

MONTHLY MARKET COMMENTARY (Feb 2024): NASI sustains a 4-month winning streak while NASI trailing PE is held at a multi-year low

KEY HIGHLIGHTS

EQUITIES

- In February, equity turnover rebounded by 71.5% m/m to close at USD 32.1m (KES 4.6bn), as activity by local (+117.9% y/y) and foreign (+63.9% y/y) institutions picked up.
- Upward momentum persisted with the advance/decline ratio improving to 0.3x from 0.2x. previously. Consequently, for the fourth month straight, the NASI (+0.3% m/m) ended at 92.49. Similarly, the NSE 20 (+1.8% m/m) finished higher at 1,535.89 – the fourth month in a row.
- 7 out of 10 banking stocks posted gains, largely propelling the NASI higher, fuelled by local buying – Equity bank (+6.4% m/m), ABSA bank (+9.8% m/m) and Co-op bank (+7.4% m/m). Conversely, Safaricom, on its third successive decline, detracted from the NASI return (attribution of negative 1.0%) as foreign exits sustained.
- Suppressed investors' sentiments remained owing to weak macros and higher yielding fixed income assets. As a result, the NASI trailing PE ratio was relatively unchanged at 7.0x - a multi-year low. Relative to its 18-year average, the trailing PE was at a 46.9% discount.
- For the sixth consecutive month, foreign investors were net sellers at USD 6.4m (KES 0.9bn). Safaricom (USD 4.5m, KES 644.6m), Equity bank (USD 1.0m, KES 143.0m) and KCB bank (USD 0.9m, KES 126.9m) saw the highest net foreign outflows. On the other hand, EABL marked the highest net foreign inflows at USD 0.6m (KES 82.4m).
- Over modest gains in share prices and net local inflows, equities' allocation by pension funds decreased to 7.8% in February 2024, down from 8.1%, a month ago, as institutional investors remained bias on the fixed income segment.
- Foreign portfolio holdings as a % of CBK forex reserves increased to 17.7% in February 2024, up from 15.5% in the month of January 2024 as foreign portfolio holdings (+11.3% m/m) rose faster than CBK forex reserves (-2.4% m/m).
- Among the key SSA equities markets that we cover, on a YTD basis to February 2024, Egyptian equities (USD return of 16.5%) emerged as the winners while Nigerian equities retreated the most (USD return of -24.3%), sliding from a positive territory, a month earlier. YTD to January 2024, foreign investors were overall net sellers across most SSA markets, except for Egypt (USD 65.8m). Kenya, S.Africa and Nigeria registered net outflows of USD 0.7m, USD 521.1m and USD 24.0m, respectively.

FIXED INCOME

- The bond market witnessed improved activity in February 2024 due to strong demand from offshore players and fund managers who saw value in the on-the-run 8.5Yr IFB issue. The on-the-run 3yr (FXD1/2024/3Yr) traded through a broad range of 18.100%-18.250%, while the longer on-the-run 5yr, FXD1/2023/5Yr traded between 18.000%-18.500%.
- The infrastructure bonds witnessed good demand, as market participants took positions in the 8.5Yr IFB. The latest on-the-run 8.5yr, IFB1/2024/8.5Yr, traded largely between 17.000%-17.300%, while the existing 6.5yr, IFB1/2023/6.5Yr traded between 16.850%-17.000%. The shorter 11yr, IFB1/2020/11Yr, traded 16.000%-16.500%, while the 9yr, IFB1/2020/9Yr realizing levels 15.500%-16.000% as demand dwindled.
- During the month, Treasury opted to issue a FXD1/2024/3Yr targeting KES 40.0bn. The coupon rate was market determined.
- The FXD1/2024/3Yr yielded 18.422% with an estimated cut-off yield of 18.600%. Treasury managed to raise a total of KES 34.3bn that offset a corresponding maturity of KES 21.3bn on 18-Mar-24.
- In the eighth (8) month of FY2023/24, we estimate that Treasury had borrowed ~KES 365.0bn versus ~KES 249.8bn (up 46.1%) a year earlier.

MARKET OUTLOOK

EQUITIES:

- Continued activity is expected on Stanbic bank, StanChart bank and ABSA bank after announcing increments in 2023 dividends and marking above-industry average dividend yields, affirming their dividend play. Over the medium-term banking stocks offer relative value, benefiting from enhanced margins. Easing inflation and the appreciation of the KES are expected to aid corporate margins in the manufacturing sector – BAT Kenya and EABL stand to gain from these improving macro factors.

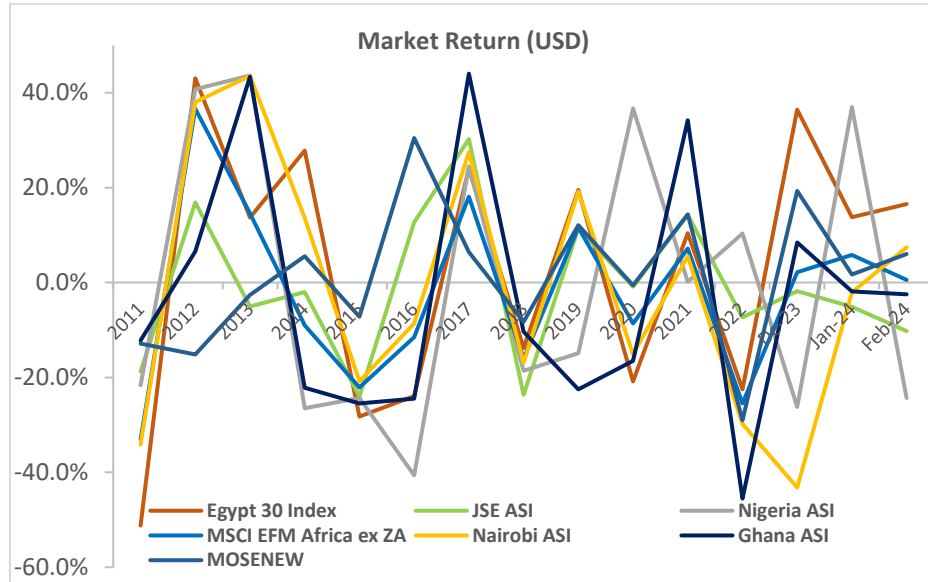
FIXED INCOME:

- Money market liquidity toward mid-March 2024 improved both for shilling and dollar flows due to non-bank activity. At the same time CBK opted to reject more repo injections to tighten markets again as the shilling appreciated too quickly. Following the recent bond market forum (BMF) meeting Treasury will issue two bonds at the end of the month namely a reopening of FXD1/2023/5Yr and a new 10yr issuance, FXD1/2024/10Yr. The auction is expected to raise Kes 40.0bn with an auction date of 20-Mar-24 and value date of 25-Mar-24. The new 10Yr has a set fixed coupon of 16% giving guidance to the market.

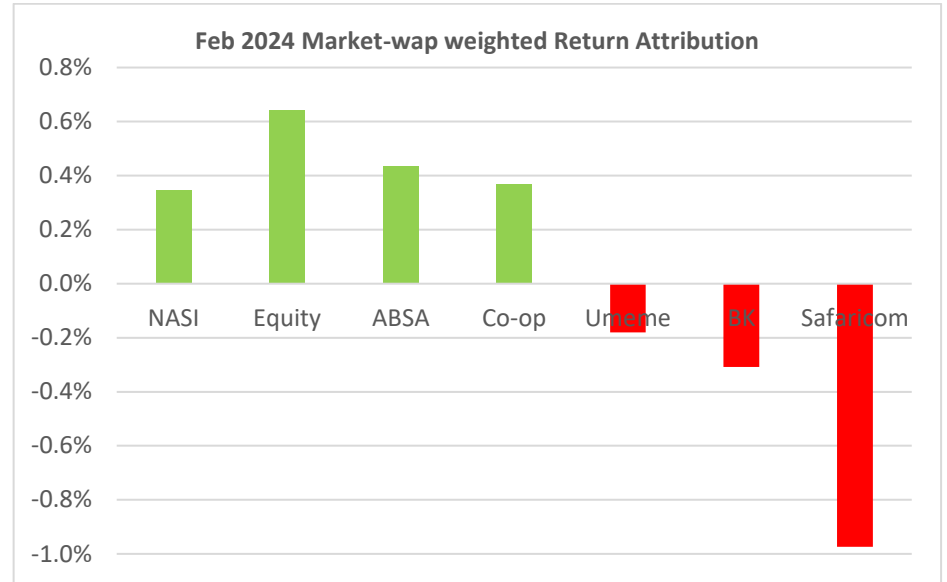
MONTHLY MARKET STATISTICS

	Feb-23	Mar-23	April-23	May-23	June-23	July-23	Aug-23	Sept-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Equities													
Market Capitalisation (USD bn)	15.5	13.3	12.5	11.7	11.9	11.5	10.6	10.0	9.2	9.8	9.2	9.0	10.1
NASI return (KES)	0.1%	-10.5%	-4.5%	-3.7%	3.2%	-1.4%	-5.9%	-4.0%	-7.0%	3.8%	0.2%	0.1%	0.3%
NSE 20 return (KES)	-0.6%	-1.5%	-2.7%	-2.0%	1.8%	0.1%	-2.4%	-2.0%	-3.2%	2.4%	0.4%	0.5%	1.8%
Gainers/Decliners ratio (x)	0.5	(0.1)	(0.1)	-	0.8	0.0	(0.1)	(0.4)	(0.6)	(0.2)	0.7	0.2	0.3
MSCI EFM ex. ZA (KES)	3.9%	-1.8%	0.8%	2.1%	3.2%	3.1%	2.6%	1.1%	0.2%	5.6%	2.4%	2.8%	-10.4%
Equity Turnover (KES bn)	4.6	32.4	4.2	6.1	4.1	7.6	4.4	5.2	4.8	3.7	3.3	2.7	4.6
Equity Turnover (USD m)	36.3	244.8	31.6	44.0	29.1	53.6	30.1	35.2	32.1	24.1	20.9	16.7	32.1
Avg. daily value traded (USD m)	1.73	10.64	1.86	2.0	1.5	2.6	1.3	1.7	1.6	1.1	1.2	0.8	1.5
Foreign institutions participation (%)	39.5	29.5	46.2	45.6	38.9	47.2	46.4	44.0	54.4	60.8	59.0	61.6	58.8
Local institutions participation (%)	43.4	64.3	30.8	32.8	35.1	36.9	31.8	39.7	30.1	22.3	27.8	20.8	26.4
Local individuals' participation (%)	14.6	5.6	21.9	20.1	24.4	14.9	20.7	15.5	14.8	15.5	12.2	16.4	13.6
Local institutions net flow (USD m)	1.3	85.6	(0.2)	2.5	(1.8)	18.8	(8.0)	5.3	1.2	2.2	6.7	(0.3)	5.5
Foreign institutions net flow (USD m)	(3.2)	(78.6)	(2.3)	(9.7)	1.1	(21.2)	4.7	(8.0)	(3.9)	(3.3)	(8.2)	(0.6)	(6.3)
Fixed Income													
Bond Turnover (KES bn)	47.1	70.7	37.3	64.3	45.7	56.8	50.6	88.8	36.2	47.2	54.4	60.8	271.2
Bond Turnover (USD m)	372	534	279	465	326	399	348	600	240	308	347	378	1,889
T-Bill performance rate	167%	114%	110%	116%	99%	104%	132%	109%	115%	163%	122%	134%	163%
T-Bill allotment rate	85%	88%	96%	98%	83%	94%	96%	96%	84%	94%	98%	89%	87%
T-Bill offer fill rate	142%	100%	105%	114%	82%	98%	127%	104%	97%	154%	119%	119%	142%
T-Bond performance rate	53%	104%	27%	117%	319%	159%	125%	97%	31%	182%	N/A	98%	412%
T-Bond allotment rate	91%	88%	64%	99%	97%	86%	56%	64%	62%	84%	N/A	75%	84%
T-Bond offer fill rate	48%	91%	71%	116%	309%	137%	70%	62%	19%	153%	N/A	74%	344%
5-year m/m yield change (bps)	68	60	30	88	100	320	103	-27	-15	-18	90	53	75
2 year-91D yield spread (bps)	273	293	308	408	413	538	327	271	269	238	202	171	156
5 year-364D yield spread (bps)	286	289	306	359	371	591	356	208	204	182	155	158	113
5 year-2-year yield spread (bps)	115	98	100	53	60	155	57	-20	-40	-43	-45	10	-10
5 yr Bond-5 yr IFB yield spread (bps)	50	-23	-30	-8	-15	155	248	200	193	140	95	135	105
10 year-2-year yield spread (bps)	180	155	145	105	100	-25	-155	-175	-210	-210	-220	-230	-243
Average monthly KES/USD	126.85	132.33	133.66	138.49	140.52	142.37	145.41	148.10	150.56	153.15	156.46	160.75	143.59

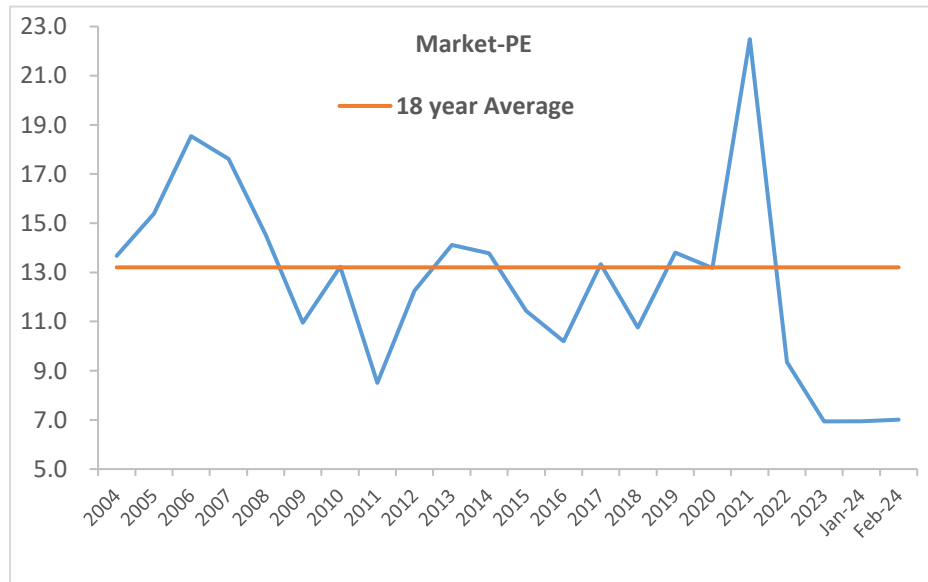
Ytd, Egyptian equities outperform while Nigerian equities lag comparable peers



Banking stocks positively contribute to market return, Safaricom key detractor

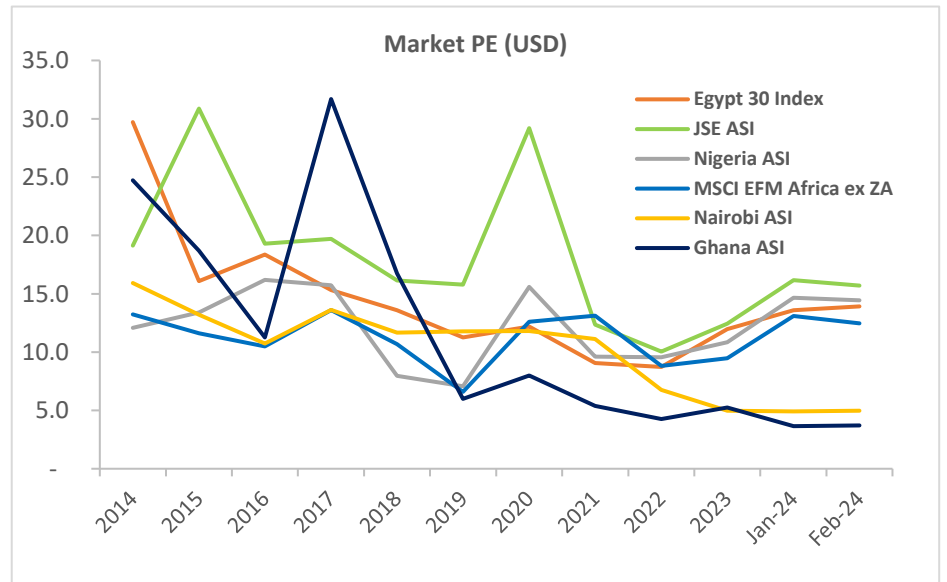


NASI PE fairly unchanged from multi-year low, at 46.9% discount to historical average



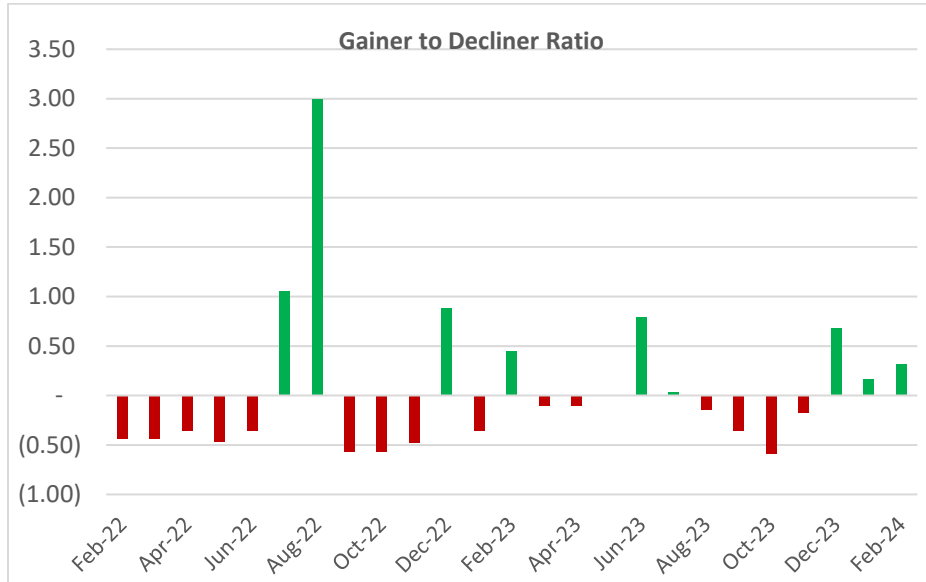
(As reported by the NSE)

Ghana ASI trailing PE at a multi-year low, implying 71.8% discount to historical avg.

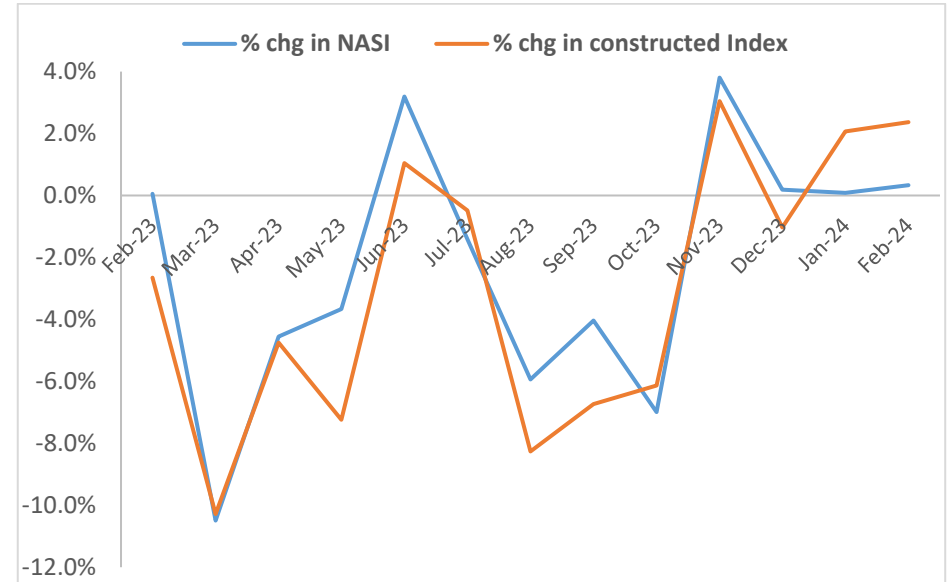


(As reported by Bloomberg)

Uptick in upward momentum as gainers outpace losers for third month straight

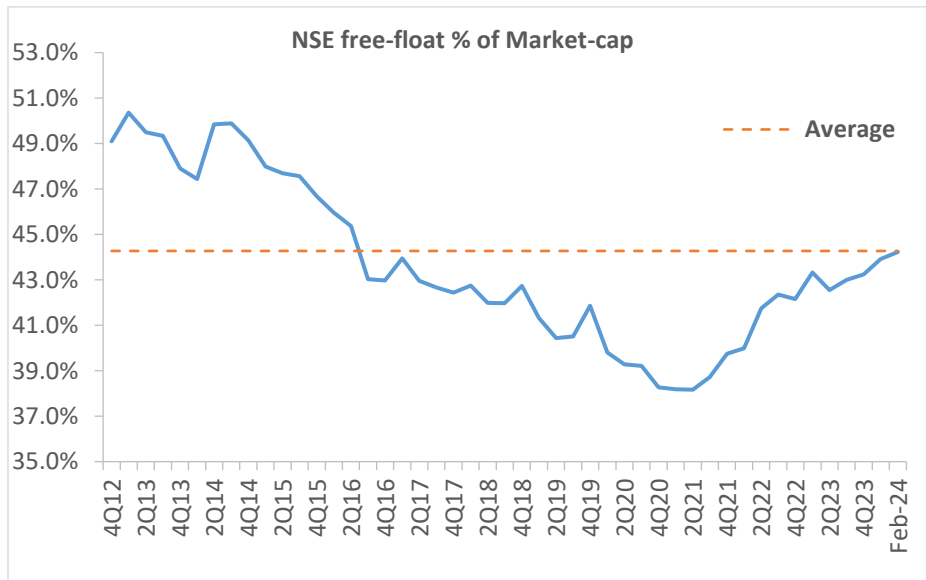


Advances in large-cap names largely drive the market rally

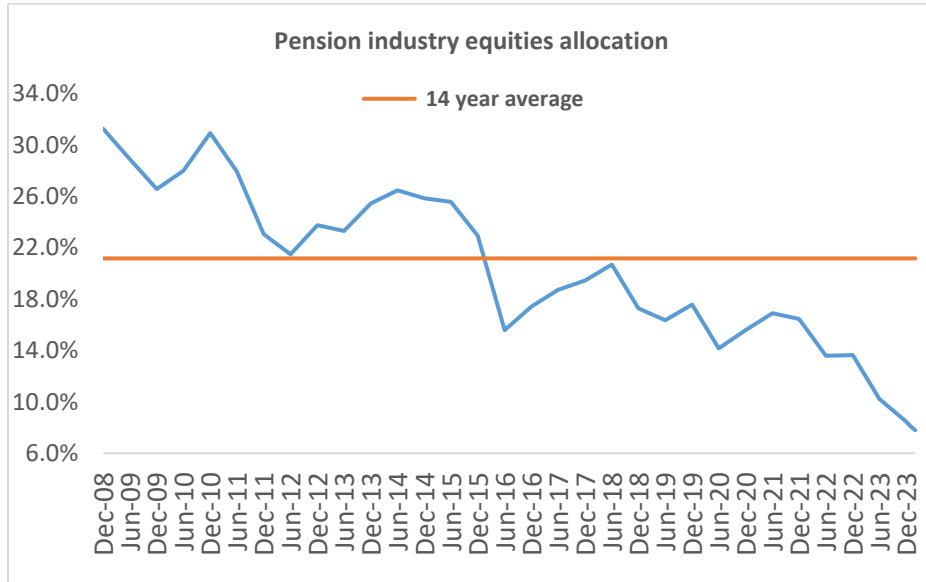


*Constituents of the constructed index: Safaricom, EABL, KCB, Co-op & Equity

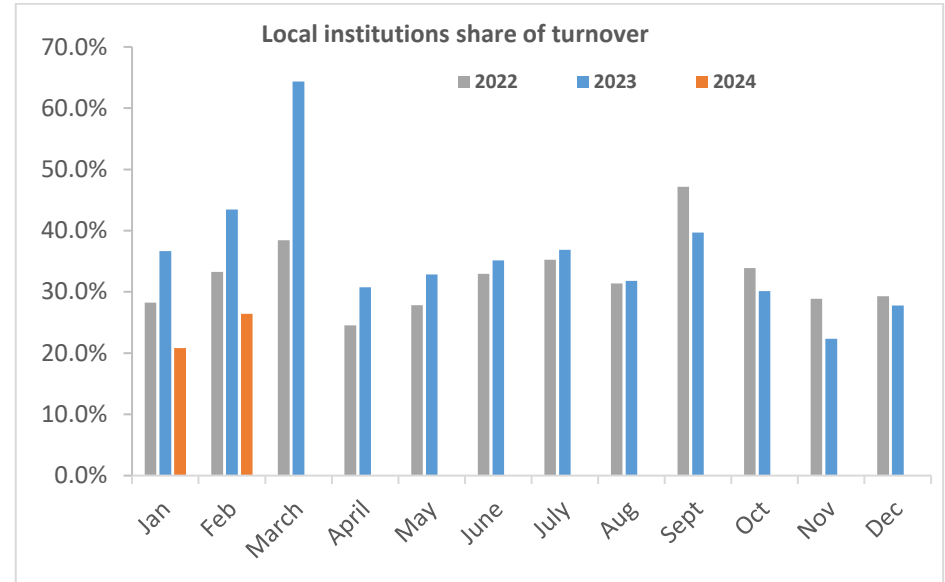
NSE free float as a % of market cap at highest levels since 2Q16



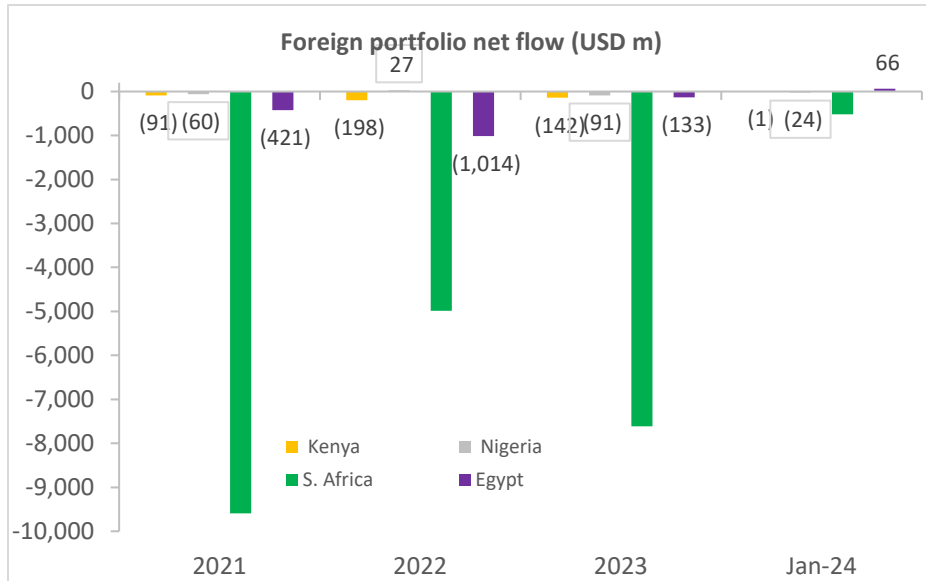
Equities allocation hit new record low; marginal gains & net local inflows



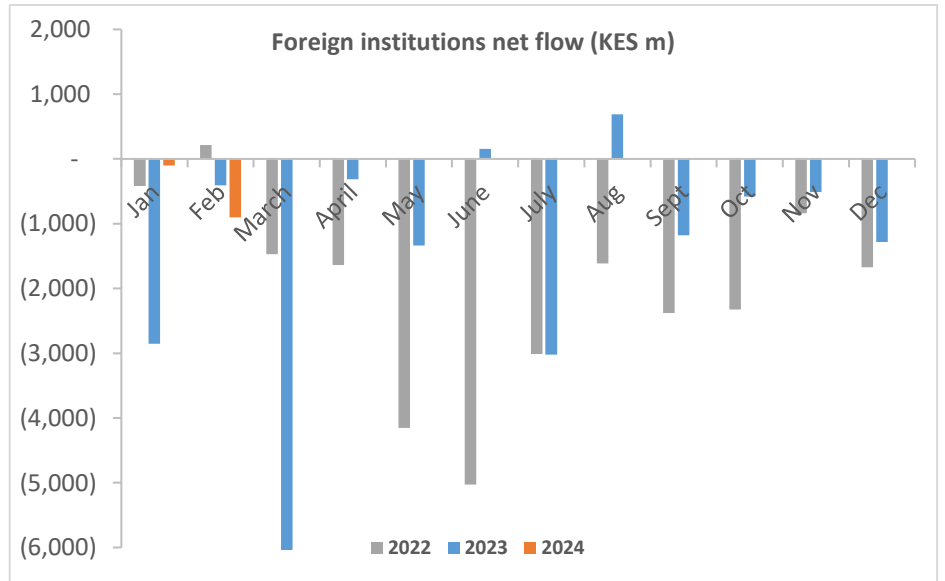
Local institutions' participation levels increase from a 3-year low



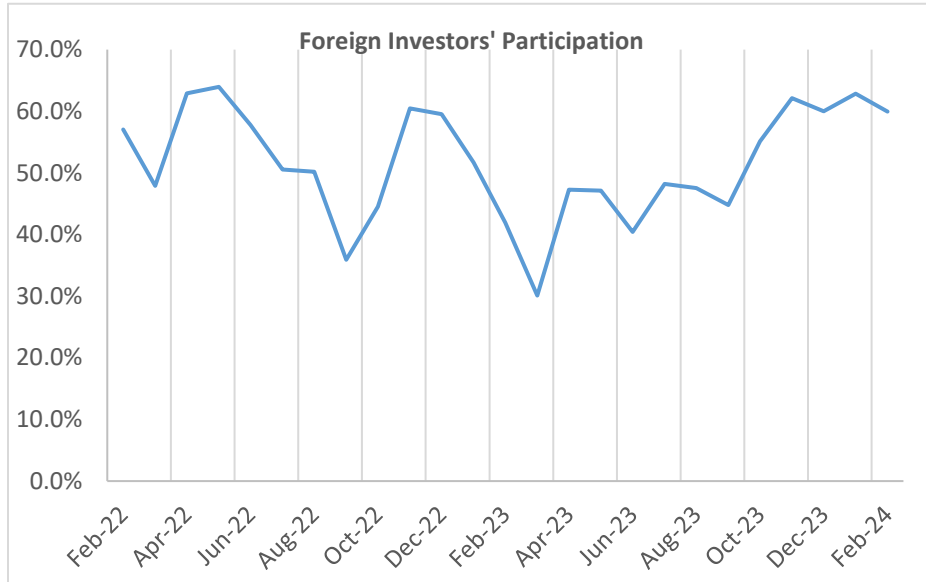
YTD to Jan 2024, foreign investors emerge as net buyers of Egyptian equities



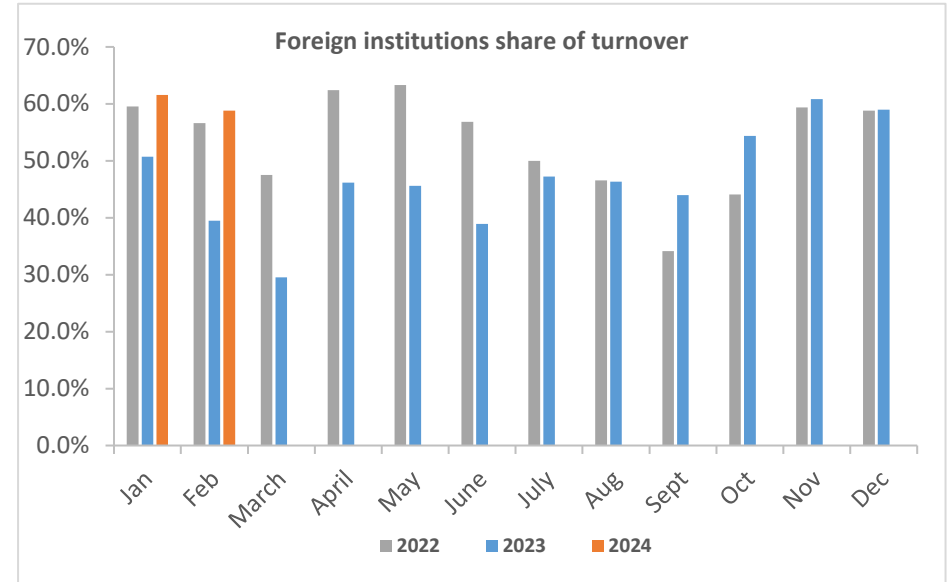
Foreign institutions remain net sellers for the sixth consecutive month



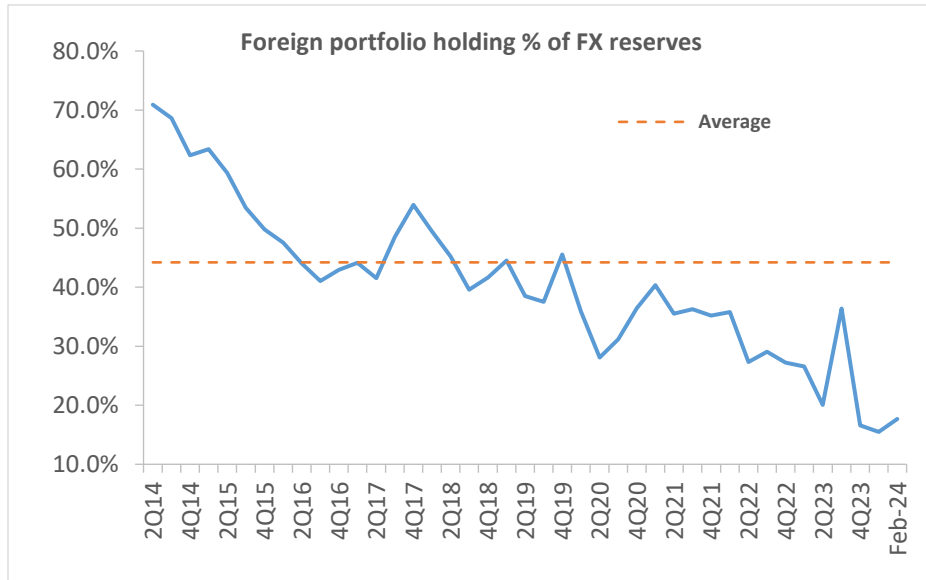
Foreign investors' participation levels at a 4-month low



Foreign institutions' activity decline to a 4-month low



Foreign portfolio as a % of FX reserves move up slightly week-on-week



FOREIGN FREE FLOAT TO TOTAL FREE FLOAT PER COUNTER

Foreign free float/total free float	3Q21	4Q21	1Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	Jan-24	Feb-24
Safaricom	46.3%	45.2%	43.8%	40.8%	40.4%	39.1%	40.1%	36.6%	35.7%	33.1%	33.1%	31.6%	31.1%
Equity bank	36.7%	36.8%	37.4%	36.5%	36.2%	36.1%	36.7%	35.5%	35.7%	36.1%	38.0%	36.2%	36.1%
EABL	33.8%	33.2%	32.0%	30.5%	30.4%	30.4%	16.1%	42.3%	42.8%	42.8%	6.2%	42.8%	43.1%
KCB bank	14.1%	13.2%	13.4%	12.9%	12.0%	11.5%	11.4%	11.4%	11.3%	11.2%	10.5%	11.6%	11.4%
BK Group	98.8%	83.8%	98.8%	98.9%	98.9%	98.9%	87.4%	98.9%	98.9%	98.9%	84.6%	98.9%	98.9%
BAT Kenya	56.8%	56.5%	56.5%	56.3%	55.7%	55.6%	55.7%	48.5%	46.6%	46.2%	46.6%	46.3%	46.3%
KenGen	49.3%	51.5%	49.7%	49.5%	49.3%	48.5%	50.7%	48.0%	47.9%	47.5%	48.1%	45.6%	44.4%
I&M bank	16.4%	18.2%	16.4%	16.3%	16.3%	16.6%	33.3%	16.6%	16.4%	16.5%	33.4%	16.4%	16.5%
Jubilee Insurance	45.7%	45.4%	45.4%	45.4%	45.4%	45.5%	45.3%	45.4%	45.6%	46.0%	45.8%	45.9%	45.9%
Stanbic bank	40.8%	41.9%	41.6%	42.1%	42.1%	42.4%	42.7%	43.4%	44.3%	44.4%	45.3%	43.5%	43.4%
DTB bank	35.0%	35.7%	35.3%	35.7%	35.7%	35.6%	36.4%	35.3%	35.1%	35.1%	36.3%	35.1%	35.1%
Centum Investment	10.9%	10.9%	9.6%	9.0%	8.6%	8.6%	9.0%	8.5%	8.5%	7.9%	8.0%	7.0%	7.0%
StanChart bank	6.0%	5.4%	5.5%	5.5%	5.5%	5.5%	5.4%	5.6%	5.7%	5.8%	5.8%	5.9%	5.8%
Britam Insurance	13.7%	17.0%	13.7%	13.6%	13.5%	13.4%	16.7%	13.4%	13.4%	13.4%	16.7%	13.4%	13.4%
WPP ScanGroup	65.1%	72.8%	66.9%	66.9%	66.9%	66.9%	74.2%	66.9%	66.9%	66.9%	58.8%	66.9%	66.9%

Companies with foreign free float holding of over USD 10

MONTHLY NET FOREIGN FLOWS PER COUNTER

	Feb-23	Mar-23	April-23	May-23	June-23	July-23	Aug-23	Sept-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
Safaricom	(129)	(1,982)	(531)	(1,046)	35	(3,348)	(21)	(835)	(555)	(429)	(1,059)	(25)	(645)
Equity Bank	(92)	360	436	(77)	(77)	311	525	(151)	132	(36)	(59)	8	(143)
EABL	2	(9,226)	(98)	119	170	(3)	27	(1)	(1)	(5)	(8)	1	82
KCB bank	200	33	(2)	12	(109)	(93)	19	(16)	31	88	(9)	115	(127)
BK Group	-	-	(1)	-	25	(0)	(0)	(0)	(0)	(0)	0	-	(2)
BAT	(415)	(240)	(83)	(150)	(102)	(52)	9	(13)	13	(7)	(1)	0	(2)
Britam	-	-	-	-	0	-	0	0	0	0	-	0	-
I&M bank	7	(5)	(8)	(10)	(6)	-	3	1	0	(0)	(1)	(2)	1
Jubilee	(2)	3	16	(1)	(2)	7	17	9	0	1	(0)	(7)	0
Stanbic bank	99	0	0	-	129	-	0	22	(15)	(14)	(72)	(22)	(23)
DTB bank	(16)	(1)	(1)	(5)	(5)	0	(1)	0	(1)	(0)	(0)	(1)	(0)
KenGen	(1)	0	(3)	(0)	(1)	(4)	(9)	(5)	(12)	(38)	(8)	(11)	(41)
WPP ScanGroup	0	0	0	-	(0)	0	-	(0)	-	(0)	-	-	(0)
Centum	(3)	(2)	(1)	(0)	(0)	-	0	(28)	(9)	(11)	(12)	(4)	(3)
StanChart bank	12	(0)	(1)	8	11	24	2	(1)	0	(1)	3	2	(11)
BBK bank	43	123	0	25	16	-	128	(44)	(2)	0	(3)	(4)	(1)
Co-op Bank	(0)	5	(1)	(21)	3	1	(13)	(77)	(156)	(9)	(17)	(17)	(0)
NSE	(1)	(0)	(3)	(1)	5	(0)	0	1	1	1	2	1	1
Market	(382)	(10,692)	(283)	(1,312)	154	(3,019)	672	(1,193)	(571)	(480)	(1,286)	(107)	(918)

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

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