

Week ending 15th May 2020

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 135.33	-4.7%	-18.7%	USD Mn – 19,364 KES Bn – 2,068
	NSE 20 Share Index – 1,975.30	-3.2%	-25.6%	USD Mn – 16,916 KES Bn – 2,806.805
	NSE 25 Share Index – 3,179.99	-5.5%	-22.5%	USD Mn – 18,089 KES Bn – 1,932.125

Source:NSE

KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –106.81	(0.8%)	(5.4%)	5.6% (04/2020)	5.4% (2019)
NGN/USD -360.50	-	(17.6%)	12.3% (03/2020)	2.3% (2019)
EGP/USD –15.76	0.0%	1.8%	5.1% (03/2020)	4.8%(4Q2019)
ZAR/USD – 18.51	(0.1%)	(31.8%)	4.1% (03/2020)	-0.5%(4Q2019)

Source: CBK, SARB, KNBS, NBS, SIS, STATS SA, CBN and CBE

The CBK Invites Bids for FXD1/2020/5 (Re-open)

- The Central Bank of Kenya (CBK) has invited bids for a 5-year fixed rate bond -- FXD1/2020/5 (re-open) with the aim of raising KES 30.0 billion for budgetary support.
- The features of the bond are shown in the table below:

FXD1/2020/5 (Re-open)	
Amount	KES 30.0 billion
Purpose	Budgetary support
Tenor	5 years
Coupon rate	11.667%
Taxation	Withholding tax 15.0%
Period of sale	11/05/2020 to 19/05/2020
Redemption date	05/05/2025

Source: CBK

- The bond issue is a re-open of a previous bond which underperformed (the subscription rate of 69.06%).
- The CBK was seeking KES 50.0 billion, but only managed to acquire KES 20.8 billion at a coupon rate of 11.667%
- The aforementioned undersubscription was occasioned by reduced demand/participation by investors
- Given the expectations of lower revenue collections, we opine that the CBK may be willing to accommodate higher yields in order to acquire funds to finance the budget deficit.
- Thus we recommend bidding as follows:
 - 11.60% to 11.75% for non - aggressive bids
 - 11.75% to 11.90% for reasonably aggressive bids
 - 11.90%+ for aggressive bids
- Overall, we expect the average yield to be c. 11.8%

The Energy and Petroleum Regulatory Authority Lowers Fuel Prices

- The Energy and Petroleum Regulatory Authority (EPRA) has lowered the prices of diesel and super petrol in Nairobi in its May fuel review by KES 19.19 (-19.7% m/m), KES 9.54 (-10.3% m/m) and increased the price of kerosene by KES 2.49 respectively (+3.5% m/m).
- The price adjustment was necessitated by lower oil import prices of diesel and petrol. The change in kerosene prices was attributed to adjustments in VAT calculations (taxes and other levies are now part of the variable amount for petroleum products) as no kerosene cargo had been discharged at the port during the period.
- The Covid-19 pandemic has seen oil prices slump owing to decline in demand (due to restrictions in movement). While the gradual lifting of lockdown measures may improve demand, it is not expected to have a significant impact on price in the short term given the substantial oversupply of crude oil.

Federal Reserve Chair Emphasizes on Need for More Economic Relief

Federal Reserve Chair Jerome H. Powell cautioned on the possibility of a prolonged recession should the White House not provide more economic relief. Since March, nearly \$3 trillion in government spending has been approved to address the economic impact of the pandemic. In Wednesday's economic update, key highlights included:

- 40% of households earning less than \$40,000 annually have registered for unemployment since February. Unemployment rate as at April stood at 14.7% from 3.5% in February with 20 million Americans out of work.
- Concern over high unemployment rate causing a domino effect on household spending and relevant value chains.
- US economy contracted by 4.8% in 1Q2020, expected to perform even worse in 2Q2020
- The Federal Reserve reiterated that it is not considering negative interest rates

The outlook saw the Dow Jones industrial average down 2.2% (517 points), S&P 500 down 2.4% on the same day. On the same, Powell ruling out negative interest rates saw the dollar appreciate by 0.8%. There has been an additional \$3 trillion package proposed this week as an additional round of stimulus checks to states and municipalities which if approved, would act as a buffer to the US economic shocks.

Market Commentary

The All Share Index declined by 4.7% w-o-w closing the week at 135.33. The week saw price declines in large cap counters namely Equity (-13.9%), KCB (-8.7%) and Safaricom (-2.5%).

The initial selling pressure was due to profit taking activities but was exacerbated further following Federal Reserve Chair's US economic update as highlighted above. As the US dollar remains strong, we expect to see continued selling pressure from foreign investors seeking safer assets as the pandemic continues to dampen economic prospects globally.

Additionally, as governments consider gradual reopening of economies on a need by need basis, we also expect to see a lot of fluctuation in the market in the next 3-4 weeks.

Equity Market 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	35.65	-34.0%	-8.7%	4,217,400	45.9%	4.42	9.8%	0.86	20.7%
Equity Bank	33.70	-37.0%	-13.9%	12,025,100	51.5%	5.64	7.4%	1.14	21.8%
NCBA	27.20	-26.2%	-14.2%	11,600	41.9%	3.13	0.0%	0.61	15.3%
Stanbic	88.00	-19.5%	0.0%	93,800	56.2%	5.45	8.0%	0.71	13.6%
Absa Bank Kenya Plc	10.50	-21.3%	-4.5%	350,800	51.2%	7.65	10.5%	1.26	16.7%
Housing Finance	3.99	-38.2%	-0.5%	65,900	93.8%	N/M	0.0%	0.14	-1.1%
Co-operative Bank	12.90	-21.1%	-1.1%	398,700	52.1%	5.29	7.8%	0.95	19.2%
Diamond Trust Bank	77.00	-29.4%	-7.2%	4,000	48.6%	3.17	3.5%	0.37	12.1%
Standard Chartered	176.00	-13.1%	-4.5%	159,500	55.6%	7.34	11.4%	1.27	17.5%
I&M	49.30	-8.7%	-3.3%	600	39.0%	1.89	5.2%	0.35	20.4%
Sector Average					53.6%	4.89	6.4%	0.76	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	2.01	-2.0%	58.3%	63,200	N/M	0.0%	-1.3	N/M
Nation Media Group	19.50	-51.0%	-7.8%	20,000	4.33	7.7%	4.5	10.9%
WPP Scangroup	17.50	1.7%	0.0%	1,000	15.63	2.9%	1.12	6.0%
Uchumi Supermarket	0.32	10.3%	3.2%	47,700	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.58	-32.2%	-9.1%	25,600	6.74	11.4%	0.68	17.3%
Eveready	0.89	-19.1%	9.9%	1,400	N/M	0.0%	-1.45	-10.8%
Sector Average					8.90	4.4%		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	44.30	-44.6%	-7.1%	3,100	18.08	0.0%	1.6%	2.1%
E.A. Portland Cement	14.25	-1.7%	0.0%	0	N/M	0.0%	0.0%	0.0%
Sector Average					18.08	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	4.89	-14.5%	-0.2%	159,800	4.08	8.2%	1.20	4.2%
Kenya Power	1.96	-30.2%	-1.5%	872,800	15.08	0.0%	0.13	0.4%
Total Kenya	24.55	-10.7%	-4.3%	8,000	6.09	5.3%	4.03	10.8%
Sector Average					8.41	4.1%		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	2.17	-19.0%	-6.1%	787,900	0.28	18.08	69.8%	34.4%
Britam	6.02	-33.1%	-12.5%	50,500	0.21	4.27	65.3%	37.2%
Jubilee	249.50	-28.9%	-6.9%	23,700	8.89	4.75	91.9%	46.2%
Kenya Re	2.35	-22.4%	-3.3%	203,300	0.08	0.92	71.2%	13.1%
Sanlam Kenya	15.40	-10.5%	-3.8%	0	10.69	19.49	85.8%	35.5%
Liberty	7.50	-27.5%	-8.1%	0	0.93	5.73	119.6%	48.7%
Sector Average					0.88	9.57	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	24.95	-15.4%	-5.3%	12,200	3.74	0.48	6.68	8.0%
Home Afrika Ltd	0.41	-31.7%	2.5%	61,600	N/M	N/M	N/M	2.6%
Trans-Century	1.55	-38.0%	-8.8%	5,100	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.48		5.1%

***NPM - Net Profit Margin, **NAVPS - Net Asset Value Per Share**

Investment Services	Price (KES)	YTD Change	%w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
NSE	8.80	-28.7%	-2.7%	3,500	29.33	3.2%	0.3	3.9%
Sector Average					29.33	3.2%		

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	165.00	-16.9%	-3.2%	3,242,600	14.69	5.2%	11.23	83.0%
FTG Holdings	0.85	-65.6%	3.7%	66,400	3.27	0.0%	0.26	4.8%
Carbacid	9.18	14.8%	2.5%	10,300	8.83	7.6%	1.04	8.6%
BAT	315.00	-37.0%	0.0%	500,600	8.11	10.6%	38.85	40.8%
Sector Average					8.72	4.7%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	27.65	-12.2%	-2.5%	13,420,000	14.87	5.1%	1.86	51.8%
Sector Average					14.87	5.1%		

Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
STANLIB FAHARI I-REIT	7.50	-20.4%	-6.3%	102,000	20.80	10.00%	0.83
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

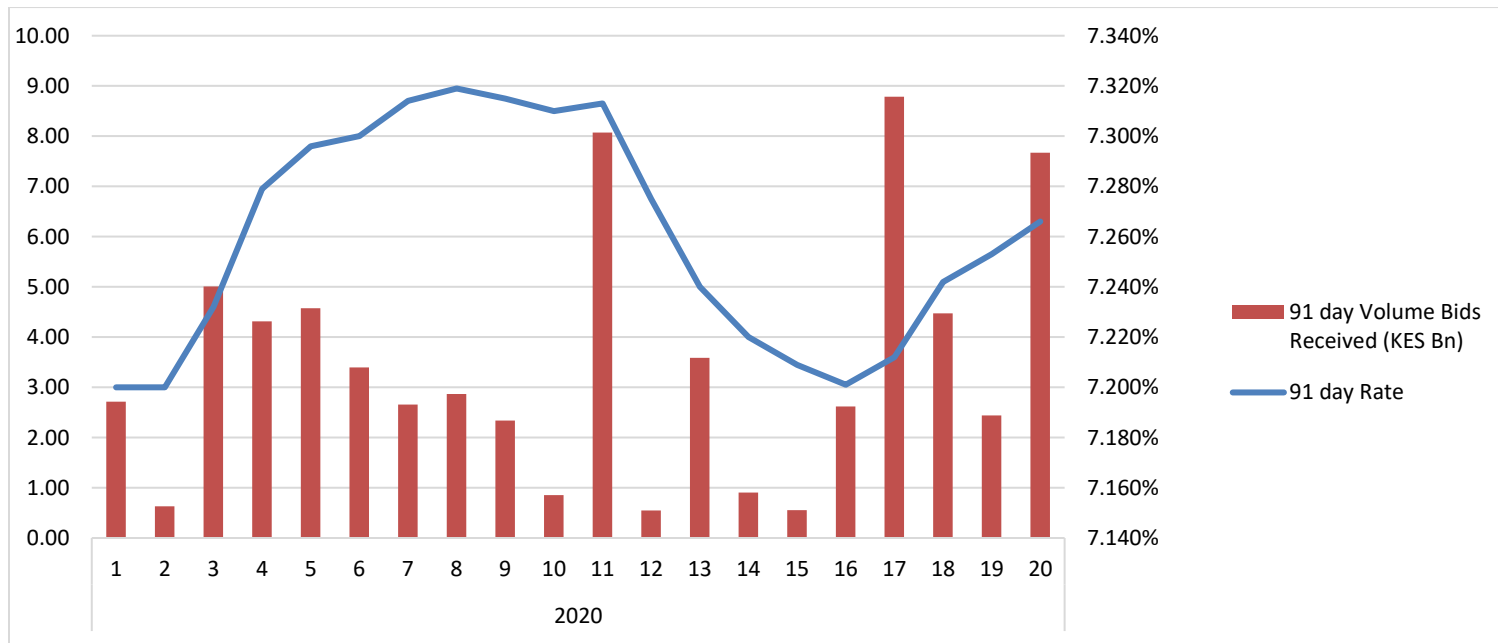
Market Statistics	This Week	Last Week	% Change
Total Volumes	145,196,700	118,077,800	23.0%
Total Turnover (KES)	4,927,930,594	4,853,813,000	1.5%

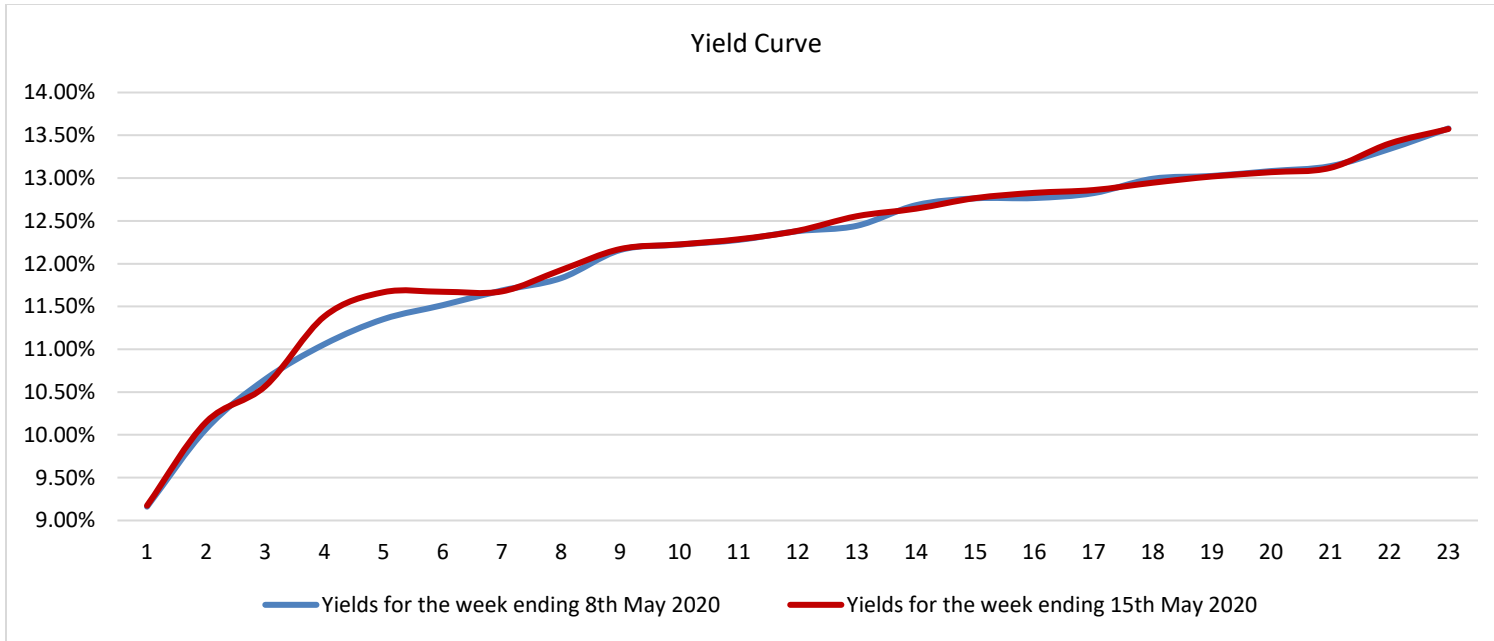
Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	7.67Bn	191.77%	7.65Bn	7.266%	7.253%	0.013
182 day T-bill	4.49Bn	44.85%	4.43Bn	8.192%	8.151%	0.041
364 day T-bill	11.93Bn	119.32%	11.89Bn	9.173%	9.161%	0.012

Graph showing 91 day T-bill rate and volume

Week No. 20





Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Limuru Tea Company Plc	First & Final dividend	Kes.0.70	23-Mar-20	10-Apr-20	26-Jun-20
Standard Chartered Bank Kenya	Final dividend	Kes.15.00	19-Mar-2020	27-Apr-20	28-May-20
KCB Group PLC	Final dividend	Kes.2.50	12-Mar-20	27-Apr-20	Subject to Approval
Kakuzi Plc	First & Final dividend	Kes.14.00	20-Mar-20	30-Apr-20	18-May-20
NCBA Group PLC	Bonus Issue	1:10	22-Apr-20	12-May-20	Subject to Approval
Stanbic Holdings PLC	Final dividend	Kes.5.8	02-Mar-20	18-May-20	Subject to Approval
BK Group PLC	Final dividend	Frw.14.40	27-Mar-20	12-Jun-20	01-Jul-20
Equity Group Holdings Plc	First & Final dividend	Kes.2.50	20-Mar-20	12-Jun-20	24-Jul-20
Nation Media Group Ltd	Bonus Issue	1:10	20-Apr-20	12-Jun-20	Subject to Approval
Kenya Reinsurance Ltd	First & Final dividend	Kes.0.10	27-Mar-20	12-Jun-20	24-Jul-20
Umeme Ltd	Final dividend	Ushs.41.30	23-Mar-20	22-Jun-20	17-Jul-20
Diamond Trust Bank Ltd	First & Final dividend	Kes.2.70	20-Mar-20	25-Jun-20	24-Jul-20
Safaricom Plc	First & Final dividend	Kes.1.40	29-Apr-20	31-Jul-20	01-Nov-20
ABSA Bank Kenya PLC	Final dividend	Kes.0.90	24-Mar-20	Subject to Approval	Subject to Approval
Britam Holdings PLC	First & Final dividend	Kes.0.25	03-Apr-20	Subject to Approval	Subject to Approval
I&M Holdings Plc	First & Final dividend	Kes.2.55	26-Mar-20	Subject to Approval	Subject to Approval
Stanlib Fahari I-Reit	First & Final dividend	Kes.0.75	29-Apr-20	Subject to Approval	31-May-20
Nairobi Securities Exchange	First & Final dividend	Kes.0.08	27-Mar-20	Subject to Approval	Subject to Approval

Market Recommendations

Counter	Recommendation	YTD Change	Price as at 15th May 2020
KCB Group	Long-term Buy	-27.69%	39.05
Equity Group Holdings	Long-term Buy	-26.82%	39.15
ABSA Bank Kenya Plc	Long-term Buy	-17.60%	11.00
Stanbic	Long-term Buy	-19.45%	88.00
NCBA	Long-term Buy	-13.98%	31.70
Standard Chartered	Sell	-5.56%	184.25
Safaricom	Hold	-10.00%	28.35
Kenya Airways	Sell	-1.95%	2.01
Bamburi	Sell	-40.38%	47.70

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E-mail:

research@fib.co.ke

HEAD OFFICE:

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