

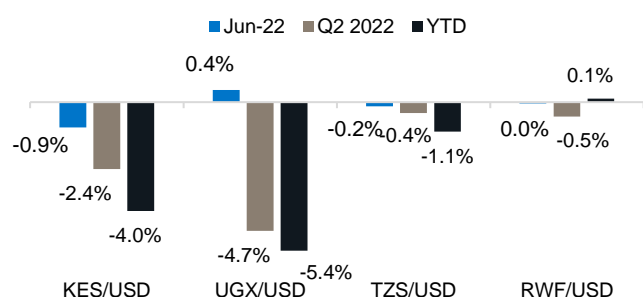
Regional Inflation & Key Interest Rates, June 2022

	Kenya	Uganda	Tanzania	Rwanda
Inflation Rate (latest)	7.9%	6.8%	4.0%	12.6%
Central Bank Rate	7.5%	8.5%	5.0%	4.5%
91 Day Treasury Bill	8.1%	8.0%	2.8%	6.0%
2 Year Treasury Bond Yield	11.6%	12.3%	7.6%	9.6%

*Rwanda and Tanzania inflation as of May 2022

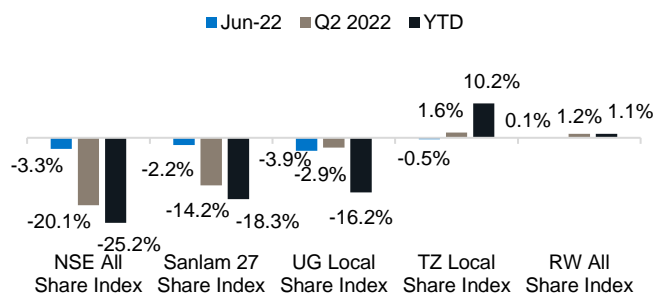
Source: Kenya, Uganda, Rwanda, and Tanzania National Bureau of Statistics & Bloomberg

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

	Jun-22	Q2 2022	YTD
MSCI World	-8.8%	-16.6%	-21.2%
MSCI Emerging Markets	-7.1%	-12.4%	-18.8%
Oil-Light Crude	-6.5%	6.4%	47.6%
Gold	-1.6%	-6.7%	-1.2%

Source: Bloomberg

Market Commentary

Inflation: Kenya's inflation edged up to 7.9% year-on-year (y/y) in June 2022 from 7.1% y/y in May 2022. The was majorly attributable to higher food and non-alcoholic beverages inflation which was 13.8% in June against 12.4% in May 2022.

Uganda's inflation rose to 6.8% y/y in June 2022 from 6.3% y/y in May 2022 while Tanzania's inflation increased to 4.0% y/y in May 2022 from 3.8% y/y in April 2022 both on account of higher food and non-alcoholic beverages prices. Rwanda's urban inflation increased to 12.6% y/y in May 2022 from 9.9% y/y in April 2022 due to higher food and non-alcoholic beverages, housing, water, and fuel related prices. We expect the uptick in inflationary pressures to continue over the medium term owing to persistent higher global commodity prices.

Interest Rates: Bond yields in Kenya edged up by an average of 11 basis points (bps) across the yield curve in the month of June. The Central Bank of Kenya issued 18-year infrastructure bond and offered a tap sale on a 3-year bond and 15-year bond at weighted average yields of 13.7%, 11.8% and 13.9% respectively.

In Uganda, interest rates edged up by an average of 170 bps across the maturity spectrum as the Bank of Uganda issued 2-year, 5-year, 10-year, 15-year and 20-year bonds at weighted average rates of 14.8%, 15.0%, 16.0%, 16.25% and 18.5% respectively. In Tanzania, money market liquidity was ample, and this was reflected by stable money market interest rates prevalent in this market.

Currencies: All the regional currencies depreciated in Q2 2022 on account of tightening monetary conditions by advanced economies in a bid to control inflation. Locally, this led to dollar demand and supply mismatch. We expect further currency depreciation across the region on account of higher global commodity prices coupled with the general rise in interest rates in developed economies.

Equities: The regional markets have remained volatile on the back of increased risk aversion from the persistent Russia- Ukraine conflict coupled with significant interest rate hike by major Central Banks. The Kenyan and Ugandan equity markets posted negative returns in Q2 2022 because of sustained sell-off from foreign investors exiting frontier markets. The Tanzania and Rwandan bourses nonetheless gained 1.6% and 1.2% respectively supported by demand from select stocks as investors took advantage of potential dividend payout and decent Q1 2022 financial results.

Global Markets: Concerns over global growth slowdown owing to the aggressive interest rate hikes weighed down on investor's risk appetite. This resulted in depressed performance for global equities. Gold and oil commodities prices also retreated during the month. However, oil price gain was up 47.6% year to date as of 30th June 2022.

Outlook: As we commence the second half of the year, most of the first half's significant headwinds are projected to persist in H2 2022. The prevailing risks around global inflationary pressures and slowing global growth could continue to weigh down on risky assets over the medium term. Nonetheless, discounted valuations prevalent in the markets present an opportunity for long term investors to pick up securities with strong fundamentals.

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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