

## Kenya Shilling Performance

| KES       | Value    | Daily Change % | YTD Change % |
|-----------|----------|----------------|--------------|
| US Dollar | 107.7191 | 0.1%           | (6.3%)       |
| STG Pound | 138.5803 | (0.8%)         | (4.2%)       |
| EURO      | 126.3644 | (1.0%)         | (11.5%)      |

Source: CBK; Negative () = Depreciation, Positive = Appreciation

## Market Summary

| Index  | Value    | Daily Change % | YTD Change % |
|--------|----------|----------------|--------------|
| NASI   | 134.80   | (1.9%)         | (19.0%)      |
| NSE 20 | 1,879.34 | 0.3%           | (29.2%)      |
| NSE 25 | 3,111.87 | (1.0%)         | (24.1%)      |

|                                | Today       | Previous    | Daily Change % |
|--------------------------------|-------------|-------------|----------------|
| Market Capitalization (KES Bn) | 2,060.09    | 2,099.59    | (1.9%)         |
| Number of Shares Traded (Q)    | 12,874,800  | 16,482,100  | (21.9%)        |
| Equity Turnover (KES)          | 327,173,203 | 524,177,295 | (37.6%)        |
| Foreign Buys (%)               | 28.0%       | 80.3%       |                |
| Foreign Sells (%)              | 56.6%       | 55.5%       |                |
| Foreign Participation (%)      | 42.3%       | 67.9%       |                |

Source: NSE

## Equities Performance

| Top Gainers         | Price (KES) | Daily Change % | YTD Change | Volume Traded |
|---------------------|-------------|----------------|------------|---------------|
| 1. Home Afrika      | 0.48        | 9.1%           | (20.0%)    | 8,300         |
| 2. Bamburi          | 27.90       | 7.3%           | (65.1%)    | 3,200         |
| 3. Absa Bank        | 9.36        | 3.8%           | (29.9%)    | 294,600       |
| 4. Stanbic Holdings | 83.00       | 3.8%           | (24.0%)    | 300           |
| 5. BK Group         | 17.25       | 3.3%           | (38.4%)    | 1,200         |

| Top Losers        | Price (KES) | Daily Change | YTD Change % | Volume Traded |
|-------------------|-------------|--------------|--------------|---------------|
| 1. Sanlam         | 13.00       | (7.1%)       | (24.4%)      | 800           |
| 2. Trans-Century  | 1.83        | (4.7%)       | (26.8%)      | 40,300        |
| 3. Standard Group | 22.00       | (4.3%)       | (20.1%)      | 2,000         |
| 4. Total Kenya    | 22.90       | (4.2%)       | (16.7%)      | 70,100        |
| 5. Britam         | 6.52        | (4.1%)       | (27.6%)      | 51,500        |

| Movers          | Turnover (KES) | Volume (KES) | Price (KES) |
|-----------------|----------------|--------------|-------------|
| 1. Safaricom    | 85,887,670     | 3,034,900    | 28.30       |
| 2. I&M Holdings | 85,351,000     | 1,918,000    | 44.50       |
| 3. KCB Group    | 66,631,080     | 1,909,200    | 34.90       |
| 4. Equity Group | 37,235,720     | 1,142,200    | 32.60       |
| 5. EABL         | 17,098,700     | 104,900      | 163.00      |

Source: NSE

## Market Commentary

The All Share Index retreated by 1.9% to close at 134.80. We attribute this mainly to a price decline on Safaricom (-2.5% to KES 28.30) driven by profit taking activities. The NSE 20 share Index however gained by 0.3% to close at 1,879.34. The banking sector saw a rebound in activity (61.6% of the days traded value) with notable price movements on I&M (-3.9% to KES 44.50), Absa Kenya (+3.8% to KES 9.36), Equity (+0.3% to KES 32.60) and KCB (+0.1% to KES 34.90). Bamburi emerged among the day's top gainers (+7.3% to KES 27.90) on the back of foreign buy-side activity. Overall, foreign investors were net sellers accounting for 56.6% of the day's total sales against 28.0% of total purchases. Local participation increased to 57.7% from 32.0% in the previous trading session.

## Recommendations

| Counter          | Recommendation | Price (KES) | Daily Change % | YTD Change % |
|------------------|----------------|-------------|----------------|--------------|
| KCB Group        | Long-term Buy  | 34.90       | 0.1%           | (35.4%)      |
| Equity Group     | Long-term Buy  | 32.60       | 0.3%           | (39.1%)      |
| Absa Kenya       | Long-term Buy  | 9.36        | 3.8%           | (29.9%)      |
| Stanbic Holdings | Long-term Buy  | 83.00       | 3.8%           | (24.0%)      |
| NCBA             | Long-term Buy  | 25.45       | (0.6%)         | (30.9%)      |
| StanChart        | Sell           | 155.50      | 1.0%           | (23.2%)      |
| Safaricom        | Hold           | 28.30       | (3.6%)         | (10.2%)      |
| HF               | Sell           | 3.75        | (0.5%)         | (42.0%)      |
| Bamburi          | Sell           | 27.90       | 7.3%           | (65.1%)      |

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

## Bonds Performance

|               | Today         | Previous      | Daily Change % |
|---------------|---------------|---------------|----------------|
| Total Deals   | 113           | 74            | 52.7%          |
| Bond Turnover | 6,235,597,676 | 1,420,149,633 | 339.1%         |

## Actively Traded Bonds

| GOK Bonds    | Fixed Rate % | Traded Yield % | Value Traded (Mn) | DTM   |
|--------------|--------------|----------------|-------------------|-------|
| FXD2/2019/15 | 12.7340      | 12.2000        | 550.0             | 5,018 |
| FXD1/2019/15 | 12.8570      | 12.0000        | 500.0             | 4,913 |
| FXD1/2019/10 | 12.4380      | 11.5000        | 500.0             | 3,121 |

Source: NSE; DTM = Days to Maturity

## News Highlights

### Kenya Power Re-Engages EPRA to Increase Electricity Tariffs

- According to the Business Daily, Kenya Power's management has re-engaged the Energy and Petroleum Regulatory Authority (EPRA) with the hope that the regulator will review an application it made last year seeking to increase electricity tariffs.
- Kenya Power's proposed price increases are shown in the table below:

| Consumption Categories    | Consumption Charge (KES/KWh per month) |               |          |
|---------------------------|--|---------------|----------|
|                           | Current rate                           | Proposed rate | Change % |
| < 100 kilowatts per month | 10.00                                  | 12.50         | 25.0%    |
| > 100 kilowatts per month | 15.80                                  | 19.53         | 23.6%    |

- EPRA had initially rejected the application but, according to reports, is now reconsidering its earlier stance against the increase in electricity tariffs.
- The change of stance is said to have been motivated by the fact that the regulator acknowledges that Kenya Power requires an increase in revenues (especially given the reduction in revenues brought on by the COVID-19 pandemic) in order to sufficiently meet the costs associated with:
  - buying wholesale electricity
  - distributing electricity and
  - maintaining the electricity distribution infrastructure
- Kenya Power is also motivated by the fact that the relief in electricity tariffs introduced by an Executive Order to spare consumers from high tariffs (which led to the current rates) lapsed in July 2019.

- Furthermore, given that Kenya Power's customers have increased from 5.0 million customers (around the time the current tariffs were introduced) to c. 7.4 million presently, Kenya Power has a strong case for an increase in tariffs to meet the higher costs associated with serving a larger customer base.
- In the last few years, Kenya Power has been struggling with deteriorating profitability (earnings declined from KES 5.3 billion in FY2017 to KES 262.0 million in FY2019) and has issued three consecutive profit warnings. In 2020, the company's financial performance is anticipated to worsen owing to:
  - i. slow growth in electricity sales -- hindered by COVID-19 control measures and
  - ii. higher finance costs

### **Commentary**

- In as much as an increase in electricity tariffs would provide Kenya Power with a boost in electricity revenues, it would significantly hurt the domestic, small commercial and commercial & industrial consumers and this would have the effect of increasing the cost of living and doing business.



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### Recommendations Guide

**LONG-TERM BUY:** The Company has strong fundamentals. However, there are certain investments or strategies that would require an investor to have a long-term view of the company to allow for capital appreciation. Also, the company may be facing headwinds which we view as short term

**BUY:** Strong fundamentals. Minimal risks to the catalysts/growth drivers

**NEUTRAL:** This is where the positives and negatives in a company almost balance out. You can accumulate for the long term.

**SELL:** Deteriorating fundamentals. Risks outweigh the catalyst/growth driver

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