

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) - 45.33	-5.2%	3.5%	USD Mn – 21,499 KES Bn – 2,174
	NSE 20 Share Index - 2,665.52	-3.3%	-5.9%	USD Mn – 18,716 KES Bn – 1,893
	NSE 25 Share Index - 3,527.52	-6.6%	-0.7%	USD Mn – 20,105 KES Bn – 2,033
NIGERIA	ASI- 28,8871.93	0.1%	-8.1%	USD Mn –41,514 NGN Bn – 12,717
*EGYPT	EGX100- 1,546.43	-2.1%	-10.5%	USD Mn – 32,158 EGP Bn – 548.2
SOUTH AFRICA	All share – 56,537.72	0.1%	7.2%	USD Mn – 944.909 ZAR Bn – 13,526

Source: NSE, JSE, NSE (Nigeria), *EGX-100 as of 16/05/2019

KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –101.12	0.0%	0.7%	6.6%(04/2019)	6.3%(FY2018)
NGN/USD-306.33	0.1%	0.1%	11.3%(03/2019)	2.4%(3Q2018)
*EGP/USD –17.05	0.5%	4.8%	13.0%(04/2019)	5.3%(3Q2018)
ZAR/USD – 14.31	-0.4%	-5.5%	4.5%(03/2019)	0.8%(FY2018)

Source: CBK, ZAR, CBN, KNBS, NBS, EGP

NIC Posts a 4.3% y/y Decline in After Tax Profits for 1Q2019

NIC Group registered a 4.3% y/y decline in after tax profits to KES 0.9 billion in 1Q2019 from KES 1.0 billion reported in 1Q2018. The performance was characterized by growth in net interest income and non-funded income but a surge in operating expenses. Total interest income grew by 1.3% y/y to KES 4.7 billion predominantly driven by an increase in interest income from government securities as the group's holding of government securities rose by 9.5% y/y to KES 60.8 billion. Yield on government securities dipped marginally by 40bps to 11.3%. Interest income on loans and advances declined by 1.6% y/y to KES 3.0 billion despite a 2.1% y/y rise in loans and advances to customers (net) to KES 118.3 billion. Yield on loans dipped by 20bps to 10.1%.

Total interest expenses declined by 7.9% y/y to KES 2.0 billion. This was mainly due to a 8.1% y/y drop in customer deposit interest expenses despite customer deposits growing by 5.0% y/y to KES 151.1 billion. Cost of funds dropped by 50bps to 4.7% while cost of deposits fell by 60bps to 4.4%. Consequently, net interest income edged up by 9.4% y/y to KES 2.7 billion. Net interest margin (Net interest income/Average Interest earning assets) increased by 50bps to 5.9% due to the faster growth in net interest income compared to interest earning assets (+2.7% y/y to KES 184.3 billion).

Non-funded income rose by 7.2% y/y to KES 1.1 billion due to a 10.1% y/y increase in fees and commissions on loans and advances and a 17.5% growth in other income to KES 0.2 billion. Non-funded to total income however declined by 50bps owing to a faster growth in total income (on back of higher growth in funded/net interest income compared to non-funded income). Operating expenses (excluding provisions) edged up by 15.2% to KES 1.8 billion primarily driven by a 11.5% y/y increase in staff costs to KES 0.9 billion. This also led to a 260bps increase in the Cost/Income ratio (excl. provisions) to 47.6%. Loan loss

provisions surged by 21.4% y/y KES 0.7 billion as gross non-performing loans increased by 9.4% y/y to KES 17.4 billion. Consequently, asset quality deteriorated as NPLs ratio (based on net loans) grew by 100bps to KES 14.7%.

The group is likely to benefit from growth and cost synergies in the medium to long term arising from the merger with CBA Group. We also expect the group to benefit from better risk management in the credit process.

Fuel Prices Increase in May Review

The Energy Regulatory Commission (ERC), in its May fuel price review, increased the prices of super petrol, diesel and kerosene by KES 5.43, KES 2.24 and KES 2.40 per litre respectively bringing the prices to KES 112.03 for a litre of petrol, KES 104.37 for a litre of diesel and KES 104.62 for a litre of kerosene in Nairobi. This represents the third consecutive upward revision in fuel prices. The ERC attributed the upward adjustment in prices to increased landing costs of the petroleum products (on the back of rising international crude oil prices) and the depreciation of the Kenya Shilling. The prices of crude oil have been on an upward trend due to production costs by OPEC and OPEC+ member countries and sanctions by the US on Iran and Venezuela. We expect the increase in fuel prices coupled with the expectation of reduced agricultural output (owing to depressed rainfall over the long rain season) to increase inflationary pressures.

Stock Market Performance and Outlook

The overall market eased by 5.2% w/w to close the week at KES 145.33 (NASI) characterized by an increase in trading activity. We attribute the decline in the overall market index to increased selling pressure. Some of the notable declines were on; Equity (-7.0% w/w), KCB (-10.4% w/w) and Safaricom (-4.7% w/w). As mentioned in the previous week, macroeconomic concerns both domestically (economic shocks due to the uncertain weather patterns) and internationally (US-China trade war) dampened investor demand for riskier asset classes like equities. However, foreign demand has been rising on some counters, these include; KCB, Safaricom, Equity and EABL. We therefore expect relative price stability on the aforementioned counters in the coming week. We reiterate that investors should accumulate fundamentally sound counters (see our market recommendations report [here](#)) but should do so cautiously.

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)	ROE
KCB	36.30	-3.1%	-10.4%	7,422,700	48.7%	4.64	9.6%	0.98	21.9%
Equity Bank	36.40	4.4%	-7.0%	28,329,800	52.2%	6.93	5.5%	1.45	21.1%
NIC Bank	31.60	13.7%	2.1%	566,700	46.3%	4.78	4.0%	0.57	12.1%
Stanbic	97.50	7.4%	-4.4%	110,200	50.2%	6.14	5.9%	0.86	14.3%
National Bank	3.94	-25.9%	-10.9%	95,500	92.0%	190.48	0.0%	0.19	0.1%
Barclays Bank	10.50	-4.1%	-1.4%	7,552,400	54.2%	7.69	10.5%	1.29	17.1%
Housing Finance	4.40	-20.6%	1.6%	190,100	107.7%	N/M	0.0%	0.15	-5.5%
Co-operative Bank	11.90	-16.8%	-4.8%	2,190,500	54.6%	5.48	8.4%	1.00	18.2%
Diamond Trust Bank	121.00	-22.7%	-0.8%	78,700	45.2%	4.78	2.1%	0.63	13.9%
Standard Chartered	181.25	-6.8%	-6.0%	21,900	51.8%	7.69	10.5%	1.33	17.5%
I&M*	60.00	-29.4%	-49.5%	45,600	36.6%	2.92	6.5%	0.52	17.9%
Sector Average					58.1%	24.15	5.7%	0.82	13.5%

*Bonus issue (1:1) issued which contributed to the drastic change in price

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	3.24	-63.6%	-13.6%	425,600	N/M	0.0%	-1.3	N/M
Nation Media Group	54.75	-20.1%	-3.9%	107,700	7.93	18.3%	6.9	13.2%
WPP Scangroup	12.40	-11.4%	-29.1%	89,800	11.07	4.0%	1.12	7.1%
Uchumi Supermarket	0.38	-52.5%	31.0%	85,500	N/M	0.0%	-4.6	N/M
Longhorn Publishers	6.30	36.7%	-5.7%	159,200	12.86	6.0%	0.49	13.1%
Eveready	0.96	-4.0%	1.1%	18,000	0.76	104.2%	1.27	-35.3%
Sector Average					8.15	5.7%		-0.5%

*N/M - Not Meaningful

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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	N/M	0.0%	-21.9%	-12.5%
Bamburi Cement	117.75	-11.1%	-0.2%	12,500	48.06	4.3%	1.6%	0.5%
E.A. Portland Cement	16.80	5.0%	0.0%	200	N/M	0.0%	19.3%	25.0%
Sector Average					48.06	1.4%		4.3%

*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	6.00	-14.5%	-2.6%	1,561,600	5.00	6.7%	1.20	4.2%
Kenya Power	3.71	-8.8%	-5.6%	1,559,400	3.79	0.0%	0.98	3.0%
Total Kenya	27.95	1.6%	-0.2%	30,600	7.62	4.7%	3.67	10.5%
Sector Average					5.47	3.3%		3.6%

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio
CIC Insurance	3.75	-2.8%	4.5%	527,100	1.24	20.83	64.9%	49.0%
Britam	8.50	-15.0%	-5.6%	5,886,000	0.77	35.42	67.6%	134.8%
Jubilee	406.50	0.4%	-0.9%	11,300	1.13	7.74	92.0%	138.2%
Kenya Re	14.65	5.0%	33.8%	1,992,400	0.36	2.87	62.2%	106.7%
Sanlam Kenya	18.90	-14.1%	0.0%	5,600	2.05	90.00	95.4%	149.7%
Liberty	9.40	-27.1%	-1.3%	87,400	0.68	5.95	66.5%	66.5%
Sector Average					0.88	9.57	74.7%	107.5%

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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	31.85	8.9%	0.5%	539,500	7.59	0.42	73.2	4.20	5.6%
Home Afrika Ltd	0.61	-12.9%	3.4%	356,300	N/M	N/M	0.85	-0.39	2.6%
Trans-Century	3.01	330.0%	-9.3%	5,100	N/M	0.24	40.96	-1.56	4.7%
Sector Average					N/M	0.33			4.3%

Investment Services	Price (KES)	YTD Change	%w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
NSE	13.00	-10.7%	0.4%	294,300	17.81	3.8%	0.73	9.3%
Sector Average					17.81	3.8%		

Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Mumias Sugar	0.36	-37.9%	16.1%	1,226,900	N/M	0.0%	-4.43	-69.4%
EABL	207.00	18.5%	-0.8%	993,200	28.79	3.6%	7.19	61.4%
FTG Holdings	2.50	0.0%	0.4%	9,500	2.94	0.0%	0.85	22.3%
Carbacid	8.24	-17.6%	-8.8%	679,700	5.97	8.5%	1.38	14.6%
BAT	510.00	-29.7%	-3.8%	493,200	15.29	5.1%	33.36	48.0%
Sector Average					13.25	3.4%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	26.15	17.8%	-4.7%	45,357,200	16.55	7.2%	1.58	44.1%
Sector Average					16.55	7.2%		

Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
STANLIB FAHARI I-REIT	7.70	-29.7%	-8.6%	640,800	10.85	9.74%	0.71
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

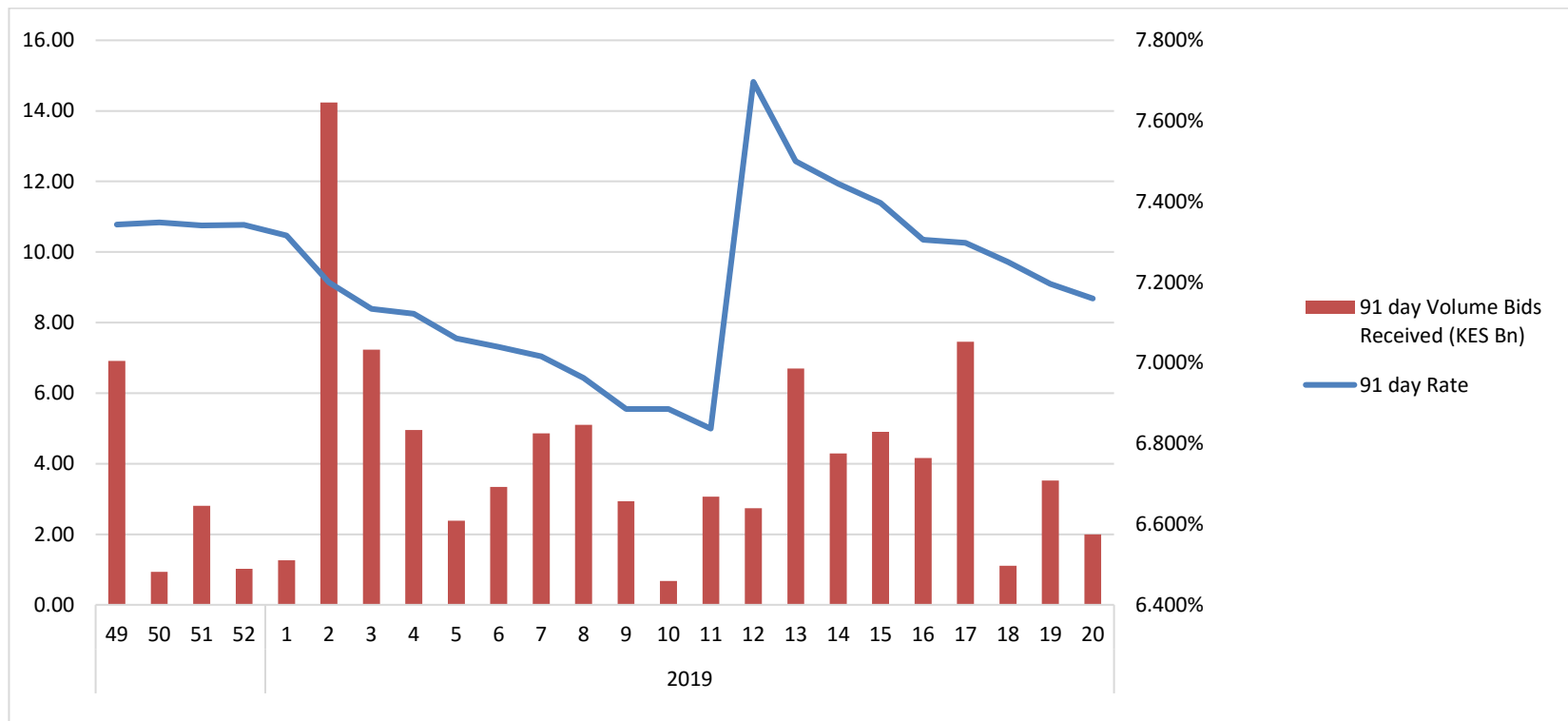
Market Statistics	This Week	Last Week	% Change
Total Volumes	109,320,900	65,351,800	67.3%
Total Turnover (KES)	6,392,292,751	1,856,452,323	244.3%

Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	1.99Bn	49.83%	1.99Bn	7.160%	7.196%	-0.036
182 day T-bill	0.80Bn	7.96%	0.80Bn	7.814%	7.897%	-0.083
364 day T-bill	19.30Bn	192.98%	13.77Bn	9.312%	9.316%	-0.004

Graph showing 91 day T-bill rate and volume

Week No. 20



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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
Limuru Tea Company Plc	First & Final dividend	Kes.1.00	25-Mar-19	12-Apr-19	03-Jun-19
Equity Group Holdings Plc	First & Final dividend	Kes.2.00	27-Mar-19	26-Apr-19	31-May-19
Standard Chartered Bank Kenya	Final dividend	Kes.14.00	22-Mar-2019	26-Apr-19	23-May-19
BOC Kenya Plc	Final dividend	Kes.2.85	09-Mar-19	29-Apr-19	26-Jul-19
Co-operative Bank of Kenya	First & Final dividend	Kes.1.00	21-Mar-19	29-Apr-19	07-Jun-19
KCB Group PLC	Final dividend	Kes.2.50	06-Mar-19	29-Apr-19	Subject to Approval
CIC Insurance Group Plc	First & Final dividend	Kes.0.13	11-Mar-19	30-Apr-19	31-May-19
Barclays Bank of Kenya Ltd	Final dividend	Kes.0.90	11-Mar-19	30-Apr-19	29-May-19
Kakuzi Plc	First & Final dividend	Kes.9.00	29-Mar-19	01-May-19	30-Jun-19
WPP Scangroup Plc	Final dividend	Kes.1.00	11-Apr-19	10-May-19	10-Jun-19
WPP Scangroup Plc	Special dividend	Kes.3.00	11-Apr-19	10-May-19	10-Jun-19
I&M Holdings Plc	Bonus Issue	Bonus Issue of 1:1	27-Mar-19	10-May-19	23-May-19
Stanbic Holdings PLC	Final dividend	Kes.3.55	01-Mar-19	10-May-19	Subject to Approval
Bamburi Cement Ltd	Final dividend	Kes.4.10	15-Apr-19	17-May-19	12-Jul-19
Diamond Trust Bank Ltd	First & Final dividend	Kes.2.60	01-Mar-19	24-May-19	26-Jun-19
Nairobi Securities Exchange	First & Final dividend	Kes.0.49	22-Mar-19	30-May-19	30-Jul-19
Liberty Kenya Holdings PLC	First & Final dividend	Kes. 0.50	17-May-19	07-Jun-19	Subject to Approval
Nation Media Group Ltd	Final dividend	Kes.3.50	18-Apr-2019	14-Jun-19	30-Jul-19
Kenya Reinsurance Corporation Ltd	Bonus Issue	Bonus Issue of 3:1	13-May-19	14-Jun-19	Subject to Approval
Kenya Reinsurance Corporation Ltd	First & Final dividend	Kes.0.45	29-Mar-19	17-Jun-19	26-Jul-19
Jubilee Holdings Ltd	Final dividend	Kes.8.00	26-Apr-19	25-Jun-19	25-Jul-19
TPS Eastern Africa Ltd	Final dividend	Kes.0.35	26-Apr-2019	25-Jun-19	25-Jul-19
Umeme Ltd	Final dividend	Ushs.28.20	25-Mar-19	25-Jun-19	15-Jul-19
Total Kenya Plc	First & Final dividend	Kes.1.30	28-Mar-19	26-Jun-19	22-Jul-19
Crown Paints Kenya PLC	Final Dividend	Kes. 0.60	13-May-19	28-Jun-19	Subject to Approval
Standard Group Plc	First & Final dividend	Kes.0.60	18-Mar-19	Subject to Approval	Subject to Approval
Safaricom Plc	Special dividend	Kes.0.62	03-May-19	(Subject to Approval)	(Subject to Approval)
Safaricom Plc	First & Final dividend	Kes.1.25	03-May-19	(Subject to Approval)	(Subject to Approval)

Market Recommendations

Counter	Recommendation	52-Week High	52-Week Low	YTD Change	Price as at 17th May 2019
KCB Group	Long-term Buy	52.00	34.00	-3.10%	36.30
Equity Group Holdings	Long-term Buy	53.50	32.50	4.40%	36.40
Cooperative Bank	Long-term Buy	20.00	11.70	-16.80%	11.90
I&M	Hold	115.25	40.50	-29.40%	60.00
Barclays Bank of Kenya	Hold	12.75	9.50	-4.10%	10.50
Diamond Trust Bank	Hold	205.00	109.00	-22.70%	121.00
NBK	Hold	7.45	3.75	-25.90%	3.94
Jubilee Holdings	Buy	535.00	355.25	0.40%	406.50
Bamburi Cement	Hold	190.00	112.50	-11.10%	117.75
Safaricom	Under Review	30.50	21.00	17.80%	26.15
EABL	Hold	249.00	160.00	18.50%	207
KenGen	Trading	8.05	5.10	-14.50%	6.00
Mumias	Sell	0.90	0.29	-37.90%	0.36
Centum	Long-term Buy	40.25	22.50	8.90%	31.85

For more detailed information on the following recommendations, please click [here](#):

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