

HIGHLIGHTS

Key Movements in Fixed Income and Currency Markets in October 2015

- Bond yields in **Kenya** continued to rise in October 2015 as the central bank lured foreign investors to domestic bond markets through aggressive bidding for Treasury bills. On the other hand, yields on **Nigerian** bonds declined for most tenors, as the central bank increased liquidity through open market purchases to support growth.
- In October 2015, most currencies weakened against the U.S. dollar. The **Kenyan** shilling fell to KES 102.2 against the US dollar due to an increase in foreign fund inflows because of high yields. The **Tanzanian** shilling declined to TZS 2,170.0 against the U.S. dollar owing to strong demand for the US dollar from the energy, manufacturing and retail sectors. The **Nigerian** naira declined to NGN 199.1 against the U.S. dollar amid an artificial scarcity of US dollar that resulted from a ban on the use of any foreign currency for importing 41 items. The **Ugandan** shilling rose 3.2% to UGX 3,581.5 against the U.S. dollar owing to subdued demand for the dollar and a tightened monetary policy. The **Ghanaian** cedi fell against the US dollar to GHS 3.8 as the rally post the expectation of proceeds of a dollar loan and a Eurobond sale coming into market did not hold up (refer to pages 7 and 8 for related information).
- In the money markets, **Kenya's** interbank rate fell to 15.1% towards the end of October 2015, while **Uganda's** rate fell to 17.7% (details on page 6).

October Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
Kenya 23 Oct yield	17.7%	15.7%	15.6%	16.0%
Chg from 1 Oct 15 (bps)	116	33	86	125
Nigeria 23 Oct yield	12.7%	13.5%	13.6%	14.2%
Chg from 1 Oct 15 (bps)	-192	-143	-152	-84

Movement of Key Currencies versus US Dollar in October 2015

	Average	End Value	MTD	YTD
Kenyan Shilling	102.9	102.2	2.2%	-11.4%
Ugandan Shilling	3,663.2	3,581.5	3.2%	-22.6%
Nigerian Naira	198.9	199.1	-0.3%	-7.8%
Tanzania Shilling	2,179.6	2,170.0	-0.8%	-20.1%
Ghanaian Cedi	3.8	3.8	-0.4%	-15.4%

Kimondo's Corner

Nairobi Securities Exchange continues to deepen with the introduction of the first REIT

Kenya has become the fourth African country to introduce Real Estate Investment Trust (REITs) in her securities market.

This is another sign that the Nairobi securities exchange market continue to deepen. Nairobi Securities Market has also been planning to introduce the derivatives market.

With the booming Real Estate sector in the Kenyan market, the REITs will provide a great opportunity for investors to invest in properties otherwise they would not have accessed, without investing huge sums of money.

Income-REITs will provide a great exit avenue for developers.

To investors, REITs will provides diversification by region and type. (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

Source: Bloomberg and respective central banks

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



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

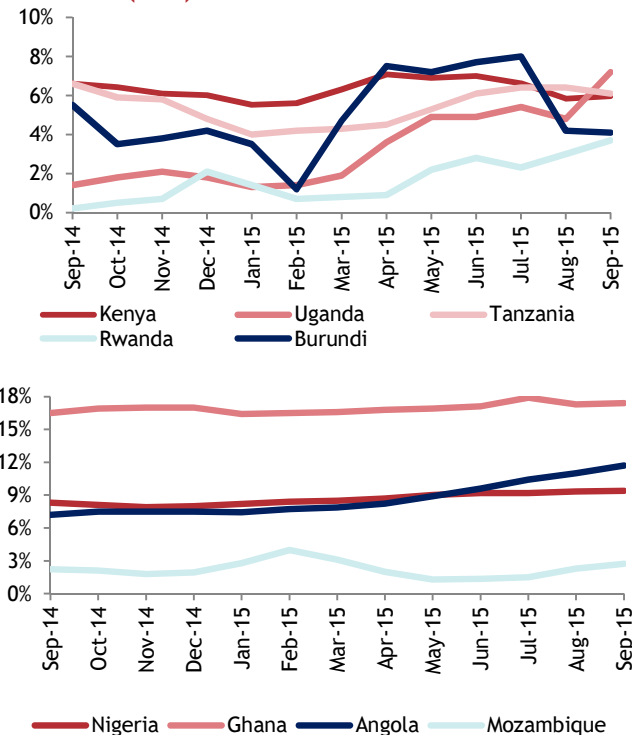


HIGHLIGHTS

Activity across Africa: Economy and Politics

- **Kenya's** foreign exchange reserves rose to USD 6.4 bn in mid-October 2015 from USD 6.25 bn in mid-August 2015. The current level of reserves would be sufficient to pay for 4.1 months of imports vis-à-vis 3.98 months in August 2015 (details on page 3).
- In October 2015, **Uganda's** central bank increased its benchmark interest rate by 100 bps to 17% in order to curb inflation, strengthen the weakening shilling and reduce the nation's widening trade deficit. **Kenya, Nigeria, Ghana, Angola** and **Mozambique's** central banks kept their benchmark interest rates unchanged. Most of these countries are struggling with inflation, trade deficit, currency weakness and high interest rates continue to remain high (details on pages 3 and 4).
- In September 2015, rising inflation was seen in most sub-Saharan African economies. In **Kenya**, inflation increased to 6% YoY in September from 5.8% YoY in August 2015 due to an increase in food and non-alcoholic beverage prices. In **Uganda**, inflation rose to 7.2% YoY in September 2015 from 4.8% YoY in August 2015 due to higher food prices. In **Ghana**, inflation increased to 17.4% YoY in September 2015 from 17.3% YoY in August due to a rise in vegetable prices. In **Nigeria**, inflation rose to 9.4% YoY in September 2015 from 9.3% YoY in August 2015 owing to higher prices of food and non-food items. In **Mozambique**, inflation rose to 2.7% YoY in September 2015 from 2.3% YoY in August 2015 due to an increase in food prices (details on pages 3 and 4).

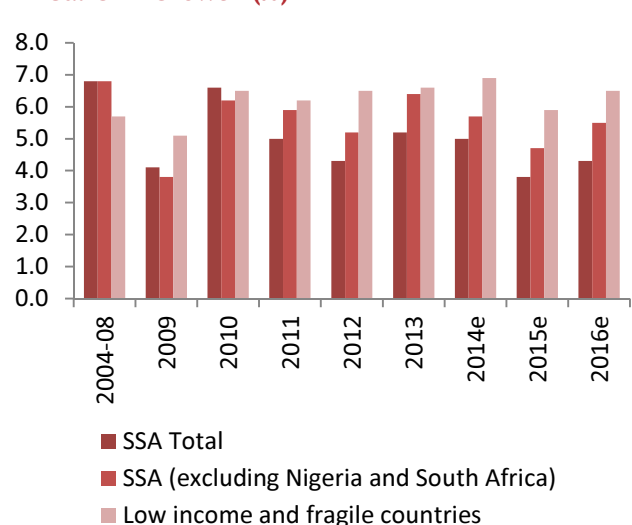
Inflation (YoY)



Investment Opportunities amid slowing growth

- In view of the current macroeconomic environment, the IMF has forecast an economic slowdown in sub-Saharan Africa. The agency has lowered its GDP growth forecast by 75 bps to 3.75% in 2015 and 4.25% in 2016, citing the end of a decade-long global commodity cycle and accommodative global financial conditions.
- Oil-exporting nations will be the most affected, with a diminishing export income and stinging fiscal adjustments. Middle-income and certain low-income countries will also be affected by low prices of their main export commodities, low electricity supply and government imbalances. However, the growth outlook appears to be positive for some low-income countries.
- Investment opportunities exist in both debt and equity markets, considering high interest rates and declining stock prices.
- Fiscal and monetary rebalancing would be critical for oil-producing nations as well as certain middle- and low-income countries facing diminishing revenues due to declining commodity prices and rising debt. Central bank intervention should be restricted to disorderly changes in exchange rates.

Real GDP Growth (%)



Source: Individual news websites

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

East African Community

Kenya

- Inflation rose to 5.97% YoY in September 2015 from 5.84% YoY in August 2015, primarily due to the increase in food and non-alcoholic beverage prices. The food and non-alcoholic beverage segment, which accounts for one-third of the index, rose 0.48% MoM in September. Inflation continues to remain within the central bank's medium-term target of 2.5-7.5%.
- Kenya's foreign exchange reserves reached a three-month high in October 2015. Usable reserves increased to USD 6.4 bn in mid-October 2015 from USD 6.25 bn in mid-August 2015. The current level of reserves would be sufficient to pay for 4.1 months of imports vis-à-vis 3.98 months in August 2015.
- Benchmark interest rates in Kenya are expected to come down in the near future as the Kenyan Finance Minister has stated that the underlying factors driving interest rates are stable .

Uganda

- Inflation rose sharply to 7.2% YoY in September 2015 from 4.8% YoY in August 2015, mainly driven by a surge in food prices. Food inflation rose to 10.5% YoY in September 2015 from 5.1% YoY in August 2015 due to higher prices of fresh food products. Furthermore, non-food inflation rose to 5.7% in September from 4.7% in August.
- Uganda's benchmark interest rate was raised to 17.0% in October 2015. The country continues to reel from inflation, currency weakness and trade deficit.

Tanzania

- Annual headline inflation declined to 6.1% YoY in September 2015 from 6.4% YoY in August 2015. Lower food and non-alcoholic beverage prices offset a marginal rise in utility rates.

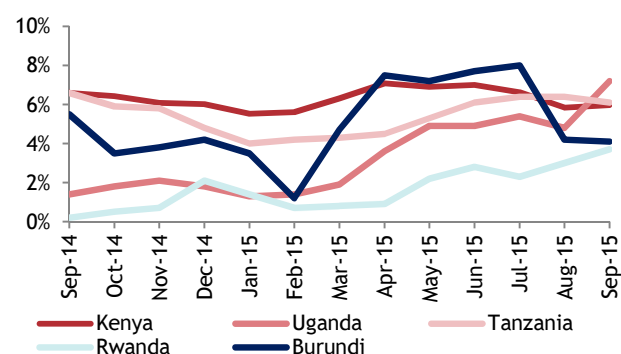
Rwanda

- Inflation rose sharply to 3.7% YoY in September 2015 from 3.0% YoY in August 2015, primarily due to a rise in food and beverage (both alcoholic and non-alcoholic) prices.

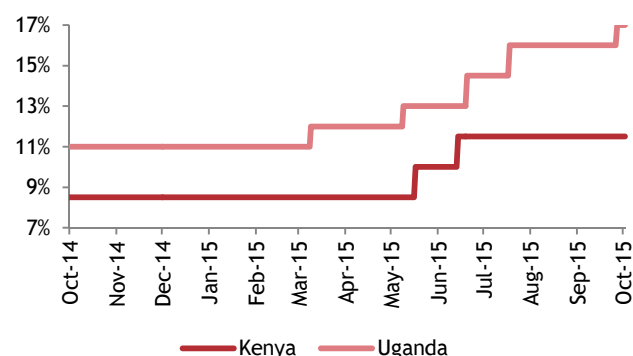
Burundi

- Inflation declined marginally to 4.1% YoY in September 2015 from 4.2% YoY in August 2015, aided by a drop in food inflation on account of better crop production. Food inflation declined to 3.8% YoY in September from 4.5% YoY in August.

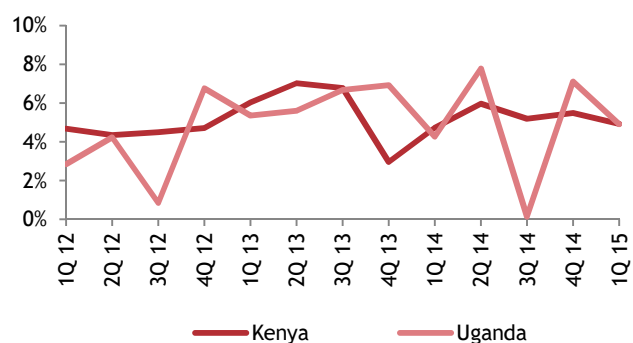
Inflation (YoY)



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 9.4% YoY in September 2015 from 9.3% YoY in August 2015. This was primarily attributed to higher food inflation rising to 10.2% YoY in September 2015 from 10.1% YoY in August 2015. Furthermore, inflation rose in the housing, water, electricity and gas (7.8% YoY in September 2015), transport (9.1% YoY in September 2015), clothing and footwear (9.5% YoY in September 2015), and furnishing and holding equipment (8.74% YoY in September 2015) sectors as well.
- Nigeria's foreign exchange reserves declined about 2% MoM to USD 30.0 bn in the week ended 21 October 2015 from USD 30.48 bn in mid-September. Foreign exchange reserves declined more than 23% YoY, attributable to the sale of US dollars by the central bank to narrow the gap between the official and unofficial exchange rates.

Angola

- Inflation continued to rise in Angola, with the inflation rate increasing to 11.66% YoY in September 2015 from 11.01% YoY in August 2015.

Ghana

- Inflation increased marginally to 17.4% YoY in September 2015 from 17.3% YoY in August 2015. The increase in vegetables prices (up 13.6% YoY in September 2015 from 10.9% YoY in August 2015) was offset by a decline in the other components of food inflation. Food and non-alcoholic beverages prices rose to 7.8% YoY in September 2015, up from 7.7% YoY in August 2015.
- Bank of Ghana has increased benchmark interest rates to 26%, which is the highest level in last 12 years. While inflation continues to remain above central bank projections of 11.5%, the central bank expects it to top 17% by the end of the year.

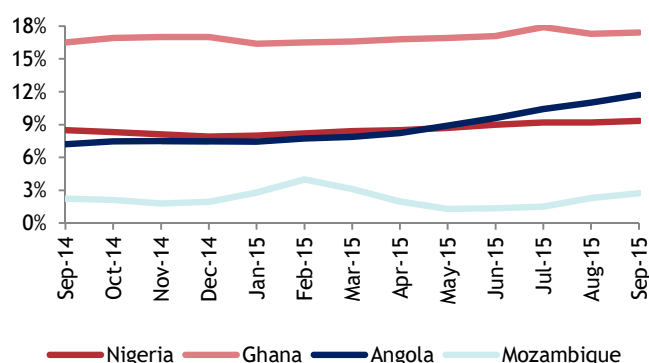
Mozambique

- Inflation rose to 2.7% YoY in September 2015 from 2.3% YoY in August 2015 due to higher prices of food items such as maize and butter beans.

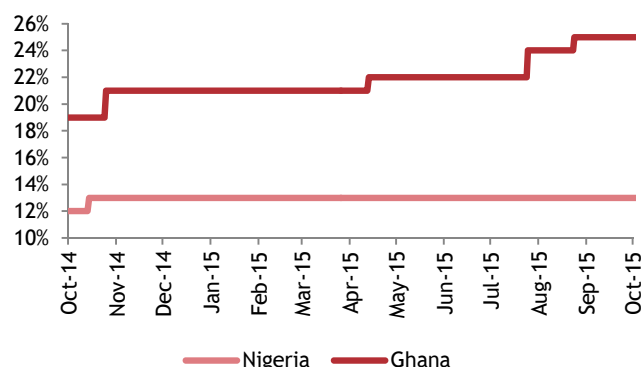
Ivory Coast

- Inflation remained unchanged at 1.2% YoY in August 2015 (latest reported figures) from July 2015, as an increase in food and soft drink prices (up 1% in September 2015) and housing and utility prices (up 1.7% in September 2015) was offset by a decline in prices of communication (down 0.1% YoY in September 2015).

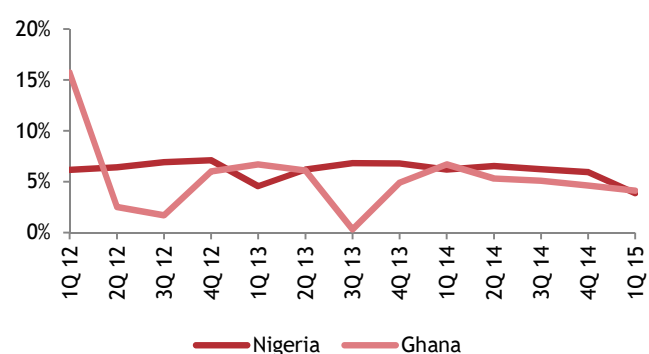
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Nigeria and Ghana (YoY)



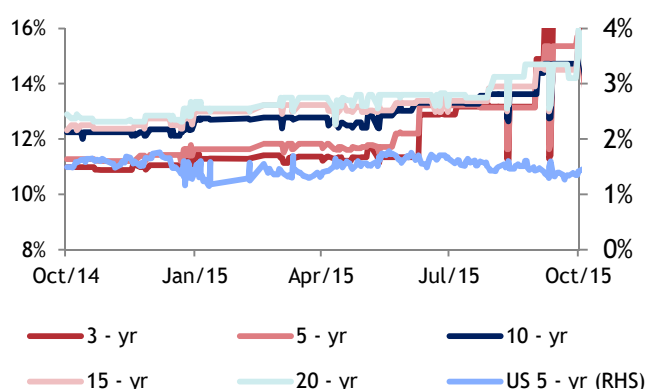
Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: BOND MARKETS

Kenya

- In October 2015, Kenyan bond yields increased across tenors. The yields on three-year, five-year, 10-year, 15-year and 20-year bonds increased 116 bps, 33 bps, 86 bps, 137 bps and 125 bps, respectively.
- Bond yields continued to rise in October 2015 as the government lured foreign investors to domestic bond markets through aggressive bidding for Treasury bills. The central bank maintained its benchmark interest rate at 11.5% to support the shilling and control inflation.
- On 24 October 2015, the CBK (on behalf of the government) auctioned one-year, 22.95% October 2016 bonds. The bank received bids totalling KES 31.5 bn and made allotments worth KES 20.5 bn.
- The FTSE NSE Kenyan Shilling Government Bond Index fell 0.3% MTD and 3.9% YTD on 23 October 2015.

Bond yields daily movement



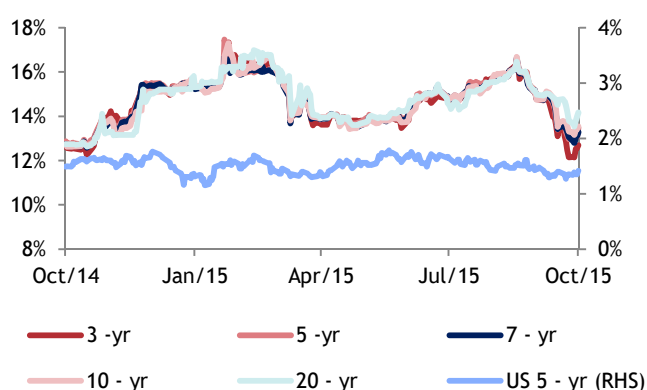
Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
23 Oct yield	17.7%	15.7%	15.6%	15.9%	16.0%
Chg from 1 Oct 15 (bps)	116	33	86	137	125
Chg from 1 Jan15 (bps)	661	426	323	312	310

Nigeria

- In October 2015, Nigerian bond yields decreased for most tenors. The yields on three-year, five-year, seven-year, 10-year and 20-year bonds fell 192 bps, 143 bps, 164 bps, 152 bps and 84 bps, respectively.
- Bond yields fell for most tenors after the central bank increased liquidity by repaying NGN 280 bn of open market bills to support growth and stimulate lending. The bank has been infusing liquidity to support growth and lending amid a record decline in oil prices.
- On 14 October 2015, the government auctioned five-year, 13.11% February 2020 bonds worth NGN 40.0 bn and 10-year, 13.87% March 2024 bonds worth NGN 40.0 bn. It received subscriptions worth NGN 102.7 bn and NGN 82.2 bn, and made allotments worth NGN 40.0 bn and NGN 40.0 bn for the five-year and 10-year bonds, respectively.

Bond yields daily movement



Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
23 Oct yield	12.7%	13.5%	13.3%	13.6%	14.2%
Chg from 1 Oct 15 (bps)	-192	-143	-164	-152	-84
Chg from 1 Jan 15 (bps)	-226	-159	-179	-147	-104

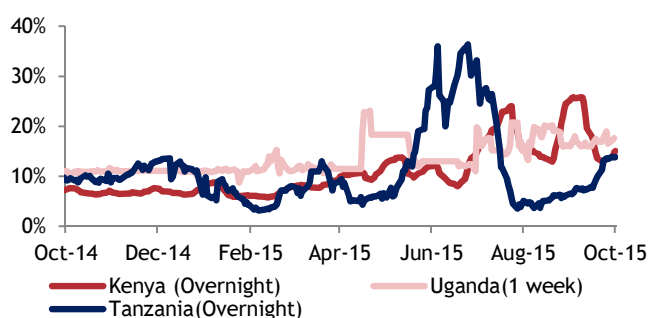
Source: Bloomberg, individual news websites

MONEY MARKETS

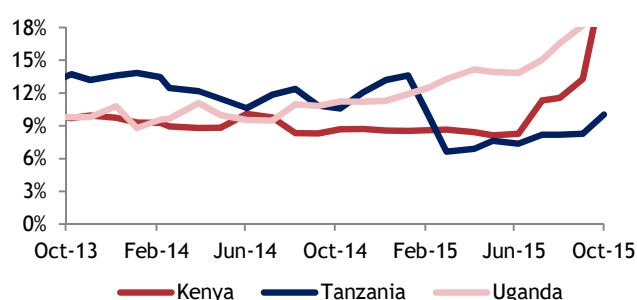
East African Community

- Kenya's interbank rate fell to 15.6% on 23 October 2015 from 25.8% at the beginning of the month. Liquidity increased as CBK assured adequate liquidity in the banking system after a bank was put into receivership. Uganda's interbank rate rose to 18.5% on 23 October 2015 from 18.0% at the beginning of the month. The central bank's stringent monetary norms amid currency weakness 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 (Oct 2015)

	Kenya	Tanzania	Uganda
3-m curr dep	15.0%	9.6%	18.5%
91-d/3-m T-bill	22.5%	10.0%	21.1%

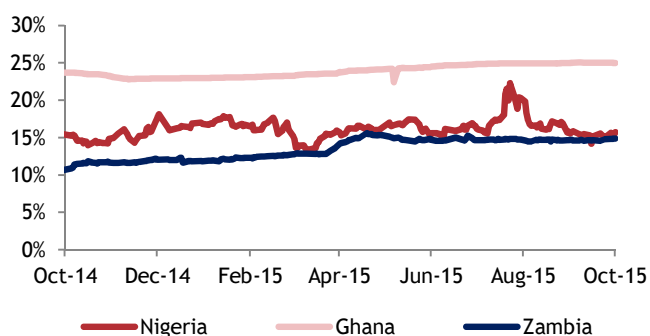
Policy and Average Interbank Rates (Oct 2015)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	11.5%	12.0%	17.0%
Interbank	15.1%	13.8%	17.7%

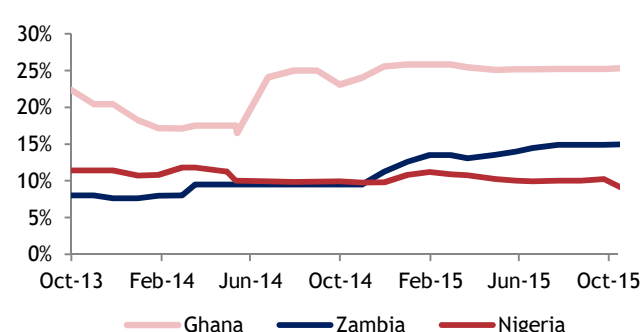
Rest of Sub-Saharan Africa

- The Nigerian Interbank Offered Rate (NIBOR) fell to 15.7% on 23 October 2015 from 16.9% at the start of the month. The central bank eased its monetary policy and increased liquidity to stimulate lending. In Ghana, the interbank rate stood at 25.4% on 23 October 2015 vis-à-vis 25.0% at the beginning of the month, as the central bank kept the benchmark rate steady at 25%.

Interbank Rates



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



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

	Nigeria	Ghana	Zambia
3-m curr dep	15.7%	25.4%	17.7%
91-d/3-m T-bill	8.7%	25.3%	15.0%

Policy and Average Interbank Rates (Oct 2015)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	13.0%	25.0%	12.5%
Interbank	15.7%	25.0%	14.9%

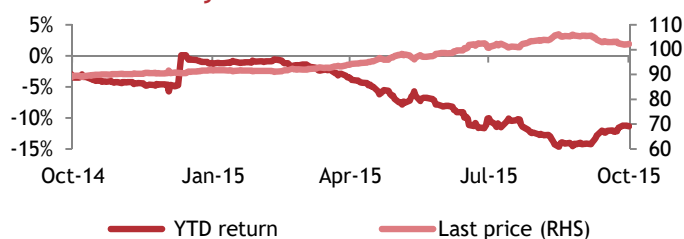
Source: Bloomberg, individual news websites, respective central banks.

CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

Kenyan Shilling (KES)

- The Kenyan shilling strengthened against the US dollar to KES 102.2 on 23 October 2015. The currency gained 2.2% MTD but declined 11.4% YTD.
- The shilling strengthened in October 2015 due to increased yields on domestic debt, which helped the debt market attract foreign funds. The unusually high interest rate on short-term debt attracted foreign investors.
- The shilling is expected to remain weak on account of the country's large current account deficit, which is being financed by unsustainable, expensive short-term debt. High infrastructure spending and rising demand for imported machinery and transport equipment are expected to mount pressure on the shilling.

USD/KES Daily Movement

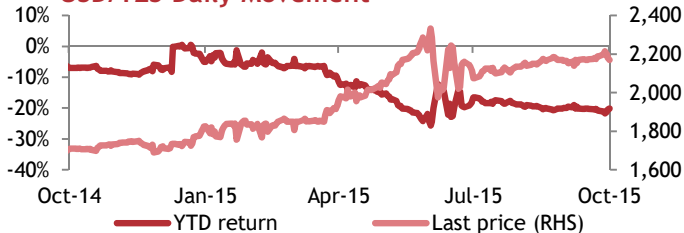


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	102.9	102.2	104.4	102.1	2.2%	-11.4%
EUR	116.2	112.7	118.3	112.7	3.7%	-3.4%

Tanzanian Shilling (TZS)

- The Tanzanian shilling depreciated against the US dollar to TZS 2,170.0 on 23 October 2015. The currency fell 0.8% MTD and 20.1% YTD.
- Despite forex inflows from agricultural exports and the central bank's tight liquidity norms, strong demand for the US dollar from the energy, manufacturing and retail sectors exerted downward pressure on the shilling.
- A tightened monetary policy, coupled with dollar inflows from agricultural exports, is expected to support the shilling in the medium term.

USD/TZS Daily Movement

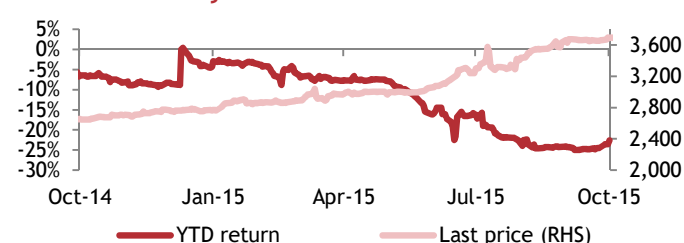


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,179.6	2,170.0	2,215.0	2,152.8	-0.8%	-20.1%
EUR	2,459.5	2,390.8	2,513.1	2,390.8	0.8%	-12.3%

Ugandan Shilling (UGX)

- The Ugandan shilling strengthened against the US dollar to UGX 3,581.5 on 23 October 2015. The currency strengthened 3.2% MTD but declined 22.6% YTD.
- The Ugandan shilling strengthened against the US dollar in October 2015. Weak consumption and stringent monetary guidelines resulted in subdued demand for the dollar.
- The shilling is expected to continue rising in the near term, driven by a tight monetary policy and weak import demand. However, the currency is likely to depreciate in the long term due to weak macroeconomic fundamentals.

USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3,663.2	3,581.5	3,695.0	3,581.5	3.2%	-22.6%
EUR	4,127.5	3,946.0	4,225.7	3,946.0	4.8%	-15.0%

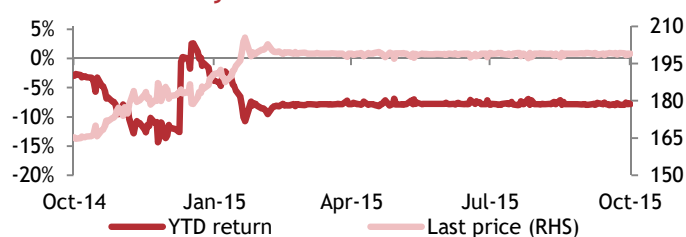
Source: Bloomberg, individual news websites

CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

Nigerian Naira (NGN)

- The Nigerian naira declined marginally to NGN 198.9 on 23 October 2015. It declined 0.3% MTD and 7.8% YTD to NGN 199.1.
- Despite being pegged at a clearing rate of NGN 197, the naira continued to depreciate in the parallel market to NGN 225.50 against the US dollar on 23 October 2015. The decline was mainly due to the artificial scarcity caused by a ban on the use of any foreign currency for importing 41 items.
- Despite mounting pressure from various quarters, including the IMF, Nigeria's central bank has refused to devalue the currency. Nigeria has placed import restrictions on various commodities to offset the loss of oil revenue.

USD/NGN Daily Movement

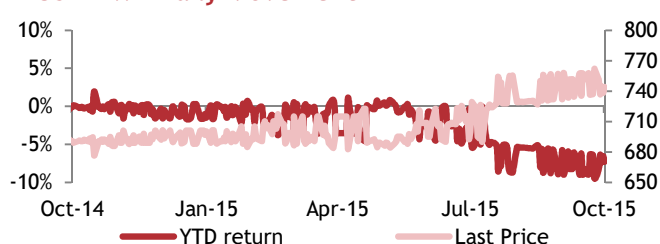


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	198.9	199.1	199.4	198.4	-0.3%	-7.8%
EUR	224.4	219.3	228.0	219.3	1.3%	0.9%

Rwandan Franc (RWF)

- The Rwandan franc strengthened against the US dollar to RWF 744.0 on 23 October 2015. The currency gained 1.0% MTD but fell 6.6% YTD.
- The franc depreciated against the US dollar by RWF1.4/\$ MTD on 16 October 2015. However, it recovered in the following week, posting a 1% MTD gain on 23rd October 2015.
- The country's widening trade deficit is likely to weigh on the franc, causing it to further depreciate against the dollar in the long term.

USD/RWF Daily Movement

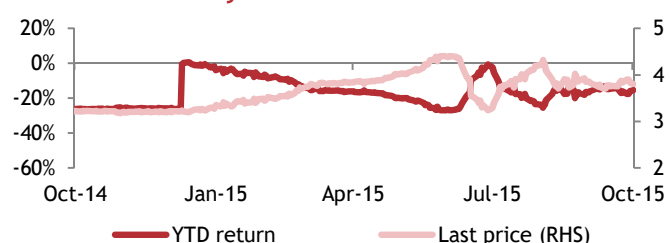


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	746.1	744.0	762.0	734.4	1.0%	-6.6%
EUR	831.3	819.8	853.1	816.3	-0.4%	1.8%

New Ghanaian Cedi (GHS)

- The Ghanaian cedi declined marginally to GHS 3.8 against the US dollar on 23 October 2015. The currency fell 0.4% MTD and 15.4% YTD.
- The cedi weakened against the US dollar, as the rally from an expectation of proceeds of a dollar loan and a Eurobond sale entering the markets has not held up, and key commodity exports witness a decline in demand due to the slowdown in China.
- The currency is likely to recover after the expected proceeds from the dollar loan and Eurobond enter the market.

USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3.8	3.8	3.9	3.7	-0.4%	-15.4%
EUR	4.3	4.2	4.4	4.1	1.2%	-7.1%

Source: Bloomberg, individual news websites

SPECIAL FOCUS

Investment Opportunities amid slowing Growth

IMF Cuts Growth Forecast for Sub-Saharan Africa

Sub-Saharan Africa's growth rate is expected to decline under the current macroeconomic environment. The IMF has downgraded its GDP growth forecast for the region by 75 bps to 3.75% in 2015 and 4.25% in 2016, lower than the growth rate seen in 2009 after the global financial crisis. The lower projected growth rate is due to the end of a decade-long global commodity cycle, accommodative global financial conditions and restructuring of the Chinese economy.

Adverse Impact on Oil Exporters

Oil-exporting nations, which make up about 50% of the region's economy, are facing major headwinds in the form of continued weakness in oil prices. These countries are struggling due to a diminishing export income and stinging fiscal adjustments. The growth forecast for 2015 for these countries has been revised to 3.5%, down 350 bps. Factors such as low prices of export commodities (South Africa, Zambia and Botswana), reduced electricity supply (Ghana, Zambia and South Africa) and domestic government fiscal imbalances (Zambia and Ghana) have hit middle-income countries adversely.

On the other hand, the growth outlook appears to be positive for low-income countries, supported by high investment spending and strong private consumption. Countries such as Ethiopia, Democratic Republic of Congo, Mozambique, Côte d'Ivoire and Tanzania would continue to grow rapidly. However, some low-income countries are likely to face challenges in the form of low prices of key export commodities, despite reduced spending on oil imports due to weak crude prices. The 2015 growth forecast of the low-income group has been revised to 6%, down 75 bps from 6.75% earlier.

Furthermore, banking sector indicators such as profitability and NPAs tend to weaken in the event of a decline in the value of commodity assets. Exchange rate volatility has the potential to boost the value of dollar-denominated liabilities and degrade the debt profile of these countries.

Opportunities Exist

The ongoing decline in growth has presented multiple opportunities for investors. With central banks raising their benchmark policy rates, investors are earning higher yields from debt instruments. Ghana increased its benchmark interest rate to 25% on 14 September 2015, the highest globally, to lure foreign investors. Similarly, Uganda's benchmark policy rate has been increased to 17% to boost demand for domestic debt. In Kenya's bond markets, yields rose across all tenors, drawing the attention of foreign investors. The rates of 91-day T-bills have increased to 9.2%, 1.7%, 2.9% and 1.6% in Kenya, Tanzania, Uganda and Nigeria, respectively.

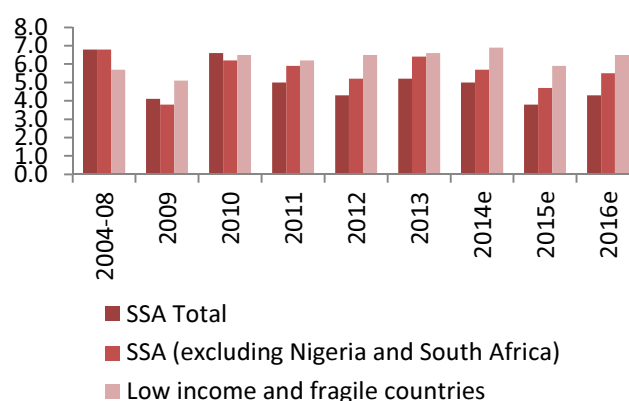
Equities in SSA have also experienced steep declines, providing investors the opportunity to enter the equity markets. For instance, Kenyan equities fell substantially in October after the government took over the administration of two banks, citing "unsafe or unsound business conditions". Amid falling perceptions and weakening fundamentals, the P/E ratio of the Nairobi All Share Index has dropped 14% YTD to 12.7x. The P/E ratio of the Tanzania All Share Index fell to 15.9x, after reaching a high of 18.9x in June 2015

Fiscal and Monetary Rebalancing Required for Stable Growth

High infrastructure spending and reduced revenues due to weak commodity prices have resulted in large deficits for SSA countries. Of the 45 countries in the region, 34 reported a lower fiscal balance in 2014 than at the end of 2008. Fiscal rebalancing could be a critical measure for oil-exporting countries such as Nigeria and Angola. Furthermore, countries such as Ghana and Zambia are witnessing a rise in domestic borrowing costs. As the debt level increases and bond yields grow, borrowing becomes increasingly difficult for both oil-producing and medium-income countries. Policy amendments may be required to balance debt sustainability considerations with the development needs of these countries.

On the monetary front, rising inflation and currency weakness in large sub-Saharan African economies have forced central banks to intervene with tighter monetary policies; this has led to a decline in foreign exchange reserves. In order to absorb the currency shocks, countries should devalue their currencies to safeguard their foreign exchange reserves. Central bank interventions should be limited to disorderly movements in exchange rates.

Real GDP Growth (%)



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 10-yr Bonds (October 2015)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
7 Oct	10-yr	37.98 bn	1.06	20.59%	18.75%
7 Oct	2-yr	91.12 bn	0.98	19.53%	17.00%
Details of issuances in September					
9 Sep	5-yr	83.22 bn	0.89	19.94%	20.00%
9 Sep	2-yr	4.43 bn	0.34	20.31%	18.75%

1 USD = 3,663.2 UGX (average for October 2015)

Ghana's Latest Issuance: 1-yr, 2-yr and 3-yr Notes (October 2015)

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int. rate
2 Oct	1-yr	29.72 mn	FXR Note	1	22.50%
9 Oct	2-yr	51.08 mn	FXR Note	3.94	24.25%
16 Oct	1-yr	4.01 mn	FXR Note	2.25	22.50%
23 Oct	3-yr	994.86 mn	FXR Note	1.36	24.50%
Details of issuances in September					
4 Sep	1-yr	107.48 mn	FXR Note	1	22.50%
11 Sep	2-yr	79.69mn	FXR Note	2.95	23.00%
18 Sep	1-yr	15.50 mn	FXR Note	1	22.50%

*Fixed rate; 1 USD = 3.8 GHS (average for October 2015)

Tanzania's Latest Issuance: 7-yr Bonds (Nov 2015)

Issue Date	Maturity	Amt (TZS)	Bid/Offer	YTM	WACY*
11 Nov	7-yr	73.67 bn	1.27	17.58%	NA
13 Oct	15-yr	(Auction cancelled)	NA	NA	NA

Details of previous issuances in September

16 Sep	10-yr	20.00 bn	1.61	17.61%	NA
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*Weighted average coupon yield; 1 USD = TZS 2,179.6 (average for October 2015)

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

Issue Date	Maturity	Amt Bid (KES)	Amt Acpt (KES)	MWAR*	Coupon
26 Oct	1-yr	31.48 bn	20.49 nm	23.51%	22.95%

Details of issuances in September

28 Sep	1-yr	26.51 bn	24.97	19.44%	19.06%
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*Market weighted average rate; 1 USD = 102.9 KES (average for October 2015)

Upcoming Bond Auctions and Monetary Policy Meetings

- **25 November 2015:** Bank of Tanzania to sell bonds
- **Monetary policy meetings** are scheduled to be held on:
 - **23 November 2015** (The National Bank of Angola)
 - **24 November 2015:** (Central Bank of Nigeria)

Source: Bloomberg, individual news websites, respective central banks

KIMONDO'S CORNER

Nairobi Securities Exchange continues to deepen with the introduction of the first REIT

The Nairobi Securities Exchange 'NSE' product offerings continues to broaden with the introduction of the first listed Real Estate Investment Trust 'REIT'. Kenya is now the fourth African country to introduce a REIT in her securities market, following the recent launch of the Stanlib I-REIT. The only other markets in Africa where REITs are traded include South Africa, Ghana and Nigeria.

Even though the Equities market have been depressed for the better part of this year, a situation that has been experienced in many developing markets, the introduction of REITs will go along way in deepening the securities market in Kenya. There are mainly two types of REITs : Income REIT 'I-Reit' and a Development REIT 'D-Reit'. The I-Reit is considered low risk because the real estate to be acquired must already be in existence and have over 80% occupancy. On the other hand, a D-Reit is more futuristic as it involves acquisition of real estate for development and selling of real estate. Generally D-Reits are liquidated and all monies are returned to shareholders upon completion of development of the underlying asset. With the booming Real Estate sector in the Kenyan market, the REITs will provide a great opportunity for investors to invest in properties otherwise they would not have accessed, without investing huge sums of money. REITs provide investors with access to professionals such as property managers and fund managers who manage the assets in addition to providing diversification by region and type of real estate, as the REIT may hold a number of properties. I-REITs in addition to the aforementioned benefits will provide a great exit avenue for developers.

Further to the introduction of the REITs market, the Nairobi securities Exchange has also been planning to introduce the derivatives exchange market. The derivatives market allows companies to access funds hedging on the value of their assets with a fixed payback at a future time agreed by the parties. The NSE has already laid out the necessary infrastructure to enable the futures market take off seamlessly. According to NSE, the plan is to first deal with single stock futures in the financial segment which it will peg to the Kenyan shilling, but will later allow other currencies.

Finally the Kenyan Capital Market Authority 'CMA' recently issued the final Policy Guidance Note that will facilitate the introduction of Exchange Traded Funds (ETFs) in Kenya. With the ETFs, investors will have an opportunity to get access and track indexes of various commodities like gold, platinum and oil, as well as bonds and assets. The ETF is in addition expected to tap into the country's market liquidity a move that is expected to encourage foreign investment and boost liquidity.

All these three initiatives will go a along way in broadening the products that are available in the Kenyan Securities market.

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