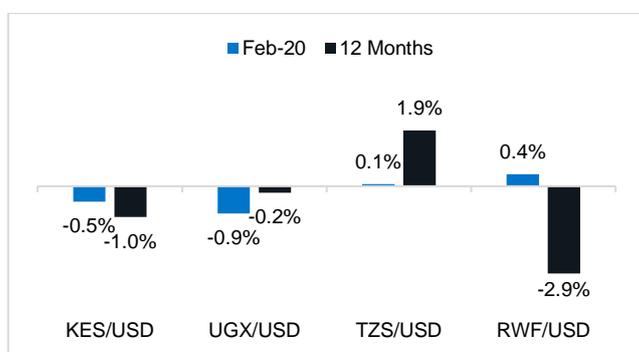


Regional Inflation & Key Interest Rates

	Kenya	Uganda	Tanzania	Rwanda
INFLATION (latest)	6.4%	3.4%	3.7%	7.3%
CBR RATE	8.3%	9.0%	12.0%	5.0%
91 DAY T-BILL	7.3%	10.1%	3.5%	6.0%
2 YEAR BOND YIELD	10.3%	13.9%	10.3%	n/a

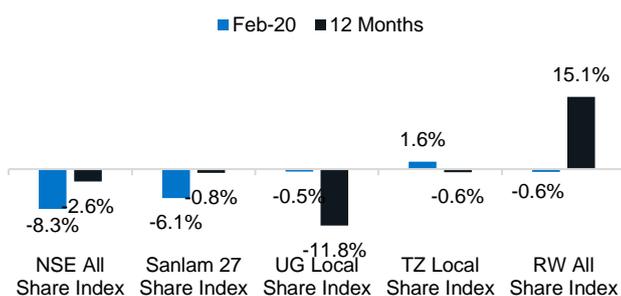
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

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

	Feb-20	Q4 2019	YTD	12 Months
MSCI World	-8.6%	-9.2%	-9.2%	2.7%
MSCI Emerging Markets	-5.3%	-9.8%	-9.8%	-4.3%
Oil-Light Crude	-12.0%	-23.2%	-23.2%	-23.7%
Gold	-0.2%	4.5%	4.5%	20.7%

Source: Bloomberg

Monthly Market Commentary

COVID-19 pandemic: The Coronavirus outbreak has presented heightened risk sentiment globally that was last seen during the global financial crisis in 2008, according to the Organisation for Economic Cooperation and Development (OECD). A sharp slowdown in global growth is expected in the first half of 2020 as low demand dampens supply uptake and commodities are hit, tourism drops, and lower investor confidence persists. The global economy is set to grow at about 2.4% this year, the lowest since 2009 and down from a forecast of 2.9% in November, according to the Paris-based policy forum. However, if the virus spreads throughout Asia, Europe and North America, global growth could drop as low as 1.5% this year.

Inflation: The region continues to enjoy muted inflation attributable to stable food prices. Inflation in Kenya edged up marginally to 6.4% in February from 5.8% the previous month. The increase in inflation was driven by increase in food prices which outweighed the decrease in non-food items. Uganda's headline inflation remained the same at 3.4% while core inflation increased by 0.1% to 3.1% in February 2020. The slight increase was attributed to an increase in prices of clothes and services. The annual inflation rate in Tanzania decreased to 3.7% in January 2020 from 3.8% in December 2019 on account of lower food prices. Rwanda's inflation increased by 0.6% in January 2020 as prices edged up against a backdrop of higher demand for food and non-alcoholics.

Interest Rates: In Kenya bond yields edged higher, as the Central Bank of Kenya picked the 15 and 25-year primary bond bids at 12.8% and 13.4% respectively. In Uganda, interest rates decreased across the yield curve in the period under review due to an increase in liquidity. The Bank of Uganda auctioned 2-year and 15-year treasury bonds which printed at 14.0% and 15.1% respectively. High liquidity in Tanzania sustained the decline of short-term interest rates. The average yields for the short-term securities dropped to 5.6% from 5.8% seen during the January auction.

Currencies: Currencies in the region posted marginal performance in February with the Kenya shilling depreciating by 0.5% against the Dollar due to dollar demand from foreign investors selling out of the stock markets on increased fears of the coronavirus spread globally. In Tanzania and Rwanda, subdued dollar demand supported currency stability.

Equities: The Kenyan, Uganda and Rwanda markets posted negative performance whilst Tanzania had positive returns. Amidst foreign investors equity sell off in the wake of the perceived market risk brought about by the COVID-19 (coronavirus) pandemic. BAT released its full year results recording 9% revenue growth supported by 10 export markets. Net profit fell by 4.9% due to increasing consumer pressure. The USE LSI was down by 0.5%, mainly driven by the forces of demand and supply on some of the counters like DFCU, UMEME and Stanbic. Counters like Stanbic Uganda and Uganda Clays lost ground by 2.0% and 0.9% respectively while the rest remained flat.

Global Markets: All major global indices plunged in the wake of the corona virus fears. The S&P 500, MSCI World and MSCI EM posted -8.6%, -9.2% and -9.8% respectively.

Outlook: The current sell-off in regional and global equities presents a good opportunity for investors to purchase stocks in quality firms at deep discounts. The markets could bounce back once the shockwave of uncertainty dissipates. The current benign inflation rates and high liquidity in Kenya, Uganda, Tanzania and Rwanda also provides a good opportunity for fixed income investors.

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