



Capital Market Soundness Indicators Report

July to December 2025

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Executive Summary

This Capital Market Soundness Indicators Report for the period July to December 2025 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 July to December 2025 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 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 2025)

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

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 second half of 2025, reaching **UGX 15.9 trillion** by the end of December, equivalent to **9.7%** of GDP. This extends the upturn that began in late 2023 and points to a gradually deepening footprint of the equity market in the real economy. However, the advance is still concentrated in a handful of large counters; reading the market capitalization to GDP ratio alongside concentration indicators is therefore essential to avoid overstating market breadth. While higher ratios are generally associated with stronger intermediation and more efficient price discovery, they can also arise in markets where a few dominant listings drive headline gains.

From a soundness perspective, the increase in domestic market capitalization during the second half of 2025 is constructive. It signals firmer investor confidence and improved equity valuations against a backdrop of contained macroeconomic volatility. A rising market capitalization to GDP ratio also suggests deeper liquidity and greater market

depth, supporting overall financial stability and resilience. To this end, these dynamics should help reinforce investor trust and draw additional participation over time.

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

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

Sources: Uganda Securities Exchange

The number of listed companies stayed the same in the second half of 2025; there were no new listings. In a market already dominated by a few big companies, static listings count keeps sector coverage narrow. The lack of new listings doesn't necessarily mean companies are weak; it also likely points to hurdles such as listing readiness, perceived costs and compliance burdens, and gaps between issuer and investor valuation expectations. As the report notes, reviving the listings pipeline is key to widening the market's base and increasing the share of tradable float. Targeted actions by policymakers and regulators remain crucial to expanding listings, particularly those of domestic issuers.

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: Market Capitalization of Local Listed Companies and Contribution to Total Domestic Market Capitalization as at December 2025

Counter	Market Capitalization	% of Domestic Market Capitalization
AIRTEL	3,400	21.3
BATU	662.58	4.2
BOBU	705	4.4
CQCIL	423.62	2.6
DFCU	225.19	1.4
MTNU	7,052.55	44.3
NIC	10.62	0.1
NVL	11.48	0.1
SBU	3,087.70	19.4
UCL	4.5	0.03
UMEME	393.08	2.5
Total	15,924.20	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.

As of December 2025, domestic market capitalization is still heavily concentrated in three companies; MTN (UGX 7.0 trillion; 44.3%), Airtel (UGX 3.4 trillion; 21.3%), and Stanbic (UGX 3.0 trillion; 19.4%). Together, they account for about 85% of the domestic market capitalization. This is more than an index construction issue; it's a soundness risk. A shock to one company or one sector can move market-wide numbers and dent confidence, especially in periods of stress.

The second half of 2025 did not change this structure. A small group of large issuers still dominates, while smaller names add only modestly to the total capitalization. The policy takeaway is to attract more issuers to the market and increase free-float. That would improve the quality of the market capitalization ratio and reduce vulnerability to company-specific shocks.

1.4 Sectoral Concentration of Listings

Table 4: Sectoral Composition of Market Capitalization and Number of Listings as at December 2025

Sector	No. of Local Listings	Market Capitalization of Local Listings (Ugx Billion)	% Share of Domestic Market Capitalization	Total No. of Listed companies	Market Capitalization of local and Cross Listings (Ugx Billion)	% Share of Total Market Capitalization
Banking	3	4,017.9	25.2	5	16,232.2	46.6
Insurance	1	10.62	0.1	2	564.5	1.6
Telecommunications	2	10,452.6	65.6	2	10,452.6	29.4
Utilities & Energy	1	393.08	2.5	1	393.08	1.1
Consumer & Industrials	1	662.58	4.2	2	6,619.3	18.6
Media & Publishing	1	11.48	0.1	2	77.3	0.2
Pharmaceutical	1	423.62	2.7	1	423.62	1.2
Manufacturing & Construction	1	4.5	0.03	1	4.5	0.02
Investment Services				1	247.36	0.7
Aviation				1	559.4	1.6
Total	11	15,924.20	100	18	35,573.9	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 December 2025, domestic market capitalization stood at UGX 15.9 trillion, and remained highly concentrated in two sectors: Telecommunications at UGX 10.4 trillion (65.6%) and Banking at UGX 4.0 trillion (25.2%). The balance was distributed thinly across smaller sectors, principally Consumer and Industrials and Utilities and Energy. The telecom and banking pillars continue to anchor the exchange’s value profile, while the thin tails in insurance, pharmaceuticals, media and manufacturing add little to overall weight. This concentration profile implies that market-wide indicators in the second half of 2025 were largely driven by price action in a handful of counters within these two sectors, magnifying the transmission of sector-specific developments into headline market metrics. Sustained improvement in market soundness over the medium term will therefore depend on adding depth outside telecoms and banks, through new listings, free-float increases and more balanced sector representation, so that shocks in any single industry have a smaller proportional effect on the domestic equity base.

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

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 delistings) 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

There were no new listings in the second half of 2025. In combination with the concentration noted above, the lack of fresh supply constrains the investable universe and slows the accumulation of market depth. The report’s discussion of barriers, such as awareness, perceived cost-benefit trade-offs, and valuation concerns, remains pertinent. Addressing these through calibrated incentives, issuer education and

predictable regulatory timelines would help to rebuild a functioning listing pipeline and, over time, lift both liquidity and the quality of price discovery.

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

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

	Dec 2022	Dec 2023	Dec 2024	June 2025	Dec 2025
Value of Listed Corporate Bonds (UGX bn)	100.4	87.9	0	0	0
Total Outstanding Government and Corporate Bonds (UGX bn)	25,902.4	33,055	47,603.5	47,603.5	47,603.5
Corporate Bonds as % of Total Outstanding Government and Corporate Bonds	0.4%	0.3%	0%	0%	0%

Sources: Uganda Securities Exchange

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 private sector debt is being financed via markets versus government debt. A very low percentage suggests that capital 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 listed corporate bond segment stayed at zero as a share of total outstanding government and corporate bonds in 2024 and in the second half of 2025. The sovereign curve still offers a solid benchmark, but the lack of corporate bonds removes an important channel for non-bank financing and leaves institutional investors with limited options for credit diversification on the exchange.

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.

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	0.164

Sources: Uganda Securities Exchange

Turnover ratio measures market liquidity by comparing the trading value to the size of the market. It is calculated as total value of shares traded divided by total 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 increased in the second half of 2025, rising to **0.164%** from **0.139%** in the previous period. This suggests a modest improvement in trading activity relative to market size, indicating a higher market liquidity and increased investor participation during the period. However, the ratio remains low overall, reflecting the generally thin trading conditions of the domestic equity market.

From a soundness view, persistently low turnover does not signal instability; it highlights an illiquidity channel through which shocks can cause outsized price moves. Expanding free float and introducing market-making on the exchange would reduce this risk while preserving the stability seen in other indicators.

2.2 Average Daily Equity Turnover

Table 8: 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

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 451.1 million in the second half of 2025 from UGX 315.9 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.

2.3 Equity Turnover Per Counter

Table 9: Equity Turnover Per Counter (UGX Million)

Counter	Turnover (Jan-June 2024)	Share % (Jan-June 2024)	Turnover (July-Dec 2024)	Share % (July-Dec 2024)	Turnover (Jan-June 2025)	Share % (Jan-June 2025)	Turnover (July-Dec 2025)	Share % (July-Dec 2025)
AIRTEL	72.4	0.2	129.7	0.3	325.5	0.8	459.1	0.8
BATU	0	0	0	0	0	0	1.3	0.01
BOBU	839.2	2.2	400	1	6,158.7	16	877.4	1.5
CQCIL	27.8	0.1	66.6	0.2	24.3	0.1	219.7	0.38
DFCU	271	0.7	284.4	0.7	62	0.2	1,973.8	3.4
MTNU	4,243.1	11.2	12,828	32.6	22,735.9	59	31,267.8	53.74
NIC	7.9	0.02	27.3	0.1	9.7	0.03	797.4	1.37
NVL	0.9	0.002	0.4	0.001	0.1	0.0003	3.2	0.01

Counter	Turnover (Jan-June 2024)	Share % (Jan-June 2024)	Turnover (July-Dec 2024)	Share % (July-Dec 2024)	Turnover (Jan-June 2025)	Share % (Jan-June 2025)	Turnover (July-Dec 2025)	Share % (July-Dec 2025)
SBU	3,770.7	10	10,131.6	25.8	4,983.8	12.9	15,430.6	26.52
UCL	3.9	0.01	73.7	0.2	83.2	0.2	124.7	0.2
UMEME	28,519.3	75.5	15,350.6	39.1	4,160.7	10.8	7,035.3	12.0
Total	37,756.4	100	39,292.5	100	38,547.1	100	58,190.3	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.

Compared with the second half of 2024, trading activity in the domestic equity market during the second half of 2025 showed a notable increase across most counters. MTN Uganda, Stanbic Bank Uganda, and UMEME continued to dominate trading, contributing **53.7%**, **26.5%**, and **12%**, respectively, for a combined share of **92.2%** of total turnover, up from **82.8%** in the previous period. This indicates that market activity remains concentrated in a few large counters within the telecom, banking, and energy sectors, while trading in the remaining counters is much thinner, collectively accounting for **7.7%** 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

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 5.6 trillion** by December (3.5% of GDP), up 23.5% from June 2025 (UGX 4.5 trillion; 3% of GDP) and 47.3% year-on-year from December 2024 (UGX 3.8 trillion; 2.5% of GDP). The rise from 3% to 3.5% of GDP points to more savings flowing into professionally managed funds and a deeper domestic buy-side.

Portfolios remain tilted to fixed income, in line with the rate environment and local investors' income focus. As of December 2025, CIS allocations were concentrated in government bonds (68.9%), fixed deposits (14.3%), and Treasury bills (12.4%), with Ugandan equities at just 0.03%. This mix supports primary auctions and government bond liquidity but adds only a small direct bid to the equity market.

From a soundness view, a larger and steadier CIS base, now 3.5% of GDP, helps stabilize primary auctions and deepen liquidity at key points on the government securities curve. The very low equity allocation, however, limits direct support to equity turnover and price discovery. Over time, gradual mandate diversification, once corporate bonds re-emerge and equity liquidity broadens can rebalance exposures without weakening the liquidity and risk controls that underpin the sector's resilience.

4. Fixed Income Market Health

4.1 Government Securities Yield Curve

Table 11: Monthly Average Annualized Yields on Treasury Bills as of December 2025

Tenor	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
91-Day	10.4	10.7	11.3	9.5	12.1	12.0	11.6	11.5	11.2	11.7	11.5	11.5
182-Day	14.4	14.0	13.2	12.8	12.7	12.8	13.2	13.5	13.2	13.1	13.7	13.7
364-Day	15.3	15.0	14.8	15.1	15.4	15.6	15.3	15.3	15.3	15.0	14.9	14.9

Sources: Bank of Uganda

The government securities yield curve is a critical indicator used to assess expectations about future interest rates, inflation, and economic stability. It serves as a benchmark

for pricing various financial instruments in the capital markets, thereby influencing borrowing costs, investment decisions, and monetary policy signals.

Relative to the first half of 2025, treasury Bill yields remained generally stable in the second half of 2025, reflecting prevailing liquidity conditions and the accommodative monetary policy stance. The 91-day rate declined from 12.0% to 11.5%, indicating easing short-term financing costs. The 182-day rate showed some volatility but increased slightly to 13.7% by December, while the 364-day rate declined from 15.6% to 14.9%, suggesting improved inflation expectations and sustained investor confidence in government securities.

Table 112: Quarterly Evolution of Yields on Treasury Bonds For the year 2025 (Percentage)

Maturity	1Q2025	2Q2025	3Q2025	4Q2025
2-Year	16	15.8	15.8	15.8
3-Year	16.6	16.5	15.6	16.0
5-Year	16.7	16.6	15.5	16.25
10-Year	17.1	17.5	17	17.2
15-Year	17.3	17.5	17.7	17.75
20-Year	17.9	18.1	17.7	17.95
25-Year	-	-	16	17.95

Government bond yields remained stable in the second half of 2025, with slight movements across maturities reflecting evolving investor preferences and inflation expectations. The 2-year yield held steady at 15.8%, while the 3-year and 5-year yields declined in the third quarter before edging up to 16.0% and 16.25% in the fourth quarter, indicating a rebound in medium-term rates.

At the longer end, yields increased modestly, with the 10-year, 15-year, and 20-year bonds rising slightly by year-end, pointing to gradual upward pressure on long-term financing costs. The 25-year bond, introduced in the third quarter at 16.0%, rose to 17.95% in the fourth quarter, suggesting strengthening investor appetite for longer-dated securities.

Relative to the first half of 2025, the second half showed greater stability at the short end of the yield curve, alongside modest upward adjustments in long-term yields.

From a soundness perspective, rollover risk at the front has eased where it matters, price discovery remains reliable at benchmark tenors, and long-dated yields signal anchored inflation expectations rather than stress. Maintaining a predictable issuance calendar and reopening key benchmarks will help preserve liquidity at the main points on the curve and keep the structure clear and tradeable.

4.2 Primary Auction Bid-Cover Ratios for Government Bonds

Table 13: Primary Auction Bid-to-Cover Ratios

Tenor	Apr-Jun 2024	Jul-Sep 2024	Oct-Dec 2024	Jan-Mar 2025	Apr-June 2025	Jul-Sep 2024	Oct-Dec 2025
2-Year	1.533	1.471	1.23	2.992	2.992	6.162	2.098
3-Year	1.268	4.376	3.634	1.804	1.804	3.583	1.907
5-Year	1.869	1.119	1.497	2.197	2.197	35.22	1.998
10-Year	1.944	1.792	9.804	1.837	1.837	1.247	1.211
15-Year	1.971	3.55	1.311	1.525	1.525	2.023	1.627
20-Year	3.302	1.508	2.957	1.627	1.627	1.603	1.192
25-Year	-	-	-	-	-	14.888	2.018

Sources: Bank of Uganda

Primary bond auctions remained well supported in the second half of 2025, although demand became more differentiated across tenors compared to the broad stability observed in the first half of the year. In July to September 2025, bid-to-cover ratios rose markedly at selected maturities, reaching 6.162 (2-year), 3.583 (3-year), 35.22 (5-year), 1.247 (10-year), 2.023 (15-year), 1.603 (20-year), and 14.888 (25-year). In October to December 2025, coverage moderated and normalized across the curve, settling at 2.098 (2-year), 1.907 (3-year), 1.998 (5-year), 1.211 (10-year), 1.627 (15-year), 1.192 (20-year), and 2.018 (25-year). This pattern suggests a temporary surge in demand during the third quarter particularly at the 2-year, 5-year and newly issued 25-year tenors followed by a return to more sustainable and balanced subscription levels by year-end.

Relative to the first half of 2025, where coverage was steady and largely unchanged across Q1 and Q2, the second half showed pockets of strong investor interest, especially at the short and medium tenors. The 2-year ratio rose from a stable 2.992 in the first half to 6.162 in Q3 before easing to 2.098 in Q4, while the 5-year saw an exceptional spike from 2.197 to 35.22 in Q3, before normalizing to 1.998. The 3-year also strengthened from 1.804 in the first half to 3.583 in Q3, then moderated to 1.907 in Q4. In contrast, long-term tenors remained comparatively steady, with the 10-year easing from 1.837 in the first half to around 1.2 by the end of the year, while the 15-year and 20-year held within the 1.2–2.0 range. The 25-year bond, introduced later in the period, recorded strong initial sponsorship in Q3 before settling at 2.018 in Q4.

Overall, while the first half of 2025 was characterized by calm and consistent coverage across the curve, the second half reflected stronger but more uneven demand, with notable spikes at selected tenors followed by a return to more typical subscription levels. Coverage ratios remained above 1 across all maturities, indicating continued investor confidence and adequate demand for government securities. The moderation in Q4 points to a more sustainable demand profile, supporting stable funding conditions and maintaining a well-anchored yield curve.

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 14: 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	174.3
July-Dec 2025	240

Sources: CMA Database

Secondary market trading in government bonds showed a significant rebound in the latter half of 2025. The half-year annualized turnover ratio increased to **240%** for July-December 2025, up from **174.3%** in the first half of the year, a gain of **37.6%**. This recovery marks a return to the high levels of activity seen in early 2024 (235% in Jan-Jun 2024).

The pressures from late 2024 eased in the first half of 2025, allowing trading to pick up modestly to 174.3%. The subsequent surge to 240% in the second half signals a strong return of market activity.

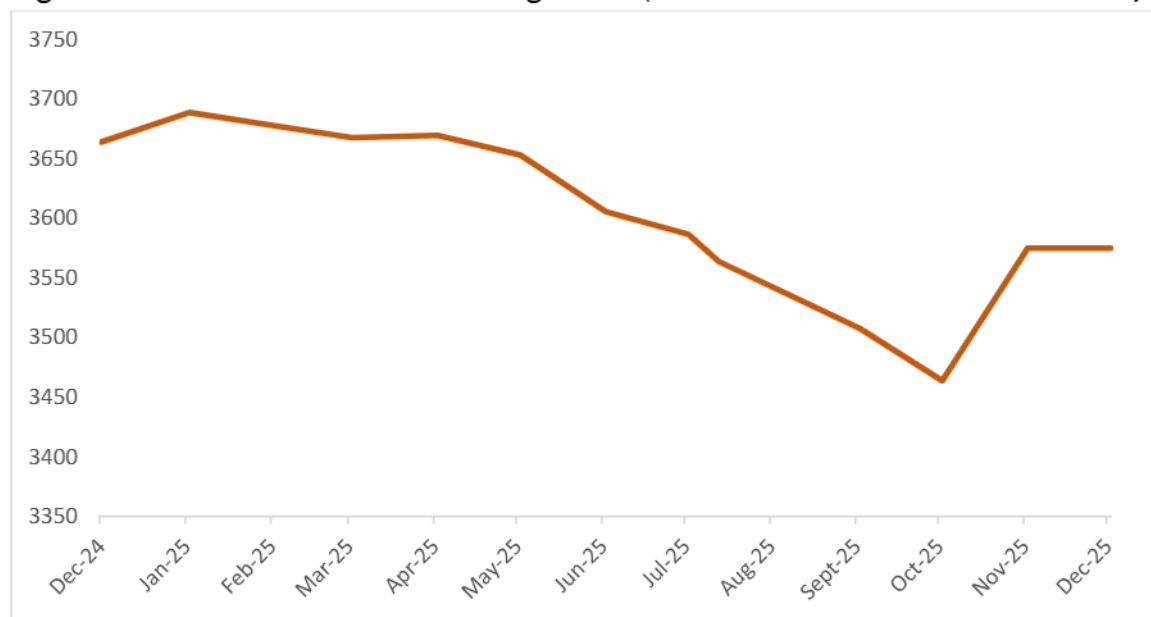
From a soundness perspective, the higher turnover ratio in the second half of 2025 is constructive. Improved secondary-market activity supports execution certainty, keeps effective spreads in check and strengthens price discovery along the yield curve.

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 (December 2024 – December 2025)



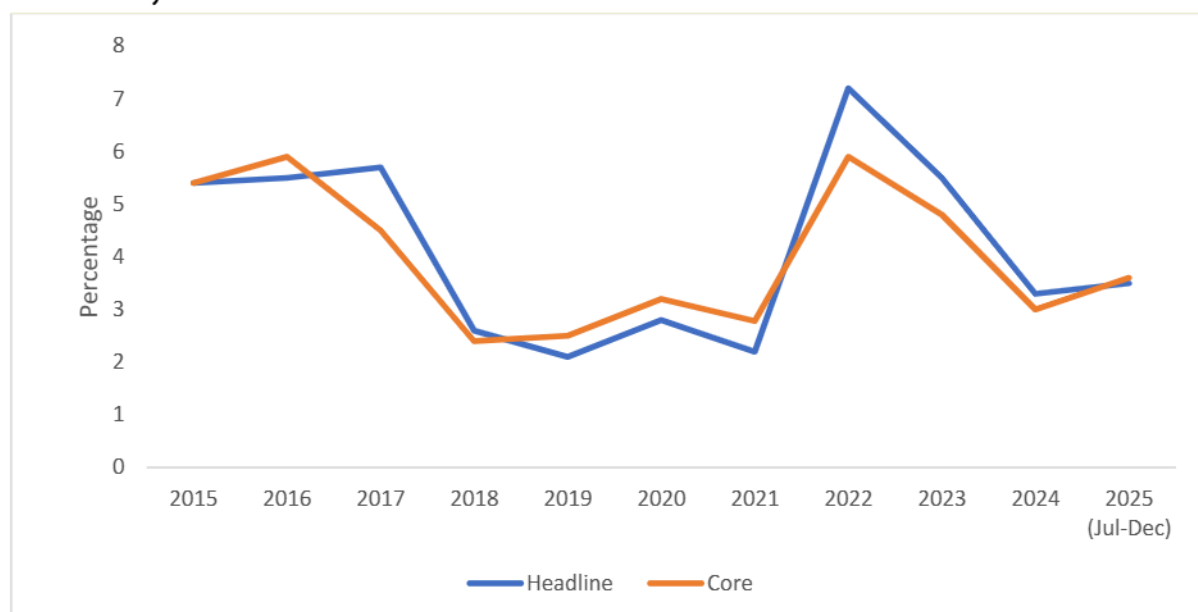
Sources: Bank of Uganda

The Uganda shilling appreciated against the US dollar during the period from June to December 2025, extending the strengthening trend observed earlier in the year. The local currency recorded an average exchange rate of USD/UGX 3,555.42 mid-rate during June to December 2025, improving from an average of USD/UGX 3,671.50 in the January–May 2025 period, an appreciation of 3.2%. The continued strengthening of the shilling is partly supported by offshore investor activity and sustained coffee and mineral export inflows, Foreign Direct Investment (FDI) as well as a boost in remittances from the Ugandan diaspora.

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 – 2025 (July to December)



Sources: Bank of Uganda

Inflation remained relatively low in the second half of 2025, with **headline inflation averaging 3.5%** and **core inflation at 3.6%**, slightly lower than the levels recorded in **January–June 2025** (3.6% & 4% respectively). Against this backdrop, nominal bond yields improved. For market soundness, high positive real yields cut both ways. They reward savers and support confidence in the shilling as a store of value, which helps anchor demand for local-currency bonds and stabilises the curve. At the same time, such attractive risk-free returns can crowd out private-sector borrowing, as banks and institutional investors prefer government paper over higher-risk credit, and corporates face a higher hurdle for issuing 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.