

HIGHLIGHTS

Key Movements in Fixed Income and Currency Markets in April 2015

- Yields on **Kenyan** bonds fell across all maturities due to increased demand for local debt. However, the yields are expected to rise amid tightening Kenyan shilling liquidity. The yields on **Nigerian** bonds fell across all maturities during the month, mainly due to rising demand for local debt from both local and offshore investors amid increased liquidity from maturing bonds (details on page 5).
- Most currencies were under pressure against the US dollar in April 2015. The **Tanzanian** shilling depreciated due to strong demand for the US dollar amid limited inflows. **Ghana's** currency cedi also continued to decline despite the release of International Monetary Fund (IMF)'s USD 114 mn aid to the country. The **Ugandan** shilling declined on increasing demand for the dollar from the manufacturing and energy sectors. The **Kenyan** shilling reached a three-year low of 94.65 on 30 April 2015. However, the **Nigerian** naira remained stable, and traded in the NGN 198-200 range during the month. (more on pages 7 and 8).
- In money markets, **Kenya** and **Nigeria's** interbank rates rose to 10.2% and 17.7%, respectively, towards the end of April 2015. **Tanzania's** interbank rate eased to 5.0% during the same time (details on page 6).

April Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
Kenya 30-Apr yield (%)	11.2%	11.6%	12.5%	13.4%
Chg from 1-Apr 15 (bps)	-11	-22	-29	-10
Nigeria 30-Apr yield (%)	14.0%	14.1%	14.1%	14.0%
Chg from 1-Apr 15 (bps)	-106	-92	-94	-177

Movement of Key Currencies vs. US Dollar in April

	Average	End Value	MTD	YTD
Kenyan Shilling	93.4	94.7	-2.4%	-4.3%
Ugandan Shilling	2,992.6	2,965.8	0.3%	-6.6%
Nigerian Naira	199.0	199.0	0.1%	-7.8%
Ghanaian Cedi	3.8	3.8	-0.7%	-25.9%
Tanzanian Shilling	1,905.6	1,985.0	-6.0%	-12.7%

Kimondo's Corner

The Kenya Capital Markets Gears Up For Derivatives Trading

The Kenya capital markets are gearing up for the launch of the derivatives trading at the Nairobi Securities Exchange (NSE) scheduled to start at the end of June this year.

The capital markets regulator, Capital Markets Authority (CMA) has already gazetted the rules to govern the derivatives trading. It has also provided NSE with a provisional licence allowing it to open a derivatives exchange.

Kenya hopes the introduction of derivatives will offer diversification of financial markets products and help promote Nairobi in its quest to be an international financial centre.

(More details on page 11)



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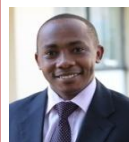
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Source: Bloomberg and respective central banks

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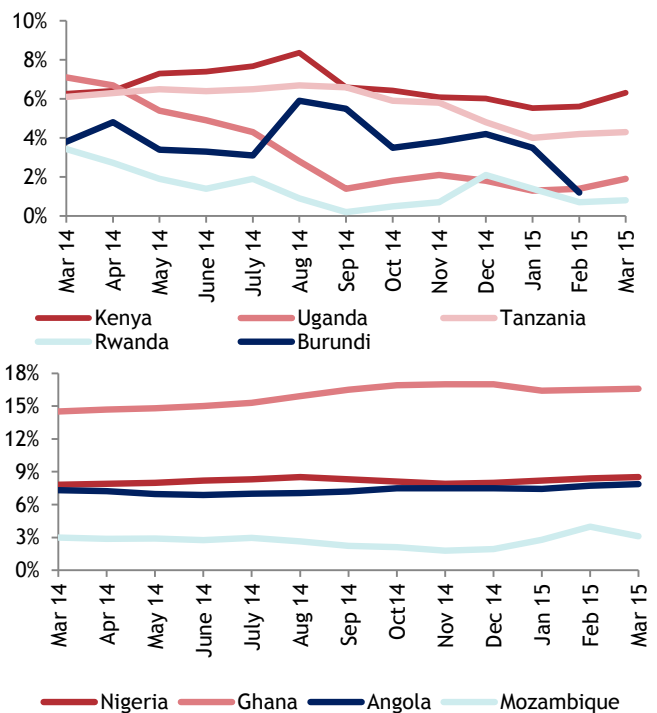
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HIGHLIGHTS

Activity Across Africa: Economy and Politics

- The IMF has maintained Kenya's economic growth forecast for 2015 at 6.9%, naming it as the fifth-fastest growing economy in Africa. Meanwhile, The United States Department of Agriculture (USDA) has projected Nigeria's economy to grow at an annual rate of up to 7.92% in the next 15 years and reach USD 1 trillion by 2030 (details on page 4).
- In April 2014, the central banks of **Angola** and **Mozambique** kept their benchmark policy rates at 9.25% and 7.5%, respectively. However, **Uganda's** central bank raised the benchmark interest rate to 12.0% from 11.0% due to rising inflation (more on pages 3 and 4).
- Inflation rose in most sub-Saharan African countries. In **Kenya**, inflation accelerated to a five-month high of 6.3% YoY in March 2015 from 5.6% YoY in February 2015. In **Uganda**, inflation rose to 1.9% YoY in March 2015 from 1.4% YoY in February 2015, largely due to an increase in core inflation. **Nigeria's** inflation edged up to a seven-month high of 8.5% YoY in March 2015 from 8.4% YoY in February 2015. Inflation in **Rwanda** rose to 0.8% YoY in March 2015 from 0.7% YoY in February 2015, mainly due to higher inflation in housing, water, electricity, gas and other fuels (details on pages 3 and 4).

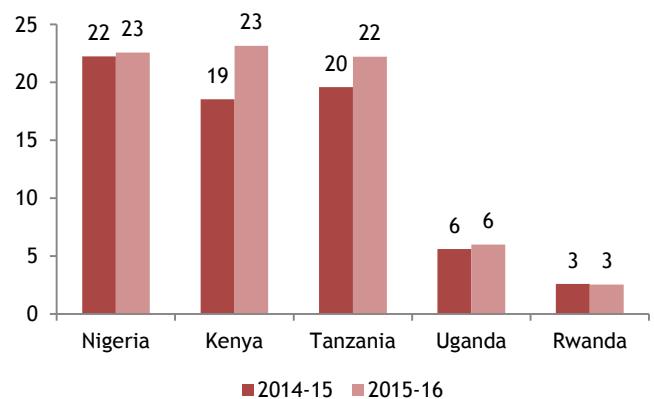
Inflation (YoY)



SSA Budgets 2015-16

- In April 2015, Nigeria and Mozambique approved their budgets while other Sub-Saharan countries, such as Kenya, Uganda, and Tanzania, came up with their preliminary budget allocations for 2015-16 (final budgets to be presented in June 2015).
- The key focus areas for most 2015-16 SSA budgets include the development of the education sector and improvement in security; these areas are expected to receive a large portion of budgetary allocation. Other focus areas are energy & infrastructure, agriculture, healthcare and tourism.
- The budgets focus on increasing both tax and non-tax domestic revenues, along with increasing external borrowing, as donor funding declines.
- Countries such as Nigeria might find it difficult to generate sufficient revenues to support higher spending on account of comparatively lower oil revenues. Furthermore, a rise in external debt may become unsustainable for some SSA countries, thereby impacting their credit rating.

Budget Expenditure (USD bn)



Source: Individual news websites

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

East African Community

Kenya

- Kenya's inflation accelerated to a five-month high of 6.3% YoY in March 2015 from 5.6% YoY in February 2015. This was primarily driven by higher inflation in food (10.96% YoY in March 2015 vis-à-vis 8.7% in February 2015) and alcoholic beverages, tobacco and narcotics (2.12% YoY in March 2015 vis-à-vis 1.81% YoY in February 2015). However, transport costs fell to 2.77% YoY in March 2015 from 3.42% YoY in February 2015.
- The IMF has maintained Kenya's economic growth forecast for 2015 at 6.9% despite unresolved insecurity challenges, naming it the fifth-fastest growing economy in Africa. The main drivers of this projection are strong investments in infrastructure and private sector consumption which would spur growth in the country. Earlier last month, the World Bank had projected Kenya's economy to grow by 6.0% in 2015, 6.6% in 2016 and 7.0% in 2017.
- In May 2015, Kenya's central bank retained its benchmark policy rate at 8.5%, citing reduced inflationary pressures.

Uganda

- Uganda's annual headline inflation rose to 1.9% YoY in March 2015 from 1.4% YoY in February 2015, mainly as core inflation rose to 3.7% YoY in March 2015 from 3.3% YoY in February 2015. The rise in core inflation, which excludes food, fuel, electricity and metered water was attributed to rising prices of items such as firewood, clothing and cement.
- In April 2015, Uganda's central bank raised its benchmark lending rate to 12.0% from 11.0%, citing increased inflationary pressure.

Tanzania

- Tanzania's annual headline inflation rose to 4.3% YoY in March 2015 from 4.2% YoY in February 2015, mainly due to increase in prices of food and non-alcoholic beverages (5.9% YoY in March 2015 from 4.9% YoY in February 2015) and clothing and footwear (3.7% YoY in March 2015 vis-à-vis 3.4% YoY in February 2015).

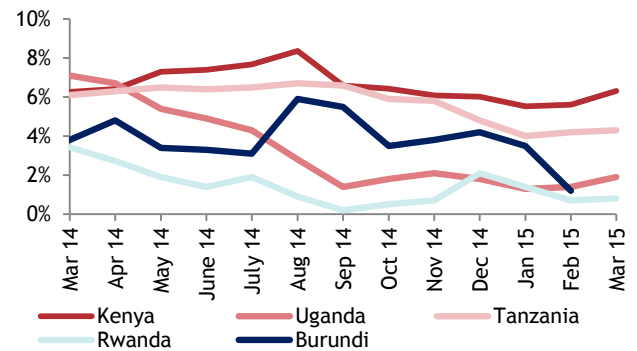
Rwanda

- Inflation in Rwanda increased to 0.8% YoY in March 2015 from 0.7% YoY in February 2015, mainly due to higher inflation in housing, water, electricity, gas and other fuels (2.7% YoY in March 2015 vis-à-vis 1.7% YoY in February 2015) and recreation and culture (3.5% YoY in March 2015 vis-à-vis 3.2% YoY in February 2015).

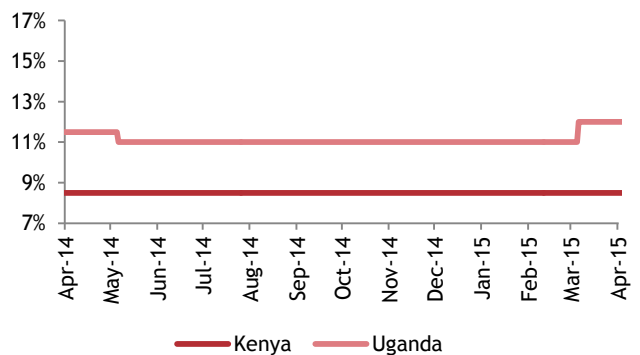
Burundi

- Burundi's inflation eased to 1.2% YoY in February 2015 from 3.5% YoY in January 2015, mainly ascribed to low cost of housing, water and electricity, the inflation of which dropped to 0.8% YoY in February 2015 from 8.3% YoY in January 2015.

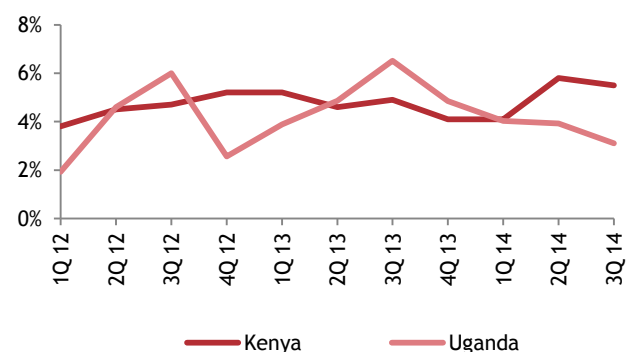
Inflation (YoY)



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 increased for the fourth consecutive month to a seven-month high of 8.5% YoY in March 2015 from 8.4% YoY in February 2015, mainly ascribed to higher inflation of food and non-alcoholic beverages (9.4% YoY in March 2015 vis-à-vis 9.2% YoY in February 2015) and clothing and footwear (8.8% YoY in March 2015 vis-à-vis 8.2% YoY in February 2015).
- The USDA has projected Nigeria's economy to reach USD 1 trillion by 2030. The economy is expected to grow at an annual rate of up to 7.92% in the next 15 years. Most of the growth is expected to come from the agriculture and services sector. Other fast growing sectors include telecommunications, Nollywood (Nigeria's film industry), and the light manufacturing sector.

Angola

- Inflation in Angola increased to 7.87% YoY in March 2015 vis-à-vis 7.73% YoY in February 2015. On a month-on-month basis, prices rose 0.63% MoM in March 2015 from 0.76% MoM in February 2015.
- In April 2015, Angola's central bank maintained its benchmark policy rate at 9.25%, citing an increase in inflation, a depreciation of the kwanza's exchange rate against the US Dollar and an annual increase of 13.2% in the stock of credit to the economy. The bank had in March 2015 raised the rates by 25 basis points.

Ghana

- Inflation in Ghana increased to 16.6% YoY in March 2015 vis-à-vis 16.5% YoY in February 2015. This can be mainly ascribed to higher inflation in non-food items (23.1% YoY in March 2015 vis-à-vis 23.0% YoY in February 2015) and in food items (7.2% YoY in March 2015 vis-à-vis 7.0% YoY in February 2015).

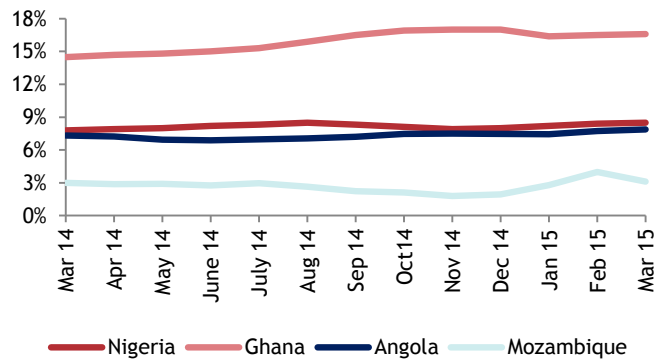
Mozambique

- Inflation in Mozambique decreased to 3.11% YoY in March 2015 from 3.99% YoY in February 2015, reflecting the impact of floods that inhibited the transport of products around the country.
- Mozambique's central bank retained its key lending rate at 7.5% in April 2015, citing the slowing international economic growth along with a continued strengthening of the US dollar and falling prices of key global commodities.

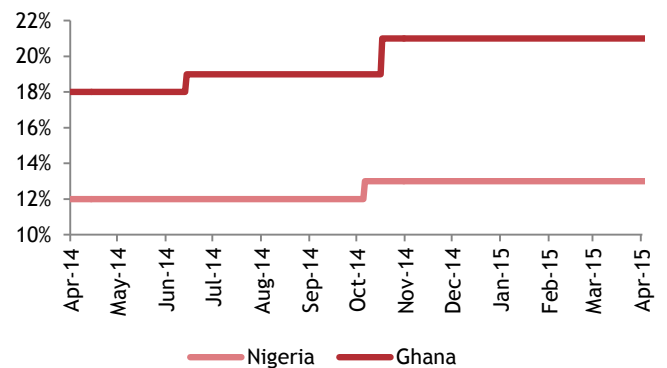
Ivory Coast

- Inflation in Ivory Coast rose to 1.7% YoY in March 2015 from 1.3% YoY in February. Housing and utility, healthcare, and food and soft drink prices rose 1.0%, 3.9%, and 3.3%, respectively. Transport prices fell 0.9%.

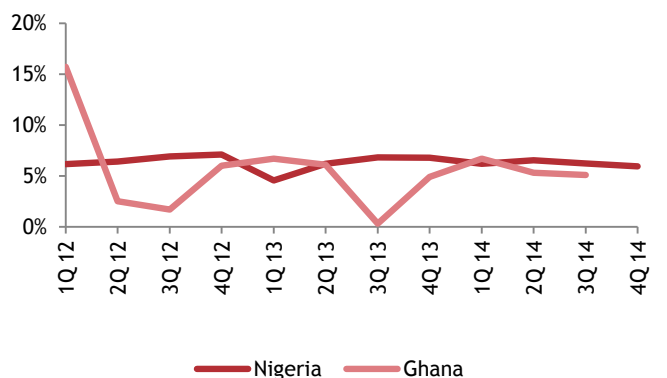
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Nigeria and Ghana (YoY)



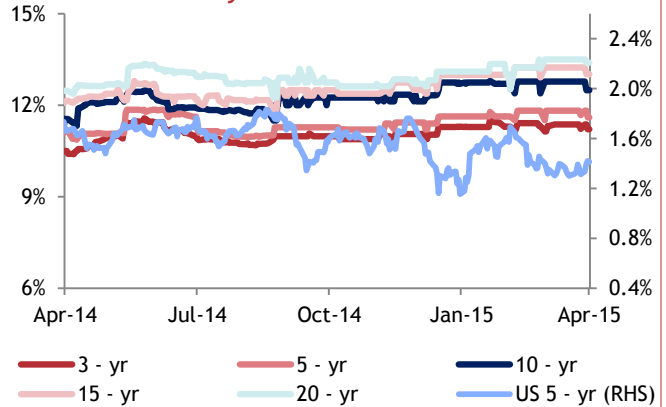
Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: BOND MARKETS

Kenya

- In April 2015, yields on Kenyan bonds fell across all maturities. The yields on bonds with 5-, 10- and 15-year tenures fell 22 bps, 29 bps and 29 bps to 11.6%, 12.5% and 13.6%, respectively.
- The yields fell mainly due to increased demand for local debt owing to higher liquidity in the market. However, in the short term, the yields are expected to rise amid tightening liquidity of the Kenyan shilling, which could lead to lower demand for debt. Liquidity had tightened due to a delay by the government in making routine payments, whereas investors drew out shillings to buy an infrastructure bond this month.
- On 13 April 2015, the Central Bank of Kenya, on behalf of the government, issued a 12-year infrastructure bond for a total value of KES 25 bn. A total of 240 bids worth KES 24.020 bn were accepted. The auction registered a weighted average rate for successful bids of 11.556% and a coupon rate of 11.000%
- The FTSE NSE Kenyan Shilling Government Bond Index fell marginally by 0.3% on MTD basis in April 2015. On YTD basis, the index fell 1.3%.

Bond Yields' Daily Movement



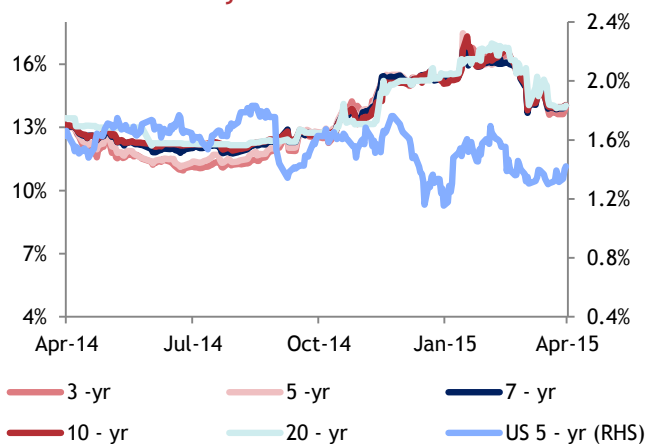
Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
30-Apr yield (%)	11.2%	11.6%	12.5%	13.0%	13.4%
Chg from 1-Apr 15 (bps)	-11	-22	-29	-22	-10
Chg from 1-Jan 15 (bps)	16	18	14	27	55

Nigeria

- In April 2015, the yields on Nigerian bonds fell across all maturities. The yields on bonds with 3- and 20-year tenures fell 106 bps and 177 bps to 13.95% and 14.04%, respectively.
- Yields on Nigerian bonds have fallen sharply since the opposition leader Muhammadu Buhari won a peaceful presidential election in the first week of April 2015. The country has witnessed renewed appetite from both local and offshore investors and increased liquidity from maturing bonds.
- On 15 April 2015, Nigeria's government auctioned five-year NGN 30.0 bn 15.5% February 2020 bonds, 10-year NGN 20 bn 14.2% March 2024 bonds, and 20-year NGN 20 bn 12.15% July 2034 bonds. The government received subscriptions worth NGN 45.93 bn, NGN 69.48 bn and NGN 70.21 bn, and made allotments worth NGN 20 bn, NGN 25 bn, and NGN 25 bn for 5-, 10- and 20-year bonds, respectively.

Bond Yields' Daily Movement



Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
30-Apr yield (%)	14.0%	14.1%	14.0%	14.1%	14.0%
Chg from 1-Apr 15 (bps)	-106	-92	-93	-94	-177
Chg from 1-Jan 15 (bps)	-101	-99	-104	-97	-117

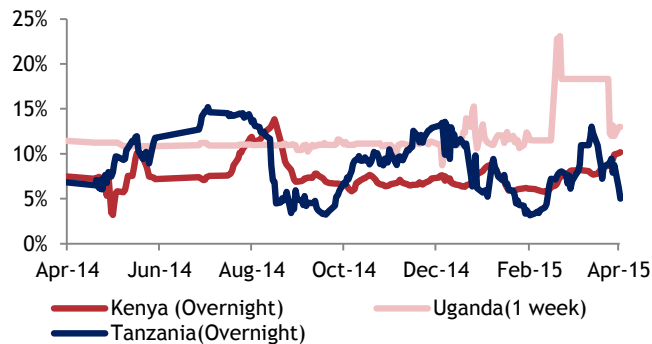
Source: Bloomberg, individual news websites

MONEY MARKETS

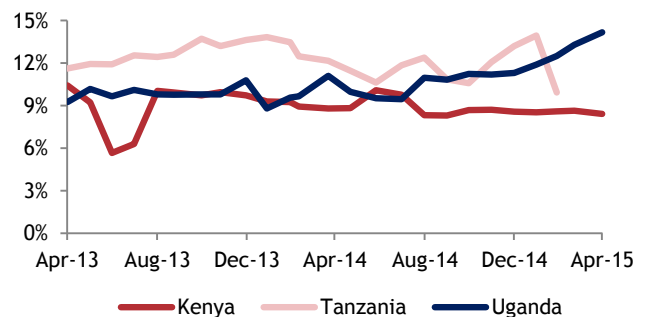
East African Community

- Kenya's interbank rate rose to 10.2% towards the end of April 2015 from 8.2% at the start of the month, indicating reduced liquidity in the market. This can be ascribed to the Central Bank of Kenya (CBK)'s frequent mopping of liquidity from the market (around KES 108 bn) during the month. Tanzania's interbank rate fell to 5.0% towards the end of April 2015 from 8.8% at the start of the month, indicating increased liquidity in the market.

Interbank rates



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



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

	Kenya	Tanzania	Uganda
3-m curr dep	8.3%	8.2%	NA
91-d/3-m T-bill	8.4%	9.9% (Feb)	14.2%

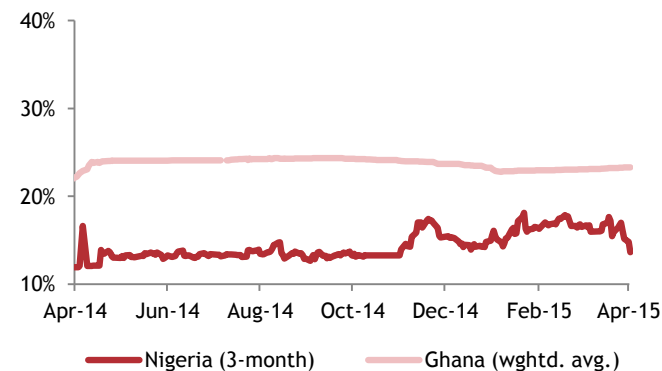
Policy and average interbank rates (Apr 2015)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	8.5%	12.0%	12.0%
Interbank	10.2%	5.0%	13.0%

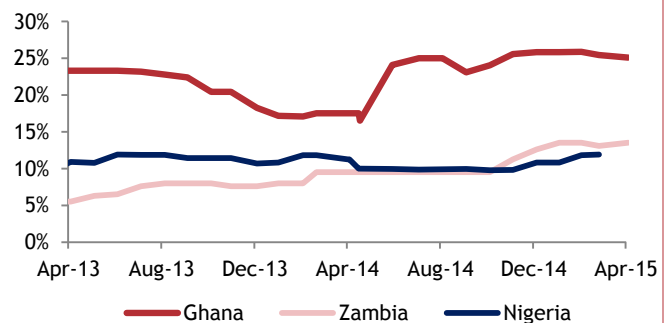
Rest of Sub-Saharan Africa

- The Nigerian Interbank Offered Rate (NIBOR) rose to 17.7% towards the mid of April 2015 from 16.5% at the start of the month, mainly due to a demand from commercial lenders for NGN 72 bn in order to meet the central bank's cash reserve requirement. However, the rate decreased to 13.6% at the end of April 2015, mainly as the central bank retired NGN 806 bn worth of matured bonds and treasury bills, boosting liquidity in the market.

Interbank rates



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



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

	Nigeria	Ghana	Zambia
3-m curr dep	14.9%	23.9%	16.9%
91-d/3-m T-bill	11.9%	25.1%	13.5%

Policy and average interbank rates (Apr 2015)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	13.0%	21.0%	12.5%
Interbank	13.6%	23.3%	12.9%

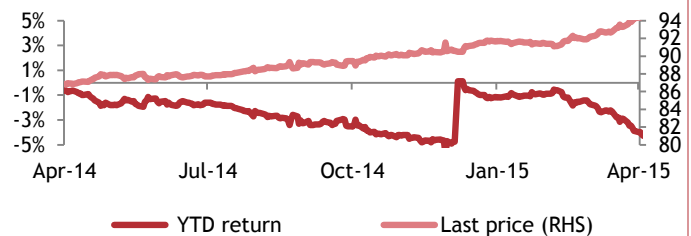
Source: Bloomberg, individual news websites, respective central banks.

CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

Kenyan Shilling (KES)

- The Kenyan shilling depreciated against the US dollar in April 2015 and reached a three-year low of 94.65 on 30 April 2015. The currency was down 2.4% MTD and 4.3% YTD.
- The Kenyan shilling was under pressure mainly due to high demand for the US dollar by companies seeking to settle their bills at the end of the month. Earlier in the month, the central bank sold an undisclosed amount of US dollars to prop up the shilling.
- The shilling is expected to be under pressure in the short term, largely due to the anticipated demand for the dollar from the energy sector.

USD/KES Daily Movement

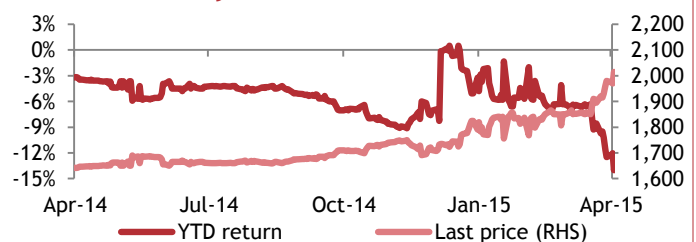


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	93.4	94.7	94.7	92.5	-2.4%	-4.3%
EUR	101.0	105.0	105.3	98.5	-5.5%	4.4%

Tanzanian Shilling (TZS)

- The Tanzanian shilling declined against the US dollar in April 2015 to reach an all-time low of 2115 on 29 April 2015. The currency was down 6.0% MTD and 12.7% YTD.
- The local currency weakened against the US dollar mainly due to a strong demand for the dollar amid limited inflows.
- The depreciation of the shilling is expected to slow down in the short term as 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

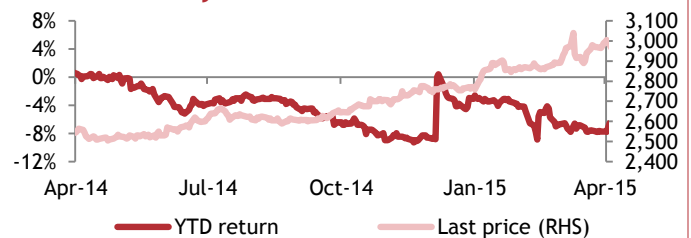


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	1,905.6	1,985.0	2,015.0	1,850.0	-6.0%	-12.7%
EUR	2,057.6	2,201.6	2,242.0	1,954.9	-9.1%	-4.8%

Ugandan Shilling (UGX)

- The Ugandan shilling appreciated 0.3% against the greenback in April 2015. The currency fell 6.6% YTD.
- The Ugandan shilling strengthened against the US dollar mainly due to weak corporate demand for US dollar and a UGX 175 bn worth of Treasury bills auction by the Bank of Uganda (BoU), which reduced excess shilling liquidity in the market.
- The local currency is expected to remain range bound against the US dollar in the short term due to liquidity tightness.

USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,992.6	2,965.8	3,005.0	2,965.8	0.3%	-6.6%
EUR	3,235.0	3,292.1	3,318.3	3,153.7	-2.9%	1.8%

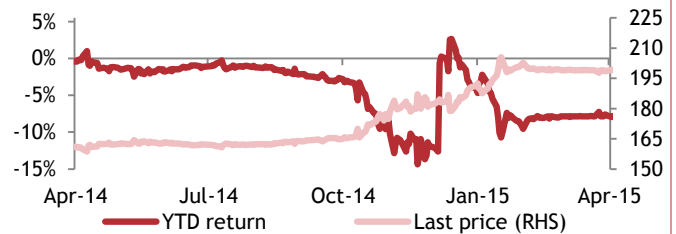
Source: Bloomberg, individual news websites

CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

Nigerian Naira (NGN)

- The Nigerian naira remained stable against the US dollar in April 2015. It appreciated slightly by 0.1% MTD against the greenback as the clearing rate was down 7.8% YTD.
- The naira has traded in the NGN 198-200 range against the greenback since February 2015, after the central bank scrapped its bi-weekly forex auctions and fixed its clearing rate at 198 naira to the dollar so as to curb speculation on the local currency. However, the currency has been volatile in the bureau de change and parallel market segments.
- The naira is expected to remain stable against the US dollar in near term. However, it faces the prospect of a sell-off if the Central Bank of Nigeria removes trading restrictions.

USD/NGN Daily Movement

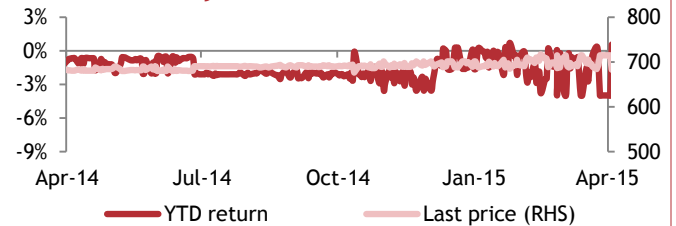


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	199.0	199.0	199.3	197.8	0.1%	-7.8%
EUR	215.0	218.5	219.8	211.0	-2.1%	1.3%

Rwandan Franc (RWF)

- The Rwandan franc appreciated 1.1% MTD against the US dollar in April 2015. The franc was up 1.8% YTD.
- The franc has been under pressure against the US dollar due to high demand for the greenback to finance imports amid widening current account deficit. As per Rwanda's central bank, demand for the dollar from importers is rising rapidly compared with the increase in dollar inflows due to the country's fast economic growth.
- The local currency is likely to remain weak against the dollar due to persistent demand for the dollar to finance imports.

USD/RWF Daily Movement

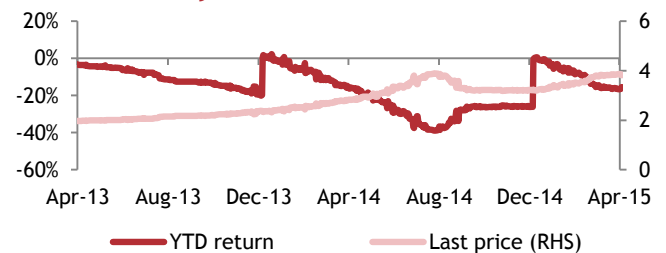


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	701.3	682.7	715.0	682.7	1.1%	1.8%
EUR	749.7	766.3	774.6	730.2	-3.2%	9.0%

New Ghanaian Cedi (GHS)

- The Ghanaian cedi continued to decline, falling 0.7% against the US dollar in April 2015. The cedi fell 15.5% YTD.
- The local currency depreciated despite the release of the IMF's USD 114 bn first tranche to Ghana, indicating that the first tranche is insufficient to shore up the country's low US dollar reserves. The IMF recently approved a credit facility of USD 918 million to Ghana, which would be released in tranches from 2015 to 2017 to help stabilise Ghana's economy.
- The cedi is expected to remain under pressure in the short term as foreign investors, searching for a safe haven for their US dollars, are anticipated to continue to engage in capital flight.

USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3.83	3.81	3.87	3.80	-0.7%	-15.5%
EUR	4.14	4.23	4.28	4.03	-3.9%	-7.9%

Source: Bloomberg, individual news websites

SPECIAL FOCUS

SSA Budgets 2015-16

Significant rise in government spending

In April 2015, Nigeria and Mozambique approved their budgets while other Sub-Saharan countries, such as Kenya, Uganda, and Tanzania, came up with their preliminary budget allocations for 2015-16 (final budgets to be presented in June 2015). The governments in these countries proposed a substantial increase in spending compared with the previous year mainly due to reduced donor funding, growing security concerns and ongoing infrastructure development projects. To support the rising spending, these countries plan to boost domestic revenue collection and increase external borrowing.

Education, security and infrastructure major spending areas

The key focus areas for most 2015-16 SSA budgets include the development of the education sector, improvement in security, and a rise in energy and infrastructure spending. Nigeria and Mozambique allocated 9.0% (NGN 392.2 bn) and 22.3% (USD 1.25 bn) of their total budgets (NGN 4.4 tn and USD 6.3bn respectively) for the education sector, the highest share for any sector. Moreover, Kenya also announced the highest share of 27.3% (KES 294.6 bn of the total KES 2.2 tn) for the education sector in its preliminary 2015-16 budget allocations.

Security is the second most important focus area for most SSA countries, particularly Nigeria and Kenya, where security concerns have increased in the past year and hampered economic development in these countries. While Nigeria allocated NGN 338.8 bn (8% of total) to security, it is anticipated that Kenya will allocate KES 173.6 bn (8% of total) to their Ministry of Defence for enhancing the capacity of security personnel to deal with ongoing threats by providing them with the latest technology and equipment as well as training.

Other priority areas include energy, infrastructure and ICT sectors (allocated 16.0% of Mozambique's budget, anticipated 17.0% of Uganda's budget, 22.6% of the Kenya's budget, and significant allocation in Tanzania's budget based on their preliminary budget announcements), healthcare (allocated 5.0% of Nigeria's budget and 10.2% of Mozambique's budget), agriculture (9.1% of Mozambique's budget, significant allocations in Nigeria's budget, significant allocation anticipated in Kenya's budgets), and tourism.

Focus on tax revenues to support increased spending

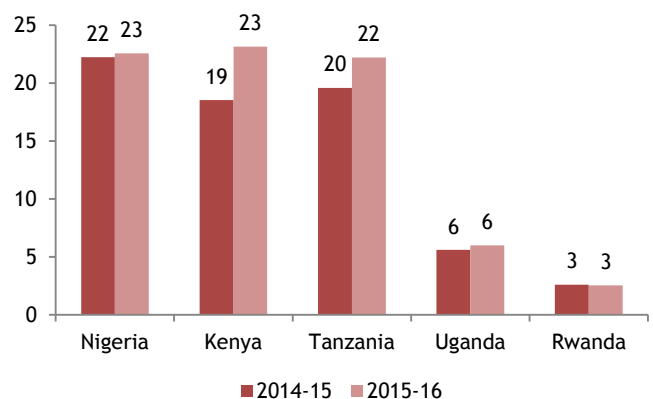
The 2015-16 budgets of all SSA countries focus on increasing both non-tax and tax revenue collection to support higher spending amid declining foreign aid. Kenya expects to increase revenue collection by 20.7% of the GDP, while Nigeria's budget aims to boost non-oil...

...and tax revenues (by a possible increase in VAT). Moreover, countries such as Tanzania, Uganda and Mozambique are experiencing reduced donor funding; thus, they plan to boost domestic revenue collection to offset its impact. Furthermore, external dependence is estimated to increase, reflecting an increase in loans. For example, Uganda Revenue Authority is expected to have a target to collect UGX 11.03 tn as per its 2015-16 budget estimates; non-tax revenues are expected to contribute UGX 271 bn and domestic borrowing about UGX 1.5 tn. Similarly, Tanzania in its pre-budget presentation announced that it plans to borrow TZS 1.37 tn through the issuance of a Eurobond and other modalities, including tapping into syndicated loans and export credit agencies.

Implementation is key

The preliminary SSA budgets reveal the commitment of respective governments for economic growth in the region. Countries such as Nigeria might find it difficult to generate sufficient revenues to support higher spending on account of comparatively lower oil revenues. Furthermore, a rise in external debt may become unsustainable for some SSA countries, thereby impacting their credit rating. For example, Uganda's plans to borrow for its Standard Gauge Railway project would increase its total debt, which currently stands at nearly UGX 20 tn, making it unsustainable for the country. Therefore, the focus should be on reducing existing revenue leakages and decreasing cost. Moreover, these budgets require to be thoroughly reviewed as some important action plans are still missing, such as the absence of a provision for continued fuel subsidy in Nigeria and provisions to boost exports in these countries. However, the success of these budgets depends on implementation.

Budget Expenditure (USD bn)



Source: 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 (April 2015)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
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%
Details of issuances in March					
25-Mar	2-yr	18.227 bn	2.60	16.705%	16.75%
25-Mar	5-yr	161.00 bn	1.23	16.971%	17.00%

1 USD = 2,992.6 UGX (average for April 2015)

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

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int rate
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%
Details of previous 2-yr issuances					
23-Mar	2-yr	19.80 mn	FXR Note	1	23.00%
16-Mar	2-yr	98.04 mn	FXR Note	1	23.00%
9-Mar	2-yr	92.63 mn	FXR Note	0.8	23.00%
2-Mar	2-yr	225.18 mn	FXR Note	1	23.00%

*Fixed rate; 1 USD = 3.83 GHS (average for April 2015)

Tanzania's latest issuance: 15-yr, 10-yr and 7-yr bonds (April 2015)

Issue Date	Maturity	**Amt(TZS)	Bid/Offer	YTM	WACY*
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%
1-Apr	7-yr	60.00 bn	1.13	15.6111%	13.1011%
Details of issuances in March					
4-Mar	15-yr	42.00 bn	1.68	17.5215%	17.1111%
18-Mar	2-yr	55.00 bn	3.60	12.2915%	8.4743%

*Weighted average coupon yield; 1 USD = 1,905.6 TZS (average for April 2015)

Kenya's latest issuance: 12-yr bonds (April 2015)

Issue Date	Maturity	Amt bid (KES)	Amt acpt (KES)	MWAR*	Coupon
13-Apr	12-yr	NA	24.020 bn	NA	11.000%
Details of issuances in March					
30-Mar	12-yr	51.657 bn	25.695 bn	11.747%	11.000%
Details of issuances in February					
18-Feb	2-yr	28.743 bn	23.592 bn	11.551%	11.470%
18-Feb	10-yr	22.388 bn	11.658 bn	13.000%	12.371%

*Market weighted average rate; 1 USD = 93.4 KES (average for April 2015)

Upcoming Bond Auctions, Monetary Policy Meetings

- **13 May 2015:** The Central bank of Nigeria to sell bonds
- **25 May 2015:** The Central bank of Rwanda to sell bonds
- **Monetary policy meetings** are scheduled for:
 - **13 May 2015:** Central Bank of Ghana
 - **19 May 2015:** Central Bank of Nigeria
 - **24 May 2015:** Central Bank of Angola

Source: Bloomberg, individual news websites, respective central banks

KIMONDO'S CORNER

The Kenya Capital Markets Gears Up For Derivatives Trading

The Kenya capital markets are gearing up for the launch of the derivatives trading at the Nairobi Securities Exchange (NSE) scheduled to start at the end of June this year. The exchange is being modelled on Johannesburg Stock Exchange's Derivatives Market, one of the largest derivatives exchanges in the world.

The NSE hopes to initially introduce single currency contracts and index contracts which are easier to start with and later on introduce agriculture commodity contracts. Trades on NSE will initially have settlement in cash, rather than requiring the delivery of an underlying asset since the former is easier. The NSE has already procured a derivatives trading system and is running simulations with other stakeholders such as trading members, dealers and clearing banks.

The capital markets regulator, Capital Markets Authority (CMA) has already gazetted the rules to govern derivatives trading. It has also provided NSE with a provisional licence allowing it to open a derivatives exchange. NSE on its part is in the process of setting up derivatives market oversight board which will advise the NSE board on risk, strategic issues and oversight roles relating to the NSE's derivatives market and the NSE clearing house.

Kenya hopes that the introduction of derivatives will offer diversification of financial markets products and help promote Nairobi in its quest to be an international financial centre. It hopes to attract foreign direct investment from investors angling a piece of frontier market as a diversification strategy. Derivatives will also offer investors instrument to hedge against risks further improving Kenya's attractiveness as a frontier market.

According to the Bank of International Settlements (BIS) quarterly review to December 2014, the gross market value of global derivatives as at June 2014 stood at \$17.4 trillion. This indicates that the derivatives market has potential for Kenya to exploit, and attract a piece of that investment.

Risks do exist in derivatives trading, which will need to be addressed by the CMA and NSE. The global financial crisis of 2008- 2009 was triggered by collapse of big banks due to exposure to mortgage backed derivatives. This spells the need to ensure that there is proper supervision in Kenya's derivatives market to avoid such a scenario happening. In addition, there is need to ensure that the public is informed of and understands the risks involved so as to avoid risky bets and risky trading strategies.

In addition to derivatives, CMA, NSE and other stakeholders are working on introducing Exchange Traded Funds (ETFs) as a means of further diversifying available capital markets products and improve Kenya's capital markets attractiveness.

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