



# Faida Weekly Report (Week 29)

**Week ending July 19<sup>th</sup>, 2013**

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## International Highlights

### Europe

#### Greece's Parliament Approved New Austerity Measures

New austerity measures approved

Greece's Parliament approved new austerity measures late last week that included a plan for thousands of layoffs and wage cuts for civil service workers. The approval paved the way for additional funding from the country's foreign creditors.

### Asia

#### Japans Bond Risk Fell

Japan's bond risk fell

Japan's bond risk fell at a faster pace on bets Prime Minister Shinzo Abe will win a stronger mandate for economic stimulus in the coming week's parliamentary elections. According to data compiled by Bloomberg, credit-default swaps for five year Japanese government bonds slid 13 basis points in the past month to 69 basis points last week.

### U.S

#### Bernanke Stated that Fed stimulus will adapt to economy

Fed to adapt its stimulus efforts to the state of the economy

Federal Reserve Chairman Ben Bernanke last week stated that the Reserve Bank would adapt its stimulus efforts to the state of the economy in an attempt to reassure investors and the public that it would not let recovery take a back seat. Bernanke stated that if the labour market loses momentum or inflation remains too low, the Fed could keep buying long-term bonds to support the recovery.

### Africa

#### South Sudan Scaled Down Oil Production

South Sudan scaled down production to 160,000 barrels per day

South Sudan scaled down oil production from 200,000 to 160,000 barrels per day as Sudan demanded a full shutdown next month. The Sudanese government stated that Juba was still supporting an insurgency in the Blue Nile and Southern Kordofan states.

## Economic Highlights

	Previous Week Close	Week High	Week Low	Current Week Close
USD/KES	87.17	87.24	86.79	87.16
EURO/KES	113.96	114.49	113.69	114.49
GBP/KES	132.27	132.64	131.16	132.64

The Kenya Shilling weakened against major currencies closing the week at KES 87.16, KES 114.49 and KES 132.64 for the USD, EURO and GBP respectively.

The shilling weakened during the week as importers bought dollars ahead of end-month obligations. The Central Bank sold an unspecified amount of dollars earlier on in the week to support the shilling.

Importers bought dollars ahead of end-month obligations

## Company Highlights

### Kenya Airways lobbied MP's to scrap VAT tax

Kenya Airways lobbied Parliament for exclusion from paying Value Added Tax (VAT) stating that it will add costs and push up prices of tickets leading to a competitive disadvantage. The VAT bill proposes to tax purchase and lease of aircraft, transportation of tourists and jet fuel.

Kenya Airways lobbied Parliament for exclusion from paying VAT

## Equity market Summary

### Top Gainers

	Price	%ch	EPS	DPS	PE
KenGen	17.35	13.8%	1.28	0.60	13.55
Olympia Capital	4.05	12.5%	0.38	0.10	10.66
Rea Vipingo	27.00	9.1%	6.34	1.10	4.26
Jubilee Holdings	262.00	7.4%	35.32	7.00	7.42
Housing Finance	27.00	4.9%	3.22	1.40	8.39

### Top Losers

	Price	%ch	EPS	DPS	PE
Express Kenya	3.60	-10.0%	0.37	0.00	9.73
Standard Group	27.50	-5.2%	2.56	0.00	10.74
Total Kenya	15.70	-4.9%	-0.32	0.00	-49.06
KenolKobil	8.40	-2.3%	-4.26	0.00	-1.97
Sameer Africa	5.10	-1.9%	0.68	0.25	7.50

### Top Traders

	Price	Volume Traded	% Price ch	EPS	PE
Safaricom	7.25	79,493,600	2.8%	0.44	16.48
Mumias Sugar	4.40	17,182,200	0.0%	1.32	3.33
Equity Bank	33.50	9,452,600	-0.7%	3.26	10.28
KCB	42.00	6,483,100	3.7%	4.11	10.22
KPLC	14.40	6,341,000	1.8%	2.36	6.10

The NSE 20 share index and the NASI gained by 87.00 points and 2.31 points to close the week at 4807.53 and 123.70 points respectively.

Increased participation from both local and foreign investors

The market improved during the week on account of increased participation from both local and foreign investors. Demand for banking sector stocks is continuing to build ahead of results announcements for 1H2013.

Home Afrika launched on the Growth Enterprise Market Segment (GEMS) by way of introduction. Home Afrika is a real estate developer that listed 405.3 million shares at KES 12.00 a share.

### Agricultural sector

The Agricultural sector closed the week at a PE of 4.53x compared to the previous week's PE of 4.42x.

	Price	% ch w-o-w	Volume traded	PE (x)
Rea Vipingo	27.00	9.1%	46,400	4.26
Sasini	14.05	2.6%	227,200	8.17
Williamson Tea	235.00	2.6%	16,700	2.49

Rea Vipingo increased by 9.1% w-o-w

### Banking Sector

The Banking sector closed the week at a PE of 10.60x compared to the previous week's PE of 9.92x.

	Price	%ch w-o-w	Volume traded	PE (x)
KCB	42.00	3.7%	6,483,100	10.22
Equity Bank	33.50	-0.7%	9,452,600	10.28
NIC Bank	56.00	1.8%	740,900	9.54
National Bank	22.75	4.6%	96,000	15.27
Barclays Bank	17.55	-0.3%	5,359,800	10.90
The Co-operative Bank	16.20	1.6%	2,747,500	8.80
Standard Chartered	300.00	3.5%	69,500	11.28

KCB increased by 3.7% w-o-w

National Bank increased by 4.6% w-o-w to close at KES 22.75

Standard Chartered was last week cleared by the Treasury Secretary Henry Rotich to start offering Islamic Banking.

Housing Finance announced a 60.6% increase in Profit before Tax

Housing Finance announced a 60.6% increase in Profit before Tax to KES 574 million (1H2013) from KES 358 million (1H2012). This was attributed to a 7.5% drop in total interest expenses to KES 1.4 billion (1H2013) from KES 1.5 billion (1H2012).

### Commercials and Services Sector

The Commercial and Services Sector closed the week at a PE of -22.68x compared to the previous week's PE of -22.31x.

Kenya Airways increased by 3.7% w-o-w

	Price	%ch w-o-w	Volume traded	PE (x)
Kenya Airways	9.89	3.7%	1,036,000	-1.55
Nation Media Group	309.00	1.7%	30,700	19.43
Scangroup	61.50	0.8%	111,200	27.83
Standard Group	27.50	-5.2%	17,500	10.74
Uchumi Supermarket	20.25	0.0%	675,800	19.66
TPS Eastern Africa	49.50	3.1%	15,000	13.75

### Construction & Allied Sector

The Construction and Allied sector closed the week at a PE of 22.61x compared to the previous week's PE of 22.33x.

Bamburi Cement increased by 1.9% w-o-w

	Price	%ch w-o-w	Volume traded	PE (x)
Crown Paints	57.00	0.0%	14,900	10.12
ARM Cement	69.50	0.0%	3,469,700	27.69
E.A. Cables	15.55	2.0%	723,000	8.94
Bamburi Cement	214.00	1.9%	1,346,600	17.58

ARM Cement announced a 28.8% jump in Profit before Tax to KES 1.0 billion (HY2013) from KES 791 million (HY2012). The counter experienced heavy trading with foreign demand.

Bamburi experienced increased demand from both local and foreign investors. Investor speculation on improved results could have led to the price increase w-o-w.

### Energy and Petroleum Sector

The Energy and Petroleum sector closed the week at a PE of 29.71x compared to the previous week's PE of 28.33x.

KenGen increased by 13.8% w-o-w on the back of increased foreign demand

	Price	%ch w-o-w	Volume traded	PE (x)
KenGen	17.35	13.8%	3,089,900	13.55
KenolKobil	8.40	-2.3%	3,439,500	-1.97
Kenya Power	14.40	1.8%	6,341,000	6.10
Total Kenya	15.70	-4.9%	29,800	-49.06

KenGen experienced net demand dominated by foreign institutions leading to its price increase. Also refer to our Power Sector Report, 'Boosting Capacity to Power More', released on June 21, 2013.

### Insurance Sector

The Insurance sector closed the week at a PE of 6.20x compared to the previous week's PE of 6.05x.

Jubilee Holdings increased by 7.4% w-o-w to close at KES 268.00

	Price	%ch w-o-w	Volume traded	PE (x)
CIC Insurance	4.85	-1.0%	1,496,600	7.58
Britam Investments	8.40	1.8%	1,224,300	6.00
Jubilee Holdings	268.00	7.4%	883,200	7.42
Kenya Re	16.60	2.5%	458,500	4.15
Liberty Kenya	12.10	1.7%	165,400	7.03
Pan Africa Insurance	55.50	-0.9%	54,800	7.63

### Investment Sector

The Investment sector closed the week at a PE of 8.30x compared to the previous week's PE of 8.01x.

Trans-Century increased by 7.7% w-o-w

	Price	%ch w-o-w	Volume traded	PE (x)
Centum Investment	22.50	1.1%	1,208,900	5.97
Trans-Century	35.00	7.7%	9,900	21.08
Olympia Capital	4.05	12.5%	20,700	10.66

### Manufacturing & Allied Sector

The Manufacturing and Allied sector closed the week at a PE of 20.97x as compared to the previous week's PE of 20.63x.

EABL gained by 1.5% to KES 348.00

	Price	%ch w-o-w	Volume traded	PE
B.A.T Kenya	573.00	3.2%	12,100	17.52
Eveready	2.90	0.0%	355,800	-4.92
Mumias Sugar	4.40	0.0%	17,182,200	3.33
East African Breweries	348.00	1.5%	684,000	25.85
Unga Group	16.05	0.6%	58,400	5.71

Mumias Sugar recorded increased activity during the week mainly due to a foreign buyer buying huge blocs.

### Telecommunication & Technology Sector

The Telecommunication and Technology sector closed the week at a PE of 16.48x compared to the previous week's PE of 16.02x.

Safaricom recorded a 2.8% gain w-o-w

	Price	%ch w-o-w	Volume traded	PE
Safaricom	7.25	2.8%	79,493,600	16.48

Foreign investors dominated demand pushing the price up to current levels.

### Growth Enterprise Market Segment

The Growth Enterprise Market Segment closed the week at a PE of 54.88x.

Home Afrika closed at KES 22.50 after listing at KES 12.00 during the week

	Price	%ch w-o-w	Volume traded	PE
Home Afrika	22.50	-	122,100	54.88

Home Afrika signed a deal with Shelter Afrique that will see the former leverage on Shelter Afrique's continent-wide presence and deeper access to capital to build low-cost housing.



## Bond market Summary

### Primary Market

The week saw the government put up the 91, 182 and 364 day T - bills for auction and managed to raise KES 1.916 billion out of a target of KES 9.0 billion.

T-bills recorded low subscription rates

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate
91 day T-bill	1.31 Bn	44.0%	1.31 Bn	6.293%
182 day T-bill	0.112 Bn	3.7%	0.112 Bn	6.484%
364 day T-bill	0.494 Bn	16.5%	0.494 Bn	9.055%

The low subscription rates could be as a result of investors shunning the T-bills due to their low interest rates.

### The Secondary Market

Current week Turnover (KES)	Previous week Turnover (KES)	Current week No. of Deals	Previous week No. of deals
8,137,200,000	7,467,300,000	127	85

	Average Traded Yield	Total Value (KES)	No. of Trades
FXD 1/2013/2Yr	10.0000%	500,000,000	21
FXD1/2012/5Yr	11.2537%	2,801,000,000	15
FXD1/2013/10Yr	12.6625%	1,140,000,000	4
FXD2/2007/15Yr	12.0000%	400,000,000	1
FXD1/2008/20yr(Re-opened)	12.7470%	210,500,000	5

### Infrastructure Bonds

	Average Traded Yield	Total Value (KES)	No. of Trades
IFB 1/2011/12Yr	11.3080%	402,800,000	5
IFB 1/2009/12Yr	11.4000%	501,000,000	7
IFB2/2009/12Yr	11.2333	600,000,000	3

### Market Outlook

Counter	Recommendation	Comment
KCB	<b>Neutral</b>	Our target price of KES 47.25 provides a 12.5% upside from the current market price (KES 42.00). The group has placed emphasis on optimizing its subsidiaries ensuring consolidation and increased profitability going forward with a view of reducing costs and non-performing loans.
Equity Bank	<b>Buy</b>	Our target price of KES 43.82 provides a 30.8% upside from the current market price (KES 33.50). The bank has a large customer base (mobilized KES 8.0 billion during 1Q2013) and is likely to enjoy high interest spreads as cost of funds remain low.
NIC Bank	<b>Buy</b>	Our target price of KES 65.68 provides a 17.3% upside from the current market price (KES 56.00). Though the bank suffered a slight drop in customer deposits, we are optimistic in the bank's ability to grow its loan book especially in asset finance.
Centum Investment	<b>Long Term Buy</b>	Our estimation of a forward Net Asset Value per Share of KES 32.47 provides a 44.3% upside from the current market price (KES 22.50). We project a 30.1% growth in Private Equity, 32.1% growth in Quoted Private Equity and 22.3% growth in Real Estate.
KenGen	<b>Buy</b>	Our target price of KES 21.70 provides a 25.1% upside from the current market price (KES 17.35). KenGen has already begun harnessing the power potential in geothermal, hydro and wind that will boost their future revenues.
Kenya Power	<b>Neutral</b>	Our target price of KES 14.72 provides a 2.2% upside from the current market price (KES 14.40). A key cause for concern is the inefficiencies in the firm, especially in the system losses, which have remained relatively unchanged.

**NOTE:** Kindly refer to our website to get detailed and comprehensive research notes on specific companies.