



KENYA EQUITIES: INDICES & MARKET METRICS MOVEMENT done

Index	0 wk	1 wk	1 m	3 m	6 m	12 m	Y-T-D
NASI	148.36	0.00	0.02	(0.01)	(0.06)	0.01	0.06
NSE-20	2,460.75	0.00	0.01	(0.09)	(0.14)	(0.12)	(0.13)
DBIB Select	84.26	0.00	0.00	(0.02)	(0.04)	0.02	(0.01)
FTSE 15	187.23	0.02	0.02	0.00	(0.05)	0.04	0.08
FTSE 25	197.23	0.01	(0.03)	0.01	(0.04)	0.07	0.12
FTSE Frontier 50	43,536.61	0.00	(1.00)	(0.10)	(0.05)	(0.04)	0.00

(Source: NSE, Bloomberg, DBIB Research)

Market Metrics	0 wk	1 wk	1 m	3 m	6 m	12 m
Market Cap. (USD m)	2,238.50	0.00	0.03	(0.02)	(0.06)	0.04
Market Turnover (USD m)	34.43	1.57	0.26	0.56	1.86	0.30
Market P/E (x)	13.97	(0.02)	0.00	(0.03)	(0.01)	(0.07)
Market Div. yld (%)	6.31	(3.43)	(15.66)	9.18	169.15	147.57
Market ROE (%)	35.42	(17.68)	126.24	(274.70)	(330.37)	309.32

(Source: NSE, DBIB Research)

KENYA FIXED INCOME: YIELDS & MARKET METRICS MOVEMENT

	0 wk	1 wk	1 m	3 m	6 m	12 m
FTSE Bond Index	98.24	-	(0.00)	(0.00)	0.01	0.03
Market Turnover (USD m)	97.07	1.87	0.28	(0.58)	(0.49)	0.62
91-day T-Bill (%)	6.36	(0.70)	(0.60)	(13.60)	(94.30)	(114.50)
5 year rate (%)	10.57	(0.19)	25.29	36.96	(18.66)	(117.11)
Interbank Lending (%)	7.59	48.00	55.00	559.00	291.00	377.00

(Source: CBK, NSE)

KENYA MACRO METRICS MOVEMENT

	0 wk	1 wk	1m	3m	6m	12m
KES/USD	103.70	0.00	0.00	(0.01)	(0.02)	0.00
KES/GBP	132.92	(0.05)	0.02	(0.01)	0.03	0.00
KES/EUR	115.37	(0.01)	0.01	0.01	(0.02)	0.03
Fx reserve: Import Cover	5.58	(0.04)	(0.14)	(0.62)	0.18	0.01
Inflation	3.83	-	-	(244)	(275)	(170)
CBR	9.00	-	-	-	-	-

(Source: CBK, NSE)

TABLE OF CONTENTS

Equity Market Sum Up.....	2
From the Fixed Income Desk.....	3
EAC Markets Snapshot.....	4
Market News.....	5
Upcoming Actions.....	6
Equity Markets.....	6
Fixed Income Markets.....	6

RESEARCH DEPARTMENT

EDWIN CHUI

Head of Research

FAITH MWISYWA

EBBY WACHIRA

MARY MUKURIA

CYNTHIA WAMBUI

BHAVIKA BABLA

research@dyerandblair.com

IN THIS WEEK'S ISSUE...

This week, equity turnover rose 157.1% to USD 34.4 MN (KES 3.6 BN).

NSE 20 and NASI indices gained 0.2% and 0.5% w-o-w to close at 2,460.75 and 148.36 respectively.

EQUITY MARKET SUM UP

This week, equity turnover rose 157.1% to USD 34.4 MN (KES 3.6 BN). NSE 20 and NASI indices gained 0.2% and 0.5% w-o-w to close at 2,460.75 and 148.36 respectively.

Equity Group emerged the top traded counter on the bourse recording a weekly turnover of USD 21.8 MN (from 59.8 MN shares) representing 63.1% of this week's turnover. The Equity stock rose 5.26% w-o-w to close at KES 38.00 on Friday. The stocks in the banking sector are expected to record increased transactions courtesy of the president's recommendation to repeal the interest rate caps.

Week-on-Week Performance

Top gainers	%	Top Losers	%	Top Traders	USD m
Home Afrika	17.4	Sasini	(14.0)	Equity Group	21.81
NCBA BNK	10.2	E.A Portland	(9.7)	Safaricom	4.95
Unga Group	9.4	Uchumi	(6.9)	KCB Group	2.61
Express Kenya	9.2	Kenya Power	(5.5)	E.A Breweries	2.24
Eaagads	7.5	Nation Media	(4.6)	Diamond Trust BNK	1.21

(Source: NSE, DBIB Research)

Y-T-D Performance

Top gainers	%	Top Losers	%
Sameer Africa	73.0	Kenya Airways	(69.3)
Longhorn	51.4	Uchumi Supermarket	(66.3)
Express Kenya	42.0	Mumias Sugar	(53.5)
Kakuzi	36.6	Nation Media	(40.5)
Safaricom	27.3	Kenya Re	(35.5)

(Source: NSE, DBIB Research)

Weekly Foreign Performance

Top Weekly Buys	% Purchase	Top Weekly Sales	% Sold
BAT Kenya	98.5	Limuru Tea	100.0
Bamburi	91.5	E.A Breweries	99.7
Diamond Trust BNK	82.9	Equity Group	99.6
Stanbic BNK	82.3	Diamond Trust BNK	99.1
E.A Breweries	78.0	BOC Kenya	96.5

(Source: NSE, DBIB Research)

Y-T-D Foreign Performance

Top Foreign Buys	% Purchase	Top Foreign Sales	% Sold
Bank of Kigali	99.9	Bank of Kigali	100.0
BAT Kenya	97.6	Kakuzi	95.2
Umeme	96.2	BAT Kenya	91.1
Crown Paints	92.6	Kenol Kobil	84.1
E.A Breweries	84.3	Jubilee	79.0

(Source: NSE, DBIB Research)

The Bond market's turnover rose 187.2% w-o-w to USD 97.0 MN (KES 10.1 BN)

FROM THE FIXED INCOME DESK

The Bond market's turnover rose 187.2% w-o-w to USD 97.1 MN (KES 10.1 BN). We believe that the increased turnover was due to 5 trading days in the week up from a 4 day trading week last week. Infrastructure bonds contributed 47.1% of this week's turnover with IFB1/2011/12yr and IFB1/2015/12yr accounting for 58.9% of this turnover. The IFB1/2011/12yr recorded a turnover of KES 1.7 BN while IFB1/2015/12yr recorded a turnover of KES 1.1 BN. IFB1/2011/12yr bond traded between 10.10% and 10.50% while IFB1/2015/12yr traded between 9.000% and 10.075% .

Issue of IFB 1/2019/16

The Central Bank of Kenya (CBK) issue of a 16 year infrastructure bond issue number IFB1/2019/16 which is expected to close next week on Tuesday the 22nd of October 2019. This auction aims to raise KES 60.0 BN and has a redemption structure of 11 years and 5 years respectively. According to the corresponding prospectus 50.0% of unencumbered outstanding principal will be redeemed on 14th October 2030 while the final redemption will occur on 8th October 2035.

Top Trades for the Week ending 18 October 2019.

Trading Date	Issue No.	Years	Coupon (%)	Yield (%)	Price (%)	Total Value (KES m)
18-Oct	FXD3/2019/15Yr	14.7	12.340	12.292	103.026	1,000.0
14-Oct	FXD 1/2018/10Yr	8.8	12.686	11.525	108.016	500.0
18-Oct	IFB 1/2016/9Yr	5.6	12.500	10.500	111.664	425.0
15-Oct	IFB 1/2015/12Yr	7.4	11.000	10.200	103.035	339.6
14-Oct	IFB 1/2015/12Yr	7.4	11.000	10.450	102.251	300.0
15-Oct	FXD 1/2019/10Yr	9.3	12.438	11.600	106.384	300.0
15-Oct	IFB 1/2018/20Yr	19.0	11.950	11.220	109.583	300.0
16-Oct	FXD 3/2019/10Yr	9.8	11.517	11.600	101.320	300.0
16-Oct	FXD2/2019/15Yr	14.5	12.734	11.600	101.320	300.0
16-Oct	IFB 1/2018/20Yr	19.0	11.950	11.200	109.751	300.0
17-Oct	FXD 3/2019/10Yr	9.8	11.517	11.500	101.930	300.0
17-Oct	IFB 1/2015/12Yr	7.4	11.000	10.200	103.092	300.0
18-Oct	FXD2/2019/15Yr	14.5	12.734	12.500	107.057	300.0

SELL AND BUYBACKS

15-Oct	IFB 1/2011/12Yr	3.9	12.000	10.435	105.661	147.8
15-Oct	IFB 1/2015/12Yr	7.4	11.000	10.435	102.325	300.0

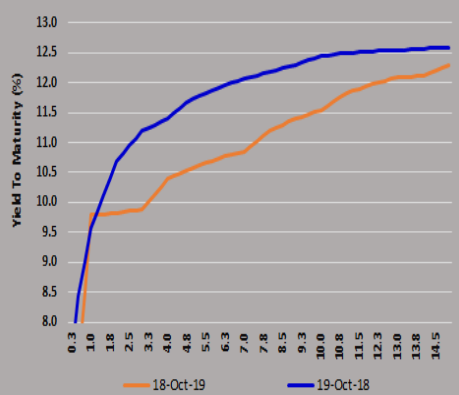
(Source: NSE, DBIB Research)

Treasury Bill auction for the week ending 18 October 2019.

Instrument	Amount Bids Received (KES Bn)	Subscription Bids Accepted (KES Bn)	Bids Accepted Rate (%)	Yield (%)	w-o-w bps ch
91-day	4.0	4.404	110.1	6.362	(0.7)
182-day	10.0	1.051	10.5	7.241	(0.9)
364-day	10.0	13.878	138.8	9.787	(0.5)

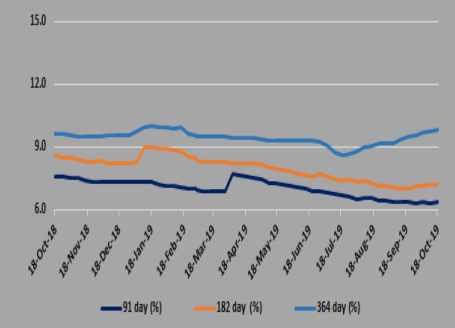
(Source: NSE, DBIB Research)

Kenya: GoK Yield Curve



(Source: CBK, DBIB Research)

Yields: Treasury Bills



(Source: CBK, DBIB Research)

EAC MARKETS SNAPSHOT

Rwanda: The RSE RSI and RASI held constant w-o-w to close at 125.07 and 135.85 respectively. YTD the RSE RSI declined 2.1% while RASI rose 3.5%.

Tanzania: The DSE TSI dropped 0.01% w-o-w to close at 3,277.74 while DSEI gained 0.4% to stand at 1,926.04.

Rwanda: The RSE RSI and RASI held constant w-o-w to close at 125.07 and 135.85 respectively. YTD the RSE RSI declined 2.1% while RASI rose 3.5%. Weekly turnover stood at RWF 1.9 MN.

Tanzania: The DSE TSI dropped 0.01% w-o-w to close at 3,277.74 while DSEI gained 0.4% to stand at 1,926.04. Total weekly turnover stood at TZS 338.4 MN up, compared to TZS 111.4 BN reported the previous week.

	Week's High (L.C)	Week's Low(L.C)	Current Price (L.C)	Price (KES)	w-o-w change %	y-t-d change %	Turnover (L.C MN)	Turnover (KES MN)
Rwanda Stock Exchange (RSE)								
Bank of Kigali	270.00	270.00	270.00	30.23	0.0	(2.9)	0.08	0.01
Bralirwa	141.00	140.00	140.00	15.68	(0.7)	(6.7)	0.70	0.08
Cyrstal Telecom Ltd	70.00	70.00	70.00	7.84	0.0	34.6	0.63	0.07
I&M Rwanda	90.00	90.00	90.00	10.08	0.0	(1.1)	0.45	0.05
Dar Es Salaam Stock Exchange (DSE)								
African Barrick Gold (ACA)	6,650.00	6,650.00	6,650.00	299.57	0.0	25.0	-	-
CRDB Bank	100.00	100.00	100.00	4.50	0.0	(31.0)	267.92	12.07
Dar Es Salaam Community Bank (DCB)	320.00	320.00	320.00	14.42	0.0	(5.9)	-	-
DSE	1,060.00	1,020.00	1,020.00	45.95	(3.8)	(30.1)	1.56	0.07
Maendeleo (MBP)	490.00	490.00	490.00	22.07	0.0	(2.0)	-	-
National Microfinance Bank (NMB)	2,340.00	2,340.00	2,340.00	105.41	0.0	18.2	0.26	0.01
Precision Air Services (PAL)	400.00	400.00	400.00	18.02	0.0	0.0	-	-
Swissport Tanzania (SWIS)	1,600.00	1,600.00	1,600.00	72.08	0.0	(31.6)	0.08	0.00
Tanzania Breweries (TBL)	10,900.00	10,900.00	10,900.00	491.02	0.0	(15.5)	5.55	0.25
Tanga Cement Company (TCCL)	600.00	600.00	600.00	27.03	0.0	(6.3)	-	-
Tanzania Cigarette Company (TCC)	17,000.00	17,000.00	17,000.00	765.81	0.0	0.0	7.82	0.35
Tanzania Portland Cement (TPCC)	2,000.00	2,000.00	2,000.00	90.10	0.0	(3.8)	49.16	2.21
Tanzania Tea Packers (TTP)	120.00	120.00	120.00	5.41	0.0	0.0	-	-
TOL Gases	660.00	660.00	660.00	29.73	0.0	0.0	-	-
Swala	490.00	490.00	490.00	22.07	0.0	0.0	-	-
Mucoba Bank	400.00	400.00	400.00	18.02	0.0	0.0	-	-
YETU	550.00	550.00	550.00	24.78	0.0	(8.3)	-	-
MCB	500.00	500.00	500.00	22.52	0.0	0.0	-	-
MKCB	780.00	780.00	780.00	35.14	0.0	(2.5)	-	-
Vodacom	850.00	850.00	850.00	38.29	0.0	13.3	0.51	0.02
TICL	385.00	385.00	385.00	17.34	0.0	0.0	-	-
NICO	175.00	175.00	175.00	7.88	0.0	(35.2)	5.55	0.25

(Source: RSE, DSE, DBIB Research)

*L.C refers to Local Currency

Kenya Market News

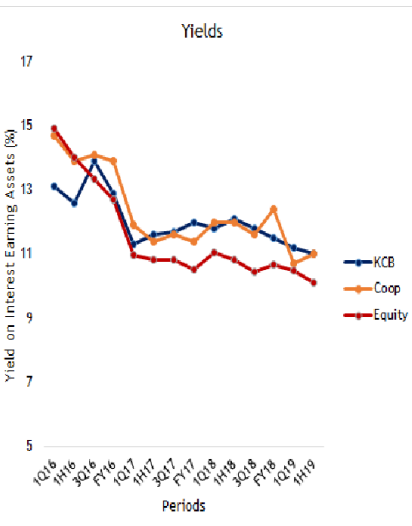
President Rejects the Finance Bill

As per our expectation the president rejected the finance bill 2019. This we believe was informed by both the treasury and the CBK's recommendation for the repeal of the interest rate cap which grossly impacted the economy by reducing private sector credit growth. Private sector credit growth dropped from 17.0% in January 2016 to 6.3% in August 2019. In a letter sent to parliament the President cited the following reasons for his rejections and corresponding recommendation for the repeal of section 33b of the Banking Act:

- Reduction of private sector credit especially to the Micro, Small and Medium enterprises (MSME's). This was as a result of banks shift of their lending business to large corporates and the public sector and away from small and individual borrowers who were deemed risky.
- Decline in economic growth-with Central Bank of Kenya (CBK) recording that the rationing out MSME's lowered the country's economic growth by 0.4% in 2017 and 0.2% in 2018.
- Weakening the effectiveness of monetary policy – CBK notes a slowdown in monetary policy transmission to inflation and growth to 3-12 month and 12-20 months respectively which is 3-5 months longer
- Reduction of loan advances by banks:- lending activities by tier 3 banks reduced.
- Mushrooming of shylocks and other unregulated lenders in the financial sector-who charge exorbitant rates

GDP expanded by 5.6% in the second quarter of 2019 compared to 6.4% recorded during the same quarter in 2018.

Sample Bank Yields (%)



(Source: Company, DBIB research)

We are of the view that the MP's are unlikely to marshal the needed numbers to challenge the president's recommendation to remove commercial lending caps given the handshake (truce) between the two sides. The president requires a simple majority to pass the recommendations as law. With respect to the consequences, we maintain that this makes a CBR policy cut in November more probable as caps have been in our view the major obstacle. A cut in November will mitigate any short term upward pressure expected on interest rates on account of the caps removal.

Currently, the market prices' banking stocks factor in the non-repeal of interest rates. Following this trigger, we opine that the main banking counters primarily; Equity, KCB & Cooperative Bank will see a rise in prices in the short term. On repeal of the interest rate cap, our valuations of the aforementioned key banking stocks are expected to have higher upsides.

The government resumed its appeal for the extension of a USD 1.5 BN standby credit facility by IMF which expired on September 2018. Among policies IMF recommends include the reduction of fiscal deficit and substantial modification of interest controls. The discussions on the potential repeal of the interest rate cap is expected to improve the talks.

Update on Parliamentary Discussions: On its first mention on parliament on 17th of October, the speaker instructed the respective committee to review the recommendation and present their comments in the course of the constituted 21 days. For the presidents recommendations to be adopted it requires a simple majority while to the rejection of the presidents recommendation requires 2/3 of quorum to reject. (Source: Parliament, KDIC, CBK, DBIB Research)

Kenya Market News

Petrol and Diesel prices decline

Super petrol and diesel prices declined by KES 4.76 and KES 1.08 per litre to KES 108.05 and KES 101.96 per litre respectively.

The maximum allowed pump price of Super petrol in Nairobi declined by KES 4.76 per litre to KES 108.05 per litre courtesy of a 7.7% m-o-m decline in the average landed cost of imported super to USD 459.27 per cubic metre. The diesel pump prices also took a similar trend with a KES 1.08 per litre decline in price to KES 101.96 per litre on the back of a 2.3% m-o-m decline in the average landed cost of imported diesel to USD 491.94 per cubic metre. On the other hand, kerosene prices rose slightly by KES 0.44 per litre to KES 101.08 per litre in Nairobi impelled by a 0.5% m-o-m increase in the average landed cost of imported kerosene to USD 486.55 per cubic metre. The Free on Board (FOB) price of murban crude oil rose by 3.4% m-o-m to USD 64.42 per barrel in September. Over the same period, the mean monthly USD to local currency exchange rate depreciated by 0.34% to KES 103.79 per USD in September 2019. The aforementioned maximum allowed pump prices will be in force from 15th October to 14th November 2019. *(Source: EPRC, DBIB Research)*

Profit Warnings

- Sasini
- Kenya Power

UPCOMING EVENTS

Company	Announcement	Book Closure	Payment
StanChart BNK	Interim Div: KES 5.00	23-Sep-19	30-Oct-19
KCB Group PLC	Interim Div: KES 1.00	05-Sep-19	15-Nov-19
Safaricom Plc	Special Div KES: 0.62	02-Sep-19	30-Nov-19
Safaricom Plc	First & Final Div KES: 1.25	02-Sep-19	30-Nov-19
Longhorn	Final Div: KES 0.52	28-Nov-19	26-Feb-20
BK Group	First & Final Div: RWF 12.2	N/A	N/A
Centum	First & Final Div: KES 1.20	02-Oct-19	25-Oct-19
Kenya Re	Bonus Issue of 3:1	14-Jun-19	N/A
E.A. Breweries	Final Div: KES 6.00	25-Sep-19	11-Oct-19
Unga	First & Final Div: KES 0.50	05-Dec-19	15-Jan-20
NIC Group Plc	Interim Div: KES 0.25	30-Sep-19	15-Oct-19
Crown Paints Kenya	Final Div: KES 0.60	27-Jun-19	N/A

(Source: NSE, DBIB Research)

AGM SCHEDULE

Company	Time	Venue	Date
Longhorn	N/A	N/A	28-Nov-19
Unga	N/A	N/A	05-Dec-19

(Source: Company filings , DBIB Research)

APPENDIX

COMPANY INVESTMENT RATINGS

Buy: Share price may generate more than 15.0% upside over the next 12 months

Overweight: Share price may generate between 10.0% and 15.0% upside over the next 12 months

Hold: Share price may fall within the range of <+5.0%/ -10.0% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels. Company fundamentals however remain strong

Underweight: Share price may generate between 10.0% and 15.0% downside over the next 12 months

Sell: Share price may generate more than 15.0% downside over the next 12 months, significant business and/or financial risks present, industry concerns

Not Rated: Counter is not within regular research coverage

SECTOR INVESTMENT RATINGS

Overweight: Industry performance better than that of the whole market

Equal weight: Industry performance about the same as that of the whole market

Underweight: Industry performance worse than that of the whole market

DBIB SELECT INDEX

*The DBIB Select Index is an **in-house, bespoke index** designed by **DBIB Research department** to represent the performance of select Kenyan companies listed on the Nairobi Securities Exchange which fall within DBIB Research's class A and B coverage. The Index is market capitalization-weighted and comprises of counters in the Banking, Insurance, FMCG, Investments, Cement, Telco, Utilities and Media space. We believe this provides investors with a complementary index with which to measure the performance of the major capital and industry segments of the Kenyan Stock Market, hence appealing to broad range of investors and intermediaries seeking to develop structured portfolios based on indices*

DISCLAIMER

While every care has been taken in preparing this report and it has been prepared from sources believed to be reliable, no representation, warranty, or undertaking (express or implied) is given and no responsibility is accepted by Dyer and Blair Investment Bank Limited, its related companies, subsidiaries, affiliates, its employees and agents, as to the accuracy and completeness of the information contained herein or in respect of any reliance on or use thereof. This report is solely intended for distribution to clients of Dyer and Blair Investment Bank Limited. Any information may be changed after distribution at any time without any notice.