

Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	30.71	18.15	69.2%	BUY
Equity bank	43.67	43.40	0.6%	HOLD
KCB bank	47.26	34.15	38.4%	BUY
Co-op bank	20.46	13.00	57.4%	BUY
ABSA bank	12.89	13.95	-7.6%	HOLD
StanChart bank	138.26	193.75	-28.6%	SELL
NCBA bank	40.68	40.90	-0.5%	HOLD
I&M bank	33.32	21.45	55.3%	BUY
Stanbic bank	108.85	113.75	-4.3%	HOLD
DTB bank	116.13	46.30	150.8%	BUY
EABL	151.28	142.75	6.0%	HOLD
Bamburi Cement	44.37	42.80	3.7%	HOLD
BAT Kenya	460.00	354.50	29.8%	BUY

Kenya Market Summary

Equity market commentary and outlook

- During the week, I&M Bank traded close to a 9-days high on increased local demand. Absa Bank rallied to an 11-weeks high on increased local demand. Safaricom traded close to a 7-day high on increased local demand. Local investors dominated trading for the four trading sessions of the week.

Debt market commentary and outlook

- Overall subscription rates declined further sustaining a 2-weeks losing streak at 60.0% from 94.7% the previous week. Investors remained skewed on the 91-Day T-Bill and activity went up only on the 364-Day T-Bill but reduced on the 91-Day T-Bill and the 182-Day T-Bill. The yield on the 182-Day T-bill declined, breaking a steady 9-weeks winning streak while the yield on the 182-Day T-Bill as well as the 364-Day T-Bill climbed up for the eighth week.

Key Market Indicators

Index	Level	1w	1m	3m	6m	12m	ytd (%)
Kenya NSE 20 Index	1,730.3	4.2%	2.4%	14.3%	19.9%	12.8%	15.3%
Kenya NASI	112.8	7.7%	5.8%	21.5%	31.5%	9.4%	22.4%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	-0.6%	3.2%	7.8%	49.8%	14.9%	48.8%
Johannesburg Index	6.0%	3.3%	15.2%	10.4%	12.0%	5.4%
Nigeria Stock Exchange	-0.8%	0.6%	-10.0%	-18.8%	-12.4%	-18.9%
Ghana Stock Exchange	-0.1%	-2.7%	-7.8%	-4.0%	5.0%	-4.5%
Egyptian Stock Exchange	0.5%	-3.5%	-10.6%	-29.2%	-2.8%	-30.3%
MSCI EFM ex SA Index	0.3%	-0.2%	-0.4%	4.6%	9.2%	50.1%

Other market statistics

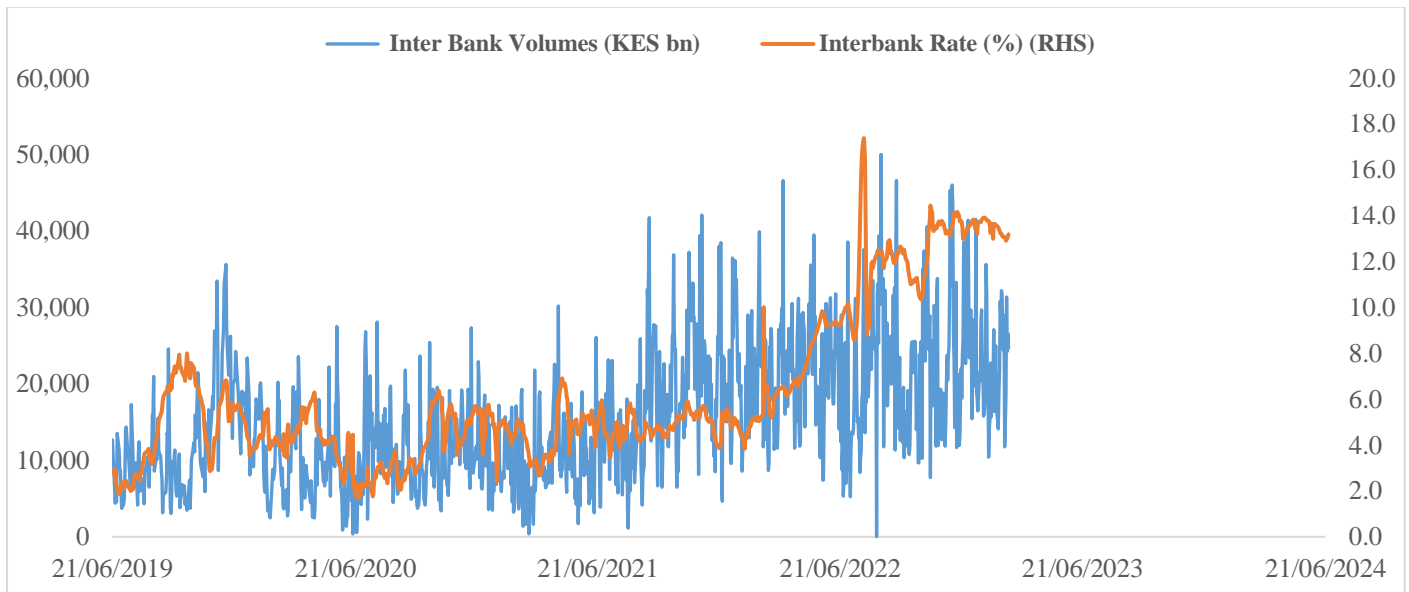
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	128.56	0.0%	3.2%	3.0%	21.1%	9.2%	22.0%
USD/ZAR	17.97	2.3%	2.5%	5.9%	2.6%	4.4%	2.2%
USD/EGP	47.70	0.0%	-1.2%	-2.0%	-35.2%	-35.2%	-35.2%
USD/NGN	1494.49	0.1%	-1.5%	-2.2%	-39.6%	-46.8%	-39.0%
USD/GHS	15.15	-0.7%	-3.6%	-13.9%	-20.7%	-24.8%	-21.1%

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
Safaricom	275.6	-82.2	30.6%	-0.3%	30.6%	-7.9%	55.8%
Equity Bank	220.4	136.4	34.3%	-1.1%	29.0%	-11.8%	29.0%
Absa Bank	136.1	14.2	5.3%	0.4%	21.8%	-1.8%	29.8%
KCB Bank	111.5	58.0	27.6%	-3.7%	55.9%	-10.0%	116.8%
Coop Bank	101.7	0.0	0.0%	-3.0%	14.0%	-13.6%	27.5%

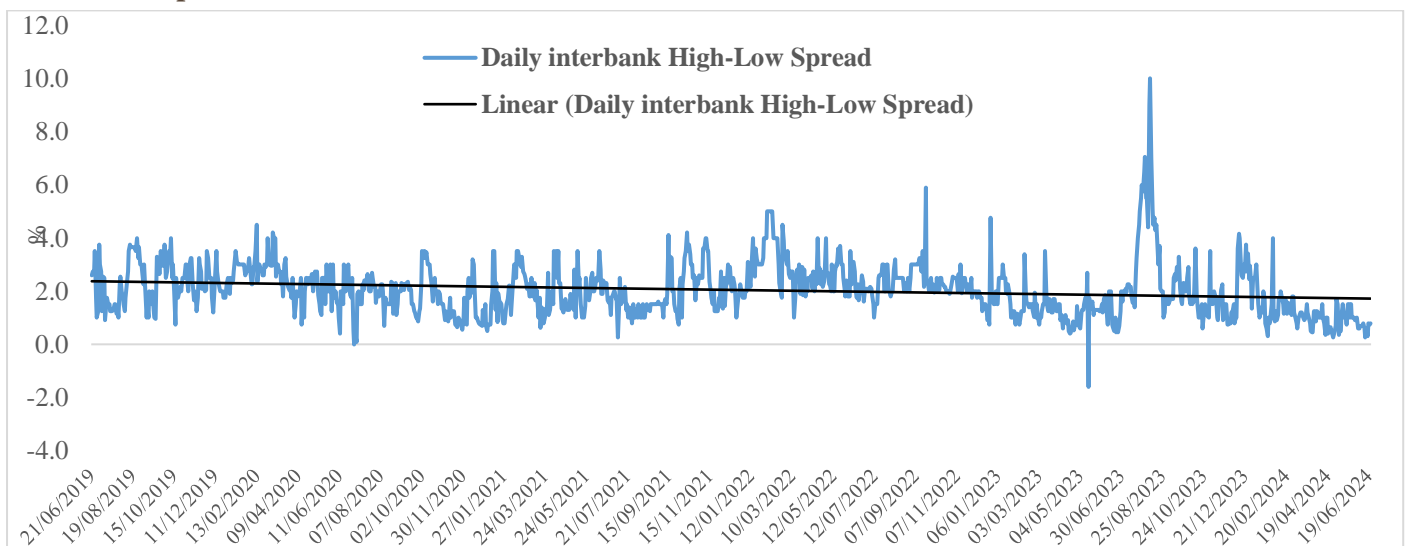
Key Rates and Spreads

Inter-bank Rates improve week-on-week, breaking an 8-weeks losing streak



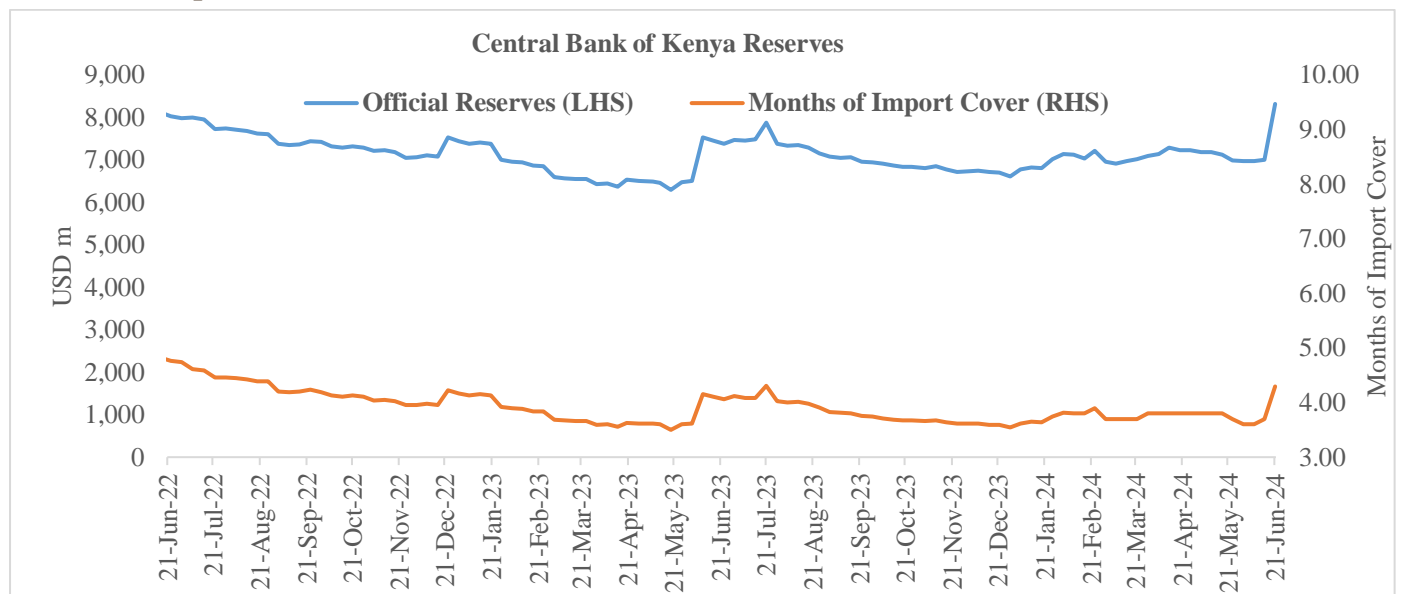
Source: CBK

Inter-bank Spreads widen week-on-week



Source: CBK

Months of import cover and CBK FX reserves increase week on week.



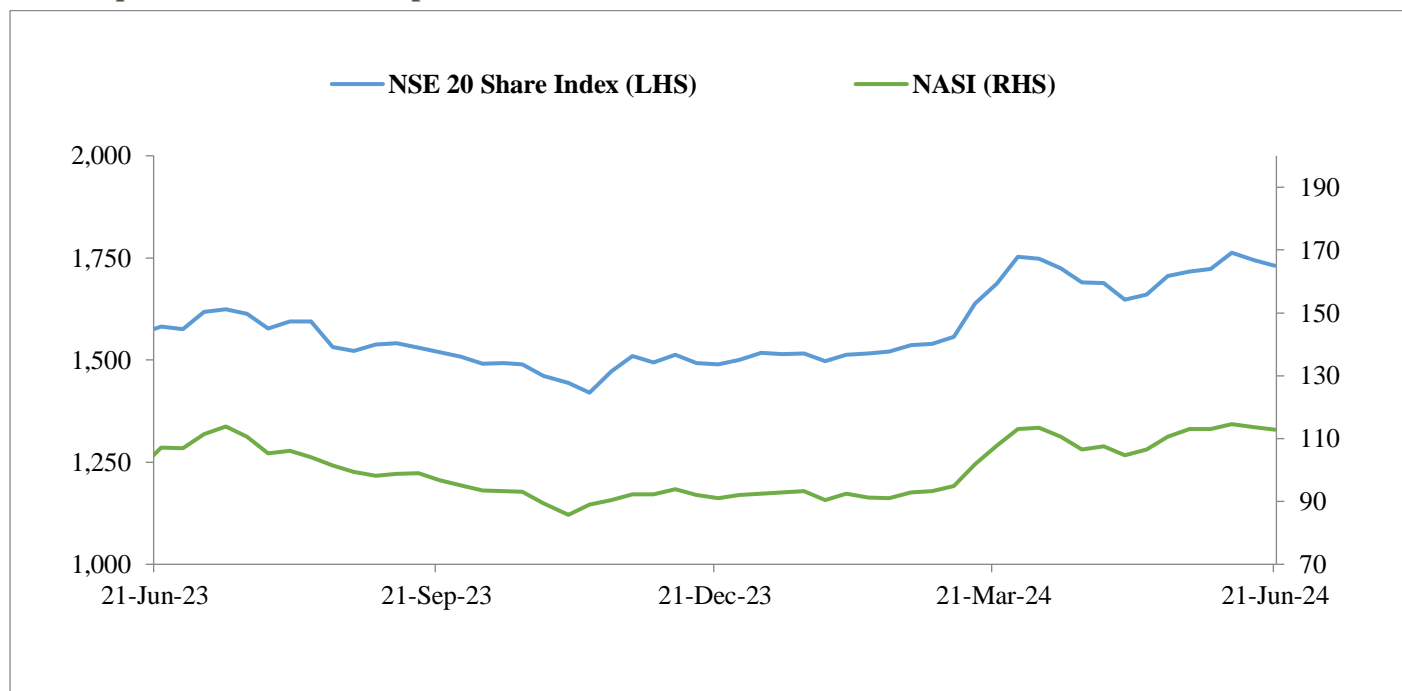
Source: CBK

Equity market trading commentary

Market turnover improved by 6.3% to stand at USD 9.3m (KES 1.2bn), breaking a two-weeks losing streak. The NASI shed another 0.8% to settle at 112.75, sustaining a two-week decline and for the second consecutive week the NSE 20 also fell by 0.8% to conclude at 1,730.28. Foreign investors remained as net buyers at USD 1.3m (KES 161.8m). Equity Bank posted the highest net foreign inflows for the week while Safaricom registered the highest net foreign outflows.

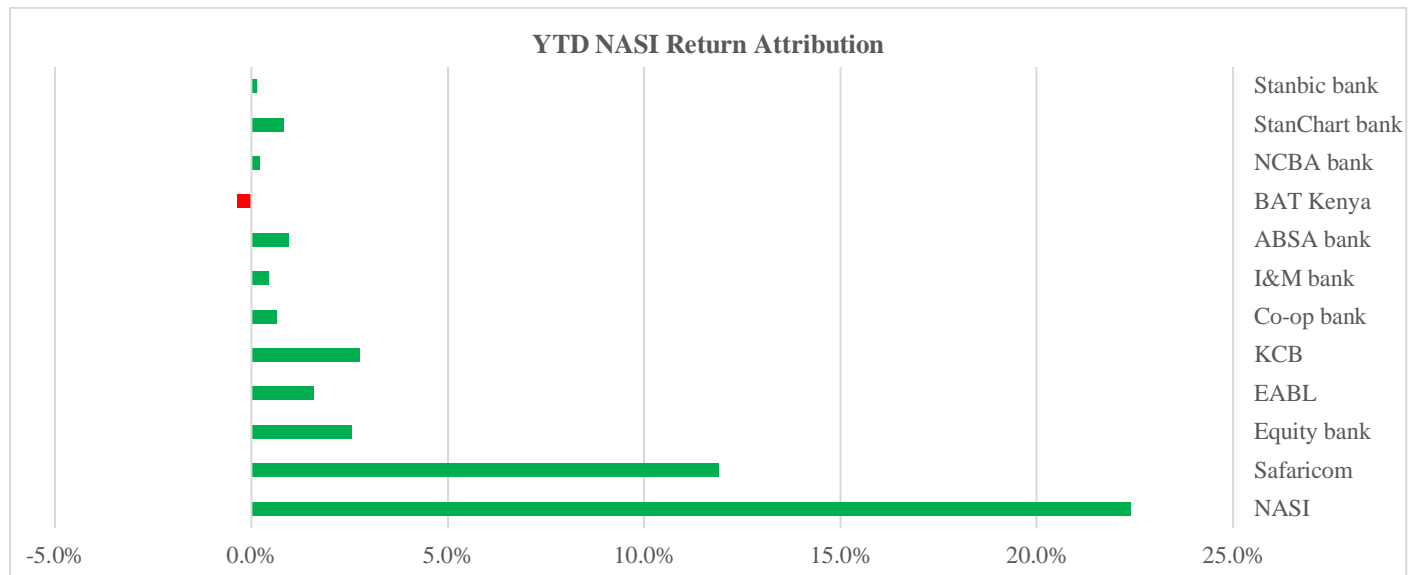
During the week, I&M Bank traded close to a 9-days high on increased local demand. Absa Bank rallied to an 11-weeks high on increased local demand. Safaricom traded close to a 7-day high on increased local demand. Local investors dominated trading for the four trading sessions of the week.

Market performance over the past 12 months



Source: NSE

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



Source: Kestrel Research

Debt market trading commentary

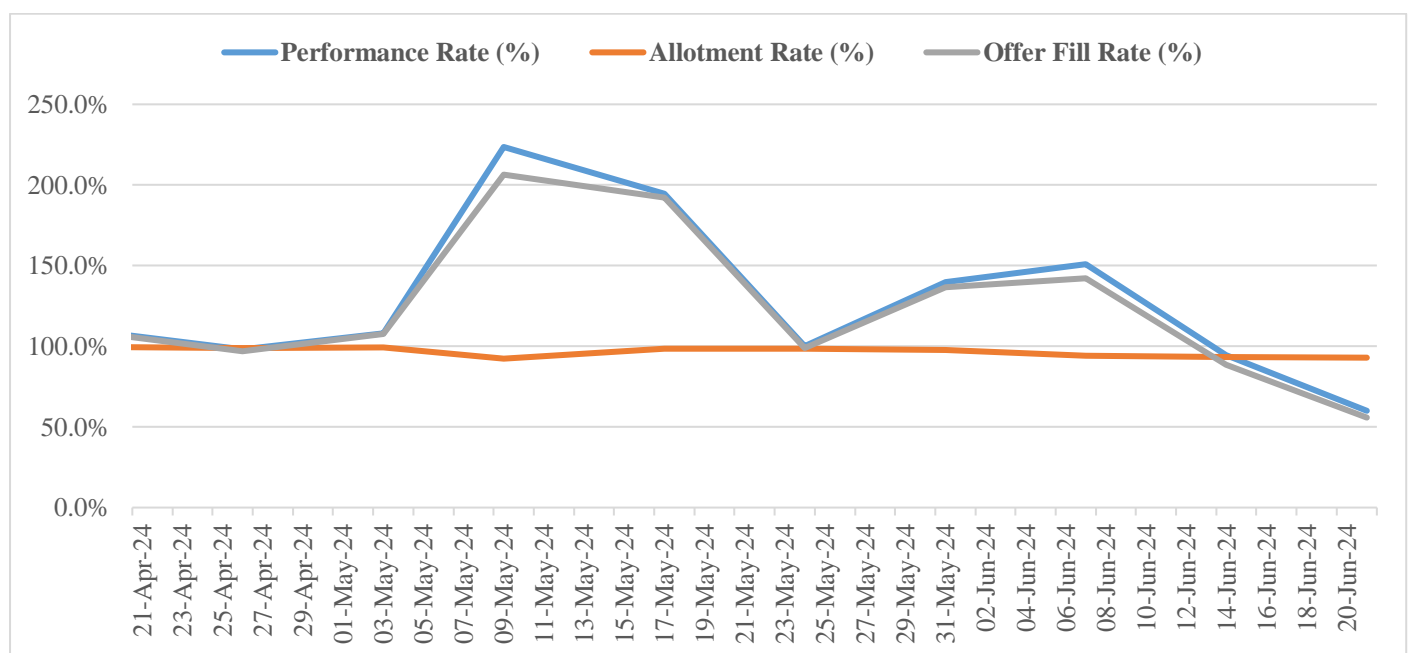
Overall subscription rates declined further sustaining a 2-weeks losing streak at 60.0% from 94.7% the previous week. Investors remained skewed on the 91-Day T-Bill and activity went up only on the 364-Day T-Bill but reduced on the 91-Day T-Bill and the 182-Day T-Bill. The yield on the 182-Day T-bill declined, breaking a steady 9-weeks winning streak while the yield on the 182-Day T-Bill as well as the 364-Day T-Bill climbed up for the eighth week.

The CBK also 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 5.9bn for the 91-Day T-Bill, implying a subscription rate of 147.96%. It accepted bids worth KES 5.1bn at an average yield of 15.972% (-0.03 bps w/w).

The 182-Day T-Bill received bids worth KES 3.9bn, implying a performance rate of 39.33%. It accepted bids worth KES 3.9bn at an average yield of 16.738% (+3.8 bps w/w).

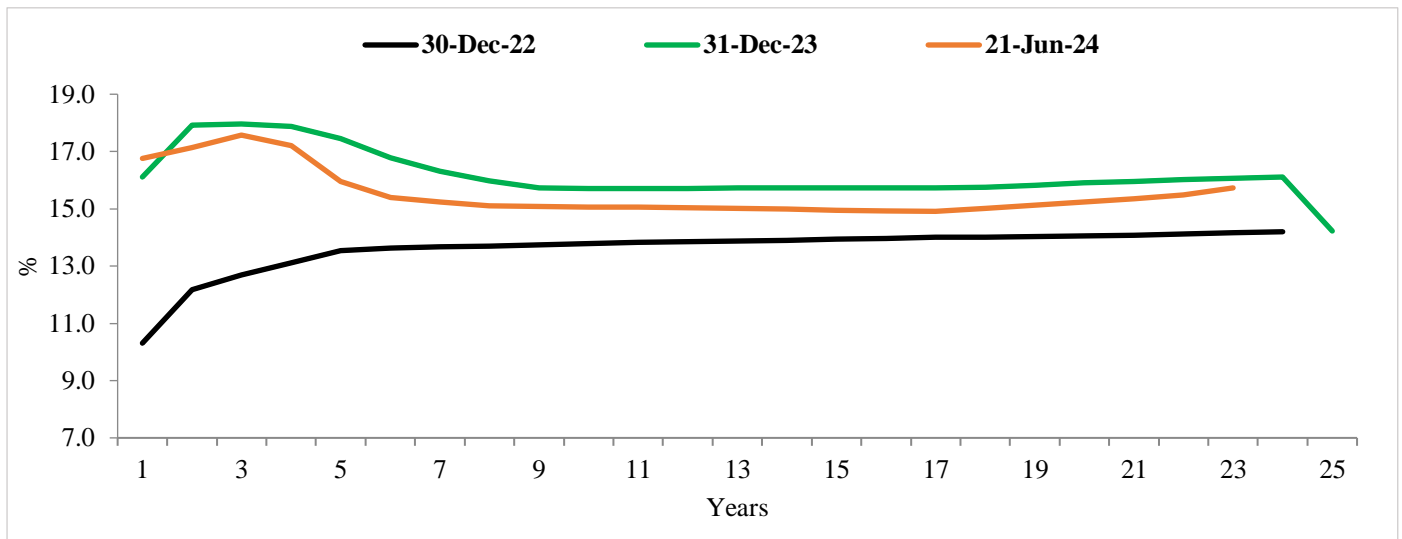
The 364-Day T-Bill received bids worth KES 4.6bn, implying a performance rate of 45.53%. It accepted bids worth KES 4.4bn at an average yield of 16.755% (+0.1 bps w/w).

T-Bills Performance rate declines week-on-week



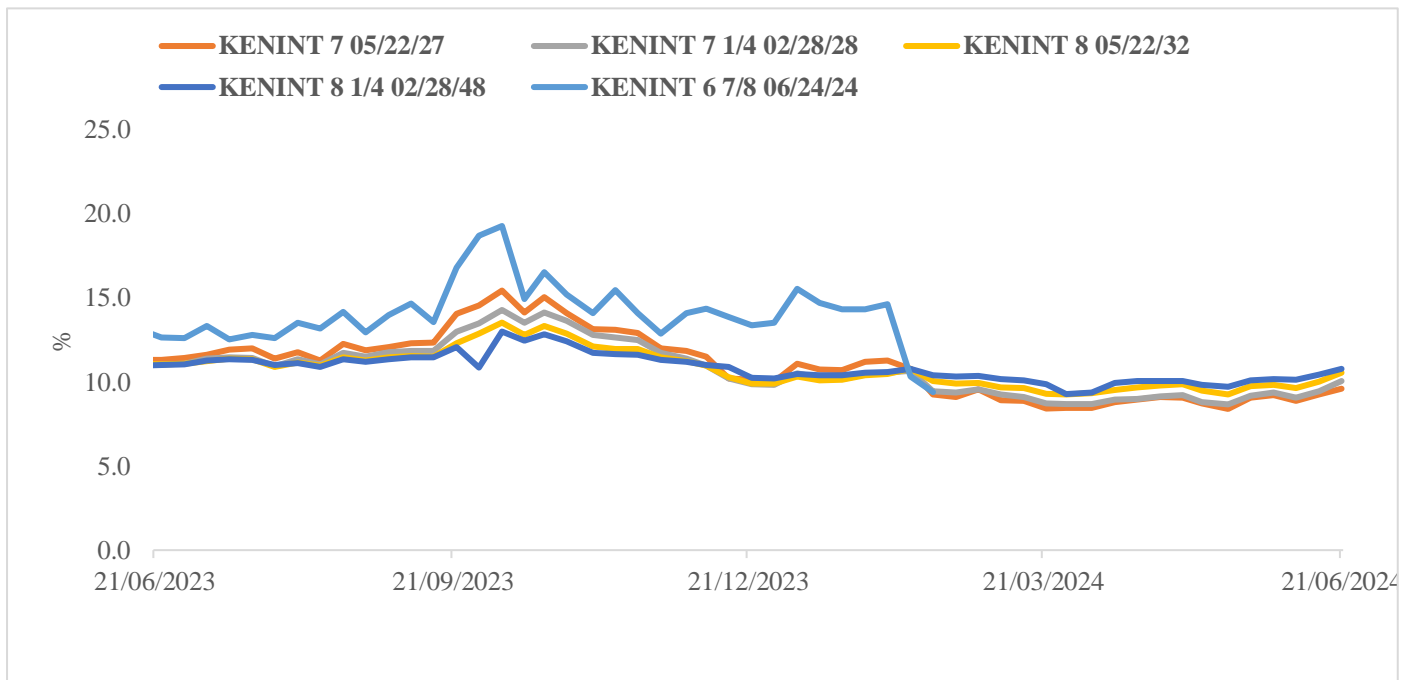
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across all tenors advance for the second week straight.



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year end	12 M High	12 M Low	Price	YTD %	Market ¹ cap (USD m)	Weighting	EPS	DPS	NAV	P/E ratio x	Div yld %	P/B ratio x	ROE %	Daily Trading ¹ vol (USD)
Safaricom	Telecom	Mar	19.70	11.65	18.15	30.6	5,657	41.0%	1.06	1.20	4.7	17.0	6.6	3.9	22.7	139,657,307
Equity Bank	Banking	Dec	49.20	33.65	43.40	29.0	1,274	9.2%	11.12	3.00	48.7	3.9	6.9	0.9	22.8	99,453,068
EA Breweries	Breweries	Jun	451.25	354.50	17.90	25.2	878	6.4%	-	1.75	27.1	-	1.2	5.3	-	15,763,539
Co-op Bank	Banking	Dec	15.05	10.20	13.00	14.0	593	4.3%	4.03	1.50	18.4	3.2	11.5	0.7	21.9	14,830,071
NCBA Bank	Banking	Dec	45.20	35.00	40.90	5.0	524	3.8%	13.17	2.75	53.7	3.1	6.7	0.8	24.5	2,933,943
Absa Bank	Banking	Dec	14.20	10.75	13.95	21.8	589	4.3%	2.19	1.55	12.0	6.4	11.1	1.2	18.3	10,651,560
KCB Bank	Banking	Dec	37.95	15.75	34.15	55.9	854	6.2%	13.30	-	68.1	2.6	-	0.5	19.5	80,041,541
StanChart Bank	Banking	Dec	201.25	150.25	193.75	19.6	569	4.1%	40.82	29.00	158.0	4.7	15.0	1.2	25.8	6,876,290
Stanbic Bank	Banking	Dec	130.00	100.25	113.75	4.6	350	2.5%	28.71	13.75	140.8	4.0	12.1	0.8	20.4	9,413,250
BAT Kenya	Tobacco	Dec	451.25	354.50	354.50	-13.0	276	2.0%	55.68	50.00	163.8	6.4	14.1	2.2	34.0	10,435,442
BK Group	Banking	Dec	37.00	29.65	34.00	-5.0	237	1.7%	10.48	3.28	46.8	3.2	9.7	0.7	22.4	3,333,167
I&M Holdings	Banking	Dec	22.65	16.75	21.45	22.6	276	2.0%	8.10	2.55	47.8	2.6	11.9	0.4	16.9	57,157,851
Umeme Ltd.	Power	Dec	6.00	6.00	16.50	3.1	208	1.5%	0.27	2.00	21.4	62.0	12.1	0.8	1.2	2,239,912
Kenya Airways	Airlines	Dec	3.83	3.83	3.83	0.0	169	1.2%	(3.99)	-	(14.7)	-	-	-	-	-
Bamburi Cement	Cement	Dec	48.95	22.50	42.80	19.4	121	0.9%	(1.10)	5.47	82.1	-	98.6	0.1	(1.3)	2,834,752
KenGen	Power	Jun	2.52	1.96	2.41	19.9	124	0.9%	0.49	-	41.6	4.9	-	0.1	1.2	4,284,785
Jubilee Insurance	Insurance	Dec	2.52	1.81	2.18	-2.7	101	0.7%	60.93	12.30	613.8	3.0	6.8	0.3	9.9	894,394
DTB Bank	Banking	Dec	55.75	44.05	46.30	2.8	101	0.7%	25.34	6.00	256.8	1.8	13.0	0.2	9.9	3,964,514
Britam	Insurance	Dec	6.06	4.15	6.00	25.3	118	0.9%	1.30	-	9.2	4.6	-	0.6	14.1	313,826
Total Oil	Oil	Dec	4.11	4.00	23.45	30.3	115	0.8%	4.80	1.31	48.0	4.9	5.6	0.5	10.0	221,910
Kakuzi	Agric	Dec	420.00	353.50	367.50	-4.5	56	0.4%	23.25	24.00	303.5	15.8	6.5	1.2	7.7	36,397
CIC Insurance	Insurance	Dec	6.06	4.15	6.00	-2.7	44	0.3%	0.55	0.13	3.3	4.0	6.0	0.7	16.9	281,011
Centum Investment	Finance	Mar	9.50	7.88	8.60	2.4	45	0.3%	(8.95)	0.60	55.8	-	7.0	0.2	(16.1)	1,511,402
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	41	0.3%	(7.77)	-	19.8	-	-	0.3	(39.2)	-
Crown Paints	Manufac.	Dec	5.55	5.55	42.80	-0.7	39	0.3%	(0.20)	4.00	24.1	-	9.3	1.8	(0.8)	2,834,752
Kenya Re	Insurance	Dec	200.00	170.00	180.00	50.5	62	0.4%	1.78	0.10	13.4	1.6	3.5	0.2	13.2	2,945,662
Sasini Tea & Coffee	Agric	Sept	30.80	17.65	18.90	-5.5	34	0.2%	3.11	1.00	61.7	6.1	5.3	0.3	5.0	93,189
Carbacid	Gases	July	93.00	67.00	354.50	19.3	35	0.3%	4.01	0.70	13.6	4.5	3.9	1.3	11.9	259,331
Nation Media	Media	Dec	22.00	17.25	17.25	-14.0	26	0.2%	(1.08)	1.49	43.1	-	8.6	0.4	(2.5)	1,457,564
Kenya Power	Power	Jun	1.86	1.35	1.73	21.8	26	0.2%	(0.89)	-	29.1	-	-	0.1	(3.0)	829,453
TPSEA Serena	Tourism	Dec	20.05	11.00	14.00	-14.9	20	0.1%	4.78	-	33.3	2.9	-	0.4	14.4	30,654
Liberty K. Holdings	Insurance	Dec	2.83	1.70	2.83	57.7	24	0.2%	0.15	-	15.9	38.1	-	0.4	1.0	22,950
BOC Kenya	Gases	Dec	93.00	67.00	89.00	8.5	14	0.1%	10.14	5.95	85.1	8.8	6.7	1.0	11.9	20,841
NSE	Finance	Dec	6.62	5.52	6.00	-0.3	12	0.1%	0.05	0.20	7.1	113.5	3.3	0.8	0.7	284,906
Housing Finance	Banking	Dec	5.10	3.25	4.12	18.4	12	0.1%	1.18	4.00	20.5	3.5	97.1	0.2	5.8	8,191
Unga Ltd	Food	Jun	19.50	15.00	0.27	-19.0	8	0.1%	(18.92)	-	58.3	-	-	0.2	(32.4)	26,970
Sanlam Kenya	Insurance	Dec	5.88	3.45	5.82	0.0	7	0.0%	(0.88)	-	3.9	-	-	1.5	(22.7)	281,011
Car & Gen	Motors	Sept	41.50	20.00	20.00	-20.0	6	0.0%	(6.82)	3.20	135.8	-	16.0	0.1	(5.0)	22,552
Limuru Tea	Agric	Dec	430.00	380.00	380.00	0.0	7	0.1%	3.38	1.00	80.9	112.4	0.3	4.7	4.2	1,869
WPP Scangroup	Media	Dec	2.99	1.99	2.13	-2.3	7	0.1%	0.30	-	11.9	7.1	-	0.2	2.5	100,276
EA Portland	Cement	Jun	44.80	33.30	0.99	-28.3	4	0.0%	(14.13)	-	239.8	-	-	0.0	(5.9)	16,794
Standard Newspapers	Media	Dec	9.50	5.10	6.52	-15.8	4	0.0%	(10.05)	-	0.4	-	-	14.8	(2,284)	4,347
Longhorn	Publishing	Jun	2.93	2.01	2.10	-12.9	4	0.0%	(2.45)	-	2.8	-	-	0.8	(88.1)	11,331
TransCentury	Finance	Dec	5.36	2.58	2.71	-26.9	1	0.0%	(6.72)	-	(9.5)	-	-	-	-	141,628
Average												12.4	7.8	2.4	17.9	477,256,300

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