



**i&M** Burbidge Capital



**MARKET  
UPDATE BULLETIN**

for **4<sup>th</sup> May 2020** and the week ending **30<sup>th</sup> 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

*"Your most unhappy customers are your greatest source of learning.."*

- Bill Gates

# PART I : DEALS & CORPORATE DEVELOPMENTS

4<sup>th</sup> May 2020

Kenya

## Markets

### **CBK roots for Treasury SMEs credit guarantee**

The Central Bank of Kenya (CBK) is calling for the speedy establishment of a credit guarantee scheme to shield lenders and small businesses against the economic effects of the Covid-19 pandemic. Under the proposed scheme, the Treasury said last year it would provide third-party credit risk mitigation to commercial banks by absorbing a portion for losses on small and medium-sized enterprises (SMEs) loans in the event of default.

Source: *Business Daily*

## Corporate

### **EU, AfDB sign deal to finance agribusinesses**

The European Union (EU), Denmark and the African Development Bank (AfDB) have signed a partnership deal that will see 2,400 agribusinesses in eight counties funded to scale up operations. The AgriBiz programme, implemented by the Kenya Climate Innovation Centre is expected to generate 17,000 new jobs with KES 5.1 billion expected to be spent on the project.

Source: *Business Daily*

### **Safaricom to launch unit trust, new savings service**

Safaricom is testing a unit trust investment product on its M-Pesa platform and will commercially launch a new mobile savings service as it races for a larger piece of the financial services market. Under the unit trust product, Safaricom will allow its subscribers to make small payments via M-Pesa that will be placed in a collective scheme for investments in assets like stocks, fixed bank deposit and government securities.

Source: *Business Daily*

Regional

## Markets

### **Rwanda drops lending rate to 4.5%**

The National Bank of Rwanda has slashed its lending rate to 4.5% from 5%, to stimulate economic growth amid the coronavirus pandemic that has halted economic activity. This decision, along with other implemented policy measures taken in March, will support commercial banks to continue financing the economy.

Source: *The East African*

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# PART II: TREASURY UPDATE

## For the week ending 30<sup>th</sup> April 2020

### LOCAL MARKET

The Kenyan Shilling was steady against the Dollar last week to close at 107.30/107.80. The NSE 20 share index edged lower by 9.77 points to close at 1,958.07 while the secondary bonds market registered reduced activity with bonds worth KES 6.67 billion transacted compared to KES 8.4 billion registered in the previous week. Kenya has also seen a growth in the number of Covid-19 infected persons to 465 with 24 mortalities and 167 recoveries.

For the week ending 30th April 2020, the interbank money market was relatively liquid. The average volumes traded increased to KES 13.627 billion against KES 7.250 billion traded in the previous week. Central bank of Kenya withdrew KES 5.00 billion via the 7-day Term Auction Deposits.

The Treasury bills auctions of April 30th received bids totaling KES 17.898 billion against an advertised amount of KES 24.0 billion representing a performance rate of 74.58%. The auction saw the 91,182 and 364 rates increase to 7.242%, 8.134 % and 9.115% respectively. The total amount raised decreased to KES 15.655 billion against KES 19.514 billion raised in the previous week.

During the week, the Kenyan government issued a new 5-year Bond (FXD1/2020/5) in a bid to raise KES 50.0 billion.

### INTERNATIONAL MARKET OVERVIEW

The Dollar started the week on a weak note with reduced demand for the currency as European countries started easing restrictions due to the Covid-19 pandemic and on news that the Federal Reserve left interest rates unchanged in a bid to boost the U.S economy. The currency was also affected by negative data that showed the trade of balance and pending home sales dipped to -64.22 billion from -59.89 billion and -20.8% from 2.3% respectively. The year-on-year PCE Core Price Index and Manufacturing PMI also went lower to 1.3% from 1.8% and 36.1 from 48.5 respectively.

The EUR was on a positive streak last week, mostly on the back of dollar weakness and positive data that showed the month-on-month German CPI and Unemployment Rate edged higher to 0.3% from 0.1% and 5.8% from 5.0% respectively. The Euro-Zone Unemployment Rate and Deposit Facility Rate also gained to 7.4% from 7.3% and 0.00% from -0.50% respectively. Negative data did little to affect the currency as the year-on-year German CPI and Euro-Zone CPI dipped to 0.8% from 1.4% and 0.4% from 0.7% respectively. The ECB also held its interest rates steady and assured market support during the covid-19 pandemic and avoid financial fragmentation.

GBP trading was mixed last week on the back of news that the country could scale down the lockdown measures but no tentative date was given. The currency was also affected by negative data that showed PMI Manufacturing edged lower to 32.6 from 47.8. The PMI measures the activity level of purchasing managers in the manufacturing sector. A reading above 50 indicates expansion in the sector and below 50 indicates contraction. Brexit woes added to the fluctuation of the currency as the lockdown has placed a pause on the current negotiations. The Pound would struggle if the UK was unable to deliver a credible and timely exit strategy, as this would disadvantage the economy relative to peers as the longer the lockdown stays, the more loses the economy bears and the greater the effort required to recover.

Source: I&M Bank Limited

### PREVAILING TREASURY BILLS YIELD & INFLATION

Country				
91 Day T-Bill	7.242	9.100	3.196	6.362
182 Day T-Bill	8.134	11.950	3.797	6.500
364 Day T-Bill	9.115	11.500	4.666	7.372
Inflation Data	6.06	3.20	3.40	8.50

### KES INDICATIVE EXCHANGE RATES AT MARKET OPEN

Currency	Country	Bank Buy	Bank Sell
USD		106.00	107.70
GBP		131.00	135.00
EUR		114.00	118.00
CHF		109.10	113.00
JPY		0.9880	1.0250
ZAR		5.00	6.00
INR		-	1.4400
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	1487.00
Murban Crude Oil	USD/barrel	18.12
Coffee	US Cents/lb.	106.10
Wheat	US Cents/Bushel	508.75
Corn	US Cents/Bushel	315.75

# PART III: EQUITIES AND BOND TRADING

## For the week ending 30<sup>th</sup> April 2020

### WEEKLY MARKET COMMENTARY

The NSE All Share index and the NSE20 share index were down 0.4% and 0.5% to close at 139.69 and 1,958.07 basis points respectively. The NSE25 share index, however, gained 0.3% to close at 3,292.64 basis points on the last trading day of the week. Week on week, all the major indices rose except for the NSE20 share index which dropped 0.65%. Turnover for Thursday was up 18% to KES 424 Million from yesterday's close of KES 321.8 Million. Volumes traded on the market rose with 19.7 million shares changing hands from Wednesday's 16.6 million shares. The Market Turnover for the week stood at KES 1.6 billion in comparison to KES 4.3 billion transacted in the previous week. Foreign investors dominated Thursday's trading activity with a 57.54% market presence and holding net selling positions on Safaricom Plc and Equity Group Holdings Plc. Safaricom rose by 3.45% to KES 28.50, up from KES 27.55 with shares worth KES 713 million transacted, accounting for 44.44% of the week's traded value. The secondary bond market recorded positive growth in activity with bonds worth KES 2.01 billion transacted in 144 deals as compared to the 0.92 billion achieved in the previous session.

### INDEX MOVEMENTS

Index	Closing	% Change	% YTD
NASI	139.69	-0.37	-16.06
NSE20	1,958.07	-0.46	-26..23
NSE25	3,292.64	0.91	-19.70
FTSE NSE25	185.85	0.33	-19.02

### MARKET DATA

Market Data	Today	Previous
Market Cap (KES, billions)	2,135.0	2,143.0
Turnover (KES, millions)	423.7	321.8
Volume (millions)	19.73	16.61
Foreign Buys (%)	39.50	30.18
Foreign Sales (%)	75.57	50.70

### GOVERNMENT BONDS

GOK Bonds	Rates	Traded Yield	Value Traded (million)
FXD1/2019/5	11.3040	11.1000	100.00
IFB1/2018/15	12.5000	12.3000	500.00
IFB1/2019/16	11.7500	12.5000	400.00

### MOVERS

Movers	Volume (million)	Turnover (million)	VWAP
Safaricom Plc	9.76	276.70	28.90
KCB Group Plc	1.46	54.20	37.00
Equity Group Holdings Plc	1.08	40.62	37.65

Source: Faida Investment Bank



# PART IV: WEEKLY SUMMARY OF DEALS AND INSIGHTS

## For the week ending 30<sup>th</sup> April 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
Mayfair Bank	Commercial International Bank	M&A	Egypt's largest private lender, Commercial International Bank (CIB), will inject KES 3.7 billion (USD 35 million) into Mayfair Bank following its acquisition of a majority stake in the Kenyan tier three lender. The acquisition by CIB, which now controls 51% shareholding in the bank, will see the lender operate under the new name of Mayfair CIB Bank Limited as from May 1 <sup>st</sup>	35	Financial Services	Kenya
Komaza	FMO	Capital Injection	Dutch development financier FMO has disclosed a proposed USD 7.5 million investment in Komaza Group Inc., a vertically integrated micro-forestry company working with smallholder farmers in Kenya to address a large and fast-growing wood market in Africa. The main funding objective is to support the growth of Komaza within Kenya and potentially across sub-Saharan Africa.	7.5	Agriculture	Kenya

### PKF COMMENTS ON COVID-19 ECONOMIC IMPACT AND THE NEXUS WITH NEW TAX LAWS

The Tax Laws (Amendment) Act, 2020 (Act) was assented by the President on 25 April 2020 and published on 27 April 2020. Most of the provisions in this Act became effective on the date of assent save for the amendments to Section 5(2) of the Value Added Tax (VAT) Act, 2013 which becomes effective on 15 May 2020. This Tax Alert supersedes PKF's Tax Alert Issue number 2 of 2020 which analysed the provisions of the Bill which has now become law. It covers the changes made in:

- Income Tax
- Excise Duty
- Tax Procedures
- Miscellaneous fees and levies

For more details click, [here](#)

**PKF**

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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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