

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 138.75	5.3%	-16.6%	USD Mn – 19,681 KES Bn – 2,129.95
	NSE 20 Share Index – 1,793.76	4.0%	-32.4%	USD Mn – 17,316 KES Bn – 1,873.94
	NSE 25 Share Index – 3,186.97	5.8%	-22.3%	USD Mn – 18,330 KES Bn – 1,983.64

Source:NSE

KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-W	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –108.221	(0.2%)	(6.8%)	4.4% (07/2020)	4.9% (1Q2020)
NGN/USD -379.50*	-	(23.8%)	12.8% (07/2020)	2.3% (2019)
ZAR/USD – 16.8420	2.6%	(19.9%)	3.2% (07/2020)	-2.0%(1Q2020)

Source: CBK, KNBS, NBS, CBN, SIS, STATS SA, SARB: Negative () – Depreciation, Positive – Appreciation *8/27/2020

StanChart Posts a 31.3% y/y Decline in After Tax Profits for 1H2020

- Standard Chartered Bank recorded a 31.3% y/y decline in after tax profits for 1H2020 to KES 3.2 bn (1H2019: KES 4.7 bn).
- The decline in profitability was predominantly due to:
 - a 328.8% y/y surge in provisions to KES 1.6 bn
 - a 6.3% y/y decrease in total interest income to KES 11.9 bn and
 - a 6.6% y/y drop in non-funded income to KES 4.4 bn
- Total interest income was weighed down by lower income from investment securities and the loan book:
 - Interest income from government securities eased by 12.7% y/y to KES 4.8 bn occasioned by lower yields from government securities (dropped by 160 bps to 9.2%) as StanChart's portfolio of government and investment securities grew by 2.4% y/y to KES 105.5 bn.
 - Interest income arising from loans and advances declined by 6.6% y/y to KES 6.3 bn, reflecting the lower yield on loans which reduced by 170 bps to 9.6% (affected by the low interest rate environment and loan restructurings) since StanChart's loan book grew by 11.9% y/y to KES 134.3bn.
- Total interest expenses eased by 12.1% y/y to KES 2.5 bn, principally supported by lower interest expenses from customer deposits which contracted by 10.9% y/y to KES 2.3 bn largely due to lower costs of customer deposits (down 40 bps to 1.9%). Customer deposits rose by 12.3% y/y to KES 256.5 bn.
- Given the higher decline in total interest income vis-à-vis total interest expenses (in absolute terms), net interest income fell by 4.6% y/y to KES 9.4 bn consequently weighing down the net interest margin (NIM) by 90 bps to 7.8% (1H2019: 8.7%).
- The aforementioned drop in non-funded income was mainly weighed down by:
 - a 12.8% y/y decline in other fees and commissions to KES 2.1 bn
-- we opine this was partly attributable to the CBK directive

suspending fees charged by commercial banks for transfers between mobile money wallets and bank accounts

- II. a 5.2% y/y decline in fees and commissions on loans to KES 152.5 bn
- Owing to reductions in both non-funded and funded incomes, the contribution of non-funded income to total income eased marginally to 31.9% (1H2019: 32.4%).
- In comparison to total operating income, which eased by 5.2% y/y to KES 13.8 bn total operating expenses (excluding provisions) eased by 2.7% y/y to KES 7.1 bn – mostly supported by a 5.3% y/y reduction in staff costs to KES 3.3 bn.
- As a result of higher decline in total operating income compared to total operating expenses (excluding provisions), StanChart's cost-to-income ratio rose to 51.2% (1H2019: 49.9%).
- Gross NPLs rose by 5.6% y/y to KES 20.9 bn but due to a higher rise in the net loan book, StanChart's NPL ratio (net NPLs/ net loan book) eased to 3.4% (1H2019: 4.0%).

Commentary

- Contrary to our earlier expectations, StanChart opted to grow its loan book (in lieu of its investment securities portfolio) and also managed to improve the asset quality of its loan book (also contrary to expectations). The loan book grew by 7.0% q/q from KES 125.5 billion in 1Q2020.
- Going forward, we expect to see continued pressure on total interest income due to the low interest rate environment.
- Moreover, we expect to see higher provisioning levels overall in 2020 compared to 2019 due to the ongoing impact of the pandemic and this should continue to weigh down profitability.
- However, we expect StanChart to leverage its high liquidity levels (66.8% in 1H2020) to keep its cost of funds low (currently stands at 2.1% against 2.5% in 1H2019) and to adopt cost reduction measures (the cost-to-income ratio has been on a persistent decline on a quarterly basis since 3Q2019) to buoy the bottom line.
- We expect the impact of higher provisions and reduced interest income to continue to off-set the impact of a reducing cost base.

Market Commentary

The All Share and NSE 20 share Indices gained 5.3% and 4.0% w-o-w respectively to close the week at 138.74 and 1,793.76 respectively. We attribute this to price gains across the bourse during the week on the back of renewed investor interest (foreign investors dominated but there was some pickup in activity from local investors). Total equity turnover for the week increased by 38.8% to KES 2.7 billion while the number of shares traded increased by 3.8% to 115.5 million shares. Activity in the market was dominated by Safaricom (54.4% of the week's traded value, gaining 5.9% w-o-w to close (VWAP) the week at KES 29.85). Activity within the sector remained high (34.6% of the week's traded value) as more banks continued to release their 1H2020 results. Notable price movements (w-o-w) within the sector were posted on NCBA (+16.1% to KES 23.45), Equity (+10.6% to KES 36.45), Co-op (+9.5% to KES 1.50) and KCB (+8.2% to KES 36.40). In the upcoming week, we expect to see some profit taking activity in some counters.

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	36.40	-32.6%	8.2%	2,297,700	45.9%	4.52	9.6%	0.88	20.7%	
Equity Bank	36.45	-31.9%	10.6%	3,792,000	51.5%	6.10	0.0%	1.23	21.8%	
NCBA	23.45	-36.4%	16.1%	364,800	41.9%	2.70	0.0%	0.52	15.3%	
Stanbic	78.00	-28.6%	4.7%	200	56.2%	4.83	9.0%	0.63	13.6%	
Absa Bank Kenya Plc	9.54	-28.5%	-2.5%	786,800	51.2%	6.95	11.5%	1.15	16.7%	
Housing Finance	4.01	-37.9%	-1.5%	1,700	93.8%	N/M	0.0%	0.14	-1.1%	
Co-operative Bank	11.50	-29.7%	9.5%	1,165,900	52.1%	4.71	8.7%	0.85	19.2%	
Diamond Trust Bank	65.75	-39.7%	-0.4%	4,300	48.6%	2.71	4.1%	0.31	12.1%	
Standard Chartered	150.25	-25.8%	0.2%	30,400	55.6%	6.27	5.0%	1.08	17.5%	
I&M	43.35	-19.7%	0.8%	81,300.00	39.0%	1.66	5.9%	0.31	20.4%	
Sector Average						53.6%	4.49	5.4%	0.71	15.6%

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	86.8%	0.0%	-	N/M	0.0%	-1.3	N/M
Nation Media Group	13.75	-65.5%	19.6%	79,000	3.06	10.9%	4.5	10.9%
WPP Scangroup	6.52	-62.1%	-6.9%	199,900	5.82	7.7%	1.12	6.0%
Uchumi Supermarket	0.30	3.4%	-9.1%	69,900	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.73	-30.0%	4.9%	11,700	6.96	11.0%	0.68	17.3%
Eveready	1.00	-9.1%	2.0%	1,100	N/M	0.0%	-1.45	-10.8%
Sector Average					5.28	5.9%		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	20.60	-74.3%	-10.2%	1,985,500	8.41	0.0%	1.6%	2.1%
E.A. Portland Cement	13.85	-4.5%	0.0%	0	N/M	0.0%	0.0%	0.0%
Sector Average					8.41	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	5.92	3.5%	7.2%	48,200	4.93	6.8%	1.20	4.2%
Kenya Power	1.90	-32.4%	0.0%	1,770,500	14.62	0.0%	0.13	0.4%
Total Kenya	23.00	-16.4%	0.0%	3,900	5.71	5.7%	4.03	10.8%
Sector Average					8.42	3.4%		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	1.99	-25.7%	-5.2%	110,600	0.25	16.58	69.8%	34.4%
Britam	7.18	-20.2%	2.0%	57,200	0.25	5.09	65.3%	37.2%
Jubilee	219.75	-37.4%	-3.7%	0	7.83	4.19	91.9%	46.2%
Kenya Re	2.28	-24.8%	6.0%	88,500	0.08	0.89	71.2%	13.1%
Sanlam Kenya	12.10	-29.7%	-10.7%	-	8.40	15.32	85.8%	35.5%
Liberty	7.70	-25.6%	-1.3%	-	0.96	5.88	119.6%	48.7%
Sector Average					2.96	7.99	83.9%	35.8%

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	21.45	-0.5%	-0.5%	87,700	3.09	0.45	6.95	9.3%
Home Afrika Ltd	1.70	-30.0%	2.4%	171,400	N/M	N/M	N/M	2.6%
Trans-Century	1.70	-32.0%	-5.6%	-	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.45		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	7.44	-39.8%	10.4%	27,500	24.80	3.8%	0.3	3.9%
Sector Average					24.80	3.8%		

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	158.25	-20.3%	4.8%	43,800	30.61	1.9%	5.17	46.6%
FTG Holdings	1.43	-42.1%	5.1%	26,000	5.50	0.0%	0.26	4.8%
Carbacid	7.98	-0.2%	-2.7%	36,000	7.67	8.8%	1.04	8.6%
BAT	322.75	-35.5%	0.9%	200	8.31	10.4%	38.85	40.8%
Sector Average					13.02	4.2%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	29.85	-5.2%	5.9%	11,730,700	16.05	4.7%	1.86	51.8%
Sector Average					16.05	4.7%		

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)
STANLIB FAHARI I-REIT	5.14	-45.4%	-5.2%	505,300	20.80	14.59%	0.83
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

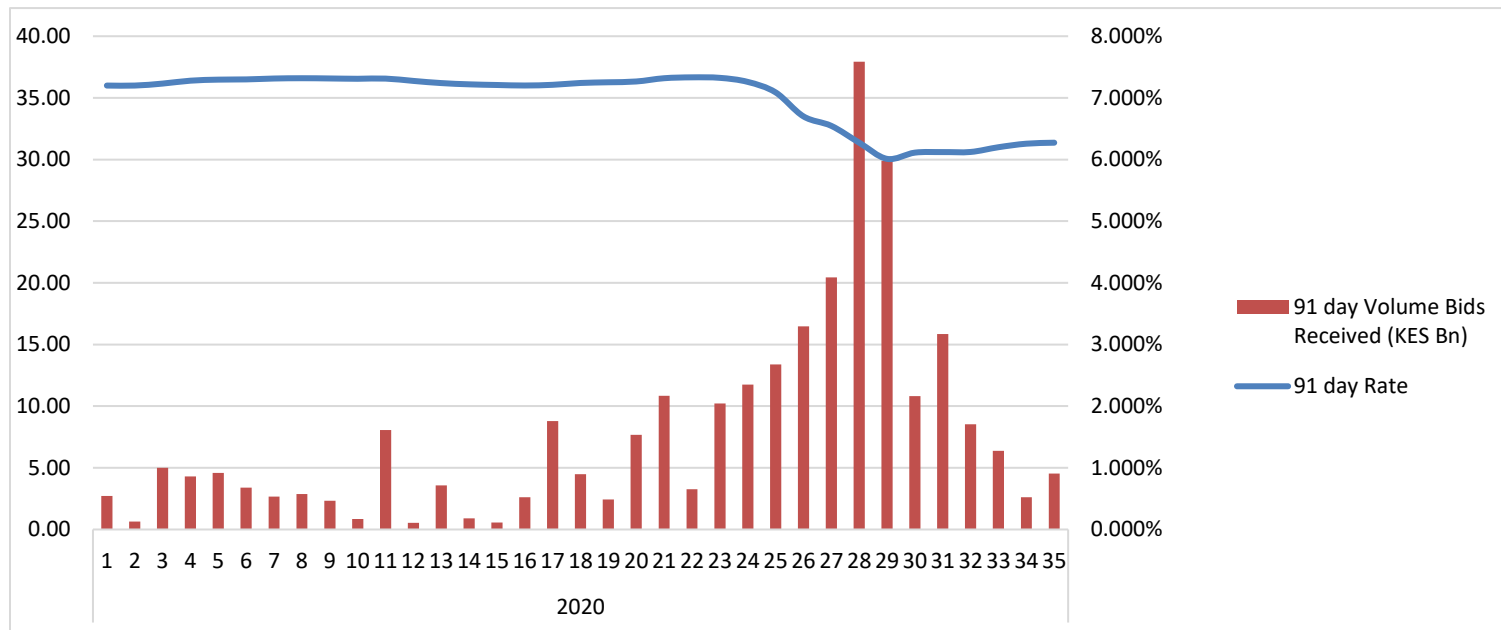
Market Statistics	This Week	Last Week	% Change
Total Volumes	115,582,600	111,364,000	3.8%
Total Turnover (KES)	2,721,529,054	1,961,459,158	38.8%

Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	4.53	113.30%	3.99	6.273%	6.257%	0.016
182 day T-bill	6.10	60.96%	4.90	6.625%	6.600%	0.025
364 day T-bill	1.93	19.33%	1.84	7.507%	7.508%	(0.001)

Graph showing 91 day T-bill rate and volume

Week No. 35



Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Nation Media Group Ltd	Bonus Issue	1:10	20-Apr-20	12-Jun-20	Subject to Approval
WPP Scangroup	Special dividend	Kes. 8.00	07-Jul-20	28-Jul-20	27-Aug-20
Kapchorua Tea Kenya	Final dividend	Kes. 10.00	17-Jul-20	30-Jul-20	Subject to Approval
Safaricom Plc	First & Final dividend	Kes.1.40	29-Apr-20	31-Jul-20	01-Nov-20
Williamson Tea Kenya	Final dividend	Kes. 20.00	17-Jul-20	18-Aug-20	Subject to Approval
BAT Kenya Plc	Interim dividend	Kes. 3.50	16-Jul-20	21-Aug-20	18-Sep-20
Jubilee Holdings Ltd	Interim dividend	Kes. 1.00	28-Aug-20	11-Sep-20	09-Oct-20
Centum Investment Co.	First & Final dividend	Kes. 1.30	02-Jun-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

***All Companies are under review**

There's a new way to get the latest research and analysis from Faida Investment Bank: We're now on WhatsApp! Here's how: Save our WhatsApp number [+254743552341](https://wa.me/254743552341) on your contacts or address book and you will receive Investment Opportunities and the Latest Market Recommendations.

For Online Share Trading (OST) via browser, please click [here](#):

For the Faida M-Trader Application, please click [here](#):

To join our Telegram channel, please click [here](#):



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