

ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

28th September 2026

Global Bond Yields Spike as Inflation and Fiscal Risks Converge

GEOPOLITICS

Lack of diplomatic breakthrough during Trump-Xi Summit. Brent price at \$ 105/bbl

GLOBAL FIXED INCOME MARKET

Global bond yields rally. 10Y UST yield above 5.2% and 30Y at 5.5%.

ECONOMIC ACTIVITY

Flash PMI data point to continued broad economic resilience

KENYA PRIMARY AUCTIONS

Decent demand across all tenors

GLOBAL MARKETS

Global Bond Yields Hike | Oil Price Uncertainty

Global fixed income markets came under renewed pressure last week, with the sell-off extending across major sovereign markets as investors reassessed the outlook for inflation, monetary policy and long-term government borrowing. US Treasuries were at the centre of the move, with the 10-year yield rising above 5.2% and the 30-year yield reaching 5.5%, its highest level in more than two decades. The repricing was not confined to the US, with Japan's 10-year yields up to a 30-year high, European sovereign spreads widening, and the UK 10-year Gilt at 19-year highs of 5.4%, amid concerns around fiscal sustainability.

The bonds market repricing reflected the fact that resilient global activity alongside uncertain geopolitical risks are challenging expectations of a rapid return to low inflation. Notably, the Flash PMI readings by S&P Global indicated strong composite PMIs of 58.4 in the US and 53.1 in the Euro area. Aside from the usual caution taken when reading the survey-based data, stronger-than-expected US business activity and capital expenditure, alongside rising input prices, reinforced expectations that central banks may need to maintain a restrictive stance for longer. Markets consequently increased the probability of another Federal Reserve rate increase in October to 64%.

Moreover, renewed uncertainty around the US-Iran conflict and the absence of a decisive diplomatic breakthrough at the UN General Assembly pushed oil prices back above \$105 per barrel during the week. Hence, investors are demanding greater compensation for duration and fiscal risk. Persistent government borrowing requirements, elevated debt levels and growing competition for capital, including from large-scale technology investment are contributing to higher long-end term premia.

Against this backdrop, the Trump-Xi meeting provided some relief on the trade front through an extension of the US-China trade truce but did little to resolve the broader strategic tensions around technology, critical minerals and geopolitics. Amid the global bond sell-off, Kenya's Eurobond yields rose as expected. The 2028 note increased to 6.807% (+6.6 basis points), the 2031 note to 7.788% (+18.4 basis points), the 2032 note to 8.014% (+20.7 basis points), and the 2034 note to 8.499% (+19.1 basis points).

DOMESTIC MARKET

Kenya

Ample Liquidity Absorbs Sizeable Tax Payment Outflows

Sizeable bond and quarterly tax settlements increased demand for interbank liquidity. Notably, KES 16Bn was borrowed on average relative to KES 9.3Bn previously. Further, KES 11.18Bn was borrowed from the horizontal repo market, while two players accessed KES 1.2Bn from the discount window. Nonetheless, the overnight rate recorded

only a marginal upward adjustment to 8.7504%, reflecting ample liquidity buffer to absorb the demand. This is illustrated by the fact that KES 101.05Bn in excess cash was mopped up in the week. At the same time, the primary auction was well bid at KES 41.72Bn, though the fiscal agent picked only KES 33.35Bn. Hence, short-end interest rates remain sticky – the 91-day, 182-day and 364-day papers came in at 8.7781% (-0.56bps), 8.8949% (-1.50bps) and 9.0431%(-1.35bps). In the near term, domestic borrowing frontloading before year-end may place some pressure on interest rates, though sufficient liquidity could cap any material upside.

REGIONAL MARKETS

Uganda

Bank Of Uganda CRR Increase to 13.5% Takes Effect, Raising Cost of Funding in the Interbank

The Bank of Uganda (BoU) raised the Cash Reserve Requirement (CRR) by 250 basis points to 13.5%, effective September 24, 2026. This marks the second increase this year after the CRR was raised from 9.5% to 11% in March, reflecting deliberate efforts to tighten structural liquidity in the market. The move comes against the backdrop of sharp depreciation of the shilling, which is down about 4% since August trading at 3930 levels. The weakening is largely attributable to shored up dollar demand from energy and manufacturing corporates amid high energy prices, with offshore flows adding to the pressure. Resultantly, the policy tool is seen to manage excess shilling liquidity and contain exchange rate pass-through.

In response to the move, overnight funding costs rose to 10.66% from 9.82% in the previous week. Nonetheless, the interbank market appears liquid as demonstrated by last week's bond sale for the two-year, five-year, fifteen-year and twenty-five-year papers that outperformed the target. Against an offer UGX 1.4Tn, bids amounted to UGX 2.60Tn, out of which UGX 1.2Trn was accepted. Yields on the 2-year paper rose to 12.00% (+30bps), the 5-year paper fell to 13.74% (-1.0bp), the 15-year paper rose to 15.25% (+5bps) and the 25-year paper rose to 16.25% (+25bps). The implication of this is thus likely to emerge gradually, particularly through slowed extension of credit to the private sector.

KENYA SHORT-TERM INTEREST RATES DASHBOARD

Week ending 25 September 2026

Indicative rates (%)	Previous	Current	Δ w/w (bps)
Interbank rate	8.7524	8.7524	▲ +0.20
91-Day T-bill	8.7837	8.7781	▲ +1.63
182-Day T-bill	8.9099	8.8949	▼ -1.97
364-Day T-bill	9.0566	9.0431	▼ -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	17.74	12.76	11.23
Accepted	16.55	10.26	6.65
Performance rate	221.75%	127.56%	112.28%
Redemptions	14.47	2.73	12.35
Net new borrowing	+2.07	+7.53	+5.8

Source: Central Bank of Kenya, NCBA Research

	UGANDA			TANZANIA			RWANDA		
Week ending	18-Sep	25-Sep	Δ bps	18-Sep	25-Sep	Δ bps	18-Sep	25-Sep	Δ bps
91D T-bill	9.75%	9.75%	— 0.00	3.42%	3.39%	▼ -3.00	8.00%	8.78%	▲ +78.00
182D T-bill	10.00%	10.00%	— 0.00	4.92%	5.29%	▲ +37.00	8.09%	8.80%	▲ +71.00
364D T-bill	10.99%	10.99%	— 0.00	6.47%	6.29%	▼ -18.00	8.32%	8.83%	▲ +51.00
O/N rate	9.82%	10.66%	▲ +84.00	6.25%	6.25%	— 0.00	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 US Non-Farm Payrolls Labour market resilience.	THIS WEEK Several Inflation Prints Increase in general price level. Cue for monetary policy rate paths for the Fed, Bank of Japan and ECB.	THIS WEEK Kenya September Inflation Increase in general price level.	WEEKLY T-bill Auction KES 28Bn on offer; demand robust.

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