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African Markets Revealed

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Gerard Sekoto, (1913 – 1993). Sophiatown Evening, Undated, Oil On Board, 39.5 x 50 cm

Gerard Sekoto was born on 9 December 1913 in Mpumalanga. In 1939 Sekoto went to live with cousins in Sophiatown and it was here he decided to devote himself entirely to painting. During the 1940s public and private support for Sekoto's artwork had steadily increased. He left South Africa to live in Paris, France, in 1947. Being a naturally gifted musician, Sekoto found work playing the piano in Parisian jazz bars while working on promoting his art.

Sekoto died in 1993 in Paris.

Source: Standard Bank Corporate Art Collection

Contents

2 African markets: humming to a different tune
23 Angola: rebooting, and seeking IMF assistance
29 Botswana: recovery now evident
35 Côte d'Ivoire: escalating political tensions
41 DRC: elections seem set for December
47 Egypt: resilience bolstered by ongoing reforms
53 Ethiopia: exciting reforms, but don't expect miracles
59 Ghana: fundamentals being tested
65 Kenya: fiscal risks need to be addressed
71 Malawi: policy still favourable
77 Mauritius: a transformation budget
83 Morocco: growth should be stable
89 Mozambique: peace improves the outlook
95 Namibia: bumpy road to recovery
101 Nigeria: still recovering, but also still sticky
107 Rwanda: reflecting broadly better growth
113 Senegal: growth generally slower
119 South Africa: hopes for a strong recovery are fading
125 Tanzania: moving along despite difficult business climate
131 Tunisia: merely muddling through
137 Uganda: investment related to oil will likely rise
143 Zambia: heading headlong into a fiscal crisis
149 Glossary

Humming to a different tune

- It seems highly probable that the performance of African economies will diverge from that of its markets. We still believe that economic growth across the continent will accelerate in the coming 2-y. The global growth backdrop is still likely to support elevated commodity prices, allowing the continent's commodity-producing countries, specifically those whose policymakers have addressed their balance of payments challenges, to recover meaningfully. Meanwhile, the investment-led growth story for many of the non-commodity-producing countries will likely remain intact.
- Fiscal policy conduct might yet derail some countries' growth trajectory, depriving these respective governments of the external financing they and their economies need. Ten years after the global financial crisis, and some 12 to 13 years after many governments obtained debt relief under the Heavily Indebted Poor Countries and the Multilateral Debt Relief Initiative, the debt burden has increased. Of course, the growth of domestic debt is to be celebrated, since in many countries it reflects the development of local government bond markets that allow these governments to issue paper to local banks, pension funds and insurance companies. But, disturbingly, the amount of external debt has also increased to levels comparable to just before the debt relief in the mid-2000s. Similarly, external debt service is absorbing a significant amount of resources.
- The constructive macroeconomic backdrop doesn't matter for the markets right now. Negative sentiment towards emerging markets has prevailed. Some local currency bond markets have been affected by this negativity, especially Egypt, Ghana, Nigeria and Zambia, with foreign investors in those markets selling down their holdings of local paper. That said, secondary market yields in some of these markets reflect the stressed selling. Perhaps these markets will become attractive again, especially if secondary market yields were to be reflected in the primary market.

- The ZMW remains the currency we are the most concerned about. Without a reduction in government spending, there is a risk that BOP pressures will finally weaken the ZMW. So long as there are outflows from Egypt, Ghana and Nigeria, these respective currencies are likely to weaken somewhat. But Egypt's repatriation mechanism should lessen the pressure on the EGP. Most currencies are still likely to stay within the forwards.
- The sell-off of Zambian Eurobonds has been breath-taking. Clearly, many investors are frustrated by the government's inability to come up with an economic program that the IMF could finance. Nonetheless, the price moves have been so extreme that perhaps a few investors are beginning to wonder if this is not an opportune time to buy. Kenyan Eurobonds have also started to underperform noticeably. Here, too, the key trigger is the IMF, specifically the poor progress the government has made in implementing plans agreed to with IMF.

USD performance, YTD

Asset class	Return, %
FX	
Africa 8, spot (with carry)	-4.0 (3.1)
Africa 10, spot (with carry)	-5.3 (1.)
EM 10, spot (with carry)	-9.2 (-7.1)
Bloomberg USD index, spot	1.4
Local bonds	
Africa 8	-2.8
Africa 10	-3.9
EM 10	-15.6
Bloomberg DM Sovereign	-1.7
Credit	
Africa (ex SA)	-4.3
Africa	-4.2
EMBI Global	-4.2
Bloomberg HY Global Corporate	0.9
Equity	
Frontier Africa	-13.4
Africa	-21.2
MSCI EM	-9.2
MSCI DM	4.6

Source: Bloomberg; Standard Bank Research

Growing like it's 1998

The emerging market sell-off that has been in progress since the beginning of the year is reminiscent of 1998. In the aftermath of the Asian financial crisis in 1997 and the Russian crisis in 1998, contagion ensured that the sell-off would spread to other emerging markets.

Then, as now, global economic growth was strong. The US economy was enjoying a productivity-fuelled surge in economic growth that earlier had convinced the Fed to stop tightening monetary policy, since it reasoned that inflation pressures would be contained.

A key difference between 1998 and now is that commodity prices are now still elevated, whereas in 1998 they eventually fell. Oil prices fell, bottoming out below USD10.0/bbl.

Copper prices fell too. If commodity prices were to remain elevated in the coming 1.5-y then chances are that global growth will also have remained robust.

From our vantage point, it looks highly probable that global growth will remain strong. Among the developed country central banks, only the Fed has tightened monetary policy to such an extent that inducing a recession is a real possibility. Sure, the Bank of England has also begun to tighten its policy stance, as has the Bank of Canada. But given that inflation still seems well behaved, with scant evidence of persistent wage pressures, these central banks are likely to proceed cautiously and slowly in tightening monetary policy.

Hence, it is reasonable to believe that, as in 1998, the sell-off in emerging markets is due to idiosyncratic factors affecting emerging markets rather than systemic factors that will affect global economic growth. Sure, at the margin, the policy tightening induced by the market gyrations in some of these emerging markets will likely undermine economic growth in these economies.

However, as we pointed out in the May edition of the *African Markets Revealed*, the global growth momentum of the past 5-y has been largely determined by the acceleration in growth of advanced economies. Of course, growth among developing and emerging economies has been far higher than advanced economies. But, that growth decelerated in the immediate aftermath of the 2008 financial crisis. It decelerated further after 2011. In contrast, advanced economies staged a recovery after 2011 in the wake of a financial-crisis-induced slowdown.

None of these arguments proposes no downside risks to global growth. In its Jul update of the *World Economic Outlook*, the IMF kept its forecast that global GDP growth would reach 3.9% y/y in both 2018 and 2019. But it noted that growth momentum would likely be more uneven, and pointed out a litany of potential downside surprises. Among these are trade tensions, with tariff increases by the US likely to trigger retaliation by those trade partners on which it levies tariffs. Additionally, the IMF pointed to the likelihood of financial market stress depressing growth among those emerging economies affected by negative market sentiment.

The Fund also noted that financial markets anticipate a shallower path of Fed Funds rate increases than that provided by Fed guidance. A sudden reassessment of risks by investors could trigger disruptive portfolio flows, sharp exchange rate movements, and curtail capital flows to emerging markets.

Ultimately, though, the IMF still expects an acceleration in economic growth to 3.4% y/y this year and 3.8% y/y in 2019, from 2.8% y/y in 2017. High oil prices have prompted the Fund to upgrade its forecast for Nigeria's growth, especially for 2019.

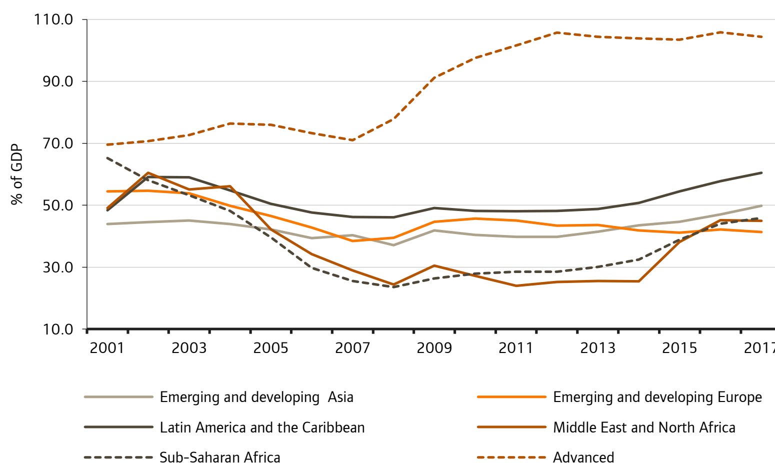
Rising debt levels point to a requirement for cuts to expenditure

There can be no denying that Africa's debt levels have increased meaningfully over the last 10-y, with the debt-to-GDP ratio for Sub-Saharan Africa nearly doubling to 45.6% in 2017 (Figure 1). Of course, in the mid-2000s many countries received debt relief under the HIPC and MDRI. This debt relief was meant to reduce the amount of these countries' resources that they were committing to external debt service.

Of course, many of them did not really have domestic bond markets at that time. Over the past 10-y, many have developed their bond markets, extending bond tenors even beyond 10-y. For the most part, the governments mobilised domestic savings from banks, pension funds, insurance companies, etc.

But there have also been considerable foreign portfolio inflows into some of these markets. At times, especially after a currency crisis leads to a dramatic increase in T-bill and bond yields, foreign portfolio investors have owned close to 20% of KES government paper. The same is true of UGX paper. This, in effect, has meant that the fledgling local bond markets have attracted portfolio inflows into the local T-bill and bond market, inflows that have been a source of BOP support in times of crisis.

Figure 1: Africa's rising debt since 2008



Source: International Monetary Fund

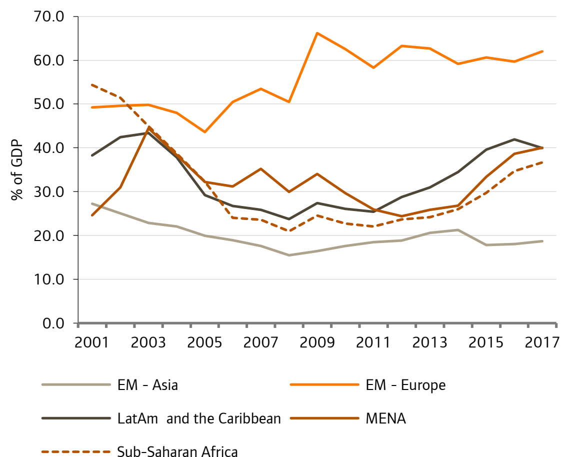
This was most clearly demonstrated by Nigeria between 2016 and 2017. With the government having resolved not to seek BOP support from the IMF, the CBN introduced NGN-settled FX futures at heavily discounted rates to lure foreign portfolio investors. The initial impact on portfolio flows was minimal. But, after introducing the Investors' and Exporters' FX window, and devaluing the NGN further, portfolio inflows rose substantially. Arguably, these inflows partly accounted for the increase in FX reserves, and the improved FX liquidity was instrumental in underpinning the economic recovery.

The contrast between this experience and Angola is stark. The BOP pressures were similar. The Angolan policymakers essentially opted for the BOP adjustment to be driven by the trade account, with no concerted efforts to boost capital inflows. Sure, the government issued Eurobonds this year. But the amount it got was far lower than the country's external financing needs. Hence, even after devaluing the AOA by more than 40%, there is still no indication that FX supply has improved enough to clear the backlog of FX demand and set the economy on a sustainable growth path. The crucial difference between this experience and the Nigerian experience is portfolio flows.

So, the increase in domestic debt has not been for naught. But what of external debt? As Figure 2 shows, external debt to GDP bottomed out in 2008. It only really accelerated after 2011. From around that time, many more countries started to issue external debt on non-concessional terms, some issuing Eurobonds. The debt level has increased meaningfully in the last 3-y or so, perhaps as an increasing number of SSA governments issued paper. The external debt level in 2017 for SSA in aggregate was at a comparable level to just before debt relief.

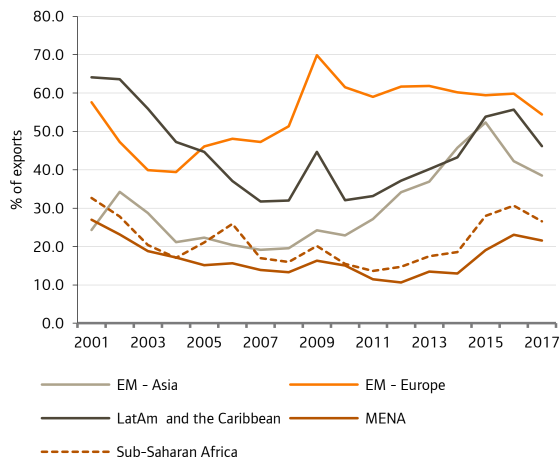
The motivation for issuing this paper in many instances was to finance infrastructure spending. One can make the argument that such spending has not been wasteful, since it would have boosted these countries' productive capacity. That may well have happened. An argument we frequently make is that the reason many of the continent's non-commodity-producing countries have been able to sustain high growth rates is their ability to attract external capital, which includes the government.

Figure 2: External debt to GDP



Source: International Monetary Fund

Figure 3: External debt service to exports



Source: International Monetary fund

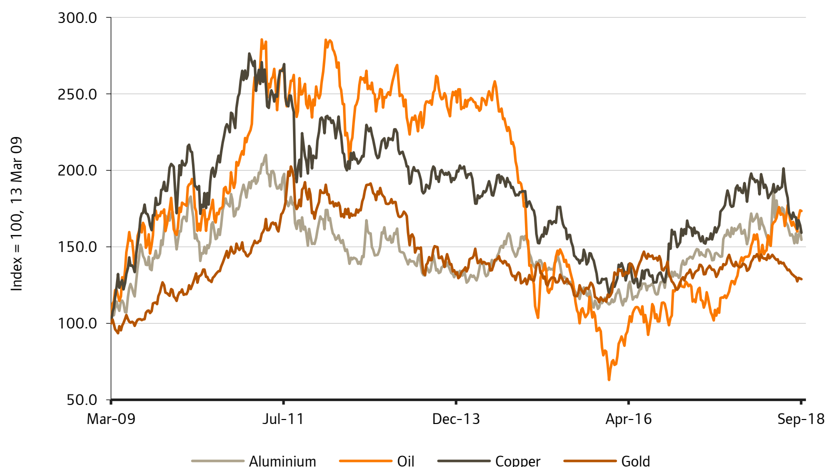
Figure 3 indicates that SSA's external debt service as a percentage of exports has also continued to climb. We suspect that these numbers might be exaggerated by the drop-off in commodity exports after 2014. After all, commodity prices bottomed out in early 2016, with exports recovering thereafter. Incidentally, this ratio has declined too.

Fiscal consolidation is required in a few countries to reduce the risk of debt distress or slow down the pace of debt accumulation. Ghana, is well advanced in its efforts in this regard, helped along by IMF support. There are other countries that also need to embark on fiscal consolidation to slow down the pace of debt accumulation. Perhaps Kenya and Zambia fall in this category.

Fiscal consolidation need not undermine economic growth. But the dislocation, especially to the BOP, that can be triggered by festering fiscal problems can undermine growth over long periods.

Commodity prices: rebound likely after the recent drop

Figure 4: Commodity prices have dropped



Source: Bloomberg

Commodity prices have fallen somewhat since mid-May, except for crude oil prices. Gold prices are some 7% lower, while aluminium prices are 10% lower.

Other metals prices also dropped sharply. The copper price initially rose to about USD7,300/MT in early-Jun from about USD6,800/MT in mid-May. Then it dropped sharply, to breach USD6,000/MT in mid-Aug.

It still looks likely that prices will not fall meaningfully from current levels. Given the global growth story, it would be hard to justify an expectation of a durable generalised decline in commodity prices. Hence, although we acknowledge that consensus forecasts tend to be sticky, it seems reasonable that consensus forecasts will turn out to be broadly correct. Consensus forecasts put Brent crude at USD72.8/bbl by the end of this year, and down to USD71.8/bbl by the end of 2019.

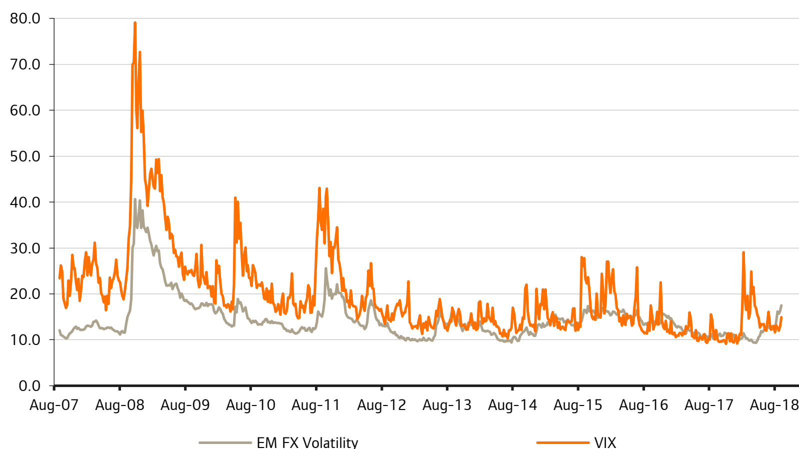
We still hear prognoses to the effect that the supply demand balance for copper points to supply tightness in the coming years. Hence, it is not surprising that consensus forecasts put the copper price at USD6,700/MT at the end of this year and USD6,800/MT at the end of 2019.

Of course, none of these forecasts would matter, were global growth to slow meaningfully. As the IMF pointed out, there are plenty of downside risks to the global growth trajectory. If these materialised, then there would be a strong chance that commodity prices would fall markedly, especially copper prices. This would directly affect the growth, fiscal deficits and the BOP of some of the commodity-exporting countries on the continent. We still stress that despite the elevated oil prices, oil importers should not necessarily face a dramatic increase in inflation as a result.

Global risk appetite: differentiated

The S&P 500 Volatility index has fluctuated since May, the last time we published this report. But while there was some spike in Jun, overall the index has remained low relative to the historical performance. It has averaged just over 13 since mid-May, indicating that risk appetite has been elevated.

Figure 5: Volatility moderating again



Source: Bloomberg; Standard Bank Research

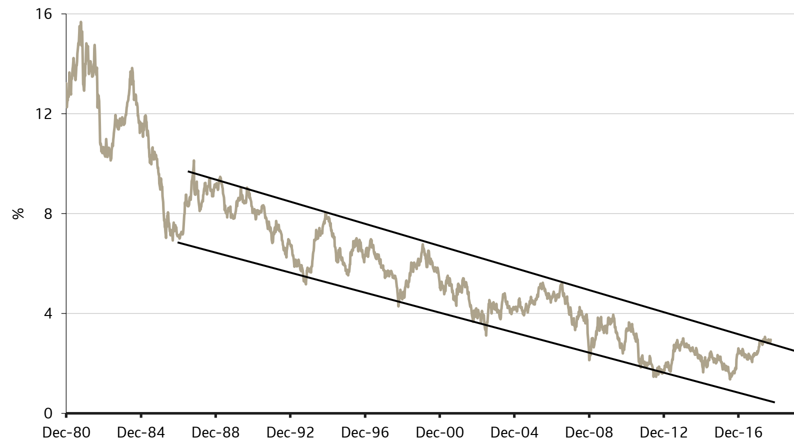
But this may well be true of developed market equities. EM equities have underperformed significantly. Indeed, the sell-off after Apr was mostly an EM phenomenon. In fact, the S&P 500 index recovered to rally after Apr, setting a new record in late Aug.

This leaves us believing that the EM sell-off is not the beginning of a trend for the entire market, but a correction. As we have been arguing, the global growth backdrop is still supporting risk appetite.

Global rates: US rates nearing the top

In May, we pointed out that the US 10-y Treasury yield seemed on the cusp of a significant structural break. Depending on how one drew the trend lines, it was either bumping up against the upper bound of the trend channel that has been in place since the 1980s, or it had already broken through it.

Figure 6: US Treasury 10-y yields above 3.0%



Source: Bloomberg

But, as we write, the 10-y yield is still in a 2.9% to 3.0% range. Steve Barrow, our G10 strategist, expects 10-y yields to head towards 3.25% by the end of Q4:18 and 3.50% by Q2:19. In addition to two further 25 bps hikes of the Fed Funds rate this year, he expects a further four next year, one in each quarter, with the US yield curve inverting during the year.

Figure 7: 10-y generic US Treasury and German bund yields

Source: Bloomberg

The consensus, as surveyed by Bloomberg, doesn't foresee the Fed Funds rate rising that much. There are quite a few forecasters expecting the rate to be below 3.0% by the end of 2019. The median forecast puts the rate at 3.0% by the end of 2019, from 2.5% at the end of 2018. Just over half of the respondents in the survey are willing to venture forecasts out to 2020, with the median peaking at 3.25%. The median forecast also puts the core PCE deflator at about 2.0% y/y from the end of 2018 to the end of 2019.

If consensus forecasts are anything to go by, the ECB may have to wait until H2:19 before starting to raise policy rates. By then, the consensus expectation is that inflation in the Eurozone will also have stabilised around 2.0% y/y. Even then, the median forecast is that the ECB main refinancing rate will be at 0.6% at the end of 2020, from 0.15% at the end of 2019.

Figure 8: EM 10-y average bond yields versus US Treasury 10-y yields

Source: Bloomberg; Standard Bank Research

Political risks: there are a few key risk events

The next few months are likely to be characterised by political theatre in Nigeria. The two leading parties are likely to go through the process of nominating candidates for the various elective offices. All parties must finalise their primaries by 7 Oct, with the last day for submitting nomination forms for presidential and national assembly elections being 3 Dec.

Of course, it is always interesting that parliament is never dissolved in preparation for elections. So, given that there have been defections from the ruling APC to the PDP, parliamentary proceedings are likely to be boisterous. Of course, one of the pieces of legislation that the National Assembly is supposed to consider is the Electoral Act that President Buhari has sent back to the house.

Naturally, we won't know what the various parties' policy proposals will be until they launch their respective manifestoes. But even at this stage it seems highly improbable that there would be a significant change in macroeconomic policy management. The fiscal rule that limits the fiscal deficit in any given year, and the sharing of oil revenues between the federal and state governments, limits the scope for fiscal policy management.

Nor is there a strong case to be made that FX policy management will change much. True, Governor Emefiele's first term in office will expire in Jun 19. Even if he were not to retain the post, it seems highly unlikely that the government would be in favour of floating the NGN.

The DRC's pre-election processes that will lead to the elections in Dec is well underway. Candidates for the presidency registered in early Aug. The ruling party chose the former Interior Minister, Emmanuel Ramazani Shadary, as its presidential candidate. Felix Tshisekedi, leader of the Union for Democracy and Social Progress party, the largest opposition party in the DRC, also registered. Meanwhile, Moïse Katumbi, the former Governor of Katanga who had expressed his presidential aspirations, failed to file his application to run for president with the electoral commission. He was reportedly denied

entry into the country twice. Jean-Pierre Bemba, who initially filed his papers, was disqualified due to a previous conviction by the International Criminal Court.

The outbreak of Ebola threatens to disrupt the pre-election processes, perhaps even leading to a postponement of the elections. Of course, the government is working to contain the outbreak, helped by aid agencies like the World Health Organisation.

The political process that initially led to the passing of the interest rate cap in Kenya, and then led to the rejection of the government's proposal to repeal the interest rate cap, is intriguing. While we mentioned that many African countries received debt relief in the early to mid-2000s, Kenya did not. So, one would be justified to believe that Kenyan policymakers have generally managed to maintain macroeconomic stability even though administrations have come and gone. In part, this was made possible by policies that have been favourable to the markets and businesses.

The interest rate cap is neither pro-business nor pro-market. Yet support for it in parliament was overwhelming, both when the original rate cap was proposed and when the government proposed a repeal of the cap. The government must also have found it unsettling that parliament did not seem eager to increase some of the taxes that are required to finance higher spending in the budget. For example, having approved the imposition of VAT on fuel prices in 2013, parliament dithered on the timing of the implementation of this tax. It initially approved a 3-y grace period, which it then extended by another year. Then, this year, it wanted to push it back by another 2-y.

It is inevitable that if the government is to finance higher spending, then it must increase revenues too, either by widening the tax base or increasing tax rates. It is puzzling that the president struggles to rally the ruling party around so that it can fund his developmental agenda. It is also puzzling that the party would be uniformly opposed to him on the rate cap.

The ruling MPLA finally completed the handover of power to President Lourenço. He was elected as the party's president. There never was any real doubt about the change of guard, since Lourenço asserted his authority very soon after he was elected. Perhaps he will prioritise economic reforms meant to diversify the economy away from oil. The discussions with the IMF for a funded program would be instrumental in that regard. The government and the IMF would have to agree on an economic program that would alleviate BOP pressures while also laying the groundwork for economic diversification.

Mozambique's regional elections to be held in Oct will likely demonstrate whether there is progress in implementing the peace process that the government and the RENAMO opposition have agreed to. One of RENAMO's key demands was for greater regional autonomy. One of the government's demands was for RENAMO's fighters to be demobilised and integrated to the army.

There was a complaint by the interim leader of RENAMO that the government was persecuting the party's operatives. He suggested that the party was being denied the opportunity to freely operate in the lead-up to the elections. Obviously, this is ominous, suggesting that RENAMO may boycott these elections, like it did the last elections in 2013. Of course, the subsequent events led to the resumption of conflict that only stopped in 2016.

Regional elections in Côte d'Ivoire will also show the extent of the fracture between the Democratic Party of Côte d'Ivoire (PDCI) and the Rally for Republicans. Perhaps a process that will lead to a realignment of coalitions is underway there. Henri Bedie, leader of the PDCI, is adamant that those members of the PDCI who want to run in these elections must do so under the PDCI banner.

FX strategy: off-consensus positions

Systematic factors are undermining some African currencies, leading to some depreciation pressures. But then again, less than a handful of countries have depreciated noticeably over the past 4 to 6 months. Since mid-May, the GHS has depreciated by some 9.0%, or 11.7% since the end of Mar. The only other currency to have depreciated meaningfully is the BWP, down some 10%, mostly due to the depreciation of the ZAR, to which the Bank of Botswana manages the BWP.

Indeed, FX policy also explains why the next most notable currency movements since the end of Mar are the XAF/XOF and the MUR. The CFA francs are down by some 4.4%, while the MUR depreciated by 3.0%.

Even the ZMW was sluggish, depreciating by 3.3% between the end of Mar and early Sep. USD/ZMW was in a narrow 9.30 to 10.30 range for just about 2-y. It has now broken through the upper bound of that trading range. We believe that the risks are for the pair to rise further in the coming months.

There has been some evidence of distressed selling of local currency bonds, with trades reported to have taken place above 30% in the secondary market. Considering that there was some USD880m in foreign holdings of local bonds, there is always a chance that panicked selling of bonds by foreigners could exert significant upward pressure on USD/ZMW.

However, we also doubt that these investors would want to exit at such yields. Hence, as has been the case for some time, these investors may stay put. In fact, if primary market yields were to get to those sorts of levels, they would probably trigger some more inflows into the local bond market. But we are a long way from that, with primary market yields still less than 20%. So, as we see it, the most significant risk for the ZMW is fiscal policy conduct. Spending is too high, exerting pressure on the BOP, as evidenced by persistent C/A deficits and low FX reserves despite a recovery in copper prices to well over USD6,000/MT since early 2016.

Nonetheless, we were closed out of our short USD/ZMW NDF position. We have considered hedging our FX exposure by buying an NDF, especially given our duration exposure too. We may well put the position on, but have opted to leave our exposure unhedged.

The GHS is probably the most intriguing. There will probably come another opportunity to sell USD/GHS NDFs. The implied yields on 12-m paper are right around the 20% level, not far off the level on which we put our current position. We are happy to retain our position. Even if we were to be completely stopped out, we would probably look to enter the position again.

This is probably another market that has been characterised by distressed selling of bonds, with some secondary market trades reportedly happening above 20%. What makes the GHS, and these developments, intriguing? Firstly, there is heavy positioning by foreigners in the local bond market. As of the end of Jun, foreigners held some GHS27.9bn in GHS bonds, not too far from the GHS28.2bn in May and GHS28.0bn in Mar, but up from the GHS25.6bn in Dec. So, despite the increased global risk aversion, foreigners have not been exiting the market in droves.

Of course, we have pointed out that foreign holdings of local bonds are very large relative to the size of the FX market and FX reserves. In fact, as of Jun, the holdings of GHS bonds by foreigners exceeded 100% of gross FX reserves, and about 140% of net FX reserves.

Clearly, most foreign investors in Ghana that have large holdings of GHS bonds do not intend to exit any time soon. So, from where is the pressure on USD/GHS coming? Perhaps it is fast-money investors who, while holding small positions, are nonetheless motivated to reduce their exposure to Ghana. This might be because of losses incurred somewhere else due to the EM rout, or because they were stopped out. After all, bond yields have increased from nearly 15%. So, there have been significant mark to market losses for investors holding those bonds.

We would also posit that repatriated coupons could be another factor to exert some upward pressure on USD/GHS. Suppose that the average coupon on the bonds held by foreigners is 18%. Then these investors would be earning nearly USD1.0bn per year in coupons. If these are repatriated rather than re-invested, they would boost FX demand, thereby exerting upward pressure on USD/GHS.

Where to from here? We are still of the view that the Ghanaian BOP is in a much stronger position than it was between 2012 and 2015 when USD/GHS was rising at more than a 20% annualised pace. Compared to the period between 2012 and 2015, fiscal policy is tighter. Furthermore, the BOG's Monetary Policy Committee has adopted a rather hawkish stance. Of course, the trade account is arguably much stronger now too, with surpluses more likely than deficits in the coming years due to a ramp-up in oil production, while exports of gold and cocoa are likely to remain strong as well. This suggests that this wave of selling of bonds, which may be pushing USD/GHS higher, is bound to subside. Maybe that would need a combination of secondary market bond yields closer to 25% and USD/GHS closer to 5.20. We keep our exposure.

Another market where we can't see the wave of selling driving the currency much weaker from current levels, is Egypt. The evidence of selling by foreign investors is indisputable. As of the end of Jun, the amount of T-bills held by foreigners amounted to EGP299.07bn, or USD16.7bn. At the peak in Mar, they amounted to EGP380.31bn, or USD21.5bn, from EGP320.0bn (USD18.0bn) in Dec 17. Yet since reaching USD44.0bn in Apr, net FX reserves keep inching higher, reaching USD44.5bn in Aug, from USD44.3bn in Jul.

Some investors regard the positioning of foreign investors in Egypt as a potential trigger for a disorderly sell-off of the EGP. Yet net sales of T-bills amounting to roughly USD4.8bn by foreigners have not made a dent in FX reserves. The CBE has regularly asserted that the FX reserve number does not include the FX that the bank buys when investors bring FX via the repatriation mechanism. This suggests that the CBE is still able to determine the exchange rate when foreign investors exit via the mechanism. Even more importantly, these outflows need not cause any stress on FX reserves, as has been evident since Mar.

We continue to argue that USD/EGP does not resemble a floating exchange rate, even after the EGP was ostensibly floated in Nov 16. This leaves C/A account developments as the crucial potential determinants of the USD/EGP rate. In that respect, USD/EGP overshot after the CBE 'floated' it in Nov 16. Since then, the pair has found a floor, mostly around 17.60, but has tended to drift higher quite easily.

As luck would have it, the commencement of the government's IMF-funded economic program was followed shortly thereafter by the commencement of production from the Zohr gas field. Additionally, an expansion of the Suez Canal is bringing in more revenues. This suggests that in the coming years the C/A balance will be stronger than was the case before 2016, supporting the EGP. We are happy to retain our position there.

We have no FX exposure to the NGN, except via the bond in our shadow portfolio. While we have quite strong views on the EGP and GHS, we don't have such strong conviction about the NGN. In part this is because we are cognisant of the fact that there can be

significant dislocation in the Investors' and Exporters' FX window. The only participants in that window are portfolio investors and the CBN. The structure of the market encourages a herd-like mentality among investors. This has been exacerbated by the NGN-settled futures that are on offer in that market and the fact that USD/NGN in the IEFX window has been very stable, as if pegged again.

So, in effect, investors can only be on the same side of the trade. They were all buying NGN from last year, and the CBN was buying the FX. If they were to turn to net buyers of FX, would the CBN be prepared to sell? Well, it currently is selling FX. There has been a wave of portfolio outflows, perhaps drawing FX reserves down.

Does the CBN have the willingness, or ability, to supply unlimited amounts of FX to prevent USD/NGN from rising? Probably not supply unlimited amounts. In any event, given the segmented nature of the FX market, with the CBN also supplying FX to the market via its retail and wholesale FX sales, there is no reason to believe that the CBN would want to keep USD/NGN stable in the IEFX window. In fact, we believe that the CBN would rather prioritise supplying FX via its auctions and leave USD/NGN to find its own level in the IEFX window. There may well be a threshold level that the CBN will not allow FX reserves to fall below while selling FX to the IEFX window.

There is a strong likelihood that portfolio outflows will pick up in Q4:18. Many investors have expressed a view that not many investors will want to hold positions there beyond the elections in Feb next year. To be sure though, we don't see why this is such a key event risk. True, there is always a chance that some of the militant groups in the Niger Delta might be opportunistic and make fresh demands, threatening to blow up oil infrastructure.

But as far as macroeconomic management is concerned, we don't see the potential reasons for BOP weakness associated with the elections. In any event, since the NGN-settled FX futures are still available, perhaps it would be worthwhile covering one's FX exposure via this mechanism rather than avoiding all FX exposure. We will be considering this in due course.

The AOA is interesting. The BNA has been devaluing it at more than a 50% annualised pace. Yet implied yields on USD/AOA NDFs are near 20% for the 12-m tenor. Perhaps the market believes that the conclusion of discussions between the government and the IMF will trigger more capital inflows into the country. But, to be clear, these inflows are still likely to be heavily biased towards official rather than private sector inflows.

We would not discount the possibility of the government issuing another Eurobond. But that would only likely be next year rather than this year. So, it looks highly probable that the BNA will continue to devalue the AOA in the meantime. There are clearly persistent BOP challenges, with FX reserves continuing to decline and the backlog of FX demand yet to be cleared. We are not inclined to take any position in this market.

We are not inclined to take any positions in the East African shillings. We suspect that most foreign investors would regard exposure to them as akin to picking up pennies in front of a steamroller. Yields are too low given the potential losses that could be triggered by contagion from the broader EM sell-off.

However, we have no strong views that such contagion will materialise. Take the KES. At face value, given that the IMF program expired unfinished, then there will probably be no financing available to the government from the IMF in the event of a future BOP shock. Notably, throughout the 3-y period that the program was in place, the government did not need to access funds under the program. So, the status quo is likely to prevail. Domestic spending is not particularly strong, restraining import demand. As a result, USD/KES has been quite stable. It will likely remain well below the forwards in

the coming 12-m. But we have preferred to tactically trade duration rather than getting exposure to the carry.

This view is even stronger with respect to the UGX. As shown over the past year, USD/UGX can, and often does, depreciate quite sharply over short periods. Yet implied yields on USD/UGX NDFS are not significantly higher than those on USD/KES NDFs. From a macroeconomic standpoint, there is nothing to choose between the two.

We have been looking for an opportunity to put USD/MZN position in our shadow portfolio for some time. The increase in USD/MZN implied yields could offer such an opportunity. Sure, USD/MZN has climbed above 60 in the past few weeks. Perhaps there is some trepidation in the market as we head towards the local elections in Oct. There have been some headlines indicating that the leadership of the RENAMO opposition party are not happy, suggesting that some of its members are not allowed to campaign freely. Even though in principle both the government and RENAMO are committed to the peace process, there is always a risk that things could become unstuck.

On macroeconomic fundamentals, we still suspect that USD/MZN is more likely to head lower sustainably rather than higher.

Fixed income strategy: retaining core positions

4-m ago we were bemoaning that there weren't a lot of markets offering bond yields of 15.0% or more. Zambia, Ghana and Egypt were the only ones that did. Those yields have risen closer to 20% now, and Uganda's have also increased above 17.0%. Ghana, Kenya, Tanzania, Uganda and Zambia have real yields of over 7.5%.

We have liked EGP duration for some time. We continue to do so, especially at the higher nominal yields that are now on offer, and we would recommend them. Inflation is about to resume the downward trajectory that should bring the figure to single digits by the end of Q2:19. For now though, the CBE's Monetary Policy Committee will likely leave the policy stance unchanged. As already pointed out, the CBE is probably going to be wary of portfolio outflows, particularly in an environment characterised by elevated EM risk aversion. So, we will leave our exposure unchanged.

We have tactically traded KES duration in the last few years. Perhaps another opportunity will present itself later this year. We are looking very closely at doing the same thing with UGX duration. The bond we hold in our shadow portfolio will mature later this year.

The BOU's MPC has expressed very hawkish sentiment, perhaps worried of the pass-through to inflation of UGX weakness in the 2-m to end-Jun. Inflation has been trending higher in recent months, but from a very low base. While it will likely continue heading higher, we suspect it will still be within the BOU's target range.

The BOZ's MPC was similarly hawkish after its last meeting, with the post-meeting statement explicitly pointing out that MPC members were faced with the choice of hiking or leaving rates unchanged. Inflation has edged above the 8% y/y upper bound of the target range. It will likely remain in single digits though in the coming 12-m. But, if there were to be further downward pressure on FX reserves or the ZMW were to weaken further, and inflation were to rise above 10% y/y, then the committee might just hike again.

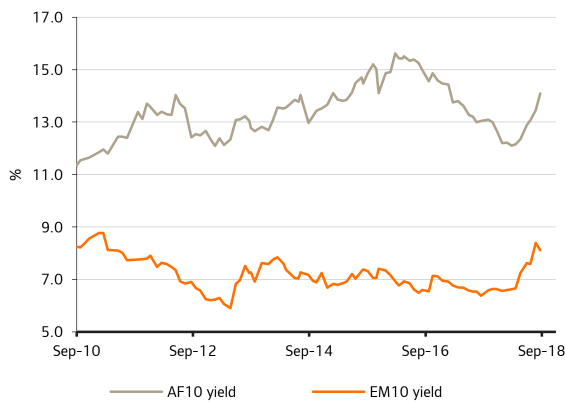
Demand for paper has been inadequate to allow the government to keep on track with its domestic borrowing plans, only raising some ZMW4.8bn in the first 7-m of the year. There have been net redemptions of T-bills, with the non-bank financial sector propping up demand for bonds.

The risks are clearly towards yields rising further from current levels. However, we believe it would take a currency crisis to push bond yields in the primary market to levels near the recently traded yields in the secondary market.

Even though there were what appear to be distressed sellers of GHS bonds, we suspect that primary market yields will not rise to those levels in the near term. Clearly, if yields were to rise above 20%, we would increase our duration exposure beyond the 2020 maturity that we currently have in our shadow portfolio. As already pointed out above, the MPC of the BOG has adopted a rather hawkish stance. Partly, this may be due to the outflows from the FX market.

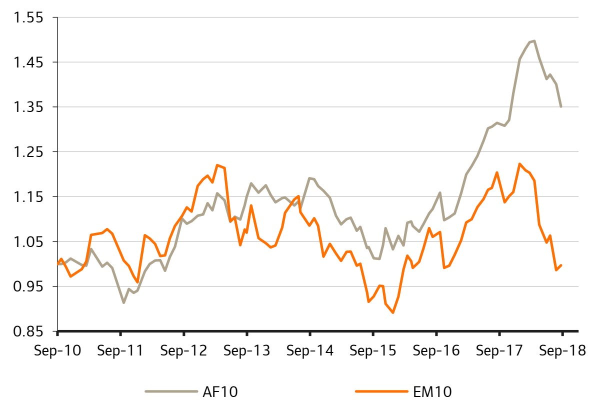
However, a more fundamental shift in policy seems to have occurred. The BOG has begun to hint at target a lower inflation rate than the current 8% y/y. One suggestion that the BOG governor has mentioned is 5.0% y/y, being the criteria for ECOWAS convergence. Hence, although inflation is within the target range, the MPC might not be keen to lower the policy rate just yet.

Figure 9: EM10 versus AF10 average 10-y bond yield



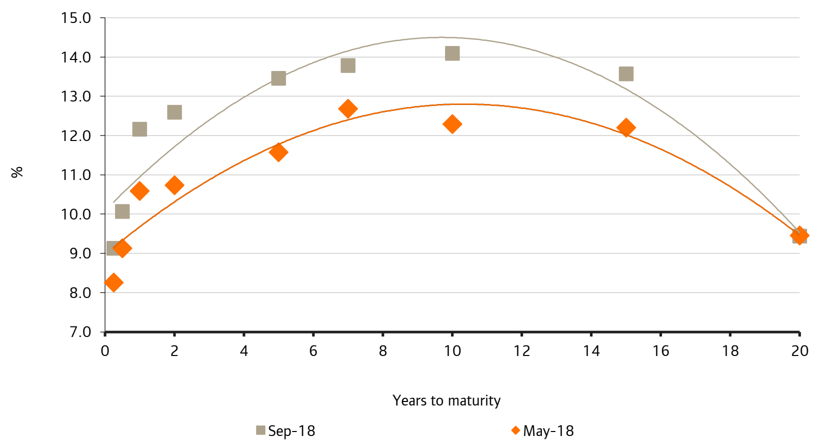
Source: Bloomberg; Standard Bank Research

Figure 10: EM10 versus AF10 average 10-y bond return



Source: Bloomberg; Standard Bank Research

Figure 11: AF10 yield curve simple yield average



Source: Bloomberg; Standard Bank Research

African Eurobonds: looking for a durable rebound

Even as we point out that the current EM sell-off is reminiscent of 1998, there are still quite a few crucial differences regarding market performance. The sell-off in EM assets is not nearly as severe as in 1998. Equities, as measured by the MSCI Emerging Markets Index, fell by just over 58.5% between Jul 97 and Sep 98. Meanwhile, EM sovereign bonds, as measured by the JP Morgan EMBI Global Index, went down 33.6% between Oct 97 and Sep 98. These figures are in stark contrast to the 20% decline in EM equities and the roughly 6% decline in EM bonds since the peak in Jan.

Of course, it is difficult to say whether the latest EM sell-off is over. Certainly, EM currencies and equities are still selling off, even though EM bonds have not made new lows. The JP Morgan EMBI global spread seems to be struggling to break and hold above 400 bps level, having bottomed out just below 290 bps in Jan. It is hard to say whether this is an indication of underlying resilience or whether the sell-off will resume in the coming months.

This could turn out to be crucial for the performance of African sovereign Eurobonds. We are still of the view that EM assets will recover well before there is any sort of downturn in global economic activity that would probably undermine commodity prices too. For this reason, we are still overweight, particularly oil sovereigns vs non-oil sovereigns. As usual, we will be making changes to our portfolio week by week.

Zambian Eurobonds have underperformed by a long way. It seems that the market has finally come to terms with the reality that the IMF and the government are not discussing an IMF-funded program. Meanwhile, this fiscal deficit continues to balloon, exerting pressure on the BOP. But given these wide spreads, some investors may well be looking at this exposure. If one believes the government will not default, like we do, then this could prove to be a great rebound trade. The government made a coupon payment of USD20.2m Sep and is due to make another USD42.5m payment in Oct. It should have no problem making those payments. We are overweight the '24s.

The Angolan government's discussion with the IMF will probably spearhead a revival in BOP health. In any case, the market has not paid much attention to the continued drain on FX reserves in the past year, indicating that there are lingering BOP pressures. Hence, Angola has outperformed. Perhaps there would not be much upside if the government and IMF were to agree on a program. Nonetheless, we remain overweight.

We are underweight Kenya. It has been difficult for us to reconcile the lack of appreciation by the market for the non-performance of the government under the program, with the often-stated maxim that the market attaches a premium to countries that have an IMF-funded program. Even though the Kenyan government only completed the first review of the program and did not complete any of the subsequent ones, the market continued to treat Kenya as if its performance was in line with the program.

That seems to have finally changed, with the government failing to secure repeal of the interest rate capping provisions of the Banking Amendment Act. The market will get used to the reality of the government having no capacity to call upon the IMF for BOP support, pricing in an appropriate discount for its bonds.

Given the respective countries' BOP and fiscal developments, it is no surprise that Egypt and Ghana have been outperforming in recent months. Additionally, they are both progressing well in implementing their respective IMF-funded programs. We continue to be overweight both Egypt and Ghana.

We find it curious that the oil sovereigns have underperformed in recent months. With Brent crude above USD80.0/bbl, the fiscal and C/A balances of these countries should be well supported. We are overweight oil sovereigns as a group, and we will remain so.

Hedging CNY exposure

Trade consummated between Africa and China is still predominantly conducted in USD. Yet, for importers, it is often cheaper to hedge CNY exposure than to hedge USD exposure. Standard Bank offers forwards that allow African importers to hedge CNY exposure.

Indicative CNY forward prices

	Historical levels				Forward prices		
	-12m	-6m	-3m	spot	+3m	+6m	+12m
CNY/BWP	1.55	1.52	1.57	1.55	1.54	1.53	1.51
CNY/GHS	0.66	0.70	0.68	0.71	0.73	0.75	0.79
CNY/KES	15.56	16.05	15.24	14.67	14.85	15.06	15.55
CNY/MUR	5.10	5.29	5.26	4.97	4.98	4.98	4.98
CNY/NGN	45.83	54.35	54.58	52.72	53.97	55.32	58.77
CNY/ZAR	2.04	1.88	2.07	2.08	2.10	2.12	2.17
CNY/UGX	543.59	586.79	586.25	555.64	565.24	579.50	600.03

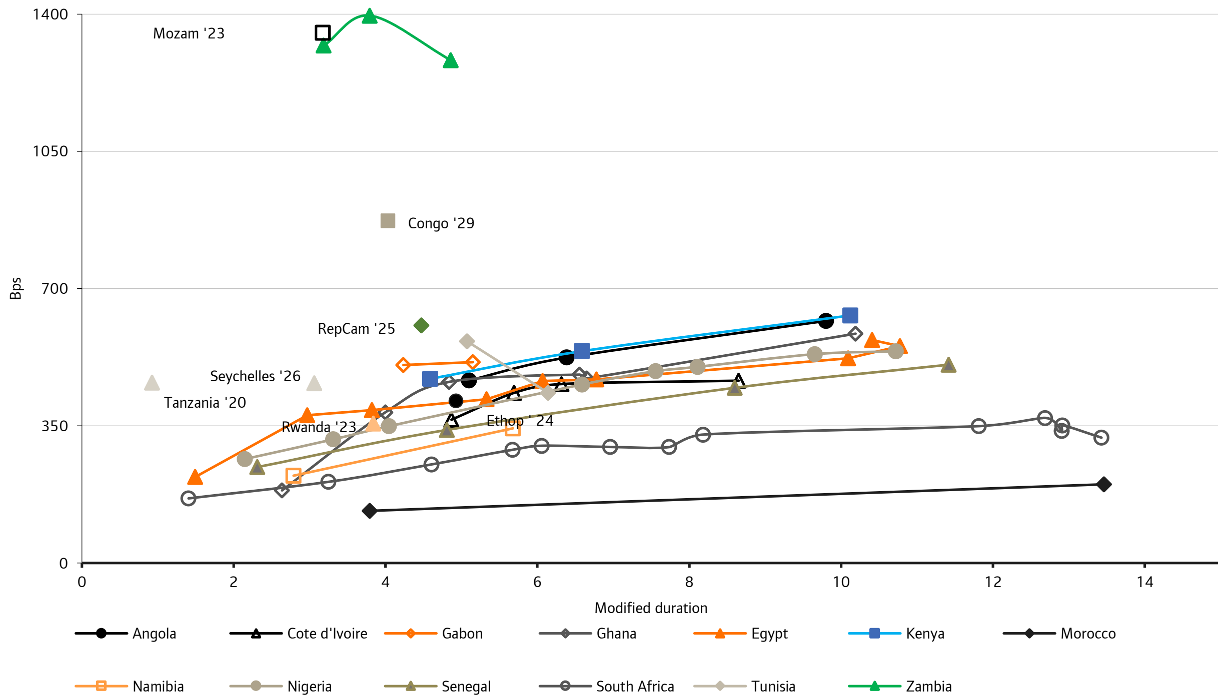
Source: Bloomberg; Standard Bank Research

African Eurobonds

Name	Moody's/Fitch	Mid Price	Mod Dur	Yield, %	Spread, bps Over UST	Spread, bps Z-Spread	Spread change, bps 1 wk	Spread change, bps YTD	Spread change, bps 12mths	Total return, % 1 wk	Total return, % YTD	Total return, % 12mths
ANGOL 9.5% 12-NOV-2025	B3/B	112.289	5.1	7.26	427	416	-20	-35	-194	0.9	3.3	13.3
ANGOL 8.25% 09-MAY-2028	B3/	102.279	6.4	7.90	486	478	-19			0.9		
ANGOL 9.375% 08-MAY-2048	B3/	104.131	9.9	8.97	589	582	-15			0.9		
REPCAM 9.5% 19-NOV-2025	/B	103.178	4.5	8.81	585	573	-14	221	147	0.5	-8.3	-4.0
REPCON 3% 30-JUN-2029	/CC	78.458	4.0	11.53	857	844	-2	225	38	0.1	-5.4	4.8
EGYPT 5.75% 29-APR-2020	B3/B	101.349	1.5	4.86	209	191	0	45	-38	0.1	0.7	2.8
EGYPT 6.125% 31-JAN-2022	B3/B	99.251	3.0	6.37	346	331	-12	74	9	0.3	-0.9	1.6
EGYPT 5.577% 21-FEB-2023	B3u/B	96.401	3.8	6.53	358	345	-13			0.4		
EGYPT 5.875% 11-JUN-2025	B3/B	94.539	5.3	6.90	390	381	-12	51	30	0.4	-2.2	-0.5
EGYPT 7.5% 31-JAN-2027	B3/B	100.841	6.1	7.36	432	425	-15	71	43	0.6	-3.7	-1.6
EGYPT 6.588% 21-FEB-2028	B3u/B	94.362	6.8	7.43	438	431	-14			0.6		
EGYPT 6.875% 30-APR-2040	B3/B	87.151	10.1	8.14	505	498	-9	74	42	0.2	-8.6	-4.0
EGYPT 7.903% 21-FEB-2048	B3u/B	94.177	10.8	8.44	534	529	-7			0.1		
EGYPT 8.5% 31-JAN-2047	B3/B	98.501	10.4	8.64	555	549	-6	78	49	0.0	-8.6	-4.5
ETHOPI 6.625% 11-DEC-2024	B1/B	99.979	4.9	6.63	365	354	-30	18	-47	1.3	-0.1	3.8
GABON 6.375% 12-DEC-2024	/B	94.746	4.2	7.62	465	453	-23	87	-36	0.9	-2.4	4.3
GABON 6.95% 16-JUN-2025	Caa1/B	95.992	5.1	7.72	473	463	-20	75	-33	0.9	-2.8	4.0
GHANA 9.25% 15-SEP-2022	B3/B	112.999	2.6	4.50	161	146	-23	-150	-291	0.6	5.4	10.7
GHANA 7.875% 07-AUG-2023	B3/B	105.346	4.0	6.57	361	349	-10	5	-127	0.3	1.0	7.6
GHANA 8.125% 18-JAN-2026	B3/B	104.449	4.8	7.23	425	414	-18	42	-93	0.7	-0.9	7.0
GHANA 7.625% 16-MAY-2029	B3/B	100.882	6.6	7.49	445	437	-17			0.8		
GHANA 10.75% 14-OCT-2030	B1/BB-	125.182	6.7	7.37	432	424	-23	53	-65	1.2	-3.4	5.9
GHANA 8.627% 16-JUN-2049	B3/B	100.643	10.4	8.56	547	542	-20			1.3		
IVYCST 5.375% 23-JUL-2024	Ba3/B+	95.617	4.9	6.28	330	319	-20	56	23	0.8	-2.4	-0.5
IVYCST 2.5% 31-DEC-2032	/B+	93.726	5.7	6.84	383	372	-35	44	-6	1.7	-2.2	1.4
IVYCST 6.375% 03-MAR-2028	Ba3/B+	95.614	6.3	7.07	403	396	-32	86	31	1.7	-5.2	-1.2
IVYCST 6.125% 15-JUN-2033	Ba3/B+	90.245	8.7	7.26	418	410	-30	68	20	2.1	-7.0	-1.9
KENINT 6.875% 24-JUN-2024	/B+	98.242	4.6	7.25	429	416	-26	93	-5	1.1	-3.3	2.2
KENINT 7.25% 28-FEB-2028	/B+	94.849	6.6	8.04	499	492	-25			1.3		
KENINT 8.25% 28-FEB-2048	/B+	92.460	10.3	8.98	589	583	-23			1.7		
MOROC 4.25% 11-DEC-2022	/BBB-	100.231	3.8	4.19	124	111	-7	41	29	0.1	-2.2	-2.1
MOROC 5.5% 11-DEC-2042	/BBB-	105.756	13.4	5.08	194	192	-4	-3	-14	-0.5	-3.5	-0.9
MOZAM 10.5% 18-JAN-2023	Caa3u/	83.808	3.1	16.55	1,362	1,348	9	-128	-191	-0.1	0.4	6.1
REPNAM 5.5% 03-NOV-2021	Ba1/BB+	101.596	2.8	4.94	204	188	-12	44	29	0.3	-0.8	-0.4
REPNAM 5.25% 29-OCT-2025	Ba1/BB+	93.950	5.7	6.32	330	322	-6	71	53	0.1	-4.2	-2.9
NGERIA 6.75% 28-JAN-2021	/B+	103.604	2.1	5.09	224	208	-23	-31	-54	0.5	2.1	3.0
NGERIA 5.625% 27-JUN-2022	B2/B+	99.779	3.3	5.69	276	262	-21	27	-49	0.6	-0.1	3.2
NGERIA 6.375% 12-JUL-2023	/B+	100.966	4.0	6.14	318	306	-19	34	-10	0.7	-0.6	1.5
NGERIA 6.5% 28-NOV-2027	B2/B+	95.514	6.6	7.17	413	405	-22	60		1.1	-3.9	
NGERIA 7.143% 23-FEB-2030	B2/B+	96.707	7.6	7.58	451	444	-20			1.1		
NGERIA 7.875% 16-FEB-2032	B2/B+	101.439	8.2	7.70	462	455	-21	61	24	1.2	-5.2	-1.5
NGERIA 7.696% 23-FEB-2038	B2/B+	96.883	9.8	8.01	493	485	-20			1.3		
NGERIA 7.625% 28-NOV-2047	B2/B+	94.470	10.9	8.12	502	497	-20	49		1.5	-6.8	
RWANDA 6.625% 02-MAY-2023	/B+	101.233	3.8	6.31	336	323	-11	4	-41	0.3	0.9	3.2
SENEGL 8.75% 13-MAY-2021	Ba3/	108.674	2.3	5.17	231	215	-12	55	-23	0.2	-0.4	2.0
SENEGL 6.25% 30-JUL-2024	Ba3/	100.552	4.8	6.13	316	305	-13	63	14	0.4	-2.7	-0.1
SENEGL 6.25% 23-MAY-2033	Ba3/	92.240	8.7	7.15	407	399	-21	85	45	1.3	-8.5	-4.2
SENEGL 6.75% 13-MAR-2048	Ba3/	88.403	11.6	7.77	466	462	-19			1.4		
SEYCHE 3% 01-JAN-2026	/BB-	102.281	3.1	7.25	434	419	-14	-27	-65	0.4	3.2	5.3
SOAF 5.5% 09-MAR-2020	Baa3/BB+	101.770	1.4	4.23	149	130	-13	34	34	0.2	0.6	0.5
SOAF 5.875% 30-MAY-2022	Baa3/BB+	103.666	3.2	4.77	185	170	-14	44	13	0.4	-1.3	-0.3
SOAF 4.665% 17-JAN-2024	Baa3/BB+	97.278	4.6	5.26	229	217	-12	35	12	0.4	-1.7	-0.7
SOAF 5.875% 16-SEP-2025	Baa3/BB+	101.312	5.7	5.64	263	255	-16	47	10	0.6	-3.1	-0.8
SOAF 4.875% 14-APR-2026	Baa3/BB+	94.661	6.0	5.76	272	265	-19	55	18	0.8	-4.0	-1.4
SOAF 4.85% 27-SEP-2027	Baa3/BB+	93.082	6.9	5.85	280	273	-9	51	16	0.2	-4.6	0.0
SOAF 4.3% 12-OCT-2028	Baa3/BB+	88.412	7.7	5.84	277	271	-14	49	14	0.6	-5.3	-2.1
SOAF 5.875% 22-JUN-2030	Baa3/BB+	97.998	8.2	6.12	304	297	-14			0.6		
SOAF 6.25% 08-MAR-2041	Baa3/BB+	97.774	11.8	6.43	333	327	-10	44	24	0.3	-7.9	-4.6
SOAF 6.3% 22-JUN-2048	Baa3/BB+	95.157	12.7	6.67	355	352	-10			0.3		
SOAF 5.375% 24-JUL-2044	Baa3/BB+	88.093	12.9	6.31	319	316	-15	42	23	0.8	-8.1	-4.6
SOAF 5.65% 27-SEP-2047	Baa3/BB+	89.377	13.0	6.47	334	331	-12	44	29	0.5	-8.4	0.0
SOAF 5% 12-OCT-2046	Baa3/BB+	84.403	13.5	6.18	303	302	-10	30	16	0.3	-7.0	-3.7
TNZNIA 6.4499% 08-MAR-2020	/	102.022	0.9	6.81	423	396	-52	244	159	0.6	1.4	3.3
BTUN 5.75% 30-JAN-2025	B2/B+	87.105	5.1	8.41	542	532	-17	197	157	0.7	-8.4	-6.0
BTUN 8.25% 19-SEP-2027	B2/WD	106.838	6.4	7.20	416	409	-11	-23	-52	0.4	2.0	4.8
ZAMBIN 5.375% 20-SEP-2022	/B	69.347	3.3	16.09	1,317	1,302	17	942	820	-0.4	-24.7	-20.4
ZAMBIN 8.5% 14-APR-2024	/B	70.200	3.8	17.00	1,405	1,392	27	987	857	-0.9	-30.4	-24.2
ZAMBIN 8.97% 30-JUL-2027	/B	69.819	4.8	15.84	1,286	1,274	21	811	716	-1.0	-30.6	-26.0
SB Africa Eurobond (incl. SA)	B+		6.7	7.56	451	443	-18	99	44	0.7	-4.2	-0.3
SB Africa Eurobond (excl. SA)	B+		6.5	7.83	479	471	-19	108	48	0.8	-4.3	-0.1

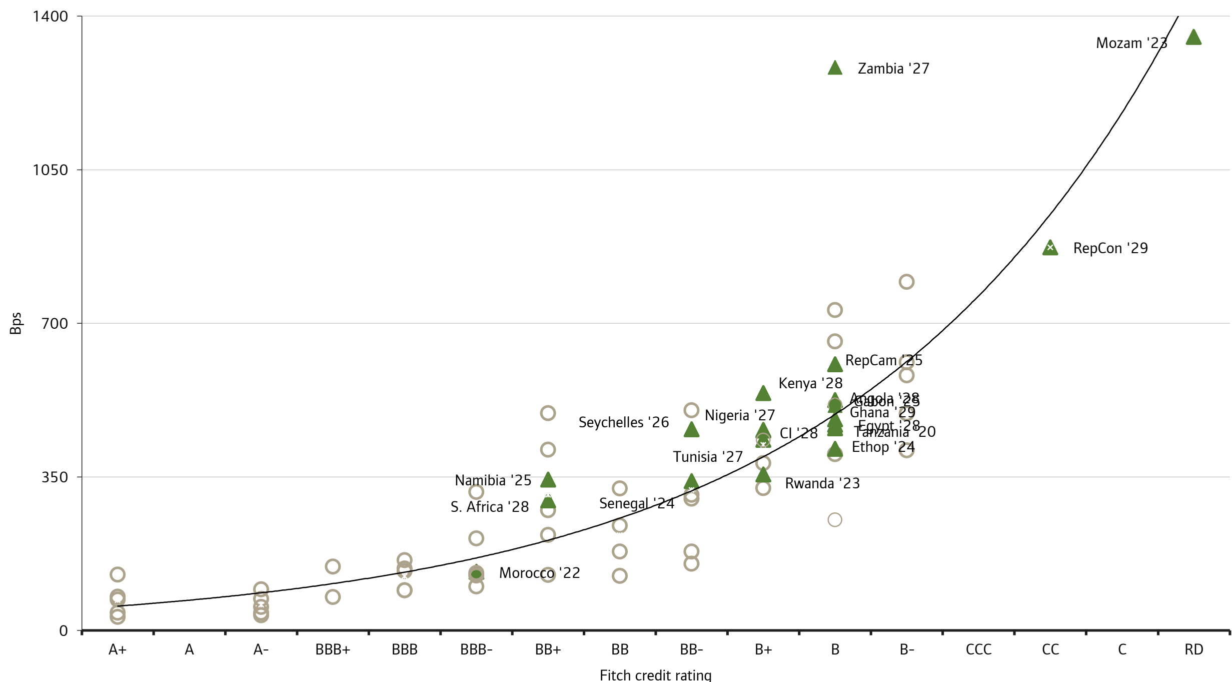
Source: Bloomberg; Standard Bank Research

Figure 12: African sovereign USD bonds (spread over US Treasuries versus modified duration)



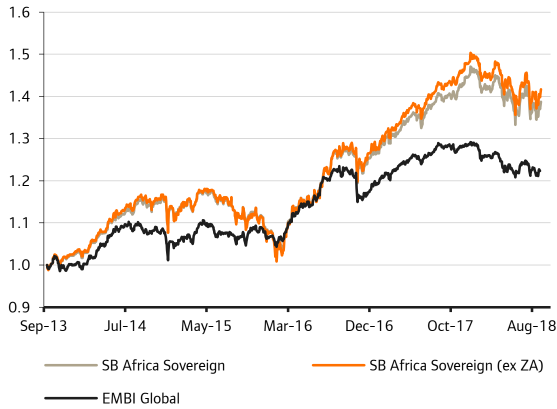
Source: Bloomberg; Standard Bank Research

Figure 103: African and broader EM bonds (spread over US Treasuries versus credit rating)



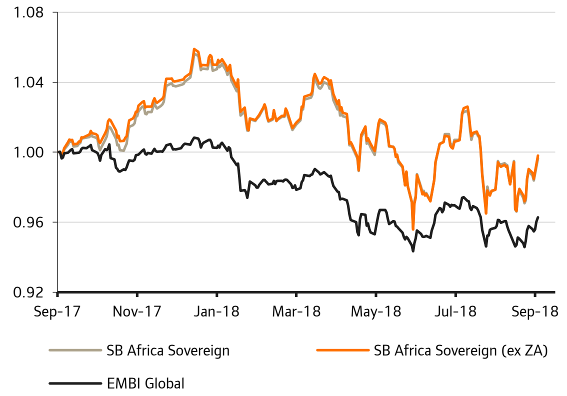
Source: Bloomberg; Standard Bank Research

Figure 14: African Eurobonds (5-y performance)



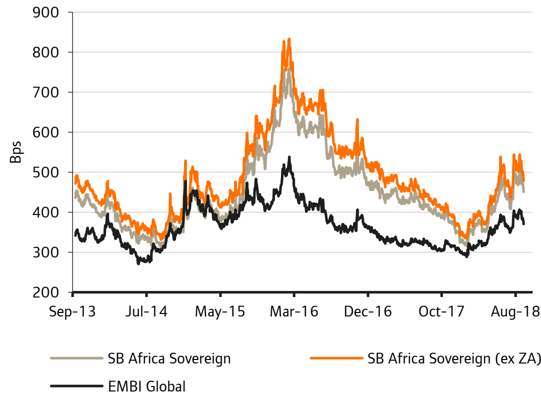
Source: Bloomberg; Standard Bank Research

Figure 15: African Eurobonds (1-y performance)



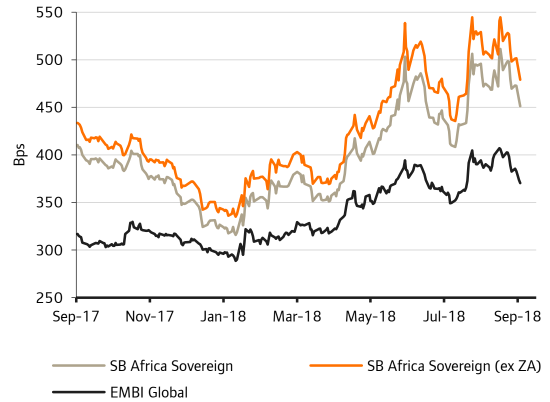
Source: Bloomberg; Standard Bank Research

Figure 116: African Eurobonds spread over UST (5-y)



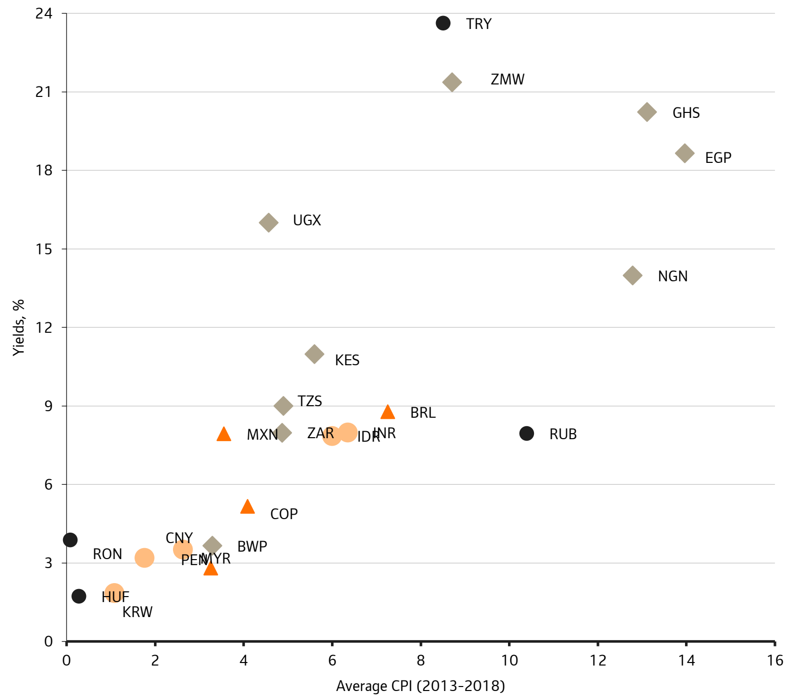
Source: Bloomberg; Standard Bank Research

Figure 17: African Eurobonds spread over UST (1-y)



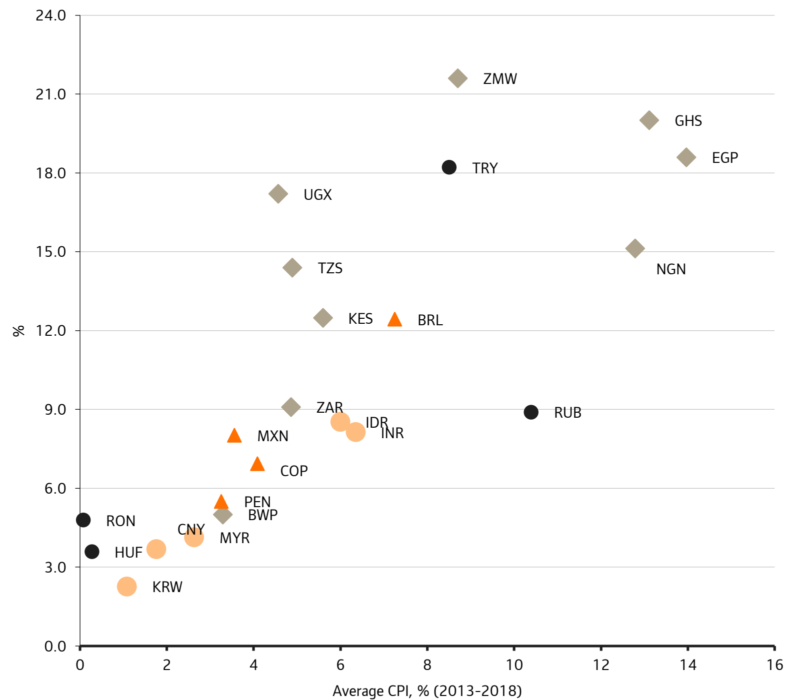
Source: Bloomberg; Standard Bank Research

Figure 128: Local 2-year bonds vs. past and forecast inflation



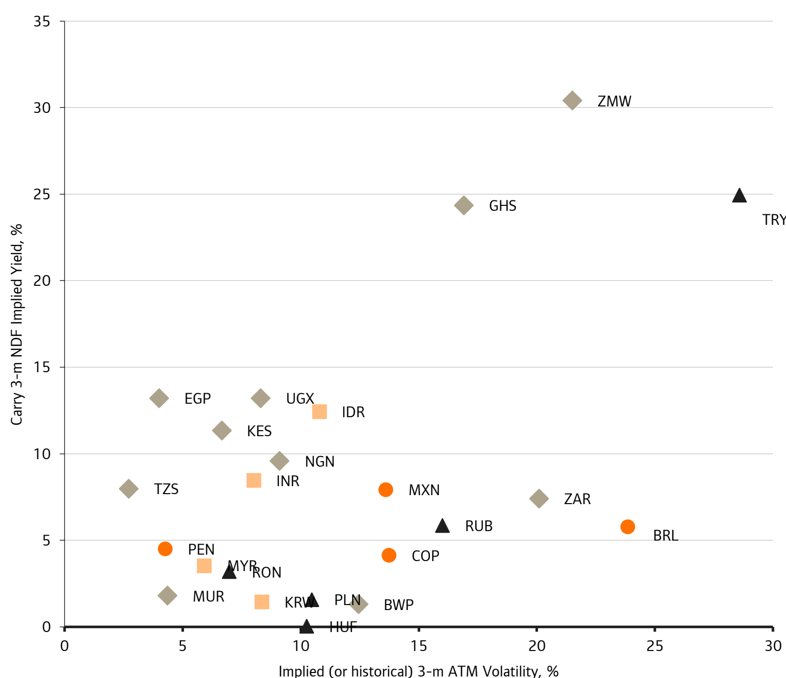
Source: Bloomberg; Standard Bank Research

Figure 19: Local 10-year bonds vs. past and forecast inflation



Source: Bloomberg; Standard Bank Research

Figure 20: NDF carry rates vs. implied vols



Source: Bloomberg; Standard Bank Research

Table of expected returns over the next 3 months

Country	Tenor	Yield, %				Total return,%		
		Current yield	Slide	Forward	SB forecast	Slide	Forward	SB forecast
Botswana	2Y	3.21	4.02	-4.39	3.68	-2.8	34.7	-0.1
	5Y	3.94	3.87	1.14	3.90	1.6	23.6	1.2
	10Y	4.83	4.82	3.32	4.95	1.3	12.8	0.3
Egypt	2Y	18.98	19.09	18.91	18.20	4.6	4.9	5.9
	5Y	18.46	18.53	18.41	17.80	4.4	4.8	6.6
	10Y	18.60	18.65	18.50	17.50	4.4	5.1	9.4
Ghana	2Y	19.18	19.05	20.29	18.30	5.0	3.2	6.1
	5Y	19.61	19.63	20.17	21.50	4.8	3.2	-0.7
	10Y	19.65	19.68	20.05	21.20	4.8	3.2	-1.6
Kenya	2Y	10.64	10.42	11.10	10.8	3.0	1.9	2.4
	5Y	12.03	11.98	12.32	11.5	3.2	1.9	4.9
	10Y	12.58	12.57	12.79	12.4	3.2	2.0	4.1
Nigeria	2Y	13.70	13.65	13.75	13.88	3.5	3.3	3.1
	5Y	14.80	14.76	14.83	15.00	3.8	3.6	3.0
	10Y	15.16	15.14	15.20	15.30	3.9	3.6	3.1
South Africa	2Y	7.71	7.61	7.88	7.60	2.1	1.6	2.1
	5Y	8.70	8.65	8.84	8.30	2.4	1.7	3.7
	10Y	9.43	9.41	9.54	8.95	2.5	1.7	5.3
Tanzania	2Y	7.12	6.81	7.48	9.1	2.3	1.2	-1.6
	5Y	10.34	10.11	10.71	11.7	3.4	1.2	-2.4
	10Y	13.70	13.59	14.10	14.8	4.0	1.3	-2.3
Uganda	2Y	16.02	15.80	16.82	16.1	4.3	2.8	3.9
	5Y	16.73	16.74	17.18	16.8	4.2	2.8	4.0
	10Y	16.91	16.93	17.23	17.5	4.2	2.8	1.5
Zambia	2Y	22.11	21.77	23.50	25.90	6.0	3.5	0.1
	5Y	22.52	22.63	23.23	25.80	5.3	3.6	-3.5
	10Y	21.13	21.20	21.55	25.50	5.0	3.6	-12.0

Source: Bloomberg

Notes: Yield curve scenarios: "Slide" = the bond yields slide along the unchanged yield curve, "Forward" = the yield curve evolves according to its embedded forward rates, "SB forecasts"= Standard Bank Research expectations

Asset class expected performance summary (3 months)

	FX	Rates	Credit	Equity
Angola	↓ ↓	→	→	
Botswana	↑	→		↓
Côte d' Ivoire	↑	→	↑	→
Democratic Republic of the Congo	→	↓		
Egypt	↑	↑	↑	→
Ethiopia	↓	→	↑	
Ghana	↓	↑	↑	→
Kenya	→	↑	↓	↑
Malawi	→	↑		
Mauritius	↑	↑		↑
Morocco	↑	→	→	↑
Mozambique	→	↓	→	
Namibia	↑	↑	→	↓
Nigeria	↑	↑	↑	↓
Rwanda	↑	↑	→	→
Senegal	↑	→	↑	→
South Africa	→	→	→	↑
Tanzania	→	↓	→	↑
Tunisia	→	↑	↓	→
Uganda	↓	↓		→
Zambia	↓ ↓	↓	↑	→

Source: Standard Bank Research notes: Arrows up (↑ ↑ , ↑) = positive return on the asset class (significant and moderate, respectively), arrows down (↓ ↓ , ↓) = negative return on the asset class (significant and moderate, respectively), horizontal arrows (→) = sideways. FX is against USD and including carry rates. Rates and Equity are in local currency. Credit is in USD.

Recommended trades: performance

Open trades

Positions	Entry date	Entry yield, %	Entry FX	Latest yield, %	Latest FX	Total return, %	
						Since inception	1-month
Uganda: buy UganGB '18	**22-Feb-16**	**20.50**	**3440**	9.74	3810	41.6	-0.7
Ghana: buy GHGB '20	**31-Oct-16**	**20.00**	**3.99**	19.35	4.98	11.2	-1.6
Zambia: buy ZAMGB '26	**18-Nov-16**	**24.50**	**9.81**	22.40	11.89	29.4	-22.6
Egypt: buy Egypt '27	**23-Nov-17**	**15.88**	**17.69**	18.78	17.92	-1.7	-1.7
BEAC: sell USD/XAF 2-y NDF	**24-Nov-17**	**4.25**	**550.62**	4.49	557.60	1.8	2.2
Kenya: buy Kenya IS '33	**29-Jan-18**	**12.50**	**102.40**	11.73	100.90	14.7	0.0
Nigeria: buy NIGB '27	**27-Feb-18**	**13.70**	**361.00**	15.13	363.50	-0.1	0.1
Malawi: buy 12-m T-bill	**02-May-18**	**15.00**	**725.50**	15.00	724.70	4.8	1.0
Egypt: buy 12-m T-bill	**01-May-18**	**16.92**	**17.70**	19.66	17.92	2.6	0.8
Ghana: sell USD/GHS 12-m NDF	**07-Jun-18**	**19.40**	**4.74**	20.74	4.88	1.2	1.0
Total portfolio internal rate of return since prev. AMR (15-May-2018)						-4.9	

Source: Bloomberg; Standard Bank Research

Côte d'Ivoire: escalating political tensions

GDP growth: downside risks arising

We leave our GDP forecasts unchanged at 7.5% y/y for both 2018 and 2019. However, we are concerned about the downside risks. Firstly, there is a chance that the economy could respond negatively to escalating political tensions.

The last time GDP contacted was in 2011. The conflict that broke out at that time was primarily responsible for the disruption of economic activity. Domestic demand, encompassing government and household consumption in addition to investment spending, was the main reason for weakness at that time.

The pace of expansion in domestic demand fell in 2017. Given the electoral timetable, there is quite a strong chance that this slowdown will persist for some time. True, it looks likely that the government would look to protect investment spending. But escalating political tensions could discourage both household consumption and private investment spending.

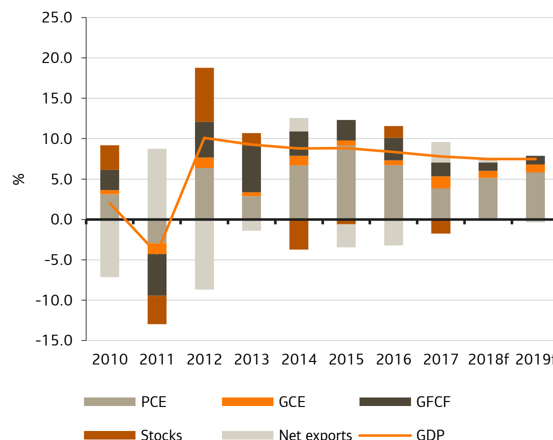
To be sure, investment spending decelerated meaningfully last year. In the 2-y to 2013, investment spending grew 51.5% y/y. Of course, this was pent-up spending after the disruption of the 2011 conflict. Then, it fell to a more reasonable average 16.2% y/y pace of growth. Incidentally, this was a comparable average pace of growth to the period to 2010 when investment spending grew at an average of 13.1% y/y. So, the 8.7% y/y pace of growth in 2017 was quite a lot lower than normal.

Our core view is predicated on an expectation that household consumption will recover in the medium term. Cocoa prices have recovered somewhat since the low prices experienced during late 2016 and early 2017. The Cocoa and Coffee Board has increased the export price, which could bolster farm income. Despite the disruption caused by the fall in cocoa prices, there was a strong recovery in agriculture last year. This will likely boost household income and provide a boost to household consumption spending.

Of course, given all the investment spending, one would expect a pick-up in net exports in the medium term. While we expect net exports to support growth in 2018, we expect it to wane relative to 2017, and decelerate further in 2019. This will largely be a function of a pick-up in import demand.

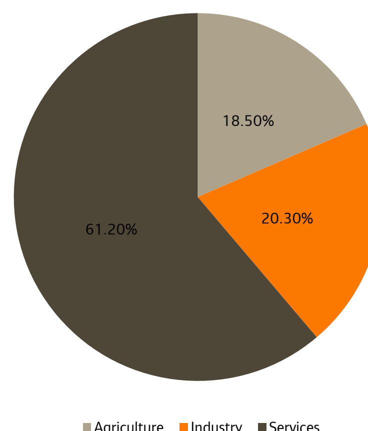
We also suspect that the government will not spur government spending significantly despite the upcoming elections in 2020 and the fracture in the ruling coalition. Ordinarily, the ruling coalition would be expected to boost government consumption in the lead-up to the elections.

Composition of GDP by demand



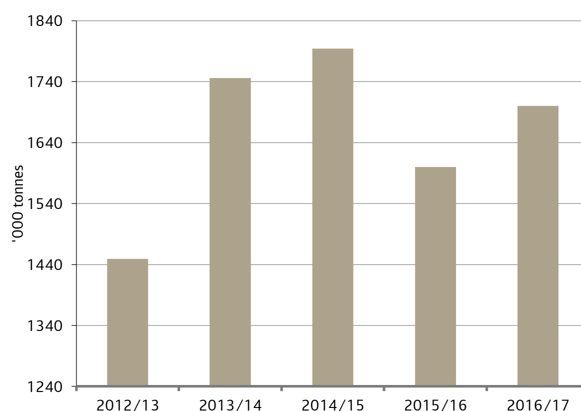
Source: Banque Centrale des Etats de l'Afrique de l'Ouest; International Monetary Fund; Standard Bank Research

Composition of GDP by sector



Source: Banque Centrale des Etats de l'Afrique de l'Ouest; International Monetary Fund

Cocoa production



Source: International Cocoa Organization; Standard Bank Research

Quarterly indicators

	Q1:17	Q2:17	Q3:17	Q4:17	Q1:18	Q2:18e	Q3:18f	Q4:18f	Q1:19f	Q2:19f	Q3:19f	Q4:19f
GDP (% y/y) pa	7.2	7.5	8.4	7.3	6.5	7.5	7.5	8.5	7.2	7.7	7.9	7.2
CPI (% y/y) pa	1.1	1.0	1.5	0.9	0.1	-0.2	0.5	0.6	0.8	1.1	1.1	1.2
M2 (% y/y) pa	6.1	10.4	18.0	14.3	15.4	18.5	14.2	12.7	13.5	18.0	23.1	20.7
CA/GDP (%) pe	-3.6	-4.2	-1.8	-4.7	-3.2	-3.6	-2.5	-4.0	-4.2	-3.8	-3.9	-4.1
FX reserves (USD bn) pe	5.9	5.5	5.2	5.1	6.2	7.0	5.6	5.1	5.1	5.1	5.2	5.2
Import cover (months) pe	7.1	6.6	6.2	6.1	6.9	7.8	6.2	5.7	4.6	4.6	4.7	4.7
Marginal lending facility (%) pe	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5	4.5
USD/XOF pe	619	579	570	564	547	547	570	547	525	505	486	469

Source: Bloomberg, International Monetary Fund; Ministère de l'Economie et des Finances; Institut National de la Statistique; Banque Centrale des Etats de l'Afrique de l'Ouest; Standard Bank Research

Notes: pe – period end; pa – period average; na – not available

Political risks: fracture in the ruling coalition

The separation of the Democratic Party of Côte d'Ivoire (PDCI) from the ruling coalition, the RHDP, seems final. At the core of the disagreement leading to this result, is the unwillingness of neither President Ouattarra, leader of the Rally for Republicans, nor Henri Bedie, PDCI leader, to compromise their position. Bedie wants his party to nominate the next candidate to represent the coalition when the next elections in 2020 come around. Ouattarra wants the process to be openly contested within the RHDP.

President Ouattarra has also released some prisoners, including former President Gbagbo's wife. As a result, there is speculation that perhaps Gbagbo will become kingmaker at the next election. The speculation is that maybe President Outtarra is looking to benefit from a reconciliation with Gbagbo.

That is not just idle speculation. After all, it is worth considering that nearly 30% of MPs are independent, far outnumbering representatives of all the other parties in parliament. It is possible that some of these MPs would coalesce around a loyalist to Gbagbo.

PDCI members who were in the cabinet essentially had a choice; either remain in the ruling coalition, or follow the PDCI out of the coalition. The PDCI has insisted that PDCI members have to contest the local government elections in Oct on a PDCI ticket rather than RHDP ticket. Considering that even in 2015, some PDCI MPs ran under the banner of the PDCI rather than the RHDP, well before the fracture, this won't be particularly shocking.

Election results

Presidential election, Oct 15	**Party**	**% of votes**
Alassane Ouattara	RHDP	83.7
Pascal Affi N'Guessan	FPI	9.3

Parliamentary elections, Dec 16	Seats	% of seats
Rally of Houphouëtists for Democracy and Peace	167	65.2
Ivorian Popular Front	3	1.2
Union for Democracy and Peace in Côte d'Ivoire	6	2.3
Union for Côte d'Ivoire	3	1.2
Independents	76	29.7

Source: Commission Electorale Independante de Côte d'Ivoire

Balance of payments: relatively stable

FX reserves will likely be around USD5.0bn at the end of 2018 and 2019. Given the probable growth in imports, this would mean that import coverage would decline in 2019 to less than 5-m.

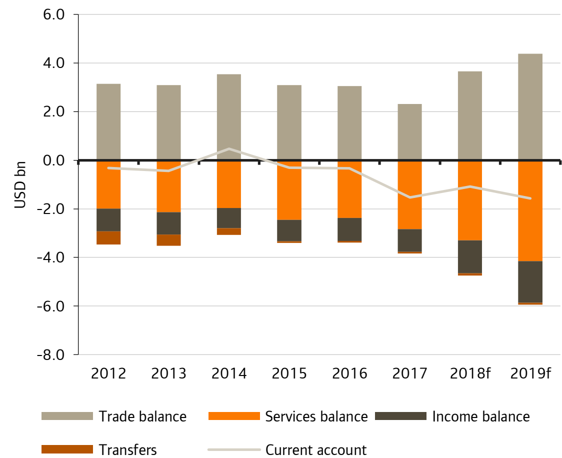
The acceleration in domestic demand that we anticipate will likely be sufficient to boost import demand. Even then, growth in exports is likely to ensure that the trade account will rise to USD1.45bn in 2019, from USD1.22bn in 2017.

We still expect the C/A deficit to remain elevated in 2018 and 2019. Specifically, we expect the C/A deficit to be 4.0% of GDP in both 2018 and 2019, down from 4.7% of GDP in 2017. The services balance will likely widen further, bringing about a wider C/A deficit. Indeed, the structural services and income deficits are not about to swing into a surplus in the next 2-y.

Capital and financial inflows will likely be just enough to cover the C/A deficit in both 2018 and 2019, hence the relatively stable FX reserves in those 2-y. Incidentally, we don't expect FDI inflows to rise meaningfully. Nonetheless, we expect these to be at the high end of the range of the last 5-y, approaching USD1.0bn by 2019. So, the basic balance that swung to a deficit in 2017 will likely remain so in 2018 and 2019.

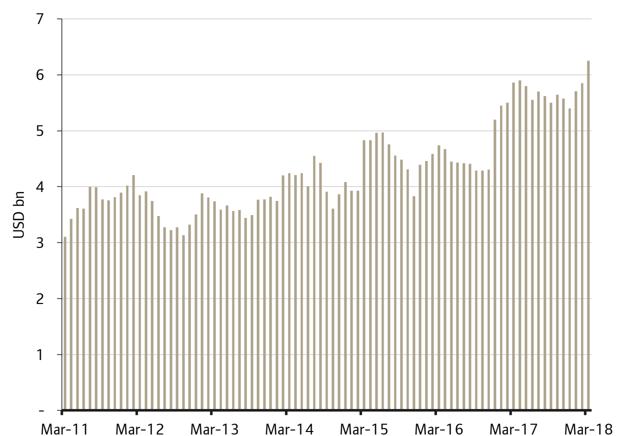
Even though the increase in risk aversion has created challenges for portfolio flows to emerging markets, we believe that much of the external financing for the economy will be in the form of external borrowing. We would not rule out the possibility of the government issuing another Eurobond in the next 18-m.

Current account developments



Source: Banque Centrale des Etats de l'Afrique de l'Ouest; International Monetary Fund; Standard Bank Research

FX reserves



Source: Bloomberg

FX outlook: USD/XOF likely to fall

The peg of the XOF to the EUR will likely remain in place over the coming 4-m. With the EUR likely to head higher over the coming year, the XOF will, in turn, likely appreciate against the USD. We are placing USD/XOF below 550 at the end of this year and below 500 by the end of 2019. While periods of USD strength over the past 3-y precipitated fervent speculation of an impending devaluation of the CFA franc, we did not believe that there was any reasonable basis for such speculation. Any change to the arrangement that ties the CFA franc to the EUR via both a peg and monetary union among member countries of the Central and West African CFA Franc zones would involve too many parties for consensus to be reached easily. Nonetheless, it will be interesting to see if this speculation persists even in an environment in which the EUR, and by implication the CFA franc, appreciates against the USD.

USD/XOF: forwards versus forecasts

Source: Bloomberg; Standard Bank Research

Monetary policy: on hold

The inflation trajectory throughout the region suggests that the BCEAO will leave the policy rate unchanged over the coming 4-m. Inflation remains low across the region, with very little chance of a meaningful acceleration.

The ECB also looks likely to leave its policy rate unchanged in the next 4-m, perhaps starting to raise it over the course of next year. This, too, suggests that the BCEAO will leave its policy rate unchanged over the coming 4-m.

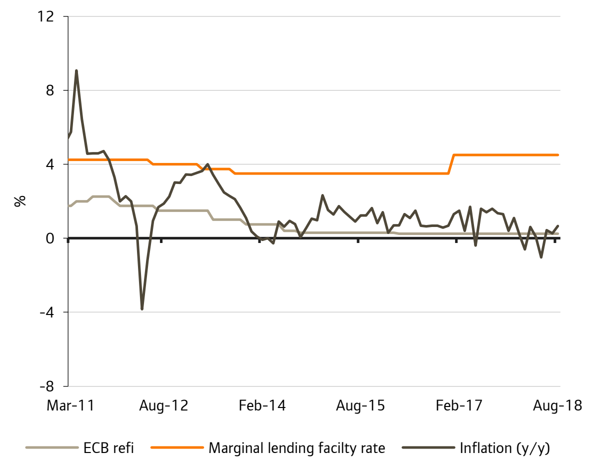
The likely appreciation of the EUR which would drag the XOF along, will likely ensure that inflation pressures are muted across the region.

In its assessment of regional policies, the IMF continues to worry about rising external imbalances. Indeed, it views the recovery in FX reserves across the region as having been largely a function of the issuance of Eurobonds by some governments. Hence, it believes that the underlying trajectory is still exhibiting precarious BOP positions in many member countries. For this reason, it believes that the BCEAO should adopt a tighter policy stance in order to protect FX reserves and change the underlying weakness in BOP positions of member countries.

Yet, the inflation trajectory across the region makes it hard to believe that this policy advice will make much impact on monetary policy formulation. Headline inflation in Côte d'Ivoire fell in H1:18, with deflation recorded in some months. Overall, headline inflation averaged 0.0% y/y in the 7-m to Jul.

Headline inflation will likely remain in the lower half of the inflation target range over the remainder of this year and for much of 2019. We expect it to reach 0.9% y/y in Dec 18 and stay below 1.5% y/y in 2019.

Inflation and interest rates

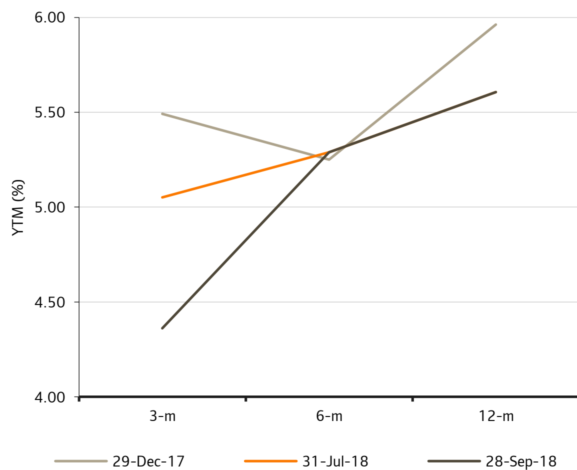


Source: Banque Centrale des Etats de l'Afrique de l'Ouest

Money supply growth

Source: Banque Centrale des Etats de l'Afrique de l'Ouest

Changes in the yield curve



Source: Bloomberg

Capital market outlook

Source: Bloomberg

Fiscal policy: commitment to fiscal discipline

At the time that the report of the Article IV Consultation and third review of the Extended Fund Facility was released in Jun, the government indicated its determination to achieve this year's fiscal deficit target of 3.75% of GDP. It expects to achieve the 3.0% of GDP WEAMU convergence criteria in 2019.

Following objections from the private sector regarding the new taxes that were proposed in the budget, the government is still planning to mobilise new revenue from an export tax on cashew nuts. Additionally, it expects that improving tax administration and hiking excise taxes will yield extra revenue.

Nonetheless, the IMF still worried that tax revenue collection would be lower than budgeted. In order to meet the fiscal deficit goals, the government will restrain public investment spending. The combination of lower cocoa prices and higher oil prices have also played a role in depressing revenues.

Even as the government will attempt to keep the fiscal deficit on a declining trajectory to the WEAMU convergence criteria, it still expects to protect pro-poor spending.

The government's 2017 – 2022 Medium Term Debt Strategy emphasises reliance on accessing the sub-regional market. It will continue to seek external financing, it will give preference to mobilising semi-concessional debt. Additionally, the government intends to limit new debt guarantees to public-private partnerships.

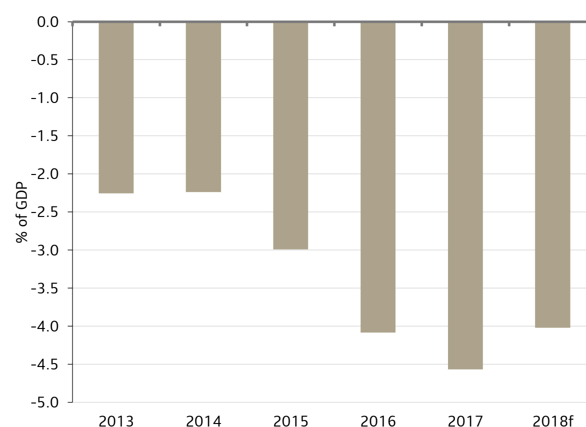
Privatisation of government-owned entities is progressing well. Of the 20 companies that were slated for privatisations commencing in 2017, 10 privatisations were completed. Initially, the government planned to sell 15 companies before increased it to 20. Legal disputes regarding the 3 other companies have essentially stopped the privatisation of those companies.

Central government budget

	FY2016	FY2017	FY2018
% of GDP			
Total revenue (+ grants)	21.7	20.6	21.7
Tax Revenue	17.4	17.0	17.2
Non-tax Revenue	2.6	2.8	2.8
Grants	1.7	1.4	1.7
Total expenditure	25.8	25.2	25.7
- Salaries, etc	7.1	6.9	6.8
- Interest	1.7	2.0	2.3
Capital expenditure	7.5	7.8	8.0
Primary Basic Balance	-1.0	-0.8	0.9
Budget Deficit (incl Grants)	-4.1	-4.6	-4.0
Domestic Financing	0.6	-1.4	0.1
External Financing	3.5	5.1	3.2

Source: Finance Ministry; Standard Bank Research

Budget deficits

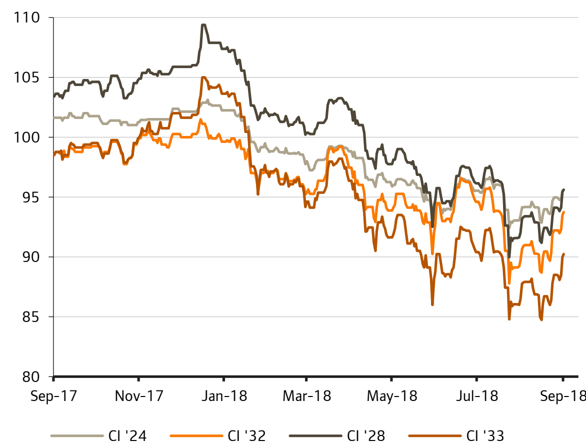


Source: Ministere

Eurobond outlook: overweight

We are overweight the Eurobonds. We admit that it seems like the market has been somewhat concerned about the political developments in the country over the past year or so, undermining the performance of the Eurobonds. The recurrence of mutiny by disgruntled soldiers was the initial reason for concern. There was speculation then that there were political undertones to those protests by soldiers. Then the political situation came to a head when it became clear that the PDCI had a falling out with the RHR, ultimately prompting the PDCI to pull out of the ruling coalition. The next election is still a long way away, suggesting that the negative sentiment would undermine the country's Eurobonds. But we are inclined to believe that the market will get used to the reality of fracture within the ruling coalition and the realignment of political loyalties that this will imply.

Eurobond prices – mid



Source: Bloomberg

Annual indicators

	2013	2014	2015	2016	2017	2018e	2019f
Output							
Population (million)	23	23	24	24	25	25	26
Nominal GDP (XOF bn)	15 346	16 796	18 495	20 214	21 889	23 583	25 596
Nominal GDP (USD bn)	31.0	33.9	31.1	32.5	37.2	42.7	51.6
GDP / capita (USD)	1 347	1 472	1 297	1 355	1 487	1 707	1 985
Real GDP growth (%)	9.1	7.9	8.9	8.5	7.6	7.5	7.5
Oil production (m bbl)	9.1	6.8	8.5	10.0	11.0	11.0	15.0
Cocoa production (m tonnes)	1.7	1.7	1.8	1.6	1.8	1.8	2.0
Central Government Operations							
Budget balance (excl. grants) / GDP (%)	-3.6	-4.0	-4.5	-5.8	-5.9	-5.7	-5.0
Budget balance (incl. grants) / GDP (%)	-2.3	-2.3	-3.6	-4.1	-4.6	-4.0	-3.3
Domestic debt / GDP (%)	17.3	16.8	16.1	15.7	16.0	16.3	16.6
External debt / GDP (%)	26.4	27.7	30.8	29.7	29.7	31.8	34.2
Balance of Payments							
Exports of goods (USD bn)	12.4	11.8	11.2	10.2	12.1	13.3	16.3
Imports of goods (USD bn)	-9.3	-8.3	-8.2	-7.4	-10.0	-10.8	-13.2
Trade balances	3.1	3.5	3.0	2.9	2.2	2.5	3.1
Current account (USD bn)	-0.4	0.5	-0.2	-0.4	-1.8	-1.7	-2.1
- % of GDP	-1.4	1.4	-0.6	-1.2	-4.7	-4.0	-4.1
Capital & Financial account (USD bn)	0.4	0.1	0.4	0.3	1.6	1.8	2.2
- FDI (USD bn)	0.4	0.4	0.5	0.5	0.7	0.8	1.0
Basic balance / GDP (%)	0.0	2.5	0.9	0.4	-2.9	-2.2	-2.2
FX reserves (USDbn) pe	4.2	4.8	5.0	5.2	5.1	5.1	5.2
- Import cover (months) pe	5.5	6.9	7.3	8.5	6.1	5.7	4.7
Sovereign Credit Rating							
S&P	nr	nr	nr	nr	nr	nr	nr
Moody's	nr	B1	Ba3	Ba3	Ba3	Ba3	Ba3
Fitch	nr	B	B	B+	B+	B+	B+
Monetary & Financial Indicators							
Consumer inflation (%) pa	2.6	0.5	1.2	0.8	0.7	0.2	1.0
Consumer inflation (%) pe	2.6	1.0	1.4	0.7	1.1	0.6	1.3
M2 money supply (% y/y) pa	9.3	14.9	21.0	13.5	12.2	15.2	18.8
M2 money supply (% y/y) pe	11.6	15.9	19.1	9.4	14.0	13.2	18.4
Marginal lending facility (%) pe	3.5	3.5	3.5	3.5	4.5	4.5	4.5
USD/XOF pa	495.2	496.0	594.2	621.8	588.8	552.5	495.9
USD/XOF pe	478.7	544.3	609.9	612.0	564.2	546.6	468.5

Source: Bloomberg, International Monetary Fund; Ministère de l'Economie et des Finances; Institut National de la Statistique; Banque Centrale des Etats de l'Afrique de l'Ouest; Standard Bank Research

Notes: pe – period end; pa – period average; na – not available

Glossary

For brevity, we frequently use acronyms that refer to specific institutions or economic concepts. For reference, below we spell out these and provide definitions of some economic concepts that they represent.

14-d	14-day, as in 14-d deposit, which denotes 14 day deposit
10-y	10-year
16 Jan 13	16 January 2013
3-m	3 months
3m	3 million, as in USD3m, which denotes 3 million US dollars
3bn	3 billion, as in UGX3bn, which denotes 3 billion Ugandan shillings
3tr	3 trillion, as in TZS3.0tr, which denotes 3 trillion Tanzanian shillings
AOA	Angola Kwanza
BAM	Bank Al Maghrib
BCC	Banque Central du Congo (Central Bank of Congo)
BCEAO	Banque Central des États de L'Afrique de l'Ouest (Central Bank of West African States)
BCT	Banque Central de Tunisie
BM	Banco de Moçambique
BNA	Banco Nacional de Angola
BOB	Bank of Botswana
BOG	Bank of Ghana
BOM	Bank of Mauritius
BON	Bank of Namibia
BOP	Balance of payments – a summary position of a country's financial transactions with the rest of the world. It encompasses all international transactions in goods, services, income, transfers, financial claims and liabilities.
BOT	Bank of Tanzania
BOU	Bank of Uganda
BOZ	Bank of Zambia
BR	Bank Rate (Reserve Bank of Malawi)
BRVM	Bourse Régionale des Valeurs Mobilières (Regional Securities Exchange)
BWP	Botswana Pula

C/A	Current account balance. This is the sum of the visible trade balance and the net invisible balance of a country. The latter includes net service, income and transfer payments.
Capital account	Captures the net change in investment and asset ownership for a nation by netting out a country's inflow and outflow of public and private international investment.
CBE	Central Bank of Egypt
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CDF	Congolese Franc
CPI	Consumer Price Index – An index that captures the average price of a basket of goods and services representative of the consumption expenditure of households within an economy.
Discount rate	Policy rate for Bank of Uganda
Disinflation	A decline in the rate of inflation. Here prices are still rising but with a slower momentum.
Disposable income	After tax income
DM	Developed markets
ECB	European Central Bank
EGP	Egyptian pound
EM	Emerging markets
ETB	Ethiopian Birr
Eurobond	A bond denominated in a currency other than the home currency of the issuer.
Exports	The monetary value of all goods and services produced in a country but consumed broad.
FMDQ	FMDQ OTC Securities Exchange, Nigeria
FX	Foreign Exchange
FY2016/17	2016/17 fiscal year
GCE	Government Consumption Expenditure - Government outlays on goods and services that are used for the direct satisfaction of the needs of individuals or groups within the community. This would normally include all non-capital government spending.
GDE	Gross domestic expenditure, the market value of all goods and services consumed in a country – both private and public – including imports but excluding exports. This is measured over a period of time – usually a quarter/year.
GFCF	Gross Fixed Capital Formation – this is investment spending, the addition to capital stock such as equipment, transportation assets, electricity infrastructure, etc to replace the existing stock of productive capital that is used in the production of goods and services in a given period of time, usually a year/quarter. Normally, the higher the rate of capital, the faster an economy can grow.
GDP	Gross Domestic Product – the monetary value of all finished goods and services produced in a country in a specific period, usually a year/quarter.

GHS	Ghanaian Cedi
H1:16	First half of 2016
Imports	The monetary value of goods and services produced abroad and consumed locally.
Inflation	The rate at which the general level of prices of goods and services are rising. It is usually measured as the percentage change in the consumer price index over a specific period, usually a month/year.
Invisible trade balance	The value of exports of services, income and transfers, less imports of same.
Jan 16	January 2016
KBRR	Kenya Bankers' Reference Rate
KES	Kenya Shilling
KR	Key Rate (Bank Al Maghrib)
KRR	Key Repo Rate
m/m	Month on month, in reference to a rate of change
MAD	Moroccan Dirham
MLF	Marginal Lending Facility
MOF	Ministry of Finance
MPC	Monetary Policy Committee, the committee that makes the decision on policy rates
MPR	Monetary Policy Rate
MUR	Mauritian Rupee
MWK	Malawian Kwacha
MZN	Mozambican Metical
NAD	Namibian Dollar
NBE	National Bank of Ethiopia
NBR	National Bank of Rwanda
NEER	Nominal Effective Exchange Rate. This is the weighted average rate at which a country's currency exchanges for a basket of currencies, usually trading partner currencies. It is measured in index format.
NGN	Nigerian Naira
Nominal GDP	The monetary value of all finished goods and services produced in a country in a specific period, usually a year/quarter, measured in current prices.
NPL	Non-Performing Loans

Parity	Refers to the par or nominal value of a debt instrument. This is usually the price at which the said instrument is redeemed on maturity.
PCE or HCE	Personal or Household Consumption Expenditure: The monetary value of household purchases of durable goods, non-durable goods, semi durables and services within a given period of time, usually a year/quarter.
PR	Policy Rate
Prime rate	key lending rate
q/q	quarter on quarter, in reference to a rate of change
Q1:16	First quarter of 2016
RBM	Reserve Bank of Malawi
Real GDP	The monetary value of all finished goods and services produced in a country in a specific period, usually a year/quarter, measured in constant prices.
REER	Real Effective Exchange Rate. This is the weighted average rate at which a country's currency exchanges for a basket of currencies - usually trading partner currencies – while taking into account any changes in relative prices between the host country and its trading partners. It is often measured in index format.
RWF	Rwandan Frank
SARB	South African Reserve Bank
SDF	Standing Deposit Facility (Mozambique)
SLF	Standing Lending Facility (Mozambique)
T-bill	Treasury bill – A short-dated, government backed security that yields no interest but is issued at a discount over a period of less than one year.
TND	Tunisian Dinar
Treasury bond	A marketable government debt security with a maturity of a year or longer
TZS	Tanzanian Shilling
UGX	Uganda Shilling
USD	US Dollar
VAT	Value Added Tax
Visible trade balance	The value of exports of visible goods less imports.
WAEMU	West African Economic and Monetary Union, also known as Union Economique et Monetaire Ouest Africaine (UEMOA)
XAF	Central African Franc
XOF	West African Franc
y/y	Year on year, in reference to a rate of change

Yield	The return on an investment, usually expressed as a percentage over a period of time, usually a year.
YTD	Year to date
ZAR	South African Rand
ZMW	Zambian Kwacha

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