

## 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	45.00	35.2%	BUY
KCB bank	59.61	38.50	54.8%	BUY
Co-op bank	16.15	11.25	43.6%	BUY
ABSA bank	12.47	10.45	19.3%	BUY
StanChart bank	134.08	132.00	1.6%	HOLD
NCBA bank	33.44	24.50	36.5%	BUY
I&M bank	21.43	17.05	25.7%	BUY
Stanbic bank	94.83	106.00	-10.5%	HOLD
DTB bank	106.48	49.05	117.1%	BUY
EABL	256.11	143.50	78.5%	BUY
Bamburi Cement	89.84	33.35	169.4%	BUY
BAT Kenya	521.50	445.00	17.2%	BUY

## Kenya Weekly Commentary

### Kenya Market Summary

#### Equity market commentary and outlook

- Last week, after announcing an 8.4% y/y growth in 1H22 earnings and a 43% increase in interim dividend, BAT Kenya hit a 3-month high driven by foreign demand. On account of foreign demand, Equity bank hit an 8-day high. On corporate news, Centum Investments and EABL will publish their full year results on 26<sup>th</sup> July and 28<sup>th</sup> July, respectively.

#### Debt market commentary and outlook

- For the third consecutive week, overall subscription rate increased to 144.1%, up from 105.8% achieved last week, largely driven by continued investor demand on the 91-Day paper and improved performance on the 182-day paper. For the first time in the last six weeks, Kenyan Eurobond yields across all tenors declined week-on-week.

### Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,676.5	-0.4%	6.6%	-10.5%	-11.4%	-15.4%	-11.9%
Kenya NASI Return	136.6	-4.0%	16.5%	-13.7%	-17.1%	-23.7%	-18.0%
FTSE NSE Kenya 15 Return	170.1	0.0%	6.4%	-15.6%	-17.8%	-19.3%	-18.8%
FTSE NSE Kenya 25 Return	170.3	0.0%	7.1%	-19.7%	-23.0%	-28.1%	-22.7%
FTSE Kenya Bond Index Return	94.7	0.0%	-0.6%	-0.1%	-1.7%	-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	37.7%	66.0%	27.4%	16.5%	0.1%	12.0%
Johannesburg Index	21.9%	11.4%	3.0%	-1.5%	-0.2%	-0.2%
Nigeria Stock Exchange	-0.5%	-0.4%	5.1%	11.1%	31.5%	22.0%
Ghana Stock Exchange	-1.1%	-5.0%	-16.3%	-32.1%	-34.5%	-33.8%
Egyptian Stock Exchange	5.7%	-2.3%	-17.7%	-32.8%	-27.0%	-35.5%
MSCI EFM ex SA Index	0.7%	1.4%	-11.2%	-20.0%	-19.9%	-21.1%

**Other market statistics**

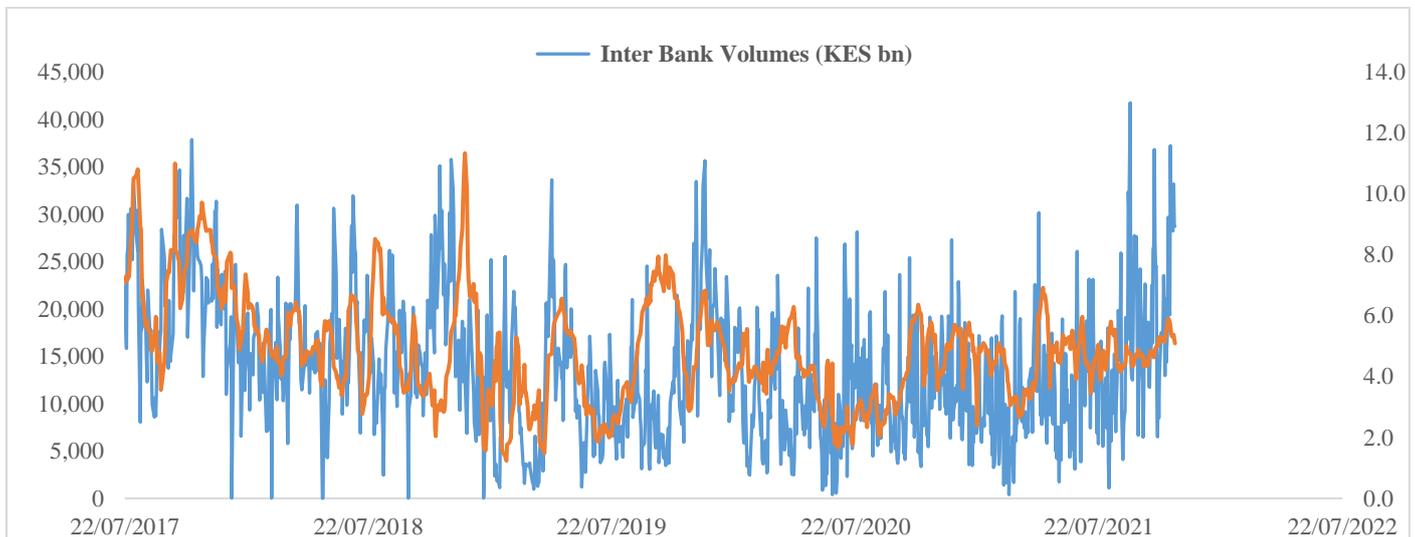
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	118.71	-0.3%	-0.7%	-2.4%	-4.3%	-8.9%	-4.7%
USD/ZAR	16.83	2.1%	-5.7%	-5.2%	-7.4%	-14.3%	-5.3%
USD/EGP	18.92	-0.2%	-0.8%	-2.1%	-16.8%	-17.0%	-16.9%
USD/NGN	423.35	-0.3%	-1.0%	-1.0%	-1.4%	-3.0%	0.2%
USD/GHS	8.14	-0.2%	-2.4%	-7.5%	-22.9%	0.1%	-24.1%

**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
Safaricom	534.1	-321.3	61.5%	-7.8%	-23.6%	-35.5%	25.5%
Equity bank	533.2	95.3	41.5%	1.0%	-14.7%	-26.5%	15.4%
KCB bank	333.8	-36.9	77.6%	-4.8%	-15.3%	-22.8%	10.0%
EABL	116.2	9.5	91.1%	2.9%	-13.0%	-22.5%	30.5%
NCBA bank	31.8	0.4	1.0%	1.9%	-2.8%	-13.0%	6.5%

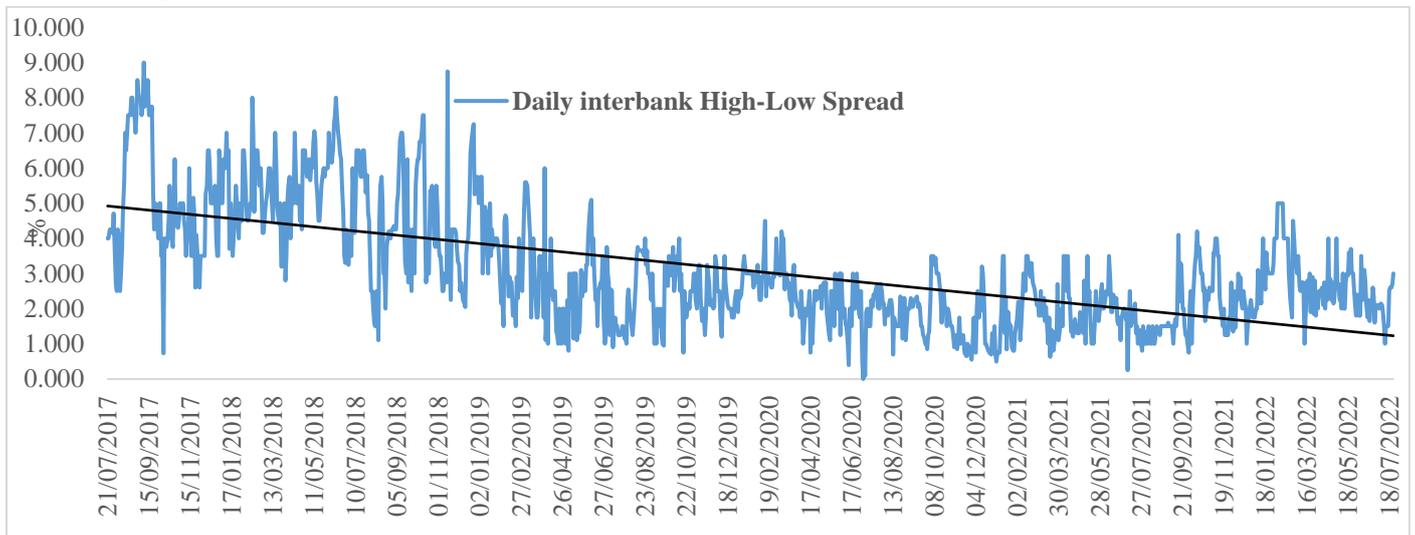
**Key Rates and Spreads**

**Inter-bank rate declines week-on-week**



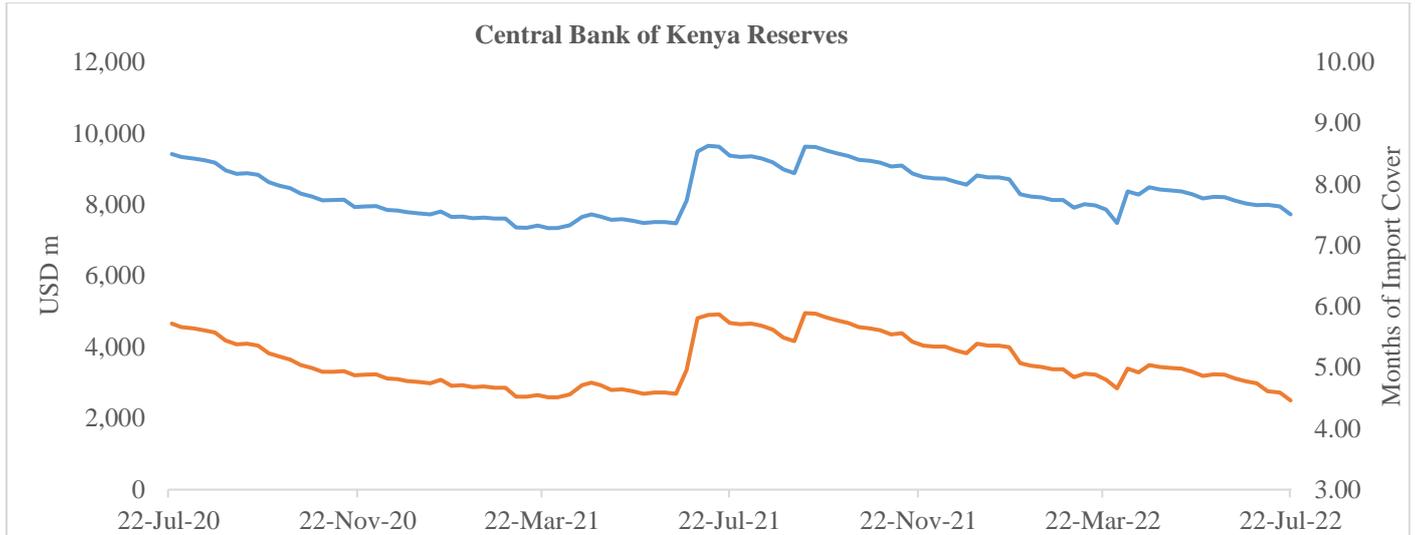
Source: CBK

**Inter-bank spread widens week-on-week**



Source: CBK

Forex reserves and import cover fall for the second successive week



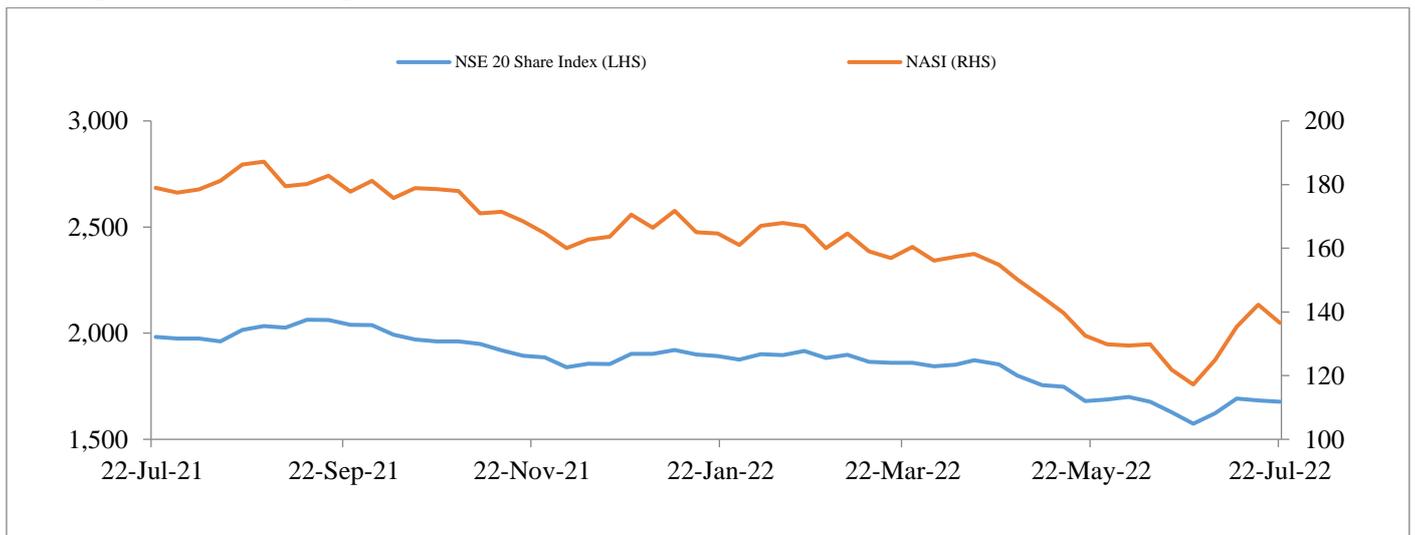
Source: CBK

Equity market trading commentary

Weekly turnover rebounded by 40.2% w/w to settle t USD 15.4m (KES 1.8bn). Breaking its 3-week gaining streak, the NASI dipped 4.0% w/w to 136.57, as Safaricom’s share price weakened. Similarly, for the second week running, NSE 20 shed 0.4% w/w to 1,676.51. Foreign trading improved to 51.3% of the market, up from 40.1% the prior week as local investors activity fell from its 17-week high. Sustaining their net selling streak for twenty third week in a row, foreign investors remained net seller – net foreign outflows of USD 2.2m (KES 256.8m). Safaricom (USD 2.7m, KES 321.3m) and KCB bank (USD 0.3m, KES 26.9m) marked the highest net foreign outflows of USD 2.6m (KES 311.1m) while Equity bank recorded the highest net foreign outflows of USD 0.8m (KES 95.3m).

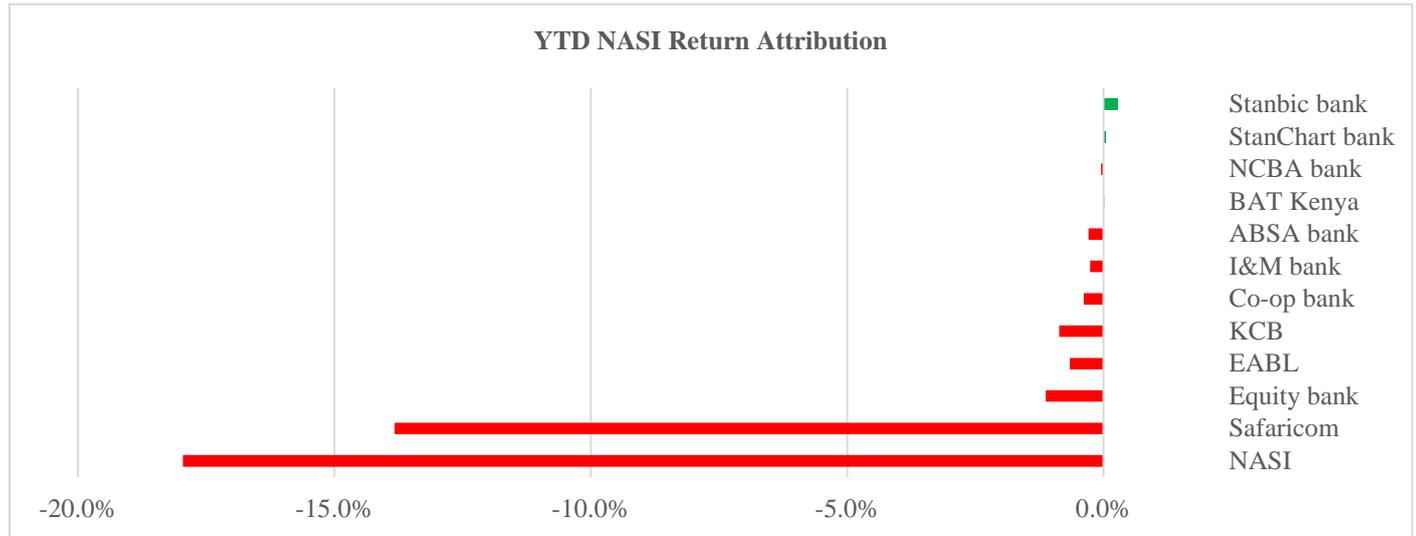
Last week, after announcing an 8.4% y/y growth in 1H22 earnings and a 43% increase in interim dividend, BAT Kenya hit a 3-month high driven by foreign demand. Equity bank (+1.0% w/w) closed the week having touched an 8-day high on the back of foreign demand. Safaricom (-7.8% w/w) ended the week lower on account of foreign selling. On Corporate news, we expect Centum Investments and EABL to publish their full year results on 26<sup>th</sup> July 2022 and 28<sup>th</sup> July 2022, respectively.

Market performance over the past 12 months



Source: NSE

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



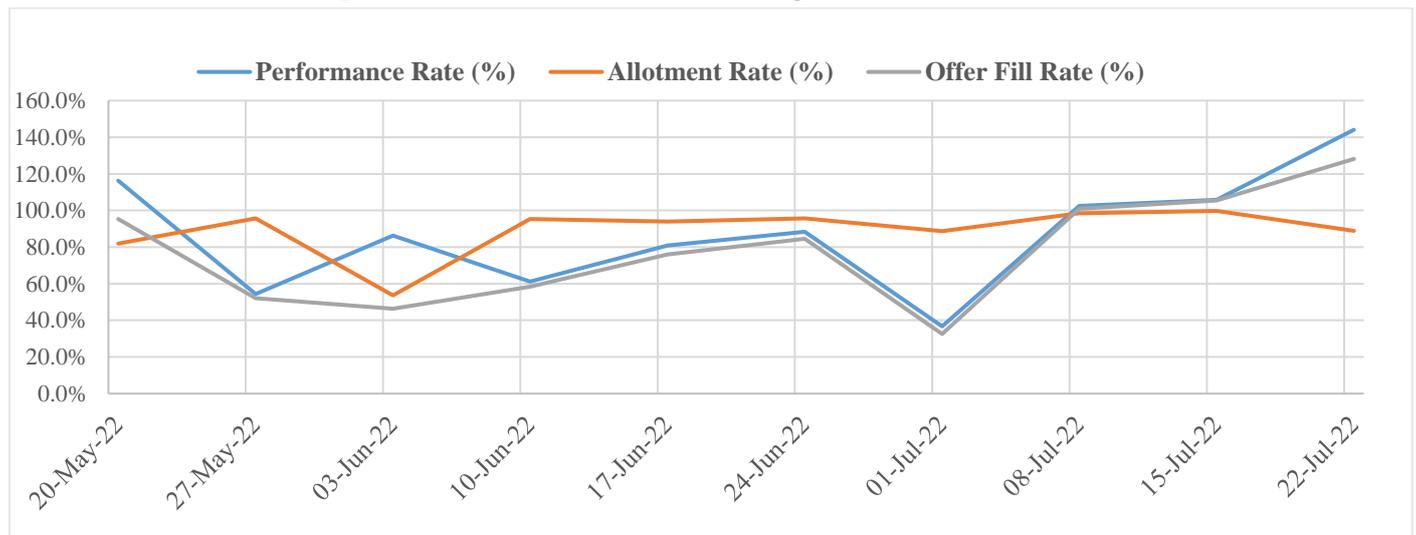
Source: Kestrel Research

**Debt market trading commentary**

For the third consecutive week, overall subscription rate increased to 144.1%, up from 105.8% achieved last week, largely driven by continued investor demand on the 91-Day paper and improved performance on the 182-day paper. The yield on the 91-Day T-Bill sustained its upward trend, rising for the eighth straight week. Also, the yield on the 182-day paper went up for the twentieth successive week.

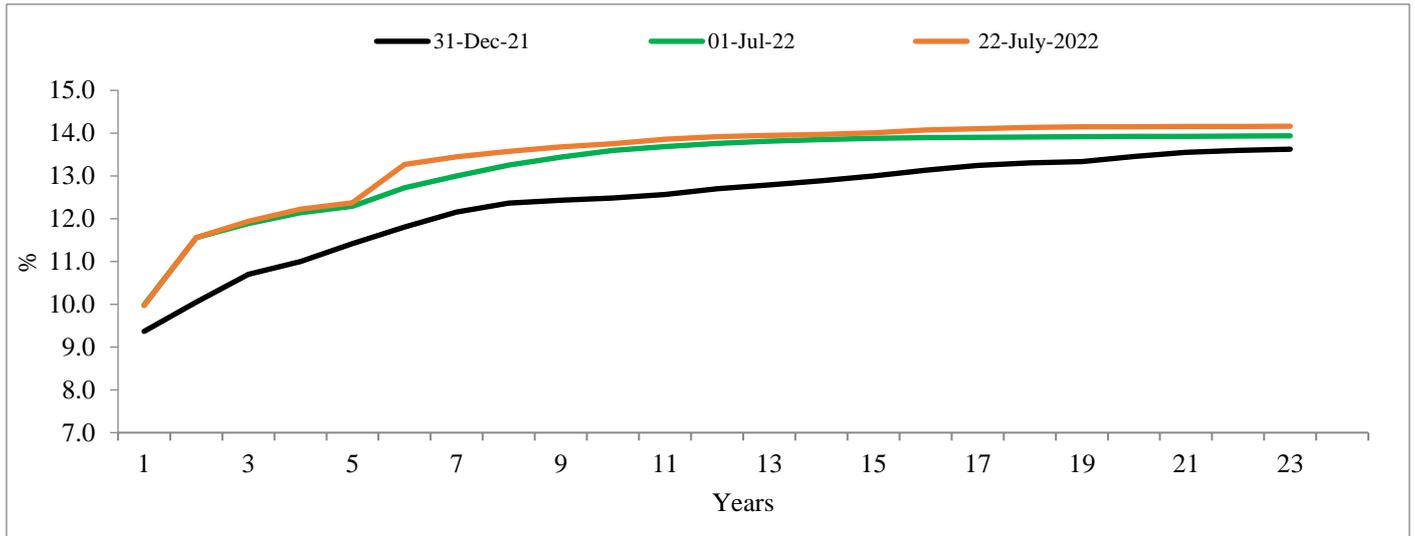
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 15.5bn for the 91-Day T-Bill, implying a subscription rate of 388.35%. It accepted bids worth KES 13.5bn at an average yield of 8.322% (+7.4bps w/w). The 182-Day T-Bill received bids worth KES 14.6bn, implying a performance rate of 146.49%. It accepted bids worth KES 14.5bn at an average yield of 9.393% (+8.7bps w/w). The 364-Day T-Bill received bids worth KES 4.4bn, implying a performance rate of 43.95%. It accepted bids worth KES 2.8bn at an average yield of 9.963% (-1.8bps w/w).

**T-Bills Performance: Overall performance rate rises for the third straight week**



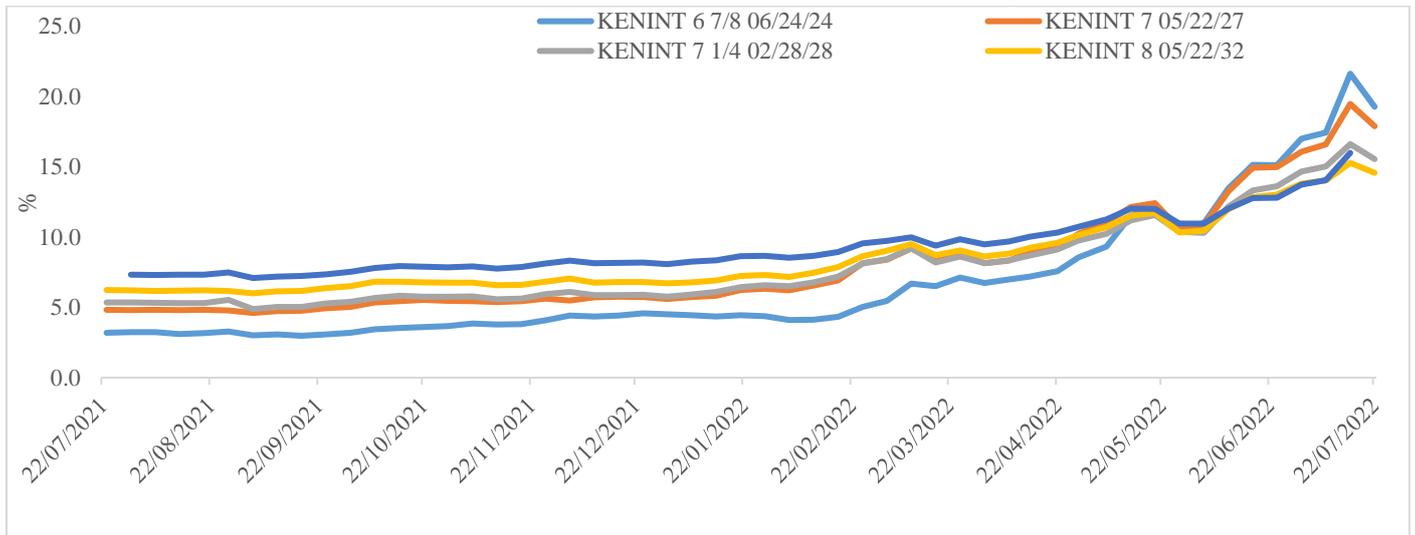
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across all tenors halt a 6-week rising streak after declining week-on-week



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year	12 M	12 M	Price	YTD	Market <sup>1</sup> cap (USD m)	Weighting	EPS	DPS	NAV	P/E	Div	P/B	ROE %	Daily Trading <sup>1</sup>
		end	High	Low		%						ratio x	yld %	ratio x		vol (USD)
Safaricom	Telecom	Mar	44.95	23.10	29.00	-23.6	9,799	54.3%	1.74	1.39	3.5	16.7	4.8	8.3	49.9	2,117,538
Equity Bank	Banking	Dec	54.25	39.00	45.00	-14.7	1,432	7.9%	11.15	3.00	44.3	4.0	6.7	1.0	25.2	586,751
KCB Bank	Banking	Dec	49.90	35.00	38.50	-15.3	1,043	5.8%	11.67	3.00	56.6	3.3	7.8	0.7	20.6	328,718
EA Breweries	Breweries	Jun	186.00	110.00	143.50	-13.0	957	5.3%	11.25	3.75	17.5	12.8	2.6	8.2	64.3	363,805
Co-op Bank	Banking	Dec	13.95	10.70	11.25	-13.1	557	3.1%	3.23	1.00	17.5	3.5	8.9	0.6	18.4	28,366
Absa Bank	Banking	Dec	12.70	9.66	10.45	-11.8	479	2.7%	2.15	1.10	10.9	4.9	10.5	1.0	19.7	26,221
StanChart Bank	Banking	Dec	146.25	123.75	132.00	2.9	421	2.3%	24.92	19.00	147.2	5.3	14.4	0.9	16.9	63,173
BAT Kenya	Tobacco	Dec	509.00	404.00	445.00	0.8	375	2.1%	67.10	55.00	129.1	6.6	12.4	3.4	52.0	52,703
Stanbic Bank	Banking	Dec	108.00	85.00	106.00	21.5	353	2.0%	18.81	7.30	122.8	5.6	6.9	0.9	15.3	168,022
NCBA Bank	Banking	Dec	28.15	23.00	24.50	-2.8	340	1.9%	6.56	3.00	48.7	3.7	12.2	0.5	13.4	81,616
I&M Holdings	Banking	Dec	23.25	16.50	17.05	-19.2	238	1.3%	5.38	1.50	42.6	3.2	8.8	0.4	12.6	16,007
Bank of Kigali	Banking	Dec	40.00	24.30	28.80	-0.7	218	1.2%	7.95	3.28	41.8	3.6	11.4	0.7	19.0	1,474
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	6,901
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	249.00	-21.4	152	0.8%	94.22	14.00	544.4	2.6	5.6	0.5	17.3	3,155
Britam	Insurance	Dec	8.38	5.44	6.00	-20.0	128	0.7%	0.03	-	7.5	209.9	-	0.8	0.4	3,585
Total Oil	Oil	Dec	26.00	21.75	23.00	-8.0	122	0.7%	4.35	1.31	45.4	5.3	5.7	0.5	9.6	700
DTB Bank	Banking	Dec	66.75	48.40	49.05	-17.6	116	0.6%	14.80	3.00	240.7	3.3	6.1	0.2	6.2	15,742
Bamburi Cement	Cement	Dec	39.80	32.15	33.35	-12.2	102	0.6%	3.58	3.58	83.5	9.3	10.7	0.4	4.3	4,960
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	4,367
Kakuzi	Agric	Dec	441.25	372.75	400.00	3.9	66	0.4%	27.77	18.00	275.9	14.4	4.5	1.4	10.1	24,525
Centum Investment	Finance	Mar	17.85	9.02	9.58	-32.1	54	0.3%	(2.42)	0.33	69.7	-	3.4	0.1	(3.5)	12,034
Crown Paints	Manufac.	Dec	44.00	19.65	42.50	39.3	51	0.3%	5.13	4.00	24.1	8.3	9.4	1.8	21.3	783
Kenya Re	Insurance	Dec	2.68	1.94	2.05	-10.9	48	0.3%	1.06	0.10	13.2	1.9	4.9	0.2	8.0	2,582
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	45	0.2%	(7.77)	-	19.8	-	-	0.3	(39.2)	-
CIC Insurance	Insurance	Dec	3.18	1.87	2.02	-8.6	45	0.2%	0.26	-	3.1	7.9	-	0.7	8.4	900
Sasini Tea & Coffee	Agric	Sept	129.00	17.90	21.90	17.1	42	0.2%	(1.48)	0.50	56.5	-	2.3	0.4	(2.6)	252
Nation Media	Media	Dec	26.10	16.20	18.05	-2.2	29	0.2%	2.59	1.49	42.1	7.0	8.2	0.4	6.2	2,046
Liberty K. Holdings	Insurance	Dec	9.98	5.02	5.50	-21.4	25	0.1%	0.15	-	15.9	36.0	-	0.3	1.0	76
Carbacid	Gases	July	13.25	10.35	11.40	3.6	25	0.1%	2.22	0.70	13.5	5.1	6.1	0.8	16.4	1,547
Kenya Power	Power	Jun	2.02	1.31	1.40	-20.0	23	0.1%	2.65	-	29.3	0.5	-	0.0	9.0	9,575
TPSEA Serena	Tourism	Dec	16.95	11.50	14.70	-3.6	23	0.1%	(3.47)	-	33.3	-	-	0.4	(10.4)	663
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	80
NSE	Finance	Dec	10.15	6.60	7.74	-3.3	17	0.1%	0.51	1.40	8.0	15.2	18.1	1.0	6.4	3,184
Car & Gen	Motors	Sept	76.00	30.00	43.50	28.1	15	0.1%	26.33	3.20	135.8	1.7	7.4	0.3	19.4	203
Sanlam Kenya	Insurance	Dec	15.00	9.70	11.60	0.4	14	0.1%	(3.77)	-	3.9	-	-	3.0	(97.1)	76
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	211
WPP Scangroup	Media	Dec	5.74	2.86	3.30	-20.3	12	0.1%	(0.09)	-	12.0	-	-	0.3	(0.7)	980
Housing Finance	Banking	Dec	4.90	2.86	3.39	-13.1	11	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	1,355
Standard Newspapers	Media	Dec	20.00	11.55	12.90	-4.8	9	0.0%	(0.90)	-	10.5	-	-	1.2	(8.5)	56
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)	369
Longhorn	Publishing	Jun	4.4	2.74	3.31	-17.3	8	0.0%	0.62	-	2.8	5.4	-	1.2	22.2	109
EA Portland	Cement	Jun	9.40	6.06	7.70	15.6	6	0.0%	(30.77)	-	208.4	-	-	0.0	(14.8)	29
TransCentury	Finance	Dec	1.47	1.00	1.19	1.7	4	0.0%	(6.72)	-	(9.5)	-	-	-	-	43
											<b>Average</b>	<b>13.3</b>	<b>6.0</b>	<b>5.3</b>	<b>37.6</b>	<b>3,945,117</b>

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