

# Sub-Saharan Africa Eurobond Performance 2022, & Cytonn Weekly #27/2022

## Equities

### Market Performance:

During the week, the equities market was on an upward trajectory with NASI, NSE 20 and NSE 25 gaining by 8.4%, 4.3% and 6.7%, respectively, taking their YTD performance to losses of 19.0%, 11.6% and 15.7%, for NASI, NSE 20 and NSE 25, respectively. The equities market performance was mainly driven by gains recorded by large-cap stocks such as Safaricom of 12.7% as well as banking stocks such as KCB Group, Standard Chartered Bank (SCBK), Equity Group and ABSA, which recorded gains of 8.7%, 7.7%, 7.0% and 5.7%, respectively. The gains were however weighed down by losses recorded by Jubilee Holdings of 2.0%.

During the week, equities turnover increased by 18.1% to USD 22.9 mn from USD 19.4 mn recorded the previous week, taking the YTD turnover to USD 495.8 mn. During the week, foreign investors remained net sellers, with a net selling position of USD 7.3 mn, from a net selling position of USD 6.6 mn recorded the previous week, taking the YTD net selling position to USD 115.3 mn.

The market is currently trading at a price to earnings ratio (P/E) of 7.1x, 44.7% below the historical average of 12.8x, and a dividend yield of 6.0%, 2.0% points above the historical average of 4.0%. Key to note, NASI's PEG ratio currently stands at 0.9x, an indication that the market is undervalued relative to its future growth. A PEG ratio greater than 1.0x indicates the market may be overvalued while a PEG ratio less than 1.0x indicates that the market is undervalued.

The charts below indicate the historical P/E and dividend yields of the market;



### Cytonn coverage:

Company	Price as at 01/07/2022	Price as at 08/07/2022	w/w change	YTD Change	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Kenya Reinsurance	2.0	2.1	1.0%	(10.0%)	3.2	4.9%	59.2%	0.2x	Buy
Jubilee Holdings	255.0	250.0	(2.0%)	(21.1%)	379.4	5.6%	57.4%	0.5x	Buy
Sanlam	12.0	11.0	(8.3%)	(4.8%)	15.9	0.0%	44.5%	1.2x	Buy
I&M Group***	17.0	17.0	0.0%	(20.6%)	22.3	8.8%	40.0%	0.5x	Buy
Liberty Holdings	5.4	5.7	4.8%	(19.8%)	7.8	0.0%	37.8%	0.4x	Buy
NCBA***	23.7	24.0	1.3%	(5.7%)	29.1	12.5%	33.8%	0.6x	Buy

Company	Price as at 01/07/2022	Price as at 08/07/2022	w/w change	YTD Change	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Co-op Bank***	11.0	11.5	4.5%	(11.5%)	14.1	8.7%	31.3%	0.9x	Buy
ABSA Bank***	10.6	11.2	5.7%	(4.7%)	13.6	9.8%	31.3%	1.1x	Buy
KCB Group***	39.0	42.4	8.7%	(6.9%)	52.2	7.1%	30.2%	0.9x	Buy
Diamond Trust Bank***	49.7	50.5	1.6%	(15.1%)	62.4	5.9%	29.5%	0.2x	Buy
Britam	5.7	6.0	5.3%	(20.6%)	7.7	0.0%	28.3%	1.0x	Buy
Equity Group***	43.0	46.0	7.0%	(12.8%)	54.4	6.5%	24.8%	1.2x	Buy
Stanbic Holdings	99.0	99.0	0.0%	13.8%	109.8	9.1%	20.0%	0.9x	Buy
Standard Chartered***	124.0	133.5	7.7%	2.7%	137.0	10.5%	13.1%	1.1x	Accumulate
CIC Group	2.0	2.1	4.0%	(4.1%)	2.1	0.0%	1.0%	0.7x	Lighten
HF Group	3.3	3.7	12.7%	(1.8%)	2.8	0.0%	(24.9%)	0.2x	Sell

Target Price as per Cytonn Analyst estimates

\*\*Upside/ (Downside) is adjusted for Dividend Yield

\*\*\*For Disclosure, these are stocks in which Cytonn and/or its affiliates are invested in

*We are “Neutral” on the Equities markets in the short term due to the current adverse operating environment and huge foreign investor outflows, and, “Bullish” in the long term due to current cheap valuations and expected global and local economic recovery.*

*With the market currently trading at a discount to its future growth (PEG Ratio at 0.9x), we believe that investors should reposition towards value stocks with strong earnings growth and that are trading at discounts to their intrinsic value. We expect the current high foreign investors sell-offs, the upcoming Kenyan general elections and the slow vaccine rollout to continue weighing down the economic outlook in the short term.*

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