

DYER & BLAIR INVESTMENT BANK

WEEKLY MARKET WRAP UP

Founder Member of the Nairobi Securities Exchange

31st January 2020



DYER & BLAIR
INVESTMENT BANK

WE KNOW. YOU KNOW.

KENYA EQUITIES: INDICES & MARKET METRICS MOVEMENT

Index	0 wk	1 wk	1 m	3 m	6 m	12 m	Y-T-D
NASI	162.09	(0.02)	(0.03)	(0.01)	0.09	0.05	(0.03)
NSE-20	2,600.41	(0.02)	(0.04)	(0.05)	0.01	(0.13)	(0.02)
DBIB Select	86.29	(0.04)	(0.01)	(0.04)	0.01	(0.03)	(0.04)
FTSE 15	216.18	(0.01)	(0.02)	(0.02)	0.16	0.11	(0.02)
FTSE 25	223.46	(0.02)	(0.06)	(0.01)	0.15	0.13	(0.03)
FTSE Frontier 50	44,390.17	(0.03)	(1.00)	(0.00)	(0.08)	(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)	2,473.87	(0.02)	(0.03)	(0.01)	0.09	0.07
Market Turnover (USD m)	24.89	(0.12)	1.77	(0.65)	0.16	(0.59)
Market P/E (x)	12.90	(0.05)	(0.01)	(0.09)	(0.10)	0.04
Market Div. yld (%)	5.80	14.00	(10.00)	10.00	(49.23)	122.61
Market ROE (%)	44.92	(23.00)	46.00	(9.62)	848.00	766.64

(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	97.21	(0.00)	(0.00)	(0.01)	(0.01)	0.02
Market Turnover (USD m)	72.31	(0.30)	4.09	(0.60)	(0.61)	(0.59)
91-day T-Bill (%)	7.30	1.70	9.60	87.20	74.90	23.50
5 year rate (%)	11.54	(0.82)	4.97	126.14	136.14	14.64
Interbank Lending (%)	4.30	44.00	(92.00)	(183.00)	179.00	(112.00)

(Source: CBK, NSE)

KENYA MACRO METRICS MOVEMENT

	0 wk	1 wk	1m	3m	6m	12m
KES/USD	100.59	0.00	0.00	0.02	(0.00)	(0.03)
KES/GBP	131.69	0.01	0.01	0.00	(0.07)	0.05
KES/EUR	110.90	0.01	0.01	0.02	(0.01)	0.01
Fx reserve: Import Cover	5.20	-	(0.19)	(0.40)	(0.84)	(0.13)
Inflation	5.82	-	-	26	82	168
CBR	8.25	(25.00)	(25.00)	(75.00)	(75.00)	(75.00)

(Source: CBK, NSE)

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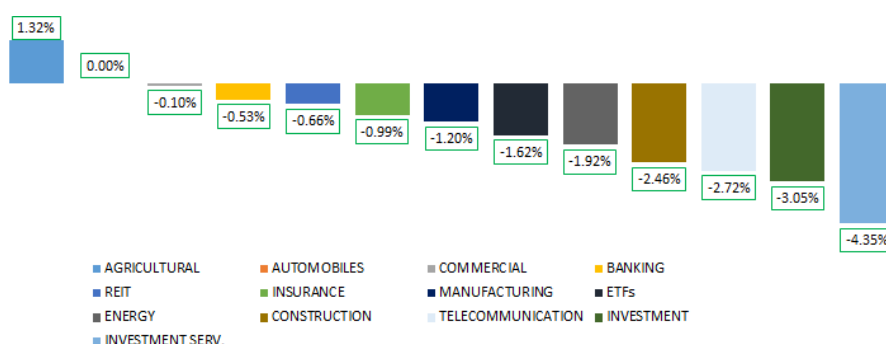
IN THIS WEEK'S ISSUE...

EQUITY MARKET SUM UP

Weekly equity turnover contracted 11.7% w-o-w to close at USD 24.89 MN (KES 2.50 BN).

NSE 20 and **NASI** indices shed 1.6% and 1.8% w-o-w to close at 2,600.41 and 162.09 respectively.

Weekly equity turnover contracted 11.7% w-o-w to close at USD 24.89 MN (KES 2.50 BN). This week's volume shares declined by 23.6% w-o-w to 70.04 MN following a 21.7% w-o-w decrease of the number of deals to 4,362. Market cap edged down 1.8% w-o-w to close at KES 2473.87 BN. NSE 20 and NASI shed 1.6% and 1.8% w-o-w to close at 2,600.41 and 162.09 respectively. Below is a graphical representation of the week's sectoral performance.



(Source: Company Filings, DBIB Research)

Week-on-Week Performance

Top gainers	%	Top Losers	%	Top Traders	USD m
Stanbic of Kenya	13.2	E.A.Cables	(13.6)	Safaricom Ltd	8.04
Eaagads Ltd	9.5	Home Afrika	(9.6)	Equity Group	7.12
N.B.V.	8.6	Longhorn Publishers	(9.1)	KCB Group	3.23
Eveready East Africa	5.6	Flame Tree Group	(8.9)	E.A.B.L.	2.57
Kenya Airways	4.2	Express Kenya	(8.9)	BK Group	0.75

(Source: NSE, DBIB Research)

Y-T-D Performance

Top gainers	%	Top Losers	%
Kenya Airways	22.0	Flame Tree Group	(30.0)
Olympia Capital	11.4	Sameer Africa	(25.2)
Eaagads Ltd	8.9	Home Afrika	(21.7)
Sasini Ltd	8.9	BK Group	(19.1)
B.O.C Kenya	8.6	Longhorn Publishers	(16.9)

(Source: NSE, DBIB Research)

Weekly Foreign Performance

Top Weekly Buys	% Purchase	Top Weekly Sales	% Sold
Bank of Kigali	100.0	Bank of Kigali	100.0
E.A.B.L.	98.9	New Gold ETF	100.0
Stanbic Bank	98.6	Stanbic Bank	97.4
Safaricom	60.6	Safaricom	92.9
B.A.T. Kenya	56.1	B.A.T. Kenya	81.4

(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
Safaricom	87.7	New Gold ETF	100.0
E.A.B.L.	86.6	B.A.T. Kenya	92.5
B.A.T. Kenya	83.7	Safaricom	76.4
Equity Group	71.9	KCB Group	58.8

(Source: NSE, DBIB Research)

FROM THE FIXED INCOME DESK

The **Bond market's turnover** for the week stood at USD 72.31 MN (KES 7.27 BN) representing a 29.9% w-o-w drop from USD 102.91 MN (KES 10.38 BN) recorded the previous week. government bond, issue number FXD 1/2019/2Yr emerged as the top traded bond with a turnover of KES 1.5 BN, accounting for 20.6% of the week's turnover. The infrastructure bond traded between 12.20% and 12.49%.

Top Trades for the Week ending 31 January 2020

Trading Date	Issue No.	Years	Coupon (%)	Yield (%)	Total	
					Price (%)	Value (KES m)
29-Jan	FXD 1/2019/ 5Yr	4.1	11.304	11.550	104.04	400.0
29-Jan	IFB 1/2019/16Yr	15.7	11.750	11.280	106.12	300.0
30-Jan	FXD 1/2019/ 5Yr	4.1	11.304	11.400	104.55	300.0
31-Jan	FXD 1/2019/10Yr	9.0	12.438	12.300	106.12	300.0
27-Jan	IFB 1/2019/16Yr	15.7	11.750	10.870	108.93	265.0
29-Jan	FXD1/2018/20Yr	18.1	13.200	12.800	107.40	250.0
27-Jan	IFB 1/2019/16Yr	15.7	11.750	11.400	105.23	200.0
29-Jan	FXD2/2019/15Yr	14.2	12.734	12.500	104.26	200.0
30-Jan	FXD 1/2012/10Yr	2.4	12.705	10.500	106.07	200.0
30-Jan	FXD 1/2019/10Yr	9.0	12.438	12.350	105.95	200.0
27-Jan	IFB 1/2014/12Yr	6.7	11.000	10.223	105.85	190.0
27-Jan	IFB 1/2015/12Yr	7.1	11.000	10.281	105.78	160.0
30-Jan	FXD1/2018/20Yr	18.1	13.200	12.740	107.86	154.5
29-Jan	FXD1/2011/20Yr	11.3	10.000	11.950	99.97	125.0
27-Jan	FXD 4/2019/10Yr	9.8	12.280	12.300	101.97	100.0
27-Jan	FXD 4/2019/10Yr	9.8	12.280	12.000	103.68	100.0
27-Jan	IFB 1/2019/16Yr	15.7	11.750	11.269	106.13	100.0
29-Jan	FXD 1/2019/ 5Yr	4.1	11.304	11.350	104.68	100.0
29-Jan	FXD1/2019/20Yr	19.1	12.873	12.860	103.83	100.0
30-Jan	FXD 1/2019/ 5Yr	4.1	11.304	11.350	104.71	100.0

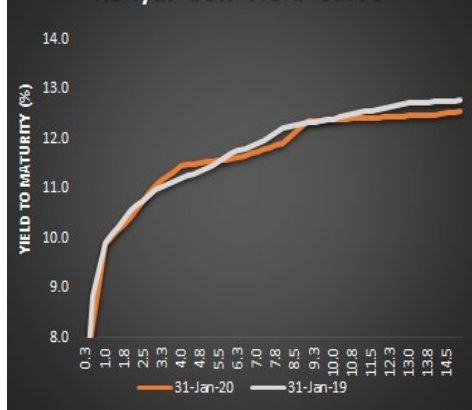
(Source: NSE, DBIB Research)

Treasury Bill auction for the week ending 31 January 2020.

Instrument	Amount Bids Received (KES Bn)	Subscription Rate (%)	Bids Accepted (KES Bn)	Yield (%)	w-o-w bps ch
91-day	4.0	4.577	114.44	4.560	7.296 1.7
182-day	10.0	6.223	62.23	5.152	8.229 1.7
364-day	10.0	21.823	218.23	20.387	9.879 2.0

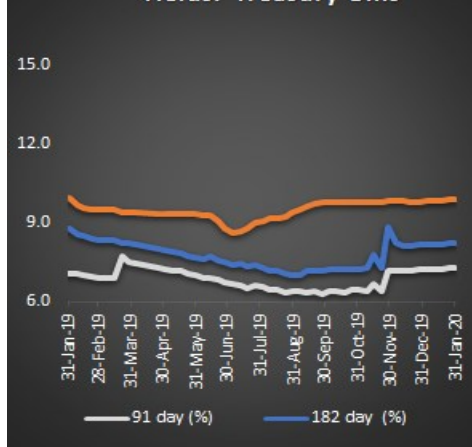
(Source: NSE, DBIB Research)

Kenya: GoK Yield Curve



Source: NSE, DBIB Research

Yields: Treasury Bills



Source: NSE, DBIB Research

EAC MARKETS SNAPSHOT

Rwanda: The RSE RSI and RSE RASI edged up 1.4% and 0.2% w-o-w to close at 123.46 and 151.25 respectively.

Tanzania: The DSE DSEI and the DSE TSI rose 0.7% and 0.5% w-o-w to close at 2,104.70 and 3,464.43 respectively.

Uganda: The USE ALSI saw a 0.1% w-o-w upswing to close at 1821.86 whilst the USE LSI dropped by 0.5% w-o-w to close at 343.81.

Rwanda: The RSE RSI and RSE RASI edged up 1.4% and 0.2% w-o-w to close at 123.46 and 151.25 respectively. Total weekly turnover contracted by 69.2% w-o-w to stand at RWF 9.73 MN. Bank of Kigali emerged as the top traded counter with a turnover of RWF 6.63 MN, accounting for 68.1% of the total turnover.

Tanzania: The DSE DSEI and the DSE TSI rose 0.7% and 0.5% w-o-w to close at 2,104.70 and 3,464.43 respectively. Weekly turnover shrunk 83.9% w-o-w to TZS 3.79 BN. Tanzania Breweries emerged the top traded counter with a turnover of TZS 3.46 BN, accounting for 91.3% of the week's turnover.

Uganda: The USE ALSI saw a 0.1% w-o-w upswing to close at 1821.86 whilst the USE LSI dropped by 0.5% w-o-w to close at 343.81.

	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	265	260	265	28.06	1.9	0.0	6.63	0.70
Bralirwa	139	139	139	14.72	0.0	0.0	0.83	0.09
Cyrstal Telecom Ltd	70	65	65	6.88	0.0	-7.1	2.26	0.24
I&M Rwanda	90	90	90	9.53	0.0	1.1	0.02	0.00
Dar Es Salaam Stock Exchange (DSE)								
CRDB Bank	130	120	130	5.66	18.2	36.8	141.45	6.16
Dar Es Salaam Community Bank (DCB)	295	295	295	12.85	0.0	0.0	-	-
DSE	980	980	980	42.69	0.0	0.0	135.49	5.90
Maendeleo (MBP)	490	490	490	21.35	0.0	0.0	-	-
National Microfinance Bank (NMB)	2,340	2,340	2,340	101.94	0.0	0.0	0.05	0.00
Precision Air Services (PAL)	400	400	400	17.42	0.0	0.0	-	-
Swissport Tanzania (SWIS)	1,600	1,600	1,600	69.70	0.0	0.0	-	-
Tanzania Breweries (TBL)	10,900	10,900	10,900	474.83	0.0	0.0	3,458.47	150.66
Tanga Cement Company (TCCL)	600	600	600	26.14	0.0	0.0	-	-
Tanzania Cigarette Company (TCC)	17,000	17,000	17,000	740.55	0.0	0.0	-	-
Tanzania Portland Cement (TPCC)	2,000	2,000	2,000	87.12	0.0	0.0	40.71	1.77
Tanzania Tea Packers (TTP)	120	120	120	5.23	0.0	0.0	-	-
TOL Gases	600	600	600	26.14	-9.1	-9.1	3.00	0.13
Swala	490	490	490	21.35	0.0	0.0	-	-
Mucoba Bank	400	400	400	17.42	0.0	0.0	-	-
YETU	550	550	550	23.96	0.0	0.0	-	-
MCB	500	500	500	21.78	0.0	0.0	-	-
MKCB	780	780	780	33.98	0.0	0.0	-	-
Vodacom	850	850	850	37.03	0.0	0.0	-	-
TICL	385	385	385	16.77	0.0	0.0	0.02	0.00
NICO	170	170	170	7.41	0.0	-2.9	10.86	0.47

(Source: RSE, DSE, DBIB Research)

*L.C refers to Local Currency

KENYA MARKET NEWS

EABL 1H20 Earnings

East African Breweries released its 1H20 earnings reporting a 9.1% y/y increase in profit after tax to KES 7.2 BN.

East African Breweries released its 1H20 earnings reporting a 9.1% y/y increase in profit after tax to KES 7.2 BN. Gross profit saw a 13.9% y/y upswing to KES 21.8 BN owing to a 10.3% y/y increase in revenue to KES 45.9 BN and a 7.2% y/y increase in cost of sales. We attribute top line growth to a 5% y/y growth in volumes owing to a strong mix of its brand categories. Earnings per share for the period rose 7.4% y/y to KES 7.00 whereas dividends per share for the period rose to KES 3.00 compared to KES 2.50 interim dividend as reported in the previous period.

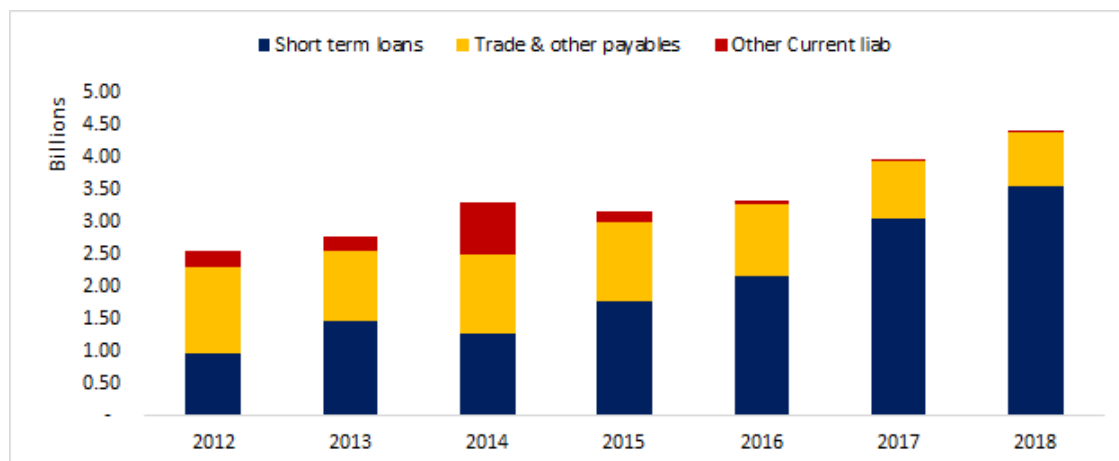
Net assets grew 5.7% y/y to KES 56.5 BN following a 5.7% y/y increase in non-current assets to KES 60.8 BN. Current assets grew by 10.2% y/y to KES 32.6 BN whilst current liabilities grew by 9.7% y/y to KES 36.9 BN. Non-current liabilities increased by 3.4% y/y to KES 38.5 BN whereas total equity edged up by 11.0% y/y to KES 17.9 BN. CAPEX shrunk 12.0% y/y to KES 4.4 BN.

Going forward, we expect the brewer to leverage top-line growth from the commercialization of the Kisumu plant that is solely dedicated to the production of Senator Keg. The remission increase of beer made from locally produced agricultural products from 80.0% to 90.0% will definitely ameliorate their FY20 revenue. We believe this amendment will improve the group's tax position following the excise duty increase on alcoholic beverages as assented in the Finance Bill. Another key narrative is the innovations aimed at assuaging more consumers' tastes and preferences. In under one year, the group launched four new brands i.e. Apple Sikera Cider, Guinness Smooth, Hop House 13, and Tusker Premium Ale. As the group continues to chase cost efficiencies from productivity initiatives, we expect this top-line growth to trickle down to profit. *(Source: Company Filings, DBIB Research)*

East African Cables stated that 82.0% of its total banking facilities had been successfully restructured in July 2019

East African Cables reassures stakeholders on liquidation attempt

East Africa Cables released a statement in response to SBM Bank's demand to liquidate the company over the default of a KES 285.00 MN loan. In a bid to reassure all the stakeholders that the business is solid, they stated that 82.0% of its total banking facilities had been successfully restructured in July 2019 and as a result, the group's balance sheet had greatly improved. Cables is currently in the process of completing the second phase of the debt restructure which involves: KES 285.00 MN and KES 161.00 MN owed to SBM Bank and Eco-bank Kenya respectively.



(Source: Company Filings, DBIB Research)

KENYA MARKET NEWS

MPC cuts CBR by 25bps

The MPC moved to reduce CBR by 25 basis points to 8.25%, the lowest rate since 2015.

In their January 2020 meeting, the Monetary Policy Committee moved to reduce the CBR by 25 basis points to 8.25%, the lowest rate since 2015. They note that inflation expectations remained well anchored within target, that the economy continued to operate below its potential level and that fiscal policy was tightening. They highlight that whereas the effects of the November 2019 rate cut continued to be transmitted within the economy, they felt that there was room for further accommodative monetary policy. We postulate that this was in a bid to keep the rising yields at bay and expect another policy rate cut of at least 25 basis point in the course of the year. *(Source: CBK, DBIB Research)*

Profit Warnings

- Sasini
- Kenya Power
- Eaagads
- BOC Gases
- NSE
- Eveready

UPCOMING EVENTS

Company	Announcement	Book Closure	Payment
Longhorn	Final Div: KES 0.52	28-Nov-19	26-Feb-20
Carbacid	Final Div: KES 0.70	6-Nov-19	N/A
E.A Breweries	Interim Div: KES 3.00	28-Feb-20	17-Apr-20

(Source: NSE, 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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