



i&M Burbidge Capital



**MARKET
UPDATE BULLETIN**

covering **29th June 2020** and the week ending **26th June 2020**

Foreword & Commentary

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

The corporate transactions market recorded one new transaction in the last week and 3 follow up announcements on transactions that were previously announced to have kicked off. Of note is that 2 of the latter were mergers in the financial services sector signifying that, whilst muted, the M&A market remains resilient with transactions advancing at a slower pace; and, as we expect will be the case in the medium term, with downside protection and performance-linked transaction structures in some cases. In the uncertain post coronavirus economic environment, this offers buyers risk mitigation options and sellers the ability to realise value that may otherwise be temporarily reduced by the pandemic and the ensuing economic challenges.

Quote of the day

"Nothing works better than just improving your product."
- Joel Spolsky

PART I : DEALS & CORPORATE DEVELOPMENTS

29th June 2020

Kenya

Deals

World Bank lends Equity KES 5 Billion for SME loans

The Kenyan banking subsidiary of Equity Group is set to receive a USD 50 million (KES 5.3 billion) loan from the private sector arm of the World Bank for onward lending to small businesses hurt by the global Covid-19 pandemic. The International Finance Corporation (IFC) made the disclosure of the multi- billion shilling support to Equity Bank, which has taken a cash preservation strategy, including recalling KES 9 billion in dividends and dropping the purchase of four banks outside Kenya.

Source: *Business Daily*

Market

Strong May exports signal balance of payments hope

The Central Bank of Kenya (CBK) has struck a bullish tone on Kenya's balance of payments, saying chances are high the current account deficit could come in below the 5.8% projection at the end of the year. CBK governor Patrick Njoroge said the export numbers for May showed a stronger than expected recovery following the dip in April, led by tea and horticulture.

Source: *Business Daily*

Economy

Kenya eyes e-commerce investments in US pact

Kenya has marked the e-commerce segment as a key growth area and a priority in the negotiations for a proposed free trade agreement (FTA) with the United States. In the negotiation objectives unveiled last week, the government eyes support from the superpower to help strengthen e-commerce and digital platforms for trade to enhance growth. Kenya plans to gradually relax its regulations of the digital market to ease entry of US firms and products.

Source : *Business Daily*

PART II: TREASURY UPDATE

For the week ending 26th June 2020

LOCAL MARKET

The Kenyan Shilling was range-bound against the Dollar last week to close at 106.20/106.70. The NSE 20 share index edged lower by 30.83 points to close at 1,938.62 while the secondary market registered improved activity with bonds worth KES 20 Billion transacted compared to KES 11.9 billion registered the previous week.

CENTRAL BANK UPDATE

For the week ending 26th June 2020, the interbank money market was liquid. The average volumes traded were KES 8.926 billion. Central bank of Kenya withdrew KES 117.80 billion via the 7 and 14 days Term Auction Deposits.

The Treasury bills auctions of June 25th received bids totalling KES 58.950 billion against an advertised amount of KES 24.0 billion representing a performance of 245.63%. The auction saw the 91,182 and 364 rates decrease to 6.70%, 7.395% and 8.194 % respectively. The total amount raised decreased to KES 13.759 billion against KES 14.720 billion raised in the previous week.

INTERNATIONAL MARKET OVERVIEW

Trading on the U.S Dollar was mixed last week as covid-19 cases surged and mixed data was reported. Fears of a Covid-19 second wave hit the headlines with the bulk of the reported cases coming from North and South America. The U.S and Brazil are currently leading with the number of reported infections and total deaths respectively thus courting fears of a strict lockdown to contain the spread of the pandemic. Positive data that helped prop the currency were the Manufacturing PMI and Markit Services PMI that edged higher to 49.6 from 39.8 and 46.7 from 37.5 respectively while the Durable Goods Orders and quarter-on-quarter GDP Price Index also increased to 4.0% from -8.25 and 1.6% from 1.4% respectively. Negative data included annualized GDP and Initial Jobless Claims that performed poorly at -5.0% from 2.0% and 1.48 million against a forecast of 1.3 million respectively.

EUR also traded mixed last week but mostly on a positive trend as positive data boosted the currency. The Markit Manufacturing PMI and services PMI moved higher to 52.1 from 40.6 and 50.6 from 31.1 respectively while the German IFO Business Climate Index edged higher to 91.4 from 80.5 and 86.2 from 79.7 respectively. The currency was also affected by news that the EU was yet to reach a consensus with regards to the stimulus package of EUR 750 billion as Sweden, Denmark, Austria and the Netherlands were still opposed to the plan to pay out the majority of the stimulus in grants instead of loans.

GBP traded mixed last week as it started the week on a strong footing on the back of positive data but later retreated as gloomy Brexit news took the stage. The Manufacturing PMI and PMI services were all higher at 50.1 from 40.7 and 47.0 from 29.0 respectively while the U.K CBI Industrial Trends Orders figure was also higher at -58 from -62. Brexit fears re-surfaced as the EU Brexit negotiator hinted that a deal was possible but asked the U.K to give clear signs that it was committed to the process. The currency was also affected by hints that the U.S would impose fresh tariffs on European goods worth USD 3.1 billion.

Source: I&M Bank Limited

PREVAILING TREASURY BILLS YIELD & INFLATION

Country				
91 Day T-Bill	6.700	8.800	2.687	6.453
182 Day T-Bill	7.395	11.450	3.274	6.900
364 Day T-Bill	8.194	11.200	4.182	8.273
Inflation Data	5.47	2.80	3.20	9.20

KES INDICATIVE EXCHANGE RATES AT MARKET OPEN

Currency	Country	Bank Buy	Bank Sell
USD		105.60	106.90
GBP		129.15	132.90
EUR		117.30	121.00
CHF		110.80	114.10
JPY		0.9790	1.0010
ZAR		6.40	6.50
INR		-	1.4290
CNH		14.00	16.50
RWF		7.00	10.00

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	1,601.50
Murban Crude Oil	USD/barrel	35.10
Coffee	US Cents/lb.	96.65
Wheat	US Cents/Bushel	476.50
Corn	US Cents/Bushel	320.25

PART III: EQUITIES AND BOND TRADING – NSE

For the week ending 26th June 2020

WEEKLY MARKET COMMENTARY

The benchmark NSE All Share Index gained on Friday 0.14% to close at 137.75 points. The NSE20 gained 0.03% while the NSE25 shed 0.12% to close at 1,938.62 and 3,231.32 points, respectively. Week on week, the NASI was down or 4.72% whilst the NSE20 and NSE 25 shed 1.57% and 3.03%, respectively. Turnover declined by 50.09% to KES 347.5 Million on Friday. The top counters of the day were Safaricom, Equity and Bank of Kigali. The counters' turnover stood at KES 255 million, KES 25 million and KES 23 million, respectively. Week on week, the market recorded trading on 146 million shares valued at KES 2.7 billion against the 133 million shares valued at KES 3.2 billion transacted during the previous week. Foreign investors were net-sellers, on Friday, recording net outflows of KES 120 million as compared to net outflows of KES 390 million in the previous session. The foreigners were net-sellers on Safaricom, Bank of Kigali and Equity Bank and accounted for 94.02% of the day's total sales and 58.8% of the day's purchases. The secondary bond market turnover was relatively unchanged Friday, with bonds worth KES 4.61 billion transacted against the KES 4.31 billion worth of bonds traded on Thursday. The number of deals declined to 135. Week on week, the bond market recorded gains with bonds worth KES 20 Billion having been transacted up from the KES 11.9 billion registered the previous week. The Derivatives Market closed the week with a total of 27 contracts valued at KES 803,000.

INDEX MOVEMENTS

Index	Closing	% Change Daily	%Change Weekly	% YTD
NASI	137.75	0.14	-4.72	-17.22
NSE20	1,938.62	0.03	-1.57	-26.97
NSE25	3,231.32	-0.12	-3.03	-21.20
FTSE NSE25	184.64	0.29	-3.56	-19.54

MARKET DATA

Market Data	Friday	Previous
Market Cap (KES, billions)	2,105.4	2,102.4
Turnover (KES, millions)	347.54	696.57
Volume (millions)	13.28	29.36
Foreign Buys (%)	58.83	34.27
Foreign Sales (%)	94.02	89.76

GOVERNMENT BONDS

GOK Bonds	Rates	Traded Yield	Value Traded (million)
FXD1/2020/5	11.6670	11.0500	400.00
FXD1/2018/15	12.6500	12.3000	900.00
IFB1/2020/6	10.2000	10.6000	400.00

MOVERS

Movers	Volume (million)	Turnover (million)	VWAP
Safaricom Plc	8.95	255.20	28.80
Equity Group Holdings Plc	0.71	25.01	35.05
BK Group Plc	1.27	22.88	18.00

Source: Faida Investment Bank



PART IV: WEEKLY SUMMARY OF DEALS

For the week ending 26th 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
Platcorp	DFI	Debt	Kenya-based microfinance venture, Platcorp secured a KES 600 million (EUR 5 million) loan from the Swedish Development Finance Institution (Swedfund) for onward lending to small and medium sized enterprises (SMEs) in the region.	6	Financial Services	Kenya
Banque Commerciale Du Congo	Equity Group	M&A	It was announced that Equity Group will pay the final KES 2.1 billion for its acquisition of a majority stake in DRC's Banque Commerciale Du Congo after two years in a move aimed at protecting itself against potential unforeseen liabilities in the target company. The Kenyan bank has signed an agreement to buy a 66.5% stake in BCDC from George Arthur Forrest for USD 105 million (KES 11.1 billion).	105	Financial Services	Kenya
Flame Tree Group	SBM	Debt	Flame Tree Group (FTG) secured a KES 905 million (USD 8.5 million) credit line from SBM bank to improve working capital and fund growth even as the firm froze repayment of maturing loans in the wake of coronavirus. Chief executive Heril Bangera said in the latest annual report that the firm had to make critical decisions in a relatively short time due to Covid-19 to secure the viability of the 14 companies operating under FTG.	8.5	Manufacturing	Kenya
Jamii Bora	Cooperative Bank	M&A	Co-operative Bank of Kenya was said to have offered an initial KES 1 billion for the purchase of a 90% stake in Jamii Bora Bank, according to disclosures by the small lender ahead of its July 1 shareholders meeting that will consider the proposed transaction. Jamii Bora's current shareholders will all be squeezed into a 10% stake, with Co-op Bank's majority ownership giving it the right to appoint the lender's board and management.	10	Financial Services	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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