

The Uganda shilling edged higher last week, riding a wave of mid-month tax payments, commodity export proceeds and steady portfolio inflows, even as corporate demand for dollars stayed firm across key sectors such as energy, manufacturing and telecommunications.

The local unit briefly strengthened to highs of 3,525/3,535 before retreating slightly to close Thursday at 3,535/3,545. It was quoted at 3,535/3,545 in early Friday trade, with analysts at Absa expecting it to remain supported within the 3,450 to 3,610 range in the near term.

Liquidity flooded money markets during the week in review, prompting the Bank of Uganda (BOU) to step in. The central bank issued BOU bills and conducted a seven

# Shilling firms on tax inflows as BOU drains excess cash

day mop up repo on Thursday, draining about sh1.04t from circulation. Richard Nsubuga, a market analyst, said market conditions had been boosted by coupon payments and treasury bill maturities, leaving lenders flush with cash.

"However, this week, our forecast indicates receding appetite for forex, as tax driven flows will likely keep the shilling flat," Stephen Kaboyo, managing director at Alpha Capital, said.

In the debt market, the latest Treasury bill auction drew bids worth sh1.17t. Yields on the 91 day, 182 day and 364 day tenors fell sharply by 69 bps, 70 bps and 149 bps, clearing at 10.502%, 11.999% and

## BETWEEN THE LINES

Bank of Uganda plans to auction sh990b in Treasury bonds on February 18.

12.502% respectively. Despite the heavy demand, the central bank accepted only sh348b, about 98% of the amount on offer.

In the regional market, the Kenyan shilling traded quietly between 128.85 and 129.25 per US dollar amid subdued client and interbank flows. Analysts see the currency holding near that range in the short term as regional sentiment stays steady. Globally, the US dollar index

hovered around 97, moving sideways as investors awaited fresh inflation data that could influence policy at the Federal Reserve.

Economists expect headline inflation to ease to 2.5% from 2.7%, while core inflation is projected at 2.5%, down from 2.6%. Markets currently price in a steady policy rate in March, followed by two 25 bps cuts later in the year.

## COMMODITIES' MARKET

Gold rebounded to about \$4,960 per ounce after a more than 3% fall earlier in the week, as investors sold precious metals to raise cash during a broader market downturn.

Oil prices also slipped, with

WTI crude futures trading below \$63 per barrel after nearly a 3% drop. The International Energy Agency warned that global markets could face an oversupply of more than 3.7 million barrels per day in 2026, the largest surplus on record, while also cutting its demand outlook.

In the crypto space, Bitcoin ended the week ending February 13 little changed, trading around \$66,250, with a weekly gain of between 0.2 and 2.4%. Ethereum posted similar modest weekly gains, closing near \$1,940 with a market capitalisation of around \$234b. Despite brief stabilisation in the latter part of the week, both assets remained vulnerable