

## KEY MARKET INDICATORS

COUNTRY	INDEX	W-o-w (%)	YTD	MARKET CAPITALIZATION
KENYA	All Share Index(NASI) - 160.99	-2.0%	14.6%	USD Mn – 23,900 KES Bn – 2,457
	NSE 20 Share Index - 2,717.86	-0.6%	-4.1%	USD Mn – 20,562 KES Bn – 2,113.996
	NSE 25 Share Index - 3,957.43	-3.0%	11.4%	USD Mn – 21,998 KES Bn – 2,261.593
NIGERIA	ASI- 26,181.39	-0.4%	-16.7%	USD Mn – 41,528 NGN Bn – 12,745
EGYPT	EGX100*- 1,459.57	0.3%	-15.5%	USD Mn – 34,947 EGP Bn – 564.110
SOUTH AFRICA	All share – 57,483.00	1.9%	9.0%	USD Bn – 997.719 ZAR Bn – 14,740

Source: NSE, JSE, NSE (Nigeria), \*EGX100-as at 7<sup>th</sup> November 2019

## KEY ECONOMIC INDICATORS

EXCHANGE RATE	W-o-w (%)	YTD	INFLATION(MM/YY)	GDP GROWTH
KES/USD –102.81	0.5%	-0.9%	3.8%(09/2019)	5.6%(1Q2019)
NGN/USD* -306.90	-	-0.1%	11.2%(09/2019)	2.4%(3Q2018)
EGP/USD* –16.14	-	9.9%	4.8%(09/2019)	5.3%(3Q2018)
ZAR/USD – 14.77	2.0%	-8.9%	4.1%(09/2019)	0.8%(FY2018)

Source: CBK, SARB, KNBS, NBS, SIS, STATS SA, CBN and EGP\*-as at 7<sup>th</sup> November 2019

## National Bank of Kenya Posts a Growth in Profit After Tax for 3Q2019

NBK recorded a growth in profit after tax for 3Q2019 to KES 401.7 million (3Q2018: KES 21.9 million). The rise in profitability was mainly driven by 11.6% y/y growth in net interest income to KES 4.6 billion from KES 4.1 billion in 3Q2018. NIMs improved by 100 bps to 7.0%. Total interest income edged up by 4.7% y/y to KES 6.6 billion driven by a 6.0% y/y increase in interest income– despite a 0.3% y/y decline in the loan book growth to KES 47.9 billion. The increase in interest income from loans and advances was attributed to a 90 bps increase in yield on loans to 9.1%. The growth in total interest income was also contributed by a 4.2% y/y rise interest from government securities. The bank's total interest expenses declined by 8.2% y/y to KES 2.0 billion on the back of a 16.8% y/y decrease in interest expenses arising from customer deposits to KES 1.6 billion as customer deposits declined by 11.1% y/y to KES 82.5 billion (deposit flight). Cost of customer deposits and cost of funds declined by 40bps and 20bps respectively. Non-funded income reduced by 4.6% y/y to KES 1.4 billion driven by 42.1%y/y and 10.3% y/y decline in other income and foreign exchange trading income to KES 103.2million and KES 363.4 million respectively. The bank's non-funded income contribution currently stands at 23.8% (3Q2018: 26.8%). Operating expenses (excluding provisions) remained relatively flat at KES 5.4 billion however due to 27.3% growth in total operating income the cost to Income ratio declined to 89.3% (3Q2018: 95.9%). Gross non-performing loans rose by 6.7% y/y to KES 33.0 billion – resulting in an NPL ratio of 68.9% (3Q2018: 64.3%). As part of KCB's subsidiary we expect as part of restructuring to see within the first year i) an improvement in asset quality from recoveries ii) capital injection iii) cost efficiency initiatives & synergies iv) enhanced corporate governance.

## Interest Rate Caps Repealed

The President this week signed into law the Finance Bill 2019, repealing section 33b of the Banking Act that provides for the capping of interest rates. The rate cap, which was brought into law in August 2016, saw banks shy away from lending to the private sector, shifting to the government. This also saw reduced liquidity in the smaller banks in favor of the big banks (particularly Tier 1). We

don't expect to see pre-rate cap interest rates primarily due to the current macro-economic conditions which would impact asset quality. Additionally, in light of the rate caps, banks shifted their business models to adopt strategies such as: digitization & alternative channels, regional expansion and revenue diversification which we expect to sustain going forward (especially Equity, KCB and Co-op). We expect to see 1) loan book growth driven especially by SMEs; previously locked out of credit 2) Growth in margins, boosting banks' bottom-line (effects to be seen from next year).

### **Stock Market Performance and Outlook**

The overall market eased by 2.8% w/w to close the week at 160.99 (NASI) characterized by a decrease in turnover and volumes. We attribute the dip in the index to price declines on majority of the counters as a result of profit taking activity mainly driven by foreign investors. Some of the notable price declines include; NCBA (-11.7% w/w), KCB (-6.3% w/w), I&M (-6.1% w/w), Barclays (-5.9% w/w), Equity (-3.7% w/w) and Safaricom (-0.1% w/w). Stock prices had rallied during the week but started falling on the last day of trading. We expect prices to stabilize in the upcoming 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	49.90	33.2%	-6.3%	18,190,300	48.7%	6.38	7.0%	1.35	21.9%
Equity Bank	48.85	40.2%	-3.7%	26,159,700	52.2%	9.30	4.1%	1.94	21.1%
NIC Bank	34.85	25.4%	-11.7%	1,178,300	46.3%	5.27	3.6%	0.63	12.1%
Stanbic	110.00	21.2%	-0.5%	404,600	50.2%	6.93	5.3%	0.97	14.3%
National Bank	4.12	-22.6%	0.0%	0	92.0%	<b>N/M</b>	0.0%	0.20	0.1%
Barclays Bank	12.70	16.0%	-5.9%	4,604,300	54.2%	9.30	8.7%	1.56	17.1%
Housing Finance	7.20	30.0%	-0.3%	753,000	107.7%	<b>N/M</b>	0.0%	0.24	-5.5%
Co-operative Bank	15.70	9.8%	-0.6%	22,424,000	54.6%	7.23	6.4%	1.32	18.2%
Diamond Trust Bank	120.00	-23.3%	0.6%	5,332,000	45.2%	4.74	2.2%	0.63	13.9%
Standard Chartered	202.25	4.0%	-5.8%	137,600	51.8%	8.58	9.4%	1.49	17.5%
I&M	50.00	-41.2%	-6.1%	1,423,600	36.6%	2.43	7.8%	0.43	17.9%
<b>Sector Average</b>					<b>58.1%</b>	<b>25.93</b>	<b>4.9%</b>	<b>0.98</b>	<b>13.5%</b>

## 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	3.14	-64.7%	1.0%	521,900	<b>N/M</b>	0.0%	-1.3	<b>N/M</b>
Nation Media Group	38.70	-43.5%	1.4%	152,900	5.61	25.8%	6.9	13.2%
WPP Scangroup	18.70	33.6%	18.4%	218,100	16.70	2.7%	1.12	7.1%
Uchumi Supermarket	0.33	-58.8%	-5.7%	227,900	<b>N/M</b>	0.0%	-4.6	<b>N/M</b>
Longhorn Publishers	7.26	57.5%	-0.8%	42,600	14.82	5.2%	0.49	6.6%
Eveready	1.03	3.0%	-8.8%	23,400	0.81	97.1%	1.27	-35.3%
<b>Sector Average</b>					<b>9.48</b>	<b>6.7%</b>		<b>-2.1%</b>

\*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>
ARM Cement	5.55	0.0%	0.0%	0	N/M	0.0%	-21.9%	-12.5%
Bamburi Cement	90.00	-32.1%	-3.7%	105,300	36.73	5.7%	1.6%	0.5%
E.A. Portland Cement	14.00	-12.5%	-7.0%	500	N/M	0.0%	19.3%	37.5%
<b>Sector Average</b>					<b>36.73</b>	<b>1.9%</b>		<b>8.5%</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	6.08	-13.4%	1.3%	4,981,500	5.07	6.6%	1.20	4.2%
Kenya Power	3.23	-20.6%	2.2%	1,424,300	3.30	0.0%	0.98	3.0%
Total Kenya	28.30	2.9%	-4.9%	22,500	7.71	4.6%	3.67	10.5%
<b>Sector Average</b>					<b>5.36</b>	<b>3.3%</b>		<b>3.6%</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	3.23	-16.3%	6.3%	265,600	1.07	17.94	64.9%	49.0%
Britam	7.42	-25.8%	6.0%	9,042,500	0.67	30.92	67.6%	134.8%
Jubilee	350.25	-13.5%	-2.7%	8,000	0.97	6.67	92.0%	138.2%
Kenya Re	3.14	-77.5%	-0.9%	6,299,200	0.08	0.61	62.2%	106.7%
Sanlam Kenya	17.00	-22.7%	-1.7%	162,200	1.84	80.95	95.4%	149.7%
Liberty	10.30	-20.2%	6.2%	29,000	0.75	6.52	66.5%	66.5%
<b>Sector Average</b>					<b>0.88</b>	<b>9.57</b>	<b>74.7%</b>	<b>107.5%</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>NAVPS**</b>	<b>EPS (KES)</b>	<b>ROE</b>
Centum Investment	30.05	2.7%	-2.9%	2,070,500	26.83	0.38	79	1.12	1.5%
Home Afrika Ltd	0.58	-17.1%	-7.9%	330,600	N/M	N/M	0.85	-0.39	N/M
Trans-Century	2.98	325.7%	-6.9%	16,500	N/M	0.24	40.96	-1.56	N/M
<b>Sector Average</b>					<b>N/M</b>	<b>0.31</b>			<b>1.5%</b>

\*NPM - Net Profit Margin, \*\*NAVPS - Net Asset Value Per Share

<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	12.20	-16.2%	-0.8%	208,000	16.71	4.0%	0.73	9.3%
<b>Sector Average</b>					<b>16.71</b>	<b>4.0%</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	-53.4%	0.0%	0	N/M	0.0%	-4.43	-69.4%
EABL	200.00	14.4%	-4.6%	608,600	17.81	4.3%	11.23	82.8%
FTG Holdings	2.55	2.0%	2.0%	5,900	3.00	0.0%	0.85	22.3%
Carbacid	8.26	-17.4%	-8.2%	48,300	5.99	8.5%	1.38	14.6%
BAT	545.00	-24.8%	9.3%	500	16.34	4.8%	33.36	48.0%
<b>Sector Average</b>					<b>10.78</b>	<b>3.5%</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	35.1%	-1.0%	71,240,300	18.99	6.2%	1.58	44.1%
<b>Sector Average</b>					<b>18.99</b>	<b>6.2%</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	8.78	-19.8%	-0.9%	173,600	12.37	8.54%	0.71
<b>Sector Average</b>						<b>NA</b>	

\*NAVPS - Net Asset Value Per Share

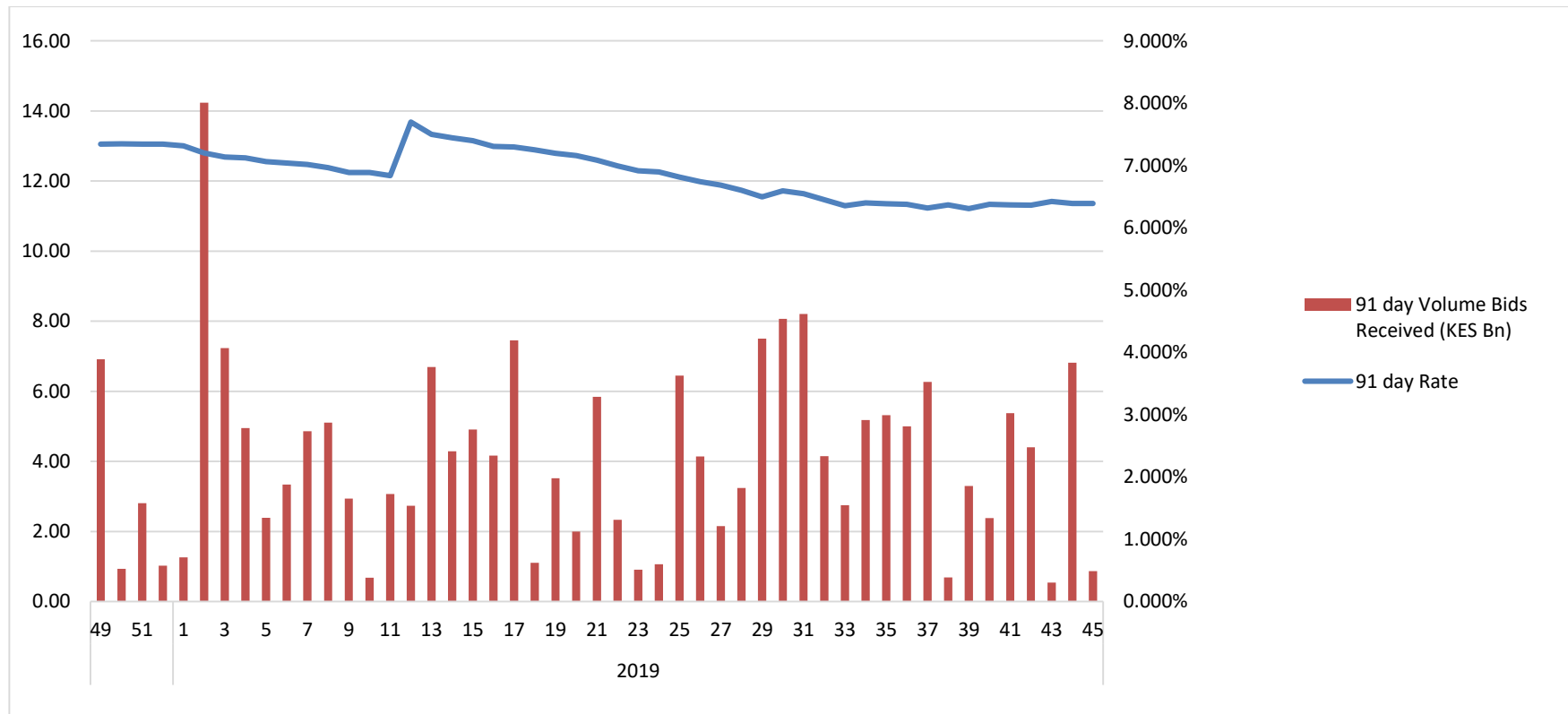
<b>Market Statistics</b>	<b>This Week</b>	<b>Last Week</b>	<b>% Change</b>
Total Volumes	178,945,400	185,993,300	-3.8%
Total Turnover (KES)	6,010,183,603	7,419,666,100	-19.0%

# Fixed Income Market Summary

	Bids Received (KES)	Subscription	Bids Accepted (KES)	Rate	Previous Rate	% Change
91 day T-bill	0.86Bn	21.61%	0.86Bn	6.390%	6.390%	-
182 day T-bill	3.25Bn	32.46%	3.25Bn	7.261%	7.189%	0.072
364 day T-bill	27.70Bn	277.70%	22.44Bn	9.787%	9.780%	0.007

Graph showing 91 day T-bill rate and volume

Week No. 45



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# 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>
Safaricom PLC	Special Dividend	Kes.0.62	03-May-19	<b>02-Sep-19</b>	30-Nov-19
Safaricom PLC	First & Final Dividend	Kes.1.25	03-May-19	<b>02-Sep-19</b>	30-Nov-19
KCB Group PLC	Interim Dividend	Kes.1.00	15-Aug-19	<b>05-Sep-19</b>	15-Nov-19
Carbacid Investment PLC	Final Dividend	Kes.0.70	23-Oct-19	<b>06-Nov-19</b>	(Subject to Approval)
Longhorn Publishers PLC	Final Dividend	Kes.0.52	30-Aug-19	<b>28-Nov-19</b>	26-Feb-20
Unga Group PLC	First & Final Dividend	Kes.0.50	27-Sept-2019	<b>15-Jan-20</b>	15-Jan-20



# Market Recommendations

Counter	Recommendation	52-Week High	52-Week Low	YTD Change	Price as at 8th November 2019
KCB Group	Long-term Buy	54.00	36.00	33.24%	49.90
Equity Group Holdings	Long-term Buy	52.00	32.50	40.17%	48.85
Barclays Bank of Kenya	Hold	13.85	10.00	15.98%	12.70
Diamond Trust Bank	Hold	165.00	102.00	-23.32%	120.00
Bamburi Cement	Hold	159.00	87.00	-32.08%	90.00
Safaricom	Hold	31.50	20.51	35.14%	30.00
EABL	Hold	225.00	160.00	14.45%	200.00
KenGen	Long-term Buy	7.50	5.00	-13.39%	6.08

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