

## HIGHLIGHTS

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

- **Kenyan** bond yields advanced across most maturities in May 2014, as Central Bank of Kenya (CBK) tightened liquidity through use of open market operations to mop up Kenyan shilling from the market. **Nigerian** bond yields fell across all maturities, mainly due to increasing investor demand for local debt by offshore investors, coupled with high liquidity in the market (details on page 5).
- **Kenyan** and **Tanzanian** shillings depreciated in May 2014. Terrorist attacks in Mombasa and higher demand for US dollars exerted pressure on the Kenyan currency. Rising demand for the greenback from petroleum, manufacturing and telecommunication sectors also led to the fall of Tanzanian shilling. **Ghanaian** cedi remained one of the worst performing currencies in the region and depreciated 4.3% during the month, primarily due to a large unmet demand for US dollars by local importers (more on pages 7 and 8).
- In money markets, **Kenya's** interbank rates rose to an average of 8.1% in May 2014 from 7.4% in April 2014, primarily due to liquidity tightening by the Central Bank of Kenya. Similarly, **Nigeria's** interbank rates rose to an average of 13.2% in May 2014, as central bank removed naira from the market (more on page 6).

### May Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
<b>Kenya 21-May yield (%)</b>	10.6%	11.1%	12.0%	12.6%
<b>Chg from 1-May 14 (bps)</b>	7	-6	56	20
<b>Nigeria 21-May yield (%)</b>	11.8%	12.2%	12.6%	13.5%
<b>Chg from 1-May 14 (bps)</b>	-120	-81	-52	-36

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

	Average	End Value	MTD	YTD
<b>Kenyan Shilling</b>	87.3	87.9	-1.2%	-1.8%
<b>Ugandan Shilling</b>	2,525.2	2,530.0	-0.3%	0.1%
<b>Nigerian Naira</b>	161.6	162.3	-0.9%	-1.2%
<b>Ghanaian Cedi</b>	2.88	2.96	-4.3%	-19.6%
<b>Tanzanian Shilling</b>	1,649.3	1,651.0	-0.2%	-3.9%

### Kimondo's Corner

#### Kenya Finally Taps Into The International Markets With An Issue Of Her Maiden Eurobond

The Kenyan Government is finally tapping into the international market with an issue of her maiden Eurobond, estimated at between US\$ 1.5 bn to US\$ 2.0 bn.

Kenya intends to use the cash proceeds from the issue for general budgetary purposes, including for the funding of infrastructure projects and repayment of a US\$600 million loan incurred in 2011/12 that matures in August 2014.

The tenor and yield of the issue are yet to be provided though the Treasury Cabinet Secretary, when presenting Medium Term Debt Strategy 2014 in February, had indicated it will have a tenor of ten years.

The Bond will be issued in tranches of US\$ 200,000 and in multiples of US\$ 1,000 (See more on page 11)



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Source: Bloomberg and respective central banks

### Fusion Portfolio Management Service

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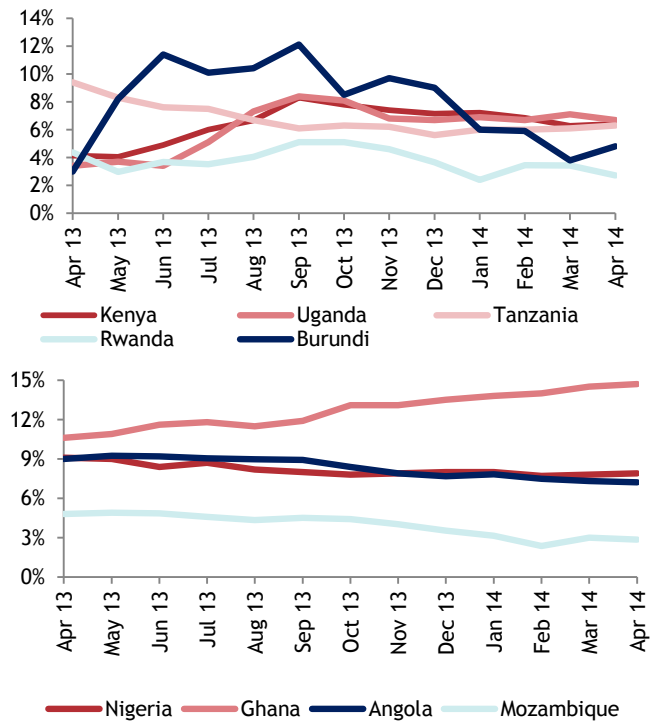
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## HIGHLIGHTS

### Activity Across Africa: Economy and Politics

- African Development Bank (AfDB) has projected Kenya's GDP to grow 5.7% in 2014, mainly driven by the development of agribusiness value chains, lower & stable international oil prices, a stable Kenyan shilling and reforms affecting security & governance, among others. Kenya's GDP grew 4.7% in 2013, higher than the AfDB's forecast of 4.5% (details on page 5).
- In April 2014, central banks of **Kenya, Nigeria, Uganda** and **Mozambique** retained their policy rates at 8.5%, 12.0%, 11.5% and 8.3%, respectively. Although stable inflationary pressures led most of the central banks to retain their rates, Mozambique's central bank stated that prudent monetary policy was required in an unstable environment (more on pages 3 and 4).
- Inflation in the region varied in April 2014. In **Kenya**, inflation increased marginally to 6.4% YoY in April 2014 from 6.3% YoY in March 2014 on increases in prices of housing, water, electricity and gas, and in transport costs. Inflation in **Uganda** fell to 6.7% YoY in April 2014 from 7.1% YoY in March 2014 on low price hikes in food items. In **Nigeria**, inflation rose to 7.9% YoY, whereas **Ivory Coast** recorded a deflation of 0.2% (more on pages 3 and 4).

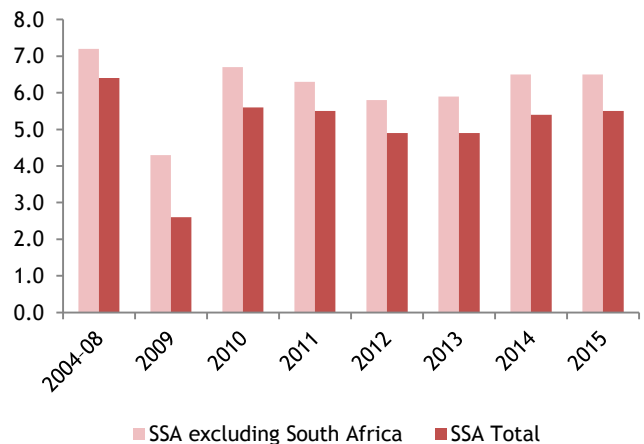
#### Inflation (YoY)



### Sub Saharan Africa: Growth to Accelerate in 2014

- The economy of Sub Saharan Africa (SSA) is likely to continue growing in 2014, driven by investments in SSA's infrastructure and natural resources, coupled with improved social & political stability in the region. The International Monetary Fund (IMF) expects SSA's GDP to grow 5.5% in 2014, while the World Bank projects SSA output to expand 5.2% during the same period.
- As per the World Bank, robust domestic demand, underpinned by investment in natural resources & infrastructure and strong household consumption, will continue to drive growth across the SSA region. Furthermore, the services sector represents an untapped growth area in the region, and is expected to witness strong growth driven by exports of modern services such as software development, call centers and outsourced business processes, among others.
- Growth in SSA faces several risks, including lower commodity prices due to a slowdown in China, higher funding costs, risk of reversal of capital flows due to monetary policy tightening in developed countries, and socio-political conflicts in many SSA countries.

#### Real GDP Growth (%)



Source: Respective central banks, World Bank, International Monetary Fund, individual news websites

## ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

### East African Community

#### Kenya

- The AfDB projects Kenya's GDP to grow 5.7% in 2014, mainly led by the development of agribusiness value chains, amid reliable rainfall and a stable macroeconomic environment. Other factors expected to support economic growth are lower, stable international oil prices, a stable local currency, and reforms affecting security & governance. Kenya's GDP grew 4.7% in 2013, higher than AfDB's forecast of 4.5%, due to a stable macroeconomic environment, lower international oil prices, and low & stable inflation rate.
- The CBK maintained its benchmark policy rate at 8.5% in May 2014, citing stable inflationary pressures.
- Inflation in Kenya was almost flat at 6.4% YoY in April 2014 compared with the eight-month low of 6.3% YoY in March 2014. The marginal increase was ascribed to rise in prices of transport (8.8% in April 2014 from 5.2% in March 2014) and housing, and utilities (4.5% in April 2014 from 4.4% in March 2014).

#### Uganda

- Uganda's central bank retained its benchmark policy rate at 11.5% for its sixth consecutive meeting, expecting moderate inflationary pressures in the near term. Over the next 12 months, the bank anticipates inflation to remain within its target range of 3-7%.
- Annual headline inflation decreased to 6.7% YoY in April 2014 from 7.1% YoY in March 2014, mainly due to lower inflation in food prices (12.2% in April 2014 from 12.7% YoY in March 2014).

#### Tanzania

- Tanzania's headline inflation increased for the second consecutive month to 6.3% YoY in April 2014 from 6.1% YoY in March 2014. This can be mainly ascribed to a rise in food & non-alcoholic beverages prices (7.8% YoY in April 2014 from 7.2% YoY in March 2014) and in housing, water, electricity and gas & other fuel prices (9.2% YoY in April 2014 from 9.0% YoY in March 2014).

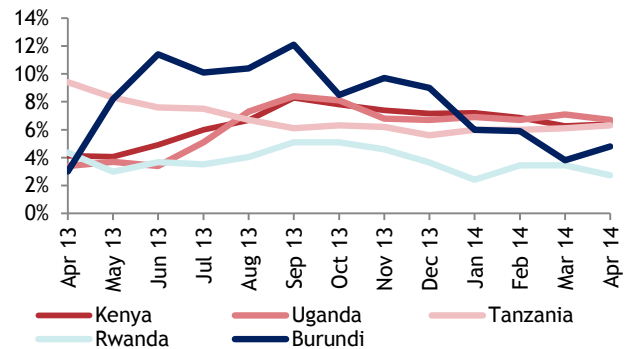
#### Rwanda

- Rwanda's inflation declined to 2.7% YoY in April 2014 from 3.4% YoY in March 2014. This can be ascribed mainly to a fall in prices of housing, water, electricity, gas and other fuels, a 0.4% YoY decrease compared with a 0.2% YoY increase in March 2014.

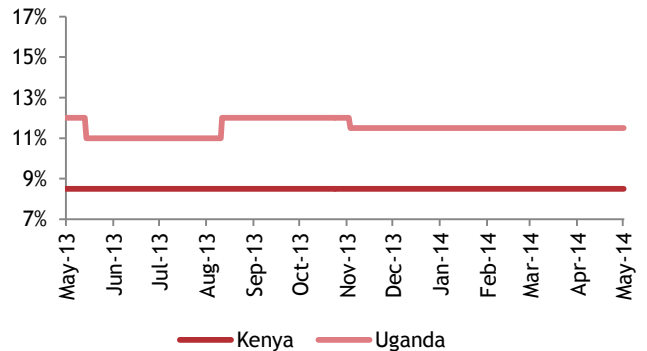
#### Burundi

- Burundi's inflation rose to 4.8% YoY in April 2014 from 3.8% YoY in March 2014, mainly due to higher inflation in housing (8.1% in April 2014 from 6.0% YoY in March 2014).

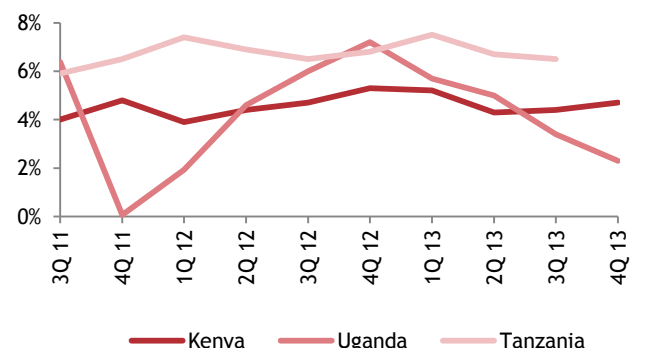
#### Inflation (YoY)



#### Movement of Central Banks' Key Rates



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



Source: Bloomberg, individual news websites, respective central banks

## ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

### Rest of Sub-Saharan Africa

#### Nigeria

- Central Bank of Nigeria retained its monetary policy rate at 12.0% at its meeting held in May 2014. The bank stressed the need to maintain stability in its last committee meeting before the joining of a new governor, which is due on 1 June 2014.
- Nigeria's inflation increased to 7.9% YoY in April 2014 from 7.8% YoY in March 2014, mainly due to a rise in food prices, up 9.4% YoY in April 2014 from 9.3% YoY in March 2014. The central bank targets an inflation rate of 6.0-9.0% in 2014.

#### Angola

- Angola's inflation decelerated for the third straight month to 7.2% YoY in April 2014 (three-year low) from 7.3% in March 2014. This can be mainly ascribed to lower price increases in clothing & footwear (0.7% in April from 0.8% in March 2014); housing, water, electricity, gas and other fuels (0.2% in April from 0.3% in March 2014); health (0.7% in April from 0.9% in March 2014) and recreation & culture (0.6% in April from 0.8% in March 2014).

#### Ghana

- Inflation in Ghana increased to 14.7% YoY in April 2014, the highest since March 2010, primarily driven by housing, water, electricity, gas and other fuel subgroups, which recorded the highest inflation rate of 50.5% during the month. The transport sub-sector was the second-highest contributor, recording 26.5% inflation on a rise in transport fares. The Communications sector recorded the lowest inflation (6.1%).

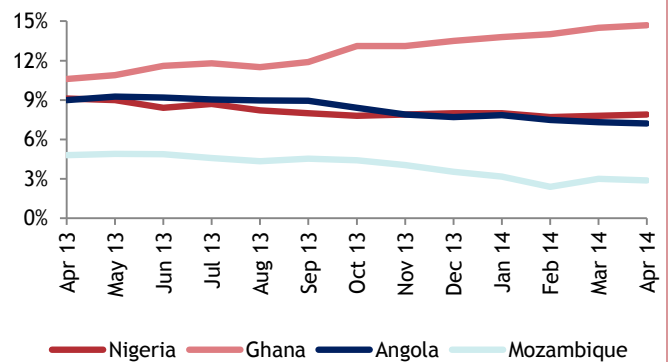
#### Mozambique

- In May 2014, Mozambique's central bank retained its policy rate at 8.3%, stating that a prudent monetary policy was required in an environment characterised by uncertainty in global economic growth and domestic and international risks.
- Inflation in Mozambique fell to 2.9% YoY in April 2014 from 3.0% YoY in March 2014. This can be ascribed to a lower rise in cost of food and non-alcoholic beverages (5.85% YoY in April 2014 from 5.99% YoY in March 2014).

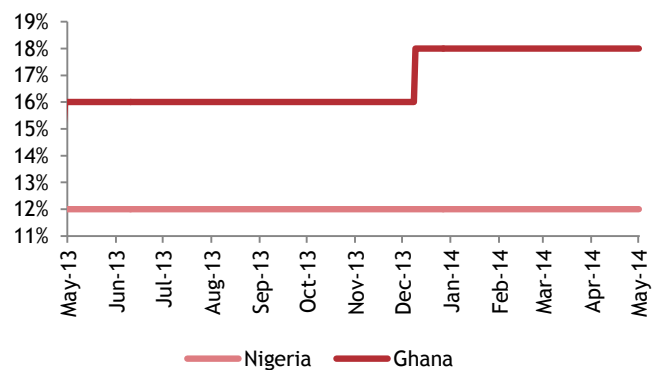
#### Ivory Coast

- Ivory Coast recorded deflation of 0.2% YoY in April 2014 as against 0.0% YoY change in prices in March 2014. Housing & utility, and communication prices rose 0.7% and 1.1%, respectively, while food & soft drink and transport costs fell 4.2% and 0.7%, respectively.

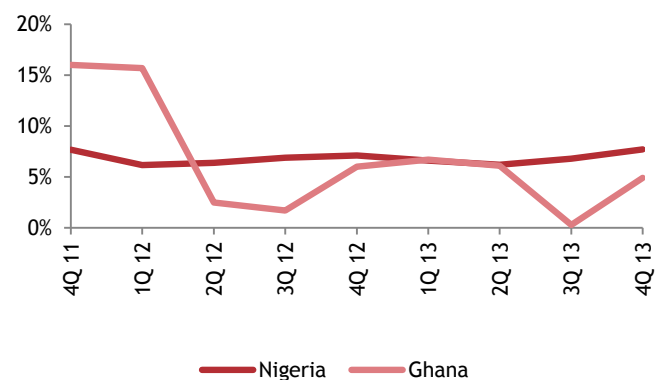
#### Inflation (YoY)



#### Movement of Central Banks' Key Rates



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



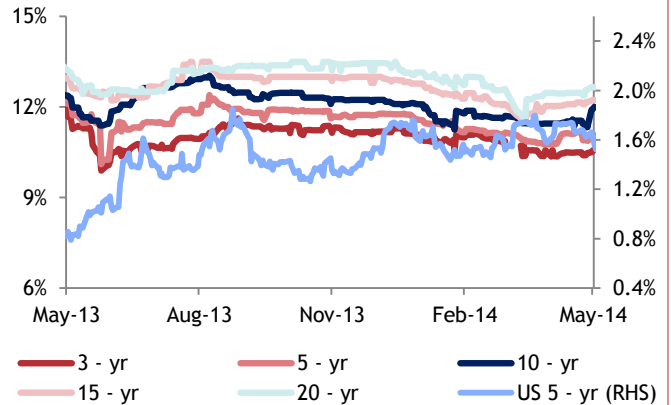
Source: Bloomberg, individual news websites, respective central banks

## ACTIVITY ACROSS AFRICA: BOND MARKETS

### Kenya

- In May 2014, Kenyan bond yields increased across most maturities, with only five-year bond yields falling by six bps. Yields on bonds with 10- and 20-year tenors rose the most (56 bps and 20 bps) to 12.0% and 12.6%, respectively.
- Bond yields surged due to central bank's monetary tightening action of mopping up Kenyan shilling from the market. The bank drained a total of KES 25.8 bn from the markets so far in open market operations on 14 May (KES 7.0 bn), 19 May (KES 2.0 bn), 20 May (KES 10.8 bn) and 22 May (KES 6.0 bn).
- On 21 May 2014, Kenya's government auctioned 2-year bonds with a coupon rate of 10.793%, expiring in 2016. The auction was oversubscribed, and the central bank received bids worth KES 12.5 bn; it had offered KES 12.27 bn in total, and bids worth KES 12.27 bn were accepted.
- The FTSE NSE Kenyan Shilling Government Bond Index appreciated 0.03% MTD in May 2014. On YTD basis, the index rose 3.2%. This is because the index is heavily weighted towards lower maturity bonds (3- and 5-yr), the yields for which have either risen marginally (7 bps for 3-yr) or fallen (6 bps for 5-yr).

#### Bond Yields' Daily Movement



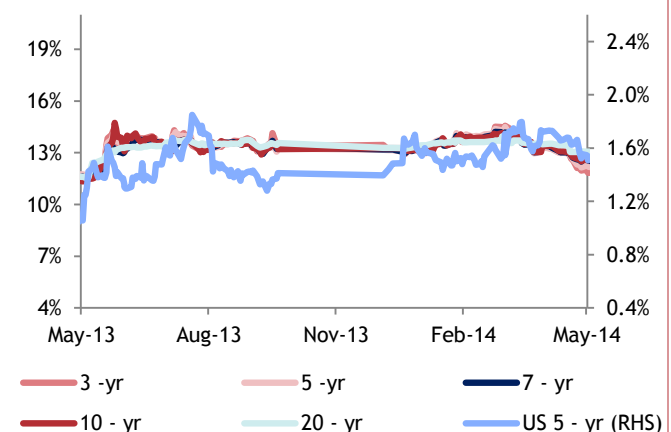
#### Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
<b>21-May yield (%)</b>	10.6%	11.1%	12.0%	12.2%	12.6%
<b>Chg from 1-May 14 (bps)</b>	7	-6	56	16	20
<b>Chg from 1-Jan 13 (bps)</b>	-73	-69	-9	-65	-58

### Nigeria

- In May 2014, Nigerian bond yields fell across maturities. Yields for bonds with three- and seven-year tenors declined the most (120 bps and 81 bps) to 11.8% and 12.2%, respectively.
- This fall in Nigerian bond yields can be mainly ascribed to an increased appetite for local debt by offshore investors coupled with excess liquidity in the markets.
- The government auctioned 10-year NGN 35 bn 14.2% March 2024 bonds and 3-year NGN 35 bn 13.05% August 2016 bonds on 14 May 2014. Both were oversubscribed with NGN 141.04 bn in subscriptions for the 3-year bonds and NGN 97.99 bn for the 10-year bonds.
- The Access Bank FGN Bond Index advanced 2.1% MTD in May 2014. On YTD basis, the index rose 5.1%.

#### Bond Yields' Daily Movement



#### Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
<b>21-May yield (%)</b>	11.8%	12.2%	12.5%	12.6%	13.5%
<b>Chg from 1-May 14 (bps)</b>	-120	-81	-50	-52	-36
<b>Chg from 1-Jan 13 (bps)</b>	-133	-98	-66	-69	-21

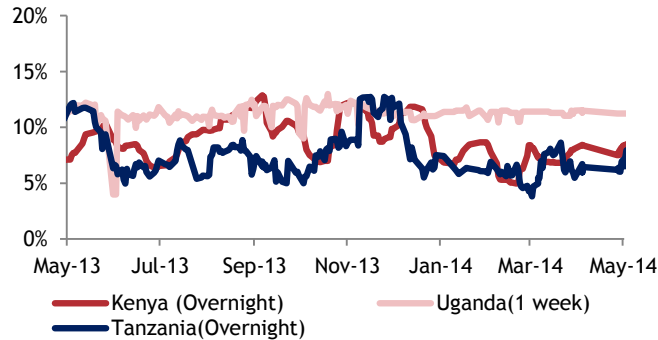
Source: Bloomberg, individual news websites

## MONEY MARKETS

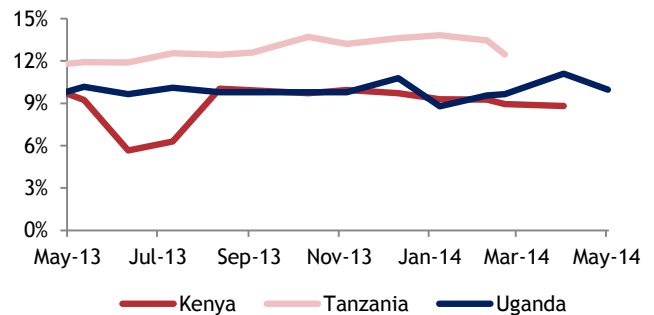
### East African Community

- In May 2014, Kenya's interbank rate rose to an average of 8.1% from 7.4% in April 2014, primarily due to CBK's regular mopping up of shilling liquidity from the money market (a total of KES 25.8 bn between 1 May 2014 and 22 May 2014, through open market operations). Tanzania's interbank rates fell to 6.5% towards the end of May 2014 from 6.9% at the beginning of the month, indicating improving liquidity in the market.

#### Interbank rates



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



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

	Kenya	Tanzania	Uganda
<b>3-m curr dep</b>	6.6%	10.7%	9.7%
<b>91-d/3-m T-bill</b>	8.8%(Apr)	12.5%(Mar*)	10.0%

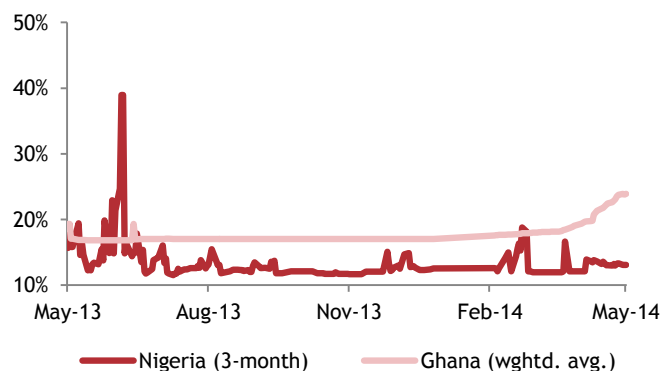
#### Policy and average interbank rates (May 2014)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
<b>Policy</b>	8.5%	12.0%	11.5%
<b>Interbank</b>	7.6%	6.5%	11.3%

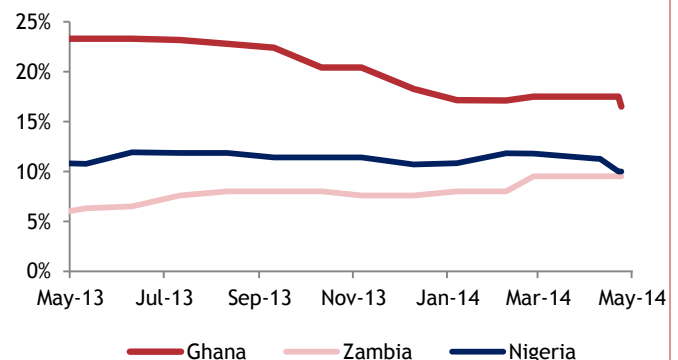
### Rest of Sub-Saharan Africa

- Nigerian Interbank Offered Rate (NIBOR) rose to an average of 13.2% in May 2014, after the central bank mopped up about NGN 200 bn from the banking system by issuing treasury bills. However, interbank rates were low at an average of 12.7% over the past month, despite the central bank raising the cash reserves requirement (CRR) on private sector deposits to 15.0% from 12.0%, primarily due to high liquidity.

#### Interbank rates



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



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

	Nigeria	Ghana	Zambia
<b>3-m curr dep</b>	9.4%(Apr)	23.1%	13.8%
<b>91-d /3-m T-bill</b>	10.0%	16.5%	9.5%

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

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
<b>Policy</b>	12.0%	18.0%	12.0%
<b>Interbank</b>	13.1%	23.9%	17.5%

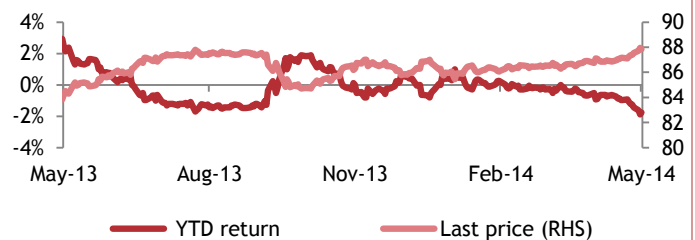
Source: Bloomberg, individual news websites, respective central banks; Note: \*Provisional

## CURRENCY MARKETS: KENYA, TANZANIA, AND UGANDA

### Kenyan Shilling (KES)

- Kenyan shilling depreciated 1.2% to a 30-month low of KES 87.95 against the US dollar in May 2014 despite the central bank's efforts of mopping up excess liquidity from the market. Currently, the currency is down 1.8% against the dollar on YTD basis.
- The shilling was negatively impacted by several factors, including terrorist attacks in Mombasa and travel warnings that led to evacuation of tourists from the country. Rising dollar demand from Kenyan firms paying dividends to foreign shareholders also put pressure on the shilling.
- The shilling could strengthen against the US dollar in the near term if the central bank continues to buy shillings. The central bank stated the currency depreciation is seasonal and not linked to security threats (terror threats from Al-Shabaab, an Al-Qaeda linked group) to the country.

#### USD/KES Daily Movement

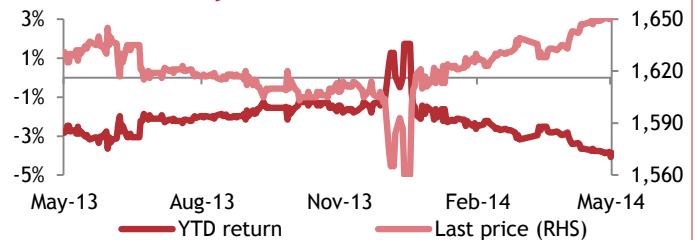


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	87.3	87.9	88.0	86.9	-1.2%	-1.8%
EUR	120.3	120.1	121.4	119.4	0.5%	-1.1%

### Tanzanian Shilling (TZS)

- Tanzanian shilling continued its downtrend against the US dollar in May 2014, falling 0.2% MTD. On YTD basis, the currency has shed 3.9 against the greenback so far.
- The shilling's depreciation can be primarily ascribed to the rising demand from importers particularly in petroleum, manufacturing and telecommunication sectors.
- Some analysts expect the shilling to gain ground against the greenback in the near term, as cotton season would begin in June, possibly leading to an increase in exports.

#### USD/TZS Daily Movement

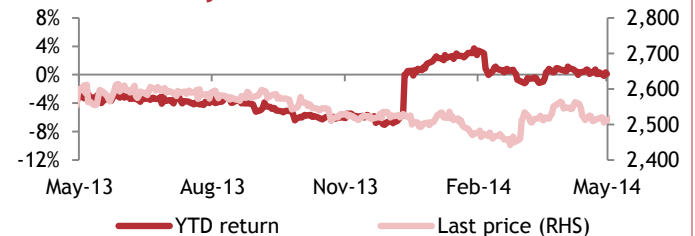


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	1,649.3	1,651.0	1,654.5	1,647.0	-0.2%	-3.9%
EUR	2,272.8	2,255.4	2,295.1	2,255.4	1.3%	-5.4%

### Ugandan Shilling (UGX)

- Ugandan shilling depreciated 0.3% against the US dollar in May 2014. On YTD basis, the currency was up 0.1%.
- The currency depreciated due to a high demand for US dollar from telecom companies and negative market sentiment fuelled by falling government debt yields. The declining yields could lower foreign demand for Ugandan debt and reduce dollar inflows.
- Analysts expect the shilling to strengthen against the US dollar in the near term, as corporate demand for US dollar subsidies. Also, the Bank of Uganda is expected to support the local currency by draining liquidity from the market. The bank drained UGX 450 bn shilling via a seven-day repo on 20 May 2014.

#### USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,525.2	2,530.0	2,537.0	2,515.0	-0.3%	0.1%
EUR	3,481.0	3,456.0	3,509.5	3,449.9	0.9%	-0.1%

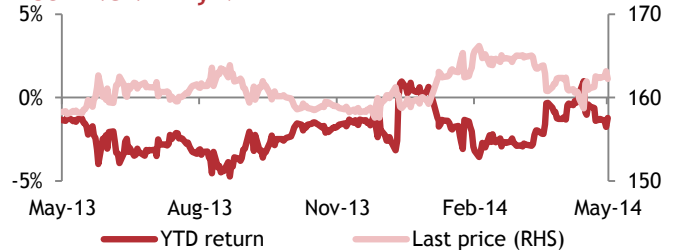
Source: Bloomberg, individual news websites

## CURRENCY MARKETS: NIGERIA, RWANDA, AND GHANA

### Nigerian Naira (NGN)

- Nigerian naira depreciated against the US dollar to NGN 162.25 in May 2014, after reaching an 11-week high of NGN 160.79 in April 2014. The currency depreciated 0.9% against the US dollar during the month, down 1.2% YTD.
- The currency's depreciation can be primarily ascribed to a surge in US dollar demand from importers amid limited dollar supply from oil companies. Furthermore, an increased dollar demand by some investors repatriating dividends abroad also puts pressure on the local currency.
- In the near term, the naira could strengthen against the dollar due to expected month-end dollar inflows from oil companies.

#### USD/NGN Daily Movement

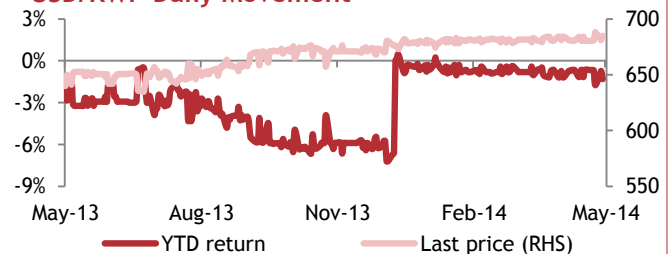


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	161.6	162.3	163.2	158.7	-0.9%	-1.2%
EUR	222.7	221.6	225.3	220.9	0.6%	-0.6%

### Rwandan Franc (RWF)

- Rwandan franc eased against the US dollar in May 2014, depreciating 0.7% MTD. The local currency is down 1.3% YTD so far.
- The currency has been under pressure as the country's imports continue to outpace exports. Also, the East African Community (EAC) Customs Union is set to become operational in 2014, with an aim to boost intra-EAC trade, which might put further pressure on the local currency.
- The franc is expected to be under pressure against the US dollar in the near term owing to the rising demand for US dollars by importers.

#### USD/RWF Daily Movement

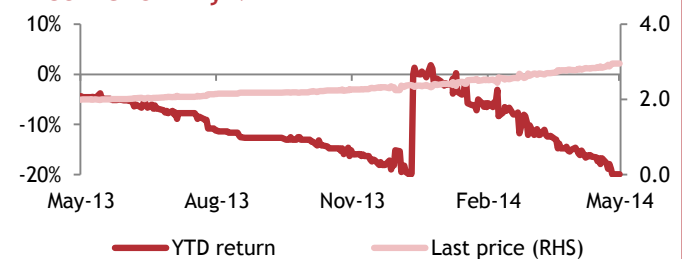


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	682.0	685.0	688.0	680.5	-0.7%	-1.3%
EUR	940.0	933.1	952.6	925.9	1.2%	-0.4%

### New Ghanaian Cedi (GHS)

- Ghanaian cedi continued its downtrend against the US dollar, closing at GHS 2.95 on 21 May 2014. The currency depreciated 4.3% MTD and has shed 19.6% YTD so far.
- The cedi has been under pressure mainly due to large unmet demand for US dollar by local importers. The continuous depreciation of the Ghanaian cedi has triggered smuggling of cocoa into Ivory Coast, as Ghanaian farmers are seeking payments in CFA Francs, the currency pegged to Euro, and avoiding the plunging local currency.
- The cedi is anticipated to remain under pressure in the near term amid persistent US dollar demand. However, the cedi might find some support if the central bank intervenes.

#### USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2.88	2.96	2.96	2.82	-4.3%	-19.6%
EUR	3.98	4.05	4.05	3.91	-3.2%	-19.4%

Source: Bloomberg, individual news websites



## SPECIAL FOCUS

### Sub Saharan Africa: Growth to Accelerate in 2014

#### SSA growth outlook positive

The economy of Sub Saharan Africa (SSA) is likely to continue growing in 2014, led by investments in SSA's infrastructure and natural resources coupled with improved social & political stability in the region. The World Bank projects high-income economies to grow 2.1% in 2014 from 1.3% in 2013. The IMF projects SSA's GDP to grow 5.5% in 2014, up from 4.9% in 2013, while the World Bank projects a 5.2% increase in 2014. The growth is expected to come from rising investment in natural resources and infrastructure, and strong household consumption in the region.

#### Investment in infrastructure and natural resources to drive economic activity

The World Bank expects robust domestic demand, investment in natural resources & infrastructure, and strong household consumption to continue driving growth across the SSA region. Growth in East Africa is expected to be supported mainly by oil and natural resources sectors. Strong FDI flows into offshore natural gas resources in Tanzania will support the nation's growth, while a rise in oil production would propel growth in Kenya, Uganda and Angola. In West Africa, growth is expected to be fuelled primarily by the non-oil sector, led by Nigeria, with robust growth estimated in manufacturing, communication, transport, retail, power, real estate and agriculture sectors. However, Ghana is expected to witness subdued growth due to high domestic interest rates and inflation.

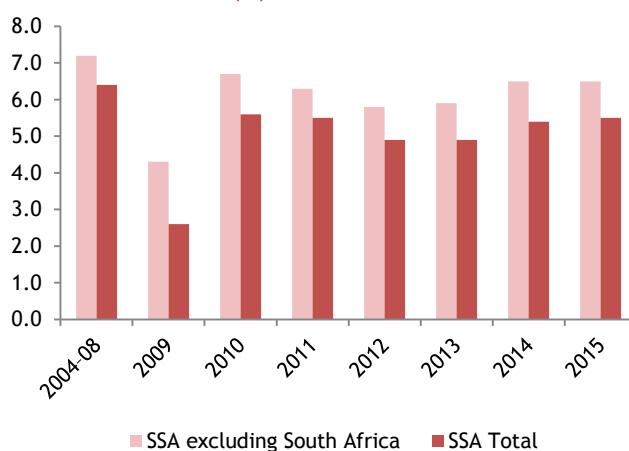
#### Trade in services an untapped opportunity

The SSA region's traditional services exports declined to less than 64.0% of total services exports in 2012, from 73.0% in 2005, while modern services increased to about 36.0% from around 26.0% during the same period. However, the region's exports, at USD 50.0 bn in 2012, still lag behind other developing regions (USD 68 bn for Brazil and USD 145 bn for India). According to the World Bank, the services sector represents a highly untapped growth area. Nonetheless, SSA's service exports have seen robust growth over the past few years, mainly driven by growth in modern services including software development, call centers and outsourced business processes, among others.

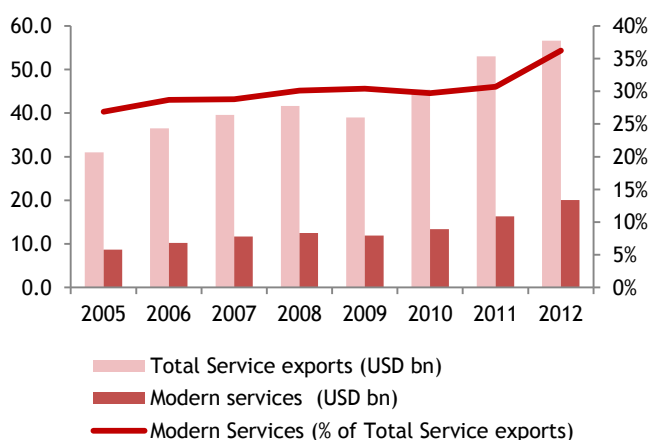
#### Lower commodity prices and capital flows are key risks

Key risks to growth include: 1) Weaker commodity demand and prices due to a possible slowdown in China; 2) Reversal in capital inflows and rising funding costs due to the imminent monetary policy tightening in the US; 3) Higher fiscal deficits in countries such as Ghana and Zambia, resulting in lowering of their credit ratings; and 4) Conflicts in South Sudan, Central African Republic and Nigeria.

#### Real GDP Growth (%)



#### Size of the services sector in Africa



#### SSA: Other macroeconomic indicators

	2004-08	2011	2012	2013	2014e	2015e
	(Percentage change)					
Inflation, end-of-period	8.8	10.2	7.7	5.9	6.2	5.8
	(Percentage of GDP)					
Fiscal balance	1.9	-1.3	-2.2	-4.2	-3.3	-3.0
Of which: Excluding Oil importers	-0.7	-3.9	-4.0	-4.4	-4.3	-4.0
Current Account balance	0.7	-1.0	-2.7	-3.6	-3.6	-3.9
Of which: Excluding Oil importers	-5.0	-5	-7.7	-8	-7.8	-7.6
	(months of imports)					
Reserves Coverage	4.7	4.4	4.9	4.8	4.7	4.7

Source: United Nations, Individual news websites, World Bank, International Monetary Fund

## AUCTIONS, EVENTS

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

#### Uganda's latest issuance: 15-yr and 2-yr bonds (May 2014)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
22-May	15-yr	70.0 bn	2.24	14.322%	15.25%
22-May	2-yr	100.0 bn	2.54	12.853%	12.875%
<b>Details of issuances in April</b>					
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%

1 USD = 2,525.2 UGX (average for May 2014)

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

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int rate
26-May	2-yr	3.24	FXR Note	1.0	23.00%
<b>Details of previous 2-yr issuances</b>					
19-May	2-yr	17.28 mn	FXR Note	1.0	23.00%
9-May	2-yr	1.54 mn	FXR Note	1.0	23.00%
5-May	2-yr	110.23 mn	FXR Note	1.0	23.00%

\*Fixed rate; 1 USD = 2.88 GHS (average for May 2014)

#### Tanzania's latest issuance: 10-yr and 7-yr bonds (May 2014)

Issue Date	Maturity	Amt (TZS)	Bid/Offer	YTM	WACY*
28-May	10-yr	47.2 bn	1.05	16.43%	15.08%
15-May	7-yr	49.0 bn	1.49	15.69%	13.15%
<b>Details of issuances in April</b>					
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%

\*Weighted average coupon yield; 1 USD = 1,649.3 TZS (average for May 2014)

#### Kenya's latest issuance: 2-yr bond (May 2014)

Issue Date	Maturity	Amt bid (KES)	Amt acpt (KES)	MWAR*	Coupon
26-May	2-yr	12.507 bn	12.270 bn	10.809%	10.793%
<b>Details of issuances in April</b>					
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%

\*Market weighted average rate; 1 USD = 87.28 KES (average for May 2014)

### Upcoming Bond Auctions, Monetary Policy Meetings

- **11 June 2014:** The central bank of Tanzania to sell bonds
- **11 June 2014:** The central bank of Nigeria to sell bonds
- **18 June 2014:** The central bank of Uganda to sell bonds
- **Monetary policy meetings** are scheduled for:
  - **13 June 2014:** The Central Bank of Mozambique
  - **23 June 2014:** The Central Bank of Angola

Source: Bloomberg, individual news websites, respective central banks

## KIMONDO'S CORNER

### Kenya Finally Taps Into The International Markets With An Issue Of Her Maiden Eurobond

The Kenyan Government is finally tapping into the international market with an issue of her maiden Eurobond, estimated at between US\$ 1.5 billion to US\$ 2.0 billion.

Kenya intends to use the cash proceeds for general budgetary purposes, including the funding of infrastructure projects and repayment of a US\$600 million loan incurred in 2011/12 that matures in August 2014. The budget deficit in the current financial year stands at KES 329.7 billion (US\$ 3.8 billion) and this issue, if successful, will ensure that the government does not crowd out private sector in the local capital market.

The tenor and yield of the issue are yet to be provided though the Treasury Cabinet Secretary, when presenting Medium Term Debt Strategy 2014 in February, had indicated that it will have a tenor of ten years. The yield of the Zambia maiden \$1Billion, 10 year Eurobond of 8.6% issued in April 2014 should provide guidance as to where the yields might lie as Kenya shares Zambia's B1 rating at Moody's Investors Service.

The notes will be issued in tranches of US\$ 200,000 and in multiples of US\$ 1,000 and will be listed in the Irish Stock Exchange. In addition, the Kenya government intends to make application for the notes to be listed at the Nairobi Stock Exchange after they have been issued.

The Kenyan government projects the economy will grow by 5.8% and 6.4% in 2014 and 2015 respectively compared with growth of 4.7% in 2013. Inflation is projected to remain in upper limit of 7.5% in 2014 compared to an average rate of 5.7% in 2013. In addition to fairly stable foreign exchange and fairly low Debt to GDP ratio of 51.7% as of 30<sup>th</sup> June 2013 compared to other developed economies (100.5% - USA & 102% - UK) we project that these will act as attractions to the investors. Another attraction is that the notes will not be subjected to withholding tax and if they are, so as to comply with the law, the Kenya Government will compensate by paying additional amounts as to what was paid as tax. Lastly, the Kenya government has a good track record of repaying its debts.

The notes are expected to be rated B+ by both Fitch Ratings and S&P. In January, Fitch Ratings affirmed Kenya's Long-term foreign and local currency Issuer Default Ratings (IDR) at 'B+' and 'BB-' respectively with a Stable Outlook.

The risks faced by investors include macroeconomic instability, poor economic growth, insecurity risks, political risks due on the ongoing cases at ICC to against the president and deputy president.

We believe there are many attractions in this issue, despite the risks highlighted above. The issue is expected to offer a good US Dollar return and we believe would be a good buy for investors looking for a dollar opportunities.

For the investors interested in learning more about this offer, please contact Fusion Investment Management.

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