



Faida Weekly Report (Week 39)

Week ending September 27th, 2013

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International Highlights

Europe

Private Sector Loans Fell for a 16th Month: ECB

Lending to companies and households in the Euro area fell the most

According to the European Central Bank (ECB), lending to companies and households in the Euro area fell the most on record in August 2013, signaling that the economy is still struggling to recover from its recession. Loans to the private sector dropped by 2.0% from a year earlier. Adjusted for loan sales and securitization, lending contracted by 1.5%. The ECB has pledged to keep interest rates at or below current levels to support the economy, even as it predicts the economy to shrink by 0.4% in 2013.

Asia

Japan Inflation Accelerates to Fastest Since 2008 on Energy

Japan's inflation accelerated to the fastest pace since 2008

Japan's inflation accelerated to the fastest pace since 2008 in August on account of higher energy costs. The consumer prices excluding fresh food rose by 0.8% from a year earlier. The median forecast of 30 economists surveyed by Bloomberg News had estimated a gain of 0.7%. According to some economists, without pay increases, households' purchasing power will weaken gradually.

U.S

Boehner Plan on Debt Limit Collapses Amid Shutdown Fight

U.S House Speaker, John Boehner's plan to avert a shutdown by shifting to a debt-ceiling fight ran into opposition from the Republicans. The U.S Senate was slated to vote on a USD 986.3 billion stopgap spending bill and send it to the House but indications are emerging that it's uncertain whether both chambers can strike a deal before funding authority expires.

Africa

Kenya Says USD 1.5bn Bond Issue on Despite Mall Attack

Government plans to raise Eurobond remains in place

The government indicated that the plans by the country to raise about USD 1.5 billion in a debut international bond issue are still on despite the terrorist attack on Nairobi's Westgate Mall. Kenya is seeking liquidity from the global capital markets to revamp infrastructure and accelerate the economy. The bond issue had been slated for November 2013. The government's growth objective for 2013 still remains at between 5.5-6.0%

Economic Highlights

	Previous Week Close	Week High	Week Low	Current Week Close
USD/KES	87.39	87.46	86.99	86.99
EURO/KES	118.27	118.38	117.16	117.16
GBP/KES	140.24	140.26	139.55	139.55

The Kenya Shilling strengthened against the USD, EURO and GBP

The Kenya Shilling strengthened against the USD, EURO and GBP closing the week at KES 86.99, KES117.16 and KES 139.55 respectively.

The week under review opened with weakening of the Shilling against major world currencies given the terrorist attack in Westgate shopping mall. The week ended with the shilling rebounding to higher levels after security forces ended a four day siege by Al-Qaeda linked Al Shabaab terror group.

Equity market Summary

Top Gainers

	Price	%ch	EPS	DPS	PE (x)
Longhorn Kenya	14.20	16.4%	1.80	0.80	7.89
I&M Holdings	102.00	10.3%	1.90	0.00	53.68
East African Breweries Limited	318.00	4.6%	8.82	5.50	36.05
Marshalls E.A.	12.00	4.4%	-11.80	0.00	N/M
Bamburi Cement Ltd	214.00	3.9%	12.17	10.50	17.58

Source: NSE

Top Losers

	Price	%ch	EPS	DPS	PE (x)
Home Afrika	6.20	-16.8%	0.41	0.10	15.12
Car & General (K) Ltd	21.50	-6.5%	7.48	0.55	2.87
Eveready East Africa	2.55	-5.6%	-0.59	0.00	N/M
Mumias Sugar Co.	3.65	-5.2%	-1.09	0.00	N/M
National Bank of Kenya	20.25	-4.7%	1.49	0.20	13.59

Source: NSE

Top Traders

	Price	Volume Traded	% Price ch	EPS	PE (x)
Safaricom	8.35	86,262,700	-1.8%	0.41	15.12
Barclays Bank	17.10	8,966,500	0.3%	1.61	10.62
Equity Bank	34.25	4,440,200	1.5%	3.26	10.51
KenolKobil Ltd	8.00	3,433,700	-0.6%	-4.26	N/M
KCB Group	46.50	3,247,500	3.3%	4.11	11.31

Source: NSE

*N/M: Not Meaningful

The NSE share index and NASI gained 16.21 points and 11.39 points

The NSE 20 share index and the NASI gained 16.21 points and 1.39 points to close at 4768.03 and 126.05 respectively. Gains were realized in the manufacturing and construction sectors. The investments and energy sectors retreated during the week under review.

The week also saw subdued local institutional interest due to end of quarter reporting by fund managers.

Agricultural sector

The Agricultural sector PE dropped slightly to 4.59x

The Agricultural sector closed the week at a PE of 4.59X compared to the previous week's PE of 4.60x.

	Price	% ch w-o-w	Volume traded	PE (x)
Kakuzi Ltd	85.00	0.0%	400	4.39
Rea Vipingo	27.00	-2.7%	7,800	5.77
Sasini	13.30	-1.1%	41,500	7.73
Williamson Tea	232.00	-2.7%	700	2.46
Eaagads	22.50	-0.0%	2,400	N/M
Sector PE				4.59

Source: NSE

Banking Sector

The banking sector PE increased to 10.93x

The Banking sector PE closed the week at a PE of 10.93x as compared to the previous week's PE of 10.73x.

	Price	%ch w-o-w	Volume traded	PE (x)
KCB	46.50	3.3%	3,247,500	11.31
Equity Bank	34.25	1.5%	4,440,200	10.51
NIC Bank	58.00	0.8%	484,600	9.88
CFC Stanbic	72.00	2.9%	314,900	7.27
National Bank	20.25	-4.7%	109,700	13.59
Barclays Bank	17.10	0.3%	8,966,500	10.62
Housing Finance	25.25	1.0%	835,500	7.84
The Co-operative Bank	16.15	-0.3%	1,687,400	8.78
Diamond Trust Bank	179.00	3.5%	145,300	12.14
Standard Chartered	299.00	0.0%	109,500	11.24
I&M Holdings	102.00	10.3%	455,600	9.61
Sector PE				10.93

Barclays Bank of Kenya was the highest trader w-o-w

Source: NSE

The week under review saw Barclays Bank of Kenya record the highest number of shares traded in the banking sector driven by heavy foreign supply during the week.

Commercials and Services Sector

The Commercial and Services Sector closed the week at a PE of -23.30x compared to the previous week's PE of -23.23x.

	Price	%ch w-o-w	Volume traded	PE (x)
Kenya Airways	9.45	0.0%	276,200	N/M*
Nation Media Group	306.00	1.0%	42,000	19.25
Scangroup	60.50	0.0%	1,403,200	27.38
TPS Eastern Africa	46.00	-4.2%	56,600	12.78
Uchumi Supermarket	19.75	0.3%	1,807,500	14.63
Standard Group	26.25	0.0%	21,000	10.25
Longhorn Kenya	14.20	16.4%	138,800	N/M*
Sector PE				-23.30

Source: NSE

Longhorn Kenya share price corrected upwards

The week under review saw Longhorn Kenya share price correct upwards after a share price drop of 12.9% to KES 12.20 the previous week on account of thin volumes, a total of 2,100 shares traded during the previous week.

Construction & Allied Sector

The Construction and Allied sector closed the week at a PE of 23.04x as compared to the previous week's PE of 22.38x.

	Price	%ch w-o-w	Volume traded	PE (x)
Crown Paints	64.00	0.0%	2,200	11.37
ARM Cement	73.00	1.4%	223,600	29.08
E.A. Cables	16.20	0.3%	194,800	9.31
Bamburi Cement	214.00	3.9%	223,600	29.08
E.A. Portland Cement	59.50	3.5%	7,900	N/M
Sector PE				23.04

Source: NSE

Bamburi Cement Company recorded the highest price movement

Bamburi Cement Company recorded the highest price movement upwards w-o-w in the sector to close at KES 214.00. This is attributed to a demand and supply mismatch which saw retailers pay a premium in order to get the shares on offer.

Energy and Petroleum Sector

The Energy and Petroleum sector closed the week at a PE of 29.98x compared to the previous week's PE of 30.06x.

	Price	%ch w-o-w	Volume traded	PE (x)
KenGen	16.65	1.5%	2,862,500	13.01
KenolKobil	8.00	-0.6%	3,433,700	N/M*
Kenya Power	14.45	-2.7%	1,255,200	6.12
Total Kenya	18.50	0.5%	48,900	N/M*
Sector PE				29.98

Source: NSE

For more on the Power Sector, kindly refer to our Power Sector Report, 'Boosting Capacity to Power More', released on June 21, 2013.

Insurance Sector

The insurance sector PE dropped slightly to 5.94x

The Insurance sector closed at a PE of 5.94x as compared to the previous week's PE of 5.97x.

	Price	%ch w-o-w	Volume traded	PE (x)
CIC Insurance	4.50	-1.1%	1,125,000	7.03
Britam Investments	8.05	-1.2%	898,200	5.75
Jubilee Holdings	258.00	1.2%	26,800	7.30
Kenya Re	14.55	-2.7%	490,800	3.64
Liberty Kenya	11.65	-1.3%	76,400	6.77
Pan Africa Insurance	62.50	3.3%	62,300	8.60
Sector PE				5.94

Source: NSE

Investment sector PE dropped w-o-w to 8.74x

Investment Sector

The Investment sector closed the week at a PE of 8.74x compared to the previous week's PE 9.03x.

	Price	%ch w-o-w	Volume traded	PE (x)	NAVPS
Centum Investment	26.50	-3.6%	1,351,100	7.03	24.29
Trans-Century	30.00	-2.4%	155,100	18.07	44.05
Olympia Capital	4.25	1.2%	178,900	11.18	20.44
Sector PE & Av. NAVPS				8.74	29.59

Source: NSE

Manufacturing & Allied Sector

The Manufacturing and Allied sector closed the week at a PE of 34.63x as compared to the previous week's PE of 33.13x.

	Price	%ch w-o-w	Volume traded	PE (x)
B.A.T Kenya	575.00	1.2%	9,400	17.58
Eveready	2.55	-5.6%	93,300	N/M*
Mumias Sugar	3.65	-5.2%	1,557,600	N/M*
EABL	318.00	4.6%	969,100	36.05
Unga Group	16.75	3.4%	208,500	4.10
Sector PE				34.63

Source: NSE

EABL was the highest gainer in the sector w-o-w

EABL was the highest gainer in the manufacturing and allied sector w-o-w driven by heavy foreign demand coupled with relatively thin supply when compared to the high supply immediately after the FY2013 results announcement.

Telecommunication & Technology Sector

The Telecommunication and Technology sector closed the week at a PE of 18.98x compared to the previous week's PE of 18.18x.

	Price	%ch w-o-w	Volume traded	PE (x)
Safaricom	8.35	-1.8%	86,262,700	18.18

The week under review saw profit takers cash in on gains made on the counter during the previous weeks.

GEMS PE dropped to 15.12x

Growth Enterprise Market Segment

The Growth Enterprise Market Segment closed the week at a PE of 15.12x as compared to 18.17x the previous week.

	Price	%ch w-o-w	Volume traded	PE (x)
Home Afrika	6.20	-16.8%	1,398,400	15.12

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 5.75 billion out of a target of KES 9.0 billion.

T-bill auction under subscribed due to heavy demand for the infrastructure bond

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate
91 day T-bill	2.52 Bn	84.0%	2.52 Bn	9.109%
182 day T-bill	2.07 Bn	68.9%	2.07 Bn	9.670%
364 day T-bill	1.16 Bn	38.7%	1.16 Bn	10.308%

The week under review saw the 91 day 182 day and 364 day treasury bills rates continue its downward trajectory from a rate of 9.139%, 9.694% and 10.7413% respectively recorded during the previous week.

The Secondary Market

Current week Turnover (KES)	Previous week Turnover (KES)	Current week No. of Deals	Previous week No. of deals
3,941,750,000	5,776,450,000	78	82

	Average Traded Yield	Total Value (KES)	No. of Trades
FXD1/2012/5Yr	12.4000%	42,000,000	5
FXD1/2012/10Yr	12.4000%	57,400,000	1
FXD2/2013/15Yr	13.3300%	204,200,000	3

Infrastructure Bonds

	Average Traded Yield	Total Value (KES)	No. of Trades
IFB 1/2009/12Yr	11.7500%	363,900,000	5
IFB 2/2010/9Yr	10.9000%	20,000,000	1

Market Outlook

Counter	Recommendation	Comment
Equity Bank	Buy	Our target price of KES 43.82 provides a 29.8% upside from the current market price (KES 33.75). 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. The bank announced a 17.1% jump in Profit before Tax to KES 8.9 billion (1H2013) from KES 7.6 billion (1H2012).
KenGen	Buy	Our target price of KES 21.70 provides a 32.3% upside from the current market price (KES 16.40). KenGen has already begun harnessing the power potential in geothermal, hydro and wind that will boost their future revenues.
NIC Bank	Neutral	Our target price of KES 65.68 provides a 14.2% upside from the current market price (KES 57.50). 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	Long Term Buy	Our estimation of a forward Net Asset Value per Share of KES 32.47 provides a 18.1% upside from the current market price (KES 27.50). We project a 30.1% growth in Private Equity, 32.1% growth in Quoted Private Equity and 22.3% growth in Real Estate.
KCB	Neutral	Our target price of KES 47.25 provides a 5.0% upside from the current market price (KES 45.00). 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.
Kenya Power	Neutral	Our target price of KES 14.72 provides a 0.9% downside from the current market price (KES 14.85). A key cause for concern is the inefficiencies in the firm, especially in the system losses, which have remained relatively unchanged.
Barclays Bank	Neutral	Our target price of KES 17.02 provides a 0.2% downside from the current market price (KES 17.05). We observe that the momentum in loan book growth that had begun in 1Q2013 slowed down coming into 2Q2013.
National Bank	Neutral	Operating expenses remain high as evidenced by the relatively high cost/income ratio. However, we reckon that this provides some headroom for efficiency gains. We are yet to see a clear strategic direction aimed at boosting funded income.
Diamond Trust Bank	Neutral	Our target price of KES 173.65 gives a 0.4% upside from the current market price (KES 173.00). Given the release of their 1H2013 results we see the bank having more room to grow its loan book given the lower loan to deposit ratio coupled with the increased deposit mobilization witnessed in the 2Q2013.
CFC Stanbic	Neutral	The bank's strategy to grow non-interest income has paid off so far and we expect this trend to continue. A cause for concern is the marginal increase in loans and advances that was accompanied by a large increase of non-performing loans.
EABL	Neutral	We expect modest growth in the top-line to continue supported by continued investments. The counter has a relatively high PE as compared to the average sector PE.

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