ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

22nd June 2026

US-Iran peace Talks Underway as Uncertainty Surrounds Durability of the Ceasefire

The commencement of talks between Iran and the US over the weekend continued to support optimism witnessed last week upon an agreement to halt all military operations. We expect the Memorandum of Understanding (MOU) to a 60-day road map towards reaching a final deal as likely to moderate global oil market prices in the near-term. Consequently, international oil prices began the week below the US $ 80 per barrel recorded in last week's trading. However, as noted by the International Energy Agency's June oil market report, unresolved transit arrangements portend significant downside risks to the outlook. Amid the conflict, global oil demand is forecast to drop by 1.1 million barrels per day year-on-year in 2026 while supply will fall by 3.9 million barrels per day during that period. With advanced economies unlikely to replenish inventories, de-escalation of the conflict remains central in setting the market price, hence, the importance of US-Iran truce.

Last week, the Federal Open Market Committee (FOMC) decision to hold the Federal Fund rate unchanged was broadly within the market expectations. However, the committee surprisingly dropped monetary policy guidance setting the stage for a new way of communication under Kevin Warsh. The move potentially signals increased market volatility going forward. Elsewhere in the UK, the Bank of England's (BoE) decision to hold the policy rate was market priced. However, despite cooler-than-expected May headline inflation, the market anticipates the inflation print to point further upwards, with high energy prices expected when the price cap rises by 13% in July 2026.

Indicative Rates	Previous	Current	Change (bps)
Interbank rate	8.7499%	8.7470%	(0.29)
91-Day T-bill	8.7067%	8.8206%	11.39
182-Day T-bill	8.6006%	8.7782%	17.76
364-Day T-bill	8.8715%	8.9746%	10.31
Headline Inflation	5.6%	6.7%	110.00
Weekly T-bill Results	**91D**	**182D**	**364D**
Offered (Bn)	4.0	10.0	10.0
Bids Received (Bn)	36.85	3.22	8.92
Accepted (Bn)	23.62	3.21	8.91
Redemption (Bn)	13.60	1.44	19.41
New borrowing (Bn)	+10.02	+1.77	(10.50)

Domestically, sovereign exchequer disbursements as of May 2026 buttress our earlier argument for a wider budget deficit as the government wraps up the FY 2025/2026 on 30th June. So far, the sovereign is faced with KES 426 billion tax revenue shortfall with one month left into the fiscal year end. However, positively, following ample appetite for government securities, the budgeted local (net) borrowing target appears almost met at 97.7% now.

To this end, last week's auction was oversubscribed with KES 48.9 billion bid against KES 24 billion on offer and KES 35.7 billion accepted. Resultantly, yields sustained upward adjustment closing at 8.8206% (+11.39bps), 8.7782% +17.76bps) and 8.9746%(+10.31bps) for 91-day, 182-day and 364-day papers, respectively.

Regional Markets

Last week's primary auctions were oversubscribed across Uganda, Tanzania and Rwanda signalling investors' appetite toward fiscal year closure. In Uganda, yields settled at 10.50% (91-day), 10.713% (182-day) and 12.00% (364-day) while Tanzania's yields closed at 3.55% (91-day), 4.91% (182-day), and 6.92% (364-day). Finally, Rwanda's auction yields came at 7.8195% (28 days) and 8.0124% (91 days).

	UGANDA		TANZANIA		RWANDA	
Week Ending	12-Jun	19-Jun	12-Jun	19-Jun	12-Jun	19-Jun
91D T-Bill	10.50%	10.50%	3.57%	3.55%	8.00%	8.01%
182D T-Bill	11.12%	10.72%	5.04%	4.91%	8.07%	8.07%
364D T-Bill	12.00%	12.00%	6.38%	6.92%	8.59%	8.59%
O/N rate	9.95%	9.71%	6.50%	6.07%	7.30%	7.30%
CBR	**9.75%**	**9.75%**	**5.75%**	**5.75%**	**8.25%**	**8.25%**