

ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

12th October 2026

Sovereign Bond Market Yields in Search of Clear Direction

GEOPOLITICS

Middle East tensions escalate. Brent at \$105 per barrel

GLOBAL FIXED INCOME MARKET

Global bond yields retrace slightly. UST 10-year near 5.25%

KENYA PRIMARY AUCTIONS

Decent demand across all tenors

REGIONAL MARKETS

Tanzania MPC holds Policy rate. Rwanda Inflation Surges Further.

GLOBAL MARKETS

Global Bond Yields Ease | Fiscal Concerns Remain Dominant

Middle East tensions escalated in the week increasing concerns over regional security following attacks involving Iran-backed Houthi forces and Saudi Arabia, alongside continued US-Iran tensions. Reports of tanker attacks near the Strait added to fears of supply disruption. In the near term, President Trump's intention to pause on major Iran strikes ahead of November US elections put a temporary ceiling on escalation and is a potential inflection-point post-election if diplomatic talks remain stalled. Broadly, the balance of evidence points to an extended conflict with no diplomatic resolution. Relatedly, markets will have to wait and see the outcome of reports of a Russia-Ukraine energy ceasefire agreement. As a result, Brent prices remained volatile in the week, touching highs of \$105 today. Our base case, though quite fluid, is that Brent will trade above \$95 per barrel in the current quarter.

Relatedly, following reports of increased oil shipment out of the Gulf region last week, global fixed income bond yields moved lower, though remain elevated by historical standards. The US 2-year treasury yields closed at 4.79%, while the 10-year yield remained near 5.25%. Strong demand at the auction capped the upside but current levels still point to high term premium and a contrasting repricing of the US Federal Reserve's rate path. Notably, the September FOMC minutes indicated most policymakers saw room for additional tightening, but their views on the outlook and the timing remain unclear. Macro data for the US point to continued resilience but this week's US CPI print on Tuesday is the single most important near-term catalyst. Consensus points to an acceleration to 3.6% year-on-year from 3.4%, previously. A hot print would likely push the implied December probability above 90% and extend the dollar rally. In contrast, an in-line print may not materially move the market.

Across to the Eurozone, besides the threat to the region's growth and price path, fiscal risks are rising due to a deteriorating fiscal outlook in France and the announced snap elections by the Spanish Prime Minister. Fiscal risk and higher inflation could sustain sovereign-bond volatility and complicate ECB policy decisions. In Japan, the yield on the 10-year Japanese government bond fell to 3.01%, from 3.09% in the previous week. Despite the week's decline, yields remained elevated amid concerns over Japan's debt burden and the fiscal implications of the government's policy agenda. Overall, we expect bond yields to remain volatile, implying sustained pressure on Emerging and Frontier market debt, borrowing costs and the currencies.

This week, the World Bank and IMF meetings in Bangkok will be accompanied by the release of the World Economic Outlook and Global Financial Stability Report. This will give the market a better evaluation of the global economy's direction. Additionally, we expect the release of the OPEC and IEA monthly oil market report to provide update on the oil market supply and demand balance.

Government Expectedly Plans to Extend Fuel VAT Reduction

The government tabled the Tax Laws (Amendment) Bill, 2026 that proposes to extend the 8% Value Added Tax (VAT) rate for fuel by another 90 days to cushion consumers from high fuel prices. The bill is undergoing public participation, though in our view we expect the bill to go through noting the persistent external risks from geopolitical conflicts and the risk of this passthrough to the local economy. The decision will coincide with the release of the fuel price review by EPRA on 14 October 2026.

Overall, the sustainability of these government measures remains in question. This is despite signals of improved fiscal liquidity from the fact that the government paid down a substantial amount of the overdraft facility at the CBK, down to KES 10.6Bn from KES 96.9Bn as of end June 2026. The concern is the emergence of fiscal pressures into Q1 2027 as the government rebuilds infrastructure and livelihoods affected following the projected El Niño weather conditions. In the interim period, we anticipate that the sovereign will continue to prioritize the frontloading of local borrowing, as well as securing emergency funding to mitigate the impending shock.

REGIONAL MARKETS

Rwanda | Tanzania

Rwanda's Inflation Accelerates Further Above Target, While Tanzania's Flatlines Within Target Range

Rwanda's Urban CPI index surged to 17.2% in September, relative to 15.7% in August. The overall index registered at 20% from 15.9%, previously. Inflation pressure was primarily led by higher cost across the food basket. Notably, vegetable and meat prices recorded an annual increase of 35.1% and 33.6%, respectively. Additionally, transport prices rose 22.4%, while the housing and energy index was up 18.3%, reflecting higher energy prices. Non-volatile items were slightly up at 10.5% from 10.3% a month prior. Against this backdrop, following the August rate hike to 8.75%, we see room for further tightening to contain inflation into the November MPC meeting. Positively, external risks appear well managed from a currency perspective. Despite gradual widening of the trade deficit, the USD/RWF has depreciated by a mere 1.4% this year. Hence, keeping the committees focus firmly on the inflation outlook and its second-round effects, already evident.

Tanzania's inflation is comparatively well-contained, though pressure from the energy front mounts. In September, headline inflation remained flat at 4.3% relative to the August print. Muted food price pressure supported by ample food supply following the harvest season, offset pressure on energy price and transport. Illustratively, food inflation recorded at 3.9%, while transport prices surged 14% annually. Looking ahead, the El Niño weather conditions may yield better output on select commodities, providing further relief for overall inflation. Against this backdrop, the Bank of Tanzania met last week and maintained the policy rate at 6.25%, marking the last policy meeting for 2026.

KENYA SHORT-TERM INTEREST RATES DASHBOARD

Week ending 9 October 2026

Indicative rates (%)	Previous	Current	Δ w/w (bps)
Interbank rate	8.7505%	8.7510%	▲ +0.05
91-Day T-bill	8.7694%	8.7615%	▼ -0.79
182-Day T-bill	8.8856%	8.8744%	▼ -1.12
364-Day T-bill	9.0397%	9.0352%	▼ -0.45
Headline inflation (y/y)	6.8%	6.8%	▲ +0.2 pp
Weekly auction (KES Bn)	91D	182D	364D
Offered	8.00	10.00	10.0
Bids received	50.20	15.52	9.64

Accepted	20.45	15.43	9.63
Performance rate	627.56%	155.26%	96.43%
Redemptions	15.92	11.25	20.90
Net new borrowing	+4.53	+4.18	-11.27

Source: Central Bank of Kenya, NCBA Research

	UGANDA			TANZANIA			RWANDA		
Week ending	02-Oct	09-Oct	Δ bps	02-Oct	09-Oct	Δ bps	02-Oct	09-Oct	Δ bps
91D T-bill	9.70%	9.70%	— 0.00	3.39%	3.49%	▲ +10.00	8.65%	8.65%	— 0.00
182D T-bill	10.75%	10.75%	— 0.00	5.29%	5.62%	▲ +33.00	8.81%	8.81%	— 0.00
364D T-bill	11.50%	11.50%	— 0.00	6.29%	6.28%	▼ -1.00	8.85%	9.20%	▲ +35.00
O/N rate	10.28%	10.35%	▲ +7.00	6.25%	6.10%	▼ -15.00	8.78%	8.78%	— 0.00
Central bank rate	9.75%	9.75%	— 0.00	6.25%	6.25%	— 0.00	8.75%	8.75%	— 0.00

Source: Regional central banks, NCBA Research

THE WEEK AHEAD			
THIS WEEK US CPI, PPI General price increase.	THIS WEEK Central Bank Speeches BoE and ECB speech. Cues for policy rate path.	THIS WEEK IMF & World Bank meetings World Economic Outlook report.	WEEKLY T-bond Auction KES 50Bn on offer; demand robust.

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