FUSION AFRICAN MONITOR

FUSION INVESTMENT MANAGEMENT
Rooted in the African growth story

Current news and analysis from Sub-Saharan money markets

February 2016

HIGHLIGHTS

Key Movements in Fixed Income and Currency Markets in January 2016

- Bond yields in Kenya increased in January 2016 as inflation breached the government's medium-term target (2.5–7.5%). Bond yields in Nigeria rose across tenors in January 2016, as the government expected a rise in budget deficit due to a dip in oil revenue.
- In January 2016, most currencies weakened against the US dollar. The Kenyan shilling was flat at KES 102.3 against the dollar, as the inflow and outflow of the dollar was balanced and corporate demand remained weak. The Tanzanian shilling weakened to TZS 2,185.0 against the US dollar due to strong demand for the currency from the manufacturing sector. The Nigerian naira inched down to NGN 199.3 against the US dollar due to a reduction in forex inflow on account of a fall in oil prices. The Ugandan shilling plummeted to UGX 3,477.5 against the US dollar, primarily due to strong demand for the US dollar from manufacturing firms, as well as short covering of dollar positions by banks. The Ghanaian cedi weakened sharply against the US dollar to GHS 3.9 due to a decline in prices of gold and cocoa, which are two of its major export commodities (refer to pages 7 and 8 for details).
- In the money markets, Kenya's interbank rate was flat at 7.5% towards the end of January 2016, while the same rate for Uganda rose to 18.8% (details on page 6).

January Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
Kenya 28-Jan yield (%)	15.9%	15.4%	15.9%	14.5%
Chg from 1-Jan 16 (bps)	-205	-121	-253	25
Nigeria 28-Jan yield (%)	9.6%	12.0%	12.0%	12.0%
Chg from 1-Jan 16 (bps)	-115	-105	-87	-86

Movement of Key Currencies versus US Dollar in January 2015

	Average	End Value	MTD	YTD
Kenyan Shilling	102.3	102.3	0.0%	0.0%
Ugandan Shilling	3,447.9	3,477.5	-3.0%	-3.0%
Nigerian Naira	199.0	199.3	-0.1%	-0.1%
Tanzania Shilling	2,182.7	2,185.0	-1.8%	-1.8%
Ghanaian Cedi	3.9	3.9	-2.4%	-2.4%

Kimondo's Corner

East Africa Community Integration progress

The EAC has, within a relatively short time since its establishment 16 years ago, realized tremendous progress in regional co-operation and significant impact on regional development. In real growth terms, the region's combined GDP has risen to USD 147 billion, up from USD 20 billion in 1999. The region now boast a sizeable market of a combined population of 146 million.

This journey towards integration commenced in 2000 and is underpinned by three main protocols: the customs union (2005), the common market (2010), and, more recently, the monetary union (2013). The region is now working on political federation and a single currency.

Intra-trade between EAC has grown by 61% from USD 3.7b in 2008 to USD 6b in 2013. The region has also benefited from free movement of people. (More details on page 11.)

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Fusion Portfolio Management Service

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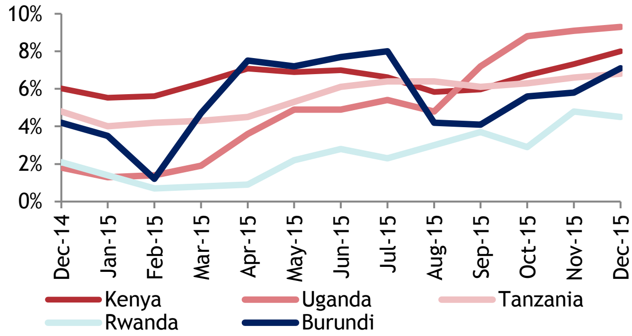
Source: Bloomberg and respective central banks

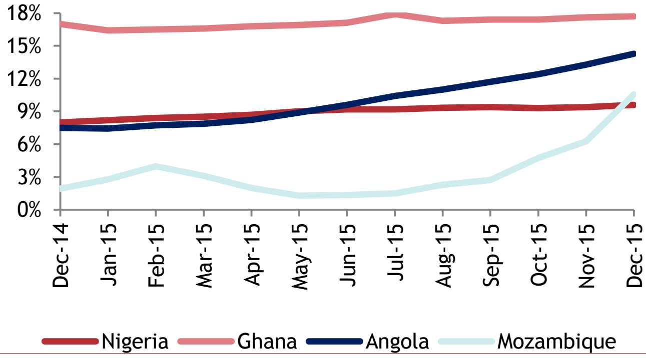
HIGHLIGHTS

Activity across Africa: Economy and Politics

- In January 2016, the Central Bank of Kenya retained its benchmark interest rates at 11.5%, citing that the current monetary policy rates are sufficient to control any demand pressures on the economy. The low oil prices also provided sufficient room to the central bank to maintain interest rates at the current level. (details on page 3).
- In January 2015, the central banks of **Kenya, Uganda, Ghana, Mozambique** and **Angola** retained their benchmark interest rates. Most of these countries are trying to protect their currencies from further depreciation by maintaining high benchmark rates (details on pages 3 and 4).
- In December 2015, most sub-Saharan economies recorded high inflation. In **Kenya**, inflation increased to 8.0% YoY in December 2015 from 7.3% YoY in November 2015, primarily due to a rise in the prices of food, non-alcoholic and alcoholic beverages, tobacco and narcotics products. In **Uganda**, inflation rose to 9.3% YoY in December 2015 from 9.1% YoY in November 2015, primarily driven by a rise in rent and prices of fuel, utilities, healthcare, entertainment and others. In **Ghana**, inflation inched up to 17.7% YoY in December 2015 from 17.6% YoY in November 2015, primarily led by a slight gain in prices of food and non-alcoholic beverages. In **Nigeria**, inflation rose marginally to 9.6% YoY in December 2015 from 9.4% YoY in November 2015 due to an increase in the food subindex, as well as a rise in the prices of transport, clothing and footwear. In **Mozambique**, inflation surged to 10.6% YoY in December 2015 from 6.3% YoY in November 2015, primarily driven by a rise in the cost of food, electricity and water (details on pages 3 and 4).

Inflation (YoY)

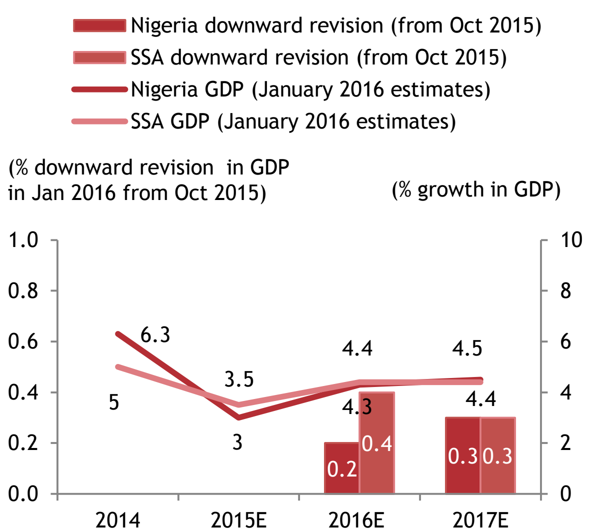




Effects on SSA Economies After Oil Price Collapse

- Iran's entry in the global oil market, as well as the pre-existing supply glut, further declined crude oil prices. This could affect both oil-exporting and -importing nations in Sub-Saharan Africa (SSA).
- Oil-importing SSA economies, such as Kenya and Uganda have been benefitting from the price collapse fuelled by anticipated improvements in the current account deficit (CAD) and inflation.
- Oil-exporting nations, such as Nigeria and Angola, are facing currency depreciation, low foreign exchange reserves and high budget deficits due to a fall in oil revenue. Nigeria is also facing a looming currency devaluation next year, despite implementing capital control measures to preserve foreign exchange reserves.
- Angola's currency depreciated due to reduced oil exports and declining oil prices, while its benchmark interest rates moved up due to rising inflation.
- SSA economies need to enforce a combination of short-term (to cope with external shocks) and long-term policies (for broader economic development) to manage the situation.
- Governments need to harmonize fiscal and monetary policies, reduce fuel subsidies, move towards market-determined exchange rates and achieve diversification in their economies (details on page 9).

GDP growth rates — Nigeria and SSA (Source: IMF)



Source: Individual news websites

FUSION INVESTMENT MANAGEMENT
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ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

East African Community

Kenya

- Inflation reached 8.01% YoY in December 2015 from 7.32% YoY in November 2015, mainly due to the continued rise in prices of food and non-alcoholic beverages (up 13.3% YoY in December 2015 compared 12.7% YoY in November 2015), as well as an increase in prices of alcoholic beverages, tobacco and narcotics products (up 15.0% YoY in December 2015 compared to 3.3% YoY gain in November 2015). Inflation has moved beyond the central bank's medium-term target of 2.5-7.5%. However, the central bank believes the rise to be temporary and expects it to decline in the near future.
- In January 2016, the Central Bank of Kenya maintained its benchmark interest rates at 11.5%, citing that the current monetary policy rates are sufficient to control any demand pressures on the economy. The expectation of low fuel prices provides room to the central bank to maintain benchmark interest rates.

Uganda

- Inflation increased to 9.3% YoY in December 2015 from 9.1% YoY in November 2015, primarily driven by higher rent, as well as a rise in prices of fuel, utilities, healthcare, entertainment and others. Rent and prices of fuel and utilities recorded an upside of 7.5% YoY in December 2015 compared with 6.7% YoY in November 2015, while prices of healthcare, entertainment and others registered gains of 9.0% YoY in December 2015 compared with 8.4% YoY in November 2015.

Tanzania

- The annual headline inflation rose to 6.8% YoY in December 2015 from 6.6% YoY in November 2015, largely driven by an increase in transport prices (up 1.0% YoY in December 2015 vis-à-vis down 0.2% YoY in November 2015) and deceleration in the fall in prices of housing and utilities (down 0.3% YoY in December 2015 vis-à-vis 1.7% YoY in November 2015).

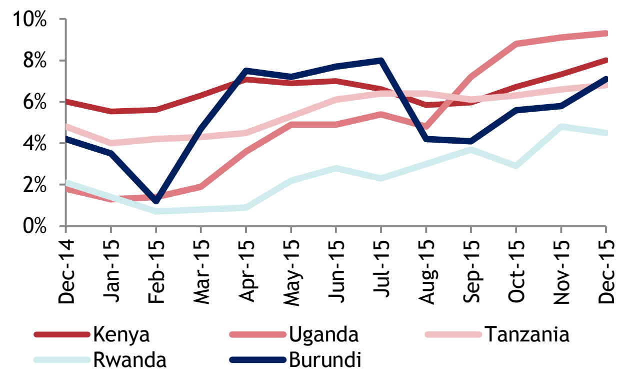
Rwanda

- Rwanda's consumer price index (CPI) fell to 4.5% YoY in December 2015 from 4.8% YoY in November 2015 due to a fall in prices of food and non-alcoholic beverages (up 9.7% YoY in December 2015 vis-à-vis 10.5% YoY in November 2015) and housing and utilities (up 2.9% YoY in December 2015 vis-à-vis 3.6% YoY in November 2015).

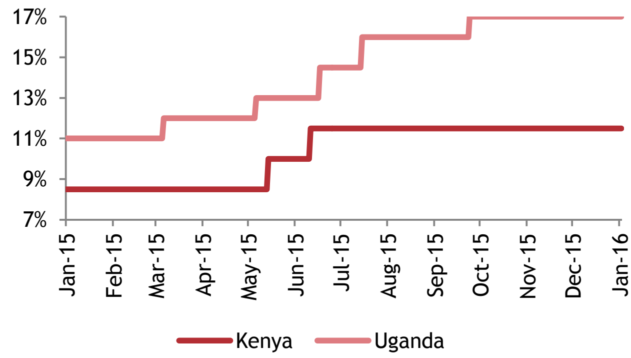
Burundi

- Inflation in Burundi surged to 7.1% YoY in December 2015 from 5.8% YoY in November, primarily driven by a continued rise in food inflation. Food inflation increased to 11.7% YoY in December 2015 from 7.2% YoY in November 2015.

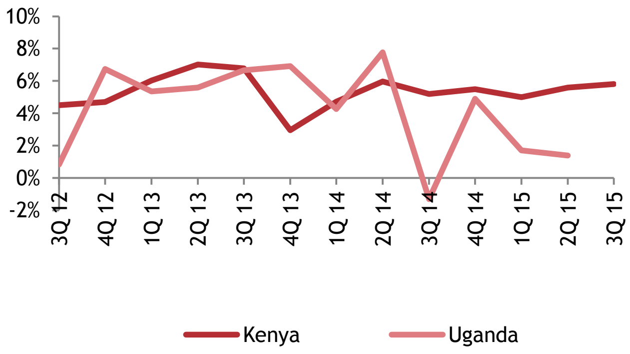
Inflation (YoY)



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

- Nigeria's CPI continued its rise to 9.6% YoY in December 2015 from 9.4% YoY in November 2015, mainly driven by an increase in the prices of food and non-alcoholic beverages, alcoholic beverages, transport, and clothing and footwear. The food subindex inched up 10.6% YoY in December 2015 vis-à-vis a 10.3% YoY increase in November 2015, mainly led by higher prices of imported food items. The core subindex was flat for the third consecutive month at 8.7% YoY in December 2015.
- In January 2016, the Central Bank of Nigeria has maintained its benchmark interest rate at 11% (after cutting it by 200 bps in November 2015) to support the economy's growth amid falling oil prices.

Angola

- Angola's CPI increased to 14.3% YoY in December 2015 from 13.3% YoY in November 2015. Inflation continued its upward trajectory with prices gaining 1.60% MoM in December vis-à-vis a 1.33% MoM increase in November.

Ghana

- Inflation inched up to 17.7% YoY in December 2015 from 17.6% YoY in November 2015, primarily led by a slight gain in the prices of food and non-alcoholic beverages (up 8.0% YoY in December 2015 from 7.9% YoY in November 2015). Non-food inflation also rose marginally to 23.3% YoY in December 2015 from 23.2% YoY in November 2015. Transport prices stood at 27.0% YoY in December 2015 compared with a gain of 26.2% YoY in November 2015.

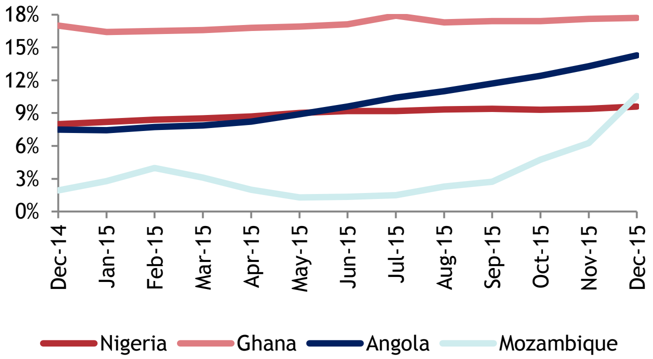
Mozambique

- Consumer inflation rose sharply to 10.6% YoY in December 2015 from 6.3% YoY in November 2015, primarily driven by a rise in costs of food, electricity and water.
- In January 2016, Bank of Mozambique retained its benchmark interest rates at 9.75%, after increasing rates for three consecutive months citing the challenging macroeconomic outlook for Mozambique in 2016.

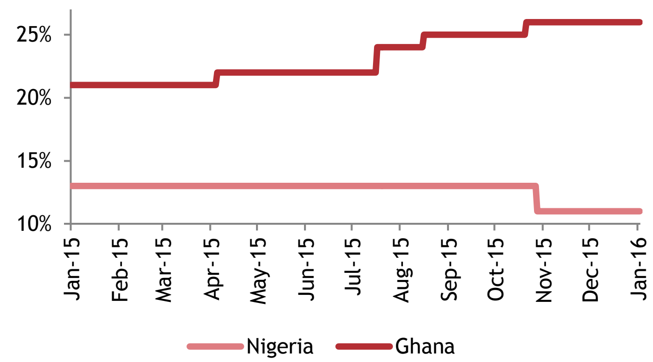
Ivory Coast

- Ivory Coast's CPI rose to 1.3% YoY in December 2015 from 0.8% YoY in November 2015, as reported by the National Statistics Office. The prices of food and soft drinks rose 5.8% YoY in December 2015, while housing and utilities, and transport costs fell 0.2% YoY and 1.1% YoY, respectively in the same period.

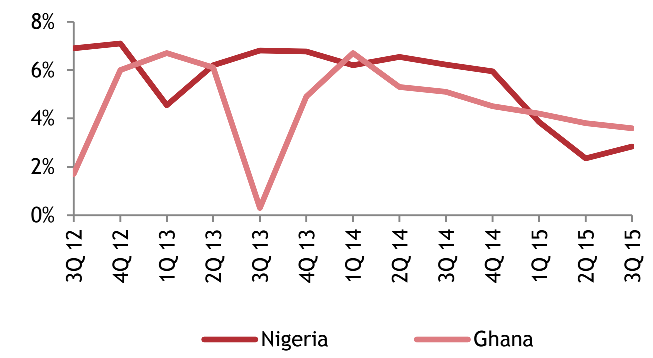
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Nigeria and Ghana (YoY)



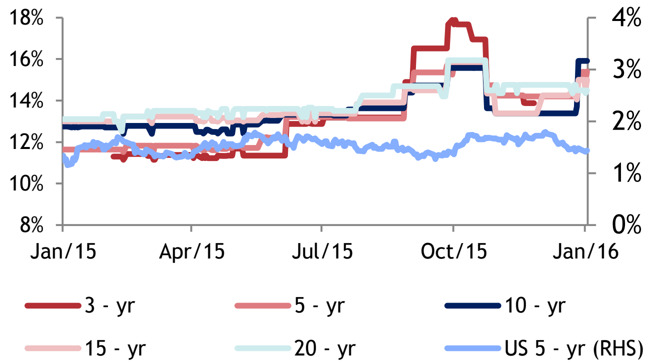
Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: BOND MARKETS

Kenya

- In January 2016, yields on Kenyan bonds appreciated across most tenors. The yields on 3-, 5-, 10- and 15-year bonds rose 205 bps, 121 bps, 253 bps and 75 bps, respectively. However, the yields on 20-year bonds fell 25 bps in January 2016.
- Bond yields increased in January 2016 because of a spike in inflation, which has now breached the central bank's medium-term target of 2.5–7.5%. The government has also increased its debt issuance in January 2016, which has put further pressure on the interest rates.
- On 20 January 2015, CBK, on behalf of the government, auctioned two-year, 15.76% bonds due in January 2018 and 10-year, 16.13% bonds due in June 2023. The bank received bids worth KES 30.39 bn and made allotments worth KES 20.16 bn for the two-year bonds and received bids worth KES 5.9 bn and made allotments worth KES 4.0 bn for the 10-year bonds.
- The FTSE NSE Kenyan Shilling Government Bond Index fell 0.81% MTD and 1.93% YTD on 4th February 2015.

Bond yields daily movement



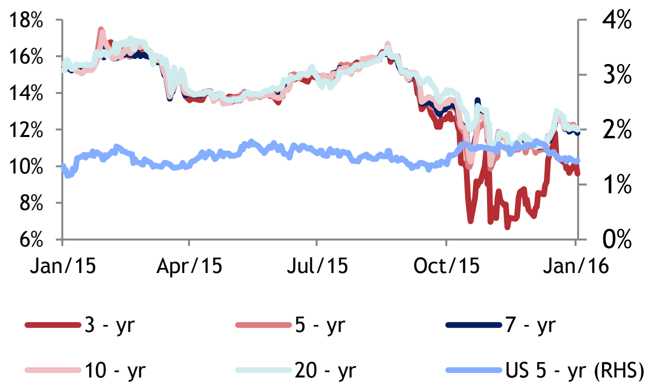
Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
28-Jan yield (%)	15.9%	15.4%	15.9%	15.0%	14.5%
Chg from 1-Jan 16 (bps)	-205	-121	-253	-75	25
Chg from 1-Jan 16 (bps)	-205	-121	-253	-75	25

Nigeria

- In January 2016, yields on Nigerian bonds rose for almost all tenors. The yields on 3-, 5-, 7-, 10- and 20-year bonds rose 115 bps, 105 bps, 73 bps, 87 bps and 86 bps, respectively.
- Bond yields in Nigeria increased across all tenors as the projected budget deficit for 2016 touched a record high of NGN 3 trillion (up from the initially projected NGN 2.2 trillion) even before the budget was passed. This was due to another downslide in oil prices. This could increase government borrowings (domestic and foreign) and subsequently raise borrowing costs.
- In January 2016, the government auctioned 10-year, 12.50% January 2026 bonds worth NGN 35.0 bn and five-year, 12.24% February 2020 bonds worth NGN 40.0 bn. The government received subscriptions worth NGN 74.99 bn for the five-year bonds and NGN 74.44 bn for the 10-year bonds.

Bond yields daily movement



Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
28-Jan yield (%)	9.6%	12.0%	11.8%	12.0%	12.0%
Chg from 1-Jan 16 (bps)	-115	-105	-73	-87	-86
Chg from 1-Jan 16 (bps)	-115	-105	-73	-87	-86

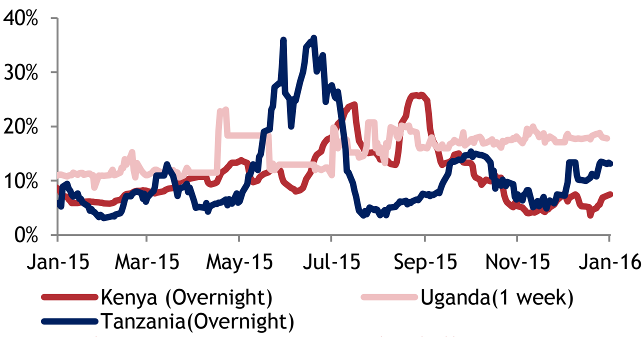
Source: Bloomberg, individual news websites

MONEY MARKETS

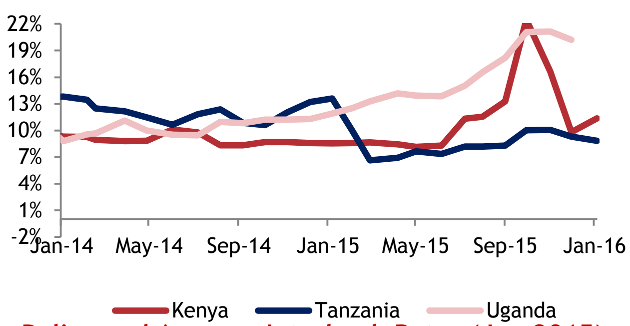
East African Community

- Kenya's interbank rate was flat at 7.5% on 28 January 2016 (after touching 4.62% on 15 January 2016) compared with the beginning of the month. The central bank seeks to increase liquidity in the interbank market by injecting KES 4 bn as the existing liquidity has not been spread evenly among lenders. Uganda's interbank rate rose to 18.8% on 28 January 2016 from 17.7% at the beginning of the month due to tight liquidity conditions in the interbank market.

Interbank Rates



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



3-month Currency Deposit and T-bill Rates (Jan 2015)

	Kenya	Tanzania	Uganda
3-m curr dep	7.5%	10.6%	18.8%
91-d/3-m T-bill	11.4%	8.8%	17.2%

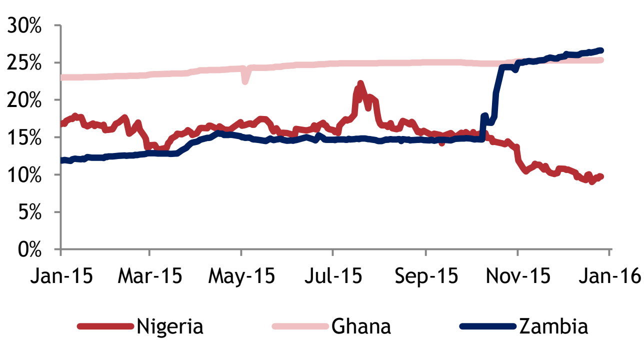
Policy and Average Interbank Rates (Jan 2015)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	11.5%	12.0%	17.0%
Interbank	7.5%	13.2%	18.8%

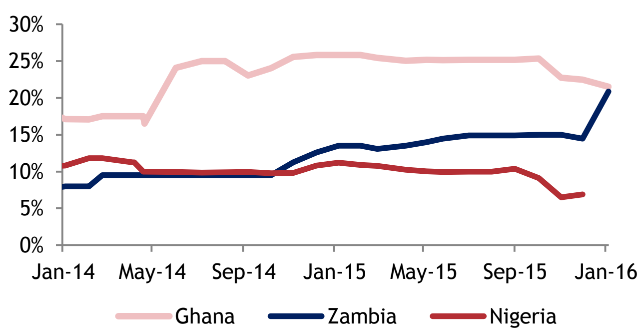
Rest of Sub-Saharan Africa

- Nigerian Interbank Offered Rate (NIBOR) rose to 10.5% on 28 January 2016 from 10.2% at the start of the month. Interbank rates rose mainly in the latter part of the month, as the central bank reduced liquidity in the market through open market sales (NGN 161 billion) of treasury bills. In Ghana, the interbank rate was flat at 25.3% on 28 January 2016 compared with the beginning of the month, as the central bank maintained liquidity by keeping benchmark interest rates flat at 26%.

Interbank Rates



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



3-month Currency Deposit and T-bill Rates (Jan 2015)

	Nigeria	Ghana	Zambia
3-m curr dep	10.8%	26.0%	40.6%
91-d/3-m T-bill	6.9%	21.5%	20.9%

Policy and Average Interbank Rates (Jan 2015)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	11.0%	26.0%	15.5%
Interbank	10.8%	25.3%	25.6%

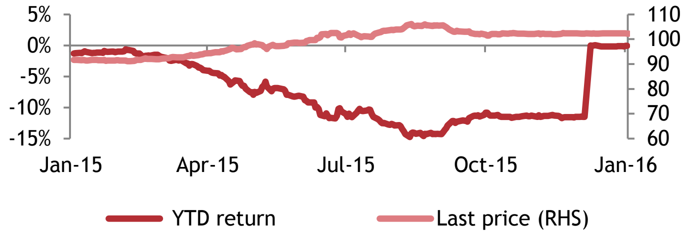
Source: Bloomberg, individual news websites, respective central banks.

CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

Kenyan Shilling (KES)

- The Kenyan shilling was flat against the US dollar to settle at KES 102.3 on 28 January 2016. The currency was flat on MTD and YTD bases.
- The shilling remained flat in January 2016 as inflow and outflow of the US dollar remain balanced and corporate demand for the currency remained weak.
- The shilling may stay resilient both in the short and long term, primarily aided by a reduced import bill due to falling prices of petroleum products (which remain the single largest import commodity in Kenya), and a strong manufacturing which reduces Kenya's dependence on imports.

USD/KES Daily Movement

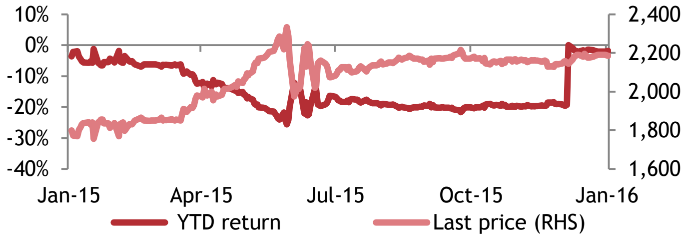


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	102.3	102.3	102.4	102.2	0.0%	0.0%
EUR	111.2	111.7	111.7	110.0	-0.6%	-0.6%

Tanzanian Shilling (TZS)

- The Tanzanian shilling fell against the US dollar to settle at TZS 2,185.0 on 28 January 2016. The currency fell 1.8% on MTD and YTD bases.
- The shilling fell against the US dollar in January 2016 due to strong demand for the dollar from the manufacturing sector.
- The shilling may depreciate further as import gains from the fall in oil prices may be offset by the demand for the US dollar from the retail, oil and manufacturing sectors.

USD/TZS Daily Movement

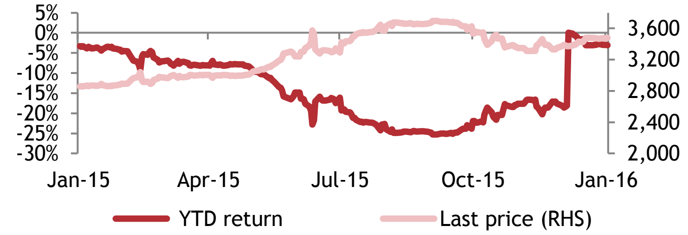


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,182.7	2,185.0	2,195.5	2,144.9	-1.8%	-1.8%
EUR	2,372.0	2,386.4	2,393.3	2,328.6	-2.4%	-2.4%

Ugandan Shilling (UGX)

- The Ugandan shilling depreciated against the US dollar to UGX 3,447.5 on 28 January 2016. The currency fell 3.0% on YTD and MTD bases.
- The Ugandan shilling fell against the dollar in January 2016, primarily due to strong demand for the dollar from manufacturing firms and the short covering of dollar positions by banks.
- The shilling may weaken further against the US dollar due to factors like rising inflation and rising current account deficit (CAD). Also, the treasury's requests to borrow money overseas to finance the CAD were denied by the parliament. This could lead to further dearth of foreign exchange in the market.

USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3,447.9	3,477.5	3,480.0	3,372.0	-3.0%	-3.0%
EUR	3,745.5	3,801.1	3,801.1	3,645.8	-3.7%	-3.7%

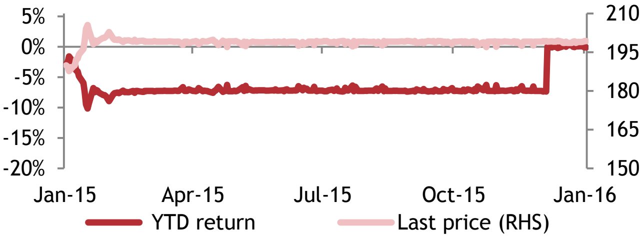
Source: Bloomberg, individual news websites

CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

Nigerian Naira (NGN)

- The Nigerian naira inched down against the US dollar and stood at NGN 199.3 on 28 January 2016. The naira fell 0.1% on MTD and YTD bases.
- The naira depreciated to NGN 305 in the parallel market against the dollar though it traded at about NGN 199.0 against the US dollar as per the official exchange rate peg. The reduction in forex inflow on account of the fall in oil prices depreciated the value of naira.
- Despite calls to devalue the naira, the Central Bank of Nigeria's Monetary Policy Committee decided to continue with the current exchange rate peg. However, this could lead to further depreciation of the naira in the parallel market.

USD/NGN Daily Movement

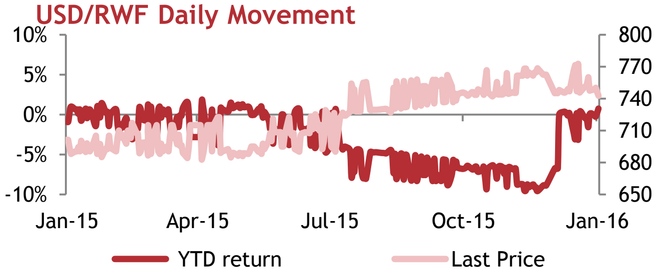


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	199.0	199.3	199.4	198.5	-0.1%	-0.1%
EUR	216.2	217.7	218.0	213.9	-0.7%	-0.7%

Rwandan Franc (RWF)

- The Rwandan franc rose against the US dollar to RWF 742.5 on 28 January 2016. The currency rose 0.7% on MTD and YTD bases.
- The franc appreciated marginally against the dollar as reduction in imports due to the fall in oil prices supported the currency.
- Although the falling oil prices are expected to support the franc in the medium term by reducing imports, weak agricultural exports and a stronger dollar would maintain pressure on the franc in the long term.

USD/RWF Daily Movement

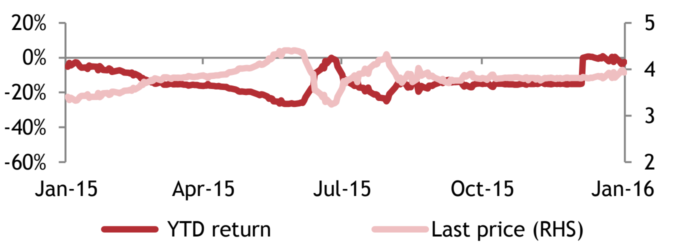


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	751.7	742.5	772.5	742.5	0.7%	0.7%
EUR	813.1	814.2	826.5	801.2	-0.2%	-0.2%

New Ghanaian Cedi (GHS)

- The Ghanaian cedi weakened sharply against the US dollar to GHS 3.9 on 28 January 2016. The currency fell 2.4% on MTD and YTD bases.
- The cedi depreciated against the US dollar in January due to a decline in prices of gold and cocoa, which are two of its major export commodities.
- The cedi could depreciate in the first half of 2016 due to low inflow from exports on account of lower prices of main export commodities, higher demand for foreign currencies for imports and foreign debt repayment.

USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3.9	3.9	4.0	3.8	-2.4%	-2.4%
EUR	4.2	4.3	4.3	4.1	-3.5%	-3.5%

Source: Bloomberg, individual news websites

SPECIAL FOCUS

Effects on SSA Economies After Oil Price Collapse

Oil price collapse to affect SSA economies

Iran's entry in the global oil market, after the sanctions were lifted, rattled an already oversupplied market. The market, which has been oversupplied due to pre-existing factors such as weak demand from China and low shale oil production from the US, witnessed a fresh fall in crude oil prices. Brent crude prices fell to about USD 28/bbl on 20 January 2016 from about USD 44/bbl on 1 December 2015, before recovering to around USD35/bbl closer to the end of January 2016. While oil-exporting nations in SSA are facing high inflation, currency depreciation and high CADs, oil-importing nations are expected to benefit from this price collapse with an anticipated reduction in inflation and CAD.

Oil-importing economies to benefit

East African oil-importing economies, such as Kenya and Uganda, have continued to benefit from the commodity price collapse. The expected reduction in prices could reduce their CADs due to lower import bills, as oil is one of their primary import commodity. Thus, it would provide the much-needed support to their local currencies in the short to medium term. Despite an uptick in inflation in December 2015 (about 8.0% YoY, above the medium-term YoY target range of 2.5–7.5%), the Central Bank of Kenya decided to maintain its benchmark interest rate at 11.5% for the fifth consecutive time in January 2016. This was primarily driven by stability in the foreign exchange market over the past two months (despite the rate hike by the US Federal Reserve) and on anticipation that lower fuel prices would help contain inflation. Inflation has already slowed down in Kenya in January 2016 due to low food and fuel prices (down 20 basis points to about 7.8% YoY).

Net importers of oil to be hurt most

In oil-exporting nations, such as Nigeria, both federal and state governments have been struggling to meet their obligations such as salaries and debt payments. In Nigeria, the currency depreciated heavily in the parallel market (black market) (down to about NGN305/USD in January 2016 from about NGN265/USD in December 2015). Furthermore, the government is reluctant to devalue the naira officially despite dwindling foreign exchange reserves, as the devaluation may increase the prices of imported goods. Also, a range of capital control measures, including a ban on the sale of foreign exchange to Bureaux De Changes and restrictions on the use of foreign exchange to import 41 items, have been implemented to avoid the looming currency devaluation. However, there are speculations that Nigeria may have to devalue its currency this year to preserve its scarce foreign exchange reserves, which hit a 10-year low of USD 28.2 bn on 30 January 2016. The government may also face problems in stimulating its economy this year as the required increase in its spending would become difficult to finance with reduced revenue from oil, which accounts for about 66% of government revenue. Moreover, the IMF has reduced its FY 2016 GDP forecast for Nigeria by 20 basis points to 4.1% YoY.

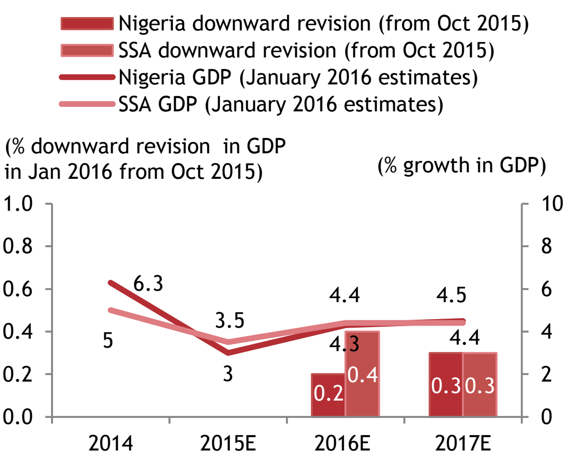
Another oil exporter, Angola, continues to suffer due to currency depreciation because of its overdependence on oil exports (accounting for 90% exports) as the primary source of foreign exchange. Also, rising inflation compelled the Central Bank of Angola to increase its benchmark interest rates by 50 basis points to 11.0% in December 2015 and as a result allow the currency to depreciate.

Policy actions needed

Policy actions are needed to be taken in a combination of short-term macroeconomic measures (to cope with external shocks such as the recent commodity price collapse) and long-term policies (for broader economic development). In the short term, the governments of oil-exporting nations, such as Nigeria and Angola, need to control their fiscal deficits without severely reducing their capital expenditure, as well as account for low oil prices while preparing budgets to avoid risks of a shortfall later. In the long term, these governments need to invest in policies that enhance skill development, innovation, technology and infrastructure development.

Governments and central banks in SSA need to strike a balance between fiscal and monetary policies. To reduce budget deficits, Nigeria decided to gradually lower its fuel subsidies in 2016, while Angola cut its fuel subsidies in January 2016. Nigeria needs to move towards a market-determined exchange rate regime, as well as diversify its sources of foreign exchange. To achieve the diversification of revenue sources and foreign exchange, the Government of Nigeria is targeting sectors such as minerals, agriculture and industrialisation, while countries that have already diversified their foreign exchange sources, such as Kenya and Uganda, have significantly reduced oil-exploration activities.

GDP growth rates — Nigeria and SSA (Source: IMF)



Source: IMF, World Bank, Individual news websites

AUCTIONS AND EVENTS

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

Uganda's Latest Issuance: 2-yr and 5-yr Bonds (January 2016)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
27 Jan	2-yr	60.00 bn	1.08	23.59%	20.00%
27 Jan	5-yr	135.66 bn	1.02	21.20%	20.00%
Details of issuances in December					
2 Dec	2-yr	80.00 bn	1.13	20.10%	20.00%
2 Dec	5-yr	150.00 bn	1.76	19.47%	20.00%

1 USD = 3,447.9 UGX (average for January 2016)

Tanzania's Latest Issuance: 2-yr and 7-yr Bonds (January 2016)

Issue Date	Maturity	Amt (TZS)	Bid/Offer	YTM	WACY*
6 Jan	2-yr	20.75 bn	1.00	17.29%	9.25%
20 Jan	7-yr	57.36 bn	1.28	16.23%	NA
Details of issuances in December					
8 Dec	5-yr	10.00 bn	0.58	17.52%	12.58%
22 Dec	15-yr	38.50 bn	1.35	18.73%	13.50%

**Weighted average coupon yield; 1 USD = TZS 2,182.7 (average for January 2016)*

Ghana's Latest Issuance: 1-yr, 2-yr and 3-yr Notes (January 2016)

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int. rate
7 Jan	3-yr	373.23 mn	FXR Note	1.14	24.75%
8 Jan	2-yr	21.41 mn	FXR Note	1.11	23.00%
15 Jan	1-yr	9.51 mn	FXR Note	1.00	23.00%
29 Jan	1-yr	12.88 mn	FXR Note	1.00	23.00%
Details of issuances in December					
3 Dec	1-yr	32.68 mn	FXR Note	1.00	22.50%
11 Dec	2-yr	255.88 mn	FXR Note	1.00	23.30%
18 Dec	1-yr	6.31 mn	FXR Note	1.00	23.00%

**Fixed rate; 1 USD = 3.9 GHS (average for January 2016)*

Kenya's Latest Issuance: 2-yr and 10-yr Bonds (January 2016)

Issue Date	Maturity	Amt Bid (KES)	Amt Acpt (KES)	MWAR*	Coupon
20 Jan	2-yr	30.39 bn	20.16 bn	16.18%	15.76%
20 Jan	10-yr	5.9 bn	4.0 bn	16.59 %	12.37%
Details of issuances in December					
14 Dec	9-yr	16.58 bn	13.97 bn	14.95%	11.00%

**Market weighted average rate; 1 USD = 102.3 KES (average for January 2016)*

Upcoming Bond Auctions and Monetary Policy Meetings

- No scheduled bond auctions in February

- **Monetary policy meetings** are scheduled to be held on:
  - **12 February 2016** (Central bank of Uganda)
  - **21 February 2016** (Central bank of Angola)

Source: Bloomberg, individual news websites, respective central banks

KIMONDO'S CORNER

The East Africa Community Integration Progress

The EAC has, within a relatively short time since its establishment 16 years ago, realized tremendous progress in regional co-operation and significant impact on regional development. In real growth terms, the region's combined GDP has risen to USD 147 billion, up from USD 20 billion in 1999. The region now boasts a sizeable market of a combined population of 146 million.

South Sudan, even though currently suffering from civil strife, has applied to join the bloc, with their application under consideration. They will add around 11 million to the regional market once peace resume. Ethiopia, who will bring 94 million to the market, have been observers in many EAC meetings, showing a willingness to integrate its economy to the rest of the region.

This journey towards integration commenced in 2000 and is underpinned by three main protocols: the customs union (2005), the common market (2010), and, more recently, the monetary union (2013). This increasing integration, which the East African heads of state see as steps towards their ultimate goal of a political federation, facilitates the free movement of goods, services, and capital around the region, which in turn improves the welfare of the general population through sustained, durable, and inclusive growth. The region is also working towards a single currency across all the five nations by the year 2024.

Intra trade between EAC has grown by 61% from $ 3.7 Bn in 2008 to $ 6 Bn in 2013. The region has also benefited from free movement of people with Kenya, Uganda and Rwanda introducing a single visa to enable tourist move easily and increase the number of tourist who tour the area. The three nations also allow citizen to visit other regions using the Identity card, eliminating the need of a passport.

In order to increase the pace of integration, Kenya, Uganda and Rwanda formed a 'coalition of the willing' where the countries that are ready to move forward with integration on some aspects can do so while the rest will join later. This has seen the three countries introduce a single tourist visa and custom union in order to increase trade opportunities while reducing non-trade barriers in the region.

The countries are also participating in joint regional infrastructural development like Northern Corridor which runs from port of Mombasa through Kampala to Rwanda. This is meant to ease movement of cargo and reduce transportation cost especially for landlocked countries like Uganda and Rwanda. The development of Lamu Port South Sudan Ethiopia Transport 'LAPSET' Corridor will open northern region and integrate the economies of South Sudan, Ethiopia and Kenya.

In a move meant to create a bigger market, the EAC, Common Market for East and Southern Africa 'Comesa' and Southern African Development Corporation 'SADC' are in discussion to create a tripartite free trade area which will represents an integrated market of 26 countries with a combined population of 632 million people. This will represent 57% of Africa's population with a total Gross Domestic Product (GDP) of USD 1.3 Trillion (2014) and contributes 58% of Africa's GDP. This will ultimately increase intra-trade in Africa which currently stands at between 10 – 12% to around 20 – 25% in the next decade.

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