

Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	31.11	15.00	107.4%	BUY
Equity bank	58.81	36.90	59.4%	BUY
KCB bank	62.39	22.35	179.1%	BUY
Co-op bank	18.13	11.80	53.6%	BUY
ABSA bank	12.32	11.85	4.0%	HOLD
StanChart bank	108.61	163.00	-33.4%	SELL
NCBA bank	38.68	37.25	3.8%	HOLD
I&M bank	30.56	17.50	74.6%	BUY
Stanbic bank	89.16	111.00	-19.7%	SELL
DTB bank	122.70	48.00	155.6%	BUY
EABL	164.58	131.00	25.6%	BUY
Bamburi Cement	51.96	25.10	107.1%	BUY
BAT Kenya	544.27	419.50	29.7%	BUY

*Fair values under review

Kenya Weekly Commentary

Kenya Market Summary

Equity market commentary and outlook

- During the week, StanChart bank rallied to a 28-day high largely driven by local investors' demand. NCBA bank traded down to a 21-day low on account of local investors' sell-off. Similarly, on the back of local selling, DTB bank touched a 14-day low.

Debt market commentary and outlook

- For the second consecutive week, overall subscription rates decreased to 84.1%, down from 92.1% last week. Investors remained biased on the 91-Day T-Bill, with relatively weaker demand on the 182-Day T-Bill and 364-Day T-Bill, for the ninth straight week. The yield on the 91-Day T-Bill trended upwards for the twenty-first successive week; the yield on the 182-Day T-Bill edged up for the fifth successive week while the yield on the 364-Day T-Bill rose week-on-week – hit an 11-year high.

Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,530.8	-0.7%	-0.1%	-4.0%	0.0%	-12.4%	-8.7%
Kenya NASI Return	98.9	0.2%	-2.4%	-6.5%	-4.3%	-25.2%	-22.4%
FTSE NSE Kenya 15 Return	170.1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FTSE NSE Kenya 25 Return	170.3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	-3.8%	-7.3%	-9.3%	-18.3%	-41.8%	-37.1%
Johannesburg Index	-0.3%	1.7%	-9.2%	-1.0%	10.1%	-8.7%
Nigeria Stock Exchange	-0.4%	3.7%	-2.6%	-26.7%	-22.4%	-21.4%
Ghana Stock Exchange	-1.4%	1.6%	18.2%	25.7%	13.7%	14.1%
Egyptian Stock Exchange	2.9%	11.7%	12.3%	36.1%	27.5%	10.2%
MSCI EFM ex SA Index	-0.2%	-3.1%	1.4%	3.5%	-4.2%	-3.1%

Other market statistics

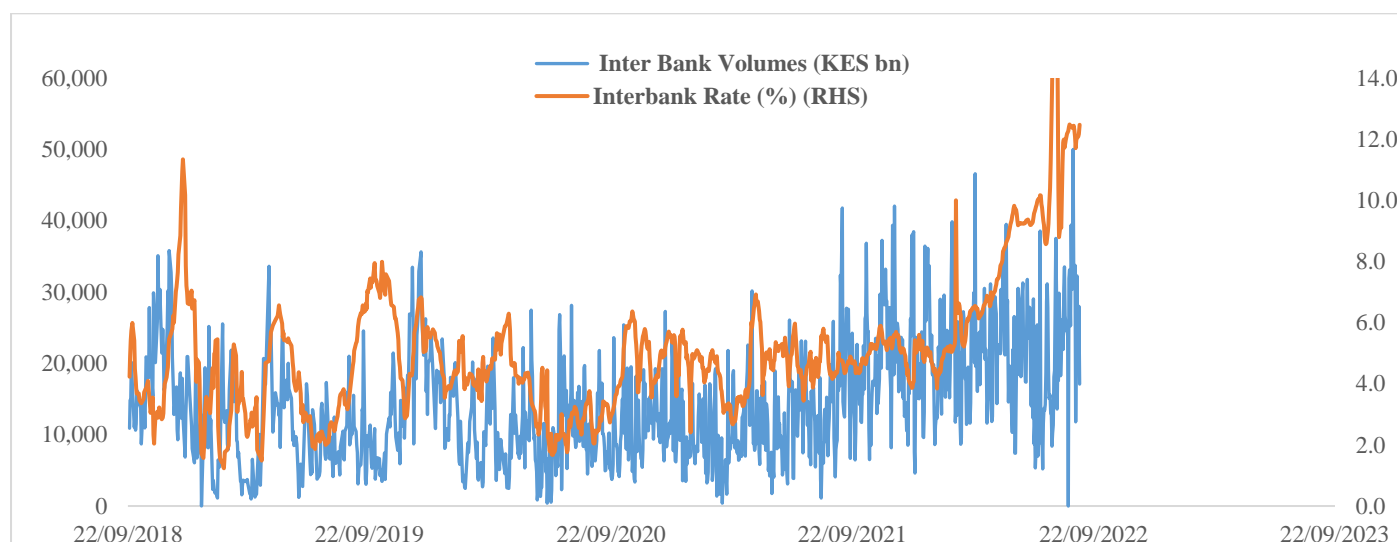
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	147.4	-0.4%	-2.1%	-5.0%	-11.8%	-18.2%	-16.3%
USD/ZAR	18.8	1.4%	1.3%	-3.0%	-2.1%	-4.8%	-9.2%
USD/EGP	30.9	0.1%	0.1%	0.0%	-0.3%	-36.9%	-19.9%
USD/NGN	768.0	0.0%	0.1%	-14.4%	-40.0%	-43.3%	-40.0%
USD/GHS	11.5	-0.2%	-1.8%	-1.4%	7.6%	-10.7%	-11.7%

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	671.2	-423.5	66.6%	-4.8%	-37.9%	-45.5%	15.4%
Equity bank	245.7	1.0	49.1%	-1.3%	-17.1%	-22.4%	3.1%
BAT Kenya	173.1	-3.0	97.9%	-0.1%	-8.8%	-12.6%	4.5%
Co-op bank	78.1	-72.4	46.3%	-1.3%	-4.1%	-11.6%	5.8%
Centum Investments	25.2	-19.2	38.1%	2.0%	7.7%	-8.4%	13.9%

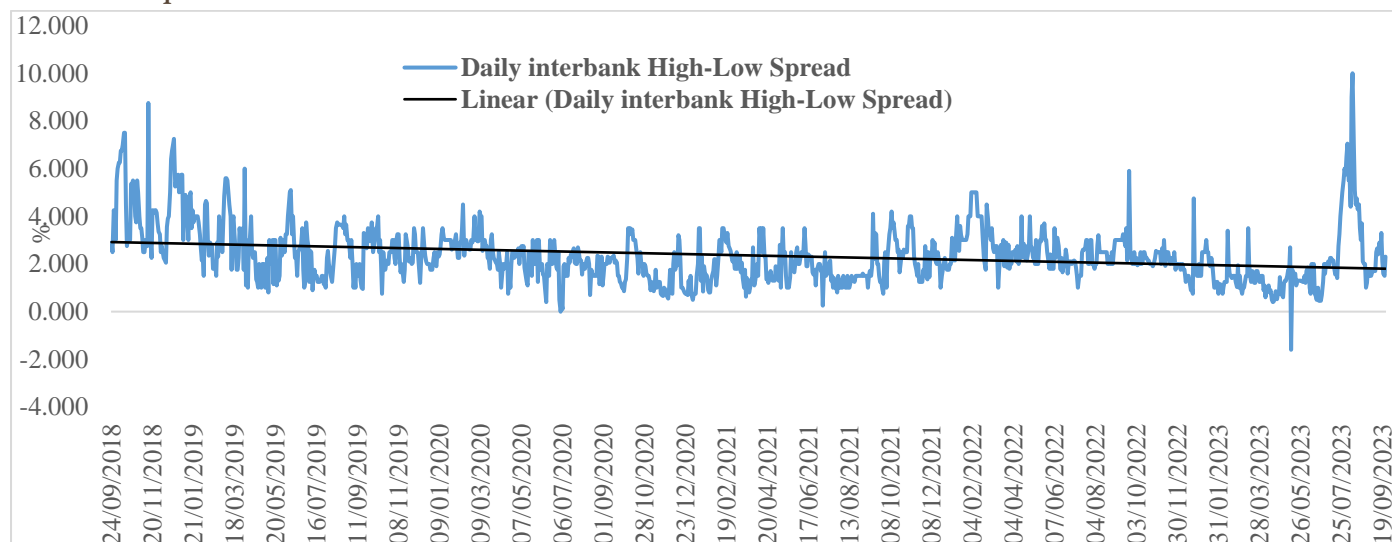
Key Rates and Spreads

Inter-bank rates rise week-on-week after two weeks of decline



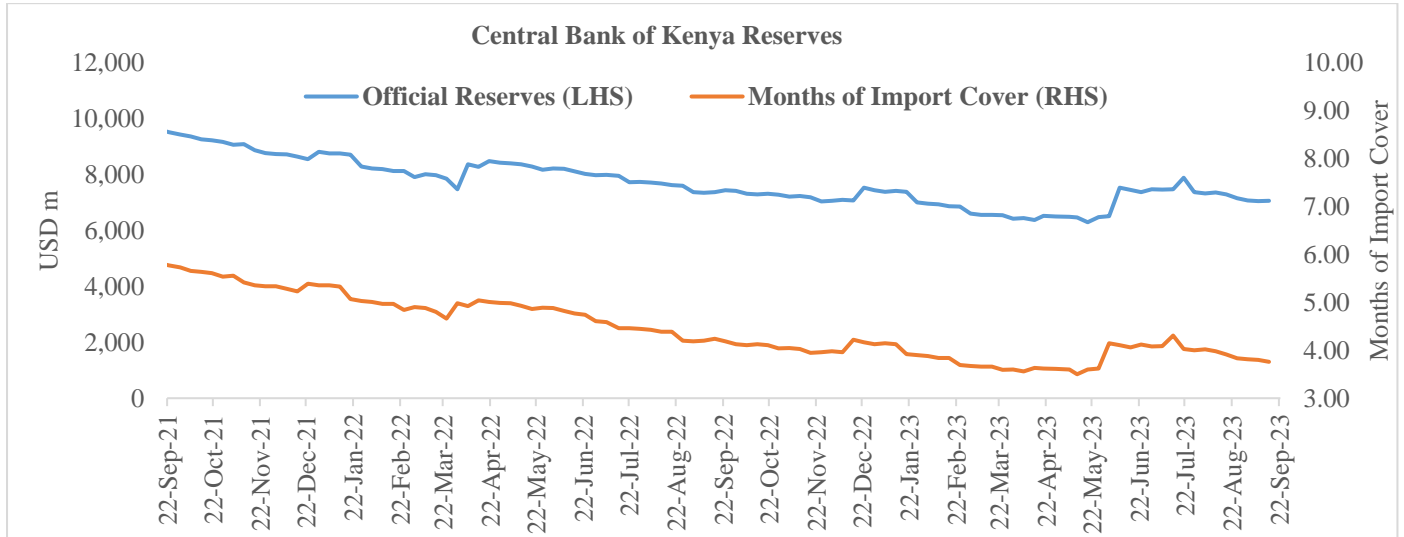
Source: CBK

Inter-bank spreads narrow week-on-week



Source: CBK

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



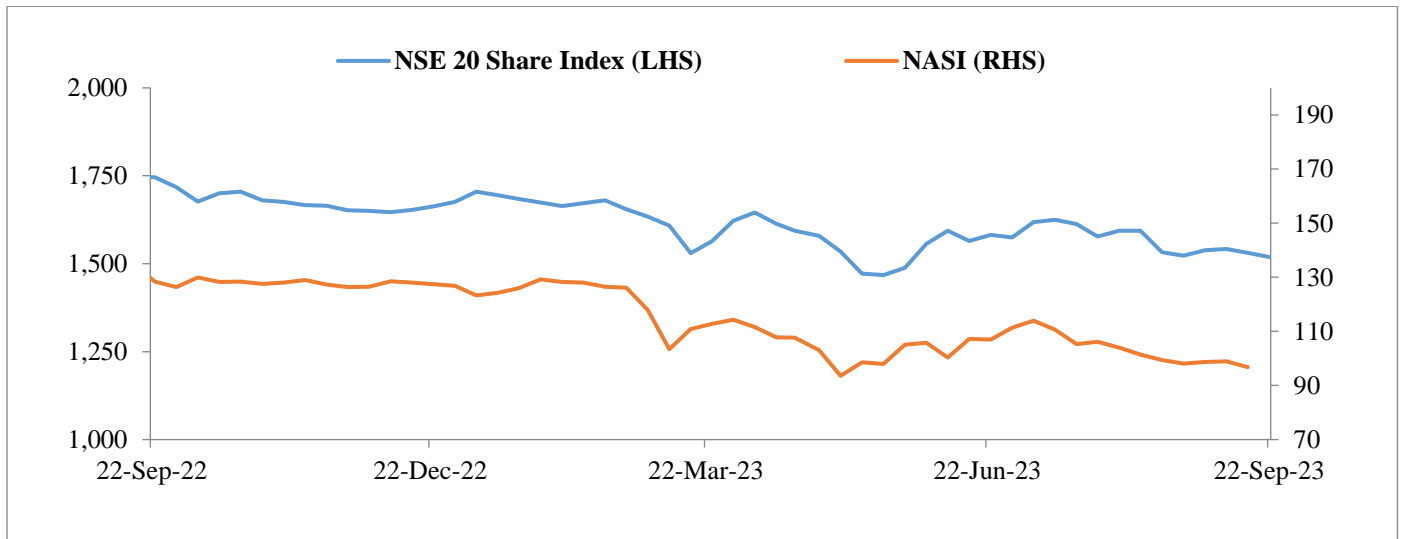
Source: CBK

Equity market trading commentary

Market turnover increased by 17.7% w/w to close at USD 8.9m (KES 1.3bn). After two weeks of straight wins, the NASI retreated 2.2% w/w to finish at 96.79 and the NSE 20 edged down 0.8% w/w to settle at 1,519.26, for the second week in a row. Foreign investors stood out as net sellers at USD 3.5m (KES 515.4m) – the fourth consecutive week. Foreign investor led trading at 61.0% of total turnover, although down from 65.8% the prior week. Safaricom (USD 2.9m, KES 423.5m) and Co-op bank (USD 0.5m, KES 72.4m) recorded the highest net foreign outflows while StanChart bank marked the highest net foreign inflows.

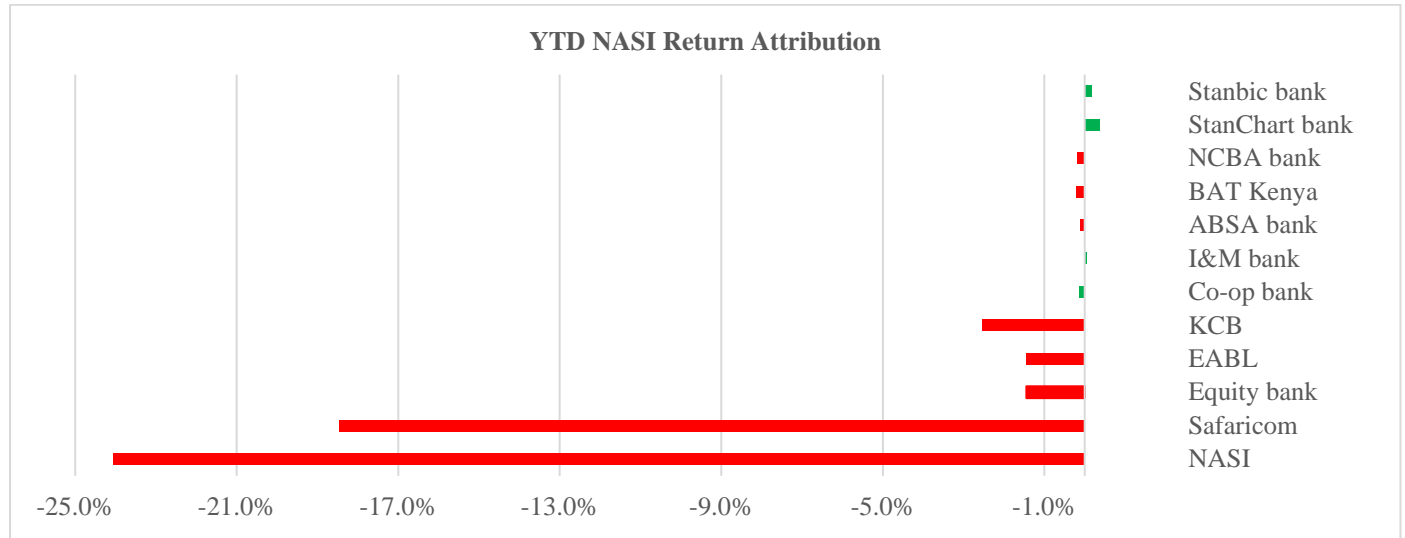
During the week, StanChart bank rallied to a 28-day high largely driven by local investors’ demand. NCBA bank traded down to a 21-day low on account of local investors’ sell-off. Similarly, on the back of local selling, DTB bank touched a 14-day low.

Market performance over the past 12 months



Source: NSE

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



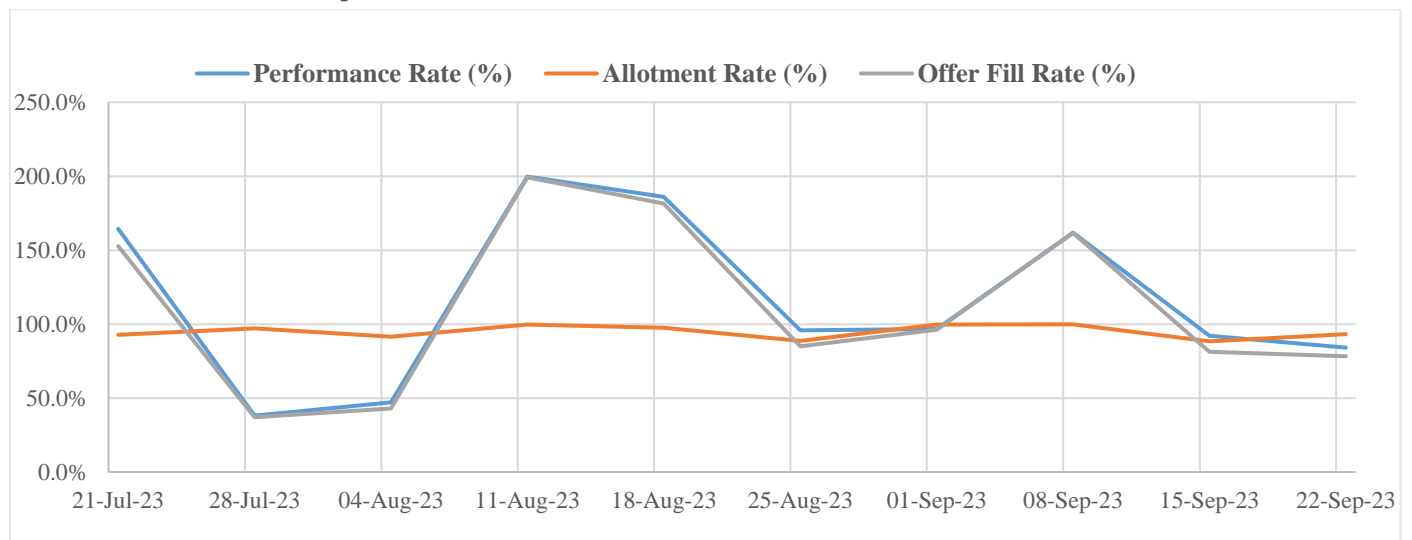
Source: Kestrel Research

Debt market trading commentary

For the second consecutive week, overall subscription rates decreased to 84.1%, down from 92.1% last week. Investors remained biased on the 91-Day T-Bill, with relatively weaker demand on the 182-Day T-Bill and 364-Day T-Bill, for the ninth straight week. The yield on the 91-Day T-Bill trended upwards for the twenty-first successive week; the yield on the 182-Day T-Bill edged up for the fifth successive week while the yield on the 364-Day T-Bill rose week-on-week – hit an 11-year high.

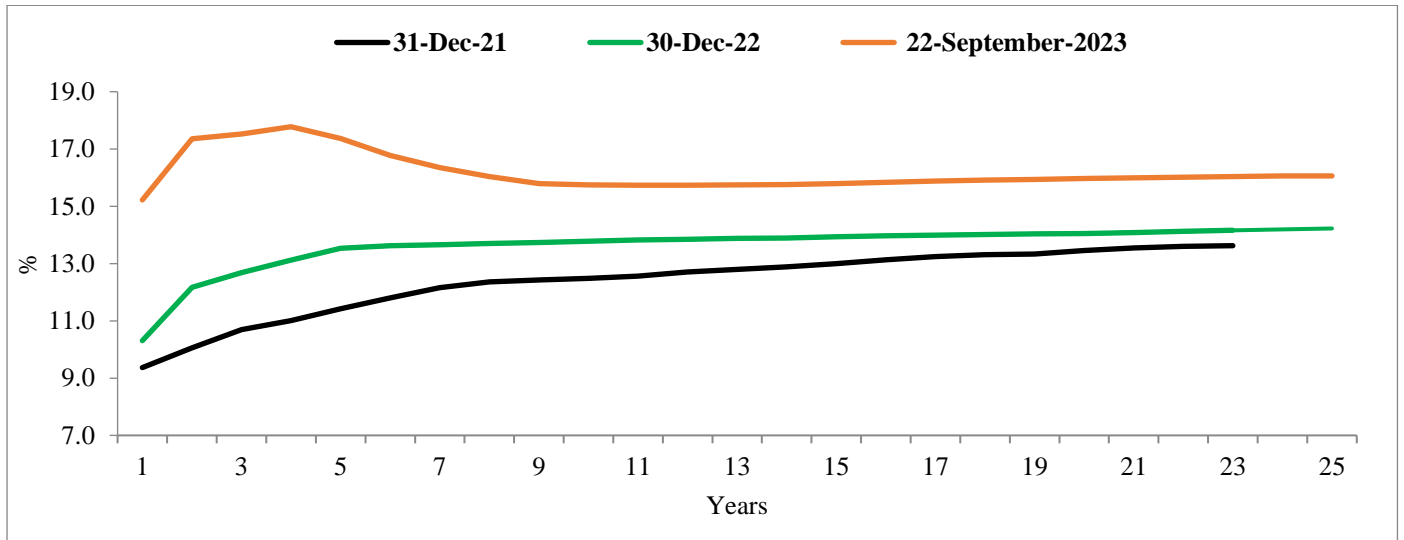
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 16.1bn for the 91-Day T-Bill, implying a subscription rate of 401.67%. It accepted bids worth KES 15.5bn at an average yield of 14.787% (+27.2bps w/w). The 182-Day T-Bill received bids worth KES 1.6bn, implying a performance rate of 15.83%. It accepted bids worth KES 1.6bn at an average yield of 14.940% (+52.5bps w/w). The 364-Day T-Bill received bids worth KES 2.6bn, implying a performance rate of 25.27%. It accepted bids worth KES 1.7bn at an average yield of 14.728% (+49.3bps w/w).

T-Bills Performance: Overall performance rates decline for the second week in a row



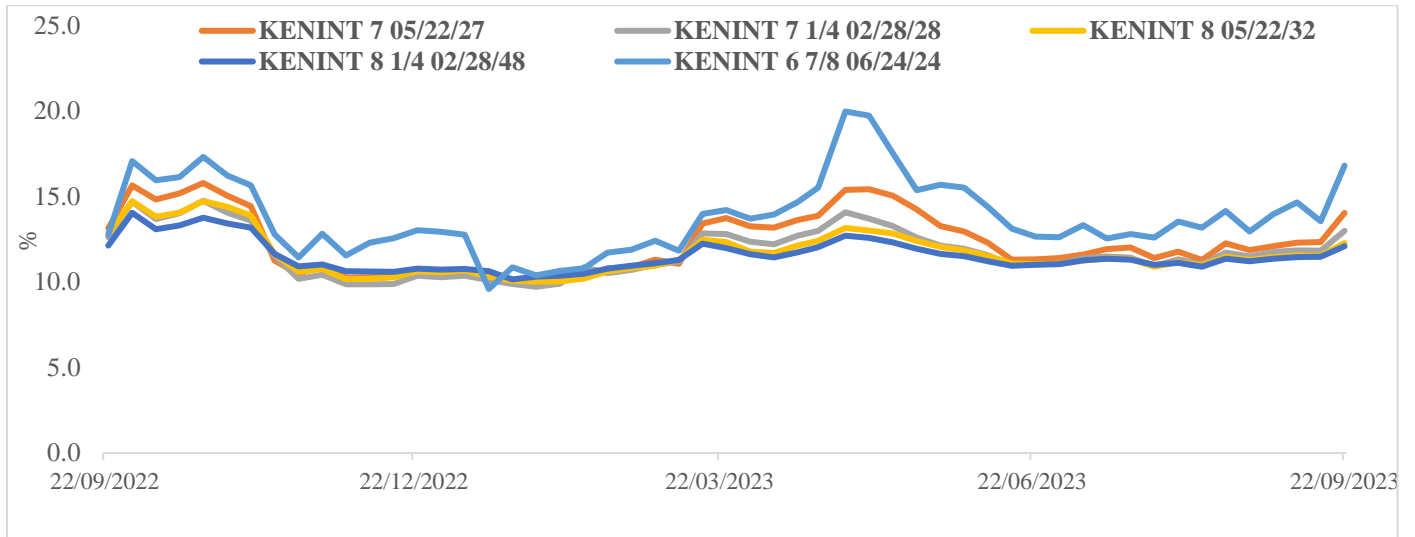
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across the tenors edge up week-on-week



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year	12-M High	12-M Low	Price	YTD	Market ¹	Weighting	EPS	DPS	NAV	P/E	Div	P/B	ROE %	Daily Trading ¹	
Safaricom	Telecom	Mar	27.50	13.00	15.00	-37.9	4,078	39.5%	1.55	1.20	4.7	9.7	8.0	3.2	33.2	895,977	
Equity Bank	Banking	Dec	47.55	35.80	36.90	-17.1	945	9.2%	12.35	3.00	49.3	3.0	8.1	0.7	25.1	306,912	
EA Breweries	Breweries	Jun	187.00	125.00	131.00	-21.8	703	6.8%	12.47	5.50	27.1	10.5	4.2	4.8	46.1	59,568	
KCB Bank	Banking	Dec	41.45	22.30	22.35	-41.3	487	4.7%	11.42	2.00	65.7	2.0	8.9	0.3	17.4	106,121	
Co-op Bank	Banking	Dec	13.35	11.15	11.80	-4.1	470	4.6%	3.87	1.50	18.5	3.0	12.7	0.6	21.0	26,597	
Absa Bank	Banking	Dec	12.95	10.10	11.85	-3.7	437	4.2%	2.96	1.35	12.5	4.0	11.4	0.9	23.7	71,570	
StanChart Bank	Banking	Dec	171.00	134.75	163.00	14.2	418	4.1%	35.25	22.00	159.8	4.6	13.5	1.0	22.1	25,392	
NCBA Bank	Banking	Dec	41.70	30.05	37.25	-5.3	416	4.0%	9.32	4.00	50.6	4.0	10.7	0.7	18.4	36,750	
Stanbic Bank	Banking	Dec	129.75	92.00	111.00	8.8	298	2.9%	28.62	13.75	161.8	3.9	12.4	0.7	17.7	26,135	
BAT Kenya	Tobacco	Dec	479.75	401.50	419.50	-8.8	285	2.8%	68.92	57.00	163.8	6.1	13.6	2.6	42.1	54,911	
Bank of Kigali	Banking	Dec	37.00	27.00	35.95	14.1	219	2.1%	7.66	3.28	43.7	4.7	9.1	0.8	17.5	4,221	
I&M Holdings	Banking	Dec	21.00	15.85	17.50	2.9	196	1.9%	5.47	2.25	47.7	3.2	12.9	0.4	11.5	7,685	
Umeme Ltd.	Power	Dec	17.75	6.62	13.20	77.9	145	1.4%	3.03	2.12	20.7	4.4	16.1	0.6	14.7	4,689	
KenGen	Power	Jun	3.67	2.15	2.30	-28.6	103	1.0%	0.70	0.18	42.0	3.3	7.8	0.1	1.7	5,051	
DTB Bank	Banking	Dec	55.25	44.00	48.00	-4.0	91	0.9%	23.17	5.00	259.1	2.1	10.4	0.2	8.9	13,151	
Jubilee Insurance	Insurance	Dec	250.75	148.25	180.75	-9.1	89	0.9%	68.38	14.00	613.8	2.6	7.7	0.3	11.1	6,730	
Britam	Insurance	Dec	6.26	4.05	4.85	-6.7	83	0.8%	0.53	-	9.2	9.2	-	0.5	5.7	97,256	
Total Oil	Oil	Dec	25.15	17.85	17.85	-25.2	76	0.7%	3.88	1.31	48.0	4.6	7.3	0.4	8.1	336	
Bamburi Cement	Cement	Dec	35.00	23.25	25.10	-20.3	62	0.6%	2.15	3.58	82.1	11.7	14.3	0.3	2.6	14,072	
Kakuzi	Agric	Dec	430.00	240.00	385.00	0.0	51	0.5%	43.15	24.00	303.5	8.9	6.2	1.3	14.2	401	
Centum Investment	Finance	Mar	9.82	7.90	9.00	7.7	41	0.4%	(8.95)	0.60	55.8	-	6.7	0.2	(16.1)	6,785	
Sasini Tea & Coffee	Agric	Sept	31.40	20.00	26.00	15.8	40	0.4%	3.82	1.00	61.7	6.8	3.8	0.4	6.2	617	
Crown Paints	Manufac.	Dec	44.80	32.30	39.60	-5.4	38	0.4%	5.13	4.00	24.1	7.7	10.1	1.6	21.3	270	
CIC Insurance	Insurance	Dec	2.21	1.68	2.13	9.2	38	0.4%	0.42	0.13	3.3	5.1	6.1	0.7	12.8	3,890	
Kenya Re	Insurance	Dec	2.07	1.54	1.83	0.0	35	0.3%	1.17	0.10	13.4	1.6	5.5	0.1	8.7	6,199	
Carbacid	Gases	July	17.00	11.40	15.55	29.6	27	0.3%	2.98	0.70	13.6	5.2	4.5	1.1	21.9	2,671	
Nation Media	Media	Dec	20.85	14.15	20.00	25.4	26	0.3%	16.74	1.49	43.1	1.2	7.4	0.5	38.9	17,211	
Kenya Power	Power	Jun	1.94	1.38	1.49	-4.5	20	0.2%	(0.75)	-	30.2	-	-	0.0	(2.5)	5,333	
TPSEA Serena	Tourism	Dec	16.00	10.85	14.20	6.4	18	0.2%	(3.47)	-	33.3	-	-	0.4	(10.4)	945	
Liberty K. Holdings	Insurance	Dec	7.00	3.60	3.76	-32.9	14	0.1%	0.15	-	15.9	24.6	-	0.2	1.0	132	
Housing Finance	Banking	Dec	5.10	2.86	4.46	39.8	12	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	4,448	
BOC Kenya	Gases	Dec	90.25	65.00	85.00	20.1	11	0.1%	7.58	5.95	85.1	11.2	7.0	1.0	8.9	357	
NSE	Finance	Dec	7.56	5.60	5.98	-11.8	11	0.1%	0.05	0.20	7.1	113.1	3.3	0.8	0.7	3,120	
Unga Ltd	Food	Jun	32.00	15.00	18.15	-43.3	9	0.1%	2.48	-	58.3	7.3	-	0.3	4.2	65	
Car & Gen	Motors	Sept	49.00	25.00	32.35	-31.8	9	0.1%	26.33	3.20	135.8	1.2	9.9	0.2	19.4	102	
WPP Scangroup	Media	Dec	3.44	2.57	2.68	-11.0	8	0.1%	(0.30)	-	11.9	-	-	0.2	(2.5)	331	
Sanlam Kenya	Insurance	Dec	10.10	7.02	7.18	-25.1	7	0.1%	(3.77)	-	3.9	-	-	1.9	(97.1)	132	
Limuru Tea	Agric	Dec	441.00	380.00	380.00	-9.5	6	0.1%	4.73	2.50	80.9	80.4	0.7	4.7	5.8	46	
EA Portland	Cement	Jun	8.00	5.32	7.40	8.8	5	0.0%	6.02	-	239.8	1.2	-	0.0	2.5	35	
Standard Newspapers	Media	Dec	12.80	7.30	7.30	-30.1	4	0.0%	(10.05)	-	0.4	-	-	16.6	(2,284)	34	
Longhorn	Publishing	Jun	4.07	2.01	2.01	-33.0	4	0.0%	0.62	-	2.8	3.3	-	0.7	22.2	124	
TransCentury	Finance	Dec	1.30	0.49	0.53	-43.0	1	0.0%	(6.72)	-	(9.5)	-	-	-	-	107	
												Average	11.8	8.7	2.0	25.0	1,823,011

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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