ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

27th April 2026

Major Central Banks Expected to Hold Policy Rates This Week

With the war in the Middle East continuing, the global economy faces amplified uncertainties. In the short term, markets would wish to see a resumption of negotiations, the ceasefire between Israel and Lebanon maintained and the Strait of Hormuz open for regular commercial shipping vessels. Consequently, markets are on the edge, with global risk sentiment displaying uncertainty, while the macroeconomic data is still resilient.

As a result, energy markets reflect continued stress, with Brent oil prices up 18% in the week to US $107 per barrel. The International Energy Agency has labeled the war in Iran as the biggest supply shock in the history of the global oil market, given that the closure of the Strait of Hormuz disrupts a fifth of global oil flows. If sustained, this points to a sizable adverse global supply shock, which will disrupt growth and stoke inflation beyond the third quarter of this year.

Against this backdrop, there are several key central bank policy meetings this week. The Bank of Japan (BoJ) meets on Tuesday and is expected to leave rates unchanged at 0.75%. BoJ will however display a hawkish tone given that Japan's core inflation is above target following pressure from imports and Yen weakness. Thereafter, the Bank of Canada (BoC) meets on Wednesday and is expected to be on hold at 2.25%. The European Central Bank (ECB) and the Bank of England (BoE) decisions are on Thursday, and both are expected to leave rates unchanged at 2% (Deposit Facility rate) and 3.75%, respectively. In the subsequent meetings, we see a chance for these two to tighten their policy stance if the war continues. However, the lessons picked in 2008 and 2011 may see them in no rush to hike policy rates. The macro context implies hawkish risks as the US Fed meets this week. Headline inflation at 3.0%, faces further strengthening from the energy shock, while the economy's GDP growth outperformance witnessed last year is being tested.

As a result, we expect the committee to remain on hold this week. This leaves the Fed funds rate range unchanged at 3.50-3.75%. Relatedly, the futures market projects a cut of just 9 bps by the Fed in the remainder of the year. That said, all this could change in days, depending on the outcomes of the Middle East conflict.

Yields Adjust Higher as Investor's Price in Higher Inflation

As expected, interest rates trended higher as inflation expectations continue to rise. Against the undersubscription in last week's T-bill sale, the 91-day T-bill recorded a 35-basis point increase to 7.77%. The 182-day and 364-day papers settled at 7.88% (+5.32bps) and 8.27% (-0.13bps), respectively. The magnitude of further increases will be dependent on the April inflation reading, available liquidity and government borrowing appetite.

On prices, we expect the April headline inflation to move toward 5%, reinforcing higher inflation expectations. On liquidity, available funds in the domestic market remain adequate as indicated by commercial bank excess reserves of KES 71.4Bn last week. Although, pressure on this available liquidity may emerge into June. Firstly, there are bond maturities and coupon payments worth KES 200Bn in May and June. This comes at a time when the sovereign's net domestic borrowing target is higher at KES 996Bn relative to KES 635Bn in the initial estimates. On the upside, the current run-rate is 84%, resulting in a manageable gap of about KES 150Bn. However, the reduction in VAT on petroleum products may contribute to a greater tax revenue shortfall.

Indicative Rates	Previous	Current	Change (bps)
KESONIA	8.7519%	8.7558%	0.39
91-Day T-bill	7.4241%	7.7794%	35.53
182-Day T-bill	7.8295%	7.8867%	5.72
364-Day T-bill	8.2723%	8.2710%	-0.13
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)	9.24	0.86	3.68
Accepted (Bn)	9.24	0.86	3.68
Redemption (Bn)	1.30	7.30	12.66
New borrowing (Bn)	+7.94	(6.44)	(8.97)

	UGANDA		TANZANIA		RWANDA	
Week Ending	17-Apr	24-Apr	17-Apr	24-Apr	17-Apr	24-Apr
91D T-Bill	10.00%	10.00%	4.08%	3.97%	8.31%	8.31%
182D T-Bill	11.30%	10.75%	5.57%	5.36%	8.50%	8.50%
364D T-Bill	12.25%	12.00%	5.78%	5.66%	8.95%	8.95%
O/N rate	10.70%	10.54%	6.00%	6.50%	7.30%	7.30%
CBR	**9.75%**	**9.75%**	**5.75%**	**5.75%**	**7.25%**	**7.25%**