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Upcoming Monetary
Policy Review: We expect
a 25bps CBR Reduction

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WEEKLY FIXED INCOME REPORT

Private Sector Performance Slumps to Lowest Level in a Year

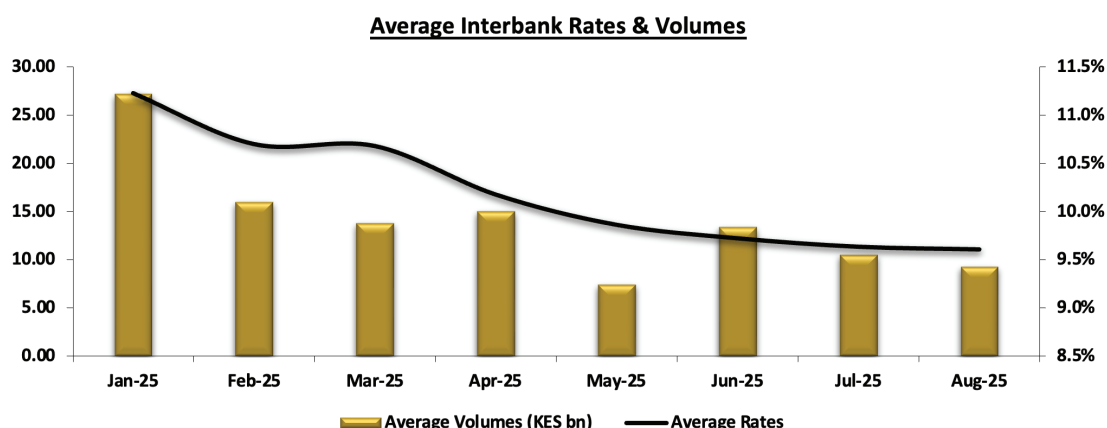
MONEY MARKET STATISTICS

Interbank lending volumes edged lower to KES 7.68bn from KES 11.90bn over the week, with activity holding steady throughout. The average interbank rate was largely unchanged at 9.61%, amid sustained liquidity absorption by the CBK. The table below summarizes market liquidity indicators:

Average	Previous Week	Current Week	Change
Interbank Deals	17.00	16.00	(5.88%)
Inter- Bank volumes (KES bn)	11.90	7.68	(35.46%)
Inter – Bank Rates (bps)	9.62%	9.61%	(0.88)

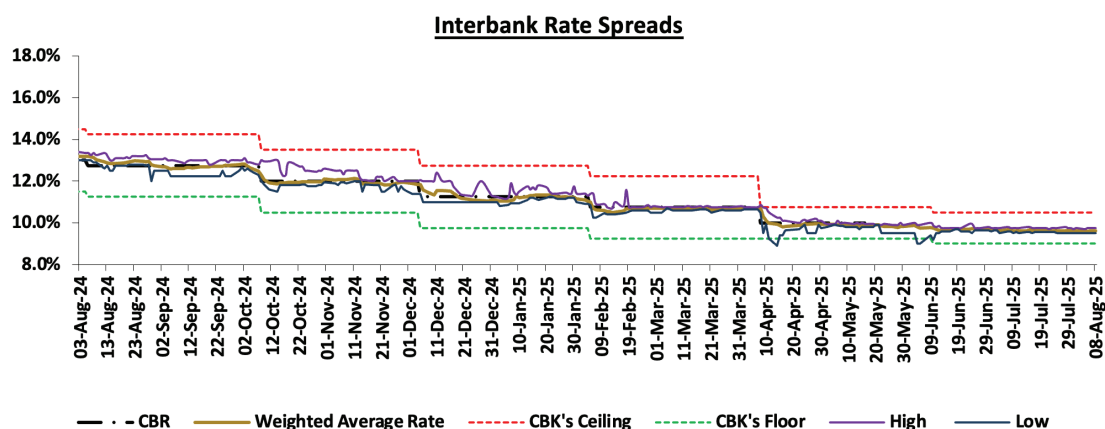
Source: Central Bank of Kenya (CBK), Table: SIB

Generally, Interbank market transactions have been subdued for an extended period, reflecting cautious liquidity management by banks as shown below:



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

The interbank rate has broadly tracked movements in the policy rate corridor, reflecting the Central Bank's influence on short-term market rates. See the chart below;



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

GOVERNMENT SECURITIES MARKET

T-Bills:

Demand for Treasury bills strengthened during the week, with the subscription rate rising to 97.6% from 67.1% previously. Investors submitted bids worth KES 23.42bn, of which the fiscal agent accepted 99.2%, translating into a net repayment of KES 11.01bn. The 364-day paper led the performance for the second consecutive week, emerging as the only tenor to achieve oversubscription, both in absolute uptake and subscription terms.

Notably, non-competitive bids dominated the auction, exerting downward pressure on yields. The weighted average rates of accepted bids declined to 8.08% (-3.07bps), 8.17% (-23.63bps), and 9.71% (-0.48bps) for the 91-, 182-, and 364-day papers, respectively.

KES Bn

11-Aug-25	91-day	182-day	364-day	Totals
	10-Nov-25	9-Feb-26	10-Aug-26	
Amount offered	4.00	10.00	10.00	24.00
Bids received	3.99	7.41	12.02	23.42
Subscription rate (%)	99.7%	74.1%	120.2%	97.6%
Amount accepted	3.97	7.41	11.86	23.24
Acceptance rate (%)	99.6%	100.0%	98.7%	99.2%
Of which: Competitive Bids	0.47	0.07	3.16	3.70
Non-competitive bids	3.50	7.34	8.70	19.55
Rollover/Redemptions	10.42	15.74	8.10	34.26
New Borrowing/(Net Repayment)	(6.45)	(8.33)	3.77	(11.01)
Weighted Average Rate of Accepted Bids	8.08%	8.17%	9.71%	
Inflation	4.1%	4.1%	4.1%	
Real Return	3.9%	4.0%	5.6%	

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, we project an oversubscription for the August issuance, buoyed by the concurrent maturity and the tax-free status of the bonds on offer. The instruments carry coupon rates of 12.50% (FB1/2018/15) and 12.97% (IFB1/2022/19) – roughly 150bps below the net return on the concurrent redemption. The amortized tenors stand at 5.47 years for the 2018 issuance and 11.03 years for the 2022 issuance.

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%	

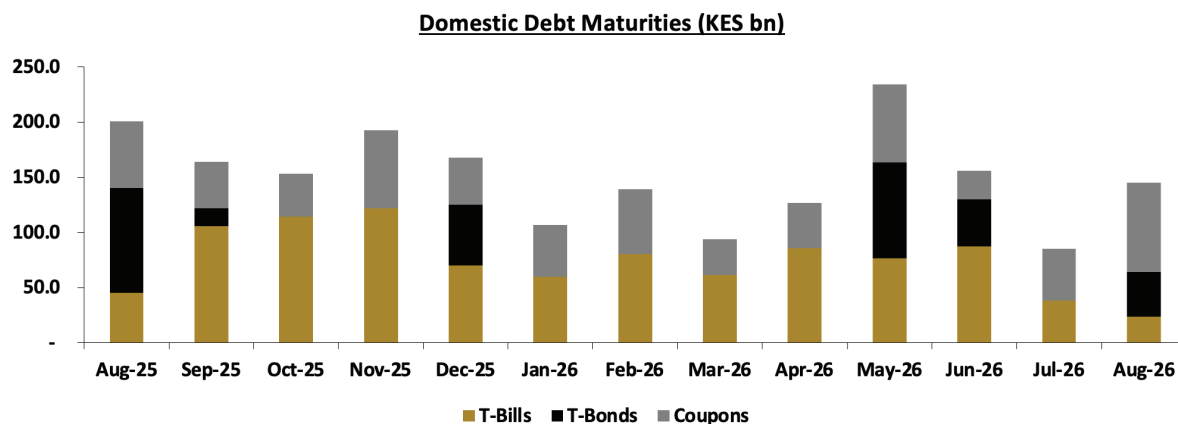
Source: Central Bank of Kenya (CBK), Table: SIB

In the secondary bond market, turnover plunged by 33.7% to KES 39.22bn, from KES 59.18bn 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 980.27bn and KES 335.18bn, respectively. Including coupons, the total maturity profile stands at KES 2.0tn.

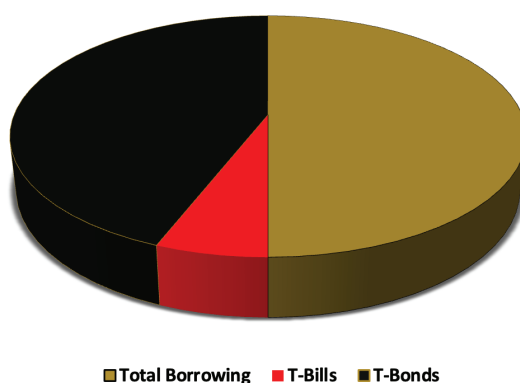
See the chart below;



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

This week's auction pushed net domestic borrowing to KES 86.67bn, 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;

Net Domestic Borrowing - FY25/26*

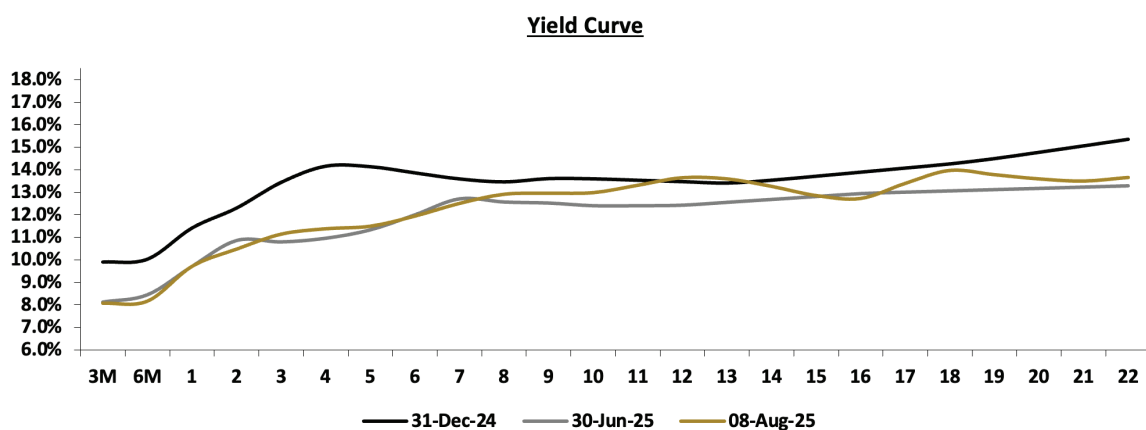


Source: Central Bank of Kenya (CBK), Chart: SIB

Yield Curve:

Local interest rates closed the week mixed: short-term and very long-dated papers fell, while most other tenors rose. On average, yields on government securities increased by 16.42 bps w/w.

Below is a visual representation;



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

THE INTERNATIONAL SCENE

Kenyan Eurobonds:

Yields on Kenyan Eurobonds extended their downward trajectory, posting an average decline of 22.48 bps over the week. The table below summarizes the performance across maturities:

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	5.5	6.8	8.8	22.6
31-Dec-24	9.1%	10.1%	10.1%	10.1%	10.3%
1-Aug-25	7.8%	9.2%	9.3%	9.8%	10.3%
4-Aug-25	7.7%	9.1%	9.2%	9.7%	10.2%
5-Aug-25	7.7%	9.0%	9.1%	9.6%	10.2%
6-Aug-25	7.7%	9.0%	9.1%	9.6%	10.2%
7-Aug-25	7.6%	8.9%	9.0%	9.5%	10.1%
Weekly Change	(0.2%)	(0.2%)	(0.3%)	(0.2%)	(0.1%)
YTD Change	(1.4%)	(1.2%)	(1.1%)	(0.6%)	(0.1%)

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

Currency Performance

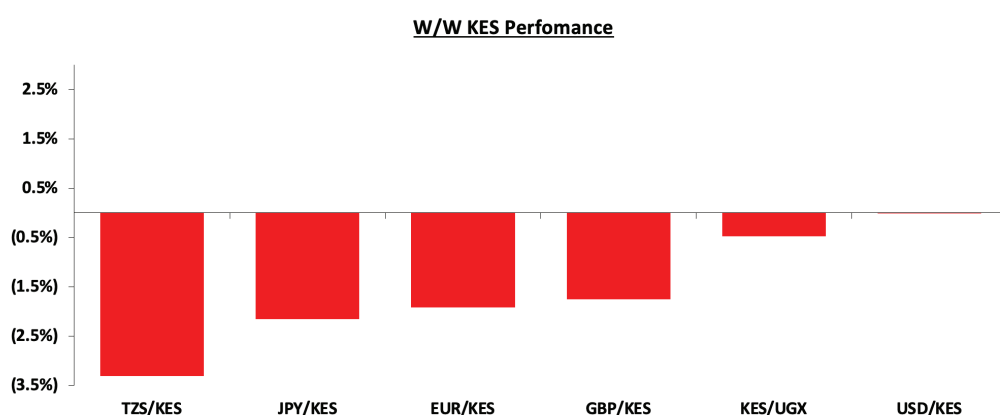
The Kenyan shilling posted mixed performance against the 21 currencies tracked by the Central Bank during the week. We observe a reversal in trend, with the Kenyan Shilling recording an appreciation against the most currencies. Of the currencies we track, the shilling was largely on an upward trend but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

Currencies	30 April 2025 (vs KES)	Previous Week	Current	w/w Change	M/m change
TZS/KES	19.0	19.9	19.2	(3.3%)	1.3%
JPY/KES	82.1	85.9	87.7	(2.2%)	(6.8%)
EUR/KES	134.3	147.6	150.5	(1.9%)	(12.1%)
GBP/KES	162.3	170.6	173.6	(1.8%)	(7.0%)
KES/UGX	28.4	27.7	27.6	(0.5%)	(2.8%)
USD/KES	129.3	129.2	129.2	0.0%	0.0%

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

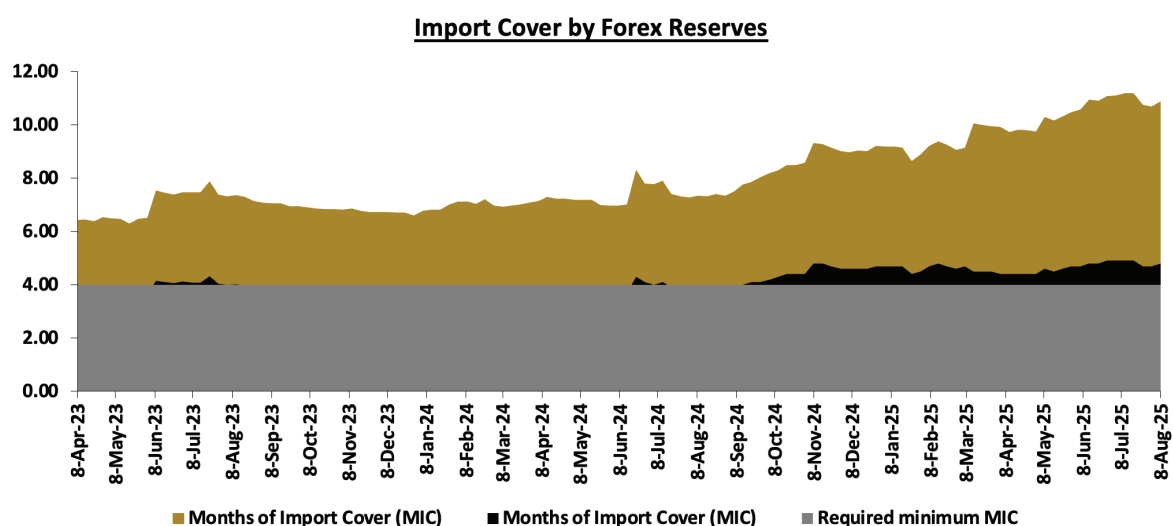
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen | FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

On the other hand, Kenya's foreign exchange reserves reversed last week's decline after recording a 1.9% increase to USD 10.89bn from USD 10.69bn, pushing the import cover to 4.8 months. See the chart below for a visual summary;



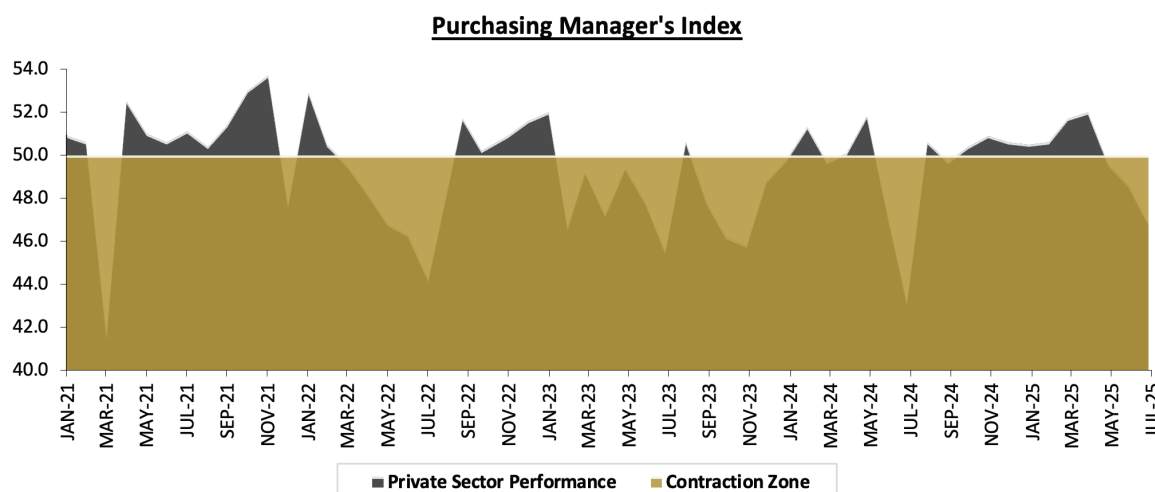
Source: Central Bank of Kenya (CBK), Chart: SIB

THE MACRO WRAP

Private Sector Performance Slumps to Lowest Level in a Year

According to Stanbic Bank Kenya's PMI survey, private sector business conditions deteriorated for the third consecutive month in July during what almost marked an anniversary, reaching their weakest level since July 2024. The performance mirrors last year's trend, when widespread demonstrations disrupted business operations amid heightened uncertainty, significantly affecting sales and output. However, unlike a similar period last year, the latest downturn was less severe, despite a notable increase in fuel prices during the July/August review cycle.

See the chart below for a visual representation of the private sector business performance;



Source: Stanbic, S&P Global | Chart: SIB

**The headline figure derived from the survey is the Purchasing Managers' Index™ (PMI). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.*

Behind the July performance was a sharp contraction in new orders, the steepest in 12 months, driven by reduced customer spending, elevated prices, and political unrest that dampened footfall and, by extension, potential sales opportunities. As a result, input purchases fell at the fastest pace in nearly three years, with manufacturers leading the pullback. Input cost inflation also accelerated, underpinned by surging fuel prices and increased tax obligations. In the same breadth, business activity declined at the most pronounced rate in a year, with the downturn concentrated in the manufacturing and services sectors. Conversely, output gains were recorded in agriculture, construction, and retail.

Despite these headwinds, staffing levels remained broadly stable, enabling firms to clear backlogs amid weakened demand. Additionally, business confidence rose for the second straight month, hitting a 15-month high. Firms attributed this optimism to product launches, land acquisitions, revised marketing strategies, and new branch openings.

Since 2022, the private sector's trajectory toward recovery and expansion has been persistently undermined by political and policy disruptions, both locally and globally. Even with recent macroeconomic stability, consumer-facing businesses remain cautious, aware that a single adverse event could tip them back into survival mode. In this context, we maintain that the private sector operating environment remains fragile, burdened by deeper structural challenges stemming from fiscal constraints and prevailing policy frameworks.

The Stanbic Bank Kenya PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

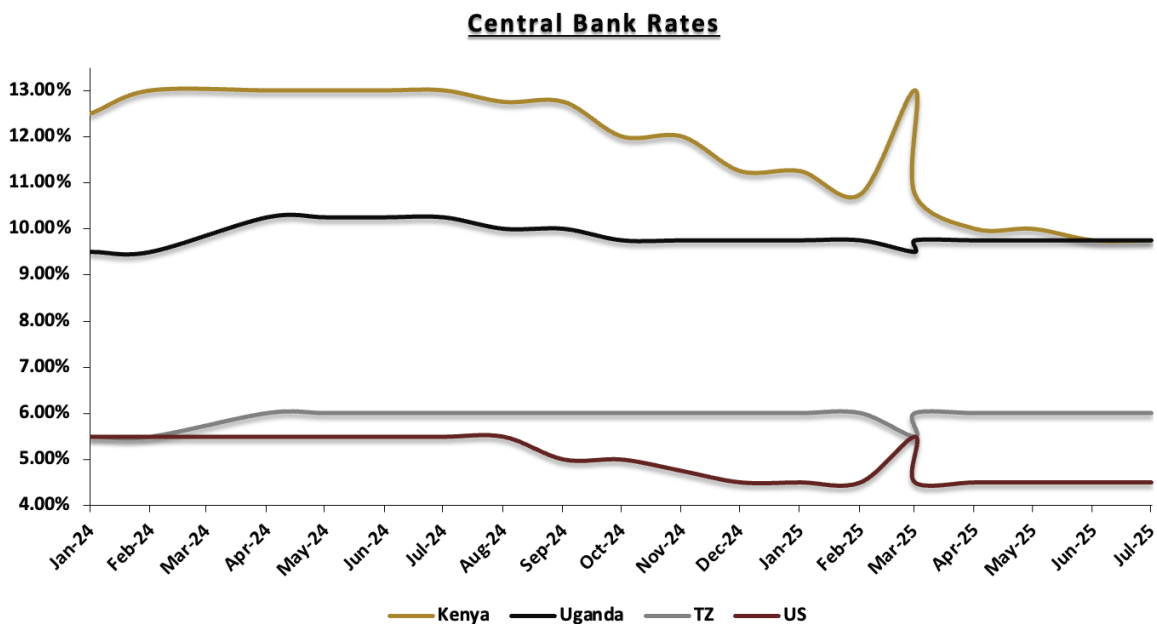
Hot on the Horizon: August 2025 MPC Meeting – we expect a 25bps cut in the benchmark rate

We do not see the recent modest uptick in inflation (to 4.1%) as a compelling reason to hold rates steady, though a steep cut could risk accelerating price growth. There is, we believe, still a strong case for policy easing to stimulate economic activity, given that credit expansion remains subdued due to elevated lending rates and persistently high non-performing loans. While the CBK is exploring alternative mechanisms to lower the cost of credit, the effectiveness of these measures will hinge on the magnitude of the CBR adjustment.

In the fixed-income market, government securities' yields remain in the single digits for short-term tenors and below 14% for medium- to long-term papers. Nonetheless, these are still above pre-2022 levels, underscoring the ongoing challenge of costly debt servicing, which would only be softened by another cut.

The U.S. Federal Reserve has kept their policy rates unchanged, citing lingering economic uncertainty, although the intensity of these risks appears to be gradually easing. This week, the UK cut interest rates to the lowest level in more than two years.

See chart below for benchmark rates across select countries.

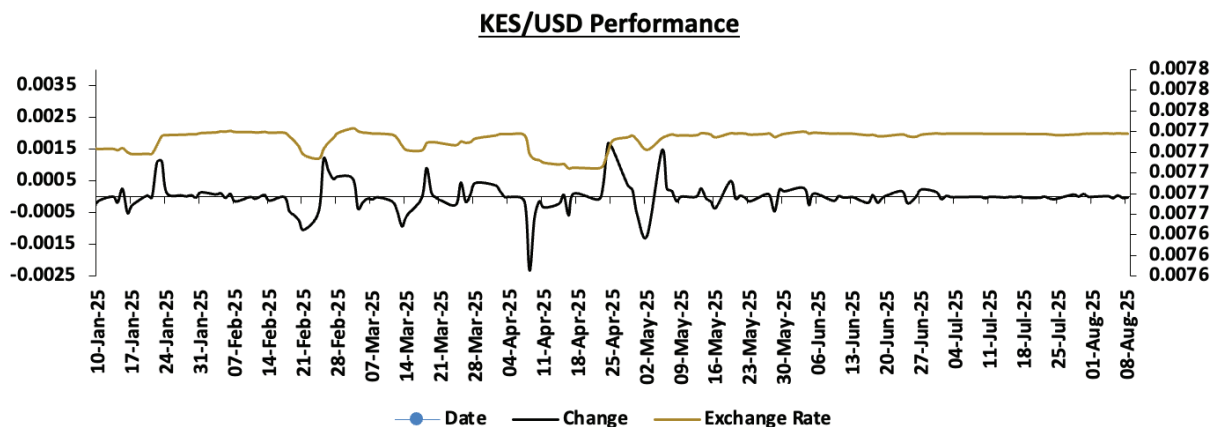


Source: Respective Central Banks | Chart: SIB

We therefore anticipate a measured 25 bps reduction in the policy rate and remain cautious of a larger reduction as it could increase inflationary pressure and weaken the country's relative interest-rate position.

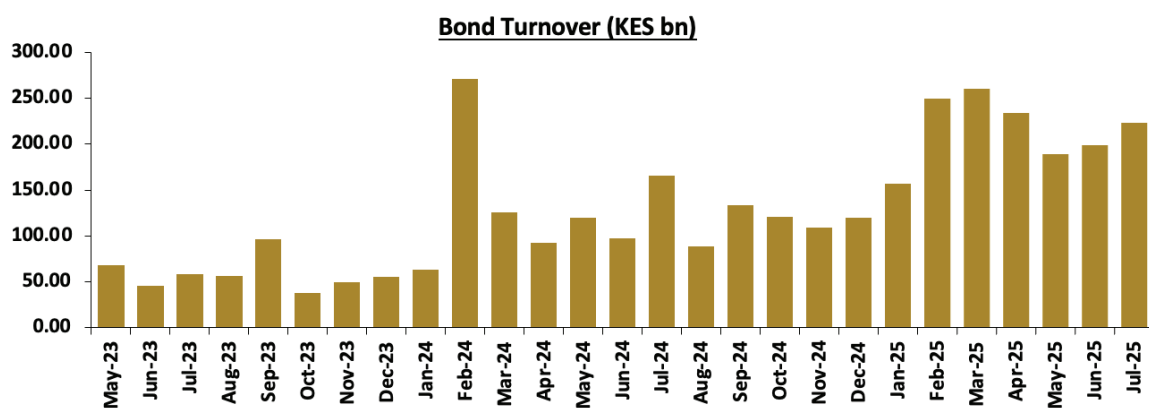
BACKGROUND CHARTS

KES/USD Performance



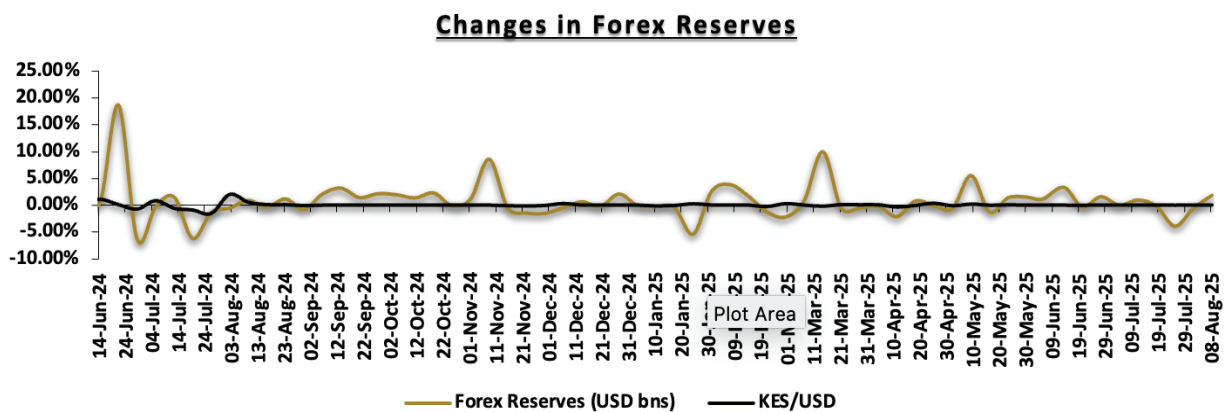
Source: Nairobi Securities Exchange (NSE)

Bond Turnover



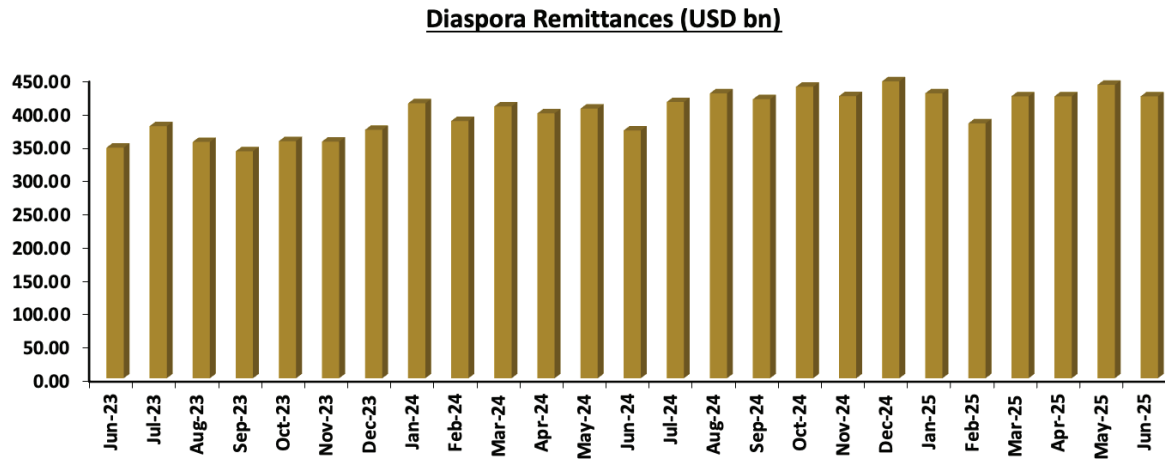
Source: Central Bank of Kenya (CBK)

Forex Reserves



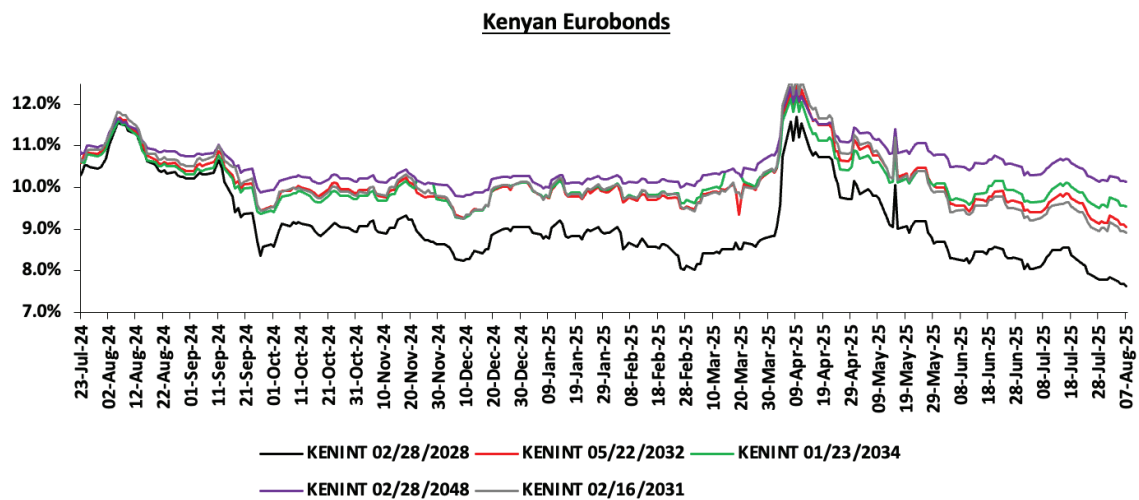
Source: Central Bank of Kenya (CBK)

Diaspora Remittances



Source: Nairobi Securities Exchange (NSE)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

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