

ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

30th March 2026

Bond Market Turnaround Signals Fears of Oil Shock Transmission to Global Growth

The ongoing conflict in the Middle East continues to amplify already elevated global uncertainty as the war enters its fifth week. The swings in headlines between the risks of further escalation and relief from a potential ceasefire, and conflicting signals on the state of US-Iran negotiations, are making investors wary. As a result, investors are turning more cautious in the short term as they appear more fearful of the oil supply shock and its potential transmission to the growth outlook and earnings.

Underpinning this is the continued volatility in commodity markets, with Brent oil and urea fertilizer prices up 53% and 43% month-to-date, respectively. An inflation shock would weaken real income growth and soften consumer demand.

To this end, after exhibiting volatility in the week, US Treasury yields dropped by roughly 4.0 basis points in early Monday trading and could ease further. US economic activity for March already exhibited a deceleration in the service sector, as indicated by the preliminary PMI data released by S&P Global. This, coupled with continued threats to the labour market weakened the case of a potential Fed lift off before year-end with neutral impact to the current stance seen as the base case. Meanwhile, for the European Central Bank and Bank of England, markets are increasing rate hike bets amid persistent inflation risks and weak economic fundamentals, especially for the UK economy.

Emerging and frontier market central banks are expected to take cue from the major central bank actions.

Indicative Rates	Previous	Current	Change (bps)
KESONIA	8.6837%	8.7348%	5.11
91-Day T-bill	7.5679%	7.4261%	(14.18)
182-Day T-bill	7.8399%	7.8292%	(1.07)
364-Day T-bill	8.3445%	8.2815%	(6.3)
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)	2.60	2.83	5.49
Accepted (Bn)	2.57	2.83	5.45
Redemption (Bn)	2.40	1.94	11.11
New borrowing (Bn)	+0.17	+0.89	(5.66)

For example, the South African Reserve Bank maintained its policy rate at 6.75%, highlighting elevated inflation risks linked to global supply disruptions, geopolitical tensions, and currency weakness.

Domestically, risks to inflation will warrant close monitoring alongside potential spillovers from a weaker export performance for the agricultural goods due to the Middle East. Hence, the Monetary Policy Committee (MPC) is expected to hold CBR in next week's meeting. Positively, sovereign risk has not substantially risen as the increase in Kenya's Eurobond yields is largely in tandem with the increase in US Treasury yields.

In the primaries, last week's T/bill auction was under-subscribed. Bids amounted to KES 10.92Bn, missing the target of KES 24.0Bn, out of which KES 10.86Bn was accepted. Though yields continued to gradually fall in response to liquidity conditions. The underperformance can be attributed to end of quarter consolidation for Q1 and external risks. Moreover, investors likely see this week's bond sale for the reopened FXD1/2020/015 (8.9 years) and FXD1/2018/025 (17.3 years) as an opportunity to lock in better yields amid declining short-end rates. Given high liquidity, the 8.9-year paper is likely to get good demand at around 12% levels.

Regional

In Tanzania, Fitch Ratings affirmed the country's Long-Term Foreign-Currency Issuer Default Rating at B+ with a Stable Outlook. The rating was supported by a strong growth outlook with real GDP projected to expand at 6.0% in 2026 and 2027. However, near-term risks from geopolitics and adverse weather conditions remain.

Week Ending	UGANDA		TANZANIA		RWANDA	
	27-Mar	20-Mar	27-Mar	20-Mar	27-Mar	20-Mar
91D T-Bill	10.00%	10.25%	4.16%	4.29%	8.40%	8.20%
182D T-Bill	11.66%	11.22%	5.78%	5.59%	8.56%	8.53%
364D T-Bill	12.50%	12.00%	5.20%	6.40%	8.91%	8.89%
O/N rate	10.12%	10.29%	5.45%	6.0%	7.10%	7.10%
CBR	9.75%	9.75%	5.75%	5.75%	7.25%	7.25%