



# Weekly Report

## Week 5

Week Ending Friday, February 5, 2021

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## Global Markets

Index	Last Price*	Weekly Change	YTD Change
DJI	31,186.69	3.09%	2.61%
S&P 500	3,885.21	3.16%	4.03%
NASDAQ 100	13,571.07	4.29%	5.57%
DAX	14,058.67	3.73%	2.48%
FTSE 100	6,503.72	0.86%	0.67%
EURO STOXX 50	3,656.97	4.14%	2.94%
Shanghai Composite	3,642.69	4.58%	4.88%
NIKKEI 225	28,779.19	4.03%	4.88%
Commodities			
Brent Oil (USD/bbl.)	59.59	6.49%	16.57%
Gold (USD/Oz)	1,807.09	(2.74%)	(4.79%)

Source: Bloomberg, NSE; \*As at 7:00 PM EAT

Most of the equity indices registered gains. The NASDAQ100 and the S&P 500 continued with the upward momentum on the back of positive investor sentiments following positive fourth quarter earnings, signs that the labour market is stabilizing (fewer applications for unemployment benefits) and the stimulus package talks.

Oil (Brent) rose to USD 59.79 driven by expectations of global economic resurgence in 2021 (on the back of government intervention through fiscal and monetary stimulus and vaccine distribution), lower inventories of oil and the OPEC+ decision to maintain production cuts.

## Equities Market

### Equity Market Commentary

The All Share Index gained by 1.0% w/w to 157.11. NSE 20 however eased by 0.8% w/w to 1,865.93 as the constituent counters witnessed price dips. Market turnover increased by 24.2% w/w to KES 3.1 billion as the volume of shares traded increased by 23.8% w/w to 109.3 million.

The overall market was characterized by price gains in large cap counters driven by increased investor demand: EABL (+10.4% to KES 165.25), BAT (+3.6% to KES 420.75), KCB (+3.3% to KES 37.05), Equity (+2.1% to KES 37.25) and Safaricom (+1.0% to KES 36.20; touching an all-time high of KES 37.20 during the week). In the coming week, we expect price stability.

## Market Indices Performance

Index	Value	Weekly Change %	YTD Change %
NASI	157.11	1.0%	3.3%
NSE 20	1,865.93	(0.8%)	(0.1%)
NSE 25	3,477.49	1.3%	1.8%

Source: NSE

## Market Statistics

	This Week	Previous Week	Change %
Market Capitalization (KES Bn)	2,413.71	2,390.29	1.0%
Number of Shares Traded (Mn)	109.29	88.28	23.8%
Equity Turnover (KES Mn)	3,130.21	2,519.33	24.2%

Source: NSE

## Recommendations

Counter	Recommendation	Price (KES)	Weekly Change %	YTD Change %
Kenya Re	Hold	2.43	(1.6%)	4.7%

Source: NSE and Faida Investment Bank Analysis

For more detailed information on the recommendations, please click [here](#):

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## Equities Performance

	<b>Top Gainers</b>	<b>Price (KES)</b>	<b>Weekly Change %</b>	<b>YTD Change</b>
1.	EABL	165.25	10.35%	7.13%
2.	Flame Tree	1.37	7.03%	11.38%
3.	Eveready	1.10	5.77%	(8.33%)
4.	Express Kenya	3.90	5.41%	8.03%
5.	Liberty Kenya	7.90	5.33%	2.60%

	<b>Top Losers</b>	<b>Price (KES)</b>	<b>Weekly Change</b>	<b>YTD Change %</b>
1.	NMG	13.00	(12.75%)	(15.86%)
2.	DTB	68.50	(9.87%)	(8.67%)
3.	Sanlam Kenya	11.75	(9.62%)	(9.27%)
4.	Sasini	16.50	(7.56%)	(15.38%)
5.	Standard Group	19.00	(7.32%)	(15.56%)

	<b>Movers</b>	<b>Price (KES)</b>	<b>Turnover (KES Mn)</b>
1.	Safaricom	36.20	1,556.4
2.	KCB Group	37.05	684.1
3.	Equity Group	37.25	434.9
4.	EABL	165.25	85.9
5.	StanChart	137.00	82.5

Source: NSE and Faida Investment Bank Analysis

## News Highlights

### KCB Provides Recovery Loans to SMEs

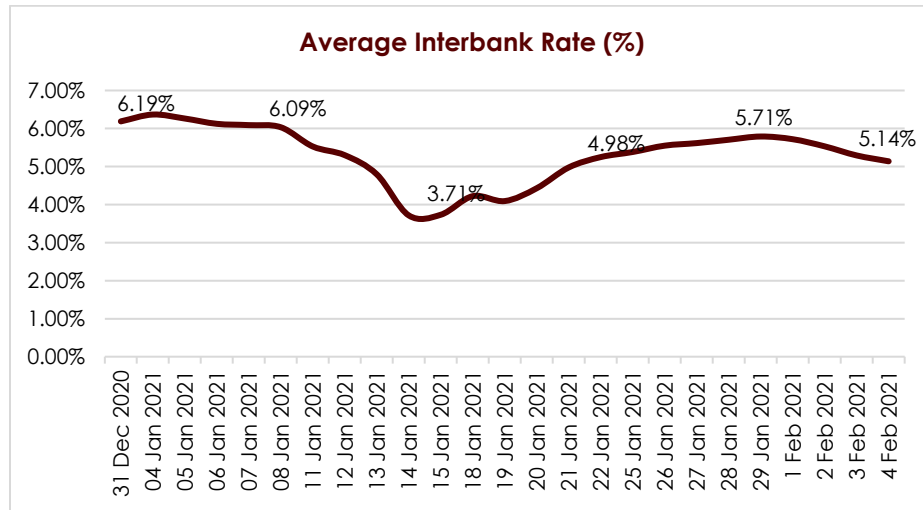
- KCB is offering credit facilities to small and medium sized enterprises (SMEs) to provide support as they have been greatly affected by the pandemic.
- The loans will be worth between KES 100,000 and KES 5.0 million and will be payable in 36 months.
- Only businesses that have been running accounts with the bank for 6 months and who qualify for the loans will access the credit facilities.
- According to management, the facility would enable the MSMEs to restart and rebuild as the pandemic-related restrictions continue to be lifted and recovery persists.
- Further, the bank has been working with county governments to provide credit facilities to enterprises and cooperative societies whose businesses have been affected by the slowdown in business operations.

### Commentary

- We note that SME lending remains relatively high risk. The bank's SME loan book (includes micro lending) had the second highest NPL ratio at 13.5%, an improvement from 14.7% in 3Q2019. We opine that the bank will cautiously lend, focusing on SMEs in the less risky segments to ease asset quality pressures.
- In December the government launched the Credit Guarantee Scheme (of which KCB is a member), through which banks can offer government banked loans to support the SMEs. We expect this to further de-risk lending to SMEs.

## Fixed Income Market

### Interbank Rate



Source: CBK

### Treasury Bill Auction Results

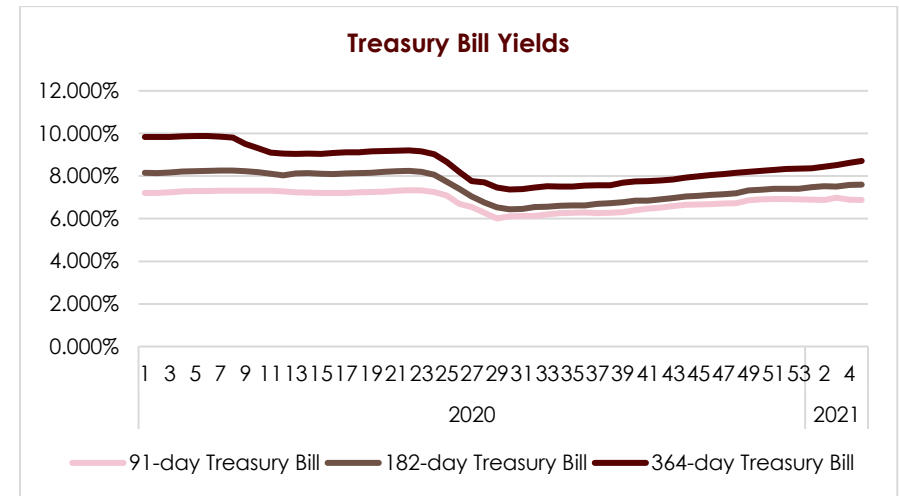
	Amount Offered	Bids Received	Subscription Rate	Bids Accepted	Yield	Change*
91 day	4.00	0.50	12.62%	0.49	6.873%	(2.4)
182 day	10.00	2.09	20.85%	2.02	7.594%	1.6
364 day	10.00	14.21	142.10%	12.37	8.716%	6.3
Total	24.00	16.80	70.00%	14.88		

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

Source: CBK

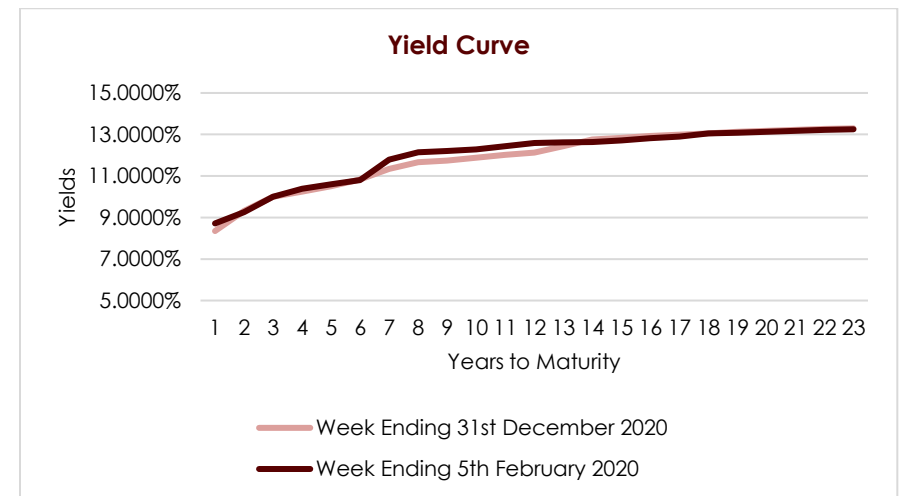
Treasury bills were undersubscribed during the week's auction – the total subscription rate was 70.00%, down from last week's 66.23%. The 364 day paper had the highest subscription rate this week, at 142.10%.

## Treasury Bill Yields



Source: CBK

## Government Securities Yield Curve



Source: NSE

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## Macroeconomic Indicators

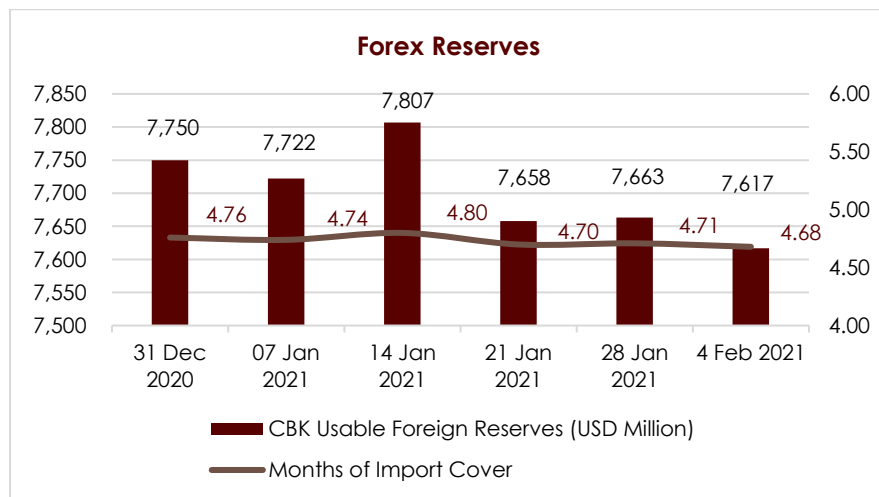
### Exchange Rates

	Value	Weekly Change %	YTD Change %
US Dollar	109.8206	0.3%	(0.6%)
STG Pound	149.7432	0.5%	(0.9%)
EURO	131.6921	1.1%	1.6%

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

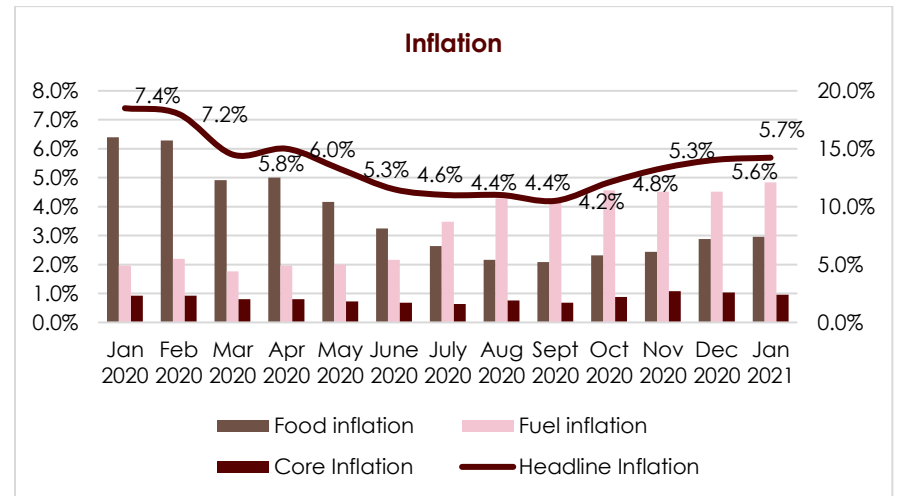
The Kenya Shilling remained relatively stable against major international currencies during the week.

### Forex Reserves



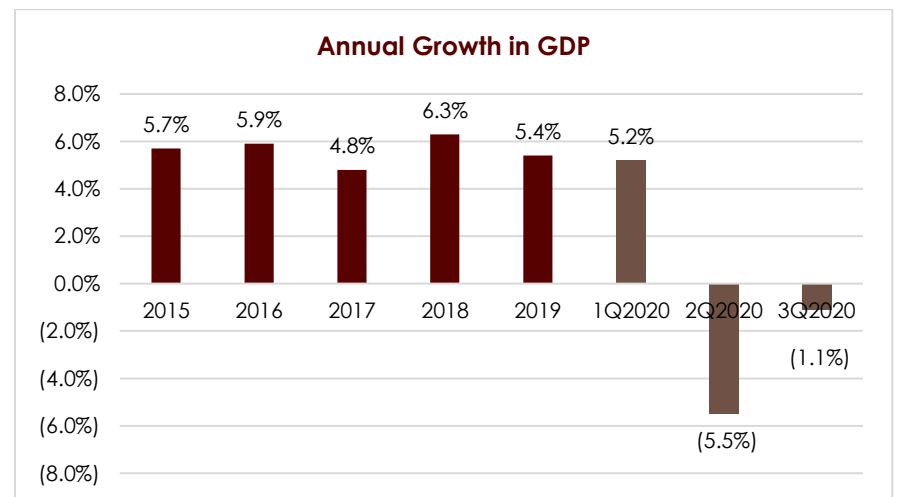
Source: CBK

## Inflation



Source: KNBS

## Gross Domestic Product (GDP)



Source: KNBS

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Kenya's economy slid into a recession in the 3Q2020 as GDP contracted for the second consecutive quarter. Kenya's Real GDP is estimated to have contracted by 1.1% in the 3Q2020, showing some improvement from the contraction of 5.5% witnessed in 2Q2020, but markedly different from the growth of 5.8% realized in 3Q2019. The improvement from the previous quarter was supported by the partial easing of COVID-19 restrictions that enhanced economic activities.

The economic performance was largely weighed down by the accommodation and food services (contracted by 57.9% compared to a growth of 9.9% in 3Q2019) and the education (contracted 41.9% compared to a growth of 6.0% in 3Q2019) sectors. These were the hardest hit sectors due to the closure of learning institutions and the implementation of travel restrictions in order to contain the spread of the virus.

Growth was however largely supported by the agricultural, construction and real estate sectors which grew by 6.3%, 16.2% and 5.3% respectively. Growth in the agricultural sector was supported by increases in tea production, fruit exports and sugarcane production. In the construction sector, cement consumption rose by 23.5% y/y to 1,952.2 thousand metrics reflecting increased construction activity which also buoyed growth in the real estate sector.

Real GDP Growth by Sector	3Q2019	3Q2020
Agriculture	5.0%	6.3%
Mining & Quarrying	3.4%	18.2%
Manufacturing	3.9%	(3.2%)
Electricity and Water Supply	6.4%	4.7%
Construction	6.6%	16.2%
Wholesale & Retail Trade	6.1%	(2.5%)
Accommodation & Food Services	9.9%	(57.9%)
Transport & Storage	7.6%	2.9%
Information & Communication	8.0%	7.3%
Financial & Insurance	8.1%	5.3%
Public Administration	8.4%	9.6%
Professional, Admin & Support Services	4.8%	(12.3%)
Real Estate	5.5%	5.3%
Education	6.0%	(41.9%)
Health	5.5%	5.6%
Other Services	5.3%	(4.5%)

Source: KNBS

## Labour Statistics

Indicator	3Q2019	1Q2020	2Q2020	3Q2020
Unemployment Rate	5.3%	5.2%	10.4%	7.2%
Labour Force Participation Rate	69.8%	69.7%	64.4%	68.8%

Source: KNBS

## Derivatives Market

### Weekly Statistics

	This Week	Previous Week
Total Volumes	106	67
Total Value	2,572,350	6,522,440
Total Open Interest	201	210

Source: NSE

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## Corporate Finance

### Gro Intelligence raises USD 85.0 million in Seed B Funding Round

Gro Intelligence, a Kenyan data analytics firm has raised USD 85.0 million in a seed B funding round from Intel Capital, Africa Internet Ventures and the family offices of Ronal Lauder and Eric Zinterhofer.

The startup was founded in 2014 and currently has offices in New York. Gro provides decision-making tools, solutions and analytics to the food, agriculture and climate economies and their participants.

The funding will be used to speed up growth and the global adoption of Gro, enhance the platform's machine-learning capabilities and deliver localized insights on food, agriculture and climate risk. According to management, food security and climate risk represent existential global-sized opportunities for the artificial intelligence (AI) powered decisions and insights platform. Further, customers rely on Gro as a unique source of actionable data-driven insights about food supply and models to measure and manage associated climate change risk to physical and financial assets across the globe.

According to Intel management, Gro is expected to drive computer-powered cross-border knowledge to provide meaningful insights and better informed agricultural decisions. Data analytics and modelling can identify hidden and valuable insights in agriculture and climate, while providing useful predictions.

## Profit Warnings Issued

	Company	Sector
1.	Britam Holdings	Insurance
2.	Absa Bank	Banking
3.	East African Breweries	Manufacturing and Allied
4.	Kenya Power	Energy
5.	East African Cables	Construction and Allied
6.	Kenya Orchards	Manufacturing and Allied
7.	Longhorn Publishers	Commercial and Services
8.	Nairobi Business Ventures	Commercial and Services
9.	Nation Media Group	Commercial and Services
10.	Unga Group	Manufacturing and Allied
11.	NCBA Group	Banking
12.	TPS Eastern Africa	Commercial and Services
13.	I&M Holdings	Banking
14.	Standard Chartered Bank	Banking
15.	Diamond Trust Bank	Banking
16.	Cooperative Bank of Kenya	Banking
17.	CIC Insurance Group	Insurance

Source: NSE

## Counter Statistics

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	(2.8%)	3.3%	18,782,000	45.9%	4.60	9.4%	0.89	20.7%
Equity Bank	37.25	1.9%	2.1%	11,679,900	51.5%	6.23	0.0%	1.26	21.8%
NCBA	24.50	(8.4%)	(1.0%)	87,200	41.9%	2.82	0.0%	0.55	15.3%
Stanbic	79.50	(6.5%)	(0.6%)	363,700	56.2%	4.93	8.9%	0.64	13.6%
Absa Bank Kenya Plc	9.26	(4.1%)	(0.6%)	4,382,800	51.2%	6.75	11.9%	1.11	16.7%
Housing Finance	3.62	9.0%	(6.2%)	210,500	93.8%	<b>N/M</b>	0.0%	0.12	(1.1%)
Co-operative Bank	12.20	(2.4%)	(3.2%)	3,563,700	52.1%	5.00	8.2%	0.90	19.2%
Diamond Trust Bank	68.50	(8.7%)	(9.9%)	21,900	48.6%	2.82	3.9%	0.33	12.1%
Standard Chartered	137.00	(5.0%)	(1.1%)	602,700	55.6%	5.71	5.5%	0.99	17.5%
I&M	44.15	(1.9%)	(6.1%)	69,200	39.0%	1.69	5.8%	0.32	20.4%
<b>Sector Average</b>					<b>53.6%</b>	<b>4.51</b>	<b>5.4%</b>	<b>0.71</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	0.0%	0.0%	-	<b>N/M</b>	0.0%	(1.3)	<b>N/M</b>
Nation Media Group	13.00	(15.9%)	(12.8%)	1,067,100	2.89	11.5%	4.5	10.9%
WPP Scangroup	6.00	0.0%	(4.8%)	251,400	5.36	8.3%	1.1	6.0%
Uchumi Supermarket	0.28	0.0%	0.0%	288,300	<b>N/M</b>	0.0%	(4.6)	<b>N/M</b>
Longhorn Publishers	4.70	(3.7%)	(0.2%)	6,800	6.91	11.1%	0.7	17.3%
Eveready	1.11	(7.5%)	6.7%	8,200	<b>N/M</b>	0.0%	(1.5)	(10.8%)
<b>Sector Average</b>					<b>5.05</b>	<b>6.2%</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	41.65	10.0%	(1.0%)	101,300	17.00	0.0%	1.6%	2.1%
E.A. Portland Cement	10.00	(9.1%)	(2.0%)	6,900	N/M	0.0%	0.0%	0.0%
<b>Sector Average</b>					<b>17.00</b>	<b>0.0%</b>	<b>0.8%</b>	<b>1.0%</b>

\*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	4.89	3.8%	(5.6%)	1,034,500	1.75	6.1%	2.79	9.0%
Kenya Power	1.55	(9.4%)	3.3%	2,578,800	11.92	0.0%	0.13	0.4%
Total Kenya	23.35	(2.7%)	(1.9%)	17,200	5.79	5.6%	4.03	10.8%
<b>Sector Average</b>					<b>6.49</b>	<b>3.1%</b>		<b>4.7%</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	2.10	(1.4%)	1.4%	320,300	0.27	17.50	69.8%	34.4%
Britam	7.54	3.9%	1.1%	273,300	0.26	5.35	65.3%	37.2%
Jubilee	272.00	(4.2%)	(2.9%)	5,500	9.69	5.18	91.9%	46.2%
Kenya Re	2.43	4.7%	(1.6%)	15,700,600	0.09	0.95	71.2%	13.1%
Sanlam Kenya	11.75	(9.3%)	(9.6%)	14,200.00	8.16	14.87	85.8%	35.5%
Liberty	7.90	2.6%	5.3%	22,600.00	0.98	6.03	119.6%	48.7%
<b>Sector Average</b>					<b>3.24</b>	<b>8.31</b>	<b>83.9%</b>	<b>35.8%</b>

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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	17.25	1.2%	1.2%	989,700	2.48	0.36	6.95	9.3%
Home Afrika Ltd	1.36	(16.7%)	(2.8%)	1,325,100	N/M	N/M	N/M	2.6%
Trans-Century	1.36	(6.2%)	(2.2%)	31,800.00	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 Aset Value

Investment Services	Price (KES)	YTD Change	%w-o-w change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
NSE	8.58	5.1%	1.7%	96,500	28.60	3.3%	0.3	3.9%
<b>Sector Average</b>					<b>28.60</b>	<b>3.3%</b>		

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%	-	N/M	0.0%	(4.4)	(69.4%)
EABL	165.25	7.1%	10.4%	532,400	31.96	1.8%	5.17	46.6%
FTG Holdings	1.37	11.4%	7.0%	9,000	5.27	0.0%	0.26	4.8%
Carbacid	12.15	0.4%	1.3%	136,300	9.57	5.8%	1.27	10.0%
BAT	420.75	16.6%	3.6%	152,200	10.83	8.0%	38.85	40.8%
<b>Sector Average</b>					<b>14.41</b>	<b>3.1%</b>		

Telecommunication & Technology Sector	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	P/E(X)	Dividend Yield	EPS (KES)	ROE
Safaricom	36.20	5.7%	1.0%	43,134,100	19.46	3.9%	1.86	51.8%
<b>Sector Average</b>					<b>19.46</b>	<b>3.9%</b>		

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Real Estate Investment Trust	Price (KES)	YTD Change	% w-o-w Change	Volume Traded	NAVPS*	Dividend Yield	EPS (KES)
ILAM FAHARI I-REIT	6.00	7.9%	(3.2%)	19,400	20.80	12.5%	0.83
<b>Sector Average</b>						<b>NA</b>	

\*NAVPS - Net Asset Value Per Share

Source: NSE and Faida Investment Bank Analysis

### Corporate Actions

Counter	Corporate Action	Declared	Date Announced	Books Closure Date	Payment Date
Car & General	Final dividend	KES 0.80	28-Jan-21	<b>22-Feb-21</b>	25-Mar-21
KenGen	First & Final dividend	KES 0.30	28-Jan-21	<b>29-Apr-21</b>	22-Jul-21

Source: NSE

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### Recommendations Guide

**LONG-TERM BUY:** The Company has strong fundamentals. However, there are certain investments or strategies that would require an investor to have a long-term view of the company to allow for capital appreciation. Also, the company may be facing headwinds which we view as short term

**BUY:** Strong fundamentals. Minimal risks to the catalysts/growth drivers

**NEUTRAL:** This is where the positives and negatives in a company almost balance out. You can accumulate for the long term

**SELL:** Deteriorating fundamentals. Risks outweigh the catalyst/growth drivers