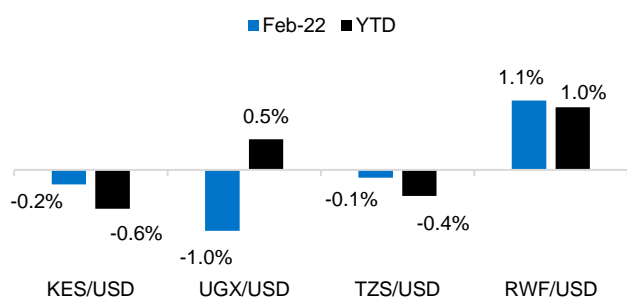


Regional Inflation & Key Interest Rates, February 2022

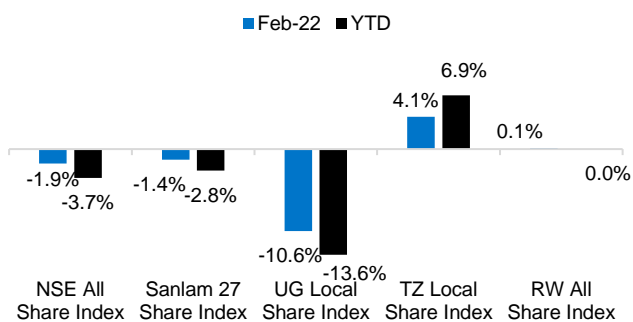
	Kenya	Uganda	Tanzania	Rwanda
Inflation Rate (latest)	5.1%	3.2%	4.0%*	1.9%*
Central Bank Rate	7.0%	6.5%	5.0%	4.5%
91 Day Treasury Bill	7.3%	6.5%	3.0%	6.0%
2 Year Treasury Bond Yield	9.4%	11.0%	7.6%	9.3%

*Rwanda and Tanzania inflation as at January 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

	Feb-22	YTD
MSCI World Index	-2.7%	-7.9%
MSCI Emerging Markets Index	-3.1%	-4.9%
Oil-Light Crude	10.7%	29.8%
Gold	6.2%	4.4%

Source: Bloomberg

Market Commentary

Inflation: Kenya's inflation slowed to 5.1% y/y in February 2022 from 5.4% y/y in January 2021, having been on a downward trajectory since September 2021. The slowdown was mainly attributable to lower y/y transport inflation, 4.5% in February against 6.8% in January 2022. The y/y price increase in February was mainly due to higher food prices, higher cost of furnishings, household equipment and routine household maintenance as well as increased fuel prices. Uganda's inflation accelerated to 3.2% y/y in February 2022 from 2.7% y/y in January due to higher food prices and education expense as learning activities continued to pick up. Tanzania's inflation decreased marginally to 4.0% y/y in January 2022 from 4.2% y/y in December 2021 on account of higher food and non-alcoholic beverages prices while Rwanda's urban inflation increased to 4.3% y/y in January 2022 from 1.9% y/y in December 2021 due to higher food and transport prices.

Interest Rates: Interest rates in Kenya continued an upward trajectory in February as the government sought to achieve its borrowing target for the financial year. In February, Central Bank of Kenya issued a 19-year Infrastructure Bond (IFB) at a weighted average yield of 12.97%. The issue was massively oversubscribed by 76%. In Uganda interest rates declined due to high liquidity and low inflation. In Tanzania, rates declined marginally underpinned by money market liquidity and an accommodative monetary stance. Credit to the private credit grew to 19.6% y/y in January 2022 from 6.2% y/y in January 2021.

Currencies: The regional currencies came under pressure on account of increased corporate dollar demand amid tight liquidity on the US Dollar. Globally the US Dollar strengthened as investors anticipated a rate hike by the US Federal Reserve Bank (US Fed) and geopolitical tensions between Russia and Ukraine. We expect moderate currency depreciation across the region as import demand increases and the US Dollar continues to strengthen on the world stage. The Uganda shilling could strengthen going forward following the announcement of the Final Investment Decision (FID) on Ugandan oil in February 2022 that would result in dollar inflow into the country.

Equities: Increased risk aversion by offshore investors due to the conflict between Russia and Ukraine and expectations of an interest rate hike by the US Fed has resulted in price weakness in stock markets globally and in East Africa. Notwithstanding, the Tanzania bourse was up 4.1% during the month buoyed by the price performance of CRDB Bank and NMB Bank that posted strong FY 2021 results. The regional equity markets are trading at relatively cheap valuations however investor sentiment is weighed down by global events and heightened political risk in Kenya.

Global Markets: The global markets weakened further in February 2022 in the face of hawkish expectations of interest rate hikes and the escalating conflict between Russia and Ukraine. The price of gold benefitted from the geopolitical tensions while expectations for crude oil supply shortfalls resulted in higher oil prices.

Outlook: The escalation of the Russia-Ukraine conflict, global inflationary pressures and the tightening of the US Fed rates remain key risks to the performance of global and the regional stock markets. There is a risk of further upside in global crude oil prices that could increase inflationary pressure in the East African region and result in moderate currency weakness.

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.
- **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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