AN EVALUATION OF POST-RIGHTS ISSUE EFFECT ON THE FIRMS' SHARE PRICE AND TRADED VOLUMES

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Declaration

This project is my original work and has not been presented for the award of a degree in any other university.

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Recommendation and Approval for presentation

This project has been submitted to the graduate school with our approval as university supervisors.

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Dedication

I dedicated this research project to my mother, father and brothers- Edwin and James, who have provided the moral support I needed in writing it.

Acknowledgement

I wish to thank my supervisors Mr. Martin Lumumba and Dr. Benjamin Mutai for the intellectual assistance in the preparation of this research project. I also thank Family Health International for providing the Internet facilities. Last but not least Elizabeth Muthoni and Sellah Yahuma for the assistance in editing of this project.

Abstract

Rights Issue has been widely used in Kenya as a source of finance for firms. This form of financing not only involves shareholders but also result to an increase in the number of equity of the firm at the stock exchange. When there is an increase in equity, there exist some market reactions especially to the issuing firm. Investors have the potential of affecting the firms trading at the stock market. The market reactions can be positive where there is increased trading of the firm's shares or negative which is reduced trading volume. The share prices take the same trend. The objective of the research was to evaluate the effects of the post rights issue on the firms share price and traded volumes. The firms examined, were those listed at the Nairobi Stock Exchange that had announced rights issue. 14 firms had announced rights issue at the Nairobi Stock Exchange but only 9 were evaluated. Technical analysis was used in which 10-day simple moving average was used to determine the trends of the share prices and traded volumes after the rights issue. This was done 90 days after the rights issue. It was a short run period analysis and was noted that most firms that announce rights issue usually experience a decrease in the share price after the issue at least in the very short-run, which later rise but not above the original price when it were first analysed. The analysis on traded volume was not adequate enough to draw conclusions on the effect of post rights issue. Post rights issue has a negative effect on the share prices at least in the very short run. It is recommended that firms that announce rights issue must consider information asymmetry as this highly determines the firms share prices after the successful rights issue. The underwriting costs should be kept at minimal in order for the rights issue to be successful.

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CHAPTER 1 INTRODUCTION

1.0 Background

Rights issue provides a means by which common stock is offered to existing shareholders. Each shareholder is issued an option to buy a specific number of new shares from the firm at a specified price within a specified time, after which the rights issue expires. The rights issue subscription price is usually lower than the market price of the share (Ross and Westerfield, 2000). In rights offering, current shareholders are given options to purchase a pro rata number of shares at a discount to market price. In the textbook case, all shareholders subscribe to the offering to avoid the costs of dilution.

Pandy (2004), then explains, rights issue offers the shareholders with three alternatives in which they may undertake: first, a shareholder may undertake the rights offer. This would increase his shareholding and proportionate voting rights. Secondly, a shareholder may not take up the offer, but would offer his share of the rights for sale to another shareholder or to an outsider. Here the shareholder makes a capital gain but not the proportionate voting rights. Finally, a shareholder may ignore the rights and let it expire. This option is not advisable since they lose both wealth and proportionate voting rights.

Cliff Smith (2002), highlights that rights issue usually provide the firm an opportunity of rising funds from its existing shareholders. Firms offering rights issue usually provide some information on the purpose of the issue. Although the shareholders respond to the rights issue by the mere fact that the subscription price is usually lower than the market price, the purpose of the issue does have some effect on the future trading of the firm after the issue. The rights issue leads to an increase in the number of shares of the firm. It has a pressure on the share price of the stock. Hansen (2000), finds evidence of short-term price pressure around rights issue. There is some announcement effect, thus giving support to leverage effects- the change in debt-equity as a result of rise in equity after the rights issue, information effects- which affects the future trading, or downward sloping long-term demand due to imperfect substitutes for the new shares. Rights issue sold reach the markets gradually causing little concerted short-term pressure on prices. And demand for rights issues is self-selected; hence subscribers are

likely to be the ultimate holders of the new shares. This means that price concessions are not necessary to attract ultimate buyers.

The success of the rights issue depends on the shareholders response to the rights issue. A firm may use underwriters to guarantee the success of the issue. The underwriters are usually banks that take up the under subscribed rights. The rights issue also affects the ownership structure of the firm due to some shareholders not exercising their rights. Other shareholders on the other hand oversubscribe which leads to the change of the ownership structure. Espen Eckbo (1992), asserts that a firm would use an underwriter unless there are some signs of pre-commitment by the larger shareholders to exercise their rights. The use of the underwriters increases the transaction costs of the rights issue, which is transferred to the subscription price.

The shareholders response to the rights issue depends on the timing of the rights, terms of the share rights issue and the financial information the firm would release will affect the future trading of the firm at the stock exchange. The biggest problem with rights issue is the negative information that is likely to be released by the mere announcement of the rights issue, for example a firm going to announce a decline in profits or a loss in the current financial year. Most firms would avoid giving this information until after the rights issue is over.

1.2 Statement of the problem

Firms' announcing rights issue leads to an increase in the number of shares at the Nairobi Stock Exchange. This brings about market reactions to the firms' trading after the rights issue. There is likely change in the number of traded volumes and share prices of these firms after a successful rights issue. However there has been no empirical evidence to show these likely changes. The researcher therefore was interested in bringing into light of these changes.

1.3 Objective of the study

To evaluate the effect of the rights issue on the firms' share price and trading volume.

1.31 Specific Objectives

1. Examine the post-rights issue effect on the share price of the stock.
2. To investigate the effect of rights issue on the trading volume of the firm after the issue.
3. To determine the relationship between the share prices and traded volumes after the rights issue.

1.4 Hypothesis

1. There is no significant effect on the stock's trading volumes of the firm after rights issue.
2. There is no significant effect on the share price of the firm of the firm after the rights issue.
3. There is no significant relationship between the share prices and traded volumes after the rights issue.

1.5 Justification

This research tried to establish how rights issue does have an effect on share price, and the trading volumes of the firm. Through this investors' reaction to the rights issue was established by the level of trading volumes achieved. Also examined was the post-rights issue resultant effect on the firms' share prices' after the increase of firm's equity at the Nairobi Stock Exchange market. This gives the share price trend in which firms' would likely follow if they were to offer rights issue. The traded volume trends provided the investors reaction to the rights issue. The relationship share price and traded volumes provide a further insight on the effect of the post rights issue.

1.6 Scope and Limitation of the study

The study examined the future stock prices and the stock volumes performances of firms after the announcements of the rights issue at the Nairobi Stock Exchange. In the analysis of the post issue stock price performance of these firms, the researcher only took into consideration the effect of the rights issue. Although it is also already known that the price pressure is also affected by the portfolio theory, this research did not include the theory. The risk and return of the selected firms were not be used in examining their effect on the stock price after the rights issue.

1.7 Definition of Terms

Announcement day: The day that the sale of rights issue is officially announced. The source will be from the press release.

Asymmetric information: Financial information that is known by management but not by other investors.

Cash flows: A revenue or expense stream that changes a cash account over a given period.

Cum rights: Where shares sold or bought contains the rights privilege.

Equity: Ownership interest in a corporation in the form of common stock or preferred stock. It also refers to total assets minus total liabilities.

Equity issue: To raise capital of a firm through offering more shares for sale at stock market.

Ex-Right Day: Period in which when the shares are sold without the rights issue. One only receives the shares bought but not the rights privilege.

Leverage: The degree to which investor or business is utilizing borrowed money. The measure of debt/equity ratio.

Net Present Value: The difference between the present values of cash inflows and the present value of cash outflows. It is used in capital budgeting to analyse the profitability of an investment project.

Over subscribed: The shares bought over and above the allotted proportion for subscription.

Pro rata: Share provided for sale to a shareholder in terms of proportion.

Rights Offer: Rights Issue, shares provided for sale to shareholders at a price lower than market share price.

Seasoned Equity Offering: A new equity issue of securities by a company that has previously issued securities to the public before.

Subscription price: An intermediary between an issuer of a security and the investing public, usually an investment bank. The value of the share rights issue.

Un-subscribed Share: The shares that have not been bought by the shareholders during the rights issue.

Underwriter: An intermediary between an issuer of a security and the investing public, usually an investment bank. A firm that commits to purchase all the un-subscribed shares.

CHAPTER 2 LITERATURE REVIEW

2.1 Literature Review

Rights issue is typically sold through one of the three floatation methods: Uninsured rights, with stand by underwriting, or firm commitment under written offers- the entire issue is sold directly to the underwriter.

Bruce Jurin (2002), explained that the rights issue is one of the most complex of all equity-raising techniques; and the confusion is heightened by the fact that there are several kinds of rights issue, each having different characteristics. In a rights issue, the issue, is to its current stockholders; each right gives them the option of buying a share of stock at a given subscription price. Warrants offer a similar option. The difference between rights and warrants is that rights are always issued to its current shareholders in an amount proportional to their holdings. The right holders have the option of exercising their rights, which allows them to maintain their percentage of ownership, or selling some or all of the rights. Whether or not the eventual owners will exercise the rights if and only if the stock price is above the subscription price on the ex-rights day.

Bruce Jurin et al, further explains that rights issue became a hot topic in the academic world when published data suggested that rights offering were by far the cheapest way to carry out an equity offering. When the data were examined closely, it became apparent that the rights offering were so cheap because their use was largely confined to corporate transfers of funds among parent companies and their own subsidiaries. Why are subsidiaries likely to use rights issues? Rights offering are the ideal way to get equity into a subsidiary. There is no question that rights offer the cheapest way for companies to go through the motion of money transfers in consolidated entities.

The question is whether rights issue provides a useful mechanism for raising equity for companies. Bruce Jurin et al tries to answer this by analysing the transaction costs involved in a rights issue and issue of common stock at the stock exchange. Both kinds of offering incur many legal and filing charges. A firm issuing common stock, the costs include preparing a

prospectus and lining up buyers for the issue. In rights issue, by contrast, the company is required to contact every one of its shareholders. In addition, they must set up a mechanism for the selling of the rights. From these, it should be clear that the transaction costs for companies with many shareholders tends to make rights offerings favoured only for companies with high concentration of ownership; and these with some exception tend to be smaller companies.

Clifford Smith (2002), analysed the effect of rights issue announcement. He first started introducing that; a public company seeking capital must first decide what type of claim to sell. In making that decision it was important to understand the market reactions to the announcement. In his analysis Clifford came up with the following arguments.

Announcements of new equity issues depress stock prices because the increase in the number of shares outstanding is expected to result in a, in the short-run, of reported earning per share. The expected fall of EPS causes the stock prices to fall. This view thus implies that even if short-term EPS is expected to fall as a result of new equity offering, the issuing of company stock price should not fall as long as the market expects management to earn adequate rate of return on the new funds. There still remains strong temptation, to link the negative stock price effects of new equity announcements to the expected earnings reduction. But this is not really related to the equity offering. We must look to other events to access whether it is expected earnings dilution that causes market reaction, or whether, there are other, important factors at work. In short there is no theorictical explanation nor is there supporting evidence that suggests that the reduction in expected EPS followed by announcement of stock offering should systematically cause the market to lower companies' stock prices.

Clifford Smith et al further argued that the price reduction associated with the announcement of new equity is the result of an increase in the supply of company's equity. This price pressure argument is based on the premise that the demand schedule on the share of a given company is downward sloping and that new shares can thus be sold only be offering investors a discount from the market price. Modern portfolio theory, however, attaches little credibility to the price pressure argument. The theory says that investors pricing securities are concerned primarily with risk and expected return. The risk and return characteristics of any given stock can be

duplicated in many ways through various combinations of other stocks; there many close substitutes for that stock.

Clifford smith et al claims that one possible explanation is that new security sales are optimal responses by management to changes for the worse in a company's prospects. Alternatively, a company's current market valuation may seem to management to reflect excessive confidence about the future, and it may attempt to exploit such a difference in outlook by "timing" its equity offerings. In such circumstances even if a security sale increases the value of the firm by allowing it to fund profitable projects it could lead potential investors to suspect that management has a dimmer view of the company's future that reflected in its current value. Clifford smith et al found that consequently, an announcement of a new security issue must imply one of the following to investors: (1) an expected increase in new investment expenditure, (2) a reduction in some liability (such as debt retirement or share repurchased) and hence a change in capital structure, (3) an increase in future dividends or (4) a reduction in expected net operating cashflow. If new security sales were generally used only in anticipation of profitable new investment, then positive stock price reactions to announcements of new offerings. But if an anticipated security issues come to be associated with reductions in future cash flows from operations, then investors would systematically interpret announcement of the rights offering as bad news.

Other studies have brought out the effect on price pressure. Myron Schole's (2002), examined the effect on share prices of large blocks of shares sold. According to the price pressure hypothesis, the larger the block of shares to be sold, the larger the price decline would be to induce investors to purchase the shares. Myron Scholes et al found that while stock prices do decline upon the distribution of a large block of shares, the price decline appears to be unrelated to the size of the distribution. The findings suggest that the price discount necessary to distribute the block is better interpreted as a result of the adverse information communicated by a large block sale than a result of selling pressure. This interpretation was reinforced by the additional finding that the largest price declines were recorded when the largest secondary sale was made by corporate officers in the company itself- that is, by insiders with privileged information about the company's future. Information disparity between management and potential investors is another factor that can affect market reaction.

The timing of the issue investigates whether the sale of the equity exploits the stock trading and if it can account for post-offer stock performance of the firm. Do managers decide to raise equity capital when the market appears to value a firm highly than the value perceived by insiders? Burch Timothy (2004), suggests that investors seem to think so as indicated by significant stock price decline that tends to accompany announcements of rights issue. What are we to make, then, at the finding of significantly poorer stock price performance in the months after an offering? Christie, Nanda and Burch (2004), tried to explain that some researchers claim that underperformance may result from the selling of overpriced equity and the failure of market participants react fully to the negative information conveyed in the announcement. They put that others claim that much, if not all, of the apparent underperformance may be the result of methodological problems such as improperly controlling for risk. Whether or not post offer performance is abnormal, and whether the results is tied to offer timing has important implications for market efficiency and managers considering the rights offers. Myers and Majlut (1984), argue that in firm commitment offerings managers would be expected to be more concerned with the welfare of insiders than with new investors in the firm's equity. Rights offering, which involve a prorata distribution of rights is aimed at current shareholders, although holders are usually allowed to sell their rights if they wish. Following this logic in Myers and Majluf, this would suggest that incentive to time offers will be much weaker if not absent altogether in the case of rights offering.

Christie William et al also examined whether post offer share price performance is related to the decision to issue rights instead of a firm commitment offering. If market timing is important factor affecting post issue stock returns. They expected to find significant difference in stock performance after a firm commitment offering would be consistent with the notion that firm commitments are timed. They found out that significantly more negative abnormal returns during the year following the offer for firms' commitment firms than for rights offer firms. They show that differences in these abnormal returns are robust to controlling for the offer size, the firms leverage, and the market to book ratio and other firms attributes. Hence the evidence suggests that firm selling shares to current owners via rights offer did not appear to be timing their issues to exploit overvalued equity while firms selling to new owners were. This

finding support the notion that the pattern of underperformance following is tied to market timing.

Mc Laughlin, Robyn; Safieddine, Assem; Vasudevan, Gopala K, (1996), investigated on the operating performance of seasoned equity issuers and post issue performance. They found out that operating performance declines subsequent to the seasoned equity offering. Significant sample of firms experienced a decline in cashflow performance. This was inconsistent with Jensen's (1986), free cash flow theory, the decline in firms' performance is negatively related to the free cash flow in the year before the issue. Jensen et al argues that there is a serious divergence of interest between managers and shareholders. Managers prefer to retain excess cash flow in the firm and might use the cash for value- reducing activities such as investment in negative – NPV projects. This problem is especially acute for firms with few positive-NPV investments opportunities. Jensen et al indicates that a major problem for shareholders is to force managers to payout cash rather than use if for such value reducing activities. Thus, Jensen's free cashflow theory predicts that the announcement of seasoned equity offers has a negative effect on stock prices especially if it increases resources available for poor investment by managers. This stands as long as the number of positive –NPV opportunities is limited.

In prior empirical work on issuing firm operating performance, Healy and Palepu (1990), examine the changes in earnings, analysts' earnings forecasts, and changes in risk for a sample of 93 seasoned equity-issuing firms listed on the New York Stock Exchange (NYSE) and the American Stock Exchange (AMEX). They find no change in analysts' earnings forecasts but do find an increase in risk following the offering. In contrast, Hansen and Crutchley (1990), find a decline in firm earnings subsequent to securities issues. Patel, Emery, and Lee (1993), examine the long-term cash-flow performance of publicly traded firms that issue straight debt, convertible debt, or common stock. Focusing on a signaling explanation for the decline in performance, they find that although issuer performance declines, issuers still perform better than other firms in their industries and that firms with larger offerings have greater declines in performance. Loughran and Ritter (1997), and McLaughlin, Safieddine, and Vasudevan (1996), examine the changes in operating performance for large samples of seasoned equity issuers. Both studies find that the operating performance of issuing firms declines subsequent to the issue. Loughran and Ritter (1995), and Spiess and Affleck-Graves (1995), find that SEO

firms have poor post-issue stock-price performance. Spiess and Affleck-Graves (1996), find that debt issuers also have poor post-issue stock-price performance.

Miller and Rock (1985), found that insiders are better informed than outsiders about future cash flows of the firm. All firms have fixed investment opportunities with diminishing marginal returns. Since the sources of funds must be equal to the uses of funds, equity offerings can signal that the firm has realized an expected fall in earnings. Thus, the Miller and Rock model also associates announcements of equity offerings with negative stock prices reactions and negative changes in performance.

There are empirical papers that have examined the announcement effect of seasoned equity offerings and related it to firm specific variables (Asquith and Mullins, 1986, Masulis and Korwar 1986, and Brous and Kini 1994). These papers document that announcements of equity offerings reduce price significantly. However, cross-sectional analysis relating to the announcements effect to firm- specific variables has had mixed results. Although Asquith and Mullins find that the size of the offering is statistically significant and negatively related to the announcement day effect, Mikkelson and Partch (1986), do not find a significant relation between the announcement period stock price reaction and institutional ownership. This relation is especially important for low-growth firms since these are firms likely to waste the investment proceeds in value reducing investments activities. Brous and Kini et al interpret their findings as support for the monitoring role-played by institutions.

D'Mello, Ranjan; Tawatnuntachai, Oranee; Yaman, Devrim, (2003), researched on the sequence of seasoned equity offering. They investigated the relation between announcement period returns and the sequence of seasoned equity offerings (SEOs) for industrial, financial, and utility firms making multiple offerings. For industrial firms, there was monotonically positive relation between the returns and the sequence of issues. Further, the stock price reactions to the fourth and subsequent issues by industrial firms were insignificant. For firms that conduct at least two SEOs, there was no difference in returns between industrial firms and utilities or financial institutions. The lower negative returns for later announcements by industrial firms could be explained by reduced adverse selection costs.

Asquith and Mullins (1986), Masulis and Korwar (1986), and Mikkelson and Partch (1986), all report that investors react negatively to announcements of seasoned equity offerings (SEOs). These studies average the announcement period returns across all primary SEOs and find that the decline in stock prices for industrial firms is approximately 3%. The implicit assumption behind the methodology of averaging returns is that all equity issue announcements are independent observations, and that for a firm that conducts multiple issues, investors do not react any differently to the announcements of the first few offerings than to those announced later in the sequence. However, for a firm that issues equity frequently, the market reaction to later equity announcements could be different from the reaction to earlier offerings, because a firm's characteristics change each time it issues equity. A firm that has made several SEOs will generally be larger and more mature, and hence less risky than when it initially issued equity. Similarly, a firm that has sold equity often may be subject to less information asymmetry, because it is large and thus more likely to be followed by analysts and the popular press, or because investors and financial intermediaries have analyzed its performance each time it raised funds. If investor reactions to equity issue announcements are affected by the level of information asymmetry or by firm-specific characteristics as researchers have documented, then announcement period returns for later offerings of a firm will be less negative than returns for earlier issues.

Previous studies suggest alternative explanations for the positive relation between announcement returns and the equity issue sequence. Loughran and Ritter (1995), and Spiess and Affleck-Graves (1995), find that large and mature firms are more likely to conduct multiple equity issues. Thus, the positive relation between returns and the equity issue sequence reported might actually be capturing the relation between firm size or age and announcement period returns. Similarly, Bayless and Chaplinsky (1996), and Ikenberry, Rankine, and Stice (1996), find that the market reaction to corporate announcements has become less pronounced over time. Because equity issues conducted later in the sequence are more likely to be announced in the second half of the sample period, the pattern in announcement period returns might actually be a time period effect rather than a sequence effect.

D'Mello, Ranjan; Tawatnuntachai, Oranee; Yaman, Devrim (2003), explained the possible pattern of announcement period returns were as a result of information asymmetry, market reactions and the sequence of equity issues. Myers and Majluf (1984), argue that when there is

asymmetric information about firm value, equity offerings convey negative information about assets-in-place. Dierkens (1991), Korajczyk, Lucas, and McDonald (1992), Bayless and Chaplinsky (1996), provide evidence consistent with the asymmetric information hypothesis. They document a negative relation between measures of information asymmetry and equity announcement period returns. Therefore, a possible explanation for the less negative returns for successive announcements is declining asymmetric information levels across the sequence of equity issues.

There are several reasons a firm that issues equity often might be subject to less information asymmetry than when it initially issues equity. Firms generally invest the proceeds of an equity offering in capital assets, meaning firms that have issued equity multiple times are larger than when they first sold equity. Similarly, a firm that has conducted multiple equity offerings is more mature than when it initially issued equity. Research has documented that analysts, institutional investors, and the popular press often follows large and mature firms. A major role of these investors and intermediaries is the generation and dissemination of firm-specific information. Hence, firms that have conducted multiple equity offerings will have lower asymmetric information than when they initially offered equity. Similarly, Easterbrook (1984) argues that because a firm's activities are monitored by the capital markets each time it goes to the security market, a firm that has conducted several SEOs in the past will experience less information asymmetry than when it initially issued equity.

Similar to Dierkens (1991), we find the coefficient of asymmetric information to be significantly negative for industrial firms. D'Mello et al also observe a significant negative relation between announcement returns and information asymmetry levels for utilities, a result that has not been documented to date. This result suggests that firms in the utilities sector that are already characterized by low levels of Asymmetric Information, can further reduce adverse selection costs at equity offerings by revealing more information. For financial institutions, the coefficient is insignificant; implying that the market's reaction to seasoned equity offer announcement is not affected by the level of asymmetric information. Similarly, Taggart (1981), and Spiegel and Spulber (1994), argue that the capital structure of utilities affects the rates set by regulators. Regulators raise utility rates when debt levels are high because such actions reduce the possibility of bankruptcy. When utilities issue equity, they reduce the

fraction of debt in their capital structure and hence the potential of bankruptcy. Therefore, equity issues by these firms increase the regulator's incentive to reduce rates, which adversely affects shareholder wealth. To the extent that leverage declines every time a utility firm issues equity, shareholders will react negatively to an SEO announcement, thus offsetting any benefits of reduced information asymmetry.

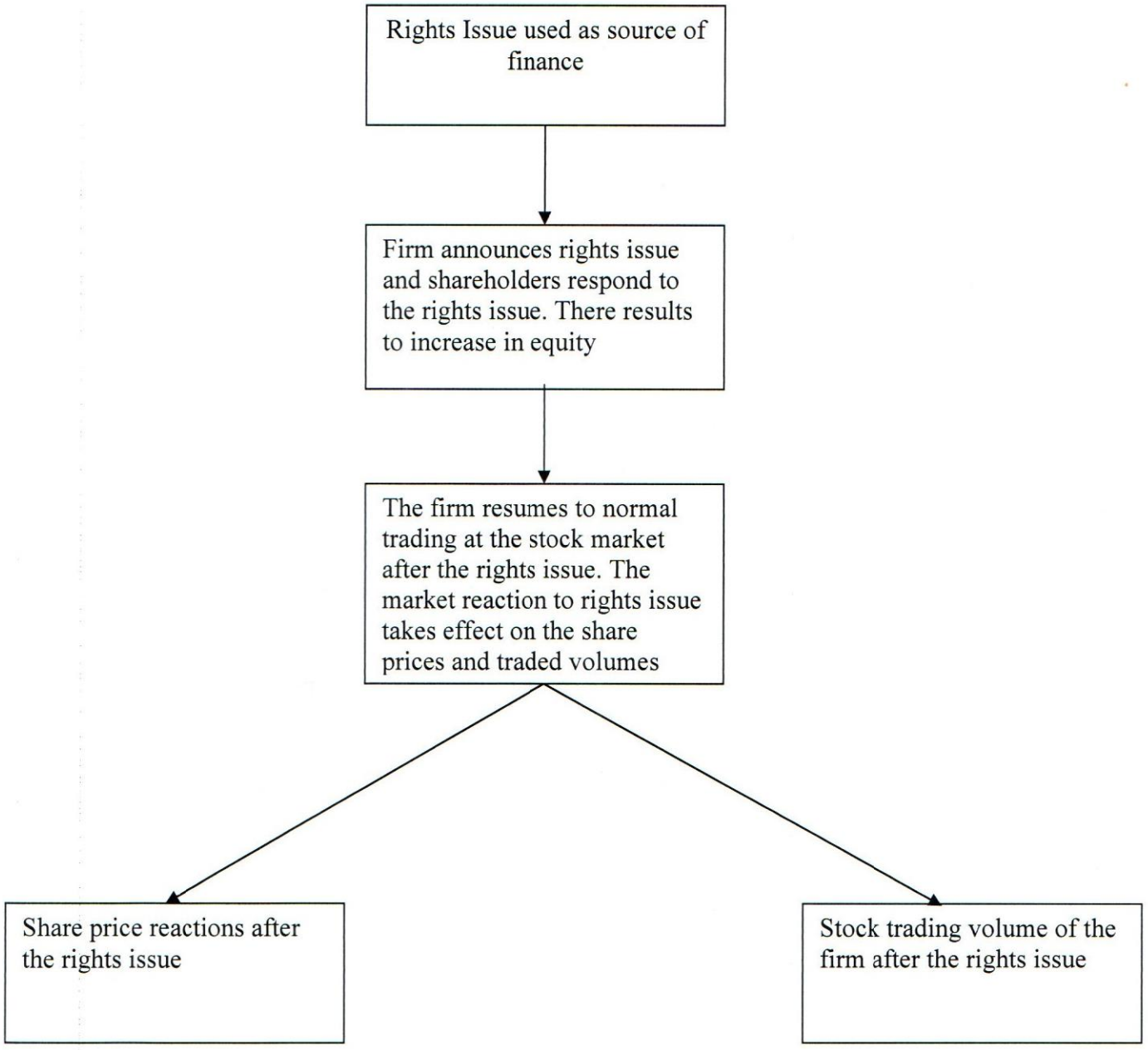
Tsangarakis, Nickolaos V. (1996), analysed the shareholder wealth effect of equity issues in emerging markets with evidence from rights offering in Greece. His study investigated the common stock price reaction to announcements of common stock offerings in Greece during the period 1981-1990. Equity offerings in Greece take the form of "rights issues," rather than "general cash offers" which are the subject of most empirical studies analyzing valuation effects of equity offerings in the United States. An important difference between these two methods of raising equity capital is the possibility of wealth transfers from new to old shareholders, arising from the information asymmetry between management and outside investors. In contrast to general cash offers, in rights issues the new shares are acquired by existing shareholders. Thus, to the extent that all current shareholders exercise their preemptive rights, the wealth transfer effect (described by Myers and Majluf, 1984) becomes irrelevant. Consequently, any stock price effects associated with announcements of rights issues cannot be attributed to this information effect. The ability to isolate this effect makes rights issues an ideal sample for further examination and understanding of the stock price reaction to announcements of equity offerings.

It is widely believed that company managers know more about their own firm than the stock market because they possess private information on either the value of assets-in-place or investment opportunities. This private information is conveyed to the capital market, either intentionally or unintentionally, in a variety of ways including that of issuing new securities. Myers and Majluf et al were the first to show that managers with superior private information have incentives to issue equity when the prevailing market price of shares is larger than their intrinsic value (i.e. the stock is overvalued). Knowing that managers will avoid issuing undervalued shares, investors interpret an equity issue as a signal of overvaluation. This reasoning is formally known as the information asymmetry hypothesis.

The simplest version of this hypothesis predicts an immediate drop in share price when companies announce new equity issues. The greater the overvaluation (information asymmetry), the higher would be the stock price decline. A related model developed by Ambarish, John and Williams (1987), argues that the announcement effect of equity issues in fact reflects the source of asymmetric information: value of existing assets or future investment opportunities. According to the model, the negative market reaction to stock issue will be aggravated for low growth firms (these have abundant assets-in-place but limited opportunities to invest) whereas the effect will be mitigated for high growth firms (these have limited assets but abundant opportunities to invest).

Studies of share market reaction to announcements of rights issues have yielded mixed results. Studies in the United States (US) like Scholes (1972), Smith (1977), White and Lusztig (1980) and Eckbo and Masulis (1992), typically find negative or insignificant market reaction to rights issues. Several non-U.S. studies like Marsh (1979), in the United Kingdom (UK), Loderer and Zimmermann (1988), in Switzerland and Marsden (2000), in New Zealand also report either negative or insignificant market reaction. However, studies by Ball, Brown and Finn (1977) for Australia, Kang (1990) for Korea, Tsangarakis (1996), for Greece and Tan, Chng and Tong (2002), for Singapore find significantly positive stock price increases during the period surrounding the announcement of a rights issue. This mixed evidence on rights issues may reflect the different characteristics of the associated markets, making further research potentially useful.

2.2 Conceptual Framework



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CHAPTER 3 METHODOLOGY

3.1 Research Design

The research evaluated the post-rights issue and the effect it has on the firms' subsequent trading. Firms that are listed in the Nairobi stock Exchange (NSE) that have announced rights issue were selected. All of these firms were used to measure the stock volumes and share price performance. Data collected from the Nairobi Stock Exchange, included daily traded volumes and the daily closing stock prices. Technical analysis and in particular simple moving average was used to carry out the analysis. This was an exploration study of post-rights issue at the NSE.

3.2 Study Population

The research examined the firms' future stock trading after the announcement of the rights issue. The firms' will be those that are listed at the Nairobi Stock Exchange and have offered the pre-emptive rights to its shareholders on a pro-rata basis. There are 48 listed firms at the Nairobi Stock Exchange. Out of these 14 firms' that had announced rights issue made up the study's population[1].

3.3 Sampling Design and unit

The samples selected are firms listed at the Nairobi Stock Exchange and had announced rights issue. Currently there are 14 firms that have successfully announced the rights issue through the Nairobi Stock Exchange. Purposive sampling design was applied in this research. All the firms that had announced rights issue were selected for the research[2].

3.3.2 Sample Size

The research considered all the 14 firms' that had offered the rights issue through the stock exchange.

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[1] Appendix 1 the listed firms at the Nairobi Stock Exchange
[2] Appendix 2 the firms that have announced rights issue at the Nairobi Stock Exchange

3.4 Data Collection

Data was collected from the Nairobi Stock Exchange. The data included the daily closing stock prices and daily traded volumes of the firms. The data collected was for 90-days after the rights issue. It was used to establish the trend of the share prices and traded volumes after the rights issue. The data collected in this research was through observation of the stock market reports provided by the NSE. Data was collected from the Nairobi Stock Exchange information desk.

3.5 Data Analysis

Technical analysis was used to determine the trends that share prices and traded volumes take after the rights issue. This was by the use of 10-day moving averages on the share prices and traded volumes. The results were later used to plot the moving averages graphs. The t-test statistic was later used to test the statistical significance of these results at 95% confidence intervals.

Pearson correlation test was used to determine the extent of relationship between the moving averages of share prices and traded volumes variables.

CHAPTER 4 RESULTS AND DISCUSSIONS

The data collected was analysed using technical analysis. Simple moving average was used to establish the trends in which the share price and share volume take after the rights issue. The data used was the daily closing stock prices and the day traded volumes for 90 days after the rights issue. 10 day moving average was used as the range of formulation. The moving average compilation is shown in appendix 3. This was used to plot the share price moving average graphs and traded volumes. T-test conducted on the share prices and the Pearson correlation between the share prices and traded volumes was carried out using the same data collected.

4.1 Data Analysis Results

The findings of the share price reaction and traded volumes after the rights issue was expressed using moving average and the trend were established in the following graphs. The t-tests on share prices and the Pearson correlation tests results were tabulated.

Chart 1: Uchumi Supermarket

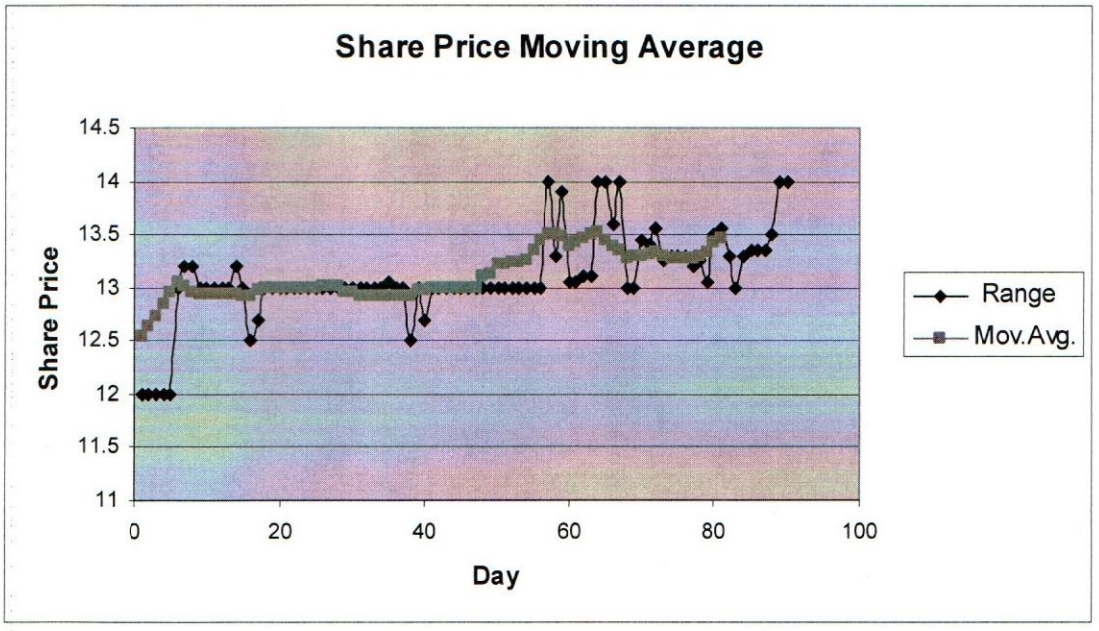

Chart 2: Uchumi Supermarket

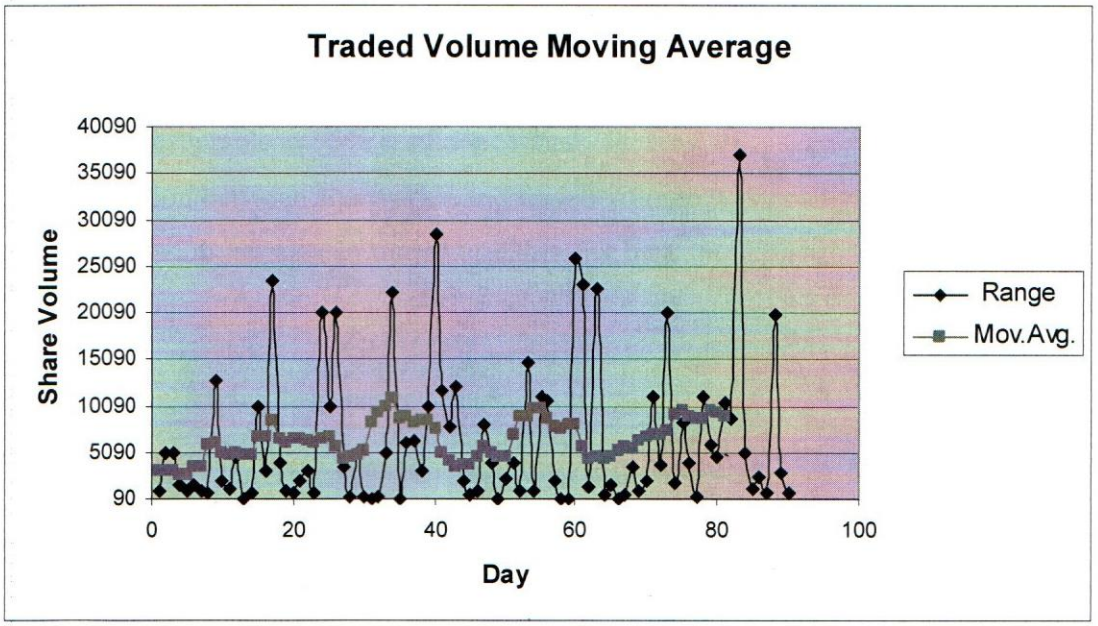

Table 1: Uchumi t-test

Test	One sample t-test			
Alternative hypothesis	Uchumi - Mov.Avg. - R1 ≠ 13.11			
n	81			
Uchumi - Mov.Avg.	n	Mean	SD	SE
R1	81	13.112	0.221	0.0245
Hypothesised		13.110		
Difference between means	0.002			
95% CI	-0.046	to 0.051		
t statistic	0.10			
2-tailed p	0.9221			

Table 2: Uchumi Pearson correlation

Test	Pearson correlation	
Alternative hypothesis	Uchumi - Mov.Avg.: R1 ≠ R2	
n	81	
r statistic	0.32	
95% CI	0.10	to 0.50
2-tailed p	0.0041	(t approximation)

Uchumi share prices increased after the rights issue for a very short time. They then remained constant for sometime before increasing further. This shows positive response of the firm's share prices to the successful rights issue.

The traded volumes also increased. This indicated the increased trading of Uchumi shares after the rights issue. The trend showed up and down movement but still increasing the traded volumes

T-test was acceptable at 95% confidence interval.

The correlation between share price and traded volume was positively weak. The increase in share price led to increase in traded volumes but by a small margin.

Chart 3: Pan Africa Insurance

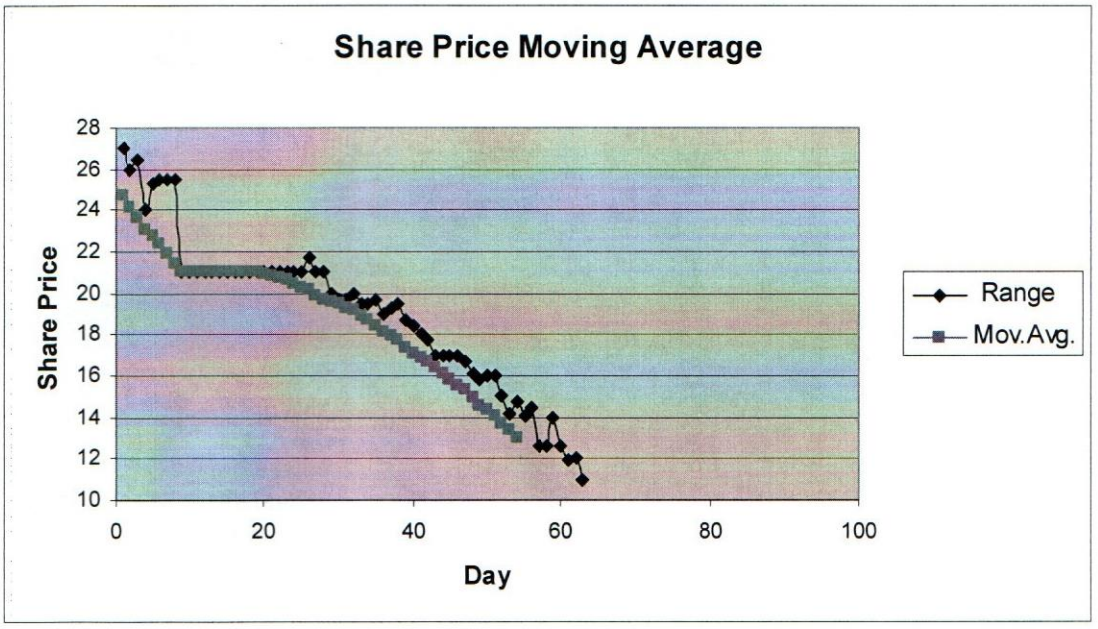

Chart 4: Pan Africa Insurance

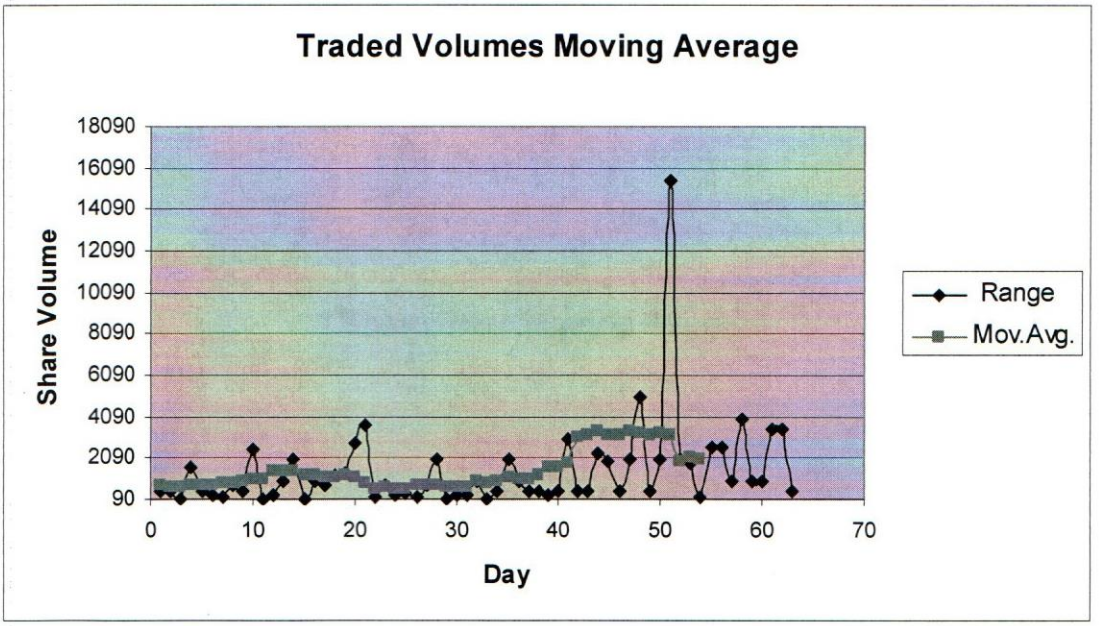

Table 3: t-test on share prices

Test	One sample t-test			
Alternative hypothesis	Pan - Mov.Avg. - R1 ≠ 19.1			
n	54			
Pan - Mov.Avg.	n	Mean	SD	SE
R1	54	19.096	2.919	0.3973
Hypothesised		19.100		
Difference between means	-0.004			
95% CI	-0.800	to 0.793		
t statistic	-0.01			
2-tailed p	0.9930			

Table 4: Pearson Correlation test

Test	Pearson correlation	
	Pan - Mov.Avg.:	
Alternative hypothesis	R1 ≠ R2	
n	54	
r statistic	-0.78	
95% CI	-0.87	to -0.65
2-tailed p	<0.0001	(t approximation)

Pan Africa insurance recorded a sharp decline in share prices after the rights issue. The share prices recorded were only for 64days. This is because there was no trading the remaining days that year. It indicates that Pan Africa Insurance shares had a low trading period after the rights issue

Despite of this the traded volume remained constant; they later started increasing after the 40th day. This shows low trading in its shares.

T-test was acceptable at 95% confidence interval.

The correlation between share price and traded volume was negatively strong. This is because as share prices were reducing drastically the traded volumes remained constant.

Chart 5: Total Kenya

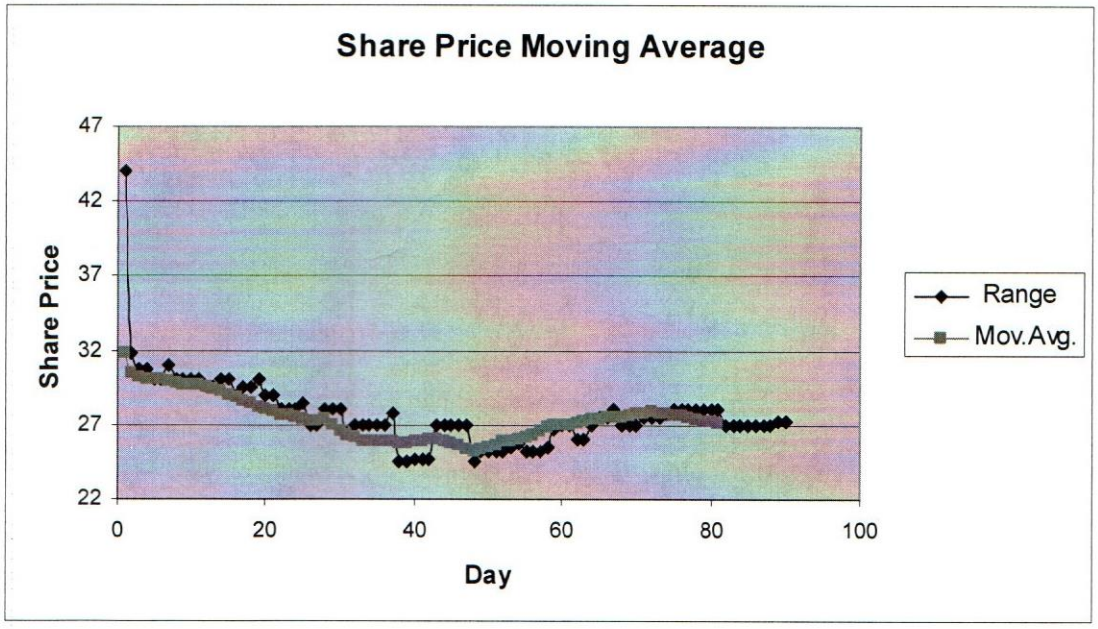

Chart 6: Total Kenya

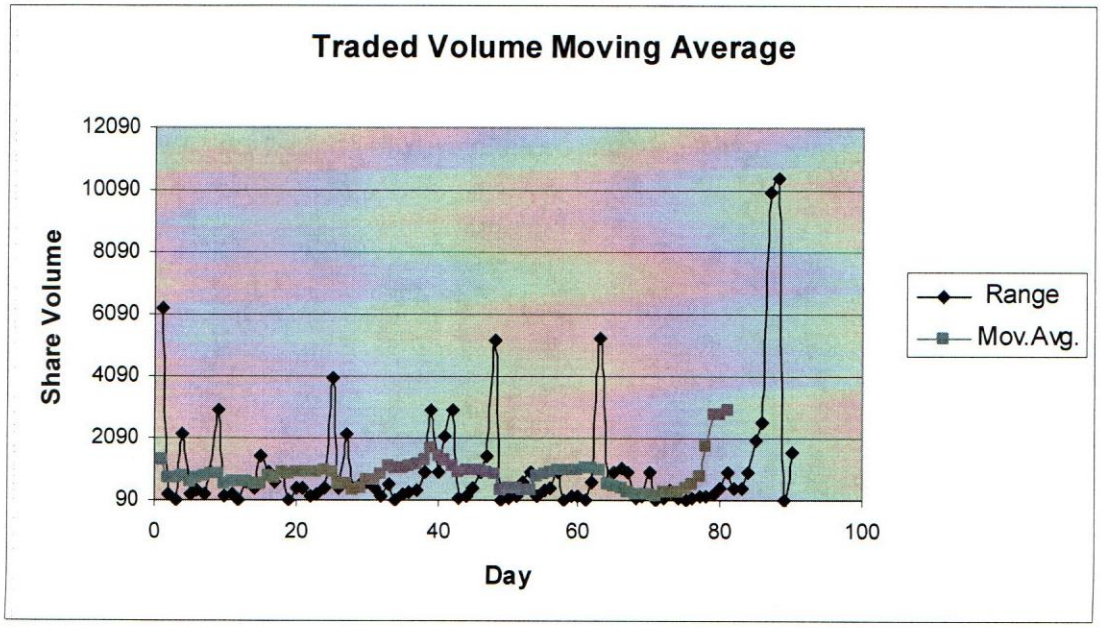

Table 5: t-test

Test	One sample t-test			
Alternative hypothesis	Total - Mov.Avg. - R1 ≠ 27.41			
n	81			
Total - Mov.Avg.	n	Mean	SD	SE
R1	81	27.414	1.468	0.1631
Hypothesised		27.410		
Difference between means	0.004			
95% CI	-0.320	to 0.329		
t statistic	0.03			
2-tailed p	0.9795			

Table 6: Pearson correlation

Test	Pearson correlation	
	Total - Mov.Avg.:	
Alternative hypothesis	R1 ≠ R2	
n	81	
r statistic	-0.14	
95% CI	-0.35	to 0.08
2-tailed p	0.2100	(t approximation)

Total Kenya share prices declined after the rights issue for the first 50days. There after they started increasing slightly as it approached the 90th day, but this increase did not surpass the initial price of day one after the rights issue.

Traded volumes were relative constant but there was a noticeable increase towards the 90th day.

T-test was acceptable at 95% confidence interval.

The correlation between share price and traded volume was negatively weak. As the share prices increased the traded volumes reduced and vice versa.

Chart 7: Standard Group

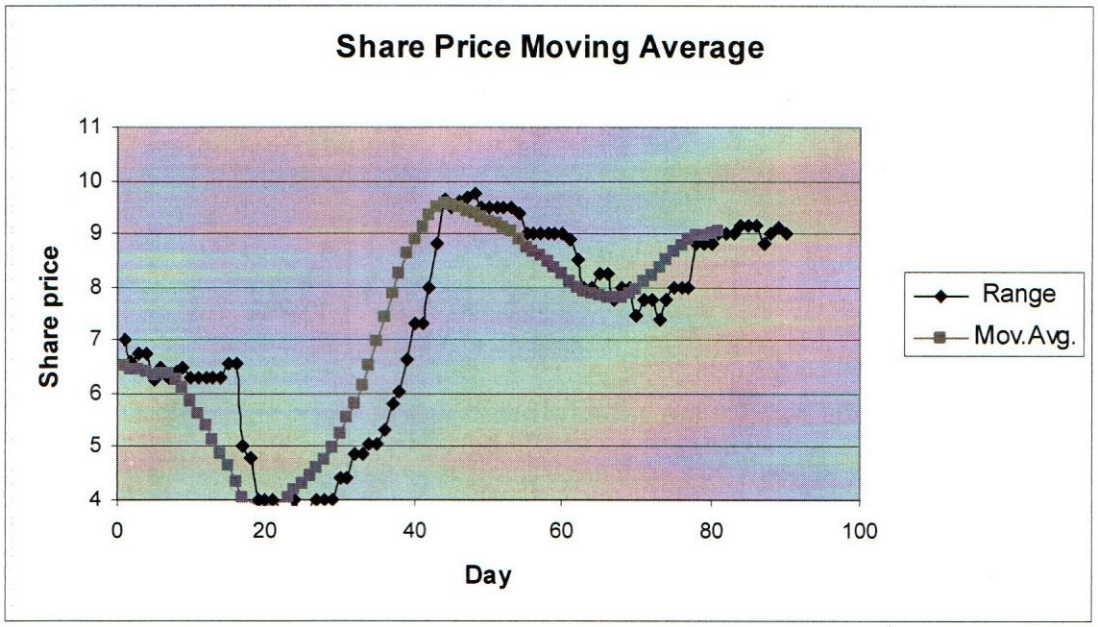

Chart 8: Standard Group

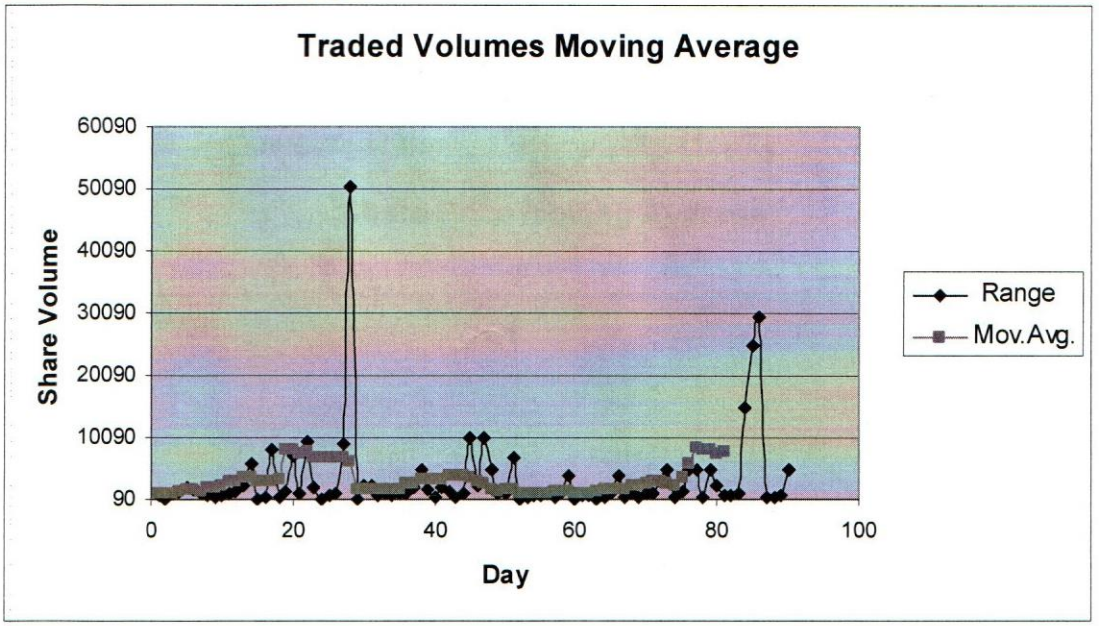

Table 7: t-test

Test	One sample t-test			
Alternative hypothesis	Standard Group - Mov.Avg. - R1 ≠ 7.17			
n	81			
Standard Group - Mov.Avg.	n	Mean	SD	SE
R1	81	7.173	1.855	0.2061
Hypothesised		7.170		
Difference between means	0.003			

95% CI	-0.407	to 0.413
t statistic	0.01	
2-tailed p	0.9886	

Table 8: Pearson Correlation

Test	Pearson correlation	
Alternative hypothesis	Standard Group - Mov.Avg.: R1 ≠ R2	
n	81	
r statistic	-0.29	
95% CI	-0.48	to -0.07
2-tailed p	0.0092	(t approximation)

Standard Group share prices first declined after the rights issue, after the twentieth day they started rising only to later drop after the fortieth day. The share price increase got to exceed the share price of the first day after the rights issue.

The traded volumes remained constant over the period. The trading level remained constant.

T-test was acceptable at 95% confidence interval.

The correlation between share price and traded volume was negatively weak. This is due to the constant traded volumes.

Chart 9: Kenya Commercial Bank

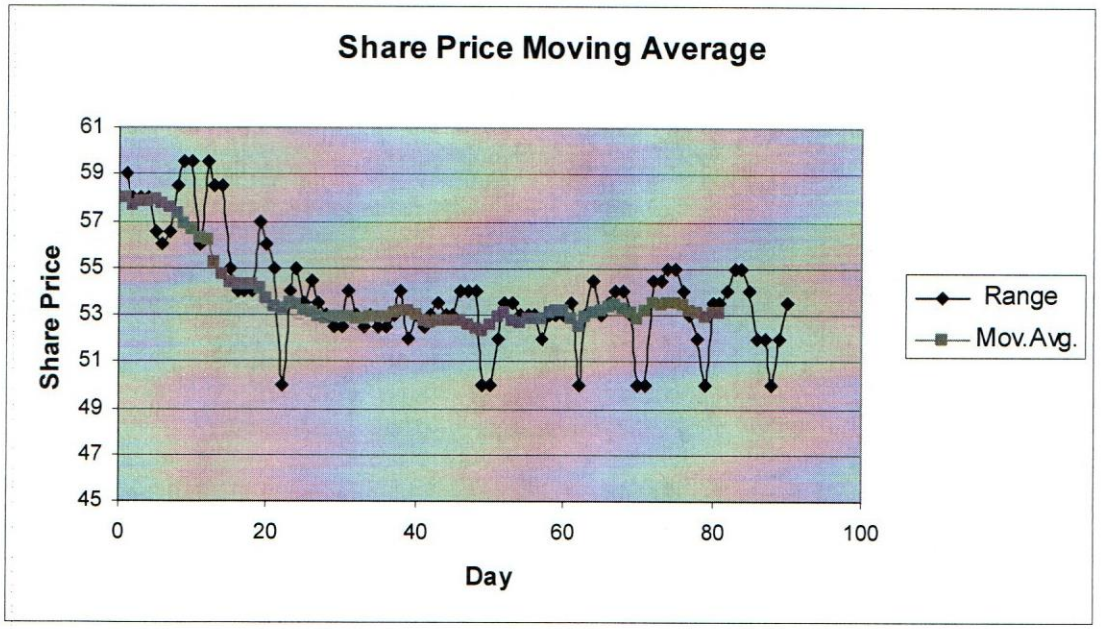

Chart 10: Kenya Commercial Bank

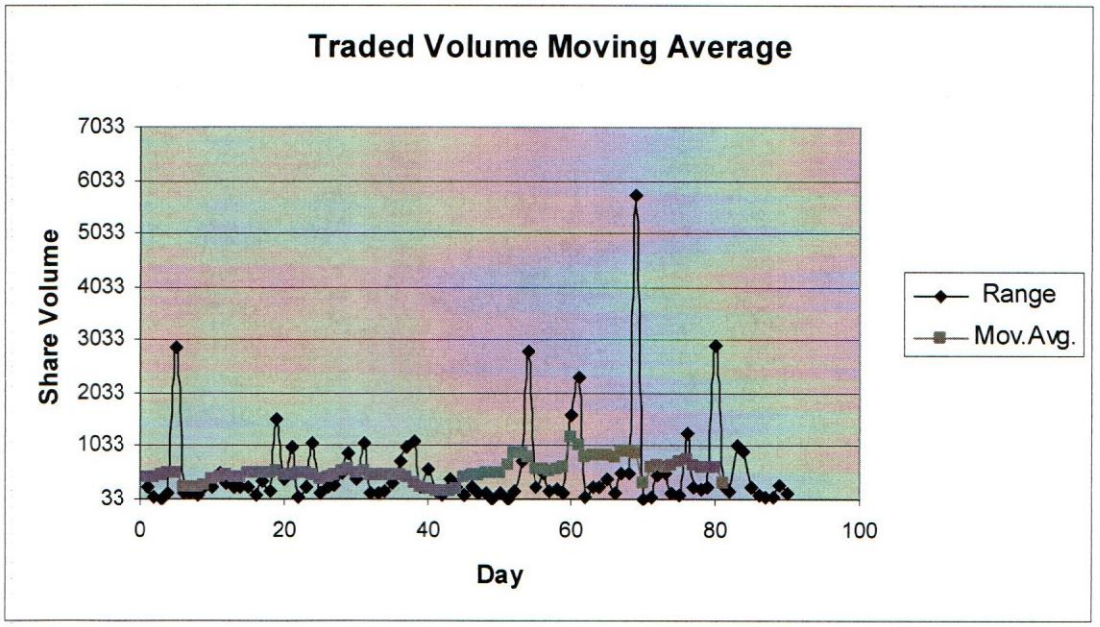

Chart 9: t-test

Test	One sample t-test			
Alternative hypothesis	KCB - Mov.Avg. - R1 ≠ 53.77			
n	81			
KCB - Mov.Avg.	n	Mean	SD	SE
R1	81	53.770	1.582	0.1757
Hypothesised		53.770		
Difference between means	0.000			
95% CI	-0.349	to 0.350		
t statistic	0.00			
2-tailed p	0.9983			

Chart 10: Pearson Correlation

Test	Pearson correlation KCB - Mov.Avg.:	
Alternative hypothesis	R1 ≠ R2	
n	81	
r statistic	-0.28	
95% CI	-0.47	to -0.07
2-tailed p	0.0102	(t approximation)

Kenya Commercial Bank showed constant decline of the share prices after the rights issue.

The traded volume remained relatively constant over the time.

T-test was acceptable at 95% confidence interval.

The correlation between share price and traded volume was negatively weak. The share price reduction caused the negative correlation with the traded volumes.

Chart 11: ICDCI

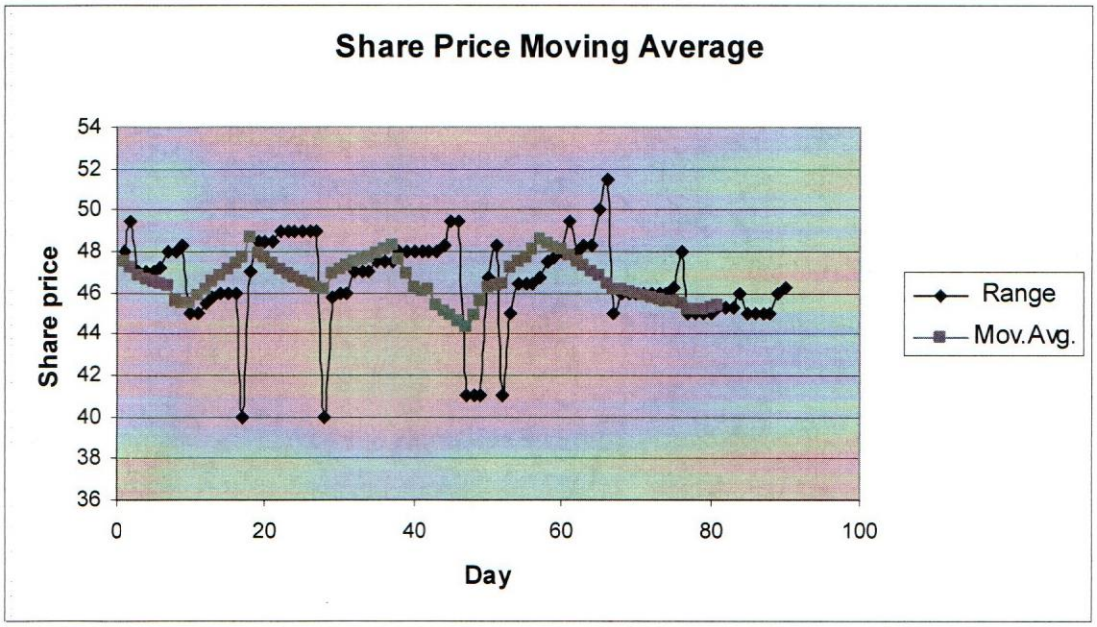

Chart 12: ICDCI

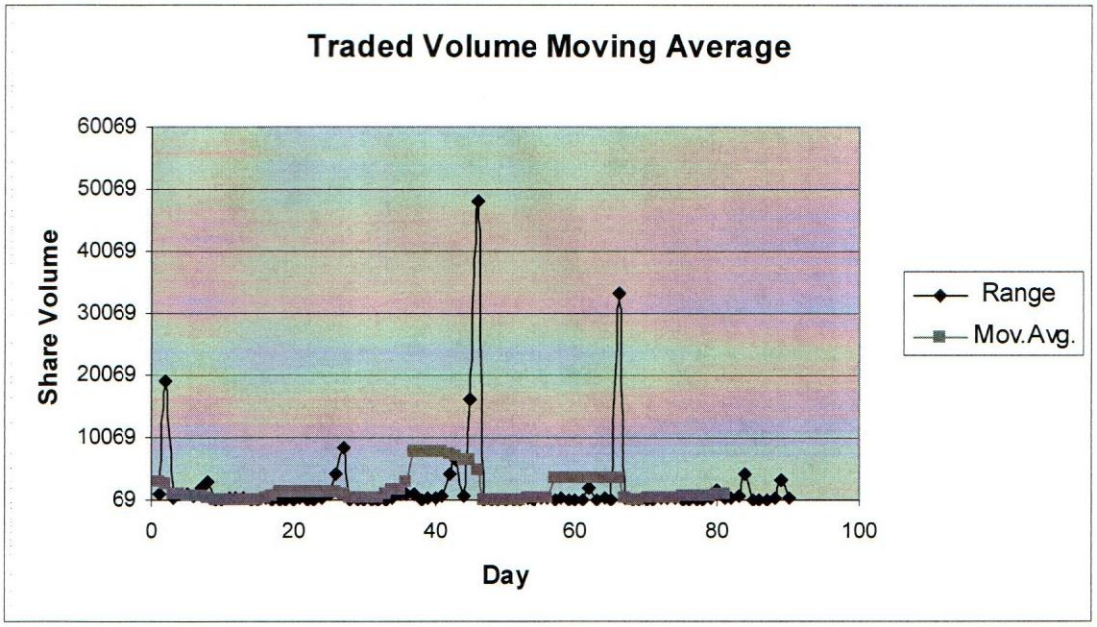

Table 11: t-test

Test	One sample t-test			
Alternative hypothesis	ICDC - Mov.Avg. - R1 ≠ 46.62			
n	81			
ICDC - Mov.Avg.	n	Mean	SD	SE
R1	81	46.624	1.025	0.1139
Hypothesised		46.620		
Difference between means	0.004			
95% CI	-0.222	to 0.231		
t statistic	0.04			
2-tailed p	0.9694			

Table 12: Pearson correlation

Test	Pearson correlation	
	ICDC - Mov.Avg.:	
Alternative hypothesis	R1 ≠ R2	
n	81	
r statistic	0.12	
95% CI	-0.10	to 0.33
2-tailed p	0.2800	(t approximation)

ICDCI share prices declined after the rights issue. The trend established is that the share prices had some ups and downs. It lacked consistency. It will remain that the share prices declined after the rights.

Trade volume also displayed the same ups and down trends over the period.

T-test was acceptable at 95% confidence interval.

The correlation between share price and traded volume was positively weak. This was as a result of changing of trends of the share prices.

Chart 13: East African Breweries

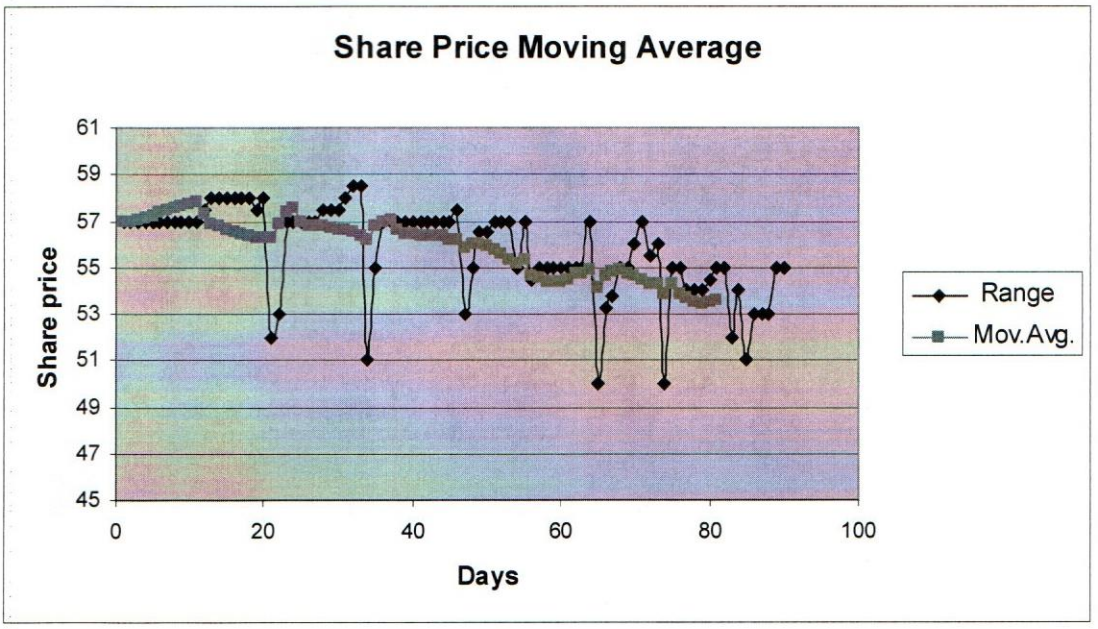

Chart 14: East African Breweries

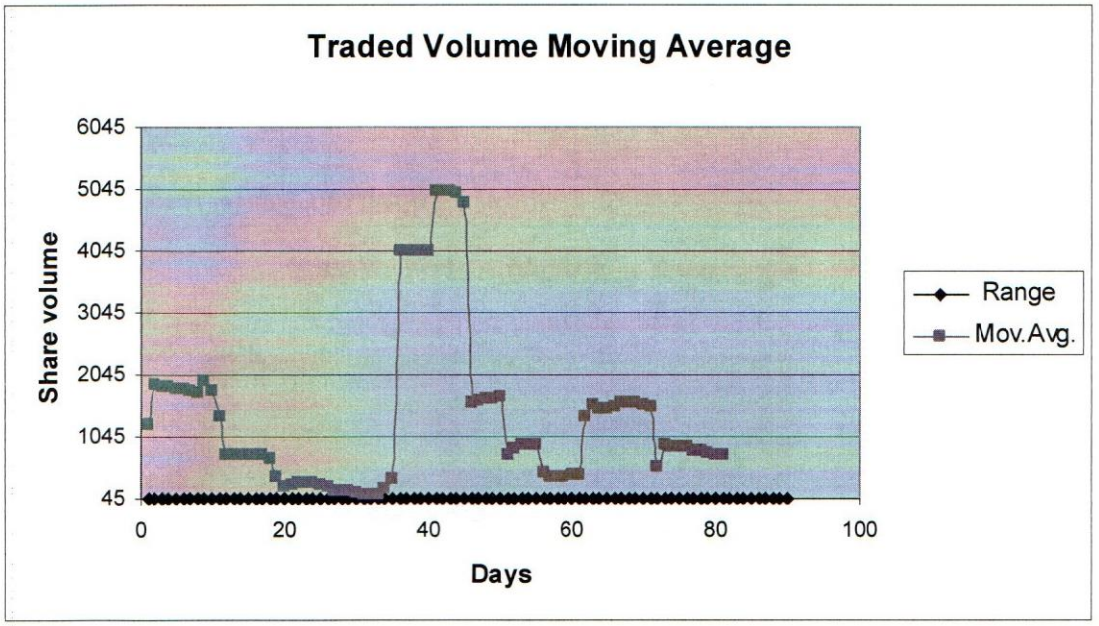

Table 13: t-test

Test	One sample t-test			
Alternative hypothesis	EABL - Mov.Avg. - R1 ≠ 55.87			
n	81			
EABL - Mov.Avg.	n	Mean	SD	SE
R1	81	55.872	1.222	0.1358
Hypothesised		55.870		
Difference between means	0.002			
95% CI	-0.269	to 0.272		
t statistic	0.01			
2-tailed p	0.9906			

Table 14: Pearson correlation

Test	Pearson correlation	
	EABL - Mov.Avg.:	
Alternative hypothesis	R1 ≠ R2	
n	81	
r statistic	0.19	
95% CI	-0.03	to 0.39
2-tailed p	0.0881	(t approximation)

East Africa Breweries recorded a slight increase in share price after the rights issue. This was only for the first 10days. Then followed with a share price decline for the remainder of the period. Generally the share price declined after the rights issue.

Traded volumes had sharp increase and declines over the period. On the 40th day to recorded a big increase in traded volume the followed by sharp decline.

T-test was acceptable at 95% confidence interval.

The correlation between share price and traded volume was positively weak. This was due to the sharp increase of traded volumes as the share prices were reducing.

Chart 15: East Africa Portland

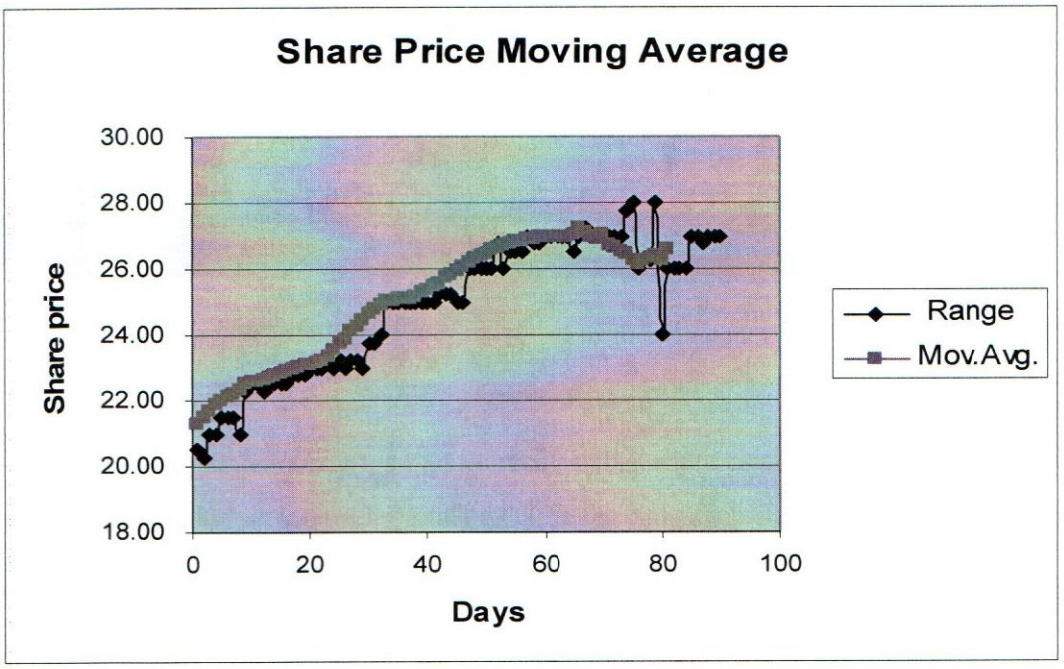

Chart 16: East Africa Portland

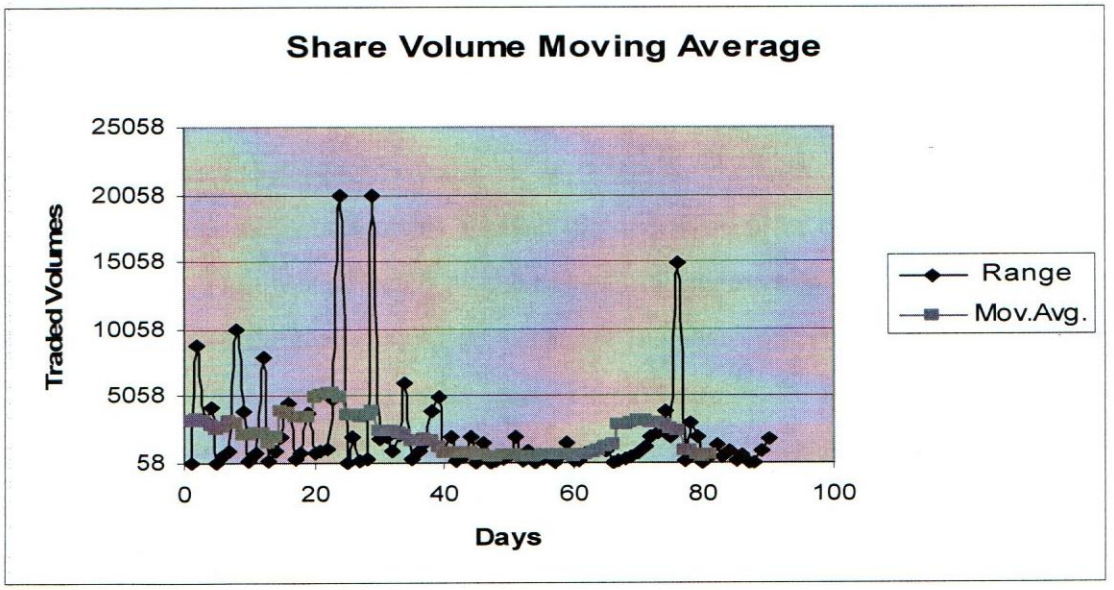

Table 15: t-test

Test	One sample t-test			
Alternative hypothesis	Portland - Mov.Avg. - R2 ≠ 25.02			
n	81			
Portland - Mov.Avg.	n	Mean	SD	SE
R2	81	25.023	1.805	0.2005
Hypothesised		25.020		
Difference between means	0.003			
95% CI	-0.396	to 0.402		
t statistic	0.01			
2-tailed p	0.9900			

Table 16: Pearson correlation

Test	Pearson correlation	
Alternative hypothesis	Portland - Mov.Avg.: R2 ≠ R1	
n	81	
r statistic	-0.63	
95% CI	-0.74	to -0.47
2-tailed p	<0.0001	(t approximation)

East Africa Portland experienced an increase in the share price after the rights issue. This rise continued over the period under analysis. It is the only firm that has recorded an increase in share price after the rights issue.

Traded volumes had ups and downs trend over the period.

T-test was acceptable at 95% confidence interval.

The correlation between share price and traded volume was negatively strong. This was due to the increase of the share prices and the traded volumes reducing.

4.2 Discussions

The findings from the data analysis showed that the share price of firms fall immediately after the rights issue. This was detected by the use of moving average curve. This curve smoothens out the share price fluctuations. After sometime the share price starts rising but does not rise above the initial price after the rights issue- Day 1 share price. This was consistent with 8 out of the 10 firms analysed. One firm portrayed a share price increase immediately after the rights issue- East Africa Portland. Kenya Orchards a firm listed at the alternative segment did not record any further trading after the rights issue throughout the year. This might be as a result of the firm being one of the least active in trading in the stock exchange. Hence the shareholders exercised the rights issue but no further trading took place. Pan Africa Insurance firm although

followed the general trend like the other analysed firms, it only traded 54 days after the rights issue that year. This shows that the firm was also one of the least active in trading during the year. The firms that could not trade in 90days after the rights issue in could not be analysed any further to the next year. This would make the analysis not at least in short run. T-test statistic was further carried on the share price moving averages at 95% confidence interval. They all turned out to be statistically significant as shown in the summary table below:

Table 17: t-tests for the firms' share prices

Company Name	t-Statistic 95% CI	Decision
Uchumi	0.01	Accept
Pan Africa Insurance	-0.01	Accept
Total Kenya	0.03	Accept
Standard Group	0.01	Accept
K.C.B	0	Accept
I.C.D.C.I	0.04	Accept
E.A.B.L	0.01	Accept
E.A Portland	0.01	Accept

The traded volume moving average from this analysis produced mixed results. They showed sharp rise and declines in the period of trading. There was no adequate trend that could be deduced. Therefore investors' reaction to the rights issue could be determined by the trends shown through the moving average graphs. They showed inconsistent reaction to the rights issue.

The next analysis results were to find out the relationship between the share price and traded volumes. Pearson's correlation was used to examine these variables. The findings showed that the share price and traded volumes after the rights issue showed a very weak relationship. Then the share prices reactions-price decline after the rights issue has minimal effect on the traded volume. The results of Pearson's correlation summary at 95% confidence interval are as follows:

Table 18: Pearson's Correlation tests summary for the firms share prices and traded volumes

Company	r-statistic	Decision
Uchumi	0.32	Positive weak relationship
Pan Africa Insurance	-0.78	Negative strong relationship
Total Kenya	-0.14	Negative weak relationship
Standard Group	-0.29	Negative weak relationship
K.C.B	-0.28	Negative weak relationship
I.C.D.C.I	0.12	Positive weak relationship
E.A.B.L	0.19	Positive weak relationship
E.A. Portland	-0.63	Negative strong relationship

From this table-18 Pearson's correlation tests shows that the relationship between share prices and traded volume had varied results ranging from positively weak to negatively strong correlation. This gives us inconclusive results as to their relationship after the rights issue. The relationship between the share prices and traded volumes after the rights issue could not be established using Pearson's correlation test.

CHAPTER 5 SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 Summary

From technical analysis using the moving average it was found out that after the rights issue the share prices immediately fall and continued falling for sometime. The share prices would then start rising slowly with time. The curves established in these firms are smooth such that the trend was noticed with ease. It's only with the East Africa Portland that established an immediate price increase after the rights issue.

From the analysis it was found out that the traded share volume of the firms after the rights issue provided mixed results such that no adequate conclusion could be drawn. From the technical analysis using moving average gives us inconclusive results. Hence when a firm announces rights issue at the Nairobi Stock Exchange, it would be impossible to establish the trend of the traded volume of the firm. The moving average curves displayed sharp rises and falls such that not adequate trend can be drawn from these firms.

From Pearson's correlation it was found out that the relationship between the firms' stock price and traded volume were weak. They do not have any close relationship in themselves. Hence a firm post rights issue effect on the firms share price and traded volumes have weak relationship.

5.2 Conclusion

The share price decline resulting after the rights issue can be attributed to the result of increased firms' equity at the stock market after the rights issue. Investors would take time to respond to this increase equity and hence the fall of the share prices. The decrease of share price can also result from the fact that the rights issue price is usually at a discount and that investors would then feel that this was done when the firms share value was over valued- at its peak during the period this is in line Hansen argument that share prices decreases after the rights issue. During the analysis the share price reduction could not be linked with the timing of the rights issue. Therefore the timing of the used cannot be used to explain the share price reduction after the rights issue. The traded volumes of the do not provide any trend after the rights issue. The market reaction could not be explained from the moving average traded volumes analysis There is no close relationship between the share price and traded volumes after the rights issue.

5.3 Recommendation

Firms announcing rights issue should consider closely the effect of information asymmetry and its effect on the share prices. It is important for the firm to provide more information to the market on the purpose of the rights issue in order to stimulate investors. This reduces the over pricing perception of the share prices since most investors will have all the necessary information that they need for investment. This improves the market efficiency.

The underwriting and other rights issue costs should be kept at minimum in order to make the rights issue more attractive. When rights issues are provided without underwriting costs, it provides an indication that the firm has a bright future and its investments are viable. This is an important factor since investors will perceive that the firm is not on a recovery path but on a growth process.

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Appendix 1: Workplan

Work Plan

Activity	**Timeframe**
Proposal writing	January-February 06
Data collection	March 06
Data analysis	April 06
Findings, conclusion and submitting the research document	May 06

Appendix 2: Budget

Particulars	**Cost (sh)**
Printing	15,000
Printing papers	10,000
Transport	10,000
Hire of computer	15,000
Communication	10,000
Internet browsing	10,000
Total	**70,000/=**

Appendix 3: Request Letter for Data collection

Chief Executive Officer
Nairobi Stock Exchange
P.O.Box 43633, 00100
Nairobi

19th May 2006

Andrew Mwangi
Egerton University- Nakuru Town Campus
P.O.Box 13357-20100
Nakuru

Dear Sir,

Re: Request for Data Collection

I'm a student pursuing an MBA degree majoring in finance. Currently am carrying out a research project on the evaluation of post rights issue effect on the firms share prices and traded volumes.
I here by humbly request for data on share prices and traded volumes of firms that that have announced rights issue through the stock exchange. Your assistance will be highly appreciated.
Thank you.

Yours truly,

Andrew Mwangi

Appendix 4 NSE Listed Firms

List NSE Equities[3]

Agricultural
Unilever Tea
Kakuzi
Rea Vipingo
Sasini

Commercial and Allied
Car& Gen
CMC
Hutchings Biemer
Kenya Airways Ltd
Marshalls
Nation Media group
TOS
Uchumi supermarkets

Finance& Investment
Barclays Bank
CFC Bank
Diamond trust
Housing Finance
ICDC
Jubilee
K.C.B Bank
National Bank
National Industrial Credit
Pan Africa Ins Holding
Standard Chartered Bank

Industrial& Allied
Athi River Mining Ltd
BOC (K)
Bamburi
British American Tobacco
Carbacid
Crown Berger
Olympia Capital Holdings
E.A Cables
E.A. Breweries
Sameer Africa Ltd
Kenol
Mumias
KP&LC
Total
Unga

Alternative Investment Market
A Baumann
City Trust
Eaagads
Express
Williamson Tea
Kapchorua
K.Orchads
Limuru Tea
Standard Group Ltd

[3] Source Nairobi Stock Exchange website
www.nse.co.ke

Appendix 5 Rights Issued Firms'

Firms that have announced rights issue at the Nairobi Stock Exchange[4]

Year	Company	Rate	Amount Raised (Kshs)
1989	Barclays		88,000,000
1990	ICDC		70,966,196
1993	Marshalls		21,475,475
1996	EA Portland	4:1	1,008,000,000
1997	EABL		1,488,275,775
1998	ICDCI	1:3	282,584,280
2000	Pan Africa Insurance		516,000,000
2001	Kenya Orchards	37:2	36,000,000
2001	Standard Newspapers	6:1	306,080,775
2001	Total Company	2:3	1,275,086,508
2003	Express Kenya	1:8	178,004,216
2004	KCB	1:3	2,47,026,872
2005	Uchumi		1,200,000,000
2005	CFC Bank		1,500,000,000
	Total Raised		

[4] Source NSE information desk.

Appendix 6: Data Collection

humi				Pan	Africa	Insurance		Total	Kenya		
re	Share	Price	Volume	Share	Share	Price	Volume	Share	Share	Price	Volume
ume	Price	Mov.Avg.	Mov.Avg.	Volume	Price	Mov.Avg.	Mov.Avg.	Volume	Price	Mov.Avg.	Mov.Avg.
1000	12	12.54	3166.90	500	27	24.73	746.80	6300	44	31.83	1410.0(
5000	12	12.64	3185.90	498	26	24.13	710.10	300	31.75	30.43	810.0(
5000	12	12.74	3155.90	100	26.5	23.63	687.00	100	30.75	30.20	790.0(
1630	12	12.84	2665.90	1673	24	23.08	777.00	2200	30.75	30.08	850.0(
1000	12	12.96	2584.40	450	25.25	22.78	809.70	300	30	30.00	680.0(
1664	13	13.06	3484.40	272	25.5	22.35	774.70	400	30	30.00	800.0(
900	13.2	13.01	3618.00	189	25.5	21.90	847.50	300	31	29.90	860.0(
675	13.2	12.96	5873.00	811	25.5	21.45	908.10	1000	30	29.75	900.0(
2800	13	12.94	6205.50	500	21	21.00	950.60	3000	30	29.70	900.0(
2000	13	12.94	5025.50	2475	21	21.00	1038.70	200	30	29.70	610.0(
1190	13	12.94	4903.00	133	21	21.00	1071.10	300	30	29.60	640.0(
4700	13	12.94	4984.00	267	21	21.00	1424.10	100	29.5	29.50	660.0(
100	13	12.94	4814.00	1000	21	21.00	1417.40	700	29.5	29.35	670.0(
815	13.2	12.94	4884.00	2000	21	21.00	1397.20	500	30	29.20	630.0(
10000	13	12.92	6802.50	100	21	21.00	1227.20	1500	30	29.00	630.0(
3000	12.5	12.92	6802.50	1000	21	21.00	1258.00	1000	29	28.85	880.0(
23450	12.7	12.97	8502.50	795	21	21.08	1178.00	700	29.5	28.65	830.0(
4000	13	13.00	6519.00	1236	21	21.08	1177.70	1000	29.5	28.40	985.0(
1000	13	13.00	6155.00	1381	21	21.08	1255.70	100	30	28.25	935.0(
775	13	13.00	6555.00	2799	21	20.97	1129.10	500	29	28.05	985.0(
2000	13	13.00	6505.70	3663	21	20.84	879.20	500	29	27.95	1000.0(
3000	13	13.00	6315.70	200	21	20.71	542.90	200	28	27.70	1000.0(
800	13	13.00	6051.70	798	21	20.61	622.90	300	28	27.60	1005.0(
20000	13	13.00	6471.70	300	21	20.45	553.10	500	28	27.50	1035.0(
10000	13	13.00	6691.80	408	21	20.30	573.10	4000	28.5	27.40	995.0(
20000	13	13.01	5701.80	200	21.75	20.17	732.30	500	27	27.25	625.0(
3615	13	13.01	4311.80	792	21	19.90	812.30	2250	27	27.25	609.2(
360	13	13.01	4590.30	2016	21	19.72	783.10	500	28	27.33	424.2(
5000	13	12.96	4854.30	115	19.95	19.57	631.50	600	28	26.98	474.2(
282	13	12.96	5354.30	300	19.65	19.45	650.00	650	28	26.63	714.2(
100	13	12.93	8163.90	300	19.7	19.33	670.00	500	26.5	26.30	749.2(
360	13	12.93	9315.90	1000	20	19.16	940.00	250	27	26.13	913.4(
5000	13	12.93	10066.40	100	19.45	18.93	890.00	600	27	25.90	1188.4(
22201	13	12.93	10779.90	500	19.5	18.69	930.00	100	27	25.90	1144.2(
100	13.05	12.93	8759.80	2000	19.7	18.44	1115.50	300	27	25.90	1154.2(
6100	13	12.92	8799.80	1000	19	18.17	1105.50	342	27	25.90	1174.2(
6400	13	12.92	8289.80	500	19.25	17.97	1055.50	400	27.75	25.90	1240.0(
3000	12.5	12.92	8444.30	500	19.5	17.71	1205.50	1000	24.5	25.83	1350.0(
10000	13	12.97	8534.30	300	18.75	17.37	1655.50	3000	24.5	25.83	1774.5(
28378	12.7	12.97	7550.80	500	18.4	17.07	1675.50	1000	24.75	25.90	1484.5(
11620	13	13.00	4943.00	3000	18	16.83	1825.50	2142	24.75	25.95	1403.0(
7865	13	13.00	4181.00	500	17.75	16.63	3075.50	3000	24.75	26.00	1208.8(
12135	13	13.00	3494.50	500	17	16.36	3225.50	158	27	26.05	978.8(
2000	13	13.00	3756.00	2355	17	16.08	3355.50	200	27	25.90	1063.0(
500	13	13.00	3656.00	1900	17	15.85	3140.00	500	27	25.78	1063.0(
1000	13	13.00	4707.90	500	17	15.56	3206.00	1000	27	25.60	1052.0(

7945	13	13.00	5674.90	2000	16.7	15.31	3412.00	1500	27	25.43	1002.0(
3900	13	13.10	5090.80	5000	16.05	14.90	3312.00	5245	24.5	25.25	952.0(
165	13	13.13	4710.80	500	15.8	14.56	3212.00	100	25.25	25.35	437.5(
2300	13	13.22	4704.30	2000	16	14.38	3262.00	185	25.25	25.50	447.5(
4000	13	13.23	7074.30	15500	16	14.05	3162.00	200	25.25	25.68	449.0(
1000	13	13.23	8974.30	2000	15	13.64	1962.80	700	25.25	25.85	439.0(
14750	13	13.24	9004.30	1800	14.2	13.34	2113.60	1000	25.5	25.93	439.0(
1000	13	13.25	9800.40	200	14.75	13.02	1981.60	200	25.75	25.98	869.0(
11019	13	13.35	9750.40	2560	14.05			390	25.25	26.10	919.0(
10670	13	13.45	8798.50	2560	14.5			500	25.25	26.33	980.0(
2104	14	13.51	7741.50	1000	12.65			1000	25.25	26.55	1045.0(
100	13.3	13.51	7590.70	4000	12.65			100	25.5	26.83	1045.0(
100	13.9	13.48	7940.70	1000	14			200	26.75	26.98	1050.0(
26000	13.05	13.39	8025.70	1000	12.65			200	27	27.00	1055.0(
23000	13.05	13.43	5625.70	3508	11.95			100	27	27.00	1135.0(
1300	13.1	13.47	4425.70	3508	12			700	26	27.05	1135.0(
22711	13.1	13.51	4670.70	480	11			5300	26	27.20	1080.0(
500	14	13.53	4399.60					700	27	27.35	590.0(
1500	14	13.46	4529.60					1000	27.5	27.43	535.0(
100	13.6	13.39	5199.60					1150	27.5	27.48	445.0(
596	14	13.36	5579.60					1000	28	27.53	345.0(
3600	13	13.28	5556.00					150	27	27.53	265.0(
950	13	13.30	6296.00					250	27	27.63	275.0(
2000	13.45	13.31	6801.00					1000	27	27.73	280.0(
11000	13.4	13.31	7061.60					100	27.5	27.83	230.0(
3750	13.55	13.33	7011.60					150	27.5	27.88	320.0(
20000	13.25	13.30	7499.60					400	27.5	27.83	350.0(
1800	13.3	13.28	9201.50					150	27.75	27.78	360.0(
8200	13.3	13.28	9521.50					100	28	27.70	445.0(
3900	13.3	13.28	8811.50					150	28	27.60	635.0(
360	13.2	13.29	8664.00					200	28	27.50	883.3(
11000	13.25	13.30	8705.60					250	28	27.40	1863.3(
6000	13.05	13.33	9595.00					300	28	27.30	2888.3(
4606	13.5	13.42	9273.50					500	28	27.23	2868.3(
10500	13.55	13.47	8883.40					1000	28	27.15	2981.8(
8630	13.3							450	27		
37019	13							500	27		
5000	13.3							1000	27		
1100	13.35							2000	27		
2425	13.35							2633	27		
776	13.35							10000	27		
19894	13.5							10500	27		
2785	14							100	27.25		
705	14							1635	27.25		

are	KCB				EABL			Standard Group			
lume	Share Price	Price Mov.Avg.	Volume Mov.Avg.	Share Volumes	Share Prices	Price Mov.Avg.	Volume Mov.Avg.	Share Volume	Share Price	Price Mov.Avg.	Mov.Avg.
266	59	57.95	430.40	100	57	57.00	1254.00	600	7	6.54	953.90
66	58	57.65	456.10	150	57	57.00	1871.10	150	6.6	6.47	1007.90
50	58	57.80	484.50	225	57	57.05	1866.10	1000	6.75	6.44	1145.40
133	58	57.85	506.10	365	57	57.15	1855.60	1290	6.75	6.39	1270.40
2900	56.5	57.90	519.40	461	57	57.25	1834.10	2000	6.25	6.35	1741.40
150	56	57.75	256.00	750	57	57.35	1818.00	1800	6.5	6.38	1561.40
133	56.5	57.55	251.00	1230	57	57.45	1796.40	1000	6.3	6.38	1421.40
100	58.5	57.30	274.30	1370	57	57.55	1767.60	600	6.4	6.25	2147.10
253	59.5	56.85	284.30	3639	57	57.65	1943.00	400	6.5	6.09	2117.10
253	59.5	56.60	413.50	4250	57	57.70	1775.80	699	6.3	5.84	2207.10
523	56	56.25	430.00	6271	57	57.80	1371.80	1140	6.3	5.61	2848.90
350	59.5	56.15	477.70	100	57.5	57.30	751.70	1525	6.3	5.38	2834.90
266	58.5	55.20	449.30	120	58	56.85	745.60	2250	6.3	5.13	3611.50
266	58.5	54.75	449.30	150	58	56.75	746.10	6000	6.3	4.86	3586.50
266	55	54.40	531.00	300	58	56.65	754.10	200	6.55	4.63	2996.50
100	54	54.25	517.70	534	58	56.55	752.10	400	6.55	4.32	3056.50
366	54	54.30	534.30	942	58	56.45	768.60	8257	5	4.05	3116.50
200	54	54.25	527.70	3124	58	56.35	685.60	300	4.8	3.95	3210.80
1545	57	54.15	561.00	1967	57.5	56.30	397.00	1300	4	3.87	8215.60
418	56	53.70	496.40	210	58	56.30	232.20	7117	4	3.87	8103.60
1000	55	53.35	494.60	70	52	56.25	279.30	1000	4	3.91	7616.30
66	50	53.25	504.50	39	53	56.85	287.80	9291	3.8	3.95	7766.30
266	54	53.55	511.20	125	57	57.40	293.90	2000	3.55	4.06	6917.20
1083	55	53.40	497.90	230	57	57.55	292.10	100	4	4.19	6837.20
133	53.5	53.20	409.70	280	57	56.95	272.10	800	3.5	4.29	6902.20
266	54.5	53.10	429.60	699	57	56.75	245.80	1000	3.85	4.45	6919.70
300	53.5	52.90	476.20	112	57	56.75	185.20	9200	4	4.59	6909.70
533	53	52.85	546.00	238	57.5	56.75	185.20	50348	4	4.77	6189.70
899	52.5	52.95	603.30	319	57.5	56.70	173.10	180	4	4.98	1654.90
400	52.5	52.90	540.00	681	57.5	56.65	153.10	2244	4.4	5.24	1821.70
1099	54	52.95	559.80	155	58	56.60	98.10	2500	4.4	5.53	1652.10
133	53	52.80	469.90	100	58.5	56.50	96.80	800	4.85	5.82	1602.10
133	52.5	52.80	467.80	107	58.5	56.35	106.80	1200	4.85	6.14	1657.80
201	53	52.90	494.50	30	51	56.20	196.10	750	5.05	6.53	1587.80
332	52.5	52.90	501.00	17	55	56.80	358.40	975	5.05	6.99	1612.80
732	52.5	52.95	477.80	93	57	57.00	4056.70	900	5.3	7.44	2515.30
998	53	53.10	431.20	112	57	57.05	4057.40	2000	5.8	7.87	2649.70
1106	54	53.20	346.40	117	57	56.65	4051.70	5000	6.05	8.26	3449.70
266	52	53.20	249.10	119	57	56.45	4043.20	1848	6.65	8.63	3449.70
598	53	53.00	226.20	131	57	56.40	4041.30	548	7.3	8.91	3384.90
200	52.5	52.70	181.30	142	57	56.35	4998.70	2000	7.3	9.13	3430.10
112	53	52.65	165.70	200	57	56.35	4998.50	1357	8	9.35	3930.10
400	53.5	52.70	174.50	1000	57	56.35	5008.50	500	8.8	9.50	3804.40
266	53	52.70	207.70	1653	57	56.35	4989.00	1000	9.65	9.57	3804.40
100	53	52.70	461.10	37000	57	56.15	4830.90	10000	9.5	9.55	3764.40
266	54	52.70	475.70	100	57.5	56.15	1605.60	2244	9.6	9.50	2833.00
150	54	52.60	502.40	55	53	55.85	1637.10	10000	9.7	9.44	2708.60
133	54	52.40	507.40	32	55	56.05	1652.40	5000	9.75	9.37	1748.60
37	50	52.30	517.40	100	56.5	56.05	1671.70	1200	9.5	9.29	1348.60
149	50	52.60	527.00	9705	56.5	55.90	1686.20	1000	9.5	9.24	1628.60
44	52	52.90	672.10	140	57	55.75	765.70	7000	9.5	9.19	1548.60

200	53.5	53.05	901.00	300	57	55.55	838.30	100	9.5	9.13	908.60
732	53.5	52.70	887.60	805	57	55.35	900.50	500	9.5	9.03	981.10
2800	53	52.65	841.00	72	55	55.15	920.00	600	9.4	8.88	943.60
246	53	52.80	585.60	4747	57	55.35	922.80	686	9	8.74	933.60
533	53	52.80	603.00	415	54.5	54.65	450.30	1000	9	8.67	965.00
200	52	52.85	563.00	208	55	54.53	412.20	400	9	8.59	1265.00
233	53	53.05	596.20	225	55	54.40	397.00	1000	9	8.47	1272.50
133	53	53.15	626.20	245	55	54.40	389.50	4000	9	8.37	1272.50
1600	53	53.15	1188.20	500	55	54.40	445.50	200	9	8.27	902.50
2333	53.5	52.85	1033.20	866	55	54.50	445.50	600	8.9	8.11	987.50
66	50	52.50	806.50	922	55	54.70	1358.90	825	8.5	8.00	1017.50
266	53	52.95	849.90	1000	55	54.75	1556.30	125	8	7.92	1235.00
246	54.5	53.10	876.50	100	57	54.85	1508.80	500	8	7.86	1703.20
420	53	53.15	865.20	22	50	54.15	1502.50	1000	8.25	7.84	1703.20
133	53.5	53.35	834.80	34	53.25	54.65	1516.30	4000	8.25	7.81	1753.20
532	54	53.40	947.90	56	53.75	54.83	1577.60	475	7.75	7.79	1853.20
533	54	53.30	921.30	150	55	54.85	1596.30	1000	8	7.81	2305.70
5753	53	53.10	891.30	805	55	54.75	1606.70	300	8	7.89	2255.70
50	50	52.80	342.60	500	56	54.65	1572.20	1050	7.45	7.97	2725.70
66	50	53.15	632.00	10000	57	54.50	1542.20	900	7.75	8.11	2870.70
500	54.5	53.50	655.40	2896	55.5	54.30	563.30	3000	7.75	8.23	2843.20
532	54.5	53.45	622.10	525	56	54.25	920.90	4807	7.4	8.36	2613.20
133	55	53.50	675.50	37	50	53.85	874.10	500	7.75	8.52	2232.50
116	55	53.50	755.50	160	55	54.25	897.30	1500	8	8.66	3682.50
1264	54	53.40	770.50	647	55	53.85	886.10	5000	8	8.77	6032.50
266	53	53.20	656.20	243	54	53.65	828.20	5000	8	8.89	8474.90
233	52	53.10	636.20	254	54	53.55	812.60	500	8.8	8.97	8024.90
266	50	52.90	621.20	460	54	53.45	796.90	5000	8.8	8.99	8024.90
2944	53.5	53.10	622.70	200	54.5	53.55	762.90	2500	8.8	9.02	7599.90
300	53.5	53.10	341.60	211	55	53.60	763.50	625	9	9.04	7849.90
167	54			6472	55			700	9		
1066	55			57	52			1000	9		
933	55			269	54			15000	9.15		
266	54			48	51			25000	9.15		
121	52			68	53			29424	9.15		
66	52			87	53			500	8.8		
83	50			97	53			500	9		
281	52			120	55			750	9.1		
133	53.5			206	55			5000	9		

ICDC Share Volume	Share price	Price Mov.Avg.	Volume Mov.Avg.	East Share Volume	Africa Share Price	Portland Volume Mov.Avg.	Price Mov.Avg.
1125	48	47.50	2863.10	100	20.50	3227.00	21.30
19135	49.5	47.20	2777.20	8800	20.25	3297.00	21.50
399	47	46.80	909.30	3300	21.00	3217.00	21.70
948	47	46.68	893.10	4170	21.00	2907.00	21.85
1000	47	46.58	810.90	100	21.50	2590.00	22.00
650	47.25	46.48	723.90	600	21.50	2780.00	22.10
2000	48	46.35	688.90	1000	21.50	3170.00	22.20
3063	48	45.55	497.50	10000	21.00	3100.00	22.33
100	48.25	45.45	206.30	4000	22.25	2175.00	22.50
211	45	45.48	211.30	200	22.50	2155.00	22.55
266	45	45.83	208.50	800	22.50	2216.00	22.60
456	45.5	46.18	206.90	8000	22.25	2236.00	22.65
237	45.75	46.53	171.30	200	22.50	1546.00	22.73
126	46	46.85	168.70	1000	22.50	2006.00	22.80
130	46	47.15	182.70	2000	22.50	3906.00	22.85
300	46	47.45	269.70	4500	22.50	3716.00	22.93
86	40	47.75	655.20	300	22.75	3466.00	22.98
151	47	48.65	1499.50	750	22.75	3456.00	23.03
150	48.5	47.95	1488.30	3800	22.75	3421.00	23.08
183	48.5	47.68	1481.70	810	23.00	5041.00	23.10
250	48.5	47.43	1473.40	1000	23.00	5140.00	23.18
100	49	47.18	1458.80	1100	23.00	5240.00	23.25
211	49	46.98	1458.80	4800	23.25	5230.00	23.35
266	49	46.78	1460.10	20000	23.00	4970.00	23.53
1000	49	46.58	1475.50	100	23.25	3570.00	23.73
4155	49	46.43	1472.50	2000		3600.00	23.90

					23.00		
8529	49	46.28	1162.00	200	23.25	3500.00	24.10
39	40	46.13	415.10	400	23.25	3630.00	24.28
84	45.75	46.93	431.20	20000	23.00	3990.00	24.45
100	46	47.15	451.10	1800	23.75	2490.00	24.65
104	46	47.35	491.10	2000	23.75	2410.00	24.78
100	47	47.55	552.40	1000	24.00	2410.00	24.90
224	47	47.65	955.50	2200	25.00	2330.00	25.03
420	47	47.75	1572.60	6000	25.00	2160.00	25.05
970	47.5	47.88	1605.60	400	25.00	1760.00	25.08
1050	47.5	48.08	3125.70	1000	25.00	1730.00	25.08
1060	47.5	48.28	7840.70	1500	25.00	1780.00	25.08
200	48	47.63	7736.80	4000	25.00	1640.00	25.18
283	48	46.93	7721.00	5000	25.00	1260.00	25.28
500	48	46.23	7698.90	1000	25.00	790.00	25.38
717	48	46.10	7670.10	2000	25.00	755.00	25.48
4131	48	46.13	7608.80	200	25.25	755.00	25.58
6395	48	45.43	7201.70	500	25.25	755.00	25.73
750	48.25	45.13	6599.40	2000	25.25	805.00	25.80
16171	49.5	44.95	6534.80	100	25.00	615.00	25.93
48200	49.5	44.65	4942.30	1500	25.00	635.00	26.08
21	41	44.35	152.50	100	26.00	535.00	26.23
42	41	44.93	167.10	200	26.00	535.00	26.33
62	41	45.58	193.10	300	26.00	585.00	26.40
212	46.75	46.25	196.90	650	26.00	705.00	26.48
104	48.25	46.38	185.70	2000	26.00	657.00	26.58
60	41	46.50	185.30	200	26.75	477.00	26.68
372	45	47.20	379.30	1000	26.00	537.00	26.70
104	46.5	47.53	357.10	100		537.00	26.80

					26.50		
246	46.5	47.70	380.40	300	26.50	637.00	26.85
302	46.5	48.05	366.20	500	26.50	707.00	26.85
167	46.75	48.55	3671.30	100	27.00	667.00	26.90
302	47.5	48.38	3696.80	700	26.75	677.00	26.93
100	47.75	48.23	3676.60	1500	26.75	647.00	26.95
100	48	48.05	3682.90	170	27.00	547.00	26.98
100	49.5	47.85	3692.10	200	27.00	603.00	26.98
2000	48	47.50	3703.20	800	27.00	703.00	26.98
150	48.25	47.30	3530.50	1000	27.00	823.00	26.98
337	48.25	47.08	3548.00	1100	27.00	950.00	26.98
104	50	46.85	3564.30	1000	26.50	1240.00	27.05
33353	51.5	46.48	3565.00	100	27.00	1340.00	27.20
422	45	46.13	239.70	200	27.25	2830.00	27.10
100	46	46.13	210.10	400	27.00	2830.00	27.00
163	46	46.03	220.10	500	27.00	3090.00	26.93
192	46	45.93	231.60	730	27.00	3240.00	27.03
211	46	45.83	374.50	1200	27.00	3173.40	26.73
273	46	45.75	378.40	2000	27.00	3103.40	26.63
325	46	45.68	376.60	2270	27.00	3043.40	26.53
500	46	45.60	404.10	4000	27.75	2866.40	26.43
111	46.25	45.60	792.60	2000	28.00	2566.40	26.25
100	48	45.48	791.50	15000	26.00	2386.40	26.15
126	45	45.18	800.40	200	26.25	946.40	26.25
200	45	45.18	809.10	3000	26.25	936.40	26.30
278	45	45.18	819.10	2000	28.00	646.40	26.38
1621	45	45.28	1127.40	64	24.00	546.40	26.28
250	45.25	45.40	990.30	500	26.00	720.00	26.58
255	45.25			1400			

			26.00
600	45.25	500	26.00
4385	46	1000	26.00
100	45	200	27.00
189	45	600	27.00
213	45	100	26.75
300	45	100	27.00
3361	46	1000	27.00
250	46.25	1800	27.00