SIB Standard Investment Bank

Regulated by the Capital Markets Authority

5TH JANUARY 2026

“CBK seeks KES 60.0bn via 2 re-opened bonds while offering KES 20.0bn voluntary bond switch”

WEEKLY FIXED INCOME REPORT

Stability at Year-End: Inflation Holds at 4.5% in December as Core Inflation Rate Softens

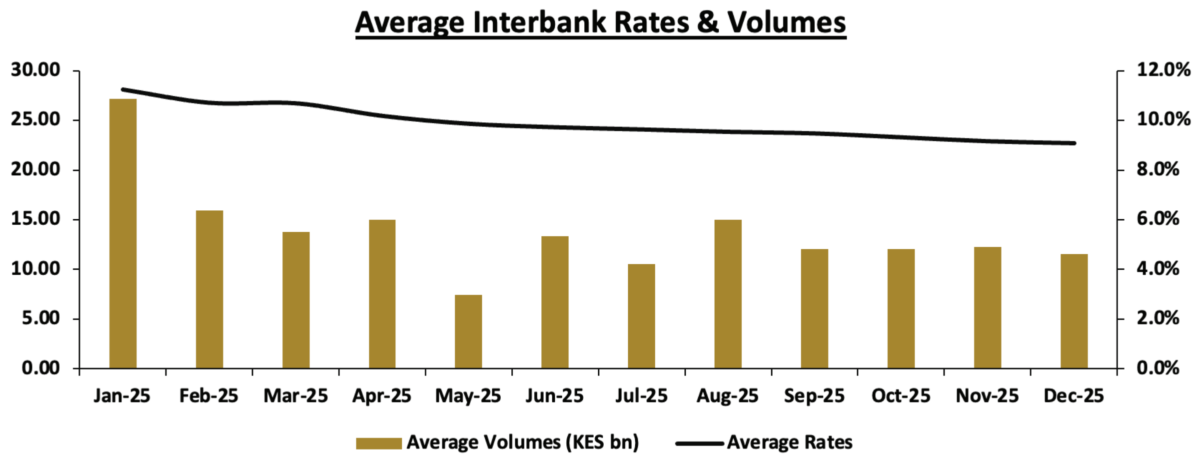
MONEY MARKET STATISTICS

Liquidity conditions in the market kicked off the year on a steady note, with the Kenya Shilling Overnight Interbank Average (KESONIA) largely stable at 8.99% (-0.55bps w/w). Interbank lending eased during the week, with the average traded volumes trending lower by 7.9% w/w to KES 9.4bn, from KES 10.2bn in the prior week. The reduction was mirrored in lower transaction counts (-26.3% w/w to 14). Notably, some players opted to utilize the discount window, with an average borrowing of KES 2.0bn. Find a summary below:

Average	Previous Week – ended 24th December 2025	Current Week – ended 31st December 2025	Change
Interbank Deals	19.00	14.00	(26.32%)
Inter-Bank volumes (KES bn)	10.20	9.39	(7.91%)
KESONIA (bps)	9.00%	8.99%	(0.55)
Window Borrowing Volumes (KES bn)	n/a	2.0	-

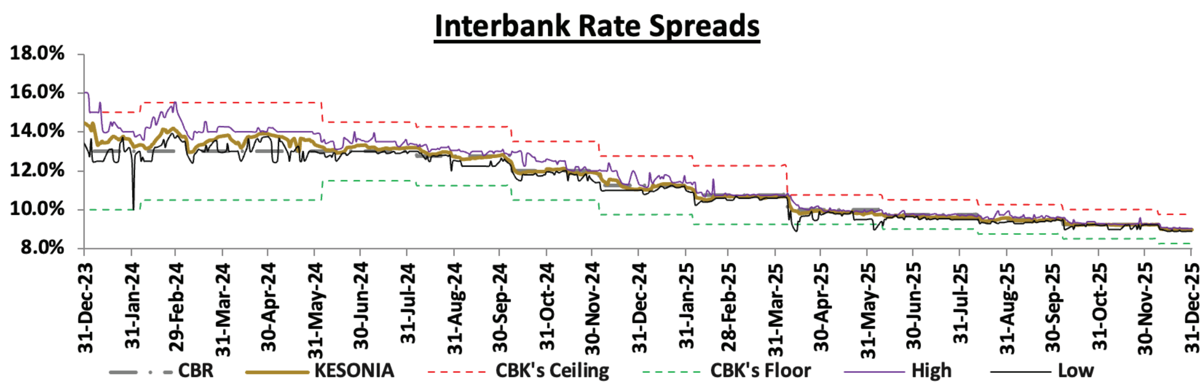
Source: Central Bank of Kenya (CBK), Table: SIB

The average interbank rate tapered to an average of 9.9% in 2025, down c. 310.2bps from an average of 13.0% in 2024, as market players priced in CBK rate cuts through the year, further supported by continued CBK policy reforms. In addition, average interbank volumes inched lower to an average of KES 13.8bn, down c.48.2% y/y from an average of KES 26.7bn.



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

The weighted average interbank rate (KESONIA) continues to closely track the Central Bank Rate (CBR), underscoring the stability and effectiveness of the monetary policy framework:



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

GOVERNMENT SECURITIES MARKET

T-Bills:

This week, demand for Treasury Bills bounced back after subdued demand in the prior auction, likely influenced by the festive season. The overall subscription rate surged to 108.0% from 22.5% in the previous week, with the accepted amount slightly higher than the maturity amounts, resulting in a net borrowing of KES 14.4bn. In absolute terms, the 184-day paper received the highest demand, with the paper garnering 43.6% of the total submitted bids. The 364-day paper followed suit, recording a performance rate of 83.0%, while the 91-day paper recorded a performance rate of 158.2%. Overall, KES 25.9bn was accepted, with the weighted average rate of accepted bids at 7.73% (-0.05 bps w/w), 7.80% (flat for the third consecutive auction), and 9.21% (-0.14bps w/w) for the 91-day, 182-day, and 364-day papers, respectively, as shown below;

KES Bn

05-Jan-2026	91-day	182-day	364-day	Totals
	06-Apr-26	06-Jul-26	04-Jan-27	
Amount offered	4.00	10.00	10.00	24.00
Bids received	6.33	11.29	8.30	25.92
Subscription rate (%)	158.2%	112.9%	83.0%	108.0%
Amount accepted	**6.33**	**11.29**	**8.29**	**25.91**
Acceptance rate (%)	100.0%	100.0%	99.9%	100.0%
Of which: Competitive Bids	5.25	8.18	4.81	18.24
Non-competitive bids	1.08	3.11	3.48	7.67
Rollover/Redemptions	4.73	0.24	6.54	11.51
New Borrowing/(Net Repayment)	**1.60**	**11.05**	**1.75**	**14.40**
Weighted Average Rate of Accepted Bids	7.73%	7.80%	9.21%	
Inflation	4.5%	4.5%	4.5%	
Real Return	**3.2%**	**3.3%**	**4.7%**	

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

Overall, T-bill yields declined by an average of c.219.6 bps from 30th December 2024 to 29th December 2025, with the 91-day paper, 182-day, and 364-day papers closing the year at 7.7281% (c.-216.65 bps), 7.8000% (c.-222.16 bps), and 9.2109% (c.-219.86 bps), respectively. With regards to performance, T-bills were oversubscribed in the year, with the average subscription rate at 136.1%, slightly lower than an average of 153.0% in 2024. Investors exhibited a preference for the 91-day paper, with the paper recording an average subscription rate of 203.6%. Furthermore, the average subscription rates for the 364-day paper came in at 176.2% in 2025, while those of the 182-day papers came in at an average of 69.1%.

T-Bonds:

In the primary bond market, the fiscal agent seeks to raise KES 60.0bn through two reopened bonds: FXD1/2019/020 and FXD1/2022/025 with effective tenors of 13.20 and 21.8 years, respectively (in line with its strategy to lengthen its maturity profile). The bonds have coupon rates of 12.87% and 14.19% for FXD1/2019/020 and FXD1/2022/025, respectively, with the sale period for both papers running until 7th January 2026. The total outstanding amount for these bonds stands at KES 259.0bn, with the longer tenured paper (FXD1/2022/025) holding a slightly larger allocation (KES 175.6bn). Given the steady decline in bond yields in response to CBR rate cuts and recent auction trends, we anticipate increased investor demand for FXD1/2022/025, driven by its comparatively attractive coupon rate.

See a summary of the offer below:

Bond	Maturity Date	Effective Tenor	Amount Offered (in KES Bn)	Coupon	Sale Period
FXD1/2019/020	23-Mar-39	13.20	60.0	12.87%	Up to 7th January 2026
FXD1/2022/025	23-Sept-47	21.80		14.19%	

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

Additionally, the CBK is concurrently offering a bond switch from FXD1/2016/010 to the reopened FXD1/2022/018, targeting up to KES 20.0bn (c.19.3% of the outstanding amount) via multi-price auction from 9th December 2025 to 19th January 2026. This marks the first switch auction in FY25/26, which is part of the Government's liability management operations that seek to use buybacks and switches to actively manage maturity risk, reduce borrowing costs, and smooth the redemption profile of domestic debt. In particular, FXD1/2016/010 had been earmarked for two liability management operations (October 2025 and January 2026). The offer is on a voluntary basis for investors with unencumbered holdings in FXD1/2016/010 as at 19th January 2026.

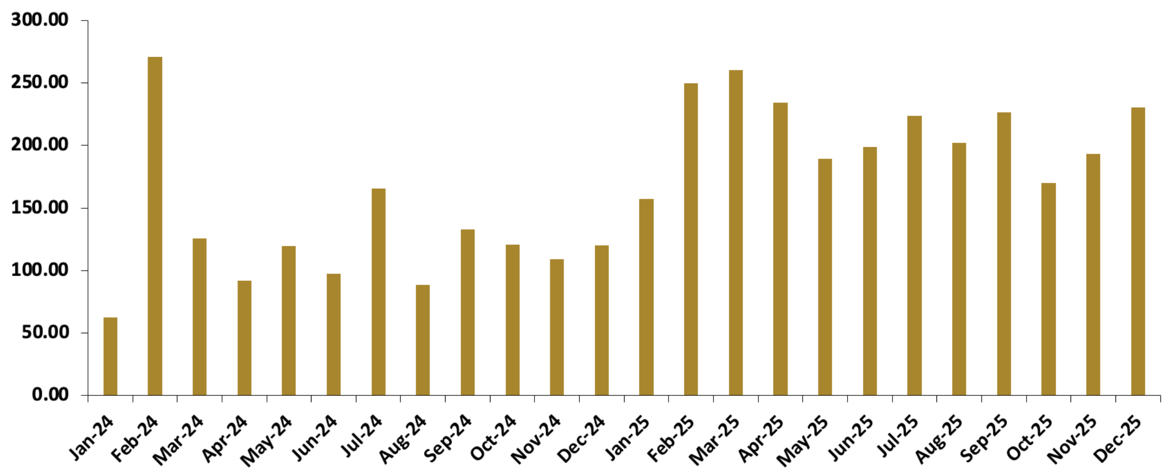
We opine that the switch auction will provide investors the opportunity to extend duration of their portfolios (especially fund managers who are keen on managing their cashflows), locking in the comparatively attractive 13.942% coupon rate on FXD1/2022/015 amid recent rate declines. Furthermore, the switch may also help investors address potential reinvestment risk if yields in the market fall even further, should the paper be held

	Source Bond	Destination Bond
Issue Number	**FXD1/2016/010**	**FXD1/2022/015**
Effective tenor	0.6 years	11.3 years
Coupon Rates	15.04%	13.94%
Maturity Dates	17/08/2026	06/04/2037
Amount (KES - bn)	20.0	
Period of Sale	09th December 2025 – 19th January 2026	
Bid Submission Deadline	19th January 2026	

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

Looking at the secondary bond market, turnover lessened to KES 23.2bn (-14.4% w/w) in the week from KES 27.1bn in the previous week. On the other hand, market turnover jumped to KES 230.4bn in December 2025, up by 19.2% from KES 193.4bn in November 2025. Cumulatively, secondary market turnover surged by c. 75.7% y/y to hit KES 2,710.4bn (according to the NSE 2025 End of Year Market Report), which we attribute to investors locking in higher rates as yields declined, higher liquidity, and strong market demand.

Secondary Market Bond Turnover (Kshs bn)

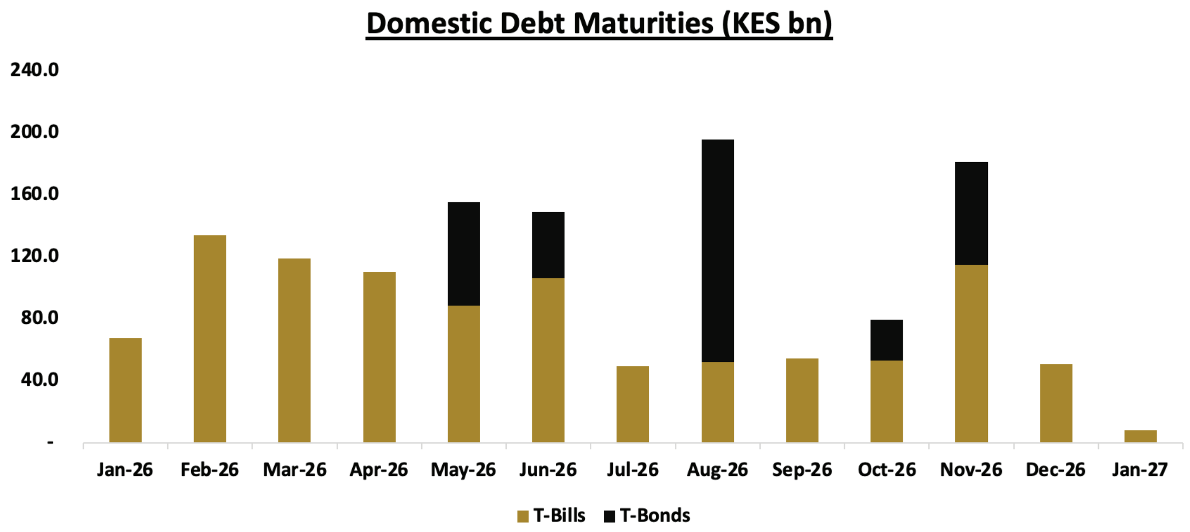


Source: Nairobi Stock Exchange (NSE) | Table: SIB

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

As of this week, the Government's outstanding maturities to January 2027 are at c.KES 1,009.13bn in T-Bills and c.KES 345.76bn bn in T-Bonds. When we factor in coupons, the total maturity profile comes in at c.KES 2.0tn. Markedly, the next bond maturity is expected in May 2026 (c.KES 86.8bn), affording the government much-needed breathing space on its repayment schedule.

See the chart below;

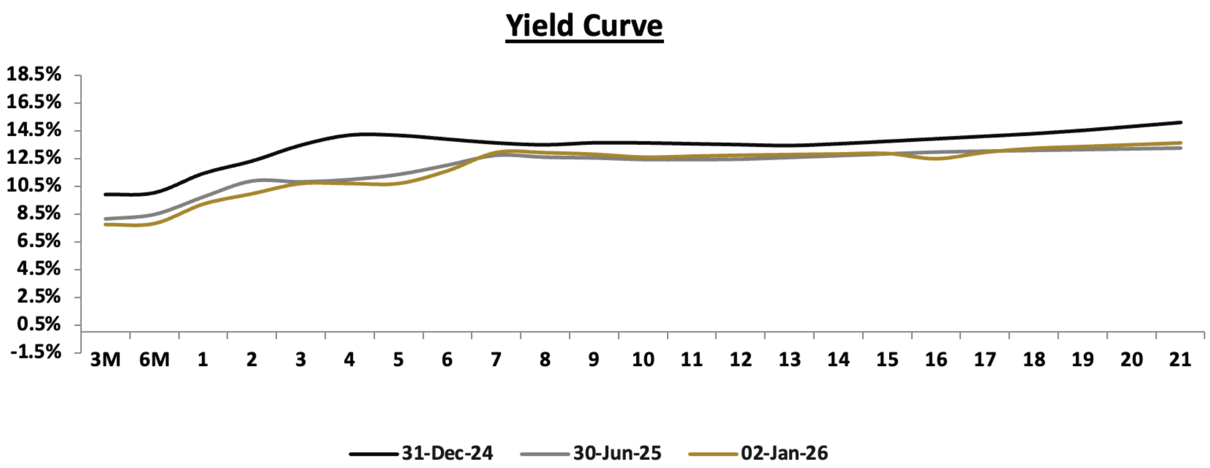


Source: Nairobi Securities Exchange (NSE), Chart: SIB

This week's auction pushed the Government's net domestic borrowing position to KES c.509.87bn, above the prorated target (performance rate of c.169.8%).

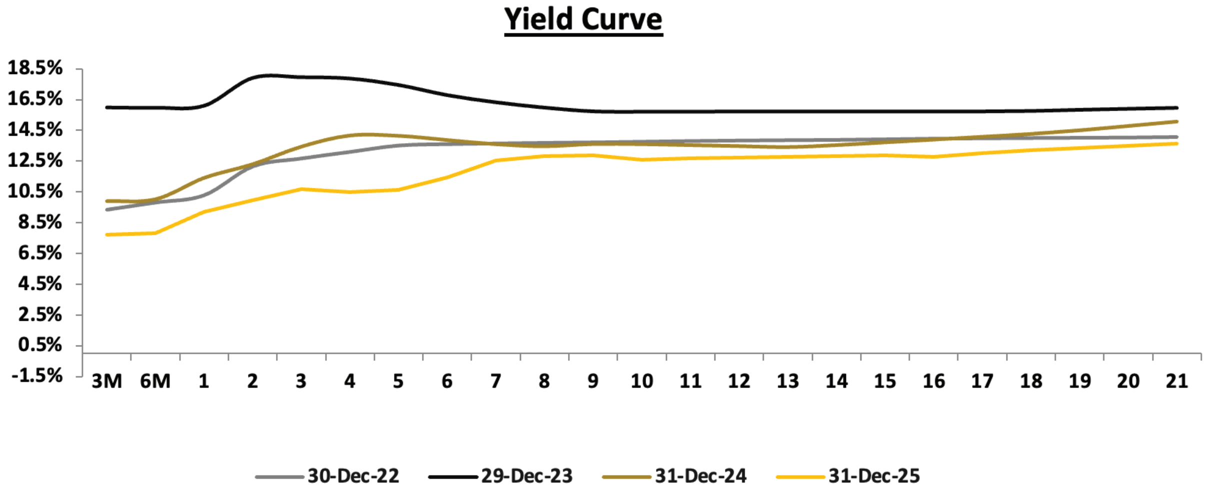
Yield Curve:

Week-on-week, yields remained largely stable (average uptick of 2.6bps w/w), with declines largely offset by upticks. Below is a visual representation;



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

Overall, yields softened by an average of 154.8bps y/y in 2025, as interest rates on government securities continued falling strategically, further buoyed by the government's ability to reject expensive bids. As a result, rates on short-term securities (up to 5 years) experienced a significant cumulative decline of c. 2,236.23bps, spearheading the adjustments.



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

THE INTERNATIONAL SCENE

Kenyan Eurobonds:

During the week, yields on Kenyan Eurobonds softened marginally, with rates declining by an average of 8.4bps for the week dated 24th December 2025 to 31st December 2025. The movement remained modest, reflecting cautious optimism in the market. The table below summarizes the performance across maturities:

Kenyan Eurobonds					
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	**2.2**	**5.2**	**6.4**	**8.5**	**22.2**
31-Dec-24	**9.1%**	**10.1%**	**10.1%**	**10.1%**	**10.3%**
24-Dec-25	6.2%	7.2%	7.3%	7.9%	8.9%
29-Dec-25	6.1%	7.1%	7.3%	7.9%	8.9%
30-Dec-25	6.2%	7.2%	7.2%	7.9%	8.9%
31-Dec-25	6.0%	7.1%	7.2%	7.8%	8.8%
Weekly Change	**(0.131%)**	**(0.108%)**	**(0.086%)**	**(0.068%)**	**(0.027%)**
Y/y Change	**(3.0%)**	**(3.0%)**	**(2.9%)**	**(2.3%)**	**(1.4%)**

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

Markedly, Kenyan Eurobonds moderated by an average of c. 253.98 bps y/y in 2025. We attribute this improvement partly to Eurobond buyback transactions (buyback of USD 900.0m 7.00% 2027 notes in February 2025 and USD 1.0bn 7.25% 2028 notes in October 2025) that occurred in the year, which we believe allayed investor concerns around repayment pressures.

S&P Global upgraded Kenya's long-term sovereign credit rating from B- to B, while maintaining a stable outlook in August 2025. This upgrade was attributed to strengthened foreign exchange reserves, robust export earnings, and stable diaspora remittances, which have alleviated near-term external liquidity pressures. Earlier in the year, S&P assigned a B- rating with a stable outlook in February 2025, a rating that Fitch Ratings affirmed on July 25, 2025. Meanwhile, Moody's retained Kenya's Caa1 rating for both local and foreign currency long-term issuer obligations, but revised its outlook from negative to positive on January 25, 2025.

Currency Performance

The Kenyan shilling exhibited mixed performance during the week compared to the currencies we track. In particular, the Kenyan Shilling gained ground against the Ugandan Shilling, British Pound, Euro, Tanzanian Shilling, and Japanese Yen, appreciating by 0.1% w/w, 0.2% w/w, 0.3% w/w, 0.6% w/w, and 0.6% w/w, respectively. On the other hand, the local unit remained largely unchanged against the dollar (-0.04% w/w). In particular, the U.S. Dollar Index is estimated to have strengthened by 0.39% during the week ending December 31, 2025, mainly reflecting low-end-year trading.

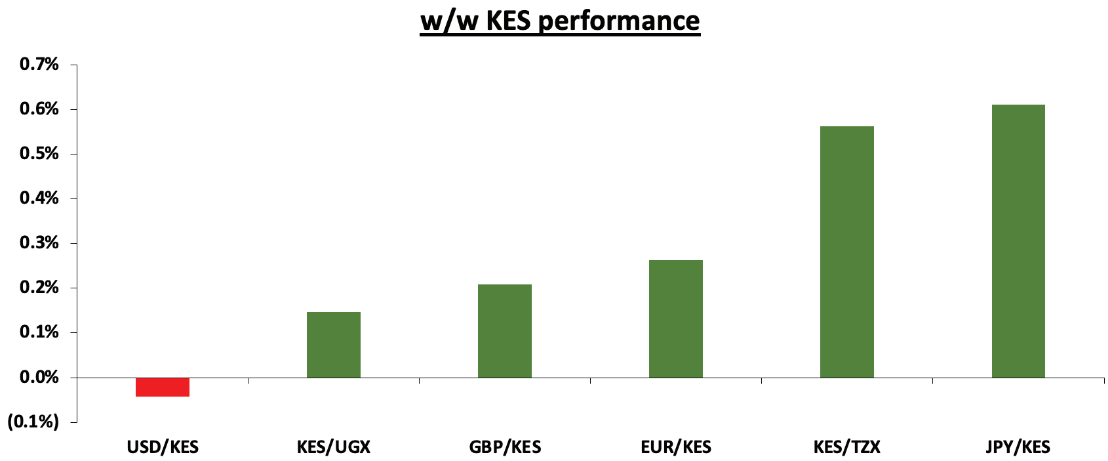
See the table below;

Currencies	31 Dec 2024	Previous Week	Current	w/w Change	YTD change – 31st Dec 2025
USD/KES	129.01	129.00	129.05	**(0.0%)**	(0.0%)
KES/UGX	28.06	28.01	28.05	**0.1%**	(0.0%)
GBP/KES	173.65	174.32	173.95	**0.2%**	(0.2%)
EUR/KES	151.43	152.13	151.73	**0.3%**	(0.2%)
KES/TZX	19.03	19.07	19.18	**0.6%**	0.8%
JPY/KES	82.39	82.79	82.29	**0.6%**	0.1%

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 I FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

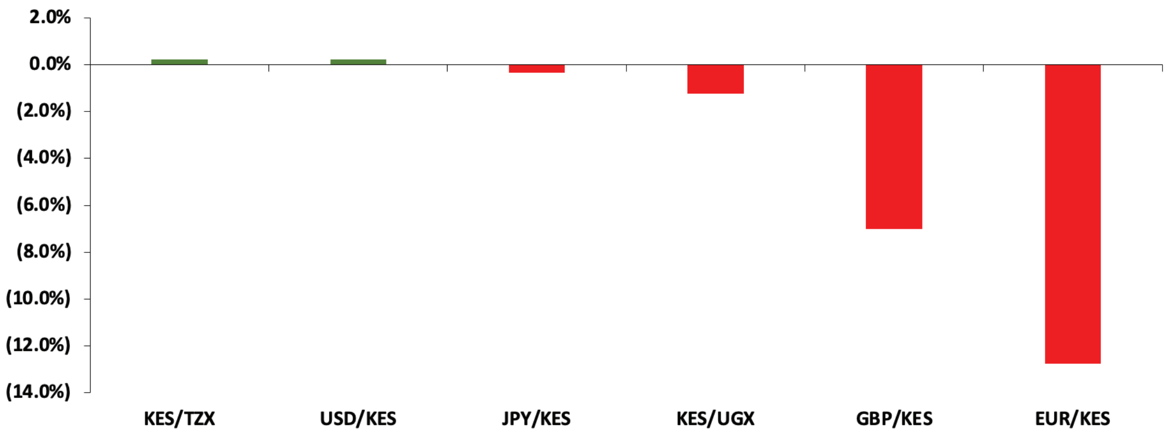
See also a visual representation;



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

Looking at the local unit's performance against the tracked currencies through 2025, the Kenyan Shilling appreciated by c.0.2% y/y against the Tanzanian Shilling and the US dollar. Conversely, the Kenyan Shilling depreciated by c.12.8% y/y, c.7.0% y/y, c.1.2% y/y, and c.0.3% y/y against the Euro, British Pound, Ugandan Shilling, and Japanese Yen, respectively. See a visual summary below:

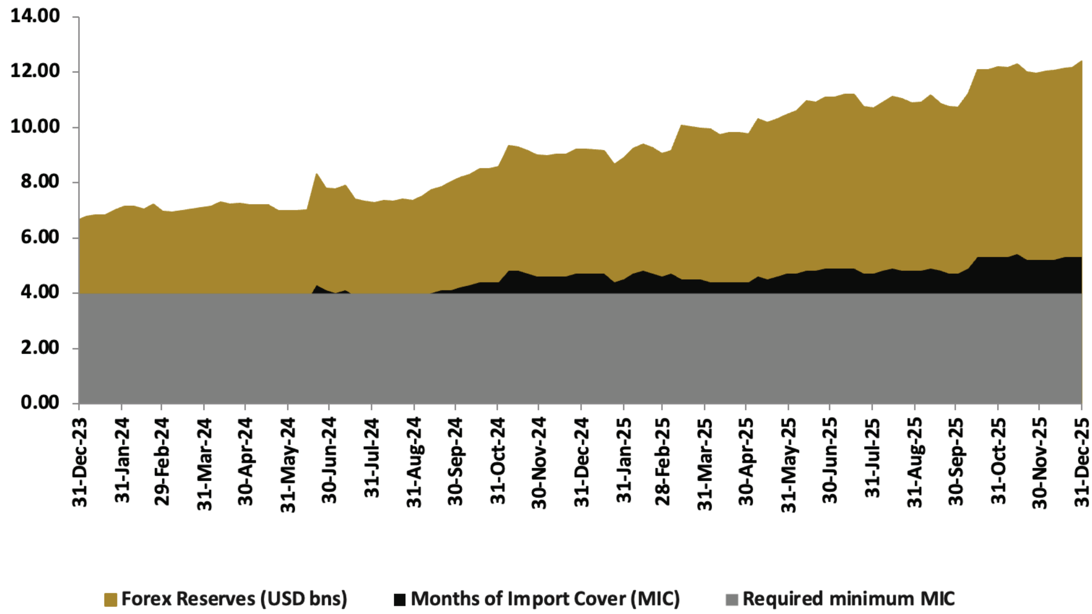
2025 KES performance



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

Kenya's foreign exchange reserves rose to USD 12.39bn (+1.9% w/w), maintaining the import cover at 5.3 months. Furthermore, FX reserves jumped by c.34.7%y/y in 2025, from USD 9.20bn as of 27th December 2024, boosted by proceeds from Eurobond transactions, coupled with resilient diaspora remittances and continued growth in exports. See the chart below for a visual summary;

Import Cover by Forex Reserves



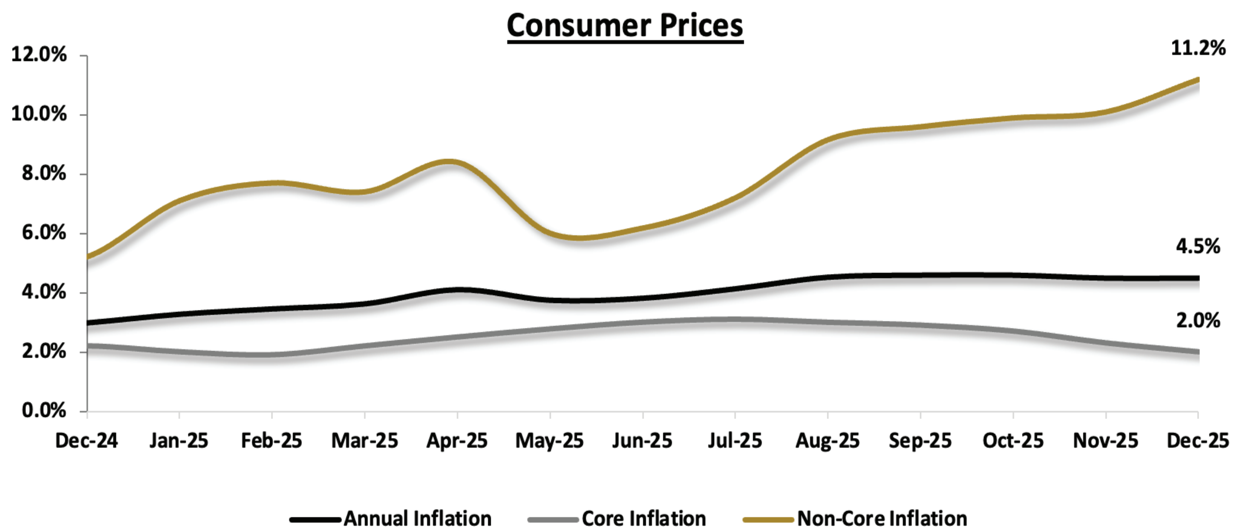
Source: Central Bank of Kenya (CBK), Chart: SIB

THE MACRO WRAP

1. November inflation holds steady at 4.5% as core inflation trends lower

In December 2025, headline inflation held steady, coming in at 4.5% y/y, with core inflation dwindling to 2.0% from 2.3% in November 2025. Conversely, non-core inflation jumped to 11.2% from 10.1% in November 2025. The overall price increase in the month was largely on the back of higher prices in the Food and Non-Alcoholic Beverages (7.8%); Transport (5.2%), and Housing, Water, Electricity, Gas, and other fuels (1.6%) segments over the one-year period. Overall, headline inflation remained anchored within the central bank's target; however, non-core inflation continued to exhibit volatility.

See the chart below;

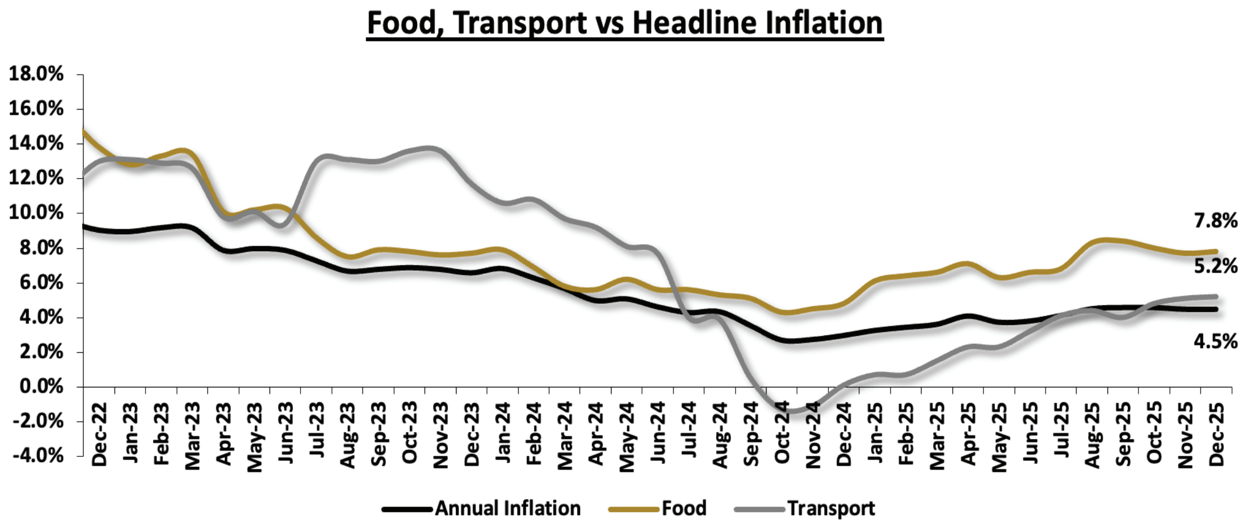


Source: KNBS, Chart: SIB

The y/y performance of non-core inflation was largely attributable to a jump in food prices, with food inflation reported at 7.8% (7.7% in November 2025) from 4.8% in December 2024. In particular, it is estimated that the price of tomatoes, Kale, and Irish potatoes had jumped by 30.3%, 23.4%, and 8.3% over the one-year duration. Notably, prices of several food items recorded mixed movements in the month. Kale, loose maize flour, and potatoes prices went up by 4.7%, 5.1%, and 2.9%, respectively. On the other hand, prices of sugar, cooking oil, and mangoes between November 2025 and December 2025 decreased by 1.5%, 0.7%, and 1.6%, respectively.

The Transport index grew at a rate of 5.2% in the year vs 0.1% in December 2024. Between November and December 2025, prices for transport-related items displayed mixed trends. The fares for country buses and matatus traveling between towns increased by 5.3%, while the prices of international flights rose by 14.4%. These changes reflect the impact of the festive season.

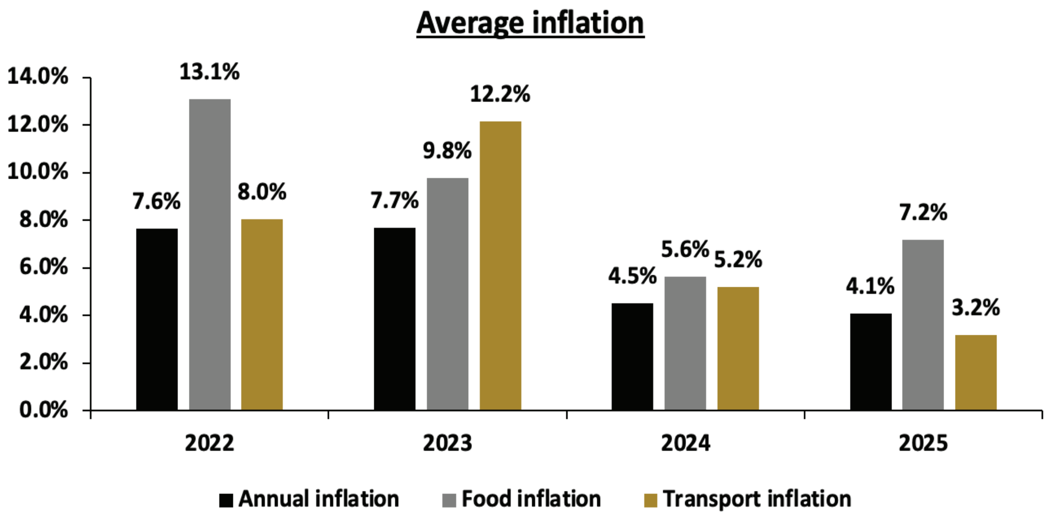
The Household Utilities Index's growth rate eased to 1.6% (down from 1.9% in November 2025). Between November and December 2025, the price of electricity decreased by 2.8% for 50 kWh and by 2.6% for 200 kWh. In contrast, the price of gas and LPG rose by 0.4% during the same period. The chart below illustrates the growth trajectory of the food and non-alcoholic beverages, as well as transport indices (both of which constitute more than 40% of the consumer basket), against the headline inflation.



Source: KNBS, Chart: SIB

On a month-on-month basis, consumer prices rose by 0.6%, up from 0.2% recorded in November 2025, reflecting relative stability across key indices. However, upward pressure persists, driven by rising food prices on select items, further squeezed by higher transport prices. Overall, core inflation points to continued price stability (could also point to muted consumer demand), anchored by a steady shilling against the US dollar, as underlying, long-term price pressures in the economy soften.

From an annual perspective, average inflation hit 4.1%, down c.44.8bps y/y from an average of 4.5% recorded in 2024. In particular, core inflation softened to an average of 2.5%, down c.61.1bps y/y from an average of 3.1% in 2024. Transport inflation edged lower to an average of 3.2% in 2025 vs 5.2% in 2024 on largely stable fuel prices, while average food inflation notched higher to 7.2% in 2025 vs an average of 5.6%, fueled by higher food prices in the year. See a summary below:



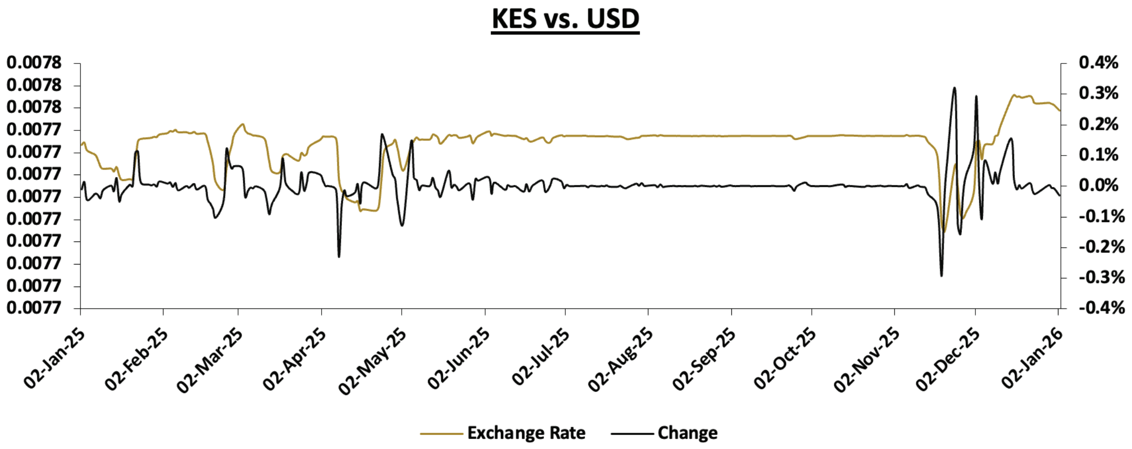
Source: KNBS, Chart: SIB

Hot on the Horizon:

1. **Stanbic December 2025 Purchasing Managers' Index (PMI)**
2. **Kenya 3Q25 GDP numbers**

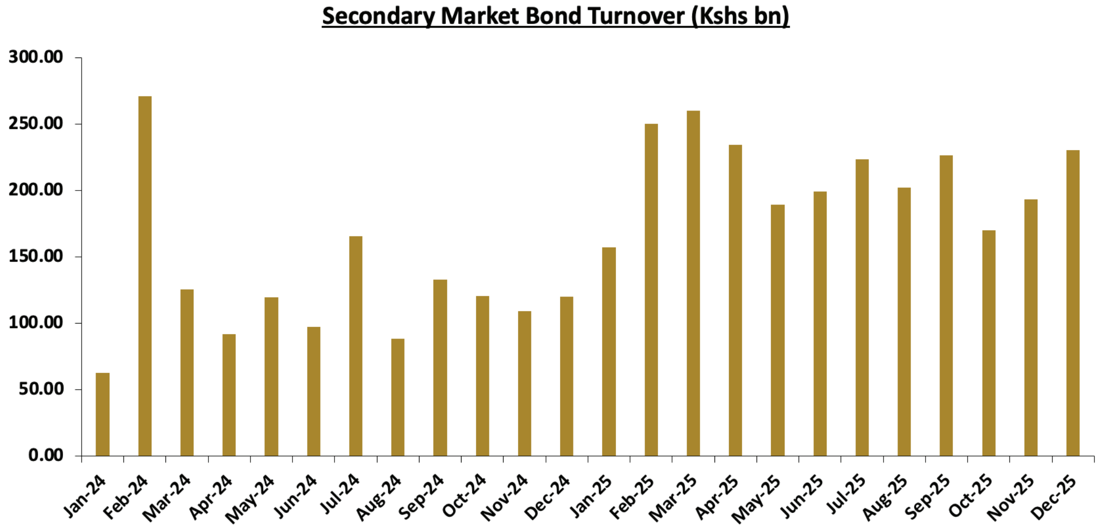
BACKGROUND CHARTS

KES/USD Performance



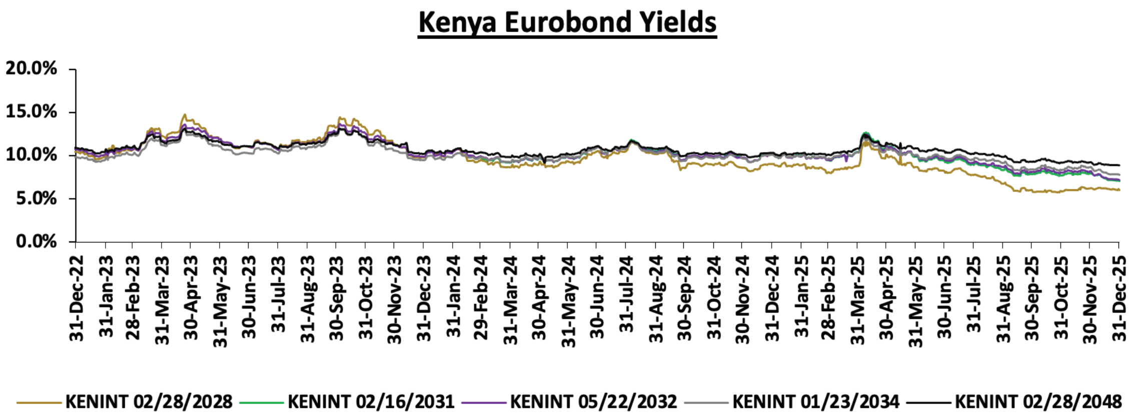
Source: Central Bank of Kenya (CBK)

Bond Turnover



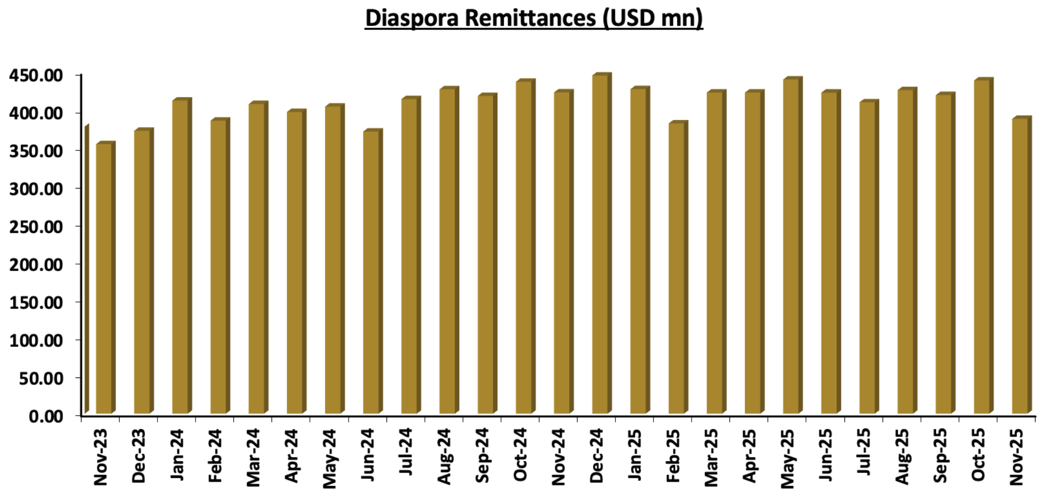
Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

Diaspora Remittances



Source: Central Bank of Kenya (CBK)

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