

## KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 140.22	0.1%	-15.7%	USD Mn – 19,861 KES Bn – 2,152.80
	NSE 20 Share Index – 1,852.17	0.2%	-30.2%	USD Mn – 17,408 KES Bn – 1,886.891
	NSE 25 Share Index – 3,242.54	-	-20.9%	USD Mn – 18,467 KES Bn – 2,001.64

Source:NSE

## KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-W	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –108.4853	(0.01%)	(7.1%)	4.2% (09/2020)	4.9% (1Q2020)
NGN/USD -379.50*	-	(23.8%)	13.2% (08/2020)	-6.1% (2Q2020)
ZAR/USD – 16.6863	1.0%	(18.8%)	3.1% (08/2020)	-51.0%(2Q2020)

Source: CBK, KNBS, NBS, CBN, SIS, STATS SA, SARB: Negative ( ) – Depreciation, Positive – Appreciation \*8/30/2020

## MPC Retains CBR at 7.0%

The Monetary Policy Committee (MPC) retained the Central Bank Rate (CBR) at 7.0% for the 3<sup>rd</sup> consecutive month. The MPC noted that the accommodative policy was effective in stimulating the economy. The following was noted by the MPC regarding the state of the economy and the policy measures put in place:

- The Kenyan economy is expected to rebound in 3Q2020 in comparison to 2Q2020. The increase in economic activity is expected to be buoyed by strong growth in agricultural production, increased activity in key sectors (services especially), normalization of exports and government interventions to reduce the adverse effects of the pandemic.
- MPC noted that 89.0% of hotels were open in September (35.0% in May) with improved occupancy rates and positive private sector market perception on economic improvement.
- Export orders improved by 0.8% y/y in August predominantly driven by tea and horticulture. Horticulture exports benefited from the normalization of demand in the international market and the availability of adequate cargo space. Remittances grew by 27.9% month on month to USD 274.1 million in August (+6.6% y/y). However, receipts from the export of services fell by 22.4% in the period to August, owing to the restriction on international travel and transport. This is offset by the lower international oil prices. Further, the MPC projected the current account deficit at about 5.1% of GDP in 2020.
- The MPC noted that the current CBK foreign exchange reserves worth USD 8.6 billion (5.2 months of import cover), were sufficient to offer adequate cover and a buffer against short-term shocks in the foreign exchange market.
- MPC expects inflation to remain subdued and within the target range (2.5% -7.5%) in the near term supported by lower food prices, the impact of the reduction of VAT and muted demand pressures (in our view, this may signal muted economic activity if it persistently remains muted or falls).

- The banking sector's non-performing loans (NPL) ratio (gross NPLs/gross loan book) deteriorated to 13.6% in August from 13.1% in June. The rise in NPLs was primarily attributed to the real estate, personal and transport and communication sectors which were affected by the subdued business environment. Loans worth KES 1.2 trillion (38.0% of the total banking sector loan book) had been restructured. Of this, KES 271.0 billion were personal loans and KES 849.9 billion was split among: trade (20.7%), manufacturing (20.2%), real estate (18.3%) and agriculture (11.1%).
- Private sector credit growth increased by 8.3%/y in August 2020. The growth was buoyed by continued recovery in demand following the implementation of the accommodative monetary policy. Increased credit uptake was mainly reported in manufacturing (+13.1%), transport and communication (+19.0%), trade (+8.1%) and consumer durables (+13.7%). The operationalization of the Credit Guarantee Scheme for MSMEs is considered critical for the sector by the MPC and is expected to lower lending risk for commercial banks.
- MPC noted that the continued implementation of fiscal policies announced in the FY2020/2021 Budget Statement, including the economic stimulus package, are expected to stimulate the economy and provide reprieve for citizens and businesses from the negative effects of the pandemic.

We expect the easing of restrictions and gradual re-opening to boost economic recovery. We note that some sectors, for instance agriculture and building and construction, remained more or less resilient during the pandemic with production growing in agriculture and growth only tanking in July for the latter. We however note that sectors such as hospitality may take time to recover. We note that globally uncertainty still remains over a possible second wave. However, we anticipate that in the event of a second wave, the country would be better equipped to manage the adverse effects given the measures already implemented (such as upgrading of health care centers, home based care system etc.).

#### **Inflation decreases to 4.2% in September 2020**

- Kenya's annual headline inflation eased to 4.2 % in September 2020 (August: 4.4 %).
- The food and non-alcoholic drinks index rose by 0.2 %m/m as some of the food items' price increases outweighed the decrease in others.

Some of the key increases included peas (+13.7 % m/m), oranges (+3.8 % m/m) Irish potatoes (+2.7 % m/m), and cabbages (+1.7 % m/m)

- The housing, water, electricity, gas and other fuels index declined by 0.1 % m/m owing to a decrease in gas (-1.39% m/m) and kerosene (-0.6% m/m).
- The transport index also declined marginally by -0.01% m/m due to a decrease in the pump prices of diesel which outweighed the 1.4 % m/m growth in petrol prices.

#### **Commentary**

- We note that the inflation rate is still within the CBK target and we expect the rate to remain subdued.
- As the economy re-opens we are likely to see demand driven inflationary pressure pick up
- We note the strong growth in agriculture cited in the Monetary Policy Committee statement last month (agriculture is expected to grow by about 6.0% in 2020). We therefore expect increased output/ production which should in turn ease food inflationary pressure. Moreover, the Kenya meteorological department (MET) forecasts near to above average rainfall in October, (in the highlands west, central and north of the Rift Valley) which should sustain agricultural production.

#### **Market Commentary**

The All Share Index retreated by 0.1% w-o-w to close the week at 140.22 while the NSE 20 Index gained 0.2% w-o-w to close at 1,852.17. Market turnover declined by 55.7% w-o-w to KES 1.5 billion as the number of shares traded declined by 44.6% to 67.6 million. Safaricom was the top mover of the week (price declined by 0.2% w-o-w to KES 30.00). The top gainer of the week was Jubilee holdings (+32.6% w-o-w to KES 291.75) attributed to positive investor sentiment (either on dividend expectation or selling down a less profitable insurance business) following the announcement of a strategic partnership with global insurer and asset manager Allianz SE. This will involve Jubilee selling controlling stakes (51.0% to 66.0%) of its general and short business in its regional subsidiaries and acquisition of Allianz's general insurance business in Kenya for a total consideration of KES 10.8 billion. We expect price stability in the coming week.

## 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	38.50	-28.7%	-1.0%	244,700	45.9%	4.78	9.1%	0.93	20.7%
Equity Bank	35.95	-32.8%	-0.4%	346,300	51.5%	6.01	0.0%	1.21	21.8%
NCBA	22.65	-38.5%	-1.7%	89,400	41.9%	2.61	0.0%	0.50	15.3%
Stanbic	80.00	-26.8%	5.3%	300	56.2%	4.96	8.8%	0.64	13.6%
Absa Bank Kenya Plc	9.80	-26.6%	-2.0%	1,634,600	51.2%	7.14	11.2%	1.18	16.7%
Housing Finance	3.99	-38.2%	-0.5%	129,100	93.8%	<b>N/M</b>	0.0%	0.14	-1.1%
Co-operative Bank	11.70	-28.4%	-1.7%	222,700	52.1%	4.80	8.5%	0.87	19.2%
Diamond Trust Bank	61.25	-43.8%	2.1%	25,500	48.6%	2.52	4.4%	0.29	12.1%
Standard Chartered	161.00	-20.5%	0.8%	5,500	55.6%	6.71	4.7%	1.16	17.5%
I&M	43.55	-19.4%	-1.9%	20,100.00	39.0%	1.67	5.9%	0.31	20.4%
<b>Sector Average</b>					<b>53.6%</b>	<b>4.58</b>	<b>5.3%</b>	<b>0.72</b>	<b>15.6%</b>

### 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	3.83	86.8%	0.0%	-	<b>N/M</b>	0.0%	-1.3	<b>N/M</b>
Nation Media Group	17.55	-55.9%	1.2%	31,400	3.90	8.5%	4.5	10.9%
WPP Scangroup	7.50	-56.4%	3.3%	22,000	6.70	6.7%	1.12	6.0%
Uchumi Supermarket	0.30	3.4%	0.0%	21,000	<b>N/M</b>	0.0%	-4.6	<b>N/M</b>
Longhorn Publishers	4.51	-33.3%	-5.5%	83,200	6.63	11.5%	0.68	17.3%
Eveready	0.97	-11.8%	-2.0%	4,800	<b>N/M</b>	0.0%	-1.45	-10.8%
<b>Sector Average</b>					<b>5.74</b>	<b>5.3%</b>		<b>5.8%</b>

\*N/M - Not Meaningful

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<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	23.95	-70.1%	-0.2%	7,500	9.78	0.0%	1.6%	2.1%
E.A. Portland Cement	14.85	2.4%	0.0%	0	<b>N/M</b>	0.0%	0.0%	0.0%
<b>Sector Average</b>					<b>9.78</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	5.08	-11.2%	0.4%	231,300	4.23	7.9%	1.20	4.2%
Kenya Power	1.75	-37.7%	-2.8%	461,400	13.46	0.0%	0.13	0.4%
Total Kenya	23.50	-14.5%	-1.1%	100	5.83	5.5%	4.03	10.8%
<b>Sector Average</b>					<b>7.84</b>	<b>3.9%</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	2.19	-18.3%	5.8%	182,400	0.28	18.25	69.8%	34.4%
Britam	7.42	-17.6%	2.5%	15,800	0.25	5.26	65.3%	37.2%
Jubilee	291.75	-16.9%	32.6%	11,900	10.39	5.56	91.9%	46.2%
Kenya Re	2.40	-20.8%	3.0%	635,100	0.08	0.94	71.2%	13.1%
Sanlam Kenya	12.50	-27.3%	-4.6%	-	8.68	15.82	85.8%	35.5%
Liberty	7.62	-26.4%	-2.1%	-	0.95	5.82	119.6%	48.7%
<b>Sector Average</b>					<b>3.44</b>	<b>8.61</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	20.00	-2.9%	-2.9%	240,100	2.88	0.42	6.95	9.3%
Home Afrika Ltd	1.58	-31.7%	-6.8%	60,300	N/M	N/M	N/M	2.6%
Trans-Century	1.58	-36.8%	-4.8%	-	N/M	N/M	N/M	4.7%
<b>Sector Average</b>					<b>N/M</b>	<b>0.42</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	8.48	-31.3%	1.4%	5,200	28.27	3.3%	0.3	3.9%
<b>Sector Average</b>					<b>28.27</b>	<b>3.3%</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	161.25	-18.8%	-1.8%	261,000	31.19	1.9%	5.17	46.6%
FTG Holdings	1.29	-47.8%	-7.9%	2,100	4.96	0.0%	0.26	4.8%
Carbacid	8.06	0.8%	0.2%	18,300	7.75	8.7%	1.04	8.6%
BAT	355.75	-28.9%	0.2%	400	9.16	9.4%	38.85	40.8%
<b>Sector Average</b>					<b>13.26</b>	<b>4.0%</b>		

<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%	4,287,500	16.13	4.7%	1.86	51.8%
<b>Sector Average</b>					<b>16.13</b>	<b>4.7%</b>		

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<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%	-0.4%	207,700	20.80	14.94%	0.83
<b>Sector Average</b>						<b>NA</b>	

\*NAVPS - Net Asset Value Per Share

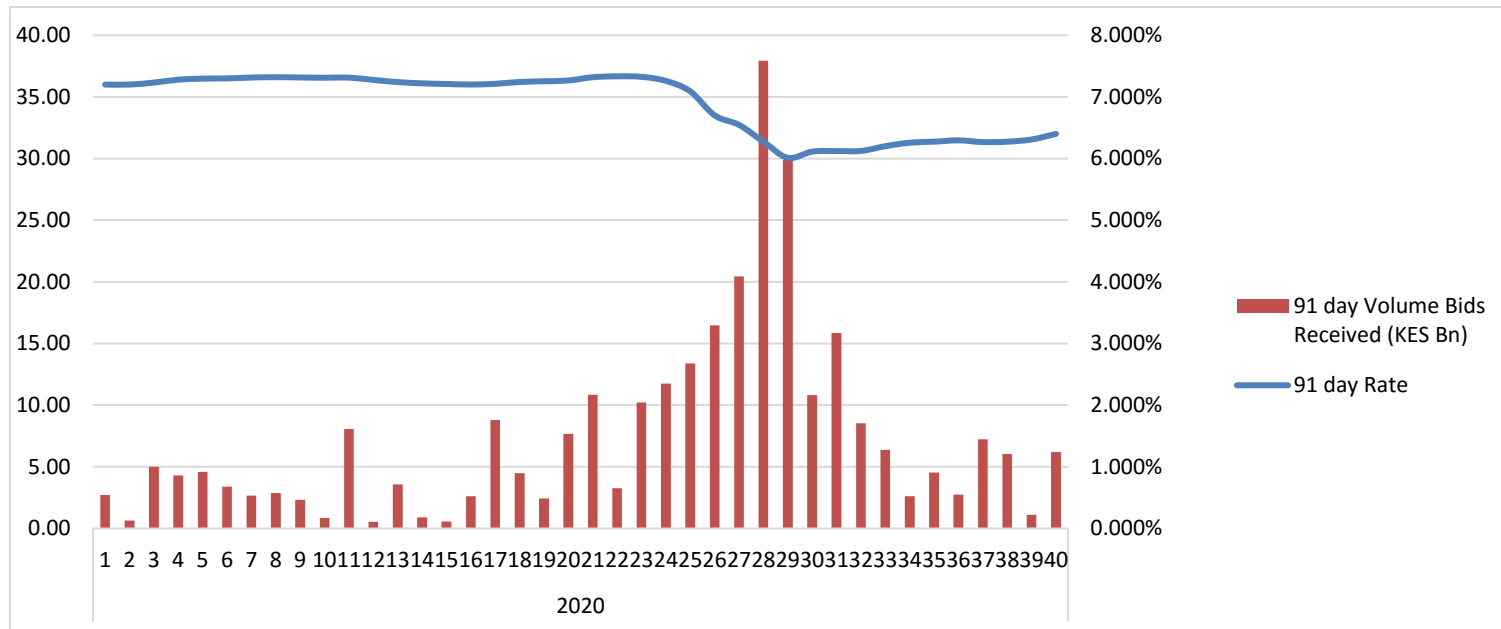
<b>Market Statistics</b>	<b>This Week</b>	<b>Last Week</b>	<b>% Change</b>
Total Volumes	67,651,500	122,141,200	-44.6%
Total Turnover (KES)	1,523,044,334	3,437,796,160	-55.7%

# Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	6.19 Bn	154.65%	4.89 Bn	6.400%	6.309%	0.091
182 day T-bill	4.06 Bn	40.59%	3.47 Bn	6.839%	6.773%	0.066
364 day T-bill	5.33 Bn	53.34%	2.34 Bn	7.744%	7.690%	0.054

Graph showing 91 day T-bill rate and volume

Week No. 40



# Corporate Actions

<b>Counter</b>	<b>Corporate Action</b>	<b>Declared</b>	<b>Date Announced</b>	<b>Books Closure Date</b>	<b>Payment Date</b>
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
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



# Market Recommendations

## Summary

Counter	Recommendation	YTD Change	Price as at 2nd October 2020
Equity	Long-term Buy	-32.52%	36.10
BAT	Buy	-29.00%	355.00
HF	Sell	-38.24%	3.99

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