

HIGHLIGHTS

Key Movements in Fixed Income and Currency Markets in June 2014

- **Kenyan** bond yields advanced across maturities in June 2014, mainly as the Central Bank of Kenya (CBK) tightened liquidity through open market operations. **Nigerian** bond yields fell across most maturities, due to increased liquidity on treasury bills maturing during the month, coupled with refunds made to banks on excess payments of cash reserve requirements (details on page 5).
- In June 2014, most currencies were under pressure against the US dollar. While the **Tanzanian** shilling depreciated on sustained dollar demand from oil companies, the **Ugandan** shilling fell on announcement of aid cuts by the US. The **Ghanaian** cedi, down 3.6%, was one of the worst performing currencies in the month. However, the **Kenyan** shilling appreciated 0.2% on positive sentiment after the successful auction of Kenya's Eurobond (more on pages 7 and 8).
- In money markets, **Kenya's** interbank rates recovered to 7.5% towards the end of June after falling to a low of 3.2% on 13 June 2014, primarily due to liquidity tightening by the CBK. Meanwhile, **Nigeria's** interbank rates fell to 13.0% due to increased liquidity in markets (more on page 6).

June Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
Kenya 26-June yield (%)	11.5%	11.9%	12.4%	13.3%
Chg from 1-June 14 (bps)	69	79	35	65
Nigeria 26-June yield (%)	11.5%	11.6%	12.3%	13.0%
Chg from 1-June 14 (bps)	-113	-113	-65	1

Movement of Key Currencies vs. the US Dollar in June

	Average	End Value	MTD	YTD
Kenyan Shilling	87.6	87.8	0.2%	-1.7%
Ugandan Shilling	2,573.2	2,601.0	-2.7%	-2.6%
Nigerian Naira	163.1	163.2	-0.3%	-1.7%
Ghanaian Cedi	3.12	3.19	-3.6%	-25.5%
Tanzanian Shilling	1,677.3	1,655.0	-0.3%	-3.9%

Kimondo's Corner

Kenya Concludes Her Maiden Eurobond Issue Successfully

The Government of Kenya secured USD 2 Billion through a Eurobond issue at interest rates of 5.88% and 6.875% for 5- and 10-year bonds respectively.

The issue was oversubscribed by 500%. Kenya's offer outperformed all the other African issues in terms of the amount of money it attracted.

The achieved rates were lower than an earlier estimate of around 8%.

The bond's higher subscription reflects the abundance of liquidity in global financial markets and the global investors confidence in the Kenyan economy.

(See more on page 11)



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Source: Bloomberg and respective central banks

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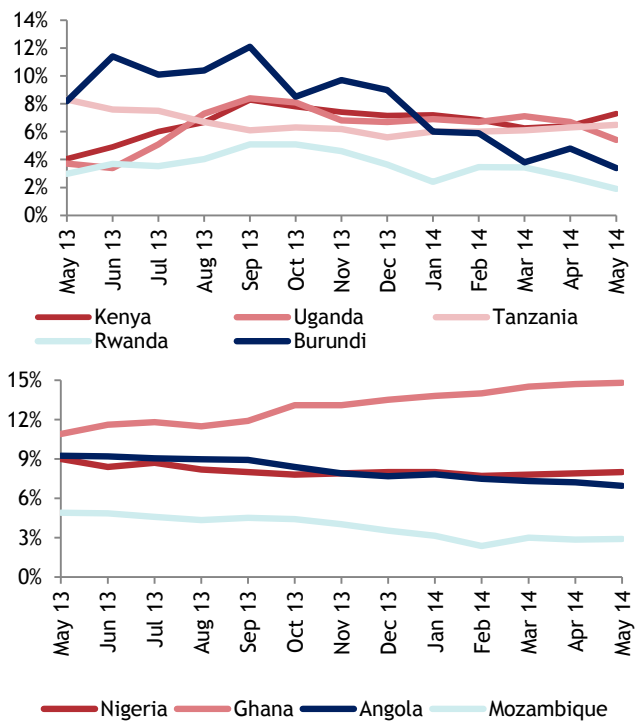
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HIGHLIGHTS

Activity Across Africa: Economy and Politics

- **Kenya** issued a USD 2.0 billion Eurobond on 16 June 2014. It was oversubscribed four times, with the majority of demand coming from the US and UK investors. Meanwhile, **Tanzania's** National Bureau of Statistics announced plans to conduct a statistical review of the economy, with revised figures expected to be announced in September 2014. Tanzania's GDP figure is likely to be revised up by 20.0% to over USD 38.0 billion (details on page 3).
- In June 2014, **Uganda's** central bank cut its benchmark policy rate by 50 basis points to 11.0%, stating that an accommodative monetary policy was needed to support growth. Meanwhile, **Mozambique** retained its policy rates at 8.3% (more on pages 3 and 4).
- Inflation in Africa varied in May 2014. In **Kenya**, the inflation rate edged up to a six-month high of 7.3% YoY in May 2014 from 6.4% YoY in April 2014 on higher prices of housing, water and electricity & gas, as well as transport costs. In **Nigeria**, inflation rose to 8.0% YoY, whereas it increased to a four-year high of 14.8% YoY in **Ghana**. Inflation in **Uganda** eased to 5.4% from 6.7% YoY in April 2014 on low price hikes in food crops (more on pages 3 and 4).

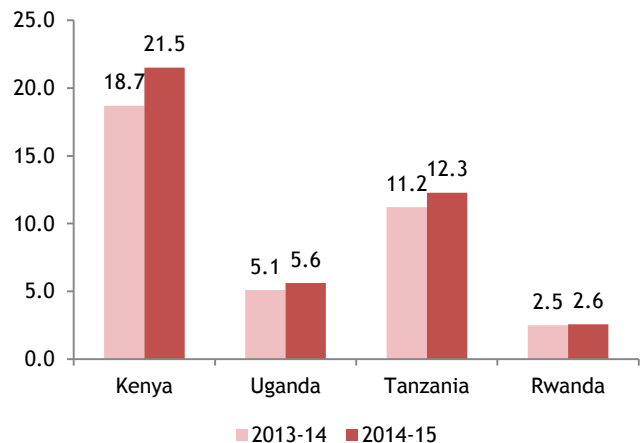
Inflation (YoY)



East Africa Budget 2014-15

- In June 2014, Kenya, Uganda, Tanzania and Rwanda announced their budgets.
- The key theme across the budgets remains spending on infrastructure, especially for development of extractive industries. Another focus area is the development of agriculture by providing help to procure good quality seeds and supporting irrigation. In addition, substantial allocations have been made to security (law & order and defence).
- To support higher spending, budgets of the EAC countries focus on increasing tax revenues. The countries plan to widen their tax base, increase taxes, abolish certain exemptions and toughen their tax collection systems to reduce tax evasion.
- Although fairly focused on economic growth of the region, implementation and discipline will be important. Also, questions pertaining to Kenya's Income Tax Act and the Finance Bill, which was not tabled in the country's parliament, remain unanswered.

Budget Expenditure (USD bn)



Source: Respective central banks, KMPG Budget Brief 2014, Deloitte Budget Insights 2014, individual news websites

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

East African Community

Kenya

- Kenya issued its long-awaited USD 2.0 billion Eurobonds on 16 June 2014, making it the second nation in the region to do so after Rwanda. The Kenyan Eurobonds were oversubscribed four times, with one-third of demand coming from US investors, followed by a quarter from UK investors. The issue emerged as the largest ever by an African nation.
- The funds will be used to build infrastructure such as energy and transport, as well as to develop the agricultural sector (more on page 5). Kenya plans to tap international markets in 2014-15 through an Islamic bond issue.
- Inflation in Kenya edged up to a six-month high of 7.3% YoY in May 2014 from 6.4% YoY in April 2014. The increase was ascribed to a rise in prices of transport (11.4% in May 2014 from 8.8% in April 2014) and housing, water, electricity, gas & other fuels (6.44% YoY in May 2014 from 4.47% YoY in April 2014).

Uganda

- Uganda's central bank cut its benchmark policy rate by 50 basis points to 11.0% in June 2014 to support the country's growth amid easing inflation.
- Annual headline inflation decreased to 5.4% YoY in May 2014 from 6.7% YoY in April 2014, mainly due to a drop in annual food crops inflation (17.6% YoY in May 2014 from 25.4% YoY April 2014).

Tanzania

- In June 2014, Tanzania's National Bureau of Statistics announced plans to conduct a statistical review of the economy, under which the base year for calculating GDP would be changed to 2007 from 2001. This is likely to boost Tanzania's GDP by 20.0% to over USD 38.0 billion. The revised figures will be announced in September 2014.
- Tanzania's headline inflation increased for the third consecutive month to 6.5% YoY in May 2014 from 6.3% YoY in April 2014. This can be ascribed mainly to a rise in food & non-alcoholic beverages prices (8.5% YoY in May 2014 from 7.8% YoY in April 2014) and miscellaneous goods & services prices (8.0% YoY from 7.7% YoY).

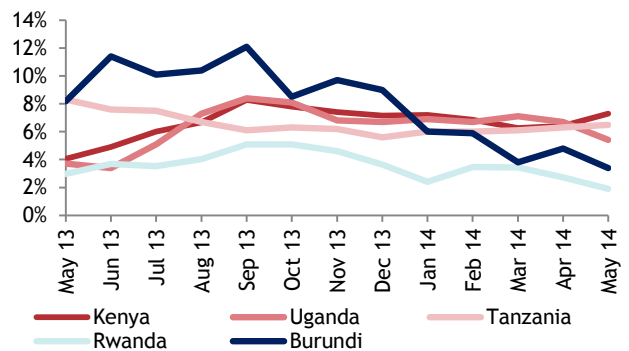
Rwanda

- Rwanda's inflation eased to 1.9% YoY in May 2014 from 2.7% YoY in April 2014. This can be ascribed mainly to a 0.2% YoY decrease in prices of housing, water, electricity, gas & other fuels, and a 0.1% YoY decrease in transport costs.

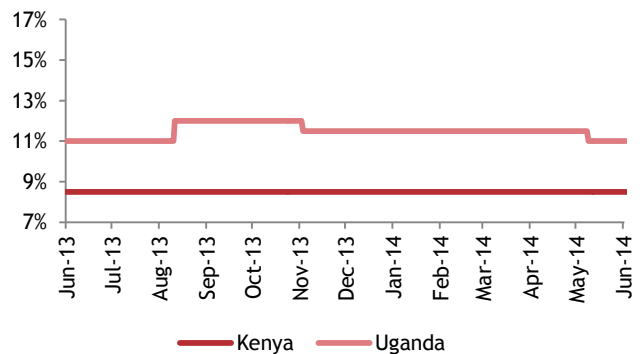
Burundi

- Burundi's inflation fell to 3.4% YoY in May 2014 from 4.8% YoY in April 2014, mainly due to lower inflation in housing (4.8% in May 2014 from 8.1% in April 2014).

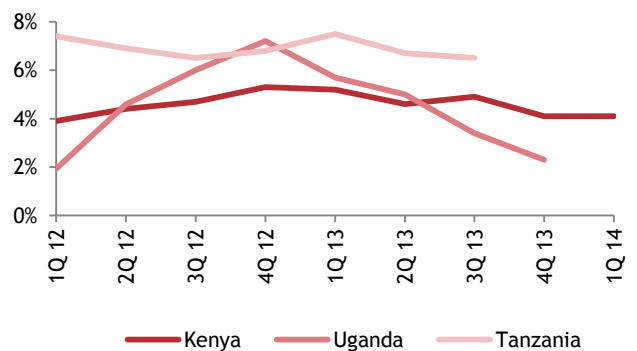
Inflation (YoY)



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

- Nigeria's new central bank governor Mr. Godwin Emefiele plans to slash the country's monetary policy rate in a phased manner. The lowering of MPR would reduce the cost of lending by commercial banks to manufacturers and small scale enterprises, and thereby boost the economy. The rate has remained at 12.0% since 2011.
- The country's inflation accelerated for the third straight month to 8.0% YoY in May 2014 from 7.9% YoY in April 2014. The main reason for the marginal increase was a 9.7% YoY rise in food prices in May 2014 from 9.4% YoY in April 2014.

Angola

- Angola's inflation decelerated for the fourth straight month to 6.9% YoY in May 2014 (lowest inflation rate on record) from 7.2% YoY in April 2014. Inflation eased due to lower price increases in alcoholic beverages and tobacco (0.76% in May 2014 from 0.82% in April 2014); housing, water, electricity, gas & other fuels (0.13% from 0.16%); and healthcare (0.44% from 0.74%).

Ghana

- Inflation in Ghana increased to 14.8% YoY in May 2014, a four-year high, primarily driven by housing, water, electricity, gas & other fuel subgroup, which recorded the highest inflation rate of 51.0% during the month. The transport sub-sector was the second-highest contributor, recording 27.0% inflation on a rise in transport fares. The hotels, cafes and restaurants sub-sector recorded the lowest inflation (3.2%).

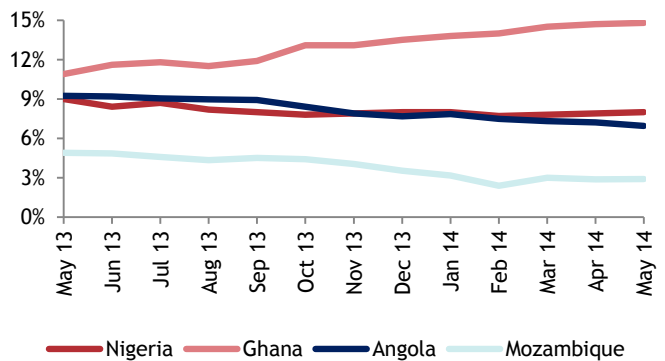
Mozambique

- In June 2014, Mozambique's central bank retained its policy rate at 8.3%. The central bank's interest rates have remained unaltered since October 2013 when the rate was cut by 50 bps from 8.8% to 8.3%.
- The central bank has decided to intervene in interbank markets to ensure the monetary base does not exceed 48.023 billion Meticais by the end of June 2014 (currently 48.122 billion Meticais).
- Inflation in Mozambique edged up to 2.91% YoY in May 2014 from 2.87% YoY in April 2014, mainly due to a rise in cost of food and non-alcoholic beverages (4.5% YoY in May 2014).

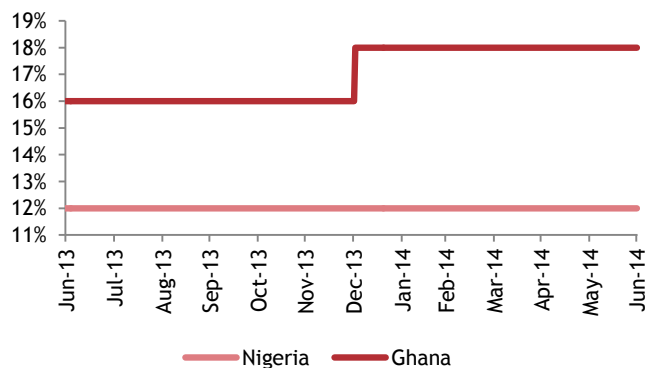
Ivory Coast

- Ivory Coast recorded an inflation of 0.9% YoY in May 2014 as against a deflation of 0.2% YoY in April 2014. Housing & utility, communications, and healthcare prices rose 0.3%, 1.1% and 0.8%, respectively, while transport costs fell 0.4%.

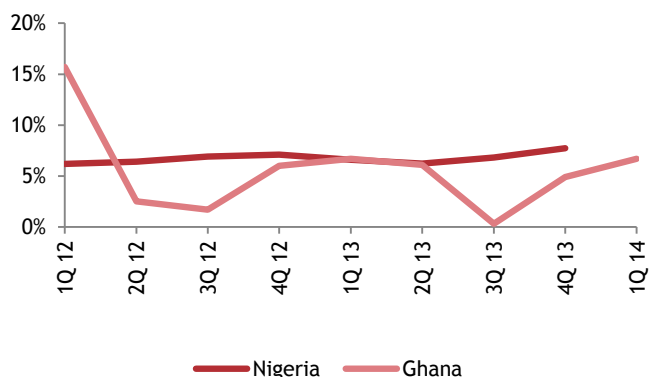
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Nigeria and Ghana (YoY)



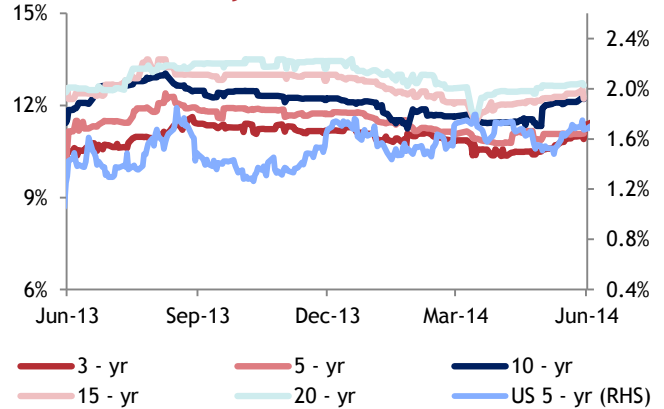
Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: BOND MARKETS

Kenya

- In June 2014, Kenyan bond yields increased across all maturities. Yields on bonds with 3- and 5-year tenors rose 69 bps and 79 bps, respectively, to 11.5% and 11.9%.
- Bond yields surged mainly due to the central bank mopping up Kenyan shillings from the market. The bank drained a total of KES 47.0 bn from the markets in open market operations between 3 June and 11 June.
- On 16 June 2014, Kenya carried out two Eurobond issuances – USD 500 million five-year bond with a yield of 5.9% and USD 1.5 billion 10-year bond at 6.9%. The issuances were oversubscribed with the investors offering to buy USD 8.8 billion (KES 774.0 bn) against the government's aggregate target of USD 2.0 billion (KES 175 billion).
- On 18 June 2014, the government auctioned 2- and 5-year bonds with a coupon rate of 10.793% and 11.934%, respectively. Both were oversubscribed with KES 8.64 bn in subscriptions for 2-year bond and KES 15.26 bn for 5-year bond.
- The FTSE NSE Kenyan Shilling Government Bond Index depreciated 0.02% MTD in June 2014. On YTD basis, the index rose 2.7%.

Bond Yields' Daily Movement



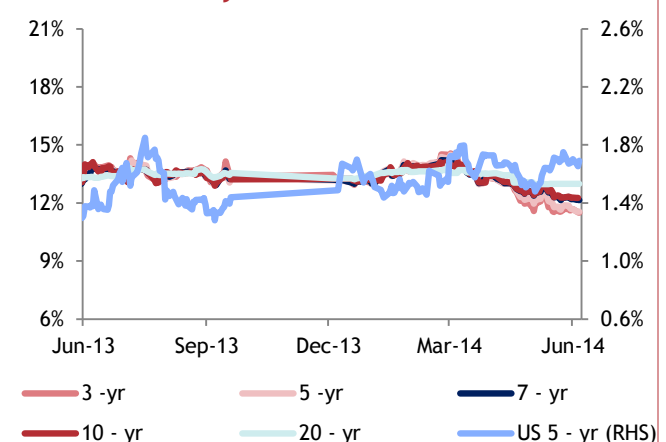
Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
26-June yield (%)	11.5%	11.9%	12.4%	12.8%	13.3%
Chg from 1-June 14 (bps)	69	79	35	52	65
Chg from 1-Jan 13 (bps)	20	10	35	-11	-23

Nigeria

- In June 2014, Nigerian bond yields fell across most maturities, except the 20-year bond that rose 1 bps. Yields for bonds with 3- and 5-year tenures declined the most by 113 bps each to 11.5% and 11.6%, respectively.
- This fall in Nigerian bond yields can mainly be ascribed to increased liquidity in markets (primarily due to matured treasury bills worth NGN 200 billion, NGN 75 billion in refunds to banks on excess payments of cash reserve requirements). Moreover, the Nigerian government's monthly budgetary allocation towards the end of June 2014 is expected to further boost liquidity.
- The government auctioned 10-year NGN 35 bn 14.2% March 2024 bonds and three-year NGN 35 bn 13.05% August 2016 bonds on 11 June 2014. Both were oversubscribed with NGN 71.45 bn in subscriptions for 3-year bonds and NGN 133.08 bn for 10-year bonds.

Bond Yields' Daily Movement



Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
26-June yield (%)	11.5%	11.6%	12.2%	12.3%	13.0%
Chg from 1-June 14 (bps)	-113	-113	-69	-65	1
Chg from 1-Jan 13 (bps)	-167	-160	-104	-100	-29

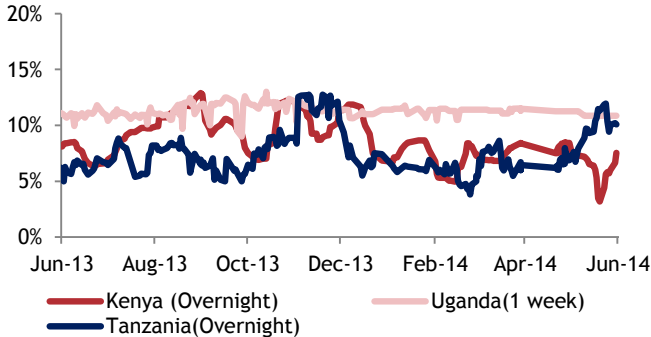
Source: Bloomberg, individual news websites

MONEY MARKETS

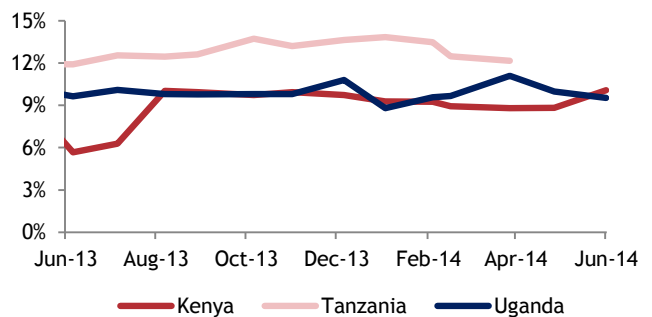
East African Community

- Kenya's interbank rate fell to a low of 3.2% on 13 June 2014 from 7.3% at the end of May 2014, primarily due to high shilling liquidity. However, rates recovered to 7.5% towards the end of the month, due to the CBK's regular mopping of shillings (KES 47.0 billion) via repurchase agreements. Tanzania's interbank rates increased to 10.1% towards the end of June 2014 from 7.9% at the end of May, indicating a liquidity squeeze in the market.

Interbank rates



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



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

	Kenya	Tanzania	Uganda
3-m curr dep	6.6%	10.7%	9.7%
91-d/3-m T-bill	10.1%	12.2%(Apr*)	9.5%

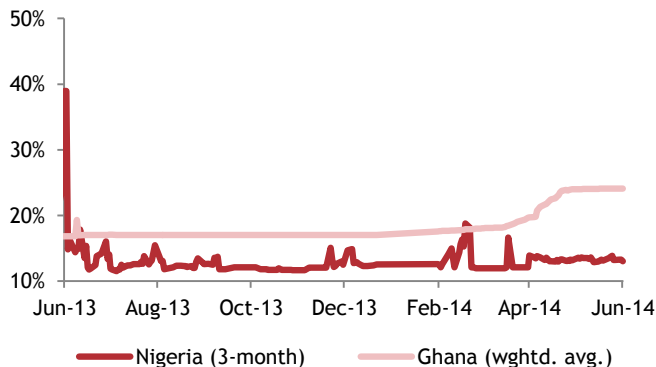
Policy and average interbank rates (June 2014)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	8.5%	12.0%	11.0%
Interbank	7.5%	10.1%	10.9%

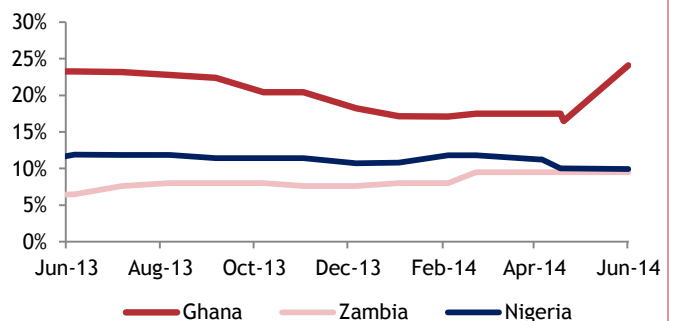
Rest of Sub-Saharan Africa

- Nigerian Interbank Offered Rate (NIBOR) fell to 13.0% towards the end of June 2014 from 13.5% at the end of May 2014. This can be ascribed to increased liquidity in markets, mainly from retired treasury bills (worth NGN 200 billion) during the month and refunds made to banks amounting to NGN 75 billion on excess payments on cash reserve requirements. Moreover, the Nigerian government's monthly budgetary allocations towards the end of June 2014 is expected to further boost liquidity.

Interbank rates



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



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

	Nigeria	Ghana	Zambia
3-m curr dep	9.4%(May)	23.1%	13.8%
91-d /3-m T-bill	10.0%	24.1%	9.5%

Policy and average interbank rates (June 2014)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	12.0%	18.0%	12.0%
Interbank	13.0%	24.1%	25.0%

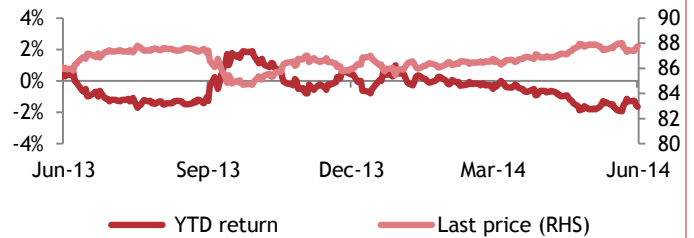
Source: Bloomberg, individual news websites, respective central banks; Note: *Provisional

CURRENCY MARKETS: KENYA, TANZANIA, AND UGANDA

Kenyan Shilling (KES)

- The Kenyan shilling appreciated 0.2% to KES 87.75 against the US dollar in June 2014 after falling to a 30-month low of KES 87.95 in the previous month. On YTD basis, the currency is down 1.7% against the dollar.
- The shilling strengthened against the dollar on positive sentiment following the success of Kenya's Eurobond issuance.
- The shilling is expected to depreciate against the US dollar in the near term due to demand from players in the manufacturing sector looking to pay their bills, coupled with declining receipts from tourism.

USD/KES Daily Movement

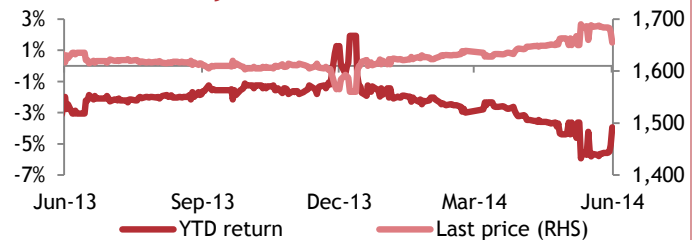


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	87.6	87.8	88.0	87.3	0.2%	-1.7%
EUR	119.0	118.9	119.5	118.7	0.6%	-0.1%

Tanzanian Shilling (TZS)

- Tanzanian shilling continued its downtrend against the US dollar in June 2014, falling 0.3% MTD. On YTD basis, the currency has shed 3.9 against the greenback so far.
- The local currency's depreciation can be primarily ascribed to the sustained dollar demand from importers and oil companies, amid a decline in the country's exports.
- The shilling is expected to strengthen against the greenback in the near term, mainly due to the onset of the cotton export season, as well as an expected rise in demand for local currency from corporations looking to make quarter-end tax payments.

USD/TZS Daily Movement

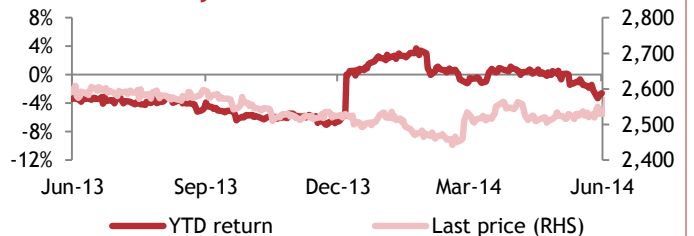


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	1,677.3	1,655.0	1,690.0	1,650.0	-0.3%	-3.9%
EUR	41,803.8	2,256.8	41,816.0	41,792.0	-0.3%	3.3%

Ugandan Shilling (UGX)

- The Ugandan shilling depreciated 2.7% against the US dollar in June 2014. On YTD basis, the currency fell 2.6%.
- The currency depreciated mainly due to announcement of aid cuts by the United States in response to Uganda's anti-gay law, coupled with the Bank of Uganda's announcement that it plans to ease the country's monetary policy further. These factors led the banks to strengthen their dollar positions and the local currency losing ground as a result.
- The shilling is anticipated to strengthen against the US dollar in the near term, due to an expected increase in demand for the local currency by companies paying taxes, coupled with an expected decrease in demand for dollars from importers.

USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,573.2	2,601.0	2,620.0	2,530.0	-2.7%	-2.6%
EUR	3,499.7	3,537.4	3,555.5	3,450.3	-1.5%	-1.5%

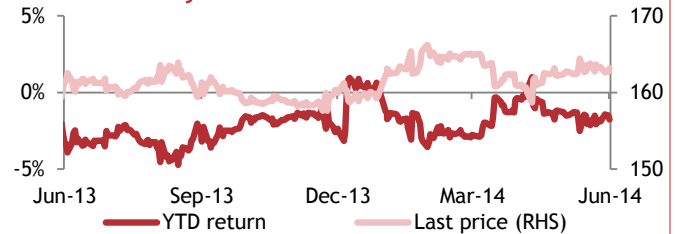
Source: Bloomberg, individual news websites

CURRENCY MARKETS: NIGERIA, RWANDA, AND GHANA

Nigerian Naira (NGN)

- The Nigerian naira depreciated to a two-month low of NGN 164.4 on 6 June 2014, and ended 0.3% lower against the US dollar at the end of the month. The currency fell 1.7% YTD.
- The currency depreciated on 6 June 2014 on Mr. Emefiele's announcement that the bank will cut rates gradually. Later in the month, the local currency came under pressure due to weak dollar sales from oil companies.
- In the near term, the naira is expected to depreciate further due to the central bank's move to reduce the weekly foreign exchange sales volume to Bureaux De Change (BDCs) by 70.0% to USD 15K per BDC. This will result in short-term pressure on dollar supply to end-users in alternative markets.

USD/NGN Daily Movement

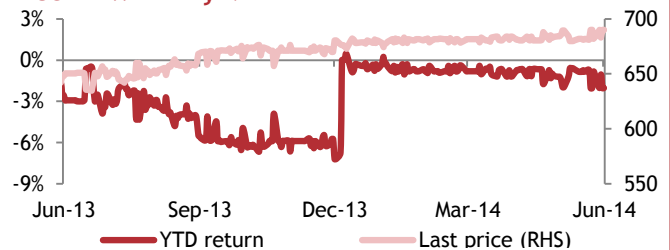


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	163.1	163.2	164.4	162.4	-0.3%	-1.7%
EUR	221.4	222.0	222.7	220.4	-0.1%	-0.8%

Rwandan Franc (RWF)

- The Rwandan franc depreciated against the US dollar in June 2014, falling 0.1% MTD. The local currency slid 2.0% YTD.
- The local currency has been under pressure, as Rwanda's imports continue to outpace exports. In the fourth quarter of 2013, the country imported goods worth USD 415.5 mn, while exports led to inflow of just USD 121.5 mn.
- The franc is expected to be under pressure against the US dollar in the near term due to rising demand for US dollars by importers.

USD/RWF Daily Movement

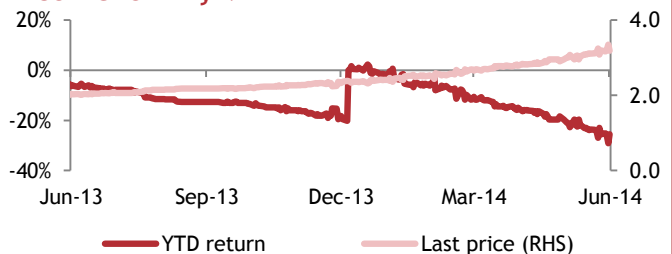


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	683.8	690.0	690.0	680.0	-0.1%	-2.0%
EUR	928.7	929.2	935.7	921.4	1.2%	0.0%

New Ghanaian Cedi (GHS)

- The Ghanaian cedi continued its downtrend against the US dollar, and dropped to a record low of GHS 3.35 on 25 June 2014. The currency depreciated 3.6% MTD and has shed 25.5% YTD so far.
- The cedi saw the worst decline this year, as demand for the US dollar continue to outweigh supply amid weak interbank liquidity. The large unmet US dollar demand has led the mining companies (one of the major suppliers of the dollar) to demand high prices.
- The cedi is anticipated to remain under pressure in the near term amid persistent US dollar demand. However, the currency might find some support from the planned Eurobond sale (USD 1.5 bn) in July 2014, and dollar inflows expected from a cocoa loan syndication in September 2014.

USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3.12	3.19	3.35	2.96	-3.6%	-25.5%
EUR	4.24	4.46	4.51	4.07	-8.1%	-26.9%

Source: Bloomberg, individual news websites

SPECIAL FOCUS

East Africa Budget 2014-15

Aimed at spurring growth & boosting regional trade

On 12 June 2014, Kenya, Uganda, Tanzania and Rwanda delivered their respective budget speeches for 2014-15. Faced with similar challenges of declining foreign aid, security concerns and sustaining growth, the EAC countries' budgets focused on similar areas. The ambitious budgets are aimed at spurring growth and boosting regional trade.

Infrastructure, agriculture & security dominate spending plans

Infrastructure spending, especially for development of extractive industries, is a key theme for the 2014-15 budgets of the EAC countries. Recent oil discoveries in Uganda (Tullow & CNOOC) and Kenya (Tullow & Africa Oil), and natural gas findings on the coast of Tanzania (StatOil & ExxonMobil) have led the EAC countries to consider investing in oil & gas infrastructure. While Kenya is building a port in Lamu along with a proposed crude export pipeline, Uganda is planning to build its first oil refinery. Tanzania also plans to commission its Mtwara - Dar es Salaam gas pipeline by December 2014. Commercial agriculture is another sector that the EAC countries are looking to develop through investments in irrigation projects and better quality seeds. In addition, substantial allocations have been made for security, especially in Kenya where security concerns have increased over the past year, making it one of the main issues hampering economic development.

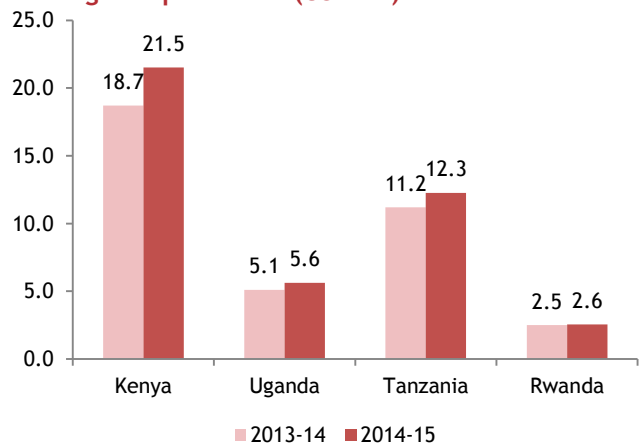
Focus on tax revenues to support higher spending

Budgets of all the EAC countries focus on tax revenues to support higher spending amid declining foreign aid. While Kenya plans to fund ~84.0% of its budget through taxes supported by tougher collection, rollout and enforcement of the use of the Electronic Billing Machines (EBM) across the country and by imposition of taxes on airtime for cellular and land lines/public phones. Uganda, which is facing aid cuts from Western donors, aims to increase tax revenue collections by ~20.0% in 2014-15 by widening the tax base and raising taxes. Tanzania, which also faces declining western aid, plans to abolish certain tax exemptions (petroleum products, VAT, etc.), increase taxes (beer, wine & soft drinks) and reduce tax evasion.

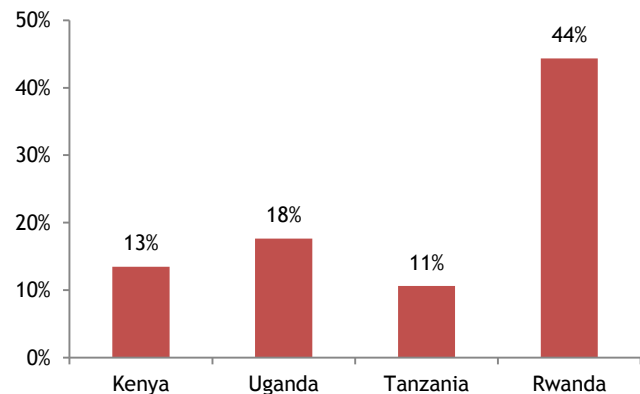
Successful execution remains the key

The EAC budgets seem focused on boosting the economic growth of the region. However, it remains to be seen as to how well they will be implemented, as there are several challenges including the budget deficits and corporations moving to tax havens (Supa Loaf in Kenya for example). Also, several questions such as those related to increase in tax on goods and the tax-burden on low-income group are yet to be answered, especially in case of Kenya, where the Income Tax Act is set to be reviewed in July 2014 and the Finance Bill, which was not presented in the parliament.

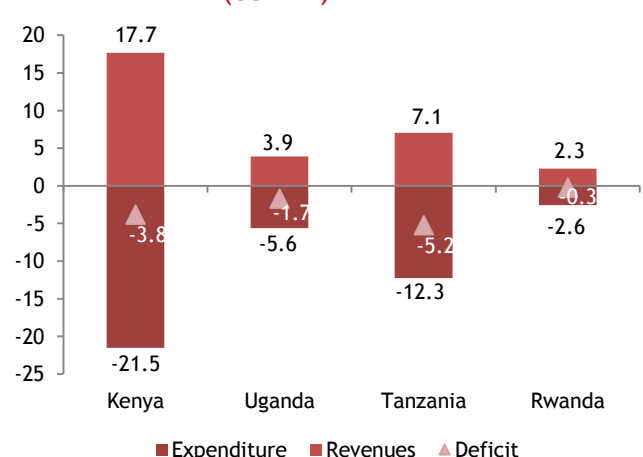
Budget expenditure (USD bn)



Infrastructure spending as a % of total budget



Fiscal Balance (USD bn)



Source: KMPG Budget Brief 2014, Deloitte Budget Insights 2014, individual news websites

AUCTIONS, EVENTS

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

Uganda's latest issuance: 2-yr and 5-yr bonds (June 2014)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
18-June	5-yr	100.0 bn	1.48	13.765%	13.75%
18-June	2-yr	70.0 bn	1.58	12.791%	12.875%
Details of issuances in May					
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%

1 USD = 2,573.2 UGX (average for June 2014)

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

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int rate
30-June	2-yr	2.00 mn	FXR Note	1.0	23.00%
Details of previous 2-yr issuances					
20-June	2-yr	5.63 mn	FXR Note	1.0	23.00%
16-June	2-yr	0.53 mn	FXR Note	1.0	23.00%
09-June	2-yr	7.07 mn	FXR Note	1.0	23.00%

*Fixed rate; 1 USD = 3.11 GHS (average for June 2014)

Tanzania's latest issuance: 2-yr and 7-yr bonds (June 2014)

Issue Date	Maturity	Amt (TZS)	Bid/Offer	YTM	WACY*
25-June	7-yr	10.7 bn	5.03	15.1459%	NA
11-June	2-yr	30.9 bn	3.48	13.8299%	8.69%
Details of issuances in May					
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%

*Weighted average coupon yield; 1 USD = 1,677.3 TZS (average for June 2014)

Kenya's latest issuance: 5-yr and 20-yr bonds (June 2014)

Issue Date	Maturity	Amt bid (KES)	Amt acpt (KES)	MWAR*	Coupon
23-June	20-yr	8.639 bn	8.502 bn	13.375%	12.000%
23-June	5-yr	15.265 bn	14.287 bn	12.016%	11.934%
Details of issuances in May					
26-May	2-yr	12.507 bn	12.270 bn	10.809%	10.793%

*Market weighted average rate; 1 USD = 87.622 KES (average for June 2014)

Upcoming Bond Auctions, Monetary Policy Meetings

- **16 July 2014:** The central bank of Uganda to sell bonds
- **16 July 2014:** The central bank of Nigeria to sell bonds
- **Monetary policy meetings** are scheduled for:
 - **11 July 2014:** The Central Bank of Mozambique
 - **22 July 2014:** The Central Bank of Nigeria
 - **28 July 2014:** The Central Bank of Angola

Source: Bloomberg, individual news websites, respective central banks

KIMONDO'S CORNER

Kenya Concludes Her Maiden Eurobond Issue Successfully

The Government of Kenya has finally secured USD 2 billion from the international market which will be used to retire a USD 600 million syndicated loan and for general budgetary purposes, including funding of development projects. The issue was oversubscribed by 500% , and Kenya outperformed all the other African Eurobond issuers in the amount of money attracted.

The Bond came in two tenors: with a five-year tranche of USD 500 million attracting an interest rate of 5.875% and a 10-year tranche of USD 1.5 billion at an interest rate of 6.875%. These rates were lower than an earlier estimate of around 8% based on the outstanding issues by Sub-Saharan African governments (Zambia, USD 1 Billion at 8.625%, Ghana USD 750M at 7.875%). The 10-year bond attracted USD 5.5 billion in subscriptions while the 5-year bond received bids worth USD 2.5 billion. The higher subscription reflects the abundance of liquidity in global financial markets and that global investors have confidence in the government and the economy of Kenya.

Compared to many other African countries, Kenya has been and is in a better fiscal shape. The country completed an IFC loan program in 2013 and met all significant targets set under the program. Unlike many other heavyweight in the African continent, Kenya is a diversified economy with agriculture accounting for more than 25% of the country's GDP, whereas financial services, industry and tourism contribute 9% each.

With the influx of dollars from the Eurobond offer, the shilling which has been very volatile in the last few months is expected to stabilise. In addition, this will see a reduced government participation in the domestic market, and therefore the private sector is expected to borrow at lower rates, which is expected to spur economic growth.

Most of the investors for both tranches came from the US and the UK with fund managers accounting for more than 80% of the subscription.

In other news.....

The Nairobi Securities Exchange has had a good six months in the period to June 2014, with the overall market capitalisation up 10% during that period (Source: *Business Daily*).

Fusion offers you access to this and other listed equities investment opportunities in East Africa through the Fusion 12 Growth Index, a selection of high potential equities from around East Africa.

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