KINGDOM SECURITIES LIMITED

A Subsidiary of the Co-operative Bank of Kenya Ltd

FIXED INCOME AND MACRO REPORT

Week Ending 24th July 2026

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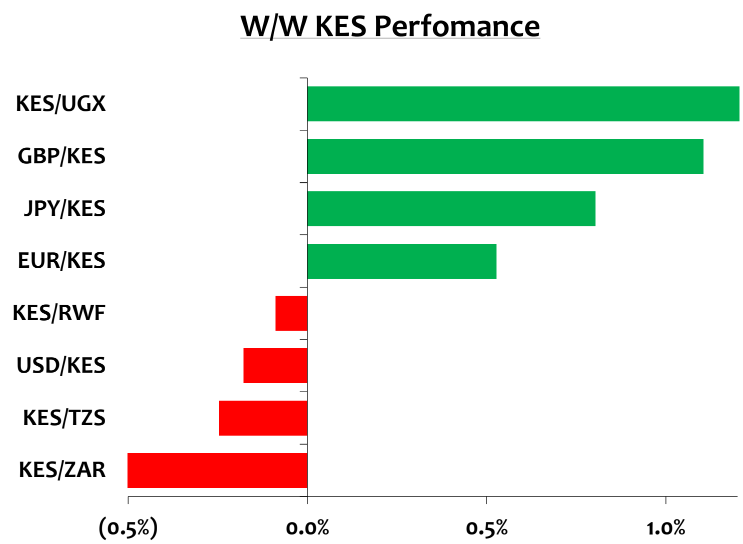
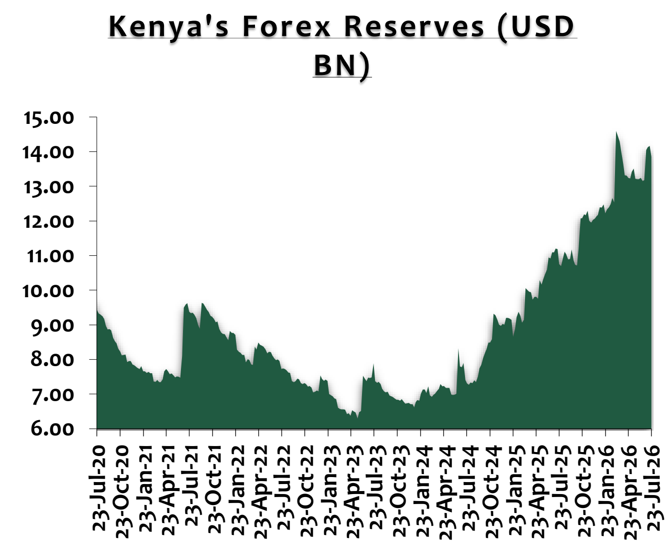
MACRO LENS

Foreign Exchange:

The Kenyan Shilling exhibited mixed performance during the week, appreciating against the Ugandan Shilling, British Pound, Japanese Yen, and Euro, while depreciating against the other four currencies in our coverage basket, as illustrated below.

Meanwhile, the Central Bank of Kenya's foreign exchange reserves declined by 2.2% to USD 13.85Bn, reducing import cover to 5.9 months from 6.0 months previously. We believe the decline likely reflects the settlement of an external debt obligation falling. See the charts below:





Source: CBK | Chart: KSL

Upcoming Events: July 2026 Inflation

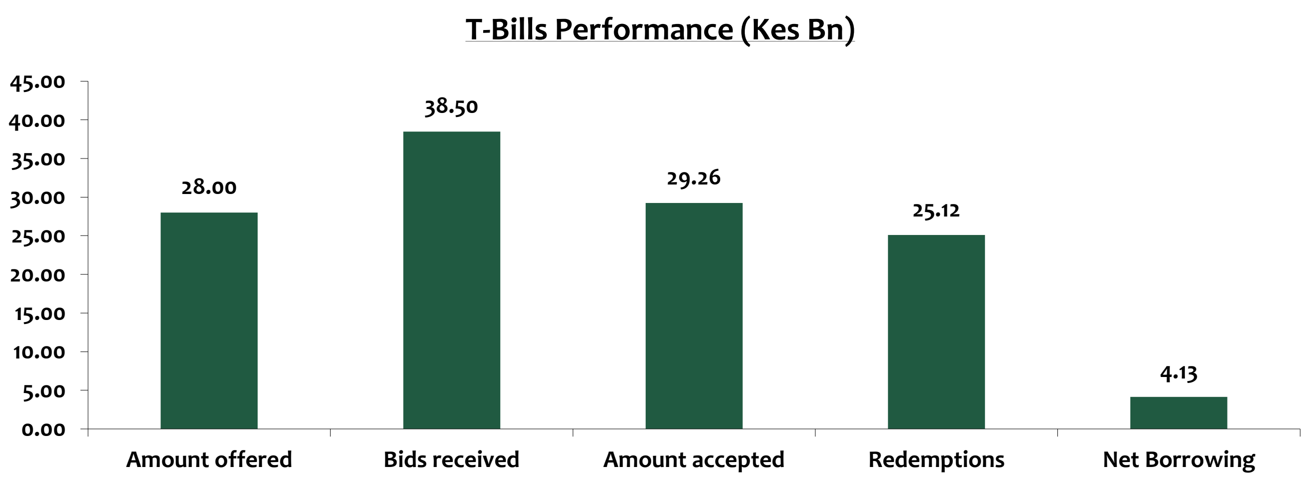
In the coming week, we expect the Kenya National Bureau of Statistics (KNBS) to publish the July 2026 inflation figures. Headline inflation eased to 6.4% in June from 6.7% in May, largely supported by stable domestic fuel prices following the Government's fuel price stabilization measures. While pump prices remained unchanged in the July/August 2026 pricing cycle, they continue to remain elevated, suggesting that inflationary pressures are likely to persist. As such, we expect headline inflation to remain broadly stable, **with our projection falling within the 6.0%–6.3% range**.

FIXED INCOME PULSE

Primary Market Activity:

Demand for Treasury bills eased, with the overall subscription rate declining to 137.5% from 157.2% in the previous auction. Demand remained concentrated on the 91-Day paper, which recorded a subscription rate of 275.7%, down from 304.4% in the previous week. The 182-Day paper was oversubscribed for the second consecutive week while the 364-Day paper remained undersubscribed, recording a subscription rate of 48.8%.

In total, the government received bids worth KES 38.50Bn and accepted KES 29.26Bn, translating to a 76.0% acceptance rate. After accounting for KES 25.12Bn in maturities, the auction resulted in a net borrowing of KES 4.13Bn, indicating that the government raised marginally above its rollover requirements. See the chart below;



Source: CBK | Chart: KSL

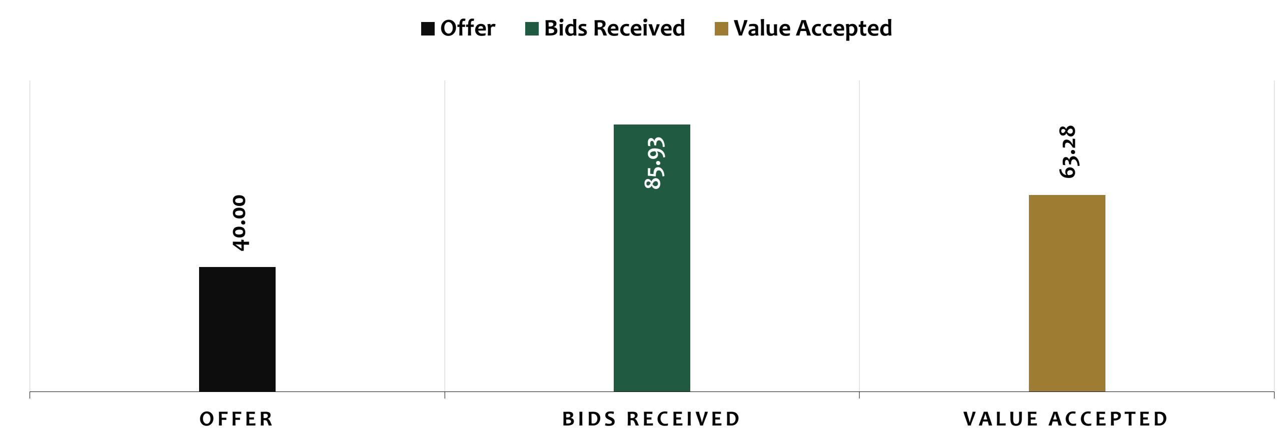
The Yields on the short-term papers declined marginally, with the 91-day, 182-day, and 364-day papers printing at 8.78% (-1.65bps), 8.95% (-1.50bps), and 9.04% (-0.54bps).

During the week, interbank market activity tightened, with average traded volumes declining to KES 3.40Bn from KES 7.54Bn in the first four trading days, although the average interbank rate remained stable at 8.75%.

Treasury Bonds

In the bond market, the CBK successfully raised KES 63.28Bn from the second July bond auction, well above the KES 40.0Bn target. The auction recorded a subscription rate of 214.8%, attracting bids worth KES 85.93Bn. However, the acceptance rate stood at 73.6%, indicating that the government rejected a significant portion of the bids received. See the summary below;

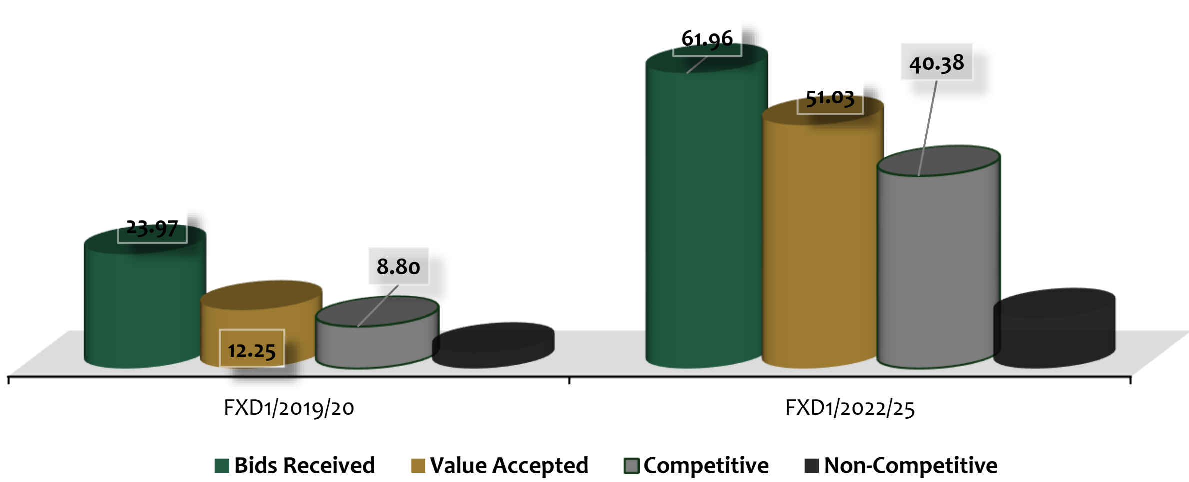
JULY 2026 BOND AUCTION (KES BN) - TRANCHE II



Source: CBK | Chart: KSL

The longer-tenor paper attracted the strongest investor interest, as we had projected, owing to its higher coupon rate relative to the other bonds on offer. See the summary below:

JULY 2026 BOND ISSUANCE PERFOMANCE - TRANCHE II (KES. BN)



Competitive bids accounted for nearly 80% of the accepted bids, indicating that investors aggressively sought to secure allocations at their preferred yields. The market-weighted average rate was broadly in line with our projections, although the weighted average accepted rate came in marginally below our projected range, as shown below:

Paper	Market Weighted Average Rate	Weighted Average Rate of Accepted Bids	Our Projection
FXD1/2019/20	14.07%	13.92%	14.00% - 14.20%
FXD1/2022/25	14.50%	14.44%	14.48% - 14.58%

Source: CBK | Chart: KSL

Secondary Market

Secondary bond market activity improved during the week, with turnover rising by 44.4% to KES 46.90Bn, from Kes 32.49Bn in the previous week.

This was in tandem with an 18.1% increase in the number of deals. See the table below:

	Previous Week	Current Week	Change
Turnover in Bonds (Kes Bn)	32.49	46.90	44.4%
Number of Deals	761	899	18.1%

Source: NSE | Table: KSL

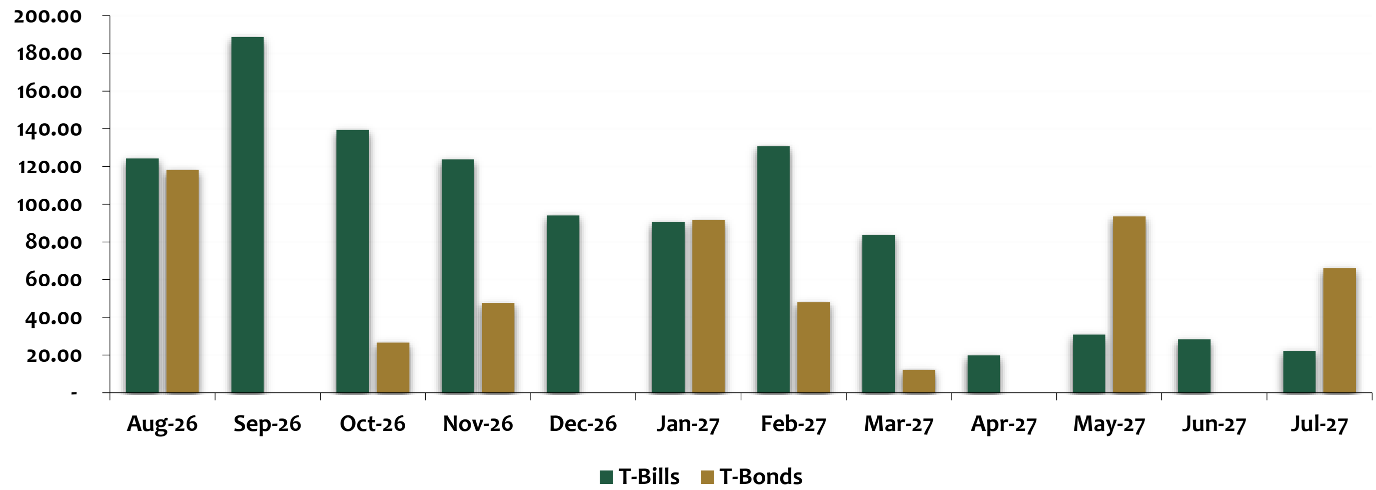
Domestic Debt Service Schedule:

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

i. KES 1,076.39Bn in Treasury Bills;
ii. KES 503.69Bn in Treasury Bonds;
iii. KES 818.75Bn in coupon payments;

See the chart below for a visual presentation:

T-Bill vs. T-Bond Maturities (Kes. Bn)

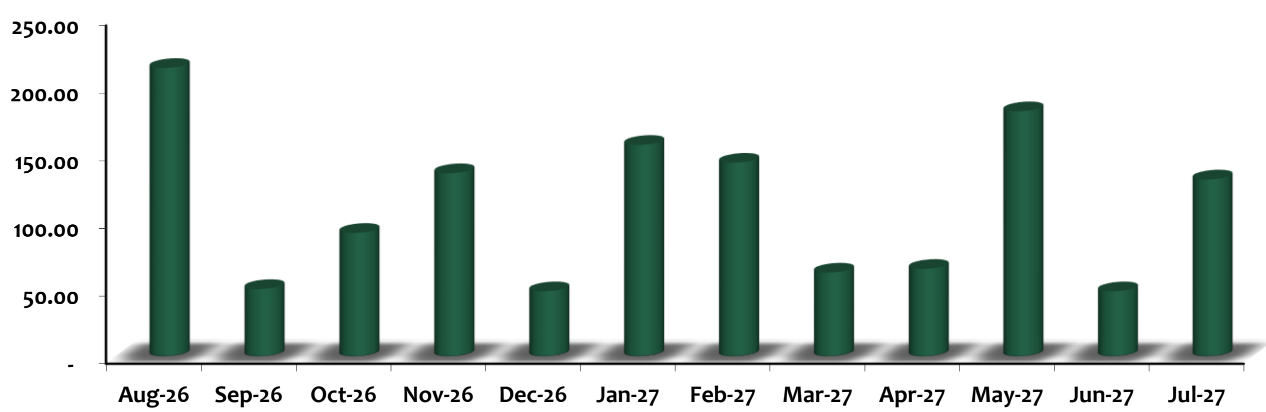


Source: CBK, NSE | Chart: KSL

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, setting the stage for aggressive borrowing. However, we suspect the government front-loaded part of this burden in July, having raised a total of Kes 133.88Bn against interest payments of Kes 64.67Bn and no redemptions. In August, the government faces maturities worth Kes 118.14Bn and interest payments of Kes 94.97Bn, bringing the total debt servicing obligation to Kes 213.10Bn. See a summary below:

Debt Service Obligations (Kes Bn)



Source: CBK, NSE | Chart: KSL

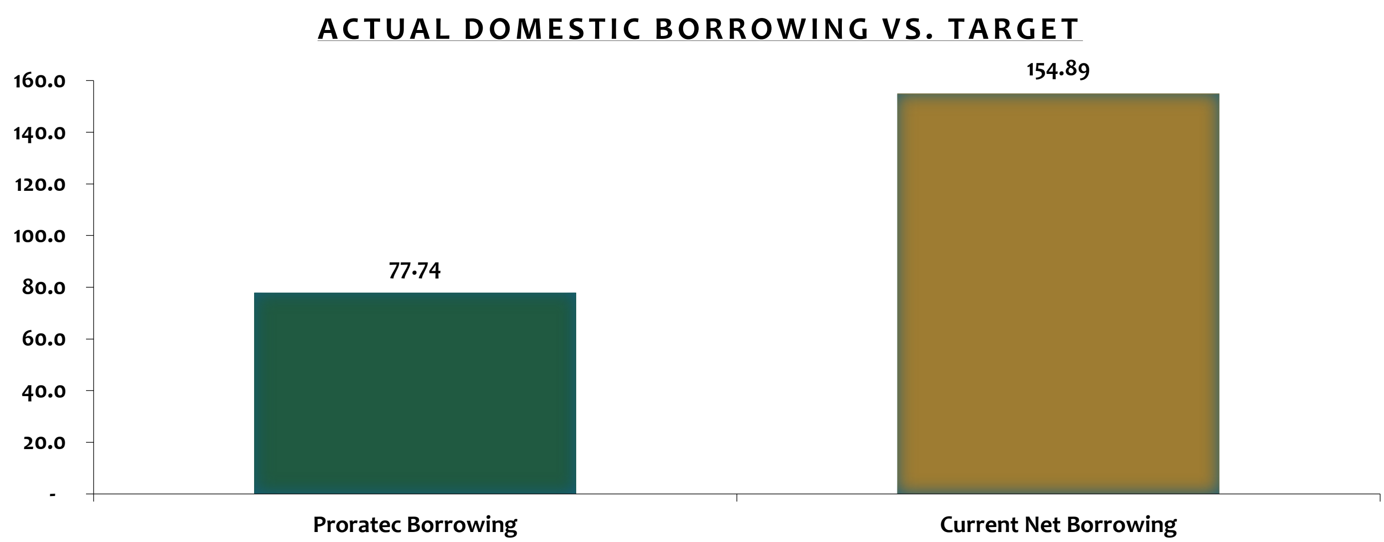
FY26/27 Government Borrowing Position:

For the domestic borrowing target progress bar, the government has achieved 15.0% of the total borrowing target, having raised KES 154.89Bn. The amount is above the pro-rated borrowing target of KES 77.74Bn; 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:

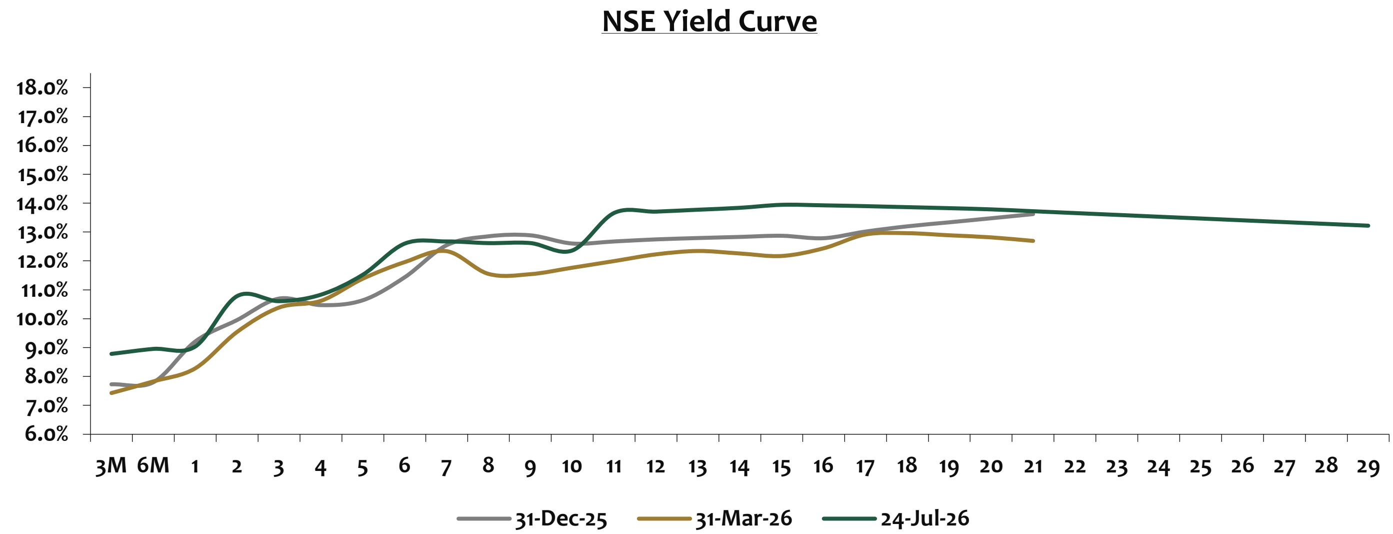
Source: CBK, Treasury | Chart: KSL

See below a summary of the domestic borrowing:



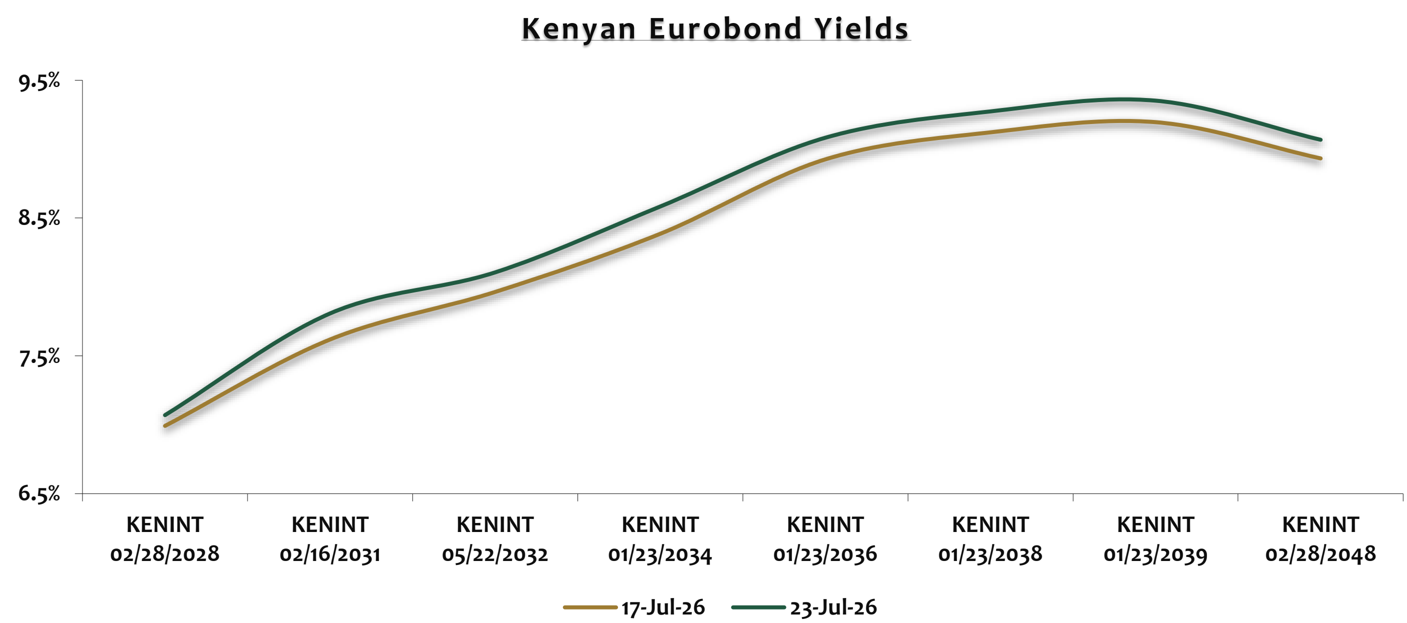
Local & International Yields

The local yield curve edged lower during the week, with only a few tenors at the belly of the curve recording gains. Although the long end of the curve remains above end-2025 and 1Q26 levels, it continues to trend downwards gradually. See the chart below:



Source: NSE | Chart: KSL

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



Source: CBK | Chart: KSL

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