



i&M Burbidge Capital



**MARKET
UPDATE BULLETIN**

14TH APRIL 2020

Foreword & Insight

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.

Quote of the Day

"In crisis management, be quick with the facts."
-Leonard Saffir.

PART I : DEALS & CORPORATE DEVELOPMENTS

Kenya

Deals

Safaricom and Vodacom Acquire M-PESA Mobile Money Platform from Vodafone

Safaricom and Vodacom announce that they have completed the acquisition of the M-PESA brand, product development and support services from Vodafone through a newly-created joint venture. The transaction, which was first announced in 2019, will accelerate M-PESA's growth in Africa by giving both Vodacom and Safaricom full control of the M-PESA brand, product development and support services as well as the opportunity to expand M-PESA into new African markets.

Source: African Business Central

Markets

Fitch sees budget deficit at 4-year high on corona

Fitch Ratings expects Kenya's budget deficit to widen to nine per cent, the largest in four years, as the government implements revenue-cutting measures to shield citizens from the negative impacts of coronavirus. The New York-based credit rating agency said the economic crisis would halt Kenya's fiscal consolidation programme and increase the country's financing needs.

Source: Business Daily

Seed import fee waived for 6 months

The Trade ministry has waived mandatory inspection fee on seed, pesticides and veterinary medicine at the country of origin for an initial period of six months even as permanent reprieve is being considered. In a letter to the Kenya Bureau of Standards (Kebs), Trade Cabinet Secretary Betty Maina directs the agency to exempt importers of the said goods from producing a certificate of conformity before consignments are allowed in the country.

Source: Business Daily

Economy

Kenya allowed to tap Sh1trn AfDB emergency fund

Kenya is among member countries allowed to tap a KES 1 trillion (USD 10 billion) emergency fund announced on Wednesday by the African Development Bank (AfDB) to help alleviate sudden economic disruptions caused by the Covid-19 outbreak.

Source: Business Daily

Two-month trade deficit narrows to Sh175 billion

Kenya's trade deficit for the first two months of year narrowed by Sh17.16 billion to Sh175 billion from Sh192 billion reported over the similar period last year, data from the CBK shows. The nine percent reduction in the deficit, which is a measure of the difference between exports and imports, was as a result a growth in export receipts followed by a slowed down import bill.

Source: Business Daily

Banks cash reserves above CBK limits rise to Sh41.3bn

Cash reserves held by commercial banks above the statutory requirement hit a fresh high of Sh41.3 billion, pointing to increased liquidity after lowering of threshold by a percentage point three weeks ago. Banks are now required to maintain a daily average of 4.25 % of their total deposits in their accounts with the Central Bank of Kenya (CBK) for a month.

Source: Business Daily

Corporate

Microlender Letshego gives SMEs 3-month loans relief

Microfinance company Letshego Kenya has offered small businesses three-month loan re-payment holidays as economic activities slowdown due to the coronavirus outbreak. The relief, initially meant to cushion the firm's Micro and Small Entrepreneurs (MSE) customers, took effect on April 1, and has since been extended to individual borrowers.

Source: Business Daily

PART II: TREASURY UPDATE

For the week ending 09.04.20

LOCAL MARKET

The Kenyan Shilling was stable against the Dollar on Thursday to close at 106.20/106.70. The NSE 20 share index edged lower by 46.06 points to close at 1,967.13 whilst the secondary market registered reduced activity with bonds worth KES 4.0 Billion transacted compared to KES 8.9 Billion registered the previous session.

INTERNATIONAL MARKET OVERVIEW

The Dollar dipped on Thursday on the back of data that showed year-on-year and month-on-month USD CPI dipped to 1.5% from 2.3% and -0.4% from 0.1% respectively. The Consumer Price Index is used as the headline figure for inflation. The Federal Reserve also announced a USD 2.3 trillion programme to offer loans to local governments and small and mid-sized businesses in a bid to protect the economy from the covid-19 pandemic. EUR edged higher by 0.60% to close at 1.0921 on the back of data that showed German Trade Balance moved higher to 21.6 billion from 18.5 bn. The positive move was despite the Eurozone failing to agree on the "Corona bond", a joint-debt programme to help ease the coronavirus' negative impact on the EU economy. GBP was steady at 1.2465 on the back of positive data that showed year-on-year and month-to-month GBP Industrial Production figures grew from -2.9% to -2.8% and -0.1% to 0.1% respectively. GBP Manufacturing Production gave mixed figures as year-on-year figures dipped to -3.9% from -3.6% while the month-to-month data gained to 0.5% from 0.4% as the Trade Balance also dipped to -£11.49 billion from -£5.76 billion.

In the US stock market; the Dow Jones Industrial Average settled 328.60 points lower to close at 23,390.77; the S&P 500 shed 28.19 points to close at 2,761.63 while the Nasdaq Composite was higher by 38.85 points to close at 8,192.42.

Source: I&M Bank Limited

PREVAILING TREASURY BILLS YIELD & INFLATION

Country				
91 Day T-Bill	7.220	9.500	4.047	6.300
182 Day T-Bill	8.145	10.741	4.774	6.600
364 Day T-Bill	9.049	13.400	5.951	7.400
Inflation Data	6.06	3.00	3.40	8.70

KES INDICATIVE EXCHANGE RATES AT MARKET OPEN

Currency	Country	Bank Buy	Bank Sell
USD		105.10	106.80
GBP		131.30	134.60
EUR		114.30	117.80
CHF		108.00	111.50
JPY		0.9600	1.0000
ZAR		5.30	6.20
INR		-	1.4150
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)	1.75	2.25	2.75	3.00
EUR (Above 500,000)	0.75	1.25	1.25	1.50
GBP (Above 500,000)	0.25	0.50	0.50	0.50

COMMODITY PRICES

	Unit	Close
Aluminum	USD/MT	1479.50
Murban Crude Oil	USD/barrel	33.13
Coffee	US Cents/lb.	120.60
Wheat	US Cents/Bushel	555.50
Corn	US Cents/Bushel	336.75

PART III: EQUITIES AND BOND TRADING

For the week ending 09.04.20

WEEKLY MARKET COMMENTARY

The NSE All share index gained 0.08 on Thursday while the NSE 20 share index declined by 0.05%. During the week, the indices shed 5.49% and 2.29% respectively. Market turnover on Thursday was up by 40% to settle at KES 802.1 million against the KES 547.9 million recorded in the previous session. Volumes traded on Thursday rose with 26.8 million shares having been traded against the 23.8 million shares traded in the previous session. Cumulatively, the NSE closed the week with 101 million shares valued at KES 2.76 billion having changes hands, marginally higher than the 92 million shares valued at KES 2.73 billion that were transacted in the previous week. Foreign activity accounted for 69.5% of the total market activity in Thursday's session with 96.8% of the day's sales and 42.2% of the day's purchases. Foreign investors held net buying, net selling positions on Safaricom, Equity Bank & KCB Group Plc during the week, with Safaricom being the week's most sought after counter, trading 53 million shares valued at KES 1.4 billion. The secondary bond market recorded a decline in activity on Thursday, with bonds worth 535.6 million having been traded vis a vis KES 1.12 billion recorded in the previous session. The number of deals in the bonds market declined as well to 100 from 118 deals recorded on Wednesday.

INDEX MOVEMENTS

Index	Closing	% Change	% YTD
NASI	131.07	0.08	-21.24
NSE 20	1,967.13	-0.05	-25.89
NSE 25	3,067.47	-0.15	-25.19
FTSE NSE 25	172.02	0.83	-25.04

GOVERNMENT BONDS

GOK Bonds	Rates	Traded Yield	Value Traded (million)
FXD1/2007/15	13.5000	10.5000	54.00
IFB1/2018/15	12.5000	11.3000	100.00
IFB1/2018/20	11.9500	12.3056	62.35

Source: Faida Investment Bank

MARKET DATA

Market Data	Today	Previous
Market Cap (KES, billions)	2,003.00	2,001.20
Turnover (KES, millions)	802.10	547.94
Volume (millions)	26.76	23.84
Foreign Buys (%)	42.16	62.96
Foreign Sales (%)	96.84	86.95

MOVERS

Movers	Volume (million)	Turnover (million)	VWAP
Safaricom Plc	10.16	268.05	26.35
KCB Group Plc	8.38	289.27	34.50
Equity Group Holdings Plc	5.56	182.39	32.80



PART IV: WEEKLY SUMMARY COMMENTARY ON BUSINESS INSIGHTS

EAST AFRICA DEALS OF THE WEEK						
Target Company / Fund	Acquirer Company	Deal Type	Synopsis	Deal Value (USD Million)	Sector	Country
Iberafrica	AP Moller Capital	Buyout	Danish firm AP Moller Capital acquired power producer Iberafrica after the collapse of a deal to buy out the electricity generator for KES 6.22 billion by a South African firm. AP Moller Capital, which focuses on infrastructure in growth markets, acquired the 52.5-megawatt independent power producer from Spanish power and gas utility firm Naturgy.	62	Energy	Kenya
Makini Schools	Advtech	Majority stake	Johannesburg Stock Exchange (JSE)-listed Advtech bought additional shares in Makini Schools, giving it full control over the running of the 42-year old institution.	Undisclosed	Education	Kenya
Amitruck	GreenTec Capital	PE	GreenTec Capital Partners announced an investment in Kenya's Amitruck. The company is a mobile and web-based trucking logistics platform that brings together cargo owners and transporters.	Undisclosed	Logistics	Kenya

PKF KENYA LLP SUMMARY OF TAX MEASURES

On 25 March 2020, President Uhuru Kenyatta announced various measures 'to cushion every Kenyan from the shocks arising from COVID-19', with the principle aim of providing certainty to both employees and employers. Subsequently, The Tax Laws (Amendment) Bill, 2020 was Gazetted on 30 March 2020 detailing out these and various other fiscal proposals. This is in addition to the reduction of the Value Added Tax (VAT) rate to 14% which was effected on 1 April 2020.

The Bill is open for public participation up to Monday 6 April 2020 and PKF Kenya LLP has made detailed submissions in relation to the same. It is important to note that the proposals contained in the Bill are not effective until enacted by Parliament and receive presidential assent. The effective date for each proposal will be specified in the Act, and we shall issue a follow up alert to notify you of the final position. The various measures proposed include:

- Income Tax Proposals
- Value Added Tax Proposals
- Excise Tax Proposals
- Levy proposals

For more details click [here](#)



PART V: BUSINESS INSIGHTS

On 25 March 2020, President Uhuru Kenyatta announced various measures 'to cushion every Kenyan from the shocks arising from COVID-19', with the principle aim of providing certainty to both employees and employers. One of the aforementioned measures included flexibility in loan classification and provision for loans. In response to this, a few banks have outlined certain flexibility terms for loans to ease impact of the COVID-19 pandemic. The table below summarises the said institutions and their terms.

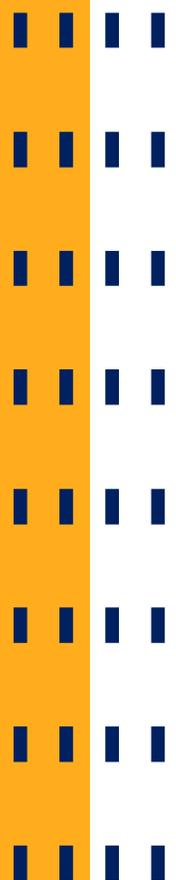
For more details on measures, click [here](#)

LOAN FLEXIBILITY TERMS			
Lender	Target Market	Implementation Date	Synopsis
I&M Bank	Businesses and Individual Borrowers	N/A	I&M Bank will offer concessions on a case by case basis for (i) suspension of repayments for a period ranging from 3 to 6 months, (ii) additional funding to businesses providing essential services to combat COVID-19 and (iii) extension of loan tenors.
Stanbic Bank	Small and Medium Enterprises	1st April 2020	Small and medium sized enterprises (SMEs) with outstanding loans at Stanbic Bank Kenya have been offered a three-month repayment break to cushion them against the economic disruptions caused by the coronavirus pandemic. The offer is effective April 1, meaning that the SMEs will be required to resume repayments in July, offering reprieve to small entities at a time sales have dwindled.
Equity Bank	Individual Borrowers	1st April 2020	Equity Bank has waived Mobile bank transaction fees up to 30th June 2020. In addition, short term personal and micro loans will be digitally processed and those with existing loan facilities who may require accommodation can reach out to the Bank.
ABSA	Small Businesses and Individual Borrowers	N/A	ABSA is offering to restructure customer loans by reducing installments over a period of up to one year. Borrowers can also access a short-term repayment holiday.
Letshego	Micro and Small Enterprises and Individual Borrowers	1st April 2020	Microfinance company Letshego Kenya has offered small businesses three-month loan re-payment holidays.

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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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