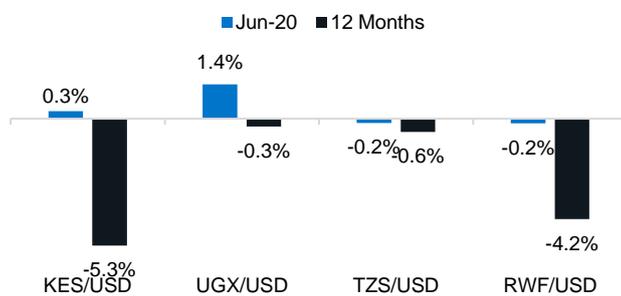


Regional Inflation & Key Interest Rates

	Kenya	Uganda	Tanzania	Rwanda
Inflation Rate (latest)	4.6%	4.1%	3.2%	6.2%
Central Bank Rate	7.0%	7.0%	12.0%	5.0%
91 Day Treasury Bill	6.7%	8.2%	2.8%	10.0%
2 Year Treasury Bond Yield	9.7%	13.5%	8.3%	10.0%

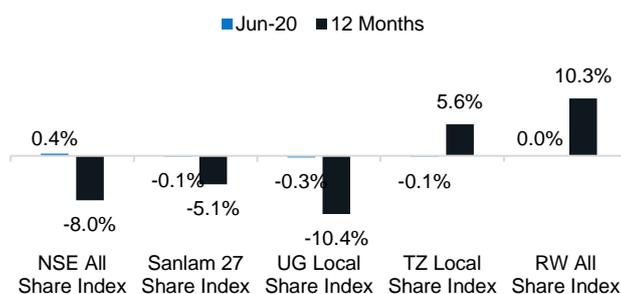
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

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

	Jun-20	QTD	YTD	12 Months
MSCI World	2.5%	18.8%	-6.6%	1.1%
MSCI Emerging Markets	7.0%	17.3%	-10.7%	-5.7%
Oil-Light Crude	8.1%	20.9%	-33.9%	-33.4%
Gold	2.9%	12.9%	17.4%	26.3%

Source: Bloomberg

Market Commentary

COVID-19 Update: The world's total confirmed Covid-19 infection cases stood at 10 million as at 30th June 2020. According to the Africa Centre for Disease Control, the confirmed coronavirus infection cases have surpassed 400,000 and fatalities stood at 10,000. This new height in cases comes at a time when some countries in the region have loosened their lockdowns measures and even partially reopened airports for international flights. In East Africa, the rate of infections continued to rise at an accelerated pace as testing capabilities increased.

Inflation: Inflation in Kenya declined to 4.6% in June from 5.5% recorded in the previous month. The food and non-alcoholic drinks index, which makes up a third of Kenya's inflation basket, attributed to the overall decline as this index decreased by 1.27% month on month, compared to the decline of 0.24% recorded in May. Uganda's annual inflation increased to 4.1% from 2.8% in May. Headline inflation in Tanzania declined to 3.2% year-on-year in May from 3.3% in April 2020. Inflation on food and non-alcoholic beverages for the month of May 2020 declined to 4.4% from 4.6% recorded in April 2020. Core inflation, which excludes food and energy prices, increased to 2.2% from 2.1%. Rwanda's Urban Consumer Price Index increased by 9.9% on annual basis and 0.7% on a monthly basis for the month of May 2020.

Interest Rates: In Kenya, bond yields declined as the Central Bank of Kenya offered the 5-year and 10-year bonds at 11.2% and 12.4% respectively. This was attributable to the significant liquidity in the money markets as banks preferred to lend to the government amidst the heightened economic shocks ensuing. Interest rates in Uganda came in slightly lower relative to the previous month especially on the short end of the yield curve. This was due to increased liquidity within the financial markets during this time. The Bank of Uganda auctioned 2-year and 10-year treasury bonds at yields of 13.5% and 14.8% respectively. High liquidity in Tanzania extended the decline of short-term interest rates.

Currencies: The overall appreciation of the Kenya and Uganda currencies against the US Dollar during the month was attributable to the Central intervention measures as well as subdued dollar demand. Furthermore, the weakening of the dollar resulted to the overall stability of the regional currencies. The US dollar has exhibited weakness owing to ultra-low market yields owing to the aggressive fiscal stimulus as well as the looming trade tensions amongst the US, China and Europe.

Equities: The Tanzania and Uganda local indices reported negative return for the month of June 2020. This was attributable to the continued sell off by foreign investor funds amidst uncertainty attributable to the impact of COVID-19 disruptions. The Nairobi All Share and Rwanda All Share indices returned marginal positive performance in the month of June.

Global Markets: The positive gain on the global markets extended in the month of June. The US market has displayed increased exuberance during the Quarter 2 2020 as investors placed great belief on the US Federal reserve and the massive fiscal intervention expected to support an economic recovery. Also, optimism on the planned re-opening of economies has encouraged re-entry into global market stocks. Oil prices surged during the month on expected decline on stockpiles as well as renewed demand outlook as countries gradually lift restrictions on movement. Gold remains defensive and has outperformed most global assets on a year to date basis as Covid-19 uncertainties impelled for an allocation to the safe haven commodity.

Outlook: While the economic effects of the pandemic have proved devastating, it provides a fortuitous opportunity for investors to pick up on quality counters at the bottom of price curve.

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Disclosure Statement

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