



Market Digest

Issue 16-2020



Table of Contents

- 03 Economic Analysis:
 - Sub-Saharan Economy Growth Rebound
- 05 Market Analysis:
 - Reduced activities, dwindling rates in Overnight Interbank Cash Market
 - Less taken on the oversubscribed T Bills auctions, falling rates.
 - A resilient shiling ends the year on a stable footing.
 - Reduced investor participation, stable yields on T Bills.
 - Falling Stock market activities at the exchange.
- 13 Economic Data Issuance Calendar

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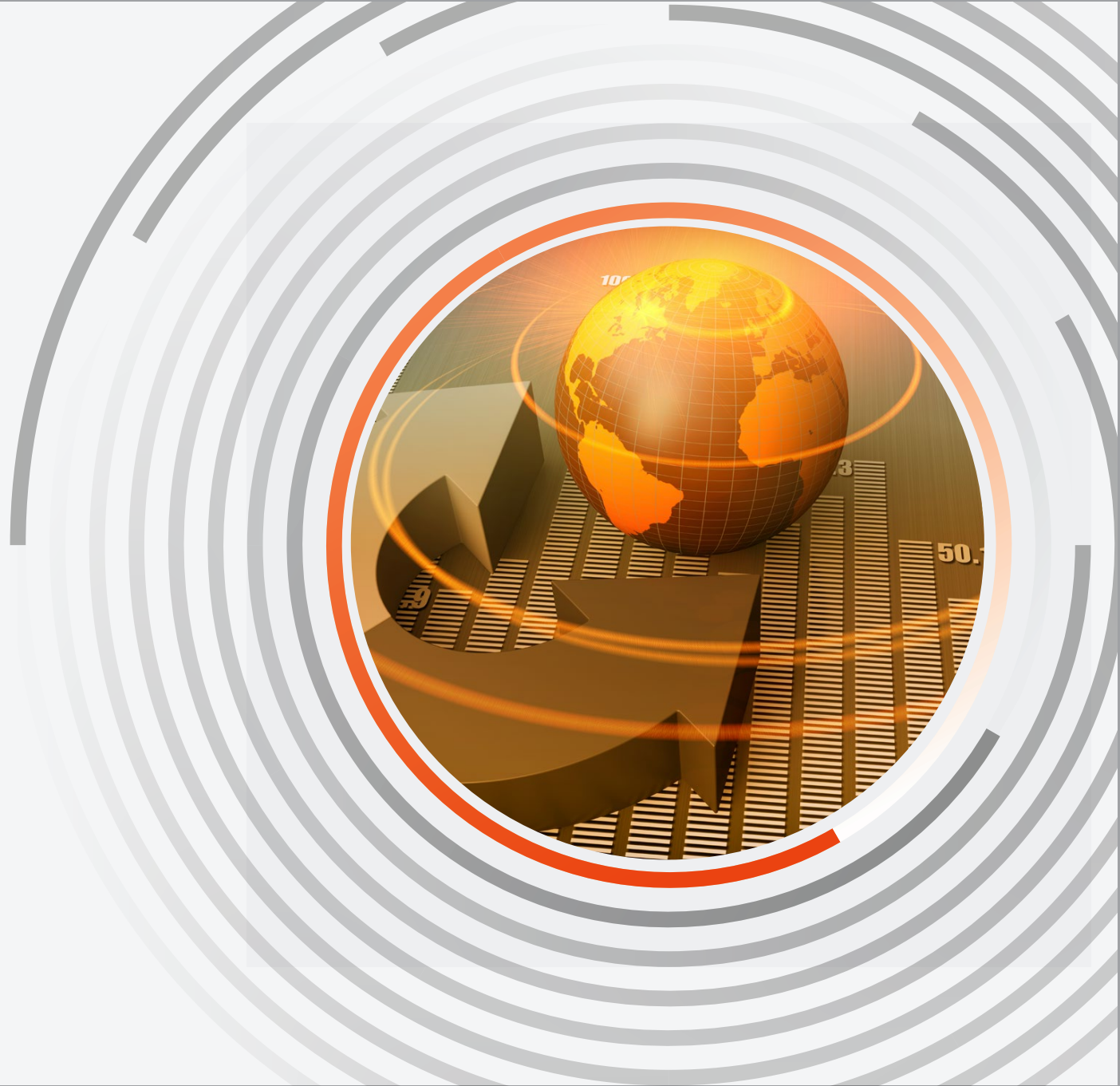
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Economic **Analysis:**





Sub-Saharan **Economy** **Growth Rebound**

Economic growth in the Sub-Saharan region is expected to firm at 2.9 percent in 2020, an increase from 2.4 percent in 2019. According to the World Bank, the growth pick-up is attributed to investor confidence in some large economies, a strengthening cyclical recovery among industrial commodity exporters along with a pickup in oil production, and robust growth among several exporters of agricultural commodities.

On the commodities side, global metal prices outlook is bearish as trade tensions and weak demand remain firmly in place. As weather concerns linger and global markets tighten agricultural merchandise prices are expected to rise this year. Oil and gas industry will continue to see Brent prices averaging lower at USD 62 per barrel in 2020 compared to USD 64 a barrel the preceding year, this is as a result of increased non-OPEC supply and a weak recovery in demand. Global consumer spending is expected to slow down especially in the developed states due to elevated political risks.

Tanzania has sustained a relatively high economic growth rate averaging 7 percent the past decade. Accommodative monetary policy amid relatively subdued inflation continues to support the growth. Key drivers for growth

are construction, information and communication sector as well as the service industry. Development spending increased rapidly as sizeable funds and effort were directed towards development projects and strengthening efforts towards mobilizing the internal domestic revenue.

According to the Bank of Tanzania, the balance of payments is in surplus of USD 702.5 million in the year ending November 2019 compared to a deficit of USD 753.2 million recorded in the corresponding period in 2018. Exports have improved mainly from non-traditional goods and service receipts, the export of gold accounted for more than half of the non-traditional goods exports which is accredited to an increase in volume and price in the world market. Reserves are sufficient to cover 6.4 months worth of imports of goods and services. Nonetheless, the ongoing infrastructure projects and domestic demand spurred capital goods import. Current account deficit narrowed to USD 1,863.6 million in November 2019 compared to USD 1,989.7 million recorded in the same period of 2018. This improvement was largely explained by the increase in exports.

Money supply in the short term has improved on the back of an increase in government revenue collection coupled

with streamlined expenditure. Consolidation of budget and tax collection will contract fiscal deficit as well as the contribution of external and internal debt. The taxman set a record of TZS 1.98 trillion in tax collections in the month of December, the highest since 1996, this is in line with the government's move towards financing development projects by using internally sourced funds.

According to the National Bureau of Statistics Tanzania's GDP stood at 6.8 percent in quarter three of 2019. Looking ahead, economic activity is expected to be underpinned by robust domestic demand and investments in infrastructure, supported by foreign direct investments and an expansionary fiscal stance. Inflation is expected to remain to hover around the medium-term target of 5 percent in 2020, driven by prudence in monetary and fiscal policies, stable food and power supply.

References: Global economic prospects report, January 2020

Bank of Tanzania monthly economic review November 2019

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Market **Analysis**



Money Markets

Overnight Interbank Cash Market:
Reduced activities, dwindling rates.

Last quarter of 2019 witnessed a liquid market as in the preceding quarters, reflecting unchanged Government's efforts of stimulating lending to business by commercial banks. This resulted into money market activities presenting a 32 percent decline from the third quarter. Total traded volume amounted to TZS 887 billion which is lower than TZS 1.3 trillion recorded in the previous quarter.

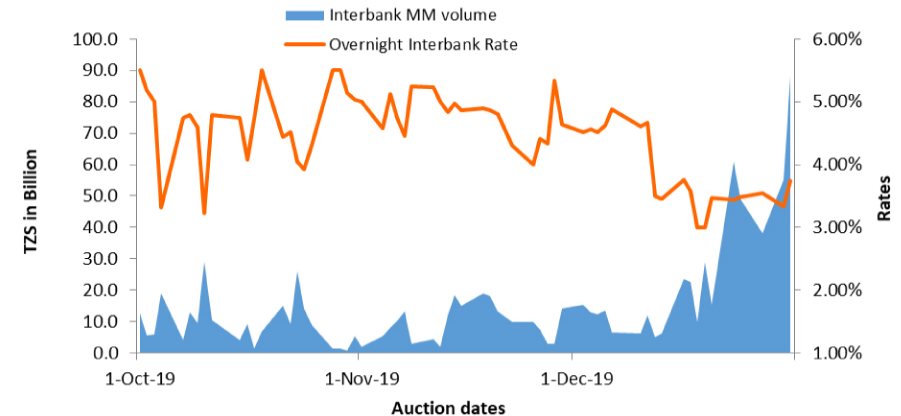
Consistent with Liquidity progress, the overall interbank Money market rates continued showing a declining trend having averaged at 4.46% lower than an average of 4.85% in the third quarter.

As the Central bank intends to continue maintaining appropriate liquidity levels in the economy as well as ensuring the stability of money market rates, overnight rates are anticipated to remain stable.

By Samira Saleh, ALM
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Interbank Money Market Activities



Source: Bank of Tanzania

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Treasury Bills Trend:

Less taken on the oversubscribed bids, falling rates.

During the last quarter of 2019, seven auctions were conducted by Bank of Tanzania in which a total of TZS 750 billion was offered against TZS 918 billion offered in the previous quarter. In total, the auctions were oversubscribed by 56 percent during the quarter. Bids worth TZS 1.17 trillion were received, explaining sound liquidity levels experienced and increasing demand for investment in treasury bills.

Out of TZS 1.17 trillion received, TZS 611 billion was successful which is 19 percent below what was offered. This Leaves TZS 139 billion demand from the government uncovered as the government continues to improve in tax collections towards the end of the financial calendar year.

Ahead of 2020 election, the expectation is for stable returns in the money market as the Government continues to spend on the implementation of its projects.

Way moves down by

117 bps
Q-o-Q

”

Treasury Bills Market



Source: Bank of Tanzania



Foreign exchange market:

A Resilient Shilling Ends the Year on a Stable Footing

The Tanzanian shilling continued to hold firm around the 2300 psychological level as it has done during the majority part of the year 2019. Like the preceding two quarters, the local unit traded in narrow ranges albeit it did strengthen slightly as predicted on the back of reduced US dollar demand with the end of year tax obligations coupled with inflows from the cashew season. The USDTZS pair opened at 2298, traded to the highs of 2305 before dropping back to the low of 2298 where it closed after spending the majority of the last month of the year there. The slight depreciation observed during the middle of the quarter was a result of a slightly increased demand for the hard currency mainly from Oil and telecom companies.

The volumes traded in the Interbank Foreign Exchange Market (IFEM) decreased slightly by 4 percent from the previous quarter's USD 450.39 Million to USD 430.88 Million. The Bank of Tanzania continued its role of maintaining orderly money market conditions and managing liquidity by participating as a net buyer in the interbank market.

Going into the first quarter of 2020, Importers are expected to come back from the end of year holidays in January and this increase in demand for the hard currency is expected to put pressure on the local currency. However inflows mainly from non-traditional sectors like pulses should help to keep the shilling in check, while eyeing for traditional inflows from tourism and the next cycle of cash crops scheduled to kick in during the second quarter of the year which should help to further stabilize the pair.

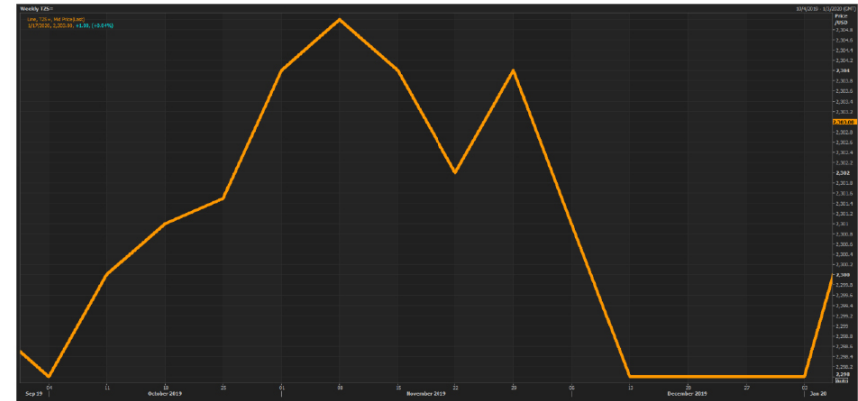
Click the following link to see our FX spot prices (<https://www.nmbbank.co.tz>)

By Fredrick Mbuya, Trading

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Local currency closes the year on a stable and resilient note.



	Open	Low	High	Close
Q3 2019	2300.00	2302.6	2297.00	2298.00
Q4 2019	2298.00	2298.00	2305.00	2298.00

Source: Reuters

Government Bonds Market:

Auctions Significantly Oversubscribed

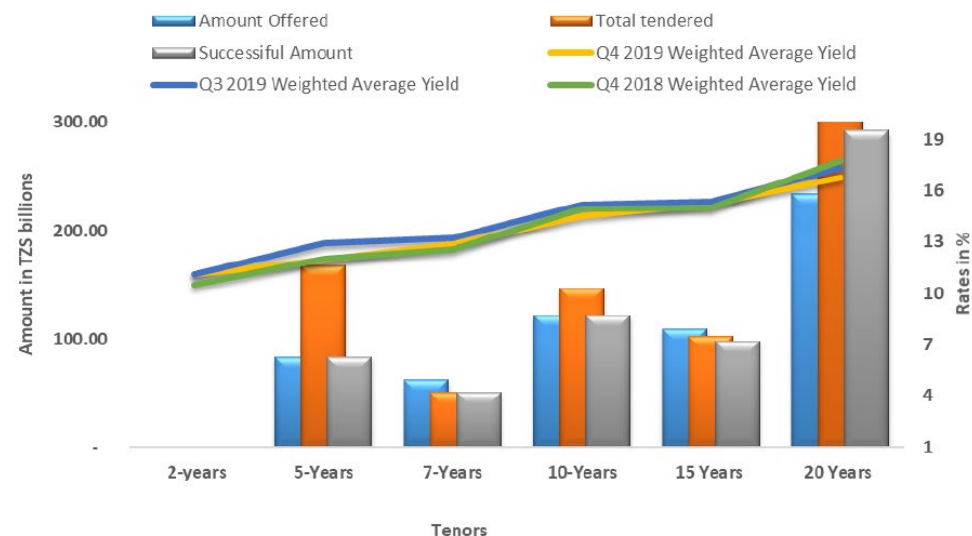
In line with our expectations, market liquidity remained stable and investors' participation in auctions remained high in the last quarter of 2019. In the reviewed quarter TZS 732.40 billion was auctioned in 7yr, 10yr, 15yr and 20yr and auctioned received bids worthy TZS 1,143.41 billion marking a 56 per cent oversubscription. Successful bids were TZS 702.40 billion. Stable liquidity coupled with a significant oversubscription in the auctions meant falling rates across all papers Q-o-Q.

In the coming quarter, all bonds will be auctioned with an exception of 5 year and 7year papers.

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Treasury Bonds Primary Market



Source: Bank of Tanzania

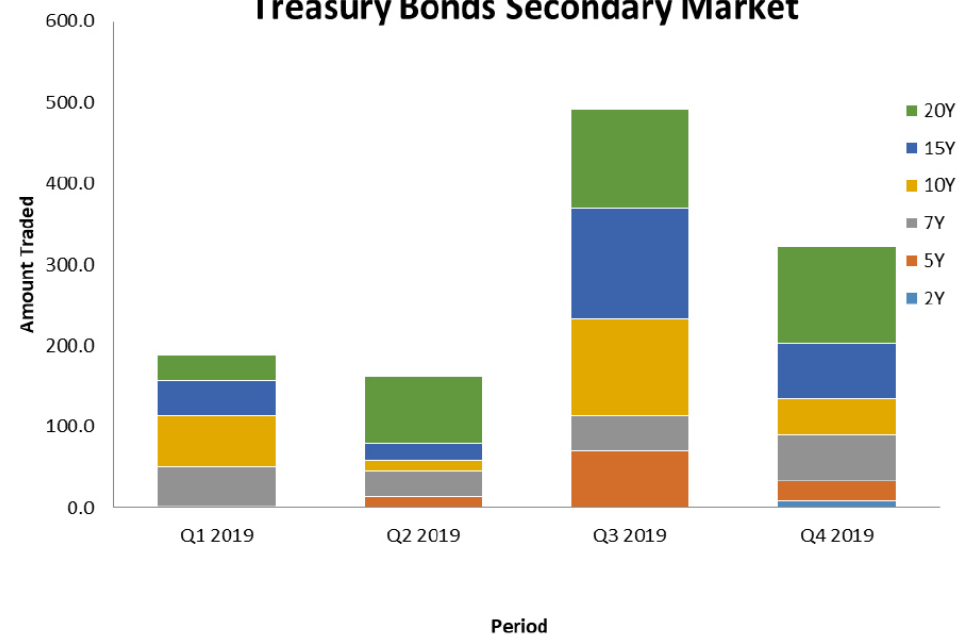
Despite favourable market liquidity levels, secondary market activities fell Q-o-Q to TZS 323 billion from TZS 492 billion in the previous quarter marking a 34.35 percent decline. A decline in activities can be partly explained by a holiday season during the quarter which meant more spending than investing. There has been an improvement in activities at the exchange witnessed by market trading a total volume of TZS 1.16 Trillion in 2019 up from TZS 1.01 Trillion traded in 2018. This marked a 15.34 percent growth. Going into the year 2020, we expect market liquidity to remain stable and with this, activities should remain stable.

Secondary Market
activities up by

15.34%



Treasury Bonds Secondary Market





Equity Market:

Total Turnover
Down By 94 percent Q-o-Q

The total turnover decreased by 94 percent Q-0-Q to TZS 34 Billion during the quarter under review from TZS 527 Billion recorded in the previous quarter. The decrease was contributed by the significant transaction of Vodacom that happened during the previous quarter. Likewise, turnover decreased by 21 percent Y-o-Y to TZS 34 Billion from TZS 42.9 Billion in the same period of 2018.

Foreign investors continued to dominate the market activities both on the buy-side and sell-side. Foreign investors' turnover on buy-side was TZS 23.9 Billion, which represents 70.28 percent while on sell-side was TZS 26 Billion which represents 76.4 percent. This means foreign investors continued to buy and sell between themselves.

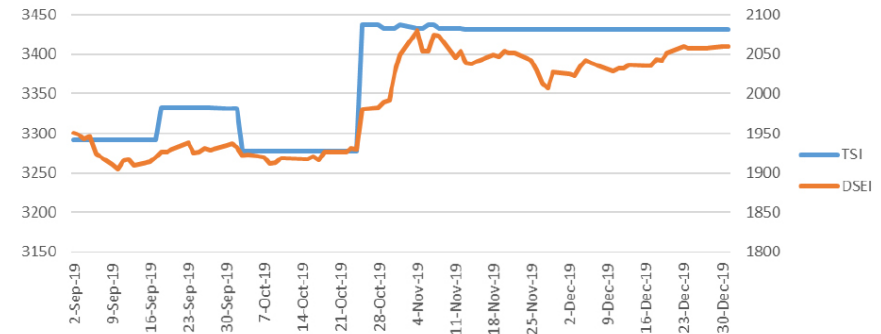
In the reviewed quarter, total market capitalization decreased by 10 percent Q-o-Q to TZS 17 Trillion from TZS 19 Trillion. This also marked a decrease of 13 percent Y-o-Y to TZS 17 Trillion from TZS 19.6 trillion in the same period of 2018. The decrease during the quarter was attributed by mainly delisting of Acacia PLC whose price fell after it was cross-listed.

All Share Index (DSEI) which measures the performance of all listed companies on the Dar es salaam stock exchange increased by 6 percent in the reviewed quarter to 2,059.21 points from 1,934.12 points in the previous quarter. Likewise, the Tanzania Share Index (TSI), which measures the performance of locally listed companies increased by 3 percent in the reviewed quarter to 3,431.10 points from 3,331.66 points. Tanzania Share Index (TSI) gained 99.44 points while All Share Index (DSEI) gained 125.09 points due to increase of prices on EABL, KCB and NMG counters.

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Indices Movement from September to December 2019



Source: Dar es Salaam Stock Exchange

Key highlights in Quarter 4:

Annual General Meetings

NICOL and Precision

Dividend Announcements during Q4

TCCIA announced a dividend of TZS 2.54 per share and paid on 11th December 2019. TBL announced a dividend of TZS 150 per share and paid on 17th December 2019 and NICOL announced a dividend of TZS 6 per share and paid on 23rd December 2019. VODACOM announced a dividend of TZS 24.31 per share and paid on 18th October 2019 and TCC announced a dividend of TZS 300 per share and paid on 16th October 2019.

No.	Company Name	Dividend per share in TZS	Payment Date
1	TCCIA	2.54	11th Dec 2019
2	TBL	150	17th Dec 2019
3	NICOL	6	23rd Dec 2019
4	VODACOM	24.31	18th Oct 2019
5	TCC	300	16th Oct 2019



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
01-Jan-20	10-year Treasury Bond Auction
08-Jan-20	Treasury Bills Auction
09-Jan-20	December inflation data release
15-Jan-20	2-year Treasury Bond Auction
22-Jan-20	Treasury Bills Auction
29-Jan-20	15-year Treasury Bond Auction
05-Feb-20	Treasury Bills Auction
10-Nov-19	January inflation data release
12-Feb-20	20-year Treasury Bond Auction
19-Feb-20	Treasury Bills Auction
26-Feb-20	15-year Treasury Bond Auction
04-Mar-20	Treasury Bills Auction
09-Mar-20	February inflation data release
11-Mar-20	2-year Treasury Bond Auction
18-Mar-20	Treasury Bills Auction
25-Mar-20	5-year Treasury Bond Auction

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