

Global Markets

Index	Last Price *	Weekly Change%	YTD%
DJI	30,977.92	1.2%	1.2%
S&P 500	3,819.46	1.7%	1.7%
NASDAQ-100	13,016.92	1.0%	1.0%
DAX	14,042.13	2.4%	2.4%
FTSE 100	6,857.79	6.1%	6.1%
Euro Stoxx 50	3,638.65	2.4%	2.4%
Shanghai Composite	3,570.11	2.8%	2.8%
NIKKEI 225	28,139.03	2.5%	2.5%
NSEASI	154.18	1.4%	1.4%
NSE 20 Share	1,896.46	1.5%	1.5%
NSE 25 Share	3,444.02	0.8%	0.8%
Commodities			
BRENT Oil (USD/bbl.)	55.49	7.1%	7.1%

Source: NSE, Bloomberg; *As at 7.18PM EAT

Global financial markets closed the week in the green following a week which started with high volatility characterized by selling pressure owing to concerns that a surge in global coronavirus cases would hamper economic recovery. In the US, the volatility was exacerbated by the runoff elections in Georgia, which were expected to determine whether Democrats would have control of Congress. Major US Equity Indices closed at record highs even after the occurrence of political unrest (protestors stormed the U.S. Capitol building on Wednesday) as investors were optimistic that calm would return following the certification of Joe Biden as the next US president by Congress, Democratic sweep in Georgia's Senate runoff elections and the prospect of additional economic stimulus under a Joe Biden administration. Over the week, the FTSE 100 gained by 6.1% w/w despite the U.K.'s latest lockdown (the country's coronavirus deaths hit the highest daily total since April) owing to some optimism surrounding the mass vaccination program, a Brexit deal (which has put to an end a long period of uncertainty) and the certification of a Biden administration. In Asia, Japan's Nikkei 225 traded 2.5% w/w higher in response to positive news in the US despite the declaration of a state of emergency as Covid-19 cases continue to soar. Brent Crude Oil rose to its highest level since February 2020, after Saudi Arabia promised to voluntarily cut output by an extra 1 million barrels a day in February and March.

Equities Market

The All Share and NSE 20 Indices gained 1.4% and 1.5% w-o-w to close the week at 154.18 and 1,896.46 characterized by

by an increase in overall market activity. Market turnover and volume of shares traded increased by 241.0% and 150.6% w-o-w to close the week at KES 1.59 billion and 57.7 million shares respectively. The week saw Safaricom record an all-time high of KES 35.00 (YTD +2.2%) on foreign investor demand (accounting for 57.1% of the week's turnover). The banking sector accounted for 31.8% of the week's turnover with notable movements in: Co-op (+4.0% to KES 13.00), DTB (+3.3% to KES 77.50), KCB (+0.5% to KES 38.30) and Equity (-1.5% to KES 36.00). We expect activity in the market to improve in the coming weeks as most institutional traders resume trading.

	Previous Week	This Week	Weekly Change
Market Capitalization (KES Bn)	2,337	2,369	1.4%
Number of Shares Traded (M)	23.09	57.71	150.6%
Equity Turnover Mn (KES)	468	1,592	241.0%

Recommendations

Counter	Recommendation	Price (KES)	Weekly Change %	YTD Change %
KenGen	Long Term Buy	4.60	2.3%	(2.3%)
Kenya RE	Hold	2.48	6.9%	6.9%

Equities Performance

Top Gainers	Price (KES)	Weekly Change %	YTD Change	Volume Traded
Flame Tree	1.37	11.4%	11.4%	13,600
Sameer Africa	3.61	11.1%	11.1%	73,400
Car&General	24.00	9.1%	9.1%	400
Centum	17.50	9.0%	9.0%	269,000
BAT Kenya	391.50	8.4%	8.4%	116,300

Top Losers	Price (KES)	Weekly Change %	YTD Change	Volume Traded
Sanlam	12.00	(7.3%)	(7.3%)	7,300
EA Portland	10.25	(6.8%)	(6.8%)	7,900
BK Group	19.25	(6.1%)	(6.1%)	1,700
Olympia	2.07	(5.9%)	(5.9%)	3,700
Stanbic	80.25	(5.6%)	(5.6%)	1,600

News Highlights

Co-op Issues Profit Warning for FY2020 Earnings

The Board of Directors of Co-operative Bank of Kenya (Co-op) has announced that it expects the group's full year earnings for FY2020 to be materially lower than the earnings reported in FY2019.

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 that Co-op expects after tax profits for FY2020 to be at least 25.0% lower compared to the after tax profit of KES 14.3 billion recorded in FY2019.

Co-op attributes the expected decrease in profitability to challenges in the operating environment; most notably the Coronavirus pandemic which has necessitated higher loan loss provisions (in comparison to FY2019) and hyper-inflation in Sudan which has resulted in currency translation losses.

The group expects the COVID-19 mitigation strategies instituted (including a Credit Risk Management Project) will provide the group with a stable anchor for sustained growth.

Commentary

We continue to expect more banks to face a similar predicament in respect of FY2020 results. Other banks that have issued profit warnings due to the difficult operating environment include: ABSA Kenya, KCB Group, HF Group, Standard Chartered, DTB and I&M.

Going forward, we believe the anticipated economic recovery in 2021 to offer some reprieve to the asset quality challenges faced by banks. However, we still expect to see the high NPL issues persist in the highly impacted sectors and businesses (hospitality, SMEs).

We also note with concern on the slowdown in economic recovery – the Stanbic Bank Kenya Purchasing Managers' Index (PMI) rose slightly to 51.4 in December from 51.3 in November, weighed down by higher input prices.

Corporate Finance

Umba raises \$2.0 Million Seed in Funding Round

Umba, a Kenyan digital bank for emerging markets, has raised \$2.0 million in a seed funding round from Lachy Groom, ex-head of issuing at Stripe, as well as Ludlow Ventures, Frontline Ventures and Act Venture Capital. The digital bank operates in Kenya and Nigeria and provides a digital financial service alternative to traditional banking. Services are provided through a mobile app with a free checking account, free peer-to-peer money transfers, lending, deposits, BillPay and cashback. The funding will be used to scale up products such as peer-to-peer payments, debit cards, savings and lending. According to management, the platform was set up to serve multiple markets, currencies and payment infrastructures. Further, Umba is deeply intergrated in Nigeria as bank and debit card penetration is high, while since in Kenya and East Africa mobile money is dominant, the platform is integrated with the mobile money services. We note that banks are leveraging more on technology and there has been increased focus on the digitization of products and services across banks, even more so during the Covid-19 pandemic.

Fixed Income Market

Treasury Bill Auction Results

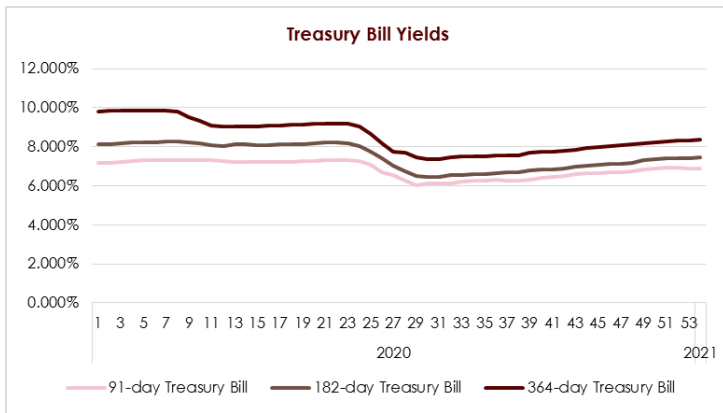
	Amount Offered	Bids Received	Subscription %	Bids Accepted	Yield (%)	Change (bps)
91 day	4.0	0.75	18.70%	0.75	6.895%	(1.1)
182 day	10.0	5.00	50.00%	3.07	7.479%	7.9
364 day	10.0	10.02	100.21%	10.02	8.363%	1.5
Total	24.0	15.77	65.70%	13.84		

Source: CBK

*Change = Current Rate – Previous Rate; 1.0% = 100 bps; Amount Offered, Bids Received and Bids Accepted are in KES Billions

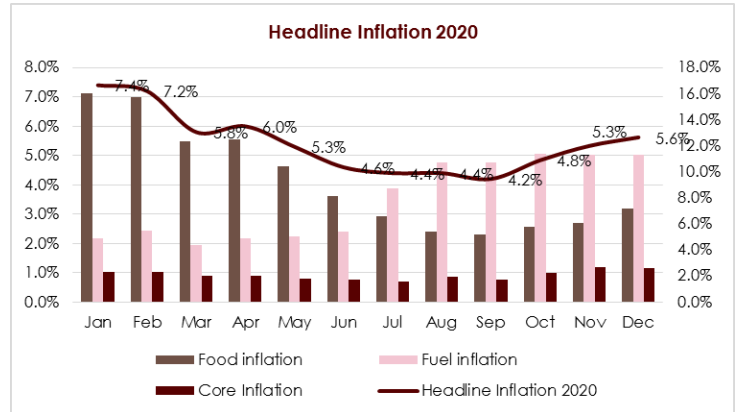
Treasury bills were undersubscribed during the week's auction – the total subscription rate was 65.70%, up from last week's 21.62%. The 364 day paper had the highest subscription rate this week, at 100.21%, followed by the 182 day paper whose subscription rate was 50.0%.

Treasury Bill Yields



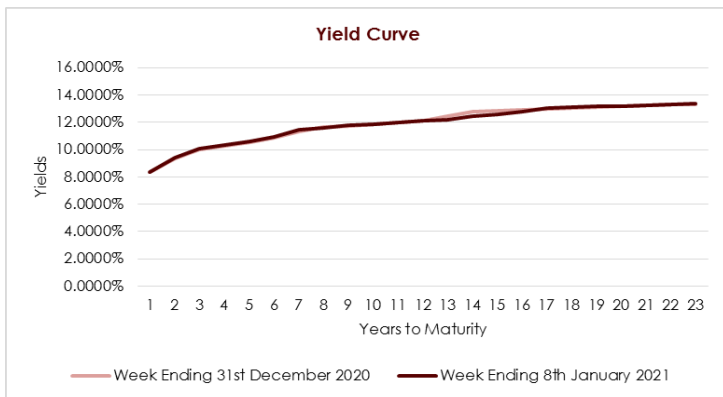
Source: CBK

Inflation



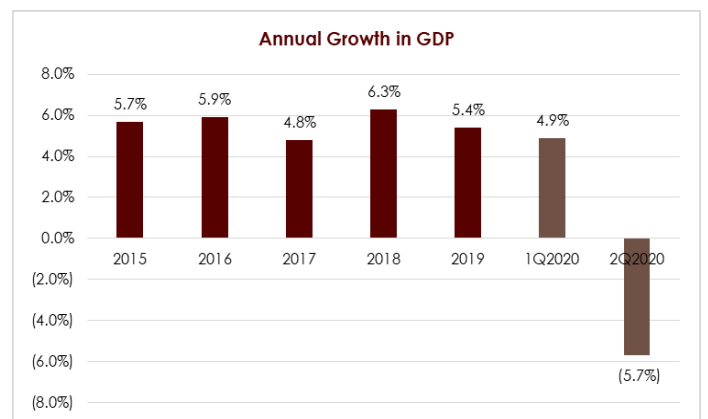
Source: KNBS

Government Securities Yield Curve



Source: NSE

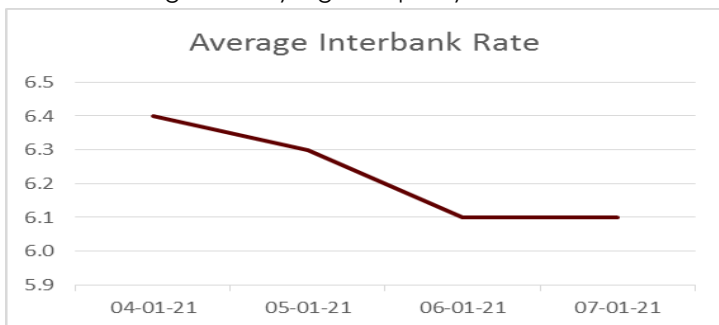
Gross Domestic Product (GDP)



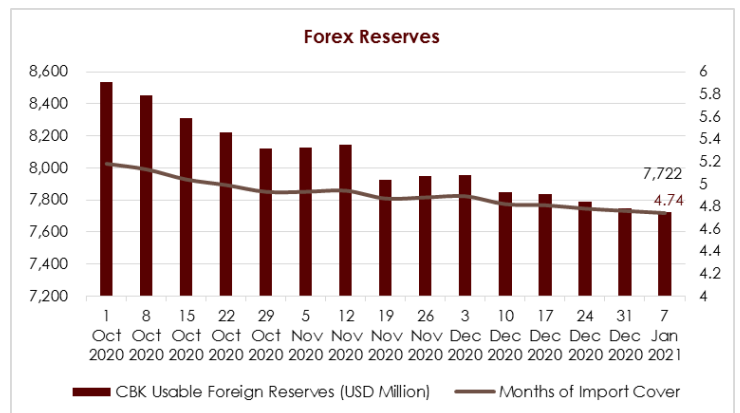
Source: KNBS

Interbank Rate

The average interbank fell during the week from 6.4% to 6.1% indicating relatively higher liquidity.



Forex Reserves



Macroeconomic Indicators

Exchange Rates

	Value	Weekly Change %	YTD Change %
US Dollar	109.4718	0.3%	0.3%
STG Pound	148.8885	0.4%	0.4%
EURO	134.5200	0.5%	0.5%

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

Labour Statistics

Indicator	2Q2019	1Q2020	2Q2020
Unemployment Rate	4.7%	5.2%	10.4%
Labour Force Participation Rate	69.7%	69.7%	64.4%

Source: KNBS

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Equity Summary

Banking Sector	Price (KES)	YTD change	% w-o-w Change	Volume Traded	C/I Ratio	P/E (X)	Dividend Yield	P/B (X)	ROE
KCB	38.30	0.5%	0.5%	2,538,600	45.9%	4.75	9.1%	0.92	20.7%
Equity Bank	36.00	-1.5%	-1.5%	8,965,800	51.5%	6.02	0.0%	1.22	21.8%
NCBA	25.60	-4.3%	-4.3%	229,600	41.9%	2.95	0.0%	0.57	15.3%
Stanbic Absa Bank Kenya Plc	80.25	-5.6%	-5.6%	1,600	56.2%	4.97	8.8%	0.65	13.6%
Housing Finance Co-operative Bank	9.48	-1.9%	-1.9%	2,507,800	51.2%	6.91	11.6%	1.14	16.7%
Diamond Trust Bank	3.38	1.8%	1.8%	208,300	93.8%	N/M	0.0%	0.12	-1.1%
Standard Chartered	13.00	4.0%	4.0%	985,200	52.1%	5.33	7.7%	0.96	19.2%
I&M	77.50	3.3%	3.3%	32,600	48.6%	3.19	3.5%	0.37	12.1%
	140.00	-2.9%	-2.9%	222,900	55.6%	5.84	5.4%	1.01	17.5%
Sector Average					53.6%	4.64	5.2%	0.73	15.6%

P/B (X) - FY2019

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	3.83	0.0%	0.0%	-	N/M	0.0%	-1.3	N/M
Nation Media Group	15.35	-0.6%	-0.6%	116,900	3.41	9.8%	4.5	10.9%
WPP Scangroup	6.26	4.3%	4.3%	349,400	5.59	8.0%	1.12	6.0%
Uchumi Supermarket	0.29	3.6%	3.6%	405,600	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.80	-1.6%	-1.6%	8,300	7.06	10.8%	0.68	17.3%
Eveready	1.15	-4.2%	-4.2%	58,400	N/M	0.0%	-1.45	-10.8%
Sector Average					5.35	5.7%		5.8%

*N/M - Not Meaningful

Construction & Allied	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	NPM*	ROE
Bamburi Cement	39.20	3.6%	3.6%	312,200	16.00	0.0%	1.6%	2.1%
E.A. Portland Cement	10.25	-6.8%	-6.8%	7,900	N/M	0.0%	0.0%	0.0%
Sector Average					16.00	0.0%	0.8%	1.0%

*NPM - Net Profit Margin

Energy & Petroleum Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
KenGen	4.60	-2.3%	-2.3%	1,204,700	3.83	8.7%	1.20	4.2%
Kenya Power	1.77	3.5%	3.5%	4,871,000	13.62	0.0%	0.13	0.4%
Total Kenya	24.00	0.0%	0.0%	13,800	5.96	5.4%	4.03	10.8%
Sector Average					7.80	4.3%		2.3%

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio
CIC Insurance	2.10	-1.4%	-1.4%	283,600	0.27	17.50	69.8%	34.4%
Britam	7.42	2.2%	2.2%	4,476,200	0.25	5.26	65.3%	37.2%
Jubilee	291.50	2.6%	2.6%	21,500	10.38	5.55	91.9%	46.2%
Kenya Re	2.48	6.9%	6.9%	790,400	0.09	0.97	71.2%	13.1%
Sanlam Kenya	12.00	-7.3%	-7.3%	7,300.00	8.33	15.19	85.8%	35.5%
Liberty	7.90	2.6%	2.6%	51,200.00	0.98	6.03	119.6%	48.7%
Sector Average					3.39	8.42	83.9%	35.8%

Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	EPS (KES)	ROE
Centum Investment	17.50	9.0%	9.0%	269,000	2.52	0.37	6.95	9.3%
Home Afrika Ltd	1.50	-4.8%	-4.8%	317,900	N/M	N/M	N/M	2.6%
Trans-Century	1.50	3.4%	3.4%	73,600.00	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.37		5.5%

*P/B based on company Net Asset Value

Investment Services	Price (KES)	YTD Change	%w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
NSE	8.34	2.2%	2.2%	74,400	27.80	3.4%	0.3	3.9%
Sector Average					27.80	3.4%		

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Manufacturing & Allied Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Mumias Sugar	0.27	0.0%	0.0%	0	N/M	0.0%	-4.43	-69.4%
EABL	155.00	0.5%	0.5%	302,100	29.98	1.9%	5.17	46.6%
FTG Holdings	1.37	11.4%	11.4%	13,600	5.27	0.0%	0.26	4.8%
Carbacid	12.65	4.5%	4.5%	267,200	9.96	5.5%	1.27	10.0%
BAT	391.50	8.4%	8.4%	116,300	10.08	8.6%	38.85	40.8%
Sector Average					13.82	3.2%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	35.00	2.2%	2.2%	26,210,100	18.82	4.0%	1.86	51.8%
Sector Average					18.82	4.0%		

Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
ILAM FAHARI I-REIT	6.24	12.2%	12.2%	95,000	20.80	12.02%	0.83
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Kapchorua Tea Kenya	Final dividend	Kes. 10.00	17-Jul-20	30-Jul-20	Subject to Approval
Williamson Tea Kenya	Final dividend	Kes. 20.00	17-Jul-20	18-Aug-20	Subject to Approval
Carbacid Investments PLCS	Final dividend	Kes. 0.70	23-Nov-20	09-Jan-21	29-Jan-21

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