ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

7th September 2026

Fresh attacks in the Middle East Prompt Renewed Investor Anxiety Over Inflation Outlook

GEOPOLITICS	GLOBAL AUGUST PMI	US UNEMPLOYMENT	REGIONAL CPI OUTLOOK
Renewed US / Iran attacks. Brent above $ 97/bbl	**53.5 from 52.7 in prior period.**	**Unemployment rate unchanged at 4.1%.**	**Gradual marginal increase expected in the near-term.**

GLOBAL MARKETS

US Sanctions Iran | Global Yields Remain High

Brent Price Rise Toward USD 97 a Barrel Fuels Upward Momentum on Bond Yields

Over the last week, risk assets struggled to gain much traction as continued tension and fresh attacks in the Middle East led to a rise in oil prices toward USD 97 a barrel, prompting renewed investors anxiety over the inflation outlook. As a result, the global fixed income markets responded with a higher yield. Notably, the US 10yr yield is up +6.4bps month-to-date and +1.4bps on Friday to 4.78%, near its high of 4.8% October 2023. In Europe, the 10yr bund yield is up +6.1bps month-to-date to 3.34%, near its 10 year high of 3.37%.

The yield moves got further momentum on Friday from a strong US jobs report, which showed payrolls up by +162,000, with 127,000 from the private sector. Most investors interpreted the decent US jobs data to imply confidence that the US Fed would likely hike rates at their September meeting. However, we interpret it as not standing in the way of a Fed rate hike on 16th of September. Ultimately, US inflation data for August is likely to be the key driver of the Fed's decision.

Resilient Global Macro Data Offers Space for Central Banks to Tackle Inflation

All this is happening against a backdrop of resilient economic activity as reinforced by recent PMI data for August showing that most of the key economies have their composite PMI comfortably above 50. Illustratively, composite PMI printed at 56.0, 52.0, 53.5 and 52.1 for the US, EU, Japan and China, respectively. This offers space for various monetary policy committees to focus on inflation.

This week, the European Central Bank (ECB) is expected to raise the policy rate by 25bps to 2.50% following the rise in headline inflation to 3.3% in August. With this already priced by the markets, any guidance by the committee on the future interest rates path will be consequential.

All said, there is appreciable risk to the inflation path driven by the trajectory of oil prices, potential price pressures from El Niño weather conditions and reduced exports through the Black Sea.

DOMESTIC MARKET

Kenya

Domestic Yields Likely to Remain Sticky for Now Unless there is a Material Policy Rate Differential

Locally, with no evidence of aggregate demand pressure on core inflation in August, overall inflation outlook in Q4 is blurred, wherein we project headline inflation around 7.0%. This would see the MPC patient until there is a significant policy rate differential with the US.

As a result, local yields are likely to remain sticky around current levels given current liquidity conditions. Illustratively, total outstanding REPOs as at the end of last week stood at KES 174.3Bn, along with high primary market government paper demand that saw KES 56.3Bn in bids, with KES 52.02Bn accepted in the T/bill auction.

REGIONAL MARKETS

Uganda

Uganda's August Headline Inflation Steady Offering Investors Decent Real Yields

In Uganda, stable food prices saw the headline CPI in August at 4.1%, relative to 4.0% in July despite an increase in the Producer Price Index (PPI) in July to 1.8%, relative to 1.0% previously. For the MPC, this print is good news as it lies within the Bank of Uganda's baseline forecast of 5.5%-6.0% in a 12-months horizon. We therefore project continued investor demand for the T/bonds auction this week on 9th for the 3yr, 10yr and 20yr government securities.

KENYA SHORT-TERM INTEREST RATES DASHBOARD

Week ending 4 September 2026

Indicative rates (%)	Previous	Current	Δ w/w (bps)
Interbank rate	8.7500	**8.7500**	▲ +0.06
91-Day T-bill	8.7692	**8.7687**	▼ -0.05
182-Day T-bill	8.9400	**8.9331**	▼ -0.69
364-Day T-bill	9.0323	**9.0737**	▲ +4.14
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	34.26	19.77	2.24
Accepted	29.21	19.59	2.23
Performance rate	**428.1%**	**197.7%**	**22.4%**
Redemptions	31.43	15.71	10.39
Net new borrowing	-2.22	+3.87	-8.15

Source: Central Bank of Kenya, NCBA Research

	UGANDA			TANZANIA			RWANDA		
Week ending	**28-Aug**	**4-Sep**	**Δ bps**	**28-Aug**	**4-Sep**	**Δ bps**	**28-Aug**	**4-Sep**	**Δ bps**
91D T-bill	10.00%	9.75%	▼ -25.00	3.40%	3.40%	— 0.00	8.31%	8.28%	▼ -3.00
182D T-bill	10.25%	10.00%	▼ -25.00	5.05%	5.05%	— 0.00	8.41%	8.38%	▼ -3.00
364D T-bill	10.99%	10.99%	— 0.00	6.65%	6.65%	— 0.00	8.49%	8.54%	▲ +5.00
O/N rate	9.54%	9.88%	▲ +34.00	6.75%	6.75%	— 0.00	8.28%	8.78%	▲ +50.00
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
Various global energy reports
Assessment of demand & supply and near-term forecasts.

THIS WEEK
European Central Bank policy meeting
25bps policy hike expected.

WEEKLY
US CPI
A crucial data point for the September FOMC decision.

WEEKLY
T-bill Auction
KES 28Bn on offer; demand robust.

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