

HIGHLIGHTS

Key Movements in Fixed Income and Currency Markets in May 2015

- Yields on **Kenyan** bonds rose across all maturities owing to decreased liquidity in the market due to the Central Bank of Kenya (CBK)'s frequent mopping up of liquidity from the market, which led to lower debt demand. Yields on **Nigerian** bonds fell across all maturities towards mid-month; however, they later recovered slightly after the central bank revised the cash reserves requirement (CRR) on public and private sector deposits to 31.0% from 20.0%.
- In May 2015, most currencies depreciated against the US dollar. The **Tanzanian** shilling depreciated due to decreased gold exports that led to US dollar inflows. The **Ghanaian** cedi depreciated mainly owing to increased demand for the US dollar from commerce and the pharmaceutical industry. The **Ugandan** shilling declined primarily owing to demand for the US dollar from firms in the telecoms and energy sectors. On 27 May 2015, the **Kenyan** shilling reached a three-and-half-year low of 98.30. However, the **Nigerian** naira remained stable and traded in the range of NGN 198 and NGN 200 during the month (Please refer to pages 7 and 8 for more related information).
- In money markets, the interbank rates in **Kenya** and **Nigeria** rose to 13.3% and 16.7%, respectively, at the end of May 2015. **Tanzania's** interbank rate increased to 7.1% during the month (details on page 6).

May Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
Kenya 29-May yield (%)	11.7%	11.8%	12.8%	13.6%
Chg from 1-May 15 (bps)	47	18	35	20
Nigeria 28-May yield (%)	13.9%	14.0%	13.8%	14.0%
Chg from 1-May 15 (bps)	-23	-6	-25	-6

Movement of Key Currencies vs. US Dollar in May

	Average	End Value	MTD	YTD
Kenyan Shilling	96.4	98.0	-3.4%	-7.6%
Ugandan Shilling	3,006.0	3,052.0	-3.4%	-9.2%
Nigerian Naira	198.9	199.1	-0.03%	-7.8%
Ghanaian Cedi	3.9	4.1	-6.0%	-20.7%
Tanzanian Shilling	2,020.7	2,090.0	-5.0%	-17.1%

Kimondo's Corner

The East Africa Currencies Take a Beating Against the US Dollar

The East African currencies have taken a beating against the US Dollar this year. The most affected currency is the Tanzanian shilling which has shed 20.19% in the first five months of this year. The Ugandan and Kenyan shillings have shed 10.67% and 7.94% in value respectively in the same period.

The shillings have been affected by factors both within and without East Africa. Globally the dollar has been strengthening due to a growing US economy and expectation that the Federal Reserve is likely to raise its key interest rate for the first time in almost a decade.

We expect the respective central banks to take measures to stabilise their currencies against further depreciations. (More details on page 11)



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Source: Bloomberg and respective central banks

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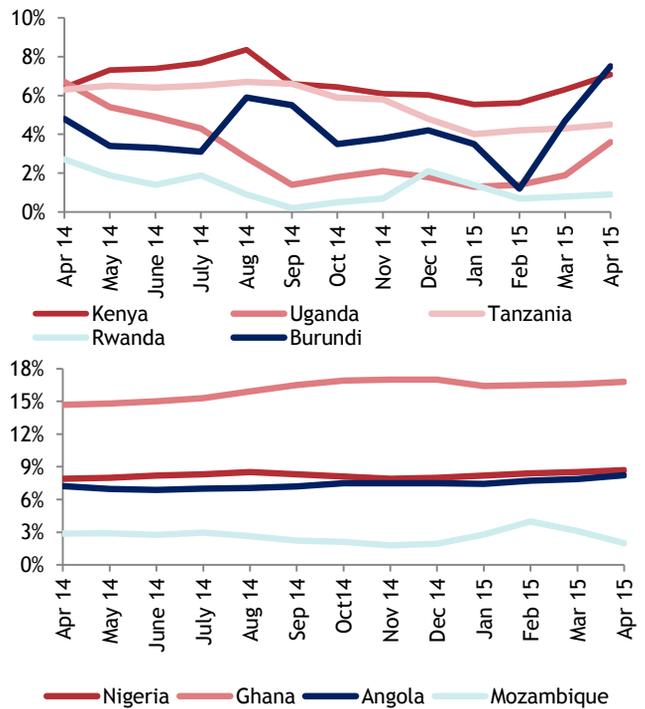
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HIGHLIGHTS

Activity Across Africa: Economy and Politics

- The International Monetary Fund (IMF) revised Kenya's 2015 economic growth forecast down to 6.0% from the previous 6.9%. The IMF attributed the downward revision to falling oil price, depreciating shilling and dwindling tourism numbers. Meanwhile, Nigeria is facing a huge fuel shortage as national fuel marketers have stopped delivering fuel to depots countrywide for not receiving -USD 1.0 bn in outstanding payments. Nigeria is heavily dependent on fuel imports to meet domestic demand (Details on page 4.)
- In May 2014, the central banks of **Angola** and **Mozambique** kept their benchmark policy rates at 9.25% and 7.5%, respectively. However **Ghana's** central bank raised the benchmark interest rate to 22.0% from 21.0% due to rising inflation and **Kenya** raised the benchmark interest rate to 10.0% from 8.5% (Details on pages 3 and 4.)
- Inflation rose in most sub-Saharan African countries. In **Kenya**, inflation accelerated to a eight-month high of 7.1% YoY in April 2015 from 6.3% YoY in March 2015. In **Uganda**, inflation rose to 3.6% YoY in April 2015 from 1.9% YoY in March 2015. This was largely due to an increase in food inflation. In **Nigeria**, inflation was at a 21-month high of 8.7% YoY in April 2015 from 8.5% YoY in March 2015. In **Rwanda**, inflation increased to 0.9% YoY in March 2015 from 0.8% YoY in March 2015. This was primarily due to higher inflation in food and clothing and footwear (Details on pages 3 and 4.)

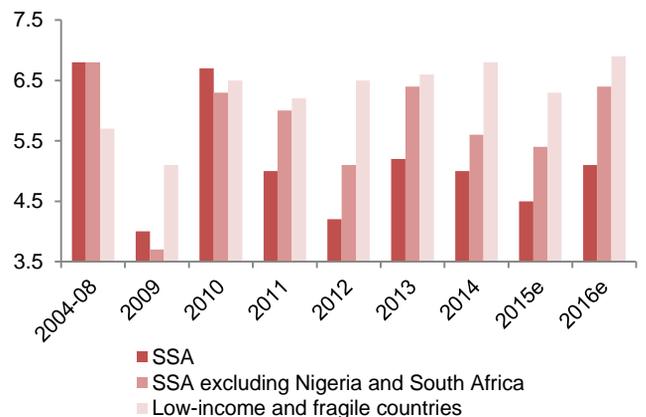
Inflation (YoY)



IMF projects robust growth in sub-Saharan Africa, amid headwinds

- Sub-Saharan Africa countries are expected to be among the fastest growing economies in the world, despite the lower growth forecast of 4.5% in 2015 compared to 5.0% in 2014.
- The oil exporting nations in the Sub-Saharan region are expected to be hit the hardest by the falling oil prices. However, growth prospects remain optimistic for the rest of the region, especially in low-income and more fragile countries, such as Côte d'Ivoire and Mozambique, mainly driven by investments in mining and infrastructure.
- The region's growth outlook is vulnerable to risks such as overreliance on Eurobond financing amid tightening of global financial conditions and deteriorating security situation.
- Policy changes such as fiscal adjustments and eliminating fuel subsidies should be the key priorities for the region. Also, regional integration is the key to tapping the potential demographic dividend

Real GDP Growth (%)



Source: Individual news websites

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

East African Community

Kenya

- Inflation increased to 7.1% YoY in April 2015, an eight-month high and up from 6.3% YoY in March 2015. This was primarily driven by higher prices of food (up 13.42% YoY in April 2015 versus 10.96% YoY in March 2015); clothing and footwear (up 4.40% YoY in April 2015 versus 4.32% YoY in March 2015); and alcoholic beverages, tobacco and narcotics (up 2.16% YoY in April 2015 versus 1.81% YoY in March 2015). However, transport prices inflation fell to 0.81% YoY in April 2015 from 2.77% YoY in March 2015.
- The IMF revised Kenya's 2015 economic growth forecast down to 6.0% from 6.9%. The IMF attributed the downward revision to falling oil price, depreciating shilling and dwindling tourism numbers. Similarly, the government also revised the forecast down to 5.3% from the previous 6.5% estimate. In March 2015, the World Bank forecast Kenya's economy to grow by 6.0% in 2015, 6.6% in 2016 and 7.0% in 2017.
- In June 2015, the Kenyan central bank raised its benchmark policy rate by 150 bps to 10.0% from 8.5%, in order to support the Kenyan shilling.

Uganda

- Annual headline inflation in the country rose to 3.6% YoY in April 2015 from 1.9% YoY in March 2015. The rise was mainly due to food inflation of 2.2% YoY in May 2015 versus food deflation of 2.25% YoY in April 2015. Food prices increased 7.9% MoM. Meanwhile, non-food inflation marginally increased to 4.5% YoY in April 2015 from 4.1% YoY in March 2015. Also, core inflation, which excludes food, fuel, electricity and metered water, rose to 4.6% YoY in April 2015 from 3.7% YoY in March 2015.

Tanzania

- Annual headline inflation in the country rose to 4.5% YoY in April 2015 from 4.3% YoY in March 2015. The rise was mainly due to an increase in the prices of food and non-alcoholic beverages (up 7.1% YoY in April 2015 from 5.9% YoY in March 2015) and restaurant and hotels (up 5.3% YoY in April 2015 versus 5.1% YoY in March 2015).

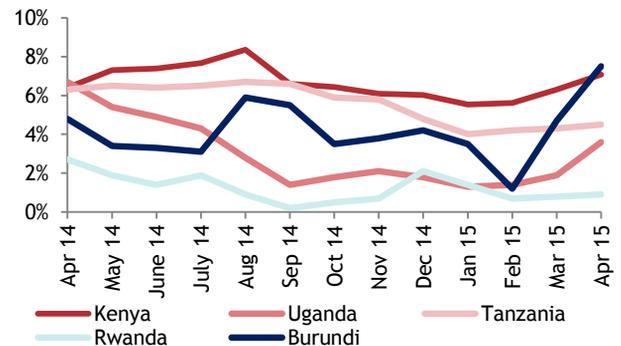
Rwanda

- Inflation in Rwanda increased to 0.9% YoY in April 2015 from 0.8% YoY in March 2015. This was primarily due to higher inflation in food and clothing and footwear.

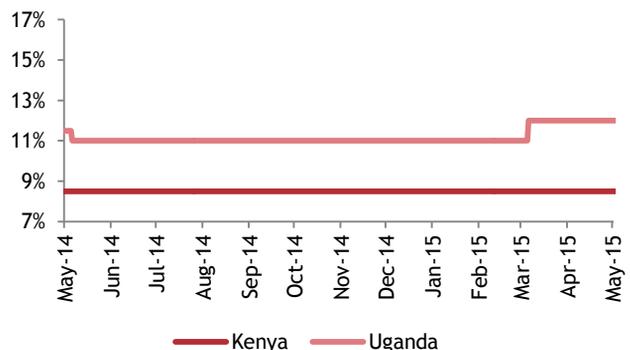
Burundi

- Inflation in the country increased to 7.5% YoY in April 2015 from 4.7% YoY in March 2015 and 1.2% YoY in February 2015.

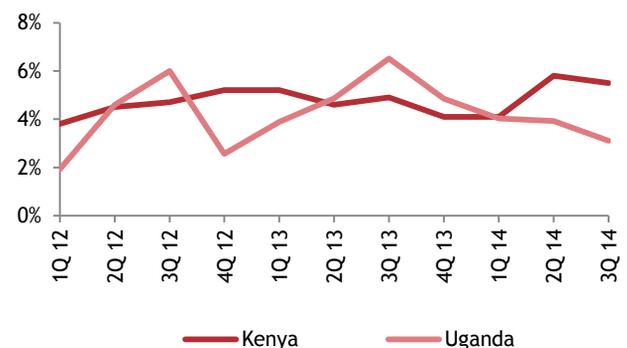
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Kenya and Uganda (YoY)



Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

Rest of Sub-Saharan Africa

Nigeria

- Inflation increased for the fifth consecutive month to 8.7% YoY in April 2015, a 21-month high and up from 8.5% YoY in March 2015. This was primarily attributed to higher inflation of food and non-alcoholic beverages (up 9.5% YoY in April 2015 versus 9.4% YoY in March 2015) as well as housing, water, electricity, gas and other fuel (up 6.9% YoY in April 2015 versus 6.6% YoY in March 2015).
- Nigeria is facing a massive fuel shortage owing to lack of downstream capacity. Although the country is biggest oil producer in Africa with a daily output of ~2 million barrels (bdp), it has the capacity to refine ~445,000 bpd into fuel. This has left the government heavily reliant on fuel imports. The national fuel marketers claim that the outgoing Goodluck Jonathan administration owes them USD 1.0 bn in outstanding payments. To apply pressure on the administration, they stopped delivering fuel to depots countrywide, leading to the shortage. However, the marketers met with the government in the first week of June 2015 and agreed to distribute fuel brought in by the Nigerian National Petroleum Company (NNPC).

Angola

- Inflation increased to 8.23% YoY in April 2015 from 7.87% YoY in March 2015. Prices increased 0.85% MoM in April 2015 from 0.63% MoM in March 2015.
- In May 2015, Angola's central bank maintained its benchmark policy rate at 9.25%, after raising it by 25 basis points in March 2015.

Ghana

- Inflation increased to 16.8% YoY in April 2015 from 16.6% YoY. The rise could primarily be attributed to higher inflation in non-food items (up 23.2% YoY in April 2015 from 23.1% YoY in March 2015), furnishings and household equipment (up 23.2% YoY in April 2015 versus 20.9% YoY in March 2015), and health (up 18.4% YoY in April 2015 versus 18.1% YoY in March 2015).
- In May 2015, the central bank increased its benchmark policy rate by 100 basis points to 22.0% from 21.0% to boost the cedi and offset the risk of inflation.

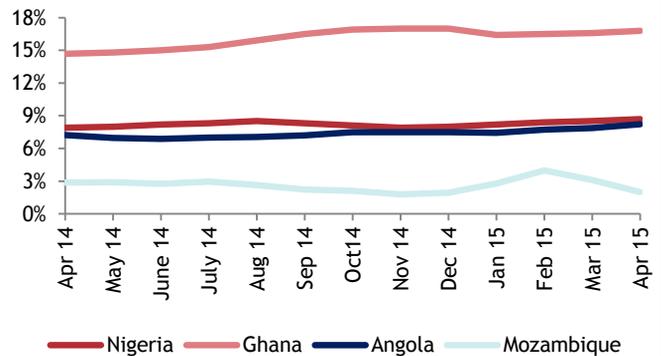
Mozambique

- Inflation in Mozambique fell to 1.98% YoY in April 2015 from 3.11% YoY in March 2015. This was mainly due to a 1.17% drop in food and non-alcoholic drink prices.
- Citing slowing international economic growth with slowing inflation, the central bank kept its key lending rate at 7.5% in May 2015.

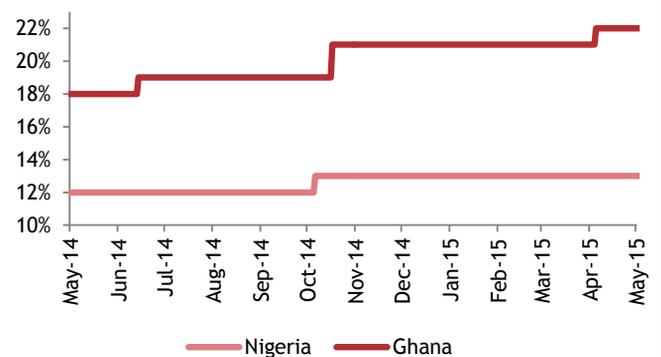
Ivory Coast

- Inflation in Ivory Coast fell to 1.4% YoY in April 2015 from 1.7% YoY in March 2015. Housing and utility, healthcare, and food and soft drink prices rose 2.5%, 0.2%, and 2.6%, respectively, while those of transport fell 0.5%. Communications costs were unchanged

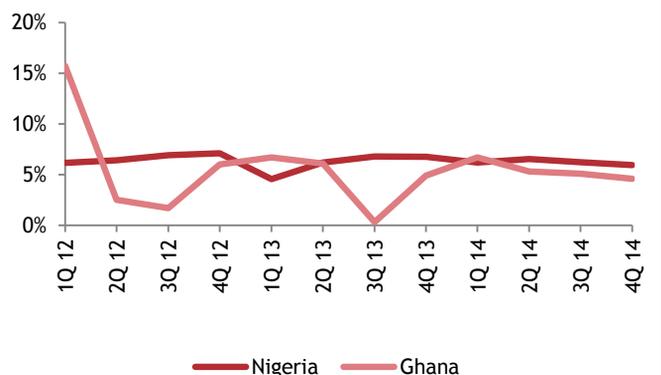
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Nigeria and Ghana (YoY)



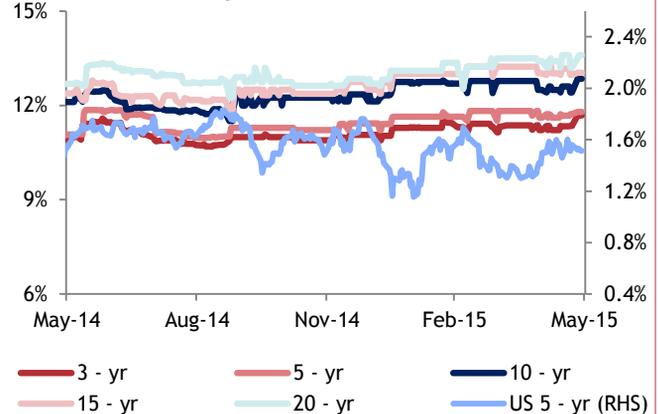
Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: BOND MARKETS

Kenya

- In May 2015, yields on Kenyan bonds rose across all maturities. The yields on bonds with 3- and 10-year tenures rose the most by 47 bps, and 35 bps to 11.7%, and 12.9%, respectively.
- The yields rose mainly due to decreased liquidity in the market owing to the CBK's frequent mopping of liquidity from the market (-KES 41 bn) during May 2015, which led to lower debt demand.
- On 25 May 2015, the CBK, on behalf of the government, auctioned 2-year and 10-year Treasury bonds with a coupon rate of 10.89% and 12.18%, expiring in 2016 and 2024, respectively. The CBK received bids of KES 24.253 bn and KES 8.303 bn, respectively. It offered bonds worth KES 20.0 bn in total (for both the bonds), and bids worth KES 20.223 bn and KES 5.063 bn were accepted for 2-year and 10-year bonds, respectively. The market-weighted average rates was 11.767% and 12.886% for the 2-year and 10-year bonds, respectively.
- In May 2015, the FTSE NSE Kenyan Shilling Government Bond Index marginally increased by 0.3% on an MTD basis. On a YTD basis, the index fell 1.0%.

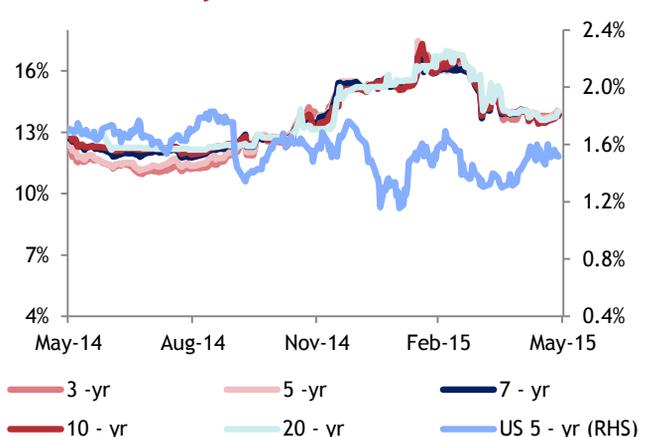
Bond Yields' Daily Movement



Nigeria

- In May 2015, yields on Nigerian bonds fell across all maturities. The yields on bonds with 7- and 10-year tenures fell 25 bps each to 13.9% and 13.8%, respectively.
- Yields on Nigerian bonds decreased towards the mid of the month mainly due to increased buying of bonds over speculation over a possible reduction in the CRR on public sector deposits. However, they later recovered slightly owing to sell-off by some investors, after the central bank revised the CRR on private sector deposits to 31.0% from 20.0%, and on public sector deposits to 31.0% from 75% at its rate-setting meeting on 19 May 2015. The move signals an eventual tightening of policy.
- On 13 May 2015, the government auctioned five-year NGN 20.0 bn 15.5% February 2020 bonds, 10-year NGN 20.0 bn 14.2% March 2024 bonds, and 20-year NGN 20.0 bn 12.15% July 2034 bonds. It received subscriptions worth NGN 42.55 bn, NGN 81.68 bn and NGN 59.14 bn, and made allotments worth NGN 20 bn each for 5-, 10- and 20-year bonds, respectively.

Bond Yield Daily Movement



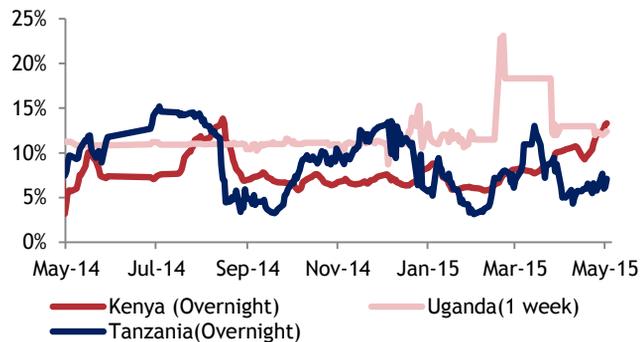
Source: Bloomberg, individual news websites

MONEY MARKETS

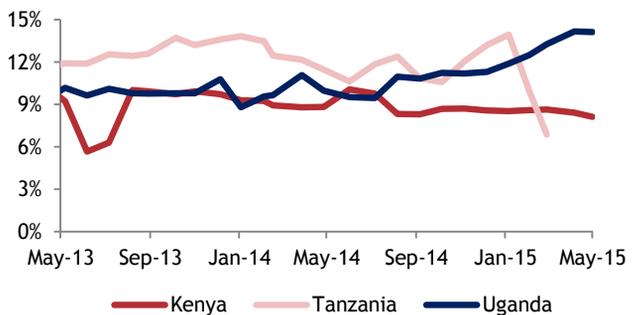
East African Community

- The interbank rate in Kenya increased to 13.3% at the end of May 2015 from 10.4% at the start of the month, indicating reduced liquidity in the market. This can be ascribed to the CBK's frequent mopping of liquidity from the market (-KES 41 bn) during the month. Similarly, the interbank rate in Tanzania rose to 7.1% at the end of May 2015 from 5.0% at the start of the month, indicating reduced liquidity in the market.

Interbank rates



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



3-month currency deposit and T-bill rates (May 2015)

	Kenya	Tanzania	Uganda
3-m curr dep	8.3%	8.4%	NA
91-d/3-m T-bill	8.1%	6.9%(Mar)	14.1%

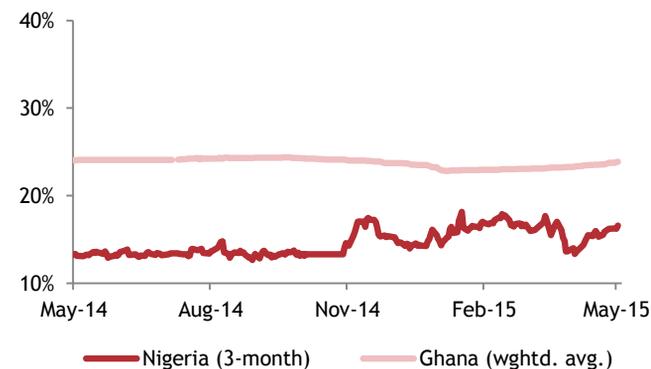
Policy and average interbank rates (May 2015)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	8.5%	12.0%	12.0%
Interbank	13.3%	7.1%	12.4%

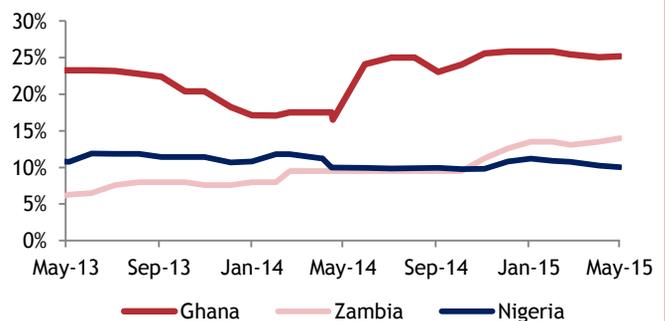
Rest of Sub-Saharan Africa

- The Nigerian Interbank Offered Rate (NIBOR) rose to 16.7% at the end of May 2015 from 14.0% at the start of the month. The rise was primarily mainly due to a scramble for funds, as lenders sought to meet the CRR. In addition, cash outflows to bonds and Treasury bills (T-bills) purchases totalling NGN 202 billion had a negative impact on the liquidity level in the system, leading to a rise in the rate.

Interbank rates



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



3-month currency deposit and T-bill rates (May 2015)

	Nigeria	Ghana	Zambia
3-m curr dep	15.0%	24.3%	16.4%
91-d/3-m T-bill	10.0%	25.2%	14.0%

Policy and average interbank rates (May 2015)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	13.0%	22.0%	12.5%
Interbank	16.6%	23.9%	15.0%

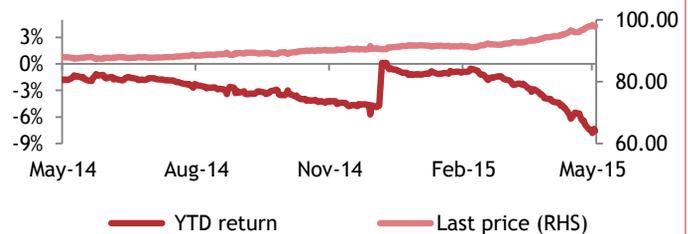
Source: Bloomberg, individual news websites, respective central banks.

CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

Kenyan Shilling (KES)

- The Kenyan shilling depreciated against the US dollar in May 2015 and reached a three and a half-year low of 98.30 on 27 May 2015. The currency was down 3.4% MTD and 7.6% YTD.
- The Kenyan shilling was under pressure mainly from the falling US dollar inflows from tourism, along with high demand for the US dollar by importers and companies paying annual dividends to shareholders abroad. The CBK sold an undisclosed amount of US dollars on 12 May 2015 and 28 May 2015 to prop up the shilling.
- The Kenyan shilling is expected to slightly ease in the short term, provided the CBK continues to intervene.

USD/KES Daily Movement

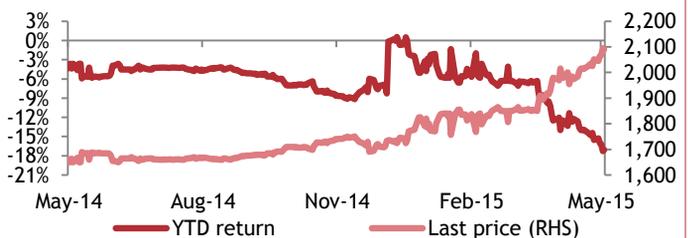


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	96.4	98.0	98.3	94.7	-3.4%	-7.6%
EUR	107.6	107.2	109.9	105.8	-2.1%	2.2%

Tanzanian Shilling (TZS)

- The Tanzanian shilling declined against the US dollar in May 2015 to reach an all-time low of TZS 2095 on 28 May 2015. The currency was down 5.0% MTD and 17.1% YTD.
- The local currency weakened against the US dollar primarily because of declining gold exports, which reduced the US dollar inflows. Furthermore, there remained a persistent demand for the US dollar from importers amid limited inflows.
- The local currency is expected to stabilise at around TZS 2,000 against the US dollar as the season of agricultural exports is approaching, which would lead to US dollar inflows. Moreover, the government is finalising plans to receive at least USD 500 million from commercial loans before the end of the current fiscal budget.

USD/TZS Daily Movement

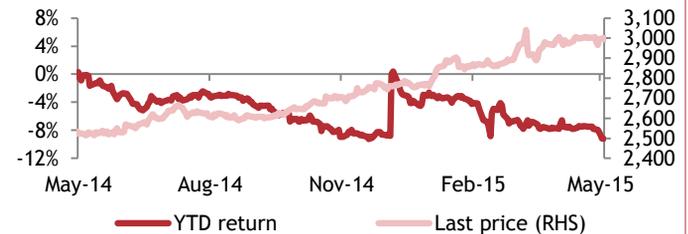


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,020.7	2,090.0	2,095.0	1,955.0	-5.0%	-17.1%
EUR	2,253.6	2,287.3	2,305.6	2,186.7	-3.7%	-8.3%

Ugandan Shilling (UGX)

- The Ugandan shilling depreciated 2.8% against the greenback in May 2015. The Ugandan shilling fell 9.2% YTD.
- The depreciation was primarily due to corporate demand for the US dollar from firms in the telecoms and energy sectors. Furthermore, a decline in greenback inflows due to conflicts in South Sudan and Burundi, both key markets for Ugandan exports, and decreased offshore demand for government debt amid falling yields put pressure on the local currency.
- Some traders expect the local currency to further weaken, primarily owing to worries over the country's growing current account deficit.

USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3,006.0	3,052.0	3,052.0	2,992.0	-2.8%	-9.2%
EUR	3,352.3	3,340.0	3,425.6	3,283.3	-1.4%	0.4%

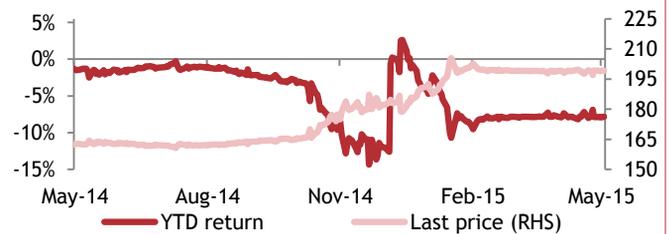
Source: Bloomberg, individual news websites

CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

Nigerian Naira (NGN)

- The Nigerian naira remained stable and slightly depreciated by 0.03% (on an MTD basis) against the US dollar in May 2015. The local currency was down 7.8% on YTD basis.
- The naira has traded in the NGN 198-200 range against the greenback since February 2015, after the central bank scrapped its biweekly foreign exchange auctions and fixed its clearing rate at NGN 198 to the US dollar to curb speculation over the local currency. This has rendered the markets inactive, restricting importer access to the US dollar. However, the local currency has been volatile in the bureau de change and parallel market segments.
- Analysts expect the naira to devalue again, reflecting the USD 4.5 bn fall in foreign reserves since the February 2015 devaluation.

USD/NGN Daily Movement

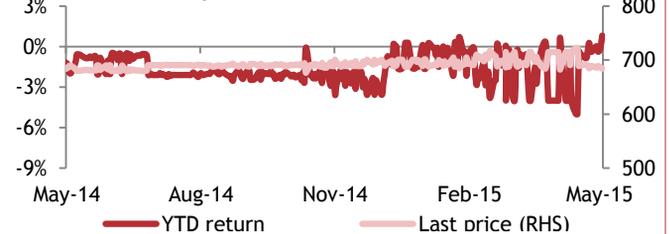


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	198.9	199.1	199.8	197.0	-0.03%	-7.8%
EUR	221.9	216.7	227.9	216.4	0.8%	2.1%

Rwandan Franc (RWF)

- The Rwandan franc depreciated 0.2% MTD against the US dollar in May 2015. However, it appreciated 0.8% on a YTD basis.
- The local currency has been under pressure against the US dollar due to high demand for the greenback to finance imports amid widening current account deficit.
- The local currency is expected to remain under pressure against the US dollar as the country's imports continue to outpace exports. However, trade deficit might reduce as the government is looking at ways of producing most goods (primarily foods and cement) that have led to a rise in import receipts. Also, the government expects exports to grow by 6.0% to USD 764.4 million in 2015 from USD 723.1 million in 2014.

USD/RWF Daily Movement

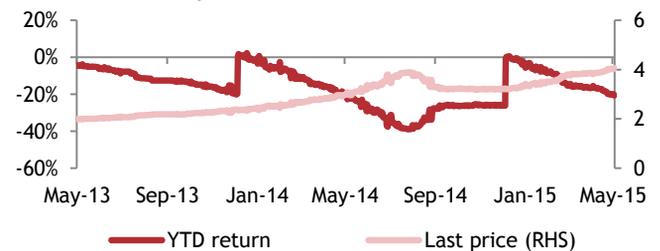


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	696.8	684.3	722.6	684.3	-0.2%	0.8%
EUR	775.4	756.2	821.2	747.0	1.3%	10.4%

New Ghanaian Cedi (GHS)

- The Ghanaian cedi continued to decline in May 2015. It reached a record low of GHS 4.06 against the US dollar on 29 May 2015. The cedi was down 6.0% MTD and has shed 20.7% YTD so far.
- The depreciation of the local currency was mainly due to increased demand for the US dollar from commerce and the pharmaceutical industry to pay their bills abroad.
- The cedi is expected to remain under pressure in the short term on expectations of rising US dollar demand amid limited US dollar inflows.

USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3.9	4.1	4.1	3.9	-6.0%	-20.7%
EUR	4.4	4.4	4.5	4.3	-4.8%	-12.3%

Source: Bloomberg, individual news websites

SPECIAL FOCUS

IMF projects robust growth in sub-Saharan Africa, amid headwinds

IMF projects strong growth in Sub-Saharan Africa

Sub-Saharan Africa countries are expected to be among the fastest growing economies in the world, despite the lower growth forecast of 4.5% in 2015 compared to 5.0% in 2014. The lower economic expansion is an impact of the falling oil and commodity prices over the last six months, the incidence of terrorism and the outbreak of the Ebola virus disease in some countries.

Oil-exporting nations to be hit hardest

The oil exporting nations in the Sub-Saharan region, namely South Sudan, Equatorial Guinea, Nigeria, Republic of Congo, Angola, Gabon, Cameroon and Chad, are expected to be hit the hardest amid falling oil prices, with their growth slowing down by 1.25%. Growth prospects for Guinea, Liberia and Sierra Leone remain subdued too in the aftermath of the Ebola breakout, which has affected the labor market and economic activities. However, growth prospects remain optimistic for the rest of the region, especially in low-income and more fragile countries, such as Côte d'Ivoire, Ethiopia, Democratic Republic of the Congo and Mozambique, which enjoy the benefits of lower oil import bills. These nations are expected to witness an average growth of 6.8%, driven by investments in mining and infrastructure.

Growth outlook clouded by risks

Large fiscal and current account deficits in some of the region's countries have been financed through Eurobonds. Tightening of global financial conditions could leave them vulnerable to a potential reduction in external financing. Furthermore, appreciation of the US dollar would increase import charges, subdue investments, and fuel inflation in the economy, thus impacting growth. It could also increase the debt service burden and impact balance sheets of banks and private entities adversely. Also, security concerns could weaken the economy while negatively impacting the outlook for growth and dampening FDI sentiment.

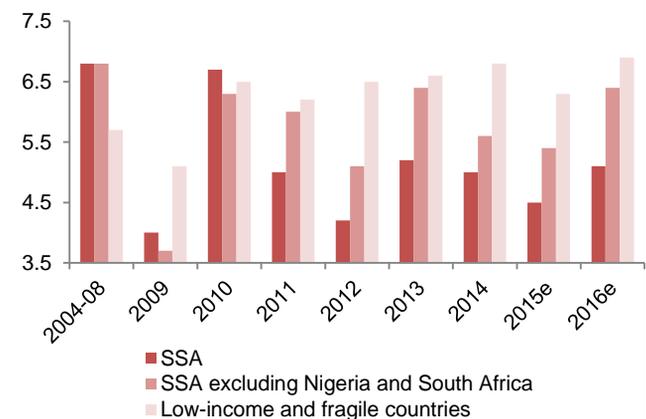
Policy adjustment remains key priority

The primary aim in the Sub-Saharan region should be achieving sustainable growth amid headwinds. Limited oil buffers in oil exporting nations have necessitated prioritization of fiscal adjustment. This would preserve scarce external reserves by allowing exchange rates to depreciate, thus easing the pressure on currency. Meanwhile, low oil prices pose an opportunity for countries to eliminate fuel subsidies and enable flexible energy pricing mechanisms which would promote efficient energy use and boosting education and infrastructure spending.

Regional integration is the key to tapping the potential demographic dividend

Sub-Saharan Africa could benefit by capitalizing on its rapidly growing labor force, which is expected to surpass the combined force of rest of the world by 2030. Policies promoting integration of the region in global networks would help in diversifying its production base and creating jobs for the burgeoning youth population. This structural transformation could improve the per capita income, thus catalyzing growth.

Real GDP Growth (%)



SSA: Other macroeconomic indicators

	2011	2012	2013	2014	2015e	2016e
Percent Growth						
Inflation Rate	10.2%	8.2%	6.1%	6.1%	7.4%	6.6%
Percent of GDP						
Government Debt	27.7%	27.4%	28.5%	29.6%	32.0%	32.4%
External CAD	-0.7%	-1.9%	-2.5%	-3.3%	-4.6%	-4.1%
Net FDI	2.2%	2.1%	1.5%	1.8%	2.1%	2.5%
Fiscal balance						
SSA	-1.1%	-1.8%	-3.0%	-3.3%	-3.7%	-2.9%
Oil-exporting countries	2.2%	0.6%	-2.0%	-2.5%	-3.1%	-2.0%

Source: IMF Regional Economic Outlook: Sub-Saharan Africa, April 2015

AUCTIONS, EVENTS

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

Uganda's latest issuance: 15-yr and 2-yr bonds (May 2015)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
21-May	15-yr	120.00 bn	1.64	17.517%	17.50%
21-May	2-yr	60.00 bn	2.88	16.994%	16.75%
Details of issuances in April					
22-Apr	2-yr	16.222 bn	3.00	16.897%	16.75%
22-Apr	10-yr	163.00 bn	1.28	17.578%	17.00%

1 USD = 3,006.0 UGX (average for May 2015)

Ghana's latest issuance: 2-yr note (May 2015)

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int rate
29-May	2-yr	4.51 mn	FXR Note	1	23.00%
25-May	2-yr	3.30 mn	FXR Note	1	25.90%
18-May	2-yr	251.24 mn	FXR Note	1	22.50%
11-May	2-yr	0.84 mn	FXR Note	1	23.00%
Details of issuances in April					
30-Apr	2-yr	0.62 mn	FXR Note	1	23.00%
24-Apr	2-yr	103.37 mn	FXR Note	0.6	22.50%
17-Apr	2-yr	5.84 mn	FXR Note	1	23.00%
10-Apr	2-yr	239.59 mn	FXR Note	1	23.00%
02-Apr	2-yr	8.1 mn	FXR Note	1	23.00%

*Fixed rate; 1 USD = 3.95 GHS (average for May 2015)

Tanzania's latest issuance: 15-yr and 2-yr bonds (May 2015)

Issue Date	Maturity	Amt(TZS)	Bid/Offer	YTM	WACY*
14-May	15-yr	65.00 bn	1.22	17.460%	17.054%
28-May	2-yr	50.85 bn	1.00	14.011%	NA
Details of previous 2-yr issuances					
1-Apr	7-yr	60.00 bn	1.13	15.6111%	13.1011%
29-Apr	5-yr	62.00 bn	1.72	14.8170%	11.3935%
15-Apr	10-yr	45.00 bn	1.51	16.6916%	15.2799%

*Weighted average coupon yield; 1 USD = 2,020.7 TZS (average for May 2015)

Kenya's latest issuance: 2-yr and 10-yr bonds (May 2015)

Issue Date	Maturity	Amt bid (KES)	Amt acpt (KES)	MWAR*	Coupon
25-May	2-yr	24.253 bn	20.223 bn	11.856%	10.890%
25-May	10-yr	8.304 bn	5.064 bn	13.040%	12.180%
Details of previous 2-yr issuances					
13-Apr	12-yr	NA	24.020 bn	NA	11.000%
30-Mar	12-yr	51.657 bn	25.695 bn	11.747%	11.000%

*Market weighted average rate; 1 USD = 96.4 KES (average for May 2015)

Upcoming Bond Auctions, Monetary Policy Meetings

- **17 June 2015:** Central Bank of Nigeria to sell bonds
- **24 June 2015:** Bank of Tanzania to sell bonds to sell bonds
- **Monetary policy meetings** are scheduled to be held on:
 - **12 June 2015:** Bank of Mozambique
 - **16 June 2015:** Bank of Uganda
 - **29 June 2015:** National Bank of Angola

Source: Bloomberg, individual news websites, respective central banks

KIMONDO'S CORNER

The East Africa Currencies Take a Beating Against the US Dollar

The East African currencies have taken a beating against the US Dollar this year with some currencies shedding as 20% of their value YTD. The worst affected currency is Tanzania shilling which has shed 20.19% in the first five months of this year. The Ugandan and Kenyan shillings have shed 10.67% and 7.94% in value respectively during the same period.

The shillings have been affected by factors both within and without the East Africa. Globally the dollar has been strengthening due to an improving US economy, when compared to other economies such as Europe, and expectations that the Federal Reserve is likely to raise its key interest rate for the first time in almost a decade. This has began drawing investors looking for good returns in a relatively low risk market like the US leading to dumping of assets in frontier markets like Kenya.

Locally, many factors have contributed to the fall of the currencies. In Kenya for instance, the delay in the appointment of the Central Bank governor led to uncertainties about the policies direction to be taken. Also, the dry weather in the first part of the year affected key cash crops like tea and coffee which are key earners of foreign exchange. The cases of insecurity in the country have negatively affected the tourism industry, another key earner of foreign exchange. Furthermore the worsening current account deficit makes the shilling susceptible to economic shocks.

In Tanzania, the election fever over the election due to be held in October, strengthening of the US economy and high demand for dollars by corporates to fund imports are causing the currency to fall. The drop in gold prices in the world market has led to decreased foreign earnings from gold export by as much as 40%. Reduced earnings from tourism industry and the huge current account deficit have also contributed to the fall in currency.

In Uganda, the strengthening of the US economy and the high demand for dollars by companies to pay their import obligations and pay dividends to foreign shareholders is causing the currency to fall. The huge current account deficit is also another contributor.

The fall in these currencies is going to make imported goods expensive leading to increased inflationary risks since the East African countries are all net importers. The currency depreciation may wipe out the benefit previously enjoyed of the fall in international oil prices, leading to increased energy cost which has potentially large negative repercussions on these economies such as potentially slowing economic growth.

Going forward, we expect the central banks to take measures to try and stabilise the currencies against further depreciation. Some measures that might be employed include hiking interest rates to reduce liquidity available for importation of goods and open market operations to defend the currencies against speculative attacks. Kenya has previously signed a USD 750 million stand-by loan with International Monetary Fund for use in supporting the country economic reform and give it a cushion against outside shocks, and may be expected to draw on this facility.

In the long run, reducing current account deficit through increasing exports and reducing import appetite, and increasing investment opportunities so as increase foreign direct investment may assist in stabilising the region's currencies.

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