



i&M Burbidge Capital



**MARKET
UPDATE BULLETIN**

covering **26th May 2020** and the week ending **22nd 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

"Being an entrepreneur isn't really about starting a business. It's a way of looking at the world: seeing opportunity where others see obstacles, taking risks when others take refuge."

- Michael Bloomberg

PART I : DEALS & CORPORATE DEVELOPMENTS

26th May 2020

Kenya

Deals

Swedfund signs EUR 5 Million debt deal with East African financial institution

Sweden's development finance institution Swedfund will lend EUR 5 Million to Platcorp, a financial institution providing credit to private individuals and small and medium-sized companies, in Kenya, Uganda and Tanzania.

Source: Africa Private Equity News

Nairobi-based Apollo Agriculture raises USD 6 Million

Apollo Agriculture, the financing and products platform empowering small-scale farmers to maximise their profits, has raised USD 6 Million in Series A financing. The round was led by Anthemis Exponential Ventures, with participation from Leaps by Bayer, Flourish Ventures (a venture of The Omidyar Group), Sage Hill Capital, to Ventures Food, Breyer Labs, and existing investors Accion Venture Lab and Newid Capital, among others.

Source: Africa Private Equity News

Tanzania: AgDevCo signs debt deal with producer of grain storage bags

AgDevCo has announced a long-term debt investment into Pee Pee Tanzania Limited (PPTL), a regional leader in the production of grain storage bags. The company distributes its products to farmers across Eastern and Southern Africa, helping reduce post-harvest losses and improve food security.

Source: Africa Private Equity News

Markets

Central Bank tipped to cut policy rate, again

The Central Bank of Kenya (CBK) is likely to cut the base rate once again by at least 25 basis points, according to economists, who point out the need to establish a base for the economic rebound in the post-Covid-19 period. In last month's meeting, the Monetary Policy Committee (MPC) made a 25-basis point cut in the base rate, to 7% from 7.5% , which marked the fourth straight cut in the rate by the CBK going back to November 2019 meeting.

Source: Business Daily

Jitters double derivatives trade in Q1

The derivatives market (NEXT) at the Nairobi Securities Exchange (NSE) transacted the highest ever quarterly turnover in the first three months of this year – signalling the uncertainty that necessitated more hedging.

Source: Business Daily

PART II: TREASURY UPDATE

For the week ending 22nd May 2020

LOCAL MARKET

The Kenyan Shilling was range bound last week to close at 106.85/107.35. The NSE 20 share index edged higher by 39.58 points to close at 2,014.88 while the secondary registered reduced activity with bonds worth Kes.10.3Bn transacted compared to KES 10.7 Billion registered the previous week.

The interbank money market was relatively liquid with the average volumes traded increasing to KES 11.480 billion against KES 7.762 billion traded in the previous week. The Central bank injected KES 2.70 billion through its Open Market Operations. The Treasury bill auctions of May 21st received bids totalling Kes 35.823 billion against an advertised amount of KES 24.0 billion representing a performance of 149.27%. The auction saw the 91,182 and 364 rates increase to 7.319%, 8.227% and 9.195% respectively. The total amount raised increased to KES 26.558 billion against KES 23.977billion raised in the previous week.

The Re-opened 5-year Treasury bond (FXD1/2020/5) offered at the auction of May 20 received bids totaling KES 20.581 billion against an advertised amount of KES 30.0 billion, representing a performance of 68.60%. The weighted average rate of accepted bids was 11.748%.

INTERNATIONAL MARKET OVERVIEW

Dollar trading was mixed last week as it began the week on a low note due to reduced demand for the currency and as hopes of a potential vaccine for the Covid-19 came to light after all 45 phase one trial participants developed antibodies to the virus after two doses. The Dollar was also hit by the U.S-China tensions after President Trump accused China of poor handling of the Coronavirus. The currency later moved up after China announced that it was going to impose strict national security laws for Hong Kong in response to last year's often violent pro-democracy protests at which the U.S said that it'll react strongly on the imposition of the laws. The Dollar also gained on news that the Manufacturing PMI and Markit PMI Composite went higher to 39.8 from 36.1 and 36.4 from 27.0 respectively.

EUR was on a positive trend last week after France and Germany proposed a USD 500 billion coronavirus relief program to support economic recovery. The fund would be managed by the European Commission on behalf of the EU and will offer grants to regions and sectors hit hardest by the coronavirus crisis. The currency also gained on positive news that showed the month-on-month German ZEW Survey (Economic Sentiment) gained to 51.0 from 28.20 while the May Euro-Zone ZEW Survey (Economic Sentiment) also gained to 46.0 from 25.20. The Euro-Zone PMI Manufacturing and Euro-Zone PMI Services also edged higher to 39.5 from 33.4 and 28.7 from 12.0 respectively as the German PMI Composite and German Manufacturing PMI also went higher to 31.4 from 17.4 and 36.8 from 34.5 respectively.

GBP marginally weakened last week as fears of negative interest rates and Brexit fears hit the currency. The inflation data was at 1% which was lower than BOE target of 2%. BoE Governor Andrew Bailey and Deputy Governor Dave Ramsden acknowledged the possibility of the negative interest rates so as to stimulate the economy. GBP was also hit by Brexit fears as there are no plans to extend its deadline beyond December 2020 despite having challenges with the negotiations caused by the coronavirus. A no-deal Brexit could hurt the U.K is won't have market for its commodities and labour would be restricted. Negative data also hit the currency as the year-on-year Core CPI and U.K CPI dipped to 1.4% from 1.6% and 0.8% from 1.5% respectively. The year-on-year and month-on-month retail sales also dipped to -22.6% from 5.8% and -18.15 from 5.1% respectively.

Source: I&M Bank Limited

PREVAILING TREASURY BILLS YIELD & INFLATION

Country				
91 Day T-Bill	7.319	8.400	3.254	6.264
182 Day T-Bill	8.227	10.200	3.963	6.657
364 Day T-Bill	9.195	11.000	4.786	8.155
Inflation Data	5.62	3.20	3.30	8.80

KES INDICATIVE EXCHANGE RATES AT MARKET OPEN

Currency	Country	Bank Buy	Bank Sell
USD		106.10	107.40
GBP		128.00	132.30
EUR		114.00	118.00
CHF		108.00	111.30
JPY		0.9760	1.0100
ZAR		5.80	6.50
INR		-	1.4320
CNH		12.00	16.60
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	1506.50
Murban Crude Oil	USD/barrel	29.05
Coffee	US Cents/lb.	103.60
Wheat	US Cents/Bushel	509.50
Corn	US Cents/Bushel	320.75



PART III: EQUITIES AND BOND TRADING

For the week ending 22nd May 2020

WEEKLY MARKET COMMENTARY

The NSE All Share Index on Friday gained 1.25% to close the week at 140.39 basis points. Week on week, the index gained 3.74%. The NSE20 and the NSE25 indices also recorded gains, adding 0.54% and 0.96% to close Friday at 2,014.88 and 3,279.67 points respectively. Friday's turnover stood at KES 635.2 million against the KES 586.5 million posted the previous session. The volumes traded on the exchange rose to 22.5 million shares up from the 17.7 million shares that traded on Thursday. Week on week, the bourse closed the week with a decline in turnover with 80.9 million shares valued at KES 2.4 billion having been traded against the 145 million shares valued at KES 4.9 billion that changed hands in the previous week. Foreign investors accounted for 61.8% of Friday's total activity and were also net sellers with 79.1% of the day's sales and 44.6% of the day's purchases. The banking Sector had shares worth KES 1.3 billion transacted, representing 54.95% of the week's traded value. Trading on the bond market was high with KES 2.55 billion worth of bonds traded in Friday's trading session as compared to the KES 1.94 billion recorded in the previous session. The Derivatives Market closed the week with a total of 16 contracts valued at KES 458,000. The KCB contract expiring on 17th December 2020 moved 5 contracts valued at KES 180,000.

INDEX MOVEMENTS

Index	Closing	% Change	% YTD
NASI	140.39	1.25	-15.64
NSE20	2,014.88	0.54	-24.09
NSE25	3,279.67	0.96	-20.02
FTSE NSE25	185.19	1.20	-19.30

MARKET DATA

Market Data	Today	Previous
Market Cap (KES, billions)	2,145.8	2,119.3
Turnover (KES, millions)	635.2	586.5
Volume (millions)	22.48	17.74
Foreign Buys (%)	44.59	33.84
Foreign Sales (%)	79.11	92.93

GOVERNMENT BONDS

GOK Bonds	Rates	Traded Yield	Value Traded (million)
FXD3/2016/5	13.1120	9.2372	350.00
FXD1/2016/10	12.1800	10.8689	300.00
IFB1/2018/20	11.9500	12.8500	374.50

MOVERS

Movers	Volume (million)	Turnover (million)	VWAP
KCB Group Plc	8.64	313.48	36.30
Safaricom Plc	6.06	177.83	29.35
Equity Group Holdings Plc	2.62	94.79	36.20

Source: Faida Investment Bank



PART IV: WEEKLY SUMMARY OF DEALS

For the week ending 22nd 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
Novastar Ventures Africa Fund II	DFI	FoF	The Swiss Investment Fund for Emerging Markets (SIFEM) revealed an USD 8 Million investment in the Novastar Ventures Africa Fund II, an impact fund, targeting venture capital (VC) investments in innovative early-stage businesses in East and West Africa.	8	Technology	East Africa
Canon Chemicals	Godrej Consumer Products	M&A	Godrej Consumer Products was reported to have acquired the remaining 25% in Canon Chemicals, the makers of Valon petroleum jelly, through the wholly-owned Kenyan subsidiary for an undisclosed sum. In February 2016, Godrej purchased a 75% in the manufacturer through Kenyan subsidiary Godrej East Africa Holdings Ltd.	Undisclosed	FMCG	Kenya
National Bank	KCB	Capital Injection	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.	30	Financial Services	Kenya
M-Kopa	Sunfunder	Debt	SunFunder, a provider of debt financing to solar enterprises, reported closing 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.	Undisclosed	Energy	Kenya



PART IV: WEEKLY SUMMARY OF INSIGHTS

For the week ending 22nd May 2020

PKF LLP TAX SUMMARY OF THE PROPOSED FINANCE BILL

The Finance Bill, 2020 (Bill) was published for introduction to the National Assembly on 5 May 2020 detailing out various tax and fiscal proposals. The Bill is open for public participation and PKF 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 approved by parliament and enacted into law in the form of an Act. The effective date for each proposal will be specified in the Act.** The Acts in question cover:

- Income Tax
- Value Added Tax
- Tax Procedures
- Excise Duty
- Miscellaneous Fees and Levies
- Tax Appeals

For more details, click [here](#)



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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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