

Take Two

Kenya's Presidential Election To Be Re-run

Last week's news that Kenya's highest court had upheld the main opposition party's legal bid to get the result of August's poll nullified, due to 'illegalities' around the electronic transmission of paper results, is a first in Africa's political history and only the third time globally that such a challenge has succeeded in annulling a Presidential election.

"A declaration is hereby issued that the Presidential election held on 8th August 2017 was not conducted in accordance with the constitution and the applicable law rendering the declared results invalid, null and void", the Supreme Court's Chief Justice David Maraga was quoted as saying on Friday. The six judge bench ruled 4-2 in favour of the decision and also ordered the electoral commission to arrange fresh elections within the next two months.

The opposition candidate, Raila Odinga, who lost the original vote to the incumbent Uhuru Kenyatta, claimed that the online reporting system and databases belonging to the electoral commission had been tampered with. This allegation revolved primarily around two forms which are supposed to validate the ballot from each polling station. Both of these forms are meant to be signed off by each party's official representative at the respective stations before they are uploaded online to be checked further and made available for public scrutiny. But according to a NY Times article, only the results were sent to the main counting office (due to computer system issues), some of which were allegedly sent by text message. A few hours after polling closed and even though the bulk of the forms were still unavailable online, Kenyatta was preliminarily declared to be the victor. The controversy was compounded later by a statement issued by the electoral commission which said that thousands of the forms were actually still unaccounted for. This admission, combined with the fact that the man in charge of overseeing the electronic system in question had been murdered a few days before the election was held also helped trigger a jump in conspiracy theories.

Odinga has hailed the high court's decision as setting a new democratic precedent, but also raised concerns over the credibility of the electoral commission, "We have no faith at all in the commission, clear evidence shows that the commission was taken over by criminals who ran the elections using the technology system and resulted in a computer generated leadership for the people. You cannot force Kenyans to go to an election supervised by thieves. We will only go to the election after knowing the referee does not favour any side," Odinga warned. In response the commission has said it planned to suspend and prosecute any of its staff found to have violated its regulations or procedures. Meanwhile President Kenyatta initially stated that he would respect the ruling, but according to the Telegraph newspaper later appeared to launch a thinly veiled threat against the judges by allegedly claiming during an address to his supporters that, "Six people decided to go against the will of the people. This story of theirs is being paid by whites and other trash, first we say we agree and accept, but they know that we are also men. Let them wait for us after the election."

On the one hand this annulment boosts the credibility of Kenya's judicial system and if the next vote can be conducted peacefully and its subsequent result accepted, then the outlook for the country's political environment and its investment climate will be very positive. However with the opposition's clear mistrust of the IEBC, and aggressive comments already being made on both sides of the political divide as highlighted above, the risk of further and more widespread violence is increasing as is the potential for the outcome of the next poll to be disputed again by either of the main parties.

4th September 2017

Glenn Wepener
 Executive Director & Geopolitical
 Analyst
 Middle East & Africa

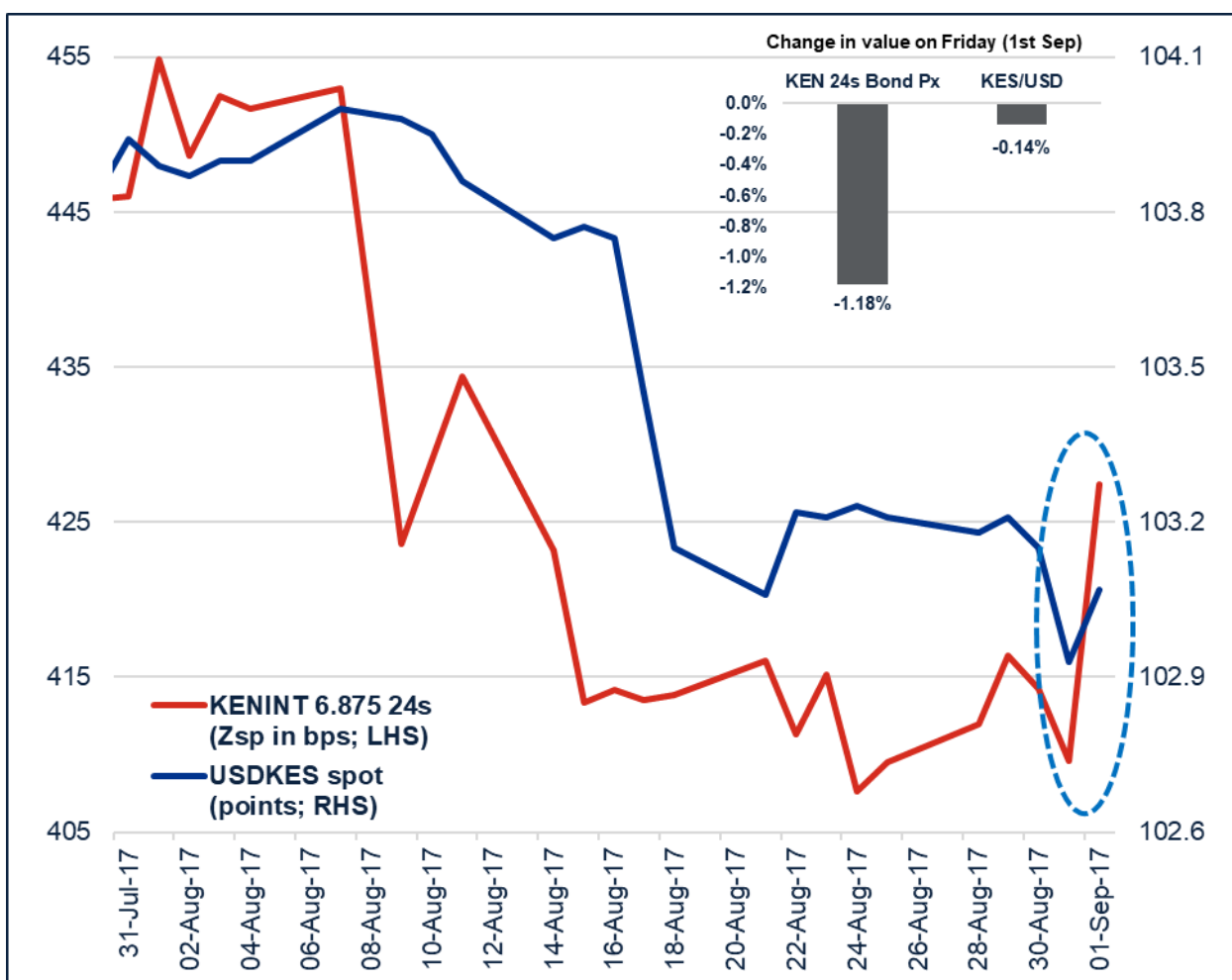
Please click [here](#) to view our recent publications on MENA and Global Markets

Drawn out political uncertainty could also have a knock-on effect on the economy, especially with future policy direction now delayed and offshore investors set to remain cautious for the time being. The markets have already begun reflecting these concerns, with Kenya's main stock index falling by more than 6% following the initial news on Friday, (forcing the exchange to temporarily suspend trading for 30 minutes), before ending the day down 4%. Spot USD/KES jumped from 102.70/80 to 103.30/50 with the interbank spread widening somewhat, before dipping back to close around 103.25 on suggestions that the Central Bank had been in the market checking rates, and the pair has opened around the same level this morning. The small USD/KES NDF market however remains bid with the curve shifting higher on Friday, while the yield on the country's Eurobond rose by 20bps.

In conclusion we expect pressure on Kenyan assets to continue in the near term at least until the presidential election has been re-run. However the recent rise in yields on Kenyan paper may also attract some offshore punters who, together with likely Central Bank smoothing action, provide the local currency with some support. The final election result and the way it is conducted will then give us better clarity on the longer term outlook for the country.

USD/KES	Ref Rate	1 month	2 month	3 month	6 month	9 month	12 month
Spot	103.30						
NDF (Outright)		104.25/104.75	104.90/105.40	105.60/106.10	107.70/108.20	109.50/110.50	111.70/112.70
T-Bill Yields		-	-	9.00/10.00%	10.25/10.75%	-	10.75/11.25%

*Indicative rates only as at 4th Sep 2017



Source: Bloomberg/FAB

Glenn Wepener
Executive Director & Geopolitical Analyst
Middle East & Africa
Market Insight & Strategy
FAB Global Markets
Tel: +971-2-6110141
Mobile: +971-50-6415937
Email: GlennMaurice.Wepener@nbad.com

Please click [here](#) to view our recent publications on MENA and Global Markets

Disclaimer:

To the fullest extent allowed by applicable laws and regulations, First Abu Dhabi Bank (the "Bank") and any other affiliate or subsidiary of the Bank, expressly disclaim all warranties and representations in respect of this communication. The content is confidential and is provided for your information purposes only on an "as is" and "as available" basis and no liability is accepted for or representation is made by the Bank in respect of the quality, completeness or accuracy of the information and the Bank has undertaken no independent verification in relation thereto nor is it under any duty to do so whether prepared in part or in full by the Bank or any third party. Furthermore, the Bank shall be under no obligation to provide you with any change or update in relation to said content. It is not intended for distribution to private investors or private clients and is not intended to be relied upon as advice; whether financial, legal, tax or otherwise. To the extent that you deem necessary to obtain such advice, you should consult with your independent advisors. Any content has been prepared by personnel of the Global Markets division at the Bank and does not reflect the views of the Bank as a whole or other personnel of the Bank.