

Stock Recommendation

Company	Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	34.07	24.95	36.6%	BUY
Equity bank	70.69	46.45	52.2%	BUY
KCB bank	68.17	41.45	64.5%	BUY
Co-op bank	19.83	11.85	67.3%	BUY
ABSA bank	14.44	11.45	26.1%	BUY
StanChart bank	122.25	136.75	-10.6%	HOLD
NCBA bank	43.98	30.30	45.1%	BUY
I&M bank	32.61	17.00	91.8%	BUY
Stanbic bank	109.98	100.00	10.0%	HOLD
DTB bank	130.90	50.00	161.8%	BUY
EABL	223.42	142.00	57.3%	BUY
Bamburi Cement	60.07	34.10	76.2%	BUY
BAT Kenya	549.38	440.00	24.9%	BUY

Kenya Weekly Commentary

Kenya Market Summary

Equity market commentary and outlook

- Foreign investors sustained selling on Safaricom for the whole week and touched a 2-months low. Owing to Safaricom's weight on NSE market-cap, the NASI hit a 59-day low. On the other hand, driven by local demand, KCB bank traded up to an 11-day high and NCBA bank reached a 10-day high. Safaricom, KCB bank and NCBA bank were actively as they announced cuts on the daily maintenance charges on their FULIZA product. On account of local demand, DTB bank hit a 7-day high.

Debt market commentary and outlook

- For the third straight week, overall subscription rate reduced to 38.8% down from 46.6% recorded last week. Investors remained focussed on the 91-day T-Bill - its yield went up for the eighteenth successive week. Activity on the 364-day T-Bill remained subdued for the tenth week in a row and its yield continued to decline for the third consecutive week.

Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,717.7	-1.6%	-2.3%	9.2%	-6.9%	-15.7%	-9.7%
Kenya NASI Return	128.4	-4.8%	-6.5%	9.6%	-17.7%	-29.1%	-22.9%
FTSE NSE Kenya 15 Return	170.1	0.0%	0.0%	6.4%	-15.1%	-21.3%	-18.8%
FTSE NSE Kenya 25 Return	170.3	0.0%	0.0%	7.1%	-18.9%	-29.2%	-22.7%
FTSE Kenya Bond Index Return	94.7	0.0%	0.0%	0.0%	-2.3%	-2.2%	-1.4%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	-4.9%	-7.5%	0.3%	-21.5%	-35.1%	-27.9%
Johannesburg Index	-0.8%	-15.4%	-11.7%	-32.0%	-17.7%	-23.8%
Nigeria Stock Exchange	-0.5%	-4.3%	-8.9%	-0.5%	15.1%	11.3%
Ghana Stock Exchange	-2.8%	-5.1%	-25.1%	-35.3%	-50.1%	-48.0%
Egyptian Stock Exchange	-1.3%	-5.1%	2.5%	-18.2%	-24.8%	-33.9%
MSCI EFM ex SA Index	-4.5%	-8.0%	-7.7%	-19.8%	-27.6%	-27.5%

Other market statistics

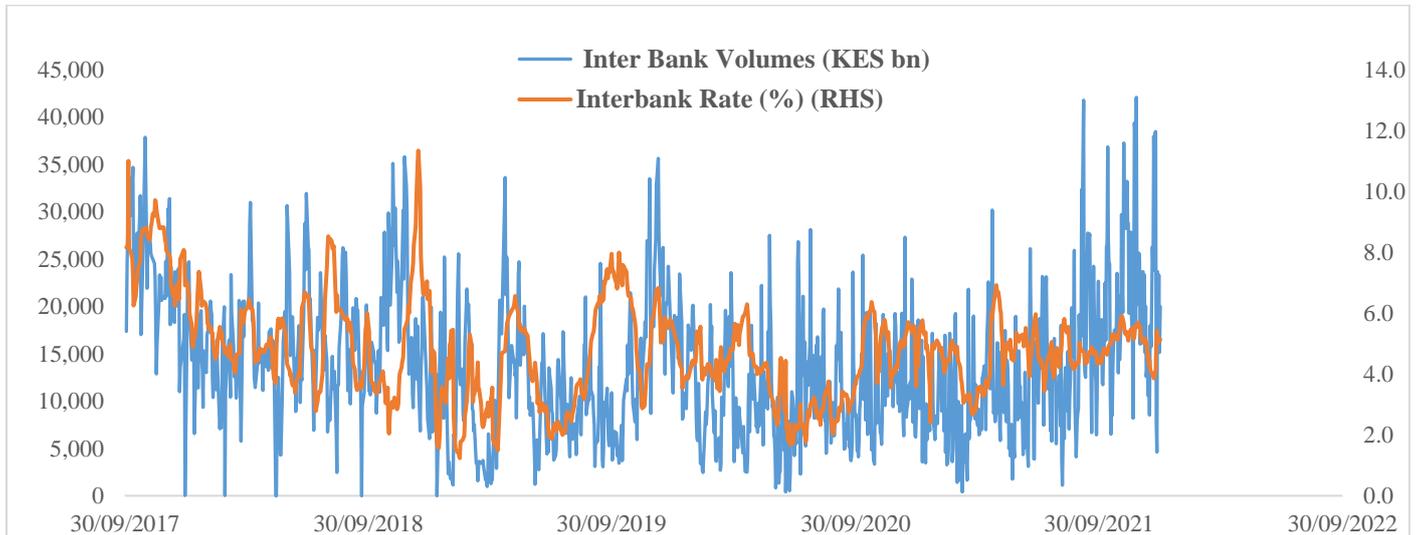
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	120.8	-0.1%	-0.7%	-2.1%	-4.7%	-8.5%	-6.3%
USD/ZAR	18.1	-1.2%	-6.6%	-9.0%	-19.2%	-17.3%	-11.8%
USD/EGP	19.5	-0.3%	-1.8%	-3.8%	-6.5%	-19.6%	-19.6%
USD/NGN	437.6	-0.5%	-2.9%	-3.7%	-4.9%	-5.6%	-3.0%
USD/GHS	10.4	-1.7%	-4.6%	-22.7%	-27.8%	-42.1%	-40.8%

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
KCB bank	610.1	-312.6	27.3%	5.9%	-8.8%	-11.8%	18.4%
Safaricom	599.3	-285.5	50.3%	-8.9%	-34.3%	-42.8%	8.0%
Equity bank	70.8	7.0	37.2%	-1.4%	-11.9%	-13.2%	19.1%
NCBA bank	65.8	-11.7	8.9%	-8.2%	20.2%	-8.7%	31.7%
EABL	29.1	10.4	54.4%	0.5%	-13.9%	-17.4%	29.1%

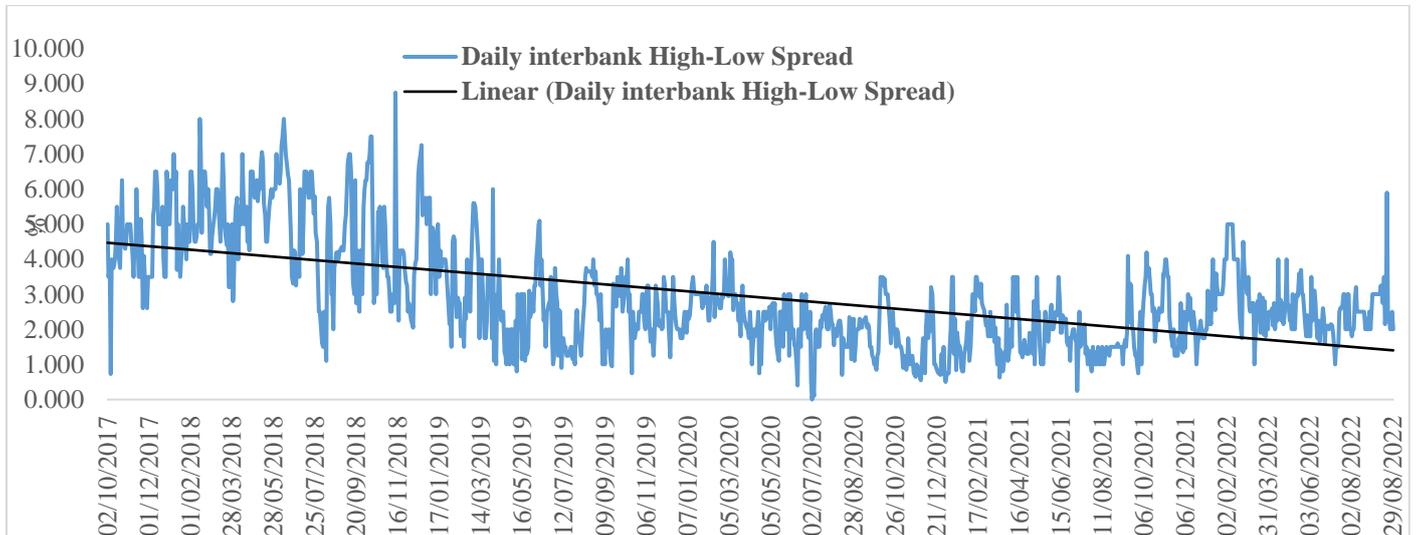
Key Rates and Spreads

Inter-bank rate drops week-on-week from a 3-month high



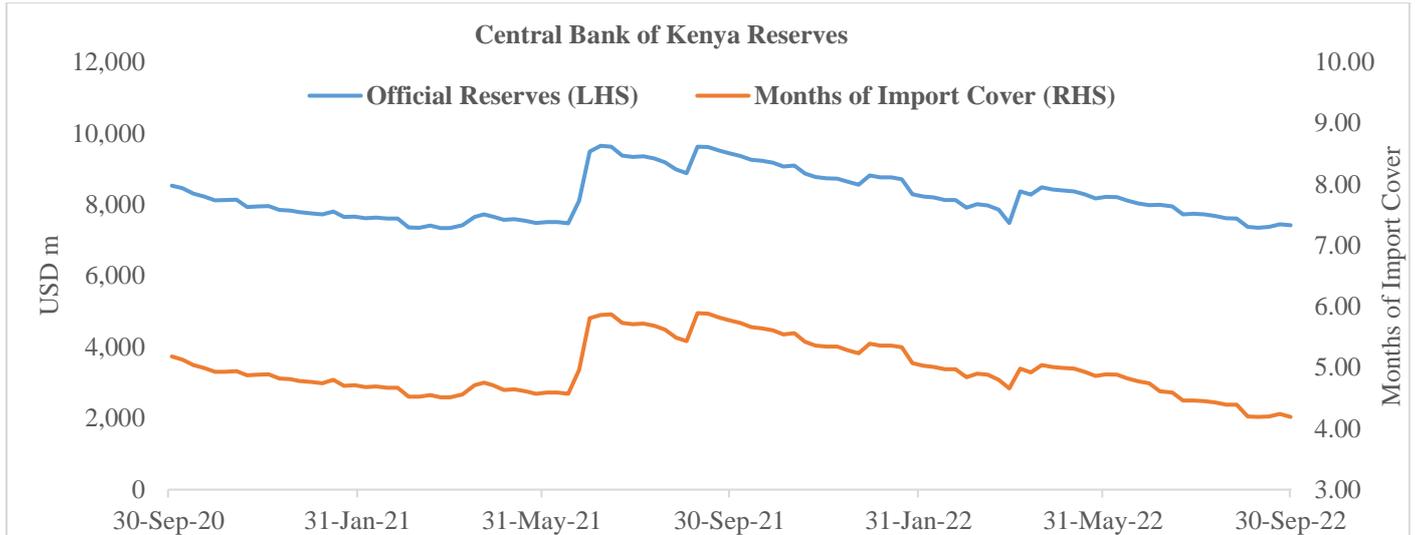
Source: CBK

Inter-bank spreads decline for the second straight week



Source: CBK

Forex reserves and import cover decline week-on-week after rising for the last two weeks



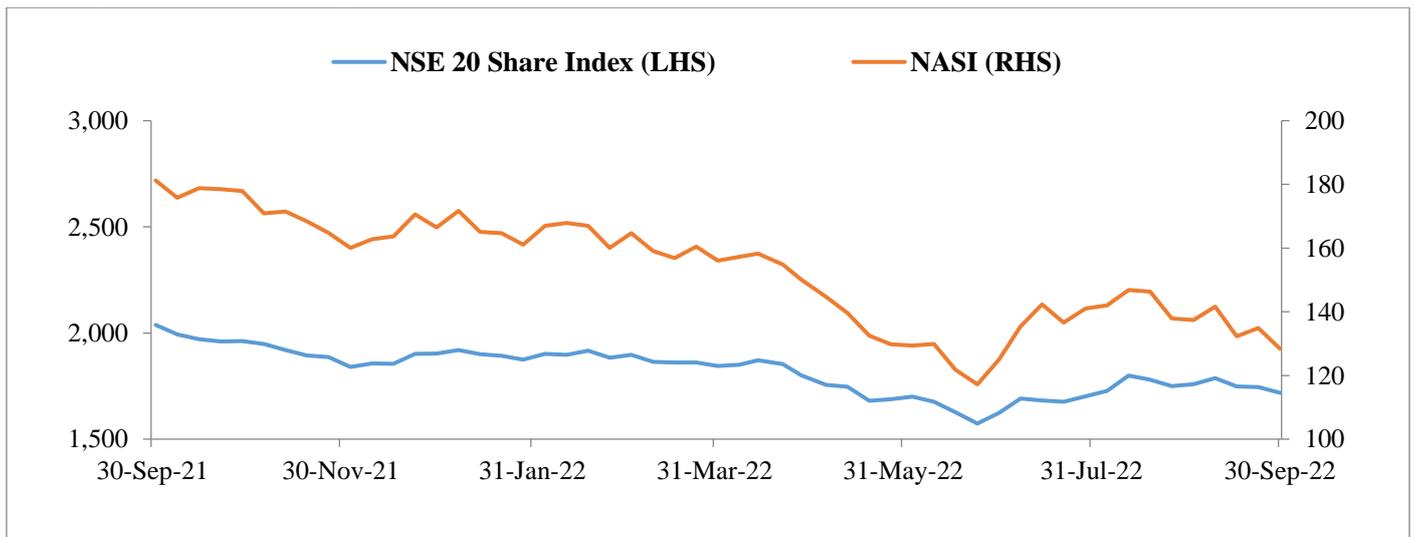
Source: CBK

Equity market trading commentary

Equity turnover fell the second straight week by 39.1% w/w to stand at USD 12.3m (KES 1.5bn). Erasing last week’s gains, the NASI dropped 4.8% w/w to a 14-weeks low to close at 128.41. However, the NSE 20 (-1.6% w/w) sustained a 3-weeks declining streak to settle at 1,717.68. For the sixth consecutive week, foreign investors remained net sellers at USD 4.9m (KES 589.5m). Local investors drove trading at the bourse, at 64.5% of total turnover for the fourth week in a row. KCB bank (USD 2.6m, KES 312.6m) and Safaricom (USD 2.4m, KES 285.5m) marked the highest net foreign outflows. On the other hand, EABL posted the highest net foreign inflows at USD 86.1k (KES 10.4m).

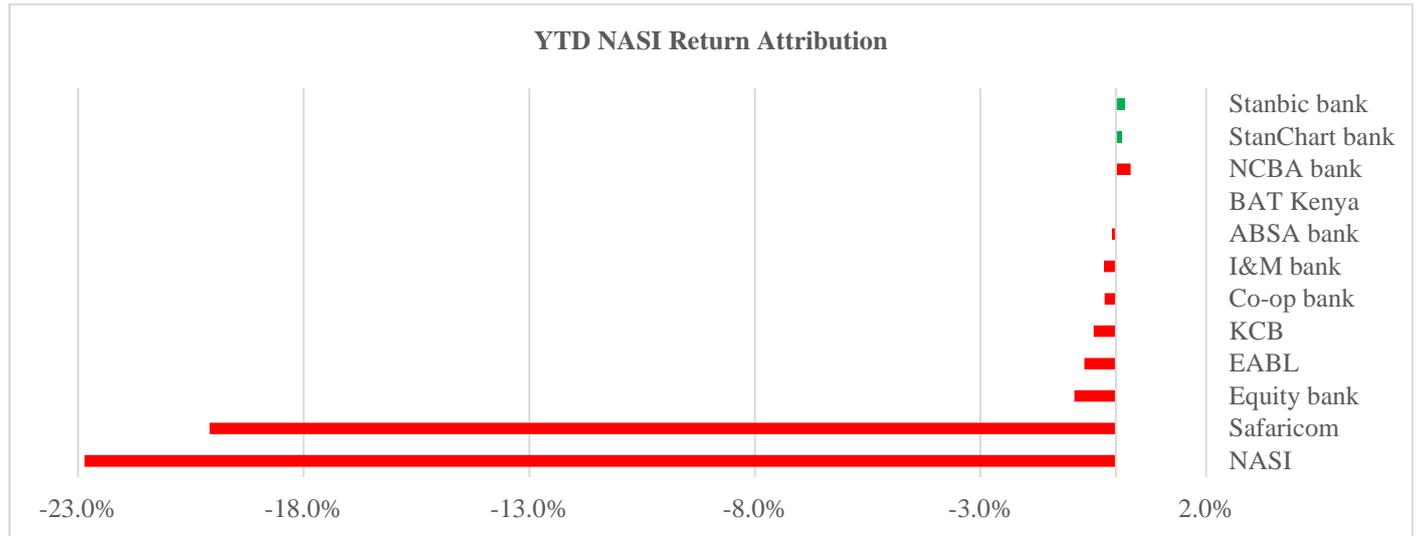
Foreign investors sustained selling on Safaricom for the whole week and touched a 2-months low. Owing to Safaricom’s weight on NSE market-cap, the NASI hit a 59-day low. On the other hand, driven by local demand, KCB bank traded up to an 11-day high and NCBA bank reached a 10-day high. Safaricom, KCB bank and NCBA bank were actively as they announced cuts on the daily maintenance charges on their FULIZA product. On account of local demand, DTB bank hit a 7-day high.

Market performance over the past 12 months



Source: NSE

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



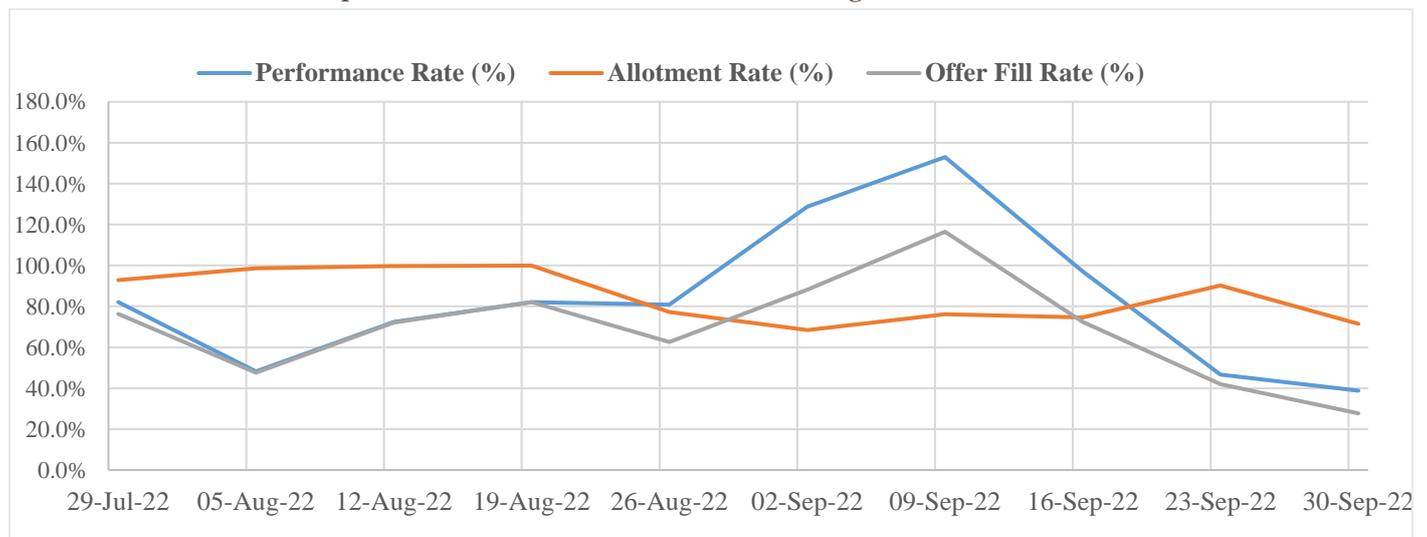
Source: Kestrel Research

Debt market trading commentary

For the third straight week, overall subscription rate reduced to 38.8% down from 46.6% recorded last week. Investors remained focussed on the 91-day T-Bill - its yield went up for the eighteenth successive week. Activity on the 364-day T-Bill remained subdued for the tenth week in a row and its yield continued to decline for the third consecutive week.

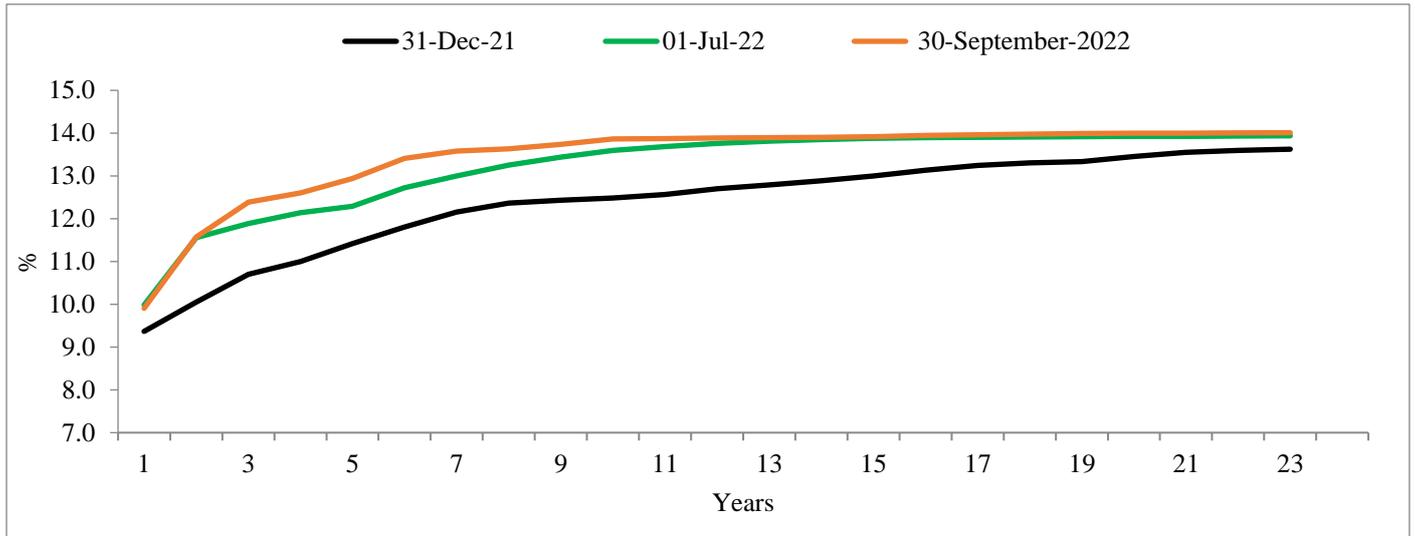
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 5.1bn for the 91-Day T-Bill, implying a subscription rate of 128.24%. It accepted bids worth KES 2.5bn at an average yield of 8.952% (+0.1bps w/w). The 182-Day T-Bill received bids worth KES 3.0bn, implying a performance rate of 30.49%. It accepted bids worth KES 3.0bn at an average yield of 9.631% (+0.6bps w/w). The 364-Day T-Bill received bids worth KES 1.1bn, implying a performance rate of 11.34%. It accepted bids worth KES 1.1bn at an average yield of 9.905% (-0.4bps w/w).

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



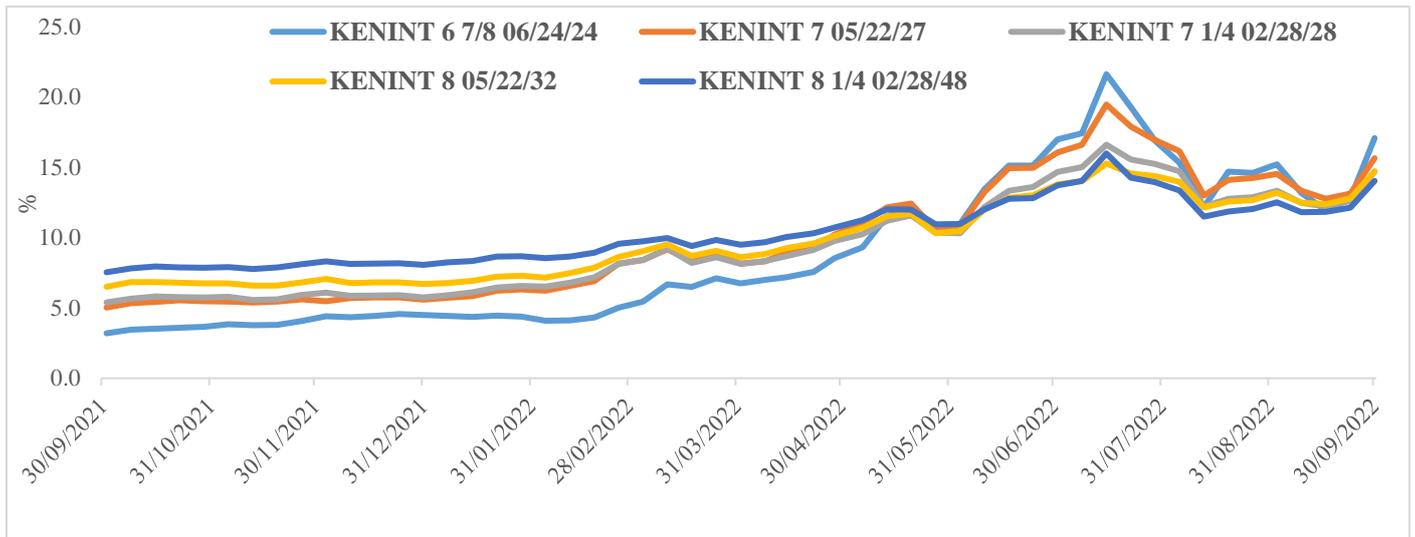
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across all tenors trend upwards for the second successive week



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 vol (USD)	
		end	High	Low		%						ratio x	yld %	ratio x			
Safaricom	Telecom	Mar	43.60	23.10	24.95	-34.3	8,280	49.7%	1.74	1.39	3.5	14.4	5.6	7.2	49.9	1,292,816	
Equity Bank	Banking	Dec	53.50	39.00	46.45	-11.9	1,452	8.7%	12.02	3.00	38.1	3.9	6.5	1.2	31.6	446,184	
KCB Bank	Banking	Dec	47.00	35.00	41.45	-8.8	1,103	6.6%	11.92	3.00	55.7	3.5	7.2	0.7	21.4	429,631	
EA Breweries	Breweries	Jun	172.00	110.00	142.00	-13.9	930	5.6%	15.00	11.00	20.5	9.5	7.7	6.9	73.2	148,493	
Co-op Bank	Banking	Dec	13.45	10.70	11.85	-8.5	576	3.5%	3.52	1.00	16.5	3.4	8.4	0.7	21.3	39,289	
Absa Bank	Banking	Dec	12.70	9.70	11.45	-3.4	515	3.1%	2.15	1.10	10.9	5.3	9.6	1.1	19.7	22,574	
StanChart Bank	Banking	Dec	146.25	123.75	136.75	6.6	428	2.6%	24.92	19.00	147.2	5.5	13.9	0.9	16.9	53,583	
NCBA Bank	Banking	Dec	33.20	23.00	30.30	20.2	413	2.5%	8.10	4.25	48.7	3.7	14.0	0.6	16.6	152,632	
BAT Kenya	Tobacco	Dec	509.00	404.00	440.00	-0.3	364	2.2%	67.10	55.00	129.1	6.6	12.5	3.4	52.0	31,054	
Stanbic Bank	Banking	Dec	108.00	86.00	100.00	14.6	327	2.0%	18.81	7.30	122.8	5.3	7.3	0.8	15.3	8,021	
Bank of Kigali	Banking	Dec	32.75	24.30	32.75	12.9	243	1.5%	7.95	3.28	41.8	4.1	10.0	0.8	19.0	1,584	
I&M Holdings	Banking	Dec	22.80	16.50	17.00	-19.4	233	1.4%	5.38	1.50	42.6	3.2	8.8	0.4	12.6	29,984	
KenGen	Power	Jun	4.80	3.38	3.50	-16.5	191	1.1%	0.16	0.18	32.4	22.0	5.1	0.1	0.5	13,177	
Kenya Airways	Airlines	Dec	3.83	3.83	3.83	0.0	180	1.1%	(2.79)	-	(14.7)	-	-	-	-	-	
Jubilee Insurance	Insurance	Dec	360.00	240.25	245.00	-22.7	147	0.9%	94.22	14.00	544.4	2.6	5.7	0.5	17.3	6,531	
Britam	Insurance	Dec	8.08	5.44	5.96	-20.5	125	0.7%	0.03	-	7.5	208.5	-	0.8	0.4	3,655	
Total Oil	Oil	Dec	25.85	21.75	23.55	-5.8	123	0.7%	4.35	1.31	45.4	5.4	5.6	0.5	9.6	1,167	
DTB Bank	Banking	Dec	63.50	48.40	50.00	-16.0	116	0.7%	16.32	3.00	246.4	3.1	6.0	0.2	6.6	20,079	
Bamburi Cement	Cement	Dec	39.00	32.15	34.10	-10.3	103	0.6%	2.15	3.58	0.1	15.9	10.5	415.3	2,618.6	8,601	
Umeme Ltd.	Power	Dec	8.30	5.50	7.40	9.8	100	0.6%	2.74	1.73	17.6	2.7	23.4	0.4	15.6	960	
Kakuzi	Agric	Dec	441.25	367.50	394.50	2.5	64	0.4%	39.24	18.00	278.0	10.1	4.6	1.4	14.1	22,159	
Centum Investment	Finance	Mar	17.85	8.00	9.46	-32.9	52	0.3%	(2.01)	0.59	65.1	-	6.2	0.1	(3.1)	13,426	
Crown Paints	Manufac.	Dec	44.00	27.15	39.15	28.4	46	0.3%	5.13	4.00	24.1	7.6	10.2	1.6	21.3	404	
Kenya Re	Insurance	Dec	2.50	1.94	1.98	-13.9	46	0.3%	1.17	0.10	13.4	1.7	5.1	0.1	8.7	2,292	
Sasini Tea & Coffee	Agric	Sept	129.00	17.90	23.75	27.0	45	0.3%	(1.48)	0.50	56.5	-	2.1	0.4	(2.6)	208	
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	44	0.3%	(7.77)	-	19.8	-	-	0.3	(39.2)	-	
CIC Insurance	Insurance	Dec	2.98	1.87	2.01	-9.0	44	0.3%	0.30	-	3.0	6.7	-	0.7	9.9	2,040	
Kenya Power	Power	Jun	2.08	1.31	1.88	7.4	30	0.2%	2.65	-	29.3	0.7	-	0.1	9.0	11,733	
Nation Media	Media	Dec	23.35	16.20	16.95	-8.1	27	0.2%	2.59	1.49	42.1	6.5	8.8	0.4	6.2	4,162	
Liberty K. Holdings	Insurance	Dec	8.14	5.02	5.80	-17.1	26	0.2%	0.15	-	15.9	38.0	-	0.4	1.0	96	
Carbacid	Gases	July	13.25	10.35	11.50	4.5	24	0.1%	2.22	0.70	13.5	5.2	6.1	0.9	16.4	2,795	
TPSEA Serena	Tourism	Dec	17.50	11.50	13.00	-14.8	20	0.1%	(3.47)	-	33.3	-	-	0.4	(10.4)	931	
Unga Ltd	Food	Jun	36.25	27.00	30.00	8.5	19	0.1%	2.89	-	56.2	10.4	-	0.5	5.1	311	
NSE	Finance	Dec	9.88	6.60	7.38	-7.8	16	0.1%	0.51	1.40	8.0	14.4	19.0	0.9	6.4	2,599	
Car & Gen	Motors	Sept	76.00	30.00	45.00	32.5	15	0.1%	26.33	3.20	135.8	1.7	7.1	0.3	19.4	289	
BOC Kenya	Gases	Dec	93.25	64.50	77.00	10.0	12	0.1%	4.78	6.70	84.3	16.1	8.7	0.9	5.7	825	
WPP Scangroup	Media	Dec	5.26	2.86	3.46	-16.4	12	0.1%	(0.30)	-	11.9	-	-	0.3	(2.5)	635	
Sanlam Kenya	Insurance	Dec	15.00	9.70	9.94	-13.9	12	0.1%	(3.77)	-	3.9	-	-	2.6	(97.1)	96	
Housing Finance	Banking	Dec	4.90	2.86	3.38	-13.3	11	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	1,339	
Longhorn	Publishing	Jun	4.4	2.74	4.00	0.0	9	0.1%	0.62	-	2.8	6.5	-	1.4	22.2	1,185	
Standard Newspapers	Media	Dec	17.40	11.45	12.60	-7.0	9	0.1%	(0.90)	-	10.5	-	-	1.2	(8.5)	63	
Limuru Tea	Agric	Dec	510.00	297.00	420.00	31.3	8	0.1%	(0.50)	0.70	75.9	-	0.2	5.5	(0.7)	92	
EA Portland	Cement	Jun	8.80	6.06	7.46	12.0	6	0.0%	(30.77)	-	208.4	-	-	0.0	(14.8)	46	
TransCentury	Finance	Dec	1.47	1.00	1.20	2.6	4	0.0%	(6.72)	-	(9.5)	-	-	-	-	73	
												Average	11.5	6.8	6.9	53.7	2,791,832

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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