



**i&M** Burbidge Capital



**MARKET  
UPDATE BULLETIN**

covering **22<sup>nd</sup> June 2020** and the week ending **19<sup>th</sup> June 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.

## Weekly Market Commentary

There were 3 corporate transactions in the last week all of which were venture capital investments. The transactions were in the healthcare, energy and logistics sectors. Gender lens investing took centre stage with funding for a USD 170 million fund targeting women-led businesses expecting investment from the EIB, and Standard Chartered pledging support for women-led startups. From our own experience we are now finding that not only are corporate finance transactions continuing to move ahead, but also parties have increasing appetite to pick up the pace.

## Quote of the day

"The most dangerous poison is the feeling of achievement. The antidote is to every evening think what can be done better tomorrow."

- Ingvar Kamprad

## PART I : DEALS & CORPORATE DEVELOPMENTS

22<sup>nd</sup> June 2020

Kenya

### Markets

#### **Treasury KES 403 Billion local debt target tests market**

The Treasury will find it difficult raising 2020/21 domestic financing that is more than a quarter larger than in the ending fiscal year, meaning high chances of mid-term public spending cuts. Analysts at Kestrel Capital say with the Treasury having mobilised KES 391 billion for this fiscal year, it will be a gruelling task to raise KES 493 billion proposed in the 2020/21 budget – that is an extra KES 102 billion or 26%.

Source: Business Daily

#### **T-bonds see heaviest investors uptake in one-and-a-half years**

Investors offered a massive KES 105.14 billion in this month's KES 40 billion, 5 and 10-year Treasury bond sale, due to a heavily liquid market and short tenors that presented an attractive investment for bank sector players. This is the heaviest bidding seen on a bond, surpassing the KES 101.97 billion investors offered in the January 2019 2 and 15-year papers.

Source: Business Daily

Regional

### Economy

#### **Rwanda GDP growth slows to 3.6% in Q1 2020 from 6.1% in same period last year**

Rwanda's economic growth slowed to 3.6% year-on-year in the first quarter of this year from 6.1% in same period last year, hit by effects of the novel coronavirus, the statistics office said on Friday. The statistics office said among the sectors whose performance deteriorated during the period include agriculture, industry and service. It said second quarter will be hit even harder, with recovery expected in the next two quarters.

Source: African Reuters

# PART II: TREASURY UPDATE

## For the week ending 19<sup>th</sup> June 2020

### LOCAL MARKET

The Kenyan Shilling was range-bound against the Dollar last week to close at 106.15/106.65. The NSE 20 share index edged lower by 42.32 points to close at 1,969.45 while the secondary market registered increased activity with bonds worth KES 11.9 billion transacted compared to KES 11.7 billion registered the previous week.

### CENTRAL BANK UPDATE

For the week ending 19<sup>th</sup> June 2020, the interbank money market was liquid. The average volumes traded were KES 3.838 billion. Central bank of Kenya withdrew KES 82.55 billion via the 7, 14, 21 and 28 days Term Auction Deposits.

The Treasury bills auctions of June 18<sup>th</sup> received bids totalling KES 45.205 billion against an advertised amount of KES 24.0 Billion representing a performance rate of 188.36%. The auction saw the 91,182 and 364 rates decrease to 7.089%, 7.739% and 8.667%, respectively. The total amount raised decreased to KES 14.720 Billion against KES22.848 Billion raised in the previous week.

The 5 year (FXD3/2019/05) and the 10 year (FXD4/2019/10) re-opened Treasury bonds offered at the auction of June 16 received bids totalling KES 105.155 billion against an advertised amount of KES 40.0 billion, representing a performance rate of 262.84%. The 5 year (FXD3/2019/05) weighted average rate was 11.186% while the re-opened 10 year (FXD4/2019/10) weighted average rate was 12.415%.

### INTERNATIONAL MARKET OVERVIEW

The U.S Dollar was trading on the losing side last week mostly on the back of low demand for the currency and news that the Federal Reserve was prepared to start its corporate bond-buying scheme. The scheme known as the Secondary Market Corporate Credit Facility (SMCCF) is one of the several emergency facilities recently launched by the U.S. Federal Reserve to improve market functioning in the wake of the coronavirus pandemic. The currency was also hit by fears of a spike in reported cases of Covid-19 in some states just as the country was about to re-open its borders and restart economic activities.

EUR trading was mixed last week on the back of mixed data from the Eurozone. Positive movement was supported by month-on-month German ZEW Survey and Euro-Zone ZEW Survey that gave positive readings of 63.4 from 51.0 and 58.6 from 46.0 respectively and German PPI that gained to -0.4% from -0.7%. The year-on-year German CPI and Harmonised CPI were flat at 0.6% and 0.5% just as the year-on-year Euro-Zone Core CPI and Euro-Zone CPI that were steady at 0.9% and 0.1% respectively. The currency was also hit by negative data that showed the month-on-month Euro-Zone CPI dipped to -0.1% from 0.3% and the year-on-year German PPI that dipped to -2.2% from -1.9% and uncertainty about the passage of the €750 billion stimulus package to E.U economies despite it facing opposition from some countries.

The GBP traded mostly on the lower side last week as fears of a second wave of Coronavirus and Brexit hit the currency. Initially, the U.K and EU agreed to intensify post-Brexit talks with Prime Minister Boris Johnson hoping that an outline of a deal could be reached by the end of next month but this later changed as the E.U saw it as impossible and fronted an October timeline. The uncertainty with regards to when that talks are to be concluded and hard stance by both parties make it possible for U.K to leave without a deal. The currency was also hit by negative data that showed the year-on-year core CPI and CPI both dipped to 1.2% from 1.4% and 0.5% from 0.8% while the year-on-year U.K PPI input and PPI output also dipped to -10.0% from 9.8% and -1.7% from 0.7% respectively.

Source: I&M Bank Limited

### PREVAILING TREASURY BILLS YIELD & INFLATION

Country				
91 Day T-Bill	7.089	8.800	2.686	6.404
182 Day T-Bill	7.739	10.450	3.274	6.967
364 Day T-Bill	8.667	12.350	4.182	8.196
Inflation Data	5.47	3.20	3.20	8.80

### KES INDICATIVE EXCHANGE RATES AT MARKET OPEN

Currency	Country	Bank Buy	Bank Sell
USD		105.40	106.70
GBP		128.70	132.70
EUR		116.40	120.20
CHF		109.80	113.00
JPY		0.9800	1.0150
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	1592.00
Murban Crude Oil	USD/barrel	36.89
Coffee	US Cents/lb.	95.90
Wheat	US Cents/Bushel	483.75
Corn	US Cents/Bushel	336.50



# PART III: EQUITIES AND BOND TRADING – NSE

## For the week ending 19<sup>th</sup> June 2020

### WEEKLY MARKET COMMENTARY

All indices of the NSE recorded declines on Friday with the benchmark NSE All share Index shedding 0.23% to close at 144.58 points. The NSE20 & the NSE25 share indices shed 0.13% and 0.36% to close at 1,969.45 & 3,332.27 points, respectively. Week on week, the NASI was up 1.19%. Equity turnover was up 83% on Friday, closing at KES 936.86 million. The top counters of the day were Safaricom, Equity Group Holdings and KCB Group Plc. The counters' turnover during Friday's session was KES 367.29 million, KES 221.08 million and KES 109.81 million, respectively. The Equity Market closed the week with 133 million shares valued at KES 3.2 Billion having been traded as compared with the 145 Million shares valued at KES 3.3 Billion transacted during the previous week. Foreign investors were net-sellers on Friday, accounting for 44.13% of the day's purchases and 84.50% of the day's net sales. The foreigners maintained net-selling positions on Safaricom & net-buying positions on Equity Group. The Secondary bond market turnover recorded gains on Friday with a turnover of KES 1.46 billion as compared with the KES 1.46 billion worth of bonds traded on Monday. The number of deals increase to 100. Week on week, the Bond turnover marginally rose to KES 11.9 billion from the KES 11.7 billion registered in the previous week. The Derivatives Market closed the week with a total of 65 contracts valued at KES 1.8 million.

### INDEX MOVEMENTS

Index	Closing	% Change Daily	%Change Weekly	% YTD
NASI	144.58	-0.23	1.19	-13.12
NSE20	1,969.45	-0.13	2.10	-25.80
NSE25	3,332.27	-0.36	1.41	-18.74
FTSE NSE25	190.10	-0.14	1.94	-17.16

### MARKET DATA

Market Data	Today	Previous
Market Cap (KES, billions)	2,209.9	2,215.2
Turnover (KES, millions)	936.86	510.88
Volume (millions)	41.63	15.48
Foreign Buys (%)	44.13	62.77
Foreign Sales (%)	84.50	29.94

### GOVERNMENT BONDS

GOK Bonds	Rates	Traded Yield	Value Traded (million)
FXD3/2019/5	11.6670	11.2000	200.00
FXD1/2009/15	12.5000	11.1000	250.00
IFB1/2019/16	11.7500	11.9500	200.00

### MOVERS

Movers	Volume (million)	Turnover (million)	VWAP
Safaricom Plc	11.87	367.29	30.90
Equity Group Holdings Plc	6.16	221.08	35.85
KCB Group Plc	3.04	109.81	36.15

Source: Faida Investment Bank



# PART IV: WEEKLY SUMMARY OF DEALS

For the week ending 19<sup>th</sup> June 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
PayGo Energy	Saisan Company	VC	PayGo Energy, a venture-backed company founded in Kenya, received investment from Saisan Company Ltd (Saisan) to launch PayGo's Cylinder Smart Meter across Saisan's Gas One retail network. PayGo's patented Cylinder Smart Meter is an IoT device that accurately measures the flow of gas from an LPG cylinder in the customer's home, enabling households to pay for gas in small amounts using mobile money.	Undisclosed	Energy	Kenya
GET IT	Vested World	VC	Chicago-based impact investor VestedWorld invested in Rwanda-based food distribution company GET IT, according to a report by ImpactAlpha. VestedWorld is an early-stage investment fund manager that invests in emerging market companies that have the potential to generate competitive financial returns while contributing towards the growth and development.	Undisclosed	Logistics	Rwanda
Women Development Business Equity Fund	European Investment Bank	Fundraising	The European Investment Bank disclosed it is considering a USD 17 Million equity participation in the Women's Development Business Equity Fund LP. The fund has a target size of about USD 170 million and will focus on investing in women-owned or led companies in South Africa, Lesotho, Botswana, Namibia, Swaziland and to a lesser extent Ghana and Kenya.	17	Financial Services	Kenya
Women Tech Fund	Stanchart	Fundraising	Standard Chartered is set to fund five local women-led tech businesses with KES 1 Million each to support their future growth. The startups were selected from a group of 380 companies in the Women in Tech program competition initiated by Standard Chartered in partnership with Strathmore University's business incubator, @iBizAfrica. The companies to benefit include Soul Food, Taste Afrique, BenaCare, Nature's Touch and Arbes Biotech that have been able to scale their operations with the aid of technology.	0.05	Technology	Kenya
MamaPrime	Sanofi	VC	Health fintech company MamaPrime could clinch a commercial partnership with global drugs manufacturer Sanofi to help scale up its activities beyond Kenya. Without disclosing amount of seed capital to be injected into the Nairobi startup, Sanofi said MamaPrime's team will also get business mentorship training at no cost.	Undisclosed	Healthcare / Fintech	Kenya

# PART IV: WEEKLY SUMMARY OF BUSINESS INSIGHTS

For the week ending 19<sup>th</sup> June 2020

## PKF LLP 2020/2021 BUDGET SUMMARY

On Monday, we presented PKF's analysis of the Kenya Budget 2020/21 speech and the Finance Bill, 2020 (Bill), which was submitted previously to the National Assembly detailing various tax and fiscal proposals. In the past, the Bill was tabled to the National Assembly on the same day as the budget speech. This has now changed and the Bill has to be tabled to the National Assembly ahead of the budget statement and must be enacted by 30 June 2020, instead of 30 September as done in the past. The effective dates for the various proposed changes will be stipulated in the Act, although the Bill does have indicative dates.

PKF provided a summary on the Finance Bill as pertains to the following:

- Income Tax
- Value Added Tax
- Excise Duty
- Tax Procedures
- Miscellaneous Fees and Levies
- Kenya Revenue Authority
- Custom Duties
- Budget Allocations

For more details, click [here](#)

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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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