

Kenya's Stock Market Performance Note for Q3'2019

A. Market Performance

During Q3'2019, the equities market was on a downward trend, with NASI, NSE 20 and NSE 25 declining by 2.8%, 7.6%, and 3.1%, respectively, taking their YTD performance as at the end of quarter 3 to gains and losses of 3.6%, (14.2%) and (2.9%) for NASI, NSE 20 and NSE 25, respectively. The equities market performance during the quarter was shaped by declines in large cap stocks such as I&M Holdings, Bamburi, Equity Group, and Safaricom, which declined by 18.2%, 17.9%, 3.9%, and 2.1%, respectively.

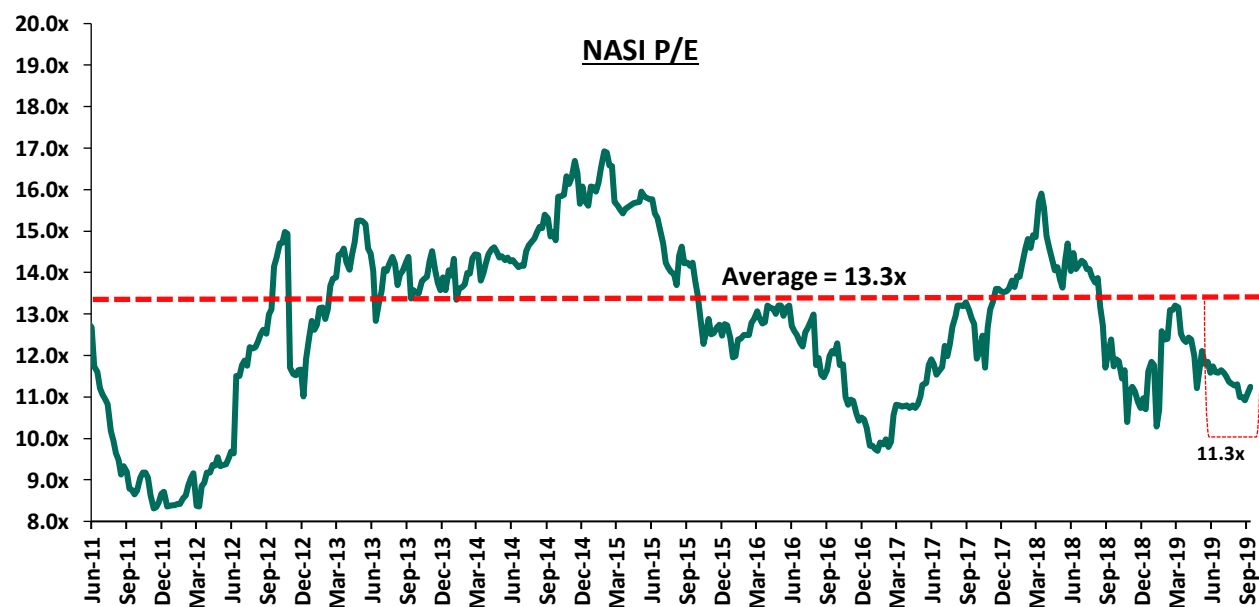
Equities turnover declined by 8.1% during the quarter to USD 295.3 mn, from USD 321.4 mn recorded in Q2'2019, taking the YTD turnover to USD 1.1 bn. In the period under review, foreign investors were net buyers, with a net buying position of USD 1.2 mn, a 90.8% decline from the net buying position of USD 12.9 mn recorded in Q2'2019. The table below shows the trading summary during the quarter;

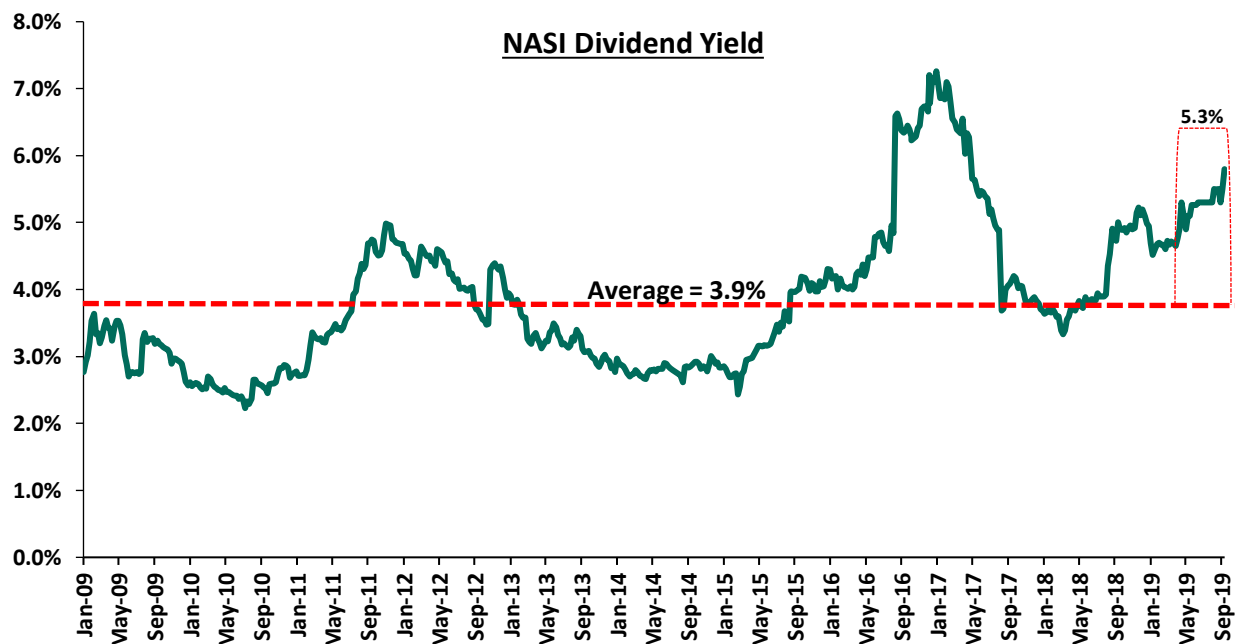
Summary of Trading Statistics	28/06/2019	30/09/2019	q/q Change
NASI	149.61	145.46	(2.8%)
NSE 20	2633.32	2431.97	(7.6%)
NSE 25	3586.58	3474.97	(3.1%)
Equities Turnover (USD Mn)	321.4	295.3	(8.1%)
Foreign Inflows (USD Mn)	12.9	1.2	(90.8%)

Sources: NSE Data, Standard Investment Bank

B. Market Valuation

In the quarter, the market traded at an average price to earnings ratio (P/E) 11.3x, 15.0% below the historical average of 13.3x, and an average dividend yield of 5.3%, above the historical average of 3.9%. With the market trading at valuations below the historical average, we believe there is value in the market. The P/E valuation of 11.3x is 16.5% above the most recent trough valuation of 9.7x experienced in the first week of February 2017, and 36.1% above the previous trough valuation of 8.3x experienced in December 2011.





C. Top Ten Gainers

The following table shows the largest gainers in Q3'2019;

Top 10 Gainers			
Company	Price as at 28 th June 2019	Price as at 30 th Sept 2019	q/q Change (%)
HF Group	4.0	7.0	75.6%
Kakuzi	341.0	420.0	23.2%
East African Cables	2.4	3.0	21.3%
Eaagads	12.0	14.0	16.7%
E.A Portlands Cement	16.0	18.5	15.6%
Scangroup	11.1	12.4	11.8%
KCB Group	38.3	42.0	9.8%
Total	28.2	29.9	5.9%
Eveready	1.03	1.1	5.8%
Barclays Bank	10.5	11.0	5.3%

Source; NSE Data

D. Top Ten Decliners

The following table shows the top ten decliners in Q3'2019;

Top 10 Decliners			
Company	Price as at 28 th June 2019	Price as at 30 th Sept 2019	q/q Change (%)
Uchumi	0.5	0.3	(45.1%)
Kenya Airways	4.0	2.6	(35.8%)
KPLC	3.9	2.9	(24.9%)

Kenya Re	3.8	2.9	(23.1%)
Trans-Century	4.1	3.2	(22.0%)
Home Afrika	0.6	0.5	(21.0%)
Mumias	0.3	0.3	(20.6%)
Flame Tree	2.6	2.1	(19.2%)
I&M Holdings	55.0	45.0	(18.2%)
Bamburi	113.3	93.0	(17.9%)

Source: NSE Data

E. Top Ten Movers

The following table shows the top ten movers by market turnover in Q3'2019;

Top 10 Movers			
Company	Price as at 30 th Sept 2019	Turnover (USD Mn)	Market Cap (USD Mn)
Safaricom	27.5	117.7	10,614.6
Equity Group	37.5	48.0	1,361.5
KCB	42.0	33.5	1,240.6
EABL	193.8	29.4	1,476.0
BAT	485.0	20.0	467.2
Barclays Bank	11.0	9.1	575.6
Co-operative	11.9	7.3	672.6
I&M Holdings	45.0	4.1	365.6
NIC	29.9	3.2	201.6
Nation Media Group	41.3	2.7	364.7

Source; Standard Investment Bank

F. Drivers of Performance

The performance of Kenya's equities market in Q3'2019 was driven by;

- A number of counters going ex-dividend during the quarter, as companies closed their books for final and interim dividend, as highlighted in the table below:

Company	Book Closure Date	Price as at Book Closure	Dividend Type	Dividend Per Share (Kshs)	Dividend Yield
Safaricom	2nd Sept 2019	28.0	Final & Special Dividend	1.87	6.7%
EABL	25th Sept 2019	197.0	Final Dividend	6.00	3.0%
KCB Group	5th Sept 2019	39.95	Interim Dividend	1.00	2.5%
Standard Chartered	23rd Sept 2019	195.25	Interim Dividend	5.00	2.6%
Barclays Bank	7th Sept 2019	10.95	Interim Dividend	0.20	1.8%
BAT	19th Aug 2019	520.0	Interim Dividend	3.50	0.7%
Stanbic	9th Sept 2019	96.0	Interim Dividend	1.25	1.3%
NIC Group	30th Sept 2019	29.95	Interim Dividend	0.25	0.8%

- Mixed earnings growth experienced in the first half of the year, with H1'2019 core earnings per share growth in the banking sector slowing to 9.0% from the 19.0% recorded in H1'2018. However, other sectors such as telecommunication and manufacturing recorded faster earnings growth, with Safaricom's and EABL's FY'2019 core earnings per share growth improving to 14.5% and 55.8%, respectively, from a growth/decline of 14.0% and (26.0%), respectively, recorded in FY'2018. British American Tobacco (BAT) and Bamburi also recorded improved growth in core earnings per share of 25.5% and 9.5% in H1'2019, respectively, from a growth/decline of 3.4% and (66.5%) recorded in H1'2018.
- Expected slower economic growth, hampered by persistent uncertainty in the global economy, with the World Bank revising down the expected global growth rate to 2.6% in 2019, which is 0.2% lower than its forecast of 2.8% in April.
- Bearish sentiments from investors, as local investors' participation in the equities market declined in favour of government securities.

We are "Positive" on equities for investors as the sustained price declines has seen the market P/E decline to below its historical average. We expect increased market activity, and possibly increased inflows from foreign investors, as they take advantage of the attractive valuations, to support the positive performance