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BUSINESS DAILY

MONEY MARKETS

Stockbrokers with foreign desks top equities trading



The Nairobi Securities Exchange digital screen. Stockbrokers in 2014 made collective net earnings of Sh1.26 billion. PHOTO | FILE

IN SUMMARY

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- Kestrel claimed a 23 per cent share of trade turnover in the market last month at Sh9.8 billion, followed by SBG Securities (a subsidiary of Standard Bank SA) which had trades worth Sh7.43 billion or 17.43 per cent.

- Rencap recorded trades of Sh6.36 billion or 14.9 per cent of the total, while Faida Investment Bank — on a strong showing in local corporate trades — was fourth at 8.23 per cent or Sh3.51 billion in trades.

Stockbrokers with strong foreign trading desks continued to dominate the equities market in May, with the top-three, Kestrel Capital, SBG Securities and Renaissance Capital (Rencap), accounting for 55 per cent of turnover.

Nairobi Securities Exchange (NSE) data shows the market turnover for May, while accounting for both purchases and sales, stood at Sh42.66 billion — meaning that a net Sh21.33 billion changed hands.

Foreign investor trades accounted for 62 per cent of the turnover at Sh26.75 billion. Sales outweighed buys on a ratio of 54 per cent to 46 per cent as investors redistributed their investments into other sectors of the economy and on capital flight informed by the capital gains tax uncertainty.

“Over the past couple of months we have witnessed a movement of foreign capital from the Kenyan market and into markets like Egypt and Nigeria... in order to remain competitive and attract money to its capital markets, CGT cannot be practically applied to a stock exchange,” said Kestrel Capital chief executive officer Andre DeSimone.

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Equity Investment Bank, which last year entered into a research and trading partnership [<URL: /Equity-bags-agency-deal-with-UK-bank/-/539552/2423194/-/68r25j/-/index.html>](http://www.businessdailyafrica.com/Equity-bags-agency-deal-with-UK-bank/-/539552/2423194/-/68r25j/-/index.html) with UK-based investment bank Exotix Partners, was ranked fifth in May trading Sh3.15 billion representing a share of 7.39 per cent of the markets total.

The high traded volume for these stockbrokers means that they should feature highly in the half year earnings race, with brokerage commissions providing the bulk of revenue. Stockbrokers normally earn between 1.5 and 2.1 per cent in commission per trade at the NSE, although larger customers such as foreign and local corporates are given discounts.

Volatile market

A volatile market boosts stockbroker revenue given dealers make commissions on both buys and sells. Trading turnover in the market for the first five months of the year has closely matched the totals for the same period in 2014 at Sh82 billion.

Some analysts, however, see the market as likely to become quieter as investors exercise more prudence in the wake of a bearish run which has reduced profit taking activity.

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“Given the relatively lower earnings growth prospects and stretched valuations, we are of the view that active money managers will be able to derive returns through prudent stock picking.

“We expect the stock market to underperform in the near term due to interest rate and currency volatility,” said financial advisory firm Cytonn Investments.

In 2014, the market turnover stood at Sh215.7 billion (Sh431 billion in both buys and sales), which was a record for the bourse.

According to industry data, stockbrokers last year made collective net earnings of Sh1.26 billion — a 106.7 per cent increase from Sh608 million in 2013 — mainly due to higher brokerage commission earnings.

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