

# ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

9th March 2026

## Broad Market Sell-Off as Middle East Conflict Deepens

The Middle East war deepened and widened in the week with a barrage of Iranian missiles and drones targeting at least five countries across the Middle East. The biggest fear for markets remains the disruptions to flows through the Strait of Hormuz, where a fifth of global oil supply passes through. So far, tanker transit through the channel has been effectively halted. In response, the UAE and Kuwait began reducing oil production, while Saudi Arabia is increasing crude shipments from its Red Sea oil ports to offset dwindling flows from its Persian Gulf terminals. More recently, Bahrain's state oil company declared force majeure on its operations following strikes by Iran on its refinery.

So far, jitters in the market remain apparent. Brent prices are up 43% and have breached the USD 100 a barrel mark. Dollar's haven appeal has seen the DXY touch 99.40 levels while bond and equity markets have witnessed a broad market sell off as investors prefer to hold cash amid this uncertainty. Notably, Asian and European equities have tumbled with the Nikkei 225 Index down 5.49% and the Pan-European STOXX down 5.55%.

Similarly, at the Nairobi Securities Exchange, equities ended in the red with the NASI, NSE 25 and NSE 20 share price indices down by 3.69%, 2.84% and 2.96%, respectively, during the week ending March 5, 2026. Rush to safety saw the T-bill auction garner KES 100Bn in bids against redemptions of KES 26.21Bn but CBK accepted KES 41.41Bn.

Overall, higher oil prices, a strong US dollar and rising bond yields are aggravating debt, and inflation concerns especially through the exchange rate channel across

Emerging and Frontier markets. Evidently, Kenya Euro-bond yields have also risen by an average 70bps reflecting the increase in yield, strong US dollar are related sovereign debt concerns. This is likely to invite increased premium on Emerging and Frontier sovereigns, increasing the dependence on local debt for debt financing.

This comes at a time when the sovereign is facing accelerated spending pressures as indicated by the FY 2025/26 supplementary budget tabled in parliament last week. The sovereign now faces a wider fiscal deficit (KES 1,140 Billion, 6.1% of GDP) to cater for increased recurrent, development and public debt expenditures. Furthermore, in the absence of any major pronouncements following the conclusion of last week's IMF mission, access to concessional funding may remain limited.

## Regional Market

Across the EAC, exposure and vulnerability to the Middle East conflict remains elevated. In Uganda, the Middle East controls 35% of Uganda's exports, mainly for coffee and mineral products, indicating heavy dependence on the region for export revenue.

In Rwanda, the latest jump in global oil prices hits an economy that is already facing rising inflation at 8.9%. Illustratively, the National Bank of Rwanda (BNR) raised its policy rate 50 bps to 7.25% in mid-February.

In Tanzania, although tourist arrivals from the Middle East are not significant, disruption to global civilian travel and rising energy costs are expected to dampen overall tourism and trade linkages. Overall, we expect broad cautiousness by regional central banks to safeguard against external risks and monitor impact to the domestic economy.

Indicative Rates	Previous	Current	Change (bps)
KESONIA	8.7637%	8.6778%	(8.59)
91-Day T-bill	7.5800%	7.5795%	(0.05)
182-Day T-bill	7.8000%	7.8216%	+2.16
364-Day T-bill	8.7893%	8.6434%	(14.59)
Headline Inflation	4.30%	4.40%	-10.0
Weekly T-bill Results	91D	182D	364D
Offered (Bn)	4.0	10.0	4.0
Bids Received (Bn)	1.95	15.16	83.32
Accepted (Bn)	1.95	15.16	24.31
Redemption (Bn)	8.59	5.09	12.52
New borrowing (Bn)	-6.65	10.06	11.78

Week Ending	UGANDA		TANZANIA		RWANDA	
	6-Mar	27-Feb	6-Mar	27-Feb	6-Mar	27-Feb
<b>91D T-Bill</b>	11.03%	11.03%	4.85%	4.85%	8.30%	8.38%
<b>182D T-Bill</b>	11.38%	11.38%	5.75%	5.75%	8.54%	8.57%
<b>364D T-Bill</b>	12.00%	12.00%	6.17%	6.17%	8.89%	8.75%
<b>O/N rate</b>	10.16%	9.73%	6.26%	6.22%	7.25%	7.0%
<b>CBR</b>	<b>9.75%</b>	<b>9.75%</b>	<b>5.75%</b>	<b>5.75%</b>	<b>7.25%</b>	<b>7.25%</b>