FUSION AFRICAN MONITOR

Current news and analysis from Sub-Saharan money markets

February 2015

FUSION INVESTMENT MANAGEMENT
Rooted in the African growth story

HIGHLIGHTS

Key Movements in Fixed Income and Currency Markets in January 2015

- Yields on **Kenyan** bonds rose across maturities, mainly owing to low subscription levels. Similarly, yields on **Nigerian** bonds increased across maturities, chiefly due to the rising cost of borrowing amid macro-economic risks (details on page 5).
- Most currencies were under pressure against the US dollar in January 2015. The **Kenyan** shilling depreciated due to high demand for the US dollar from corporates. The Nigerian naira continued to slump, as falling oil prices, political turbulence and escalating violence by Boko Haram insurgents continued to weigh on investor sentiment. **Ghana's** currency cedi depreciated due to the government's decision to increase public sector wages by 13.0%, which would further strain the country's fiscal position. The **Tanzanian** shilling's fall was partially offset due to demand for local currency at the end of the month. The **Ugandan** shilling slipped steadily, as the local demand for foreign currency picked up after the holiday season (more on pages 7 and 8).
- In money markets, **Kenya's** interbank rate increased to 8.6%, whereas those of **Tanzania** and **Nigeria** decreased to 8.9% and 15.1%, respectively towards the end of January 2015 (details on page 6).

January Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
Kenya 30-Jan yield (%)	11.3%	11.6%	12.8%	13.1%
Chg from 1-Jan 15 (bps)	23	21	40	25
Nigeria 30-Jan yield (%)	15.3%	15.3%	15.1%	15.5%
Chg from 1-Jan 15 (bps)	29	19	5	30

Movement of Key Currencies vs. US Dollar in January

	Average	End Value	MTD	YTD
Kenyan Shilling	91.4	91.7	-1.2%	-1.2%
Ugandan Shilling	2,854.0	2,855.0	-2.9%	-2.9%
Nigerian Naira	186.2	187.6	-2.2%	-2.2%
Ghanaian Cedi	3.3	3.4	-4.9%	-25.9%
Tanzanian Shilling	1,767.4	1,772.5	-2.2%	-2.2%

Kimondo's Corner

Kenya Listed As One Of The Seven Emerging Economies To Bet On

An article in the February edition of *Fortune* magazine has Kenya as one of the seven top investment destinations to watch in emerging markets.

The mention take note of the massive efforts being made in infrastructure development, the power sector and improving macro-economic stability.

This listing is important to Kenya as a country, the only country in sub-Saharan Africa to appear in the list, as this may improve investors' appetite in the country's financial markets if the history of similar previous listings (of the BRICS) is a guide. According to the *Economist*, Western multinationals expect to find 70% of their future growth in the Emerging economies.

More details on page 11

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Source: Bloomberg and respective central banks

Fusion Portfolio Management Service

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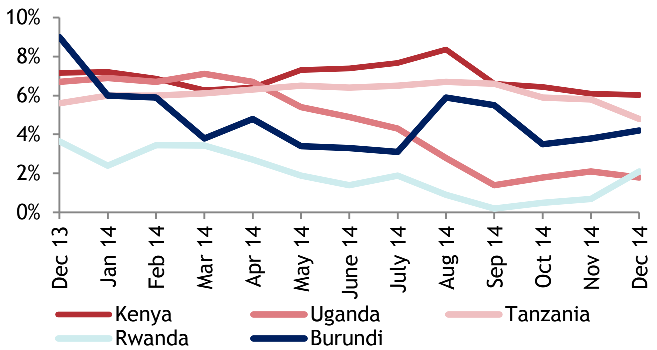
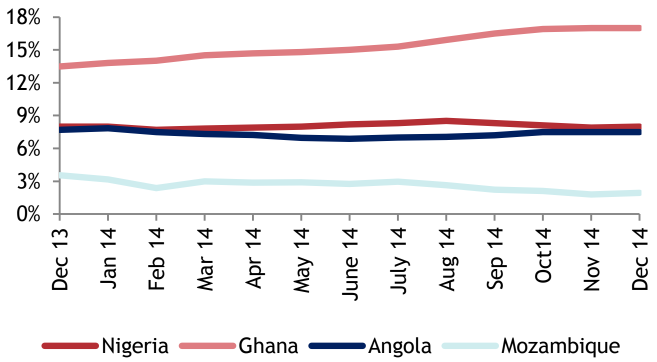
HIGHLIGHTS

Activity Across Africa: Economy and Politics

- The National Treasury of Kenya raised the country's 2015 GDP growth forecast to 6.9% up from the previous forecast of 6.4%, underpinning stronger performance in agriculture, forestry and fishing, manufacturing, construction, information communication technology, real estate and wholesale and retail trade. The National Bureau of Statistics trimmed Nigeria's 2015 growth forecast to 5.54% (down from the estimated 2014 growth forecast of 6.23%) based on lower 2015 spending plan following a 60% drop in crude oil prices in second half of 2014 and the resulting decline in oil production in Nigeria (details on page 3 and 4).
- In January 2014, the central banks of **Uganda** and **Angola** retained their benchmark policy rates at 11.0% and 9.0%, respectively. Meanwhile, Mozambique's central bank retained its key lending rate at 7.5% in January 2015, stating that the country is on course with meeting its inflation target and GDP growth for 2015 (more on pages 3 and 4).
- Inflation deceased in most Sub-Saharan African countries. In **Kenya**, inflation declined to 6.0% YoY, primarily due to a fall in electricity costs. Inflation rose slightly to 8.0% YoY in December 2014 from 7.9% YoY in November 2014 in **Nigeria** and remained unchanged at 17.0% YoY in **Ghana**. In **Uganda**, inflation fell to 1.8% YoY in December from 2.1% YoY in November (details on pages 3 and 4).

Inflation (YoY)

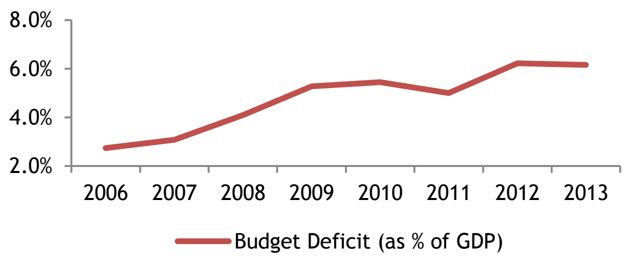




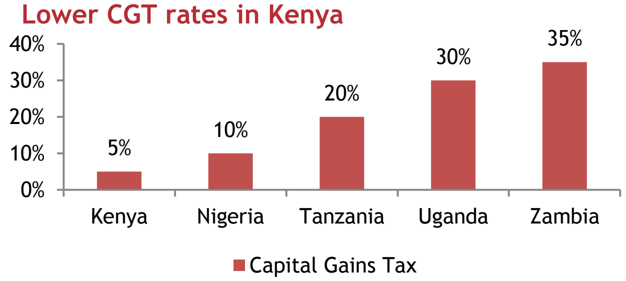
Kenya reintroduces Capital Gains Tax amid mixed reactions

- In August 2014, Kenya's parliament passed the Finance Bill amendment to reintroduce Capital Gains Tax (CGT) to increase government revenue.
- As per the amendment, from 1 January 2015 onwards, a CGT of 5% would be levied on gains made by an individual or a company on the sale of defined property in Kenya. Certain provisions of the amendment pertaining to the treatment of net gain on the disposal of immovable property are stringent. Also, the framework for the valuation of IP assets is obsolete.
- The reintroduction of CGT faced severe criticism, with many analysts indicating it could impact investment in equities and the real estate, oil and mining sectors. Within a few weeks of implementation, stockbrokers in Kenya moved the court opposing CGT, which requires stockbrokers to act as tax agents.
- With a huge allocation for infrastructure spending in the budget, imposing CGT is an economical way to raise funds for the government. CGT is estimated to generate USD 85 mn annually for the government. With a CGT of 5%, Kenya's tax would still be lower than neighbouring countries. The government could consider reviewing some provisions and incentivising the nascent extractive sector.

Kenya: Widening Budget Deficit



Lower CGT rates in Kenya



Source: individual news websites

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

East African Community

Kenya

- Kenya's inflation declined for the fourth consecutive month to 6.0% YoY in December 2014 from 6.1% YoY in November 2014. This was primarily driven by a reduction in electricity costs due to decrease in fuel cost adjustment to KES 2.87 per kWh in December 2014 from KES 3.47 per kWh in November 2014. However, inflation in food and transportation increased by 0.7% and 0.9%, respectively.
- The National Treasury of Kenya raised the 2015 GDP growth forecast to 6.9% from its previous forecast of 6.4%. The government expects growth to be underpinned by the performance in agriculture, forestry and fishing, manufacturing, construction, information communication technology, real estate and wholesale and retail trade.

Uganda

- Uganda's annual headline inflation declined to 1.8% YoY in December 2014 from 2.1% YoY in November 2014, mainly due to a 1.3% drop in food prices. However, core inflation, excluding food, electricity and metered water, increased to 2.7% in December 2014 from 2.3% in November 2014.

Tanzania

- Tanzania's annual headline inflation declined for the fourth consecutive month to 4.8% YoY in December 2014 from 5.8% YoY in November 2014, mainly due to a slower increase in food and non-alcoholic beverages prices (5.7% YoY in December 2014, following a 7.0% increase in November 2014). The average inflation for 2014 dropped to 6.1% compared to 7.9% in 2013.

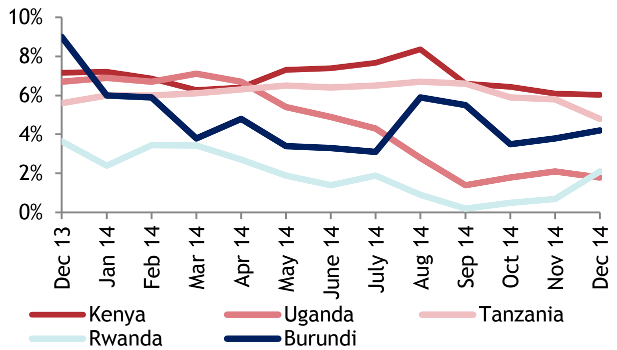
Rwanda

- Inflation in Rwanda rose to 2.1% YoY in December 2014 from 0.7% YoY in November 2014, mainly due to food and non-alcoholic beverage prices increasing 0.7% YoY in December 2014.
- As per the finance ministry's annual economic report released in January 2015, Rwanda's total public debt stood at 30.5% of the GDP in FY14. This is well below the regional average of 50%, indicating prudent public debt policy on the part of the government and a buffer for more borrowing.

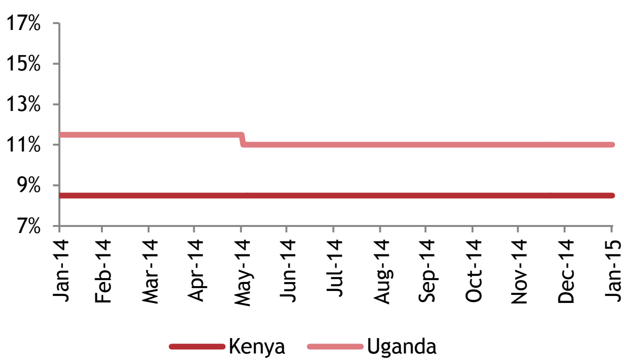
Burundi

- Burundi's inflation eased to 3.8% YoY in December 2014 from 4.2% YoY in November 2014, mainly led by low cost of furnishing and household equipment, the inflation of which dropped to 10.5% YoY in December 2014 from 12.6% YoY in November 2014.

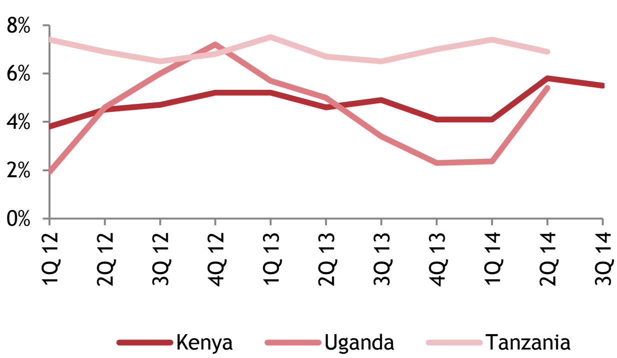
Inflation (YoY)



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 rose slightly to 8.0% YoY in December 2014 from 7.9% in November 2014. This can be ascribed to an increase in food prices for the first time in the last four months. Food inflation grew to 9.2% YoY in December 2014 from 9.1% YoY in November 2014.
- The National Bureau of Statistics (NBS) trimmed the 2015 growth forecast for Nigeria to 5.54%, down from the estimated 2014 growth forecast of 6.23%. The forecast is based on plans to reduce 2015 spending, following a 60% drop in crude oil prices and resultant decline in crude oil production in Nigeria in the second half of 2014.

Angola

- Inflation in Angola dropped slightly to 7.48% YoY in December 2014 from 7.49% YoY in November 2014. Food and Non-alcoholic beverages was the largest contributor to inflation followed by Miscellaneous Goods and Services.

Ghana

- Inflation in Ghana remained unchanged at 17.0% YoY in December 2014, the same level as in November 2014. Prices for housing, water, electricity and gas (35.2%); transport (30.8%); recreation and culture (22.8%); health (19.4%) and alcohol and tobacco (17.3%) increased the most. Food costs rose 6.8%.

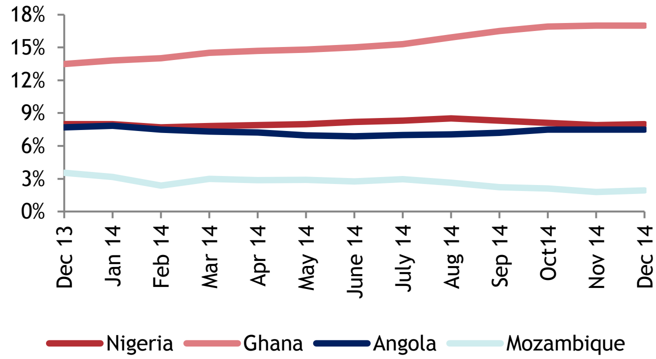
Mozambique

- Inflation in Mozambique increased to 1.93% YoY in December 2014 from 1.79% YoY in November 2014, mainly due to an increase in food and non-alcoholic beverage prices.
- Mozambique's central bank retained its key lending rate at 7.5% in January 2015, stating that the country is on course to meet the inflation target of 5.5% and GDP growth of 7.7% for 2015.

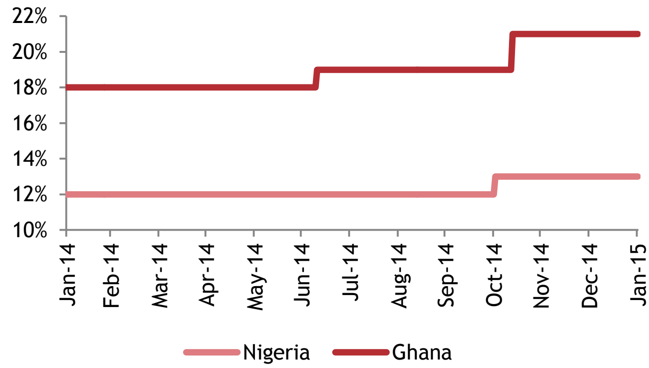
Ivory Coast

- Inflation in Ivory Coast eased slightly to 0.9% YoY in December 2014 from 1.0% YoY in November 2014. Housing and utility, communications, healthcare, and transport prices rose 3.3%, 1.2%, 0.6%, and 0.1%, respectively. Food and soft drink prices fell 1.4%.

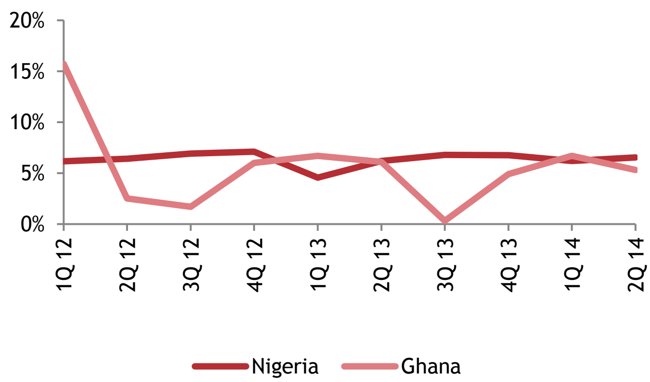
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Nigeria and Ghana (YoY)



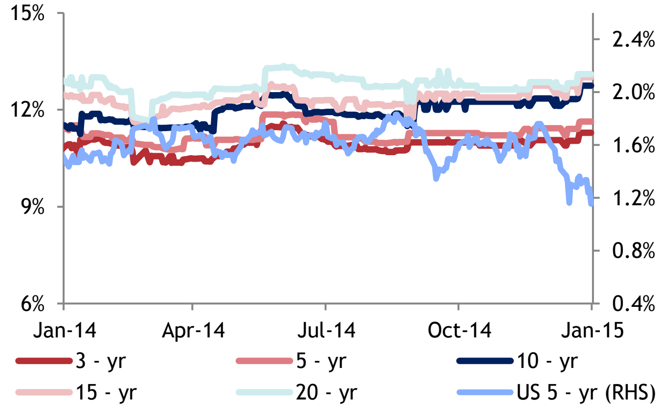
Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: BOND MARKETS

Kenya

- In January 2015, yields on Kenyan bonds rose across all maturities. Yields for bonds with 10-, 15- and 20-year tenures increased the most, by 40, 25 bps and 25 bps to 12.8%, 13.0% and 13.1%, respectively.
- Bond yields rose mainly on low subscription levels among investors due to tight local currency liquidity.
- On 21 January 2015, the Central Bank of Kenya, on behalf of the government, auctioned five-year and 20-year Treasury Bonds with a coupon rate of 10.87% and 12.00%, expiring in 2019 and 2032, respectively. The central bank offered bonds worth KES 20.0 bn (for both the bonds). The bank received bids worth KES 14.112 bn and KES 12.835 bn and accepted bids worth KES 8.029 bn and KES 12.358 bn five-year and 20-year bonds, respectively. The market-weighted average rate stood at 11.821% and 13.639% for five-year and 20-year bonds, respectively.
- The FTSE NSE Kenyan Shilling Government Bond Index fell 0.5% on MTD basis in January 2015.

Bond Yields' Daily Movement



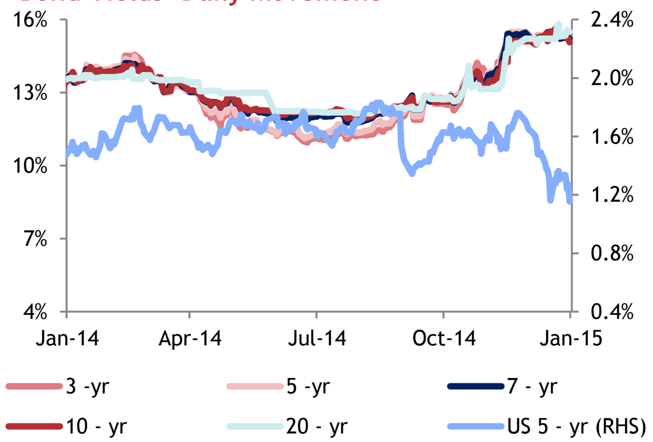
Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
30-Jan yield (%)	11.3%	11.6%	12.8%	13.0%	13.1%
Chg from 1-Jan 15 (bps)	23	21	40	25	25
Chg from 1-Jan 15 (bps)	23	21	40	25	25

Nigeria

- In January 2015, Nigerian bond yields rose across all maturities. Yields for bonds with three- and 20-year tenures increased the most, by 29 bps and 30 bps to 15.3% and 15.5%, respectively.
- Nigerian bond yields continued to surge owing to rising cost of borrowing for the government due to the impact of low oil prices, Boko Haram attacks and political instability ahead of elections. Average yields on naira denominated bonds reached 15.4% on 6 January 2015, the highest since August 2012. Amid concerns over falling global oil prices, a downgrade in the country's credit risk rating is possible.
- On 14 January 2015, Nigeria's government auctioned three-year NGN 24.0 bn 15.1% April 2017 bonds, 10-year NGN 20 bn 14.2% March 2024 bonds, and 20-year NGN 28 bn 12.15% July 2034 bonds. All three were oversubscribed, with subscriptions worth NGN 56.65 bn for three-year bonds, NGN 32.24 bn for 10-year bonds and NGN 40.61 bn for 20-year bonds.

Bond Yields' Daily Movement



Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
30-Jan yield (%)	15.3%	15.3%	15.2%	15.1%	15.5%
Chg from 1-Jan 15 (bps)	29	19	16	5	30
Chg from 1-Jan 15 (bps)	29	19	16	5	30

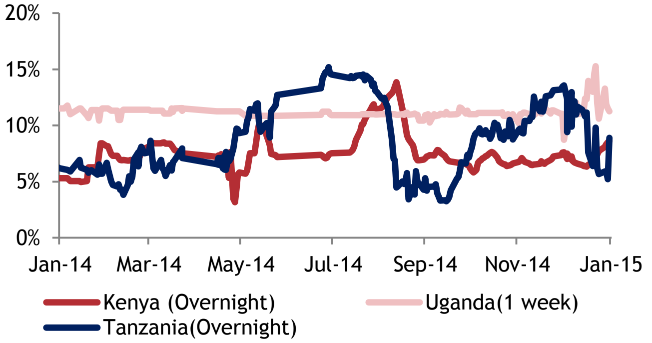
Source: Bloomberg, individual news websites

MONEY MARKETS

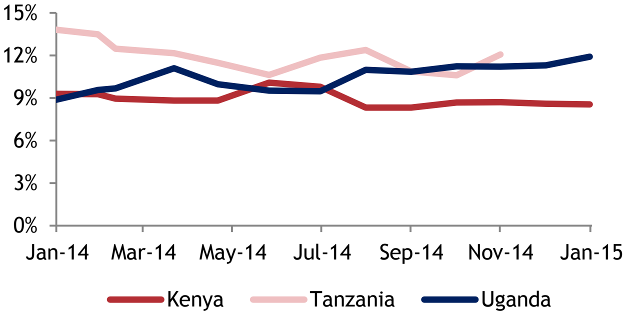
East African Community

- Kenya's interbank rate rose to 8.6% towards the end of January 2015 from 7.0% at the start of the month, indicating decreased liquidity in the market. Tanzania's interbank rate decreased slightly to 8.9% towards the end of January 2015 from 9.9% at the start of the month, indicating increased liquidity in the market.

Interbank rates



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



3-month currency deposit and T-bill rates (Jan 2015)

	Kenya	Tanzania	Uganda
3-m curr dep	8.8%	12.5%	7.4% (Dec*)
91-d/3-m T-bill	8.5%	12.1% (Nov*)	11.9%

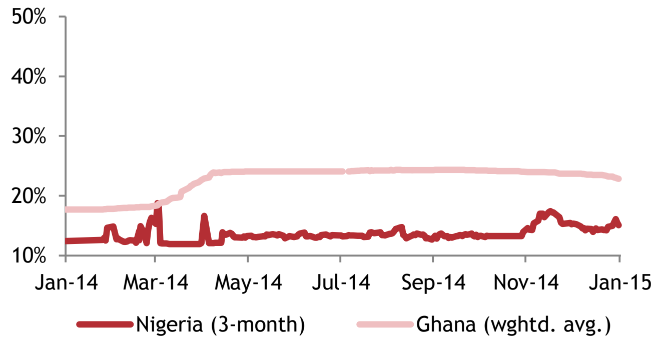
Policy and average interbank rates (Jan 2015)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	8.5%	12.0%	11.0%
Interbank	8.6%	8.9%	11.3%

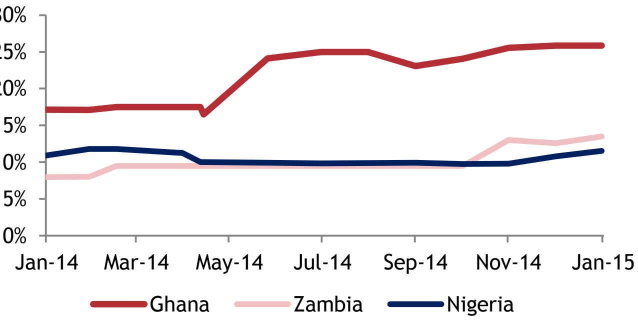
Rest of Sub-Saharan Africa

- The Nigerian Interbank Offered Rate (NIBOR) rose to 15.1% at the end of January 2015 from 14.9% at the start of the month as Nigeria's central bank continued to mop up naira from the market by selling treasury bonds worth NGN 72 bn during the month.

Interbank rates



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



3-month currency deposit and T-bill rates (Jan 2015)

	Nigeria	Ghana	Zambia
3-m curr dep	13.0% (Dec*)	24.7% (Dec*)	19.5% (Dec*)
91-d/3-m T-bill	11.5%	25.8%	13.5%

Policy and average interbank rates (Jan 2015)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	13.0%	21.0%	12.5%
Interbank	15.1%	22.9%	11.8%

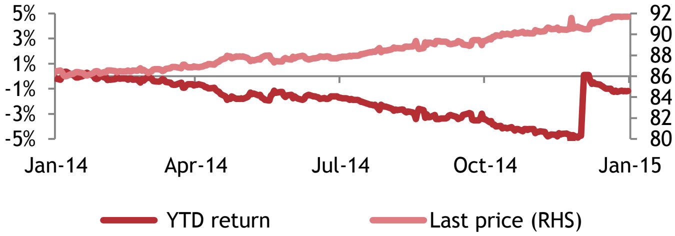
*Source: Bloomberg, individual news websites, respective central banks. Note: * Provisional*

CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

Kenyan Shilling (KES)

- The Kenyan shilling continued to depreciate against the US dollar and reached a more than three-year low of 91.75 on 21 January 2015. The currency weakened 1.2% against the greenback in January 2015.
- During the month, the shilling continued to remain weak due to high demand for the US dollar from corporates. The shilling stabilised slightly towards the end of the month as investors bought Treasury bills and bonds worth KES 26.6 bn.
- In the absence of central bank intervention and an environment of strengthening of dollar in global markets, the currency would remain under pressure and is expected to trade in a range of 91.40-92.00 against the US dollar in near term.

USD/KES Daily Movement

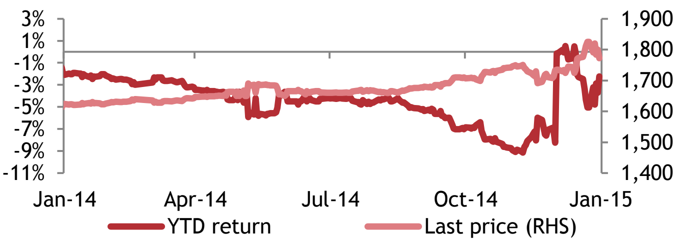


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	91.37	91.7	91.8	90.5	-1.2%	-1.2%
EUR	106.3	103.4	109.6	102.9	6.0%	6.0%

Tanzanian Shilling (TZS)

- The Tanzanian shilling depreciated against the US dollar in January 2015. On MTD and YTD basis, the currency declined 2.2% against the greenback.
- The local currency strengthened against the US dollar in the first week of the month. However, as the corporate demand for the greenback continued to exert pressure, the local currency recorded its lowest level of 1,825.00 on 23 January 2015. The shilling recovered against the US dollar in the last week driven by the end of the month local currency demand.
- Shilling's gains against the US dollar in the last week of January seem to be temporary and the currency would remain under pressure against the dollar in the near term.

USD/TZS Daily Movement

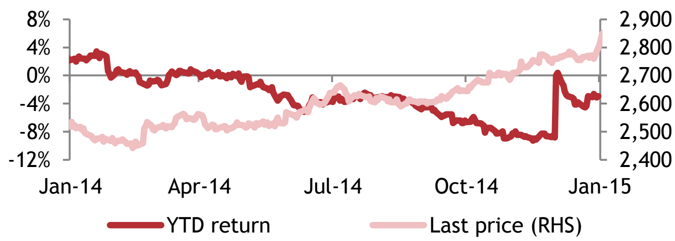


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	1,767.4	1,772.5	1,825.0	1,724.0	-2.2%	-2.2%
EUR	2,052.5	1,992.2	2,103.8	1,992.2	5.2%	5.2%

Ugandan Shilling (UGX)

- The Ugandan shilling depreciated 2.9% against the greenback in January 2015 hitting a more than three-year low of 2,903.00 on 21 January 2015.
- The Ugandan shilling slipped steadily in the month, as the local demand for foreign currency picked up after the holiday season. In the last week of the month, the shilling recovered some of its losses against the greenback, led by liquidity squeeze and slowdown in the demand for the US dollar from some importers.
- Despite multiple central bank interventions in January, commercial banks are keeping long US dollar positions amid the expectation of the dollar strengthening in global markets. The shilling is likely to remain under pressure against the US dollar in the near term.

USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,854.0	2,855.0	2,903.0	2,760.0	-2.9%	-2.9%
EUR	3,319.2	3,222.2	3,406.3	3,199.6	4.1%	4.1%

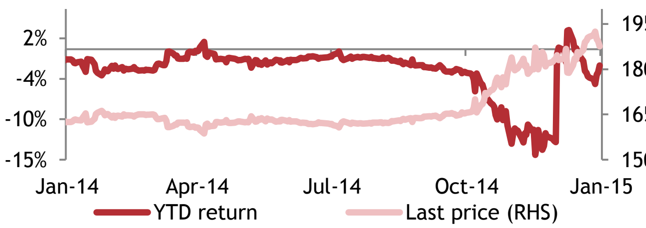
Source: Bloomberg, individual news websites

CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

Nigerian Naira (NGN)

- The Nigerian naira continued to slump against the greenback in January 2015, reaching a record low of 272.50 on 27 January 2015. This is because the falling oil prices, political turbulence and escalating violence by Boko Haram insurgents continued to weigh on investor sentiments. The currency depreciated 2.2% against the US dollar in January 2015.
- Towards the end of the month, the naira recovered some of its losses against the dollar, led by state-oil company NNPC selling around USD 350 mn to lenders and central bank interventions.
- In the near term, the naira is likely to remain under pressure against the dollar, as tightening of monetary policy is likely only after election results.

USD/NGN Daily Movement

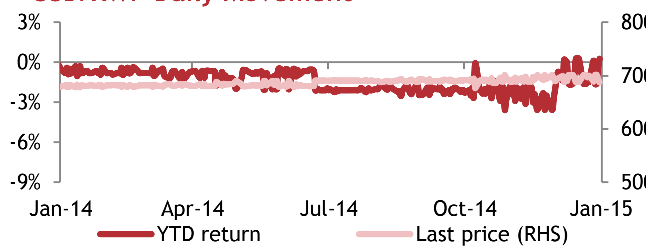


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	186.2	187.6	192.5	178.8	-2.2%	-2.2%
EUR	216.2	211.7	222.5	211.0	4.5%	4.5%

Rwandan Franc (RWF) (WIP)

- After depreciating 2.0% against the US dollar in 2014, the Rwandan franc gained 0.3% against the greenback in January 2015
- The franc was under pressure against the US dollar in January 2015 due to a high demand for the greenback to finance imports amid widening current account deficit.
- The currency is likely to stay weak against the dollar amid an environment of mildly rising inflation. The upcoming issue of sovereign bond in 2015 is expected to relieve some pressure on the local currency.

USD/RWF Daily Movement

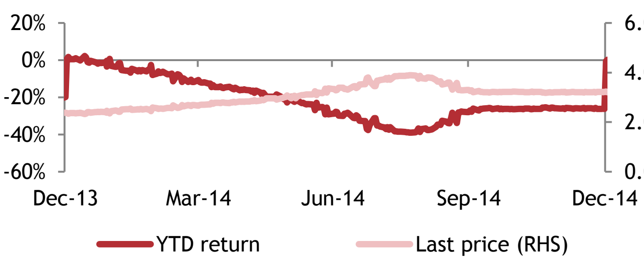


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	695.1	688.0	701.2	688.0	0.3%	0.3%
EUR	809.7	778.8	841.9	774.5	7.2%	7.2%

New Ghanaian Cedi (GHS)

- After depreciating ~26% against the US dollar in 2014, the Ghanaian cedi continued its downtrend, falling 4.9% against the US dollar in January 2015.
- In January 2015, the cedi started declining against the greenback due to the government's decision to increase public sector wages by 13.0%, which would further strain the country's fiscal position. However, the fall was partially offset by the central bank's intervention to increase the supply of dollar to meet the demand from corporates.
- The cedi is expected to be more stable in 2015 than in 2014, as the central bank intends to support the currency through regular liquidity intervention and other measures to ease foreign exchange fluctuations.

USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3.28	3.39	3.41	3.20	-4.9%	-4.9%
EUR	3.81	3.77	3.89	3.69	3.2%	3.2%

Source: Bloomberg, individual news websites

SPECIAL FOCUS

Kenya reintroduces Capital Gains Tax amid mixed reactions

Kenya reintroduces Capital Gains Tax (CGT) after three decades

CGT was suspended in Kenya in 1985 to stimulate the growth of capital markets and the real estate sector; prior to suspension, the CGT rate was 10%. Over the past three decades, Kenya witnessed robust growth in the stock market, real estate sector and extractive industries. However, tax revenues from these sectors did not increase proportionately. The government's continual borrowing for development expenditure resulted in wider budget deficits and high sovereign debt levels, leading to warnings from the IMF to address the issue. In August 2014, Kenya's parliament passed the Finance Bill amendment that reintroduced CGT to increase government revenue.

Key Provisions of CGT

From January 1, 2015, a CGT of 5% will be levied on gains made by an individual or a company on the sale of any property: shares, bonds, land and houses (including those acquired as gifts or through inheritance).

The amendment includes exemptions for certain transactions such as the sale of land by an individual where proceeds are less than KES 30,000 (USD 331), transfer of an individual residence occupied by the transferor for at least three years before the transfer, compensation by the government for property acquired for infrastructure development, among others.

The amendment includes a peculiar treatment for net gain on the disposal of immovable property (mining right, interest in petroleum agreement, mining or petroleum information) in the mining and petroleum industries, wherein the applicable tax rate is 30% for residents and 37.5% for non-residents with permanent establishments.

Reintroduction of CGT draws criticism

The introduction of a new tax is generally met with resistance from investors and market participants; CGT is no exception, with many analysts indicating it could impact investments in equities as well as the real estate, oil and mining sectors.

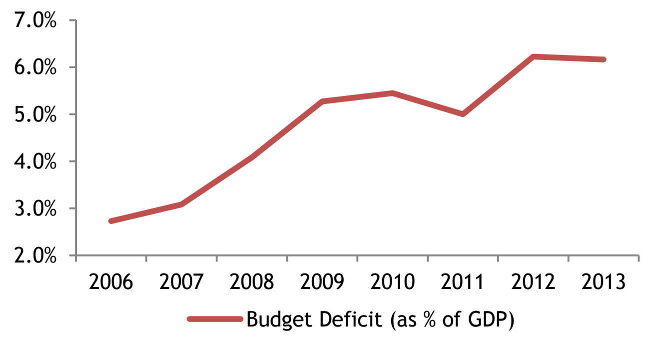
Having recently discovered oil at Lokichar basin (estimated at over 600 mn barrels), Kenya has large unexplored oil reserves. Certain provisions under CGT can discourage major international oil & gas firms from investing in Kenya. The imposition of CGT on farm-down transactions (a practice by oil & gas companies to sell all or a part of their exploration interests to other firms) may lead to slowdown in exploration activities at a time when oil exploration in Kenya is in its initial stage.

Within few weeks of its implementation, stockbrokers in Kenya moved the court opposing CGT, which requires stockbrokers to act as tax agents. Their argument is that the imposition of CGT would greatly hamper their ability to compete for investments in the financial market.

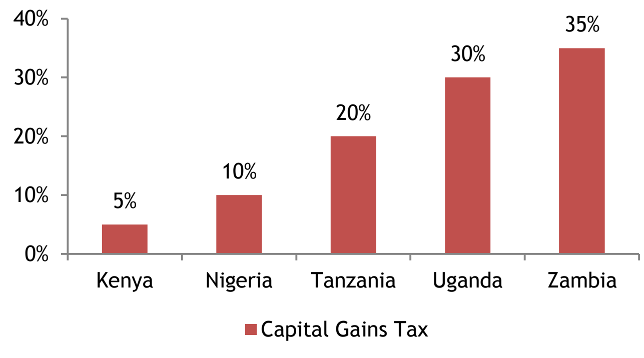
On a positive note…

CGT is estimated to provide an annual revenue of up to USD 85 mn for the government. With huge allocation for infrastructure spending in the budget, the government needs to explore every avenue to increase its revenue. CGT is a cheaper funding option for the government than raising debt; it is also more reliable and less conditional than monetary aid. Kenya has a CGT rate of 5%, lower than other African countries and even some developed countries. The government could consider reviewing some of the provisions pertaining to administering the tax in the extractive sectors to incentivise exploration in other parts of the country. In addition, a revised framework for the valuation of IP assets would prove helpful to provide a fair and transparent mechanism for taxing the capital gains.

Kenya: Widening Budget Deficit



Lower CGT rates in Kenya



Source: individual news websites

AUCTIONS, EVENTS

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

Uganda's latest issuance: 2-yr and 10-yr bonds (January 2015)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
28-Jan	2-yr	35.20 bn	1.86	16.175%	13.75%
28-Jan	10-yr	145.00 bn	1.17	17.019%	17.00%
Details of issuances in December					
3-Dec	3-yr	90.00 bn	1.14	14.322%	13.75%
3-Dec	15-yr	90.00 bn	1.49	15.946%	14.25%

I USD = 2,854.01 UGX (average for January 2015)

Tanzania's latest issuance: 2-yr and 7-yr bonds (January 2015)

Issue Date	Maturity	**Amt (TZS)	Bid/Offer	YTM	WACY*
7-Jan	2-yr	68.067 bn	1.72	15.2507%	8.9279
21-Jan	7-yr	60.00 bn	1.37	16.3381%	13.5443
Details of issuances in December					
23-Dec	15-yr	No bids were accepted			

**Weighted average coupon yield; I USD = 1,767.41 TZS (average for January 2015)*

Ghana's latest issuance: 2-yr note (January 2015)

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int rate
26-Jan	2-yr	7.68 mn	FXR Note	1	23.00%
16-Jan	2-yr	4.28 mn	FXR Note	1	23.00%
12-Jan	2-yr	72.07 mn	FXR Note	1	23.00%
05-Jan	2-yr	3.37 mn	FXR Note	1	23.00%
Details of previous 2-yr issuances					
29-Dec	2-yr	3.53 mn	FXR Note	1	23.00%
22-Dec	2-yr	6.82 mn	FXR Note	1	23.00%
15-Dec	2-yr	5.13 mn	FXR Note	1	23.00%
08-Dec	2-yr	1.85 mn	FXR Note	1	23.00%

**Fixed rate; 1 USD = 3.28 GHS (average for January 2015)*

Kenya's latest issuance: 5-yr and 20-yr bonds (January 2015)

Issue Date	Maturity	Amt bid (KES)	Amt acpt (KES)	MWAR*	Coupon
21-Jan	5-yr	14.112 bn	8.0298 bn	11.576%	10.870%
21-Jan	20-yr	12.836 bn	12.359 bn	13.624%	12.0%
Details of issuances in December					
22-Dec	2-yr	13.113 bn	8.905 bn	11.014%	10.890%
22-Dec	15-yr	13.900 bn	11.004 bn	12.828%	11.250%

**Market weighted average rate; I USD = 91.37 KES (average for January 2015)*

Upcoming Bond Auctions, Monetary Policy Meetings

- **13,20 and 27 February 2015:** The central bank of Ghana to sell bonds
- **11 February 2015:** The central bank of Nigeria to sell bonds
- **13 February 2015:** The central bank of Zambia to sell bonds
- **25 February 2015:** The central bank of Rwanda to sell a bond

- **Monetary policy meetings** are scheduled for:
  - **11 February 2015:** Central Bank of Zambia
  - **13 February 2015:** National Bank of Uganda
  - **16 February 2015:** Central Bank of Angola
  - 18 February 2015: Central Bank of Ghana

*Source: Bloomberg, individual news websites, respective central banks; Note: ** No bids were accepted*

KIMONDO'S CORNER

Kenya Listed As One Of The Seven Emerging Economies To Bet On

An article penned by Ian Bremmer, the president of global political risk research and consulting firm Eurasia Group, that appears in the February 2015 edition of the *Fortune* magazine lists Kenya as one of the seven top emerging markets investment destinations to watch. The listing take note of the efforts being made in infrastructure development and the improving macro-economic stability. The other six emerging economies in the list are: India, Indonesia, Malaysia, Mexico, Colombia and Poland.

This listing is important to Kenya as the mention is likely to increase international investors' interest in investment opportunities, in real and financial sectors, in the country. When Jim O'Neil of Goldman Sachs coined the term 'BRIC' (to refer to Brazil, Russia, India and China) in 2001, and posited that by 2050 these four emerging economies would be wealthier than most of the then major economic powers, many BRIC focused mutual funds, Exchange-Traded Fund (ETFs), indexes, investment conferences, and Wall Street research teams were launched. Jim's research also led to multinationals committing and invest billions of dollars in the BRICs. At that time, it is estimated that BRIC accounted for USD 2.7 tn in GDP, or 8% of the world economy. Today, they account for roughly 19% of the global economic output.

The annual growth rate in advanced economies is projected to be no more than around 2% per annum (*IMF*). In addition, previously popular emerging economies investment hot-spots are losing their lustre for various reasons.

All this means emerging economies like Kenya have a real opportunity to draw in international capital.

WHY BET ON KENYA?

- The ruling coalition enjoys majority backing in the two national legislative chambers, enabling the executive to bank on legislative support to invest in the country's power sector and transport infrastructure. The government is currently implementing programs to build a standard gauge railway to improve bulk transport between the main port in Mombasa and the hinterland in Kenya and beyond, expand the main airport in Nairobi, double the amount of paved roads and develop an additional generation capacity of 5,000 MW of lower cost electricity. All these are geared to lowering the cost of doing business in Kenya.
- The government is improving the state of security.
- The withdrawal of all charges against the president at the International Criminal Court improves the stability to the government.
- Finally, the Government of Kenya recently signed a USD 688.3 mn standby facility with the IMF in order to protect the local currency from internal and external shocks. This will help keep inflation in check and keep the Kenya shilling stable.

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