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Investors switch KES
25.2bn into lower-yielding
bond - FXD1/2022/015 - in
oversubscribed auction
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WEEKLY FIXED INCOME REPORT

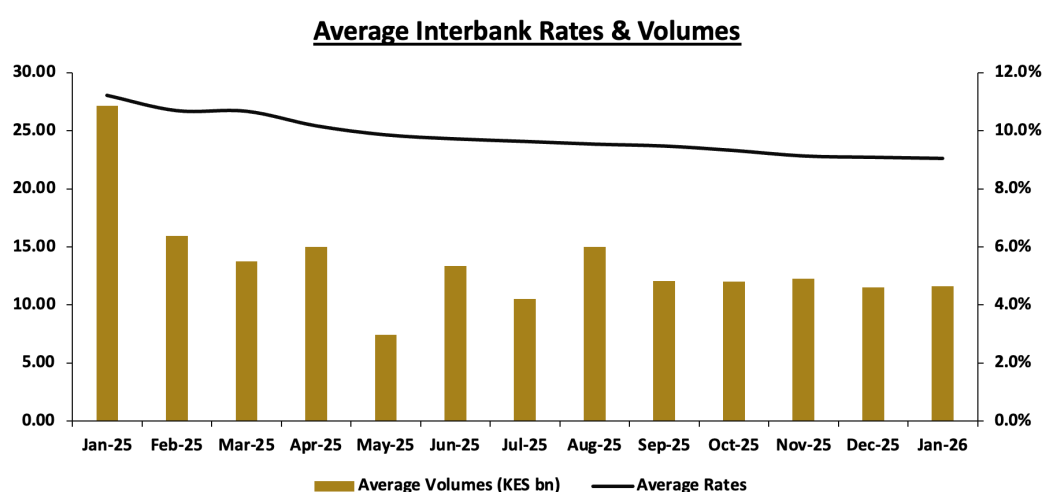
CBK seeks KES 50.0bn through two long-term reopened bonds

MONEY MARKET STATISTICS

Liquidity conditions remained largely stable in the week, with the Kenya Shilling Overnight Interbank Average (KESONIA) rising by 0.18bps w/w to an average of 8.99%. Interbank lending inched lower during the week, with average traded volumes declining by 20.7% w/w to KES 12.09bn, from KES 15.25bn in the prior week. The slowdown was mirrored by a lower transaction count (-21.7% w/w to 18). Find a summary below:

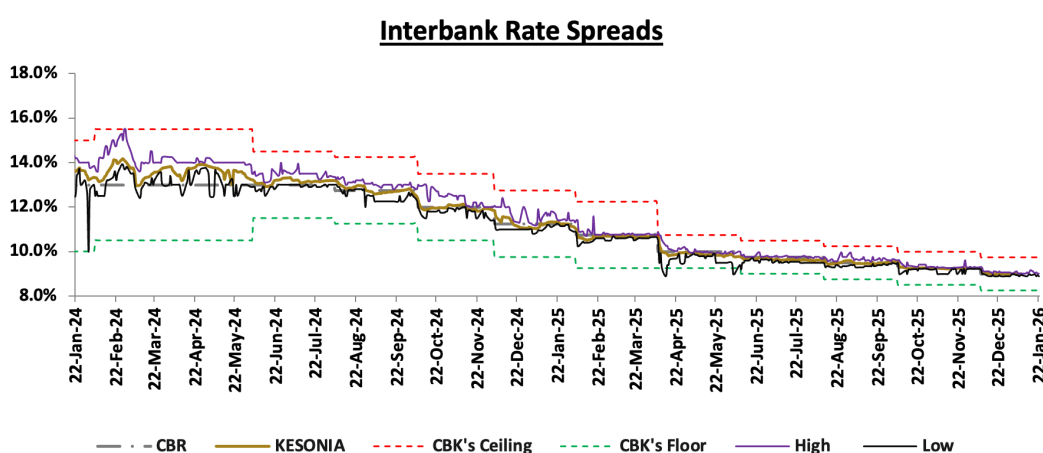
Average	Previous Week – ended 15 th January 2026	Current Week – ended 22 nd January 2026	w/w change
Interbank Deals	23.00	18.00	-21.74%
Inter-Bank volumes (KES bn)	15.25	12.09	-20.68%
KESONIA (bps)	8.99%	8.99%	+0.18
Window Borrowing Volumes (KES bn)	-	-	n/a

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



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

The weighted average interbank rate (KESONIA) continues to track the Central Bank Rate (CBR) closely, 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 softened, with the overall subscription rate falling to 76.5% from 128.4% in the previous week. In absolute terms, the 182-day paper received the highest demand, garnering 48.1% of the total submitted bids and a subscription rate of 88.3%. The 364-day paper recorded a performance rate of 81.5%, while the 184-day paper came in at 34.3%. Overall, KES 18.2bn was accepted, with the weighted average rate of accepted bids at 7.73% (+2.6 bps w/w), 7.79% (-0.7% bps w/w), and 9.20% (-0.31bps w/w) for the 91-day, 182-day, and 364-day papers, respectively, as shown below;

KES Bn

26-Jan-26	91-day	182-day	364-day	Totals
	27-Apr-26	27-Jul-26	25-Jan-27	
Amount offered	4.00	10.00	10.00	24.00
Bids received	1.37	8.83	8.15	18.35
Subscription rate (%)	34.3%	88.3%	81.5%	76.5%
Amount accepted	1.37	8.80	8.04	18.21
Acceptance rate (%)	99.7%	99.7%	98.6%	99.2%
Of which: Competitive Bids	0.04	6.05	3.98	10.07
Non-competitive bids	1.33	2.75	4.06	8.14
Rollover/Redemptions	13.19	3.27	13.51	29.97
New Borrowing/(Net Repayment)	-11.82	5.54	-5.47	-11.75
Weighted Average Rate of Accepted Bids	7.73%	7.79%	9.20%	
Inflation	4.5%	4.5%	4.5%	
Real Return	3.2%	3.3%	4.7%	

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

T-Bonds:

In the primary bond market, the CBK accepted bids worth KES 25.2bn from investors who opted to switch from FXD1/2016/010 to a lower-yielding and longer-dated FXD1/2022/015. Investors submitted bids amounting to KES 26.5bn vs. the target of KES 20.0bn, resulting in a subscription rate of 132.5%. We opine that investors took the opportunity to extend duration of their portfolios (especially fund managers who were keen on managing their cashflows), thereby locking in the comparatively attractive 13.942% coupon rate on FXD1/2022/015 amid recent rate declines. The auction marked 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. Furthermore, the switch follows the National Treasury's earlier buyback of FXD1/2023/003 (which matures in May 2026) in November 2025, which saw its outstanding amount reduce from KES 76.5bn to KES 56.5bn. Find a summary of the performance below:

	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 received - KES Bn	26.5	
Amount accepted - KES Bn	25.2	
Subscription Rate (%)	132.5%	
Weighted average rate (%)		13.17%
Outstanding amounts – (post switch auction) - KES Bn	78.2	187.7

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

In addition, the fiscal agent is seeking to raise KES 50.0bn through two reopened bonds: FXD3/2019/015 and FXD1/2018/025 with effective tenors of 8.4 and 17.3 years, respectively. The bonds have coupon rates of 12.34% and 13.40% for FXD3/2019/015 and FXD1/2018/025, respectively, with the sale period for both papers from 22nd January 2026 until 11th February 2026. The total outstanding amount for the bonds stands at KES 239.8bn, with the longer tenured paper (FXD1/2018/025) holding a larger allocation (KES 165.7bn). Given recent auction trends, we anticipate increased investor demand for FXD1/2018/025 due to its comparably higher coupon rate despite a longer tenor. See below a summary of the offer:

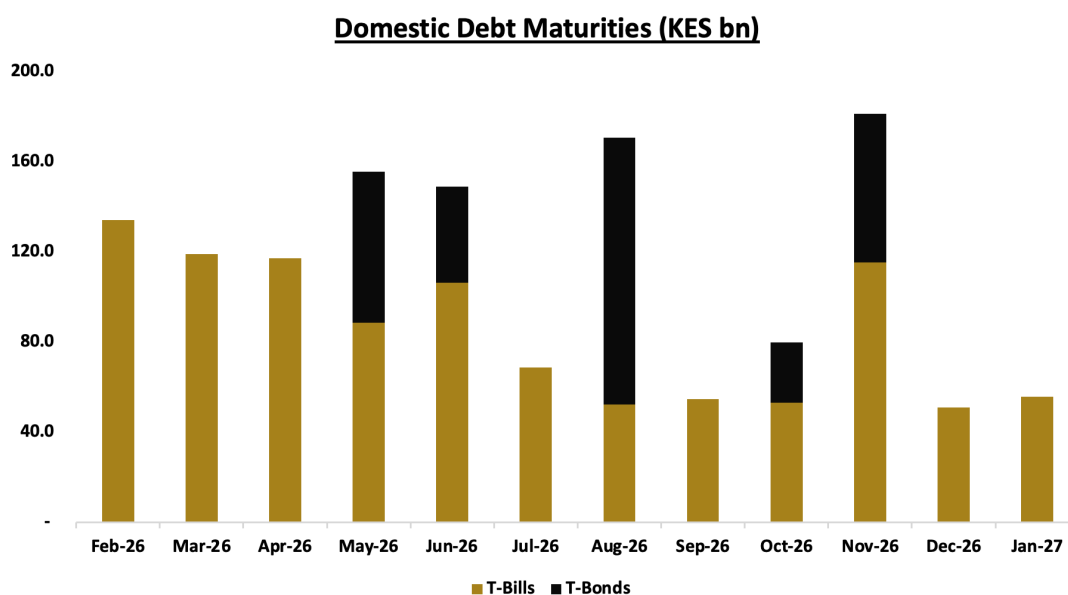
Bond	Maturity Date	Effective Tenor	Amount Offered (in KES Bn)	Coupon	Sale Period
FXD3/2019/015	10-Jul-34	8.40	50.00	12.34%	22nd January 2026 to 11th February 2026
FXD1/2018/025	25-May-43	17.30		13.40%	

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

Looking at market performance, secondary bond market turnover increased to KES 83.6bn (+10.4% w/w) in the week from KES 75.7bn in the previous week.

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

As of this week, the Government's outstanding maturities to January 2027 are at c.KES 1,014.6bn in T-Bills and c.KES 320.58bn in T-Bonds. When we factor in coupons, the total maturity profile comes in at c.KES 2.0tn. Notably, the next bond maturity is expected in May 2026 (c.KES 66.9bn), affording the government much-needed breathing space on its repayment schedule. See the chart below;



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

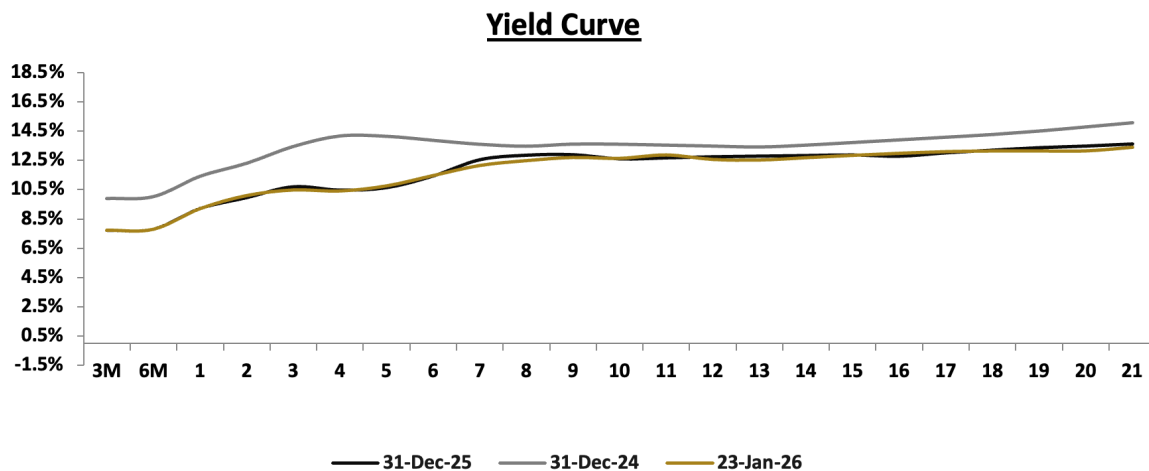
This week's auction pushed the Government's net domestic borrowing position to KES c.539.2bn, above the prorated target (performance rate of c.144.8%).

The National Treasury released its Medium-Term Debt Management strategy (MTDS) 2026/27 – 2028/29 during the week. The strategy seeks to lower debt costs and risks by targeting 22% of net borrowing from external markets and 78% from domestic ones over the medium term. Markedly, this is a slight increase from sourcing 75% domestically compared to the 2025 MTDS, pointing to increased reliance on domestic borrowing. Domestically, it plans a phased reduction in Treasury bill holdings, alongside extending average debt maturities through increased issuance of medium- to long-term securities. Externally, the focus is on maximizing concessional loans while limiting commercial borrowing, with gross external financing split as

10% concessional, 2% semi-concessional, and 6% commercial. By the end of the strategy period, public debt is projected to comprise 40% external and 60% domestic sources. Key to note is that the Government has proposed the development of a Government Securities issuance policy, which aims to guide issuances and trading of government securities to reflect market evolution over time.

Yield Curve:

Week-on-week, yields remained largely stable (average 9.2bps increase), with declines at the belly of the curve offsetting upticks, especially towards the tail end of the curve. Below is a visual representation;



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

THE INTERNATIONAL SCENE

Kenyan Eurobonds:

Yields on Kenyan Eurobonds remained stable in the week, with rates declining by an average of c.7.0bps for the week dated 16th January 2026 to 22nd January 2026. The table below summarizes the performance across maturities:

Kenyan Eurobonds					
Issuance	10-Year 2028	6-Year 2031	12-Year 2032	13-Year 2034	30-Year 2048
31-Dec-25	6.0%	7.1%	7.2%	7.8%	8.8%
15-Jan-26	6.2%	7.0%	7.2%	7.9%	8.9%
16-Jan-26	6.2%	7.0%	7.2%	7.9%	8.9%
19-Jan-26	6.2%	7.0%	7.2%	7.9%	8.9%
20-Jan-26	6.4%	7.3%	7.5%	8.2%	9.1%
21-Jan-26	6.3%	7.1%	7.4%	8.0%	8.9%
22-Jan-26	6.1%	6.9%	7.2%	7.9%	8.8%
Weekly Change	(0.070%)	(0.080%)	(0.030%)	(0.060%)	(0.110%)
YTD Change	0.2%	0.0%	0.2%	0.2%	0.1%

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

Currency Performance

The Kenyan shilling exhibited mixed performance during the week compared to the currencies we track. In particular, the shilling lost ground against the Euro, British Pound, Ugandan Shilling, and Japanese yen, weakening by 1.3% w/w, 0.9% w/w, 0.7% w/w, and 0.1% w/w, respectively. On the other hand, the shilling remained largely unchanged against the dollar, while strengthening by 0.8% w/w against the Tanzanian Shilling. The Central Bank pointed out that the U.S. Dollar Index weakened by 0.97% during the week ending 22nd January 2026, partly attributable to the strengthening of major counterpart currencies, especially the Euro and the British Pound.

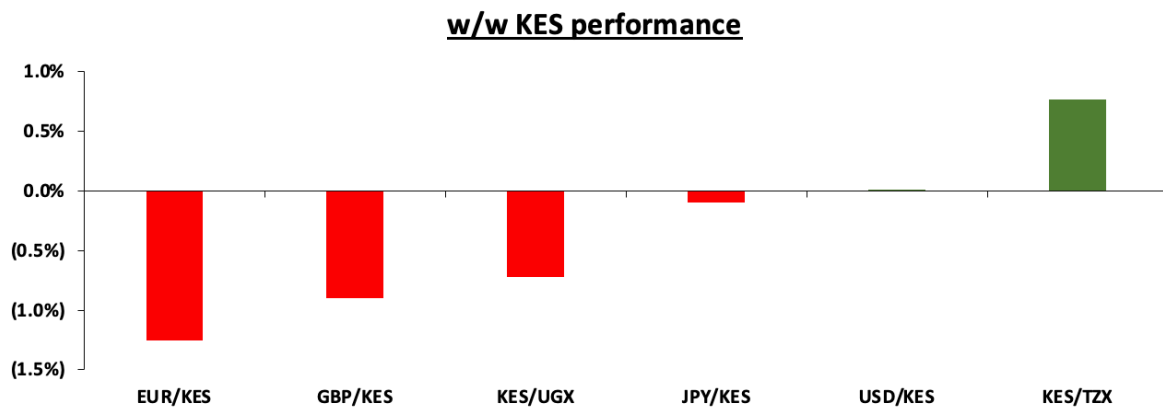
See the table below;

Currencies	31 Dec 2025	Previous Week	Current	w/w Change	YTD change – 31 st Dec 2025
EUR/KES	151.43	149.75	151.63	(1.3%)	(0.1%)
GBP/KES	173.65	172.60	174.15	(0.9%)	(0.3%)
KES/UGX	28.06	27.55	27.35	(0.7%)	(2.5%)
JPY/KES	82.39	81.27	81.35	(0.1%)	1.3%
USD/KES	129.01	129.03	129.02	0.01%	(0.0%)
KES/TZS	19.03	19.49	19.64	0.8%	3.2%

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

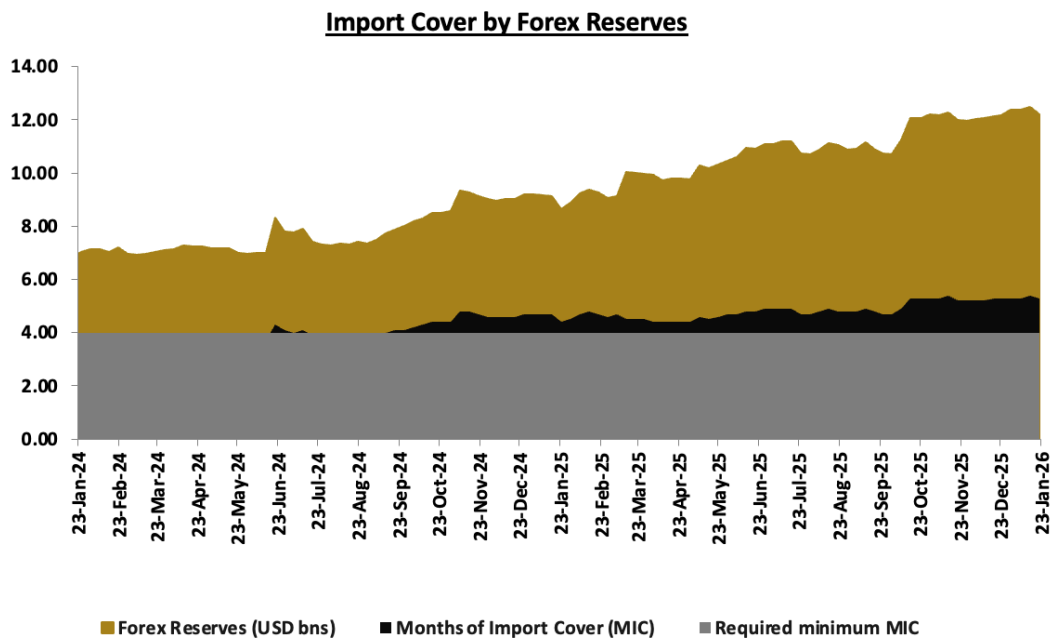
See also a visual representation;



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

The IMF released its January 2026 World Economic Outlook Update during the week, projecting steady global growth at an estimated 3.3% in 2025, remaining stable at 3.3% in 2026, and easing slightly to 3.2% in 2027, mainly supported by improved financial conditions and increased investment in technology, including AI, which will likely offset headwinds from trade policy shifts and uncertainty. This resilience masks divergent regional momentum, with advanced economies growing at 1.8% in 2026 (i.e. US at 2.4%, Euro area at 1.3%), emerging Asia moderating on the back of structural headwinds, and as cyclical and temporary factors wane (i.e. China 4.5%, India 6.4%), and sub-Saharan Africa accelerating to 4.6% from 4.4% in 2025 through macroeconomic stabilization and reforms. Additionally, global headline inflation is expected to decline to 3.8% in 2026 from 4.1% in 2025. Downside risks remain, including AI investment disappointments, escalating trade tensions, geopolitical shocks, and fiscal vulnerabilities amid high public debt, while upsides hinge on faster AI productivity gains and trade easing.

Kenya's foreign exchange reserves dipped to USD 12.22bn (-2.1% w/w), likely due to payments, maintaining the import cover at 5.3 months. See the chart below for a visual summary;



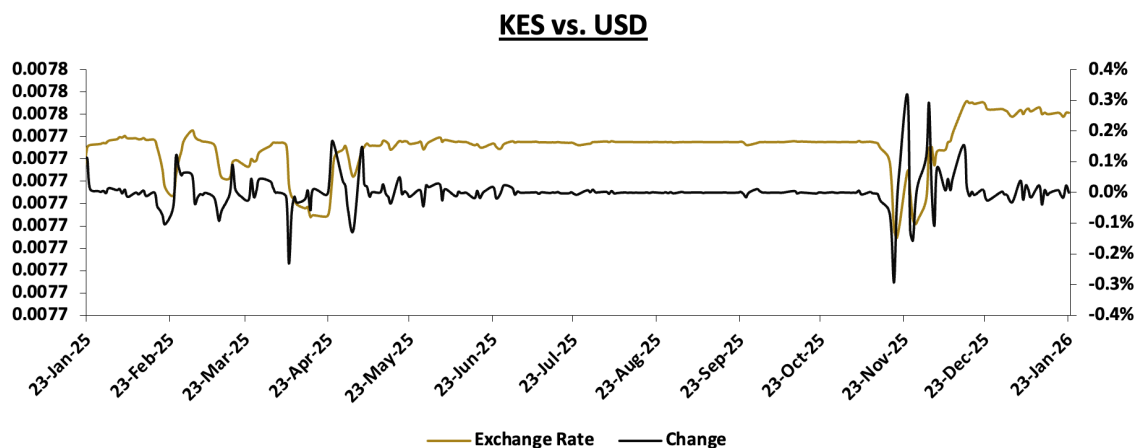
Source: Central Bank of Kenya (CBK), Chart: SIB

Hot on the Horizon:

- i. January 2026 inflation numbers.

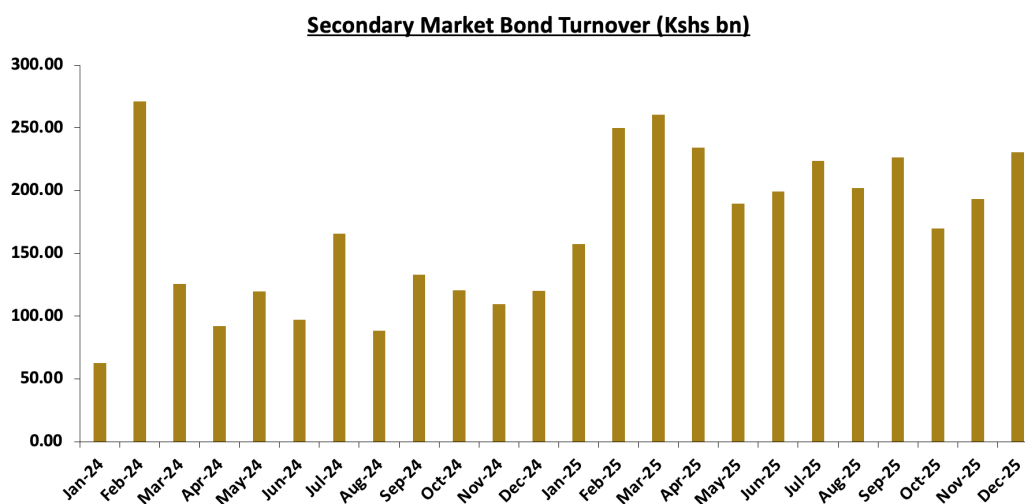
BACKGROUND CHARTS

KES/USD Performance



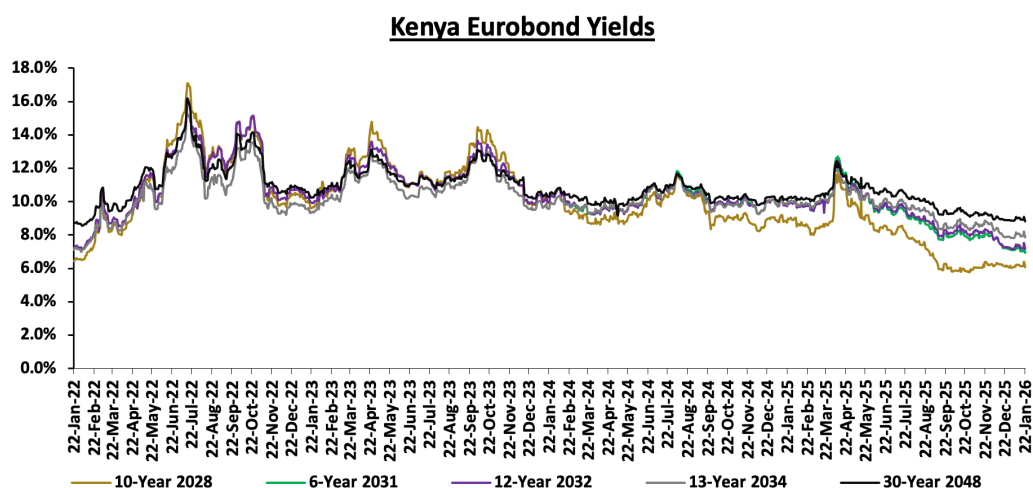
Source: Central Bank of Kenya (CBK)

Bond Turnover



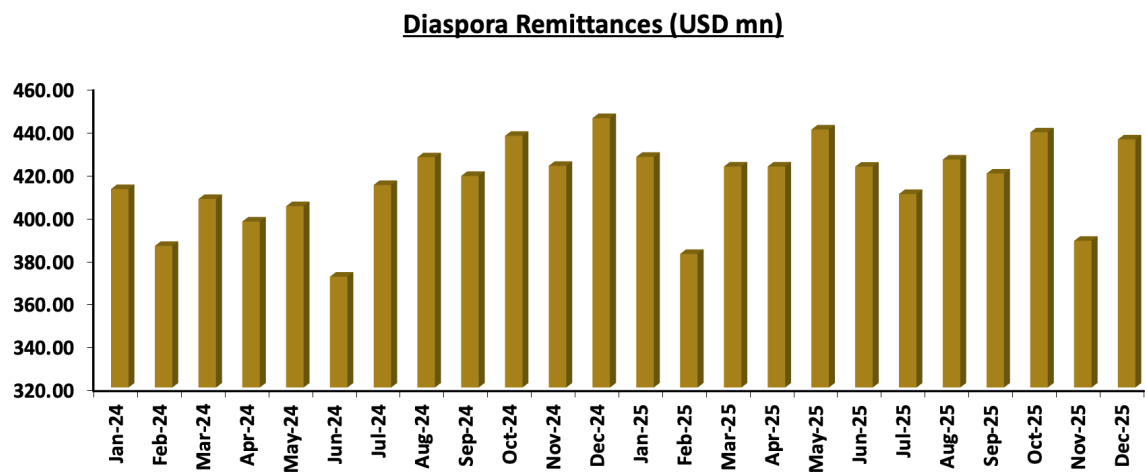
Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

Diaspora Remittances



Source: Central Bank of Kenya (CBK)

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