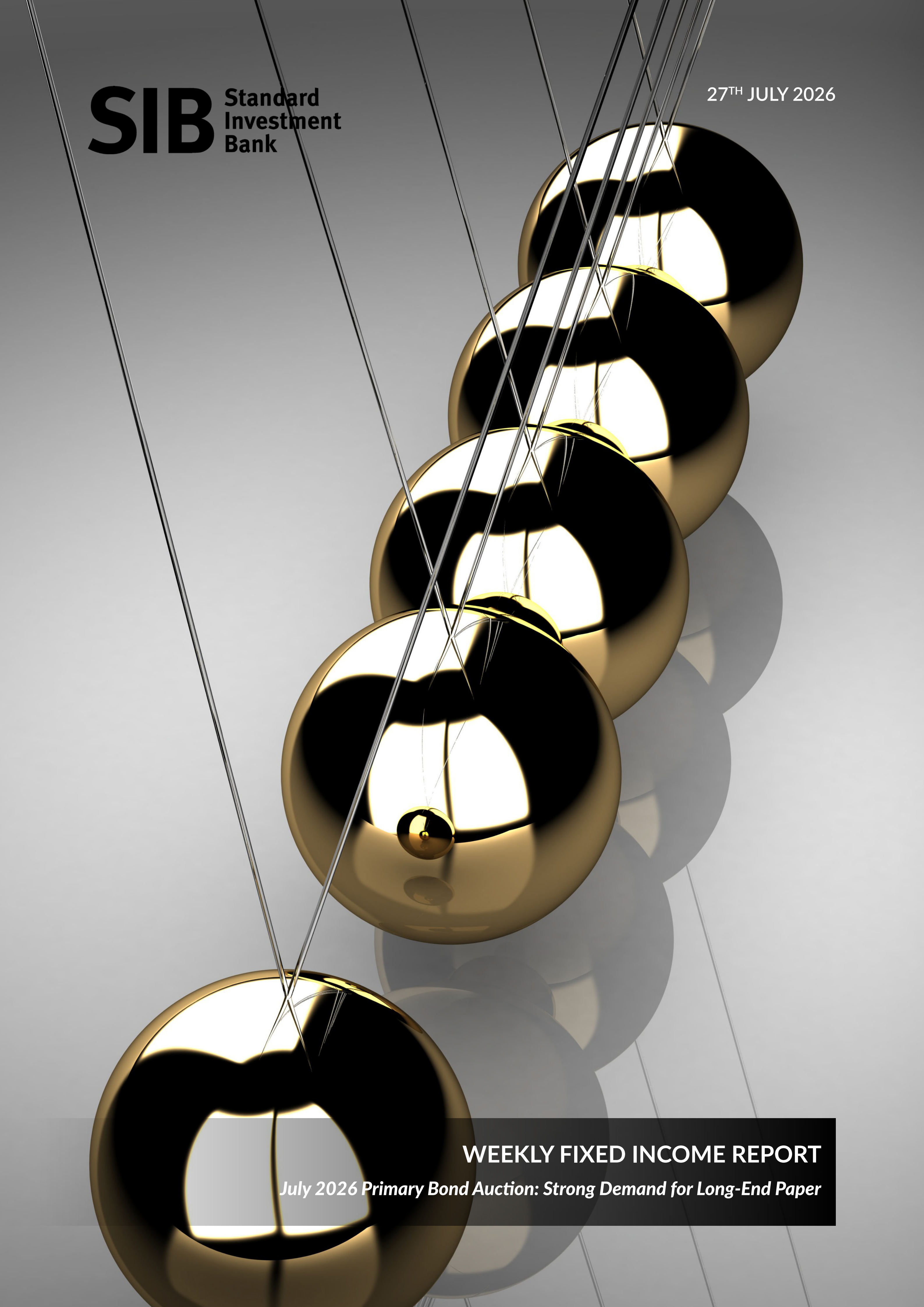


SIB Standard Investment Bank

27TH JULY 2026

WEEKLY FIXED INCOME REPORT

July 2026 Primary Bond Auction: Strong Demand for Long-End Paper

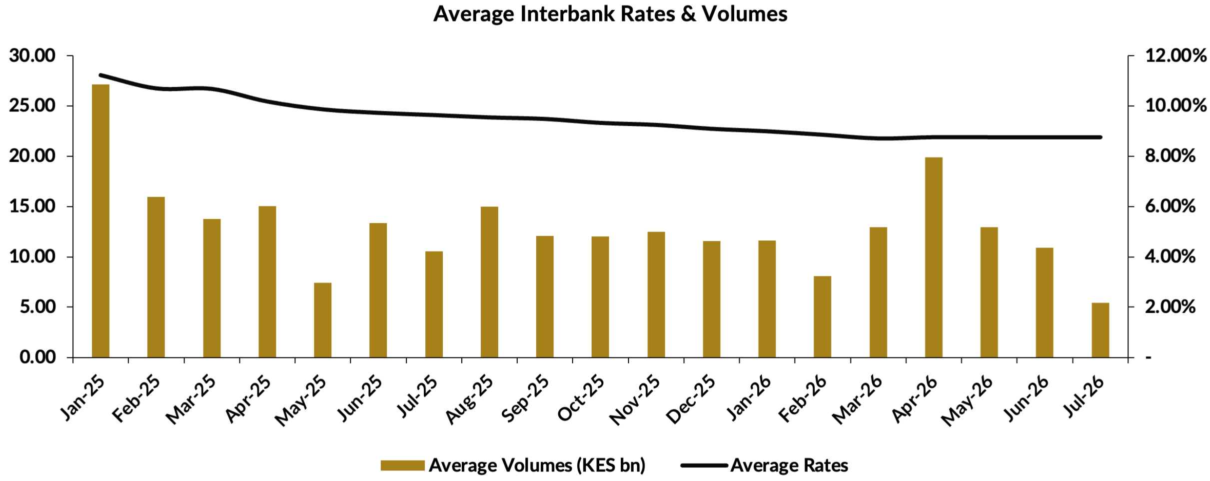
MONEY MARKET STATISTICS

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 51% in the week, with average traded volumes coming in at KES 3.70bn from last week's KES 7.60Bn. Notably, the interbank deals decreased by 57% to close the week at 6, compared to the 14 recorded in the previous week.

Find the summary below:

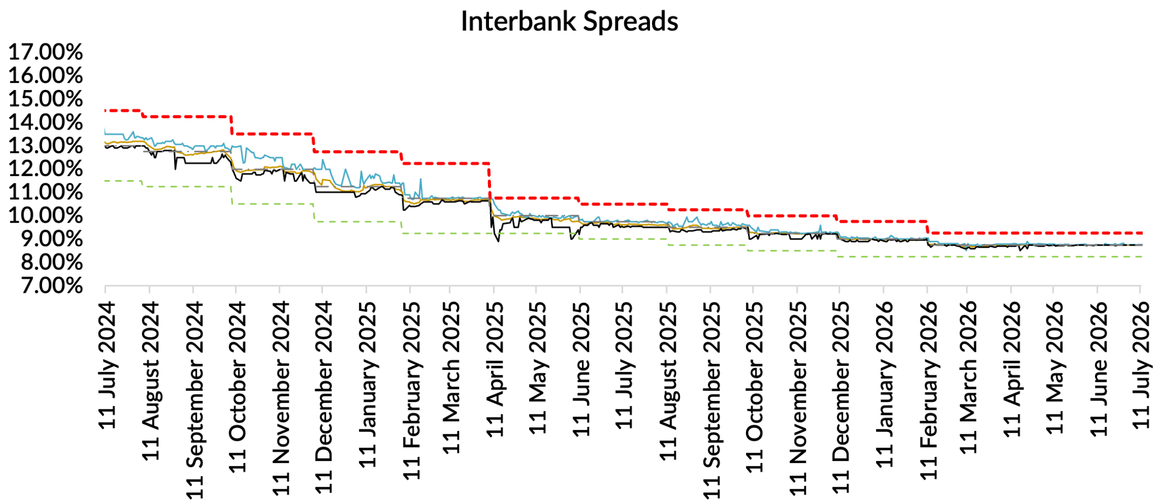
Average	Previous Week - 17th July 2026	Current Week - ended 24th July 2026	Change
Interbank Deals (Total)	14.00	6.00	(57.14%)
Inter- Bank volumes (KES bn)	7.60	3.70	(51.32%)
KESONIA (bps)	8.75%	8.75%	0.00

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 38Bn, of which the fiscal agent accepted KES 29Bn resulting in the subscription rate of 76% and a performance rate of 138%, lower than the subscription rate of 183%, recorded the previous week.

The 91-day Treasury Bill remained the most attractive debt instrument, registering a performance rate of 275%. The auction was significantly oversubscribed, receiving KES 22Bn in bids compared to the KES 8.0Bn on offer.

Below is a visual summary;

KES Bn

28-Jul-26	91-day	182-day	364-day	Totals
	27-Oct-26	26-Jan-27	27-Jul-27	
Amount offered	8.00	10.00	10.00	28.00
Bids received	22,059.03	11,556.05	4,883.04	38,498.12
Bids Accepted	13,275.63	11,451.01	4,528.66	29,255.30
Subscription rate (%)	**60.18%**	**99.09%**	**92.74%**	**75.99%**
Performance rate (%)	**275.74%**	**115.56%**	**48.83%**	**137.49%**
Rollover/Redemptions	9,348.10	9,132.65	6,641.30	25,122.05
New Borrowing/(Net Repayment)	**3,927.53**	**2,318.36**	**-2,112.64**	**4,133.25**
Weighted Average Rate of Accepted Bids	8.78%	8.95%	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.

The latest bond auction demonstrated continued market confidence in medium- to long-term government paper, anchored by stabilizing inflation expectations. Total bids reached KES 85.93 billion relative to the KES 40.00 billion target—a 214.82% subscription rate. Investors heavily favored the longer end of the yield curve, directing 72.11% of all bids to the FXD1/2022/025 paper to secure its attractive coupon rate.

Despite the heavy oversubscription, the exchequer prioritized price discipline over volume, accepting KES 63.28 billion (KES 12.25 billion for FXD1/2019/020 and KES 51.03 billion for FXD1/2022/025). This selective allotment was enabled by recent multilateral inflows—comprising KES 43.8 billion from the African Development Bank (AfDB) and KES 161.8 billion from the World Bank—which strengthened the government's cash position and reduced reliance on high-cost domestic borrowing.

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 as long as oil prices remain elevated.

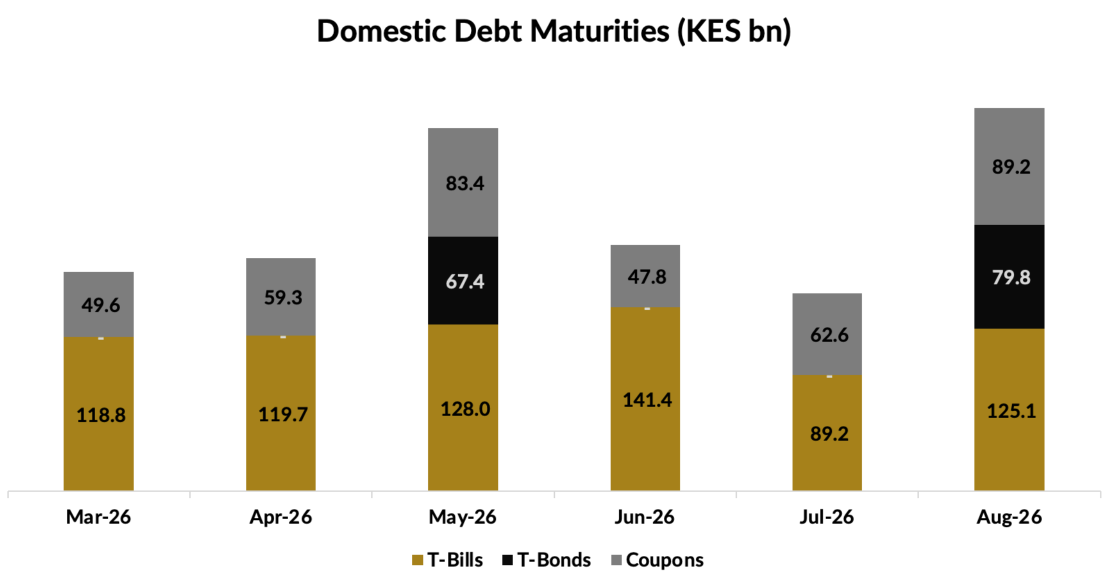
Issue	FXD1/2019/020- Re-opened	FXD1/2022/025 - Re-opened
Tenor to Maturity	12.8 Yrs	21.4 Yrs
Coupon Rate	**12.87%**	**14.19%**
Offered Amount	**KES 40Bn**	
Bids Received (KES Mn)	23,968.43	61,960.51
Amount Accepted (KES Mn)	**12,249.13**	**51,034.12**
Market Weighted Average Rate (%)	**14.073%**	**14.497%**
Weighted Average Rate of Accepted Bids (%)	13.923%	14.443%
Adjusted Average Price(Per KES 100)	97.973	102.083
New Borrowing/Net Repayment	**KES 63Bn**	

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

Looking at secondary bond market turnover, the quantum increased to KES 47Bn (+44%w/w) from KES 32bn 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;

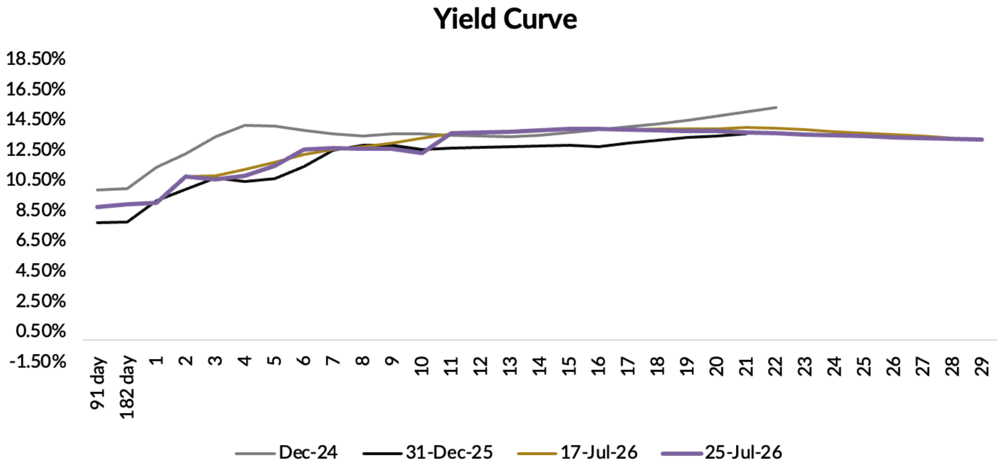


Source: Nairobi Securities Exchange (NSE), Chart: SIB

Yield Curve

Local interest rates were largely stable during the week, with average government securities yields inching slightly lower by 0.156% 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: Middle East Escalation, Oil Price Spikes, and Tech Sector Volatility.

Middle East Conflict & Oil Spikes: Dual Straits Blockade Pushes Crude Past $100

Geopolitical conflict reached a critical flashpoint during the week of July 20–25, 2026, triggering severe disruptions across global energy markets. Persistent military action between the U.S. and Iran expanded as Iran-aligned Houthi forces launched missile and drone attacks on tankers near the Bab el-Mandeb Strait, effectively threatening two major maritime choke points in the region. The threat of a dual blockade on Persian Gulf and Red Sea shipping routes sent Brent crude surging past $100 per barrel for the first time in two months, with prices peaking at $100.25. This rapid price spike reignited fears of a secondary wave of energy-driven global inflation and stagflationary pressures.

European Union: ECB Rate Pause Amid Energy Inflation Threats

The European Central Bank (ECB) dominated European macroeconomic headlines during the week of July 20–25, 2026, by maintaining its benchmark deposit facility rate steady at 2.25%. While cooling regional headline inflation in earlier months provided the foundation for a pause, ECB President Christine Lagarde delivered a distinctly hawkish message, emphasizing that renewed geopolitical tensions in the Middle East risk triggering imported energy price shocks.

Flash Purchasing Managers' Index (PMI) data released later in the week reflected this caution, pointing to continued sluggishness across Eurozone manufacturing alongside tightening bank lending conditions for a ninth consecutive quarter.

United States: Fed Rate Hold Expectations and Big Tech Capex Scrutiny

In the United States, markets digested Congressional testimony from Federal Reserve officials indicating that interest rates will remain elevated in the 3.50%–3.75% target range as inflation stays above target.

Investors turned their attention toward Q2 corporate earnings from major tech giants, including Alphabet and Intel, where capital expenditure on artificial intelligence (AI) infrastructure became the focal point. While AI spending remains historically high, growing investor skepticism regarding immediate monetization caused increased equity volatility, driving a tactical rotation out of overvalued mega-cap tech shares into defensive value sectors.

Middle East & Global Commodities: Rebounding Energy and Agriculture Prices

The ongoing military conflict involving the U.S. and Iran continued to create severe friction across global supply chains and commodity markets. Renewed bombardments targeting maritime trade and port infrastructure surrounding the Persian Gulf led to a sharp rebound in refined petroleum products and European natural gas futures.

The energy shock was further compounded by supply disruptions in the Black Sea and adverse weather conditions in Europe, pushing global grain and agricultural commodity prices upward and stoking concerns of a broader resurgence in global cost-of-living pressures.

Kenyan Eurobonds

Yields on Kenyan Eurobonds exhibited signs of volatility, with rates decreasing by an average of c.0.149% for the week dated 17th July 2026 to 23rd 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%
17-Jul-26	7.0%	7.6%	8.0%	8.4%	8.9%
20-Jul-26	7.0%	7.6%	7.9%	8.4%	8.9%
21-Jul-26	7.0%	7.7%	8.0%	8.4%	9.0%
22-Jul-26	7.1%	7.7%	8.0%	8.5%	9.0%
23-Jul-26	7.1%	7.8%	8.1%	8.6%	9.1%
Weekly Change	(0.079%)	(0.189%)	(0.142%)	(0.198%)	(0.135%)
YTD Change	1.0%	0.7%	0.9%	0.8%	(0.2%)

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

Currency Performance

The Kenyan Shilling displayed mixed week-over-week (w/w) performance against major global and regional currencies. Against global majors, the Shilling weakened by (0.2%) against the U.S. Dollar (USD/KES), while strengthening across the remaining major counters, gaining (0.5%) against the Euro (EUR/KES), (0.8%) against the Japanese Yen (JPY/KES), and (1.1%) against the British Pound (GBP/KES). Regionally, the Shilling recorded a strong (1.9%) gain against the Ugandan Shilling (KES/UGX), while depreciating slightly by (0.2%) against the Tanzanian Shilling (KES/TZX).

The U.S. Dollar Index strengthened by 0.7 percent during the week.

Murban crude oil prices increased to USD 86.05 per barrel on July 23, from USD 79.09 per barrel on July 16, reflecting renewed oil market supply concerns due to heightened Middle East conflict. Similarly, spot gold prices increased to USD 4,048.78 per ounce on July 23, compared to USD 3,969.94 per ounce on July 16.

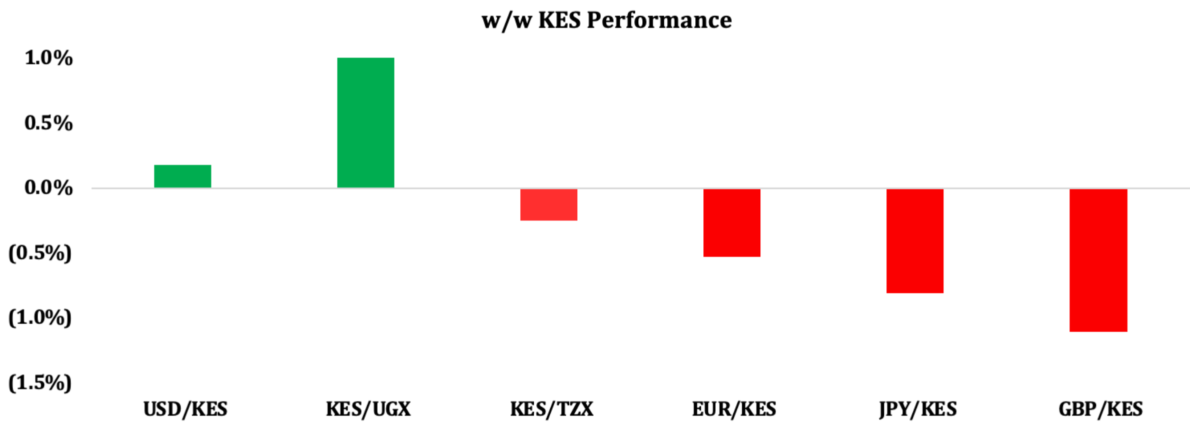
See the table below;

Currencies	31 Dec 2025 (vs KES)	Previous	Current	w/w Change	YTD change
GBP/KES	173.65	174.68	172.75	(1.1%)	(0.5%)
EUR/KES	151.43	148.14	147.36	(0.5%)	(2.7%)
KES/TZX	19.03	20.35	20.30	(0.2%)	6.7%
KES/UGX	28.06	28.53	29.06	1.9%	3.6%
JPY/KES	82.39	79.69	79.05	(0.8%)	(4.1%)
USD/KES	129.01	129.30	129.53	0.2%	0.4%

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

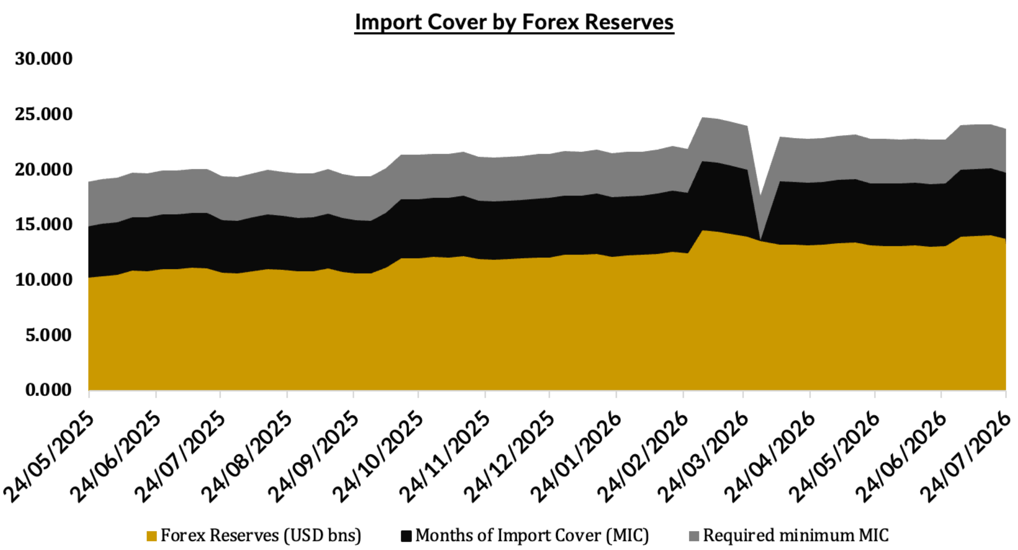
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen I FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

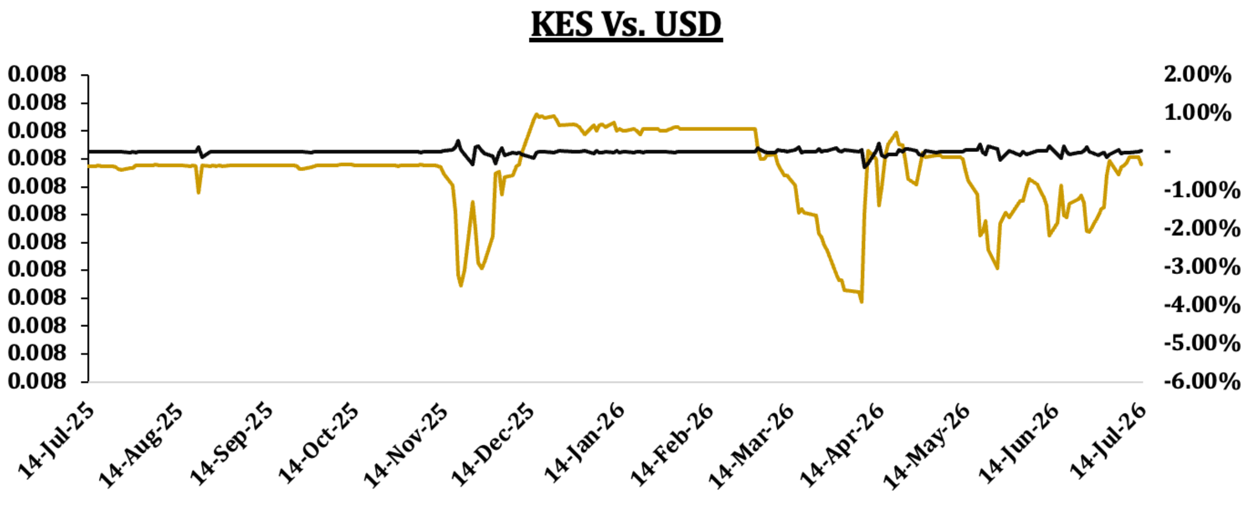
Kenya's foreign exchange reserves decreased by 2.2% to close at USD 13.85bn, with import cover closing at 5.9 months. See the chart below for a visual summary.



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

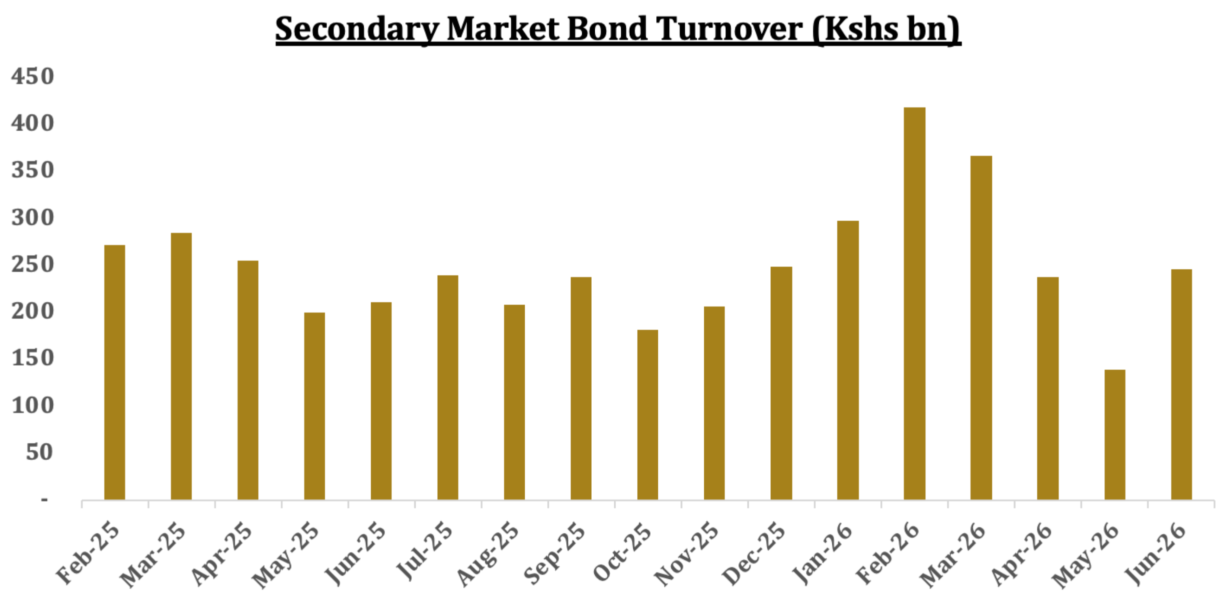
BACKGROUND CHARTS

KES/USD Performance



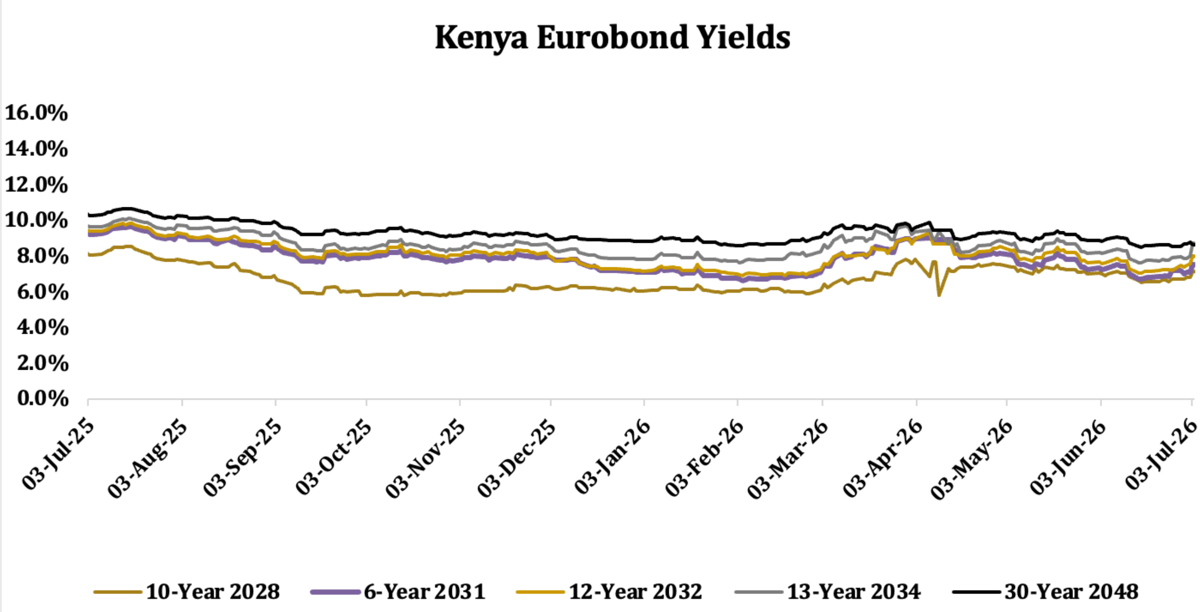
Source: Central Bank of Kenya (CBK)

Bond Turnover



Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)

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