

HIGHLIGHTS

Key Movements in Fixed Income and Currency Markets in November 2014

- Yields for **Kenyan** bonds fell across most maturities, except 15-year bonds. Yields for **Nigerian** bonds increased across all maturities due to selling pressure from some offshore investors (details on page 5).
- Most currencies were under pressure against the US dollar in November 2014. The **Tanzanian** shilling fell by 2.0% amid increased demand for dollar from the corporate sector. The **Ugandan** shilling contracted 2.5%, mainly due to higher dollar demand from commercial banks following a global rally by the greenback. The **Kenyan** shilling depreciated to KES 90.1 vis-à-vis the US dollar. However, the **Ghanaian** cedi rose 0.8%, largely due to improved prospects of an IMF bailout following its endorsement of Ghana's budget for 2015. **Nigeria's** central bank devalued the naira by 8% in an effort to curtail its foreign reserve losses (more on pages 7 and 8).
- In money markets, **Kenya's** interbank rates decreased to 7.0%, whereas **Tanzania's** interbank rates advanced to 10.2% towards the end of November 2014. **Nigeria's** interbank rates increased to 14.6% towards the end of the month due to the central bank's decision to devalue the naira and raise benchmark interest rate to 13% (details on page 6).

November Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
Kenya 30-Nov yield (%)	10.9%	11.2%	12.3%	12.6%
Chg from 1-Nov 14 (bps)	-10	-7	0	-28
Nigeria 30-Nov yield (%)	14.1%	13.8%	13.8%	13.3%
Chg from 1-Nov 14 (bps)	154	104	118	59

Movement of Key Currencies vs. US Dollar in November

	Average	End Value	MTD	YTD
Kenyan Shilling	90.0	90.1	-0.8%	-4.2%
Ugandan Shilling	2,731.9	2,775.0	-2.5%	-8.7%
Nigerian Naira	172.0	178.7	-7.3%	-10.3%
Ghanaian Cedi	3.2	3.2	0.8%	-25.9%
Tanzanian Shilling	1,722.7	1,741.0	-2.0%	-8.7%

Kimondo's Corner

What does 2015 hold for the East African Economies?

As the largely good year 2014 comes to an end, the East African economies will cross to 2015 with even brighter prospects.

With an exception of Rwanda, the rest of the East African listed securities market recorded double digits USD adjusted returns.

The governments of Kenya and Uganda have rebased their economies in 2014, and Tanzania is expected to rebase her economy in 2015. The Government of Kenya raised a USD 2 bn Eurobond. Tanzania is expected to rebase her economy and issue a Eurobond in 2015.

Read more on what we expect to see in East African markets on page 11.



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Source: Bloomberg and respective central banks

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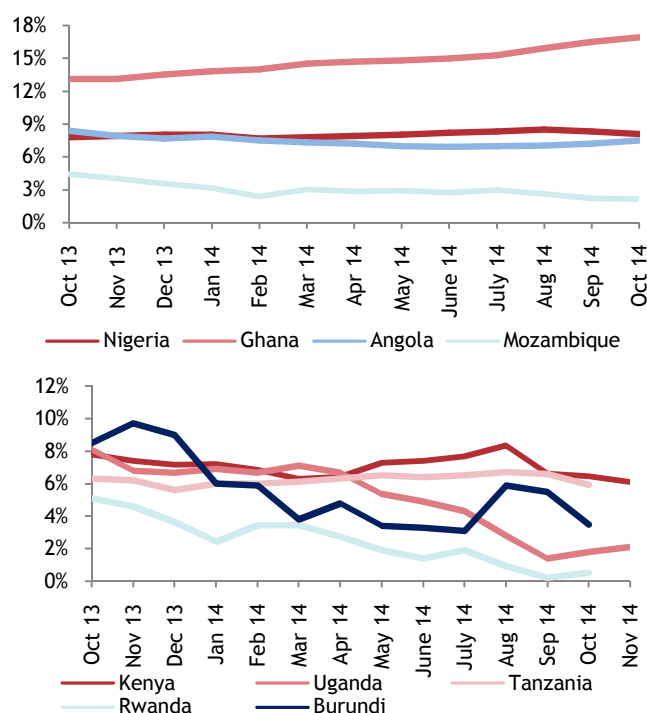
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HIGHLIGHTS

Activity Across Africa: Economy and Politics

- Kenya entered into an Investment Protection and Promotion agreement with the UAE in November 2014 in a bid to enhance trade relations between both the countries. In November 2014, Uganda rebased its economy with a base year of 2009/10 from 2002 to reflect the structural changes in the economy. Tanzania hosted an International conference on venture capital and private equity, which witnessed large participation from international investors. The Central Bank of Nigeria raised the benchmark interest rate by 100 bps to a record high of 13% to curb speculation against the naira (details on page 3 and 4).
- In November 2014, Angola's central bank raised the local currency reserve requirement by 250 bps to 15.0%. Meanwhile, Mozambique's central bank retained the benchmark policy rate at 8.25% (more on pages 3 and 4).
- Inflation in Africa varied in October 2014. In Kenya, inflation declined to 6.4% YoY, primarily due to a decline in the prices of food, housing, water, electricity and gas. In Nigeria, inflation decelerated to 8.1% YoY in October 2014 from 8.3% YoY in September 2014, whereas in Ghana, it increased for the fourteenth consecutive month to 16.9% YoY. In Uganda, inflation rose to 1.8% YoY in October from 1.4% YoY in September 2014, led by rise in non-food prices (details on pages 3 and 4).

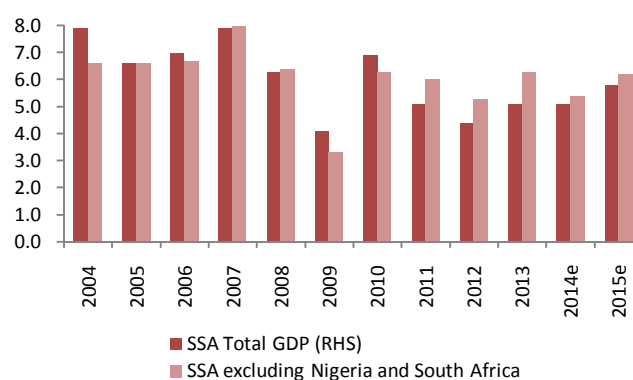
Inflation (YoY)



The 2015 outlook for Sub-Saharan Africa remains positive; challenges persist

- In 2014, government investments in key sectors and strong household spending led economic growth in Sub-Saharan Africa (SSA). Capital flows in the region were on the rise.
- SSA's economy is expected to expand at 5.8% in 2015 primarily on investments in infrastructure, buoyant services sectors and strong agricultural production. Burgeoning middle class will be a major driver of domestic consumption.
- International investors' interest in SSA's frontier markets is expected to continue in 2015, with demand for bonds and private equity activity expected to drive the momentum. Some countries are expected to debut with their maiden international bond issues.
- A number of external and domestic risks are facing the SSA economies. Most notably falling oil prices, slowdown in demand for SSA commodity exports, slow pace of recovery in major partner economies, the of Ebola virus epidemic in West Africa, security threats concerning tourism, and mounting monetary deficits in some countries.

Real GDP growth (%)



Source: IMF, World Bank, individual news websites

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

East African Community

Kenya

“ In November 2014, Kenya’s inflation declined for the third consecutive month to 6.1% YoY from 6.4% YoY in October 2014, and 6.6% YoY in September 2014. This can be primarily ascribed to a drop in the food and non-alcoholic drinks index by 0.5% and 0.2% in October and November, respectively. Also, the housing, water, electricity, gas and other fuels index decreased by 0.2% and 0.3% in October and November, respectively

“ In November 2014, Kenya entered into an Investment Protection and Promotion agreement with the UAE in a bid to enhance trade relation between both the countries. The agreement will benefit both the countries by lowering trade restrictions, creating suitable trading opportunities, and protecting investments against political risks.

Uganda

“ Uganda’s annual headline inflation rose to 2.1% YoY in November 2014 from 1.8% YoY in October 2014, and 1.4% YoY in September 2014. The increase in November can be attributed to rise in food inflation to -1.6% YoY compared to -2.7% YoY in October 2014. The rise in October was due to the non-food inflation increasing to 4.1% YoY in October 2014 from 3.5% YoY in September 2014.

“ In November 2014, Uganda changed the base year for its GDP calculation to 2009/10 from 2002 to incorporate new sectors in the economy. After rebasing effect, the revised GDP for fiscal year end 2013-14 stands at USD 25.7 bn, a 13% appreciation from previous estimates.

Tanzania

“ Tanzania’s annual headline inflation eased to 5.9% YoY in October 2014 from 6.6% YoY in September 2014, mainly due to slower rise in food prices. Inflation rate for food and non-alcoholic beverages dropped to 7.1% YoY in October 2014 from 8.5% YoY in September 2014.

“ The International conference on venture capital and private equity hosted by Tanzania in November 2014 witnessed large participation from international investors with investable funds of USD 7 billion. The objective of the conference was to expand investment opportunities in the country.

Rwanda

“ Inflation in Rwanda rose to 0.5% YoY in October 2014 from 0.2% YoY in September 2014, led by increasing cost of clothing and footwear by 7.9% YoY, education by 7.1% YoY, and housing, water, electricity gas and other fuels by 2.3% YoY in October 2014.

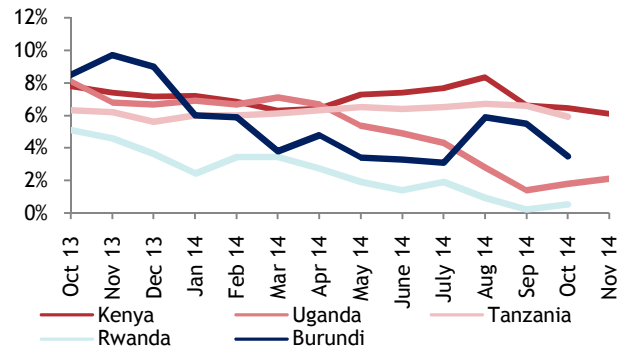
Burundi

“ Burundi’s inflation eased to 3.5% YoY in October 2014 from 5.5% YoY in September 2014. This can be mainly attributed to a slower rise in the prices of housing, water and energy, which fell to 7.3% YoY in

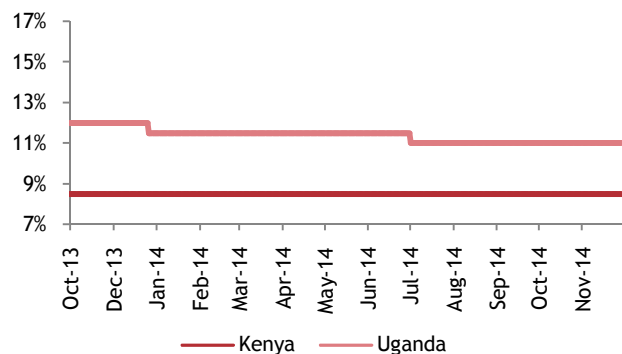
October 2014 from 12.4% YoY in September 2014.

Source: Bloomberg, individual news websites, respective central banks

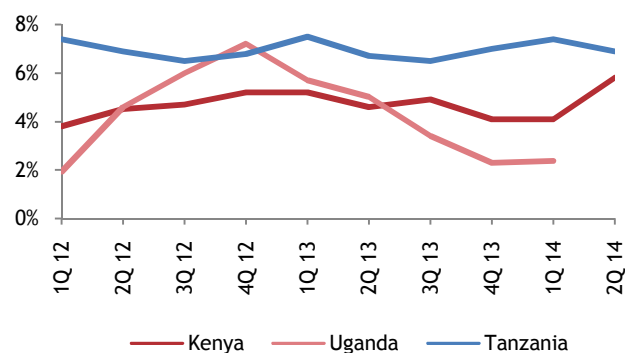
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Kenya, Uganda and Tanzania (YoY)



ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

Rest of Sub-Saharan Africa

Nigeria

~ Nigeria's inflation eased for the second consecutive month to 8.1% YoY in October 2014 from 8.3% YoY in September 2014. This can be primarily ascribed to slower rise in food prices. Food inflation dropped to 9.3% YoY in October 2014 from 9.7% YoY in September 2014.

~ In the last week of November 2014, the central bank devalued the naira by 8% to support the declining foreign reserves owing to sharp fall in oil prices. The bank also raised the naira target range to 160-176 to the dollar on account of rising dollar demand and continuing weakness in the currency. To curb speculation against the naira, the central bank raised the benchmark interest rate by 100 bps to a record high of 13%.

Angola

~ In November 2014, Angola's central bank raised the local currency reserve requirement by 250 bps to 15% in an attempt to curb pressure over kwanza, which fell to record lows in November 2014 owing to sharp decline in global crude oil prices,

~ Inflation in Angola rose to 7.5% YoY in October 2014, the highest level since March 2014, from 7.2% YoY in September 2014, led by increase in food prices.

Ghana

~ Inflation in Ghana advanced for the fourteenth consecutive month to 16.9% YoY in October 2014 from 16.5% YoY in September 2014, largely driven by rise in non-food prices. Inflation in the housing, water, electricity, gas and other fuel sub-group rose 36.0% YoY in October, followed by that in the transport sub-sector (30.6% YoY).

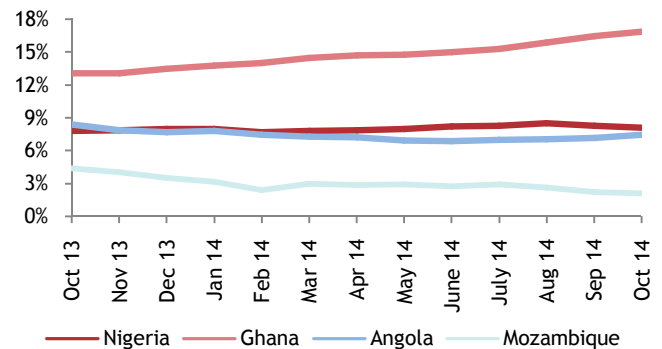
Mozambique

~ Inflation in Mozambique eased to 2.1% YoY in October 2014 from 2.2% YoY in September 2014, mainly due to decrease in commodity prices making it cheaper for Mozambique to import fuel and grains.

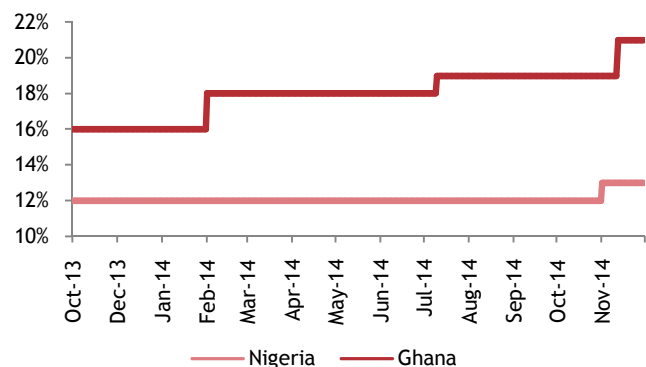
Ivory Coast

~ Inflation in Ivory Coast rose to 0.6% YoY in October 2014 from 0.0% YoY in September 2014. Housing and utility, communications, and healthcare prices rose 2.5%, 1.4% and 0.3%, respectively. Transport costs and food & soft drink prices fell 0.9% and 1.4%, respectively.

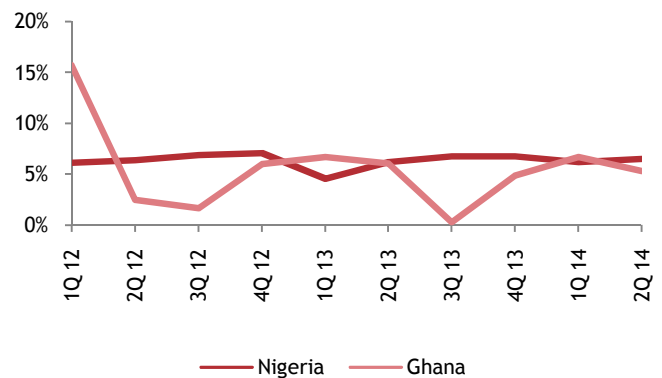
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Nigeria and Ghana (YoY)



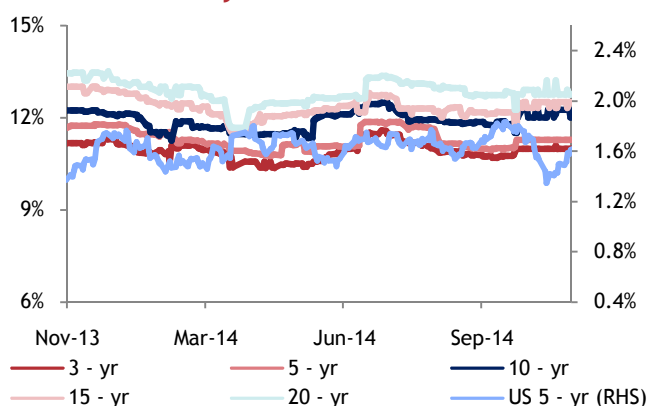
Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: BOND MARKETS

Kenya

- ~ In November 2014, yields on Kenyan bonds fell across most maturities, except 15-year bonds, which rose by 5 bps. Yields for bonds with three- and 20-year tenures fell the most, by 10 bps and 15 bps to 10.9% and 12.8%, respectively.
- ~ On 24 November 2014, the Central Bank of Kenya, on behalf of the government, reopened 15-year Treasury Bonds with a coupon rate of 10.25%, expiring in 2025. The central bank received bids worth KES 11.805 bn. Although the bank had offered bonds worth KES 15.0 bn, bids worth KES 10.617 bn were accepted. The weighted average rate for successful bids was 12.422%, up from 12.375% at its last sale in January 2014. This can be mainly attributed to the low demand from local banks who favoured short-term assets such as Treasury bills.
- ~ The FTSE NSE Kenyan Shilling Government Bond Index rose 1.2% MTD basis in November 2014. On YTD basis, the index advanced 3.5%.

Bond Yields' Daily Movement



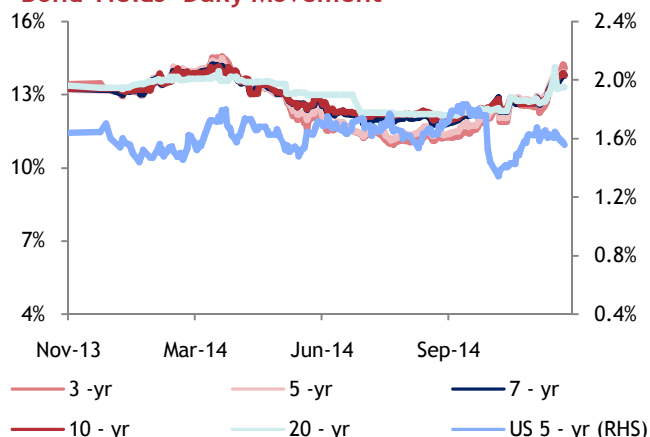
Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
30-Nov yield (%)	10.9%	11.2%	12.3%	12.4%	12.6%
Chg from 1-Nov 14 (bps)	-10	-7	0	5	-28
Chg from 1-Jan 14 (bps)	-40	-55	15	-53	-89

Nigeria

- ~ In November 2014, Nigerian bond yields rose across all maturities. Yields for bonds with three- and 10-year tenures increased the most by 154 bps and 118 bps to 14.1% and 13.8%, respectively.
- ~ Higher bond yields can be largely attributed to selling pressure from some offshore investors.
- ~ On 12 November 2014, Nigeria's government auctioned three-year NGN 10.0 bn 13.05% August 2017 bonds, 10-year NGN 30 bn 14.2% March 2024 bonds and 20-year NGN 25 bn 12.15% July 2034 bonds. All the three bonds were oversubscribed, with subscriptions worth NGN 32.4 bn for three-year bonds, NGN 45.09 bn for 10-year bonds and NGN 26.92 bn for 20-year bonds.

Bond Yields' Daily Movement



Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
30-Nov yield (%)	14.1%	13.8%	13.8%	13.8%	13.3%
Chg from 1-Nov 14 (bps)	154	104	112	118	59
Chg from 1-Jan 14 (bps)	91	65	58	55	2

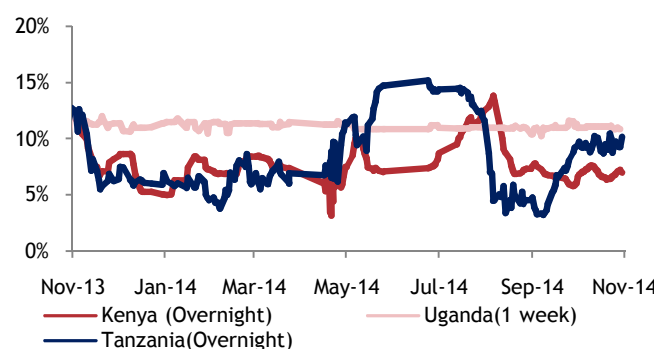
Source: Bloomberg, individual news websites

MONEY MARKETS

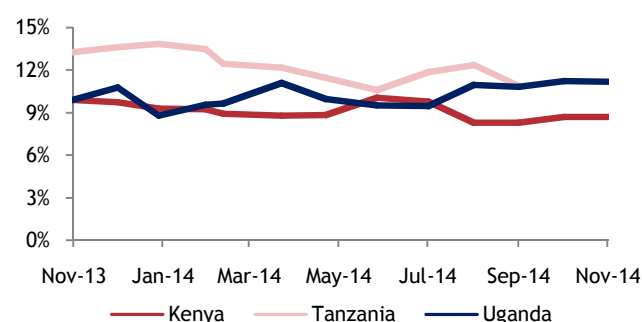
East African Community

Kenya's interbank rate decreased to 7.0% towards the end of November 2014 compared with 7.6% at the end of October 2014. Tanzania's interbank rates advanced to 10.2% towards the end of November 2014 vis-à-vis 9.6% at the end of October 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 (Nov 2014)

	Kenya	Tanzania	Uganda
3-m curr dep	8.75%	10.8%	6.4%
91-d/3-m T-bill	8.7%	10.9%(Sep*)	11.2%

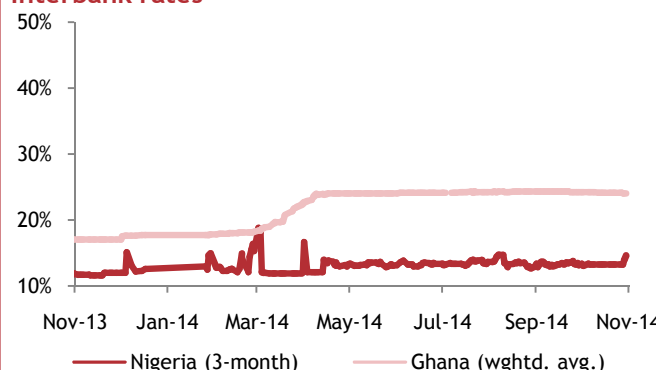
Policy and average interbank rates (Nov 2014)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	8.5%	12.0%	11.0%
Interbank	7.0%	10.2%	11.1%

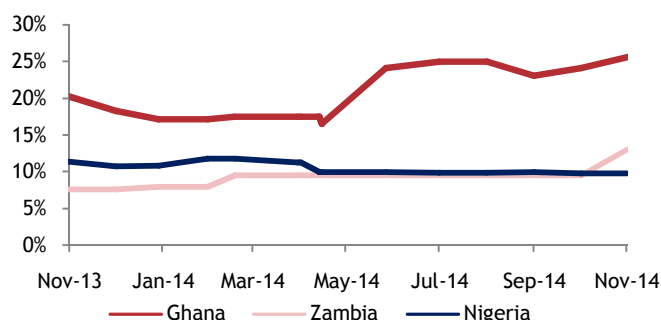
Rest of Sub-Saharan Africa

The Nigerian Interbank Offered Rate (NIBOR) increased to 14.6% by the end of November 2014 compared with 13.7% at the end of October 2014, as a result of Nigeria's central banks' decision to devalue naira and increase the benchmark interest rates to 13%.

Interbank rates



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



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

	Nigeria	Ghana	Zambia
3-m curr dep	13.0%	24.6%	19.5%
91-d/3-m T-bill	9.8%	25.6%	13.0%

Policy and average interbank rates (Nov 2014)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	13.0%	21.0%	12.5%
Interbank	14.6%	24.0%	11.5%

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

CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

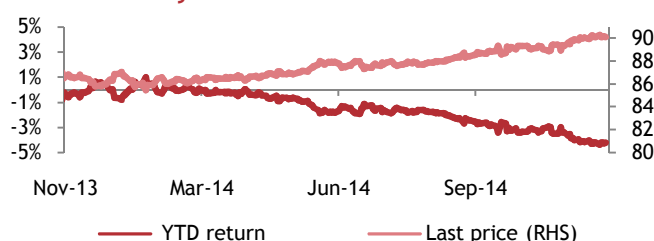
Kenyan Shilling (KES)

“ The Kenyan shilling continued its downward trend against the US dollar, falling 0.8% MTD in November 2014. The KES touched 90.25 to a US dollar on 24 November 2014, the lowest in over three years. On a YTD basis, the shilling fell 4.2%.

“ Despite the central bank’s intervention, the shilling weakened due to corporate dollar-buying, a slide in the price of tea (the country’s largest export commodity) and a drop in tourism caused by the frequent Islamist militant attacks.

“ The currency is likely to remain under pressure against the dollar in the near term, although it is expected to receive support from the central bank.

USD/KES Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	89.98	90.1	90.3	89.5	-0.8%	-4.2%
EUR	112.3	112.2	113.2	111.0	-0.2%	5.9%

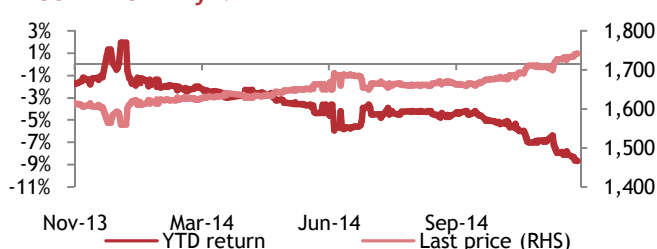
Tanzanian Shilling (TZS)

“ After holding steady against the US dollar in the initial week, the Tanzanian shilling declined against the US dollar over the rest of the month, falling 2.0% MTD in November 2014. On a YTD basis, the currency declined 8.7% against the greenback.

“ The shilling depreciated due to increased demand for the US dollar from corporates, especially oil marketing companies. Meagre foreign currency inflows further worsened the exchange rate.

“ The shilling is expected to remain under pressure against the dollar in the near term, owing to rising demand for the dollar.

USD/TZS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	1,722.7	1,741.0	1,741.0	1,698.5	-2.0%	-8.7%
EUR	2,149.0	2,167.9	2,176.1	2,109.7	-1.4%	0.7%

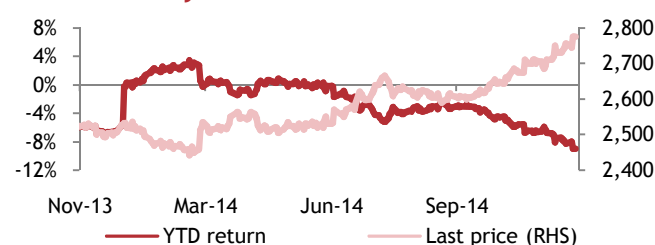
Ugandan Shilling (UGX)

“ The Ugandan shilling depreciated 2.5% MTD and 8.7% YTD against the greenback at November 2014 end.

“ In the first week of the month, the shilling strengthened against the dollar on account of limited dollar demand and inflow of hard currency from non-government organisations (NGOs). However, the recovery was reversed subsequently with increased dollar demand from commercial banks following a global rally of the greenback and anticipated corporate demand.

“ The shilling may find some support in December from the expected remittances from Ugandans working abroad (which typically come before the holiday season).

USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,731.9	2,775.0	2,775.0	2,685.0	-2.5%	-8.7%
EUR	3,409.9	3,454.3	3,484.5	3,347.3	-1.9%	0.9%

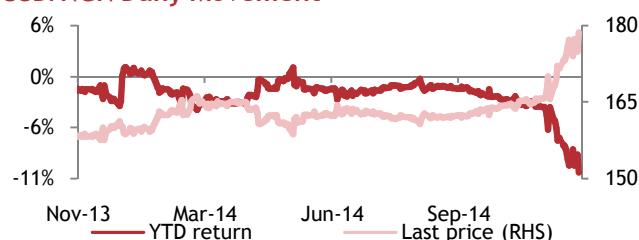
Source: Bloomberg, individual news websites

CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

Nigerian Naira (NGN)

- “ The Nigerian naira depreciated 7.3% against the US dollar in November 2014. The currency fell 10.3% YTD.
- “ Nigeria’s central bank devalued the naira by 8% on November 25, in an effort to stem its foreign reserve losses and defend the currency against dropping oil prices. Prior to devaluing the currency, Nigeria’s central bank had spent an average of USD 27.9 mn a day in 2014, defending the naira. Nigeria’s foreign reserves stood at USD 36.5 bn in November 2014, down 18.3% from November 2013.
- “ In the near term, the naira is likely to remain under pressure against the dollar in an environment of falling oil prices and with elections coming up in February 2015, prospects of big spending cuts seem unlikely.

USD/NGN Daily Movement

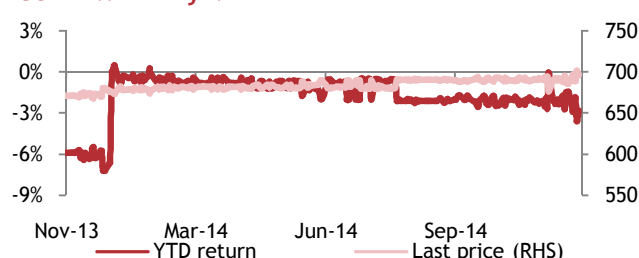


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	172.0	178.7	178.7	165.7	-7.3%	-10.3%
EUR	214.5	222.5	222.5	206.9	-7.0%	-1.0%

Rwandan Franc (RWF)

- “ The Rwandan franc declined 0.5% against the US dollar in November 2014. The local currency decreased 2.8% 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 such as construction material and technological equipment.
- “ The currency is likely to stay weak against the dollar as tea prices decline and the trade deficit remains wide. However, if the planned issue of sovereign bonds in 2015 amounting to about USD 1 bn is successful, it would absorb some of the pressure on the franc.

USD/RWF Daily Movement

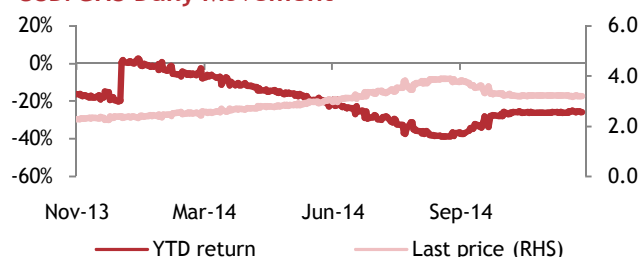


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	690.6	695.5	701.0	676.5	-0.5%	-2.8%
EUR	864.6	865.8	879.0	848.6	1.1%	7.3%

New Ghanaian Cedi (GHS)

- “ The Ghanaian cedi continued its recovery against the US dollar in November 2014, with a 0.8% MTD rise. The local currency fell 25.9% YTD against the dollar.
- “ The cedi’s recovery in November can primarily be ascribed to the improved prospects of an IMF bailout following the IMF’s endorsement of Ghana’s 2015 budget. The 2015 budget announcement contains important measures to reduce energy subsidies and curb public sector wage bill. The IMF termed these as significant sources of fiscal risk in Ghana.
- “ The cedi is forecast to remain stable in the near term, driven by positive sentiment due to the finance minister’s pledge to reduce the nation’s fiscal deficit.

USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3.21	3.20	3.23	3.18	0.8%	-25.9%
EUR	4.01	3.99	4.04	3.95	1.2%	-18.3%

Source: Bloomberg, individual news websites

SPECIAL FOCUS

The 2015 outlook for Sub-Saharan Africa remains positive; challenges persist

On the back of strong economic activity and rising capital flows in 2014...

Economic growth in Sub-Saharan Africa (SSA) expanded from 4.7% in 2013 to a forecasted 5.0% in 2014, driven by government investments in natural resources and infrastructure, and strong household spending. Capital flows to SSA continued to rise in 2014, reflecting investors' search for higher yielding assets and portfolio diversification. SSA debt issuance reached USD 15.1bn (issued mostly by governments) during the first nine months of 2014, a 53% jump vis-à-vis the same period in 2013. Equity issuances in SSA totalled USD 6.4 bn during the first nine months of 2014, more than 3x the value witnessed during the same period in 2013. In the private equity space, SSA attracted 10.8% of capital committed to emerging markets as against 3-6% during 2008-2013.

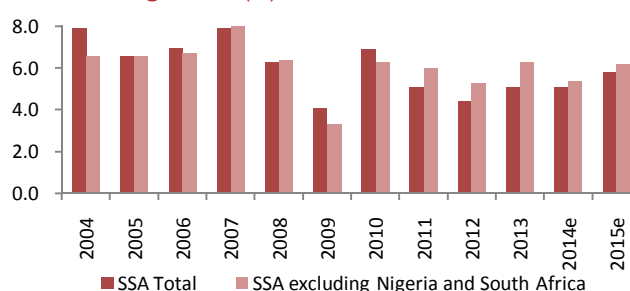
...the outlook for 2015 remains positive

SSA is home to six of the ten fastest growing economies in the world. Since 2000, the region's GDP has quadrupled to USD 2 tn. IMF expects the SSA region to expand at 5.8% in 2015. Most SSA economies are likely to experience robust growth underpinned by continuous investments in infrastructure, buoyant services sectors and strong agricultural production. With a burgeoning middle class population, which increased 60% in the last decade to 370 mn, domestic demand is anticipated to be a major growth driver of economic growth across SSA. Investor demand for SSA bonds is expected to sustain in 2015 despite the anticipated volatility in international capital flow. Tanzania and Ethiopia are expected to issue their first international bonds in 2015-16. Moreover, corporate bond issuances could increase from SSA. Several local and global private equity players are likely to explore opportunities in the SSA region outside of Nigeria and South Africa.

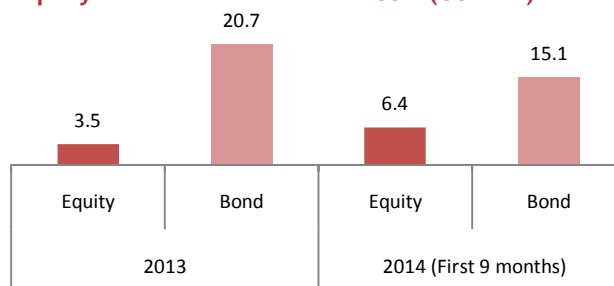
However, external and domestic risks loom

Falling oil prices and the reluctance of OPEC to cut production to support falling oil prices is a major concern for leading oil exporters in the region. Commodities are expected to remain under pressure next year, and hence the region's exports may be hindered. The deterioration in the economic outlook for China, a key trading partner of the SSA, is also expected to weigh down on exports. The performance of the region's economies will therefore rely on domestic consumption to a greater degree than in previous years. Were Ebola to spread across SSA, it would lead to negative impact on trade, tourism, and investment confidence. World Bank estimates the cost to Ebola-affected economies could be upward of USD 32 bn in the worst case scenario. Also, the security situation continues to be challenging in Northern Nigeria and Kenya, severely impacting the tourism industry. On the fiscal front, in order to maintain expansionary policies, some countries have accumulated wide fiscal deficits and this may spiral to unsustainable levels.

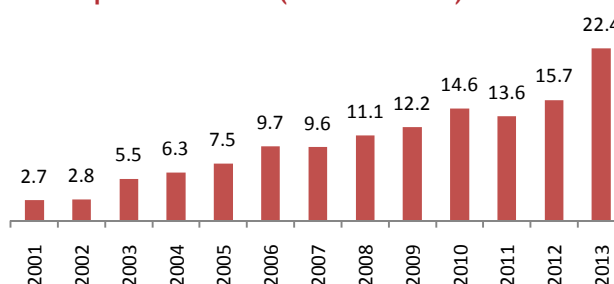
Real GDP growth (%)



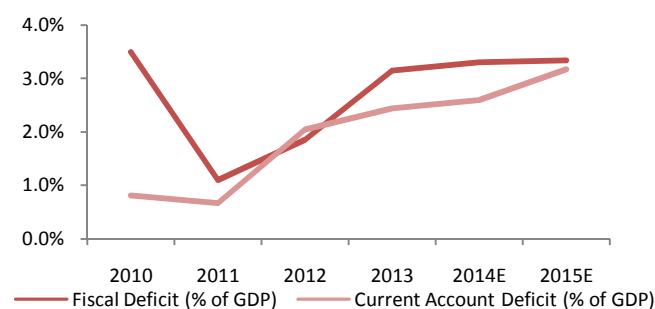
Equity and Debt issuances in SSA (USD bn)



SSA exports to China (as a % of GDP)



SSA - Widening monetary deficits



Source: IMF, World Bank, individual news websites

AUCTIONS, EVENTS

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

Uganda's latest issuance: 10-yr and 5-yr bonds (November 2014)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
5-Nov	10-yr	100.00 bn	1.04	14.770%	14.00%
5-Nov	5-yr	39.14 bn	1.08	14.385%	10.75%
Details of issuances in October					
15-Oct	5-yr	58.0 bn	NA	13.935%	NA
08-Oct	2-yr	60.0 bn	1.22	13.704%	NA

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

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

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int rate
7-Nov	2-yr	20.80 mn	FXR Note	1	23.00%
14-Nov	2-yr	2.78 mn	FXR Note	1	23.00%
21-Nov	2-yr	53.13 mn	FXR Note	1	23.00%
Details of previous 2-yr issuances					
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%

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

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

Issue Date	Maturity	Amt (TZS)	Bid/Offer	YTM	WACY*
12-Nov	7-yr	66.639 bn	1.08	15.97%	13.31%
26-Nov	10-yr	20.010 bn	1.59	16.50%	15.13%
Details of issuances in October					
29-Oct	2-yr	38.56 bn	2.17	14.83%	8.86%
15-Oct	15-yr	31.58 bn	1	17.91%	17.47%
1-Oct	15-yr	62.0 bn	1.16	16.00%	11.90%

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

Kenya's latest issuance: 15-yr bonds (November 2014)

Issue Date	Maturity	Amt bid (KES)	Amt acpt (KES)	MWAR*	Coupon
24-Nov	15-yr	11.805 bn	10.617 bn	12.478%	10.250%
Details of issuances in October					
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%

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

Upcoming Bond Auctions, Monetary Policy Meetings

- ~ 17 December 2014: The central bank of Nigeria to sell bonds
- ~ 23 December 2014: The central bank of Tanzania to sell 15-yr bonds

- ~ Monetary policy meetings are scheduled for:
 - . 11 December 2014: National Bank of Ghana
 - . 12 December 2014: National Bank of Uganda
 - . 24 December 2014: National Bank of Angola

Source: Bloomberg, individual news websites, respective central banks

KIMONDO'S CORNER

What does 2015 hold for the East African Economies?

As the largely good year 2014 comes to an end, the East African economies will cross to 2015 with even brighter prospects.

With an exception of Rwanda, the rest of the East African listed securities market recorded double digits USD adjusted returns. The Dar es Salaam Stock Exchange recorded a return of 27% in the eleven months to the end of November 2014. The Tanzania authorities removed, in the course of the year 2014, the ceiling on foreign ownership and this will see better pricing of the listed stocks and more foreign participation in 2015. The Growth Enterprise Market Segment ('GEMS') market in Kenya continued to attract more corporates with three counters now listed under the GEMS segment. GEMS provides an exit opportunity for SME investors and channels for SME to raise funds.

Fusion, through the Fusion 12 Index will continue to provide exposure to attractive counters from the listed equities market in East Africa. In the 11 months to November 2014, Fusion 12 Index had posted a return of over 30% and we believe that 2015 will be an even better year for East Africa's listed equities market. We also expect to see more corporates listing and more activities across the East African exchanges.

The Government of Kenya raised a USD 2 bn Eurobond during the year 2014. Kenya rebased her economy making it the ninth largest Economy in Africa. Uganda also recently rebased her economy in 2014, while Tanzania is expected to rebase her economy and also issue a Eurobond in 2015. The revised GDP does impact on key dependent ratios such as debt to GDP. An increased GDP base lowers this ratio meaning that the government has more room to borrow and drive national development agendas. In 2015, therefore we expect to see more borrowings both locally and internationally by the East African governments. In addition, the revised GDP may increase the economies' competitiveness. This is because the increased sizes do have a psychological impact on foreign investors. Some investors have in the past ignored such economies as those of the East African countries because they think they are too small.

For the year 2014, the yields on Government Bonds have been on a downward trend. There has in 2014 been an increase in the issuance of corporate Bonds. Among other things that have contributed to the declining yields on treasury paper is the increased liquidity in the market. With it also being a good year for the stock market, a number of investors must have moved into the equities market. With the yields on government papers being at the lower teens and with the increased liquidity, this presented a good opportunity for corporates to issue Bonds. For the period of four months to December 2014, corporate bonds worth over KES 20 bn (USD 222 mn) will have been issued in the Kenyan economy alone. The trend is expected to continue in 2015 with more corporates using this route to raise funds.

The East African currencies have however been depreciating against the major currencies. Kenya for example has been hit by insecurity threats and declining prices for her main foreign currency earner (tea). However, unless a major shock such as a fresh Euro zone debt crisis arises in 2015, we foresee the local currencies holding steady in 2015. We will be watching how events will unfold in Tanzania as the country holds its general election in 2015.

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