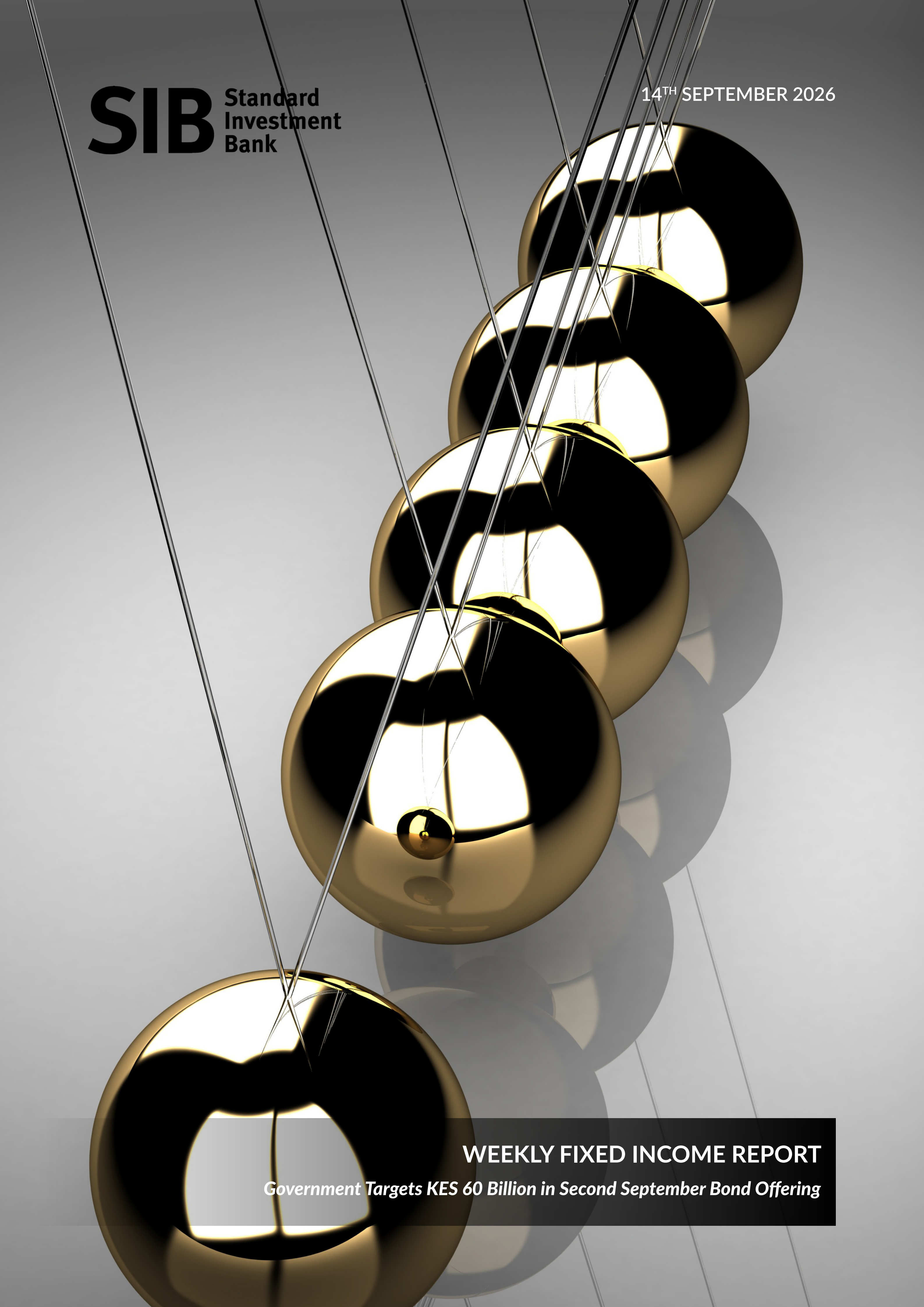


Standard Investment Bank

14TH SEPTEMBER 2026

WEEKLY FIXED INCOME REPORT

Government Targets KES 60 Billion in Second September Bond Offering

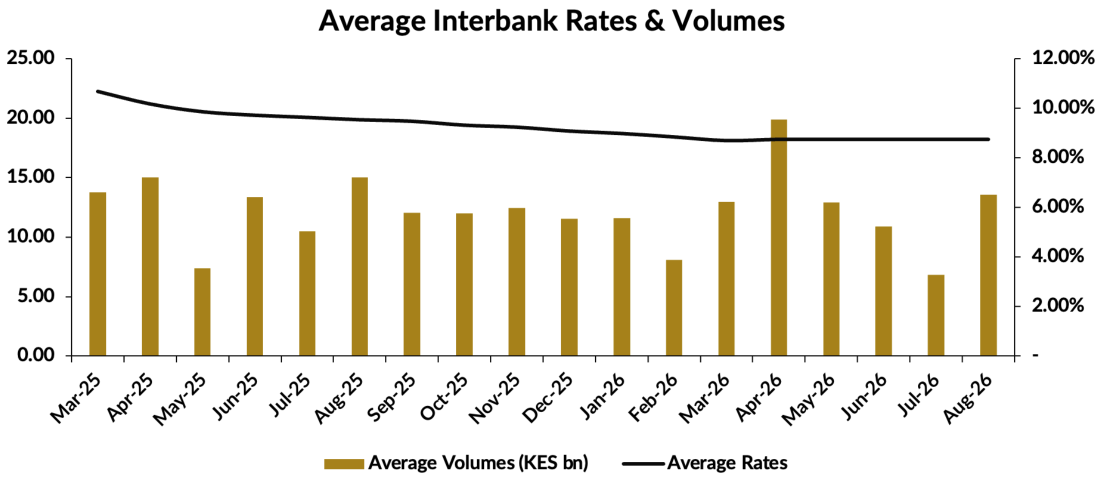
MONEY MARKET STATISTICS

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 19% in the week, with average traded volumes coming in at KES 11.40Bn from last week's KES 9.60Bn. Notably, the interbank deals increased by 44% to close the week at 23, compared to the 16 recorded in the previous week.

Find the summary below:

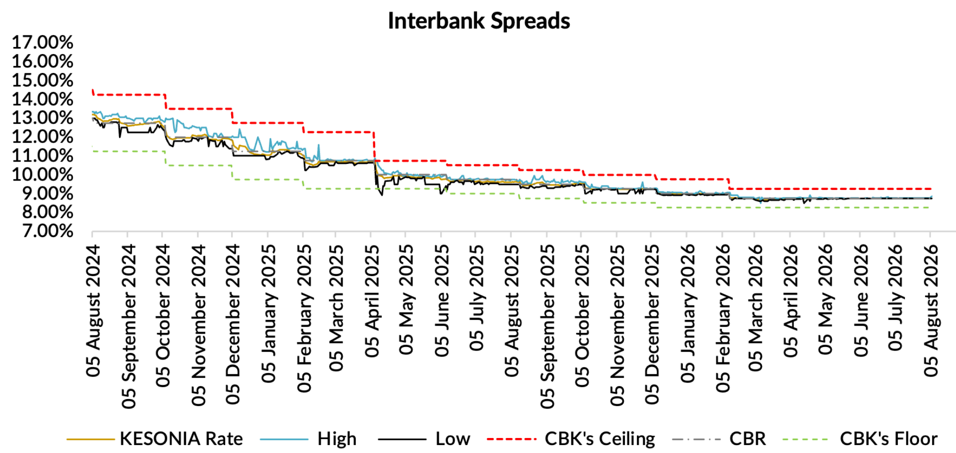
Average	Previous Week - ended 03/09/2026	Current Week - ended 11/09/2026	Change
Interbank Deals (Total)	16.00	23.00	43.75%
Inter- Bank volumes (KES bn)	9.60	11.40	18.75%
KESONIA (bps)	8.75%	8.75%	0.00

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 55.51Bn, of which the fiscal agent accepted KES 53.28Bn resulting in the subscription rate of 96% and a performance rate of 198%; lower than the subscription rate of 201%, recorded the previous week.

The 91-day Treasury Bill remained the most attractive debt instrument, registering a performance rate of 370%. The auction was significantly oversubscribed, receiving KES 30Bn in bids compared to the KES 8.0Bn on offer.

Below is a visual summary;

KES Bn

15-Sept-26	91-day	182-day	364-day	Totals
	15-Dec-26	16-Mar-27	14-Sept-27	
Amount offered	8.00	10.00	10.00	28.00
Bids received	29,583.25	12,967.38	12,955.44	55,506.07
Bids Accepted	29,385.88	11,312.36	12,583.63	53,281.87
Subscription rate (%)	**99.33%**	**87.24%**	**97.13%**	**95.99%**
Performance rate (%)	**369.79%**	**129.67%**	**129.55%**	**198.24%**
Rollover/Redemptions	27,415.20	8,194.20	11,958.70	47,568.10
New Borrowing/ (Net Repayment)	**1,970.68**	**3,118.16**	**624.93**	**5,713.77**
Weighted Average Rate of Accepted Bids	8.77%	8.93%	9.07%	
Inflation	6.5%	6.5%	6.5%	
Real Return	**2.3%**	**2.4%**	**2.6%**	

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

T-Bonds

In the primary space, The Central Bank of Kenya is seeking KES 60Bn through two reopened, bonds (FXD1/2019/020 and FXD1/2026/030) carrying coupon rates of 12.9% and 12.5%, respectively.

Issue	FXD1/2019/020 - Re-opened	FXD1/2026/030 - Re-opened
Tenor to Maturity	12.6 Years	29.5 Years
Coupon Rate	**12.87%**	**12.50%**
Offered Amount	**KES 60Bn**	
Period of Sale	8th September 2026 to 16th September 2026	
Value Date	16th September 2026	
Minimum Bidding Amount	KES 50,000	
Taxation	10.00%	

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

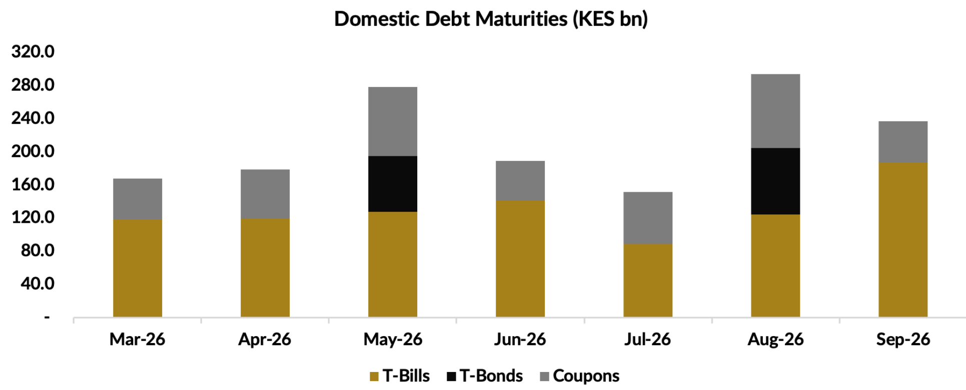
The Central Bank of Kenya published auction results for the Treasury bond switch. Marking the initial switch into FXD4/2019/010, the offering saw robust demand with a 135.2% subscription rate, generating KES 13.5Bn against a KES 10Bn target. The state accepted KES 11.0Bn (an 81.5% acceptance rate) at a weighted average yield of 11.1%.

Issue	SWITCH OFFER FXD4/2019/010- Destination Bond
Tenor to Maturity	3.20 Years
Coupon Rate	**12.28%**
Offered Amount	**KES 10.00Bn**
Bids Received (KES Mn)	13,524.44
Amount Accepted (KES Mn)	**11,020.44**
Market Weighted Average Rate (%)	**11.178%**
Weighted Average Rate of Accepted Bids (%)	11.140%
Adjusted Average Price (Per KES 100)	106.797

Looking at secondary bond market turnover, the quantum increased to KES 65Bn (+52%w/w) from KES 4 Bn in the prior week. Month on Month, bond turnover increased by 69% to KES 342Bn in August from KES 202Bn in July 2026.

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

Total domestic debt maturities in September 2026 are at KES 238Bn compared to KES 294Bn in August 2026. See the chart below;



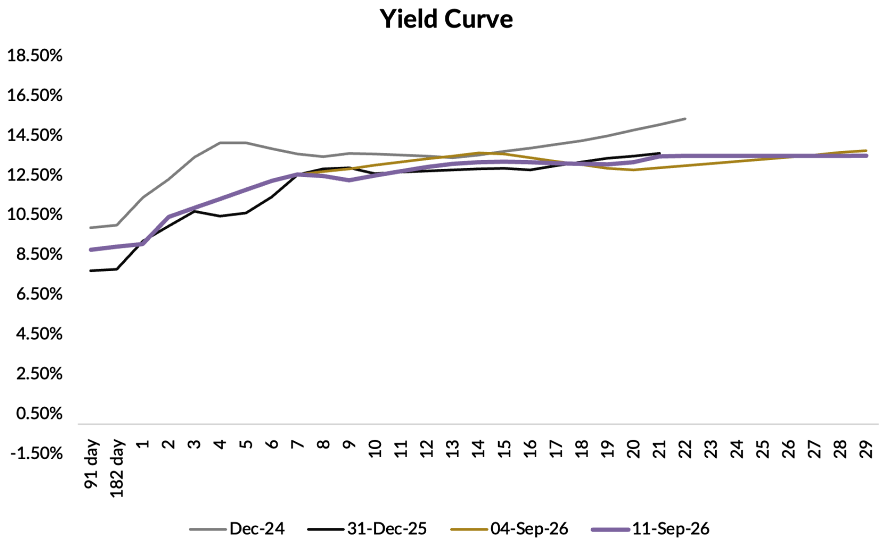
Source: Nairobi Securities Exchange (NSE), Chart: SIB

Yield Curve

Local interest rates were largely stable during the week, with average government securities yields inching slightly lower by c.0.0511% w/w.

With the government expected to lean heavily on the domestic market to plug its budget deficits, borrowing demands will likely 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: Strait Tensions, Sovereign Yield Spikes, and BoJ Rate Expectations

The second week of September 2026 saw global financial markets dominated by escalating energy supply risks, stubborn wholesale inflation, and an increasingly hawkish alignment across major central banks. As persistent maritime disruptions in the Persian Gulf drove crude oil benchmarks toward triple-digit levels, net-importing economies faced renewed cost-push inflationary pressures. This commodity shock coincided with resilient U.S. producer price data and updated European growth forecasts, prompting fixed income markets to price in an extended duration of high policy rates. Sovereign bond yields expanded globally as term premiums widened, while foreign exchange trading was anchored by strong U.S. Dollar demand and mounting volatility around upcoming Asian and European central bank policy adjustments.

Central Bank Policy Divergence & Inflationary Headwinds: Will BoJ raise Rates?

The macroeconomic landscape through the second week of September was marked by shifting monetary policy expectations and a critical wave of inflation data releases. Ahead of the Federal Reserve's upcoming meeting, U.S. August PPI printed at 5.4% year-on-year, while Friday's August CPI confirmed persistent price pressures, reinforcing market fears of a potential rate hike or an extended "higher-for-longer" pause by Fed Chair Kevin Warsh. Across the Atlantic, the European Central Bank (ECB) delivered its policy decision on September 10, navigating a delicate balance as staff projections revised euro area growth slightly upward while acknowledging that energy-driven supply shocks continue to elevate near-term HICP inflation targets toward 3.6%.

Ahead of its upcoming policy-setting meeting on September 17–18, 2026, money markets strongly signal that the Bank of Japan (BoJ) plans to raise its benchmark policy rate by 25 bps to 0.75%—pushing domestic borrowing costs to their highest level since April 1995. The aggressive policy stance aims to mitigate Yen volatility and curb upside price pressures stemming from elevated crude shipping overheads.

Strait of Hormuz and Bab-el-Mandeb Strains & Commodity Price Spikes

Geopolitical frictions centered on the Middle East intensified as ongoing supply chain disruptions in the Persian Gulf pressured global commodity desks. Persistent naval blockades and transit security risks around the Strait of Hormuz drove renewed upward momentum across energy benchmarks, pushing crude oil prices toward the critical $100-per-barrel psychological threshold. The secondary effects of sustained energy cost inflation continued to feed directly into wholesale manufacturing input prices, maintaining strong safe-haven bids for precious metals with spot gold consolidating near historic high levels of $4,460 per ounce.

Global Sovereign Yield Expansion & Long-End Pressure

Sovereign debt markets faced broad selling pressure as higher energy costs and resilient labor figures prompted traders to price in "higher-for-longer" monetary policy. The U.S. 10-year Treasury yield rose to 4.80%, testing multi-month high levels, while the U.S. 2-year yield held near 4.29%. Concurrently, European and Asian sovereign bond yields tracked higher, reflects the growing pressure on global debt instruments as market participants tested central bank tolerance for elevated borrowing costs.

Foreign Exchange Volatility & Policy Expectations

Foreign exchange markets exhibited heightened volatility surrounding European central bank guidance and key U.S. inflation metrics. The Euro (EUR/USD) saw range-bound consolidation near 1.1550–1.1600 as market participants weighed the ECB's hawkish stance against rising Eurozone energy import costs. Concurrently, the Japanese Yen remained volatile against the U.S. Dollar; USD/JPY tested the 159.50–160.00 zone, as continuous expectations of a September rate hike by the Bank of Japan clashed with broad-based U.S. Dollar support driven by elevated Treasury yields and safe-haven flows.

Kenyan Eurobonds

Yields on Kenyan Eurobonds declined marginally by average of c.0.26% during the week dated 04th September 2026 to 10th September 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%
04-Sept-26	**6.4%**	**7.2%**	**7.4%**	**8.0%**	**9.0%**
07-Sept-26	6.4%	7.2%	7.4%	8.0%	9.0%
08-Sept-26	6.6%	7.2%	7.4%	8.0%	9.0%
09-Sept-26	6.6%	7.3%	7.5%	8.1%	9.1%
10-Sept-26	6.7%	7.5%	7.7%	8.3%	9.2%
Weekly Change	(0.281%)	(0.295%)	(0.272%)	(0.281%)	(0.204%)
YTD Change	0.7%	0.4%	0.5%	0.4%	(0.1%)

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 significantly by 3.3% against the Japanese Yen (JPY/KES), while remaining virtually flat ((0.0%)) against the U.S. Dollar (USD/KES). Conversely, it weakened across European counters, depreciating by (0.6%) against the British Pound (GBP/KES) and (0.5%) against the Euro (EUR/KES). Regionally, the Shilling recorded broad-based gains, surging by 2.8% against the Ugandan Shilling (KES/UGX) and advancing 0.2% against the Tanzanian Shilling (KES/TZX).

The U.S. Dollar Index was weakened by 0.13% during the week.

Murban crude oil prices rose to USD 95.41 per barrel on September 10, from USD 86.01 per barrel on September 3, following increased concerns about oil supply risks due to the renewed disruptions in the Middle East during the week. Spot gold prices declined to USD 4,315.69 per ounce from USD 4,472.86 per ounce in the previous week.

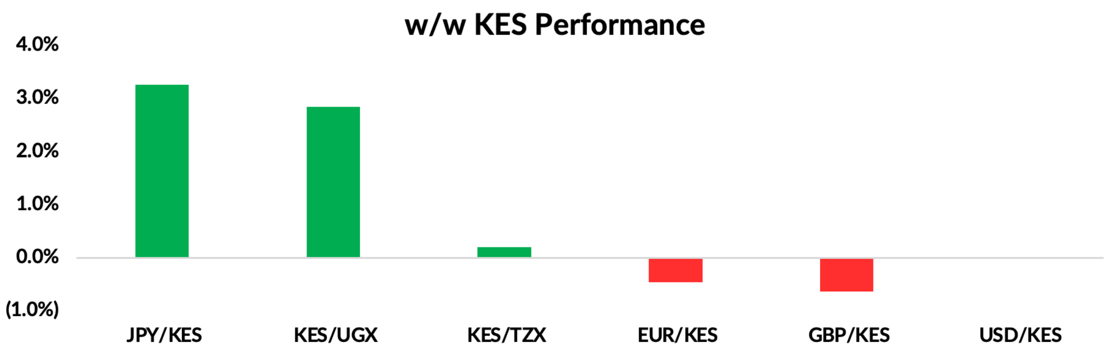
See the table below;

Currencies	31 Dec 2025 (vs KES)	Previous	Current	w/w Change	YTD change
GBP/KES	173.65	175.95	174.82	(0.6%)	0.7%
EUR/KES	151.43	150.91	150.22	(0.5%)	(0.8%)
KES/TZX	19.03	20.39	20.43	0.2%	7.4%
KES/UGX	28.06	28.88	29.70	2.8%	5.8%
JPY/KES	82.39	81.26	83.91	3.3%	1.8%
USD/KES	129.01	129.47	129.45	(0.0%)	0.3%

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

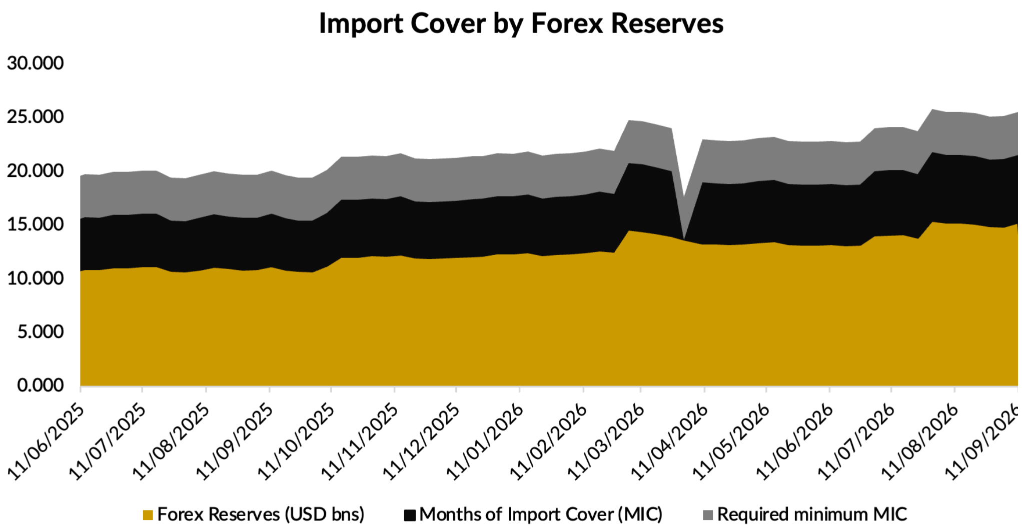
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen I FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

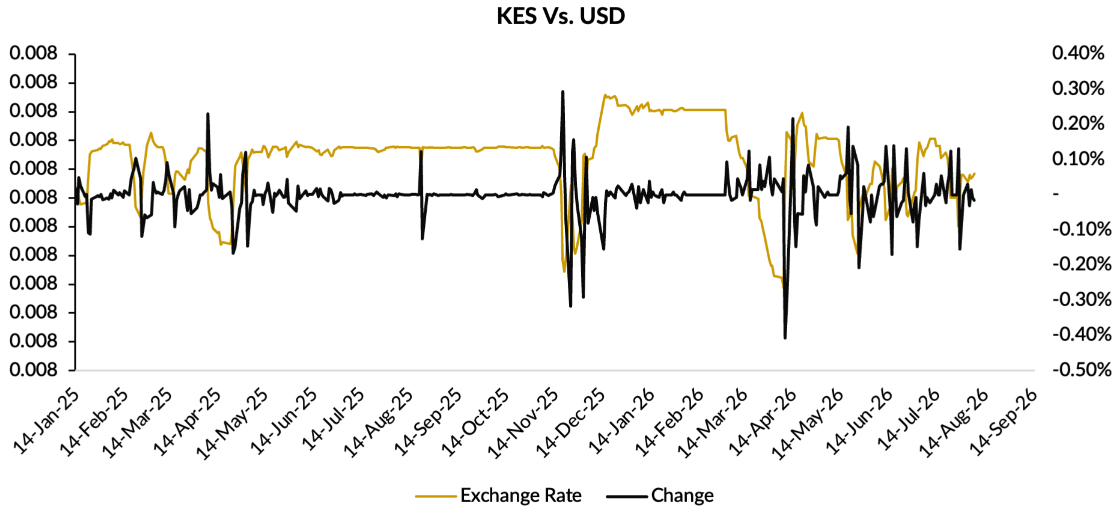
Kenya's foreign exchange reserves decreased by -0.4% to close at USD 14.88bn, with import cover closing at 6.1 months. See the chart below for a visual summary.



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

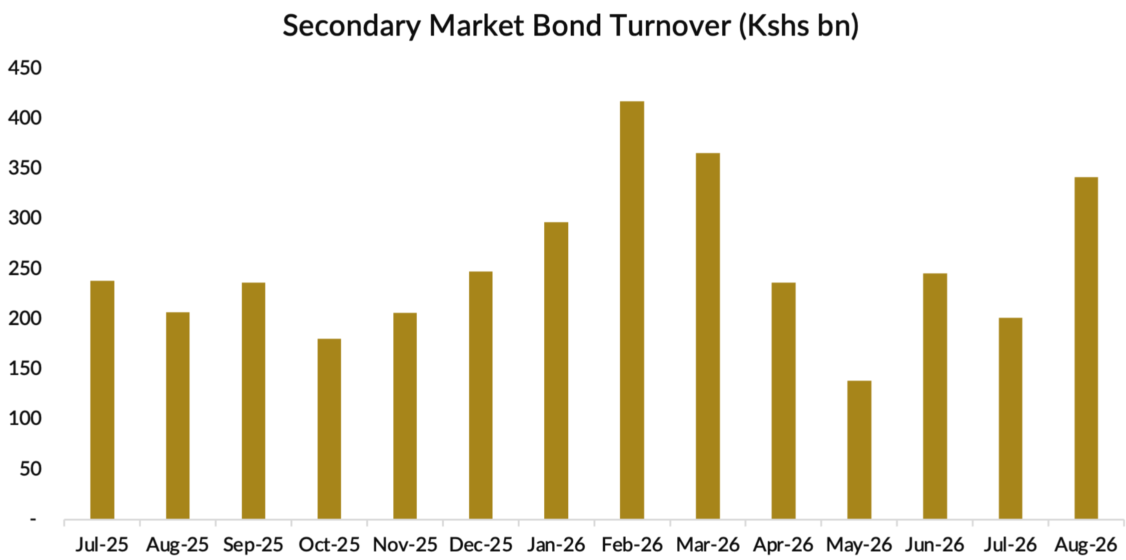
BACKGROUND CHARTS

KES/USD Performance



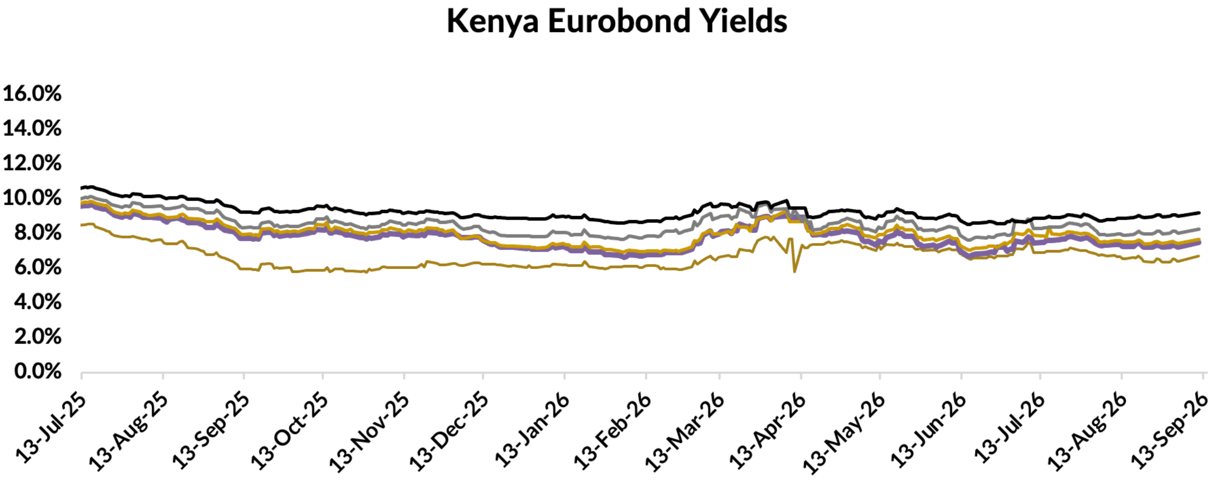
Source: Central Bank of Kenya (CBK)

Bond Turnover

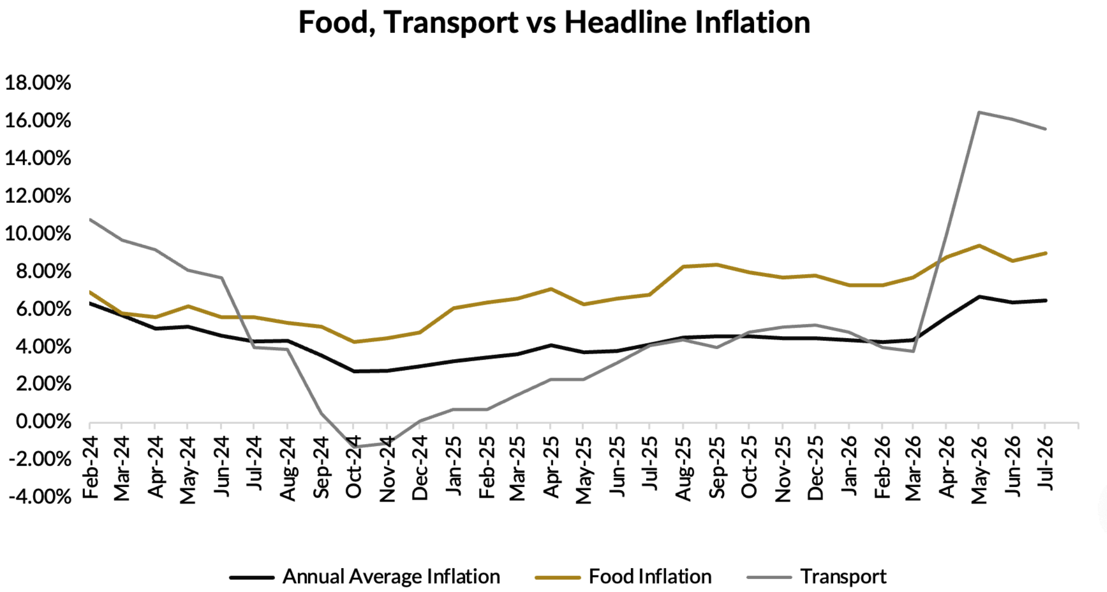


Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)



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

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