

WEEKLY FIXED INCOME REPORT

*Domestic Energy Policy: EPRA Adjusts Pump Prices by up to 11.8% Amid
Unprecedented Global Energy Shocks*

MONEY MARKET STATISTICS

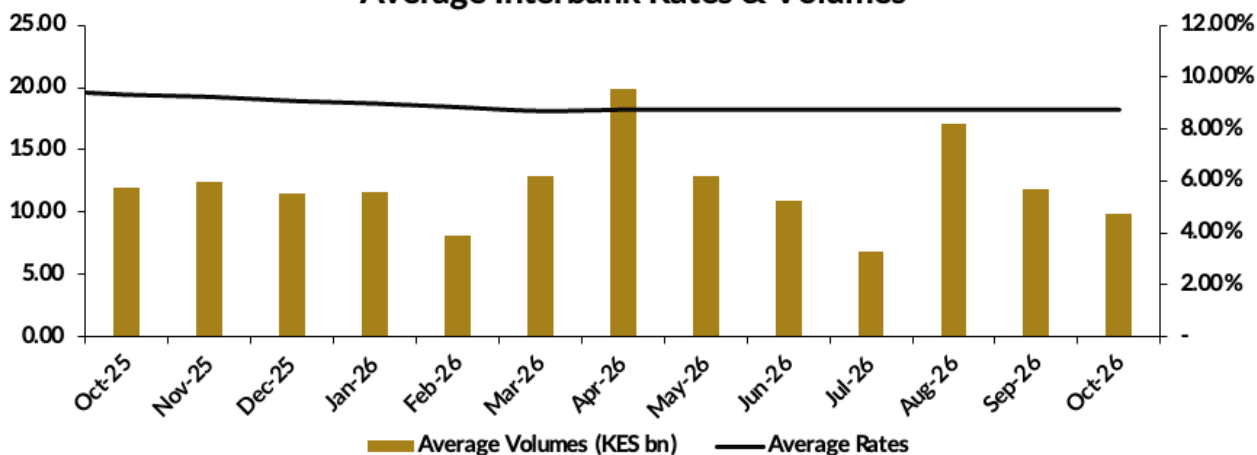
Liquidity conditions remained stable in the week, with the Kenya Shilling Overnight Interbank Average (KESONIA) closing at an average of 8.75%. Interbank lending increased by 152% in the week, with average traded volumes coming in at KES 14.87Bn from last week's KES 5.90Bn. Notably, the interbank deals increased by 65% to close the week at 28 compared to the 17 recorded in the previous week.

Find the summary below:

Average	Previous Week - ended 09/10/2026	Current Week - ended 15/10/2026	Change
Interbank Deals (Total)	17.00	28.00	64.71%
Inter- Bank volumes (KES bn)	5.90	14.87	152.10%
KESONIA (bps)	8.75%	8.75%	0.00

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

Average Interbank Rates & Volumes



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

GOVERNMENT SECURITIES MARKET

T-Bills:

Investor appetite for Treasury Bills decreased this week as total submitted bids easing to KES 69 billion compared to KES 75 billion recorded last week, of which the fiscal agent accepted KES 52Bn resulting in the subscription rate of 76% and a performance rate of 245%; outperforming the subscription rate of 60%, recorded the previous week.

The 91-day Treasury Bill remained the most attractive debt instrument, registering a performance rate of 623%. The auction was significantly oversubscribed, receiving KES 50Bn in bids compared to the KES 8.0Bn on offer.

Below is a visual summary;

18-Oct-26	91-day 17-Jan-27	182-day 18-Apr-27	364-day 17-Oct-27	Totals
Amount offered	8.00	10.00	10.00	28.00
Bids received	49896.45	12058.22	6643.43	68598.10
Bids Accepted	34244.17	11478.98	6592.62	52315.77
Subscription rate (%)	68.63%	95.20%	99.24%	76.26%
Performance rate (%)	623.71%	120.58%	66.43%	244.99%
Rollover/Redemptions	13144.90	7945.05	22999.00	44088.95
New Borrowing/(Net Repayment)	21,099.27	3,533.93	-16,406.38	8,226.82
Weighted Average Rate of Accepted Bids	8.8%	8.9%	9.0%	
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 recently released the auction results for the two re-opened bonds SDB1/2011/030 and FXD1/2026/030 carrying coupon rates of 12.0%. and 12.50% respectively.

Investor demand was high, pushing total bids to KES 84Bn against an initial offer of KES 50Bn. This resulted in an overall subscription rate of 168%. Out of the bids received, the government accepted KES 53Bn, achieving a 63% acceptance rate.

Find below a summary of the results:

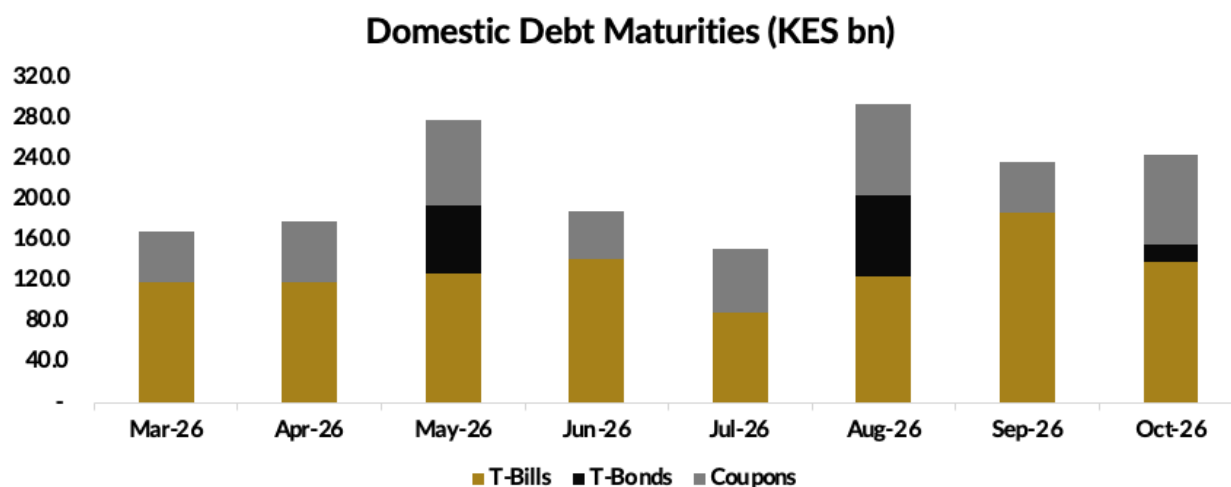
Issue	SDB1/2011/030 - Re-opened	FXD1/2026/030 - Re-opened
Tenor to Maturity	14.3 Yrs	29 Yrs
Coupon Rate	12.00%	12.50%
Offered Amount	KES 50Bn	
Bids Received (KES Mn)	23,722.22	60,103.63
Amount Accepted (KES Mn)	19,161.61	33,883.42
Market Weighted Average Rate (%)	13.65%	14.18%
Weighted Average Rate of Accepted Bids (%)	13.72%	14.28%
Adjusted Average Price (Per KES 100)	92.00	88.34
New Borrowing/Net Repayment	KES 53Bn	

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

Looking at secondary bond market turnover, the quantum traded decreased to KES 41Bn (-26%w/w) from KES 54Bn 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;



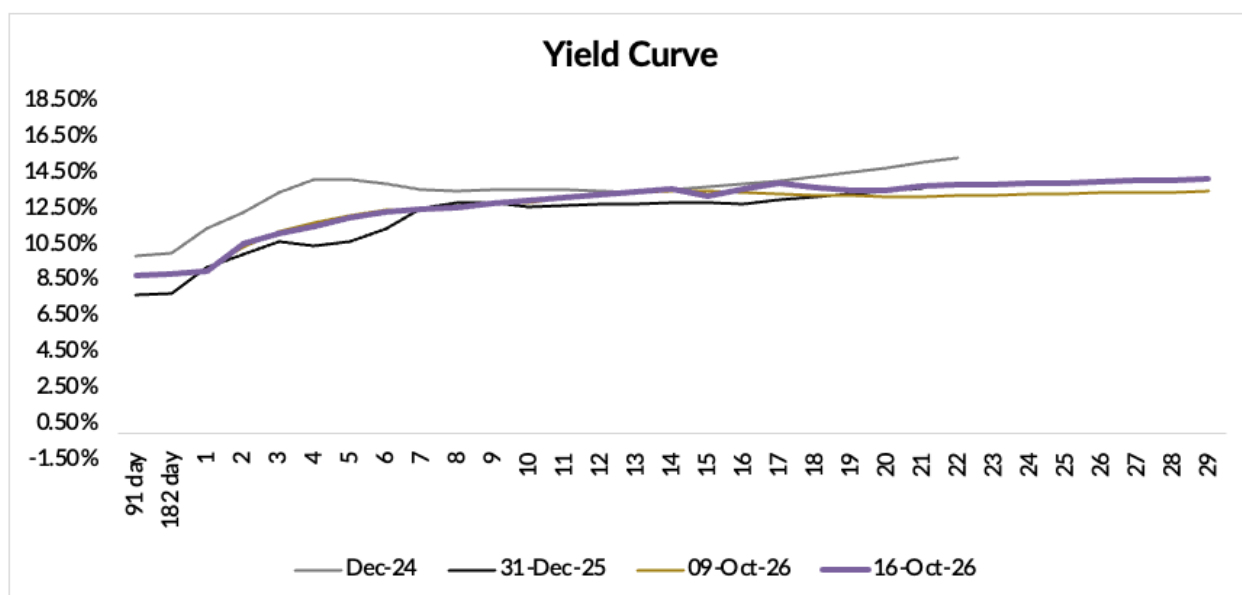
Source: Central Bank of Kenya (CBK), Chart: SIB

Yield Curve:

Local interest rates were largely stable during the week, with average government securities yields inching slightly higher by c.0.220% 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: Nairobi Securities Exchange (NSE), Chart: SIB

THE INTERNATIONAL SCENE

Weekly Insight: Synchronized Hikes, Energy Friction, and Global Yield Expansion

The second week of October 2026 witnessed an intensification of global stagflationary headwinds, driven by accelerating U.S. inflation (3.9% YoY) and unrelenting Middle East energy transit disruptions. Persistent maritime security bottlenecks through the Strait of Hormuz kept Brent crude elevated near \$104/bbl, driving sharp increases in landed middle-distillate prices worldwide. Consequently, U.S. 10-year Treasury yields surged toward 4.85%, expanding sovereign credit spreads and pushing African Eurobond yields higher amid tightening global liquidity. Domestically, Kenya faced direct pass-through pressures, forcing EPRA to raise maximum retail pump prices for the October 15 – November 14 cycle (Super Petrol +Sh12.93/L, Diesel +Sh9.90/L, Kerosene +Sh28.49/L). While these energy price hikes compound September headline inflation (6.8%) and broaden the current account deficit (projected at 3.2% of GDP), the economy retains key structural buffers. Supported by the CBK maintaining the benchmark rate at 8.75% and robust private sector loan growth (10.6% YoY), Kenya's growth trajectory remains resilient with 2026 real GDP expansion anchored between 4.3% and 5.0%.

Accelerating U.S. Inflation & Federal Reserve Policy Stance

Global macroeconomic sentiment was dominated by higher-than-expected inflation metrics out of the U.S. Headline consumer price inflation accelerated to 3.9% year-on-year, driven by sustained energy pass-through and sticky core services prices. The data reinforced expectations that while the Federal Reserve may maintain its current target rate of 3.75%–4.00% in the immediate term, any prospects for rate cuts in late 2026 have effectively evaporated. Meanwhile, persistent stagflationary signals in Europe continue to weigh on industrial output, as elevated production costs hamper euro area manufacturing competitiveness.

Strait of Hormuz Bottlenecks & Middle Distillate Surges

Energy markets experienced renewed upward volatility as logistical bottlenecks across key Middle Eastern transit corridors tightened further. Despite ongoing bypass efforts via regional pipelines, commercial maritime traffic through the Strait of Hormuz remained severely restricted, driving Brent crude benchmarks back up to \$104.20 per barrel. The persistent restriction on crude and refined distillate exports fueled sharp increases in international landed product prices, directly impacting net-importing economies and forcing domestic price stabilization frameworks—such as Kenya's EPRA October review—to absorb substantial landed cost spikes.

Expanding Term Premiums & Eurobond Yield Spikes

Fixed income markets saw a pronounced sell-off in sovereign debt, with global long-end yields pushing toward multi-year highs. U.S. 10-year Treasury yields rose toward 4.85%, driven by lingering inflation concerns and massive primary debt issuance. The uptick in risk-free benchmark yields triggered a broader expansion in sovereign credit spreads across emerging and frontier markets. African Eurobond yields experienced notable upward pressure as global investors demanded higher risk premiums amid tightening USD liquidity and elevated global debt-servicing costs.

U.S. Dollar Rebound & Frontier FX Pressures

Foreign exchange markets were characterized by a sharp rally in the Greenback as safe-haven demand and high U.S. yields re-asserted dominance. The U.S. Dollar Index (DXY) advanced by 0.8% over the week, putting downward pressure on major currency counters. The Euro (EUR/USD) slipped back toward the 1.1080 handle, while USD/JPY traded near 159.20 as wide yield differentials outweighed domestic rate-hike chatter from Tokyo. Frontier currencies faced mixed pressures; while local interventions and steady policy rates provided short-term buffers, elevated dollar-denominated import bills continued to test foreign exchange reserves.

Kenyan Eurobonds:

Yields on Kenyan Eurobonds increased marginally by average of c.0.050% during the week dated 9th October 2026 to 15th October 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%
09-Oct-26	7.2%	7.9%	8.6%	9.4%	9.7%
12-Oct-26	6.9%	7.9%	8.6%	9.1%	9.7%
13-Oct-26	6.8%	7.7%	8.3%	8.8%	9.6%
14-Oct-26	7.2%	8.3%	8.4%	8.9%	9.7%
15-Oct-26	7.2%	8.3%	8.4%	8.9%	9.7%
Weekly Change	-	(0.390%)	0.160%	0.480%	-
YTD Change	1.2%	1.2%	1.2%	1.1%	0.4%

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

Currency Performance:

The Kenyan Shilling displayed mixed week-over-week (w/w) performance against major global and regional currencies. Against major global counters, the Shilling remained virtually unchanged against the U.S. Dollar (USD/KES) at (0.0%). Conversely, it posted modest gains across European and Asian counters, strengthening by 0.7% against the British Pound (GBP/KES), 0.3% against the Euro (EUR/KES), and 0.1% against the Japanese Yen (JPY/KES). Regionally, performance was also split: the Shilling gained 0.4% against the Tanzanian Shilling (KES/TZX), while trading flat against the Ugandan Shilling (KES/UGX) at 0.0%.

The U.S. Dollar Index weakened by 0.15% during the week.

Murban crude oil prices increased to USD 102.39 per barrel on October 15 from USD 101.67 per barrel on October 8, driven by supply concerns associated with ongoing geopolitical tensions in the Middle East. Over the same period, spot gold prices declined to USD 4,170.25 per ounce from USD 4,133.93 per ounce, reflecting reduced safe-haven demand amid improved market sentiment.

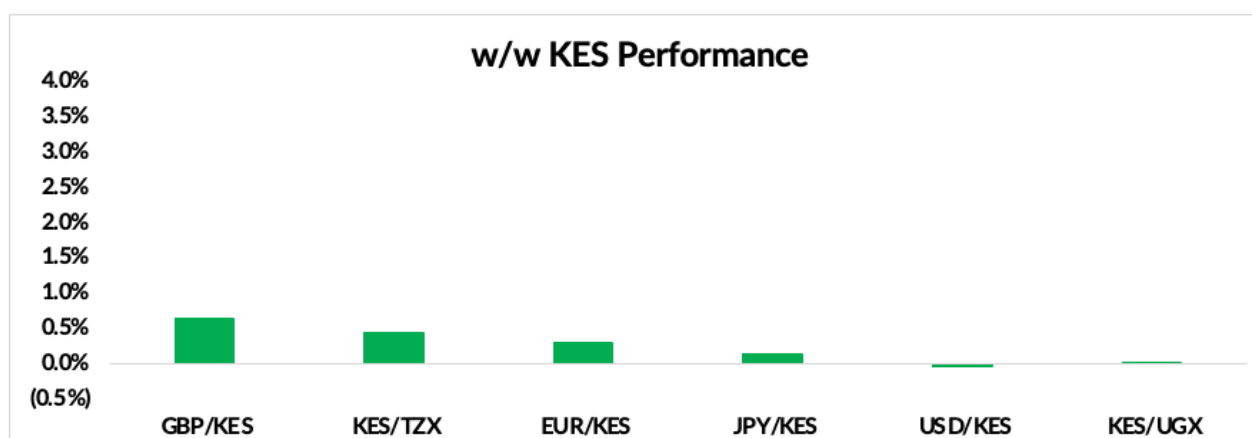
See the table below;

Currencies	31 Dec 2025 (vs KES)	Previous	Current	w/w Change	YTD change
GBP/KES	173.65	171.62	172.74	0.7%	(0.5%)
KES/TZX	19.03	20.27	20.36	0.4%	7.0%
EUR/KES	151.43	145.37	145.81	0.3%	(3.7%)
JPY/KES	82.39	82.15	82.27	0.1%	(0.1%)
KES/UGX	28.06	31.16	31.17	0.0%	11.1%
USD/KES	129.01	129.94	129.89	(0.0%)	0.7%

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

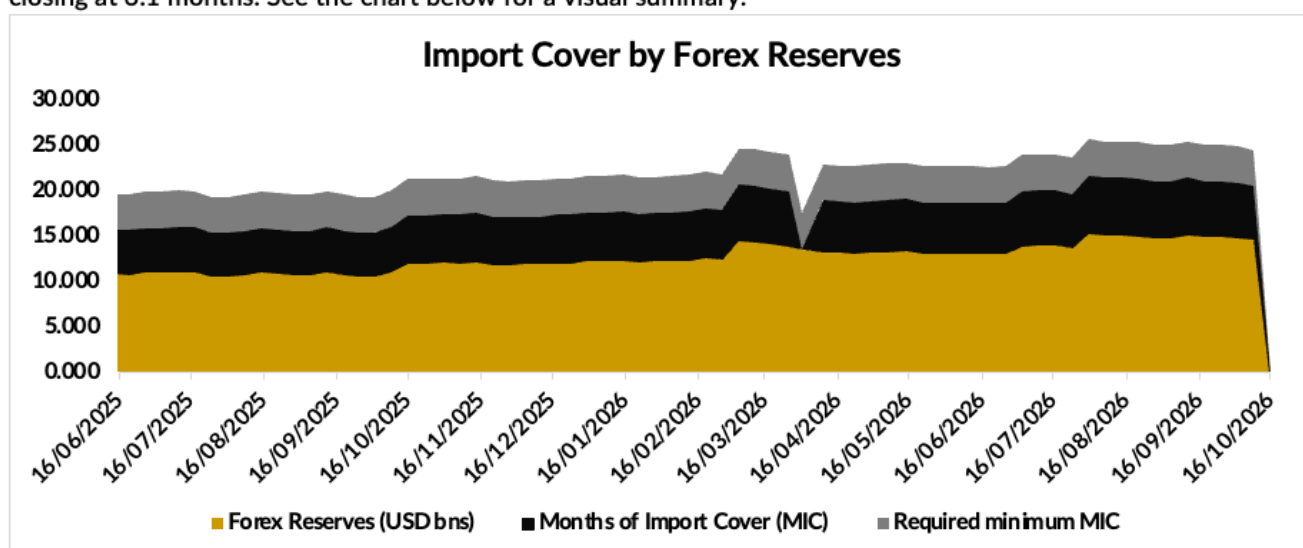
Abbreviations: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen / FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation below;



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

Domestic Energy Policy: EPRA Adjusts Pump Prices Amid Unprecedented Global Energy Shocks

EPRA Increases Retail Prices for October–November Review Cycle

The Energy and Petroleum Regulatory Authority (EPRA) announced upward adjustments to maximum retail pump prices for the **October 15 – November 14, 2026** pricing cycle, responding to severe global refined product supply disruptions.

EPRA reported that international supply routes have been severely bottlenecked by the closure of key Middle Eastern transit corridors—including the **Strait of Hormuz** and elevated risk along the **Red Sea corridor** following a July embargo on Saudi-linked shipping lines. Compounded by fresh September attacks on Saudi Arabia's East-West pipeline pump stations and refined export bans from the U.S. and Russia, international suppliers were forced to source costlier spot cargoes from the Far East (South Korea, Singapore) and Europe, driving global FOB prices for Super Petrol, Diesel, and Kerosene up 89.45%, 90.64%, and 84.01% respectively since February 2026.

Landed Cost Escalation & Retail Pump Price Impact

The international price spike translated into steep landed cost increases for Kenya in September alone, growing by 11.81% for Super Petrol (+KES 59.36/L), 11.32% for Diesel (+KES 61.80/L), and 9.41% for Kerosene (+KES 59.57/L) month-over-month. To reflect these landed cost surges while managing market distortions, EPRA raised maximum retail prices for Super Petrol by KES 12.93/L, Diesel by KES 9.90/L, and

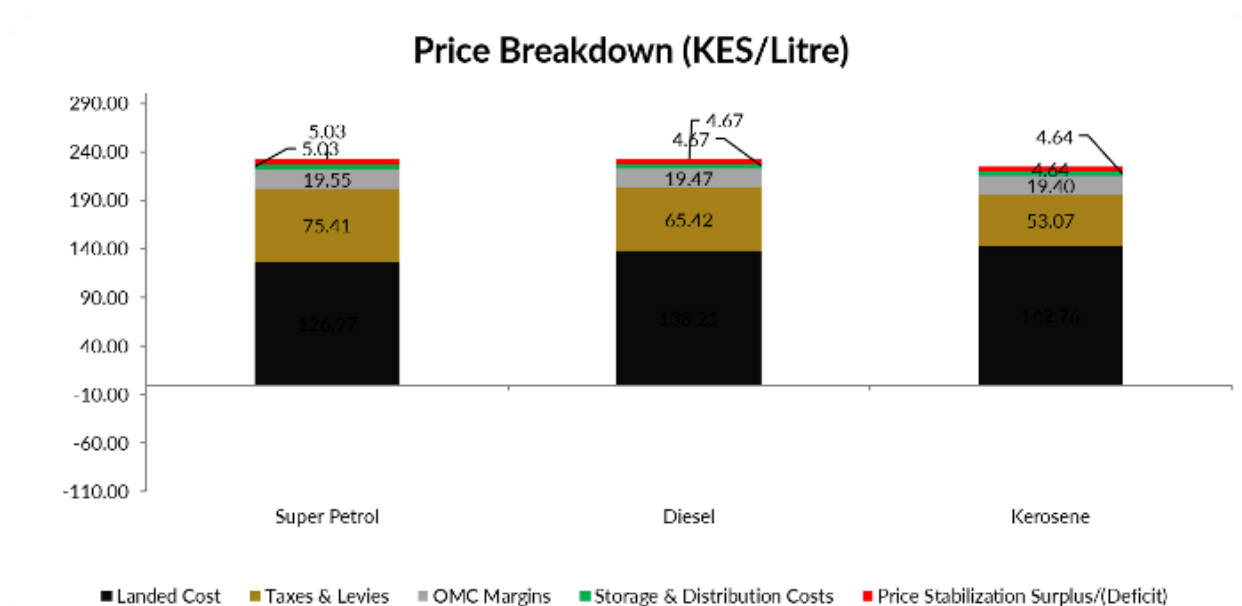
Kerosene by KES28.49/L. The sharp adjustment in Kerosene was deliberately executed to narrow the price gap with Diesel, eliminating structural incentives for fuel adulteration within the domestic transport sector.

Government Stabilization Protocols & Cushioning Mechanisms

To prevent full pass-through of the international price shock to end-consumers, the government deployed multi-pronged fiscal and regulatory interventions:

- **Government-to-Government (G2G) Framework:** Freight and premium costs remain capped at \$84/MT for Petrol, \$78/MT for Diesel, and \$97/MT for Kerosene, yielding an estimated saving of KES17.04/L compared to spot market rates.
- **Tax Relief:** The reduced Value Added Tax (VAT) on petroleum products at 8% (down from 16%) has been extended through January 14, 2027.
- **Petroleum Development Levy Fund (PDLF):** The government deployed KES29.4 billion via the PDLF during the 2025/2026 financial year (KES24.3 billion applied between April and June 2026) to stabilize retail margins as Western economies enter the winter heating season.

Looking Ahead: Fuel supply constraints are likely to persist in the near term, with diesel particularly exposed to ongoing shortages. Persistent Middle East tensions remain a key risk, as renewed escalation could reverse recent declines in global oil prices, raise import costs and prolong domestic supply pressures. This is despite steady G2G procurement savings (~Sh17.04/L), tax relief measures and sustained PDLF stabilization. These risks could escalate inflationary pressures and complicate the outlook for monetary policy and fixed-income markets.



Source: EPRA, Chart: SIB

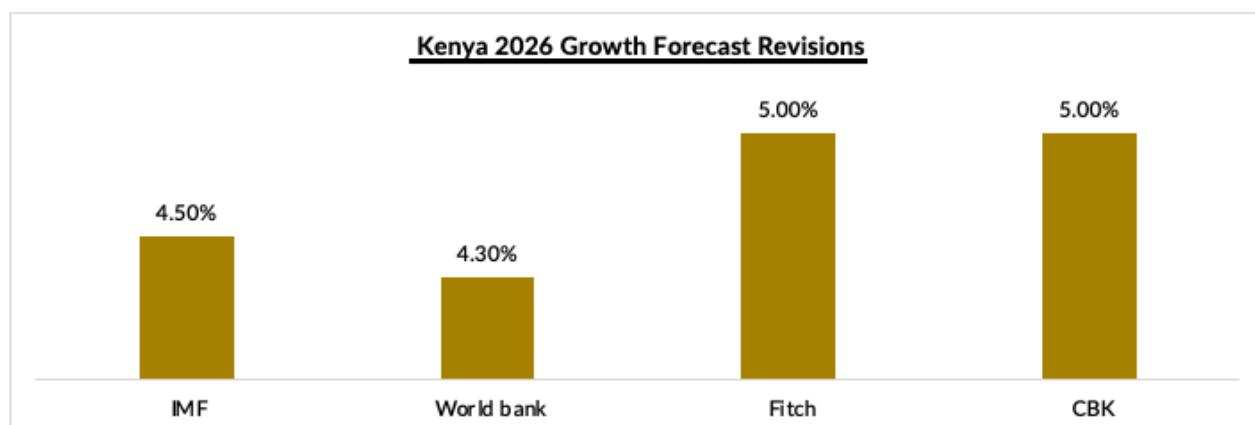
World Bank Flags Global Headwinds to Kenya's GDP Upward Revision

Sub-Saharan Growth Resilient Amid Rising Middle East Risks

Sub-Saharan Africa's growth outlook shows broad resilience despite heightened geopolitical friction, climate-related shocks, declining official development assistance (ODA), and tightening fiscal constraints. The World Bank's latest biannual economic update projects regional growth to accelerate from 4.1% in 2025 to 5.3% in 2026—a 0.3 percentage point upward revision compared to its April 2026 forecast—positioning Kenya as a central growth anchor in East Africa. However, escalating conflicts in the Middle East pose immediate downside risks, with potential energy price spikes threatening to expand Kenya's import bill and pass through to domestic transport and production costs.

Key Structural Drivers & Risks to Kenya's Economic Trajectory

- **Growth Below Official Targets:** The World Bank pegs Kenya's 2026 real GDP growth at 4.3%, creating a clear divergence with the National Treasury's target range of 5.0%–5.3%. This shortfall underscores fiscal consolidation pressures as policymakers attempt to balance growth against heavy sovereign debt servicing burdens.
- **Cost-Push Inflation Pressure:** Annual headline inflation extended its upward trend for three consecutive months, climbing to 6.8% in September (following 6.4% in June, 6.5% in July, and 6.6% in August). According to KNBS Director-General Macdonald Obudho, price gains were primarily led by Transport (+15.6%), Food & Non-Alcoholic Beverages (+9.5%), and Housing, Water, Electricity, Gas & Other Fuels (+3.2%) over the 12-month period.
- **Structural Headwinds vs. Regional Drivers:** While high global borrowing costs, weak formal job creation, and geopolitical tensions constrain overall economic expansion, regional activity is being supported by stronger domestic demand, improved macroeconomic stability, and investments in digital technologies and the global energy transition.
- **Debt Servicing Restricting Fiscal Space:** With Sub-Saharan Africa's average public debt near 57% of GDP, rising debt-service obligations are severely constraining fiscal flexibility. The World Bank stresses the necessity for Kenya and regional peers to boost domestic revenue mobilization, deepen local capital markets, and secure sustainable development financing as external aid flows diminish.
- **Poverty Vulnerabilities & Economic Buffers:** Commodity price shocks and transport overheads risk pushing 1.0 million to 2.4 million additional Kenyans below the international poverty line. Nevertheless, an expected rebound in agricultural output from favourable weather, combined with monetary easing and a recovery in private-sector credit growth, provides an essential growth buffer against softening household consumption.



Source: IMF World Economic Outlook (Oct 2026), World Bank Africa Pulse (Oct 2026), Fitch Ratings, Central Bank of Kenya, Chart: SIB

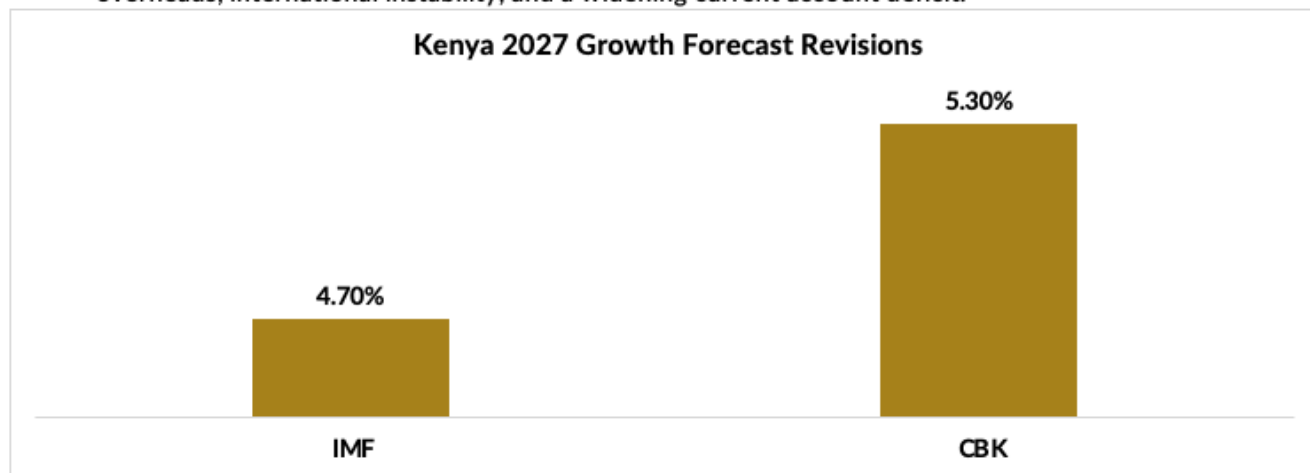
IMF Projects Modest GDP Recovery Amid Persistent External Risks

IMF Outlines Cautious Growth Trajectory through 2027

The International Monetary Fund (IMF) projects Kenya's real GDP growth at 4.5% in 2026, before modestly accelerating to 4.7% in 2027 (following an estimated 4.6% expansion in 2025). Released alongside the **October 2026 World Economic Outlook** dataset, the Fund's medium-term forecast reflects a more conservative outlook than official domestic projections. While cooling price pressures and resilient private sector demand are expected to support a gradual economic rebound, the IMF cautions that structural growth gains may be constrained by elevated energy import costs, fiscal pressures, and global macroeconomic volatility.

Key Structural Highlights & Economic Metrics

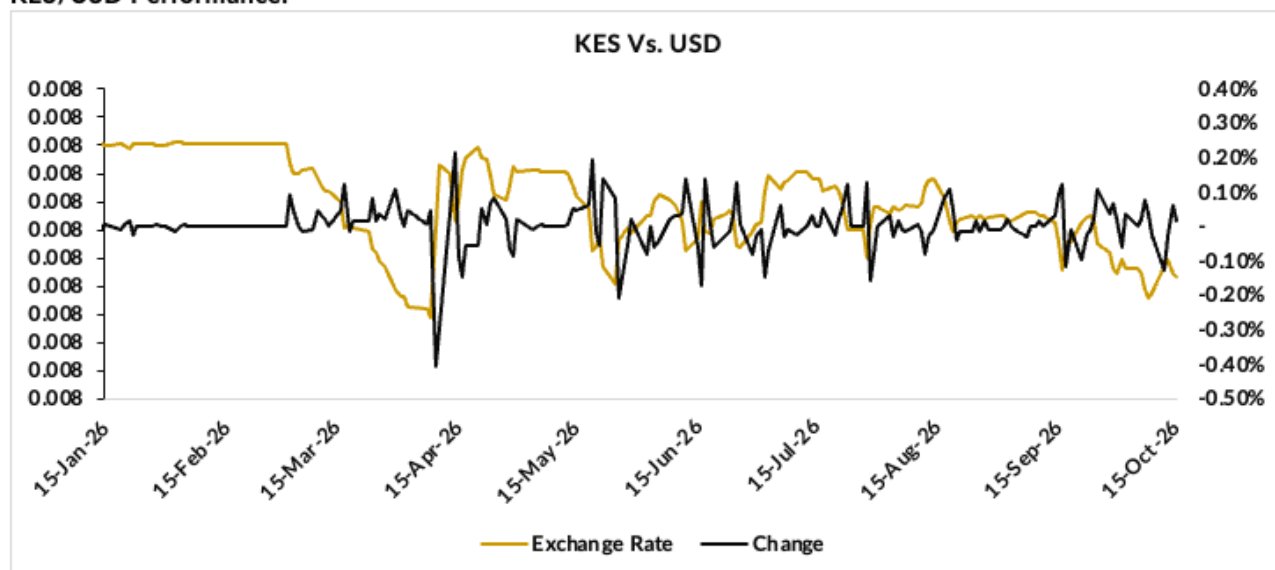
- **GDP Growth Trajectory:** The IMF forecasts national output expanding by 4.5% in 2026 and 4.7% in 2027—a modest 0.2 percentage point acceleration supported by strengthening domestic activity.
- **Divergence from Central Bank Targets:** The IMF's estimates remain more cautious than the Central Bank of Kenya (CBK), which projects faster real GDP growth of 5.0% in 2026 and 5.3% in 2027.
- **Inflationary Outlook:** Annual headline inflation is projected to average 6.0% in 2026 (up from 4.1% in 2025) before easing to 5.0% in 2027 as domestic supply conditions normalize.
- **Private Sector Credit Recovery:** Bank lending to the private sector expanded by 10.6% year-on-year in September 2026, signalling stronger underlying loan demand and recovering business confidence.
- **External Deficits & Household Pressures:** The Fund highlighted that broader economic growth will not automatically improve household purchasing power, citing key risks from surging fuel import overheads, international instability, and a widening current account deficit.



Source: IMF World Economic Outlook (Oct 2026), Central Bank of Kenya, Chart: SIB

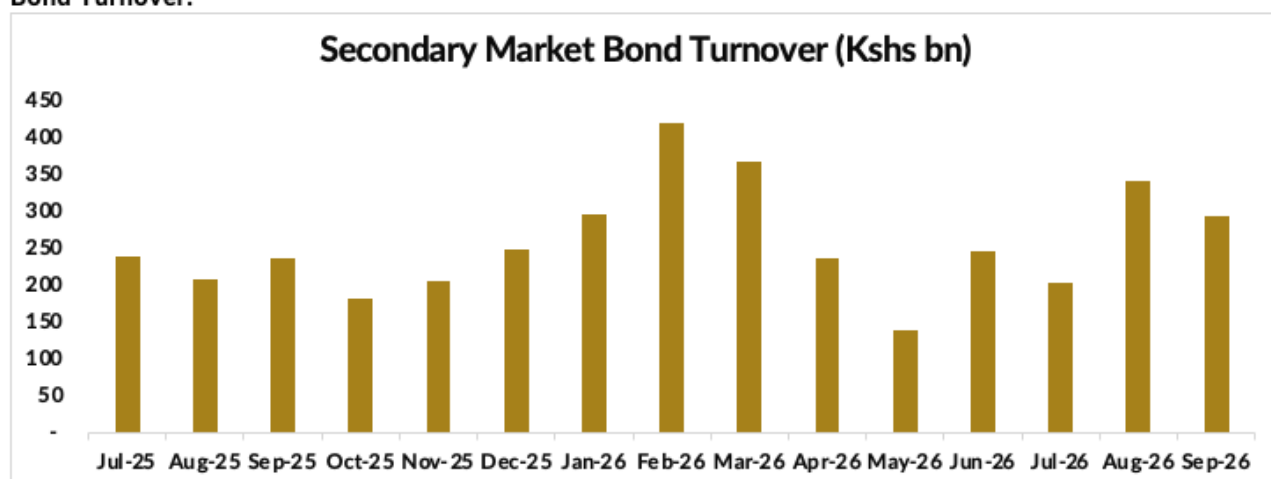
BACKGROUND CHARTS

KES/USD Performance:



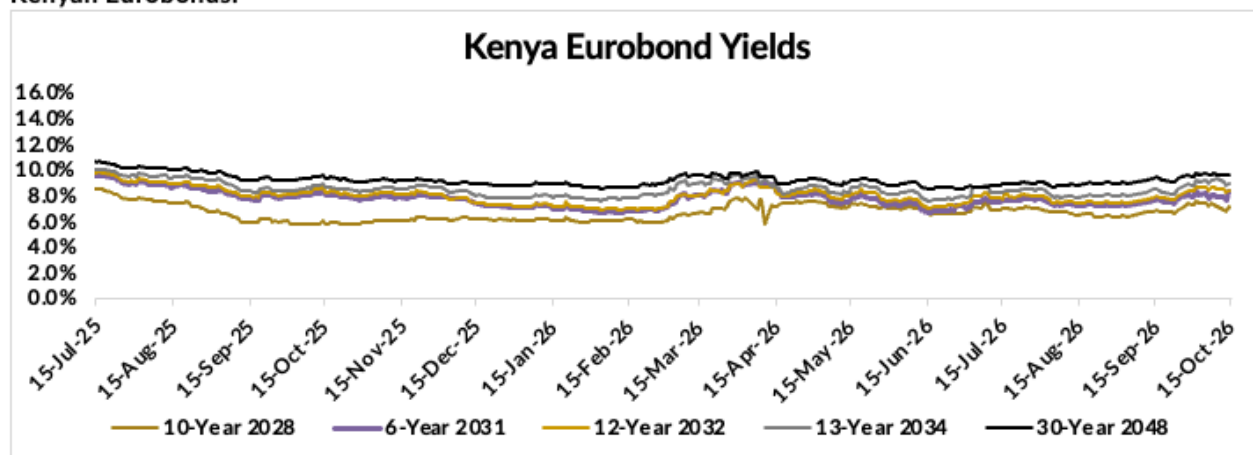
Source: Central Bank of Kenya (CBK), Chart: SIB

Bond Turnover:



Source: NSE, Chart: SIB

Kenyan Eurobonds:



Source: CBK, Chart: SIB

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