17th August 2026

Seemingly No Durable Way Out of the Middle East War as the Ceasefire Agreement Expires Today

BRENT CRUDE	POLICY RATES	US CPI and PPI	KENYA PRIMARIES AUCTIONS
$89.44/bbl, projected at $85–95 range as talks collapse	**Kenya and Uganda MPC held rates at 8.75% and 9.75%, respectively.**	**Within control, at 3.4% and 4.7%, respectively**	**Decent demand across all tenors**

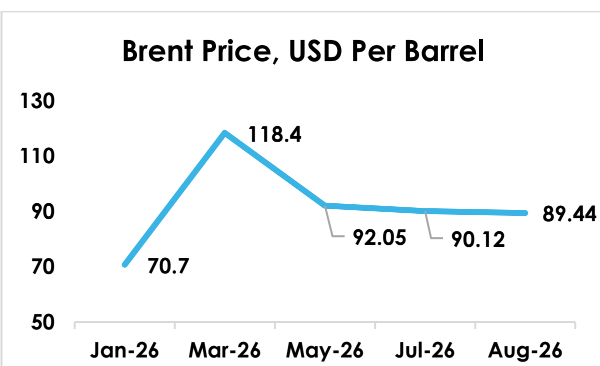
GLOBAL MARKETS

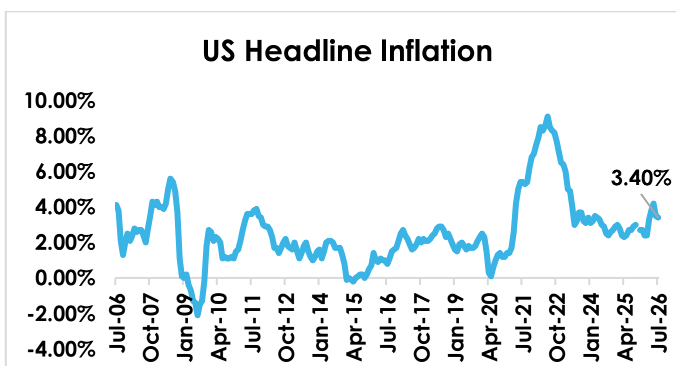
US–Iran talks collapsed | US CPI and PPI

The dominant theme for the global markets this week is the expiry of the US-Iran ceasefire agreement today, with negotiations seemingly at a standstill. Iran, through its Army chief insists that its control of the Strait of Hormuz will serve as a necessary condition in any future deal. In response, the US is likely to skew towards economic pressure on Iran. Notably, a naval blockade rather than military escalation. Additionally, Israel continued to attack Lebanon over the weekend.

However, all these developments have not led to an out-of-range pick up in international oil prices. This is partly because the hard data on oil demand and supply released last week illustrates a market that can withstand several more weeks, if not months of the war. Illustratively, the International Energy Agency (IEA) indicates that oil producers outside the Gulf region managed to contribute significantly to the 2.4 million barrels of oil increase in daily production in July. Positively, global demand is expected to fall by 1.6 million barrels a day this year. Market players see additional comfort in the fact that observed global oil inventories have only declined by 410 million barrels since March to stand at 7.9 billion barrels.

The impact on the real economy appears bearable, with no out-of-control inflationary pressure in the key economies. To this end, the US headline inflation in July printed as expected at 3.4%, down from 3.5% in the prior month at the back of a lower Producer Price Index (PPI) of 4.7% down from 5.5% in June. Consequently, we have no expectations of a policy rate hike by the US Federal Open Market Committee this year.





Source: Various, NCBA Research

With Inflation and Currency Within Control, Regional Central Banks are Expected to Stay Patient

The monetary policy committee in Kenya and Uganda met for a scheduled meeting last week against the backdrop of an uncertain external environment, stable domestic currencies and rising inflationary pressure. However, unless domestic food situation deteriorates in the two economies, inflation is unlikely to get out of control. Consequently, absent any significant escalation of Middle East crisis, we do not anticipate further tightening in the fourth quarter. Moreover, the policy rate at 8.75% in Kenya and 9.75% in Uganda is already restrictive in the current context.

As the monetary policy committee in Rwanda meets later this month, following the current geopolitical uncertainty, a pause in the policy rate at 8.25% would be prudent. Similarly, the Bank of Tanzania is anticipated to hold the policy rate at 6.25% in their October meeting, having increased it in July from 5.75%.

Across the four East African economies, local currencies have been relatively stable since the external shock in February. The KES has barely moved, while the Rwandan Franc depreciated by 1%. Policy makers however have been busy to stabilize the TZS and UGX which have weakened by 4% and 2.3%, respectively since February.

Appetite for Government Securities likely to Remain Attractive to Investors Across the Region

Given that the currencies in the region appear well managed, investors see low currency risk premium and have thus had a decent appetite for the government securities issuances. To be specific, Kenya's Treasury bill auction last week recorded a performance rate of 145%, while the re-opened infrastructure bond issuances saw bids at 307% of the amount offered. Assuming no delay in government spending, we expect that high liquidity will continue to be a major driver for Kenya's primary auction outcomes. In Uganda, the bonds auction printed bids worth UGX 2,200 billion against UGX 990 billion offered. Similarly, in Tanzania, the 364-day T-Bill was tendered at TZS 330.145Bn against TZS 89.00Bn on offer, while Rwanda's T-Bill auction was oversubscribed following RWF 38.6 billion bids for RWF 23.45 billion on offer.

Assuming that this investor appetite for domestic government securities remains into the fourth quarter, the fiscal agents are likely to front-load their domestic borrowing targets for the fiscal year. Resultantly, interest rates are anticipated to stay around current levels, absent any policy rate changes in the fourth quarter.

KENYA SHORT-TERM INTEREST RATES DASHBOARD

Week ending 14 August 2026

Indicative rates (%)	Previous	Current	Δ w/w (bps)
Interbank rate	8.7500	**8.7494**	▼ -1.00
91-Day T-bill	8.7820	**8.7734**	▼ -1.00
182-Day T-bill	8.9500	**8.9500**	**0.0**
364-Day T-bill	9.0042	**9.0365**	▲ +3.00
Headline inflation (y/y)	6.4%	**6.5%**	▲ +0.1 pp
Weekly auction (KES Bn)	**91D**	**182D**	**364D**
Offered	8.0	10.0	10.0
Bids received	18.24	8.99	13.56
Accepted	16.34	7.09	13.56
Performance rate	**228%**	**89.9%**	**135.6%**
Redemptions	7.40	7.08	11.78
Net new borrowing	+8.96	+0.014	+1.78

Source: Central Bank of Kenya, NCBA Research

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	UGANDA			TANZANIA			RWANDA		
Week ending	**07-Aug**	**14-Aug**	**Δ bps**	07-Aug	**14-Aug**	**Δ bps**	07-Aug	**14-Aug**	**Δ bps**
91D T-bill	10.00%	10.00%	— 0.00	3.35%	3.44%	▲ +9.00	8.33%	8.30%	▼ -3.00
182D T-bill	10.25%	10.25%	— 0.00	4.78%	5.18%	▲ +40.00	8.46%	8.36%	▼ -10.00
364D T-bill	10.99%	10.99%	— 0.00	7.03%	6.74%	▼ -29.00	8.50%	8.49%	▼ -1.00
O/N rate	9.58%	9.88%	▲ +30.00	6.47%	6.47	— 0.00	8.25%	8.28	▲ +3.00
Central bank rate	9.75%	**9.75%**	— 0.00	6.25%	**6.25%**	— 0.00	8.25%	**8.25%**	— 0.00

Source: Regional central banks, NCBA Research

THE WEEK AHEAD

THIS WEEK	THIS WEEK	WEEKLY	29 AUGUST
FOMC Meeting Minutes Clues on any implicit forward guidance.	**Several Flash PMI releases** Proxy to economic growth in July.	**T-bill Auction** KES 28Bn on offer; demand robust.	**Jackson Hole Symposium** Scrutiny for signals on US policy rate path.

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