



Tanzania: Financial Markets Half Year Report for the Period Ending 30th June 2020 (1H20)

1.0 Macroeconomic Overview

1.1 Gross Domestic Product

As of December 2019 Tanzania's GDP amounted to TZS 139.9Trln (\$60.8Bln). The country recently crossed the \$1,036 per capita threshold attaining the country a lower middle Income status as of 1st July 2020. The country's GDP has been consistently growing at 7% for the past five years led by construction, mining and social services sectors. The Ministry of Finance of Tanzania estimates an economic growth of 5.5% in 2020 from initial projections of 6.9%, due to anticipated effects of COVID-19.

The National Bureau of Statistics reported an economic growth of 5.7% for the first quarter of 2020. Growth was led by the mining sector which grew by 15.3% followed by health services and technical activities which grew by 10.2% and 8.9%. Construction took a back seat during Q1-20 after reporting a growth of 8%.

Although the mining sector's contribution to the economy is still minimal, the sector's share has grown to 5.1% during 2019 from 4.2% of the GDP in 2015 indicating a faster growth of the sector than the economy. This is the result of various mining sectors reformations undertaken during the last five years. The sector's growth has been spearheaded by the production of gold which grew by 43% year on year, supplemented by the global rising gold prices.

1.2 Inflation

The country has seen a stable Headline Inflation ranging between 3.7% and 3.2% during the first half of the year, well within the country's target of below 5% and East African Target of below 8%. Food and non-alcoholic beverage which holds the largest weight in the basket, recorded an inflation rate of 3.8% as of June 2020, down from 5.7% in January 2020 and 6.9% in December 2019, explaining the low inflation rate levels for the past six months.

Stable headline inflation is dependent to the stability of food supply domestically and regionally, as well as global oil prices that have been subdued since March to lowered global demand. Food insecurity is potentially possible in the region as the coronavirus keeps ravaging economic activities and regional governments' maintenance of lockdowns and curfews. The locusts' outbreak in most East African countries also amplifies the risks on the availability of food supply.

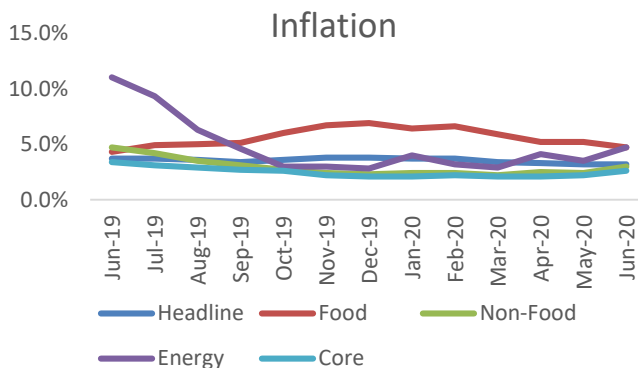


Figure 1: Annual Inflation

Source: Bank of Tanzania

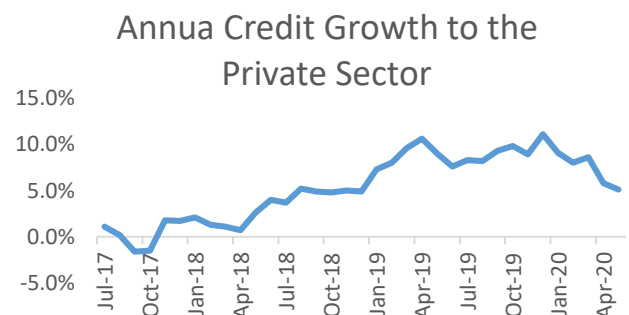


Figure 2: Credit Growth



1.3 Banking Sector Liquidity

The Bank of Tanzania maintained an accommodative monetary policy to soften the likely impact from COVID-19. As of May 2020, credit by the banking sector grew at 3.5% lower than 6.5% growth at the end of previous quarter. Similarly, credit growth to private sector slowed down to 5.1% in April 2020 down from a growth of 8.6% at the end of Q120. Personal loans and Trade took the largest share of the total loans extended by commercial banks. On private sector loans constructions, transportation and communication were the leading beneficiaries followed by SME's.

1.3.1 Interbank Cash Market (IBCM)

A Total of TZS 1,702.5Bln was transacted between January and June on the Interbank Cash market (IBCM), a 60% drop from TZS 4,308Bln transacted similar period in 2019. More than 60% of the transaction value was transacted in the first quarter of the year, with the second quarter experiencing a slowdown in activities especially the month of June. The Interbank rates averaged 4.33%, opening the year at 3.79% and closing at 5.25% as at 25th June 2020.

The slowdown in IBCM activities is likely a result of slowdown in economic activities hence a slowdown in loan uptake and settlement obligations. A slowdown in settlement obligations can be observed in the slowdown in overnight transactions and being overtaken by the 2 to 14 days maturities and increasingly sluggish of activities towards the end of June which saw numerous days passing through without the IBCM recording any transactions.

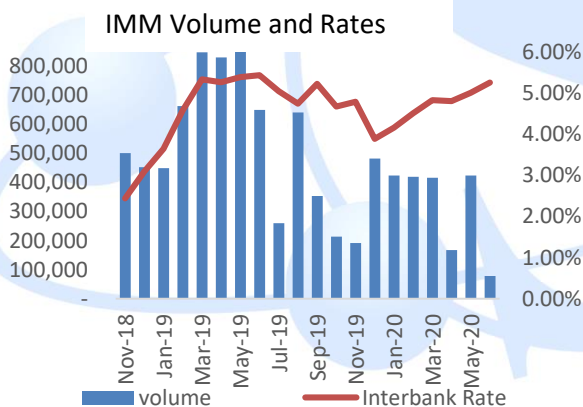


Figure 3: Interbank Money Market

Source: Bank of Tanzania

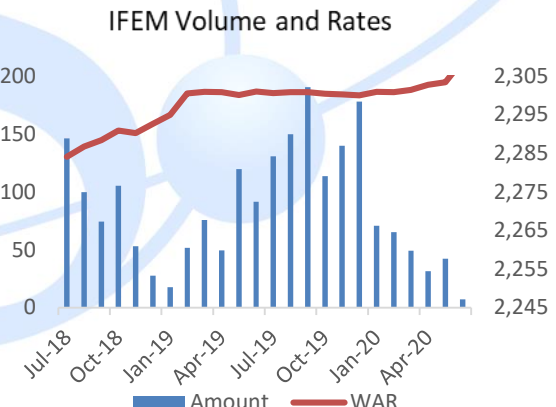


Figure 4: Interbank Foreign Exchange Market

1.3.2 Interbank Foreign Exchange Market (IFEM)

Despite the unexpected turn of events during the first half of the year, the shilling depreciated by mere 0.4% against the USD in the IFEM. The weighted average USD/TZS exchange rate opened the year at TZS 2,292.62 and closed the first Half (1H20) at the rate of TZS 2,308.96. The volume traded on the Foreign Exchange Market also shrunk compared to previous similar period in 2019. A total of \$308.5Mln was exchanged between banks, being 24% lower than \$404.49Mln of IH19.

The depreciation during 1H20 is higher than the whole year of 2019 which stood at 0.32% as a result of decreased tourism activities and slowdown in traditional exports due to COVID-19. Decreased tourism and traditional exports was intense enough to offset benefits gained by the global slide in the price of oil and



appreciated price of gold. The Ministry of Tourism projected an 80% slowdown in tourism revenues which stood at \$2.6bln in 2019. Major inflows are expected beginning October during cashew nuts auctions.

2.0 Capital Markets

2.1 Equity Markets

The Equity market for the first Half of 2020, saw its turnover improve by more than 70% to TZS 112.0.9 by the end of June, from TZS 63.19Bln of similar period in 2019. More than 80% of the equity turnover was generated from the first two months of the year, where the market experienced influx of transactions while the remaining months experienced a drought of transactions, mainly due to Foreigner's limited participation to the Bourse due to COVID-19. A total of 137.6million shares traded during the period under review, majority of them being CRDB shares.

Table 1: Equity Market Statistics

Description	1H19		1H20		
	TZS	\$	TZS	\$	▲ %
Total Turnover (TZS)	63,188,722,830	27,366,272	112,086,521,890	48,543,318	+77.38
Number of Shares Traded	46,385,397		137,623,937		+196.70
Total Market Capitalization (Bn.)	18,641.11	8.03	15,194.27	6.58	-18.49
Domestic Market Cap (Bn.)	9,081.88	3.93	9,157.19	3.97	+0.83
All Share Index (DSEI)	1,892.27		1,830.13		-62.14*p
Tanzania Share Index (TSI)	3,301.22		3,486.95		+185.73
Weighted Av. Local Buying %	13.31		11.30		-2.01*p
Weighted Av. Foreign Buying %	86.69		88.70		+2.01*p
Weighted Av. Local Selling %	20.06		14.24		-8.77*p
Weighted Av. Foreign Selling %	79.90		85.76		+8.76*p
Foreign Purchases	54,774,028,310	23,721,970	99,420,897,138	43,057,989	+81.51
Foreign sales	50,515,861,102	21,877,809	96,123,737,276	41,630,029	+90.28
Net foreign Inflow/(outflow)	4,258,167,209	1,844,161	3,297,159,862	1,427,960	-22.57
*P= Percentage/Index points					

Source: Dar es Salaam Stock Exchange

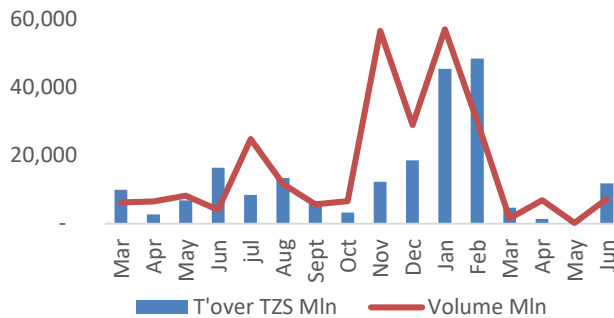
2.1.1 Market Capitalization and Indices

The total market capitalization dropped by 18.4%, while the Domestic market capitalization improved by 0.8%. Shrinking of the total market cap follows mainly the drop in prices of cross-listed counters. The Impact on the cross-listed counters can be traced back to the Peak of the COVID-19 globally, which impacted the prices of these counters in their primary listing country and subsequently on the DSE. Unexpectedly, the domestic market appeared to be unaffected by the chaos, most domestic counters remained intact in their prices with CRDB and TPCC pulling the Index up after price improvements. The Market capitalization at the end of the period was TZS 15.2Trn for the total market and TZS 9.2Trn for the domestic market. Similarly, following the trend in counter prices, the All Share Index(DSEI) and Tanzania Share Index (TSI) closed the half year at 1,830.13 points and 3,486.95points respectively.



Equity Market Activity trends

T'OVER & VOLUME



DSEI & TSI

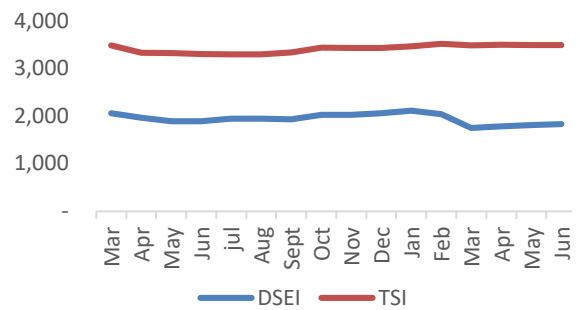


Figure 5: Turnover and volume statistics

Figure 6: Market Indices Statistics

Source: Dar es Salaam Stock Exchange

Table 2: Counter Activity

Counter	Opening Price	Closing Price	%Δ Y.T.D	Turnover TZS	Volume Traded	% of Turnover	Market Cap TZS Billion
Domestic Counters							
Top movers							
TBL	10,900	10,900	-	78,127,761,400	9,960,331	69.70	3,216.11
Gainers and Losers							
CRDB	95	145	+52.63	10,682,594,495	96,492,112	9.53	365.66
TPCC	2,000	2,200	+10.00	1,038,873,060	480,982	0.93	395.83
DSE	980	890	-9.18	2,370,701,270	2,597,282	2.12	21.20
NICO	175	165	-2.86	134,100,900	774,330	0.12	11.76
SWIS	1,600	1,300	-18.75	36,379,620	25,766	0.03	46.80
TICL	385	350	-9.09	2,492,000	7,120	0.00	25.58
DCB	295	295	-1.69	9,264,605	29,959	0.01	27.25
TOL	660	600	-9.09	9,357,000	15,595	0.01	35.51
SWALA	490	450	-8.16	49,500	2,397,590	0.00	52.04
Other Active Counters							
NMB	2,340	2,340	-	19,409,360,340	26,964,595	17.32	1,170.00
TCC	17,000	17,000	-	33,906,600	2,093	0.03	1,700.00
VODA	850	850	-	229,674,100	270,932	0.20	1,904.00
MKCB	780	780	-	1,755,000	2,250	0.00	16.08
TCCL	600	600	-	228,000	420	0.00	38.20
PAL	400	400	-	24,000	60	-	64.19
Cross Listed Counters							
EABL	4,480	3660	-18.30	-	-	-	2,894.23
JHL	7,900	5,400	-31.65	-	-	-	391.35
KA	50	60	+20.00	-	-	-	340.89
KCB	1,200	790	-34.17	-	-	-	2,346.57
NMG	890	330	-62.92	-	-	-	62.22
USL	5	5	-	-	-	-	1.82



2.1.2 Top Movers

TBL counter alone generated TZS 78.13Bln turnover, equivalent to 69.7% of the total equity turnover for the period, where over 90% of the transaction from TBL originated from the All or None (AON) board. On the other hand, over 60% of the shares traded on the bourse during the period belonged to CRDB counter.

2.1.3 Top Gainers and Losers

A total of 9 counters had price movements for the period. CRDB counter was the top mover, gaining more than 50% value in its share price to close the period at TZS 145 per share. On the other hand, Swissport(SWISS) was the top loser, dropping by 300 spreads to TZS 1,300 FROM tzs 1,600 at the beginning of the period

2.1.4 Cross-Listed Counters

Cross-listed counters like most emerging markets started the year showing good prospects with record high prices. However, things took a turn after the COVID-19 became persistent around the globe. All cross-listed counters, with an exception of USL, recorded significant price drops during mid-April, each counter had dropped by at least 30% during midterm. NMG has lost 60% up to the end of the period. However, towards the end of the period, some of the counters had started to slowly gain and recover some lost value. Kenya Airways (KA) was the only counter in this segment with positive price movement by the end of the period under review, this is because of the anticipation on the coming nationalization of the corporation.

The airline was suspended from trading on the NSE effectively on the 03rd July 2020 and subsequently from the DSE effectively on the 06th July 2020. This is to let the government develop a clear path for the nationalization of the airline and eventually delisting from both Exchanges. Initially the government proposed a premium buyout of KLM and minority shareholders while converting stakes held by banks into Treasury bonds. See “Table 2; Counter activity”

2.1.5 Investors Participation

Foreign investors remained most active and dominant throughout the first half. Foreign purchases increased by more than 80% while sales also increasing by more than 90%. Purchases amounted to TZS 99.4Bln(\$43.06Mln) equivalent to 88.7% of all market purchases, while locals accounted for 11.3% of the purchases. Similarly, on the sale side Foreigners accounted for about 85.76% equivalent to TZS 96.12Bln(\$41.63Mln). Net Foreign Portfolio Investment (FPI) through the stock market in Q12020 amounted to TZS 3.2Bln (\$1.43Mln).

2.2 Treasury Securities

2.2.1 Treasury Bonds

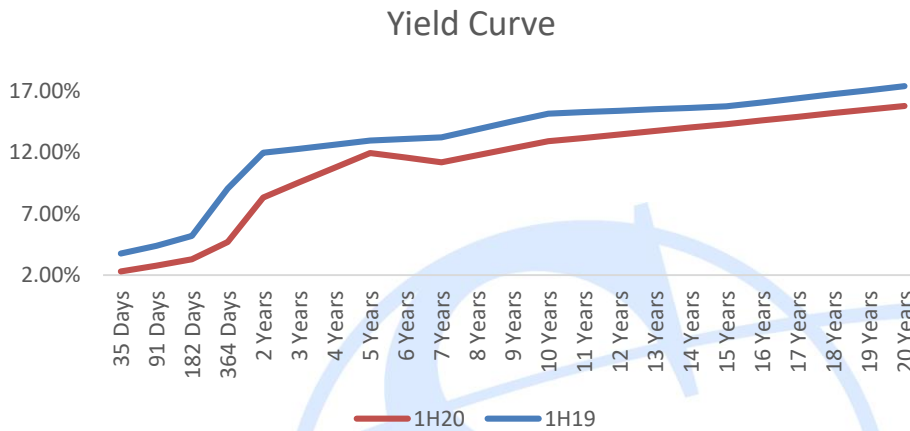
A total of 11 Treasury bonds auctions were conducted during the period under review. In total the government was able to attract tender size of TZS 2,677.80Bln, from a total offer of TZS1,244.98Bln. The government ended up taking TZS 1,443.49Bln slightly higher than what it had initially offered. Both offer amounts, tender size and successful amounts have improved compared to similar period 2019 where the government offered a total of TZS 901.90Bln, received TZS 918.55Bln tender size and took TZS 705.56Bln out of it.



2.2.2 Treasury Bills

A total of TZS 886.61Bln was successfully raised from Treasury bills auctions held during the 1H20. The amount is significantly lower than TZS 1,870.01Bln raised during 1H19. During the period the government had initially offered to raise TZS 1,286.40Bln and fetched subscriptions worth TZS 1,343.84Bln. Several Treasury bills auctions during the period, especially the last three months, have suffered undersubscriptions, with multiple cancellation of the auctions. However, during the first quarter the instrument had performed well and was able to compensate for the lagging part.

Figure 7: Yield curve



Due to increased risk in equities, investors are now flooding the fixed income securities market; especially the Treasury bonds, a situation that is pushing Treasury yields down (Figure 5). Treasury bills, mostly the 364days tenor is also sought after but for different reasons. The 364days tenor is mostly sought by financial institutions for liquidity management purposes. Most investors prefer longer-term tenors and have found a haven in the 20 years bond. The sentiment is in line with the government as it enrolls infrastructure projects which will take years to yield returns.

Table 3: Bond Market Activities

1H20				1H19		
Tenure	Offer	Tendered	Successful	Offer	Tendered	Successful
Treasury bills	1,286.40	1,343.84	886.61	1,974.80	3,192.58	1,870.01
2 years	274.28	698.33	304.28	128.8	151.77	126.44
5 years				158.3	103.86	89.94
7 years	61.7	175.47	120	88.69	47.91	22.67
10 years	122	204.7277	122	174.2	79.06	57.24
15 years	436	640.92	412.96	272.7	226.97	147.07
20 years	351	958.35	484.25	79.21	308.98	262.2
TOTAL Bonds	1,244.98	2,677.80	1,443.49	901.90	918.55	705.56
Grand Total	2,531.38	4,021.64	2,330.10	2,876.70	4,111.13	2,575.57

Secondary Bond Market

The secondary bond market recorded face value turnover of TZS 830.705Bln for the period.



APPENDIX

Interbank activities

1H20					1H19				
	Volume	AV. rate	Opening Rate	Closing Rate		Volume	AV. Rate	Opening Ra	Closing Rate
IMM	1702.5	4.21	3.79	5.25	IMM	4308.45	3.33	3.33	5.75
Mn TZS					Mn TZS				
IFEM	305.83	2,300.98	2,299.91	2,308.96	IFEM	404.49	2292.62	2292.62	2300.95
Mn USD					Mn USD				

Monthly Turnover and Volume

Month	Turnover	Volume
January	45.36	76.44
February	48.42	39.85
March	4.72	2.11
April	1.4	9.2
May	0.37	0.31
June	11.81	9.72
total	112.08	137.63



3. Domestic Counters Market Highlights

	Issued shares 'Million'	IPO price TZS	Cur. Price TZS	EPS TZS	Dividend Yield	P/E
CRDB	2,611.83	150	140	46.00	12.1%	3.04
DCB	67.83	275	290	-	0.0%	
DSE	23.82	500	890	153.00	8.37%	5.82
MBP*	23.10	500	490	9.92	3.5%	49.40
NICO*	37.80	300	165	9.00	3.5%	18.89
NMB	500.00	600	2,340	289.00	4.1%	8.10
PAL	160.47	475	400	(196.34)	0.0%	loss
SWIS	36.00	225	1,300	64.19	8.0%	20.25
TBL	294.93	550	10,900	509.20	4.6%	21.41
TCC	100.00	410	17,000	512.00	3.2%	33.20
TCCL	63.67	300	600	-	0.0%	loss
TICL	72.96	400	350	-	0.0%	
TOL*	57.56	500	600	-	2.8%	
TPCC	179.92	435	1,980	331.00	14.6%	5.98
TTP	18.66	330	120	(156.40)	2.9%	loss
VODA	2,240.00	850	850	20.43	0.0%	41.61
SWALA	99.90	500	0	-	0.0%	
MCB	61.82	500	0	-	0.0%	loss
MKCB	20.62	1000	2,020	-	202000.0%	
MUCOBA	8.20	250	490	51.00	0.0%	
YETU*	12.11	500	550	56.00	6.4%	

***some data might be from 2018**



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