

# ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

23rd March 2026

## A Cautious Path by Key Central Banks Following Joint Shock on Inflation and Economic Growth

Last week, the Federal Market Operations Committee (FMO) held the Fed Funds rate unchanged at 3.50%-3.75% citing an uncertain outlook to economic activity and inflation partly due to the recent developments in the Middle East and the trade tariffs by the US administration. Following the decision, the committee projects the US economy to expand by 2.4% in 2026 relative to their earlier forecast of 2.3% stemming from investment and productivity gains from Artificial Intelligence. However, the committee projects inflation to be somewhat elevated at 2.7% in 2026 compared to an earlier forecast of 2.4%, primarily driven by rising energy prices. Additionally, labour market conditions are expected to hold, with unemployment rate projected at 4.4% in 2026 and 4.3% in 2027 and 2028. Overall, the committee forecasts only 25 basis points cut to the FOMC rate this year.

Similarly, the European Central Bank (ECB) held all three benchmark rates unchanged in their second monetary policy meeting of the year. The committee noted that increased public spending on defense and infrastructure and a solid private sector are expected to anchor the region's growth, while acknowledging that the ongoing Iran war poses significant upside risks on inflation and downside risks on economic growth. Consequently, To this end, the ECB revised upwards their inflation expectations to average 2.6% in 2026 while downgrading GDP growth from 1.2% previously to 0.9%. In the United Kingdom, the Bank of England held the Bank Rate at the current level of 3.75% last week citing imminent inflation risk on the backdrop of rising energy costs. Supporting the stance, the committee now projects March inflation at 3.5% up from 3.0% in February 2026. Furthermore, the direct contribution of energy prices to CPI inflation in the third quarter of 2026 would be around 75 bps.

Cross-market stress is manifesting at the fastest pace since last year's tariff shock. The US 2Yr treasury yield rose 11bps to 3.90% last Friday and gained 18bps last week, while the US 10Yr surged 13bps last Friday to 4.38% and gained 10bps in the period under review. Similarly, the UK 10Yr surged 15bps to 4.99% last Friday and gained 17bps last week. Closer home, linked to ongoing volatility in the global markets, yields on Kenyan Eurobonds exhibited signs of moderate volatility. By end of last week respective Eurobonds' yield closed at 6.7% for KENINT 28 (up 7bps), 8.2% for KENINT 31 (up 21bps), 8.32% for KENINT 32 up 18bps) and 9.0% for KENINT 34 (up 6 bps).

In the primary market, adequate market liquidity continued to support market activities. Consequently, last week's T-bill auction subscriptions were KES 35.26Bn against KES 24Bn on offer. Yields in the T-bill auction remained broadly stable at 7.57%, 7.84% and 8.34% for the 91, 182 and 364-day papers, respectively.

## Regional

Uganda's Treasury bond auction last week was oversubscribed with UGX 2,841Bn bids against UGX 1,400Bn on offer illustrating investors' appetite for long-term dated government papers with the Bank of Uganda accepting only UGX 928Bn. Yields closed at 13.5% for 2-year bond, 15.0% for 5-year bond, 15.75% for 15-year bond and 16.29% for 25-year bond.

Similarly, in Tanzania, the 12%, 20-year bond was oversubscribed with TZS 1.59Tn tendered against TZS 236.2Bn on offer. The sovereign accepted bids worth TZS 236.2Bn.

In Rwanda, last week auction was oversubscribed, at RWF25.51Bn bids for RWF13.65Bn on offer. The National Bank of Rwanda (BNR) accepted RWF13.65Bn, at 7.30% (up 5.3bps) for 28 days, 8.28% (down 2bps) for 91 days, 8.53% (down 3.3bps) for 182 days paper, 8.89% (down 4.1bps) for 364 days.

Indicative Rates	Previous	Current	Change (bps)
KESONIA	8.6718%	8.6837%	(1.19)
91-Day T-bill	7.5636%	7.5679%	0.43
182-Day T-bill	7.8457%	7.8399%	(0.58)
364-Day T-bill	8.4805%	8.3445%	(13.6)
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)	14.45	10.30	10.51
Accepted (Bn)	13.44	9.84	5.79
Redemption (Bn)	3.54	5.79	17.92
New borrowing (Bn)	+9.9	+4.05	(12.13)

Week Ending	UGANDA		TANZANIA		RWANDA	
	20-Mar	13-Mar	20-Mar	13-Mar	20-Mar	13-Mar
<b>91D T-Bill</b>	10.25%	10.25%	4.29%	4.29%	8.20%	8.30%
<b>182D T-Bill</b>	11.22%	11.22%	5.59%	5.59%	8.53%	8.56%
<b>364D T-Bill</b>	12.00%	12.00%	6.40%	6.40%	8.89%	8.93%
<b>O/N rate</b>	10.29%	10.08%	6.57%	6.68%	7.25%	7.25%
<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>