Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	31.11	13.45	131.3%	BUY
Equity bank	43.67	38.00	14.9%	HOLD
KCB bank	47.26	19.35	144.2%	BUY
Co-op bank	20.46	11.60	76.4%	BUY
ABSA bank	12.89	11.05	16.7%	BUY
StanChart bank	138.26	156.50	-11.7%	HOLD
NCBA bank	40.68	35.65	14.1%	HOLD
I&M bank	33.32	17.50	90.4%	BUY
Stanbic bank	108.85	104.25	4.4%	HOLD
DTB bank	116.13	45.00	158.1%	BUY
EABL	164.58	113.75	44.7%	BUY
Bamburi Cement	51.96	28.90	79.8%	BUY
BAT Kenya	544.27	410.00	32.7%	BUY

*banks' fair values have been updated

Kenya Weekly Commentary

Kenya Market Summary

Equity market commentary and outlook

- During the week, Bamburi Cement rallied to a 7-month high on the back of local demand, after Holcim announced the sale of its 70.0% stake in Hima Cement. Notably, most banks posted gains. KCB bank ended higher to close at a 17-day high driven by local demand. Similarly, Co-op bank touched a 12-day high. On account of foreign investors' demand, Equity bank hit a 14-day high and StanChart bank reached a 12-day high.

Debt market commentary and outlook

- Overall subscription rates decreased to 208.3%, down from 255.6% the prior week – had touched a 3-year low. Investors remained skewed on the 91-Day T-Bill and activity was seen again on the 182-Day T-Bill, but emerged weak on the 364-Day T-Bill for the seventieth straight week. The yield on the 91-Day T-Bill edged up for the twenty-ninth consecutive week; the yield on the 182-Day T-Bill trended up for the thirteenth successive week and the yield on the 364-Day T-Bill edged up for the seventh week in a row.

Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,472.1	3.7%	-1.2%	-7.6%	0.3%	-11.6%	-12.2%
Kenya NASI Return	90.5	1.7%	-2.9%	-13.0%	-8.1%	-29.9%	-29.0%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	1.4%	-7.6%	-18.0%	-13.2%	-43.5%	-42.5%
Johannesburg Index	3.3%	5.1%	-0.9%	-0.7%	-4.8%	-6.1%
Nigeria Stock Exchange	-3.9%	-1.1%	0.1%	-24.7%	-14.6%	-23.9%
Ghana Stock Exchange	-0.2%	-2.4%	-2.2%	14.9%	57.8%	10.8%
Egyptian Stock Exchange	0.2%	20.8%	37.6%	41.1%	63.6%	33.7%
MSCI EFM ex SA Index	-0.3%	4.3%	3.6%	6.7%	7.8%	0.8%

Other market statistics

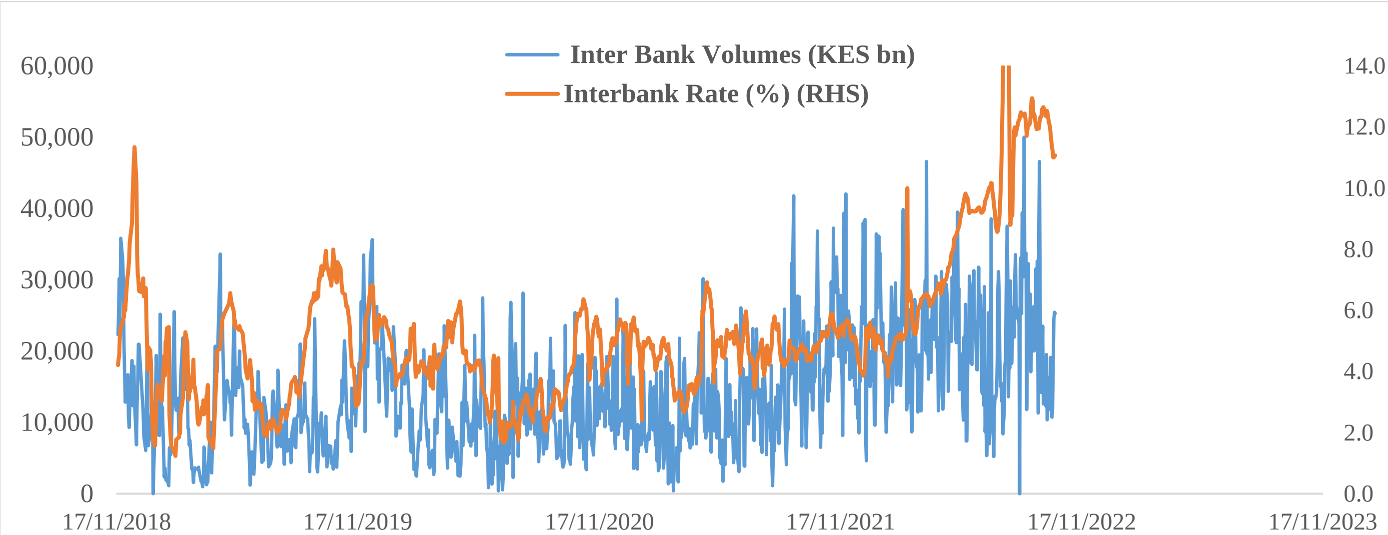
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	152.3	-0.2%	-2.7%	-5.7%	-10.1%	-20.0%	-19.0%
USD/ZAR	18.4	2.0%	3.1%	3.2%	5.4%	-6.1%	-7.2%
USD/EGP	30.9	-0.1%	0.0%	0.0%	0.0%	-21.1%	-19.9%
USD/NGN	840.0	-4.2%	-7.7%	-8.9%	-44.8%	-47.2%	-45.1%
USD/GHS	11.9	-0.2%	-3.2%	-6.6%	-2.3%	21.0%	-15.0%

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	255.2	-53.2	69.1%	-0.4%	-44.3%	-46.9%	15.5%
KCB bank	44.4	-19.4	34.4%	20.6%	-49.2%	-51.0%	22.9%
Equity bank	42.8	5.6	76.5%	1.9%	-14.6%	-19.1%	6.9%
Co-op bank	26.0	-1.0	4.0%	8.9%	-5.7%	-13.1%	13.7%
EABL	15.9	0.4	64.5%	-4.4%	-32.1%	-39.2%	1.1%

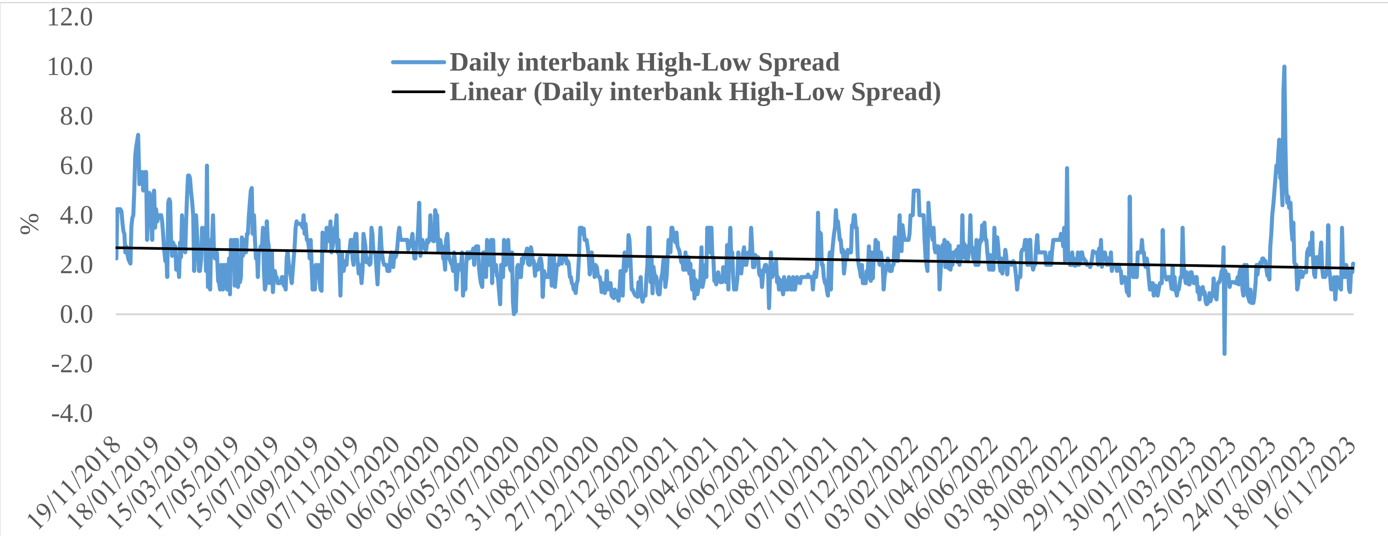
Key Rates and Spreads

Inter-bank rates decrease for the fourth straight week



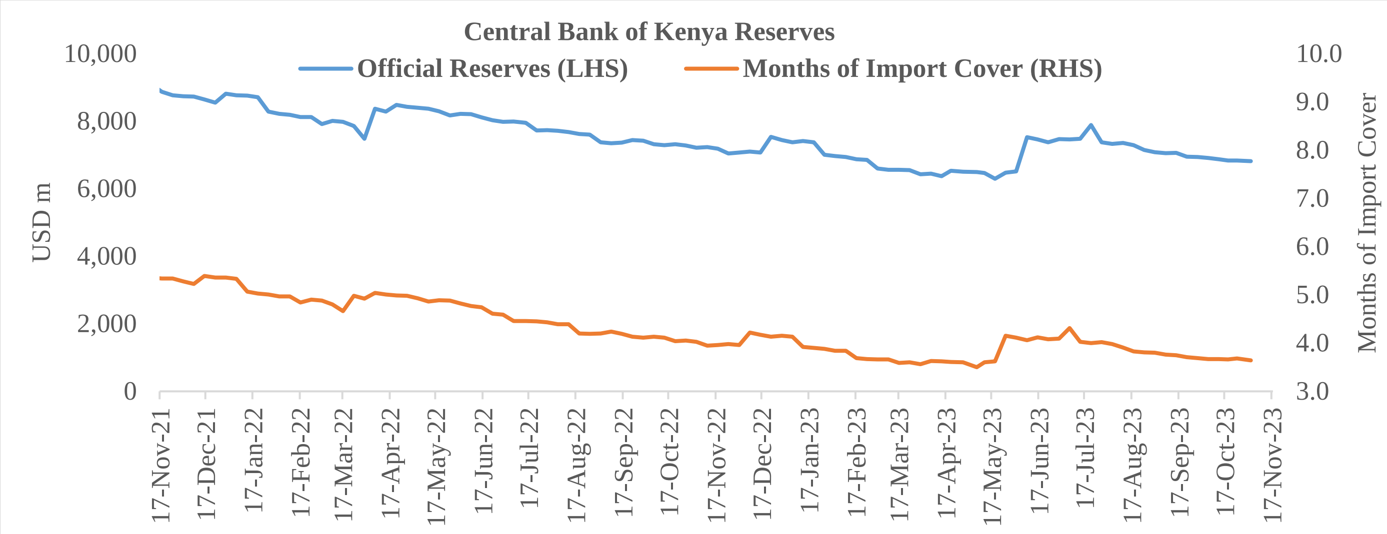
Source: CBK

Inter-bank spreads widen week-on-week



Source: CBK

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



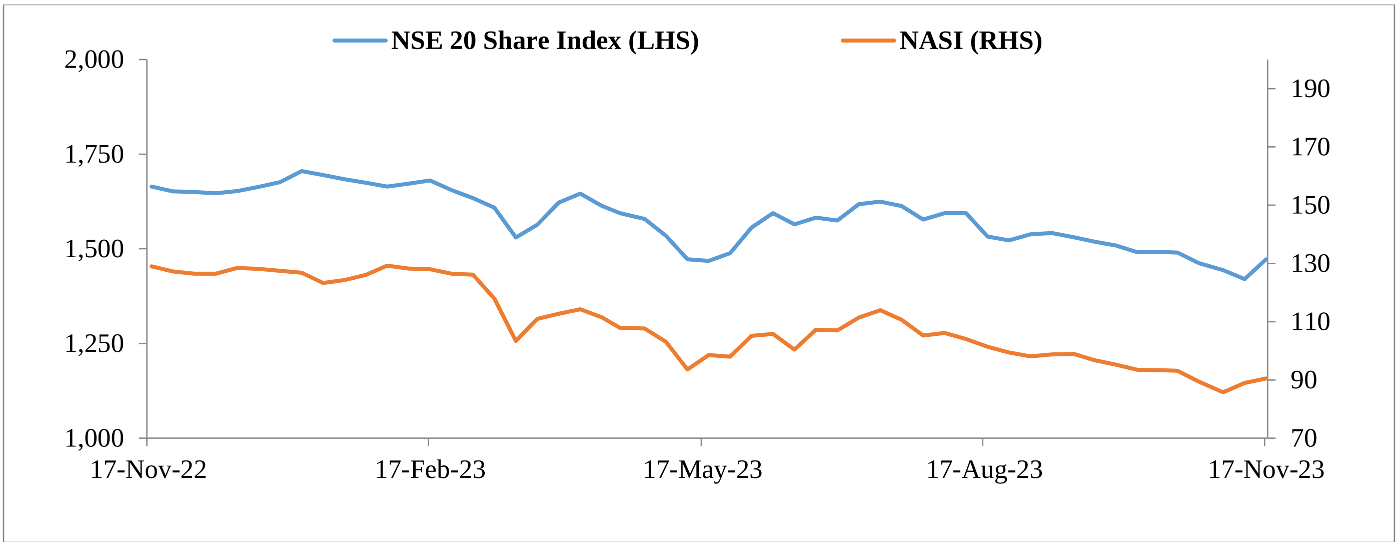
Source: CBK

Equity market trading commentary

Over fewer trading days, market turnover reduced by 72.0% w/w to stand at USD 2.9m (KES 0.4bn). For the second week straight, the NASI added 1.7% w/w to end at 90.50 and the NSE 20 inched up 3.7% w/w to settle at 1,472.09, halting a 4-weeks losing streak. Foreign investors remained as net sellers at USD 0.5m (KES 74.6m) – the twelfth consecutive week. For the fourth successive week, foreign investors drove trading at 54.5% of total turnover, albeit down from 64.5% printed last week. Safaricom registered the highest net foreign outflows at USD 0.3m (KES 53.2m) and KCB bank (USD 0.1m, KES 19.4m). On the other hand, Equity bank recorded the highest net foreign inflows.

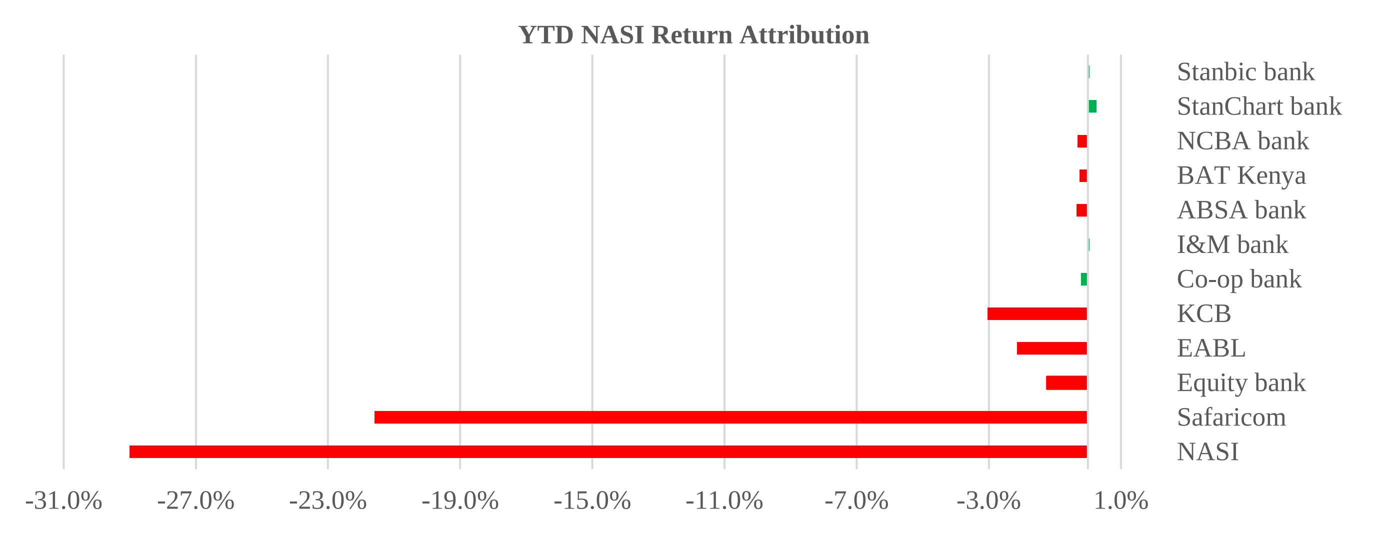
During the week, Bamburi Cement rallied to a 7-month high on the back of local demand, after Holcim announced the sale of its 70.0% stake in Hima Cement. Notably, most banks posted gains. KCB bank ended higher to close at a 17-day high driven by local demand. Similarly, Co-op bank touched a 12-day high. On account of foreign investors' demand, Equity bank hit a 14-day high and StanChart bank reached a 12-day high.

Market performance over the past 12 months



Source: NSE

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



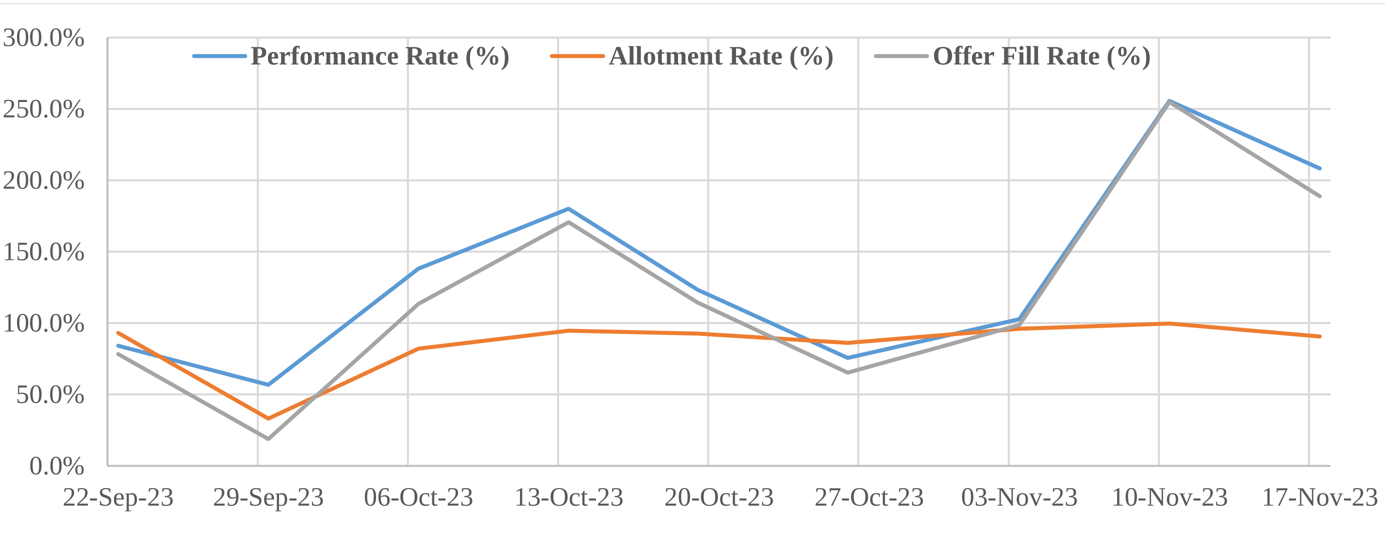
Source: Kestrel Research

Debt market trading commentary

Overall subscription rates decreased to 208.3%, down from 255.6% the prior week – had touched a 3-year low. Investors remained skewed on the 91-Day T-Bill and activity was seen again on the 182-Day T-Bill, but emerged weak on the 364-Day T-Bill for the seventieth straight week. The yield on the 91-Day T-Bill edged up for the twenty-ninth consecutive week; the yield on the 182-Day T-Bill trended up for the thirteenth successive week and the yield on the 364-Day T-Bill edged up for the seventh week in a row.

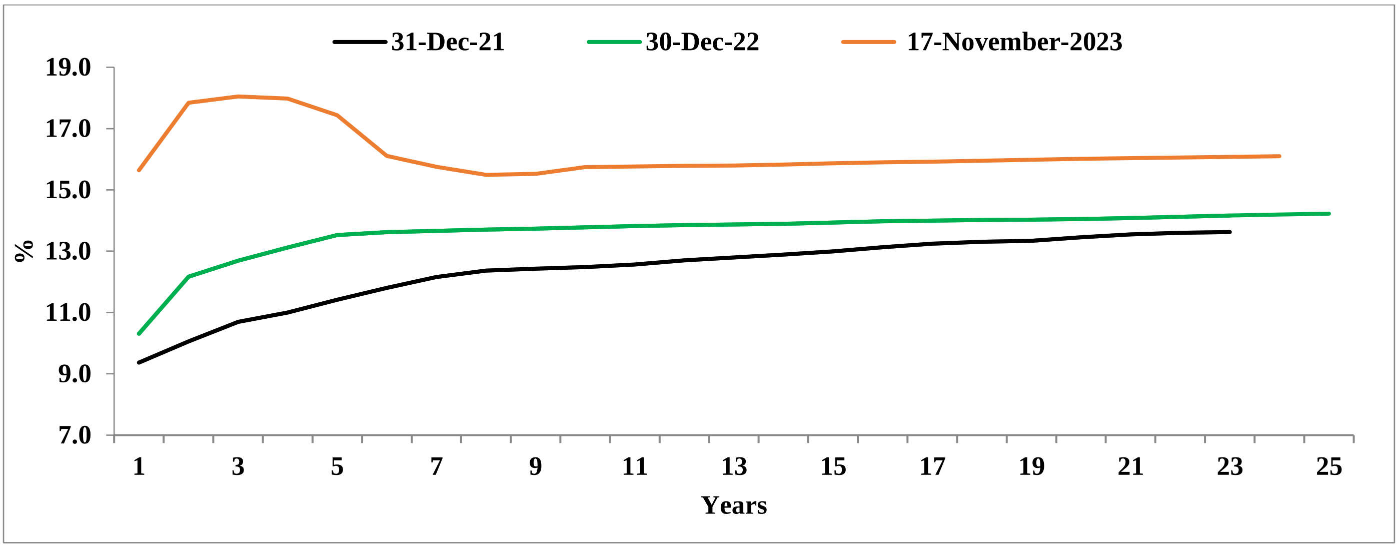
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 37.7bn for the 91-Day T-Bill, implying a subscription rate of 942.71%. It accepted bids worth KES 33.2bn at an average yield of 15.363% (+7.7bps w/w). The 182-Day T-Bill received bids worth KES 9.4bn, implying a performance rate of 93.97%. It accepted bids worth KES 9.3bn at an average yield of 15.428% (+2.2bps w/w). The 364-Day T-Bill received bids worth KES 2.9bn, implying a performance rate of 28.91%. It accepted bids worth KES 2.9bn at an average yield of 15.639% (+2.3bps w/w).

T-Bills Performance: Overall performance rates decline week-on-week



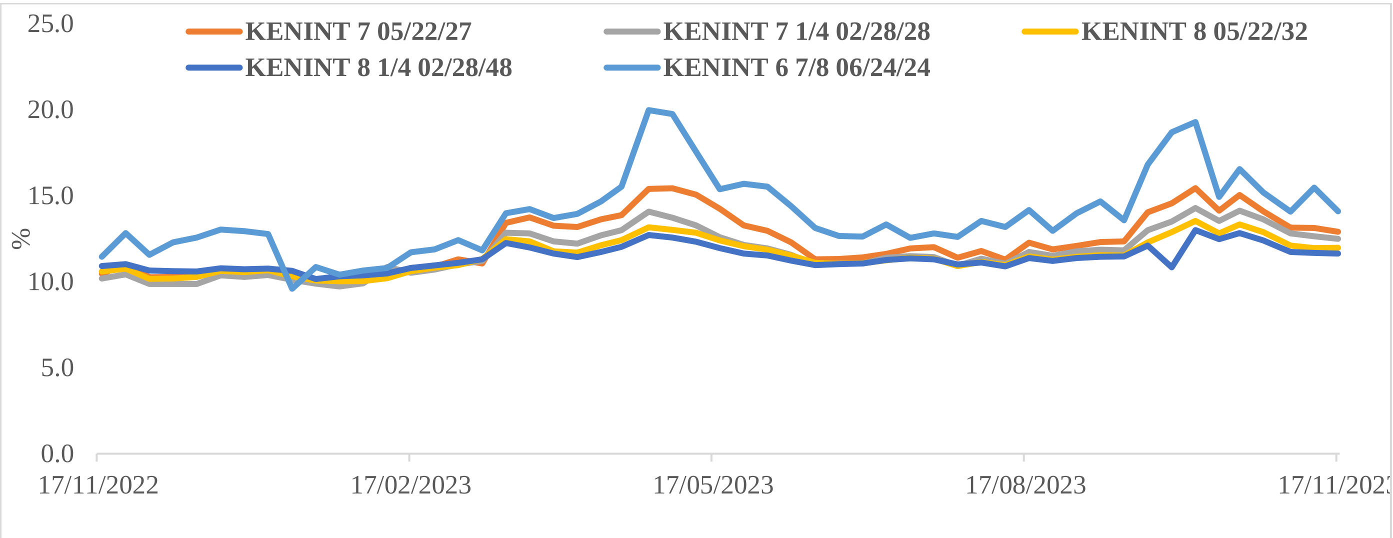
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across tenors decline for the fourth 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[1]
Safaricom	Telecom	Mar	25.35	11.65	13.45	-44.3	3,540	37.9%	1.55	1.20	4.7	8.7	8.9	2.9	33.2	697,864
Equity Bank	Banking	Dec	46.95	35.55	38.00	-14.6	942	10.1%	12.22	3.00	48.7	3.1	7.9	0.8	25.1	164,844
EA Breweries	Breweries	Jun	187.00	112.50	113.75	-32.1	591	6.3%	12.47	5.50	27.1	9.1	4.8	4.2	46.1	19,686
Co-op Bank	Banking	Dec	13.35	10.20	11.60	-5.7	447	4.8%	3.98	1.50	18.4	2.9	12.9	0.6	21.6	43,917
KCB Bank	Banking	Dec	39.45	15.75	19.35	-49.2	408	4.4%	11.42	2.00	65.7	1.7	10.3	0.3	17.4	78,834
Absa Bank	Banking	Dec	12.95	10.10	11.05	-10.2	394	4.2%	2.96	1.35	12.5	3.7	12.2	0.9	23.7	36,420
StanChart Bank	Banking	Dec	171.00	135.25	156.50	9.6	388	4.2%	35.25	22.00	159.8	4.4	14.1	1.0	22.1	22,306
NCBA Bank	Banking	Dec	41.70	30.10	35.65	-9.4	386	4.1%	9.32	4.00	50.6	3.8	11.2	0.7	18.4	19,276
Stanbic Bank	Banking	Dec	129.75	92.00	104.25	2.2	271	2.9%	28.62	13.75	161.8	3.6	13.2	0.6	17.7	10,983
BAT Kenya	Tobacco	Dec	479.75	401.25	410.00	-10.9	269	2.9%	68.92	57.00	163.8	5.9	13.9	2.5	42.1	32,431
Bank of Kigali	Banking	Dec	37.00	27.00	36.05	14.4	212	2.3%	7.66	3.28	43.7	4.7	9.1	0.8	17.5	2,474
I&M Holdings	Banking	Dec	21.00	15.85	17.50	2.9	190	2.0%	5.47	2.25	47.7	3.2	12.9	0.4	11.5	7,517
Umeme Ltd.	Power	Dec	17.75	6.62	14.00	88.7	149	1.6%	3.03	2.12	20.7	4.6	15.2	0.7	14.7	4,472
KenGen	Power	Jun	3.31	2.14	2.30	-28.6	100	1.1%	0.76	0.30	41.6	3.0	13.0	0.1	1.8	5,864
Jubilee Insurance	Insurance	Dec	200.00	148.25	183.75	-7.5	87	0.9%	68.38	14.00	613.8	2.7	7.6	0.3	11.1	9,037
Britam	Insurance	Dec	5.80	4.05	5.00	-3.8	83	0.9%	0.53	-	9.2	9.4	-	0.5	5.7	98,689
DTB Bank	Banking	Dec	55.25	44.00	45.00	-10.0	83	0.9%	23.17	5.00	259.1	1.9	11.1	0.2	8.9	6,938
Bamburi Cement	Cement	Dec	34.50	22.50	28.90	-8.3	69	0.7%	2.15	3.58	82.1	13.4	12.4	0.4	2.6	11,076
Kakuzi	Agric	Dec	430.00	240.00	385.00	0.0	50	0.5%	43.15	24.00	303.5	8.9	6.2	1.3	14.2	425
Centum Investment	Finance	Mar	9.50	7.90	8.88	6.2	39	0.4%	(8.95)	0.60	55.8	-	6.8	0.2	(16.1)	6,592
CIC Insurance	Insurance	Dec	2.21	1.68	2.09	7.2	36	0.4%	0.42	0.13	3.3	5.0	6.2	0.6	12.8	1,706
Crown Paints	Manufac.	Dec	44.80	32.30	36.80	-12.1	34	0.4%	5.13	4.00	24.1	7.2	10.9	1.5	21.3	248
Kenya Re	Insurance	Dec	2.02	1.54	1.70	-7.1	31	0.3%	1.17	0.10	13.4	1.5	5.9	0.1	8.7	1,975
Carbacid	Gases	July	17.55	11.40	17.00	41.7	28	0.3%	2.98	0.70	13.6	5.7	4.1	1.2	21.9	2,228
Sasini Tea & Coffee	Agric	Sept	31.40	18.45	18.45	-17.8	28	0.3%	3.82	1.00	61.7	4.8	5.4	0.3	6.2	525
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	15,010
Kenya Power	Power	Jun	1.70	1.37	1.38	-11.5	18	0.2%	(1.64)	-	29.1	-	-	0.0	(5.6)	3,426
TPSEA Serena	Tourism	Dec	15.45	10.85	12.00	-10.1	14	0.2%	(3.47)	-	33.3	-	-	0.4	(10.4)	175
Liberty K. Holdings	Insurance	Dec	5.68	3.45	3.57	-36.3	13	0.1%	0.15	-	15.9	23.4	-	0.2	1.0	99
BOC Kenya	Gases	Dec	90.25	65.00	80.00	13.1	10	0.1%	7.58	5.95	85.1	10.6	7.4	0.9	8.9	373
NSE	Finance	Dec	7.00	5.52	6.00	-11.5	10	0.1%	0.05	0.20	7.1	113.5	3.3	0.8	0.7	496
Housing Finance	Banking	Dec	5.10	2.96	3.47	8.8	9	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	6,945
Unga Ltd	Food	Jun	32.00	14.00	15.20	-52.5	8	0.1%	2.48	-	58.3	6.1	-	0.3	4.2	35
Sanlam Kenya	Insurance	Dec	9.68	6.54	6.80	-29.0	6	0.1%	(3.77)	-	3.9	-	-	1.8	(97.1)	99
											Average	**9.6**	**9.3**	**1.8**	**24.8**	**1,319,920**

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