ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

16th March 2026

No Interest Rate Move Expected from the Four Major Central Banks this Week

The continued escalation of the Middle East conflict has materially increased risks to global markets and broader macro-financial stability. The effective closure of the Strait of Hormuz, alongside attacks on regional energy infrastructure, has significantly disrupted supply chains and trade routes. Iraq's crude oil production has reportedly declined to about 1.4 million barrels per day from pre-conflict levels of above 4.0 million barrels per day, reflecting export bottlenecks and storage constraints.

In response, the International Energy Agency (IEA) announced a coordinated release of more than 400 million barrels from emergency reserves to ease near-term supply tightness and contain price pressures. However, strategic reserve releases are only a temporary buffer and would not fully offset the effects of prolonged disruptions to Gulf energy flows. In addition, the US issued a temporary 30-day waiver permitting certain transactions involving Russian oil, highlighting the extent of policy intervention aimed at stabilizing global supply conditions.

Despite these interventions, Brent prices remain high, trading at USD 104 a barrel. In the United States, although headline and core inflation remained unchanged at 2.4% and 2.5%, respectively in February 2026, renewed volatility in global energy prices could slow the pace of disinflation in the coming months. This reinforces expectations of a cautious monetary policy stance by the Federal Reserve, Bank of England, Bank of Japan and the European Central Bank. Therefore, into this week's meetings we see their policy rates remaining unchanged.

For Kenya, the sharp rise in global oil prices raises upside risks to inflation, the current account balance and broader external sector stability. Thus far, the transmission into local prices is not yet evident. At the pump, the Energy and Petroleum Regulatory Authority held fuel prices steady for the cycle beginning March 15, reflecting earlier oil stock costs. However, it does not account for rising shipping expenses. Global freight rates have already climbed, with the World Container Index up 12% since the conflict to 2,122.6 per 40ft container. The next pricing cycle is likely to incorporate these higher costs, government intervention notwithstanding.

A prolonged conflict is expected to entrench high inflation, pushing interest rates higher as markets price in sustained price pressures. Currently, ample market liquidity amid strong investor search for yield and safety is providing room for the fiscal agent (CBK) to reject expensive bids, keeping yields contained. The reopened FXD1/2019/020 and FXD1/2021/025 bond auction attracted total bids of KES 117.0 billion against an offer of KES 60.0 billion, with CBK accepting KES 60.99 billion. Accepted yields for the two bonds came in at 12.7475% and 12.9489%, respectively, below the corresponding market weighted average rates of 12.7864% and 13.3611%. In the Treasury bill space, total bids stood at KES 43.75 billion, out of which KES 28.04 billion was accepted. Yields were lower on the 91-day and 364-day paper at 7.564% (down 1.6bps) and 8.481% (down 16.3bps). In contrast, the 182-day paper was up 2.4bps to 7.856%.

However, the approximate 70bps upward movement in Kenya's Eurobond yields points to increased risk premium by investors for frontier market debt amid elevated global risk aversion. Even so, Kenya's external position remains relatively well supported with FX reserves of USD 14.46 billion, equivalent to 6.2 months of import cover. providing an adequate buffer against near-term external shocks. With that, the USDKES is somewhat cushioned as indicated by a marginal 40-cents depreciation since the conflict. Nonetheless, the risk is imminent and we thus expect the MPC to be proactive in its response by holding the policy rate at 8.75%.

Rwanda

Headline inflation rose to 7.9% in February from 7.5% in January. Meanwhile, the Urban CPI index touched 9.2% from 8.9%, previously. This was primarily driven by food inflation, which accelerated to 12.4% from 8.1%, while core inflation rose to 6.1% from 4.8%, indicating a broadening of underlying price pressures. Inflation is expected to remain above the central banks target through 1H2026, exacerbated by sustained elevation in global energy prices owing to the Middle East war. Under these conditions, a cautious policy stance is likely to remain warranted.

Indicative Rates	Previous	Current	Change (bps)
KESONIA	8.6778%	8.6718%	(0.6)
91-Day T-bill	7.5795%	7.5636%	(1.59)
182-Day T-bill	7.8216%	7.8457%	+2.41
364-Day T-bill	8.6434%	8.4805%	(16.29)
Headline Inflation	4.4000%	4.3000%	(10.0)
Weekly T-bill Results	**91D**	**182D**	**364D**
Offered (Bn)	4.0	10.0	4.0
Bids Received (Bn)	4.98	7.89	30.87
Accepted (Bn)	4.95	7.89	19.42
Redemption (Bn)	7.60	3.23	13.33
New borrowing (Bn)	(2.64)	+4.67	+6.10

	UGANDA		TANZANIA		RWANDA	
Week Ending	13-Mar	6–Mar	13-Mar	6-Mar	13-Mar	6-Mar
91D T-Bill	10.25%	11.03%	4.29%	4.85%	8.30%	8.30%
182D T-Bill	11.22%	11.38%	5.59%	5.75%	8.56%	8.54%
364D T-Bill	12.00%	12.00%	6.40%	6.17%	8.93%	8.89%
O/N rate	10.08%	10.16%	6.68%	6.26%	7.25%	7.25%
CBR	**9.75%**	**9.75%**	**5.75%**	**5.75%**	**7.25%**	**7.25%**