

Stock Recommendation

Company	Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	33.95	31.45	8.0%	HOLD
Equity bank	60.84	44.55	36.6%	BUY
KCB bank	59.61	40.45	47.4%	BUY
Co-op bank	16.15	11.05	46.0%	BUY
ABSA bank	12.47	10.85	14.9%	HOLD
StanChart bank	134.08	130.75	2.6%	HOLD
NCBA bank	33.44	24.05	39.0%	BUY
I&M bank	21.43	17.00	26.1%	BUY
Stanbic bank	94.83	90.00	5.4%	HOLD
DTB bank	106.48	49.95	113.2%	BUY
EABL	256.11	139.50	83.6%	BUY
Bamburi Cement	89.84	35.90	150.3%	BUY
BAT Kenya	521.50	423.50	23.1%	BUY

Kenya Weekly Commentary

Kenya Market Summary

Equity market commentary and outlook

- Last week, the NASI (+5.1% w/w) touched a 10-week high largely on account of gains from Safaricom. Safaricom notched up 11.5% w/w, hitting a 46-day high on the back of both foreign and local demand. On corporate news, BAT Kenya will announce its half year results on 20th July 2022.

Debt market commentary and outlook

- For the second straight week, overall subscription rate rose to 105.8%, up from 102.5% recorded the prior week, mainly driven by investor demand on the 91-Day paper. Notably, the yield on the 182-day paper increased for the nineteenth consecutive week.

Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,682.5	-0.6%	3.4%	-9.1%	-11.4%	-14.7%	-11.6%
Kenya NASI Return	142.3	5.1%	16.8%	-9.5%	-13.8%	-20.3%	-14.5%
FTSE NSE Kenya 15 Return	170.1	0.0%	2.8%	-14.9%	-17.2%	-19.7%	-18.8%
FTSE NSE Kenya 25 Return	170.3	0.0%	3.1%	-19.1%	-23.0%	-28.2%	-22.7%
FTSE Kenya Bond Index Return	94.7	0.0%	-0.6%	-0.1%	-1.5%	-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	5.7%	15.6%	-12.4%	-17.5%	-27.3%	-18.6%
Johannesburg Index	-5.9%	-9.4%	-24.3%	-22.7%	-18.1%	-18.1%
Nigeria Stock Exchange	1.7%	-1.2%	7.9%	15.2%	32.2%	22.6%
Ghana Stock Exchange	-3.3%	-5.3%	-12.9%	-31.5%	-32.2%	-33.1%
Egyptian Stock Exchange	0.1%	-11.7%	-20.0%	-39.3%	-30.9%	-38.9%
MSCI EFM ex SA Index	0.6%	-2.0%	-13.0%	-22.5%	-20.5%	-21.7%

Other market statistics

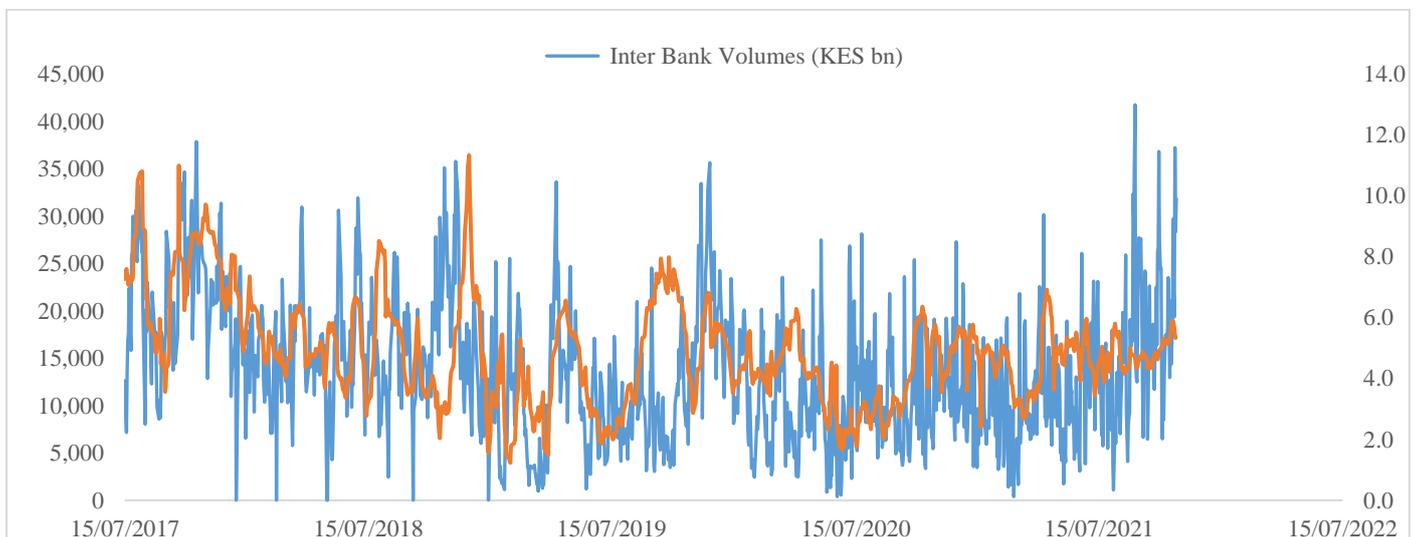
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	118.35	-0.1%	-0.8%	-2.4%	-4.2%	-8.6%	-4.4%
USD/ZAR	17.18	-1.7%	-7.4%	-14.6%	-10.7%	-16.0%	-7.2%
USD/EGP	18.88	-0.1%	-0.7%	-2.5%	-16.9%	-16.8%	-16.8%
USD/NGN	422.20	0.6%	-0.8%	-1.5%	-1.4%	-2.7%	0.5%
USD/GHS	8.13	-0.4%	-2.2%	-7.0%	-23.7%	-27.1%	-23.9%

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	640.0	-93.2	51.5%	11.5%	-17.1%	-30.0%	36.1%
KCB bank	356.0	-311.1	44.4%	-4.6%	-11.0%	-18.9%	15.6%
NCBA bank	104.9	0.0	0.0%	0.2%	-4.6%	-14.6%	4.6%
Equity bank	90.6	-34.1	25.5%	-3.2%	-15.5%	-17.9%	14.2%
Co-op bank	26.5	-2.9	5.6%	-3.9%	-14.7%	-20.8%	3.3%

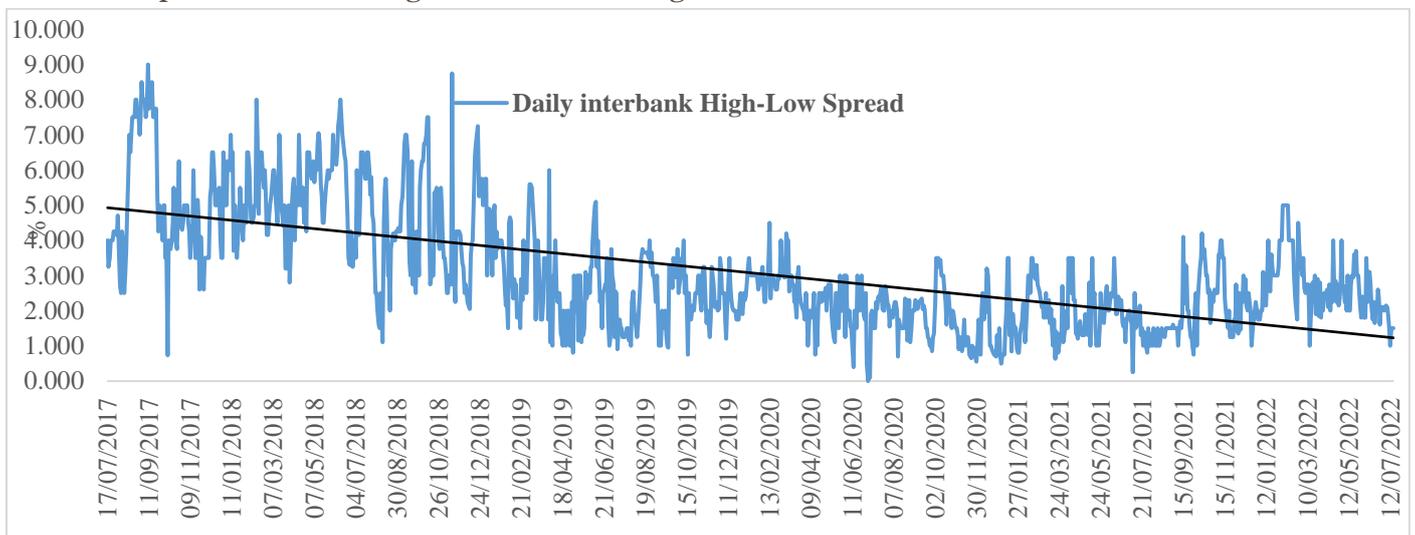
Key Rates and Spreads

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



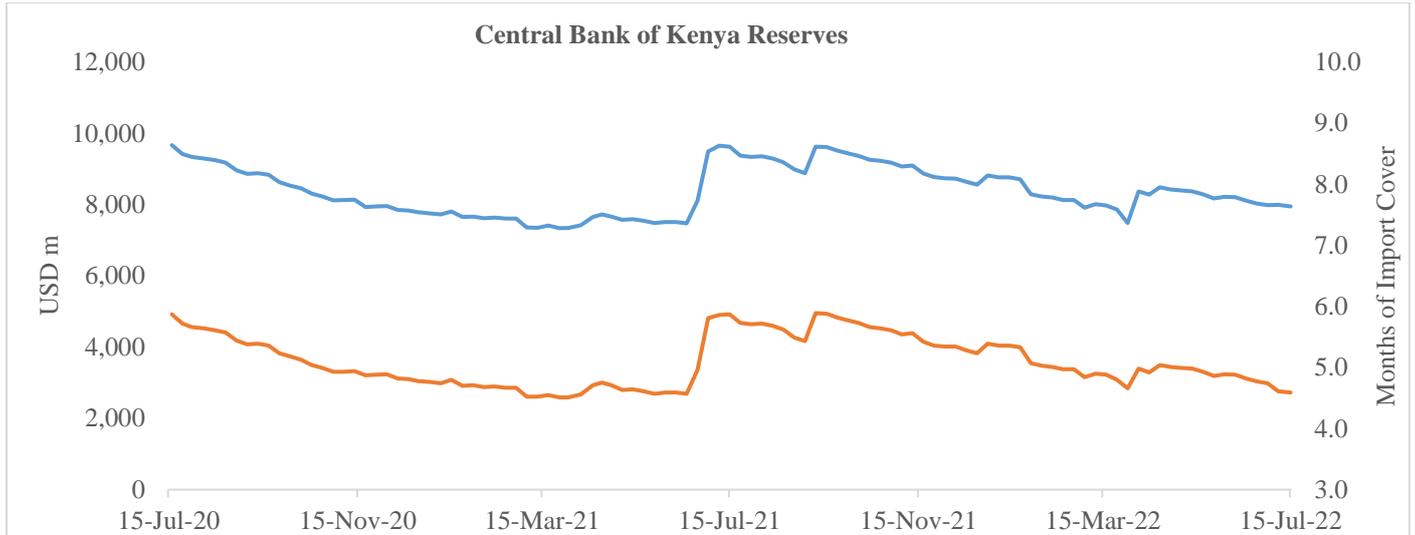
Source: CBK

Inter-bank spread holds unchanged for the third straight week



Source: CBK

Forex reserves and import cover decline week-on-week



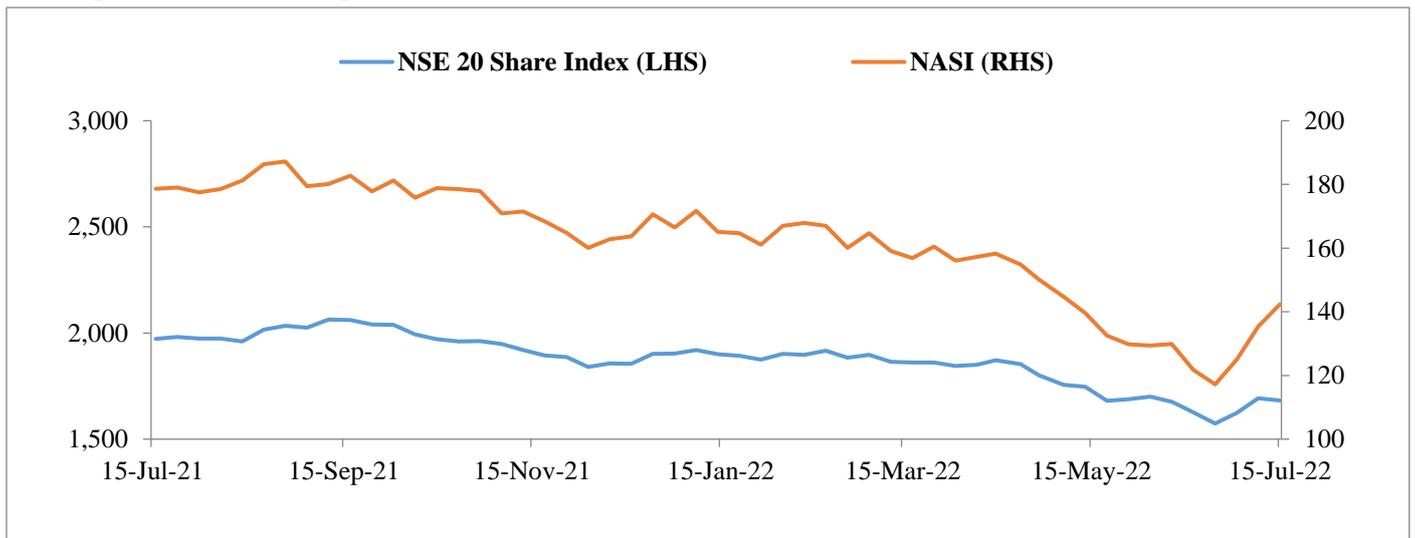
Source: CBK

Equity market trading commentary

Weekly turnover decreased by 51.8% w/w to end at USD 11.0m (KES 1.3bn). Stretching its wins for the third consecutive week, the NASI notched upwards 5.1% w/w to 142.33, buoyed gains from Safaricom. On the other hand, the NSE 20 lost 0.6% w/w to 1,682.49. Local investor trading grew to 59.9%, up from 45.3% registered in the prior week, touching a 17-week high. For the twenty second straight week, foreign investors remained net sellers, with net foreign outflows settling at USD 3.9m (KES 459.0m). KCB bank posted the highest net foreign outflows of USD 2.6m (KES 311.1m) while EABL registered the largest net foreign outflows of USD 3.6k (KES 424.9k).

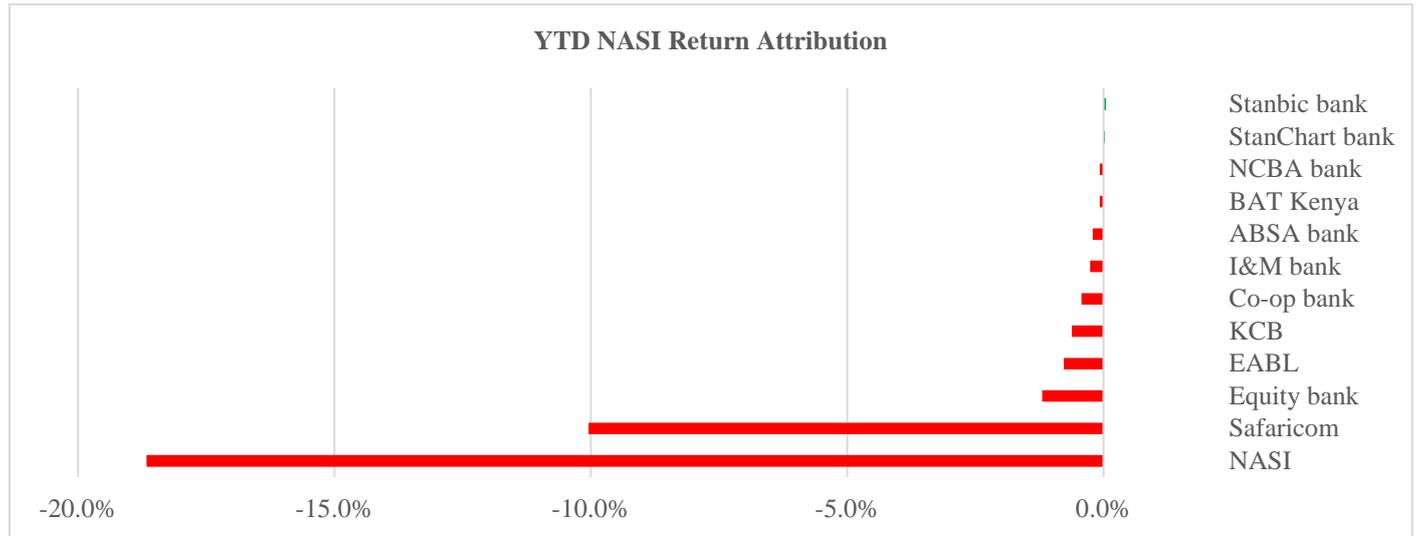
Last week, the NASI sustained a 13-day rally before halting its upward trend towards the end of the week as Safaricom rallied. Safaricom touched a 46-day high on account of both foreign and local demand. KCB bank (-4.6% w/w) and Equity bank (-3.2% w/w) hit a 5-day low. On corporate news, BAT Kenya will be publishing its half year results on 20th July 2022.

Market performance over the past 12 months



Source: NSE

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



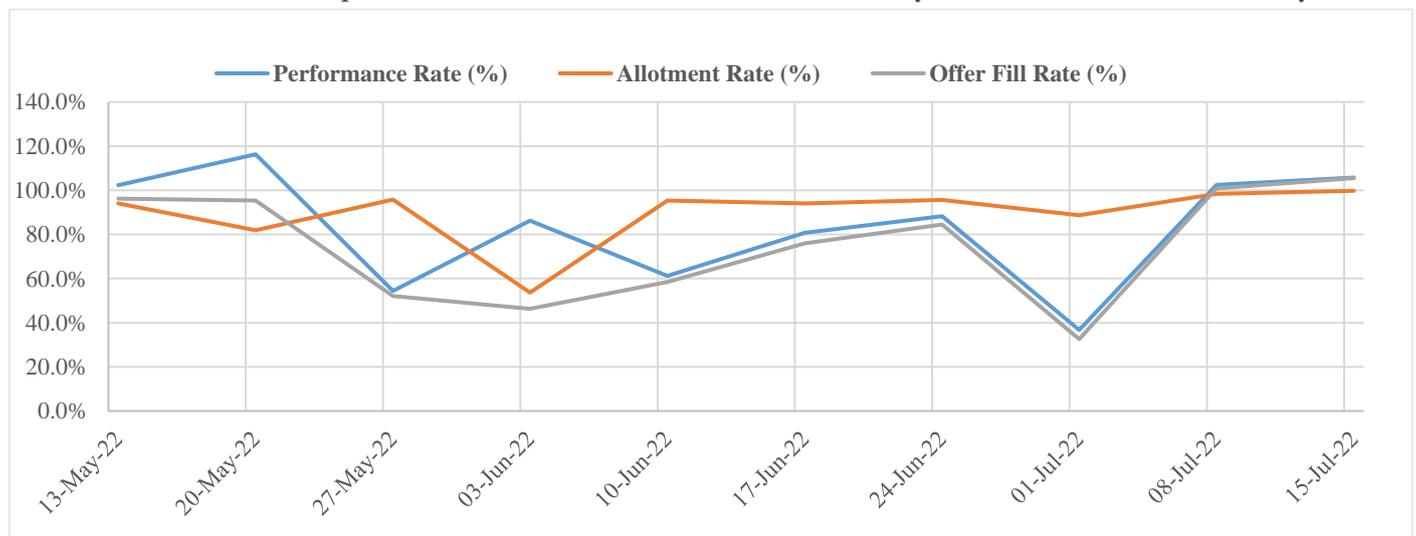
Source: Kestrel Research

Debt market trading commentary

For the second straight week, overall subscription rate rose to 105.8%, up from 102.5% recorded the prior week, mainly driven by investor demand on the 91-Day paper. The yield on the 91-Day T-Bill maintained an upward trend, rising for the seventh successive week. Notably, the yield on the 182-day paper increased for the nineteenth consecutive week.

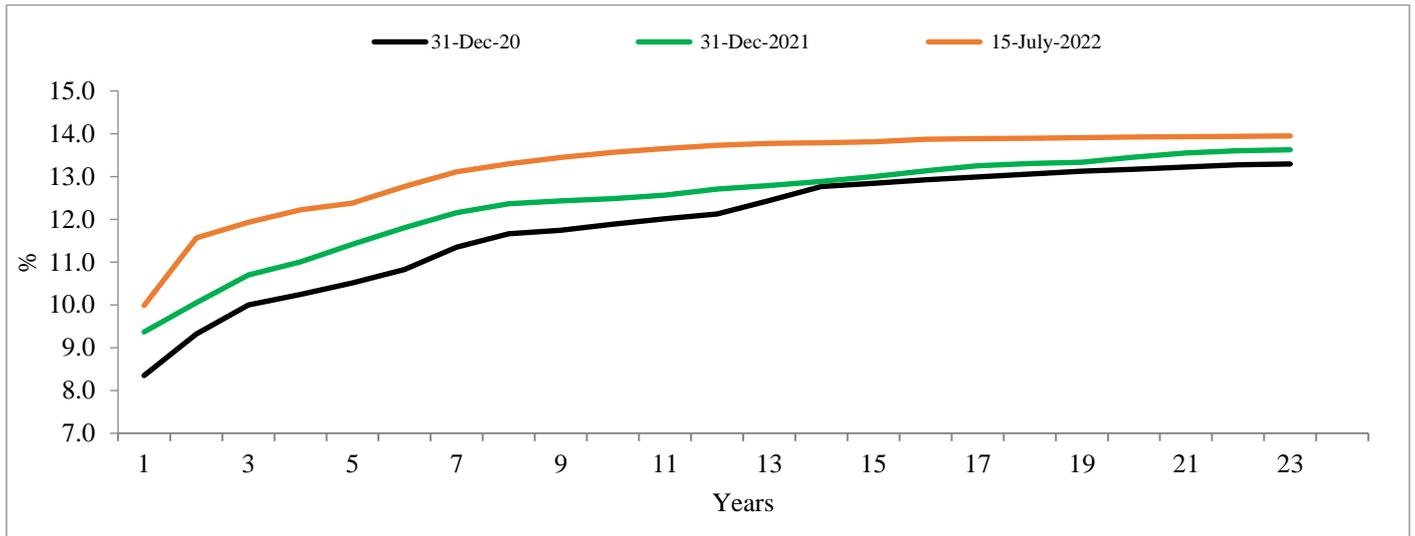
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 13.2bn for the 91-Day T-Bill, implying a subscription rate of 329.78%. It accepted bids worth KES 13.1bn at an average yield of 8.248% (+8.1bps w/w). The 182-Day T-Bill received bids worth KES 5.1bn, implying a performance rate of 50.88%. It accepted bids worth KES 5.1bn at an average yield of 9.305% (+5.2bps w/w). The 364-Day T-Bill received bids worth KES 7.1bn, implying a performance rate of 71.07%. It accepted bids worth KES 7.1bn at an average yield of 9.986% (+0.6bps w/w).

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



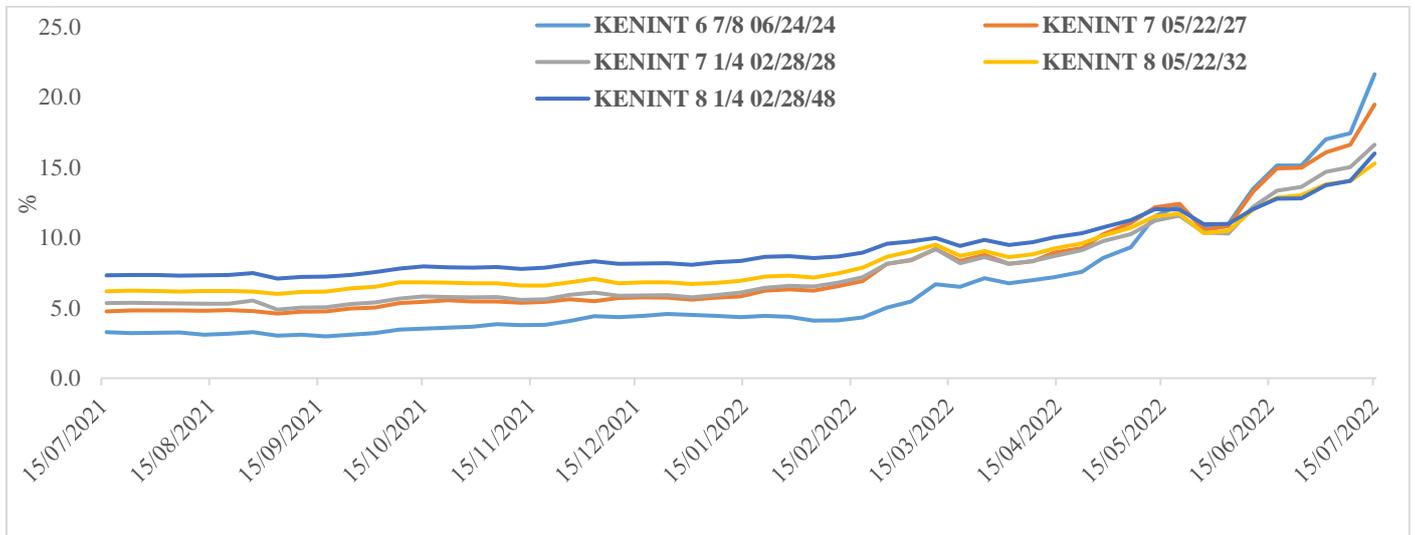
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across all tenors sustain an upward trend for the sixth straight 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	31.45	-17.1	10,654	56.5%	1.74	1.39	3.5	18.1	4.4	9.0	49.9	2,171,590
Equity Bank	Banking	Dec	54.25	39.00	44.55	-15.5	1,421	7.5%	11.15	3.00	44.3	4.0	6.7	1.0	25.2	592,649
KCB Bank	Banking	Dec	49.90	35.00	40.45	-11.0	1,099	5.8%	11.67	3.00	56.6	3.5	7.4	0.7	20.6	292,922
EA Breweries	Breweries	Jun	187.75	110.00	139.50	-15.5	933	5.0%	11.25	3.75	17.5	12.4	2.7	8.0	64.3	362,322
Co-op Bank	Banking	Dec	13.95	10.70	11.05	-14.7	548	2.9%	3.23	1.00	17.5	3.4	9.0	0.6	18.4	28,693
Absa Bank	Banking	Dec	12.70	9.66	10.85	-8.4	498	2.6%	2.15	1.10	10.9	5.0	10.1	1.0	19.7	27,568
StanChart Bank	Banking	Dec	146.25	123.75	130.75	1.9	418	2.2%	24.92	19.00	147.2	5.2	14.5	0.9	16.9	77,284
BAT Kenya	Tobacco	Dec	509.00	404.00	423.50	-4.1	358	1.9%	64.83	50.00	149.7	6.5	11.8	2.8	43.3	51,705
NCBA Bank	Banking	Dec	28.15	23.00	24.05	-4.6	335	1.8%	6.56	3.00	48.7	3.7	12.5	0.5	13.4	79,373
Stanbic Bank	Banking	Dec	108.00	82.75	90.00	3.2	301	1.6%	18.81	7.30	122.8	4.8	8.1	0.7	15.3	172,232
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	16,419
Bank of Kigali	Banking	Dec	40.00	24.30	27.00	-6.9	205	1.1%	7.95	3.28	41.8	3.4	12.2	0.6	19.0	1,533
KenGen	Power	Jun	4.98	3.38	3.50	-16.5	195	1.0%	0.16	0.18	32.4	22.0	5.1	0.1	0.5	6,730
Kenya Airways	Airlines	Dec	3.99	3.83	3.83	0.0	184	1.0%	(2.79)	-	(14.7)	-	-	-	-	-
Jubilee Insurance	Insurance	Dec	384.50	244.50	248.75	-21.5	152	0.8%	94.22	14.00	544.4	2.6	5.6	0.5	17.3	3,187
Britam	Insurance	Dec	8.38	5.44	5.98	-20.3	128	0.7%	0.03	-	7.5	209.2	-	0.8	0.4	3,690
Total Oil	Oil	Dec	26.00	21.75	22.75	-9.0	121	0.6%	4.35	1.31	45.4	5.2	5.8	0.5	9.6	679
DTB Bank	Banking	Dec	69.00	48.40	49.95	-16.1	118	0.6%	14.80	3.00	240.7	3.4	6.0	0.2	6.2	15,707
Bamburi Cement	Cement	Dec	39.80	32.15	35.90	-5.5	110	0.6%	3.58	3.58	83.5	10.0	10.0	0.4	4.3	6,339
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	12,422
Kakuzi	Agric	Dec	441.25	372.75	409.50	6.4	68	0.4%	27.77	18.00	275.9	14.7	4.4	1.5	10.1	25,078
Centum Investment	Finance	Mar	17.85	9.02	9.94	-29.5	56	0.3%	(2.42)	0.33	69.7	-	3.3	0.1	(3.5)	12,076
Kenya Re	Insurance	Dec	2.68	1.94	2.09	-9.1	49	0.3%	1.06	0.10	13.2	2.0	4.8	0.2	8.0	2,616
Crown Paints	Manufac.	Dec	44.00	19.65	39.00	27.9	47	0.2%	5.13	4.00	24.1	7.6	10.3	1.6	21.3	2,319
CIC Insurance	Insurance	Dec	3.18	1.87	2.08	-5.9	46	0.2%	0.26	-	3.1	8.1	-	0.7	8.4	886
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	45	0.2%	(7.77)	-	19.8	-	-	0.3	(39.2)	-
Sasini Tea & Coffee	Agric	Sept	129.00	17.90	22.00	17.6	42	0.2%	(1.48)	0.50	56.5	-	2.3	0.4	(2.6)	267
Nation Media	Media	Dec	26.10	16.20	19.00	3.0	31	0.2%	2.59	1.49	42.1	7.3	7.8	0.5	6.2	2,772
Carbacid	Gases	July	13.25	10.35	11.45	4.1	25	0.1%	2.22	0.70	13.5	5.2	6.1	0.8	16.4	1,523
Liberty K. Holdings	Insurance	Dec	9.98	5.02	5.34	-23.7	24	0.1%	0.15	-	15.9	35.0	-	0.3	1.0	79
Kenya Power	Power	Jun	2.02	1.31	1.41	-19.4	23	0.1%	2.65	-	29.3	0.5	-	0.0	9.0	8,913
TPSEA Serena	Tourism	Dec	16.95	11.50	13.50	-11.5	21	0.1%	(3.47)	-	33.3	-	-	0.4	(10.4)	699
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	7.72	-3.5	17	0.1%	0.51	1.40	8.0	15.1	18.1	1.0	6.4	3,187
Car & Gen	Motors	Sept	76.00	30.00	43.90	29.3	15	0.1%	26.33	3.20	135.8	1.7	7.3	0.3	19.4	-
Sanlam Kenya	Insurance	Dec	15.00	9.70	11.00	-4.8	13	0.1%	(3.77)	-	3.9	-	-	2.8	(97.1)	79
BOC Kenya	Gases	Dec	93.25	62.00	80.00	14.3	13	0.1%	4.78	6.70	84.3	16.7	8.4	0.9	5.7	-
WPP Scangroup	Media	Dec	5.74	2.86	3.30	-20.3	12	0.1%	(0.09)	-	12.0	-	-	0.3	(0.7)	1,015
Housing Finance	Banking	Dec	4.90	2.86	3.45	-11.5	11	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	1,333
Limuru Tea	Agric	Dec	420.00	263.00	420.00	31.3	9	0.0%	(0.50)	0.70	75.9	-	0.2	5.5	(0.7)	370
Standard Newspapers	Media	Dec	20.00	11.55	11.80	-12.9	8	0.0%	(0.90)	-	10.5	-	-	1.1	(8.5)	54
Longhorn	Publishing	Jun	4.4	2.74	3.09	-22.8	7	0.0%	0.62	-	2.8	5.0	-	1.1	22.2	96
EA Portland	Cement	Jun	9.40	6.06	7.32	9.9	6	0.0%	(30.77)	-	208.4	-	-	0.0	(14.8)	18
TransCentury	Finance	Dec	1.47	1.00	1.07	-8.5	3	0.0%	(6.72)	-	(9.5)	-	-	-	-	43
											Average	14.2	5.7	5.8	38.0	3,993,557

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
ephanusm@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