

## HIGHLIGHTS

### Key Movements in Fixed Income and Currency Markets in April 2014

- **Kenyan** bond yields advanced across most maturities in April 2014 due to the CBK tightening liquidity by mopping up Kenyan shillings from the market. **Nigerian** bond yields fell across all maturities, mainly due to increasing investor demand for local debt (details on page 5).
- The **Kenyan** and **Tanzanian** shillings depreciated in April 2014. Strong demand for the US dollar from importers in the energy and manufacturing sectors exerted pressure on the Kenyan shilling, whereas rising demand for the greenback from the oil sector later in month triggered the fall of the Tanzanian shilling. On the other hand, the **Nigerian** naira appreciated 1.5% against the greenback, primarily due to the US dollar inflows from offshore investors purchasing local debt, coupled with US dollar sales by energy companies (more on pages 7 and 8).
- In money markets, **Kenya's** interbank rates rose to 7.7% at the end of April from a three-month low of 4.97% in March 2014, after the CBK drained liquidity by KES 51.4 billion through open market operations. On the other hand, **Nigeria's** interbank rates fell to 12.1% at the end of April from 16.6% at the start of the month (more on page 6).

### April Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
<b>Kenya 25-Apr yield (%)</b>	10.5%	11.1%	11.4%	12.5%
<b>Chg from 1-Apr 14 (bps)</b>	7	16	-2	79
<b>Nigeria 25-Apr yield (%)</b>	13.2%	13.2%	13.4%	13.5%
<b>Chg from 1-Apr 14 (bps)</b>	-66	-55	-51	-18

### Movement of Key Currencies vs. the US Dollar in April

	Average	End Value	MTD	YTD
<b>Kenyan Shilling</b>	86.7	87.1	-0.7%	-0.9%
<b>Ugandan Shilling</b>	2,529.8	2,520.0	0.9%	0.5%
<b>Nigerian Naira</b>	162.6	162.4	1.5%	-1.3%
<b>Ghanaian Cedi</b>	2.75	2.81	-4.2%	-15.7%
<b>Tanzania Shilling</b>	1,633.0	1,640.5	-0.3%	-3.1%

### Kimondo's Corner

#### Rwanda's Financial Market continues to deepen

With more offering of debt instruments from both the Private sector and the Public sector, the Rwandan Financial Market continues to deepen.

The government has committed to be issuing Treasury Bonds with varying maturities on a quarterly basis.

Triple A rated International Finance Corporation has received an approval to issue up to RWF 200 billion (USD 295M) in the Rwandan debt capital markets to be raised in several tranches and will be looking to raise the first tranche of RWF 15B (USD 22M) in May 2014.

Over the past 6 years, RWF has offered good currency diversification when compared to other regional currencies due to its comparatively lower depreciation and volatility.



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Source: Bloomberg and respective central banks

### Fusion Portfolio Management Service

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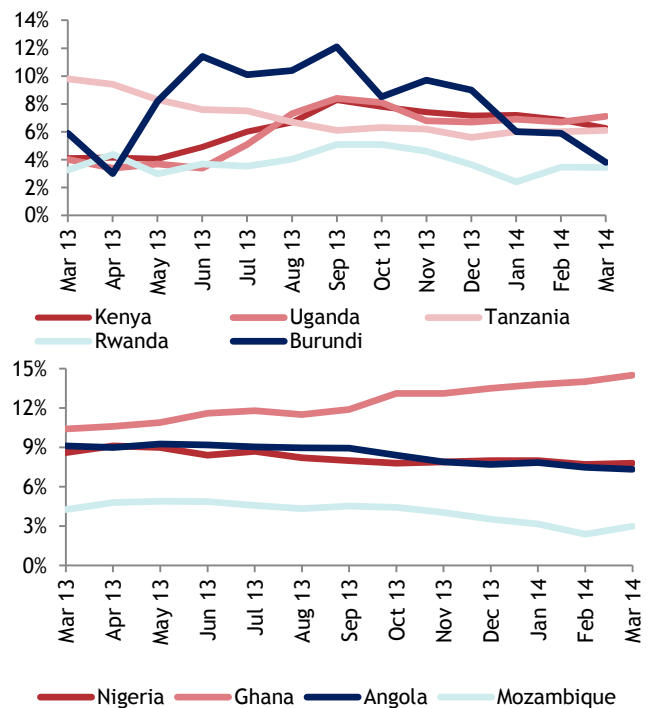
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## HIGHLIGHTS

### Activity Across Africa: Economy and Politics

- In April 2014, Kenya National Bureau of Statistics announced its plan to conduct a statistical review of Kenya's economy, under which, the base year for calculating the country's GDP would be changed to 2009 from 2001. The rebasing, slated for May 2014, will likely boost Kenya's GDP by 20.0% to over USD 50.0 billion. In April 2014, Nigeria updated its GDP base year to 2010 from 1990 for a better indication of the size and composition of its economy. As a result, the size of the economy expanded 89.0% to an estimated NGN 80.2 trillion for 2013 from the previously estimated NGN 42.4 trillion, making Nigeria the largest economy in Africa (details on page 5).
- In April 2014, the central banks of **Uganda, Ghana and Mozambique** retained their policy rates at 11.5%, 18.0% and 8.3%, respectively, stating that prudent monetary policy was required in an unstable environment (more on pages 3 and 4).
- Inflation in the region varied in April 2014. **Kenya's** inflation decreased to an eight-month low of 6.4% YoY in April 2014 on lower increase in the prices of food, housing, water, electricity & gas, transport, and clothing & footwear. Inflation in **Uganda** rose to 6.7% YoY on price hikes in food items. **Nigeria's** inflation rose to 7.8% YoY, whereas **Ivory Coast** recorded inflation of 0.0% (more on pages 3 and 4).

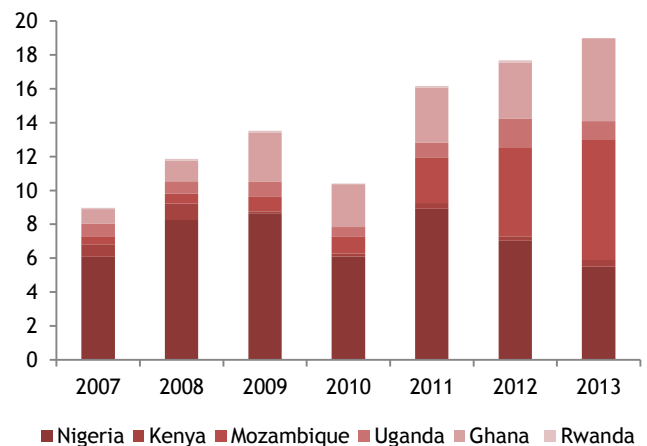
#### Inflation (YoY)



### Nigeria: Among the most preferred investment destinations in Africa

- GDP rebasing has made Nigeria the largest economy in Africa. The country has emerged as one of the preferred investment destinations in Africa owing to its attractive business climate, large foreign reserves, stable exchange rate and large human capital. As per the IMF, non-oil sectors are expected to drive growth in 2014, led by agriculture, retail and power.
- Nigeria has one the most developed financial markets in Africa, making it the region's most attractive frontier market. Both equity and debt markets have seen higher returns compared to other African markets. Furthermore, Nigeria's weighting in the MSCI Frontiers Index is set to increase to 20.0% in May 2014, enabling capital inflow from passive as well as active funds tracking frontier markets.
- Nigeria's favourable demographic situation, including a prime working-age population and increasing average rate of education is expected to contribute strongly to growth. As of 2013, more than 44.0% of its total population was below the age of 15 as compared to 42.2% for Kenya and 38.5% for Ghana.

#### Capital flows in major SSA (ex. South Africa) economies (USD bn)



Source: Respective central banks, United Nations, individual news websites

## ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

### East African Community

#### Kenya

- In April 2014, Kenya National Bureau of Statistics announced its plan to conduct a statistical review of Kenya's economy, under which, its base year for calculating GDP would be changed from 2001 to 2009. This is expected to boost Kenya's GDP by 20.0% to over USD 50.0 billion. The rebasing is slated for May 2014, although 2014 quarterly figures would not be updated until September 2014.
- Inflation in Kenya decreased to an eight-month low of 6.3% YoY in March 2014 from 6.9% YoY in February 2014. This can be attributed to lower increase in the prices of food (8.3% from 9.1% in February of 2014), housing, water, electricity & gas (4.4% from 5.2% in February 2014), transport (5.2% from 6.4% in February 2014) and clothing & footwear (4.8% from 4.9% in February 2014).

#### Uganda

- Uganda's central bank maintained its benchmark policy rate at 11.5% in April 2014 for its fifth consecutive meeting, citing downside risks to the country's economic growth.
- Annual headline inflation increased to 7.1% YoY in March 2014 from 6.7% YoY in February 2014, mainly due to higher inflation in food prices (12.7% YoY in March 2014 from 11.0% YoY in February 2014).

#### Tanzania

- Tanzania's headline inflation increased slightly to 6.1% YoY in March 2014 from 6.0% YoY in February 2014. Although inflation in food and non-alcoholic beverages prices rose to 7.2% YoY in March 2014 from 6.2% YoY in February 2014, inflation in housing, water, electricity, gas & other fuel decreased to 9.0% YoY from 13.3% YoY.

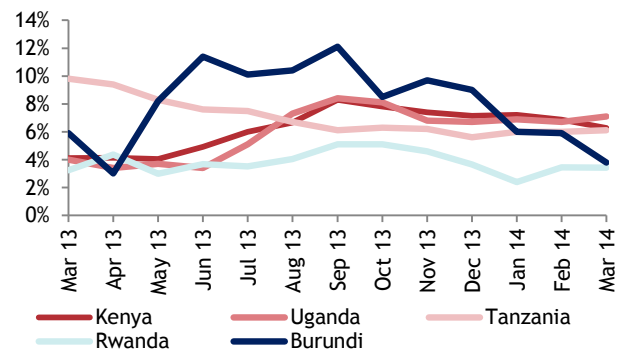
#### Rwanda

- Rwanda's inflation decreased to 3.4% YoY in March 2014 from 3.5% YoY in February 2014. This can be ascribed mainly to lower increase in the prices of food and non-alcoholic beverages, which rose 1.9% YoY in March 2014 as compared to 4.2% YoY in February.

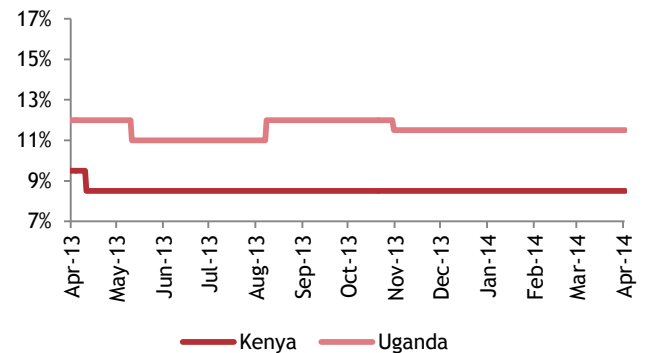
#### Burundi

- Burundi's government expelled a top United Nations (UN) official over a UN report that claimed the Burundi government was arming young supporters ahead of elections. The report, released on 3 April 2014 by the UN office in Burundi (BNUB), claimed that the members of Imbonerakure, the youth wing of Nkurunziza's party, are being armed and trained in weapons' use.

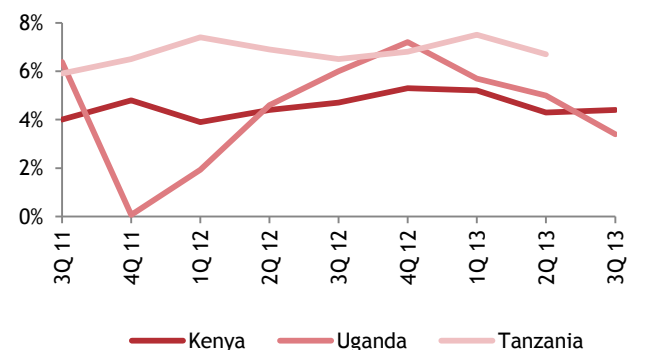
#### Inflation (YoY)



#### Movement of Central Banks' Key Rates



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



Source: Bloomberg, individual news websites, respective central banks

## ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

### Rest of Sub-Saharan Africa

#### Nigeria

- In April 2014, Nigeria updated its GDP base year to 2010 from 1990 for a better indication of the size and composition of its economy. As a result, the size of the economy expanded 89.0% to an estimated NGN 80.2 trillion (USD 488 billion) for 2013, from the earlier estimate of NGN 42.4 trillion, making Nigeria the largest economy in Africa.
- Nigeria's inflation increased to 7.8% YoY in March 2014 from 7.7% YoY in February 2014, mainly attributed to an increase in food prices, which rose 9.3% YoY in March 2014 from 9.2% YoY in February 2014.

#### Angola

- Angola's inflation decelerated for the second straight month and fell to a three-year low of 7.3% YoY in March 2014 from 7.5% in February 2014. The government targets inflation to be 7.0-9.0% in 2014.

#### Ghana

- In April 2014, the country's central bank retained its policy rate at 18.0%. The bank had raised the rate by 200 bps in February 2014 and believes that the impact of the interest rate hike is yet to be fully realised.
- Inflation in Ghana increased to 14.5% YoY in March 2014, the highest since March 2010, primarily driven by housing, water, electricity, gas, and other fuel subgroup, which recorded the highest inflation rate of 43.8% during the month. The transport sub-sector was the second-highest contributor, recording 27.3% inflation on a rise in transport fares. Communications sector recorded the lowest inflation (5.0%).

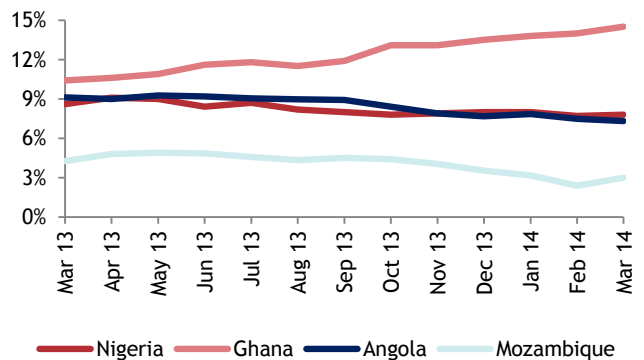
#### Mozambique

- In April 2014, Mozambique's central bank retained its policy rate at 8.25%, stating that a prudent monetary policy was required in an environment characterised by uncertainty about global economic growth and domestic and international risks.
- Mozambique's inflation increased for the first time in five months to 3.0% YoY from a 13-month low of 2.4% YoY in February 2014. This can be ascribed to a rise in cost of housing, electricity, gas and fuel (5.99%), followed by food and non-alcoholic beverages (3.65%).

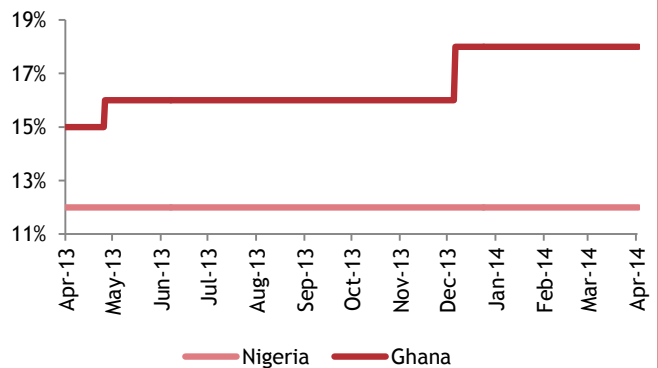
#### Ivory Coast

- Ivory Coast recorded an inflation of 0.0% YoY in March 2014 compared to a deflation of 0.2% YoY in February. Prices of housing & utility and communication rose 3.1%, and 1.1%, respectively, whereas food & soft drink prices and transport costs fell 4.3% and 0.8%, respectively.

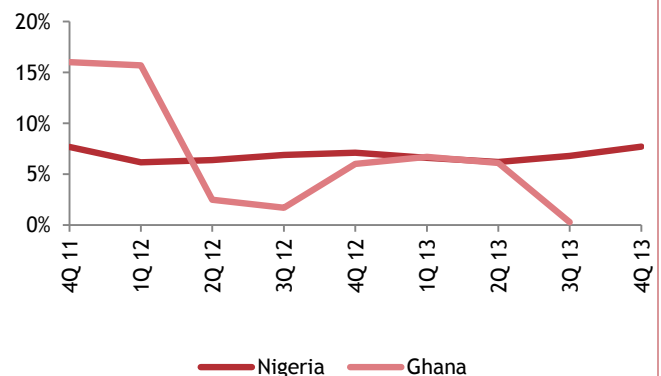
#### Inflation (YoY)



#### Movement of Central Banks' Key Rates



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



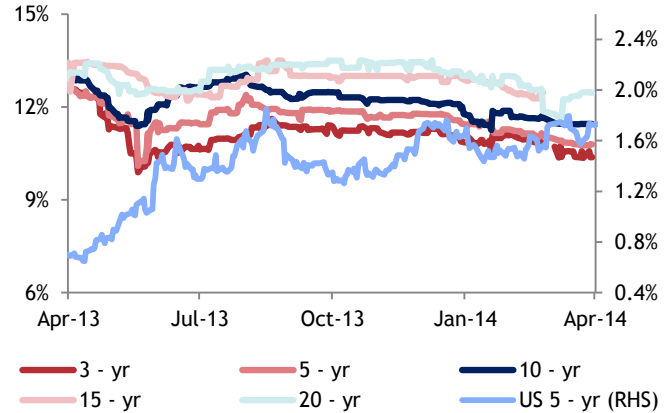
Source: Bloomberg, individual news websites, respective central banks

## ACTIVITY ACROSS AFRICA: BOND MARKETS

### Kenya

- In April 2014, Kenyan bond yields rose across most maturities, with only 10-year bond yields falling 2 bps. Yields for bonds with tenors of 15 and 20 years rose the most, 51 bps and 79 bps, to 12.04% and 12.5%, respectively.
- Bond yields rose due to the central bank's monetary tightening by mopping up Kenyan shillings from the market. The central bank on 25 April 2014 announced that it will mop KES 4 billion from the markets through repurchase agreements.
- On 23 April 2014, Kenya's government auctioned 5-year bonds with a coupon rate of 10.87%, expiring in 2019. The auction was oversubscribed, and the central bank received bids worth KES 30.27 bn; it had offered KES 15.0 bn in total, and bids worth KES 17.51 bn were accepted.
- The FTSE NSE Kenyan Shilling Government Bond Index appreciated 0.3% MTD in April 2014. On YTD basis, the index rose 2.8%.

#### Bond Yields' Daily Movement



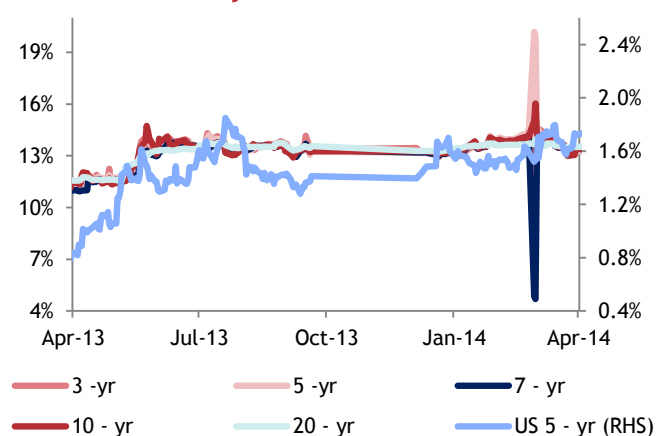
#### Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
<b>25-Apr yield (%)</b>	10.5%	11.1%	11.4%	12.0%	12.5%
<b>Chg from 1-Apr 14 (bps)</b>	7	16	-2	51	79
<b>Chg from 1-Jan 13 (bps)</b>	-84	-69	-66	-85	-77

### Nigeria

- In April 2014, Nigerian bond yields fell across maturities. Yields for bonds with tenors of 3 and 7 years fell the most (by 66 bps and 57 bps) to 13.2% and 13.3%, respectively.
- This fall in Nigerian bond yields can be mainly attributed to an increasing investor demand for local debt.
- The government auctioned 10-year NGN 25 bn 14.2% March 2024 bonds and 3-year NGN 25 bn 13.05% August 2016 bonds on 23 April 2014. Both were oversubscribed with NGN 83.22 bn in subscriptions for the 3-year bonds and NGN 99.85 bn for the 10-year bonds.
- The Access Bank FGN Bond Index advanced 1.7% MTD in April 2014. On YTD basis, the index rose 2.4%.

#### Bond Yields' Daily Movement



#### Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
<b>25-Apr yield (%)</b>	13.2%	13.2%	13.3%	13.4%	13.5%
<b>Chg from 1-Apr 14 (bps)</b>	-66	-55	-57	-51	-18
<b>Chg from 1-Jan 13 (bps)</b>	15	13	22	21	26

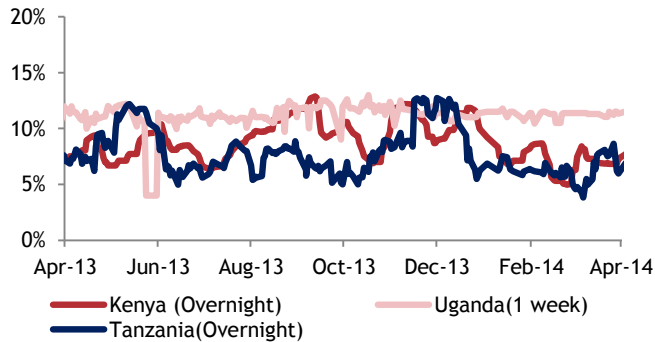
Source: Bloomberg, individual news websites

# MONEY MARKETS

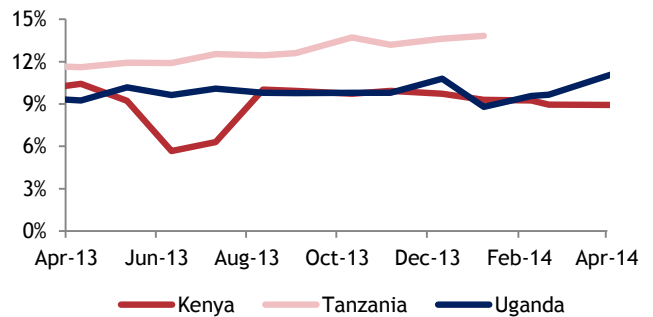
## East African Community

- In April 2014, Kenya's interbank rate rose to 7.7% towards the end of the month from 7.2% at the beginning of the month, after the CBK drained liquidity by KES 51.4 billion through open market operations. The CBK has frequently drained liquidity over the past month after overnight borrowing rates declined to 4.97% in March 2014, the lowest in three months. Tanzania's interbank rates recovered to reach 6.9% during April 2014 from a three-month low of 4.7% in March, indicating liquidity tightening in the market.

### Interbank rates



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



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

	Kenya	Tanzania	Uganda
3-m curr dep	9.0%	10.6%	10.1%
91-d/3-m T-bill	8.9%(Mar)	13.8%(Jan*)	11.1%

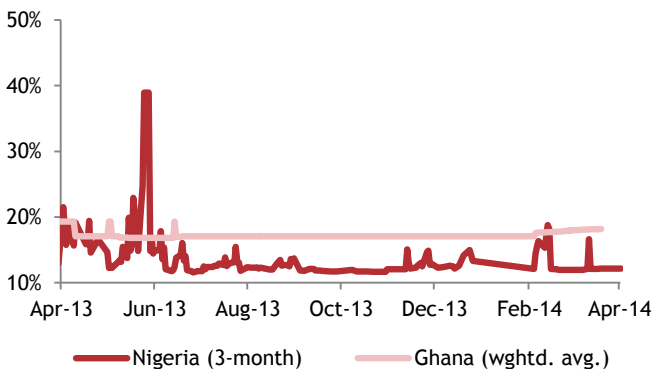
### Policy and average interbank rates (Apr 2014)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	8.5%	12.0%	11.5%
Interbank	7.7%	6.9%	11.5%

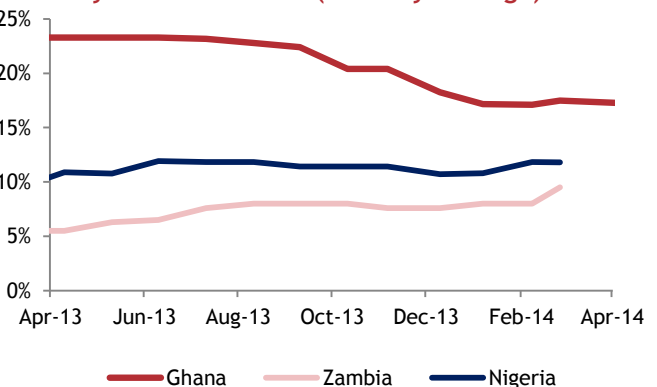
## Rest of Sub-Saharan Africa

- Nigerian Interbank Offered Rate (NIBOR) rose 454 bps to 16.6% on 9 April 2014 after the central bank raised about NGN 230 billion from the banking system by raising the cash reserves requirement (CRR) on private sector deposits to 15.0% from 12.0%. However, later in the month, the rate stabilised to 12.1% after the central bank made repayments worth about NGN 226 billion towards matured treasury bills, restoring liquidity level in the banking system.

### Interbank rates



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



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

	Nigeria	Ghana	Zambia
3-m curr dep	9.5%(Mar)	22.6%	15.1%(Mar)
91-d /3-m T-bill	11.8%(Mar)	17.3%	9.5%(Mar)

### Policy and average interbank rates (Apr 2014)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	12.0%	18.0%	12.0%
Interbank	12.1%	18.2%	18.0%

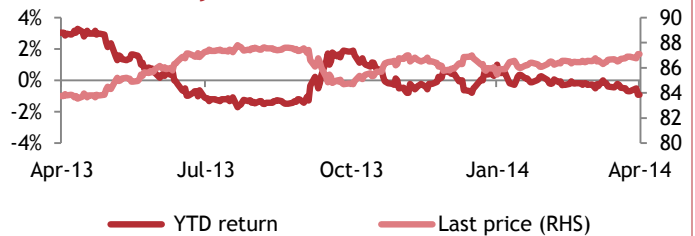
Source: Bloomberg, individual news websites, respective central banks; Note: \*Provisional

## CURRENCY MARKETS: KENYA, TANZANIA, AND UGANDA

### Kenyan Shilling (KES)

- The Kenyan shilling depreciated 0.7% to a four-month low of KES 87.09 against the US dollar in April 2014, despite the central bank's efforts of mopping up excess liquidity from the market. Currently, the currency is down 0.9% against the dollar on YTD basis.
- The shilling was under pressure mainly due to high US dollar demand from importers in the energy and manufacturing sectors.
- The shilling is likely to remain under pressure against the US dollar in the near term owing to an expected greenback demand from oil importers and operators in the telecommunications sector.

#### USD/KES Daily Movement

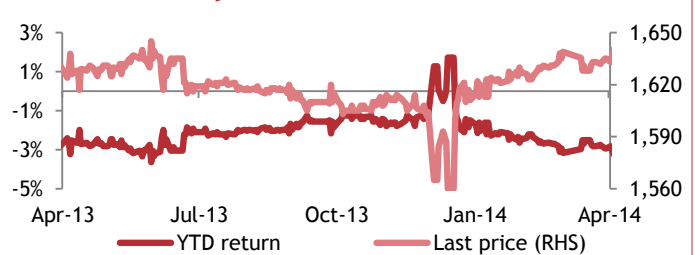


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	86.7	87.1	87.1	86.4	-0.7%	-0.9%
EUR	119.7	120.5	120.5	118.8	-1.1%	-1.4%

### Tanzanian Shilling (TZS)

- The Tanzanian shilling continued its downtrend against the US dollar in April 2014 and fell 0.3% MTD. On YTD basis, the currency has shed 3.1% against the greenback so far.
- The shilling had firmed slightly against the US dollar earlier in the month due to US dollar inflows from non-governmental organisations as well as tourism and agriculture sectors. However, the local currency was weighed down by rising demand for the greenback from the oil sector later in the month.
- The shilling is expected to remain under pressure against the US dollar amid a sustained US dollar demand from oil importers.

#### USD/TZS Daily Movement

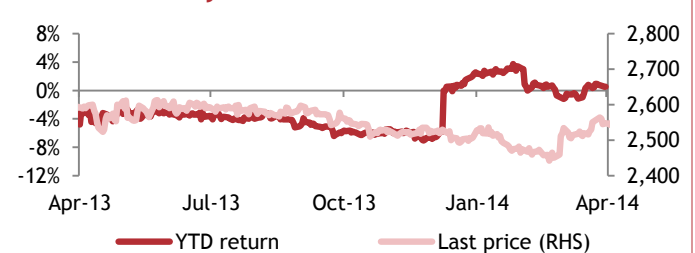


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	1,633.0	1,640.5	1,640.5	1,628.0	-0.3%	-3.1%
EUR	2,254.1	2,268.8	2,268.8	2,230.9	-0.6%	-6.0%

### Ugandan Shilling (UGX)

- The Ugandan shilling appreciated 0.9% against the US dollar in April 2014. On YTD basis, the currency was up 0.5%.
- The currency's appreciation can be mainly ascribed to low demand for the greenback and tightening local money market liquidity, driven by frequent liquidity mop-ups by the central bank. On 22 April 2014, Bank of Uganda drained excess liquidity worth UGX 228.5 billion (USD 91.04 million).
- Traders expect the shilling to remain strong against the US dollar in the near term owing to month-end dollar inflows from coffee sales, unless there is a rebound in importer demand for the greenback.

#### USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,529.8	2,520.0	2,563.0	2,510.0	0.9%	0.5%
EUR	3,489.8	3,481.1	3,515.1	3,455.5	0.8%	-0.8%

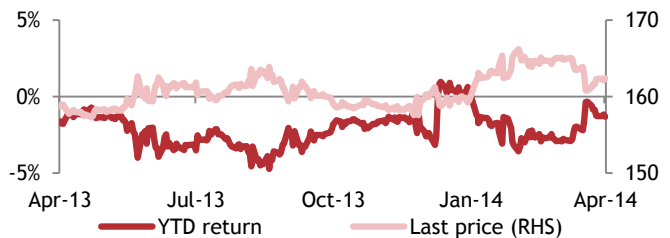
Source: Bloomberg, individual news websites

## CURRENCY MARKETS: NIGERIA, RWANDA, AND GHANA

### Nigerian Naira (NGN)

- The Nigerian naira firmed against the US dollar to reach an 11-week high of 160.79 in April 2014. The currency appreciated 1.5% against the US dollar during the month; however, it was down 1.3% YTD.
- NGN's appreciation can be primarily ascribed to the US dollar inflows from offshore investors buying local debt and US dollar sales by the state energy company NNPC (USD 450 million), Chevron's local unit (USD 18 million) and Addax's local unit (USD 10 million).
- In the near term, the naira is expected to remain stable against the dollar due to month-end US dollar sales by oil companies.

#### USD/NGN Daily Movement

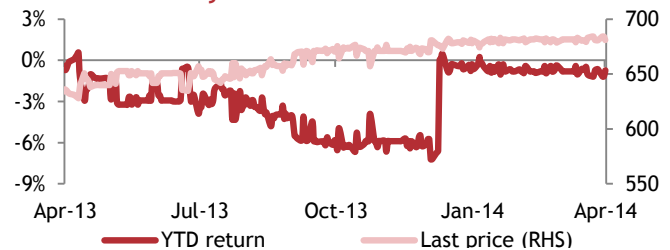


	Avg	End Val	High	Low	MTD (%)	YTD (%)
<b>USD</b>	162.6	162.4	164.9	160.8	1.5%	-1.3%
<b>EUR</b>	224.6	224.2	227.4	222.8	1.4%	-1.7%

### Rwandan Franc (RWF)

- The Rwandan franc stabilised against the US dollar in April 2014, appreciating 0.1% MTD. However, the local currency weakened 0.1% YTD.
- The currency found some support due to growing trade between Rwanda and other countries. Furthermore, EAC Customs Union is set to become operational in 2014, with a view of boosting intra-EAC trade.
- The franc is expected to be under pressure against the US dollar in near term owing to the rising demand for US dollars by importers.

#### USD/RWF Daily Movement

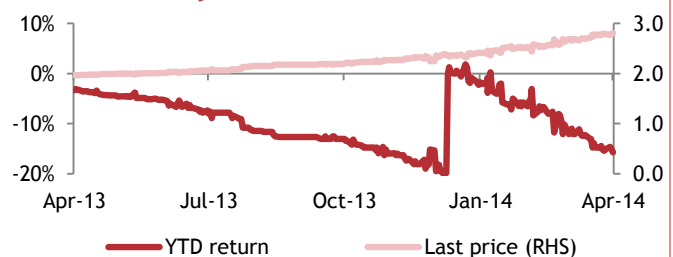


	Avg	End Val	High	Low	MTD (%)	YTD (%)
<b>USD</b>	681.6	681.0	684.0	678.8	0.1%	-0.1%
<b>EUR</b>	940.9	941.8	948.4	934.9	-0.2%	-0.7%

### New Ghanaian Cedi (GHS)

- The Ghanaian cedi continued to weaken against the US dollar, closing at GHS 2.81 on 23 April 2014. The currency depreciated 4.2% MTD and has shed 15.7% YTD so far.
- The weakening of the cedi can be ascribed to the increasing US dollar demand by local firms for imports.
- The cedi is anticipated to remain under pressure in the near term amid the persistent US dollar demand. Furthermore, lower investor confidence due to concerns over economic policy and government's ability to control inflation are expected to weigh down the currency.

#### USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
<b>USD</b>	2.75	2.81	2.81	2.69	-4.2%	-15.7%
<b>EUR</b>	3.80	3.86	3.86	3.69	-4.2%	-15.4%

Source: Bloomberg, individual news websites



## SPECIAL FOCUS

### Nigeria: Among the most preferred investment destinations in Africa

#### Nigeria - the largest economy in Africa!

The rebasing of GDP has made Nigeria the largest economy in Africa. Nigeria's GDP registered a record average growth of 14.0% since 2010, making it one of the 10 fastest growing economies in the world. An attractive business climate driven by synergistic reforms (such as Nigerian Oil & Gas Industry Content Development Bill 2010), foreign reserves of over USD 40 billion, stable exchange rate and strong workforce would strengthen Nigeria's position as an attractive investor destination.

#### Non-oil sectors to emerge as attractive investment areas

Non-oil sectors contributed 86.0% (services sector contributing 52.0%) to the rebased GDP, making Nigerian economy more diversified and less oil-dependent. With a 7.4% growth in 2014 (as against 6.8% for the oil sector), the IMF expects non-oil sectors to drive growth. Agriculture sector is expected to expand 5.3% in 2014, boosted by modernisation, whereas retail sector is expected to attract investment due to positive demographics, rising GDP per capita and growing urbanisation. The power sector's lower cost of doing business and expanded generation capacity (20,000 MW by 2018 from 6,000 MW) will attract investments, amid favourable reforms. In 2014, World Bank approved loans worth USD 1.2 billion for power projects in Nigeria. Furthermore, in May 2014, Nigeria's government announced a USD 300 million risk guarantee for power sector investors.

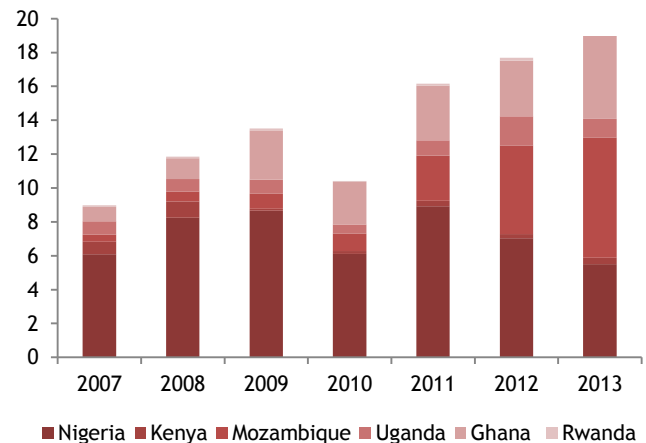
#### Most attractive frontier market in Africa

Nigeria has emerged as one of the most attractive frontier markets in the Africa due to high economic growth, developing financial markets, higher returns and low correlation with both emerging and developed equity markets. Nigerian equities market posted returns of 47.2% in 2013, the highest in Africa, whereas debt markets saw higher yields compared to East African countries. Nigeria's weighting in the MSCI Frontiers Index is set to rise to 20.0% in May 2014 from 14.0% after the upgradation of the UAE and Qatar to emerging markets status. With higher weight, we expect strong capital inflow to Nigeria from passive as well as active funds.

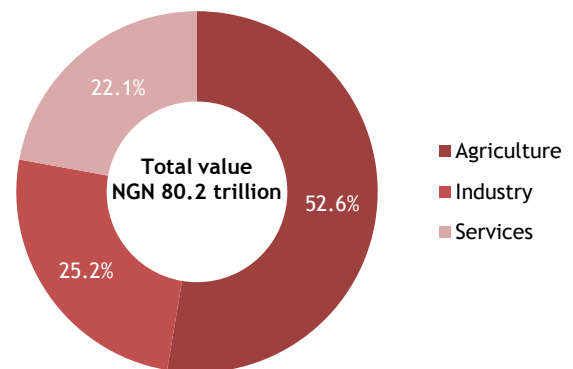
#### Nigeria's favourable demographics to pay dividends

As of 2013, Nigeria accounted for 13.0% of Africa's total population and is expected to account for 17.5% of the population by 2050 and 22.0% by 2100. It is among the youngest nations in Africa, with more than 44.0% of its total population below the age of 15 as of 2013 as against 42.2% for Kenya and 38.5% for Ghana. Median age of the country's population is projected to be 21.2 by 2050 as against 25.5 for Kenya and 27.1 for Rwanda. This demographic dividend, involving a prime working-age population and rising average rates of education, offers Nigeria a strong platform for robust growth.

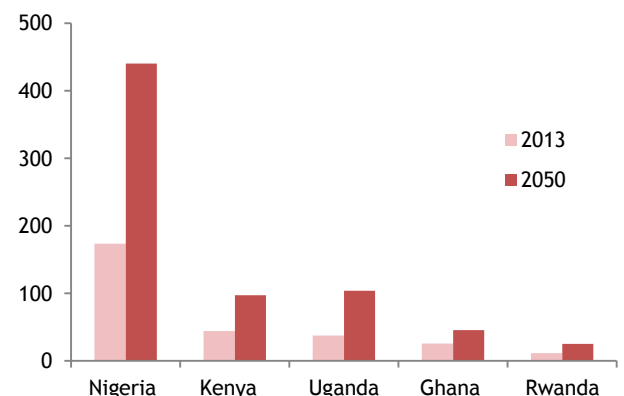
#### Capital flows in major SSA (ex. South Africa) economies (USD bn)



#### Sectoral composition of Nigeria's GDP - 2013



#### Population growth (million)



Source: United Nations, Individual news websites

## AUCTIONS, EVENTS

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

#### Uganda's latest issuance: 10-yr and 2-yr bonds (Apr 2014)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
23-Apr	10-yr	90.0 bn	1.96	13.964%	14.0%
23-Apr	2-yr	80.0 bn	2.98	13.523%	14.13%
<b>Details of issuances in March</b>					
26-Mar	2-yr	72.89 bn	1.59	13.84%	14.0%
26-Mar	5-yr	107.1 bn	1.88	14.07%	14.63%

1 USD = 2,529 UGX (average for April 2014)

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

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int rate
28-Apr	2-yr	12.14 mn	FXR Note	1.0	23.00%
<b>Details of previous 2-yr issuances</b>					
21-Apr	2-yr	10.08 mn	FXR Note	1.0	23.00%
14-Apr	2-yr	10.39 mn	FXR Note	1.0	23.00%
7-Apr	2-yr	8.58 mn	FXR Note	1.0	23.00%

\*Fixed rate; 1 USD = 2.75 GHS (average for April 2014)

#### Tanzania's latest issuance: 5-yr and 10-yr bonds (Apr 2014)

Issue Date	Maturity	Amt (TZS)	Bid/Offer	YTM	WACY*
16-Apr	5-yr	30.9 bn	1.21	14.92%	11.44%
2-Apr	10-yr	32.93 bn	1.32	16.04%	14.73%
<b>Details of issuances in March</b>					
19-Mar	2-yr	75.00 bn	3.77	15.55%	8.79%
5-Mar	7-yr	49.00 bn	1.51	13.06%	11.28%

\*Weighted average coupon yield; 1 USD = 1,633.0 TZS (average for April 2014)

#### Kenya's latest issuance: 5-yr bond (Apr 2014)

Issue Date	Maturity	Amt bid (KES)	Amt acpt (KES)	MWAR*	Coupon
23-Apr	5-yr	30.3 bn	17.5 bn	10.870%	10.870%
<b>Details of issuances in March</b>					
19-Mar	2-yr	48.78 bn	20.0 bn	10.96%	10.803%
<b>Details of issuances in February</b>					
19-Feb	15-yr	23.44 bn	14.4 bn	12.52%	11.25%

\*Market weighted average rate; 1 USD = 86.7 KES (average for April 2014)

### Upcoming Bond Auctions, Monetary Policy Meetings

- **14 May 2014:** The central bank of Tanzania to sell bonds
- **14 May 2014:** The central bank of Nigeria to sell bonds
- **21 May 2014:** The central bank of Uganda to sell bonds
- **22 May 2014:** The central bank of Ivory Coast to sell bonds
- **28 May 2014:** The central bank of Tanzania to sell bonds
- **Monetary policy meetings** are scheduled for:
  - **20 May 2014:** The Central Bank of Nigeria
  - **24 May 2014:** The Central Bank of Angola

Source: Bloomberg, individual news websites, respective central banks

## KIMONDO'S CORNER

### Rwanda's Financial Market continues to deepen

The Rwanda financial market continues to deepen with the expected issuance of a 5 year bond (RWF denominated) by the International Finance Corporation ('IFC'), and the government commitment to quarterly issue of Treasury Bonds.

The IFC received an approval to issue up to RWF 200 billion (USD 295M) in the Rwandan debt capital markets which will be raised in several tranches. In their first tranche, they are looking to raise up to RWF 15 billion (USD 22M), in Rwanda Francs. The bonds which will be priced at between 12% and 13.5% will be listed in the Rwanda Stock Exchange. An IFC issuance in a the Rwanda domestic market will create international awareness, attract new types of investors, and set a new "risk free" benchmark in the domestic market.

IFC is a global advocate for the development of local capital markets. When issuing local currency bonds, IFC works closely with regulators and market participants to help improve the regulatory framework, encourage greater participation in the local markets and provide a model for other issuers to issue bonds in local currency.

The Rwanda Capital Market has not had many bonds (sovereign and corporates) issuances, the government having opted to concentrate on the short term issues of maturities of less than one year. As a matter of fact, there has been only 3 Treasury bonds and one corporate bond issued in Rwanda. They have however all recorded high oversubscription, of over 100%.

In February 2014, the Rwandan government issued a RWF12.5 Billion (USD 18M) 3-year fixed coupon treasury bond which was priced at 11.625% and which recorded a subscription rate of 140%. Going forward, the government plans to be issuing treasury bonds with varying maturities on a quarterly basis.

Compared to the rest of the East African currencies, the Rwanda Franc has over the last 6 years been relatively more stable against the USD, with an average depreciation of 3.8% p.a. (UGX: - 6.8% p.a., Kes: - 5.3% p.a.). The Franc has showed substantially lower volatility against the USD compared to UGX and KES. Over a 5 year period, the volatility of the RWF was 4.6% p.a., compared to UGX: 9.3% p.a. and KES: 7.6% p.a.

However, we note that the Rwandan economy is dependent on foreign aid with average of 40% of the country's budget being donor funded. The economy's performance is therefore very dependent on the goodwill of the international donor and investor communities.

In our view, investors looking for currency diversification in East Africa should look at opportunities in Rwanda as Fixed Income opportunities offerings in that country increase.

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