BANK OF UGANDA
Financial Markets Department

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MONEY MARKET REPORT FOR AUGUST 02 *(FOR INTERNAL USE ONLY)*

POLICY AND SHORT INTERBANK RATES

A POLICY RATES (%) p.a. Ruling Effec: 20 JULY /06

	Current	Previous	Change in Value (%)
Policy Margin for RR	**+5.697**	**+5.697**	***NIL***
Rediscount Rate	**13.35**	**13.10**	***0.25***
Bank Rate	**14.35**	**14.10**	***0.25***
T-BILL AUC NO: 642			
91 day Effective Yield	**7.949**	**8.312**	***-0.363***
91 day ❶Mon Mkt Yield	**7.723**	**8.065**	***-0.342***

B WEIGHTED AVERAGE INTERBANK RATES (%)

TENURE	Mon 31/07/06	Tue 01/08/06	Wed 02/08/06	Thu 27/07/06	Fri 28/07/06
O/N	11.00	12.00		11.75	
2 DAYS		12.80	**11.00**		
3 DAYS					10.00
4 DAYS				9.00	
5 DAYS			**14.21**		
6 DAYS		13.25			
1 WEEK	14.00		**10.88**	13.53	13.43
10 DAYS	13.00				12.50
2 WEEKS				12.00	12.00
91 DAYS					

❶ **Money Market Yield:** *Annualised rate of return on simple interest basis.* ***Note that weighted average rates exclude transactions involving offshore players.***

OMO INTERVENTION

C TREASURY AUCTIONS: RE-OPENINGS (no. of ×), ISSUE / MATURITY DATES,DR ,YTM & OUTSTANDING STOCKS

On-the-run T-BILLS	ISSUE DATES	O/S T-BILL STOCKS
T-BILL AUC NO: 642	**20/07/06**	**1,123 BN**

On-the-run T-BONDS	❺MAT. DATES	O/S T-BOND STOCKS
FXD 4/2006/2×0	**03/04/08**	**2 YR** 280 BN
FXD 6/2006/3×1	**25/06/09**	**3 YR** 378.3 BN
FXD 5/2006/5×0	**26/05/11**	**5 YR** 80 BN
FXD 4/2004/10×0	**08/05/14**	**10 YR** 15 BN
		753.30 BN

MAT.	❷ WA DR	Change in WA DR (%)	YTM (%) Range	❸YTM (%) AT WAP	Change in YTM (%)
91	7.577	*-0.329*	7.188-8.753	7.776	*-0.348*
182	9.159	*0.748*	8.327-11.468	9.571	*0.816*
364	10.096	*0.150*	8.782-12.000	10.898	*0.174*
2 X0			12.000-12.700	12.397	*-0.441*
3 X0			12.000-14.500	12.825	*-0.059*
5 X0			12.950- 14.750	14.271	*- 0.853*
10X0			11.000-21.000	13.477	N/A

D VERTICAL REPURCHASE AGREEMENTS
Available Stock on 03/08 (before any policy action): Shs. 230 BN

MOST RECENT REPOS:	TENURE	WAR (%)
003/06 on 18/01	**O/N**	**5.389**
083/06 on 22/06	**4-DAY**	**7.920**
081/06 on 20/06	**6-DAY**	**7.335**
079/06 on 15/06	**7-DAY**	**5.850**
082/06 on 22/06	**11-DAY**	**8.500**
075/06 on 07/06	**12-DAY**	**5.883**
076/06 on 08/06	**14-DAY**	**5.703**
074/06 on 30/05	**16-DAY**	**5.450**
072/06 on 25/05	**21-DAY**	**6.416**

REPO Issue No	Issue Date	Mat Date	❹ WAR			Target Amt Sh. BN	Actual Amt Sh. BN
011/06	25/07	08/08	10.00			-30.00	-30.00

❷ **DR:** *DISCOUNT RATE* ❸ **YTM:** *YIELD TO MATURITY* ❹ **WAR:** *WEIGHTED AVERAGE RATE* ❺ **MAT. DATE:** *MATURITY DATE FOR T-BONDS*

DAILY LIQUIDITY AND MONEY MARKET SUMMARY

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Note: ***{WEEK 2} – 2 days*** *left of CRR averaging period ending* ***04/08***

F DAILY MONEY MARKET TRANSACTIONS (Excl. VERTICAL REPOs)
(By Rate, by Tenor, by Funds in BN. & from source to destination)

RATE (%)	TENOR	AMT BN	FROM	TO
14.50	5 days	3.000		
†14.00	5 days	1.000		
†14.00	5 days	3.000		
13.50	1 week	0.500		
11.00	2 days	1.500		
10.00	1 week	1.500		
	Total	**10.5**		

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SECURITIES MATURIES PROFILE 01 AUGUST – 24 AUGUST 2006]

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SECURITY TYPE	TUE 01/08	THU …03/08	THU …08/08	THU …10/08	THU …17/08	THU …24/08	TOTAL
REPO	(30,051,920,375)	0	(30,115,068,493)	0	0	0	(60,166,988,868)
T-BILLS	0	39,640,584,340	0	5,983,799,152	41,879,326,534	5,969,840,051	93,473,550,077
T-BONDS	0	0	0	0	0	0	0
COUPONS	0	0	0	0	0	0	0
TOTAL	**(30,051,920,375)**	**39,640,584,340**	**(30,115,068,493)**	**5,983,799,152**	**41,879,326,534**	**5,969,840,051**	**33,306,561,209**

Note that redemption value of T-Bills and Coupon payments may differ on settlement day on account of BOU managed funds, Rediscounts and tax liabilities.

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DAILY SECONDARY MARKET QUOTES (Based On-the–run TREASURY SECURITIES)												
PRIMARY DEALERS BUY AND SELL INDICATIVE RATES (DISCOUNT RATES OR YIELD TO MATURITIES)												
	T B I L L								T B O N D			
DEALER	*91 DR*	DTM=78 YTM	*182 DR*	DTM=169 YTM	*273 DR*	DTM=260 YTM	*364 DR*	DTM=351 YTM	2 yr DTM= 611	3 yr DTM= 1058	5 yr DTM= 1759	10 yr DTM= 2838
BBUG	7 50/25	7 68/42	7 75/50	8 03/76	0 00/00	0 00/00	9 25/00	9 90/61	11 75/50	12 75/50	14 10/85	14 90/65
DFBU	7 30/05	7 47/21	8 10/85	8 41/14	0 00/00	0 00/00	8 50/25	9 04/76	12 25/00	12 80/55	14 50/25	15 00/75
STBG	7 00/75	7 16/90	7 40/15	7 65/38	0 00/00	0 00/00	9 00/75	9 61/33	12 25/00	12 90/65	14 30/05	16 00/75
SCBU	7 10/85	7 26/00	7 50/25	7 76/49	0 00/00	0 00/00	9 10/85	9 73/44	12 00/75	12 60/35	14 25/05	16 50/25
RODA	7 75/50	7 95/68	9 25/00	9 65/38	0 00/00	0 00/00	10 15/90	10 94/65	12 00/75	13 75/50	14 00/75	16 00/75
Best Bid/ Ask	7.00 /7.50	7.16 /7.68	7.40 /9.00	7.65 /9.38	0.00 /0.00	0.00 /0.00	8.50 /9.90	9.04 /10.65	11.75 /12.00	12.60 /13.50	14.00 /14.25	14.90 /16.25

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DAILY SECONDARY MARKET TRADES FOR [AUGUST 2006]									
VALUE DATE	**TRANS. TYPE**	**DTM/ (TENURE)**	**DISCOUNT RATE (% p.a.)**	**MONEY MARKET YIELD (% p.a.)**	**YIELD TO MAT. (%p.a.)**	**AMOUNT (FV)**	**AMOUNT (COST)**	**SELLER**	**BUYER**
02-08	HREPO	5		14		3,000,000,000	3,005,753,425		
02-08	HREPO	5		14		1,000,000,000	1,001,917,808		
					TOTAL	**4,000,000,000**	**4,007,671,233**		
					CUM TOT	**8,100,000,000**	**8,115,395,795**		

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Please, note that this edited version of the Domestic Money Market Report is prepared by the Domestic Dealing Room in the format approved by the Financial Markets Operation Committee (FMOC). The authority to alter the form or contents of the website version is vested with the Chairman FMOC (EDO) and the Director Domestic Financial Markets Department.

TABLE A: POLICY RATES

Policy Margin: The cost to a bank if it chooses to access the Bank of Uganda Rediscount window to obtain the reserves it needs. This margin is set by MCPC (Monetary & Credit Policy Committee).

Rediscount Rate: RR is basically the rate at which BOU will discount government securities offered by the holder. It is computed by adding a policy margin to the reference rate i.e. moving average of the 4 most recent auctions' annualized direct yields on the 91-day Treasury bill.
FMOC (i.e. Financial Markets Operation Committee) monitors the prevailing rates in the government securities market and advises MCPC when they encroach on the rediscount rate.

Bank Rate: BR is basically the interest rate at which BOU lends funds to commercial banks against government securities. This rate is set by MCPC above the RR by at least 1% point.

Holding period: Yield (HPY) The interest earned in one year if a security is held to maturity. It is calculated as follows:-
Holding period yield (% p.a.) $= (F-P+D_1)/P$
where P = initial price, F= face value & D_1 = *Interest payments*

Money Market: Yield (MMY) The total interest earned in one year as a simple interest rate. It is calculated as follows:-
Money Market Yield (% p.a.) = ((F-P)/P)) * B/t)*100
where P = price, F= face value, B= Basis (365) & t= days to maturity

Effective: Annual Yield The annualized yield based on a 365-day year that takes into account compound interest is calculated as follows:-.
Effective Annual Yield (% p.a.) = (1+ HPY) ^(365/t)
where HPY = Holding period yield & t= days to maturity

TABLE B: WEIGHTED AVERAGE INTER-BANK RATES (%) P.A.

The weighted average inter-bank rate (ɣ*WAR)* is an indicator of the pricing trends in the shilling inter-bank market on a daily basis for the different tenors. It is the weighted average of a set of values (rates) and their corresponding weights (shilling amounts) determined from the money market transactions (items) reported daily to BOU per tenure (See Table F). ɣ Note that the weighted average rate computation excludes transactions involving offshore players.

TABLE C: TREASURY AUCTIONS: RE-OPENINGS, ISSUE/MATURITY DATES, DRs, YTMs & OUTSTANDING STOCKS
This table provides the results of the most recent auctions (on-the-run) of government securities in each maturity group, and the outstanding treasury stock numbers. Re-opening occurs when additional amounts of previously issued securities are sold. The number of re-openings (no. of x) indicates the number of times that the issuer has re-opened the security.

The discount rate (DR) is the rate at which the face value is discounted to the price paid today.

The yield to maturity (YTM) is the interest rate that equates the bond's current market value and the present value of its future cash flows.

TABLE D: VERTICAL REPURCHASE AGREEMENTS
This table provides the results of the most recent REPO auctions by volumes mopped up/injected, weighted average rates and the tenures. This table also indicates the current stock of government securities available for REPOs.

Repurchase Agreements (REPOs) are transactions where BOU agrees to sell securities and buy them back later at a specified price (or rate) and future date. Reverse Repurchase Agreements (Reverse REPOs) are transactions where BOU agrees to buy the securities and sell them back at a specified price (or rate) and future date.

TABLE F: DAILY MONEY MARKET TRANSACTIONS (EXCLUDING VERTICAL REPOS)
This table captures on a daily basis the transactions reported by commercial banks in the money market giving the rate, tenure and volume only. **Note that the counter-parties (lenders and borrowers) involved have been omitted**.

The rate quoted is the market [1]yield (or rate of interest) that is charged by lenders to borrowers and depends on the demand and supply of money.

Table G: *See the Note*: It informs FMOC on how many days are left of the 2-week cash reserve requirement (CRR) averaging period.

Table I: SECURITIES MATURITIES PROFILE
This table gives from the reporting date, the schedule of maturing REPOs, treasury securities and coupon payments due in the days ahead usually for up to a fortnight's time as well as the corresponding total amounts (face value) within each category and their sum.

TABLE N: DAILY SECONDARY MARKET QUOTES (BASED ON-THE-RUN TREASURY SECURITIES)
This table gives the days to maturity (DTM) numbers and the bid-offer quotes obtained from the Reuters screen on the day under consideration. When the price is quoted it is the dirty price or YTM.

The Primary dealers are obliged to make a market i.e. if an investor wants to buy or sell a security, and there are no available bids and offers from the public, the primary dealer is obliged to step immediately and take the opposite side of the trade: Primary dealers must quote [2]bid and ask indicative rates for on-the-run securities and a bid quote for off-the-run issues on a continuous basis. Prices shall be good for UG Shs. 100 million. Dealing hours are from 9:30AM to 3:30PM.

TABLE O: DAILY SECONDARY MARKET TRADES
This table gives the details of all securities traded in the secondary market in terms of days to maturity (DTM), discount rate, direct yield, effective yield, YTM, amount of securities traded (face value) and the cost price on the day under consideration. **Note that the counter-parties (sellers and buyers) involved have been omitted.**

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[1] Yields are measured in terms of basis points. A basis point is $1_{/100}$ of 1 percentage point.
[2] Bid –offer spreads will be a maximum of 25 basis points. The good amount is UGX 100 million.