August 2019 Update

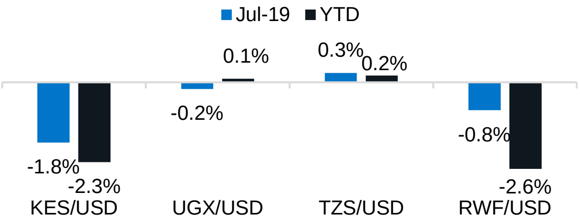
Sanlam Investments East Africa Limited

Regional Inflation & Key Interest Rates

	Kenya	Uganda	Rwanda	Tanzania
Inflation (latest)	6.30%	2.60%	0.90%	3.50%
Central Bank Rate	9.00%	10.00%	5.00%	12.00%
91 Day T-Bill	6.60%	9.70%	5.20%	4.30%
2 Year Bond Yield	9.10%	12.90%	n/a	12.00%

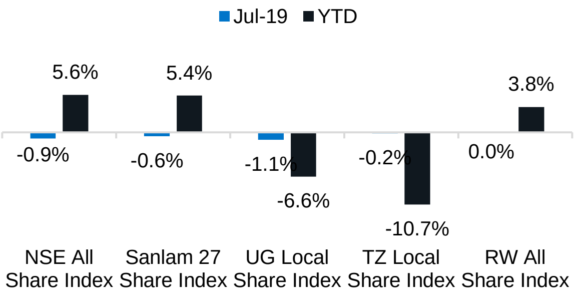
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

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

	Jul-19	Q3 2019	YTD	12 MONTHS
MSCI World	0.4%	0.4%	16.1%	1.2%
MSCI Emerging Markets	-1.7%	-1.7%	7.4%	-3.0%
BRENT Crude Oil	1.1%	1.1%	18.3%	-11.1%
Gold	0.3%	0.3%	10.2%	15.1%

Source: Bloomberg

Monthly Market Commentary

Economic Update: Regional economic growth slackened in Q1 2019 compared to a similar period a year ago. Kenya's GDP expanded by 5.7% during this period compared to 6.3% in Quarter 1 2018 owing to a weaker agricultural output. Uganda's growth was at 6.0% decelerating from 6.8% from the previous year. In Tanzania, growth was at 6.6% compared to 7.5% in Quarter 1 2018 buoyed by growth in the construction, transport and mining sector. It is evident that dry conditions have had a drag on the agricultural sector growth across the region and could pose a risk for overall growth in 2019.

Inflation: Inflation remained well anchored against the respective countries target range albeit the risk of rising fuel prices. Furthermore, potential headwinds from increasing food prices have moderated on the onset of delayed rains. In Kenya, inflation increased to 6.3% compared to 5.7% in June attributable to higher food and fuel prices. Uganda's rate of inflation slowed down to 2.6% in July from 3.4% in June owing to improved food production. Tanzania 's inflation picked up slightly to 3.5% in May from 3.2% in April driven by higher food inflation. In Rwanda, inflation went up by 0.9% in June from 0.0% in May owing to a hike in the country's core inflation.

Interest Rates: Liquidity continues to remain high in Kenya and Uganda. The oversubscription rate during the month's auctions depicted the heightened investor appetite for Treasury assets leading to a downward shift in bond yields. In Uganda, yields on the long-dated bonds have rallied even more sharply than Kenya largely fueled by the withholding tax rate cut on long dated government bonds at 10% from its previous rate of 20%. Increased investor appetite for long term papers has resulted to an inverted yield curve as the Central Bank auctioned a 5 year and 15 year in July.

Currencies: The Kenya Shilling lost 1.8% against the US Dollar during the month to close at Ksh. 104.30. This depreciation was as a result of seasonal demand on account of import obligations and repatriation of corporate dividends. Nonetheless, robust growth in diaspora remittances and a tapering trade deficit should bolster the currency in 2019. The Uganda Shilling and Rwandese Franc lost 0.2% and 0.8% against the greenback respectively. The Tanzania shilling gained slightly against the US Dollar on account of increased dollar inflows from mining and tourism sectors during this period.

Equities: The East Africa equity markets edged lower this month albeit supportive earnings growth reported by some companies during this period. EABL reported a significant jump in operating profit of 40% buoyed by strong revenue growth in the mainstream spirits segment for FY2019. In the energy sector Kengen has indicated an addition of 79 megawatts (MW) to the national grid through a new geothermal plant. In addition, according to its management, the listed company will be expected to increase this production to a total of 158MW by the end of August.

Global Markets: The US Fed Reserve lowered its benchmark rate by 25 basis points in July's meeting. This decision was well anticipated and to a large extent priced in going by the US equity rally during the month. The Central Bank governor pointed that the rate cut action was cautionary measure amidst the prevailing trade tensions and slowed global economic growth outlook despite the decent US GDP growth presently. This marks the first rate cut in over ten years in the United States.

Outlook: The accommodative policy adopted by the region's Central Banks could be paying off, slowly but surely as verified by the uptick in credit growth. Going forward, private sector growth will be imperative to drive growth in 2019. Furthermore, the recent move to cut interest rates in the US market could potentially bode stability for the region's currencies.

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Disclosure Statement

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