

By Ali Twaha

The Uganda shilling extended its losses last week, closing at 3775/3785 to the dollar compared with 3750/3760 at the start of the prior week.

Strong demand for dollars from corporates in manufacturing, energy and telecoms, along with offshore investors, drove the move, according to market observers.

Absa market analysts told *New Vision* that inflows from commodity exporters, some corporates and remittance companies fell short of covering that appetite.

Year to date, the shilling has weakened by about 4.1%, mostly reflecting global risk-off sentiment tied to tensions

Shilling slips further on high corporate dollar appetite

in the Middle East. Dealers expect the currency to trade in a broad 3680-3800 range in the coming period against a backdrop of continued external uncertainty.

"The shilling came under sustained pressure as a strong global US dollar, bolstered by safe-haven demand, coupled with elevated domestic demand mainly from the energy sector, created a depreciation momentum that drove the unit to almost the 3800 key level," Stephen Kaboyo, a market observer, said.

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BETWEEN THE LINES

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expected to remain somewhat cushioned by healthy end-of-month flows, markets are cautiously tracking global events and the Ebola outbreak.

They are keenly looking at the domestic data that is expected to show a spike in May inflation. As a result, a moderately bearish stance will hold in the coming weeks."

In the debt market, yields edged lower across the 91-day, 182-day and 364-day papers after the finance ministry accepted only 74% of the amount offered during Wednesday's auction.

The papers cleared at 10.500%, 11.001% and 12.000% respectively. Yields are likely to remain subdued in the near term despite expectations of higher inflation ahead. Richard

Nsubuga, a market analyst at Absa, said the Government is showing less appetite for domestic borrowing as the current fiscal year draws to a close.

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Corporate inflows were not sufficient to balance the demand and the central bank remained on the sidelines.

FOREX RATES

CURRENCY	BUY	SELL
DOLLAR	3,776	3,786
EURO	4,383	4,395
POUND	5,070	5,085
K SH	29	29.2
TANZ SH	1.43	1.47
DHIRAM	1,027	1,030
S.A.RAND	229	229.7
JAPANESE YEN	23.7	23.7
R FRANCS	2.5	4.5
\$ SMALLER	3,500	3,768

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