

AFRICAN MARKET WATCH

INDEX	COUNTRY	CLOSE	Weekly Chg	YTD
NSE-20 Index	Kenya	3,629.41	2.1%	11.8%
NASI All Share	Kenya	79.18	0.9%	10.5%
AIG-27 Index	Kenya	472.17	0.7%	9.4%
ALSI	Uganda	813.45	1.5%	11.0%
DSEI	Tanzania	1,181.86	0.0%	-0.9%
LUSE All Share	Zambia	2,628.22	1.5%	-6.0%
MASI	Malawi	5,155.10	0.0%	0.0%
ZSE Industrial	Zimbabwe	140.37	-5.5%	-7.6%

Source: Respective Exchange Websites; YTD = Year to Date (i.e., 31st December 2009)

WEEKLY STATISTICS

	19-02-10	26-02-10	Change
Market Cap (Ksh bn)	914	922	0.9%
Traded Volume (mn)	76	87	15.0%
Weekly Turnover (Ksh mn)			
Equity	896	915	2.0%
Bonds	9,004	8,868	-1.5%
Weekly Deals			
Equity	8,775	8,250	-6.0%
Bonds	187	107	-42.8%

Source: NSE

MARKET MOVERS

Weekly Price Gainers		
Kakuzi Limited	47.25	31.3%
Rea Vipingo Plantations	15.20	20.6%
Sasini Limited	8.75	12.2%
Weekly Price Losers		
CMC Holdings	10.40	-7.1%
BOC (Gases) Kenya	151.00	-2.6%
Kenya Commercial Bank	20.50	-2.4%
Weekly Volume Movers		
Safaricom Limited	59,633,700	74.7%
Mumias Sugar	6,756,900	291.7%
Kenya Commercial Bank	5,697,900	630.0%

Source: NSE

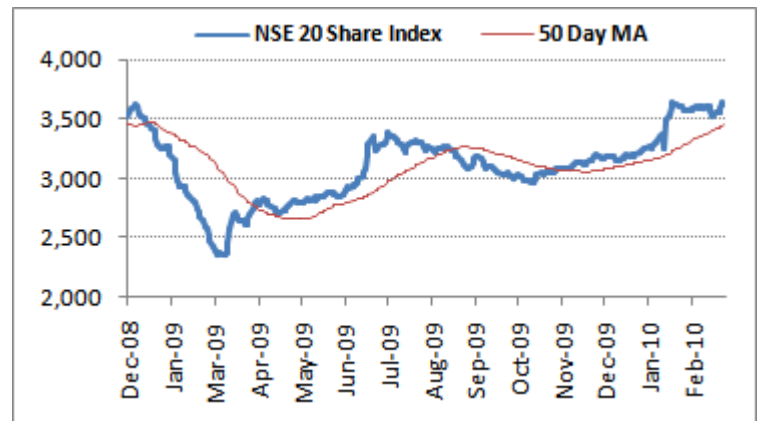
RECOMMENDED BUYS

Company	Duration	Price	PE	Div Yld
Standard Chart. Bank	Long Term	178.00	15.7x	5.62%
Bamburi Cement	Long Term	170.00	9.3x	6.47%
TPS Eastern Africa	Short Term	47.00	22.4x	2.66%
Kenya Reinsurance	Short Term	12.80	6.5x	3.91%
Mumias Sugar	Short Term	9.95	9.5x	4.02%

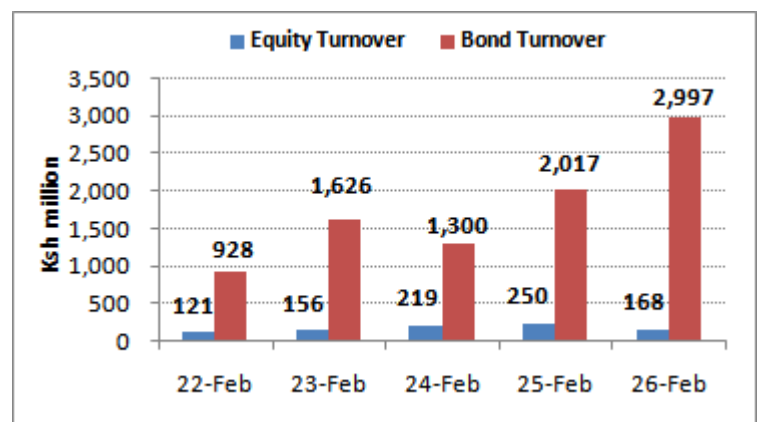
IN THE NEWS

Last week the NSE blue chips and overall market closed the week higher. The regional markets posted positive gains but the NSE Index came out on top. Turnover & volumes on the equity board edged higher as the earnings season picked up speed. The NSE 20 Index seems to be moving away from 50 day SMA and we estimate that the main index PE dropped from 16.1x to 15.2x due to earnings adjustments for 2009.

The weekly gainers all came from the agricultural sector, whose prices over the last two years have been depressed. The cyclical nature of their business has made investors perceive them as high risk investments; however, we are putting a lot of faith in global prices for soft commodities to bolster agricultural earnings. Kakuzi Limited is expected to announce its earnings on 5th March. We have added TPS Eastern Africa to our prospective buy list following the announcement of higher receipts from the tourism sector.



Source: NSE



Source: NSE

Monetary Policy Operations

The money market was fairly liquid during the week from 18th to 24th February, 2010, with the CBK injecting only Ksh2.5 billion through its market operations. We expect next week’s omo report to reflect tighter liquidity & more injections owing to the oversubscriptions realized for both the 91 day T-bill and 3rd IFRB (whose value date fell on 1st March, 2010). Last week the reverse repo rate has dropped 11bp from 2.61% to 2.50%.

Exchange Rate Movements

Last week the dollar/shilling exchange rate saw less volatility and the shilling strength was attributed to export proceeds from tea exports and demand for the dollar by importers.

	19-02-10	26-02-10	
Ksh to US Dollar	77.05	76.90	0.19%
Ksh to Sterling Pound	118.61	117.53	0.91%
Ksh to Euro	103.74	104.48	-1.05%
Ksh to Rand	10.02	9.92	1.05%
Ugx to Ksh	26.14	26.61	1.78%
Tsh to Ksh	17.43	17.71	1.65%
Ksh to Dirham	20.98	20.94	0.19%
Ksh to Yen	83.84	86.13	-2.73%

Source: Central Bank of Kenya

Treasury Bill Auction Results

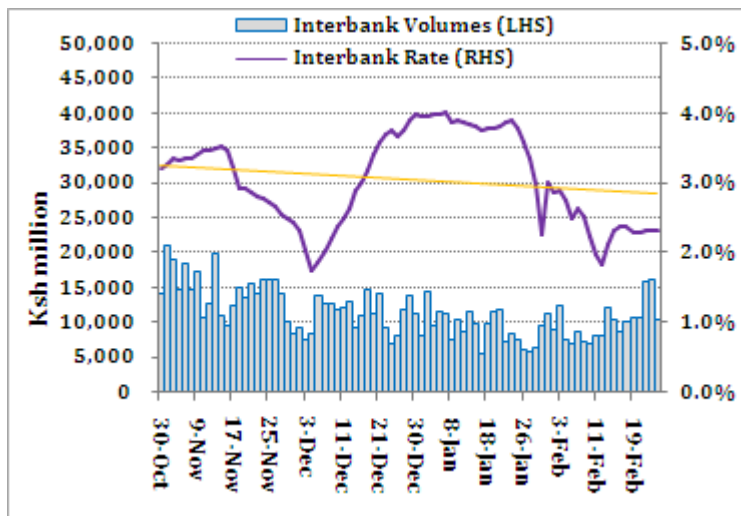
Last week’s 91-day T-bill was oversubscribed registering a 137.6% subscription and the average rate climbed marginally by 5bp to 6.25%. The rise in rates was attributed to the Treasury competing to attract bidders away from infrastructure bond. Since the start of February 2010 this is the fourth time out of the six T-bill auctions that bidders have been allocated 100%. The gross domestic debt is up 26.4% at Ksh605.40 bn over a similar period in 2009 and the appetite for government debt is still high. This week the Treasury is expected to garner Ksh4.0 bn in new borrowings from the 182 day T-bill auction.

Treasury Bond Market

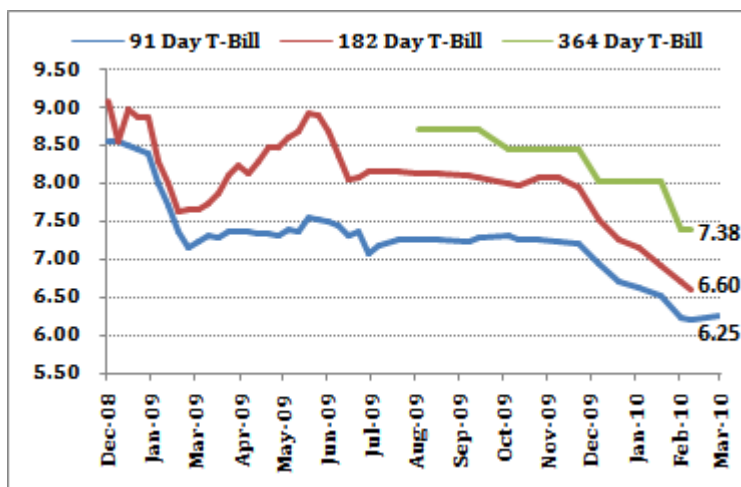
The yield curve reflects the changes at times when infrastructure bonds have been issued. The 8 year IFRB attracted a 243% subscription and the average redemption yield dipped 296 bp from 12.537% to 9.579%. Secondary trading in the long term paper was fairly liquid with the 10 year bond turning over Ksh1.8 bn (\$24 mn) against Ksh2.3 bn (\$30 mn) the previous week. The infrastructure bonds traded well realizing Ksh1.4 bn from 26 deals versus Ksh300 mn from 4 deals the previous week. The curve is expected to lower as the statistics bureau announces lower headline & core inflation data later this week.

Interbank Activity

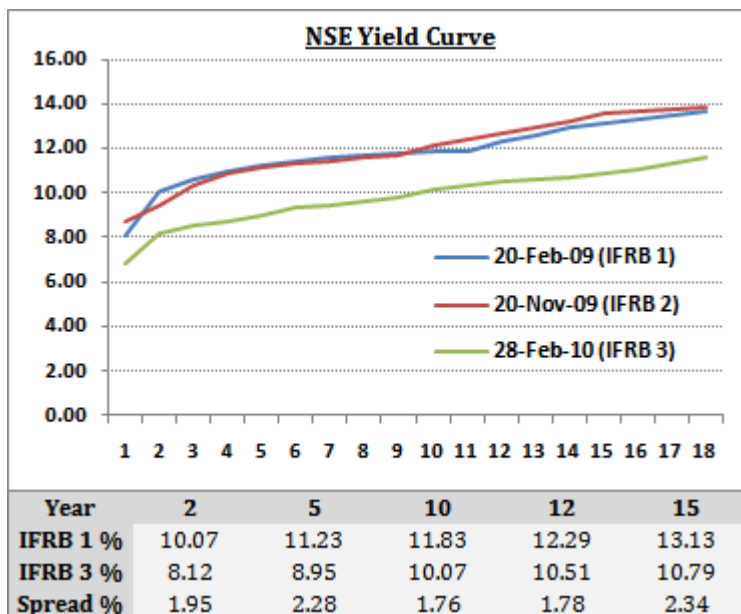
The average interbank rate rose 10bp from 2.19% to 2.29% last week with interbank liquidity high ahead of the bond offering. Volumes rose 29.2% from Ksh49.3 b to Ksh63.7 b.



Source: Central Bank of Kenya



Source: Central Bank of Kenya



Source: NSE

A summary of NSE earnings announcements so far for the 2009 financial year

Company					Per Share Data		
	Revenues	Change	Net Profit	Change	Earnings	Dividends	Change
Rea Vipingo Plantations	1,371.1	1.1%	148.9	-11.5%	2.48	0.50	150.0%
Sasini Limited	2,182.1	49.2%	526.0	-39.9%	2.30	0.40	
Car & General	4,349.5	45.1%	198.0	-6.5%	8.80	0.67	0.0%
CMC Holdings	11,728.1	2.1%	539.6	-41.8%	0.93	0.35	-22.2%
Kenya Airways	71,829.0	18.8%	(4,083.0)	-189.2%	(8.85)	1.00	-42.9%
Marshalls EA	592.8	-33.7%	(117.5)	-30.8%	(8.16)	0.00	
Safaricom Limited	70,480.0	14.8%	10,610.0	-23.4%	0.27	0.10	100.0%
Uchumi Supermarkets	8,232.8	21.2%	420.6	342.3%	2.34	0.00	
Barclays Bank	23,397.3	-1.0%	6,091.0	10.2%	4.49	2.50	25.0%
Centum Investments	391.6	-32.7%	313.2	-63.9%	0.57	0.45	0.0%
Equity Bank	15,676.2	24.4%	4,234.0	8.3%	1.14	0.40	33.3%
Kenya Commercial Bank	22,593.8	16.3%	4,083.9	-2.5%	1.84	1.00	0.0%
NIC Bank	3,875.5	21.4%	1,085.7	4.6%	3.31	0.50	0.0%
Olympia Capital	501.9	-63.3%	(61.4)	-398.3%	(1.53)	0.10	-50.0%
BOC Gases	1,285.4	0.1%	153.9	-23.2%	7.88	6.80	0.0%
Bamburi Cement	29,994.0	9.2%	6,649.0	108.6%	18.32	11.00	83.3%
Carbacid Investments	552.9	42.8%	256.4	53.7%	22.63	15.00	50.0%
East African Cables	2,811.9	-28.4%	308.1	-21.5%	1.52	1.00	0.0%
Portland Cement	8,101.4	12.4%	1,834.1	241.8%	20.38	1.30	-50.0%
East African Breweries	34,407.7	5.9%	7,188.5	-4.8%	9.09	8.05	0.0%
Eveready East Africa	1,645.2	-7.3%	28.3	58.5%	0.14	0.00	
KPLC	66,363.0	58.9%	3,225.0	82.7%	40.78	8.00	100.0%
KenGen	12,652.4	9.6%	2,070.9	-64.9%	0.94	0.50	-44.4%
Mumias Sugar	11,791.7	-1.5%	1,610.0	32.6%	1.05	0.40	0.0%
Sameer Africa	3,278.1	8.3%	158.0	4.7%	0.57	0.50	
Unga Group	11,643.6	23.2%	117.3	-49.4%	1.86	0.00	
City Trust	36.2	-3.7%	29.4	-10.0%	5.13	1.00	100.0%
Williamson Tea	1,490.0	25.7%	109.9	212.7%	12.62	4.00	700.0%
Kapchorua Tea	743.1	29.2%	69.9	200.2%	17.87	2.50	400.0%

Source: Published Results

Expected earnings announcements this week

COMPANY	EXPECTED EVENT	DATE
BAT Kenya	Full Year Earnings	2-Mar-2010
Housing Finance	Full Year Earnings	3-Mar-2010
Standard Chartered Bank	Full Year Earnings	3-Mar-2010
Kakuzi Limited	Full Year Earnings	5-Mar-2010
Co-Operative Bank	Full Year Earnings	5-Mar-2010

NSE STOCK MARKET WATCH – 26th FEBRUARY 2010

LARGE TO MEDIUM CAP STOCKS

Ordinary Shares	Average prices Last Fri	Average prices This Fri	Weekly Price Change	Traded Shares	Shares Issued (mn)	Market Capitalization KSh mn	USD mn	Weekly Turnover KSh mn	EPS KSh	P / E	PBV	2009 1st Qtr EPS	2009 Half Year EPS	2009 9 month EPS	DPS KSh	Div Cover (times)
Safaricom Limited	5.35	5.40	0.9%	59,633,700	40,000	216,000.0	2,808.9	321.3	0.27	20.4	4.0	-	0.17	-	0.10	2.7
E. A. Breweries	152.00	152.00	0.0%	318,800	791	120,197.7	1,563.1	48.3	9.09	16.7	5.3	-	4.67	-	8.05	1.1
Barclays Bank Kenya	49.75	50.50	1.5%	394,900	1,358	68,573.1	891.8	20.0	4.49	11.2	2.8	-	-	-	2.50	1.8
Equity Bank	15.50	15.60	0.6%	2,156,700	3,703	57,763.3	751.2	33.6	1.14	13.7	2.5	-	-	-	0.40	2.9
Bamburi Cement	167.00	170.00	1.8%	29,100	363	61,703.1	802.4	4.9	18.32	9.3	2.9	-	-	-	11.00	1.7
K.C.B.	21.00	20.50	-2.4%	5,697,900	2,218	45,464.4	591.2	119.5	1.84	11.1	2.0	-	-	-	1.00	1.8
Standard Chartered Bank Kenya	173.00	178.00	2.9%	228,700	272	48,410.3	629.5	40.3	11.34	15.7	3.7	3.81	8.60	13.52	10.00	1.1
Co-Operative Bank	9.85	9.75	-1.0%	2,176,600	3,636	35,455.2	461.1	21.3	0.80	12.2	2.3	0.21	0.40	0.59	0.10	8.0
KenGen	13.50	13.40	-0.7%	532,600	2,198	29,458.0	383.1	7.2	0.94	14.3	0.5	-	0.39	-	0.50	1.9
Kenya Airways	48.00	49.50	3.1%	950,400	462	22,850.0	297.1	47.2	(8.85)	-5.6	1.3	-	1.84	-	1.00	(8.9)
Nation Media Group	121.00	124.00	2.5%	20,700	143	17,683.7	230.0	2.5	9.03	13.7	3.8	-	2.71	-	5.50	1.6
Mumias Sugar	10.15	9.95	-2.0%	6,756,900	1,530	15,223.5	198.0	67.8	1.05	9.5	1.5	-	0.68	-	0.40	2.6
K.P.L.C	150.00	161.00	7.3%	186,900	79	12,739.6	165.7	28.0	40.78	3.9	0.5	-	23.67	-	8.00	5.1
B.A.T. Kenya	190.00	191.00	0.5%	90,600	100	19,100.0	248.4	17.2	17.01	11.2	4.2	-	8.58	-	17.00	1.0
NIC Bank	35.25	36.00	2.1%	167,100	326	11,749.0	152.8	5.9	3.31	10.9	1.7	-	-	-	0.50	6.6
CFC Stanbic Bank	44.00	44.25	0.6%	26,000	274	12,110.3	157.5	1.1	3.35	13.2	0.6	-	1.75	-	1.00	3.4
Diamond Trust Bank	70.00	71.50	2.1%	86,900	163	11,657.2	151.6	6.3	6.28	11.4	1.5	1.56	3.21	4.96	1.40	4.5
Kenol Kobil Group	63.00	63.50	0.8%	43,900	147	9,345.7	121.5	2.8	8.37	7.6	1.0	-	(2.93)	-	8.59	1.0
Kenya Reinsurance	12.85	12.80	-0.4%	391,900	600	7,680.0	99.9	5.0	1.97	6.5	0.9	-	0.95	1.40	0.50	3.9
National Bank	39.25	39.75	1.3%	129,800	200	7,950.0	103.4	5.1	4.50	8.8	1.1	1.11	2.66	3.59	0.00	-
East African Portland Cement	80.00	85.00	6.3%	8,500	90	7,650.0	99.5	0.7	20.38	4.2	1.2	-	7.00	-	1.30	15.7
CMC Holdings	11.20	10.40	-7.1%	360,500	583	6,060.2	78.8	25.7	0.93	11.2	1.1	-	-	-	0.35	2.7
Athi River Mining	104.00	104.00	0.0%	26,400	99	10,301.7	134.0	2.7	5.08	20.5	4.3	-	3.03	4.57	1.25	4.1
Centum Investments	12.60	12.50	-0.8%	334,900	550	6,874.4	89.4	4.2	0.57	21.9	1.0	-	0.13	-	0.00	-

Source: Nairobi Stock Exchange *Exchange rate as at 26th February, 2010 was US\$ 1 Dollar = Ksh 76.8972

SMALL CAP STOCKS

Ordinary Shares	Average prices Last Fri	Average prices This Fri	Weekly Price Change	Traded Shares	Shares Issued (mn)	Market Capitalization KSh mn	Market Capitalization USD mn	Weekly Turnover KSh mn	EPS KSh	P / E	PBV	2009 1st Qtr EPS	2009 Half Year EPS	2009 9 month EPS	DPS KSh	Div Cover (times)
Jubilee Holdings	135.00	135.00	0.0%	6,300	45	6,075.0	79.0	0.9	14.14	9.5	1.8	-	5.38	-	3.25	4.4
East African Cables	22.00	22.50	2.3%	208,900	203	4,556.3	59.3	4.8	1.52	14.8	2.7	-	-	-	1.00	1.5
TPS Eastern Africa	46.50	47.00	1.1%	22,600	106	4,975.6	64.7	1.0	2.10	22.4	1.3	-	0.67	-	1.25	1.7
Total Kenya	30.25	31.00	2.5%	59,500	175	5,427.0	70.6	1.9	4.02	7.7	1.1	(0.62)	0.21	1.30	2.50	1.6
Scangroup Limited	26.50	26.75	0.9%	137,100	221	5,903.4	76.8	3.7	1.79	14.9	2.8	-	0.66	-	0.62	2.9
Access Kenya	20.25	20.75	2.5%	588,100	200	4,147.6	53.9	12.1	0.99	21.0	3.8	-	0.37	-	0.40	2.5
Housing Finance	17.10	17.55	2.6%	475,500	230	4,036.5	52.5	8.3	0.77	22.9	1.1	0.21	0.40	0.60	0.30	2.6
Carbacid Investments	99.50	100.00	0.5%	18,900	34	3,398.0	44.2	0.1	7.54	13.3	2.9	-	-	-	5.00	1.5
BOC (Gases) Kenya	155.00	151.00	-2.6%	2,800	20	2,948.3	38.3	1.0	7.88	19.2	1.9	-	-	-	6.80	1.2
Standard Group	35.50	37.75	6.3%	3,800	73	2,766.1	36.0	0.1	3.57	10.6	2.5	-	1.24	-	1.10	3.2
Pan African Holdings	45.00	45.00	0.0%	300	48	2,160.0	28.1	0.0	(2.00)	-22.5	1.8	-	0.37	-	0.00	-
Sasini Limited	7.80	8.75	12.2%	3,081,900	228	1,995.5	26.0	25.7	2.30	3.8	0.4	-	-	-	0.40	5.8
Sameer Africa Group	6.40	6.55	2.3%	398,500	278	1,823.1	23.7	2.6	0.54	12.1	0.8	-	0.17	-	0.00	-
Williamson Tea	130.00	134.00	3.1%	59,800	9	1,173.3	15.3	8.0	12.62	10.6	0.4	-	24.18	-	4.00	3.2
Eveready East Africa	3.60	3.55	-1.4%	98,100	210	745.5	9.7	0.3	0.14	26.3	1.9	-	-	-	0.00	-
Rea Vipingo Plantations	12.60	15.20	20.6%	618,100	60	912.0	11.9	8.9	2.48	6.1	0.8	-	-	-	0.50	5.0
Car & General	33.50	34.00	1.5%	84,300	22	757.5	9.9	2.7	8.80	3.9	0.6	-	4.33	-	0.67	13.1
Crown Berger	24.75	27.00	9.1%	22,100	24	640.6	8.3	0.6	1.20	22.5	0.7	-	1.75	-	1.00	1.2
Unga Group	9.15	9.70	6.0%	43,200	76	734.4	9.6	0.4	1.55	6.3	0.2	-	1.32	-	0.00	-
Kakuzi Limited	36.00	47.25	31.3%	51,500	20	926.1	12.0	2.2	13.12	3.6	0.6	-	1.19	-	1.00	13.1
Express Kenya	8.80	9.00	2.3%	10,100	35	318.6	4.1	0.1	(1.24)	-7.3	0.7	-	0.72	-	0.00	-
City Trust	100.00	100.00	0.0%	100	5	520.8	6.8	0.0	5.13	19.5	2.0	-	-	-	1.00	5.1
Total NSE Market				86,840,100	62,481	923,228.4	12,006.0	910.3								

Source: Nairobi Stock Exchange *Exchange rate as at 26th February, 2010 was US\$ 1 Dollar = Ksh 76.8972

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