ECONOMICS AND RESEARCH WEEKLY FIXED INCOME REPORT

2nd November 2026

Major Central Banks Hold Interest Rates: Odds of December Rates Hike Remain High

GEOPOLITICS	GLOBAL FIXED INCOME MARKET	ECONOMIC ACTIVITY	KENYA PRIMARY AUCTIONS
Middle East conflict uncertain amid ongoing US mid-term election Brent price at $ 109/bbl	**Key Central Banks hold rates, odds for December hike surges**	**US and Euro Area growth resilient. Inflation risks elevated.**	**Decent demand across all tenors**

GLOBAL MARKETS

Key Central Banks hold rates | High odds for December rate hike

As widely expected, the US Federal Reserve, European Central Bank (ECB) and the Bank of Japan held their respective policy rates unchanged last week. Accordingly, the markets responded with muted aggressive risk-on rallies and preference for safe-haven holdings. Resultantly, the US 10 and 30-year bond yields dropped to 4.91% and 5.28% from 4.99% and 5.36% previous week respectively. The central bank pronouncements broadly leaned on the risks surrounding heightened inflation and tightening global financial conditions. Illustratively, US inflation was 3.1%, according to September's core Personal Consumption Expenditures (PCE) data, while Japan's core Tokyo Consumer Price Index (CPI) reached 2.6% in October.

The uncertainties regarding the Middle East conflict leave room for more widespread acceleration in prices. Underpinning this, the World Bank's recently published commodity market outlook forecasts Brent price to average $91 per barrel in 2026 and $79 in 2027, up from $69 in 2025. This outlook assumes no major escalation in the Middle East and continued recovery in Russian oil production. However, outcome of the US midterm elections remains a major event risk for the future of the conflict. However, in an adverse scenario, prices could average $105 per barrel in 2027.

Against this backdrop, the odds of interest-rate hikes by the respective central banks in December are now reasonably high. This is further supported by continued resilience in economic activity. Official growth data released last week placed Q3 real GDP growth at 3.4% in the US and 0.4% in the Euro area. Although, European area growth is likely to come in lower in Q4 amid the ongoing unrest, implying greater caution by the ECB.

A notable outcome of the Fed meeting was that the shift in the FOMC schedule. The Fed announced that it will keep its total of eight scheduled annual meetings, but only seven will be devoted to setting interest rates. With less opportunity to respond to rapidly shifting market conditions, this raises the risk of higher uncertainty and unscheduled meetings. Against this backdrop, the December meeting will carry greater importance, and incoming economic data will be crucial in shaping our expectations. This week, the Bank of England is expected to raise interest rates by 25-basis points to 4.0%, marking the first policy adjustment since December 2025.

DOMESTIC MARKET

Kenya

Primary Auction Demand Improves, Yields Record Mixed Performance

Last week's T-bill auction recorded an oversubscription with bids amounting to KES 51.86Bn against CBK's target of KES 28Bn. Of this, KES 51.69Bn was accepted against weekly redemptions of KES 40.74Bn. While investor demand

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improved week-on-week, we noted a slight increase in the 91-day and 364-day yield to 8.7498% (+0.20bps) and 9.0288%(+0.21bps), while the 182-day eased to 8.8508% (-0.83bps). While we take usual caution in reading one data point, this could perhaps signal a change in the wider interest rate outlook. This is against the recently published October headline inflation reading of 7.3%, near the 7.5% upper-bound target. Hence, inflation expectations are expected to move in tandem and thus foresee modest upward pressure on short-term yields as investors demand more to cushion against rising prices. A higher global rate path into end-year adds further complexities to the outlook. Although, ample market liquidity and redemptions should continue to anchor healthy subscriptions and partly counter this pressure.

Regional Markets

Uganda

Uganda Headline Inflation Surges To 5.3%, Exacerbated by UGX Depreciation

Uganda's October headline inflation surged to 5.3% from 4.6% in September largely driven by elevated food and transport prices. Amid elevated global oil prices and local currency depreciation, inflation could rise toward a range of 7.0–7.5% levels in early 2027, in line with the Bank of Uganda (BoU) outlook. Notably, the USDUGX sustained further losses last week, despite repo interventions by the central bank. In the near-term, we project that elevated inflation risks amid renewed buying pressure by importers is likely to sustain depreciation bias on the shilling.

Elsewhere, ample market liquidity and investors' appetite supported the primary auction performance in Tanzania and Rwanda. In Tanzania, the 20-Year Treasury Bond was oversubscribed with TZS 935.5Bn against TZS 326.71Bn on offer, out of which TZS 239Bn was accepted. As a result, yields dropped to 10.52% from 11.33% previously. Similarly, Rwanda's T-bill auction was oversubscribed, garnering RWF 35Bn in bids, though the central bank accepted the RWF 33.5Bn that was on offer. Yields marginally ticked up across all papers, closing at 8.7684% (+0.68bps) for the 91-day, 8.7972% (1.72bps) for the 182-day and 8.9103% (10.03bps) for the 364-day bill.

KENYA SHORT-TERM INTEREST RATES DASHBOARD

Week ending 31 October 2026

Indicative rates (%)	Previous	Current	Δ w/w (bps)
Interbank rate	8.7503%	8.7502%	▼ -0.01
91-Day T-bill	8.7478%	8.7498%	▲+0.20
182-Day T-bill	8.8591%	8.8508%	▼ -0.83
364-Day T-bill	9.0267%	9.0288%	▲+0.21
Headline inflation (y/y)	6.8%	7.3%	▲+0.5 pp
Weekly auction (KES Bn)	**91D**	**182D**	**364D**
Offered	8.00	10.00	10.0
Bids received	40.63	5.32	5.91
Accepted	40.56	5.22	5.91
Performance rate	**507.88%**	**53.2%**	**59.1%**
Redemptions	14.62	3.37	22.75
Net new borrowing	25.94	1.85	-16.84

Source: Central Bank of Kenya, NCBA Research

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	UGANDA			TANZANIA			RWANDA		
Week ending	**23-Oct**	**30-Oct**	**Δ bps**	**23-Oct**	**30-Oct**	**Δ bps**	**23-Oct**	**30-Oct**	**Δ bps**
91D T-bill	11.25%	11.25%	**— 0.00**	3.64%	3.64%	**— 0.00**	8.70%	8.77%	**▲ +7.00**
182D T-bill	13.40%	13.40%	**— 0.00**	5.57%	5.57%	**— 0.00**	8.78%	8.80%	**▲ +2.00**
364D T-bill	14.50%	14.50%	**— 0.00**	6.13%	6.13%	**— 0.00**	8.81%	8.91%	**▲ +10.00**
O/N rate	12.62%	12.62%	**— 0.00**	6.59%	6.55%	**▼ -4.00**	8.77%	8.77%	**— 0.00**
Central bank rate	**12.00%**	**12.00%**	**— 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
Bank of England policy decision
25bps rate hike to 4.0%

THIS WEEK
Final October PMI Prints
General resilience in economic activity

THIS WEEK
US Mid-term elections
Democrats win both houses

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

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