NCBA

ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

3rd August 2026

Global Markets Optimism Following Renewed US-Iran Talks

Last week United States called off attacks on Iran, renewing market optimism for another round of negotiations and ceasefire. Consequently, Brent oil prices softened to $86.79 per barrel by weekend from $93.60 per barrel in the beginning of the week. However, with US – Iran talks scheduled to begin this week, disruptions to global oil supply amid oil infrastructure damage and blockades on key export seaports remain key in price stabilization. Though OPEC+ last week resolved to increase production by 188,000 barrels per day from September, thus completing rollback of voluntary cuts, exports disruption remain critical for market clearance. Therefore, oil prices could oscillate within $80 - $90 per barrel range in the near term, elevating second round effects of the oil shock.

Consequently, global central banks remained watchful of oil prices movement as a signal of inflation expectations. Markedly, the Federal Open Market Committee (FOMC) held its policy rate unchanged on the backdrop of elevated price pressure. Supporting this stance, the June core Personal Consumption Expenditures (PCE) price index came at 3.3 percent year-on-year, reasonably above the 2.0 percent target. On growth, the committee holds a view of solid economic expansion pace supported by a largely stable labour market. Evidently, real Gross Domestic Product grew by 1.5 percent in the second quarter of 2026 down from 2.1 percent growth in the first quarter. Cumulatively, this translated into semi-annual growth of 1.8 percent relative to 1.4 percent in 2025. Similarly, the Bank of England (BoE) held its policy rate unchanged while maintaining a cautious outlook, projecting headline inflation could surge up on higher energy prices and their knock-on effects. Thus, markets remain hopeful for a 25-basis points rate hike by end of 2026.

That said, markets will be keen on the October budget for fiscal guidance going forth.

Domestically, July headline inflation print remained largely unchanged relative to June. The reading affirms the second-round effects of oil price shock, broadly within food and transport prices. Aligned to our earlier forecast, July inflation is likely to exert marginal pressure on short – end yields, hence sticky interest rates outlook in the near term. Over the same horizon, market activity is likely to be skewed to the long end as investors seek to lock in high returns. Evidently, last week's treasury bonds auction was oversubscribed with Kes 85.93 billion bid against Kes 40 billion on offer as the sovereign accepted Kes 63.3 billion worth of bids. Further, the re-opened Infrastructure Bonds (IFBs) are likely to keep treasury bills auction activity low, as the sovereign seeks to raise Kes 150 billion to fund infrastructure projects.

Regional Markets

Uganda's July headline inflation edged up to 4.0 percent from 3.7 percent in May, largely on the back of food and energy price pressure. The reading remains broadly within the Bank of Uganda's (BoU) medium-term target of 5 percent. Overall, underlying inflation appears well anchored, with annual core inflation unchanged at 3.4 percent.

Across Uganda, Tanzania and Rwanda, investors' appetite and ample market liquidity continued to support primary auction. In Uganda, the Treasury bond auction was oversubscribed with UGX 3.23 trillion bids against UGX 1.4 trillion on offer. Yields closed at 12.50 percent for the 2-year, 14.25 percent for the 5-year, 15.65 percent for the 15-year and 16.0 percent for the 25-year bond. In Tanzania, the 2–year bond was oversubscribed at TZS 438.44 billion bid against TZS138.95 billion on offer while in Rwanda, RWF 55.35 billion was bid against RWF 34.1billion offer. Yields rose marginally across the 91,182 and 364-day papers.

Indicative Rates	Previous	Current	Change (bps)
Interbank rate	8.7532	8.7500	(0.32)
91-Day T-bill	8.7821	8.7882	+0.61
182-Day T-bill	8.9545	8.9545	0.00
364-Day T-bill	9.0361	9.0169	(1.92)
Headline Inflation	6.4	6.5	+10.00
Weekly T-bill Results	**91D**	**182D**	**364D**
Offered (Bn)	8.0	10.0	10.0
Bids Received (Bn)	14.4	8.17	4.79
Accepted (Bn)	14.33	8.17	4.78
Redemption (Bn)	8.09	2.30	13.09
New borrowing (Bn)	+6.24	+5.87	(8.31)

	UGANDA		TANZANIA		RWANDA	
Week Ending	24-Jul	31-Jul	24-Jul	31-Jul	24-Jul	31-Jul
91D T-Bill	10.00%	10.00%	3.35%	3.35%	8.25%	8.33%
182D T-Bill	10.40%	10.40%	4.78%	4.78%	8.28%	8.30%
364D T-Bill	11.50%	11.50%	7.03%	7.03%	8.48%	8.54%
O/N rate	9.36%	9.72%	5.65%	5.63%	8.25%	8.25%
CBR	**9.75%**	**9.75%**	**6.25%**	**6.25%**	**8.25%**	**8.25%**