

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) - 148.36	0.5%	5.6%	USD Mn – 21.264 KES Bn – 2,206
	NSE 20 Share Index - 2,460.75	0.2%	-13.2%	USD Mn – 18,650 KES Bn – 1,935.062
	NSE 25 Share Index - 3,549.46	1.5%	-0.1%	USD Mn – 19,998 KES Bn – 2,074.939
NIGERIA	ASI- 26,448.62	-0.3%	-15.9%	USD Mn – 41.945 NGN Bn – 12,875
EGYPT	EGX100*- 1,414.96	0.5%	-18.1%	USD Mn – 33.516 EGP Bn – 545.690
SOUTH AFRICA	All share – 55,993.42	1.7%	6.2%	USD Mn – 998.533 ZAR Bn – 14,910

Source: NSE, JSE, NSE (Nigeria), *EGX100-as at 17th October 2019

KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –103.70	0.1%	-1.8%	3.8%(09/2019)	5.6%(1Q2019)
NGN/USD* -306.90	-	-0.1%	11.2%(09/2019)	2.4%(3Q2018)
EGP/USD* –16.23	0.3%	9.4%	4.8%(09/2019)	5.3%(3Q2018)
ZAR/USD – 14.79	1.0%	-9.0%	4.3%(08/2019)	0.8%(FY2018)

Source: CBK, SARB, KNBS, NBS, SIS, STATS SA, CBN and EGP*-as at 17th October 2019

CBK Invites Bids for 16-Year Infrastructure Bond (IFB1/2019/16)

The Central Bank of Kenya (CBK) has invited bids for a 16-Year infrastructure bond - IFB1/2019/16, in a bid to raise KES 60.0 billion to fund infrastructure projects in the 2019/2020 fiscal year. The coupon rate for the bond will be determined by the market.

The bond will be redeemed in two phases: 14th October 2030 (50.0%) and 8th October 2035 (100.0%). This will be the first IFB issue of the fiscal year 2019/2020 following a 25-Year Infrastructure Bond (IFB1/2019/25) that was issued in March 2019 which attracted a subscription rate of 58.75% (hampered by the anticipation of a higher interest rate environment).

Bond	Subscription Rate	Yield
IFB1/2019/25	58.75%	12.66%
IFB1/2018/20	80.79%	12.16%

Source: CBK

The bond is being issued in the midst of sufficient liquidity in the market, which is currently being channeled towards the Government through the vertical repo programme on short-term basis (21 days) in lieu of the secondary market, which has recently recorded limited investor participation.

The vertical repurchase agreement rate (repo rate between the CBK and commercial banks) currently stands at 8.0% -- attractive in comparison to the interbank rate of 7.0% (which is high due to the flight of liquidity towards the government).

The amount that the government is looking to raise with this issue (KES 60.0 billion) signifies the largest amount offered by an IFB paper (signaling the government's pressing need to raise funds). This is as evidenced in the table below:

Bond	Total Amount Offered	Subscription Rate
IFB1/2019/16	KES 60.0 Bn	TBD
IFB1/2019/25	KES 50.0 Bn	58.75%
IFB1/2018/20	KES 50.0 Bn	80.79%
IFB1/2018/15	KES 40.0 Bn	139.39%
IFB1/2017/7	KES 30.0 Bn	153.04%

Source: CBK

Going by current market sentiments, in light of the President's refusal to assent the Finance Bill, 2019 (which proposed the retaining of the interest rate caps), there is an expectation of a higher interest rate environment. We opine that this anticipation will not hinder subscription rates but rather provide an incentive for aggressive bids by investors.

Given the ample liquidity levels in the money market coupled with investors' anticipation of a higher interest rate environment, we view investors as having more leveraging power.

Furthermore, taking into account the government's desire to raise funds to plug the fiscal deficit, we expect the government to accept relatively aggressive bids.

Owing to the aforementioned factors, we recommend bidding as follows:

- i. **11.80% to 12.20% for non - aggressive bids**
- ii. **12.20% to 12.50% for reasonably aggressive bids 12.50% to 12.80% for aggressive bids**

IFB1/2019/16 Key Features

Issuer	Republic of Kenya
Amount	KES 60.0 Billion
Purpose	Funding of infrastructure projects in the 2019/2020 fiscal year
Tenor	16 years
Coupon	Market determined
Taxation	Tax free
Period of Sale	02/10/2019 to 22/10/2019
Redemption Date	8/10/ 2035

Source: CBK

Stock Market Performance and Outlook

The overall market edged up by 0.5% w/w to close the week at 148.36 (NASI) characterized by an increase in trading activities - turnover and volumes. We attribute the gain in the overall market index to price gains on majority of the banking stocks; NCBA (+10.2% w/w), I&M (+6.3% w/w), Equity (+5.3% w/w) and KCB (+3.5% w/w). Investor activity was centered on banking stocks following the announcement of the President's decision not to assent to the Finance Bill 2019, which proposed the retaining of the interest rate caps. We opine that investor focus will remain on banking stocks 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	43.25	15.5%	3.5%	6,310,900	48.7%	5.53	8.1%	1.17	21.9%
Equity Bank	38.00	9.0%	5.3%	59,758,300	52.2%	7.23	5.3%	1.51	21.1%
NIC Bank	31.95	14.9%	10.2%	757,600	46.3%	4.84	3.9%	0.58	12.1%
Stanbic	99.50	9.6%	3.6%	6,600	50.2%	6.27	5.8%	0.88	14.3%
National Bank	4.12	-22.6%	0.0%	0	92.0%	199.18	0.0%	0.20	0.1%
Barclays Bank	11.35	3.7%	2.7%	1,297,500	54.2%	8.31	9.7%	1.39	17.1%
Housing Finance	6.82	23.1%	-1.7%	92,400	107.7%	N/M	0.0%	0.23	-5.5%
Co-operative Bank	12.45	-12.9%	2.9%	1,320,600	54.6%	5.74	8.0%	1.05	18.2%
Diamond Trust Bank	117.50	-24.9%	2.4%	1,086,300	45.2%	4.64	2.2%	0.61	13.9%
Standard Chartered	195.75	0.6%	0.1%	9,900	51.8%	8.30	9.7%	1.44	17.5%
I&M	48.95	-42.4%	6.3%	11,100	36.6%	2.38	8.0%	0.42	17.9%
Sector Average					58.1%	25.24	5.5%	0.86	13.5%

P/B (X) - FY2018

Commercial and Services	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E (X)	Dividend Yield	EPS(KES)	ROE
Kenya Airways	2.73	-69.3%	-0.4%	125,400	N/M	0.0%	-1.3	N/M
Nation Media Group	40.75	-40.5%	-4.6%	75,900	5.91	24.5%	6.9	13.2%
WPP Scangroup	13.00	-7.1%	-3.7%	73,600	11.61	3.8%	1.12	7.1%
Uchumi Supermarket	0.27	-66.3%	-6.9%	291,500	N/M	0.0%	-4.6	N/M
Longhorn Publishers	6.98	51.4%	3.9%	7,300	14.24	5.4%	0.49	13.1%
Eveready	1.14	14.0%	3.6%	33,000	0.90	87.7%	1.27	-35.3%
Sector Average					8.16	6.8%		-0.5%

*N/M - Not Meaningful

Construction & Allied	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	NPM*	ROE
ARM Cement	5.55	0.0%	0.0%	0	N/M	0.0%	-21.9%	-12.5%
Bamburi Cement	93.00	-29.8%	-2.9%	153,200	37.96	5.5%	1.6%	0.5%
E.A. Portland Cement	16.70	4.4%	-9.7%	400	N/M	0.0%	19.3%	25.0%
Sector Average					37.96	1.8%		4.3%

*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	5.74	-18.2%	-1.0%	1,022,100	4.78	7.0%	1.20	4.2%
Kenya Power	2.91	-28.5%	-5.5%	712,000	2.97	0.0%	0.98	3.0%
Total Kenya	29.00	5.5%	-3.0%	8,600	7.90	4.5%	3.67	10.5%
Sector Average					5.22	3.5%		3.6%

Insurance Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/B(X)	P/E(X)	Loss Ratio	Expense Ratio
CIC Insurance	3.00	-22.3%	0.0%	439,100	1.00	16.67	64.9%	49.0%
Britam	7.08	-29.2%	2.0%	112,700	0.64	29.50	67.6%	134.8%
Jubilee	343.25	-15.2%	-1.9%	1,500	0.95	6.54	92.0%	138.2%
Kenya Re	3.00	-78.5%	-1.0%	2,381,000	0.07	0.59	62.2%	106.7%
Sanlam Kenya	17.05	-22.5%	-2.0%	80,700	1.85	81.19	95.4%	149.7%
Liberty	9.74	-24.5%	-0.2%	62,700	0.71	6.16	66.5%	66.5%
Sector Average					0.88	9.57	74.7%	107.5%

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Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	NAVPS**	EPS (KES)	ROE
Centum Investment	28.50	-2.6%	-1.4%	58,700	25.45	0.36	79	1.12	1.5%
Home Afrika Ltd	0.54	-22.9%	17.4%	93,900	N/M	N/M	0.85	-0.39	2.6%
Trans-Century	3.01	330.0%	3.8%	27,800	N/M	0.24	40.96	-1.56	4.7%
Sector Average					N/M	0.30			2.9%

*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	10.35	-28.9%	-1.9%	44,700	14.18	4.7%	0.73	9.3%
Sector Average					14.18	4.7%		

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	-53.4%	0.0%	0	N/M	0.0%	-4.43	-69.4%
EABL	192.00	9.9%	-0.1%	1,198,600	17.10	4.4%	11.23	82.8%
FTG Holdings	2.20	-12.0%	4.8%	824,300	2.59	0.0%	0.85	22.3%
Carbacid	7.70	-23.0%	1.3%	79,200	5.58	9.1%	1.38	14.6%
BAT	485.00	-33.1%	-0.2%	158,400	14.54	5.4%	33.36	48.0%
Sector Average					9.95	3.8%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	28.25	27.3%	-0.7%	18,169,200	17.88	6.6%	1.58	44.1%
Sector Average					17.88	6.6%		

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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	8.52	-22.2%	2.9%	28,400	12.00	8.80%	0.71
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

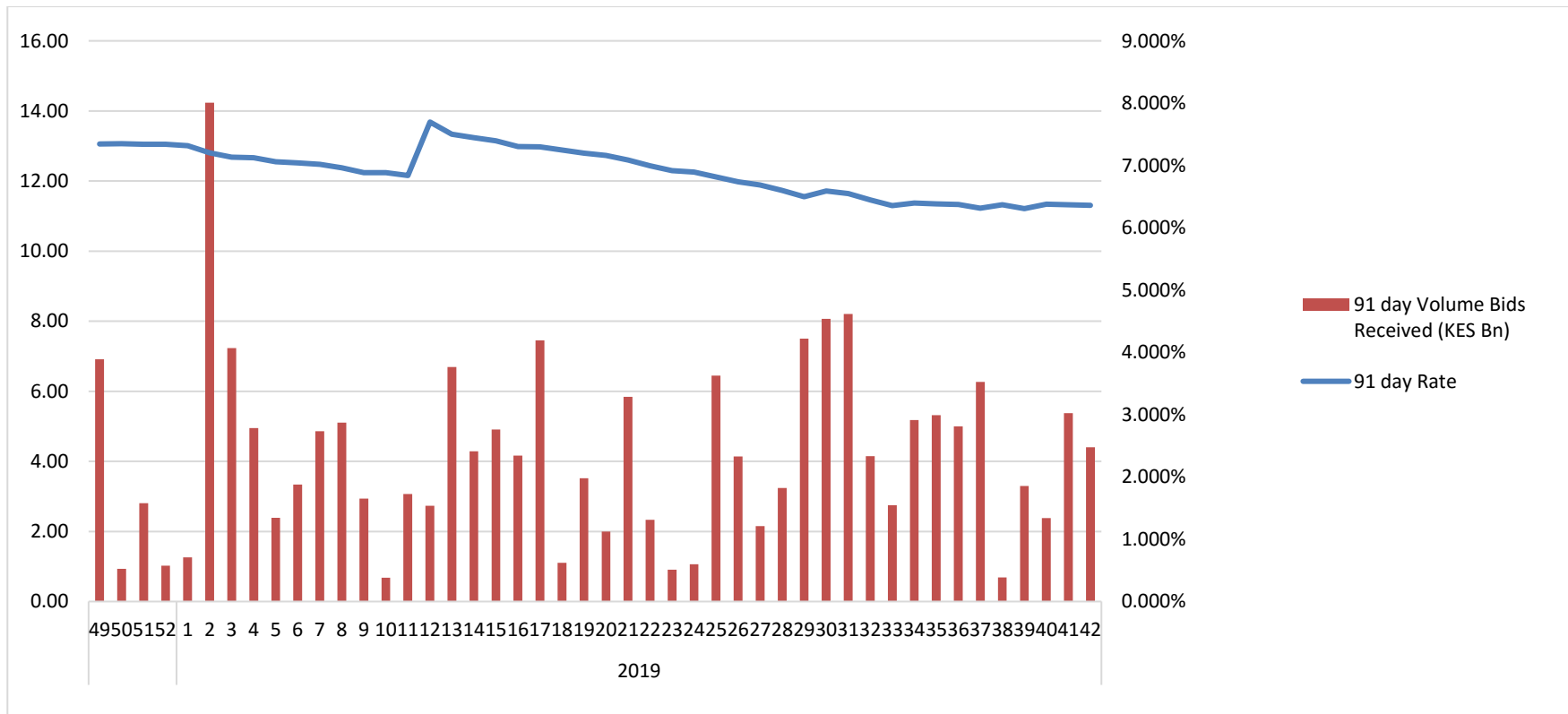
Market Statistics	This Week	Last Week	% Change
Total Volumes	97,038,000	42,137,300	130.3%
Total Turnover (KES)	3,570,453,439	1,389,669,878	156.9%

Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	4.40Bn	110.11%	4.40Bn	6.362%	6.369%	-0.007
182 day T-bill	1.05Bn	10.51%	1.05Bn	7.241%	7.250%	-0.009
364 day T-bill	13.88Bn	138.78%	7.65Bn	9.787%	9.792%	-0.005

Graph showing 91 day T-bill rate and volume

Week No. 42



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Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Centum PLC	First & Final dividend	Kes. 1.20	17-May-19	07-Jun-19	25-Oct-19
Crown Paints Kenya PLC	Final Dividend	Kes. 0.60	13-May-19	28-Jun-19	(Subject to Approval)
Safaricom Plc	Special dividend	Kes.0.62	03-May-19	02-Sep-19	30-Nov-19
Safaricom Plc	First & Final dividend	Kes.1.25	03-May-19	02-Sep-19	30-Nov-19
Barclays Bank	Interim dividend	Kes.0.20	30-Aug-19	07-Sep-19	31-Oct-19
Standard Chartered	Interim Dividend	Kes. 5.00	26-Aug-19	23-Sep-19	30-Oct-19
Longhorn Publishers PLC	Final Dividend	Kes.0.52	30-Aug-19	28-Nov-19	26-Feb-20
Unga Group PLC	First & Final dividend	Kes.0.50	27-Sept-2019	15-Jan-20	15-Jan-20

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Market Recommendations

Counter	Recommendation	52-Week High	52-Week Low	YTD Change	Price as at 18th October 2019
KCB Group	Long-term Buy	48.00	35.50	15.49%	43.25
Equity Group Holdings	Long-term Buy	46.00	32.50	9.04%	38.00
I&M	Buy	115.25	41.75	-42.41%	48.95
Barclays Bank of Kenya	Hold	12.50	10.00	3.65%	11.35
Diamond Trust Bank	Hold	165.00	102.00	-24.92%	117.50
Jubilee Holdings	Long-term Buy	462.00	330.00	-15.19%	343.25
Bamburi Cement	Hold	159.00	92.00	-29.81%	93.00
Safaricom	Hold	29.31	20.51	27.25%	28.25
EABL	Hold	225.00	160.00	9.87%	192.00
KenGen	Long-term Buy	7.80	5.00	-18.23%	5.74

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