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ALY KHAN'S STAR PORTFOLIO



CURRENCY PUZZLES AND CONTAGION

THE worst performing currencies anywhere in the world are Suriname's dollar and the Maldives Rufiyaa. The East African shillings were jostling each other for third position, a perfect storm of higher fuel prices. Sub optimal rains which triggered a food price surge meant the region had to find more hard currency and this cut the legs from underneath the shilling in Kenya, Uganda and Tanzania. In fact, 'contagion' is an infamous phenomenon in the global markets and I would argue, we encountered this contagion phenomenon over the last few weeks. The East African currencies all fell in tandem and hit multi year lows as if they were exquisitely synchronised. Actually, the forex markets became quite disorderly, with bid offer spreads being widened. The Kenya shilling traded 91.95 a record low eleven days ago.

On Wednesday, the Uganda Shilling traded a fresh all time low around 2700.00. The Tanzanian shilling closed Friday at a new all time low around 1620+.

Initially, our response had been a little like Sepp Blatter's FIFA play; 'crisis what crisis?' However, once the Central Bank ramped the overnight lending rate higher and expressed a greater keenness to know what the banks were doing with the discount window cash [127b at the last count versus a moving average of less than 8b and hence

an unprecedented and a veritable golden flood of liquidity], we have seen the shilling extend its rally to a fourth day through Friday for its first weekly gain in five. The shilling has now rallied 3.48% off its record intra-day low of 91.95 and that is market applause for the Central Bank's recent policy responses.

The Uganda shilling touched 18 year lows of 2700+ on Wednesday before rallying through Friday to levels around 2550. The Uganda Central Bank has been intervening by selling dollars and Friday it said it had sold hard currency on Thursday "in a big way." The Financial Times carried a story where the Uganda Central Bank announced that some market participants had mistaken the flight of the head of the Afghan Central Bank as the resignation of the Ugandan Central Bank governor, which confirms how rumour ridden markets can become, deep on the frontier.

The Tanzania shilling did not follow the rebound narrative and closed at a fresh low Friday. Tanzania is apparently already deeply dollarised and hence it's eventual turnaround an entirely different prospect.

My Caveat is this. I think the price of crude oil has now completed its correction and headed into new 2011 highs and our currencies have a hyper sensitivity to the price of fuel but that Kenya shilling low at 91.95 might well prove a blow off bottom.

NSE to begin 3 day processing of share sales

BY ANJLI PARRIN

THE Nairobi Stock Exchange will today commence the implementation of its T+3 Settlement Cycle, reducing the time it takes for investors to receive the money from the sale of their shares by one day.

It currently takes an investor four days to clear a share selling or buying process under the current system known as the T+4. Settlement is the post-trade process that ensures securities are exchanged for cash thereby completing a transaction.

The shortening of the settlement period for trading, hopes to improve liquidity in the market for listed equity securities, therefore making the bourse less stagnant and more appealing to both foreign and domestic investors.

NSE chief executive officer Peter Mwangi said: "On the sale side, investors will be able to get their money, three days from the sale of their shares. On the buy side, investors will be able to get their shares, three days from their purchase."

This move follows the Central Market Authority's recent approval of the revision of NSE trading rules and the Central Depository and Settlement Corporation (CDSC) operational rules.

The efficiency that comes with a shorter cycle is in line with international best practices, and is compatible with the NSE's vision to become a "leading securities exchange in Africa with a global reach."

In the future, the NSE eventually hopes to reduce the settlement cycle to just one day.

M-Pesa moved Sh727 billion last year - CBK

BY PETER KIRAGU

SAFARICOM's mobile money service M-Pesa transacted a massive Sh727.8 billion last year, according to a Central Bank of Kenya report.

The service, which enables users to send and receive money through their mobile phones saw over 305 million transactions carried out in the year, according to 2010 annual bank supervision report.

"M-Pesa was still the most widely used method of mobile money transfer as evidenced by the 305.7 million transactions effected and valued at Sh727.8 billion in the year," reads the report in part.

This means that on average, the service moved Sh2 billion daily. "This is huge but it's possible...people are using a lot of mobile money now," said Telkom Kenya's communication manager Angela Mumo.

The figure is likely to rise even further this year, according to Safaricom's chief executive officer, Bob Collymore.

"The numbers are certainly increasing," said Collymore on phone yesterday. "Everybody is using M-Pesa."

Person-to-Person transactions for March 2011 stood at Sh47 billion, according to figures released during the investor briefing in March.

Since being launched in March 2007, M-Pesa's popularity has been growing from strength to strength. For instance, the number of users grew from 6.1 million in 2009 to 9.4 million in 2010 and 13.8 million users as at March 2011.

On revenue side, Safaricom made



POPULAR: M-Pesa had close to 14 million users as at the end of March this year.

some Sh11.78 billion from M-Pesa last year up from Sh7.56 billion the previous year, a 56 per cent growth.

According to Safaricom's annual report for the year ended 31 March 2011, Cumulative value of transactions from inception is Sh828 billion.

M-Pesa competes with services such as Airtel Money, Orange Money and Yu-cash. "In only four years of existence of mobile phone money transfer services, four mobile operators have enrolled over 15 million customers," the CBK report says.

According to Mumo, Orange Money transacted over Sh50 million on the first month of launch late last year but the figure could now be over half a billion. "Orange Money allows bigger transactions and that is why we want to partner with Saccos," Mumo said.

The popularity of M-Pesa has seen

the service attract international recognition. The service won the Mobile Money for the Unbanked Award at this year's Global Mobile Awards 2011 in Barcelona, Spain.

The service is also being tried in other countries. In Tanzania, where the product was launched by Vodacom, M-Pesa has 1.6m active and 7 million registered users.

The service has however failed to pick in South Africa where it was launched in August last year in partnership with Vodacom. Last month, Vodacom disclosed that it has only managed to register about 100, 000 M-Pesa users in SA so far.

Vodacom said M-Pesa has fallen short of its expectations for the product. When it unveiled the product, Vodacom said it expected to sign up 10 million customers within three years.



RICH DAILY PODCAST

REUTERS INSIDER PLATFORM

BY ALYKHAN SATCHU



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