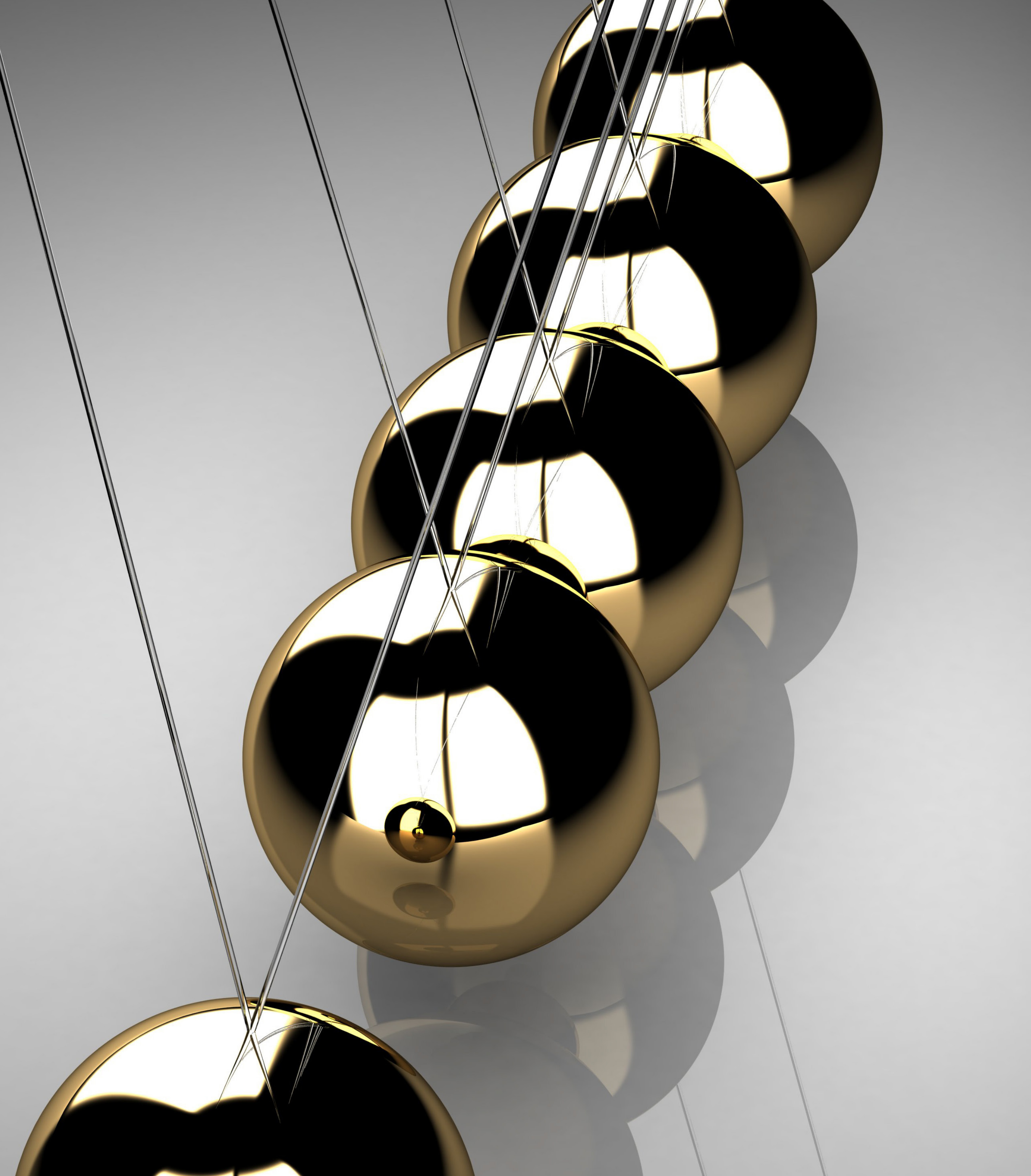
SIB Standard Investment Bank

21ST SEPTEMBER 2026



WEEKLY FIXED INCOME REPORT

EPRA Maintains Pump Prices for September–October Review Cycle.

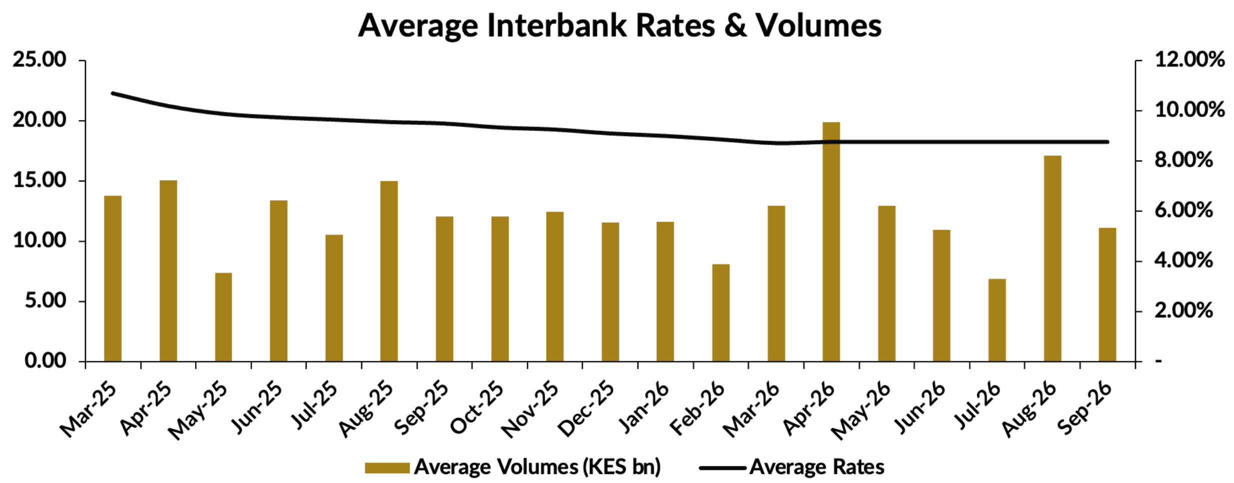
MONEY MARKET STATISTICS

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:

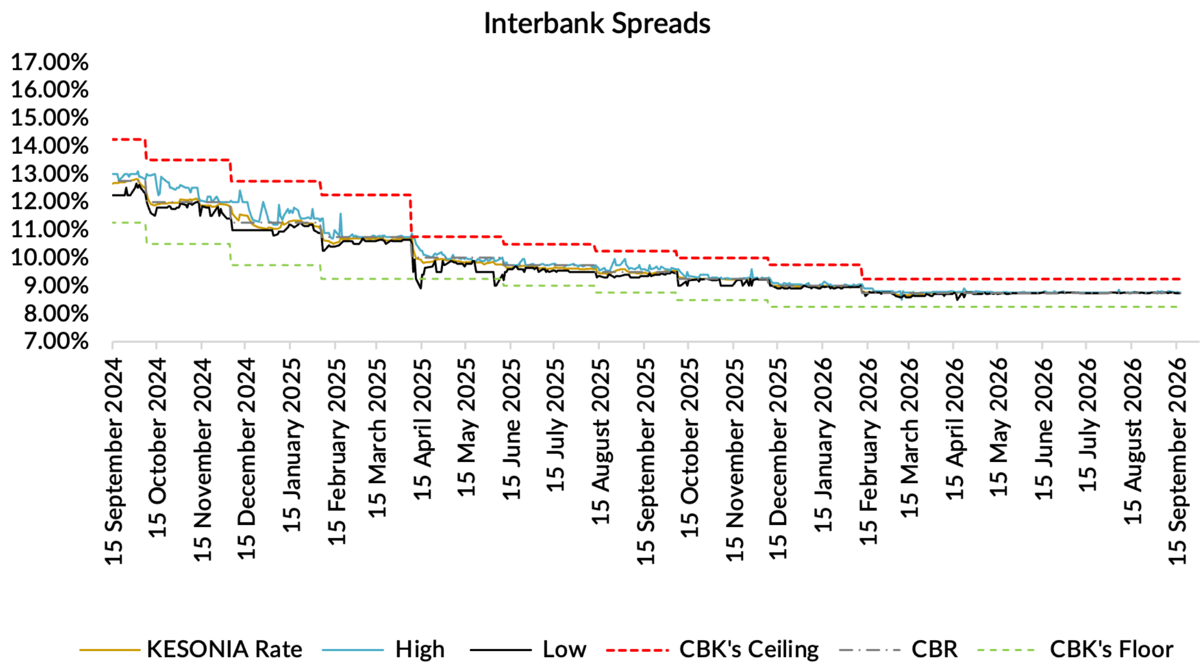
Average	Previous Week - ended 03/09/2026	Current Week - ended 11/09/2026	Change
Interbank Deals (Total)	16.00	23.00	43.75%
Inter- Bank volumes (KES bn)	9.60	11.40	18.75%
KESONIA (bps)	8.75%	8.75%	0.00

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:

Investor appetite for Treasury Bills softened this week as total submitted bids fell to KES 42.72 billion compared to KES 55.51 billion recorded last week, of which the fiscal agent accepted KES 42.42Bn resulting in the subscription rate of 99% and a performance rate of 153%; outperforming the subscription rate of 96%, recorded the previous week.

The 91-day Treasury Bill remained the most attractive debt instrument, registering a performance rate of 291%. The auction was significantly oversubscribed, receiving KES 23Bn in bids compared to the KES 8.0Bn on offer.

Below is a visual summary;

KES Bn

20-Sept-26	91-day	182-day	364-day	Totals
	20-Dec-26	21-Mar-27	19-Sept-27	
Amount offered	8.00	10.00	10.00	28.00
Bids received	23,245.66	10,046.13	9,427.51	42,719.30
Bids Accepted	23,231.01	10,046.13	9,145.69	42,422.83
Subscription rate (%)	**99.94%**	**100.00%**	**97.01%**	**99.31%**
Performance rate (%)	**290.57%**	**100.46%**	**94.28%**	**152.57%**
Rollover/Redemptions	24,101.45	10,199.00	14,147.25	48,447.70
New Borrowing/ (Net Repayment)	**-870.44**	**-152.87**	**-5,001.56**	**-6,024.87**
Weighted Average Rate of Accepted Bids	8.79%	8.91%	9.06%	
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 recently released the auction results for two reopened, bonds (FXD1/2019/020 and FXD1/2026/030) carrying coupon rates of 12.9% and 12.5%, respectively.

Investor demand was strong, pushing total bids to KES 81Bn against an initial offer of KES 60Bn. This resulted in an overall oversubscription rate of 136%. Out of the bids received, the government accepted KES 50Bn, achieving a 61% acceptance rate.

Find below a summary of the results:

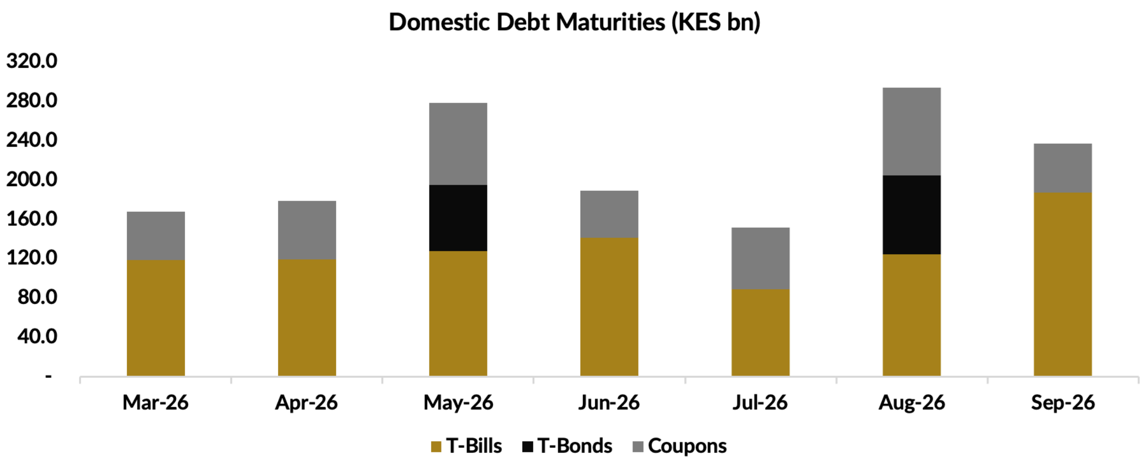
Issue	FXD1/2019/020 - Re-opened	FXD1/2026/030 - Re-opened
Tenor to Maturity	12.6 Years	29.5 Years
Coupon Rate	**12.87%**	**12.50%**
Offered Amount	**KES 60Bn**	
Bids Received (KES Mn)	43,803.82	37,601.48
Amount Accepted (KES Mn)	**33,456.74**	**16,718.32**
Market Weighted Average Rate (%)	**13.680%**	**14.468%**
Weighted Average Rate of Accepted Bids (%)	13.611%	14.236%
Adjusted Average Price (Per KES 100)	101.547	93.278
New Borrowing/Net Repayment	**KES 50Bn**	

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

Looking at secondary bond market turnover, the quantum decreased to KES 34Bn (-47%w/w) from KES 65Bn 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;



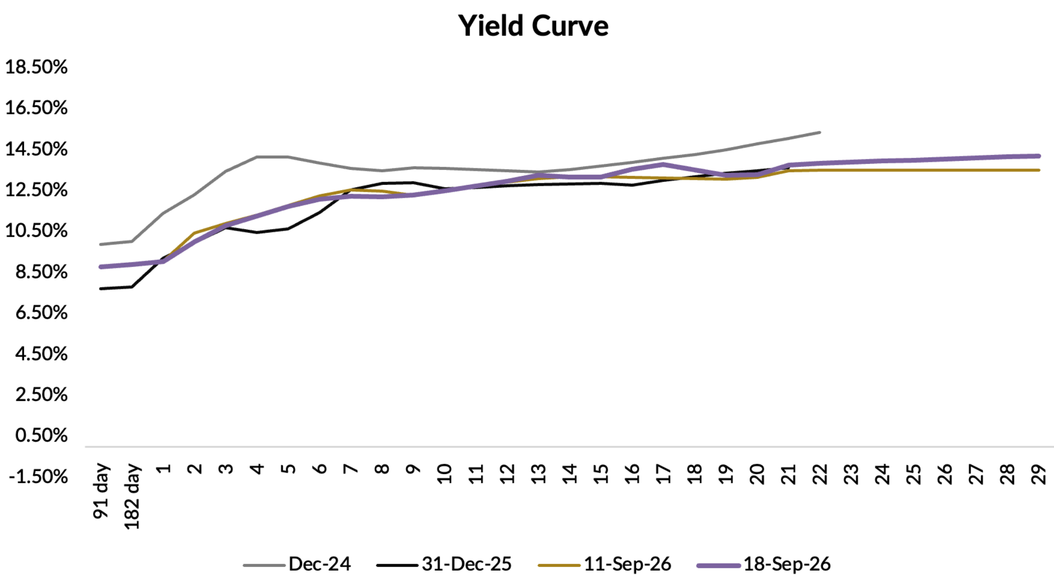
Source: Nairobi Securities Exchange (NSE), Chart: SIB

Yield Curve

Local interest rates were largely stable during the week, with average government securities yields inching slightly higher by c.0.195% 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: Synchronized Hikes, Energy Friction, and Global Yield Expansion

The third week of September 2026 was defined by synchronized monetary tightening from major central banks and volatile, supply-constrained commodity markets. In a landmark 48-hour window, both the U.S. Federal Reserve and the Bank of Japan delivered 25 basis point rate hikes to counter persistent inflation and rising input costs tied to ongoing Middle Eastern energy disruptions. While crude oil benchmarks temporarily retrenched late in the week as alternative maritime routing protocols mitigated immediate bottleneck fears, structural supply chain friction through the Strait of Hormuz kept global price pressures elevated. Sovereign bond markets experienced widespread yield curve expansion as fixed-income desks priced in an extended restrictive policy environment, while major foreign exchange pairs underwent heightened volatility following key central bank rate decisions and forward guidance shifts.

Dual Central Bank Hikes & Hawkish Policy Alignment

Global monetary policy underwent a synchronized tightening cycle as both the U.S. Federal Reserve and the Bank of Japan delivered key rate hikes within 48 hours. On September 16, the Federal Open Market Committee (FOMC) raised the federal funds target rate range by 25 basis points to 3.75%–4.00%, citing persistent headline inflation and resilient labor conditions.

Following suit on September 18, the Bank of Japan raised its benchmark overnight call rate by 25 basis points to 1.25%—pushing Japanese borrowing costs to a 31-year high. This coordinated double-tightening move underscores central banks' shared commitment to anchoring medium-term inflation expectations and containing currency volatility amid lingering global cost-push risks.

Strait of Hormuz Supply Realignment & Energy Price Retrenchment

Crude oil markets experienced volatile trading as immediate Middle Eastern supply concerns saw temporary relief toward the end of the week. After Brent crude spiked near $110 per barrel earlier in the week due to persistent military tensions and transit blockades in the Strait of Hormuz, energy benchmarks eased as ship-to-ship transfer protocols outside the Persian Gulf mitigated immediate bottleneck fears. Murban crude prices subsequently moderated toward $94.70 per barrel. Nevertheless, elevated maritime freight tariffs and ongoing geopolitical risk premiums continue to apply upward pressure on underlying manufacturing input costs globally.

Global Yield Curve Steepening & Sovereign Debt Pressure

Sovereign bond markets faced broad-based selling pressure as fixed-income desks priced in the dual rate increases from the Federal Reserve and the Bank of Japan. The U.S. 10-year Treasury yield hovered near multi-month highs around 4.80%, reflecting market expectations that official policy rates will remain in restrictive territory well into late 2026. Internationally, Japanese Government Bond (JGB) yields expanded across the curve following the BoJ's policy rate increase to 1.25%, while European and emerging market sovereign debt—including Kenya's Eurobonds, which saw yields rise by 9.5 bps on average—faced expanded term premiums as investors demanded higher compensation for persistent inflation overhead.

European Energy Deficit & Import Strain

European energy security faced severe pressure through mid-September as persistent maritime blockades in the Strait of Hormuz drastically curtailed Middle Eastern crude oil and LNG deliveries into the continent. With the recent disruption of Saudi Arabia's East-West pipeline further limiting Red Sea bypass routes, European refiners have been forced to source far more expensive spot cargoes from the Atlantic Basin and Caspian region. This severe supply squeeze—compounded by soaring maritime freight rates and insurance premiums—pushed EU petrol prices up 24% year-on-year and diesel up 38%. As benchmark European natural gas prices surged past €81/MWh, European policymakers are navigating a worsening stagflationary environment, balancing emergency sector subsidies against accelerating energy-driven inflation.

Foreign Exchange Volatility & Rate-Differential Shifts

Foreign exchange markets exhibited heightened volatility surrounding the FOMC and BoJ monetary decisions. The Japanese Yen saw active two-way trading; USD/JPY initially tested resistance near the 160.00 threshold before consolidating as the BoJ's rate hike narrowed short-term yield differentials against the U.S. Dollar. Concurrently, the Euro (EUR/USD) traded in a tight range around 1.1550–1.1600, weighed down by weak Eurozone growth trends and elevated energy import bills despite broad-based U.S. Dollar support following the Fed's rate hike.

Kenyan Eurobonds

Yields on Kenyan Eurobonds declined marginally by average of c.0.081% during the week dated 11th September 2026 to 17th 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%
11-Sept-26	6.7%	7.5%	7.7%	8.3%	9.2%
14-Sept-26	6.8%	7.7%	7.9%	8.5%	9.4%
15-Sept-26	6.9%	7.8%	8.0%	8.6%	9.4%
16-Sept-26	6.8%	7.7%	7.9%	8.5%	9.4%
17-Sept-26	6.8%	7.6%	7.8%	8.3%	9.2%
Weekly Change	(0.086%)	(0.102%)	(0.120%)	(0.047%)	(0.049%)
YTD Change	0.8%	0.5%	0.6%	0.5%	(0.0%)

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 major global currencies, the Shilling remained virtually flat against the U.S. Dollar (USD/KES), edging up by 0.1%. Conversely, it weakened across European and Asian counters, depreciating by 0.2% against the British Pound (GBP/KES), and by 0.4% against both the Euro (EUR/KES) and the Japanese Yen (JPY/KES). Regionally, performance was also split: the Shilling gained 1.6% against the Ugandan Shilling (KES/UGX), but marginal depreciation saw it drop 0.1% against the Tanzanian Shilling (KES/TZX).

The U.S. Dollar Index strengthened by 1.14% during the week.

Murban crude oil prices declined to USD 94.70 per barrel on September 17, from USD 95.41 per barrel on September 10, reflecting easing supply concerns and profit-taking by market participants despite continued geopolitical tensions in the Middle East. Spot gold prices rose to USD 4,340.09 per ounce from USD 4,315.69 per ounce in the previous week.

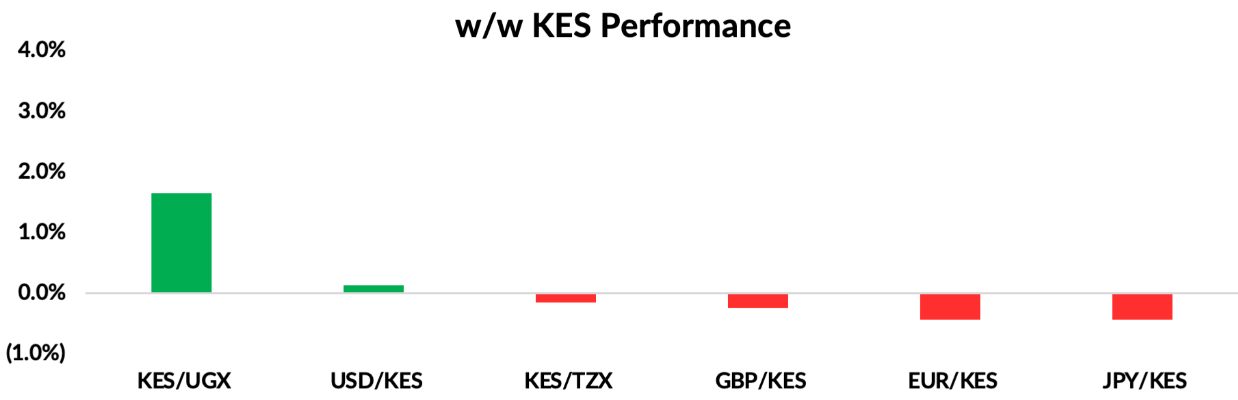
See the table below;

Currencies	31 Dec 2025 (vs KES)	Previous	Current	w/w Change	YTD change
KES/UGX	28.06	29.70	30.19	1.6%	7.6%
USD/KES	129.01	129.45	129.62	0.1%	0.5%
KES/TZX	19.03	20.43	20.40	(0.1%)	7.2%
GBP/KES	173.65	174.82	174.40	(0.2%)	0.4%
EUR/KES	151.43	150.22	149.56	(0.4%)	(1.2%)
JPY/KES	82.39	83.91	83.54	(0.4%)	1.4%

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

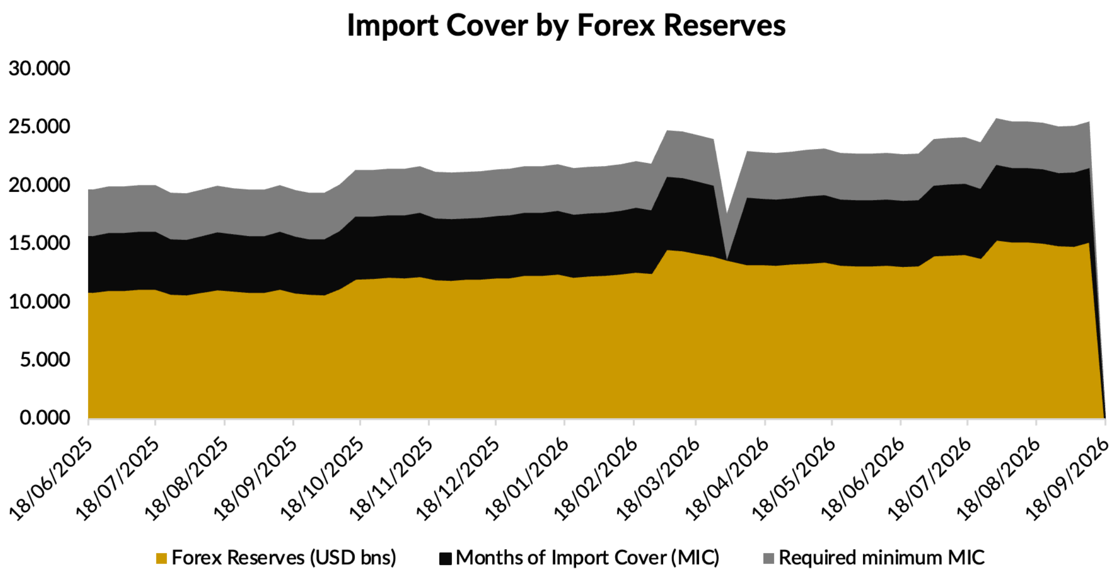
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen I FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

Kenya's foreign exchange reserves decreased marginally by 1.1% to close at USD 15.09bn, with import cover closing at 6.1 months. See the chart below for a visual summary.



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

Exchequer releases August 2026.

Kenya's fiscal outturn as of August 31st, 2026 (Month 2 of FY2026/27) showed total tax revenue collections reaching KES 178.22Bn, representing a 13.35% y/y increase. Non-tax revenue stood at KES 5.89Bn, while total domestic financing was heavily anchored by domestic borrowing at KES 325.59Bn, alongside KES 1.23Bn in other domestic financing. External support remained modest, with loans and grants contributing KES 3.94Bn.

On the expenditure side, debt obligations dominated public outlays, with public debt service consuming KES 267.09Bn. Recurrent spending took up KES 141.19Bn, while development spending lagged at KES 14.98Bn. Transfers to regional governments via the Counties' Equitable Share accounted for KES 34.24Bn.

September Pump Prices.

The Energy and Petroleum Regulatory Authority (EPRA) has kept pump prices unchanged for the September 15 to October 14, 2026 pricing cycle, offering consumers temporary relief.

In major towns, fuel will retail at the following capped prices:

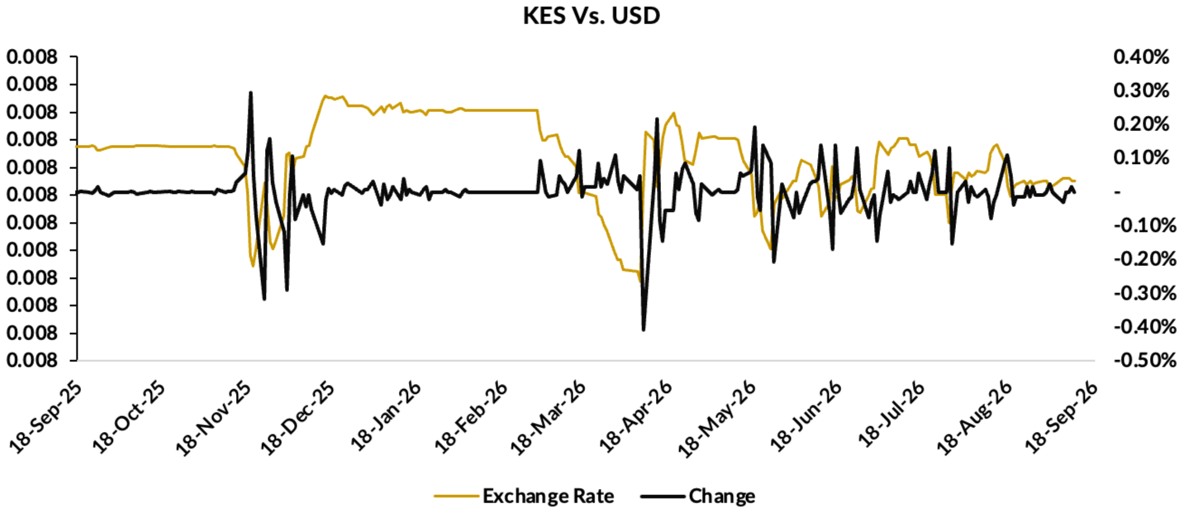
- **Nairobi**: Super Petrol at **KES 214.03**, Diesel at **KES 217.86**, and Kerosene at **KES 191.38**.
- **Mombasa**: Super Petrol at **KES 210.87**, Diesel at **KES 214.58**, and Kerosene at **KES 188.09**.
- **Nakuru**: Super Petrol at **KES 212.92**, Diesel at **KES 217.27**, and Kerosene at **KES 190.81**.
- **Eldoret**: Super Petrol at **KES 213.69**, Diesel at **KES 218.09**, and Kerosene at **KES 191.63**.

The steady pricing comes despite mixed shifts in imported landed costs between July and August 2026. While the landed cost of Super Petrol dropped 7.87% (to $874.26 per cubic metre), Diesel and Kerosene rose by 11.86% (to $957.05 per cubic metre) and 9.71% (to $1,003.87 per cubic metre) respectively. Foreign exchange rates remained largely flat, with the USD/KES rate shifting slightly from 129.52 in September 2025 to 129.72 in August 2026.

Looking ahead, Potential supply chain risks and regional infrastructure disruptions could drive additional upward pressure into the final quarter of 2026. Unless the government introduces extended VAT relief or further price-stabilization measures, domestic pump prices are likely to face sustained upward pressure in the near term.

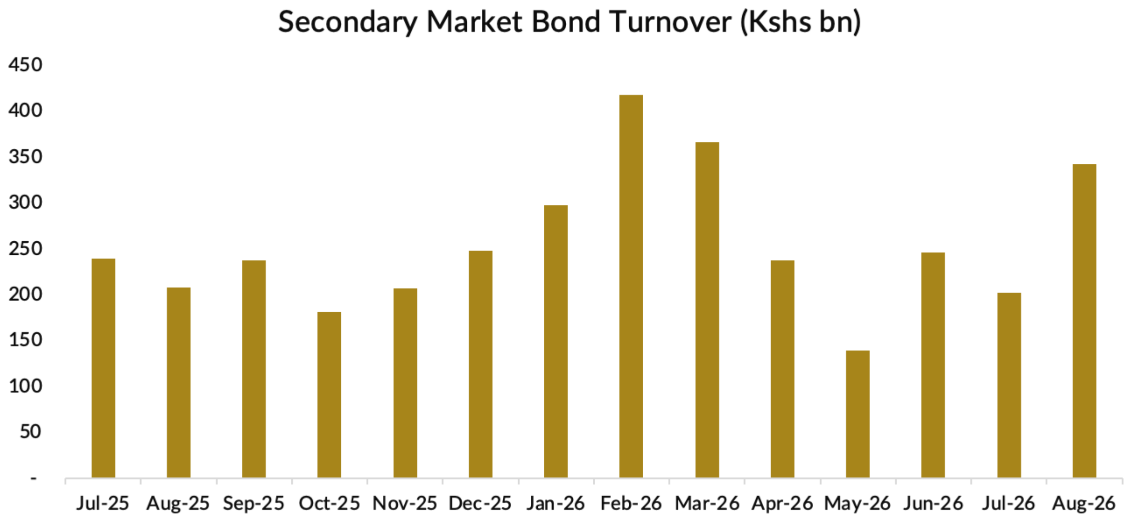
BACKGROUND CHARTS

KES/USD Performance



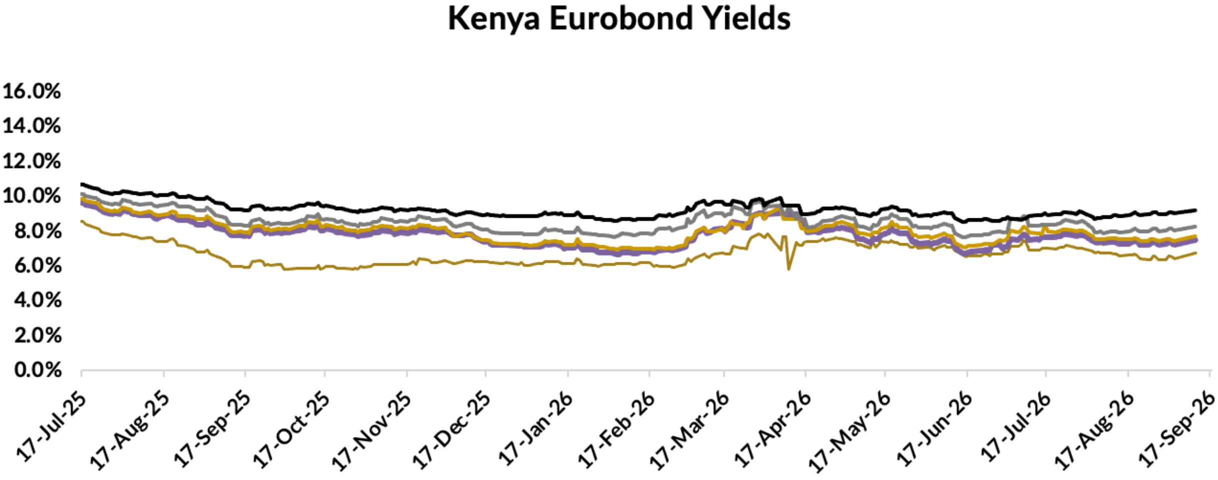
Source: Central Bank of Kenya (CBK)

Bond Turnover

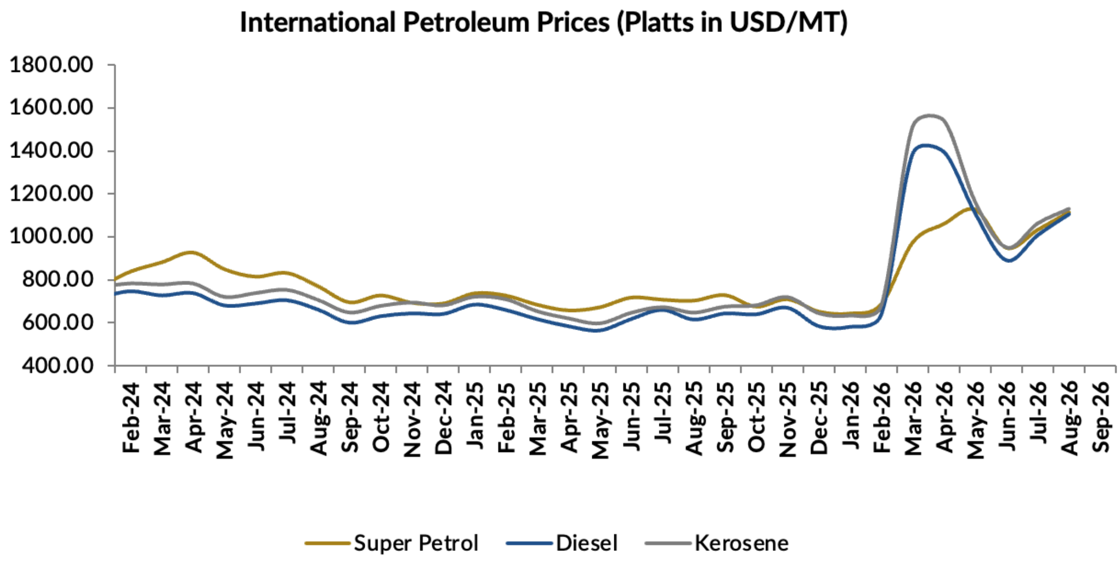


Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)



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

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