



i&M Burbidge Capital



**MARKET
UPDATE BULLETIN**

covering **18th May 2020** and the week ending **15th 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

“Starting and growing a business is as much about the innovation, drive, and determination of the people behind it as the product they sell.”

- Elon Musk

PART I : DEALS & CORPORATE DEVELOPMENTS

18th May 2020

Kenya

Deals

SunFunder closes four African debt deals

SunFunder, a provider of debt financing to solar enterprises, has closed four new loans at the end of Q1 2020, which took it over \$100 million invested in distributed solar in Africa and other emerging regions. The new loans were with two existing solar home system borrowers – M-KOPA in Kenya and PEG Africa in Ghana – as well as long-term financing for the solarisation of Orange’s telecom towers in the Central African Republic by energy solutions provider CREI.

Source: Africa Private Equity News

KCB to inject KES 3 Billion more into ailing National Bank

KCB Group is set to inject up to KES 3 billion of additional capital into National Bank of Kenya to help the subsidiary comply with capital requirements and expand its business. NBK remains in breach of capital adequacy ratios even after receiving KES 5 billion capital support from KCB in December.

Source: Business Daily

Markets

New disclosure rules in Bill spook private equity funds

Private equity and venture capital funds are seeking clarity on the proposal in the Finance Bill 2020 that will give the Capital markets Authority (CMA) regulatory powers over members who access public funds. The firms, through lobby East Africa Private Equity and Venture Capital Association, said the Treasury proposal did not define what constitutes public funds, adding that there is a risk they may lose external investors who are not ready to undergo regulatory scrutiny on private funds.

Source: Business Daily

Economy

Low crude oil prices to ease production costs in East Africa

East Africa stands to benefit from the drop in crude oil prices at the international market as it would ease pressure on widening current accounts and arrest a surge in inflation. The cost of consumer goods could also reduce as manufacturers are some of the heaviest consumers of fuel.

Source: The East African

Kenya predicts 30% EAC export fall on Covid rules

Kenya is predicting a drop by at least 30 percent of its exports to the East African markets as the public health measures adopted in the wake of the COVID-19 outbreak slow cross-border trade. Kenya, which exported KES 140 billion worth of merchandise to the five East African Community (EAC) market last year, is particularly concerned about the huge number of truck drivers testing positive for Covid-19 at the borders with Uganda and Tanzania.

Source: Business Daily

PART II: TREASURY UPDATE

For the week ending 15th May 2020

LOCAL MARKET

The Kenyan Shilling marginally weakened against the Dollar last week to close at 107.00/107.40. The NSE 20 share index edged lower by 59.41 points to close at 1,975.30 while the secondary market registered reduced activity with bonds worth Kes.10.7Bn transacted compared to KES 11.8 Billion registered the previous week.

The interbank money market was relatively liquid. The average volumes traded increased to KES 12.93 billion against KES 7.762 billion traded the previous week. The Central bank injected KES 8.06 Billion through its Open Market Operations.

The weekly Treasury bills auction received bids totaling KES 24.088 billion against an advertised amount of KES 24.0 billion representing a performance rate of 100.37%. The auction saw the 91-day, 182-day and 364-day rates rise to 7.266%, 8.192 % and 9.173% respectively. The total amount raised also increased to KES 23.977 billion compared to KES. 14.789 billion raised in the earlier week.

The Central Bank has re-opened the sale for the recently auctioned 5-Year bond, FXD1/2020/005. The government will be looking to secure KES 30 billion. The Central Bank of Kenya also issued new Infrastructure Bond (IFB1/2020/6) with a coupon rate of 10.20%. Eligibility to apply in the primary issuance of this Infrastructure Bond is ownership of the 2236/364 T-bill.

INTERNATIONAL MARKET OVERVIEW

The Dollar trading was mixed last week amid news of escalating tension between the U.S and China and fears of negative interest rates by the Federal Reserve. The U.S-China tensions re-ignited after President Trump said in an interview that he could cut ties with China after they failed to contain the novel coronavirus while the negative interest rates were downplayed by Federal Reserve chair Jerome Powel as he said that it wasn't something the policy-setting committee was looking at the moment. Negative data also hit the currency as the year-on-year U.S CPI and U.S CPI Ex Food & Energy fell to 0.3% from 1.5% and 1.4% from 2.1% respectively. The year-on-year US PPI and PPI Ex Food & Energy also dipped to -1.2% from 0.7% and 0.6% from 1.4% respectively.

The EUR was lower last week on the back of Covid-19 second wave fears in Germany as well as fears of a recession in the EU largest economy. The German economy gave poor data to show that it was heading into a recession as the year-on-year and quarter-on-quarter German GDP dipped to 1.9% from 0.3% and -2.2% from 0.0% respectively. The year-on-year German PPI also dipped to -1.9% from 0.8% respectively. The year-on-year Euro-Zone Industrial Production dipped to -12.9% from 2.2%. The only good news was that the year-on-year Euro-Zone GDP edged higher to -3.2% from -3.3% despite the quarter-on-quarter being stagnant at -3.8%.

The GBP performed dismally last week as Brexit fears came to fore as the U.K government refused to extend the Brexit deadline beyond December 2020 and to compromise on its trade negotiations with the E.U. Poor direction with regard to easing of the Covid-19 lockdown also hurt the currency after Prime Minister Boris Johnson's public address about his government's plan to ease the nationwide lockdown lacked clarity on what employers should do to ensure the safety of workers and thus making leaders of Scotland, Wales and Northern Ireland say they were sticking with the existing "stay-at-home" message. Negative data hit the currency as the year-on-year and quarter-on-quarter U.K GDP dipped to -1.6 from 1.1% and -2.0% from 0.0% respectively. Year-on-year Manufacturing Production and Industrial Production also dipped to -9.7% from -4.3% and -8.2% from 2.8% respectively.

Source: I&M Bank Limited

PREVAILING TREASURY BILLS YIELD & INFLATION

Country				
91 Day T-Bill	7.266	9.300	3.200	6.264
182 Day T-Bill	8.192	10.800	3.880	6.657
364 Day T-Bill	9.173	11.300	4.840	8.155
Inflation Data	5.62	3.20	3.30	4.40

KES INDICATIVE EXCHANGE RATES AT MARKET OPEN

Currency	Country	Bank Buy	Bank Sell
USD		106.10	107.40
GBP		126.50	131.00
EUR		113.00	117.00
CHF		108.30	111.30
JPY		0.9800	1.0100
ZAR		5.40	6.20
INR		-	1.4300
CNH		-	18.00
RWF		5.00	12.50

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	3.00	3.25	3.50
EUR (Above 500,000)	1.50	2.25	2.25	2.25
GBP (Above 500,000)	0.50	0.75	1.00	1.00

COMMODITY PRICES

	Unit	Close
Aluminum	USD/MT	1462.00
Murban Crude Oil	USD/barrel	26.55
Coffee	US Cents/lb.	106.85
Wheat	US Cents/Bushel	499.50
Corn	US Cents/Bushel	321.00



PART III: EQUITIES AND BOND TRADING

For the week ending 8th May 2020

WEEKLY MARKET COMMENTARY

The benchmark NSE All Share Index rose 0.85% to close the week at 135.33 basis points. The NSE20 and the NSE25 share indices were up 0.27% and 0.36% to close at 1,975.30 and 3,179.99 basis points respectively. Market turnover on Friday soared to KES 1.6 billion from the previous session's KES 439 million whilst the number of shares traded stood at 37 million against 22.4 million shares recorded during Thursday's trading session. Week on week, turnover was slightly higher at KES 4.9 billion against the KES 4.85 billion recorded in the previous week. Foreign Investors maintained a net selling position in Friday's session, accounting for 95.1% of the day's total sales and 50.1% of the day's total purchasing activity. Foreign investors reacted negatively to information that Moody's Investors' Service had downgraded the status of three top Kenyan banks to negative outlook from stable. The bond market had KES 2.97 billion worth of bonds traded as compared to the KES 1.87 billion transacted in the previous trading session.

INDEX MOVEMENTS

Index	Closing	% Change	% YTD
NASI	135.33	0.85	-18.68
NSE20	1,975.30	0.27	-25.58
NSE25	3,179.99	0.36	-22.45
FTSE NSE25	179.05	0.64	-21.98

MARKET DATA

Market Data	Today	Previous
Market Cap (KES, billions)	2,068.3	2,050.7
Turnover (KES, millions)	1,681.1	439.4
Volume (millions)	37.39	22.44
Foreign Buys (%)	50.09	28.30
Foreign Sales (%)	95.06	86.41

GOVERNMENT BONDS

GOK Bonds	Rates	Traded Yield	Value Traded (million)
FXD4/2019/10	12.2800	12.2000	350.00
IFB1/2013/12	11.0000	10.5900	700.00
IFB1/2019/16	11.7500	12.3500	600.00

MOVERS

Movers	Volume (million)	Turnover (million)	VWAP
East African Breweries Plc	3.24	535.03	165.00
Equity Group Holdings Plc	12.03	405.03	33.70
Safaricom Plc	13.42	371.13	27.65

Source: Faida Investment Bank



PART IV: WEEKLY SUMMARY OF DEALS

For the week ending 15th 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
I&M Rwanda	FMO	PE	Dutch development financier FMO proposed a USD 15 Million debt investment in I&M Bank Rwanda. I&M Rwanda is part of the I&M Group, a financial services provider in East-Africa and long-standing partner of FMO. The group was established in 1974 and operates in four countries: Kenya, Tanzania, Mauritius and Rwanda.	15	Financial Services	Rwanda
Agricultural Finance Corporation	Treasury	Capital Injection	The Agricultural Finance Corporation (AFC) was expected to 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 programmes, 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.	14	Agriculture	Kenya



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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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