

## KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 140.24	-0.4%	-15.7%	USD Mn – 19,864 KES Bn – 2,153
	NSE 20 Share Index – 1,847.41	-1.5%	-30.4%	USD Mn – 17,459 KES Bn – 1,892.406
	NSE 25 Share Index – 3,238.77	-0.7%	-21.0%	USD Mn – 18,517 KES Bn – 2,007.06

Source:NSE

## KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-W	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –108.3912	0.1%	(7.0%)	4.4% (08/2020)	4.9% (1Q2020)
NGN/USD -379.50*	-	(23.8%)	13.2% (08/2020)	-6.1% (2Q2020)
ZAR/USD – 16.1366	3.7%	(14.9%)	3.2% (07/2020)	-51.0%(2Q2020)

Source: CBK, KNBS, NBS, CBN, SIS, STATS SA, SARB: Negative ( ) – Depreciation, Positive – Appreciation \*9/17/2020

## BAT to Locally Produce Non-combustible Cigarettes

- British American Tobacco (BAT) is set to locally produce non-combustible nicotine pouches in its KES 2.7 billion plant and is seeking a 2-3 year tax holiday from the Kenya Revenue Authority (KRA).
- The exemption would result in lower taxation than the prevailing rates on cigarettes.
- According to management, the tax holiday would help the company start manufacturing and set up distribution networks for local sales and exports in the East African Community and COMESA markets. No excise duty is expected based on the size of the foreign direct investment.
- Further, management stated that the nicotine pouches are products with reduced harm profile hence excise duty should be significantly lower than on cigarettes
- BAT plans to start local production of the pouches when it opens its new factory in Nairobi. The company had begun importing the new tobacco-free category into the country in 3Q2019.
- Towards the end of FY2019, BAT Group embarked on a corporate transformation strategy aimed at reducing the business' health impact.
- The company launched Lyft – the tobacco free oral nicotine pouch in 2H2019. The product was received well and contributed to 15.9% y/y growth in net revenue.
- According to management, the nicotine used in the pouches is currently produced in Switzerland from tobacco leaves. However, management noted that Kenyan leaves fit the global leaf which the company purchases. There is therefore a likelihood that the company could switch to Kenyan leaves or use them to complement the imports.

## Commentary

- BAT is looking towards growing its product portfolio by aligning itself with global shifting trends (towards health and wellness). We note that total global tobacco consumption (by volume) has seen a decline over the years, recently declining by 2% in 2019 compared to 2018.

- We are likely to see new categories of products including and beyond tobacco and nicotine such as vaping.
- In the domestic market, excise tax implementations over the years have had an impact on cigarette volumes sold. We expect continued tobacco regulation to impact tobacco sales volume, especially low tier products that are sensitive to price changes, with consumers in this category shifting to illicit products.
- Globally, BAT Plc is already the world's largest e-cigarettes maker, with a quick adoption rate in developed countries whose population is seeking products with reduced health risks. As the new categories (oral nicotine pouches) are nascent, the company still has leeway to roll out new products before stringent regulation on the products are enacted.
- We recommend a **BUY** recommendation on BAT, most suitable to dividend investors as the dividend yield currently stands at 10.0% (compared to the 364 T-Bill at 7.571%). The stock is currently trading at a trailing P/E of 8.58x and a 5 year average ROE of 47.0%. Based on the company's new strategy to diversify to new categories in line with the global trends, we believe it is well positioned to meet growing demand given its market leadership position and pricing power.

#### **CBK's Receives KES 81.7 billion in Investor Bids**

- The Central Bank of Kenya (CBK) received KES 81.7 billion (against KES 50.0 billion on offer) in investor bids on 15<sup>th</sup> September 2020 for the three reopened treasury bonds FXD2/2010/15, FXD1/2020/15 and FXD1/2011/20), indicating high liquidity in the market. This represented a performance rate of 163.4%.
- CBK accepted bids worth KES 64.2 billion with the target offer having been KES 50.0 billion.
- Most of the bids were on the FXD1/2020/15 as it had the highest coupon rate (12.76%).
- The weighted average rate on accepted bids on the FXD2/2010/15, FXD1/2020/15 and FXD1/2011/20 was 10.46%, 12.54% and 11.87% respectively.

#### **Commentary**

- The performance isn't entirely surprising as there still remains some uncertainty around the recovery of the economy forcing most investors to shift to safe havens.
- However, we opine that with the easing of restrictions, the economic circumstances have improved compared to the first half of the year.

- We therefore recommend investors to have more risky asset classes (like equities) in their portfolios. We note that some counters (e.g. banks like KCB and Equity) are still trading at significantly lower trading multiples compared to their historical averages

#### **Market Commentary**

The All Share and NSE 20 share Indices retreated by 0.4% and 1.5% w-o-w to close the week at 140.24 and 1,847.41 respectively. We attribute this to profit taking in some counters following price rallies in the previous weeks with the biggest loser being NMG (-18.0% to KES 15.75). Market turnover however increased by 112.3% to KES 5.1 billion (the highest traded value this year). This was largely driven by Safaricom, trading KES 4.2 billion in the week (82.0% of traded value) to close at KES 30.00 (-0.2% w-o-w). Banking sector witnessed declines in majority of the counters: Stanbic (-7.4% to KES 75.00), DTB (-3.8% to KES 62.50) and Equity (-2.3% to 36.15). We expect relatively lower activity in the upcoming week with minimal price movements.

## 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	37.90	-29.8%	0.0%	52,300	45.9%	4.70	9.2%	0.91	20.7%
Equity Bank	36.15	-32.4%	-2.3%	3,286,100	51.5%	6.05	0.0%	1.22	21.8%
NCBA	22.20	-39.8%	-1.6%	342,400	41.9%	2.55	0.0%	0.49	15.3%
Stanbic	75.00	-31.4%	-7.4%	765,800	56.2%	4.65	9.4%	0.60	13.6%
Absa Bank Kenya Plc	9.84	-26.3%	1.0%	138,000	51.2%	7.17	11.2%	1.18	16.7%
Housing Finance	4.37	-32.4%	7.9%	86,600	93.8%	<b>N/M</b>	0.0%	0.15	-1.1%
Co-operative Bank	12.00	-26.6%	4.3%	139,200	52.1%	4.92	8.3%	0.89	19.2%
Diamond Trust Bank	62.50	-42.7%	-3.8%	96,800	48.6%	2.58	4.3%	0.30	12.1%
Standard Chartered	164.50	-18.8%	-0.8%	400	55.6%	6.86	4.6%	1.18	17.5%
I&M	45.00	-16.7%	-2.2%	10,300.00	39.0%	1.73	5.7%	0.32	20.4%
<b>Sector Average</b>					<b>53.6%</b>	<b>4.58</b>	<b>5.3%</b>	<b>0.73</b>	<b>15.6%</b>
<b>P/B (X) - FY2019</b>									

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%	-	<b>N/M</b>	0.0%	-1.3	<b>N/M</b>
Nation Media Group	15.75	-60.4%	-18.0%	119,900	3.50	9.5%	4.5	10.9%
WPP Scangroup	7.54	-56.2%	-3.6%	36,600	6.73	6.6%	1.12	6.0%
Uchumi Supermarket	0.30	3.4%	0.0%	3,615,000	<b>N/M</b>	0.0%	-4.6	<b>N/M</b>
Longhorn Publishers	4.75	-29.7%	0.6%	1,100	6.99	10.9%	0.68	17.3%
Eveready	0.99	-10.0%	0.0%	9,200	<b>N/M</b>	0.0%	-1.45	-10.8%

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**Sector Average****5.74****5.4%****5.8%**

\*N/M - Not Meaningful

<b>Construction &amp; Allied</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>NPM*</b>	<b>ROE</b>
Bamburi Cement	25.00	-68.8%	25.0%	592,100	10.20	0.0%	1.6%	2.1%
E.A. Portland Cement	14.85	2.4%	0.0%	0	N/M	0.0%	0.0%	0.0%
<b>Sector Average</b>					<b>10.20</b>	<b>0.0%</b>	<b>0.8%</b>	<b>1.0%</b>

\*NPM - Net Profit Margin

<b>Energy &amp; Petroleum Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>	<b>ROE</b>
KenGen	5.28	-7.7%	-4.0%	44,700	4.40	7.6%	1.20	4.2%
Kenya Power	1.81	-35.6%	-3.7%	1,092,700	13.92	0.0%	0.13	0.4%
Total Kenya	23.50	-14.5%	-0.8%	200	5.83	5.5%	4.03	10.8%
<b>Sector Average</b>					<b>8.05</b>	<b>3.8%</b>		<b>2.3%</b>

<b>Insurance Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/B(X)</b>	<b>P/E(X)</b>	<b>Loss Ratio</b>	<b>Expense Ratio</b>
CIC Insurance	2.15	-19.8%	0.5%	23,700	0.27	17.92	69.8%	34.4%
Britam	7.36	-18.2%	-7.8%	8,500	0.25	5.22	65.3%	37.2%
Jubilee	220.00	-37.3%	0.0%	500	7.84	4.19	91.9%	46.2%
Kenya Re	2.23	-26.4%	-1.3%	33,800	0.08	0.87	71.2%	13.1%
Sanlam Kenya	12.30	-28.5%	-1.2%	-	8.54	15.57	85.8%	35.5%
Liberty	7.98	-22.9%	-0.2%	-	0.99	6.09	119.6%	48.7%

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<b>Sector Average</b>					<b>3.00</b>	<b>8.31</b>	<b>83.9%</b>	<b>35.8%</b>
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<b>Investment Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>P/B(X)</b>	<b>EPS (KES)</b>	<b>ROE</b>
Centum Investment	20.90	-0.5%	-0.5%	120,400	3.01	0.44	6.95	9.3%
Home Afrika Ltd	1.66	-30.0%	13.5%	66,800	N/M	N/M	N/M	2.6%
Trans-Century	1.66	-33.6%	3.7%	900.00	N/M	N/M	N/M	4.7%
<b>Sector Average</b>					<b>N/M</b>	<b>0.44</b>		<b>5.5%</b>

\*P/B based on company Net Asset Value

<b>Investment Services</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>%w-o-w change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>	<b>ROE</b>
NSE	8.66	-29.9%	-1.4%	10,200	28.87	3.2%	0.3	3.9%
<b>Sector Average</b>					<b>28.87</b>	<b>3.2%</b>		

<b>Manufacturing &amp; Allied Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>	<b>ROE</b>
Mumias Sugar	0.27	0.0%	0.0%	0	N/M	0.0%	-4.43	-69.4%
EABL	168.00	-15.4%	-0.1%	43,500	32.50	1.8%	5.17	46.6%
FTG Holdings	1.38	-44.1%	8.7%	14,200	5.31	0.0%	0.26	4.8%
Carbacid	8.44	5.5%	0.7%	0	8.12	8.3%	1.04	8.6%
BAT	333.50	-33.3%	1.2%	10,000	8.58	10.0%	38.85	40.8%
<b>Sector Average</b>					<b>13.63</b>	<b>4.0%</b>		

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<b>Telecommunication &amp; Technology Sector</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>P/E(X)</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>	<b>ROE</b>
Safaricom	30.00	-4.8%	-0.2%	5,894,100	16.13	4.7%	1.86	51.8%
<b>Sector Average</b>					<b>16.13</b>	<b>4.7%</b>		

<b>Real Estate Investment Trust</b>	<b>Price (KES)</b>	<b>YTD Change</b>	<b>% w-o-w Change</b>	<b>Volume Traded</b>	<b>NAVPS*</b>	<b>Dividend Yield</b>	<b>EPS (KES)</b>
STANLIB FAHARI I-REIT	5.02	-46.7%	-3.5%	73,900	20.80	14.94%	0.83
<b>Sector Average</b>						<b>NA</b>	

\*NAVPS - Net Asset Value Per Share

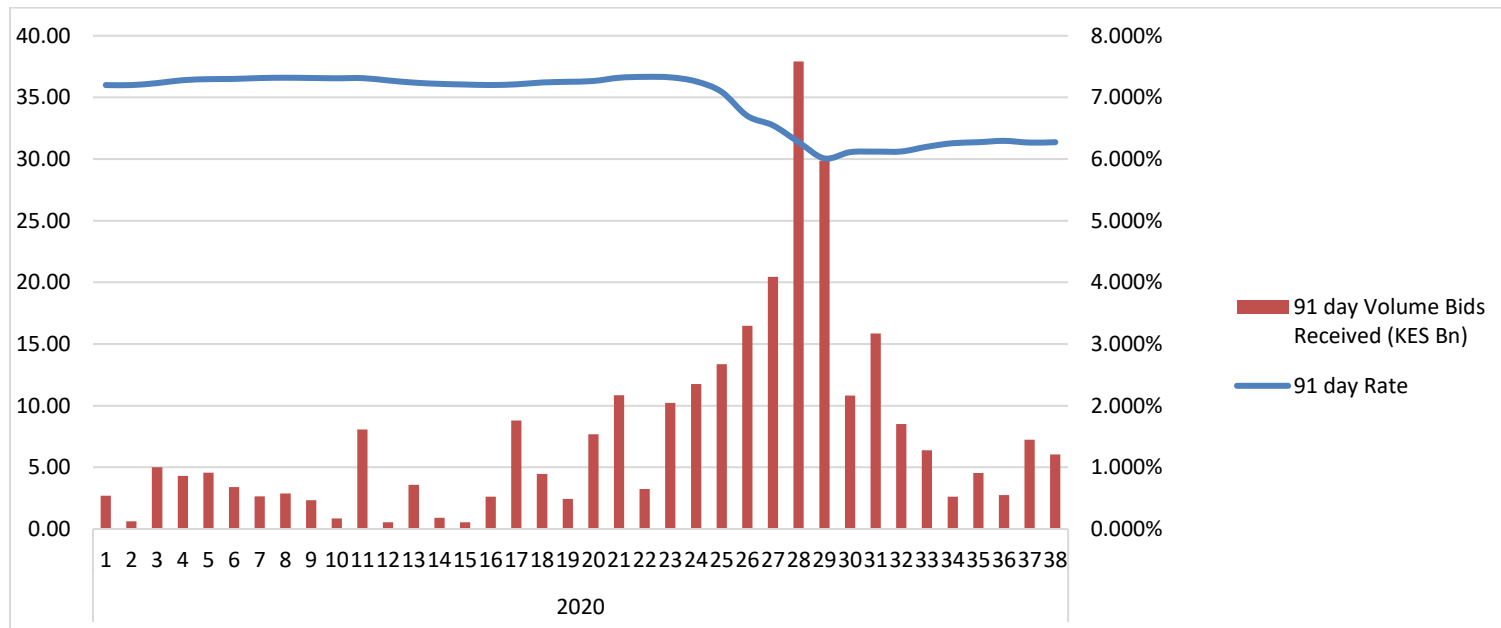
<b>Market Statistics</b>	<b>This Week</b>	<b>Last Week</b>	<b>% Change</b>
Total Volumes	176,089,200	92,498,300	90.4%
Total Turnover (KES)	5,141,163,518	2,421,925,387	112.3%

## Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	6.05 Bn	151.25%	6.05 Bn	6.273%	6.267%	0.006
182 day T-bill	1.92 Bn	19.19%	1.92 Bn	6.720%	6.689%	0.031
364 day T-bill	8.92 Bn	89.15%	8.85 Bn	7.571%	7.564%	0.007

Graph showing 91 day T-bill rate and volume

Week No. 38



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## Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Nation Media Group Ltd	Bonus Issue	1:10	20-Apr-20	<b>12-Jun-20</b>	Subject to Approval
Kapchorua Tea Kenya	Final dividend	Kes. 10.00	17-Jul-20	<b>30-Jul-20</b>	Subject to Approval
Safaricom Plc	First & Final dividend	Kes.1.40	29-Apr-20	<b>31-Jul-20</b>	01-Nov-20
Williamson Tea Kenya	Final dividend	Kes. 20.00	17-Jul-20	<b>18-Aug-20</b>	Subject to Approval
BAT Kenya Plc	Interim dividend	Kes. 3.50	16-Jul-20	<b>21-Aug-20</b>	18-Sep-20
Jubilee Holdings Ltd	Interim dividend	Kes. 1.00	28-Aug-20	<b>11-Sep-20</b>	09-Oct-20
Kenya-Re Insurance Ltd	First & Final dividend	Kes. 0.10	02-Sep-20	<b>09-Oct-20</b>	20-Nov-20
Kengen Plc	Final dividend	Kes. 0.25	01-Sep-20	<b>22-Oct-20</b>	17-Dec-20
Centum Investment Co.	First & Final dividend	Kes. 1.30	02-Jun-20	<b>Subject to Approval</b>	Subject to Approval
Nairobi Securities Exchange	First & Final dividend	Kes.0.08	27-Mar-20	<b>Subject to Approval</b>	Subject to Approval



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