



Weekly Report

Week 28

Week Ending Friday, July 16, 2021

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Global Markets

Index	Last Price*	Weekly Change	YTD Change
DJI	35,007.46	0.6%	15.2%
S&P 500	4,371.02	0.4%	17.0%
NASDAQ 100	14,817.47	0.2%	15.3%
DAX	15,617.71	-0.3%	13.8%
FTSE 100	7,011.98	-1.3%	8.5%
EURO STOXX 50	4,049.89	-0.3%	14.0%
Shanghai Composite	3,539.30	0.4%	1.9%
NIKKEI 225	28,003.08	0.2%	2.0%
Commodities			
Brent Oil (USD/bbl.)	73.53	-2.6%	43.8%
Gold (USD/Oz)	1,824.72	0.9%	-3.9%

Source: Bloomberg, NSE; *As at 5:20 PM EAT

Most of the equity indices rose during the week. The FTSE 100 however fell driven by declines in pharmaceutical and energy stocks as well as inflation fears (possible rate increases) and rising COVID-19 cases which could dampen optimism on economic recovery. The S&P 500 edged up following the Federal Reserve statement that monetary policy would remain accommodative. This offset fears of a possible rate hike (to counter inflationary pressures). Oil (brent

crude) eased as the Organization of Petroleum Exporting Countries and partners (OPEC+) reached a compromise with the United Arab Emirates this week (after an initial rejection of the oil production plan by Saudi Arabia). The OPEC+ seeks to slowly increase oil supply which could see oil prices decline.

Equities Market

Equity Market Commentary

The All Share Index (NASI) and the NSE 20 Share Index edged up by 2.0% w/w and 1.1% w/w to close the week at 178.65 and 1,972.33 respectively. We attribute the rise in the all share index (NASI) partly to gains on Safaricom which rose 3.3% w/w to KES 42.60. However, market turnover fell by 32.4% to KES 1.8 billion while the volume of shares traded also fell by 32.4% to 56.2 million shares.

Crown Paints was this week's biggest loser (23.0% w/w to KES 20.25). We attribute this to the additional shares from the rights issue which commenced trading on 15th July 2021. The rights issue was oversubscribed by 13.7%. CIC also saw a large dip in price (22.1% w/w to KES 2.64) as result of profit taking (exacerbated by a credit ratings downgrade from GCR). There were also price declines on banking stocks such as HF (-5.1% w/w to KES 3.70), KCB (-1.4% w/w to KES 44.85), Equity (-0.9% w/w to KES 48.55) and Absa Kenya (-0.5% w/w to KES 10.00). Majority of the banking counters registered price declines. We expect more profit taking in the coming week

Market Indices Performance

Index	This Week	Previous Week	Weekly Change %	YTD Change %
NASI	178.65	175.22	2.0%	17.5%
NSE 20	1,972.33	1,951.41	1.1%	5.6%
NSE 25	3,902.04	3,865.41	1.0%	14.3%

Source: NSE

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Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,783.85	2,728.62	2.0%
Volume (Mn)	56.25	83.18	(32.4%)
Equity Turnover (KES Mn)	1,830.09	2,708.86	(32.4%)

Source: NSE

Equities Performance

Top Gainers	Price (KES)	Weekly Change %	YTD Change
1. Kapchorua	98.00	15.3%	25.6%
2. DTB	66.25	12.3%	(11.7%)
3. Williamson	152.25	10.7%	16.9%
4. Express Kenya	4.40	10.0%	21.9%
5. Eaagads	11.85	9.7%	(5.2%)

Top Losers	Price (KES)	Weekly Change	YTD Change %
1. Crown Paint	20.25	(23.0%)	(46.7%)
2. CIC Insurance	2.64	(22.1%)	(22.1%)
3. NBV	10.95	(11.7%)	155.8%
4. WPP Scangroup	4.60	(9.4%)	(23.3%)
5. Transcentury	1.17	(9.3%)	(19.3%)

Movers	Price (KES)	Turnover (KES Mn)
1. Safaricom	42.60	855.20
2. DTB	66.25	306.01
3. Equity	48.55	219.33
4. KCB	44.85	110.99
5. EABL	187.00	60.14

Source: NSE and Faida Investment Bank Analysis

In the News

EPRA Retains Fuel Prices

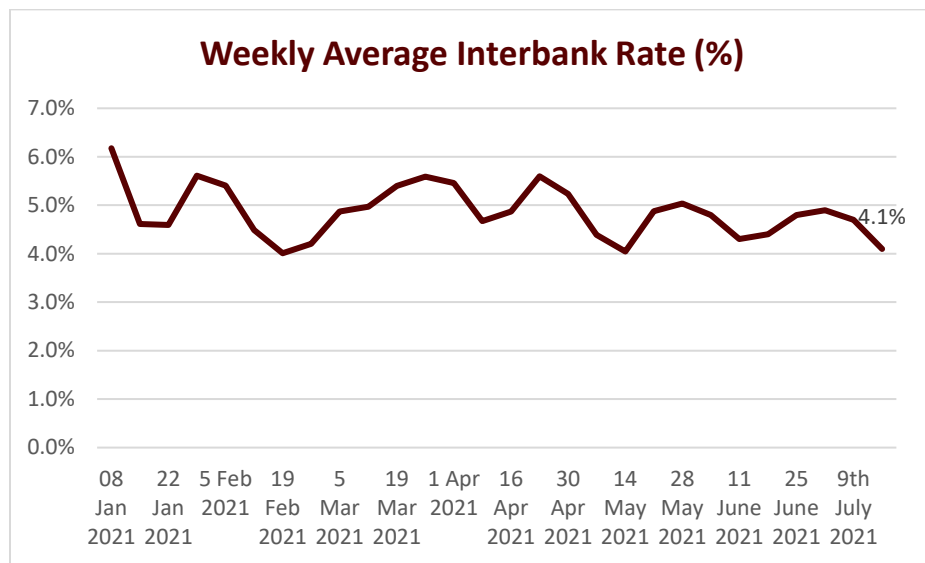
- The Energy and Petroleum Regulatory Authority (EPRA), in its July review, maintained the prices of petrol, diesel and kerosene in Nairobi at KES 127.14, KES 107.66 and KES 97.85 respectively.
- This was despite the average landed cost of imported super petrol and diesel increasing by 4.8% and 3.7% to \$520.04 per cubic meter and \$479.01 per cubic meter respectively.
- According to EPRA kerosene vessels were not discharged at the port in the period.

Commentary

- The decision to retain prices is definitely positive. Kenyans and businesses are already facing inflationary pressures. Increasing prices would have added to the pain.
- There is a possibility that global oil supply could increase as the Organization of Petroleum Exporting Countries and partners (OPEC+) seeks to slowly increase supply following a compromise with the United Arab Emirates this week (after an initial rejection of the oil production plan by Saudi Arabia).
- The higher supply could see the upward momentum in oil prices taper off.

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Interbank Rate



Source: CBK

Treasury Bill Auction Results

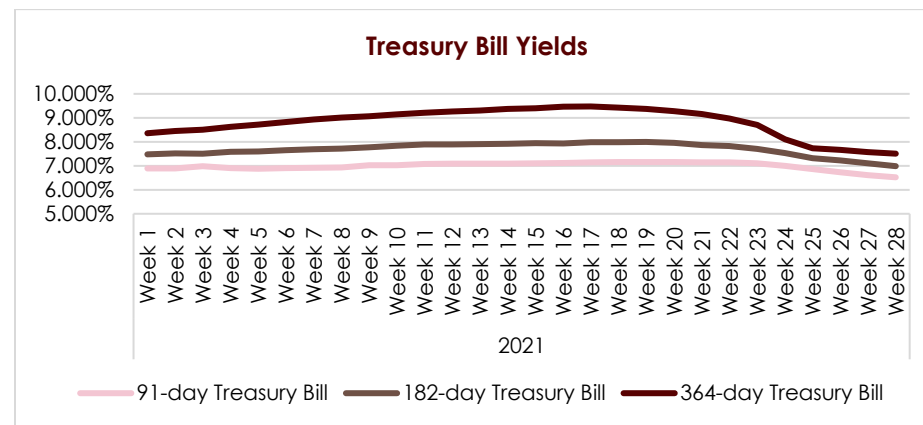
	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield	Change*
91 day	4.0	2.7	66.83%	2.7	6.520%	-0.09%
182 day	10.0	11.3	113.25%	11.3	6.984%	-0.12%
364 day	10.0	5.3	52.70%	5.2	7.506%	-0.07%
Total	24.0	19.3	80.28%	19.2		

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

Source: CBK

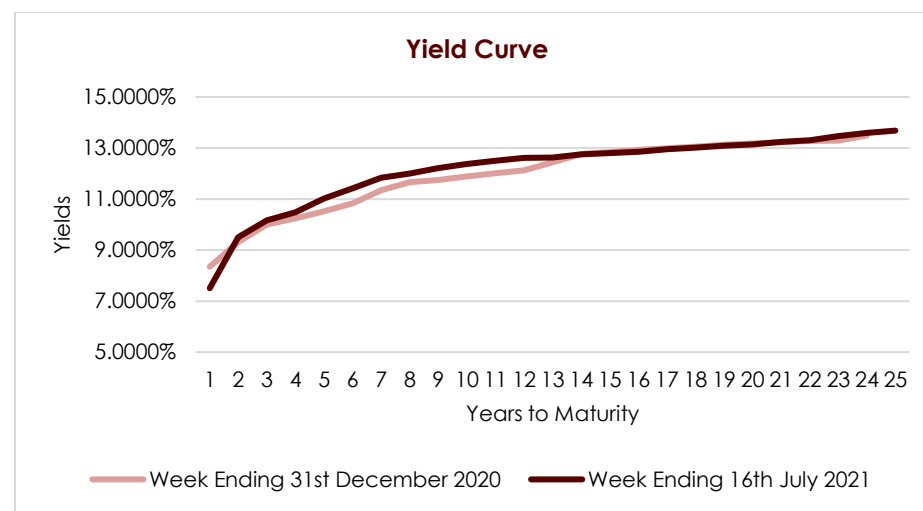
Treasury bills were undersubscribed in this week's auction; the total subscription rate was 80.28%, down from last week's 146.01%. The 182 day bill had the highest subscription rate this week, at 113.25% while the 364 day bill had the lowest subscription.

Treasury Bill Yields



Source: CBK

Government Securities Yield Curve



Source: NSE

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Macroeconomic Indicators

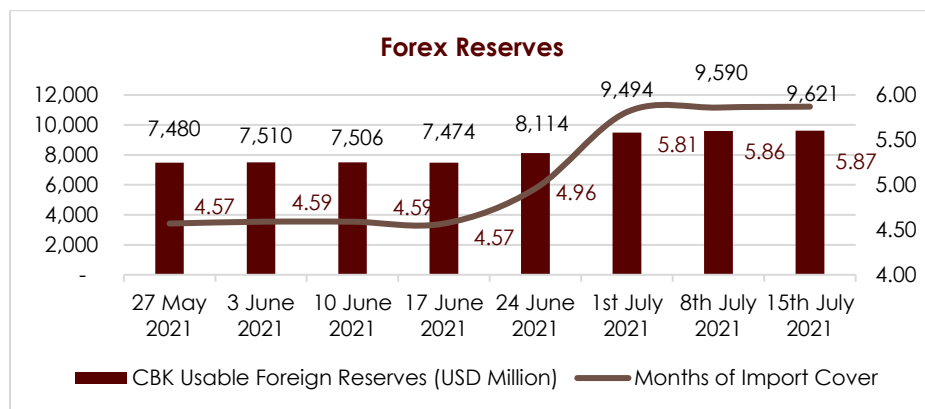
Exchange Rates

KES	Value	Weekly Change %	YTD Change %
US Dollar	108.1882	(0.2%)	0.9%
STG Pound	149.8421	(0.7%)	(1.0%)
EURO	127.8962	(0.1%)	4.5%

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

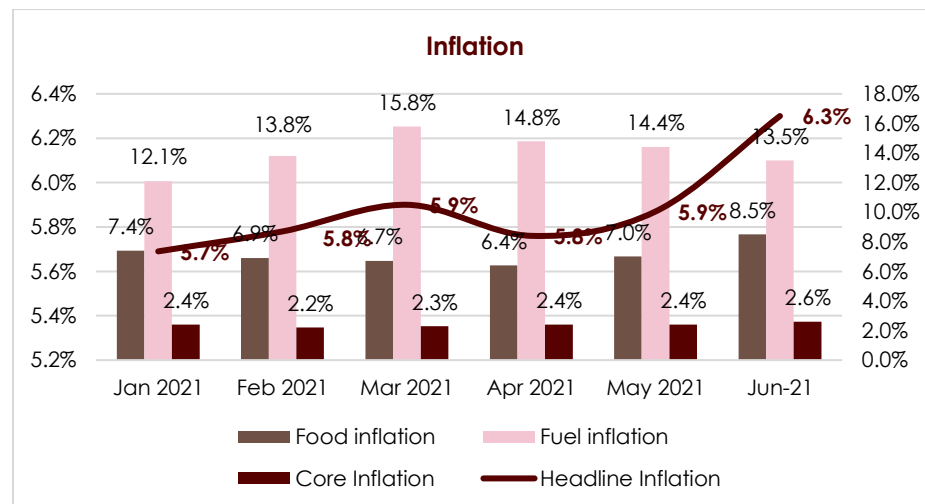
During the week, the Kenya Shilling depreciated against the US Dollar, STG pound and the Euro.

Forex Reserves



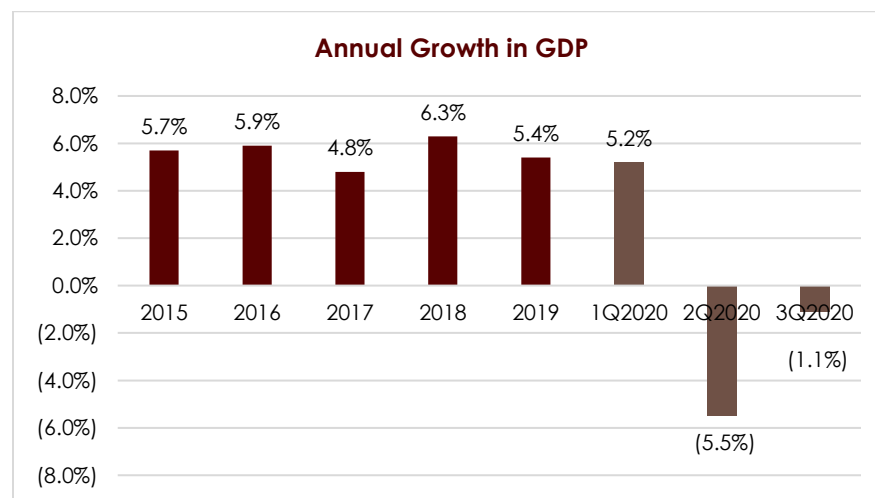
Source: CBK

Inflation



Source: KNBS

Gross Domestic Product (GDP)



Source: KNBS

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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	120	148
Total Value	4,135,020	4,693,635
Total Open Interest	279	290

Source: NSE

Corporate Finance

Crown Paints Rights Issue oversubscribed by 13.7%

The Crown Paints rights issue was oversubscribed by 13.7% (overall subscription rate of 113.7%) with shareholders seeking 81.0 million shares worth KES 809.6 million. The company had sought KES 711.8 million (through issuance of 71.18 million shares for KES 10.00 each). Faida Investment Bank served as the transaction advisor and sponsoring broker on the rights issue which closed on 30th June 2021. A rights issue is an invitation by a company to existing shareholders to purchase additional new shares in the company. The proceeds from the rights issue will be used to reduce debt to a more sustainable level and to position the company to take advantage of long-term growth opportunities and gain market share in the East African region. The new shares were listed on the NSE and commenced trading on Thursday 15th July 2021.

Profit Warnings Issued

	Company	Sector
1	East African Cables	Construction and Allied
2	Kenya Orchards	Manufacturing and Allied
3	Longhorn Publishers	Commercial and Services
4	Nairobi Business Ventures	Commercial and Services
5	Unga Group	Manufacturing and Allied
6	TPS Eastern Africa	Commercial and Services
7	Centum Investment Company	Investment
8	Olympia Capital	Investment

Source: NSE

Results Delay Notices

	Company	Sector
1	Scangroup	Commercial and Services
2	East African Cables	Construction and Allied
3	Crown Paints	Construction and Allied
4	Home Afrika	Investment
5	Express Kenya	Commercial and Services

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	44.85	17.7%	-1.4%	2,477,700	44.8%	7.35	2.2%	1.01	14.4%
Equity Bank	48.55	32.8%	-0.9%	4,544,100	51.5%	9.26	0.0%	1.32	15.8%
NCBA	25.95	-3.0%	-0.2%	338,900	41.9%	2.99	6.7%	0.58	15.3%
Stanbic	82.75	-2.6%	3.4%	6,100	52.2%	6.30	4.6%	0.63	10.3%
Absa Bank Kenya Plc	10.00	3.5%	-0.5%	1,090,000	48.2%	13.05	0.0%	1.17	8.9%
Housing Finance	3.70	11.4%	-5.1%	117,400	93.8%	N/M	0.0%	0.15	-18.2%
Co-operative Bank	13.50	8.0%	0.0%	1,132,900	58.1%	7.33	7.4%	1.00	12.7%
Diamond Trust Bank	66.25	-11.7%	12.3%	5,215,200	48.6%	5.70	4.1%	0.30	5.4%
Standard Chartered	129.75	-10.1%	0.2%	404,000	58.8%	12.36	8.1%	0.89	11.2%
I&M	21.50	-52.2%	-0.2%	2,630,900	39.0%	1.65	11.9%	0.31	20.4%
Sector Average					53.7%	7.33	4.5%	0.74	9.6%

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	25.00	61.8%	0.0%	1,642,000	125.00	0.0%	0.2	1.7%
WPP Scangroup	4.60	-23.3%	-9.4%	1,666,500	4.11	10.9%	1.12	6.0%
Uchumi Supermarket	0.25	-10.7%	-7.4%	259,600	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.04	-17.2%	1.0%	34,800	5.94	12.9%	0.68	17.3%
Eveready	0.97	-19.2%	0.0%	8,100	N/M	0.0%	-1.45	-10.8%
Sector Average					45.02	4.7%		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	38.25	1.1%	4.7%	51,700	15.61	7.8%	3.2%	3.8%
E.A. Portland Cement	7.30	-33.6%	1.4%	16,300	N/M	0.0%	0.0%	0.0%
Sector Average					15.61	3.9%	1.6%	1.9%

*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	4.38	-7.0%	9.5%	4,937,100	1.57	6.8%	2.79	9.0%
Kenya Power	1.41	-17.5%	2.2%	2,768,400	N/M	0.0%	N/M	N/M
Total Kenya	24.00	0.0%	-1.4%	28,800	5.96	5.4%	4.03	10.8%
Sector Average					3.76	3.4%		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	2.64	23.9%	-22.1%	1,898,500	0.91	N/M	71.4%	34.6%
Britam	7.52	3.6%	0.3%	148,300	0.96	N/M	80.6%	58.1%
Jubilee	385.00	35.6%	-1.3%	6,400	0.85	7.33	101.3%	44.2%
Kenya Re	2.51	8.2%	3.3%	2,198,700	0.05	2.39	67.7%	8.9%
Sanlam Kenya	11.00	-15.1%	8.4%	15,500.00	1.20	13.92	85.8%	35.5%
Liberty	7.80	1.3%	-2.5%	21,500.00	0.50	5.95	119.6%	48.7%
Sector Average					0.74	7.40	87.7%	38.3%

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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	16.95	-1.2%	-1.2%	144,700	2.44	0.36	6.95	9.3%
Home Afrika Ltd	1.17	-2.4%	-2.4%	603,000	N/M	N/M	N/M	2.6%
Trans-Century	1.17	-19.3%	-9.3%	51,500.00	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.36		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	8.82	8.1%	0.5%	43,600	29.40	3.2%	0.3	3.9%
Sector Average					29.40	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	187.00	21.2%	-0.3%	321,100	36.17	1.6%	5.17	46.6%
FTG Holdings	1.33	8.1%	0.8%	41,100	5.12	0.0%	0.26	4.8%
Carbacid	12.00	-0.8%	0.0%	56,500	9.45	5.8%	1.27	10.0%
BAT	438.25	21.4%	-2.3%	61,300	7.94	10.3%	55.18	51.2%
Sector Average					14.67	3.5%		

*Suspended

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	42.60	24.4%	3.3%	20,350,400	24.91	3.2%	1.71	49.9%
Sector Average					24.91	3.2%		

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Real Estate Investment Trust	Price (KES)	YTD Change	% W-o-W Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
ILAM FAHARI I-REIT	6.54	17.6%	6.2%	69,900	20.86	11.31%	0.82
Sector Average						NA	

*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
EABL	Long-term Buy	KES 193.75	KES 148.25	KES 187.00	N/A	N/A	N/A	21.23%

Source: NSE and Faida Investment Bank Analysis

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

Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Kengen Co. Plc	First & Final dividend	Kes. 0.30	28-Jan-21	29-Apr-21	22-Jul-21
B.O.C Kenya	Final dividend	Kes. 4.15	21-Apr-21	25-May-21	19-Jul-21
Jubilee Holdings	Final dividend	Kes. 8.00	16-Apr-21	26-May-21	26-Jul-21
NSE Plc	First & Final dividend	Kes. 0.53	26-Mar-21	4-Jun-21	30-Aug-21
Umeme Ltd	Final dividend	Ushs. 12.20	23-Mar-21	25-Jun-21	19-Jul-21
Total Kenya	First & Final dividend	Kes.1.57	6-Apr-21	26-Jun-21	30-Jul-21
Kenya Re	First & Final dividend	Kes. 0.20	2-Jun-21	30-Jun-21	13-Aug-21
Kapchorua Tea	First & Final dividend	Kes. 10.00	30-Jun-21	21-Jul-21	(Subject to Approval)
Williamson Tea	First & Final dividend	Kes. 10.00	30-Jun-21	21-Jul-21	(Subject to Approval)
Safaricom PLC	Final dividend	Kes.0.92	13-May-21	30-Jul-21	31-Aug-21

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