



Weekly Report

Week 1

Week Ending Friday, January 7, 2022

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Global Markets

Index	Last Price*	Weekly Change	YTD Change
DJI	36,231.66	(0.3%)	(0.3%)
S&P 500	4,677.03	(1.9%)	(1.9%)
NASDAQ 100	15,592.19	(4.5%)	(4.5%)
DAX	15,947.74	0.4%	0.4%
FTSE 100	7,485.28	1.4%	1.4%
EURO STOXX 50	4,305.83	0.2%	0.2%
Shanghai Composite	3,579.54	(1.7%)	(1.7%)
NIKKEI 225	28,478.56	(1.1%)	(1.1%)
Commodities			
Brent Oil (USD/bbl.)	81.75	(5.1%)	(5.1%)
Gold (USD/Oz)	1,796.55	(1.8%)	(1.8%)

Source: Bloomberg, NSE; *As at 6:00 PM EAT

Most of the equity indices eased during the week. The S&P 500 fell weighed down by technology such as Microchip which fell owing to investor concerns about the US interest rate outlook. Oil (brent crude) also fell in the week driven by a surge in US stock piles.

Equities Market

Equity Market Commentary

The All Share Index (NASI) and the NSE 20 edged up by 3.2% and 0.9% w-o-w to close the week at 171.74 and 1,920.38 respectively. We attribute the gain in the index to a 5.1% w/w price gain on Safaricom to KES 39.90. Equity turnover rose by 179.2% to KES 1.9 billion and the volume traded increased by 135.2% to 52.1 million. Notable price gains included; NMG (5.4% w/w to KES 19.45), BOC (4.3% w/w to KES 73.00) and NCBA (3.0% w/w to KES 25.95). We expect price stability this week.

Market Indices Performance

Index	This Week	Previous Week	Weekly Change %	YTD Change %
NASI	171.74	166.46	3.2%	3.2%
NSE 20	1,920.38	1,902.57	0.9%	0.9%
NSE 25	3,820.04	3,743.90	2.0%	2.0%

Source: NSE

Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,675.26	2,592.92	3.2%
Volume (Mn)	52.1	22.2	135.2%
Equity Turnover (KES Mn)	1,915.46	686.09	179.2%

Source: NSE

Equities Performance

	Top Gainers	Price (KES)	Weekly Change %	YTD Change
1.	Transcentury	1.36	16.2%	16.2%
2.	Sasini	21.25	13.6%	13.6%
3.	Standard Group	14.90	10.0%	10.0%
4.	Car & General	37.05	9.1%	9.1%
5.	Kakuzi	420.00	9.1%	9.1%

	Top Losers	Price (KES)	Weekly Change	YTD Change %
1.	NBV	4.94	(18.5%)	(18.5%)
2.	Olympia	1.88	(6.0%)	(6.0%)
3.	Express	3.90	(4.9%)	(4.9%)
4.	Uchumi	0.23	(4.2%)	(4.2%)
5.	Eveready	0.94	(4.1%)	(4.1%)

	Movers	Price (KES)	Turnover (KES Mn)
1.	Safaricom	39.90	1,174.61
2.	Equity	53.00	447.32
3.	KCB	46.00	115.63
4.	BAT	442.00	81.14
5.	StanChart	130.50	19.05

Source: NSE and Faida Investment Bank Analysis

In the News

Kakuzi Issues Profit Warning for FY2021

Kakuzi announced a profit warning for FY2021 expecting earnings for the year ended December to contract compared to the previous year. This implies that after tax profits for FY2021 will not exceed KES 622.0 million.

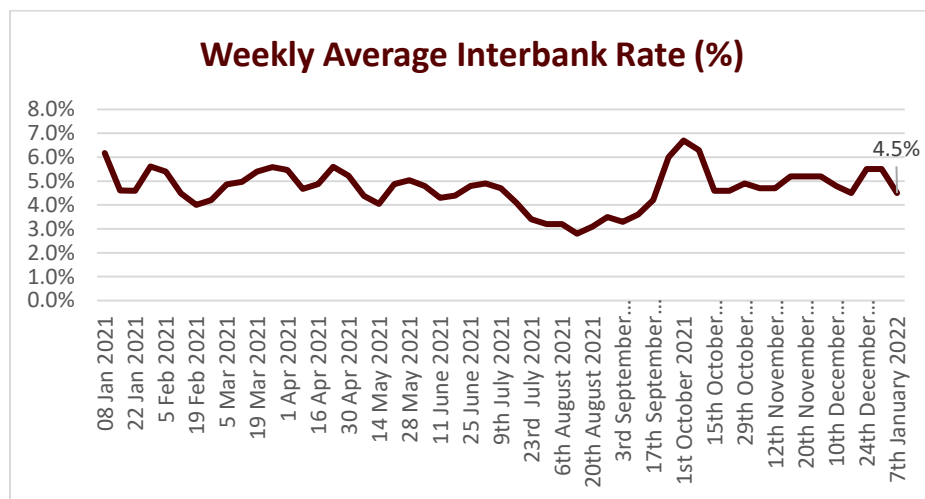
The profit warning was primarily attributed to lower avocado production and a decline in avocado prices in European markets. According to management, the profit warning arose from trading information, market forecasts and preliminary unaudited full-year financial results, among other data sources.

Commentary

- Capital Markets Regulations require listed companies 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 after tax profits could fall to at least KES 466.5 million owing to the lower export volumes and reduction in prices.
- The company remains focused on its income diversification strategy (avocados, macadamia, wood products, blueberries), we opine that revenue diversification would help cushion performance from the negative effects of price fluctuations.

Fixed Income

Interbank Rate



Source: CBK

Treasury Bill Auction Results

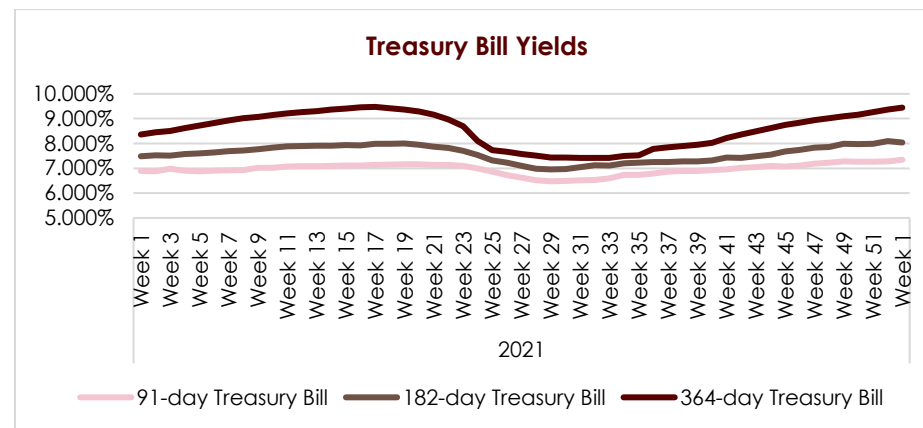
	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield	Change*
91 day	4.0	5.7	141.33%	5.7	7.345%	0.07%
182 day	10.0	6.3	63.34%	6.3	8.041%	0.05%
364 day	10.0	11.2	112.00%	11.2	9.444%	0.08%
Total	24.0	23.2	96.61%	23.2		

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

Source: CBK

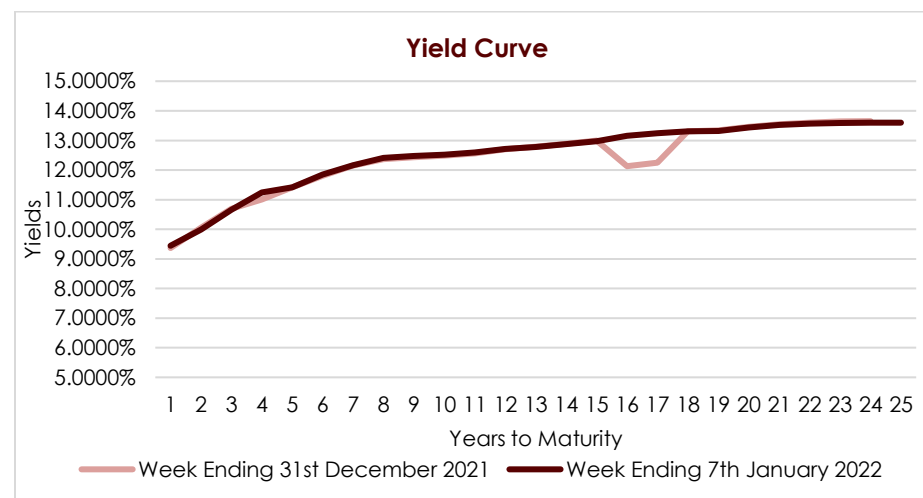
Treasury bills were undersubscribed in this week's auction. The total subscription rate was higher at 96.61% compared to last week's 32.62%. The 91-day bill had the highest subscription rate this week at 141.33%.

Treasury Bill Yields



Source: CBK

Government Securities Yield Curve



Source: NSE

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Macroeconomic Indicators

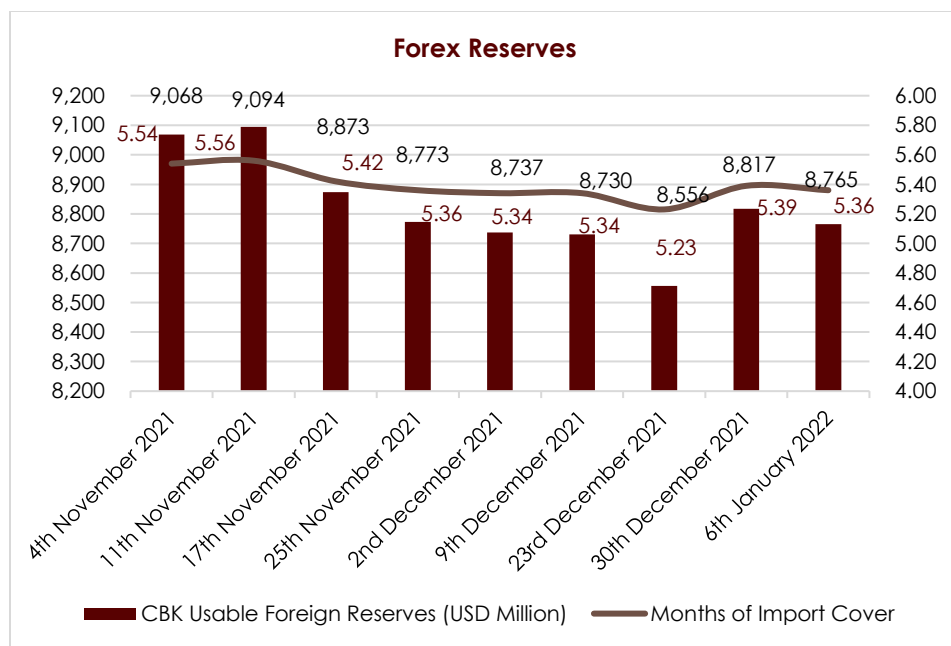
Exchange Rates

KES	Value	Weekly Change %	YTD Change %
US Dollar	113.2206	0.1%	0.1%
STG Pound	153.1135	0.7%	0.7%
EURO	128.0379	0.0%	0.0%

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

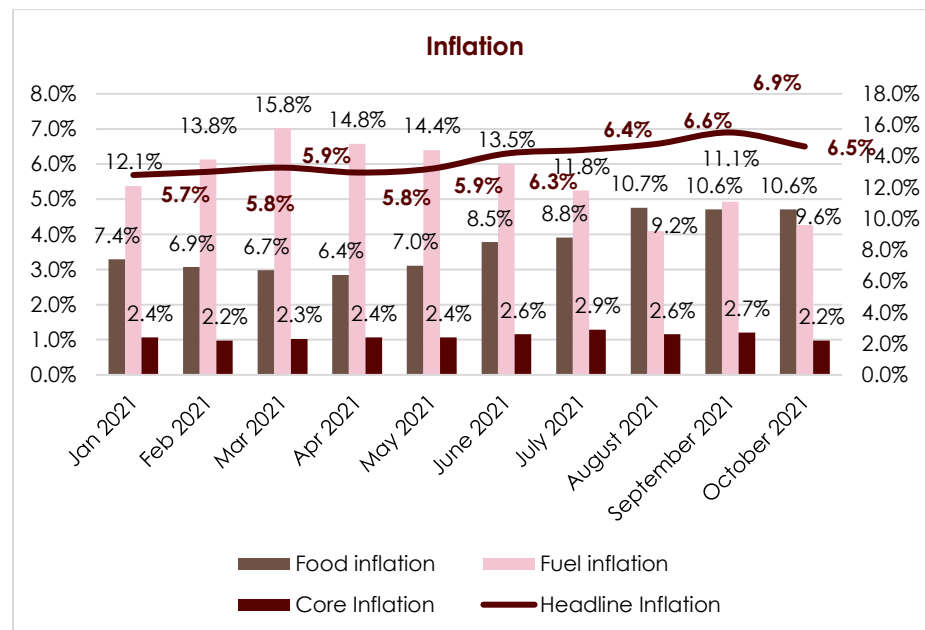
During the week, the Kenya Shilling appreciated against the US Dollar, Euro and the STG Pound.

Forex Reserves



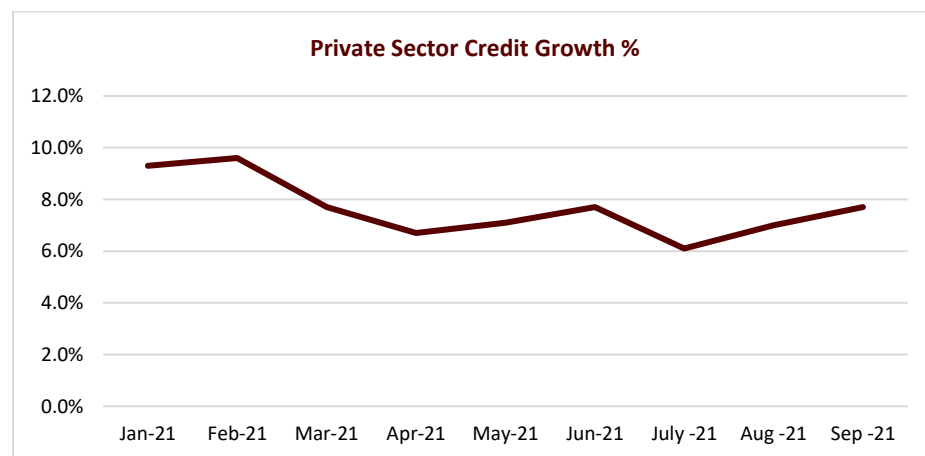
Source: CBK

Inflation



Source: KNBS

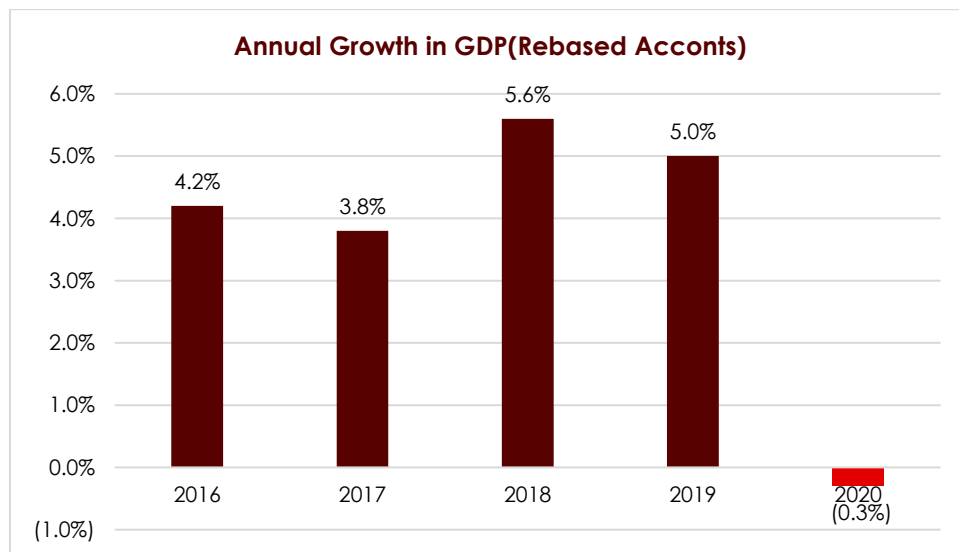
Credit Growth



Source: CBK

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Gross Domestic Product (GDP)



Source: KNBS

Kenya's Real GDP declined in 1Q2021 to 0.7% (1Q2020: 4.4%) and grew by 10.1% in 2Q2021 (contraction of 4.7% in 2Q2020). According to the KNBS, the performance in the second quarter was buoyed by rebounds in most economic activities following the easing of COVID-19 restrictions. The Agriculture, Forestry and Fishing sector saw a decline in activities in both the first and second quarters, contracting by 0.9% (2Q2020: growth of 4.9%). This was cushioned from a greater decline by a notable increase in milk production, horticultural exports and production of sugarcane. Growth in the manufacturing sector (+9.6%) was supported by growth in manufacture of food products (dairy, bakery, tobacco) and non-food products (motor vehicles, galvanized iron sheets, paper and paper products). Slower growth was noted in the construction sector (+6.5%) compared to 8.2% in 2Q2020. Accommodation and food services rebounded gradually (+9.1%) in 2Q2021 from a significant contraction (-56.8%) in 2Q2020 as the sector was hardest hit by the COVID-19 pandemic, with number of visitor arrivals falling by 99.0%. The financial and insurance sector grew by 9.9% (2Q2020: 4.4%). Electricity and water supply rose by 5.2% (2Q2020: 4.7%). Contraction in the transportation and storage sector (7.8%) was driven by restrictions in movement aimed at curbing the spread of the COVID-19 pandemic.

Real GDP Growth by Sector	2Q2020	2Q2021
Agriculture	4.9%	(0.9%)
Mining & Quarrying	4.4%	17.7%
Manufacturing	2.5%	(0.1%)
Electricity and Water Supply	4.7%	5.2%
Construction	8.2%	6.5%
Wholesale & Retail Trade	(4.2%)	(9.5%)
Accommodation & Food Services	(56.8%)	9.1%
Transport & Storage	16.8%	16.9%
Information & Communication	2.6%	25.2%
Financial & Insurance	4.4%	9.9%
Public Administration	2.7%	13.0%
Professional, Admin & Support Services	(27.5%)	17.6%
Real Estate	4.6%	4.9%
Education	(22.4%)	67.6%
Health	9.8%	10.0%
Other Services	(22.1%)	20.2%

Source: KNBS

Labour Statistics

Indicator	1Q2020	2Q2020	3Q2020	4Q2020
Unemployment Rate	5.2%	10.4%	7.2%	6.5%
Labour Force Participation Rate	69.7%	64.4%	68.8%	58.7%

Source: KNBS

Derivatives Market

Weekly Statistics

	This Week	Previous Week
Total Volumes	59	23
Total Value	2,218,470	944,920
Total Open Interest	279	224

Source: NSE

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Corporate Finance

Paylend raises \$2.0 Million in Seed Funding

Paylend, a Kenyan fintech startup, has raised \$2.0 million in seed funding. The firm was founded in 2019 and helps Micro, Small and Medium Enterprises to access affordable credit. The funding was raised from Next Chymia Consulting HK Limited. The funding will be used to expand operations in Kenya and launch in Tanzania, Zambia and Nigeria.

Counter Statistics

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	46.00	20.7%	1.2%	2,554,700	44.3%	6.74	2.2%	1.12	15.4%
Equity Bank	53.00	45.0%	0.5%	8,451,100	48.5%	11.40	0.0%	1.35	13.0%
NCBA	25.95	-3.0%	3.0%	141,900	43.1%	2.99	6.7%	0.55	6.5%
Stanbic	87.00	2.4%	-0.3%	7,300	48.9%	9.82	4.4%	0.70	6.8%
Absa Bank Kenya Plc	11.80	22.2%	-0.4%	548,600	44.6%	11.50	0.0%	1.23	11.7%
Housing Finance	3.81	14.8%	-2.3%	196,500	120.9%	N/M	0.0%	0.16	-3.8%
Co-operative Bank	12.95	3.6%	0.0%	496,200	49.9%	10.32	7.7%	0.95	8.5%
Diamond Trust Bank	60.00	-20.0%	0.8%	40,900	38.2%	5.78	4.5%	0.26	4.6%
Standard Chartered	130.50	-9.5%	1.8%	145,900	47.3%	12.43	8.0%	0.87	9.4%
I&M	21.40	-52.4%	1.4%	183,500	48.1%	4.39	11.9%	0.30	6.5%
Sector Average					53.4%	8.37	4.5%	0.75	7.9%

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%	-6.22	N/M
Nation Media Group	19.45	25.9%	5.4%	16,600	97.25	0.0%	0.2	1.7%
WPP Scangroup	4.18	-30.3%	1.0%	1,150,800	3.73	12.0%	1.12	6.0%
Uchumi Supermarket	0.23	-17.9%	-4.2%	105,200	N/M	0.0%	-4.6	N/M
Longhorn Publishers	3.99	-18.2%	-0.2%	5,600	5.87	13.0%	0.68	17.3%
Eveready	0.94	-21.7%	-4.1%	33,200	N/M	0.0%	-1.45	-10.8%
Sector Average					35.62	5.0%		3.6%

**Suspended *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								
E.A. Portland Cement								
Sector Average								

*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	4.12	-12.5%	-1.7%	686,400	1.48	7.3%	2.79	9.0%
Kenya Power	1.72	0.6%	-1.7%	2,999,500	N/M	0.0%	N/M	N/M
Total Kenya	24.60	2.5%	-1.6%	25,900	6.10	5.3%	4.03	10.8%
Sector Average					3.79	3.6%		9.0%

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio
CIC Insurance	2.13	0.0%	-3.6%	1,367,100	0.73	N/M	71.4%	34.6%
Britam	7.52	3.6%	0.3%	210,400	0.96	N/M	80.6%	58.1%
Jubilee	310.00	9.2%	-2.1%	9,900	0.69	5.90	101.3%	44.2%
Kenya Re	2.30	-0.9%	0.0%	257,700	0.05	2.19	67.7%	8.9%
Sanlam Kenya	11.55	-10.8%	0.0%	-	1.26	14.62	85.8%	35.5%
Liberty	7.04	-8.6%	0.6%	14,400.00	0.45	5.37	119.6%	48.7%
Sector Average					0.69	7.02	87.7%	38.3%

*Unadjusted for the sale to Allianz

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Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	EPS (KES)	ROE
Centum Investment	14.40	2.1%	2.1%	111,200	2.07	0.30	6.95	9.3%
Home Afrika Ltd	1.36	-4.8%	0.0%	264,000	N/M	N/M	N/M	2.6%
Trans-Century	1.36	-6.2%	16.2%	4,300.00	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.30		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	8.16	0.0%	2.0%	168,300	27.20	3.4%	0.3	3.9%
Sector Average					27.20	3.4%		

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	164.75	6.8%	-0.2%	95,100	31.87	1.8%	5.17	46.6%
FTG Holdings	1.30	5.7%	3.2%	88,600	5.00	0.0%	0.26	4.8%
Carbacid	10.90	-9.9%	-0.9%	35,700	8.58	6.4%	1.27	10.0%
BAT	442.00	22.4%	0.1%	183,500	8.01	10.2%	55.18	51.2%
Sector Average					13.36	3.7%		

*Suspended

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	39.90	16.5%	5.1%	29,990,000	23.33	3.4%	1.71	49.9%

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Sector Average

23.33

3.4%

Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
ILAM FAHARI I-REIT	6.38	14.7%	1.9%	97,700	20.86	11.60%	0.82
Sector Average						NA	

***NAVPS - Net Asset Value Per Share**

Source: NSE and Faida Investment Bank Analysis

Recommendations

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

Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
KCB	Interim dividend	Kes. 1.00	19- Nov-21	9-Dec-21	14-Jan-22
KenGen	First & Final dividend	Kes. 0.30	1-Nov-21	16-Dec-21	10-Feb-22
Car & General	First & Final dividend	Kes. 3.20	6-Jan-22	25-Feb-22	24-Mar-22
Car & General	Bonus	1:1	6-Jan-22	24-Mar-22	08-April-22

Source: NSE

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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 drivers