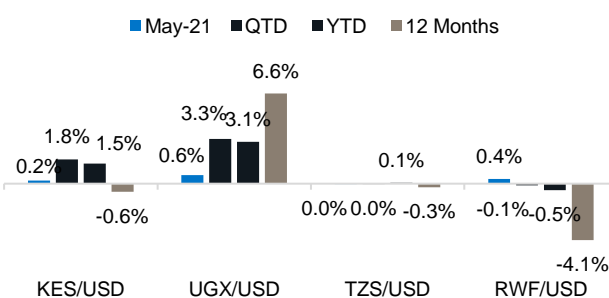


Regional Inflation & Key Interest Rates

	Kenya	Uganda	Tanzania	Rwanda
Inflation Rate (latest)	5.9%	1.9%	3.3%	2.7%
Central Bank Rate	7.0%	7.0%	5.0%	4.5%
91 Day Treasury Bill	7.1%	7.0%	3.3%	6.4%
2 Year Treasury Bond Yield	10.0%	13.0%	7.9%	9.4%

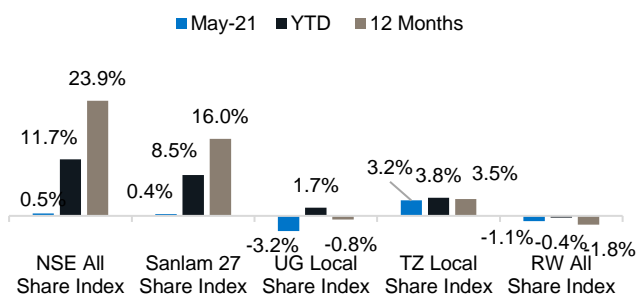
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

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

	May-21	QTD	YTD	12 Months
MSCI World	1.3%	5.8%	10.6%	38.5%
MSCI Emerging Markets	2.1%	4.5%	6.6%	47.9%
Oil-Light Crude	3.1%	9.1%	33.8%	96.2%
Gold	7.8%	11.7%	0.4%	10.2%

MSCI – Morgan Stanley Capital International
Source: Bloomberg

Market Commentary

Inflation: Kenya's inflation marginally increased by 0.2% on a month-on-month basis. The food and non-alcoholic beverages basket increased by 7.0% year-on-year. The transport index surged by 0.7% month-on-month, during the month there was 2.9% increase in fuel pump prices. Uganda's annual headline inflation declined to 1.9% in May compared to 2.1% in April, driven by lower food & non-alcoholic beverages prices. Headline inflation in Tanzania increased to 3.3% in April from 3.2% recorded in March. The increase is attributable to food and non-alcoholic beverages inflation rate that increased by 4.8% on an annual basis. Rwanda Consumer Price Index increased by 2.7% on an annual basis in April, mainly due to the increase in prices of food and non-alcoholic beverages. We expect benign inflationary pressures over the near term as core inflation remains muted in the region.

Interest Rates: In Kenya, bond yields edged higher on the long end of the yield curve. The Central Bank of Kenya issued 15-year and 25-year bonds at weighted average rates of 12.7% and 13.9% respectively. In Uganda interest rates declined by an average of 1.1% across the curve, as both liquidity and offshore participation in government securities picked up. The Bank of Uganda issued the 3-year and 15-year at weighted average rates of 12.8% and 14.4% respectively. High liquidity in Tanzania's money market extended the decline of short-term interest rates in May.

Currencies: The Kenya Shilling, Uganda Shilling and Rwandese Franc marginally appreciated by 0.2%, 0.6% and 0.4% respectively against the US Dollar in May. This was attributed to increased foreign portfolio inflows, into government securities, lower dividend repatriation compared to last year and reduced debt service costs under the Debt Service Suspension Initiative (DSSI). The Tanzania Shilling was relatively flat for the month of May. We view that currency pressures could remain moderate in the near term even as economic activity gather pace within the region.

Equities: The Kenya and Tanzania equities markets recorded positive returns of 0.5% and 3.2% respectively in May supported by increased fund flows into these markets and improved corporate earnings. The Uganda and Rwanda local indices posted negative returns of -3.2% and -1.1% respectively.

Global Markets: Global equities markets were volatile in the month of May 2021 driven by inflationary concerns but posted positive gains in May. The equity markets were supported by the successful vaccine rollout in US and Europe, strong economic and corporate earnings recovery.

Crude oil was 3.1% higher supported by a steeper-than expected drop in US crude inventories and easing lockdown restrictions in the US and Europe.

Gold rallied in May posting a return of 7.8% as global inflationary concerns pushed investors to increase allocation to the commodity.

Outlook: We expect normalization of business activities and strong earnings recovery in 2021. This should arise from progressive COVID-19 vaccine rollout and lifting of restrictions. Risks to our outlook include inflationary pressures, geopolitical risks and emerging Covid-19 variants that may undermine efforts to defeat the pandemic.

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Disclosure Statement

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