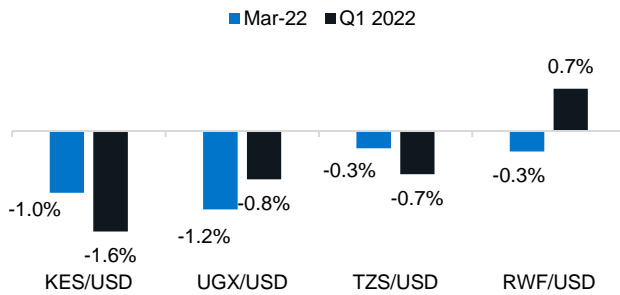


Regional Inflation & Key Interest Rates, March 2022

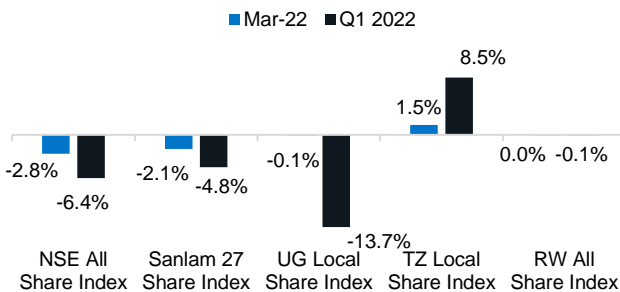
	Kenya	Uganda	Tanzania	Rwanda
Inflation Rate (latest)	5.6%	3.7%	3.7%*	5.8%*
Central Bank Rate	7.0%	6.5%	5.0%	4.5%
91 Day Treasury Bill	7.3%	6.5%	2.8%	5.9%
2 Year Treasury Bond Yield	9.4%	11.0%	7.6%	9.3%

*Rwanda and Tanzania inflation as of February 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

	Mar-22	Q1 2022
MSCI World Index	2.5%	-5.5%
MSCI Emerging Markets Index	-2.5%	-7.3%
Oil-Light Crude	6.9%	38.7%
Gold	1.5%	5.9%

Source: Bloomberg

Market Commentary

Inflation: Kenya's inflation rose to 5.6% year-on-year (y/y) in March 2022 from 5.1% y/y in February 2022. The uptick was mainly attributable to higher food and non-alcoholic beverages inflation which was 9.9% in March against 8.7% in February 2022.

Uganda's inflation accelerated to 3.7% y/y in March 2022 from 3.2% y/y in February 2022 due to higher household related inflation. Tanzania's inflation declined marginally to 3.7% y/y in February 2022 from 4.0% y/y in January 2022 on account of lower food and non-alcoholic beverages prices while Rwanda's urban inflation increased to 5.8% y/y in February 2022 from 4.3% y/y in January 2022 due to higher food and housing, water, and fuel related prices. We expect that the impact of higher commodity prices globally could creep into the region's consumer prices in the medium term.

Interest Rates: Interest rates in Kenya continued an upward trajectory in March, edging up by an average of 19 basis points (bps) across the yield curve.

The Central Bank of Kenya issued 5-year, 15-year and 25-year bonds at weighted average yields of 11.9%, 13.7% and 13.9% respectively in the last primary auction. The 25-year yield was an indicator of the Treasury's efforts to cap yields on the longer end of the yield curve.

In Uganda interest rates rose by an average of 24 bps across the maturity spectrum as the Bank of Uganda issued 5-year and 20-year at weighted average rates of 14.0% and 15.9% respectively. In Tanzania, rates declined marginally underpinned by money market liquidity and an accommodative monetary stance.

Currencies: All the regional currencies except for Rwandese Franc depreciated in Q1 2022 on account of increased corporate dollar demand amid tight liquidity on the US Dollar. The US Dollar has appreciated against other major currencies as the US Federal Reserve Bank (US Fed) hiked rates by 25 bps in March. The Rwandese Franc appreciated by 0.7% in the first quarter of 2022. We expect moderate currency depreciation across the region as import demand increases and the US Dollar continues to strengthen against all major global currencies.

Equities: Global risk aversion due to geopolitical risks, inflationary pressure and rising commodity prices spooked markets in Q1 2022. The Kenyan, Ugandan and Rwandan equity markets posted negative returns. The Tanzania bourse nonetheless was up 8.5% during the quarter supported by the price performance of CRDB Bank and NMB Bank that posted decent corporate earnings.

Global Markets: There was a general weakness in global equity markets in Q1 2022 due to inflationary pressures and the associated effects of the Russian-Ukraine war.

Gold benefitted from the risk off stance as geopolitical tensions escalated while oil prices sustained further hikes on supply constraints.

Outlook: The Russia-Ukraine conflict, global inflationary pressures, rising commodity prices and the tightening of rates by major Central Banks could be pose as headwinds to global and regional stock markets. The risk of higher crude oil prices more so could see further inflationary pressure in the East African region and in addition result in moderate currency weakness over the medium term.

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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Disclosure Statement

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