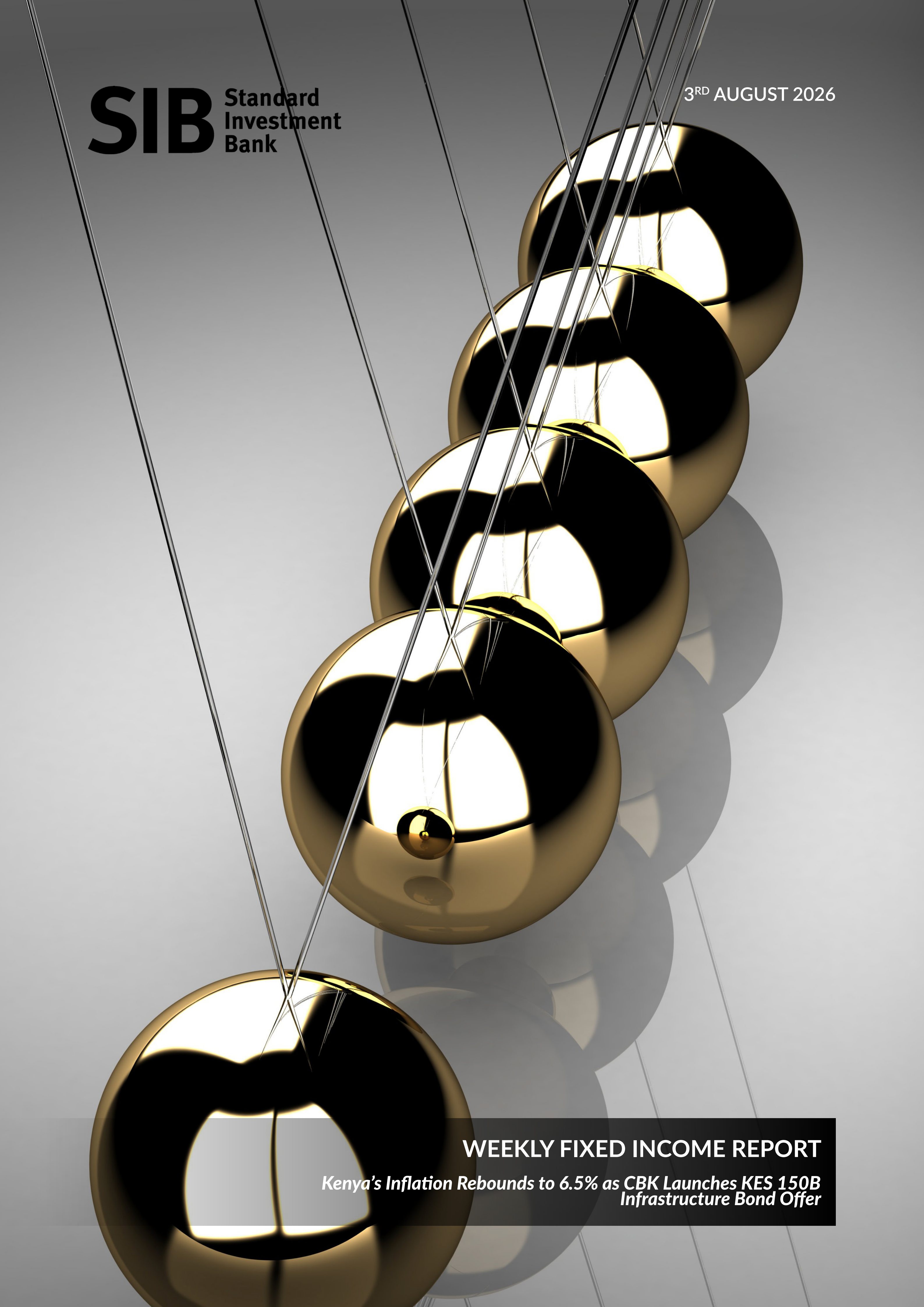
SIB Standard Investment Bank

3RD AUGUST 2026



WEEKLY FIXED INCOME REPORT

Kenya's Inflation Rebounds to 6.5% as CBK Launches KES 150B Infrastructure Bond Offer

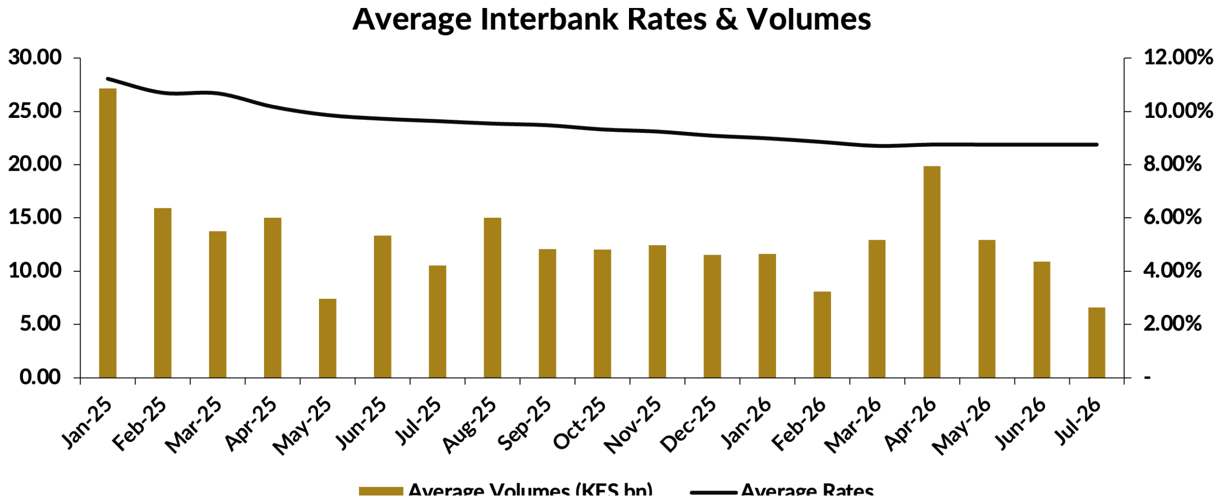
MONEY MARKET STATISTICS

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:

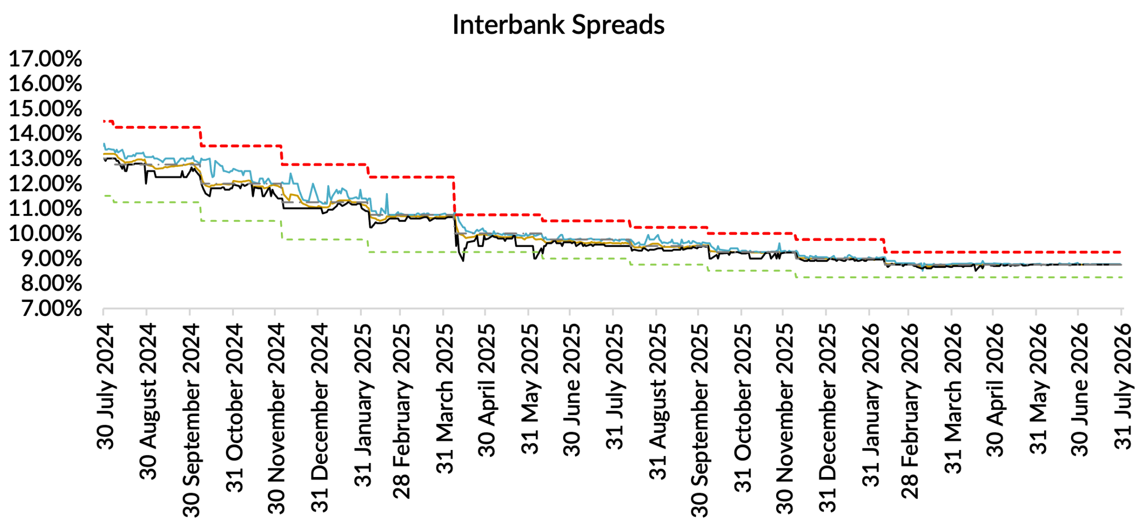
Average	Previous Week - 24th July 2026	Current Week - ended 29th July 2026	Change
Interbank Deals (Total)	6.00	17.00	183.33%
Inter- Bank volumes (KES bn)	3.70	12.00	224.32%
KESONIA (bps)	8.75%	8.75%	0.00

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 27.37Bn, of which the fiscal agent accepted KES 27.28Bn resulting in the subscription rate of 100% and a performance rate of 98%, higher than the subscription rate of 76%, recorded the previous week.

The 91-day Treasury Bill remained the most attractive debt instrument, registering a performance rate of 180%. 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

03-Aug-26	91-day	182-day	364-day	Totals
	02-Nov-26	01-Feb-27	02-Aug-27	
Amount offered	8.00	10.00	10.00	28.00
Bids received	14,406.22	8,171.64	4,792.57	27,370.43
Bids Accepted	14,330.17	8,171.60	4,784.06	27,285.83
Subscription rate (%)	99.47%	100.00%	99.82%	99.69%
Performance rate (%)	180.08%	81.72%	47.93%	97.75%
Rollover/Redemptions	8,086.30	2,303.15	13,090.65	23,480.10
New Borrowing/(Net Repayment)	6,243.87	5,868.45	-8,306.59	3,805.73
Weighted Average Rate of Accepted Bids	8.79%	8.95%	9.02%	
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.

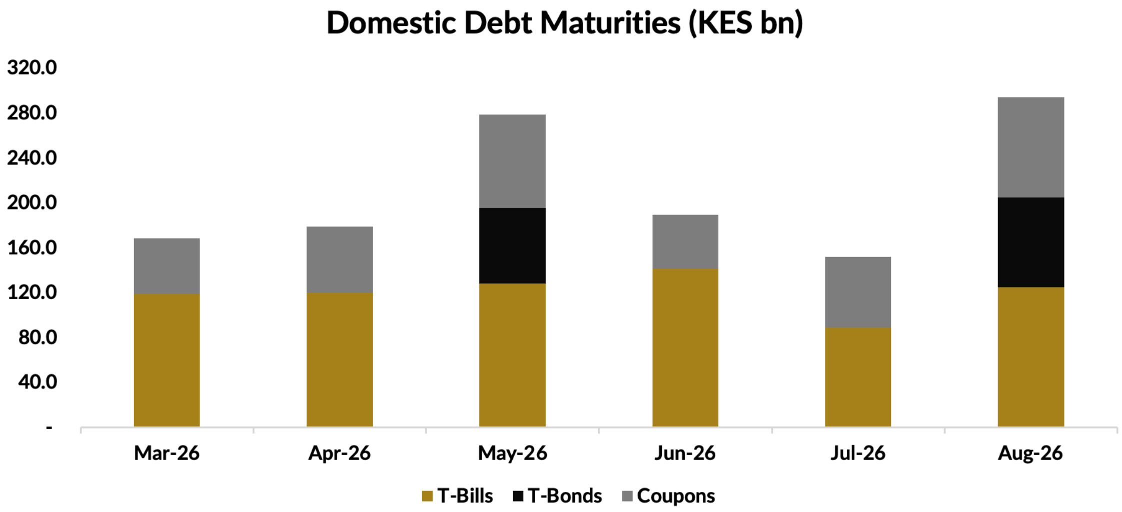
By targeting 22.4% of the KES 67.07Bn originally accepted across the three source bills—which initially saw massive investor demand, including an 820.68% performance rate on the 91-day paper—the National Treasury aims to push immediate refinancing pressure out by over three years. With settlement set 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 increased to KES 52Bn (+11%w/w) from KES 47Bn in the prior week.

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;



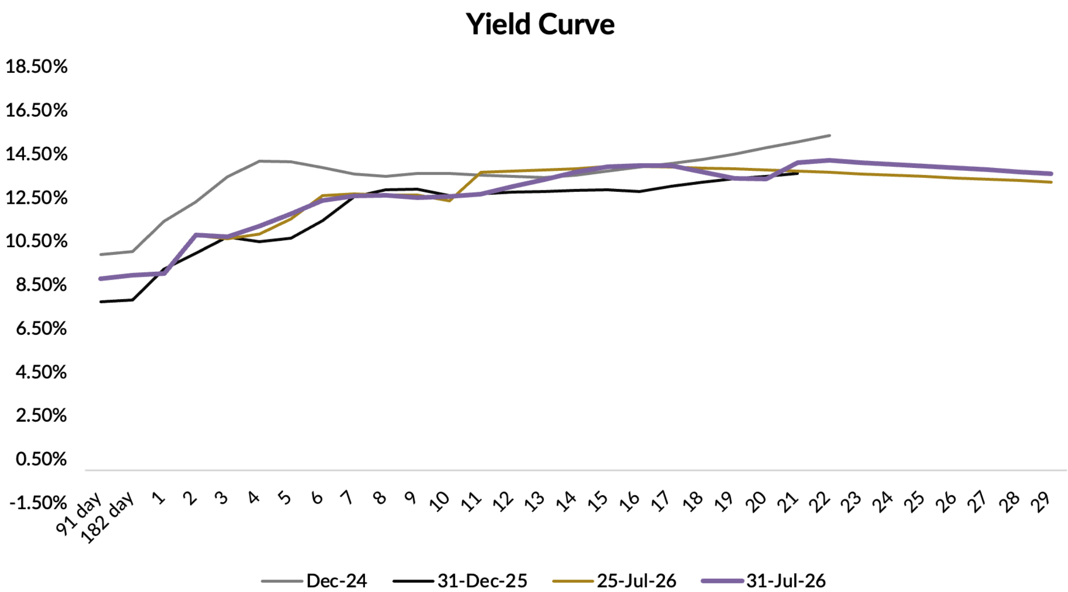
Source: Nairobi Securities Exchange (NSE), Chart: SIB

Yield Curve

Local interest rates were largely stable during the week, with average government securities yields inching slightly higher by 0.0403% 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;

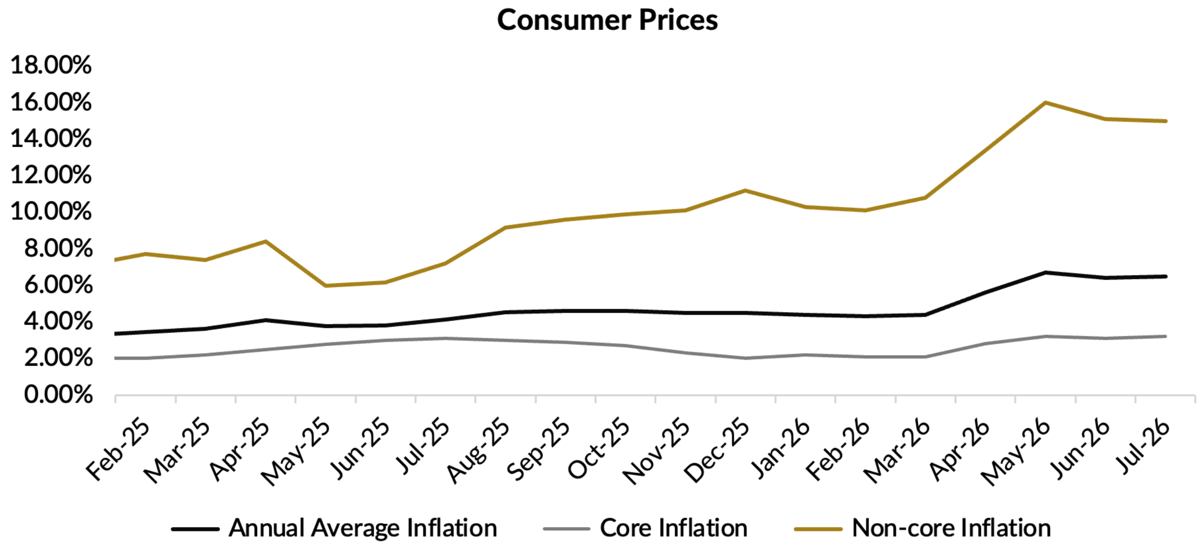


Source: Central Bank of Kenya (CBK), Chart: SIB

Kenya's Headline Inflation Accelerates to 6.5% in July

According to data from the Kenya National Bureau of Statistics (KNBS), annual headline inflation accelerated to 6.5% in July, up from 6.4% in June, reversing the previous month's brief slowdown and keeping price growth above the Central Bank of Kenya's (CBK) 5.0% target midpoint for the third consecutive month. While coming in slightly under the CBK's 6.7% forecast, the uptick was primarily fuelled by steep transport inflation (+15.6% YoY) due to lagged fuel price increases, alongside persistent food and non-alcoholic beverage inflation (+9.0% YoY) caused by weather-related supply bottlenecks. Additionally, core inflation edged up to 3.2% (from 3.1% in June), indicating broader underlying price pressures.

Coming on the heels of the Monetary Policy Committee's decision to maintain the Central Bank Rate (CBR) at 8.75% for a second straight meeting, the latest reading leaves inflation near the upper bound of the 2.5%–7.5% target band, likely reinforcing a cautious, data-dependent stance ahead of the MPC's upcoming meeting.



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

THE INTERNATIONAL SCENE

Weekly Insight: Central Bank Standstills, Mega-Cap Tech Earnings, and Rising Energy Pressures

United States: Fed Rate Hold and Big Tech Earnings Scrutiny

The Federal Reserve maintained the benchmark federal funds rate target range at 3.50%–3.75% during its July 28–29 meeting in a 9–3 vote. In his second press conference as Chair, Kevin Warsh emphasized that the central bank remains resolute on delivering price stability, noting that elevated inflation reflects supply-side shocks and Middle East energy pressures. Simultaneously, financial markets digested quarterly earnings from "Magnificent Seven" giants—including Microsoft, Meta, Apple, and Amazon—where investors intensely weighed massive capital expenditure commitments on artificial intelligence infrastructure against near-term revenue generation.

Geopolitics & Commodities: Middle East Tensions Drive Crude Oil Gains

Geopolitical friction in the Middle East continued to exert upward pressure on commodity markets, as ongoing military clashes and drone strikes across key Gulf logistics hubs maintained high risk premiums on transit routes. Benchmark Brent crude advanced to $87.93 per barrel and U.S. WTI crude climbed to $84.67 per barrel by July 31, representing a monthly gain exceeding 22%. The persistent rally in refined fuel and crude prices amplified concerns among global policymakers regarding potential secondary inflation shocks.

Europe and the United Kingdom: BOE Rate Pause and Fragile Growth

In Europe, monetary policy remained on hold as central bankers weighed sluggish economic growth against renewed cost-of-living pressures. The Bank of England kept its benchmark interest rate unchanged at 3.75%, acknowledging muted domestic output alongside persistent upside risks to headline inflation driven by elevated global energy costs. Meanwhile, flash estimates for Eurozone Q2 GDP showed modest quarter-on-quarter expansion, reflecting a uneven economic recovery across the bloc.

Asia-Pacific: Bank of Japan Policy Hold and Chinese PMI Data

The Bank of Japan voted 8–1 to maintain its key policy rate at 1.0%, choosing to assess the economic impact of global semiconductor demand, currency movements, and Middle East oil shocks. The BoJ revised its fiscal 2026 core inflation projection downward to 2.3%–2.7% due to government utility relief measures, while reiterating readiness to adjust policy if underlying inflation trends upward. In China, official July manufacturing PMI data hovered near the expansion-contraction threshold at 50.3, signalling steady but subdued momentum across the industrial sector.

Kenyan Eurobonds

Yields on Kenyan Eurobonds exhibited signs of volatility, with rates increasing by an average of c.0.353% for the week dated 24th July 2026 to 30th 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%
24-Jul-26	7.2%	7.8%	8.1%	8.6%	9.1%
27-Jul-26	7.1%	7.7%	8.0%	8.5%	9.0%
28-Jul-26	7.0%	7.7%	8.0%	8.5%	9.0%
29-Jul-26	7.0%	7.7%	8.0%	8.5%	9.1%
30-Jul-26	7.0%	7.8%	8.0%	8.6%	9.1%
Weekly Change	0.168%	0.078%	0.070%	0.022%	0.015%
YTD Change	1.0%	0.7%	0.8%	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 strengthened slightly by (0.1%) against the U.S. Dollar (USD/KES) and (0.4%) against the British Pound (GBP/KES), while remaining entirely flat (0.0%) against both the Euro (EUR/KES) and Japanese Yen (JPY/KES). Regionally, the Shilling recorded a (0.3%) gain against the Tanzanian Shilling (KES/TZX), while weakening by (0.7%) against the Ugandan Shilling (KES/UGX).

The U.S. Dollar Index weakened by 1.65 during the week.

Commodity prices recorded mixed movements, during the week. Murban crude oil prices declined to USD 78.24 per barrel on July 30, 2026, from USD 86.05 per barrel on July 23, mainly due to recovery of oil exports through the Strait of Hormuz, and increased OPEC+ production that raised expectations of ample global crude supply.

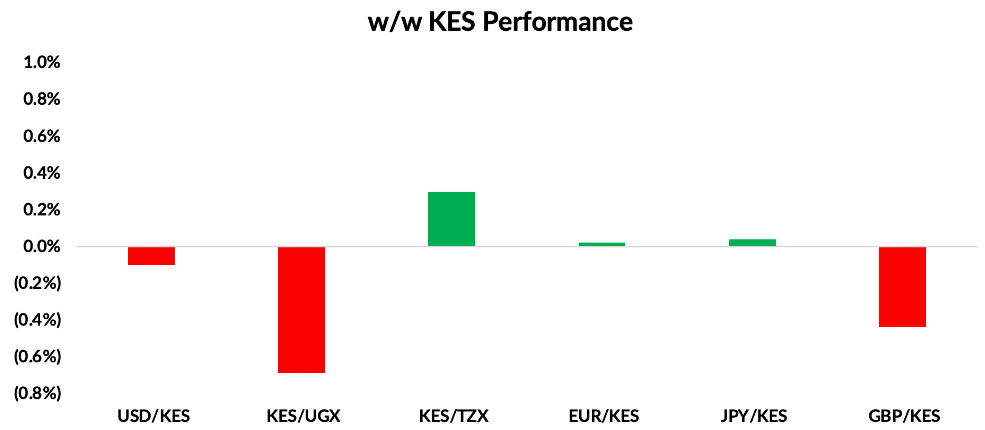
See the table below;

Currencies	31 Dec 2025 (vs KES)	Previous	Current	w/w Change	YTD change
GBP/KES	173.65	172.75	171.99	(0.4%)	(1.0%)
EUR/KES	151.43	147.36	147.39	0.0%	(2.7%)
KES/TZX	19.03	20.30	20.36	0.3%	7.0%
KES/UGX	28.06	29.06	28.86	(0.7%)	2.9%
JPY/KES	82.39	79.05	79.08	0.0%	(4.0%)
USD/KES	129.01	129.53	129.40	(0.1%)	0.3%

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

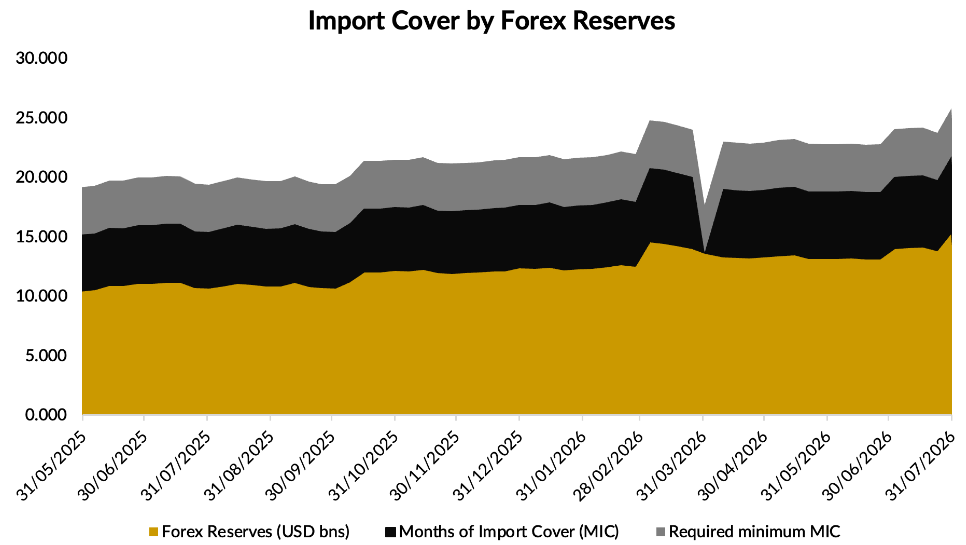
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen I FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

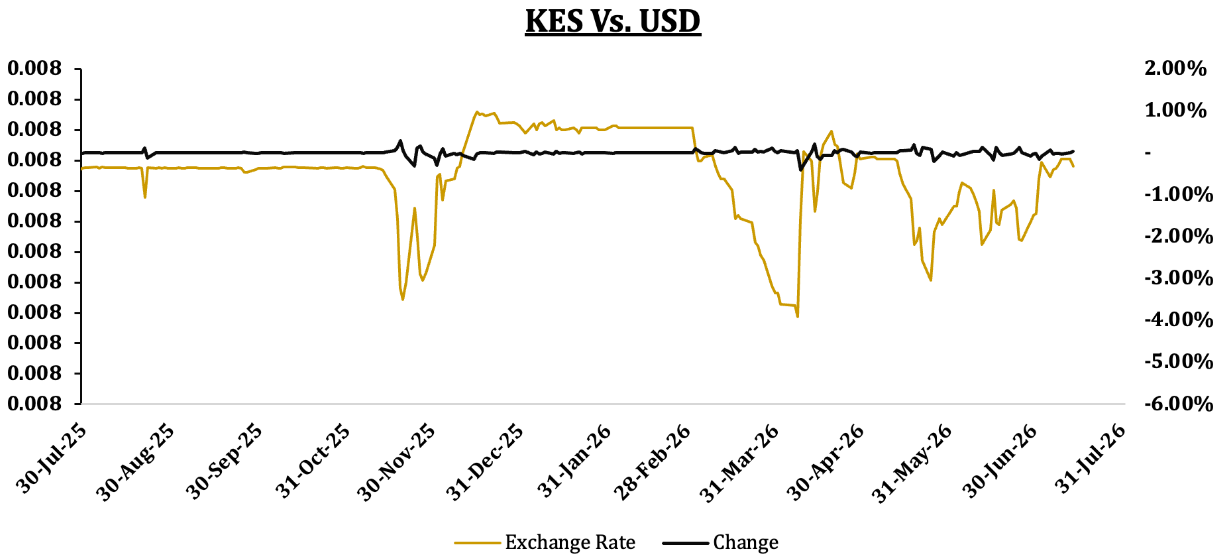
Kenya's foreign exchange reserves increased by 11% to close at USD 15.40bn, with import cover closing at 6.4 months. See the chart below for a visual summary.



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

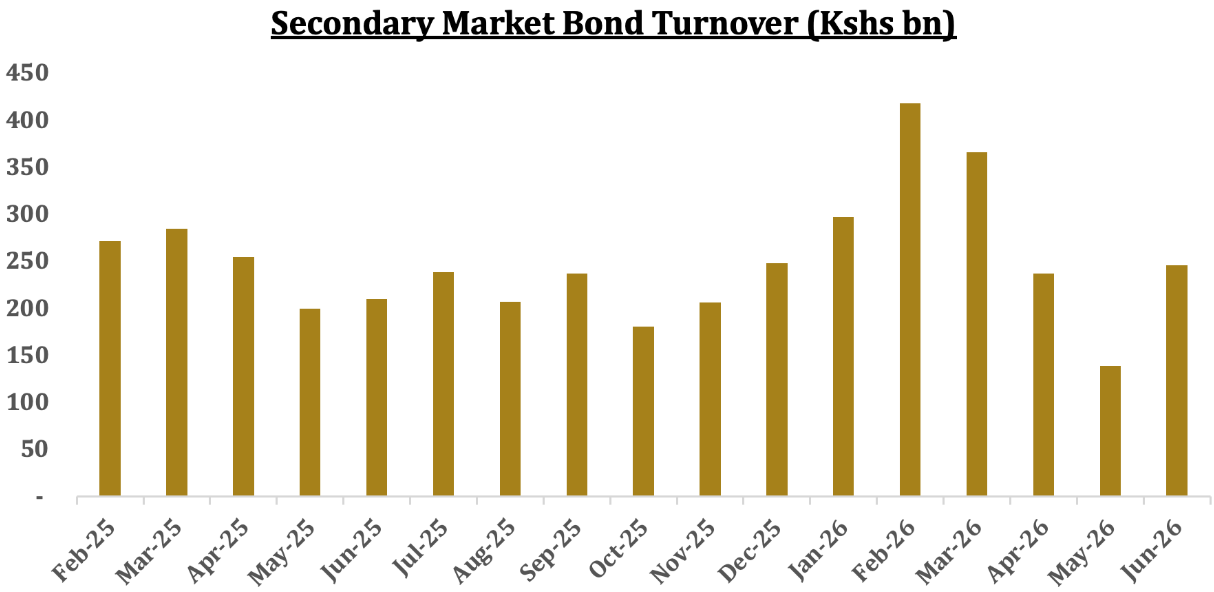
BACKGROUND CHARTS

KES/USD Performance



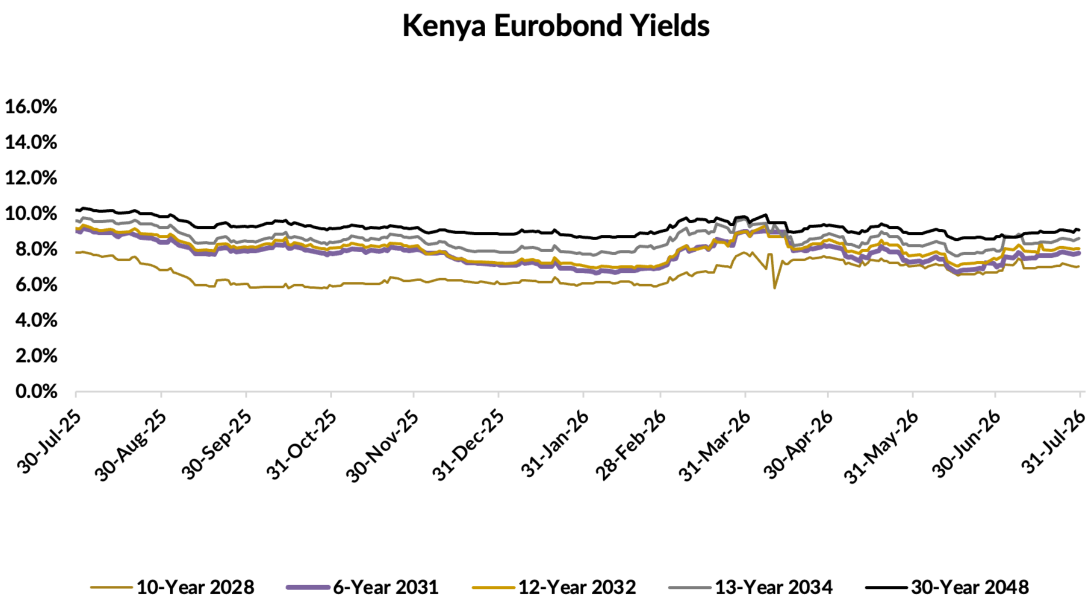
Source: Central Bank of Kenya (CBK)

Bond Turnover

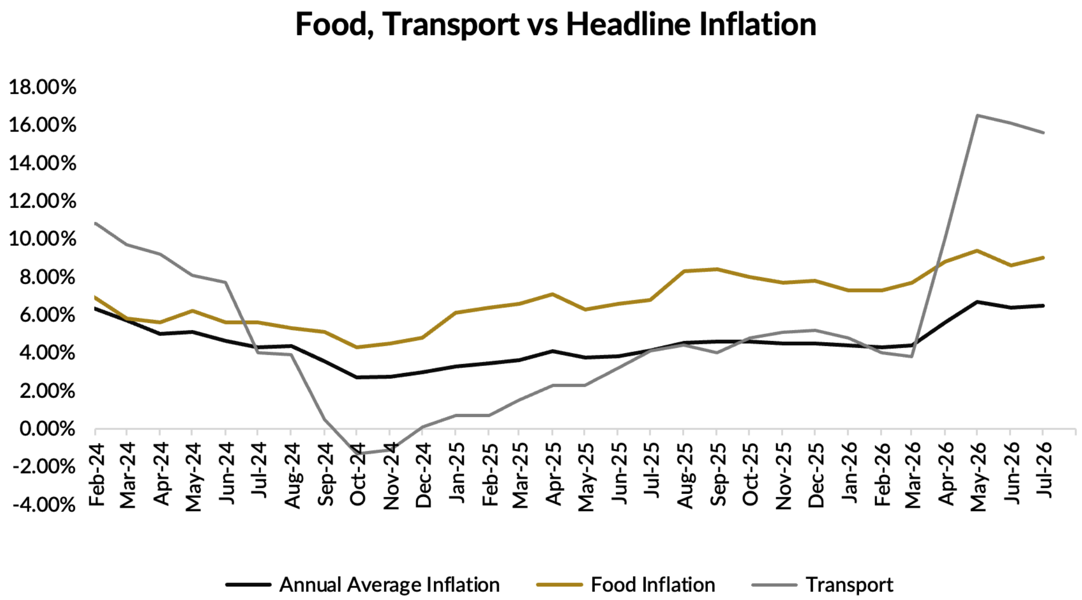


Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)



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

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