ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

13th July 2026

Less Policy Rate Action by Central Banks as Global Inflation Risks Linger

The US and Iran resumed hostilities last week, fracturing optimism around the Memorandum of Understanding (MOU), although the door for further negotiations remains open. Concerningly, Iran declared the Strait of Hormuz shut 'until further notice', paving way for further disruptions to global oil supplies. As a result, oil prices rose to a two-week high of USD 79 per barrel. This resurgence in conflict remains the most immediate downside risk to economic growth. Accordingly, the IMF adjusted its forecast for global GDP growth in 2026 to 3.0%, down from 3.5% in 2025 and raised its global inflation projection to 4.7% in 2026, compared to 4.4% in the April outlook. This broadly suggests fewer rate cuts globally, higher terminal rates, sustained yield curve volatility and stronger support for the USD than markets may currently expect.

Reinforcing this, last week's June FOMC meeting minutes by the US Federal Reserve show members were split on rate direction due to ongoing economic uncertainty, though most agreed to drop easing bias commentary from the policy statement. Moreover, the dot-plot grid of individual members' expectations, in which Fed Chair Warsh did not participate, narrowly tilted toward one rate hike this year as well. At the ECB, the June meeting minutes showed that even though the deceleration in June inflation to 2.8% from 3.2% slightly weakens the case for a rate increase, ongoing concerns around the second-round effects may still prompt a 25-bps rate hike at the September meeting.

Local Interest Rates Seem Appropriate to Reflect Underlying Expectations

Markets may be entertaining higher inflation pressures as oil prices continue to swing but we opine that general domestic prices are likely to print within the 6.0%-7.0% range in the remainder of this year. Accordingly, the chance of a policy rate hike by the CBK is almost absent now. The overall impact of this expectations on the curve has been near fully priced. This, linked with a more realistic initial fiscal budget suggests that there is less likelihood of surprises on interest rates.

Underscoring this, moves across the T-bill rates over the past three weeks have been negligible. Last week, the yields for 91-day, 182-day and 364-day papers came in at 8.825% (-0.97bps), 8.9711% +0.95bps) and 8.9923%(-0.30bps). Meanwhile, in the heavily subscribed triple bond sale, the fiscal agent prudently rejected aggressive bids, picking KES 70.6Bn from the auction. Overall, we expect the seasonally low appetite by the government to result in a marginal change in interest rates in Q3.

Regional Markets

Tanzania

Tanzania's annual headline inflation rate was 4.0% in June 2026, down from 4.2% in May. Following the recent 50-bps rate hike, we expect inflation to be firmly anchored within the 3-5% target range. Additionally, the high export earnings from gold, tourism, and agricultural commodities in the H2 2026 will cushion the currency, hence moderate the exchange rate pass-through effect to inflation.

Rwanda

Contrary to the regional trend, Rwanda's headline inflation rate rose in June to 13.6%, up from 12.9% in May 2026. Similarly, core inflation rose to 9.7% from 9.2%, previously. We expect the 100-bps rate hike effected in May to gradually transmit to consumer prices. However, concern that inflation could remain elevated for much of 2026 remains. Thus, we see minimal changes to the stance into end-year in a bid to anchor inflation expectations.

Indicative Rates %	Previous	Current	Change (bps)
KESONIA	8.7503	8.7496	-0.07
91-Day T-bill	8.8347	8.8250	0.97
182-Day T-bill	8.9616	8.9711	0.95
364-Day T-bill	8.9953	8.9923	-0.30
Headline Inflation	6.7	6.4	30.0
Weekly T-bill Results	**91D**	**182D**	**364D**
Offered (Bn)	4.0	10.0	10.0
Bids Received (Bn)	34.80	8.88	6.04
Accepted (Bn)	15.61	8.88	6.04
Redemption (Bn)	8.06	9.88	10.54
New borrowing (Bn)	+7.55	(1.00)	(4.50)

	UGANDA		TANZANIA		RWANDA	
Week Ending	03-Jul	10-Jul	03-Jul	10-Jul	03-Jul	10-Jul
91D T-Bill	10.50%	10.00%	3.45%	3.45%	8.30%	8.24%
182D T-Bill	10.71%	10.40%	4.70%	4.70%	8.30%	8.30%
364D T-Bill	12.00%	11.50%	7.12%	7.12%	8.60%	8.42%
O/N rate	9.73%	8.61%	6.20%	6.19%	8.30%	8.30%
CBR	**9.75%**	**9.75%**	**5.75%**	**5.75%**	**8.25%**	**8.25%**