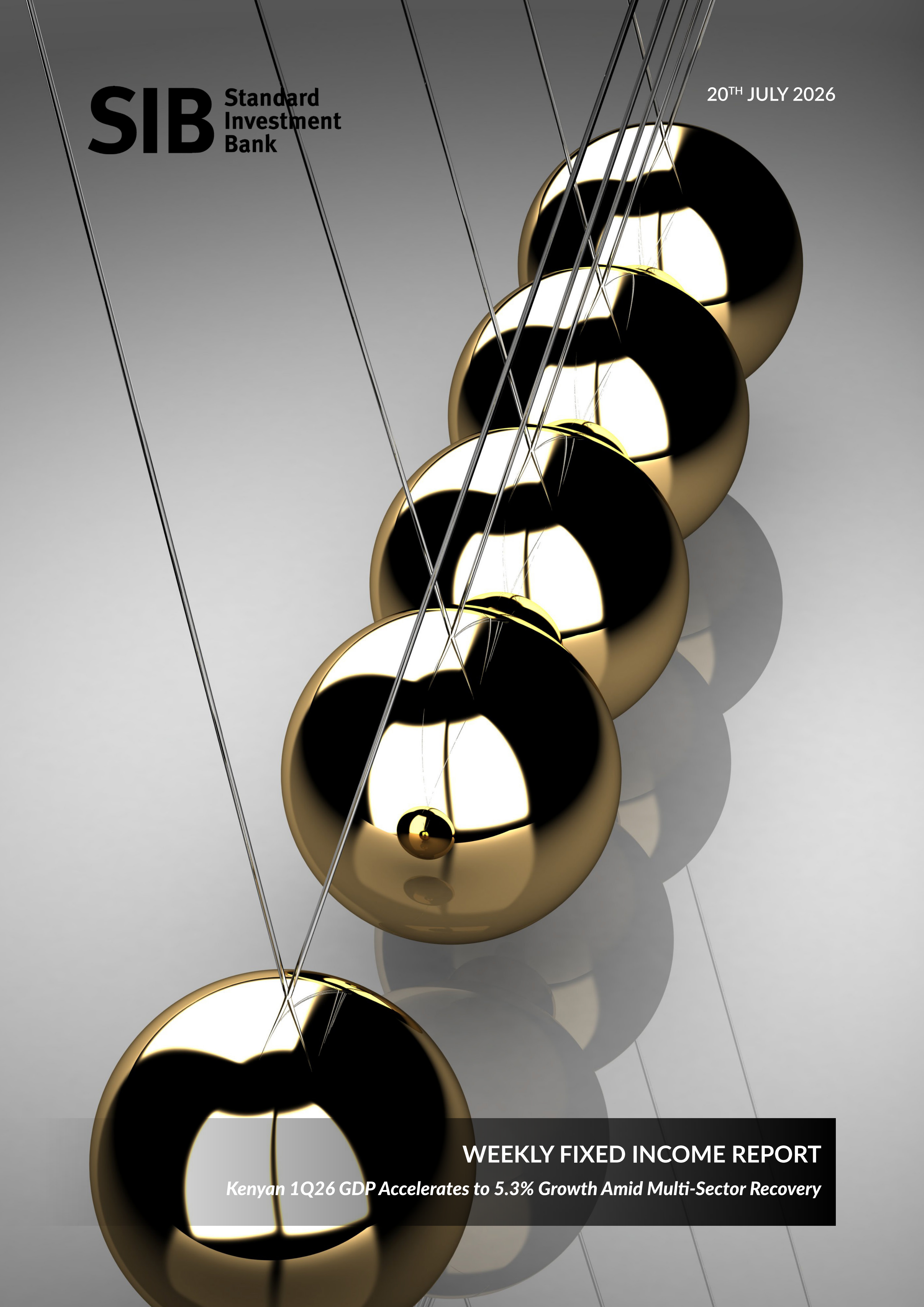
Standard Investment Bank

20TH JULY 2026



# WEEKLY FIXED INCOME REPORT

*Kenyan 1Q26 GDP Accelerates to 5.3% Growth Amid Multi-Sector Recovery*

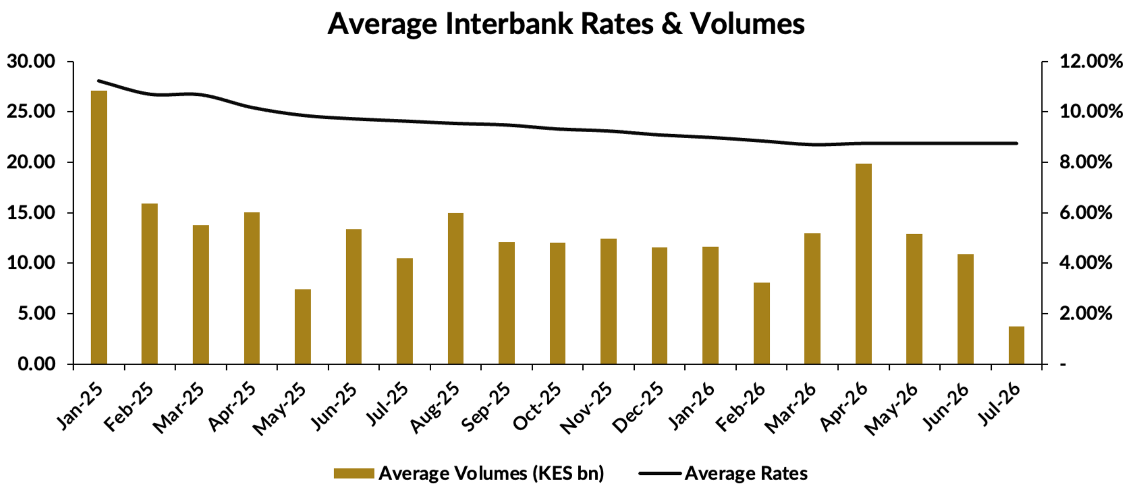
## MONEY MARKET STATISTICS

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 81% in the week, with average traded volumes coming in at KES 7.60bn from last week's KES 4.20Bn. Notably, the interbank deals increased by 56% to close the week at 14, compared to the 9 recorded in the previous week.

Find the summary below:

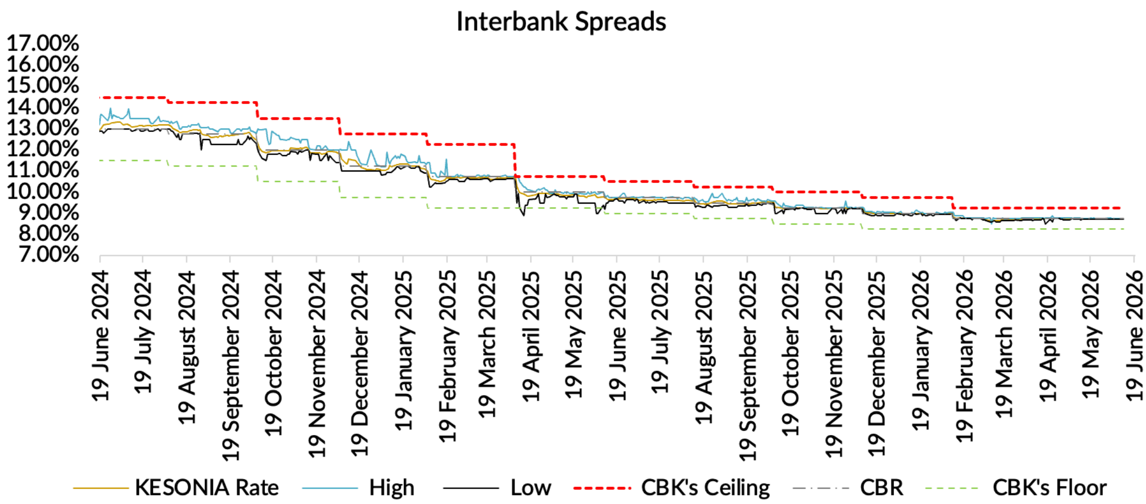
| Average | Previous Week - 11TH July 2026 | Current Week - ended 17th July 2026 | Change |
|---|---|---|---|
| Interbank Deals (Total) | 9.00 | 14.00 | 55.56% |
| Inter- Bank volumes (KES bn) | 4.20 | 7.60 | 80.95% |
| KESONIA (bps) | 8.75% | 8.75% | 0.00 |
| Window Borrowing Volumes (KES bn) | - | - | 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 44Bn, of which the fiscal agent accepted KES 31Bn resulting into the subscription rate of 70% and a performance rate of 183%, lower than the subscription rate of 207%, recorded the previous week.

The 91-day Treasury Bill remained most attractive debt instrument, registering a performance rate of 609%. The auction was significantly oversubscribed, receiving KES 24Bn in bids compared to the KES 4.0Bn on offer.

Below is a visual summary;

*KES Bn*

| 21-Jul-26 | 91-day | 182-day | 364-day | Totals |
|---|---|---|---|---|
| | 20-Oct-26 | 19-Jan-27 | 20-Jul-27 | |
| Amount offered | 4.00 | 10.00 | 10.00 | 24.00 |
| Bids received | 24,355.09 | 15,152.81 | 4,512.33 | 44,020.23 |
| Bids Accepted | 12,887.74 | 13,228.66 | 4,505.60 | 30,622.00 |
| **Subscription rate (%)** | **52.92%** | **87.30%** | **99.85%** | **69.56%** |
| **Performance rate (%)** | **608.88%** | **151.53%** | **45.12%** | **183.42%** |
| Rollover/Redemptions | 2,558.40 | 558.15 | 15,987.90 | 19,104.45 |
| **New Borrowing/(Net Repayment)** | **10,329.34** | **12,670.51** | **-11,482.30** | **11,517.55** |
| Weighted Average Rate of Accepted Bids | 8.83% | 8.97% | 9.04% | |
| Inflation | 6.4% | 6.4% | 6.4% | |
| **Real Return** | **2.4%** | **2.6%** | **2.6%** | |

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

## T-Bonds:

In the primary space, the CBK has announced KES 40Bn domestic borrowing program for July 2026 to participate in the re-opened papers listed below: FXD1/2019/020 and FXD1/2022/025.

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 | FXD1/2019/020- Re-opened | FXD1/2022/025 - Re-opened |
|---|---|---|
| Tenor to Maturity | 12.8 Yrs | 21.4 Yrs |
| Coupon Rate | **12.87%** | **14.19%** |
| **Offered Amount** | **KES 40Bn** | |
| Period of Sale | 14th July 2026 to 22 July 2026 | |
| Value Date | 22nd 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 in its bid to raise KES 10Bn through the switch auction from FXD1/2021/005 to FXD1/2012/020 received attention from market players with the apex bank receiving KES 8.2Bn in bids with KES 7.9Bn, resulting to an subscription rate of 82% and acceptance rate of 98% respectively.

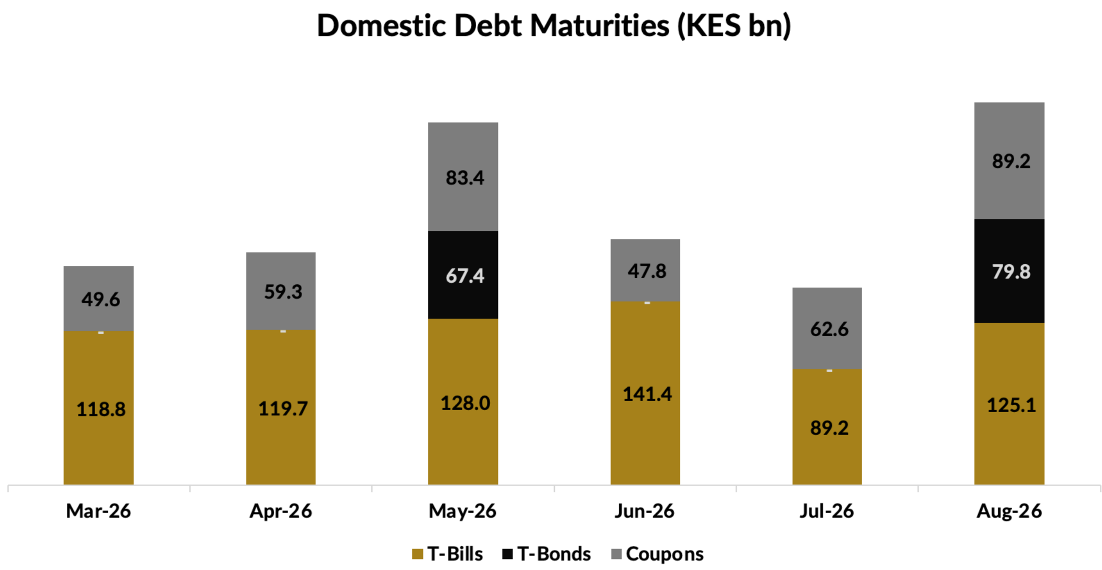
| Issue | FXD1/2012/020- Destination Bond |
|---|---|
| Tenor to Maturity | 6.3 Yrs |
| Coupon Rate | **12.00%** |
| **Offered Amount** | **KES 10Bn** |
| Bids Received (KES Mn) | 8,159.65 |
| **Amount Accepted (KES Mn)** | **7,954.71** |
| **Market Weighted Average Rate (%)** | **12.812%** |
| Weighted Average Rate of Accepted Bids (%) | 12.808% |
| Adjusted Average Price(Per KES 100) | 98.671 |

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

Looking at secondary bond market turnover, the quantum increased to KES 32bn (+9.24%w/w) from KES 30bn in the prior week. Bond Turnover increased by 77% month on month to KES 246Bn from 139Bn in May 2026.

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

Total domestic debt maturities in July 2026 are at KES 152Bn compared to KES 189Bn in June 2026. See the chart below;

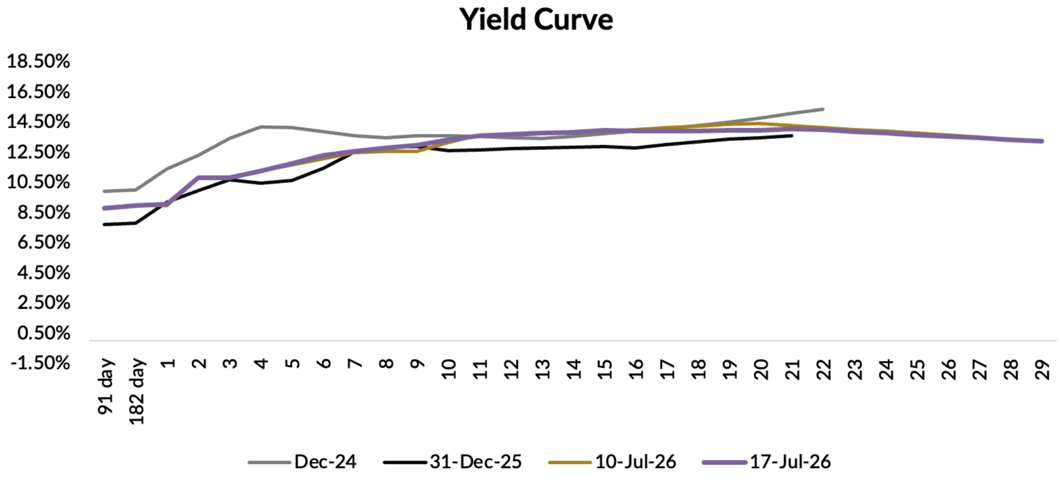



*Source: Nairobi Securities Exchange (NSE), Chart: SIB*

## Yield Curve

Local interest rates were largely stable during the week, with average government securities yields inching slightly higher by 0.4% 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 stay high, keeping consistent upward 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: Sticky Inflation, Tech Valuations Crack, and Escalating Middle East Hostilities

#### United States: Stubborn Inflation and Tepid Consumer Demand

The U.S. macroeconomic outlook continued to test the Federal Reserve's restrictive monetary policy framework during the week ending July 17, 2026. The city average Consumer Price Index (CPI-U) for June hovered at a sticky 3.5% year-over-year, demonstrating that the multi-year battle to fully cool domestic inflation has stalled.

Concurrently, advance estimates of U.S. retail and food services sales for June ticked up by a modest 0.2% month-on-month. While these figures showcase a fading household consumption momentum under high interest rates, the combination of stubborn inflation and tepid demand severely complicated any immediate prospects for central bank rate relief.

#### Geopolitics & Energy: U.S.–Iran Conflict Sparks Retaliatory Warfare

Energy and global security metrics deteriorated rapidly as a fragile, mid-June interim truce completely collapsed into an intense cycle of military escalation between the United States and Iran.

Hostilities resumed at a frantic pace after Iran targeted commercial vessels navigating the critical Strait of Hormuz chokepoint, leading U.S. President Donald Trump to officially declare the ceasefire over and launch a multi-night bombing campaign targeting Iranian port infrastructure, airports, and bridges. Iran immediately retaliated by launching massive missile and drone strikes against key U.S. allies and military bases in Kuwait, Bahrain, and Jordan.

With the United Nations and International Maritime Organization issuing severe warnings over humanitarian consequences and safety, the severe disruption of the waterway—which historically handled 20% of global oil and natural gas exports—sent global fuel and diesel prices climbing sharply upward.

#### Europe and the United Kingdom: Unexpected Industrial Resilience

European markets fared comparatively better than their global peers, insulated by pockets of localized manufacturing gains and supportive technology guidance.

Major continental chip equipment manufacturing anchors like ASML found structural support after TSMC's massive capital expenditure upgrade confirmed that global infrastructure spending on advanced AI hardware remains fundamentally robust.

ncurrently, the United Kingdom's domestic economic data showed surprising resilience, with industrial and manufacturing output indicators stabilizing ahead of expectations. However, broad European gains remained capped as regional sovereign bond yields rose steadily across the Eurozone, reflecting deep investor concerns that the escalating energy blockade in the Middle East would inevitably spark a secondary wave of imported inflation.

## Kenyan Eurobonds

Yields on Kenyan Eurobonds exhibited signs of volatility, with rates decreasing by an average of c.0.216% for the week dated 11th July 2026 to 17th July 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 2034 | 30-Year 2048 |
| Maturity Date | 28-Feb-28 | 16-Feb-31 | 22-May-32 | 1-Jun-34 | 28-Feb-48 |
| Tenor to Maturity | 1.6 | 4.6 | 5.8 | 7.9 | 21.6 |
| 31-Dec-25 | 6.0% | 7.1% | 7.2% | 7.8% | 9.3% |
| 10-Jul-26 | **6.8%** | **7.3%** | **7.7%** | **8.1%** | **8.8%** |
| 13-Jul-26 | 6.9% | 7.5% | 7.8% | 8.3% | 8.9% |
| 14-Jul-26 | 6.9% | 7.5% | 7.9% | 8.3% | 8.9% |
| 15-Jul-26 | 6.9% | 7.5% | 7.9% | 8.3% | 8.9% |
| 16-Jul-26 | 7.0% | 7.6% | 7.9% | 8.3% | 8.9% |
| **Weekly Change** | **(0.163%)** | **(0.303%)** | **(0.219%)** | **(0.233%)** | **(0.164%)** |
| **YTD Change** | **0.9%** | **0.5%** | **0.7%** | **0.5%** | **(0.4%)** |

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

## Currency Performance

The Kenyan Shilling experienced general weakness against major global currencies during the week, while showing mixed results within the region. It depreciated across the board against global majors, weakening by (0.1%) against the U.S. Dollar (USD/KES), (0.3%) against the Japanese Yen (JPY/KES), (0.6%) against the Euro (EUR/KES), and by a more pronounced (1.2%) against the British Pound (GBP/KES). Regionally, the Shilling recorded a minor (0.1%) appreciation against the Ugandan Shilling (KES/UGX), while conversely losing a slight (0.1%) against the Tanzanian Shilling (KES/TZX).

The U.S. Dollar Index weakened by 0.14% during the week due to rising uncertainty following renewed U.S.-Iran tension.

Murban crude oil prices increased to USD 79.09 per barrel on July 16, from USD 75.27 per barrel on July 9, reflecting heightened geopolitical tensions in the Middle East during the week.

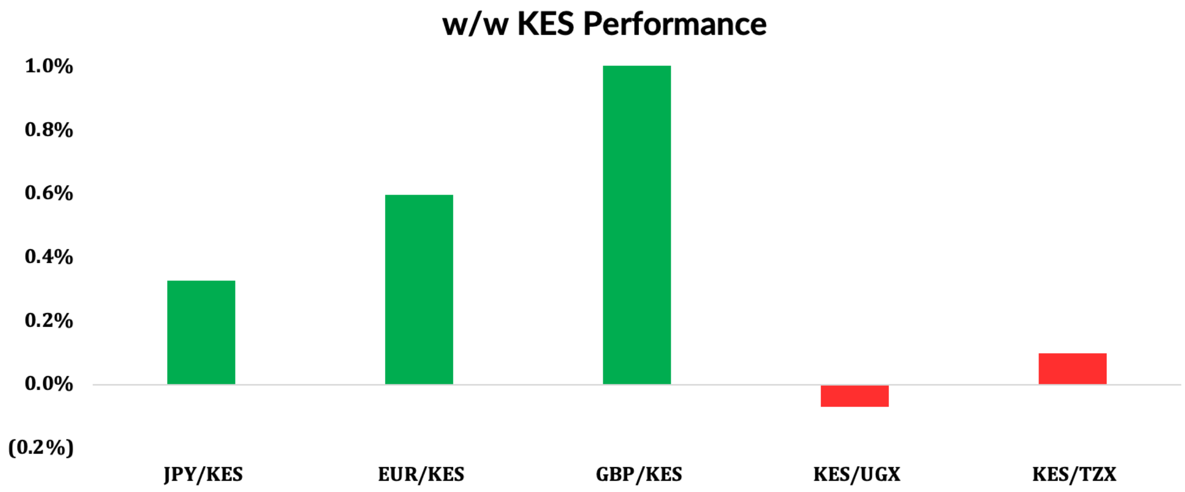
See the table below;

| Currencies | 31 Dec 2025 (vs KES) | Previous | Current | w/w Change | YTD change |
|---|---|---|---|---|---|
| GBP/KES | 173.65 | 172.63 | 174.68 | 1.2% | 0.6% |
| EUR/KES | 151.43 | 147.26 | 148.14 | 0.6% | (2.2%) |
| KES/TZX | 19.03 | 20.33 | 20.35 | 0.1% | 6.9% |
| KES/UGX | 28.06 | 28.55 | 28.53 | (0.1%) | 1.7% |
| JPY/KES | 82.39 | 79.43 | 79.69 | 0.3% | (3.3%) |
| USD/KES | 129.01 | 129.22 | 129.30 | 0.1% | 0.2% |

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

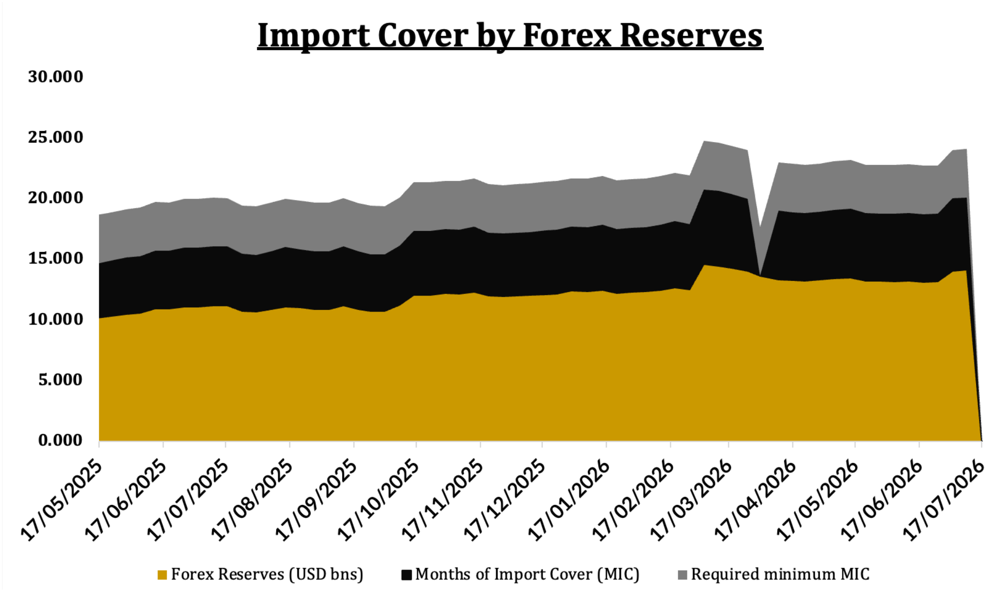
*Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen I FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market*

See also a visual representation;




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

Kenya's foreign exchange reserves increased by 0.6% to close at USD 14.13bn, with import cover closing at 6.0 months. See the chart below for a visual summary.




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

## The Multi-Sector Recovery: Kenya 1Q26 GDP climbs 5.3%

Based on the Quarterly Gross Domestic Product Report from the Kenya National Bureau of Statistics (KNBS), Kenya's economy demonstrated a robust and accelerated growth trajectory in the first quarter of 2026. The economy expanded by 5.3% in 1Q26, a notable acceleration from the 4.9% growth recorded in the corresponding quarter of 2025. A defining characteristic of this quarter was that many sectors of the economy recorded positive growth. Several key segments showcased a strong turnaround or accelerated momentum compared to the previous year as shown below:

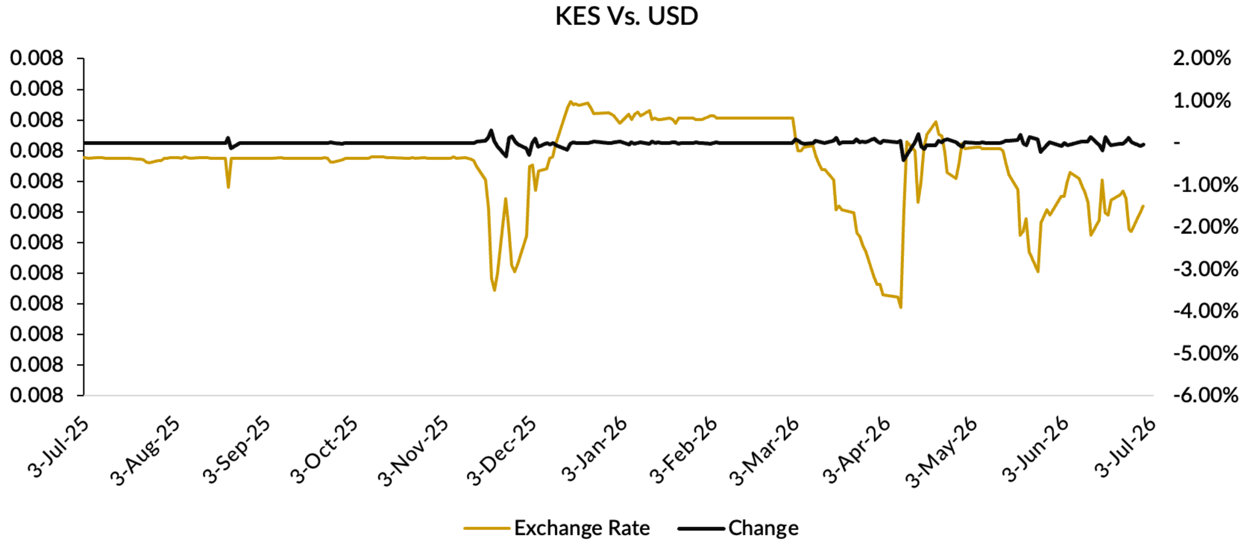
| Sector | 1Q25 Growth | 1Q26 Growth | Key Highlights |
|---|---|---|---|
| **Accommodation & Food Service** | 8.0% | **14.7%** | Spurred by a 13.1% surge in international visitor arrivals through JKIA and MIA. |
| **Mining & Quarrying** | 12.7% | **9.1%** | Registered as one of the top performing sectors. |
| **Construction** | 4.5% | **6.6%** | Supported by a 17.9% jump in cement consumption and increased imports of bitumen, iron, and steel. |
| **Financial & Insurance** | 5.3% | **6.3%** | Assisted by lower credit costs, a dropping interbank rate, and a 13.1% expansion in broad money supply (M3). |
| **Information & Communication** | 5.5% | **5.0%** | Driven by an 11.9% increase in domestic mobile voice traffic and higher international bandwidth usage, despite dips in mobile money transactions. |
| **Agriculture, Forestry & Fishing** | 5.3% | **4.9%** | Though slightly slower than last year, growth was well-sustained by tea production (up 3.1%), cane deliveries (up 6.2%), and cut flower exports (up 4.3%). |
| **Manufacturing** | 2.8% | **4.4%** | Accelerated through improved food manufacturing (sugar and soft drinks) and non-food manufacturing (assembled vehicles up 18.1%, cement production up 17.7%). |
| **Transportation & Storage** | 3.6% | **3.6%** | Maintained steady growth, heavily bolstered by SGR cargo volumes (up 12.7%) and SGR passenger volumes (up 12.3%). |

*Source: World Bank Staff*

This performance is likely to be overshadowed by the ongoing conflict in the Middle East which started on 28th February 2026. The World Bank projects Kenya’s growth at 4.3% in 2026, before gradually strengthening toward 4.4 percent over the medium term. This represents a downward revision of about 0.6 percentage points relative to pre-conflict projections published in late 2025, reflecting the impact of the Middle East Conflict on Kenya’s macroeconomic outlook. In the short term, higher global energy prices and increased uncertainty are expected to raise production costs, weaken private investment growth, and weigh on household purchasing power through higher commodity prices and moderating remittance inflows.

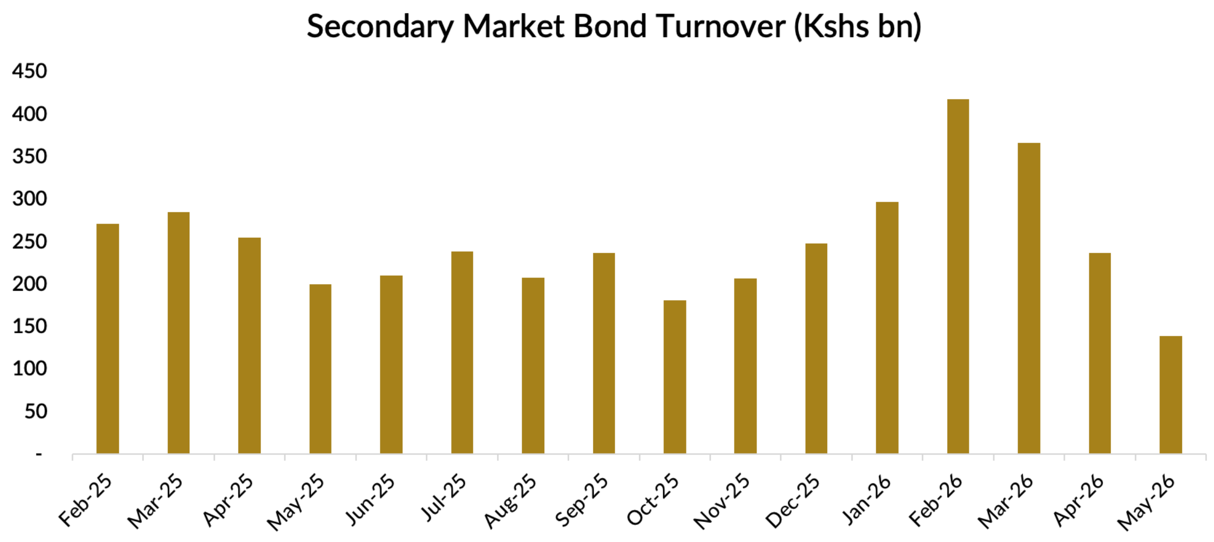
# BACKGROUND CHARTS

## KES/USD Performance



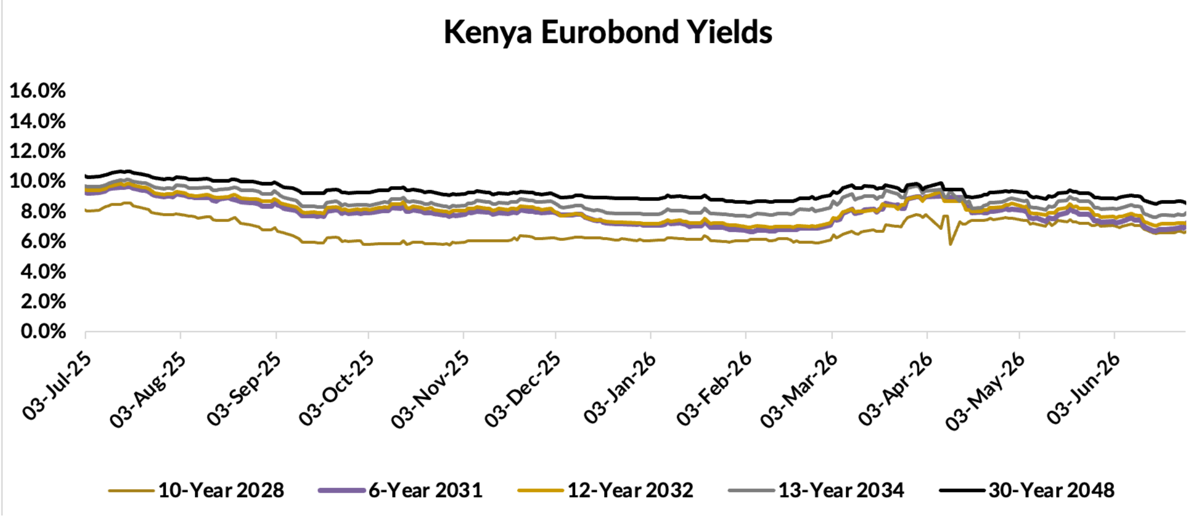

*Source: Central Bank of Kenya (CBK)*

## Bond Turnover



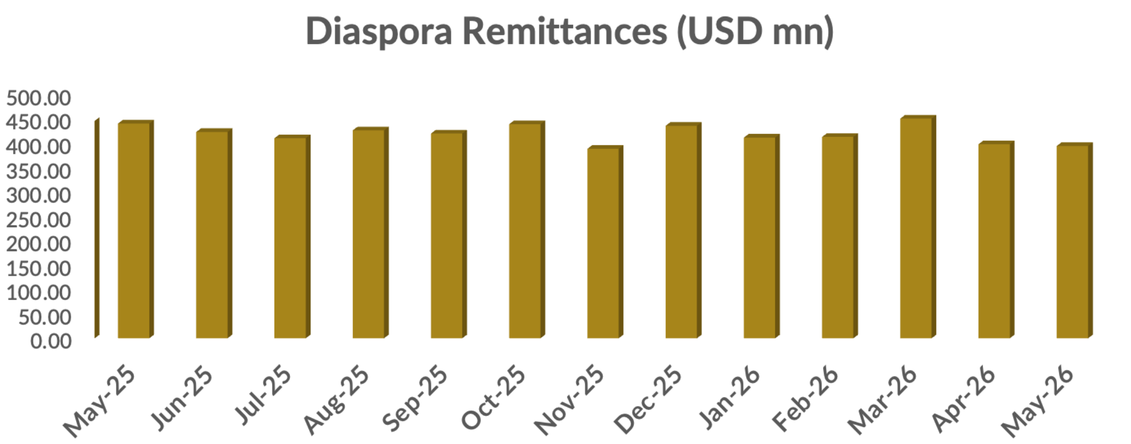

*Source: Central Bank of Kenya (CBK)*

## Kenyan Eurobonds



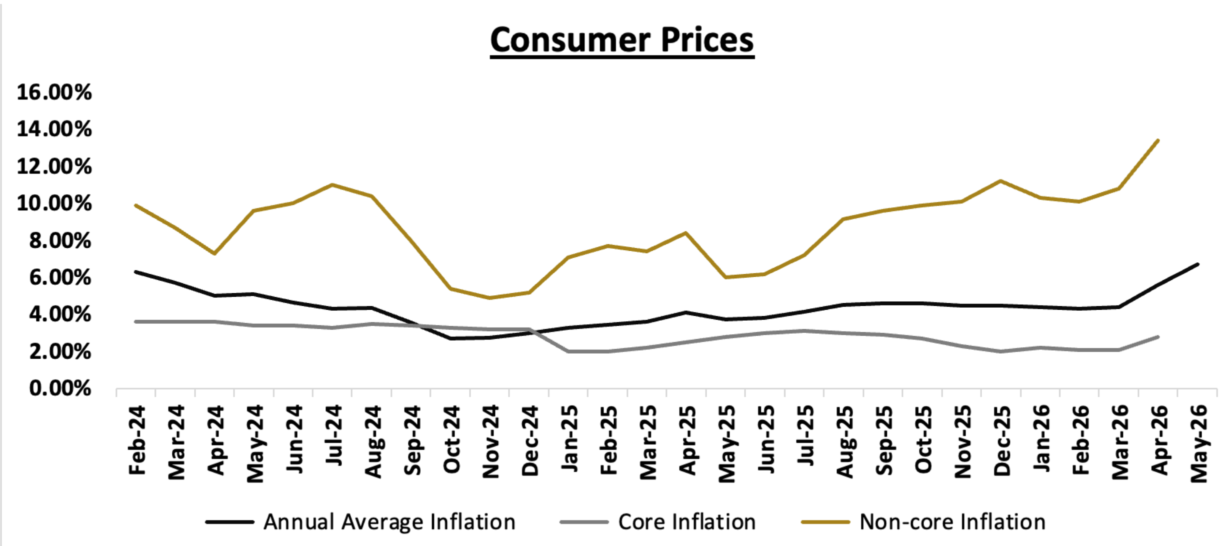

*Source: Central Bank of Kenya (CBK)*

## Diaspora Remittances




*Source: Central Bank of Kenya (CBK)*

## Inflation




*Source: KNBS, Chart: SIB*

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