

WEEKLY FIXED INCOME REPORT

April PMI Hits 49.4 as Surging Price Pressures Soften Business Conditions

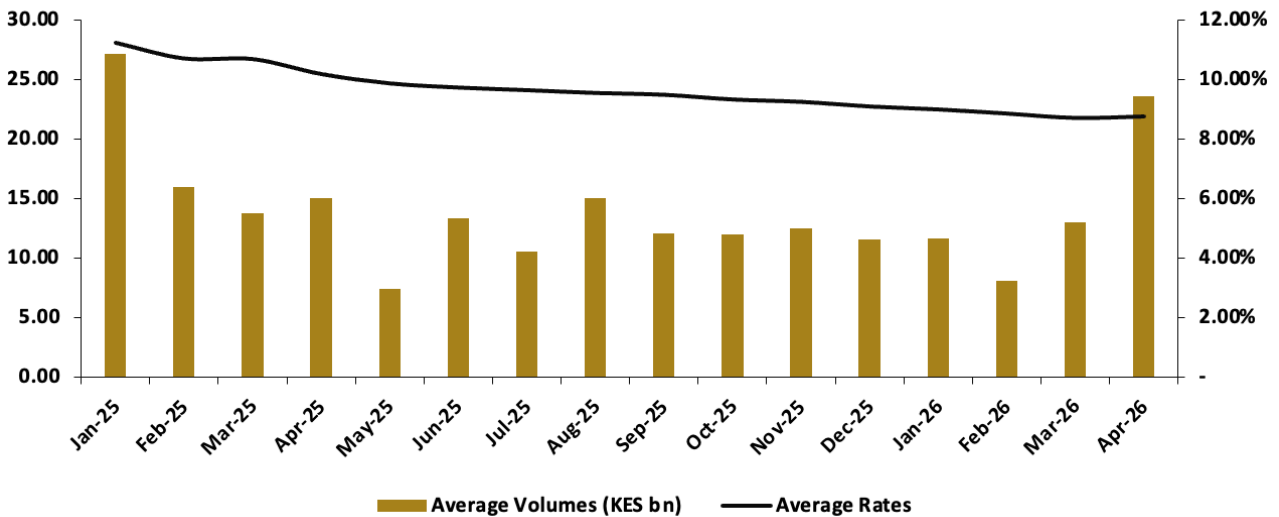
MONEY MARKET STATISTICS

Liquidity conditions remained stable in the week, with the Kenya Shilling Overnight Interbank Average (KESONIA) by 1% to close at an average of 8.75%. Interbank lending increased in the week, with average traded volumes coming in higher at KES 10bn. Notably, the average number of interbank deals came in at 24, down 4% w/w. Find the summary below:

Average	Previous Week - ended 30th April 2026	Current Week - ended 7th May 2026	w/w change
Interbank Deals (Total)	25.00	24.00	(4.00%)
Inter- Bank volumes (KES bn)	8.70	10.10	16.09%
KESONIA(bps)	8.75%	8.75%	0.00
Window Borrowing Volumes (KES bn)	-	-	n/a

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

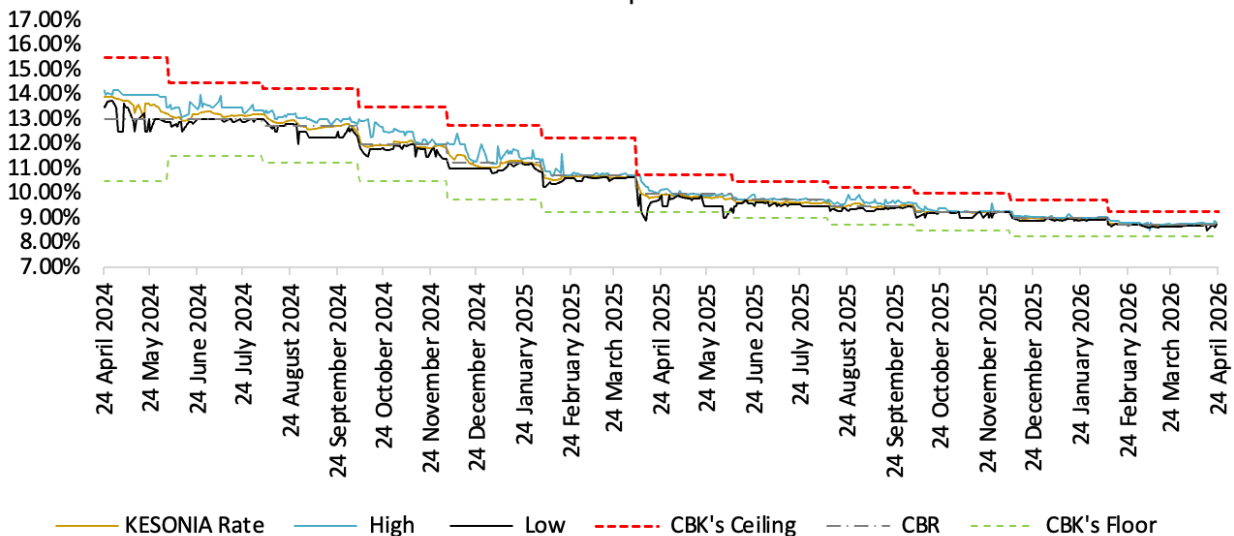
Average Interbank Rates & Volumes



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:

Interbank Spreads



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

GOVERNMENT SECURITIES MARKET

T-Bills:

Treasury Bill demand remained steady this week, with the overall subscription rate holding at 100%. Investors submitted bids totalling KES 29.42bn, of which the fiscal agent accepted KES 29.41Bn resulting into the performance rate of 99%.

Demand for the 91-day paper remained strong, with subscriptions jumping to **243.5%** from the previous week's **200.6%**. The auction was significantly oversubscribed, receiving **KES 9.7Bn** in bids compared to the **KES 4.0Bn** on offer.

Below is a visual summary;

KES Bn

13-May-26	91-day	182-day	364-day	Totals
	12-Aug-26	11-Nov-26	12-May-27	
Amount offered	4.00	10.00	10.00	24.00
Bids received	9,741.59	14,517.53	5,159.54	29,418.66
Bids Accepted	9,734.74	14,517.53	5,159.54	29,411.81
Subscription rate (%)	99.93%	100.00%	100.00%	99.98%
Rollover/Redemptions	13,104.06	2,627.65	21,567.20	37,298.91
New Borrowing/(Net Repayment)	-3,369.32	11,889.88	-16,407.66	-7,887.10
Weighted Average Rate of Accepted Bids	8.19%	8.21%	8.51%	
Inflation	5.6%	5.6%	5.6%	

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

T-Bonds:

In the primary bond market, The Central Bank of Kenya's **May 2026 auction** for the reopened **FXD1/2012/020**, **FXD1/2019/020**, and **FXD1/2021/025** bonds—with 7.6, 13.2, and 20.0 years to maturity. The offer for KES 80.0Bn was oversubscribed with bids totalling **KES 106.0Bn** (a **132.5% subscription rate**). The government accepted **KES 94.0Bn**, reflecting an **88.7% acceptance rate**, with weighted average yields of **12.5%**, **13.2%**, and **13.7%** respectively. Bids exceeded the upper bound of our estimates, suggesting the Central Bank is keen to pre-emptively secure a significant portion of May's upcoming maturities.

Find a summary of the results below:

Issue	FXD1/2012/020 - Re-opened	FXD1/2019/020 - Re-opened	FXD1/2021/025 - Re-opened
Tenor to Maturity	14.9 Yrs	30 Yrs	31 Yrs
Coupon Rate	12.00%	12.87%	13.92%
Offered Amount	KES 80Bn		
Bids Received (KES Mn)	47,948	17,573	40,497
Amount Accepted (KES Mn)	47,530	14,539	31,975
Market Weighted Average Rate (%)	12.466%	13.314%	13.766%
Weighted Average Rate of Accepted Bids (%)	12.457%	13.213%	13.695%
Adjusted Average Price (Per KES 100)	98.003	99.129	101.814
New Borrowing/Net Repayment	KES 36.91Bn		
Our expected outcome ranges	12.10%-12.30%	12.80% - 13.00%	13.20% - 13.40%

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

At the same time, the National Treasury Kenya is encouraging investors to switch out of the near-maturity FXD1/2017/010 bond (July 2026) into the longer-dated FXD1/2021/020 (2041), effectively spreading out its repayment obligations.

This is the sixth bond switch auction the apex bank will offer despite the last switch which had weak demand, attracting just KES 2.56bn in bids against a KES 20.0bn target, a performance rate of 12.80%—the lowest to date.

Find a summary of the offer below:

Issue	FXD1/2017/010- Source Bond	FXD1/2021/020- Destination Bond
Tenor to Maturity	1.2 Yrs	15.22 Yrs
Coupon Rate	12.97%	13.44%
Offered Amount	KES 10Bn	
Period of Sale	23rd April 2026 to 18th May 2026	
Value Date	18th May 2026	
Minimum Bidding Amount	KES 50,000.00	
Taxation	10.00%	

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

Looking at secondary bond market turnover, the quantum decreased to KES 22bn (-32%w/w) from KES 32bn in the prior week.

I&M Bank Limited has Launched a Public Offer for its Inaugural Tranche of Fixed-Rate Medium-Term Notes, Targeting KES 10.0bn Under a KES 20.0bn Programme:

The issuance aims to boost its Tier II capital levels, support long-term growth and expansion, and fund onward lending. The first tranche has a green shoe option of KES 3.0bn. The notes' tenor is **5 years 6 months** and will pay an interest rate of **12.20% p.a.**, with interest payments made semi-annually. The **minimum subscription amount is KES 500,000**, with multiples of KES 50,000.

The offer is currently open and closes on 15th May 2026 (having opened on 30th April 2026). The Notes will be listed on the Nairobi Securities Exchange – Main Fixed Income Securities Market Segment, with the listing date slated for 21st May 2026.

The issuance comes amid heightened activity in Kenya's corporate debt market, driven by lower interest rates and strong investor demand for higher-yielding instruments. Markedly, the notes offer a yield premium relative to government securities (5-year government paper yield stood at 11.7% as of 30th April 2024). The paper attracts a with-holding taxation of 15%.

Notably, this issuance marks the first corporate bond by a commercial bank in recent memory, signalling a revitalization of the private debt market. As interest rates continue to moderate, the offer also provides a crucial avenue for investor diversification away from sovereign debt, while simultaneously boosting corporate issuance volumes in the market.

Attached [herein](#) is the pricing supplement.

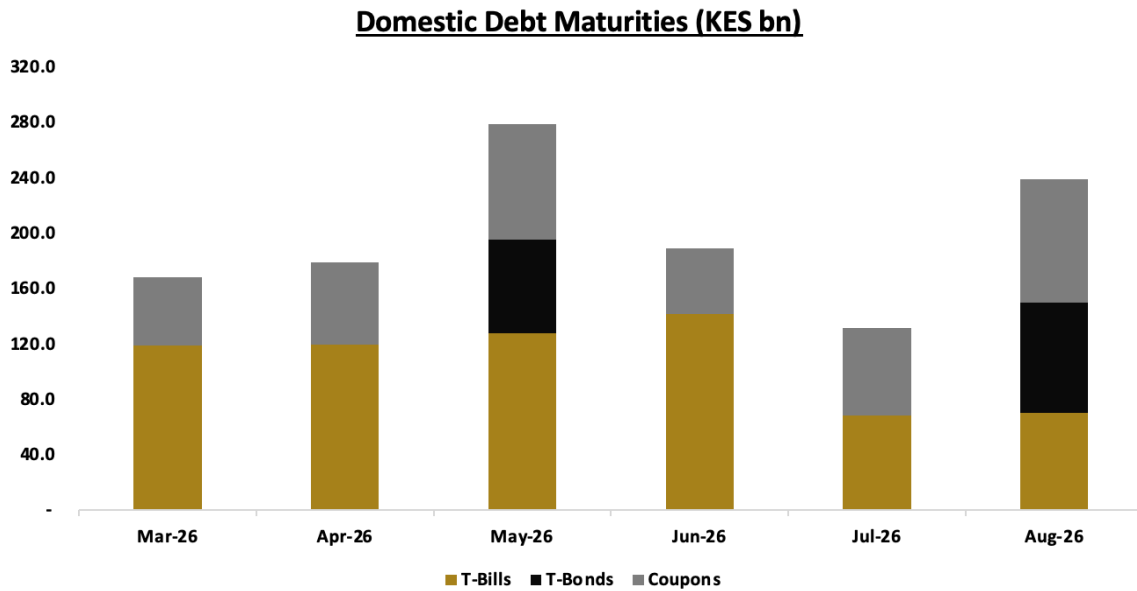
KMRC Launches KES 3.0Bn Sustainability Bond to Support Affordable Housing

The Kenya Mortgage Refinance Company PLC (KMRC) has launched a 3.0bn sustainability-labelled bond, marking its return to the capital markets after four years under its KES 10.5bn Medium-Term Note programme, aimed at refinancing eligible green and social housing loans. The eight-year amortising note, with a weighted average life of 5.11 years, opened on April 28, 2026 and closes on May 12, with listing on the Nairobi Securities Exchange Fixed Income Securities Market expected on May 25. Proceeds will be used to support affordable housing finance alongside concessional funding, as KMRC resumes commercial fundraising after delaying a planned 2024 issuance due to high interest rates. The issuance comes in a more favourable monetary environment following a 250-basis-point reduction in the Central Bank Rate to 8.75%, improving funding conditions for the institution's mandate.

Although the coupon has not been disclosed in the public notice and will be determined in a pricing supplement, KMRC is reportedly targeting a tax-exempt structure that could enable single-digit pricing and lower its overall cost of funds.

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

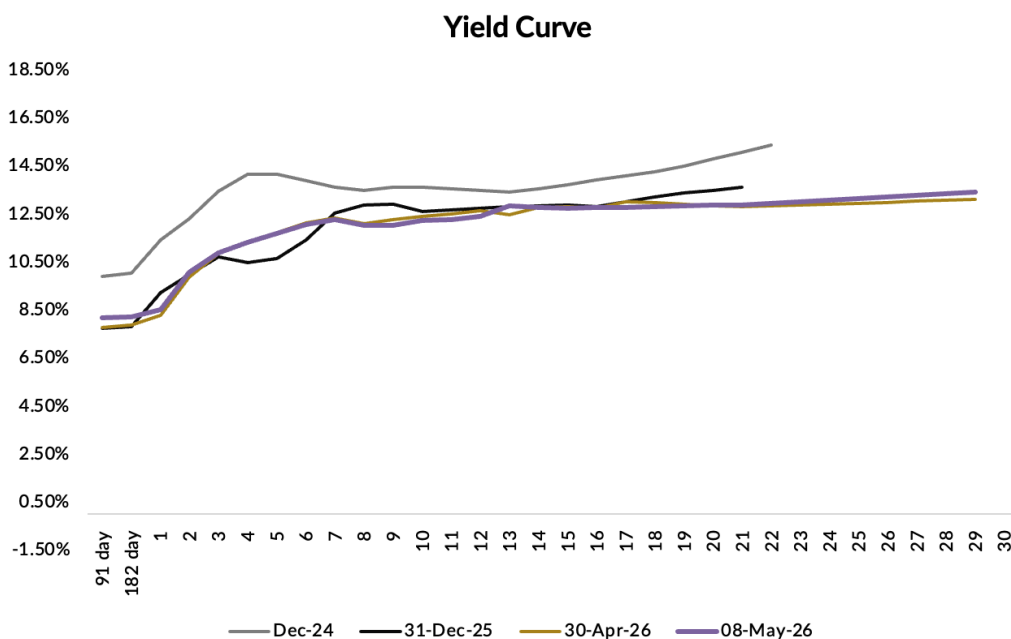
Total domestic debt maturities in May 2026 are at KES 278Bn compared to KES 179Bn in April 2026. See the chart below;



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

Yield Curve

Local interest rates were largely stable during the week, with average government securities yields inching lower by 0.01% w/w, largely due to repricing in the 30-year bond, while declines across select tenors partly offset the increase. Below is a visual representation;



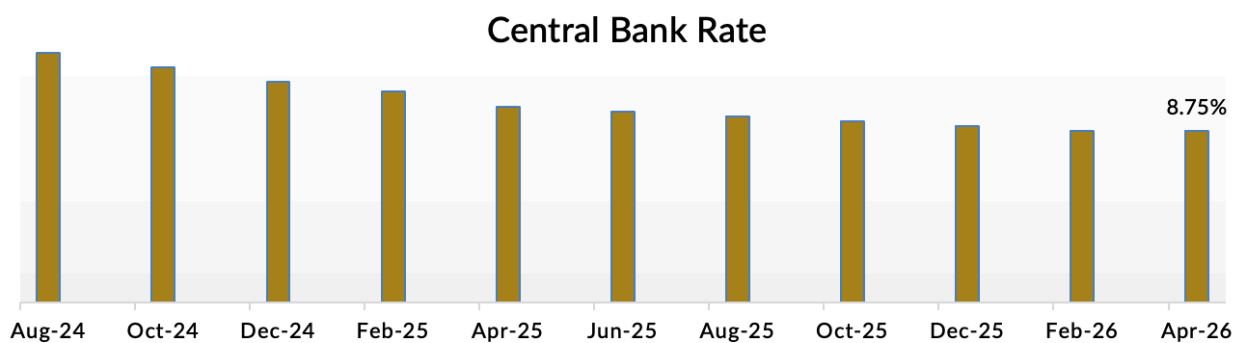
Source: Central Bank of Kenya (CBK), Chart: SIB

Monetary Policy Committee

On 08 April, the Monetary Policy Committee (MPC) met and opted to keep the policy rate **unchanged** at **8.75%**, in light of the global energy price shock. The committee lowered its 2026 real GDP growth forecast to 5.3% from the previous 5.5%.

On a positive note, earlier monetary policy measures appeared to achieve credit growth momentum, which reached 8.1% in March, although the non-performing loan ratio remains elevated at 15.6%.

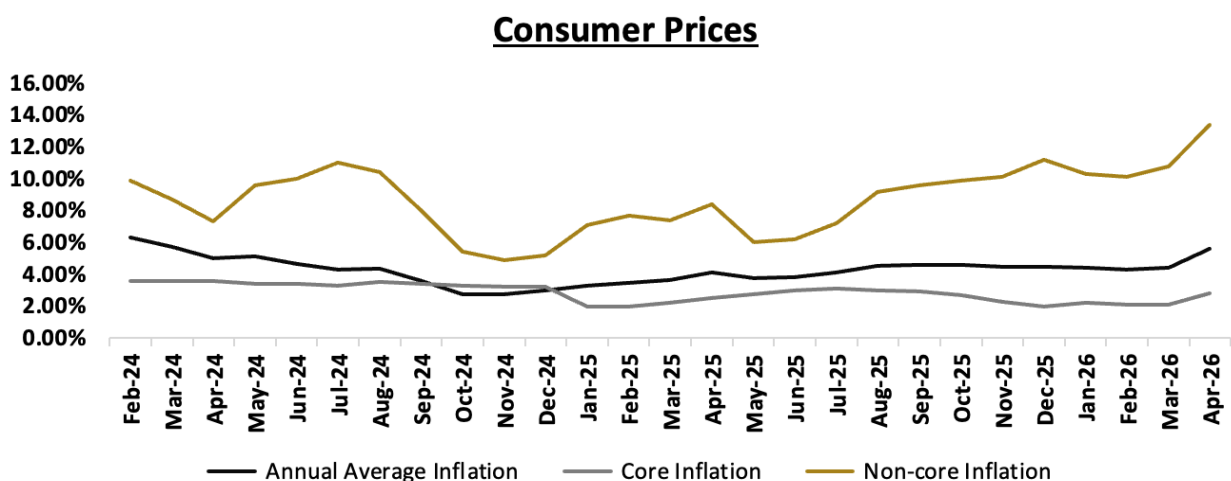
While inflation is expected to stay within the target range in the near term, the committee highlighted the need for vigilance against potential second-round effects from rising oil prices. On the external front, risks have increased due to slower diaspora remittances, reduced export and service earnings, and a higher import bill. Overall, the MPC emphasized a cautious approach, stating that any changes to the policy stance will be guided by incoming data.



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

Headline Inflation Surges to 5.6% on Stronger Food and Transport Cost:

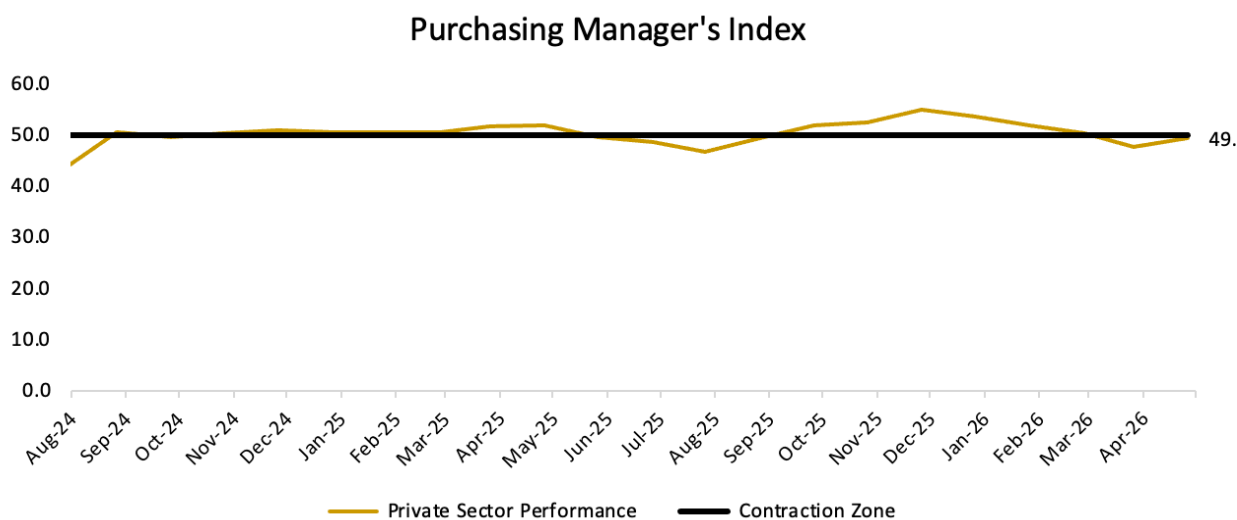
Headline inflation rose sharply to **5.6%** in **April** from 4.4% in March, driven mainly by a stronger-than-expected increase in food and transport costs. The surge in food prices limited any cushioning effect against rising energy expenses, with monthly CPI growth accelerating to 1.4% from 0.5% previously. Food inflation reached 8.8% year-on-year and 1.5% month-on-month, supported by steep increases in the prices of vegetables such as cabbages, tomatoes, kale, spinach, and potatoes, largely due to flood-related crop damage and supply chain disruptions. Transport inflation also picked up significantly, rising 6.5% month-on-month and 10.0% year-on-year, alongside a 6.5% increase in gas/LPG prices, which offset a decline in electricity costs. As a result, non-core inflation climbed to 13.4% from 10.8%, while core inflation edged up to 2.8%, reflecting sustained price pressures in key categories including food, alcoholic beverages, and transport.



Source: KNBS, Chart: SIB

Private Sector Activity Contracts for Second Month

The Kenyan private sector remained in contraction territory in **April 2026**, with the Stanbic Bank PMI settling at **49.4**, from **47.7** in March, **yet remaining below the 50.0 neutral threshold for a second consecutive month** as soaring fuel prices and supply chain disruptions linked to the Middle East conflict intensified operating pressures. Although the decline in output and new orders showed signs of stabilizing compared to March, input costs and selling prices surged to their highest levels since late 2023, forcing many firms to pass these expenses on to consumers. Despite this inflationary environment and a third consecutive monthly dip in business confidence, companies proactively increased inventory levels to the highest point this year to hedge against future shortages, while employment grew for the 15th straight month as firms maintained a cautiously optimistic outlook through product diversification and expansion efforts



Source: Stanbic PMI, Chart: SIB

Kenya Q3 FY 2025/2026 Fiscal Performance Review

Kenya's fiscal landscape at the close of Q3 FY 2025/26 reveals a state of fragile resilience, characterized by the Kenya Revenue Authority surpassing the KES 2.0Tr milestone despite trailing its ambitious targets by 4% (KES 84Bn). While total receipts hit a record KES 3.4Tr, this performance was heavily propped up by a 45.4% surge in gross borrowing and a strategic US\$2.25 billion Eurobond issuance to manage liquidity, reflecting an increased reliance on debt as the country operates without an active IMF program.

Simultaneously, public spending is escalating through a KES 287 billion supplementary budget hike—largely driven by an 18% rise in administrative recurrent costs—creating a precarious balancing act as the government navigates high global oil prices and a widening deficit fuelled by domestic tax cuts.

Find the detailed report [here](#).

THE INTERNATIONAL SCENE

Kenyan Eurobonds:

Yields on Kenyan Eurobonds exhibited signs of volatility, with rates increasing by an average of c.1.93bps for the week dated 1st May 2026 to 7th May 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%
01-May-26	7.4%	8.0%	8.3%	8.7%	9.3%
04-May-26	7.4%	8.1%	8.3%	8.7%	9.3%
05-May-26	7.4%	8.0%	8.3%	8.7%	9.3%
06-May-26	7.2%	7.6%	7.9%	8.3%	9.0%
07-May-26	7.2%	7.5%		8.3%	8.9%
Weekly Change	0.150%	0.460%	8.300%	0.430%	0.330%
YTD Change	1.2%	0.4%	(7.2%)	0.4%	(0.3%)

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

Currency Performance

The Kenyan Shilling showed a mixed performance against major currencies this week, notably gaining ground against regional and primary trade partners while slipping against others. The Shilling strengthened against the **Japanese Yen (JPY/KES)**, which saw the largest weekly jump of **2.5%**, followed by gains against the **British Pound (GBP/KES)** and **Euro (EUR/KES)** at **1.1%** and **0.7%** respectively. Regionally, the Shilling also appreciated by **0.5%** against the **Ugandan Shilling (KES/UGX)** and a marginal **0.1%** against the **Tanzanian Shilling (KES/TZS)**. In contrast, the Shilling weakened slightly against the **US Dollar (USD/KES)**, which recorded a **(0.1%)** decline for the week.

Data from the Central Bank of Kenya indicates that the U.S. Dollar Index weakened by 0.3% over the week, reflecting a reduced demand for safe-haven assets.

International oil prices declined during the week, reflecting concerns over weakening global demand alongside easing supply conditions. Murban crude oil prices decreased to USD 89.13 per barrel on 07/05/2026 from USD 89.13 per barrel on 30/04/2026.

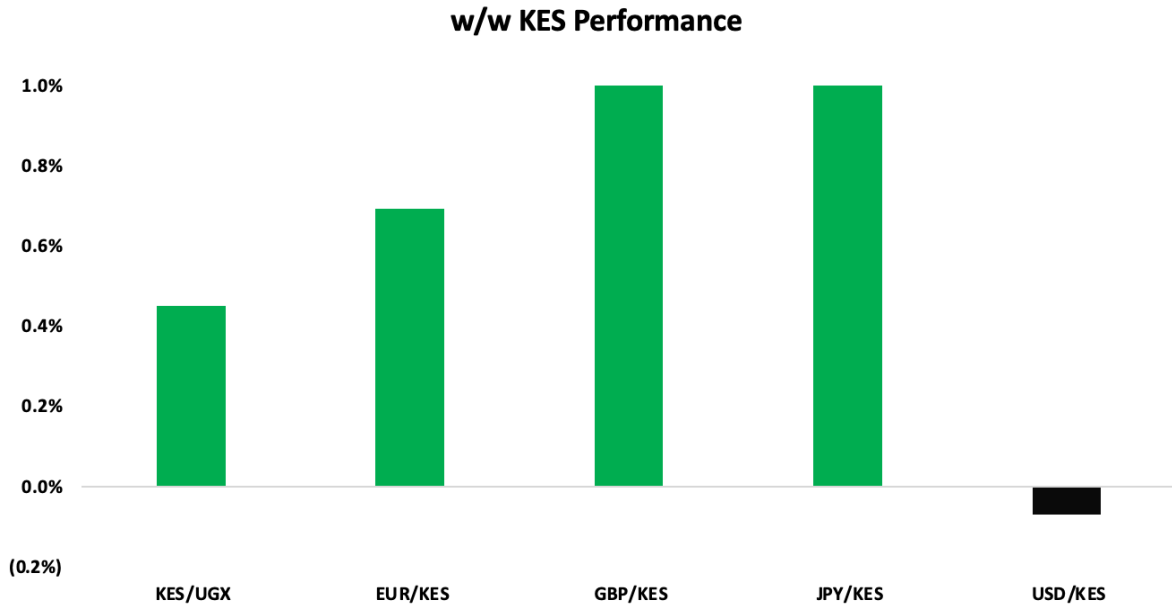
See the table below;

Currencies	31 Dec 2025 (vs KES)	Previous	Current	w/w Change	YTD change
GBP/KES	173.65	174.13	175.97	1.1%	1.3%
EUR/KES	151.43	150.99	152.04	0.7%	0.4%
KES/TZX	19.03	20.08	20.10	0.1%	5.6%
KES/UGX	28.06	28.81	28.94	0.5%	3.1%
JPY/KES	82.39	80.65	82.63	2.5%	0.3%
USD/KES	129.01	129.19	129.10	(0.1%)	0.1%

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

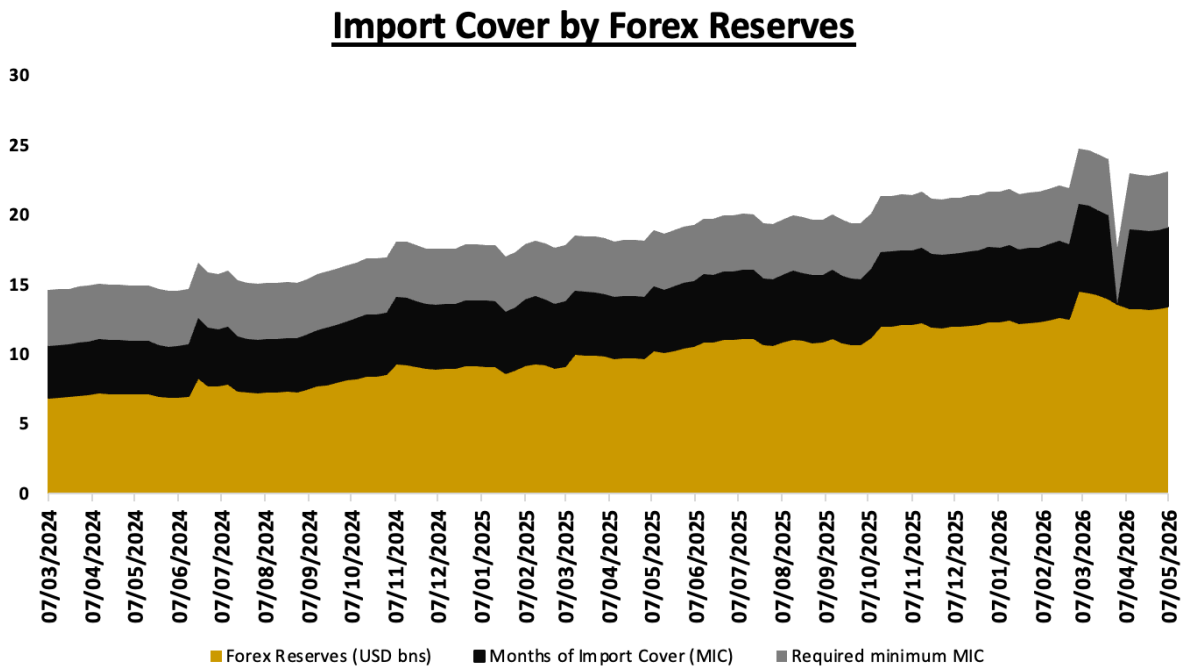
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen | FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

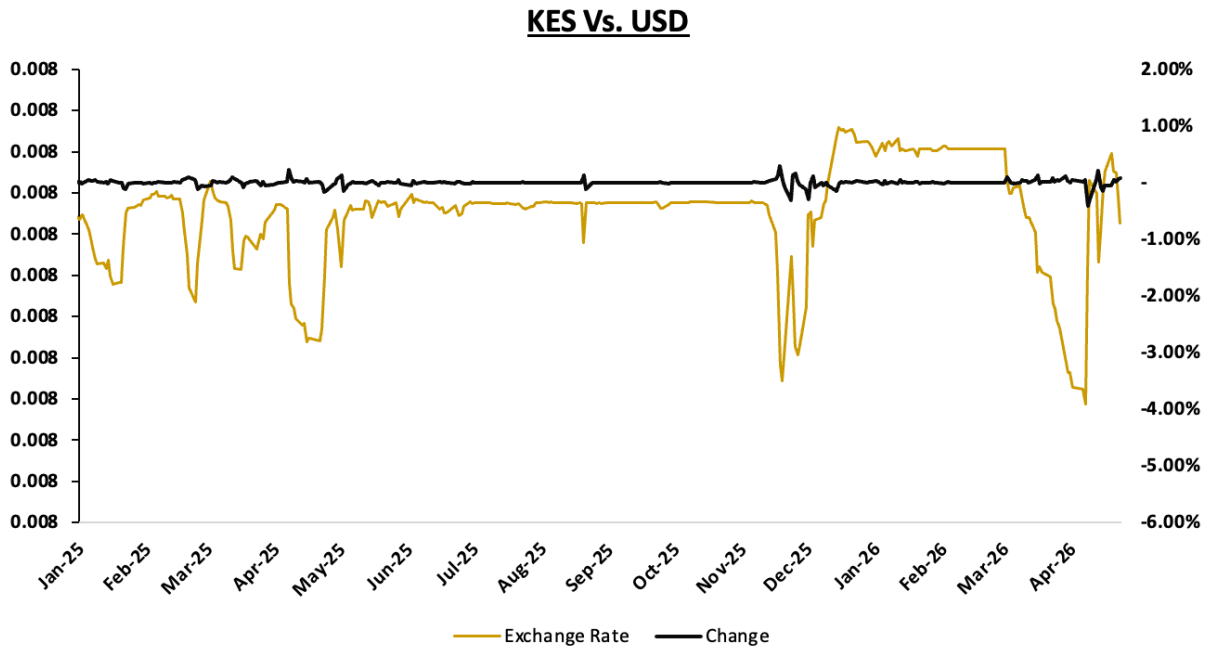
Kenya's foreign exchange reserves increased slightly to USD 13.34bn, with import cover remaining constant at 5.6 months. See the chart below for a visual summary.



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

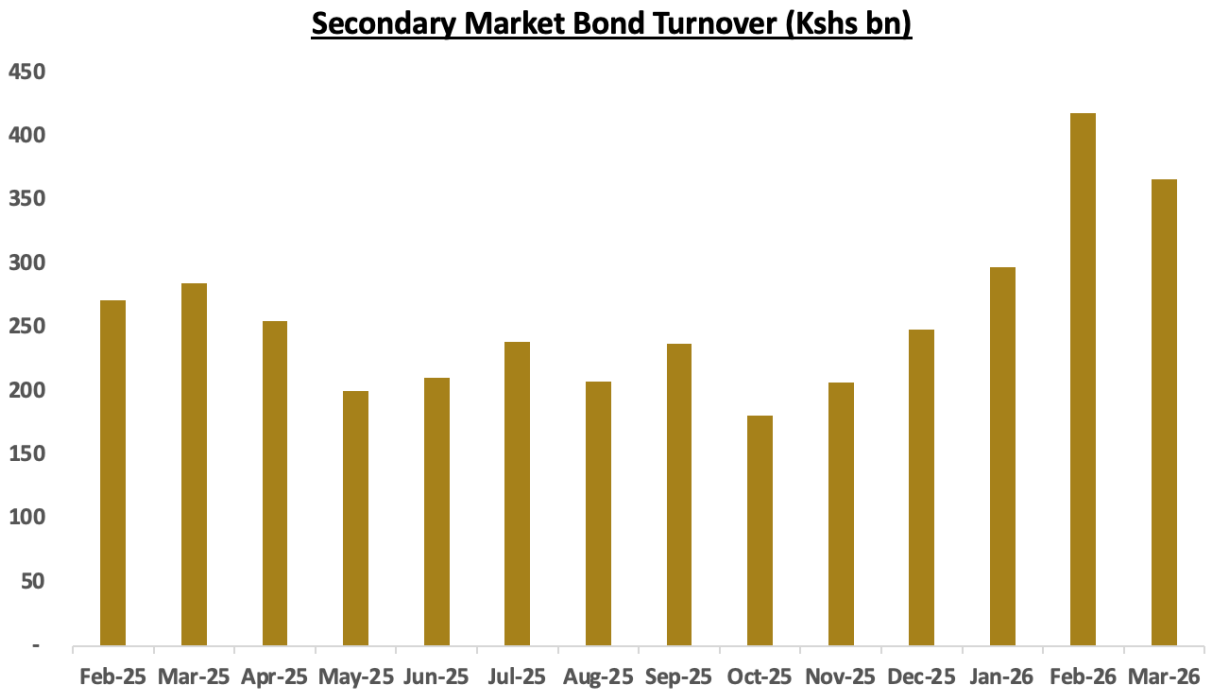
BACKGROUND CHARTS

KES/USD Performance



Source: Central Bank of Kenya (CBK)

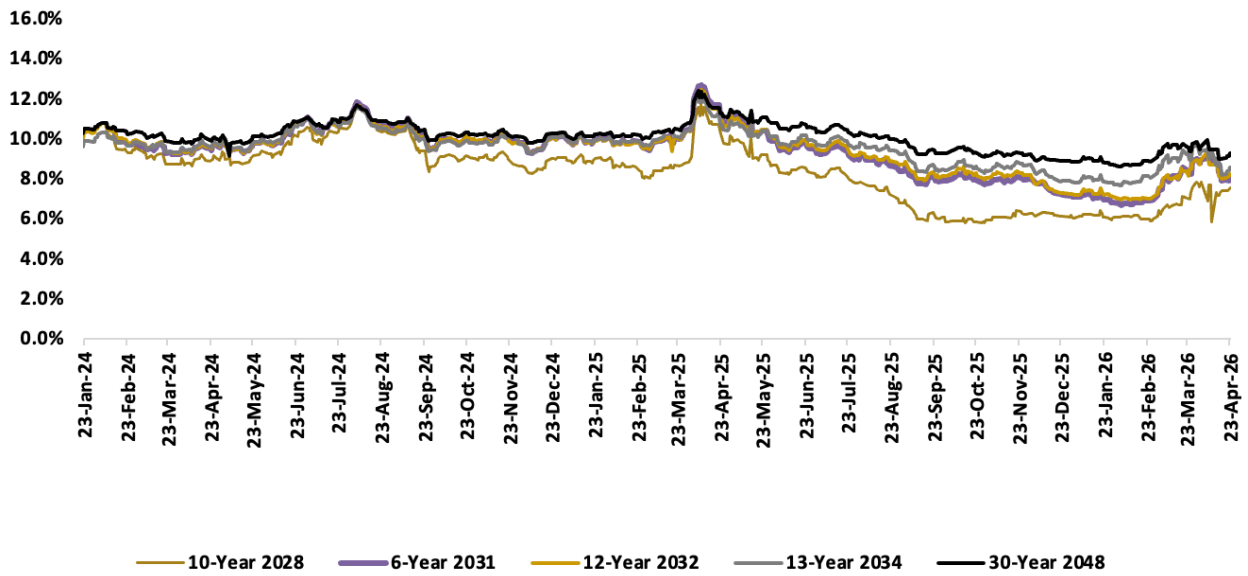
Bond Turnover



Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds

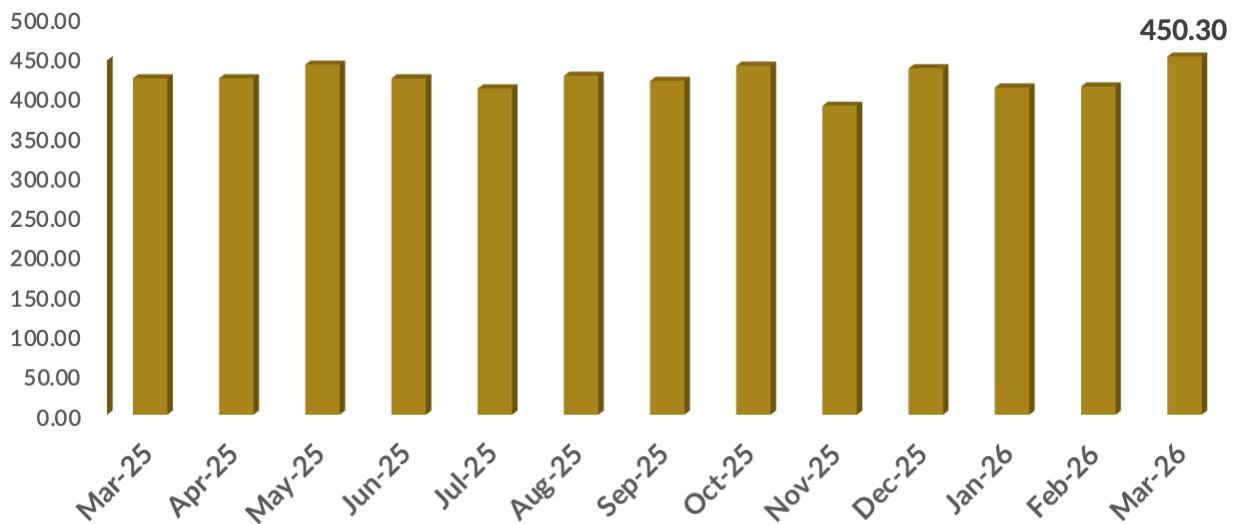
Kenya Eurobond Yields



Source: Central Bank of Kenya (CBK)

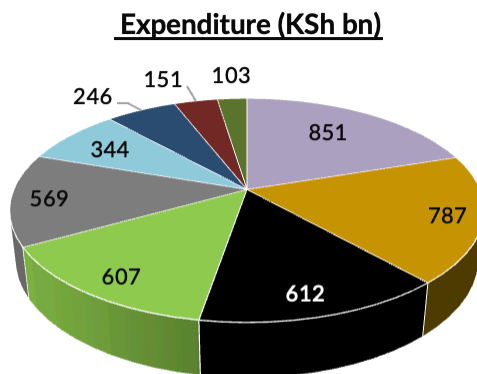
Diaspora Remittances

Diaspora Remittances (USD mn)



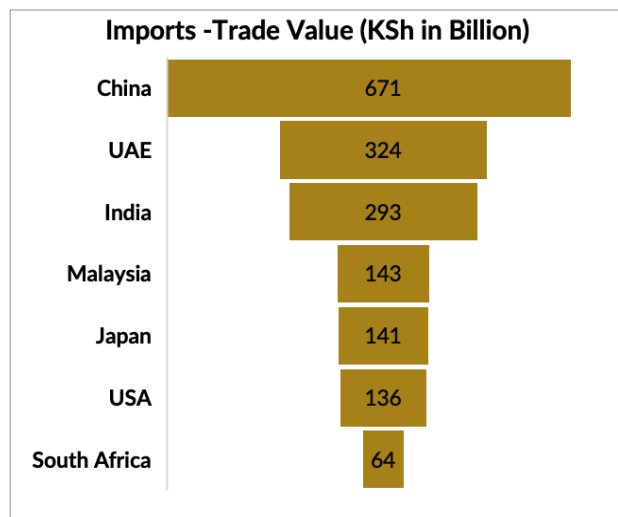
Source: Central Bank of Kenya (CBK)

National Expenditure

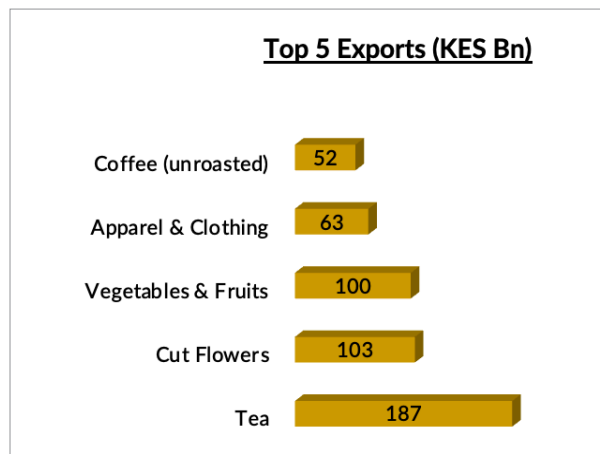
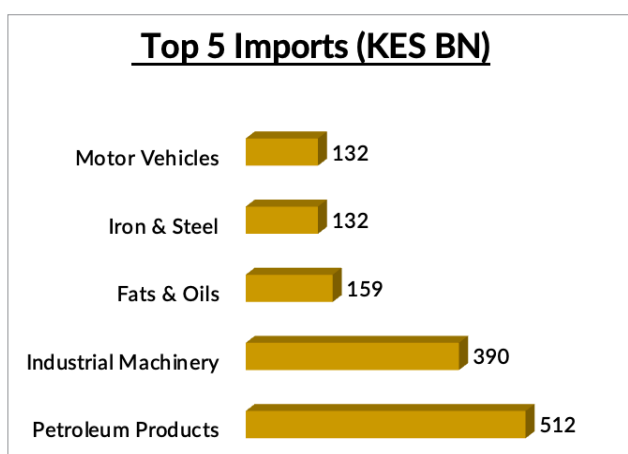


- Interest repayment (public debt)
- Education
- General Public Services
- Economic affairs
- Defense & Public order and safety
- Other public services
- Transfers to county governments
- Health
- Housing & community amenities

Source: KNBS, Chart: SIB



Source: KNBS, Chart: SIB



Source: KNBS, Chart: SIB

BALANCE OF PAYMENTS (KES Bn)



Source: KNBS, Chart: SIB

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