

## HIGHLIGHTS

### Key Movements in Fixed Income and Currency Markets in September 2015

- Bond yields in **Kenya** continued to rise in September due to tight liquidity in the market after the central bank held its benchmark interest rate to control inflation. Yields on **Nigerian** bonds declined for most tenors, as the central bank cut the cash reserve ratio to ease liquidity in the market.
- In September 2015, most currencies weakened against the US dollar. The **Kenyan** shilling fell to KES 105.6 against the US dollar due to sustained demand for the greenback from energy firms. The **Tanzanian** shilling declined to TZS 2,165.0 against the US dollar due to strong demand for the US dollar from the energy, communication and manufacturing sectors. The **Nigerian** naira traded almost flat against the US dollar after the central bank undertook measures to reduce the gap between the official pegged exchange rate and the rate in the parallel market. The **Ugandan** shilling rose 0.2% to UGX 3,655.0 due to subdued demand for the US dollar from the corporate sector. The **Ghanaian** cedi gained 1.3% to GHS 3.9 against the US dollar after the central bank initiated steps to support the local currency (refer to pages 7 and 8 for related information).
- In the money markets, **Kenya's** interbank rate rose to 25.8%, while **Uganda's** rate stood almost steady at 18.0% towards the end of September 2015 (details on page 6).

#### September Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
<b>Kenya 23 Sep yield</b>	14.9%	14.6%	14.4%	14.7%
<b>Chg from 1 Sep 15 (bps)</b>	171	149	76	45
<b>Nigeria 23 Sep yield</b>	14.8%	14.8%	14.8%	15.6%
<b>Chg from 1 Sep 15 (bps)</b>	-102	-105	-120	0

#### Movement of Key Currencies vs. US Dollar in September 2015

	Average	End Value	MTD	YTD
<b>Kenyan Shilling</b>	105.3	105.6	-1.6%	-14.2%
<b>Ugandan Shilling</b>	3,660.8	3,655.0	0.2%	-24.2%
<b>Nigerian Naira</b>	198.8	199.1	-0.1%	-7.8%
<b>Tanzania Shilling</b>	2,166.8	2,165.0	-0.9%	-20.0%
<b>Ghanaian Cedi</b>	3.9	3.9	1.3%	-16.4%

### Kimondo's Corner

#### Exciting Opportunities Presented by the Weakening East African Currencies

The East African currencies have all fallen against the major currencies this year to record levels that were last seen four years ago.

The region's central banks have taken unprecedented measures to contain the currency volatility including hiking key rates so as reduce liquidity and inflationary pressure brought by imports.

While the region's stock markets have taken a beating this year, the money markets are offering great annualised yields of 20% plus.

The weak currencies offers international investors great opportunities to invest in high yielding East African currencies denominated investments.



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Source: Bloomberg and respective central banks

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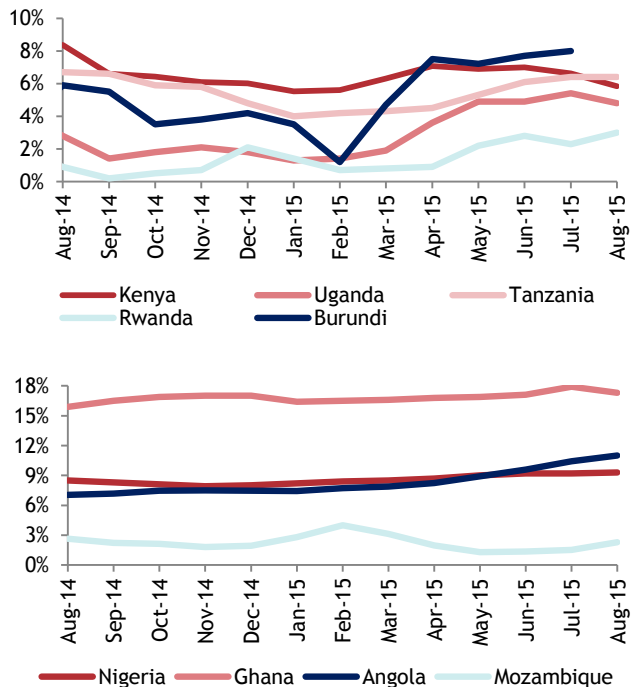
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## HIGHLIGHTS

### Activity Across Africa: Economy and Politics

- **Kenya's** foreign exchange reserves declined to USD 6.2 bn in mid-September from USD 6.6 bn in July, as the central bank continued to take steps to support the shilling. Currently, the reserves are sufficient to cover imports for just 3.98 months (details on page 3).
- In September 2015, **Ghana's** central bank increased the benchmark interest rate by 100 bps to 25% to reduce inflation and strengthen the cedi. **Kenya, Nigeria, Uganda and Mozambique's** central banks kept their benchmark interest rates unchanged. The US Federal Reserve's decision to hold interest rates steady has provided these central banks the space to temporarily pause further monetary tightening (details on pages 3 and 4).
- In August 2015, the regional economies witnessed divergent trends in inflation. In **Kenya**, inflation fell to 5.8% YoY in August from 6.6% YoY in July due to a decline in food and non-alcoholic beverage prices. In **Uganda**, inflation slipped to 4.8% YoY in August from 5.4% YoY in July due to a sharp fall in food prices. In **Ghana**, inflation declined to 17.3% YoY in August from 17.9% YoY in July due to a drop in in non-food inflation. However, in **Nigeria**, inflation rose to 9.3% YoY in August from 9.2% YoY in July due to an increase in food prices. In **Mozambique**, inflation jumped to 2.3% YoY in August from 1.5% YoY in July due to a sharp rise in food prices (details on pages 3 and 4).

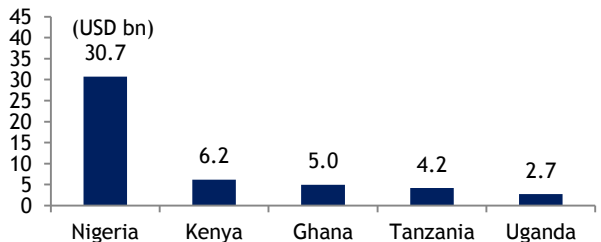
### Inflation (YoY)



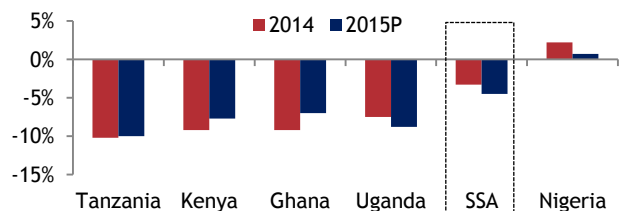
### Impact of risks posed by interest rate hike in the US on SSA economies

- The US economy has performed strongly in the recent past. The US Federal reserve intends to hike interest rates by the end of 2015 based on a strong growth rate in Q2 2015 and the unemployment rate being at a seven-year low.
- The large current account deficits and scarce forex reserves of the SSA nations make them extremely vulnerable to capital outflows in the event of an interest rate hike in the US.
- Capital outflows from the SSA nations are likely to further weaken their currencies, thus increasing inflation by making imports expensive. High inflation levels would necessitate the need for tighter monetary policy, thereby reducing consumer spending and investment.
- The sluggish performance of China's manufacturing sector has led to reduction in commodity prices, impacting the ability of external sector to support the economy.
- In the long run, the SSA nations would have to diversify their revenue source, attract FDI and improve political stability to become more resilient to global events.

### Foreign exchange reserves (as of 2015)



### Current account balance as % of GDP



Source: Individual news websites

## ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

### East African Community

#### Kenya

- Inflation fell to 5.8% YoY in August 2015 from 6.6% YoY in July 2015, largely due to a decline in food and non-alcoholic beverage prices. The food and non-alcoholic beverage segment, which accounts for one-third of the index, dropped 0.26% MoM in August due to favorable weather conditions.
- Kenya's foreign exchange reserves continued to decline, as Kenya's central bank used the US dollar reserves to support the weakening shilling. The country's usable reserves decreased to USD 6.2 bn in mid-September from USD 6.6 bn at the beginning of July. Currently, the reserves would be sufficient for just 3.98 months of imports vis-à-vis 4.2 months in July 2015.
- On 22 September 2015, the Central Bank of Kenya (CBK) kept the benchmark interest rate unchanged at 11.5% to anchor inflation expectations. The US Federal Reserve's decision to not hike interest rates provided an opportunity to the bank to keep interest rates on hold.

#### Uganda

- Inflation declined to 4.8% YoY in August 2015 from 5.4% YoY in July 2015 due to a sharp fall in food prices. Food inflation declined to 5.1% in August 2015 from 6.8% in July 2015 due to a decrease in prices of several fruits and vegetables. Moreover, non-food inflation fell to 4.7% in August from 5.1% in July.
- Uganda's monetary policy continued to remain tight as the benchmark interest rate was maintained at 16.0% in September 2015; the nation continues to deal with the issue of weakening currency due to widening trade deficit and increased public spending.

#### Tanzania

- The annual headline inflation remained flat at 6.4% YoY in August 2015 compared with July 2015. The sharp rise in transport and utilities prices were offset by the decline in food and non-alcoholic beverage prices.

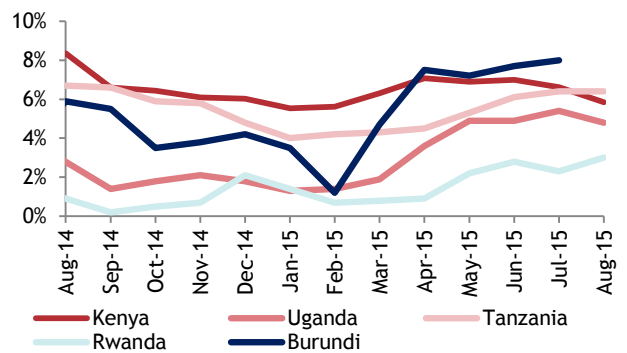
#### Rwanda

- Inflation rose to 3.0% YoY in August 2015 from 2.3% YoY in July 2015, primarily due to a rise in food, housing, utilities and transport prices.

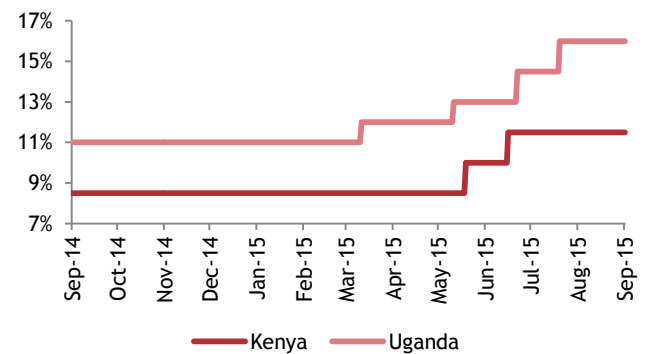
#### Burundi

- Inflation firmed up to 8.0% YoY in July 2015 from 7.7% YoY in June 2015, as food inflation rose to 10.4% in July from 10.0% in June.

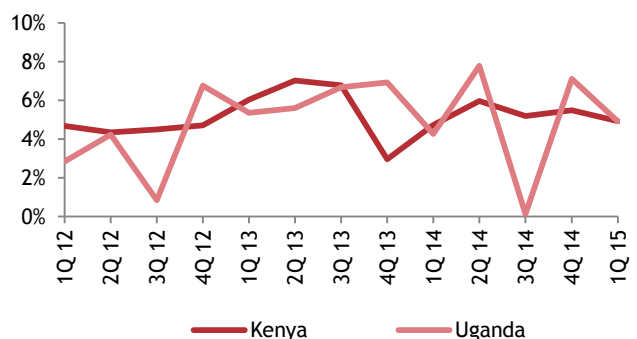
#### Inflation (YoY)



#### 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 rose marginally to 9.3% YoY in August 2015 from 9.2% YoY in July 2015, mainly due to a gain in prices of food items such as bread, cereals, meat and fish.
- Nigeria's foreign exchange reserves declined almost 3% MoM to USD 30.7 bn in the week ended 14 September 2015. In fact, the reserves have fallen over 22% YoY, as the central bank has been selling US dollars to narrow the gap between the official and unofficial exchange rate.
- On 22 September 2015, Nigeria's central bank held its benchmark interest rate steady at 13.0% to control inflation and support the naira.

#### Angola

- Inflation continued to rise in Angola, with the inflation rate increasing to 11.0% YoY in August 2015 from 10.4% YoY in July 2015.
- On 29 September 2015, Angola's central bank kept the benchmark interest rate steady at 10.5% to control the rising inflation and support its weakening currency.

#### Ghana

- Inflation fell to 17.3% YoY in August 2015 from 17.9% YoY in July 2015, as non-food inflation declined to 23.4% YoY in August from 24.6% in July; food inflation stood at 7.7% in August.
- On 14 September 2015, the central bank raised its benchmark interest rate by 100 bps to 25% to reduce inflation and support the weakening currency.

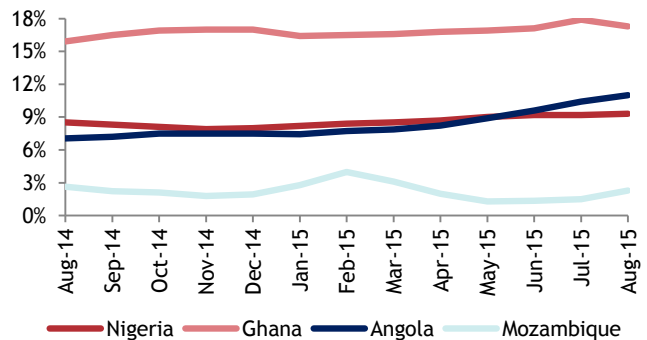
#### Mozambique

- Inflation rose sharply to 2.3% YoY in August 2015 from 1.5% YoY in July 2015 due to a sharp rise in prices of food items such as rice, maize and fresh fish.
- Mozambique's central bank left its key benchmark interest rate unchanged at 7.5%, citing risks posed to the economy by the impact of declining commodity prices on the nation's balance of payments.

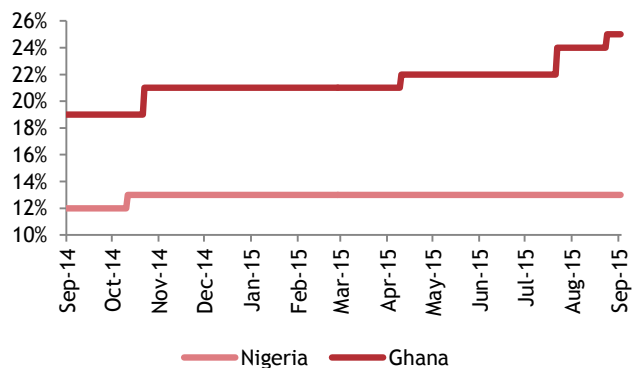
#### Ivory Coast

- Inflation remained unchanged at 1.2% YoY in August 2015 compared with July 2015, as a rise in food and soft drink prices were offset by a decline in prices of communication.

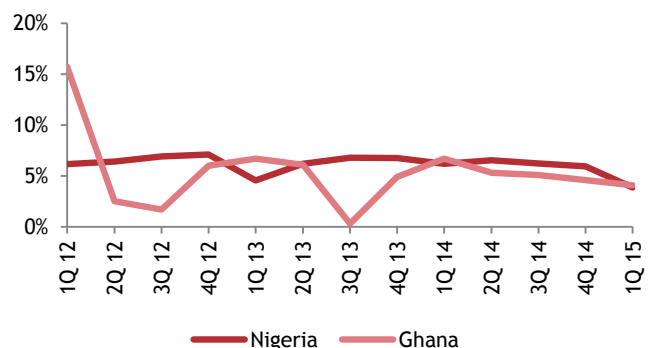
#### Inflation (YoY)



#### Movement of Central Banks' Key Rates



#### GDP Growth in Nigeria and Ghana (YoY)



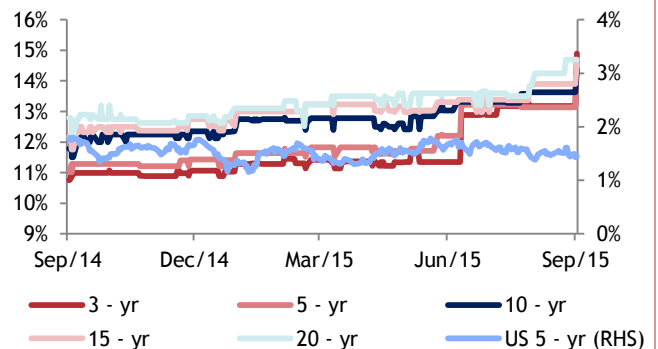
Source: Bloomberg, individual news websites, respective central banks

## ACTIVITY ACROSS AFRICA: BOND MARKETS

### Kenya

- In September 2015, yields on Kenyan bonds rose across tenors. The yields on three-, five-, 10-, 15- and 20-year bonds increased 171 bps, 149 bps, 76 bps, 66 bps and 45 bps, respectively.
- Bond yields continued to rise in September, reflecting the tight liquidity conditions. The central bank maintained its benchmark interest rate at 11.5% to strengthen the weakening shilling and reduce inflation.
- On 28 September 2015, CBK, on behalf of the government, auctioned one-year, 19.06% September 2016 bonds. The bank received bids worth KES 26.5 billion and made allotments worth KES 25.0 billion.
- The FTSE NSE Kenyan Shilling Government Bond Index was flat on MTD basis in September 2015. On YTD basis, the index fell 0.3%.

#### Bond Yields' Daily Movement



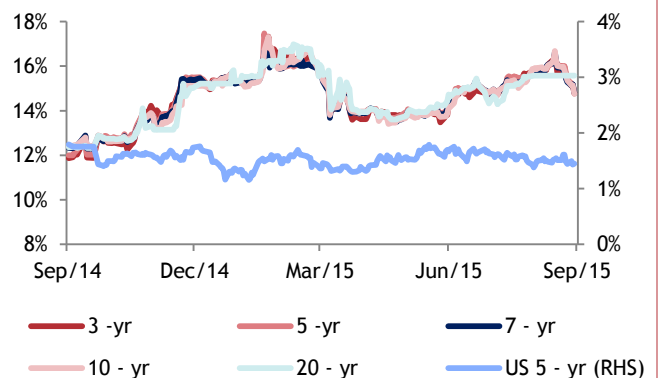
#### Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
<b>23-Sep yield</b>	14.9%	14.6%	14.4%	14.6%	14.7%
<b>Chg from 1-Sep 15 (bps)</b>	171	149	76	66	45
<b>Chg from 1-Jan 15 (bps)</b>	383	320	204	182	185

### Nigeria

- In September 2015, yields on Nigerian bonds decreased for most tenors. The yields on three-, five-, seven- and 10-year bonds fell 102 bps, 105 bps, 102 bps and 120 bps, respectively. Meanwhile, the yield of 20-year bonds remained flat in September.
- The yields on Nigerian bonds fell for most tenors, as liquidity increased in the market after the central bank cut the cash reserve ratio. The bank eased liquidity after authorities forced commercial banks to transfer government revenue to a special account at the central bank to combat corruption.
- On 16 September 2015, the government auctioned five-year, 15.54% February 2020 bonds worth NGN 20.0 bn and 20-year, 12.1% July 2034 bonds worth NGN 25.0 bn. It received subscriptions worth NGN 67.1 bn and NGN 54.1 bn, and made allotments worth NGN 20.0 bn and NGN 25.0 bn for the five- and 20-year bonds, respectively.

#### Bond Yield Daily Movement



#### Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
<b>23-Sep yield</b>	14.8%	14.8%	14.8%	14.8%	15.6%
<b>Chg from 1-Sep 15 (bps)</b>	-102	-105	-102	-120	0
<b>Chg from 1-Jan 15 (bps)</b>	-19	-23	-26	-27	37

Source: Bloomberg, individual news websites

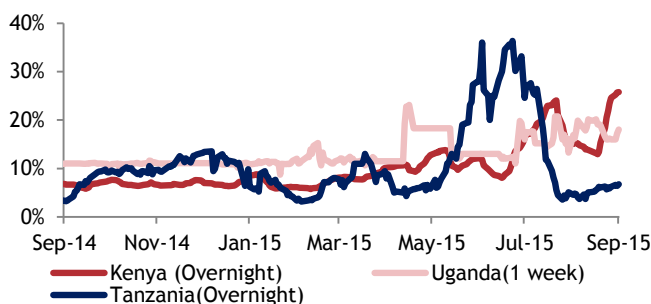


## MONEY MARKETS

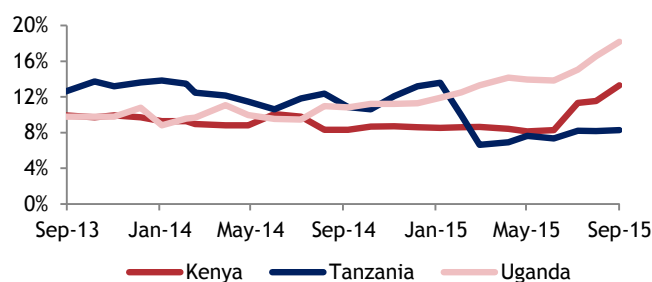
### East African Community

- Kenya's interbank rate rose to 25.8% on 23 September 2015 from 13.9% at the beginning of the month. Liquidity declined in the market, as CBK held its benchmark interest rate steady at 11.5% to anchor inflation expectations. Uganda's interbank rate stood at 18.0% on 23 September 2015 compared with 17.8% at the beginning of the month. The continuing tight monetary regime of the central bank due to increasing current account deficit and weakening currency led to tight liquidity in the interbank market.

#### Interbank Rates



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



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

	Kenya	Tanzania	Uganda
3-m curr dep	20.3%	9.1%	18.0%
91-d/3-m T-bill	13.3%	8.3%	18.2%

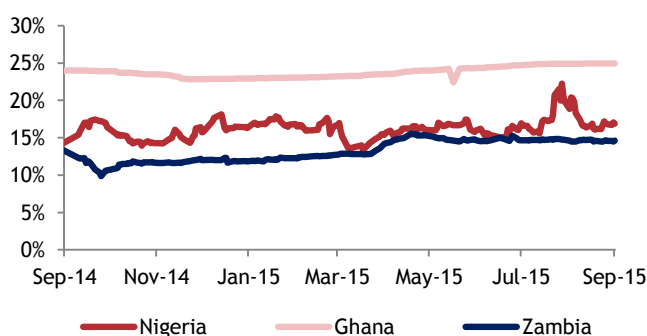
#### Policy and Average Interbank Rates (Sep 2015)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	11.5%	12.0%	16.0%
Interbank	25.8%	6.7%	18.0%

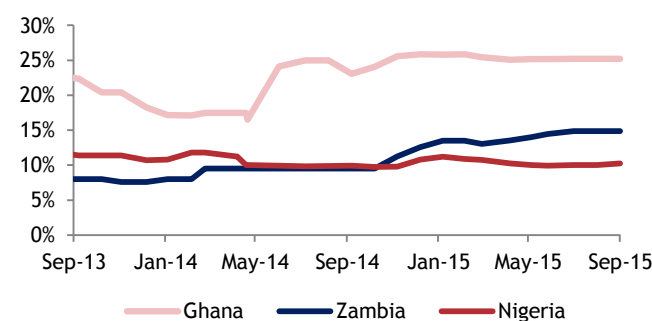
### Rest of Sub-Saharan Africa

- The Nigerian Interbank Offered Rate (NIBOR) stood at 16.9% on 23 September 2015 compared with 16.8% at the start of the month. High inflation compelled the central bank to hold its benchmark interest rate steady, which reduced market liquidity. In Ghana, the interbank rate remained almost unchanged at 25.0% on 23 September 2015 from the beginning of the month, as the central bank increased the benchmark interest rate by 100 bps.

#### Interbank Rates



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



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

	Nigeria	Ghana	Zambia
3-m curr dep	13.0%	25.4%	17.1%
91-d/3-m T-bill	10.3%	25.2%	14.9%

#### Policy and Average Interbank Rates (Sep 2015)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	13.0%	25.0%	12.5%
Interbank	16.9%	25.0%	14.6%

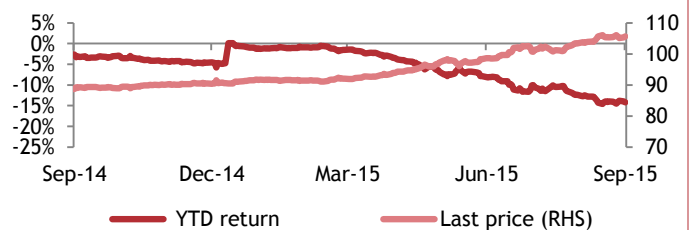
Source: Bloomberg, individual news websites, respective central banks.

## CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

### Kenyan Shilling (KES)

- The Kenyan shilling depreciated against the US dollar to KES 105.6 on 22 September 2015. The currency was down 1.6% MTD and 14.2% YTD.
- The shilling weakened in September due to sustained demand for the US dollar from energy firms to meet their import requirements. Furthermore, the high current account deficit and sluggish recovery of the tourism sector exerted downward pressure on the shilling.
- The shilling is expected to remain weak, as the strong demand for the US dollar from the corporate sector is likely to continue to meet their import requirements. Despite interest rates being held steady in the US, the prospects of a rate hike in the near future may negatively impact the shilling.

#### USD/KES Daily Movement

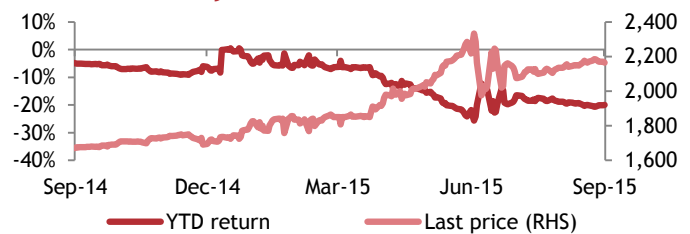


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	105.3	105.6	106.1	104.0	-1.6%	-14.2%
EUR	118.5	117.5	120.7	116.8	-0.9%	-6.7%

### Tanzanian Shilling (TZS)

- The Tanzanian shilling depreciated against the US dollar to TZS 2,165.0 on 22 September 2015. The currency fell 0.9% MTD and 20.0% YTD.
- Despite forex inflows from agricultural exports and institutions, the strong demand for the US dollar from the energy, communication and manufacturing sectors exerted downward pressure on the shilling.
- In the short term, the expectation of continued demand for the US dollar from the corporate sector is likely to weaken the shilling. However, increased forex inflows from agricultural exports would help the shilling stabilise in the medium term.

#### USD/TZS Daily Movement

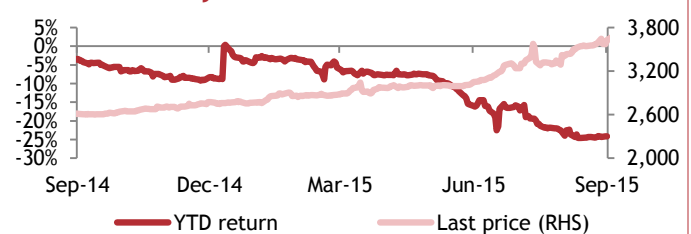


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,166.8	2,165.0	2,185.0	2,147.0	-0.9%	-20.0%
EUR	2,436.9	2,409.7	2,487.1	2,391.6	-0.2%	-13.0%

### Ugandan Shilling (UGX)

- The Ugandan shilling rose marginally against the US dollar to UGX 3,655.0 on 22 September 2015. The currency appreciated 0.2% MTD basis, but declined 24.2% YTD.
- Despite increased government spending ahead of the elections in 2016, the subdued demand for the US dollar from the corporate sector and the US Federal Reserve's decision to keep interest rates steady resulted in a marginal rise of the shilling.
- The rise in shilling observed in September is expected to be temporary, as the widening fiscal and current account deficits, indicating weak macroeconomic environment, are likely to weaken the shilling in the near term.

#### USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3,660.8	3,655.0	3,675.0	3,630.0	0.2%	-24.2%
EUR	4,117.6	4,061.3	4,177.1	4,061.3	1.1%	-17.4%

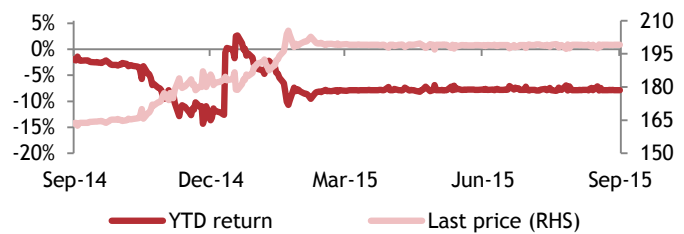
Source: Bloomberg, individual news websites

## CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

### Nigerian Naira (NGN)

- The Nigerian naira traded almost flat against the US dollar, falling marginally by 0.1% MTD basis and 7.8% YTD basis to NGN 199.1 on 22 September 2015.
- The measures undertaken by the central bank to narrow the gap between the official pegged exchange rate and the rate in the parallel market by selling the dollar ensured that the naira remained steady against the greenback.
- Despite an unfavourable economic environment, the central bank's intervention in the currency market is likely to provide stability to the naira in the near future. However, the bank's strategy of using the dollar to support the naira is not expected to be sustainable for a long period.

#### USD/NGN Daily Movement

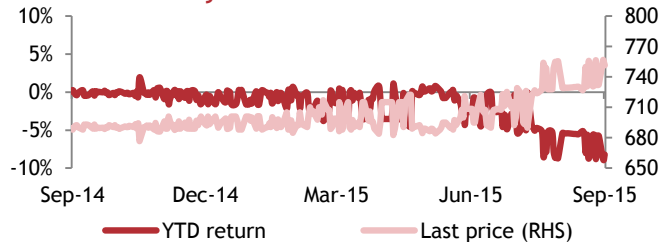


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	198.8	199.1	199.3	197.6	-0.1%	-7.8%
EUR	223.1	221.4	227.6	220.7	0.7%	-0.1%

### Rwandan Franc (RWF)

- The Rwandan franc fell against the US dollar to RWF 751.5 on 22 September 2015. The currency declined 2.9% MTD and 8.2% YTD.
- The large trade deficit, coupled with continuing high import levels, has exerted downward pressure on the franc. Rwanda's trade deficit widened to USD 182.6 mn in June from USD 140.5 mn in May. Furthermore, the expectations of monetary tightening in the US has negatively impacted the franc.
- Despite the central bank's measures to prohibit businesses from pricing goods and services in foreign currency, the increasing trade deficit is expected to further weaken the franc.

#### USD/RWF Daily Movement

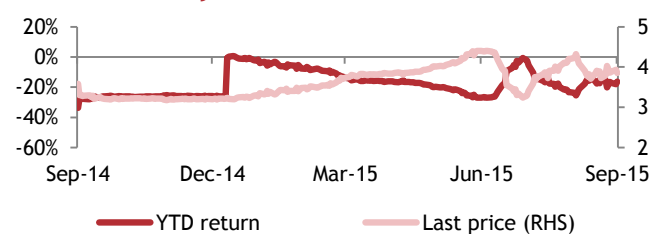


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	737.9	751.5	757.0	727.0	-2.9%	-8.2%
EUR	818.5	810.8	827.5	808.0	0.4%	3.0%

### New Ghanaian Cedi (GHS)

- The Ghanaian cedi strengthened in September 2015 to GHS 3.85 against the US dollar on 22 September 2015. The currency gained 1.3% MTD basis, but fell 16.4% YTD.
- The measures undertaken by the central bank, such as increasing interest rates and injecting US dollar into the market, have provided temporary support to the cedi.
- The large fiscal and current account deficits are likely to weigh on the currency. Moreover, the expected weakness in exports due to slowdown in China could exert downward pressure on the currency.

#### USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3.9	3.9	4.0	3.7	1.3%	-16.4%
EUR	4.4	4.3	4.6	4.1	1.6%	-9.6%

Source: Bloomberg, individual news websites



## SPECIAL FOCUS

### Impact of risks posed by interest rate hike in the US on SSA economies

#### US interest rate hike expected soon

The US economy has shown considerable signs of improvement in the recent past. The economy expanded at an annualised rate of 3.7% in Q2 2015 compared with the previous quarter, supported by increased consumer and business spending. The job market in the US continues to improve, with the unemployment rate falling to 5.1% in August 2015, the lowest level in the last seven years. Although inflation still remains below the US Federal Reserve's target of 2%, the overall sentiment about the economy continues to be positive. The all-round improvement in the economic environment in the US is expected to encourage the US Federal Reserve to raise interest rates by the end of 2015.

#### Rate hike in the US could derail SSA economies

Similar to most developing economies, SSA nations are vulnerable to capital flight and volatility in the financial markets when the US Federal Reserve decides to hike interest rates. Most SSA economies have large current and fiscal deficits as well as narrow monetary policy space, making them susceptible to the adverse impact of a rate hike in the US. Ghana, Mozambique and Kenya are most vulnerable to the rate hike in the US. Furthermore, nations with higher percentage of portfolio investments in foreign inflows would be more vulnerable to a rate hike.

The structural issue of large current account deficits and the possibility of a rate hike in the US have caused the currencies of most SSA nations to fall by almost 20% in the last year. Capital outflows due to a rate hike in the US would cause the currencies of these countries to further depreciate. The scarce forex reserves of these nations are unlikely to support their currencies. The weakened domestic currencies would increase inflation in these economies by raising import costs. Consequently, the central banks would be compelled to the tighten monetary policy rates further, which would adversely impact spending and investment, thereby slowing economic growth rates in the region.

#### Sluggish global economy adds to challenges of SSA

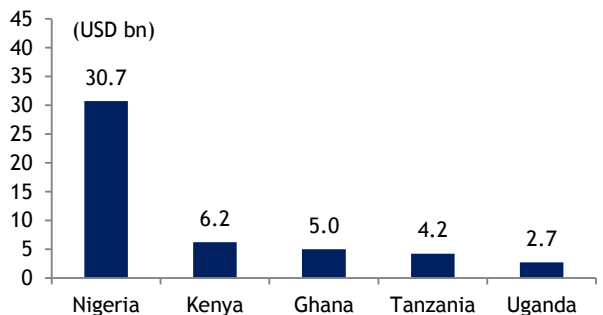
The continuous slowdown in China's manufacturing sector has led to a sharp fall in global commodity prices. The revenue from metal exports is a significant contributor to the growth of some SSA economies. With low metal prices, export revenue of these nations would decline, resulting in a fall in forex earnings. Due to slowdown in China, foreign direct investments in critical projects in some SSA nations are also expected to reduce, negatively impacting job creation and growth. The fall in global oil prices due to an oversupplied global oil market threatens to impact Nigeria's oil-dependent economy. SSA nations have significant structural economic issues that reduce their resilience to an interest rate hike. Also, the slowdown in China is likely to adversely impact growth from the external sector.

#### Reforms - need of the hour

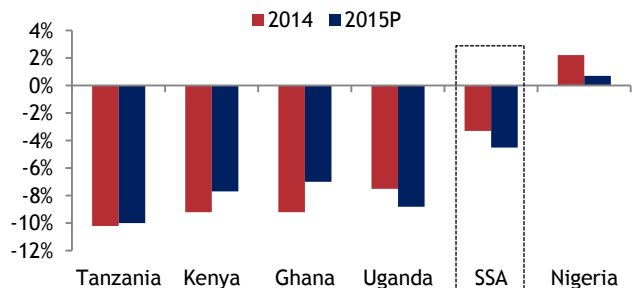
The US Federal Reserve's recent decision to hold interest rates constant has provided a temporary respite to the SSA economies by allowing their central banks to keep monetary policy steady. However, the structural problems of large current account deficits and high inflation continue to affect these nations. Temporary solutions like using reserves to support the currency will neither be sustainable in the long run nor will it help resolve the underlying macroeconomic issues. Hence, SSA nations need to implement significant structural reforms to minimise their vulnerability to global economic events.

In the long run, the SSA nations would need to diversify their revenue sources away from commodities, undertake major initiatives to improve the business climate, attract foreign direct investments, increase productive spending on creation of high-quality infrastructure, reduce corruption, cut subsidies and improve political stability. These changes would play a crucial role in the creation of productive employment and raising the standard of living, thereby fuelling higher economic growth.

#### Foreign Exchange Reserves (as of 2015)



#### Current Account Balance as % of GDP



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 5-yr Bonds (September 2015)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
9 Sep	2-yr	4.43 bn	0.34	20.31%	18.75%
9 Sep	5-yr	83.22 bn	0.89	19.99%	NA
<b>Details of issuances in August</b>					
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%

1 USD = 3,660.8 UGX (average for September 2015)

#### Ghana's Latest Issuance: 1-yr Note (September 2015)

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int. rate
4 Sep	1-yr	107.48 mn	FXR Note	1	22.50%
11 Sep	1-yr	79.68 mn	FXR Note	1	23.00%
18 Sep	1-yr	15.50 mn	FXR Note	1	22.50%
<b>Details of issuances in August</b>					
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%

\*Fixed rate; 1 USD = 3.9 GHS (average for September 2015)

#### Tanzania's Latest Issuance: 10-yr Bonds (September 2015)

Issue Date	Maturity	Amt (TZS)	Bid/Offer	YTM	WACY*
16 Sep	10-yr	20.00 bn	1.61	17.61%	NA
<b>Details of previous issuances in August</b>					
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%	13.88%

\*Weighted average coupon yield; 1 USD = TZS 2,166.8 (average for September 2015)

#### Kenya's Latest Issuance: 1-yr Bond (September 2015)

Issue Date	Maturity	Amt bid (KES)	Amt acpt (KES)	MWAR*	Coupon
28 Sep	1-yr	26.51 bn	24.97 bn	19.44%	19.06%

#### Details of issuances in August

19 Aug	2-yr	19.41 bn	11.18 bn	14.78%	12.63%
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\*Market weighted average rate; 1 USD = 105.3 KES (average for September 2015)

### Upcoming Bond Auctions and Monetary Policy Meetings

- **13 October 2015:** Bank of Tanzania to sell bonds
- **14 October 2015:** Bank of Tanzania to sell bonds
- **28 October 2015:** Bank of Tanzania to sell bonds
- **Monetary policy meetings** are scheduled to be held on:
  - **15 October 2015:** Bank of Uganda
  - **31 October 2015:** The National Bank of Angola

Source: Bloomberg, individual news websites, respective central banks

## KIMONDO'S CORNER

### Opportunities Presented by the Weakening East African Currencies

The East African currencies have all fallen against the major currencies this year to record levels that were last seen four years ago.

The region's central banks have taken unprecedented measures to contain the currency volatility including hiking key rates so as to reduce liquidity and inflationary pressure brought by excess imports.

While the region's stock markets have taken a beating this year, the money markets are offering great yields of 20% plus. The Government papers and fixed deposits are offering great returns for investors looking to lock in high yields in low risk investment. In Kenya for instance, the yields on 91- day Treasury Bill have risen from 8.5% at the beginning of the year to 20.6% achieved in the last auction. In Uganda, Treasury Bill of the same tenure, has risen from 11.1% at the beginning of the year to 18.3% at the last auction.

Deposit placements in banks are currently yielding over 22%, offering investors an opportunity to earn high returns in money markets with rates last seen in the year 2011. The banks are paying a premium for deposits due to tight liquidity brought about by constant mopping up of liquidity by the Central Bank so as to stem volatility of the shilling. The tight liquidity in the market has seen the inter bank rate rise to over 25% in the month of September before decreasing gradually to the current rate of 15%.

The weak shillings offers international investors great opportunities to invest in high yielding East African currencies denominated investments. The relatively high exchange rates currently available may offer an investor an opportunity to lock in forex gain if the ongoing interventions by central banks eventually result in strengthening of local currencies against the hard currencies.

Going forward, we believe the measures being taken to stem the weakening of the regional currencies by the respective authorities will bear fruits. Already the Kenya shilling has started stabilizing with the shilling strengthening marginally against the dollar and pound. The tourism sector in Kenya is slowly recovering due to improving security situation leading to increased foreign exchange inflows. Also the remittances from abroad, a key source of foreign exchange has been on the increase.

In other news, the proposal to charge a 5% capital gain tax on listed shares in Kenya has been scrapped and replaced with 0.3% withholding tax on the value of listed securities transactions effective 1st January 2016. Within the first month of the Capital Gains Tax being introduced, trading volumes on the Nairobi Securities Exchange slumped 70%. The Capital Gains Tax administration was faced with many challenges. This prompted the Kenya Association of Stockbrokers and Investment Banks (KASIB) to challenge the law in court. With the tax reprieve on listed stocks, we hope that the market will regain its bullish run sooner rather than later.

If you would be interested in these high yield money market opportunities or any other investment in the East Africa region, please do not hesitate to contact us.

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