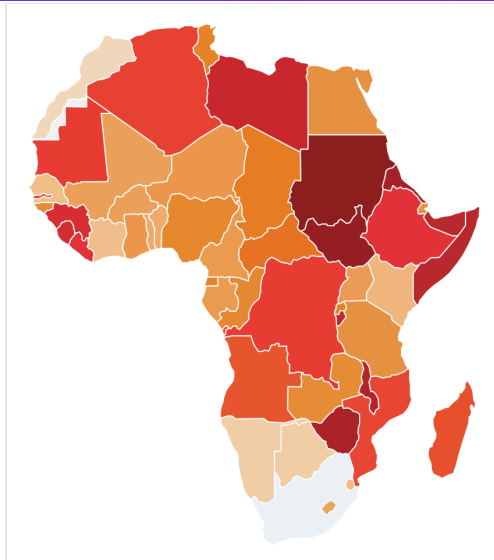


The Missing Market

Currency risk and the hedging gap across 54 African markets. Whether the exposure can be covered, at what cost, for how long, and where no cover exists at any price.

The call. African currency risk is not unpriceable. It is unhedged, and those are different problems with different trades. One market in 54 has a deep onshore derivatives market. Seventeen percent of PE managers hedge at all, and 94% of the abstainers blame cost. Meanwhile the naira lost two-thirds of its dollar value in thirty months and Airtel Africa alone booked \$1.26bn of FX losses in a year. The gap between exposure and cover is the product Africa's capital markets have not built, and our score maps exactly where it is missing.



The Hedging Gap map: insurability of currency exposure across all 54 markets. Higher = less cover available at any price.

-66%

of the naira's dollar value gone between January 2023 and July 2026, a Kilwa computation from CBN rates

17%

of African PE fund managers hedge currency risk with financial instruments (AVCA/TCX/MFX)

1 of 54

markets has a deep onshore derivatives market: South Africa, at \$82bn of daily turnover

\$2.84bn

hedged by TCX in 2025, a record year for the entire development-hedging industry

15 of 54

markets sit in our critical tier, where no meaningful cover exists at any price

Three findings that move capital

- 1 The cover does not exist where it is needed.** Five African currencies carry standardized offshore NDF terms. The other 49 markets offer expensive bespoke cover, development-scale capacity, or nothing. The markets with the worst depreciation records sit almost entirely in the last group, which is the gap's cruelest feature.
- 2 The price of cover is the crash, annualized.** Hedging costs track interest differentials, and interest differentials price the expected depreciation. Managers who call cover too expensive are really saying the market prices the risk accurately. The 94% who abstain on cost are running the exposure naked and collecting the premium until the year it collects them.
- 3 The structural fix is a local balance sheet, not a hedge.** TCX's record \$2.84bn year is two orders of magnitude below the need, and under 20% of European DFI portfolios are in local currency. The scalable answer is the ~\$500bn a year of African local-currency issuance: local liabilities against local revenues, with the hedging industry as the bridge, not the destination.

The model, in one table

Tier	Markets	What the tier means for capital
Critical	15 markets: Sudan 95, South Sudan 93, Eritrea 89, Zimbabwe 88, Malawi 86, Somalia, Burundi, Libya and the collapse belt	No meaningful cover at any price. Currency exposure here is an unhedgeable equity position, and should be sized as one
High	Algeria 69, Mozambique 68, Madagascar 65, Angola 64, CAR 55, Sao Tome 55	Cover exists on development balance sheets only. TCX capacity, not market depth, sets the ceiling
Elevated	22 markets including Nigeria 50, Egypt 47, Ghana 45, Tanzania 47, Zambia 48	The NDF five and the bespoke belt. Cover is real, expensive, and episodic. Ladder it, do not assume it
Moderate	11 markets: South Africa 11, Mauritius 18, Morocco 24, Namibia 28, Botswana 28, and the CFA anchor states	Working cover through onshore depth, pegs, or both. The exception that proves what the fix looks like

Kilwa HGS tiers: Critical at 70 and above, High 55 to 69, Elevated 40 to 54, Moderate below 40. A structured risk ranking, not a validated predictive model. Full methodology, all inputs with verified or estimate flags, re-weighting and 1,000-draw Monte Carlo tests in the flagship report's Appendix A.

CAPITAL RISK RESEARCH · FIVE FLAGSHIPS, ONE SCORED CONTINENT · JULY 2026

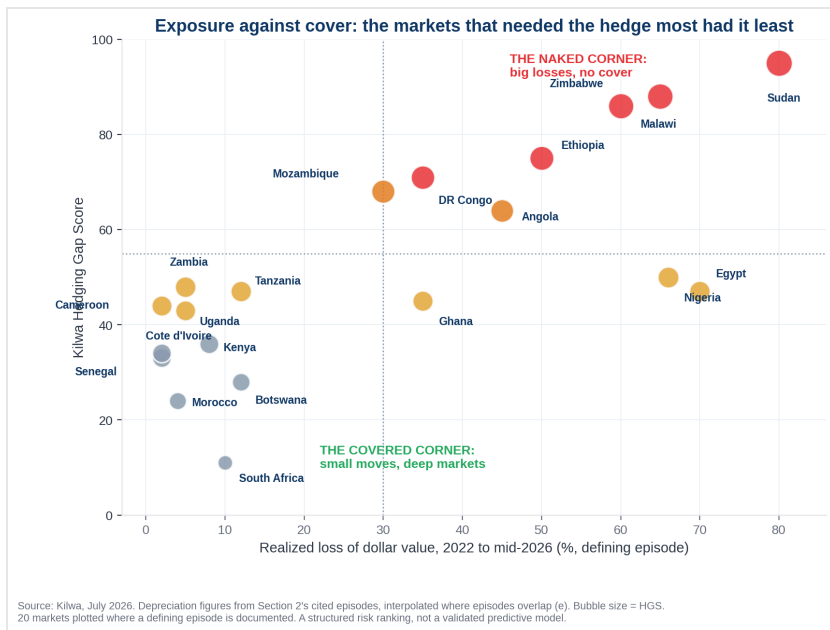
CURRENCY
The Missing Market

POLICY
The Price of Surprise

EXITS
The Long Hold

PIPELINE
Ready Money, Unready Deals

ALLOCATION
The Allocation Gate



Exposure against cover: the committee chart. The markets with the worst depreciation archives are the ones with no instruments to cover them.

The checks behind the score

93%

of tier assignments hold when every estimate-flagged input moves up to ten points across 1,000 Monte Carlo draws

100%

of markets stay within one tier in every one of those draws

53%

of draws return an identical top eight

0.97

highest pairwise factor correlation (F1 and F3), disclosed rather than hidden

Positioning in one line each

PE and growth funds	Underwrite at the parallel-rate crash case, hedge the five NDF currencies, and price the rest as equity risk
Credit funds	Local-currency sovereign carry pays the hedging gap's premium. Size to the exit window, not the yield
Corporates	Match local revenues to local debt first. The \$1.26bn Airtel lesson is a balance-sheet design failure, not bad luck
DFIs	Local-currency lending and TCX capacity are the same dollar spent twice as well. The 20% share is the scorecard

Why Kilwa is the desk for this risk. We scored all 54 markets on insurability, published every input with a verified-or-estimate flag, stress-tested the ranking under re-weighting and 1,000 Monte Carlo draws, and dated our claims for public grading in July 2027. No other desk maps African currency cover at instrument-level resolution.

The next step. The full 30-page flagship carries the instrument map, the five clubs, the DDEP anatomy, and the 54-market table. For the report, the data, or a committee briefing: research@kilwa.io · www.kilwa.io