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Foreign currency reserves jump to an all-time high of USD 14.6bn, partly buoyed by Eurobond net proceeds

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## WEEKLY FIXED INCOME REPORT

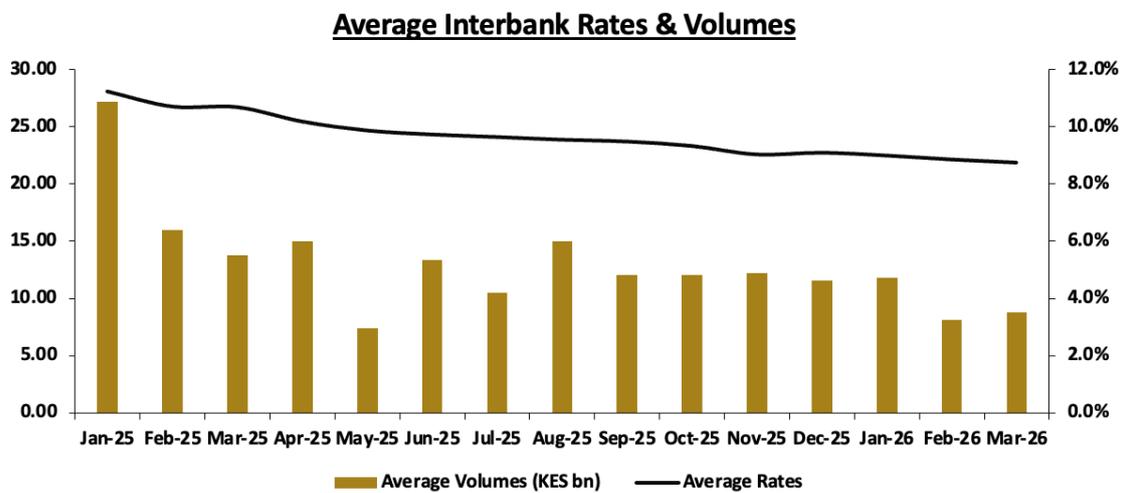
*Feb 2026 Stanbic PMI slides to 50.4 from 51.9 in Jan 2026 as business activity almost stagnates*

# MONEY MARKET STATISTICS

Liquidity conditions remained largely stable in the week, with the Kenya Shilling Overnight Interbank Average (KESONIA) easing by 2.9bps w/w to an average of 8.74%. Interbank lending softened slightly in the week, with average traded volumes declining by 2.18% w/w to KES 8.79bn, from KES 8.98bn in the prior week. Notably, the average number of interbank deals dropped to 15 (-16.67% w/w). Find the summary below:

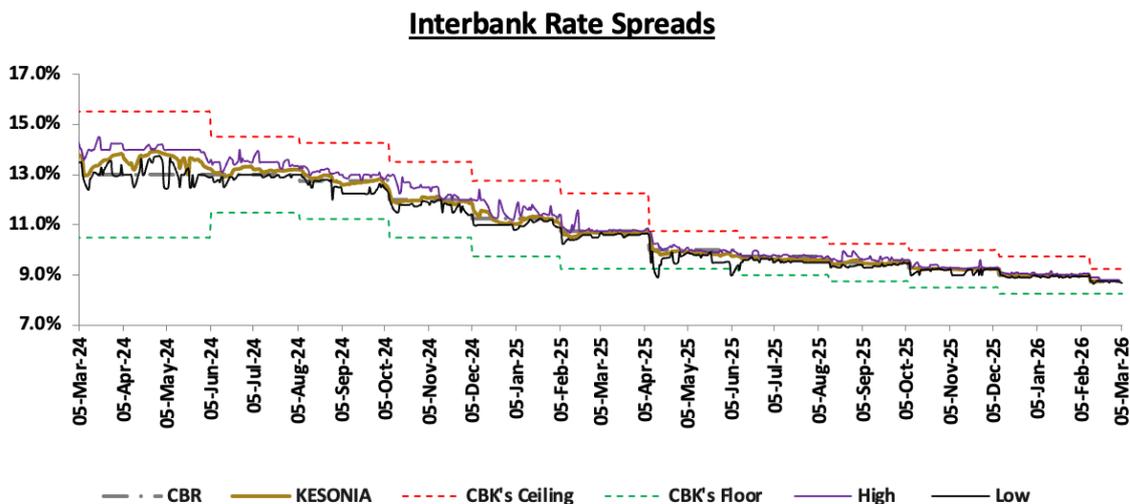
Average	Previous Week – ended 26th February 2026	Current Week – ended 5th March 2026	w/w change
Interbank Deals	18.00	15.00	(16.67%)
Inter-Bank volumes (KES bn)	8.98	8.79	(2.18%)
KESONIA (bps)	8.77%	8.74%	(2.86)
Window Borrowing Volumes (KES bn)	-	-	n/a

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 surged, with the overall subscription rate coming in at 418.4% from 243.9% in the previous week. Investors submitted bids totalling KES 100.4bn (a record high likely driven in part by investors' demand for liquid assets in the wake of the ongoing US-Iran tensions, coupled with declining yields), of which the fiscal agent accepted 41.2%. This amount was higher than the maturity amounts, resulting in a net borrowing of KES 15.20bn. In absolute terms, the 364-day paper received the highest demand, garnering c.83.0% of the total submitted bids and an outsized subscription rate of 833.2%. The 91-day paper recorded a performance rate of 48.7%, while the 184-day paper reported a subscription rate of 151.6%. Overall, KES 41.4bn was accepted, with the weighted average rate of accepted bids at 7.58% (-0.05bps w/w), 7.82% (+2.16bps w/w), and 8.64% (-14.59bps w/w) for the 91-day, 182-day, and 364-day papers, respectively. Below is a visual summary;

KES Bn

09-Mar-26	91-day	182-day	364-day	Totals
	08-Jun-26	07-Sept-26	08-Mar-27	
Amount offered	4.00	10.00	10.00	24.00
Bids received	1.95	15.16	83.32	100.42
Subscription rate (%)	48.7%	151.6%	833.2%	418.4%
<b>Amount accepted</b>	<b>1.95</b>	<b>15.16</b>	<b>24.31</b>	<b>41.42</b>
Acceptance rate (%)	100.0%	100.0%	29.2%	41.2%
Of which: Competitive Bids	0.73	14.14	19.27	34.14
Non-competitive bids	1.22	1.02	5.04	7.28
Rollover/Redemptions	8.59	5.09	12.52	26.21
<b>New Borrowing/(Net Repayment)</b>	<b>-6.65</b>	<b>10.06</b>	<b>11.79</b>	<b>15.20</b>
Weighted Average Rate of Accepted Bids	7.58%	7.82%	8.79%	
Inflation	4.3%	4.3%	4.3%	
<b>Real Return</b>	<b>3.3%</b>	<b>3.5%</b>	<b>4.5%</b>	

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

### T-Bonds:

In the primary market, the fiscal agent seeks to raise KES 60.0bn through two reopened bonds: FXD1/2019/020 and FXD1/2021/025, with effective tenors of 13.10 and 20.10 years, respectively. The bonds have coupon rates of 12.87% and 13.92% for FXD1/2019/020 and FXD1/2021/025, respectively, and the sale period for both papers runs from 26th February 2026 to 11th March 2026. The total outstanding amount for the bonds stands at KES 173.8bn, with the longer-tenor paper (FXD1/2021/025) holding the larger allocation (KES 90.5bn). We anticipate increased investor demand for FXD1/2021/025 due to its comparably higher coupon rate despite a longer tenor on the back of falling rates. See below a summary of the offer:

Bond	Maturity Date	Effective Tenor	Amount Offered (in KES Bn)	Coupon	Sale Period
FXD1/2019/020	21-Mar-39	13.10	60.00	12.87%	26th February 2026 to 11th March 2026
FXD1/2021/025	09-Apr-46	20.10		13.92%	

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

Meanwhile, the Central Bank announced a concurrent switch auction, from FXD1/2021/005 to FXD3/2019/015, targeting up to KES 15.0bn (c.23.0% of the outstanding amount) via multi-price auction from 26th February 2026 to 16th March 2026. This marks the second 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. The offer is voluntary for investors with unencumbered holdings in FXD1/2021/005 as at 16th March 2026.

We portend that the switch auction will provide investors the opportunity to extend the duration of their portfolios (especially fund managers who are keen on managing their cashflows), locking in the comparatively attractive 12.34% coupon rate on FXD3/2019/015 amid recent rate declines, coupled with relatively lower withholding tax requirements, thereby improving net yield. Furthermore, the switch may help investors address potential reinvestment risk if yields in the market fall further, provided the paper is held to maturity until November 2026.

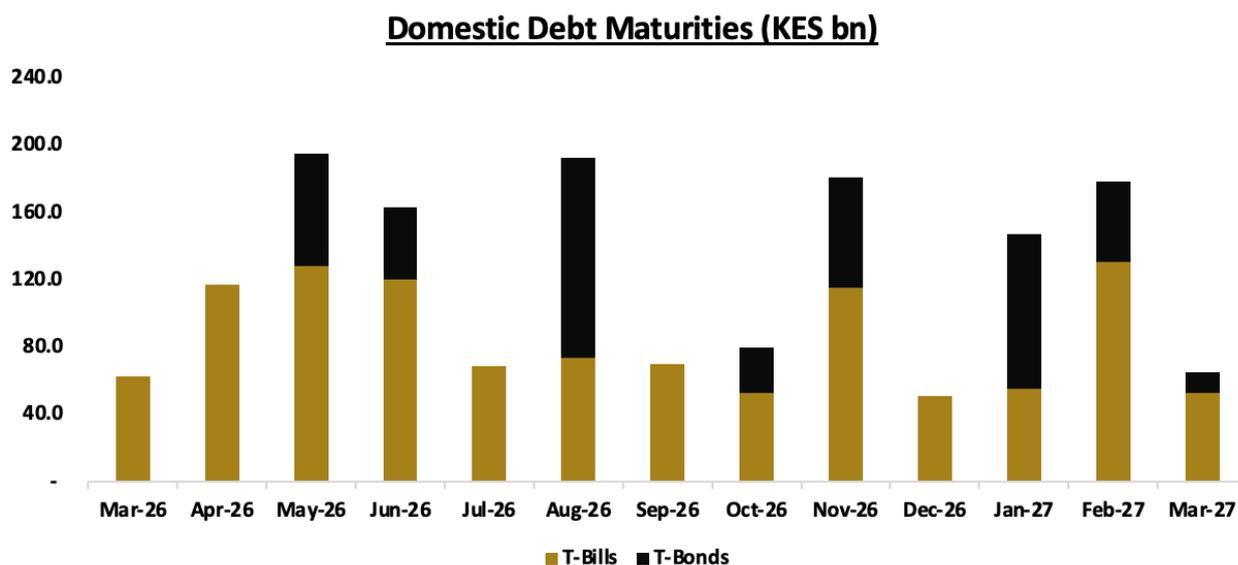
	Source Bond	Destination Bond
Issue Number	FXD1/2021/005	FXD3/2019/015
Effective tenor	0.6 years	11.3 years
Coupon Rates	11.28%	12.34%
Maturity Dates	09/11/2026	10/07/2034
Amount (KES)	15.0bn	
Period of Sale	26th February 2026 to 16th March 2026	
Withholding Tax (%)	15.0%	10.0%
Outstanding amounts - (KES)	66.08bn	53.92bn

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

Secondary bond market turnover plunged to KES 71.5bn (-47.5%w/w) from KES 136.2bn in the prior week.

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

As of this week, the Government's outstanding maturities to March 2027 are at c.KES 1,098.80bn in T-Bills and c.KES 472.39bn in T-Bonds. When we factor in coupons, the total maturity profile comes in at c.KES 2.2tn. Notably, the next bond maturity is expected in May 2026 (c.KES 76.5bn). See the chart below;



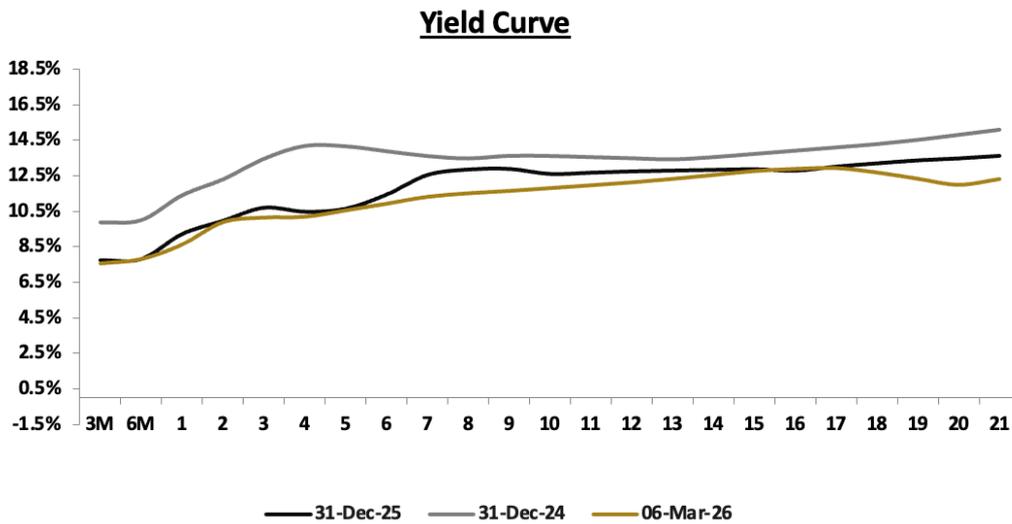
Source: Nairobi Securities Exchange (NSE), Chart: SIB

This week's auction pushed the Government's net domestic borrowing position to KES c.712.6bn, above the prorated target (performance rate of c.160.3%).

The National Assembly passed the National Infrastructure Fund Bill 2026 (which included various amendments), on Thursday last week, which seeks to establish the National Infrastructure Fund (NIF). The fund is expected to mobilise resources (KES 5.0tn) for key projects across sectors, including transport, energy, water, irrigation, and digital connectivity, as the Government seeks to shift infrastructure financing from a debt-driven model to a sustainable, investment-led approach. The Bill now awaits assent by President William Ruto.

### Yield Curve:

Local interest rates were largely stable in the week, with average yields on government securities inching upwards by 0.1bps w/w. Below is a visual representation;



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



## THE INTERNATIONAL SCENE

### Kenyan Eurobonds:

Yields on Kenyan Eurobonds exhibited signs of moderate volatility – rising over the week, with rates increasing by an average of c.51.2bps for the week dated 27th February 2026 to 5th March 2026, partly linked to the ongoing volatility in international markets. 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%
26-Feb-26	5.9%	6.9%	7.0%	8.1%	8.9%
27-Feb-26	6.0%	6.9%	7.1%	8.1%	9.0%
02-Mar-26	6.1%	7.1%	7.2%	8.3%	9.1%
03-Mar-26	6.4%	7.5%	7.6%	8.7%	9.3%
04-Mar-26	6.2%	7.4%	7.6%	8.5%	9.2%
05-Mar-26	6.4%	7.5%	7.7%	8.6%	9.3%
<b>Weekly Change</b>	<b>0.450%</b>	<b>0.550%</b>	<b>0.630%</b>	<b>0.520%</b>	<b>0.410%</b>
<b>YTD Change</b>	<b>0.2%</b>	<b>0.3%</b>	<b>0.4%</b>	<b>0.7%</b>	<b>0.4%</b>

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 local unit advanced against the Ugandan Shilling, Euro, Japanese Yen, British Pound, and Tanzanian Shilling by 2.2% w/w, 1.7% w/w, 1.1% w/w, 1.0% w/w, and 0.3% w/w, respectively. Notably, the Kenyan Shilling depreciated slightly by 0.12% w/w. According to data from the Central Bank, the U.S. Dollar Index strengthened by 1.6 percent during the week, largely driven by increased demand for safe-haven assets. Furthermore, concerns about inflation grew in developed markets during the week, mainly due to the escalation of the Middle East conflict. Specifically, the Euro Area's headline inflation rose to 1.9% in February 2026 from 1.7% in January, primarily driven by higher service prices. Core inflation increased to 2.4% from 2.2% over the same period. Last week, international oil prices significantly increased due to disrupted supply chains caused by ongoing tensions in the Middle East. On March 5, Murban crude oil was traded at USD 76.25 per barrel, up from USD 69.73 per barrel on February 26.

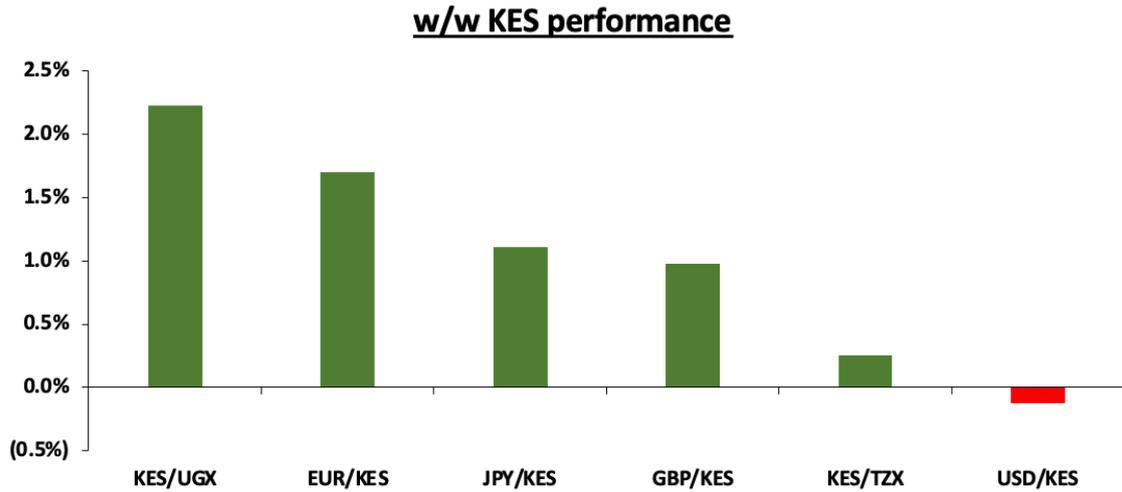
See the table below;

Currencies	31 Dec 2025	Previous Week	Current	w/w Change	YTD change – 31 <sup>st</sup> Dec 2025
KES/UGX	28.06	27.90	28.52	2.2%	1.6%
EUR/KES	151.43	152.39	149.80	1.7%	1.1%
JPY/KES	82.39	82.82	81.90	1.1%	0.6%
GBP/KES	173.65	174.10	172.40	1.0%	0.7%
KES/TZS	19.03	19.80	19.85	0.3%	4.3%
USD/KES	129.01	129.02	129.18	(0.12%)	(0.1%)

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

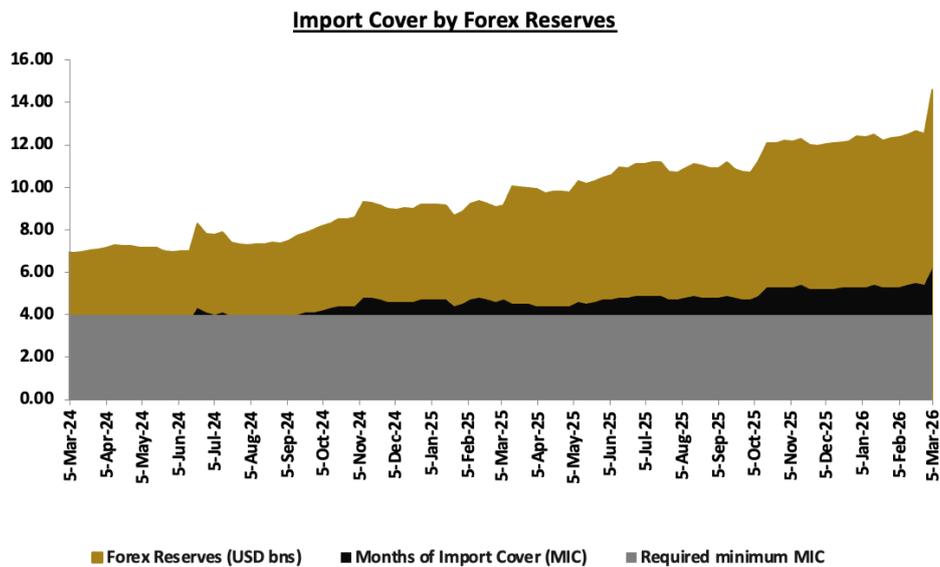
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen | FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

Kenya's foreign exchange swelled to USD 14.60bn – a record high (+16.4% w/w), maintaining the import cover at 6.2 months, which we link to dollar inflows from the recent Eurobond issuance, net of the buyback proceeds. See the chart below for a visual summary.

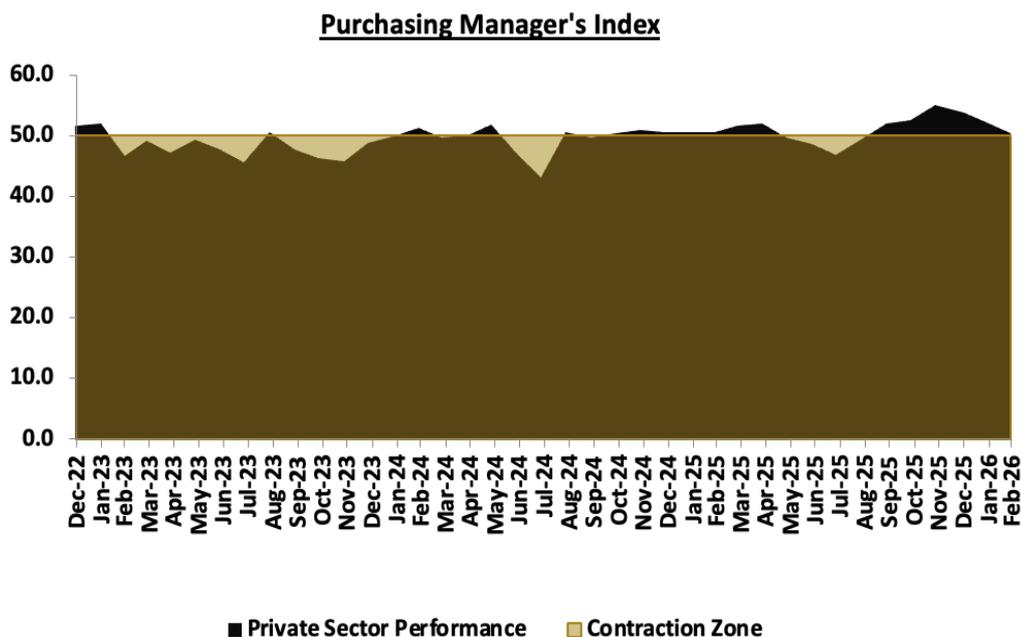


Source: Central Bank of Kenya (CBK), Chart: SIB

# THE MACRO WRAP

## 1. Feb 2026 Stanbic PMI slides to 50.4 from 51.9 in Jan 2026 as business activity almost stagnate

According to the Purchasing Managers' Index (PMI) survey conducted by Stanbic Bank Kenya, the Kenyan economy was close to stagnating in February 2026, in part due to a modest rise in sales volumes amid muted orders. **In particular, the index came in at 50.4 – a decline from 51.9 recorded in January 2026**, with various sectors of the economy recording mixed trends. In particular, the construction, wholesale & retail, and services registered sales growth, contrasting with downturns experienced in agriculture and manufacturing. The PMI metric has been above 50 for six consecutive months, indicating expansion in private-sector activity, though the recent expansion was the slowest recorded in the six-month growth sequence. See the chart below.



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

\*The headline figure derived from the survey is the Stanbic Bank Kenya PMI®(PMI). Readings above 50.0 signal an improvement in business conditions relative to the previous month, while readings below 50.0 indicate deterioration.

According to the survey findings, companies sustained hiring to ease workload pressures, with delivery times shortening despite vendor busyness, road traffic, and port congestion. Sales received support from new products/services, marketing expansions, and price promotions. In addition, respondents signalled that workloads were still busy, with outstanding work levels broadly unchanged after eight consecutive months of depletion. Purchasing remained resilient with quantity and inventory increases, and input price inflation eased to a three-month low, supported by improved supply of inputs. Some headwinds persisted in the month, with the broader economy yet to see the benefits of improved macroeconomic conditions, coupled with low client purchasing power. Furthermore, input costs still rose due to higher operating expenses, taxes, materials, and VAT impacts, though output prices increased at the softest pace since November amid discounts and increased competition. Survey respondents stayed confident in their 12-month outlook for business activity, with optimism remaining higher than the average seen in 2025. However, only a fifth of the respondents expect outputs to rise on the back of stronger demand, better economic conditions, increased marketing activity, and planned product innovation.

Overall, macroeconomic conditions remain stable in Kenya, with inflation contained, robust foreign exchange buffers, and a stable currency. Recent damage to fuel infrastructure in Saudi Arabia poses a threat to fuel price pressures in the country, which relies heavily on imports, potentially raising landing costs for petrol, diesel, kerosene, and LPG. This could have ripple effects on transport fares, manufacturing, food prices, and household cooking. This development could further exacerbate domestic pressures such as muted demand and constrained customer wallets, potentially pushing the already fragile PMI metric to below 50.

Later in the week, EPRA assured consumers this week that it was working with suppliers to explore alternative loading ports as well as leveraging the government-to-government (G-to-G) arrangement with Saudi Arabia that guarantees continued petroleum deliveries will continue even as the Strait of Hormuz faces disruptions. In addition, the regulator explained that Kenya currently holds adequate fuel stocks, which are expected to be supplemented by additional cargo shipments scheduled to arrive later in March 2026 and into early April 2026. Kenya's fuel pricing system is currently based on the M-1 formula, which determines prices according to the cost of products that arrived in the country during the previous month. Consequently, the current pricing cycle reflects fuel delivered between the 9th and 10th of the preceding month. This means that ongoing developments in the Middle East are unlikely to have an immediate impact on pump prices. We opine that sustained global energy shocks (should the war continue), coupled with the financial impact of erratic weather conditions, have the potential to drive up inflation.

### Expected in the week:

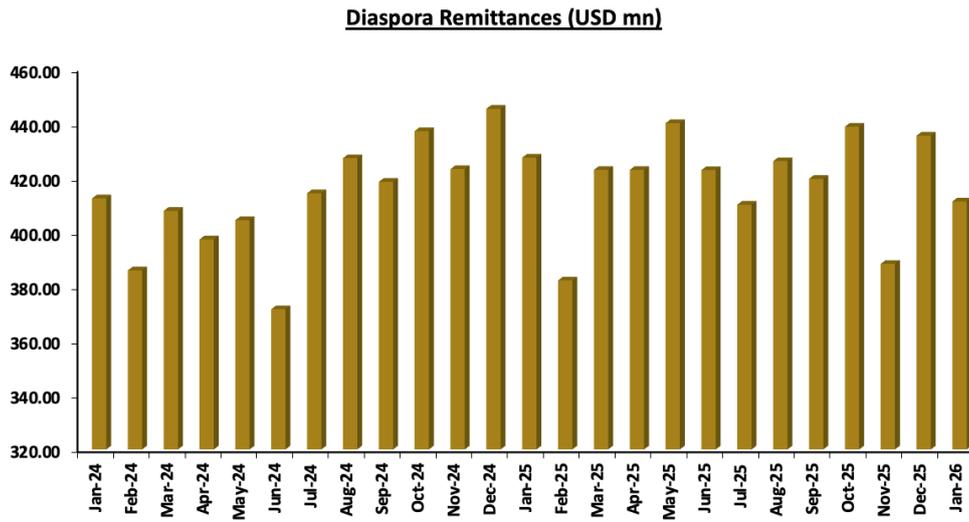
#### a) EPRA March/April 2026 pump price cycle review.

It is unlikely that there will be a major revision since much of the volatility in oil markets is likely to be reflected more significantly in the subsequent month.





## Diaspora Remittances



Source: Central Bank of Kenya (CBK)

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