Ubiquity Consulting Ltd

NEWS LETTER

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RELIEF TO MOTORISTS AS REGULATOR CUTS DIESEL PRICE BY KSHS.10 A LITRE

Diesel Prices dropped by KSh.10 per litre to their lowest level in a year, promising lower costs for goods and services. The Energy regulatory commission (ERC) in its January fuel price review released on 14th January attributed the reduction in prices to the lower price of crude oil in the international markets during the review period coupled with a stronger shilling. Motorists in Nairobi will for the next one month pay KShs.104.21 for a litre of petrol down by KShs.9.33 from KShs.113.54 they had been paying since December 2018.

PUMP PRICE		
	CURRENT	PREVIOUS
Super	104.21	113.54
Diesel	102.24	112.28
Kerosene	101.7	105.22

FUEL PRICE CUT SET TO REDUCE INFLATION

Analysts have ripped inflation to fall below the preferred central bank range following the significant fall in fuel prices this month. The energy regulatory commission cut the Nairobi price of a litre of petrol by KShs.9.33 to KShs.104.21 in the mid-January review while a litre of diesel is now retailing at KShs.102.24. the price of Kerosene which is mainly used as household energy fuel was cut by KShs.3.52 a litre to KShs101.7. in the inflation basket, petroleum prices have a direct effect on the transport and utility baskets which together with housing have a combined weight of 26.96 on the basket of goods and services used to track the cost of living. The cost of transport also has a significant effect on the movement of food prices which has the largest weight on the inflation basket at 36.04.

15% LICENCE TAX FOR SMES NOW EFFECTIVE

Small-sized business will this month start paying 15% of the permit or trade license fee to taxman with industrialists enjoying a cut on corporate tax. The finance Act 2018 requires business with annual turnover of less than KShs.5 million to pay a tax equivalent to 15% of their permits in a move set to capture tax cheats. Manufacturers on the other hand, are expected to start deducting a third of their electricity bills from corporate profit for purpose of taxation subject to Energy ministry conditions.

NEW 30% DIVIDENDS TAX SHOCK HITS INVESTORS

A new 30% tax on dividends paid by subsidiary companies has caught investors by surprise sending some firms into a panic distribution of cash to shareholders to beat the effective date of January 1, 2019. Amendments to the income Tax Act through the Finance Act 2018 made it a requirement for Kenyan firms to pay a 30% tax on dividends received from their subsidiaries once the proceeds are distributed to shareholders. Initially, a company could receive dividends without paying withholding tax provided it maintained an ownership of more than 12.5% in the subsidiary.

KRA EYES KSHS.2 BILLION TAX FROM TRADERS

The Kenya Revenue Authority is targeting an additional KShs.2 billion annually from small traders following the start of enforcement of a new tax. The KRA has launched talks with county administration to help it in the enforcement of the tax that targets small and medium enterprises making annual revenue of below KShs.5 million. Informal traders falling in the threshold are supposed to pay a presumptive tax at the rate of 15% of the single business permit fee issued by a county government when renewing their permits effective this month.

KSHS.83 BILLION SOLAR, WIND POWER PLANTS YIELD 5% BILLS CUT

Injection of cheaper electricity from KShs.83 billion solar and wind power plants has lowered bills for homes and businesses by a measly 5 cents. The government promised cheaper electricity from increased use of the two green sources by reducing the use of costly thermal power and ultimately cutting the fuel cost adjustment levy in bills. The fuel levy remained unchanged at KShs.2.50 per kilowatt hour since August but dropped to KShs.2.45 in January marking the first time wind and solar power have cut electricity prices.

KRA TO BLOCK TAX CHEATS FROM IMPORTS

Individuals and firms that fail to file domestic tax returns may be locked out of import and export business from April. The taxman said in a fresh bid to boost compliance. KRA are planning to roll out the integrated customs management system by March this year after more than a year's delay will be connected to electronic tax-filling, iTax, making it possible to flag tax cheats. The custom system will have capability to share data with iTax so that importers who are not compliant in terms of filling their domestic taxes returns are not able to make their customs declaration.

NEW FUEL RULES SET TO PUSH UP COST OF SEA TRANSPORT

Sea freight charges are set to increase later this year as shipping lines use a more expensive fuel in line with the International Maritime Organization (IMO) new regulations. Under the new rules, shipping lines are required to refuel with the more expensive Low Sulphur Fuel Oils (LSFOs) and not the High Sulphur Fuels Oils (HSFOs) that is currently being used. Ships are required to comply with the IMO rules by January next year. IMO is a division of the United Nations that sets regulations for the shipping industry said it will only allow vessels with maximum sulphur content of 0.5%.

Complying with the new low sulphur regulation will make the industry significantly greener but it will have a significant cost impact on the industry.

Experts are estimating an additional initial fuel cost of $60 billion for the entire industry annually in the first years.

IMPORTERS GET 90-DAY REPRIEVE ON HIGHER SGR CARGO CHARGES

Importers who ordered goods ahead of December 31 have been spared the 79% rise in cargo charges on SGR from Mombasa to Nairobi. The importers have been given until end of March to ferry their goods on the discounted SGR cargo rates amid a petition from the Kenya Association of Manufactures (KAM) to delay the new rates saying the higher charges will increase the cost of doing business. The cost of transporting a 20-foot container from Mombasa to Nairobi increased from KShs.35,000 to KShs.51,275, a 46.5% rise. Transportation of the larger 40-foot container will now cost up to KShs.71,785 from current KShs.40,000 reflecting a 79.9% rise.

WEAK HOUSE SALES PLUNGE REAL ESTATE TO 4-YEAR LOW

Real estate sector has recorded its slowest quarterly growth in four (4) years giving weight to recent property market reports that have signaled a slump in demand despite increased supply of new housing units. Data from Kenya National Bureau of statistics (KNBS) covering the third quarter ended September 2018 shows real estate recorded a growth of 5.8% the slowest since the 5.4% registered in the fourth quarter of 2014. The growth rate is way lower than the 4-year peak of 9.6% recorded in the first quarter of 2016.

HOUSE RENTS INCREASE FASTEST IN NINE YEARS

Apartment rental prices last year rose at the fastest pace in nine years boosted by double-digit increase in Nairobi's Westlands, Langata, Parklands and Ruaka yields as the gap between demand and supply closed. Realtors Hass Consult's 2018 property index indicated a sharp recovery in rental asking price for apartments in Nairobi in the last quarter of last year boosting the annual growth to 15.9%. This outpaced the annual rental growth for semi-detached and detached houses which stood at 12.6% and 3.7% respectively. The average rental price increase across all property segments stood at 8.6%. Asking rent apartments in Westlands rose by 14% last year leading other suburbs such as Langata at 13.7% Parklands at 13.5% and Kileleshwa at 9.4%

COOKING GAS CONSUMPTION JUMPS 40% ON EXTENDED LOGGING BAN

Cooking gas imports rose by 39.2% in the first three quarters of 2018 to stand at 70, 574 tonnes following the ban on logging. The ban effected last February by Environment secretary has disrupted availability of sawdust, charcoal and wood fuel sourced from government Forest within urban as well as rural areas forcing Kenyans to use LP cooking gas for domestic and commercial purposes. A report by KNBS for the July-September quarterly balance of payments (QBOP) indicates that January-March 2018 period saw 50, 710 tonnes sold locally at KShs.3.1 billion as imports rose 23.2% equivalent to 11, 790 tonnes.

SAFARICOM ROLLS OUT M-PESA OVERDRAFT FACILITY TO ALL ITS USERS

M-pesa users can now send money or pay for goods and service when they have insufficient balance in their accounts after Safaricom rolled out

Fuliza to all subscribers on its mobile money platform over the weekend.

Rollout of the overdraft will facilitate the firm's 24.2 million M-pesa users following a successful pilot programme in November last year. It also

comes at a time when M-Pesa and data services helped bouy its half-year net earnings by 20.22% to KShs.31.5 billion. With Fuliza M-pesa users can now get overdrafts of as high as KShs.50, 000 depending on the value of their transactions through the service that was rolled out on Saturday 5, 2019.

BAN ON 8-YEAR-OLD SECOND HAND CARS TO START IN JULY

The age limit for second hand car imports is set to drop from eight to five years starting from July setting the stage for a steep increase in prices and taxes payable on the units. The trade secretary has

directed the Kenya Bureau of standards (KEBS) to draft legal amendments lowering the age limit and raising allowable exhaust emission standards for all vehicle imports. The new regulations which are set to be drafted on 15th January will pave the way for gazettement and official enforcement of the changes after the Treasury secretary Henry Rotich's budget presentation in June.

KENYA SHOE IMPORTS INCREASED 17% IN QUARTER THREE OF LAST YEAR

Six million pairs of shoes were imported in the third quarter of 2018 translating to a 17% rise. The 2018 quarterly balance of payments report by Kenya National Bureau of statistics shows traders sourced their shoes ahead of December festivities and back-to-school period by paying KShs.1.4 billion to foreign shoemakers. Quarter two data shows imports stood at 5.2% million pairs of shoes valued at KShs.1.1 billion, which was a 7.4% fall from the first quarter in which Kenyans paid KShs.1.3 billion for 5.8 million pairs.

SECOND HAND CLOTHES IMPORTS HIT NEW RECORD

Kenya cranked up import of second hand clothes in the first three quarters of 2013 to 134, 000 tonnes just 1, 800 tonnes shy of 2017 full-year importation. In the year imports rose 31.3% with traders spending KShs.12.74 billion. This is a new record since 2013 when 101, 066 tonnes worth KShs.8.3 billion was brought in.

HORTICULTURE EARNINGS HIT KSHS.127 BILLION IN TEN MONTHS

The domestic horticulture sector registered good performance in 2018 with the first 10-month earnings surpassing full-year results of the previous three years. Latest industry performance data shows Kenya earned KShs.127 billion in 10 months to October against full earnings for 2017 of KShs.115 billion, 2016 and KShs.90 billion in 2015. Stakeholders have attributed the high earnings to

the high standards of Kenya flowers, which have seen the demand, go up in the world market. In 2018, flowers had the lion's share of the earnings bringing in Kshs93 billion of the total industry revenue in 2018 followed by vegetables at KShs.22 billion and fruits coming third at KShs.11 billion.

WORKERS ON KSHS.0.1M PAY JOIN STATE HOME PLAN

The government has made a U-turn and included workers earning more than KShs.100, 000 to access homes developed by contributions from the housing development fund. Newly published regulations governing the fund say contributors earning more than KShs.100, 0000 will use their savings to get mortgages with annual interest of 7% to buy the affordable houses. The government had earlier locked out the top earners from benefiting from homes or mortgages from the fund and instead offered to refund those earning above KShs.100, 000 their contribution plus interest after 15 years of contribution. Under the revised regulations, workers earning less than KShs.50, 000 will be offered homes under the tenant purchase scheme. Those on gross pay in excess of KShs.50, 000 will be offered mortgage at 7%per annum and expected to repay their loans after 15 years.

1.5% HOUSING LEVY PAY CUT FOR WORKERS TO START IN MARCH

Formally employed workers could start paying a 1.5% salary deduction beginning March 1 to finance construction of cheap houses by the state. Transport, housing and infrastructure cabinet secretary James Macharia on 29th said the government has reached an agreement with the workers union which will pave the way for an end to court injunctions that had stopped the deduction. The levy is to be deducted from each employee's basic salary and remitted to the National Housing Development fund (NHDF). The cabinet secretary also said that those who do not get a house or already have one will get their money back when they retire and that the only money that will not be refunded is the employers' deductions.

NSE DIPS KSHS.3 BILLION ON FIRST DAY OF TRADING

Nairobi security exchange investors lost KShs.3 billion on 2 January in a gloomy start to the first day of trading of 2019. The value of shares stood at KShs.2.098 trillion at the close of business, down from KShs.2.1 trillion on December 31 when the market closed for New Year festivities. The market

closed 11.06 points lower at 2822.78 points weighed down by losses on blue chip counters which normally attract heavy foreign investor trading. The number of shares traded fell by 1.9 million to KShs.7 million from KShs.8.9 million on December 31, a pointer to the reduced activity.

NSE OUTSHINES AFRICAN PEERS DESPITE BEAR RUN

NSE last year outperformed most African markets in dollar returns despite the bear run helped by the Kenya shilling's gain on the dollar versus the depreciation seen on most regional currencies. Market data compiled by African Alliance shows he NSE FTSE 15 index which tracks the bourse's 15 largest firm by market capitalization and is mainly used by foreign investors had a dollarized return of -13.5% last year. It outperformed the bourse of Nigeria -20.6%, South Africa 25.5%, Uganda -17.2%, Tanzania -15.4% and Egypt -14.2%.

EUROBOND MATURES IN JUNE AS AUDIT CONTINUES

The controversial 5-year Eurobond matures in June despite the fact that it has not yet been given a clean bill of health by the editor-general. Kenya in June 2014 floated a $2 billion (KShs.200 billion) Eurobond in 2 tranches of $1.5 billion over 10 years and a 5-year $500 million bond whose proceeds it deposited in JP Morgan Chase, New York. In a fresh audit of the national exchequer Account, Mr. Ouko says investigations into the receipt, issue; accounting and utilization of the funds relating to the bond issue were still ongoing. The IMF, which has warned the borrowing has raised fiscal vulnerabilities, revised last month Kenya's risk of debt distress to moderate from low.

BOND SALES HIT FRESH HIGHS AT THE BOURSE

The secondary bond market turnover rose by 29% in 2018 marking it the second highest ever sales for the instruments at the Nairobi bourse for 8-years. The activity in the bonds counter hit KShs.562 billion making 2018 look the only year apart from 2012 when the Nairobi security Exchange bond turnover has exceeded KShs.500 billion. In 2012 the turnover stood at KShs.566 billion. The bond market outpaced 2017 numbers in activity by 29% to KShs.562 billion from KShs.435 billion traded in 2017.

1-YEAR TREASURY BILL YIELD HITS DOUBLE DIGIT

Investors continued to show high cravings for the 364-day Treasury bill compared to the other tenors in the week's auction as the interest rate on the paper went double digits putting in bids worth KShs.4.4 billion against a target of Kshs10 billion. the central bank of Kenya in its weekly T-Bill auction report that the three tenors of T-bill

together attracted total bids worth KShs33 billion against a target of KShs.24 billion however, the shorter 91- day and 182-day papers were undersubscribed with the majority of bids going to the 364- day paper

TREASURY SNUBS KSHS.62 BILLION IN BOND AUCTION

The Treasury received bids worth over Kshs100 billion after floating two and 15-year bonds but only took up KShs.38.49 billion as it went for lower rates. Market liquidity enabled a massive oversubscription even with the Treasury through its fiscal agent Central Bank of Kenya offering only Kshs40 billion through the two issues. Some KShs.62 billion was rejected. The weighted average rate of accepted bids for the two-year paper stood at 10.701% against the market demand for 10.905%.For the 15-year paper, the weighted average rate for accepted bids was 12.857% slightly higher than the 12.746% achieved in the last auction of an issue of similar tenor.

HIGH T-BILL SALES EASE STATE'S CBK OVERDRAFT

The Treasury has cut its overdraft at CBK by KShs.24.4 billion on the back of healthy Treasury bill and bond uptake at the auctions this month. Latest CBK data on public debt shows that the outstanding overdraft amount stood at KShs.39.5 billion as at January 2018 down from KShs.63.9 billion at the beginning of the year. The current domestic debt in Kenya increased marginally to KShs.2.55 trillion during the week ended 18 January2019 partly attributed to increased borrowing by the government through T-Bill.

CBK GOES BACK FOR REJECTED BOND CASH

The Central Bank of Kenya has reopened the recently floated two and 15-year bonds in a bid to raise an extra KShs.12 billion. The CBK is targeting the liquidity left in the banking system after it took up KShs.38.49 billion from the two issues out of the KShs.101.97 billion investors offered. That left more than KShs.63 billion on the table which now constitutes the liquidity the regulator is trying to raise new money from. In the reopened bond, the market is to determine the yield (with the coupon already given) unlike in a tap sale where the yield and the coupon are predetermined

The coupon rate on the 2-year paper stands at 10.701% while that on the 15-year bond is at 12.857%. Withholding tax on the 2-year is set at 15% while that on the 15-year is set at 10% with a view to encourage investment in the long-term securities. The bond went on sale from January 29 and closes on February 5. Payment for the accepted amount must be done by 2pm on February 11.

NSE SET TO LAUNCH NEW TRADING SYSTEM IN JUNE

The Nairobi Securities exchange will complete an upgrade of its trading system by June, a move set to put an end to technical hitches that have disrupted trading in recent years. NSE chief executive said the updated system would also allow the bourse to finally roll out its derivative products and liquidity tools like securities lending and borrowing. The current version of the trading system was set up in 2006. Apart from the upgrade, the exchange plans to go slow on further capital expenditure this year instead of concentrating on pushing the uptake of existing and new products and attract new listings to end the initial public offering drought in the market. It will launch its long-awaited futures market with an index derivative on the NSE 25 share index and five single stock contracts targeting liquid stocks including KCB, Equity holdings and Safaricom.

TREASURY TO SELL MOBILE BOND IN MARCH

The Treasury will make another sale of the mobile-based infrastructure bond M-Akiba in March testing the market once again with the offer that failed to raise the targeted amount in 2017. NSE head of enterprise innovation said the 3-year bond will be reopened meaning that investors will get 10% interest, tax free, with a target amount for the bond pegged at KShs.250 million. The pilot sale of KShs.150 million in March 2017 was fully subscribed and sold out in less than two weeks.

However, the official launch sale in June 2017 targeted KShs.1 billion with a green-shoe option of another KShs.3.85 billion underperformed raising KShs.247.47 million. M-Akiba allows investors from KShs.3,000 through Safaricom's Mpesa, Airtel money transfers platform and Pesalink unlike conventional bond issues where minimum investment is KShs.50, 000.

INVESTORS SPLASH KSHS.104 BILLION ON TREASURY BILLS IN JANUARY

Investors have this month offered the government massive KShs.139.3 billion bids for Treasury bills giving the Treasury an opportunity to close the domestic borrowing target deficit. CBK data shows in the first week of the month, bids stood at KShs.33.02 billion rising to KShs.67.6 billion in the second week and KShs.38.7 billion in the Third week. The oversubscription is a result of a liquid market analysts say, ironically due to heavy maturities of the same securities. The government accepted a total of KShs.93.9 billion out of the KShs.139.3 billion rejecting KShs.45 billion offered in the three auctions.

LOCAL INVESTORS PUSH NSE SHARES KSHS.100 BILLION HIGHER

Shares at the NSE have defied sustained sell-offs by foreign investors to post a gain of 4.3% since the beginning of the year adding KShs.101 billion to investor paper wealth. The bourse ended 25th January with a market capitalization of KShs.2.2 trillion mainly on the back of gains by banks and Safaricom. The gains have come despite 9 straight weeks of net sales by foreign investors according to an analysis done by standard investment bank (SIB).

DOMESTIC DEBT SHRINKS KSHS.36 BILLION IN DECEMBER

The outstanding stock of domestic debt shrunk by KShs.36 billion in December on the back of huge maturities of treasury bills coupled with under subscription in new offers. Latest data from CBK shows the stock of debt fell to KShs.2.527 trillion on December 28 from Kshs2.563 trillion at the end of November. In the four T-Bill auctions done in /December, the CBK was seeking KShs.96 billion but only managed to raise KShs.46.7 billion from a market that was affected by tight liquidity. During the month, total maturities across the three tenors of T-bill amounted to KShs.93.7 billion meaning that the Treasury made net repayments of KShs.46.9 billion during the month.

CHINA'S DEBT REPAYMENT TRIPLES FROM JULY

Loan repayment to China will nearly triple from July as the five –year grace period that Beijing extended to Kenya in May 2014 for the SGR funds comes to an end. Nairobi will pay Chinese state-

owned lenders nearly KShs.82.85 billion in the year starting July from KShs.36.24 billion in the current year ending June. Kenya in May 2014 entered into a deal to borrow $3.233 billion loan (KShs.324.01 billion) from China's Exim Bank, comprised of $1.633 billion commercial loan and $1.6 billion concessional to build the 385Km Mombasa and Nairobi SGR line.

KENYA'S FIRST CRUDE OIL EXPORT EXPECTED IN THE H1

Kenya's first crude oil export is expected in the first half of 2019 and Tullow Oil pricing the product for the market.

Tullow has been trucking crude oil from Turkana to Mombasa since June and hopes to accumulate 200,000 barrels. The price for crude oil from Kenya and neighboring Uganda has not yet been fixed. The product is light crude but is waxy, a draw back as it needs to be heated for transport to stay liquid.

BANKS FOREX HOLDINGS SCALE UP TO KSHS.314 BILLION

Commercial banks holdings of foreign currency reserves rose by a quarter in the 12 months to august 2018 as Forex inflows increased. According to latest treasury data, commercial banks saw the foreign reserves as distinct from customer Forex deposits rise by KShs63 billion during the period to stand at KShs.313.54 billion. Official data shows that remittance grew to KShs.255 billion in the 12 months to last August compared to KShs.179.67 billion in the same period in 2017. This exceeded the foreign net outflow of KShs.35.27 billion from the equities market on the NSE during the same period leaving financial institutions with increased foreign liquidity for trading purpose.

CBK SPARES BORROWERS AS BANKS CUT BACK LOANS

Borrowers have been spared higher cost of loans after the CBK retained its benchmark signal rate at 9.0% following the monetary policy committee (MPC) meeting held on 28th January. The regulator however pointed out that limited private sector access to credit was pulling back economic growth. In a statement, the CBK said the current monetary policy stance had protected the shilling, which has been stable against major world currencies and reduced the threat of money-driven inflation which rose marginally to 5.7% in December compared to 5.6% in November remained within the government's preferred band of 2.5% to 7.5%.

KENYAN ECONOMIC OUTLOOK

ROTICH UPS THIS YEAR'S DEBT TARGET TO KSHS.631.5 BILLION

The Treasury has raised its borrowing target for the financial year ending June 2019 by KShs.78 billion in the wake of below –par revenue collection in the five months to November 2018. The Treasury secretary in the 2019 budget policy statement draft said that the external borrowing Target for the current fiscal year has increased by KShs.34 billion to KShs.321.5 billion. The Net domestic borrowing is expected to contribute KShs.310 billion having initially been set at KShs.267 billion in the June 2018 budget. The new borrowing targets men Kenya's debt pile will grow by KShs.631.5 billion before accounting for loans taken by other state agencies.

TREASURY DEBT SERVICE SET TO REDUCE BY KSHS.14 BILLION

The Treasury has cut the projected cost of servicing public debt for the current fiscal year by KShs.14 billion reflecting the lower interest rates on issued securities. Kenya had projected under the June 2018 budget that interest payments on domestic debt for the fiscal year 2018/19 would hit KSh.285.6 billion but has now cut that to KShs.271.6 billion as per the 2019 draft budget policy statement (BPS) released mid-January. Interest costs for foreign debt remain unchanged at KShs.114.4 billion with the stability of the shilling protecting the country from exchange-rate inflation on the dollar debt.

INTERBANK RATE AT 8-YEAR LOW ON BETTER LIQUIDITY

Banks lent to each other at an average interest rate of 1.71% last Friday, the lowest point since March 2011 driven by improved liquidity and comfortable reserves position. Data from CBK covering the lead up to Friday showed that daily interbank rate was a declining trend sending the average to 3.74%. The average number of interbank deals remained relatively stable at 20 compared to 21 in the previous week, while the average interbank volumes traded fell to KShs.10.1 billion from KShs.12.1 billion according to CBK. The average interbank rate declined supported by the high government payment and the cyclical school fee payment flowing through the banking system.

DIASPORA FOREX INFLOWS EXCEED CBK PROJECTION

Diaspora remittance for June for the first time in 3 years beat those of December lifting cumulative inflows above central bank of Kenya target. Fresh figures released by the CBK show Kenyans living in the Diaspora sent home $244 million in December last year, a growth 20% sent on the previous similar month. North America, Europe and the rest of the world accounted for 45%, 32% and 23% respectively of the total remittances in December 2018.

TRADE DEFICIT SHRINKS FOR FIFTH MONTH

The gap between exports and imports fell for the fifth consecutive month in the year to October providing a stronger cushion for the local currency according to the official data. As at the end of the month, the gap stood at KShs.473.98 billion compared to KShs.483.22 billion in September and KShs.522.92 billion in October 2017. The gap also

referred to as the current account deficit hit a 12 month peak of KShs.524.77 billion last may before beginning a progressive decline to the latest published figure of KShs.473.98 billion according to data.

FOREX RESERVES JUMP KSHS.6.5 BILLION TO STEM SLIDE

Foreign exchange reserves increased by KShs.6.5 billion in the week ending January 17 to $8.047 billion reversing a generally declining trend registered in recent weeks. The import cover was 5.27 months still within the legal minimum of four months but lower than last year's peak of 6.36 months. The current Forex level is also above 4.5 months of cover a requirement under East African convergence of criteria. The cover provided a comfort zone for the Kenyan shilling with analysts saying it was one of the factors contributing to the strong run of the currency since the year began and in the near future.

FOREX INFLOWS PUSH SHILLING TO NEW HIGH

The shilling closed at a 3-month (25th January 2019) high against the dollar buoyed by increased foreign inflows and liquidity withdrawal as investors pumped cash into government securities. Lenders quoted the currency at an average of 100.9 units to the dollar in afternoon interbank trading on 25th January up 0.8% during the week the lowest average seen since mid-October 2018.

KENYA RANKED 3RD MOST ATTRACTIVE FOR SEED INVESTORS

Kenya was the third most preferred startup investment destination in Africa last year attracting a total of 73 deals after South Africa and Nigeria which saw 107 and 136 pacts signed respectively. Digital payments service provider Cellulant's deal with the Rise fund where the former sold a 44.04% stake worth KShs.4.8 billion to the subsidiary of US-based TPG growth company which was the largest in the country.

TOP 5 DEALS

COMPANY	VALUE (SH BN)
Webuys	9.49
Jumo	6.82
D.light	6.67
Zola	5.56
Cellulant	4.80

GLOBAL ECONOMIC OUTLOOK

OIL PRICES UP BY MORE THAN 1% ON CHINA-US TRADE TALKS

Oil prices rose by more than 1% on Friday shaking off earlier losses after China said it would hold talks with the US government on January 7-8 to look for solutions to a trade dispute between the world's two biggest economies. Brent crude futures LCOcl were at $56.60b per barrel at 0741 GMT, up 65 cents equivalent to 1.2% from their last close. US West Texas Intermediate (WTI) crude oil futures CLcl were at $47.61 per barrel up 52 cents equivalent to 1.15%.both benchmarks are on track for solid gains in the first week of 2019 trading despite rising concerns that the Sino-American trade war will lead to a global economic slowdown.

UGANDA GROWTH FORECAST TO RISE TO 7% IN 3-5 YEARS

The economic growth of Uganda is likely to accelerate to 7% over the next three to five years if public infrastructure investments including in the oil sector remain at a high level. The east African economy, a prospective crude oil exporter is seen expanding at 6% in the 2018/19 (July-June) fiscal year supported by robust activity in manufacturing services and construction sectors. Uganda is at various stage of implementation of a range of infrastructure projects to help improve transport, boost electricity generation and also get the country to commence crude oil production. Some of the major projects include two hydropower dams, an express highway, construction of a new international airport and expansion of an old one and construction of a $3.5 billion crude oil export pipeline.

RBI EXPECTED TO PAY INDIAN GOVERNMENT $5.8 BILLION

India's Central bank having changed management last month following a clash with the government is likely to transfer an interim dividend of 300-400 billion rupees ($4.32 -$5.8 billion) to the government by March according to three sources with direct knowledge of the matter. Former finance ministry official Shaktikanta Das was appointed as the new governor of the Reserve Bank of India (RBI) following resignation of Urjit Patel last month amid tensions over the dividend payout and other issues. The government and RBI have now appointed a panel to look into the issue around the sharing of the RBI's reserves.

ETIHAD OFFERS TO INVEST IN JET AIRWAYS AT 49% DISCOUNT

Etihad airways has offered to pick up shares of debt-laden Jet airways Ltd at a 49% discount and to immediately release $35 million to bail out the troubled carrier if certain conditions are met. Shares of Jet airways in which Etihad already has a

24% stake fell as much as 7.5% to 271.75 rupees ($3.82) in their biggest intraday drop since early December after CNBC-TV18 reported that Etihad had offered to pay 150 rupees for each share of the Indian airline.

BEIJING'S EXPORTS HIT 2-YEAR LOW

Chinese exports saw the steepest fall for two years in December according to the latest trade figures. Exports from China fell 4.4% last month compared with the year before while imports fell 7.6%. The figures indicate a further weakening in the strength of the worlds' second biggest economy and sent Asian stock markets lower on 14 January. Other data released showed the country's trade surplus with the US reached a record high in 2018 with the gap between the import and exports from US rising by 17.2% to $323.32 billion last year.

DOLLAR SET FOR FIRST RISE IN 5 WEEKS ON RATE GAP BETS

The dollar steadied on 18th January but was set for its first weekly rise in five weeks as doubts grew on the ability of other major global central bank to start raising interest rates this year. Money markets are assigning less than 50% probability of an ECB rate hike this year and 80% likelihood of a rate hike from the bank of England.

FED HOLDS RATES STEADY

The Federal Reserve held interest rates steady on Wednesday but said it would be patient in lifting borrowing costs further this year as it pointed to rising uncertainty about the U.S. economic outlook.

MARKET REACTION:

- STOCKS: The S&P 500 added to gains and was last up 1.65%. The Dow also rose more and was up 1.85%.

- BONDS: The 10-year U.S. Treasury note yield fell to 2.6936% and the 2-year yield fell to 2.5262%.
- FOREX: The dollar index slipped into negative territory and was off about 0.5%.

Ubiquity Consulting Ltd

902, Westside Towers
Lower Kabete Road
39324-00623
Nairobi, Kenya
Office Line: (+254) 782.222.113/4
Mobile: (+254) 736.012.865
Email: info@ubiquity.bz
Website:www.ubiquity.bz