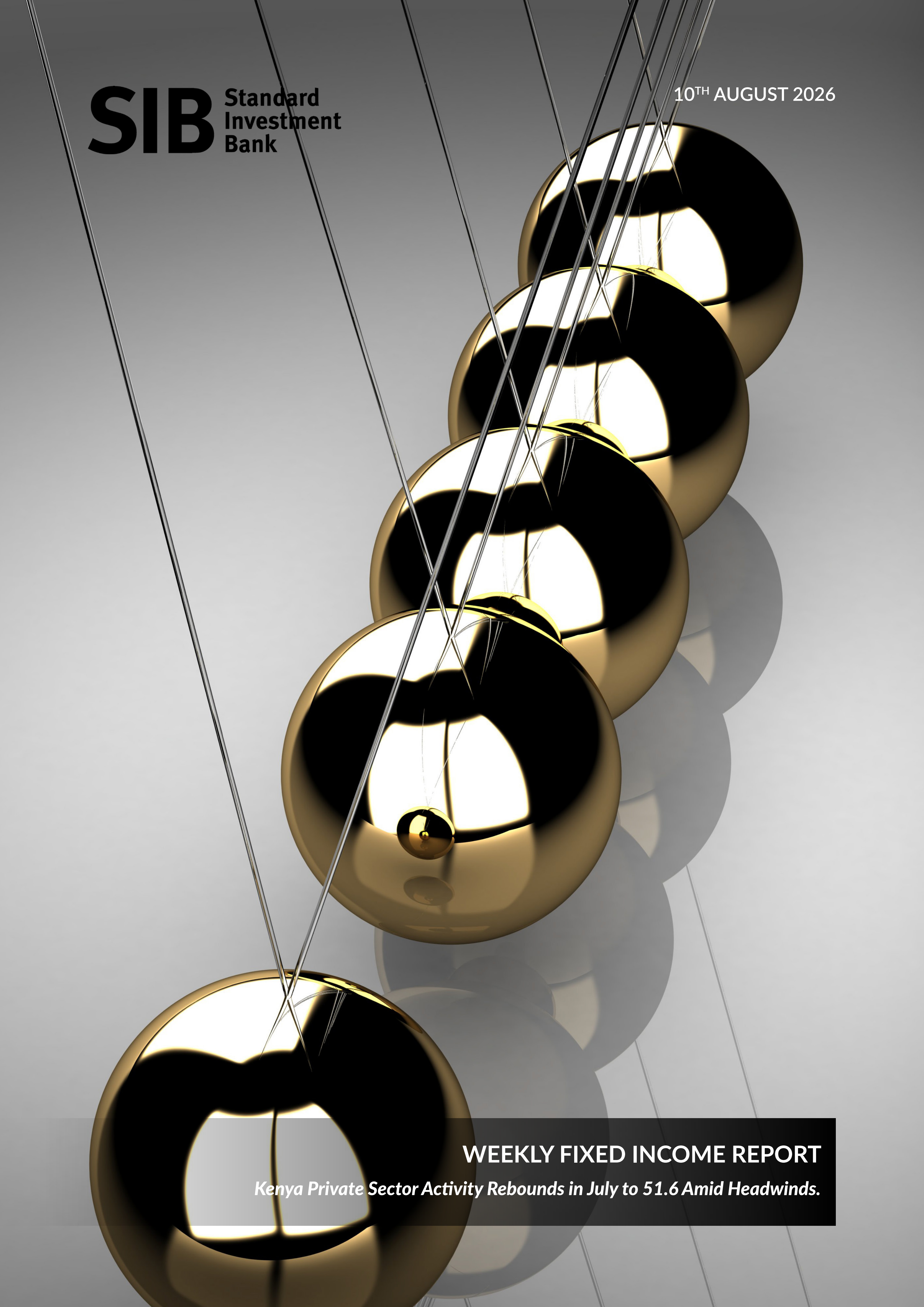
SIB Standard Investment Bank

10TH AUGUST 2026



WEEKLY FIXED INCOME REPORT

Kenya Private Sector Activity Rebounds in July to 51.6 Amid Headwinds.

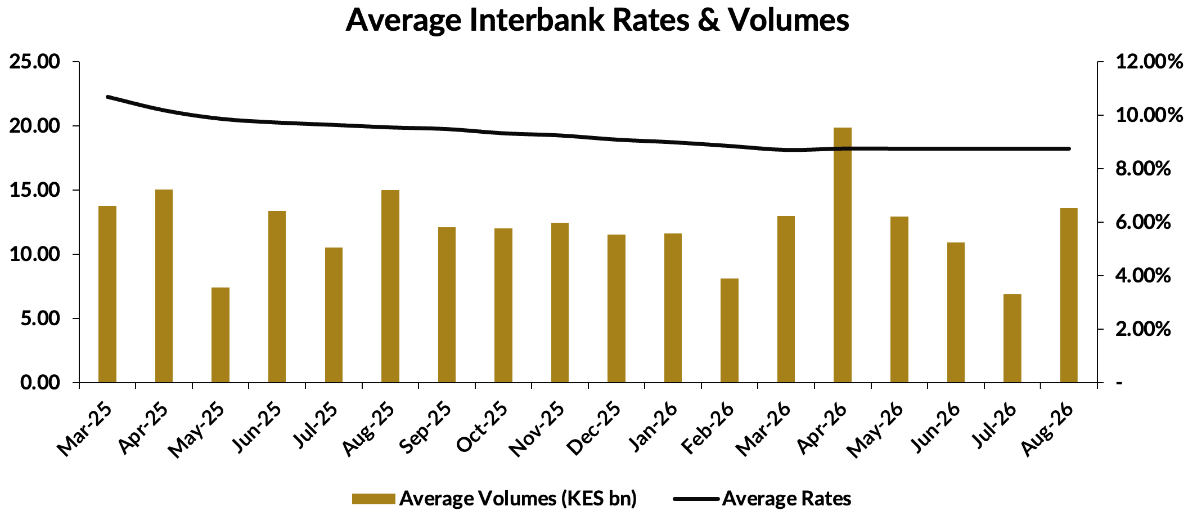
MONEY MARKET STATISTICS

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 224% in the week, with average traded volumes coming in at KES 12bn from last week's KES 4.0Bn. Notably, the interbank deals increased by 183% to close the week at 17, compared to the 6 recorded in the previous week.

Find the summary below:

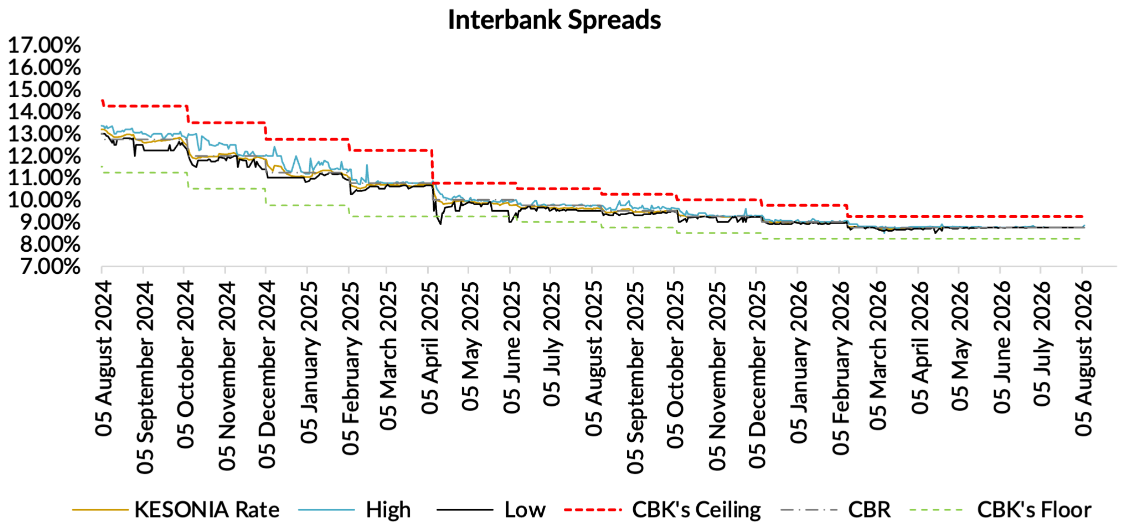
Average	Previous Week - 24th July 2026	Current Week - ended 29th July 2026	Change
Interbank Deals (Total)	6.00	17.00	183.33%
Inter- Bank volumes (KES bn)	3.70	12.00	224.32%
KESONIA (bps)	8.75%	8.75%	0.00

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 29.97Bn, of which the fiscal agent accepted KES 28.52Bn resulting in the subscription rate of 95% and a performance rate of 107%, higher than the subscription rate of 100%, recorded the previous week.

The 91-day Treasury Bill remained the most attractive debt instrument, registering a performance rate of 170%. The auction was significantly oversubscribed, receiving KES 14Bn in bids compared to the KES 8.0Bn on offer.

Below is a visual summary;

KES Bn

09-Aug-26	91-day	182-day	364-day	Totals
	08-Nov-26	07-Feb-27	08-Aug-27	
Amount offered	8.00	10.00	10.00	28.00
Bids received	13,592.22	10,167.35	6,209.19	29,968.76
Bids Accepted	13,103.01	9,207.54	6,205.25	28,515.80
Subscription rate (%)	**96.40%**	**90.56%**	**99.94%**	**95.15%**
Performance rate (%)	**169.90%**	**101.67%**	**62.09%**	**107.03%**
Rollover/Redemptions	9,856.60	464.75	12,974.05	23,295.40
New Borrowing/ (Net Repayment)	**3,246.41**	**8,742.79**	**-6,768.80**	**5,220.40**
Weighted Average Rate of Accepted Bids	8.78%	8.95%	9.00%	
Inflation	6.5%	6.5%	6.5%	
Real Return	2.3%	2.5%	2.5%	

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

T-Bonds: Treasury Front-Loads FY2026/27 Borrowing via KES 150Bn Infrastructure Bond Reopening

In the primary space, The Central Bank of Kenya is seeking **KES 150Bn** through three reopened, tax-exempt infrastructure bonds **(IFB1/2019/016, IFB1/2021/018,** and **IFB1/2021/021** carrying coupon rates of 11.75%, 12.667%, and 12.737%, respectively)—marking the largest Treasury bond issuance in published online records as the National Treasury accelerates domestic borrowing to fund infrastructure projects and cover its **KES 1.112T** fiscal deficit.

Offering remaining tenors of 9.3, 12.7, and 16.2 years, the tax-free status continues to catalyse strong investor demand while extending maturities along the long end of the yield curve to reduce short-term Treasury bill refinancing risks.

This offer surpasses the previous record of **KES 90Bn** set in August 2025 by **KES 60Bn** (+66.7%) and pushes cumulative gross borrowing to **KES 260Bn** by mid-August, representing 26.1% of the **KES 995.7Bn** net domestic borrowing target for FY2026/27. Notably, the papers feature an amortizing structure—paying down 50% of principal in 2030 (for the 2035 and 2039 paper) and 2031 (for the 2042 paper)—which lightens final bullet maturities but creates substantial debt-service concentration at the decade's turn.

Issue	IFB1/2019/016 - Re-opened	IFB1/2021/018- Re-opened	IFB1/2021/021- Re-opened
Tenor to Maturity	9.3 Yrs	12.7 Yrs	16.2 Yrs
Coupon Rate	**11.75%**	**12.67%**	**12.74%**
Offered Amount	**KES 150Bn**		
Period of Sale	30th July 2026 to 12th August 2026		
Value Date	12th August 2026		
Minimum Bidding Amount	KES 50,000		
Our Expected Outcome Ranges			

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

Although the current amounts being sought are substantial, the IFB1/2024/8.5 (issued February 19, 2024) received bids totalling KES 288.7 billion, of which KES 240.96 billion was accepted. However, the coupon rate settled at an elevated 18.4607%, reflecting the tight market conditions and heightened yield pressures at the time. In contrast, we anticipate the current issuance will extend the yield curve while clearing at significantly lower interest rates.

CBK Deploys Sixth 2026 Switch to Extend Maturity Profile

The Central Bank of Kenya (CBK) has initiated a voluntary **KES 15Bn** debt switch auction—marking its third Treasury bill-to-bond switch on record and sixth overall switch in 2026—signalling a strategic pivot toward using liability management tools as active domestic debt management instruments.

The operation allows investors to convert three short-term Treasury bills maturing concurrently on 7 September 2026 (**91-day #2685/091, 182-day #2646/182,** and **364-day #2574/364**) alongside a 2027 paper (**FXD1/2012/015, 11.00% coupon**) into **FXD4/2019/010**, a **12.28% coupon** bond maturing on 12 November 2029.

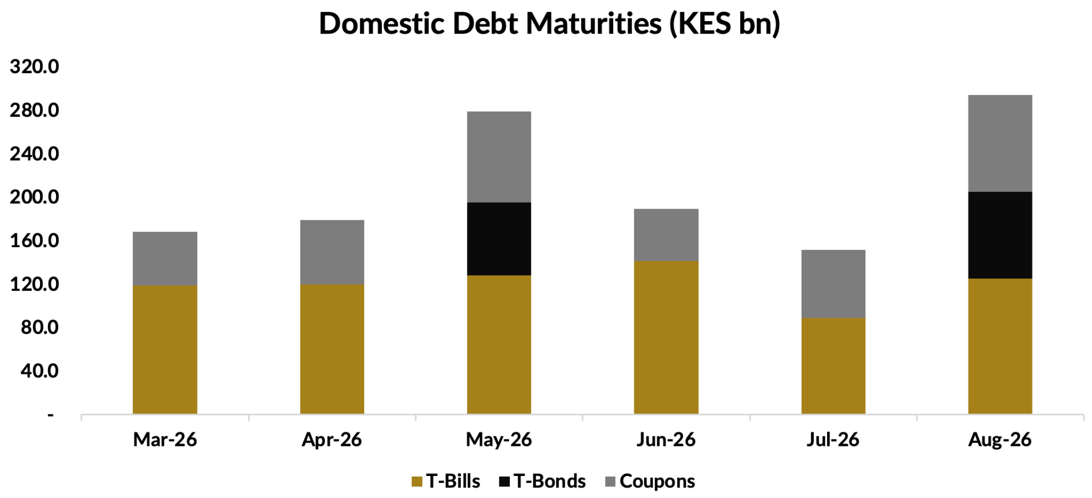
By targeting **22.4%** of the **KES 67.07Bn** originally accepted across the three source bills—which initially saw massive investor demand, including an 820.68% performance rate on the 91-day paper—the National Treasury aims to push immediate refinancing pressure out by over three years. With settlement set for 26 August 2026, just 12 days ahead of the concentrated bill maturity wall, the switch effectively extends government debt duration while replacing short-dated weighted average yields of **~8.68%** with a long-term fixed obligation

	SWITCH OFFER	T-Bills.			
Issue	**FXD1/2012/15 - Source Bond**	**2685/091**	**2464/182**	**2574/364**	**FXD4/2019/010- Destination Bond**
Tenor to Maturity	1.03 Yrs	0.03 Yrs	0.03 Yrs	0.03 Yrs	3.23 Yrs
Coupon Rate	**11.00%**	**0.00%**	**0.00%**	**0.00%**	**12.28%**
Offered Amount	**KES 15Bn**				
Period of Sale	30th July 2026 to 24th August 2026				
Value Date	24th August 2026				
Minimum Bidding Amount	KES 50,000.00				
Taxation	**10.00%**				

Looking at secondary bond market turnover, the quantum **decreased** to KES 39Bn (-24%w/w) from KES 52Bn in the prior week. **Month on Month**, bond turnover decreased by 17.73% to KES 202Bn in July from KES 246Bn in June 2026.

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

Total domestic debt maturities in August 2026 are at KES 294Bn compared to KES 152Bn in July 2026. See the chart below;



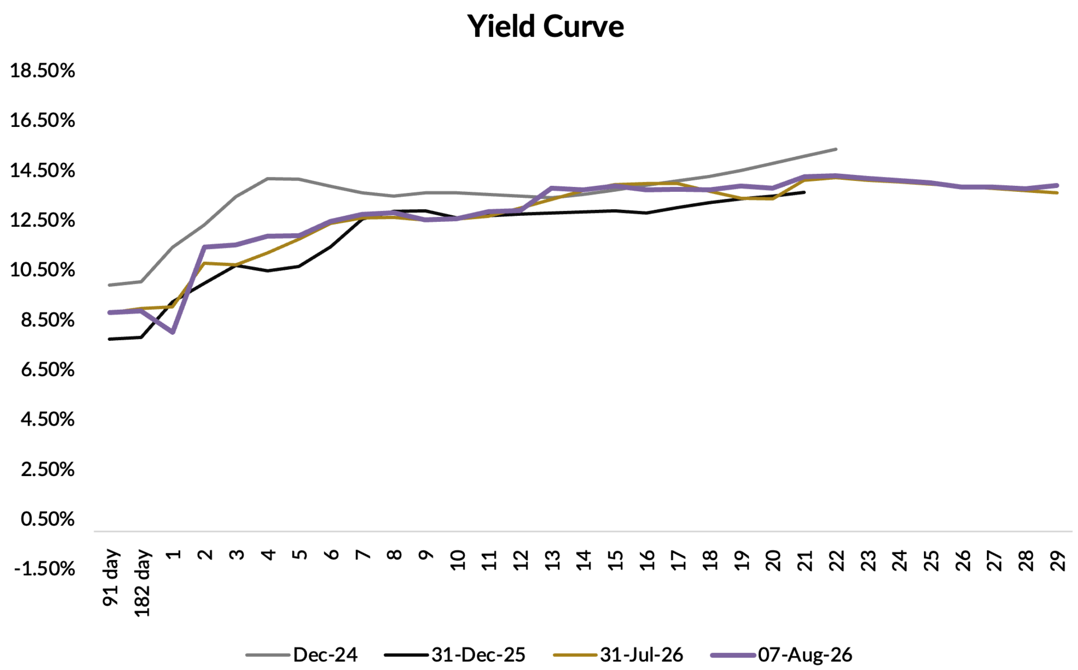
Source: Nairobi Securities Exchange (NSE), Chart: SIB

Yield Curve

Local interest rates were largely stable during the week, with average government securities yields inching slightly higher by 0.0109% w/w.

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;



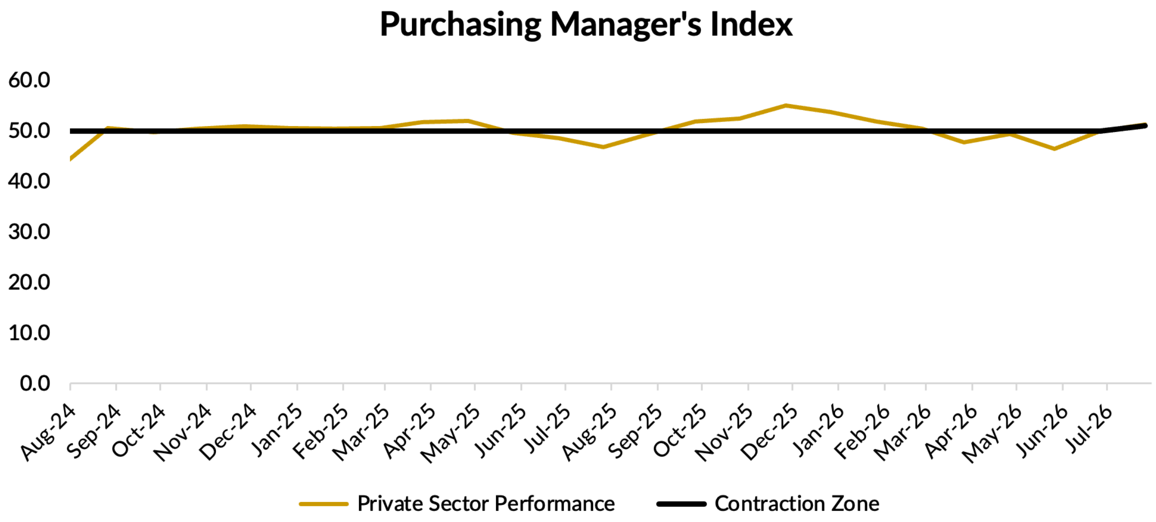
Source: Central Bank of Kenya (CBK), Chart: SIB

Kenya Private Sector Activity Rebounds in July to 51.6 Amid Headwinds.

Kenya's private sector rebounded in July, as the Stanbic Bank PMI rose to 51.3 (up from 50.0 in June), signalling renewed market demand. However, persistent supply chain bottlenecks and elevated operating costs continue to constrain actual production. Against a backdrop of slightly higher year-on-year inflation (6.5%) and official GDP growth projections of 5.0% for this year, 5.1% in 2027, and 5.2% in 2028, businesses are navigating a complex recovery environment.

While improving sales drove new order inflows, firms struggled to convert demand into finished output. This resulted in a fifth consecutive month of declining production and an accumulation of uncompleted work. Operations were hindered by tight cash flow, component delivery delays, rising transport costs, and Middle East conflict-related material shortages. To address mounting backlogs without overcommitting long-term capacity, companies across all sectors expanded headcounts via temporary hires. Meanwhile, inventory strategies diverged—with some firms stockpiling buffers and others drawing down reserves to conserve capital—as over a third faced surging operating costs, though only 15% passed these price increases on to consumers

Looking ahead, Kenya's PMI is expected to stay in expansionary territory, driven by resilient demand and surging business confidence. However, geopolitical tensions pose a major downside risk, as ongoing supply chain disruptions could sustain high input costs and delay margin relief. If these cost pressures persist, they could eventually erode consumer demand and slow the momentum of private sector growth over the medium term.



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

THE INTERNATIONAL SCENE

Weekly Insight: De-escalation Signals Pull Crude Back Below $80

Global markets were driven by a combination of persistent inflation concerns, heightened currency volatility led by Japan's yen intervention, easing—but still elevated—Middle East geopolitical risks, and renewed upward pressure on commodity prices. Together, these developments reinforced expectations that major central banks will maintain a cautious policy stance, keeping global sovereign bond yields elevated despite moderating economic growth.

United States: Higher-for-Longer Rate Expectations Support Treasury Yields

The United States remained the primary driver of global fixed income markets during the week, with investors closely assessing the Federal Reserve's policy outlook following its decision to keep interest rates unchanged. While inflation has eased from previous highs, policymakers maintained a cautious stance amid resilient economic activity and lingering price pressures. Expectations that interest rates will remain elevated for longer continued to support higher U.S. Treasury yields, particularly at the longer end of the curve, as markets shifted focus toward upcoming inflation and labour market data for further direction on the Fed's policy path.

Japanese Yen: Joint Currency Intervention and Subsequent Retracement

In the currency space, FX markets witnessed historic volatility following a coordinated, joint intervention by the U.S. Department of the Treasury and the Bank of Japan to defend the Japanese Yen. After USD/JPY touched a near 40-year high print of 163.99, joint central bank buying initially slammed the pair down to 152.70–155.20. While the Yen surrendered a portion of those gains toward the end of the week to settle around 158.40–158.55 as traders evaluated the narrowing 2-year UST-JGB yield spread (at 2.64%), the explicit double-barrelled intervention served notice that global authorities are actively policing extreme currency weakness. Developments in the yen are particularly significant for global bond markets, as shifts in Japanese investor demand for overseas assets can influence capital flows into U.S. Treasuries and other developed market government bonds.

Middle East Geopolitics & Energy: De-escalation Signals Pull Crude Back Below $80

Geopolitical tension in the Middle East saw tentative signs of cooling during the week ending August 7, 2026. Following intense back-and-forth military strikes, planned U.S. actions against Iranian targets were held back as regional diplomacy intensified, with Saudi Arabia and Iran signalling potential parameters for a broader resolution. In response to easing immediate fears over prolonged transit blockades and comfortable global inventory levels, crude oil prices pulled back sharply. Benchmark Brent crude dropped to $79 per barrel, relieving pressure on global energy supply lines and tempering near-term inflation anxieties.

Kenyan Eurobonds

Yields on Kenyan Eurobonds exhibited signs of volatility, with rates decreasing by an average of c.1.4% for the week dated 31st July 2026 to 6th August 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%
31-Jul-26	**7.0%**	**7.7%**	**8.0%**	**8.5%**	**9.0%**
03-Aug-26	6.8%	7.4%	7.7%	8.2%	8.8%
04-Aug-26	6.7%	7.3%	7.5%	7.9%	8.7%
05-Aug-26	6.8%	7.3%	7.5%	7.9%	8.7%
06-Aug-26	6.7%	7.3%	7.5%	7.9%	8.8%
Weekly Change	**0.202%**	**0.390%**	**0.452%**	**0.571%**	**0.259%**
YTD Change	**0.7%**	**0.2%**	**0.3%**	**0.1%**	**(0.5%)**

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 across most counters, depreciating by (3.4%) against the Japanese Yen (JPY/KES), and by (1.3%) against both the Euro (EUR/KES) and the British Pound (GBP/KES), while remaining virtually flat (0.0%) against the U.S. Dollar (USD/KES). Regionally, the Shilling recorded a (0.7%) gain against the Tanzanian Shilling (KES/TZX), while depreciating slightly by (0.2%) against the Ugandan Shilling (KES/UGX).

The U.S. Dollar Index strengthened by 0.07% during the week.

Commodity prices recorded mixed movements, with Murban crude oil prices declining to USD 72.54 per barrel on August 6, from USD 78.24 per barrel on July 30, amid heightened Middle East tensions, while spot gold prices increased to USD 4,240.41 per ounce over the same period from USD 4,102.40 per ounce.

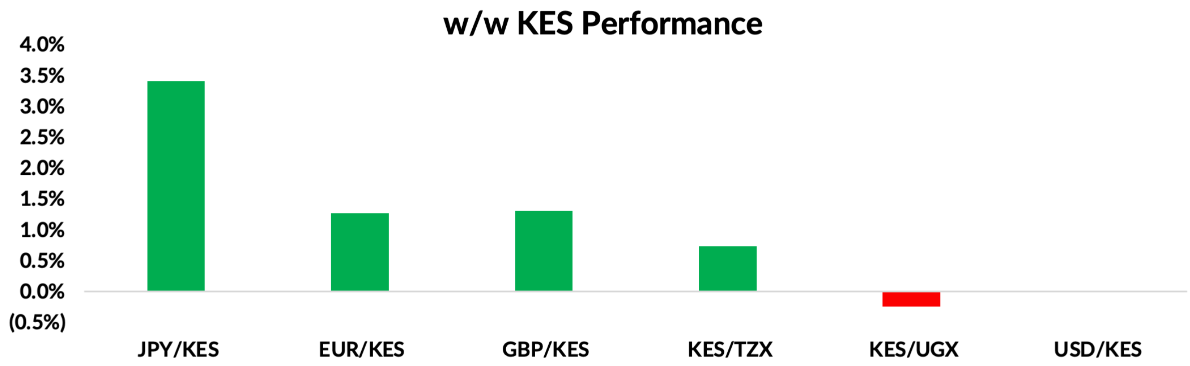
See the table below;

Currencies	31 Dec 2025 (vs KES)	Previous	Current	w/w Change	YTD change
KES/TZX	19.03	20.36	20.51	0.7%	7.8%
KES/UGX	28.06	28.86	28.79	(0.2%)	2.6%
GBP/KES	173.65	171.99	174.25	1.3%	0.3%
USD/KES	129.01	129.40	129.39	(0.0%)	0.3%
JPY/KES	82.39	79.08	81.78	3.4%	(0.7%)
EUR/KES	151.43	147.39	149.26	1.3%	(1.4%)

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

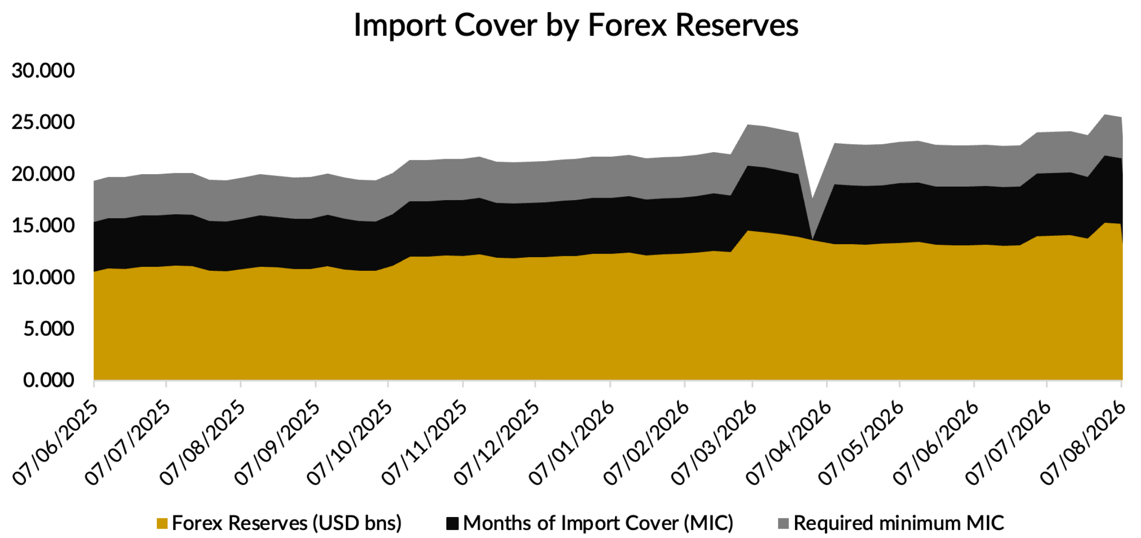
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen I FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

Kenya's foreign exchange reserves decreased marginally by 1.0% to close at USD 15.25bn, with import cover closing at 6.3 months. See the chart below for a visual summary.



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

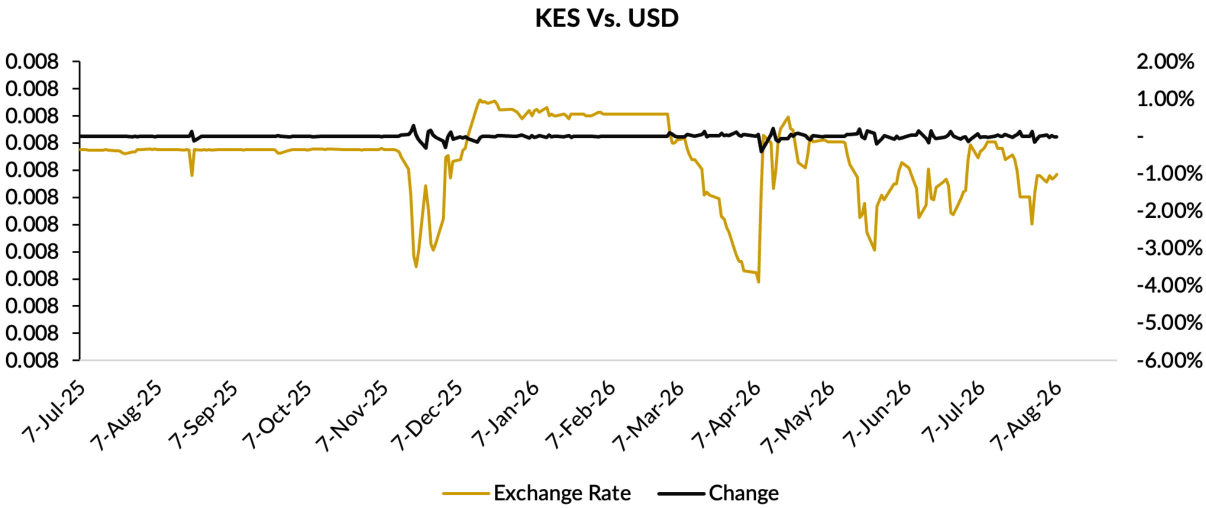
Hot on the Horizon:

1. August 2026 MPC meeting.

Given that inflation remains well anchored within the target range with minimal risk of near-term escalation, alongside continued exchange rate stability, we anticipate the Central Bank of Kenya will maintain the Central Bank Rate (CBR) unchanged at 8.75% at its upcoming meeting. We view this decision as appropriate to support private sector credit growth and reinforce economic activity.

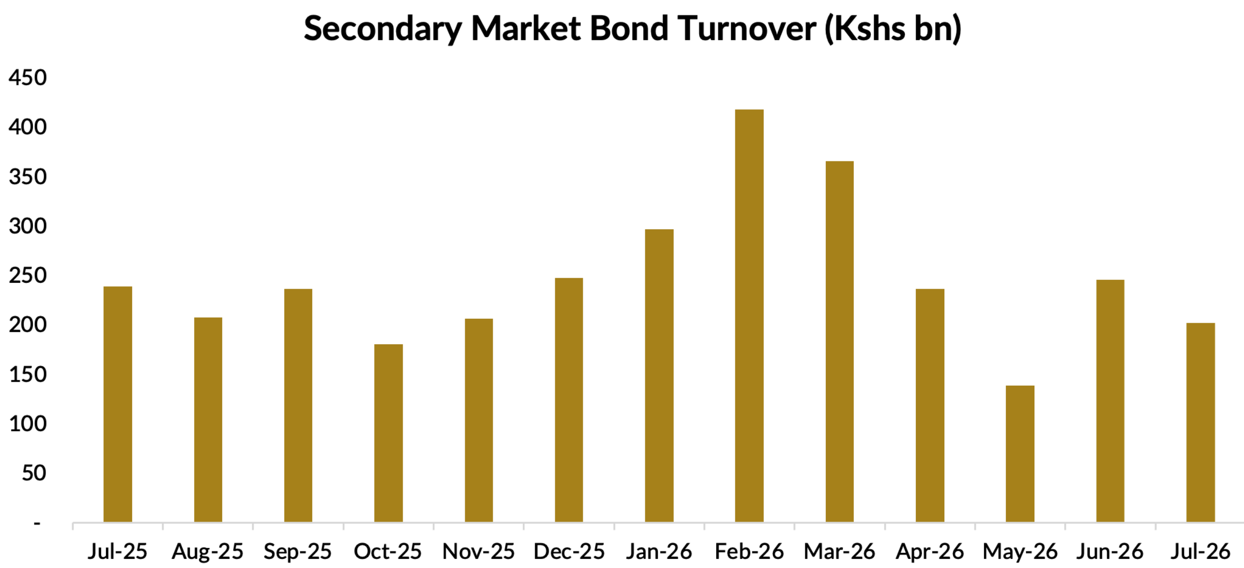
BACKGROUND CHARTS

KES/USD Performance



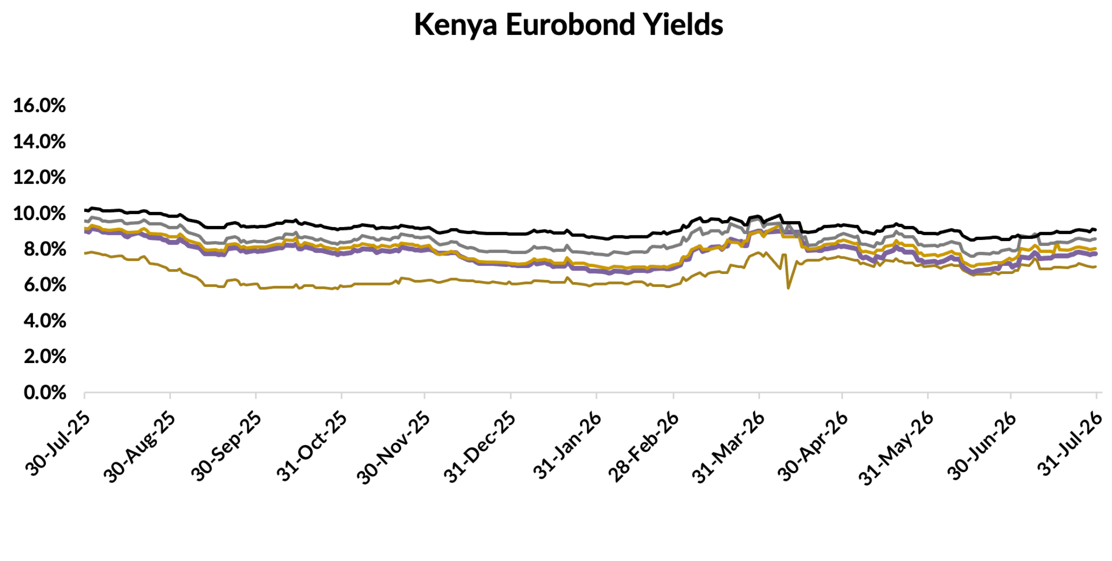
Source: Central Bank of Kenya (CBK)

Bond Turnover

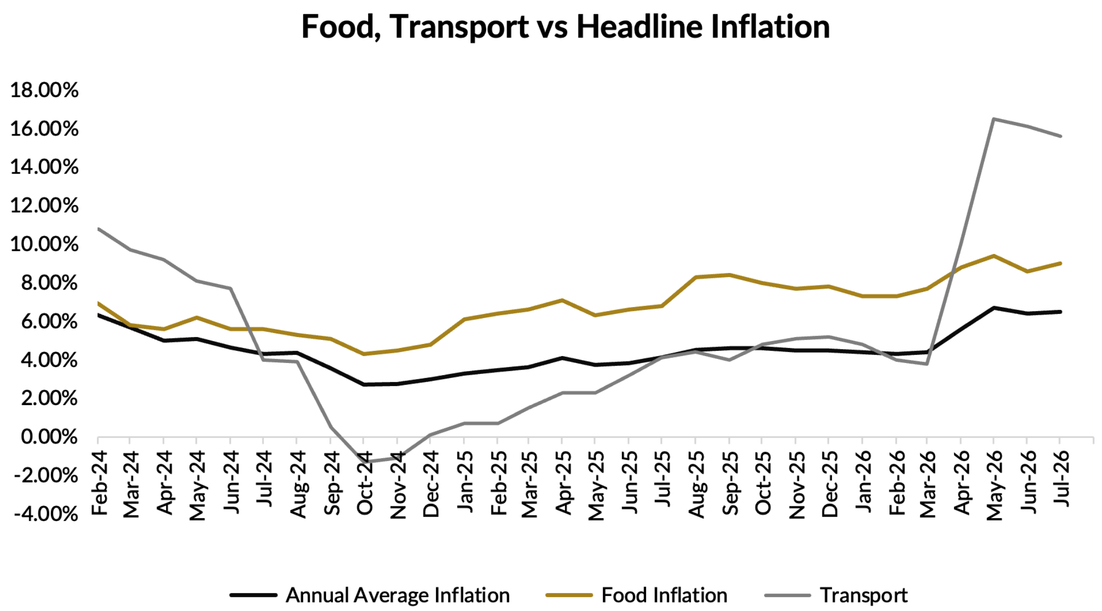


Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)



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

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