



Faida Weekly Report (Week 26)

Week ending June 28th, 2013

CONTENTS

1) International Highlights.....	2
2) Economic Highlights.....	3
3) Company Highlights.....	3
4) Equity market Summary.....	4
5) Bond market Summary.....	8
6) Market Outlook.....	9

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International Highlights

Europe

Central Bankers Move to Calm Market Fears

Central Bankers sought to calm the markets

Top central bankers last week sought to calm the markets after the Federal Reserve's announcement to slow its bond-buying stimulus. European Central Bank President Mario Draghi stated that price stability is assured and that the overall economic outlook still warranted an accommodative stance.

Asia

China's Central Bank Tried to Allay Fears on Tight Credit

The People's Bank of China released more money for lenders

The People's Bank of China reassured investors concerned about a credit squeeze and declared that it had begun supporting bank liquidity. The central bank initially refrained from intervening as bank-to-bank interest rates soared, but then released more money for lenders. Uncertainty over the central bank's position produced wide trading swings during the previous week.

U.S

Home Prices Showed Big Increases

Home prices have been spurred by higher demand and shortage of inventory

Home prices in all 20 cities of the Standard & Poor's Case-Shiller index rose 12.1% from April 2012, marking the biggest increase since March 2006. Home prices have been rising spurred by high buyer demand and a shortage of inventory. The housing market has been one of the main growth drivers of the economy as buyers rush in to take advantage of the historically low mortgage rates. However, mortgage rates have continued to rise as the Federal Reserve slows down on bond purchases.

Africa

EAC Leaders Agree to Upgrade Oil Infrastructure

East African Leaders agreed to develop Kenya-Uganda-Rwanda oil pipeline

East African leaders agreed to develop Kenya-Uganda-Rwanda oil pipeline from Lamu Port. An official statement stated that the one pipeline that currently runs from Mombasa to Eldoret should be extended to Kampala and Rwanda. The pipeline will be configured in such a way that it will have a reverse mechanism so that finished products can be pumped backwards. Another pipeline will be constructed for evacuation of crude oil between Uganda, South Sudan and Kenya ending up at the port of Lamu.

Economic Highlights

	Previous Week Close	Week High	Week Low	Current Week Close
USD/KES	85.74	86.06	85.89	86.01
EURO/KES	113.49	112.91	112.14	112.40
GBP/KES	132.88	132.90	131.34	131.34

Kenya Shilling weakened against the USD

The Kenya Shilling weakened against The USD but strengthened against the Euro and the Sterling Pound closing the week at KES 86.01, KES 112.40 and KES 131.34 for the USD, EURO and GBP respectively.

The Kenya shilling weakened against the USD during the week on the back of high dollar demand from importers looking to meet end-month obligations.

Kenya 1Q2013 Growth at 5.2%

Favourable weather boosted Kenya economy

Kenya's economy grew at an annualized rate of 5.2% in the first quarter of 2013 as compared to 3.9% in the prior comparable period. This was mainly attributed to favourable weather that boosted tea, vegetables and flowers that act as major foreign exchange earners.

June Inflation at 4.9%

Price index for food and non-alcoholic drinks rose by 0.18%

The general price level of goods and services in the economy, as measured by the consumer price index (CPI) rose by 0.05% to 139.59 from 139.52 recorded in May 2013. The overall inflation rate stood at 4.91% in June 2013. The price index for food and non-alcoholic drinks rose by 0.18%. The costs of housing, water, electricity and other fuels fell marginally by 0.03% due to a lower cost of electricity. Transport costs also fell 0.7% due to reduced prices of petrol and diesel.

Foreign Mining Firms to Cede Less Control to Locals

Government repeals 35.0% local ownership rule

Mining Secretary Najib Balala confirmed that the government has repealed the 35.0% local ownership rule after the completion of the mining bill. This was done in order to restore investor confidence in the mining sector

Company Highlights

Safaricom Launched Mobile Wallet

Safaricom launched Lipa Na M-Pesa

Safaricom launched a financial service (Lipa Na M-Pesa) that enables customers to pay for goods and services using mobile money without paying transaction charges. The company will leverage on its wide network coverage, large customer base and wide network of agents to roll out the product. Registered service providers will pay a 1.5% commission on the value of every payment made through the system. There are currently 5,000 traders for the Lipa Na M-Pesa service.

CIC Insurance Looking for KES 1.2 Billion Expansion Cash

CIC Insurance looking for joint venture partners

CIC Insurance is looking for joint venture partners to enable it to expand into South Sudan and Uganda. The company requires a minimum of KES1.2 billion to expand into Uganda before the 1Q2014 and to open shop in South Sudan by the end of this year's third quarter.

Equity market Summary

Top Gainers

	Price	%ch	EPS	DPS	PE
Kenya Re	16.20	7.6%	4.00	0.40	4.05
Uchumi Supermarket	19.90	4.7%	1.03	0.30	19.32
B.O.C. Kenya	115.00	4.6%	10.11	5.05	11.37
Diamond Trust Bank	170.00	3.0%	14.75	1.90	11.53
Umeme Ltd	11.95	3.0%	1.40	0.50	8.54

Top Losers

	Price	%ch	EPS	DPS	PE
Liberty Kenya	9.95	-16.4%	1.72	0.40	5.78
Williamson Tea Kenya	225.00	-10.0%	94.36	7.50	2.38
Pan Africa Insurance	51.50	-8.9%	7.27	3.00	7.08
Kapchorua Tea	135.00	-7.5%	45.94	7.50	2.94
Standard Group	28.00	-7.4%	2.56	0.00	10.94

Top Traders

	Price	Volume Traded	% Price ch	EPS	PE
Safaricom	6.55	53,694,000	-3.0%	0.44	14.89
KCB	37.00	15,894,100	-4.5%	4.11	9.00
Equity Bank	31.25	12,877,100	-3.9%	3.26	9.59
Mumias Sugar	4.20	4,190,800	-3.5%	1.32	3.18
Centum Investment	21.75	2,893,000	0.0%	3.77	5.77

NSE 20 share index dropped

The NSE 20 share index dropped by 108.64 points while the NASI dropped by 3.33 points to close the week at 4598.16 and 116.31 points respectively.

Market has been on a general downward trend

The securities market has been on a general downward trend over the recent weeks. This could be attributed to investors reacting to the possible reintroduction of Capital Gains Tax, profit taking by investors and reduced foreign participation.

Agricultural sector

The Agricultural sector closed the week at a PE of 4.32x compared to the previous week's PE of 4.47x.

Williamson Tea dropped by 10.0% w-o-w

	Price	%ch w-o-w	Volume traded	PE (x)
Williamson Tea	225.00	-10.0%	5,000	2.38
Kapchorua Tea	135.00	-7.5%	1,000	2.94
Rea Vipingo	21.75	-4.4%	64,900	3.43

Banking Sector

The Banking sector closed the week at a PE of 9.89x compared to the previous week's PE of 9.67x.

KCB dropped by 4.5% w-o-w

	Price	%ch w-o-w	Volume traded	PE (x)
KCB	37.00	-4.5%	15,894,100	9.00
Equity Bank	31.25	-3.9%	12,877,100	9.59
Diamond Trust Bank	170.00	3.0%	68,800	11.53
National Bank	21.00	-6.7%	328,000	14.09
Barclays Bank	15.70	-4.9%	2,050,300	9.75
I&M Bank	96.00	-	707,000	56.80

National Bank dropped by 6.7% w-o-w

I&M Bank listed during the week under review. The shares have experienced demand from local high net worth individuals.

Commercials and Services Sector

The Commercial and Services Sector closed the week at a PE of -18.28 compared to the previous week's PE of -18.67x.

Scangroup dropped by 4.0% w-o-w to close at KES 60.50

	Price	%ch w-o-w	Volume traded	PE (x)
Kenya Airways	9.95	-0.5%	645,600	-1.57
Nation Media Group	301.00	-2.3%	66,600	18.93
Scangroup	60.50	-4.0%	100,600	27.38
Standard Group	28.00	-7.4%	15,100	10.94
Uchumi Supermarket	19.90	4.7%	712,700	19.32

Uchumi price appreciation could be linked to increased foreign demand during the week with blocks being purchased at the KES 19.05 to KES 20.00 positions.

Construction & Allied Sector

The Construction and Allied sector closed the week at a PE of 22.27x compared to the previous week's PE of 21.80x.

E.A.P.C. dropped by 4.3% w-o-w

	Price	%ch w-o-w	Volume traded	PE (x)
Bamburi Cement	215.00	-0.5%	244,600	17.67
ARM Cement	64.00	-0.8%	353,400	25.50
E.A. Cables	14.50	-1.7%	33,600	8.33
E.A. Portland Cement	55.50	-4.3%	1,200	-6.11

Energy and Petroleum Sector

The Energy and Petroleum sector closed the week at a PE of 28.76x compared to the previous week's PE of 29.61x.

KenolKobil dropped by 5.9% w-o-w

	Price	%ch w-o-w	Volume traded	PE (x)
KenGen	15.15	-4.7%	1,044,100	11.84
KenolKobil	8.80	-5.9%	2,764,700	-2.07
Kenya Power	14.50	-3.3%	837,900	6.14

KenGen experienced increased local activity on both sides of demand and supply mainly dominated by high net worth individuals.

KenolKobil experienced increased downward pressure with minimal institutional participation. After the Puma Energy takeover bid fell through, the share price experienced a decline.

Insurance Sector

The Insurance sector closed the week at a PE of 5.71x compared to the previous week's PE of 5.93x.

Kenya Re gained by 7.6% w-o-w

Liberty Kenya dropped by 16.4% w-o-w to KES 16.20

	Price	%ch w-o-w	Volume traded	PE (x)
CIC Insurance	4.65	-5.1%	974,200	7.27
Britam Investments	8.00	-1.2%	1,306,900	5.71
Jubilee Holdings	225.00	-6.3%	15,900	6.37
Kenya Re	16.20	7.6%	2,736,600	4.05
Liberty Kenya	9.95	-16.4%	131,100	5.78
Pan Africa Insurance	51.50	-8.9%	29,400	7.08

Kenya Re experienced increased local participation on both demand and supply sides from institutional investors looking to take a long-term position.

Investment Sector

The Investment sector closed the week at a PE of 7.77x compared to the previous week's PE of 8.68x.

Centum Investment remained unchanged w-o-w

	Price	%ch w-o-w	Volume traded	PE (x)
Centum Investment	21.75	0.0%	2,893,000	5.77
Trans-Century	31.00	-6.1%	100,200	18.67

Centum traded at KES 23.00 in the beginning of the week due to foreign participation but experienced market correction to current levels.

Manufacturing & Allied Sector

The Manufacturing and Allied sector closed the week at a PE of 20.05x as compared to the previous week's PE of 20.41x.

Mumias Sugar dropped by 3.5% w-o-w to close at KES 4.20

	Price	%ch w-o-w	Volume traded	PE
B.O.C. Kenya	115.00	4.6%	4,600	11.37
Eveready	2.80	-5.1%	442,400	-4.75
Mumias Sugar	4.20	-3.5%	4,190,800	3.18
East African Breweries	333.00	-2.1%	563,800	24.74

Telecommunication & Technology Sector

The Telecommunication and Technology sector closed the week at a PE of 14.88x as compared to the previous week's PE of 15.33x.

	Price	%ch w-o-w	Volume traded	PE
Safaricom	6.55	-3.0%	53,694,000	14.89

Bond market Summary

Primary Market

The week saw the government put up the 182 day and 364 day T- bills for auction and managed to raise KES 1.15 billion out of a target of KES 9.0 billion.

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate
91 day T-bill	0.65 Bn	22%	0.65 Bn	5.175%
182 day T-bill	0.38 Bn	12.5%	0.38 Bn	5.549%
364 day T-bill	0.12 Bn	4.1%	0.12 Bn	8.356%

The Secondary Market

Current week Turnover (KES)	Previous week Turnover (KES)	Current week No. of Deals	Previous week No. of deals
18,174,050,000	12,884,550,000	156	179

	Average Traded Yield	Total Value (KES)	No. of Trades
FXD 4/2012/2Yr	10.2666%	3,005,600,000	7
FXD1/2010/5Yr	10.5000%	411,300,000	2
FXD1/2012/10Yr	10.8377%	1,072,600,000	8
FXD2/2013/15Yr	12.6378%	2,014,100,000	9

Infrastructure Bonds

	Average Traded Yield	Total Value (KES)	No. of Trades
IFB 1/2011/12Yr	11.3069%	5,829,650,000	28
IFB 2/2009/12Yr	12.0000%	845,300,000	2

Market Outlook

Counter	Recommendation	Comment
KCB	Buy	Our target price of KES 47.25 provides a 27.7% upside from the current market price (KES 37.00).
Equity Bank	Buy	Our target price of KES 43.82 provides a 40.2% upside from the current market price (KES 31.25).
NIC Bank	Buy	Our target price of KES 65.68 provides a 23.9% upside from the current market price (KES 53.00).
Centum Investment	Long Term Buy	Our estimation of a forward Net Asset Value per Share of KES 32.47 provides a 49.3% upside from the current market price (KES 21.75).
KenGen	Buy	Our target price of KES 21.70 provides a 43.2% upside from the current market price (KES 15.90).
Kenya Power	Neutral	Our target price of KES 14.72 provides a 1.5% upside from the current market price (KES 14.50).