

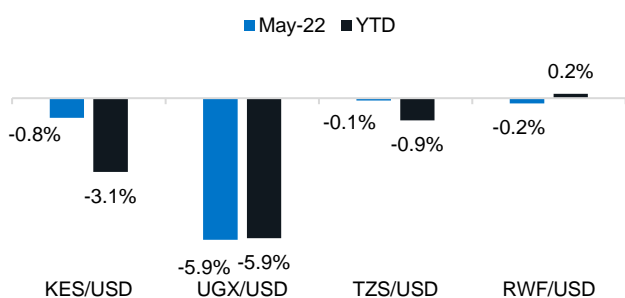
### Regional Inflation & Key Interest Rates, May 2022

	Kenya	Uganda	Tanzania	Rwanda
Inflation Rate (latest)	7.1%	6.3%	3.8%	9.9%
Central Bank Rate	7.5%	7.5%	5.0%	4.5%
91 Day Treasury Bill	7.7%	6.5%	2.5%	6.0%
2 Year Treasury Bond Yield	9.4%	11.0%	7.6%	9.3%

\*Rwanda and Tanzania inflation as of April 2022

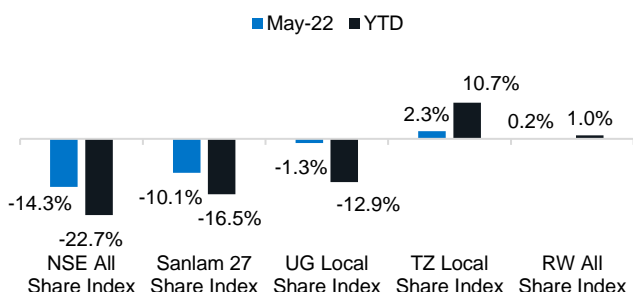
Source: Kenya, Uganda, Rwanda, and Tanzania National Bureau of Statistics & Bloomberg

### 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

	May-22	YTD 2022
MSCI World Index	-0.2%	-13.6%
MSCI Emerging Markets Index	0.1%	-12.5%
Oil-Light Crude	12.3%	57.9%
Gold	-3.1%	0.4%

Source: Bloomberg

### Market Commentary

**Inflation:** Kenya's inflation accelerated to 7.1% year-on-year (y/y) in May 2022 from 6.5% y/y in April 2022. The rise was driven by higher food and non-alcoholic beverages inflation which was 12.4% in April against 12.2% in March 2022.

Uganda's inflation rose to 6.3% y/y in May 2022 from 4.9% y/y in April 2022 mainly due to higher food and non-alcoholic beverages related inflation. Tanzania's inflation increased marginally to 3.8% y/y in April 2022 from 3.6% y/y in March 2022 on account of higher food and non-alcoholic beverages prices while Rwanda's urban inflation increased to 9.9% y/y in April 2022 from 7.5% y/y in March 2022 due to higher food and non-alcoholic beverages, housing, water, and fuel related prices. We expect the uptick in inflationary pressures to continue within the medium term owing to the price hikes of select food commodities which have been exacerbated by the disruptions in global supply chains.

**Interest Rates:** Bond yields in Kenya edged up by an average of 12 basis points (bps) across the yield curve in the month of May. The Central Bank of Kenya issued a 10-year bond and reopened a 25-year bond at weighted average yields of 13.5% and 13.9% respectively in the most recent primary auction. The Treasury remains keen to cap rates below 14% even though yields on most tenors have edged up reflecting the rising interest rate environment.

In Uganda, interest rates declined by an average of 33 bps across the maturity spectrum as the Bank of Uganda issued 2-year and 10-year bonds at weighted average rates of 9.9% and 13.8% respectively. In Tanzania, rates declined across the yield curve consistent with the money market liquidity. The region could be adopting a tightening monetary stance as Central Banks raise policy rates in a bid to curb inflationary pressures in line with the global front. Kenya and Uganda have each increased their policy rate by 50 and 100 basis points respectively.

**Currencies:** All the regional currencies depreciated in May 2022 on account of dollar demand and supply mismatch. We expect moderate currency depreciation across the region as import demand rises mainly on oil imports and the US Dollar continues to strengthen against all major global currencies.

**Equities:** The Kenyan and Ugandan equity markets posted negative returns on sustained sell-off from foreign investors exiting frontier markets. The Tanzania bourse nonetheless was an outlier and gained 2.3% supported by demand for banking sector stocks from investors taking advantage of corporate action and good Q1 2022 financial results.

**Global Markets:** Global markets were flat in May 2022 as investors welcomed Fed efforts to contain inflationary pressures through rate hikes and quantitative tapering. However, concerns of heightened geopolitical risks and growing caution that the Central Banks tightening actions could wipe out the growth recovery achieved post-Covid weighed down on investor confidence for risky assets.

Gold slumped in May over rising U.S. treasury yields and a strengthening U.S. dollar. Demand and supply mismatch supported oil prices during the month.

**Outlook:** All major Central banks have turned hawkish to counter elevated inflationary pressures, sparking investor caution on higher projected rates in the near term. Bond yields have picked up significantly and this could dampen investor appetite over the short term until a perceived flattening of rates is achieved. Nonetheless, long term investors could continue to find opportunities to selectively pick up on discounted securities with solid fundamentals over the course of such volatile times.

#### 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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