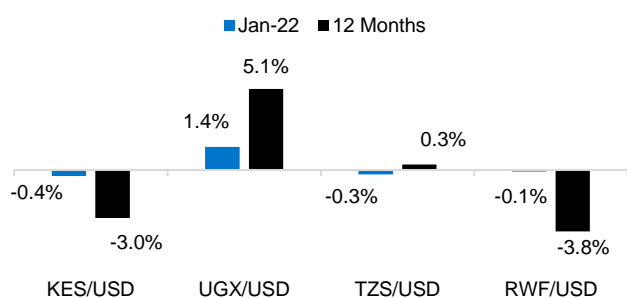


### Regional Inflation & Key Interest Rates

	Kenya	Uganda	Tanzania	Rwanda
Inflation Rate (latest)	5.4%	2.7%	4.2%	1.9%
Central Bank Rate	7.0%	6.5%	5.0%	4.5%
91 Day Treasury Bill	7.3%	6.5%	3.0%	6.0%
2 Year Treasury Bond Yield	9.4%	11.0%	7.6%	9.3%

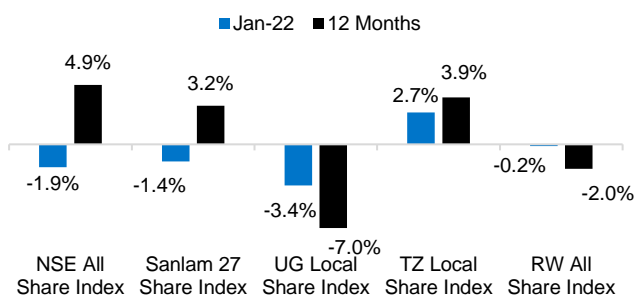
Source: Kenya, Uganda, Rwanda and Tanzania National Bureau of Statistics & Bloomberg

### 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

	Jan-22	12 months
MSCI World Index	-5.3%	14.9%
MSCI Emerging Markets Index	-1.9%	-9.1%
Oil-Light Crude	17.3%	63.2%
Gold	-1.8%	-2.7%

Source: Bloomberg

### Market Commentary

**Economy:** The IMF cut its world economic growth forecast for the year 2022 to 4.4% from 4.9%, citing weaker growth prospects for the U.S. and China economies alongside persistently peaked inflation. The IMF further cited supply-chain disruptions are spurring broad-based inflation than anticipated, with the annual rate projected at an average of 3.9% in advanced economies this year, up from a prior 2.3% estimated in 2021, and 5.9% in developing nations.

**Inflation:** Kenya's inflation slowed to 5.4% year-on-year (y/y) in January 2022 from 5.7% December 2021. This was mainly driven by lower fuel and housing related inflation during the period. Uganda's annual headline inflation declined to 2.7% in January 2022 from 2.9% in December attributable to lower transport inflation which posted a 5.3% month-on-month decline.

Tanzania's inflation increased marginally to 4.2% y/y in December 2021 from 4.1% in November 2021 majorly attributable to higher prices food and non-beverages while Rwanda's urban inflation increased to 1.9% y/y in December 2021 from 1.0% in November 2021. We anticipate that the persistent pick up in crude oil prices could add in moderate inflationary pressure within the region over the medium term.

**Interest Rates:** Kenya's Monetary Policy Committee (MPC) left the Central Bank Rate (CBR) unchanged at 7.0% in January to accommodate the post-pandemic economic recovery. However, bond yields persisted on an upward trajectory as the government sought to front load the current financial year's domestic borrowing target before its close in the mid-year. Currently, the Treasury has achieved about 60% of the domestic borrowing budget as of 31<sup>st</sup> January 2022. The Central Bank of Kenya issued a 5-year, 10-year and 20-year bond at weighted average rates of 11.2%, 12.6% and 13.8% respectively which represented 30 basis points higher on average from the previous month's market yields. Meanwhile, interest rates in Uganda declined by an average of 50 basis points across the yield curve during the month of January relative to the previous month. The Bank of Uganda issued 3-year and 15-year bonds at weighted average rates of 12.1% and 14.4% respectively. In Tanzania, rates remained low underpinned by money market liquidity and an accommodative monetary stance.

**Currencies:** The Kenya Shilling, Tanzania Shilling and Rwandan Franc depreciated by 0.4%, 0.3% and 0.1% respectively against the dollar during the month of January. This is attributable to increased corporate dollar demand amid tight liquidity in the money markets. However, the Uganda Shilling appreciated by 1.4% against the dollar supported by portfolio flows. We expect moderate currency depreciation across the region as economic activity recovers coupled with strengthening of the dollar globally in the medium term.

**Equities:** The regional markets generally reflected a weak start for the year 2022 on the back of notable sell-off by foreign funds due to liquidity needs and currency concerns in the lead to a projected stronger dollar. Nonetheless, the Tanzania bourse was up 2.7% during the month supported by keen investor interest on liquid stocks.

**Global Markets:** The global markets faced headwinds on the back of a spike in inflation, higher commodity costs and looming geopolitical tensions amidst an anticipated rise in US rates. Consequently, global markets traded lower in January.

The gold commodity performance retreated following a seemingly hawkish commentary from US Federal Reserve while crude oil prices continued to hike in January as global demand outpaced the global supply.

**Outlook:** We view a sustained economic recovery, relatively stable rates, and progressive vaccination uptake supportive of risky assets over the medium term. However, global equity returns are expected to moderate in 2022, as less accommodative policies are anticipated to control the spiraling inflation. Subsequently, higher rates within the region could potentially erode capital gains in fixed income assets.

#### 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.
- **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.



January 2022 Update



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#### Disclosure Statement

Sanlam Investments East Africa Limited ("the manager") is regulated by Capital Markets Authority in Kenya and Uganda to provide investment advisory and management services. The firm has been operational in Kenya since 1998 and in Uganda since 2004 and is a leading fund manager in the region with a strong record of accomplishment in service delivery and performance.

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