

HIGHLIGHTS

Key Movements in Fixed Income and Currency Markets in September 2014

- Kenyan bond yields were mostly flat in September, except for 20-year bonds (rose by 9 bps to 12.8%) and 10-year bonds (fell by 5 bps to 11.8%). Nigerian bond yields increased across all maturities due to offshore investors booking profits and some local pension funds reducing their positions (details on page 5).
- Most currencies were under pressure against the US dollar in September 2014. The Kenyan shilling depreciated, primarily due to demand from the oil and retail sectors, along with limited dollar inflow on declining tourism. The Tanzanian shilling fell on higher dollar demand from the oil, manufacturing and telecommunication sectors. The Ugandan shilling declined 1.7%, predominantly due to high demand for the dollar from manufacturers and energy companies. In contrast, the Ghanaian cedi rose 14.6% from a 5.3% drop in August 2014, mainly driven by the positive sentiment due to proceeds from the Eurobond sale and cocoa loan, accompanied by talks with the International Monetary Fund (IMF) regarding a bailout. (more on pages 7 and 8).
- In money markets, Kenya's interbank rates fell to 6.8% towards the end of September 2014, primarily led by high liquidity in the market. Nigeria's interbank rates declined to 13.2% due to increased liquidity from the government's monthly budgetary disbursements (details on page 6).

September Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
Kenya 24-Sep yield (%)	10.8%	11.0%	11.8%	12.8%
Chg from 1-Sep 14 (bps)	0	0	-5	9
Nigeria 30-Sep yield (%)	12.0%	12.1%	12.5%	12.4%
Chg from 1-Sep 14 (bps)	80	76	55	26

Movement of Key Currencies vs. US Dollar in September

	Average	End Value	MTD	YTD
Kenyan Shilling	88.9	89.4	-1.0%	-3.4%
Ugandan Shilling	2,616.8	2,655.0	-1.7%	-4.6%
Nigerian Naira	163.0	163.8	-1.0%	-2.1%
Ghanaian Cedi	3.5	3.3	14.6%	-27.9%
Tanzanian Shilling	1,666.9	1,677.0	-0.6%	-5.2%

Kimondo's Corner

Government of Tanzania Lifts Foreigners' Limits

The Government of Tanzania has now fully lifted foreigners' limits on investments in the Dar es Salam Stock Exchange and partially on the Government securities with effect from 19th September 2014. Previously, there was a 60% foreign ownership ceiling.

The Tanzanian Government has also allowed the Non-residents from East Africa to participate, up to 40% of the amounts issued, in Government securities offers.

Tanzania residents have also been allowed to deal freely with any securities within the East Africa Region.

It is expected that the Dar bourse will now become more vibrant, leading to better pricing mechanism.

(See more on page 11)



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Source: Bloomberg and respective central banks

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HIGHLIGHTS

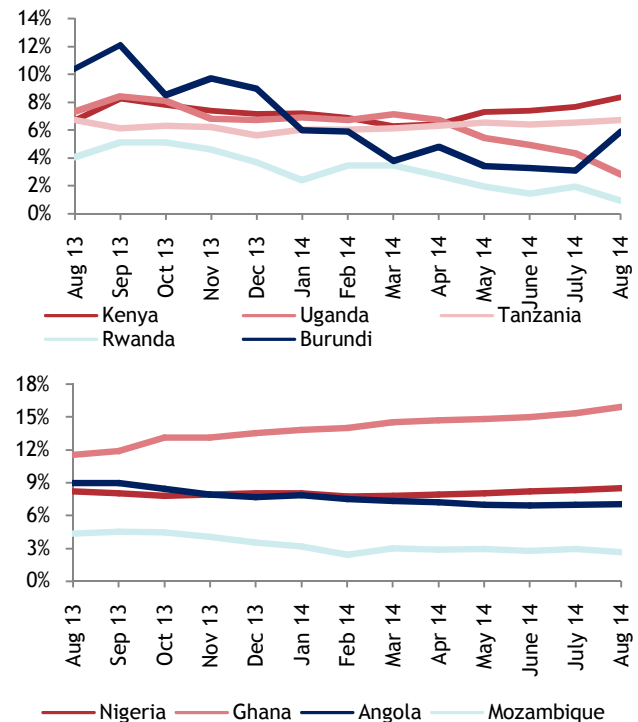
Activity Across Africa: Economy and Politics

Kenya failed to meet the 30 September 2014 deadline to sign Economic Partnership Agreements (EPAs) with the European Union (EU). Thus, exports from Kenya to the EU would no longer be duty free. Rwanda posted a 6.1% growth in GDP during 2Q 2014 compared with a gain of 7.2% in 2Q 2013. The GDP growth was largely driven by the services sector, which contributed 47.0% to total GDP, followed by the agriculture (33.0%) and industry (14.0%) sectors (details on page 3).

In September 2014, the central banks of Nigeria, Angola and Kenya maintained their benchmark policy rates at 12.0%, 8.8% and 8.5%, respectively, with a view to maintain price stability and control inflation. However, Nigeria's central bank was concerned about the country's rising inflation, and was divided between further tightening the monetary policy stance and retaining the benchmark rate (more on pages 3 and 4).

Inflation in Africa varied in August 2014. In Kenya, inflation advanced to a two-year high to 8.4% YoY, mainly due to higher prices of food and non-alcoholic drinks. In Nigeria, inflation rose for the sixth consecutive month to 8.5% YoY, whereas in Ghana, it increased for the 12th straight month to 15.9% YoY. In Uganda, inflation eased to 2.8% YoY in August from 4.3% YoY in July 2014, led by lower prices of food items (details on pages 3 and 4).

Inflation (YoY)



Kenya rises to middle-income status; joins Africa's top 10 economies

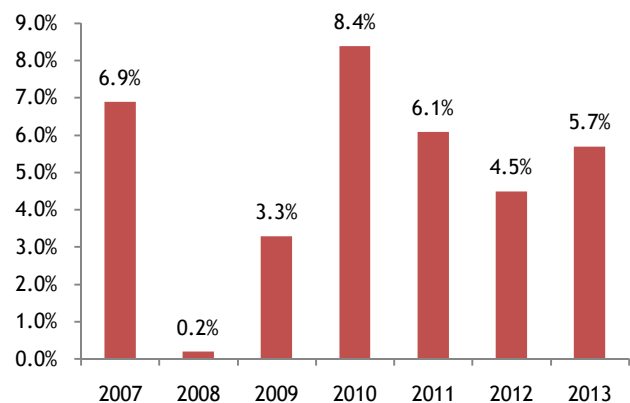
Kenya, post its rebasing exercise in September, has emerged as the ninth largest economy in Africa from its earlier status as the twelfth largest economy. The rebased GDP stands at USD 53.4 bn in 2013, up 25.3% from USD 42.6 bn.

Agriculture continues to drive Kenya's economy followed by manufacturing sector. With GDP contribution at 19.9% and 11.4%, respectively. Agriculture is expected to continue to dominate the GDP, driven by boost in productivity owing to key agricultural projects including irrigation. In addition, ICT and real-estate sectors have emerged as prominent sectors with GDP contributions at 7.4% and 5.9% respectively.

Post rebasing, Kenya's debt-to-GDP reduced to 42.0% from 52.0%, thus raising the credit worthiness of the country. The lower debt to GDP will give the Kenyan government some leeway for additional borrowing to finance mega public infrastructure projects.

The government needs to enforce stronger macroeconomic policies and structural reforms in order to counter external shocks. In addition, stricter measures to enhance the security conditions are required to reinvigorate the critical tourism sector.

Kenya's GDP growth (Annual %)



Source: Kenya National Bureau of Statistics, IMF, World Bank, individual news websites

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

East African Community

Kenya

Kenya failed to meet the deadline to sign the EPAs with the EU, which would accord preferential export benefits for Kenyan exporters to the EU markets. As a result, Kenyan products, which were earlier duty free to the EU, have to pay 4-30.0% in taxes starting October 2014.

In September 2014, the Central Bank of Kenya held its benchmark policy rate at 8.5%. The bank plans to continue managing liquidity to keep interest rates low and control inflation.

In August 2014, Kenya's inflation accelerated to 8.4% YoY, a two-year high, after surpassing the upper band of 7.5% set by the central bank in July 2014. This can be primarily ascribed to a 1.8% rise in the food and non-alcoholic drinks index, which accounts for more than 36.0% of the basket of goods used to measure inflation. The housing, water, electricity, gas and other fuels index, the second largest constituent, increased 0.3%.

Uganda

Uganda's annual headline inflation decreased to 2.8% YoY in August 2014 from 4.3% YoY in July 2014, led by the reduction in the annual food crops inflation, which fell to 1.5% YoY in August 2014 compared with 12.9% YoY in July 2014.

Tanzania

Tanzania's headline inflation increased to 6.7% in August 2014, a 12-month high, from 6.5% YoY in July 2014. This can be mainly ascribed to higher inflation in prices of food and non-alcoholic beverages, which rose 8.8% YoY in August 2014 compared with an 8.1% rise in July 2014.

Rwanda

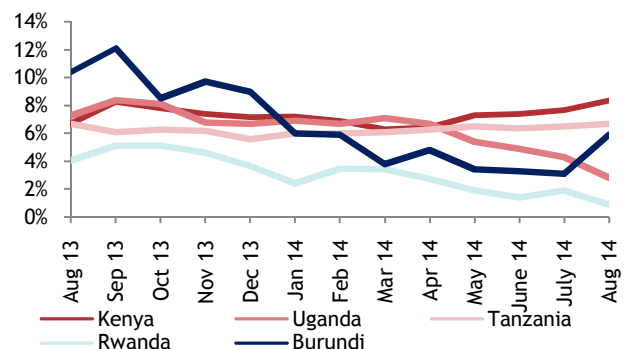
Inflation in Rwanda declined to 0.9% YoY in August 2014 from 1.9% YoY in July 2014, predominantly driven by lower inflation in prices of food and non-alcoholic drinks (0.9% YoY in August 2014 versus 2.4% YoY in July 2014).

Rwanda's GDP growth slowed to 6.1% in 2Q 2014 compared with 7.2% in 2Q 2013. The growth was primarily driven by the services sector, which contributed 47.0% to total GDP, followed by the agriculture (33.0%) and industry sectors (14.0%). The agriculture sector grew 5.0%, contributing 1.5% to the overall GDP growth, while the industrial sector rose 5.0%, contributing 0.7% to the GDP growth. Moreover, the service sector increased 9.0% and contributed 4.2% to the GDP growth.

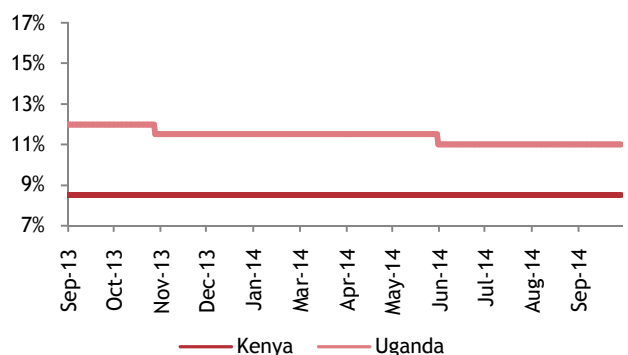
Burundi

Burundi's inflation advanced to 5.9% YoY in August 2014 from 3.1% YoY in July 2014. This can be mainly ascribed to a sharp rise in costs of housing, water and energy, which grew 11.4% YoY in August 2014 from 4.9% YoY in July 2014.

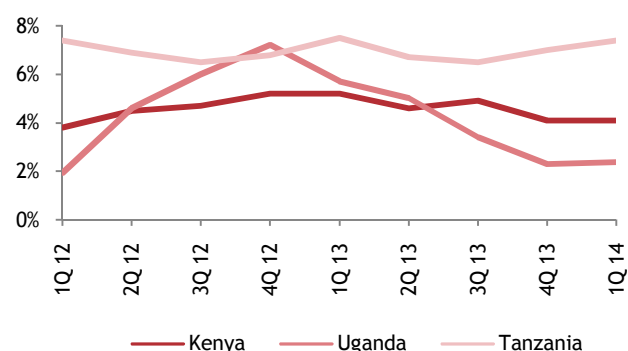
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Kenya, Uganda and Tanzania (YoY)



Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

Rest of Sub-Saharan Africa

Nigeria

~ Nigeria's central bank held the benchmark rate at 12.0% in September 2014, despite concerns over inflation and reduced food production due to Islamist insurgency in the north.

~ Nigeria's inflation rose for the sixth consecutive month and reached 8.5% YoY in August 2014 from 8.3% YoY in July 2014. This can be primarily ascribed to a 10.0% YoY increase in food prices in August 2014 compared with a 9.9% YoY growth in July 2014.

Angola

~ Angola's central bank kept the benchmark policy rate at 8.75% in September 2014 to maintain price stability in the domestic economy.

~ Inflation in Angola rose for the second consecutive month after five months of decline to 7.05% YoY in August 2014, from 6.98% in July 2014. This was largely led by higher inflation in food items, which rose 8.7% YoY in August compared with 8.4% in July 2014.

Ghana

~ In September, Fitch Ratings affirmed Ghana's long-term foreign and local currency Issuer Default Ratings (IDR) at B with negative outlook. Moreover, Fitch affirmed Ghana's short-term foreign currency IDR at B and country ceiling at B. The primary drivers for these ratings were the recent Eurobond sale (USD 1 bn) and the annual Ghana Cocoa Board syndicated loan (USD 1.7 bn), which alleviated short-term pressure on reserves and currency.

~ Inflation in Ghana increased for the 12th consecutive month to 15.9% YoY in August 2014 from 15.3% YoY in July 2014, largely driven by inflation in the housing, water, electricity, gas and other fuel subgroup, which recorded the highest price rise of 61.7% in August. The transport sub-sector was the second highest contributor, witnessing a 38.0% rise due to increased transport fares. This was followed by alcoholic beverages and tobacco (14.8%), health cost (14.6%) and food prices (5.1%).

Mozambique

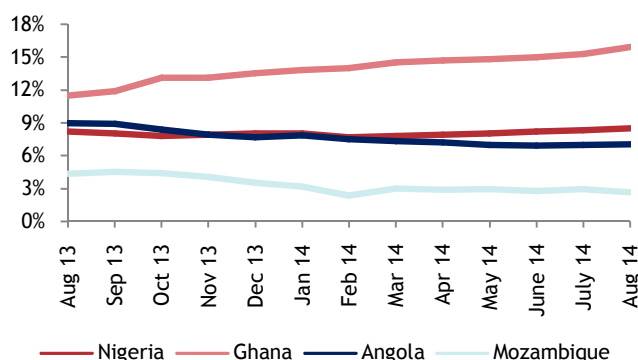
~ Inflation in Mozambique fell to 2.64% YoY in August 2014 from 2.95% YoY in July 2014. The inflation has remained low for the last eight months due to increased supply of domestic fruits, vegetables and plants during the favourable season. Moreover, a stable exchange rate of the metical against the US dollar contributed to lower inflation.

Ivory Coast

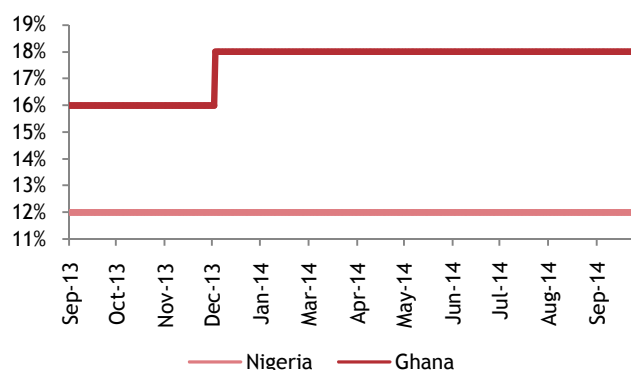
~ Inflation in Ivory Coast fell to 0.8% YoY in August 2014 vis-à-vis 0.9% YoY in July 2014. Housing and utility, communications, and healthcare prices rose 2.3%, 1.0% and 1.6%, respectively. Transport costs and food & soft drink prices fell 0.2% and 0.6% respectively.

Source: Bloomberg, individual news websites, respective central banks

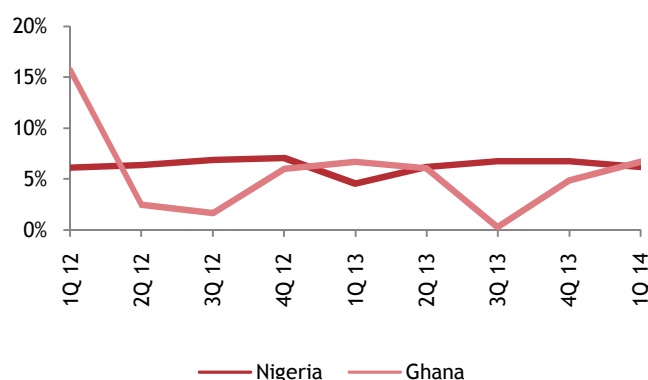
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Nigeria and Ghana (YoY)

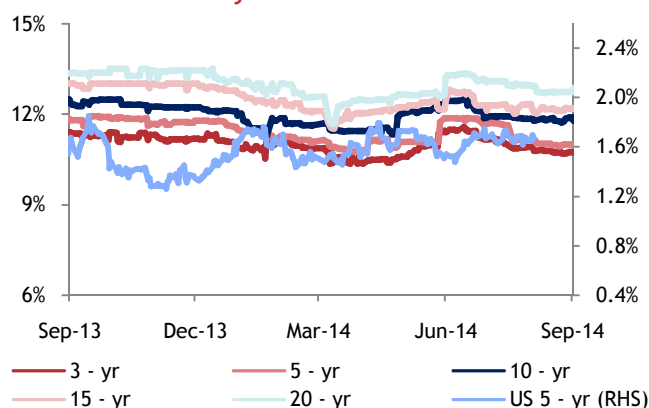


ACTIVITY ACROSS AFRICA: BOND MARKETS

Kenya

- “ In September 2014, yields on Kenyan bonds were mostly flat, except for 2-year bonds which rose by 9 bps to 12.8% and 10-year bond which fell by 5 bps to 11.8%.
- “ Analysts expect the yields to hold steady in near term, as the central bank wants to maintain a stable rate regime in the face of relatively strong demand for local debt.
- “ On 24 September 2014, Kenya’s government auctioned 10-year bonds with a coupon rate of 12.18% expiring in 2024. The auction was oversubscribed and the central bank received bids worth KES 17.026 bn. The bank had offered bonds worth KES 15.0 bn; however, bids worth KES 15.49 bn were accepted. The weighted average rate for successful bids was 12.296%.
- “ The FTSE NSE Kenyan Shilling Government Bond Index was flat on MTD basis in September 2014. On YTD basis, the index was up 2.4%.

Bond Yields’ Daily Movement



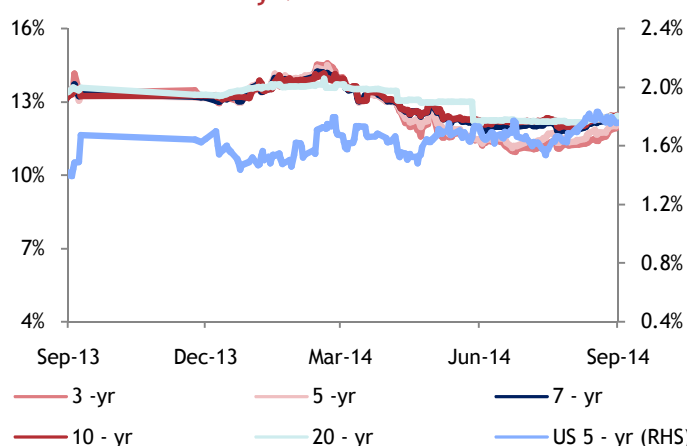
Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
24-Sep yield (%)	10.8%	11.0%	11.8%	12.2%	12.8%
Chg from 1-Sep 14 (bps)	0	0	-5	1	9
Chg from 1-Jan 14 (bps)	-51	-75	-33	-72	-72

Nigeria

- “ In September 2014, Nigerian bond yields rose across all maturities. Yields for bonds with three- and five-year tenures increased the most by 80 bps and 76 bps to 12.0% and 12.1%, respectively.
- “ Higher bond yields can be primarily ascribed to offshore investors booking profits due to the depreciation of Nigerian naira and concerns over falling oil prices in the global market. Furthermore, some local pension funds cut their positions, which led to the rise in bond yields.
- “ On 17 September 2014, Nigeria’s government auctioned two-year NGN 15 bn 13.05% August 2016 bonds, 10-year NGN 50 bn 14.2% March 2024 bonds and 20-year NGN 35 bn 12.15% July 2034 bonds. All three bonds were oversubscribed, with subscriptions worth NGN 23.9 bn for two-year bonds, NGN 88.7 bn for 10-year bonds and NGN 63.45 bn for 20-year bonds.

Bond Yields’ Daily Movement



Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
30-Sep yield (%)	12.0%	12.1%	12.4%	12.5%	12.4%
Chg from 1-Sep 14 (bps)	80	76	59	55	26
Chg from 1-Jan 14 (bps)	-115	-99	-71	-84	-112

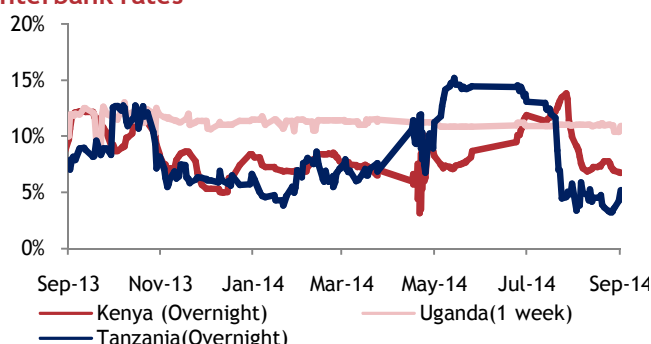
Source: Bloomberg, individual news websites

MONEY MARKETS

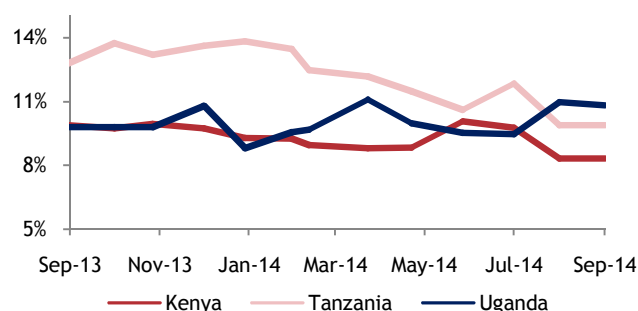
East African Community

Kenya's interbank rate fell to 6.8% towards the end of September 2014 compared with 10.0% at the end of August 2014, largely led by high liquidity in the markets due to payments from short-term government treasuries. Similarly, Tanzania's interbank rates decreased to 5.2% towards the end of September 2014 vis-à-vis 5.8% at the end of July 2014, indicating significant liquidity in the market.

Interbank rates



91-day/3-month T-bills (monthly average)



3-month currency deposit and T-bill rates (Sep 2014)

	Kenya	Tanzania	Uganda
3-m curr dep	6.3%	10.7%	7.6%
91-d/3-m T-bill	8.3%	9.9%	10.8%

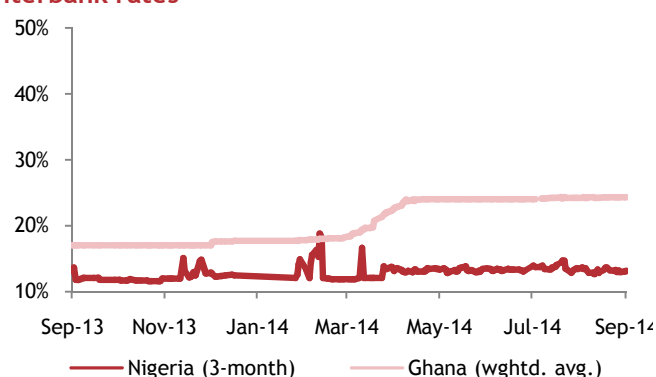
Policy and average interbank rates (Sep 2014)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	8.5%	12.0%	11.0%
Interbank	6.8%	5.2%	10.9%

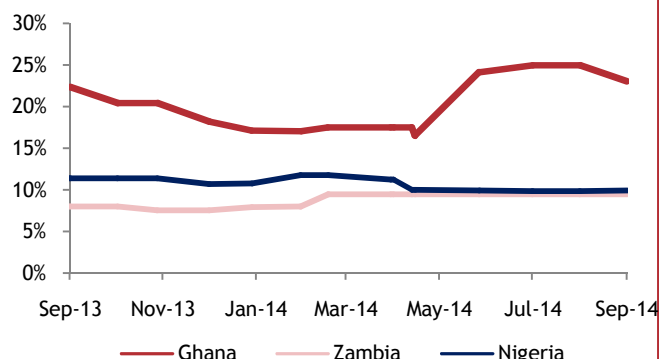
Rest of Sub-Saharan Africa

The Nigerian Interbank Offered Rate (NIBOR) increased to 13.7% towards the middle of September 2014 compared with 13.5% at the end of August 2014, after the central bank issued treasury bills worth NGN 234 bn to replace a NGN 200 bn bill it paid off earlier in the month. However, the rates fell to 13.2% later in September, driven by increased liquidity from monthly government budgetary disbursements.

Interbank rates



91-day/3-month T-bills (monthly average)



3-month currency deposit and T-bill rates (Sep 2014)

	Nigeria	Ghana	Zambia
3-m curr dep	11.5%	24.2%	16.7%
91-d/3-m T-bill	10.0%	23.1%	9.5%

Policy and average interbank rates (Sep 2014)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	12.0%	19.0%	12.0%
Interbank	13.2%	24.3%	11.8%

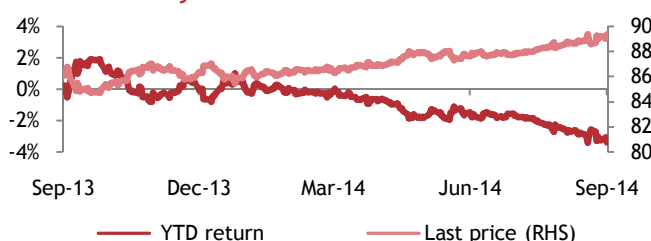
Source: Bloomberg, individual news websites, respective central banks

CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

Kenyan Shilling (KES)

- On 17 September 2014, the Kenyan shilling depreciated to KES 89.35 against the US dollar, its three-year low. The currency ended 1.0% lower at the end of the month. On YTD basis, the shilling fell 3.4%.
- The shilling was under pressure against the dollar, primarily driven by demand from the oil and retail sectors. Furthermore, limited dollar inflow due to decreasing tourism, which has been impacted by Islamist militant attacks and the outbreak of Ebola, weighed down on the currency.
- The shilling is likely to remain under pressure unless the Central Bank of Kenya intervenes. Moreover, US dollar inflows are expected to be limited as Kenya missed the 30 September deadline to sign EPAs with the EU. As a result, Kenyan exports to the EU would no longer be duty free.

USD/KES Daily Movement

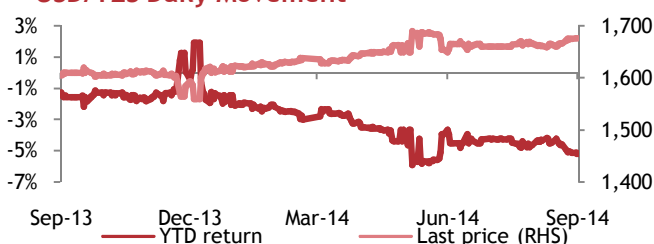


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	88.88	89.4	89.4	88.6	-1.0%	-3.4%
EUR	114.6	112.7	116.6	112.7	3.0%	5.4%

Tanzanian Shilling (TZS)

- The Tanzanian shilling continued its downtrend against the US dollar in September 2014, falling 0.6% MTD. On YTD basis, the currency fell 5.2% against the greenback.
- The shilling depreciated due to high demand for the US dollar from the oil, manufacturing and telecommunication sectors.
- The shilling is projected to remain under pressure against the dollar in the near term owing to rising demand for the dollar, especially from energy and oil companies.

USD/TZS Daily Movement

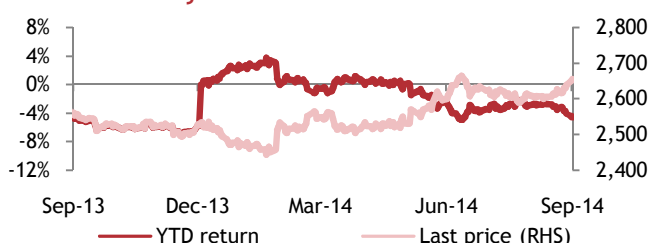


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	1,666.9	1,677.0	1,677.0	1,659.5	-0.6%	-5.2%
EUR	2,149.4	2,118.1	2,187.5	2,118.1	3.4%	3.1%

Ugandan Shilling (UGX)

- The Ugandan shilling depreciated 1.7% against the US dollar in September 2014. On YTD basis, the currency fell 4.6%.
- The shilling depreciated against the dollar due to high demand for the dollar from manufacturers and energy companies. The shilling was expected to lose more value against the US dollar, but it received some support from US dollar inflows of non-governmental organisations, which absorbed some of the dollar demand.
- The shilling is likely to remain under pressure against the dollar, predominantly due to constant demand for the dollar from importers and prevailing negative market sentiment that the central bank might cut its main lending rate after inflation declined sharply in September.

USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,616.8	2,655.0	2,655.0	2,600.0	-1.7%	-4.6%
EUR	3,373.9	3,340.9	3,423.0	3,340.9	2.4%	4.3%

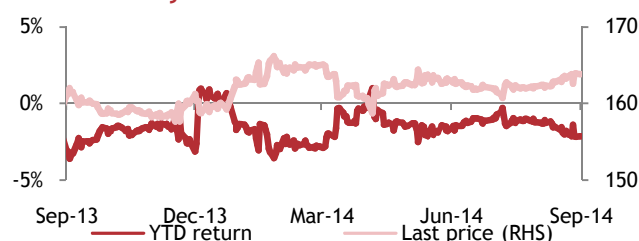
Source: Bloomberg, individual news websites

CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

Nigerian Naira (NGN)

- “ The Nigerian naira depreciated 1.0% against the US dollar in September 2014. The currency fell 1.3% YTD.
- “ The naira declined against the dollar mainly due to the impact of the drop in global oil prices and low offshore inflows into Nigeria’s debt and equity markets. The local currency remained under pressure despite the intervention by the central bank, which sold an undisclosed amount of US dollar directly on the interbank market in September.
- “ In the near term, the naira is projected to strengthen against the dollar as the central bank is likely to continue to intervene to support the local currency. Furthermore, expected US dollar sales in early October by the state energy firm Nigerian National Petroleum Corporation (NNPC) would support the local currency.

USD/NGN Daily Movement

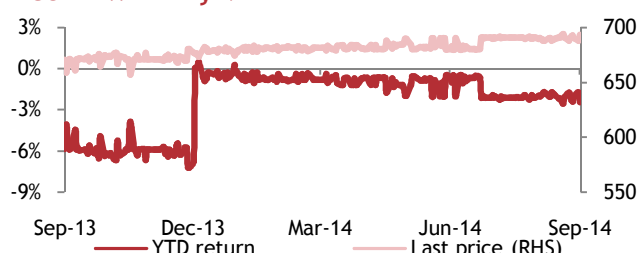


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	163.0	163.8	163.9	162.0	-1.0%	-2.1%
EUR	210.2	207.0	213.5	207.0	3.1%	5.8%

Rwandan Franc (RWF)

- “ The Rwandan franc depreciated 0.4% against the US dollar in September 2014. The local currency decreased 2.5% YTD against the dollar.
- “ The franc has been under pressure against the dollar during 2014 due to the demand for the greenback to finance imports. In 2014 until August, the cost of imports rose 11.1% compared with a 1.3% increase in imported quantity.
- “ The currency is likely to remain under pressure against the US dollar in the near term, led by persistent demand for the dollar by importers amid sluggish export growth. Recently, Rwanda announced its plans to import 400 MW of electricity from Ethiopia in the medium term due to high energy costs in the country.

USD/RWF Daily Movement

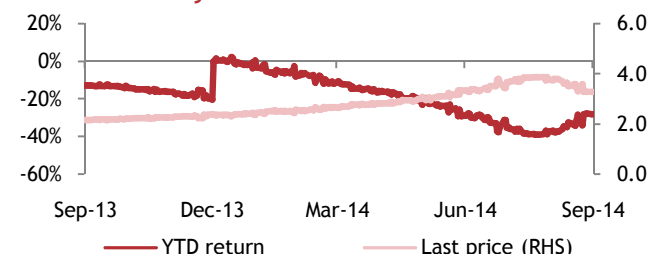


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	690.1	690.5	693.5	688.0	-0.4%	-2.5%
EUR	889.6	875.3	907.5	872.8	3.9%	4.8%

New Ghanaian Cedi (GHS)

- “ The Ghanaian cedi appreciated 14.6% against the US dollar in September 2014 vis-à-vis the 5.3% decline in August 2014. The local currency fell 29.3% YTD against the dollar.
- “ The cedi’s rise can be primarily ascribed to improved market sentiment, supported by the government’s discussion with IMF for bailout, and proceeds from the Eurobond sale (USD 1 bn) and cocoa loan (USD 1.7 bn), which boosted the country’s foreign reserves.
- “ The cedi is anticipated to remain stable in the near term, led by prevailing positive sentiment due to the government’s efforts in fiscal consolidation through discussions with IMF and steady inflows from the Eurobond sale and cocoa syndicated loan arrangement.

USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3.54	3.30	3.81	3.28	14.6%	-27.9%
EUR	4.55	4.16	5.02	4.10	21.1%	-23.3%

Source: Bloomberg, individual news websites

SPECIAL FOCUS

Kenya rises to middle-income status; joins Africa's top 10 economies

Kenya - the ninth largest economy in Africa!

Following its rebasing exercise in September 2014, Kenya became the ninth largest economy in Africa from its earlier status of twelfth. The rebasing led to positive investor sentiment for the country, with Kenya's GDP expanding 25.3% to USD 53.4 bn in 2013 from USD 42.6 bn. As a result, Kenya recorded a growth rate of 5.7% in 2013 against the previous estimate of 4.7%. Kenya's rising infrastructure investments, positive investor confidence and viable utilisation of information technology to reduce transaction costs are likely to be the major drivers of the country's economic growth.

Agriculture continues to dominate, Information and Communication Technology & Real estate gain prominence

Agriculture continues to drive Kenya's economy, followed by the manufacturing and real estate sectors. In 2013, agriculture contributed 19.9% to the rebased GDP, while manufacturing sector's contribution stood at 11.4%. Agriculture is expected to continue to have a dominant share in the GDP, as the government plans to allocate 10% of budget for key agricultural projects, including irrigation. In addition, Information and Communication Technology (ICT) and real-estate sectors have emerged as prominent sectors with GDP contributions at 7.4% and 5.9% respectively. Meanwhile, The tourism sector's contribution to GDP stood at 12.1% in 2013, down from 13.7% in 2011. The tourism sector is likely to experience a slowdown amid security concerns in the country.

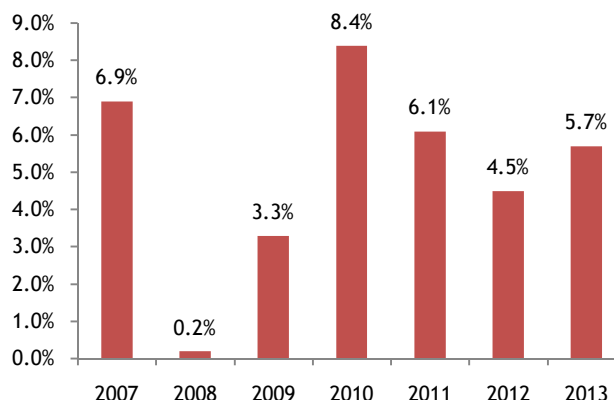
Creditworthy economy

After rebasing, Kenya's debt-to-GDP ratio reduced to 42.0% from 52.0%, thereby raising the country's creditworthiness. The lower debt-to-GDP ratio would enable additional borrowing by Kenya's government to finance mega public infrastructure projects, including the construction of a standard gauge railway line between the port city of Mombasa and Nairobi. Moreover, the lower ratio is expected to alleviate fear among the IMF and World Bank that Kenya faces the risk of defaulting on its borrowings. In March 2014, the IMF and World Bank raised concerns over Kenya's rising debt and stated a further increase in debt could negatively impact the country's ratings.

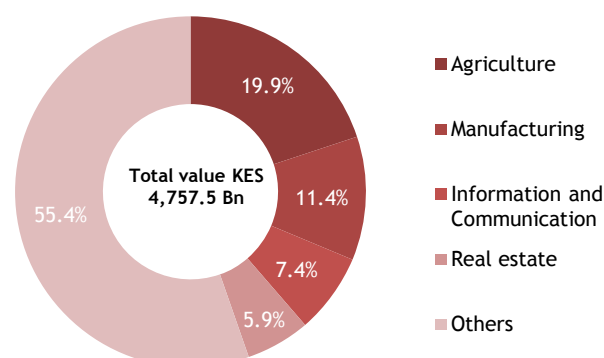
Need for stronger policies and reforms

Although Kenya remains exposed to external shocks, growing infrastructure investment in energy and transport, rising investor confidence and increasing financial inclusion are likely to result in favourable economic growth for the country. The government needs to enforce stronger macroeconomic policies and structural reforms. In addition, stricter measures to strengthen security conditions are required to restore the growth in the country's tourism sector.

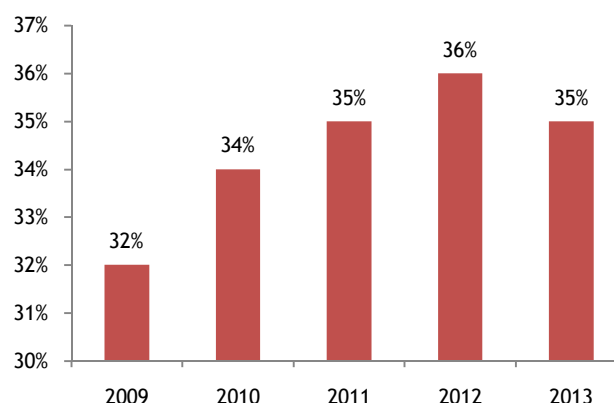
Kenya's GDP growth (Annual %)



Sectoral Composition of Kenya's GDP - 2013



Public Debt as a % of GDP



Source: Kenya National Bureau of Statistics, IMF, World Bank, individual news websites

AUCTIONS, EVENTS

Latest Issuances of Key Government Bonds (duration greater than one year)

Uganda's latest issuance: 2-yr and 15-yr bonds (September 2014)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
10-Sep	2-yr	100.0 bn	1.09	13.574%	12.875%
10-Sep	15-yr	80.0 bn	1.37	14.205%	14.250%
Details of issuances in August					
13-August	2-yr	60.0 bn	1.67	13.085%	12.875%
13-August	10-yr	120.0 bn	1.55	13.953%	14.000%

1 USD = 2,616.8 UGX (average for September 2014)

Tanzania's latest issuance: 10-yr and 7-yr bonds (September 2014)

Issue Date	Maturity	Amt (TZS)	Bid/Offer	YTM	WACY*
17-Sep	10-yr	45.0 bn	1.62	16.3292%	14.9954%
03-Sep	7-yr	30.369 bn	1.25	15.7457%	13.1868%
Details of issuances in August					
20-August	2-yr	55.0 bn	2.33	14.1190%	8.7525%
06-August	15-yr	30.0 bn	1.12	17.5137%	17.1118%

*Weighted average coupon yield; 1 USD = 1,666.9 TZS (average for September 2014)

Ghana's latest issuance: 2-yr note (September 2014)

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int rate
29-Sep	2-yr	1.86 mn	FXR Note	1.0	23.00%
Details of previous 2-yr issuances					
22-Sep	2-yr	4.10 mn	FXR Note	1.0	23.00%
12-Sep	2-yr	20.56 mn	FXR Note	1.0	23.00%
05-Sep	2-yr	2.04 mn	FXR Note	1.0	23.00%
01-Sep	2-yr	2.04 mn	FXR Note	1.0	23.00%

*Fixed rate; 1 USD = 3.54 GHS (average for September 2014)

Kenya's latest issuance: 10-yr bonds (September 2014)

Issue Date	Maturity	Amt bid (KES)	Amt acpt (KES)	MWAR*	Coupon
24-Sep	10-yr	17.026 bn	15.490 bn	12.356%	12.18%
Details of issuances in August					
23-Aug	5-yr	24.4172 bn	13.524 bn	11.32%	11.31%
23-Aug	30-yr	3.5335 bn	1.5315 bn	14.15%	12.00%

*Market weighted average rate; 1 USD = 88.88 KES (average for September 2014)

Upcoming Bond Auctions, Monetary Policy Meetings

~ **27 October 2014:** The central bank of Kenya to sell 12-yr infrastructure bonds

~ **Monetary policy meetings** are scheduled for:

- **27 October 2014:** The Central Bank of Angola

Source: Bloomberg, individual news websites, respective central banks

KIMONDO'S CORNER

Government of Tanzania Lifts Foreigners' Limits

The Government of Tanzania has now fully lifted foreigners limit on the Dar es Salam Stock Exchange ('DSE') and partially on the government securities with effect from 19th September 2014.

Prior to this amendment, foreigners were not allowed to participate in Government securities at all, and were limited to 60% ownership in listed securities. The new regulations have removed the 60% foreign ownership ceiling and allow the non-residents from East Africa to participate, up to 40% of the amounts issued, in Government securities offers. However, any one East Africa country cannot exceed two-thirds of that 40% allowance.

Further, Tanzania residents have also been allowed to deal freely with any securities within the East Africa Region.

These amendments will open the Tanzania equities market to foreign investors who for a long time have shied away due to the limits, in the process limiting the DSE from functioning to its potential. Many of the counters listed in the DSE had already touched the 60% foreign ceiling, locking out further foreigner participation.

It is expected that the bourse will now become more vibrant and that this will lead to better pricing mechanism for the listed securities and better valuation, which is a key attraction for capital raising and exit structuring for Private Equity investors.

This initiative is seen as part of Tanzania's commitment under the East African Community common market to open its capital markets and free movement of capital.

It is worth noting that the returns in both the government securities and the listed equities segments have been very appealing, with the government bonds yields to maturity ranging between 14% and 17.5% for maturities between 2 years and 15 years. DSE has been one of the best performing stock market in Africa and the best performing bourse in East Africa. For the period of one year to September 2014, and for the USD adjusted returns, the DSE returned an average return of 44.7%, Nairobi Stock Exchange (NSE) 24.0% and Uganda Stock Exchange (USE) 15.1%

DSE has a market capitalisation of USD 13.6 billion (October 2014) with twenty (20) listed companies, out of which thirteen (13) are domestically listed companies and seven (7) are cross listed. The bourse is the second in size in the East Africa region after the NSE.

Should you be interested in investing in the Tanzania Listed Equities and/or the Government securities (East African Resident), please get in touch with us.

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