



# Cytonn Monthly - October 2023

## Equities

### Market Performance:

During the month of October 2023, the equities market was on a downward trajectory, with NASI declining the most by 7.0% while NSE 20, NSE 25 and NSE 10 declined by 3.2%, 4.2% and 4.3% respectively. The equities market performance was driven by losses recorded by large-cap stocks such as KCB, Safaricom, Bamburi, Stanbic Bank and Diamond Trust Bank-Kenya of 16.1%, 14.7%, 6.5%, 6.1% and 6.0% respectively. The losses were, however, mitigated by gains recorded by large cap stocks such as Equity Group and NCBA of 5.6% and 1.8% respectively.

During the week, the equities market was on a downward trajectory, with NSE 10 declining the most by 4.5%, while NASI, NSE 20 and NSE 25 declined by 4.1%, 1.3% and 3.9%, respectively, taking the YTD performance to losses of 32.7%, 13.8%, and 26.5% for NASI, NSE 20, and NSE 25, respectively. The equities market performance was mainly driven by losses recorded by large-cap stocks such as KCB Group, Safaricom and NCBA of 13.3%, 6.8% and 4.7%, respectively.

Equities turnover increased marginally by 1.6% in the month of October to USD 28.2 mn, from USD 27.8 mn recorded in September 2023. Foreign investors remained net sellers, with a net selling position of USD 2.9 mn, from a net selling position of 8.5 mn recorded in September.

During the week, equities turnover decreased by 63.1% to USD 4.1 mn from USD 11.1 mn recorded the previous week, taking the YTD total turnover to USD 602.6 mn. Foreign investors remained net sellers for the fourth consecutive week with a net selling position of USD 0.3 mn, from a net selling position of USD 2.3 mn recorded the previous week, taking the YTD foreign net selling position to USD 285.4 mn.

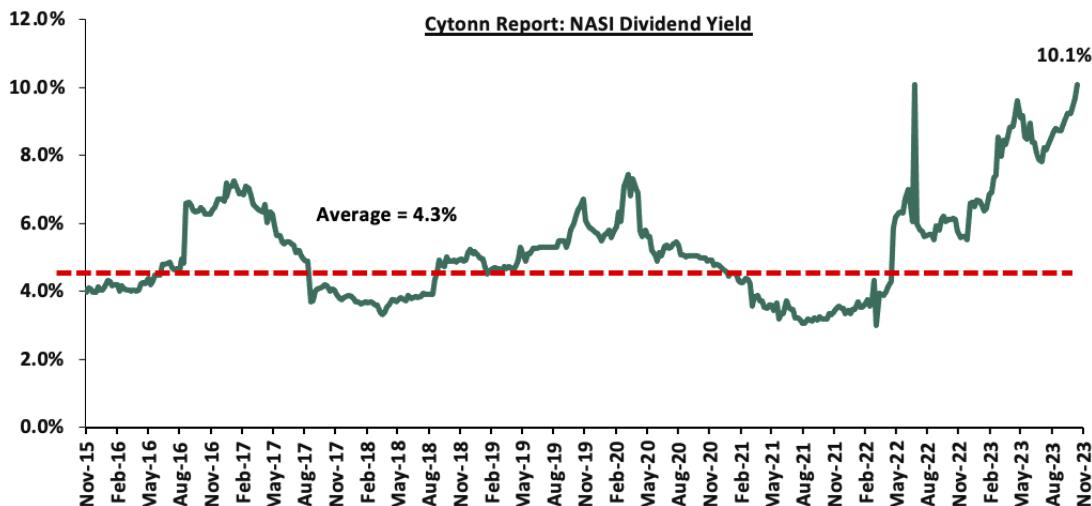
The market is currently trading at a price to earnings ratio (P/E) of 4.7x, 61.7% below the historical average of 12.2x. The dividend yield stands at 10.1%, 5.8% points above the historical average of 4.3%. Key to note, NASI's PEG ratio currently stands at 0.6x, an indication that the market is undervalued relative to its future growth. A PEG ratio greater than 1.0x indicates the market is 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;

<https://cytonnreport.com/storage/research/654782c69e8e99.01142319.png>

**Cytonn Report: NASI P/E**



**Cytonn Report: NASI Dividend Yield**



**Universe of coverage:**

**Cytonn Report: Equities Universe of Coverage**

Company	Price as at 27/10/2023	Price as at 03/11/2023	w/w change	m/m change	YTD Change	Year Open 2023	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
KCB Group***	18.9	16.4	(13.3%)	(16.1%)	(57.4%)	38.4	30.7	12.2%	100.0%	0.3x	Buy
Liberty Holdings	4.0	3.7	(6.5%)	5.6%	(26.0%)	5.0	5.9	0.0%	58.7%	0.3x	Buy
Kenya Reinsurance	1.8	1.7	(1.7%)	(1.7%)	(8.0%)	1.9	2.5	11.6%	57.6%	0.1x	Buy
Jubilee Holdings	185.0	182.0	(1.6%)	(1.5%)	(8.4%)	198.8	260.7	6.6%	49.8%	0.3x	Buy
Sanlam	7.4	6.9	(6.8%)	6.1%	(28.0%)	9.6	10.3	0.0%	49.1%	1.9x	Buy
ABSA Bank***	11.9	11.5	(3.4%)	(3.3%)	(6.1%)	12.2	14.8	11.8%	41.0%	0.9x	Buy
Diamond Trust Bank***	45.0	45.0	(0.1%)	(6.0%)	(9.8%)	49.9	58.1	11.1%	40.4%	0.2x	Buy
I&M Group***	17.3	17.3	0.0%	0.0%	1.5%	17.1	21.8	13.0%	39.0%	0.4x	Buy
Co-op Bank***	11.8	11.4	(3.8%)	(0.8%)	(6.2%)	12.1	13.5	13.2%	32.2%	0.5x	Buy
NCBA***	39.0	37.2	(4.7%)	1.8%	(4.6%)	39.0	43.2	11.4%	27.7%	0.7x	Buy
Equity Group***	38.0	37.1	(2.4%)	5.6%	(17.6%)	45.1	42.6	10.8%	25.6%	0.8x	Buy
Stanbic Holdings	109.0	105.0	(3.7%)	(6.1%)	2.9%	102.0	118.2	12.0%	24.6%	0.8x	Buy
Standard Chartered***	156.0	155.8	(0.2%)	(5.3%)	7.4%	145.0	170.9	14.1%	23.9%	1.1x	Buy
Britam	4.8	5.0	4.4%	(1.8%)	(4.4%)	5.2	6.0	0.0%	20.1%	0.7x	Buy
CIC Group	1.9	2.2	17.1%	(6.5%)	14.7%	1.9	2.5	5.9%	20.1%	0.7x	Buy
HF Group	4.0	3.8	(4.8%)	(12.8%)	21.0%	3.2	3.2	0.0%	(16.0%)	0.2x	Sell

Cytonn Report: Equities Universe of Coverage

Company	Price as at 27/10/2023	Price as at 03/11/2023	w/w change	m/m change	YTD Change	Year Open 2023	Target Price*	Dividend Yield	Upside/ Downside**	P/TBv Multiple	Recommendation
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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 tough 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 being undervalued to its future growth (PEG Ratio at 0.6x), 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 to continue weighing down the equities outlook in the short term.***

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