

## HIGHLIGHTS

### Key Movements in Fixed Income and Currency Markets in June 2015

- The yields on **Kenyan** bonds rose across most maturities as the central bank mopped up liquidity from the market, which led to lower demand for debt. The yields on **Nigerian** bonds rose marginally across all maturities, except three-year bonds towards the mid of the month, mainly due to increased inflation and low-level liquidity owing to the central bank's monetary policy actions.
- In June 2015, most currencies weakened against the US dollar. On 23 June 2015, the **Tanzanian** shilling depreciated to an all-time low of TZS 2,286.4 against the US dollar. The **Ghanaian** cedi depreciated due to higher dollar demand fuelled by poor returns on interest savings and other financial instruments. On 23 June 2015, the **Ugandan** shilling declined to a record low of UGX 3,312.5, driven by long dollar positions held by banks over apprehensions of the local currency weakening further. On 23 June 2015, the **Kenyan** shilling reached a new three-and-half-year low of 98.65. On 24 June 2015, the **Nigerian** naira fell to NGN 222 against the US dollar at the parallel market, driven by significant demand from importers (refer to pages 7 and 8 for related information).
- In money markets, the interbank rate in **Kenya** and **Nigeria** rose to 13.3% and 16.7%, respectively, at the end of June 2015. The interbank rate in **Tanzania** increased to 7.1% during the month (details on page 6).

#### June Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
<b>Kenya 23 June yield (%)</b>	11.4	12.2	13.0	13.6
<b>Chg from 1 June 15 (bps)</b>	0	49	61	40
<b>Nigeria 23 June yield (%)</b>	13.7	13.9	13.7	14.2
<b>Chg from 1 June 15 (bps)</b>	-6	6	5	31

#### Movement of Key Currencies vs. US Dollar in June 2015

	Average	End Value	MTD	YTD
<b>Kenyan shilling</b>	97.5	98.7	-1.0%	-8.2%
<b>Ugandan shilling</b>	3,163.5	3,312.5	-7.6%	-16.3%
<b>Nigerian naira</b>	198.7	198.9	-0.6%	-7.8%
<b>Ghanaian cedi</b>	4.3	4.4	-7.2%	-26.9%
<b>Tanzanian shilling</b>	2,199.3	2,286.4	-7.9%	-24.2%

### Kimondo's Corner

#### Review of Opportunities in East Africa's 2015/16 Budgets

The East Africa governments read their 2015/16 fiscal budgets of USD2.47 bn, USD12.31 bn, USD21.27 bn and USD5.9 bn for Rwanda, Tanzania, Kenya and Uganda respectively.

These governments focused on economic transformation, security sectors, infrastructural development and agricultural activities to spur economic growth which are projected to grow by 6.5% (Rwanda), 5.8% (Uganda), 6.6% (Tanzania) and between 6.5% & 7% for Kenya.

The fiscal deficits will be financed by external and internal borrowing offering investors an opportunity to purchase treasury bill and bonds with yields in the mid teens.

(More details on page 11.)



**Author: Michael Kimondo - Head of Treasury Operations at Fusion**

For any further information, please contact:  
 Michael [mkimondo@fusiongroupafrica.com](mailto:mkimondo@fusiongroupafrica.com)  
 or Moses [mkorir@fusiongroupafrica.com](mailto:mkorir@fusiongroupafrica.com)

Source: Bloomberg and respective central banks

### Fusion Portfolio Management Service

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Kenneth Muchina (Africa)

+ 254 721 294 680

[kmuchina@fusiongroupafrica.com](mailto:kmuchina@fusiongroupafrica.com)



James Maclean (UK and Europe)

+ 44 7815 780 076

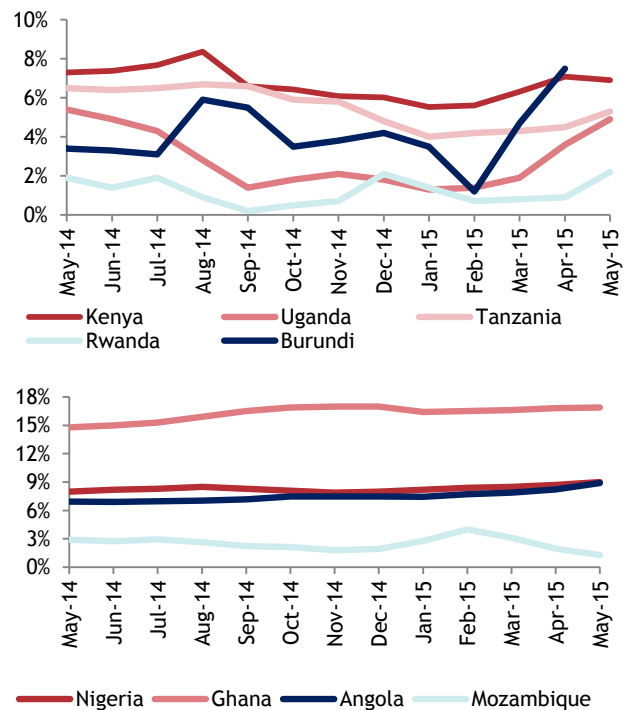
[jmaclean@fusiongroupafrica.com](mailto:jmaclean@fusiongroupafrica.com)

## HIGHLIGHTS

### Activity Across Africa: Economy and Politics

- The African Development Bank expects the **Kenyan** economy to grow 6.5% YoY in 2015 compared with 5.3% YoY in 2014, driven by significant agricultural output and lower operating costs. Meanwhile, the central bank in Nigeria has restricted the purchase of foreign currency bonds and other instruments from the interbank currency market, effective 24 June 2015, to conserve reserves and tighten liquidity (details on page 4).
- In June 2015, the central banks of **Angola, Ghana and Mozambique** kept their benchmark policy rates unchanged at 9.3%, 22.0% and 7.5%, respectively. However, the **Kenyan** central bank raised the benchmark interest rate to 10.0% in June 2015 from 8.5% in May 2015 to protect the shilling against the US dollar. **Uganda** further revised its policy rate to 13.0% in June from 12% in May 2015 (details on pages 3 and 4).
- In May 2015, inflation rose in most sub-Saharan African countries. In **Uganda**, inflation rose to 4.9% YoY in May 2015 from 3.6% YoY in April 2015. This was attributed to an increase in food prices. In **Nigeria**, inflation reached 9.0% YoY, the highest since May 2013 and up from 8.7% YoY in April 2015. In **Rwanda**, inflation significantly increased to 2.2% YoY in June 2015 from 0.9% YoY in April 2015. Meanwhile, inflation in **Kenya** eased to 6.9% YoY in May 2015 from 7.1% YoY in April 2015. (Details on pages 3 and 4.)

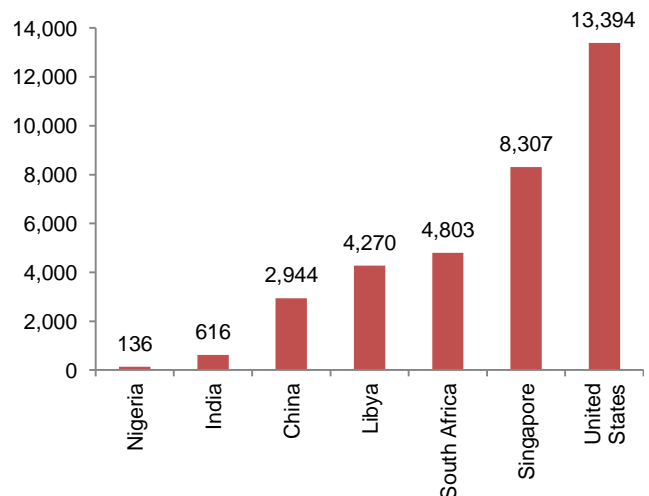
#### Inflation (YoY)



### Nigeria Faces Power Crisis

- Nigeria, the largest oil exporter in Africa, is facing its worst energy crisis. Of the country's overall electricity demand, only 1.5% is being met. More than 50% of the country's 173.6 million people do not have a reliable connection to a power grid.
- Large investments in the past to privatise state-run The Power Holding Company of Nigeria proved futile, as power generation after the exercise actually declined compared with the output before.
- Faced with power outages, businesses and citizens use fuel-intensive power generators, the running costs of which are considerably high. Small businesses struggle to stay afloat or have closed operations due to costs associated with power.
- Certain short-term measures are necessary to achieve the target power production level in the next four years. Examples of these measures are refurbishing existing capacity to ensure full utilisation, solving vandalism through community-based intervention, introducing load-shedding, developing alternative sources of energy, and repairing and constructing oil pipelines.

#### Per Capita Electricity Usage by Country (KWH)



Source: Individual news websites

## ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

### East African Community

#### Kenya

- Inflation eased to 6.9% YoY in May 2015 from 7.1% YoY in April 2015. Food prices increased 13.2% YoY in May 2015 versus 13.4% YoY in April 2015, while clothing and footwear prices rose 4.5% YoY in May 2015 versus 4.4% YoY in April 2015. On the other hand, prices of alcoholic beverages, tobacco, and narcotics increased 1.9% YoY in May 2015 versus 2.2% YoY in April 2015. However, transport prices declined 3.5% YoY in May 2015 versus 0.8% YoY in April 2015. Furthermore, petrol and diesel prices increased in May 2015, offset by a fall in matatu and bus fares, and prices of other goods and services in the transport sector.
- The African Development Bank expects the Kenyan economy to grow 6.5% YoY in 2015, compared with 5.3% YoY in 2014. The estimate is higher than Africa's target growth of 4.5% YoY in 2015. Significant agricultural output, along with lower costs of doing business, is expected to fuel this growth.
- Kenya has increased investment in the energy sector to raise the number of electricity users in the country. This is expected to give impetus to small businesses such as welding shops, thereby boosting the economy.
- On 7<sup>th</sup> July 2015, Kenya raised its central bank rate further by 150 bps to 11.5% in a bid to support the value of the shilling.

#### Uganda

- Annual headline inflation rose to 4.9% YoY in May 2015 from 3.6% YoY in April 2015. This was due to a food inflation of 6.6% YoY in May 2015, compared with 2.2% YoY in April 2015. Meanwhile, core inflation rose to 4.8% YoY in May 2015 from 4.6% YoY in April 2015.
- The central bank raised the benchmark policy rate to 13.0% in June 2015 from 12.0% in May 2015.

#### Tanzania

- Annual headline inflation rose to 5.3% YoY in May 2015 from 4.5% YoY in April 2015. The increase was led by an 8.5% YoY rise in prices of food and non-alcoholic beverages in May 2015, vis-à-vis 7.1% YoY in April 2015.

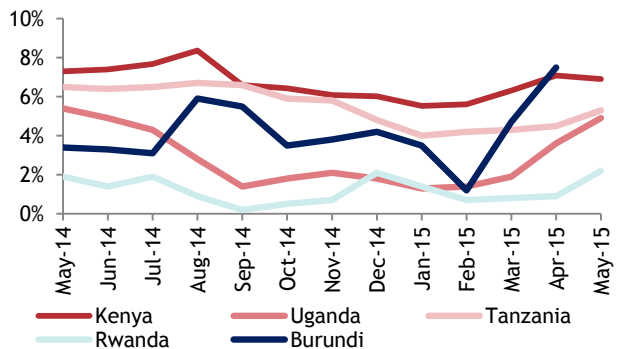
#### Rwanda

- Inflation increased to 2.2% YoY in May 2015 from 0.9% YoY in April 2015. This rise was primarily due to higher inflation in food, and housing and utility costs.

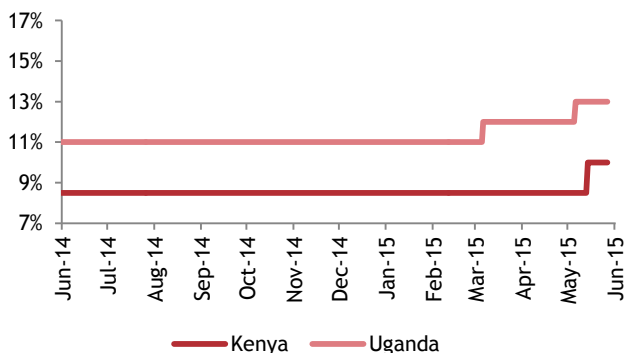
#### Burundi

- Inflation increased to 7.5% YoY in April 2015 from 4.7% YoY in March 2015 and 1.2% YoY in February 2015.

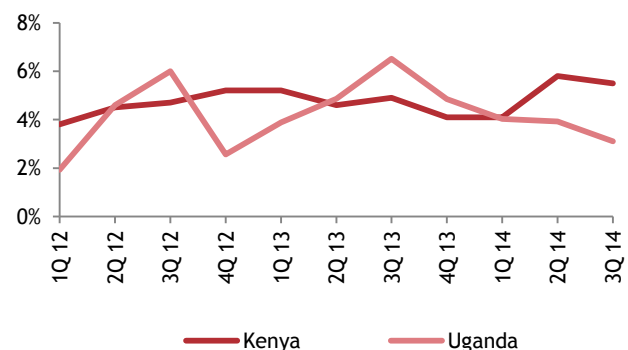
#### Inflation (YoY)



#### Movement of Central Banks' Key Rates



#### GDP Growth in Kenya and Uganda (YoY)



Source: Bloomberg, individual news websites, respective central banks

## ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

### Rest of Sub-Saharan Africa

#### Nigeria

- Inflation increased to 9.0% YoY in May 2015, the highest level since May 2013 and up from 8.7% YoY in April 2015. This was primarily attributed to higher food inflation of 9.8% YoY in May 2015 versus 9.5% YoY in April 2015.
- Real GDP grew 3.9% in 1Q 2015, down from 5.9% in 4Q 2014 and 6.2% in 1Q 2014. On the other hand, nominal GDP grew 4.3% YoY to NGN 21.0 trillion in 1Q 2015. The economy was primarily affected by a decline in oil prices, which led to an 8.2% fall in the real growth of the oil sector in 1Q 2015.
- The central bank has restricted the purchase of foreign currency bonds and other instruments from the interbank currency market, effective 24 June 2015, to conserve reserves and tighten liquidity.

#### Angola

- Inflation increased to 8.9% YoY in May 2015, the highest since September 2013 and up from 8.2% YoY in April 2015. Prices increased 1.2% MoM in May 2015 compared with 0.9% MoM in April 2015.
- In May 2015, Angola's central bank maintained its benchmark policy rate at 9.25%, after raising it by 25 basis points in March 2015.

#### Ghana

- Inflation increased to 16.9% YoY in May 2015 from 16.8% YoY in April 2015. The rise could primarily be attributed to higher inflation in food items (up 7.3% YoY in May 2015 from 7.2% in April 2015), non-food items (up 23.4% YoY in May 2015 from 23.2% YoY in April 2015), and furnishings and household equipment (up 23.5% YoY in May 2015 from 23.2% YoY in April 2015).
- The benchmark policy rate remained unchanged at 22.0% in June 2015.

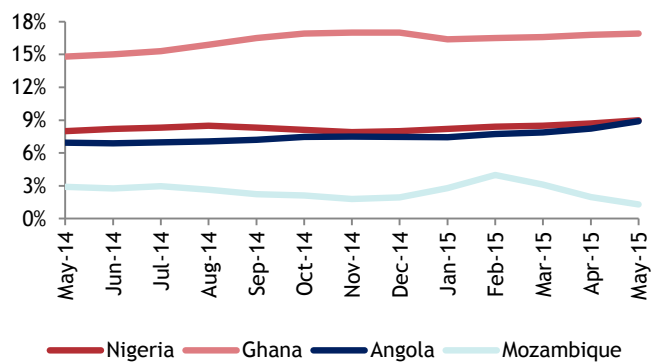
#### Mozambique

- Inflation declined to 1.3% YoY in May 2015 from 1.98% YoY in April 2015, primarily due to a fall in food prices.
- The central bank has kept the benchmark policy rate unchanged at the record low of 7.5% since November 2014, citing slowing international economic growth, along with slowing inflation, as the reason.

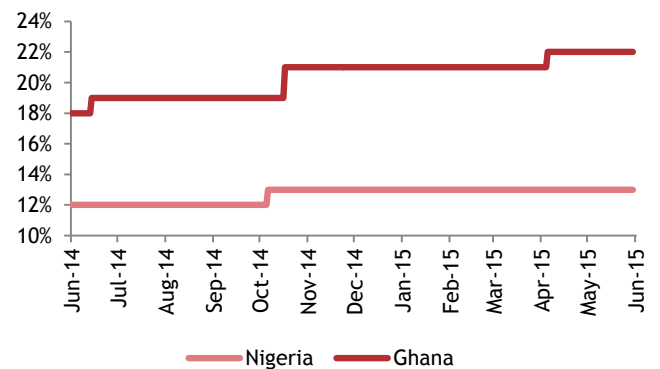
#### Ivory Coast

- Inflation declined to 1.4% YoY in April 2015 from 1.7% YoY in March 2015. Prices of housing and utility, healthcare, and food and soft drink rose 2.5%, 0.2%, and 2.6%, respectively. Meanwhile, transport prices fell 0.5%. Communications costs were flat.

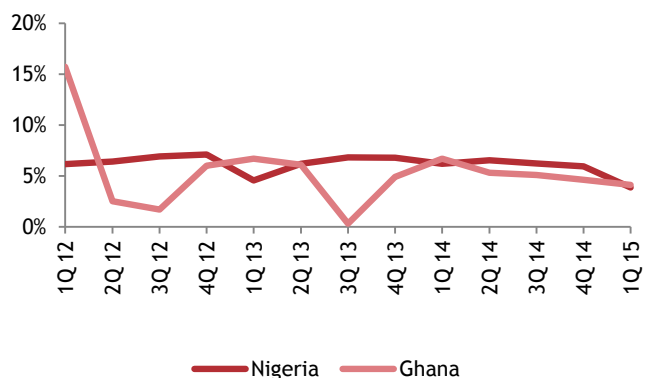
#### Inflation (YoY)



#### Movement of Central Banks' Key Rates



#### GDP Growth in Nigeria and Ghana (YoY)



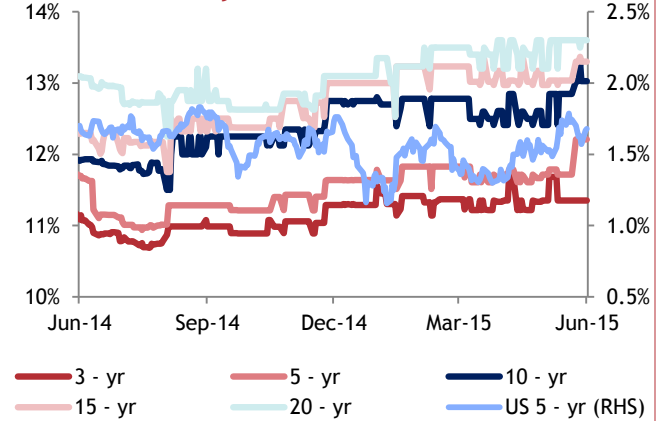
Source: Bloomberg, individual news websites, respective central banks

## ACTIVITY ACROSS AFRICA: BOND MARKETS

### Kenya

- In June 2015, Kenyan bond yields rose across most maturities. The highest increase was witnessed in the yields on bonds with 10- and 15-year tenures, which increased by 49 bps to 12.2% and 61 bps to 13.0%, respectively. Meanwhile, the yields on 3-year bonds remained stable at 11.4%.
- The increase in yields was ascribed to tight market liquidity situation due to the Central Bank of Kenya's (CBK) mopping of excess liquidity via repurchase agreements during June 2015. This move made the US dollar expensive, thus supporting the shilling.
- On 24 June 2015, the CBK, on behalf of the government, auctioned 2-year and 5-year Treasury bonds with weighted average yields of 13.2% and 12.6%, respectively. The CBK received subscriptions totalling KES 8.55 billion and KES 8.30 billion, and allocated bids worth KES 7.19 billion and KES 5.57 for 2- and 5-year bonds, respectively.

#### Bond Yields' Daily Movement



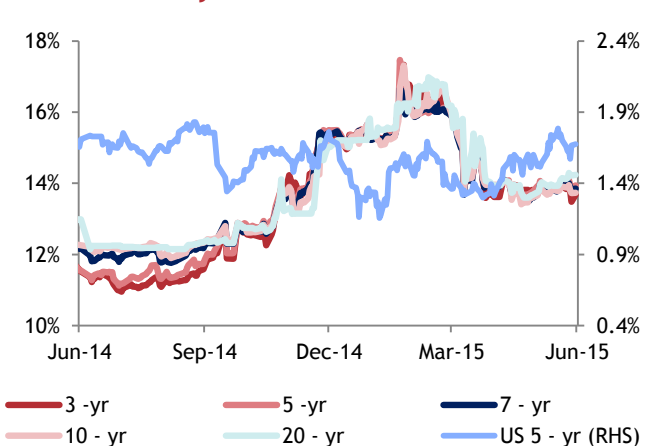
#### Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
<b>23 June yield (%)</b>	11.4	12.2	13.0	13.3	13.6
<b>Chg from 1 June 15 (bps)</b>	0	49	61	2	40
<b>Chg from 1 Jan 15 (bps)</b>	-1,106	-1,143	-1,235	0	-1,285

### Nigeria

- In June 2015, the yields on all Nigerian bonds rose marginally across all maturities, except 3-year bonds. While the yields on 3-year bonds marginally declined by 6 bps to 13.7%, the yields on 5-, 7- and 10-year bonds rose 6 bps to 13.9%, 13 bps to 13.9% and 5 bps to 13.7%, respectively. The highest increase was witnessed in the yields on 20-year bonds rose the most by 31 bps to 14.2%.
- The yields on Nigerian bonds started increasing around the mid of the month as a result of a rise in short-term inflation, which led to a decline in bond prices. Furthermore, market rates remained high amid tight money supply in the economy due to monetary policy actions such as open market operations and Treasury bill issuances (worth NGN 465.7 billion).
- On 17 June 2015, the government auctioned 5-year NGN 40.0 bn 15.5% February 2020 bonds, 10-year NGN 15.2 bn 14.2% March 2020 bonds and 20-year NGN 25.0 bn 12.2% July 2034 bonds. It received subscriptions worth NGN 50.55 bn, NGN 36.32 bn and NGN 44.01 bn, and made allotments worth NGN 40.0 bn, NGN 15.2 bn and NGN 25.0 bn for 5-, 10- and 20-year bonds, respectively.

#### Bond Yield Daily Movement



#### Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
<b>23 June yield (%)</b>	13.7%	13.9%	13.9%	13.7%	14.2%
<b>Chg from 1 June 15 (bps)</b>	-6	6	13	5	31
<b>Chg from 1 Jan 15 (bps)</b>	-128	-112	-122	-129	-97

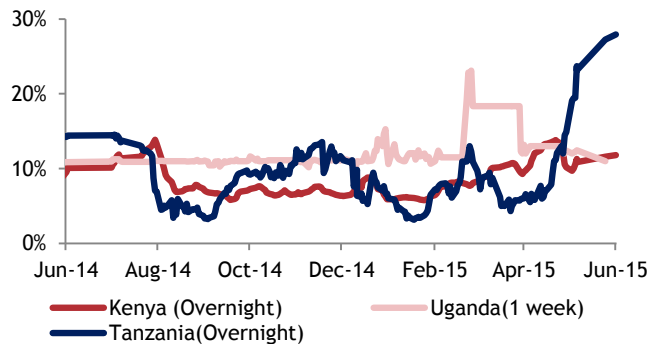
Source: Bloomberg, individual news websites

## MONEY MARKETS

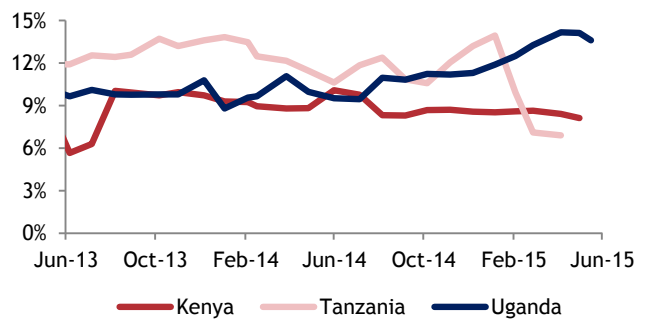
### East African Community

- The interbank rate in Kenya eased to 11.8% at the end of June 2015 from 13.6% at the start of the month, indicating higher market liquidity. This is in spite of the CBK's frequent mopping of liquidity from the market (-KES 41 bn) during the month. Meanwhile, the interbank rate in Tanzania rose drastically to 27.9% at the end of June 2015 from 9.4% at the start of the month, as the banks were faced with a serious liquidity shortage.

#### Interbank Rates



#### 91-day/3-month Treasury Bills (Monthly Average)



### 3-month Currency Deposit and T-bill Rates (June 2015) Policy and Average Interbank Rates (June 2015)

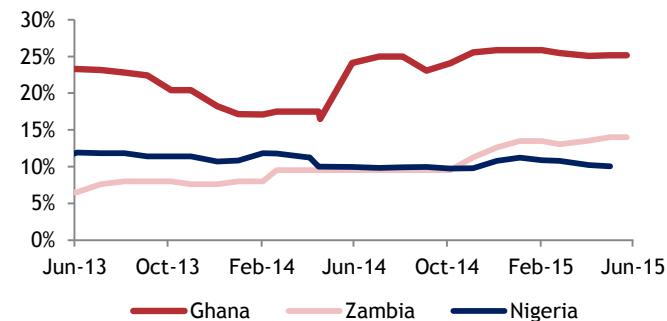
	Kenya	Tanzania	Uganda
3-m curr dep	8.3%	8.4%	NA
91-d/3-m T-bill	8.1%(May)	6.9%(Apr)	13.6%

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	10.0%	12.0%	13.0%
Interbank	11.8%	27.9%	11.0%

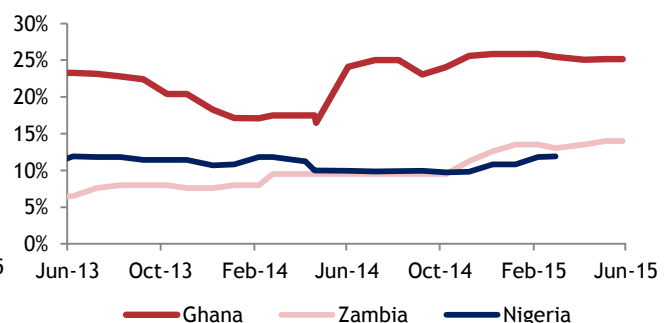
### Rest of Sub-Saharan Africa

- The Nigerian Interbank Offered Rate (NIBOR) marginally increased to 16.9% at the end of June 2015 from 16.1% at the start of the month. Outflow towards the settlement of bonds and Treasury bill purchases worth NGN 235.5 billion were primarily responsible for the liquidity crunch that led to an increase in NIBOR.

#### Interbank Rates



#### 91-day/3-month Treasury Bills (Monthly Average)



### 3-month Currency Deposit and T-bill Rates (June 2015) Policy and Average Interbank Rates (June 2015)

	Nigeria	Ghana	Zambia
3-m curr dep	12.0%	25.1%	16.6%
91-d/3-m T-bill	10.0%(May)	25.2%	14.0%

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	13.0%	22.0%	12.5%
Interbank	16.9%	23.9%	15.0%

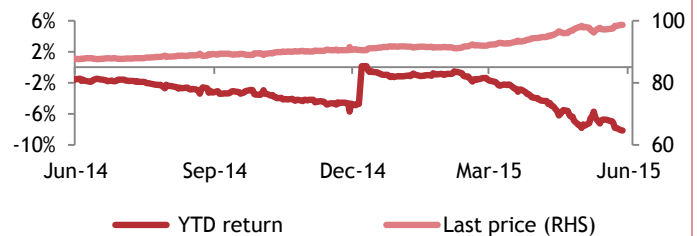
Source: Bloomberg, individual news websites, respective central banks.

## CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

### Kenyan Shilling (KES)

- In June 2015, the Kenyan shilling continued to depreciate against the US dollar, setting a new three-and-half-year low of 98.65 on 23 June 2015. The currency was down 1.0% on an MTD basis and 8.2% on a YTD basis.
- The shilling slightly strengthened to 97.15/25 following the rise in the benchmark lending rate on 9 June 2015. However, it continued to remain under pressure driven by the strong month-end demand for the US dollar. The pressure was primarily from the energy and manufacturing sectors. Wider fiscal deficit estimates, along with a slippage in foreign exchange earnings, due to subdued tourism, are straining the currency further.
- The shilling is expected to remain under pressure unless the Central bank intervenes.

#### USD/KES Daily Movement

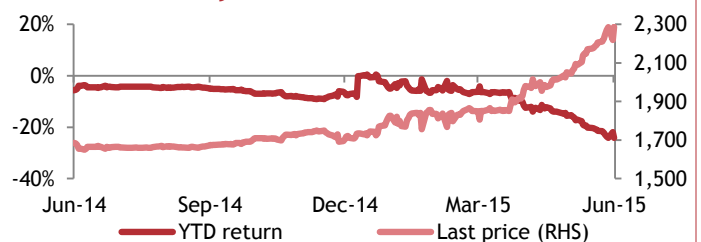


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	97.5	98.7	98.7	96.1	-1.0	-8.2
EUR	109.8	111.2	111.9	106.8	-4.0	-1.5

### Tanzanian Shilling (TZS)

- On 23 June 2015, the Tanzanian shilling depreciated against the US dollar to reach an all-time low of TZS 2,286.4. The currency was down 7.9% on an MTD basis, while it shed 24.2% YTD.
- Significant demand from the energy and manufacturing sectors, coupled with a limited US dollar inflow, is affecting the currency.
- With the government's intervention, the shilling is expected to strengthen against the US dollar in the second half of 2015, which is the peak season for the nation's tourism activity and agricultural exports.

#### USD/TZS Daily Movement

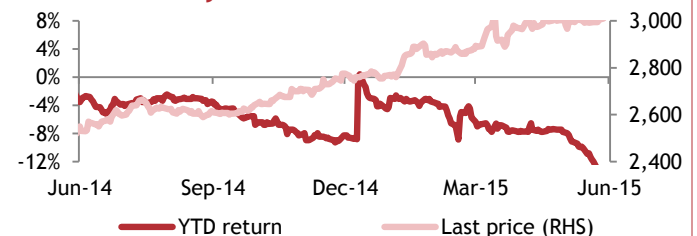


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,199.3	2,286.4	2,286.4	2,105.0	-7.9	-24.2
EUR	2,474.5	2,577.6	2,593.5	2,299.7	-10.8	-18.7

### Ugandan Shilling (UGX)

- In June 2015, the Ugandan shilling declined against the US dollar to a record low of UGX 3,312.5. The currency depreciated 7.6% on an MTD basis and 16.3% on a YTD basis.
- Banks holding long US dollar positions over apprehensions of the shilling weakening further led to the decline in the local currency. Huge US dollar demand from the telecom and manufacturing sectors amid limited supply continued to contribute to the weakening of the shilling. Concerns over the rising current account deficit and the announcement of a 71% increase in public spending stoked worries further.
- The shilling is expected to remain stable in near term mainly due to tightening liquidity.

#### USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3,163.5	3,312.5	3,312.5	3,060.0	-7.6	-16.3
EUR	3,558.5	3,747.0	3,747.0	3,354.5	-10.5	-10.5

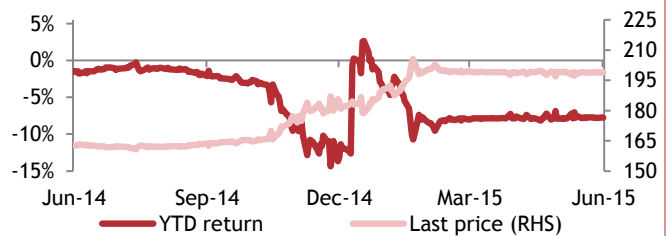
Source: Bloomberg, individual news websites

## CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

### Nigerian Naira (NGN)

- In June 2015, the naira remained more or less stable, depreciating marginally by 0.6% on an MTD basis and 7.8% on a YTD basis.
- In February 2015, the central bank fixed the naira's clearing rate at NGN 198 to the US dollar to curb speculation over the local currency. However, the naira fell to NGN 222 against the US dollar on 24 June 2015 in the parallel market. The decline was driven by significant demand from importers. To protect the local currency, the central bank's foreign exchange reserves were depleted to USD 29.03 billion as on 22 June 2015.
- The central bank's prohibition on importers purchasing bonds from the interbank currency market indicate its reluctance to allow the naira to devalue.

#### USD/NGN Daily Movement

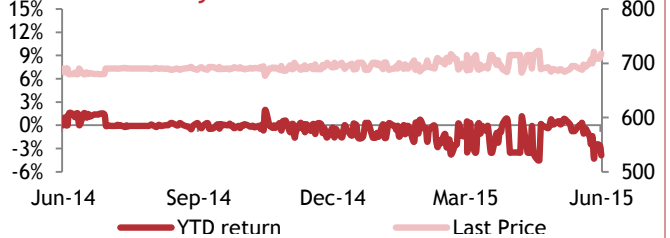


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	198.7	198.9	199.1	197.3	-0.6	-7.8
EUR	223.6	224.2	226.1	217.2	-3.1	-1.3

### Rwandan Franc (RWF)

- In June 2015, the Rwandan franc fell to RWF 717.8 against the US dollar. It depreciated 0.2% on an MTD basis and appreciated 0.8% on a YTD basis in the month.
- The local currency has been under pressure against the US dollar owing to high demand for the greenback to finance imports amid widening current account deficit.
- The local currency is expected to remain under pressure against the US dollar, as the country's imports continue to outpace exports. However, trade deficit might reduce as the government is looking at ways of manufacturing most goods (primarily food and cement) that have led to a rise in import receipts. Also, the government expects exports to grow 6.0% to USD 764.4 million in 2015 from USD 723.1 million in 2014.

#### USD/RWF Daily Movement

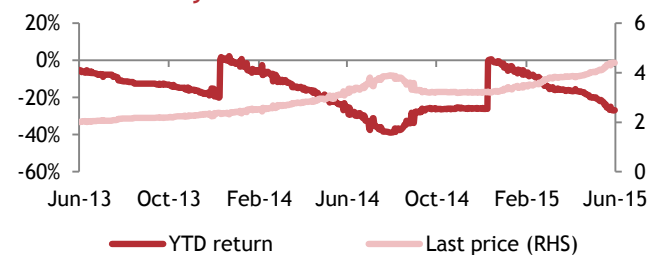


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	699.1	717.8	721.1	688.0	-4.2	-3.9
EUR	788.6	808.9	819.4	751.7	-7.1	3.2

### New Ghanaian Cedi (GHS)

- The cedi continued to trend downwards in June 2015. It reached a record low of GHS 4.40 against the US dollar, losing 7.2% on an MTD basis and 26.9% on a YTD basis.
- Poor returns from interest savings and other financial instruments fuelled demand for the US dollar from businesses, which try to maintain buffers. To stabilize the cedi, the central bank started selling USD 20 million a day compared with USD 14 million a week. Meanwhile, donor inflows are expected to total USD 500 million by the end of the third quarter of 2015.
- The cedi is expected to stabilise in near term provided the central bank continues selling US dollar in the interbank market. Also the sale of a Eurobond and a syndicated loan for cocoa producers is expected to support the local currency in the second half of 2015.

#### USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	4.3	4.4	4.4	4.1	-7.2	-26.9
EUR	4.8	5.0	5.0	4.5	-10.3	-21.8

Source: Bloomberg, individual news websites



## SPECIAL FOCUS

### Nigeria reeling with power crisis

#### Acute power shortage due to significant power infrastructure deficit

Nigeria, Africa's largest oil exporter, is facing its worst energy crisis. Of the country's total electricity need, just 1.5% is being delivered, with over 50% of Nigeria's 173.6 million people without reliable connection to the power grid. The absence of meters in more than 60% of households receiving electricity poses a challenge to accurately measure the supply. With an average annual per capita power consumption of 136 kWh, Nigeria is one of the lowest power consumers in the world.

#### No positive impact of privatisation; pipeline vandalism further aggravates situation

Large investments to privatise the state-run company Power Holding Company of Nigeria proved futile, as power generation after the exercise actually declined compared with pre-privatisation levels. Nigeria's existing power grid is dilapidated and inefficient, with production dropping 38% to 2,800 MW in May 2015 from 4,500 MW in March 2015 due to scarcity of gas. This has resulted in several plants shutting down their operations given their significant dependence on the resource.

Vandalism of power pipelines has exacerbated concerns arising out of critical shortage of power infrastructure and poor maintenance of existing capacities. These persistent vandalism events have resulted in severe damages totalling about USD 40.4 million between January and March 2015.

#### Businesses and households rely on generators for power supply; associated costs huge burden

Faced with power outages, businesses and citizens have been using fuel-intensive power generators. Diesel and petrol generators are being utilised to supply 6,000–7,000 MW of power in Nigeria. However, the running costs of these generators are considerably high, with the working class spending over NGN 80 per kWh on candles and kerosene. Unable to bear the high operational costs of generators, over 65% of households rely on firewood.

Businesses have been severely impacted due to the lack of uninterrupted power supply. Nearly 40% of manufacturers' costs are towards electricity supply, with diesel generators accounting for over NGN 60 per kWh. Moreover, the dearth of refineries necessitates imports, making the usage of gas and kerosene expensive. Several small businesses have closed operations due to debt. Unless the problem is rectified immediately, the power crisis is expected to significantly affect the economy. By 2020, slowdown in business activity and loss of jobs are expected to negatively impact Nigeria's GDP by over USD30 billion. Moreover, the lack of basic infrastructure could severely limit international investments in the nation. The development of infrastructure and transmission capacities to produce over 10,000 MW of

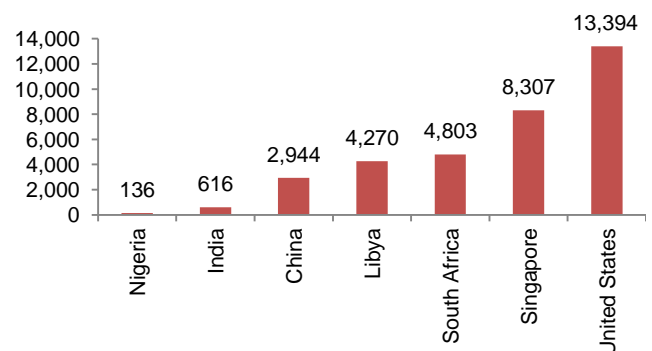
power is imperative to stabilise Nigeria's economy.

#### Reforms to bridge demand-supply gap

Although the current situation demands a more long-term approach in solving Nigeria's problems, certain short-term measures could help provide immediate solutions and pave the way for a full-scale solution. These measures include refurbishing existing capacity to ensure full utilisation, solving the vandalism issue through community-based intervention and introducing load shedding. The development of alternative sources to offset the ongoing gas crisis and repair and development of oil pipelines are necessary to achieve the target level of 20,000 MW in four years compared with the current installed capacity of 5,500 MW. Furthermore, the government needs to invest in improving the nation's petroleum refining capacities, as Nigeria imports about 80% of its refined petroleum requirements despite being the world's sixth-largest producer of crude oil.

The Buhari-led government plans to undertake additional financial and resource commitment towards improving infrastructure. Ongoing initiatives, such as reforms in power tariffs and subsidies, have enabled companies to finance their activities. Moreover, the government is incentivising the sector through credit assistance, grants, technical assistance and power purchase agreements. With the aid of the Agence Française de Développement, the government is striving to secure a grant worth EUR 170 million to build transmission networks. Furthermore, the private sector is contributing, with several energy producers, such as Geometric Power, setting up additional power plants in the country. In addition, Schneider Electric, along with Nigeria's government, is implementing power reforms to ensure full capacity realisation. Although the current capacity remains significantly below the country's estimated peak demand, the recent increase in power generation from less than 2,800 MW to 3,657 MW due to improvement in gas supply indicates positive outlook.

#### Per capita electricity usage by country (KWH)



Source: Individual news websites

## AUCTIONS and EVENTS

### Latest Issuances of Key Government Bonds (Duration Greater Than One Year)

#### Uganda's Latest Issuance: 5-yr and 2-yr Bonds (June 2015)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
18 Jun	5-yr	118.94 bn	1.26	16.83%	17.00%
18 Jun	2-yr	31.06 bn	2.03	16.681%	16.75%
<b>Details of issuances in May</b>					
21 May	15-yr	120.00 bn	1.64	17.517%	17.50%
21 May	2-yr	60.00 bn	2.88	16.994%	16.75%

1 USD = 3,163.5 UGX (average for June 2015)

#### Ghana's Latest Issuance: 2-yr Note (June 2015)

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int rate
8 Jun	2-yr	2.63 mn	FXR Note	1	23.00%
15 Jun	2-yr	0.66 mn	FXR Note	1	23.00%
22 Jun	2-yr	1.30 mn	FXR Note	1	23.00%
<b>Details of issuances in May</b>					
29 May	2-yr	4.51 mn	FXR Note	1	23.00%
25 May	2-yr	3.30 mn	FXR Note	1	25.90%
18 May	2-yr	251.24 mn	FXR Note	1	22.50%
11 May	2-yr	0.84 mn	FXR Note	1	23.00%

\*Fixed rate; 1 USD = 4.25 GHS (average for June 2015)

#### Tanzania's Latest Issuance: 15-yr and 2-yr Bonds (June 2015)

Issue Date	Maturity	**Amt(TZS)	Bid/Offer	YTM	WACY*
11 Jun	7-yr	33.68 bn	6.74	16.64%	13.72%
25 Jun	10-yr	18.88 bn	1.00	17.02%	NA
08 Jul	10-yr	82.00 bn			
<b>Details of previous 2-yr issuances</b>					
14 May	15-yr	65.00 bn	1.22	17.460%	17.054%
28 May	2-yr	50.85 bn	1.00	14.011%	NA

\*Weighted average coupon yield; USD 1 = TZS 2,199.3 (average for June 2015)

#### Kenya's Latest Issuance: 2-yr and 10-yr Bonds (June 2015)

Issue Date	Maturity	Amt bid (KES)	Amt acpt (KES)	MWAR*	Coupon
29 Jun	2-yr	8.55 bn	7.19 bn	12.72%	12.63%
29 Jun	5-yr	8.30 bn	5.57 bn	13.46%	13.19%
<b>Details of issuances in May</b>					
25 May	2-yr	24.253 bn	20.223 bn	11.856%	10.890%
25 May	10-yr	8.304 bn	5.064 bn	13.040%	12.180%

\*Market weighted average rate; 1 USD = 94.5 KES (average for June 2015)

### Upcoming Bond Auctions and Monetary Policy Meetings

- **22 July 2015:** Bank of Tanzania to sell bonds
- **Monetary policy meetings** are scheduled to be held on:
  - **15 July 2015:** Bank of Ghana
  - **21 July 2015:** Central Bank of Nigeria
  - **31 July 2015:** The National Bank of Angola

Source: Bloomberg, individual news websites, respective central banks

## KIMONDO'S CORNER

### Review of Opportunities in East Africa's 2015/16 Budgets

The East Africa governments read their 2015/16 fiscal budgets of USD2.47 bn, USD12.31 bn, USD21.27 bn and USD5.9 bn for Rwanda, Tanzania, Kenya and Uganda respectively.

These governments focused on economic transformation, security sectors, infrastructural development and agricultural activities to spur economic growth which are projected to grow by 6.5% (Rwanda), 5.8% (Uganda), 6.6% (Tanzania) and between 6.5% and 7% for Kenya, higher than the projected Sub Saharan economic growth rate of 4.8% in 2015.

Kenya's budget proposals for instance focused on funding the security sector due to recent cases of insecurities which has negatively affected the tourism industry, one of the key earners of foreign exchange. Kenya also prioritised infrastructural development projects such as like standard gauge railway, roads and energy sectors, irrigation and reviving the tourism sector.

Rwanda is concentrating on economic transformations, rural development, employment and accountable governance. Key infrastructural projects planned in Rwanda include rehabilitation of hydro plants, development of peat power plant, electricity access programs and development of industrial parks.

Tanzania is prioritising financing of this year's general election, education, health, infrastructure, water, irrigation and energy.

And lastly, Uganda will be putting debt repayment, works and transport, energy, education, security and health in the coming year in the front line.

The fiscal deficits will be financed by external and internal borrowing offering investors an opportunity to purchase Treasury bill and bonds with yields in the mid teens. The fiscal deficit to GDP ratio stands at 8.7%, 7%, 5.2%, 5% for Kenya, Uganda, Rwanda and Tanzania respectively, while the debt to GDP for Kenya, Uganda, Rwanda and Tanzania stands at 46%, 30.4%, 25% 42.1% respectively. The debt to GDP ratios are well below the European Monetary Union (EMU) States which have an average debt ratio of 92% (Source: <http://www.ecb.europa.eu>, 2014). This means that the East African countries have room for further borrowing without weakening their macroeconomic environments. Kenya and Uganda plan to raise USD2.25 bn and USD438 mn in the local markets offering investors money markets investment opportunities with yields of mid teens.

These countries are also implementing new tax incentives and measures to improve the business and attract foreign direct investors. Kenya has proposed amendments that will exempt from import duty inputs used in the development and generation of wind and solar energy in order to attract investors and support the use of cheaper and cleaner alternative sources of energy. She has also abolished withholding tax on the consideration from assignment of rights in the oil, gas and mineral exploration in order to support its nascent oil and mineral industry. Among other things, she has also proposed scrapping a capital gains tax of 5% on sales of listed shares and introducing a 0.3% withholding tax on the transaction value of the shares after resistance from stockbrokers fraternity due to implementation challenges.

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