



i&M Burbidge Capital



**MARKET
UPDATE BULLETIN**

covering **13th July 2020** and the week ending **6th July 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

6 corporate transaction announcements were recorded in the last week with a remarkable total disclosed deal value of nearly USD 50 million; with all but one of the 6 having disclosed deal values. The transactions were a combination of PE and M&A activity, a welcome development during a challenging economic environment. Private sector investment is one of the keys to mitigating the economic impact of the coronavirus pandemic. Innovative transaction structures and financing products, particularly in the current low interest rate environment, will be necessary to achieve robust improvement in this area. Deal flow in the year to date reveals appetite for further long term investment in the region.

Quote of the day

"I had to pick myself up and get on with it, do it all over again, only even better this time."
- Sam Walton

PART I : DEALS & CORPORATE DEVELOPMENTS

13th July 2020

Kenya

Market

Gold ETF price hits historic high amid market jitters

The price of the New Gold ETF on the Nairobi Securities Exchange (NSE) rose to the highest level since listing last week as global demand for the commodity rose given the loss in the premium value of the dollar. Market players said they need to hedge portfolios because of the uncertainty has also contributed to the demand for gold as has the lower interest rates such as that offered by the US Federal Reserve for the dollar.

Source: Business Daily

Economy

Kenya set for trade talks with Britain

Kenya will soon start negotiations on a second bilateral trade pact with the United Kingdom following its exit from European Union (EU). The two countries have previously been trading through the EU. However, Kenya lost market access after Britain left the union in what was known as Brexit.

Source: Business Daily

Corporate

Equity Group eyes KES 50 Billion long-term debt in three years

Equity Group is eyeing up to KES 50 billion from international financiers in the next three years as it seeks to boost its liquidity and capital positions. Group CEO James Mwangi told investors in a recent virtual annual general meeting that the board wants to reinforce the lender's liquidity and capital positions through a mix of medium-term and long-term debts.

Source: Business Daily

PART II: TREASURY UPDATE

For the week ending 6th July 2020

LOCAL MARKET

The Kenyan Shilling lost ground against the U.S Dollar for the week ending 10th July to close at 106.95/107.45. In the local equities market, the main NSE 20 share closed the week at 1901.28, 44.69 points lower while in the secondary market bonds worth KES 14 Billion were transacted, higher than KES 9 billion traded the previous week.

CENTRAL BANK UPDATE

The interbank money market remained liquid as inflows from government payments offset tax remittances. The Central Bank was active in the Open Market operations, mopping up KES 146 billion via the 7 and 14-day term auction deposits. The weighted average interbank rate touched a low of 1.6841%.

The weekly Treasury bills auction posted a record performance at 358.18% subscription rate. A total of KES 85.96 billion worth of bids were tendered with only KES 46.22 billion worth of bids accepted. The yields fell marginally to 6.274%, 6.759%, and 7.700% for the 91,182 and 364 day bills respectively. The National Treasury through its agent the Central Bank has reopened FXD1/2020/5 (4.9 years), FXD2/2018/10 (8.49 years) and FXD1/2019/15 (13.61 years) in a bid to raise KES 60 billion. The auction ends on the 21st of July.

INTERNATIONAL MARKET OVERVIEW

The U.S Dollar gained during the week against some of its peers as demand for the currency increased. At the start of the week, the Dollar was supported by a release of favourable economic data. Markets also continued hedging as reported cases of Covid-19 continued to rise in the United States. The decline in the U.S stocks improved the Dollar appeal for investors. The Dollar was also supported by the Supreme Court ruling on Thursday that a New York prosecutor could obtain President Donald Trump's financial records. The Dollar closed the week high on the back of positive economic data.

EUR edged higher at the start of the week supported by positive economic data and prospects of more stimulus for the region. The rebound in the German economy was after the country loosened restrictions to contain the spread of the coronavirus thus giving hints that Europe's largest economy is starting to recover. EUR however dropped as German industrial production data came out lower than expected. The EUR later rose despite concerns that the Eurozone's economy could be headed for a deeper recession than previously forecasted. The currency's strength comes from the strong Eurozone data that has been coming out of lately and hopes of Corona-bond passage. The Euro however closed the week 0.2% lower against the Dollar at 1.1263.

GBP edged higher at the start of the week on the back of positive data. Brexit fears still hovered over the currency as the U.K and the EU need to make progress on access to EU financial markets. Investors awaited more clarity as to whether Britain will agree on a trade deal with the European Union by the end of July. It was reported that the U.K. and EU had a late evening discussion to sort pressing Brexit issues. The Pound remained steady as the U.K. unveiled an ambitious £30 billion stimulus package to spur economic growth as the country emerges from a strict lockdown. In a raft of measure, the Finance Minister Rishi Sunak, announced that the government would pay bonuses to employers to bring workers back to their jobs and cut value-added tax on spending at hotels, restaurants and tourist attractions and subsidise temporary discounts on eating out to boost demand for services hardest-hit by the COVID-19 lockdown. The Pound ended the week lower at 1.2580 against the Dollar.

Source: I&M Bank Limited

PREVAILING TREASURY BILLS YIELD & INFLATION

Country				
91 Day T-Bill	6.274	8.499	2.691	6.453
182 Day T-Bill	6.759	9.751	3.274	6.900
364 Day T-Bill	7.700	10.717	4.182	8.273
Inflation Data	4.95	4.10	3.20	9.20

KES INDICATIVE EXCHANGE RATES AT MARKET OPEN

Currency	Country	Bank Buy	Bank Sell
USD		106.00	107.65
GBP		134.30	136.70
EUR		120.00	122.40
CHF		112.95	114.95
JPY		0.9800	1.0100
ZAR		5.80	6.80
INR		-	1.4400
CNH		14.50	16.50
RWF		7.80	9.70

INDICATIVE DEPOSIT RATES

Fixed period	1M	3M	6M	1Yr
KES (50,000< 5 Million)	6.00	6.25	6.75	7.00
KES (Above 100 Million)	6.50	7.25	7.75	8.25
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	1,688.50
Murban Crude Oil	USD/barrel	44.25
Coffee	US Cents/lb.	97.40
Wheat	US Cents/Bushel	527.25
Corn	US Cents/Bushel	332.00



PART III: EQUITIES AND BOND TRADING – NSE

For the week ending 6th July 2020

WEEKLY MARKET COMMENTARY

The benchmark NSE All Share index shed 0.1% on Friday to close the week at 132.38 points. The NSE20 and the NSE25 share declined by 2.30% and 3.95% during the week to close at 1,901.28 and 3,092.01 points, respectively. Week on week, the NASI, NSE20 and NSE 25 shed 5.15%, 2.30% and 3.95%, respectively. Turnover on the exchange was 43% lower on Friday than on Thursday, closing the week at KES 731.4 million. The top counters during Friday's session were Safaricom, East African Breweries Plc and Equity Group Holdings. The counters' turnover stood at KES 351.8 million, KES 217.2 million and KES 48.7 million respectively. Safaricom was the week's most traded company, accounting for 60.62% of the week's traded value. Foreign investors were net-sellers on Friday accounting for 83.41% of the day's sales and 40.66% of the day's purchases. Foreign investor activity concentrated on selling East African Breweries and Safaricom Plc. The Secondary bond market recorded a slump in turnover with bonds worth KES 1.26 billion transacted on Friday against the KES 2.68 billion worth of bonds traded on Thursday. The number of deals declined to 52. The Derivatives Market closed the week with a total of 20 contracts valued at KES 489,000 concluded on the market.

INDEX MOVEMENTS

Index	Closing	% Change Daily	% Change Weekly	% YTD
NASI	132.38	-0.10	-5.15	-20.45
NSE20	1,901.28	-0.34	-2.30	-28.37
NSE25	3,092.01	-0.07	-3.95	-24.60
FTSE NSE25	175.57	-0.41	-4.53	-23.50

MARKET DATA

Market Data	Friday	Previous
Market Cap (KES, billions)	2,023.12	2,025.11
Turnover (KES, millions)	731.38	1,294.21
Volume (millions)	39.55	47.28
Foreign Buys (%)	40.66	37.64
Foreign Sales (%)	83.41	78.84

GOVERNMENT BONDS

GOK Bonds	Rates	Traded Yield	Value Traded (million)
FXD4/2019/10	12.2800	10.9000	200.00
FXD1/2010/15	10.2500	10.6000	196.00
IFB1/2016/9	12.5000	10.0250	200.00

MOVERS

Movers	Volume (million)	Turnover (million)	VWAP
Safaricom Plc	12.79	351.83	27.50
East African Breweries Plc	1.37	217.16	158.00
Equity Group Holdings Plc	1.53	48.69	31.85

Source: Faida Investment Bank



PART IV: WEEKLY SUMMARY OF DEALS

For the week ending 6th July 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
ICEA Lion Insurance	Leapfrog	PE	Leapfrog Strategic Africa Investments planned to acquire a 24% stake in ICEA LION Insurance Holdings Limited, a Kenyan insurer and asset manager. ICEA LION Holdings is the non-operating holding company of the ICEA LION Group. The group is primarily involved in insurance and asset management across East Africa.	Undisclosed	Financial Services	Kenya
Saham Assurance	MUA Ltd	M&A	Mauritian insurance company MUA Ltd (MUA) has received regulatory greenlight to acquire Nairobi based Saham Assurance company in a deal worth KES 1.23 billion. The firm Monday said it had concluded the transaction which began with the January's signing of the Sales Purchase Agreement after it got approvals from the Insurance Regulatory Authority (IRA, Kenya), the COMESA Competition Commission and the South African Reserve Bank as well as the Competition Authority of Kenya.	12	Financial Services	Kenya
Grit Real Estate	Zep-Re	M&A	Nairobi-based reinsurer Zep-Re was said to be eying a KES 464.4 million (ZAR 74.5 Million) investment in multinational property developer Grit Real Estate Income Group. The shares will be bought on the Johannesburg Stock Exchange (JSE) from which Grit intends to delist, citing high regulatory and compliance costs.	4.6	Real Estate	Kenya
KopaGas	Acumen	PE Exit	Acumen announced it exited Tanzanian pay-as-you-go technology company KopaGas through Circle Gas's USD 25 Million acquisition of the company's technology - the largest-ever pure private equity investment in the clean cooking sector.	25	Energy	Tanzania
Circle Gas	Safaricom	M&A	Safaricom bought a stake in UK firm, Circle Gas Limited at KES 384.6 million, marking its entry into cooking energy business as it continues to diversify revenue streams away from voice business. The telco discloses in the latest annual report that it completed the transaction last December, giving it 18.96% of the issued shares of the England-based firm.	3.8	Energy	Kenya
Co-Ro Food	Bidco Africa	JV	Consumer goods manufacturer Bidco Africa Group opened a USD 2.5 million (KES 267 million) juice processing plant in Ruiru, Kiambu through a joint venture with Danish firm Co-Ro food for non-carbonated soft drinks. Bidco said the joint venture would trade under BidCoro to produce Sunquick brand targeting both local and export markets, citing high demand for juice products.	2.5	FMCG	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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