Market Digest

Issue 13-2019

Table of Contents

Editors

Gladness Deogratias, Head Global Markets
(+255) 022 232 2021

Michael Millinga, Head ALM & Fixed Income
(+255) 022 232 2018

TREASURY
Second Floor, Head Office
Ohio/Ally Hassan Mwinyi Road
P.O.Box 9213
Dar Es Salaam
Tanzania

For enquires: TreasuryFO@nmbtz.com

Economic Analysis:

By Catherine Masanje, Sales
(+255) 022 232 2739

Road towards a middle sized income economy

Africa's continent GDP growth is forecasted to accelerate to 4 percent this year up from 3.5 percent in 2018 making it the fasted growing region in the world after Asia. This growth is mainly driven by East Africa, which continues to outpace the rest of the continent and is estimated to reach a 6.1 percent growth by 2020. According to African Development Bank economic outlook, GDP growth in Tanzania in the medium term is positive, with growth projected at 6.6% in both 2019 and 2020, this growth is supported by the ongoing large infrastructure projects.

Foreign Direct Investment (FDI) stock is estimated at USD 20.3 billion, representing 39% of the country's GDP making Tanzania a preferred destination for foreign investment in Africa. The recent agreement between Tanzania and Germany government to construct the largest fertilizer factory in Africa, is in line with the country's vision 2020 which prioritizes modernization of agriculture as a vehicle to drive economic growth. On the infrastructure side, the standard gauge railway amongst other projects will ease the transfer of goods from Dar es Salaam port to Kigali and subsequently Congo and Burundi. The Stigler's $3.6 billion project is expected to increase the country's electricity capacity to 5,293 Megawatts. Energy is crucial not just for attainment of health and education, but also for reducing the cost of doing business, which in turn will unlock economic potential and create jobs. In addition, this dam will also be used to promote irrigation farming as well as attract tourists.

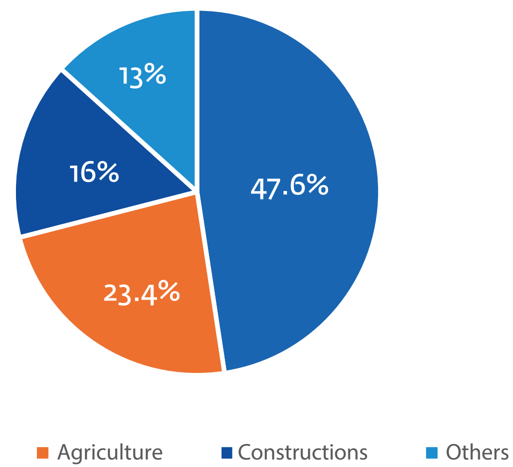
According to the Bank of Tanzania, the overall balance of payments recorded a deficit of USD 856.3 billion in February 2019 compared to a deficit of USD 1587.4million in the corresponding period of 2018. In the year ending February 2019 the value of imports stood at USD 8,321.5 million a 9.2 percent increase from USD 7,622.4 million during the same period in 2018. Transport payment, particularly freight which makes the largest share of the service payment rose by 9.9 percent in line with the increase in imports of capital goods. Government's revenue collected in February 2019 was TZS 1,405.2 billion, a 14.2 percent drop from what was collected in the corresponding period of 2018. On the expenditure side the government continues to embark on measures to enhance expenditure management. In February 2019, government expenditure amounted to TZS 1,821 billion, of which recurrent expenditure was TZS 845.1 billion and TZS 975.9 billion was spent on development projects. Reserves are sufficient to cover about 4.8months of imports of goods and services.

The National bureau of statics stated that annual headline inflation rate has slightly increased to 3.1 percent year-on-year in March 2019 from 3% recorded in both January and February 2019. Headline inflation is expected to remain around the medium term targets, supported by continued improvement in food supply due to favorable weather conditions and reduction in the production costs on account of reliable and affordable power supply. Looking ahead, Tanzania is on the right track to becoming the fastest growing economy. The launch of the first gold bullion in East Africa, will not only increase government revenue and cub gold smuggling, but it will also bring in foreign exchange which will boost the shilling stability against the dollar.

Sources: World Bank and Bank of Tanzania

References: Africa Development Bank economic outlook report April 2019
Bank of Tanzania Monthly Economic review March 2019
TRA Quarterly Tax Revenue Collections report 2018-19

GDP Growth Main Contibutors



Africa's continent GDP growth is forecasted to accelerate **4%** **this year up from 3.5 percent in 2018**

Fx Trend:

By Fredrick Mbuya, Trading
(+255) 022 232 2783

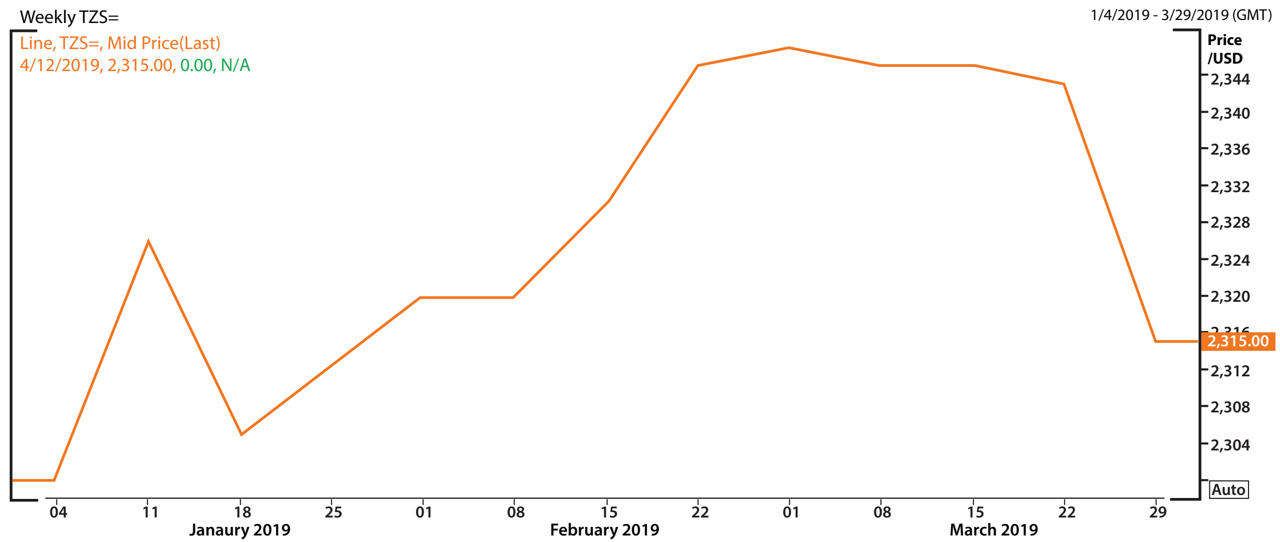
Resilient shilling fights back

The local currency ended the quarter strongly after trading weaker during the first two months of the year to appreciate by 2.1%. The quarter opened at 2300 shillings per dollar, traded to a high of 2365 before firming to close lower at 2315. The local currency was buoyed by end of quarter tax obligations from exporters, Mining firms and other large corporates as they converted their foreign denominated holdings mostly US dollars to obtain the local unit, with usual importers demand sidelined by the same coupled with the central banks prudent liquidity management policies.

The IFEM volume was 144.42 Million US dollars in the first quarter of year 2019, compared to USD 185.45 Million dollars in the preceding quarter on the back of deficiency price discovery and abridged liquidity in the interbank market. The Bank of Tanzania participated as a net seller for liquidity management purposes and in order to maintain orderly money market conditions.

Heading to the second quarter, we expect the requirements for the hard currency to slightly increase as most corporates will be ready to meet their 2018 dividend obligations. With traditional inflows mostly from tourism and agriculture expected to increase by June, the local unit is to hold steady with minimal volatility as the central bank continues its liquidity management efforts to preserve calm market conditions.

	Open	Low	High	Close
Q4 2018	2285.00	2286.00	2325.00	2305.00
Q1 2019	2300.00	2300.00	2365.00	2315.00



Source: Reuters

Click the following link to see our FX spot prices (https://www.nmbbank.co.tz)

Shilling claws back to close higher by **2.10%**

Overnight Interbank Cash Market

By Samira Saleh, ALM Desk
(+255) 022 232 2010

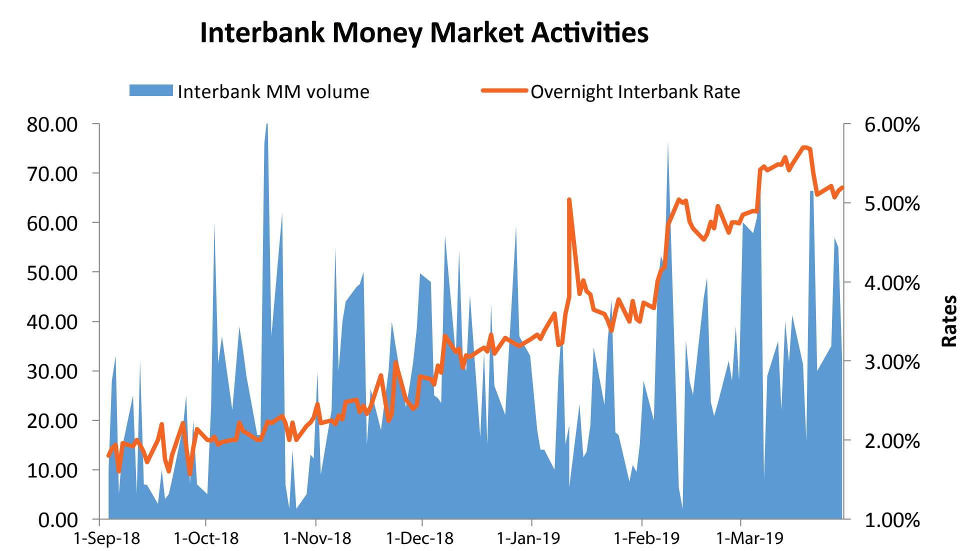
Subdued volumes, creeping rates

Overnight interbank cash market volumes in the quarter under review fell by 3.4% in comparison to the previous quarter. Total volume traded amounted to TZS 1.96 trillion in Q1 2019 lower than TZS 2.03 trillion traded in Q4 2018. In general terms, the market was liquid albeit liquidity being skewed towards a few large interbank players leaving other players with shortage of funding. Despite the fall of overnight cash market volumes on Q-o-Q, there was a huge increase in volume traded compared to same quarter in 2018 where TZS 1.25 trillion of traded volume was recorded.

The shortage of funding by some banks as liquidity was skewed towards a few banks pushed interest rates on the overnight market to, an average of 4.47% in Q1 2019 from 2.52% in Q4 2018. This is also higher than 2% that was seen in the same quarter of 2018.

Going into the second quarter, we expect an upward pressure on the demand for TZS liquidity in the interbank cash market to continue as government financial year comes to an end and most liquidity returned to BOT.

Overnight interbank cash market volumes down by
3.4%
Q - o - Q .



Source: Bank of Tanzania

Inflation & Government Securities Trend:

By Agnes Mayoro, Trading

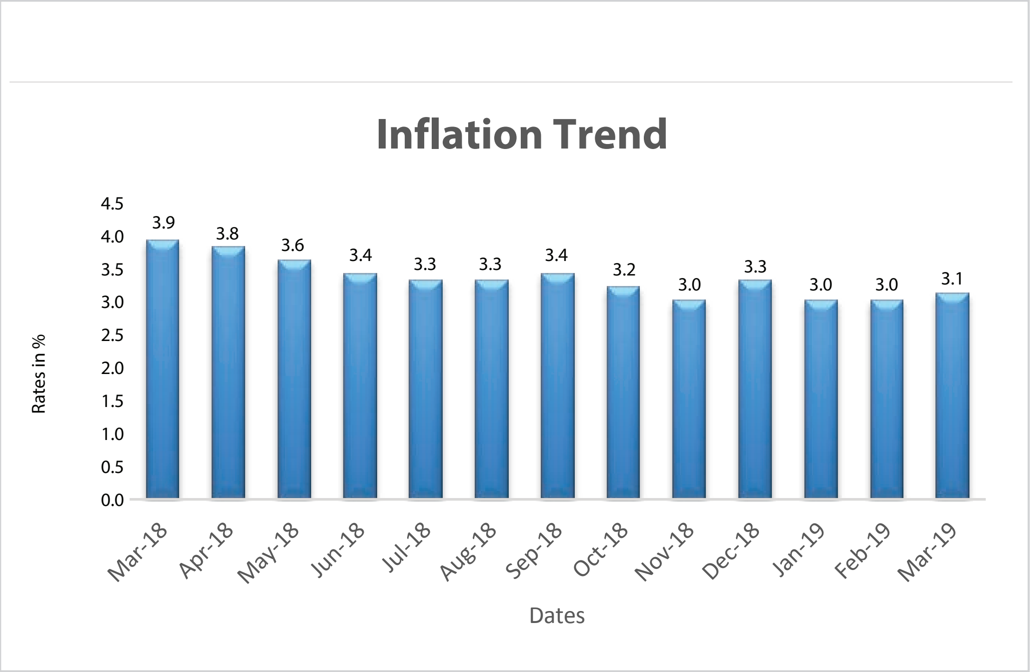
(+255) 022 232 2739

Inflation Trend: Inflation within target

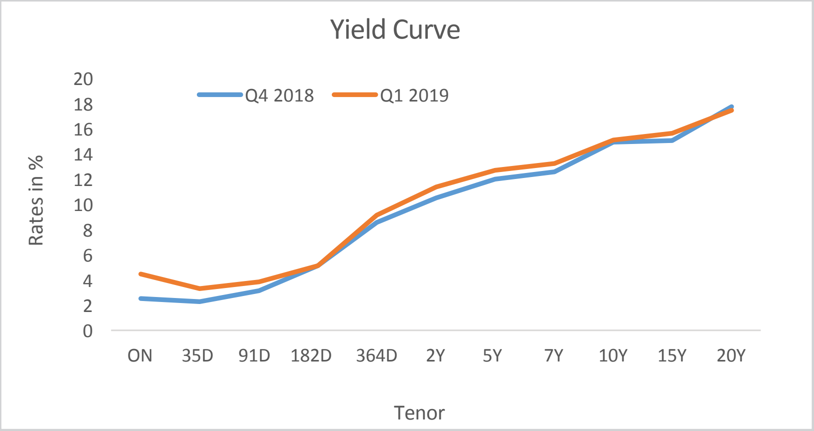
Annual headline inflation rate slightly increased during the quarter under review to a record of 3.1% in March 2019 from 3% recorded in both January and February 2019. This remains below the country's medium term target and East Africa Community convergence criteria of 5% and a ceiling of 8% respectively.

With continued improvement in food supply due to favorable weather conditions, reduction in the production costs on account of reliable and affordable power supply and improved infrastructures, headline inflation is expected to continue remaining within targets.

Inflation rate slightly increased by **3.1%** in March 2019



Source: National Bureau of Statistics



Source: Bank of Tanzania

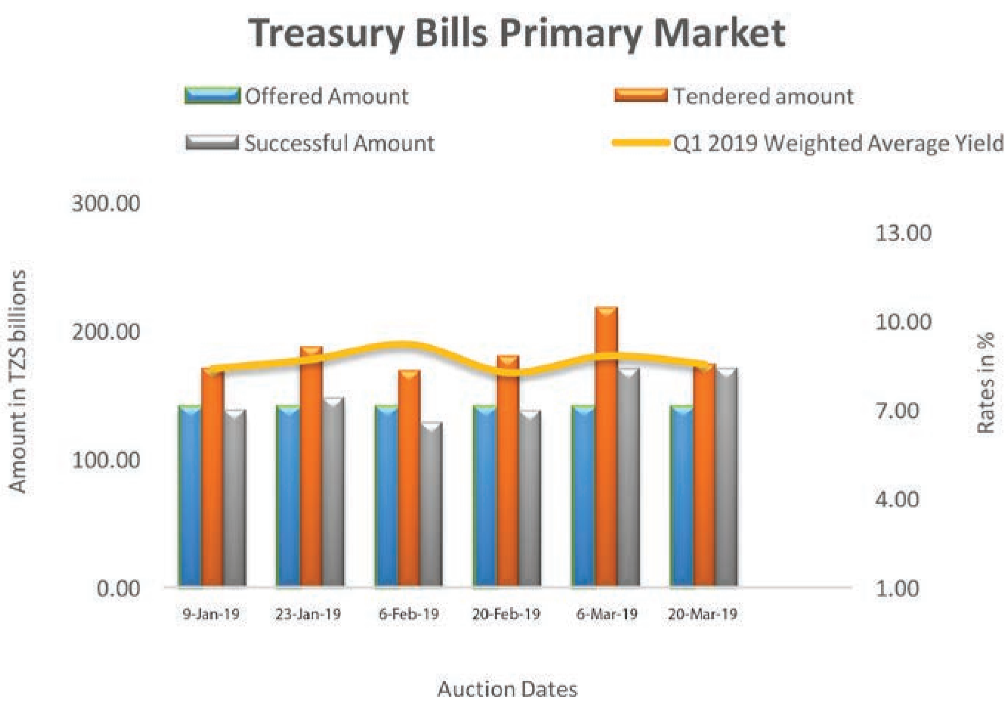
Treasury Bills:
Active start of the year, stable returns

A total of TZS 846.00 billion was auctioned in six different auctions by Bank of Tanzania. This was lower than TZS 987.00 billion offered in the previous quarter. We witnessed an active quarter in terms of participation as most large investors mainly banks sought to build their portfolios and maintain regulatory ratios as the year kicked off. This accounted for an oversubscription of the auctions where bids received were worthy TZS 1.10 trillion marking a 30% oversubscription form an undersubscription of 7% in the previous quarter.

Out of the received bids, Bank of Tanzania took only TZS 894.70 which above what was offered. With this, returns remained fairly stable at around 8 percent to average at 8.53% from 8.47% recorded in the previous quarter. Looking ahead we expect returns to remain stable.

WAY slightly moves up to

8.53%



Source: Bank of Tanzania

Improved investor participation, fair returns

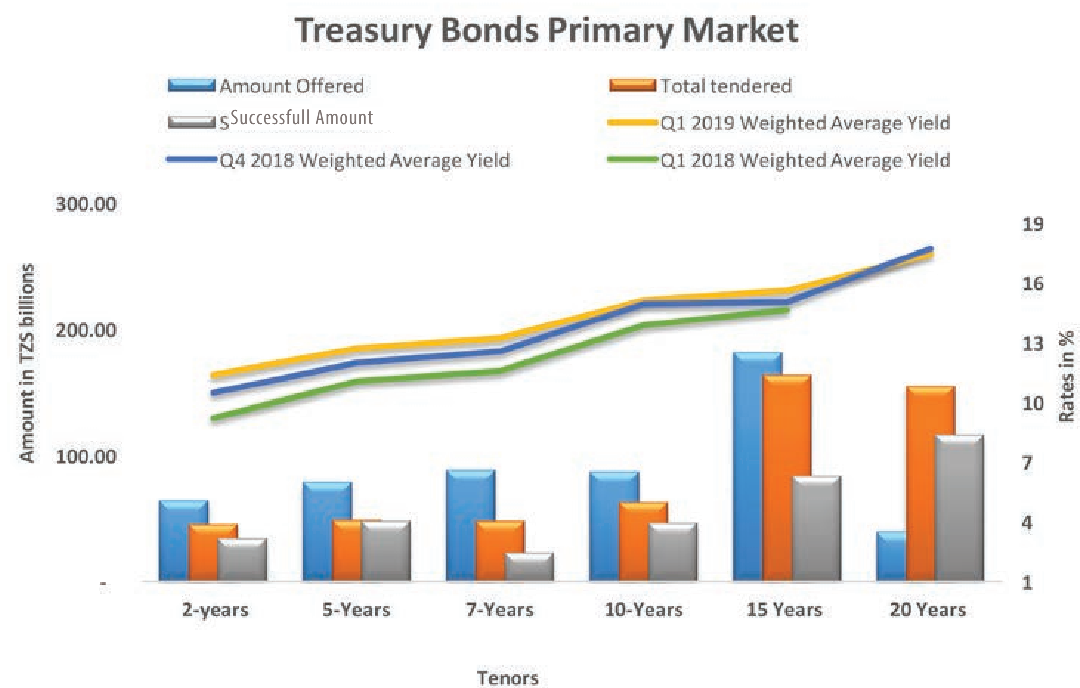
1. Primary Market:

A total of TZS 540.29 billion was auctioned in Treasury bonds of maturities between 2 years and 20 years in seven different auctions during the reviewed quarter, down from 588.73 billion offered during the previous quarter. Looking at the same quarter in 2018, only TZS 684.20 billion was auctioned.

Similar to the previous quarter, in the reviewed quarter, all auctions with an exception of a 20-year bond were significantly undersubscribed to receive bids worthy TZS 523.98 billion and succeeding by TZS 351.73 billion to leave a gap of TZS 188.56 billion. Most investors were attracted to the 15 year and 20 year papers which attracted TZS 163.73 billion and TZS 155.03 billion against offers of TZS 181.70 billion and TZS 39.50 billion respectively. Despite the undersubscription witnessed during the quarter, in line with our expectations, Q-o-Q there was an improvement from undersubscription of 46.44% in the previous quarter to that of 3% in the reviewed quarter. Improvement can be explained by a comeback by some large institutional investors mainly pension funds as their outstanding payments to pensioners come to an end. Weighted average yields across all tenors from 2years to 15 years moved above where they closed in the previous quarter and the same quarter of 2018. For a 20 year paper that was auctioned for the first time in the third quarter of 2018 slightly dropped explained by the large participation in that tenor.

As government continues funding its long term projects, we expect improved returns in the coming quarter.

Auctions undersubscribed by only **3%**



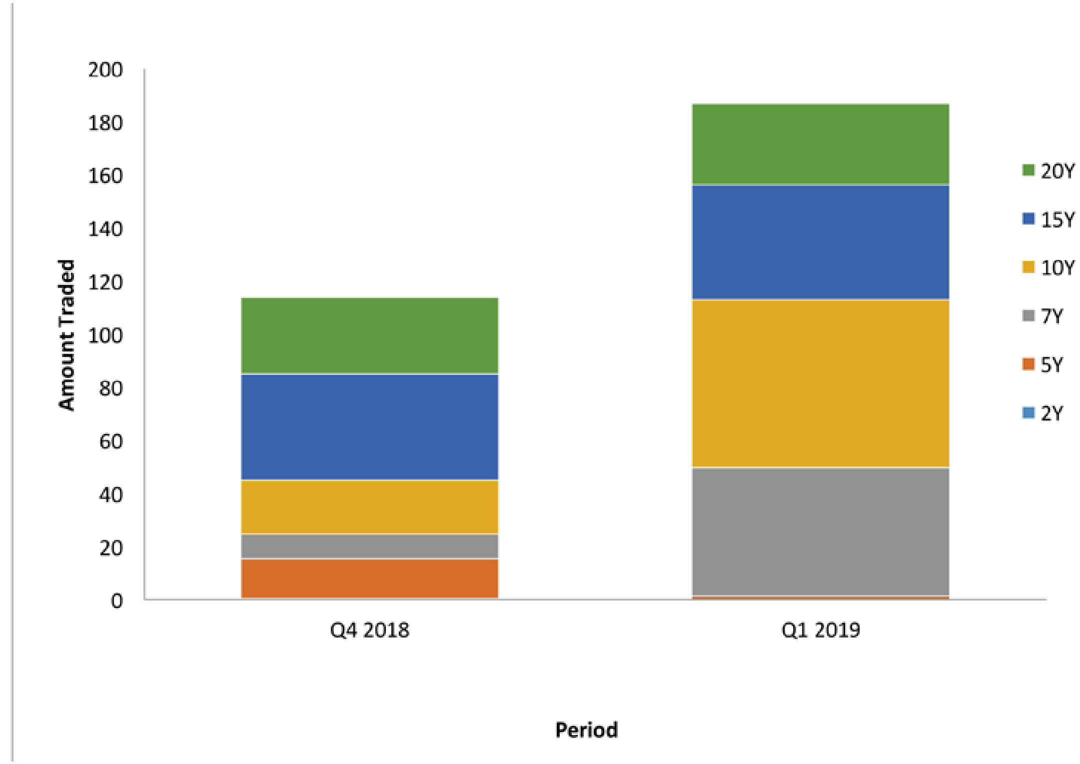
Source: Bank of Tanzania

Continued improvement in market activities

2. Secondary Market

In line with our expectations, market activities continued to show an improvement marking a TZS 73 billion increase Q-o-Q. Total volume traded in the secondary bond market during the reviewed quarter was TZS 187 billion up from TZS 114 billion in the last quarter of 2018. Quarterly improvement in activities can be explained by activities by investors as they built their portfolios on kicking off the year and a comeback of some large institutional investors.

Market activities increase by ▲ **64.19%** Q-o-Q.



Source: *Dar es Salaam Stock Exchange*

Click the following link to see our Bond offers (https://www.nmbbank.co.tz/treasury-services/money-markets-investments/government-securities)

Equity Market Analysis:

By Avith Massawe, Custody Services

(+255) 022 232 2976

Slow start of the year.

Overall performance of Dar es Salaam Stock Exchange decline during the 1st quarter of 2019 compared to the quarter 4 2018. The total turnover decreased by 15% from TZS 42.9 billion recorded in quarter 4 2018 to TZS 37.3 Billion in quarter 1 2019. Likewise, the volumes increased by 24% from 17.8 Million shares in quarter 4 2018 to 22.1 Million shares in quarter 1 2019.

During the quarter, foreign investors continued to lead the bourse by holding a weighted average position of 86.89 % and 79.50% on buying and sell side respectively. This marks insignificant changes between the two quarters where by during previous quarter foreign investors led the bourse by holding a weighted average position of 90.14% and 80.23% on buy and sell side respectively. Trading activities from local investors remained constant with insignificant changes on both buy and sell sides.

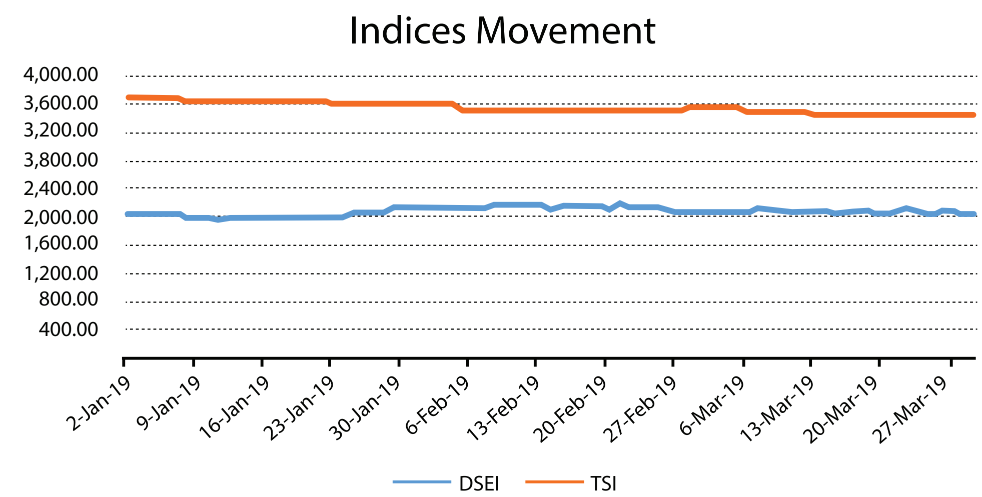
Total market capitalization increased to TZS 21.0 Trillion compared to TZS 19.60 Trillion seen in quarter 4 2019 marking a 7% increase. This increase results from appreciation of share prices during the quarter under review compared to previous quarter. However, if compared to the same quarter during 2018, Market capitalization declined by 9.5% from TZS: 23Trillion recorded in Quarter 1 2018 to TZS: 21 Trillion in Quarter 1 2019. This has been a result of decline in share prices for active counters compared to quarter 1 2018 like TBL, CRDB and DSE.

All Share Index (DSEI) increased by 7% Q-o-Q to 2,185.90 points from 2,041.39 points the previous quarter. Counters which led by share prices decline during the quarter under review were NICOL (-38.89%), SWISS (-36.09%) TBL (-11.63%), CRDB (-7.41%), DSE (-7.14%), TCCL (-6.25%) and MBP (-2.00%).

DSE turnover down by 15%

The following graph shows the trends of Indexes from Jan to December, 2018

DSEI and TSI Performance Jan-Mar 2019



Source: *Dar es Salaam Stock Exchange*

Key Highlights during the Quarter:

Annual General Meeting

Swala Gas & Oil held an AGM on the 1st of February 2019 at Julius Nyerere International Convention Centre.

DCB Right Issues

DCB commercial Bank sold its shares via right issue for existing shareholders at the ration of entitlement of the offer one new share for every two ordinary shares and Initial public Offering for non-existing shareholders. The offer opened 12th November 2018 and closed on 31st January 2019 at 1600hrs. The bank issued 33,913,948 shares at a price of 265/- per share aiming to raise TZS 8,987,196,220 from existing and new shareholders. Subscription of the rights issue was 108% of the offer size at TZS 9,708,390270. The new shares are expected to at DSE on 2nd May 2019 after official listing.

Dividend Announcements:

During the quarter under review, TCCIA announce dividends to its shareholders. TCCIA issued the first dividend of 2.54/- per share since it was listed back in March 2017. The dividend was for the financial year 2017. Shares traded cum-div until 11th March 2019 and payout on the 31st March 2019.

Stock Market Infrastructure Development

DSE extended trading hours to close at 1600hrs from the usual 1500hrs effectively from 11th February 2019 mostly to accommodate international investors who operate in markets with substantial time difference. The trading session is now from 1000hrs to 1600hrs different from previous sessions which lasted from 1000hrs to 1500hrs.

Economic Data Issuance Calendar

ECONOMIC DATA ISSUANCE CALENDAR

The following economic data and government securities will be issued in the coming quarter, however Bank of Tanzania reserves a mandate to change the government securities calendar accordingly.

Date	Event
3-Apr-19	Treasury Bills Auction
8-Apr-19	March inflation data release
10-Apr-19	2-year Treasury Bond Auction
17-Apr-19	Treasury Bills Auction
24-Apr-19	7-year Treasury Bond Auction
1-May-19	Treasury Bills Auction
8-May-19	5-year Treasury Bond Auction
8-May-19	April inflation data release
15-May-19	Treasury Bills Auction
22-May-19	20-year Treasury Bond Auction
29-May-19	Treasury Bills Auction
5-Jun-19	10-year Treasury Bond Auction
10-Jun-19	May inflation data release
12-Jun-19	Treasury Bills Auction
19-Jun-19	15-year Treasury Bond Auction
26-Jun-19	Treasury Bills Auction

www.nmbbank.co.tz

NMB
Close to you

KLiK!

Pay & Go Chap Chap

Visa on mobile • Masterpass

Dial *150*66# or
Download the NMB app

Available on the App Store

Get it on Google play

For more Information call
0800 002 002
Terms and Conditions Apply

www.nmbbank.co.tz