

Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	31.11	14.00	122.2%	BUY
Equity bank	43.67	36.55	19.5%	BUY
KCB bank	47.26	20.95	125.6%	BUY
Co-op bank	20.46	11.60	76.4%	BUY
ABSA bank	12.89	11.90	8.3%	HOLD
StanChart bank	138.26	160.25	-13.7%	HOLD
NCBA bank	40.68	39.10	4.0%	HOLD
I&M bank	33.32	17.95	85.6%	BUY
Stanbic bank	108.85	115.00	-5.3%	HOLD
DTB bank	116.13	48.80	138.0%	BUY
EABL	164.58	124.00	32.7%	BUY
Bamburi Cement	51.96	22.80	127.9%	BUY
BAT Kenya	544.27	421.00	29.3%	BUY

*banks' fair values have been updated

Kenya Weekly Commentary

Kenya Market Summary

Equity market commentary and outlook

- During the week, a number of names registered 12-month lows. On account of local investors' sell-off, Equity bank and Bamburi Cement touched 12-month lows. Over foreign investors' sell-off, EABL hit a 12-month low. Notably, Safaricom marked a 5-month low on the back of foreign selling, too.

Debt market commentary and outlook

- After three weeks of decline, overall subscription rates rebounded to 138.1%, up from 56.7% the previous week. Demand picked up strongly on 91-Day T-Bill and picked up slightly on the 182-Day T-Bill and 364-Day T-Bill – but remained subdued for the eleventh straight week. The yield on the 91-Day T-Bill notched upwards for the twenty-third successive week; the yield on the 182-Day T-Bill edged up for the seventh consecutive week while the yield on the 364-Day T-Bill was up week-on-week.

Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,491.0	-1.2%	-3.3%	-5.3%	-9.4%	-11.1%	-11.0%
Kenya NASI Return	93.5	-1.8%	-5.3%	-12.6%	-18.2%	-26.0%	-26.7%
FTSE NSE Kenya 15 Return	170.1	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FTSE NSE Kenya 25 Return	170.3	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	-2.2%	-6.9%	-20.5%	-26.5%	-39.9%	-39.2%
Johannesburg Index	-3.2%	-3.6%	-6.6%	-12.4%	2.3%	-13.5%
Nigeria Stock Exchange	1.1%	-2.1%	6.1%	-24.7%	-20.4%	-22.2%
Ghana Stock Exchange	-2.0%	0.1%	3.0%	5.2%	15.4%	11.2%
Egyptian Stock Exchange	-1.2%	2.9%	16.6%	19.3%	26.7%	9.4%
MSCI EFM ex SA Index	1.7%	0.4%	3.0%	1.9%	1.6%	-1.6%

Other market statistics

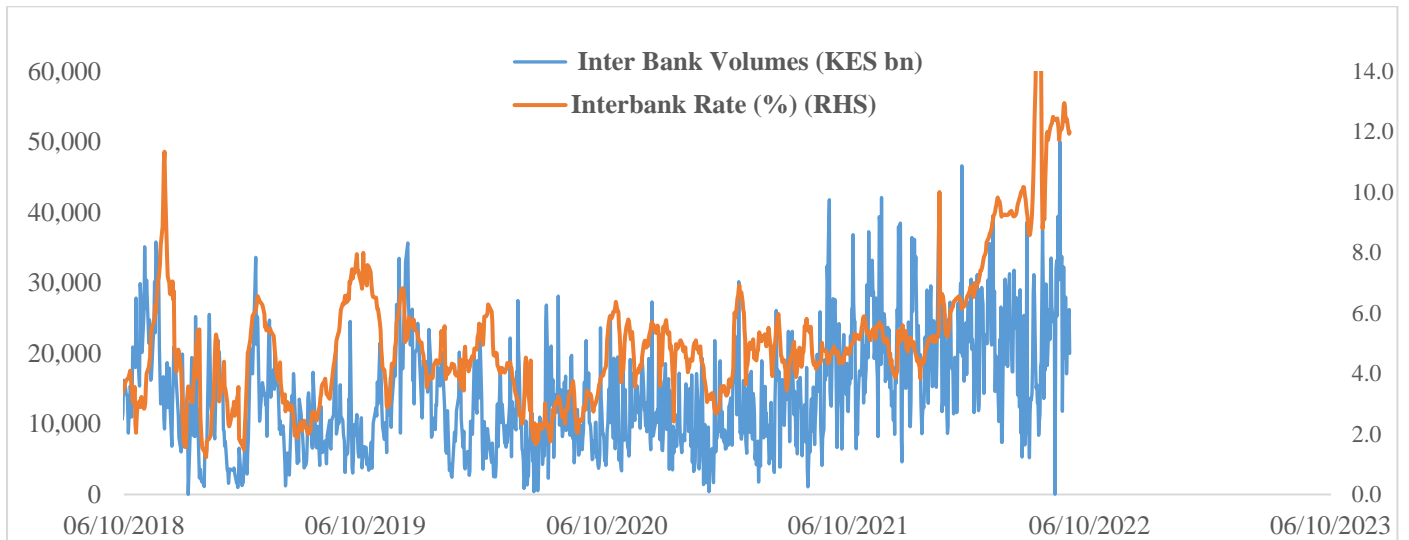
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	148.8	-0.4%	-1.7%	-5.3%	-10.2%	-18.7%	-17.0%
USD/ZAR	19.3	-2.0%	-0.9%	-2.2%	-5.6%	-6.2%	-11.7%
USD/EGP	30.8	0.3%	0.3%	0.3%	0.3%	-36.2%	-19.6%
USD/NGN	759.2	2.2%	1.5%	1.4%	-39.2%	-42.7%	-39.3%
USD/GHS	11.7	-1.1%	-2.2%	-2.7%	-7.7%	-9.4%	-13.1%

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
Co-op bank	125.8	-117.7	46.8%	-1.7%	-5.7%	-13.1%	4.0%
Equity bank	68.9	51.8	48.9%	2.8%	-17.9%	-22.5%	2.8%
KCB bank	61.4	4.5	36.7%	0.5%	-45.0%	-47.1%	0.5%
StanChart bank	18.1	0.0	0.0%	-2.9%	12.3%	-6.3%	18.9%
Centum Investments	8.8	-7.6	43.1%	0.4%	8.1%	-4.8%	14.4%

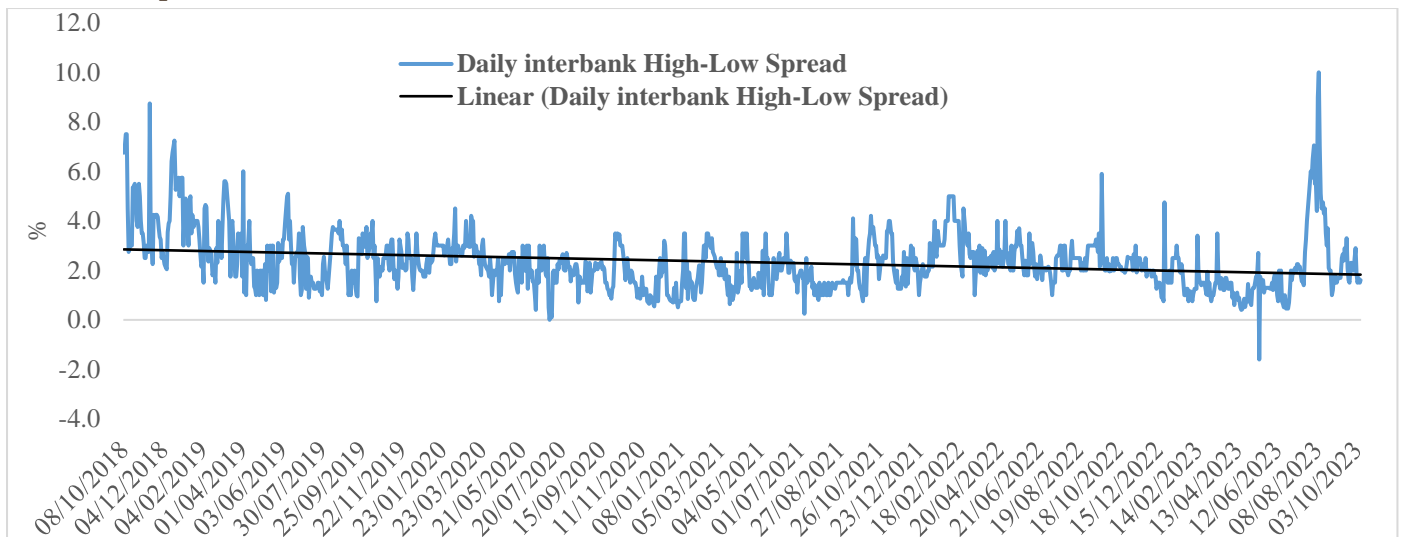
Key Rates and Spreads

Inter-bank rates edge downwards for the third straight week



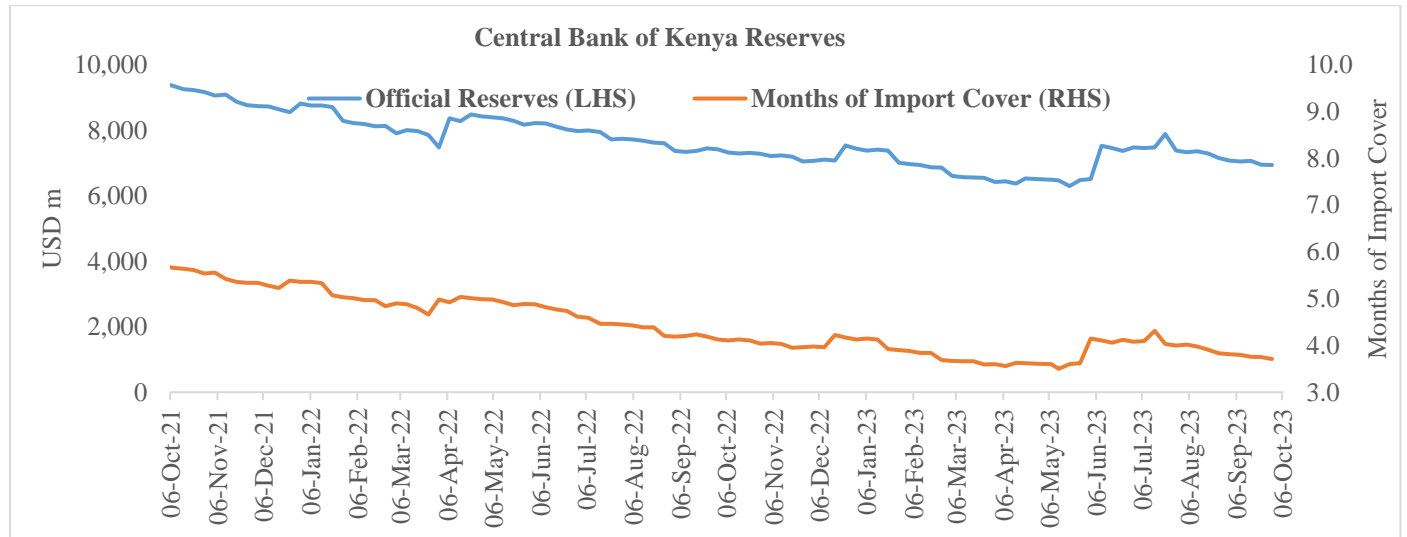
Source: CBK

Inter-bank spreads narrow week-on-week



Source: CBK

Months of import cover & CBK FX reserves decline for the third consecutive week



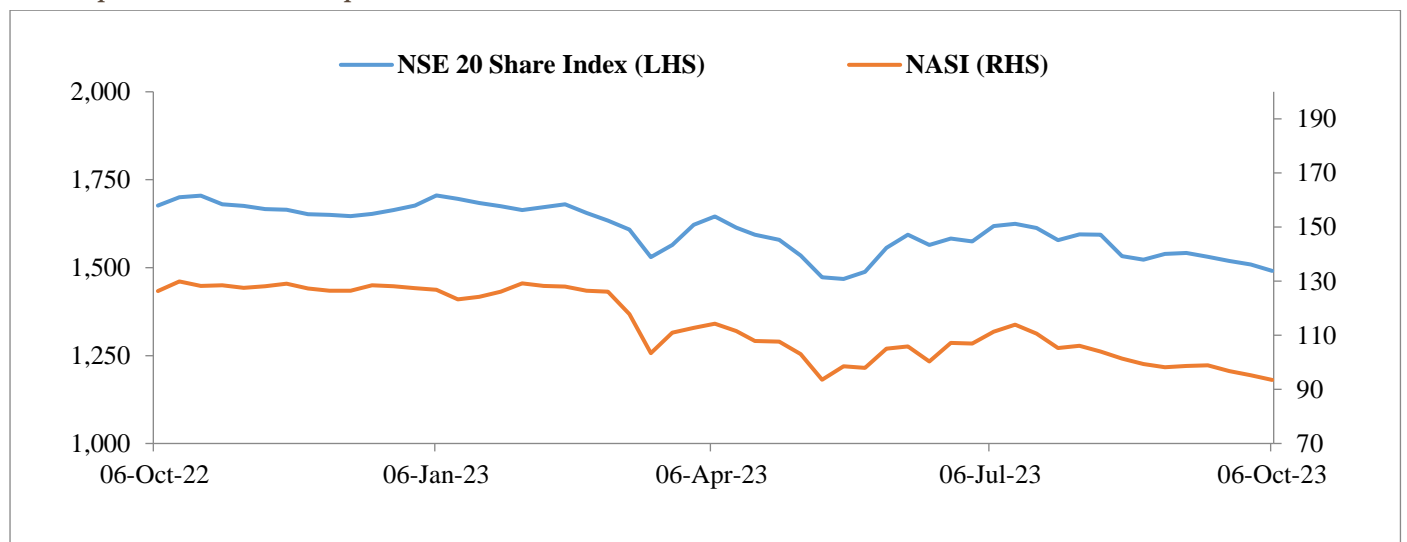
Source: CBK

Equity market trading commentary

Market turnover jumped by 118.1% w/w to stand at USD 7.5m (KES 1.1bn). Marking the third consecutive loss, the NASI shed 1.8% w/w to close at 93.49 and the NSE 20 came off 1.2% w/w to finish at t 1,490.98 – the fourth successive loss. Foreign investors remained as net sellers at USD 0.6m (KES 94.7m) – the sixth straight week. Foreign investor rebounded trading at 78.4% of total turnover, up from 18.2% the last week. Co-op (USD 0.8m, KES 117.7m) and Safaricom (USD 0.1m, KES 19.0m) registered the highest net foreign outflows while Equity bank recorded the highest net foreign inflows at USD 0.3m (KES 51.8m).

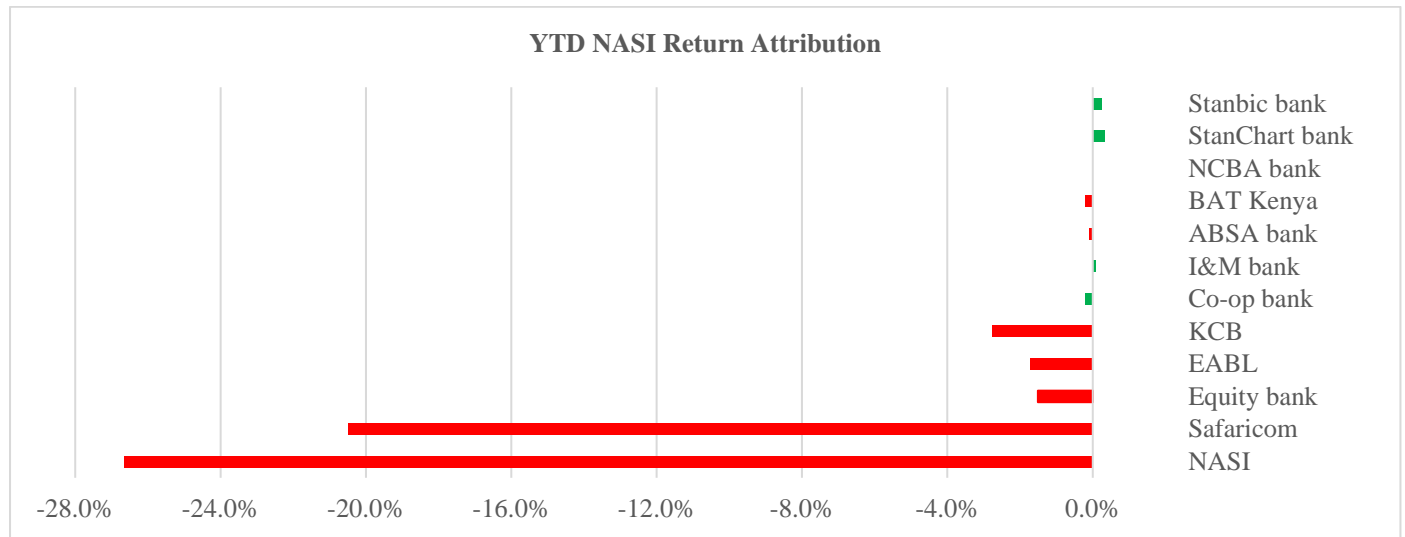
During the week, a number of names registered 12-month lows. On account of local investors’ sell-off, Equity bank and Bamburi Cement touched 12-month lows. Over foreign investors’ sell-off, EABL hit a 12-month low. Notably, Safaricom marked a 5-month low on the back of foreign selling, too.

Market performance over the past 12 months



Source: NSE

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



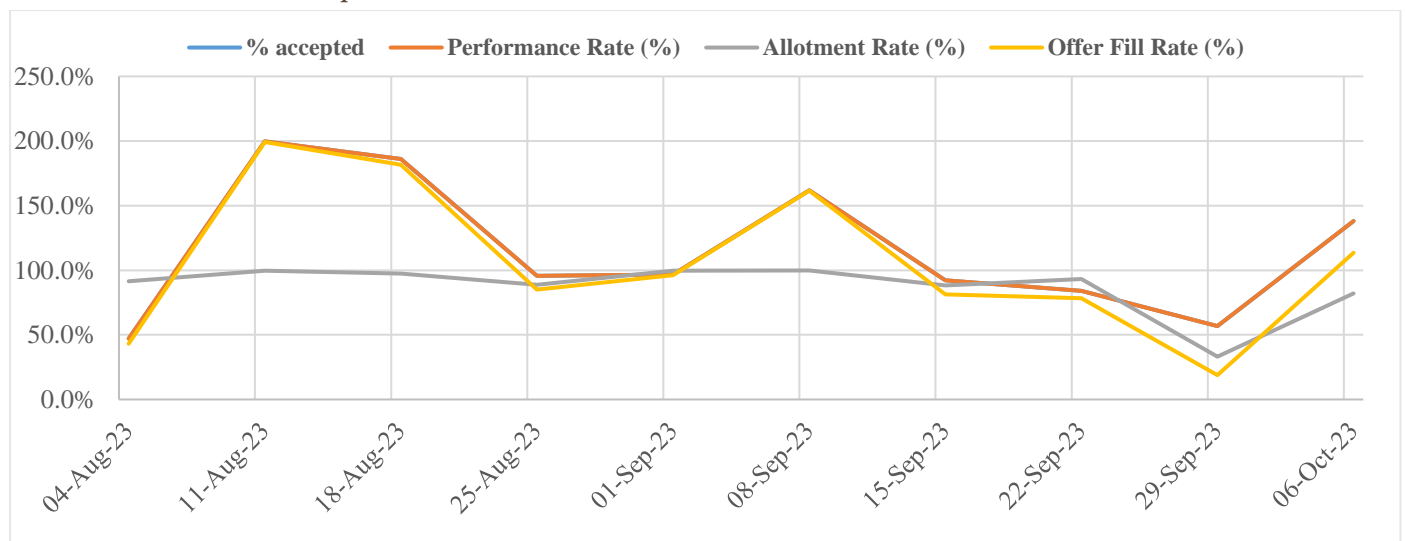
Source: Kestrel Research

Debt market trading commentary

After three weeks of decline, overall subscription rates rebounded to 138.1%, up from 56.7% the previous week. Demand picked up strongly on 91-Day T-Bill and picked up slightly on the 182-Day T-Bill and 364-Day T-Bill – but remained subdued for the eleventh straight week. The yield on the 91-Day T-Bill notched upwards for the twenty-third successive week; the yield on the 182-Day T-Bill edged up for the seventh consecutive week while the yield on the 364-Day T-Bill was up week-on-week.

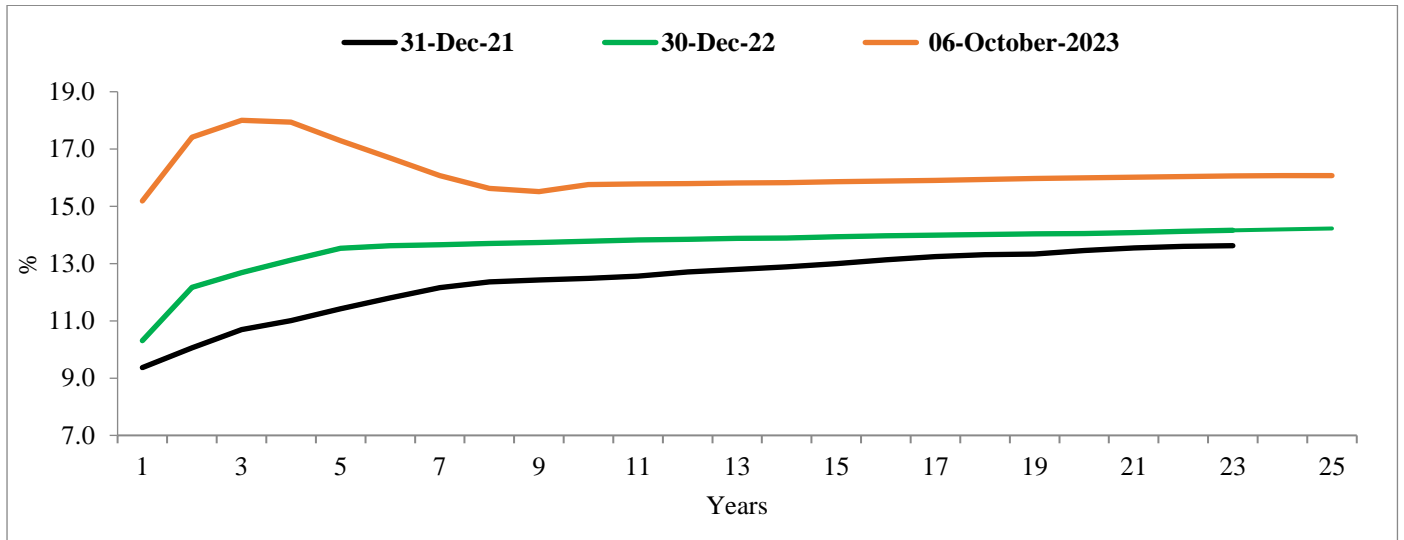
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 28.6bn for the 91-Day T-Bill, implying a subscription rate of 714.53%. It accepted bids worth KES 24.3bn at an average yield of 14.873% (+5.3bps w/w). The 182-Day T-Bill received bids worth KES 1.4bn, implying a performance rate of 14.06%. It accepted bids worth KES 0.9bn at an average yield of 14.978% (+2.8bps w/w). The 364-Day T-Bill received bids worth KES 3.2bn, implying a performance rate of 31.59%. It accepted bids worth KES 2.0bn at an average yield of 15.187% (+13.2bps w/w).

T-Bills Performance: Overall performance rates decline for the second week in a row



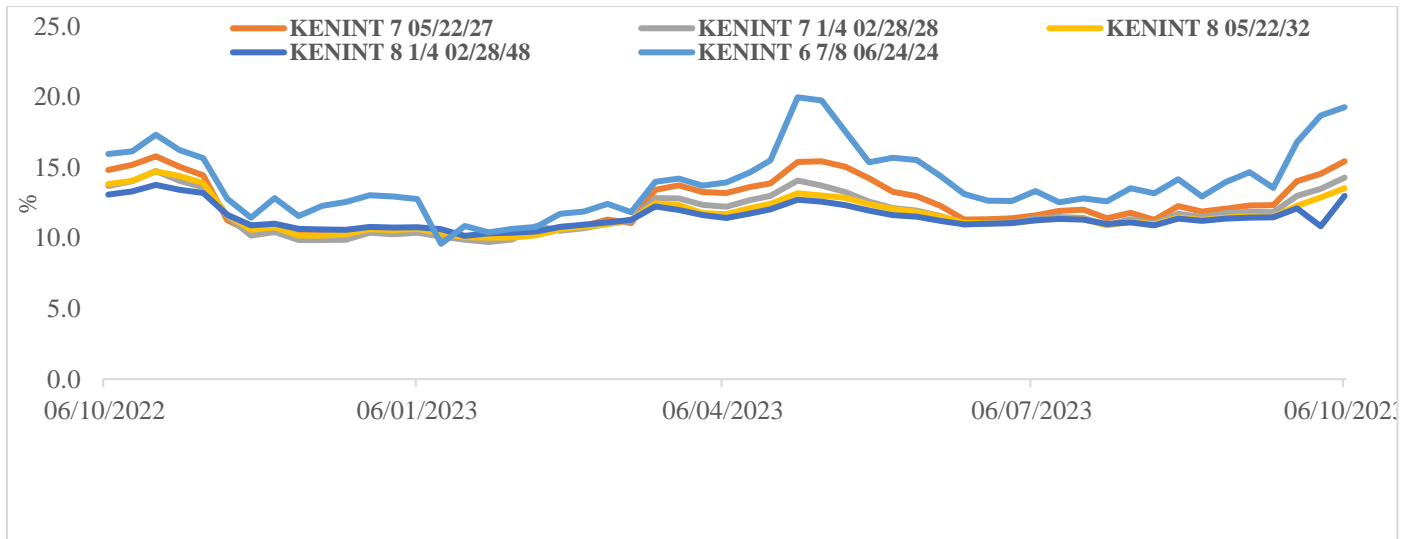
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across tenors notch upwards for the third week in a row



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year	12-M High	12-M Low	Price	YTD	Market ¹	Weighting	EPS	DPS	NAV	P/E	Div	P/B	ROE %	Daily Trading ¹	
Safaricom	Telecom	Mar	26.35	13.00	14.00	-42.0	3,772	38.2%	1.55	1.20	4.7	9.0	8.6	3.0	33.2	890,040	
Equity Bank	Banking	Dec	47.15	35.55	36.55	-17.9	928	9.4%	12.35	3.00	49.3	3.0	8.2	0.7	25.1	281,772	
EA Breweries	Breweries	Jun	187.00	124.00	124.00	-26.0	659	6.7%	12.47	5.50	27.1	9.9	4.4	4.6	46.1	40,834	
Co-op Bank	Banking	Dec	13.35	11.15	11.60	-5.7	458	4.6%	3.87	1.50	18.5	3.0	12.9	0.6	21.0	34,606	
KCB Bank	Banking	Dec	39.60	20.85	20.95	-45.0	453	4.6%	11.42	2.00	65.7	1.8	9.5	0.3	17.4	101,574	
Absa Bank	Banking	Dec	12.95	10.10	11.90	-3.3	435	4.4%	2.96	1.35	12.5	4.0	11.3	1.0	23.7	64,791	
NCBA Bank	Banking	Dec	41.70	30.05	39.10	-0.6	433	4.4%	9.32	4.00	50.6	4.2	10.2	0.8	18.4	23,031	
StanChart Bank	Banking	Dec	171.00	134.75	160.25	12.3	407	4.1%	35.25	22.00	159.8	4.5	13.7	1.0	22.1	26,416	
Stanbic Bank	Banking	Dec	129.75	92.00	115.00	12.7	306	3.1%	28.62	13.75	161.8	4.0	12.0	0.7	17.7	23,750	
BAT Kenya	Tobacco	Dec	479.75	401.50	421.00	-8.5	283	2.9%	68.92	57.00	163.8	6.1	13.5	2.6	42.1	50,591	
Bank of Kigali	Banking	Dec	37.00	27.00	35.00	11.1	211	2.1%	7.66	3.28	43.7	4.6	9.4	0.8	17.5	2,415	
I&M Holdings	Banking	Dec	21.00	15.85	17.95	5.6	200	2.0%	5.47	2.25	47.7	3.3	12.5	0.4	11.5	8,977	
Umeme Ltd.	Power	Dec	17.75	6.62	13.30	79.2	145	1.5%	3.03	2.12	20.7	4.4	16.0	0.6	14.7	3,842	
KenGen	Power	Jun	3.47	2.15	2.30	-28.6	102	1.0%	0.70	0.18	42.0	3.3	7.8	0.1	1.7	5,080	
DTB Bank	Banking	Dec	55.25	44.00	48.80	-2.4	92	0.9%	23.17	5.00	259.1	2.1	10.2	0.2	8.9	13,019	
Jubilee Insurance	Insurance	Dec	242.00	148.25	188.00	-5.4	92	0.9%	68.38	14.00	613.8	2.7	7.4	0.3	11.1	9,922	
Britam	Insurance	Dec	6.20	4.05	4.69	-9.8	80	0.8%	0.53	-	9.2	8.9	-	0.5	5.7	94,843	
Bamburi Cement	Cement	Dec	35.00	22.80	22.80	-27.6	56	0.6%	2.15	3.58	82.1	10.6	15.7	0.3	2.6	16,090	
Kakuzi	Agric	Dec	430.00	240.00	406.00	5.5	54	0.5%	43.15	24.00	303.5	9.4	5.9	1.3	14.2	433	
Centum Investment	Finance	Mar	9.50	7.90	9.04	8.1	40	0.4%	(8.95)	0.60	55.8	-	6.6	0.2	(16.1)	7,333	
CIC Insurance	Insurance	Dec	2.21	1.68	2.07	6.2	36	0.4%	0.42	0.13	3.3	5.0	6.3	0.6	12.8	3,798	
Crown Paints	Manufac.	Dec	44.80	32.30	36.50	-12.8	35	0.4%	5.13	4.00	24.1	7.1	11.0	1.5	21.3	234	
Sasini Tea & Coffee	Agric	Sept	31.40	20.00	21.70	-3.3	33	0.3%	3.82	1.00	61.7	5.7	4.6	0.4	6.2	656	
Kenya Re	Insurance	Dec	2.02	1.54	1.76	-3.8	33	0.3%	1.17	0.10	13.4	1.5	5.7	0.1	8.7	5,956	
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	2,558	
Nation Media	Media	Dec	20.85	14.15	20.00	25.4	26	0.3%	16.74	1.49	43.1	1.2	7.4	0.5	38.9	9,171	
Kenya Power	Power	Jun	1.94	1.38	1.43	-8.3	19	0.2%	(0.75)	-	30.2	-	-	0.0	(2.5)	4,721	
TPSEA Serena	Tourism	Dec	16.00	10.85	11.60	-13.1	14	0.1%	(3.47)	-	33.3	-	-	0.3	(10.4)	927	
Liberty K. Holdings	Insurance	Dec	5.90	3.58	3.60	-35.7	13	0.1%	0.15	-	15.9	23.6	-	0.2	1.0	126	
BOC Kenya	Gases	Dec	90.25	65.00	85.00	20.1	11	0.1%	7.58	5.95	85.1	11.2	7.0	1.0	8.9	346	
Housing Finance	Banking	Dec	5.10	2.86	4.22	32.3	11	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	7,472	
NSE	Finance	Dec	7.56	5.60	5.94	-12.4	10	0.1%	0.05	0.20	7.1	112.3	3.4	0.8	0.7	553	
Unga Ltd	Food	Jun	32.00	15.00	17.00	-46.9	9	0.1%	2.48	-	58.3	6.9	-	0.3	4.2	41	
WPP Scangroup	Media	Dec	3.33	2.57	2.58	-14.3	7	0.1%	(0.30)	-	11.9	-	-	0.2	(2.5)	284	
Sanlam Kenya	Insurance	Dec	10.00	6.54	7.70	-19.6	7	0.1%	(3.77)	-	3.9	-	-	2.0	(97.1)	126	
Car & Gen	Motors	Sept	49.00	25.00	25.65	-45.9	7	0.1%	26.33	3.20	135.8	1.0	12.5	0.2	19.4	93	
												Average	11.0	9.0	1.9	24.8	1,743,193

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