

## Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	31.11	12.50	148.9%	BUY
Equity bank	43.67	38.00	14.9%	HOLD
KCB bank	47.26	18.85	150.7%	BUY
Co-op bank	20.46	11.80	73.4%	BUY
ABSA bank	12.89	11.85	8.8%	HOLD
StanChart bank	138.26	156.00	-11.4%	HOLD
NCBA bank	40.68	39.00	4.3%	HOLD
I&M bank	33.32	17.30	92.6%	BUY
Stanbic bank	108.85	109.00	-0.1%	HOLD
DTB bank	116.13	45.00	158.1%	BUY
EABL	164.58	128.50	28.1%	BUY
Bamburi Cement	51.96	23.10	124.9%	BUY
BAT Kenya	544.27	418.50	30.1%	BUY

\*banks' fair values have been updated

## Kenya Weekly Commentary

### Kenya Market Summary

#### Equity market commentary and outlook

- In the early trading days of the week, Safaricom marked four successive declines to touch a 9-year low on account of foreign investors' sell-off. Similarly, on the back of foreign selling, KCB bank hit an 11-year low after sustaining a 4-day losing streak.

#### Debt market commentary and outlook

- Overall subscription rates declined to 75.6%, down from 123.4% the previous week, hitting a 5-weeks low. Investors remained skewed on 91-Day T-Bill, but were relatively weak on the 182-Day T-Bill and 364-Day T-Bill for the fourteenth straight week. The yield on the 91-Day T-Bill edged up for the twenty-sixth successive week; the yield on the 182-Day T-Bill trended up for the tenth consecutive week and the yield on the 364-Day T-Bill notched up for the fourth straight week.

### Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,462.0	-1.9%	-3.1%	-9.4%	-7.4%	-13.0%	-12.8%
Kenya NASI Return	89.4	-4.0%	-6.1%	-19.2%	-16.9%	-30.4%	-29.9%

Source: NSE, Kestrel Research

### NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	-4.5%	-7.5%	-19.6%	-24.9%	-43.8%	-42.4%
Johannesburg Index	-0.2%	-3.7%	-17.3%	-13.7%	0.4%	-13.9%
Nigeria Stock Exchange	-0.4%	-3.1%	-1.9%	-27.0%	-16.5%	-25.4%
Ghana Stock Exchange	-0.7%	-4.0%	0.9%	13.1%	49.7%	8.9%
Egyptian Stock Exchange	-41.2%	-37.0%	-26.7%	-28.6%	-14.0%	-30.2%
MSCI EFM ex SA Index	-1.0%	-0.5%	-2.0%	0.2%	0.8%	-3.8%

**Other market statistics**

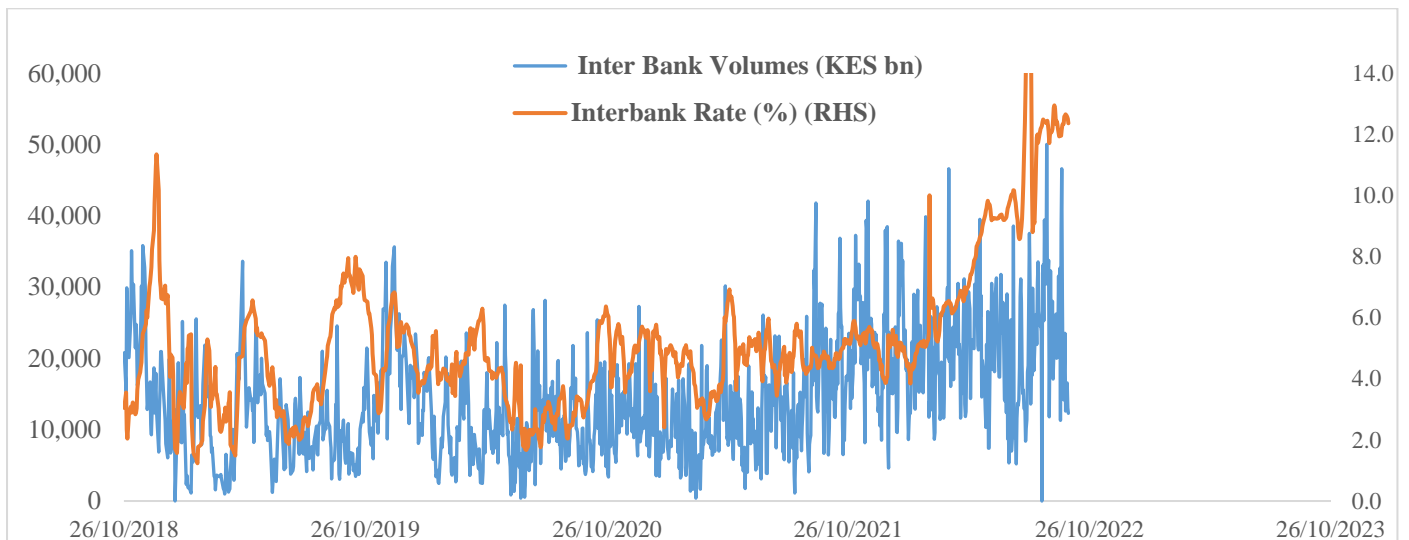
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	150.5	-0.3%	-1.5%	-5.4%	-9.6%	-19.3%	-18.0%
USD/ZAR	18.8	0.9%	0.4%	-6.4%	-2.9%	-4.1%	-9.6%
USD/EGP	30.9	0.0%	0.0%	0.0%	0.0%	-25.3%	-19.9%
USD/NGN	809.8	0.0%	-4.2%	-4.9%	-43.0%	-45.4%	-43.1%
USD/GHS	11.9	-0.2%	-2.7%	-4.3%	-0.9%	17.8%	-14.5%

**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	1,269.4	-333.1	78.8%	-9.4%	-48.2%	-51.0%	0.4%
Equity bank	157.7	-21.4	58.2%	2.0%	-14.6%	-19.4%	6.9%
Nation Media	83.4	0.0	0.0%	0.0%	25.4%	-4.8%	41.3%
KCB bank	22.9	-5.7	23.5%	-5.3%	-50.5%	-52.3%	0.0%
Umeme Ltd	21.9	11.7	71.9%	13.3%	95.4%	-18.3%	119.0%

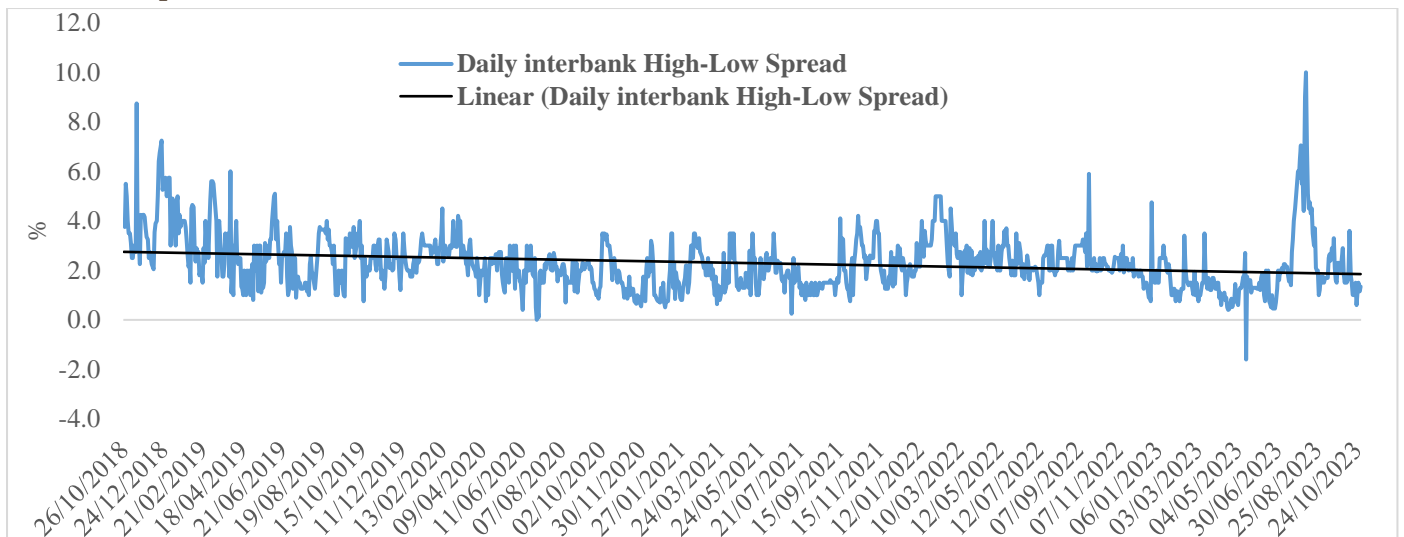
**Key Rates and Spreads**

Inter-bank rates decline week-on-week, after two weeks of increases



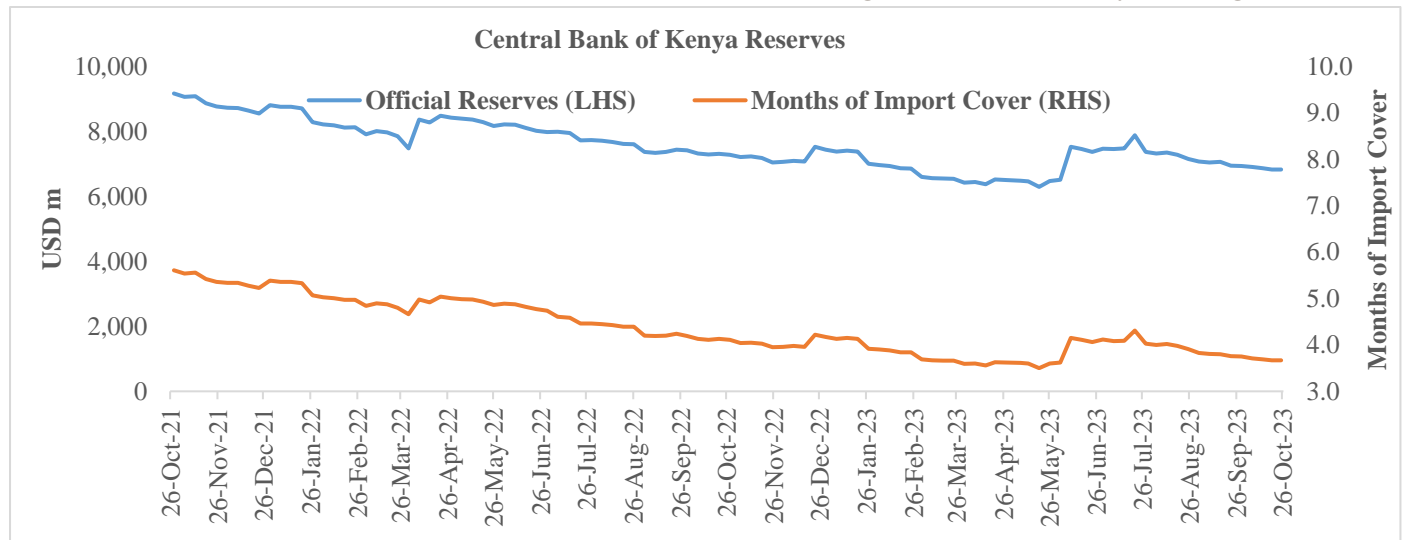
Source: CBK

Inter-bank spreads decline week-on-week



Source: CBK

Months of import cover & CBK FX reserves halt a 5-weeks decreasing streak, remain fairly unchanged



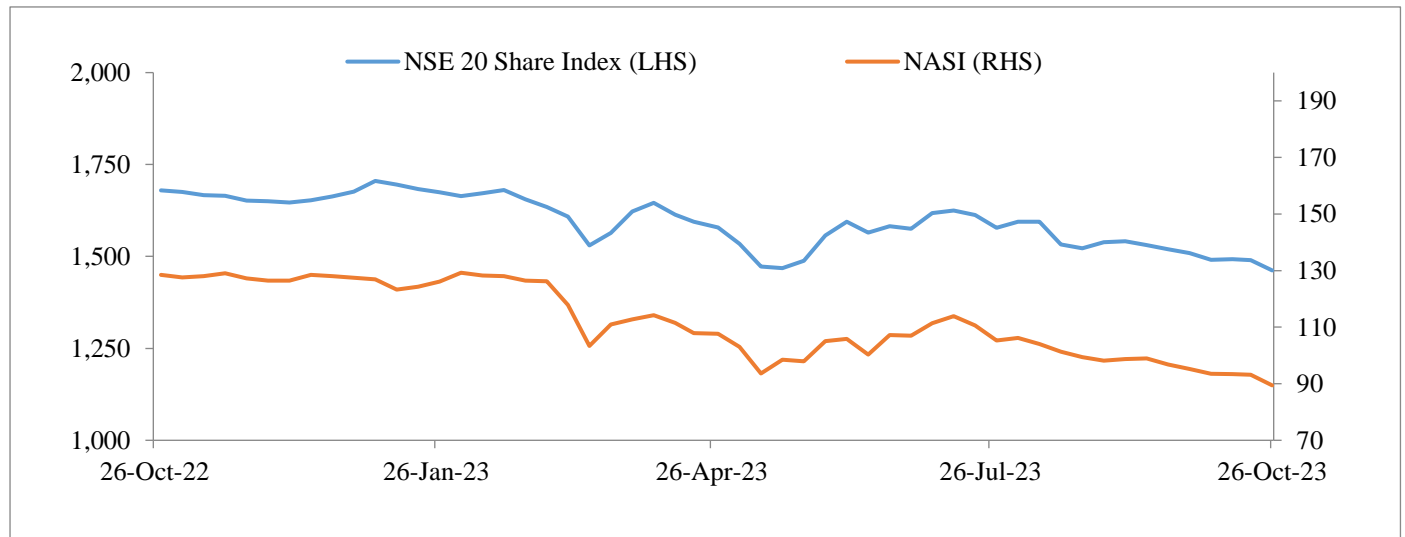
Source: CBK

Equity market trading commentary

For the second week straight, market turnover surged by 178.9% w/w to settle at USD 11.1m (KES 1.7bn). Sustaining a 6-weeks declining streak, the NASI shed 4.0% w/w to finish at 89.42 while the NSE 20 edged down 1.9% w/w to stand at 1,461.99. Foreign investors emerged as net sellers at USD 2.3m (KES 352.2m) – the ninth successive week. Foreign investors rebounded trading at 67.5% of total turnover, up from 38.8% registered last week. Safaricom (USD 2.2m, KES 333.1m) and Equity bank (USD 0.1m, KES 21.4m) recorded the highest net foreign outflows while Umeme Ltd saw the highest net foreign inflows at USD 78.2k (KES 11.8m).

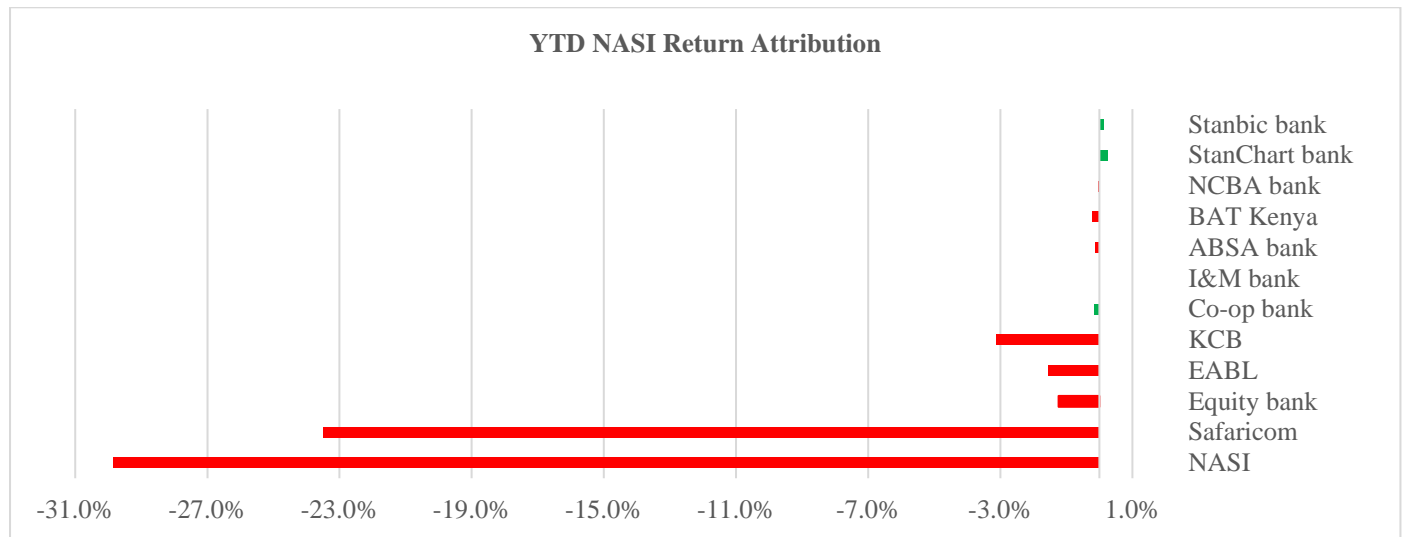
In the early trading days of the week, Safaricom marked four successive declines to touch a 9-year low on account of foreign investors’ sell-off. Similarly, on the back of foreign selling, KCB bank hit an 11-year low after sustaining a 4-day losing streak.

Market performance over the past 12 months



Source: NSE

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



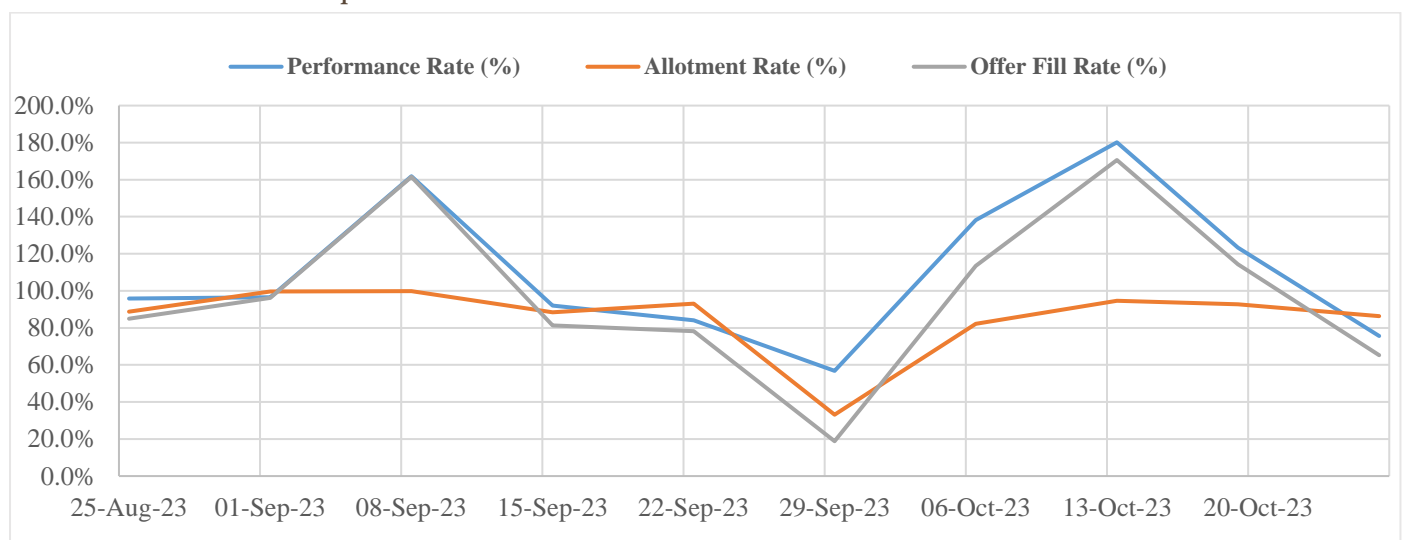
Source: Kestrel Research

**Debt market trading commentary**

Overall subscription rates declined to 75.6%, down from 123.4% the previous week, hitting a 5-weeks low. Investors remained skewed on 91-Day T-Bill, but were relatively weak on the 182-Day T-Bill and 364-Day T-Bill for the fourteenth straight week. The yield on the 91-Day T-Bill edged up for the twenty-sixth successive week; the yield on the 182-Day T-Bill trended up for the tenth consecutive week and the yield on the 364-Day T-Bill notched up for the fourth straight week.

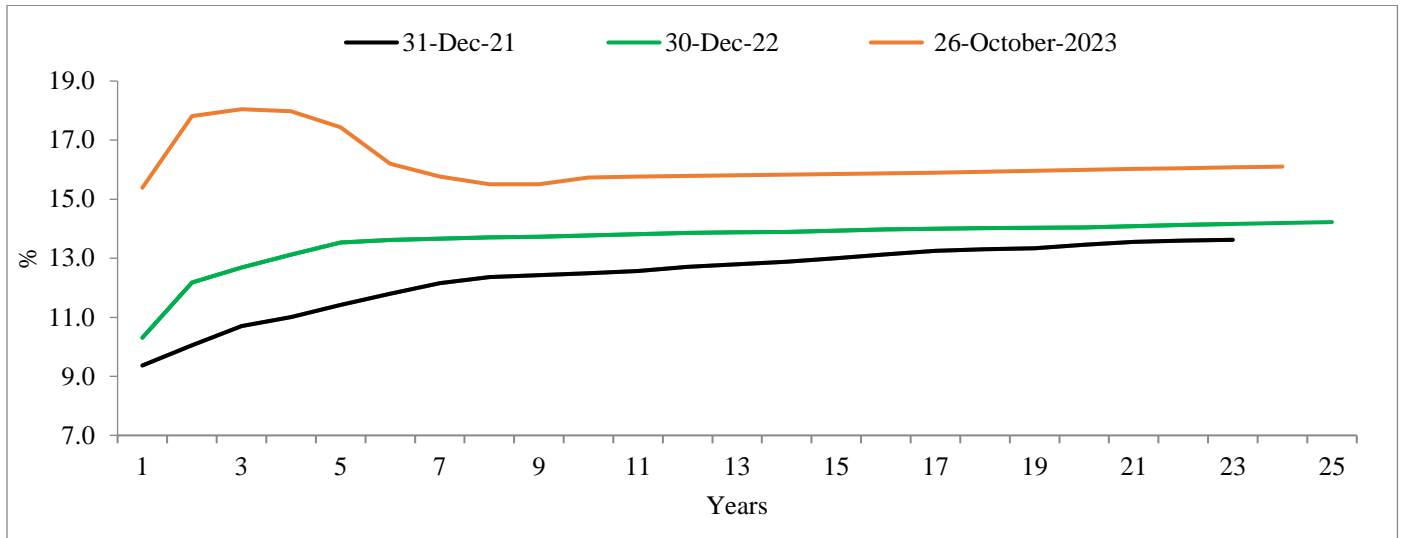
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 10.6bn for the 91-Day T-Bill, implying a subscription rate of 265.97%. It accepted bids worth KES 8.1bn at an average yield of 15.111% (+6.5bps w/w). The 182-Day T-Bill received bids worth KES 5.7bn, implying a performance rate of 56.68%. It accepted bids worth KES 5.7bn at an average yield of 15.129% (+5.3bps w/w). The 364-Day T-Bill received bids worth KES 1.8bn, implying a performance rate of 18.43%. It accepted bids worth KES 1.8bn at an average yield of 15.387% (+4.6bps w/w).

**T-Bills Performance: Overall performance rates hit a 5-weeks low**



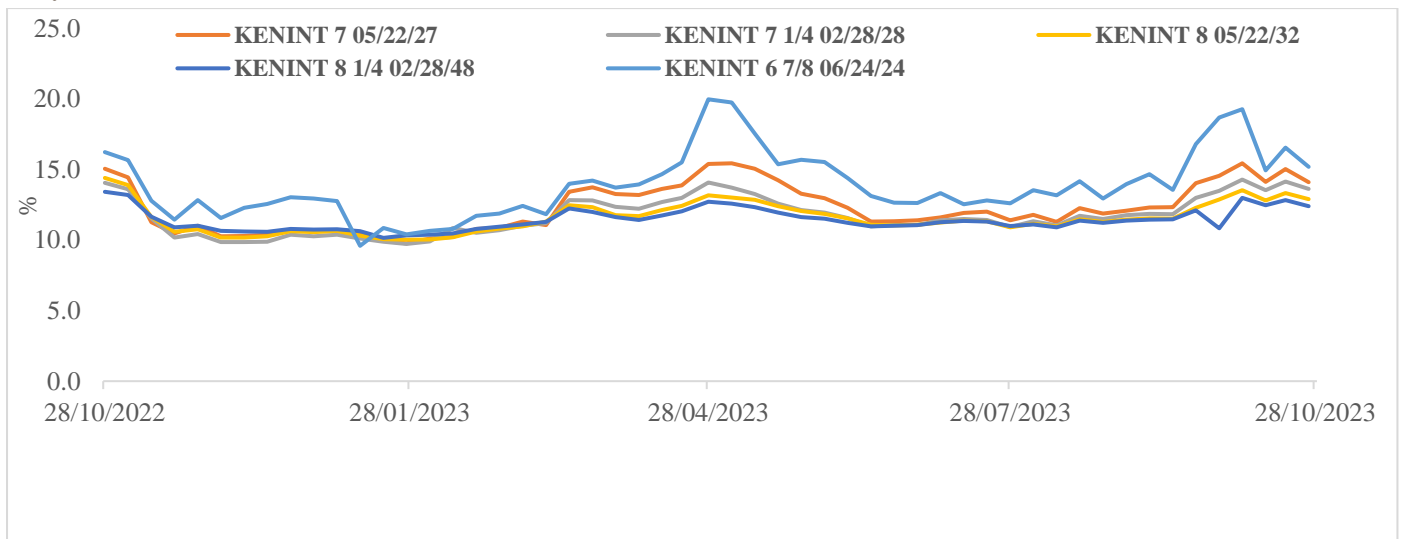
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across tenors decrease week-on-week



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 <sup>1</sup>	
Safaricom	Telecom	Mar	25.50	12.45	12.50	-48.2	3,331	35.7%	1.55	1.20	4.7	8.0	9.6	2.7	33.2	958,191	
Equity Bank	Banking	Dec	47.15	35.55	38.00	-14.6	954	10.2%	12.35	3.00	49.3	3.1	7.9	0.8	25.1	232,544	
EA Breweries	Breweries	Jun	187.00	120.25	128.50	-23.3	676	7.2%	12.47	5.50	27.1	10.3	4.3	4.7	46.1	43,841	
Co-op Bank	Banking	Dec	13.35	11.15	11.80	-4.1	460	4.9%	3.87	1.50	18.5	3.0	12.7	0.6	21.0	40,903	
Absa Bank	Banking	Dec	12.95	10.10	11.85	-3.7	428	4.6%	2.96	1.35	12.5	4.0	11.4	0.9	23.7	66,382	
NCBA Bank	Banking	Dec	41.70	30.10	39.00	-0.9	427	4.6%	9.32	4.00	50.6	4.2	10.3	0.8	18.4	24,552	
KCB Bank	Banking	Dec	39.55	18.85	18.85	-50.5	403	4.3%	11.42	2.00	65.7	1.7	10.6	0.3	17.4	64,292	
StanChart Bank	Banking	Dec	171.00	135.25	156.00	9.3	392	4.2%	35.25	22.00	159.8	4.4	14.1	1.0	22.1	28,618	
Stanbic Bank	Banking	Dec	129.75	92.00	109.00	6.9	287	3.1%	28.62	13.75	161.8	3.8	12.6	0.7	17.7	21,216	
BAT Kenya	Tobacco	Dec	479.75	401.50	418.50	-9.0	278	3.0%	68.92	57.00	163.8	6.1	13.6	2.6	42.1	49,737	
Bank of Kigali	Banking	Dec	37.00	27.00	33.00	4.8	197	2.1%	7.66	3.28	43.7	4.3	10.0	0.8	17.5	2,387	
I&M Holdings	Banking	Dec	21.00	15.85	17.30	1.8	190	2.0%	5.47	2.25	47.7	3.2	13.0	0.4	11.5	7,659	
Umeme Ltd.	Power	Dec	17.75	6.62	14.50	95.4	157	1.7%	3.03	2.12	20.7	4.8	14.6	0.7	14.7	4,718	
KenGen	Power	Jun	3.40	2.14	2.29	-28.9	100	1.1%	0.76	0.30	41.6	3.0	13.1	0.1	1.8	4,429	
Jubilee Insurance	Insurance	Dec	230.00	148.25	185.00	-6.9	89	1.0%	68.38	14.00	613.8	2.7	7.6	0.3	11.1	10,413	
DTB Bank	Banking	Dec	55.25	44.00	45.00	-10.0	84	0.9%	23.17	5.00	259.1	1.9	11.1	0.2	8.9	10,507	
Britam	Insurance	Dec	5.80	4.05	4.76	-8.5	80	0.9%	0.53	-	9.2	9.0	-	0.5	5.7	97,102	
Bamburi Cement	Cement	Dec	35.00	22.55	23.10	-26.7	56	0.6%	2.15	3.58	82.1	10.7	15.5	0.3	2.6	16,104	
Kakuzi	Agric	Dec	430.00	240.00	386.00	0.3	50	0.5%	43.15	24.00	303.5	8.9	6.2	1.3	14.2	514	
Centum Investment	Finance	Mar	9.50	7.90	8.74	4.5	39	0.4%	(8.95)	0.60	55.8	-	6.9	0.2	(16.1)	7,884	
Sasini Tea & Coffee	Agric	Sept	31.40	20.00	24.00	6.9	36	0.4%	3.82	1.00	61.7	6.3	4.2	0.4	6.2	586	
Crown Paints	Manufac.	Dec	44.80	32.30	35.50	-15.2	34	0.4%	5.13	4.00	24.1	6.9	11.3	1.5	21.3	252	
Kenya Re	Insurance	Dec	2.02	1.54	1.75	-4.4	33	0.3%	1.17	0.10	13.4	1.5	5.7	0.1	8.7	6,077	
CIC Insurance	Insurance	Dec	2.21	1.68	1.87	-4.1	33	0.3%	0.42	0.13	3.3	4.5	7.0	0.6	12.8	2,171	
Carbacid	Gases	July	17.00	11.40	16.00	33.3	27	0.3%	2.98	0.70	13.6	5.4	4.4	1.2	21.9	2,720	
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	17,247	
Kenya Power	Power	Jun	1.94	1.38	1.49	-4.5	19	0.2%	(1.64)	-	29.1	-	-	0.1	(5.6)	3,314	
TPSEA Serena	Tourism	Dec	16.00	10.85	12.00	-10.1	15	0.2%	(3.47)	-	33.3	-	-	0.4	(10.4)	630	
Liberty K. Holdings	Insurance	Dec	5.68	3.45	3.99	-28.8	14	0.2%	0.15	-	15.9	26.1	-	0.3	1.0	125	
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	344	
Housing Finance	Banking	Dec	5.10	2.96	4.00	25.4	10	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	7,387	
NSE	Finance	Dec	7.36	5.52	5.92	-12.7	10	0.1%	0.05	0.20	7.1	111.9	3.4	0.8	0.7	529	
Unga Ltd	Food	Jun	32.00	14.00	15.50	-51.6	8	0.1%	2.48	-	58.3	6.3	-	0.3	4.2	42	
Car & Gen	Motors	Sept	49.00	25.00	28.70	-39.5	8	0.1%	26.33	3.20	135.8	1.1	11.1	0.2	19.4	77	
WPP Scangroup	Media	Dec	3.29	2.42	2.54	-15.6	7	0.1%	(0.30)	-	11.9	-	-	0.2	(2.5)	282	
												<b>Average</b>	<b>10.9</b>	<b>9.4</b>	<b>1.7</b>	<b>24.4</b>	<b>1,741,557</b>

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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>**

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### 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