



NSE slides to 17-year low as stocks suffer huge losses

- Kenya's stock market hit a new 17-year low in Tuesday's trading as most stocks continued to suffer losses.
- The benchmark NSE 20 Share Index closed at 1,794.6 points, a level last seen on April 28, 2003.
- The performance has pushed the current bear market to five-and-a-half years, with the index falling 67.3% from the peak of 5,491.3 points recorded on February 2, 2015.
- The latest market sell-off was triggered by the economic uncertainties caused by the Covid-19 pandemic, deepening investors' paper losses which stand at KES.576.4Bn since the start of the year as measured by the entire stock market capitalisation.
- The market shed KES.22.3Bn in yesterday's trading alone to close at KES.1.96Tn compared to KES.1.98Tn on Monday. Stock market data shows that stocks of large, blue-chip firms are among the most battered.
- Since the year begun, Nation Media Group, Bamburi Cement and Nairobi Securities Exchange (the bourse operator) have seen their stocks drop the most by 73.1%, 67.1% and 44.9% to trade at KES.10.1, KES.28 and KES.6.7 respectively.
- Safaricom, the largest company on the bourse, has also shed 14.7% over the same period to close at KES.26.4 in yesterday's trading session.

Our View:

- **We expect the downward trend to continue for the remaining part of the year on account of, flight of capital to developed markets and fixed income securities as well as poor corporate earnings for this financial year.**
- The pandemic and measures taken to control its spread are set to hurt economic growth in the short term, raising the prospect of reduced corporate earnings and dividend cuts.
- The latest projection from the International Monetary Fund (IMF) places the country's real GDP growth at 1% this year.
- Some listed firms have already issued profit warnings, their earnings falling by 25% or more in their current financial year, citing depressed demand and restrictions on travel and social activities, among other factors.
- Other firms such as East African Breweries Limited (EABL) have suspended dividends. The brewer reported a 39% drop in net earnings to KES.7Bn in the year ended June after sales fell due to closure of bars and restriction of travel in Kenya and Uganda