



NMB

# Market Digest

Issue 19-2020

# Table of Contents

## 03 Economic Analysis:

- East Africa Maintains a Strong Economic Growth.

## 06 Market Analysis:

- Increased Activities, Reduced Rates in Overnight Interbank Cash Market.
- Undersubscribed T Bills Auctions, Falling Yields.
- Unwavering local unit lifted by prudent monetary policy measures, agri-in flows and cross border trades.
- Government Bonds Auctions consistently Oversubscribed.
- Equity Market turnover increase by 161 percent

## 14 Economic Data Issuance Calendar

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# Economic **Analysis:**



## East Africa Maintains a Strong Economic Growth

The COVID-19 pandemic has taken a large toll on economic activity in Sub-Saharan Africa, putting a decade of hard-won economic progress at risk. According to the World Bank, economic activity in the region is expected to contract by 3.3 percent in 2020, confirming the prediction that Sub-Saharan Africa would suffer its first recession in a quarter-century in 2020. Economic activity started to rebound in the third quarter of 2020 as the spread of COVID-19 began to abate and containment measures were progressively lifted. However, the recovery was modest and uneven across countries. Household spending on services remained subdued, industrial production slowed, and international trade remained weak, delaying the pickup in manufacturing production.

According to the African Development Bank, the East African region has maintained a strong economic growth despite the Covid-19 setbacks. The region's real GDP is projected to recover and remain well within the range of 5.0 percent to 5.4 percent in 2021. Initially, measures to prevent the spread of COVID-19 across borders, such as mandatory COVID-19 tests on truck drivers, caused large scale disruption to East African trade. But the subsequent rebound in intra-regional trade is a testimony to the effectiveness of actions taken by national governments

and the EAC Secretariat to ensure the smooth functioning of transport corridors. Despite the initial projected slowdown in economy, real GDP growth in Tanzania will benefit from increased prices of gold as investors are opting to use precious metal as a store of value. On the other hand, the decline in oil prices significantly reduced adverse impact of Covid-19 on the domestic economy, by reducing pressure on the exchange rate and cost of production.

According to the Bank of Tanzania, the country's external sector continues to improve with current account narrowing to a deficit of USD 772.2 million in the year ending August 2020 compared to a deficit of USD 1,764 million in the corresponding period of the previous year, on account of higher export of goods coupled with decrease in imports. Foreign exchange reserves are sufficient to cover 5.9 months of projected imports of goods and services. The value of exports of goods and services amounted to USD 9,300.2 million in the year ending August 2020 compared to USD 8,972.7 million in the same period last year, owing to increase in exports specifically traditional and non-traditional goods exports which doubled in value. The import bill decreased to USD 9,480.3 million in the year ending August 2020 from USD

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10,226.5 million in the corresponding period a year earlier due to amongst other things the decline in oil prices in the global market.

On the commodities side, value of agricultural exports increased to USD 995.6 million in the year ending August 2020 following a rise in exportation of cloves, cashew nut, cotton and sisal due to increase in volume supported by improved production. On the other hand, coffee and tea exports declined on account of a drop in prices in the global market. The recent rise seen in the global gold price has led to an increase in exports value of minerals specifically gold which accounts for almost 55.9 percent of non-traditional exports in the country.

According to the National Bureau of Statistics, annual headline inflation decreased to 3.1 percent in September from 3.2 percent recorded in June 2020. The decrease was attributed to reduced prices of commodities in September. The local currency has so far managed to hold firm owing to measures undertaken by the Bank of Tanzania to ensure transparency and efficient procedures in forex trade and low inflation rate. Lastly, Tanzania is on the right trajectory



despite the initial forecasts of a decline in economy due to the coronavirus pandemic. Ahead of the upcoming elections, investors around the world have a keen interest in the policies that the next regime will implement and their impact to the economy, it is also worth noting that the investment markets and infrastructure sectors have done well during the outgoing government's term.

Tanzania Gold  
Exports  
up by **30%**  
Y-o-Y

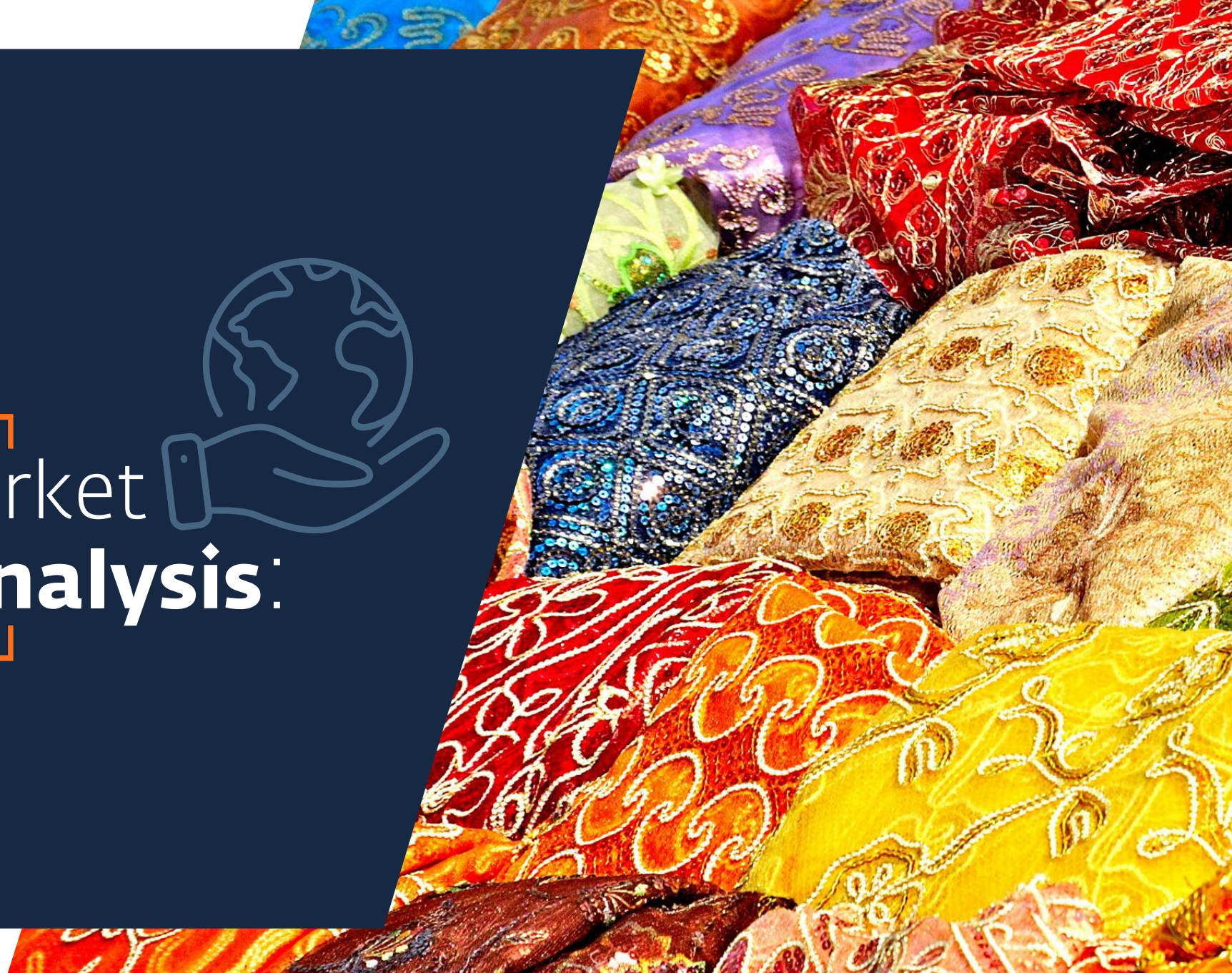
**Sources:**

Bank of Tanzania  
World Bank, Africa's Pulse Report  
African Development Bank, East Africa's economic outlook  
National Bureau of Statistics





# Market **Analysis:**



# Money Markets

## Overnight Interbank Cash Market: Increased Activities, Reduced Rates

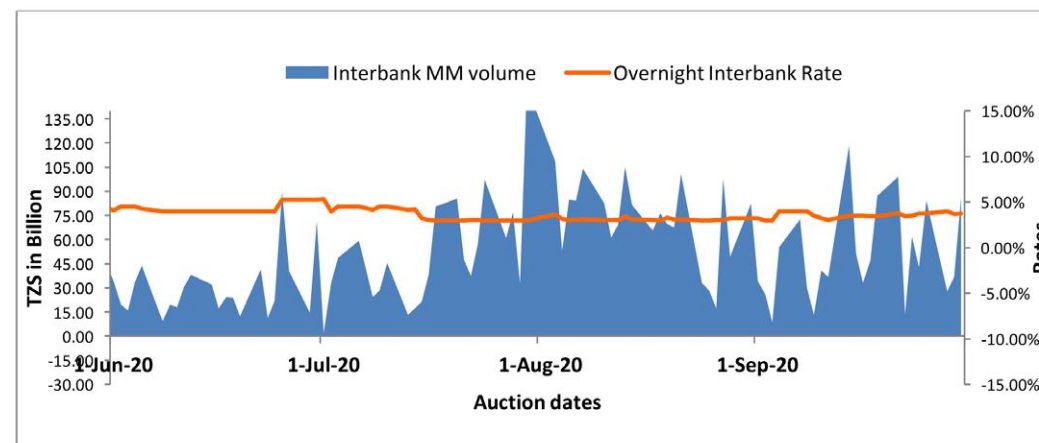
Interbank money market activities increased by 34.5 percent Q-o-Q with traded volumes totaling to TZS 3,691B in Q3 2020 as few banks experienced liquidity tightness and borrowed heavily throughout the quarter.

Moreover, overnight interbank Money market rates remained below 5.0% to average at 3.4 % in Q3 2020 down from 4.5% recorded in the previous quarter.

With the Central bank's intentions to continue maintaining appropriate liquidity levels in the economy as well as ensuring stability of money market rates, overnight rates are anticipated to remain below 5 percent in the coming quarter.

Interbank Money  
Market activities  
up by **34.5%**  
Q-o-Q

By Grace Mponeja, ALM  
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Source: Bank of Tanzania

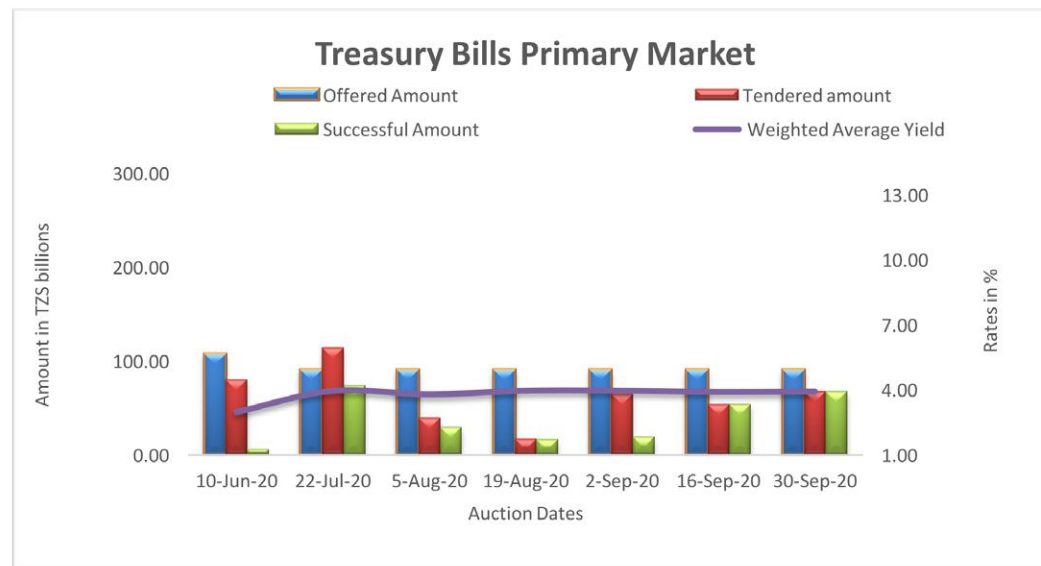
## Treasury Bills Trend:

### Undersubscribed Auctions, Falling Yields.

T-bill auctions conducted by Bank of Tanzania in Q3 2020 offered a total of TZS 541 billion, less by 15.8 percent than the previous quarter's offered amount. The auctions in the third quarter were cumulatively undersubscribed by 34 percent depicting decreased appetite of the short-term papers due to their low yields.

Cumulatively, the central bank took only 72 percent of what was tendered which translates to 27% below the offered amount. This has thus left the market with TZS 96 billion demand for T-bills during the quarter. Most of the demand is from institutional investors who still subscribe to T-bills to meet their short-term liquidity obligations together with complying with internal investment policies and other liquidity regulations.

WAYS on Treasury bills continued to show a downward trend in Q3 2020 to stand at 1.99%, 2.42%, 2.58% and 3.93% for 35D, 91D, 182D and 364D respectively. This is lower than Q2 2020 yields of 2.30%, 2.77%, 3.3% and 4.7% on the respective tenures above. T-bill yields in the coming quarter are anticipated to remain low.





## Foreign exchange market:

Unwavering local unit lifted by prudent monetary policy measures, **agri-inflows and cross border trades.**

Another quiet and steady quarter for the shilling in the IFEM with the 2325 handle acting as a significant resistance. The local pair opened the quarter at TZS 2318 to the dollar before experiencing a 0.3% depreciation to touch the major 2325 resistance where it found its top. From here, the TZS was able to claw back most of these loses and appreciated by 5 shillings to trade down to USDTZS 2320 where it closed.

The shilling was buoyed by prudent monetary policy measures employed by the central bank among which included a circular which amended several directives on FX operations coupled with inflows from the sale of agricultural commodities mainly cotton, coffee and tobacco together with inflows from inter regional trade at border regions.

Volumes traded in the IFEM increased to USD 141.32 Million during the third Quarter up from the USD 113.08 Million traded in the preceding quarter. This 25 percent improvement in activities was a result of an increase in price discovery opportunities and liquidity levels owing to the new FX operations directives which among other things allowed banks to trade in smaller amounts which facilitated a higher level of liquidity distribution among market participants.

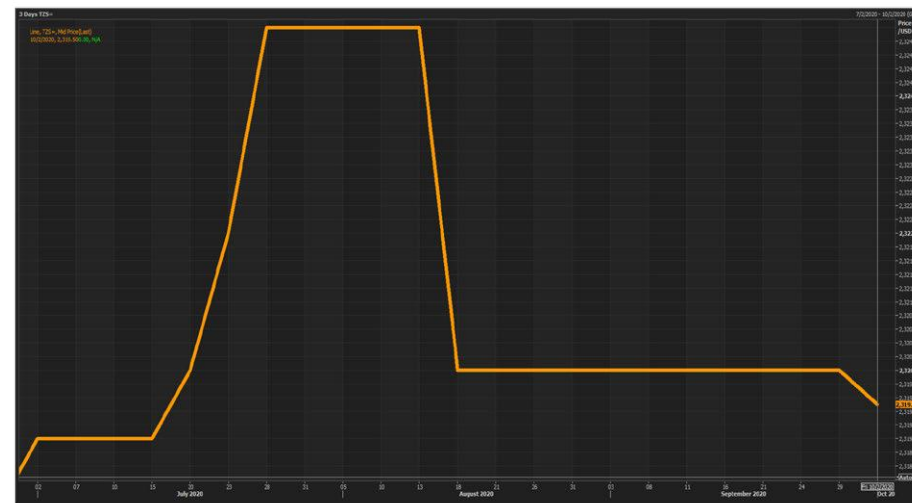
As it is customary for the last quarter of the year, the expectation is for further strengthening of the local unit as the market prepares for holiday season with slightly reduced hard currency requirements together with end of year tax obligations. Agri-inflows will keep coming in with the much awaited cashewnut season expected to start by mid-October. This season's auctions are expected to run more efficiently following activation of the TMX online platform, which should allow for easier and smoother participation for both buyers and sellers.

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**Local Unit remains strong in the IFEM with limited volatility**

Source: Reuters



	Open	High	Low	Close
<b>Q2 2020</b>	2313.00	2319.00	2313.00	2318.00
<b>Q3 2020</b>	2318.00	2325.00	2318.00	2320.00

# Government Bonds Market:

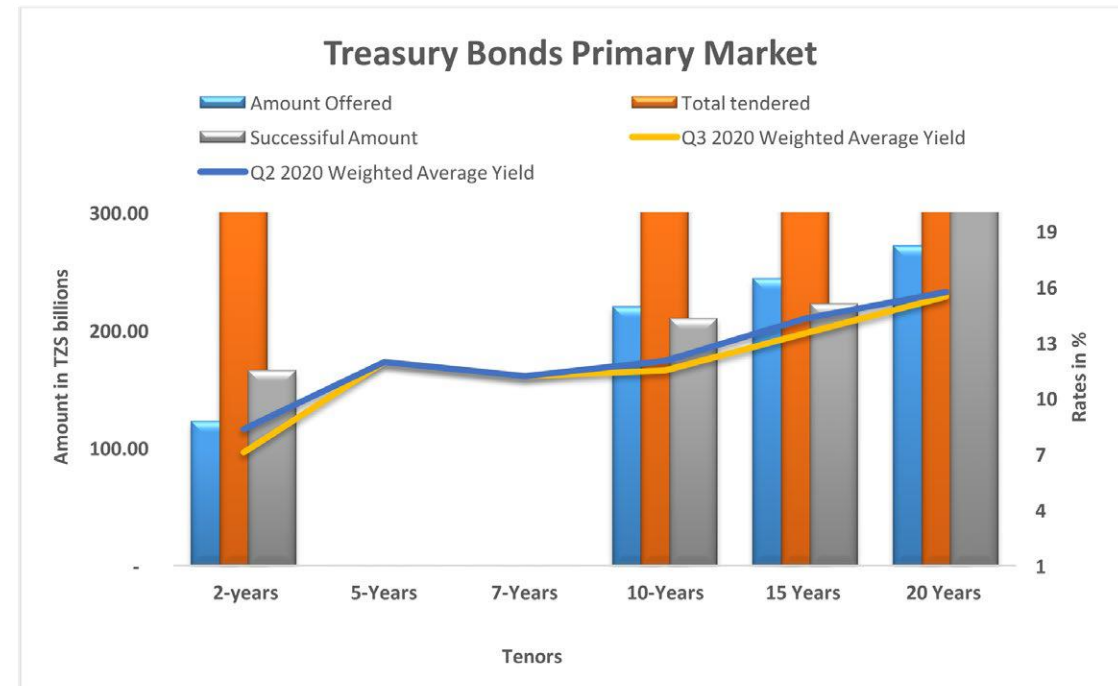
Auctions consistently **oversubscribed**

In line with our expectations, market liquidity remained stable with investor's participation in auctions marking a 134 percent oversubscription. In the reviewed quarter TZS 858.53 billion was auctioned in 2yr, 10yr, 15yr and 20yr papers. Auctions received bids worthy TZS 2,010.31 billion and only TZS 923.39 was successful.

A significant oversubscription in the auctions meant falling rates across all auctioned papers Q-o-Q. 2-year, 10-year, 15 year and 20 year fell to 7.10%, 11.49%, 13.50% and 15.47% respectively.

In the coming quarter all bonds will be auctioned with an exception of a 2yr paper.

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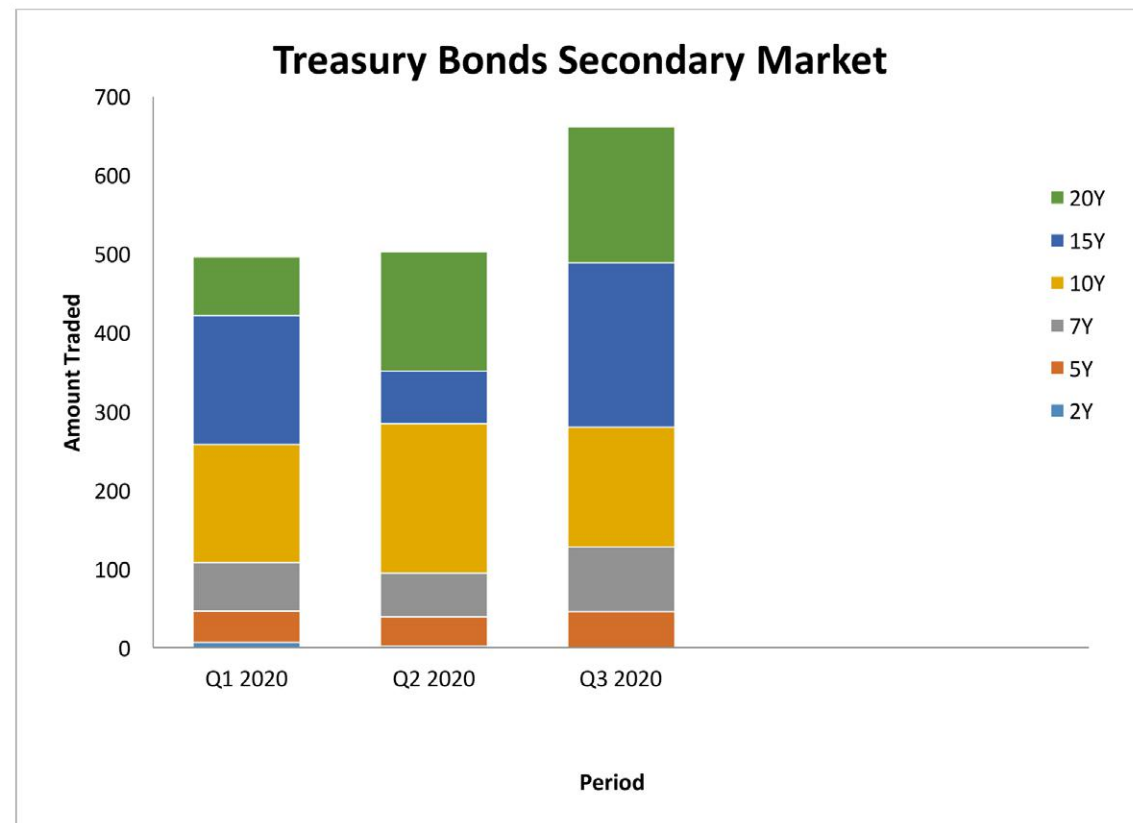


Sources: Bank of Tanzania



In line with our expectations, market activities remained stable after the new calendar was issued. Activities marked a 32 percent improvement Q-o-Q up to TZS 662 billion from TZS 502 billion traded in the previous quarter. Increased activities can be partly explained by favorable market liquidity and a come-back by investors after the new calendar was published. With expected end of year holiday season in the coming quarter, market activities could drop..

Market activities  
up by  
**32%**



Sources: Dar es Salaam Stock Exchange

# Equity Market:

## Market **turnover increase** by **161 percent**

The total turnover increased by 161 percent Q-o-Q to TZS 35.5 Billion during the quarter under review from TZS 13.6 Billion recorded in the previous quarter. This is the result of an increase in trading activities during the quarter. Counters that contributed to trading activities were TBL Plc, CRDB Bank Plc, Tanzania Cigarette Company Plc (TCC), Tanzania Portland Cement Company Plc (TPCC), NMB Bank Plc, and NICOL. However, Y-o-Y turnover decreased by 93 percent to TZS 35.5 Billion from TZS 527.4 Billion in the same period of 2019, this has been contributed by a significant transaction during same period 2019 where there was a sale of Vodacom shares.

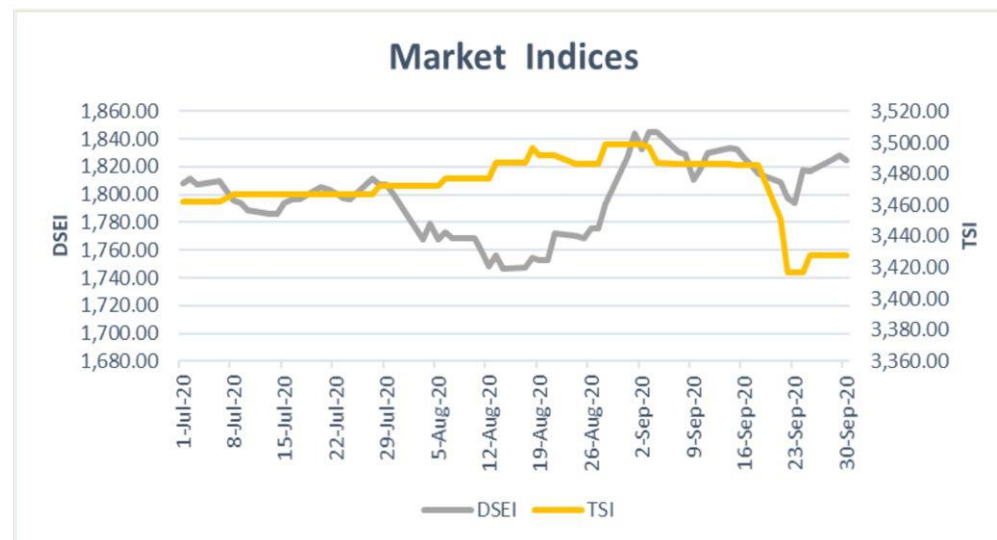
During the quarter under review, Local investors dominated the market activities on buy side for about 88.34 percent while foreign investors dominated market on sale side by 84.34 percent. This trend may have been contributed by Covid19 pandemic.

During quarter under review, total market capitalization decreased slightly by 0.3 percent Q-o-Q to TZS 15.14 trillion from TZS 15.19 trillion and decrease by 21 percent Y-o-Y to TZS 15.14 trillion from TZS 19.06 trillion in the same period of 2019. The decrease resulted from decline in share prices for some of the local firms. Stocks that experienced a price drop were Vodacom, DCB bank, Swiss port, TOL Gases and DSE Plc.

All Share Index (DSEI) which measures performance of all listed companies on the Dar es salaam stock exchange decreased by 0.3 percent in the reviewed quarter to 1,824.71 points from 1,830.13 points in the previous quarter. Likewise, the Tanzania Share Index (TSI), which measures performance of locally listed companies decrease by 1.67 percent in the reviewed quarter to 3,428.06 points from 3,486.95 points. Tanzania Share Index (TSI) lost 59 points while All Share Index (DSEI) lost 5 points mainly because of Covid19 pandemic.

By Avith Massawe, Securities Services

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Sources: Dar es Salaam Stock Exchange



## Key highlights in Quarter 2:

### Annual General Meetings

There was no any AGM during the quarter.

### Dividend Announcements during Q2

During the quarter under review, DSE announced and paid shareholders dividend.

No.	Company Name	Dividend per share in TZS	Payment Date
1	DSE	74.46	14 <sup>th</sup> August 2020



## 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
7-Oct-20	5-year Treasury Bond Auction
8-Oct-20	September inflation data release
14-Oct-20	Treasury Bills Auction
21-Oct-20	7-year Treasury Bond Auction
28-Oct-20	Treasury Bills Auction
4-Nov-20	20-year Treasury Bond Auction
10-Nov-20	October inflation data release
11-Nov-20	Treasury Bills Auction
18-Nov-20	10-year Treasury Bond Auction
25-Nov-20	Treasury Bills Auction
2-Dec-20	15-year Treasury Bond Auction
9-Dec-20	Treasury Bills Auction
10-Dec-20	November inflation data release
16-Dec-20	20-year Treasury Bond Auction
23-Dec-20	Treasury Bills Auction
30-Dec-20	10-year Treasury Bond Auction

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