

ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

16th February 2026

Interest Rates Move Lower Following Policy Rate Cut

On 10th February 2026, the Monetary Policy Committee (MPC) lowered the Central Bank Rate (CBR) by 25 basis points to 8.75%. The move was guided by the need to stimulate further credit expansion and economic activity. In a bid to accelerate policy transmission and better align loan pricing amid the implementation of the new risk-based pricing framework, the committee narrowed the interest rate corridor around the CBR from ± 75 bps to ± 50 bps.

In response, the KESONIA declined by 22.9 basis points in the week to 8.78% from 8.99% previously. In the primaries, the twelve-month paper dropped 22.44 basis points to 8.97%. Interestingly, the three-month and six-month papers were virtually unchanged at 7.609% (-2.04bps) and 7.7701% (-1.80bps), respectively. This was in part due to the heavy demand registered on the twelve-month T-bill, whereby KES 60Bn of the KES 74.12Bn total tendered bids was weighted on the one-year Treasury bill. The CBK, in ensuring as much passthrough of the policy signal to domestic yields as possible, accepted only KES 44.8Bn from the sale.

Similarly, robust demand in the bond auction for the reopened FXD3/2019/015 and FXD1/2018/025, saw bids to the tune of KES 213Bn against the KES 50Bn on offer. The CBK accepted KES 100.5Bn. Against market weighted rates of 12.3876% and 13.4496%, accepted yields were at 12.1835% and 13.3625%, respectively.

Overall, ample market liquidity and local debt maturities will continue to uphold strong investor subscription with a sustained chase for yield.

In our view, yields are yet to bottom out given the current macroeconomic backdrop. The timing of further policy easing will be determined not only by domestic factors but also by cues from the Federal Reserve to address external risks effectively. Near-term rate cuts by the Fed are unlikely, with market consensus pointing to a potential cut in either June or July.

| Indicative Rates (%) | Previous | Current | Change (bps) |
|-----------------------|----------|---------|--------------|
| Interbank rate | 8.9917 | 8.7653 | (22.90) |
| 91-Day T-bill | 7.6298 | 7.6094 | (2.04) |
| 182-Day T-bill | 7.7881 | 7.7701 | (1.80) |
| 364-Day T-bill | 9.1999 | 8.9755 | (22.44) |
| Headline Inflation | 4.5 | 4.4 | (10.00) |
| Weekly T-bill Results | 91D | 182D | 364D |
| Offered (Bn) | 4.0 | 10.0 | 10.0 |
| Bids Received (Bn) | 7.18 | 6.88 | 60.05 |
| Accepted (Bn) | 7.16 | 6.86 | 30.78 |
| Redemption (Bn) | 6.58 | 7.69 | 12.86 |
| New borrowing (Bn) | +0.58 | (0.84) | +17.92 |

Regional Markets

Uganda

The MPC met on 9th February and maintained the CBR at 9.75%. Inflation is projected to remain below target in 2026 and hold within 3.8%–4.3% in the near term, supported by exchange rate stability and easing global commodity prices. However, the committee remains cognizant of the upside risks stemming from stronger-than-expected domestic demand partly driven by a more expansionary fiscal policy in addition to geopolitical tensions and adverse weather conditions.

In the money market, the bi-weekly T-bill auction was heavily oversubscribed, with UGX 1.17 trillion in bids against a UGX 355Bn target, although only UGX 347.62Bn was accepted. Yields declined markedly across all tenors, reflecting strong demand and improved liquidity conditions. The three, six and twelve-month papers were recorded at 10.112% (-63.7bps) 11.659% (-66.0bps) and 12.50% (-1489bps), respectively.

Tanzania

Tanzania's headline inflation declined to 3.3% in January from 3.6% in December. Core prices similarly declined to 2.2% from 2.5%. The decline is largely attributed to softer food and energy inflation at 5.7% and 4.6%, respectively. Looking ahead, we see muted risks to the inflation environment supporting the case for the current policy stance to prevail. With that, the business environment will remain favourable, boosted by continued credit growth that averaged 16.5% in 2025.

Rwanda

Annual headline inflation rose to 8.9% in January 2026, from 8.0% in December 2025, reflecting renewed price pressures in the food basket. Notably, food and non-alcoholic beverages rose by 6.3%. Similarly, core inflation edged up to 7.4% from 7.2%. The central bank expects prices to moderate over the course of 2026 supported by improving domestic supply conditions, easing food price volatility, and a continued prudent monetary policy stance.

| | UGANDA | | TANZANIA | | RWANDA | |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Week Ending | 13-Feb | 6-Feb | 13-Feb | 6-Feb | 13-Feb | 6-Feb |
| 91D T-Bill | 10.11% | 10.75% | 5.09% | 5.76% | 8.19% | 8.04% |
| 182D T-Bill | 11.66% | 12.32% | 5.95% | 5.89% | 8.37% | 8.33% |
| 364D T-Bill | 12.50% | 13.99% | 6.23% | 6.23% | 8.66% | 8.55% |
| O/N rate | 9.97% | 10.47% | 5.0% | 6.68% | 7.0% | 6.91% |
| CBR | 9.75% | 9.75% | 5.75% | 5.75% | 6.75% | 6.75% |