Elections rock bourse, dent turnover, investor confidence

By Samuel Sanya

The value of shares traded on the Uganda Securities Exchange (USE) has slumped by 72% year on year to sh77b due to presidential elections in Kenya, the USE chief executive officer, Paul Bwiso, has revealed.

He noted that the final sale of the remaining 14.3% Actis stake in Umeme accounted for sh104b of total turnover in 2016.

When the Umeme activity is excluded, turnover still dropped sharply at 54%.

"We have found it a challenging year. Politics in the region has affected the market. Most foreign investors have pulled out and are waiting to see what happens in Kenya," Bwiso said.

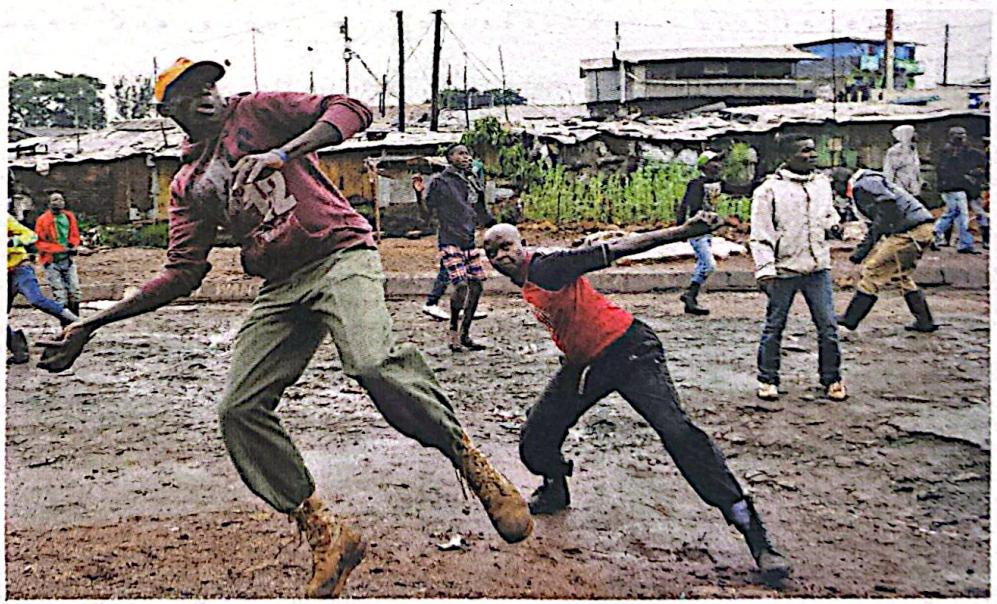
"Many have invested in the fixed market segment, even though the central bank rate has been declining," he added, explaining that the average rate on treasury bills and bonds is hovering between 12% and 14%, except for one year bonds whose yields have dropped to 9%.

In order to boost the level of activity on the exchange, Keith Kalyegira, the chief executive officer of the Capital Markets Authority, that they are engaging the finance ministry to divest its interest in privatised firms through the exchange.



Paul Bwiso

"To date, the Government has only divested its interest through the stock market in seven companies, despite the fact that the share sale contracts that were signed by some of these (privatised) entities detailed listing as an obligation," Kalyegira said.



Protesters clash with the Kenyan Police over elections

"We have and will continue to engage the Government through finance ministry to ensure that these contracts are honoured in the interest of growing our capital markets and providing alternative options for investment and savings for Ugandans," he added.

The list of privatised firms is extensive and includes over 81 firms such as Kinyara Sugar Works, Rwenzori Highland Tea, Kakira Sugar Works, Uganda Meat Packers, Uganda Motors Limited and Uganda Spinning Mills among others.

Kalyegira noted that there is need to reach out to business owners and founder shareholders to present to them opportunities to refinance through short-term bank debt with cheaper and long term equity.

Meanwhile, the all share index dropped to 1,679.71 on Tuesday from 1,685.17 the day before.

In the same vein, the local share index dropped to 385.23 from 386.47 with seven counters being active on Tuesday.

The counters of Baroda, dfcu, National Insurance Corporation, New Vision, Stanbic, Uganda Clays and Umeme jointly traded shares worth sh31.4m in 72 deals.

Baroda's financial results recently revealed a 33.21% decline in profitability to sh16.7b at the end of June 2017.

Crested Capital has issued a "hold" recommendation for the stock with a target of selling in six months when it is projected to hit sh117 per share from the current sh110 per share.

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