

HISANET AFRICA INVESTMENT SERVICES

WEEKLY MARKET REPORT

WEEK 4(21st to 25th January 2008)

Issue No. 3



STOCK MARKET PERFORMANCE REPORT

The market maintained the same trend over the past week, edging up for one day and maintaining a downward trend for the larger part of the week.

The shilling hit an 18month low, quoting Kshs73.60/73.70. This has come with news of the intention by World Bank to suspend aid to the country if the on going political wrangles are not resolved soon.

The 20 share index went below the 5000 mark to close the week 130 points lower at 4967.88 points. 42mn shares valued at Kshs1.5bn changed hands compared to the previous week's 44mn shares valued at Kshs1.6bn. Market Capitalization stood at Kshs806bn.

Out of 45 active counters, 36 captured declines, 5 went up and 4 remained constant. Financials captured large declines with the Banking sector due to slow business that is bound to lead to a decline in earnings in the Banking sector. NIC Bank captured the largest decline in the financials; going down by 6% to close the week at Kshs52.50. KCB went down by 2% from Kshs28 to Kshs27.25. The counter however moved the largest number of shares, with 8mn shares changing hands over the past week.

WEEK'S MOVERS

Top 5 Gainers	Stock Price Kshs	%Δ
NBK	43	6.17%
HFCK	41.25	3.77%
Eveready	8	1.91%
DTB	86.50	1.17%
BAT	139	0.72%

Top 5 Losers	Stock Price Kshs	%Δ
Car&Gen	50	-12.28%
Crown Berger	43	-12.24%
Unilever	55	-11.29%
City Trust	135	-10%
Kenya Airways	51	-8.93%



WEEKLY HIGHLIGHTS

KENGEN

The power producer has completed the process of identifying financial arrangers for the Kshs4.5bn it plans to raise to finance its transformation programme in the next 10 years.

The arranger is supposed to assist in helping identify the best avenues for the power firm to raise funds as well as the amount of money the plant can raise from the market.

With demand for power in the country set to cross the 5000 megawatts mark by 2030 and the current 922000 customers now connected to the grid, the company has embarked on a plan to raise the national power output.

The risk profile on its balance sheet is bound to change with the addition of Kshs70bn to its loan book in addition to its current Kshs13bn debt.

It is also weighing the possibility of raising money from a group of commercial Banks. Commencement of work on the power generation plants is expected to begin before the end of the year. With huge potential for market growth, the counter is definitely a good one to hold over the long term.

Eveready

The battery producer's earnings dipped in the past financial year, recording a 23% decline in profits, largely attributed to an increase in the cost of Zinc, which is a key raw material. This is the second time in a row that the battery producer is announcing a decline in profits since it went public.

The company has been battling an influx of cheap batteries from China and invention of alternative technology such as the use of recharge batteries.

The directors have already issued a profit warning for this year following post election skirmishes which has significantly affected major business segments and slowed down business.

The board however recommended withdrawal of Kshs94.5mn from the retained earnings to be paid as a dividend of Kshs0.45 per share.

TPS Serena

The Tourism sector is amongst the worst hit industries this year following the post election skirmishes. The counter has suffered adversely at the bourse, closing the week at an average of Kshs60.

Occupancy in Hotels in the country has dropped drastically and this will affect the industry's overall earnings for the year.



OUTLOOK

Increased volatility in the market has created great opportunities for investors willing to take the risk. Should the mediation effort by Koffi Anan bear fruits the bearish condition in the market will evaporate and investors should currently be looking at solid counters with strong fundamentals are currently under priced or have potential for appreciation down the road.

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