Top News

Foreign investors change brokers' fortunes at NSE

»From Page 1 been among the three top players closed the year with 13.5 per cent of the market, Standard Stocks (9.6 per cent) and ApexAfrica (8.9 per cent) to complete the NSE's top five stockbrokers in 2009.

Total market turnover declined by three fifths to Sh76.3 billion as jitters triggered by the global financial crisis accelerated investor flight to the safety of Treasury securities.

"We have a good mix of foreign and local investors and this worked in our favour in what was a very tough year for the global stock markets," says Lucas Otieno, the African Alliance Kenya Securities managing director.

Stockbrokers earn a maximum brokerage commission of 2.1 per cent of the value of shares traded; meaning that the 18 NSE licensed intermediaries split the Sh1.6 billion they earned in commissions amongst themselves.

And for the first time in the history of the NSE, the volume of fixed income securities traded exceeded the total equity turnover clocking Sh221.2 billion – a shift that also helped determine the brokers' fortunes.

Commission chargeable on bond trades at NSE is capped at 0.125 per cent of sales valued at Sh5 million and below. That translates into a maximum commission income of Sh276.5 million from bond trades in the secondary market.

Institutional investors who dominate bond transactions are known to demand heavy brokerage commission discounts on any trades leaving the agents with even lower commissions. Only a third of the NSE market intermediaries reported positive earnings in the half-year financial statements they published in local newspapers for the first time in October last year.

Strong international investor presence at the NSE this month has fuelled a battle for dealers with good foreign connections causing major realignments in the marketplace.

"Every stockbroker who wants to compete is scheming for a stab in the foreign investor market," says Bob Karina of Faida Investment Bank.

Buoyed by the highly publicised Safaricom initial public offering (IPO) that even had a special reserve allocation for international investors, foreign investor participation clocked Sh39 billion accounting for 40.14 per cent of total market turnover in 2008.

This figure more than doubled the previous year's foreign investors' turnover of Sh16.7 billion (18.81 per cent of market total) – an increase from the 2006 level of 10 per cent of market turnover.

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African Alliance, which made the biggest market share leap overtaking three players to become the second biggest player in the stock market, was helped by a strong presence in other African countries. It has operations in more than 18 countries.

Though Renaissance Capital Kenya made a strong entry into the Kenyan market raking in Sh805 million in pretax profits in its first year of operations in 2008, most of this money came from the dealing arm of the investment bank. The firm accounted for a paltry 0.9 per cent market share at the close of the year.

NSE Brokers Turnover

FIRM	TURNOVER IN Sh"bn"			
	2009	Market share (%)	2008	Market share (%)
Kestrel Capital	14.1	18.5%	33.7	17.2%
African Alliance	10.4	13.6%	10.7	5.5%
Dyer and Blair	10.3	13.5%	27.9	14.2%
Standard Stocks	7.3	9.6%	20.2	10.3%
ApexAfrica	6.8	8.9%	20.2	10.3%
CFC Stockbroking	5.4	7.1%	15.7	8.0%
Faida Securities	4.4	5.8%	11.9	6.1%
Afrika Investment	4.3	5.6%	15.8	8.1%
Renaissance Capital	3.3	4.3%	1.8	0.9%
Sterling	2.8	3.7%	7.2	3.7%
NIC Capital	2	2.6%	2.7	1.4%
Genghis Securities	1.9	2.5%	0.6	0.3%
Suntra	1.3	1.7%	6.6	3.3%
Bob Mathews	0.7	0.9%	1.4	0.7%
Crossfield Securities	0.5	0.7%	0.9	0.5%
Ngenye Kariuki	0.3	0.4%	3.4	1.7%
Francis Drummond	0.2	0.3%	0.8	0.4%
Reliable	0.2	0.3%	2.7	1.4%
Discount**	0.1	0.1%	5.7	2.9%
Others			5.9	3.0%
Total	76.3	100.0%	195.8	100.0%

The firm which is barely two years old in the Kenyan market grew its market share to 4.3 per cent of total equity transactions, seen as the result of the leverage it enjoys from its international investment bank operations.

"There has been renewed interest in sub-Sahara Africa in general and East Africa in particular from private equity funds and other forms of long term capital," says Renaissance Capital Kenya managing director, Patrick Mweheire.

Helios Investment Partners is raising a $600 million fund for Africa while Citadel Investment has allocated up to $400 million for investments in the East Africa. Market observers say the continued dominance by Kestrel Capital which has emerged as the market's top dog for the second year running was a tribute to the strong international network that its chief executive Andre DeSimone has built.

Veteran stockbroker Jimnah Mbaru's Dyer and Blair is said to be reaping the fruits of the firm's lead transaction advisory role in the 2008 Safaricom initial public offering (IPO) especially in recent weeks that investor interest in the market has been building up with the mobile phone company's share appreciation.

ApexAfrica Investment Bank, with a firm presence in the institutional investors end of the market, has set up an international dealing desk and employed traders with strong foreign investor connections to run it.

A sharp spike in the average cost of living in 2008 and 2009 characterised by double digit inflation and loss of investor confidence following improprieties by some stockbrokers reversed a growing interest in the stock market that saw the number of investor accounts rise by more than 1.5 million in just three years.

Mr Karina said that as locals pulled back from investing in shares, foreign investors stepped up their participation, cherry picking stocks they perceived to be grossly undervalued.

That move appears to have put overseas based investors in control of trading volumes at the bourse changing the fortunes of those who deal with them.

Blue chip stocks with high average daily turnovers such as KCB, Safaricom, Equity, KPLC, EABL and Kenya Airways have remained the foreign investors' favourite picks. These counters are well spread across the different economic sectors making it easy for foreign investment managers to balance their portfolios.

Mr Karina says local intermediaries with established relationships with foreign investors have benefited most since mid last year when foreign investors increased their exposure in emerging and frontier economies after sensing signs of stabilisation of the global financial markets.

Market turnover shows that foreign investors pumped into the economy an estimated Sh8.3 billion between January and December (on a net basis), raising the profile of the NSE as an important source of foreign currency at a time when traditional sources of forex such as tourism and agricultural exports slowed down.

Although the NSE remained a playground for international investors available trading data shows their participation has not crossed the 50 per cent threshold since 2004.

Kenya's position as Eastern Africa's financial hub has however caught the eye of international investors, who are keen to cash in on the promise of much higher returns on average here than they can hope for in their mature markets.

Analysts say apathy by local investors towards the stock market after most burnt their fingers in the first major bear run since an unprecedented stock market rush-in that started with the KenGen IPO in 2006 has given international investors an upper hand at the bourse.

The collapse of three stockbrokers in quick succession is widely believed to have been the single biggest factor that scared away a majority of the estimated 1.8 million predominantly retail investors from the NSE.

Kenya wins key backing for ban on trade in ivory

»From Page 1 press officer, Juan Carlos Vasquez, said the Secretariat was waiting for a panel of experts to advise on the merits of the Tanzanian proposal before deciding whether to accept the submission.

Tanzania is seeking CITES permission for a one-off sale of 90 tonnes of ivory from registered government-owned stocks to trading partners designated by the Cites Standing Committee while Zambia wants to sell 22 tonnes of its ivory stockpiles. That consignment excludes seized ivory and stocks of unknown origin.

Kenya and Rwanda are opposed to any such sale which Forestry and Wildlife minister Noah Wekesa said would increase poaching within wildlife corridors shared by the countries.

"With less than two months before 175 countries meet in Doha, Qatar, for COP15, AEC member states have been taking their message in person to Brussels hoping to persuade the EU to stand by the spirit of a nine-year moratorium on international ivory trade that was agreed at the last CITES meeting in The Hague in 2007," Dr Wekesa told the meeting.

The CITES-approved one-off sales of ivory in 2008 by Botswana, Namibia, South Africa and Zimbabwe has been blamed for an escalation of poaching in Kenya to levels higher than when the global ban on ivory trade was imposed in 1988.

Last year 232 elephants were killed compared to 145 in 2008. Before the Southern African states were allowed to conduct the one off sale, only 47 elephants had been killed.

In Chad, the population of elephants at the Zakouma national park fell from an estimated 3800 in 2005 to 617. Last month, Sierra Leone announced the looming extinction of its elephants due to increased demand for ivory.

"The 20-year timeframe is fully justified. A whole generation of elephants across the continent needs to be given a chance to re-establish itself, which needs 20 years," AEC said in the joint statement

The meeting in Brussels was meant to lobby support from the European Union to support Africa's call for a global moratorium on trade in Ivory at the CITES meeting to be held in Doha in March.

The bloc was represented at the meeting by the Dutch member of EU Parliament Gerben-Jan Gerbrandy.

"The medium term survival of the African elephant is on the line and this is no time for the EU to take a low-key stance. We expect the 27 member bloc to do the right thing," said Patrick Omondi, the Head of Species Conservation at the Kenya Wildlife Service.

The EU parliamentary delegation to the CITES meeting comprises Mr Gerbrandy, Ms Sirpa Pietikäinen of Finland and Bas Eickhout (Netherlands).

The moratorium mediated by EU at the last COP14 in 2007 stated that no elephant trade proposals would be submitted by any Party to CITES, at least for the duration of the ban.