

## Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	31.11	11.65	167.0%	BUY
Equity bank	43.67	37.00	17.7%	BUY
KCB bank	47.26	16.35	189.1%	BUY
Co-op bank	20.46	11.35	80.3%	BUY
ABSA bank	12.89	11.45	12.6%	HOLD
StanChart bank	138.26	155.75	-11.2%	HOLD
NCBA bank	40.68	37.15	9.5%	HOLD
I&M bank	33.32	17.30	92.6%	BUY
Stanbic bank	108.85	105.00	3.7%	HOLD
DTB bank	116.13	44.95	158.4%	BUY
EABL	164.58	126.00	30.6%	BUY
Bamburi Cement	51.96	22.95	126.4%	BUY
BAT Kenya	544.27	414.75	31.2%	BUY

\*banks' fair values have been updated

## Kenya Weekly Commentary

### Kenya Market Summary

#### Equity market commentary and outlook

- During the week, Safaricom traded down to a 12-month low on account of continued foreign investors' sell-off. KCB bank touched a 12-month low on the back of local investors' sell-off. Similarly, BAT Kenya touched a 5-month low driven by local selling.

#### Debt market commentary and outlook

- Overall subscription rates rose to 102.8%, up from 75.6% last week, from a 5-weeks low. Investors remained biased on 91-Day T-Bill, but were comparably weak on the 182-Day T-Bill and 364-Day T-Bill for the fifteenth successive week. The yield on the 91-Day T-Bill notched up for the twenty-seventh straight week; the yield on the 182-Day T-Bill edged up for the eleventh consecutive week and the yield on the 364-Day T-Bill trended up for the fifth consecutive week.

### Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,443.4	-1.3%	-3.2%	-8.5%	-5.9%	-13.9%	-13.9%
Kenya NASI Return	85.7	-4.1%	-8.3%	-18.6%	-16.8%	-32.8%	-32.7%

Source: NSE, Kestrel Research

### NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	-4.5%	-7.5%	-19.6%	-24.9%	-43.8%	-42.4%
Johannesburg Index	-0.2%	-3.7%	-17.3%	-13.7%	0.4%	-13.9%
Nigeria Stock Exchange	-0.4%	-3.1%	-1.9%	-27.0%	-16.5%	-25.4%
Ghana Stock Exchange	-0.7%	-4.0%	0.9%	13.1%	49.7%	8.9%
Egyptian Stock Exchange	-41.2%	-37.0%	-26.7%	-28.6%	-14.0%	-30.2%
MSCI EFM ex SA Index	-1.0%	-0.5%	-2.0%	0.2%	0.8%	-3.8%

**Other market statistics**

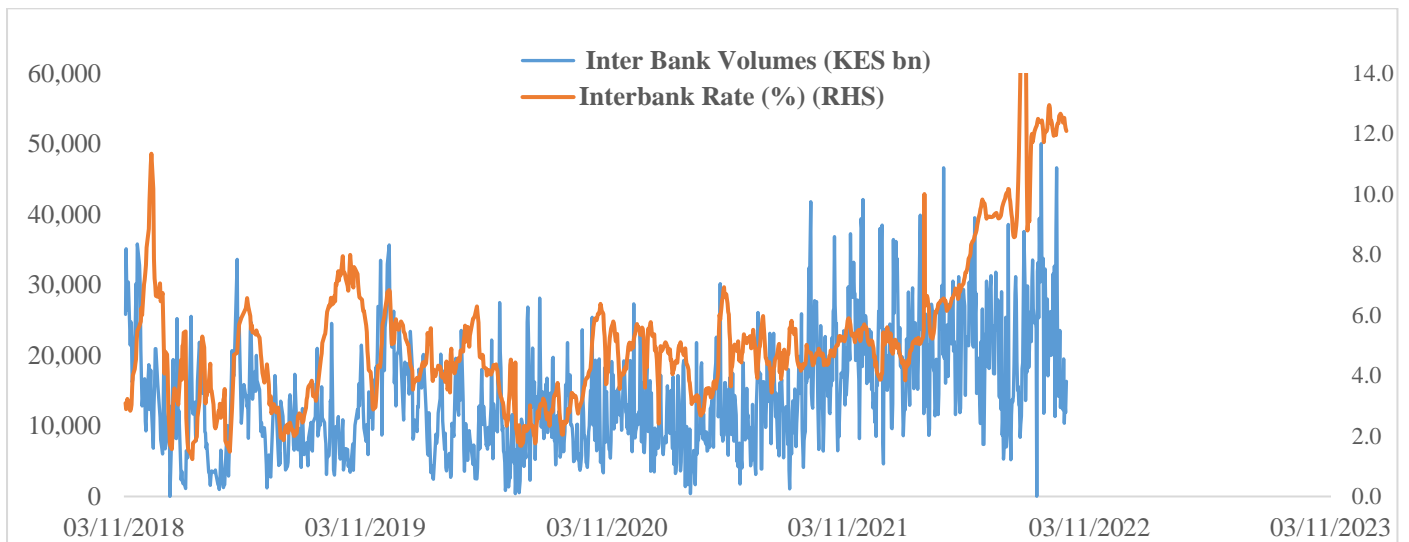
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	150.5	-0.3%	-1.5%	-5.4%	-9.6%	-19.3%	-18.0%
USD/ZAR	18.8	0.9%	0.4%	-6.4%	-2.9%	-4.1%	-9.6%
USD/EGP	30.9	0.0%	0.0%	0.0%	0.0%	-25.3%	-19.9%
USD/NGN	809.8	0.0%	-4.2%	-4.9%	-43.0%	-45.4%	-43.1%
USD/GHS	11.9	-0.2%	-2.7%	-4.3%	-0.9%	17.8%	-14.5%

**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	301.9	-45.6	66.9%	-6.8%	-51.8%	-54.3%	0.0%
KCB bank	116.7	39.1	48.0%	-13.3%	-57.1%	-58.7%	0.0%
Equity bank	111.0	-11.0	63.4%	-2.4%	-16.6%	-21.0%	4.4%
EABL	19.8	-16.6	42.5%	-1.9%	-24.8%	-32.6%	4.8%
KenGen	17.8	-8.6	48.2%	0.0%	-28.9%	-31.0%	7.0%

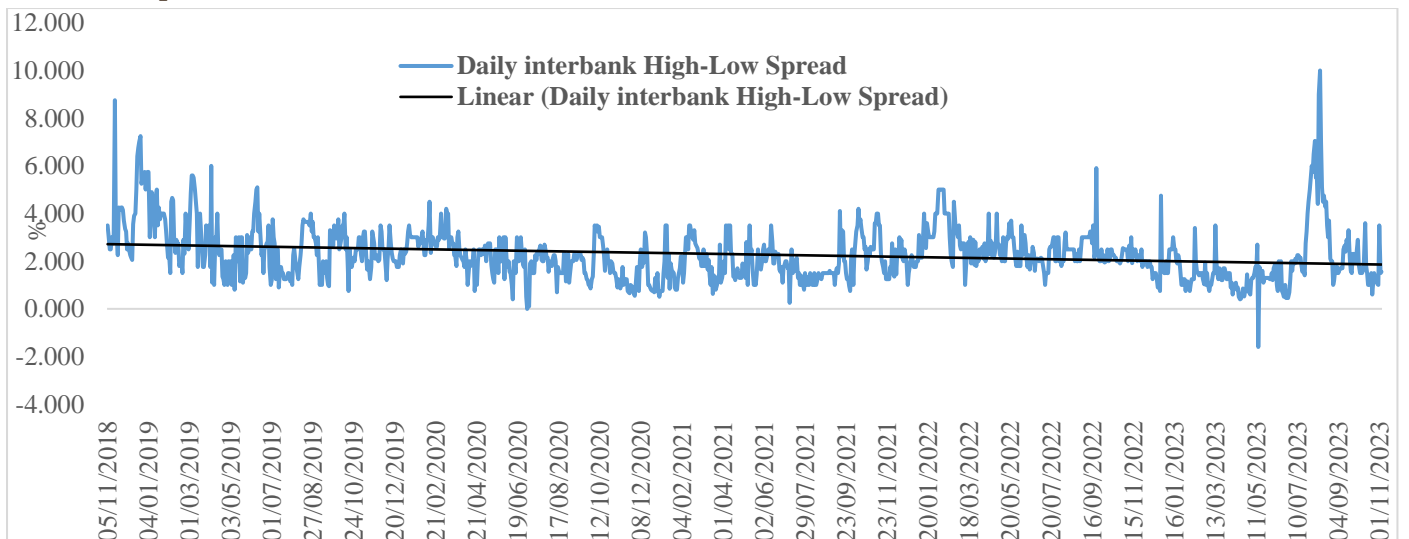
**Key Rates and Spreads**

**Inter-bank rates decrease for the second successive week**



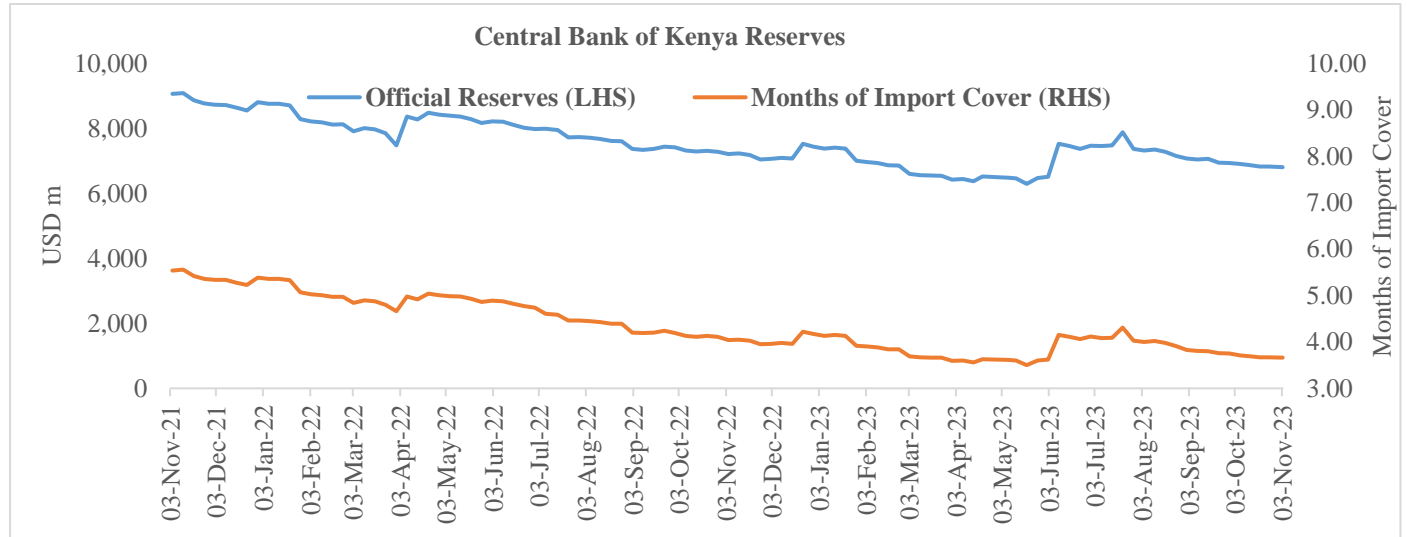
Source: CBK

**Inter-bank spreads widen week-on-week**



Source: CBK

Months of import cover & CBK FX reserves decline week-on-week



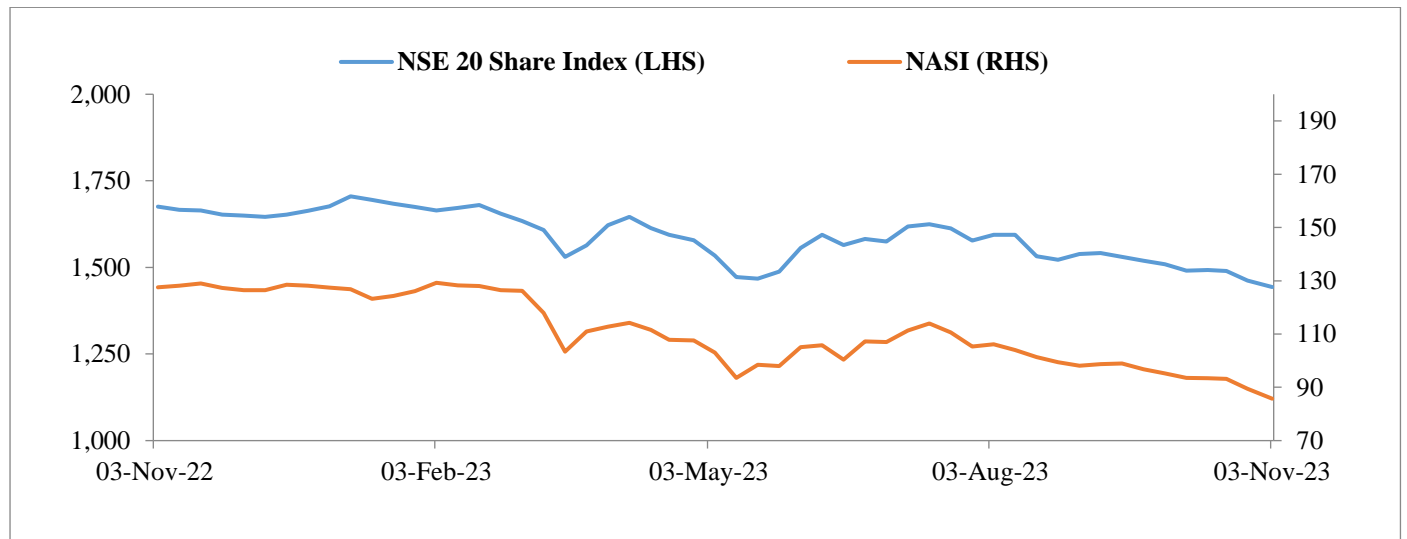
Source: CBK

Equity market trading commentary

Market turnover fell by 62.8% w/w to stand at USD 4.1m (KES 0.6bn). For the seventh successive week, the NASI lost 4.1% w/w to end at 85.74 while the NSE 20 notched down 1.3% w/w to settle at 1,443.42. Foreign investors remained as net sellers at USD 0.3m (KES 45.0m) – the tenth consecutive week. Foreign investors drove trading at 56.5% of total turnover, down from 43.5% marked the previous. Safaricom (USD 0.3m, KES 45.6m) and EABL (USD 0.1m, KES 16.6m) experienced the highest net foreign outflows while KCB bank posted the highest net foreign inflows at USD 0.3m (KES 39.1m).

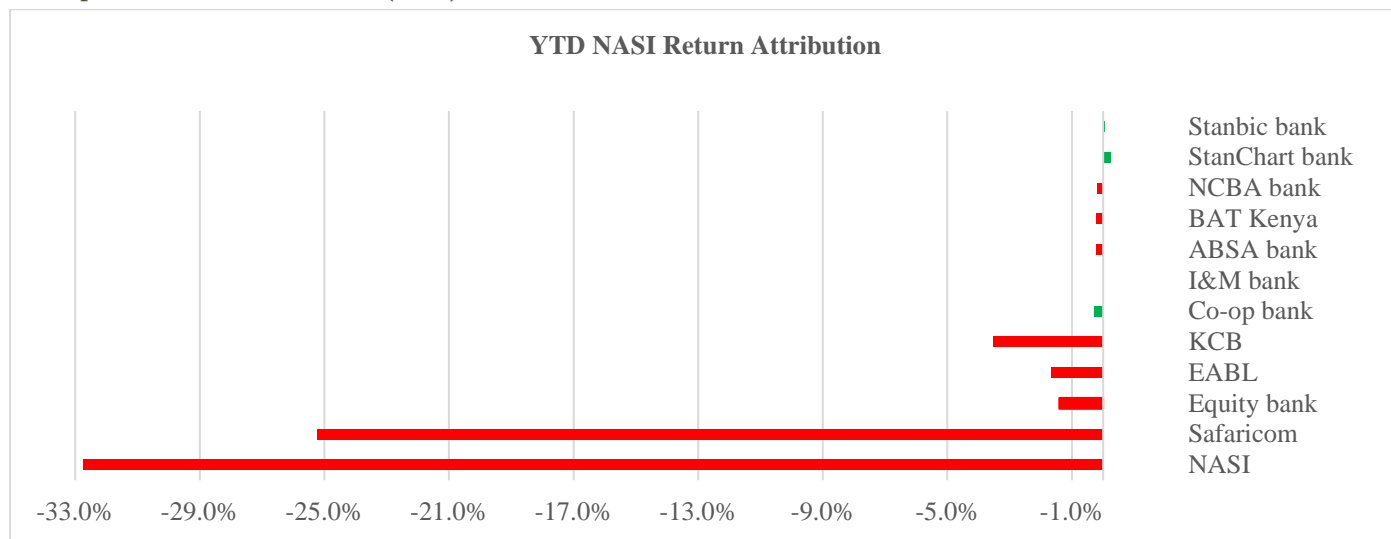
During the week, Safaricom traded down to a 12-month low on account of continued foreign investors’ sell-off. KCB bank touched a 12-month low on the back of local investors’ sell-off. Similarly, BAT Kenya touched a 5-month low driven by local selling.

Market performance over the past 12 months



Source: NSE

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



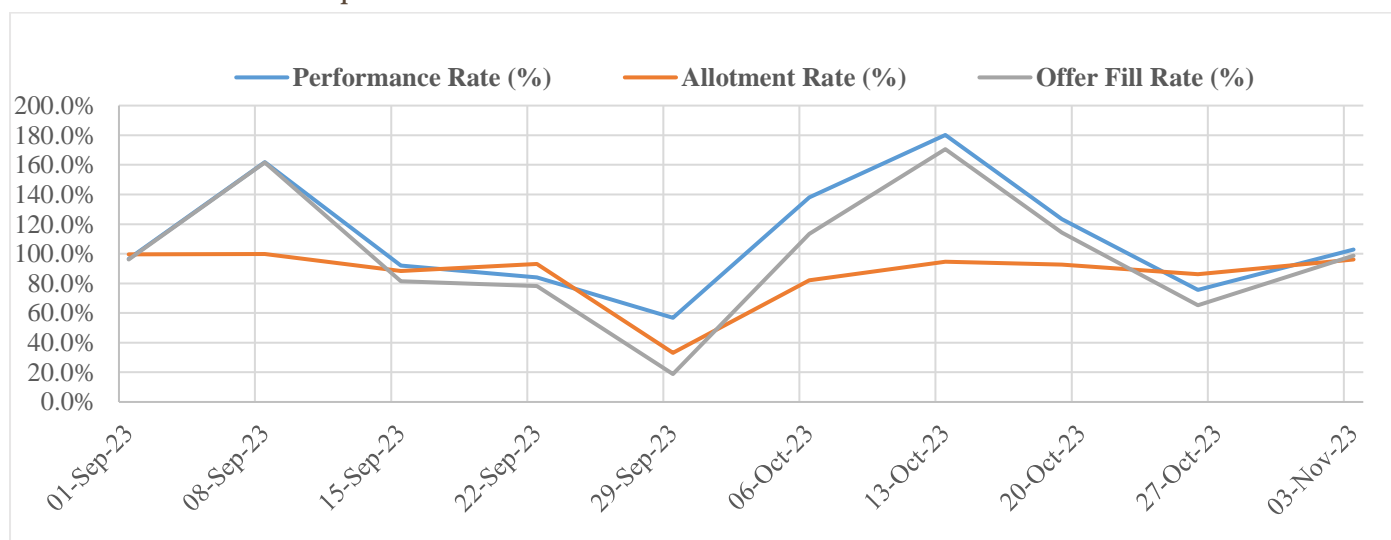
Source: Kestrel Research

**Debt market trading commentary**

Overall subscription rates rose to 102.8%, up from 75.6% last week, from a 5-weeks low. Investors remained biased on 91-Day T-Bill, but were comparably weak on the 182-Day T-Bill and 364-Day T-Bill for the fifteenth successive week. The yield on the 91-Day T-Bill notched up for the twenty-seventh straight week; the yield on the 182-Day T-Bill edged up for the eleventh consecutive week and the yield on the 364-Day T-Bill trended up for the fifth consecutive week.

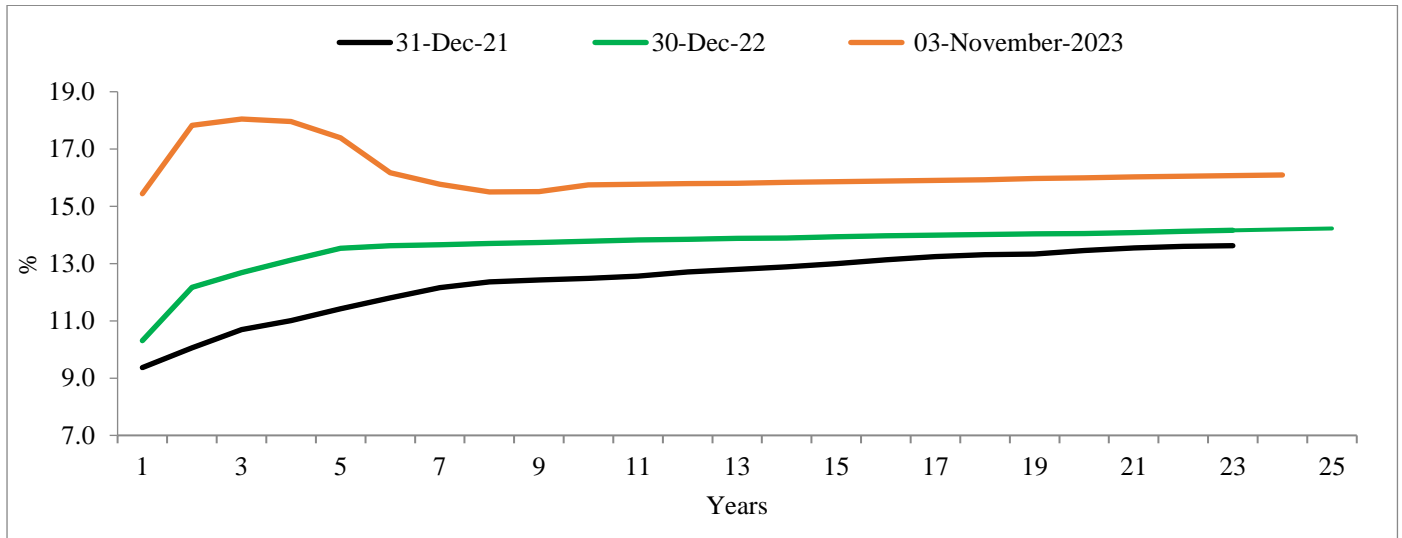
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 22.5bn for the 91-Day T-Bill, implying a subscription rate of 562.00%. It accepted bids worth KES 25.1bn at an average yield of 15.186% (+7.5bps w/w). The 182-Day T-Bill received bids worth KES 1.3bn, implying a performance rate of 12.82%. It accepted bids worth KES 1.3bn at an average yield of 15.271% (+14.3bps w/w). The 364-Day T-Bill received bids worth KES 0.9bn, implying a performance rate of 9.14%. It accepted bids worth KES 0.9bn at an average yield of 15.439% (+5.2bps w/w).

**T-Bills Performance: Overall performance rates hit a 5-weeks low**



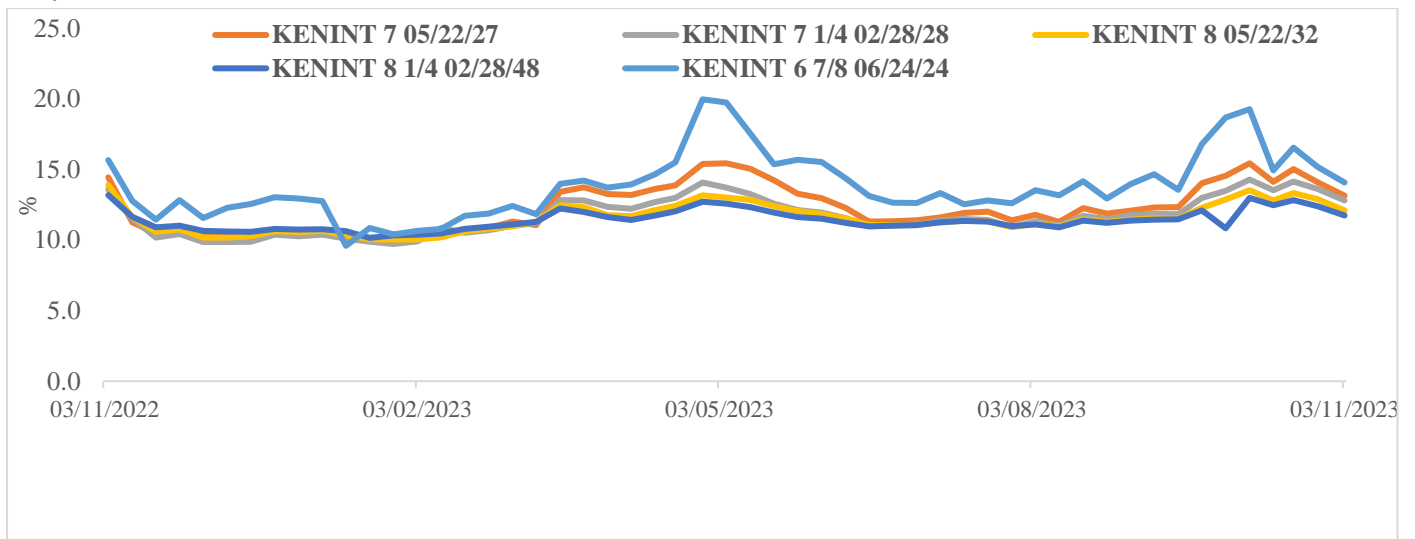
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across tenors decline for the second week in a row



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year	12-M High	12-M Low	Price	YTD	Market Cap	Weighting	EPS	DPS	NAV	P/E	Div	P/B	ROE %	Daily Trading <sup>1</sup>	
Safaricom	Telecom	Mar	25.50	11.65	11.65	-51.8	3,090	34.7%	1.55	1.20	4.7	7.5	10.3	2.5	33.2	625,225	
Equity Bank	Banking	Dec	46.95	35.55	37.10	-16.6	927	10.4%	12.35	3.00	49.3	3.0	8.1	0.8	25.1	237,279	
EA Breweries	Breweries	Jun	187.00	120.25	126.00	-24.8	660	7.4%	12.47	5.50	27.1	10.1	4.4	4.7	46.1	45,270	
Co-op Bank	Banking	Dec	13.35	11.15	11.35	-7.7	441	4.9%	3.87	1.50	18.5	2.9	13.2	0.6	21.0	41,001	
Absa Bank	Banking	Dec	12.95	10.10	11.45	-6.9	412	4.6%	2.96	1.35	12.5	3.9	11.8	0.9	23.7	64,613	
NCBA Bank	Banking	Dec	41.70	30.10	37.15	-5.6	405	4.5%	9.32	4.00	50.6	4.0	10.8	0.7	18.4	22,219	
StanChart Bank	Banking	Dec	171.00	135.25	155.75	9.1	390	4.4%	35.25	22.00	159.8	4.4	14.1	1.0	22.1	23,034	
KCB Bank	Banking	Dec	39.55	16.35	16.35	-57.1	348	3.9%	11.42	2.00	65.7	1.4	12.2	0.2	17.4	65,125	
Stanbic Bank	Banking	Dec	129.75	92.00	105.00	2.9	275	3.1%	28.62	13.75	161.8	3.7	13.1	0.6	17.7	12,222	
BAT Kenya	Tobacco	Dec	479.75	401.50	414.75	-9.8	275	3.1%	68.92	57.00	163.8	6.0	13.7	2.5	42.1	42,946	
Bank of Kigali	Banking	Dec	37.00	27.00	35.00	11.1	208	2.3%	7.66	3.28	43.7	4.6	9.4	0.8	17.5	2,416	
I&M Holdings	Banking	Dec	21.00	15.85	17.30	1.8	189	2.1%	5.47	2.25	47.7	3.2	13.0	0.4	11.5	7,574	
Umeme Ltd.	Power	Dec	17.75	6.62	13.60	83.3	146	1.6%	3.03	2.12	20.7	4.5	15.6	0.7	14.7	4,633	
Kenya Airways	Airlines	Dec	3.83	3.83	3.83	0.0	144	1.6%	(2.79)	-	(14.7)	-	-	-	-	-	
KenGen	Power	Jun	3.32	2.14	2.29	-28.9	100	1.1%	0.76	0.30	41.6	3.0	13.1	0.1	1.8	5,842	
Jubilee Insurance	Insurance	Dec	219.50	148.25	182.00	-8.4	87	1.0%	68.38	14.00	613.8	2.7	7.7	0.3	11.1	10,611	
DTB Bank	Banking	Dec	55.25	44.00	44.95	-10.1	83	0.9%	23.17	5.00	259.1	1.9	11.1	0.2	8.9	9,638	
Britam	Insurance	Dec	5.80	4.05	4.97	-4.4	83	0.9%	0.53	-	9.2	9.4	-	0.5	5.7	97,948	
Total Oil	Oil	Dec	25.10	15.95	16.60	-30.4	69	0.8%	3.88	1.31	48.0	4.3	7.9	0.3	8.1	341	
Bamburi Cement	Cement	Dec	35.00	22.55	22.95	-27.1	55	0.6%	2.15	3.58	82.1	10.7	15.6	0.3	2.6	13,454	
Kakuzi	Agric	Dec	430.00	240.00	403.00	4.7	52	0.6%	43.15	24.00	303.5	9.3	6.0	1.3	14.2	500	
CIC Insurance	Insurance	Dec	2.21	1.68	2.19	12.3	38	0.4%	0.42	0.13	3.3	5.2	5.9	0.7	12.8	1,728	
Centum Investment	Finance	Mar	9.50	7.90	8.50	1.7	37	0.4%	(8.95)	0.60	55.8	-	7.1	0.2	(16.1)	7,362	
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	35	0.4%	(7.77)	-	19.8	-	-	0.3	(39.2)	-	
Crown Paints	Manufac.	Dec	44.80	32.30	36.10	-13.7	34	0.4%	5.13	4.00	24.1	7.0	11.1	1.5	21.3	256	
Kenya Re	Insurance	Dec	2.02	1.54	1.75	-4.4	32	0.4%	1.17	0.10	13.4	1.5	5.7	0.1	8.7	2,337	
Sasini Tea & Coffee	Agric	Sept	31.40	20.00	20.45	-8.9	31	0.3%	3.82	1.00	61.7	5.4	4.9	0.3	6.2	615	
Carbacid	Gases	July	17.55	11.40	17.15	42.9	29	0.3%	2.98	0.70	13.6	5.8	4.1	1.3	21.9	2,358	
Nation Media	Media	Dec	21.00	14.15	20.00	25.4	25	0.3%	16.74	1.49	43.1	1.2	7.4	0.5	38.9	17,324	
Kenya Power	Power	Jun	1.79	1.38	1.41	-9.6	18	0.2%	(1.64)	-	29.1	-	-	0.0	(5.6)	2,977	
TPSEA Serena	Tourism	Dec	15.95	10.85	11.25	-15.7	14	0.2%	(3.47)	-	33.3	-	-	0.3	(10.4)	520	
Liberty K. Holdings	Insurance	Dec	5.68	3.45	3.73	-33.4	13	0.1%	0.15	-	15.9	24.4	-	0.2	1.0	101	
NSE	Finance	Dec	7.36	5.52	5.84	-13.9	10	0.1%	0.05	0.20	7.1	110.4	3.4	0.8	0.7	483	
Housing Finance	Banking	Dec	5.10	2.96	3.81	19.4	10	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	6,968	
BOC Kenya	Gases	Dec	90.25	65.00	75.00	6.0	10	0.1%	7.58	5.95	85.1	9.9	7.9	0.9	8.9	361	
													<b>Average</b>	<b>9.8</b>	<b>1.6</b>	<b>24.4</b>	<b>1,382,985</b>

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