



QUARTERLY BULLETIN

April - June 2022

ACTIVITY REPORT

MARKET PERFORMANCE

Equities

Trading in the second quarter registered a tremendous increase with a turnover of UGX13.4 bn compared to UGX 7.3bn registered in the first quarter 2022.

The second quarter of 2022 had a total turnover of UGX13.4bn, compared to a combined total of UGX5.9bn that was traded between April and June 2021.

Quarterly turnover performance per counter

Turnover was realized on ten counters, which are summarized as follows; the UMEME counter took the first position, at UGX 8.9billion, accounting for 66.63 percent of the total turnover. Bank of Baroda Uganda in second position accounted for 15.69 percent while MTN Uganda, Uganda Clays Limited, Stanbic and National Insurance Corporation accounted for 14.07 percent, 1.95 percent, 1.48percent, and 0.09 percent respectively. The rest of the counters represented by, CIPLA, New Vision Limited,DFCU and Centum had a combined turnover of UGX 12.8million.

Volume traded per counter

During the quarter UMEME dominated, with the counter having 37.6mn shares traded taking 37.53 percent of the volume, Bank of Baroda recorded 28.86 percent of the volume with 28.9mn shares, while Uganda Clays Limited, MTN Uganda, Stanbic and National Insurance Corporation, posted 12.9mn shares, 10mn shares, 8.5mn shares and 1.8mn shares accounting for 12.96 per cent, 10.14 per cent, 8.50per cent and 1.89 per cent respectively. CIPLA, New Vision Limited, DFCU and Centum recorded marginal positions.

Key Equity Market Indicators – Annual Comparisons (Year on Year)

Market Indicator	Apr 2021 - Jun 2021	Apr 2022 - Jun 2022	% Change
USE All Share Index	1,498.22	1,149.56	(23.27)
USE Local Index	344.76	271.92	(21.12)
Market Capitalization (UGX. bn)	20,844.74	19,744.66	(5.27)
Volume Traded	150,436,379	100,192,496	(33.39)
Turnover (UGX. bn)	5,981,728,035	13,491,412,076	125.5
Number of Deals	736	1,506	104.6
Trading Days	58	59	

Source USE Product Markets Department

Equities Report



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Quarterly Turnover performance per counter

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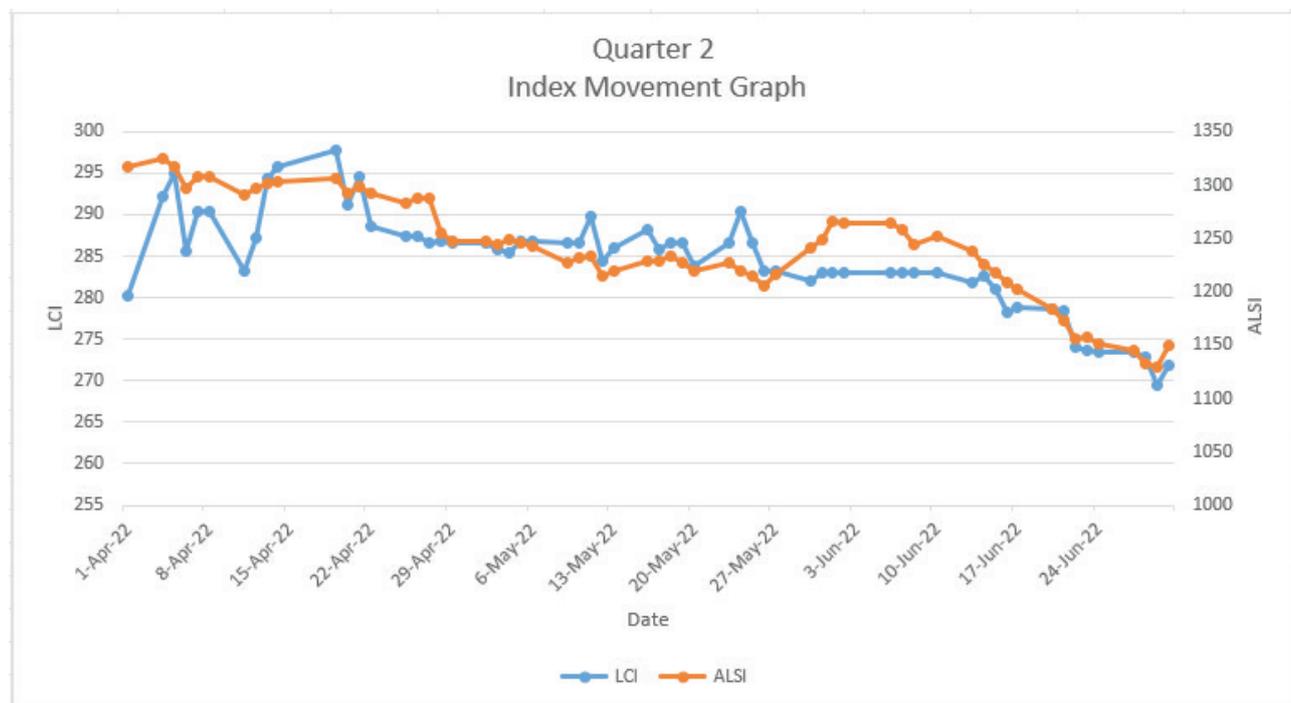
Trading Volumes and Activity on a Quarterly Basis:

	April 2022	May2022	June 2022
Volume Traded	27,752,781	52,464,273	19,195,142
Turnover (Ushs)	3,798,640,201	6,448,037,343	3,244,734,532
Number of Deals	489	475	516
Trading Days	18	21	20
Daily Average Turnover (Ushs)	211,035,567	307,049,397	162,236,727
Daily Average number of trades	27	26	26
Market Capitalization (Ushs. bn)	21,444.63	21,480.45	19,744.66
USE All Share Index	1246.99	1249.07	1149.56
LCI	286.56	282.93	271.92

Source USE Product Markets Department

USE Index Performance

The All Share index opened at 1246.99 increasing slightly to 1249.07 in May and decreased gradually to close at 1149.56, a 7.96% decline. This trend was due to changes in different market prices and the exchange rate. The local share Index decreased from 286.56 to a low of 282.93 in May and further decreased to close at 271.92, a 3.89% decline. Below is the ALSI/LCI movements Graph.



Source: USE Product Markets Department

BOND LISTINGS:

There were 11 treasury bonds re-opened in the quarter with a value of UGX 1,980bn and 5 new bonds with a value of 1,450bn which were listed. Secondary market trading is over the counter (OTC) through primary dealers. The current total value of the Government Bonds listed on the bourse stands at UGX 24.5 Trillion.

Government Bond Schedule as at 30th June 2022

INSTRUMENT CODE	IS IN	ISSUED SHARES	ISSUE DATE	RATE	MATURITY
FXD/05/2017/5YR	UG12H1305228	156.3BN	2017/05/19	15.38	2022/05/13
FXD/7/2012/10YR	UG0000001079	1.615TN	2013/08/14	11.00	2022/06/09
FXD/07/2017/5YR	UG12H0707226	300BN	2017/07/13	14.13	2022/07/07
FXD/12/2017/5YR	UG12H2811224	156.3BN	2017/12/04	12.50	2022/11/28
FXD/6/2013/10YR	UG0000001244	1.862TN	2013/04/24	11.00	2023/04/13
FXD/09/2021/2YR	UG12F0709234	850BN	2021/09/09		2023/09/07
FXD/1/2014/10YR	UG12J1801248	1.290TN	2014/01/30	14.00	2024/01/18
FXD/05/2019/5YR	UG12H1005240	153.7BN	2019/05/17	14.88	2024/05/10
FXD/8/2014/10YR	UG0000001467	1.070TN	2014/08/13	14.00	2024/08/01
FXD/10/2019/5YR	UG12H2509240	250BN	2019/10/02	14.88	2024/09/25
FXD/1/2015/10YR	UG0000001517	850BN	2015/01/28	11.00	2025/01/16
FXD/12/2015/10YR	UG12J1812252	120BN	2015/12/30	19.50	2025/12/18
FXD/08/2016/10YR	UG12J2708269	1.220TN	2016/09/08	16.63	2026/08/27
FXD/5/2017/10YR	UG12J0605277	1.430TN	2017/05/18	16.00	2027/05/06
FXD/1/2018/10YR	UG12J1301280	220BN	2018/01/25	14.13	2028/01/13
FXD/12/2013/15YR	UG0000001376	220BN	2013/12/04	15.25	2028/11/16
FXD/2/2015/15YR	UG0000001533	1.865TN	2015/02/25	14.25	2029/08/23
FXD/5/2015/15YR	UG12K0205308	120BN	2015/05/21	17.50	2030/05/02
FXD/11/2020/10YR	UG12J1411303	187BN	2020/11/27	16.00	2030/11/14
FXD/4/2016/15YR	UG12K0304317	1.630TN	2016/04/20	17.00	2031/04/03
FXD/3/2017/15YR	UG12K0403325	1.620TN	2017/03/23	16.38	2032/03/04
FXD/2/2018/15YR	UG12K0302337	750BN	2018/02/22	14.38	2033/02/03
FXD/7/2019/15YR	UG12K2206346	2.259TN	2019/07/11	14.25	2034/06/22
FXD/11/2020/15YR	UG12K0811352	1.826TN	2020/11/27	16.25	2035/11/08
FXD/11/2020/20YR	UG12L0111405	2.719TN	2020/11/27	17.50	2040/11/01

Corporate Bond Secondary Market Activity

The Corporate Bonds segment remained inactive throughout the period. Investors in this segment have continued to hold onto their investments and receive interest that is paid out semi-annually. Below is the corporate bond currently listed on the USE;

1. Kakira Sugar Limited Bond maturing on 07.12.2023

Alternative trading of Government securities April – June 2022

	Month	Security	Amount Auction	Secondary
01	Apr -22	TBILLS	473,300,000	23,300,000
02		TBOND	317,200,000	488,700,000
03	May -22	TBILLS	555,500,000	
04		TBOND	4,200,000	16,000,000
05	Jun -22	TBILL	109,300,000	
06		TBOND	345,100,000	592,700,000
	Total		1,804,600,000	1,120,700,000

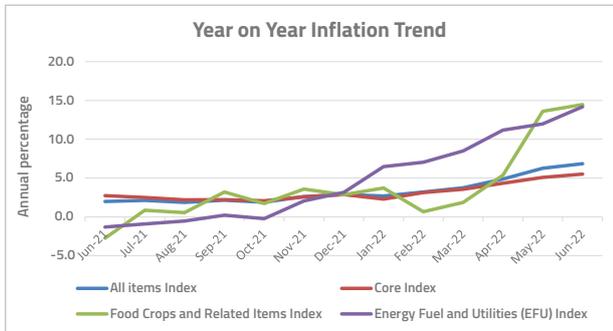
INFLATION – OUTLOOK AND RISKS

Year on year headline inflation edged higher in the three months to June 2022 averaging 6.6% compared to 3.2% averaged in the three months between January and March 2022. This was largely driven by Annual Core Inflation which averaged 5.6% in Q1 2022 compared to 3% in Q1 2022.

Annual Food crops and related items inflation tremendously rose to 11.5% in the second quarter of 2022 compared to 2.1% in the first quarter of the year signifying a rise in food prices during the period. Annual Electricity, Fuel and other Utilities inflation was higher by the end of the second quarter of 2022 at 14.2% compared to 8.5% in March 2022 due to higher prices of petrol.

Monthly headline inflation increased during the three months and ended June 2022 with increments averaging 3.1% driven by high food and non-alcoholic beverages prices especially.

The spike in global commodities prices at the back of supply-demand imbalances that were caused by the Covid-19 pandemic related disruptions in global supply chains and heightened by the Ukraine conflict are the main underlying sources to the price pressures.



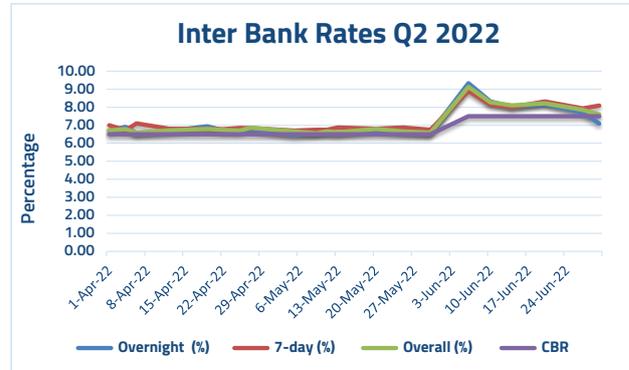
Source: UBOS UGANDA CONSUMER PRICE INDEX: 2016/17=100 JUNE 2022

INTEREST AND LENDING RATES

Interbank Money Market Rates

Bank of Uganda (BOU) continued to implement monetary policy decisions through market-based financial instruments, in the process of aligning the interbank money markets with the monetary policy stance. In Q2 2022 overall rates averaged at 7.2% compared to 6.6% in Q1 2022. The overnight and 7-day rates averaged 7.1% and 7.2% in the three months to June 2022 from 6.5% and 6.8% in the three months to March 2022. The rates were well anchored around the Central Bank Rate (CBR) which remained at a record low of 6.5% in the two months and rose to 7.50 in the last month of the quarter. The BoU is committed to continue raising the CBR until inflation is firmly contained around the medium-term target.

On the overall money market rates continued to trend in line with the bounds set by the Monetary Policy Committee as shown in the graph below.



Source: Bank of Uganda

Yields on Government securities

Secondary market yields broadly declined across the continuum save for the 91-day treasury bill, 5-year and 15-year bonds whose yields were stable at quarterly averages of 6.6 percent, 13.6 percent, and 14.6 percent, respectively between the quarters to February and May 2022. The average annualised yield for the 182-day and 364-day T-bills declined by 30 and 120 basis points to 6.6 percent and 9.8 percent in the period, respectively. Similarly average annualized yields on the 2-years, 3-years and 10-years bonds eased by 50, 10 and 40 basis points to 10.2 percent, 12.4 percent, and 13.7 percent, respectively. Conversely, the yield on the 20-year bond edged up by 10 basis points to average of 15.6 percent in the quarter to May 2022.

Secondary market annualized yields on T-bills and T-bonds



Source: Bank of Uganda

Lending rates

Lending rates on shilling denominated loans increased to 18.32% in May 2022 compared to the end of last year characterized by gradual economic activity normalization after fully re-opening the economy from the lock downs of the Covid-19 pandemic. The lending rate as of May 2022 is slightly lower compared to 19.55% in May 2021 and again lower compared to 19.40% recorded in January 2022.

Foreign currency denominated lending rates slightly decreased to 5.90% in May 2022 from 6.11% in January 2022.

According to the June 2022 Monetary Policy Report, Declines were registered across most of the sectors except for the Transportation and Communications sector. Save for Manufacturing, Trade, Transport and Communication, the remaining sectors continue to borrow at a cost higher than the industry average as shown in the Figure below.

The premium on the industry average lending rates is consistently highest on loans channelled to land purchase, residential building and agriculture and has increased for the agricultural sector.

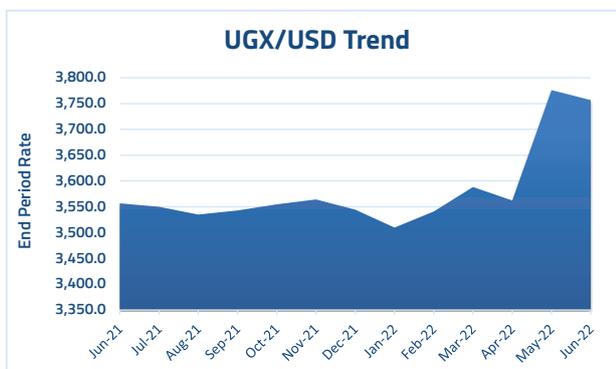


Source: Bank of Uganda

FOREIGN EXCHANGE RATE DEVELOPMENT

The Uganda Shilling lost 4.69% against the USD in the second quarter of 2022 to close June 2022 at 3,756 from 3,588 at the end of March 2022. According to the monetary policy report, the volatility of the shilling-dollar exchange rate deepened on a depreciation path in May 2022 and was the highest in the EAC region.

This was at the back of bearish sentiments occasioned by tightening of monetary policy by the Fed and other advanced economies' central banks leading to offshore investors adjusting their portfolio holdings in Uganda. In addition, the deteriorating terms of trade that has caused the demand for dollars to increase amongst the energy companies and other importers has also added to the pressure.



Source: Bank of Uganda

EDUCATION COLUMN.

UNDERSTANDING THE DIFFERENCE BETWEEN MARKET MAKER AND BROKER



An Overview

There are many different players that take part in the market. These include buyers, sellers, dealers, brokers, and market makers. Some help to facilitate sales between two parties, while others help create liquidity or the availability to buy and sell in the market. A broker makes money by bringing together assets to buyers and sellers.

On the other hand, a market maker helps create a market for investors to buy or sell securities. In this article, we'll outline the differences between brokers and market makers.

Broker

In the financial world, brokers are intermediaries who have the authorization and expertise to buy securities on an investor's behalf. The investments that brokers offer include securities, stocks, mutual funds, exchange-traded funds (ETFs), and even real estate. Mutual funds and ETFs are similar products in that they both contain a basket of securities such as stocks and bonds.

Brokers are regulated and licensed by different bodies in different countries.

Brokers have an obligation to act in the best interests of their clients.

Many brokers can also offer advice on which stocks, mutual funds, and other securities to buy. And with the availability of online trading platforms, many investors can initiate transactions with little or no contact with their personal broker. Although there are various types of brokers, they can be broken down into two categories.

Full-Service Brokers

Full-service brokers provide their clients with more value-added services. These services may include consulting, research, investment advice, and retirement planning. Many brokers provide trading platforms, trade execution services, and customized speculative and hedging solutions with the use of options contracts.

Options contracts are derivatives meaning they derive their value from an underlying asset. Options give investors the right, but not the obligation to buy or sell securities at a preset price where the contract expires in the future.

For all of these services, investors usually pay higher commissions for their trades. Brokers also get compensation based on the number of new accounts they bring in and their clients' trading volume. Brokers also charge fees for investment products as well as managed investment accounts. Some brokers cater to high-net-worth clients with assets of \$1 million or more.

Discount Brokers

With advancements in technology and the internet, online brokerage firms have experienced an explosion of growth. These discount brokers allow investors to trade at a lower cost, but there's a catch; investors don't receive the personalized investment advice that's offered by full-service brokers.

The reduced commission can range from approximately \$5 to \$15 per trade. The low fees are based on trading volume, and since there's no investment advice, employees of online brokers are usually compensated by salary instead of commission. Many discount brokers offer online trading platforms, which are ideal for self-directed traders and investors.

Market Maker



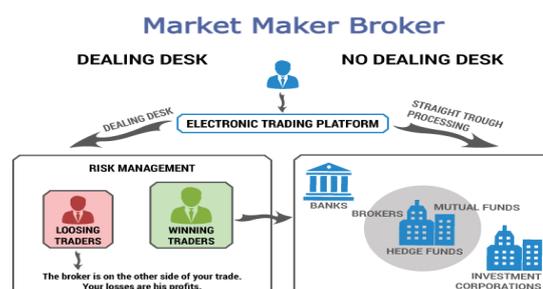
Market makers are typically large banks or financial institutions. They help to ensure there's enough liquidity in the markets, meaning there's enough volume of trading so trades can be done seamlessly. Without market makers, there would likely be little liquidity. In other words, investors who want to sell securities would be unable to unwind their positions due to a lack of buyers in the market.

Market makers help keep the market functioning, meaning if you want to sell a bond, they are there to buy it. Similarly, if you want to buy a stock, they are there to have that stock available to sell to you.

Market makers are useful because they are always ready to buy and sell as long as the investor is willing to pay a specific price. Market makers essentially act as wholesalers by buying and selling securities to satisfy the market—the prices they set reflect market supply

and demand. When the demand for a security is low, and supply is high, the price of the security will be low. If the demand is high and supply is low, the price of the security will be high. Market makers are obligated to sell and buy at the price and size they have quoted.

Sometimes a market maker is also a broker, which can create an incentive for a broker to recommend securities for which the firm also makes a market. Investors should thus perform due diligence to make sure that there is a clear separation between a broker and a market maker. Some examples of the bigger market makers in the industry include BNP Paribas, Deutsche Bank, Morgan Stanley, and UBS.



How Market Makers Make Money

Market makers charge a spread on the buy and sell price and transact on both sides of the market. Market makers establish quotes for the bid and ask prices or buy and sell prices. Investors who want to sell a security would get the bid price, which would be slightly lower than the actual price. If an investor wanted to buy a security, they would get charged the ask price, which is set slightly higher than the market price. The spreads between the price investors receive and the market prices are the profits for the market makers. Market makers also earn commissions by providing liquidity to their clients' firms.

Brokers and market makers are two very important players in the market. Brokers are typically firms that facilitate the sale of an asset to a buyer or seller. Market makers are typically large investment firms or financial institutions that create liquidity in the market.

KEY TAKEAWAYS

- Brokers are intermediaries who have the authorization and expertise to buy securities on an investor's behalf.
- There are full service and discount brokers depending on the level of service a client needs.
- Market makers are typically large banks or financial institutions.
- Market makers help to ensure there's enough volume of trading so trades can be done seamlessly.

SOURCE:

<https://www.investopedia.com/ask/answers/06/brokerandmarketmaker.asp>

APPENDIX I: USE MEMBER FIRMS

The following USE Member Firms are licensed to act as both broker/dealers and Market Advisors:

Market Advisor	Contact Person:
Dyer & Blair (Uganda) Ltd Rwenzori House Ground Floor P. O. Box: 36620 Kampala Tel: +256-414-233050 Fax: +256 -414 231813 Email: Uganda@dyerandblair.com	Ms. Esther Kakiza
Crested Stocks and Securities Limited Head Office - Impala House 6th Floor Plot 13-15, Kimathi Avenue P. O. Box 31736, Kampala, Uganda Tel: +256 312 230900/ +256 414 230 900 Email: info@crestedcapital.com Website: www.crestedcapital.com	Mr. Robert H. Baldwin
UAP Old Mutual Financial Services Ltd 2nd floor, Block A, Nakawa business park P. O. Box 20079, Kampala Tel: +256 414 332 825 Email: brokerageufs@uap-group.com	Mr. Mwebaze Simon
SBG Securities Limited 4th Floor Crested Towers (Short Towers) P. O. Box 7131, Kampala Tel: +256 0312 224 600 Email: sbgs_uganda@stanbic.com	Mr. Joram Ongura



Uganda
Securities Exchange

UGANDA SECURITIES EXCHANGE

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