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July 2025 inflation
estimate:
4.2% - 4.4%

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WEEKLY FIXED INCOME REPORT

CBK Floats KES 90bn in Primary Bond Market—Largest Offer Tranche in Recent Memory

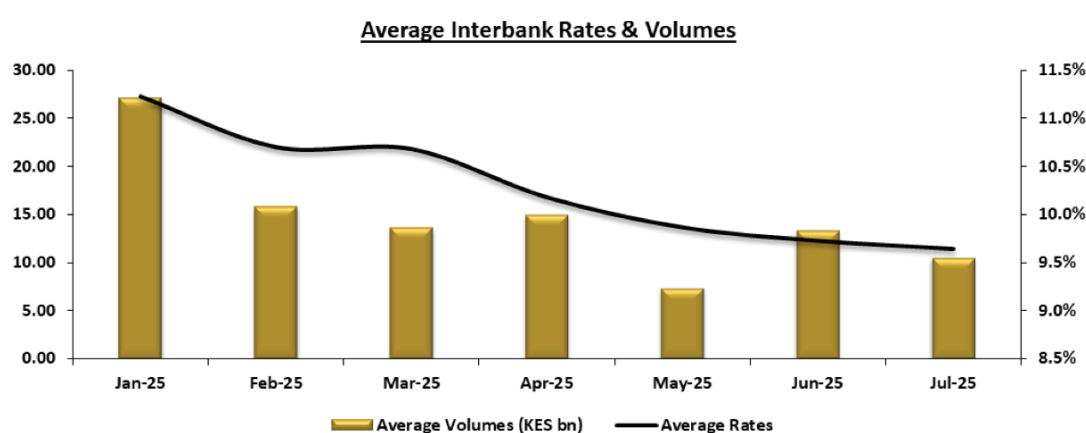
MONEY MARKET STATISTICS

Interbank lending volumes increased to KES 13.03bn from KES 10.75bn over the week, with activity remaining relatively steady throughout. The average interbank rate was largely unchanged, inching down to 9.62%, amid sustained liquidity absorption by the CBK. The table below summarizes market liquidity indicators:

Average	Previous Week	Current Week	Change
Interbank Deals	18.00	17.00	(5.56%)
Inter- Bank volumes (KES bn)	10.75	13.03	21.18%
Inter – Bank Rates (bps)	9.64%	9.62%	(1.67)

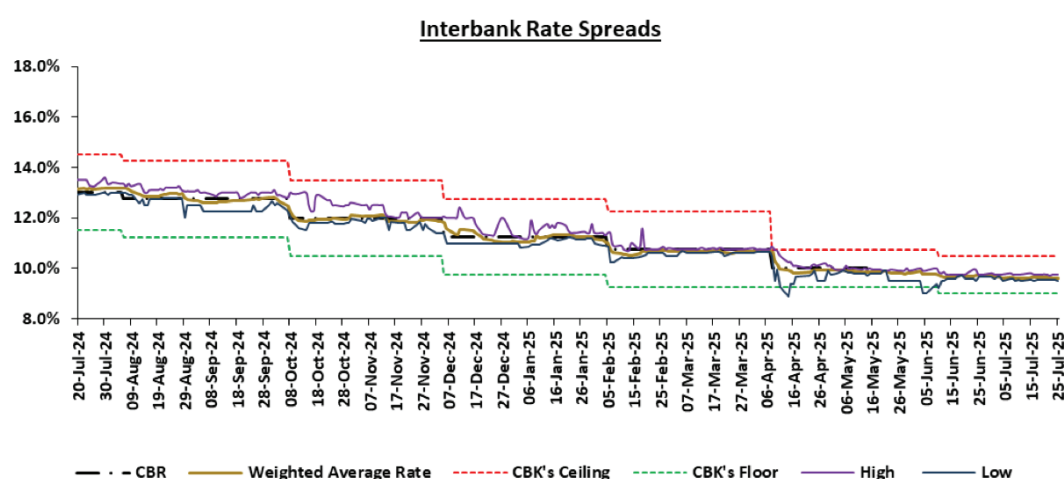
Source: Central Bank of Kenya (CBK), Table: SIB

On a month-on-month basis, average traded volumes remain below what was recorded in the previous month as shown below:



Source: Central Bank of Kenya (CBK), Chart: SIB

Interbank rates remain well anchored within the corridor. See the chart below;



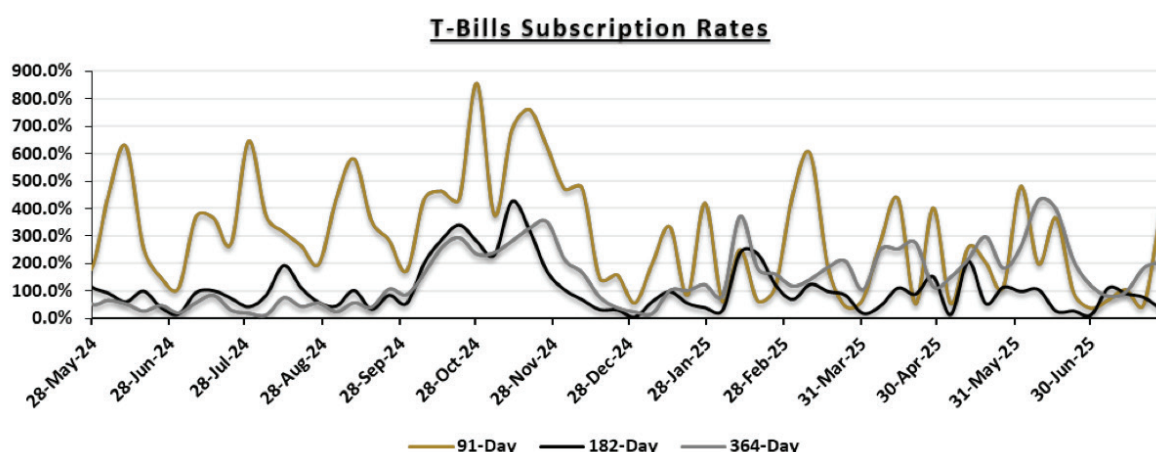
Source: Central Bank of Kenya (CBK), Chart: SIB

GOVERNMENT SECURITIES MARKET

T-Bills:

Demand for Treasury bills strengthened further, with overall subscription rate rising to 166.7% from 115.9%. Investors submitted bids worth KES 40.02bn, out of which the fiscal agent accepted KES 25.52bn—slightly above the value of maturities—resulting in a net borrowing of KES 3.36bn.

The 91-day paper led the uptake, with demand surging to a two-month high of 405.8%. In absolute terms, the 364-day paper attracted the highest bid amounts, translating to a subscription rate of 205.9%. The chart below illustrates the evolving demand across the three tenors;



Source: Central Bank of Kenya (CBK), Table: SIB

Notably, non-competitive bids dominated the auction, largely driven by the 91-day paper, which accounted for the bulk of maturities. This suggests a likely rollover of proceeds at prevailing rates. The average accepted rates stood at 8.12% (-1.15bps), 8.42% (+1.24bps), and 9.72% (-0.83bps) for the 91-, 182-, and 364-day papers, respectively. We observe a growing investor push for higher rates, particularly on the 91-day tenor.

See the summary below;

KES bn

28-Jul-25	91-day	182-day	364-day	Totals
	27-Oct-25	26-Jan-26	27-Jul-26	
Amount offered	4.00	10.00	10.00	24.00
Bids received	16.23	3.20	20.59	40.02
Subscription rate (%)	405.8%	32.0%	205.9%	166.7%
Amount accepted	16.20	3.17	6.14	25.52
Acceptance rate (%)	99.8%	99.3%	29.8%	63.8%
Of which: Competitive Bids	0.13	2.11	5.40	7.64
Non-competitive bids	16.07	1.06	0.74	17.87
Rollover/Redemptions	16.34	3.91	1.91	22.16
New Borrowing/(Net Repayment)	(0.14)	(0.73)	4.23	3.36
Weighted Average Rate of Accepted Bids	8.12%	8.42%	9.72%	
Inflation	3.8%	3.8%	3.8%	
Real Return	4.3%	4.6%	5.9%	

Source: Central Bank of Kenya (CBK), Table: SIB

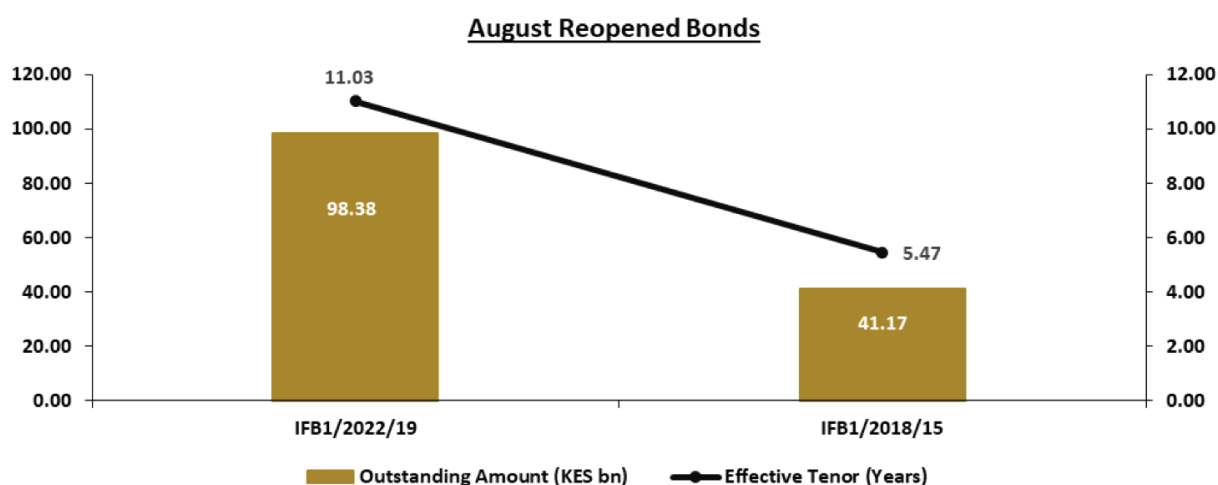
T-Bonds: CBK Floats KES 90bn in Primary Bond Market—Highest Offer in Recent Memory

In the primary bond market, the fiscal agent reopened two infrastructure bonds—IFB1/2018/15 and IFB1/2022/19—seeking to raise KES 90.0bn, the highest offer in recent memory. In February 2024, the government sought to raise KES 70bn, received KES 288.66bn in offers and accepted KES 240.96bn. The bonds carry coupon rates of 12.50% and 12.97%, respectively, aligning with the average return on existing infrastructure bonds, excluding the exceptionally high-yielding issuances of the previous year. See below a summary of the issuance;

Bond Auction	Maturity Date	Tenor to Maturity	Amount Offered	Coupon	Sale Period
IFB1/2018/15	10-Jan-33	7.5	90.00	12.50%	Up to 13th August 2025
IFB1/2022/19	28-Jan-41	15.5		12.97%	

Source: Central Bank of Kenya (CBK), Table: SIB

In addition, the reopened bonds have outstanding maturities of KES 41.17bn and KES 98.38bn for IFB1/2018/15 and IFB1/2022/19, respectively. The amortized tenor stands at 5.47 years for the 2018 issuance and 11.03 years for the 2022 issuance, as shown below;



Source: Central Bank of Kenya (CBK), Chart: SIB

We anticipate strong investor interest in the auction, supported by the tax-free and amortized structure of the bonds, which allows for partial early redemptions.

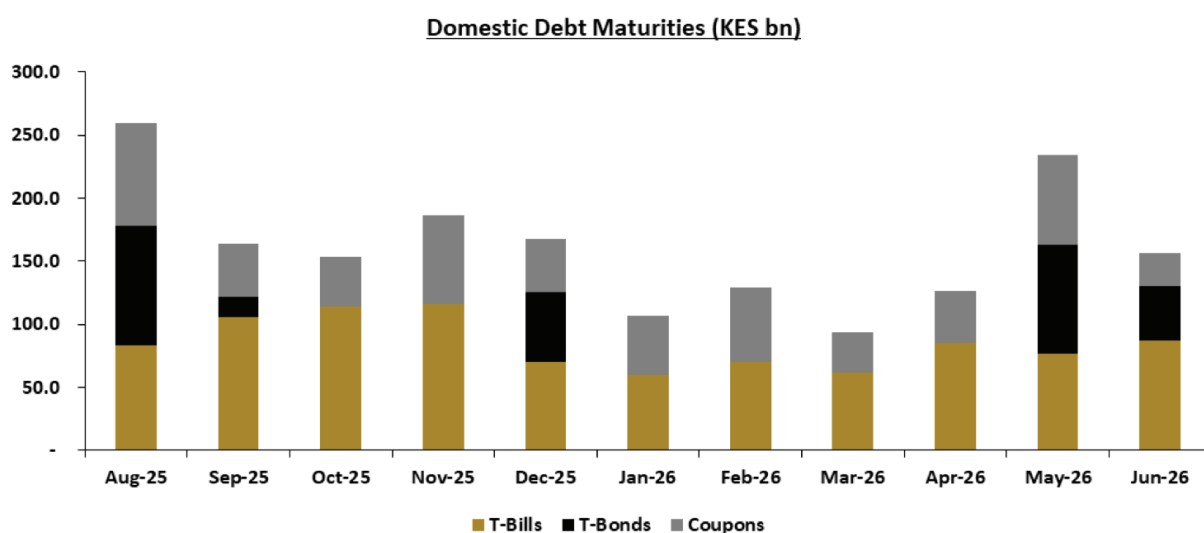
Our bidding estimates will be provided in subsequent reports.

In the secondary bond market, turnover fell 30.8% to KES 43.40bn, down from KES 62.70bn in the previous week.

Outstanding Debt Maturities (T-Bills and T-Bonds):

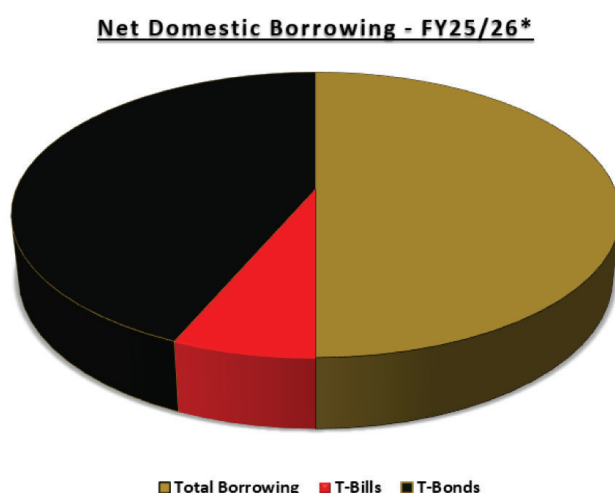
As of this week, the Government's outstanding T-Bill and T-Bond maturities for the next 12 months are at KES 931.55bn and KES 295.05bn, respectively. Including coupons, the total maturity profile stands at KES 1.86tn.

See the chart below;



Source: Central Bank of Kenya (CBK), Chart: SIB

This week's auction pushed net domestic borrowing to KES 76.48bn, with the bulk of the funds raised through bonds. However, we expect the upcoming August maturities to ease the pace of this early borrowing acceleration, even as the concurrent infrastructure bond issuance helps maintain a balanced funding position. See the chart below;



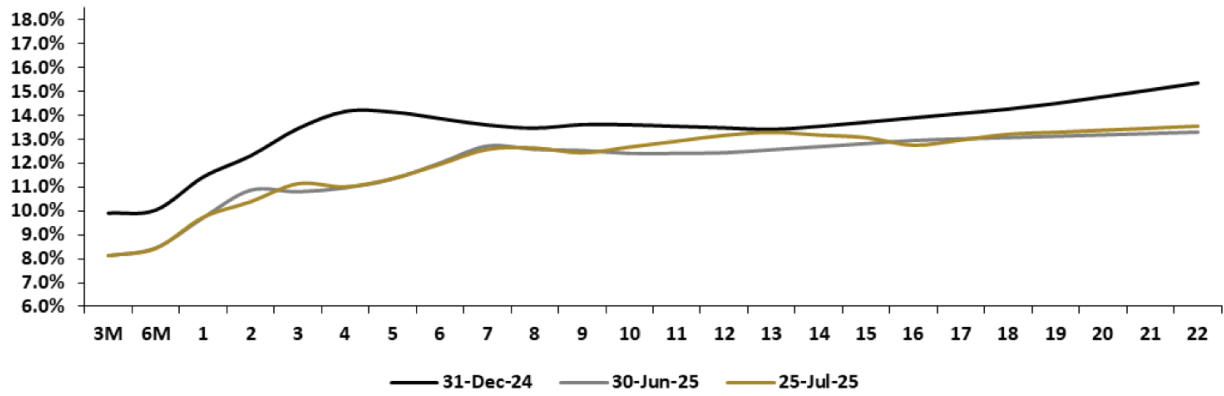
Source: Central Bank of Kenya (CBK), Chart: SIB

Yield Curve:

Local interest rates closed the week on a mixed note. On average, yields on government securities declined slightly by 8.44bps w/w, reversing the 5.17bps rise recorded the previous week.

Below is a visual representation;

Yield Curve



Source: Nairobi Securities Exchange (NSE), Chart: SIB



THE INTERNATIONAL SCENE

Kenyan Eurobonds:

Yields on Kenyan Eurobonds reversed their upward trajectory, with all maturities recording declines. The pace of the drop aligned with the effective tenors, as shorter-term papers registered the most significant adjustments. Overall, yields on the international papers fell by an average of 47.02bps. Below is a summary of the performance;

Issuance	KENINT 02/28/2028	KENINT 02/16/2031	KENINT 05/22/2032	KENINT 01/23/2034	KENINT 02/28/2048
Maturity Date	28-Feb-28	16-Feb-31	22-May-32	1-Jun-34	28-Feb-48
Tenor to Maturity	2.6	5.6	6.8	8.9	22.6
31-Dec-24	9.1%	10.1%	10.1%	10.1%	10.3%
17-Jul-25	8.6%	9.6%	9.8%	10.1%	10.7%
21-Jul-25	8.2%	9.4%	9.6%	9.9%	10.5%
22-Jul-25	8.2%	9.4%	9.6%	9.9%	10.5%
23-Jul-25	8.1%	9.3%	9.5%	9.8%	10.4%
24-Jul-25	8.0%	9.2%	9.4%	9.7%	10.3%
Weekly Change	(0.6%)	(0.5%)	(0.5%)	(0.4%)	(0.4%)
YTD Change	(1.1%)	(1.0%)	(0.8%)	(0.4%)	(0.0%)

Source: Central Bank of Kenya (CBK), Table: SIB

Currency Performance

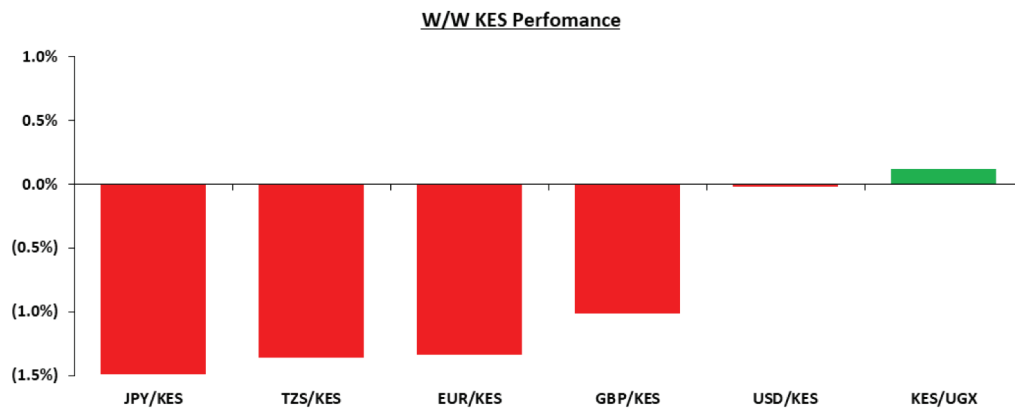
The Kenyan shilling posted mixed performance against the 21 currencies tracked by the Central Bank during the week. We observe a reversal in trend, with most currencies recording an appreciation against the unit. Of the currencies we track, the shilling was largely on a downward trend but remained relatively stable against the USD, and appreciated slightly against the UGX. See the table below;

Currencies	30 April 2025 (vs KES)	Previous Week	Current	w/w Change	M/m change
JPY/KES	82.1	86.9	88.2	(1.5%)	(7.4%)
TZS/KES	19.0	20.2	19.9	(1.4%)	4.7%
EUR/KES	134.3	150.1	152.1	(1.3%)	(13.3%)
GBP/KES	162.3	173.4	175.1	(1.0%)	(7.9%)
USD/KES	129.3	129.2	129.3	(0.0%)	0.0%
KES/UGX	28.4	27.7	27.8	0.1%	(2.3%)

Source: Central Bank of Kenya (CBK), Chart: SIB

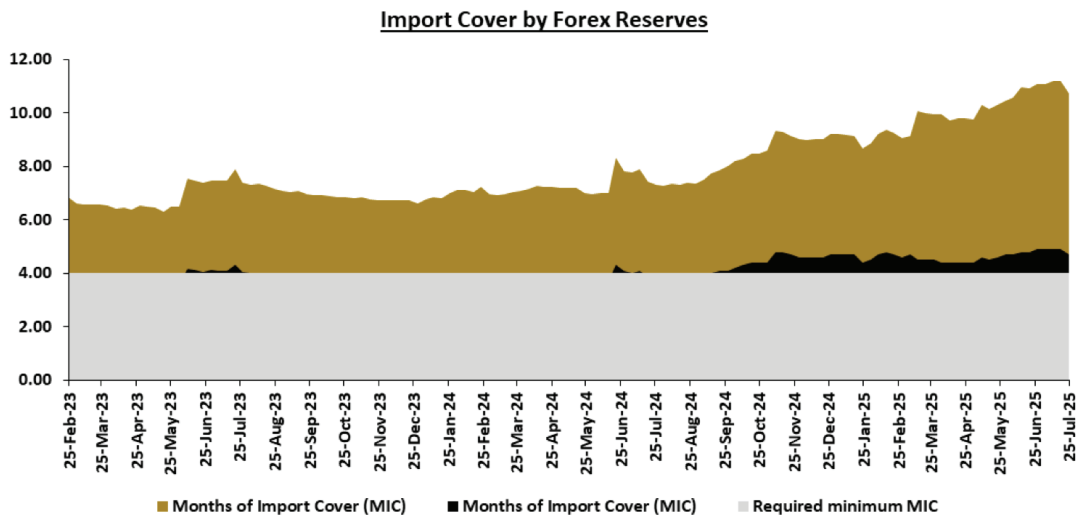
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen | FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



Source: Central Bank of Kenya (CBK), Chart: SIB

On the other hand, Kenya's foreign exchange reserves declined by 3.9% to USD 10.75bn from USD 11.19bn, reducing the import cover by two months to 4.7 months. The decline is likely attributable to semiannual debt servicing instalments related to the Standard Gauge Railway project, which typically fall within this period. Nonetheless, the reserves remain robust, with the current import cover still above the statutory threshold. See the chart below;



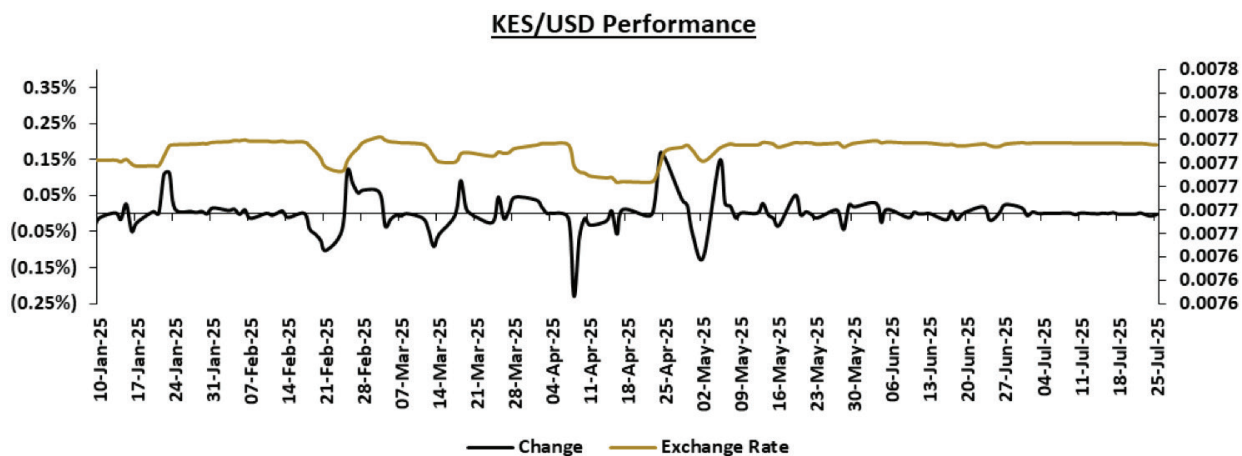
Source: Central Bank of Kenya (CBK), Chart: SIB

Hot on the Horizon: July 2025 Inflation Numbers

The Kenya National Bureau of Statistics (KNBS) is set to release the inflation figures for the month of July in the coming week. We project the year-on-year (y/y) inflation rate to fall within the range of 4.2% to 4.4%, with our estimate at 4.31%.

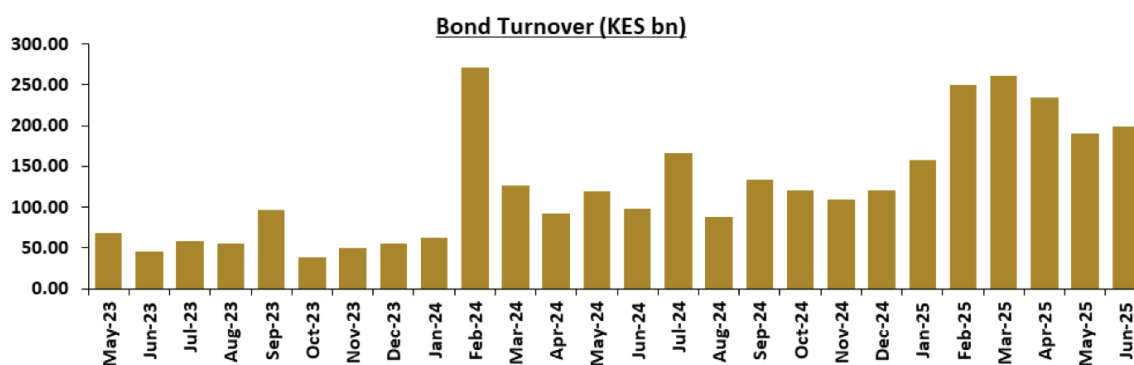
BACKGROUND CHARTS

KES/USD Performance



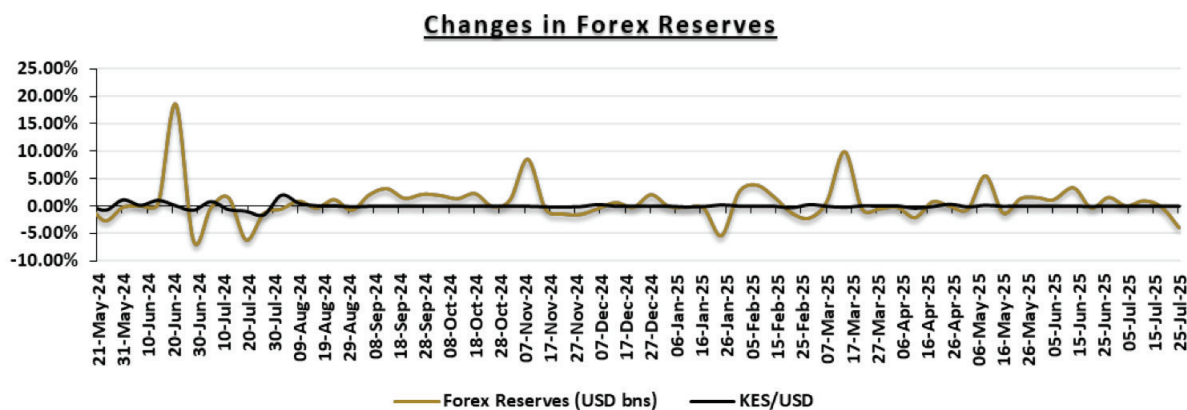
Source: Nairobi Securities Exchange (NSE)

Bond Turnover



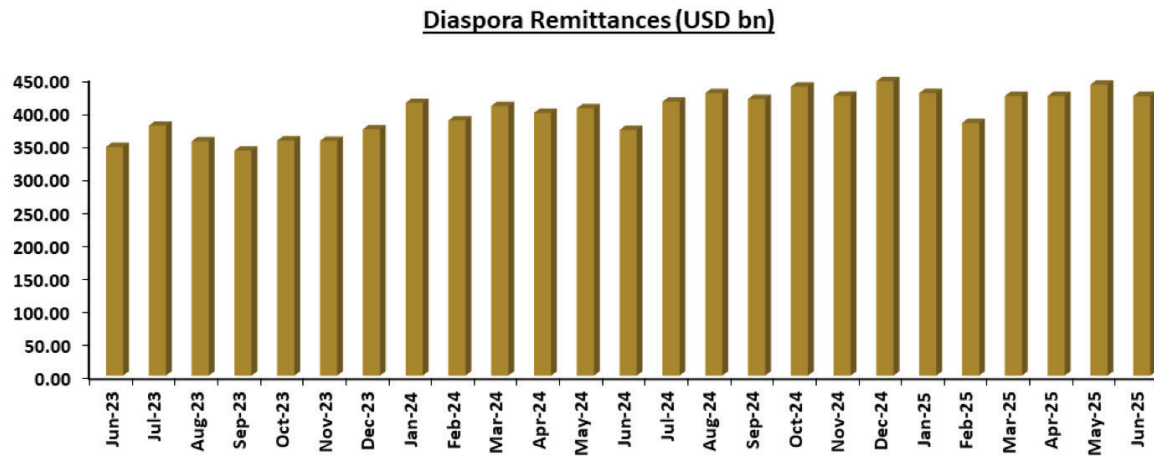
Source: Central Bank of Kenya (CBK)

Forex Reserves



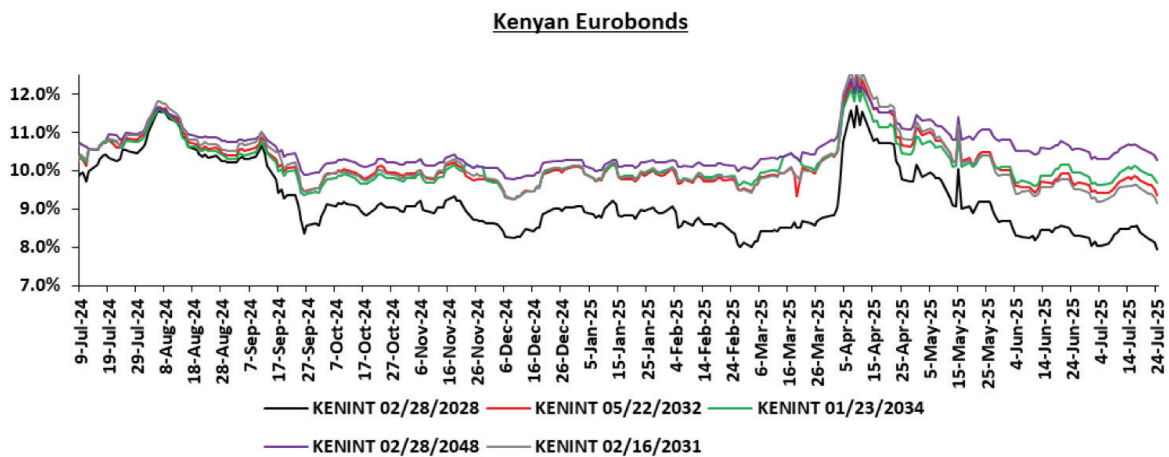
Source: Central Bank of Kenya (CBK)

Diaspora Remittances



Source: Nairobi Securities Exchange (NSE)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

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