

## Global Markets

Index	Last Price *	Weekly Change %	YTD%
DJI	29,938.09	2.3%	2.5%
S&P 500	3,641.72	2.4%	10.1%
NASDAQ-100	12,249.84	2.9%	36.3%
DAX	13,344.34	1.6%	(0.8%)
FTSE 100	6,364.47	0.2%	(15.8%)
Euro Stoxx 50	3,531.07	1.8%	(7.4%)
Shanghai Composite	3,408.31	0.9%	10.7%
NIKKEI 225	26,644.71	4.4%	7.9%
Commodities			
BRENT Oil (USD/bbl.)	47.92	6.6%	(31.9%)
GOLD SPOT (USD/Oz)	1,779.95	(4.9%)	22.9%

Source: Bloomberg; \*As at 6.03PM EAT

Most of the global equity indices maintained the upward momentum on vaccine optimism, hopes of a smoother transition in the US presidency and governments' commitments on more stimulus. Gold, however, lost as demand for the safe haven asset waned on vaccine optimism and possibility of a faster rebound in economic growth.

## Equities Market

### Market Commentary

The All Share Index declined by 0.3% w-o-w to close the week at 143.30 mainly attributed to Safaricom declining by 0.3% to KES 31.90 (24.5% of traded value). The NSE20 Index also declined by 1.6% w-o-w to 1,758.05 as majority of its constituent counters recorded price declines. However, market turnover increased by 6.6% to KES 2.2 billion while volume of shares traded increased by 3.6% to 73.9 million shares. The banking sector accounted for 51.5% of the week's traded value with notable movements on KCB (+2.6% to KES 37.15), NCBA (+1.1% to KES 22.95), Equity (-2.7% to KES 34.40) and ABSA Kenya (-0.4% to KES 9.54). Carbacid Investments Plc emerged as the top gainer of the week (+26.8% w-o-w to KES 10.80, 35.0% year-to-date) which we attribute to positive investor sentiment following the company's announcement that it intends to acquire (subject to shareholder and regulatory approval) 100% of BOC

Kenya Plc. In the coming week, we expect demand on some of the counters such as Equity Bank and Safaricom to improve. Overall, we expect price stability.

	Previous Week	This Week	Weekly %
NASI	143.72	143.30	(0.3%)
NSE - 20	1785.88	1758.05	(1.6%)
NSE - 25	3255.68	3242.80	(0.4%)
Market Capitalization (KES Bn)	2,206	2,200	(0.5%)
Number of Shares Traded (M)	71.5	73.9	3.6%
Equity Turnover Mn (KES)	2,187	2,328	6.6%
Foreign Buys (%)	79.7%	54.6%	
Foreign Sells (%)	78.8%	68.9%	
Foreign Participation (%)	79.2%	61.7%	

## Recommendations

Counter	Recommendation	Price (KES)	Weekly Change %	YTD Change %
KenGen	Long Term Buy	4.61	(2.7%)	(19.4%)
HF	Sell	3.25	2.5%	(49.7%)
Kenya RE	Hold	2.12	-	(30.0%)

## Equities Performance

Top Losers	Price (KES)	Weekly Change	YTD Change %	Volume Traded
Carbacid	10.80	26.8%	35.0%	241,200
Everready EA	1.01	13.5%	(8.2%)	25,300
TPS Serena	14.95	6.8%	(14.8%)	15,900
Centum	17.00	6.3%	(42.4%)	1,164,100
Jubilee	280.00	5.3%	(20.2%)	29,600

Top Gainers	Price (KES)	Weekly Change %	YTD Change	Volume Traded
Kenya Power	1.36	(15.5%)	(51.6%)	2,954,800
Olympia	2.02	(13.3%)	0.5%	12,100
Standard	22.80	(9.9%)	(17.2%)	500
EA Portland	12.00	(7.7%)	(17.2%)	4,600
Flame Tree	1.31	(7.1%)	(47.0%)	19,900

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## News Highlights

### DTB Reports a 27.8% y/y Decline in After Tax Profits for 3Q2020

Diamond Trust Bank (DTB) posted a 27.8% y/y decline in after tax profits to KES 4.3 billion (3Q2019: KES 6.0 billion). The decrease in profitability was primarily due to a 232.1% y/y surge in loan loss provisions to KES 2.9 billion.

Total interest income decreased by 3.4% y/y to KES 23.7 billion predominantly due to a 3.3% y/y dip in income from loans and advances to KES 14.3 billion as well as a 67.0% y/y dip in interest income from deposits and placements with other banks to KES 117.3 million. The drop in interest income from loans and advances was despite the group's loan book growing by 7.1% y/y to KES 205.6 billion. The decline could be attributed to a 81.9 bps decline in yield on loans to 9.5% from 10.3% in 3Q2019.

Interest income from government securities fell slightly by 1.1% y/y to KES 9.2 billion even as the group's holding of government securities edged up by 5.1% y/y to KES 134.1 billion. The decline could be attributed to a 92.6 bps decline in yields to 9.2% (3Q2019:10.2%).

Total interest expenses fell by 8.9% y/y to KES 9.8 billion owing to an 8.3% y/y drop in customer deposit expenses to KES 8.4 billion. The drop in interest expenses from customer deposits was recorded despite customer deposits growing marginally by 1.8% y/y to KES 288.2 billion. The cost of funds declined to 4.1% from 4.6% in 3Q2019.

Consequently, net interest income edged up by 0.9% y/y to KES 13.9 billion resulting in a NIM of 5.6% (3Q2019: 5.7%).

Non-interest income increased by 15.3% y/y to KES 5.0 billion due to a 37.2% y/y rise in foreign exchange trading income. Other fees and commissions declined by 16.8% y/y to KES 1.3 billion. This decline could be due to lower transaction activity as result of the depressed economic environment and zero rating of some transactions as part of the CBK initiative to provide relief to customers. The contribution of non-interest income to total operating income grew to 26.6% from 24.1%

in 3Q2019.

Operating expenses (excluding provisions) rose by 10.0% y/y to KES 9.5 billion mainly due to higher amortization charges (+309.1% y/y to KES 922.0 million) in the period. The cost-to-income ratio (excluding provisions) increased to 50.0% from 47.4% in 3Q2019.

Loan loss provisions surged by 232.1% y/y to KES 2.9 billion even as gross non-performing loans declined by 2.6% y/y to KES 14.7 billion. We attribute the higher provisioning to adverse economic environment (and the Expected Credit Loss model which is more forward looking). The NPL ratio (net non-performing loans/net loan book) fell to 4.0% (3Q2019: 4.9%).

## Commentary

The performance for the period highlights the adverse economic environment as result of the COVID-19 pandemic.

As at 1H2020, the bank had restructured facilities worth KES 64.0 billion (32.0% of the net loan book as at 1H2020). Most of the facilities were in the accommodation and hospitality sector (34.4%), real estate (21.1%), manufacturing, transport and communication (13.0%), trade (10.2%) and manufacturing (10.1%).

The improvement in the NPL ratio is surprising given the economic context, DTB's focus on SME lending (one of the most affected business types) and large exposure to the aforementioned segments (FY2019: e76.0% of the gross loan book). We cannot ascertain whether this was due to loan write offs or actual recoveries. There remains some risk that some of the restructured facilities could turn to NPLs if the government reverts back to the stringent containment measures.

On a positive note, there has been a continued shift to alternative channels (87.0% of the transactions done outside the branch as at 1H2020 from 52.0% in 2018) which we expect will boost non-interest income going forward.

We are currently reviewing our recommendation on DTB.

## Corporate Finance

### Chipper Cash raises \$30.0 million Series B Funding

Chipper Cash, an African startup, has raised \$30 million in its Series B funding round backed by Jeff Bezos - through Bezos Expeditions. The company was formed in 2018 and provides free mobile-based P2P payment in seven countries - Ghana, Nigeria, Kenya, South Africa, Uganda, Tanzania and Rwanda. The startup runs Chipper Checkout as well, a merchant focused, fee based payment product that generates revenue to support Chipper Cash. The firm plans to carry out both product and geographical expansion. According to management, the firm has had demand from users for additional value services other than the P2P transfer, such as purchasing cryptocurrency assets and making investments in stocks. The stock product would initially be launched in Nigeria then expanded to other countries. Further, the startup plans to enhance the P2P platform to cater to business enterprises following requests made by business owners. The startup will announce the countries it is set to expand to by the end of 2021.

## Fixed Income Market

### Treasury Bill Auction Results

	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield (%)	Change * (bps)
91 day	4.0	4.58	114.46%	3.60	6.730%	2.4
182 day	10.0	6.37	63.71%	5.89	7.193%	4.1
364 day	10.0	4.48	44.77%	3.97	8.151%	5.7
<b>Total</b>	<b>24.0</b>	<b>15.43</b>	<b>64.28%</b>	<b>13.45</b>		

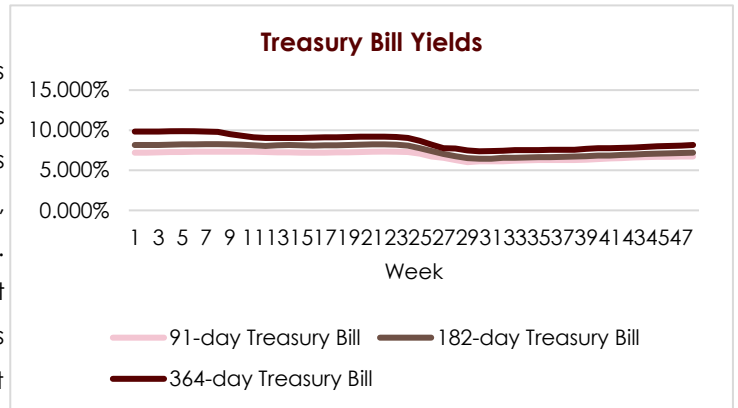
Source: CBK

\*Change = Current Rate – Previous Rate; 1.0% = 100 bps; Amount Offered, Bids Received and Bids Accepted are in KES Billions

Treasury bills were undersubscribed during the week's auction – the total subscription rate was 64.28%, down from last week's 104.24%.

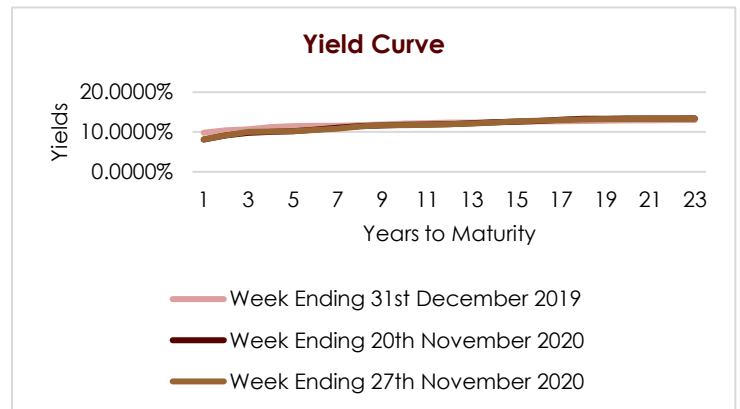
The 91-day paper had the highest subscription rate this week as well, at 114.46%, followed by the 182-day paper whose subscription rate was 63.71%. Yields on all Treasury bills sustained their upward trend during the week

### Treasury Bill Yields



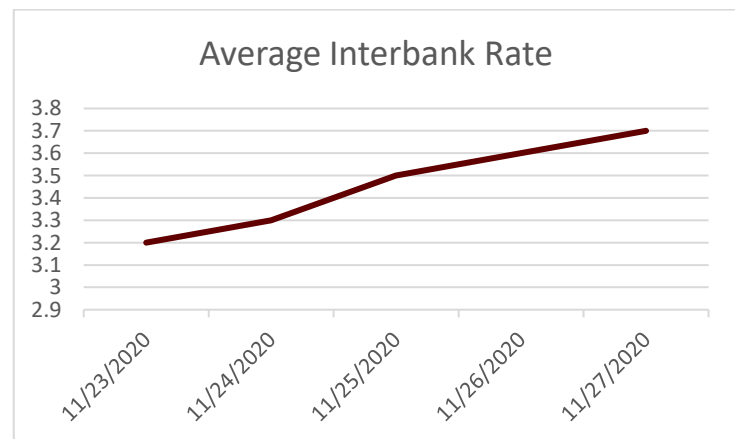
Source: CBK

### Government Securities Yield Curve



### Interbank Rate

The average interbank rate rose during the week from 3.2% to 3.7% indicating relatively lower liquidity.



Source: CBK

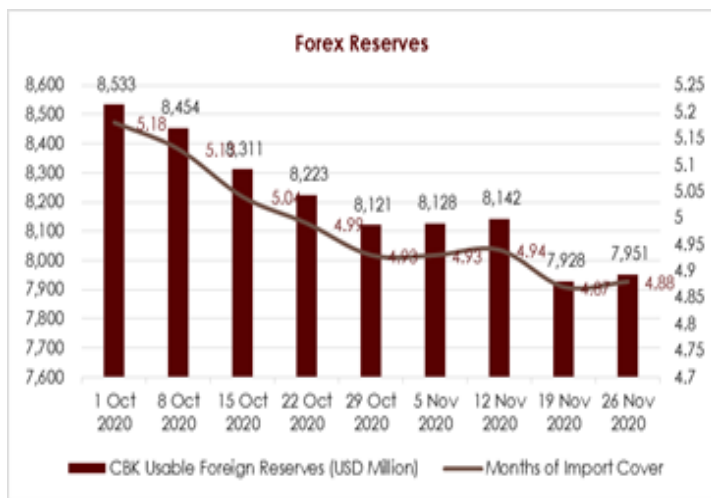
## Macroeconomic Indicators

### Exchange Rates

	Value	Weekly Change %	YTD Change %
US Dollar	109.9847	(0.5%)	(8.5%)
STG Pound	146.7744	(1.3%)	(10.4%)
EURO	130.9053	(1.1%)	(15.5%)

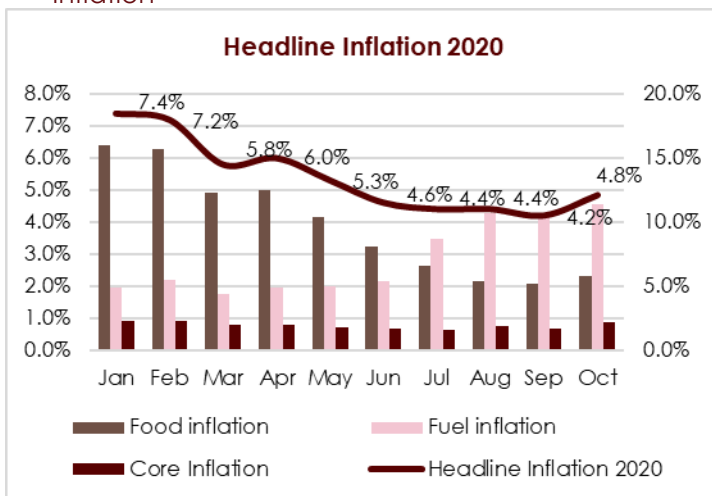
Source: CBK; Negative ( ) = Depreciation, Positive = Appreciation

### Forex Reserves



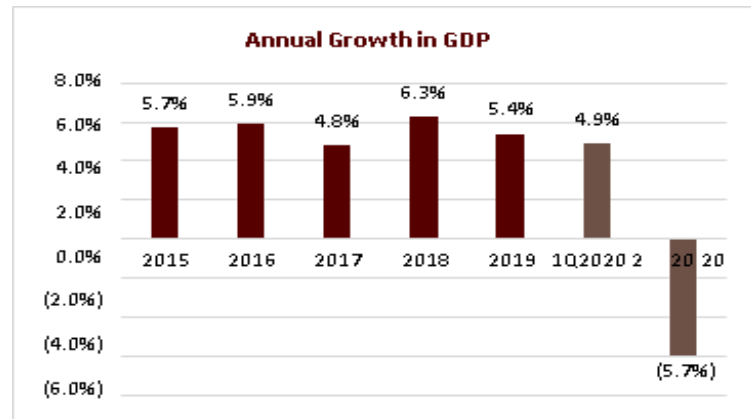
Source: CBK

### Inflation



Source: KNBS

### Gross Domestic Product (GDP)



Source: KNBS

### Labour Statistics

Indicator	2Q2019	1Q2020	2Q2020
Unemployment Rate	4.7%	5.2%	10.4%
Labour Force Participation Rate	69.7%	69.7%	64.4%

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	37.15	-31.2%	2.6%	10,121,500	45.9%	4.61	9.4%	0.89	20.7%
Equity Bank	34.40	-35.7%	-2.7%	14,324,100	51.5%	5.75	0.0%	1.16	21.8%
NCBA	22.95	-37.7%	1.1%	7,420,900	41.9%	2.64	0.0%	0.51	15.3%
Stanbic	79.00	-27.7%	-4.8%	538,600	56.2%	4.89	8.9%	0.64	13.6%
Absa Bank									
Kenya Plc	9.54	-28.5%	-0.4%	7,051,500	51.2%	6.95	11.5%	1.15	16.7%
Housing Finance	3.25	-49.7%	2.5%	1,435,000	93.8%	N/M	0.0%	0.11	-1.1%
Co-operative									
Bank	11.60	-29.1%	-0.4%	481,700	52.1%	4.76	8.6%	0.86	19.2%
Diamond Trust									
Bank	61.50	-43.6%	-2.8%	217,900	48.6%	2.53	4.4%	0.29	12.1%
Standard									
Chartered	149.75	-26.0%	0.3%	26,200	55.6%	6.25	5.0%	1.08	17.5%
I&M	45.45	-15.8%	1.0%	182,800	39.0%	1.74	5.6%	0.33	20.4%
<b>Sector Average</b>					<b>53.6%</b>	<b>4.46</b>	<b>5.4%</b>	<b>0.70</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%	-	N/M	0.0%	-1.3	N/M
Nation Media								
Group	15.45	-61.2%	-0.3%	70,500	3.43	9.7%	4.5	10.9%
WPP Scangroup	6.00	-65.1%	-3.5%	570,600	5.36	8.3%	1.12	6.0%
Uchumi								
Supermarket	0.29	0.0%	0.0%	217,700	N/M	0.0%	-4.6	N/M
Longhorn								
Publishers	4.50	-33.4%	-0.9%	39,100	6.62	11.6%	0.68	17.3%
Eveready	1.01	-8.2%	13.5%	25,300	N/M	0.0%	-1.45	-10.8%
<b>Sector Average</b>					<b>5.14</b>	<b>5.9%</b>		<b>5.8%</b>

\*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	28.00	-65.0%	-0.7%	110,500	11.43	0.0%	1.6%	2.1%
E.A. Portland								
Cement	12.00	-17.2%	-7.7%	4,600	N/M	0.0%	0.0%	0.0%
<b>Sector Average</b>					<b>11.43</b>	<b>0.0%</b>	<b>0.8%</b>	<b>1.0%</b>

\*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	4.61	-19.4%	-2.7%	3,792,800	3.84	8.7%	1.20	4.2%
Kenya Power	1.36	-51.6%	-15.5%	2,954,800	10.46	0.0%	0.13	0.4%
Total Kenya	23.00	-16.4%	3.1%	350,100	5.71	5.7%	4.03	10.8%
<b>Sector Average</b>					<b>6.67</b>	<b>4.3%</b>		<b>2.3%</b>

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%	-0.5%	239,200	0.26	17.17	69.8%	34.4%
Britam	7.20	-20.0%	-3.7%	147,100	0.25	5.11	65.3%	37.2%
Jubilee	280.00	-20.2%	5.3%	29,600	9.98	5.33	91.9%	46.2%
Kenya Re	2.12	-30.0%	0.0%	754,500	0.07	0.83	71.2%	13.1%
Sanlam Kenya	11.00	-36.0%	-5.2%	3,200.00	7.64	13.92	85.8%	35.5%
Liberty	7.50	-27.5%	0.0%	77,900.00	0.93	5.73	119.6%	48.7%
<b>Sector Average</b>					<b>3.19</b>	<b>8.01</b>	<b>83.9%</b>	<b>35.8%</b>

Investment Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	P/B(X)	EPS (KES)	ROE
Centum Investment	17.00	6.3%	6.3%	1,164,100	2.45	0.36	6.95	9.3%
Home Afrika Ltd	1.27	-35.0%	-2.5%	242,300	N/M	N/M	N/M	2.6%
Trans-Century	1.27	-49.2%	3.3%	36,500.00	N/M	N/M	N/M	4.7%
<b>Sector Average</b>					<b>N/M</b>	<b>0.36</b>		<b>5.5%</b>

\*P/B based on company Net Asset Value

Investment Services	Price (KES)	YTD Change	%w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
NSE	8.00	-35.2%	-1.5%	210,300	26.67	3.5%	0.3	3.9%
<b>Sector Average</b>					<b>26.67</b>	<b>3.5%</b>		

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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	153.75	-22.5%	-0.8%	2,083,900	29.74	2.0%	5.17	46.6%
FTG Holdings	1.31	-47.0%	-7.1%	19,000	5.04	0.0%	0.26	4.8%
Carbacid	10.80	35.0%	26.8%	241,200	10.38	6.5%	1.04	10.0%
BAT	372.00	-25.6%	0.5%	425,800	9.58	9.0%	38.85	40.8%
<b>Sector Average</b>					<b>13.68</b>	<b>3.5%</b>		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	31.90	1.3%	-0.3%	17,861,600	17.15	4.4%	1.86	51.8%
<b>Sector Average</b>					<b>17.15</b>	<b>4.4%</b>		

Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
ILAM FAHARI I-REIT	5.40	-42.7%	2.3%	34,711	20.80	13.89%	0.83
<b>Sector Average</b>						<b>NA</b>	

\*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
Kengen Plc	Final dividend	Kes. 0.25	01-Sep-20	22-Oct-20	17-Dec-20
Carbacid Investments PLCS	Final dividend	Kes. 0.70	23-Nov-20	09-Jan-21	29-Jan-21

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