

Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	30.71	16.95	81.2%	BUY
Equity bank	43.67	46.45	-6.0%	HOLD
KCB bank	47.26	30.05	57.3%	BUY
Co-op bank	20.46	14.20	44.1%	BUY
ABSA bank	12.89	13.55	-4.9%	HOLD
StanChart bank	138.26	199.25	-30.6%	SELL
NCBA bank	40.68	44.50	-8.6%	HOLD
I&M bank	33.32	21.70	53.5%	BUY
Stanbic bank	108.85	117.75	-7.6%	HOLD
DTB bank	116.13	50.25	131.1%	BUY
EABL	151.28	140.25	7.9%	HOLD
Bamburi Cement	27.61	47.50	-41.9%	SELL
BAT Kenya	460.00	410.25	12.1%	HOLD

Kenya Market Summary

Equity market commentary and outlook

- During the week, BAT-Kenya raced to a six-day high over local demand. KCB Bank rallied close to a 12-day high backed by local demand. Safaricom touched a 7-day high over foreign demand.

Debt market commentary and outlook

- Overall subscription rates improved further from 118.7% the previous week to 192.8%. Investors remained skewed on the 91-Day T-Bill, and activity increased on all three T-Bills. The yield on the 91-Day T-Bill increased while the yield on the 182-Day T-Bill and the 364-Day T-Bill both decreased for the second consecutive week.

Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,724.9	-1.3%	5.3%	13.6%	15.6%	6.9%	14.9%
Kenya NASI Return	110.6	-2.4%	8.7%	19.5%	18.5%	-0.8%	20.1%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	-2.4%	25.2%	46.3%	36.1%	2.7%	44.2%
Johannesburg Index	-0.5%	1.3%	0.1%	3.9%	-8.6%	-5.4%
Nigeria Stock Exchange	3.6%	34.9%	-2.8%	-2.0%	-23.8%	4.4%
Ghana Stock Exchange	-1.0%	-1.7%	-1.9%	-4.0%	10.8%	-2.2%
Egyptian Stock Exchange	-0.4%	-5.5%	-27.4%	-7.4%	4.8%	-24.9%
MSCI EFM ex SA Index	-0.3%	3.3%	-12.8%	-7.8%	-8.6%	-11.8%

Other market statistics

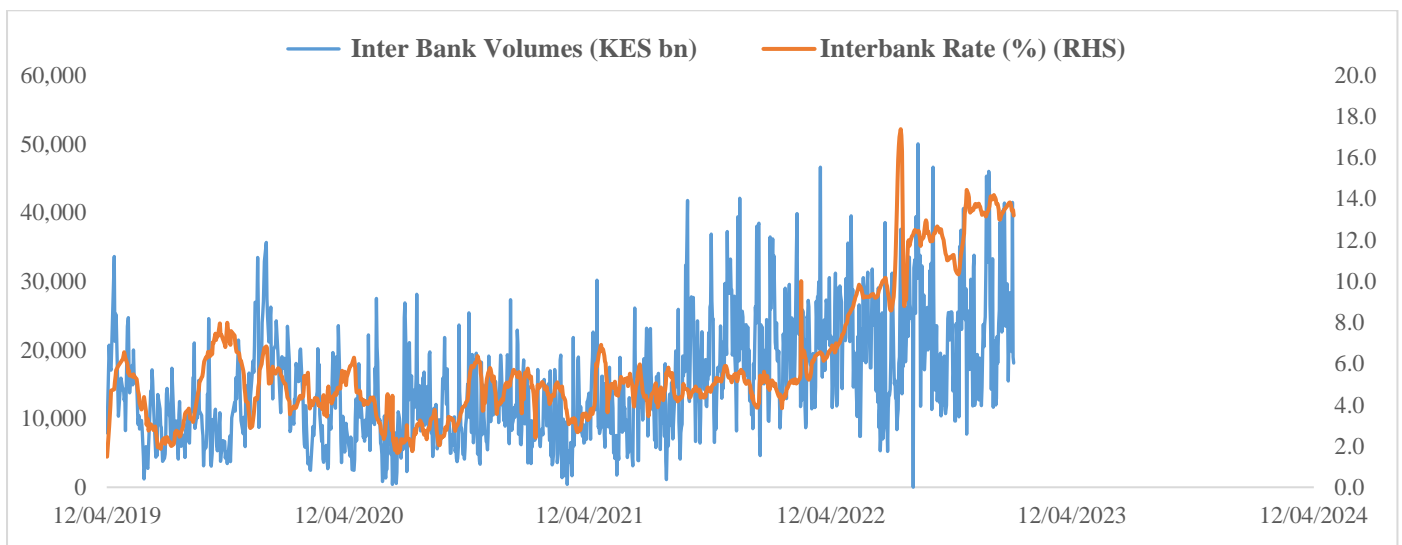
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	130.23	-0.1%	3.3%	22.5%	14.7%	3.3%	20.4%
USD/ZAR	18.86	-0.9%	-0.5%	-1.1%	0.7%	-4.1%	-2.7%
USD/EGP	47.55	-0.4%	0.5%	-35.0%	-35.0%	-35.0%	-35.0%
USD/NGN	1202.50	3.8%	33.7%	-20.4%	-36.0%	-61.6%	-24.2%
USD/GHS	13.44	-0.7%	-3.9%	-10.9%	-12.4%	-13.4%	-11.1%

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
KCB	419.1	226.9	44.4%	-0.2%	37.2%	-3.7%	43.3%
Safaricom	379.9	57.1	57.2%	-3.4%	21.9%	-9.1%	21.0%
Equity	84.1	63.1	77.1%	-2.9%	-7.8%	-2.7%	19.6%
BAT	72.7	-42.1	50.0%	-0.9%	0.7%	0.0%	9.7%
EABL	58.5	7.6	90.3%	1.1%	23.0%	-1.1%	25.6%

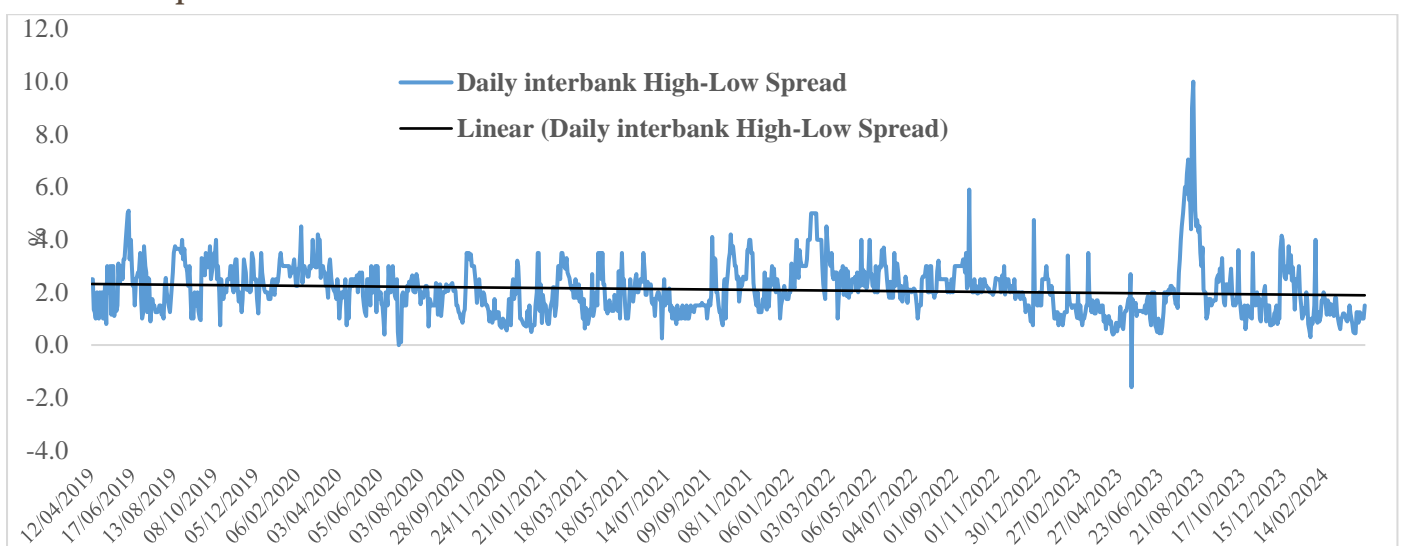
Key Rates and Spreads

Inter-bank Rates decline for the fourth consecutive week



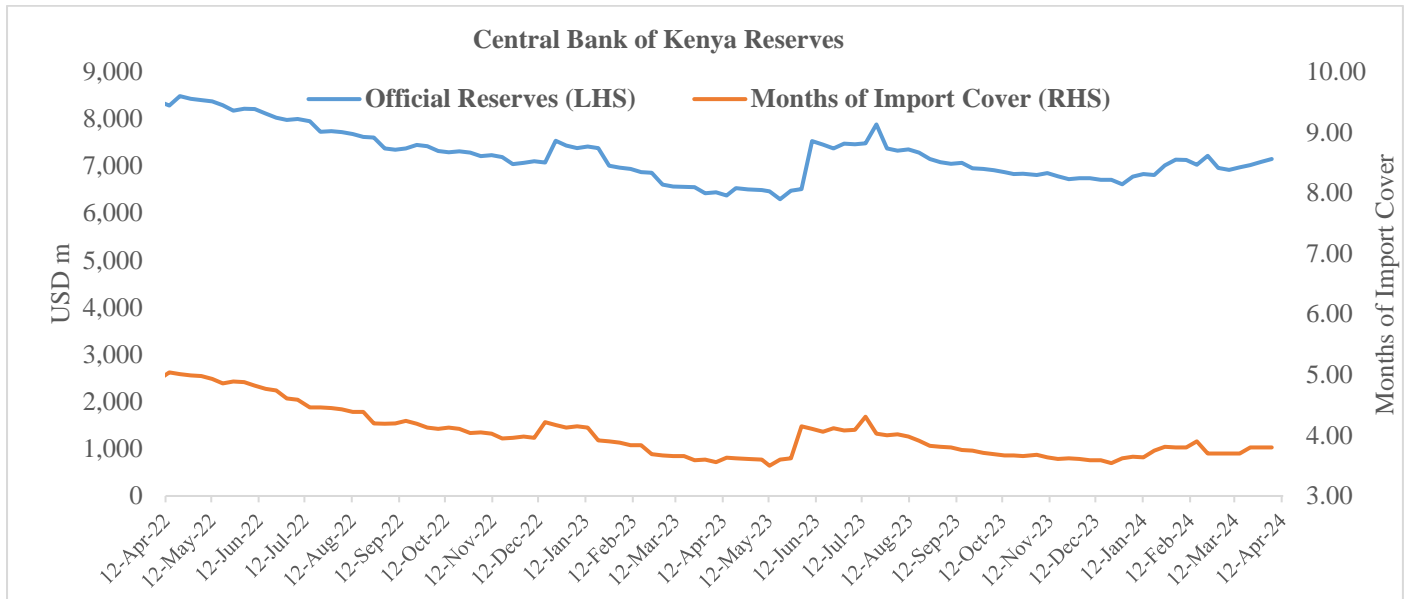
Source: CBK

Inter-bank Spreads widen week-on-week.



Source: CBK

Months of import cover & CBK FX reserves increase for the fifth straight week



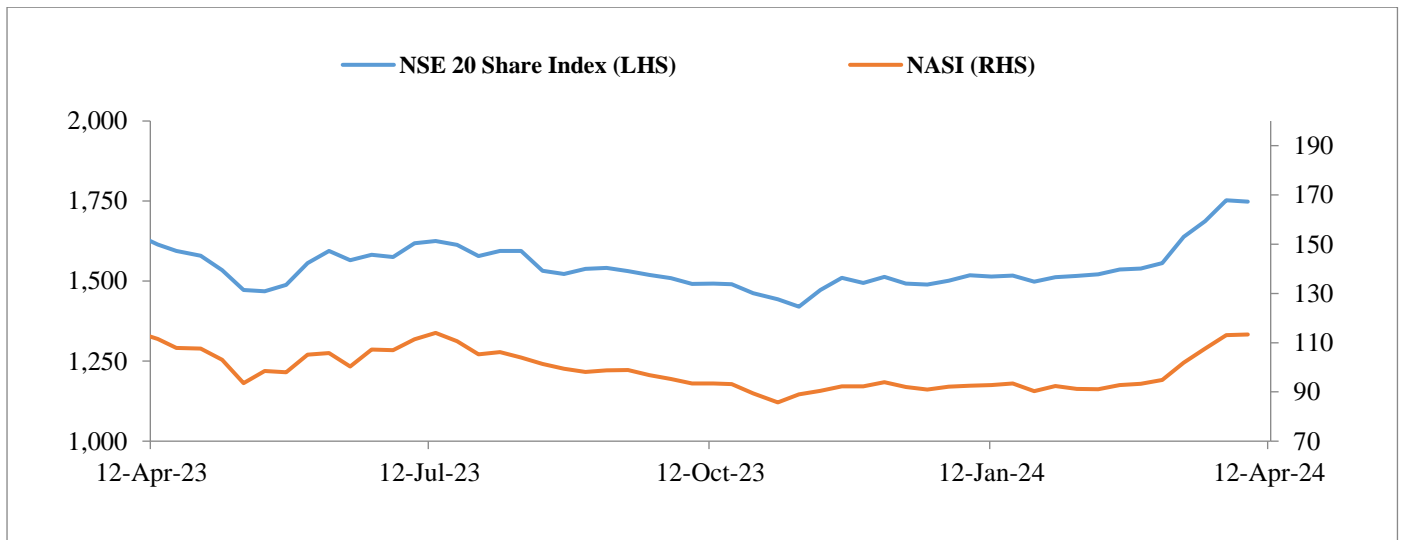
Source: CBK

Equity market trading commentary

Market turnover further fell by 29.6% to stand at USD 14.2m (KES 1.9bn). The NASI went down by 2.4% to settle at 110.63, while similarly the NSE 20 lost another 1.3% to close at 1,724.86. Local investors drove trading for the week at 64.3%, an increase from the preceding week’s 35.3%. Foreign investors remained net buyers at USD 3.7m (KES 485.7m).

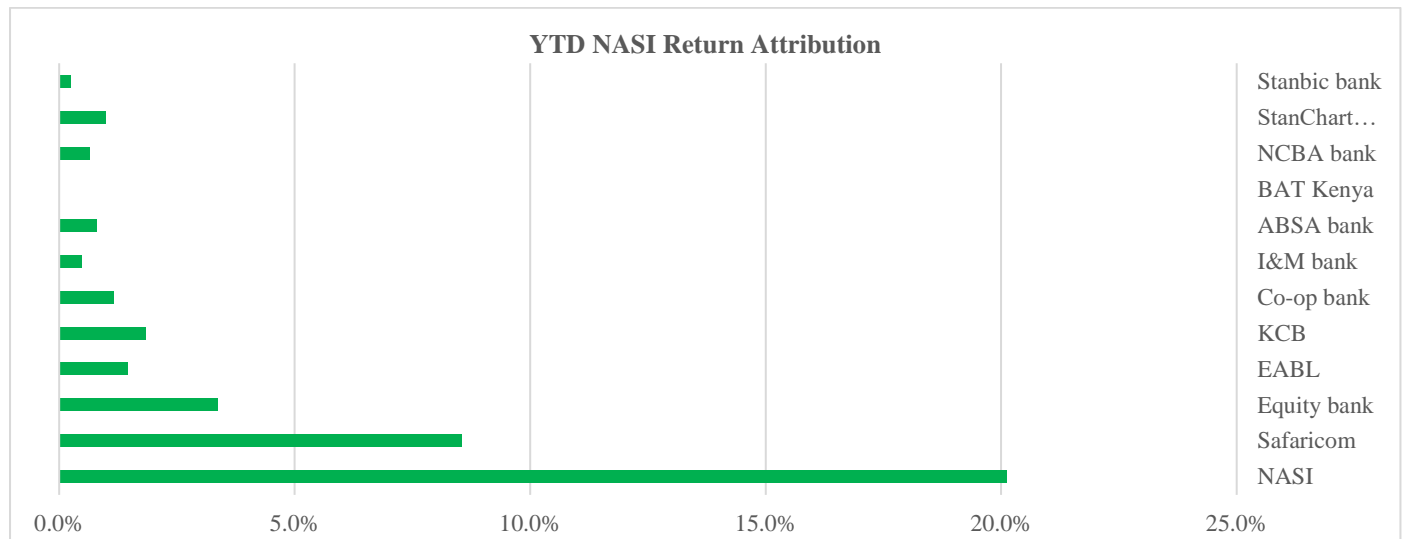
During the week, BAT-Kenya raced to a six-day high over local demand. KCB Bank rallied close to a 12-day high backed by local demand. Safaricom touched a 7-day high over foreign demand.

Market performance over the past 12 months



Source: NSE

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



Source: Kestrel Research

Debt market trading commentary

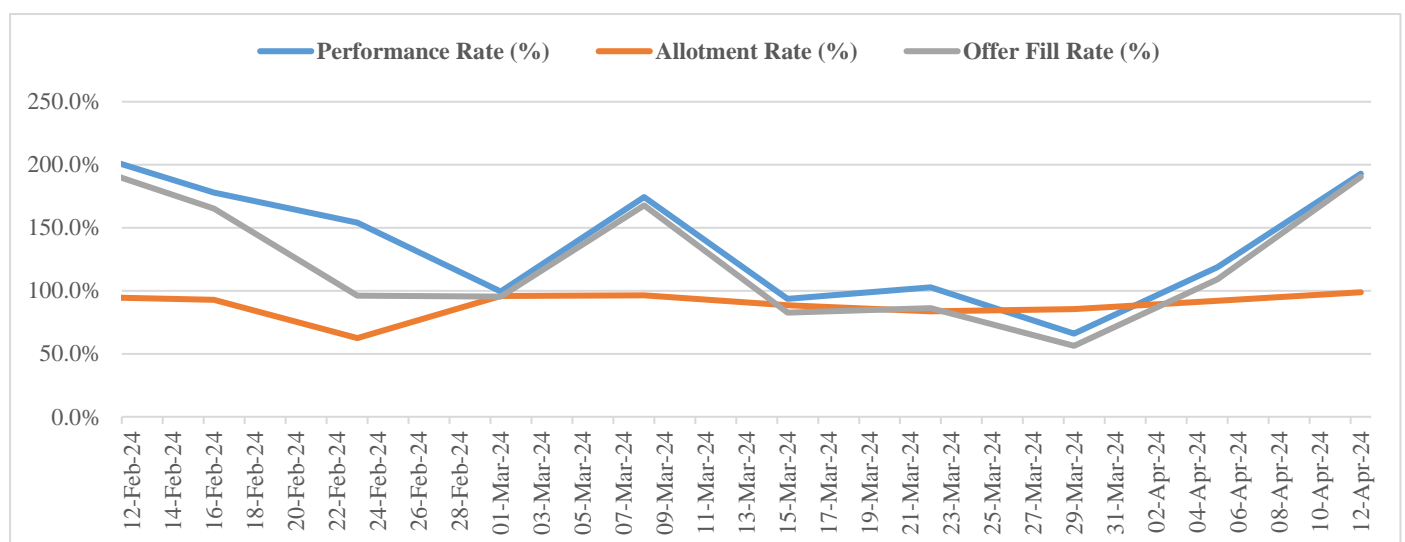
Overall subscription rates improved further, from 192.8% the previous week. Investors remained skewed on the 91-Day T-Bill, and activity increased on all three T-Bills. The yield on the 91-Day T-Bill increased while the yield on the 182-Day T-Bill and the 364-Day T-Bill both decreased for the second consecutive 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 16.4bn for the 91-Day T-Bill, implying a subscription rate of 410.4%. It accepted bids worth KES 16.4bn at an average yield of 16.733% (+0.9 bps w/w).

The 182-Day T-Bill received bids worth KES 10.6bn, implying a performance rate of 105.6%. It accepted bids worth KES 10.5bn at an average yield of 16.868% (-0.6 bps w/w).

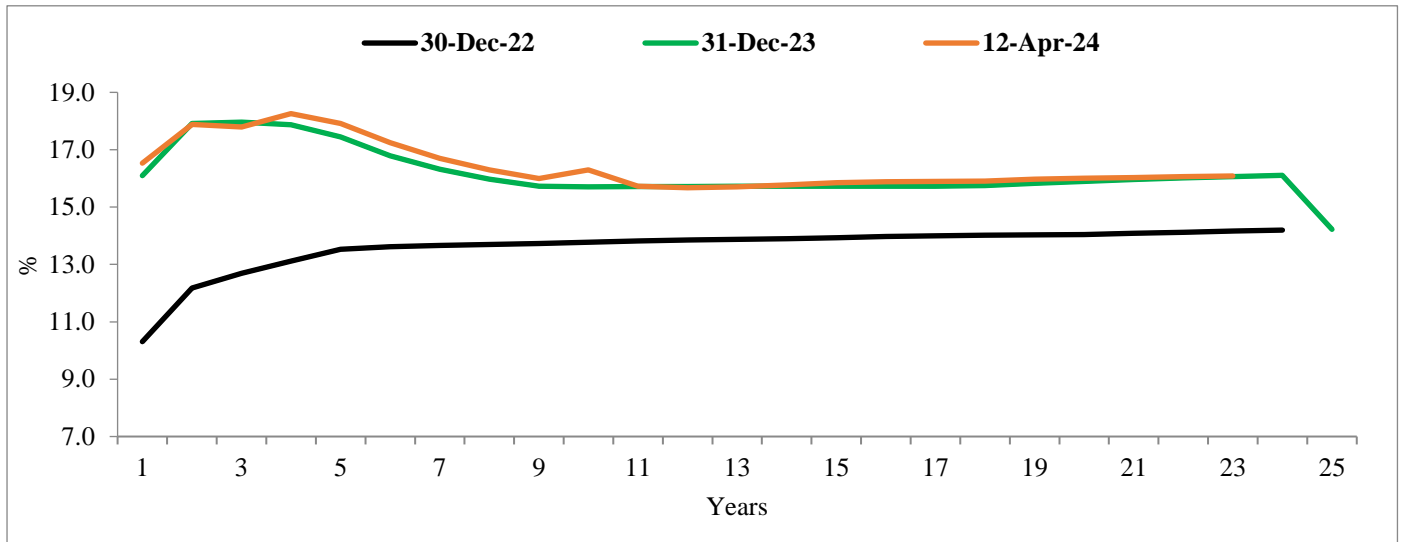
The 364-Day T-Bill received bids worth KES 19.3bn, implying a performance rate of 192.9%. It accepted bids worth KES 18.8bn at an average yield of 16.531% (- 45.9 bps w/w).

T-Bills Performance rates decrease week-on-week



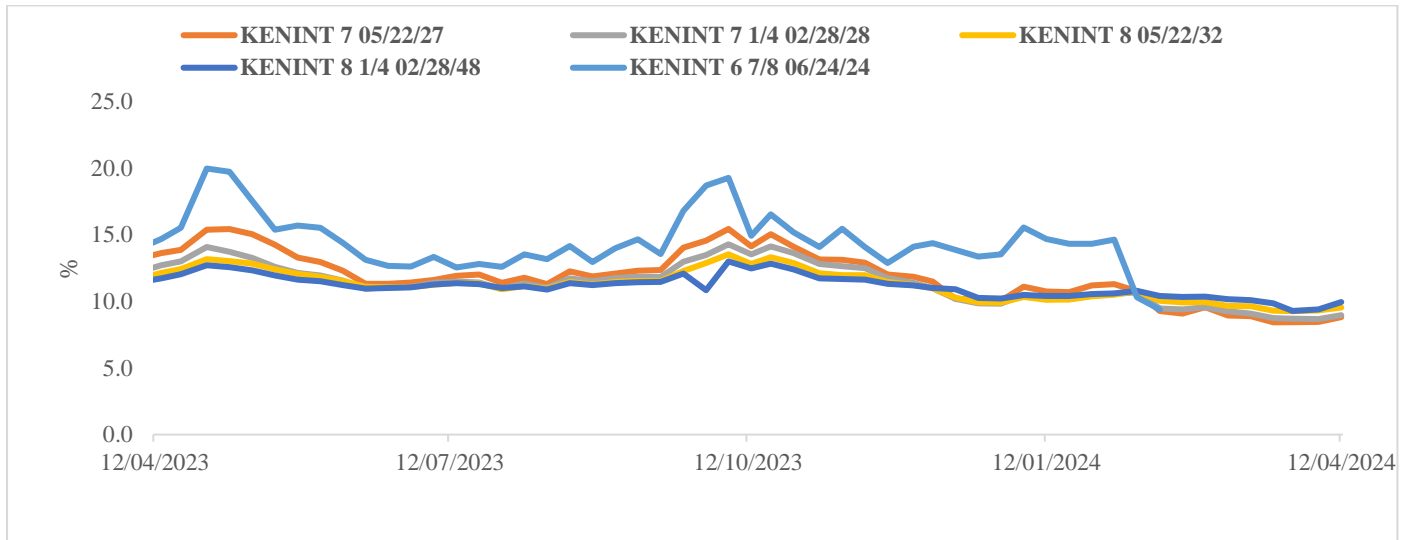
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields



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	14.50	16.95	21.9	5,210	29.0%	1.55	1.20	4.7	10.9	7.1	3.6	33.2	1,045,049
Equity Bank	Banking	Dec	49.20	40.00	46.45	38.0	1,345	7.5%	12.22	4.00	48.7	3.8	8.6	1.0	25.1	770,981
EA Breweries	Breweries	Jun	140.25	110.50	140.25	23.0	851	4.7%	12.47	5.50	27.1	11.2	3.9	5.2	46.1	7,281
Co-op Bank	Banking	Dec	15.05	12.85	14.20	24.6	639	3.6%	3.98	1.50	18.4	3.6	10.6	0.8	21.6	56,359
NCBA Bank	Banking	Dec	45.20	39.70	44.50	14.2	562	3.1%	9.48	3.00	53.7	4.7	6.7	0.8	17.6	11,596
Absa Bank	Banking	Dec	14.20	12.90	13.55	18.3	565	3.1%	2.98	1.55	12.0	4.5	11.4	1.1	24.8	41,797
KCB Bank	Banking	Dec	31.25	21.00	30.05	37.2	741	4.1%	12.47	-	68.1	2.4	-	0.4	18.3	367,087
StanChart Bank	Banking	Dec	201.25	170.50	199.25	23.0	578	3.2%	34.62	29.00	158.0	5.8	14.6	1.3	21.9	22,700
Stanbic Bank	Banking	Dec	130.00	113.25	117.75	8.3	357	2.0%	28.71	15.35	140.8	4.1	13.0	0.8	20.4	24,947
BAT Kenya	Tobacco	Dec	416.75	410.00	410.25	0.7	315	1.8%	55.68	50.00	163.8	7.4	12.2	2.5	34.0	1,171
BK Group	Banking	Dec	36.15	32.10	33.00	-7.8	227	1.3%	7.55	3.28	46.8	4.4	10.0	0.7	16.1	1,117
I&M Holdings	Banking	Dec	22.65	18.75	21.70	24.0	275	1.5%	7.35	2.55	47.8	3.0	11.8	0.5	15.4	18,435
Umeme Ltd.	Power	Dec	16.30	13.60	15.65	-2.2	195	1.1%	3.03	2.12	20.7	5.2	13.6	0.8	14.7	21,216
Kenya Airways	Airlines	Dec	3.83	3.83	3.83	0.0	167	0.9%	(2.79)	-	(14.7)	-	-	-	-	-
Bamburi Cement	Cement	Dec	47.55	42.45	47.50	32.5	132	0.7%	2.15	3.58	82.1	22.1	7.5	0.6	2.6	-
KenGen	Power	Jun	2.52	1.99	2.23	10.9	113	0.6%	0.76	0.30	41.6	2.9	13.5	0.1	1.8	37,127
Jubilee Insurance	Insurance	Dec	200.00	180.50	198.75	7.4	111	0.6%	68.38	14.00	613.8	2.9	7.0	0.3	11.1	77,779
DTB Bank	Banking	Dec	55.75	47.00	50.25	11.5	108	0.6%	22.56	6.00	256.8	2.2	11.9	0.2	8.8	11,822
Britam	Insurance	Dec	5.76	4.74	5.76	20.3	112	0.6%	0.53	-	9.2	10.9	-	0.6	5.7	2,252
Total Oil	Oil	Dec	20.00	16.90	19.00	5.6	92	0.5%	3.88	1.31	48.0	4.9	6.9	0.4	8.1	-
Kakuzi	Agric	Dec	374.75	371.00	372.00	-3.4	56	0.3%	43.15	24.00	303.5	8.6	6.5	1.2	14.2	189
CIC Insurance	Insurance	Dec	2.47	2.04	2.31	3.1	46	0.3%	0.42	0.13	3.3	5.5	5.6	0.7	12.8	2,252
Centum Investment	Finance	Mar	8.86	8.02	8.02	-4.5	41	0.2%	(8.95)	0.60	55.8	-	7.5	0.1	(16.1)	4,064
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	41	0.2%	(7.77)	-	19.8	-	-	0.3	(39.2)	-
Crown Paints	Manufac.	Dec	40.05	36.00	37.25	4.5	41	0.2%	5.13	4.00	24.1	7.3	10.7	1.5	21.3	22,518
Kenya Re	Insurance	Dec	2.21	1.92	2.11	12.2	45	0.3%	1.17	0.10	13.4	1.8	4.7	0.2	8.7	2,252
Sasini Tea & Coffee	Agric	Sept	20.95	19.15	20.90	4.5	37	0.2%	3.82	1.00	61.7	5.5	4.8	0.3	6.2	4,930
Carbacid	Gases	July	17.45	15.90	17.25	15.0	34	0.2%	2.98	0.70	13.6	5.8	4.1	1.3	21.9	4,817
Nation Media	Media	Dec	21.40	20.10	20.50	2.2	30	0.2%	16.74	1.49	43.1	1.2	7.2	0.5	38.9	2,543
Kenya Power	Power	Jun	1.86	1.53	1.56	9.9	23	0.1%	(1.64)	-	29.1	-	-	0.1	(5.6)	-
TPSEA Serena	Tourism	Dec	16.10	14.00	15.70	-4.6	22	0.1%	(3.47)	-	33.3	-	-	0.5	(10.4)	1,839
Liberty K. Holdings	Insurance	Dec	5.50	4.95	5.12	38.8	21	0.1%	0.15	-	15.9	33.5	-	0.3	1.0	3,043
BOC Kenya	Gases	Dec	83.50	76.00	76.00	-7.3	11	0.1%	7.58	5.95	85.1	10.0	7.8	0.9	8.9	1,171
NSE	Finance	Dec	6.62	6.02	6.06	0.7	12	0.1%	0.05	0.20	7.1	114.6	3.3	0.9	0.7	1,190
Housing Finance	Banking	Dec	4.41	3.80	3.84	10.3	11	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	1,996
Unga Ltd	Food	Jun	15.10	13.70	14.75	-12.5	9	0.0%	2.48	-	58.3	6.0	-	0.3	4.2	-
Sanlam Kenya	Insurance	Dec	6.98	6.30	6.88	14.7	8	0.0%	(3.77)	-	3.9	-	-	1.8	(97.1)	3,043
Car & Gen	Motors	Sept	30.40	26.10	26.10	4.4	8	0.0%	26.33	3.20	135.8	1.0	12.3	0.2	19.4	65
Limuru Tea	Agric	Dec	380.00	380.00	380.00	0.0	7	0.0%	4.73	1.00	80.9	80.4	0.3	4.7	5.8	5
WPP Scangroup	Media	Dec	2.35	2.03	2.16	-0.9	7	0.0%	(0.30)	-	11.9	-	-	0.2	(2.5)	784
EA Portland	Cement	Jun	9.00	7.20	7.50	-6.3	5	0.0%	6.02	-	239.8	1.2	-	0.0	2.5	832
Standard Newspapers	Media	Dec	6.80	5.10	6.80	-12.1	4	0.0%	(10.05)	-	0.4	-	-	15.5	(2,284)	30
Longhorn	Publishing	Jun	2.46	2.18	2.30	-4.6	5	0.0%	0.62	-	2.8	3.7	-	0.8	22.2	70
TransCentury	Finance	Dec	0.66	0.43	0.66	26.9	2	0.0%	(6.72)	-	(9.5)	-	-	-	-	17
Average												5.6	5.7	1.6	18.6	2,861,521

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