

NEWS BUSINESS



COMMODITIES REVIEW

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Halcyon Days

Wikipedia has an article on: halcyon days and it reads thus,

From Latin Alcyone, daughter of Aeolus and wife of Ceyx. When her husband died in a shipwreck, Alcyone threw herself into the sea whereupon the gods transformed them both into halcyon birds (kingfishers). When Alcyone made her nest on the beach, waves threatened to destroy it. Aeolus restrained his winds and kept them calm during seven days in each year, so she could lay her eggs. These became known as the "halcyon days," when storms do not occur. Today, the term is used to denote a past period that is being remembered for being happy and/or successful.

The markets world-wide exited its "halcyon days" on Friday. Stephen King (author of horror, supernatural fiction, suspense, science fiction, and fantasy) tweeted, "How much did the Dow drop today? 666 points. Let me say it again: 666. Coincidence? I think not"

The Fear index VIX jumped by 30%, to the highest level since 2016. US Treasury yields reached fresh highs last week, with the 10-year yield surpassing 2.8% and the 30-year bond yield rising above 3% for the first time in eight months. The US 10-year Yield is the go-to pricing mechanism for all the Dollar borrowing world-wide. Borrowing rates are climbing in the United Kingdom and in Europe. Yardeni told Bloomberg that the bonds market have been rigged by Central Banks for nearly 10 years and that this was now reversing in the United States. Yardeni was referring to Quantitative Easing Programs (where Central Banks print currency and buy their own Country's bonds in order to suppress interest rates and stimulate their economies) which had injected lashings and lashings of liquidity into the markets. Like a great Golden Flood of Liquidity QE is believed to have inflated market valuations as far as Emerging, Frontier, Sovereign Sub-Saharan Africa and even crypto currency markets, which I will get to momentarily and which endured a Bloodbath on Friday.

Interestingly, JP Morgan's EMBI spread is down to 258 basis points, the tightest since mid-2014. How long this lasts is anybody's guess. Emerging and Frontier Markets Borrowers surely need to get their skates on and pull the trigger real quick on any borrowing they had been considering for this year.

Dr. Nouriel Roubini (who called the 2008 market crash) said Bitcoin is the "mother of all bubbles," and its bubble is now bursting, speaking in an interview on Bloomberg Television. He said "virtually every" group of 20 country is talking about cracking down on the phenomenon as policymaker worries grow. Bitcoin dropped as much as 16 per cent to \$7,643, before trading at \$9,150 as I write this. Bitcoin tumbled 21 per cent during the week. Other Crypto coins Ripple, Ether and Litecoin tumbled at least 28 per cent as the asset class got engulfed in an orgy of selling. Caveat Emptor Folks.

Edwin Lefevre whose Reminiscences of a Stock Operator remains a go-to book for many said "The Tape is Your Telescope"

Next week, I suspect, many Folks will be pulling out their telescopes and peering ever so closely at a whole series of tapes.

Aly-Khan is a financial analyst

FUNDING

Africa Re joins AFC to drive Africa development agenda

VICTOR AMADALA/ African Reinsurance Corporation which operates in 41 countries in Africa, including Kenya, has become the first multi-lateral financial institution to invest in Africa Finance Corporation.

Speaking about the signing ceremony to be held in Lagos, Nigeria, Africa Re managing director Cornelle Karekezi said that collaboration with AFC will provide innovative solutions to the development and financing of infrastructure.

"As a corporation with both private and public shareholders, we see many synergies with AFC in the pursuit of African continent development agenda as well as business growth. We are therefore delighted to become a part of one of Africa's best success stories," Karekezi said.

"Indeed, we have long admired AFC, and the transformative impact it has made across many of the geographies in which we operate, whilst delivering competitive returns," he added.

AFC president Andrew Alli said the financier, which has grown its country membership in Francophone, East and Southern Africa, with the accession in 2017 of Benin, Kenya and Zambia, is expected to ride on the new signing to expand its shareholder base. "We welcome African Reinsurance Corporation as a member and shareholder of AFC.

As the first multilateral financial institution to become a member of AFC, this is a key milestone for us, as the

corporation seeks to further diversify its shareholding," he said.

Established in 2007, AFC has grown to become the second highest investment grade rated multilateral financial institution in Africa with an A3/P2 (Stable outlook) rating from Moody's Investors Service.

It is one of the leading catalyst for private sector-led infrastructure investment across Africa with a current balance sheet size of about \$3.5 billion (Sh357 billion).

TAX HAVEN

Kenya tops illicit financial activities in Africa – report

This means that the country is a corridor for illegal financial activities such as tax evasion and money laundering, hurting its revenue collection targets.

VICTOR AMADALA
@ItsAmadala



Kenya is the leading tax haven in Africa, Financial Secrecy Index released over the weekend by the Tax Justice Network has revealed

The country registered a financial secrecy score of 80 per cent, sixth highest in the world after Vanuatu, Bahamas, Paraguay, Maldives and Bolivia which scored 88.6, 84.5, 84.3, 81.1 and 80.3 respectively.

This means that the country is a corridor for illicit financial activities like tax evasion and money laundering, hurting its revenue collection targets. Kenya missed its revenue collection target by Sh40 billion last financial year and the margin is expected to widen this current financial year.

Global Financial Integrity and Brookings estimates show that 0.7 per cent of total trade in Kenya is lost through illicit outflows. Although Switzerland and USA led the world in overall Financial Secrecy Index Value (FSIV), scoring 1590 and 1398 respectively, Kenya was the only African country that appeared among the top 30 of 112 jurisdictions reviewed in the index.

Kenya is ranked position 27 with FSIV of 337, followed by Liberia which scored 277 and ranked position 38 globally. Other African countries ranked in the report include Mauritius at position 49, South Africa 50, Tanzania at 75 while Ghana, Botswana and Gambia came in at position 95, 103 and 106 respectively

However, the index ranks Kenya below South Africa in share of the global market of offshore financial services. South Africa constitute 0.18 per cent of global share while Kenya commands a paltry 0.04. Mauritius and Liberia hold 0.02 per cent each.

US is leading the world in concentration of international financial centres at 22.3 per cent followed by UK and Germany at 17.37 and 5.13 per cent respectively



According to the Tax Justice Network, the index is a result of over a year of research by a dedicated team using information on the legal, administrative, regulatory, and tax structures of the jurisdictions surveyed.

Surveys were sent to the Ministries of Finance and the Financial Intelligence Units of all 112 reviewed jurisdictions which included targeted questions about the jurisdiction's tax and regulatory system. This ranking is likely to stem opposition against the proposed Nairobi International Financial Centre which anti illicit financial flows crusaders believe will turn Kenya into a tax haven like Panama, Luxembourg and Bahamas

Last year, Jared Maranga, policy-lead tax and investment at Tax Justice Network said that the NIFC law signed by President Uhuru Kenyatta in July last year brings about the issue of secrecy as several provisions relating to its establishment fall short of transparency and accountability.

"It will undermine the raising of revenues domestically, making Kenya

a financial secrecy jurisdiction and is subject to abuse given that neither the regulations nor the incentives have been indicated," said Maranga.

Even so, Treasury CS Henry Rotich defended the financial hub which is expected to be set up in Upper Hill, saying that it will attract more foreign investors.

Speaking during the launch of Africa Foresight report compiled by Brookings late last month, Rotich said the government will increase efficiency in curbing illicit financial flows in its plan to increase domestic revenue to 25 per cent of GDP

According to Africa Foresight report, Sub Sahara Africa loses at least \$50 billion (Sh5 trillion) every year to illicit financial flows, mis pricing and other forms of capital flight, with countries like Togo and Liberia losing 94.2 and 83 per cent of total trade to illicit outflows

Generally, 5.3 to 9.9 per cent of Sub Saharan Africa total trade is lost in illicit financial outflows Even so, the survey ranked Kenya as the least affected country in Africa.

Cash at a money exchange counter
/COURTESY

THIS RANKING IS LIKELY TO STEM OPPOSITION AGAINST THE PROPOSED NIFC