



i&M Burbidge Capital



MARKET UPDATE BULLETIN

27th March 2020



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Foreword

Facing an unprecedented public health crisis with the novel coronavirus (COVID – 19) outbreak, I&M Burbidge Capital has created a resource that gives insight to the impact of the pandemic across the regional markets and economies. We present a selection of the top stories making headlines in the private capital markets as well as market data and corporate developments.

IMBC Thought of the day

Look out for every single opportunity to align your business with solutions to the current evolving situation. There are probably more than you think/ This may be the best way to maintain strength in the business, keep customers and employees engaged and feel that one is doing one's best to have a positive effect.



PART I : DEALS & CORPORATE DEVELOPMENTS

Kenya

Markets

NSE halts slide as shilling gains

The Nairobi Securities Exchange (NSE) gained Sh12.1 billion in investor wealth Thursday while the shilling strengthened to the dollar, halting the coronavirus-led slide of the past one week a day after the state announced a stimulus package for the economy. The gains, mostly from a select blue chips, lifted market capitalization to Sh1.91 trillion on the day the demand for shares also rose. This is Sh49 billion up from Sh1.959 on Monday when the NSE 20 index touched 17-year low.

Source: Business Daily

Corporate

I&M bank net profit up 26.6pc to Sh10.76 billion

I&M Holdings net profit jumped 26.6 percent to Sh10.76 billion last year supported by growth in non-interest income and reduced expenses, cementing its position as fourth most profitable lender in the country. The growth, from Sh8.5 billion posted in the previous year, saw the lender join the league of Sh10 billion and above profit for the first time ever.

Source: Business Daily

Economy

Public debt now hits new high of Sh6.3trn

The total public debt has hit Sh6.3 trillion as both domestic and external liabilities rose. The most updated figures on domestic debt show that it stood at Sh3.043 trillion as of March 13, the highest level it has reached, while external debt substantially exceeded Sh3 trillion after depreciation of the local currency in the recent past.

Source: Business Daily

Regional

Markets

Cross listed stocks soak losses in Tanzanian bourse

When the World Health Organization declared the coronavirus a pandemic, the announcement was met with dipping of share prices across the world markets, with total turnover at the Dar es Salaam Stock Exchange (DSE) from January to March recorded \$40.479 million (Tsh94.161 billion). This is two times higher than total turnover of \$ 16.042 million (Tsh 37.315 billion) achieved in January to March last year last year.

Source: The East African

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PKF KENYA LLP TAX UPDATE

Valued Added Tax rate reduced from 16% to 14%

- On 26 March 2020, The Cabinet Secretary to the National Treasury and Planning, gazetted the Value Added Tax (Amendment of the Rate of Tax) Order, 2020 with an effective date of 1 April 2020. This thereby amends the VAT rate for taxable supplies down to 14% from 1 April 2020. Taxpayers should ensure their accounting systems and electronic tax devices are reconfigured accordingly. We expect the Kenya Revenue Authority to amend the VAT returns on iTax with the said changes in due course.

Source : PKF Kenya LLP

PKF

Quote of the day

"Only buy something you would be perfectly happy to hold if the market shut down for 10 years"
-Warren Buffet

PART II: TREASURY UPDATE – 26.03.20

LOCAL MARKET – KENYA SHILLING

The Kenyan Shilling strengthened against the Dollar on Thursday to close at 104.95/105.45. The NSE 20 share index went up by 17.83 points to close at 1,891.30 while in the secondary market, bonds worth KES 1.7 billion were transacted.

INTERNATIONAL MARKET OVERVIEW

The Dollar dipped on Thursday against major currencies as fear of a recession in the US hit the currency after more than 3.28 million people filled for jobless claims which was higher than the previous reading of 695,000. This is the highest number ever recorded in history after the coronavirus hit the economy. Market now awaits approval by the U.S. House of Representatives for the stimulus package of \$2.2 trillion so as to boost economic activity and shield business owners and employees from the economic effects of the pandemic. The currency was also hit with news that the annualised GDP stayed constant at 2.1%. EUR rose 1.4% to close at 1.1025 after talks on issuing a debt instrument to combat the coronavirus outbreak gained traction despite Germany and Netherlands giving their reservations. The debt instrument that will have the backing of all the Euro countries will help stem the economic effects of the global pandemic. GBP was up 0.5% to close at 1.1950 mainly on the back of Dollar weakness and after Bank of England held its benchmark rates and held on any new Quantitative Easing measures.

In the US stock market; the Dow Jones Industrial average settled 1351.62 points higher to close at 22,522.17; the S&P 500 gained 154.51 points to close at 2,630.07 while the Nasdaq Composite was higher by 413.24 points to close at 7,797.54.

Source: I&M Bank Limited

PREVAILING TREASURY BILLS YIELD & INFLATION

Country				
91 Day T-Bill	7.240	10.000	4.046	6.500
182 Day T-Bill	8.118	11.500	4.775	6.825
364 Day T-Bill	9.045	11.500	5.951	7.538
Inflation Data	6.37	3.40	3.70	8.70

KES INDICATIVE EXCHANGE RATES AT MARKET OPEN

Currency	Country	Bank Buy	Bank Sell
USD		103.80	105.50
GBP		126.00	130.30
EUR		114.00	117.40
CHF		107.10	110.70
JPY		0.9500	0.9800
ZAR		5.70	6.40
INR		-	1.4300
CNH		-	16.20
RWF		7.40	9.95

INDICATIVE DEPOSIT RATES

Fixed period	1M	3M	6M	1Yr
KES (50,000< 5 Million)	6.25	6.50	7.00	7.25
KES (Above 100 Million)	6.75	7.50	8.00	8.50
USD (Above 500,000)	2.25	3.25	3.50	3.75
EUR (Above 500,000)	1.75	2.25	2.50	2.50
GBP (Above 500,000)	0.50	0.75	0.75	0.75

COMMODITY PRICES

	Unit	Close
Aluminum	USD/MT	1536.00
Murban Crude Oil	USD/barrel	26.54
Coffee	US Cents/lb.	124.65
Wheat	US Cents/Bushel	568.75
Corn	US Cents/Bushel	372.25

PART II: EQUITIES AND BOND TRADING – 26.03.20

MARKET COMMENTARY

NSE 20 and NASI indices edged up by 0.64% and 0.95% to close at 1,891.30 and 125.09 respectively. Foreign investors held their stand as net sellers, offsetting the selling spree on the market. Renewed local interest on the foreign dominated instruments countered the foreign selling spree. Foreign transactions accounted for 31.24% of total market purchases and 96.60% of total market sales.

INDEX MOVEMENTS

Index	Closing	% Change	% YTD
NASI	125.09	0.64	-24.83
NSE 20	1891.20	0.95	-28.75
NSE 25	2965.17	0.73	-27.69
FTSE NSE 25	164.18	0.45	-28.46

MARKET DATA

Market Data	Today	Previous
Market Cap (KES, Billions)	1911.40	1889.30
Turnover (KES, Millions)	1012.47	616.20
Volume (Millions)	30.53	21.19
Foreign Buys (%)	31.24	66.95
Foreign Sales (%)	96.60	72.71

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GOVERNMENT BONDS

GOK Bonds	Rates	Traded Yield	Value Traded (Million)
FXD1/2019/10	12.438	12.356	500.00
FXD1/2018/20	13.200	13.005	100.00
IFB1/2015/12	11.000	10.800	300.00

MOVERS

Movers	Volume (Million)	Turnover (Million)	VWAP
Safaricom Plc	13.60	335.97	24.66
KCB Group Plc	7.30	255.93	35.04
Equity Group Plc	5.70	189.07	33.15

Source: Faida Investment Bank



PART IV: COMMENTARY ON MONETARY POLICY CHANGES AND OTHER MEASURES

COMMENTARY ON CBK MEASURES IN RELATION TO THE COVID-19 PANDEMIC

In order to alleviate the adverse economic impact of the novel coronavirus (COVID-19) pandemic, the Central Bank of Kenya (CBK) and National Treasury have rolled out a set of measures to be undertaken by financial institutions to ease said impact and provide immediate relief which will increase disposable income for individuals and organizations alike.

Central Bank Rate lowered by 100 basis points

- The CBK lowered the Central Bank Rate (CBR) from 8.25% to 7.25% which is in turn expected to prompt commercial banks to lower lending interest rates. This will allow consumers easier access to financing as it avails the much needed and affordable credit to individuals and Micro, Small and Medium Enterprises (MSMEs).

Cash Reserve Ratio reduced from 5.25% to 4.25%

- The Cash Reserve Ratio (CRR) was reduced from 5.25% to 4.25% which will provide additional liquidity of KES. 35 Billion to commercial banks to directly support borrowers that are distressed as a result of the economic effects of the COVID-19 pandemic.

Central Bank of Kenya to provide flexibility on loan classification

- The CBK shall provide flexibility to banks with regards to requirements for loan classification and provision for loans that were performing as at 2nd March 2020 and whose repayment period was extended or were restructured due to the pandemic. Commercial banks are thus anticipated to be flexible in assessing applications for additional finance from companies whose cash flows have been hampered by the COVID-29 pandemic and whose facilities have as a result fallen into non-performing territory. This will be crucial for companies seeking working capital financing facilities and could potentially minimize the number of jobs losses that could arise from the economic turbulence.

Banks open to restructuring loan facilities

- Under the direction of the CBK, commercial banks agreed to consider the extension by up to one year of facility tenors for borrowers whose income sources are significantly impacted by the pandemic such as event organisers and hospitality businesses to name a few. These extensions are expected to minimize the cash flow demands on businesses and individual borrowers thereby providing additional support to weather the storm and providing disposable income that can spur private consumption during this period.
- Banks will also shoulder costs related to the extension and restructuring of loans taken out by its customers. In addition, all charges for transfers between mobile money wallets and bank accounts will be eliminated with an additional waiver on all charges for balance inquiry to facilitate increased use of mobile digital platforms. This is a welcome initiative that will minimize use of paper money and contributes to efforts to reduce the spread of the Coronavirus.

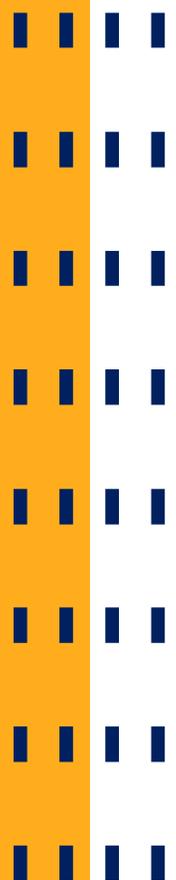
Central Bank of Kenya extends tenor of short term loans to commercial banks

- The Central Bank of Kenya has stretched the duration lenders are allowed to keep its short term loans from 28 days to 3 months in a bid to keep banks cash flush and increase liquidity in the economy.

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Our Services

Originating and structuring Equity and Debt capital raising, IPOs, M&A transactions, Strategic Options advisory, PE advisory, Tax Advisory and other Corporate Finance Services.

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