# ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

24th August 2026

## Markets Shift Focus to High Fiscal Deficits and Heavy Government Debt Issuance in the US and Japan

| Public Debt Issuance | POLICY RATES | VARIOUS FLASH PMI's | REGIONAL PRIMARIES AUCTIONS |
|---|---|---|---|
| $ 40 trillion US Public debt.<br><br>Attempted yield curve control. | Fed rate hike forecasts eased; ECB likely to raise rates in September. | Advanced economies sustain economic activity resilience. | Decent demand across all tenors |

## GLOBAL MARKETS

US threat of Secondary Sanctions on Iran | US Treasury doubles bond buy-backs

### US-Iran Diplomatic Track Deteriorates with the US Set to Impose New Sanctions on Iran

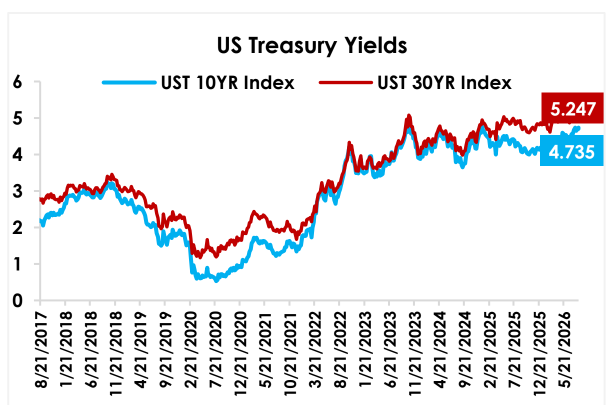
The US-Iran diplomatic track deteriorated materially in the week following Washington's pledge to impose the toughest financial penalties in history on Iran. Today, the US Treasury Secretary, Scott Bessent is expected to unveil details of a coordinated economic isolation and severe sanctions targeting Iran and its trade partners. Additionally, countries conducting business with Iran are under threat of major economic consequences. Previous unsuccessful attempts keep expectations cautious with a risk of Iran retaliating under this scenario.

Consequently, global energy prices rallied – with Brent up 6.4% in the week to $ 94 per barrel. In the near term, we expect it to range $ 90 – 100 per barrel. Positively, oil supply seems far above expectations, thus keeping Brent price capped below $ 100 for now. This appears to support global economic activity resilience. Illustratively, the August PMI preliminary readings showed composite PMI in the US, Eurozone, UK and China at 56.0, 52.1, 51.8 and 50.5, respectively.

Policymakers, particularly the US Fed, may maintain current policy through September. The ECB, however, faces a greater chance of a September rate hike due to low Eurozone gas stocks and ongoing conflict likely extending into year-end.

### US Treasury Bond Buy-Back Operation Doubles but Not Sustainable in Yield Curve Control

The US Treasury last week doubled the size of its long-term debt buy-backs from the current $2.0Bn to $4.0Bn per operation. The announcement briefly eased the rally on long-term US bonds after touching multi-year highs. By close of week, the 10yr and 30 yr UST yields had risen back to 4.735% and 5.25% and as a result equities ultimately had a poor week.




Increased demand for heavy sovereign and corporate issuances could partly explain the rally but additionally, the market is seeing increased sensitivity among investors on US fiscal credibility amid a $40 trillion debt burden. High long-term US yields may raise the global risk-free rate and establishes a higher hurdle rate for Emerging and Frontier market assets. For Kenya, this matters through the sovereign yield curve and external financing which may provide less scope for local yields to decline as quickly as domestic inflation and CBK policy stance might otherwise imply.

## DOMESTIC MARKET

Kenya

### July Exchequer Report Signals Continued Support for Domestic Market Liquidity

The July Exchequer report indicates a solid commencement to the current fiscal year following 14% growth in tax revenues compared to the previous year, and robust domestic borrowing. Consequently, government expenditure for the month included KES 142 billion allocated to recurrent expenses, KES 29 billion directed towards development initiatives, and KES 21 billion disbursed to county governments. For the rest of Q3, proceeds from the August IFB and FXD issuances should sustain regular government spending. Relatedly, the government reduced its CBK OD facility by about KES 30Bn to KES 61.2Bn. Overall, we expect market liquidity to remain stable, supporting broad stability on KES pricing into September.

On the external front, against the backdrop of a globally elevated yield environment, financing the KES 285Bn commercial financing budget means greater cost to the sovereign. Last week's developments saw Kenya's Eurobond yields increase by 11.05 basis points on average but overall appear contained underscored by a resilient external sector and strong FX reserve buffers. However, a sustained escalation in the Middle East that pushes Brent materially above $100 would present a more adverse scenario.

## REGIONAL MARKETS

Uganda | Tanzania | Rwanda

### Government Auctions Perform Well Underpinned by Stable Liquidity Conditions

Similar to Kenya's primary market outcomes, ample liquidity conditions recorded across the other regional markets. Tanzania held a bond auction for 15-year paper seeking to raise TZS 207.27Bn. Unsurprisingly, the paper was oversubscribed with bids amounting to TZS 689.45Bn, out of which TZS 181.19Bn was accepted. The weighted average yield was recorded at 10.89% slightly higher than 10.46% recorded in the previous auction. Meanwhile in Rwanda, demand at the weekly T-bill sale held strong with an oversubscription level of 150.7%. Ample demand at the auctions has gradually eased pressure on short-end rates. In the week, yields declined to 8.25% (down -0.8bps) for 28 days, 8.30% (stable 0.00bps) for 91 days, 8.35% (down -1.2bps) for 182 days paper, 8.48% (down -1.4bps) for 364 days. The Bank of Uganda is scheduled to conduct a bond auction this week across 2, 5-and 15-year papers. We expect strong demand as yields remain quite attractive for investors.

## KENYA SHORT-TERM INTEREST RATES DASHBOARD

Week ending 21 August 2026

| Indicative rates (%) | Previous | Current | Δ w/w (bps) |
|---|---|---|---|
| Interbank rate | 8.7494 | **8.7500** | ▲ **+0.06** |
| 91-Day T-bill | 8.7734 | **8.7700** | ▼ **-3.40** |
| 182-Day T-bill | 8.9500 | **8.9480** | ▼ **-0.20** |
| 364-Day T-bill | 9.0365 | **9.0365** | ▼ **-0.09** |
| 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 | 37.67 | 18.57 | 15.41 |
| Accepted | 32.44 | 9.75 | 15.41 |
| **Performance rate** | **470.9%** | **185.7%** | **154.1%** |
| Redemptions | 12.16 | 11.68 | 8.03 |
| Net new borrowing | +20.27 | -1.93 | +7.37 |

Source: Central Bank of Kenya, NCBA Research

| | UGANDA | | | TANZANIA | | | RWANDA | | |
|---|---|---|---|---|---|---|---|---|---|
| **Week ending** | 14-Aug | **21-Aug** | **Δ bps** | **14-Aug** | **21-Aug** | **Δ bps** | 14-Aug | **21-Aug** | **Δ bps** |
| 91D T-bill | 10.00% | 10.00% | — 0.00 | 3.44% | 3.44% | — 0.00 | 8.30% | 8.30% | — 0.00 |
| 182D T-bill | 10.25% | 10.25% | — 0.00 | 5.18% | 5.18% | — 0.00 | 8.36% | 8.35% | ▼ -1.00 |
| 364D T-bill | 10.99% | 10.99% | — 0.00 | 6.74% | 6.74% | — 0.00 | 8.49% | 8.48% | ▼ -1.00 |
| O/N rate | 9.88% | 9.72% | ▼ -16.00 | 6.47% | 6.20% | ▼ -27.00 | 8.28% | 8.28% | — 0.00 |
| 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 | 31 AUGUST |
|---|---|---|---|
| **US Treasury Secretary Scott Bessent press conference** | **Jackson Hole Symposium** | **T-bill Auction** | **Kenya August Inflation** |
| Sanctions on Iran and trade partners. | Scrutiny for signals on US policy rate path. | KES 28Bn on offer; demand robust. | Renewed price pressures. |

**Contacts:** NCBA Economic Research | NCBAEconomicResearch@ncbagroup.com | +254 (0) 20 288 5468