FUSION AFRICAN MONITOR

Current news and analysis from Sub-Saharan money markets

March 2016

FUSION INVESTMENT MANAGEMENT

Rooted in the African growth story

HIGHLIGHTS

Key Movements in Fixed Income and Currency Markets in February 2016

- Bond yields in Kenya decreased in February 2016, as the Kenyan government resorted to reduced spending to cap next year's fiscal deficit at about 6.9%. Bond yields in Nigeria fell across tenors in February 2016, as the central bank provided a liquidity boost of around NGN 234 bn through open market operations.
- In February 2016, most currencies gained against the US dollar. The Kenyan shilling strengthened to KES 101.8 against the dollar, as the inflow from NGOs increased and demand from the manufacturing and energy sectors weakened. The Tanzanian shilling was flat at TZS 2,188.0 against the US dollar due to low demand and supply of dollars. The Nigerian naira was stable at NGN 199.1 against the US dollar, as the government and central bank hardened their stance against the devaluation of naira. The Ugandan shilling appreciated to UGX 3,405.0 against the US dollar, as dollar inflows increased by the sale of treasury bonds to offshore investors and the demand for imports weakened. The Ghanaian cedi strengthened against the US dollar to GHS 3.9, led by increased dollar inflows from the mining sector and improving market sentiment (refer to pages 7 and 8 for details).
- In the money markets, Kenya and Uganda's interbank rates fell to 3.7% and 17.3%, respectively, towards the end of February 2016 (details on page 6).

February Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
Kenya 24-Feb yield (%)	13.5%	13.9%	14.8%	15.0%
Chg from 1-Feb 16 (bps)	239	152	109	-50
Nigeria 24-Feb yield (%)	8.8%	11.6%	12.0%	12.1%
Chg from 1-Feb 16 (bps)	126	57	14	3

Movement of Key Currencies versus US Dollar in February 2016

	Average	End Value	MTD	YTD
Kenyan Shilling	102.0	101.8	0.5%	0.4%
Ugandan Shilling	3,442.1	3,405.0	2.0%	-1.0%
Nigerian Naira	199.0	199.1	0.0%	0.0%
Tanzania Shilling	2,186.3	2,188.0	-0.1%	-2.0%
Ghanaian Cedi	4.0	3.9	1.3%	-2.7%

Kimondo's Corner

Review of Rwanda Economy Performance in 2015

Rwanda's economy grew by 6.9% last year, raking in Rwf. 5,837 Bn. ($ 7.71 Bn.), up from Rwf. 5,395 Bn. ($ 7.13 Bn.) in 2014 as measured by Growth Domestic Product (GDP). The 2015 growth is slightly lower than the 7% that was registered in 2014.

The services sector contributed 47% of GDP while the agriculture sector contributed 33%. These statistics indicate that output of industry and service sectors grew by 7% respectively, whereas the agriculture sector which employs more 70% of the population grew by only 5

The World Bank projects Rwanda's economic growth will slow down to 6.8% in 2016 underpinned by volatile franc, sluggish mineral exports and slow budget implementation. (More details on page 11.)

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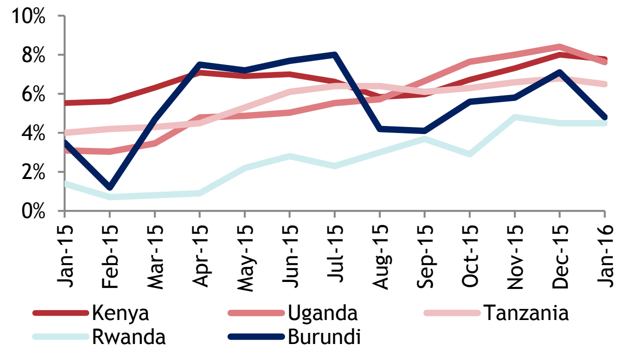
Source: Bloomberg and respective central banks

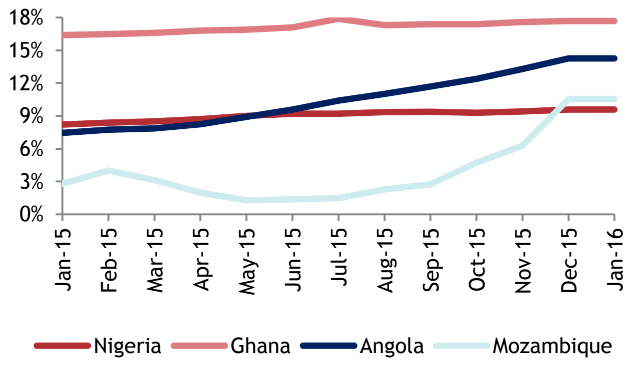
HIGHLIGHTS

Activity across Africa: Economy and Politics

- In February 2016, Moody's maintained Kenya's issuer rating at B1 with a stable outlook, citing strong growth prospects led by investment in infrastructure and an expected decline in fiscal and current account deficits, which would reduce Kenya's reliance on external borrowing (details on page 3).
- In February 2016, the central banks of **Kenya, Uganda, Ghana,** and **Angola** retained the benchmark interest rates. However, **Mozambique** increased the interest rate by 100 basis points to 10.75% from 9.75% to control inflation. Most of these countries are trying to protect their currencies from further depreciation by maintaining high benchmark rates (details on pages 3 and 4).
- In January 2016, most sub-Saharan economies recorded high inflation. In **Kenya**, inflation dropped to 7.8% YoY in January 2016 from 8.0% YoY in December 2015, primarily due to slow growth of food and non-alcoholic beverages. In **Uganda**, inflation fell to 7.6% YoY in January 2016 from 8.4% YoY in December 2015, mainly driven by a fall in food and non-alcoholic beverages, housing, water, electricity, gas, and other fuels. In **Ghana**, inflation inched up to 19.0% YoY in January 2016 from 17.7% YoY in December 2015, primarily led by increase in the prices of food and non-alcoholic beverages. In **Nigeria**, inflation was stable at 9.6% YoY in January 2016, mainly driven by the prices of food and non-alcoholic beverages, alcoholic beverages, clothing, and footwear remaining flat. In **Mozambique**, inflation surged to 11.3% YoY in January 2016 from 10.6% YoY in December 2015, mainly driven by a rise in the cost of food and non-alcoholic drinks (details on pages 3 and 4).

Inflation (YoY)

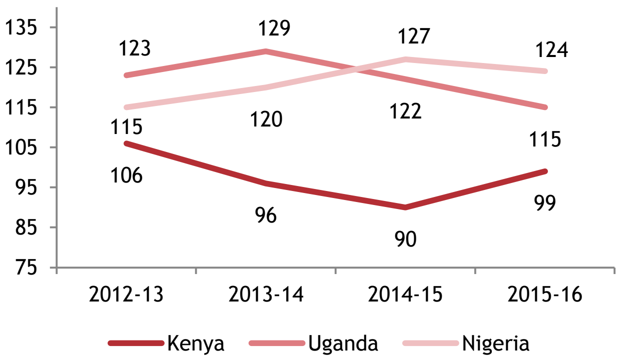




Enhancing competitiveness in Sub-Saharan Africa: Need of the hour

- Sub-Saharan African (SSA) region remains highly uncompetitive, with as many as 15 SSA countries being among the 20 least competitive economies in the world as per World Economic Forum (WEF)'s 2015–16 Global Competitiveness Index (GCI) ratings.
- SSA nations need to enhance their competitiveness to achieve sustainable economic growth and ensure job creation amid a lacklustre global economy.
- Countries, such as Kenya, that have slipped in their rankings needs to focus on parameters, such as ease of doing business, health and education, in addition to institution building, infrastructure development, goods market efficiency, financial market development, technological readiness and business sophistication.
- Oil-exporting nations, such as Nigeria and Angola, should bolster competitiveness-enhancing reforms for further industrialisation and diversification of their economies away from commodity exports.
- Governments need to implement a combination of short-term and medium-to-long-term measures for capturing the SSA region's considerable scope for improvement in competitiveness (details on page 9).

Global Competitiveness Index ratings 2012-2016 (Source: WEF)



Note:
GCI 2012-13 ranks out of 144; GCI 2013-14 ranks out of 148
GCI 2014-15 ranks out of 144; GCI 2015-16 ranks out of 140

Source: Individual news websites

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

East African Community

Kenya

- Inflation dropped to 7.8% YoY in January 2016 from 8.0% YoY in December 2015, mainly due to slow growth of food and non-alcoholic beverages (up 12.7% YoY in January 2016 compared with 13.3% YoY in December 2015), utilities and fuel prices (up 4.5% YoY in January 2016 compared with 4.8% YoY in December 2015), and transport prices (up 0.2% YoY in January 2016 compared with 0.7% YoY in December 2015). While inflation is still above the central bank's medium-term target of 2.5–7.5%, it is expected to fall as weather conditions improve and fuel prices drop.
- In February 2016, Moody's maintained Kenya's issuer rating at B1 with a stable outlook, citing strong growth prospects led by investment in infrastructure and expected decline in fiscal and current account deficits, which would reduce Kenya's reliance on external borrowing.

Uganda

- The rebased Consumer Price Index (prices rebased to 2009–10 compared with 2005–06 in the previous series) dropped to 7.6% YoY in January 2016 from 8.4% YoY in December 2015, primarily due to food and non-alcoholic beverages (up 12.3% YoY in January 2016 compared with 13.5% YoY in December 2015), housing, water, electricity, gas, and other fuels (up 7.2% YoY in January 2016 compared with 8.7% YoY in December 2015).

Tanzania

- The annual headline inflation fell to 6.5% YoY in January 2016 from 6.8% YoY in December 2015, largely driven by a deceleration in the inflation for food and non-alcoholic beverages (up 10.7% YoY in January 2016 compared with 11.1% YoY in December 2015).

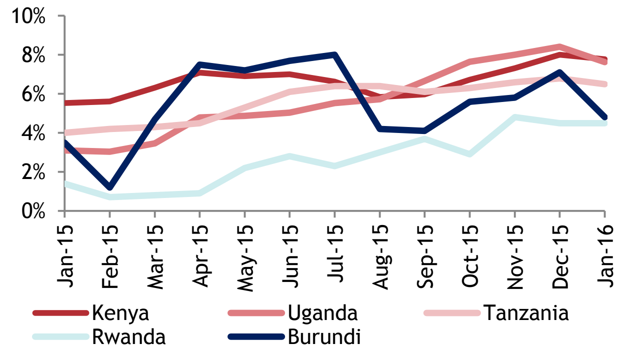
Rwanda

- Rwanda's consumer price index (CPI) was flat at 4.5% YoY in January 2016 compared with December 2015, as the fall in the prices of food and non-alcoholic beverages (up 8.6% YoY in January 2016 vis-à-vis 9.7% YoY in December 2015) was offset by a rise in the prices of housing and utilities (up 3.0% YoY in January 2016 vis-à-vis 2.9% YoY in December 2015) and transport (up 4.1% YoY in January 2016 vis-à-vis 2.4% YoY in December 2015).

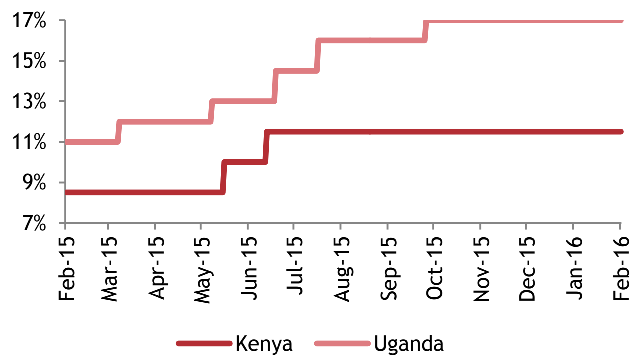
Burundi

- Inflation in Burundi fell to 6.3% YoY in January 2016 from 7.1% YoY in December 2015, primarily driven by a deceleration in food and non-alcoholic beverage prices (up 9.6% YoY in January 2016 compared with 11.7% YoY in December 2015), although it was partially offset by a rise in the prices of fuels and utilities (up 1.2% YoY in January 2016 compared with 0.1% YoY in December 2015)

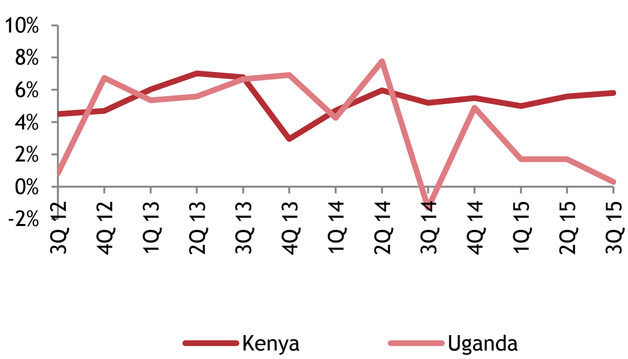
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Kenya and Uganda (YoY)



Source: Bloomberg, individual news websites, respective central banks

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ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

Rest of Sub-Saharan Africa

Nigeria

- Nigeria's CPI was marginally flat at 9.6% YoY in January 2016, mainly driven by the prices of food and non-alcoholic beverages, alcoholic beverages, clothing, and footwear remaining flat. The food subindex remained steady at 10.6% YoY in January 2016, similar to December 2015. The core subindex marginally rose to 8.8% YoY in January 2016 from 8.7% in December 2015.
- Nigeria's foreign exchange reserves stabilized at US$27.8bn, driven by slow recovery in global oil prices and capital control restrictions introduced to arrest the fall in currency. Currently, foreign exchange reserves are sufficient for 10 months of imports.

Angola

- Angola's CPI increased to 17.3% YoY in January 2016 from 14.3% YoY in December 2015. Inflation continued its upward trajectory, with prices rising 3.4% MoM in January vis-à-vis a 1.6% MoM in December.

Ghana

- Consumer inflation inched up to 19.0% YoY in January 2016 from 17.7% YoY in December 2015, primarily led by an increase in the prices of food and non-alcoholic beverages (up 8.2% YoY in January 2016 from 8.0% YoY in December 2015). Non-food inflation also rose to 25.5% YoY in January 2016 from 23.3% YoY in December 2015, primarily driven by an increase in the prices of housing, water, electricity, gas, and other fuels (45.5% YoY in January 2016 compared with 24.3% YoY in December 2015), driven by an increase in electricity and water prices announced by Public Utilities Regulatory Commission in December 2015.

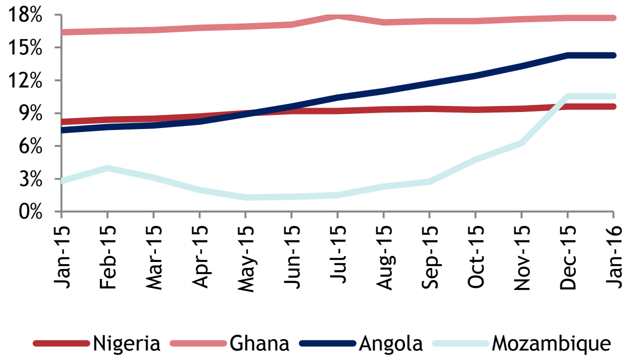
Mozambique

- Consumer inflation sharply rose to 11.3% YoY in January 2016 from 10.6% YoY in December 2015, primarily due to a 4.0% MoM rise in the cost of food and non-alcoholic drinks.
- In February 2016, Bank of Mozambique raised the benchmark interest rates by 100 basis points to 10.75% from 9.75% in January 2016 (highest recorded interest rate since September 2012).

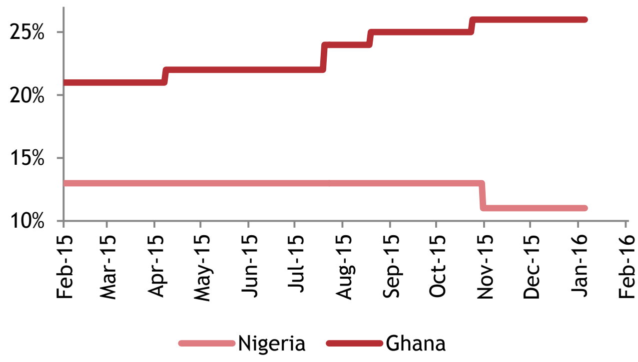
Ivory Coast

- Ivory Coast's CPI sharply fell to 0.3% YoY in January 2016 from 1.3% YoY in December 2015, as reported by the National Statistics Office. In January 2016, the prices of food and soft drinks rose 2.0% YoY, while housing and utilities, and transport costs fell 0.7% YoY and 0.7% YoY, respectively.

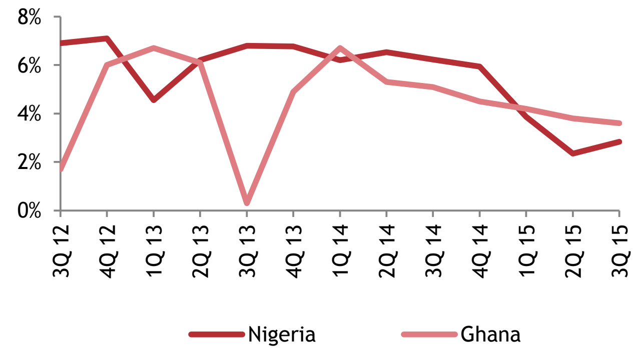
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Nigeria and Ghana (YoY)



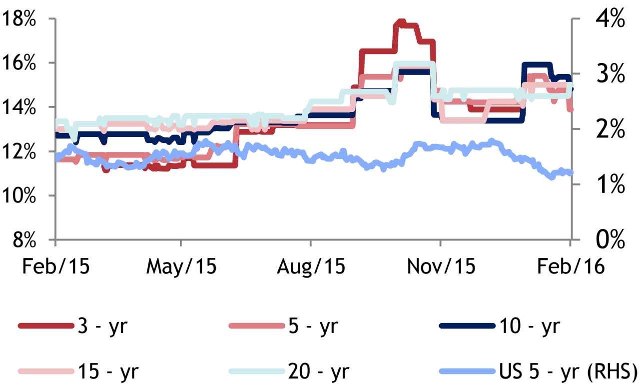
Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: BOND MARKETS

Kenya

- In February 2016, yields on Kenyan bonds fell across most tenors. The yields on 3-, 5- and 10-year bonds fell 239 bps, 152 bps and 109 bps, respectively. The yields on 15-year bonds were flat, while the yields on 20-year bonds rose 50 bps in February 2016.
- Bond yields fell as the Kenyan government sought to reduce its spending in order to cap its deficit at ~6.9% in the next fiscal, compared to 8.1% expected in current fiscal. The government has also decided to reduce its domestic borrowing by a quarter and has decided to replace the same with overseas borrowings.
- On 24 February 2016, CBK, on behalf of the government, auctioned five-year, 13.19% bonds due in June 2020 and 10-year, 12.71% bonds due in June 2022. The bank received bids worth KES 29.69 bn and made allotments worth KES 12.81 bn for the five-year bonds and received bids worth KES 26.83 bn and made allotments worth KES 17.48 bn for the 10-year bonds.
- The FTSE NSE Kenyan Shilling Government Bond Index fell 0.15% MTD and 1.35% YTD on 24 February 2016.

Bond yields daily movement



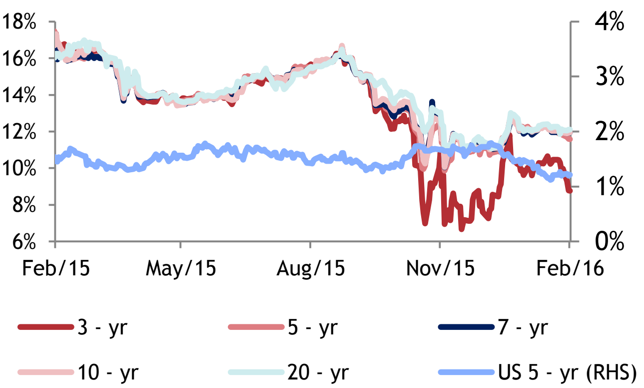
Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
24-Feb yield (%)	13.5%	13.9%	14.8%	15.0%	15.0%
Chg from 1-Feb 16 (bps)	239	152	109	0	-50
Chg from 1-Jan 16 (bps)	34	31	-143	-75	-25

Nigeria

- In February 2016, yields on Nigerian bonds fell for almost all tenors. The yields on 3-, 5-, 7-, 10-, and 20-year bonds fell 126 bps, 57 bps, 13 bps, 14 bps, and 3 bps, respectively.
- Bond yields in Nigeria decreased across tenors, mainly driven by the liquidity boost provided by the central bank (around NGN 234 bn) through open market operations. Furthermore, the expectation that consolidation of government funds and payments through a single account would help reduce corruption and borrowings provided further support to the yields.
- In February 2016, the government auctioned 10-year, 12.39%, February 2026 bonds worth NGN 50.0 mn and five-year, 12.19%, February 2020 bonds worth NGN 40.0 mn. The government received subscriptions worth NGN 122.66 mn for the five-year bonds and NGN 111.60 mn for the 10-year bonds.

Bond yields daily movement



Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
24-Feb yield (%)	8.8%	11.6%	11.9%	12.0%	12.1%
Chg from 1-Feb 16 (bps)	126	57	13	14	3
Chg from 1-Jan 16 (bps)	-32	-65	-85	-84	-93

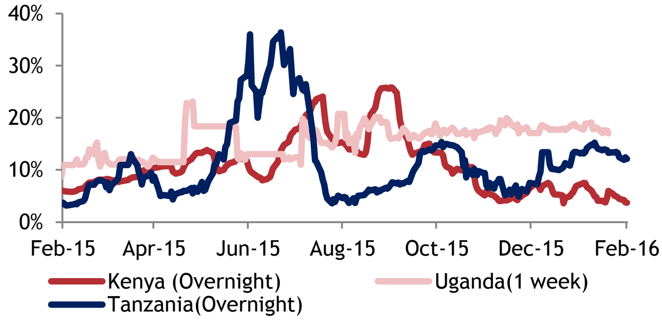
Source: Bloomberg, individual news websites

MONEY MARKETS

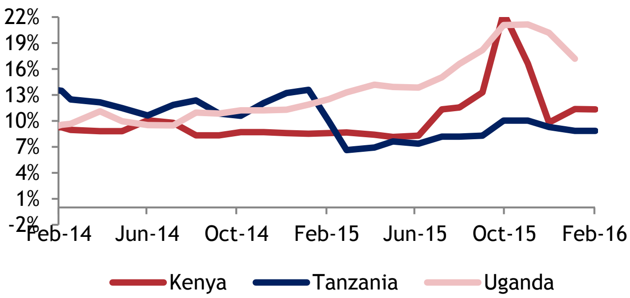
East African Community

- Kenya's interbank rate fell to 3.7% on February 24, 2016, from 6.0% at the beginning of the month, due to high liquidity in the markets forcing CBK to mop up excess liquidity using three-day repurchase agreements. Uganda's interbank rate fell to 17.3% on 12 February 2016 from about 18.0% at the beginning of the month due to increased liquidity in the interbank market.

Interbank Rates



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



3-month Currency Deposit and T-bill Rates (Feb 2016)

	Kenya	Tanzania	Uganda
3-m curr dep	7.6%	10.6%	18.8%
91-d/3-m T-bill	11.3%	8.8%	21.0%

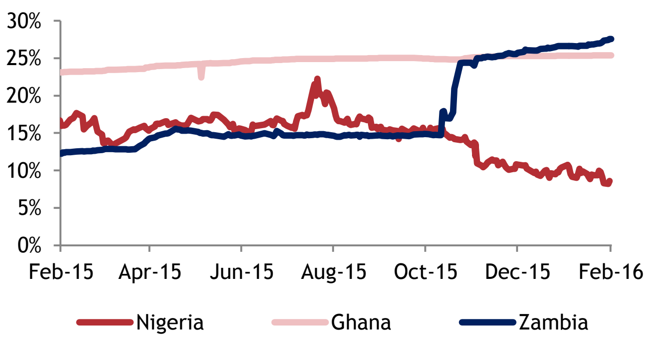
Policy and Average Interbank Rates (Feb 2016)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	11.5%	12.0%	17.0%
Interbank	3.7%	12.1%	17.0%

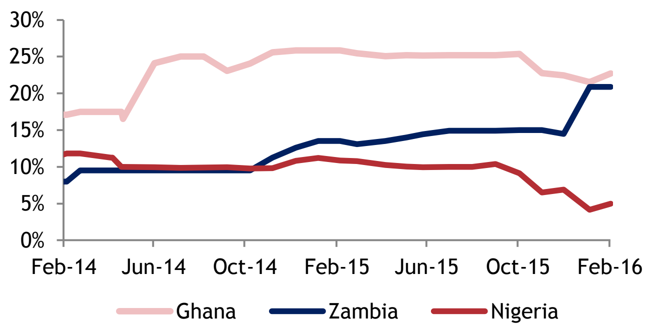
Rest of Sub-Saharan Africa

- Nigerian Interbank Offered Rate (NIBOR) fell to 8.60% on February 24, 2016 (after touching 10.22% on February 3, 2016), from 9.03% at the start of the month. Interbank rates fell mainly in the latter part of the month, as the cash injection from central bank through retired matured treasury bills boosted liquidity. In Ghana, the interbank rate was flat at 25.4% on February 24, 2016, compared with that at the beginning of the month, as the central bank maintained the benchmark interest rates flat at 26%.

Interbank Rates



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



3-month Currency Deposit and T-bill Rates (Feb 2016)

	Nigeria	Ghana	Zambia
3-m curr dep	10.8%	26.0%	40.6%
91-d/3-m T-bill	5.0%	22.7%	20.9%

Policy and Average Interbank Rates (Feb 2016)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	11.0%	26.0%	15.5%
Interbank	8.6%	25.4%	27.6%

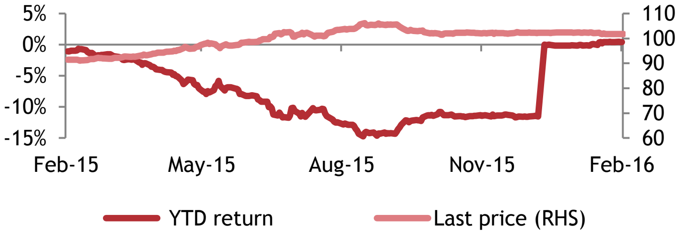
Source: Bloomberg, individual news websites, respective central banks.

CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

Kenyan Shilling (KES)

- The Kenyan shilling rose against the US dollar to settle at KES 101.8 on February 24, 2016. The currency rose 0.5% MTD and 0.4% YTD.
- The shilling strengthened in February 2016, led by strong dollar inflows from non-governmental organizations (NGOs) and weak dollar demand from sectors such as manufacturing and energy.
- The shilling is expected to gain in the short term on account of strong inflows from tea and tourism and weak dollar demand. In the long term, the Kenyan treasury forecasts a stable shilling.

USD/KES Daily Movement

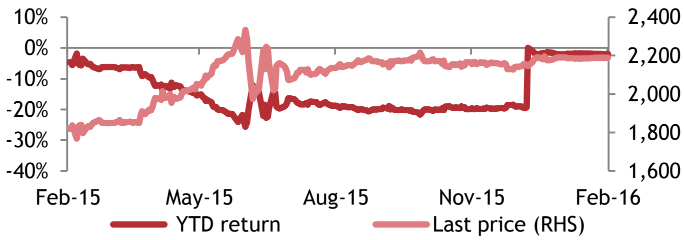


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	102.0	101.8	102.4	101.8	0.5%	0.4%
EUR	113.6	112.2	115.5	111.5	-0.7%	-1.0%

Tanzanian Shilling (TZS)

- The Tanzanian shilling was relatively flat against the US dollar in February, settling at TZS 2,188.0 on February 24, 2016. The currency fell 0.1% MTD and 2% YTD.
- The shilling was stable against the US dollar in February 2016 due to weakness in the demand and supply of dollars.
- The shilling is expected to remain stable in the short term, supported by dollar inflows. However, it is expected to undergo slow depreciation in the long run. Furthermore, the central bank of Tanzania expects the shilling to stabilize near current levels in 2016.

USD/TZS Daily Movement

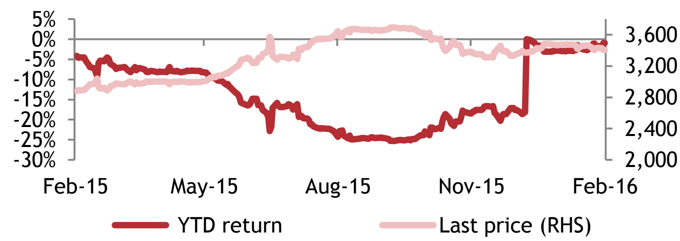


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,186.3	2,188.0	2,189.0	2,183.0	-0.1%	-2.0%
EUR	2,433.6	2,409.8	2,473.7	2,379.0	-1.3%	-3.4%

Ugandan Shilling (UGX)

- The Ugandan shilling strengthened against the US dollar, settling at UGX 3,405.0 on February 24, 2016. The currency gained 2.0% MTD and fell 1.0% YTD.
- The Ugandan shilling gained against the dollar in February 2016, primarily due to strong dollar inflows from the sale of treasury bonds to offshore investors and weak import demand.
- The shilling is expected to weaken in the short term, as the demand for US dollar picks up after the general elections. However, the shilling is forecast to depreciate in a stable manner in 2016.

USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3,442.1	3,405.0	3,475.0	3,403.0	2.0%	-1.0%
EUR	3,825.8	3,755.5	3,909.8	3,749.7	0.7%	-2.5%

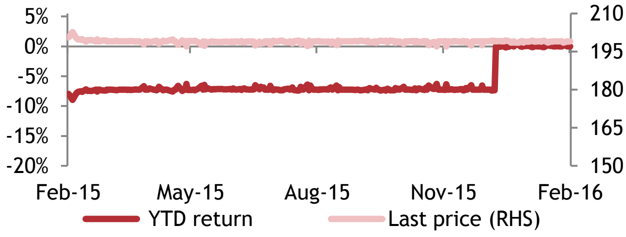
Source: Bloomberg, individual news websites

CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

Nigerian Naira (NGN)

- The Nigerian naira was flat against the US dollar to settle at NGN 199.1 on February 24, 2016. The naira was flat on MTD and YTD bases.
- Naira weakened to NGN 360 in the parallel market against the US dollar, although it traded at about NGN 199.1 against the US dollar as per the official exchange rate. The depreciation on the parallel market was mainly driven by hoarding and speculative activities of currency traders.
- The Nigerian government and central bank hardened their stance against devaluation, citing hyper-inflation risks in the domestic economy in the event of devaluation. However, calls for devaluation of naira are growing amid falling foreign exchange reserves.

USD/NGN Daily Movement

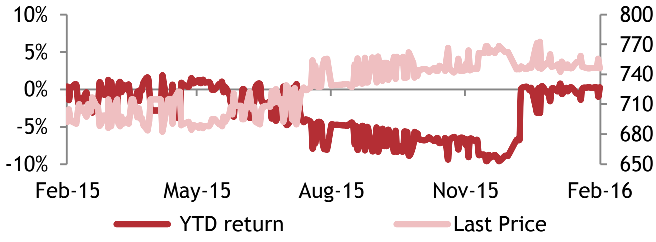


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	199.0	199.1	199.3	198.5	0.0%	0.0%
EUR	221.5	219.2	225.3	216.7	-1.1%	-1.4%

Rwandan Franc (RWF)

- The Rwandan franc was relatively flat against the US dollar to settle at RWF 746.0 on February 24, 2016. The currency rose 0.1% MTD and was flat on YTD basis.
- The franc fell in the retail market, mainly driven by speculative trading before the market was stabilized by central bank announcement to sell five-year Treasury bond worth RWF 15 billion in February 2016.
- To conserve foreign exchange reserves and support the domestic currency, Rwanda is targeting a reduction in imports. It also seeks to increase the productivity of agriculture production to boost exports.

USD/RWF Daily Movement

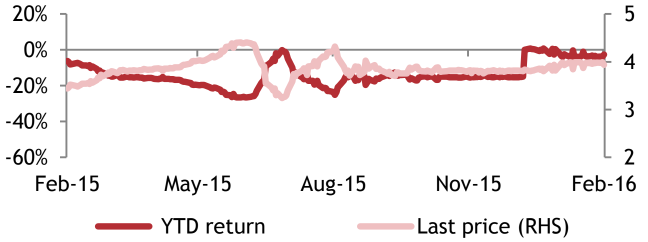


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	748.8	746.0	758.5	746.0	0.1%	0.3%
EUR	832.6	821.6	852.6	812.8	-1.1%	-1.1%

New Ghanaian Cedi (GHS)

- The Ghanaian cedi strengthened against the US dollar to GHS 3.9 on February 24, 2016. The currency rose 1.3% MTD but fell 2.7% YTD.
- The cedi was firm against the US dollar, led by strong dollar sales by mining firms and improving market sentiment.
- The cedi is expected to be supported in the short term by dollar inflows from mining firms. However, it could depreciate in the medium to long term, driven mainly by high demand for US dollars for imports and foreign debt repayment.

USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	4.0	3.9	4.0	3.8	1.3%	-2.7%
EUR	4.4	4.3	4.5	4.3	0.1%	-4.6%

Source: Bloomberg, individual news websites

SPECIAL FOCUS

Enhancing competitiveness in Sub-Saharan Africa: Need of the hour

Most SSA economies rank low on GCI

The Sub-Saharan Africa (SSA) economy continues to expand steadily. Despite growing at an average rate of 5.3% over the past decade, the region remains highly uncompetitive, with 15 SSA countries ranking among the 20 least competitive economies. As per the World Economic Forum (WEF)'s 2015–16 GCI ratings, Mauritius (46 among 140 countries), South Africa (49) and Rwanda (58) are the only SSA nations to rank in the top half of the index. Although there has been a reasonable progress in implementing market reforms to enhance efficiency, particularly in the goods market, the region is still characterised by weak institutions, poor infrastructure and inadequate health and education sector reforms.

Competitiveness necessary for sustainable growth

SSA nations need to improve their competitiveness for achieving sustainable economic growth and ensuring job creation amid a lacklustre global economy. Moreover, a steep decline in commodity prices, particularly crude oil, have resulted in increased pressure on commodity-exporting countries, such as Nigeria and Angola, to bolster competitiveness-enhancing reforms for further industrialisation and diversification of their economies away from commodity exports. Net importers of commodities such as Kenya and Uganda also need to bolster competitiveness to ensure stable growth.

Factors responsible for deterioration of competitiveness

In the 2015–16 edition of The Global Competitiveness Report by WEF, Kenya ranked 99, compared with 90 an year ago. The sharp drop in its ranking was due to a significant deterioration in key parameters, including institution building, infrastructure development, goods market efficiency, financial market development, technological readiness and business sophistication. Furthermore, corruption remains a hindrance to ease of doing business in the country. In addition to ensuring improvement in these factors, Kenya needs to focus on parameters such as ease of doing business, health and education (it currently ranks 114 among 144 countries on the Health and Primary Education parameter). However, in spite of the decline witnessed during the past months, financial market development remains one of Kenya's strongest pillars, along with labour market efficiency and innovation.

Uganda's rating has continuously improved over the last three years (129 in 2013–14; 122 in 2014–15; and 115 in 2015–16), mainly driven by improvements across institution building, macro-economic environment and innovation.

Nigeria's rank rose to 124 in 2015–16 from 127 in 2014–15, driven by advances in institution building, health and primary education. However, its macro-economic environment deteriorated owing to drop in global oil prices. The country needs to focus on infrastructure development, education, labour laws and financial sector reforms to improve its ranking.

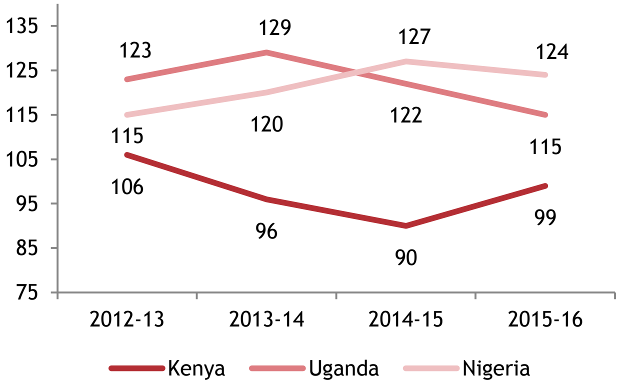
Historically, efforts to remain competitive have led the SSA nations to increase their investments in infrastructure and technology by depending primarily on imports for their infrastructural requirements. This, in turn, put pressure on macro-economic indicators such as current account deficits, government borrowings, inflation and local currencies.

Reforms required to restore competitiveness

Reforms have to be undertaken in a combination of short-term macroeconomic measures and long-term policies to capture the region's considerable scope for improvement in competitiveness. In the short term, the governments need to focus on maintaining stability in their key macro-economic indicators using sustainable imports and ensuring a stable rate of depreciation of their currencies. In the long term, these governments need to take measures to develop infrastructure and institutions, build human resources and liberalise their trade and economy.

Sustaining competitiveness over the long term is the biggest challenge for any economy. For an efficient economy, stable institutions and strong political, legal and social frameworks are the key factors for sustaining its competitiveness in the longer term.

Global Competitiveness Index ranks 2012-2016 (Source: WEF)



Note:
GCI 2012-13 ranks out of 144; GCI 2013-14 ranks out of 148
GCI 2014-15 ranks out of 144; GCI 2015-16 ranks out of 140

Source: World Economic Forum (WEF), Individual news websites

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AUCTIONS AND EVENTS

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

Uganda's Latest Issuance: 3-yr and 5-yr Bonds (February 2016)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
25 Feb	3-yr	90.00 bn	4.77	18.62%	18.63%
25 Feb	5-yr	100.00 bn	1.00	18.34%	18.38%
Details of issuances in January					
27 Jan	2-yr	60.00 bn	1.08	23.59%	20.00%
27 Jan	5-yr	135.66 bn	1.02	21.20%	20.00%

1 USD = 3,442.1 UGX (average for February 2016)

Tanzania's Latest Issuance: 5-yr and 10-yr Bonds (February 2016)

Issue Date	Maturity	Amt (TZS)	Bid/Offer	YTM	WACY*
3 Feb	10-yr	53.36 bn	1.57	18.82%	17.00%
17 Feb	5-yr	28.00 bn	NA	18.79%	NA
Details of issuances in January					
6 Jan	2-yr	20.75 bn	1.00	17.29%	9.25%
20 Jan	7-yr	57.36 bn	1.28	16.23%	NA

**Weighted average coupon yield; 1 USD = TZS 2,186.3 (average for February 2016)*

Ghana's Latest Issuance: 1-yr and 2-yr Notes (February 2016)

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int. rate
5 Feb	2-yr	224.19 mn	FXR Note	1.45	24.05%
12 Feb	1-yr	57.65 mn	FXR Note	NA	23.00%
Details of issuances in January					
7 Jan	3-yr	373.23 mn	FXR Note	1.14	24.75%
8 Jan	2-yr	21.41 mn	FXR Note	1.11	23.00%
15 Jan	1-yr	9.51 mn	FXR Note	1.00	23.00%
29 Jan	1-yr	12.88 mn	FXR Note	1.00	23.00%

**Fixed rate; 1 USD = 4.0 GHS (average for February 2016)*

Kenya's Latest Issuance: 5-yr and 10-yr Bonds (February 2016)

Issue Date	Maturity	Amt Bid (KES)	Amt Acpt (KES)	MWAR*	Coupon
24 Feb	5-yr	29.69 bn	12.81 bn	14.30%	13.19%
24 Feb	10-yr	26.83 bn	17.48 bn	14.04%	12.71%
Details of issuances in January					
20 Jan	2-yr	30.39 bn	20.16 bn	16.18%	15.76%
20 Jan	10-yr	5.9 bn	4.0 bn	16.59 %	12.37%

**Market weighted average rate; 1 USD = 102.0 KES (average for February 2016)*

Upcoming Bond Auctions and Monetary Policy Meetings

- **2 March 2016:** Tanzania to sell bonds

- **Monetary policy meetings** are scheduled to be held on:
  - **14 March 2016** (Central bank of Kenya)
  - **21 March 2016** (Central bank of Ghana)
  - **23 March 2016** (Central bank of Angola)

Source: Bloomberg, individual news websites, respective central banks

KIMONDO'S CORNER

Review of Rwanda Economy Performance in 2015

Rwanda's economy grew by 6.9% last year, raking in Rwf. 5,837 Bn. ($ 7.71 Bn.), up from Rwf. 5,395 Bn. ($ 7.13 Bn.) in 2014 as measured by Growth Domestic Product (GDP). The 2015 growth is slightly lower than the 7% that was registered in 2014.

The services sector contributed 47% of GDP while the agriculture sector contributed 33%. These statistics indicate that output of industry and service sectors grew by 7% respectively, whereas the agriculture sector which employs more 70% of the population grew by only 5%. In agriculture, export crops growth was 13% mainly boosted by coffee whose output increased by about 10%.

The private sector remains the biggest final consumer of expenditure standing at 78% of the GDP in 2015 while government final consumption expenditure was at 12%.

In 2015, negative developments on the international market like weak demand on account of slow growth in major economies such as China, weakened commodity prices which saw the value of Rwanda's exports dropping by almost 8% with minerals being the most hurt. As a result, Rwanda's trade deficit slightly reduced by 0.87% to $1.63 Bn, from $1.64 Bn recorded in the same period last year.

Rwanda's trade with East Africa region reduced on both exports and import fronts. Exports to the region dropped by 18.8% to $107.5 million in the first 11 months of the year, from $132.3 million over the same period last year while imports dropped by 8.9%.

According to World Bank economic update report on Rwanda there was significant fluctuation of gross international reserves whose level fell from US$1.1 Bn in December 2013 to US$0.7 Bn in August 2015 before recovering to US$0.9 Bn in December 2015. This was caused by depreciating Rwanda Franc due to the strengthening of the US dollar drastically impacting Rwanda's international reserves.

Rwanda economy benefited from decline in international commodity prices since it's a net importer of oil. Trade balance of commodities (coffee, tea, minerals, re-exports and energy products combined) improved by 25% in 2015. The decline in mineral exports was mostly compensated by the decline in energy imports. A fall in oil prices has contributed to stable inflation rate.

The World Bank projects Rwanda's economic growth will slow down to 6.8% in 2016 underpinned by volatile franc, sluggish mineral exports and slow budget implementation. The franc is likely to be volatile due to strengthening US dollar due to anticipated hike of key rate by Reserve Bank of US. The delayed execution of the budget and inadequate financing for development, on the domestic front, are also likely to slow down the economy.

According to World Bank, despite the steady growth and macroeconomic stability in 2015, downside risks have been increasing, both externally and domestically. Furthermore growth in China is projected to reduce further, keeping up a three-year consecutive drop; from 7.3% in 2014, 6.8% and 6.3% projected for 2015 and 2016 respectively which means demand for commodities such as minerals will remain low, thereby impacting Rwanda export revenues.

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