

HIGHLIGHTS

Key Movements in Fixed Income and Currency Markets in October 2014

- Yields for **Kenyan** and **Nigerian** bonds increased across all maturities due to declining investor demand owing to the slump in oil prices and concerns over the spread of Ebola (details on page 5).
- Most currencies were under pressure against the US dollar in October 2014. The **Tanzanian** shilling fell on higher dollar demand from the oil & gas, manufacturing and telecommunication sectors. The **Ugandan** shilling contracted 1.9%, predominantly due to high demand for the dollar from manufacturers and energy companies. The **Kenyan** shilling also depreciated to KES 89.45 against the US dollar, a three-year low. However, it bounced back to end the month at KES 89.35 against the greenback. In contrast, the **Ghanaian** cedi rose 2.1%, largely driven by the positive sentiment due to proceeds from the Eurobond sale and the cocoa loan, relaxation of forex guidelines since August 2014 and the prospect of an IMF bailout (more on pages 7 and 8).
- In money markets, **Kenya's** interbank rates increased to 7.6% towards the end of October 2014, primarily led by low liquidity in the market. **Nigeria's** interbank rates fell to 13.3% towards the end of October, after rising to 13.7% in the third week of the month (details on page 6).

October Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
Kenya 31-Oct yield (%)	11.0%	11.3%	12.3%	12.9%
Chg from 1-Oct 14 (bps)	21	27	48	11
Nigeria 31-Oct yield (%)	12.5%	12.8%	12.6%	12.7%
Chg from 1-Oct 14 (bps)	52	67	18	30

Movement of Key Currencies vs. US Dollar in October

	Average	End Value	MTD	YTD
Kenyan Shilling	89.2	89.4	0.0%	-3.4%
Ugandan Shilling	2,678.3	2,706.6	-1.9%	-6.4%
Nigerian Naira	164.8	165.6	-1.1%	-3.2%
Ghanaian Cedi	3.2	3.2	2.1%	-26.4%
Tanzanian Shilling	1,692.2	1,707.0	-1.8%	-6.9%

Kimondo's Corner

The NSE Growth Enterprise Market Segment (GEMS) Picks Momentum

The Nairobi Securities Exchange ('NSE') Growth Enterprise Market Segment ('GEMS') which was launched in January 2013 is finally picking momentum. In the month of November 2014 alone, two companies (Flame Tree Group Holdings and Kurwitu Ventures) have been listed by way of introductions.

Three more companies are in the pipeline and are expected to list before the end of the year. More are to follow in 2015.

The GEMS opens new funding opportunities for SMEs in Kenya, and provide early stage investors in SMEs with an additional exit opportunity.

(See more on page 11)



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Source: Bloomberg and respective central banks

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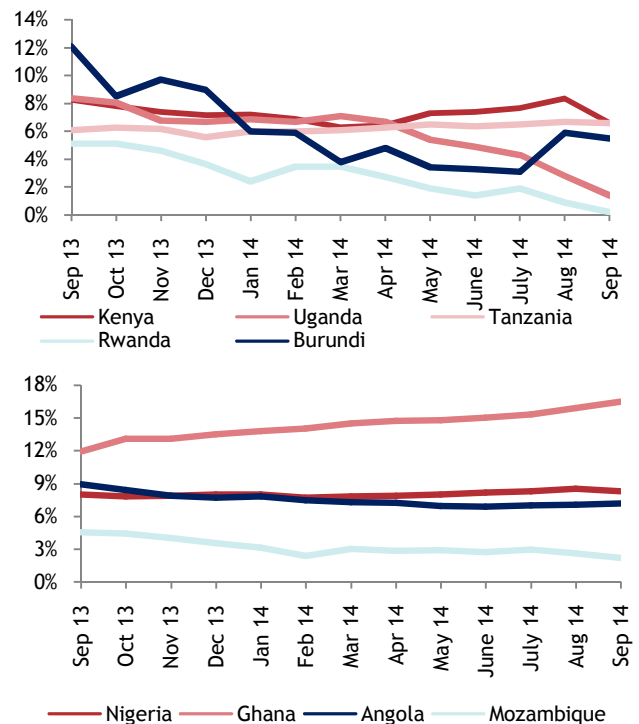


HIGHLIGHTS

Activity Across Africa: Economy and Politics

- Kenya signed an Economic Partnership Agreement (EPA) with the European Union (EU) in mid-October 2014 that would accord exports from Kenya duty- and quota-free status in the EU. In October 2014, the IMF provided approval for Tanzania to rebase its economy to reflect structural changes that have occurred. In Nigeria, the Central Bank of Nigeria limited banks' foreign currency borrowings to 75% of shareholders' funds from the current 200% to curb pressure on the naira (details on page 3).
- In October 2014, Angola's central bank raised the benchmark interest rate by 25 basis points to 9.0%. This is largely attributed to increasing inflationary pressure. Meanwhile, Mozambique's central bank retained the benchmark policy rate at 8.25% (more on pages 3 and 4).
- In Kenya, inflation declined to 6.6% YoY, primarily due to a decrease in the transport cost and cost of housing, water, electricity and gas. In Nigeria, inflation decelerated to 8.3% YoY in September 2014 from 8.5% YoY in August 2014, whereas in Ghana, it increased for the thirteenth consecutive month to 16.5% YoY. In Uganda, inflation fell to 1.8% YoY in September from 2.8% YoY in August 2014, led by lower prices of food items (details on pages 3 and 4).

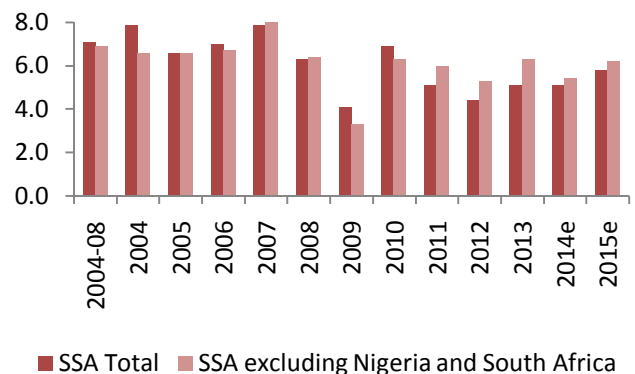
Inflation (YoY)



IMF projects robust growth in Sub-Saharan Africa, amid dire situation in few countries

- The robust growth in Sub-Saharan Africa (SSA) is likely to continue, with the region's economy projected to expand about 5.0% in 2014 and about 5.7% in 2015.
- Expansion in SSA would primarily be driven by low-income countries, where GDP is anticipated to rise 6.7-7.0% on average in 2014-15. Chad, Ivory Coast, Democratic Republic of the Congo and Mozambique are likely to lead growth, expanding more than 8.0% in 2014-15. The GDP of Nigeria, SSA's largest economy, is forecast to grow about 7.7.3% on average in 2014-15.
- International investors continue to indicate high interest in SSA's frontier markets, in search for higher yields. This has led to a resurgence in bond and equity flows to Sub-Saharan economies.
- The growth outlook is subject to certain downside risks, such as fears associated with the Ebola outbreak and external factors, including economic deceleration in China. Policies that emphasise growth and improve the region's business climate are required.

Real GDP growth (%)



Source: IMF, World Bank, individual news websites

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

East African Community

Kenya

- Kenya signed an EPA with the EU in mid-October 2014. The country had previously refused to sign the EPA, citing concerns that Kenyan companies may lose their competitive trade advantage to European companies. In response, the EU had imposed import tariffs on multiple Kenyan products from 1 October 2014. The signing of the EPA paves way for duty- and quota-free export of Kenyan products to the EU.
- In September 2014, inflation in Kenya declined to 6.6% YoY from 8.4% YoY in August. This can primarily be ascribed to lower inflation in the cost of transport (10.4% YoY in September 2014 from 11.7% YoY in August 2014) and housing, water, electricity and gas (5.5% YoY in September 2014 from 6.98% YoY).

Uganda

- Uganda's annual headline inflation decreased to 1.4% YoY in September 2014 from 2.8% YoY in August 2014. This was largely due to persistent decline in prices of food items such as sugar, maize, floor, rice etc.. However, upward price pressure on kerosene, petrol, and gas and supply shortage in vegetables are expected to drive the inflation upwards in coming months.

Tanzania

- Annual headline inflation in Tanzania eased to 6.6% YoY in September 2014 from 6.7% YoY in August. This can be ascribed to slower growth in the price of food and non-alcoholic beverages. The inflation rate for the same month fell to 8.5% YoY in September 2014 from 8.8% YoY in August 2014.
- In October 2014, the IMF provided approval for Tanzania to rebase its economy to reflect structural changes that have occurred. The country intends update the base year to 2007 from 2001. The country's GDP is expected to appreciate by ~20.0% to ~USD 39.9 bn after the rebasing effect. However, it is expected to retain its status of East Africa's second largest economy behind Kenya.

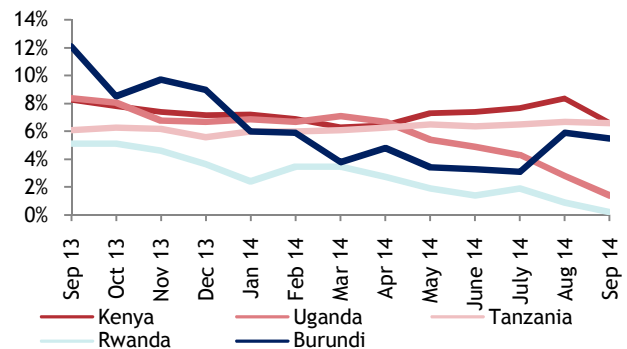
Rwanda

- Inflation in Rwanda decreased to 0.2% YoY in September 2014 from 0.9% YoY in August 2014, driven by decrease in cost of food and non-alcoholic beverages by 3.1% YoY and vegetables by 13.3% YoY.

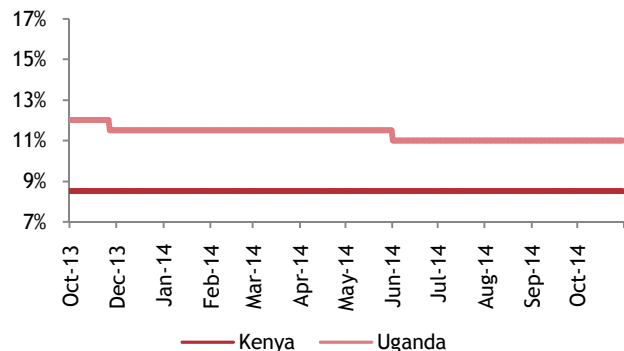
Burundi

- Burundi's inflation eased to 5.5% YoY in September 2014 from 5.9% YoY in August 2014. This can primarily be attributed to the slower rise in the food price inflation, which advanced 2.4% YoY in September 2014 vis-à-vis 3.1% YoY in August 2014.

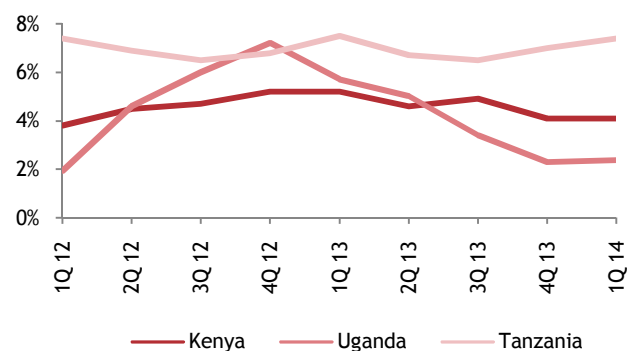
Inflation (YoY)



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 inflation eased to 8.3% YoY in September 2014 from 8.5% YoY in August 2014. This can primarily be ascribed to easing in growth in food prices. Food inflation declined to 9.7% YoY in September 2014 compared with 10.0% YoY in August 2014.

~ To curb pressure on the naira, the central bank limited banks' foreign currency borrowings to 75% of shareholders' funds from the existing 200% limit. The bank also introduced new regulations preventing banks from paying dividends if they do not meet minimum capital requirements.

Angola

~ Angola's central bank raised the benchmark interest rate by 25 basis points to 9.0% in October 2014 amid growing inflationary pressure. This is the first increase since the rate was introduced in October 2011.

~ Inflation in Angola rose for the third consecutive month to 7.19% YoY in September 2014 from 7.05% in August 2014, after continuous declines for five months.

Ghana

~ Inflation in Ghana advanced for the thirteenth consecutive month to 16.5% YoY, a four-year high, in September 2014 from 15.9% YoY in August 2014. This was largely driven by non-food inflation of 24.1% YoY, which is four times as high as food inflation (5.8% YoY).

~ Inflation in the housing, water, electricity, gas and other fuel sub-group rose 63.5% YoY in September, followed by that in the transport sub-sector (27.1% YoY).

Mozambique

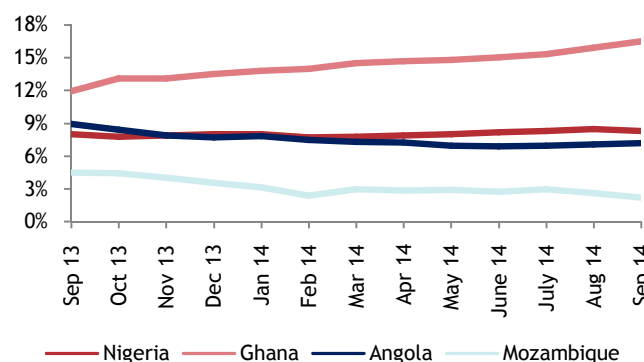
~ In October 2014, Mozambique's central bank maintained the benchmark policy rate at 8.25% and stated it is confident of achieving its inflation target of 6.0% for end-2014.

~ Inflation in Mozambique fell to 2.23% YoY in September 2014 from 2.64% YoY in August 2014. Inflation has remained low for the last few months due to increased supply of domestic fruits, vegetables and plants during the favourable season. The stable exchange rate of the metical against the US dollar also contributed to lower inflation.

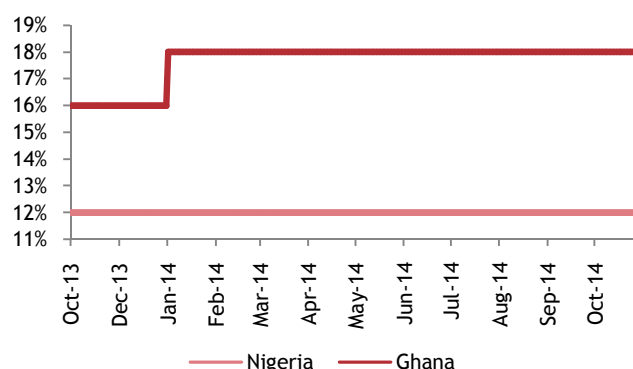
Ivory Coast

~ Inflation in Ivory Coast fell to 0.0% YoY in September 2014 vis-à-vis 0.8% YoY in August 2014. The prices of housing and utility, communications and healthcare rose 0.8%, 1.3% and 0.9%, respectively. Transport costs and food & soft drink prices fell 0.4% and 3.1%, respectively. The country's CFA Franc zone membership (wherein currency is pegged to the Euro and guaranteed by the French Treasury) has contributed to a stable currency against Euro and very low inflation. IMF estimates the country's GDP to grow at ~9.0% over the next three years.

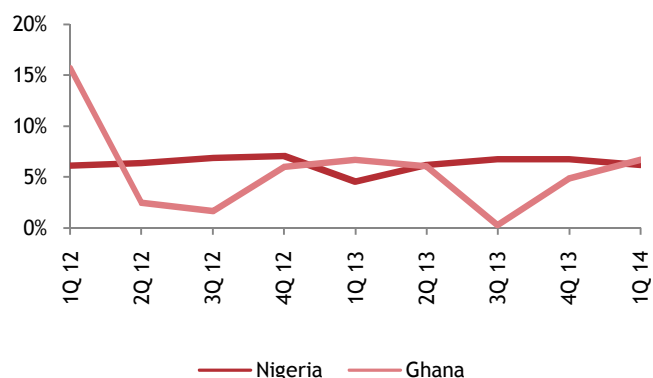
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Nigeria and Ghana (YoY)



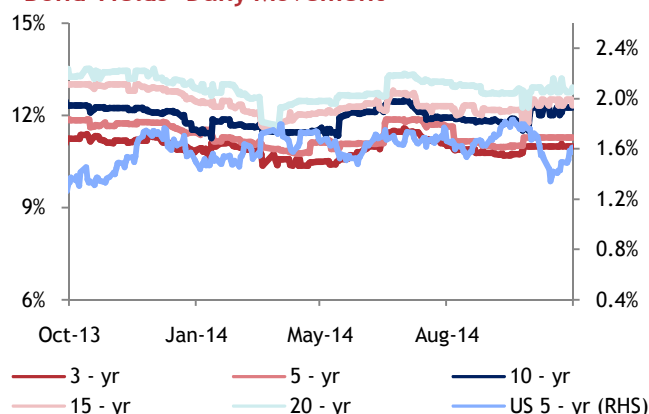
Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: BOND MARKETS

Kenya

- “ In October 2014, yields on Kenyan bonds rose across all maturities. Yields for bonds with five- and 10-year tenures increased the most, by 27 bps and 48 bps to 11.3% and 12.3%, respectively.
- “ Yields advanced due to declining investor interest, owing to a combination of decreasing oil prices and Ebola, albeit to a lesser extent.
- “ On 27 October 2014, the Central Bank of Kenya, on behalf of the government, issued 12-year Infrastructure Bonds with a coupon rate of 11.0%, expiring in 2026. The auction was oversubscribed and the central bank received bids worth KES 38.77 bn. The bank had offered bonds worth KES 15.0 bn; however, bids worth KES 15.8 bn were accepted. The weighted average rate for successful bids was 11.263%.
- “ The FTSE NSE Kenyan Shilling Government Bond Index fell 0.1% on an MTD basis in October 2014. On a YTD basis, the index advanced 2.3%.

Bond Yields' Daily Movement



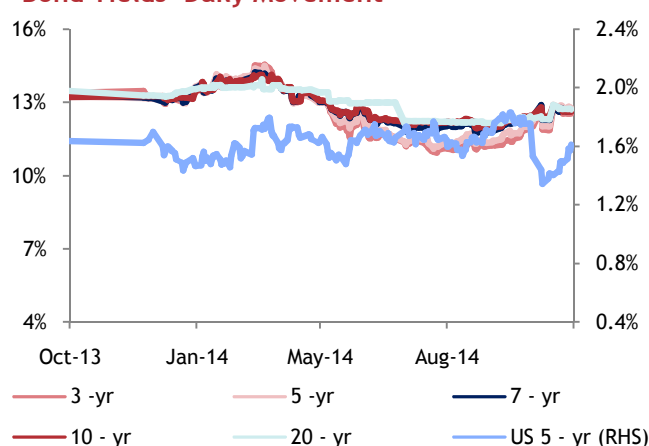
Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
31-Oct yield (%)	11.0%	11.3%	12.3%	12.3%	12.9%
Chg from 1-Oct 14 (bps)	21	27	48	15	11
Chg from 1-Jan 14 (bps)	-30	-48	15	-58	-61

Nigeria

- “ In October 2014, Nigerian bond yields rose across all maturities. Yields for bonds with three- and five-year tenures increased the most, by 52 bps and 67 bps to 12.5% and 12.8%, respectively.
- “ Higher bond yields are largely due to declining investor demand due to the oil price slump and concerns about the spread of Ebola. Nigeria's bonds are expected to register a decline in yields on an expected surge in demand from local pensions.
- “ On 15 October 2014, Nigeria's government auctioned three-year NGN 18.6 bn 13.05% August 2017 bonds, 10-year NGN 30 bn 14.2% March 2024 bonds and 20-year NGN 30 bn 12.15% July 2034 bonds. All three bonds were oversubscribed, with subscriptions worth NGN 46.36 bn for three-year bonds, NGN 40.3 bn for 10-year bonds and NGN 29.65 bn for 20-year bonds.

Bond Yields' Daily Movement



Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
31-Oct yield (%)	12.5%	12.8%	12.7%	12.6%	12.7%
Chg from 1-Oct 14 (bps)	52	67	30	18	30
Chg from 1-Jan 14 (bps)	-63	-99	-71	-84	-112

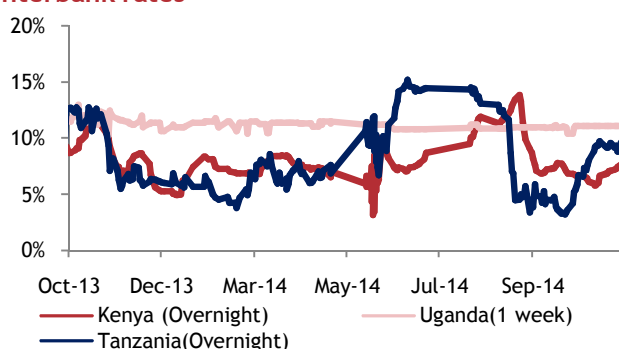
Source: Bloomberg, individual news websites

MONEY MARKETS

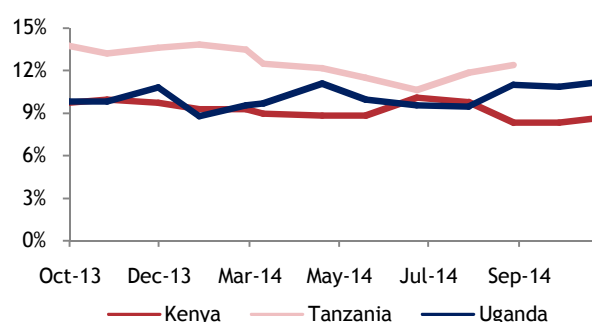
East African Community

Kenya's interbank rate increased to 7.6% towards the end of October 2014 compared with 6.8% at the end of September 2014, largely led by the central bank's efforts to strengthen the depreciating currency by eliminating excess liquidity. Similarly, Tanzania's interbank rates advanced to 9.6% towards the end of October 2014 vis-à-vis 5.2% at the end of September 2014, indicating decreased liquidity in the market.

Interbank rates



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



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

	Kenya	Tanzania	Uganda
3-m curr dep	10.4%	10.7%	6.3%
91-d/3-m T-bill	8.7%	12.4%(Aug*)	11.2%

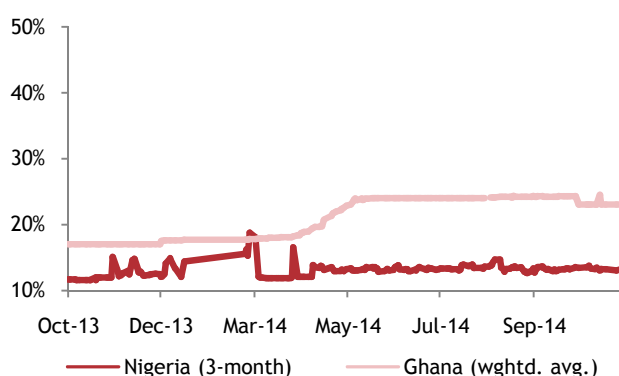
Policy and average interbank rates (Oct 2014)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	8.5%	12.0%	11.0%
Interbank	7.6%	9.6%	11.1%

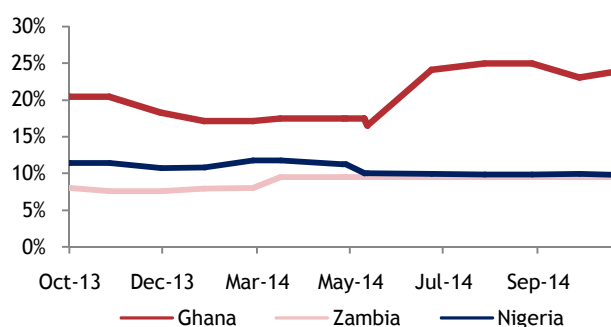
Rest of Sub-Saharan Africa

The Nigerian Interbank Offered Rate (NIBOR) increased to 13.7% in the third week of October 2014 compared with 13.2% at the end of September 2014, on account of reduced market liquidity due to bond auctions. However, the rates fell to 13.3% later in October, driven by increased liquidity due to repayment of matured bonds of NGN 867 bn by state-backed Asset Management Corporation of Nigeria (AMCON) and inflows from Federation Accounts Allocation Committee (FAAC) worth NGN 604 bn.

Interbank rates



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



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

	Nigeria	Ghana	Zambia
3-m curr dep	11.5%	24.2%	16.7%
91-d/3-m T-bill	9.8%	24.1%	9.5%

Policy and average interbank rates (Oct 2014)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	12.0%	19.0%	12.0%
Interbank	13.3%	23.1%	11.7%

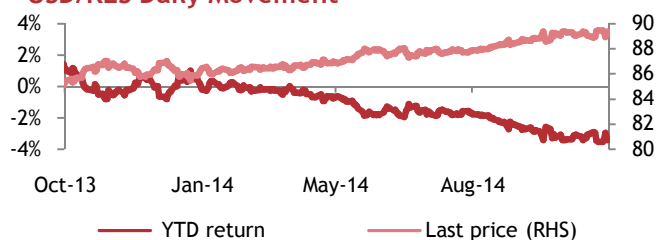
Source: Bloomberg, individual news websites, respective central banks. Note: * Provisional

CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

Kenyan Shilling (KES)

- On 24 October 2014, the Kenyan shilling depreciated to KES 89.45 against the US dollar, a three-year low. However, it rebounded to end the month at KES 89.35 against the dollar, the same level as that in the previous month. On a YTD basis, the shilling fell 3.4%.
- The shilling strengthened marginally against the dollar in October as the central bank of Kenya mopped up more than KES 100 bn of excess liquidity during the month through repurchase agreements and term auction deposits. However, the currency weakened against the dollar in the second half of the month due to high dollar demand from corporates. Furthermore, the impact of frequent Islamist militant attacks and the outbreak of Ebola continued to impact tourism, limiting the inflow of dollars.
- The shilling is likely to remain under pressure due to high dollar demand and as the shilling's overall position is liquid.

USD/KES Daily Movement

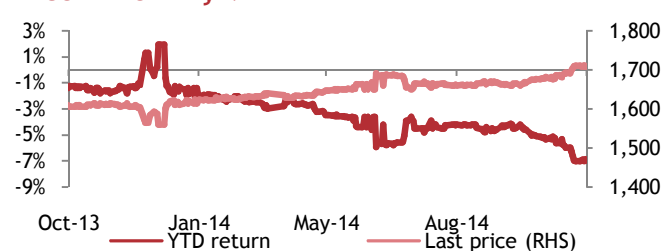


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	89.22	89.35	89.45	88.9	0.0%	-3.4%
EUR	113.14	112.01	114.33	111.7	0.6%	5.4%

Tanzanian Shilling (TZS)

- The Tanzanian shilling continued its downtrend against the US dollar in October 2014, falling 1.8% MTD. On a YTD basis, the currency declined 6.9% against the greenback.
- The shilling depreciated due to high demand for the US dollar from the oil & gas, manufacturing and telecommunication sectors. Foreign exchange inflows from the agriculture and mining sectors helped partially offset depreciation in the currency.
- 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

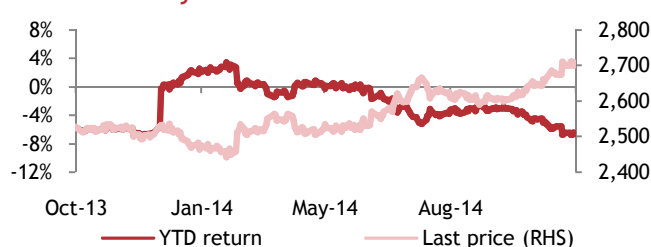


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	1,692.2	1,707.0	1,710.0	1,676.5	-1.8%	-6.9%
EUR	2,145.3	2,137.3	2,176.3	2,102.2	-0.9	2.2%

Ugandan Shilling (UGX)

- The Ugandan shilling depreciated 1.9% against the US dollar in October 2014. On a YTD basis, the currency fell 6.4% against the greenback.
- The shilling declined against the dollar due to high demand for the dollar from manufacturing and energy companies and importers to pay for their goods shipments. The squeezing out of excess liquidity (about UGX 303 bn) by the central bank through a seven-day repurchase agreement absorbed some of the pressure on the currency.
- The shilling is likely to remain stable against the dollar, primarily due to easing in dollar demand from importers as the year-end holiday season approaches and expected remittances from Ugandans working abroad, which typically comes before the holiday season.

USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,678.3	2,706.6	2,710.0	2,645.0	-1.9%	-6.4%
EUR	3,398.9	3,389.7	3,453.3	3,310.9	-1.4%	2.8%

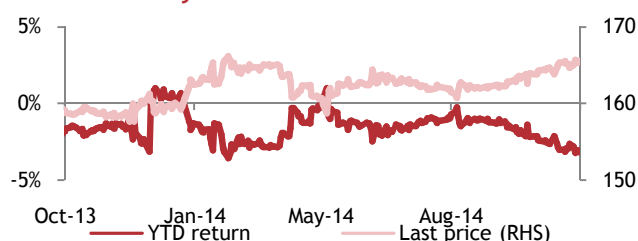
Source: Bloomberg, individual news websites

CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

Nigerian Naira (NGN)

- “ The Nigerian naira depreciated 1.1% against the US dollar in October 2014. The currency fell 3.2% YTD.
- “ The naira was under pressure for most of October owing to declining global oil prices, which caused investors to restrict positions in the Nigerian debt and equity markets. In the last week of October, the currency stabilised against the dollar, as two major multinational oil companies sold dollars in the interbank market.
- “ In the near term, the naira could strengthen against the dollar if the central bank continues to intervene to support the local currency. However, the prospect of enforced currency devaluation is significant in an environment of consistent declines in oil prices.

USD/NGN Daily Movement

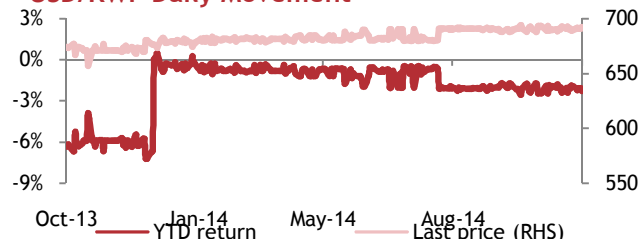


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	164.8	165.6	165.7	163.8	-1.1%	-3.2%
EUR	208.9	206.9	211.6	204.1	0.04%	6.5%

Rwandan Franc (RWF)

- “ The Rwandan franc appreciated 0.2% against the US dollar in October 2014. The local currency decreased 2.3% YTD against the dollar.
- “ The franc has been under pressure against the dollar in 2014 due to the demand for the greenback to finance imports.
- “ The currency is likely to remain under pressure against the US dollar in the near term, led by persistent demand for the greenback from importers amid sluggish export growth. However, if the planned issue of sovereign bond in 2015 amounting to about USD 1 bn is successful, it would absorb some of the pressure on the currency.

USD/RWF Daily Movement

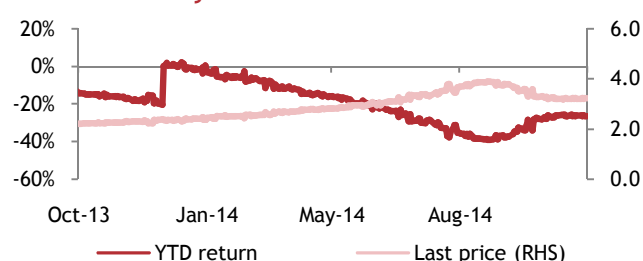


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	690.8	691.8	693.0	688.5	0.2%	-2.3%
EUR	877.1	875.3	887.5	866.2	0.0%	6.1%

New Ghanaian Cedi (GHS)

- “ The Ghanaian cedi continued recovering against the US dollar in October 2014, with a 2.1% MTD rise. The local currency fell 26.4% YTD against the dollar.
- “ The cedi's recovery can primarily be ascribed to an inflow of dollars from the proceeds of the Eurobond sale (USD 1.0 bn), cocoa syndicated loan (USD 1.8 bn), relaxation of forex guidelines since August 2014 and the prospects of an IMF bailout.
- “ The cedi is forecast to remain stable in the near term, driven by the positive sentiment due to the government's efforts in fiscal consolidation through discussions with the IMF. Furthermore, the expected completion of the Atuabo gas project would enhance domestic gas production to power the country's thermal plants, thereby reducing the import bill on crude oil.

USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3.22	3.23	3.29	3.20	2.1%	-26.4%
EUR	4.09	4.04	4.13	4.04	2.8%	-19.3%

Source: Bloomberg, individual news websites

SPECIAL FOCUS

IMF projects robust growth in Sub-Saharan Africa, amid dire situation in few countries

IMF projects robust growth in Sub-Saharan Africa

The strong growth in Sub-Saharan Africa (SSA) is likely to continue, with the region's economy is forecast to expand by about 5.0% in 2014, the same level as in 2013, and about 5.7% in 2015, underpinned by continued public investment in infrastructure, buoyant services sectors and strong agricultural production.

Low-income countries to lead growth

Growth in SSA would primarily be driven by low-income countries whose GDP is forecast to rise 6.7-7.0% on an average in 2014-15. The growth is expected to be led by Chad, Ivory Coast, Democratic Republic of the Congo and Mozambique, which are likely to grow by over 8.0% in 2014-15. Also, the GDP of Nigeria, SSA's largest economy, is projected to grow by about 7-7.3% on an average in 2014-15. The overall positive outlook is supported by the recent rebasing of some SSA countries, including Nigeria and Kenya, which shows these economies as significantly more diversified than previously thought. However, this overall positive outlook co-exists with pockets of acute difficulties in Guinea, Liberia and Sierra Leone, where the recent Ebola outbreak has taken its toll on the people and economy. Another cause of concern is macroeconomic imbalances in Ghana and Zambia that led to pressures on the exchange rate and inflation.

Investor interest to drive bond and equity flows

International investors continue to show high interest in the frontier markets of SSA. The tapering of the bond buying programme by the US Fed has led investors, who became used to high yields during the Asian boom years, to seek investments in the region. In fact, the stronger risk appetite and search for higher yields have led to a resurgence in bond and equity flows to Sub-Saharan economies. During the five months since April 2014, bond and equity flows into the region recovered to about 40.0% of the level recorded in May 2013.

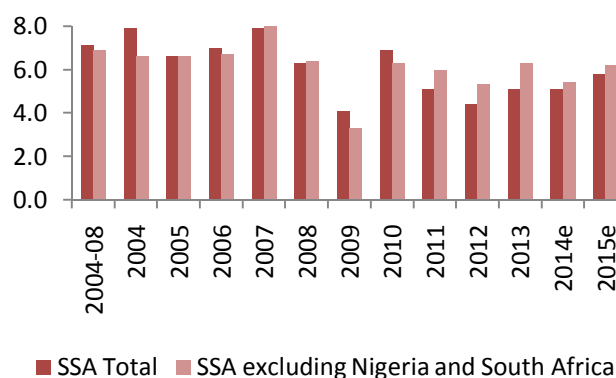
IMF forecast prone to risks, favourable policies needed

The risks to outlook are mainly due to the fear of spread of Ebola outbreak, debt build-up and financing issues in member countries. Also, external factors such as an economic slowdown in China or a disorderly normalisation of monetary policy in the US could have a protracted impact on the region's economy.

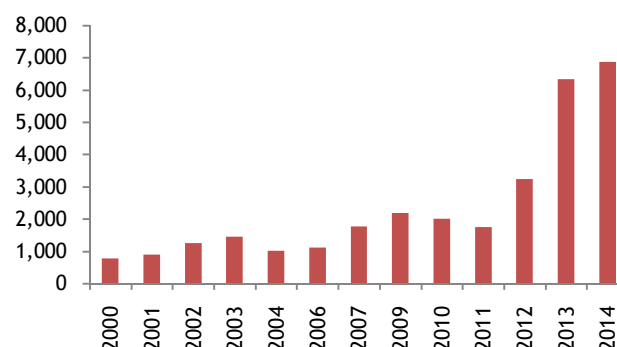
SSA countries should focus on policies that emphasise growth-enhancing measures, including boosting fiscal revenue mobilisation, targeting spending towards infrastructure investment and other development needs, safeguarding social safety nets to encourage inclusive growth and improving the overall business climate. Moreover, monetary policies should continue to focus on consolidating the gains achieved in recent years in reducing inflation, including by tightening persistent high inflation in countries such as Ghana and Zambia.

Source: IMF, World Bank, individual news websites

Real GDP growth (%)



Sovereign bond issuance by Sub-Saharan Africa, year-to-date



Sub-Saharan Africa - Other macroeconomic Indicators

	2010	2011	2012	2013	2014e	2015e
(Percentage change)						
Inflation, end-of-period	7.8	10.1	8.2	6.1	7.3	6.7
(Percentage of GDP)						
Fiscal balance	-3.5	-1.1	-1.8	-3.1	-3.3	-3.3
Of which: Excluding Oil importers	-4.4	-3.8	-3.9	-3.4	-4.5	-4.3
Current Account balance	-0.8	-0.7	-2.0	-2.4	-2.6	-3.2
Of which: Excluding Oil importers	-4.2	-5.0	-7.5	-7.8	-8.2	-8.1
(Months of imports)						
Reserves Coverage	4.2	4.5	5.4	5.2		



AUCTIONS, EVENTS

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

Uganda's latest issuance: 5-yr and 2-yr bonds (October 2014)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
15-Oct	5-yr	58.0 bn	NA	13.935%	NA
08-Oct	2-yr	60.0 bn	1.22	13.704%	NA
Details of issuances in September					
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%

1 USD = 2,678.3 UGX (average for October 2014)

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

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int rate
27-Oct	2-yr	1.53 mn	FXR Note	1	23.00%
20-Oct	2-yr	2.15 mn	FXR Note	1	23.00%
13-Oct	2-yr	45.57 mn	FXR Note	1	23.00%
6-Oct	2-yr	3.12 mn	FXR Note	1	23.00%
Details of previous 2-yr issuances					
29-Sep	2-yr	1.86 mn	FXR Note	1	23.00%

*Fixed rate; 1 USD = 3.22 GHS (average for October 2014)

Tanzania's latest issuance: 2-yr and 15-yr bonds (October 2014)

Issue Date	Maturity	Amt (TZS)	Bid/Offer	YTM	WACY*
29-Oct	2-yr	38.56 bn	2.17	14.8336%	8.8629%
15-Oct	15-yr	31.58 bn	1.00	17.9096%	17.4740%
01-Oct	15-yr	62.0 bn	1.16	15.9993%	11.9034%
Details of issuances in September					
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%

*Weighted average coupon yield; 1 USD = 1,692.17 TZS (average for October 2014)

Kenya's latest issuance: 12-yr bonds (October 2014)

Issue Date	Maturity	Amt bid (KES)	Amt acpt (KES)	MWAR*	Coupon
27-Oct	12-yr	38.77 bn	15.805 bn	11.63%	11.00%
Details of issuances in September					
24-Sep	10-yr	17.026 bn	15.490 bn	12.36%	12.18%
Details of issuances in August					
23-Aug	30-yr	3.5335 bn	1.5315 bn	14.15%	12.00%

*Market weighted average rate; 1 USD = 89.22 KES (average for October 2014)

Upcoming Bond Auctions, Monetary Policy Meetings

~ **20 November 2014:** The central bank of Kenya to sell 12-yr KES 20 bn bonds

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

- **23 November 2014:** National Bank of Angola
- **25 November 2014:** Nigeria Central Bank

Source: Bloomberg, individual news websites, respective central banks

KIMONDO'S CORNER

The NSE Growth Enterprise Market Segment (GEMS) Picks Momentum

GEMS market picks momentum

The Nairobi Securities Exchange ('NSE') Growth Enterprise Market Segment ('GEMS') which was launched in January last year is now gaining momentum. So far, we have three companies listed in the GEMS board with two companies of these companies listed in the month of November 2014 alone, All three were listed by way of introductions. NSE's priciest stock per share, that of Kurwitu Ventures, at USD 16.67 comes from this segment. It is expected that three more companies will list on the GEMS board before the end of this year, and even more will be listing next year.

The first company to list in the NSE GEMS board, Home Afrika Limited, had its shares trading at a price double the offer price, and generally traded above the introduction price for a few weeks. It has since settled in a price range below the introduction price, and this may have for a while at least discouraged some additional companies from listing.

The GEMS, explained

The entities listing on GEMS require no track record on profitability for eligibility and thus the framework offers an important listing opportunity for highly promising start-up firms and other companies investing heavily in infrastructure based projects that require a heavy capital outlay and do not have a profit history.

Through this market, these firms will be able to raise substantial initial and follow-on capital, whilst also benefiting from increased profile and liquidity, within a regulatory environment designed specifically to meet their needs. Flame Tree for example had a private placement and then got listed some few days later.

GEMS requires only that listed firms have acquired 25 independent shareholders within three months of listing and a 15% free float (i.e. having 15% of their shares in the hands of public investors), with at least 100,000 shares in issue. GEMS issuers need only a single year's track record and do not have to have been profitable at any point, but they must be able to demonstrate that there is sufficient working capital to run the business for a minimum of 24 months after listing, in addition to the minimum KSh10m worth of paid-up capital

Listed firms must report according to International Financial Reporting Standards (IFRS), and must submit audited annual accounts (although interim results can be presented as management accounts). Unlike the main and alternative segments, GEMS soft copies reports are acceptable meaning they don't have to print, providing another small but significant saving.

As more SMEs consider listing through this segment, we are hoping to see high quality firms that will be appreciated by the investor market.

Fusion will endeavour to share with our investors and potential investors those opportunities in the NSE GEMS that we believe have exciting growth and returns prospects.

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