FUSION AFRICAN MONITOR

FUSION INVESTMENT MANAGEMENT
Rooted in the African growth story

Current news and analysis from Sub-Saharan money markets September 2015

HIGHLIGHTS

Key Movements in Fixed Income and Currency Markets in August 2015

- Bond yields in **Kenya** posted mixed results in August due to tight liquidity in the market after the central bank held its benchmark interest rate steady to control high inflation. Yields on **Nigerian** bonds rose across all tenors due to high level of inflation and measures undertaken by the central bank to curb demand for the US dollar and support the naira.
- In August 2015, most currencies depreciated against the US dollar. The **Ugandan** shilling declined to UGX3,575.0 due to high demand for the dollar from manufacturing and energy firms. The **Tanzanian** shilling depreciated against the US dollar to TZS2,139.0 due to increased demand for the dollar from oil importers. The **Kenyan** shilling weakened to KES103.8 on reduced forex earnings due to a sluggish tourism sector. The **Nigerian** naira remained relatively flat in August after the central bank adopted unexpected measures to support the local currency. The **Ghanaian** cedi slipped to GHS4.30 against the dollar, as the expected decline in earnings from commodity exports weighed on the local currency (refer to pages 7 and 8 for related information).
- In the money markets, Kenya's interbank rate decreased to 15.1%, while Uganda's rate rose to 16.9% towards the end of August 2015 (details on page 6).

August Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
Kenya 24 Aug yield	13.2%	13.1%	13.6%	14.3%
Chg from 1 Aug 15 (bps)	0	-8	31	65
Nigeria 24 Aug yield	15.8%	15.7%	15.9%	15.6%
Chg from 1 Aug 15 (bps)	96	79	95	118

Movement of Key Currencies vs. US Dollar in August

	Average	End Value	MTD	YTD
Kenyan Shilling	102.1	103.8	-1.4%	-12.7%
Ugandan Shilling	3,540.1	3,575.0	-3.9%	-22.5%
Nigerian Naira	198.7	199.1	-0.1%	-7.9%
Tanzania Shilling	2,120.7	2,139.0	-0.7%	-19.0%
Ghanaian Cedi	4.0	4.3	-12.8%	-25.5%

Kimondo's Corner

The Impact of Chinese Economy Slow Down on the East Africa Economies

China has grown to become Africa largest trade partner with bilateral trade rising from USD10 bn in 2000 to over USD200 bn in 2014.

China has cut its growth target for 2015 to 7%, the slowest expansion in more than two decades.

The slowdown is affecting the amount of investment Chinese state companies can invest in Africa infrastructural development, leading to delay in planned mega projects.

Recently, the Chinese currency, Yuan, was revalued due to drop in Chinese exports, and the Chinese exports are expected to become cheaper while imports expensive as they are traded in dollars, leading to further deterioration of trade deficit.(more details on page 11)

Author: Michael Kimondo - Head of Treasury Operations at Fusion

For any further information, please contact:
Michael mkimondo@fusiongroupafrica.com
or Moses mkorir@fusiongroupafrica.com

Fusion Portfolio Management Service

Is a Fusion Investments Ltd-managed portfolio management service. Fusion Portfolio Management helps professional investors select and manage a portfolio of financial assets to meet pre-defined and agreed investment objectives.

This service is available only to professional investors. Any investment through this service is at risk, including loss of capital. For more information, please visit our website www.fusioninvestafrica.com, or contact:

Kenneth Muchina (Africa)
+ 254 721 294 680
kmuchina@fusiongroupafrica.com

James Maclean (UK and Europe)
+ 44 7815 780 076
jmaclean@fusiongroupafrica.com

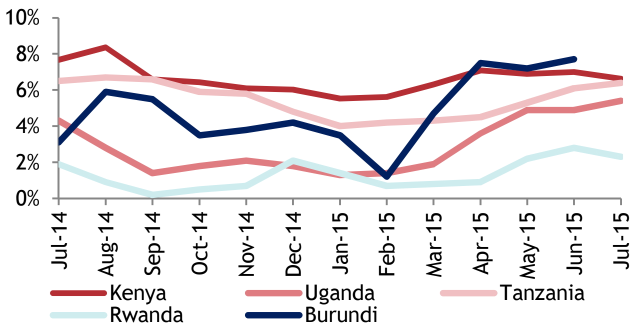
Source: Bloomberg and respective central banks

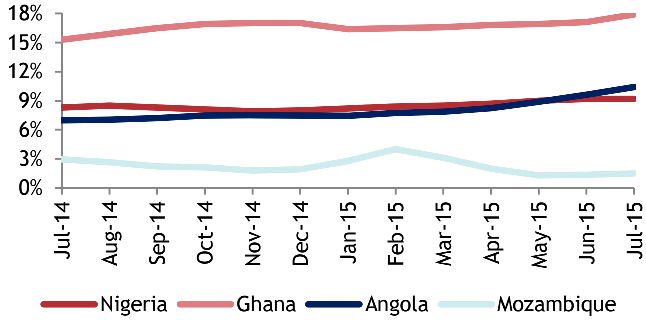
HIGHLIGHTS

Activity Across Africa: Economy and Politics

- Kenya continues to take steps to improve the ease of doing business in the country. The launch of one-stop investor centres to help local and foreign investors with regulatory approvals, and finding partners and markets is likely to further boost investor confidence in Kenya. The centres would also simplify the process of accessing government services (details on page 3).
- In August 2015, **Uganda** and **Angola's** central banks increased the benchmark interest rates by 150 bps and 50 bps to 16% and 10.25%, respectively, to control rising inflation and support their currencies. The central banks of **Kenya** and **Mozambique** left their benchmark interest rates unchanged. **Ghana's** central bank revised its monetary policy rate to 24% after its two key policy instruments were merged (details on pages 3 and 4).
- In August 2015, inflation continued to rise in most African countries. In **Uganda**, inflation increased to 5.4% YoY in July 2015 from 4.9% YoY in June 2015 due to higher prices of energy and utilities. In **Tanzania**, inflation rose to 6.4% YoY in July from 6.1% YoY in June due to a gain in food prices. In **Ghana**, inflation advanced to 17.9% YoY in July from 17.1% YoY in June. In **Nigeria**, inflation was steady at 9.2% YoY in July. In **Kenya**, inflation declined to 6.6% YoY in July from 7% YoY in June, primarily due to a fall in food prices. (details on pages 3 and 4).

Inflation (YoY)

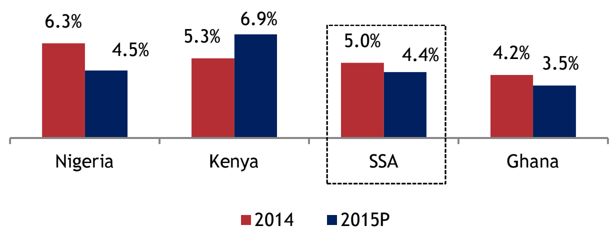




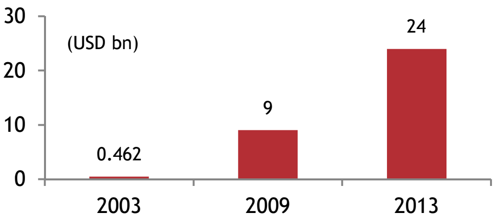
Impact of China's economic slowdown on Sub-Saharan Africa

- China's economy is witnessing a slowdown. The country's factory activity contracted to a three-year low in August, while the Shanghai benchmark index has lost almost one-third of its value in the last three months. Several analysts fear that China's economy is struggling to gain traction.
- The slowdown in China has reduced demand for raw materials used in manufacturing, dragging down commodity prices. This has negatively impacted export revenue of SSA nations, thus impeding their growth.
- With China's economy struggling, FDI inflows from China to SSA are likely to reduce in the future. Hence, investments in critical areas, such as infrastructure and manufacturing, are expected to reduce.
- The sell-off in China's equity markets has impacted the global markets, including markets in the SSA region, which have incurred substantial losses in the recent past.
- The future growth prospects for SSA have diminished, but the current scenario offers an opportunity for better use of scarce fiscal resources and economic diversification.

GDP Growth Rate



Total Chinese FDI in SSA



Source: Individual news websites

FUSION GROUP: 100 New Bond Street, London, W1S 1SP, UK
T: +44 1625 526928 / +254(20)2710149/53/55 **E:** enquiries@fusiongroupafrica.com
www.fusioninvestafrica.com

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

East African Community

Kenya

- Inflation declined to 6.6% YoY in July 2015 from 7% YoY in June 2015, mainly due to a decline in food prices. The food and non-alcoholic segment, which accounts for one-third of the index, fell 0.6% MoM in July, dragged down by a fall in vegetable prices. Inflation continues to remain within the central bank's medium-term target range of 2.5–7.5%.
- In continuation of its efforts to improve the ease of doing business, Kenya plans to introduce more one-stop investor centres. The centres would help local and foreign investors with regulatory approvals, and finding partners and markets; they would also simplify the process of accessing government services.
- On 5 August 2015, the Central Bank of Kenya (CBK) kept the benchmark interest rate unchanged at 11.5%, so as to allow earlier rate hikes to control inflation and support the shilling. The fact that inflation has not breached the upper end of the government's target of 7.5% provided room for the bank to pause its rate-tightening cycle.

Uganda

- Inflation rose to 5.4% YoY in July 2015 from 4.9% YoY in June 2015 due to a 6% gain in the prices of energy and utilities in July vis-à-vis a 1.9% increase in June, despite a lower hike in food prices than June.
- On 10 August 2015, Uganda's central bank further raised the benchmark interest rate by 150 bps to 16% to control the high level of inflation and halt the depreciation of the shilling; the local currency has depreciated about 20% YTD against the dollar.

Tanzania

- The annual headline inflation increased to 6.4% YoY in July 2015 from 6.1% YoY in June 2015, driven by a sharp rise in prices of food products (such as fish and vegetables) and non-food items (such as clothing and accommodation).

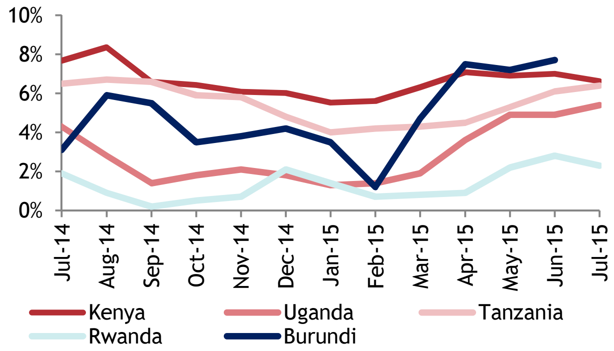
Rwanda

- Inflation declined to 2.3% YoY in July 2015 from 2.8% YoY in June 2015, largely due to a substantial fall in prices of fresh products.

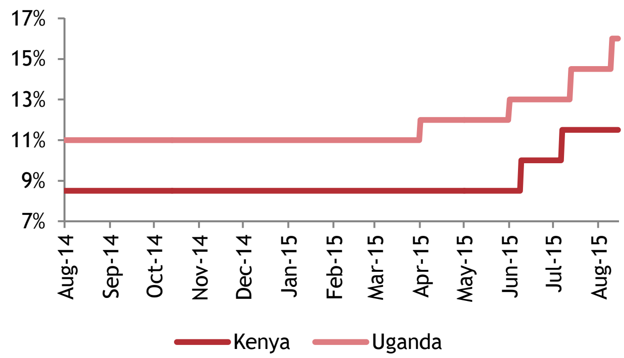
Burundi

- Inflation increased to 7.7% YoY in June 2015 from 7.2% YoY in May 2015 due to a rise in food prices after political unrest.

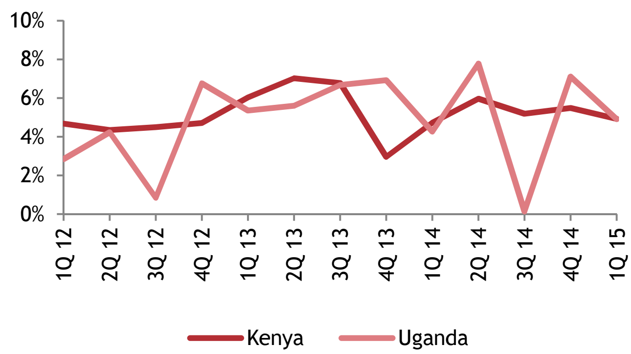
Inflation (YoY)



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 stood at 9.2% YoY in July 2015, unchanged from June 2015, due to a muted rise in prices of food, non-alcoholic beverages, housing and utilities.
- Nigeria's foreign exchange reserves increased by USD2.5 bn in July to USD31.5 bn, as the restrictions imposed on the import of certain products (which account for about 20% of forex utilisation) resulted in lower outflows of foreign exchange from the country.
- Nigeria's central bank kept the benchmark interest rate at 13%, as it continues to manage problems arising from high inflation and weak crude oil prices.

Angola

- Inflation increased to 10.4% YoY in July 2015, the highest in three years, from 9.6% YoY in June 2015 due to a rise in prices of food, alcoholic beverages and tobacco.
- On 29 July 2015, Angola's central bank further raised its benchmark interest rate by 50 bps to 10.25% to control rising inflation and support its weakening currency.

Ghana

- Inflation rose to 17.9% YoY in July 2015 from 17.1% YoY in June 2015 due to a continued increase in prices of food and non-food items. Inflation in food and non-alcoholic beverages increased to 7.6% in July from 7.4% in June, while inflation in non-food items rose to 24.6% in July from 23.6% in June.
- On 12 August 2015, Ghana's central bank revised its monetary policy rate to 24% after it merged its two key policy instruments to streamline its monetary policy regime and ensure transparency.

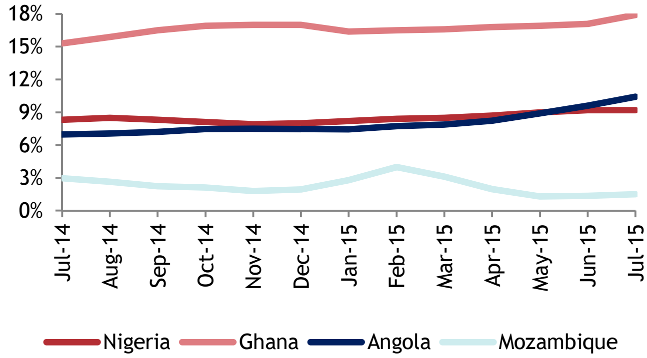
Mozambique

- Inflation remained subdued, rising marginally to 1.5% YoY in July 2015 from 1.36% YoY in June 2015.
- Mozambique's central bank left its key benchmark interest rate unchanged at 7.5%, as a strong US dollar and the impact of weak commodity prices on balance of payments continue to pose risks.

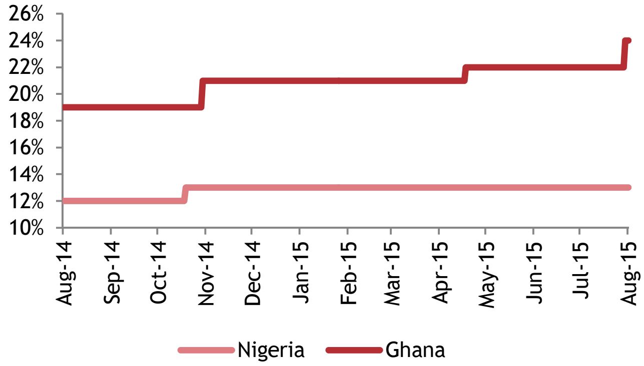
Ivory Coast

- Inflation rose to 1.8% YoY in June 2015 from 1.2% YoY in May 2015 due to an increase in prices of food and soft drinks (3.3%), and housing and utilities (2.9%).

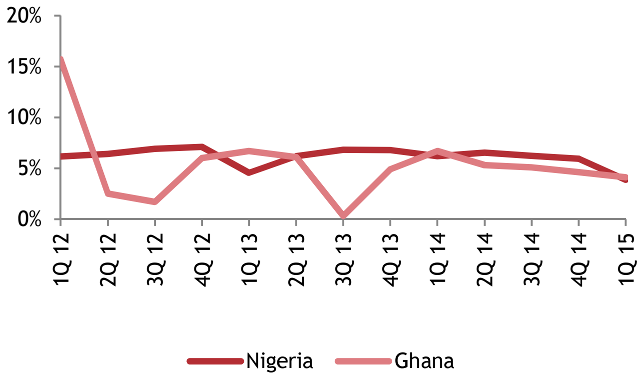
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Nigeria and Ghana (YoY)



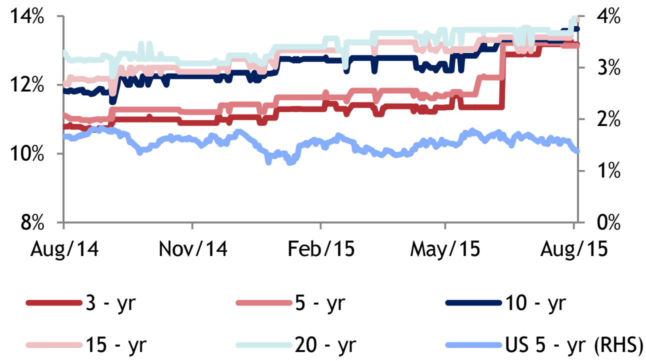
Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: BOND MARKETS

Kenya

- In August 2015, yields on Kenyan bonds rose for most tenors. The yields on 20-year, 15-year and 10-year bonds increased 65 bps, 52 bps and 31 bps, respectively. However, the yield on five-year bonds fell 8 bps. The yield on three-year bonds remained flat.
- Bond yields continued to increase in August, as the central bank maintained its benchmark interest rate at 11.5% to control rising inflation and depreciation in the shilling.
- On 19 August 2015, CBK, on behalf of the government, auctioned two-year, 12.6% treasury bonds with a weighted average yield of 14.8%. CBK received subscriptions totalling KES19.4 bn and allocated bids worth KES11.2 bn for the two-year bonds.

Bond Yields' Daily Movement



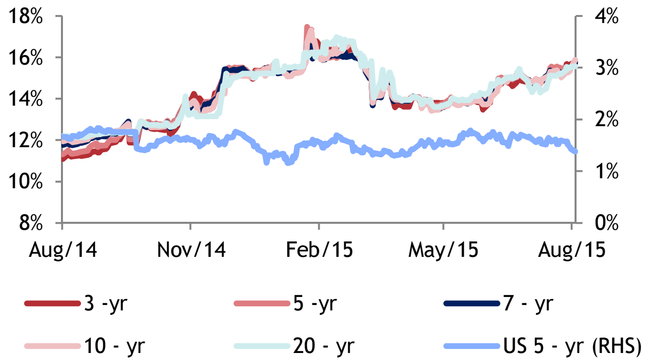
Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
24-Aug yield	13.2%	13.1%	13.6%	13.9%	14.3%
Chg from 1-Aug 15 (bps)	0	-8	31	52	65
Chg from 1-Jan 15 (bps)	212	171	128	115	140

Nigeria

- In August 2015, the yields on Nigerian bonds increased across all tenors. The yields on three-, five-, seven-, 10- and 20-year bonds gained 96 bps, 79 bps, 86 bps, 95 bps and 118 bps, respectively.
- The yields on Nigerian bonds rose as commercial lenders sold a part of their bond holdings after the central bank directed them to pay for their dollar purchases 48 hours in advance to curb the demand for foreign exchange and support the naira. Moreover, the high level of inflation boosted bond yields.
- On 12 August 2015, the government auctioned five-year, 15.54% bonds maturing in February 2020 worth NGN40.0 bn and, 20-year, 12.1% bonds maturing in July 2034 worth NGN30.0 bn. It received subscriptions of NGN88.3 bn and NGN65.2 bn, and made allotments worth NGN40.0 bn and NGN30.0 bn for the five- and 20-year bonds, respectively. Furthermore, five-year bonds worth NGN10.2 bn were allotted on a non-competitive basis.

Bond Yields' Daily Movement



Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
24-Aug yield	15.8%	15.7%	15.7%	15.9%	15.6%
Chg from 1-Aug 15 (bps)	96	79	86	95	118
Chg from 1-Jan 15 (bps)	81	65	65	85	35

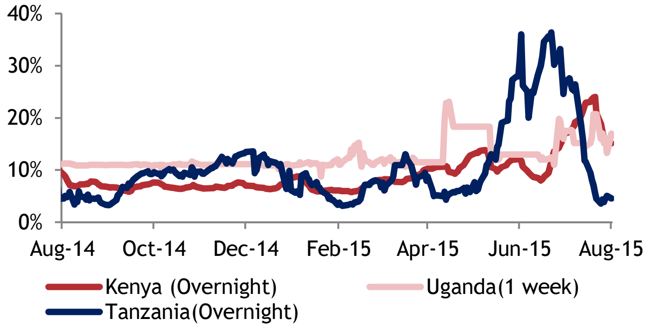
Source: Bloomberg, individual news websites

MONEY MARKETS

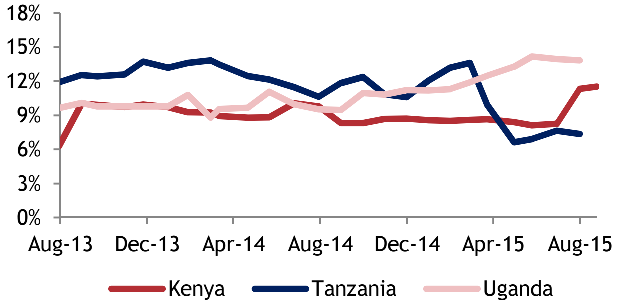
East African Community

- Kenya's interbank rate decreased to 15.1% on 24 August 2015 from 19.8% at the beginning of the month. Liquidity in the market eased after inflation for July registered a decline compared with June, and after the central bank held the benchmark interest rate steady. Uganda's interbank rate rose to 16.9% on 24 August 2015 from 15.2% at the start of the month, as the central bank increased the benchmark interest rate by 150 bps to 16% to control rising inflation, resulting in reduced liquidity.

Interbank Rates



91-day/3-month Treasury Bills (Monthly Average)



3-month Currency Deposit and T-bill Rates (Aug 2015)

	Kenya	Tanzania	Uganda
3-m curr dep	16.8%	8.6%	NA
91-d/3-m T-bill	11.5%	8.2% (July)	15.0% (July)

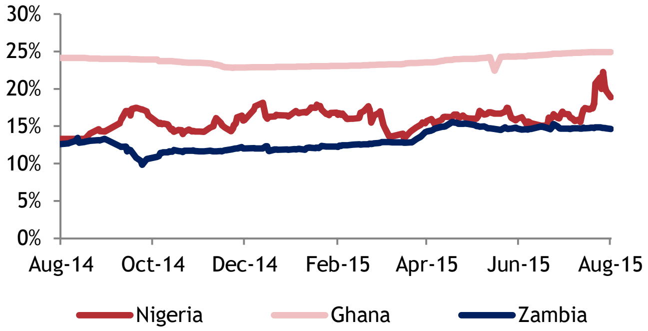
Policy and Average Interbank Rates (Aug 2015)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	11.5%	12.0%	16.0%
Interbank	15.1%	4.6%	16.9%

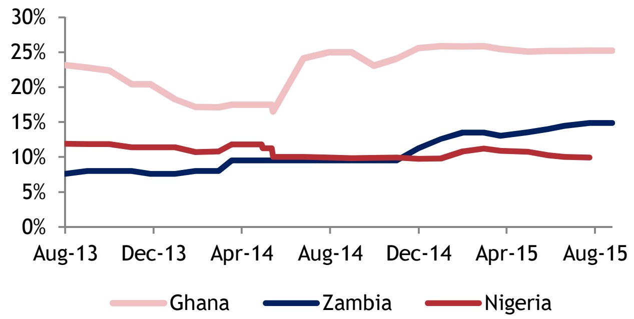
Rest of Sub-Saharan Africa

- The Nigerian Interbank Offered Rate (NIBOR) rose to 18.9% on 24 August 2015 from 15.9% at the start of the month. The central bank's measures to tighten liquidity and support the naira reduced market liquidity. Moreover, high inflation in the country continues to keep borrowing rates high. In Ghana, the interbank rate increased to 24.9% on 24 August 2015 from 24.8% at the beginning of the month, as high inflation kept liquidity tight.

Interbank Rates



91-day/3-month Treasury Bills (Monthly Average)



3-month Currency Deposit and T-bill Rates (Aug 2015)

	Nigeria	Ghana	Zambia
3-m curr dep	19.0%	25.3%	17.5%
91-d/3-m T-bill	10.0% (July)	25.2%	14.9%

Policy and Average Interbank Rates (Aug 2015)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	13.0%	24.0%	12.5%
Interbank	18.9%	24.9%	14.6%

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

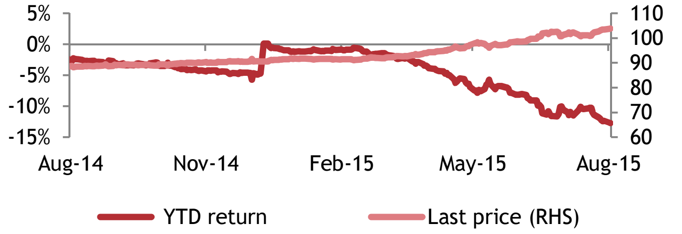
FUSION INVESTMENT MANAGEMENT
Rooted in the African growth story

CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

Kenyan Shilling (KES)

- The Kenyan shilling depreciated against the US dollar to settle at KES103.8 on 25 August 2015. The currency was down 1.4% MTD and 12.7% YTD.
- The shilling weakened in August as the tourism sector, a major contributor to foreign exchange reserves, indicated minimal signs of recovery after the militant attacks in the earlier part of the year. Furthermore, the continued demand for dollar from importers in the energy and manufacturing sectors as well as increased liquidity in the money markets exerted downward pressure on the shilling.
- The shilling is expected to remain weak, as the tourism sector is unlikely to witness rapid recovery in the near future. Moreover, the possibility of an interest rate hike in the US later this year is likely to negatively impact the shilling.

USD/KES Daily Movement

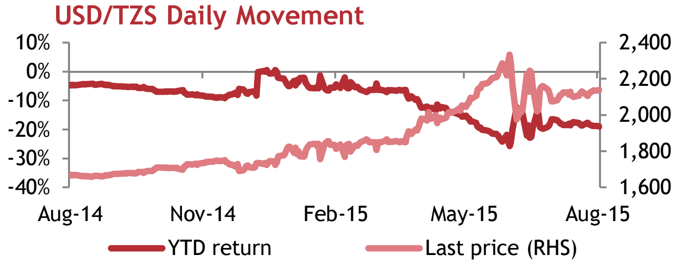


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	102.1	103.8	103.8	100.8	-1.4%	-12.7%
EUR	113.7	119.5	120.5	110.1	-5.9%	-8.3%

Tanzanian Shilling (TZS)

- The Tanzanian shilling declined against the US dollar to TZS 2,139.0 on 25 August 2015. The currency fell 0.7% MTD and 19.0% YTD.
- The sustained demand for dollar from importers in the oil and manufacturing sectors weakened the shilling, despite forex inflows from institutions and agricultural exports.
- With the upcoming season of tourism and agricultural exports, large foreign exchange inflows are expected. In addition, the central bank's efforts to support the shilling are likely to stabilise the currency in the near term.

USD/TZS Daily Movement

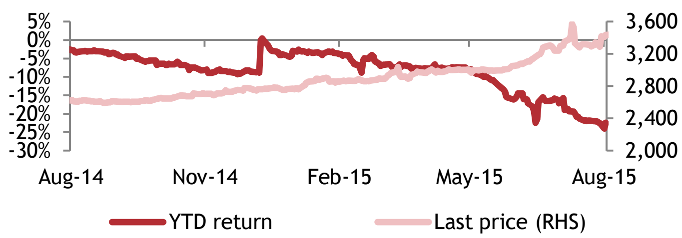


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,120.7	2,139.0	2,139.0	2,100.0	-0.7%	-19.0%
EUR	2,353.6	2,463.5	2,481.0	2,263.1	-5.3%	-14.9%

Ugandan Shilling (UGX)

- The Ugandan shilling slipped against the US dollar to settle at UGX3,575.0 on 25 August 2015. The currency fell 3.9% MTD basis and 22.5% YTD.
- The strong demand for dollar from the manufacturing, energy and telecom sectors, coupled with increased government spending ahead of the elections in 2016, continued to exert downward pressure on the shilling.
- Despite the central bank's efforts to support the shilling and reduce inflation by raising interest rates, the widening fiscal and current account deficits are likely to further weaken the shilling.

USD/UGX Daily Movement



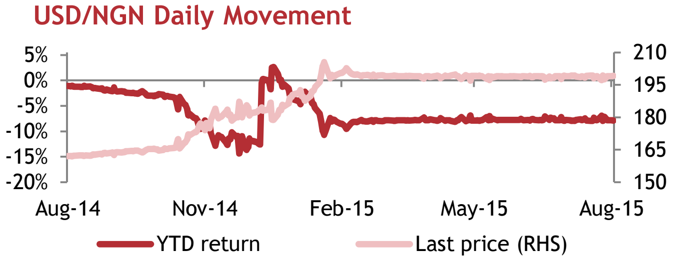
	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3,540.1	3,575.0	3,645.0	3,440.0	-3.9%	-22.5%
EUR	3,935.4	4,038.4	4,232.7	3,777.8	-6.8%	-17.0%

Source: Bloomberg, individual news websites

CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

Nigerian Naira (NGN)

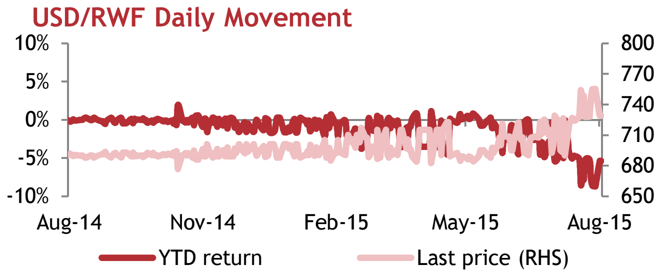
- The Nigerian naira traded almost flat against the dollar to reach NGN199.1 on 25 August 2015. The currency fell 0.1% MTD and 7.9% YTD.
- In an environment of reduced forex earnings from weak crude oil prices and, high inflation, the central bank's unexpected measures to support the naira ensured that the currency held fairly steady against the dollar in August.
- Although lower crude oil prices and the expectations of a normalised monetary policy in the US would exert downward pressure on the naira, the central bank's strategy of initiating various control measures could defend the naira.



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	198.7	199.1	199.4	197.2	-0.1%	-7.9%
EUR	221.1	229.3	231.3	215.2	-4.7%	-3.5%

Rwandan Franc (RWF)

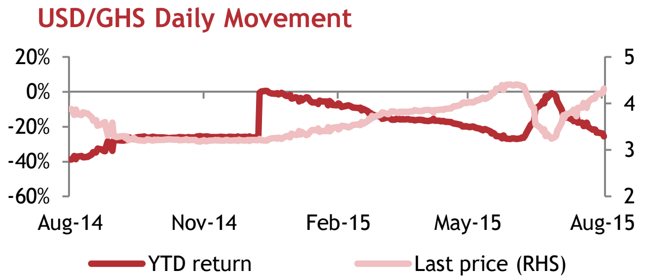
- The Rwandan franc declined against the dollar to settle at RWF729.1 on 25 August 2015. The currency fell 5.4% on MTD and YTD basis.
- The large-scale import of consumables, luxury products and heavy machinery continued to exert downward pressure on the franc. Moreover, the expectation of an interest rate hike in the US weakened the currency.
- Although Rwanda's large trade deficit is likely to impact the franc, the central bank's recent measure to prohibit businesses from pricing goods and services in foreign currency could partially halt the depreciation of the franc.



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	736.9	729.1	755.5	721.8	-5.4%	-5.4%
EUR	811.3	839.6	847.2	787.6	-5.5%	-0.5%

New Ghanaian Cedi (GHS)

- The Ghanian cedi fell sharply against the dollar in August to settle at GHS 4.32 on 25 August 2015. The currency declined 12.8% MTD and 25.5% YTD.
- The expected drop in demand for major export commodities, such as gold, cocoa and crude oil, due to slowdown in China's economy weighed heavily on the cedi.
- The structural issues of large fiscal and current account deficits are likely to impact the currency in the near term. Moreover, the likelihood of a decline in exports due to slowdown in China could further weaken the cedi. Unless macroeconomic fundamentals improve, the central bank's strategy to inject large volume of foreign exchange would have little positive impact.



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	4.0	4.3	4.3	3.7	-12.8%	-25.5%
EUR	4.5	5.0	5.0	4.2	-16.9%	-21.8%

Source: Bloomberg, individual news websites

SPECIAL FOCUS

Impact of China's economic slowdown on Sub-Saharan Africa

China's economy hits a road bump

Over the last few months, the turn of events in China has created panic across the global markets. China's factory activity contracted at its fastest pace in three years in August 2015. The benchmark Shanghai index has declined almost 33% since June 2015, causing losses of trillions of dollars to investors. Currently, China's total debt exceeds 250% of its GDP. The devaluation of the yuan by 2% in August 2015 to increase exports and the central bank's actions to ease the monetary policy appear to have had little impact on boosting investor confidence. These events are reflective of an inevitable slowdown in China's economy; as per the IMF, China is estimated to grow at 6.8% in 2015, the slowest pace in over 20 years, compared with 7.4% in 2014.

Slowdown to hamper SSA's trade with China

Sub-Saharan Africa (SSA)'s economic ties with China have grown rapidly over the last decade. In fact, trade between SSA and China increased to more than USD170 bn in 2014 from less than USD10 bn in 2000. Currently, China is SSA's largest trading partner, with industrial commodities and oil accounting for a major export proportion of the SSA nations to China. However, slowdown in China's manufacturing sector has resulted in a sharp decline in metal prices in 2015. This has led to reduced forex earnings for SSA nations, further exacerbating the problems of weakening currencies and large current account deficits. The fall in metal prices due to lower demand from China is likely to reduce investments in mining in SSA, thereby impacting growth.

China's decision to devalue the yuan is expected to make imports cheaper for SSA. With cheaper Chinese products being dumped in SSA, domestic manufacturing may lose its competitiveness. Although this could weaken the domestic manufacturing sector, the depreciation of African currencies against the dollar is likely to offset any loss in price competitiveness.

Chinese investments in SSA may decline

Over the years, foreign direct investment (FDI) from China in SSA has increased exponentially. The cumulative Chinese FDI into SSA rose to USD24 bn in 2013 from about USD462 mn in 2003, making it the largest emerging-country foreign investor in Africa. The commodities, infrastructure and manufacturing sectors have received nearly 80% of the total Chinese FDI inflows. Improved infrastructure is pivotal for growth of the SSA nations. The slowdown in China is likely to hamper the flow of Chinese FDI into SSA. Furthermore, social infrastructure projects in healthcare, education, water and sanitation could be partly affected, as China has increased development assistance to the region in the recent past through multilateral institutions, such as providing a USD2 bn co-financing fund between People's Bank of China and African Development Bank in 2014.

Slowdown in China affects equity markets

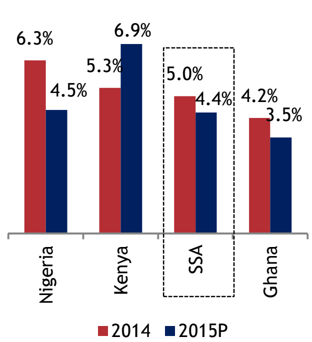
The slump in China's economy has triggered fears of global economic slowdown, leading to a rout in global equity markets. The benchmark Shanghai index has lost about one-third of its value in the last three months. During the same period, the benchmark indices in the US (S&P 500), the UK (FTSE 100), Japan (Nikkei 225) and India (SENSEX) have declined 6.6%, 10.1%, 8.2% and 5.6%, respectively. The equity markets in SSA have also plunged in response to the decline in Chinese and global equities. The benchmark equity indices in Kenya (KNSMIDX), Nigeria (NGSSEINDX) and Ghana (GGSECI) have dropped 13.3%, 12.8% and 8.6%, respectively, in the last three months. In addition to the slowdown in China, weakening currencies and geopolitical tensions in the SSA nations have led to outflows from their equity markets.

Weak growth forecast; structural changes need of the hour

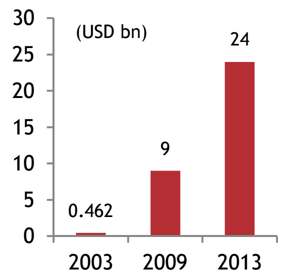
The slowdown in China is likely to impact the growth of the SSA nations and reduce the demand for African exports, resulting in a further decline in commodity prices as well as reduced foreign investment in mining and infrastructure. In July 2015, the IMF trimmed the 2015 growth forecast for the region to 4.4% from 4.5% in April 2015, which is lower than the 5% growth recorded in 2014.

To ensure long-term sustainability of steady economic growth, the SSA nations need to diversify their economies by reducing dependence on revenue from commodities. Scarce fiscal resources should be used for productive investments such as infrastructure and domestic manufacturing. Low oil prices provide an opportunity to cut fuel subsidies and channel funds to sectors in need for more investments. In the long run, increased focus on infrastructure and an indigenous capital goods sector would play a crucial role in creating more jobs and raising the standard of living.

GDP Growth Rate



Total Chinese FDI in SSA



Source: IMF, World Bank, Individual news websites

AUCTIONS and EVENTS

Latest Issuances of Key Government Bonds (Duration Greater Than One Year)

Uganda's Latest Issuance: 2-yr and 15-yr Bonds (August 2015)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
12 Aug	2-yr	9.17 bn	0.54	18.72%	18.75%
12 Aug	15-yr	62.27 bn	0.88	18.17%	17.5%
Details of issuances in July					
16 July	5-yr	60.00 bn	0.47	17.80%	14.62%
16 July	10-yr	120.00 bn	0.32	18.04%	17.00%

1 USD = 3,540.1 UGX (average for August 2015)

Tanzania's Latest Issuance: 2-yr, 5-yr and 15-yr Bonds (August, September 2015)

Issue Date	Maturity	Amt (TZS)	Bid/Offer	YTM	WACY*
5 Aug	15-yr	23.50 bn	1.94	17.96%	17.52%
19 Aug	2-yr	40.00 bn	1.44	14.99%	8.89%
2 Sep	5-yr	18.96 bn	2.67	16.91%	NA
Details of previous issuances in July					
22 July	5-yr	38.84 bn	1.00	16.46%	12.11%

**Weighted average coupon yield; 1 USD = 2,120.7 TZS (average for August 2015)*

Ghana's Latest Issuance: 2-yr Notes (August 2015)

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int. rate
7 Aug	2-yr	500,637	FXR Note	1	23.00%
14 Aug	2-yr	1.84 mn	FXR Note	1	23.00%
21 Aug	2-yr	900,444	FXR Note	1	23.00%
Details of issuances in July					
3 July	2-yr	1.50 mn	FXR Note	1	23.00%
24 July	2-yr	32.04 mn	FXR Note	1	23.00%
31 July	2-yr	1.14 mn	FXR Note	1	23.00%

**Fixed rate; 1 USD = 4.0 GHS (average for August 2015)*

Kenya's Latest Issuance: 2-yr Bonds (August 2015)

Issue Date	Maturity	Amt bid (KES)	Amt acpt (KES)	MWAR*	Coupon
19 Aug	2-yr	19.41 bn	11.18 bn	14.78%	12.63%
Details of issuances in July					
22 July	5-yr	12.90 bn	11.99 bn	14.36%	13.19%

**Market weighted average rate; 1 USD = 102.1 KES (average for August 2015)*

Upcoming Bond Auctions and Monetary Policy Meetings

- **16 September 2015:** Bank of Tanzania to sell bonds
- **30 September 2015:** Bank of Tanzania to sell bonds

- **Monetary policy meetings** are scheduled to be held on:
  - **14 September 2015:** Bank of Ghana
  - **21 September 2015:** Central Bank of Nigeria
  - **22 September 2015:** Central Bank of Kenya
  - **23 September 2015:** The National Bank of Angola

Source: Bloomberg, individual news websites, respective central banks

KIMONDO'S CORNER

Impact of Chinese Economy Slow Down on the East Africa Economies

China has grown to become Africa's largest trade partner with bilateral trade rising from USD10 bn in 2000 to over USD200 bn in 2014. In 2014, Kenya imported goods worth USD2.4 bn from China, surpassed only by USD2.5 bn imports from India, while exporting goods worth USD57 mn to China, highlighting huge trade deficit between the two nations.

China has cut its growth target for 2015 to 7%, which would be the slowest expansion in more than two decades. After experiencing three decades of economic growth rates of 10%, China has had to structurally adjust its economy from an export-oriented economy to a more sustainable consumption-oriented one. The slow down has been caused by a number of reasons including over capacity problem mostly because of the excessive level of investment, global slowdown, manufacturing sector and housing sector slowdown.

The slowdown is affecting the amount of investment Chinese state companies can invest in Africa's infrastructural development since they have less funds to invest, leading to delay in planned mega projects. Some of the notable projects that Chinese state companies are involved in include the construction of USD3.6 bn Standard Gauge Railway line in Kenya and USD10 bn deep water container port in Tanzania. Similar huge infrastructural projects could be affected in future due to lack of funds to finance them.

With the recent revaluation of Chinese currency, Yuan, due to drop in Chinese exports, which fell by 8.3% in the month of June alone, while survey in the month of August revealed that activity in Chinese factories shrank at the fastest pace in almost six and a half years, the Chinese exports are expected to become cheaper while imports expensive since they are traded in dollars, leading to further deterioration of trade deficit. Furthermore, manufacturing firms in East Africa will be the worst affected since consumers will prefer cheap imports from China rather than locally manufactured goods.

Another problem associated with revaluation of Yuan and poor economic data especially on manufacturing sector from China is its effect on East African currencies and Securities exchange. As the news filtered, it sent the global markets into panic and turbulence leading to investor flight from emerging economies like those of East Africa to safer countries like the United States. The withdrawal from securities exchange by foreigners has partly led to market indices falling and, causing depreciation of East Africa currencies against major currencies like the dollar.

Tanzania is the worst affected country in East Africa by the slow down in China since its economy is reliant on minerals like gold, iron ore and diamond whose prices have plummeted due to reduced demand in China. One of the major reasons the Tanzania shilling has weakened by about 19% year to date is due to reduction of foreign earnings from mining sector.

Overall, the slowdown in China will hugely affect resource dependent economies in Africa like Sierra Leone, Angola and Liberia due to reduced demand and prices of the commodities they export. Others, such as Zambia, are exposed to withdrawals of Chinese foreign direct investment which accounted for 7.5% of domestic output in 2012.

DISCLAIMER

FUSION GROUP: 100 New Bond Street, London, W1S 1SP, UK
T: +44 1625 526928 / +254(20)2710149/53/55 **E:** enquiries@fusiongroupafrica.com
www.fusioninvestafrica.com