

# Shilling registers fresh gains after months of pressure

## Money markets. I.

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The shilling has registered new gains in post-election trading, buoyed by renewed market confidence, steady inflows, and reduced political risks, marking a sharp turnaround from the pressures seen at the close of last year.

The local currency appreciated in yesterday's trading session, opening at Shs3,443.18 and strengthening further to close at Shs3,437.73.

Although the gain was marginal on

the day, it underscored a broader trend of sustained appreciation that has gathered pace since the elections, offering cautious relief to importers and signalling improved sentiment in the foreign exchange market.

The recent strength contrasts sharply with conditions late last year, when the shilling had weakened significantly, trading above the Shs3,700 mark.

That depreciation was driven by a combination of elevated dollar demand, global financial tightening, and heightened domestic uncertainty, including election-related risks that

prompted some investors and market participants to retreat into defensive positions. Importers scrambled for dollars, while exporters and investors held back supply, amplifying pressure on the local unit.

The post-election period, however, has ushered in a noticeable shift, with Alpha Capital managing partner Stephen Kaboya noting that the foreign exchange market experienced sustained dollar selling interest immediately after the polls, pushing the spot market to a sharp single-day strengthening of the unit early in the week. "Post-election

trading saw sustained dollar selling interest, which pushed the spot market to a sharp single-day strength of the shilling," he said, explaining that while the supply side improved markedly, demand dynamics remained measured.

Many corporate players, particularly import-dependent firms, were yet to actively return to the market despite the more attractive exchange rate levels, contributing to a more balanced demand-supply environment.

The calmer market conditions suggest that the shilling's earlier weakness above Shs3,700 was largely driven by

precautionary positioning, with election fears driving the elevation.

However, Mr Kaboya said: "Our reading of the market is that the real test of the shilling post elections has come to pass, as market forces take full control with minimal likelihood of adverse political events that could impact investments and economic activity."

Mr Kaboya noted that the outlook will support continued shilling strength in the near term, with the currency expected to trade within clearly defined support flows and resistance levels of between Shs3,480 and Shs3,500.