

HIGHLIGHTS

Key Movements in Fixed Income and Currency Markets in April 2013

- Yields on **Kenyan** bonds declined in April 2013 after rising in March, as uncertainty regarding presidential elections came to an end. (More on page 5)
- **Nigerian** bond yields across maturities continued rising in April 2013. The increase is consistent with the bearish market environment coupled with a significant decline in oil prices. (More on page 5)
- In currency markets, **Ugandan** shilling appreciated due to low dollar demand from importers, while post-election stock market rally with foreign investor participation helped **Kenyan** shilling strengthen against the greenback. **Nigerian** naira traded flat against the dollar. **Tanzanian** shilling depreciated as dividend payments by corporate increased. **Ghanaian** cedi depreciated as overseas investors cashed in on bond sales. (More on pages 7 and 8)
- In money markets, liquidity squeeze led to doubling of interbank rates in **Tanzania**. In **Nigeria**, interbank rates rose, as the central bank removed money through open market operations. (More on page 6)

April bond market summary

	3-yr	5-yr	10-yr	20-yr
Kenya 19-Apr yield	12.6%	12.7%	13.0%	12.9%
Change from 1-Apr (bps)	-19	-6	4	-30
Nigeria 19-Apr yield	11.5%	11.4%	11.5%	11.6%
Change from 1-Apr (bps)	25	93	78	9

Movement of key currencies vs. US dollar in April

	Average	End value	MTD	YTD
Kenyan Shilling	84.4	83.8	1.8%	3.0%
Tanzanian Shilling	1,622.2	1,630.0	-0.9%	-2.8%
Nigerian Naira	158.0	158.6	0.0%	-1.6%
Ghanaian Cedi	1.9	2.0	-1.2%	-3.0%

Kimondo's Corner

Growing appetite for African Sovereign bonds

- African governments, which have huge infrastructure spending needs, are turning to global markets to raise funds inexpensively by issuing sovereign bonds.
- Due to depressed growth prospects in the developed world, Africa is offering investors an opportunity to earn real rates with a yield of 5-7% in dollars terms.
- Investors are attracted by Africa's low debt-to-GDP ratio of less than 50%, thus lowering the default risk.
- On 26 April 2013, Rwanda closed its debut USD 400 mn Eurobonds with the order book of over USD 3.5 bn and guidance yield of 6.8-7%. (Reuters)
- Ghana, Zambia, and Nigeria have issued their sovereign bonds, while Tanzania and Kenya will do this later in the year.



Author: Michael Kimondo - Head of treasury operations at Fusion

For any further information, please contact Michael mkimondo@fusiongroupafrica.com or Moses mkorir@fusiongroupafrica.com

Fusion Portfolio Management Service

Is a portfolio management service, managed by Fusion Investments Limited. Fusion Portfolio Management helps professional investors select and manage a portfolio of financial assets to meet pre-defined and agreed investment objectives.

This service is available only to professional Investors. Any investment through this service is at risk, including loss of capital. For more information please visit our website www.fusioninvestafrica.com, or contact:



Diana Gichaga (Africa)
+ 254 722 127 117
dgichaga@fusiongroupafrica.com



James Maclean (UK and Europe)
+ 44 7815 780 076
jmaclean@fusiongroupafrica.com

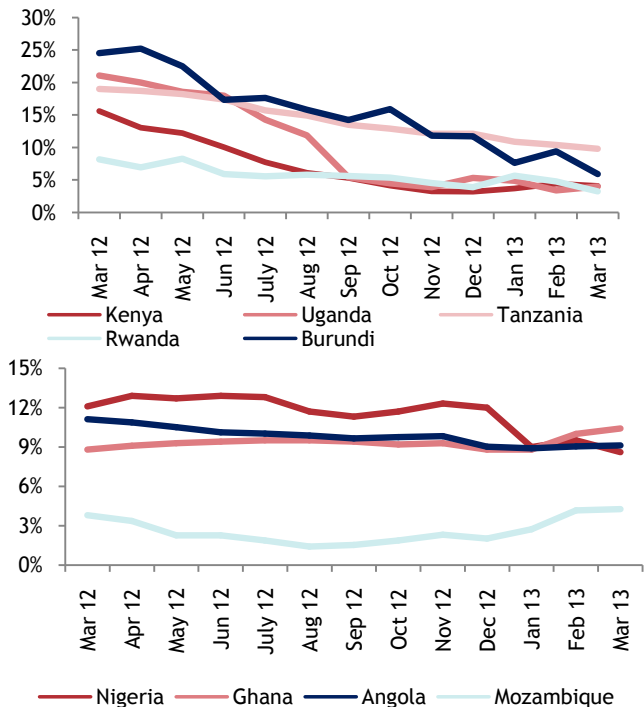
Source: Bloomberg, individual news websites

HIGHLIGHTS

Activity Across Africa: Economy and Politics

- The Supreme Court of **Kenya** unanimously confirmed Uhuru Kenyatta's election as president, in response to the petition filed by runner-up Raila Odinga. A similar petition has been filed by the National Political Party (NPP) in **Ghana**, challenging the 2012 presidential elections. (More on pages 3 and 4)
- In **Nigeria**, members of Action Congress of Nigeria (ACN) unanimously agreed to join the opposition forces under a new political identity. (More on page 4)
- **Ghanaian** and **Tanzanian** economies expanded in 2012 by 7.9% and 6.9%, respectively. Meanwhile, the **Ugandan** economy is expected to slow down this year, as aid cut by western donors (owing to corruption) is likely to hamper growth. (More on pages 3 and 4)
- Pricing pressures eased across the Sub-Saharan Africa (SSA), except in **Uganda** where inflation rose to 4.0% YoY in March 2013 from 3.5% in February. In **Nigeria**, inflation dropped to a five-year low of 8.6% YoY in March 2013 due to base effect. In other key economies, inflation dropped due to a decline in food prices. (More on pages 3 and 4)

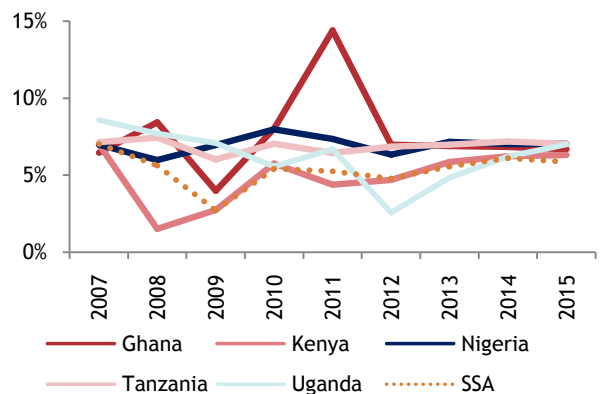
Inflation (YoY)



Sub-Saharan Africa: The High-Growth Region

- IMF predicts strong growth in the Sub-Saharan Africa region, at 5.6% and 6.1% for 2013 and 2014, respectively. The growth in the region is expected to be much higher than the world GDP growth during the same period.
- A favourable external environment coupled with strong domestic consumption as well as investments in infrastructure are likely to augment the region's growth. However, the recent decline in oil prices could impact the performance of oil-exporting economies and remains a cause for concern.
- Low inflation in key economies will also support growth. IMF predicts a 7.2% inflation for the region.
- However, economic and political risks remain. Euro crisis can impact investments in the country and, subsequently, growth.

Real GDP Growth (%)



Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

East African Community

Kenya

- The Supreme Court of Kenya upheld Uhuru Kenyatta's victory in the March elections. It unanimously validated that the elections were conducted in a fair and credible manner, ruling out the possibility of a run-off. In March 2013, runner-up Raila Odinga had challenged the election results in the court.
- Meanwhile, inflation dropped to 4.1% YoY in March 2013 from 4.5% in February due to slow increase in food prices. Consequently, analysts expect the possibility of further monetary easing to boost growth.

Uganda

- Uganda's central bank maintained its policy rate at 12.0% as inflation rose to 4.0% YoY in March 2013 from 3.5% in February.
- The Ugandan economy is expected to slow down this year, as the donor community has decreased aid by 93.0% due to alleged large-scale corruption in the Prime Minister's office. To accommodate the shortfall, the government plans to cut expenditure and increase domestic borrowing.

Tanzania

- Tanzanian economy grew by 6.9% in 2012, supported by 20.6% growth in information and communications, and 13.2% growth in financial services. The Finance Minister predicts a growth rate of 7.0% and 7.2% in 2013 and 2014, respectively.
- On the back of declining food prices, inflation decelerated to a 21-month low of 9.8% YoY in March 2013 compared to 10.4% in February.

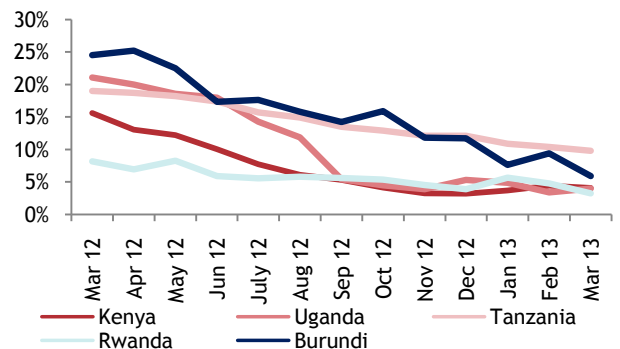
Rwanda

- To accelerate economic growth, Rwanda raised RWF 250 bn (USD 400 mn) in a debut sale of Eurobonds. The funds will be used to repay loans and complete key projects.
- On the political front, National Electoral commission estimates RWF 5 bn (USD 8 mn) expenditure for the parliamentary elections due in September 2013.

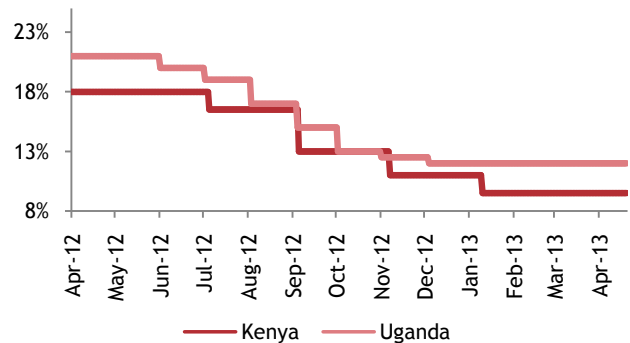
Burundi

- Inflation in Burundi eased to 5.9% YoY in March 2013 from 9.4% in February 2013, primarily due to moderate rise in food prices.

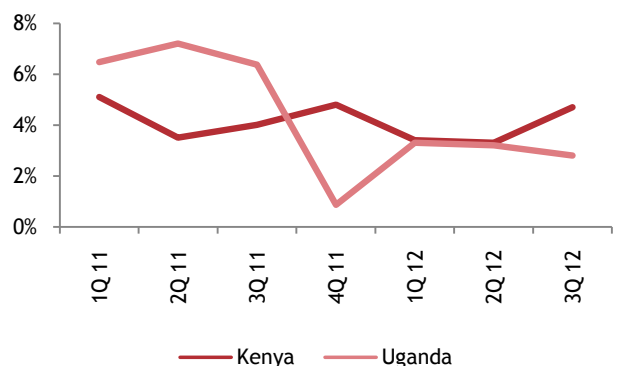
Inflation (YoY)



Key central banks' rate moves



GDP growth in Kenya and Uganda (YoY)



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

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

Rest of Sub-Saharan Africa

Nigeria

- Inflation in Nigeria fell to a five-year low of 8.6% YoY in March 2013 compared to 9.5% in February. The fall can be attributed to the base effects from March 2012. Earlier, Central Bank of Nigeria (CBN) retained its policy rate at 12.0% citing inflationary pressures in the medium to long term; analysts expected a 100 bps cut.
- According to CBN, the country's trade balance improved to NGN 1,793.4 bn (USD 11.4 bn) in 4Q12, compared to NGN 1,714.7 bn (USD 10.9 bn) in 3Q12, as exports grew 3.4% to reach NGN 3,807 bn (USD 24.2 bn) in 4Q12.
- Members of ACN unanimously endorsed to join other opposition forces in the country, thereby ending the uncertainty on formation of the new merged entity - All Progressive Congress (APC).

Angola

- Angola's stock exchange is scheduled to open in 2015, while government paper and corporate paper trading is expected to start from 2H13 and 1H14, respectively.

Ghana

- The Ghanaian economy expanded by 7.9% in 2012, led by 10.2% growth in the service sector and 7.0% growth in the industry sector. However, agriculture, the third largest contributor to GDP, grew by 1.3% only in 2012.
- On 16 April 2013, Supreme Court of Ghana began hearing the election petition filed by three NPP members challenging the validity of 2012 elections.

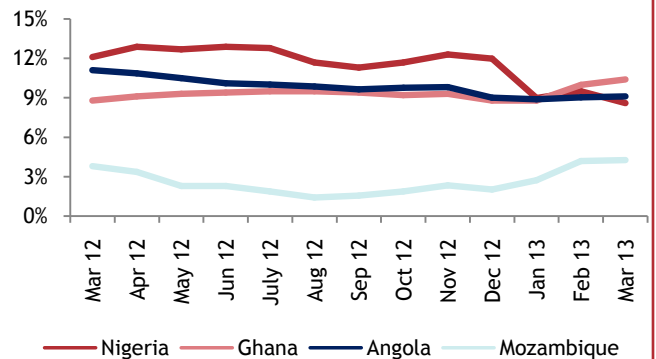
Mozambique

- The Mozambique government approved a draft of the new petroleum law, which provides for the residents getting a share of revenues in areas where oil operations take place.
- Meanwhile, political tensions rose in the country, as the opposition party's militia killed four police officers in order to free 15 of its members who were arrested in a police raid in the first week of April.

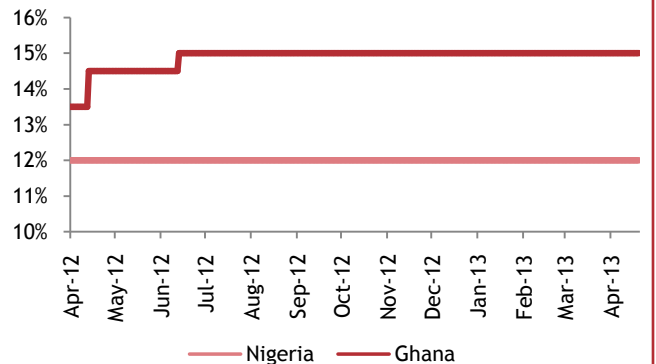
Ivory Coast

- The Ivory Coast parliament granted President Alassane Outtara the authority to rule by decree on social and economic issues for 2013.

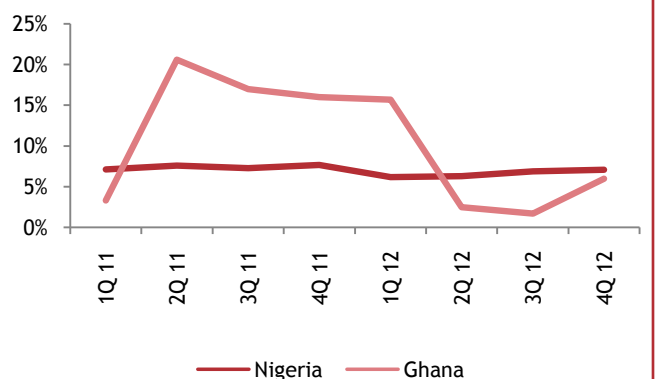
Inflation (YoY)



Key central banks' rate moves



GDP growth in Nigeria and Ghana (YoY)



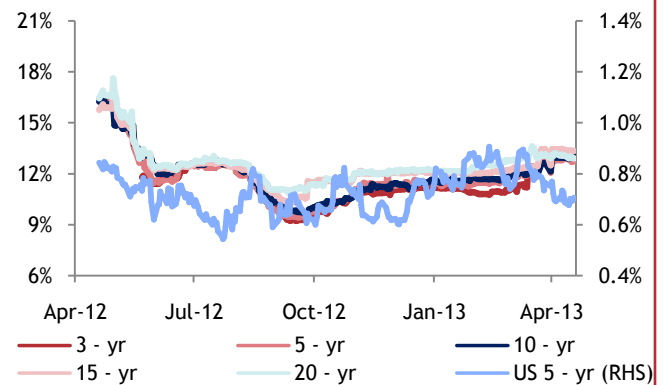
Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: BOND MARKETS

Kenya

- Treasury bond yields cooled off marginally in April 2013 after surging in March, as political uncertainty weighed on the minds of investors. The outcome of the Supreme Court petition challenging the validity of the presidential elections was a key concern. Yields on 3-year and 20-year bonds decreased the most in April (by 19 and 30 bps), dropping to 12.6% and 12.9%, respectively.
- Yields on Kenyan debt securities are anticipated to fall in the near future. After the Supreme Court endorsed Uhuru Kenyatta's election, analysts expect an increase in investor confidence. Moreover, with global uncertainty and low yields in developed nations, the search for high yield bonds is expected to push down the yields of the Kenyan bonds.
- The FTSE NSE Kenyan Shilling Government Bond Index, remained flat in April 2013. On a YTD basis, the index is down 2.9%, washing away the gains made during the first two months of 2013.

Bond yields daily movement



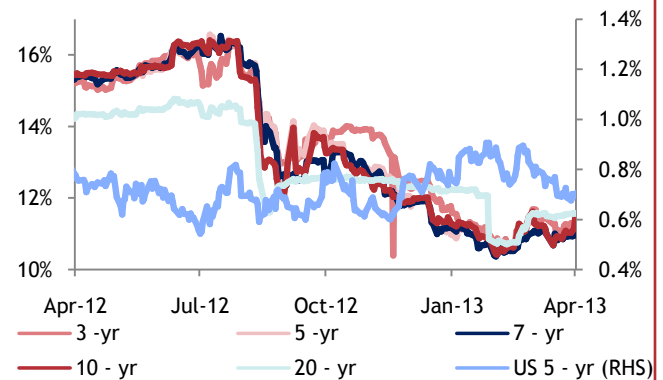
Summary statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
19-Apr yield	12.6%	12.7%	13.0%	13.3%	12.9%
Chg from 1-Apr (bps)	-19	-6	4	-10	-30
Chg from 1-Jan (bps)	147	122	147	127	71

Nigeria

- In April 2013, Barclays added the Nigerian bonds to the Barclays Emerging Markets Local Currency Government Bond Index; 10 Nigerian bonds constituted 0.97% weight on the index.
- Yields on Nigerian bonds increased as investor demand subsided. Furthermore, decline in prices of oil in recent weeks, which accounts for 80% of the government's revenue, also led to increase in yields. Yields on 5-year and 10-year bonds have risen the most, by 93 bps and 78 bps, respectively.
- Bond yields on the country's Eurobonds declined the most in nine weeks to 4.0% in April 2013 amid expectations that central banks across the globe will provide further stimulus to boost their economies.
- The Access Bank FGN Bond Index shed 0.7% MTD in April 2013. During mid-March, the index declined 7.0% as investors turned cautious ahead of the central bank's monetary meeting.

Bond yields daily movement



Summary statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
19-Apr yield	11.5%	11.4%	11.0%	11.5%	11.6%
Chg from 1-Apr (bps)	25	93	33	78	9
Chg from 1-Jan (bps)	-81	-17	-72	-24	-73

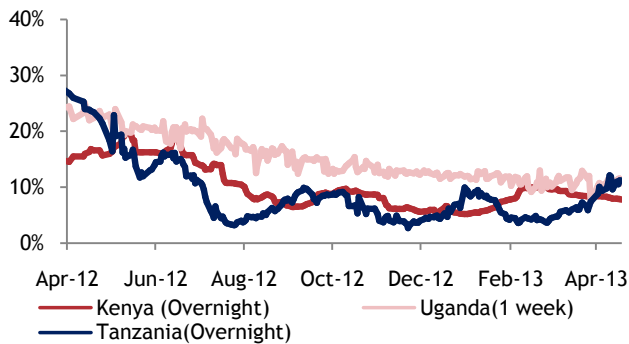
Source: Bloomberg, individual news websites

MONEY MARKETS

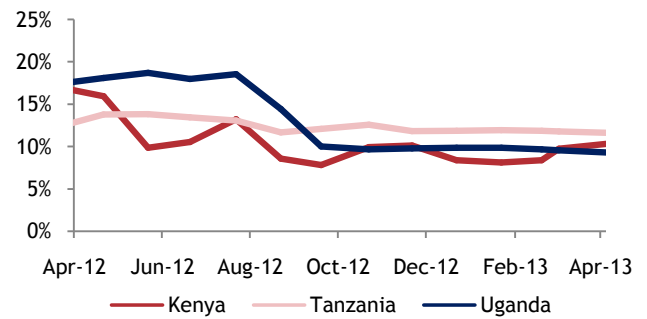
East African Community

- In Tanzania, interbank rates more than doubled in the past one month, indicating a liquidity squeeze among the commercial banks.

Interbank rates



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



3-month currency deposit and T-bill rates (Apr 2013)

	Kenya	Tanzania	Uganda
3-m curr dep	8.5%	12.1%	10.8%
91-d/3-m T-bill	10.4%	11.6%	9.3%

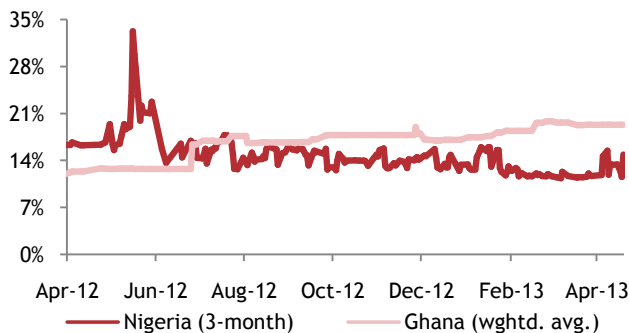
Policy and average interbank rates (Apr 2013)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	9.5%	12.0%	12.0%
Interbank	7.8%	11.2%	10.7%

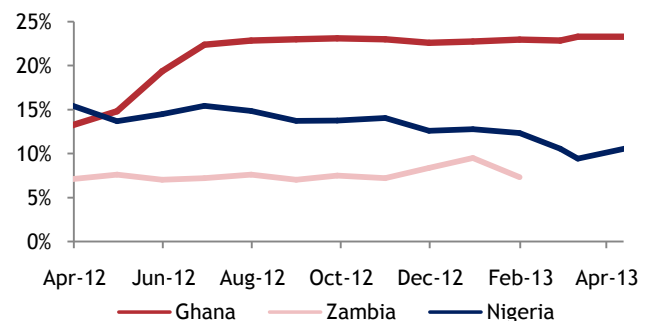
Rest of Sub-Saharan Africa

- Nigeria interbank rates (NIBOR) surged in April 2013, as NGN 434 bn was removed from the system through the sale of T-bills and forex operations. Steps were taken to tame inflation and also provide support to the currency.

Interbank rates



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



3-month currency deposit and T-bill rates (Apr 2013)

	Nigeria	Ghana	Zambia
3-m curr dep	13.9%	15.4%	7.6%
91-d/3-m T-bill	10.8%	23.3%	7.3%(Jan)

Policy and average interbank rates (Apr 2013)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	12.0%	15.0%	9.3%
Interbank	14.9%	19.3%	10.0%

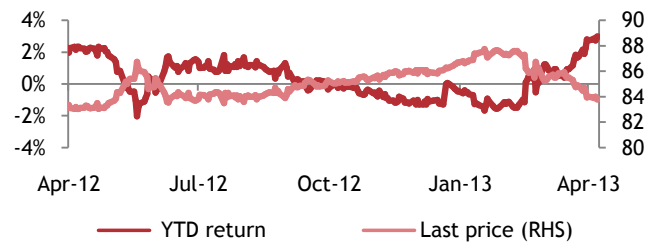
Source: Bloomberg, individual news websites, respective central banks

CURRENCY MARKETS: KENYA, TANZANIA, UGANDA

Kenyan Shilling (KES)

- In April 2013, Kenyan shilling rose to an eight-month high, 1.8% MTD against the US dollar. Increased dollar inflows from foreign investors to participate in the stock market rally after the Supreme Court upheld Kenyatta's election led to appreciation of the shilling.
- During March 2013, the shilling remained volatile as investors were cautious ahead of the Supreme Court verdict, which was expected by month end.
- Short-term outlook for the shilling is positive; analysts expect confidence to return to the market after a peaceful election. Moreover, foreign investor inflow into the bond market is likely to strengthen the local currency.

USD/KES daily movement

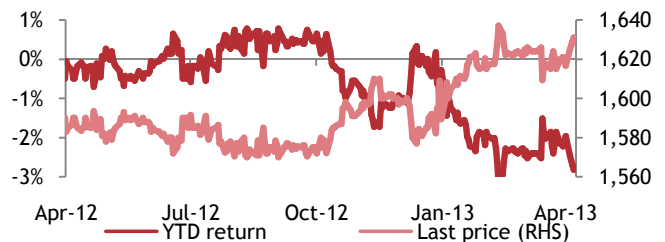


	Avg	End val	High	Low	MTD (%)	YTD (%)
USD	84.4	83.8	85.3	83.8	1.8%	3.0%
EUR	109.9	109.4	110.8	108.7	0.3%	3.8%

Tanzanian Shilling (TZS)

- The Tanzanian shilling depreciated 0.9% MTD against the US dollar in April 2013. The currency declined as demand for US dollar from corporates remitting dividends increased substantially. So far, this year, the currency has shed 2.8% against the greenback.
- In March, the shilling appreciated 0.4% against the dollar, reaching TZS 1,609.3 before bouncing back to TZS 1,617.3 by month end. The appreciation can be attributed to higher demand for the local currency, as companies were obliged to pay taxes.
- Analysts expect the shilling to remain stable or slightly firm amid liquidity pressure in the interbank market.

USD/TZS daily movement

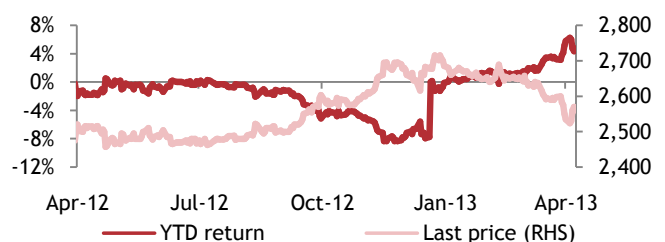


	Avg	End val	High	Low	MTD (%)	YTD (%)
USD	1,622.2	1,630.0	1,631.0	1,615.0	-0.9%	-2.8%
EUR	2,108.8	2,127.5	2,144.0	2,068.1	-2.5%	-1.6%

Ugandan Shilling (UGX)

- The Ugandan shilling gained momentum, which peaked to UGX 2,523.7 against the dollar in April 2013 (2.4% MTD), after trading in the narrow range of UGX 2,640-2,660 in early March 2013. On a YTD basis, the shilling gained 4.7%.
- The rally in shilling can be attributed to subdued dollar demand from the importers. Low consumer spending is the key reason for reduced imports. Meanwhile, the central bank purchased dollars to stop further currency appreciation, which appreciated 6.3% during the year.
- Analysts forecast the shilling to strengthen, as dollar inflows are likely owing to upcoming Treasury bond auctions.

USD/UGX daily movement



	Avg	End val	High	Low	MTD (%)	YTD (%)
USD	2,570.3	2,560.0	2,600.0	2,523.7	1.2%	4.7%
EUR	3,344.3	3,341.6	3,382.6	3,284.5	-0.4%	6.3%

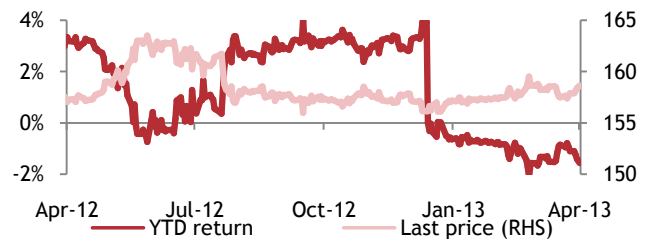
Source: Bloomberg, individual news websites

CURRENCY MARKETS: NIGERIA, RWANDA, GHANA

Nigerian Naira (NGN)

- In April 2013, naira traded flat at NGN 158.6 on MTD basis against the US dollar due to lack of capital inflows in the country. Earlier in the month, naira reached a five-week high of NGN 157.4. Sale of dollars by the central bank (the most sold in nine months) and oil companies helped in strengthening of the currency.
- Earlier, in March, CBN sold fewer dollars at an auction. At the same time, to support the currency, the central bank held its policy rate at 12.0%. As a result, currency remained under pressure.
- Analysts anticipate naira to depreciate in the coming days on the back of strong dollar demand from importers.

USD/NGN daily movement

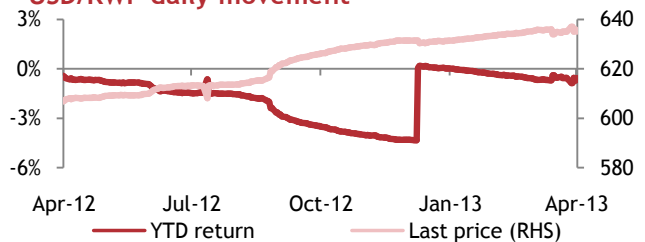


	Avg	End val	High	Low	MTD (%)	YTD (%)
USD	158.0	158.6	158.6	157.4	0.0%	-1.6%
EUR	205.6	207.0	208.3	203.0	-1.6%	-0.4%

Rwandan Franc (RWF)

- Rwanda's franc appreciated marginally in April 2013 by 0.1% on an MTD basis after depreciating 0.7% YTD in March.
- The currency fell to a low of RWF 636.9 against the greenback, the lowest since June 1993. Consequently, to support the currency, the central bank kept its policy rate unchanged at 7.5%.
- Banks are reluctant to borrow foreign currencies, as they expect the franc to depreciate further. This is adversely affecting the foreign capital inflows.

USD/RWF daily movement

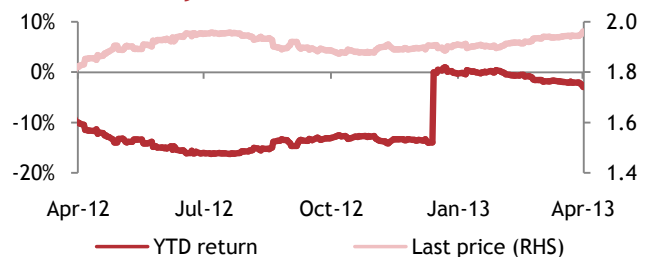


	Avg	End val	High	Low	MTD (%)	YTD (%)
USD	635.2	635.0	636.9	634.0	0.1%	-0.6%
EUR	826.5	828.7	839.3	812.8	-1.4%	0.6%

New Ghanaian Cedi (GHS)

- The Ghanaian cedi continued to decline against the dollar in April 2013, reaching GHS 1.96, the lowest on record. The depreciation was largely due to dollar demand by investors to send the proceeds overseas from the cashed-in bonds. Overall, the cedi depreciated 3.0% on a YTD basis.
- Earlier in March, rising demand for imports in the oil and non-oil sector had placed the currency under pressure.
- Analysts anticipate cedi to continue facing pressure unless the central bank intervenes to increase dollar sales in the interbank market.

USD/GHS daily movement



	Avg	End val	High	Low	MTD (%)	YTD (%)
USD	1.94	1.96	1.96	1.94	-1.2%	-3.0%
EUR	2.53	2.56	2.56	2.49	-2.7%	-1.7%

Source: Bloomberg, individual news websites

SPECIAL FOCUS

Sub-Saharan Africa: The High-Growth Region

Growth in Sub-Saharan Africa

Sub-Saharan Africa is expected to continue its growth momentum in 2013-14; IMF predicts the region to grow at a healthy rate of 5.6% in 2013, followed by 6.1% in 2014, much above the world GDP growth rate of 3.3-4% during the same period. The growth in the region is likely to stem from strong domestic consumption, investment in infrastructure, and capacity expansion in extractive sectors. Oil-exporting economies, particularly Nigeria and Angola, are projected to grow by 7.2% and 6.2%, respectively. Furthermore, IMF forecasts the nations in the East African Community to witness modest growth, except for Uganda where it has revised its estimates downward to 4.8% in 2013 from 5.7% estimated earlier, as the country is struggling with aid cuts.

Key growth drivers

IMF assumes strong economic activity in the countries supported by a favorable external environment as key driver for growth. However, the countries, especially oil-exporting countries, can face deterioration in their current/trade balances in the short term owing to a recent fall in oil prices coupled with falling demand for the commodity.

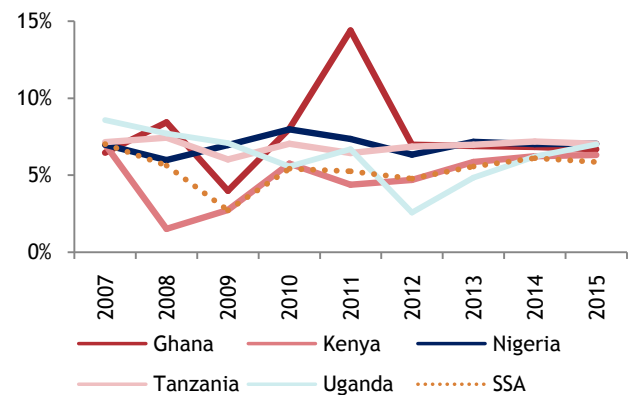
Easing inflation - a stimulus for monetary policy easing

Inflation in the region stabilised in 2012 owing to monetary policy tightening and recovery in local food production on account of better climatic conditions. IMF expects the trend to continue in 2013. In the absence of food and fuel price shocks, IMF predicts an average inflation rate of 7.2% for the region. As inflation falls, central banks are likely to cut policy rates to boost growth.

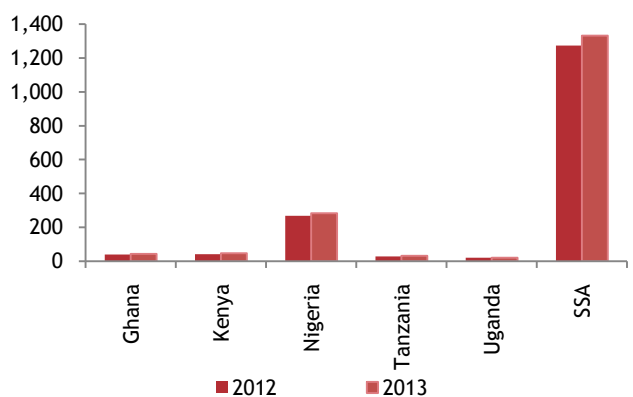
Global crisis, political disruptions may impact growth

The main risks to the Sub-Saharan Africa are the external factors, though internal factors cannot be written off. Domestic security and political risk continue to persist; however, peaceful elections in Kenya represent a growing political stability in the region. Africa remains vulnerable to the Eurozone crisis. Furthermore, any reductions in investment in the emerging economies are likely to impact commodity prices and hurt mineral exporters.

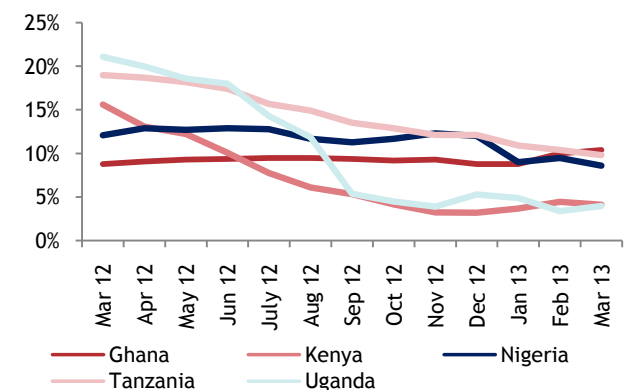
Real GDP Growth (%)



Nominal GDP (USD bn)



Inflation (YoY)



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

AUCTIONS, EVENTS

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

Uganda's latest issuance: 2-yr bond (Mar 2013)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
28-Mar	2-yr	100 bn	2.09	12.3%	10.0%

Details of previous 2-yr issuance

8-Nov	2-yr	100 bn	1.67	13.5%	10.0%
-------	------	--------	------	-------	-------

Issuances in February

28-Feb	5-yr	100 bn	2.97	13.8%	10.8%
--------	------	--------	------	-------	-------

1 USD = 2,632.7 UGX (average for Mar 2013)

Tanzania's latest issuance: 2-yr bond (Apr 2013)

Issue Date	Maturity	Amt (TZS)	Bid/Offer	YTM	WACY*
3-Apr	2-yr	35 bn	2.25	14.1%	8.7%

Details of previous 2-yr issuance

6-Feb	2-yr	35 bn	4.57	14.3%	8.8%
-------	------	-------	------	-------	------

Issuances in March

20-Mar	10-yr	71.4 bn	1.33	14.3%	13.4%
--------	-------	---------	------	-------	-------

*Weighted average coupon yield; 1 USD = 1,622.2 TZS (average for Apr 2013)

Ghana's latest issuance: 2-yr note (Apr 2013)

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int rate
26-Apr	2-yr	6.0 mn	FXR Note	1.0	22.4%

Details of previous 2-yr issuance

22-Apr	2-yr	71.6 mn	FXR Note	1.0	22.4%
--------	------	---------	----------	-----	-------

Issuances in March

8-Mar	3-yr	416 mn	FXR Bond	2.2	16.9%
-------	------	--------	----------	-----	-------

*Fixed rate; 1 USD = 1.9 GHS (average for Apr 2013)

Kenya's latest issuance: 5- and 15-yr bonds (Apr 2013)

Issue Date	Maturity	Amt bid (KES)	Amt acpt (KES)	MWAR*	Coupon
29-Apr	5-yr	33.8 bn	20.2 bn	13.1%	12.9%

29-Apr	15-yr	22.7 bn	15.6 bn	13.8%	12.0%
--------	-------	---------	---------	-------	-------

Details of previous 5-yr and 15-yr issuance

28-Jan	5-yr	26.1 bn	17.7 bn	13.2%	11.9%
--------	------	---------	---------	-------	-------

25-Feb	15-yr	9.8 bn	5.0 bn	14.1%	11.3%
--------	-------	--------	--------	-------	-------

*Market weighted average rate; 1 USD = 84.4 KES (average for Apr 2013)

Upcoming Bond Auctions, Monetary Policy Meetings

- **1 May:** Central Bank of Tanzania is scheduled to issue seven-year bonds with a coupon rate of 10.1%.
- **15 May:** Central Bank of Nigeria is scheduled to issue bonds across maturities.
- **27 May:** Central Bank of Kenya is scheduled to issue bonds worth KES 18 bn.
- **Monetary policy meetings** are scheduled for:
 - **3 May 2013:** Central Bank of Uganda
 - **6 May 2013:** Central Bank of Kenya
 - **21 May 2013:** Central Bank of Nigeria

Source: Bloomberg, individual news websites, respective central banks

DISCLAIMER

This newsletter has been prepared by Aranca, under the supervision of Fusion Group. Whilst Aranca has used reasonable endeavours to ensure that the information provided in the newsletters is accurate and up to date as at the time of issue, it reserves the right to make corrections and does not warrant that it is accurate or complete. News will change with time. Aranca and Fusion Group hereby disclaim all liability to the maximum extent permitted by law in relation to the newsletters and does not give any warranties (including any statutory ones) in relation to the news. This is a free service and therefore you agree by receiving any newsletter(s) that this disclaimer is reasonable. Any copying, redistribution or republication of Fusion Group newsletter(s), or the content thereof, for commercial gain is strictly prohibited. The content of this newsletter is not appropriate for the purposes of making a decision to carry out a transaction or trade. Nor does it provide any form of advice (investment, tax, legal) amounting to investment advice, or make any recommendations regarding particular financial instruments, investments or products.