



# Weekly Report

## Week 14

Week Ending Friday, April 9, 2021

### CONTACTS:

**Email:** [research@fib.co.ke](mailto:research@fib.co.ke)

**Website:** [www.fib.co.ke](http://www.fib.co.ke)

### HEAD OFFICE:

Crawford Business Park,  
Ground Floor,  
State House Road  
Tel: 0207606026-37  
P.O. Box 45236-00100  
Nairobi

## Global Markets

Index	Last Price*	Weekly Change	YTD Change
DJI	33,551.16	1.2%	10.4%
S&P 500	4,098.48	2.3%	9.7%
NASDAQ 100	13,735.64	(1.4%)	6.9%
DAX	15,225.29	0.8%	11.0%
FTSE 100	6,914.51	2.6%	7.0%
EURO STOXX 50	3,975.85	0.8%	11.9%
Shanghai Composite	3,450.68	(1.0%)	(0.6%)
NIKKEI 225	29,768.06	1.3%	8.5%
Commodities			
Brent Oil (USD/bbl.)	62.95	(0.5%)	23.1%
Gold (USD/Oz)	1,745.06	1.1%	(8.1%)

Source: Bloomberg, NSE; \*As at 5:45 PM EAT

Most of the equity indices rose during the week. The S&P 500 edged up (+2.3%) buoyed by technology stocks. Brent Oil fell slightly -0.5% w/w to USD 62.95 a barrel. With some countries going into lockdown, there is uncertainty whether the upward trajectory in oil prices will sustain. We note that the Organization of the Petroleum Exporting Countries and allies (OPEC+) plan to increase output by 2 million barrels a day between May and July. If demand doesn't rise fast enough, OPEC and its allies could either cut or keep production as is to support prices.

## Equities Market

### Equity Market Commentary

The All Share Index eased by 1.3% w/w while the NSE 20 Share Index rose marginally by 0.2% to close the week at 158.59 and 1,868.76 respectively. Market turnover declined by 35.3% to KES 2.1 billion while volume of shares traded fell by 27.3% to 62.2 million shares. Banking counters experienced selling pressure for the most part. Notable price declines in the sector included DTB (-3.7% to KES 65.50), Equity (-3.5% to KES 37.70), I&M (-3.3% to KES 47.40) and KCB (-2.7% to KES 40.00). Safaricom eased by 2.0% to close at KES 36.30.

In Friday's trading session, selling pressure abated and demand improved on most of the aforementioned counters, providing some price stability. We expect this trend (improving demand, price stability) to continue in the coming week. As mentioned in the previous report, investors are still cautious of the macroeconomic environment, hence we do not expect very big upward movements in prices. You can read about our recommended investment actions during this period [here](#):

### Market Indices Performance

Index	Value	Weekly Change %	YTD Change %
NASI	158.59	(1.3%)	4.3%
NSE 20	1,868.76	0.2%	0.0%
NSE 25	3,518.06	(1.2%)	3.0%

Source: NSE

### Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,436.49	2,468.64	(1.3%)
Number of Shares Traded	62.24	85.65	(27.3%)
Equity Turnover (KES)	2,058.25	3,179.12	(35.3%)

Source: NSE

**DISCLAIMER:** The information contained herein is obtained from sources, which to the best of our knowledge are deemed reliable. As such, we are not responsible or liable for any factual errors arising thereof. Any opinions expressed herein are ours and are bound to change anytime at no notice.

## Equities Performance

Top Gainers	Price (KES)	Weekly Change %	YTD Change
1. BK Group	24.00	18.5%	17.1%
2. Car & General	24.00	8.4%	9.1%
3. Total Kenya	24.65	7.6%	2.7%
4. HF Group	4.00	5.8%	20.5%
5. Sanlam Kenya	11.50	4.5%	(11.2%)

Top Losers	Price (KES)	Weekly Change	YTD Change %
1. Trans-Century	1.03	(14.2%)	(29.0%)
2. E.A. Portland	8.10	(10.0%)	(26.4%)
3. ILAM FAHARI	6.12	(9.2%)	8.5%
4. Kapchorua Tea	81.00	(6.9%)	3.8%
5. NBV	4.26	(4.7%)	(0.5%)

Movers	Price (KES)	Turnover (KES Mn)
1. Safaricom	36.30	1,390.0
2. EABL	163.75	258.4
3. KCB Group	40.00	142.9
4. BK Group	24.00	42.1
5. I&M	47.40	40.6

Source: NSE and Faida Investment Bank Analysis

## News Highlights

### Should Kenya Borrow More?

- Between December 2015 and December 2020, Kenya's total public debt (domestic and external) has grown at a CAGR of 18.2% to KES 7.3 trillion. This represents 69.0% of the projected (by IMF) 2020 GDP from 48.1% of GDP in 2015. As at December 2020, 52.0% of the total debt was external debt and 48.0% was domestic debt. This composition has not changed much over the same period (2015: 51.0% external vs 49.0% domestic).
- Most of Kenya's debt sustainability metrics have either exceeded thresholds or are dangerously close. According to the IMF, in the FY2019/2020, Kenya's ratio of the present value (PV) of total debt to GDP rose to 62.4% (threshold: 70.0%) from 57.6% in FY2018/2019. However, the ratio of debt service to revenues and grants declined to 52.2% from 53.5% but is still above the threshold of 30.0%.
- We also note that while majority of the external debt is still on concessional terms, the commercial component (e.g. Eurobonds, syndicated loans) of the external debt has grown – from 7.0% in 2013 to 26.0% in 2020. With COVID-19 containment measures suppressing economic activities, government revenues have reduced.
- The government is likely to increase borrowing (both domestic and external) to support spending in the near term. Recent actions by the government point to this direction. For instance, in the just concluded infrastructure bond (IFB/2021/018) auction (see the fixed income section for more details), the government took up KES 21.9 billion more above the amount offered (KES 60.0 billion) at relatively higher yields (12.667%).
- Externally, according to the IMF, Kenya is expected to borrow USD 12.4 billion by June 2022. This will be in the form of Eurobonds (USD 7.3 billion), concessionary borrowing (USD 4.8 billion) and semi-concessional borrowing (USD 282.0 million). USD 2.3 billion of the new Eurobond proceeds are expected to finance infrastructure projects while USD 5.0 billion will be used to retire a Eurobond maturing in 2024 and syndicated loans. Increasing proportion of debt on concessional terms will also help lower borrowing costs. Kenya is also expected to receive USD 2.34 billion from the IMF to reduce debt vulnerabilities and support the COVID-19 response
- With the additional borrowing, the aforementioned debt sustainability metrics are expected to deteriorate further. The IMF expects the PV of debt

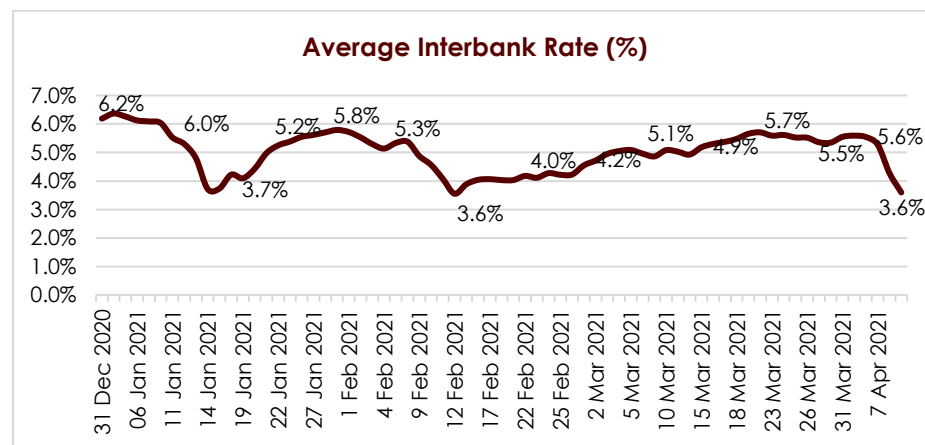
**DISCLAIMER:** The information contained herein is obtained from sources, which to the best of our knowledge are deemed reliable. As such, we are not responsible or liable for any factual errors arising thereof. Any opinions expressed herein are ours and are bound to change anytime at no notice.

to GDP and the ratio of debt service to revenues and grants declined to deteriorate to 64.2% and 61.9% respectively by FY2021/2022.

- The IMF has raised concerns that Kenya faces a high risk of debt distress and has recommended a number of measures such as more fiscal consolidation to mitigate the risks. Fiscal consolidation entails raising more revenues and reducing expenditures. Increasing revenues could mean more taxes for Kenyans which couldn't come at a worse time. One particular recommendation from the IMF that may impact investors at the NSE is reforming some of the state owned enterprises (SOEs) that pose the greatest risk. Some of the NSE listed SOEs identified for reform include Kenya Airways, KenGen and KPLC.
- We agree with the IMF on reforming SOEs as some have become money pits. We are also of the opinion that the government doesn't have to get involved in every economic activity where it feels needs more "efficiencies". Government could just enact laws and regulations that create an enabling environment and protect consumers and then work on improving enforcement.
- We also note that some of the government projects end up being a burden to taxpayers without meaningful multiplier effects. Some of the projects have been implemented against recommendations made by policy experts (including from organizations like the World Bank). Solving some these issues could have long term positive impact but we wonder whether there is enough goodwill on part of the government to address some of these issues.
- In conclusion, we don't see another way out for Kenya that doesn't involve more borrowing. In the short term, policies geared towards increasing taxes and spending cuts will likely be done in the context of a COVID-19 hit economy. Therefore, it's unlikely such actions will be scaled to the full extent possible. In other words, at some point, higher taxes and spending cuts would probably be counterproductive and bring more misery to Kenyans by negatively impacting livelihoods. As such, the government will probably strike a balance between protecting livelihoods and fiscal consolidation.

## Fixed Income Market

### Interbank Rate



Source: CBK

### Treasury Bill Auction Results

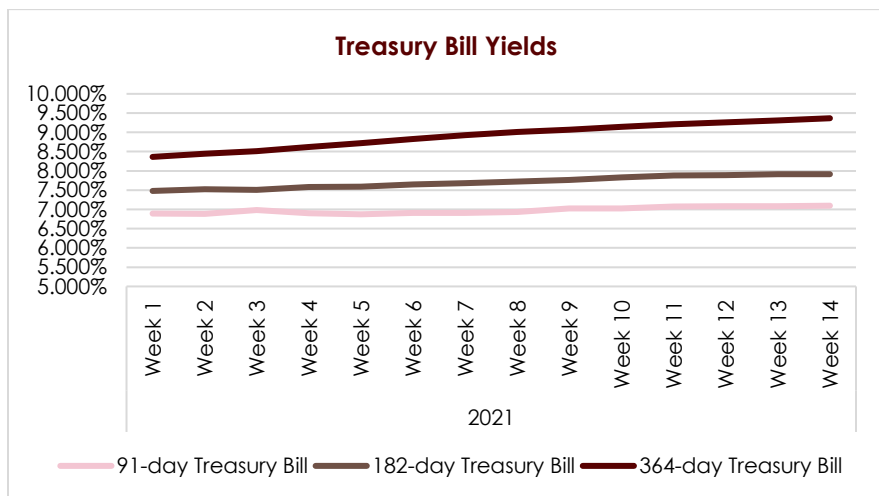
	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield	Change*
91 day	4.00	3.16	79.03%	3.16	7.096%	1.1
182 day	10.00	2.56	25.59%	2.43	7.914%	0.4
364 day	10.00	14.63	146.27%	14.53	9.366%	5.8
Total	24.00	20.35	84.78%	20.12		

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

Source: CBK

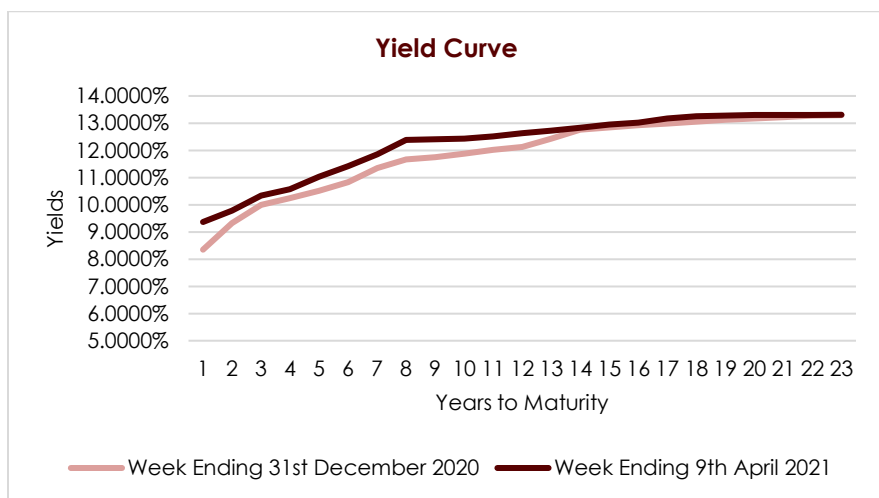
Treasury bills were undersubscribed during the week's auction; the total subscription rate was 84.78%, up from last week's 29.95%. The 364 day paper had the highest subscription rate this week, at 146.27%.

## Treasury Bill Yields



Source: CBK

## Government Securities Yield Curve



Source: NSE

## Treasury Bond Issue Results

	IFB1/2021/18
<b>Issuer</b>	Republic of Kenya
<b>Amount Offered</b>	KES 60.0 billion
<b>Bids Received</b>	KES 88.6 billion
<b>Performance rate</b>	147.6%
<b>Amount Accepted</b>	KES 81.9 billion
<b>Weighted Average Rate of Accepted Bids</b>	12.667%
<b>Coupon rate</b>	12.667%

Source: CBK

## Macroeconomic Indicators

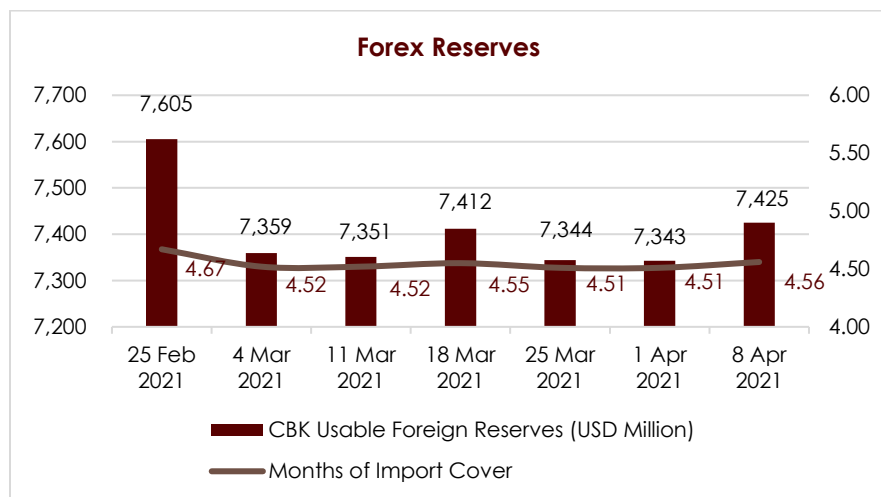
### Exchange Rates

	Value	Weekly Change %	YTD Change %
US Dollar	107.9706	1.3%	1.1%
STG Pound	148.4721	1.5%	(0.1%)
EURO	128.3497	0.1%	4.1%

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

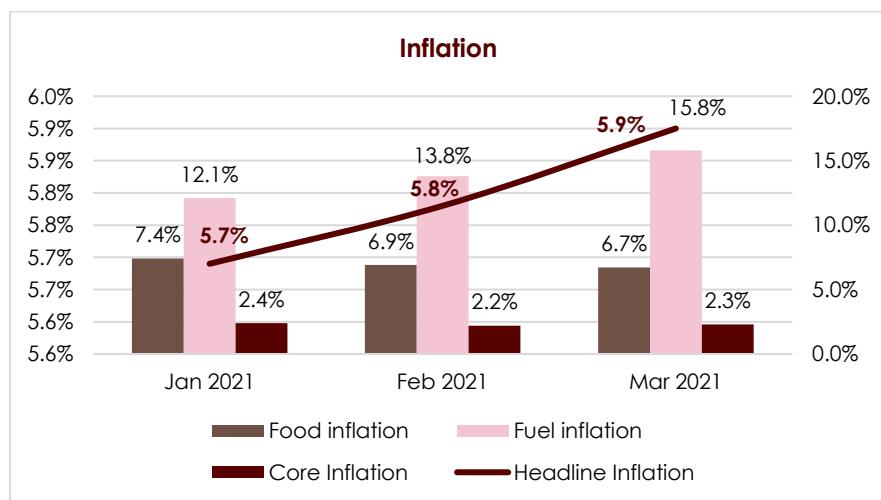
During the week, the Kenya Shilling appreciated against the US Dollar, the Euro, and the Sterling Pound.

## Forex Reserves



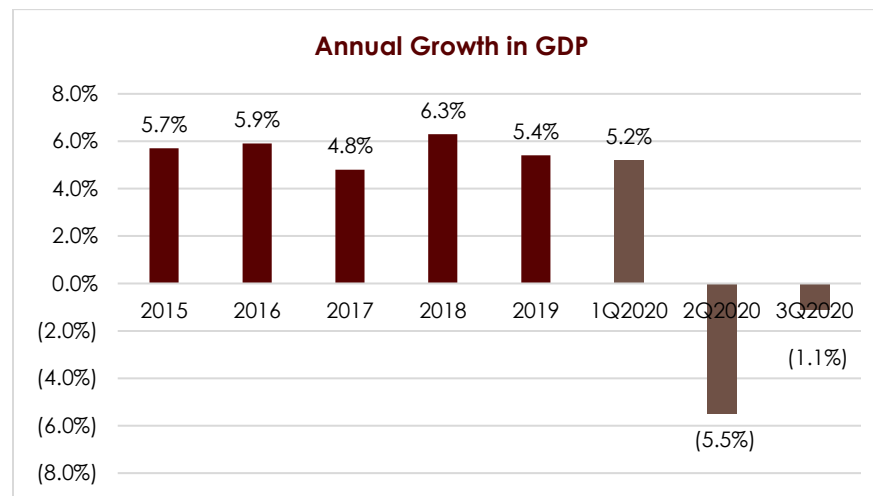
Source: CBK

## Inflation



Source: KNBS

## Gross Domestic Product (GDP)



Source: KNBS

Kenya's economy slid into a recession in the 3Q2020 as GDP contracted for the second consecutive quarter. Kenya's Real GDP is estimated to have contracted by 1.1% in the 3Q2020, showing some improvement from the contraction of 5.5% witnessed in 2Q2020, but markedly different from the growth of 5.8% realized in 3Q2019. The improvement from the previous quarter was supported by the partial easing of COVID-19 restrictions that enhanced economic activities.

The economic performance was largely weighed down by the accommodation and food services (contracted by 57.9% compared to a growth of 9.9% in 3Q2019) and the education (contracted 41.9% compared to a growth of 6.0% in 3Q2019) sectors. These were the hardest hit sectors due to the closure of learning institutions and the implementation of travel restrictions in order to contain the spread of the virus.

Growth was however largely supported by the agricultural, construction and real estate sectors which grew by 6.3%, 16.2% and 5.3% respectively. Growth in the agricultural sector was supported by increases in tea production, fruit exports and sugarcane production. In the construction sector, cement consumption rose by 23.5% y/y to 1,952.2 thousand metrics reflecting increased construction activity which also buoyed growth in the real estate sector.



Real GDP Growth by Sector	3Q2019	3Q2020
Agriculture	5.0%	6.3%
Mining & Quarrying	3.4%	18.2%
Manufacturing	3.9%	(3.2%)
Electricity and Water Supply	6.4%	4.7%
Construction	6.6%	16.2%
Wholesale & Retail Trade	6.1%	(2.5%)
Accommodation & Food Services	9.9%	(57.9%)
Transport & Storage	7.6%	2.9%
Information & Communication	8.0%	7.3%
Financial & Insurance	8.1%	5.3%
Public Administration	8.4%	9.6%
Professional, Admin & Support Services	4.8%	(12.3%)
Real Estate	5.5%	5.3%
Education	6.0%	(41.9%)
Health	5.5%	5.6%
Other Services	5.3%	(4.5%)

Source: KNBS

### Labour Statistics

Indicator	3Q2019	1Q2020	2Q2020	3Q2020
Unemployment Rate	5.3%	5.2%	10.4%	7.2%
Labour Force Participation Rate	69.8%	69.7%	64.4%	68.8%

Source: KNBS

### Derivatives Market

#### Weekly Statistics

	This Week	Previous Week
Total Volumes	76	89
Total Value	3,510,300	10,628,850
Total Open Interest	224	201

Source: NSE

### Corporate Finance

#### TakeStep Raises Seed Funding For Regional Expansion

TakeStep, an Egyptian e-health startup, has secured seed funding for regional expansion in the near future. The firm was founded in 2018 and provides a platform focused on addiction treatment and psychiatry carried out by certified and qualified doctors. The platform has so far helped 15,000 patients. The funding was raised from two angel investors.

## Profit Warnings Issued

	<b>Company</b>	<b>Sector</b>
1.	Britam Holdings	Insurance
2.	East African Cables	Construction and Allied
3.	Kenya Orchards	Manufacturing and Allied
4.	Longhorn Publishers	Commercial and Services
5.	Nairobi Business Ventures	Commercial and Services
6.	Nation Media Group	Commercial and Services
7.	Unga Group	Manufacturing and Allied
8.	TPS Eastern Africa	Commercial and Services
9.	Homeboyz Entertainment	Commercial and Services
10.	Centum Investment Company	Investment

Source: NSE



## 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	40.00	5.0%	-2.7%	3,571,600	44.8%	6.56	2.5%	0.90	14.4%
Equity Bank	37.70	3.1%	-3.5%	882,000	51.5%	7.19	0.0%	1.03	15.8%
NCBA	25.00	-6.5%	-1.4%	921,800	41.9%	2.88	7.0%	0.56	15.3%
Stanbic	83.00	-2.4%	-0.3%	43,700	52.2%	6.32	4.6%	0.63	10.3%
Absa Bank Kenya Plc	8.86	-8.3%	0.7%	793,300	48.2%	11.56	0.0%	1.03	8.9%
Housing Finance	4.00	20.5%	5.8%	570,500	93.8%	N/M	0.0%	0.16	-18.2%
Co-operative Bank	11.90	-4.8%	-0.4%	897,900	58.1%	6.46	8.4%	0.77	11.9%
Diamond Trust Bank	65.50	-12.7%	-3.7%	49,000	48.6%	5.64	4.1%	0.30	5.4%
Standard Chartered	144.00	-0.2%	1.4%	66,000	58.8%	13.71	7.3%	0.99	11.2%
I&M	47.40	5.3%	-3.3%	836,100	39.0%	3.64	5.4%	0.68	20.4%
<b>Sector Average</b>					<b>53.7%</b>	<b>7.11</b>	<b>3.2%</b>	<b>0.70</b>	<b>9.5%</b>

### P/B (X) - FY2020

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	17.05	10.4%	-0.9%	130,500	3.79	8.8%	4.5	10.9%
WPP Scangroup	5.60	-6.7%	4.1%	509,100	5.00	8.9%	1.12	6.0%
Uchumi Supermarket	0.23	-17.9%	0.0%	2,723,100	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.45	-8.8%	-0.2%	2,400	6.54	11.7%	0.68	17.3%
Eveready	1.03	-14.2%	3.0%	37,100	N/M	0.0%	-1.45	-10.8%
<b>Sector Average</b>					<b>5.11</b>	<b>5.9%</b>		<b>5.8%</b>

\*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	39.30	3.8%	3.6%	200,500	16.04	0.0%	1.6%	2.1%
E.A. Portland Cement	8.10	-26.4%	-10.0%	500	N/M	0.0%	0.0%	0.0%
<b>Sector Average</b>					<b>16.04</b>	<b>0.0%</b>	<b>0.8%</b>	<b>1.0%</b>

\*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	4.53	-3.8%	-0.7%	755,800	1.62	6.6%	2.79	9.0%
Kenya Power	1.39	-18.7%	2.2%	4,675,600	-2.90	0.0%	-0.48	-1.7%
Total Kenya	24.65	2.7%	7.6%	266,400	6.12	5.3%	4.03	10.8%
<b>Sector Average</b>					<b>1.61</b>	<b>3.3%</b>		<b>3.7%</b>

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio
CIC Insurance	2.27	6.6%	3.2%	356,700	0.30	-20.64	71.4%	34.6%
Britam	6.96	-4.1%	-0.6%	211,000	0.24	4.94	65.3%	37.2%
Jubilee	285.00	0.4%	2.3%	116,700	10.15	5.43	91.9%	46.2%
Kenya Re	2.50	7.8%	-1.2%	1,272,600	0.09	0.98	71.2%	13.1%
Sanlam Kenya	11.50	-11.2%	4.5%	2,300.00	7.99	14.56	85.8%	35.5%
Liberty	8.22	6.8%	0.2%	11,500.00	1.02	6.27	119.6%	48.7%
<b>Sector Average</b>					<b>3.30</b>	<b>1.92</b>	<b>84.2%</b>	<b>35.9%</b>

DISCLAIMER: The information contained herein is obtained from sources, which to the best of our knowledge are deemed reliable. As such, we are not responsible or liable for any factual errors arising thereof. Any opinions expressed herein are ours and are bound to change anytime at no notice.

Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	EPS (KES)	ROE
Centum Investment	16.35	4.1%	4.1%	93,800	2.35	0.34	6.95	9.3%
Home Afrika Ltd	1.03	-7.1%	2.6%	49,800	N/M	N/M	N/M	2.6%
Trans-Century	1.03	-29.0%	-14.2%	41,700.00	N/M	N/M	N/M	4.7%
<b>Sector Average</b>					<b>N/M</b>	<b>0.34</b>		<b>5.5%</b>

\*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	8.44	3.4%	7.1%	31,200	28.13	3.3%	0.3	3.9%
<b>Sector Average</b>					<b>28.13</b>	<b>3.3%</b>		

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	163.75	6.2%	3.6%	1,633,200	31.67	1.8%	5.17	46.6%
FTG Holdings	1.29	4.9%	-0.8%	17,200	4.96	0.0%	0.26	4.8%
Carbacid	11.15	-7.9%	-3.0%	36,900	8.78	6.3%	1.27	10.0%
BAT	470.50	30.3%	-0.9%	33,700	8.53	9.6%	55.18	51.2%
<b>Sector Average</b>					<b>13.49</b>	<b>3.5%</b>		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	36.30	6.0%	-2.0%	38,073,700	19.52	3.9%	1.86	51.8%
<b>Sector Average</b>					<b>19.52</b>	<b>3.9%</b>		

DISCLAIMER: The information contained herein is obtained from sources, which to the best of our knowledge are deemed reliable. As such, we are not responsible or liable for any factual errors arising thereof. Any opinions expressed herein are ours and are bound to change anytime at no notice.

Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
ILAM FAHARI I-REIT	6.12	10.1%	-9.2%	118,300	20.86	12.09%	0.82
<b>Sector Average</b>						<b>NA</b>	

\*NAVPS - Net Asset Value Per Share

Source: NSE and Faida Investment Bank Analysis

### Recommendations

Counter	Recommendation	52-Week High	52-Week Low	Price	Target Price	Upside/(Downside)	Expected DPS	YTD Change
Equity Group	Hold	KES 43.00	KES 28.00	KES 37.00	KES 41.07	8.9%	KES 2.21	3.1%
EABL	Long-term Buy	KES 185.00	KES 143.25	KES 163.75	*N/A	*N/A	*N/A	6.2%

Source: NSE and Faida Investment Bank Analysis

\*\*\*Not rated

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

## Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Co-operative Bank of Kenya	First & Final dividend	KES 1.00	18-Mar-21	<b>31-Mar-21</b>	14-Apr-21
I&M Holdings	Final dividend	KES 2.25	31-Mar-21	<b>15-Apr-21</b>	20-May-21
BAT Kenya Plc	Final dividend	KES 41.50	19-Feb-21	<b>16-Apr-21</b>	12-May-21
NCBA Group	Final dividend	KES 1.50	29-Mar-21	<b>20-Apr-21</b>	Subject to approval
KCB Group	First & Final dividend	KES 1.00	18-Mar-21	<b>26-Apr-21</b>	Subject to approval
Standard Chartered Bank	First & Final dividend	KES 10.50	25-Mar-21	<b>27-Apr-21</b>	27-May-21
Kengen Co. Plc	First & Final dividend	KES 0.30	28-Jan-21	<b>29-Apr-21</b>	22-Jul-21
I&M Holdings	Bonus Issue	1:1	31-Mar-21	<b>10-May-21</b>	21-May-21
Stanbic Holdings Plc	Final dividend	KES 3.80	5-Mar-21	<b>21-May-21</b>	Subject to approval
Kakuzi Plc	First & Final dividend	KES 18.00	19-Mar-21	<b>31-May-21</b>	30-Jun-21
Nairobi Securities Exchange	First & Final dividend	KES 0.53	26-Mar-21	<b>4-Jun-21</b>	30-Aug-21
Umeme Ltd	Final dividend	UGX 12.20	23-Mar-21	<b>25-Jun-21</b>	19-Jul-21
Total Kenya	First & Final dividend	KES 1.57	6-Apr-21	<b>26-Jun-21</b>	30-Jul-21
ILAM Fahari I-REIT	First & Final dividend	KES 0.60	19-Mar-21	<b>Subject to approval</b>	30-Apr-21

Source: NSE

# There's a new way to get the latest research and analysis from Faida Investment Bank

To receive Investment Opportunities and the Latest Market Recommendations on WhatsApp save

**+254743552341** in your contacts list.

For more detailed information on the recommendations, please click **here**:

To invest in Money Market Funds, please email: **info@fib.co.ke**

For Online Share Trading (OST) via browser, please click **here**:

For the Faida M-Trader Application, please click **here**:



### 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