

MONTHLY MARKET COMMENTARY (April 2022): The NASI and the NSE 20 hit 18-months lows; For the first time in 16-months, the NASI trailing PE is trading at a 15.3% discount to its historical average.

KEY HIGHLIGHTS

EQUITIES

- Last month, market turnover fell 39.3% y/y to KES 5.9bn (USD 50.5m) as local institutions largely kept off the market - local investors' activity dipped to a 12-month low.
- As declining stocks continued to outpace advancing stocks for the fourth month in a row, both the NASI and the NSE 20 weakened, to hit 18-month lows. The NASI came off 3.6% m/m to settle at 150.17 while the NSE 20 shed 2.5% m/m to close at 1,800.64, sustaining a 4-month losing streak.
- The market weakness was mainly driven by share price declines across most large-cap stocks. KCB bank, Safaricom, ABSA bank, Equity bank, BAT Kenya and EABL traded down 15.0% m/m, 1.3% m/m, 19.8% m/m, 5.1% m/m, 12.6% m/m, and 4.0% m/m, respectively, on account of foreign investors' sell-off.
- With the dampened investors' sentiment, the NASI trailing PE ratio further compressed by 18.2% m/m to 11.7x by the end of April 2022 – the fourth consecutive contraction. Consequently, for the first time in the last 16 months, the NASI PE traded at a discount of 15.3% to its 18-year average of 13.8x.
- For the second straight month, foreign investors remained overall net sellers at USD 14.3m (KES 1.7bn). Safaricom (USD 12.0m, KES 1.4bn), EABL (USD 1.1m, KES 128.5m) and KCB bank (USD 1.0m, KES 115.5m) marked the highest net foreign outflows. On the other hand, Stanbic bank (USD 0.4m, KES 46.6m), BK Group (USD 0.2m, KES 25.5m) and Crown Paints (USD 0.2m, KES 23.8m) registered the highest net foreign inflows.
- Equities allocation by pension funds came down to an estimated 14.3% in April 2022 compared to an estimated levels of 14.8% in March 2022, largely attributable to erosion in share prices, as local institutions remained net buyers of the market.
- The foreign portfolio holdings as a % of CBK forex reserves decreased to 32.2% in April 2022, down from 35.8% recorded in March 2022. Foreign portfolio holding declined 3.1% m/m, for the third successive month. However, while CBK forex reserves had reduced in the prior three months, the FX reserves picked up by 7.5% m/m in April 2022, alleviating risks of net foreign outflows negatively impacting the KES.
- Among the key SSA equities market that we follow, only Nigeria (+5.8%) posted a win in April 2022, in USD terms. Ytd to January March 2022, foreign investors remained overall net sellers in most SSA markets, with the exception of S.Africa. On net foreign outflows front, Kenya, Nigeria, and Egypt marked outflows of USD 14.5m, USD 44.0m and USD 311.3m, respectively. S.Africa's net inflows settled at USD 1.7bn.

FIXED INCOME

- The bond market witnessed declined activity in April 2022 largely due primary markets that soaked up KES liquidity. The on-the-run 3yr (FXD1/2022/3Yr) garnered secondary market interest at the 11.700%-11.800% level, while the longer on-the-run 15yr, FXD1/2022/15Yr largely traded between 13.850%-13.900%.
- The infrastructure bonds witnessed poor demand for the long-dated issues as offshore investors took profit and local buyers took up positions. The latest on-the-run 19yr, IFB1/2022/19Yr, traded largely between 13.000%-13.100%, while the existing 16yr, IFB1/2021/16Yr traded between 12.500%-13.000%. The shorter 11yr, IFB1/2020/11Yr, traded 12.400%-12.550%, while the 9yr, IFB1/2020/9Yr realizing levels 12.500%-12.850% as demand dwindled.
- During the month, Treasury opted to issue a new fifteen (15) year tenor, FXD1/2022/15Yr, targeting KES 30.0bn (with KES 10.0bn green-shoe option). The coupon rate was market determined.
- The FXD1/2022/15Yr yielded 13.942% and had a cut-off yield of 13.990%. Treasury managed to raise a total of KES 27.6bn from the auction without a corresponding maturity

on 25th April, 2022 to offset.

- In the ten (10) month of FY2021/22, we estimate that Treasury has borrowed ~KES 534.5bn versus ~KES 457.2bn (up 16.9%).

MARKET OUTLOOK

EQUITIES:

- We think the sell-off in the market offers buying opportunities for stocks with strong fundamentals and trading at relatively attractive prices. Safaricom is trading near its 12-month low at KES 30.20, and we believe management is confident of its prospects in Ethiopia. We also note that most banking stocks are also trading close to their 12-month lows. We have BUY recommendations on Equity bank, KCB bank, NCBA bank, Co-op bank, ABSA bank and DTB bank.

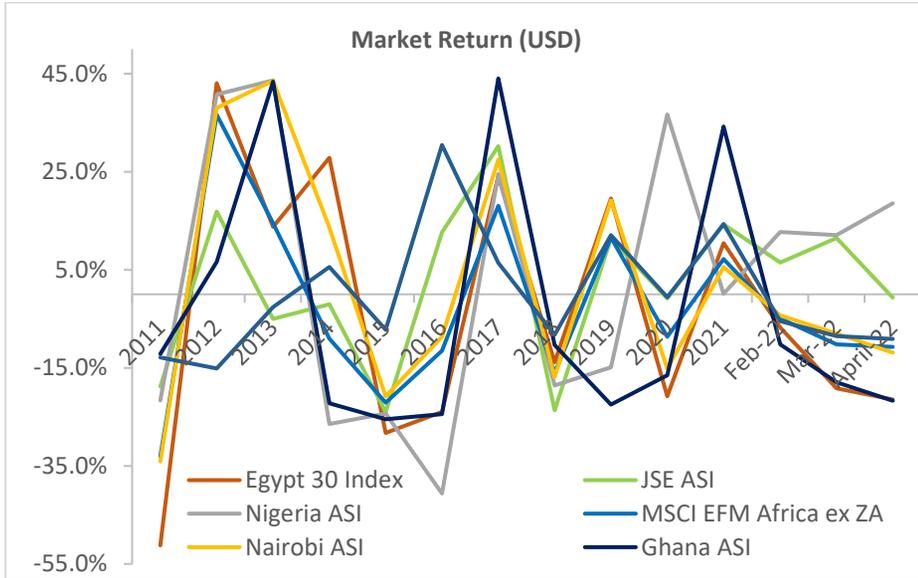
FIXED INCOME:

- Money market liquidity toward mid-May 2022 has improved considerably due to government spending on education and resumption of payments to suppliers ahead of the year end. Treasury proposed to issue a new ten (10) year FXD1/2022/10Yr and reopen FXD1/2021/25Yr (24.1 years) to raise KES 60.0bn in May 2022. We expect these bonds to average 13.400% and 13.990% respectively with a possible cut-off yields at 25bps above average. The Bond Market Forum (BMF) is scheduled for Monday May 23rd, 2022.

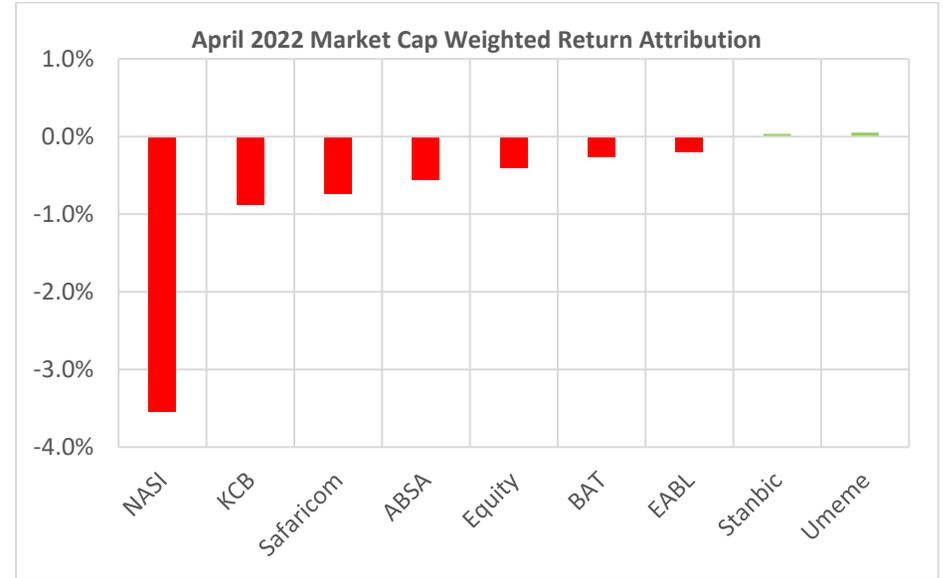
MONTHLY MARKET STATISTICS

	Apr-21	May-21	June-21	July-21	Aug-21	Sept-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	April-22
Equities													
Market Capitalisation (USD bn)	23.7	24.2	25.1	25.5	25.9	25.1	25.0	22.7	22.9	22.4	21.9	21.1	20.2
NASI return (KES)	6.6%	0.5%	2.1%	2.3%	2.7%	-2.2%	-0.2%	-7.9%	1.6%	-1.9%	-1.9%	-2.8%	-3.6%
NSE 20 return (KES)	1.1%	0.3%	3.0%	2.4%	2.4%	0.5%	-3.4%	-4.6%	1.7%	-0.7%	-0.1%	-2.1%	-2.5%
Gainers/Decliners ratio (x)	0.0	(0.3)	0.9	1.3	0.4	(0.4)	(0.7)	(0.7)	0.8	(0.2)	(0.4)	(0.4)	(0.4)
MSCI EFM ex. ZA (KES)	3.1%	0.4%	0.3%	2.7%	-0.2%	0.3%	5.1%	-3.6%	-2.8%	-0.7%	-3.6%	-3.3%	-1.1%
Equity Turnover (KES bn)	9.9	14.2	14.0	9.3	11.9	10.2	10.3	15.6	10.5	8.2	10.0	9.6	5.9
Equity Turnover (USD m)	91.6	131.6	129.4	85.4	107.9	92.6	92.4	138.5	92.5	72.6	87.6	83.9	50.5
Avg. daily value traded (USD m)	4.6	6.6	6.16	4.07	4.90	4.21	4.86	6.30	4.40	3.46	4.38	3.65	2.81
Foreign institutions participation (%)	64.2	56.3	54.2	55.7	48.2	49.6	49.6	50.7	57.1	59.6	56.6	47.5	62.4
Local institutions participation (%)	22.4	30.1	31.9	29.6	37.4	38.3	25.7	39.5	31.9	28.3	33.3	38.4	24.5
Local individuals' participation (%)	12.8	13.2	13.4	14.3	14.1	11.7	9.5	9.4	10.9	12.0	9.7	13.7	12.6
Local institutions net flow (USD m)	1.7	16.1	3.8	1.8	(10.6)	8.9	8.8	7.9	29.4	5.2	(4.4)	15.7	14.6
Foreign institutions net flow (USD m)	0.0	(6.7)	(10.6)	1.5	15.9	(8.5)	(8.4)	(8.8)	(25.3)	(3.7)	1.9	(12.8)	(14.1)
Fixed Income													
Bond Turnover (KES bn)	67.6	107.0	96.6	95.8	174.3	118.2	66.2	65.8	53.2	48.4	54.9	87.6	71.4
Bond Turnover (USD m)	626.7	994.9	895.7	881.8	1,586	1,070	596	585	470	426	482	762	616
T-Bill performance rate	65.4%	136.2%	150.7%	107%	174%	67%	58%	88%	69%	103%	94%	91%	59%
T-Bill allotment rate	93.9%	64.0%	52.0%	87%	77%	100%	94%	93%	85%	93%	94%	94%	100%
T-Bill offer fill rate	61.4%	87.1%	78.4%	92%	134%	67%	54%	82%	58%	95%	88%	85%	59%
T-Bond performance rate	147.6%	126.6%	216.4%	140%	72%	202%	93%	168%	103%	111%	176%	80%	95%
T-Bond allotment rate	92.5%	64.8%	30.3%	76%	98%	71%	94%	83%	92%	93%	75%	65%	91%
T-Bond offer fill rate	136.6%	82.0%	65.7%	107%	70%	142%	87%	139%	95%	104%	132%	52%	87%
5-year m/m yield change (bps)	0	-10	-10	-10	-10	40	45	50	40	45	50	98	100
2 year-91D yield spread (bps)	239	246	259	282	249	240	253	247	249	271	330	359	410
5 year-364D yield spread (bps)	123	134	277	307	308	301	260	206	204	186	178	221	255
5 year-2-year yield spread (bps)	110	90	105	120	150	160	140	135	155	135	95	110	75
5 yr Bond-5 yr IFB yield spread (bps)	30	20	50	75	90	160	175	130	150	130	130	158	155
10 year-2-year yield spread (bps)	300	280	295	320	330	320	290	270	265	245	210	193	145
FTSE NSE KES Gov. bond price index USD return	1.2%	0.0%	-0.2%	-1.2%	-1.2%	-0.3%	-0.7%	-1.2%	-1.1%	--0.1%	--0.1%	0.5%	-2.2%
Average monthly KES/USD	107.8	107.6	107.85	108.6	109.9	110.5	111.2	112.5	113.1	113.6	113.8	114.95	115.77

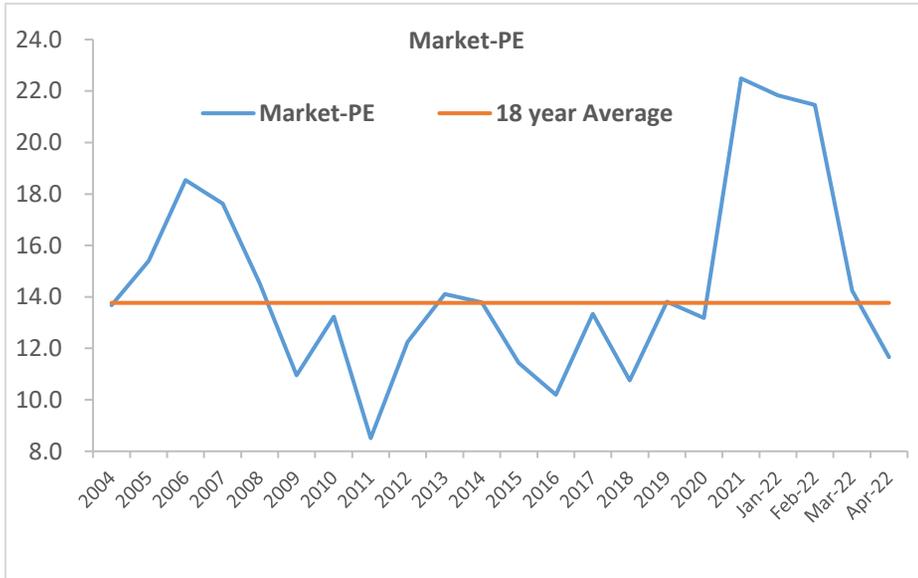
Ytd, Nigeria continues to outperform; all other peers end in negative territory



Poor run by large-cap stocks pull back NASI return in the month of April

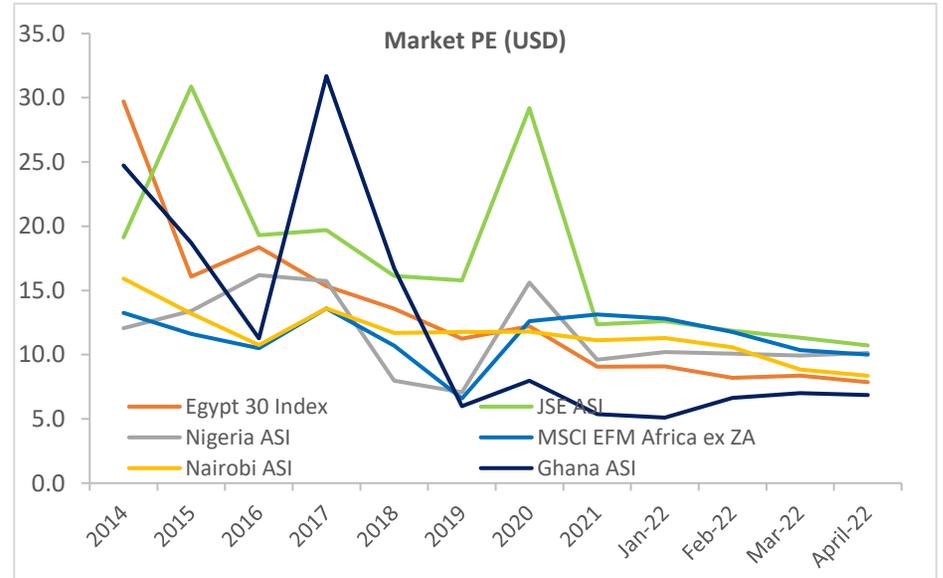


NASI PE ratio compresses by 18.2% to fall to a discount of 15.3% to its historical avg.



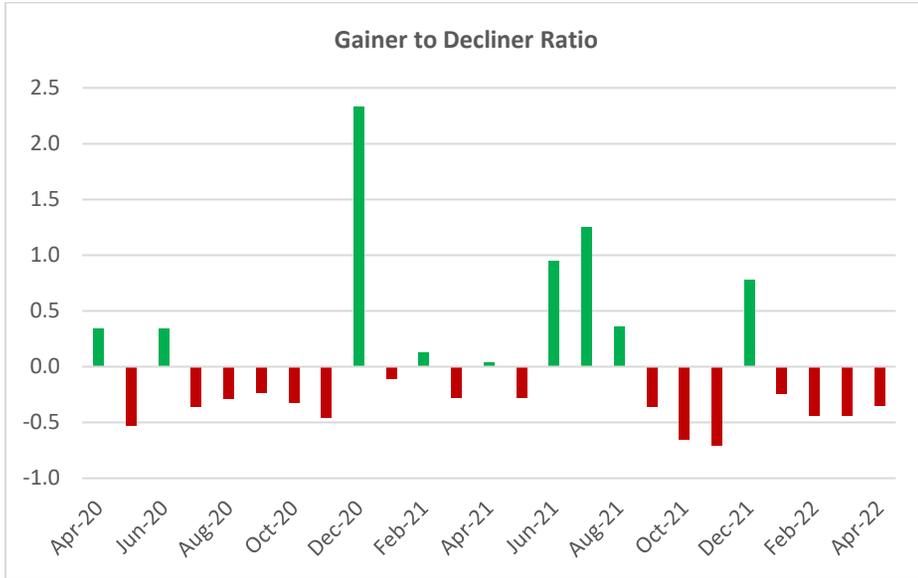
(As reported by the NSE)

Trailing market PEs in significant discounts vs. historical levels, averaging 40.5%

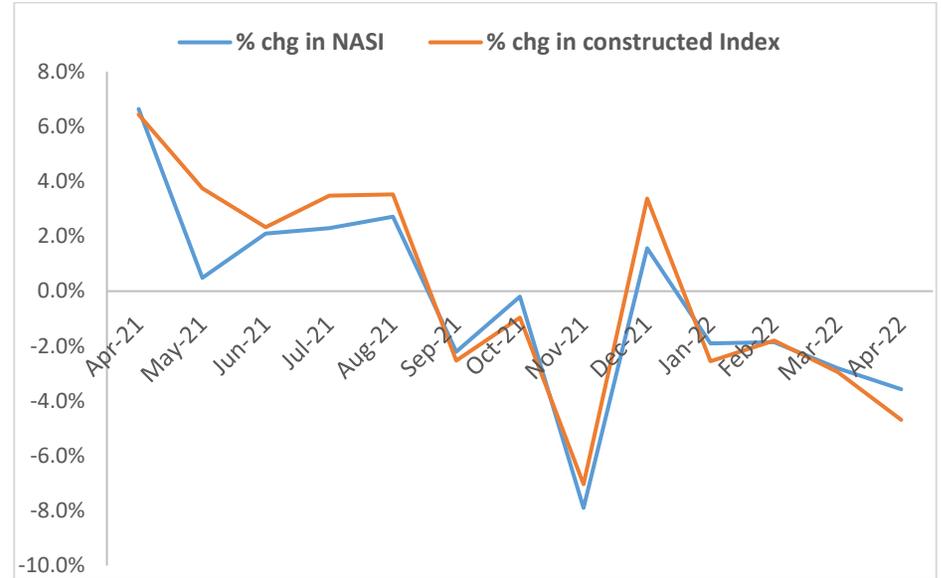


(As reported by Bloomberg)

Downward pressure on stock prices easing off modestly

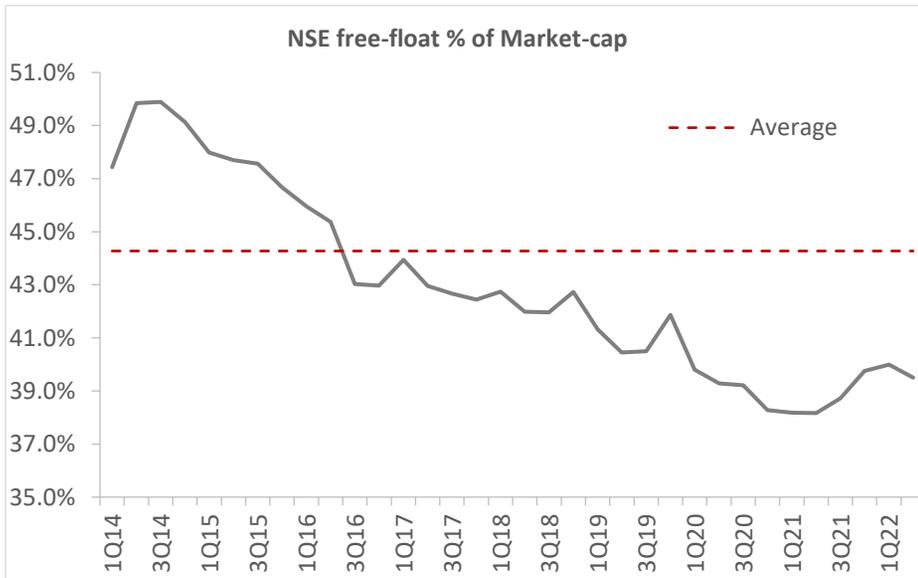


Large-cap stocks key detractors to NASI return in the month of April

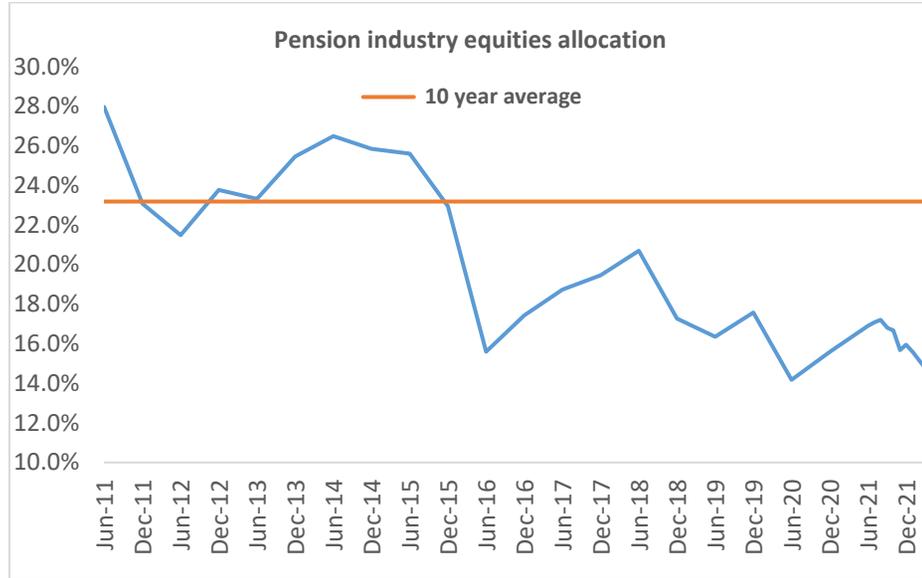


*Constituents of the constructed index: Safaricom, EABL, KCB, Co-op & Equity

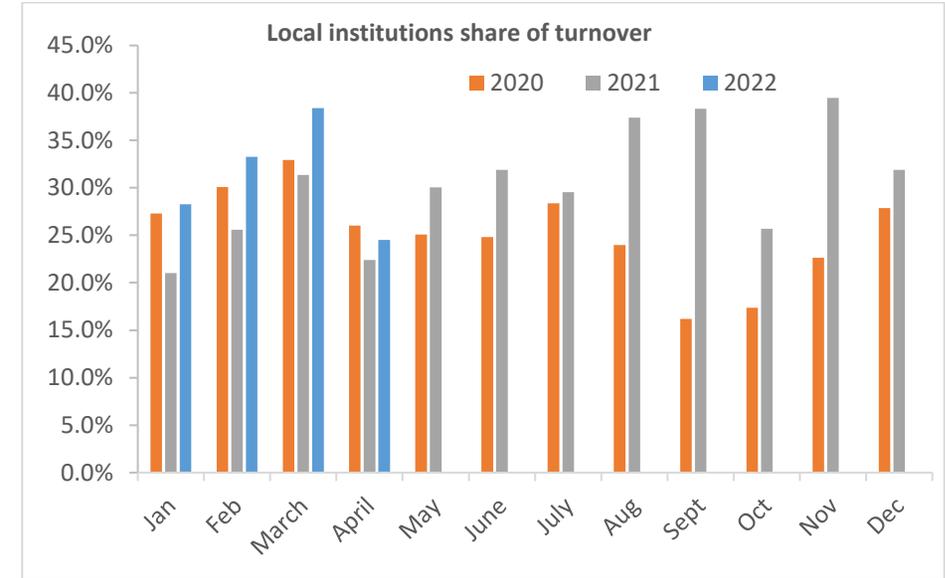
NSE free float as a % of market cap falls by 50bps m/m, faster decline in free float



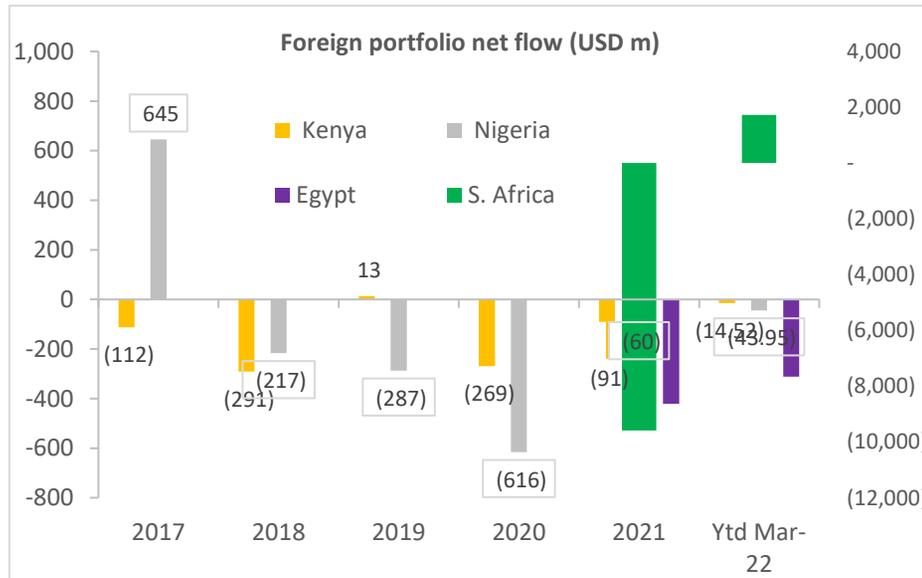
Equities allocation relatively low vs. historical levels, driven by share price erosion



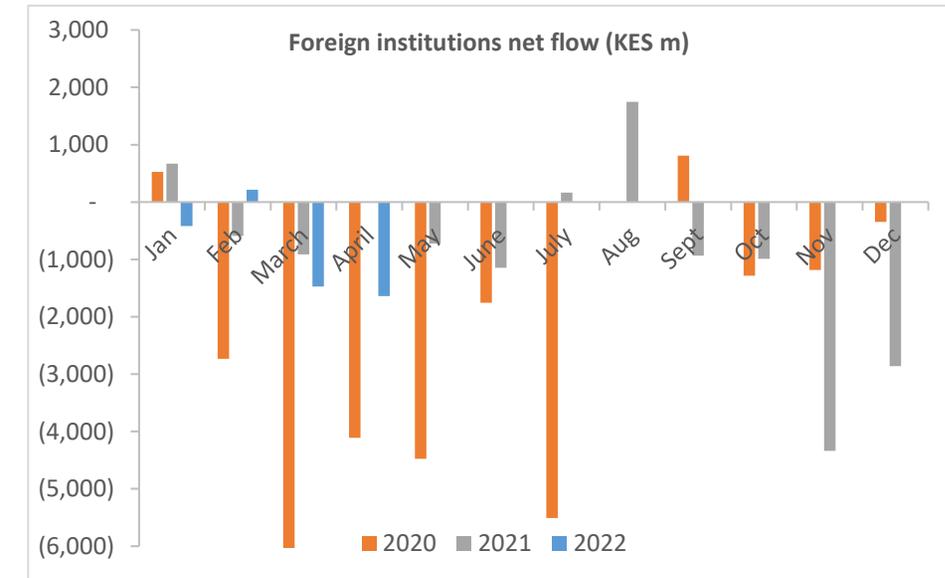
Local institutions' activity dip to the lowest level since April 2022



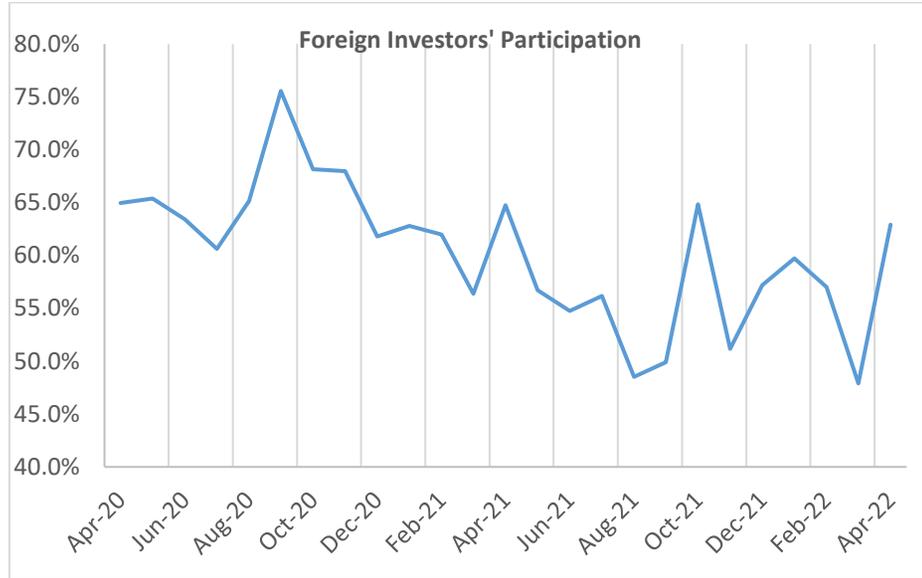
YTD to Mar 22, foreign selling continued in most markets, S. Africa is the exception



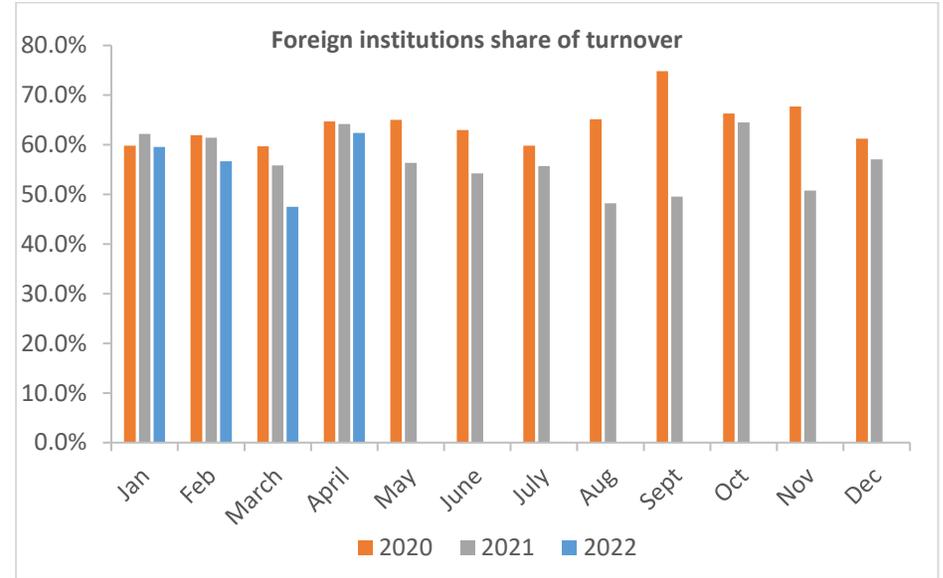
Foreign institutions remain net sellers for the second straight month



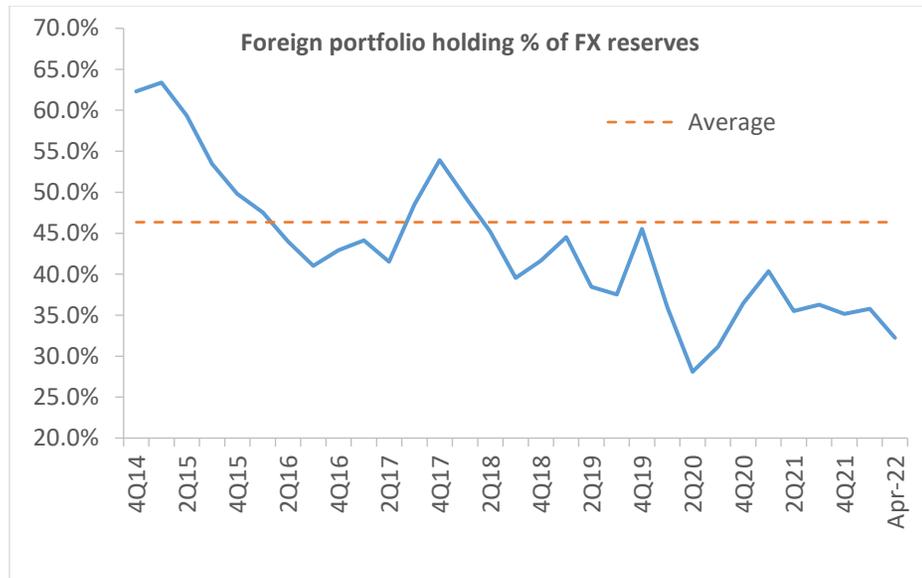
Foreign investors' participation levels at the highest levels since Oct 2021



Foreign institutions' activity rebound to a 7-month high



Foreign portfolio/FX reserves at the highest levels since 3Q20, declining foreign holding



FOREIGN FREE FLOAT TO TOTAL FREE FLOAT PER COUNTER

Foreign free float/total free float	4Q17	4Q18	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q21	Apri-22
Safaricom	50.4%	45.4%	46.8%	45.0%	44.8%	44.3%	45.4%	45.9%	45.7%	46.3%	45.2%	43.8%	43.4%
Equity bank	46.2%	43.8%	41.8%	41.2%	38.2%	37.5%	36.1%	36.1%	36.5%	36.7%	36.8%	37.4%	37.3%
EABL	45.0%	40.4%	42.0%	41.2%	39.9%	39.8%	38.2%	37.1%	36.7%	33.8%	33.2%	32.0%	31.8%
KCB bank	35.4%	27.5%	26.7%	22.8%	19.6%	18.3%	16.1%	14.5%	13.9%	14.1%	13.2%	13.4%	13.3%
BK Group	n/a	100.0%	100.0%	100.0%	100.0%	99.9%	99.6%	99.5%	98.9%	98.8%	83.8%	98.8%	98.9%
BAT Kenya	59.5%	61.5%	64.0%	63.9%	62.6%	62.1%	59.8%	58.5%	57.7%	56.8%	56.5%	56.5%	56.5%
KenGen	43.8%	49.4%	51.2%	51.6%	51.5%	51.2%	50.3%	49.8%	49.1%	49.3%	51.5%	49.7%	49.7%
I&M bank	33.6%	32.8%	32.6%	32.6%	32.6%	32.6%	32.7%	32.7%	16.4%	16.4%	18.2%	16.4%	16.3%
Jubilee Insurance	49.6%	48.6%	45.3%	44.6%	44.7%	45.2%	45.2%	45.4%	45.5%	45.7%	45.4%	45.4%	45.4%
Stanbic bank	56.2%	50.3%	48.9%	46.5%	43.6%	41.5%	40.6%	40.7%	40.7%	40.8%	41.9%	41.6%	41.9%
DTB bank	35.6%	36.5%	35.1%	35.7%	36.0%	35.7%	35.5%	35.3%	35.2%	35.0%	35.7%	35.3%	35.2%
Centum Investment	13.1%	13.7%	14.8%	14.7%	14.5%	13.8%	12.5%	11.9%	11.0%	10.9%	10.9%	9.6%	9.5%
StanChart bank	4.9%	9.8%	11.3%	11.2%	10.7%	13.8%	12.5%	9.5%	7.1%	6.0%	5.4%	5.5%	5.6%
Britam Insurance	24.2%	76.5%	78.6%	75.2%	14.6%	10.8%	10.8%	14.0%	13.7%	13.7%	17.0%	13.7%	13.7%
WPP ScanGroup	72.7%	91.0%	95.4%	95.9%	95.5%	80.6%	78.1%	78.1%	76.5%	65.1%	72.8%	66.9%	66.9%

Companies with foreign free float holding of over USD 10

MONTHLY NET FOREIGN FLOWS PER COUNTER

	Apr-21	May-21	June-21	July-21	Aug-21	Sept-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	April-22
Safaricom	480	(173)	(1,058)	442	2,724	(804)	154	(4,710)	(1,562)	(834)	(719)	(1,400)	(1,391)
Equity Bank	(106)	(70)	767	36	325	160	(250)	1,053	(578)	376	605	(82)	(70)
EABL	(39)	102	(385)	(146)	(1,009)	(787)	(139)	(344)	(294)	(129)	(113)	(121)	(128)
KCB bank	(102)	(494)	(134)	(38)	(80)	384	(687)	(286)	(419)	89	367	101	(116)
BK Group	(98)	0	(39)	(21)	-	(2)	0	0	0	2	0	-	25
BAT	(74)	(12)	(49)	(37)	(124)	(17)	(48)	(15)	2	49	(24)	(0)	(14)
Britam	3	2	0	(10)	0	3	(0)	0	-	-	-	0	0
I&M bank	2	4	(1)	3	6	(0)	(3)	(0)	1	(0)	2	(10)	(4)
Jubilee	25	1	(5)	(4)	(3)	34	(10)	(8)	(7)	(4)	(10)	(2)	(3)
Stanbic bank	0	-	0	(0)	0	13	(4)	67	(0)	(0)	(34)	64	47
DTB bank	(4)	(4)	3	(20)	0	1	1	27	(1)	(1)	(7)	(0)	(2)
KenGen	(36)	(8)	(8)	(0)	8	6	12	17	12	(0)	2	(11)	5
WPP ScanGroup	(6)	(5)	(0)	(22)	(34)	(10)	0	4	0	-	7	0	(0)
Centum	(18)	(9)	(25)	1	(0)	(11)	(43)	0	(53)	0	6	(13)	(3)
StanChart bank	(81)	(40)	(58)	(64)	(83)	5	(12)	(46)	(4)	(2)	4	(4)	3
BBK bank	(0)	(3)	(10)	35	33	62	11	(72)	0	0	59	6	(13)
Co-op Bank	10	(6)	(48)	(1)	19	0	(1)	(24)	9	6	43	(0)	(1)
NSE	0	3	11	0	1	1	0	(1)	10	17	(0)	(0)	(10)
Market	(31)	(782)	(1,196)	155	1,721	(942)	(1,021)	(4,294)	(2,874)	(423)	187	(1,451)	(1,653)

Companies with foreign free float holding of over USD 10mn, Amounts in KES M

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