ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

31st August 2026

Central Banks Likely to Take Tougher Stance on Inflation in September

GEOPOLITICS	US PCE INFLATION	POLICY RATES	REGIONAL PRIMARIES AUCTIONS
US Sanctions Iran. Brent above $ 90/bbl	July Core PCE at 3.3%. above 2.0% target.	National Bank of Rwanda hikes policy rate by 50bps.	Decent demand across all tenors

GLOBAL MARKETS

US Sanctions Iran | Global Yields Remain High

Brent Price Hardly Unchanged following US Proposed Sanctions on Iran

The United States announced the imposition of new sanctions on Iran as the conflict shifts toward economic measures, even as military engagement continues. Further, the US Department of Treasury announced a new campaign to push countries that do business with Iran to sever their financial ties or face retaliation from the United States. This campaign is subject to 30 –days of public comments prior to taking effect. If successful, this could see isolation of Iran from major global ties which the US expects would drive a quicker end to the conflict. However, Iran has proved resilient thus far while countries with ties to Tehran appear to be shrugging off sanction threats. This kept trading on Brent crude elevated ranging $ 87 to US $ 92 per barrel in the week. Against this backdrop, concerns over underlying price pressures mount. Resultantly, the European Central Bank is widely anticipated to increase interest rates by 25-basis points in the September 9-10 monetary policy meeting.

Federal Reserve Chair Emphasized Concerns on Inflation, Rate Hike by Year-End Seemingly More Plausible

At the Jackson Hole Symposium last week, remarks by the US Fed Chair Kevin Warsh appeared clearer in comparison to the July post-FOMC conference. His comments that US inflation is "more concerning" and may require further action if it doesn't return to target were seen by the market as mildly hawkish. Moreover, Kevin Warsh affirmed the Fed’s 2% personal consumption expenditures (PCE) inflation target. The July PCE report, while indicating no change in real consumer spending, continues to exceed the target, with the core reading at 3.3% and the headline figure at 3.7%. As a result, markets raised the probability of a rate hike as early as September. In response, short-term Treasury yields moved higher, with the 2-year recorded at 4.35% from 4.23%. Although yields on the 10- and 30-year Treasuries moved up only modestly, perhaps indicating confidence over the Fed’s price mandate. In our view, it’s still early days to make a call on the Fed’s decision in September given that several data releases are due before then.

DOMESTIC MARKET

Kenya

Local Interest Rates Market Calm on Account of Decent Liquidity and Successful Primary Auctions

In the current fiscal year so far, the government has conducted two switch auctions aimed at easing the local debt redemption profile by effectively lengthening their average tenor to maturity. In the most recent liability management operation, the fiscal agent managed to switch KES 22.58Bn from T-bill holders into FXD4/2019/010 (3.2 years effective tenor to maturity) at a weighted average rate of 11.23%. Into September, the government has floated another switch auction from FXD1/2013/015 to FXD4/2019/010 targeting KES 10Bn. We expect this to ease refinancing pressure throughout the fiscal cycle, keeping overall markets calm.

On budgetary support, investors have similarly shown robust demand for government paper. Last week's T-bill sale propelled net domestic borrowing to KES 421Bn translating to about 40% of the budget. Into September we see primary market activity remaining strong with the auction targeting KES 60Bn through FXD3/2019/015 and SDB1/2011/030. As recent auctions suggest, demand will likely remain firm, supporting the frontloading of local borrowing.

Currently, the yields for 91-day, 182-day and 364-day papers stand at 8.7692% (-0.08bps), 8.9400% (-0.80bps) and 9.0323%(-0.33bps). We expect minimal movement for the remainder of the third quarter. Q4 presents a noteworthy period, particularly as external financing conditions continue to tighten. The government is anticipated to re-enter the Eurobond market to raise US $815 million, and the success of this issuance will be critical in shaping the interest rate outlook.

REGIONAL MARKETS

Tanzania | Rwanda

National Bank of Rwanda Hikes Policy Rate to 8.75%

Central Bank of Rwanda's monetary policy committee opted to increase the CBR by 50 basis points from 8.25% to 8.75%. The move was underpinned by the need to contain inflationary pressure amid external shocks and an imminent weather shock from El Nino. Headline inflation stood at 14.5% as of July 2026, marking an increase from 9.1% in the first quarter of 2026. The committee expects inflation to average 8% in 2026 reflecting the adverse impacts from high energy prices and food inflation.

Tanzania's Vice President Resigns but Markets Remain Calm

Tanzanian Vice President Emmanuel John Nchimbi resigned on August 25, 2026. On August 29, 2026, Tanzania appointed Deogratius Ndejembi as the new Vice President. Ruling party Chama Cha Mapinduzi remains dominant, hence we expect policy continuity. Markets remained calm and the currency largely stable. Investors appear to find confidence from the recent Fitch rating. Fitch affirmed Tanzania's rating at 'B+' and revised the outlook to Positive from Stable. This is especially crucial for the government as it seeks to deepen its capital market following the recent liberalization allowing non-resident investors to participate in T-bills and government bonds.

KENYA SHORT-TERM INTEREST RATES DASHBOARD

Week ending 28 August 2026

Indicative rates (%)	Previous	Current	Δ w/w (bps)
Interbank rate	8.7500	**8.7500**	**0.0**
91-Day T-bill	**8.7700**	**8.7692**	**▼ -0.08**
182-Day T-bill	**8.9480**	**8.9400**	**▼ -0.80**
364-Day T-bill	**9.0365**	**9.0323**	**▼ -0.33**
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	23.70	26.88	6.16
Accepted	23.11	15.05	6.16
Performance rate	**296.22%**	**268.76%**	**61.61%**
Redemptions	14.29	0.81	11.19
Net new borrowing	+8.81	+14.25	-5.03

Source: Central Bank of Kenya, NCBA Research

	UGANDA			TANZANIA			RWANDA		
Week ending	21-Aug	**28-Aug**	**Δ bps**	21-Aug	**28-Aug**	**Δ bps**	21-Aug	**28-Aug**	**Δ bps**
91D T-bill	10.00%	10.00%	— 0.00	3.44%	3.40%	▼ -4.00	8.30%	8.31%	▲ +1.00
182D T-bill	10.25%	10.25%	— 0.00	5.18%	5.05%	▼ -13.00	8.35%	8.41%	▲ +6.00
364D T-bill	10.99%	10.99%	— 0.00	6.74%	6.65%	▼ -9.00	8.48%	8.49%	▲ +1.00
O/N rate	9.72%	9.38%	▼ -34.00	6.20%	6.75%	▲ +55.00	8.28%	8.28%	— 0.00
Central bank rate	**9.75%**	**9.75%**	— 0.00	**6.25%**	**6.25%**	— 0.00	**8.25%**	**8.75%**	▲ +25.00

Source: Regional central banks, NCBA Research

THE WEEK AHEAD

THIS WEEK	THIS WEEK	WEEKLY	10 SEPTEMBER
Kenya August Inflation	**Euro area Inflation**	**T-bill Auction**	**ECB Policy Meeting**
Renewed price pressures	Renewed price pressures	KES 28Bn on offer; demand robust.	25bps rate hike widely anticipated

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