

MONEY
MARKETSDollar holders are
having their moment

Markets show surging dollar strength as uncertainty rises, tilting currency markets and shifting the advantage away from the shilling.

Markets. |

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If your dollars are idly sitting in your account, this might be the perfect time to cash out.

Across the market, energy retailers, reacting to instability in the Middle East, a key oil channel, have quietly repriced their products, building in small premiums to collect more shillings.

But they are leaning into uncertainty, which has created heightened demand for dollars.

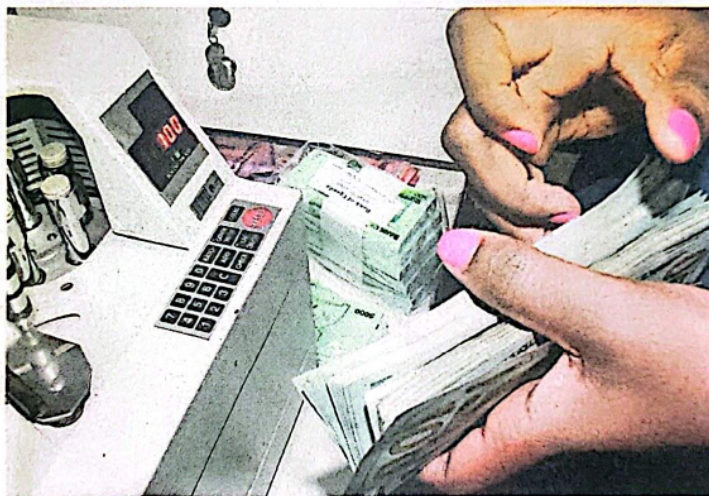
Manufacturers are stepping up the import of inputs, bringing forward orders as access is still predictable.

At the same time, dividend season is returning, with listed firms and investors accumulating dollars ahead of external payments.

Individually, none of these forces is overwhelming. Together, they tilt the balance.

By the close of last week, the shilling was quoted at around Shs3,775 to Shs3,785 per dollar, about 4% weaker since the start of the year.

But markets do not move in straight



lines. On Tuesday, the shilling found some footing, closing stronger at around Shs3,740 to Shs3,750 per dollar, firmer than opening levels of Shs3,765 to Shs3,775.

And by yesterday, the unit had firmed further, opening trading at Shs3,698.64, before posting a weaker closing position of Shs3,710, but stronger than earlier

trading in the week. "This was driven by dollar inflows from offshore investors, exporters, and local banks," says Richard Nsubuga, Absa's acting head of trading.

The shilling had been quietly firm in March 2025, averaging about Shs3,667.63 per dollar, slightly stronger than February's Shs3,677.46.

There was no urgency to hedge or

convert. Set against March 24, 2026, everything changes.

The move from the Shs3,660s to the Shs3,740-3,750 range may appear small. But currencies move in margins, and in those margins, advantage has changed hands. Confidence, once with the shilling, now sits with the dollar.

To see how this plays out daily, look at the spread, the gap between buying and selling prices. On paper, it is about Shs10. In practice, it is fluid.

Catherine Kijjagulwe, Absa head of markets, says the spread keeps the market moving. It gives dealers a margin to quote both buy and sell prices, covering short-term risk.

When spreads are tight, opportunities are limited. As spreads widen, costs rise, and activity slows.

Those most exposed feel it quickly. Importers like Uganda National Oil Company, manufacturers, and telecoms buy dollars in size; even small shifts add up. Offshore investors face higher entry and exit costs.

Bank of Uganda sets a standard quoting spread near Shs10, but quoting is not dealing. Board rates can be wider, negotiated trades tighter. The spread breathes

with the market, ensuring both demand and supply. Without it, dealers lack incentive to intermediate.

Consider a temporary imbalance. One bank quotes Shs3,775/3,785, another is willing to buy at Shs3,782. Differences in flows and timing create gaps. A trader could buy \$100,000 at 3,775 and sell at 3,782, locking in a profit from the gap.

But such opportunities do not last; markets adjust quickly and access is limited.

The spread is not a loophole; it absorbs imbalances, encourages participation, and supports liquidity. Without it, the market thins, increasing volatility.

That volatility, however, is not entirely a weakness. The shilling acts as a shock absorber, reflecting global shifts.

Key data

4%

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