FUSION AFRICAN MONITOR

FUSION INVESTMENT MANAGEMENT
Rooted in the African growth story

Current news and analysis from Sub-Saharan money markets September 2014

HIGHLIGHTS

Key Movements in Fixed Income and Currency Markets in August 2014

- **Kenyan** bond yields declined across maturities in August 2014, largely due to rising demand for local debt among investors. **Nigerian** bond yields fell across some maturities due to higher liquidity on maturing Treasury bills worth NGN 198.3 bn (details on page 5).
- Most currencies were under pressure against the US dollar in August 2014. The **Kenyan** shilling depreciated, primarily on limited dollar inflow due to decreasing tourism. The **Tanzanian** shilling fell due to higher demand for the dollar from the oil and construction sectors. Depreciation of the **Ghanaian** cedi decelerated to 5.3% from 12.2% in July 2014, mainly due to positive sentiment on the country's planned Eurobond sale and IMF talks regarding a bailout. In contrast, the **Ugandan** shilling appreciated by 0.5%, primarily led by the central bank's mopping up of an unknown amount of Ugandan shillings from the market. (more on pages 7 and 8).
- In money markets, **Kenya**'s interbank rates rose to 13.3% towards the end of August, primarily due to decreasing liquidity in the market. In contrast, **Nigeria**'s interbank rates fell to 13.3% due to increased liquidity in the market (more on page 6).

August Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
Kenya 26-Aug yield (%)	10.8%	11.0%	11.8%	12.7%
Chg from 1-Aug 14 (bps)	-29	-62	-13	-33
Nigeria 26-Aug yield (%)	11.3%	11.5%	12.1%	12.2%
Chg from 1-Aug 14 (bps)	14	14	-12	-1

Movement of Key Currencies vs. the US Dollar in July

	Average	End Value	MTD	YTD
Kenyan Shilling	88.1	88.4	-0.9%	-2.4%
Ugandan Shilling	2,609.4	2,612.0	0.5%	-3.0%
Nigerian Naira	162.0	162.4	-0.2%	-1.3%
Ghanaian Cedi	3.82	3.87	-5.3%	-39.8%
Tanzanian Shilling	1,663.4	1,669.0	-0.5%	-4.7%

Kimondo's Corner

Sub-Sahara Africa Corporate Bond Issuance Booms

The volume of issues of corporate bonds in key Sub-Sahara Africa markets has recently picked up noticeably, and appetite among investors for Sub-Sahara Africa corporate bonds is strong. Investors are in search of high yielding instruments, and portfolio diversification.

Domestic corporate bond markets in key Sub-Sahara markets such as Nigeria and Kenya have witnessed significant new issue activity in the last one year.

Worth noting is the trend where corporate bonds issuers in Sub-Sahara Africa are now looking to international markets as a source of capital. Nigerian companies are particularly active.

(See more on page 11)

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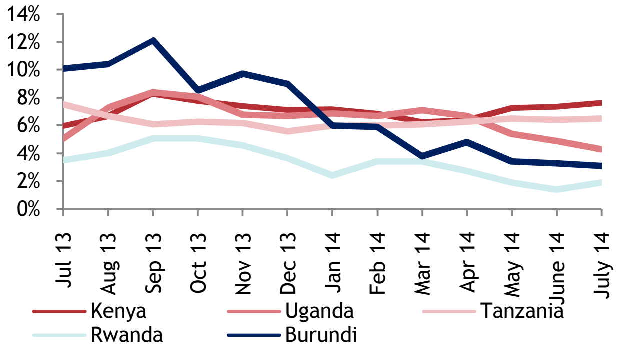
Source: Bloomberg and respective central banks

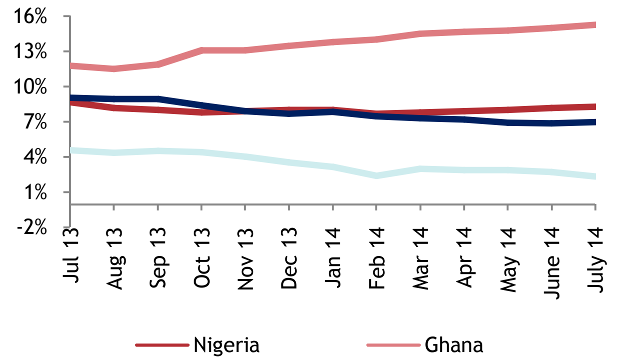
HIGHLIGHTS

Activity Across Africa: Economy and Politics

- Fitch Ratings affirmed **Kenya's** long-term foreign and local currency Issuer Default Ratings (IDR) at 'B+' and 'BB-', respectively, with a stable outlook, citing acceleration in the five-year average growth to 5.0% in 2014 from 3.8% in 2012. Meanwhile, the Central Bank of **Rwanda** released its semi-annual financial stability statement, with expectations of inflation remaining low in the second half of 2014 due to sustained and well-coordinated monetary and fiscal policy and stable international oil prices (details on page 3).
- In August 2014, the Bank of **Uganda** maintained its benchmark policy rate at 11.0%, saying inflation was within the target. Meanwhile, **Nigeria's** central bank governor indicated the country's monetary policy rate may be kept steady at 12.0% until the elections in 2015, citing an expected rise in government spending and inflationary pressures (more on pages 3 and 4).
- Inflation in Africa varied in July 2014. In **Kenya**, inflation advanced to a eight-month high of 7.7% YoY from 7.4% YoY in June 2014, mainly due to higher prices of food and non-alcoholic drinks. In **Nigeria**, inflation rose to 8.3% YoY, whereas in **Ghana**, it reached a four-year high of 15.3% YoY. In **Uganda**, inflation eased to 4.3% YoY in July 2014 from 5.0% YoY in June 2014 due to lower prices of food items (more on pages 3 and 4).

Inflation (YoY)

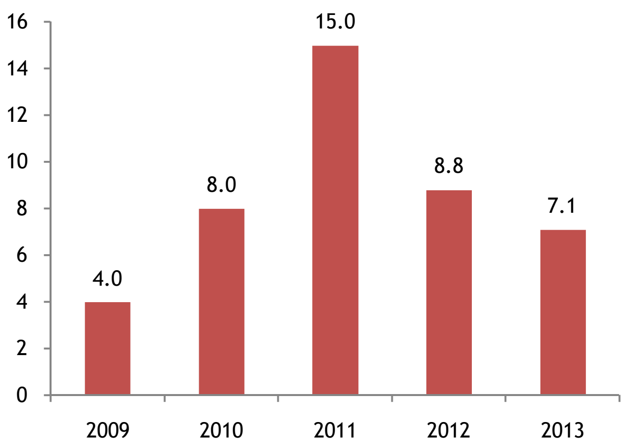




Economy woes in Ghana - what lessons can SSA countries learn?

- Ghana, which until recently was considered a model for growth in Sub-Saharan Africa, has lost some of its sheen. The country has recently had to reach out to the International Monetary Fund (IMF) for bailout.
- Ghana's economy has been impeded by unsustainable fiscal deficit, largely due to the rising civil servant wage bill, higher subsidies and tax collection falling short of expectations. Furthermore, mismanagement of oil revenues and government related corruption have put further pressure on revenues.
- The infrastructure development in the country has been slow, with several of its projects on hold due to funding gaps. The country has also been dealing with problems of rising inflation, a falling local currency and declining exports, among others.
- The SSA countries can take cues from Ghana's situation. Avoiding overdependence on a single resource such as oil for export revenue, channelization of energy dollars into the local economy while ensuring there is minimal misappropriation of funds and promoting privatisation of power companies to propel power infrastructure development are some of the steps that can be taken.

Ghana's GDP growth (Annual %)



Source: World Bank, Individual news websites

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ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

East African Community

Kenya

- 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 agency also affirmed the short-term foreign currency IDR at 'B' and Country Ceiling at 'BB-'. The ratings are primarily ascribed to acceleration in the country's five-year average growth to 5.0% in 2014 from 3.8% in 2012.
- In July 2014, Kenya's inflation breached the central bank's ceiling of 7.5% to an eight-month high of 7.7% YoY from 7.4% YoY in June 2014. This can be primarily ascribed to a 0.50% rise in the food and non-alcoholic drinks index, which accounts for more than 36.0% of the basket of goods used to measure inflation. The housing, water, electricity, gas and other fuels index, the next largest constituent, rose 0.6%.

Uganda

- In August 2014, the Bank of Uganda maintained its benchmark policy rate at 11.0%, stating that inflation was within its target.
- Uganda's annual headline inflation decreased to 4.3% YoY in July 2014 from a revised 5.0% YoY in June 2014, largely due to lower inflation in food items (5.6% YoY in July 2014 from 6.5% YoY in June 2014) because of the harvesting seasons in most parts of the country and non-food items also dropped to 3.7% YoY in July 2014 from 3.8% in June 2014.

Tanzania

- Tanzania's headline inflation increased to 6.5% in July from 6.4% YoY in June 2014. This can primarily be ascribed to higher inflation in housing, water, electricity, gas and other fuels which increased 11.7% YoY in July 2014 from 11.3% in June 2014. Food and non-alcoholic beverages inflation rate remained unchanged at 8.1% in July of 2014.

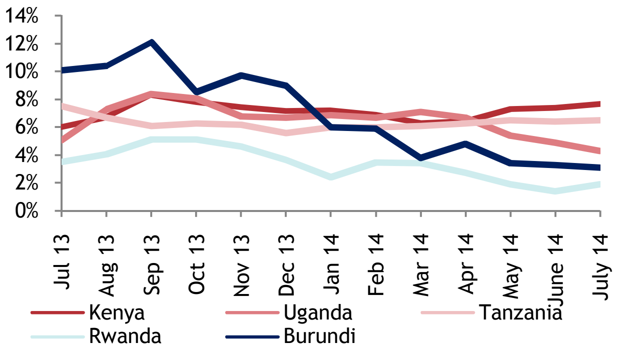
Rwanda

- Inflation in Rwanda rose to 1.9% YoY in July 2014 from 1.4% YoY in June 2014. This can be largely ascribed to higher inflation in prices of food & non-alcoholic drinks (2.4% YoY in July 2014 from 0.5% YoY in June 2014) and education (7.1% YoY vis-à-vis no change).
- In August 2014, the Central Bank of Rwanda released its semi-annual financial stability statement stating that it expects inflation to remain low during the second half of 2014 due to sustained and well-coordinated monetary and fiscal policies and limited inflationary pressures from trading partners including stable international oil prices.

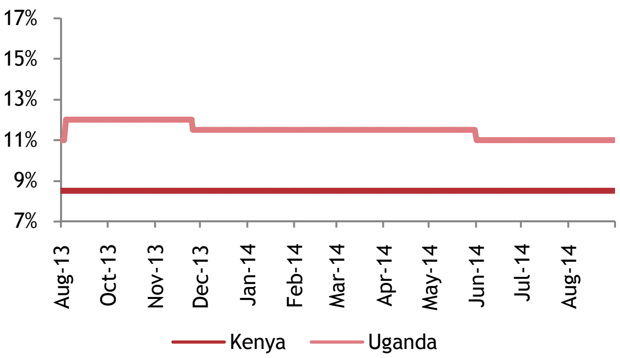
Burundi

- Burundi's inflation fell to 3.1% YoY in July 2014 from 3.3% YoY in June 2014, primarily due to lower inflation for food, which eased to 1.4% YoY in July 2014 from 1.8% in June 2014.

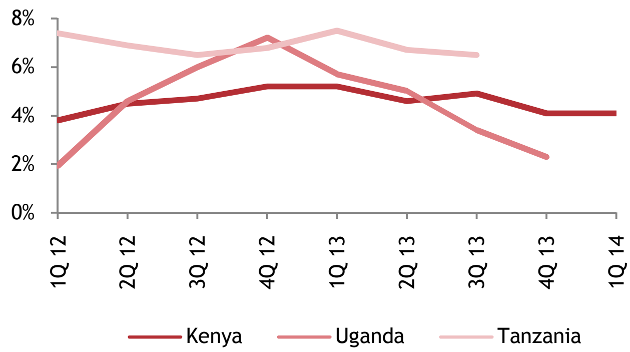
Inflation (YoY)



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 inflation accelerated for the fifth consecutive month and reached 8.3% YoY in July 2014, from 8.2% YoY in June 2014. This can largely be attributed to a 9.9% YoY rise in food prices in July 2014 from 9.8% YoY in June 2014.
- Nigeria's central bank governor indicated that the country's monetary policy rate might be kept steady until the country's elections in 2015, citing inflation risks, and an expected increase in government spending.

Angola

- Inflation in Angola increased for the first time in six months and reached 6.98% YoY in July 2014, from 6.89% YoY (lowest inflation rate on record) in June 2014. This can be largely attributed to higher increases in prices for furniture, household equipment and maintenance (1.4% YoY in July 2014 from 1.3% YoY in June 2014), followed by alcoholic beverages and tobacco (1.3% YoY in July 2014 from 1.1% YoY in June 2014), hotels and restaurants (0.9% YoY in July 2014 from 0.8% YoY in June 2014) and food and non-alcoholic beverages (0.43% YoY in July 2014 from 0.40% YoY in June 2014).

Ghana

- Inflation in Ghana increased for the eleventh consecutive month to 15.3% YoY in July 2014, a four-year high, from 15.0% YoY in June 2014. This was primarily driven by the housing, water, electricity, gas and other fuel subgroup, which recorded the highest rate of inflation (62.0% YoY in July 2014 from 53.6% YoY in June 2014) during the month. The transport sub-sector was the second highest contributor, recording 38.3% inflation owing to increased transport fares.

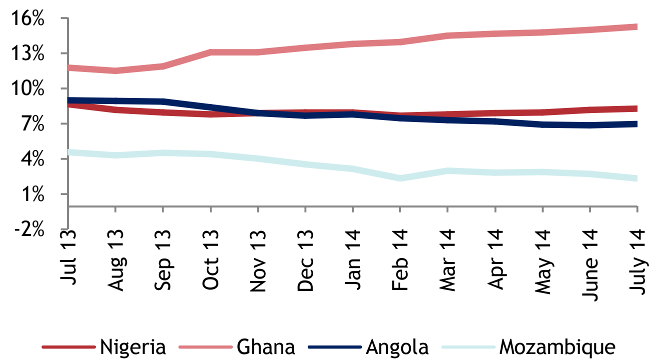
Mozambique

- Inflation in Mozambique increased to 2.95% YoY in July 2014 from 2.75% YoY in June 2014, largely driven by higher cost of food and non-alcoholic beverages and education.

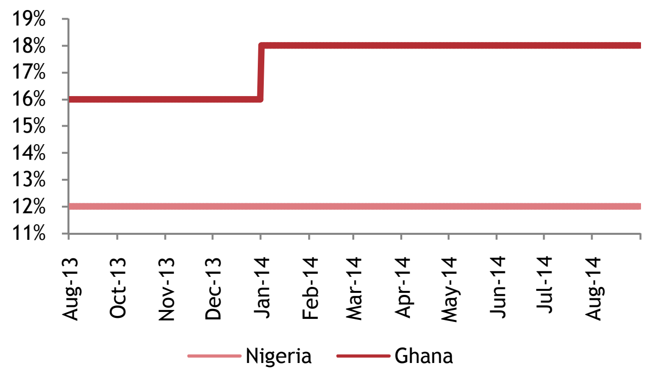
Ivory Coast

- Inflation in Ivory Coast increased to 0.9% YoY in July 2014 vis-à-vis 0.6% YoY in June 2014. Housing and utility, communications, healthcare and food & soft drink prices rose 0.2%, 1.1%, 3.1% and 0.4% respectively%. Transport costs fell 0.3%.

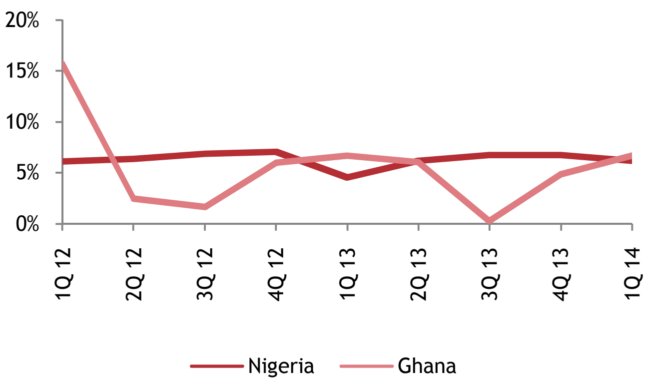
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Nigeria and Ghana (YoY)



Source: Bloomberg, individual news websites, respective central banks

FUSION INVESTMENT MANAGEMENT

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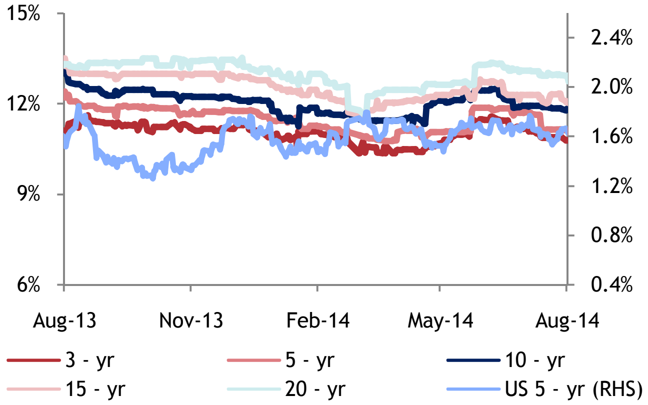
ACTIVITY ACROSS AFRICA: BOND MARKETS

Kenya

- In August 2014, yields on Kenyan bond fell across all maturities. Yields on bonds with 5- and 20-year tenures fell 62 bps and 33 bps, respectively, to 11.0% and 12.7%.
- Bond yields decreased, primarily due to rising demand for local debt among investors.
- On 25 August 2014, Kenya's government auctioned five-year and 30-year bonds with a coupon rate of 11.305% and 12.0% respectively, expiring in 2018 and 2041. The auction was oversubscribed and the central bank received bids worth KES 24.417 bn and KES 3.533 bn for the five-year and 30-year bonds, respectively. The bank had offered KES 15.0 bn in total for both the bonds; bids worth KES 13.523 bn and KES 1.531 bn were accepted for the corresponding bonds types.
- The FTSE NSE Kenyan Shilling Government Bond Index rose 0.6% MTD in August 2014. On a YTD basis, the index advanced 2.6%.

Bond Yields' Daily Movement



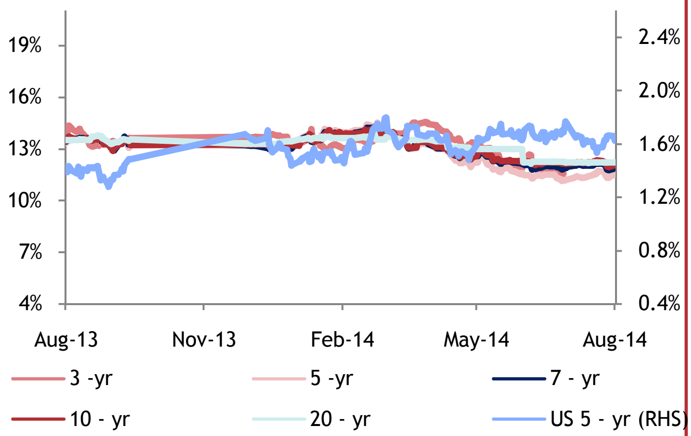
Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
26-Aug yield (%)	10.8%	11.0%	11.8%	12.0%	12.7%
Chg from 1-Aug 14 (bps)	-29	-62	-13	-29	-33
Chg from 1-Jan 14 (bps)	-50	-71	-29	-89	-77

Nigeria

- In July 2014, Nigerian bond yields fell across most maturities, except the 3-year and 5-year bonds, which rose 14 bps each. Yields for bonds with seven- and ten-year tenures declined the most by 15 bps and 12 bps, respectively, to 11.9% and 12.1%, respectively.
- Lower yields can be largely ascribed to increasing liquidity in the market, primarily due to maturity of Treasury bills worth NGN 198.3 bn matured during the month. Furthermore, rising demand for Nigeria's bonds from both local and offshore investors, driven by the planned inclusion of the country's 2024 bond in JP Morgan's Government Bond Index, also resulted in the fall of yields.
- On 13 August 2014, the Nigerian government auctioned two-year NGN 15 bn 13.05% August 2016 bonds, 10-year NGN 50 bn 14.2% March 2024 bonds and 20-year NGN 35 bn 12.15% July 2034 bonds. All three were oversubscribed with NGN 29.4 bn in subscriptions for two-year bonds, NGN 97.15 bn in subscriptions for 10-year bonds and NGN 47.45 bn for 20-year bonds.

Bond Yields' Daily Movement



Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
26-Aug yield (%)	11.3%	11.5%	11.9%	12.1%	12.2%
Chg from 1-Aug 14 (bps)	14	14	-15	-12	-1
Chg from 1-Jan 14 (bps)	-187	-165	-132	-120	-108

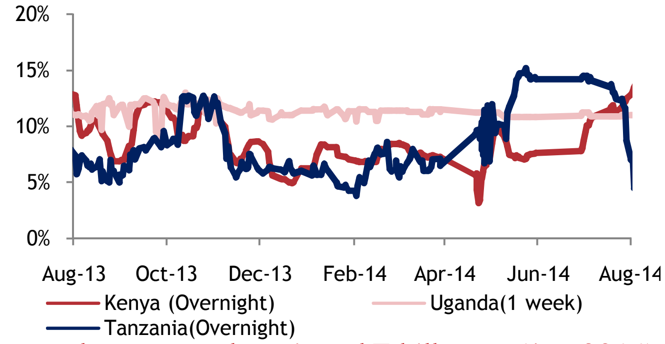
Source: Bloomberg, individual news websites

MONEY MARKETS

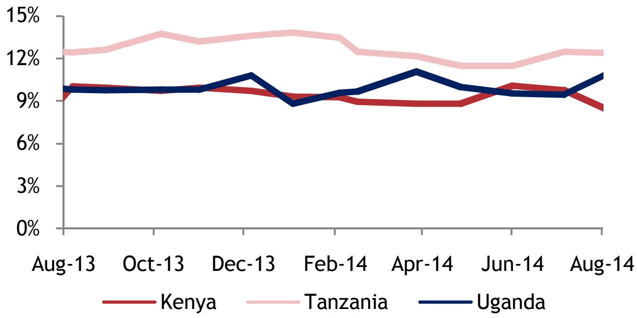
East African Community

Å Kenya’s interbank rate increased to 13.3% towards the end of August 2014, as compared with 10.1% at the end of July 2014, primarily due to a liquidity crunch in the markets, caused by delays in the government disbursing funds to county governments and government departments. In contrast, Tanzania’s interbank rates decreased to 5.0% towards the end of August 2014 vis-à-vis 14.0% at the end of July, indicating high liquidity in the market.

Interbank rates



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



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

	Kenya	Tanzania	Uganda
3-m curr dep	6.3%	12.2%	9.7%
91-d/3-m T-bill	8.3%	10.6%(June*)	11.0%

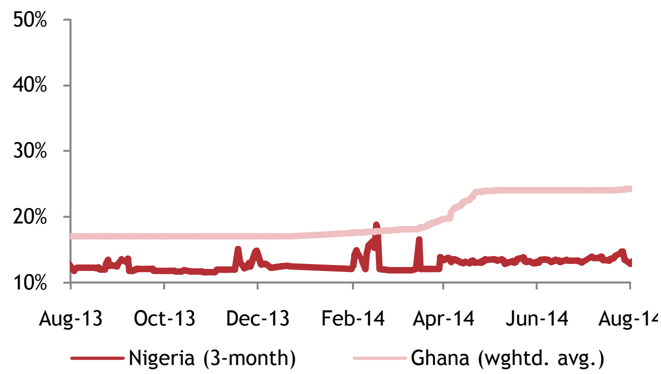
Policy and average interbank rates (Aug 2014)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	8.5%	12.0%	11.0%
Interbank	13.3%	5.0%	11.0%

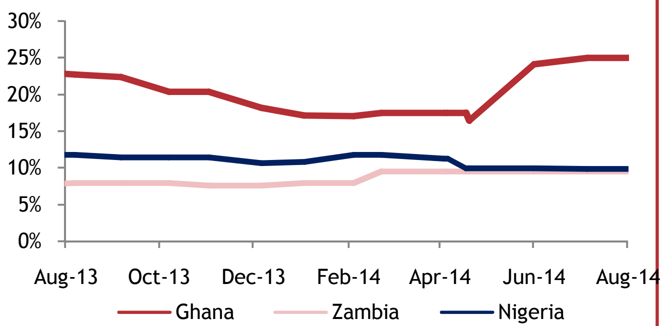
Rest of Sub-Saharan Africa

Å The Nigerian Interbank Offered Rate (NIBOR) increased to 14.0% towards the mid of August 2014 from 13.9% at the end of July 2014, after the state-owned energy company Nigerian National Petroleum Corporation (NNPC) drained liquidity from the markets by selling about USD 400 million to some banks. However, the rates fell to 13.3% later in the month, driven by increased cash inflows from budgetary allocations (NGN 260 bn) and retirement of matured Open Market operations (OMO) bills worth NGN 135 bn.

Interbank rates



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



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

	Nigeria	Ghana	Zambia
3-m curr dep	13.0%	24.8%	16.7%
91-d /3-m T-bill	9.9%	25.0%	9.5%

Policy and average interbank rates (Aug 2014)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	12.0%	19.0%	12.0%
Interbank	13.2%	24.2%	15.0%

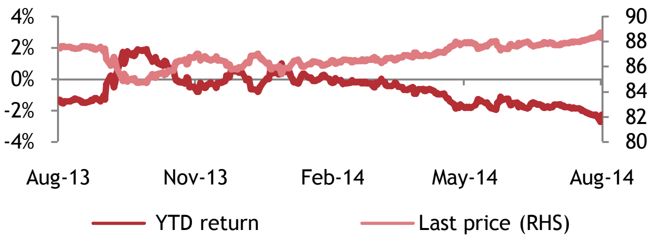
*Source: Bloomberg, individual news websites, respective central banks; Note: *Provisional*

CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

Kenyan Shilling (KES)

- On 25 August 2014, the Kenyan shilling depreciated to KES 88.70 against the US dollar, the lowest since December 2011 The currency ended 0.9% lower at the end of the month. On YTD basis, the shilling fell 2.4%.
- The shilling was under pressure against the dollar, primarily on limited dollar inflow due to decreasing tourism, which has been impacted by Islamist militant attacks and the outbreak of Ebola. Demand for the dollar from importers in manufacturing, energy and telecommunications also weighed on the currency.
- The shilling is likely to remain under pressure due to some spillover of month-end demand. Increased liquidity for the shilling from a KES 30 bn reverse repurchase agreement in the last week of the month would add to the downside.

USD/KES Daily Movement

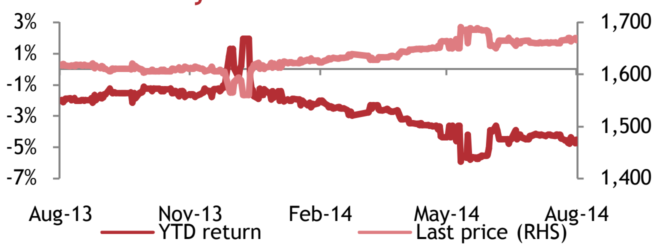


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	88.1	88.4	88.7	87.9	-0.9%	-2.4%
EUR	117.5	116.5	118.1	116.3	3.0%	1.9%

Tanzanian Shilling (TZS)

- The Tanzanian shilling continued to decline against the US dollar in August 2014, falling 0.5% MTD. On a YTD basis, the currency has shed 4.7% against the greenback so far.
- The local currency's depreciation can primarily be ascribed to a rise of demand for dollars from oil and construction sectors.
- The shilling is forecast to remain stable against the greenback in the near term, and trade in the range of 1,660-1,670, as the demand for US dollars is anticipated to subside.

USD/TZS Daily Movement

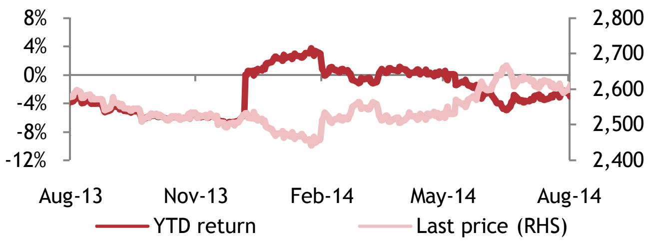


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	1,663.4	1,669.0	1,670.0	1,660.0	-0.5%	-4.7%
EUR	2,217.3	2,200.0	2,229.8	2,193.0	1.1%	-0.7%

Ugandan Shilling (UGX)

- The Ugandan shilling appreciated 0.5% against the US dollar in August 2014. On YTD basis, the currency fell 3.0%.
- The currency strengthened against the US dollar, primarily due to the central bank's mopping up of an unknown amount of Ugandan shillings from the market. Lower demand for the US dollar from corporations and commercial banks further supported the local currency.
- Analysts expect the shilling to strengthen against the US dollar due to dollar inflow, attracted by higher yield on Ugandan debt.

USD/UGX Daily Movement



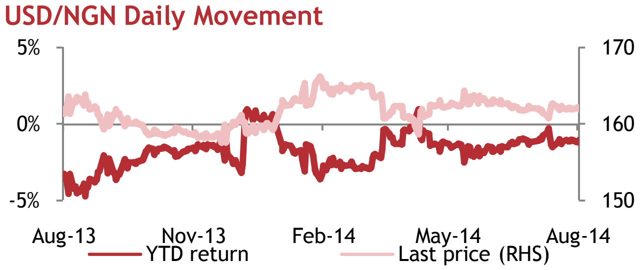
	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,609.4	2,612.0	2,625.0	2,590.0	0.5%	-3.0%
EUR	3,478.8	3,443.0	3,519.2	3,423.6	1.9%	1.2%

Source: Bloomberg, individual news websites

CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

Nigerian Naira (NGN)

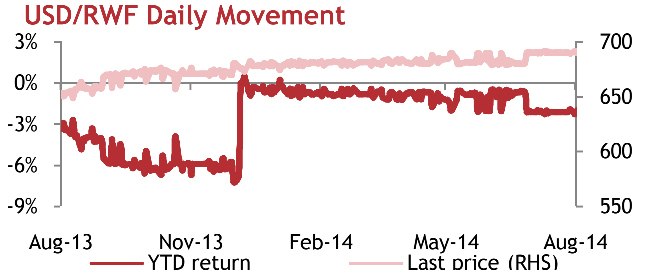
- The Nigerian naira depreciated 0.2% against the US dollar in August 2014. The currency is down 1.3% YTD against the dollar so far.
- The naira depreciated against the dollar despite the move by JP Morgan to include the Nigeria's 10-year bond in one of its indexes as it failed to stimulate strong dollar inflows.
- In the near term, the naira is expected to strengthen against the dollar as oil firms, including Royal Dutch Shell, Eni and state-owned oil firm NNPC and offshore investors are expected to sell dollars.



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	162.0	162.4	162.7	160.7	-0.2%	-1.3%
EUR	215.8	213.7	218.2	213.5	1.4%	2.5%

Rwandan Franc (RWF)

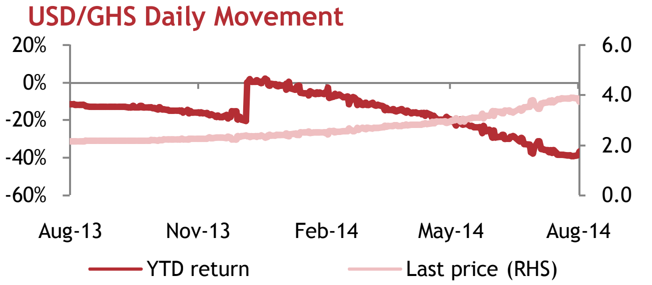
- The Rwandan franc depreciated 0.4% against the US dollar in August 2014. The local currency has shed 1.4% YTD against the dollar so far.
- The franc has been under pressure against the dollar in the year so far because of the demand for US dollars to finance imports.
- The currency is expected to remain under pressure against the US dollar in the near term due to persistent demand for US dollars by importers amid sluggish export growth.



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	690.5	690.5	693.4	689.3	-0.4%	-1.4%
EUR	920.5	907.1	927.5	907.1	1.9%	1.1%

New Ghanaian Cedi (GHS)

- The Ghanaian cedi depreciated to 5.3% against the US dollar in August 2014, lower than the 12.2% depreciation in July 2014. The local currency has shed 39.8% YTD so far.
- The slowed pace of the cedi's depreciation can be mainly attributed to the country's planned Eurobond sale and the IMF talks regarding a bailout. Ghana is expected to start a roadshow for its third Eurobond to raise up to USD 1.5 bn.
- The cedi is anticipated to remain stable in the near term supported by positive investor sentiment ahead of the planned Eurobond sale and dollar inflows expected from a cocoa loan syndication (USD 2 bn) in September 2014.



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3.82	3.87	3.89	3.70	-5.3%	-39.8%
EUR	5.05	5.10	5.17	4.51	-3.7%	-37.5%

Source: Bloomberg, individual news websites

SPECIAL FOCUS

Economy woes in Ghana - what lessons can SSA countries learn?

Ghana loses its sheen

Until recently, Ghana was considered a model for growth in Sub-Saharan Africa, due to its fast-paced economic growth (8.6% average growth in GDP over 2008-13), large oil discoveries (Tullow and Lukoil), successful Eurobond issuances, developing capital markets and its strong and stable democracy. However, the country's gains are under threat due to rising bond yields, mounting inflation and a weakening cedi. Ghana has recently had to seek the support of the International Monetary Fund (IMF) as it tries to stabilise its currency and economy.

Economy impeded by unsustainable fiscal deficit, and mismanagement of oil revenues

Ghana's fiscal deficit stood at 10.8% of GDP in 2013, exceeding the government's target of 8.5%, leading to public debt of over 50.0% of GDP. This was largely due to the rising civil servant wage bill (wage bill grew 47.0% in 2012 to 70.0% of revenues, following the implementation of a new pay policy), higher subsidies (fuel subsidies grew by 140.0% to GHS 2.4 bn in 2013, from GHS 1.0 bn in 2012) and tax collection falling short of expectations. The country also faced issues of mismanagement of oil revenues, which were used to boost public spending rather than invested in sustainable development. Furthermore, the nation has been dealing with government related corruption. Ghana's energy ministry was recently accused of misappropriating USD 1.0 bn in oil revenue.

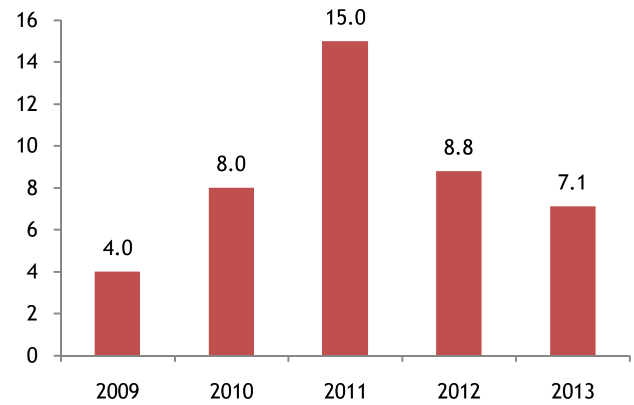
Slow infrastructure development, declining exports further impact outlook

Ghana's problems have been further exacerbated by slow infrastructure development. Several of its electricity, road, railroad and other infrastructure projects are on hold or are progressing at snail's pace due to funding gaps. The country has also been experiencing extended power outages, which have affected manufacturing activities. Moreover, Ghana's Central Bank has been printing money to finance its budget deficit, thereby increasing the money supply and leading to domestic inflation in Ghana (inflaton reached a four-year high of 15.3% YoY in July 2014). The rising domestic inflation has led to the Ghanaians buying dollars, thus putting pressure on the Ghanaian cedi. Furthermore, Ghana's slumping exports (42.0% of GDP in 2013 from 48.0% in 2012) amid rising imports have put additional pressure on the cedi, with the local currency losing about 40.0% of its value against the US dollar this year. Additional problems, including the decline in gold prices, which contribute 45.0% to Ghana's exports, and rising domestic cost of borrowing by government, as more debt is issued to finance the deficit, have also added to the country's woes.

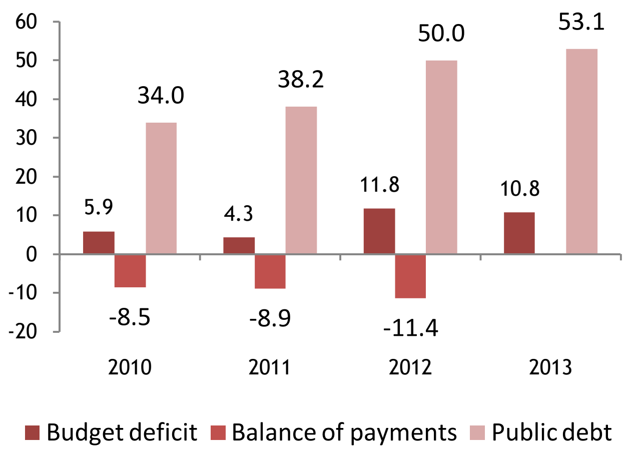
Lessons for SSA countries

With recent oil discoveries in Uganda (Tullow & CNOOC) and Kenya (Tullow & Africa Oil), and natural gas findings on the coast of Tanzania (StatOil & ExxonMobil) and Mozambique (Eni), the SSA countries find themselves on the cusp of resource based riches. However, dependence on oil and gas for export revenue would overexpose these countries to risks of price fluctuations and crashes. The critical aspect is how these energy dollars are channelized into the local economy while ensuring there is minimal misappropriation of funds. Whilst subsidies may be required given the development stage of the region, policy makers should keep the subsidy burden at a level that is sustainable. Privatisation of power companies should be promoted to propel power infrastructure development, to prevent drops in manufacturing activities. SSA governments should make efforts to create a better balance between spending and revenue.

Ghana's GDP growth (Annual %)



Fiscal Dynamics (% of GDP)



Source: World Bank, Individual news websites

AUCTIONS, EVENTS

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

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

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
13-August	2-yr	60.0 bn	1.67	13.085%	12.875%
13-August	10-yr	120.0 bn	1.55	13.953%	14.000%
Details of issuances in July					
16-July	5-yr	100.0 bn	2.03	13.715%	13.75%
16-July	3-yr	80.0 bn	1.56	12.905%	12.875%

I USD = 2,609.4 UGX (average for August 2014)

Tanzania's latest issuance: 2-yr and 15-yr bonds (August 2014)

Issue Date	Maturity	Amt (TZS)	Bid/Offer	YTM	WACY*
20-August	2-yr	55.0 bn	2.33	14.1190%	8.7525%
6-August	15-yr	30.0 bn	1.12	17.5137%	17.1118%
Details of issuances in July					
23-July	5-yr	39.1 bn	1.0	15.6842%	11.77%
9-July	10-yr	45.2 bn	1.0	16.8200%	15.38%

**Weighted average coupon yield; I USD = 1,663.4 TZS (average for August 2014)*

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

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int rate
28-August	2-yr	0.97 mn	FXR Note	1.0	23.00%
Details of previous 2-yr issuances					
18-August	2-yr	0.75 mn	FXR Note	1.0	23.00%
11-August	2-yr	0.57 mn	FXR Note	1.0	23.00%
04-August	2-yr	0.95 mn	FXR Note	1.0	23.00%

**Fixed rate; 1 USD = 3.82 GHS (average for August 2014)*

Kenya's latest issuance: 5-yr and 30-yr bonds (August 2014)

Issue Date	Maturity	Amt bid (KES)	Amt acpt (KES)	MWAR*	Coupon
23-August	5-yr	24.4172 bn	13.524 bn	11.315%	11.305%
23-August	30-yr	3.5335 bn	1.5315 bn	14.152%	12.000%
Details of issuances in July					
23-July	2-yr	20.248 bn	7.874 bn	11.03%	10.79%

**Market weighted average rate; I USD = 88.14 KES (average for August 2014)*

Upcoming Bond Auctions, Monetary Policy Meetings

Å **23 September 2014:** The central bank of Kenya to sell bonds

Å **Monetary policy meetings** are scheduled for:
- ï **23 September 2014:** The Central Bank of Nigeria
- ï **29 September 2014:** The Central Bank of Angola

Source: Bloomberg, individual news websites, respective central banks

KIMONDO'S CORNER

Sub-Sahara Africa Corporate Bond Issuance Booms

The volume of issues of corporate bonds in key Sub-Sahara Africa markets has recently picked up noticeably, and appetite among investors for sub-Saharan corporate bonds is strong. Investors are in search of high yielding instruments, and portfolio diversification.

Issuance in some Sub-Sahara African domestic markets such as Nigeria and Kenya has boomed too. Kenya's corporate bond issues which are denominated in local currency are yielding relatively high returns. This has led to oversubscription during offers. In the case of Kenya corporate bond issues, investors are looking at locking in the high returns on offer, which have been in the range of 12%-12.5% per annum, for medium term (five year) paper. Two companies, both in financial services sector, have recently offered corporate bonds that recorded significant oversubscription. This has been taken to imply that there is high investor appetite for such offers. More companies lining up to raise funds in Kenya through sale of corporate bonds.

The Nigerian corporate bond market is, relative to Sub Sahara African levels, very active and with many issuers.

The recent success of sovereign bond issuance by Sub-Saharan governments has spurred corporate entities from the region to tap international market. Eurobond issues, among others, provide guidance on pricing of corporate bonds offered to international markets.

It is exciting to note that corporate issuers in Sub-Sahara Africa are increasingly looking beyond their respective domestic capital markets, to raise capital in international markets. Companies in Nigeria have been at the forefront of this wave. Nigerian companies have issued a total of 9 bonds to raise $3 billion in the international markets in the last one year, bringing total international issues by corporate entities currently outstanding to 14, that raised a total of $5 billion. Majority of these corporate issuers are banks which were raising funds to fund capital hungry infrastructural development, especially in mining and energy sectors.

Should you be interested in exploring investment opportunities in corporate bonds in Sub Sahara Africa, please get in touch with us.

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