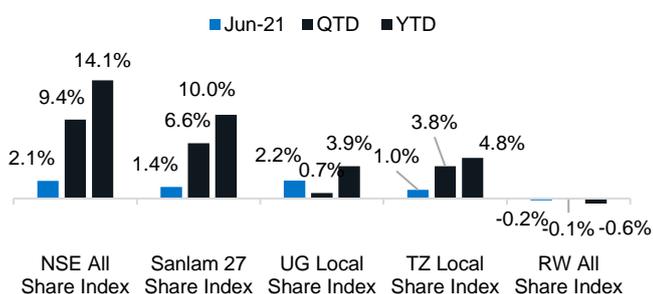


Regional Inflation & Key Interest Rates

	Kenya	Uganda	Tanzania	Rwanda
Inflation Rate (latest)	6.3%	2.0%	3.3%	4.9%
Central Bank Rate	7.0%	6.5%	5.0%	4.5%
91 Day Treasury Bill	6.9%	6.9%	3.3%	6.4%
2 Year Treasury Bond Yield	9.4%	11.5%	7.9%	9.4%

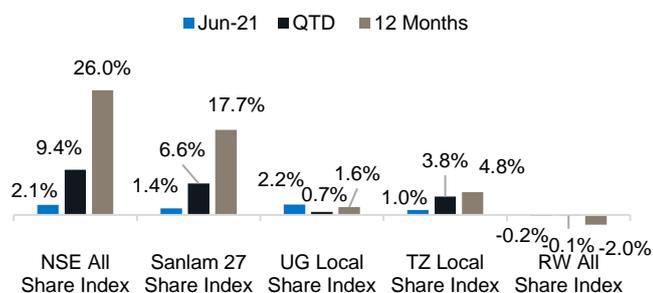
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

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

	May-21	QTD	YTD	12 Months
MSCI World	1.4%	7.3%	12.2%	37.0%
MSCI Emerging Markets	-0.1%	4.4%	6.5%	38.1%
Oil-Light Crude	8.4%	18.2%	45.0%	82.6%
Gold	-7.2%	3.7%	-6.8%	-0.6%

MSCI – Morgan Stanley Capital International
Source: Bloomberg

Market Commentary

Inflation: Kenya's inflation marginally increased by 0.1% on a month-on-month basis and 6.3% year-on-year. The food and non-alcoholic beverages basket increased by 8.5% year-on-year while the transport index surged by 14.7% year-on-year.

Uganda's annual headline inflation rose to 2.0% in June compared to 1.9% in May, driven by higher food & non-alcoholic beverages prices. Headline inflation in Tanzania stagnated at 3.3% in May as was recorded in April. The food and non-alcoholic beverages inflation rate marginally increased to 4.9% on an annual basis.

Rwanda Consumer Price Index decreased by 4.9% on an annual basis in May, mainly due to the decrease of 2.3% in prices of food and non-alcoholic beverages. We expect inflation in the region to be well anchored within the respective Central Bank's inflation targets over the near term.

Interest Rates: In Kenya, bond yields declined across the yield curve, with the decline more pronounced on the shorter end. The Central Bank of Kenya issued 11-year and 18-year bonds at weighted average rates of 12.5% and 13.3% respectively. In Uganda interest rates declined by an average of 0.24% across the curve, as both liquidity and offshore participation in government securities picked up. The Bank of Uganda issued the 2-year and 10-year at weighted average rates of 11.5% and 13.7% respectively. High liquidity in Tanzania's money market extended the decline of short-term interest rates in May.

Currencies: The Kenya Shilling, Uganda Shilling and Rwandese Franc marginally depreciated by 0.9%, 0.4% and 0.8% respectively against the US Dollar in June. This was attributed to increased demand from merchandise and oil importers. The Tanzania Shilling was relatively flat for the month of June. We view that currency pressures could remain moderate in the near term even as economic activity gather pace within the region.

Equities: Strong corporate earnings and improved fund flows supported the Kenya, Uganda and Tanzania equities markets which recorded positive returns in June and Q2 2021. The Rwanda local equity market posted negative returns for the period.

Global Markets: Global equities markets ended the quarter on positive gains. Markets were bolstered by improving global economic data, strong corporate earnings, and successful vaccination rates. Crude oil rallied by 18.2% quarter to date, and this is attributable to shrinking inventories and increased demand as economies reopen. Gold is up 3.7% in Q2 2021 supported by inflationary pressures generating anxiety about global economic growth.

Outlook: Global economic growth is accelerating and is expected to remain solidly above trend. This is supported by accommodative monetary policies, improved corporate earnings, improving Covid-19 trends and vaccination progress aiding reopening efforts. Risks to our outlook include elevated valuations, inflationary pressures, and emerging Covid-19 variants that may undermine efforts to defeat the pandemic.

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Disclosure Statement

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