

Treasury Market Update

Central Bank Rate

Uganda	Kenya	Rwanda
7.0%	7.0%	4.5%

Tbills

Tenor	Uganda	Kenya	Tz	Rwanda
91 Day	7.011	7.096	3.3	6.325
182 Day	9.936	7.914	3.9	7.5
364 Day	11.719	9.366	6.01	8.5

Tbonds

Tenor	Uganda
2 Year	13.025
3 Year	14.233
5 Year	15.107
10 Year	15.929
15 Year	15.986
20 Year	16.455

Inflation

	Uganda	Kenya	Tz	Rwanda
Current	4.1%	5.9%	3.2%	1.7%
Previous	3.7%	5.78%	3.3%	2.2%

Currencies

USD	3615	3625
GBP	4710	5210
EUR	4240	4450
KES	33	34
TZS	1.5	1.6
JPY	250	260
CAD	2650	2910

Forex Market Watch

USD/UGX: The Ugandan shilling strengthened to near a three-year high against the dollar on weak importer demand as well as drawing support from inflows from offshore investors who want to participate in the Treasury auctions. The shilling dropped sharply from 3630/3640 levels to 3600 levels where an intervention from the Central Bank sent the shilling back up to 3,625/3,635.

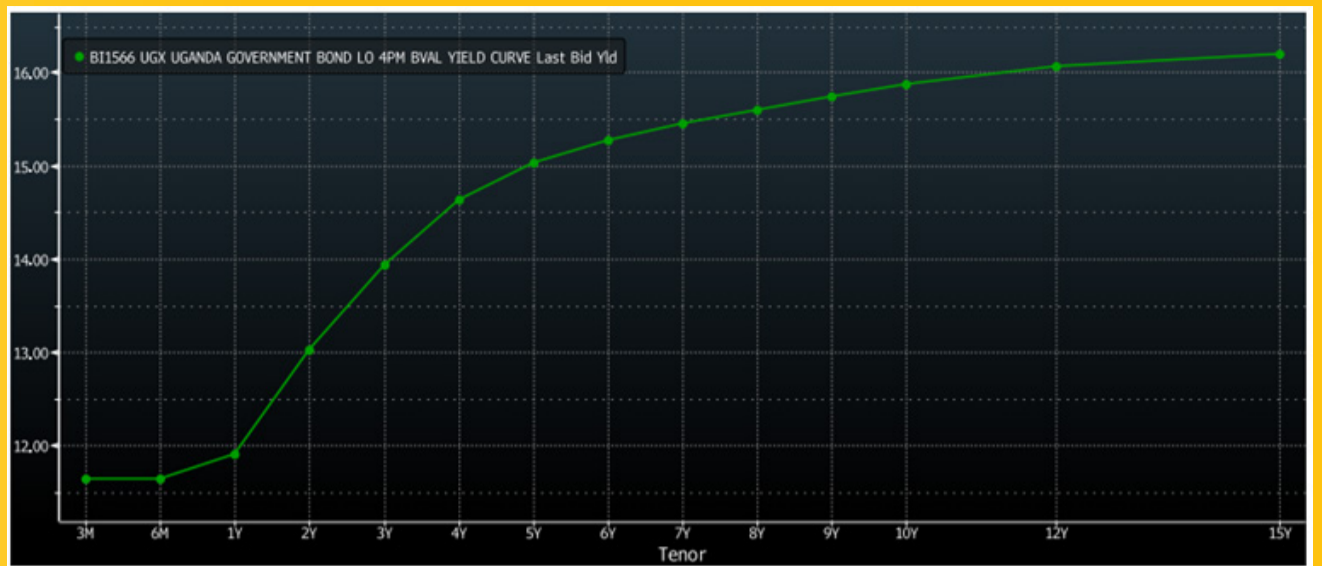
The Shilling is still expected to strengthen further due to low demand as the economy continues to slowly recover from the effects of the pandemic with unmatched demand. With no further restrictions related to COVID foreseen, and expected FDI financing ahead of oil production, this will likely limit FX depreciation risks.

UGANDA'S OIL is expected to drive the agenda going forward after the signing of the agreement between Uganda and Tanzania paving the way for the construction of a crude oil pipeline running from Ugandan oilfields to the Tanzanian port of Tanga. This will help accelerate the economy's gradual recovery from COVID. This is a historic milestone for the production work and export pipeline that will draw more than \$10 billion of investment.



Technical Analysis: The Shilling has been well supported at 3650 levels for quite sometime. The break of this major support level makes 3580 as a near term support if we continue to see more USD inflows with unmatched corporate demand. In the event of correction, USD gains will be capped at 3680 levels in the near term as the next support levels.

Treasury Bond Yield Curve



Bloomberg: Ugx. Uganda Government Bond Yield Curve

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At the Monetary Policy Committee (MPC) meeting held this week, BOU maintained the Central Bank Rate at 7%. And they noted that economic recovery is proceeding and stronger than projected. Some sectors which are still affected are mainly education, hospitality and tourism as well as imports and therefore a high degree of uncertainty still surrounds the economic outlook.

Inflation is still seen as favorable and within expected levels of 5 percent although it edged up slightly to 4.1 percent from 3.7 percent previously due to increased food and energy prices. Going forward inflation could rise temporarily due to the continued effects of the pandemic, a projected rise in some taxes combined with rising international oil prices which may push up input prices across all sectors of the economy.

The interest rates as expected to remain stable for now as we await to see any government funding needs especially around the newly signed oil agreement and the budget forecast for the next financial year 2021/22.

International Market Update

USD: The dollar has been on the back foot this month as Treasury yields stabilize below one-year highs reached in March. Yields have fallen as the U.S. Federal Reserve reiterates its commitment to holding rates near zero for years to come, and on some concerns that a recent uptick in inflation will be temporary.

Despite the above, the US Dollar is expected to grow, we saw retail sales increased to 9.8% in March 2021, beating economists' expectations for a 5.9% increase and this was welcome good news for the dollar. A separate report also showed first-time claims for unemployment benefits tumbled to the lowest level since March 2020, when mandatory closures of nonessential businesses were enforced to slow the spread of the first COVID-19 wave.

The US must be commended on a substantial fiscal stimulus and the good vaccination progress that has been adopted. Forecast for growth is estimated in the levels of 6.5% as the economy continues to pick up from effects of the pandemic.

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STERLING:

Sterling had a strong first quarter of the year, helped by relief that a no-deal Brexit was avoided at the end of 2020, the UK's pace of vaccine rollout and a lessening of negative rates expectations. The U.K has benefited greatly from the great performance on vaccine rollout ahead of other European countries.

Sterling has been among the best-performing G10 currencies this year, enjoying its best quarter since 2015 against the euro. The pace of Britain's vaccination drive has led analysts to bet on a quicker economic rebound from the country's worst contraction in 300 years.

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