

Kenya Shilling Performance

KES	Value	Daily Change %	YTD Change %
US Dollar	107.9459	(0.0%)	(6.5%)
STG Pound	141.7159	(0.9%)	(6.6%)
EURO	127.8947	(0.9%)	(12.8%)

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

Market Summary

Index	Value	Daily Change %	YTD Change %
NASI	129.59	2.0%	(22.1%)
NSE 20	1,759.28	(0.2%)	(33.7%)
NSE 25	2,968.11	0.4%	(27.6%)

	Today	Previous	Daily Change %
Market Capitalization (KES Bn)	1,989.16	1,945.88	2.2%
Number of Shares Traded (Q)	9,593,300	38,557,900	(75.1%)
Equity Turnover (KES)	208,618,120	676,175,944	(69.1%)
Foreign Buys (%)	56.1%	82.4%	
Foreign Sells (%)	47.1%	78.8%	
Foreign Participation (%)	51.6%	80.6%	

Source: NSE

Equities Performance

Top Gainers	Price (KES)	Daily Change %	YTD Change	Volume Traded
1. DTB	69.00	6.6%	(36.7%)	6,600
2. Olympia Capital	2.35	4.9%	16.9%	1,000
3. Safaricom	27.40	4.8%	(13.0%)	2,125,400
4. HF Group	3.82	4.7%	(40.9%)	2,800
5. Kenya Re	2.29	4.1%	(24.4%)	35,200

Top Losers	Price (KES)	Daily Change	YTD Change %	Volume Traded
1. E.A.Cables	2.03	(9.0%)	(18.8%)	700
2. Flame Tree	1.38	(8.0%)	(44.1%)	16,600
3. NMG	9.24	(7.6%)	(76.8%)	484,900
4. FAHARI I-REIT.	5.54	(6.7%)	(41.2%)	266,400
5. Stanbic	73.75	(6.6%)	(32.5%)	200

Movers	Turnover (KES)	Volume (KES)	Price (KES)
1. Equity Group	88,142,850	2,943,000	29.95
2. Safaricom	58,235,960	2,125,400	27.40
3. KCB Group	17,925,780	536,700	33.40
4. Absa Bank	10,667,808	1,234,700	8.64
5. EABL	8,029,000	51,800	155.00

Source: NSE

Market Commentary

The All Share Index gained by 2.0% to close the day at 129.59 mainly attributed to Safaricom gaining by 4.8% to KES 27.40 with investors taking advantage of the price decline in the recent trading sessions. The NSE 20 share Index however eased by 0.2% to close the day 1,759.28 as majority of the constituent counters posted price declines. During today's trading session, notable declines were recorded on Nation Media Group (-7.6% to KES 9.24), Stanbic (-6.6% to KES 73.75), Equity (-4.5% to KES 29.95) and Absa Kenya (-4.0% to KES 8.64). Equity turnover declined by 69.1% to KES 208.6 million as the number of shares traded declined by 75.1% to 9.6 million. Overall, trading activity was relatively more balanced in today's session with foreign and local investor participation at 51.5% and 49.5% respectively.

Recommendations

Counter	Recommendation	Price (KES)	Daily Change %	YTD Change %
KCB Group	Long-term Buy	33.40	(1.2%)	(38.1%)
Equity Group	Long-term Buy	29.95	(4.5%)	(44.0%)
Absa Kenya	Long-term Buy	8.64	(4.0%)	(35.3%)
Stanbic Holdings	Long-term Buy	73.75	(6.6%)	(32.5%)
NCBA	Long-term Buy	23.65	0.6%	(35.8%)
StanChart	Sell	147.25	(3.0%)	(27.3%)
Safaricom	Hold	27.40	4.8%	(13.0%)
HF	Sell	3.82	4.7%	(40.9%)
Bamburi	Sell	25.25	(1.2%)	(68.4%)

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

Bonds Performance

	Today	Previous	Daily Change %
Total Deals	96	94	2.1%
Bond Turnover	1,950,093,454	1,527,512,487	27.7%

Actively Traded Bonds

GOK Bonds	Coupon Rate %	Traded Yield %	Value Traded (Mn)	DTM
IFB1/2018/20Yr	11.9500	11.5671	300.2	6,654
FXD3/2019/15Yr	12.3400	12.1000	250.0	5,086
FXD1/2012/15Yr	11.0000	10.9400	224.6	2,587

Source: NSE; DTM = Days to Maturity, FXD = Fixed Rate Bond, IFB = Infrastructure Bond

News Highlights

Kenya Power Receives External Debt Relief

- Kenya Power has obtained external debt relief from 14 foreign-based lenders.
- According to management, the company received a one year moratorium on the foreign loans and is currently engaging local banks to reschedule its debt.
- The government assisted Kenya Power in negotiating for the moratorium on the loans, which also has the possibility of being extended past one year.
- Kenya Power is also engaging a financier to take on board commercial debt of about KES 60.0 billion so as to extend the loan repayment period.
- Furthermore, the company is in talks with 5 commercial lenders to restructure its most significant debt to medium term loans (KES 68.3 billion as at June 2018). This is expected to help with the challenge of limited liquidity.
- The company is looking to slow down on capital intensive projects, especially those with minimal returns. From 2016 till date Kenya Power has invested over KES 196.0 billion in putting up sub-stations and power lines. In the current financial year, the company is looking to reduce spending by about KES 5.0 billion.
- Management stated that almost 67.0% - 70.0% of income collected by the company is paid out to power generators with about 30.0% remaining for operations and maintenance leaving the company in a negative position almost monthly.
- The company issued a profit warning (the third in a row) due to reduced electricity consumption arising from Covid-19 control measures and the growing cost of buying wholesale power from firms such as KenGen.

- According to the company, a government bailout would not be successful until the fundamental issues are addressed such as tariffs and demand. Kenya Power's management recently 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.
- The company is keen on diversification through its fibre business and is currently undertaking restructuring efforts in order to enhance efficiency. As part of this restructuring, Kenya Power recently reorganized its board of directors.

Commentary

- We expect the interest expenses saved by the company as a result of the moratorium and the debt restructuring efforts (if successful) to help buoy its financial performance going forward.
- The restructuring is a huge undertaking but the efforts put in so far at improving its corporate governance are a step in the right direction.



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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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