

DBIB WEEKLY BULLETIN

WEEK 38

Date: 18.09.2020

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INDICES & MARKET METRICS MOVEMENT

NSE 20 and **NASI** indices **shed** 1.5% and 0.4% w-o-w to close at 1,847.41 and 140.24 respectively.

Index	Current	1 wk (%)	3 m (%)	6 m (%)	YTD (%)
NASI	140.2	(0.45)	(3.00)	5.50	(15.73)
NSE-20	1,847.4	(1.51)	(6.20)	(8.78)	(30.40)
DBIB Select	87.2	(0.03)	(0.80)	13.58	(2.54)
FTSE 15	174.5	(0.51)	(1.65)	1.71	(21.16)
FTSE 25	186.3	(0.66)	(2.12)	3.99	(18.81)
FTSE Frontier 50	38,130.9	(0.44)	8.30	26.78	(14.45)

(Source: NSE, Bloomberg, DBIB Research)

Weekly equity turnover **rose** by 112.7% w-o-w to USD 47.53 MN (KES 5.15 BN).

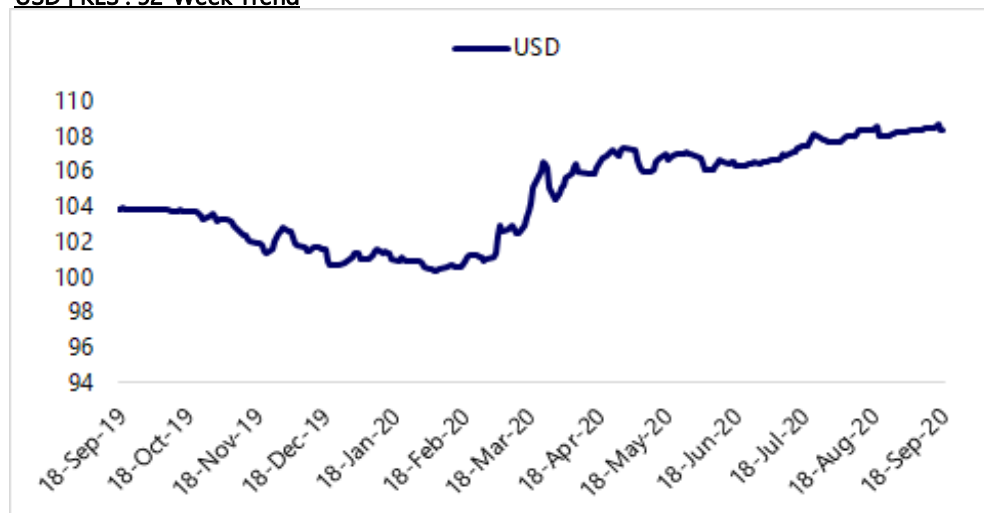
Market Metrics	Current	1 wk	3 m	6 m	12m
Market Cap. (USD m)	2,153.10	(0.45)	6.46	(2.57)	5.99
Market Turnover (USD m)	47.53	112.68	161.67	56.52	6.61
Market P/E (x)	12.10	(0.81)	9.01	(2.89)	14.15
Market Div. yld (%) *	5.70	93.40	72.07	(180.00)	(76.23)
Market ROE (%) *	28.42	(62.17)	(1,024.31)	(1,627.00)	(574.08)

* Changes in bps

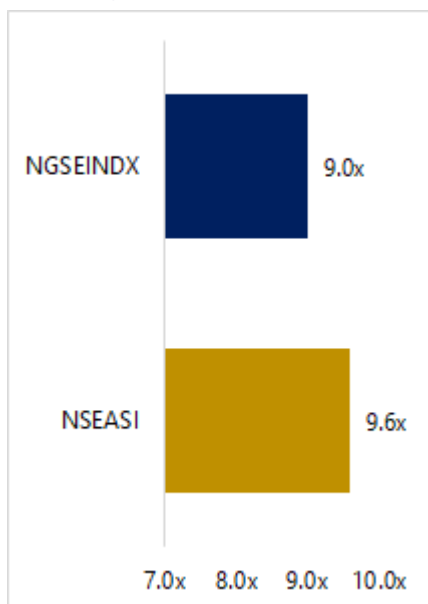
(Source: NSE, DBIB Research)

USD | KES: KES **strengthened** 0.1% w-o-w to close at 108.39 (-7.0% YTD).

USD | KES : 52-Week Trend



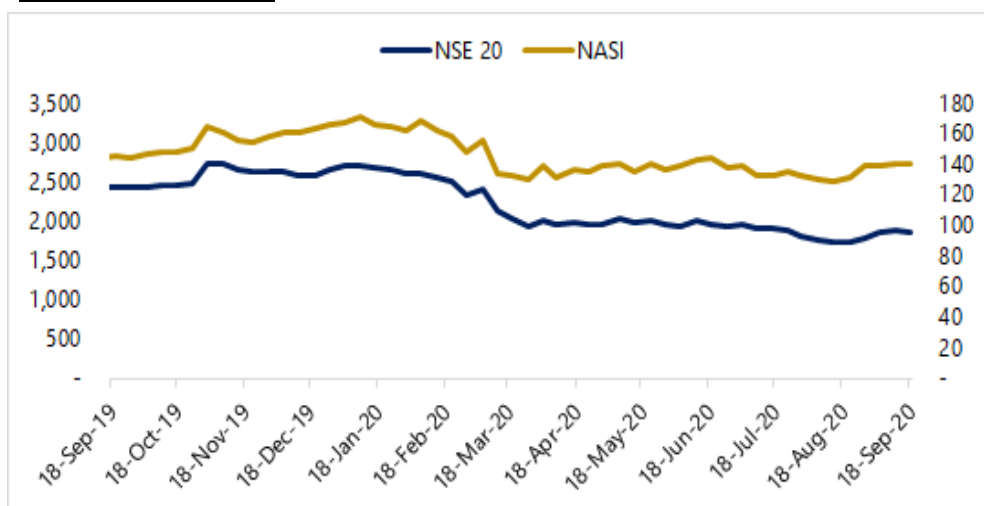
PEER P/E MULTIPLES



NSEASI - Nairobi All Share Index
NGSEINDX - Nigeria All Share Index

(Source: Bloomberg, DBIB Research)

Indices : 52-Week Trend



(Source: NSE, DBIB Research)

WEEKLY BOURSE WRAP UP...

Week-on-Week Performance

<u>Top gainers</u>	<u>%</u>
Bamburi Cement	25.0
Home Afrika	13.5
Express Kenya	12.9
Flame Tree	8.7
Housing Finance	7.9

(Source: NSE, DBIB Research)



<u>Top Losers</u>	<u>%</u>
Nation Media	(18.0)
BK Group	(10.0)
Britam	(7.8)
Stanbic Holdings	(7.4)
Standard Group	(7.0)

(Source: NSE, DBIB Research)



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Safaricom emerged the top traded counter on the bourse recording a weekly turnover of USD 38.99 MN (KES 4.23 BN) representing 82.21% of this week's turnover.

The stock shed 0.2% w-o -w to close at KES 30.00 on Friday.

Foreign investors assumed a net buying position on the counter this week by accounting for 71.08% of foreign sales and 95.91% of foreign purchases.

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<u>Top traders (Value)</u>	<u>USD MN</u>
Safaricom	38.99
Equity Group	2.62
E.A. Breweries	2.36
KCB Group	0.87
Stanbic Holdings	0.53

(Source: NSE, DBIB Research)

Y-T-D Performance

<u>Top gainers</u>	<u>%</u>
Kenya Airways	86.8
ABSA New Gold ETF	41.9
Eaagads	28.2
Sasini Ltd	16.9
Sameer Africa	15.9

(Source: NSE, DBIB Research)

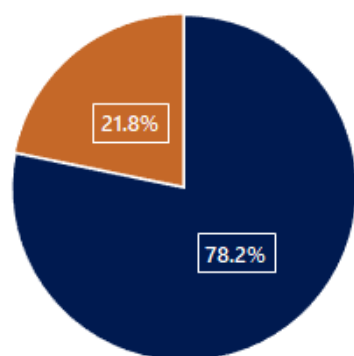


<u>Top Losers</u>	<u>%</u>
Bamburi Cement	(68.8)
Nation Media	(60.4)
Scangroup	(56.2)
BK Group	(51.8)
Fahari I-REIT.	(46.7)

(Source: NSE, DBIB Research)



WEEKLY LOCAL VS FOREIGN PARTICIPATION



■ Foreign Participation
 ■ Local Participation

(Source: NSE, DBIB Research)

Weekly Foreign Performance

<u>Top Weekly Buys</u>	<u>% Purchase</u>
Crown Paints	98.4
BK Group	96.4
Safaricom	95.9
N.S.E.	84.0
DTB Group	72.6

(Source: NSE, DBIB Research)

<u>Top Weekly Sales</u>	<u>% Sold</u>
ABSA Gold ETF	100.0
BK Group	99.7
Jubilee	94.4
Stanbic Holdings	94.1
Centum	92.3

Y-T-D Foreign Performance

<u>Top Foreign Buys</u>	<u>% Purchase</u>
BK Group	98.2
Crown Paints	85.3
BAT Kenya	83.0
ABSA Gold ETF	70.5
N.S.E.	69.2

(Source: NSE, DBIB Research)

<u>Top Foreign Sales</u>	<u>% Sold</u>
BK Group	99.9
BAT Kenya	90.0
ABSA Gold ETF	88.2
Stanbic Holdings	87.3
Safaricom	80.2

FROM THE FIXED INCOME DESK

The **Bond market's turnover** for the week stood at USD 143.26 MN (KES 15.53 BN) representing a 27.2% w-o decline from USD 196.89 MN (KES 21.35 BN) recorded the previous week.

The Bond market's turnover for the week stood at USD 143.26 MN (KES 15.53 BN) representing a 27.2% w-o-w decline from USD 196.89 MN (KES 21.35 BN) recorded the previous week. The bond issue number IFB1/2020/11Yr emerged as the top traded bond with a turnover of KES 5.23 BN accounting for 33.69% of the week's turnover. The bond traded between 10.2500% and 11.200%.

September Issue Results: FXD2/2010/15, FXD1/2020/15 & FXD1/2011/20

The Government received a total of KES 81.68 BN from the reopens of FXD2/2010/15, FXD1/2020/15 & FXD1/2011/20, 63.4% higher than the total amount offered of KES 50.00 BN. The government accepted KES 64.18 BN. The average rate of the accepted bids came in at 10.458%, 12.512% and 11.872% for FXD2/2010/15, FXD1/2020/15 & FXD1/2011/20 respectively against market weighted average rates of 10.553%, 12.537% and 11.984%. The coupon rates for FXD2/2010/15, FXD1/2020/15 and FXD1/2011/20 were fixed at 9.00% 12.756% and 10.00% respectively.

Top Trades for the week ending 18 September 2020

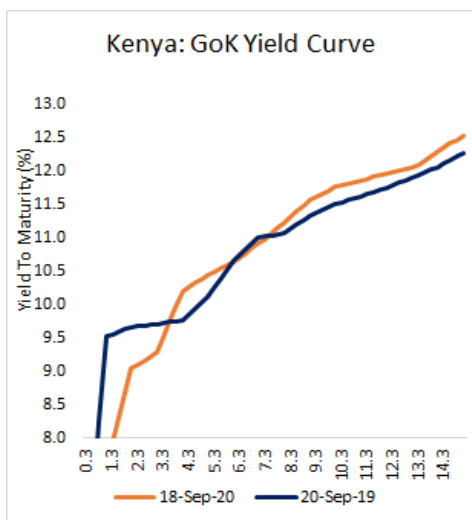
						Total
						Value
						(KES m)
Trading Date	Issue No.	Years	Coupon (%)	Yield (%)	Price	(KES m)
14-Sep	IFB 1/2020/9Yr	8.5	10.8500	10.5000	106.1693	1,700.0
15-Sep	IFB 1/2020/11Yr	10.9	10.9000	10.9556	100.3498	600.0
14-Sep	IFB 1/2020/11Yr	10.9	10.9000	11.0418	99.8669	575.0
15-Sep	IFB 1/2020/9Yr	8.5	10.8500	10.5500	105.9688	500.0
18-Sep	FXD1/2019/15Yr	13.3	12.8570	12.3000	104.1223	490.0
14-Sep	FXD 1/2019/ 5Yr	3.4	11.3040	10.2000	103.7765	450.0
14-Sep	FXD2/2007/15Yr	1.7	13.5000	9.5493	110.4183	400.0
16-Sep	FXD 1/2016/ 5Yr	0.6	14.3340	7.4000	109.7847	310.0
14-Sep	FXD2/2018/20Yr	17.8	13.2000	12.7000	105.2378	300.0
14-Sep	IFB 1/2019/16Yr	15.1	11.7500	11.3000	107.4398	300.0
14-Sep	IFB 1/2020/11Yr	10.9	10.9000	11.0000	100.0864	300.0
16-Sep	FXD2/2018/20Yr	17.8	13.2000	12.6500	105.6704	300.0
17-Sep	FXD 1/2016/ 5Yr	0.6	14.3340	6.0000	110.6361	300.0
16-Sep	IFB 1/2020/11Yr	10.9	10.9000	10.7651	101.3909	250.0
17-Sep	IFB 1/2017/7Yr	4.2	12.5000	9.7000	111.3345	250.0
15-Sep	FXD 1/2017/10Yr	8.4	12.9660	10.7000	112.5686	220.0

(Source: NSE, DBIB Research)

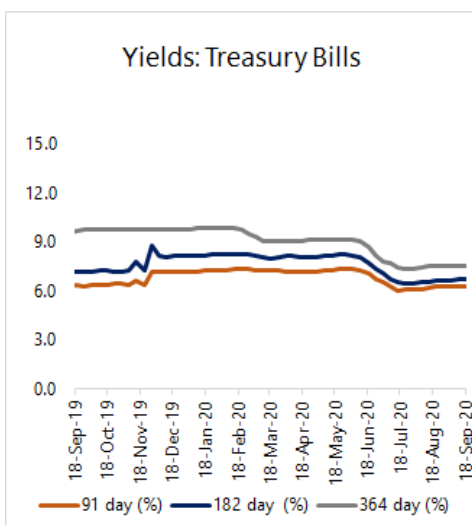
Treasury Bill auction for the week ending 18 September 2020

Instrument	Amount	Bids Received	Subscription	Bids Accepted	Yield	w-o-w
	(KES Bn)	(KES Bn)	Rate (%)	(KES Bn)	(%)	bps ch
91-day	4.00	6.05	151.25	6.05	6.273	0.6
182-day	10.00	1.92	19.19	1.92	6.720	3.1
364-day	10.00	8.92	89.15	8.85	7.571	0.7

(Source: NSE, DBIB Research)



Source: NSE, DBIB Research



Source: NSE, DBIB Research

Salient News...

Listed Banks 1H20 By The Numbers

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Listed banks saw a decline in profitability across the board mainly due to increased loan loss provisioning.

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Listed banks saw a decline in profitability across the board mainly due to increased loan loss provisioning. In the graph below, we compare and contrast the growth of pre-provision operating earnings and profit after tax across listed banks. We observe that whereas there appears to be an inconsistency with respect to how various banks have responded to COVID-19 related uncertainties, the general expectation is that all banks should see their cost of risk rise materially in FY20 to see profit after tax decline significantly.

For banks like Equity, NCBA and KCB, an increase in gross NPLs alongside cost of risk has created the impression that there remains legacy issues to be dealt with in the sector. In the case of Equity, to what extent the increase in gross NPLs follows management's prudence in light of COVID-19 uncertainties remains unclear whereas in the case of NCBA and KCB, investors might consider that the impact of COVID-19 has exacerbated asset quality issues associated with recent acquisitions (NIC, NBK). Absa's punctiliousness might explain their high cost of risk despite relatively flat NPLs more so because it squares with their other decisions on re-pricing of "CBR+4" loans.

Given the rising cynicism around asset quality, we believe that Absa, Standard Chartered and Stanbic offer more predictability but expect that technical indicators will continue to see the more liquid stocks such as KCB and Equity receive more attention from investors, even though that is likely to remain muted by the general COVID-19 related overhang.

Yields on interest earning assets have generally declined in 1H20 on the back of a drop in government yields and a reduction of the Central Bank Rate (CBR). We expect that yields will remain subdued in FY20 as banks eschew lending and as yields on government securities remained subdued by liquid market conditions.

The funded-income generating potential ratio measures the contribution of interest earning assets to total assets. While the specifics of how each bank has structured its asset book matters (maturity profile etc.), this ratio can show how a repricing of interest earning assets can impact the yields.

We observe that local mass market banks (Equity, KCB, Co-op) have high funded income generating potential relative to foreign owned banks like Stanbic, Stanchart and Absa, in part because they do not run held for trading books. DTB which tends to conservatively pack a significant investment in held to maturity securities has the highest funded income generating potential. [Click here to read more...](#)

(Source: Company filings, DBIB Research)

UPCOMING EVENTS

Profit Warnings

- Sasini
- Eaagads
- NSE
- Eveready
- Unga Group
- Nation Media
- Kenya Power

<u>Company</u>	<u>Announcement</u>	<u>Book Closure</u>	<u>Payment</u>
N.S.E.	First & Final Div: KES 0.08	09-Jul-20	STA*
Kapchorua Tea	Final Div: KES 10.00	30-Jul-20	STA*
Williamson Tea	Final Div: KES 20.00	18-Aug-20	STA*
Kenya Re	First & Final: KES 0.10	09-Oct-20	20-Nov-20
KenGen	First & Final: KES 0.25	22-Oct-20	17-Dec-20
Jubilee	Interim Div: KES 1.00	11-Sep-20	09-Oct-20
Centum Investment	First & Final: KES 1.20	STA*	STA*

<u>Company</u>	<u>Announcement</u>	<u>Book Closure</u>	<u>Crediting Date</u>
Nation Media	Bonus Issue: 1:10	12-Jun-20	STA*

(Source: NSE, DBIB Research)

STA—Subject to approval*

AGM SCHEDULE

<u>Company</u>	<u>Time</u>	<u>Venue</u>	<u>Date</u>
Express Kenya	11.00 am	Virtual	24-Sep-20
CIC Group	10.00 am	Virtual	29-Sep-20
Eaagads	11:00 am	Virtual	30-Sep-20
WPP Scangroup	11:00 am	Virtual	30-Sep-20

(Source: Company filings , DBIB Research)

**TBC—To be confirmed*

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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