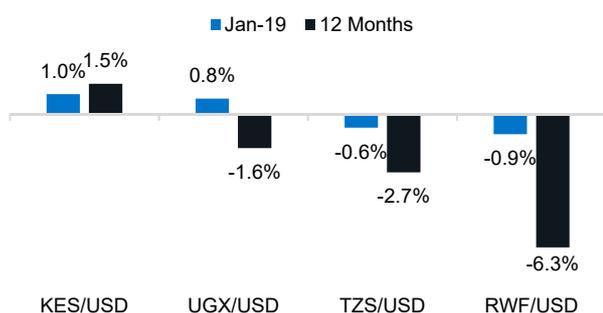


**Regional Inflation & Key Interest Rates**

	Kenya	Uganda	Tanzania	Rwanda
Inflation (latest)	4.7%	2.7%	3.3%	1.1%
CBR Rate	9.0%	10.0%	12.0%	5.5%
91 Day T-Bill	7.1%	10.3%	3.5%	5.9%
2 Year Bond Yield	10.6%	14.8%	15.5%	n/a

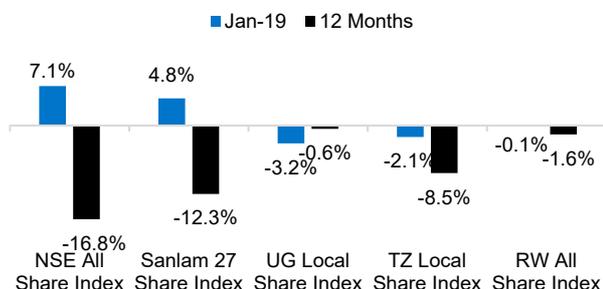
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

**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**

INDEX	Jan-19	12 Months
MSCI World	7.7%	-8.3%
MSCI Emerging Markets	8.7%	-16.3%
Brent Crude Oil	12.6%	-5.5%
Gold	3.0%	-1.8%

Source: Bloomberg

**Monthly Market Commentary**

**Economic Update:** Tanzania hosted the 20<sup>th</sup> ordinary summit of the East African Community during which Rwanda's President, Paul Kagame assumed chairmanship of the block. Manufacturing, infrastructure development, healthcare provision and strengthening of security systems to deal with terrorism and violent extremism will be President Kagame's key focus during his term of reign.

Kenya's pace of Inflation slowed to 4.7% in January (5.7% in December) mainly attributable to a decline in food prices and also reduced oil prices in the global markets. In Uganda, January's headline inflation rose slightly to 2.7%, while core inflation was recorded at 3.4%. The increase in inflation was mainly due to increase in prices of fruits, vegetables and solid fuels. Tanzania and Rwanda saw inflation increase to 3.3% and 1.1% in December from 3.0% and 0.1% in November respectively. Tanzania's inflation was mainly engendered by increased food prices whereas transport costs bolstered the inflation in Rwanda.

**Interest Rates:** High liquidity saw yields on Kenya government bonds fall during the month. Investors offered a record Ksh 100Bn in the two primary papers offered by the government which was only looking for Ksh 40 Bn and accepted Ksh 38.5 Bn. Kenya's Monetary Policy committee maintained the Central Bank rate at 9.0% citing a stable macroeconomic environment. Interest rates declined in Uganda for the third month in a row due to increased liquidity. Liquidity in Tanzania's interbank market improved as evidenced by the oversubscription of treasury bills contributing to stability of rates during the month.

**Currencies:** The Kenya and Uganda Shilling appreciated against the U.S. Dollar (USD) in January on the back of ebbing dollar demand amid declining global oil prices and diaspora remittances that persisted since the previous month. Strong dollar demand in the local Tanzania forex market sustained pressure on the Tanzania Shilling causing a further depreciation of 0.6% during the month. The growth in imports which were unmatched by a weaker growth in exports spawned the persistent depreciation of the Rwandan Franc.

**Equities:** The Nairobi Securities Exchange (NSE) registered a 7.1% growth in January triggered by a positive change in investor sentiment causing a rally in the consumer, banking and telco stocks. Better than expected results from EABL boosted the NSE gains. NIC Bank and CBA announced a merger that will see the joint organization become the third largest Bank in Kenya by total assets. The new Bank will remain listed and new shares will be created for CBA shareholders. The news precipitated the appreciation of the stock by 21.4% in January. The Uganda Local Index was down by 3.2%, mainly driven by retail investor sales during the month amid low foreign participation and low volumes. Muted foreign participation in the Dar Es Salaam Securities Exchange contributed to the low volumes and declining prices. Activity was generally slow in Rwanda's stock market with most stocks posting flat returns for the month.

**Global Markets:** Increased appetite for riskier assets was experienced globally in January after the Federal Reserve indicated its intention to pause rate hikes. Strong earnings announcements from top companies such as Facebook and General Electric further supported positive sentiment towards equities. The Fed's dovish outlook amid trade optimism between the US and China who hope to strike a deal before the deadline in March boosted stocks in the Emerging markets.

**Outlook:** The Fed's decision to slow rate hikes will release some pressure off East African currencies in the short run as export proceeds are expected to strengthen later in the year from agricultural exports. Interest rates are likely to remain stable with a downward bias supported by liquidity and accommodative policies by central banks in the region. The effects of selloff in emerging market stocks could possibly be reversed as investor's appetite for riskier assets increases. This could also see fund flow towards global equities persist as geopolitical tension lessens on the possibility of an agreement between China and the US by March 2019.

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**Disclosure Statement**

Sanlam Investments East Africa Limited ("the manager") is regulated by Capital Markets Authority in Kenya and Uganda to provide investment advisory and management services. The firm has been operational in Kenya since 1998 and in Uganda since 2004 and is a leading fund manager in the region with a strong record of accomplishment in service delivery and performance

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