

Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	30.71	15.00	104.7%	BUY
Equity bank	43.67	44.50	-1.9%	HOLD
KCB bank	47.26	35.20	34.3%	BUY
Co-op bank	20.46	13.70	49.3%	BUY
ABSA bank	12.89	14.15	-8.9%	HOLD
StanChart bank	138.26	211.25	-34.6%	SELL
NCBA bank	40.68	44.15	-7.9%	HOLD
I&M bank	33.32	23.45	42.1%	BUY
Stanbic bank	108.85	118.50	-8.1%	HOLD
DTB bank	116.13	49.50	134.6%	BUY
EABL	151.28	164.25	-7.9%	HOLD
Bamburi Cement	44.37	58.25	-23.8%	SELL
BAT Kenya	460.00	349.50	31.6%	BUY

Kenya Market Summary

Equity market commentary and outlook

- During the week, the NASI sustained a four-day climbing streak. Kenya Power touched a three-week low on weakened local demand. EABL and Centum Investments both touched a fourteen-month high on increased local demand. Foreign investors remained net buyers successively for the fourth week at USD 1.0m (KES 134.1m). Safaricom registered the highest net foreign inflows at USD 1.0m (KES 130.2 m), while Jubilee Insurance recorded the highest net foreign outflows at USD 0.1m (KES 15.9 m).

Debt market commentary and outlook

- Overall subscription rates climbed to 224.8% from 87.2% the preceding week. Investors remained skewed on the 91-Day T-Bill and activity rose for all three T-Bills. The yield on all three T-Bills fell, with the 91-Day T-Bill sustaining an eleven-week losing streak and the 182-Day T-Bill and the 364-Day T-Bill falling repeatedly for the tenth week.

Key Market Indicators

Index	Level	1w	1m	3m	6m	12m	ytd (%)
Kenya NSE 20 Index	1,773.0	6.8%	5.0%	17.1%	22.8%	15.5%	18.1%
Kenya NASI	108.3	3.5%	1.6%	16.7%	26.3%	5.1%	17.6%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	1.0%	1.4%	-3.5%	-2.7%	38.8%	6.5%
Johannesburg Index	-3.7%	12.5%	2.4%	10.9%	8.0%	-11.9%
Nigeria Stock Exchange	1.6%	-1.6%	-8.5%	-20.7%	-4.5%	5.5%
Ghana Stock Exchange	-0.9%	0.4%	7.8%	-0.8%	-3.7%	2.6%
Egyptian Stock Exchange	1.4%	1.0%	8.4%	-1.8%	-6.7%	-19.2%
MSCI EFM ex SA Index	-1.4%	0.8%	1.0%	0.3%	9.4%	38.4%

Other market statistics

Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	128.95	-0.1%	0.2%	-0.5%	1.3%	14.3%	5.4%
USD/ZAR	17.49	-2.1%	4.3%	1.9%	2.9%	3.2%	-4.9%
USD/EGP	48.34	0.0%	0.2%	-0.9%	-1.3%	-35.0%	0.3%
USD/NGN	1624.31	2.8%	-3.6%	-5.1%	-18.2%	-39.2%	20.1%
USD/GHS	15.85	-0.5%	-0.6%	-1.8%	-13.2%	-12.4%	2.2%

NSE most active counters

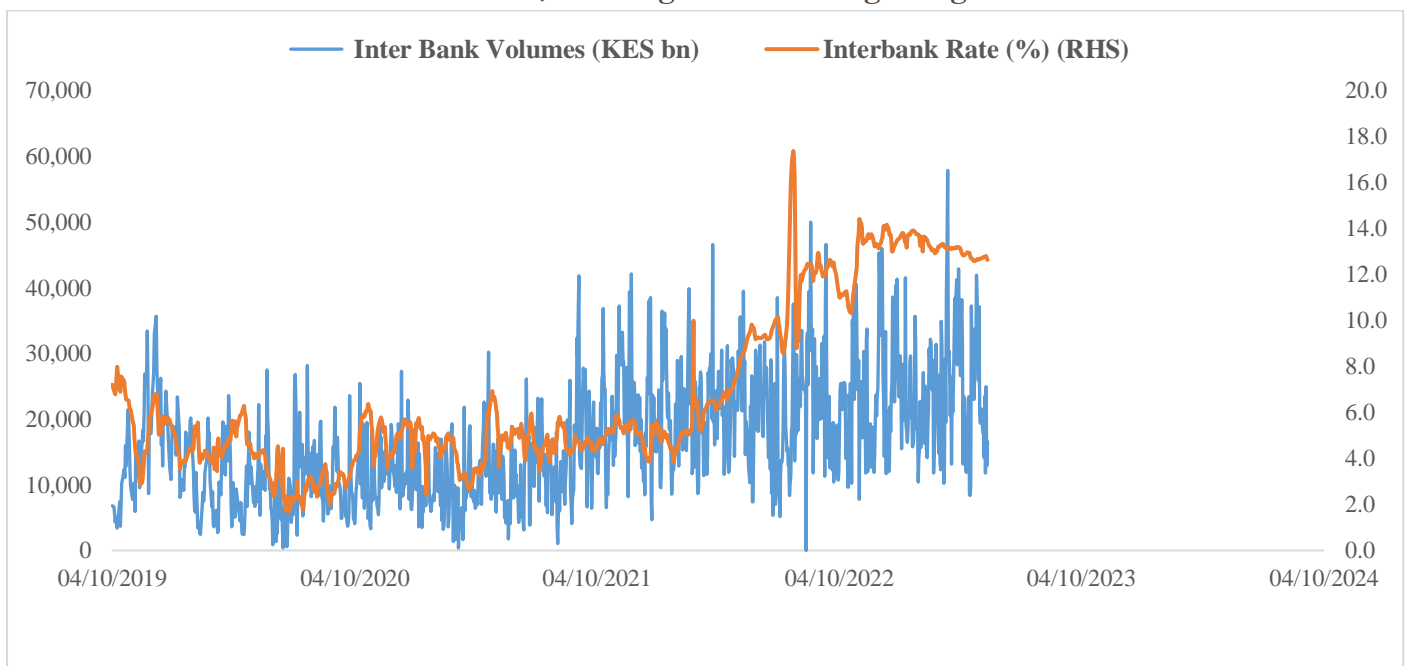
Counter	Value Traded (KES m)	Foreign Investor Net Buying/(Selling) (KES m)	Foreign Investor Activity as % of total	Weekly Price Change (%)	YTD (%)	% Below 12-month high	% Above 12-month low
Safaricom	557	130.2	60.5%	-0.3%	7.9%	-22.3%	28.8%
Equity Bank	155.0	-3.0	53.2%	2.4%	32.2%	-9.6%	32.2%
KCB Bank	153.5	5.6	6.4%	0.6%	60.7%	-7.2%	123.5%
EABL	28.1	17.2	67.3%	5.3%	44.1%	-0.2%	64.3%
Jubilee Insurance	17.0	-15.9	47.9%	-5.2%	-11.9%	-18.5%	8.7%

Q2 GDP 2024 Growth Outlook

- Real GDP growth stood at 4.6% in 2Q24 versus 5.6% in registered in Q223. The slower growth rate was driven by the reduced activity in the construction sector, which contracted by 2.9% y/y compared to a growth rate of 2.7% in Q2 2023 on account of higher input costs and subdued demand. The mining & quarrying sectors also declined by 2.7% - we highlight that operating mining licenses in some instances had been revoked, and renewals sought, which dampened mining activities.
- Key growth sectors were;
 - Accommodation and food services (26.6%)
 - Information and Communication (7.2%)
 - Professional, administrative and support services (6.8%)
 - Real Estate (6.0%)
 - Financial and insurance services (5.1%)
 - Agriculture, forestry and fishing (4.8%)
 - Wholesale and retail (4.4%)
- Analysts view:** Business sentiments remain weak, further worsened by the rising political activities. Purchasing Managers Index (PMI) by Stanbic Bank indicated that the index had dropped slightly below 50%, signaling reduced private sector activity. In our view then, owing to below CBK target inflation print of 3.6%, lower GDP growth numbers of 4.6%, and fairly stable KES, we think the Monetary Policy Committee (MPC) scope for monetary policy easing widens further. We forecast a 75bps -100bps cut in the Central Bank Rate (CBR) next week during the MPC meeting on 8th October.

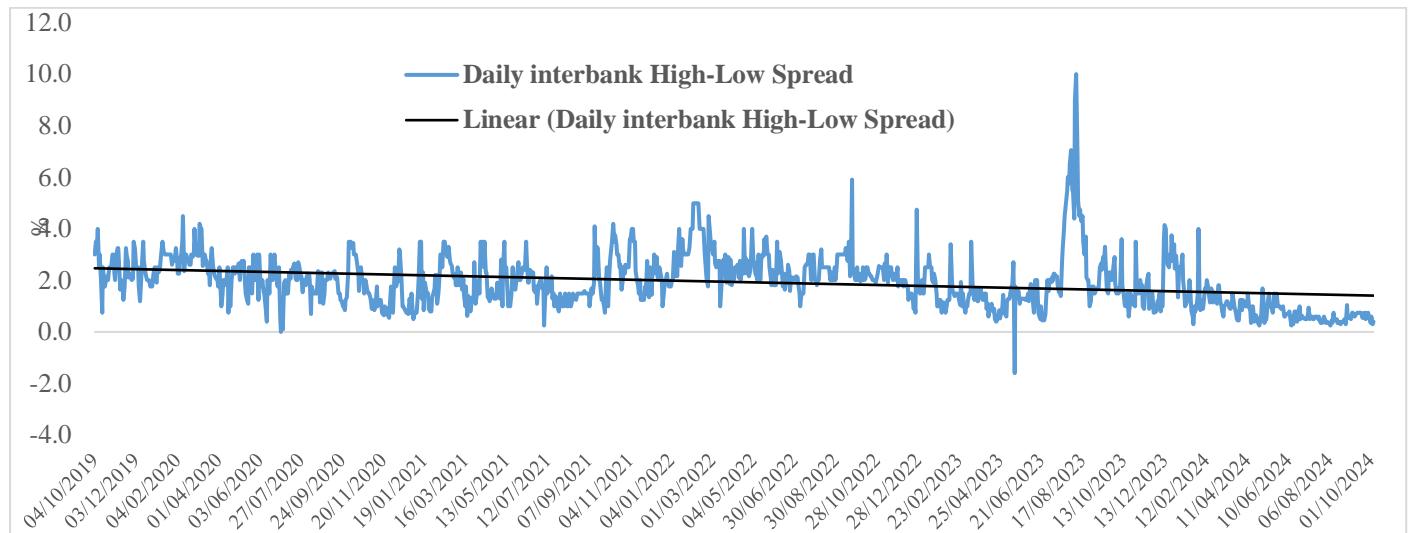
Key Rates and Spreads

Inter-bank Rates decline week on week, breaking a three-week gaining streak.



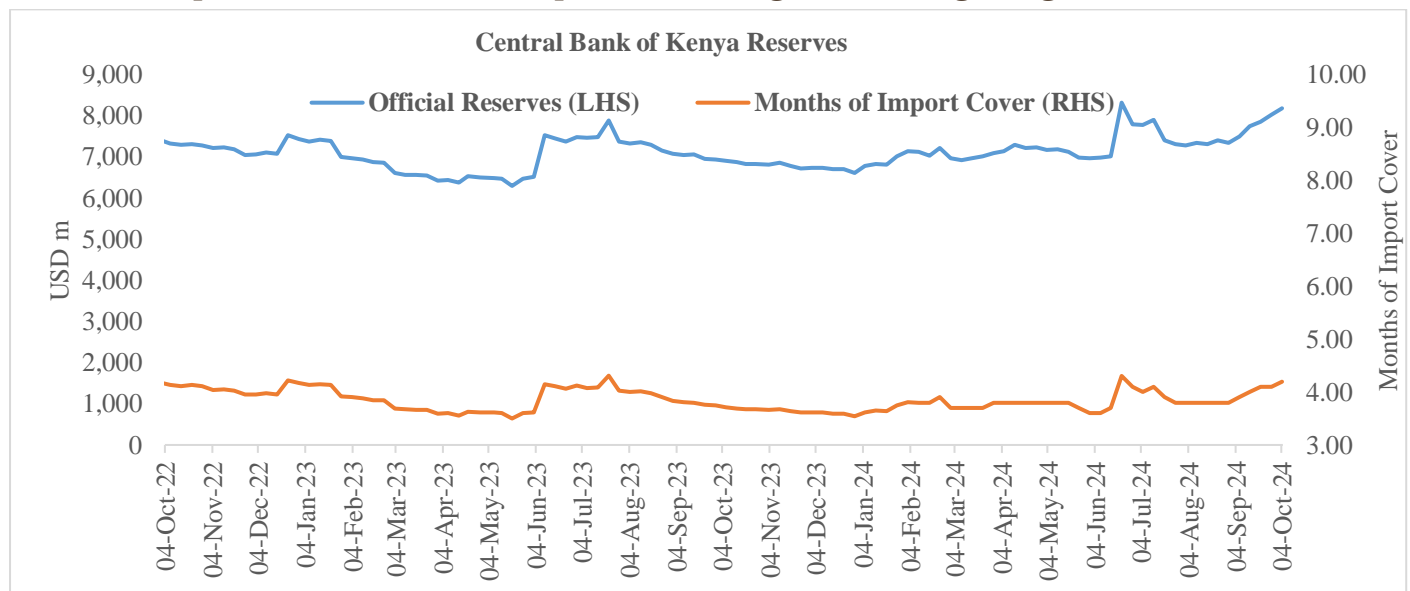
Source: CBK

Interbank spreads narrow from the previous week.



Source: CBK

Months of import cover and CBK FX improve, sustaining a five-week gaining streak.



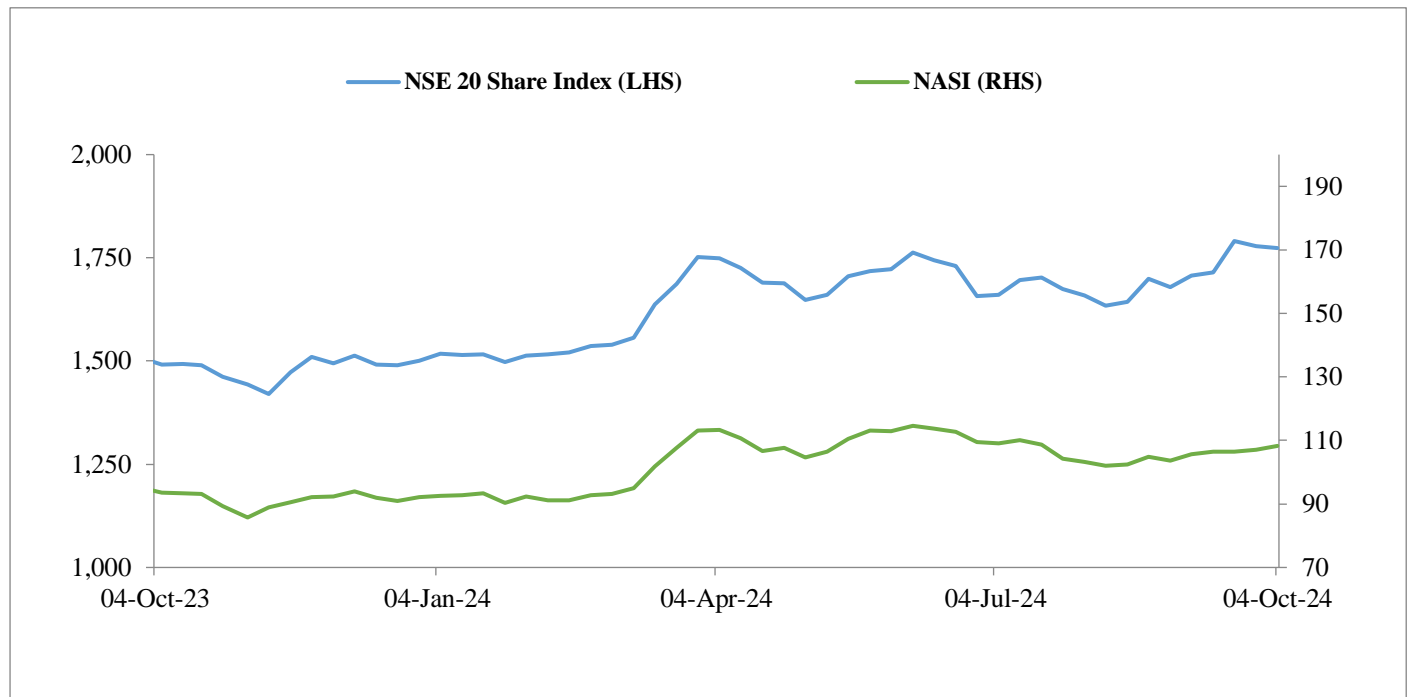
Source: CBK

Equity market trading commentary

Market turnover declined for the second week straight by 3.3%, to settle at USD 7.8m (KES 1.0 bn). The NASI climbed by 1.1% to halt at 108.31, sustaining a five-week gaining streak. The NSE-20 retreated by 0.3% to conclude at 1772.99, maintaining a two-week losing streak. Foreign investors remained net buyers successively for the fourth week at USD 1.0m (KES 134.1m). Safaricom registered the highest net foreign inflows at USD 1.0m (KES 130.2 m), while Jubilee Insurance recorded the highest net foreign outflows at USD 0.1m (KES 15.9 m).

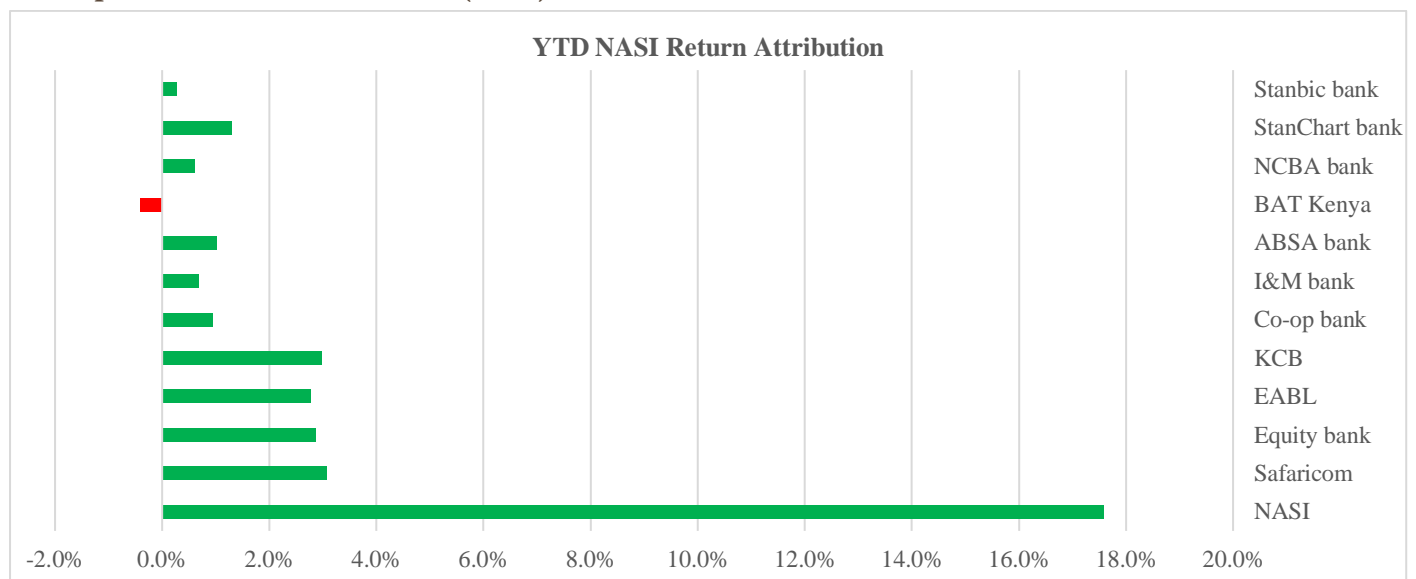
During the week, the NASI sustained a four-day climbing streak. Kenya Power touched a three-week low on weakened local demand. EABL and Centum Investments both touched a fourteen-month high on increased local demand.

Market performance over the past 12 months



Source: NSE

NASI performance: Year-to-date (YTD) Return Attribution



Source: Kestrel Research

Debt market trading commentary

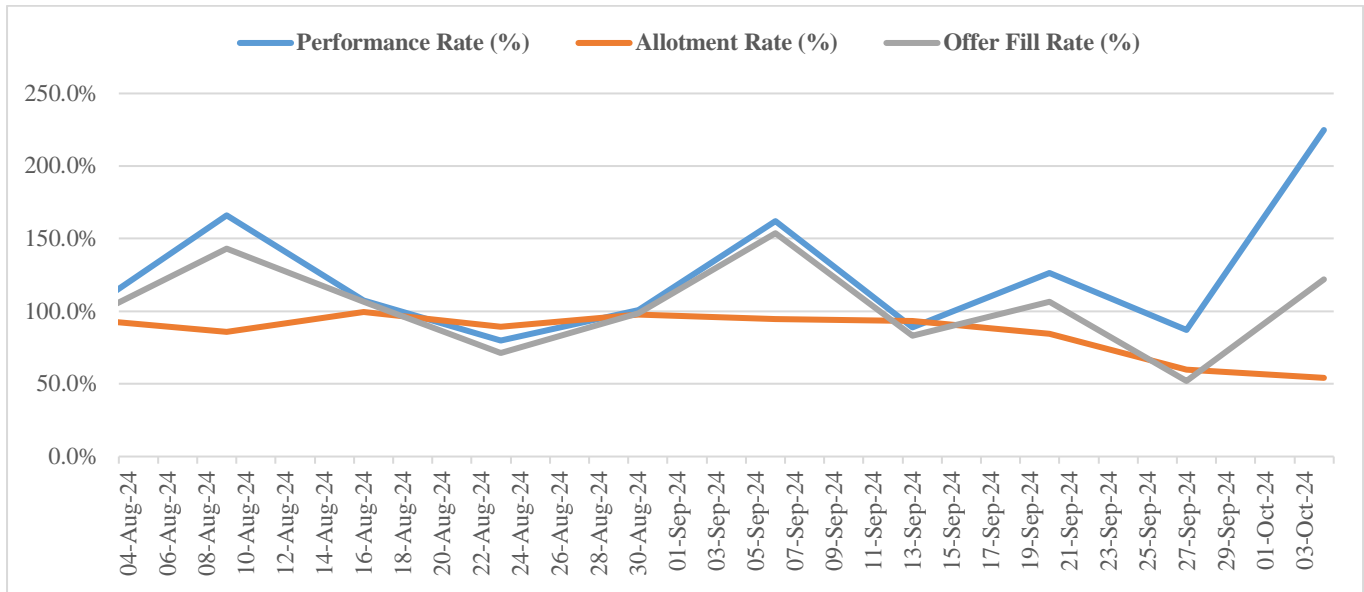
Total subscription rates climbed to 224.8% from 87.2% the preceding week. Investors remained skewed on the 91-Day T-Bill and activity rose for all three T-Bills. The yield on all three T-Bills fell, with the 91-Day T-Bill sustaining an eleven-week losing streak and the 182-Day T-Bill and the 364-Day T-Bill falling repeatedly for the tenth week.

The CBK also offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 17.4bn for the 91-Day T-Bill, implying a subscription rate of 433.98%. It accepted bids worth KES 12.5 bn at an average yield of 15.500% (-8.9 bps w/w).

The 182-Day T-Bill received bids worth KES 20.2 bn, implying a performance rate of 202.11%. It accepted bids worth KES 7.2 bn at an average yield of 16.589% (-2.7 bps w/w).

The 364-Day T-Bill received bids worth KES 16.4 bn, implying a performance rate of 163.95%. It accepted bids worth KES 9.5 bn at an average yield of 16.729% (-7.1 bps w/w).

T-Bills Performance rates improve from the previous week



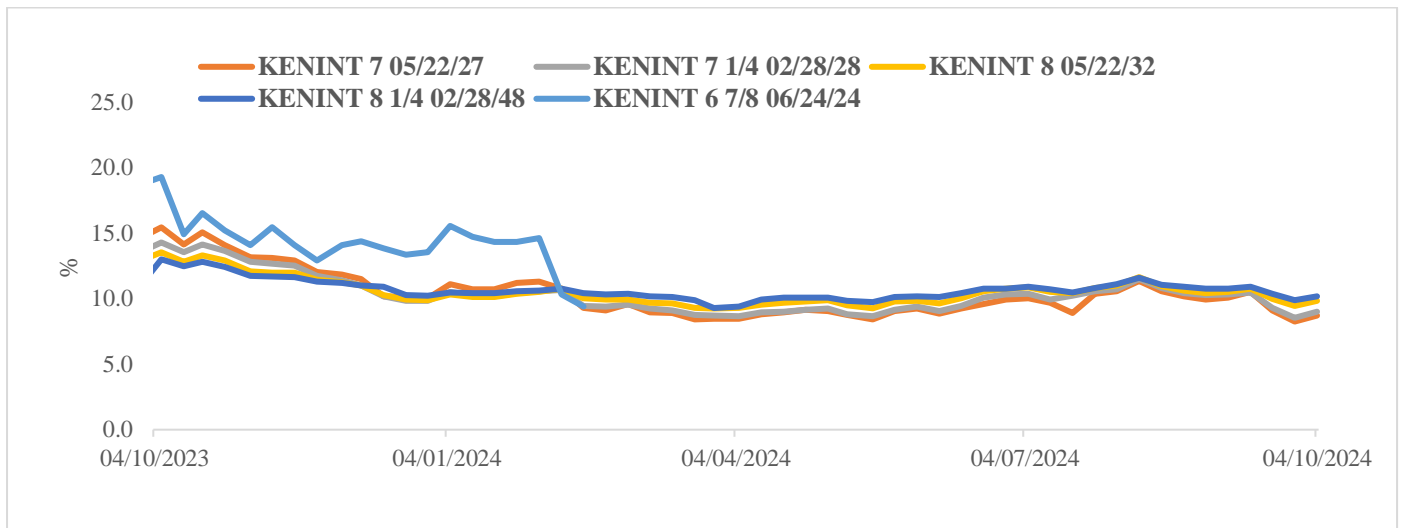
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields improve across all tenors after a two-week decline.



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year end	12 M High	12 M Low	Price	YTD %	Market ¹ cap (USD m)	Weighting	EPS	DPS	NAV	P/E ratio x	Div yld %	P/B ratio x	ROE %	Daily Trading ¹ vol (USD)
Safaricom	Telecom	Mar	19.30	11.65	15.00	7.9	4,652	35.3%	1.06	1.20	4.7	14.1	8.0	3.2	22.7	775,750
Equity Bank	Banking	Dec	49.20	33.65	44.50	32.2	1,300	9.9%	11.94	-	48.7	3.7	-	0.9	24.5	290,133
EA Breweries	Breweries	Jun	95.00	67.00	22.20	44.1	1,005	7.6%	11.38	6.00	27.1	14.4	3.7	6.1	42.0	120,497
Co-op Bank	Banking	Dec	15.05	10.20	13.70	20.2	622	4.7%	4.10	-	18.4	3.3	-	0.7	22.2	70,226
NCBA Bank	Banking	Dec	45.20	35.00	44.15	13.4	563	4.3%	13.31	1.50	53.7	3.3	3.4	0.8	24.8	31,574
Absa Bank	Banking	Dec	14.50	10.75	14.15	23.6	595	4.5%	3.46	0.20	12.0	4.1	1.4	1.2	28.7	50,705
KCB Bank	Banking	Dec	37.95	15.75	35.20	60.7	876	6.6%	13.30	1.50	68.1	2.6	4.3	0.5	19.5	247,320
StanChart Bank	Banking	Dec	212.00	150.50	211.25	30.4	618	4.7%	18.36	8.00	158.0	11.5	3.8	1.3	11.6	40,545
Stanbic Bank	Banking	Dec	130.00	100.25	118.50	9.0	363	2.7%	31.16	1.84	140.8	3.8	1.6	0.8	22.1	24,240
BAT Kenya	Tobacco	Dec	95.00	67.00	349.50	-14.2	271	2.1%	48.82	5.00	163.8	7.2	1.4	2.1	29.8	63,780
BK Group	Banking	Dec	37.00	30.15	33.50	-6.4	233	1.8%	11.45	3.28	46.8	2.9	9.8	0.7	24.5	49,692
I&M Holdings	Banking	Dec	34.24	16.75	23.45	34.0	300	2.3%	8.13	-	47.8	2.9	-	0.5	17.0	29,191
Umeme Ltd.	Power	Dec	4.11	4.00	16.50	3.1	207	1.6%	0.26	0.92	22.0	63.1	5.6	0.8	1.2	5,410
Kenya Airways	Airlines	Dec	3.83	3.83	3.83	0.0	168	1.3%	2.63	-	(14.7)	1.5	-	-	-	-
Bamburi Cement	Cement	Dec	5.55	5.55	58.25	62.5	164	1.2%	(0.28)	5.47	82.1	-	98.6	0.1	(0.3)	123,075
KenGen	Power	Jun	3.24	1.96	2.99	48.8	153	1.2%	0.49	-	41.6	6.1	-	0.1	1.2	17,956
Jubilee Insurance	Insurance	Dec	6.38	4.15	2.07	-11.9	91	0.7%	67.32	2.00	613.8	2.4	1.2	0.3	11.0	9,503
DTB Bank	Banking	Dec	55.75	43.25	49.50	9.9	107	0.8%	25.83	-	256.8	1.9	-	0.2	10.1	12,760
Britam	Insurance	Dec	6.38	4.15	6.02	25.7	118	0.9%	1.45	-	9.2	4.2	-	0.7	15.6	1,606
Total Oil	Oil	Dec	3.77	1.35	21.20	17.8	103	0.8%	5.12	-	48.0	4.1	-	0.4	10.7	893
Kakuzi	Agric	Dec	439.75	353.50	439.75	14.2	67	0.5%	34.98	-	303.5	12.6	-	1.4	11.5	1,246
CIC Insurance	Insurance	Dec	6.38	4.15	6.02	-7.6	42	0.3%	0.55	-	3.3	3.7	-	0.6	16.9	1,335
Centum Investment	Finance	Mar	9.90	7.88	9.90	17.9	51	0.4%	(8.95)	0.32	55.8	-	3.2	0.2	(16.1)	13,427
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	41	0.3%	(7.77)	-	19.8	-	-	0.3	(39.2)	-
Crown Paints	Manufac.	Dec	82.00	22.50	58.25	-16.0	33	0.3%	(0.47)	4.00	24.1	-	6.9	2.4	(2.0)	123,075
Kenya Re	Insurance	Dec	2.87	1.04	1.20	-36.2	26	0.2%	1.78	-	13.4	0.7	-	0.1	13.2	13,865
Sasini Tea & Coffee	Agric	Sept	24.00	16.75	17.00	-15.0	30	0.2%	3.11	1.00	61.7	5.5	5.9	0.3	5.0	667
Carbacid	Gases	July	24.10	14.55	22.20	48.0	44	0.3%	4.01	-	13.6	5.5	-	1.6	12.6	5,187
Nation Media	Media	Dec	22.00	14.30	14.70	-26.7	22	0.2%	(5.09)	-	43.1	-	-	0.3	(11.8)	685
Kenya Power	Power	Jun	3.77	1.35	3.01	112.0	45	0.3%	(0.89)	-	29.1	-	-	0.1	(3.0)	28,948
TPSEA Serena	Tourism	Dec	20.05	11.00	15.00	-8.8	21	0.2%	8.08	-	33.3	1.9	-	0.5	24.3	316
Liberty K. Holdings	Insurance	Dec	200.00	150.00	1.20	49.1	23	0.2%	2.04	-	15.9	2.7	-	0.3	12.8	177
BOC Kenya	Gases	Dec	95.00	67.00	79.75	-2.7	12	0.1%	10.73	2.50	85.1	7.4	3.1	0.9	12.6	2,492
NSE	Finance	Dec	6.62	5.44	5.92	-1.7	12	0.1%	0.21	-	7.1	28.1	-	0.8	3.0	932
Housing Finance	Banking	Dec	4.79	3.25	4.03	15.8	12	0.1%	1.23	-	20.5	3.3	-	0.2	6.0	69
Unga Ltd	Food	Jun	1.53	1.00	0.27	-2.1	10	0.1%	(18.92)	-	58.3	-	-	0.3	(32.4)	145
Sanlam Kenya	Insurance	Dec	2.87	1.04	5.50	9.3	7	0.1%	2.27	-	3.9	2.9	-	1.7	58.6	1,335
Car & Gen	Motors	Sept	30.40	18.85	21.00	-16.0	7	0.0%	(7.68)	-	135.8	-	-	0.2	(5.7)	81
Limuru Tea	Agric	Dec	380.00	365.00	365.00	-3.9	7	0.1%	0.11	-	80.9	3,208.8	-	4.5	0.1	46
WPP Scangroup	Media	Dec	2.64	1.90	2.33	6.9	8	0.1%	0.06	-	11.9	36.7	-	0.2	0.5	722
EA Portland	Cement	Jun	82.00	22.50	0.99	478.1	32	0.2%	(14.13)	-	239.8	-	-	0.0	(5.9)	626
Standard Newspapers	Media	Dec	8.70	5.10	6.04	-22.0	4	0.0%	(10.05)	-	0.4	-	-	13.7	(2,284)	16
Longhorn	Publishing	Jun	2.7	2.02	2.45	1.7	5	0.0%	(2.45)	-	2.8	-	-	0.9	(88.1)	93
TransCentury	Finance	Dec	9.90	7.88	2.96	-21.2	1	0.0%	(6.72)	-	(9.5)	-	-	-	-	523
Average												13.5	5.4	2.1	20.6	2,172,697

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Kestrel Capital E.A. Ltd.

Orbit Place, 1st Floor
Westlands Road

Tel: +254 20 2251758

research@kestrelcapital.com
www.kestrelcapital.com

Bloomberg: KEST <GO>

Equity Sales & Trading

Sally Kotut
sallyk@kestrelcapital.com

Chris Miriti
chrism@kestrelcapital.com

Amanda Onyango
amandao@kestrelcapital.com

Research

Ephantus Maina
ephantusm@kestrelcapital.com

Millicent Nyuguto
millicentn@kestrelcapital.com

Fixed Income Sales & Trading

Alexander Muiruri
alexanderm@kestrelcapital.com

Edwin Muthaura
edwinm@kestrelcapital.com

CEO & Executive Director

Francis Mwangi, CFA
francism@kestrelcapital.com