

Kenya Shilling Performance

KES	Value	Daily Change %	YTD Change %
US Dollar	106.4853	0.0%	(5.1%)
STG Pound	134.6179	(0.8%)	(1.3%)
EURO	120.3221	(0.4%)	(6.1%)

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

Market Summary

Index	Value	Daily Change %	YTD Change %
NASI	144.90	0.1%	(12.9%)
NSE 20	2,004.36	(1.0%)	(24.5%)
NSE 25	3,340.23	0.4%	(18.5%)

	Today	Previous	Daily Change %
Market Capitalization (KES Bn)	2,214.97	2,212.44	0.1%
Number of Shares Traded (Q)	16,928,800	16,804,700	0.7%
Equity Turnover (KES)	414,709,269	473,645,949	(12.4%)
Foreign Buys (%)	73.0%	66.8%	
Foreign Sells (%)	49.6%	59.0%	
Foreign Participation (%)	61.3%	62.9%	

Source: NSE

Equities Performance

Top Gainers	Price (KES)	Daily Change %	YTD Change	Volume Traded
1 Car & General	22.70	9.9%	(12.7%)	500
2 Home Afrika	0.49	8.9%	(18.3%)	230,400
3 Olympia Capital	2.45	7.5%	21.9%	100
4 Sameer Africa	3.40	4.6%	(1.4%)	10,000
5 TPS EA	16.15	4.2%	(8.0%)	700

Top Losers	Price (KES)	Daily Change	YTD Change %	Volume Traded
1. Britam	8.70	(9.6%)	(3.3%)	21,100
2. Williamson Tea	121.00	(8.3%)	(13.3%)	8,200
3. Kenya Power	2.01	(7.8%)	(28.5%)	1,529,000
4. DTB	69.00	(6.8%)	(36.7%)	69,500
5. Eveready	1.02	(5.6%)	(7.3%)	12,000

Movers	Turnover (KES)	Volume (KES)	Price (KES)
1. Safaricom	168,510,370	5,444,600	30.95
2. EABL	85,428,450	497,400	171.75
3. Equity Group	57,101,475	1,619,900	35.25
4. Absa Bank	39,500,240	3,998,000	9.88
5. KCB Group	27,417,600	761,600	36.00

Source: NSE

Market Commentary

The All Share Index gained marginally by 0.1% to close the day at 144.90. The NSE 20 Index however retreated by 1.0% to close the day at 2,004.36 while the market turnover declined by 12.4% to KES 414.7 million. Britam was the top loser of the day, declining by 9.6% similar to the previous trading session, to close the day at KES 8.70 (continued profit taking activity). Overall, foreign investors were net-buyers, at 72.9% compared to 49.7% of the day's net sales.

Recommendations

Counter	Recommendation	Price (KES)	Daily Change %	YTD Change %
KCB Group	Long-term Buy	36.00	0.1%	(33.3%)
Equity Group	Long-term Buy	35.25	0.9%	(34.1%)
Absa Kenya	Long-term Buy	9.88	0.2%	(26.0%)
Stanbic Holdings	Long-term Buy	81.25	0.0%	(25.6%)
NCBA	Long-term Buy	28.00	1.8%	(24.0%)
StanChart	Sell	168.00	(0.3%)	(17.0%)
Safaricom	Hold	30.95	0.0%	(1.7%)
HF	Sell	3.93	(1.5%)	(39.2%)
Bamburi	Sell	37.30	(1.8%)	(53.4%)

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

Bonds Performance

	Today	Previous	Daily Change %
Total Deals	106	142	(25.4%)
Bond Turnover	1,293,177,207	3,048,617,043	(57.6%)

Actively Traded Bonds

GOK Bonds	Fixed Rate %	Traded Yield %	Value Traded (Mn)	DTM
FXD2/2018/10	12.5020	12.2000	300.0	3,092
FXD1/2019/15	12.8570	12.6000	200.0	4,954
FXD1/2019/5	11.3040	11.0500	200.0	1,342

Source: NSE; DTM = Days to Maturity

News Highlights

Kenya Power Issues Profit Warning

- Kenya Power has announced a profit warning for the FY2020 which ends on June 30th 2020 -- effectively indicating that it expects earnings for the current financial year to be lower than the earnings reported in the previous financial year.
- According to the Capital Markets Regulations, listed companies are required to issue profit warnings when they expect projected earnings for the current financial year to be at least 25.0% lower than the earnings realized in the preceding financial year. This implies Kenya Power expects earnings for FY2020 to be at least 25.0% lower in comparison to the after tax profit of KES 262.0 million recorded in FY2019.
- Kenya Power expects earnings to be negatively affected by:
 - slow growth in electricity sales -- hampered by the COVID-19 control measures (which have resulted in reduced consumption by industrial and commercial users, who account for c. 70.0% of electricity sales) and
 - higher finance costs
- In order to enhance financial performance, the company plans to focus on:
 - enhancing operational efficiency
 - growing sales
 - reducing system losses
 - managing costs

Commentary

- The anticipated earnings decline comes as no surprise as we expect most companies to struggle this calendar year particularly due to the debilitating impact of COVID-19 and its ensuing measures.
 - However, prior to the COVID-19 pandemic, Kenya Power's earnings had been on a downward trajectory declining from KES 5.3 billion in FY2017 to KES 262.0 million in FY2019.
 - This has been historically attributed to:
 - i. increasing finance costs due to rising debt burden
 - ii. poor hydrological conditions
 - iii. depressed economic environment
 - iv. unstable political environment (FY2019)
 - v. increase in distribution and transmission costs
 - Thus, due to the aforementioned reasons as well as the impact of COVID-19, we have significant concerns about the company's profitability going forward and assign a SELL recommendation on the counter.
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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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