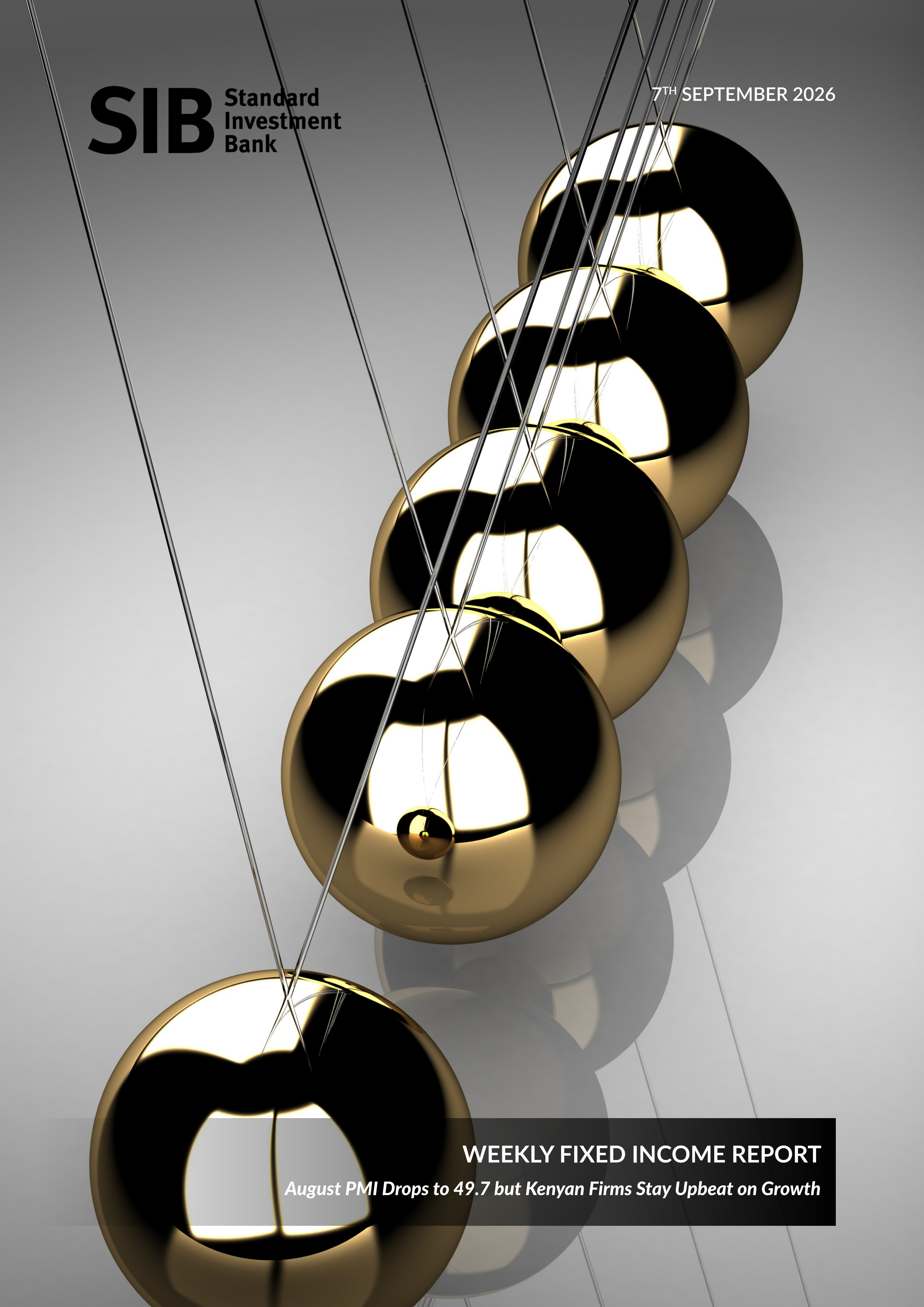


7TH SEPTEMBER 2026

WEEKLY FIXED INCOME REPORT

August PMI Drops to 49.7 but Kenyan Firms Stay Upbeat on Growth

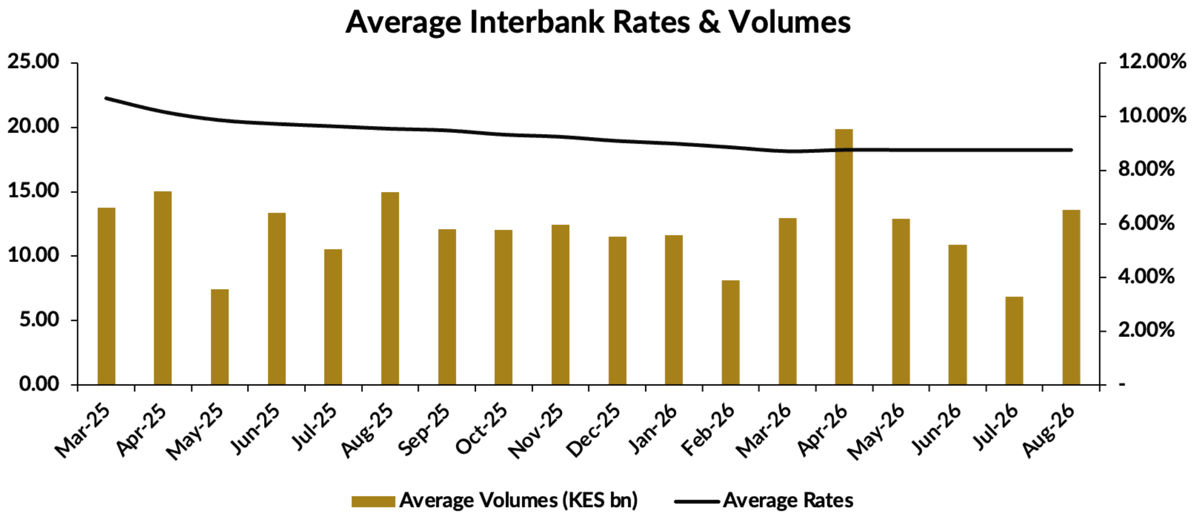
MONEY MARKET STATISTICS

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 50% in the week, with average traded volumes coming in at KES 9.60Bn from last week's KES 19.10Bn. Notably, the interbank deals decreased 38% to close the week at 16, compared to the 26 recorded in the previous week.

Find the summary below:

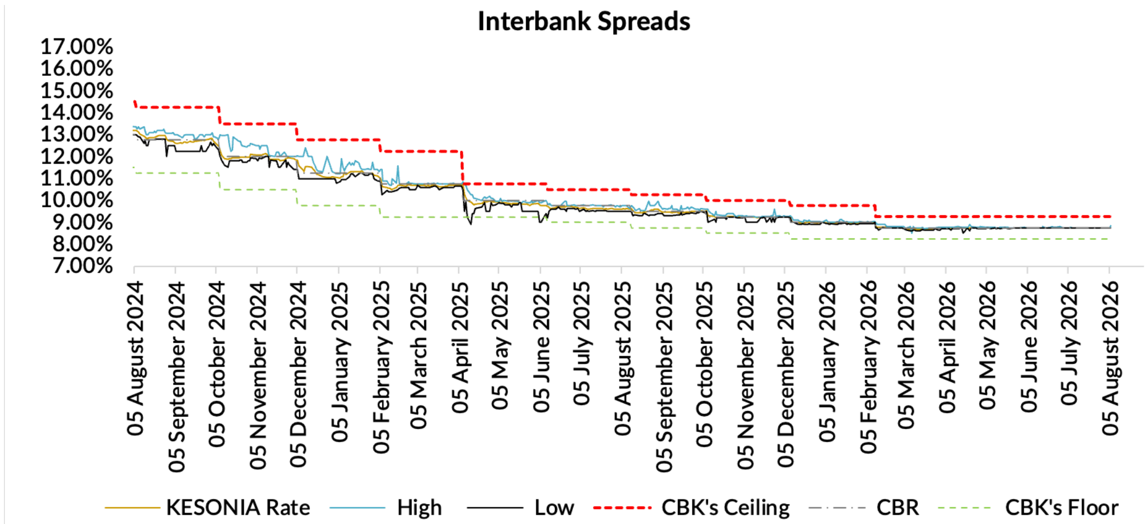
Average	Previous Week - ended 26/08/2026	Current Week - ended 03/09/2026	Change
Interbank Deals (Total)	26.00	16.00	(38.46%)
Inter- Bank volumes (KES bn)	19.10	9.60	(49.74%)
KESONIA (bps)	8.75%	8.75%	0.00

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 56.25Bn, of which the fiscal agent accepted KES 51.02Bn resulting in the subscription rate of 91% and a performance rate of 201% higher than the subscription rate of 78%, recorded the previous week.

The 91-day Treasury Bill remained the most attractive debt instrument, registering a performance rate of 428%. The auction was significantly oversubscribed, receiving KES 34Bn in bids compared to the KES 8.0Bn on offer.

Below is a visual summary;

KES Bn

08-Sept-26	91-day	182-day	364-day	Totals
	08-Dec-26	09-Mar-27	07-Sept-27	
Amount offered	8.00	10.00	10.00	28.00
Bids received	34,245.63	19,767.82	2,238.32	56,251.77
Bids Accepted	29,205.96	19,585.94	2,231.48	51,023.38
Subscription rate (%)	**85.28%**	**99.08%**	**99.69%**	**90.71%**
Performance rate (%)	**428.07%**	**197.68%**	**22.38%**	**200.90%**
Rollover/Redemptions	31,428.80	15,714.05	10,385.65	57,528.50
New Borrowing/(Net Repayment)	**-2,222.84**	**3,871.89**	**-8,154.17**	**-6,505.12**
Weighted Average Rate of Accepted Bids	8.77%	8.93%	9.07%	
Inflation	6.6%	6.6%	6.6%	
Real Return	**2.2%**	**2.3%**	**2.5%**	

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

T-Bonds

The Central Bank of Kenya recently released the auction results for two reopened treasury bonds: FXD3/2019/015 and SDB1/2011/030

Investor demand was strong, pushing total bids to KES 63Bn against an initial offer of KES 60Bn. This resulted in an overall oversubscription rate of 113.7%. Out of the bids received, the government accepted KES 48Bn, achieving a 70.0% acceptance rate.

Yield movements differed across the two maturities. The 7.9-year bond cleared at a weighted average accepted yield of 12.8%, down from 13.0% during its previous reopening in May 2026. Conversely, the 14.4-year bond cleared at 13.7%, rising above the 13.0% recorded at its last reopening in April 2026

Issue	FXD3/2019/015 - Re-opened	SDB1/2011/030- Re-opened
Tenor to Maturity	7.9 Years	14.4 Years
Coupon Rate	**12.34%**	**12.00%**
Offered Amount	**KES 60Bn**	
Bids Received (KES Mn)	57,101.40	11,093.49
Amount Accepted (KES Mn)	**41,139.13**	**6,609.37**
Market Weighted Average Rate (%)	**12.829%**	**13.799%**
Weighted Average Rate of Accepted Bids (%)	12.763%	13.694%
Adjusted Average Price(Per KES 100)	99.562	90.360
New Borrowing/Net Repayment	**KES 48Bn**	

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

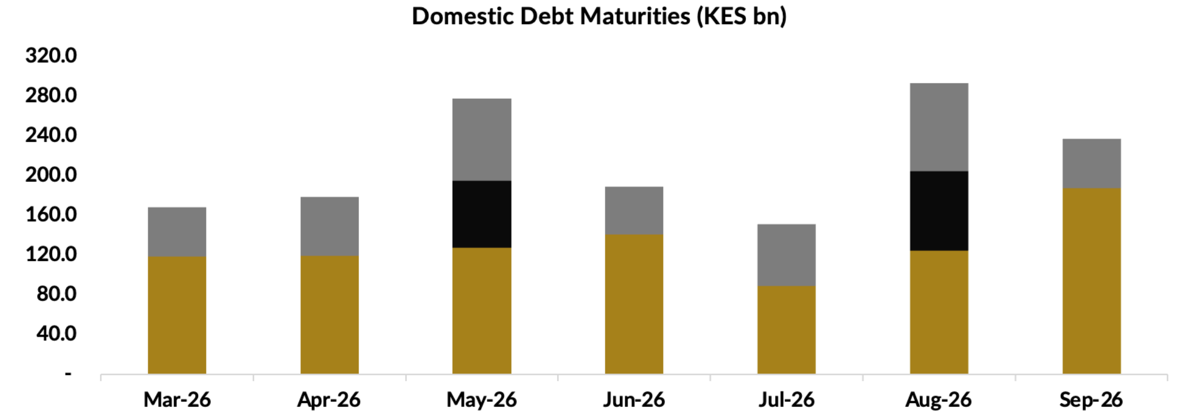
Simultaneously, the CBK is floating a voluntary KES 10Bn Switch Bond auction as a liability management tool. The switch allows investors to move out of a 15-year bond maturing in February 2028 (11.25% coupon) into a 10-year bond maturing in November 2029 (12.28% coupon). Running through September 7, 2026, this move helps the CBK avoid major lump-sum payouts and prevents debt rollovers from crowding out new budgetary borrowing.

	SWITCH OFFER	
Issue	**FXD1/2013/015 - Source Bond**	**FXD4/2019/010- Destination Bond**
Tenor to Maturity	1.4 Yrs	3.23 Yrs
Coupon Rate	**11.25%**	**12.28%**
Offered Amount	**KES 10.00Bn**	
Period of Sale	27th August 2026 - 7th September 2026	
Value Date	9th September 2026	
Minimum Bidding Amount	KES 50,000.00	
Taxation	**10.00%**	

Looking at secondary bond market turnover, the quantum decreased to KES 43Bn (-59%w/w) from KES 103Bn 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 September 2026 are at KES 238Bn compared to KES 294Bn in August 2026. See the chart below;



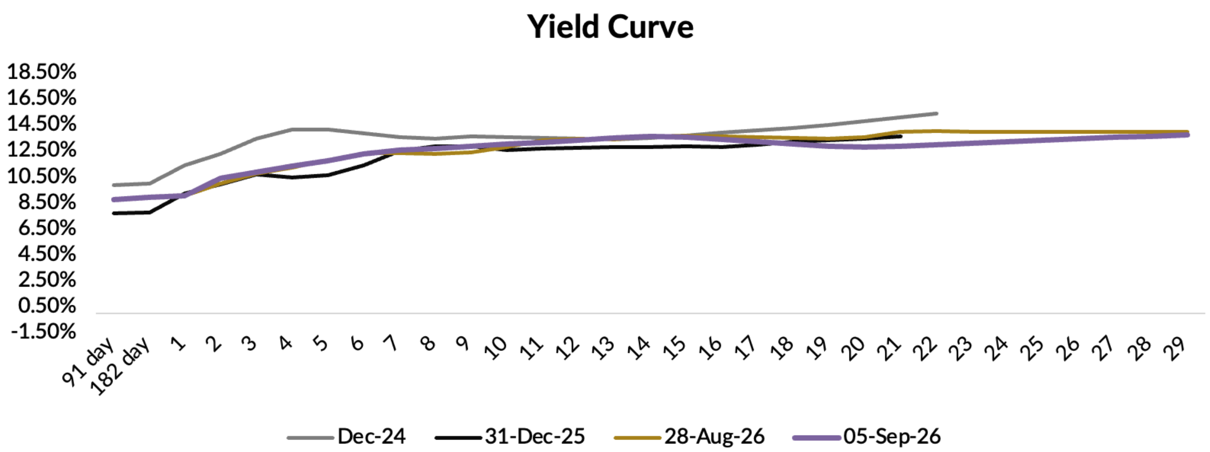
Source: Nairobi Securities Exchange (NSE), Chart: SIB

Yield Curve

Local interest rates were largely stable during the week, with average government securities yields inching slightly lower by c.0.219% 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

THE INTERNATIONAL SCENE

Weekly Insight: U.S. Labor Resilience, Energy Inflation Pressures, and Sovereign Yield Surges.

The global financial landscape entering early September 2026 was shaped by the interplay between surprising U.S. labor resilience, persistent supply-side energy friction, and major central banks re-affirming a hawkish posture. Rebounding crude oil prices—triggered by active military escalations and transit barriers along key Middle Eastern maritime corridors—ignited fresh headline inflation concerns across net energy importers. In tandem with robust U.S. employment data and lingering service-sector inflation, sovereign bond yields surged across major developed markets, firming expectations that monetary policy will remain restrictive for longer despite slowing industrial momentum in Europe and Asia.

Divergent Global Macro Readings & The U.S. Labor Surge

Global financial markets navigated conflicting macroeconomic signals, headlined by unexpected strength in the U.S. labor market alongside slowing European consumer demand. U.S. Nonfarm Payrolls for August surged by 162,000 jobs—substantially outperforming market estimates—while ISM Manufacturing PMI moderated slightly to 54.6. In contrast, European growth indicators faltered, as German retail sales fell by 2.5% year-on-year, marking five-year lows. The labor resilience in the U.S. reinforced a hawkish policy stance from the Federal Reserve, elevating market-implied probabilities of an additional rate hike at upcoming FOMC meetings.

Escalating Middle East Conflicts & Oil Price Surges

Geopolitical risk premiums spiked following renewed military strikes between the U.S. and Iranian forces. Attacks targeting commercial oil tankers near the Strait of Hormuz sparked fresh supply disruption fears, causing Brent Crude futures to rally above $94 per barrel and U.S. WTI Crude to breach $90 per barrel. The escalation in Middle East geopolitical tension reversed earlier commodity dips, feeding broader headline inflation worries across global importing nations.

Sovereign Yield Expansion & Fixed Income Pressures

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 Realignment & U.S. Dollar Strength

The U.S. Dollar Index (DXY) rebounded sharply, supported by rising Treasury yields and safe-haven flows stemming from geopolitical conflicts. The EUR/USD currency pair broke below key moving averages to trade near 1.1580–1.1590, weighed down by weak German retail figures. Meanwhile, USD/JPY consolidated close to the 160.00 threshold, as markets weighed potential Bank of Japan policy adjustments against persistent Dollar momentum.

Kenyan Eurobonds

Yields on Kenyan Eurobonds remained stable the week dated 28th August 2026 to 03rd 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%
28-Aug-26	**6.4%**	**7.2%**	**7.4%**	**8.0%**	**8.9%**
31-Aug-26	6.4%	7.3%	7.5%	8.0%	8.9%
01-Sept-26	6.6%	7.4%	7.6%	8.1%	9.0%
02-Sept-26	6.5%	7.3%	7.5%	8.1%	9.0%
03-Sept-26	6.4%	7.2%	7.4%	8.0%	8.9%
Weekly Change	0.000%	0.000%	(0.000%)	0.001%	(0.000%)
YTD Change	0.3%	0.1%	0.2%	0.2%	(0.3%)

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 2.4% against the Japanese Yen (JPY/KES) while remaining 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 (0.3%) against the Euro (EUR/KES). Regionally, the Shilling recorded broad-based gains, appreciating by 1.1% against the Ugandan Shilling (KES/UGX) and 0.1% against the Tanzanian Shilling (KES/TZX).

The U.S. Dollar Index was weakened by 0.25% during the week.

Murban crude oil prices rose to USD 86.01 per barrel on September 3, up from USD 81.78 per barrel on August 27, reflecting rising concerns about oil supply risks following renewed U.S.-Iran tensions, while spot gold prices declined to USD 4,474.06 per ounce from USD 4,601.00 per ounce in the previous week.

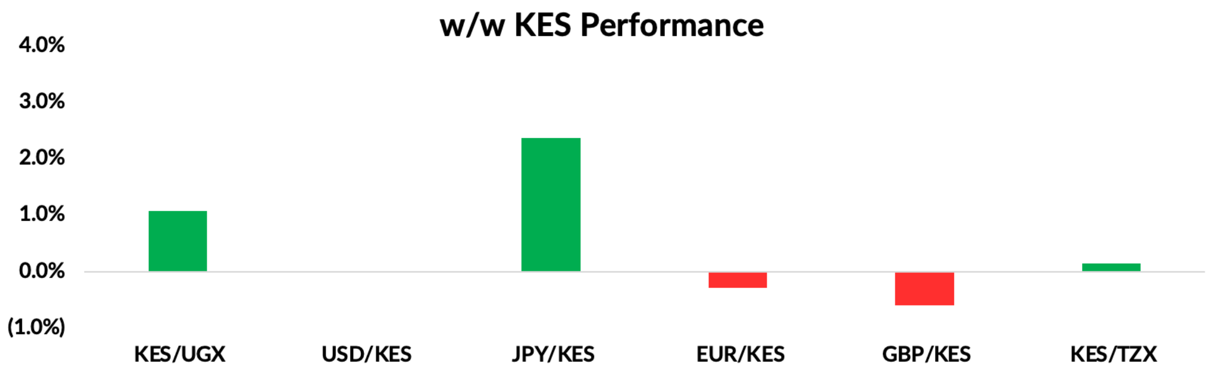
See the table below;

Currencies	31 Dec 2025 (vs KES)	Previous	Current	w/w Change	YTD change
GBP/KES	173.65	175.95	174.91	(0.6%)	0.7%
EUR/KES	151.43	150.91	150.48	(0.3%)	(0.6%)
KES/TZX	19.03	20.39	20.42	0.1%	7.3%
KES/UGX	28.06	28.88	29.19	1.1%	4.0%
JPY/KES	82.39	81.26	83.19	2.4%	1.0%
USD/KES	129.01	129.47	129.47	0.0%	0.4%

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

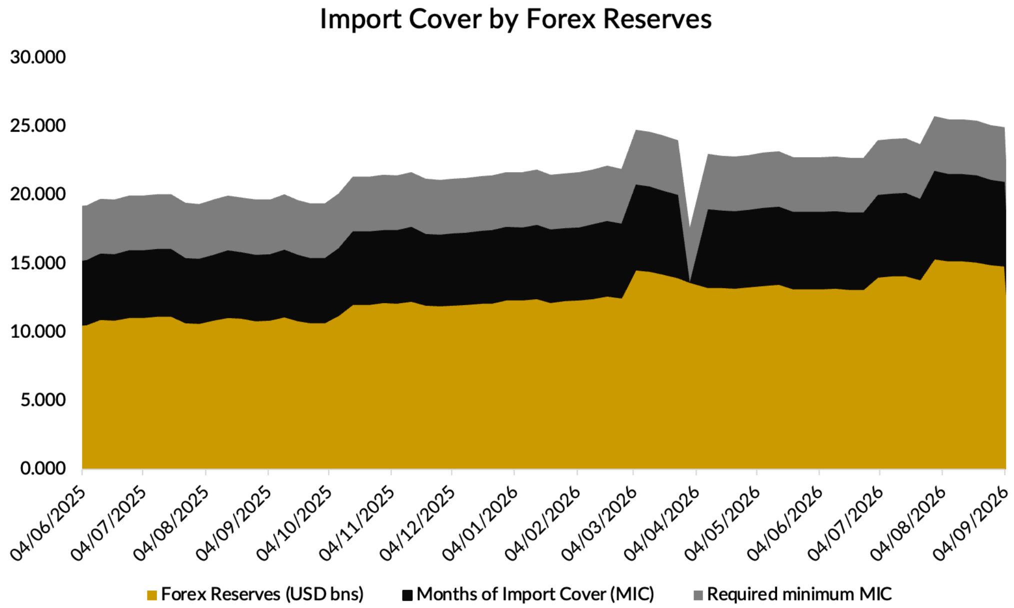
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen I FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

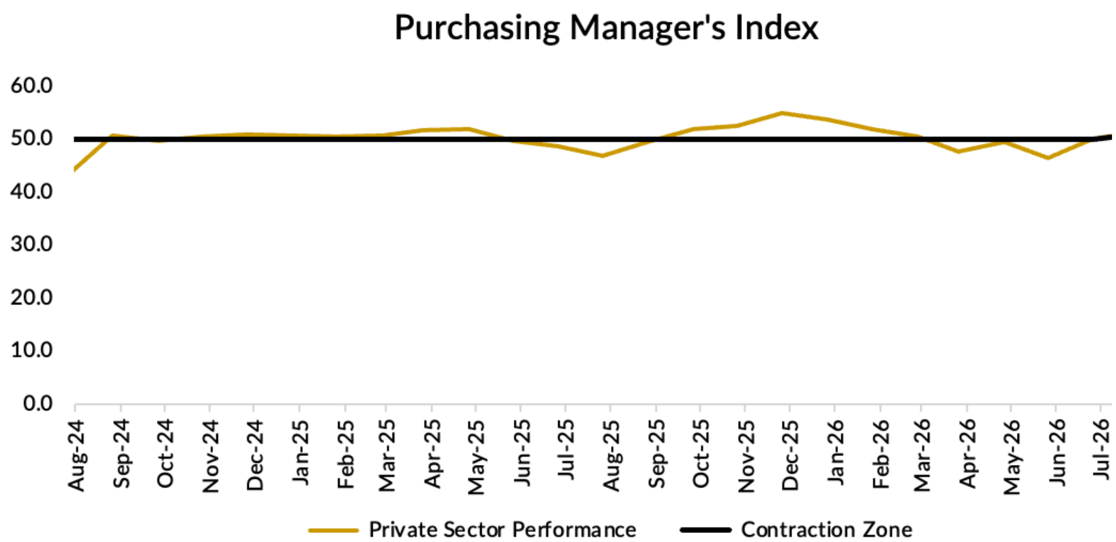
Kenya's foreign exchange reserves decreased by -0.4% to close at USD 14.88bn, with import cover closing at 6.1 months. See the chart below for a visual summary.



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

Stanbic Bank Kenya PMI (August 2026)

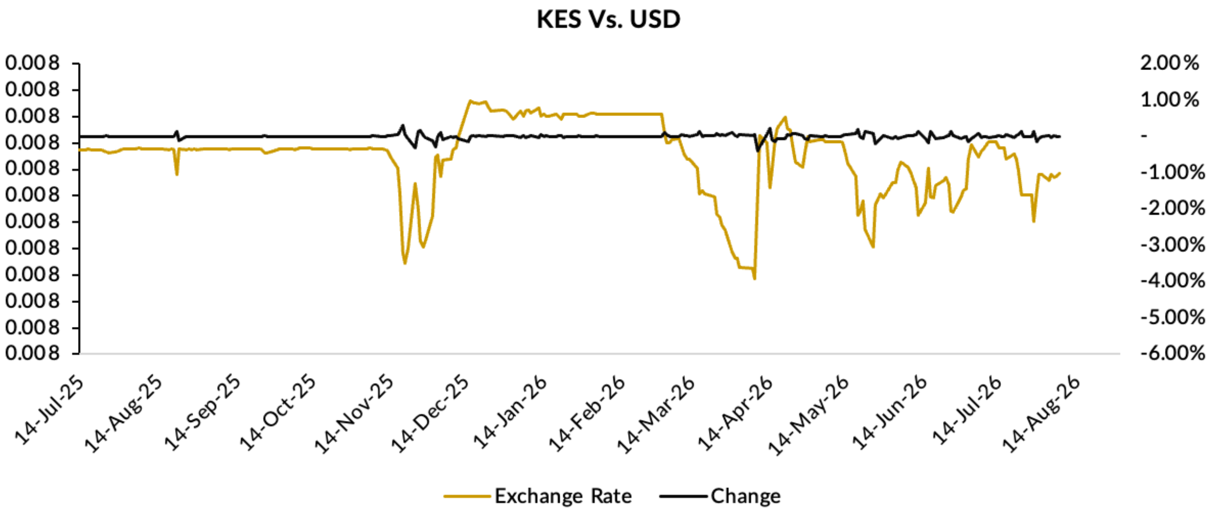
The Stanbic Bank Kenya Purchasing Managers' Index (PMI) dropped to 49.7 in August 2026 from 51.3 in July, signalling a marginal contraction in private sector operating conditions after a brief one-month expansion. Although customer demand remained resilient—driving a third consecutive monthly increase in new order volumes alongside steady hiring and the highest business optimism in 3.5 years—firms were unable to translate sales growth into increased production. High raw material inflation, tight liquidity, elevated fuel/transportation costs, and specific input shortages forced businesses to cut output and draw down inventories at the fastest rate since early 2023. Consequently, backlogs of work mounted as capacity failed to match incoming demand, even as overall input and output price inflation moderated slightly from mid-year peaks.



Source: Stanbic PMI, S&P Global. Chart: SIB

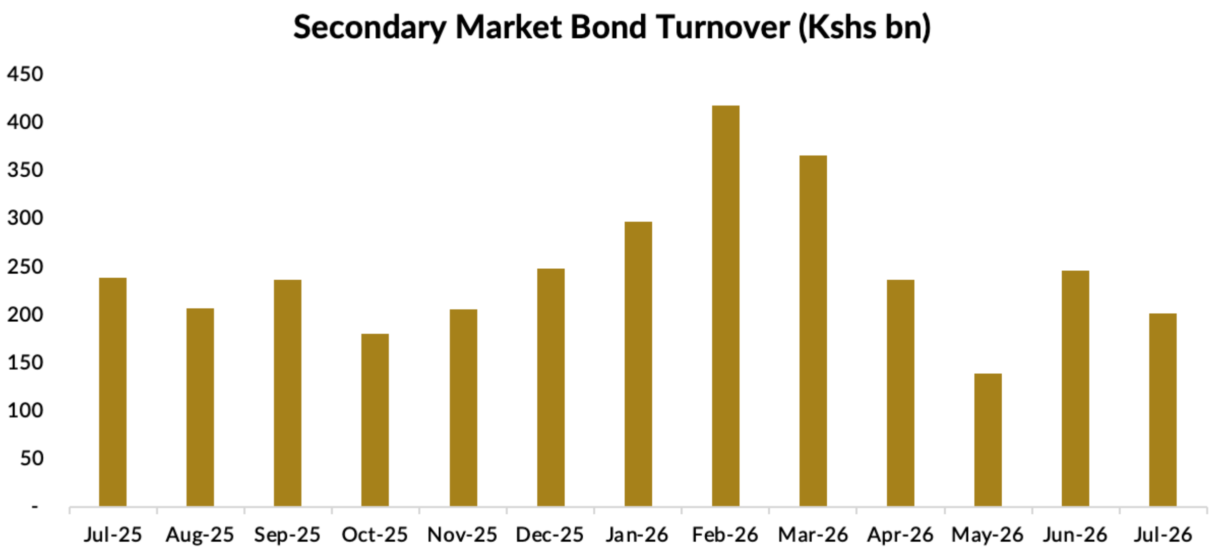
BACKGROUND CHARTS

KES/USD Performance



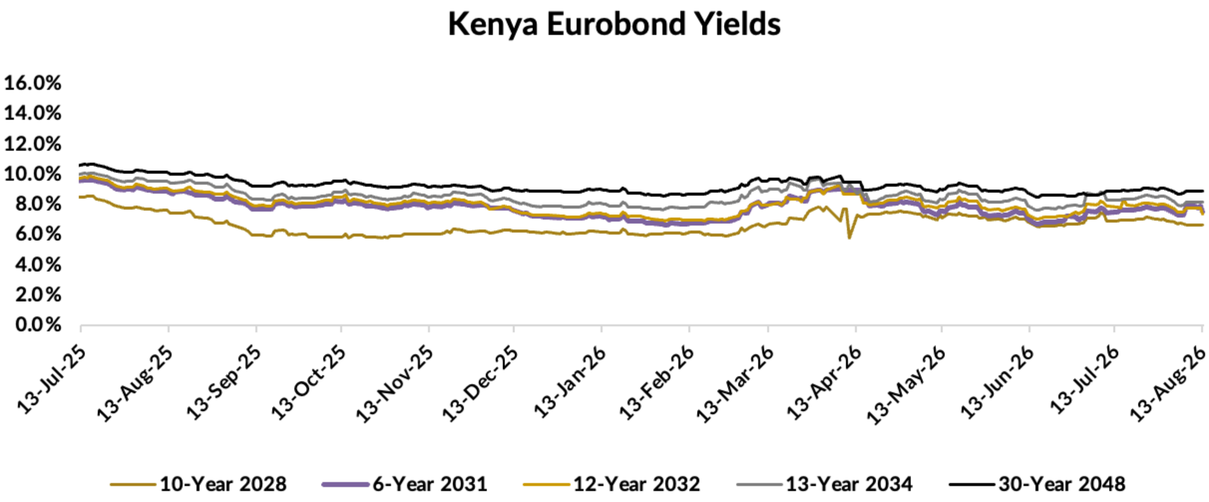
Source: Central Bank of Kenya (CBK)

Bond Turnover

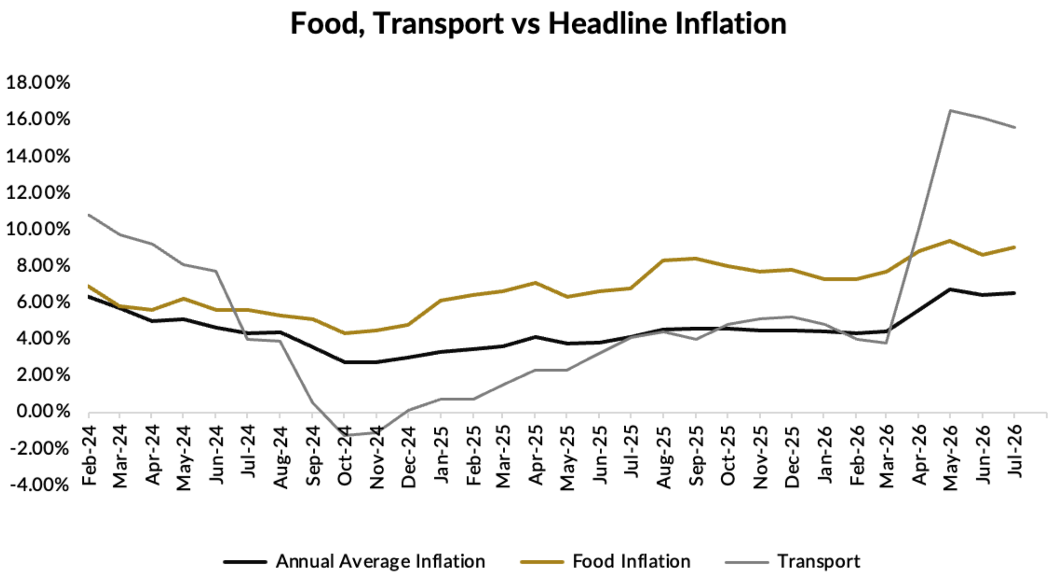


Source: Central Bank of Kenya (CBK)

Kenyan Eurobonds



Source: Central Bank of Kenya (CBK)



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

Disclosure and Disclaimer

Analyst Certification Disclosure: The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report.

Shariah Compliant Disclosure: The research analyst or analysts responsible for the content of this research report certify that: The information provided in this report reflects SIB's approach to Sharia Compliant investing as at the date of this report and is subject to change without notice. We do not undertake to update any of such information in this report. Any references to Halal equities or similar terms in this report are intended as references to the internally defined criteria of the Firm or our businesses only, as applicable, and not to any jurisdiction-specific regulatory definition.

Global Disclaimer: Standard Investment Bank (SIB) and/or its affiliates makes no representation or warranty of any kind, express, implied or statutory regarding this document or any information contained or referred to in the document. The information in this document is provided for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices, or represent that any such future movements will not exceed those shown in any illustration. The stated price of the securities mentioned herein, if any, is as of the date indicated and is not any representation that any transaction can be effected at this price. While reasonable care has been taken in preparing this document, no responsibility or liability is accepted for errors of fact or for any opinion expressed herein. The contents of this document may not be suitable for all investors as it has not been prepared with regard to the specific investment objectives or financial situation of any particular person. Any investments discussed may not be suitable for all investors. Users of this document should seek professional advice regarding the appropriateness of investing in any securities, financial instruments or investment strategies referred to in this document and should understand that statements regarding future prospects may not be realised. Opinions, forecasts, assumptions, estimates, derived valuations, projections and price target(s), if any, contained in this document are as of the date indicated and are subject to change at any time without prior notice. Our recommendations are under constant review. The value and income of any of the securities or financial instruments mentioned in this document can fall as well as rise and an investor may get back less than invested. Future returns are not guaranteed, and a loss of original capital may be incurred. Foreign-currency denominated securities and financial instruments are subject to fluctuation in exchange rates that could have a positive or adverse effect on the value, price or income of such securities and financial instruments. Past performance is not indicative of comparable future results and no representation or warranty is made regarding future performance. While we endeavour to update on a reasonable basis the information and opinions contained herein, there may be regulatory, compliance or other reasons that prevent us from doing so. Accordingly, information may be available to us which is not reflected in this material, and we may have acted upon or used the information prior to or immediately following its publication. SIB is not a legal or tax adviser, and is not purporting to provide legal or tax advice. Independent legal and/or tax advice should be sought for any queries relating to the legal or tax implications of any investment. SIB and/or its affiliates may have a position in any of the securities, instruments or currencies mentioned in this document. SIB has in place policies and procedures and physical information walls between its Research Department and differing business functions to help ensure confidential information, including 'inside' information is not disclosed unless in line with its policies and procedures and the rules of its regulators. Data, opinions and other information appearing herein may have been obtained from public sources. SIB makes no representation or warranty as to the accuracy or completeness of such information obtained from public sources. You are advised to make your own independent judgment (with the advice of your professional advisers as necessary) with respect to any matter contained herein and not rely on this document as the basis for making any trading, hedging or investment decision. SIB accepts no liability and will not be liable for any loss or damage arising directly or indirectly (including special, incidental, consequential, punitive or exemplary damages) from the use of this document, howsoever arising, and including any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy with this document, its contents or associated services, or due to any unavailability of the document or any part thereof or any contents or associated services. This material is for the use of intended recipients only and, in any jurisdiction in which distribution to private/retail customers would require registration or licensing of the distributor which the distributor does not currently have, this document is intended solely for distribution to professional and institutional investors.

CONTACTS

Research

Eric Musau
emusau@sib.co.ke

Wesley Manambo
wmanambo@sib.co.ke

Melodie Gatuguta
mgatuguta@sib.co.ke

Anjali Patel
apatel@sib.co.ke

Equity Trading

Tony Waweru
awaweru@sib.co.ke

Foreign Equity Sales

John Mucheru
jmucheru@sib.co.ke

Fixed Income Trading

Brian Mutunga
bmutunga@sib.co.ke

Barry Omotto
bomotto@sib.co.ke

Global Markets

Nahashon Mungai
nmungai@sib.co.ke

Nickay Wangunyu
nwangunyu@sib.co.ke

Robin Mathenge
rmathenge@sib.co.ke

Corporate Finance

Job Kihumba
jkihumba@sib.co.ke

Fred Opondo
fopondo@sib.co.ke

Lorna Wambui
wndungi@sib.co.ke

Marketing & Communications

Victor Ooko
communications@sib.co.ke

Client Services
clientservice@sib.co.ke

Private Client Services

Boniface Kiundi
bkiundi@sib.co.ke

Frankline Kirigia
fkirigia@sib.co.ke

Laban Githuki
lgithuki@sib.co.ke

Headquarters

JKUAT Towers (Formerly ICEA Building),
16th Floor , Kenyatta Avenue, Nairobi,
Kenya.

Telephone: +254 20 227 7000, +254 20 227 7100

Email: clientservices@sib.co.ke