FUSION AFRICAN MONITOR

Current news and analysis from Sub-Saharan money markets

July 2017

FUSION INVESTMENT MANAGEMENT
Rooted in the African growth story

HIGHLIGHTS

Key Movements in Fixed Income and Currency Markets in July 2017

- In July 2017, bond yields in Kenya increased on 3- and 5-year tenure, while yields on 10-year declined, and yields on 20-yr bond remained unchanged. Whereas bond yields in Nigeria increased across all tenors during the month.
- In July 2017, most currencies appreciated against the US dollar except Kenya and Uganda. The Kenyan shilling depreciated to KES 103.9 against the US dollar, primarily due to increased dollar demand from oil importers. The Ugandan shilling depreciated to UGX 3,607.3 per dollar mainly due to increased dollar demand from energy companies. The Nigerian naira appreciated to reach NGN 310.5 per dollar, mainly based on the central banks effort to boost liquidity in the foreign exchange market. The Tanzanian shilling appreciated marginally at TZS 2,227.0 against the US dollar based on increased sale of greenbacks from companies. The Ghanaian cedi appreciated against the US dollar to GHS 4.4, mainly due to increased dollar inflows after the central bank reduced its policy rate. (refer to pages 7 and 8 for details).
- Among the money markets, interbank rates in Nigeria, Ghana and Tanzania declined to 20.9%, 21.0%, and 4.2% respectively, while interbank rates in Kenya increased to 7.2% towards the end of July 2017 (details on page 6).

July Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
Kenya 31-Jul yield (%)	12.4%	12.2%	13.3%	14.3%
Chg from 1-Jul 17 (bps)	-36	-2	5	0
Nigeria 31-Jul yield (%)	16.8%	16.5%	16.3%	16.2%
Chg from 1-Jul 17 (bps)	-25	-12	-19	-24

Movement of Key Currencies versus US Dollar in July 2017

	Average	End Value	MTD	YTD
Kenyan Shilling	103.9	103.9	-0.1%	-1.5%
Ugandan Shilling	3,602.8	3,607.3	-0.1%	-0.8%
Nigerian Naira	320.4	310.5	4.6%	1.4%
Tanzania Shilling	2,229.6	2,227.0	0.4%	-2.2%
Ghanaian Cedi	4.4	4.4	0.5%	-1.6%

Kimondo's Corner

Kenya's Post Election Outlook

- Kenya went into election and voted peacefully on 8th August. The elections results were finally declared on Friday with the incumbent being declared the winner.
- The main opposition coalition, NASA, rejected the results and has announced they will be moving to the Supreme Court. As per the Kenyan constitution, the Supreme Court should make a determination of the petition within 14 days, with no right of appeal available to any party.
- With now the election fears almost behind us, the Nairobi securities market have since the election been on an upward trend and is almost at a near 23 months high now, after being rated by the Bloomberg as the worst performing stock exchange seven months ago.
- The Kenya Shilling too has marginally strengthened against the USD since the election were concluded successful (details on page 11).

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Fusion Portfolio Management Service

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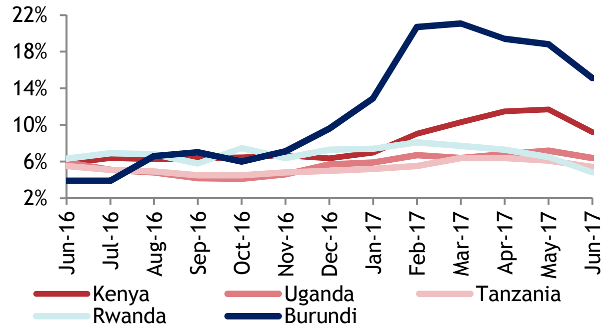
Source: Bloomberg and respective central banks

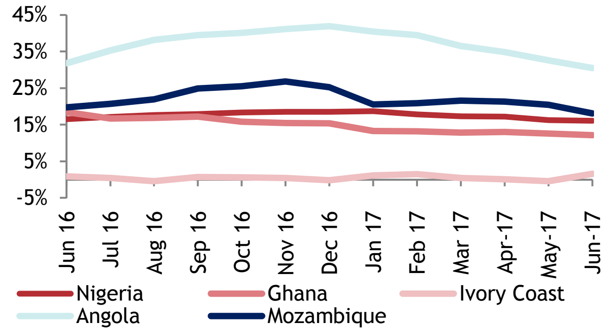
HIGHLIGHTS

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 July 2017, the central banks in **Kenya**, **Uganda**, and **Nigeria** 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 **Ghana** reduced its key rate to boost economic growth.
- In June 2017, inflation declined in most of the SSA countries, except **Ivory coast**. In **Kenya**, inflation declined to 9.2% YoY in June 2017 from 11.7% YoY in May 2017, due to a decline in food and non-alcoholic beverages cost. In **Uganda**, inflation decreased to 6.4% YoY in June 2017 from 7.2% YoY in May 2017, primarily due to a decline in annual food crops and core inflation. In **Tanzania**, inflation declined to 5.4% YoY in June 2017 from 6.1% in May 2017, primarily due to a decline in prices of food and non-alcoholic beverages. In **Nigeria**, CPI declined to 16.1% YoY in June 2017 from 16.3% YoY in May 2017, mainly due to slower growth in prices for food and non-alcoholic beverages. In **Ghana**, consumer inflation fell to 12.1% YoY in June 2017 compared with 12.6% YoY in May 2017, mainly due to a decline in prices of food items. In **Mozambique**, consumer inflation eased to 18.1% YoY in June 2017 from 20.5% YoY in May 2017, primarily due to slower growth in housing and utilities and alcoholic beverages prices (details on pages 3 and 4).

Inflation (YoY)





Surging debt levels could put Kenya's economy at risk

- Over the last decade, Kenya took multiple loans to fund mega infrastructure projects; consequently, its total public debt surged to KES 4.23 trillion (as of May 2017). The high level of public debt has narrowed the window for future borrowing and also increased the country's vulnerability to fiscal shocks.
- Kenya's domestic debt rose to KES 2.05 trillion as of March 2017, while external debt rose to KES 2.19 trillion. According to Central Bank of Kenya (CBK), the country's debt was about 54.4% of its GDP during the January-March 2017 quarter compared to 52.6% in the previous quarter. The debt-to-GDP ratio has risen to these levels from 46.7% in 2007.
- The high debt-to-GDP ratio could make it difficult for the country to repay debt and lead to higher borrowing costs, as lenders would demand higher interest rates in the future. The national debt-to-GDP percentage for other sub-Saharan African (SSA) countries was as follows: Burundi (42.4%), Rwanda (37.3%), and Tanzania (36.5%).
- Kenya Revenue Authority (KRA) earned KES 1.4 trillion in FY2016–17, which translated into a public debt-to-revenue percentage of 296.0%; this is substantially higher than the Treasury's target of 198.3%.
- In addition, the country spent KES 435.7 billion to settle debt in FY2016–17 compared to KES 394.2 billion spent on development projects, implying that 32 cents of every shilling collected were spent on servicing debts.
- Debt payments will continue to form a major component of the country's total earnings and could get worse if KRA fails to reach its revenue collection targets for the coming years due to the tough business environment. Kenya's latest KES 80 billion Eurobond and various other loans are due for repayment by 2018–19. Without collecting enough taxes, the government would be forced to borrow or even cancel select development projects.
- **Way ahead:** The country would face challenges if it continues to underperform its revenue collection targets amid surging debt levels. Most of Kenya's expenditure is channeled toward recurring programs such as payment of salaries and servicing of debt. Shocks such as the prolonged drought of 2016 may threaten economic stability. The government needs to implement the planned reduction in the fiscal deficit over the medium term to control the rise in public debt percentages.

Source: Individual News websites

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

East African Community

Kenya

- Inflation in Kenya fell to 9.2% YoY in June 2017 from 11.7% YoY in May 2017, which is still well above the government's mid-term target range of 2.5-7.5%. The drop was primarily due to the decline in prices of food and non-alcoholic beverages (down to 15.8% YoY in June 2017 vis-à-vis 21.5% YoY in May 2017) as well as decline in transport costs (down to 4.2% YoY in June 2017 vis-à-vis 5.1% YoY in May 2017).
- The CBK has maintained its lending rate at 10.0% even after inflation fell from its five-year peak of 11.7% in May 2017, in a bid to reduce the threat of inflation driven by money supply. CBK cited forex market stability, narrow current account deficit and increased exchange reserves as reasons for keeping the lending rate unchanged.

Uganda

- The rebased consumer price index (CPI) fell to 6.4% YoY in June 2017 from 7.2% YoY in May 2017. The drop was primarily due to the decline in annual food crops inflation (down to 18.1% YoY in June 2017 vis-à-vis 23.1% YoY in May 2017) and decrease in annual core inflation (down to 4.9% YoY in June 2017 vis-à-vis 5.1% YoY in May 2017). The food crops inflation was impacted by a drop in the prices of vegetables (down to 9.6% YoY in June 2017 vis-à-vis 15.5% YoY in May 2017), while core inflation was impacted by the drop in services inflation (down to 3.9% YoY in June 2017 vis-à-vis 4.5% YoY in May 2017).

Tanzania

- Tanzania's annual headline inflation eased to 5.4% YoY in June 2017 from 6.1% YoY in May 2017. The decrease is largely attributable to a decline in prices of food and non alcoholic beverages (down to 9.6% YoY in June 2017 vis-à-vis 11.6% YoY in May 2017).

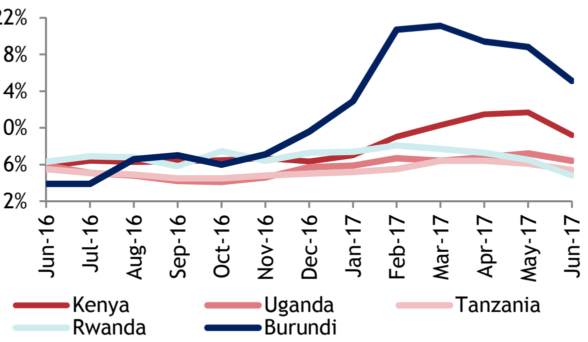
Rwanda

- Rwanda's Urban CPI fell to 4.8% YoY in June 2017 from 6.5% YoY in May 2017. The decrease can be largely attributed to a decline in prices of food and non-alcoholic beverages (down to 9.8% YoY in June 2017 vis-à-vis 14.3% YoY in May 2017).

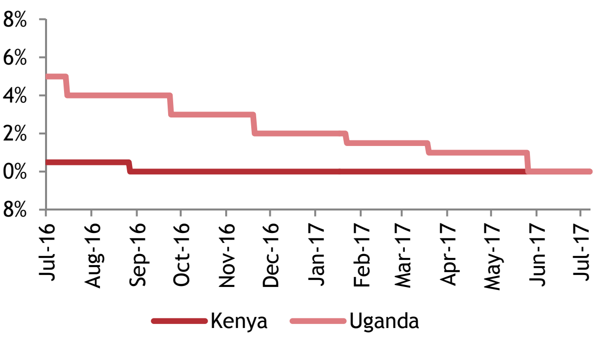
Burundi

- Inflation in Burundi fell to 15.1% YoY in June 2017 from 18.8% YoY in May 2017, as growth in food inflation fell to 20.8% YoY in June 2017, as compared with 27.8% YoY in May 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.

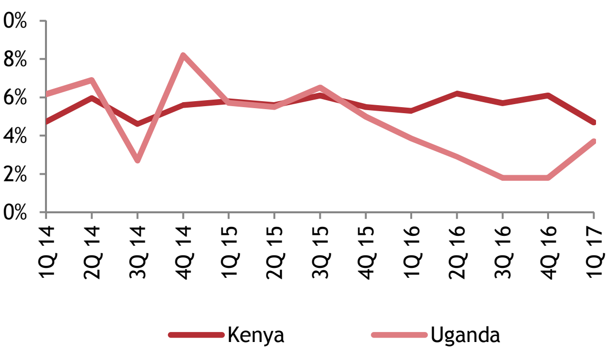
Inflation (YoY)



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 16.1% YoY in June 2017 from 16.3% YoY in May 2017, representing the fifth consecutive decline since January 2017, mainly driven by slower growth in prices for food and non-alcoholic beverages. In June 2017, the core sub-index eased to 12.5% YoY from 13.0% YoY in May 2017, whereas the urban index eased to 16.2% YoY in June 2017 from 16.3% YoY in May 2017. The downward trend in inflation indicates an expansion in agriculture and manufacturing activities.
- Foreign exchange reserves rose to an almost three-month high of USD 30.8 Bn as on 28 July 2017 from USD 30.2 Bn in previous month, primarily due to NGN 1.5 Mn Eurobond sale and significant recovery in oil production.

Ghana

- Consumer inflation fell to 12.1% YoY in June 2017 from 12.6% YoY reported in May 2017, mainly due to a decline in prices of food items (down to 6.2% YoY in June 2017 vis-à-vis 6.3% YoY in May 2017) and non-food items (down to 15.1% YoY in June 2017 vis-à-vis 15.8% YoY in May 2017).
- The Bank of Ghana (BoG) reduced its benchmark interest rate to 21.0% in July 2017 from 22.5% in June 2017, reflecting lower inflation risk helped by a slightly stable currency.

Ivory Coast

- Consumer inflation increased to 1.6% YoY in June 2017 from deflation of -0.4% YoY in May 2017, primarily due to increase in prices for housing and utilities (8.8% YoY in June 2017 vis-à-vis 1.9% YoY in May 2017).

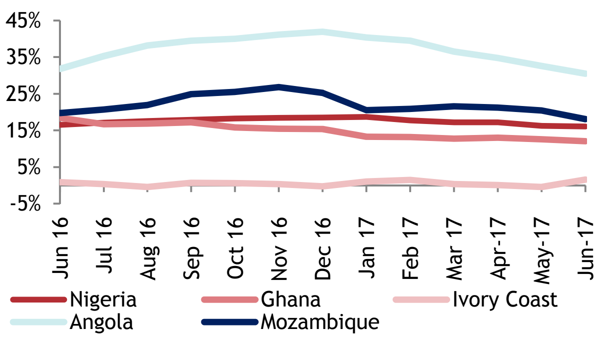
Angola

- The CPI maintained its downtrend since January 2017 by easing further to 30.5% YoY in June 2017, from 32.6% YoY in May 2017. Inflation had averaged 37.1% during 2001-07. The Central bank of Angola has maintained its benchmark interest rate at 16.0% in a bid to control inflation levels.
- 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 97.0% of Angolan exports, are expected to remain subdued, according to Economist Intelligence Unit (EIU).

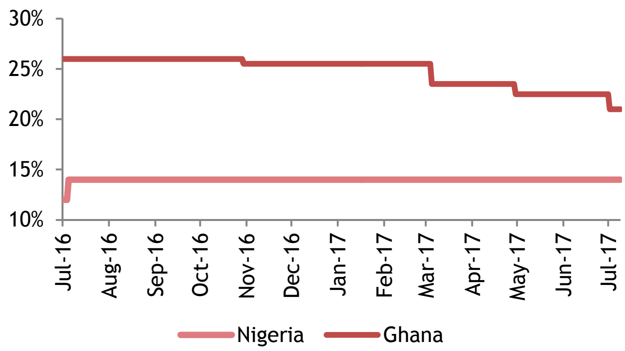
Mozambique

- Consumer inflation eased to 18.1% YoY in June 2017 from 20.5% YoY in May 2017, mainly due to slower growth in housing and utilities and alcoholic beverages' prices.

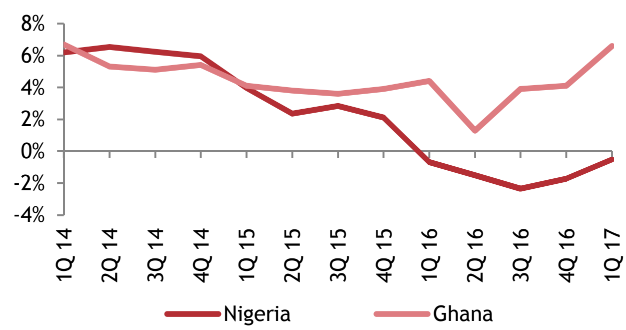
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Nigeria and Ghana (YoY)



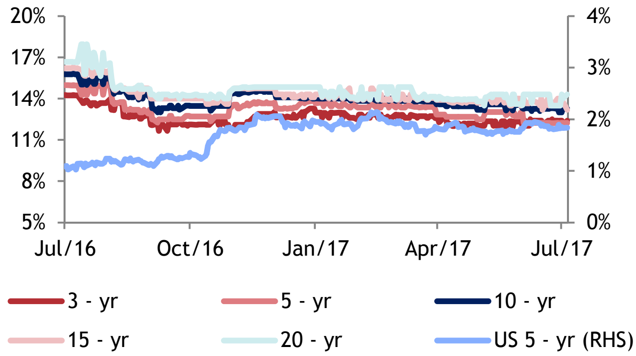
Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: BOND MARKETS

Kenya

- In July 2017, yields on 3- and 5-year bonds registered an increase of 36 bps and 2 bps respectively, yields on 10- and 15-year bonds declined by 5 bps and 45 bps respectively, while yields on 20-year bond remained unchanged.
- The yield on Kenya's benchmark 3- and 5-year bonds increased as government continued to lure investors in a bid to finance its existing infrastructure projects. Yields on 10- and 15-year bonds declined as a result of high liquidity. Meanwhile, yields on 20-yr bond remained unchanged as activity dried up considerably for longer-term bonds.
- In July 2017, the government auctioned a 10-yr bond for a total amount of KES 19.0 Bn. The FXD 1/2017/10 carries a weighted average rate and a coupon rate of 12.9%.
- The government extended the sale of the second tranche of its M-Akiba bond worth KES 1.0 Bn by two months in July 2017 after only raising KES 140 mn, with another KES 3.9 Bn left to be sold at a later date.

Bond Yield Daily Movement



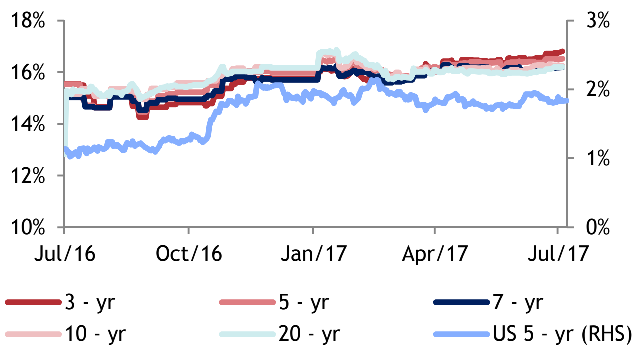
Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
31-Jul yield (%)	12.4%	12.2%	13.3%	13.2%	14.3%
Chg from 1-Jul 17 (bps)	-36	-2	5	45	0
Chg from 1-Jul 16 (bps)	120	232	255	335	298

Nigeria

- In July 2017, yields on Nigerian bonds increased across tenors. The yield on 3-, 5-, 7-, 10- and 20-year bonds increased by 25 bps, 12 bps, 11 bps, 19 bps, and 24 bps, respectively.
- Yields on Nigerian bonds increased across all tenors based on government's efforts to lure investors in order to fund its deficit which currently stands at N 2.32 trillion, and curb money supply growth.
- The government has announced plans to issue Africa's first ever NGN 150.0 Bn sovereign green bonds in the next few months with a pilot issue of NGN 12.4 Bn in Q3 2017.
- 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 6.0-9.0%.
- 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
31-Jul yield (%)	16.8%	16.5%	16.2%	16.3%	16.2%
Chg from 1-Jul 17 (bps)	-25	-12	-11	-19	-24
Chg from 1-Jul 16 (bps)	-373	-305	-256	-226	-338

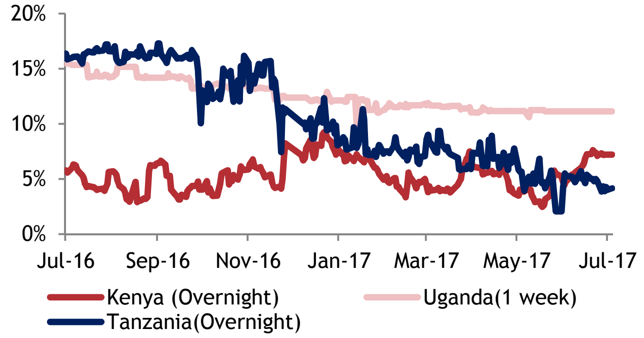
Source: Bloomberg, individual news websites

MONEY MARKETS

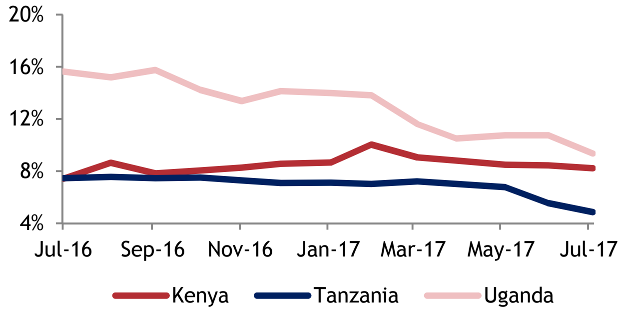
East African Community

- Interbank rates in Tanzania fell to 4.2% on 31 July 2017 from 5.2% at the beginning of the month, indicating improvement in liquidity in the interbank market. Whereas interbank rates in Kenya increased to 7.2% on 31 July 2017 from 5.1% at the beginning of the month, reflecting a decline in liquidity in the interbank market. Meanwhile, interbank rates in Uganda remained unchanged during the month.

Interbank Rates



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



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

	Kenya	Tanzania	Uganda
3-m curr dep	9.0%	10.6%	19.3%
91-d/3-m T-bill	8.2%	4.9%	9.4%

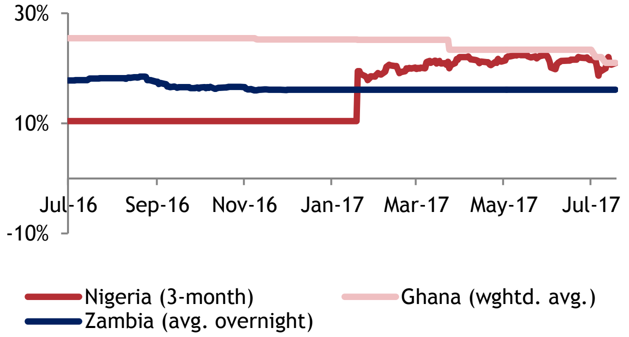
Policy and Average Interbank Rates (Jul 2017)

	Kenya (o)	Tanzania (o)	Uganda (1-w)
Policy	10.0%	12.0%	10.0%
Interbank	7.2%	4.2%	11.1%

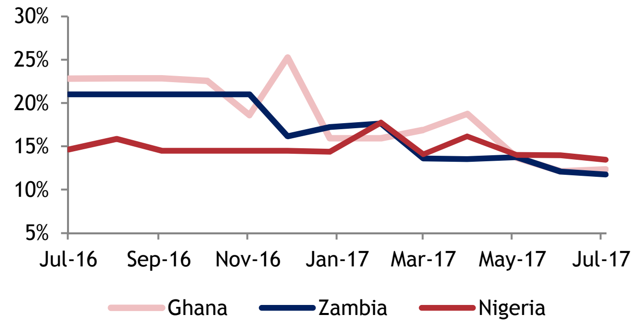
Rest of Sub-Saharan Africa

- Interbank rates in Nigeria and Ghana fell to 20.9% and 21.0% respectively on 31 July 2017 from 21.6% and 23.4% respectively at the start of the month, indicating improvement in liquidity in the interbank market. Whereas, interbank rates in Zambia remained flat at 16.2% throughout the month.

Interbank Rates



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



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

	Nigeria	Ghana	Zambia
3-m curr dep	17.3%	21.4%	27.0%
91-d/3-m T-bill	13.5%	12.3%	11.7%

Policy and Average Interbank Rates (Jul 2017)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	14.0%	21.0%	12.5%
Interbank	20.9%	21.0%	16.2%

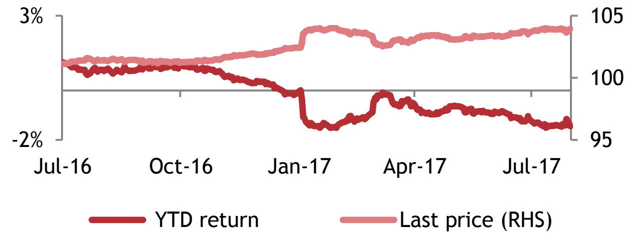
Source: Bloomberg, individual news websites, respective central banks

CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

Kenyan Shilling (KES)

- The Kenyan shilling depreciated marginally against the US dollar to KES 103.9 as on 31 July 2017. The currency fell 0.1% on MTD basis and 1.5% on YTD basis.
- The shilling depreciated against the dollar in July 2017, primarily due to an increase in month-end dollar demands from multinationals, oil and other retail importers.
- The shilling is however expected to remain stable over the short-term based on CBK's support, which can be seen by the decline in Kenya's dollar reserves.

USD/KES Daily Movement

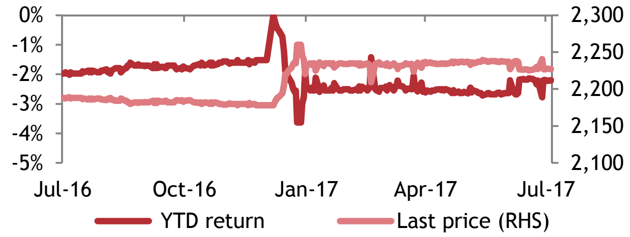


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	103.9	103.9	104.0	103.6	-0.1%	-1.5%
EUR	119.8	123.2	123.2	117.7	-4.2%	-9.2%

Tanzanian Shilling (TZS)

- The Tanzanian shilling appreciated against the US dollar to TZS 2,227.0 as on 31 July 2017. The currency rose 0.4% on MTD basis but fell by 2.2% on YTD basis.
- In July 2017, the domestic currency appreciated against the US dollar due to increased dollar inflows from mining companies and increased greenback sales from companies looking to settle taxes and salaries in the local currency.
- The domestic currency is expected to hold steady over the short-term as dollar demand from energy and construction sector will likely be offset by inflows from mining sector.

USD/TZS Daily Movement

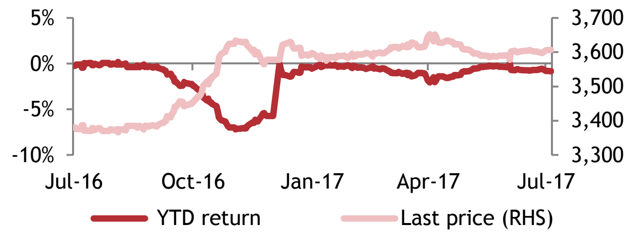


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,229.6	2,227.0	2,240.3	2,225.5	0.4%	-2.2%
EUR	2,571.1	2,637.2	2,637.2	2,537.6	-3.6%	-13.5%

Ugandan Shilling (UGX)

- The Ugandan shilling depreciated marginally against the US dollar to UGX 3,607.3 as on 31 July 2017. The currency fell 0.1% on MTD basis and 0.8% on YTD basis.
- The Ugandan shilling depreciated against the dollar in July 2017 mainly due to increased dollar demand from companies in the energy sector.
- The Ugandan shilling may weaken in the coming weeks based on the expected increase in demand from energy importers and other manufacturers.

USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3,602.8	3,607.3	3,607.3	3,598.0	-0.1%	-0.8%
EUR	4,154.8	4,277.3	4,277.3	4,084.7	-4.2%	-11.7%

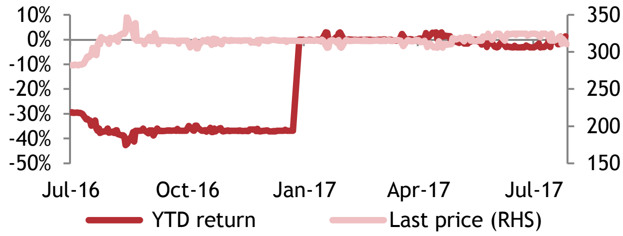
Source: Bloomberg, individual news websites

CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

Nigerian Naira (NGN)

- The Nigerian naira appreciated against the US dollar to NGN 310.5 on 31 July 2017. The naira rose 4.6% on MTD basis and 1.4% on YTD basis.
- The naira appreciated in the month of July 2017 based on regular central bank interventions and increase in dollar supply from foreign investors.
- 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

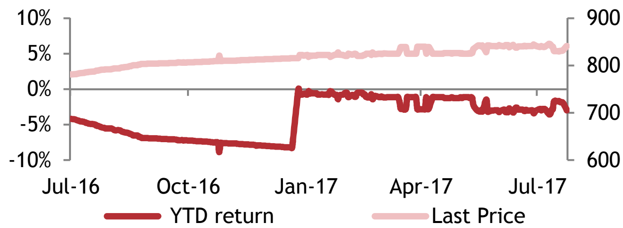


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	320.4	310.5	324.8	310.5	4.6%	1.4%
EUR	363.1	373.3	373.3	357.1	-4.0%	-13.4%

Rwandan Franc (RWF)

- The Rwandan franc remained flat against the US dollar to settle at RWF 840.8 on 31 July 2017. The currency remained unchanged on MTD basis but fell by 3.0% on YTD basis.
- The franc closed unchanged against the US dollar in July 2017 as demand and supply remained stable throughout the month.
- Rwanda's currency is expected to remain stable over the short-term based on improvement in commodity prices and narrowing trade balance.

USD/RWF Daily Movement

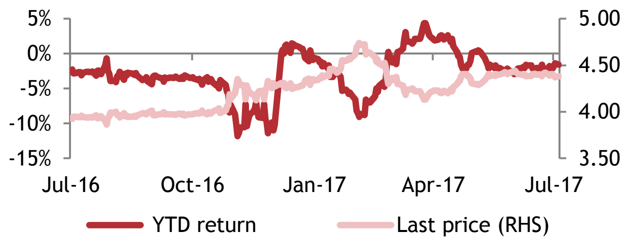


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	838.3	840.8	845.6	829.7	0.0%	-3.0%
EUR	966.6	995.6	995.6	952.1	-4.0%	-13.7%

New Ghanaian Cedi (GHS)

- The Ghanaian cedi appreciated marginally against the US dollar to GHS 4.4 on 31 July 2017. The currency rose 0.5% on MTD basis, but fell by 1.6% on YTD basis.
- The cedi appreciated against the dollar in July 2017 due to increased dollar inflows led by renewed investor confidence after the central bank reduced its policy rate by 1.5%.
- The cedi is expected to be firm against the dollar over the short-term as the rate cut, which indicates improvement in the economy, will likely continue to drive investor confidence in the coming weeks.

USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	4.4	4.4	4.4	4.4	0.5%	-1.6%
EUR	5.1	5.2	5.2	4.9	-5.0%	-13.5%

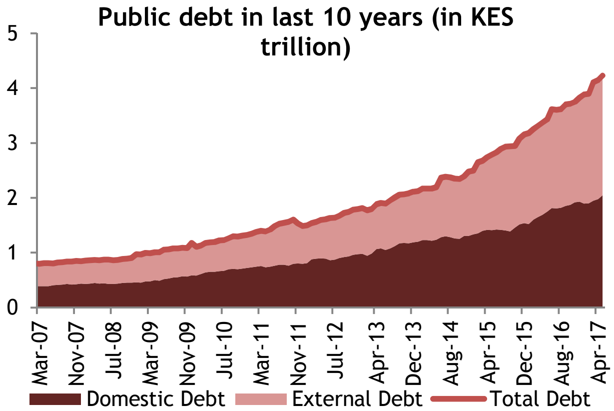
Source: Bloomberg, individual news websites

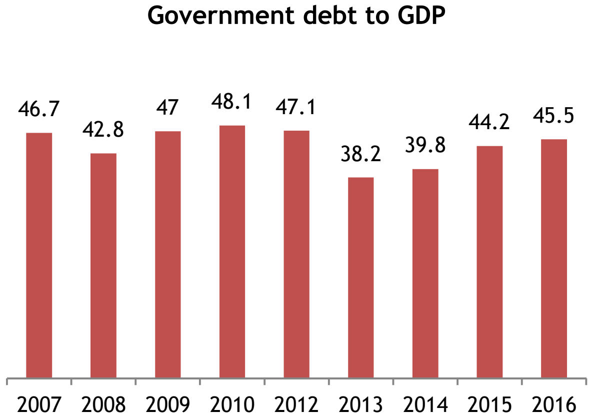
SPECIAL FOCUS

Surging debt levels could put Kenya's economy at risk

Introduction

Over the last decade, Kenya took multiple loans to fund mega infrastructure projects; consequently, its total public debt surged to KES 4.23 trillion (as of May 2017). The high level of public debt has narrowed the window for future borrowing and also increased the country's vulnerability to fiscal shocks. Kenya's domestic debt rose to KES 2.05 trillion as of May 2017 after increased sales of Treasury bills and bonds offset the budget deficit, while external debt rose to KES 2.19 trillion. According to CBK, the country's debt was about 54.4% of its GDP during the January–March 2017 quarter compared to 52.6% in the previous quarter.





Source: Central Bank of Kenya (CBK)

Debt grows faster

The debt-to-GDP ratio rose from 38.2% in 2013 to 45.5% in 2016, which could make it difficult for the country to repay debt and lead to borrowing costs, as lenders would demand higher interest rates in the future. The national debt-to-GDP percentage for other sub-Saharan African (SSA) countries was as follows: Burundi (42.4%), Rwanda (37.3%), and Tanzania (36.5%).

Spending on debt service more than development

Kenya Revenue Authority (KRA) earned KES 1.4 trillion in FY2016–17, which translated into a public debt-to-revenue percentage of 296.0%, which is substantially higher than the Treasury's target of 198.3%. In addition, the country spent KES 435.7 billion to settle debt in FY2016–17 compared to the KES 394.2 billion spent on development projects, implying that 32 cents of every shilling collected were spent on servicing debts as compared to 28 cents on development projects.

Debt payments will continue to form a major component of the country's total earnings and could get worse if KRA fails to reach its collection targets for the coming years due to the tough business environment. Kenya's latest KES 80 billion Eurobond and various other loans are due for repayment by 2018–19. Without collecting enough taxes, the government would be forced to borrow or even cancel select development projects.

Way ahead

The country would face challenges if it continues to underperform its revenue collection targets amid surging debt levels. Most of Kenya's expenditure is channeled toward recurring programs such as payment of salaries and servicing of debt. Shocks such as the prolonged drought of 2016 may threaten economic stability. The government needs to implement the planned reduction in the fiscal deficit over the medium term to control the rise in public debt percentages.

Source: Individual News websites

AUCTIONS AND EVENTS

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

Uganda's Latest Issuance: 2-yr and 5-yr Bonds (July 2017)

Issue Date	Maturity	Amt (UGX)	Bid/Cover	YTM	Coupon
12-Jul	2-yr	80.0 Bn	2.4	12.8%	13.8%
12-Jul	5-yr	100.0 Bn	1.9	14.2%	14.1%
Details of issuances in June					
There were no bonds auctioned in June 2017					

1 USD = 3,602.8 UGX (average for July 2017)

Tanzania's Latest Issuance: 2-yr and 15-yr Bonds (July 2017)

Issue Date	Maturity	Amt (TZS)	Bid/Cover	YTM	WACY*
5-Jul	15-yr	111.0 Bn	1.6	16.2%	15.8%
19-Jul	2-yr	84.0 Bn	3.6	12.4%	7.8%
Details of issuances in June					
7-Jun	10-yr	111.5 Bn	6.8	14.8%	13.8%

**Weighted average coupon yield; 1 USD = TZS 2,229.6 (average for July 2017)*

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

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int. rate
7-Jul	2-yr	70.6 Mn	FXR Note	1.0	17.0%
14-Jul	1-yr	60.8 Mn	FXR Note	1.1	15.0%
Details of issuances in June					
2-Jun	1-yr	62.9 Mn	FXR Note	1.0	15.5%
9-Jun	2-yr	93.8 Mn	FXR Note	1.4	17.0%
16-Jun	1-yr	122.2 Mn	FXR Note	1.0	15.0%
30-Jun	1-yr	245.8 Mn	FXR Note	1.0	15.0%

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

Kenya's Latest Issuance: 10-yr Bond (July 2017)

Issue Date	Maturity	Amt Bid (KES)	Amt Acpt (KES)	MWAR*	Coupon
26-Jul	10-yr	19.0 Bn	5.2 Bn	12.9%	12.9%
Details of issuances in June					
21-Jun	5-yr	39.1 Bn	26.4 Bn	12.5%	13.5%

**Market weighted average rate; 1 USD = 103.9 KES (average for July 2017)*

Upcoming Bond Auctions and Monetary Policy Meetings

- **02 August 2017**: Tanzania to sell bonds
- **09 August 2017:** Uganda to sell bonds

Monetary policy meetings are scheduled to be held on:

- **14 August 2017** (Central bank of Uganda)
- **14 August 2017** (Central bank of Mozambique)
- **24 August 2017** (Central bank of Angola)

Source: Bloomberg, individual news websites, respective central banks

KIMONDO’S CORNER

Kenya’s Post Election Outlook

Kenya went into election and voted peacefully on 8th August. The elections results were finally declared on Friday with the incumbent, President Kenyatta, being declared the winner. As per the constitution, for anyone to be declared the winner, they must attain 50%+1 of the valid votes cast and at least 25% in 24 of Kenya's 47 counties. President Kenyatta garnered 54.2% of valid votes (8.2m), against Raila Odinga 44.9% (6.8m). He also received at least 25% of the votes cast in 35 counties.

The main opposition coalition, NASA, rejected the results and has announced they will be moving to the Supreme Court. As per the Kenyan constitution, the Supreme Court should make a determination of the petition within 14 days, with no right of appeal available to any party. In our view, this is a welcome move as it eases the uncertainty that was there since the results were declared.

The international observers complemented the electoral process stating that voting was largely peaceful and organized.

With the election fears now almost behind us, the Nairobi Securities Exchange ‘NSE’ have since the election been on an upward trend and is almost at a near 23 Months high now, after being rated by the Bloomberg as the worst performing stock exchange only seven months ago. A few listed companies and mostly banks have now started releasing their half year financials to 2017 and the effects of the interest rate cap and increased Non Performing loans can now be felt in the financials. The NSE still presents a great opportunities for most of the counters, with the market currently trading at a price to earnings ratio (P/E) of 12.3X, versus a historical average of 13.4X, and a dividend yield of 5.1%, compared to a historical average of 3.8% and as such we expect to see increased activities in the securities market. Historically and save for 2007, the NSE has always reported a dip in the electioneering year but immediately after the election rebounds. Going forward we expect to see increased activities in the NSE from both local and international investors as investors take advantage of the current prices.

The Kenya Shilling has continued to maintain against the USD and has only lost 1.5% year to date. We expect this stability to be maintained going forward and based on CBK’s support, which can be seen by the decline in Kenya’s dollar reserves.

This year, according to the World Bank, the Kenya’s Economy growth is projected to decelerate to 5.5%, a 0.5% mark down from the 2016. The slowdown has been attributed to the drought experienced early in the year and part of last year, the 2017 general election and the interest rate capping which was legislated in August 2016 and has continued to make it difficult for the private sector to access financing. With the election behind us and which was peaceful, we expect to see some increased activities in the remaining part of 2017, though we expect that the GDP growth for the 2017 will still be below 6%.

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