

## HIGHLIGHTS

### Key Movements in Fixed Income and Currency Markets in June 2017

- In June 2017, bond yields in Kenya increased on 3- and 20-year tenure, however yields on 5-, 10- and 15-year bonds registered a decline. Whereas, in Nigeria yields on 3- and 5-year Nigerian bonds increased, and 7-, 10-, 20-year bonds registered a decline in yields.
- In June 2017, most currencies depreciated against the US dollar except Uganda and Nigeria. The Kenyan shilling depreciated to KES 103.7 against the US dollar, primarily due to increased dollar demand from oil exporters. The Ugandan shilling appreciated to UGX 3,588.9 per dollar mainly due to reduced dollar demands from corporates. The Nigerian naira appreciated to reach NGN 314.8 per dollar, mainly based on the central banks effort to boost liquidity in the foreign exchange market. The Tanzanian shilling depreciated marginally at TZS 2,240.9 against the US dollar based on increased demand for greenbacks from importers. The Ghanaian cedi depreciated against the US dollar to GHS 4.4, mainly due to strong dollar demand from corporates. (refer to pages 7 and 8 for details).
- Among the money markets, interbank rates in Uganda, Tanzania and Nigeria declined to 11.1%, 5.3%, and 21.6% respectively, while interbank rates in Kenya increased to 4.8% towards the end of June 2017 (details on page 6).

#### June Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
<b>Kenya 30-Jun yield (%)</b>	12.4%	12.2%	13.3%	14.3%
<b>Chg from 1-Jun 17 (bps)</b>	-4	82	28	-20
<b>Nigeria 30-Jun yield (%)</b>	16.6%	16.4%	16.1%	16.0%
<b>Chg from 1-Jun 17 (bps)</b>	-13	-4	10	5

#### Movement of Key Currencies versus US Dollar in June 2017

	Average	End Value	MTD	YTD
<b>Kenyan Shilling</b>	103.5	103.7	-0.3%	-1.2%
<b>Ugandan Shilling</b>	3,589.6	3,588.9	0.2%	-0.3%
<b>Nigerian Naira</b>	322.5	314.8	0.6%	0.0%
<b>Tanzania Shilling</b>	2,237.3	2,240.9	-0.2%	-2.8%
<b>Ghanaian Cedi</b>	4.4	4.4	-2.2%	-2.2%

### Kimondo's Corner

#### Nairobi Securities Exchange Continues to Rebound

- As at the beginning of 2017, the Nairobi Securities Exchange was rated by the Bloomberg as the worst performing stock exchange.
- Immediately after the interest rate cap in August 2016, the banking sector securities recorded a huge decline.
- For the period January to June 2017, the NSE has risen 15.9%.
- There has been some election jitters with some for the August 2017 scheduled general election, with some of these investors adopting a wait and see attitude.
- The NSE is currently trading at a PE ratio of 11.5X, compared to a historical average of 13.4x, and a dividend yield of 5.5%, compared to a historical average of 3.8%. (details on page 11).

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Source: Bloomberg and respective central banks

### Fusion Portfolio Management Service

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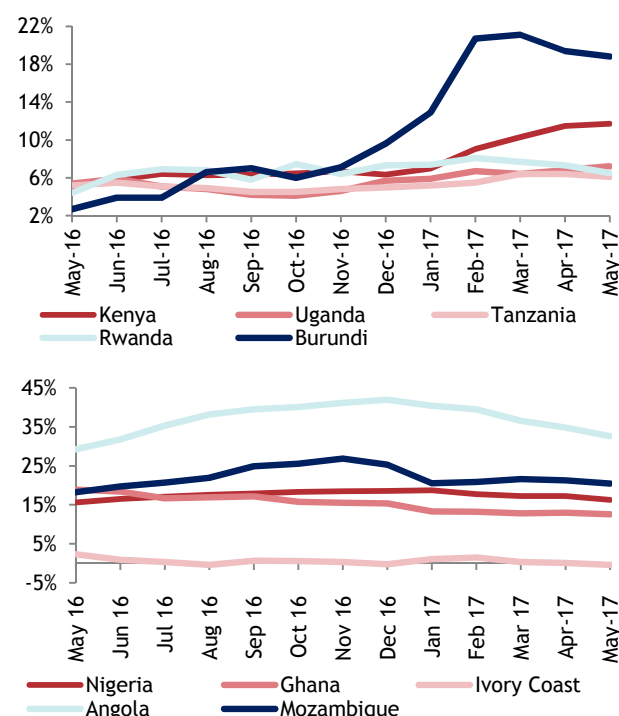


## HIGHLIGHTS

### Activity Across Africa: Economy and Politics

- The IMF has predicted SSA's economy to recover to 2.6% in 2017, mainly due to expectations of recovery in oil production in Nigeria and higher public spending ahead of elections in Angola. The World Bank also predicted SSA's economy to further rise to 3.2% and 3.5% in 2018 and 2019 respectively.
- In June 2017, the central banks in **Kenya, Nigeria, and Ghana** did not change their benchmark interest rates. Most of these countries are trying to prevent their currencies from depreciating further by maintaining high benchmark rates. However, the central bank of **Uganda** reduced its key rate to boost economic growth.
- In May 2017, inflation declined in most of the SSA countries, except in **Kenya and Uganda**. In Kenya inflation increased to 11.7% YoY in May 2017 from 11.5% YoY in April 2017, due to an increase in food and non-alcoholic beverages cost. In **Uganda**, inflation increased to 7.2% YoY in May 2017 from 6.8% YoY in April 2017, primarily due to an increase in annual food crops and core inflation. In **Tanzania**, inflation declined to 6.1% YoY in May 2017 from 6.4% in April 2017, primarily due to a decline in prices food and non alcoholic beverages. In **Nigeria**, CPI declined to 16.3% YoY in May 2017 from 17.2% YoY in April 2017, mainly driven by slower growth in food and non-alcoholic beverages, and favourable base effects over 2016. In **Ghana**, consumer inflation fell to 12.6% YoY in May 2017 compared with 13.0% YoY in April 2017. In **Mozambique**, Consumer inflation eased to 20.5% YoY in May 2017 from 21.3% YoY in April 2017, primarily due to slower growth in housing and utilities and alcoholic beverages prices (details on pages 3 and 4).

#### Inflation (YoY)



### Impact of 2017 General Elections on Kenyan Economy

Elections in Kenya have led to turmoil on various occasions in the past. The 2017 Kenyan general elections are slated to be held on August 8, 2017, with President Uhuru Kenyatta seeking re-election for the second and final five-year term.

The Kenyan economy shrank -0.8% in 1992 when the country's first multi-party elections were held, and expanded merely 0.5% in the 1997 and 2002 elections. However, the economy advanced 7.0% in 2007 and 5.9% in 2013, a trend reversal credited to optimism over electoral and governance reforms under a new constitution instituted in 2010. The 2017 elections could have the following implications on the economy.

- Key sectors such as tourism, agriculture, manufacturing, transport, retail, and finance are at risk of a slowdown in investments, however, the economy could maintain growth momentum based on increased infrastructure investment by the government.

- President Uhuru Kenyatta promised to continue his fight against corruption and work towards the development of the neglected parts of the economy. This would improve not only the ease of doing business in the country but also investor confidence. Electoral candidates promote ways to increase youth employment, which would be vital in stimulating the economy going forward.
- Experts predicted the 2017 elections to conclude peacefully with some intermittent disturbances compared with the last elections when the constitution went through a metamorphosis with devolution being a crucial outcome.
- Kenya's economy has the potential to grow and elections could potentially impact industries like agriculture and manufacturing. If the government increases investment in these industries and introduces favorable policies, it may lead to increased job creation and thereby improve the country's future.

Source: Individual News websites

## ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

### East African Community

#### Kenya

- Inflation in Kenya rose to 11.7% YoY in May 2017 from 11.5% YoY in April 2017, which is above the government's mid-term target range of 2.5-7.5%. The increase was primarily due to the persistent drought condition, which drove up food and non-alcoholic beverages cost (up 21.5% YoY in May 2017 vis-à-vis 20.9% YoY in April 2017).
- Kenya's GDP growth slowed to 4.7% YoY in Q1 2017 vis-à-vis 5.9% YoY in Q1 2016, primarily due to drought, which emerged from the failure of 2016 short rains and delay in the onset of 2017 long rains.

#### Uganda

- The rebased consumer price index (CPI) rose to 7.2% YoY in May 2017, from 6.8% YoY in April 2017. The increase was primarily due to an increase in annual food crops inflation (up 23.1% YoY in May 2017 vis-à-vis 21.6% YoY in April 2017) and increase in annual core inflation (up 5.1% YoY in May 2017 vis-à-vis 4.9% YoY in April 2017). The food crops inflation was impacted by an increase in the prices of vegetables (up 15.5% YoY in May 2017 vis-à-vis 14.0% YoY in April 2017), while core inflation was impacted by an increase in other goods inflation (up 5.6% YoY in May 2017 vis-à-vis 5.1% YoY in April 2017).
- The Central Bank of Uganda cut its lending rate to 10.0% from 11.0% on 19 June 2017, based on a stable shilling and subdued domestic demand in the economy.

#### Tanzania

- Tanzania's annual headline inflation eased to 6.1% YoY in May 2017, from 6.4% YoY in April 2017. The decrease can be largely attributable to a decline in prices food and non alcoholic beverages (down to 11.6% YoY in May 2017 vis-à-vis 11.8% YoY in April 2017).

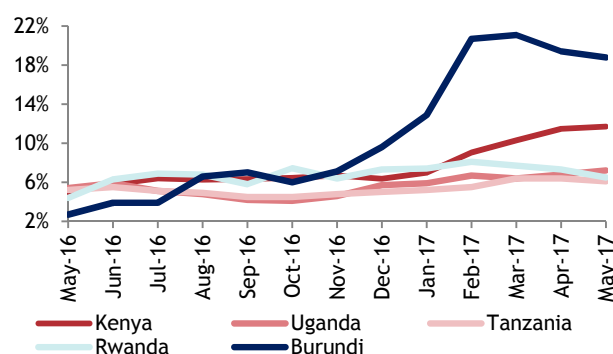
#### Rwanda

- Rwanda's Urban CPI fell to 6.5% YoY in May 2017 from 7.3% YoY in April 2017. The decrease can be largely attributed to a decline in prices of food and non-alcoholic beverages (down to 14.3% YoY in May 2017 vis-à-vis 15.8% YoY in April 2017).

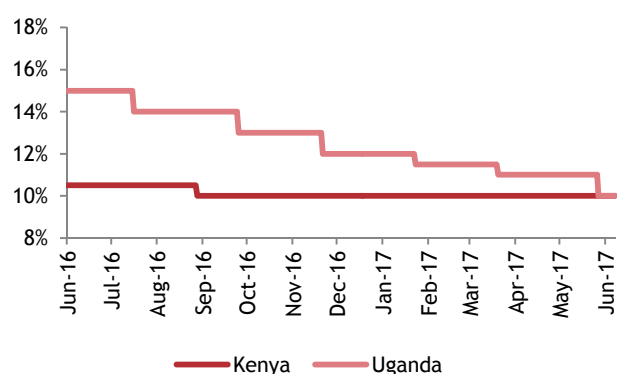
#### Burundi

- Inflation in Burundi fell to 18.8% YoY in May 2017 from 19.4% YoY in April 2017, as growth in food inflation fell to 27.8% YoY in May 2017, as compared with 30.2% YoY in April 2017.
- The International Monetary Fund (IMF) has forecasted Burundi's GDP growth at zero per cent for the year based on the persistent drought condition.

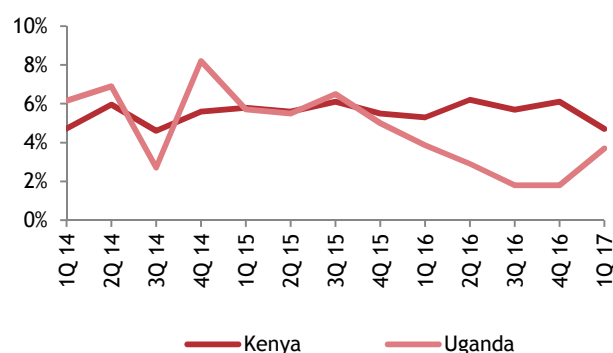
#### Inflation (YoY)



#### 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

- The CPI eased to 16.3% YoY in May 2017 from 17.2% YoY in April 2017, representing the fourth consecutive decline since January 2017, mainly driven by slower growth in prices for food and non-alcoholic beverages and favourable base effects over 2016 prices. In May 2017, the Core sub-index eased to 13.0% YoY from 14.8% in April 2017, whereas the urban index eased to 16.3% YoY in May 2017 from 17.6% in April 2017.
- Foreign exchange reserves fell marginally to USD 30.2 Bn as on 30 June 2017 from USD 30.3 Bn in previous month. The decline was primarily due to lower revenues from Nigeria's oil sector.

#### Ghana

- Consumer inflation fell to 12.6% YoY in May 2017 from 13.0% YoY reported in April 2017, mainly due to a decline in prices of food items (down to 6.3% YoY in May 2017 vis-à-vis 6.7% YoY in April 2017) and non-food items (down to 15.8% YoY in May 2017 vis-à-vis 16.3% YoY in April 2017).
- The government of Ghana has announced plans to cut inflation to 11.2% by the end of 2017 as one part of a drive to restore macroeconomic stability under a three-year assistance programme with the IMF.

#### Ivory Coast

- Ivory Coast recorded deflation of -0.4% YoY in May 2017 from 0.1% YoY in April 2017, primarily due to decline in prices for food and soft drinks (3.7% YoY in May 2017) and transport (0.3% YoY in May 2017).

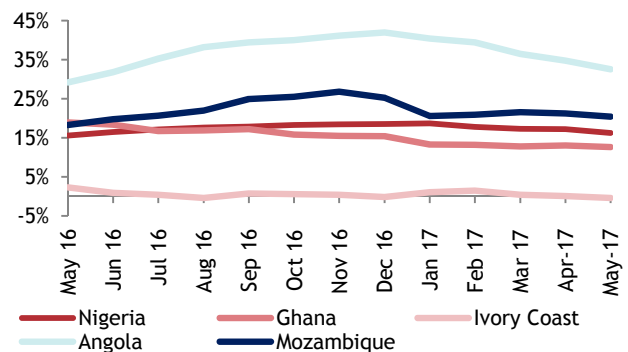
#### Angola

- The CPI maintained its downtrend since January 2017 by easing further to 32.6% YoY in May 2017, from 34.8% YoY in April 2017. Inflation had averaged 37.1% during 2001-07. The Central bank of Angola has maintained its benchmark interest rate at 16.0% in June 2017 in a bid to curb accelerating inflation.
- Angola's budget deficit is projected at 7.3% of GDP for 2017, and is expected to decline to only 6.1% of GDP by 2021, as oil prices, which account for 97% of Angolan exports, is expected to maintain a downward trend, according to Economist Intelligence Unit (EIU).

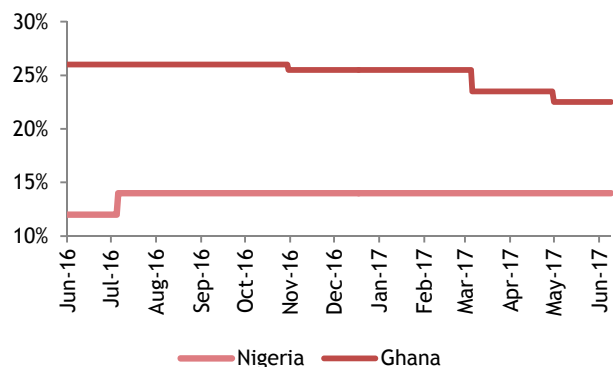
#### Mozambique

- Consumer inflation eased to 20.5% YoY in May 2017 from 21.3% YoY in April 2017, mainly due to slower growth in housing and utilities and alcoholic beverages prices.
- The government of Mozambique has forecasted the GDP to grow by 5.5% in 2017, up from 3.3% in 2016.

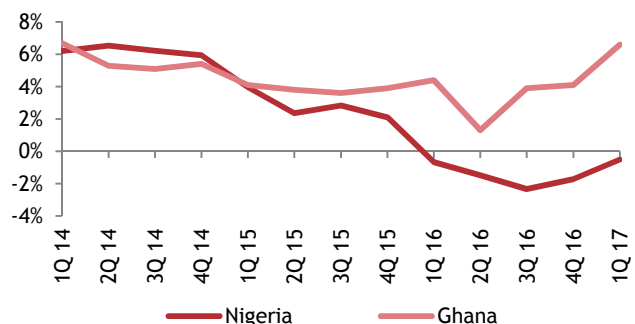
#### Inflation (YoY)



#### Movement of Central Banks' Key Rates



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



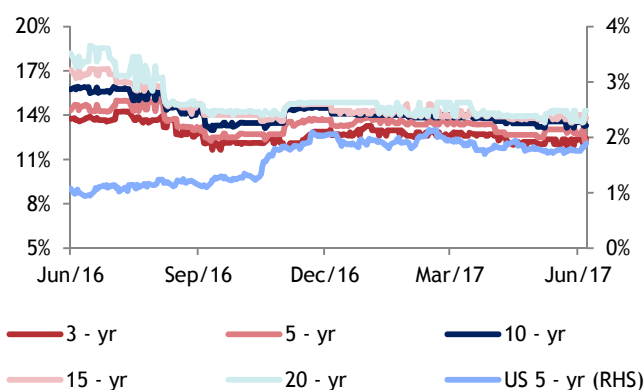
Source: Bloomberg, individual news websites, respective central banks

## ACTIVITY ACROSS AFRICA: BOND MARKETS

### Kenya

- In June 2017, yields on 3- and 20-year bonds registered an increase of 4 bps and 20 bps respectively, while yields on 5-, 10- and 15-year bonds registered a decline of 82 bps, 28 bps and 21 bps.
- The yield on Kenya's benchmark 3- and 20-year bonds increased as government continued to lure investors in a bid to finance its existing infrastructure projects. Yields on 5-, 10- and 15-year bonds declined as a result of high liquidity.
- In June 2017, the government auctioned a 15-yr bond for a total amount of KES 30 Bn. The FXD 2/2007/15 bond is due to mature on June 2022 and carries a weighted average rate of 12.5%, and a coupon rate of 13.5%.
- The government also issued the second tranche of its M-Akiba bond worth KES 1 Bn in June 2017, with another KES 3.9 Bn left to be sold at a later date.
- The government of Kenya announced plans of issuing its debut Islamic bond or Sukuk in FY 2017-18, which would provide an alternative source of financing to the development projects in the country.

#### Bond Yield Daily Movement



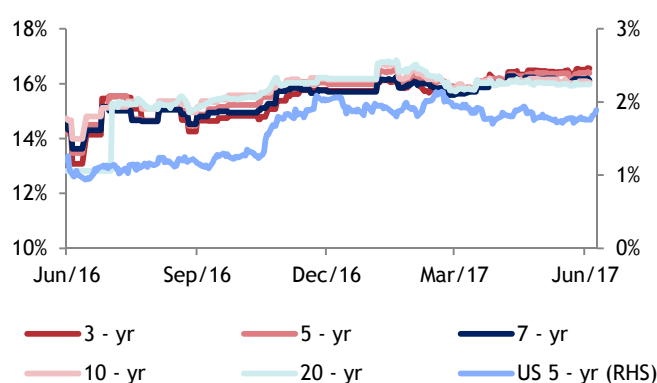
#### Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
<b>30-Jun yield (%)</b>	12.4%	12.2%	13.3%	13.8%	14.3%
<b>Chg from 1-Jun 17 (bps)</b>	-4	82	28	21	-20
<b>Chg from 1-Jun16 (bps)</b>	133	244	257	295	334

### Nigeria

- In June 2017, yields on 3- and 5-year Nigerian bonds increased by 13 bps and 4 bps respectively, whereas yields on 7-, 10-, 20-year bonds registered a decline of 8 bps, 10 bps, 5 bps respectively.
- The yield on Nigerian bonds increased on 3- and 5-year tenor based on government's efforts to lure investors in order to fund its deficit. Yields on 7-, 10-, 20-year bonds declined as investors shifted their interest to the fixed income segment over equities for long-term investments.
- In June 2017, the government launched its first ever Diaspora bond, in a bid to raise funds through Nigerians living abroad. The USD300 Mn 5.6% senior unsecured bond has been rated B+ by Fitch.
- The Central Bank of Nigeria kept its benchmark interest rate unchanged at 14.0%, in a bid to stabilise inflation, which is well above its target range of 6-9%.
- S&P affirmed its rating on Nigeria at 'B/B' with a stable outlook, based on improvement in oil production as well as the expected increase in government expenditure.

#### Bond yields daily movement



#### Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
<b>30-Jun yield (%)</b>	16.6%	16.4%	16.1%	16.1%	16.0%
<b>Chg from 1-Jun 17 (bps)</b>	-13	-4	8	10	5
<b>Chg from 1-Jun16 (bps)</b>	-457	-484	-476	-322	-315

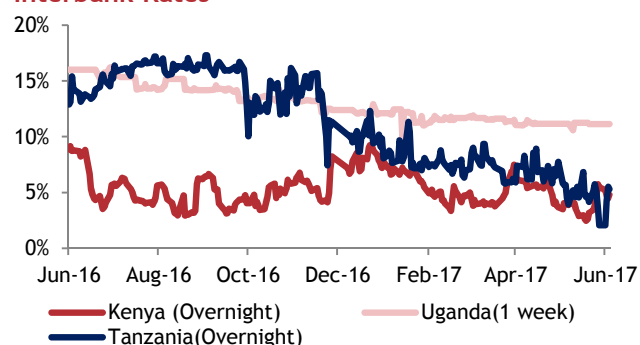
Source: Bloomberg, individual news websites

## MONEY MARKETS

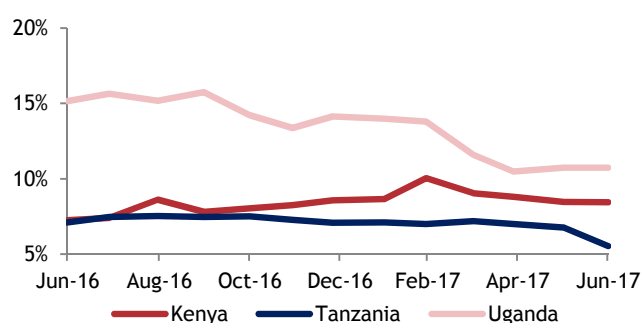
### East African Community

- Interbank rates in Uganda and Tanzania declined to 11.1% and 5.3% respectively on 30 June 2017 from 11.2% and 5.7% respectively at the beginning of the month, indicating improvement in liquidity in the interbank market. Whereas interbank rates in Kenya increased to 4.8% on 30 June 2017 from 3.872% at the beginning of the month, reflecting a decline in liquidity in the interbank market.

#### Interbank Rates



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



#### 3-month Currency Deposit and T-bill Rates (Jun 2017)

	Kenya	Tanzania	Uganda
3-m curr dep	8.0%	10.6%	19.3%
91-d/3-m T-bill	8.4%	5.5%	10.7%

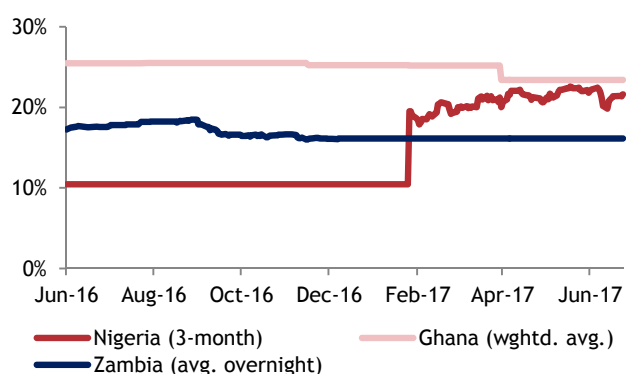
#### Policy and Average Interbank Rates (Jun 2017)

	Kenya (o)	Tanzania (o)	Uganda (1-w)
Policy	10.0%	12.0%	10.0%
Interbank	4.8%	5.3%	11.1%

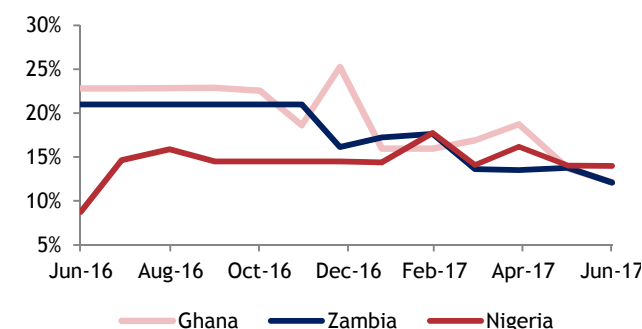
### Rest of Sub-Saharan Africa

- The Nigerian Three-Month Interbank Offered Rate (NIBOR) fell to 21.6% on 30 June 2017 from 22.2% at the start of the month, indicating improvement in liquidity in the interbank market. Whereas, interbank rates in Ghana and Zambia remained flat at 23.4% and 16.2% respectively, throughout the month.

#### Interbank Rates



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



#### 3-month Currency Deposit and T-bill Rates (Jun 2017)

	Nigeria	Ghana	Zambia
3-m curr dep	17.3%	19.1%	27.0%
91-d/3-m T-bill	14.0%	12.1%	12.1%

#### Policy and Average Interbank Rates (Jun 2017)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	14.0%	22.5%	12.5%
Interbank	21.6%	23.4%	16.2%

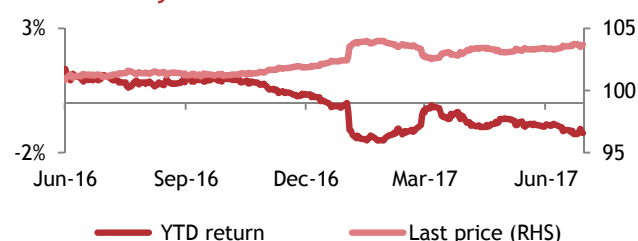
Source: Bloomberg, individual news websites, respective central banks

## CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

### Kenyan Shilling (KES)

- The Kenyan shilling depreciated against the US dollar to KES 103.7 as on 30 June 2017. The currency fell 0.3% on MTD basis and 1.2% on YTD basis.
- The shilling depreciated against the dollar in June 2017, primarily due to an increase in month-end dollar demands from oil and other retail importers.
- The shilling could weaken further over the short-term if dollar demand from importers outweighs inflows from offshore investors buying Kenyan government debt.

#### USD/KES Daily Movement

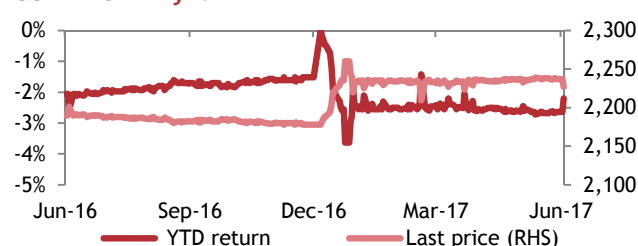


	Avg	End Val	High	Low	MTD (%)	YTD (%)
<b>USD</b>	103.5	103.7	103.7	103.3	-0.3%	-1.2%
<b>EUR</b>	116.4	118.5	118.6	115.3	-2.2%	-5.7%

### Tanzanian Shilling (TZS)

- The Tanzanian shilling depreciated against the US dollar at TZS 2,240.9 as on 30 June 2017. The currency fell 0.2% on MTD basis and 2.8% on YTD basis.
- In June 2017, the domestic currency depreciated against the US dollar due to increased demand for greenbacks from importers.
- The domestic currency is expected to hold steady over the short-term helped by lower demand from oil-importers and manufacturers.

#### USD/TZS Daily Movement

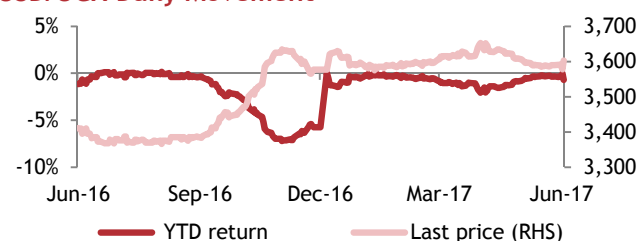


	Avg	End Val	High	Low	MTD (%)	YTD (%)
<b>USD</b>	2,237.3	2,240.9	2,240.9	2,234.9	-0.2%	-2.8%
<b>EUR</b>	2,513.5	2,544.7	2,559.3	2,490.8	-1.5%	-10.4%

### Ugandan Shilling (UGX)

- The Ugandan shilling appreciated against the US dollar to UGX 3,588.9 as on 30 June 2017. The currency rose 0.2% on MTD basis but fell by 0.3% on YTD basis.
- The Ugandan shilling appreciated against the dollar in June 2017 mainly due to decreased dollar demand from commercial banks, energy firms, manufacturers and telecommunication companies.
- The Ugandan shilling may weaken in the coming weeks as the central bank's cutting of its benchmark rate to 10.0% could weaken market's confidence in the local currency.

#### USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
<b>USD</b>	3,589.6	3,588.9	3,597.4	3,578.0	0.2%	-0.3%
<b>EUR</b>	4,034.6	4,102.6	4,109.6	3,996.1	-1.7%	-7.9%

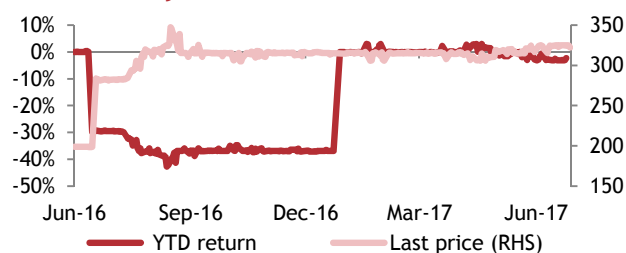
Source: Bloomberg, individual news websites

## CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

### Nigerian Naira (NGN)

- The Nigerian naira appreciated against the US dollar to NGN 314.8 on 30 June 2017 as compared to that at the beginning of the month. The naira rose 0.6% on MTD basis and remained unchanged on YTD basis.
- The naira appreciated in the month of June 2017 based on central banks efforts to boost liquidity in the market.
- The naira is expected to remain steady over the short-term as the central bank is expected to continue its effort to increase dollar supply in the market in order to curb pressure on the local currency.

#### USD/NGN Daily Movement

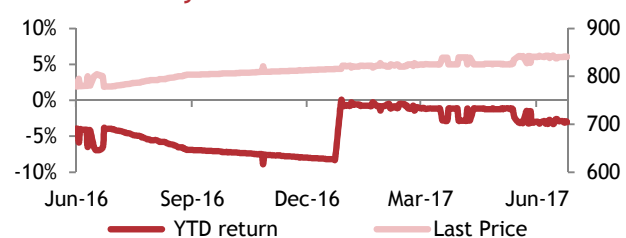


	Avg	End Val	High	Low	MTD (%)	YTD (%)
<b>USD</b>	322.5	314.8	324.8	314.8	0.6%	0.0%
<b>EUR</b>	358.5	359.6	365.7	350.6	-2.0%	-10.1%

### Rwandan Franc (RWF)

- The Rwandan franc depreciated against the US dollar to settle at RWF 836.0 on 30 June 2017. The currency fell 0.9% on MTD basis and 2.4% on YTD basis.
- The franc depreciated against the US dollar in June 2017, due to increased outflow from exporters.
- Rwanda's currency is expected to remain weak over the short-term based on decline in commodity prices and central bank's decision to cut its key repo rate to 6.0%, which could likely weaken market's confidence in the local currency.

#### USD/RWF Daily Movement

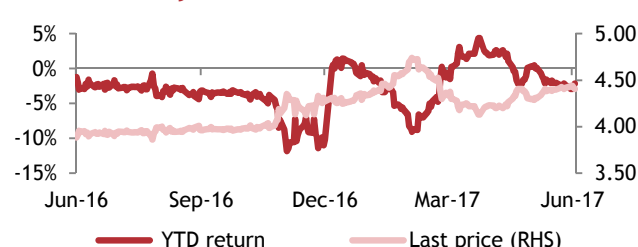


	Avg	End Val	High	Low	MTD (%)	YTD (%)
<b>USD</b>	840.1	836.0	843.6	828.2	-0.9%	-2.4%
<b>EUR</b>	944.7	955.0	961.2	931.4	-1.2%	-10.0%

### New Ghanaian Cedi (GHS)

- The Ghanaian cedi depreciated against the US dollar to GHS 4.4 on 30 June 2017. The currency fell 2.2% on MTD basis, but increased 2.2% on YTD basis.
- The cedi depreciated against the dollar in June 2017, due to strong dollar demand from corporates.
- The cedi is however expected to be firm against the dollar over the short-term based on an expected increase in dollar inflows from foreign investors motivated by improving macroeconomic variables.

#### USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
<b>USD</b>	4.4	4.4	4.4	4.3	-2.2%	-2.2%
<b>EUR</b>	4.9	5.0	5.1	4.8	-3.7%	-10.4%

Source: Bloomberg, individual news websites



## SPECIAL FOCUS

### Impact of 2017 General Elections on Kenyan Economy

#### Introduction

Elections in Kenya have led to turmoil on various occasions, including the 2007 elections when over 1,000 people were killed and more than half a million displaced. The 2017 Kenyan general elections are slated to be held on August 8, 2017, with President Uhuru Kenyatta seeking re-election for the second and final five-year term. The electioneering period is the most crucial as everything from interest rates, government expenditure, and investor appetite tends to fluctuate depending on the election mood.

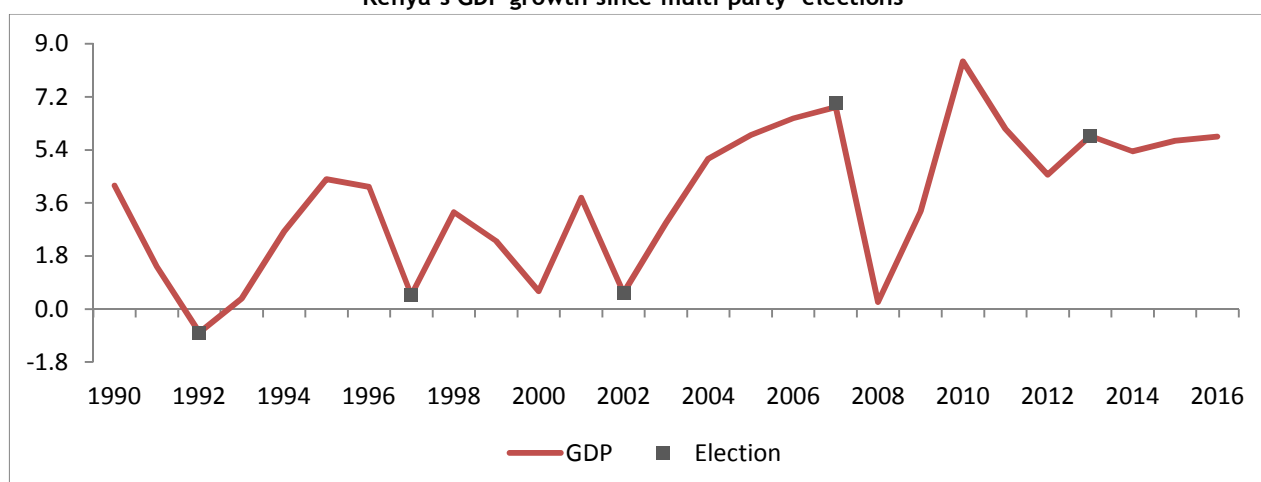
The Kenyan economy shrank -0.8% in 1992 when the country's first multi-party elections were held, and expanded merely 0.5% in the 1997 and 2002 elections. However, the economy advanced 7.0% in 2007 and 5.9% in 2013, a trend reversal credited to optimism over electoral and governance reforms under a new constitution instituted in 2010.

The 2017 elections could have the following implications on the economy.

- Key sectors such as tourism, agriculture, manufacturing, transport, retail, and finance are at risk of a slowdown in investments based on investors' reduced optimism. However, the economy could maintain growth momentum based on increased investment in infrastructure by the government.

- Although government spending surged, private investments in the economy reduced ahead of the elections. However, the current government put in place enough contingencies to shield the country from negative effects of political campaigns and election politics.
- President Uhuru Kenyatta, who is seeking re-election, promised to continue his fight against corruption and work toward the development of the neglected parts of the economy. This would improve not only the ease of doing business in the country but also investor confidence. Electoral candidates promote ways to increase youth employment, which would be vital in stimulating the economy going forward.
- Experts predicted the 2017 elections to conclude peacefully with some intermittent disturbances compared with the last elections when the constitution went through a metamorphosis with devolution being a crucial outcome.
- Kenya's economy has the potential to grow and elections could potentially impact industries such as agriculture and manufacturing the most. If the government increases investment in these industries and introduces favorable policies, it may lead to increased job creation and thereby improve the country's future.

Kenya's GDP growth since multi-party elections



Source: The World Bank

Source: Individual News websites

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## AUCTIONS AND EVENTS

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

**Uganda: There were no bonds auctioned in the month of June 2017**

Issue Date	Maturity	Amt (UGX)	Bid/Cover	YTM	Coupon
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*There were no bonds auctioned in June 2017*

**Details of issuances in May**

<b>17-May</b>	2-yr	65.0 Bn	1.8	14.7%	13.3%
<b>17-May</b>	10-yr	120.0 Bn	1.9	15.9%	16.0%

1 USD = 3,590.2 UGX (average for June 2017)

**Ghana's Latest Issuance: 1-yr and 2- yr Notes (June 2017)**

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int. rate
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<b>2-Jun</b>	1-yr	62.9 Mn	FXR Note	1.0	15.5%
<b>9-Jun</b>	2-yr	93.8 Mn	FXR Note	1.4	17.0%
<b>16-Jun</b>	1-yr	122.2 Mn	FXR Note	1.0	15.0%
<b>30-Jun</b>	1-yr	245.8 Mn	FXR Note	1.0	15.0%

**Details of issuances in May**

<b>5-May</b>	2-yr	683.2 Mn	FXR Note	1.1	19.9%
<b>12-May</b>	1-yr	313.7 Mn	FXR Note	1.3	16.0%

\*Fixed rate; 1 USD = 4.4 GHS (average for June 2017)

**Tanzania's Latest Issuance: 10-yr Bond (June 2017)**

Issue Date	Maturity	Amt (TZS)	Bid/Cover	YTM	WACY*
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<b>7-Jun</b>	10-yr	111.5 Bn	6.8	14.8%	13.8%
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**Details of issuances in May**

<b>25-May</b>	7-yr	138.5 Bn	1.0	16.5%	10.1%
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\*Weighted average coupon yield; 1 USD = TZS 2,236.7 (average for June 2017)

**Kenya's Latest Issuance: 5-yr Bond (June 2017)**

Issue Date	Maturity	Amt Bid (KES)	Amt Acpt (KES)	MWAR*	Coupon
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<b>21-Jun</b>	5-yr	39.1 Bn	26.4 Bn	12.5%	13.5%
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**Details of issuances in May**

<b>17-May</b>	10-yr	14.5 Bn	8.5 Bn	12.5%	9.3%
<b>22-May</b>	15-yr	24.4 Bn	11.5 Bn	13.1%	12.5%

\*Market weighted average rate; 1 USD = 103.5 KES (average for June 2017)

### Upcoming Bond Auctions and Monetary Policy Meetings

- 05 July 2017: Tanzania to sell bonds
- 12 July 2017: Uganda to sell bonds

Monetary policy meetings are scheduled to be held on:

- 17 July 2017 (Central bank of Kenya)
- 24 July 2017 (Central bank of Angola)
- 24 July 2017 (Central bank of Ghana)
- 25 July 2017 (Central bank of Nigeria)

Source: Bloomberg, individual news websites, respective central banks

## KIMONDO'S CORNER

### Nairobi Securities Exchange 'NSE' Continues to Rebound

As at the beginning of 2017, the Nairobi Securities Exchange 'NSE' was rated by the Bloomberg as the worst performing stock market. The equity turnover on the NSE fell from Kes 15.11 billion (USD 151.1 million) in December 2015 to Kes 7.11 billion (USD 71.1 million) in December 2016 while market capitalisation declined to Kes 1.96 trillion (USD 19.6 billion) from Kes 2.05 trillion (USD 20.5 billion) in 2015 in the same period.

Six months down the line to June 2017, the NSE has risen 15.9% with telecommunication recording the highest gain of 21.03% and the banking sector rising 16%.

For the year ended 2015, at least 18 companies listed in the NSE issued a profit warning, compared to eleven and eight companies in 2014 and 2013 respectively.

In 2016, the parliament Kenya passed a legislation that imposes limits on bank lending and deposit rates. Immediately after the interest rate cap in August 2016, the banking sector securities recorded a huge decline. It was widely expected that this legislation would have significantly reduced the banks' earnings. While this is true, the banks responded by reducing credit to the private sector and increasing their investments in other risk free securities. Analysis by the Central Bank of Kenya suggests shows that between December 2016 and February 2017 loan approvals declined by 6%. Kenyan Banks have increased their investment in the risk free government securities which have been offering double digit returns, which means though their income have reduced, the results are not negatively. The difference between the maximum lending to the private sector (currently at 14%) and the risk free government securities is on average 200bps (depending on the mix of securities). This spread means that the banks will continue to be very selective in their private sector lending even as they continue to increase their investments in the government securities without negatively affecting their bottom line. For the period to June 2016, the banking sector in the NSE recorded a 16% growth.

There has been some jitters among some investors arising from the general election scheduled for August 2017, with some of these investors adopting a wait and see attitude. With one month to the election, there are all signs to belief that the election will be peaceful. With these positive signs, and the undervalued securities, investors have already started taking advantage.

We believe that the NSE still present a great opportunities for investors wanting to take advantage of the undervalued securities. The NSE still present a great opportunities for investors looking to take advantage of the low prices. The Securities are currently trading at a PE ratio of 11.5X, compared to a historical average of 13.4x, and a dividend yield of 5.5%, compared to a historical average of 3.8%.

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