy economies of scale and synergies (particularly around investments in infrastructure). This will ultimately help reduce the market share spread with Safaricom even further.

Early Signs Show Fuliza is a Success

Safaricom's recently launched Fuliza, an overdraft facility allowing users who opt-in to complete certain MPESA transactions even without sufficient funds in their MPESA accounts. According to the company, the facility had 1.0 million users within the first eight days and the company had lent out a total USD 10.0 million by the eight day with the company's CEO expecting the value to grow to USD 15.0 million by the tenth day. This new data supports our view in previous reports that the product has significant revenue potential both directly (via the fees on the facility) and indirectly by accelerating MPESA transactions.

The Energy Regulatory Commission Reduces Fuel Prices

The Energy Regulatory Commission (ERC), in its January fuel price review, reduced the prices of super petrol, diesel and kerosene by KES 9.33, KES 10.04 and KES 3.52 per litre respectively (Nairobi prices). The adjustment in prices was necessitated by reduced oil import prices (during the period which the consignment was ordered) owing to low international crude oil prices and the appreciation of the Kenya Shilling. Crude oil prices, were largely elevated for most of FY2018, but adopted a downward trend in the 4Q2018 owing to reduced global demand and oversupply in the oil market. We expect the fuel price cuts to ease inflationary pressures, however, we opine this may be short-lived owing to the expected rise in international crude oil prices given the decision by Organization of the Petroleum Exporting Countries (OPEC) and partners to effect output cuts in order to reduce the oil glut.

Kenya Stock Market Performance and Outlook Week 3

The overall market maintained its upward momentum, edging up by 1.9% w/w to close the week at 145.27 (NASI) - characterized by an increase in trading activities (volumes and turnover) despite the occurrence of a terrorist attack during the week. We attribute the uplift in the market to increased foreign investor demand predominantly on bank stocks (in anticipation of the release of FY2018 results and possibly to a less extent* due to possibility of introduction of an amendment the banking act to improve pricing of risk on loans) and other large and mid-cap counters.

Some of the counters that posted notable price gains include; Equity (+6.4% w/w), KCB (+5.1% w/w), Barclays Bank (+5.0% w/w), Safaricom (+1.3% w/w), Centum (+19.6% w/w) and EABL (+3.1% w/w). We expect the improvement in foreign investor demand to persist in the coming week.

*Previous attempts to enact changes to the loan caps have been opposed. We opine that investors will likely be cautious (not bid aggressively) on such an attempt.

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	38.80	3.6%	5.1%	10,648,700	50.9%	6.04	7.7%	1.12	1.20	19.5%	
Equity Bank	39.30	12.8%	6.4%	4,630,200	53.5%	7.86	5.1%	1.59	1.72	21.6%	
NIC Bank	29.65	6.7%	7.6%	246,000	42.6%	4.58	3.4%	0.55	0.65	12.7%	
Stanbic	95.00	4.7%	5.6%	29,000	57.2%	8.71	5.5%	0.87	0.89	10.4%	
National Bank	5.16	-3.0%	-5.5%	31,400	83.2%	4.26	0.0%	0.24	0.30	4.5%	
Barclays Bank	11.65	6.4%	5.0%	1,181,600	55.5%	9.14	8.6%	1.49	1.55	16.3%	
Housing Finance	5.80	4.7%	7.4%	76,700	78.9%	16.19	6.0%	0.18	0.20	1.1%	
Co-operative Bank	13.95	-2.4%	0.7%	2,683,200	52.2%	7.18	5.7%	1.16	1.19	17.4%	
Diamond Trust Bank	150.00	-4.2%	-1.3%	14,900	42.3%	6.50	1.7%	0.78	0.76	13.0%	
Standard Chartered	195.75	0.6%	0.6%	21,000	45.7%	9.73	8.7%	1.47	1.51	15.3%	
I&M	94.25	10.9%	3.6%	5,900	36.8%	5.76	3.7%	0.83	1.05	15.6%	
Sector Average						54.4%	7.81	5.1%	0.94	1.00	13.4%

*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	7.90	-11.2%	-0.8%	126,900	-9.75	0.0%	-0.81	N/M
Nation Media Group	62.75	-8.4%	-0.4%	218,600	9.09	15.9%	6.9	19.1%
WPP Scangroup	13.05	-6.8%	3.6%	8,600	11.65	3.8%	1.12	5.2%
Uchumi Supermarket	0.81	1.3%	-6.9%	303,600	-0.18	0.0%	-4.6	N/M
Longhorn Publishers	4.94	7.2%	0.2%	85,100	10.08	7.7%	0.49	13.1%
Eveready	0.92	-8.0%	-5.2%	55,600	0.72	108.7%	1.27	-35.3%
Sector Average					3.60	5.5%		0.5%

*N/M - Not Meaningful

Construction & Allied	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	NPM*	ROE
ARM Cement	5.55	0.0%	0.0%	0	-1.68	0.0%	-21.9%	-12.5%
Bamburi Cement	129.00	-2.6%	-2.6%	891,400	28.41	3.1%	15.5%	6.4%
E.A. Portland Cement	16.00	0.0%	-2.7%	1,000	-0.98	0.0%	19.3%	25.0%
Sector Average					8.58	1.0%		6.3%

*NPM - Net Profit Margin

Energy & Petroleum Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
KenGen	6.48	-7.7%	-7.4%	4,410,500	5.40	6.2%	1.20	4.2%
KenolKobil	21.30	11.8%	2.2%	1,219,800	12.75	2.8%	1.67	23.4%
Kenya Power	4.26	4.7%	6.5%	2,904,500	4.35	0.0%	0.98	10.8%
Total Kenya	28.20	2.5%	0.4%	14,800	6.48	4.6%	4.35	13.4%
Sector Average					7.25	3.0%		13.1%

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio
CIC Insurance	3.96	2.6%	5.6%	624,600	1.36	22.00	65.0%	59.7%
Britam	9.52	-4.8%	-4.2%	373,500	0.91	39.67	61.6%	133.1%
Jubilee	430.00	6.2%	3.6%	7,200	1.24	8.60	102.4%	142.2%
Kenya Re	13.80	-1.1%	-0.4%	1,084,600	0.36	2.70	55.5%	99.6%
Sanlam Kenya	22.00	0.0%	4.8%	4,700	0.78	104.76	83.7%	68.6%
Liberty	11.90	-7.8%	0.0%	17,800	0.86	7.53	75.8%	77.4%
Sector Average					0.92	9.57	74.0%	96.8%

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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	34.45	17.8%	19.6%	1,945,700	8.21	0.45	73.2	4.20	5.6%
Home Afrika Ltd	0.70	0.0%	0.0%	1,556,300	-1.79	-6.80	0.85	-0.39	2.6%
Trans-Century	3.40	385.7%	8.6%	1,200	-2.18	0.27	40.96	-1.56	4.7%
Sector Average					N/M	-2.03			4.3%

*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	13.90	-4.5%	-0.7%	490,200	16.75	2.2%	0.83	11.2%
Sector Average					16.75	2.2%		

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Mumias Sugar	0.60	3.4%	11.1%	1,006,700	-0.14	0.0%	-4.43	-69.4%
EABL	168.00	-3.9%	3.1%	2,137,600	23.37	4.5%	7.19	61.4%
FTG Holdings	2.60	4.0%	4.0%	100,800	3.06	0.0%	0.85	22.3%
Carbacid	9.86	-1.4%	2.3%	1,152,200	7.14	7.1%	1.38	14.6%
BAT	675.00	-6.9%	-0.7%	400	20.23	3.9%	33.36	48.0%
Sector Average					10.73	3.1%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	23.70	6.8%	1.3%	91,282,100	16.93	4.6%	1.40	47.8%
Sector Average					16.93	4.6%		

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Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
STANLIB FAHARI I-REIT	9.82	-10.3%	-1.8%	48,300	NA	NA	NA
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

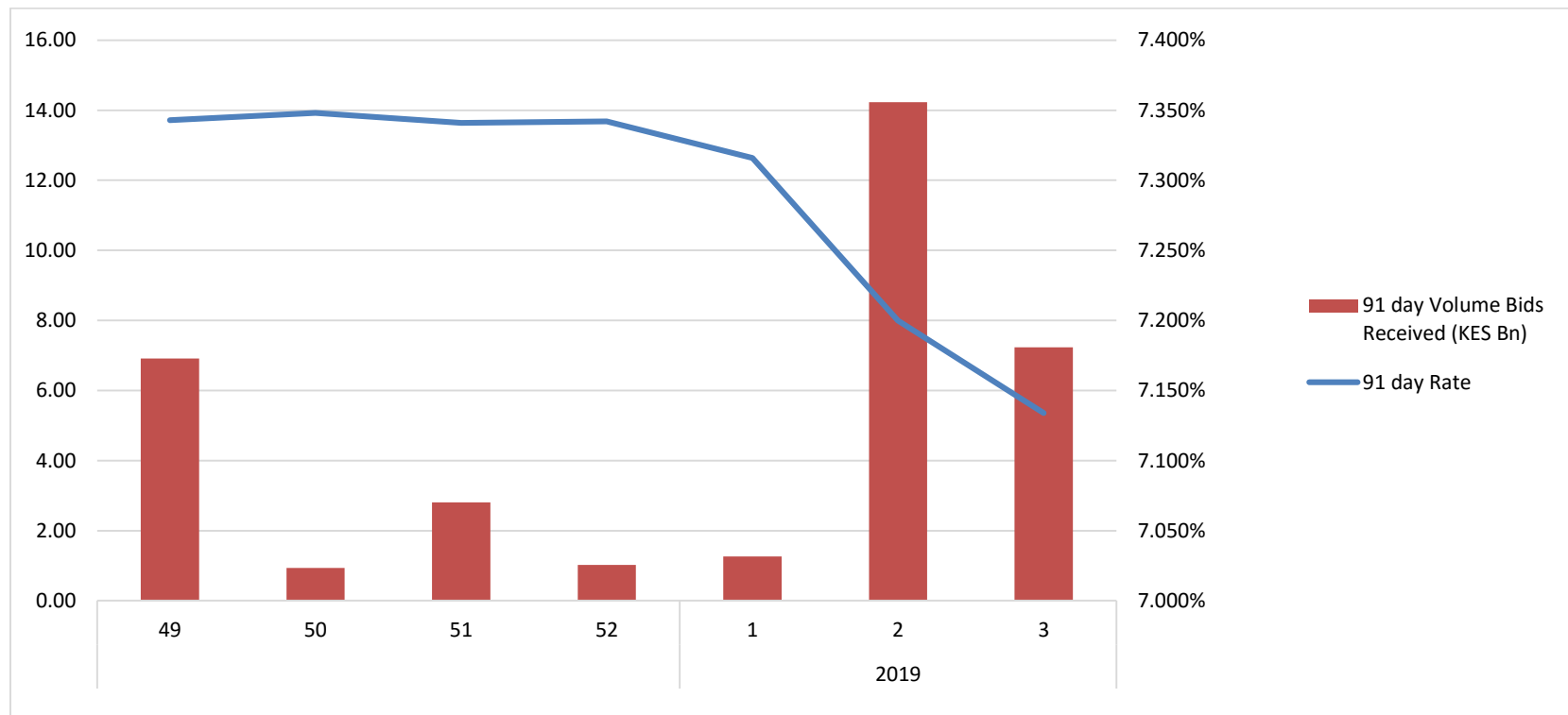
Market Statistics	This Week	Last Week	% Change
Total Volumes	132,861,000	97,201,300	36.7%
Total Turnover (KES)	3,533,993,703	2,230,971,530	58.4%

Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	7.23Bn	180.78%	5.66Bn	7.134%	7.200%	-0.066
182 day T-bill	13.88Bn	138.83%	13.39Bn	8.927%	8.935%	-0.008
364 day T-bill	17.62Bn	176.19%	9.47Bn	9.953%	9.958%	-0.005

Graph showing 91 day T-bill rate and volume

Week No. 3



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	28-Feb-19	23-May-19
Car & General Ltd	Final dividend	Kes.0.80	27-Dec-18	18-Feb-19	25-Mar-19
Sasini Plc	Final dividend	Kes.0.50	19-Dec-18	07-Jan-19	31-Jan-19
Longhorn Publishers Plc	Interim dividend	Kes.0.42	03-Sep-18	23-Nov-18	23-Feb-19
Unga group	First & Final dividend	Kes.1.00	28-Sep-18	06-Dec-18	31-Jan-19
KenGen Plc	Final dividend	Kes.0.40	26-Oct-18	06-Dec-18	07-Feb-19

Market Recommendations

Counter	Recommendation	52-Week High	52-Week Low	YTD Change	Price as at 18th January 2019
KCB Group	Long-term Buy	55.00	34.00	3.6%	38.80
Equity Group Holdings	Long-term Buy	57.00	33.40	12.8%	39.30
Bamburi Cement	Hold	190.00	119.25	(2.6%)	129.00
Safaricom	Hold	33.50	21.00	6.8%	23.70
EABL	Hold	270.00	160.00	(3.9%)	168.00
Jubilee Holdings	Buy	550.00	355.25	6.2%	430.00
Nation Media Group	Sell	116.00	62.00	(8.4%)	62.75
Barclays Bank of Kenya	Hold	13.50	9.50	6.4%	11.65
Diamond Trust Bank	Hold	220.00	130.00	(4.2%)	150.00
Cooperative Bank	Long-term Buy	20.00	12.65	(2.4%)	13.95
Kenol Kobil	Neutral	21.75	12.80	11.8%	21.30
KenGen	Long-term Buy	9.25	5.50	(7.7%)	6.48
Britam Holdings	Hold	15.85	9.00	(4.8%)	9.52
Centum	Long-term Buy	48.25	22.50	17.8%	34.45
NBK	Sell	9.65	4.05	(3.0%)	5.16
Mumias	Sell	1.15	1.10	3.4%	0.60

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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