

WEEKLY FIXED INCOME REPORT

MPC maintains Base Rate at 8.75% in 3Q26; as committee upgrades economic growth

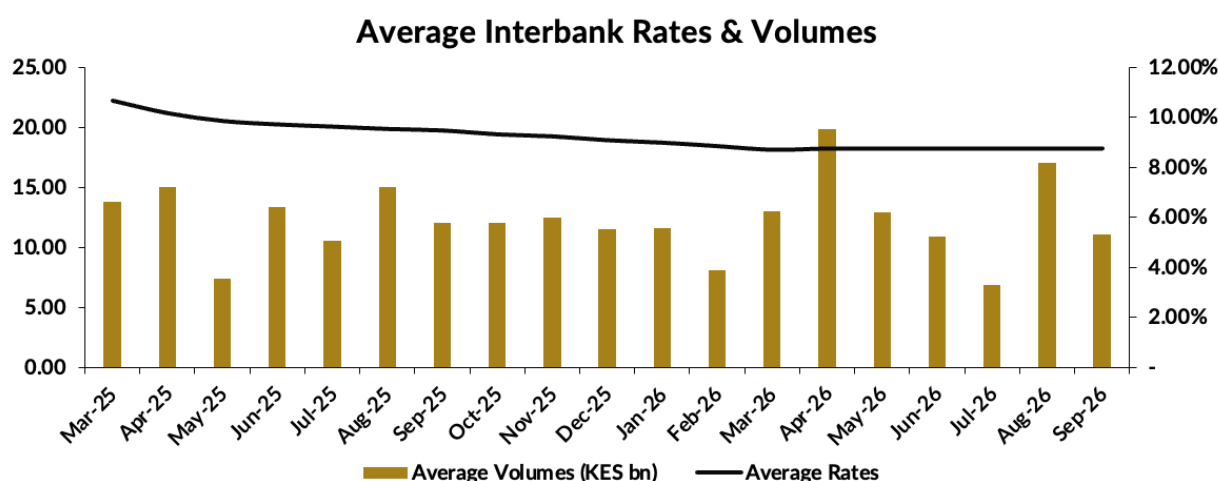
MONEY MARKET STATISTICS

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 38% in the week, with average traded volumes coming in at KES 5.90Bn from last week's KES 9.50Bn. Notably, the interbank deals increased by 21% to close the week at 17 compared to the 14 recorded in the previous week.

Find the summary below:

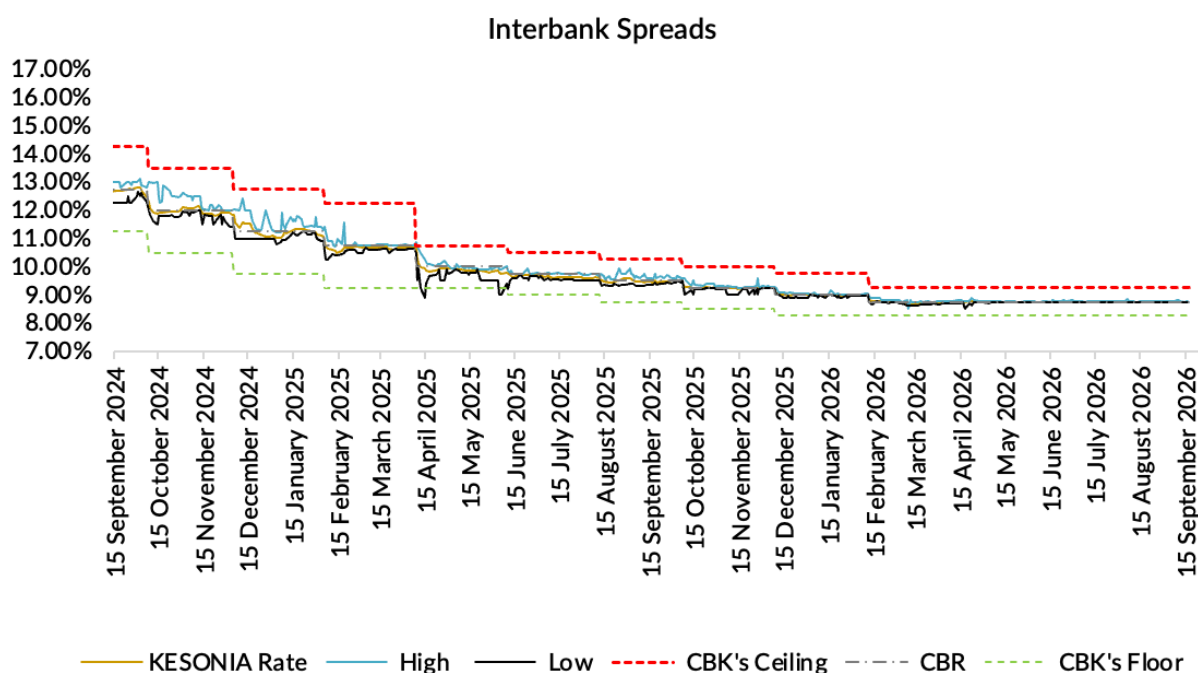
Average	Previous Week - ended 02/10/2026	Current Week - ended 09/10/2026	Change
Interbank Deals (Total)	14.00	17.00	21.43%
Inter- Bank volumes (KES bn)	9.50	5.90	(37.89%)
KESONIA (bps)	8.75%	8.75%	0.00

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 increased this week as total submitted bids rising to KES 75 billion compared to KES 48 billion recorded last week, of which the fiscal agent accepted KES 46Bn resulting in the subscription rate of 60% and a performance rate of 261%; outperforming the subscription rate of 86%, recorded the previous week.

The 91-day Treasury Bill remained the most attractive debt instrument, registering a performance rate of 627%. The auction was significantly oversubscribed, receiving KES 50Bn in bids compared to the KES 8.0Bn on offer.

Below is a visual summary;

KES Bn

13-Oct-26	91-day 12-Jan-27	182-day 13-Apr-27	364-day 12-Oct-27	Totals
Amount offered	8.00	10.00	10.00	28.00
Bids received	50,204.94	15,525.97	9,642.64	75,373.55
Bids Accepted	20,446.72	15,426.90	9,631.23	45,504.85
Subscription rate (%)	40.73%	99.36%	99.88%	60.37%
Performance rate (%)	627.56%	155.26%	96.43%	269.19%
Rollover/Redemptions	15,917.42	11,245.65	20,898.90	48,061.97
New Borrowing/(Net Repayment)	4,529.30	4,181.25	-11,267.67	-2,557.12
Weighted Average Rate of Accepted Bids	8.76%	8.87%	9.04%	
Inflation	6.8%	6.8%	6.8%	
Real Return	2.0%	2.1%	2.2%	

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

T-Bonds

In the primary space, The Central Bank of Kenya released the auction results for the switch bond FXD1/2018/015 carrying coupon rates of 12.7%.

Investor demand was muted, pushing total bids to KES 9Bn against an initial offer of KES 10Bn. This resulted in an overall oversubscription rate of 90%. Out of the bids received, the government accepted KES 8.9Bn, achieving a 99% acceptance rate.

Find below a summary of the results:

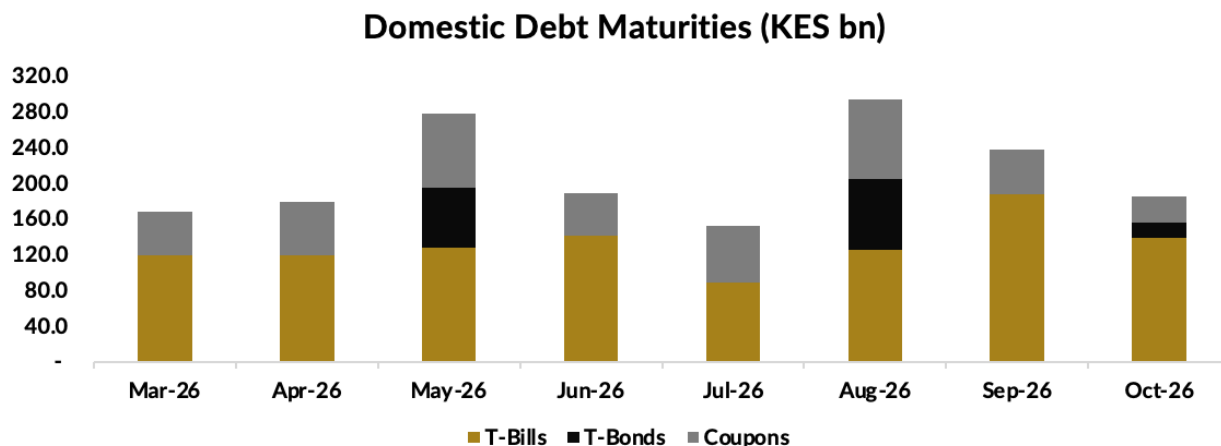
Issue	SWITCH OFFER
	FXD1/2018/015- Destination Bond
Tenor to Maturity	6.6 Years
Coupon Rate	12.65%
Offered Amount	KES 10.00Bn
Bids Received (KES Mn)	9,080.58
Amount Accepted (KES Mn)	8,963.93
Market Weighted Average Rate (%)	12.613%
Weighted Average Rate of Accepted Bids (%)	12.611%

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

Looking at secondary bond market turnover, the quantum decreased to KES 54Bn (-35%w/w) from KES 83Bn in the prior week. Month on Month, bond turnover decreased by 14% to KES 293Bn in September from KES 342Bn in August 2026.

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

Total domestic debt maturities in October 2026 are at KES 244Bn compared to KES 238Bn in September 2026. See the chart below;



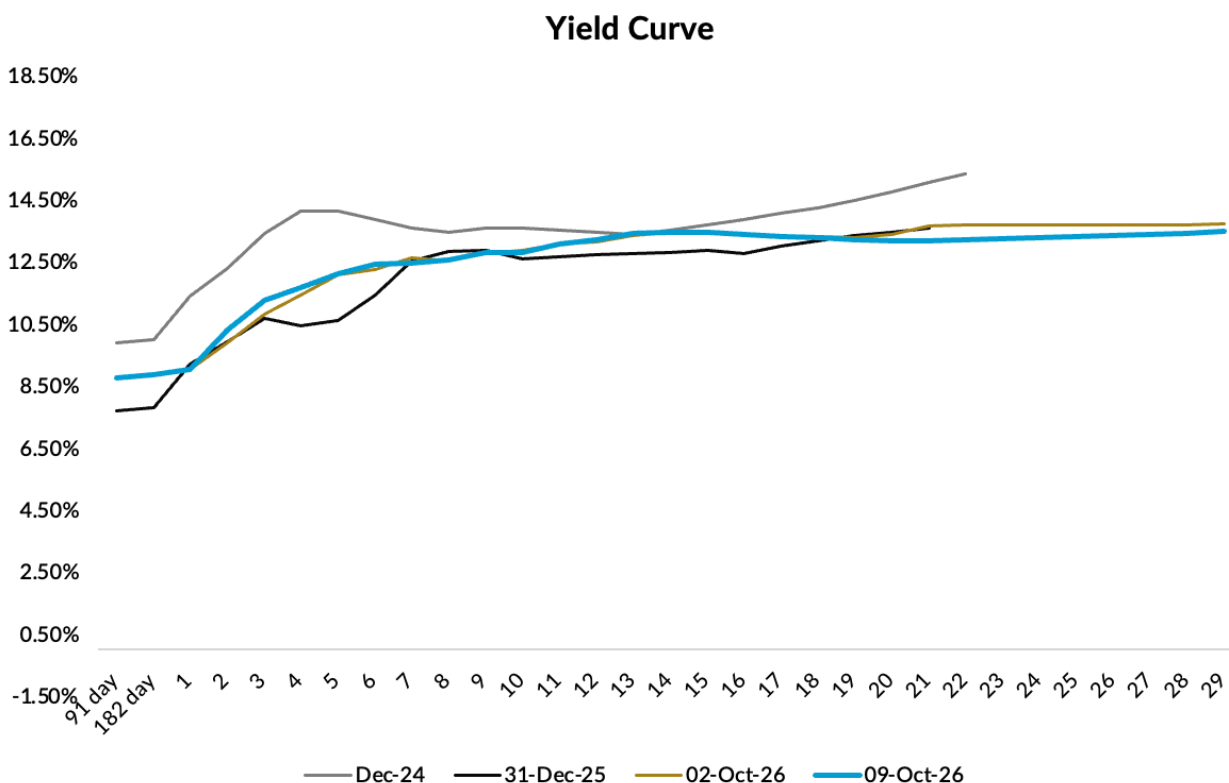
Source: Nairobi Securities Exchange (NSE), Chart: SIB

Yield Curve

Local interest rates were largely stable during the week, with average government securities yields inching slightly lower by c.0.0757% 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: Fed Pause Bets, Energy Friction and Policy Divergence

The first week of October 2026 marked a transition toward tactical consolidation across global markets as labor market cooling in the U.S. tempered expectations for further near-term monetary tightening. Slower U.S. non-farm payroll additions prompted traders to price in a Federal Reserve policy pause (holding rates at 3.75%–4.00%), easing pressure on long-end U.S. Treasury yields and fueling a temporary stabilization in global bond markets. However, structural stagflationary pressures remained entrenched across Europe, where sticky core inflation and high energy import overheads continue to weigh on economic sentiment. Geopolitical risks centred on the Strait of Hormuz kept Brent crude elevated near \$102 per barrel, maintaining persistent input cost pressures for net-importing nations.

Domestically, against this volatile international backdrop, the Central Bank of Kenya (CBK) demonstrated monetary stability at its October 7 MPC meeting by holding the benchmark Central Bank Rate (CBR) steady at 8.75% and upgrading Kenya's 2026 GDP growth outlook to 5.0%, relying on local price stabilization mechanisms and steady FX conversions to insulate the domestic economy from ongoing global energy shocks.

Global Growth Disparity & U.S. Federal Reserve Pause Expectations

Macroeconomic data through the first week of October underscored widening divergence between advanced economies, shifting central bank policy bets. In the U.S., significantly weaker-than-expected non-farm payroll growth (adding just 29,000 jobs) alongside slowing wage growth reinforced market expectations for the Federal Reserve to pause its tightening cycle at the upcoming October FOMC meeting, holding the federal funds target rate steady at 3.75%–4.00%. Conversely, Tokyo's September core CPI accelerated to 2.7% year-on-year, strengthening the hawkish case for the Bank of Japan to pursue additional rate hikes beyond its current 1.25% benchmark. In Europe, persistent stagflationary trends persisted as core inflation metrics remained sticky against a backdrop of subdued industrial activity and elevated energy overheads.

Middle East Transit Friction & Energy Market Stalemate

Crude oil prices and global energy benchmarks traded within a volatile, elevated range as persistent Middle Eastern transit risks countered softening global demand expectations. Although partial export bypasses via regional pipelines and ship-to-ship transfers outside the Strait of Hormuz prevented an immediate spike beyond multi-year highs, ongoing maritime security risks kept Brent crude trading around \$101.50–\$103.00 per barrel. High freight tariffs and extended force majeure timelines on regional LNG shipments continued to feed directly into European wholesale utility costs, maintaining upward cost-push pressure across global manufacturing supply chains.

Sovereign Yield Consolidation & Central Bank Divergence

Sovereign bond markets experienced a period of tactical consolidation following weeks of broad yield expansion. U.S. Treasury yields retreated slightly from recent multi-month highs as labor market cooling led traders to price in a Fed pause, with 10-year yields holding near 4.70%–4.75%. In contrast, European sovereign debt yields remained under long-end upward pressure due to fiscal deficits and persistent energy-driven inflation overshoots. Domestically, the Central Bank of Kenya's Monetary Policy Committee (MPC) held its benchmark Central Bank Rate (CBR) unchanged at 8.75% during its October 7 meeting, while upgrading Kenya's 2026 GDP growth forecast to 5.0% (from 4.9%) on resilient industry and services performance, while warning against lingering energy price risks.

FX Range Consolidation & U.S. Dollar Resiliency

Foreign exchange markets entered a tight holding pattern ahead of upcoming U.S. inflation data releases and key regional policy meetings. USD/JPY traded locked between key technical averages in the 157.50–159.00 corridor; while strong Tokyo inflation figures supported the Yen on expectations of further BoJ tightening, the wide policy rate differential against the U.S. Dollar limited downside momentum. Meanwhile, the Euro (EUR/USD) hovered near oversold multi-month lows around 1.1150–1.1200, hampered by weak euro area economic sentiment and high energy import costs despite lingering hawkish commentary from European Central Bank officials.

Kenyan Eurobonds

Yields on Kenyan Eurobonds declined marginally by average of c.0.030% during the week dated 2nd October 2026 to 08th October 2026, partly linked to the ongoing volatility in international markets. The table below summarizes the performance across maturities:

	KENINT 02/28/2028 10-Year 2028	KENINT 02/16/2031 6-Year 2031	KENINT 05/22/2032 12-Year 2032	KENINT 01/23/2034 13-Year 2034	KENINT 02/28/2048 30-Year 2048
Issuance					
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%
02-Oct-26	7.5%	8.1%	8.7%	9.1%	9.7%
05-Oct-26	7.5%	8.2%	8.7%	9.2%	9.8%
06-Oct-26	7.2%	7.8%	8.4%	9.0%	9.6%
07-Oct-26	7.4%	8.1%	8.7%	9.2%	9.7%
08-Oct-26	7.3%	8.1%	8.7%	9.3%	9.8%
Weekly Change	0.157%	0.025%	(0.066%)	(0.171%)	(0.093%)
YTD Change	1.3%	1.0%	1.5%	1.5%	0.6%

Currency Performance

The Kenyan Shilling displayed a mixed week-over-week (w/w) performance against major global and regional currencies. Against major global counters, the Shilling remained virtually flat against the U.S. Dollar (USD/KES), edging up slightly by 0.1%. Conversely, it weakened across European and Asian currencies, depreciating by (0.4%) against the British Pound (GBP/KES), (0.7%) against the Euro (EUR/KES), and (0.3%) against the Japanese Yen (JPY/KES). Regionally, performance was similarly split: the Shilling strengthened significantly by 2.0% against the Ugandan Shilling (KES/UGX), but dipped marginally by (0.1%) against the Tanzanian Shilling (KES/TZX).

The U.S. Dollar Index strengthened by 0.20% during the week.

Murban crude oil prices increased to USD 101.67 per barrel on October 8 from USD 95.76 per barrel on October 1, driven by supply concerns associated with ongoing geopolitical tensions in the Middle East. Over the same period, spot gold prices declined to USD 4,133.93 per ounce from USD 4,177.76 per ounce, reflecting reduced safe-haven demand amid improved market sentiment.

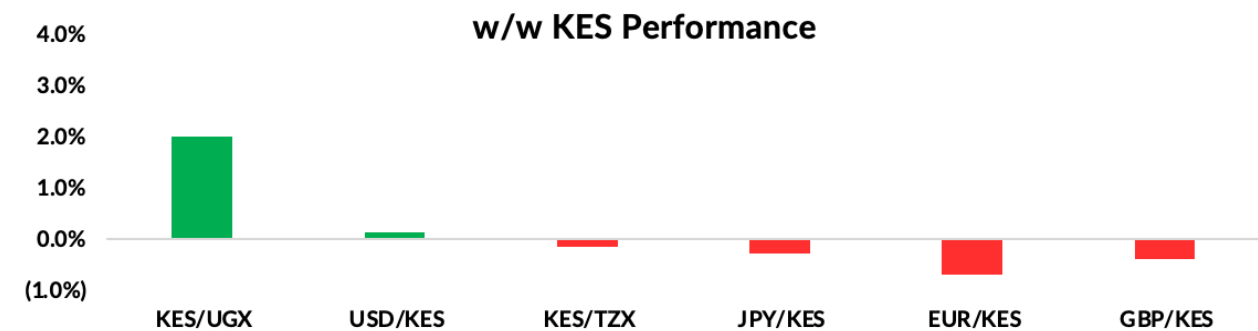
See the table below;

Currencies	31 Dec 2025 (vs KES)	Previous	Current	w/w Change	YTD change
KES/UGX	28.06	30.55	31.16	2.0%	11.0%
USD/KES	129.01	129.76	129.94	0.1%	0.7%
KES/TZX	19.03	20.30	20.27	(0.1%)	6.5%
GBP/KES	173.65	172.28	171.62	(0.4%)	(1.2%)
EUR/KES	151.43	146.40	145.37	(0.7%)	(4.0%)
JPY/KES	82.39	82.38	82.15	(0.3%)	(0.3%)

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

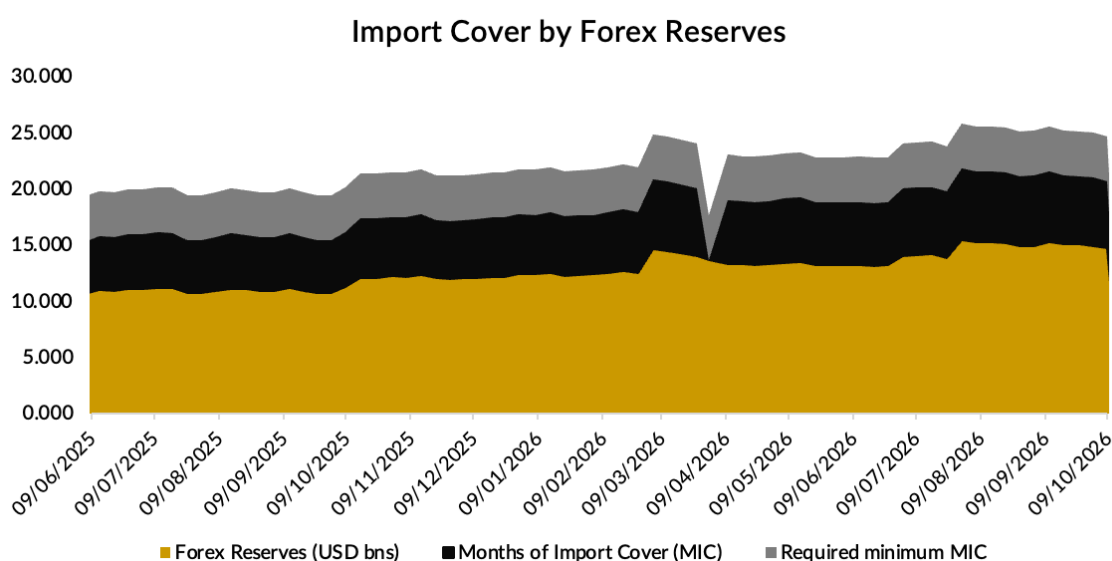
Abb: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen | FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation;



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

Kenya's foreign exchange reserves decreased marginally by 0.7% to close at USD 14.93bn, with import cover closing at 6.1 months. See the chart below for a visual summary.



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

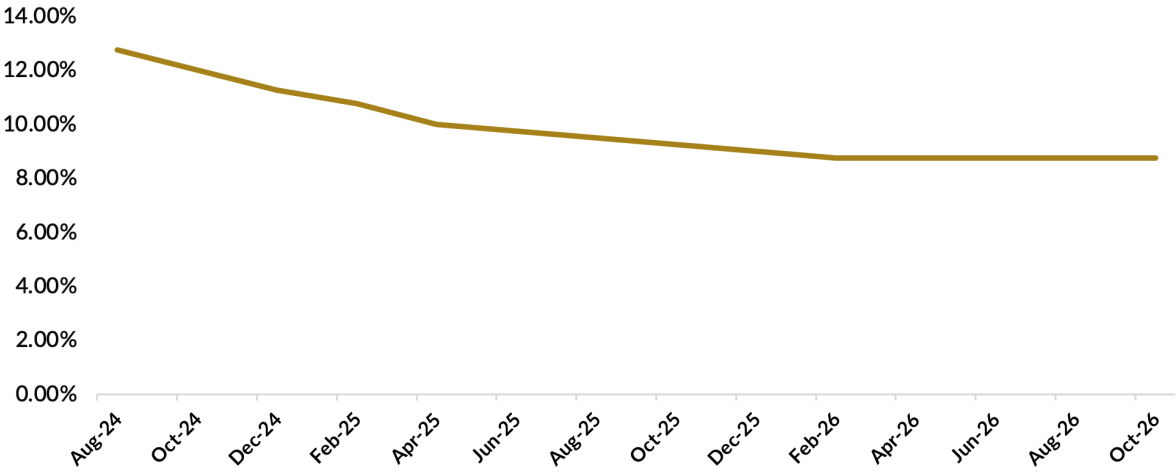
MPC maintains Base Rate at 8.75% in 3Q26; as committee Upgrades economic growth

The Central Bank of Kenya (CBK) maintained the Central Bank Rate (CBR) at 8.75% at its 7 October 2026 MPC meeting, citing the need to keep inflation expectations anchored and support exchange-rate stability.

Externally, the MPC estimates the current account deficit at 3.2% of GDP in 2026, up from 2.1% in 2025 reflecting a wider trade deficit driven by higher fuel imports as weak as food and capital goods. Goods exports increased by 11.8%, while imports rose by 15.8%, largely due to higher food, fuel, intermediate and capital goods imports.

Looking ahead, we expect the CBK to maintain a cautious and data-dependent monetary policy stance, with the CBR currently held at 8.75%. While inflation remains within the target range, rising core inflation and renewed global energy-price pressures warrant continued vigilance. The CBK is likely to balance the need to anchor inflation expectations and preserve exchange-rate stability with supporting the ongoing recovery in private-sector credit. The MPC will continue to monitor global oil prices, geopolitical developments and potential second-round effects on domestic inflation, with the next meeting scheduled for December 2026.

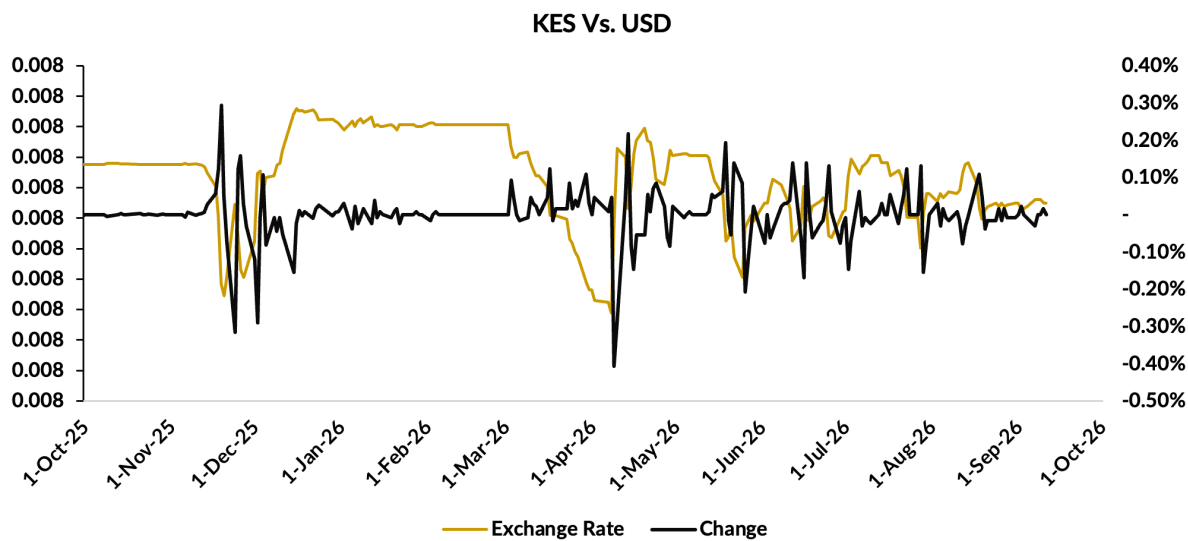
Central Bank Rate



Source: Kenya National Bureau of Statistics (KNBS), Chart: SIB

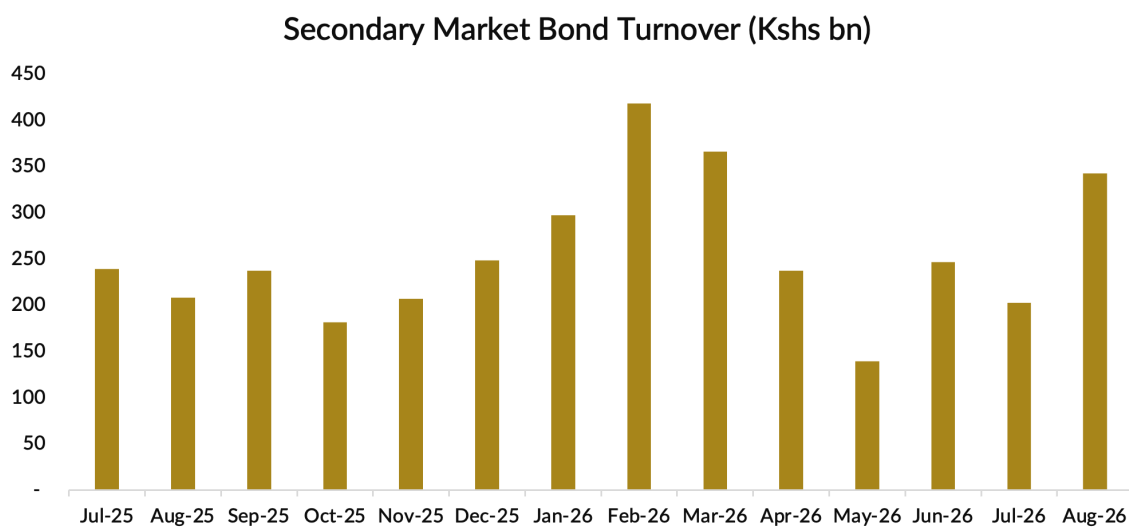
BACKGROUND CHARTS

KES/USD Performance



Source: Central Bank of Kenya (CBK)

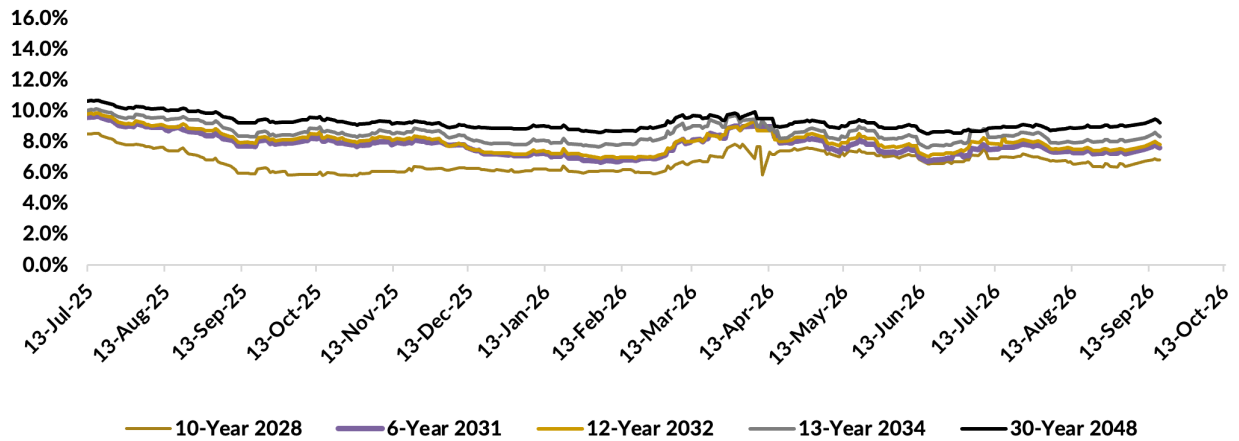
Bond Turnover



Source: Central Bank of Kenya (CBK)

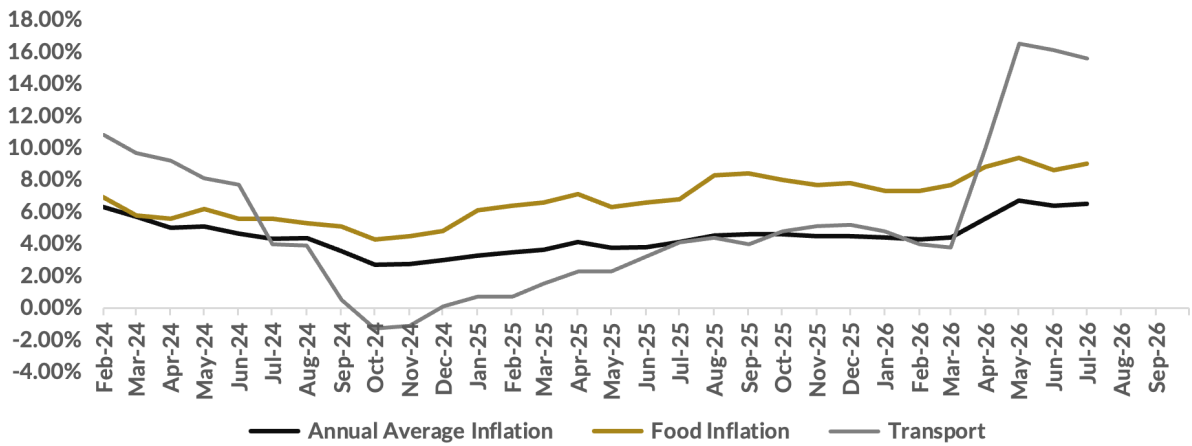
Kenyan Eurobonds

Kenya Eurobond Yields



Source: Central Bank of Kenya (CBK)

Food, Transport vs Headline Inflation



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

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