

Stock Recommendation

Company	Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	33.95	23.10	47.0%	BUY
Equity bank	60.84	39.00	56.0%	BUY
KCB bank	59.61	36.70	62.4%	BUY
Co-op bank	16.15	10.85	48.8%	BUY
ABSA bank	12.47	10.20	22.3%	BUY
StanChart bank	134.08	125.00	7.3%	HOLD
NCBA bank	33.44	23.85	40.2%	BUY
I&M bank	21.43	17.00	26.1%	BUY
Stanbic bank	94.83	91.50	3.6%	HOLD
DTB bank	106.48	50.25	111.9%	BUY
EABL	256.11	115.25	122.2%	BUY
Bamburi Cement	89.84	32.90	173.1%	BUY
BAT Kenya	521.50	421.00	23.9%	BUY

Kenya Weekly Commentary

Kenya Market Summary

Equity market commentary and outlook

- Last week, EABL (-7.4% w/w) emerged as the top loser among the large-cap stocks as foreign investors continued to be net sellers on the counter. Safaricom (-4.9% w/w) sustained its 3-year low, closing at KES 23.10 driven by foreign investors' sell-off towards the end of the week. Equity bank closed down 2.1% w/w on foreign selling – sustaining a 1-year low. On account of local selling, KCB bank edged down 3.2% w/w. On thin volumes, StanChart bank (+1.0% w/w) touched a 1-month high and ABSA bank (-5.6% w/w) traded down to 1-month low.

Debt market commentary and outlook

- Overall subscription rates increased to 88.3%, up from 80.8% recorded in the previous week driven by high demand on the 91-Day paper. The yield on the 91-Day T-Bill rose by the widest margin of 8.8bps, sustaining a 4-year high. The yield on 364-Day T-Bill edged up for the 11th straight week.

Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,573.3	-3.3%	-6.8%	-15.6%	-17.3%	-17.2%	-17.3%
Kenya NASI Return	117.2	-3.8%	-9.7%	-26.3%	-31.3%	-31.7%	-29.6%
FTSE NSE Kenya 15 Return	160.0	-3.3%	-7.9%	-21.5%	-22.9%	-21.6%	-23.7%
FTSE NSE Kenya 25 Return	159.0	-3.7%	-9.4%	-25.9%	-30.0%	-30.2%	-27.9%
FTSE Kenya Bond Index Return	95.3	0.0%	0.5%	-1.7%	-0.8%	-1.6%	-0.8%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	-4.1%	-10.5%	-26.5%	-34.0%	-37.5%	-32.5%
Johannesburg Index	-0.9%	-7.7%	-20.1%	-10.2%	-12.2%	-10.4%
Nigeria Stock Exchange	-1.3%	-4.9%	9.5%	21.0%	33.1%	22.5%
Ghana Stock Exchange	-1.4%	-3.9%	-13.3%	-30.8%	-29.7%	-30.4%
Egyptian Stock Exchange	-4.5%	-8.3%	-18.2%	-32.8%	-23.4%	-33.9%
MSCI EFM ex SA Index	-2.7%	-7.6%	-14.0%	-22.0%	-19.9%	-22.3%

Other market statistics

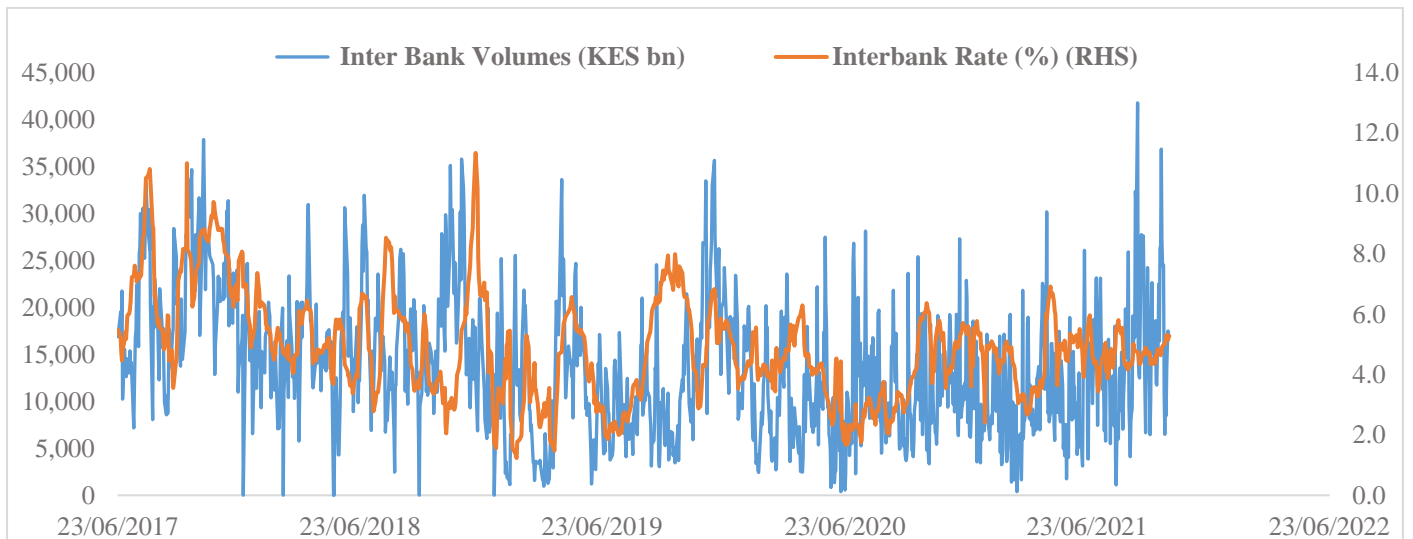
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	117.89	-0.4%	-0.8%	-2.4%	-4.1%	-8.6%	-4.0%
USD/ZAR	15.87	0.2%	-1.6%	-7.9%	-2.0%	-11.4%	0.5%
USD/EGP	18.77	-0.2%	-0.9%	-2.6%	-16.4%	-16.4%	-16.3%
USD/NGN	419.13	-0.1%	0.0%	-0.7%	-1.0%	-2.1%	1.2%
USD/GHS	7.95	0.0%	-2.0%	-5.2%	-22.3%	-26.7%	-22.2%

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	1,961.0	-1,264.7	62.8%	-4.9%	-39.1%	-48.6%	0.0%
Equity bank	342.4	-240.2	44.1%	-2.1%	-26.1%	-28.1%	0.0%
EABL	144.2	-58.6	73.6%	-7.4%	-30.2%	-38.8%	0.0%
KCB bank	118.0	-25.3	10.8%	-3.2%	-19.3%	-26.5%	4.9%
Umeme	14.0	0.0	0.0%	0.0%	18.7%	-3.6%	46.0%

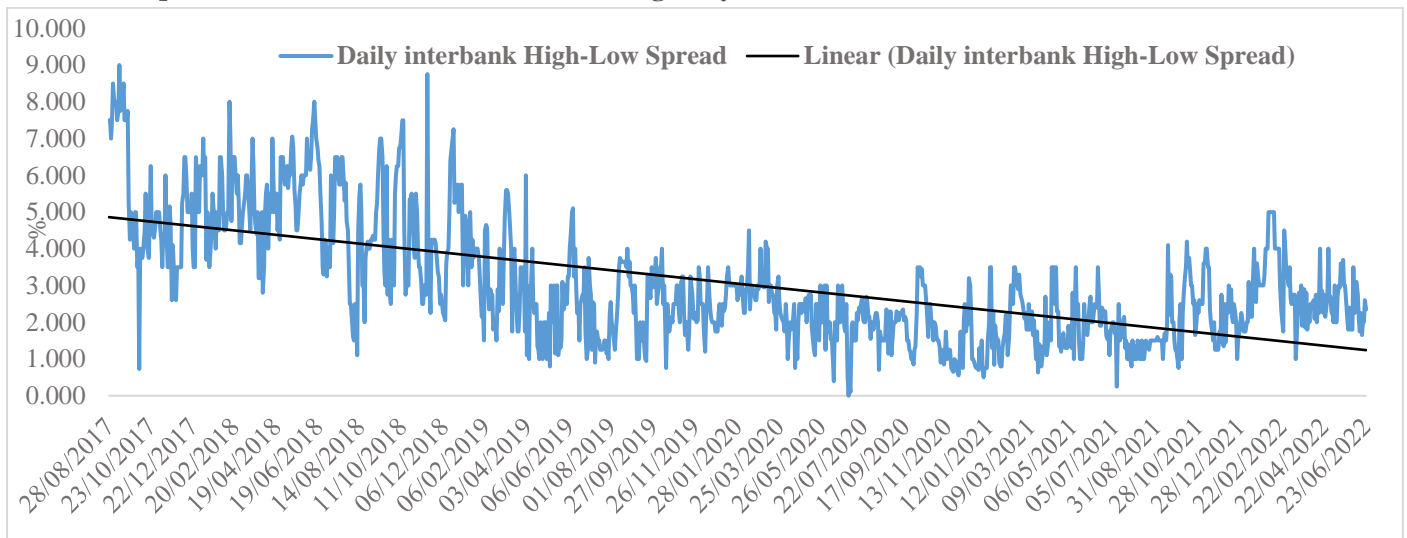
Key Rates and Spreads

Inter-bank rate rises for the second consecutive week



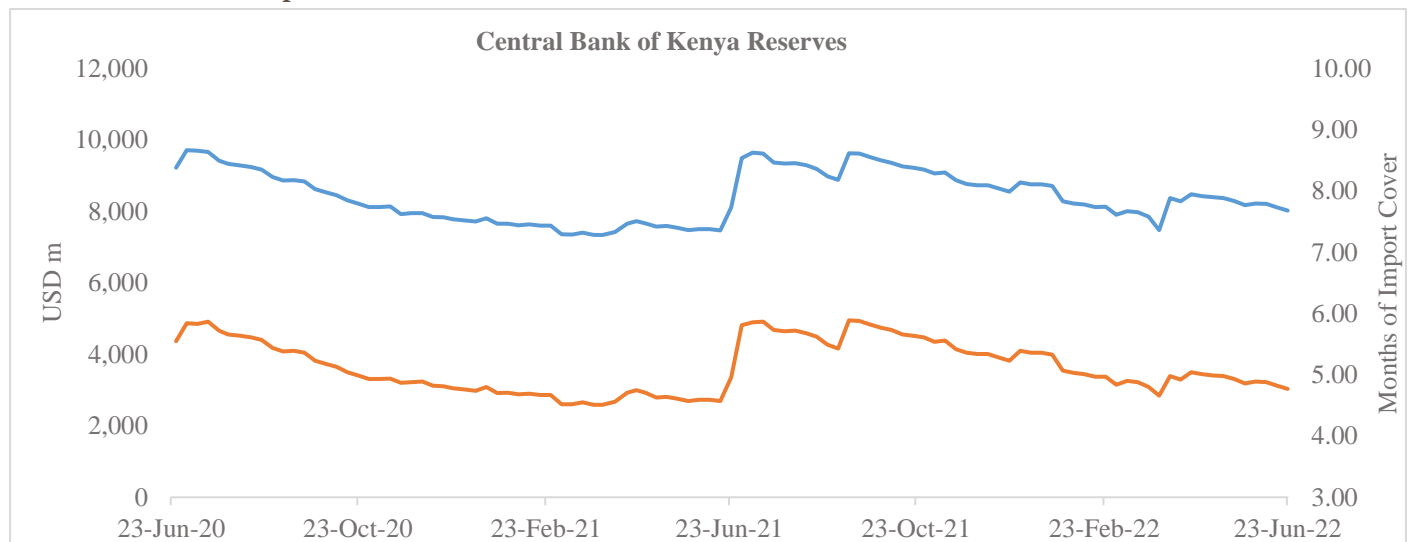
Source: CBK

Inter-bank spread widens week-on-week, albeit marginally



Source: CBK

Forex reserves and import cover decline week-on-week



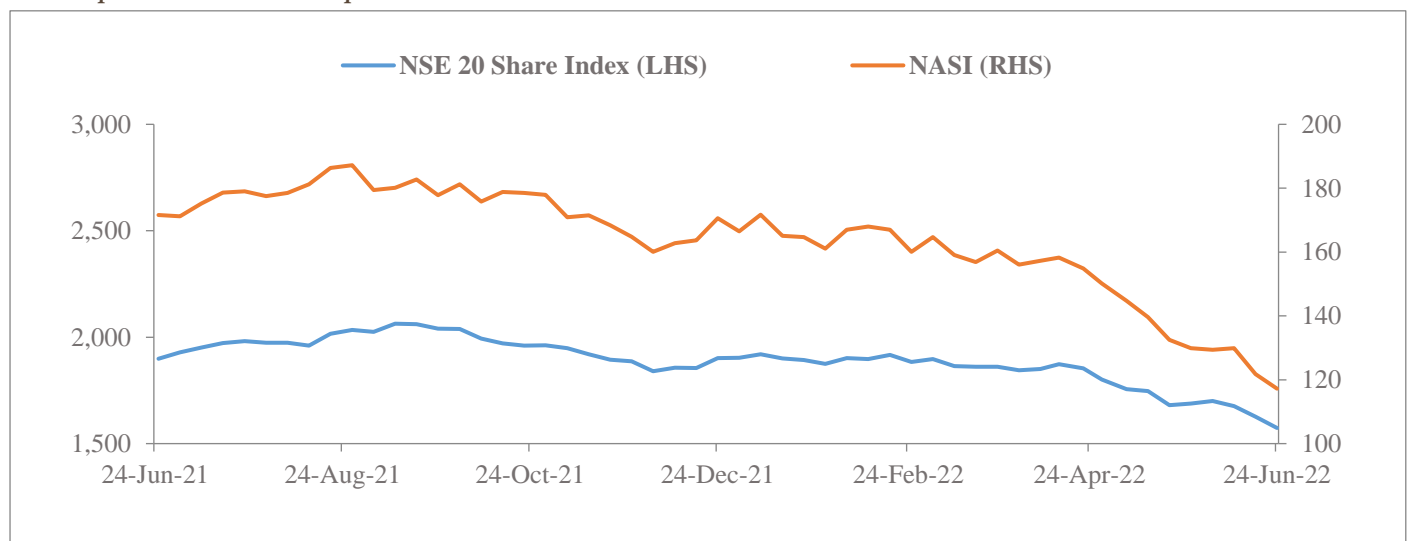
Source: CBK

Equity market trading commentary

Weekly turnover jumped 24.7% w/w to stand USD 22.5m (KES 2.6bn) - with activity largely centred on Safaricom which accounted for 76.9% of the week's turnover. Extending its losses for the second straight week, the NASI pulled back 3.8% w/w to settle at 117.21. The NSE 20 sustained a 3-week losing streak as it edged down 3.3% w/w to close at 1,573.32. Foreign participation rose to a 3-week high of 57.1% of the market, up from 47.9% recorded in the previous week. Net foreign outflows increased by 13.9% w/w, settling at USD 13.5m (KES 1.6bn). Foreign investors continued to be net sellers on Safaricom which registered net foreign outflows of USD 10.7m (KES 1.3bn) during the week. Equity bank followed with a net foreign outflow of USD 2.0m (KES 240.2m). EABL and KCB bank marked net foreign outflows of USD 0.5m (KES 58.6m) and USD 0.2m (KES 25.3m), respectively. On the other hand, foreign investors were marginal net buyers on Nairobi Business Ventures (USD 6.8k, KES 0.8m) and Centum (USD 2.4k, KES 0.3m).

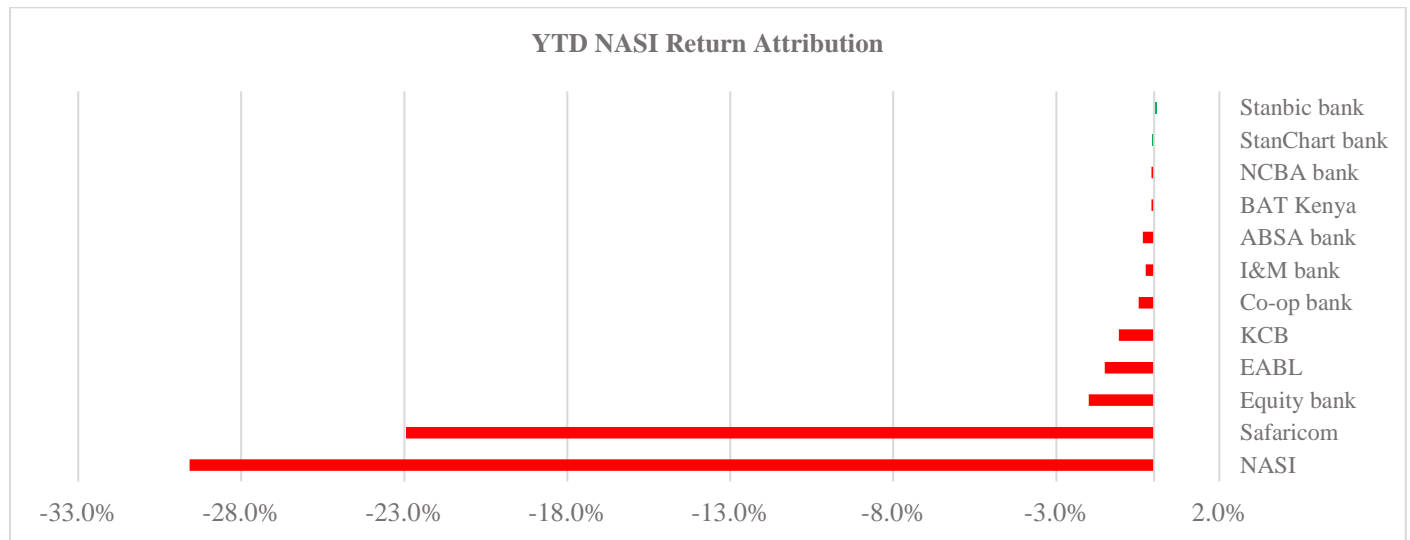
Last week, EABL (-7.4% w/w) emerged as the top loser among the large-cap stocks as foreign investors continued to be net sellers on the counter. Safaricom (-4.9% w/w) sustained its 3-year low, closing at KES 23.10 driven by foreign investors' sell-off towards the end of the week. Equity bank closed down 2.1% w/w on foreign selling – sustaining a 1-year low. On account of local selling, KCB bank edged down 3.2% w/w. On thin volumes, StanChart bank (+1.0% w/w) touched a 1-month high and ABSA bank (-5.6% w/w) traded down to 1-month low. Stanbic bank (-8.7% w/w) emerged as the top loser among the banking stocks, hitting a 5-month low of KES 91.50. BK Group (-1.8% w/w) and Jubilee Insurance (-1.9% w/w) traded ex-dividend during the week.

Market performance over the past 12 months



Source: NSE

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



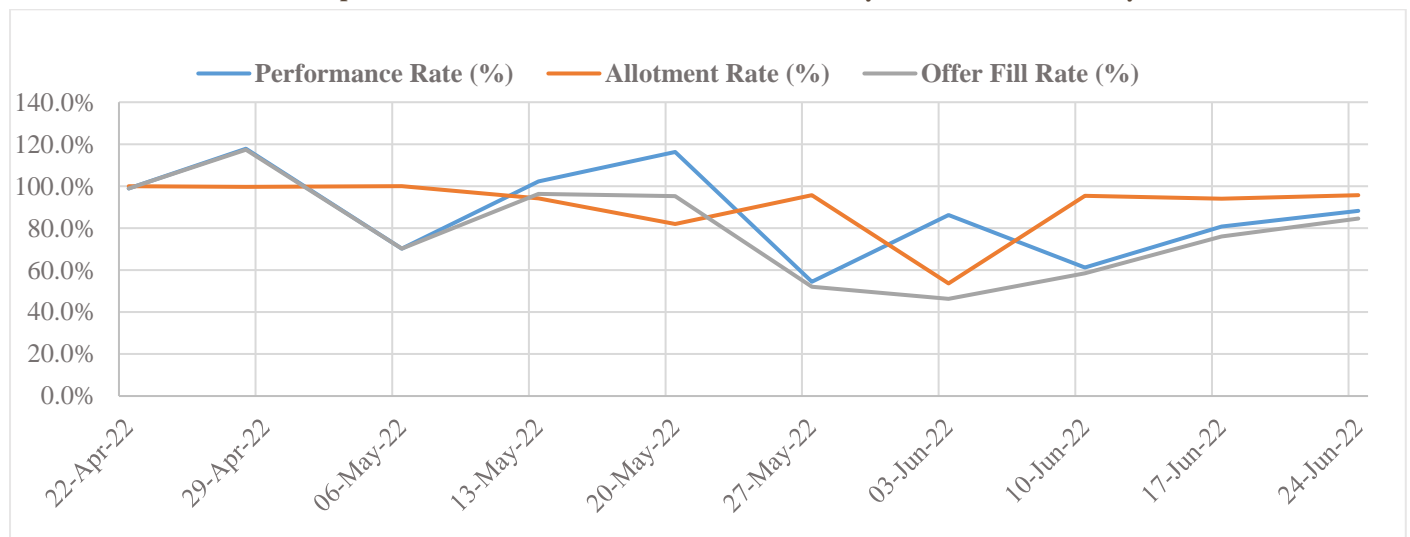
Source: Kestrel Research

Debt market trading commentary

Overall subscription rates increased to 88.3%, up from 80.8% recorded in the previous week driven by high demand on the 91-Day paper. The yield on the 91-Day T-Bill rose by the widest margin of 8.8bps, sustaining a 4-year high. The yield on 364-Day T-Bill edged up for the 11th straight week.

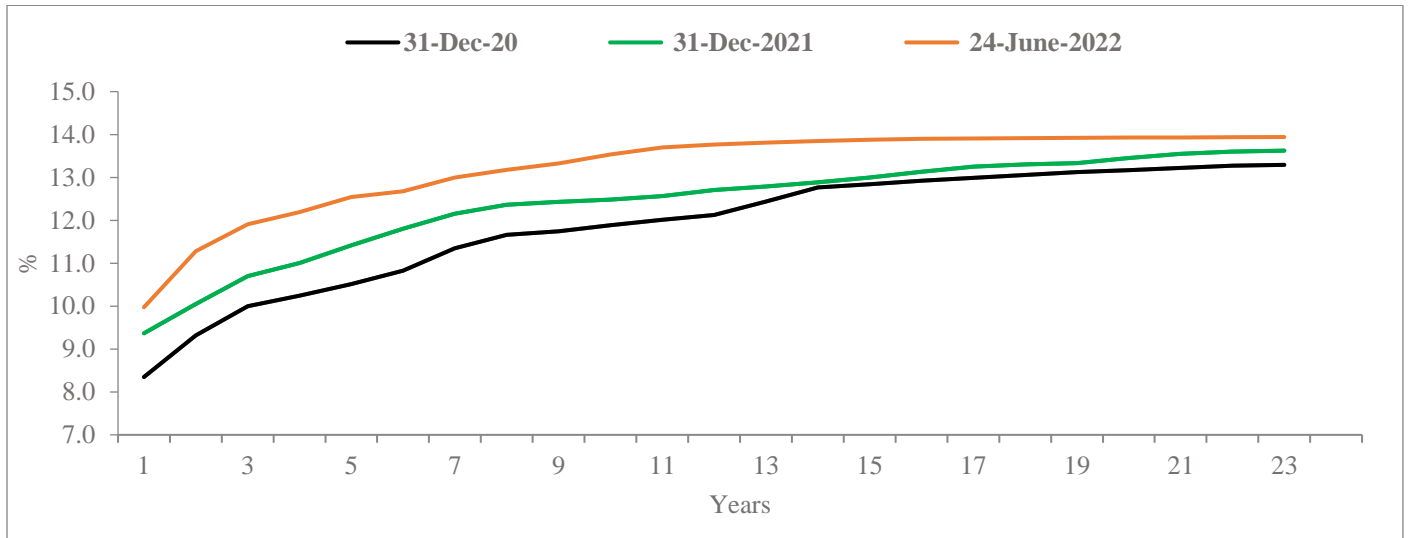
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 8.1bn for the 91-Day T-Bill, implying a subscription rate of 201.4%. It accepted bids worth KES 8.1bn at an average yield of 8.013% (+8.8bps w/w). The 182-Day T-Bill received bids worth KES 4.8bn, implying a performance rate of 48.5% It accepted bids worth KES 4.8bn at an average yield of 9.163% (+6.7bps w/w). The 364-Day T-Bill received bids worth KES 8.3bn, implying a performance rate of 82.9%. It accepted bids worth KES 7.4bn at an average yield of 9.974% (+1.3bps w/w).

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



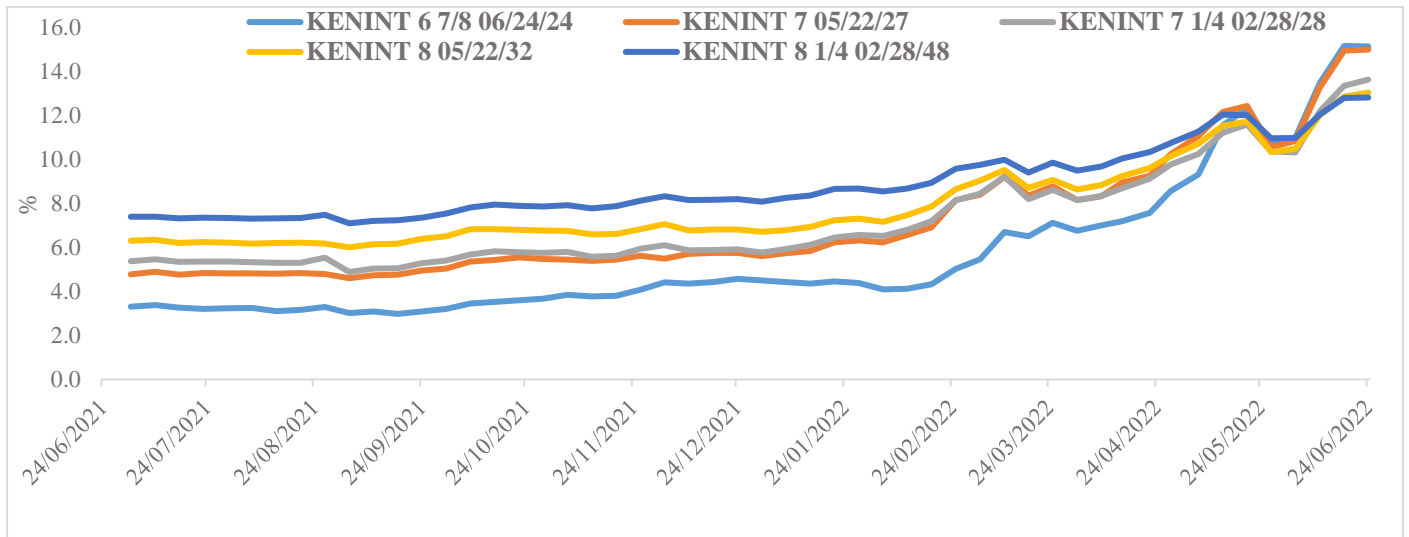
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields sustain an upward trend week-on-week, although at a slower rate



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	23.10	-39.1	7,866	50.4%	1.74	1.39	3.5	13.3	6.0	6.6	49.9	2,201,760	
Equity Bank	Banking	Dec	54.25	39.00	39.00	-26.1	1,251	8.0%	11.15	3.00	44.3	3.5	7.7	0.9	25.2	507,662	
KCB Bank	Banking	Dec	49.90	35.00	36.70	-19.3	1,002	6.4%	11.67	3.00	56.6	3.1	8.2	0.6	20.6	254,829	
EA Breweries	Breweries	Jun	188.25	115.25	115.25	-30.2	775	5.0%	11.25	3.75	17.5	10.2	3.3	6.6	64.3	296,561	
Co-op Bank	Banking	Dec	13.95	10.70	10.85	-16.2	541	3.5%	3.23	1.00	17.5	3.4	9.2	0.6	18.4	22,142	
Absa Bank	Banking	Dec	12.70	9.40	10.20	-13.9	471	3.0%	2.15	1.10	10.9	4.7	10.8	0.9	19.7	31,119	
StanChart Bank	Banking	Dec	146.25	123.75	125.00	-2.5	401	2.6%	24.92	19.00	147.2	5.0	15.2	0.8	16.9	55,591	
BAT Kenya	Tobacco	Dec	509.00	404.00	421.00	-4.6	358	2.3%	64.83	50.00	149.7	6.5	11.9	2.8	43.3	28,823	
NCBA Bank	Banking	Dec	28.15	23.00	23.85	-5.4	334	2.1%	6.56	3.00	48.7	3.6	12.6	0.5	13.4	62,869	
Stanbic Bank	Banking	Dec	108.00	80.00	91.50	4.9	307	2.0%	18.81	7.30	122.8	4.9	8.0	0.7	15.3	217,179	
I&M Holdings	Banking	Dec	23.25	16.50	17.00	-19.4	239	1.5%	5.38	1.50	42.6	3.2	8.8	0.4	12.6	15,683	
Bank of Kigali	Banking	Dec	40.00	24.30	29.45	1.6	224	1.4%	7.95	3.28	41.8	3.7	11.2	0.7	19.0	8,236	
KenGen	Power	Jun	4.98	3.39	3.40	-18.9	191	1.2%	0.16	0.18	32.4	21.4	5.3	0.1	0.5	9,163	
Kenya Airways	Airlines	Dec	3.99	3.83	3.83	0.0	185	1.2%	(2.79)	-	(14.7)	-	-	-	-	-	
Jubilee Insurance	Insurance	Dec	390.00	248.50	260.00	-17.9	160	1.0%	94.22	14.00	544.4	2.8	5.4	0.5	17.3	4,436	
Britam	Insurance	Dec	8.38	5.56	6.12	-18.4	131	0.8%	0.03	-	7.5	214.1	-	0.8	0.4	3,019	
Total Oil	Oil	Dec	26.00	21.75	23.30	-6.8	125	0.8%	4.35	1.31	45.4	5.4	5.6	0.5	9.6	996	
DTB Bank	Banking	Dec	69.00	49.00	50.25	-15.5	119	0.8%	14.80	3.00	240.7	3.4	6.0	0.2	6.2	6,042	
Umeme Ltd.	Power	Dec	8.30	5.48	8.00	18.7	110	0.7%	2.74	1.73	17.6	2.9	21.7	0.5	15.6	13,822	
Bamburi Cement	Cement	Dec	39.80	32.15	32.90	-13.4	101	0.7%	3.58	3.58	83.5	9.2	10.9	0.4	4.3	7,718	
Kakuzi	Agric	Dec	427.00	327.75	424.00	10.1	71	0.5%	27.77	18.00	275.9	15.3	4.2	1.5	10.1	248	
Centum Investment	Finance	Mar	17.85	9.02	9.46	-32.9	54	0.3%	(2.42)	0.33	69.7	-	3.5	0.1	(3.5)	10,773	
Crown Paints	Manufac.	Dec	44.00	19.65	44.00	44.3	53	0.3%	5.13	4.00	24.1	8.6	9.1	1.8	21.3	4,171	
Kenya Re	Insurance	Dec	2.68	1.98	2.00	-13.0	48	0.3%	1.06	0.10	13.2	1.9	5.0	0.2	8.0	3,924	
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	45	0.3%	(7.77)	-	19.8	-	-	0.3	(39.2)	-	
CIC Insurance	Insurance	Dec	3.39	1.87	1.96	-11.3	44	0.3%	0.26	-	3.1	7.7	-	0.6	8.4	945	
Sasini Tea & Coffee	Agric	Sept	129.00	17.90	19.40	3.7	38	0.2%	(1.48)	0.50	56.5	-	2.6	0.3	(2.6)	323	
Nation Media	Media	Dec	26.10	16.50	16.75	-9.2	27	0.2%	2.59	1.49	42.1	6.5	8.9	0.4	6.2	4,212	
Liberty K. Holdings	Insurance	Dec	9.98	5.02	5.50	-21.4	25	0.2%	0.15	-	15.9	36.0	-	0.3	1.0	98	
Carbacid	Gases	July	13.25	10.35	11.00	0.0	24	0.2%	2.22	0.70	13.5	5.0	6.4	0.8	16.4	1,918	
Kenya Power	Power	Jun	2.02	1.31	1.42	-18.9	24	0.2%	2.65	-	29.3	0.5	-	0.0	9.0	8,699	
Unga Ltd	Food	Jun	36.25	27.00	31.75	14.8	20	0.1%	2.89	-	56.2	11.0	-	0.6	5.1	72	
TPSEA Serena	Tourism	Dec	16.95	11.50	12.55	-17.7	19	0.1%	(3.47)	-	33.3	-	-	0.4	(10.4)	4,204	
Sanlam Kenya	Insurance	Dec	15.00	9.70	13.00	12.6	16	0.1%	(3.77)	-	3.9	-	-	3.4	(97.1)	98	
NSE	Finance	Dec	10.15	6.72	6.98	-12.8	15	0.1%	0.51	1.40	8.0	13.7	20.1	0.9	6.4	4,528	
Car & Gen	Motors	Sept	76.00	26.50	42.05	23.9	14	0.1%	26.33	3.20	135.8	1.6	7.6	0.3	19.4	-	
BOC Kenya	Gases	Dec	93.25	61.50	74.00	5.7	12	0.1%	4.78	6.70	84.3	15.5	9.1	0.9	5.7	-	
WPP Scangroup	Media	Dec	5.74	2.86	3.02	-27.1	11	0.1%	(0.09)	-	12.0	-	-	0.3	(0.7)	1,238	
Housing Finance	Banking	Dec	4.90	2.86	3.01	-22.8	10	0.1%	(1.45)	-	20.5	-	-	0.1	(7.1)	668	
Standard Newspapers	Media	Dec	20.00	11.55	12.35	-8.9	9	0.1%	(0.90)	-	10.5	-	-	1.2	(8.5)	59	
Longhorn	Publishing	Jun	4.4	2.99	3.01	-24.8	7	0.0%	0.62	-	2.8	4.9	-	1.1	22.2	109	
EA Portland	Cement	Jun	9.40	6.06	8.72	30.9	7	0.0%	(30.77)	-	208.4	-	-	0.0	(14.8)	16	
Limuru Tea	Agric	Dec	355.00	263.00	320.00	0.0	7	0.0%	(0.50)	0.70	75.9	-	0.2	4.2	(0.7)	320	
TransCentury	Finance	Dec	1.47	1.00	1.08	-7.7	3	0.0%	(6.72)	-	(9.5)	-	-	-	-	45	
												Average	11.2	7.0	4.0	35.9	3,801,635

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