

WEEKLY FIXED INCOME REPORT

Diaspora Inflows Extend Decline in May Following March Peak

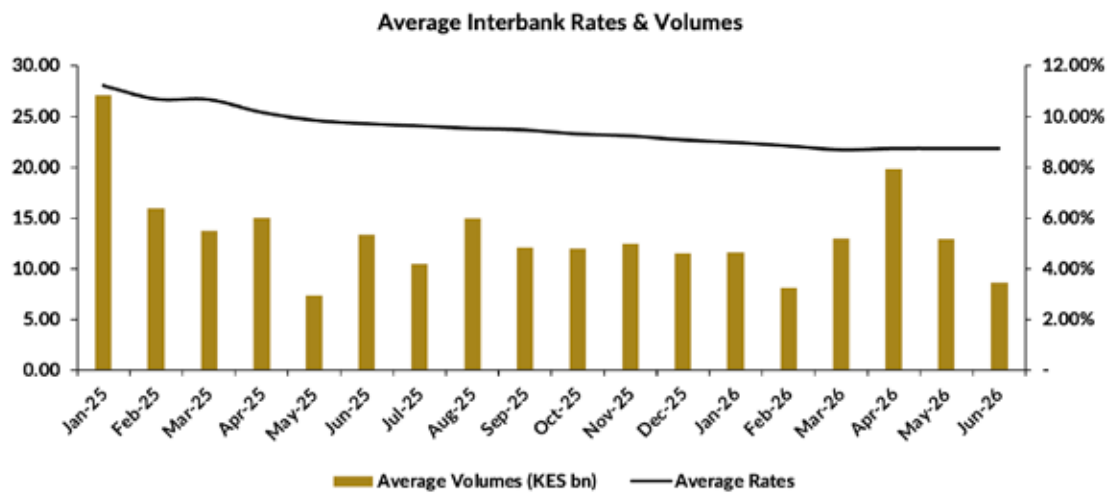
MONEY MARKET STATISTICS

Liquidity conditions remained stable in the week, with the Kenya Shilling Overnight Interbank Average (KESONIA) closing at an average of 8.75%. Interbank lending increased by 187% in the week, with average traded volumes coming in at KES 16.10bn from last week's KES 5.6Bn. Notably, the interbank deals increased by 87% to close the week at 28, compared to the 15 recorded in the previous week.

Find the summary below

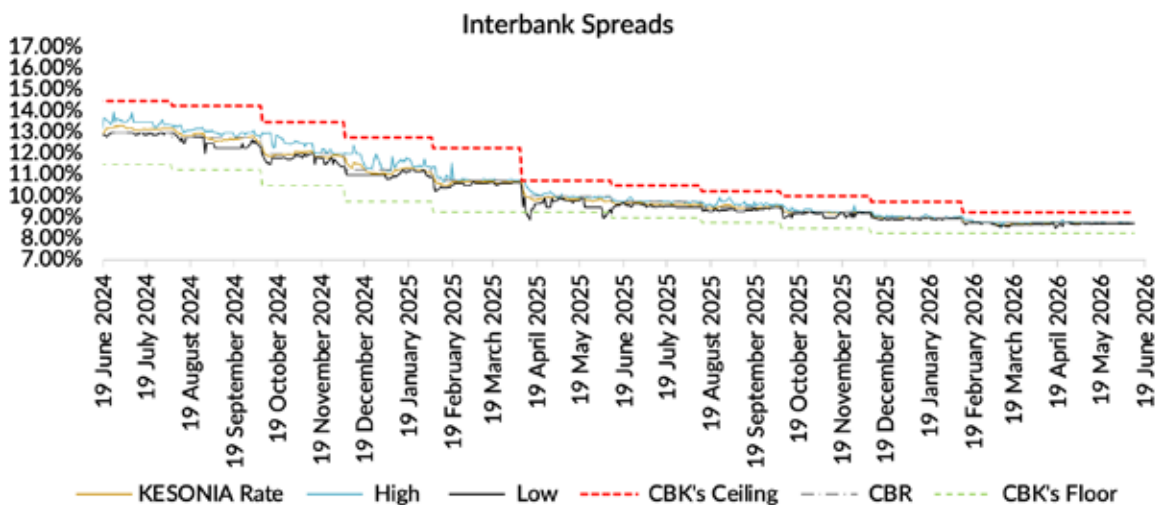
Average	Previous Week - ended 18th June 2026	Current Week - ended 26th June 2026	Change
Interbank Deals (Total)	15.00	28.00	86.67%
Inter- Bank volumes (KES bn)	5.61	16.10	186.89%
KESONIA (bps)	8.75%	8.75%	0.00
Window Borrowing Volumes (KES bn)	-	-	n/a

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 28.05bn, of which the fiscal agent accepted KES 17.42Bn resulting into the subscription rate of 62% and a performance rate of 117%, lower than the subscription rate of 204.1%, recorded the previous week.

The 91-day Treasury Bill remained most attractive debt instrument, registering a performance rate of 576%. The auction was significantly oversubscribed, receiving **KES23Bn** in bids compared to the **KES 4.0Bn** on offer.

Below is a visual summary;

KES Bn

01-Jul-26	91-day 30-Sept-26	182-day 30-Dec-26	364-day 30-Jun-27	Totals
Amount offered	4.00	10.00	10.00	24.00
Bids received	23,013.48	2,268.15	2,776.87	28,058.50
Bids Accepted	14,187.31	833.16	2,405.42	17,425.89
Subscription rate (%)	61.65%	36.73%	86.62%	62.11%
Performance rate (%)	575.34%	22.68%	27.77%	116.91%
Rollover/Redemptions	2,522.70	721.50	12,917.85	16,162.05
New Borrowing/(Net Repayment)	11,664.61	111.66	-10,512.43	1,263.84
Weighted Average Rate of Accepted Bids	8.83%	8.84%	8.99%	
Inflation	6.7%	6.7%	6.7%	
Real Return	2.1%	2.1%	2.3%	

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

T-Bonds:

In the primary space, the CBK has announced **KES 70Bn** domestic borrowing program for July 2026 to participate in the re-opened papers listed below: **FXD1/2022/010**, **FXD1/2021/020** and **FXD1/2026/030**.

Looking ahead, we expect investor aggressiveness to persist. With headline inflation at 6.7% and Middle East geopolitical tensions threatening global energy prices, domestic inflationary pressures will likely stay 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 and driving yields higher over the medium term.

Issue	FXD1/2022/010 - Re-opened	FXD1/2021/020- Re-opened	FXD1/2026/030 - Re-opened
Tenor to Maturity	5.8 Yrs	15.2 Yrs	29.9 Yrs
Coupon Rate	13.49%	13.44%	12.50%
Offered Amount	KES 70Bn		
Period of Sale	25th June 2026 to 8th July 2026		
Value Date	8th July 2026		
Minimum Bidding Amount	KES 50,000		
Taxation	10.00%		
Our Expected Outcome Ranges			

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

The government is also looking to raise KES 10Bn through the switch auction from FXD1/2021/005 to FXD1/2012/020 with fixed coupon rates of 11.3% and 12.0% respectively and tenors to maturity of 0.3 years and 6.3 years respectively

Issue	FXD1/2021/005- Source Bond	FXD1/2012/020- Destination Bond
Tenor to Maturity	0.3 Yrs	6.3 Yrs
Coupon Rate	11.28%	12.00%
Offered Amount	KES 10Bn	
Period of Sale	26th June 2026 to 13th July 2026	
Value Date	13th July 2026	
Minimum Bidding Amount	KES 50,000.00	
Taxation	10.00%	

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

Also, during the week, the Central Bank of Kenya released the tap sale results for the re-opened treasury bonds FXD1/2018/020 and FXD1/2021/025.

The bonds were oversubscribed, with the overall subscription rate coming in at 155% receiving bids worth KES 31Bn. The government accepted bids worth KES 29Bn, translating to an acceptance rate of 94%.

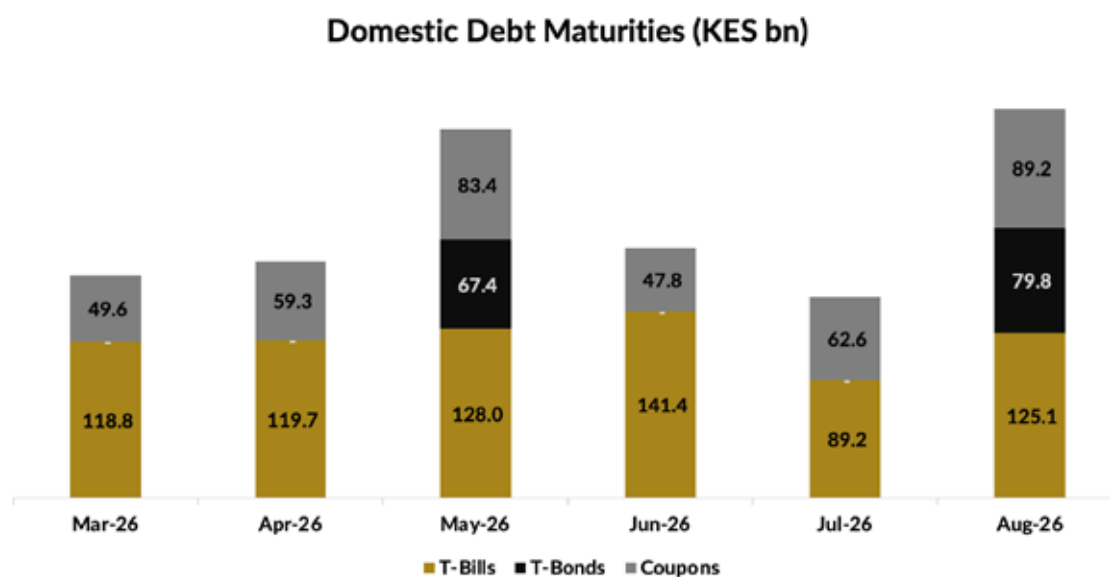
Issue	FXD1/2018/020- Re-opened	FXD1/2021/025 - Re-opened
Tenor to Maturity	11.8 Yrs	20 Yrs
Coupon Rate	13.20%	13.92%
Offered Amount	KES 20Bn	
Bids Received (KES Mn)	6,387.35	24,622.85
Amount Accepted (KES Mn)	6,097.72	23,143.73
Weighted Average Rate of Accepted Bids (%)	13.989%	14.863%
Adjusted Average Price(Per KES 100)	99.273	96.135

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

Looking at secondary bond market turnover, the quantum increased to KES 80bn (+73%w/w) from KES 46bn in the prior week. Bond Turnover decreased by 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 at KES 189Bn compared to KES 279Bn in May 2026. See the chart below;

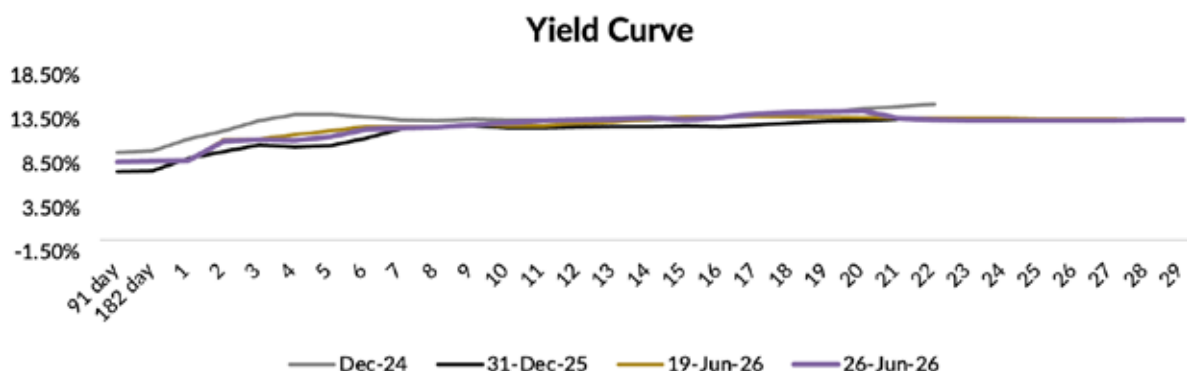


Source: Nairobi Securities Exchange (NSE), Chart: SIB

Yield Curve

Local interest rates were largely stable during the week, with average government securities yields inching slightly higher by 0.004% w/w. This marginal increase 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 stay elevated, keeping pressure on local yields over the medium term despite high liquidity conditions.

Below is a visual representation;



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

THE INTERNATIONAL SCENE

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

Geopolitical and Commodity Markets

The primary driver of macro sentiment remained the fallout and potential resolution of recent Middle East tensions, specifically following the mid-June U.S.-Iran memorandum of understanding.

However, initial optimism quickly evaporated as reports confirmed that hostile attacks on commercial shipping lanes have started again. This sudden resurgence of hostilities triggered severe late-week volatility on Thursday and Friday following a localized missile strike on a container vessel in the Strait of Hormuz.

- **Oil & Energy:** Crude prices, which had generally drifted lower early in the week as supply-chain anxieties briefly eased on hopes of a broader peace deal, rapidly reversed those losses. The renewed threat to transit routes caused oil prices to spike sharply and end the week on an upward push.
- **Gold:** Rose steadily across the entire week, capitalizing on persistent safe-haven demand as a portfolio hedge as market participants braced for extended global supply-chain restoration times and a prolonged period of regional instability.

The Global Stagflation Shock (Middle East Fallout)

The macroeconomic story of mid-2026 continues to be shaped by severe supply-side disruptions stemming from the Strait of Hormuz situation. While markets briefly hoped for stabilization following diplomatic discussions earlier in the month, any near-term relief was shattered as hostile attacks on commercial shipping lanes have started again. This sudden resumption of conflict injects fresh volatility into a fragile global landscape, compounding the pressures highlighted in flagship reports released this month by the World Bank, OECD, and the Bank for International Settlements (BIS):

- **Growth Downgrades:** The World Bank officially downgraded its 2026 global growth forecast to 2.5% (down from 2.9% in 2025), citing the heaviest drag on the global economy since the pandemic—a figure now facing further downside risk as regional hostilities reignite.
- **The Energy/Fertilizer Transmission:** The macroeconomic shock wave has broadened far beyond oil. The immediate threat of renewed transit disruptions is expected to further drive-up surging energy prices, compounding global fertilizer and transportation costs. This is putting immediate upward pressure on food prices and severely squeezing the fiscal capacity of developing nations already struggling with structural inflation.

Weekend Escalation: The Fragile Peace is Tested

Despite the massive weekly selloff driven by optimism that the big energy crunch was permanently averted, global market sentiment is shifting drastically today due to immediate geopolitical developments over the last forty-eight hours. The recently established **interim peace accord** is already showing visible fractures as **hostile attacks on commercial shipping lanes have suddenly started again**. Despite the presence of international military escorts, a commercial cargo vessel attempting to cross the vital waterway near the Omani coast was targeted and struck by an **unknown projectile missile strike** near the **Strait of Hormuz** late this week, prompting the International Maritime Organization to immediately halt its planned evacuation of stranded ships. This sudden resurgence of tactical conflict has caused political rhetoric to sharply escalate over the weekend, with reports out of Washington indicating that **President Trump** has issued fresh warnings of intensified military clashes if Iranian-backed forces or regional factions continue to compromise vital transit lanes. Ultimately, energy analysts are pointing out that while diplomats signed the **mid-June memorandum of understanding**, the respective military forces on the ground keep finding critical friction points, indicating that the agreement may break down much faster than the financial markets initially priced in during Friday's session.

Monday Outlook: High Volatility Expected

Because crude oil benchmarks closed near multi-month lows on Friday right before these fresh hostilities and political threats took centre stage, international energy desks are bracing for a highly combustible and **volatile opening bell on Monday**. While massive strategic inventory releases and weak import demand from China continue to provide structural, long-term downward pressure on global pricing, the immediate resumption of operational risk in the **Strait of Hormuz** has completely altered short-term expectations. Large institutional traders and commodity desks are already rapidly shifting their positioning bets from a state of relative calm back to high alert. This sudden unwinding of peace optimism is expected to trigger a significant **geopolitical risk premium repricing**, setting up a likely upward price spike and heightened trading turbulence the moment global energy markets officially resume trading.

Kenyan Eurobonds

Yields on Kenyan Eurobonds exhibited signs of volatility, with rates decreasing by an average of c.0.042% for the week dated 19th June 2026 to 26th 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%
19-Jun-26	6.6%	6.8%	7.2%	7.8%	8.6%
22-Jun-26	6.6%	6.9%	7.2%	7.7%	8.6%
23-Jun-26	6.7%	6.9%	7.3%	7.9%	8.7%
24-Jun-26	6.7%	6.9%	7.3%	7.8%	8.7%
25-Jun-26	6.6%	6.9%	7.3%	7.8%	8.7%
Weekly Change	-	(0.070%)	(0.090%)	(0.020%)	(0.030%)
YTD Change	0.6%	(0.2%)	0.1%	(0.0%)	(0.6%)

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

Currency Performance

The Kenyan Shilling strengthened against most major currencies this week, gaining 0.7% against the Euro (EUR/KES), 0.3% against the Japanese Yen (JPY/KES), and 0.1% against the British Pound (GBP/KES), while weakening a slight 0.1% against the US Dollar (USD/KES). Regionally, the Shilling appreciated across the board, rising 1.2% against the Ugandan Shilling (KES/UGX) and 0.2% against the Tanzanian Shilling (KES/TZX).

The U.S. Dollar Index weakened by 0.2% 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 84.60 per barrel from USD 87.38 per barrel a week earlier, while spot gold prices decreased to USD 4,213.84 per ounce from USD 4,473.89 per ounce attributed to reduced safe-haven demand

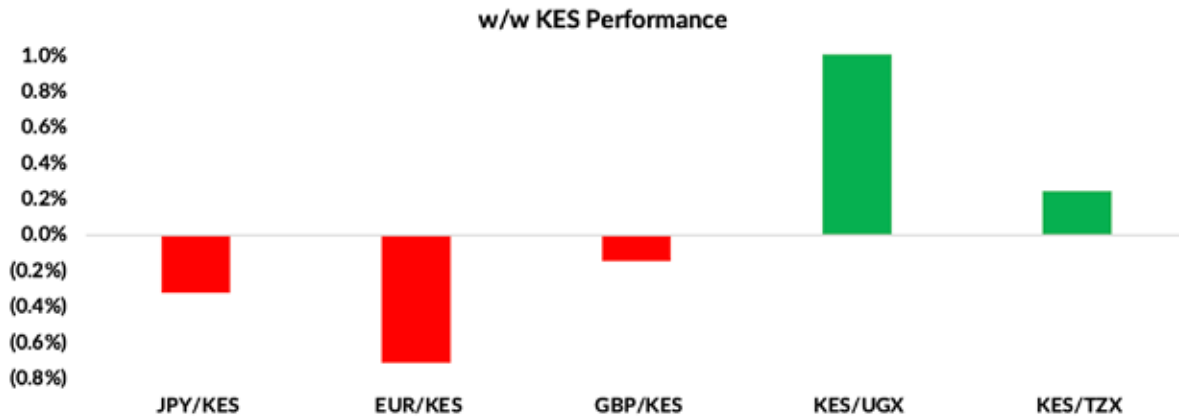
See the table below;

Currencies	31 Dec 2025 (vs KES)	Previous	Current	w/w Change	YTD change
GBP/KES	173.65	171.42	171.17	(0.1%)	(1.4%)
EUR/KES	151.43	148.55	147.49	(0.7%)	(2.6%)
KES/TZX	19.03	20.31	20.36	0.2%	7.0%
KES/UGX	28.06	28.20	28.53	1.2%	1.7%
JPY/KES	82.39	80.47	80.21	(0.3%)	(2.6%)
USD/KES	129.01	129.47	129.64	0.1%	0.5%

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

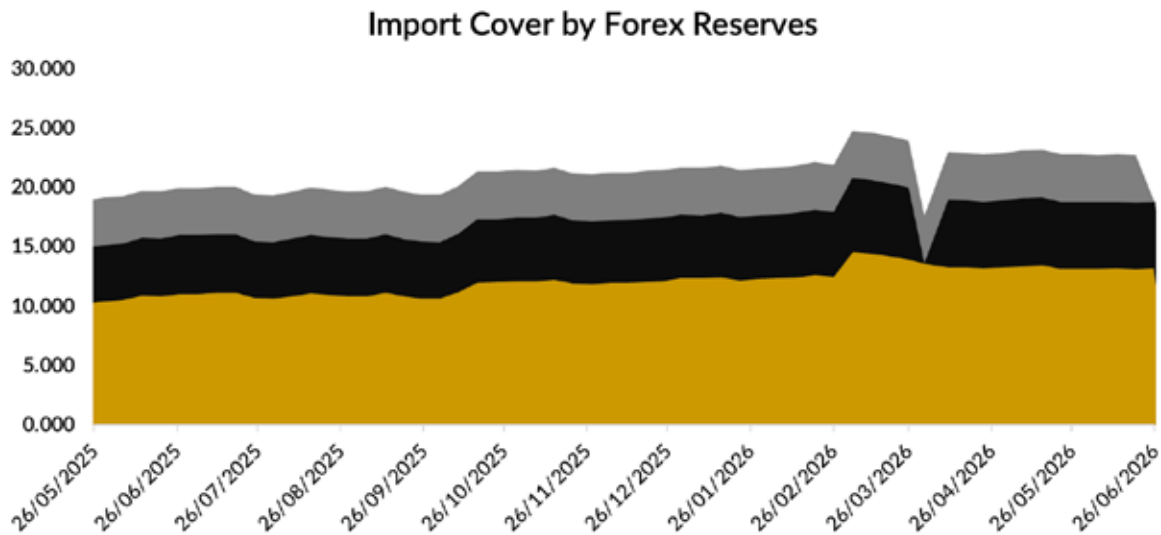
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen | FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

Kenya's foreign exchange reserves increased marginally by 0.7% to close at USD 13.24bn, with import cover closing at 5.6 months. See the chart below for a visual summary.



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

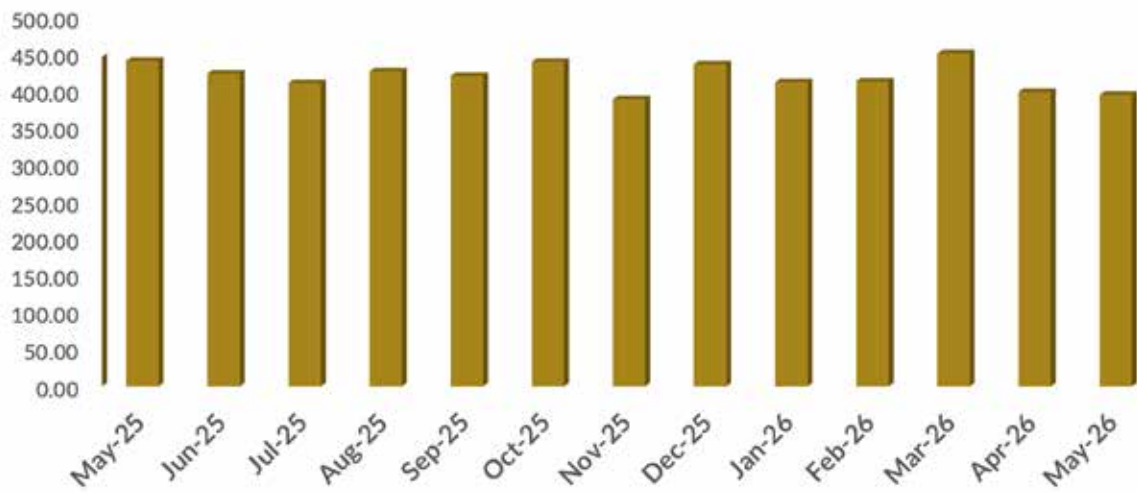
Diaspora Remittances

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.

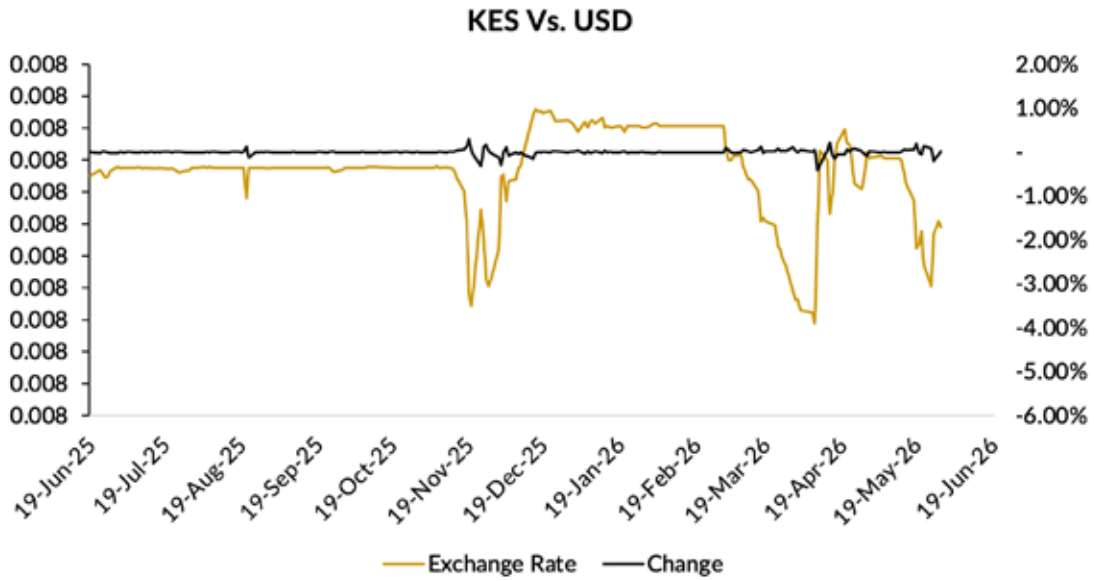
Diaspora Remittances (USD mn)



Source: Central Bank of Kenya (CBK)

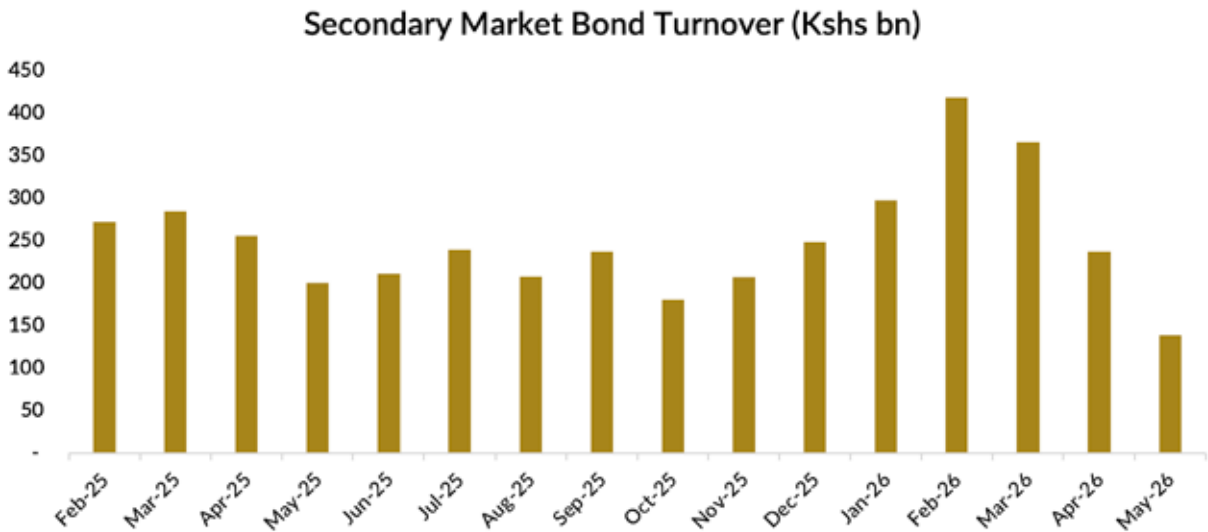
BACKGROUND CHARTS

KES/USD Performance



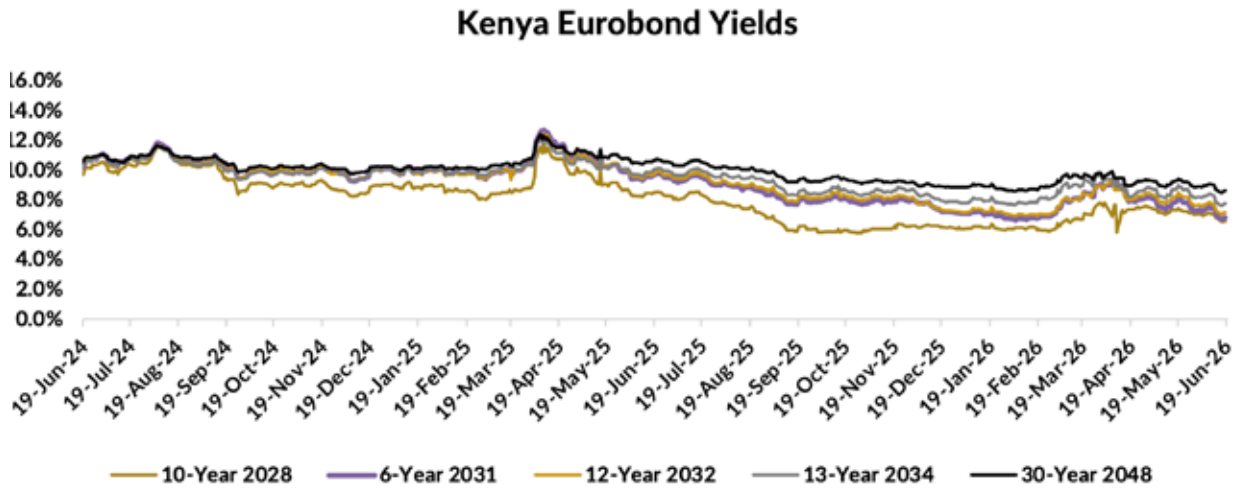
Source: Central Bank of Kenya (CBK)

Bond Turnover



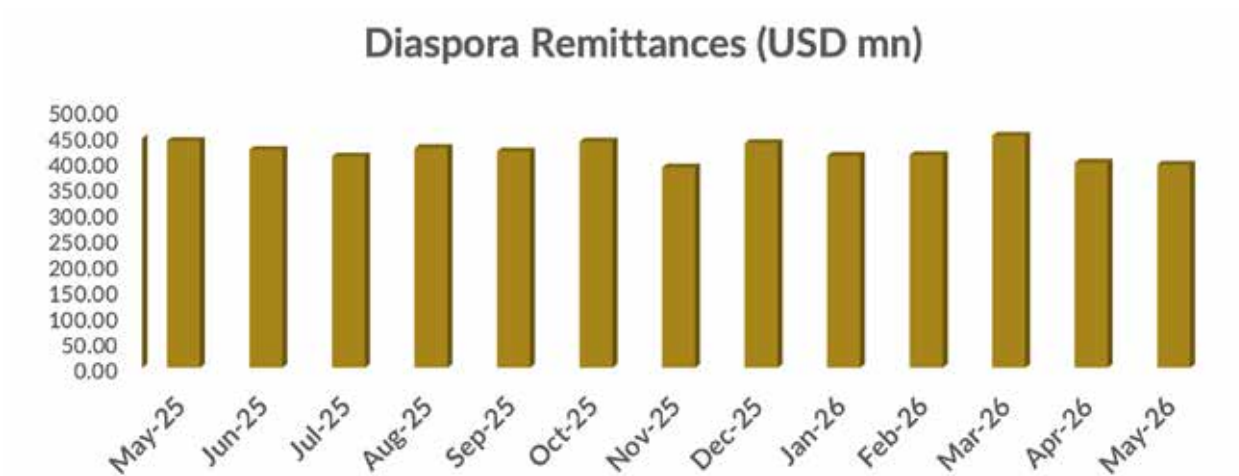
Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds

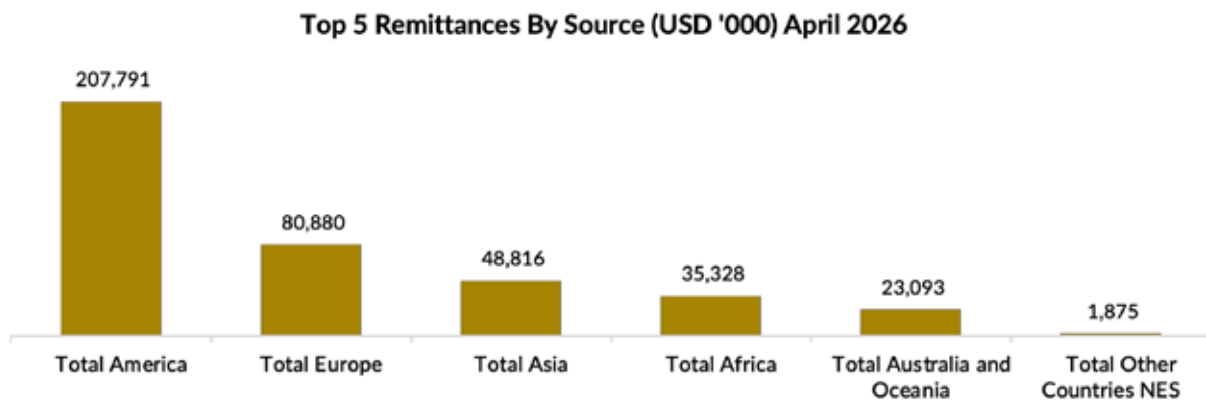


Source: Central Bank of Kenya (CBK)

Diaspora Remittances

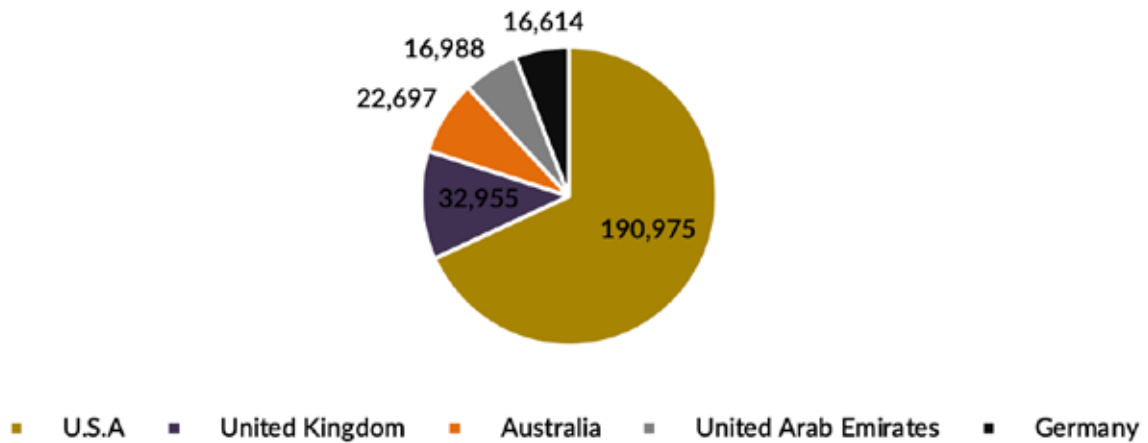


Source: Central Bank of Kenya (CBK)



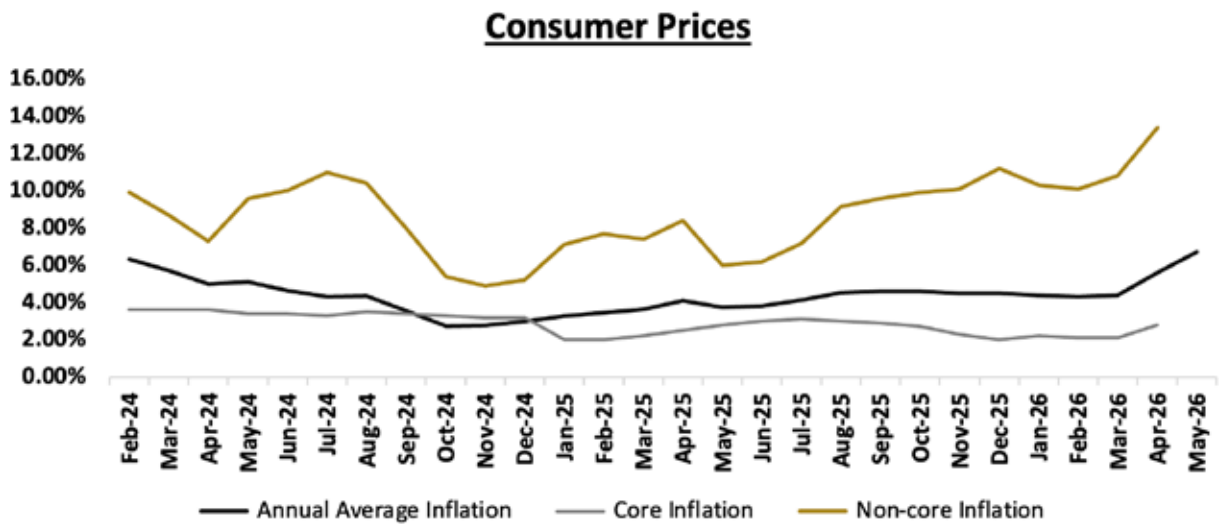
Source: Central Bank of Kenya (CBK)

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



Source: Central Bank of Kenya (CBK)

Inflation



Source: KNBS, Chart: SIB

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