

# Interest rates on govt securities declining - report

## Economy.

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Annualised yields on government securities continued to decline in January 2026, with the Ministry of Finance indicating that interest on Treasury bills fell across all tenors during the month.

The 91-day bill dropped to 11.2 percent from 11.5 percent in December 2025, while the 182-day tenor declined to 12.7 percent from 13.7 percent. The 364-day bill eased to 14 percent from 14.9 percent.

Despite the decline, the Ministry of Finance noted, demand remained robust,

with all Treasury bill auctions oversubscribed, posting an average bid-to-cover ratio of 2.16.

A similar trend was observed in the Treasury bond market, with yields across multiple maturities declining.

The two-year bond fell to 15.1 percent from 15.75 percent, while the three-year bond eased to 15.9 percent from 16 percent.

The five-year bond declined to 15.5 percent from 16.25 percent. Longer tenors also registered drops, with the 10-year bond falling to 16.75 percent from 17.15 percent, the 15-year bond to 16.48 percent from 17.75 percent, and the 20-year bond

to 17.63 percent from 17.95 percent.

During January, government borrowed Shs3.3 trillion from three domestic auctions, of which Shs376.96b came from Treasury bills, while Shs2.954 trillion was raised through bonds.

From the total proceeds, Shs756.85b was allocated to refinancing maturing securities, while approximately Shs2.5 trillion financed other budgetary requirements.

The Ministry of Finance also indicated that money markets remained adequately liquid throughout the month.

Overnight and one-week rates averaged 10.11 percent and 10.50 percent, respectively.

Yields continued their downward trajectory, with the three-year, 10-year, and 20-year bonds cleared at 13.295 percent, 14.5 percent, and 15.49 percent, respectively, representing declines of 261, 225, and 214 basis points compared to the previous auction on January 7.

Bank of Uganda is scheduled to return to the primary market today with a Treasury bill issuance, where investor participation is expected to remain strong following the recent yield adjustments.

Meanwhile, the Central Bank Rate (CBR) remained unchanged at 9.75 percent in January 2026, marking the 16 consecutive month at this level. The rate is considered

appropriate to support economic activity while ensuring inflation stabilizes at the medium- to long-term target of 5 percent.

Commercial lending rates also showed modest improvement, with weighted average lending rate on shilling-denominated loans declining from 18.4 percent in November 2025 to 18 percent in December 2025. Foreign-currency lending rates fell from 8.3 percent to 7.3 percent over the same period.

With investor confidence strengthening and liquidity conditions remaining favorable, government securities continue to attract strong demand.

Analysts says the downward trend in yields suggests improving market stability and sustained appetite for Uganda's domestic debt instruments.