

AFRICAN MARKET WATCH

INDEX	COUNTRY	CLOSE	Weekly Chg	YTD
NSE-20 Index	Kenya	4,226.03	2.8%	30.1%
NASI All Share	Kenya	89.52	1.8%	25.0%
PBI-27 Index	Kenya	520.90	1.4%	20.7%
ALSI	Uganda	941.21	1.7%	28.5%
DSEI	Tanzania	1,167.56	0.0%	-2.1%
LUSE All Share	Zambia	2,898.92	1.0%	3.7%
MASI	Malawi	4,940.04	0.4%	-4.2%
ZSE Industrial	Zimbabwe	131.55	-3.2%	-13.4%

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

WEEKLY STATISTICS

	16-04-10	23-04-10	Change
Market Cap (Ksh bn)	1,024	1,042	1.8%
Traded Volume (mn)	117	94	-19.7%
Weekly Turnover (Ksh mn)			
Equity	1,997	1,597	-20.0%
Bonds	5,349	3,286	-38.6%
Weekly Deals			
Equity	9,684	10,739	10.9%
Bonds	60	109	81.7%

Source: NSE

MARKET MOVERS

Weekly Price Gainers		
Mumias Sugar	13.10	18.3%
Centum Investments	17.35	13.4%
Portland Cement	108.00	8.0%
Weekly Price Losers		
Williamson Tea	180.00	-8.6%
Eaagads Limited	47.75	-8.2%
Sameer Africa	9.00	-5.3%
Weekly Volume Movers		
Safaricom Limited	32,246,100	-54.8%
Equity Bank	18,215,800	197.5%
Mumias Sugar	13,130,300	196.8%

Source: NSE

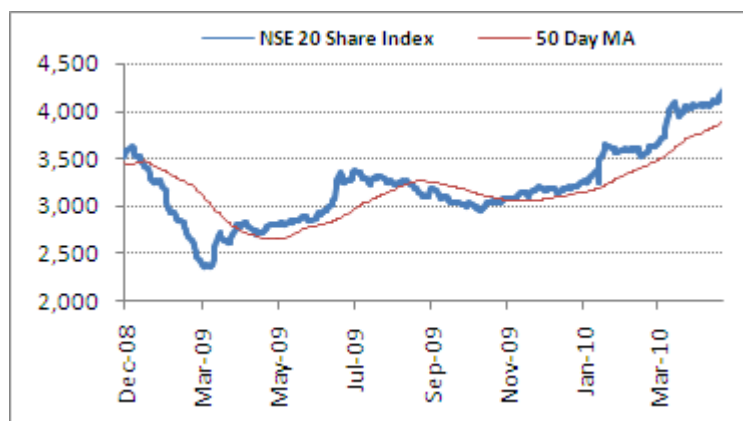
RECOMMENDED BUYS

Company	Duration	Price	PE	Div Yld
Equity Bank Group	Long Term	18.40	16.1x	2.17%
KPLC	Long Term	180.00	4.4x	4.44%
Diamond Trust Bank	Long Term	84.50	11.0x	1.83%
Kenya Reinsurance	Short Term	14.35	7.3x	3.48%
Scangroup Limited	Short Term	27.00	15.1x	2.30%

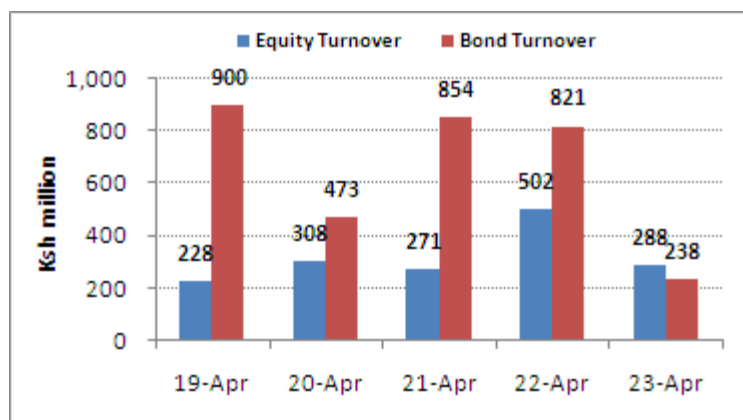
IN THE NEWS

Last week the NSE blue chips and overall market closed the week up strong. The performance was largely reflected in regional markets except Zimbabwe and we had expected the index to step out of its low volatility ahead of the 1st quarter earnings season. The index recorded a new 52 week high at 4,226.03 and the NSE 20 P/E rose marginally from 16.1x to 16.5x. It's likely that investors may begin to taking profits following the paper gains recorded over the past week and we caution buyers not to get caught chasing prices.

The consensus among economists in the region indicates the economy is still on a positive trajectory expected to grow by over 3.5%. The Q1 performance from Equity Bank may be a key driving force for a possible upswing in prices mainly for financial counters. Equity results illustrated that bank profit margins may widen due to a lower cost of funds and higher fees income. These factors along with the continued participation of foreign buyers may see the current rally sustained.



Source: NSE



Source: NSE

MONEY MARKET WATCH

Monetary Policy Operations

The money market was fairly tight during the week ending 21st April, 2010. The CBK was active in the repo market injecting Ksh 24.7 bn (Ksh10 bn on 19th April) & added further liquidity through the overnight window lending banks Ksh 584 mn. We expect tightness in the following week particularly on 26th April, 2009 as reserve money deficits (vs CBK targets) will need to be propped up to support recently issued treasury securities (i.e., assuming the build up of govt deposits at CBK continue). Last week the reverse repo rate dipped 4 bp to 2.42%.

Exchange Rate Movements

Last week the dollar/shilling exchange rate saw high volatility. The availability of dollars in the market was severely affected by the airline crisis as trading of Kenyan goods were disrupted.

	16-04-10	23-04-10	
Ksh to US Dollar	77.03	77.38	-0.45%
Ksh to Sterling Pound	118.75	118.79	-0.04%
Ksh to Euro	104.24	102.43	1.73%
Ksh to Rand	10.46	10.33	1.25%
Ugx to Ksh	26.87	26.95	0.27%
Tsh to Ksh	17.73	17.87	0.75%
Ksh to Dirham	20.97	21.07	-0.45%
Yen to Ksh	83.09	82.88	0.25%

Source: Central Bank of Kenya

Treasury Bill Auction Results

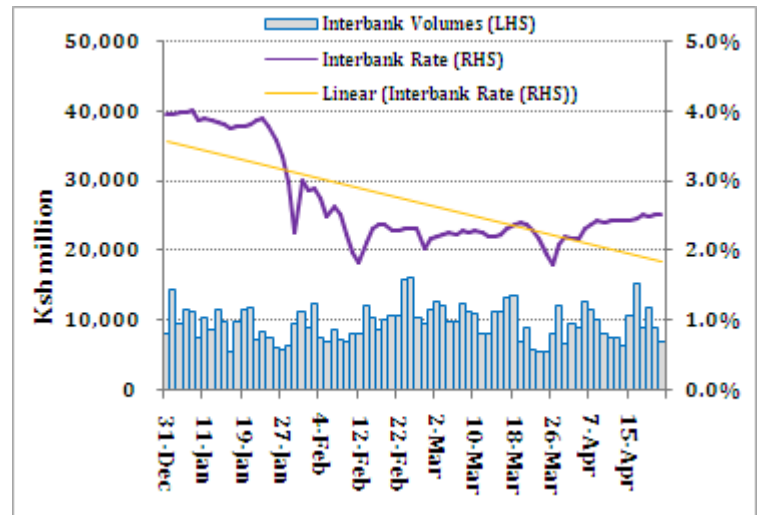
Last week's 91D T-bill was oversubscribed recording a 306% subscription while the average interest rates also dropped 63bp to 4.90% from 5.53% previously; the rate spread on the 91 and 182 also rose by 30bp as interest in the 91D T-bill picked up. The drop in rates may be part of a harmonized monetary policy framework shared amongst the EA countries where rates have plunged. This week Treasury is expected to realize Ksh4.6 bn in new borrowing. Kenya's gross domestic debt is now up by only 28.3% to Ksh 638.3 bn over a similar period in 2009.

Treasury Bond Market

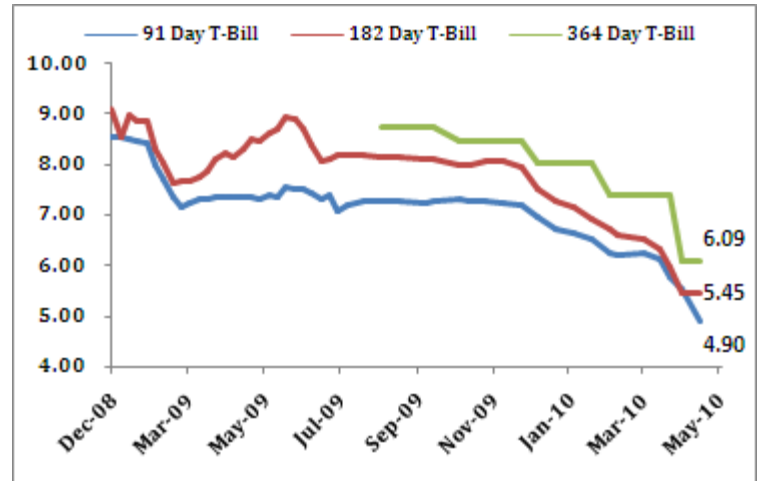
The NSE yield curve remained largely unchanged over last week and the medium term 5 year papers performed the best during the week trading about Ksh940 mn (\$12 m) vs Ksh2.0 bn (\$26 m) last week. The auction for a 10 year govt bond was oversubscribed by 140% & the average redemption yield closed 319bp down to 8.63% (close to the 10 year paper we looked at last week). We suspect that the longer maturity bond yields may have flattened; but, as we come to the end of the month we'll wait to see how the inflation picture for April pans out.

Interbank Activity

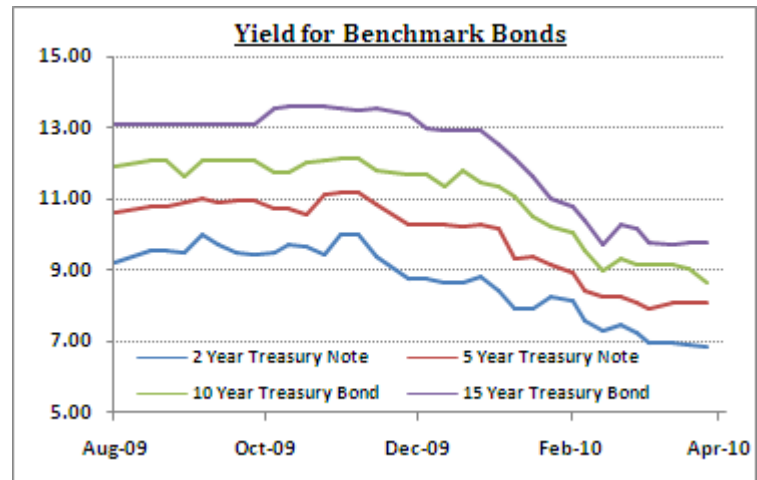
The average interbank rate rose by 6 bp from 2.43% to 2.49% in the week ended April 22, 2010. Interbank volumes rose by 28.5% from Ksh40.3 billion to Ksh51.8 billion. Govt borrowing has been high in 2010, but the recent tightness in interbank liquidity has been attributed to a build of govt deposits at CBK, not yet spent into clearing accounts.



Source: Central Bank of Kenya



Source: Central Bank of Kenya



Source: NSE

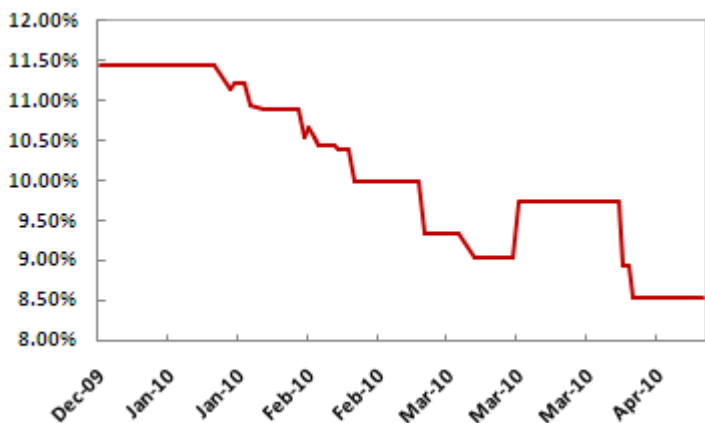
Outlook

The fixed income markets have proved highly lucrative to a wide array of investors and these instruments have enable investors to earn a fixed dividend at very low risk. The bond to equity ratio reflected a flight-to-quality between February and March; however, the focus seems to be moving back in favour of equities. Growth in weekly bond deals and turnover have dropped at a time when interest rates are falling and inflation is under control (that had augured well for NSE bond turnover)

Throughout the second half of 2009 the economic outlook was dire particularly following the announcement of 3rd Qtr GDP growth; This resulted in many portfolios becoming highly skewed toward government and corporate bonds. However, high 2010 GDP growth estimates have shifted focus to equities whose valuations have been positively impacted by a lower WACC (resulting from lower inflation and risk free rate).

The increased allocation on bonds 2009 meant that investors were finely poised to benefit from upward movements in bond prices (or lowering of bond yields). We can use comparisons of two NSE 10 yr bonds to see the impact the CBK’s expansionary monetary policy has had on pricing. We expect short term T-bill rates to drop but the rise in bond prices to be more gradual.

T-Bond Yields (10 Year) – FXD1/2009/10Yr



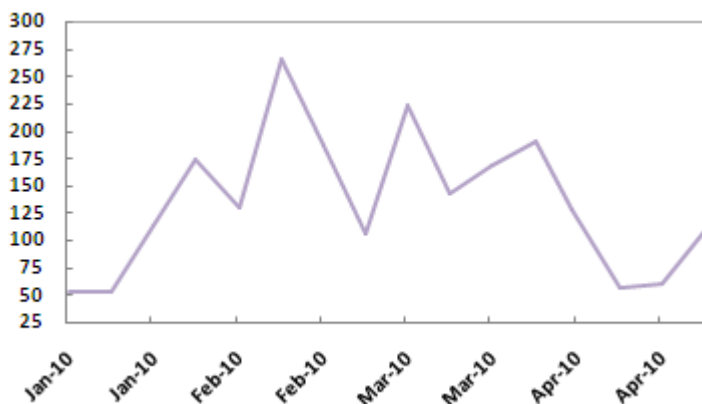
Source: Nairobi Stock Exchange

Bond/Equity Ratio

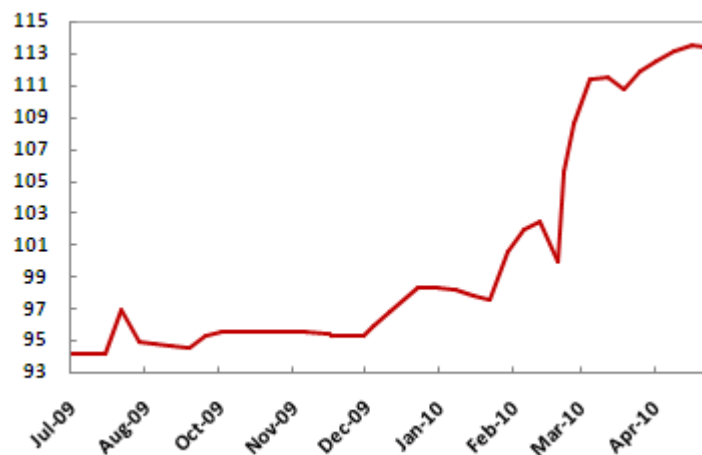


Source: Nairobi Stock Exchange

Weekly Bond Deals Executed



Clean T-Bond Prices – FXD 2/2008/10Yr (Re-opened)



Source: Nairobi Stock Exchange

Expected dates for corporate actions

COMPANY	EXPECTED EVENT	DATE
Kenya Reinsurance	Full Year Earnings	28-Apr-2010
Sasini Limited	6 Month Earnings	29-Apr-2010
Crown Berger	Full Year Earnings	30-Apr-2010
Express Kenya	Full Year Earnings	30-Apr-2010
Kenya Commercial Bank	1st Qtr Earnings	30-Apr-2010
Housing Finance	1st Qtr Earnings	5-May-2010
Kenya Orchards	Full Year Earnings	5-May-2010
Eaagads Limited	Full Year Earnings	7-May-2010
CMC Holdings	6 Month Earnings	8-May-2010

NSE STOCK MARKET WATCH – 23RD APRIL 2010

LARGE TO MEDIUM CAP STOCKS

Ordinary Shares	Price Gain YTD	Average prices Last Fri	Average prices This Fri	Weekly Price Change	Weekly Traded Shares	Shares Issued (mn)	Market Capitalization KSh mn	Market Capitalization USD mn	Weekly Turnover Ksh mn	12m EPS Ksh	12m P / E	2010 3m EPS	6m EPS	9m EPS	DPS Ksh	12m Div Yld	Div Cover (times)
Safaricom Limited	27%	5.80	5.80	0.0%	32,246,100	40,000	232,000.0	2,998.3	185.2	0.27	21.9	-	0.17	-	0.10	1.72%	2.7
E. A. Breweries	18%	171.00	171.00	0.0%	342,200	791	135,222.4	1,747.5	58.5	9.09	18.8	-	4.67	-	8.05	4.71%	1.1
Barclays Bank Kenya	30%	60.00	58.50	-2.5%	805,500	1,358	79,436.2	1,026.6	47.4	4.49	13.0	-	-	-	2.50	4.27%	1.8
Bamburi Cement	19%	185.00	185.00	0.0%	936,000	363	67,147.5	867.8	173.2	18.32	10.1	-	-	-	11.00	5.95%	1.7
Standard Chartered Bank Kenya	19%	188.00	192.00	2.1%	71,100	272	52,217.8	674.8	13.5	16.78	11.4	-	-	-	12.00	6.25%	1.4
Equity Bank	28%	17.15	18.40	7.3%	18,215,800	3,703	68,131.1	880.5	324.5	1.14	16.1	0.34	-	-	0.40	2.17%	2.9
K.C.B.	12%	22.50	23.00	2.2%	7,916,700	2,218	51,008.9	659.2	180.6	1.84	12.5	-	-	-	1.00	4.35%	1.8
Co-Operative Bank	29%	10.70	11.55	7.9%	6,120,600	3,636	42,000.7	542.8	67.7	0.85	13.6	-	-	-	0.20	1.73%	4.3
KenGen	20%	15.50	15.50	0.0%	1,168,900	2,198	34,074.6	440.4	17.9	0.94	16.5	-	0.39	-	0.50	3.23%	1.9
Kenya Airways	65%	59.00	59.00	0.0%	1,338,800	462	27,235.3	352.0	77.7	(8.85)	-6.7	-	1.84	-	1.00	1.69%	-
K.P.L.C	29%	174.00	180.00	3.4%	27,800	79	14,243.0	184.1	4.9	40.78	4.4	-	23.67	-	8.00	4.44%	5.1
Nation Media Group	19%	138.00	140.00	1.4%	96,400	143	19,965.5	258.0	13.4	7.74	18.1	-	-	-	5.50	3.93%	1.4
Mumias Sugar	91%	11.05	13.10	18.6%	13,130,300	1,530	20,043.0	259.0	162.1	1.05	12.5	-	0.68	-	0.40	3.05%	2.6
B.A.T. Kenya	10%	190.00	195.00	2.6%	146,400	100	19,500.0	252.0	28.5	14.78	13.2	-	-	-	14.75	7.56%	1.0
NIC Bank	20%	37.00	37.50	1.4%	536,800	359	13,462.4	174.0	19.5	3.02	12.4	-	-	-	0.45	1.20%	6.7
CFC Stanbic Bank	6%	44.00	47.50	8.0%	293,700	274	12,999.8	168.0	13.5	(0.22)	-215.9	-	-	-	0.00	0.00%	-
Diamond Trust Bank	21%	79.00	84.50	7.0%	144,000	163	13,776.6	178.0	12.1	7.67	11.0	-	-	-	1.55	1.83%	4.9
Kenol Kobil Group	65%	78.00	82.50	5.8%	42,300	147	12,142.0	156.9	3.4	8.77	9.4	-	-	-	3.25	3.94%	2.7
Kenya Reinsurance	23%	13.95	14.35	2.9%	1,196,600	600	8,610.0	111.3	16.7	1.97	7.3	-	0.95	1.40	0.50	3.48%	3.9
National Bank	13%	44.75	44.25	-1.1%	828,400	280	12,390.0	160.1	36.0	4.01	11.0	-	-	-	0.00	-	-
East African Portland Cement	35%	100.00	108.00	8.0%	5,000	90	9,720.0	125.6	0.5	20.38	5.3	-	7.00	-	1.30	1.20%	15.7
CMC Holdings	22%	12.90	13.90	7.8%	1,202,400	583	8,099.7	104.7	10.6	0.93	14.9	-	-	-	0.35	2.52%	2.7
Athi River Mining	4%	114.00	115.00	0.9%	56,000	99	11,391.3	147.2	6.4	6.52	17.6	-	-	-	1.50	1.30%	4.3

Source: Nairobi Stock Exchange *Exchange rate as at 23rd April, 2010 was US\$ 1 Dollar = Ksh 77.3784

SMALL CAP STOCKS

Ordinary Shares	Price Gain YTD	Average prices Last Fri	Average prices This Fri	Weekly Price Change	Weekly Traded Shares	Shares Issued (mn)	Market Capitalization KSh mn	Market Capitalization USD mn	Weekly Turnover Ksh mn	12m EPS Ksh	2010 12m P / E	2010 3m EPS	2010 6m EPS	2010 9m EPS	DPS Ksh	12m Div Yld	Div Cover (times)	
Centum Investments	54%	15.30	17.35	13.4%	2,373,900	550	9,541.7	123.3	38.1	0.57	30.4	-	0.13	-	0.00	-	-	
Jubilee Holdings	48%	164.00	170.00	3.7%	24,700	45	7,650.0	98.9	4.2	18.33	9.3	-	-	-	4.50	2.65%	4.1	
Scangroup Limited	6%	27.75	27.00	-2.7%	182,500	221	5,958.6	77.0	5.1	1.79	15.1	-	0.66	-	0.62	2.30%	2.9	
East African Cables	5%	21.25	21.25	0.0%	125,200	203	4,303.1	55.6	2.7	1.52	14.0	-	-	-	1.00	4.71%	1.5	
TPS Eastern Africa	46%	63.50	65.50	3.1%	53,700	106	6,934.1	89.6	3.5	3.60	18.2	-	-	-	1.25	1.91%	2.9	
Total Kenya	2%	30.00	30.25	0.8%	35,200	175	5,295.7	68.4	1.1	1.62	18.7	-	-	-	1.00	3.31%	1.6	
Access Kenya	-3%	19.85	19.55	-1.5%	977,400	200	3,907.8	50.5	19.2	0.76	25.7	-	-	-	0.30	1.53%	2.5	
Housing Finance	2%	17.30	18.35	6.1%	349,200	230	4,220.5	54.5	6.3	1.02	18.0	-	-	-	0.50	2.72%	2.0	
Carbacid Investments	30%	126.00	134.00	6.3%	8,000	34	4,553.4	58.8	0.6	7.54	17.8	-	4.58	-	5.00	3.73%	1.5	
Standard Group	11%	43.75	42.00	-4.0%	13,700	73	3,077.6	39.8	0.6	3.25	12.9	-	-	-	0.50	1.19%	6.5	
BOC (Gases) Kenya	-7%	137.00	140.00	2.2%	16,700	20	2,733.6	35.3	3.5	7.88	17.8	-	-	-	6.80	4.86%	1.2	
Pan African Holdings	24%	56.00	56.00	0.0%	8,800	48	2,688.0	34.7	0.5	2.90	19.3	-	-	-	1.70	3.04%	1.7	
Sasini Limited	101%	14.00	14.45	3.2%	744,100	228	3,295.4	42.6	10.6	2.30	6.3	-	-	-	0.40	2.77%	5.8	
Sameer Africa Group	80%	9.50	9.00	-5.3%	1,035,800	278	2,505.1	32.4	9.3	0.57	15.8	-	-	-	0.50	5.56%	1.1	
Williamson Tea	21%	197.00	180.00	-8.6%	3,000	9	1,576.1	20.4	0.5	12.62	14.3	-	24.18	-	4.00	2.22%	3.2	
Kakuzi Limited	150%	74.00	79.50	7.4%	19,000	20	1,558.2	20.1	1.5	17.34	4.6	-	-	-	2.50	3.14%	6.9	
Rea Vipingo Plantations	70%	20.25	19.50	-3.7%	56,500	60	1,170.0	15.1	1.1	2.48	7.9	-	-	-	0.50	2.56%	5.0	
Car & General	0%	35.00	35.00	0.0%	-	22	779.8	10.1	0.0	8.80	4.0	-	-	-	0.67	1.91%	13.1	
Unga Group	17%	10.40	10.50	1.0%	264,100	76	794.9	10.3	2.8	1.55	6.8	-	1.32	-	0.00	-	-	
Eveready East Africa	59%	4.35	4.60	5.7%	477,600	210	966.0	12.5	2.1	0.14	34.1	-	-	-	0.00	-	-	
Crown Berger	50%	34.50	36.00	4.3%	32,700	24	854.2	11.0	1.1	1.20	30.0	-	1.75	-	1.00	2.78%	1.2	
Express Kenya	32%	9.95	10.60	6.5%	4,500	35	375.3	4.8	0.0	(1.24)	-8.5	-	0.72	-	0.00	-	-	
City Trust	14%	120.00	120.00	0.0%	-	5	624.9	8.1	0.0	5.13	23.4	-	(0.16)	-	1.00	0.83%	5.1	
Total NSE Market					93,747,400	62,594	1,045,129.1	13,506.7	1,594.1									

Source: Nairobi Stock Exchange *Exchange rate as at 23rd April, 2010 was US\$ 1 Dollar = Ksh 77.3784 **YTD means from 31st December, 2009

SEARCHING FOR VALUE

Company	Average prices This Fri	12m PBV	12m EV / EBITDA	12m P/S	12m ROE	12m ROA	RSI OB OS	Stop Loss -10%	Company	Average prices This Fri	12m PBV	12m EV / EBITDA	12m P/S	12m ROE	12m ROA	RSI OB OS	Stop Loss -10%
Safaricom Limited	5.80	4.3	8.6	3.3	22.6%	12.8%	71	5.22	Barclays Bank Kenya	58.50	3.3			27.3%	3.7%	71	52.65
E. A. Breweries	171.00	5.9	10.3	3.9	31.6%	20.8%	74	153.90	Standard Chartered	192.00	3.8			35.9%	4.1%	79	172.80
Bamburi Cement	185.00	3.2	8.4	2.2	35.4%	22.0%	61	166.50	Equity Bank	18.40	2.9			19.9%	4.7%	53	16.56
Portland Cement	108.00	1.5	3.7	1.2	36.2%	17.4%	77	97.20	K.C.B.	23.00	2.2			18.6%	2.1%	60	20.70
Athi River Mining	115.00	2.8	12.0	2.2	20.6%	7.0%	66	103.50	Co-Operative Bank	11.55	2.6			19.9%	3.1%	82	10.40
Kenol Kobil Group	82.50	1.1	4.0	0.1	11.6%	4.4%	79	74.25	NIC Bank	37.50	2.0			18.2%	2.4%	60	33.75
Total Kenya	30.25	0.6	10.9	0.2	6.9%	2.1%	52	27.23	CFC Stanbic Bank	47.50	0.6			-0.3%	-0.1%	52	42.75
Nation Media Group	140.00	4.2	8.6	2.4	24.4%	16.7%	64	126.00	Diamond Trust Bank	84.50	1.7			19.4%	2.0%	66	76.05
Standard Group	42.00	2.4	5.8	1.1	21.1%	8.4%	57	37.80	National Bank	44.25	1.6			20.7%	3.1%	51	39.83
CMC Holdings	13.90	1.5	7.5	0.7	10.6%	4.2%	69	12.51	Housing Finance	18.35	1.0			6.1%	1.4%	61	16.52
Car & General	35.00	0.6	4.5	0.2	16.2%	6.6%	41	31.50	Kenya Reinsurance	14.35	1.0			19.4%	11.1%	73	12.92
Carbacid Investments	134.00	3.8	10.6	8.2	23.4%	19.8%	57	120.60	Jubilee Holdings	170.00	2.0			23.6%	3.8%	74	153.00
BOC (Gases) Kenya	140.00	1.7	8.9	2.1	10.3%	7.6%	40	126.00	Pan African Holdings	56.00	2.0			11.1%	2.0%	67	50.40
Mumias Sugar	13.10	1.9	13.2	1.7	16.9%	10.2%	84	11.79	Centum Investments	17.35	1.4			4.4%	4.3%	80	15.62
B.A.T. Kenya	195.00	4.2	7.8	1.8	30.9%	14.2%	61	175.50	City Trust	120.00	2.5			12.0%	11.7%	66	108.00
Scangroup Limited	27.00	2.8	10.6	1.0	22.9%	15.9%	54	24.30	Olympia Capital	8.00	0.6	4.4	0.6	-10%	-6.5%	57	7.20
East African Cables	21.25	2.6	6.2	1.5	19.6%	9.0%	47	19.13	KenGen	15.50	0.5	12.6	2.5	3.1%	1.9%	63	13.95
TPS Eastern Africa	65.50	1.7	11.0	1.7	6.0%	3.4%	81	58.95	K.P.L.C	180.00	0.5	3.2	0.2	12.7%	4.9%	70	162.00
Access Kenya	19.55	3.4	13.7	1.9	14.2%	8.1%	43	17.60	Kenya Airways	59.00	1.6	6.5	0.4	-19%	-5.3%	70	53.10
Unga Group	10.50	0.2	0.5	0.1	3.8%	2.3%	57	9.45	Sasini Limited	14.45	0.6	3.6	1.5	10.4%	7.1%	71	13.01
Eveready East Africa	4.60	2.4	14.1	0.6	7.4%	3.1%	65	4.14	Williamson Tea	180.00	0.6	5.8	1.1	4.3%	2.9%	61	162.00
Crown Berger	36.00	1.0	7.6	0.4	3.5%	1.6%	76	32.40	Kakuzi Limited	79.50	1.0	3.7	0.8	18.2%	10.2%	75	71.55
Express Kenya	10.60	0.9	10.9	0.5	-10.0%	-4.1%	58	9.54	Rea Vipingo	19.50	1.1	4.6	0.9	16.1%	9.8%	63	17.55

Source: FIB Research Estimates *Where information was not readily available we have used previous year figures (that are subject to change)

PBV includes intangible assets *For RSI a reading over 70 would be considered overbought (OB) and a reading below 30 would be considered oversold (OS)

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