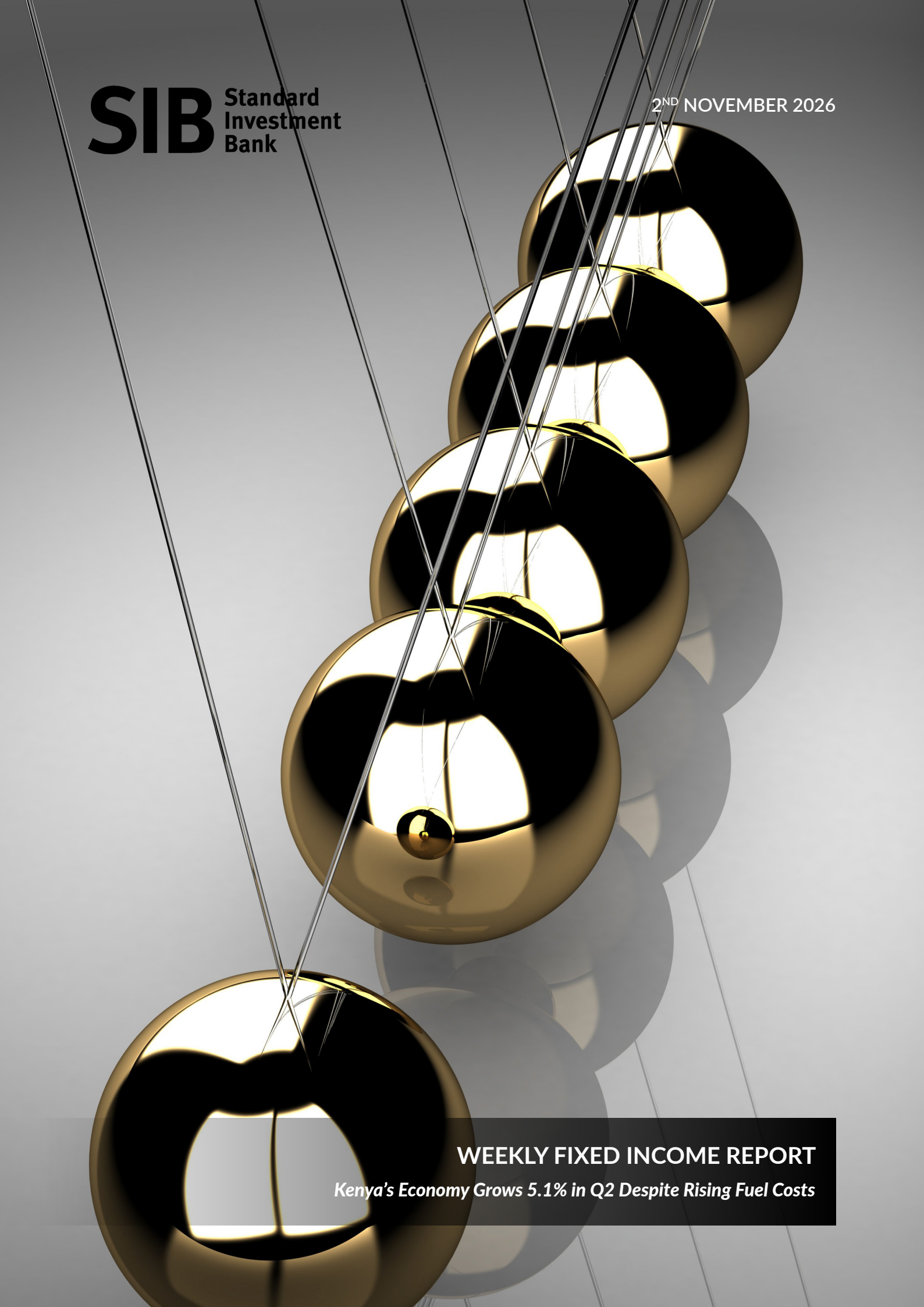
SIB Standard Investment Bank

2ND NOVEMBER 2026



WEEKLY FIXED INCOME REPORT

Kenya's Economy Grows 5.1% in Q2 Despite Rising Fuel Costs

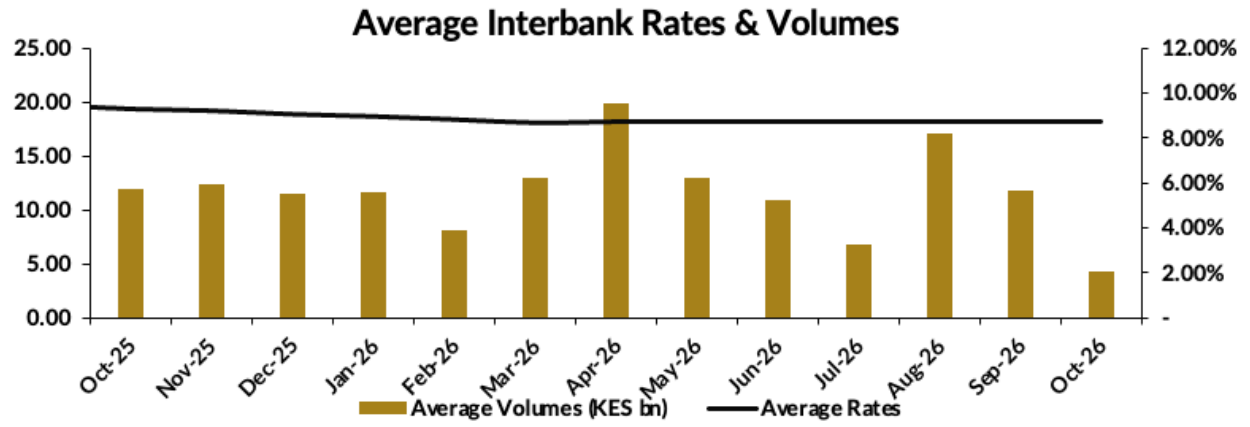
MONEY MARKET STATISTICS

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 12.20Bn from last week's KES 19.80Bn. Notably, the interbank deals decreased by 38% to close the week at 18 compared to the 29 recorded in the previous week.

Find the summary below:

Average	Previous Week - ended 23/10/2026	Current Week - ended 29/10/2026	Change
Interbank Deals (Total)	29.00	18.00	(37.93%)
Inter- Bank volumes (KES bn)	19.80	12.20	(38.38%)
KESONIA (bps)	8.75%	8.75%	0.00

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



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 increasing to KES 52 billion compared to KES 29 billion recorded last week, of which the fiscal agent accepted KES 52Bn resulting in the subscription rate of 99% and a performance rate of 185%; outperforming the subscription rate of 99%, recorded the previous week.

The 91-day Treasury Bill remained the most attractive debt instrument, registering a performance rate of 508%. The auction was significantly oversubscribed, receiving **KES 41Bn** in bids compared to the **KES 8.0Bn** on offer.

Below is a visual summary;

27-Oct-26	91-day	182-day	364-day	Totals
	31-Jan-27	02-May-27	31-Oct-27	
Amount offered	8.00	10.00	10.00	28.00
Bids received	40632.23	5317.16	5907.03	51856.42
Bids Accepted	40556.88	5221.41	5907.03	51685.32
Subscription rate (%)	99.81%	98.20%	100.00%	99.67%
Performance rate (%)	507.90%	53.17%	59.07%	185.20%
Rollover/Redemptions	14624.60	3365.25	22748.10	40737.95
New Borrowing/(Net Repayment)	25,932.28	1,856.16	-16,841.07	10,947.37
Weighted Average Rate of Accepted Bids	8.7%	8.9%	9.0%	
Inflation	7.3%	7.3%	7.3%	
Real Return	1.4%	1.6%	1.7%	

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

T-Bonds:

In the primary space, The Central Bank of Kenya recently released the **offer** for the two re-opened bonds **FXD3/2019/015 and FXD1/2026/030 carrying** coupon rates of 12.34%. and 12.50% respectively.

Find below a summary our expected outcomes:

Issue	FXD3/2019/015- Re-opened	FXD1/2026/030 - Re-opened
Tenor to Maturity	7.8 Yrs	29.5 Yrs
Coupon Rate	**12.34%**	**12.50%**
Offered Amount	**KES 50Bn**	
Period of Sale	23th Oct 2026 to 04th November 2026	
Value Date	9th November 2026	
Minimum Bidding Amount	KES 50,000	
Taxation	**10.00%**	

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

The Central Bank of Kenya recently released the **offer** for a switch bond.

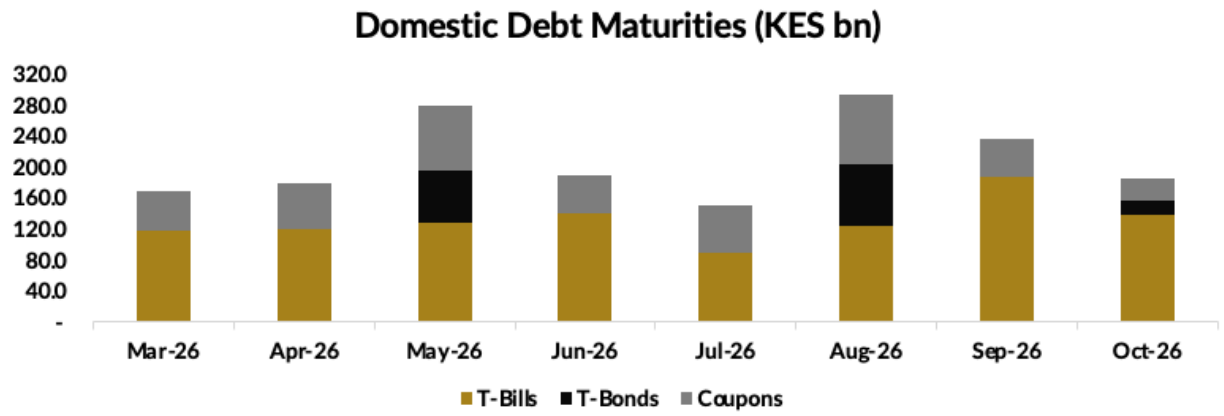
	SWITCH OFFER	T-Bills.			
Issue	FXD4/2019/10 - Destination Bond	T 2696/091	T 2656/182	T 2585/364	FXD1/2023/005
Tenor to Maturity	3.0 Yrs	0.03 Yrs	0.03 Yrs	0.03 Yrs	3.23 Yrs
Coupon Rate	**12.28%**	-	-	-	**16.84%**
Offered Amount	**KES 10Bn**				
Period of Sale	23rd October 2026 to 09th November 2026				
Value Date	09th Novemeber 2026				
Minimum Bidding Amount	KES 50,000.00				

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

Looking at secondary bond market turnover, the quantum **increased** to KES 61Bn (+6%w/w) from KES 57Bn 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;



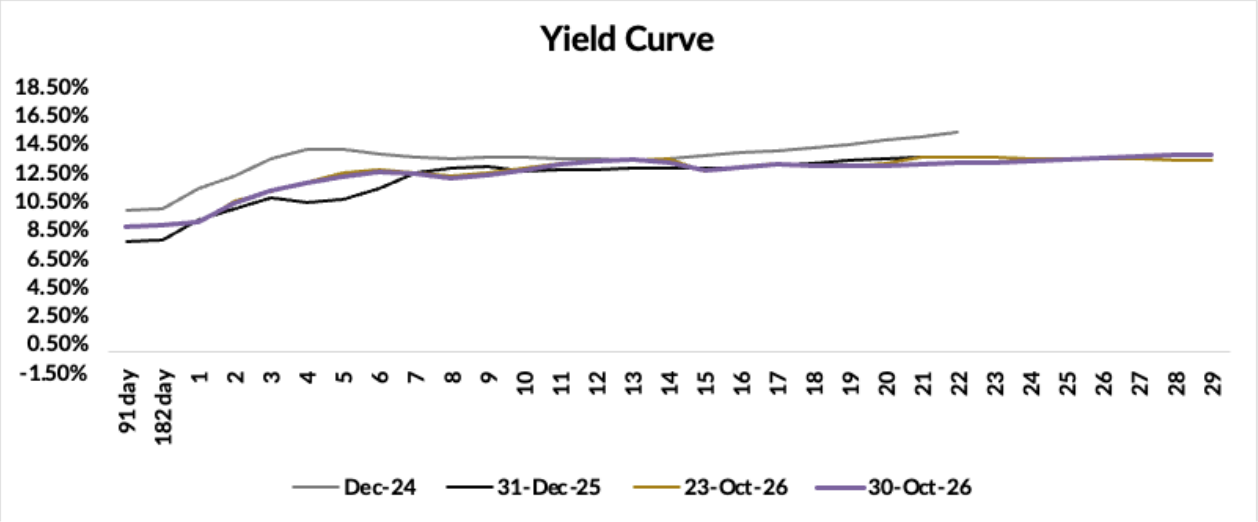
Source: Central Bank of Kenya (CBK), Chart: SIB

Yield Curve:

Local interest rates were largely stable during the week, with average government securities yields inching slightly lower by c.0.068% 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: Middle East Oil Surges, Fed Rate Hawkishness, and Kenya Inflationary Strain

The final week of October 2026 was marked by escalating global cost-push pressures and heightened energy volatility as Middle East geopolitical friction pushed Brent crude benchmarks toward $114.68/bbl. In global markets, firm U.S. Q3 GDP growth (3.4% annualized) and persistent core PCE inflation led the Federal Reserve to hold policy rates at 3.75%–4.00%, keeping global risk-free yields elevated and consolidating the U.S. Dollar Index near 102.8.

Domestically, these global energy bottlenecks transmitted directly into the local economy, with KNBS reporting that October annual inflation surged to 7.3%—nearing the Central Bank of Kenya's (CBK) 7.5% upper target ceiling—driven by a 17.1% surge in transport costs and significant price increases in petrol (+6.0%), diesel (+4.4%), and kerosene (+14.7%). Despite these acute inflationary and import cost pressures, Kenya's broader macroeconomic framework remains resilient: headline Q2 GDP growth accelerated to 5.1%, the CBK maintained its benchmark rate at 8.75%, and overall, 2026 economic expansion remains anchored between 4.3% and 5.0%, backed by strong private sector loan growth (10.6% YoY) and steady structural growth across utilities and ICT.

Federal Reserve Rate Pause & U.S. Macro Resilience

The final week of October 2026 saw major central bank decisions dominate global macroeconomic sentiment, led by the Federal Reserve maintaining the federal funds target rate at **3.75%–4.00%**. U.S. macroeconomic releases highlighted underlying economic resilience, with Q3 GDP expanding at an annualized rate of **3.4%** and September core PCE inflation rising by **0.3% month-on-month**. The combination of firm activity metrics and sticky inflation reinforced expectations that the Fed will remain hawkish into year-end, with markets pricing in a high probability of a rate hike in December. Meanwhile, Euro Area preliminary Q3 GDP growth reflected ongoing industrial stagnation, highlighting widening divergence across major developed economies.

Geopolitical Friction Surges & Brent Crude Tests $115/bbl

Energy markets experienced heightened upward volatility as geopolitical risks in the Middle East escalated significantly. Renewed security incidents and trade disruptions across key transit channels pushed Brent crude benchmarks into a **$114.30 to $117.00 per barrel** range during the week, before stabilizing around **$114.68/bbl**. Surging marine freight costs and elevated war risk insurance premiums drove refined middle-distillate prices higher globally, intensifying cost-push inflation headwinds for net energy-importing economies across East Africa and Europe.

Tech Equity Corrections & Yield Curve Dynamics

Global fixed income and equity markets navigated rotation pressures driven by Q3 corporate earnings updates from mega-cap technology firms. High capital expenditures in AI infrastructure prompted investor profit-taking in the tech sector, driving modest safe-haven flows into sovereign Treasuries and dragging U.S. 10-year yields slightly lower from earlier monthly highs. However, long-end sovereign term premiums remained elevated globally as massive government debt issuances competed for market liquidity, keeping borrowing costs restrictive for emerging and frontier market issuers seeking international debt refinancings.

Greenback Consolidation & Frontier FX Pressures

Foreign exchange markets were marked by consolidation in the U.S. Dollar Index (DXY), which traded near **102.4–102.8**. While high yields and safe-haven demand supported the Greenback against energy-importer currencies like the Euro (**EUR/USD**) and Japanese Yen (**USD/JPY** near **158.0–159.0**), market caution ahead of upcoming U.S. policy decisions capped further upside. Frontier currencies continued to face structural pressure from elevated energy import bills, though domestic monetary policy anchoring and local central bank interventions helped mitigate extreme spot exchange rate volatility.

Kenyan Eurobonds:

Yields on Kenyan Eurobonds increased marginally by average of c.0.260% during the week dated 23rD October 2026 to 29th 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%
23-Oct-26	7.5%	8.3%	9.1%	9.6%	10.0%
26-Oct-26	7.5%	8.3%	9.1%	9.7%	10.0%
27-Oct-26	7.4%	8.1%	9.0%	9.5%	9.9%
28-Oct-26	7.4%	8.1%	8.9%	9.5%	9.9%
29-Oct-26	7.3%	8.0%	8.8%	9.3%	9.7%
Weekly Change	0.189%	0.304%	0.251%	0.276%	0.281%
YTD Change	1.2%	0.9%	1.6%	1.5%	0.5%

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

Currency Performance:

The Kenyan Shilling displayed mixed week-over-week (**w/w**) performance across 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 gains across European currencies, strengthening by **0.8%** against the Euro (EUR/KES) and **0.4%** against the British Pound (GBP/KES), while softening slightly by **(0.2%)** against the Japanese Yen (JPY/KES). Regionally, performance was split: the Shilling edged up marginally by **0.1%** against the Tanzanian Shilling (KES/TZX), but weakened significantly by **(4.6%)** against the Ugandan Shilling (KES/UGX).

The U.S. Dollar Index **strengthened** by 0.22% during the week.

Murban crude oil prices rose to USD 110.46 per barrel on October 29, up from USD 108.23 per barrel on October 22, as geopolitical risks remain. Over the same period, spot gold prices fell to USD 4,020.4 per ounce on October 29 from USD 4,023.9 per ounce on October 22, driven by expectations of future policy rate hike by the US Fed in December.

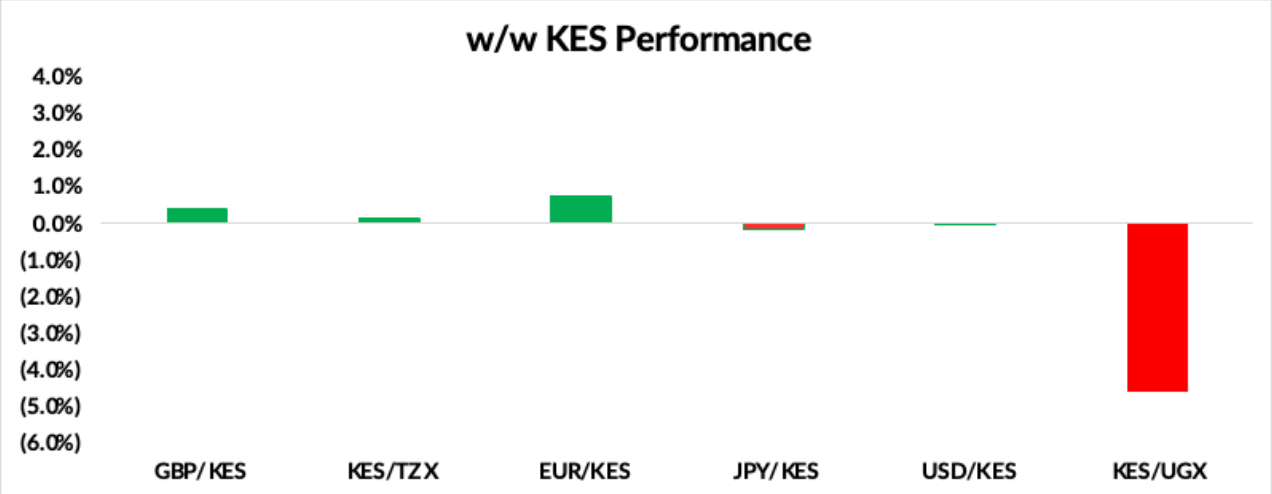
See the table below;

Currencies	31 Dec 2025 (vs KES)	Previous	Current	w/w Change	YTD change
GBP/KES	173.65	173.20	173.91	0.4%	0.2%
KES/TZX	19.03	20.32	20.35	0.1%	6.9%
EUR/KES	151.43	144.74	145.83	0.8%	(3.7%)
JPY/KES	82.39	82.31	82.18	(0.2%)	(0.3%)
KES/UGX	28.06	33.43	31.89	(4.6%)	13.7%
USD/KES	129.01	129.95	129.91	(0.0%)	0.7%

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

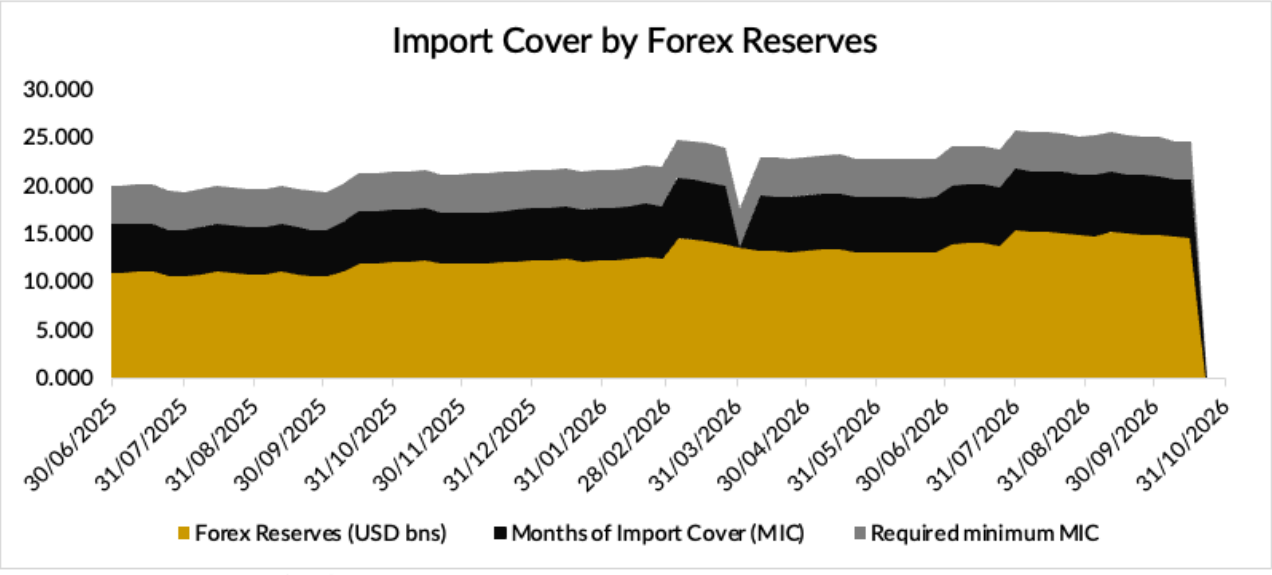
Abbreviations: GBP – British Pound, EUR – Euro, USD – US Dollar, UGX – Ugandan Shilling, TZS – Tanzanian Shilling, JPY – Japanese Yen I
FX rate is determined by calculating the weighted average rate of recorded spot trades in the interbank market

See also a visual representation below;



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

Kenya's foreign exchange reserves increased marginally by 0.3% to close at USD 14.74bn, with import cover closing at 6.1 months. See the chart below for a visual summary.



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

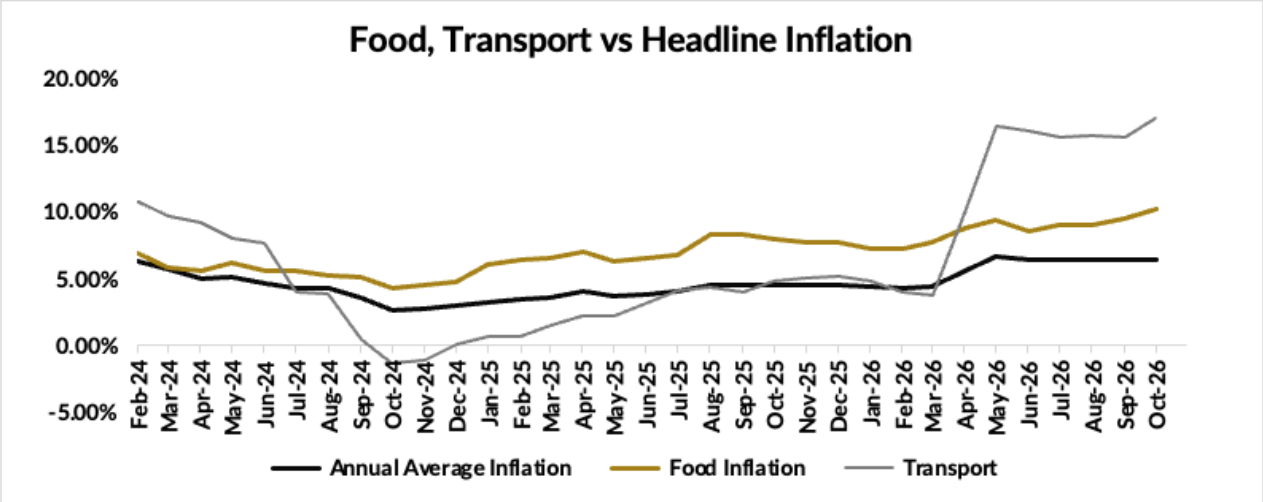
Kenya's Inflation Accelerates to 7.3% in October, Approaching CBK's Upper Target Limit.

Kenya's annual inflation accelerated to **7.3% in October 2026**, up from 6.8% in September, reaching its highest level since June 2023 and moving closer to the CBK's **7.5% upper target limit**. Consumer prices rose by 0.7% month-on-month, pushing the CPI to 157.60.

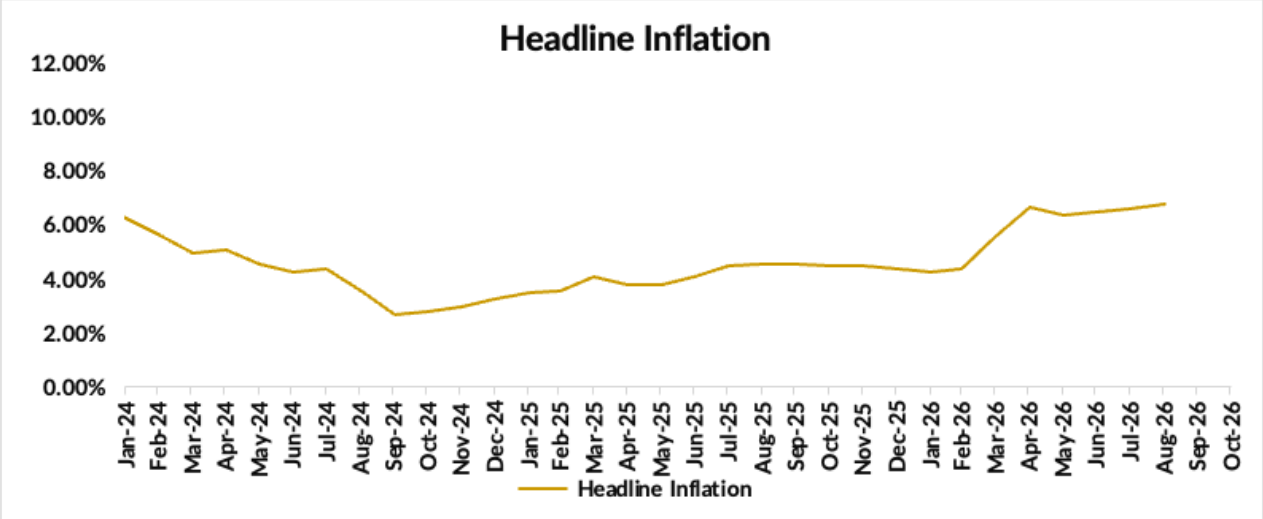
The increase was driven by **food, transport and housing costs**, which collectively account for more than 57% of the consumer basket. Food inflation rose to **10.2%**, from 9.5%, while transport inflation climbed to **17.1%**, from 15.6%. Housing-related inflation also edged up to 3.7%.
Fuel prices remained a major source of pressure, with petrol, diesel and kerosene rising by **6.0%, 4.4% and 14.7%**, respectively, during the month. Food prices also increased, including fresh packeted milk (4.7%) and unpacketed milk (3.9%).

Underlying pressures strengthened, with **core inflation rising to 4.3%** from 4.0% in September, while non-core inflation increased to **15.1%** from 14.0%.

The latest reading follows the CBK's decision to maintain the **Central Bank Rate at 8.75%** on 7 October. With inflation approaching the upper target threshold and core pressures building, **the CBK faces a more challenging balancing act ahead of its December policy meeting**, particularly as it monitors fuel prices and potential second-round effects.

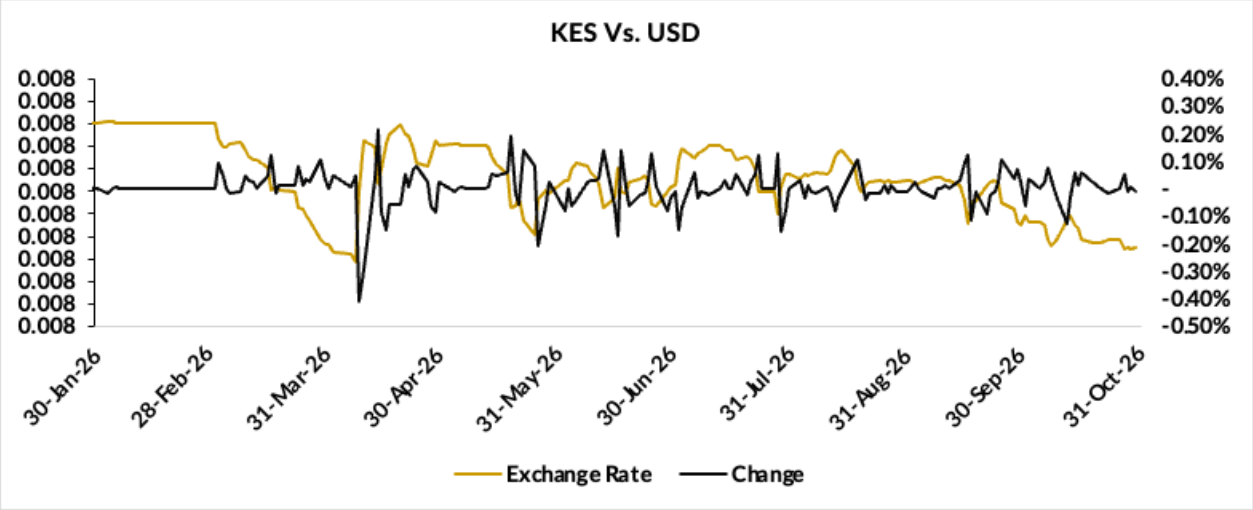


Source: KNBS, Chart: SIB



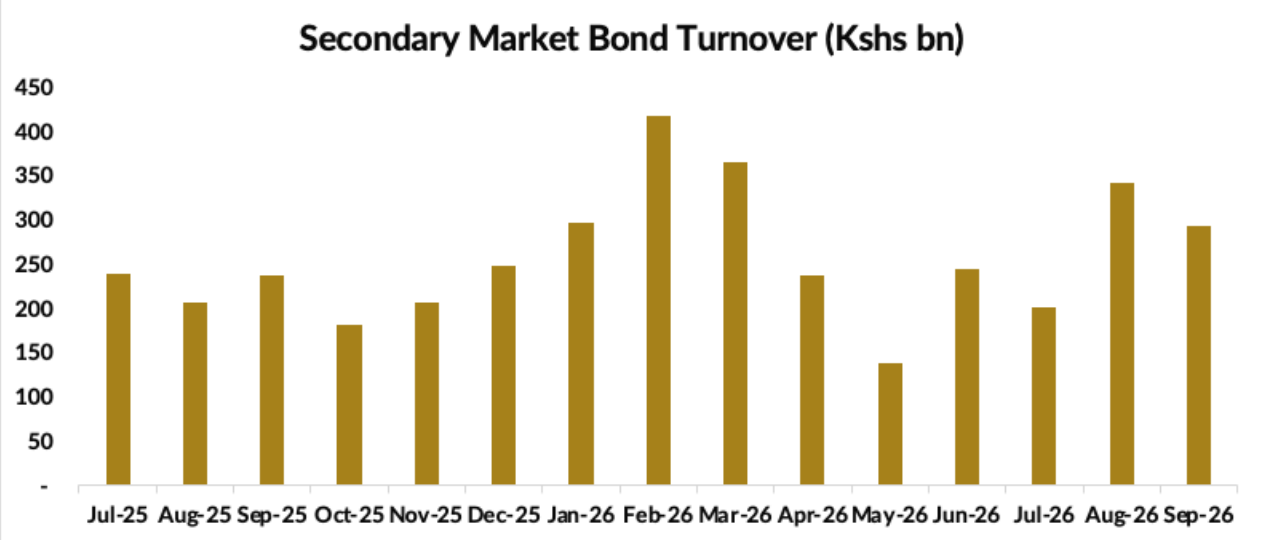
Source: KNBS, Chart: SIB

BACKGROUND CHARTS
KES/USD Performance:



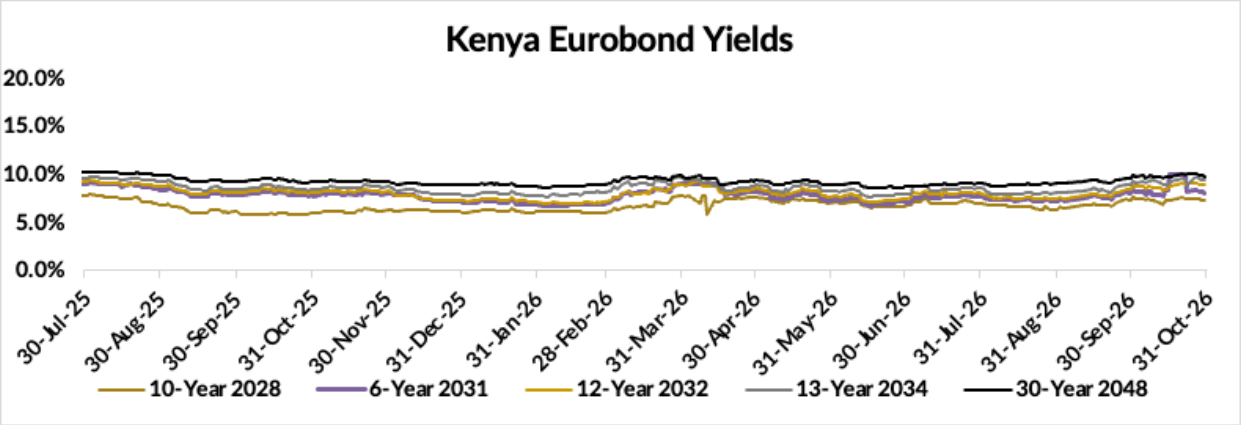
Source: Central Bank of Kenya (CBK), Chart: SIB

Bond Turnover:



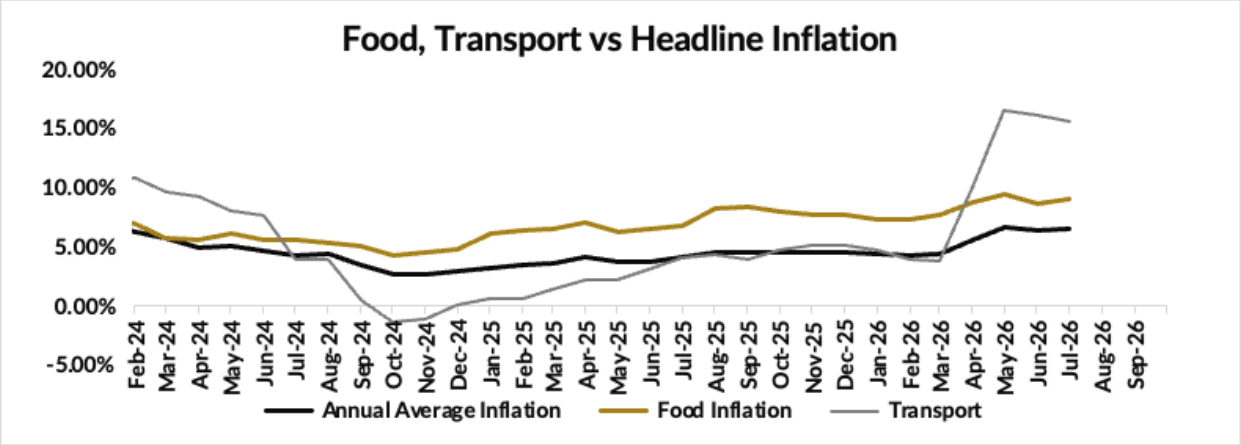
Source: NSE, Chart: SIB

Kenyan Eurobonds:



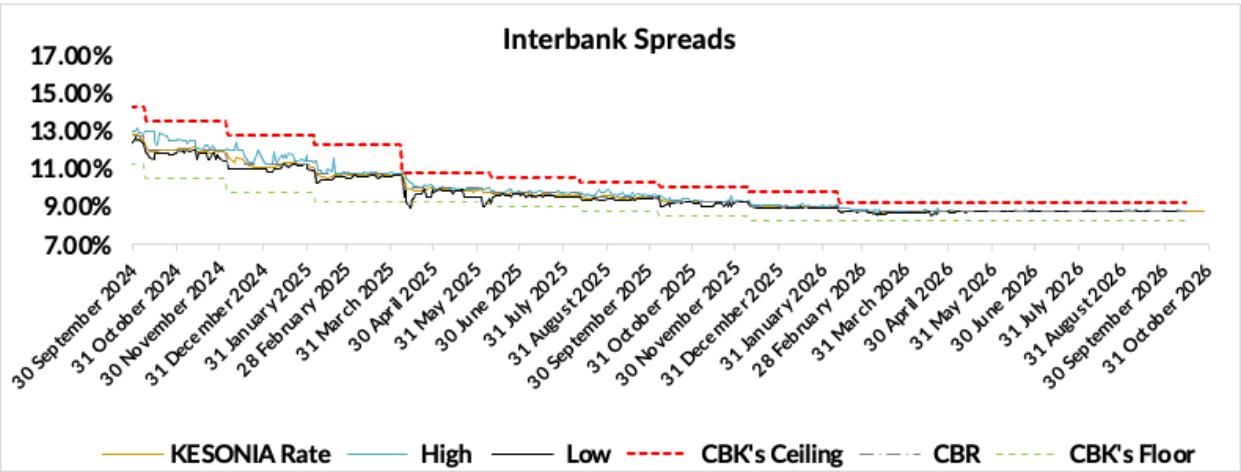
Source: Central Bank of Kenya (CBK), Chart: SIB

Inflation:



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

Interbank Spreads.



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

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