

TOPICAL REPORT

Kenyan Indices.

On a YTD basis the Kenyan indices are down save the NASI. In September 2019 NSE 20 index recorded a 14.18% decrease from 2834 at the beginning of the year to 2432 in while NASI recorded an increase of 3.58% from 140.43 at the beginning of the year to 145.46 in September. NSE 25 index also recorded a decrease of 2.16% from 3552 at the beginning of the year to 3475 in September.

Index	QoQ	YTD	1-Yr	3-Yr	5-Yr	7-Yr	10-Yr
NSE 20 Index	-7.65%	-14.18%	-15.42%	-25.01%	-53.73%	-38.77%	-19.08%
NSE All Share	-2.77%	3.58%	-2.81%	6.37%	-11.01%	66.47%	117.98%

At the start of the year NSE 20, NASI and NSE 25 started on a good note, recording an increase of 4.39%, 7.10% and 9.05% respectively. However, as the year progressed they have gradually dropped NSE 20 touched a 16-year low while NASI touched a 4-year low in September. NSE 20 in particular fell to its October 2003 low when it stood at 2457. NASI also declined recording a value slightly lower than 145.70 last recorded in December 2015. This decline is due to the decreased activity in the equity market and poor performance of most of the listed firms.

Decreased activity in the equity market is attributable to the current shift in investor interest from the equity market to the fixed income market. This shift is due to investor's reduced risk appetite and higher mark to market returns on their bond portfolio as yields decline.

In 1Q19, after most firms had released their 2018 results 29 listed firms recorded decline in their prices while the prices of 41 firms declined after the release of half-year results in August. During the quarter, most of the listed firms announced a decline in their half year results due to a tough economic environment.

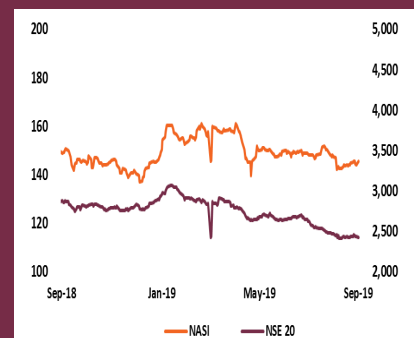
11th October 2019

(As at 30th September 2019)

NSE 20 Index; 2432

NASI; 145.46

NSE 25 Index; 3475

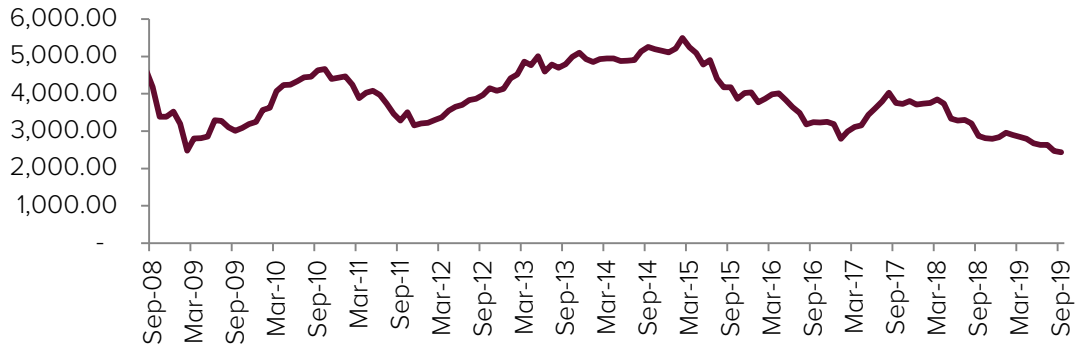


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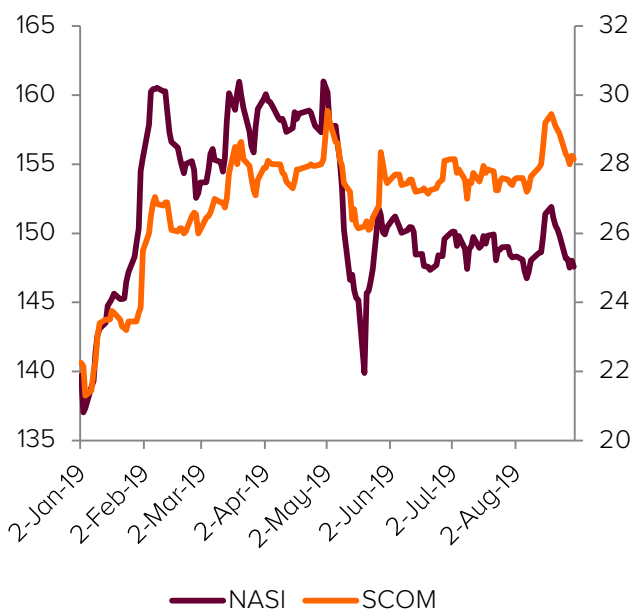
NSE 20 Index; In 3Q19, 11 of the constituent firms recorded a decrease in their prices. Kenya Re and Nation Media had the largest decrease of 79% and 37% while Safaricom and KCB Bank recorded the highest increase of 24% and 13%. The losers outweighed the gainers thus since the NSE 20 is a price-weighted index the decrease in the average price of the 20 firms that comprise it led to a decline in the index.

NSE 20 INDEX

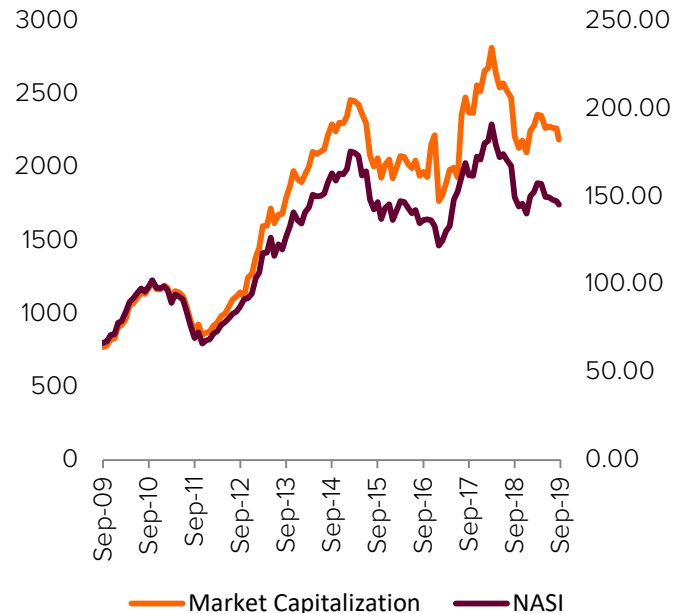


Source; Bloomberg

NASI comprises of all the 63 firms and is a representation of the equity market as a whole. It is a market-capitalization-weighted index and therefore the higher a firm's market capitalization, the higher its weight. Unlike the NSE 20 Index that is mainly affected by price changes, NASI is also affected by corporate actions. Therefore, if a company action leads to increase or decrease in its price, the index could either shift up or down. Safaricom currently accounts for 50% of the total equity market capitalization which means that its performance affects the market.



Source; Bloomberg, AIB Capital



Source; Bloomberg, CMA

Other Sub-Saharan and Global Indices.

The poor performance was not only seen in the Kenyan market, several African and global indices have declined this year. The NSE 30, FTSE CSE 15, BSE Domestic Company, BRVM 10, NSE All Share and MSCI Frontier Markets Africa indices all decreased.

The derts in the global markets have affected the performance of the sub-Saharan exchanges. In particular investors risk aversion due to trade war fears, Brexit uncertainties and a slowdown in China have reduced inflows into emerging and frontier markets.

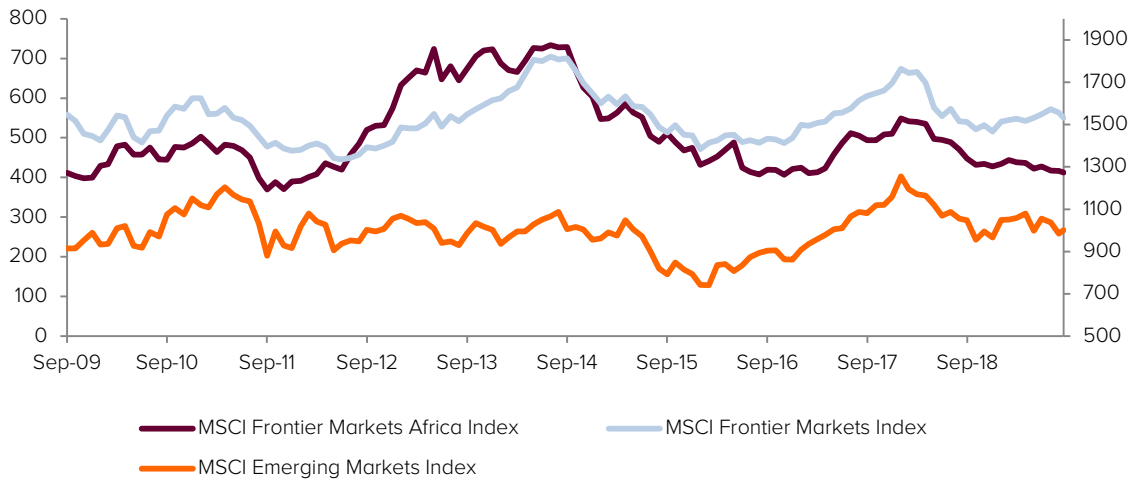
The top 5 securities exchanges in Africa include Johannesburg Stock Exchange, Botswana Stock Exchange, Nigeria Stock Exchange, Casablanca Stock Exchange and West African Stock Exchange (BRVM). We looked at the indices representing each exchange and their performance.

Index	QoQ	YTD	1-Yr	3-Yr	5-Yr	7-Yr	10-Yr
NSE 30	-8.66%	-19.06%	-22.16%	-9.09%	-39.06%	-5.95%	34.91%
Morocco All Share	2.43%	1.74%	1.99%	15.17%	14.69%	22.06%	7.40%
FTSE CSE Morocco 15	0.43%	-0.83%	-0.25%	14.70%	7.36%	4.18%	18.44%
JSE All Share	-5.81%	3.96	-1.59%	5.53%	11.12%	53.32%	120.08%
JSE 40	-6.49%	4.47%	-1.43%	7.46%	10.54%	54.87%	119.05%
MSCI Emerging Markets	-5.11%	3.65%	-4.48%	10.80%	-0.43%	-0.17%	9.51%
MSCI Frontier Markets	-1.63%	6.64%	1.88%	10.51%	-21.43%	15.55%	-1.52%
BSE Domestic	-3.44%	-5.84%	-8.25%	-22.05%	-20.97%	2.05%	10.77%
BRVM 10	-9.72%	-11.87%	-26.55%	-46.00%	-49.72%	-16.89%	-7.68%
NSE All Share	-7.80%	-12.09%	-15.67%	-2.49%	-32.95%	6.22%	25.22%
MSCI Frontier Markets Africa	-3.41%	-3.55%	-7.89%	-1.57%	-43.37%	-20.58%	0.32%

Source; Bloomberg

MSCI Emerging Markets Index increase by 3.65% from 965.78 at the beginning of the year to 1001 in September 2019 while it was down 16.63% decrease in 2018. The performance of the emerging market was mainly affected by the geopolitical environment, investor uncertainty and anxiety about trade. China accounts for a large portion, 32.3%, of the index thus its unfavorable market performance is likely to affect the performance of the index. However, positive data, trade negotiation resolution and favorable trend are expected to buoy the index.

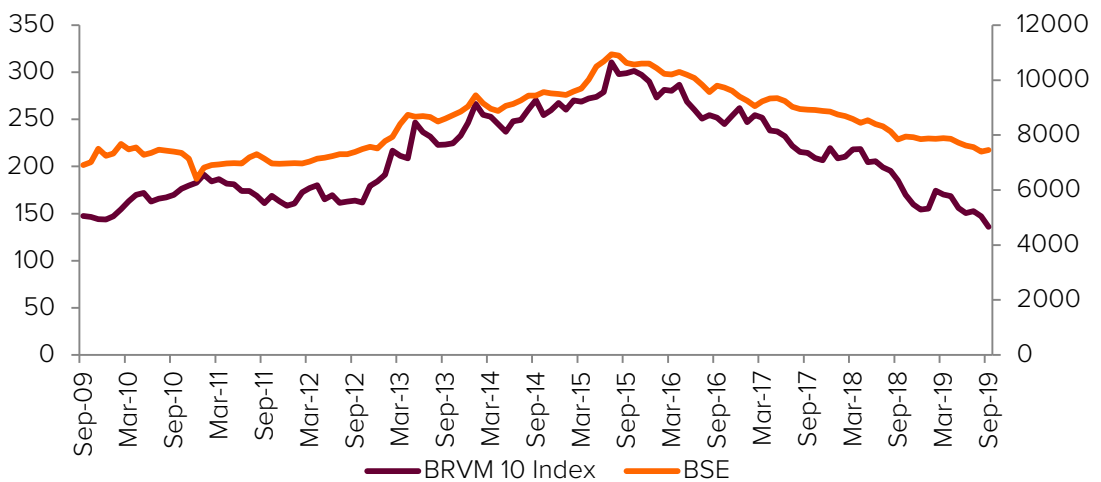
MSCI Frontier Markets Index increased from 516 recorded at the beginning of the year to 550 in September 2019, an increase of 6.64%. However, it recorded a decrease of 22.44% in 2018. Meanwhile, **MSCI Frontier Markets Africa** Index has recorded a 3.55% decrease on a year to date basis. It also had a drop of 16.10% in 2018. This is attributed to decrease in the performance of the Nigerian and Kenyan stocks in the Top ten stocks of the index that recorded a 20% and 4% decrease on average respectively.



Source; Bloomberg

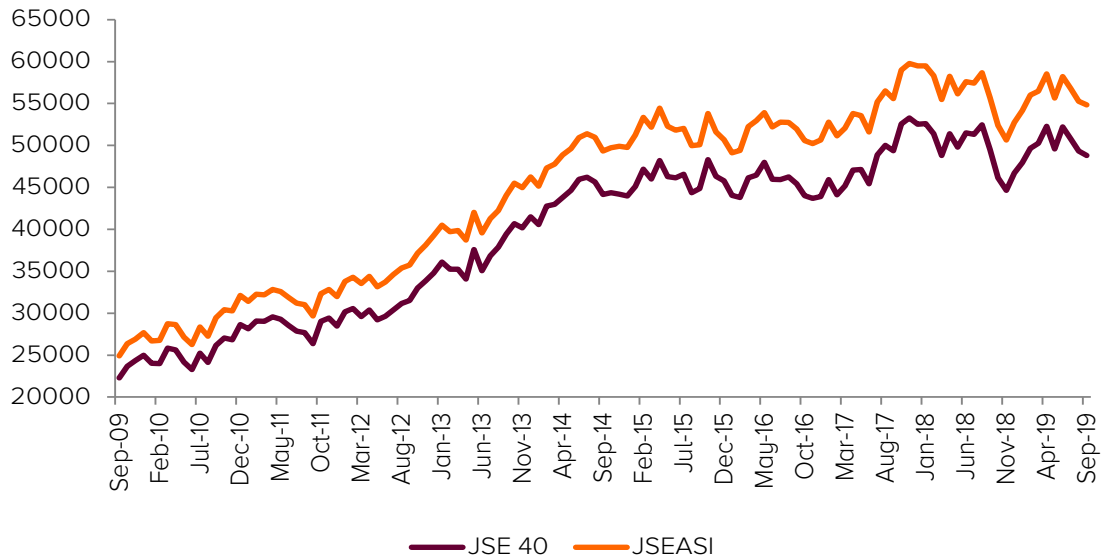
Botswana; BSE Domestic Company Index had a 5.84% decrease recording 7461 in September 2019 from 7852 at the beginning of the year. Last year's performance had also declined by 11.38%. This is attributed to the poor performance of Choppies Enterprises Limited, Standard Chartered Botswana and Letshego whose prices decreased by 59%, 58% and 53% respectively and other listed companies recording reduced earnings that lead to share price declines.

Cote D'Ivoire; BRVM 10 was also on a decline recording a decrease of 11.87% from 154 at the beginning of the year to 136 in September 2019. Its performance in 2018 had also decreased by 29.72%. The poor performance is attributed to the decrease in share prices of 9 of the 10 companies; this includes Societe Nationale des Telecommunications du Senegal which has the largest market capitalization accounting for 55% and had a decrease in share price of 6.56%.



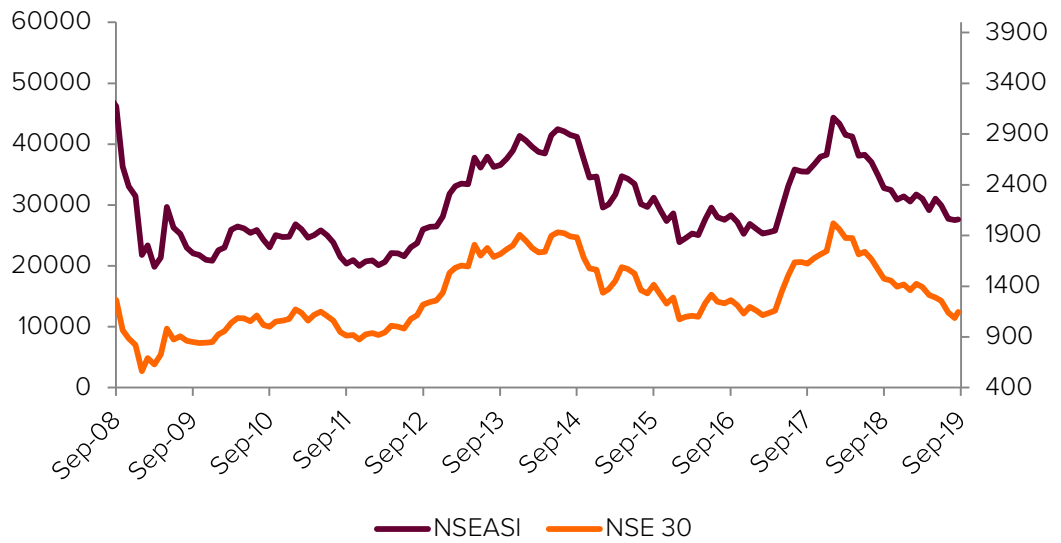
Source; Bloomberg

South Africa; JSE 40 Index increased by 4.47% to stand at 48814 in September 2019 from 46726 recorded at the beginning of the year . However, in 2018 it had decreased by 11.05% mainly due to a decrease in the share prices of 18 companies constituted in the index. This was due to increase in the prices of its largest constituents that is BHP Group and Richemont of 8% and 13%. **JSE All Share Index** also recorded a rise of 3.96% to 54825 in September 2019 from 52389 at the beginning of the year and decreased by 11.37% in 2018.



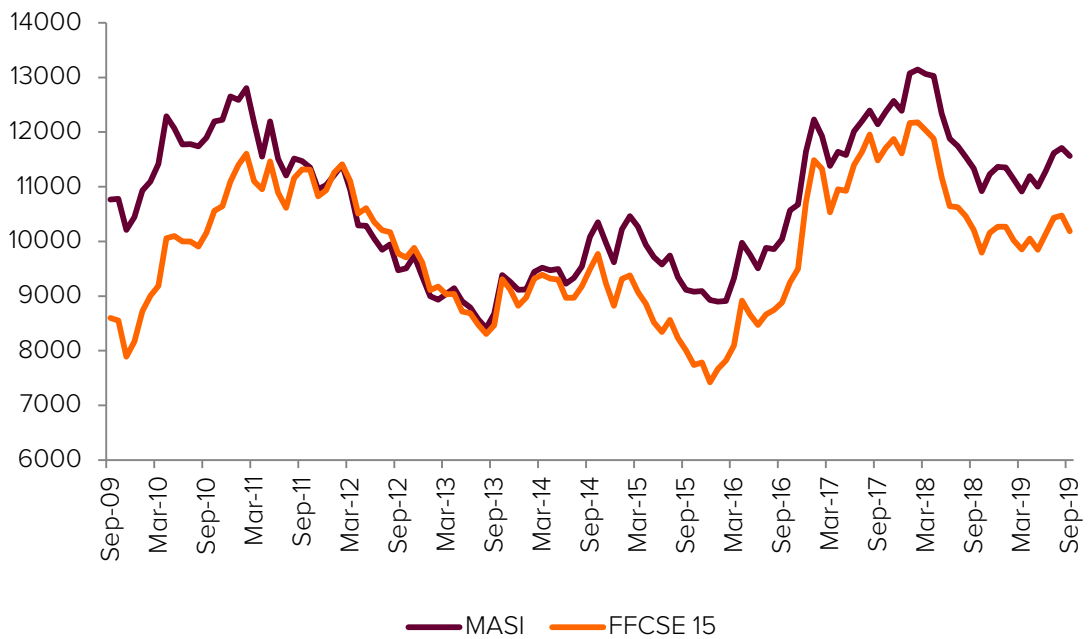
Source; Bloomberg

Nigeria; 2019 started on a negative note as the market opened on red but it picked up in February as investors rushed to buy attractive and cheap stocks. The equity market half year performance landed on red due to a combination of election jitters and decline in the foreign portfolio attraction as a result of policy uncertainty. Majority of the foreigners have shifted focus to short term yielding fixed income assets and the equity market recorded net foreign inflows of 28.57Bn Naira in 1H19. **NSE All Share Index** had a decrease of 5.24% recording 27630 in September 2019 from 31430 at the beginning of the year. It also decreased by 24.27% in 2018. **NSE 30 Index** decreased by 12.56% to 1147 in September from 1417 at the beginning of the year and decreased by 18.87% in 2018. This was due to decrease in the share prices of all the companies except 2 that are constituted in the index. Three companies with the largest market capitalization, Dangote Cement, Nestle and Guaranty Trust Bank, experienced a decrease in their prices of 25%, 19% and 22% respectively.



Source; Bloomberg

Morocco; Moroccan All Share Index recorded an increase of 1.74% to 11,561 in September 2019 from 11,364 at the beginning of the year. 2018's performance also recorded a decrease of 8.27%. This increase in year to date basis is as a result of all of its large-cap stocks recording an average price increases of 9% in the one year period. **FTSE CSE Morocco 15 Index** had an decrease of 0.83% in September 2019 to stand at 10,185 from 10,271 at the beginning of the year. It also recorded an annual decrease of 11.54% in 2018.



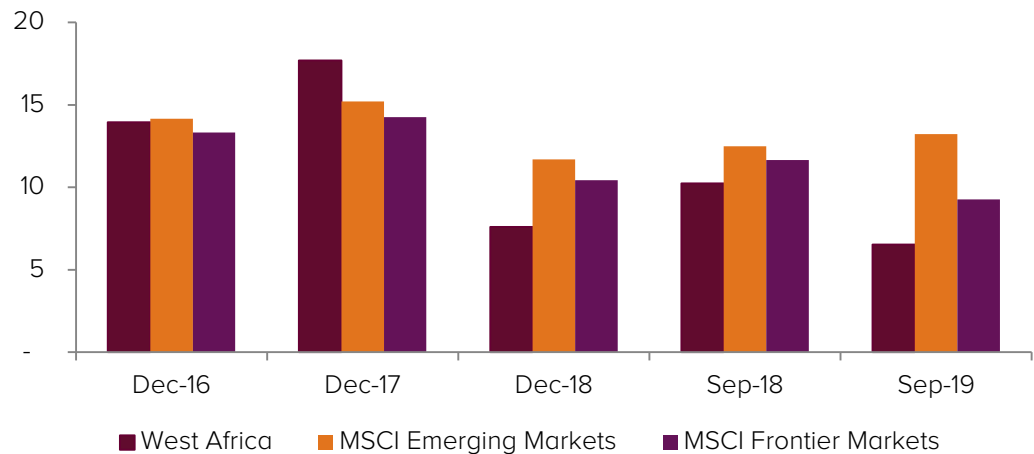
Source; Bloomberg

Analysis of P/E Ratios.

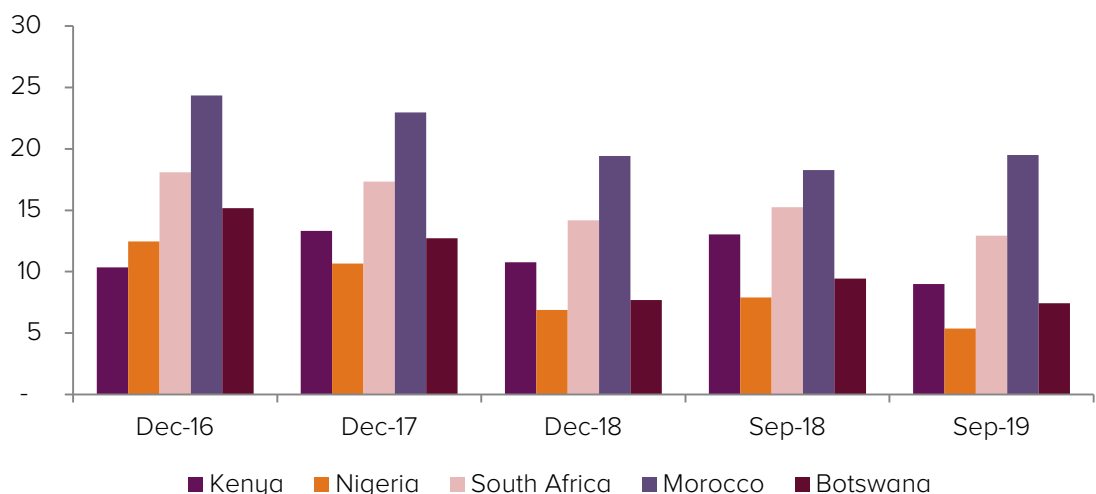
The price to earnings ratio also speaks more to the performance of an index and its attractiveness to investors. The P/E values of the different markets have declined in the past one year. Currently the Moroccan market is most expensive with P/E of 19 while the Nigerian Market is on the opposite end of the spectrum with P/E of 5 each.

Kenya's P/E ratio has marginally declined, over the period as price declines have been accompanied by decreased corporate earnings.

Nigeria which had a P/E of 12 in 2016 is now the cheapest market with a P/E of 5. This may be attributed to a sell-off in the market as investors reacted to the country's unfavorable economic environment. The country went through a recession in 2018 and has had to devalue its currency. It still maintains tight capital controls.



Source; Bloomberg



Source; Bloomberg

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