KINGDOM SECURITIES LIMITED

A Subsidiary of the Co-operative Bank of Kenya Ltd

FIXED INCOME AND MACRO REPORT

Week Ending 10th July 2026

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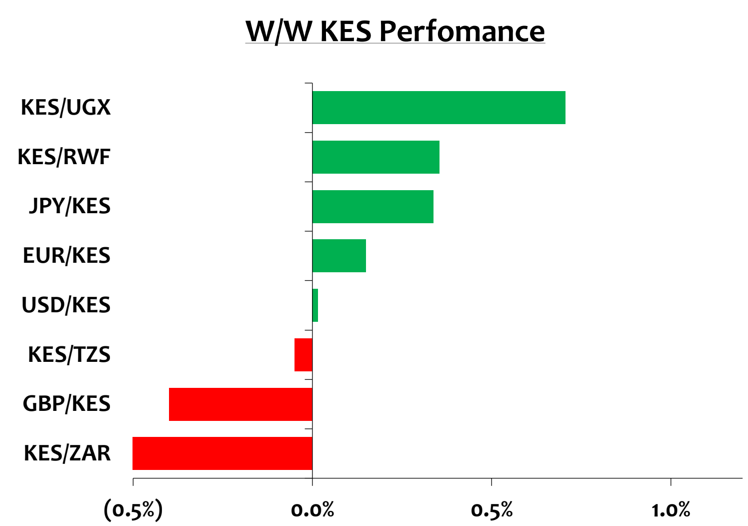
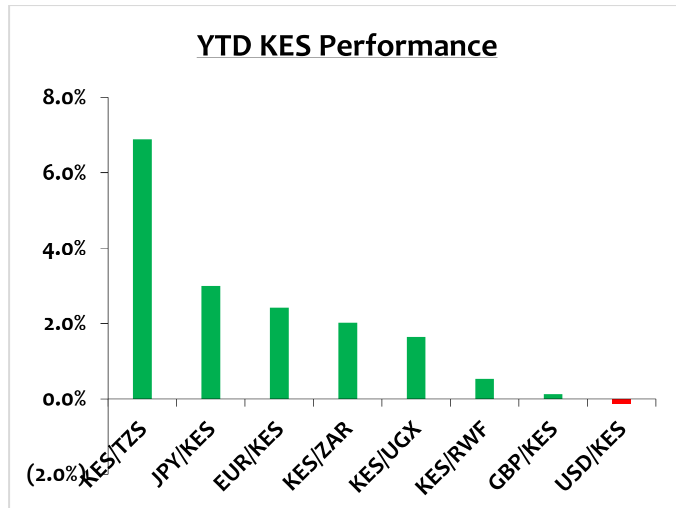
MACRO LENS

Foreign Exchange:

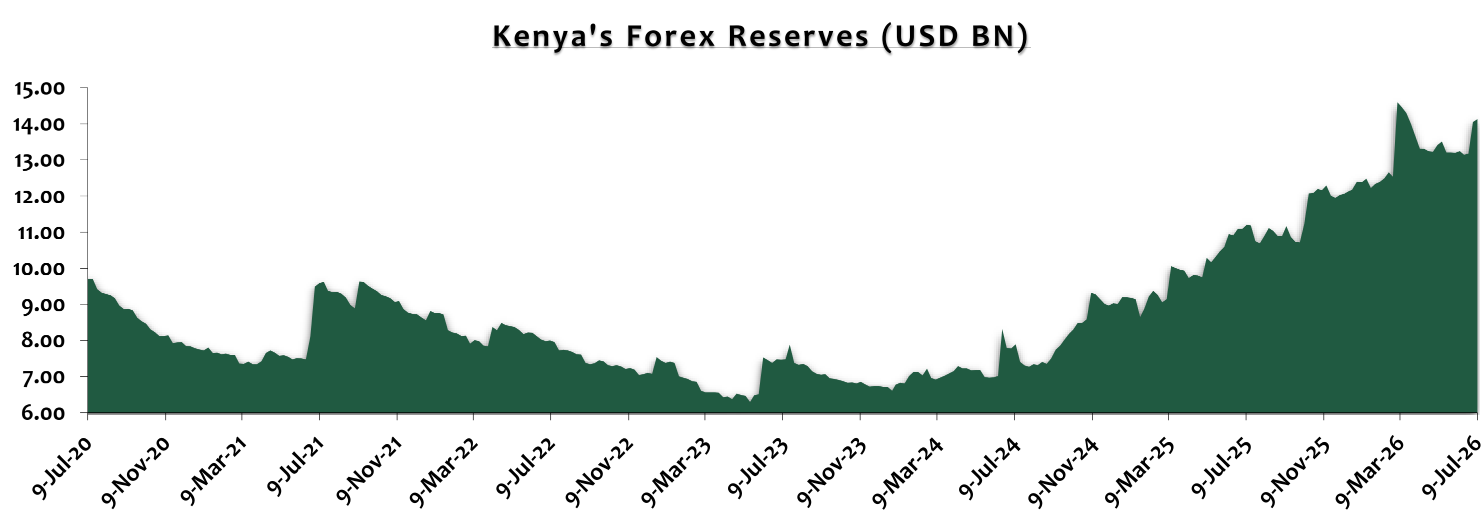
The Kenyan Shilling exhibited mixed performance, appreciating against the Ugandan Shilling, Euro, Rwandese Franc, Japanese Yen and the Euro. YTD, the currency has remained largely stable against key trading partners' currencies, with the most pronounced gain recorded against the Tanzanian Shilling. The only depreciation is against the dollar but it remains marginal. See the charts below:





Source: CBK | Chart: KSL

Foreign exchange reserves recorded a 0.6% jump to USD 14.13Bn, equivalent to 6.0 months of import cover, as shown below;



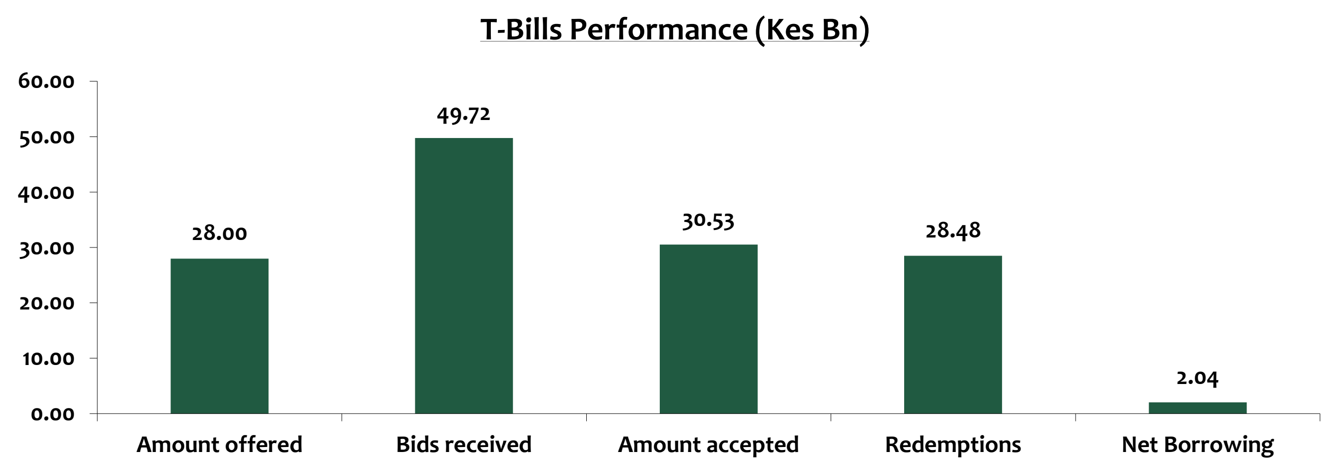
Source: CBK | Chart: KSL

FIXED INCOME PULSE

Primary Market Activity:

Demand for Treasury bills improved, with the overall subscription rate rising to 177.6% from 146.6% in the previous auction, reflecting stronger investor appetite. Demand remained concentrated on the 91-Day paper, which recorded a subscription rate of 435.0%, partly because the Central Bank of Kenya's decided to double the offered amount to KES 8.0Bn from KES 4.0Bn. Meanwhile, the 182-Day and 364-Day tenors remained undersubscribed, recording subscription rates of 88.8% and 60.4%, respectively.

In total, the government received bids worth KES 49.72Bn and accepted KES 30.53Bn, translating to a 61.39% acceptance rate. After accounting for KES 28.48Bn in maturities, the auction resulted in a net borrowing of KES 2.04Bn, indicating that the government raised marginally above its rollover requirements. See the chart below;



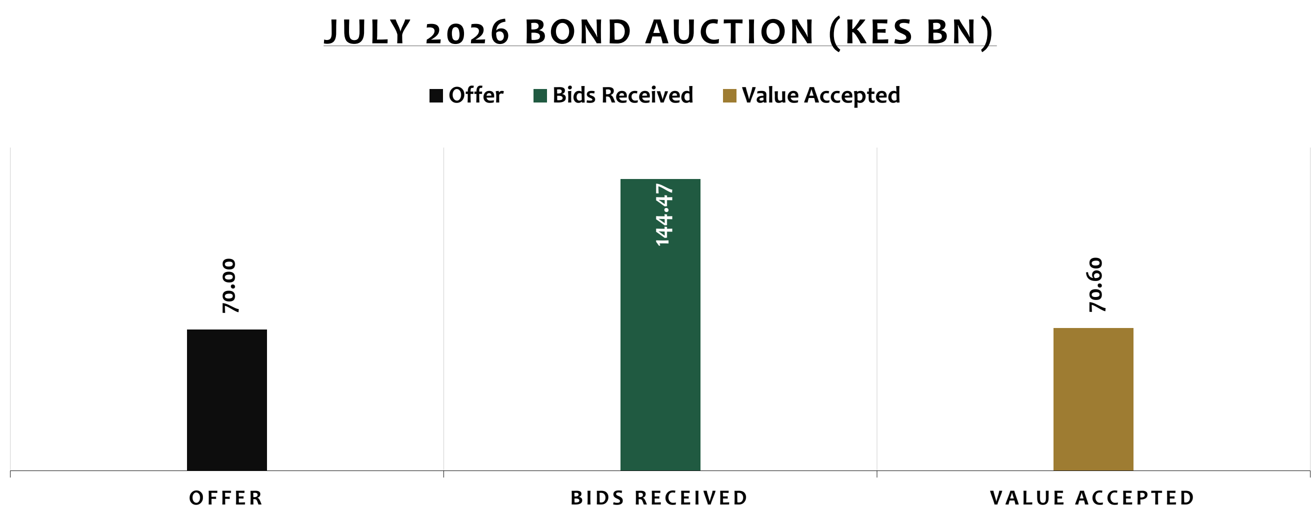
Source: CBK | Chart: KSL

The Yields on the short-term papers continued to increase, with the 91-day, 182-day, and 364-day papers printing at 8.85% (+0.97bps), 8.97% (+0.95bps), and 8.99% (+0.30bps).

During the week, interbank market activity tightened, with average traded volumes declining to KES 4.82Bn from KES 7.02Bn in the first four trading days. Activity at the CBK discount window pointed to some liquidity constraints among a few players, although the average interbank rate remained stable at 8.75%.

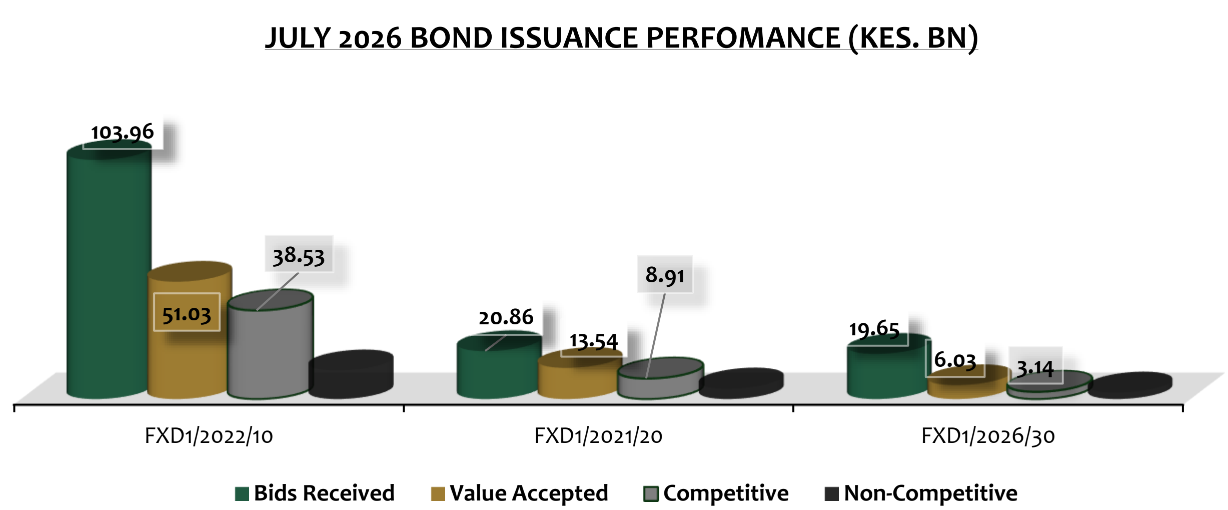
Treasury Bonds

In the bond market, the CBK successfully raised KES 70.60Bn from the July bond auction, slightly above the KES 70.0Bn target. The issue was oversubscribed, with bids worth KES 144.47Bn translating to a subscription rate of 206.4%. The government rejected more than half of the bids received, reflecting its continued efforts to maintain yields at preferred levels. See the summary below;



Source: CBK | Chart: KSL

The paper with the shortest tenor attracted the highest investor interest, unsurprisingly, as it carried the highest coupon rate among the three bonds on offer, making it more attractive to investors seeking higher returns. See the summary below;



Meanwhile, the parallel switch offer is still open and it targets FXD1/2021/05 with an outstanding amount of Kes 47.68Bn. The destination bond is FXD1/2012/20 with an outstanding maturity of Kes 201.74Bn. The period of sale ends on 13th July 2026. See the summary below:

	Switch Offer	
Paper	FXD1/2021/005 - Source Bond	FXD1/2012/20 - Destination Bond
Maturity Date	09-Nov-26	01-Nov-32
Effective Tenor (Years)	0.3	6.3
Amount Floated (Kes. Bn)	10.0	
Amount Outstanding (Kes. Bn)	47.68	201.74
Coupon	11.28%	12.00%
Sale Period	Up to 13th July 2026	

Source: CBK | Chart: KSL

Secondary Market

Secondary bond market activity eased during the week, with turnover dropping further by 45.9% to KES 29.74Bn, from Kes 54.99Bn in the previous week.

This was in tandem with a 44.8% decrease in the number of deals. See the table below:

	Previous Week	Current Week	Change
Turnover in Bonds (Kes Bn)	54.99	29.74	-45.9%
Number of Deals	1128	623	-44.8%

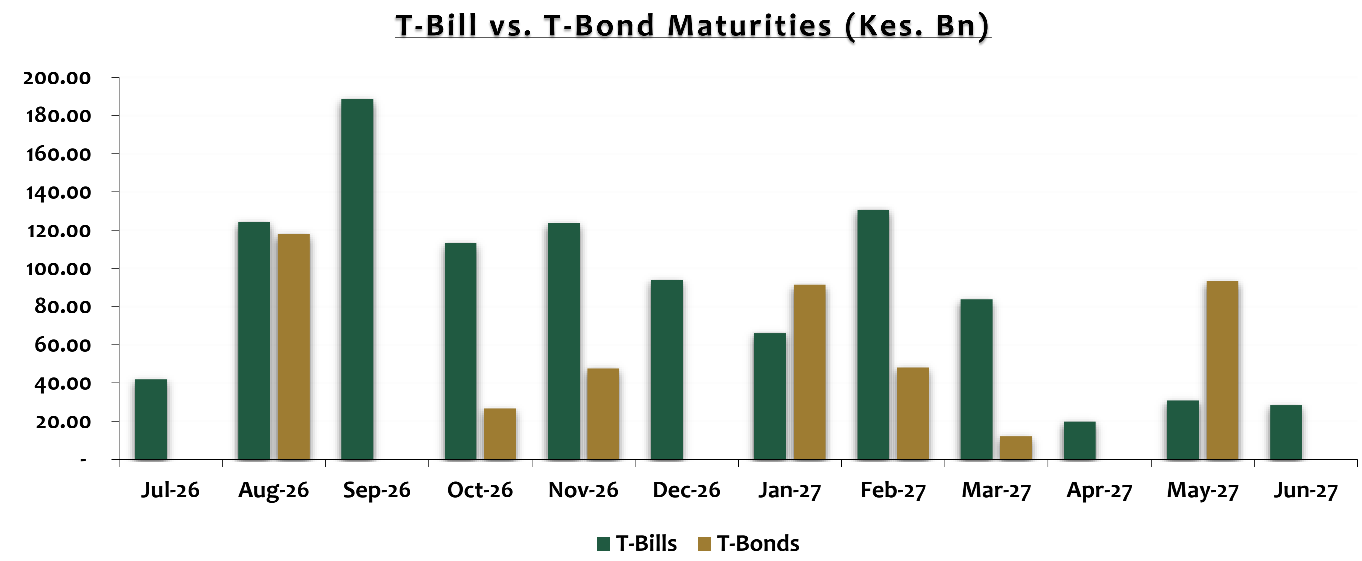
Source: NSE | Table: KSL

Domestic Debt Service Schedule:

The maturity profile for the next one year is as follows:

i. KES 1,045.31Bn in Treasury Bills;
ii. KES 437.71Bn in Treasury Bonds;
iii. KES 785.26Bn in coupon payments;

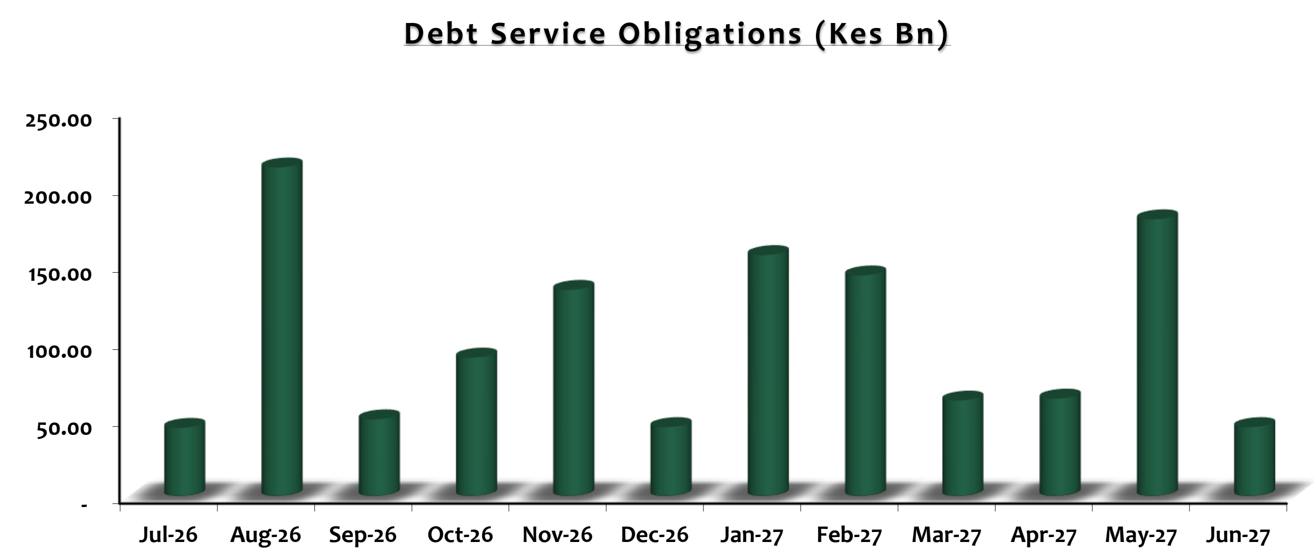
See the chart below for a visual presentation:



Source: CBK, NSE | Chart: KSL

Further, the chart below illustrates upcoming bond debt-servicing obligations, including both principal repayments and coupon payments.

August stands out as the month with the highest redemption burden.



Source: CBK, NSE | Chart: KSL

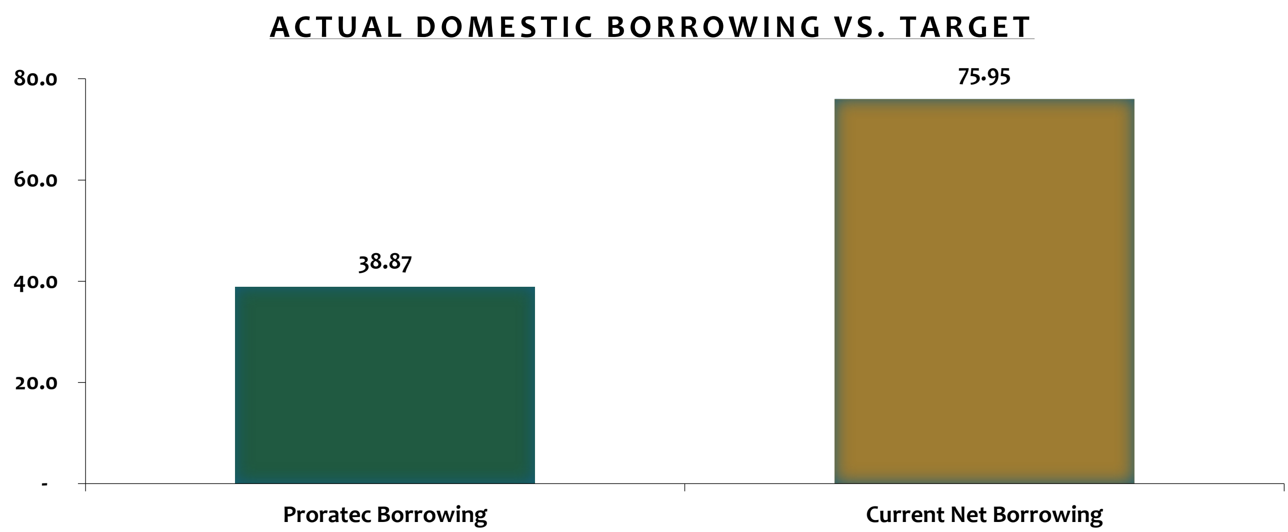
Government Borrowing Position:

For the domestic borrowing target progress bar, the government has achieved 7.4% of the total borrowing target, having raised KES 75.95Bn. The amount is above the pro-rated borrowing target of KES 38.87Bn; however, this does not raise immediate concerns given the significant debt maturities expected in August, which will require higher borrowing activity to support refinancing needs.

See the progress bar below:

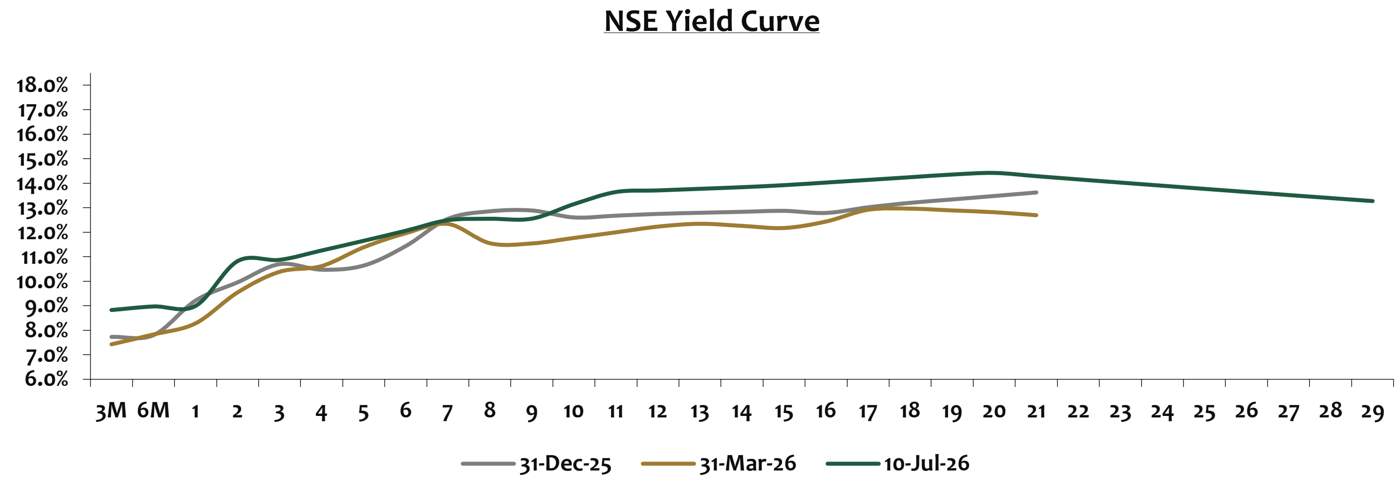
Source: CBK, Treasury | Chart: KSL

See below a summary of the domestic borrowing:



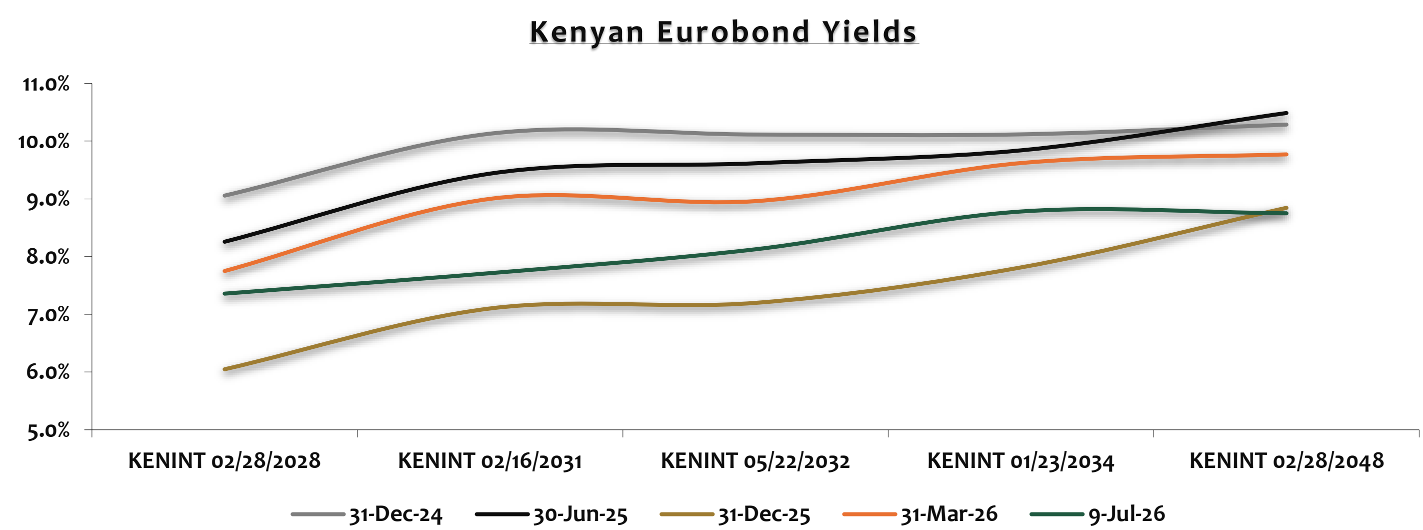
Local & International Yields

The local yield curve edged upwards during the week, with only a few maturities recording declines. The long end of the curve has now moved above both end-2025 and 1Q26 levels, reflecting increased pressure on longer-term yields amid evolving market expectations. See the chart below:



Source: NSE | Chart: KSL

Similarly, yields on Kenyan Eurobonds rose, mirroring persistent global uncertainties. The chart below illustrates the movement of the yields over the year:



Source: CBK | Chart: KSL

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