

**WEEKLY FIXED INCOME REPORT**

*Diaspora Inflows Extend Decline in May Following March Peak*

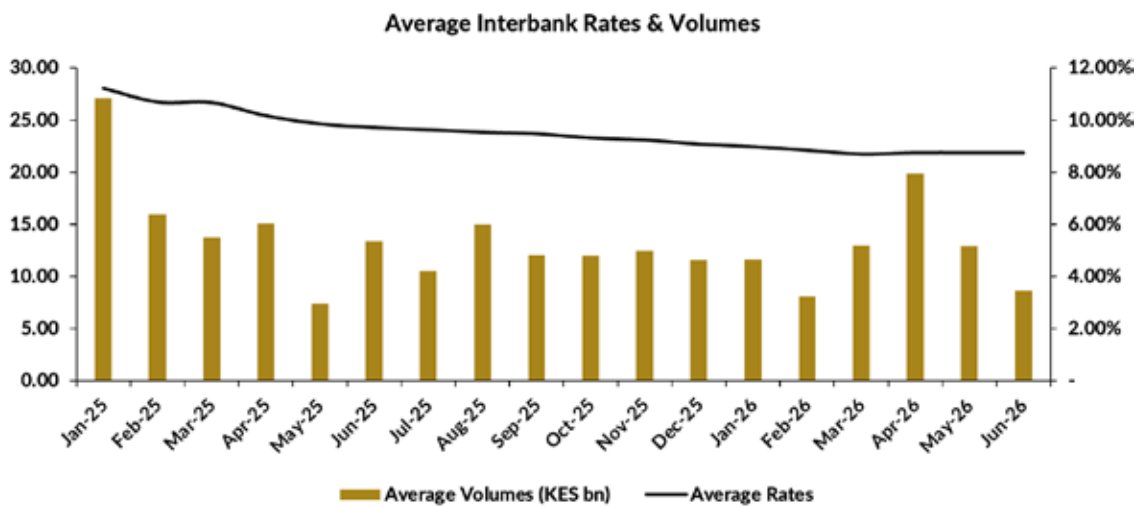
# MONEY MARKET STATISTICS

Liquidity conditions remained stable in the week, with the Kenya Shilling Overnight Interbank Average (KESONIA) closing at an average of 8.75%. Interbank lending decreased by 49% in the week, with average traded volumes coming in at KES 5.61bn from last week's KES 10.96Bn. Notably, the interbank deals decreased by 40% to close the week at 15, compared to the 25 recorded in the previous week.

Find the summary below:

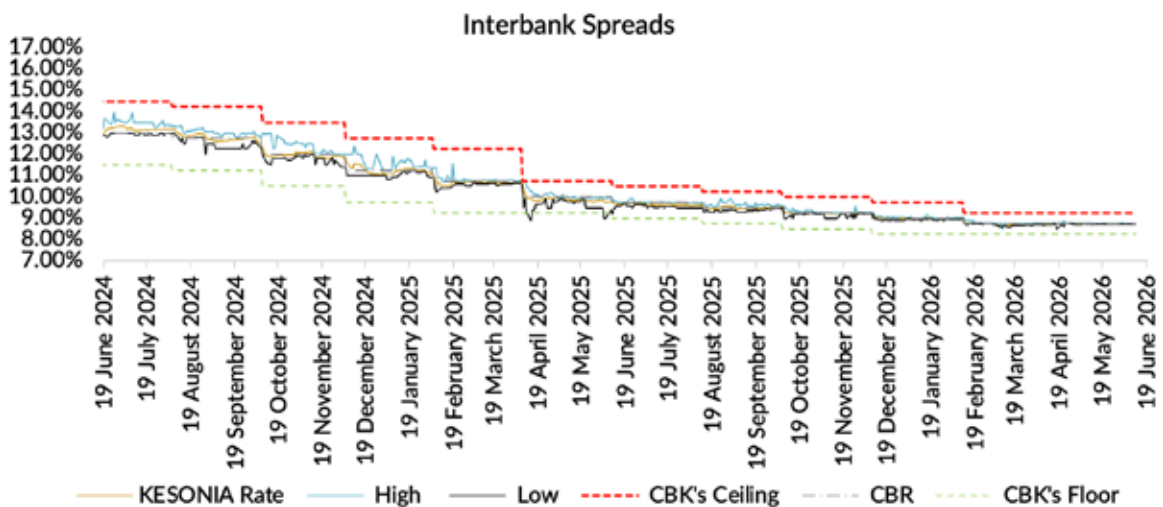
Average	Previous Week - ended 11th June 2026	Current Week - ended 18th June 2026	Change
Interbank Deals (Total)	25.00	15.00	(40.00%)
Inter- Bank volumes (KES bn)	10.96	5.61	(48.78%)
KESONIA (bps)	8.75%	8.75%	0.00
Window Borrowing Volumes (KES bn)	-	-	n/a

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:

Treasury Bill demand remained steady this week, with Investors submitting bids totalling KES 48.98bn, of which the fiscal agent accepted KES 35.74Bn resulting into the subscription rate of 73% and a performance rate of 204%.

The 91-day Treasury Bill remained most attractive debt instrument, registering a performance rate of 921%. The auction was significantly oversubscribed, receiving KES37Bn in bids compared to the KES 4.0Bn on offer.

Below is a visual summary;

KES Bn

22-Jun-26	91-day 21-Sept-26	182-day 21-Dec-26	364-day 21-Jun-27	Totals
Amount offered	4.00	10.00	10.00	24.00
Bids received	36,846.88	3,219.98	8,916.60	48,983.46
Bids Accepted	23,621.44	3,206.02	8,913.86	35,741.32
Acceptance rate (%)	64.11%	99.57%	99.97%	72.97%
Performance rate (%)	921.17%	32.20%	89.17%	204.10%
Rollover/Redemptions	13,601.80	1,436.55	19,408.90	34,447.25
New Borrowing/(Net Repayment)	10,019.64	1,769.47	-10,495.04	1,294.07
Weighted Average Rate of Accepted Bids	8.82%	8.78%	8.97%	
Inflation	6.7%	6.7%	6.7%	
Real Return	2.0%	1.9%	2.2%	

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

### T-Bonds:

Ahead of the last fiscal month of the year, the CBK had announced KES 60Bn domestic borrowing program for June 2026 to participate in the re-opened papers listed below: FXD1/2018/020 and FXD1/2021/025. The auction accepted KES 43Bn from total bids received of KES 78Bn, representing a 129% subscription rate and a 55% acceptance rate, suggesting the government's reluctance to guide for a higher interest rate environment.

Looking ahead, we expect investor aggressiveness to persist. With headline inflation at 6.7% and Middle East geopolitical tensions still threatening global energy prices, which could lead domestic inflationary pressures staying elevated. Furthermore, costly state interventions like fuel tax reliefs and subsidies will likely strain fiscal balances, forcing the government to rely heavily on domestic debt, driving yields higher over the medium term.

Issue	FXD1/2018/020- Re-opened	FXD1/2021/025 - Re-opened
Tenor to Maturity	11.8 Yrs	20 Yrs
Coupon Rate	13.20%	13.92%
Offered Amount	KES 60Bn	
Bids Received (KES Mn)	22,676.86	54,949.11
Amount Accepted (KES Mn)	19,558.61	23,013.55
Market Weighted Average Rate (%)	14.116%	15.110%
Weighted Average Rate of Accepted Bids (%)	13.989%	14.864%
Adjusted Average Price (Per KES 100)	99.016	95.870
New Borrowing/Net Repayment	KES 43Bn	

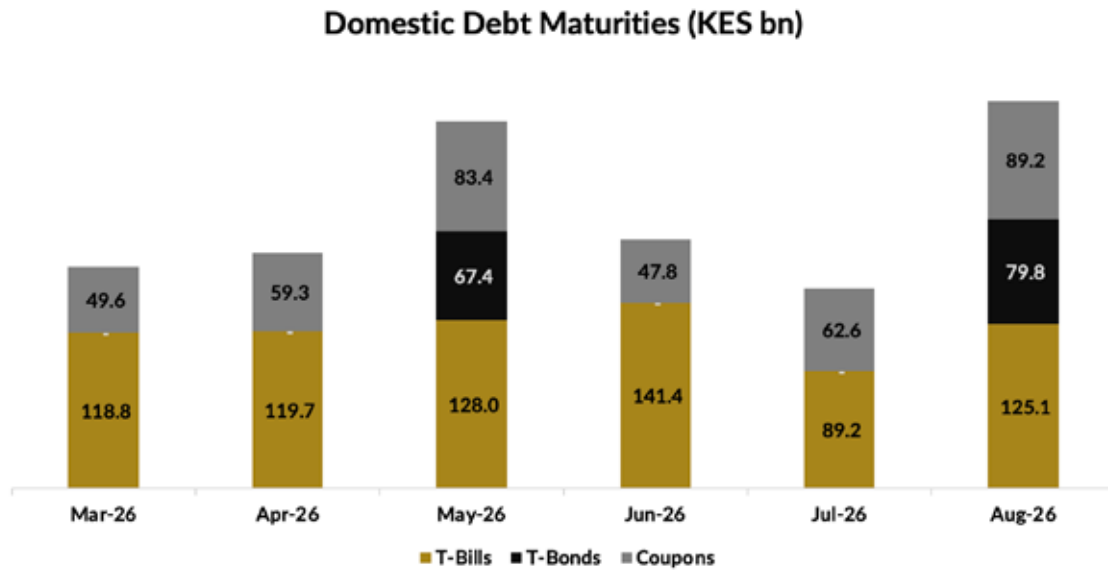
Source: Central Bank of Kenya (CBK), Table: SIB

Looking at secondary bond market turnover, the quantum decreased to KES 46bn (-22%w/w) from KES 59bn in the prior week. Bond Turnover decreased 41.29% month on month to KES 139Bn from 237Bn in April 2026.

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

Total domestic debt maturities in June 2026 are lower at KES 189Bn compared to KES 279Bn in May 2026.

See the chart below;

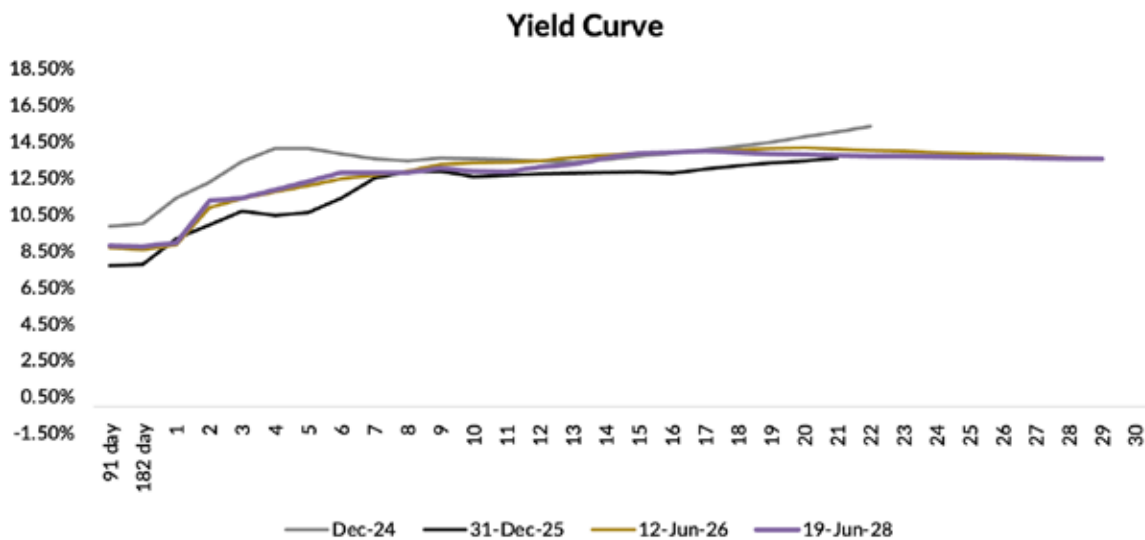


Source: Nairobi Securities Exchange (NSE), Chart: SIB

## Yield Curve

Local interest rates were largely stable during the week, with average government securities yields inching slightly lower by 0.50% w/w. This marginal decrease was driven by a combination of tightening market liquidity and investor hesitation regarding current pricing within a high-inflation environment. With the government expected to lean heavily on the domestic market to plug its budget deficits, borrowing demands will likely stay higher, keeping an upward pressure on local yields over the medium term contrasting high liquidity conditions.

Below is a visual representation;



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

## THE INTERNATIONAL SCENE

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### Weekly Insight: Central Banks Hold Steady as US-Iran Peace Framework Eases Oil Volatility

#### The Federal Reserve: Fed Holds Rates Steady and Removes Forward Guidance under New Chair

The Federal Reserve unanimously voted to **maintain its benchmark interest rate at 3.50% to 3.75%** during Kevin Warsh's first meeting as Fed Chair, yet the decision was accompanied by a distinctively hawkish turn. In a surprise shift, the Fed sharply cut down its policy statement to **remove all explicit forward guidance**, eliminating previous language that hinted at eventual rate cuts and shifting to a **strictly data-dependent framework**. This communication overhaul was reinforced by the updated Summary of Economic Projections, which revealed a **major spike in inflation forecasts**—projecting core PCE at 3.3%—and a revised "dot plot" where **nine out of eighteen officials now anticipate at least one rate hike** before the end of the year.

#### The Bank of England: A Divided Committee Confronts Lingering Geopolitical Inflation Risks

Hours later, the Bank of England followed suit by keeping its **key Bank Rate steady at 3.75%**, though its decision revealed internal division. The Monetary Policy Committee split 7–2, with policymakers Huw Pill and Megan Greene **aggressively voting for an immediate 25-basis-point hike** to 4.00% due to persistent domestic inflation worries. While the majority favored a pause—pointing to a softening Labor market where unemployment rose to 4.9% and noting a slight dip in headline CPI to 2.8%—the central bank warned that **ongoing Middle East tensions and volatile energy costs** are still highly likely to push inflation **back above 3.25%** by the final quarter of the year.

#### Bank of Japan: Rates raised to highest level since 1995 as Quantitative Easing Exit Begins

The Bank of Japan raised its **uncollateralised overnight call rate target by 0.25% to 1.00%**, the highest level since 1995 maintaining its cautious path toward normalization under Governor Kazuo Ueda. The central bank took an aggressive stance on its balance sheet by announcing a **detailed plan to taper its massive Japanese Government Bond (JGB) purchases**. Moving forward, the BoJ will steadily reduce its monthly bond-buying pace by roughly half over the next one to two years, signalling a definitive step away from the quantitative easing era. Despite pushback from volatile domestic consumer spending data, Governor Ueda reiterated that if the underlying trend of **core inflation continues to track toward the 2% target** alongside solid wage growth, the central bank remains **fully on track to raise interest rates again** later this year.

#### Oil Market Relief as US and Iran Sign Peace Framework

Global energy markets experienced immediate relief after the **United States and Iran signed an interim peace agreement**, resuming a downward trend in crude prices that had been briefly interrupted by military rhetoric. **Brent crude futures fell 2.3%** on Thursday in Asia, dropping to **\$77.73 per barrel** for August delivery. This price sits just 7% higher than pre-war levels, effectively erasing a brief spike above \$81 that occurred after US President Donald Trump threatened to resume bombing campaigns if Iran failed to comply with the terms.

Despite the optimistic market sentiment, energy analysts warn of a **significant gap between paper trading and physical oil supply**. The conflict and naval blockades have left an estimated **daily market shortfall of 14 million barrels**, according to the International Energy Agency (IEA). While Pakistani Prime Minister Shehbaz Sharif announced that the memorandum of understanding (MoU) takes immediate effect—requiring Iran to reopen the Strait of Hormuz and the US to lift its naval blockade—logistical normalisation will be slow. **Over 500 vessels remain backlogged** waiting to exit the Gulf, and international shipping associations like BIMCO warn that maritime transit remains highly volatile and risky until explicit safety routes and mine-clearing details are finalized.

## Kenyan Eurobonds

Yields on Kenyan Eurobonds exhibited signs of volatility, with rates increasing by an average of c.0.170% for the week dated 12th June 2026 to 19th June 2026, partly linked to the ongoing volatility in international markets. The table below summarizes the performance across maturities:

	KENINT 02/28/2028	KENINT 02/16/2031	KENINT 05/22/2032	KENINT 01/23/2034	KENINT 02/28/2048
Issuance	10-Year 2028	6-Year 2031	12-Year 2032	13-Year 2036	30-Year 2048
Maturity Date	28-Feb-28	16-Feb-31	22-May-32	1-Jun-34	28-Feb-48
Tenor to Maturity	1.7	4.7	5.9	8.0	21.7
31-Dec-25	6.0%	7.1%	7.2%	7.8%	9.3%
12-Jun-26	6.9%	7.0%	7.3%	7.9%	8.8%
15-Jun-26	6.6%	6.7%	7.1%	7.6%	8.5%
16-Jun-26	6.5%	6.7%	7.1%	7.6%	8.5%
17-Jun-26	6.6%	6.8%	7.1%	7.7%	8.6%
18-Jun-26	6.6%	6.8%	7.2%	7.8%	8.6%
Weekly Change	0.250%	0.200%	0.150%	0.120%	0.130%
YTD Change	0.6%	(0.3%)	(0.0%)	(0.0%)	(0.7%)

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

## Currency Performance

The Kenyan Shilling experienced a stronger performance against major international currencies this week. The Shilling appreciated across the board against key international units; the US Dollar (USD/KES) declined by 0.1%, while the Japanese Yen (JPY/KES), Euro (EUR/KES), and British Pound (GBP/KES) all weakened against the Shilling by 0.5%, 1.0%, and 1.4%, respectively.

Regionally, the Shilling delivered a mixed performance against its neighbours. It weakened significantly against the Ugandan Shilling (KES/UGX), dropping by 3.0%, but strengthened against the Tanzanian Shilling (KES/TZX), appreciating by 0.9%.

The U.S. Dollar Index strengthened by 0.8% during the week, largely due to reduced demand for safe-haven assets following signs of easing geopolitical tensions in the Middle East.

Murban crude oil prices declined to USD 74.41 per barrel on week ended 19/06/2026 from USD 84.60 per barrel a week earlier, 12/06/2026.

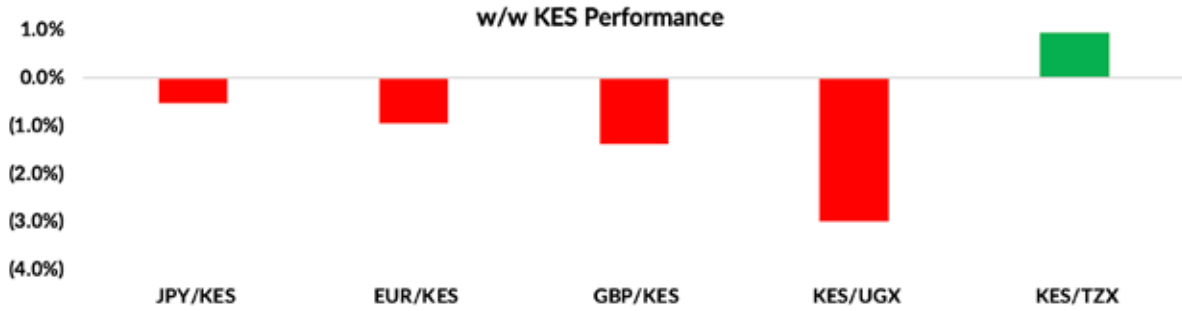
See the table below;

Currencies	31 Dec 2025 (vs KES)	Previous	Current	w/w Change	YTD change
USD/KES	0.4%	(0.1%)	USD/KES	0.4%	(0.1%)
JPY/KES	(2.3%)	(0.5%)	JPY/KES	(2.3%)	(0.5%)
EUR/KES	(1.9%)	(1.0%)	EUR/KES	(1.9%)	(1.0%)
GBP/KES	(1.3%)	(1.4%)	GBP/KES	(1.3%)	(1.4%)
KES/UGX	0.5%	(3.0%)	KES/UGX	0.5%	(3.0%)
KES/TZX	6.7%	0.9%	KES/TZX	6.7%	0.9%

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

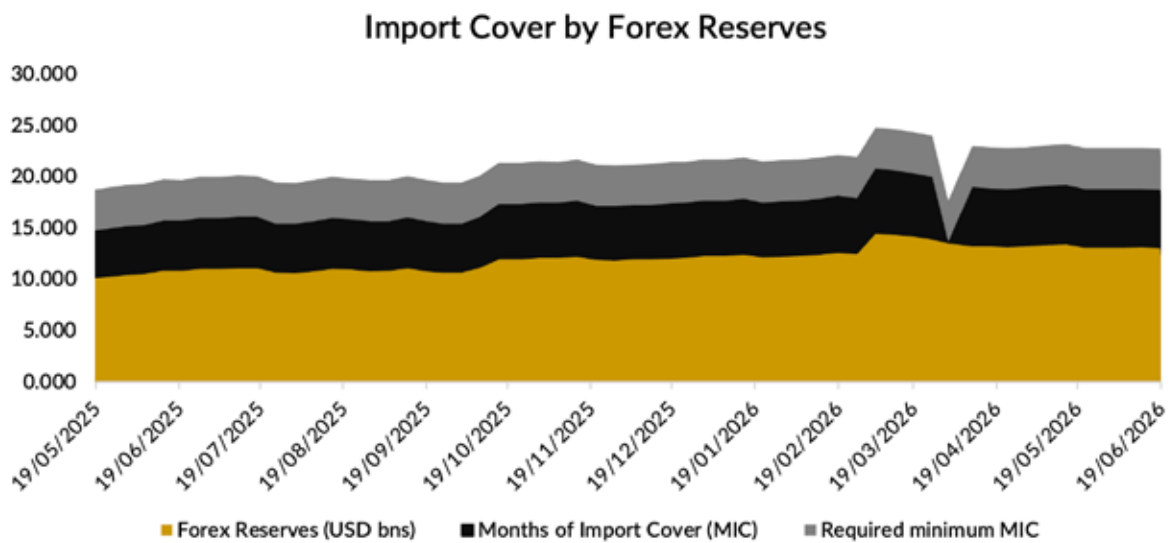
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen | FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

Kenya's foreign exchange reserves decreased marginally by 0.7% to close at USD 13.15bn, with import cover closing at 5.6 months. See the chart below for a visual summary.



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

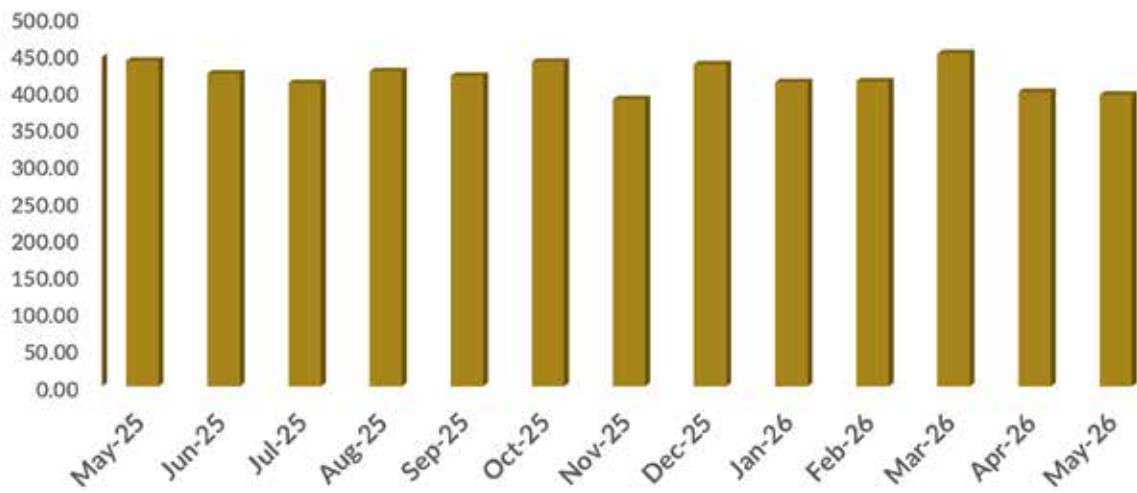
## Diaspora Remittances

Diaspora remittances dropped for the second consecutive month in May 2026, dipping 0.9% to \$394.2Mn from April's \$397.8Mn as inflows continue to cool from March's \$450.3Mn record high.

While the 12-month cumulative total of \$5.008Mn remains a vital anchor for Kenya's foreign exchange and balance of payments, growing geopolitical tensions in the Gulf region pose a significant risk.

The Middle East accounts for over \$4Bn in annual inflows, and the Institute of Economic Affairs (IEA) warns that prolonged conflict could disrupt banking infrastructure or displace migrant workers, potentially slashing monthly remittances by up to \$40Mn.

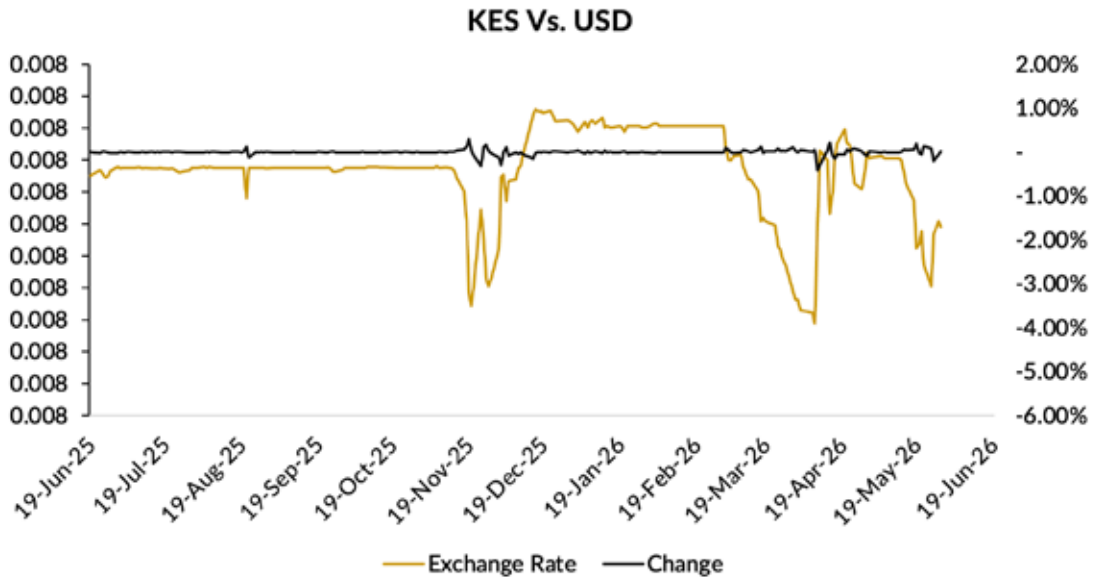
## Diaspora Remittances (USD mn)



Source: Central Bank of Kenya (CBK)

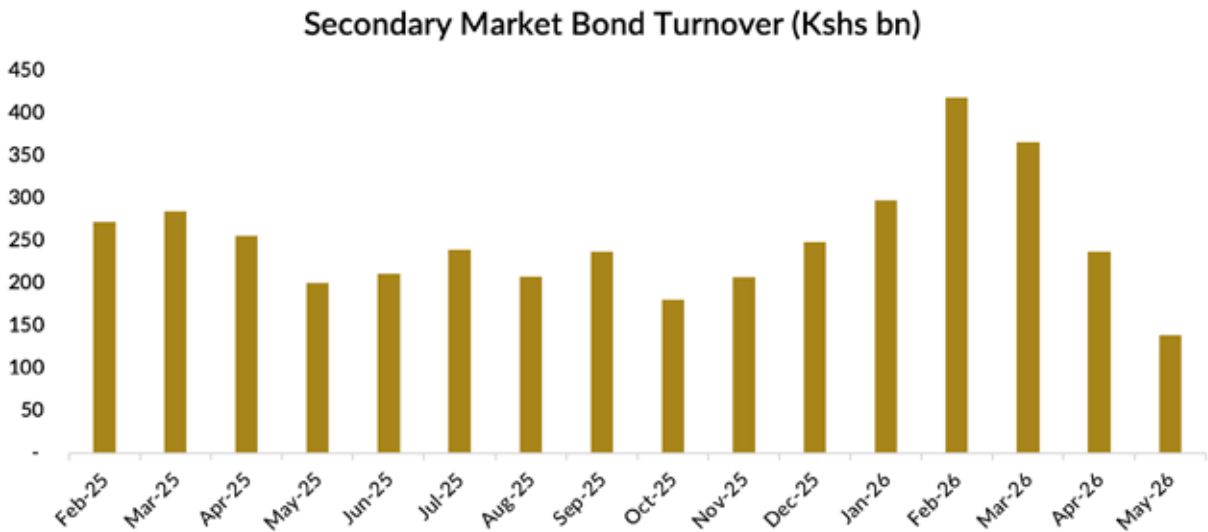
## BACKGROUND CHARTS

### KES/USD Performance



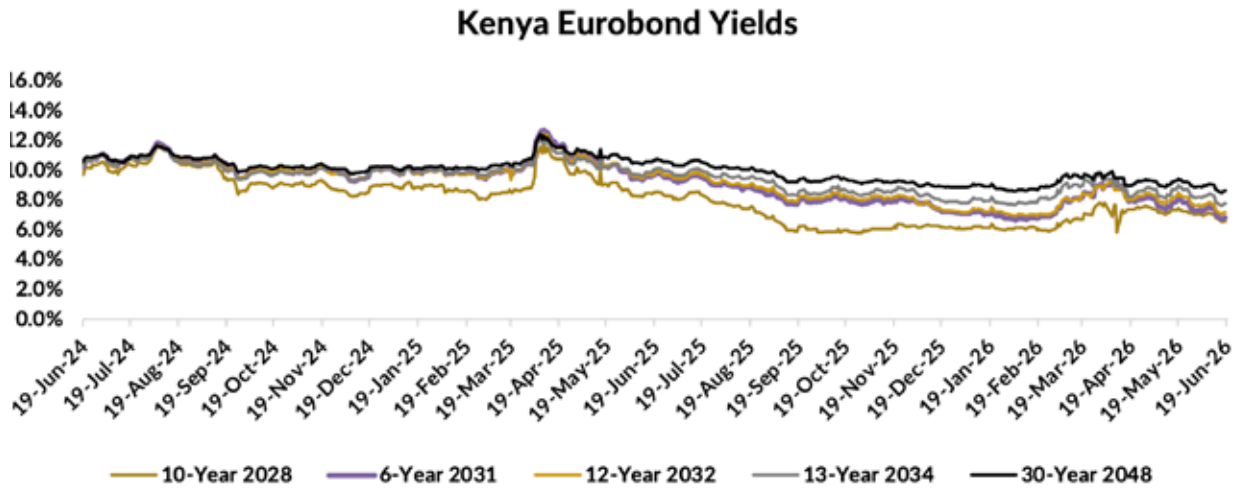
Source: Central Bank of Kenya (CBK)

### Bond Turnover



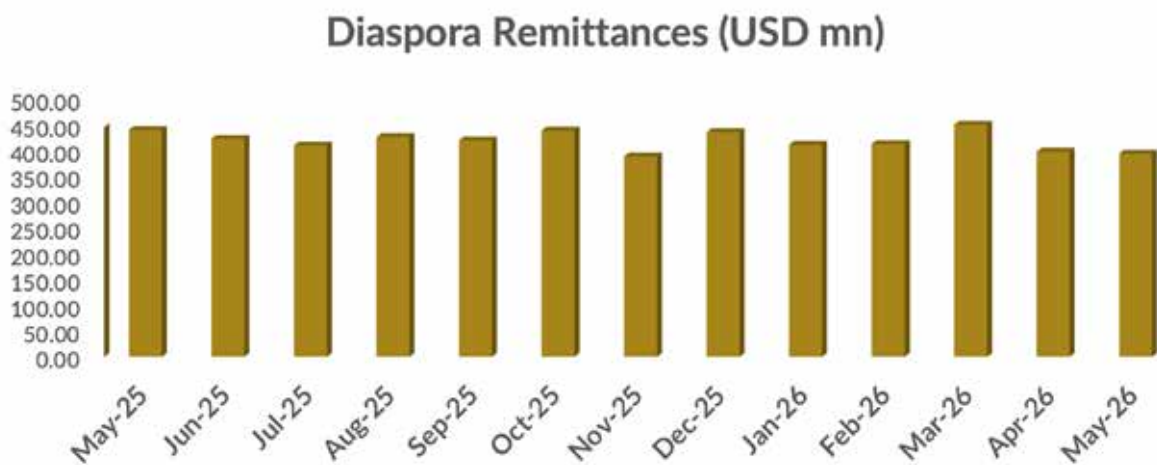
Source: Central Bank of Kenya (CBK)

## Kenyan Eurobonds

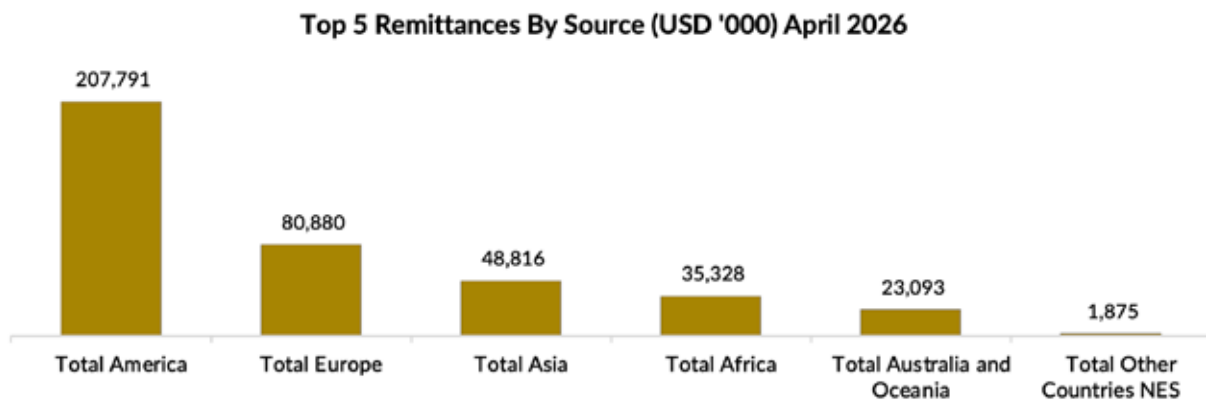


Source: Central Bank of Kenya (CBK)

## Diaspora Remittances

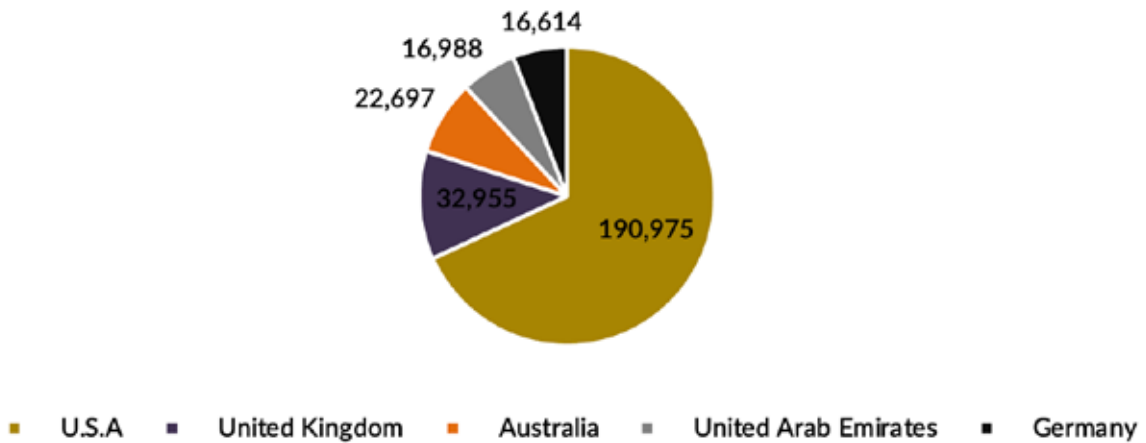


Source: Central Bank of Kenya (CBK)



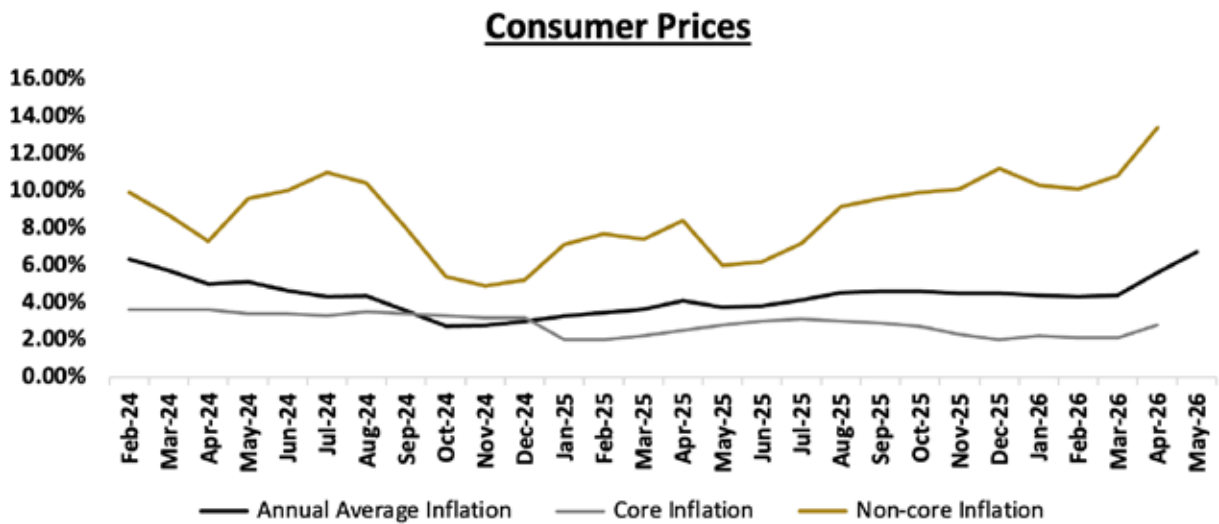
Source: Central Bank of Kenya (CBK)

## Top 5 Remittances By Country (USD '000) April 2026



Source: Central Bank of Kenya (CBK)

## Inflation



Source: KNBS, Chart: SIB

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