Capital Market Soundness Indicators Report

January to June 2026

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Executive Summary

This Capital Market Soundness Indicators Report for the period January to June 2026 provides policy-makers, market intermediaries, issuers, investors, academia, partners and the public at large with a single, authoritative dashboard of the market's "vital signs". In the context of capital markets, soundness refers to the overall health, stability, and resilience of the market and its institutions, ensuring that they operate efficiently, fairly, and without posing undue risk to investors or the financial system. Drawing on supervisory filings, equity and fixed income market data and macro-financial statistics, the report reviews and focuses on the January to June 2026 developments to flag strengths and emerging risks.

The indicators are grouped into five thematic pillars; market development & structure, liquidity & efficiency, investor-base composition, fixed-income market health, and macroeconomic linkages. A concise narrative then interprets the trends, explains why the indicator matters for systemic resilience, and where necessary, spells out policy implications.

Key information sources include but are not limited to the Capital Markets Authority (CMA), Uganda Securities Exchange (USE), Bank of Uganda, Uganda Bureau of Statistics and the World Bank, ensuring data consistency across equity, bond and macro-economic series.

The report is informational and policy-oriented; it is not intended to provide investment advice. Its ultimate goal is to foster a well-regulated, capitalized, liquid and resilient market that can mobilize domestic savings, attract international capital and finance Uganda's long-term growth ambitions. Readers should consult their investment advisors for guidance.

CMA has no objection to the material contained herein being referenced, provided an acknowledgement of the same is made. Any comments and/or suggestions may be brought to the notice of the Authority through email: research@cmauganda.co.ug.

1. Market Development and Structure Indicators

1.1 Domestic Market Capitalization (Trend and % of GDP)

Table 1: Domestic Market Capitalization as a % of GDP (2022 to 2026)

Period	Domestic Market Capitalization (UGX bn)	% of GDP
June 2022	7,139.4	5.2
Dec 2022	7,174.3	5.2
June 2023	7,316.5	5.1
Dec 2023	11,215.1	7.8
June 2024	10,688.7	6.9
Dec 2024	12,660.8	8.3
June 2025	13,938.2	9.1
Dec 2025	15,924.20	9.7
June 2026	22,315.35	12.9

Sources: CMA Uganda, World Bank data, UBOS.

Domestic market capitalization represents the total value of locally listed equities and is a primary gauge of market size and development. Expressing market capitalization as a percentage of GDP indicates the stock market's relative size to the economy. A higher market cap/GDP ratio often signifies a more developed and integrated capital market. However, a high ratio can also occur in smaller economies if a few large listings dominate the exchange. Conversely, a low market cap/GDP suggests an underdeveloped market or one not yet reflective of the broader economy. Market capitalization to GDP can also be used to assess whether listed counters are over-valued and undervalued, with scores of 75% and below indicating that a market remains undervalued.

Domestic market capitalization continued to expand in the first half of 2026, reaching **UGX 22.3 trillion** by the end of June, equivalent to **12.9%** of GDP. The increase of 40.1% from December 2025 sustained the upward trajectory established in late 2023. The advance, however, remains concentrated with the three largest counters by market capitalization accounting for close to 90% of domestic market capitalization. The market capitalization to GDP ratio should therefore be interpreted with caution: while higher ratios are generally associated with stronger financial intermediation and more efficient price discovery, in Uganda's case the gains largely reflect price appreciation in a small number of dominant listings rather than broader market development.

While the higher market capitalization-to-GDP ratio points to stronger equity valuations and suggests that the domestic market remains undervalued, the increase in market capitalization was largely driven by a few large counters, limiting the extent to which it reflects broader market development. Liquidity therefore remains relatively thin despite the increase in market value. Nevertheless, stronger valuations and investor confidence provide a positive foundation for further market participation, particularly as efforts to broaden the issuer base and increase tradable float take effect.

1.2 Number of Listed Companies

Table 2: Number of Listed Companies (Domestic & Foreign) on the USE as at end of December of each year

	June 2022	June 2023	June 2024	June 2025	June 2026
Total listings	17	17	18	18	18
Domestic companies	10	11	11	11	11
Cross-listed companies	7	7	7	7	7

Sources: Uganda Securities Exchange

The number of listed companies remained unchanged in the first half of 2026, with no new listings during the period. This may indicate continued constraints around issuer readiness, listing costs, compliance requirements, and valuation expectations. Expanding the pool of listed domestic issuers would improve market diversity and provide investors with a broader range of investment opportunities. Potential listings of state-owned enterprises, alongside efforts to increase tradable float, could support this objective. Continued action by policymakers and regulators will be important to strengthen the pipeline of domestic listings.

The number of listed companies reflects market breadth and diversity. More listings generally indicate a deeper market with more opportunities for investors and capital-raising avenues for firms. It can also imply better sector representation of the economy. However, the composition of listings (domestic vs cross-listed foreign companies, and active vs dormant listings) matters for true market vibrancy. Cross-listings (companies listed primarily on other exchanges but secondary-listed on the local exchange) can boost the count and market capitalization but may not indicate local market depth if trading in those shares remains thin on the local exchange.

1.3 Domestic Market Capitalization of Local Listed Companies

Table 3: Domestic Listed Companies and Contribution to Total Domestic Market Capitalization (as at 30th June 2026).

Counter	Market Capitalization	% of Domestic Market Capitalization
AIRTEL	6,400	28.7
BATU	559.51	2.5
BOBU	840	3.8
CQCIL	562.39	2.5
DFCU	250.63	1.1
MTNU	9,564.60	42.9
NIC	11.68	0.1
NVL	11.02	0.0
SBU	3,992.72	17.9
UCL	5.85	0.0
UMEME	116.95	0.5
Total	**22,315.35**	**100**

Sources: Uganda Securities Exchange

Market capitalization by counter illustrates the distribution of economic weight on the exchange. This metric complements turnover data by showing how value is spread across issuers, indicating market concentration and the potential sensitivity of headline indices to the performance of a few key companies. High concentration increases index and systemic risk, whereas broader value distribution fosters resilience and enhances investment appeal.

By June 2026, domestic market capitalization remained heavily concentrated in three companies: MTN Uganda (UGX 9.6 trillion; 42.9%), Airtel Uganda (UGX 6.4 trillion; 28.7%), and Stanbic Uganda Holdings (UGX 4.0 trillion; 17.9%), which together accounted for 89.4% of the total domestic market capitalization. This concentration extends beyond index construction considerations and constitutes a soundness risk, adverse developments affecting a single company or sector can move market-wide indicators and weaken investor confidence, particularly during periods of stress.

Rather than easing, this concentration deepened during the first half of 2026, as the period's gains were driven principally by price appreciation in the largest counters, from December 2025. The remaining listings continue to contribute only modestly to total capitalization.

From a policy standpoint, the priority remains attracting new issuers to the market and increasing free-float among existing listings, which would strengthen the representativeness of the market capitalization to GDP ratio and reduce the market's vulnerability to company-specific shocks.

1.4 Sectoral Concentration of Listings

Table 4: Sectoral Composition of Market Capitalization and Number of Listings on local counters as at June 2026.

Sector	No. of Local Listings	Market Capitalization of Local Listings (Ugx Billion)	% Share of Domestic Market Capitalization
Banking	3	5,083.35	22.8
Insurance	1	11.68	0.05
Telecommunications	2	15,964.60	71.54
Utilities & Energy	1	116.95	0.52
Consumer & Industrials	1	559.51	2.51
Media & Publishing	1	11.02	0.05
Pharmaceutical	1	562.39	2.52
Manufacturing & Construction	1	5.85	0.03
Total	11	22,315.35	100

Sources: Uganda Securities Exchange

Sectoral concentration measures how the total market value (or number) of listings is distributed across industries. A well-diversified market has a spread of sectors, reducing vulnerability to sector-specific shocks. Conversely, if one sector dominates market capitalization or listings, the market's fortunes may be overly tied to that sector's performance. High concentration can also signal a lack of breadth, for instance, if mainly banks and a few large firms are listed, while other sectors (like agriculture, manufacturing, tech) are absent or under-represented. This indicator is important for assessing systemic risk and the representativeness of the stock market relative to the broader economy.

As at June 2026, domestic market capitalization stood at **UGX 22.3 trillion**, with Telecommunications accounting for **UGX 16.0 trillion** (71.5%) and Banking **UGX 5.1 trillion (22.8%)**. Together, the two sectors accounted for over 94% of domestic market capitalization, while the remaining value was spread across sectors such as pharmaceuticals, consumer goods and industrials. This high concentration means that overall market performance is largely influenced by a few counters in the telecommunications and banking sectors. Greater sector diversification through new listings, increased free float and broader issuer participation would strengthen the market and reduce its exposure to sector-specific shocks.

1.5 New Listings per Year

Table 5: Number of New Listings (IPOs or Cross-Listings)

Month/Year	Number of New Listings
June 2023	0
Dec 2023	1 - (Airtel Uganda IPO)
June 2024	0
Dec 2024	0
June 2025	0
Dec 2025	0
June 2026	0

Sources: Uganda Securities Exchange

The frequency of new listings is a barometer of market development and investor confidence. A steady pipeline of new listings indicates that companies trust the market as a venue to raise capital, and that investors are willing to provide funding. It contributes to market growth in both size and diversity. Conversely, an absence of new listings (or de-listings) suggests potential issues: lack of knowledge; listing requirements being onerous; unattractive valuations; or there may simply be a lack of companies of sufficient scale willing to go public. Tracking new listings per year helps assess how dynamic the market is and whether reforms are needed to spur more public offerings

The absence of new listings during the first half of 2026, following the Airtel Uganda IPO in November 2023, continued to limit the expansion and diversification of the listed market. Alongside the high market concentration noted above, this limits investment opportunities and constrains market development. Expanding the pipeline of prospective issuers, particularly through the listing of suitable state-owned enterprises and the development of REITs and other investment vehicles, could broaden the range of securities available to investors. Continued efforts to improve issuer awareness, address listing cost considerations and align valuation expectations, supported by predictable regulatory processes and targeted incentives, would help strengthen the listing pipeline and support greater liquidity and more efficient price discovery.

1.6 Corporate Bond Market Size (As % of Total Outstanding Bonds)

Table 6: Listed Corporate Bond Market Size vs Total Outstanding Bonds

	Dec 2023	Dec 2024	June 2025	Dec 2025	June 2026
Value of Listed Corporate Bonds (UGX bn)	87.9	0	0	0	0
Total Outstanding Government and Corporate Bonds (UGX bn)	33,055	47,603.5	52,617.68	60,175.98	63,999[1]
Corporate Bonds as % of Total Outstanding Government and Corporate Bonds	0.3%	0%	0%	0%	0%

Sources: MofPED

The corporate bond market size (and its share of total outstanding bonds) indicates the development of corporate debt capital markets beyond government bonds. A larger corporate bond market provides companies with an alternative to bank loans and equity issuance for raising capital, contributing to financial sector depth. Measuring it as a percentage of total bond market shows how much the total debt in the economy is used to finance the private sector. A very low percentage suggests that debt markets are dominated by government securities and that companies rely on other funding sources (banks or foreign markets). A more balanced ratio indicates a more diversified and mature capital market where private firms regularly issue debt securities.

The corporate bond market remained absent in the first half of 2026, with corporate bonds accounting for zero percent of total outstanding government and corporate bonds. Although the sovereign yield curve provides a useful pricing benchmark, the absence of corporate issuance limits access to market-based financing for businesses and restricts opportunities for institutional investors to diversify their portfolios across credit instruments.

The CMA and USE will continue to address corporate bond market inactivity by promoting issuance through, among other things, lobbying for fiscal incentives and investor outreach. These efforts would ensure balanced financing structures, enhanced market stability, and a strengthened overall capital market resilience.

[1] Figure is as at March 2026

2. Liquidity & Efficiency Metrics

2.1 Equity Turnover Ratio (Value Traded as % of Market Capitalization)

Table 7: Equity Turnover Ratio (Percentage)

Period	Equity Turnover Ratio (%)
Jan-June 2022	0.096
July-Dec 2022	0.082
Jan-June 2023	0.214
July-Dec 2023	0.125
Jan-June 2024	0.178
July-Dec 2024	0.163
Jan-June 2025	0.139
July-Dec 2025	0.365
Jan-June 2026	0.260

Sources: Uganda Securities Exchange

Turnover ratio measures market liquidity by comparing the traded value to the size of the market in terms of market capitalization. It is calculated as total value of shares traded divided by domestic market capitalization. A higher turnover ratio means that, on average, a larger portion of market value changes hands frequently, indicating a more liquid and efficient market (investors can buy/sell with ease). A very low turnover suggests illiquidity; stocks are rarely traded, which can impede price discovery and investor interest. Turnover is influenced by the number of active participants, free float of shares, transaction costs, and market confidence.

The equity turnover ratio declined to **0.260%** in the first half of 2026, from **0.365%** in the previous period. The decline was largely driven by the substantial increase in market capitalization, while total traded value remained broadly stable compared with the second half of 2025. Despite this, the low turnover ratio continues to point to limited trading activity relative to the size of the domestic equity market, highlighting persistent liquidity constraints.

From a soundness perspective, persistently low turnover does not necessarily indicate instability, but rather limited market liquidity, which can amplify price movements when shocks occur. To improve liquidity, the Authority is undertaking work towards introducing market making on the exchange. Together with efforts to increase free float, this is expected to improve trading conditions, enhance execution certainty and reduce excessive price movements.

2.2 Annualized Traded Value Ratio

Table 8: Annualized Traded Value Ratio (ATVR) twelve months to 30th June 2026

Domestic Counter	TTM turnover (UGX million)	Float Market Cap (UGX million)	ATVR%
AIRTEL U	855.9	696,944.5	0.12
BAT	5.9	55,951.0	0.01
BOBU	3,179.2	28,000	11.35
CQCIL	333.2	100,005.2	0.33
DFCU	2,216.6	103,504.3	2.1
MTN U	70,959.1	1,239,736	5.72
NIC	857.6	6,623	12.95
NVL	4.1	5140.1	0.08
SBU	25,257.7	798,543.2	3.16
UCL	181.0	5,850	3.09
UMEME	10,684.5	116,948	9.14

Source: USE, CMA Database

The Annualized Traded Value Ratio (ATVR) measures liquidity at the level of the individual counter by comparing the value traded in a stock to the value of the shares that are actually available to trade. It is calculated as a counter's traded value over the twelve months to the reporting date divided by its free float market capitalization. A higher ATVR means that a larger proportion of a counter's tradable shares changes hands over the year. A very low ATVR suggests that a counter is listed but effectively dormant, so that its market price reflects few transactions and offers limited guidance on value.

Stock-level turnover ratios show significant differences in trading activity across counters. NIC recorded the highest ATVR at 12.95%, despite accounting for less than 1% of domestic turnover, while MTN Uganda, which accounts for about 61% of domestic turnover, recorded an ATVR of 5.72%. This indicates that a high volume of transactions does not necessarily translate into a high turnover ratio, as the ratio also depends on the size of a counter's free float. Overall, the eleven domestic counters had a combined free float of approximately UGX 3.2 trillion, equivalent to only about 14% of domestic market capitalization, highlighting the limited proportion of listed shares available for trading.

2.3 Average Daily Equity Turnover

Table 9: Average Daily Equity Turnover (UGX Million)

Period	Average Daily Equity Turnover
Jan-June 2022	165.9
July-Dec 2022	135.7
Jan-June 2023	342.6
July-Dec 2023	169.3
Jan-June 2024	320
July-Dec 2024	307
Jan-June 2025	315.9
July-Dec 2025	451.1
Jan-June 2026	501.2

Sources: Uganda Securities Exchange

The average daily trading value provides insights into market depth, liquidity, and overall investor activity. High daily trading values typically reflect vibrant market conditions and strong investor engagement, essential for dynamic capital markets.

Average daily equity turnover rose to UGX 501.2 million in the first half of 2026 from UGX 451.1 million in the previous period, representing a 42.8% increase. This points to stronger day-to-day participation. Activity was concentrated in a few names, including, MTN Uganda, Stanbic Uganda Holdings, UMEME, and DFCU, which helped keep daily values broadly steady over the period. The pattern fits a market largely held by long-only domestic and institutional investors.

2.4 Equity Turnover Per Counter

Table 9: Equity Turnover Per Counter (UGX Million)

Counter	Turnover (July-Dec 2024)	Share % (July-Dec 2024)	Turnover (Jan-June 2025)	Share % (Jan-June 2025)	Turnover (July-Dec 2025)	Share % (July-Dec 2025)	Turnover (Jan-June 2026)	Share % (Jan-June 2026)
AIRTEL	129.7	0.3	325.5	0.8	459.1	0.8	396.8	0.7
BATU	0	0	0	0	1.3	0.01	4.6	0.01
BOBU	400	1	6,158.7	16	877.4	1.5	2,301.8	3.96
CQCIL	66.6	0.2	24.3	0.1	219.7	0.38	113.5	0.20
DFCU	284.4	0.7	62	0.2	1,973.8	3.4	242.8	0.42
MTNU	12,828	32.6	22,735.9	59	31,267.8	53.74	39,691.3	68.3
NIC	27.3	0.1	9.7	0.03	797.4	1.37	60.2	0.10
NVL	0.4	0.001	0.1	0.0003	3.2	0.01	0.9	0.00
SBU	10,131.6	25.8	4,983.8	12.9	15,430.6	26.52	9,827.1	16.9
UCL	73.7	0.2	83.2	0.2	124.7	0.2	56.3	0.10
UMEME	15,350.6	39.1	4,160.7	10.8	7,035.3	12.0	3,649.2	6.3
Total	**39,292.5**	**100**	**38,547.1**	**100**	**58,190.3**	**100**	**58,128.7**	**100**

Sources: Uganda Securities Exchange

Equity turnover by counter reveals where trading is concentrated and how liquidity is distributed across the exchange. It is a core gauge of market depth, price-discovery quality, and the investability of listed companies, especially for pensions, CIS managers, and foreign portfolio managers that require scale. Persistently high concentration of turnover in a few counters raises execution costs and can weaken price discovery in the wider market, while broader turnover distribution signals healthier market functioning.

Trading activity in the domestic equity market during the first half of 2026 remained concentrated among three dominant counters observed in the second half of 2025. **MTN Uganda**, **Stanbic Bank Uganda**, and **UMEME** continued to lead trading, contributing **68.3%, 16.9%,** and **6.3%,** respectively, for a combined share of 91.5% of total turnover, broadly consistent with the 92.2% recorded in July–December 2025. This confirms that market activity remains heavily concentrated in a few large counters within the telecom, banking, and energy sectors, with trading in the remaining eight counters collectively accounting for just 8.5% of total turnover.

3. Collective Investment Schemes (CIS)

3.1 Collective Investment Scheme Assets Under Management (CIS AUM) to Gross Domestic Product (GDP) Ratio

Table 10: CIS AUM as % of GDP

Month/Year	CIS AUM (UGX bn)	AUM/GDP (%)
June 2022	1,303.7	1
Dec 2022	1,628.6	1.2
June 2023	1,982.4	1.4
Dec 2023	2,357.5	1.6
June 2024	3,175.5	2.1
Dec 2024	3,845.5	2.5
June 2025	4,584.9	3
Dec 2025	5,664.3	3.5
June 2026	7,082.41	4.1

Sources: CMA Database, Uganda Bureau of Statistics

CIS AUM to GDP indicates the development of the CIS sector and how much household savings are channeled into capital market instruments via funds. A higher ratio means more people entrust money to professional fund managers, which in turn invest in equities, bonds, etc. This fosters capital market growth and financial inclusion. It also implies a more diversified investor base. Low AUM/GDP suggests that either people prefer bank deposits and other channels, or that the CIS sector is nascent.

CIS AUM rose to **UGX 7,082.41** billion by June 2026 (**4.1%** of GDP), up **54.5%** from June 2025 (**UGX 4,584.9** billion; 3% of GDP). The rise from 3% to 4.1% of GDP points to more savings flowing into professionally managed funds and a deeper domestic buy-side.

Portfolios remain heavily concentrated in fixed-income investments, reflecting attractive interest rates and local investors' preference for stable income. As of December 2025, CIS assets were mainly invested in government bonds (68.9%), fixed deposits (14.3%), and Treasury bills (12.4%), while just 0.03% was invested in Ugandan equities. While this supports the government securities market, it provides limited support to the equity market.

From a market stability perspective, the growing and more stable CIS sector, which now accounts for 4.1% of GDP, provides a reliable source of demand for government securities. This helps the government raise funds and supports trading in these securities. However, the very small share invested in equities means that CIS funds provide limited support to activity in the stock market. Over time, investments could become more diversified as the corporate bond market develops and trading in equities improves, while maintaining the strong risk and liquidity management that supports the sector's stability.

4. Fixed Income Market Health

4.1 Government Securities Yield Curve

Table 11: Quarterly Evolution of Yields on Treasury Bonds For the year 2026 (Percentage)

Maturity	2Q2025	3Q2025	4Q2025	1Q2026	2Q2026
2-Year	15.8	15.8	15.8	13.5	12.98
3-Year	16.5	15.6	16.0	13.3	13.34
5-Year	16.6	15.5	16.25	15.0	14.50
10-Year	17.5	17	17.2	14.5	15.57
15-Year	17.5	17.7	17.75	15.75	15.75
20-Year	18.1	17.7	17.95	15.49	16.30
25-Year	-	16	17.95	16.29	-

Source: CMA database

Relative to the second half of 2025, government bond yields declined markedly across the curve in the first quarter of 2026, before partially rebounding at the longer end in the second quarter. The 2-year yield fell from 15.8% in Q4 2025 to 12.98% in Q2 2026, while the 10-year yield declined from 17.2% to 15.57%. The initial decline points to stronger demand for government securities, while the subsequent increase at longer tenors reflects some repricing at the long end.

From a soundness perspective, the decline in short-term yields reduced rollover pressure, while movements at the long end warrant continued monitoring. A predictable issuance calendar and reopening of key benchmarks would help support liquidity and efficient price discovery.

4.2 Primary Auction Bid-Cover Ratios for Government Bonds

Table 12: Primary Auction Bid-to-cover Ratios

Tenor	Jul-Sep 2024	Oct-Dec 2024	Jan-Mar 2025	Apr-June 2025	Jul-Sep 2025	Oct-Dec 2025	Jan-June 2026
2-Year	1.471	1.23	2.992	2.992	6.162	2.098	2.809
3-Year	4.376	3.634	1.804	1.804	3.583	1.907	1.845
5-Year	1.119	1.497	2.197	2.197	35.22	1.998	2.688
10-Year	1.792	9.804	1.837	1.837	1.247	1.211	3.287

15-Year	3.55	1.311	1.525	1.525	2.023	1.627	11.743
20-Year	1.508	2.957	1.627	1.627	1.603	1.192	1.731
25-Year	-	-	-	-	14.888	2.018	3.253

Sources: Bank of Uganda

Primary bond auctions remained well supported in the first half of 2026, with bid-to-cover ratios remaining above 1 across most maturities, indicating continued demand for government securities. However, demand was more mixed compared with the second half of 2025, with coverage moderating at the 2-year and 3-year tenors, while the 20-year improved modestly.

The exceptionally high coverage recorded at the 15-year and 10-year tenors was largely driven by individual auctions with relatively low bid acceptance compared with tendered demand, rather than a sustained increase in investor appetite. Overall, demand remained adequate, although the variation across maturities points to a less uniform demand profile during the first half of 2026.

The bid-to-cover ratio is calculated by dividing the total bids received by the amount offered in an auction. It serves as a key indicator of demand: a ratio above 1 indicates the auction was covered, with higher ratios signaling strong demand. Consistently low or below 1 ratio suggest weak demand and may indicate potential funding stress or the need for yield adjustments. To gauge market health, one looks for stable coverage around or above 1, avoiding ratios that are too low or excessively high.

4.3 Secondary Market Turnover Ratio (Government Bonds)

Table 13: Half Year Annualized Secondary Market Government Bond Turnover Ratio (Percentage)

Period	Half Year Annualized Secondary Market Government Bond Turnover Ratio (%)
Jan-June 2022	225.3
July-Dec 2022	184.5
Jan-June 2023	177.4
July-Dec 2023	222.1
Jan-June 2024	235
July-Dec 2024	159.3
Jan-Jun 2025	162.3
July-Dec 2025	197.1
Jan–June 2026	200.2[2]

Sources: CMA Database

[2] Government bond outstanding is at March 2026

Secondary-market trading in government bonds remained strong in the first half of 2026. The half-year annualised turnover ratio stood at 200.2%, reflecting a slight moderation from 240% recorded in the second half of 2025. However, trading activity was substantially higher than the 174.3% recorded in the first half of 2025, indicating a significant improvement in secondary-market activity over the year.

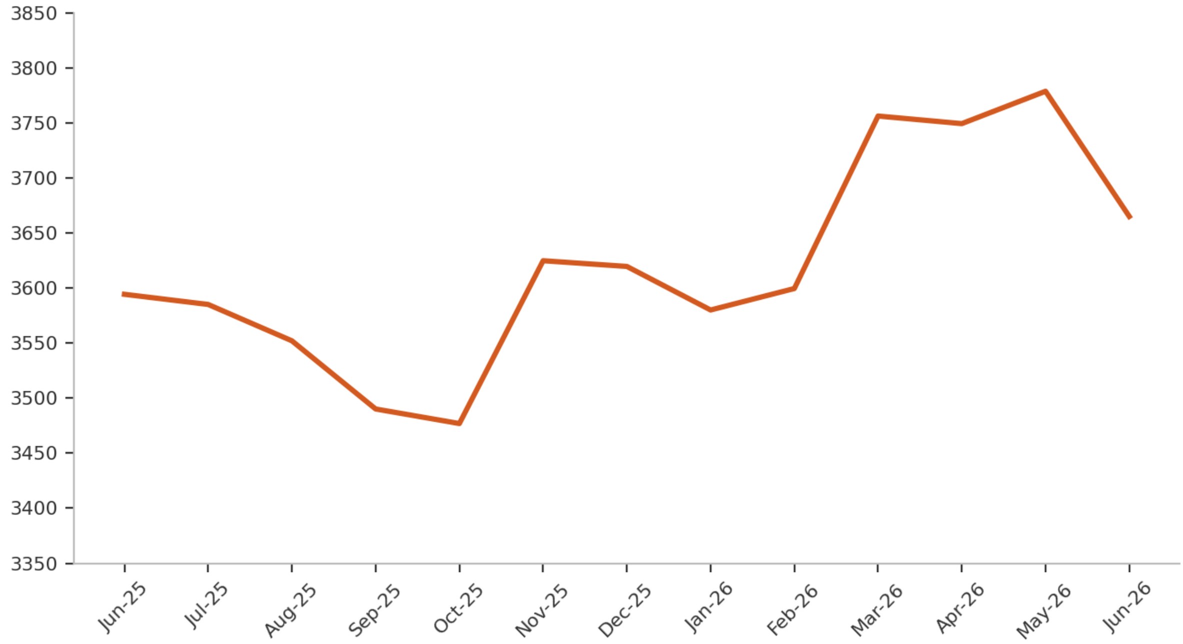
The increase in turnover in the first half of 2026 points to sustained liquidity and investor participation in the government bond market. Strong secondary-market activity supports more efficient trade execution, enhances price discovery and contributes to greater depth in the market.

The secondary market turnover ratio for government bonds measures how frequently bonds are traded in the secondary market relative to the outstanding stock of government securities. A high turnover ratio typically indicates robust market liquidity and active investor participation, contributing to efficient price discovery and reflecting investor confidence in market conditions. Conversely, a lower turnover ratio may suggest liquidity constraints, reduced investor activity, or cautious sentiment, potentially signaling underlying vulnerabilities in the market.

5. Macroeconomic Linkages

5.1 Foreign Exchange (FX) Impact on Foreign Holdings

Figure 1: Trends in USD/UGX Exchange Rate (June 2025 – June 2026)



Sources: Bank of Uganda

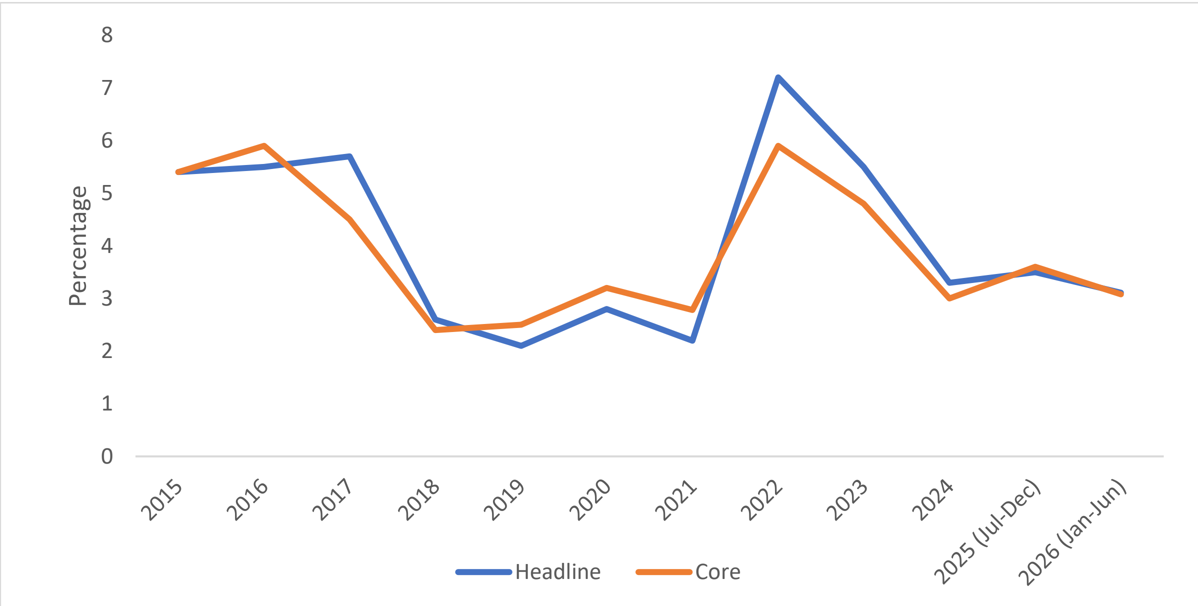
The Uganda Shilling depreciated against the US Dollar over the six months to June 2026, reversing the relative stability observed in the second half of 2025. The local currency averaged USD/UGX 3,685.70 during January–June 2026, compared with an average of USD/UGX 3,559.01 in July–December 2025, representing a depreciation of 3.6%.

The depreciation was most pronounced from March 2026 onwards, when the mid-rate crossed USD/UGX 3,750 for the first time in the review period, peaking at USD/UGX 3,773.83 in May before easing moderately to USD/UGX 3,665.10 by June. Market commentary attributes the pressure to elevated corporate dividend repatriation demand and heightened geopolitical tensions in the Middle East, with analysts projecting a near-term trading range of USD/UGX 3,650–3,820.

This indicator examines how exchange rate movements affect foreign investor holdings and returns in Uganda's capital markets. For foreign investors, currency depreciation can erode local asset returns; conversely, stable or appreciating currency enhances returns. Also, sudden FX moves can trigger capital outflows or inflows (if a currency looks over/undervalued relative to interest rates).

5.2 Inflation-Adjusted Bond Yields

Figure 2: Annual Average Headline and Core Inflation Rates 2015 – 2026 (Jan to June)



Sources: Bank of Uganda

Inflation remained relatively low during the first half of 2026, with headline and core inflation averaging 3.11% and 3.08%, respectively. These levels were broadly consistent with the second half of 2025 and lower than those recorded during the first half of 2025. Against this backdrop, nominal bond yields improved. High positive real yields supported savers and strengthened confidence in the shilling as a store of value, helping to sustain demand for local-currency government bonds and support stability in the yield curve. However, attractive risk-free returns may also divert investment away from the private sector, as banks and institutional investors favour government securities over riskier private-sector credit, increasing the cost of borrowing and making it more difficult for corporates to issue debt.

Inflation-adjusted (real) bond yields measure the true return to investors after accounting for inflation. They are a barometer of monetary policy stance (tight vs loose) and risk premium. High real yields can attract investment but also indicate expensive borrowing costs for the government.