

Kenya Shilling Performance

KES	Value	Daily Change %	YTD Change %
US Dollar	106.4488	0.3%	(5.0%)
STG Pound	133.5076	(1.1%)	(0.4%)
EURO	118.8776	0.1%	(4.9%)

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

Market Summary

Index	Value	Daily Change %	YTD Change %
NASI	138.26	0.5%	(16.9%)
NSE 20	1,936.17	0.3%	(27.1%)
NSE 25	3,208.90	0.2%	(21.7%)

	Today	Previous	Daily Change %
Market Capitalization (KES Bn)	2,113.16	2,103.02	0.5%
Number of Shares Traded (Q)	15,416,300	25,179,600	(38.8%)
Equity Turnover (KES)	396,590,066	603,348,365	(34.3%)
Foreign Buys (%)	63.2%	65.2%	
Foreign Sells (%)	82.4%	94.1%	
Foreign Participation (%)	72.8%	70.8%	

Source: NSE

Equities Performance

Top Gainers	Price (KES)	Daily Change	YTD Change %	Volume Traded
1. Eveready	1.20	9.1%	9.1%	10,200
2. Kenya Power	1.88	8.0%	(33.1%)	1,199,900
3. NSE	7.80	6.8%	(36.8%)	62,000
4. Standard Group	20.25	6.6%	(26.5%)	600
5. Total Kenya	25.20	4.6%	(8.4%)	100

Top Losers	Price (KES)	Daily Change	YTD Change %	Volume Traded
1. Uchumi	0.30	(9.1%)	3.4%	172,100
2. Longhorn	4.57	(6.7%)	(32.4%)	13,900
3. Centum	22.65	(5.6%)	(23.2%)	13,700
4. Car & General	20.00	(5.4%)	(23.1%)	100
5. Umeme	7.50	(5.1%)	(9.4%)	333,400

Movers	Turnover (KES)	Volume (KES)	Price (KES)
1. Safaricom	180,905,970	6,216,700	29.10
2. Equity Group	88,671,575	2,551,700	34.75
3. EABL	49,508,900	299,600	165.25
4. KCB Group	37,225,245	1,065,100	34.95
5. Absa New Gold ETF	26,100,000	15,000	1,740.00

Source: NSE

Market Commentary

The All Share Index and NSE 20 Share Index gained marginally by 0.5% and 0.3% to close the day at 138.26 and 1,936.17 respectively. We partly attribute these to gains made on Safaricom (1.2%) and EABL (0.9%). Safaricom's price gain was on the back of increased foreign investor demand as investors took advantage of last week's price decline (2.3% w/w). On the other hand, the banking sector continued on its downward trend for the day: Equity (-0.9%), NCBA (-0.9%), KCB (-1.1%) and HF (-4.7%).

Recommendations

Counter	Recommendation	Price (KES)	Daily Change %	YTD Change %
KCB Group	Long-term Buy	34.95	(1.1%)	(35.3%)
Equity Group	Long-term Buy	34.75	(0.9%)	(35.0%)
Absa Kenya	Long-term Buy	10.80	0.0%	(19.1%)
Stanbic Holdings	Long-term Buy	84.00	0.0%	(23.1%)
NCBA	Long-term Buy	26.65	(0.9%)	(27.7%)
StanChart	Sell	163.50	(1.9%)	(19.3%)
Safaricom	Hold	29.10	1.2%	(7.6%)
HF	Sell	3.74	(4.6%)	(42.1%)
Bamburi	Sell	44.00	0.0%	(45.0%)

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

Bonds Performance

	Today	Previous	Daily Change %
Total Deals	103	58	77.6%
Bond Turnover	2,016,392,058	756,215,410	166.6%

Actively Traded Bonds

GOK Bonds	Fixed Rate %	Traded Yield %	Value Traded (Mn)	DTM
IFB1/2020/9	10.8500	11.7500	400.0	3,225
IFB1/2019/25	12.2000	12.6500	300.0	8,664
IFB1/2019/25	12.2000	12.7500	300.0	8,664

Source: NSE; DTM = Days to Maturity

News Highlights

I&M Holdings Plc Posts a 29.7% Y/Y Decline in After Tax Profits to KES 1.6 Billion

- I&M recorded a 29.7% y/y decline in after tax profits to KES 1.6 billion. This was attributed to:
 - 178.4% increase in loan loss provisions to KES 555.2 million. However, gross non-performing loans declined by 9.5% y/y to KES 9.1 billion and as a result the Net NPL ratio (Net NPL/Net Loans) declined from 5.9% in 1Q2019 to 5.0% 1Q2020.
 - Total expenses (excluding provisions) grew by 10.7% y/y to KES 2.4 billion as depreciation increase by 39.1% y/y to KES 209.9 million, amortization increased by 33.8% y/y to KES 114.8 million and other expenses by 20.5% y/y to KES 844.2 million. This saw the cost to income ratio (excluding provisions) increase to 43.1% (1Q2019: 41.2%).
- Total interest income grew by 5.7% y/y driven by a 7.2% y/y growth in interest in loans and advances as loans and advances to customers grew by 8.3% y/y to KES 182.8 billion. The annualized yield on loans declined by 10 bps y/y to 11.6%.
- Total interest expenses went up by 7.1% y/y to KES 2.9 billion driven by growth in interest in customer deposits (+8.0% y/y to KES 2.6 billion). This was driven by an 8.8% y/y growth in customer deposits to KES 240.7 billion. Annualized cost of funds declined by 10bps y/y to 4.5%.
- Net interest margin (NIMs) declined by 20bps y/y to 5.0%.
- Non-funded income (NFI) grew by 7.4% y/y to KES 2.2 billion driven by a 20.9% increase in fees and commissions on loans and advances to KES 470.4 million and a 19.5% y/y increase in other income to KES 510.9 million. Non funded income to total income stood at 38.8% in 1Q2020 compared to 38.2% in 1Q2019

Commentary

- We remain concerned with the group's deteriorating asset quality. Prior to COVID19, the group was still grappling with an NPL ratio above the industry average due to exposure to manufacturing and trade sectors. We expect further pressure for 2Q2020 due to the economic impact of the pandemic.
 - We are optimistic about the bank's ability to consistently grow its NFI income the past 5 years from 27.0% in FY2014 to 38.8% as 1Q2020. As other banks face challenges with fees and commissions due to waiving fees on digital platforms, we believe I&M will gradually grow its non-funded income leveraging on non-credit related income from I&M Burbidge Capital and Youjays insurance.
 - As I&M is predominantly a corporate and institutional bank (60% of clients), we don't expect to see significant decline in lending (compared to SME focused banks). However, we expect cautious lending towards the trading and manufacturing sector.
 - We are currently reviewing the recommendation.
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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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