

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) - 157.29	-2.0%	12.0%	USD Mn – 23,494 KES Bn – 2,355
	NSE 20 Share Index - 3,045.40	-0.5%	7.5%	USD Mn – 20,063 KES Bn – 2,011
	NSE 25 Share Index - 4,003.18	-1.6%	12.7%	USD Mn – 21,703 KES Bn – 2,176
UGANDA	UGSINDX – 1,869.38	1.3%	13.3%	USD Mn – 6,332 UGS Bn – 23,248
TANZANIA	DSEI – 2,139.21	-0.3%	4.8%	USD Mn – 9,029 TZS Bn – 20,620
RWANDA	RSEASI – 130.67	-0.1%	-0.4%	USD Mn – 3,322 RWF Bn – 2,937

Source: NSE, UGSE, DSE, RSE

KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –100.24	-0.1%	1.6%	4.7%(01/2019)	6.0%(3Q2018)
UGS/USD 3,671.61	-0.1%	1.2%	2.7%(01/2019)	6.4%(3Q17/18)
TZS/USD –2,283.79	-	-0.1%	3.0%(01/2019)	7.1%(FY2017)
RWF/USD – 884.24	-0.1%	-0.6%	1.0%(01/2019)	7.7%(3Q2018)

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

BAT Posts a 22.5% Growth in After Tax Profits for FY2018

British American Tobacco (BAT) Kenya registered a 22.5% y/y growth in after tax profits for FY2018 to KES 4.1 billion (FY2017: KES 3.3 billion). The rise in profits was mainly attributed to a 5.9% y/y rise in gross revenues to KES 36.5 billion steered by excise-led price increases (in Kenya and its export markets) and increased sales volumes of semi-processed tobacco (cut-rug). The company delivered strong performance despite a difficult operating environment in both the local and export markets. Sales volumes in Kenya were weighed down by reduced demand (owing to the excise led price increases) and increased competition from illicit trade, whose incidence rose to 14.1% in December 2018 from 12.4% in December 2017. Some of the challenges experienced in the export market include; the political tension and unrest in DRC Congo and Somalia, heightened regulations in Mauritius, Uganda and DRC and illicit trade in Uganda. Owing to the reduced sales volumes in Kenya, excise duty and value added tax eased marginally by 0.3% y/y to KES 15.7 billion. The net revenues increased by 11.1% y/y to KES 20.8 billion (FY2017: KES 18.6 billion). According to the company, the cost of operations expanded by 9.1% y/y to KES 14.5 billion, driven by higher cut rug sales volumes, portfolio investments, higher input costs (driven by inflation) and the full year impact of incremental cost of tax stamps. Despite the rise in operating expenses, BAT Kenya's operating profits edged up by 16.0% y/y to KES 6.2 billion. Consequently, the operating profit margin, rose by 130 bps to 30.0% due to the higher rise in net revenues compared to operating expenses. Finance costs eased by 31.6% y/y to KES 338.0 million as the company reduced its reliance on overdraft facilities, given the improvement in operating profits and working capital management. We note with concern on the rise in competitive pressure from other cigarette manufacturers (Philip Morris - a global tobacco firm is set to acquire a 51.0% stake in Mastermind) and illicit trade (especially in Kenya).

The Energy Regulatory Commission Lowers Fuel Prices

The Energy Regulatory Commission (ERC) has lowered the prices of diesel, super petrol and kerosene in its February fuel review by KES 6.28, KES 4.12 and KES 5.20 respectively. The price adjustment was necessitated by lower oil import prices owing to a dip in international crude oil prices and the appreciation of the Kenya Shilling (supported by robust Dollar inflows from diaspora remittances and investors targeting investments in Treasury securities). We expect the adjustment in fuel prices to translate into cheaper transport costs which should ultimately ease inflationary pressures in the next month. However, we note that as the Organization of the Petroleum Exporting Countries (OPEC) and its partners continue to implement supply cuts (in order to tighten the oil market), we expect international crude oil prices to adopt an upward trajectory, mounting pressure on inflation.

Stock Market Performance and Outlook Week 7

The overall market eased by 2.0% w/w, to close the week at 157.29 (NASI), characterized by a decrease in trading activities (volume and turnover). We attribute the decline in the market to profit taking activities on most counters as investors sought to take advantage of the recent market rally to book gains. Some of the counters with notable price declines include; KCB (-0.7% w/w), Safaricom (-1.3% w/w), Barclays (-0.4% w/w), Centum (-1.2% w/w) and EABL (-4.3% w/w). In the coming week, we expect the profit taking activities to persist albeit for a short period of time. We expect a rebound in demand predominantly owing to the anticipation of the release of FY2018 (particularly on banking counters).

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	43.45	16.0%	-0.3%	7,480,800	50.9%	6.76	6.9%	1.26	1.35	19.5%
Equity Bank	42.50	22.0%	0.5%	5,685,000	53.5%	8.50	4.7%	1.72	1.86	21.6%
NIC Bank	39.50	42.1%	3.3%	1,406,600	42.6%	6.10	2.5%	0.73	0.86	12.7%
Stanbic	94.25	3.9%	3.9%	12,500	57.2%	8.65	5.6%	0.87	0.88	10.4%
National Bank	5.68	6.8%	-5.0%	51,200	83.2%	4.68	0.0%	0.27	0.33	4.5%
Barclays Bank	11.80	7.8%	-3.7%	2,151,300	55.5%	9.25	8.5%	1.51	1.57	16.3%
Housing Finance	6.52	17.7%	-6.3%	104,300	78.9%	18.20	5.4%	0.20	0.23	1.1%
Co-operative Bank	15.55	8.7%	-2.8%	2,245,400	52.2%	8.00	5.1%	1.30	1.33	17.4%
Diamond Trust Bank	150.00	-4.2%	-0.7%	317,400	42.3%	6.50	1.7%	0.78	0.76	13.0%
Standard Chartered	204.25	5.0%	-1.1%	63,900	45.7%	10.15	8.3%	1.54	1.57	15.3%
I&M	95.50	12.4%	0.5%	25,600	36.8%	5.83	3.7%	0.84	1.07	15.6%
Sector Average					54.4%	8.42	4.8%	1.00	1.07	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	8.44	-5.2%	-6.0%	256,300	-10.42	0.0%	-0.81	N/M
Nation Media Group	68.00	-0.7%	4.2%	147,600	9.86	14.7%	6.9	19.1%
WPP Scangroup	12.80	-8.6%	-1.5%	10,500	11.43	3.9%	1.12	5.2%
Uchumi Supermarket	0.73	-8.8%	-9.9%	153,800	-0.16	0.0%	-4.6	N/M
Longhorn Publishers	5.14	11.5%	4.0%	129,900	10.49	7.4%	0.49	13.1%
Eveready	1.16	16.0%	3.6%	73,000	0.91	86.2%	1.27	-35.3%
Sector Average					3.68	5.2%		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	132.25	-0.2%	0.2%	9,200	29.13	3.0%	15.5%	6.4%
E.A. Portland Cement	15.50	-3.1%	3.3%	100	-0.95	0.0%	19.3%	25.0%
Sector Average					8.83	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	6.50	-7.4%	-4.7%	947,000	5.42	6.2%	1.20	4.2%
KenolKobil	21.90	15.0%	2.3%	11,018,400	13.11	2.7%	1.67	23.4%
Kenya Power	5.20	27.8%	2.0%	8,615,000	5.31	0.0%	0.98	10.8%
Total Kenya	31.65	15.1%	5.5%	23,100	7.28	4.1%	4.35	13.4%
Sector Average					7.78	3.0%		12.8%

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio
CIC Insurance	4.23	9.6%	-10.8%	603,000	1.45	23.50	65.0%	59.7%
Britam	9.50	-5.0%	-4.8%	470,800	0.91	39.58	61.6%	133.1%
Jubilee	425.00	5.0%	-3.3%	3,600	1.22	8.50	102.4%	142.2%
Kenya Re	14.30	2.5%	1.1%	1,772,100	0.37	2.80	55.5%	99.6%
Sanlam Kenya	23.60	7.3%	-8.7%	7,400	0.84	112.38	83.7%	68.6%
Liberty	12.00	-7.0%	6.2%	22,300	0.87	7.59	75.8%	77.4%
Sector Average					0.94	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	33.60	14.9%	-4.5%	710,700	8.01	0.44	73.2	4.20	5.6%
Home Afrika Ltd	0.64	-8.6%	-4.5%	227,100	-1.64	-6.22	0.85	-0.39	2.6%
Trans-Century	3.30	371.4%	-9.8%	3,900	-2.12	0.26	40.96	-1.56	4.7%
Sector Average					N/M	-1.84			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	15.05	3.4%	0.7%	250,600	18.13	2.0%	0.83	11.2%
Sector Average					18.13	2.0%		

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Mumias Sugar	0.66	13.8%	3.1%	1,298,900	-0.15	0.0%	-4.43	-69.4%
EABL	210.25	20.3%	-4.4%	1,585,800	29.24	3.6%	7.19	61.4%
FTG Holdings	2.30	-8.0%	-4.6%	195,700	2.71	0.0%	0.85	22.3%
Carbacid	10.05	0.5%	-0.5%	54,000	7.28	7.0%	1.38	14.6%
BAT	640.00	-11.7%	8.8%	692,800	19.18	4.1%	33.36	48.0%
Sector Average					11.65	2.9%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	26.10	17.6%	-2.8%	38,857,000	18.64	4.2%	1.40	47.8%
Sector Average					18.64	4.2%		

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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	10.05	-8.2%	0.5%	35,000	NA	NA	NA
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

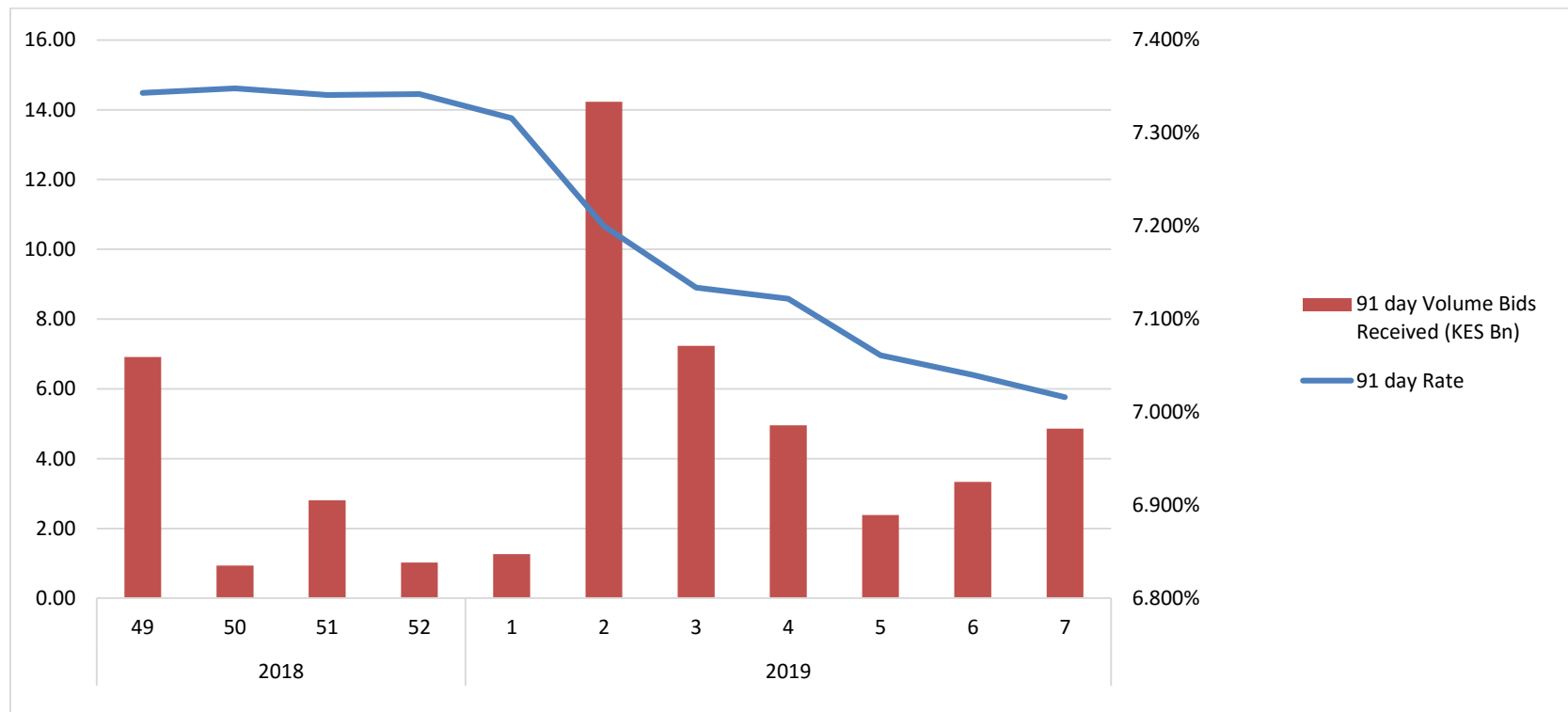
Market Statistics	This Week	Last Week	% Change
Total Volumes	89,291,900	176,305,200	-49.4%
Total Turnover (KES)	2,980,365,710	6,339,368,274	-53.0%

Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	4.86Bn	121.51%	4.86Bn	7.016%	7.040%	-0.024
182 day T-bill	11.71Bn	117.07%	9.69Bn	8.483%	8.567%	-0.084
364 day T-bill	17.09Bn	170.94%	16.05Bn	9.551%	9.644%	-0.093

Graph showing 91 day T-bill rate and volume

Week No. 7



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Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
BAT Kenya Plc	Final dividend	Kes.31.50	14-Feb-19	14-Mar-19	10-May-19
East African Breweries Ltd	Interim dividend	Kes.2.50	25-Jan-19	22-Feb-19	11-Apr-19
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
Longhorn Publishers Plc	Interim dividend	Kes.0.42	03-Sep-18	23-Nov-18	23-Feb-19

Market Recommendations

Counter	Recommendation	52-Week High	52-Week Low	YTD Change	Price as at 15th February 2019
KCB Group	Long-term Buy	55.00	34.00	16.4%	43.60
Equity Group Holdings	Long-term Buy	57.00	33.40	21.4%	42.30
Bamburi Cement	Hold	190.00	117.00	-0.4%	132.00
Safaricom	Hold	33.50	21.00	20.9%	26.85
EABL	Hold	270.00	160.00	25.9%	220.00
Jubilee Holdings	Buy	550.00	355.25	8.6%	439.50
Barclays Bank of Kenya	Hold	13.50	9.50	11.9%	12.25
Diamond Trust Bank	Hold	220.00	130.00	-3.5%	151.00
Cooperative Bank	Long-term Buy	20.00	12.65	11.9%	16.00
Kenol Kobil	Neutral	22.00	12.80	12.3%	21.40
KenGen	Long-term Buy	9.25	5.50	-2.8%	6.82
Britam Holdings	Hold	15.85	9.00	-0.2%	9.98
Centum	Long-term Buy	48.25	22.50	20.3%	35.20
NBK	Sell	9.65	4.05	12.4%	5.98
Mumias	Sell	1.10	0.50	10.3%	0.64

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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