



i&M Burbidge Capital



**MARKET
UPDATE BULLETIN**

covering **11th May 2020** and the week ending **8th May 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

"Focus on essentials and try not to get distracted and bogged down by things that don't add value to the bottom line."

- Carlos Slim Helu

PART I : DEALS & CORPORATE DEVELOPMENTS

11th May 2020

Kenya

Deals

Treasury to inject KES 1.5 Billion into AFC for on-lending

The Agricultural Finance Corporation (AFC) will receive KES 1.5 billion from the Treasury in the next three years as one of the strategic State-owned entities. The AFC is expected to further its programs, including credit extension and technical assistance to clients covering agriculture, rural development and food security. Describing it as a strategic investment in a public enterprise, the Treasury has set the target for the year starting July as KES 500 Million and another KES 1 Billion in the next two years.

Source: *Business Daily*

Economy

Moody's says low oil prices up to 2021

Oil prices are expected to remain low for the next two years due to recession and uncertain demand, according to the latest analysis by a US-based integrated risk assessment firm. Moody's Investors Service predicts a lower price assumption for Brent, the main international crude benchmark for 2020 and 2021 presenting a longer relief for net importers of fuel like Kenya.

Source: *Business Daily*

Treasury in bid to scrap tax incentives for industrial parks

Investors setting up premises on more than 100 acres of industrial park land outside Nairobi and Mombasa will have to dig deeper into their pockets if Parliament approves a Bill seeking to scrap waiver on payment of import declaration fees on raw materials. Through the Finance Bill, 2020, the Government has also sought to strike out Treasury Cabinet Secretary's power to exempt raw materials used in the construction of premises at the industrial parks.

Source: *Business Daily*

PART II: TREASURY UPDATE

For the week ending 8th May 2020

LOCAL MARKET

The Kenyan Shilling gained against the Dollar last week to close at 105.80/106.30. The NSE 20 share index edged higher by 76.64 points to close at 2,034.71 while the secondary market registered improved activity with bonds worth KES 11.8 billion transacted compared to KES 6.67 billion registered the previous week. Kenya has also seen a growth in the number of Covid-19 infected person to 672 with 23 new infections, 32 mortalities and 239 recoveries.

INTERNATIONAL MARKET OVERVIEW

The Dollar was higher last week on the back of increased demand for the currency as the U.S-China dispute re-ignited. This was after President Trump accused China of manufacturing the Covid-19 virus and keeping it hidden and thus infecting millions of people and bringing economic shutdown. Data from the U.S was mixed as the U.S. Institute for Supply Management's non-manufacturing index fell to 41.8 from 52.5 in March, but the April level was higher than the consensus forecast of 36.8 and as the ADP National Employment Report showed a record of more than 20 million jobs lost in April. The highlight of the Dollar was on Friday as the month-on-month Non-Farm Payrolls and Unemployment Rate were lower than expected at 20.5 million against 22 million and 14.7% against 16.0% respectively.

The EUR was on the losing streak last week on news that the highest court in Germany gave the European Central Bank three months to justify purchases under its bond-buying programme or lose the Bundesbank as a participant in a scheme aimed at cushioning the economic blow from the coronavirus. This action dented the European Central Bank's ability to manage the region's economic recovery. Negative data also hit the currency after the Markit Manufacturing PMI and the Euro-Zone Manufacturing PMI dipped to 31.5 against a forecast of 43.2 and 33.4 against a forecast of 44.5 respectively. The German Manufacturing PMI and the year-on-year Euro-Zone PPI also dipped to 34.5 against a previous reading of 45.4 and to -2.8% from -1.4% respectively.

The GBP traded mixed last week as it started the week on Brexit fears as the current lockdown has placed a pause on the Brexit negotiations despite the U.K insisting that it'll stick to its deadline. Prime minister Boris Johnson announced a limited easing of coronavirus restrictions on Sunday as he encouraged people to start going back to work so as to begin economic activities that will boost the economy. BoE also contributed to the currency movement by holding interest rates steady at 0.1% and announcing no further stimulus by holding its quantitative easing program at £200 billion. The GBP was also affected by data that showed the U.K PMI Services and the month-on-month U.K. Halifax House Price Index that dipped to 13.4 from 34.50 and to -0.6% from -0.3% respectively

Source: I&M Bank Limited

PREVAILING TREASURY BILLS YIELD & INFLATION

| Country | | | | |
|----------------|-------|--------|-------|-------|
| 91 Day T-Bill | 7.253 | 9.100 | 3.196 | 6.320 |
| 182 Day T-Bill | 8.151 | 11.950 | 3.797 | 6.500 |
| 364 Day T-Bill | 9.161 | 11.500 | 4.666 | 7.843 |
| Inflation Data | 5.62 | 3.20 | 3.40 | 8.00 |

KES INDICATIVE EXCHANGE RATES AT MARKET OPEN

| Currency | Country | Bank Buy | Bank Sell |
|----------|---------|----------|-----------|
| USD | | 104.80 | 107.50 |
| GBP | | 128.00 | 133.00 |
| EUR | | 112.00 | 117.00 |
| CHF | | 107.00 | 111.00 |
| JPY | | 0.9700 | 1.0150 |
| ZAR | | 5.20 | 6.20 |
| INR | | - | 1.4300 |
| CNH | | - | 18.00 |
| RWF | | 5.00 | 12.00 |

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 | 1485.00 |
| Murban Crude Oil | USD/barrel | 21.63 |
| Coffee | US Cents/lb. | 111.65 |
| Wheat | US Cents/Bushel | 523.75 |
| Corn | US Cents/Bushel | 322.00 |



PART III: EQUITIES AND BOND TRADING

For the week ending 8th May 2020

WEEKLY MARKET COMMENTARY

The NSE All Share Index shed 1.356% to close Friday's trading session at 140.87 basis points. The NSE20 and the NSE25 share indices similarly lost 0.32% & 1.36% to close the day at 2,034.71 and 3,352.96 points respectively. Week on week, the NSE20 share index was the top performer, gaining 76.64 points during the week. Turnover on Friday was 40% lower, closing at KES 645.5 million against the KES 1.074 billion recorded in the previous session. The number of shares traded also declined, with 15.5 million shares traded against Thursday's 19.6 million shares. Week on week, the bourse closed the week with 118 million shares valued at KES 4.85 billion having been traded s á vis 68.8 million shares valued at KES 1.6 billion transacted the previous week. Foreign investors maintained market domination during Friday's session, with a net selling position, accounting for 78.5% of the day's total activity from 65.3% of the day's purchases and 91.7% of the day's sales. The secondary bond market recorded a marginal increase in activity with bonds worth KES 2.73 billion transacted in 108 deals. This is as compared to Thursday's turnover of KES 2.27 billion. Week on week, bonds worth KES.11.8 billion were transacted compared to KES 6.67 Billion registered in the previous week.

INDEX MOVEMENTS

| Index | Closing | % Change | % YTD |
|------------|----------|----------|--------|
| NASI | 140.87 | -1.35 | -15.35 |
| NSE20 | 2,034.71 | -0.32 | -23.35 |
| NSE25 | 3,352.96 | -1.36 | -18.23 |
| FTSE NSE25 | 187.77 | -2.31 | -18.18 |

MARKET DATA

| Market Data | Today | Previous |
|----------------------------|---------|----------|
| Market Cap (KES, billions) | 2,153.2 | 2,182.7 |
| Turnover (KES, millions) | 645.5 | 1,074.9 |
| Volume (millions) | 15.54 | 19.56 |
| Foreign Buys (%) | 65.31 | 78.65 |
| Foreign Sales (%) | 91.73 | 82.01 |

GOVERNMENT BONDS

| GOK Bonds | Rates | Traded Yield | Value Traded (million) |
|--------------|---------|--------------|------------------------|
| FXD1/2019/5 | 11.3040 | 10.8000 | 500.00 |
| IFB1/2018/15 | 13.2000 | 12.8000 | 300.00 |
| IFB1/2019/16 | 11.7500 | 12.4000 | 400.00 |

Source: Faida Investment Bank

MOVERS

| Movers | Volume (million) | Turnover (million) | VWAP |
|---------------------------|------------------|--------------------|--------|
| BAT Kenya Plc | 0.78 | 245.33 | 316.00 |
| Safaricom Plc | 8.41 | 238.19 | 28.30 |
| Equity Group Holdings Plc | 1.49 | 58.30 | 39.15 |



PART IV: WEEKLY SUMMARY OF DEALS

For the week ending 8th May 2020

EAST AFRICA DEALS OF THE WEEK & FUNDRAISING ANNOUNCEMENTS

| Target Company / Fund | Acquirer Company/Investor | Deal Type | Synopsis | Deal Value (USD Million) | Sector | Country/Region |
|-----------------------|---------------------------|-----------|--|--------------------------|-----------|----------------|
| St Bakhita Schools | Fanisi Capital | PE | East Africa-focused private equity firm Fanisi Capital has acquired minority stake in St Bakhita Schools valued KES 265 Million (USD 2.5 million). It becomes the third investment that Fanisi is making in the education sector after Hillcrest International Schools and Kitengela International Schools. Fanisi Capital's Managing Partner, Ayisi Makatiani said the schools fit within their investment strategy, which aims to invest in ambitious entrepreneurs providing high quality education. | 2.5 | Education | Kenya |
| Barrick Gold | Shanta Gold | M&A | London AIM-listed, East Africa-focused gold producer Shanta Gold plans to complete the acquisition of Canadian miner Barrick Gold's assets in Kenya by June. The firm says it will consequently move to fast-track gold production in Kenya once it completes the transaction. The Canadian miner Barrick Gold Corporation announced early this year it was selling its seven Western Kenya gold mining licenses to the Guernsey-incorporated Shanta Gold in a cash-and-stock transaction worth a total of USD 14.5 Million (KES 1.4 Billion). | 14.5 | Mining | Kenya |
| Moringa School | DOB Equity | VC | DOB Equity, a Dutch family-backed impact investor in East Africa, has made a further investment in Moringa School, a technology learning institute based in Kenya. The investment is to help Moringa accelerate the company's transition to providing remote online learning. Since the Covid-19 outbreak, there has been increased demand for online learning. | Undisclosed | Education | Kenya |
| East Africa Fruits | Goodwell | VC | East Africa Fruits Co., a Tanzanian company addressing food distribution challenges to improve efficiencies in the farm-to-market sector, has closed series A equity funding totaling USD 2.05 Million. The fundraising round was led by Goodwell Investments with participation from FINCA Ventures and Elea. This investor capital accelerates East Africa Fruits' ability to build essential supply chain infrastructure. | 2.05 | Logistics | Tanzania |



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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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