ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

20th April 2026

Geopolitical Risk Eases Slightly Last Week, But Reverses in Today's Early Trading Session

As the war in Iran enters its 8th week, recent developments would be viewed as "a few steps forward and some steps backward". The agreement between Israel and Lebanon that saw the former halt attacks on Hezbollah on Thursday last week was a necessary condition for the resumption of Iran/US talks. However, the developments over the weekend illustrate that these two sides are still far apart and that global markets may be too optimistic.

Markets on Friday saw the US Treasury yields fall by 5 bps across the curve as oil prices fell, with investors projecting an increased chance of the US Federal Reserve resuming policy rate cuts later this year. However, at the Asia trading this morning, Brent oil prices rose by 6% to USD 95.4 following reports that the US Navy resumed the blockade on the Strait of Hormuz.

Relatedly, the International Energy Agency now sees this oil crisis as worse than the ones in 1970s, the Iran/Iraq war in 1980s and the Gulf war in 1990. The advantage today is that several advanced economies have built heathier oil buffers.

Domestic Yields Bottoming Out?

Throughout this fiscal year, the government securities yield curve has been anchored on monetary easing, moderate inflation, adequate domestic liquidity and steady local deficit financing following the successful frontloading in the first half of the fiscal year. With that, yields remain on a gradual decline – with the 91-day T-bill down 74-basis points July-to-date.

However, the fuel price shock amid supply chain disruptions threatens to alter the local general price outlook given the expected transmission to other goods, business operating costs and overall activity level. Typically, short end interest rates tend to be the most sensitive to price changes. Therefore, even if the monetary authority holds the CBR in June, the yield curve may still rise to reflect the inherent inflationary expectations.

Indicative Rates	Previous	Current	Change (bps)
KESONIA	8.7515%	8.7519%	0.04
91-Day T-bill	7.4000%	7.4241%	2.41
182-Day T-bill	7.8293%	7.8295%	0.02
364-Day T-bill	8.2700%	8.2723%	0.23
Headline Inflation	4.3%	4.4%	10.00
Weekly T-bill Results	**91D**	**182D**	**364D**
Offered (Bn)	4.0	10.0	10.0
Bids Received (Bn)	2.58	7.67	3.75
Accepted (Bn)	2.57	7.66	3.74
Redemption (Bn)	0.90	2.53	29.15
New borrowing (Bn)	+1.67	+5.13	(25.41)

In the week under review, yields across the 91, 182 and 364-day papers rose to 7.424% (+2.41bps), 7.829% (+0.02bps) and 8.272% (+0.23bps) respectively. While the change seems minor, it could indicate a near-term adjustment in the yield curve.

In the interbank market, the cost of funding remains stable with KESONIA closely aligned to the CBR. This stems from excess market liquidity. Notably, last week the central bank mopped up KES 130.7Bn surplus cash from the market. Overall liquidity will remain well-supplied into the week, with minimal pressure on the cost of funding. However, micro distortions may emerge from corporate tax payments and the bond settlement of KES 30Bn.

Separately, fiscal trade-offs are becoming more intricate as the government seeks to cushion consumers. The government implemented three supportive measures including, a KES 6.2Bn Petroleum Development Levy Fund, a VAT cut from 16% to 13%, and the further reduction from 13% to 8%. This comes against a backdrop of uncertain concessional budgetary financing. However, local deficit financing may not be materially impacted this fiscal year, with the current run-rate at over 90%, but a prospective increase in domestic borrowing beyond June may see investors re-evaluate their return on sovereign risk.

Regional Market

Rwanda's Urban CPI index flatlined at 9.2% in March, underpinned by pressure on the housing, water, electricity, and gas index (14.6%). The overall Rwanda CPI index stood at 7.7% relative to 7.9%, previously. Meanwhile, core inflation rose to 8.0% from 7.7%, previously. The adjustments to fuel prices, along with revised public transport fares effective April 16 by the Utilities Regulatory Authority are expected to intensify inflationary pressures. For the MPC, the outlook appears hawkish.

	UGANDA		TANZANIA		RWANDA	
Week Ending	10-Apr	17-Apr	10-Apr	17-Apr	10-Apr	17-Apr
91D T-Bill	10.00%	10.00%	4.08%	4.08%	8.31%	8.31%
182D T-Bill	11.30%	11.30%	5.57%	5.57%	8.50%	8.50%
364D T-Bill	12.25%	12.25%	5.78%	5.78%	8.95%	8.95%
O/N rate	9.84%	10.70%	6.02%	6.00%	7.30%	7.30%
CBR	**9.75%**	**9.75%**	**5.75%**	**5.75%**	**7.25%**	**7.25%**