

Kenya Shilling Performance

KES	Value	Daily Change %	YTD Change %
US Dollar	106.4194	(0.1%)	(5.0%)
STG Pound	132.2053	(0.4%)	0.6%
EURO	119.5079	(0.2%)	(5.4%)

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

Market Summary

Index	Value	Daily Change %	YTD Change %
NASI	140.47	(1.5%)	(15.6%)
NSE 20	1,949.82	(0.4%)	(26.5%)
NSE 25	3,269.51	(0.9%)	(20.3%)

	Today	Previous	Daily Change %
Market Capitalization (KES Bn)	2,147.03	2,178.78	(1.5%)
Number of Shares Traded (Q)	29,905,700	9,702,400	208.2%
Equity Turnover (KES)	397,152,722	202,487,788	96.1%
Foreign Buys (%)	22.9%	44.9%	
Foreign Sells (%)	72.9%	82.8%	
Foreign Participation (%)	47.9%	63.5%	

Source: NSE

Equities Performance

	Top Gainers	Price (KES)	Daily Change %	YTD Change	Volume Traded
1	Kenya Power	2.04	7.9%	(27.4%)	2,182,100
2	Sasini	17.65	7.0%	4.4%	500
3	Uchumi	0.31	3.3%	6.9%	80,700
4	NCBA Group	27.85	3.1%	(24.4%)	516,000
5	Longhorn	4.62	2.7%	(31.7%)	1,300

	Top Losers	Price (KES)	Daily Change	YTD Change %	Volume Traded
1.	Umeme	7.78	(9.1%)	(6.0%)	11,300
2.	Flame Tree	1.45	(7.1%)	(41.3%)	184,900
3.	Bamburi	28.95	(6.6%)	(63.8%)	24,000
4.	Standard Group	20.80	(5.5%)	(24.5%)	2,400
5.	Kenya Airways	2.60	(5.1%)	26.8%	173,200

	Movers	Turnover (KES)	Volume (KES)	Price (KES)
1.	Absa Bank Kenya	98,226,000	9,822,600	10.00
2.	Safaricom	71,104,080	2,414,400	29.45
3.	Equity Group	70,801,710	2,025,800	34.95
4.	KenGen	53,569,890	10,503,900	5.10
5.	KCB Group	36,989,100	1,013,400	36.50

Source: NSE

Market Commentary

The All Share Index eased by 1.5% to close the day at 140.47. We attribute this mainly to price decline on Safaricom (2.5% to KES 29.45) on profit taking activity. NSE 20 share Index also declined by 0.4% to close the day at 1,949.82. The banking sector accounted for 56.8% of the day's traded value with majority of the counters recording price gains. Kengen recorded a significant increase in activity, trading 10.5 million shares and gaining 1.6% to close the day at KES 5.10. This was on the back of increased foreign investor demand. Overall, foreign investors were net sellers accounting for 72.9% of the day's sales against 22.8% of the day's purchases.

Recommendations

Counter	Recommendation	Price (KES)	Daily Change %	YTD Change %
KCB Group	Long-term Buy	36.50	1.1%	(32.4%)
Equity Group	Long-term Buy	34.95	(2.0%)	(34.7%)
Absa Kenya	Long-term Buy	10.00	0.6%	(25.1%)
Stanbic Holdings	Long-term Buy	80.00	0.3%	(26.8%)
NCBA	Long-term Buy	27.85	3.1%	(24.4%)
StanChart	Sell	166.25	0.0%	(17.9%)
Safaricom	Hold	29.45	(2.5%)	(6.5%)
HF	Sell	4.09	0.7%	(36.7%)
Bamburi	Sell	28.95	(6.6%)	(63.8%)

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

Bonds Performance

	Today	Previous	Daily Change %
Total Deals	115	101	13.9%
Bond Turnover	5,694,650,112	2,770,918,896	105.5%

Actively Traded Bonds

GOK Bonds	Fixed Rate %	Traded Yield %	Value Traded (Mn)	DTM
IFB1/2020/9	10.8500	11.4000	600.0	3,205
FXD1/2018/15	12.6500	12.3947	400.0	5,277
FXD4/2019/10	12.2800	12.1000	400.0	3,429

Source: NSE; DTM = Days to Maturity

News Highlights

Equity Group Discontinues Talks to Acquire Atlas Mara Banking Assets

- Equity Group (herein "bank") announced that it has reached a mutual agreement with Atlas Mara Limited to discontinue discussions on the proposed acquisition of banking assets from Atlas Mara Limited for the foreseeable future.
- The bank cited a need to "refine" its strategy in light of the COVID-19 pandemic. According to the bank, this refinement entailed conserving cash and liquidity.
- The bank added that it would place more focus on its digital strategy while re-evaluating the acquisition of new businesses that would require significant capital injection and managerial focus.
- The bank, however, affirmed its commitment to find new opportunities in Africa.

Commentary

- The decision does not come as a surprise to us. During a previous interaction with the bank, management hinted at a possible delay in closing the transaction. We note, other than Rwanda, the rest of the banks in the proposed Atlas Mara deal (Tanzania, Zambia and Mozambique) were not profitable. Equity bank was probably betting on acquiring the assets at a discount then turning around the performance. The adverse macroeconomic conditions in some of these countries (like Zambia) would have made this a daunting task.
- We note that regional expansion has been a mixed bag for most Kenyan banks. Our analysis of the regional performance in 2018

revealed that of the seven banks that had expanded regionally, only DTB, Equity Bank and I&M had regional units contributing more than 10.0% to the respective group's profits before tax. In Equity's case, though the contribution to profits before is relatively high (2018:14.0% and 1Q2020: 24.4%), the average cost to income ratio in the regional units is high (1Q2020: 64.1%) compared to the Kenyan unit (1Q2020: 45.6%).

- In our view, the bank should focus on improving profitability of existing regional units and increasing their contribution to the group performance instead of venturing into new markets.
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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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