



Tanzania: Financial Markets Quarterly Report for the Period Ending 31st March 2020 (Q12020)

1.0 Macroeconomic Overview

1.1 Gross Domestic Product

Latest published data for GDP shows that the Tanzania Economy recorded GDP growth of 6.8% in the third quarter of 2019, down from 7.2% and 7.1% of the second quarter 2019 and similar quarter in 2018. In absolute terms the GDP at 2019 prices was TZS 32,184Bln (\$13,993Mln) and at constant 2015 prices the GDP during third quarter 2019 was TZS 28,640Bln (\$12,452Mln).

Tertiary activities had a larger share to the GDP at 44.7%, followed by Secondary activities at 28.8% and Primary activities accounted for 26.5%. During that period (q32019) Information and Telecommunication spearheaded the GDP growth recording 11.7% growth, and construction which grew by 11.2%.

1.2 Inflation

The country has seen stable Headline Inflation, where for January and February 2020 headline inflation was at 3.7% and dropped to 3.4% during March 2020. Food and non-alcoholic beverages which holds the largest weight recorded inflation of 5.9% down from 6.9% during December 2019. Although annual inflation fell by 30bps, monthly inflation has sustained its annual highest of 1.1% similar to February 2020, maintaining seasonal high prices during February and March.

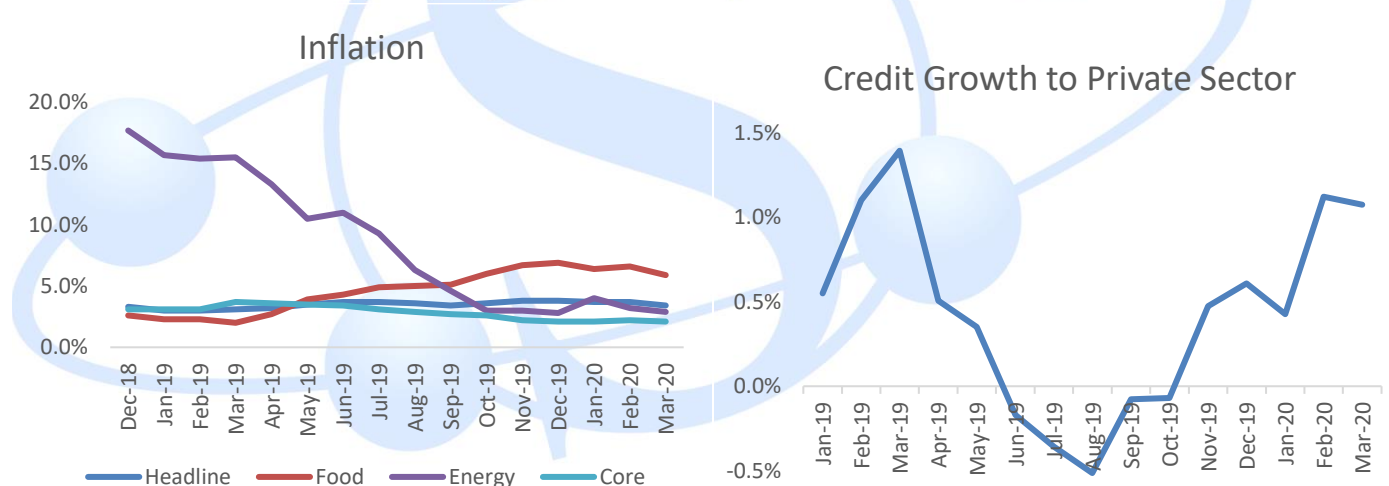


Figure 1: Annual Inflation

Source: Bank of Tanzania

Figure 2: Credit Growth

1.3 Banking Sector Liquidity

The Banking sector maintained strong liquidity, although amounts borrowed on the Interbank Money Market and inter-bank rates have all picked up in comparison to the previous quarter in 2019. Domestic Credit by Banks in January grew at 6.6%, higher than 6.2% in December 2019; credit growth to private sector grew at 9.1% in the year ended January 2020, higher than 7.3% of January 2019, albeit lower than 11.1% growth recorded in December 2019. Credit to building and construction grew the most by more than 60% for the year ending January 2020. This corresponds to the on-going infrastructure projects undertaken by the government. Agriculture follows suit, after growing by 30% following efforts by Tanzania Agriculture Development Bank (TADB) to raise credit to the sector.



1.3.1 Interbank Money Market (IMM)

TZS 1.3Trn transacted under the IMM market during the Q12020, a 38% improvement from TZS 913.1Bln which transacted during Q42019. Similar to the previous quarter, the interbank rates have stabilized within the range of 3% to 5%, during the quarter the median weighted average rate was 4.09%. At closing of the month the rates were at 4.82% up from 3.72% during the closing of previous quarter.

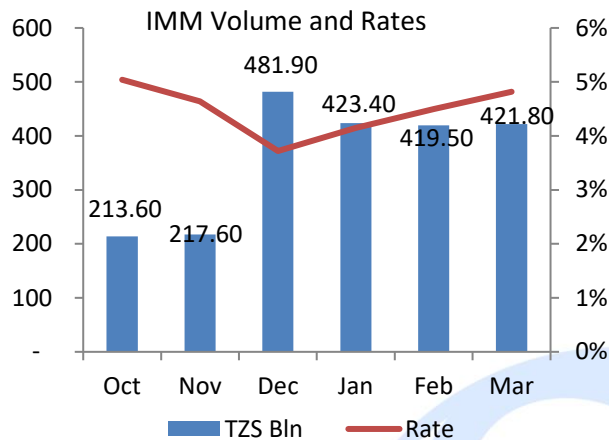


Figure 3: Interbank Money Market
Source: Bank of Tanzania

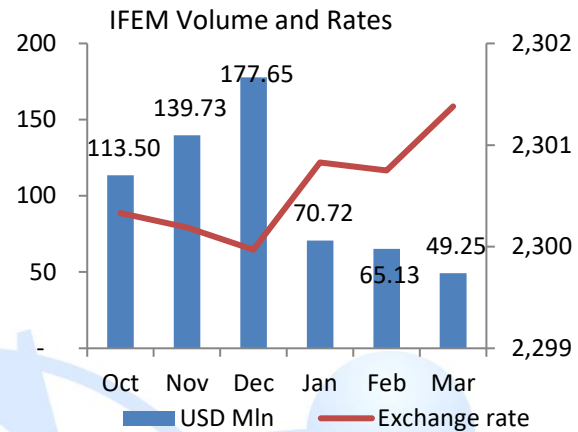


Figure 4: Interbank Foreign Exchange Market

1.3.2 Interbank Foreign Exchange Market (IFEM)

The Shilling has slightly weakened against the USD during the quarter by approximately 0.06%, where the opening Exchange rate at the beginning of the quarter was TZS 2,299.91, and lost 147 pips to close at the rate of TZS 2,301.38. The volume transacted on the Interbank Foreign Exchange market during the quarter halved that of previous quarter, at \$185.1Mln, down from \$430.88Mln of previous quarter.

The shilling has been on constant decline during the last three weeks following global uncertainties brought by the coronavirus. Countries shutdown and the fear rising from the virus has seriously affected tourism activities in the country. The association of tourism in Tanzania closed business for 45 days beginning the end of March. Also commodities exports have been affected after factories' shutdown in industrial regions following a slowdown in demand. These factors pose to slowdown inflows of foreign currency into the economy. On the bright side, the price of oil more than halved in the last month while oil constitutes more than 20% of Tanzania's imports. The drop in the price of oil seems not enough to offset the inflow shortage caused by the slowdown in tourism and exports.

2.0 Capital Markets

2.1 Equity Markets

The first quarter for 2020 (Q12020) that closed on 31st March 2020 recorded a total equity turnover of TZS 98.5Bln (\$42.8Mln), more than two (2) folds higher than previous quarter that ended December 2019 (Q42019) and comparative quarter last year (Q12019), which both recorded TZS 34.06Bln (\$14.8Mln) and TZS 37.3Bln(\$16.2Mln) respectively. More than 95% of the turnover was generated on the first two months of the year, while March only generated TZS 4.7Bln. During the month of March the market experienced extreme slowdown in activity. As the world battles through the Corona Virus most investors shy away from equity investments especially on young markets the likes of DSE, mostly investors just try to get out as fast as they can. The number of shares traded marginally declined by 3% to 118 million shares from 122million shares of previous quarter.



Table 1: Equity Market Statistics

Description	PREVIOUS QUARTER		CURRENT QUARTER		
	TZS	\$	TZS	\$	▲ %
Total Turnover (TZS)	34,062,514,620	14,809,789	98,502,703,230	42,827,262	+189.18
Number of Shares Traded	122,630,169		118,402,579		-3.45
Total Market Capitalization (Bn.)	17,096.44	7.43	14,509.91	6.31	-15.13
Domestic Market Cap (Bn.)	9,010.58	3.92	9,149.74	3.98	+1.54
All Share Index (DSEI)	2,059.21		1,747.70		-311.51pts
Tanzania Share Index (TSI)	3,431.10		3,484.11		+53.01pts
Weighted Av. Local Buying %	33.92		6.13		-27.79*p
Weighted Av. Foreign Buying %	66.08		93.87		+27.79*p
Weighted Av. Local Selling %	31.12		11.25		-19.87*p
Weighted Av. Foreign Selling %	68.88		88.75		+19.87*p
Foreign Purchases	22,507,322,515	9,785,792	92,463,179,052	40,201,382	+310.81
Foreign sales	23,462,580,280	10,201,122	87,422,456,450	38,009,764	+272.60
Net foreign Inflow/(outflow)	-955,257,765	-415,329	5,040,722,603	2,191,619	-

***P= Percentage points**
***Pts =Index Points**

Source: Dar es Salaam Stock Exchange

2.1.1 Market Capitalization and Indices

The total market capitalization shrunk by more than 15% with most impact coming from the cross-listed counters. The market closed with capitalization of TZS 14.5Trn down from TZS 17.1Trn at the start of the quarter. The domestic market however, did not bulge; in fact it saw a 1.5% increment in its capitalization to TZS 9.14Trn slightly up from TZS 9.0Trn at the start of the quarter. Mimicking their respective counters the All Share Index (DSEI) lost 311.5points while the Tanzania Share Index (TSI) gained 53 points, closing at 1,747.70points and 3,484.11 points respectively.

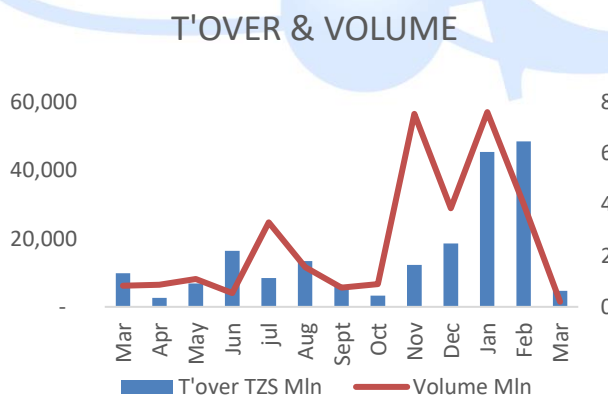


Figure 5: Turnover and volume statistics

Source: Dar es Salaam Stock Exchange

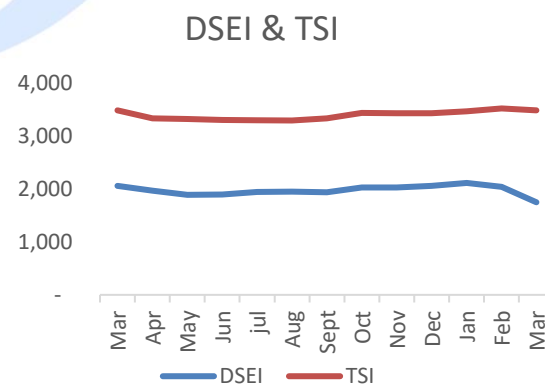


Figure 6: Market Indices Statistics



Table 2: Counter Activity

Counter	Opening Price	Closing Price	%Δ q.o.q	Turnover TZS	Volume Traded	% of Turnover	Market Cap TZS Billion
Domestic Counters							
Top movers							
TBL	10,900	10,900	-	70,384,852,000	5,322,880	71.45	3,216.11
Gainers and Losers							
CRDB	95	140	+47.37	8,858,330,945	83,060,502	8.99	365.66
TPCC	2,000	2,200	+10.00	864,497,860	398,632	0.88	395.83
DSE	980	890	-9.18	519,155,820	539,475	0.53	21.20
NICO	175	170	-2.86	108,990,800	625,670	0.22	11.76
SWIS	1,600	1,440	-10.00	23,755,200	16,149	0.02	51.84
TICL	385	350	-9.09	2,492,000	7,120	0.00	25.58
TOL	660	600	-9.09	3,336,000	5,560	0.00	35.51
Other Active Counters							
NMB	2,340	2,340	-	17,707,449,620	25,263,742	17.98	1,170.00
TCC	17,000	17,000	-	15,098,400	932	0.02	1,700.00
VODA	850	850	-	9,864,180	12,180	0.01	1,904.00
DCB	295	295	-	3,102,025	8,657	0.00	27.25
MKCB	780	780	-	1,755,000	2,250	0.00	16.09
SWALA	490	490	-	18,000	40	0.00	52.04
TCCL	600	600	-	12,000	20	0.00	38.20
Cross Listed Counters							
EABL	4,480	3,040	-32.14	-	-	-	2,403.95
JHL	7,900	5,450	-31.01	-	-	-	394.98
KA	45	30	-33.33	-	-	-	170.44
KCB	1,200	770	-35.83	-	-	-	2,287.16
NMG	900	540	-40.00	-	-	-	101.81
USL	5	5	-	-	-	-	1.82

2.1.2 Top Movers

Turnover from TBL accounted for 71.5% of total market turnover for the quarter. The counter generated TZS 70.4Bln worth of turnover out of the TZS 98.5Bln of the whole market. More than 90% of TBL turnover was realized through pre-arranged off-market transactions. On the other hand, CRDB accounted for 72.06% of the total number of shares traded in the quarter. Reliance on the off-market transactions for higher turnover is still at large scale, where on this quarter TZS 94.7Bln equivalent to over 90% of the quarter's turnover was generated through off-market transactions.

2.1.3 Top Gainers and Losers

A total of seven counters recorded price movement in the quarter. As shown on Table 1.5 (Quarterly Summary Tables). The top gainer was CRDB counter whose price appreciated by 47% to close at TZS 140 from opening of TZS 95. The top loser was SWISS which dropped about 10% down to close the quarter at TZS 1,440 from TZS 1,600.

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, with NMG counter



recording up to 40% decline, with others following closely behind. Each counter depreciated by at least 30%. See “Table 2; Counter activity”

2.1.5 Investors Participation

Foreign investors remained most active and dominant throughout the quarter. Foreign purchases increased by more than four (4) folds, with sales also increasing by more than three (3) folds. Purchases amounted to TZS 92.5Bln equivalent to 93.9% of all market purchases, while locals only accounted for 6.1% of the purchases. Similarly on the sale side Foreigners accounted for about 88.75% equivalent to TZS 87.4Bln. Net Foreign Portfolio Investment (FPI) through the stock market in Q12020 amounted to TZS 5.04Bln (\$2.2Mln).

2.2 Treasury Securities

2.2.1 Treasury Bonds

Through six (6) bond auctions, the government offered to raise a total of TZS 731.3Bln. The offers attracted total subscriptions worth TZS 1.8Trn making the auctions more than two (2) folds oversubscribed. Successful amount that the government took was TZS 757.8Bln slightly higher than the offered amount. The central bank has been maintaining consistency in the amount raised where we observe similar amounts were raised on the previous quarter. In Q42019 the government raised TZS 759.7Bln, out of the TZS 1.2Trn that was tendered, with the offer amount around same levels at TZS 732.2Bln. The longer term bonds have remained investor’s preference during the quarter the growth in their demand has pushed prices up and drove yields down.

2.2.2 Treasury Bills

A total of TZS 473.1Bln was successfully raised from the treasury bills auctions held during the quarter. The amount is significantly lower than TZS 617.4Bln raised during Q42019. The government had initially offered to raise TZS 643.2Bln and fetched subscriptions worth TZS 676.22Bln. Treasury bills auctions during the quarter have seen under subscriptions given the declining yields and the move towards the longer term instruments. Thanks to the auctions that were held in January and early February for covering the gap that was observed during the other half of the quarter.

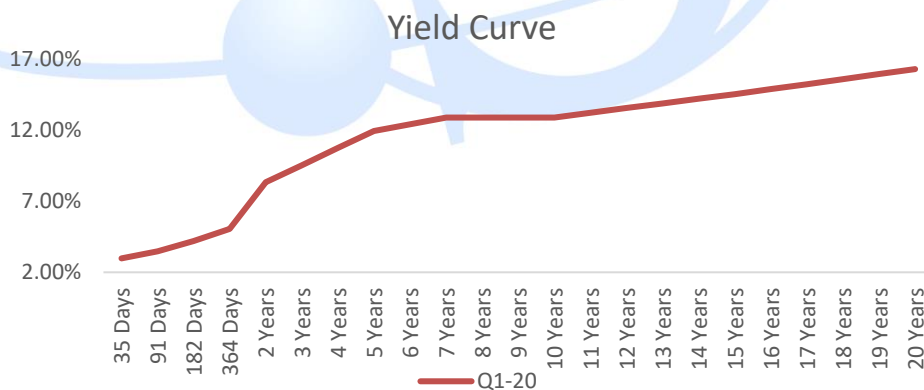


Figure 7: Yield curve

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

Q12020				Q42019			
TZS Bln				TZS Bln			
Tenure	Offer	Tendered	Successful	Tenure	Offer	Tendered	Successful
Treasury bills	643.2	676.22	473.13	Treasury bills	750.2	1,172.01	617.42
2 years	274.3	698.33	304.28	5years	83.5	167.44	83.50
10 years	122	204.73	122.00	7 years	61.7	50.90	50.75
15 years	218	418.59	218.00	10 years	244	228.26	224.17
20 years	117	450.88	113.55	15 years	109	189.59	109.00
				20 years	234	594.66	292.29
TOTAL	1,374.5	2,448.75	1,230.96	TOTAL	1,482.40	2,402.86	1,377.13

Secondary Bond Market

The secondary market recorded a total face value turnover of TZS 487.5Bln, up 48% from TZS327.6Bln of previous quarter. More than 50% of the turnover on current quarter was generated during March at TZS 285.6Bln.





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