

# Cytonn Q1'2021 Markets Review

## Sub-Saharan Africa Regional Review

### Economic Growth

Sub Saharan Africa is projected to register a 3.4% GDP growth in 2021 after a 3.7% contraction in 2020. The growth will largely be dependent on the relaxation of lockdown measures in support of curbing the virus and the recovery of the global economy to increase trade for the commodity-driven economies. Most of the African countries have huge debt levels; the World Bank projects this to be an average of 67.4% compared to the 60% recommendation, reducing the amount of stimulus that the governments can offer. However, these countries are participating in debt management and restructuring frameworks from institutions like the World Bank and G20. Case in point is the **Debt Service Suspension Initiative** of which 29 out of the 38 countries in the Sub-Saharan Africa participated in.

### Currency Performance

The vast majority of the select currencies depreciated against the US Dollar in Q1'2021 continuing the trend witnessed in FY'2020, with only the Ghanaian Cedi and the Nigerian Naira gaining by 1.6% and 0.04%, respectively. The Ghanaian Cedi performance is partly attributable to recovering global oil and cocoa prices as well as the subsequent increase in trade and investment activities in the country. The Zambian Kwacha was the worst performer in Q1'2021 as it depreciated by 4.2% against the dollar. The performance is partly attributable to high demand for hard currency from investors and the government as it seeks to meet its debt repayment obligations. The Zambian Kwacha depreciation was however mitigated by rising global copper prices; having increased by 15.6% to USD 4.1 from USD 3.5 per pound. The Kenya Shilling depreciated by 0.3% in Q1'2021 to close at Kshs 109.5 against the US Dollar, compared to Kshs 109.2 recorded at the end of 2020.

Below is a table showing the performance of select African currencies:

**Select Sub Saharan Africa Currency Performance vs USD**

Currency	Mar-20	Dec-20	Mar-21	Last 12 Months change (%)	YTD change (%)
Ghanaian Cedi	5.7	5.8	5.8	(0.9%)	1.6%
Nigerian Naira	360.0	380.7	380.6	(5.4%)	0.04%
Tanzanian Shilling	2,308.0	2,314.0	2,314.0	(0.3%)	0.0%
Kenyan Shilling	104.7	109.2	109.5	(4.6%)	(0.3%)

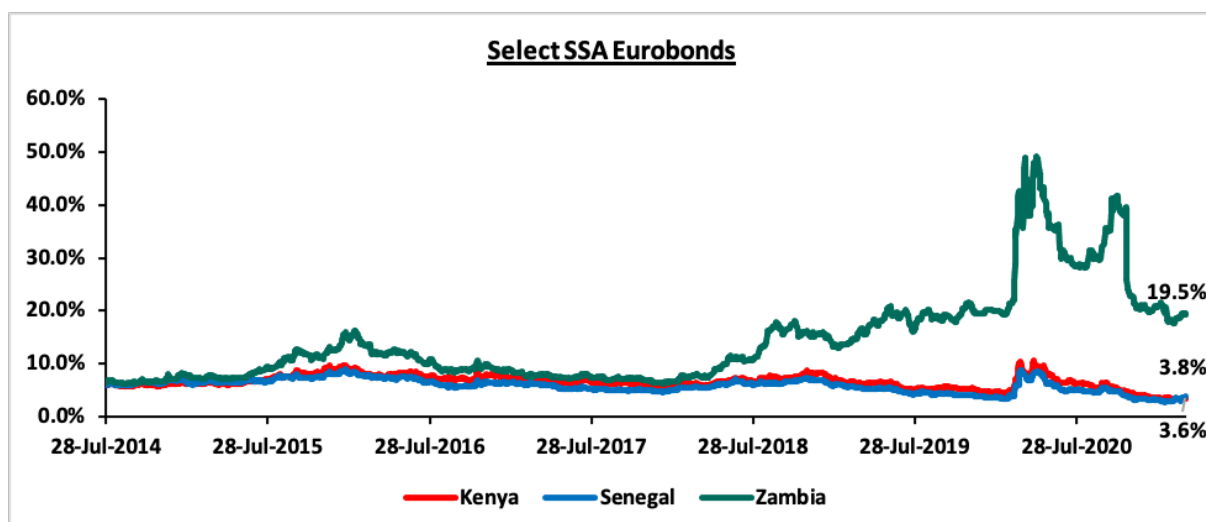
## Select Sub Saharan Africa Currency Performance vs USD

Currency	Mar-20	Dec-20	Mar-21	Last 12 Months change (%)	YTD change (%)
Ugandan Shilling	3,785.0	3,647.0	3,660.0	3.4%	(0.4%)
South African Rand	17.8	14.7	14.8	20.8%	(0.5%)
Malawian Kwacha	729.3	763.2	776.3	(6.1%)	(1.7%)
Botswanan Pula	11.8	10.8	11.0	7.2%	(2.2%)
Mauritius Rupee	39.1	39.6	40.7	(3.8%)	(2.7%)
Zambian Kwacha	18.1	21.1	22.1	(17.7%)	(4.2%)

### African Eurobonds

Yields on African Eurobonds generally declined in Q1'2021, partly attributable to investors attaching a lower risk premium on the Sub-Saharan region due to the anticipation of quick economic recovery from the adverse effects of the pandemic in 2020. Yields on Kenyan and Zambian Eurobonds declined in Q1'2021 by 0.4% and 0.9% points to 3.6% and 19.5%, from 3.9% and 20.4%, respectively, recorded in December 2020. The Zambian Eurobonds yields' decline is partly attributable to; (i) Government of Zambia's **Economic Recovery Programme** launched in December 2020, (ii) the expected debt management agreement following talks with the International Monetary Fund for an Extended Credit Facility and (iii) the rising copper prices. Yields on the Zambia Eurobond remain relatively high, owing to the high risk attached to the country as it failed to honor its service obligations of a USD 42.5 mn Eurobond coupon in November 2020 and is struggling with high debt levels which are currently at 8% to GDP. On the other hand, yields on the Senegalese Eurobond increased by 0.6% points to 3.8% in Q1'2021, from 3.3% recorded in December 2020, attributable to the economic decline due to the COVID-19 pandemic with the tourism and transport sectors being some of the hardest hit sectors.

Below is a graph showing the Eurobond secondary market performance of select 10-year Eurobonds issued by their respective countries;



## Equities Market Performance

Sub-Saharan Africa (SSA) stock markets recorded mixed performance in Q1'2021, with Ghana's GGSECI being the best performing market gaining by 15.8% attributable to the country's improving economy coupled with the stable local currency. Nigeria's NGSEASI was the worst-performing market with a loss of 3.0%, partly attributable to the effects the pandemic as the country is experiencing it's second wave of infections coupled with concerns over decarbonization trends in the world which are expected to keep the oil prices low. Hydrocarbon products account for 90.0% of the Nigeria's exports.

Below is a summary of the performance of key exchanges:

Country	Index	Mar-20	Dec-20	Mar-21	Last 12 Months change (%)	YTD change (%)
Ghana	GGSECI	378.9	332.5	384.9	1.6%	15.8%
South Africa	JALSH	2,493.8	4,044.8	4,502.4	80.5%	11.3%
Kenya	NASI	1.3	1.4	1.5	15.5%	4.0%
Uganda	USEASI	0.3	0.4	0.4	8.8%	2.8%
Tanzania	DARSDEI	1.5	1.5	1.5	0.7%	1.0%
Rwanda	RSEASI	0.2	0.2	0.2	(5.7%)	(0.1%)
Zambia	LASILZ	233.3	185.1	182.3	(21.9%)	(1.5%)
Nigeria	NGSEASI	59.2	105.8	102.6	73.4%	(3.0%)

**\*The index values are dollarized for ease of comparison**

***GDP growth in Sub-Saharan Africa region is expected to recover gradually in 2021, in line with the rest of the global economy. The region still faces key challenges among them the COVID-19 pandemic with the region experiencing a slow distribution of the vaccines. Additionally, some of the countries are suffering from high debt levels that will make them less attractive to foreign capital. The significant weakening of the currencies has made debt service also become very expensive.***

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