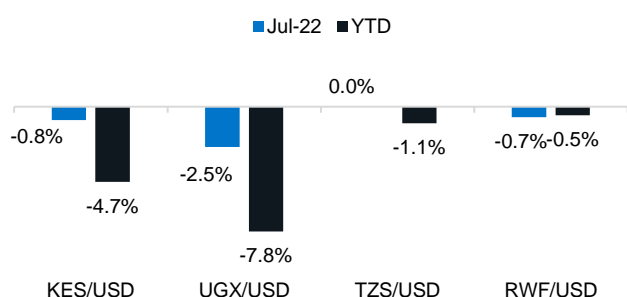


**Regional Inflation & Key Interest Rates, July 2022**

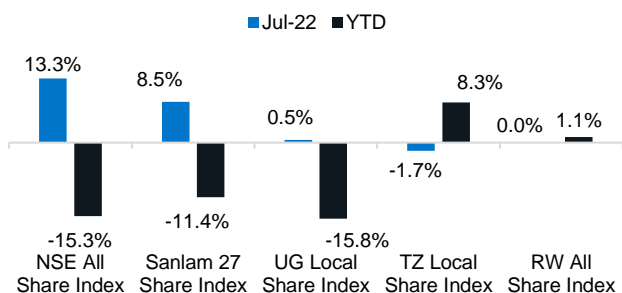
	Kenya	Uganda	Tanzania	Rwanda
Inflation Rate (latest)	8.3%	7.9%	4.4%	4.6%
Central Bank Rate	7.5%	8.5%	5.0%	4.5%
91 Day Treasury Bill	8.4%	8.5%	2.8%	6.0%
2 Year Treasury Bond Yield	9.4%	11.0%	7.6%	9.3%

\*Rwanda and Tanzania inflation as of June 2022

Source: Kenya, Uganda, Rwanda, and Tanzania National Bureau of Statistics & Bloomberg

**Regional Currency Performance**


Source: Central Bank of Kenya, Bank of Uganda, National Bank of Rwanda & Bank of Tanzania

**Regional Stock Market Performance**


Source: Nairobi Securities Exchange & Bloomberg

**Global Markets Dashboard**

	Jul-22	YTD
MSCI World	7.9%	-15.0%
MSCI Emerging Markets	-0.7%	-19.3%
Oil-Light Crude	-4.2%	41.4%
Gold	-2.3%	-3.5%

Source: Bloomberg

**Market Commentary**

**Inflation:** Kenya's inflation rose to 8.3% year-on-year (y/y) in July 2022 from 7.9% y/y in June 2022. This was mainly due to higher food and non-alcoholic beverages inflation which was up 15.3% in July against 13.8% in June 2022.

Uganda's inflation accelerated to 7.9% y/y in July 2022 from 6.8% y/y in June 2022 while Tanzania's inflation increased to 4.4% y/y in June 2022 from 4.0% y/y in May 2022 both on account of higher food and non-alcoholic beverages prices. Rwanda's urban inflation increased to 4.6% y/y in June 2022 from 3.5% y/y in May 2022 due to higher food and non-alcoholic beverages, housing, water, and fuel related prices. The pick-up in inflationary pressures is largely associated by the global supply constraints coupled by the effects of the Russia -Ukraine war.

**Interest Rates:** Bond yields in Kenya edged up by an average of 17 basis points (bps) across the yield curve in the month of July. The Central Bank of Kenya issued a tap-sale of 18-year infrastructure bond and re-opened a 5-year bond and 11-year bond at weighted average yields of 13.7%, 13.2% and 13.9% respectively. The Central Bank of Kenya Monetary Policy Committee retained the key policy rate at 7.5% in the July meeting stating that the rate hike in May (50bps) was timely in anticipating inflationary pressures, and its impact was still transmitting through the economy.

In Uganda, interest rates remained elevated with an average hike of 50 bps across the maturity spectrum as the Bank of Uganda re-opened the 3-year and 15-year bonds at weighted average rates of 14.8% and 16.8% respectively. In Tanzania, money market liquidity was ample, reflected by stable money market interest rates prevalent in this market.

**Currencies:** Most regional currencies weakened further against the US Dollar in July 2022 on account of a tighter global monetary environment. Central Banks in major economies have been hiking rates in a bid to control elevated inflation. Locally, this has continued to deteriorate the dollar demand and supply mismatch despite importer demand normalizing in H2 2022. We expect further currency depreciation across the region on account of higher global commodity prices coupled with the general rise in interest rates in developed economies.

**Equities:** The Kenyan and Ugandan equity markets recovered some its earlier losses as local investors took advantage of the all-time low valuations in select counters. On the other hand, the Tanzania bourse declined by 1.7% on the back of profit taking by investors after the dividend season concluded while the Rwandan bourse was relatively flat.

**Global Markets:** Global markets rebounded in July catalyzed by the Fed sentiments on considerations of less aggressive hikes on the back of inflation projection and better than expected corporate earnings season. Oil prices retreated on economic slowdown concerns while gold commodity continued its weakening streak due to pressure from interest rate hikes and a strengthening US Dollar.

**Outlook:** The tightening policy stance amongst major Central Banks to curb inflation could potentially detract the economic growth achieved thus far post COVID. We continue to monitor the local and global production and spending figures to identify near term risks on economic growth. However, current valuations in the markets pose opportunity for select discounted securities that could provide decent return for long term investors.

#### Important Information.

- **MSCI**, the acronym stands for Morgan Stanley Capital International.
- **MSCI World Index**, is a broad global equity index that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country.
- **MSCI Emerging Markets Index** is used to measure the financial performance of companies in fast-growing economies around the world. The index tracks mid-cap and large-cap stocks in 27 countries, dominated by Chinese, Taiwanese, and South Korean companies.
- **Year to date (YTD)** refers to the period beginning the first day of the current calendar year or fiscal year up to the current date. YTD information is useful for analyzing business trends over time or comparing performance data to competitors or peers in the same industry.
- **Year-over-year (Y/Y)** is a method of evaluating two or more measured events to compare the results at one period with those of a comparable period on an annualized basis.
- **Basis points (bps)** - A basis point is a standard measure for interest rates and other percentages in finance, representing one-one hundredth of one percent.
- **Currencies: KES/USD** refers to the Kenya Shilling exchange rate with the US Dollar. **UGX/USD** refers to the Uganda Shilling exchange rate with the US Dollar. **TZS/USD** refers to the Tanzania Shilling exchange rate with the US Dollar. **RWF/USD** refers to the Rwandese Franc exchange rate with the US Dollar.
- **NSE All Share Index**, is a market cap weighted index consisting of all the securities on the Nairobi Securities Exchange. Prices are based on last trade information from NSE's Automated Trading System.
- **Sanlam 27 Share Index** is a market cap weighted index. The index universe is the Nairobi Securities Exchange. The index is managed by Sanlam Investments East Africa Limited.
- **Uganda Local Share Index** is a market cap weighted index. It includes only domestic listed companies.
- **Tanzania Local Share Index** is a market cap weighted index. It includes only domestic listed companies.
- **Rwanda Stock Exchange All Share Index** is a market cap weighted index that includes all non-domestic Rwanda listings.
- **Central Bank Rate** refers to the interest rate at which a nation's central bank lends money to domestic banks, often in the form of very short-term loans. The Central Bank may increase or decrease the discount rate to slow down or stimulate the economy.

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**Disclosure Statement**

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