

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 137.13	-2.3%	-17.6%	USD Mn – 19,599 KES Bn – 2,096
	NSE 20 Share Index – 1,948.08	-3.3%	-26.6%	USD Mn – 17,220 KES Bn – 1,841.513
	NSE 25 Share Index – 3,203.94	-2.3%	-21.9%	USD Mn – 18,374 KES Bn – 1,962.514

Source:NSE

KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –106.9435	0.02%	(5.5%)	5.5% (05/2020)	5.4% (2019)
NGN/USD -360.50	-	(17.6%)	12.3% (04/2020)	2.3% (2019)
ZAR/USD – 17.5479	1.5%	(26.9%)	4.1% (03/2020)	-0.5%(4Q2019)

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

StanChart Posts a 16.6% y/y Decline in After Tax Profits for 1Q2020

- Standard Chartered Bank (StanChart) recorded a 16.6% y/y decline in after tax profits for 1Q2020 to KES 2.0 bn. The lower earnings were due to:
 - reduced interest income from loans; -7.0% y/y to KES 3.2 bn
 - higher operating expenses; +6.0% y/y to KES 3.6 bn
 - depressed earnings from government securities; -7.5% y/y to KES 2.5 bn
 - lower non-funded income; -6.5% y/y to KES 2.2 bn
- Total interest income reduced by 4.3% y/y to KES 6.1 bn reflecting lower interest income from loans & advances and government securities.
 - The reduced income from loans was occasioned by lower yields which reduced by 160 bps to 10.0% (affected by the low interest rate environment; CBR average in 1Q2020 was 7.9% vs. 9.0% in 1Q2019). This negated the impact of the loan book growth, which advanced by 6.8% y/y to KES 125.5 bn.
 - Compared to 1Q2019, StanChart's portfolio of government and investment securities eased by 13.0% y/y to KES 96.1 bn and this was the primary reason for the lower income from government securities. Yields on government securities also declined by 60 bps to 9.8%.
- Total interest expenses declined by 1.3% y/y to KES 1.4 bn -- underpinned by lower interest expenses from customer deposits which contracted by 7.3% y/y to KES 1.2 bn largely due to lower costs of customer deposits (down 30 bps to 2.0%). Customer deposits rose by 4.6% y/y to KES 243.6 bn.
- The net interest income of KES 4.7 realized was 5.1%y/y lower than that recorded in 1Q2019 largely due to the aforementioned lower interest income; the NIM also declined to 8.0% (1Q2019: 8.7%).
- The subdued non-funded income was primarily affected by a 15.0% y/y decline (to KES 695.0 mn) in foreign exchange trading income. Owing to contractions in both non-funded and funded incomes, the contribution

of non-funded income to total income remained relatively the same at 32.1% (1Q2019: 32.4%).

- The total operating income realized was 5.6%y/y lower at KES 7.0 bn (1Q2019: KES 7.4 bn).
- The group's higher operating costs (excluding provisions) was driven by a 22.3% y/y rise in other expenses to KES 1.5 bn. Given the rise in operating costs vis-à-vis lower operating income, StanChart's cost-to-income ratio rose to 52.0% (1Q2019: 46.3%).
- Loan loss provisions increased by 3.1% y/y to KES 428.0 mn, however, gross NPLs eased by 5.6% y/y to KES 20.0 bn. The NPL ratio (approximated as net NPLs/net loans & advances) eased to 9.7% (1Q2019: 11.1%).

Commentary

- In 2Q2020, we anticipate subdued private sector lending by StanChart owing to the lower interest rate environment and higher expected credit risk (due to the impact of the COVID-19 pandemic). This is expected to result in lower interest income from loans – which should also be affected by repayment breaks and loan extensions.
- In view of this, we expect to see StanChart revert to its conservative lending approach – preferring to invest in government securities
- We expect StanChart to leverage its high liquidity levels (67.6% in 1Q2020) to keep its cost of funds low (i.e. it's unlikely to aggressively chase for deposits).
- Despite the improvement in asset quality, we foresee asset quality coming under pressure in 2Q2020 due the challenges occasioned by the COVID-19 pandemic. The sectors that have been adversely affected by the pandemic include: the hospitality and tourism sector, property market, trade and SMEs.
- Taking into account the aforementioned factors as well as rising operating costs, we expect subdued financial performance in FY2020 and affirm our **SELL** recommendation.

Market Commentary

The All Share Index eased by 2.8% w/w to close the week at 137.13 characterized by reduced trading volumes. This was contrary to our expectations following the president's speech that hinted possible relaxation of the measures. We opine that daily increases in COVID-19 cases could have spooked investors causing them to take a wait and see approach. Foreigners emerged net sellers and foreign activity was mostly concentrated on Safaricom and Equity. Equity declined by 1.0% while Safaricom eased by 4.4% owing to profit taking activities.

In the coming week, we expect some clarity to be provided on whether the country will relax some of the measures (this could be done on the June 1st Madaraka Day address or June 6th). We recommend investors to take advantage of the low trading multiples on fundamentally sound companies. We reiterate that investors should assess their circumstances before investing.

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	35.45	-34.4%	-2.3%	13,114,400	45.9%	4.40	9.9%	0.85	20.7%
Equity Bank	35.25	-34.1%	-2.5%	13,656,200	51.5%	5.90	-	1.19	21.8%
NCBA	27.00	-26.7%	-0.6%	1,453,600	41.9%	3.11	-	0.60	15.3%
Stanbic	85.00	-22.2%	-0.9%	449,700.00	56.2%	5.27	8.3%	0.69	13.6%
Absa Bank Kenya Plc	10.80	-19.1%	4.3%	3,890,800	51.2%	7.87	10.2%	1.30	16.7%
Housing Finance	3.99	-38.2%	-1.5%	153,600	93.8%	N/M	0.0%	0.14	-1.1%
Co-operative Bank	12.35	-24.5%	-1.6%	818,200	52.1%	5.06	8.1%	0.91	19.2%
Diamond Trust Bank	71.25	-34.6%	-3.7%	1,438,300	48.6%	2.94	3.8%	0.34	12.1%
Standard Chartered	166.00	-18.0%	-4.2%	22,600	55.6%	6.92	12.0%	1.19	17.5%
I&M	47.35	-12.3%	-4.1%	56,700	39.0%	1.82	5.4%	0.34	20.4%
Sector Average					53.6%	4.81	6.5%	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	2.21	7.8%	-29.8%	2,840,400	N/M	0.0%	-1.3	N/M
Nation Media Group	18.60	-53.3%	-1.3%	210,500	4.13	8.1%	4.5	10.9%
WPP Scangroup	17.25	0.3%	-0.6%	99,200	15.40	2.9%	1.12	6.0%
Uchumi Supermarket	0.30	3.4%	-3.2%	331,100	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.83	-28.6%	-3.2%	38,300	7.10	10.8%	0.68	17.3%
Eveready	1.00	-9.1%	4.2%	18,100	N/M	0.0%	-1.45	-10.8%
Sector Average					8.88	4.3%		5.8%

*N/M - Not Meaningful

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Construction & Allied	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	NPM*	ROE
Bamburi Cement	44.00	-45.0%	-2.2%	5,000	17.96	0.0%	1.6%	2.1%
E.A. Portland Cement	14.25	-1.7%	0.0%	200	N/M	0.0%	0.0%	0.0%
Sector Average					17.96	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	4.83	-15.6%	1.0%	361,600	4.03	8.3%	1.20	4.2%
Kenya Power	1.75	-37.7%	-6.9%	6,281,100	13.46	0.0%	0.13	0.4%
Total Kenya	24.00	-12.7%	4.3%	9,500	5.96	5.4%	4.03	10.8%
Sector Average					7.81	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	2.45	-8.6%	4.7%	4,198,800	0.31	20.42	69.8%	34.4%
Britam	6.62	-26.4%	0.0%	710,000	0.23	4.70	65.3%	37.2%
Jubilee	250.00	-28.8%	0.0%	16,600	8.91	4.76	91.9%	46.2%
Kenya Re	2.37	-21.8%	0.9%	1,275,600	0.08	0.93	71.2%	13.1%
Sanlam Kenya	16.00	-7.0%	-0.3%	50,500	11.11	20.25	85.8%	35.5%
Liberty	8.20	-20.8%	-1.2%	13,000	1.02	6.26	119.6%	48.7%
Sector Average					0.88	9.57	83.9%	35.8%

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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	23.05	-6.3%	-6.3%	324,900	3.45	0.45	6.68	8.0%
Home Afrika Ltd	1.53	-16.7%	13.6%	122,400	N/M	N/M	N/M	2.6%
Trans-Century	0.00	-38.8%	-9.5%	0	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.45		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	8.02	-100.0%	-1.5%	0	26.33	#DIV/0!	0.3	3.9%
Sector Average					26.33	#DIV/0!		

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	159.3%	159.3%	0	N/M	0.0%	-4.43	-69.4%
EABL	162.75	-18.4%	-0.5%	1,586,700	14.43	5.2%	11.23	83.0%
FTG Holdings	0.88	-52.6%	33.0%	472,600	4.50	0.0%	0.26	4.8%
Carbacid	9.16	12.5%	-1.7%	85,800	8.65	7.8%	1.04	8.6%
BAT	320.00	-36.1%	-0.2%	120,400	8.22	10.5%	38.85	40.8%
Sector Average					8.95	4.7%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	28.55	-9.4%	-2.7%	27,864,800	15.35	4.9%	1.86	51.8%
Sector Average					15.35	4.9%		

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Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
STANLIB FAHARI I-REIT	6.30	-33.1%	-4.5%	447,100	20.80	11.90%	0.83
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

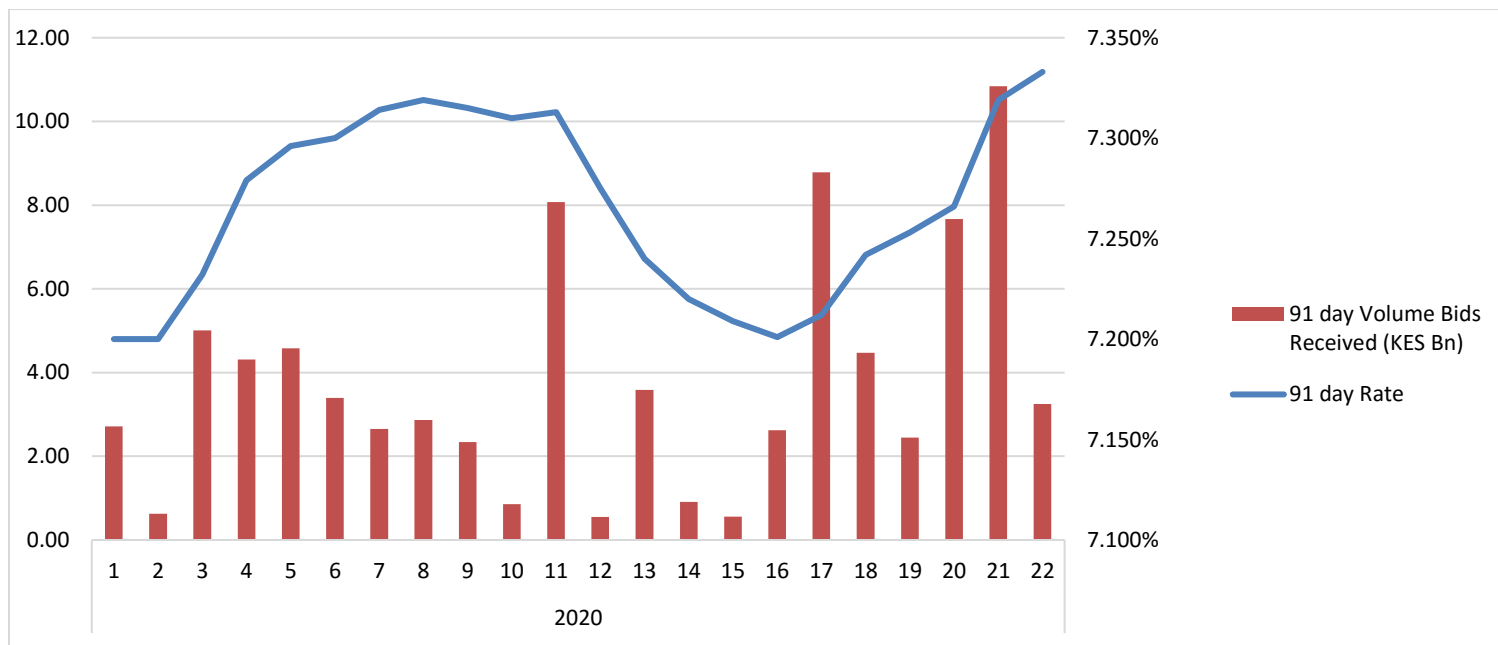
Market Statistics	This Week	Last Week	% Change
Total Volumes	84,834,000	80,918,400	4.84%
Total Turnover (KES)	2,370,451,395	2,408,713,354	-1.59%

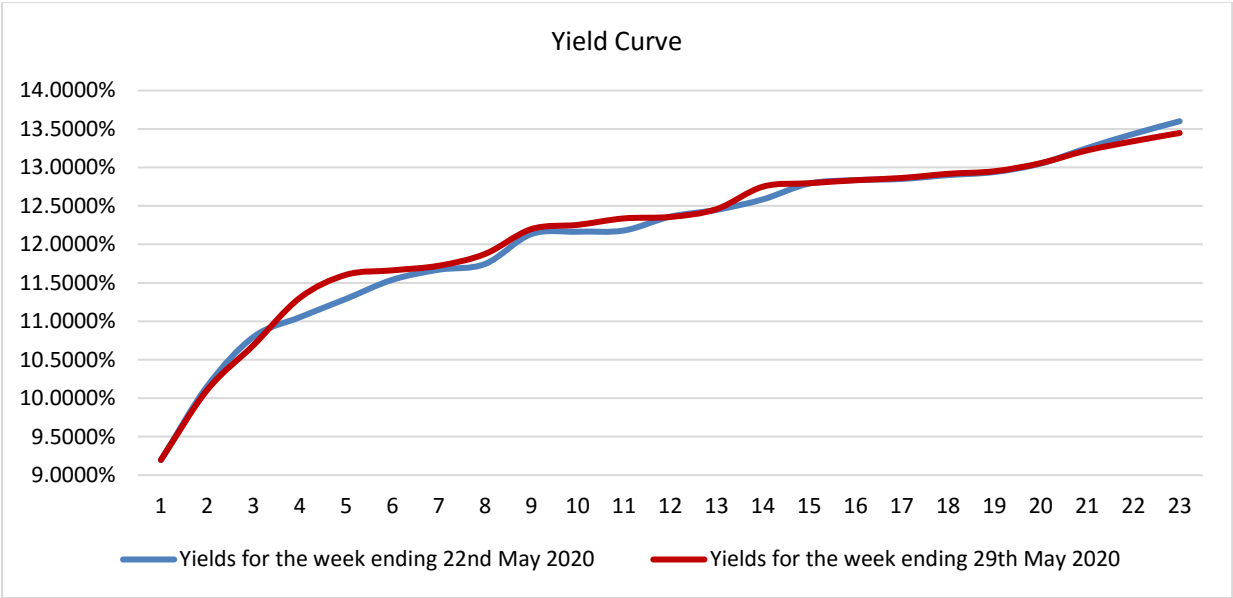
Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	3.25Bn	81.28%	2.27Bn	7.333%	7.319%	0.014
182 day T-bill	5.84Bn	58.41%	1.4Bn	8.248%	8.227%	0.021
364 day T-bill	15.50Bn	154.99%	11.46Bn	9.198%	9.195%	0.003

Graph showing 91 day T-bill rate and volume

Week No. 22





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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
KCB Group PLC	Final dividend	Kes.2.50	12-Mar-20	27-Apr-20	Subject to Approval
Stanlib Fahari I-Reit	First & Final dividend	Kes.0.75	29-Apr-20	30-Apr-20	31-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
Jubilee Holdings	Final dividend	Kes.8.00	21-May-20	30-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
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 29th May 2020
Equity Group Holdings	Long-term Buy	-34.11%	35.25
KCB	Long-term Buy	-34.35%	35.45
ABSA Bank Kenya Plc	Long-term Buy	-19.10%	10.80
Stanbic	Long-term Buy	-22.20%	85.00
Standard Chartered	Sell	-18.02%	166.00
Safaricom	Hold	-9.37%	28.55
Bamburi	Sell	-45.00%	44.00

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