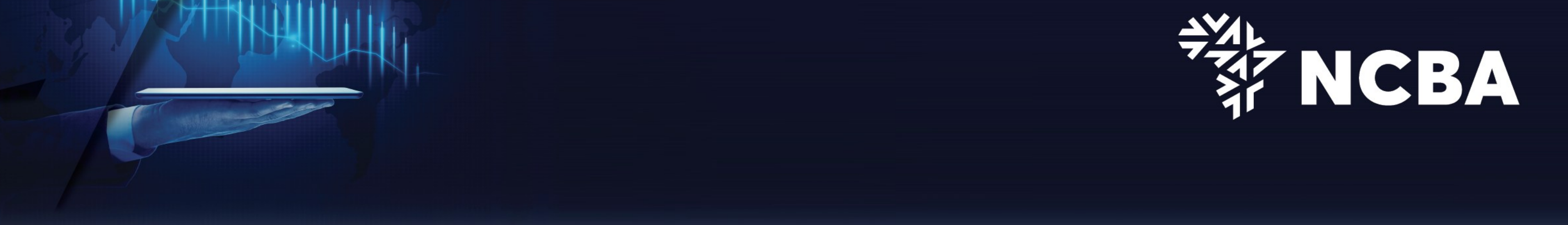

NCBA

ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

27th July 2026

Major Central Banks to Maintain Current Policy Stance This Week as Inflation Concerns are Reignited

Last week's developments saw a significant broadening of hostilities in the Middle East, with conflict extending beyond the strait of Hormuz to the Red Sea. The Red Sea is a strategically important shipping corridor accounting for 10% of global seaborne oil trade. Consequently, with the world's two most important oil transit corridors simultaneously under threat, Brent price soared to touch $100 per barrel but later eased to $ 90 per barrel as the US and Iran halted strikes over the weekend. Notable risk of further disruption may keep Brent oscillating around $90 per barrel in the near term. Besides that, Trump's recent imposition of 10-12.5% tariffs on imports from more than 60 countries may fan inflation expectations and keep uncertainty elevated. However, several countries have already indicated their intention to negotiate the new tariffs.

In the fixed income space, amid broad risk off sentiment US Treasury yields rose – with the 2-year getting to 4.3% and the 10-year crossing 4.7%. Meanwhile, yields on Kenya's Eurobonds increased by 18.10 basis points on average. Markets evaluated the positive Flash PMI readings for July across advanced economies with caution, as continuing disruptions may potentially alter this trend. Firm focus on the inflation mandate therefore suggests that at this week's FOMC, the Bank of England and Bank of Japan meetings, we are likely to see minimal policy changes, though dissent is probable among members looking to get ahead of inflation risks. Last week, the European Central Bank (ECB) kept its three key interest rates unchanged but left the door open for a September rate hike. Surprisingly, the South African Reserve bank held its policy rate at 7%, while stating that the inflation picture had improved which was somewhat in contrast to the current market conditions.

Indicative Rates %	Previous	Current	Change (bps)
KESONIA	8.7564	8.7532	-0.32
91-Day T-bill	8.7886	8.7821	-1.65
182-Day T-bill	8.9695	8.9545	-1.50
364-Day T-bill	9.0415	9.0361	-0.54
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)	22.06	11.56	4.88
Accepted (Bn)	13.26	11.45	4.53
Redemption (Bn)	9.35	9.13	6.64
New borrowing (Bn)	+3.93	+2.32	(2.11)

Local Yields Sustain Downtrend Even as External Shocks Threaten Further Escalation in Inflation

T-bill rates continued their decline last week, settling at 8.7821% (-1.65bps), 8.9545% (-1.50bps) and 9.0361%(-0.54bps) for the 91-day, 182-day and 364-day papers, respectively. The market is responding to continued strong domestic liquidity, alongside the fiscal agent's moderate need to borrow for now amid low government spending, which allows for the rejection of costly bids without significant pressure. Reinforcing this, the overdraft facility at the CBK has declined by KES 6.5Bn since the closure of FY 2025/26.

Looking ahead, with higher global oil price, the August-September pricing of domestic pump prices is anticipated to come in higher relative to the July-August cycle. As a result, July's headline inflation, scheduled for release this week, is projected at 6.0% to 7.0%. This expectedly portends higher inflation pass through effect from oil prices for an uncertain duration, hence the need for the MPC to hold the policy rate in the August meeting.

Regional Markets

Tanzania held a 25-year bond auction in the week, targeting TZS 182.90Bn. Following strong appetite on the long end, the sale garnered TZS 363.43Bn in bids, out of which TZS 149.31Bn was accepted at a weighted average yield of 10.88%, down from 11.33% recorded in the previous auction. Similarly in Rwanda, the T-bill sale was oversubscribed with bids touching RWF 35.8Bn against the RWF 12.3Bn target and accepted levels with yields declining as well. Meanwhile, primary market activity was muted in Uganda.

	UGANDA		TANZANIA		RWANDA	
Week Ending	17-Jul	24-Jul	17-Jul	24-Jul	17-Jul	24-Jul
91D T-Bill	10.00%	10.00%	3.35%	3.35%	8.26%	8.25%
182D T-Bill	10.40%	10.40%	4.78%	4.78%	8.29%	8.28%
364D T-Bill	11.50%	11.50%	7.03%	7.03%	8.45%	8.48%
O/N rate	9.88%	9.36%	5.53%	5.65%	8.30%	8.25%
CBR	**9.75%**	**9.75%**	**6.25%**	**6.25%**	**8.25%**	**8.25%**