



KENYA EQUITIES: INDICES & MARKET METRICS MOVEMENT done

Index	0 wk	1 wk	1 m	3 m	6 m	12 m	Y-T-D
NASI	142.52	(0.03)	(0.04)	(0.05)	(0.09)	(0.15)	0.01
NSE-20	2,419.67	(0.02)	(0.05)	(0.10)	(0.17)	(0.24)	(0.15)
DBIB Select	83.32	(0.02)	(0.03)	(0.03)	(0.06)	(0.07)	(0.03)
FTSE 15	178.32	(0.03)	(0.04)	(0.05)	(0.09)	(0.16)	0.03
FTSE 25	188.33	(0.03)	(0.08)	(0.04)	(0.07)	(0.16)	0.07
FTSE Frontier 50	42,448.69	0.01	(1.00)	(0.05)	(0.08)	(0.15)	(0.02)

(Source: NSE, Bloomberg, DBIB Research)

Market Metrics	0 wk	1 wk	1 m	3 m	6 m	12 m
Market Cap. (USD m)	2,145.56	(0.03)	(0.05)	(0.06)	(0.08)	(0.11)
Market Turnover (USD m)	30.04	1.24	1.66	1.33	(0.46)	0.23
Market P/E (x)	13.81	(0.03)	(0.02)	(0.04)	(0.01)	(0.13)
Market Div. yld (%)	6.58	22.57	30.28	35.29	196.81	226.16
Market ROE (%)	34.16	(14.64)	(214.27)	(279.65)	(129.51)	156.90

(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	98.35	0.00	0.00	0.01	0.02	0.04
Market Turnover (USD m)	129.03	0.49	0.13	(0.05)	0.91	0.29
91-day T-Bill (%)	6.38	(1.00)	(7.40)	(54.00)	(51.10)	(127.50)
5 year rate (%)	10.12	25.21	8.79	(47.96)	(104.46)	(146.96)
Interbank Lending (%)	5.87	114.00	232.00	171.00	249.00	(23.00)

(Source: CBK, NSE)

KENYA MACRO METRICS MOVEMENT

	0 wk	1 wk	1m	3m	6m	12m
KES/USD	103.89	(0.00)	(0.00)	(0.02)	(0.02)	0.01
KES/GBP	128.21	(0.01)	(0.01)	0.02	0.02	(0.00)
KES/EUR	114.91	(0.00)	0.01	(0.02)	(0.02)	0.04
Fx reserve: Import Cover	5.76	(0.02)	(0.22)	(0.64)	0.47	0.05
Inflation	5.00	-	-	(70)	65	96
CBR	9.00	-	-	-	-	-

(Source: CBK, NSE)

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IN THIS WEEK'S ISSUE...

Weekly equity turnover advanced by 124.1% w-o-w to close at USD 30.04 MN (USD 3.1 BN).

The market was on a downward trend with the **NSE 20** and **NASI** indices declining 1.9% and 3.4% w-o-w to close at 2,419.67 and 142.52 respectively.

EQUITY MARKET SUM UP

Weekly equity turnover advanced by 124.1% w-o-w to close at USD 30.04 MN (KES 3.1 BN). The market was on a downward trend with the NSE 20 and NASI indices declining 1.9% and 3.4% w-o-w to close at 2,419.67 and 142.52 respectively.

Banking sector's turnover rose by 71.7% to close at KES 1.0 BN. 2 stocks advanced, 8 declined while 2 held constant during the week. National Bank emerged the top gainer, increasing by 11.1% w-o-w to close at KES 4.40 whereas Equity Group emerged the top loser, shedding 7.1% w-o-w to close at KES 37.05.

Week-on-Week Performance

Top gainers	%	Top Losers	%	Top Traders	USD m
Housing Finance	11.1	Sameer Africa	(15.7)	Safaricom	15.51
Nation Media Group	6.3	Home Afrika	(12.1)	Equity Group	4.07
Crown Paints	6.3	Unga Group	(10.5)	K.C.B	3.74
TPS Serena	5.9	E.A Cables	(9.7)	E. A. Breweries	3.26
Olympia Capital	4.8	Flame Tree Group	(8.0)	Barclays Bank	0.86

(Source: NSE, DBIB Research)

Y-T-D Performance

Top gainers	%	Top Losers	%
Longhorn Publishers	39.7	Kenya Airways	(71.1)
Express Kenya	34.0	Uchumi Supermarket	(63.8)
Trans-Century	22.0	Mumias Sugar	(50.0)
Safaricom	20.7	Nation Media	(40.9)
Kakuzi	12.9	Kenya Re-insurance	(37.4)

(Source: NSE, DBIB Research)

Weekly Foreign Performance

Top Weekly Buys	% Purchase	Top Weekly Sales	% Sold
Crown Paints	100.0	BOC	100.0
B.A.T (K)	93.1	Umeme	100.0
E.A Breweries	91.8	B.A.T (K)	99.2
Barclays Bank	90.4	Equity	95.0
Safaricom	72.5	Barclays Bank	82.0

(Source: NSE, DBIB Research)

Y-T-D Foreign Performance done

Top Foreign Buys	% Purchase	Top Foreign Sales	% Sold
Bank of Kigali	99.9	Bank of Kigali	100.0
B.A.T (K)	97.6	Kakuzi	95.5
Umeme	96.9	B.A.T (K)	91.1
Crown Paints	92.9	Jubilee	85.3
E.A Breweries	83.9	Kenya Re-insurance	76.9

(Source: NSE, DBIB Research)

This week, bond turnover increased by 49.2% w-o-w to USD 129.03 MN (KES 13.4 BN).

FROM THE FIXED INCOME DESK

This week, bond turnover increased by 49.2% w-o-w to USD 129.03 MN (KES 13.4 BN). The most traded bonds were fixed coupon bonds issue number FXD1/2019/20yr and FXD/2012/15 yr. FXD1/2019/20yr and FXD/2012/15 yr recorded turnovers of KES 2.1 BN and KES 1.3 BN respectively collectively accounting for 25.1% of the weeks turnover. FXD1/2019/20yr traded between 12.83% and 12.70% whereas FXD/2012/15yr traded between 11.20% and 10.35%.

FXD1/2018/15 and FXD2/2019/15 September Primary Bond Issues.

The government reopened fixed coupon bond issue numbers FXD1/2018/15 and FXD2/2019/15 aiming to raise KES 50.0 BN. The funds raised are to go towards budgetary support. FXD1/2018/15 has a coupon rate of 12.65% whereas FXD2/2019/15 has a coupon rate of 12.73%. The bonds sale closes on 17/09/2019.

Top Trades for the Week ending 6 September 2019.

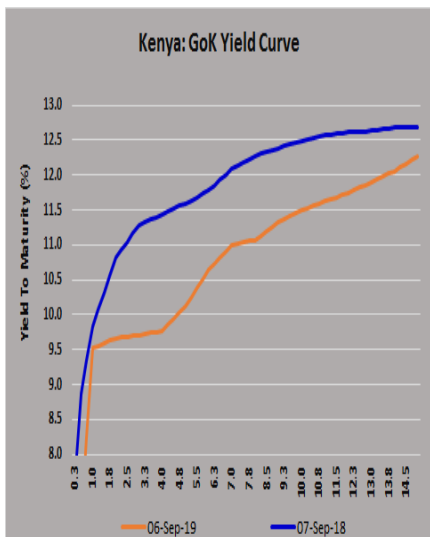
						Total
Trading Date	Issue No.	Years	Coupon (%)	Yield (%)	Price (%)	Value (KES m)
4-Sep	FXD1/2019/15Yr	14.4	12.857	12.100	106.380	900.0
2-Sep	FXD1/2012/15Yr	8.0	11.000	11.100	104.543	500.0
3-Sep	FXD1/2012/15Yr	8.0	11.000	11.000	105.097	500.0
3-Sep	FXD1/2018/15Yr	14.5	12.650	12.125	106.864	500.0
4-Sep	FXD1/2012/15Yr	8.0	11.000	11.100	104.606	500.0
4-Sep	FXD1/2018/15Yr	14.5	12.650	12.000	107.752	500.0
4-Sep	FXD2/2018/15Yr	14.1	12.750	12.110	108.977	500.0
4-Sep	FXD2/2018/15Yr	14.1	12.750	12.000	109.739	500.0
6-Sep	FXD 1/2016/10Yr	7.0	15.039	10.546	122.233	500.0
5-Sep	FXD 3/2016/ 5Yr	3.0	13.112	9.950	111.628	400.0
6-Sep	IFB 1/2015/12Yr	7.5	11.000	9.900	108.358	400.0

(Source: NSE, DBIB Research)

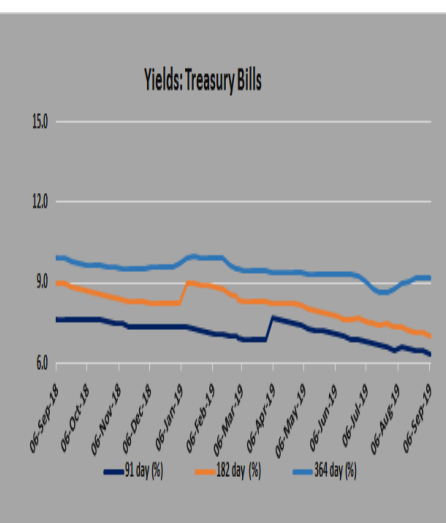
Treasury Bill auction for the week ending 6 September 2019.

Instrument	Amount Bids Received (KES Bn)	Subscription (KES Bn)	Bids Accepted Rate (%)	Bids Accepted (KES Bn)	Yield (%)	w-o-w bps ch
91-day	4.0	5.002	125.06	5.002	6.375	(1.0)
182-day	10.0	2.796	27.96	2.796	6.995	(1.6)
364-day	10.0	7.222	72.22	7.213	9.520	12.8

(Source: NSE, DBIB Research)



(Source: CBK, DBIB Research)



(Source: CBK, DBIB Research)

EAC MARKETS SNAPSHOT

Rwanda: The RSE, RSI and RASI indices declined 0.6% and 0.1% w-o-w to close at 125.92 and 135.99 respectively.

Tanzania: The DSE TSI held constant at 3,291.83 whereas DSEI declined by 0.01% w-o-w to close at 1,946.11.

Rwanda: The RSE, RSI and RASI indices declined 0.6% and 0.1% w-o-w to close at 125.92 and 135.99 respectively. Weekly turnover stood at RWF 5.4 MN compared to RWF 1.2 MN recorded the previous week.

Tanzania: The DSE TSI held constant at 3,291.83 whereas DSEI declined by 0.01% w-o-w to close at 1,946.11. Total weekly turnover stood at TZS 73.5 MN compared to TZS 5.7 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	274	273	273	31	1.1	(1.8)	4.93	0.56
Bralirwa	143	143	143	16	0.0	(4.7)	-	-
Cyrstal Telecom Ltd	60	58	60	7	0.0	15.4	0.45	0.05
I&M Rwanda	90	90	90	10	0.0	(1.1)	-	-
Dar Es Salaam Stock Exchange (DSE)			-					
African Barrick Gold (ACA)	7,500	7,300	7,400	334	(1.3)	39.1	-	-
CRDB Bank	100	100	100	5	0.0	(31.0)	46.70	2.11
Dar Es Salaam Community Bank (DCB)	340	340	340	15	0.0	0.0	-	-
DSE	1,080	1,060	1,060	48	(1.9)	(27.4)	0.81	0.04
Maendeleo (MBP)	490	490	490	22	0.0	(2.0)	-	-
National Microfinance Bank (NMB)	2,340	2,240	2,340	106	0.0	18.2	0.21	0.01
Precision Air Services (PAL)	400	400	400	18	0.0	0.0	-	-
Swissport Tanzania (SWIS)	1,600	1,600	1,600	72	0.0	(31.6)	1.00	0.05
Tanzania Breweries (TBL)	11,400	10,900	11,400	514	0.0	(11.6)	0.13	0.01
Tanga Cement Company (TCCL)	600	540	600	27	0.0	(6.3)	3.79	0.17
Tanzania Cigarette Company (TCC)	17,000	17,000	17,000	767	0.0	0.0	-	-
Tanzania Portland Cement (TPCC)	2,100	2,000	2,100	95	5.0	1.0	16.14	0.73
Tanzania Tea Packers (TTP)	120	120	120	5	0.0	0.0	-	-
TOL Gases	660	660	660	30	0.0	0.0	-	-
Swala	490	450	490	22	8.9	0.0	-	-
Mucoba Bank	400	400	400	18	0.0	0.0	-	-
YETU	550	550	550	25	0.0	(8.3)	-	-
MCB	500	500	500	23	0.0	0.0	-	-
MKCB	780	780	780	35	0.0	(2.5)	-	-
Vodacom	800	800	800	36	0.0	6.7	-	-
TICL	385	385	385	17	0.0	0.0	-	-
NICO	175	175	175	8	0.0	(35.2)	4.67	0.21

(Source: RSE, DSE, DBIB Research)

*L.C refers to Local Currency

Kenya Market News

Results of the KCB-NBK Takeover

KCB Group acquires 87.7% of National Bank's ordinary shares following its takeover offer.

KCB Group announced its successful takeover of National Bank of Kenya (NBK) after shareholders holding 87.7% of the total 338.8 MN ordinary shares accepted the offer. The Central Bank of Kenya (CBK) and the Capital Markets Authority (CMA) have issued the lender with corporate and regulatory approval for the takeover. Given that all the conditions have been met, or waived where legally capable of waiver, the offer is unconditional in all respects. Therefore, KCB Group has announced that they will be proceeding to completion. Upon completion, the condition for the conversion of the non-cumulative preference shares in NBK will be met and their conversion and swap will occur. Once all processes are completed, KCB Group will hold 1.4 BN ordinary shares of NBK representing 97.2% of the total issued share capital of NBK. KCB shall then proceed to compulsorily acquire the remaining 41.7 MN shares representing 2.8% of the issued ordinary shares of NBK, in accordance with the provisions of the Capital Markets (Take-overs and Mergers) regulations. (Source: Company Filings, DBIB Research).

August 2019 Inflation

The Consumer Price Indices (CPI) decreased by 0.90% to 201.78 in August 2019.

The overall year on year inflation in August stood at 5.00% compared to 5.70% in July 2019. The decline can be attributed to a 1.89% decline in the Food and Alcoholic Drinks' Index courtesy of favourable weather conditions. A similar trend has been observed over the last five months as the prices of significant food items i.e. kales, potatoes, cabbages, carrots, tomatoes and maize have declined over time. The decrease in the prices of the above mentioned commodities, outweighed the observed increase in the cost of other foodstuffs thus resulting in a decrease in the food index. The Housing, Water, Electricity, Gas and other Fuels' Index decreased by 0.10% as a result of a decline in the prices of some cooking fuels e.g. the cost of a 13.0 Kg cylinder of Liquefied Petroleum Gas (LPG) decreased by 0.98% to KES 2,150.27 in August. The Transport Index also decreased by 0.03% impelled by the reduction in pump prices of diesel and petrol by 3.14% and 2.45% respectively. (Source: KNBS, DBIB Research).

Bank of Kigali (BK) Group 1H19 Earnings

BK Group released its 1H19 earnings posting a PAT of RWF 14.6 BN, representing an 8.5% y-o-y improvement.

BK Group released its 1H19 earnings posting a profit after tax of RWF 14.6 BN, representing an 8.5% y-o-y improvement. Pre-provision operating profit rose by 23.6% y-o-y to RWF 35.9 BN courtesy of an 18.7% y-o-y increase in total operating income to RWF 59.5 BN. Net interest income rose by 28.5% y-o-y to RWF 46.4 BN on the back of a 25.7% y-o-y growth of interest income to RWF 56.3 BN. Conversely, net non-interest income declined by 6.3% y-o-y to RWF 13.1 BN impelled by a 30.4% y-o-y decline of net fee and commission income to RWF 5.2 BN. Total recurring operating costs rose by 12.1% y-o-y to RWF 23.6 BN on the back of a 9.6% y-o-y increase in personnel costs to RWF 11.1 BN and an 11.5% y-o-y increase in administration expenses to RWF 9.5 BN. Client balances and deposits expanded by 16.8% y-o-y to RWF 551.7 BN while loans and advances rose by 35.1% y-o-y to RWF 650.2 BN. Total assets rose by 22.1% y-o-y to RWF 893.2 BN while total liabilities rose 14.5% y-o-y to RWF 689.2 BN. On the other hand, shareholders' equity rose by 57.0% y-o-y to RWF 204.0 BN. The return on average assets (ROaA) and equity (ROaE) closed at 3.3% and 14.6% respectively whereas the EPS for the period stood at RWF 32.5 per share. (Source: Company Filings, DBIB Research).

KQ drops proposal to run JKIA

KQ's board of directors decided to withdraw from the investment proposal on 27th August 2019.

Ten months after submitting a proposal to provide a subsidiary to manage JKIA, KQ's board of directors decided to withdraw from the investment proposal on 27th August 2019. This proposal was objected by a large proportion of its staff. Recently, the National assembly decided to nationalise KQ and create an Aviation Holding Company to consolidate the country's aviation assets and has begun to manage the nationalising process.

The reason behind the privatisation was the state ownership structure. This verdict was backed by continuous declining performance in its operations and financials as it was unable to pay taxes and dividends. Although profitability enhanced after privatisation, five years later, the open skies for Africa treaty was adopted and allowed commercial airlines to enter and land in other nations' airspaces. This unlocked great opportunities for KQ's competitors. Moreover, it was significantly favourable to airlines such as Ethiopian Airlines (ET) and Rwandan that outperformed KQ.

Had it been nationalised and managed well then, KQ would have been able to dominate as a monopoly by driving out competition and imposing high taxes on competitors. Kenya Airports Authority currently charges KQ KES 2.2 Billion including landing fees, premises, concession fees, fuel distribution, maintenance and services. KQ's current Air Passenger Service Charge (APSC) amounts to KES 6.5 Billion a year and is accountable to approximately half of JKIA's total revenue from APSC. These charges would have been exempt if KQ was nationalised. Although it incurred a loss of KES 3.9 billion while it was state-owned, it generated greater losses as a private company. In 2016 it recorded a loss of KES 26 billion and a loss of KES 7.6 billion in 2018.

Moreover, nationalisation can benefit Kenya Airways as it would allow the airline to collaborate with JKIA and provide services to benefit consumer experiences. Furthermore, Société Internationale de Télécommunications Aéronautiques (SITA), an IT and telecommunication services provider is looking to invest in Nairobi to enhance flight arrival and departure predictions. This would be a highly beneficial investment as Kenya's air transport market is rapidly booming with an annual air passenger traffic growth of 22.5% while international passenger traffic grew by 13.1% in 2018.(Source: Business daily, DBIB Research)

UPCOMING EVENTS

Company	Announcement	Book Closure	Payment
BAT Kenya	Interim Div: KES 3.50	19-Aug-19	20-Sep-19
Nation Media	Interim Div: KES 1.50	13-Sep-19	30-Sep-19
Kapchorua Tea	Final Div: KES 10.0	31-Jul-19	04-Oct-19
Williamson Tea	Final Div: KES 20.0	31-Jul-19	04-Oct-19
Jubilee	Interim Div: KES 1.00	13-Sep-19	07-Oct-19
Barclays Bank	Interim Div: KES 0.20	07-Sep-19	11-Oct-19
BOC Kenya	Interim Div: KES 2.35	27-Sep-19	15-Oct-19
StanChart BNK	Interim Div: KES 5.0	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 Investments	First & Final Div: KES 1.20	02-Oct-19	N/A

(Source: NSE, DBIB Research)

AGM SCHEDULE

Company	Time	Venue	Date
Centum	11.00 AM	Two rivers	13-Sep-19
Longhorn	N/A	N/A	28-Nov-19

(Source: Company filings, DBIB Research)

KCB -NBK Take Over Time Table

Event	Date
Circulation of Offer Document & Circulars to NBK Shareholders	09-Jul-19
Record Date for purposes of the Offer	10-Jul-19
Closing Date of the Offer	30-Aug-19
Announcement of the results of the Offer	09-Sep-19
Settlement of KCB Shares in CDSC Accounts of Shareholders	12-Sep-19
<u>Listing of additional KCB Shares on the NSE</u>	<u>16-Sep-19</u>

(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*

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