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Investors Shun SDB1/2011/30
likely due to lower coupon
compared to peers with a 40%
subscription rate

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WEEKLY FIXED INCOME REPORT

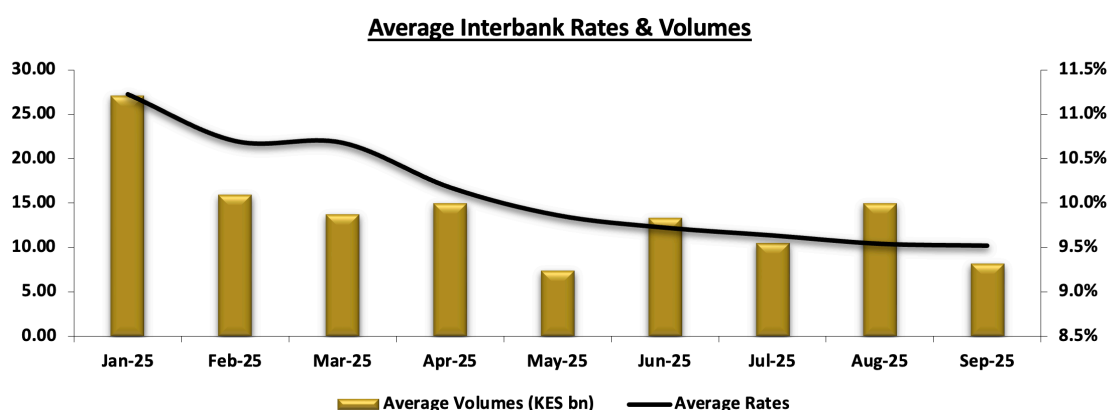
PMI Shows Softer Contraction as Private Sector Climbs Back to Pre-protests levels

MONEY MARKET STATISTICS

This week, the Central Bank of Kenya began publishing the now formal risk-free rate – the Kenya Shilling Overnight Interbank Average (KESONIA). The average unsecured interbank lending rate eased to 9.52% from 9.56% the previous week, even as the apex bank sustained its liquidity mop-ups. Interbank activity slumped just 22% of the previous levels, averaging KES 7.80bn against KES 35.91bn a week earlier. The plunge was mirrored in lower transaction counts, with a handful of players resorting to the discount window, as shown below:

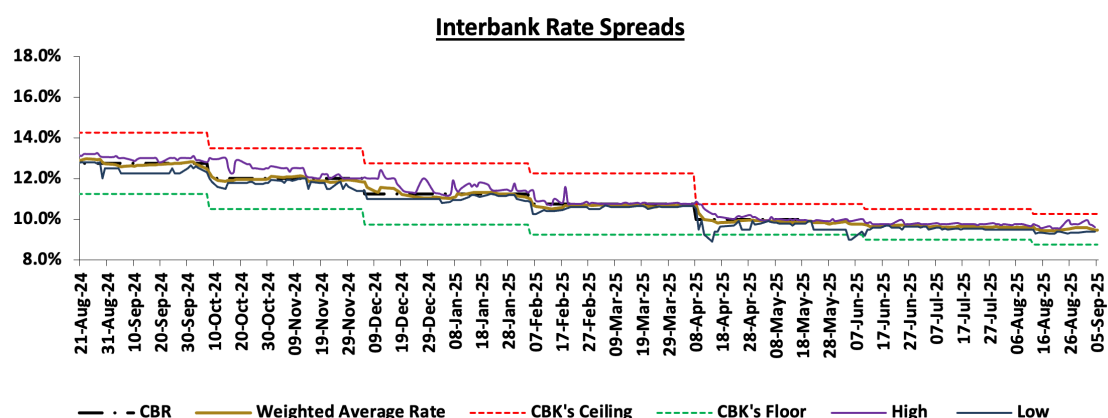
Average	Previous Week	Current Week	Change
Interbank Deals	52.00	20.00	(61.54%)
Inter- Bank volumes (KES bn)	35.91	7.80	(78.28%)
Inter – Bank Rates (bps)	9.56%	9.52%	(3.84)
Window Borrowing Volumes (KES bn)	13.30	0.45	(96.62%)

Key to note, the Central Bank's open market operations have continued to subdue interbank activity, with some banks relying less on the interbank market and instead turning to the CBK. See the chart below;



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

Interbank rates continued to trade closely in line with the Central Bank Rate (CBR), as illustrated below:



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

GOVERNMENT SECURITIES MARKET

T-Bills:

This week, demand for Treasury bills strengthened, with overall subscription rising to 141.2% from 133.5% in the previous week. Investors submitted bids worth KES 33.88bn, of which the fiscal agent accepted 87.2%, comfortably meeting redemption obligations.

The 364-day paper led the rally, posting a subscription rate of 231.0% – the highest in three months – marking a shift from last week when investors largely favored the 91-day paper for short-term liquidity management.

Weighted average rates on accepted bids held broadly stable at 7.99% (-1.34bps), 8.03% (-1.69bps), and 9.58% (+0.99bps) for the 91-, 182-, and 364-day papers, respectively, as the fiscal agent continues to signal a softer near-term interest rate outlook.

KES Bn

8-Sep-25	91-day	182-day	364-day	Totals
	8-Dec-25	9-Mar-26	7-Sep-26	
Amount offered	4.00	10.00	10.00	24.00
Bids received	5.87	4.91	23.10	33.88
Subscription rate (%)	146.7%	49.1%	231.0%	141.2%
Amount accepted	5.55	4.91	19.08	29.55
Acceptance rate (%)	94.7%	100.0%	82.6%	87.2%
Of which: Competitive Bids	4.22	4.39	16.85	25.46
Non-competitive bids	1.33	0.52	2.24	4.09
Rollover/Redemptions	7.88	7.47	6.45	21.80
New Borrowing/(Net Repayment)	(2.33)	(2.56)	12.64	7.75
Weighted Average Rate of Accepted Bids	7.99%	8.03%	9.58%	
Inflation	4.5%	4.5%	4.5%	
Real Return	3.5%	3.5%	5.0%	

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

T-Bonds: Investors Shun SDB1/2011/30 likely due to lower coupon compared to peers

SDB1/2011/30, whose sale period closed on 3rd September, significantly underperformed as investors placed bids worth only KES 8.07bn against the KES 20bn on offer. Despite the undersubscription, the fiscal agent accepted KES 2.40bn, translating to an acceptance rate of just 29.7%. Notably, the paper carried the lowest coupon among the reopened issues. Even so, the weighted average rate of accepted bids came in at 13.96%, leaving the paper well discounted and still offering selective opportunities. See the summary below;

8-Sep-25	SDB1/2011/30
Due Date	21-Jan-41
Amount offered (KES bn)	20.00
Bids received (KES bn)	8.07
Subscription rate (%)	40.3%
Amount accepted	2.40
Acceptance rate (%)	29.7%
Of which: Competitive Bids	0.90
Non-competitive bids	1.50
Rollover/Redemptions	0.00
New Borrowing/(Net Repayment)	2.40
Price per KES 100 at average yield	88.59
Weighted average rate of accepted bids	13.96%
Coupon Rate	12.00%

Meanwhile, FXD1/2018/20 and FXD1/2022/25 remain on offer until 17th September 2025. See the issuance summary below:

Bond Auction	Maturity Date	Effective Tenor	Amount Offered	Coupon	Sale Period
FXD1/2018/20	01-Mar-38	12.5	40.00	13.20%	Up to 17th September 2025
FXD1/2022/25	23-Sep-47	22.1		14.19%	

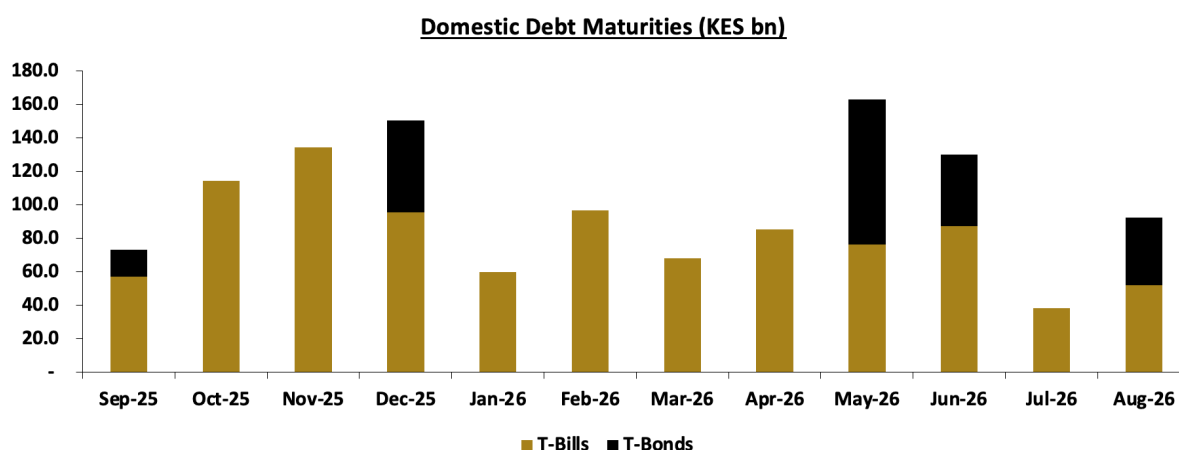
Source: Central Bank of Kenya (CBK), Table: SIB

While most metrics at the Nairobi Securities Exchange turned positive, secondary bond market turnover fell 31.8% to KES 48.54bn from KES 71.17bn the previous week, signaling a shift in capital flows.

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

As of this week, the Government's outstanding maturities for the next 12 months stand at KES 966.68bn in T-Bills and KES 240.54bn in T-Bonds. When coupons are factored in, the total maturity profile rises to KES 1.86tn. For September, bond maturities remain limited, a trend that extends through December, affording the government much-needed breathing space on its repayment schedule.

See the chart below;



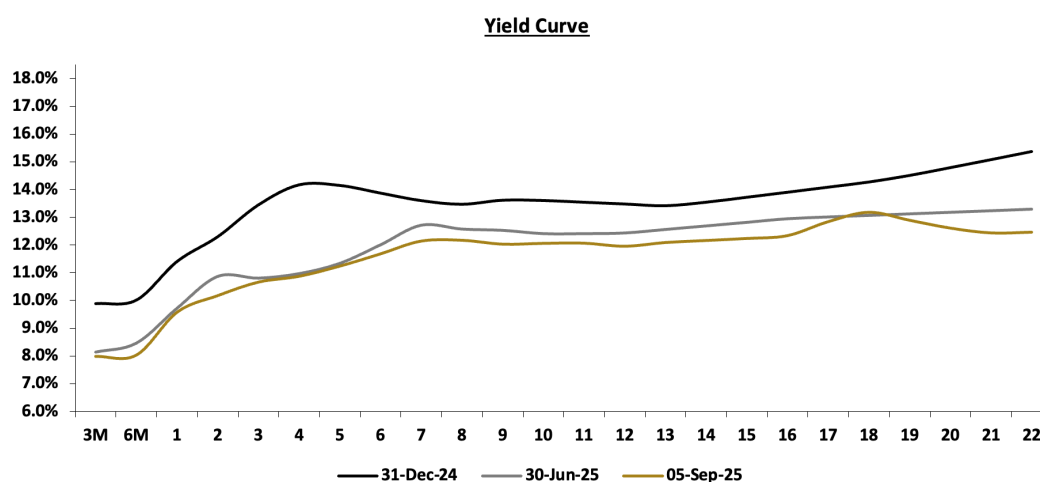
Source: Central Bank of Kenya (CBK), Chart: SIB

This week's auction lifted the Government's net domestic borrowing position to KES 268.50bn, remaining well above the prorated target.

Yield Curve:

Local interest rates showed a mixed performance across tenors, though overall movements were relatively muted while the gains offset the losses. Yields on most papers held broadly stable, recording an average decline of 0.31bps.

Below is a visual representation;



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

THE INTERNATIONAL SCENE

Kenyan Eurobonds:

During the week, yields on Kenyan Eurobonds continued to fall with the rates now approaching pre-2022 levels. 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	2.5	5.4	6.7	8.7	22.5
31-Dec-24	9.1%	10.1%	10.1%	10.1%	10.3%
28-Aug-25	7.0%	8.5%	8.8%	9.3%	9.9%
1-Sep-25	6.8%	8.4%	8.7%	9.2%	9.8%
2-Sep-25	6.9%	8.6%	8.8%	9.4%	9.9%
3-Sep-25	6.7%	8.4%	8.7%	9.2%	9.9%
4-Sep-25	6.6%	8.3%	8.6%	9.1%	9.7%
Weekly Change	(0.3%)	(0.2%)	(0.2%)	(0.2%)	(0.2%)
YTD Change	(2.4%)	(1.8%)	(1.6%)	(1.1%)	(0.6%)

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

Currency Performance

The Kenyan shilling posted a mixed performance across tracked currencies, losing only against the regional currencies. The highest gain was recorded against the Japanese Yen while the unit held steady against the USD, extending the resilience it has maintained for over a year now.

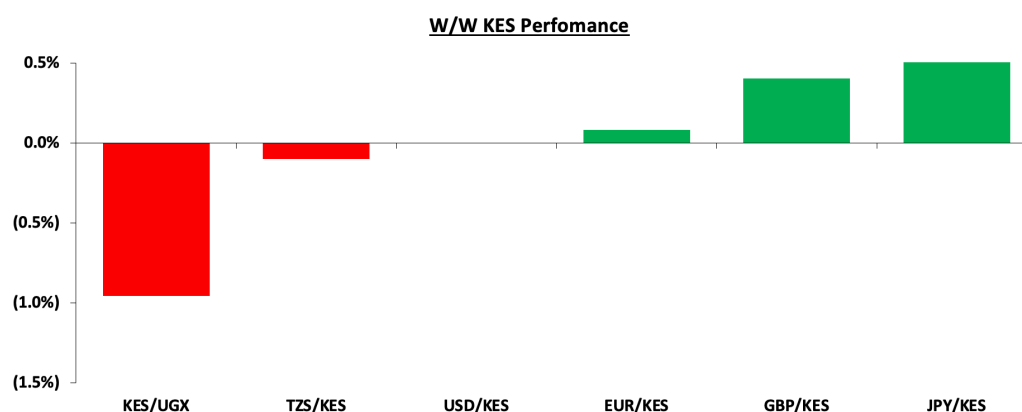
See the table below;

Currencies	31 Dec 2024	Previous Week	Current	w/w Change	Y/y change
KES/UGX	28.4	27.5	27.2	(1.0%)	(4.2%)
TZS/KES	19.0	19.4	19.4	(0.1%)	2.1%
USD/KES	129.3	129.2	129.2	0.0%	0.0%
EUR/KES	134.3	150.7	150.6	0.1%	(12.1%)
GBP/KES	162.3	174.4	173.7	0.4%	(7.0%)
JPY/KES	82.1	87.9	87.1	1.0%	(6.0%)

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

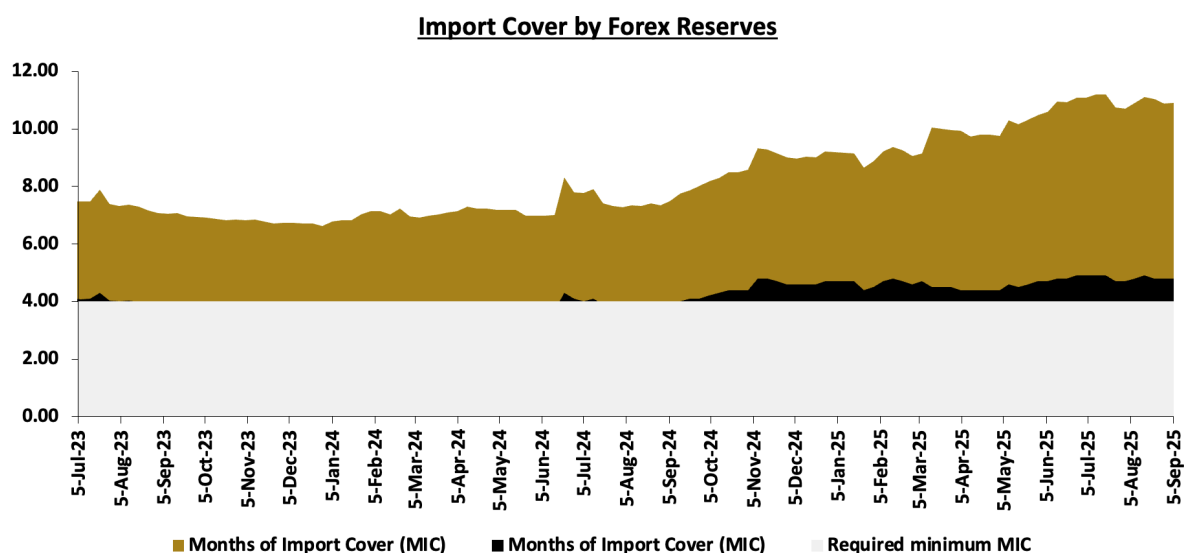
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen | FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

Kenya's foreign exchange reserves rose marginally to USD 10.90bn from USD 10.89bn, maintaining import cover at 4.8 months. See the chart below for a visual summary;

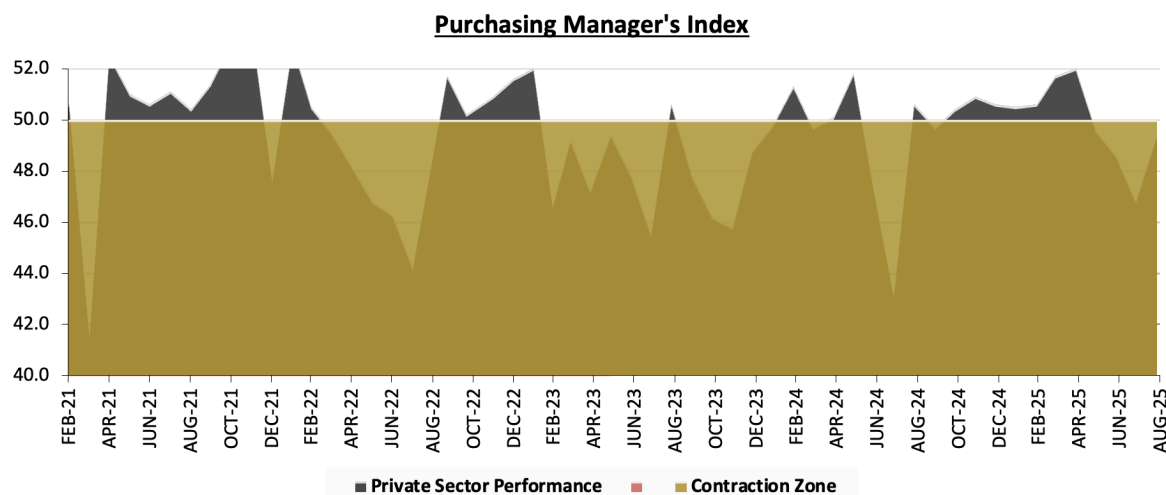


Source: Central Bank of Kenya (CBK), Chart: SIB

THE MACRO WRAP

PMI Shows Softer Contraction as Private Sector Climbs Back to Pre-protests Levels

According to Stanbic Bank Kenya's PMI survey, the private sector remained in contraction territory in August 2025, though the pace of decline eased compared to July. The sector is gradually recovering from protest-related disruptions that had pushed activity to a one-year low, despite relative stability in select macroeconomic indicators. The headline PMI rose to 49.4 from 46.8, still below the neutral 50.0 mark but signaling a much softer deterioration in overall business conditions, as shown below;



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

Notably, business activity contracted for the fourth straight month, with the manufacturing and wholesale & retail sectors showing expansions, offsetting weakness in agriculture, construction, and services sectors. Firms benefited from stabilizing sales and reduced political tensions.

In particular, sales volumes continued to decline, but the fall was marginal—the slowest in the ongoing four-month downturn. Some businesses noted weak client spending, while others experienced a rebound in demand as economic conditions steadied.

Input costs rose sharply, though inflation eased for the first time in five months. Wage pressures intensified due to cost-of-living adjustments, while purchase prices rose mainly on higher taxes such as those on fuel. However, output charges increased only marginally, with some firms discounting to attract customers, keeping price inflation at its lowest in a year.

Despite the headwinds, job creation extended into a seventh consecutive month, marking the fastest growth since May 2024. Hiring was broad-based across sectors, with firms encouraged by signs of stabilizing demand. Meanwhile, reduced backlogs of work suggested some spare capacity. Additionally, Optimism strengthened for the third straight month, reaching its highest level in two-and-a-half years. Firms pinned their hopes on new marketing, product diversification, and branch expansion to drive future growth, with manufacturers especially upbeat.

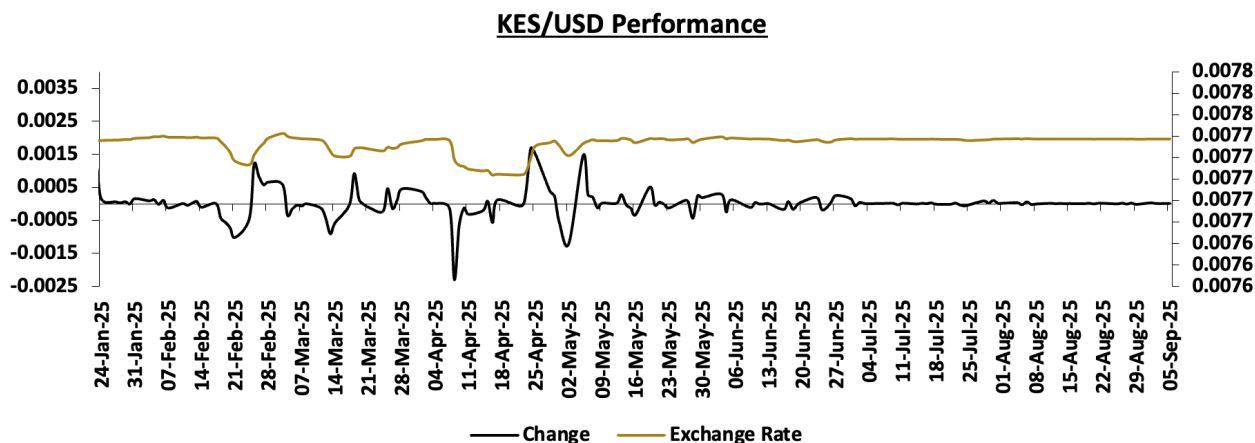
The Stanbic Bank Kenya PMI™ is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP.

Hot on the Horizon:

- i. August/September 2025 Fuel Prices Review

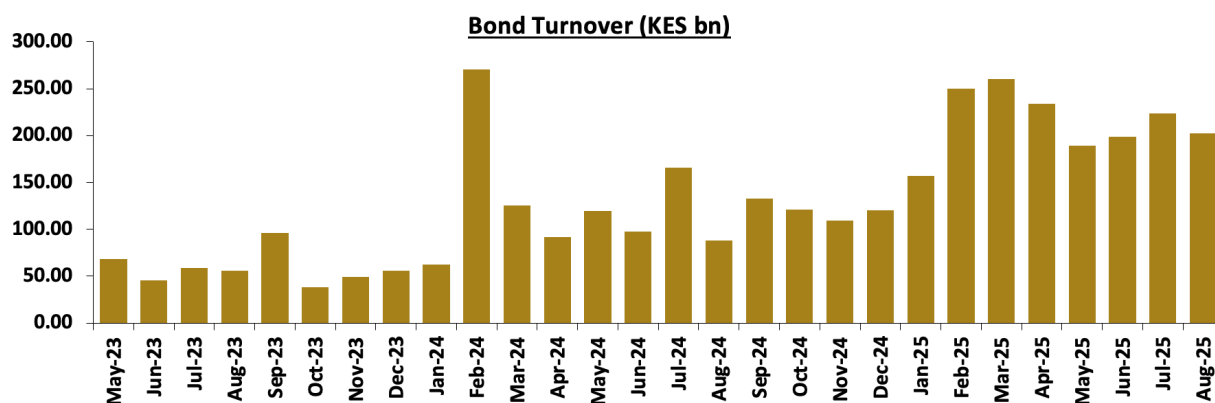
BACKGROUND CHARTS

KES/USD Performance



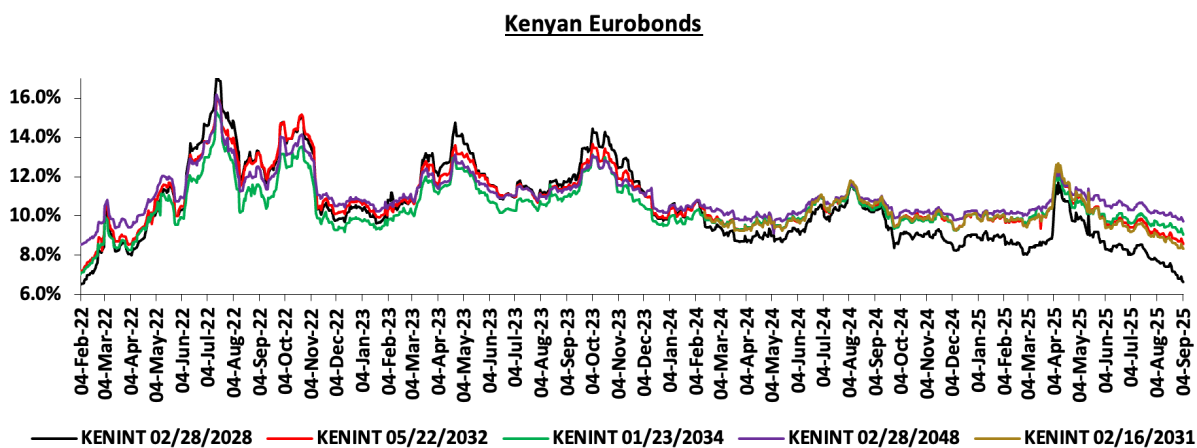
Source: Nairobi Securities Exchange (NSE)

Bond Turnover



Source: Central Bank of Kenya (CBK)

Forex Reserves



Source: Central Bank of Kenya (CBK)

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