

Global Markets

Index	Last Price	Weekly Change %
DJI	29,26871	3.3%
S&P 500	3,561.11	1.5%
NASDAQ-100	11,839.61	(2.1%)
DAX	13,088.95	4.9%
FTSE 100	6,326.50	7.0%
Euro Stoxx 50	3,439.77	7.4%
Shanghai Composite	3,310.104	(0.1%)
Commodities		
BRENT Oil (USD/BARREL)	42.73	(1.8%)

Source: Bloomberg

Majority of the equity indices gained during the week on the news of a possible COVID-19 vaccine from Pfizer and BioNtech. The gains were mostly in sectors that had performed poorly as result as a result of the COVID-19 pandemic (sectors that typically perform well coming out of a recession) such financial services and energy. Technology heavy indices such as the NASDAQ-100 saw declines. There remain concerns as to when the vaccine will be widely available and also on access in developing countries (cost and the infrastructure to deliver the vaccine to the public).

Equities Market

Market Commentary

The All Share and NSE 20 Indices gained by 1.8% and 1.1% w-o-w to close the week at 143.93 and 1,789.52 respectively. This was however characterized by lower trading activity (market turnover declined by 33.8% w-o-w to KES 2.1 billion while the volume of shares traded declined by 20.4% w-o-w to 82.3 million). We attribute the gain to price gains in several large cap counters, notably EABL (+5.5% to KES 159.00), KCB (+5.3% to KES 37.50), Equity (+5.1% to KES 36.80), BAT (+4.3% to KES 365.00) and

Absa Kenya (+4.2% to KES 9.90). Equity and KCB posted price gains despite announcing a 14.6% and 43.0% price gains despite announcing a decline in after tax profits for 3Q2020 respectively. We opine that the gains in the market were partly due to cautious optimism from the news of a possible COVID-19 vaccine from Pfizer and BioNtech. In the coming week, we expect the upward momentum to be maintained.

	Previous Week	This Week	Weekly %
Market Capitalization (KES Bn)	2,209	2,169	1.9%
Number of Shares Traded (M)	82.4	103	(37.1%)
Equity Turnover Mn (KES)	2,706	3,138	(33.8%)
Foreign Buys (%)	56.7%	49.9%	
Foreign Sells (%)	57.1%	88.5%	
Foreign Participation (%)	56.8%	48.7%	

Recommendations

Counter	Recommendation	Price (KES)	Weekly Change	YTD Change
HF	Sell	3.45	(6.5%)	(46.6%)

Equities Performance

Top Gainers	Price (KES)	Weekly Change %	YTD Change	Volume Traded
Sameer	3.40	10.0%	(1.4%)	18,600
Crown Paint	41.00	7.9%	(1.4%)	2,300
Kenya RE	2.17	7.4%	(28.4%)	2,937,300
BOC Kenya	60.00	6.2%	3.4%	2,100
EABL	150.75	5.5%	(19.9%)	831,900

Top Losers	Price (KES)	Weekly Change	YTD Change %	Volume Traded
Carbacid	8.00	(10.7%)	-	32,000
EA Portland	14.40	(10.0%)	(0.7%)	200
Total	24.70	(8.9%)	(18.2%)	17,200
Kenya Power	1.78	(7.9%)	(41.6%)	7,361,000
HF Group	3.45	(6.5%)	(46.6%)	348,300

News Highlights

Safaricom PLC Posts a 6.0% y/y decrease in After Tax Profits for 1H2021

Safaricom's after tax profits fell by 6.0% y/y to KES 33.1 billion from KES 35.2 billion reported in 1H2020.

Service revenue eased by 4.8% y/y to KES 118.4 billion (1H2020: KES 124.3 billion) primarily driven down by MPESA and Voice.

MPESA revenues declined by 14.5% y/y to KES 35.9 billion as a result of the zero rating of some M-PESA transactions (P2P transactions below KES 1,000, Bank to M-PESA wallet and wallet to bank transfers (C2B and B2C) and paybill bills for government hospitals and dispensaries). Total MPESA transaction value increased by 32.9% y/y to KES 9.0 trillion while transaction volumes rose by 14.9% y/y to 5.1 billion transactions. The chargeable transactions per one-month active customers dipped by 27.6% y/y to approximately 9.0 transactions (as a result of the zero rating) in 1H2021 compared to 13.0 transactions in 1H2020 while the one-month active customers grew by 13.5% y/y to 26.8 million customers over the same period. The Average Revenue per User (ARPU) dropped by 23.5% y/y to KES 229.1.

Outgoing voice revenues fell by 6.5% y/y to KES 40.2 billion due to a decline in the effective rate per minute which offset the increase in both 30 -day active customers (+7.6% to 26.9 million customers) and the increase in voice outgoing minutes (+10.8% y/y buoyed by the "Tunukiwa" campaign which was aimed at customers with low usage, enabling them to call at a lower rate).

Mobile data revenues rose by 14.1% y/y to KES 22.2 billion (1H2020: KES 19.5 billion). The growth was attributed to sustained momentum in both customer growth (one month active customers grew by 11.6% y/y to KES 22.9 million while distinct data bundle customers rose by 22.7% y/y to 15.7 million customers) and usage (from 919.0 MBs in 1H2020 to average of 1.3GBs in the 1H2021). This offset the continued decrease in the effective rate per megabyte (MB), resulting in the one-month active chargeable mobile data ARPU increasing by 3.5% to KES 183.80.

Fixed line and wholesale transit revenue declined marginally by 0.2% y/y to KES 4.6 billion as the 47.2% y/y growth (to KES 1.7 billion) in fibre to the home revenue (FTTH) was offset by a 1.7% y/y decline (to KES 2.9 billion) in fixed enterprise revenue (including wholesale) and a 100% y/y decline in revenue from the National Police Service contract.

Outgoing messaging revenues eased by 6.9% y/y to KES 7.2 billion as the one month ARPU fell by 8.9% y/y to KES 55.95 despite a 2.3% y/y growth in one month active customers to 21.5 million.

Incoming mobile revenues (incoming voice and messaging revenues from interconnect services) and other mobile service revenues (revenues from Bulk SMS and roaming) grew by 9.7% and 10.0% to KES 4.6 billion and KES 3.8 billion respectively.

Direct costs eased slightly by 0.2% y/y to KES 37.0 billion. Direct cost intensity (direct costs/total revenues) increased from 28.26% to 29.7% due to the bigger decline in revenues (-4.1% y/y to KES 124.5 billion). OPEX intensity (operating expenses/total revenues) declined from 18.3% to 17.0% due to the faster decrease in operating expenses (-10.6% y/y to KES 21.2 billion) than in revenues (-4.1% y/y to KES 124.5 billion).

Corporate Finance

Pezesha Africa Exits Regulatory Sandbox

Pezesha Africa, a debt crowd-funding platform, recently exited the Capital Market Authority's sandbox after a successful one-year testing period. The platform allows firms and entrepreneurs to raise funds from investors, contributors and donors. Crowdfunding platforms provide a different way to raise funding for large companies, small enterprises and retail borrowers through equity, debt or a hybrid model. Read more in the press release [here](#).

Fixed Income Market

Treasury Bill Auction Results

	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield (%)	Change * (bps)
91 day	4.00	8.81	220.30%	8.57	6.674	0.8
182 day	10.00	8.03	80.25%	8.03	7.114	4.2
364 day	10.00	13.53	135.35%	13.07	8.042	4.8
Total	24.00	30.37	126.55%	29.66		

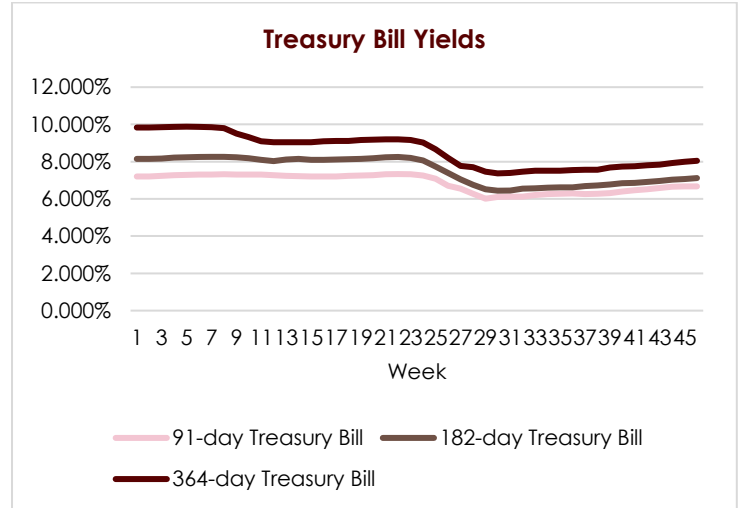
Source: CBK

*Change = Current Rate – Previous Rate; 1.0% = 100 bps; Amount Offered, Bids Received and Bids Accepted are in KES Billions
 Treasury bills were oversubscribed during the week's auction – the total subscription rate was 126.55%, up from last week's 115.93%. There was relatively high liquidity as evidenced by the lower interbank rate.

The 91-day paper had the highest subscription rate at 220.30%, followed by the 364-day paper whose subscription rate was 135.35%.

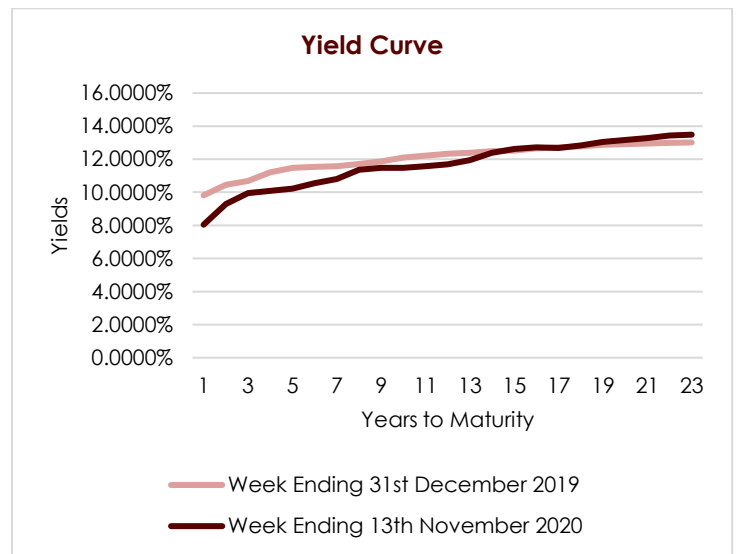
Yields on all Treasury bills sustained their upward trend during the week.

Treasury Bill Yields



Source: CBK

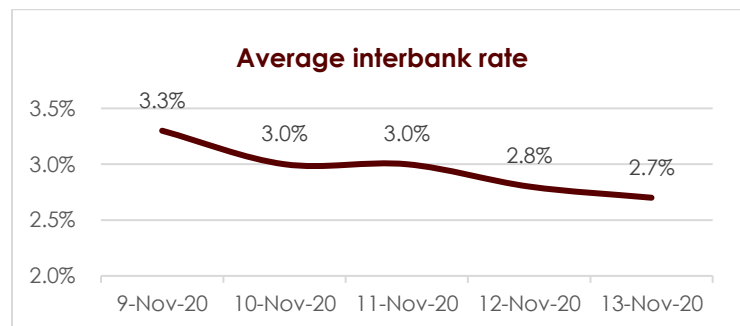
Government Securities Yield Curve



Source: KNBS

Interbank Rate

The average interbank rate eased during the week from 3.3% (6th November 2020) to 2.7% indicating higher liquidity.



Source: CBK

CBK Invites Bids for Re-opened FXD2/2013/15 and FXD1/2018/20 Treasury Bonds

The Central Bank of Kenya (CBK), acting in its capacity as fiscal agent for the Republic of Kenya, has invited bids for re-opened FXD2/2013/15 and FXD1/2018/20 with the intention of raising KES 40.0 billion for budgetary support.

The features of the bonds are shown in the table below:

	FXD2/2013/15	FXD1/2018/20
Amount	KES 40.0 billion	
Tenor	7.5 years	17.4 years
Coupon rate	12.000%	13.200%
Taxation	10.0%	10.0%
Period of sale	04/11/2020 to 17/11/2020	
Redemption date	10/04/2028	01/03/2038

Source: CBK

With the economy opening up, we may see higher risk appetite causing demand for safe havens (e.g. Treasury Bonds) to decline (yields may tick up).

We recommend bidding as follows:

- i. **FXD2/2013/15: 12.90%(non-aggressive)- 13.20% (aggressive)**
- ii. **FXD1/2018/20: 11.30%(non-aggressive) - 11.60%(aggressive)**

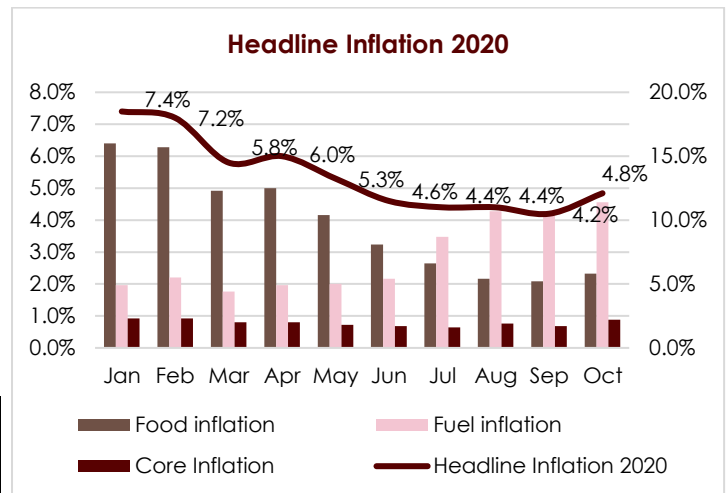
Macroeconomic Indicators

Exchange Rates

KES %	Value	W-o-W Change %	YTD Change %
US Dollar	109.1118	(0.2%)	(7.7%)
STG Pound	143.5912	(0.8%)	(8.0%)
EURO	128.7462	(0.02%)	(13.6%)

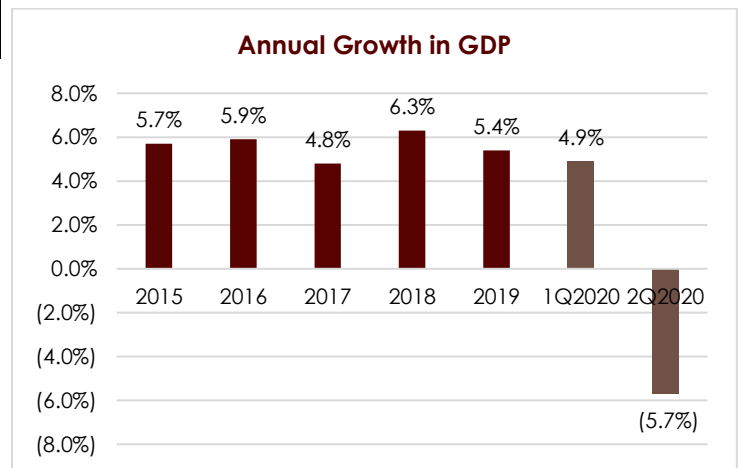
Source: CBK; Negative () = Depreciation, Positive = Appreciation

Inflation



Source: KNBS

Gross Domestic Product (GDP)



Source: KNBS

Equity 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	37.50	-30.6%	5.3%	5,531,200	45.9%	4.65	9.3%	0.90	20.7%
Equity Bank	36.80	-31.2%	5.1%	7,600,100	51.5%	6.16	0.0%	1.24	21.8%
NCBA	22.00	-40.3%	0.2%	121,100	41.9%	2.53	0.0%	0.49	15.3%
Stanbic	80.00	-26.8%	0.0%	301,700	56.2%	4.96	8.8%	0.64	13.6%
Absa Bank									
Kenya Plc	9.90	-25.8%	4.2%	7,733,400	51.2%	7.21	11.1%	1.19	16.7%
HF Group	3.45	-46.6%	-6.5%	348,300	93.8%	N/M	0.0%	0.12	-1.1%
Co-operative Bank	11.40	-30.3%	-1.7%	4,419,600	52.1%	4.67	8.8%	0.84	19.2%
Diamond Trust Bank	63.00	-42.2%	3.3%	226,500	48.6%	2.60	4.3%	0.30	12.1%
Standard Chartered	156.25	-22.8%	-0.5%	31,600	55.6%	6.52	4.8%	1.12	17.5%
I&M	43.70	-19.1%	1.2%	18,600.00	39.0%	1.68	5.8%	0.31	20.4%
Sector Average								0.72	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%	0.0%	-1.3
Nation Media Group	15.65	-60.7%	3.3%	71,000	3.48	9.6%	9.6%	4.5
WPP Scangroup	6.36	-63.0%	-0.6%	264,000	5.68	7.9%	7.9%	1.12
Uchumi Supermarket	0.30	3.4%	0.0%	582,500	N/M	0.0%	0.0%	-4.6
Longhorn Publishers	4.50	-33.4%	0.0%	19,700	6.62	11.6%	11.6%	0.68
Eveready	0.94	-14.5%	4.4%	9,400	N/M	0.0%	0.0%	-1.45
Sector Average					5.26	5.8%		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	24.90	-68.9%	0.8%	772,500	10.16	0.0%	1.6%	2.1%
E.A. Portland Cement	14.40	-0.7%	-10.0%	200	N/M	0.0%	0.0%	0.0%
Sector Average					10.16	0.0%	0.8%	1.0%

*NPM - Net Profit Margin

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Energy & Petroleum Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
KenGen	4.63	-19.1%	-3.9%	3,368,000	3.86	8.6%	1.20	4.2%
Kenya Power	1.64	-41.6%	-7.9%	7,361,000	12.62	0.0%	0.13	0.4%
Total Kenya	22.50	-18.2%	-8.9%	17,200	5.58	5.8%	4.03	10.8%
Sector Average					7.35	4.3%		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	2.06	-23.1%	-5.5%	246,600	0.26	17.17	69.8%	34.4%
Britam	7.60	-15.6%	1.3%	430,000	0.26	5.39	65.3%	37.2%
Jubilee	270.00	-23.1%	0.4%	4,200	9.62	5.14	91.9%	46.2%
Kenya Re	2.17	-28.4%	7.4%	2,937,300	0.08	0.85	71.2%	13.1%
Sanlam Kenya	12.00	-30.2%	-5.9%	8,300.00	8.33	15.19	85.8%	35.5%
Liberty	7.24	-30.0%	-3.5%	46,800.00	0.90	5.53	119.6%	48.7%
Sector Average					3.24	8.21	83.9%	35.8%

Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	EP (KES)	RO
Centum Investment	17.00	-5.6%	-5.6%	371,700	2.45	0.36	6.95	9.3%
Home Afrika Ltd	1.50	-33.3%	-2.4%	90,900	N/M	N/M	N/M	2.6%
Trans-Century	1.50	-40.0%	-6.3%	20,700.00	N/M	N/M	N/M	4.7%
Sector Average					N/M	0.36		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	7.90	-36.0%	1.8%	41,400	26.33	3.5%	0.3	3.9%
Sector Average					26.33	3.5%		

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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	159.00	-19.9%	5.5%	831,900	30.75	1.9%	5.17	46.6%
FTG Holdings	1.42	-42.5%	2.2%	39,100	5.46	0.0%	0.26	4.8%
Carbacid	8.00	0.0%	-10.7%	32,000	7.69	8.8%	1.04	8.6%
BAT	365.00	-27.0%	4.3%	429,700	9.40	9.2%	38.85	40.8%
Sector Average					13.33	4.0%		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	31.80	1.0%	1.6%	31,051,300	17.10	4.4%	1.86	51.8%
Sector Average					17.10	4.4%		

Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
STANLIB FAHARI I-REIT	5.34	-43.3%	-2.9%	37,100	20.80	14.04%	0.83
Sector Average						NA	

*NAVPS - Net Asset Value Per Share

Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Nation Media Group Ltd	Bonus Issue	1:10	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	22-Oct-20	17-Dec-20

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