



i&M Burbidge Capital



**MARKET
UPDATE BULLETIN**

covering **27th July 2020** and the week ending **24th 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

As the first month of Q3 2020 comes to an end, the corporate transactions market continues to display its resilience and long term potential as evidenced by the strong deal closure announcements as well as investment capital commitments from investors. The reopening of some segments of the economy has also shown the eagerness to ramp up business activity, although structural challenges and the rising number of cases hamper these efforts. Immediate forex liquidity and lending from local banks, in addition to supportive fiscal policies and effective public health policies, will be key to sustain a quick recovery.

With the anticipated return of international commercial flights to some East African countries including Kenya and Rwanda in August, Q3 2020 will reveal how well the regional economies will have absorbed shocks from the pandemic and their ability to bounce back.

Quote of the day

"I have never worked a day in my life without selling. If I believe in something, I sell it, and I sell it hard."
– Estee Lauder

PART I : DEALS & CORPORATE DEVELOPMENTS

27th July 2020

Kenya

Market

Fitch warns of debt rise as shilling falls

Exchange rate depreciation is a major risk to debt sustainability in Africa this year and could see some exposed countries such as Kenya receive a credit downgrades, rating agency Fitch has warned. The agency said the impact of exchange rate depreciation on the debt denominated in foreign currency would account for 9% of the increase in the debt stock on the continent.

Source: *Business Daily*

Investors offer a record KES 181 billion in July bond sale

Investors bid a record KES 181.8 billion in this month's Treasury bond sale, indicating a market flush with liquidity amid a dearth of investment options. The Central Bank of Kenya (CBK) had taken the rare step of offering the bond in three tenors of 5, 10 and 15 years—it normally floats single or dual tenor papers— which meant that all the different classes of investors were catered for. The bond targeted KES 60 billion.

Source: *Business Daily*

Economy

Economy forecast to expand at slowest pace in decades

Kenya's economy will likely grow at slowest pace in nearly two decades in 2020 on the back of Covid-19 shocks, a consensus outlook from 16 global banks, consultancies and think-tanks suggests. Global economists see economic activity expanding 1.1% this year, the slowest growth since 2002 (0.5% growth).

Source: *Business Daily*

Corporate

Uganda opens MTN share sale to East African investors

Uganda has opened a window for East Africans to buy shares in MTN Uganda when the telecom operator sells it 20 % equity stake on the local bourse. The government has required that all its telecom operators, including MTN Uganda and the local unit of India's Bharti Airtel, to list a fifth of their shares on the Uganda Securities Exchange to allow locals to benefit from the sector's profits.

Source: *Business Daily*

PART II: TREASURY UPDATE

For the week ending 24th July 2020

LOCAL MARKET

The Kenyan Shilling traded lower against the Dollar last week to close at 107.6/108.20 on the back of increased demand for the Dollar. NSE 20 share index edged lower by 22.52 points to close at 1,886.84 while the secondary market registered reduced activity with bonds worth KES 12.9 billion transacted compared to KES 11.5 billion registered the previous week.

CENTRAL BANK UPDATE

For the week ending 24th July 2020, the interbank money market was liquid. The average volumes traded were KES 6.210 billion. Central bank of Kenya withdrew KES111.35 billion via the 7 Term Auction Deposits.

The Treasury bills auctions of July 23rd received bids totalling KES 35.895 billion against an advertised amount of KES 24.0 billion representing a performance of 149.56%. The auction saw the 91,182 and 364 rates close at 6.112%, 6.440% and 7.370% respectively. The total amount raised was KES 35.837 billion.

The 5-year (FXD1/2020/5), 10-year (FXD2/2018/10) and 15-year (FXD1/2019/15) re-opened Treasury bonds offered at the auction of July 21 received bids totalling KES 181.772 billion against an advertised amount of KES 60.0 billion representing a performance of 302.95%. The weighted average rate of accepted bids for the FXD1/2020/5, FXD2/2018/10 and FXD1/2019/15 was 10.260%, 11.453% and 12.344% respectively.

INTERNATIONAL MARKET OVERVIEW

The US Dollar weakened against most major currencies last week mainly on the back of decreased demand for the currency and as hopes for the Covid-19 vaccine increased. Three successful trials of the Covid-19 vaccine eased pressure of the currency as risk appetite of other currencies rose. Positive economic data that came out at the end of the week did little to improve the currency as the US Manufacturing PMI and Markit PMI Composite all improved to 51.3 from 49.8 and 50.0 from 47.9 respectively.

EUR traded on a positive trajectory last week as positive economic data and agreement on the Corona-bond boosted the currency. EU member states earlier in the week assented to a EUR 750 billion stimulus plan to revive their economies that have been hit by the coronavirus pandemic. The corona-bond will be split into 2 as EUR 390 billion will be allocated as grants and EUR 360 billion will be in loans. Positive economic data also boosted the currency as the Euro-Zone PMI Manufacturing, PMI Composite and PMI Services all edged higher to 51.10 from 47.40, 54.80 from 48.50 and 55.10 from 48.30 respectively. The year-on-year and month-on-month German PPI also gained to -1.8% from -2.2% and 0.0% from -0.4% respectively.

GBP traded mixed last week as Brexit news and positive economic data affected the currency. European Union's chief Brexit negotiator, Michel Barnier, reported that the UK had shown no willingness to break the deadlock on talks over a new trade agreement. The UK had issues with aspects of trade policy and the EU demands on fishing. The currency was also hit by news that the UK wouldn't be able to secure a trade deal with the US before the November presidential elections. The British government has so far borrowed over GBP127.9 billion since the pandemic began to prevent the possibility of a COVID-19-induced unemployment wave but this has now led to a rise in debt levels. Positive economic data did little to affect the currency as the UK PMI Services and PMI Manufacturing all edged higher to close at 56.60 from 47.10 and 53.60 from 50.10 respectively.

Source: I&M Bank Limited

PREVAILING TREASURY BILLS YIELD & INFLATION

Country				
91 Day T-Bill	6.112	8.679	2.500	6.020
182 Day T-Bill	6.440	9.953	2.980	7.035
364 Day T-Bill	7.370	12.000	4.060	8.329
Inflation Data	4.59	4.10	3.20	9.00

KES INDICATIVE EXCHANGE RATES AT MARKET OPEN

Currency	Country	Bank Buy	Bank Sell
USD		107.00	108.30
GBP		135.60	139.70
EUR		123.60	127.50
CHF		115.90	119.00
JPY		1.0000	1.0350
ZAR		6.10	7.00
INR		-	1.4640
CNH		14.50	16.80
RWF		7.90	9.40

INDICATIVE DEPOSIT RATES

Fixed period	1M	3M	6M	1Yr
KES (50,000< 5 Million)	3.75	4.25	5.50	6.50
KES (Above 100 Million)	4.75	5.75	6.50	7.50
USD (Above 500,000)	1.25	1.75	2.25	2.50
EUR (Above 500,000)	0.50	1.25	1.25	1.25
GBP (Above 500,000)	0.25	0.25	0.50	0.50

COMMODITY PRICES

	Unit	Close
Aluminum	USD/MT	1,700.00
Murban Crude Oil	USD/barrel	43.26
Coffee	US Cents/lb.	108.40
Wheat	US Cents/Bushel	534.75
Corn	US Cents/Bushel	333.50

PART III: EQUITIES AND BOND TRADING – NSE

For the week ending 24th July 2020

WEEKLY MARKET COMMENTARY

The NSE All Share Index gained 1.62% on Friday to close the week at 134.59 points. The NSE20 and the NSE25 share indices recorded gains of 0.32% and 1.6% to close the week at 1,886.84 and 3,121.55 points, respectively. Week on week, the All Share index was up 1.77% from last week's close, the NSE25 up by 0.46% whilst the NSE20 was down 1.18%. Turnover on Friday stood at KES 221.7 million against the KES 446.7 million achieved in the previous trading session. Volumes traded on the exchange declined with 9.6 million shares changing hands on Friday against the 17.00 million shares transacted on Thursday. The day's top movers were Safaricom Plc, KCB Group and BK Group Plc, moving KES 68.8 million, KES 68.6 million and KES 33.4 million worth of shares respectively. Foreign investors were net-sellers during Friday's trading session, though with a notable increase in foreign investor purchases, accounting for 74.9% of the day's sales and 49.9% of the day's purchases. Foreign investor activity was high on Safaricom and Bank of Kigali Group. The Secondary bond market on the Nairobi Securities Exchange recorded a rise in activity with bonds worth KES 3.23 billion transacted against the KES 1.44 billion worth of bonds traded on Thursday. The number of deals declined to 56.

INDEX MOVEMENTS

Index	Closing	% Change Daily	%Change Weekly	% YTD
NASI	134.59	1.62	1.77	-19.12
NSE20	1,886.84	0.32	-1.18	-28.92
NSE25	3,121.55	1.60	0.46	-23.88
FTSE NSE25	176.90	1.36	-0.32	-22.92

MARKET DATA

Market Data	Friday	Previous
Market Cap (KES, billions)	2,056.98	2,024.05
Turnover (KES, millions)	221.70	446.68
Volume (millions)	9.60	17.00
Foreign Buys (%)	49.90	27.88
Foreign Sales (%)	74.93	65.65

GOVERNMENT BONDS

GOK Bonds	Rates	Traded Yield	Value Traded (million)
FXD1/2017/5	12.4650	8.9000	500.00
FXD4/2019/10	12.2800	11.5000	1,000.00
IFB1/2020/6	10.2000	10.0000	305.00

MOVERS

Movers	Volume (million)	Turnover (million)	VWAP
Safaricom Plc	2.49	69.84	28.10
KCB Group Plc	2.00	68.61	34.35
Bank of Kigali Group Plc	2.00	33.42	16.70

Source: Faida Investment Bank



PART IV: WEEKLY SUMMARY OF DEALS

For the week ending 24th 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
Orient Bank Limited	I&M Holdings	M&A	I&M Holdings announced it plans to acquire a 90% stake in Uganda's Orient Bank Limited. The deal will add to its regional banking operations comprising Kenya, Rwanda, Tanzania and Mauritius.	Undisclosed	Financial Services	Kenya
Tuskys	Investor Group	M&A	Supermarket chain Tuskys was said to be seeking to sell a majority stake to a consortium made up of a private equity firm and an undisclosed foreign retailer as part of efforts to raise cash to pay suppliers and win back their confidence.	Undisclosed	Retail	Kenya
Agribusinesses	Vital Capital	Fund	Cyprus-based private equity firm Vital Capital will invest up to KES 535 million in small and medium agribusiness enterprises in Kenya in partnership with the US government's Kenya Investment Mechanism (KIM) that was set up to help firms affected by the Covid-19 pandemic.	50	Agriculture	Kenya
Equity Bank	IFC	Debt	Equity Bank Kenya has secured USD 50 million (KES 5.4 billion) loan from the private sector arm of the World Bank for onward lending to small and medium-sized firms crippled by the Covid-19 pandemic. The International Finance Corporation (IFC) loan will allow Equity Bank to maintain lending to risky small traders and firms, who have been hard hit by the economic effects of the pandemic - lowering their ability to save and tap loans.	50	Financial Services	Kenya
Green Enterprises	Kenya Climate Ventures	Fund	Local venture capital firm Kenya Climate Ventures (KCV) has announced plans to invest in 14 green enterprises over the next two years. KCV, which is backed by the Kenya Climate Innovation Centre (KCIC), says it will provide funding of up to KES 100 million and advisory services to small and medium-sized enterprises (SMEs) operating in sectors such as renewable energy, agribusiness and water management.	Undisclosed	Renewable Energy	Kenya
BioLite	KawiSafi	VC	BioLite, a Brooklyn-based company on a mission to bring energy everywhere, closed a USD 5 million investment from KawiSafi Ventures, a growth fund investing catalytic capital to scale companies providing clean, affordable, and efficient energy to East Africa's low-income populations.	5	Energy	East Africa

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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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