

ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

21st September 2026

Global Financing Conditions Tighten as Central Banks Hike Interest Rates

GEOPOLITICS

President Trump signs Russia and Iran sanctions bill.
Brent above \$ 100/bbl

CENTRAL BANK POLICY

US Fed and Bank of Japan hike interest rates by 25 basis points

CENTRAL BANK POLICY

BoE maintained policy rate at 3.75%

KENYA PRIMARY AUCTIONS

Decent demand across all tenors

GLOBAL MARKETS

Fed and BoJ Rate Hikes | Bank of England Holds

The US Federal Reserve unanimously raised interest rates by 25-basis points to 3.75%-4.0% last week, despite expectations for a close call. The move came amid the risk of overheating inflation largely driven by a surge in capital expenditures associated with the AI boom, as well as persistent structural supply risks in global energy markets, which kept Brent crude prices above \$100 per barrel in the week. The Fed's 2026 year-end dot plot indicates possible one further rate hike, supported by stronger growth expectations and a resilient labour market that could withstand additional tightening without significant economic disruption. The FOMC decision to hike rates partly managed bond yield volatility as the 10-year UST dropped to 4.96% after surging to 5.04%, the highest level since 2007.

As widely anticipated by the market, the Bank of Japan (BoJ) similarly raised the policy rate by 25-bps to 1.25%. The decision reflected rising underlying inflation, which was nearing the BoJ's 2% target and warranted preventing an overshoot. In contrast, the Bank of England (BoE) opted to maintain the bank rate at 3.75% on account of subdued transmission of higher energy prices into inflation. However, following the August CPI report indicating inflation levels of 3.1%, pressure may quickly mount to raise interest rates and manage the interest rate differential with the US. Meanwhile, in the Eurozone, inflation accelerated to 3.2% in August, up from 2.9% in July, reflecting a sharp increase in energy costs, possibly paving the way for additional tightening.

Overall, higher global financing cost means costlier borrowing for governments, business enterprises and households. For Kenya, this means narrower opportunity to issue \$815M Eurobond in the fourth quarter. Illustratively, Kenya's Eurobonds increased by 9.52 basis points on average in the week. Hence, we expect the local MPC to keep a close eye on external developments into the October meeting and any material deterioration in the global financing landscape or energy markets may necessitate action.

DOMESTIC MARKET

Kenya

August Exchequer Report Indicates Increased Momentum on Fiscal Spending

In the first two months of the fiscal year, the exchequer reported total revenue growth of 24% year-on-year at KES 882Bn, bolstered by 14% growth in tax revenue and 30% increase in domestic borrowing. To this end, total government expenditure amounted to KES 780Bn, up 16% year-on-year. While we noted no major surprises on recurrent spending, disbursements for development appear aggressive with KES 44Bn disbursed in July and August relative to KES 14Bn in the FY 2025/26. Similarly, county disbursements were sizeable at KES 55.6Bn, up 69% year-on-year. As external credit markets tighten, the sovereign is expected to accelerate front-loading to capitalise on

favourable liquidity and investor interest. Last week, the fiscal agent raised KES 50.2Bn from reopened bond sales, bringing cumulative net domestic borrowing to KES 512.8Bn, roughly 51% of the fiscal year budget.

REGIONAL MARKETS

Tanzania | Rwanda

Regional Market Auction Performance Show Oversubscription

Tanzania held a bond auction for a 5-year paper targeting TZS 145.6Bn. Investor's garnered TZS 398Bn in bids, out of which TZS 143.6Bn was accepted. The weighted average rate stood at 9.52% from 10.89% recorded in the previous auction. In Rwanda, T-bill auction performed well. Against an offer of RWF15.6Bn, bids amounted to RWF 40.8Bn out of which RWF15.6Bn was accepted. Reflecting ample demand, yields declined across the board – at 8.00% (down 33bps) for 91 days, 8.09% (down 29bps) for 182 days, 8.32% (down 22bps) for 364 days papers.

KENYA SHORT-TERM INTEREST RATES DASHBOARD

Week ending 18 September 2026

Indicative rates (%)	Previous	Current	Δ w/w (bps)
Interbank rate	8.7504	8.7524	▲ +0.20
91-Day T-bill	8.7674	8.7837	▲ +1.63
182-Day T-bill	8.9296	8.9099	▼ -1.97
364-Day T-bill	9.0665	9.0566	▼ -0.99
Headline inflation (y/y)	6.5%	6.6%	▲ +0.1 pp
Weekly auction (KES Bn)	91D	182D	364D
Offered	8.0	10.0	10.0
Bids received	23.25	10.05	9.43
Accepted	23.23	10.05	9.42
Performance rate	290.6%	100.5%	94.3%
Redemptions	24.10	10.20	14.15
Net new borrowing	-0.87	-0.15	-4.73

Source: Central Bank of Kenya, NCBA Research

	UGANDA			TANZANIA			RWANDA		
Week ending	11-Sep	18-Sep	Δ bps	11-Sep	18-Sep	Δ bps	11-Sep	18-Sep	Δ bps
91D T-bill	9.75%	9.75%	— 0.00	3.42%	3.42%	— 0.00	8.34%	8.00%	▼ -34.00
182D T-bill	10.00%	10.00%	— 0.00	4.92%	4.92%	— 0.00	8.38%	8.09%	▼ -29.00
364D T-bill	10.99%	10.99%	— 0.00	6.47%	6.47%	— 0.00	8.55%	8.32%	▼ -23.00
O/N rate	9.12%	9.82%	▲ +70.00	6.50%	6.25%	▼ -25.00	8.78%	8.78%	— 0.00
Central bank rate	9.75%	9.75%	— 0.00	6.25%	6.25%	— 0.00	8.25%	8.75%	▲ +25.00

Source: Regional central banks, NCBA Research

THE WEEK AHEAD

THIS WEEK

Trump-XI Summit

Signals on U.S.-China trade relations, technology restrictions, and broader geopolitical risks.

THIS WEEK

UN General Assembly

Cues on geopolitical risks, multilateral policy coordination, and broader risk sentiment.

THIS WEEK

Several Flash PMI Releases

Proxy to economic growth in September.

WEEKLY

T-bill Auction

KES 28Bn on offer; demand robust.

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