

ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

19th October 2026

Global Growth Resilient Though Subject to Imminent Risks

GEOPOLITICS

US sanctions to Russia suspended.
Attack on Russia port, oil price rally
Brent price at \$ 107/bbl

GLOBAL FIXED INCOME MARKET

Elevated global bond yields.
10Y UST yield above 5.0%

ECONOMIC ACTIVITY

Global economy resilient.
Inflation risks elevated.

KENYA PRIMARY AUCTIONS

Decent demand across all
tenors

GLOBAL MARKETS

Global economy resilient | Elevated inflation

The latest International Monetary Fund (IMF) forecasts point to resilient but uneven global real GDP growth in 2026 and 2027. The October 2026 World Economic Outlook (WEO) now projects global growth to average at 3.1% and 3.4% in 2026 and 2027, respectively. However, the IMF notes that fiscal vulnerabilities, renewed trade tensions and reassessment of expectations surrounding Artificial Intelligence (AI) could shock global growth negatively.

Further exacerbating the outlook, overall inflation is projected to average 4.7% in 2026 and 4.1% in 2027 mainly stemming from high energy prices. Underpinning the heightened inflationary pressure, Brent oil price remains elevated at \$107 per barrel and is expected to hold above \$100 per barrel with the US-Iran and Russia-Ukraine conflicts appearing to be at a prolonged stalemate. This is despite the G7 economies' resolution to front-load their fuel reserves deployment into the market. Although, the US suspension of sanctions on Russia for 60 days could support the oil markets in the near-term as Russian energy and diesel supplies enter the global market, particularly in Europe and Asia, though the magnitude of the impact is unclear. Broadly, this suggests that the sovereign bond market could remain volatile for a while. As investors searched for cues on the interest rate outlook, the focus shift to the US September consumer price index print that came hotter than expected at 3.7% and 2.67% annually at the headline and core level, respectively. Markets are now pricing for a Fed rate hike in December while the October Fed decision is anticipated to be a close call. Consequently, portfolio re-alignment saw equities sell-off in favour of bonds. Resultantly, bond yields remain elevated. Illustratively, the US 10-year treasury bond yield stands at 5.08%.

Domestically, Kenya's Eurobond yields were on a downward trajectory for the second consecutive week. Specifically, the 2028 note dropped to 7.327% (-1.1 basis points), the 2031 note to 7.970% (-13 basis points), the 2032 note to 8.676% (-4.6 basis points) and the 2034 note to 9.182% (-12.4 basis points). Looking ahead, elevated external borrowing cost signals constraints in achieving the net foreign financing target of KES 247Bn. This, alongside high domestic debt maturities, are expected to drive local borrowing appetite. Thus far, the government has borrowed 62% of the net domestic borrowing target, boosted by successful T-bill and bond issuances last week, where the fiscal agent raised KES 52.3Bn and KES 53.05Bn, respectively.

Q2 Economic Growth Remained Resilient But the Outlook is Subject to Risks

The real GDP outturn for the second quarter of 2026 came at 5.1% relative to 4.9% in a similar quarter last year largely supported by recovery in industrial and service sectors. However, first quarter real GDP growth was revised slightly down from 5.3% to 5.1%. The recent growth print brings half year growth at 5.1%. Relatedly, the exchequer numbers for the first two quarters of the fiscal year, indicates good momentum in revenue mobilization with total revenue at 27% growth year-on-year as of September. Tax revenue collection is on track at 14.1% growth year-on-year. Expenditure wise, recurrent expenditure is at 25% run rate with development spending accelerated at 141.3% year-on-year. The exchequer report indicates strong public sector spending so far, this fiscal year and taken alongside continued recovery in private sector credit (10.6% growth) means that we could see Q3 growth keep in pace. This resilience underpins CBK's recent upward revision for full year growth to 5.0%. However, in November and December, disruptions linked to El Niño, recent report on Ebola cases in Kenya and higher fuel prices could slow economic activity.

REGIONAL MARKETS

Uganda

The Bank of Uganda Holds Emergency MPC Meeting and Hikes CBR to 12.0%

The Bank of Uganda held emergency meeting amid sharp shilling depreciation, elevated external risk and deteriorating external position hence, a 225 basis points hike in Central Bank Rate. From the decision, it's evident that last month's CRR hike to 13.5% has not given the intended results leading the regulator to take decisive action. Following the policy rate hike, yields were on an upward trajectory at 14.000% (+200bps) for 3-year, 16.850% (+185bps) for 10-year and 16.925% (+192.5bps) for 20-year bond. The bond sale was oversubscribed at UGX 1.46Tn against UGX 990Bn on offer, out of which the Bank of Uganda accepted only approximately UGX 1.04 trillion.

KENYA SHORT-TERM INTEREST RATES DASHBOARD

Week ending 16 October 2026

Indicative rates (%)	Previous	Current	Δ w/w (bps)
Interbank rate	8.7518%	8.7521%	▼ +0.03
91-Day T-bill	8.7615%	8.7500%	▼ -1.15
182-Day T-bill	8.8744%	8.8600%	▼ -1.44
364-Day T-bill	9.0352%	9.0383%	▼ +0.31
Headline inflation (y/y)	6.6%	6.8%	▲ +0.2 pp
Weekly auction (KES Bn)	91D	182D	364D
Offered	8.00	10.00	10.0
Bids received	49.80	12.06	6.64
Accepted	34.24	11.48	6.59
Performance rate	622.5%	120.6%	66.4%
Redemptions	13.14	7.95	22.99
Net new borrowing	21.1	3.53	-16.4

Source: Central Bank of Kenya, NCBA Research

	UGANDA			TANZANIA			RWANDA		
Week ending	09-Oct	16-Oct	Δ bps	09-Oct	16-Oct	Δ bps	09-Oct	16-Oct	Δ bps
91D T-bill	9.70%	9.70%	— 0.00	3.49%	3.49%	— 0.00	8.65%	8.73%	▲ +8.00
182D T-bill	10.75%	10.75%	— 0.00	5.62%	5.62%	— 0.00	8.81%	8.79%	▼ -2.00
364D T-bill	11.50%	11.50%	— 0.00	6.28%	6.28%	— 0.00	9.20%	8.80%	▼ -40.00
O/N rate	10.28%	10.28%	— 0.00	6.25%	6.68%	▲ +43.00	8.78%	8.78%	— 0.00
Central bank rate	9.75%	12.00%	▲ +225.00	6.25%	6.25%	— 0.00	8.75%	8.75%	— 0.00

Source: Regional central banks, NCBA Research

THE WEEK AHEAD			
THIS WEEK UK September CPI Elevated around 3.5%	THIS WEEK Preliminary PMI Prints Generally resilient	THIS WEEK US Weekly Initial Jobless Claims About 200k level	WEEKLY T-bill Auction KES 28Bn on offer; demand robust.

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