



Pre—Auction Note March 2026 Bonds

For the month of March, the Central Bank of Kenya (CBK) reopened two bonds in a bid to raise Kes 60Bn to plug in the budget deficit. The reopened bonds are; FXD1/2019/20 and FXD1/2021/25—with effective tenors to maturity of 13.1 years and 20.1 years, respectively. FXD1/2019/20, carrying a coupon of 12.87%, has an outstanding stock of Kes 104.03Bn, while FXD1/2021/25 offers a 13.92% coupon with Kes 132.80Bn outstanding. Notably, the government appears to have earmarked the two bonds as regular funding instruments, as at least one of them has featured in nearly every auction since December.

Earlier re-openings offer useful signals. FXD3/2019/25, reopened in January, underperformed largely due to a concurrent issuance carrying a higher coupon. Conversely, FXD1/2021/25, last offered in December 2025, attracted strong investor demand and emerged as the best performer.

Despite the coupon differentials, February’s auction introduced a different dynamic, where the shorter-dated bond with the lower coupon attracted stronger demand than the longer-dated paper with the higher coupon. The same might pun out with the March issuance given the global uncertainties.

Against the backdrop of declining interest rates, both bonds present attractive opportunities for duration investors and secondary market participants, particularly those targeting capital gains rather than holding to maturity. Our bidding estimates for the two bonds are as follows:

Bond	Base Case Estimates	Aggressive Estimates
FXD1/2019/20	12.80% - 13.00%	13.10% - 13.20%
FXD1/2021/25	13.30% - 13.40%	13.42% - 13.62%

For the shorter tenor, bids are likely to cluster around 13.0%, the midpoint of our bidding range. The longer tenor, meanwhile, signals a firm 13-handle environment, with pricing likely to skew toward the mid-point of our aggressive range, as investors price in the looming uncertainties.

As such, we expect an oversubscription of the offer.

Paper	Reopening	
	FXD1/2019/20	FXD1/2021/25
Maturity Date	21-Mar-39	09-Apr-46
Effective Tenor (Years)	13.0	20.1
Amount Floated (Kes. Bn)	60.0	
Amount Outstanding (Kes. Bn)	104.03	132.80
Coupon	12.87%	13.92%
Sale Period	Up to 11 th March 2026	

Source: CBK | Chart: KSL

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