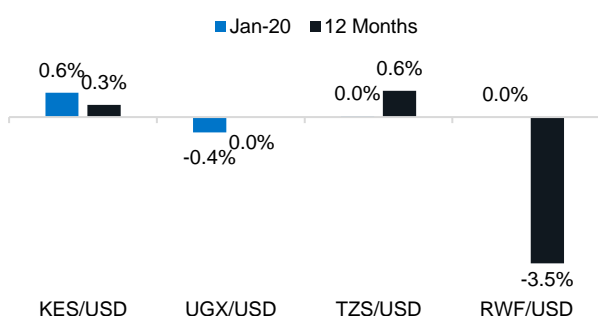


Regional Inflation & Key Interest Rates

	Kenya	Uganda	Tanzania	Rwanda
Inflation (latest)	5.8%	3.4%	3.8%	6.7%
Central Bank Rate	8.3%	9.0%	12.0%	5.0%
91 Day T-Bill	7.3%	9.5%	3.5%	6.2%
2 Year Bond Yield	10.5%	12.9%	10.3%	n/a

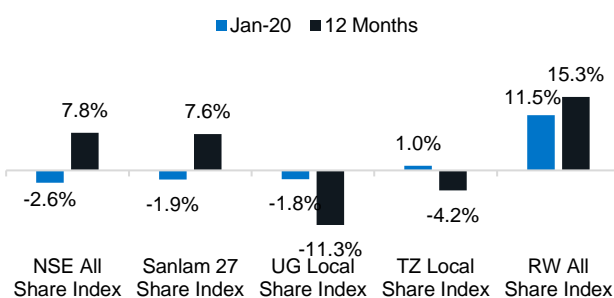
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

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

	Jan-20	2019	12 Months
MSCI World	-0.7%	25.19%	15.5%
MSCI Emerging Markets	-4.7%	15.42%	1.2%
BRENT Crude Oil	-13.3%	17.47%	-6.4%
Gold	4.7%	18.31%	20.3%

Source: Bloomberg

Monthly Market Commentary

Economic update: According to the African Development Bank (AfDB), East Africa was the fastest-growing region in Africa in 2019 at 5%. Six African countries were among the world's 10 fastest-growing economies: Rwanda, Ethiopia, Ivory Coast, Ghana, Tanzania and Benin. In Kenya, the Central Bank (CBK) expects the Gross Domestic Product (GDP) to grow by 6.2% in 2020 from 5.7% in 2019 underpinned by agriculture and robust private-sector credit growth following the repeal of the interest rate cap law. The IMF forecasts robust growth in the East African region: Rwanda's economy is expected to grow by 8%, Tanzania's by 5.8% and Uganda by 6.2%. The recent locust invasion which is the worst experienced in 70 years poses a great risk to this outlook given its threat to food supply in the region.

Inflation: The region continues to enjoy benign inflation attributable to stable food prices. Inflation in Kenya slowed marginally to 5.78% in January from 5.82% the previous month underpinned by a slower food inflation compared to December 2019. Notably education index rose by 1.3% driven by tuition prices and boarding fees in private institutions. Similarly, Uganda's headline inflation decreased by 0.2% to 3.4% while core inflation remained flat at 3.0%. The annual inflation rate in Tanzania remained unchanged at 3.8% in December 2019, the highest level since April 2018. Prices rose faster on account of food and non-alcoholic beverages, transport and housing. Rwanda's inflation increased by 6.7% in December 2019 as prices edged up against a backdrop of higher demand during the festive season.

Interest Rates: Kenya's Central Bank further cut the Central bank rate (CBR) to 8.25% in January 2020 after the 50 basis points cut in November 2019 sighting that the economy was operating below its potential and that there was room for more accommodative policy. Bond interest rates however edged higher as investors demanded for higher yields in the current rate cap free environment blocking the transmission of the monetary easing efforts by the CBK into the economy. In Uganda, short term yields increased as the government picked higher bids to fill fiscal gaps. High market demand on the longer end of the curve saw a decline in yields. High liquidity in Tanzania sustained the continued decline of short-term interest rates.

Currencies: Currencies in the region posted marginal performance in January with the Kenya shilling appreciating by 0.6% supported by diaspora remittances and inflows into the stock market buffering potential depreciation on account of import demand. The Uganda shilling depreciated majorly due to an increase in corporate dollar demand as companies cleared their periodic tax liabilities. In Tanzania and Rwanda, subdued dollar demand supported currency stability.

Equities: The Kenyan and Uganda equities markets posted negative performance whilst Tanzania and Rwanda gave positive returns. Profit taking activities after the rally in 2019 saw the Kenyan market plough back some of the gains made previously. EABL released its half year results recording 9% growth in profit before tax driven by volume growth and cost management. The Uganda market lost 1.8% driven by high supply of securities that was unmatched by the demand. In Tanzania, the market was boosted by CRDB stock performance which gained 37% after the release of the end year results. The Rwanda stock market was supported by increased demand for Equity Bank stock which led to a 27% share price increase.

Global Markets: The corona virus epidemic poses the risk to negatively impact the global economy. Global equities markets tumbled as investors reduced their risk appetite and sought security



in gold commodity. The spread of the virus also hit oil demand as higher inventories weighed in on oil prices.

Outlook: Interest rates in Kenya are expected to edge up further given the increase in Treasury securities yields. Despite the reduction of the Central Bank rate, it is evident that the interest rates will be largely dictated by the country's fiscal policy and domestic borrowing expectation. In Tanzania, high liquidity should maintain stability with downward pressure on yields.

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