

Stock Recommendation

Company	Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	31.11	23.35	33.2%	BUY
Equity bank	58.81	45.95	28.0%	BUY
KCB bank	62.39	38.30	62.9%	BUY
Co-op bank	18.13	12.55	44.5%	BUY
ABSA bank	12.32	12.55	-1.8%	HOLD
StanChart bank	108.61	163.00	-33.4%	SELL
NCBA bank	38.68	36.20	6.9%	HOLD
I&M bank	30.56	18.00	69.8%	BUY
Stanbic bank	89.16	109.00	-18.2%	SELL
DTB bank	122.70	48.10	155.1%	BUY
EABL	164.58	175.75	-6.4%	HOLD
Bamburi Cement	51.96	27.00	92.4%	BUY
BAT Kenya	544.27	479.75	13.4%	HOLD

Kenya Weekly Commentary

Kenya Market Summary

Equity market commentary and outlook

- During the week, Safaricom traded down to a 20-day low driven by foreign investors' sell-off. Similarly, Bamburi Cement touched a 364-day low on the back of foreign selling. On account of local investors' sell-off, KCB bank hit a 16-day low.

Debt market commentary and outlook

- Overall subscription rates fell to 81.0%, down from 191.3% posted the prior week, marking the lowest levels in the last nine weeks. Demand continued on the 91-Day T-Bill, although weak week-on-week. Yields across all tenors edged upwards for the eighth consecutive week.

Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,655.1	-1.5%	-1.1%	-0.6%	-5.4%	-12.1%	-1.3%
Kenya NASI Return	126.5	-1.2%	0.3%	-2.0%	-8.3%	-21.0%	-0.8%
FTSE NSE Kenya 15 Return	170.1	0.0%	0.0%	0.0%	0.0%	-17.4%	0.0%
FTSE NSE Kenya 25 Return	170.3	0.0%	0.0%	0.0%	0.0%	-21.4%	0.0%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	-2.0%	-1.5%	-4.2%	-13.1%	-29.0%	-3.3%
Johannesburg Index	-5.1%	-11.3%	-2.3%	0.2%	-14.5%	-2.6%
Nigeria Stock Exchange	2.1%	4.4%	11.4%	1.7%	4.7%	7.1%
Ghana Stock Exchange	-2.2%	-3.8%	12.0%	-23.4%	-51.8%	-21.2%
Egyptian Stock Exchange	-3.0%	-1.1%	6.8%	4.8%	-20.0%	-5.8%
MSCI EFM ex SA Index	-0.7%	3.1%	4.1%	-3.1%	-19.1%	1.8%

Other market statistics

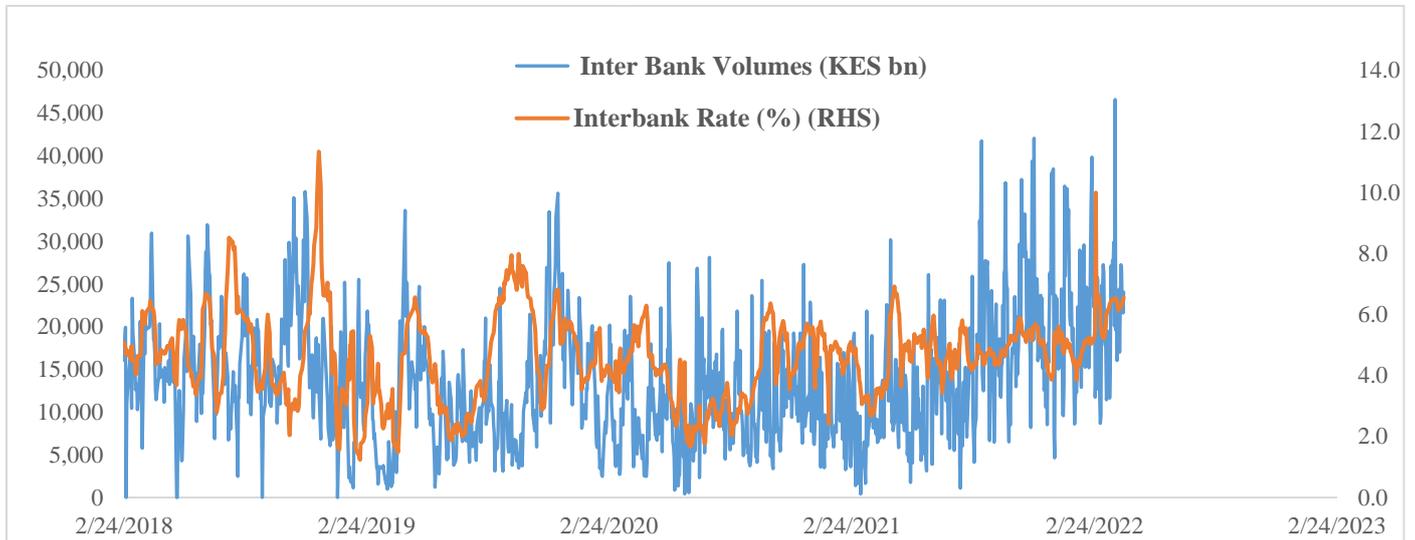
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	126.6	-0.6%	-1.7%	-3.3%	-5.2%	-10.0%	-2.5%
USD/ZAR	18.4	-2.0%	-6.7%	-7.3%	-8.4%	-17.7%	-7.5%
USD/EGP	30.6	-0.2%	-2.4%	-19.8%	-37.4%	-48.6%	-19.2%
USD/NGN	460.7	0.0%	0.1%	-3.5%	-7.8%	-9.7%	0.0%
USD/GHS	12.8	-2.6%	-3.2%	13.7%	-21.8%	-46.5%	-20.3%

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	354.6	-168.6	36.1%	-1.3%	-3.3%	-37.7%	13.3%
KCB bank	142.9	26.3	18.4%	0.6%	0.5%	-15.5%	9.4%
Bamburi Cement	81.3	-71.7	44.0%	-3.2%	-14.3%	-5.7%	0.0%
Equity bank	71.7	-50.0	48.7%	-1.1%	3.3%	-13.7%	17.8%
ABSA bank	52.6	38.3	36.67%	0.0%	2.0%	-1.2%	29.4%

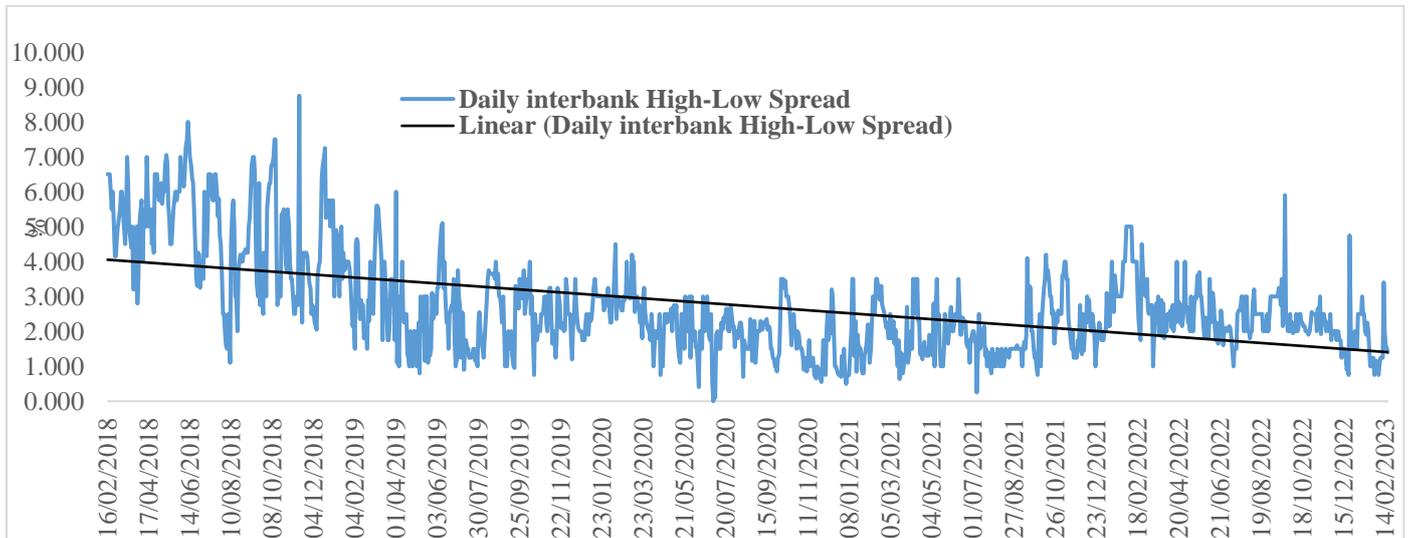
Key Rates and Spreads

Inter-bank rate rises week-on-week after declining in the last three weeks



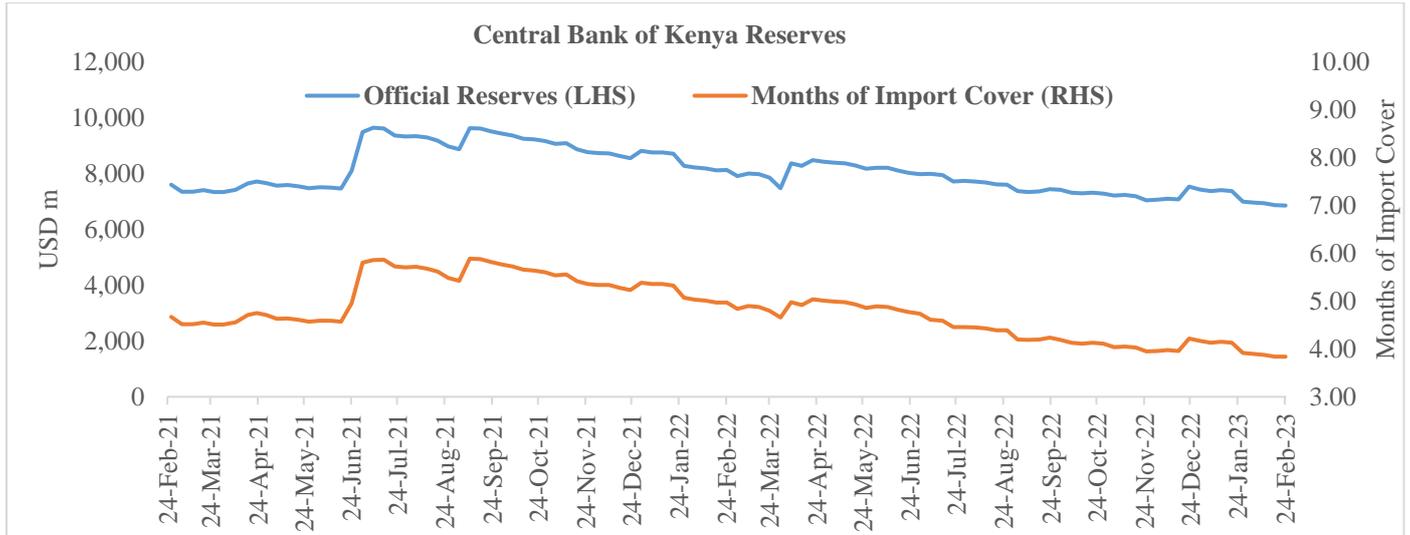
Source: CBK

Inter-bank spread narrow for the second week in a row



Source: CBK

CBK FX reserves decrease for the sixth successive week, import cover remain below 4.0x



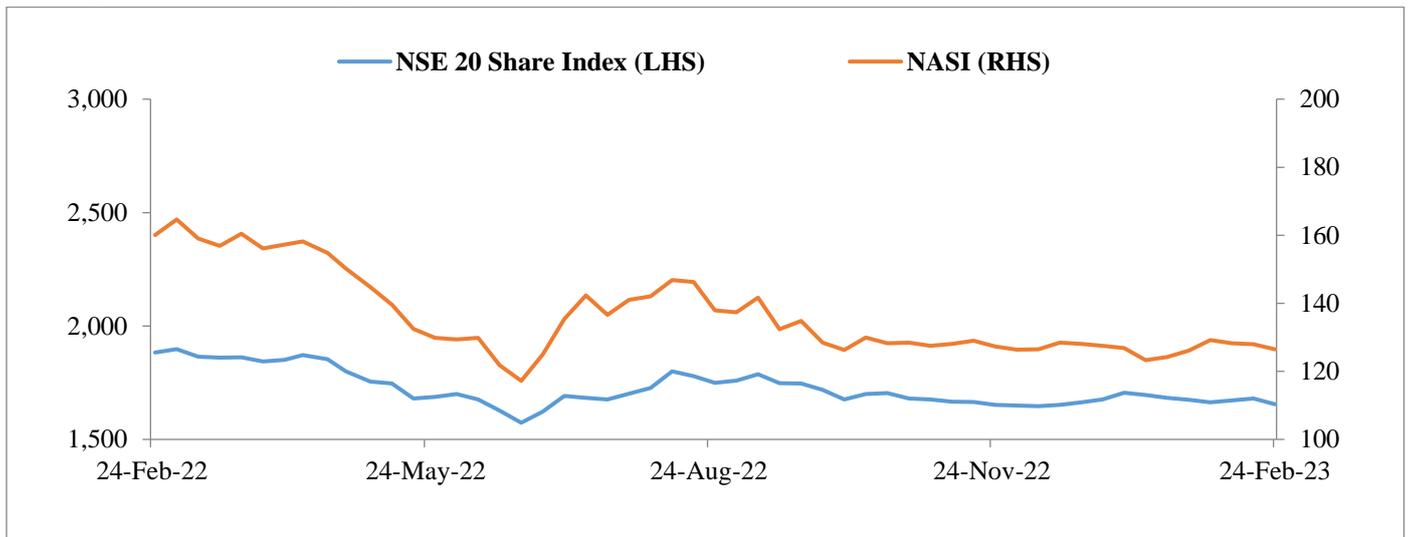
Source: CBK

Equity market trading commentary

Equity turnover fell 38.4% w/w to end at USD 6.4m (KES 0.8bn) for the second consecutive week. Sustaining a 3-weeks declining streak, the NASI shed 1.2% w/w to 126.47. After marking gains in the last two weeks, the NSE 20 retreated 1.5% w/w to finish at 1,655.14. Foreign investors stood out as overall net sellers at USD 1.9m (KES 234.0m) for the second successive week. For the fifth straight week, local investors led market activity at the bourse at 30.2% of total turnover, up from 43.1% recorded the previous week. Safaricom (USD 1.3m, KES 168.6m), Bamburi Cement (USD 0.6m, KES 71.7m) and Equity bank (USD 0.4m, KES 50.0m) registered the highest net foreign outflows. On the other hand, ABSA bank (USD 0.3m, KES 38.3m) and KCB bank (USD 0.2m, KES 26.3m) experienced the highest net foreign outflows.

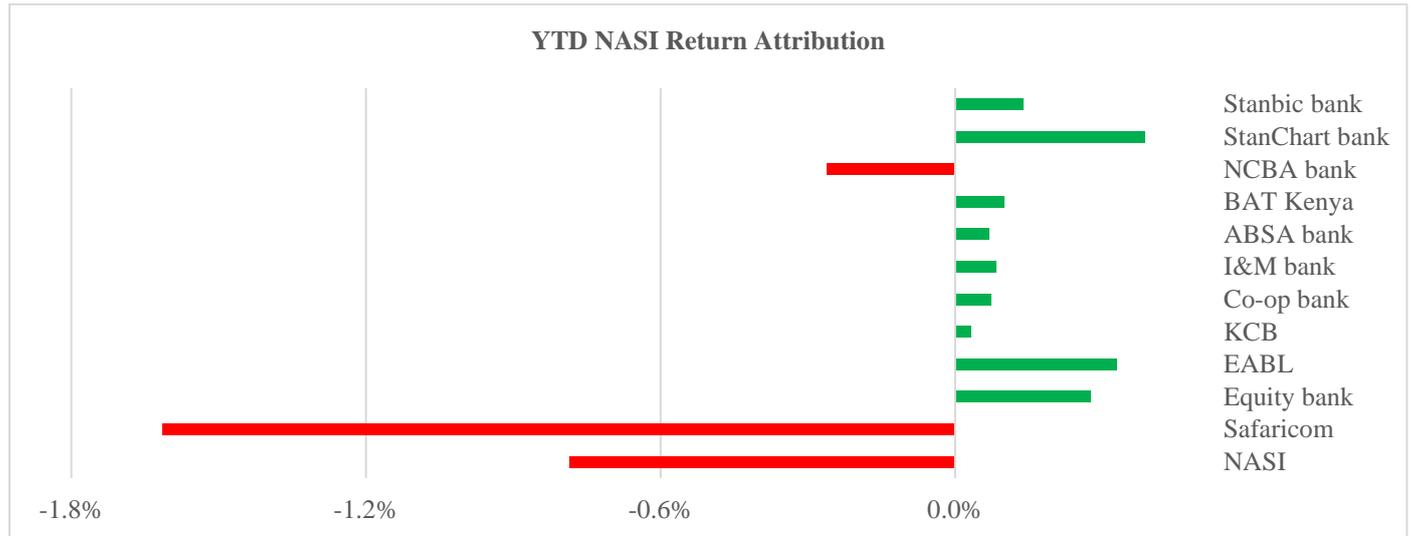
During the week, Safaricom traded down to a 20-day low driven by foreign investors’ sell-off. Similarly, Bamburi Cement touched a 364-day low. On account of local investors’ sell-off, KCB bank hit a 16-day low.

Market performance over the past 12 months



Source: NSE

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



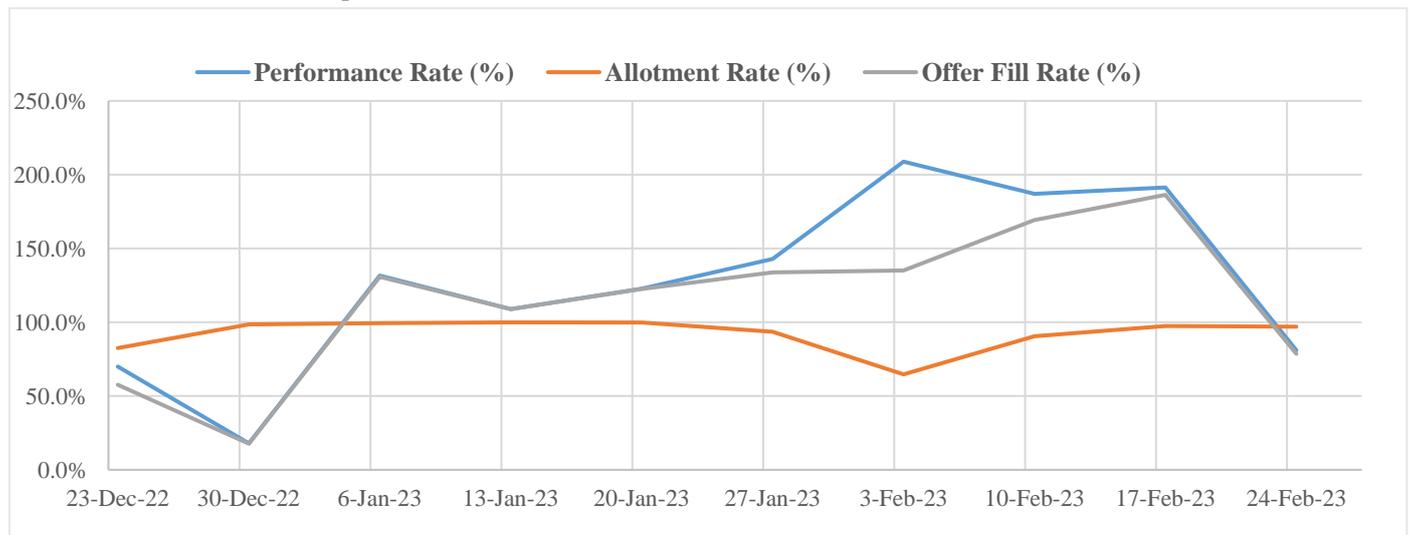
Source: Kestrel Research

Debt market trading commentary

Overall subscription rates fell to 81.0%, down from 191.3% posted the prior week, marking the lowest levels in the last nine weeks. Demand continued on the 91-Day T-Bill, although weak week-on-week. Yields across all tenors edged upwards for the eighth consecutive week.

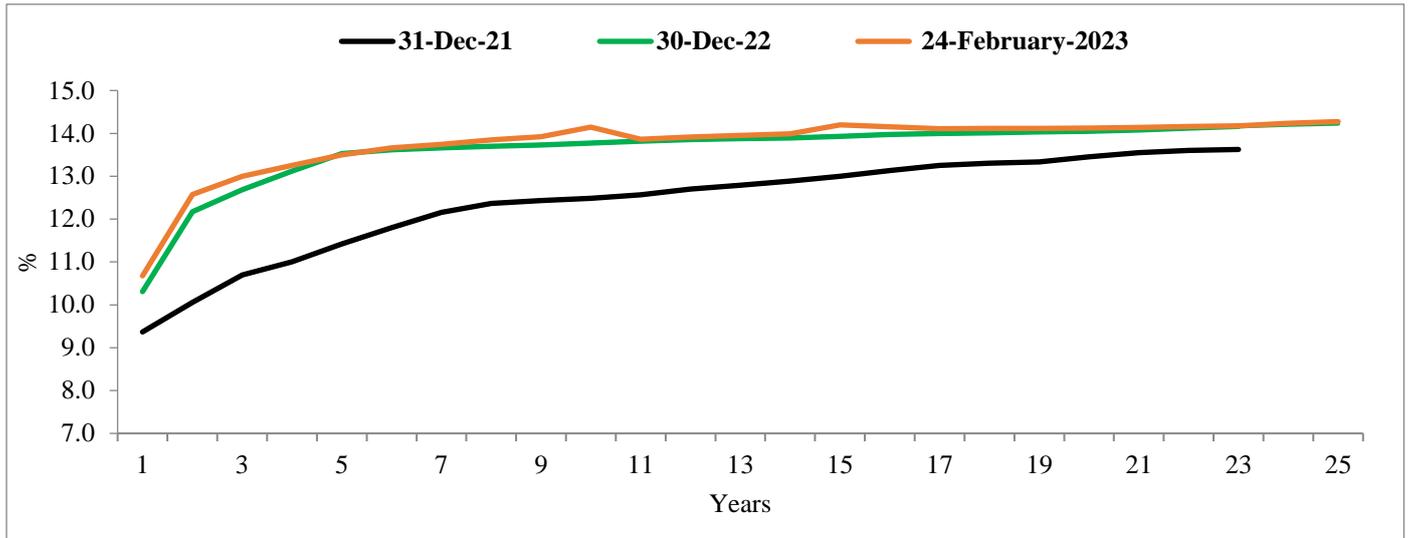
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 11.4bn for the 91-Day T-Bill, implying a subscription rate of 245.05%. It accepted bids worth KES 10.8bn at an average yield of 9.655% (+3.2bps w/w). The 182-Day T-Bill received bids worth KES 4.4bn, implying a performance rate of 44.05%. It accepted bids worth KES 4.4bn at an average yield of 10.117% (+3.8bps w/w). The 364-Day T-Bill received bids worth KES 3.7bn, implying a performance rate of 36.68%. It accepted bids worth KES 3.6bn at an average yield of 10.676 (+3.8bps w/w).

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



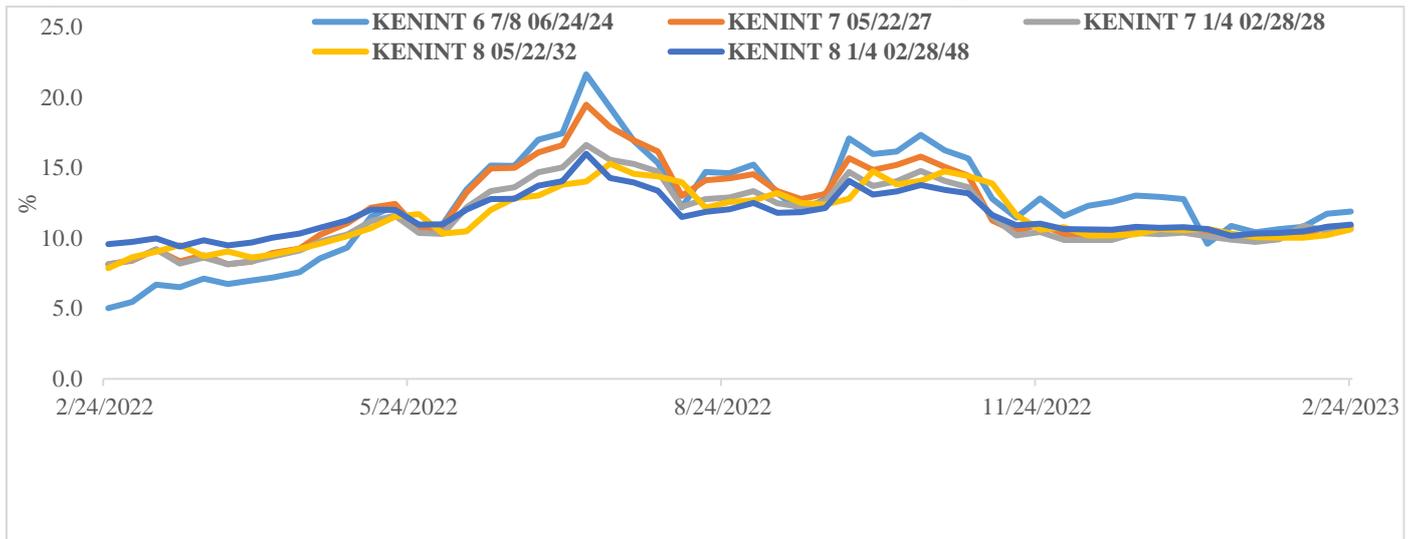
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across most tenor notch upwards for the fourth straight week



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year	12 M	12 M	Price	YTD	Market ¹	Weighting	EPS	DPS	NAV	P/E	Div	P/B	ROE %	Daily Trading ¹	
Safaricom	Telecom	Mar	37.50	20.60	23.35	-3.3	7,400	47.2%	1.74	1.39	3.5	13.4	6.0	6.7	49.9	1,016,251	
Equity Bank	Banking	Dec	53.25	39.00	45.95	3.3	1,372	8.8%	12.24	3.00	40.8	3.8	6.5	1.1	30.0	396,460	
EA Breweries	Breweries	Jun	181.50	110.00	175.75	4.9	1,099	7.0%	15.00	11.00	20.5	11.7	6.3	8.6	73.2	143,414	
KCB Bank	Banking	Dec	45.35	35.00	38.30	0.5	973	6.2%	12.25	3.00	58.4	3.1	7.8	0.7	21.0	202,802	
Co-op Bank	Banking	Dec	13.30	10.70	12.55	2.0	582	3.7%	3.75	1.00	17.2	3.3	8.0	0.7	21.8	42,612	
Absa Bank	Banking	Dec	12.70	9.70	12.55	2.0	539	3.4%	2.15	1.10	10.9	5.8	8.8	1.2	19.7	36,793	
StanChart Bank	Banking	Dec	163.50	123.75	163.00	14.2	487	3.1%	30.18	13.00	146.8	5.4	8.0	1.1	20.6	46,556	
NCBA Bank	Banking	Dec	40.00	23.00	36.20	-8.0	472	3.0%	10.02	4.25	49.1	3.6	11.7	0.7	20.4	19,352	
BAT Kenya	Tobacco	Dec	499.25	404.00	479.75	4.3	379	2.4%	68.92	57.00	163.8	7.0	11.9	2.9	42.1	110,800	
Stanbic Bank	Banking	Dec	114.00	90.00	109.00	6.9	341	2.2%	22.99	7.30	127.4	4.7	6.7	0.9	18.0	24,332	
I&M Holdings	Banking	Dec	21.50	16.50	18.00	5.9	235	1.5%	5.74	1.50	41.4	3.1	8.3	0.4	13.9	8,074	
Bank of Kigali	Banking	Dec	32.75	27.00	31.00	-1.6	220	1.4%	7.95	3.28	41.8	3.9	10.6	0.7	19.0	464	
Kenya Airways	Airlines	Dec	3.83	3.83	3.83	0.0	172	1.1%	(2.79)	-	(14.7)	-	-	-	-	-	
KenGen	Power	Jun	3.90	2.51	2.51	-22.0	131	0.8%	0.16	0.18	32.4	15.8	7.2	0.1	0.5	4,808	
Umeme Ltd.	Power	Dec	10.00	5.50	9.90	33.4	127	0.8%	2.74	1.73	17.6	3.6	17.5	0.6	15.6	774	
Total Oil	Oil	Dec	25.85	21.75	22.00	-7.8	110	0.7%	4.35	1.31	45.4	5.1	6.0	0.5	9.6	516	
DTB Bank	Banking	Dec	59.00	46.00	48.10	-3.8	106	0.7%	17.27	3.00	250.7	2.8	6.2	0.2	6.9	35,352	
Jubilee Insurance	Insurance	Dec	279.00	181.00	182.25	-8.3	104	0.7%	94.22	14.00	544.4	1.9	7.7	0.3	17.3	4,025	
Britam	Insurance	Dec	7.04	4.97	5.14	-1.2	103	0.7%	0.03	-	7.5	179.8	-	0.7	0.4	1,716	
Bamburi Cement	Cement	Dec	38.35	27.00	27.00	-14.3	78	0.5%	2.15	3.58	0.1	12.6	13.3	328.8	2,618.6	22,901	
Kakuzi	Agric	Dec	441.25	367.50	382.50	-0.6	59	0.4%	39.24	18.00	278.0	9.7	4.7	1.4	14.1	462	
Centum Investment	Finance	Mar	14.20	7.90	9.04	8.1	48	0.3%	(2.01)	0.59	65.1	-	6.5	0.1	(3.1)	6,739	
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	42	0.3%	(7.77)	-	19.8	-	-	0.3	(39.2)	-	
CIC Insurance	Insurance	Dec	2.21	1.72	2.01	3.1	42	0.3%	0.30	-	3.0	6.7	-	0.7	9.9	2,004	
Sasini Tea & Coffee	Agric	Sept	129.00	17.90	22.00	-2.0	40	0.3%	5.11	1.00	56.5	4.3	4.5	0.4	9.1	994	
Crown Paints	Manufac.	Dec	44.00	32.30	35.05	-16.2	39	0.3%	5.13	4.00	24.1	6.8	11.4	1.5	21.3	344	
Kenya Re	Insurance	Dec	2.30	1.74	1.77	-3.3	39	0.3%	1.17	0.10	13.4	1.5	5.6	0.1	8.7	1,223	
Carbacid	Gases	July	14.15	10.55	12.20	1.7	25	0.2%	2.22	0.70	13.5	5.5	5.7	0.9	16.4	13,259	
Kenya Power	Power	Jun	2.08	1.31	1.58	1.3	24	0.2%	1.80	-	30.8	0.9	-	0.1	5.8	8,349	
Nation Media	Media	Dec	23.20	14.55	14.60	-8.5	22	0.1%	2.59	1.49	42.1	5.6	10.2	0.3	6.2	924	
Liberty K. Holdings	Insurance	Dec	7.48	4.28	4.99	-10.9	21	0.1%	0.15	-	15.9	32.7	-	0.3	1.0	71	
TPSEA Serena	Tourism	Dec	17.50	10.85	12.50	-6.4	18	0.1%	(3.47)	-	33.3	-	-	0.4	(10.4)	151	
NSE	Finance	Dec	8.38	6.34	6.58	-2.9	14	0.1%	0.51	1.40	8.0	12.9	21.3	0.8	6.4	1,373	
Unga Ltd	Food	Jun	34.75	21.85	22.15	-30.8	13	0.1%	2.48	-	58.3	8.9	-	0.4	4.2	477	
BOC Kenya	Gases	Dec	93.25	65.00	77.00	8.8	12	0.1%	4.78	6.70	84.3	16.1	8.7	0.9	5.7	129	
Car & Gen	Motors	Sept	76.00	30.00	36.50	-23.1	12	0.1%	26.33	3.20	135.8	1.4	8.8	0.3	19.4	882	
Housing Finance	Banking	Dec	3.84	2.86	3.56	11.6	11	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	782	
WPP Scangroup	Media	Dec	4.34	2.84	3.05	1.3	10	0.1%	(0.30)	-	11.9	-	-	0.3	(2.5)	585	
Sanlam Kenya	Insurance	Dec	15.00	7.86	8.72	-9.0	10	0.1%	(3.77)	-	3.9	-	-	2.2	(97.1)	71	
Limuru Tea	Agric	Dec	510.00	320.00	400.00	-4.8	8	0.0%	(0.50)	0.70	75.9	-	0.2	5.3	(0.7)	655	
Standard Newspapers	Media	Dec	15.80	8.74	10.25	-1.9	7	0.0%	(0.90)	-	10.5	-	-	1.0	(8.5)	31	
Longhorn	Publishing	Jun	4.07	2.54	2.78	-7.3	6	0.0%	0.62	-	2.8	4.5	-	1.0	22.2	181	
EA Portland	Cement	Jun	8.80	6.02	6.56	-3.5	5	0.0%	6.02	-	239.8	1.1	-	0.0	2.5	25	
TransCentury	Finance	Dec	1.30	0.79	1.09	17.2	3	0.0%	(6.72)	-	(9.5)	-	-	-	-	2,230	
												Average	15.1	6.8	5.8	50.7	2,164,998

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
ephantum@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