

KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) – 141.21	1.1%	-15.1%	USD Mn – 19,932 KES Bn – 2,168.10
	NSE 20 Share Index – 1,799.29	-0.7%	-32.2%	USD Mn – 17,521 KES Bn – 1,905.837
	NSE 25 Share Index – 3,216.66	0.1%	-21.6%	USD Mn – 18,561 KES Bn – 2,018.94

Source:NSE

KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-W	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –108.7735	(0.1%)	(7.3%)	4.2% (09/2020)	-5.7% (2Q2020)
NGN/USD -379.50*	-	(23.8%)	13.7% (09/2020)	-6.1% (2Q2020)
ZAR/USD – 16.1907	2.2%	(15.3%)	3.1% (08/2020)	-51.0%(2Q2020)

Source: CBK, KNBS, NBS, CBN, SIS, STATS SA, SARB: Negative () – Depreciation, Positive – Appreciation *10/22/2020

Co-operative Bank Hires McKinsey to Help Improve Lending Processes

- Co-operative Bank has hired McKinsey & Company to focus on credit risk management by reviewing its lending processes, with an aim to reduce the risk of loan defaults in the COVID-19 environment.
- According to management, the bank may need to change its lending template, loan profiles and job descriptions at the branches and at the head office to remain competitive going forward.
- The bank stated that it currently only has 1.0% exposure in tourism, restaurants and hotels -which has lowered the default risk during the pandemic - given these sectors have been hardest hit.
- According to McKinsey, banks have been relying on pre-pandemic risk management models which draw on historical data and these need adjusting.
- McKinsey had previously been hired by the bank in 2014 to cut costs and transform it into a digital bank.
- We note that the banking sector had restructured KES 1.2 trillion loans (38.0% of the banking sector loan book) by August 2020 with Co-operative bank restructuring loans worth KES 39.2 billion in 1H2020 (14.4% of the loan book).

Commentary

- We note that the bank's loan book segmentation reduces its exposure to the sectors largely impacted by the pandemic. As at 1H2020, personal lending book (largely public sector servants who are viewed more job secure) was at 42.1% of the total loan book.
- Asset quality however remains of concern with the NPL ratio growing to 10.5% in 1H2020 from 10.0% in 1H2019 on account of the tough economic environment.
- We therefore see the focus on credit risk management as a prudent move that will benefit the bank post-COVID-19 and ultimately improve investor sentiment on the bank.

Market Commentary

The All Share Index gained by 1.1% w-o-w to close the week at 141.21. We attribute this mainly to Safaricom (trading on the counter accounted for 54.7% of the week's traded value) gaining by 3.0% w-o-w to KES 30.95 on increased foreign investor demand. However, the NSE 20 Share Index retreated by 0.7% w-o-w to close at 1,799.29 as majority of the constituent counters recorded price declines. Market turnover declined marginally by 0.1% to KES 1.3 billion while the number of shares traded declined by 18.1% to KES 42.8 million. The banking sector accounted for 30.6% of the week's traded value with Co-op (-3.4% to KES 11.40), Equity (-1.7% to KES 34.35), KCB (-0.4% to KES 37.05) recording notable price movements and activity. In coming week, we expect activity on Safaricom to remain high ahead of its 1H2020/21 results announcement. Investors may be speculating on the company delivering relatively better (compared to earlier expectations) financial performance given the recent news on Fuliza (may partially offset lower revenues from P2P transfers) and better economic performance in the second half of the year.

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	37.05	-31.4%	-0.4%	2,374,000	45.9%	4.60	9.4%	0.89	20.7%
Equity Bank	34.35	-35.8%	-1.7%	38,700	51.5%	5.75	0.0%	1.16	21.8%
NCBA	22.75	-38.3%	-0.9%	9,100	41.9%	2.62	0.0%	0.51	15.3%
Stanbic	81.25	-25.6%	5.5%	1,400	56.2%	5.03	8.7%	0.66	13.6%
Absa Bank Kenya Plc	9.50	-28.8%	-1.2%	24,000	51.2%	6.92	11.6%	1.14	16.7%
Housing Finance	3.96	-38.7%	9.1%	9,000	93.8%	N/M	0.0%	0.14	-1.1%
Co-operative Bank	11.40	-30.3%	-3.4%	133,700	52.1%	4.67	8.8%	0.84	19.2%
Diamond Trust Bank	61.00	-44.0%	-3.2%	10,700	48.6%	2.51	4.4%	0.29	12.1%
Standard Chartered	152.75	-24.6%	-3.2%	200	55.6%	6.37	4.9%	1.10	17.5%
I&M	45.00	-16.7%	3.4%	600.00	39.0%	1.73	5.7%	0.32	20.4%
Sector Average					53.6%	4.47	5.3%	0.70	15.6%

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%	-	N/M	0.0%	-1.3	N/M
Nation Media Group	15.40	-61.3%	-3.4%	3,400	3.42	9.7%	4.5	10.9%
WPP Scangroup	6.70	-61.0%	-2.6%	263,700	5.98	7.5%	1.12	6.0%
Uchumi Supermarket	0.30	3.4%	7.1%	1,400	N/M	0.0%	-4.6	N/M
Longhorn Publishers	4.59	-32.1%	1.1%	1,400	6.75	11.3%	0.68	17.3%
Eveready	0.92	-16.4%	-5.2%	6,100	N/M	0.0%	-1.45	-10.8%
Sector Average					5.38	5.7%		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	23.75	-70.3%	1.9%	9,100	9.69	0.0%	1.6%	2.1%
E.A. Portland Cement	16.00	10.3%	0.0%	0	N/M	0.0%	0.0%	0.0%
Sector Average					9.69	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	5.12	-10.5%	-1.9%	32,400	4.27	7.8%	1.20	4.2%
Kenya Power	1.82	-35.2%	4.0%	72,700	14.00	0.0%	0.13	0.4%
Total Kenya	23.35	-15.1%	-1.7%	1,900	5.79	5.6%	4.03	10.8%
Sector Average					8.02	3.9%		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	2.19	-18.3%	-2.2%	58,200	0.28	18.25	69.8%	34.4%
Britam	7.58	-15.8%	1.1%	3,500	0.26	5.38	65.3%	37.2%
Jubilee	275.00	-21.7%	0.0%	500	9.80	5.24	91.9%	46.2%
Kenya Re	2.21	-27.1%	-1.3%	46,900	0.08	0.87	71.2%	13.1%
Sanlam Kenya	12.05	-29.9%	-5.1%	5,900.00	8.37	15.25	85.8%	35.5%
Liberty	7.80	-24.6%	-2.5%	100.00	0.97	5.95	119.6%	48.7%
Sector Average					3.29	8.49	83.9%	35.8%

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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	18.45	-0.3%	-0.3%	35,700	2.65	0.39	6.95	9.3%
Home Afrika Ltd	1.66	-26.7%	10.0%	45,400	N/M	N/M	N/M	2.6%
Trans-Century	1.66	-33.6%	8.5%	300.00	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.39		5.5%

*P/B based on company Net Aset Value

Investment Services	Price (KES)	YTD Change	%w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
NSE	8.14	-34.1%	-1.7%	3,900	27.13	3.4%	0.3	3.9%
Sector Average					27.13	3.4%		

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	157.00	-20.9%	-3.7%	616,500	30.37	1.9%	5.17	46.6%
FTG Holdings	1.49	-39.7%	14.6%	20,300	5.73	0.0%	0.26	4.8%
Carbacid	8.92	11.5%	1.6%	300	8.58	7.8%	1.04	8.6%
BAT	349.25	-30.2%	0.1%	1,300	8.99	9.6%	38.85	40.8%
Sector Average					13.42	3.9%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	30.95	-1.7%	3.0%	13,401,700	16.64	4.5%	1.86	51.8%
Sector Average					16.64	4.5%		

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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	5.48	-41.8%	2.2%	105,100	20.80	13.69%	0.83
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

Market Statistics	This Week	Last Week	% Change
Total Volumes	42,896,800	52,368,800	-18.1%
Total Turnover (KES)	1,310,931,417	1,311,864,151	-0.1%

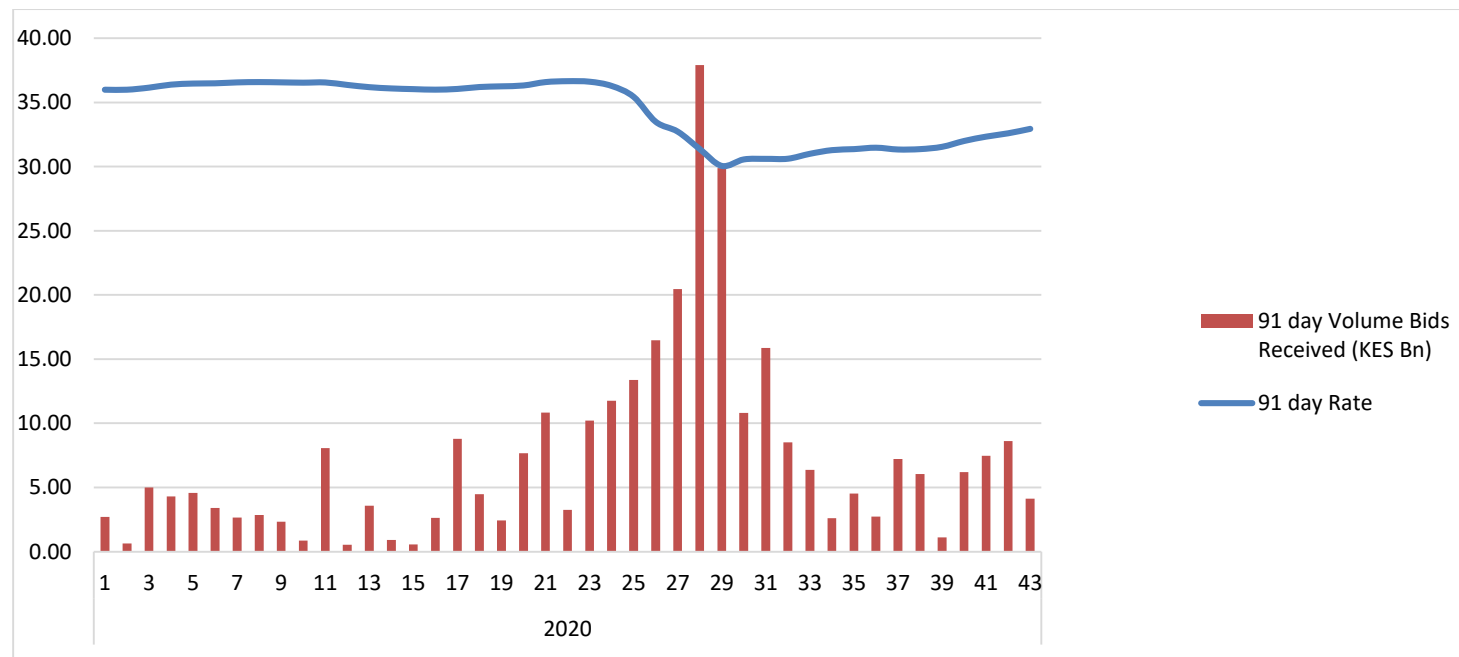
Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	Change*
91 day T-bill	4.12 Bn	103.06%	4.12 Bn	6.589%	6.520%	0.069%
182 day T-bill	7.23 Bn	72.28%	6.74 Bn	6.967%	6.909%	0.058%
364 day T-bill	8.17 Bn	81.73%	8.14 Bn	7.840%	7.800%	0.040%

*Current Rate-Previous Rate

Graph showing 91 day T-bill rate and volume

Week No. 43



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Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Nation Media Group Ltd	Bonus Issue	01:10	20-Apr-20	12-Jun-20	Subject to Approval
Kapchorua Tea Kenya	Final dividend	Kes. 10.00	17-Jul-20	30-Jul-20	Subject to Approval
Williamson Tea Kenya	Final dividend	Kes. 20.00	17-Jul-20	18-Aug-20	Subject to Approval
Kenya-Re Insurance Ltd	First & Final dividend	Kes. 0.10	02-Sep-20	09-Oct-20	20-Nov-20
KenGen Plc	Final dividend	Kes. 0.25	01-Sep-20	03-Nov-20	17-Dec-20
Nairobi Securities Exchange	First & Final dividend	Kes. 0.08	27-Mar-20	09-Jul-20	Subject to Approval

Source: NSE

Market Recommendations

Summary

Counter	Recommendation	YTD Change	Price as at 23rd October 2020
Equity	Long-term Buy	-35.79%	34.35
HF	Sell	-38.70%	3.96

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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