

Stock Recommendation

Company	Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	33.95	28.20	20.4%	BUY
Equity bank	60.84	46.00	32.3%	BUY
KCB bank	59.61	42.40	40.6%	BUY
Co-op bank	16.15	11.50	40.4%	BUY
ABSA bank	12.47	11.20	11.3%	HOLD
StanChart bank	134.08	133.50	0.4%	HOLD
NCBA bank	33.44	24.00	39.3%	BUY
I&M bank	21.43	17.00	26.1%	BUY
Stanbic bank	94.83	99.00	-4.2%	HOLD
DTB bank	106.48	50.50	110.9%	BUY
EABL	256.11	140.00	82.9%	BUY
Bamburi Cement	89.84	35.55	152.7%	BUY
BAT Kenya	521.50	414.50	25.8%	BUY

Kenya Weekly Commentary

Kenya Market Summary

Equity market commentary and outlook

- Last week, the NASI (+8.4% w/w) hit a 1-month high as large-cap stocks extended their gains. Safaricom edged 12.6% w/w, hitting a 35-day high. Driven by foreign demand, Equity bank (+7.0% w/w) touched a 2-month high. On local buying, KCB bank (+8.7% w/w) hit a 2-month high and Co-op bank (+4.5% w/w) traded up to a 1-month high. StanChart bank (+7.7% w/w) moved up to 2-month high, as it gained towards the end of the week.

Debt market commentary and outlook

- Overall subscription rate rose to 102.5%, up from 36.7% printed in the previous week, largely driven by investor demand on the 91-Day paper. The yield on the 91-Day T-Bill sustained an upward trend, gaining for the sixth consecutive week. Halting a 12-week gaining streak, the yield on the 364-Day T-Bill notched down week-on-week.

Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,622.9	3.1%	-4.5%	-12.8%	-14.7%	-15.8%	-14.7%
Kenya NASI Return	124.9	6.6%	-3.5%	-22.1%	-24.9%	-27.0%	-24.9%
FTSE NSE Kenya 15 Return	170.1	6.4%	-2.7%	-16.6%	-18.8%	-16.9%	-18.8%
FTSE NSE Kenya 25 Return	170.3	7.1%	-3.2%	-21.0%	-22.7%	-25.8%	-22.7%
FTSE Kenya Bond Index Return	94.7	0.0%	-1.1%	-0.1%	-1.4%	-1.7%	-1.4%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	7.1%	2.3%	-17.2%	-25.2%	-30.1%	-23.1%
Johannesburg Index	0.9%	-7.9%	-19.5%	-14.8%	-13.7%	-12.9%
Nigeria Stock Exchange	-1.3%	-4.2%	6.1%	15.0%	29.9%	20.5%
Ghana Stock Exchange	-0.3%	-2.7%	-9.9%	-29.3%	-30.4%	-30.8%
Egyptian Stock Exchange	-5.4%	-15.2%	-20.1%	-39.5%	-28.5%	-39.0%
MSCI EFM ex SA Index	-0.9%	-6.7%	-13.5%	-23.0%	-20.2%	-22.2%

Other market statistics

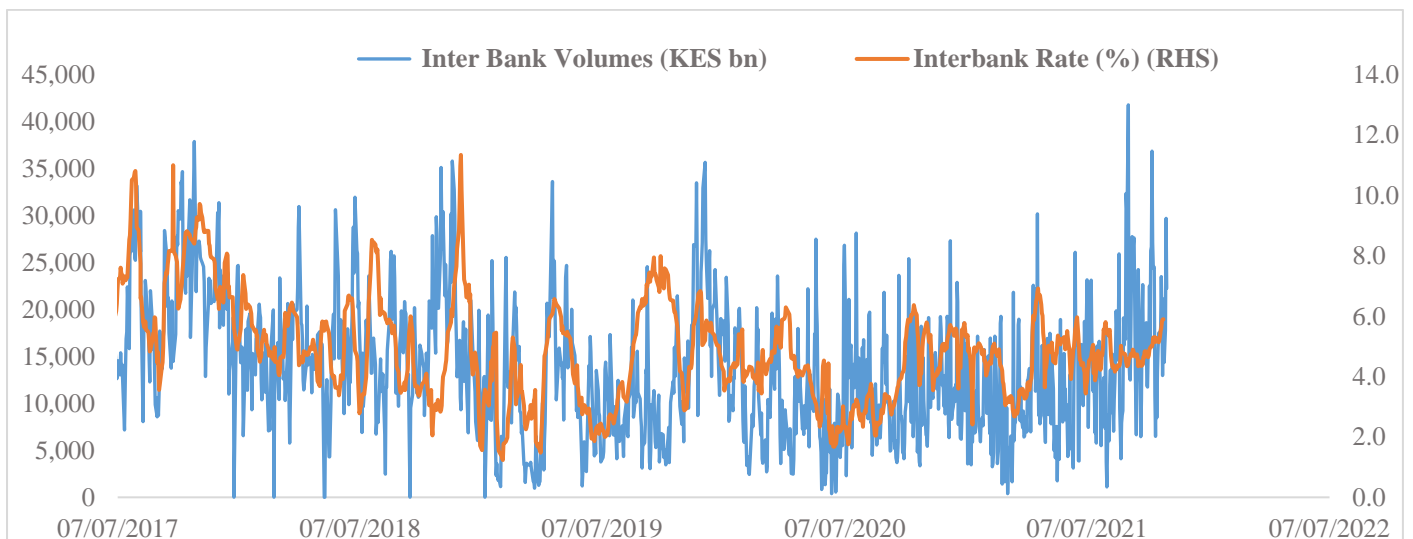
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	118.29	-0.1%	-1.0%	-2.4%	-4.3%	-8.7%	-4.4%
USD/ZAR	16.89	-2.6%	-7.6%	-13.1%	-7.6%	-15.8%	-5.6%
USD/EGP	18.86	-0.3%	-0.8%	-2.4%	-16.7%	-16.8%	-16.7%
USD/NGN	424.76	-0.8%	-1.2%	-2.1%	-2.2%	-3.1%	-0.1%
USD/GHS	8.09	-0.3%	-2.2%	-6.6%	-23.6%	-27.3%	-23.6%

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	1,337.9	-283.2	76.2%	12.6%	-25.7%	-37.3%	22.1%
Equity bank	464.3	-194.7	56.7%	7.0%	-12.8%	-15.2%	17.9%
KCB bank	407.8	-273.5	33.5%	8.7%	-6.7%	-15.0%	21.1%
Kakuzi	167.4	0.0	0.0%	-11.6%	1.3%	-11.6%	19.0%
StanChart bank	145.8	1.3	1.0%	7.7%	4.1%	-8.7%	7.9%

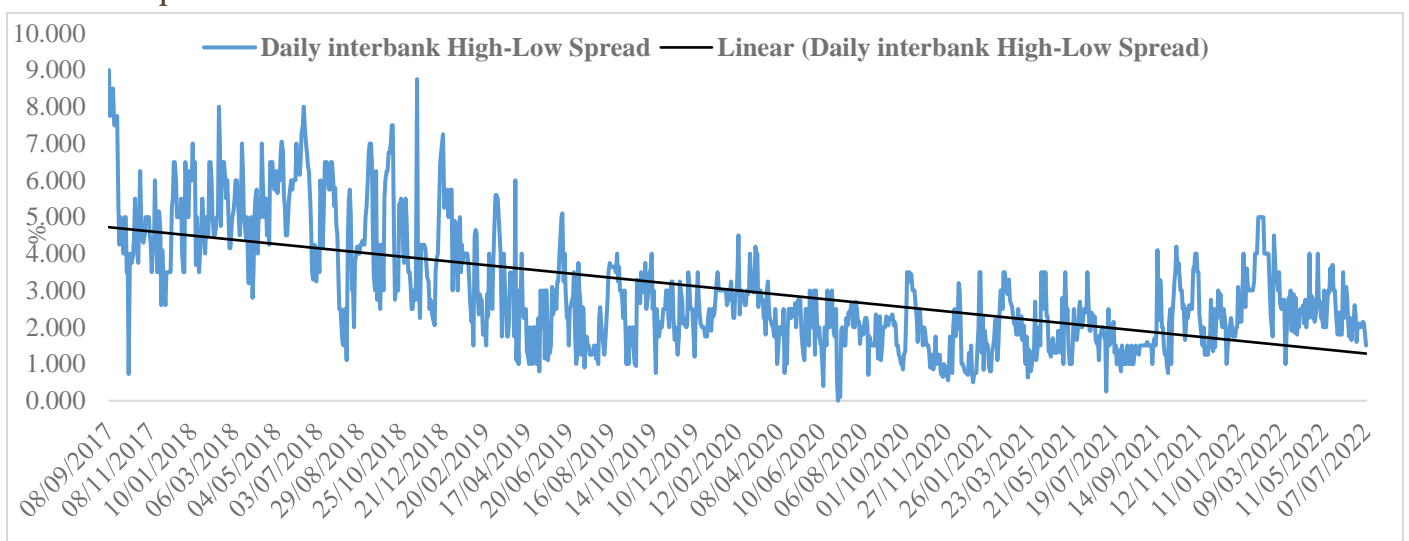
Key Rates and Spreads

Inter-bank rate rises for the fourth week in a row



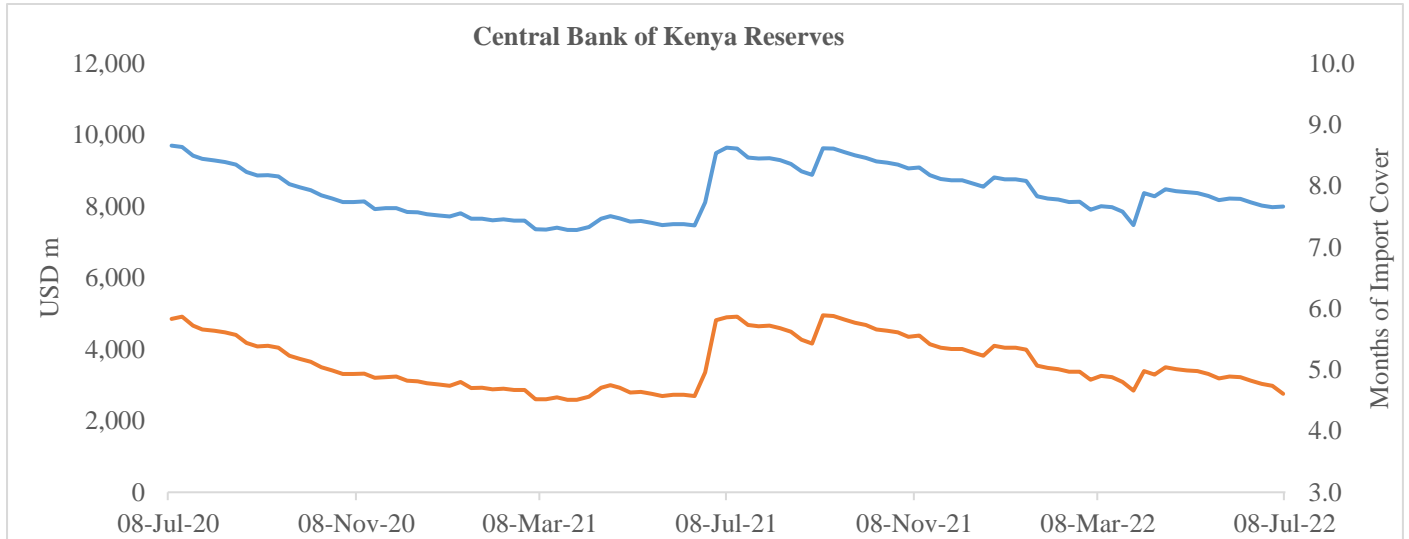
Source: CBK

Inter-bank spread narrows to a 3-week low



Source: CBK

Forex reserves and import cover halt a 4-week straight decline



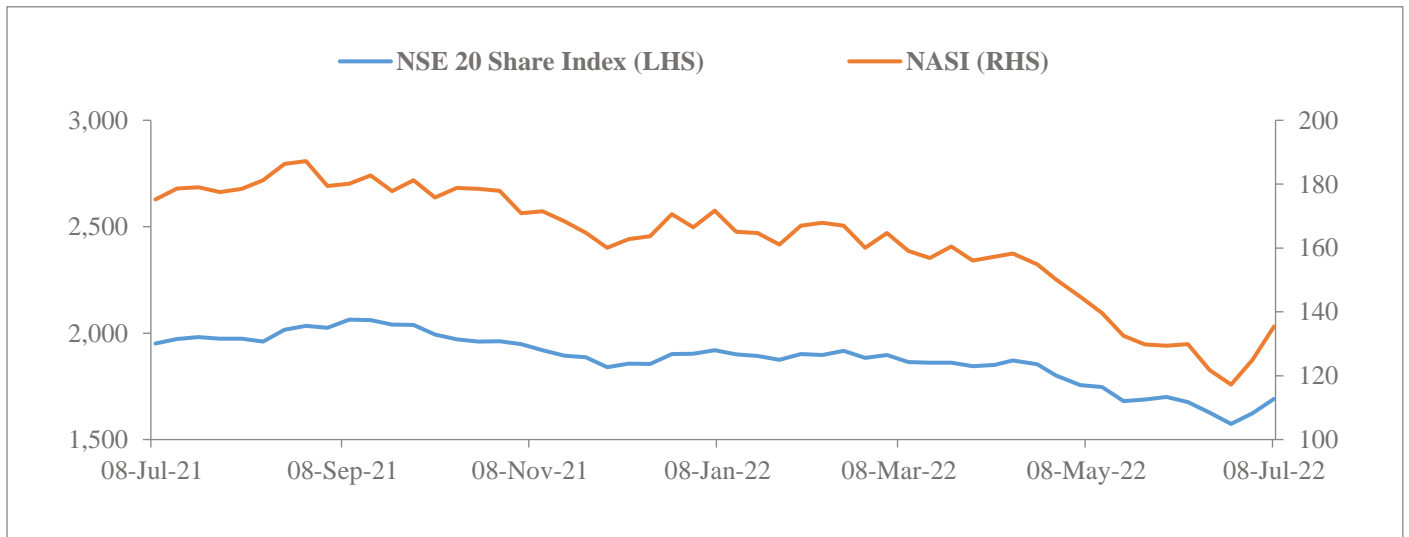
Source: CBK

Equity market trading commentary

Weekly turnover rose 18.5% w/w to stand at USD 22.9m (KES 2.7bn). Extending its gains for the second straight week, the NASI edged up 8.4% w/w to 135.39 – largely driven by gains on Safaricom. Similarly, the NSE 20 added 4.3% w/w to 1,691.93. Local investor trading increased to 45.3%, up from 32.0% recorded in the previous week. Foreign investors remained net sellers, with net foreign outflows settling at USD 7.2m (KES 855.6m). Safaricom marked the highest net foreign outflows of USD 2.4m (KES 283.2m). KCB bank and Equity bank followed with net foreign outflows of USD 2.3m (KES 273.5m) and USD 1.6m (KES 194.7m), respectively. BAT Kenya recorded net foreign outflows of USD 0.8m (KES 94.9m). On the other hand, StanChart bank registered the highest net foreign inflows, albeit at a thin margin of USD 11.2k (KES 1.3m).

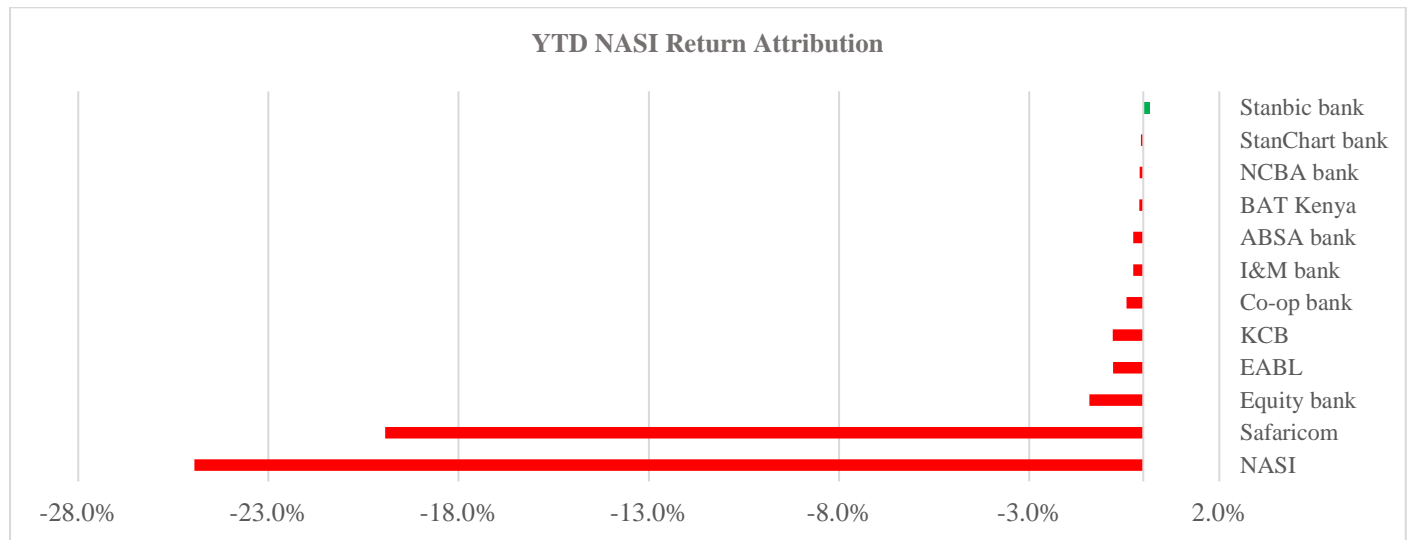
Last week, the NASI (+8.4% w/w) hit a 1-month high as large-cap stocks extended their gains. Safaricom edged 12.6% w/w, hitting a 35-day high. Driven by foreign demand, Equity bank (+7.0% w/w) touched a 2-month high. On local buying, KCB bank (+8.7% w/w) hit a 2-month high and Co-op bank (+4.5% w/w) traded up to a 1-month high. StanChart bank (+7.7% w/w) moved up to 2-month high, as it gained towards the end of the week. On thin volumes, EABL (+0.7% w/w) inched up to a 1-month high and ABSA bank (+5.7% w/w) hit a 19-day high. Bamburi closed up 3.3% w/w, touching a 1-month high of KES 35.55.

Market performance over the past 12 months



Source: NSE

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



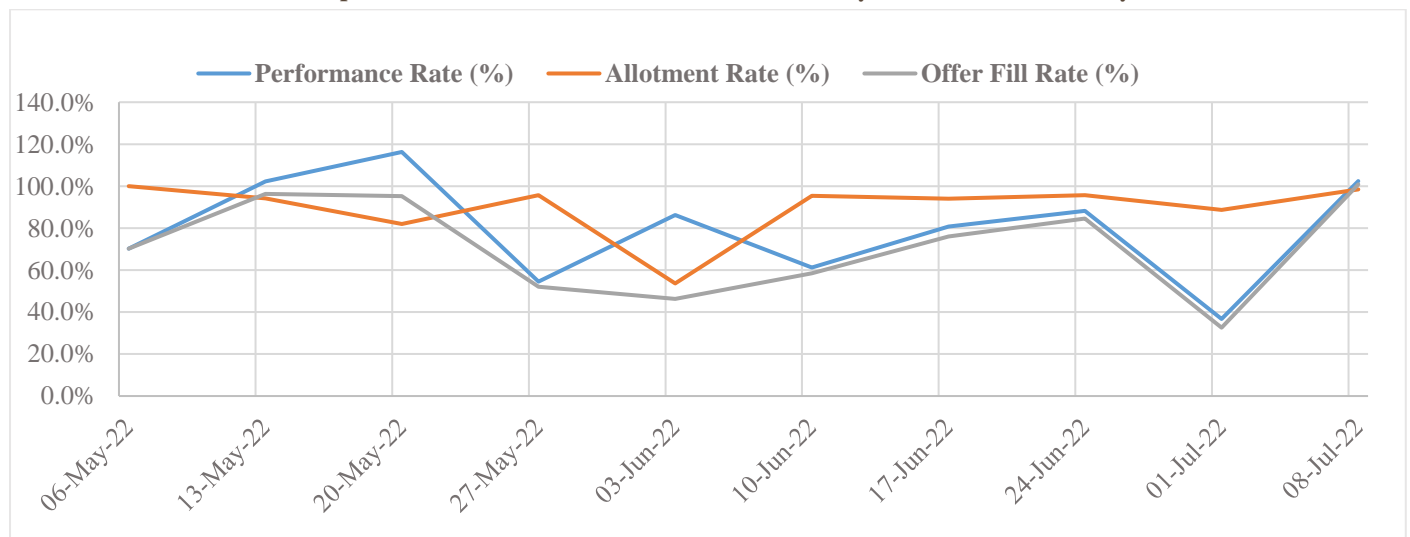
Source: Kestrel Research

Debt market trading commentary

Overall subscription rate rose to 102.5%, up from 36.7% printed in the previous week, largely driven by investor demand on the 91-Day paper. The yield on the 91-Day T-Bill sustained an upward trend, gaining for the sixth consecutive week. Halting a 12-week gaining streak, the yield on the 364-Day T-Bill notched down week-on-week.

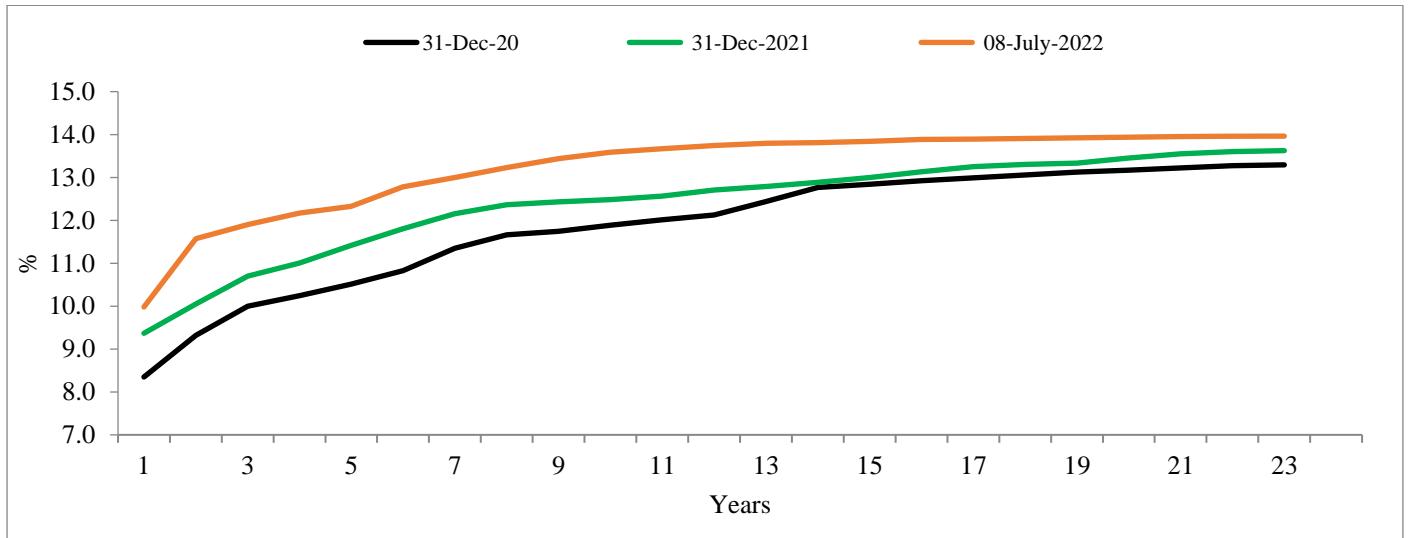
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 11.0bn for the 91-Day T-Bill, implying a subscription rate of 276.0%. It accepted bids worth KES 11.0bn at an average yield of 8.167% (+7.0bps w/w). The 182-Day T-Bill received bids worth KES 8.4bn, implying a performance rate of 84.3%. It accepted bids worth KES 8.4bn at an average yield of 9.253% (+5.7bps w/w). The 364-Day T-Bill received bids worth KES 5.1bn, implying a performance rate of 51.2%. It accepted bids worth KES 4.7bn at an average yield of 9.989% (-0.5bps w/w).

T-Bills Performance: Overall performance rate rises week-on-week driven by demand on the 91-Day T-Bill



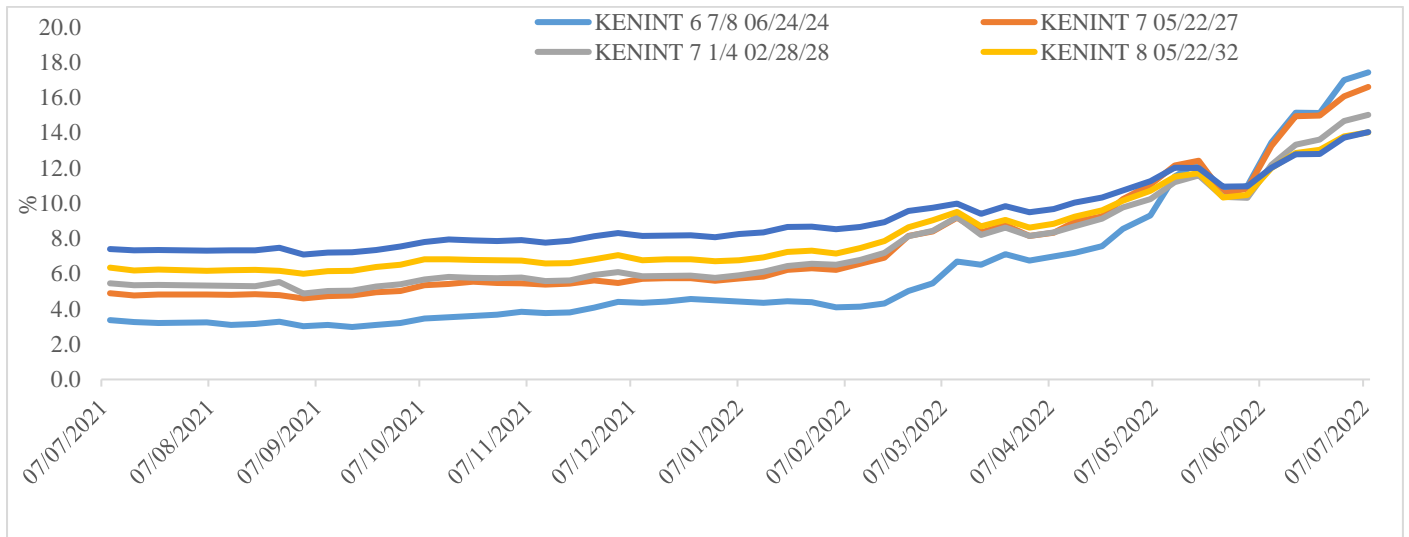
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across all maturities sustain an upward trend for the fifth consecutive week



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year	12 M	12 M	Price	YTD	Market ¹ cap (USD m)	Weighting	EPS	DPS	NAV	P/E	Div	P/B	ROE %	Daily Trading ¹
		end	High	Low		%						ratio x	yld %	ratio x		vol (USD)
Safaricom	Telecom	Mar	44.95	23.10	28.20	-25.7	9,569	53.3%	1.74	1.39	3.5	16.2	4.9	8.1	49.9	2,232,122
Equity Bank	Banking	Dec	54.25	39.00	46.00	-12.8	1,470	8.2%	11.15	3.00	44.3	4.1	6.5	1.0	25.2	602,599
KCB Bank	Banking	Dec	49.90	35.00	42.40	-6.7	1,154	6.4%	11.67	3.00	56.6	3.6	7.1	0.7	20.6	243,804
EA Breweries	Breweries	Jun	188.25	110.00	140.00	-15.2	938	5.2%	11.25	3.75	17.5	12.4	2.7	8.0	64.3	367,492
Co-op Bank	Banking	Dec	13.95	10.70	11.50	-11.2	571	3.2%	3.23	1.00	17.5	3.6	8.7	0.7	18.4	25,204
Absa Bank	Banking	Dec	12.70	9.66	11.20	-5.5	515	2.9%	2.15	1.10	10.9	5.2	9.8	1.0	19.7	29,916
StanChart Bank	Banking	Dec	146.25	123.75	133.50	4.1	427	2.4%	24.92	19.00	147.2	5.4	14.2	0.9	16.9	78,511
BAT Kenya	Tobacco	Dec	509.00	404.00	414.50	-6.1	351	2.0%	64.83	50.00	149.7	6.4	12.1	2.8	43.3	51,708
NCBA Bank	Banking	Dec	28.15	23.00	24.00	-4.8	335	1.9%	6.56	3.00	48.7	3.7	12.5	0.5	13.4	64,330
Stanbic Bank	Banking	Dec	108.00	80.25	99.00	13.5	331	1.8%	18.81	7.30	122.8	5.3	7.4	0.8	15.3	178,286
I&M Holdings	Banking	Dec	23.25	16.50	17.00	-19.4	238	1.3%	5.38	1.50	42.6	3.2	8.8	0.4	12.6	15,512
Bank of Kigali	Banking	Dec	40.00	24.30	29.00	0.0	220	1.2%	7.95	3.28	41.8	3.6	11.3	0.7	19.0	1,541
KenGen	Power	Jun	4.98	3.38	3.50	-16.5	195	1.1%	0.16	0.18	32.4	22.0	5.1	0.1	0.5	6,605
Kenya Airways	Airlines	Dec	3.99	3.83	3.83	0.0	184	1.0%	(2.79)	-	(14.7)	-	-	-	-	-
Jubilee Insurance	Insurance	Dec	385.00	245.00	250.00	-21.1	153	0.9%	94.22	14.00	544.4	2.7	5.6	0.5	17.3	3,140
Total Oil	Oil	Dec	26.00	21.75	24.50	-2.0	131	0.7%	4.35	1.31	45.4	5.6	5.3	0.5	9.6	793
Britam	Insurance	Dec	8.38	5.44	6.00	-20.0	128	0.7%	0.03	-	7.5	209.9	-	0.8	0.4	2,912
DTB Bank	Banking	Dec	69.00	48.40	50.50	-15.1	120	0.7%	14.80	3.00	240.7	3.4	5.9	0.2	6.2	15,548
Bamburi Cement	Cement	Dec	39.80	32.15	35.55	-6.4	109	0.6%	3.58	3.58	83.5	9.9	10.1	0.4	4.3	6,044
Umeme Ltd.	Power	Dec	8.30	5.50	7.14	5.9	98	0.5%	2.74	1.73	17.6	2.6	24.3	0.4	15.6	12,451
Kakuzi	Agric	Dec	441.25	327.75	390.00	1.3	65	0.4%	27.77	18.00	275.9	14.0	4.6	1.4	10.1	25,127
Centum Investment	Finance	Mar	17.85	9.02	9.88	-29.9	56	0.3%	(2.42)	0.33	69.7	-	3.3	0.1	(3.5)	12,134
Kenya Re	Insurance	Dec	2.68	1.94	2.06	-10.4	49	0.3%	1.06	0.10	13.2	1.9	4.9	0.2	8.0	3,017
Crown Paints	Manufac.	Dec	44.00	19.65	40.30	32.1	49	0.3%	5.13	4.00	24.1	7.8	9.9	1.7	21.3	3,144
CIC Insurance	Insurance	Dec	3.39	1.87	2.08	-5.9	46	0.3%	0.26	-	3.1	8.1	-	0.7	8.4	935
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	45	0.3%	(7.77)	-	19.8	-	-	0.3	(39.2)	-
Sasini Tea & Coffee	Agric	Sept	129.00	17.90	20.80	11.2	40	0.2%	(1.48)	0.50	56.5	-	2.4	0.4	(2.6)	246
Nation Media	Media	Dec	26.10	16.20	19.35	4.9	31	0.2%	2.59	1.49	42.1	7.5	7.7	0.5	6.2	3,241
Liberty K. Holdings	Insurance	Dec	9.98	5.02	5.66	-19.1	26	0.1%	0.15	-	15.9	37.1	-	0.4	1.0	62
Kenya Power	Power	Jun	2.02	1.31	1.45	-17.1	24	0.1%	2.65	-	29.3	0.5	-	0.0	9.0	7,969
Carbacid	Gases	July	13.25	10.35	11.05	0.5	24	0.1%	2.22	0.70	13.5	5.0	6.3	0.8	16.4	1,618
TPSEA Serena	Tourism	Dec	16.95	11.50	13.80	-9.5	21	0.1%	(3.47)	-	33.3	-	-	0.4	(10.4)	4,157
Unga Ltd	Food	Jun	36.25	27.00	29.05	5.1	19	0.1%	2.89	-	56.2	10.1	-	0.5	5.1	85
NSE	Finance	Dec	10.15	6.60	7.48	-6.5	16	0.1%	0.51	1.40	8.0	14.6	18.7	0.9	6.4	4,556
Car & Gen	Motors	Sept	76.00	27.50	44.85	32.1	15	0.1%	26.33	3.20	135.8	1.7	7.1	0.3	19.4	-
BOC Kenya	Gases	Dec	93.25	62.00	82.50	17.9	14	0.1%	4.78	6.70	84.3	17.3	8.1	1.0	5.7	-
Sanlam Kenya	Insurance	Dec	15.00	9.70	11.00	-4.8	13	0.1%	(3.77)	-	3.9	-	-	2.8	(97.1)	62
Housing Finance	Banking	Dec	4.90	2.86	3.73	-4.4	12	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	788
WPP Scangroup	Media	Dec	5.74	2.86	3.22	-22.2	12	0.1%	(0.09)	-	12.0	-	-	0.3	(0.7)	958
Standard Newspapers	Media	Dec	20.00	11.55	13.25	-2.2	9	0.1%	(0.90)	-	10.5	-	-	1.3	(8.5)	58
Longhorn	Publishing	Jun	4.4	2.74	3.06	-23.5	7	0.0%	0.62	-	2.8	5.0	-	1.1	22.2	111
Limuru Tea	Agric	Dec	355.00	263.00	320.00	0.0	7	0.0%	(0.50)	0.70	75.9	-	0.2	4.2	(0.7)	347
EA Portland	Cement	Jun	9.40	6.06	8.40	26.1	6	0.0%	(30.77)	-	208.4	-	-	0.0	(14.8)	15
TransCentury	Finance	Dec	1.47	1.00	1.03	-12.0	3	0.0%	(6.72)	-	(9.5)	-	-	-	-	46
											Average	12.9	6.0	5.1	37.1	4,014,754

Disclaimer

Note: Readers should be aware that Kestrel Capital (EA) Ltd does and seeks to do business with companies covered in its research reports. Consequently, a conflict of interest may arise that could affect the objectivity of this report. This document should only be considered a single factor used by investors in making their investment decisions. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions.

The opinions and information portrayed in this report may change without prior notice to investors. This publication may not be distributed to the public media or quoted or used by the public media without prior and express written consent of Kestrel Capital (EA) Ltd.

Directors, staff of Kestrel Capital (EA) Ltd and their family members, may from time to time hold shares in the company it recommends to either buy or sell and as such the investor should determine for themselves the applicability of this recommendation.

This document does not constitute an offer, or the solicitation of an offer, for the sale or purchase of any security. Whilst every care has been taken in preparing this document, no representation, warranty or undertaking (express or implied) is given and no responsibility or liability is accepted by Kestrel Capital or any employee of Kestrel Capital as to the accuracy of the information contained and opinions expressed herein.

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

Fixed Income Sales & Trading

Alexander Muiruri
alexanderm@kestrelcapital.com

Edwin Muthaura
edwinm@kestrelcapital.com

CEO & Executive Director

Francis Mwangi, CFA
francism@kestrelcapital.com