

ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

2nd March 2026

Intensifying Geopolitical Risks to Shape Global Markets in the Weeks Ahead.

Over the weekend, the US and Israel launched a series of attacks on Iran that resulted in the assassination of Tehran's supreme leader, Ayatollah Ali Khamenei. The response was immediate – and spread across the region. Within hours, waves of Iranian missiles and drones were launched at Israel and at US bases across the Gulf – including in Qatar, Kuwait, the United Arab Emirates and Bahrain – dramatically widening the conflict. Global markets appear to be consolidating around this geopolitical risk, prompting investors to seek refuge in traditional safe-haven assets. Notably, relative to Friday last week Brent price is up 9%, Gold 2.1%, USD Index 1% as well as minimal changes on the other safe-haven assets that include JPY and CHF.

Given the risk of an attack on the Strait of Hormuz, global oil supply shocks are likely, causing equity markets to shift to oil prices as a driver of price action. Still, the most likely scenario is that disruptions to sea-based oil shipments through the Strait will only be moderate. Nonetheless, investor portfolio re-alignment is eminent. Energy and defence stocks may rise while airline stocks are expected to slide amidst disruptions to air travels. In Europe, while there is some interest in stocks amid the US-Iran conflict, disinflation may favour government and high-quality corporate bonds. However, a "wait and see" approach could lead to volatility.

Domestically, Kenya's Eurobond yields have risen by 15-basis points on average relative to Friday. Positively, the sovereign completed the full and partial redemption of the 2028 and 2032 Eurobond note, eases external debt financing pressure in the medium term amid geopolitical induced volatility in markets. Specifically, out of the US\$ 2.25 billion newly issued Eurobond proceeds, the government has managed to repurchase US\$ 415.4 million (Kes 53.6Bn) comprising of US\$ 90.5Mn (Kes 11.7Bn) the February 2028 note

Indicative Rates	Previous	Current	Change (bps)
KESONIA	8.7756%	8.7695%	(0.61)
91-Day T-bill	7.5899%	7.5800%	(0.99)
182-Day T-bill	7.7500%	7.8000%	5.00
364-Day T-bill	8.9010%	8.7893%	(11.17)
Headline Inflation	4.4%	4.3%	(10.00)
Weekly T-bill Results	91D	182D	364D
Offered (Bn)	4.0	10.0	10.0
Bids Received (Bn)	12.34	0.79	45.40
Accepted (Bn)	12.27	0.79	28.76
Redemption (Bn)	18.22	1.82	12.88
New borrowing (Bn)	(5.95)	(1.03)	+15.88

and US\$ 324.8 million (Kes 41.9Bn) of the 2032 note. The balance amounting to US \$1.83Bn (Kes 236.4Bn) is earmarked for general budgetary support, thus easing strain on the budget deficit.

Consequently, amid somewhat well managed sovereign financing risks, last week's yields in the T-bill auction remained broadly stable at 7.58%, 7.800% and 8.79% for the 91, 182 and 364-day papers, respectively supported by adequate market liquidity.

Regional Markets

Uganda

Uganda's February inflation dropped to 2.9% from 3.2% in January on account of subdued food inflation at 1.8%. Looking ahead, favourable weather expected in the March to May season indicates that food prices will remain subdued. Inflation is therefore likely to remain within the central bank's target in the near term and coupled with a positive growth outlook for 2026 may allow for a looser policy stance. However, Uganda's exposure to foreign portfolio flows and ongoing geopolitical tensions make a near-term policy hold likely.

Rwanda

In the week, interbank market liquidity remained sufficient albeit unevenly distributed among the players. Consequently, the National Bank of Rwanda intervened through a reverse repo to inject RWF 215Bn worth of liquidity at 7.25%. Despite the liquidity stance, last week's auction was slightly over subscribed. Bids stood at RWF57Bn against the RWF49.5Bn on offer, out of which RWF49.5Bn was accepted. The yields closed at 7.10% (down 2.8 bps) for 28 days, 8.38% (up 26 bps) for 91 days, 8.57% (up 14 bps) for 182 days paper and 8.75% (up 5 bps) for 364 days paper.

Week Ending	UGANDA		TANZANIA		RWANDA	
	27-Feb	20-Feb	27-Feb	20-Feb	27-Feb	20-Feb
91D T-Bill	11.03%	10.11%	4.85%	5.09%	8.38%	8.11%
182D T-Bill	11.38%	11.66%	5.75%	5.95%	8.57%	8.42%
364D T-Bill	12.00%	12.50%	6.17%	6.23%	8.75%	8.70%
O/N rate	9.97%	10.70%	6.22%	6.21%	7.0%	7.0%
CBR	9.75%	9.75%	5.75%	5.75%	7.25%	7.25%