KINGDOM SECURITIES LIMITED

A Subsidiary of the Co-operative Bank of Kenya Ltd

FIXED INCOME AND MACRO REPORT

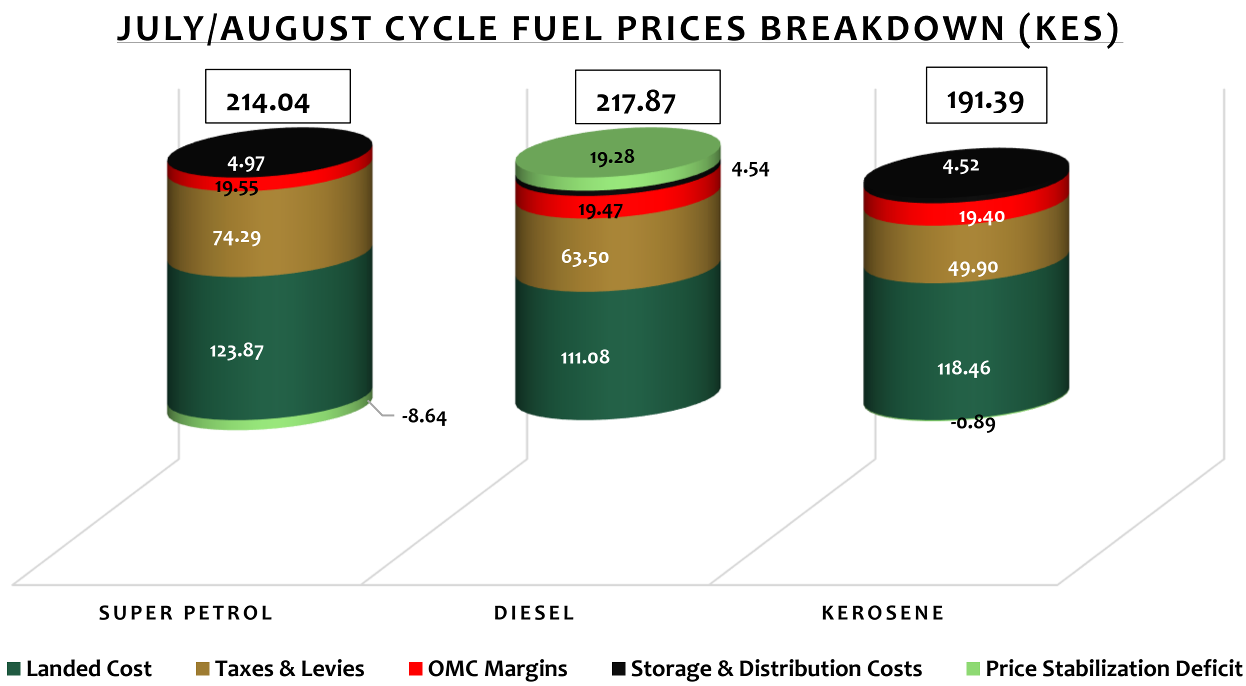
Week ending 14th August 2026

kingdomresearch@co-opbank.co.ke

MACRO LENS

a. Retail Fuel Prices:

On 14th August 2026, the Energy and Petroleum Regulatory Authority (EPRA) announced the maximum retail petroleum prices applicable for the period 15th August to 14th September 2026 against a backdrop of persistent geopolitical tensions in the Middle East and continued volatility in global crude oil prices. Consequently, EPRA retained the pump prices of Super Petrol and Kerosene unchanged, while the price of Diesel declined by 2.2%. In Nairobi, Super Petrol and Diesel will retail at Kes. 214.04 and Kes. 191.39 per litre, respectively, while Kerosene will retail at Kes. 217.87 per litre. The price breakdown is as follows:

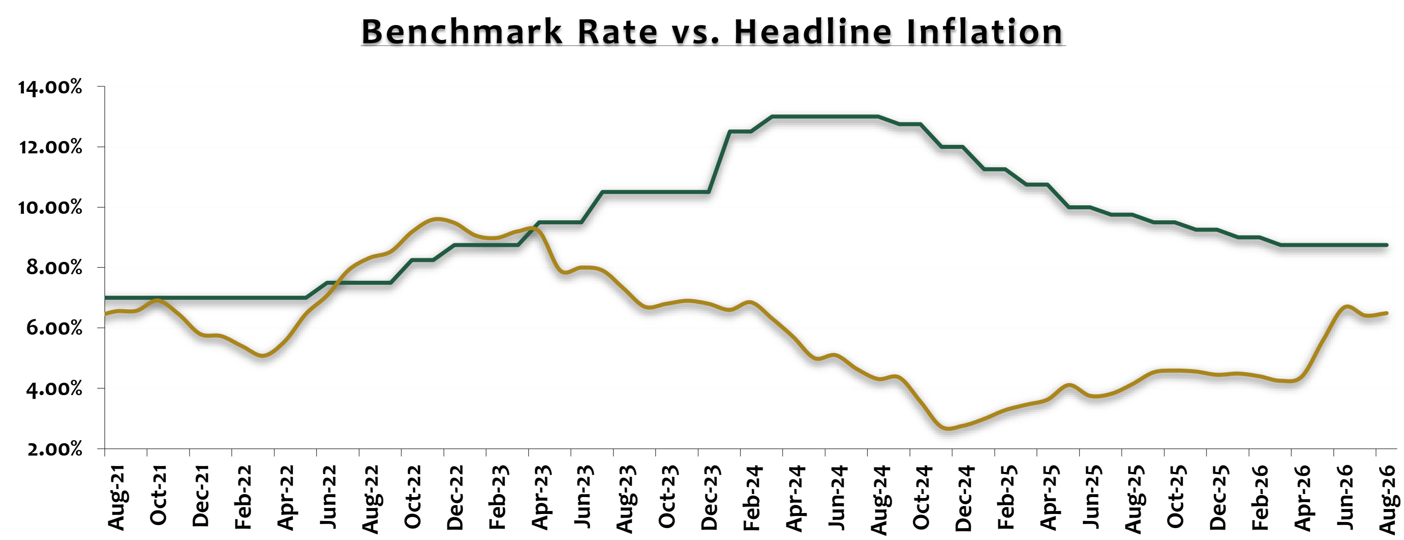


Source: EPRA | Chart: KSL

In July, landed costs per cubic metre recorded mixed performance, with petrol increasing by 7.0%, while diesel and kerosene declined by 13.1% and 11.0%, respectively. Consequently, petrol received a subsidy of Kes. 8.64 per litre, while the subsidy on kerosene remained significantly lower than in previous periods, (especially since February 2026). Notably, diesel was not subsidized for the second consecutive month, with Kes. 19.28 per litre instead being credited to the Petroleum Development Levy (PDL) Stabilization Fund. We commend this approach, as it strengthens the Fund's buffer and provides greater capacity to absorb future price shocks when risks materialize.

b. Monetary Policy Update – Central Bank Rate (CBR):

The Central Bank of Kenya Monetary Policy Committee (MPC) convened on 11th August 2026 against a backdrop of persistent geopolitical tensions, but with inflationary pressures easing compared to the previous meeting in June. Following its review of economic developments since the June meeting, the Committee retained the Central Bank Rate (CBR) at 8.75%, noting that the current monetary policy stance remains appropriate for anchoring inflation expectations and maintaining price stability. The chart below gives a glimpse of how the numbers look:



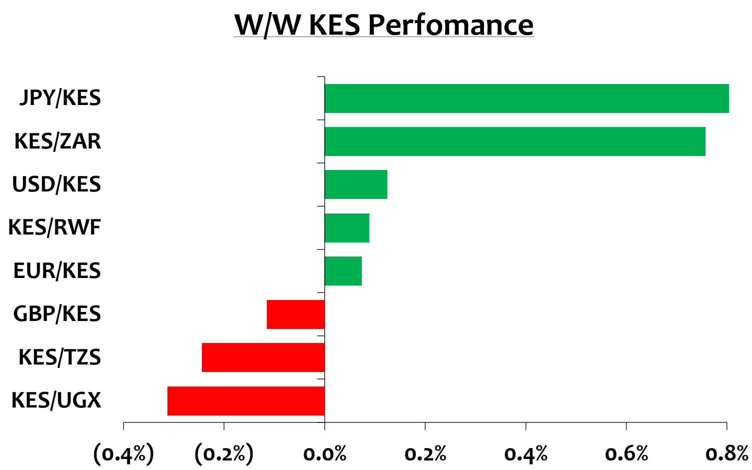
Source: CBK, KNBS | Chart: KSL | The June inflation figure is CBK's estimate

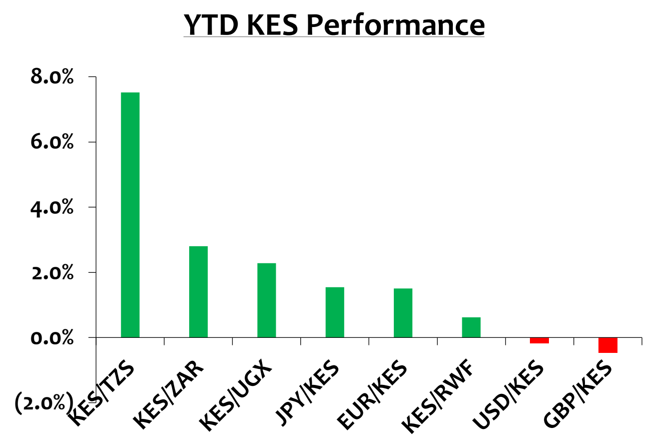
It is important to note that this is the third time the MPC has held the benchmark rate unchanged following a ten-meeting rate-cut streak since June 2024.

In our view, the policy stance was a good call, as inflationary pressures remain largely supply-driven, with fuel prices being a key contributor. Although downside risks persist amid ongoing geopolitical tensions, we believe inflation will remain within the target range and, even if it breaches the upper bound, the deviation is unlikely to be significant. On the money supply side, we have also seen notable growth in loans and advances, with private sector credit growth accelerating to 10.2% in July 2026. This is encouraging, particularly given that we had earlier anticipated a full recovery in credit growth from September 2026.

Foreign Exchange:

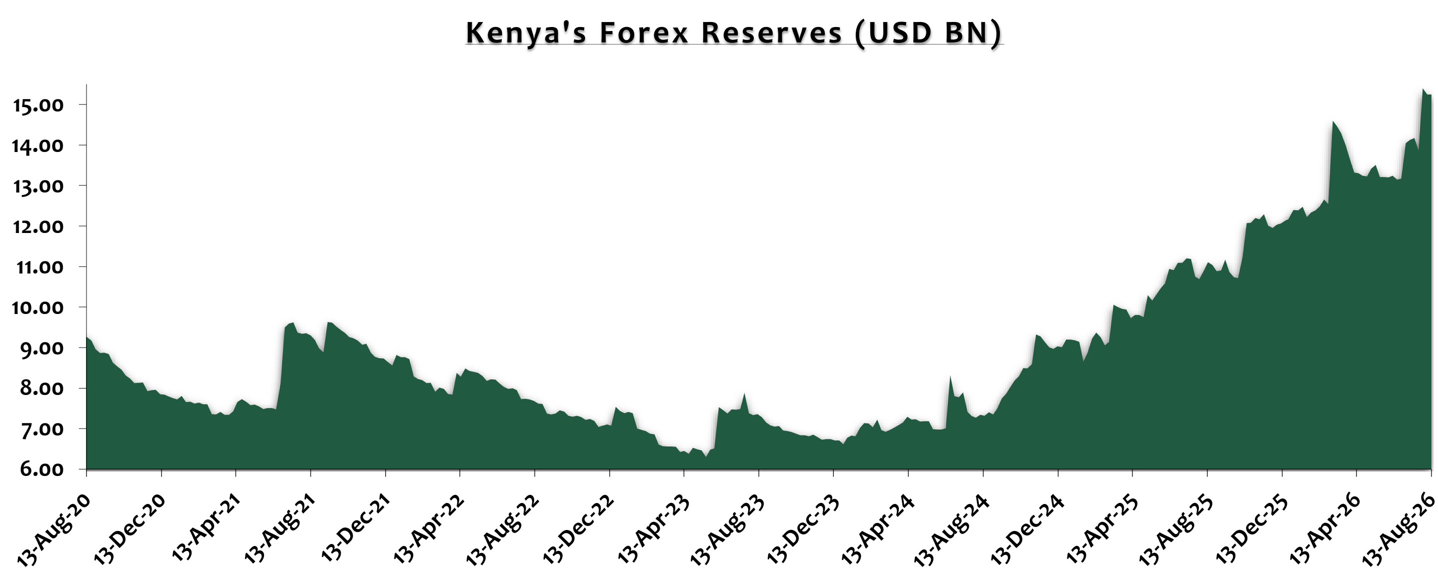
The Kenyan Shilling exhibited mixed performance against regional and major currencies during the week, appreciating most against the Japanese Yen and South African Rand. See the charts below for the week-on-week and YTD performance:





Source: CBK | Chart: KSL

Meanwhile, the Central Bank of Kenya's foreign exchange reserves remained relatively stable at USD 15.25Bn, offering 6.3 months of import cover. The reserves continue to provide a buffer to foreign exchange. See the charts below:



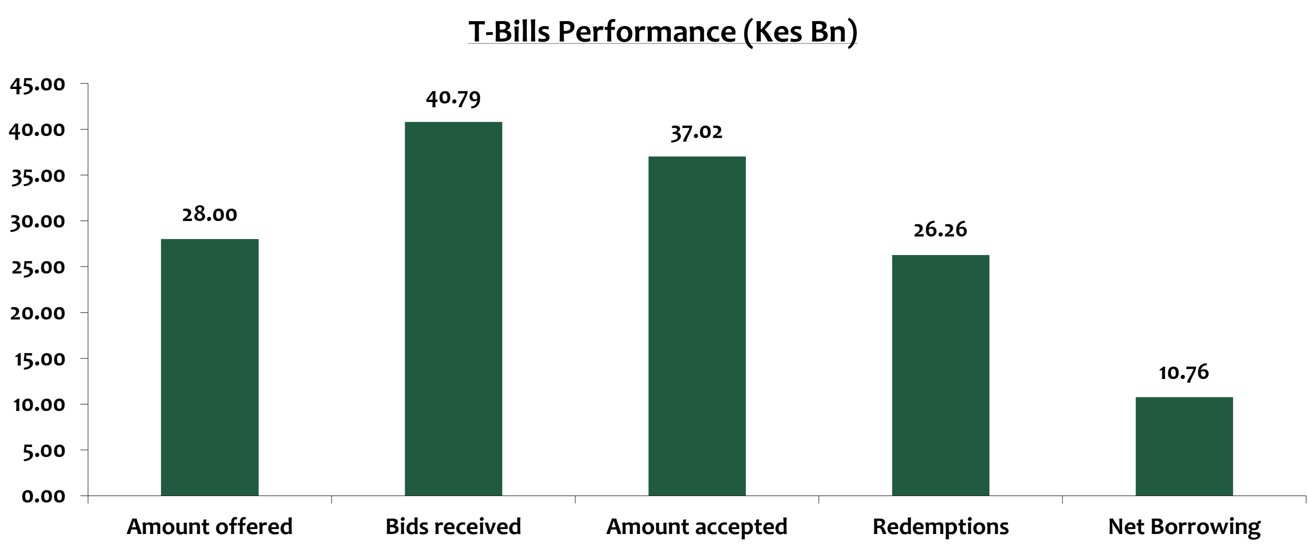
Source: CBK | Chart: KSL

FIXED INCOME PULSE

Primary Market Activity:

Demand for Treasury bills improved, with the overall subscription rate rising to 145.7% from 107.0% in the previous auction. Demand remained concentrated on the 91-day paper, which recorded a 228.0% subscription rate, while the 364-day paper also attracted strong interest, accounting for 33.2% of total bids received.

In total, the government received bids worth KES 40.79Bn and accepted KES 37.02Bn, translating to a 90.8% acceptance rate. After accounting for KES 26.26Bn in maturities, the auction resulted in net borrowing of KES 10.76Bn. See the chart below;



Source: CBK | Chart: KSL

The yields on the short-term papers recorded a mixed performance, with the 91-day, 182-day, and 364-day papers printing at 8.77% (-0.86bps), 8.95% (0.0bps), and 9.04%(+3.23bps).

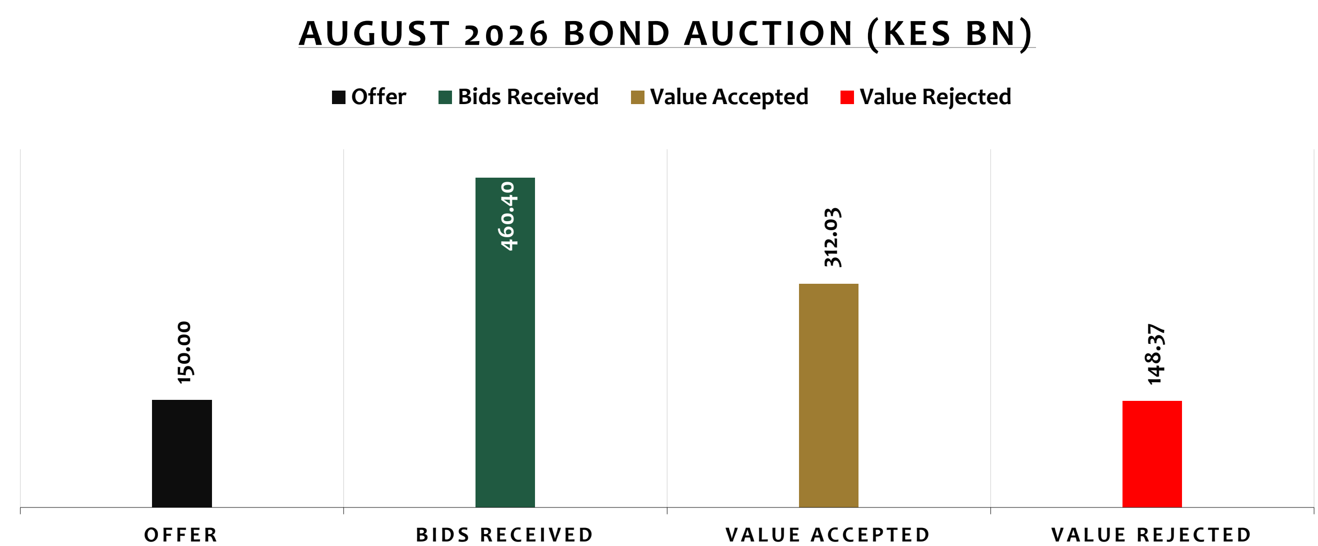
During the week, interbank market activity eased, with average traded volumes declining to KES 16.46Bn from KES 17.19Bn in the previous week. We note that some players tapped into the CBK discount window, drawing KES 2.50Bn during the week, although this was significantly lower than the KES 13.50Bn advanced in the previous week. Meanwhile, the average interbank rate remained unchanged at 8.75%.

Treasury Bonds

In the bond market, the CBK successfully raised KES 312.03Bn from the August bond auction, more than two times above the KES 150.0Bn target. The issue was oversubscribed, with bids worth KES 460.40Bn, translating to a subscription rate of 306.9%. Historically, the bids received represent a one-year high, following the strong subscription recorded in August 2025.

The government rejected a significant portion of the bids received, with the acceptance rate coming in at 67.8%, resulting in a strong uptake but also signaling the government's selectivity in accepting bids at prevailing market yields.

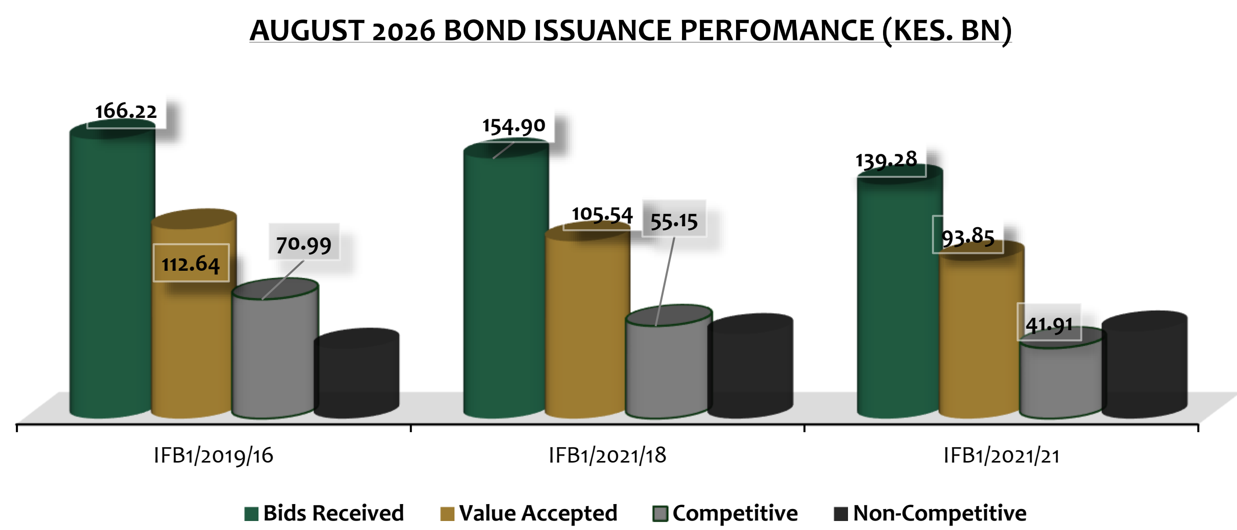
See the summary below;



Source: CBK | Chart: KSL

The paper with the shortest tenor, IFB1/2019/16, attracted the highest investor interest despite having the lowest coupon. The instrument accounted for 36.1% of the total bids received and recorded a 110.81% subscription rate. Of the bids accepted, non-competitive bids accounted for almost half, suggesting that a significant proportion of the rejected bids were likely submitted at higher yields.

See the summary below;



All the papers settled at a premium, with the weighted average rates of accepted bids coming in at 12.20%, 12.69% and 13.05% for IFB1/2019/16, IFB1/2021/18 and IFB1/2021/21, respectively. These rates were below our projected estimates, reflecting the elevated liquidity in the market and strong demand for government securities as investors sought to deploy excess liquidity. See a summary of the rates below;

Paper	Market Weighted Average Rate	Weighted Average Rate of Accepted Bids	Our Projection
IFB1/2019/16	12.35%	12.20%	12.58% - 12.68%
IFB1/2021/18	12.82%	12.69%	12.91% - 13.01%
IFB1/2021/21	13.17%	13.05%	13.27% - 13.37%

meanwhile, the switch offer, is still open. The government targets FXD1/2012/15 and treasury bills maturing on 7th September 2026. The period of sale runs up to 24th August 2026. See a summary below:

	Switch Offer				
	Source Bond				Destination Bond
Paper	2685/091	2646/182	2574/364	FXD1/2012/15	FXD4/2019/10
Maturity Date	07-Sep-26			06-Sep-27	12-Nov-29
Effective Tenor (Years)	0.1	0.1	0.1	1.1	3.3
Amount Floated (Kes. Bn)	15.0				
Amount Outstanding (Kes. Bn)	67.07			90.94	89.97
Coupon/WAR	8.56%	7.82%	9.58%	11.00%	12.28%

Sale Period	Up to 24th August 2026

Secondary Market

Secondary bond market activity improved during the week, with turnover rising by 27.0% to KES 49.86Bn, from 39.27Bn in the previous week.

This was despite a 14.2% decrease in the number of deals. See the table below:

	Previous Week	Current Week	Change
Turnover in Bonds (Kes Bn)	39.27	49.86	27.0%
Number of Deals	740	635	-14.2%

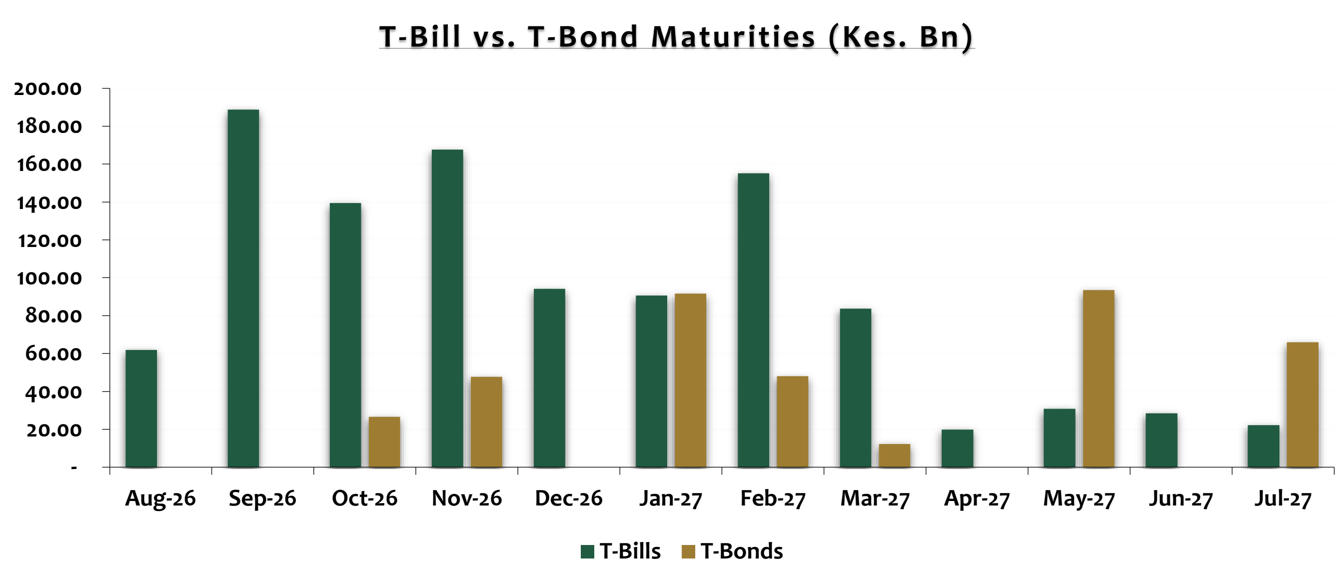
Source: NSE | Table: KSL

Domestic Debt Service Schedule:

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

i. KES 1,082.25Bn in Treasury Bills;
ii. KES 385.55Bn in Treasury Bonds;
iii. KES 717.03Bn in coupon payments;

See the chart below for a visual presentation:

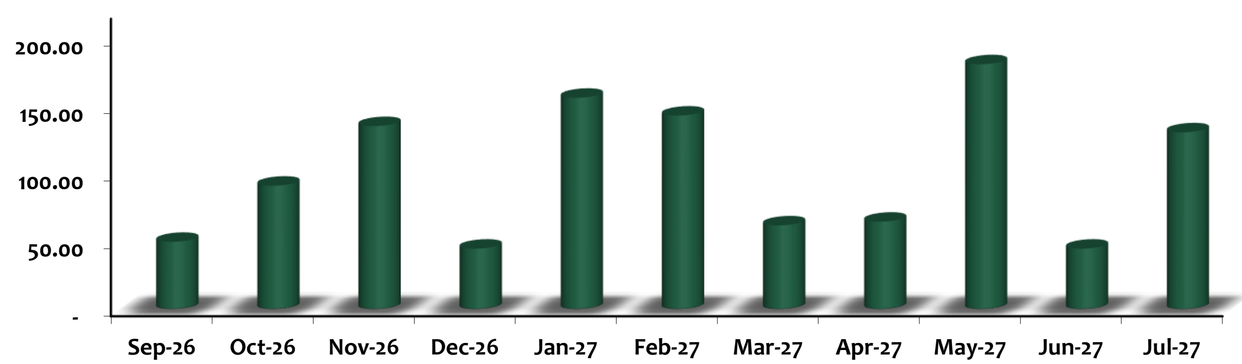


Source: CBK, NSE | Chart: KSL

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

Now that the August maturities have fallen due and have been largely absorbed by the IFB reopening, focus shifts to November maturities, although these are significantly lower than the maturities witnessed in August. Apart from coupon payments, the next notable maturity pressure, in our view, will emerge in January. However, given the strong demand witnessed in recent auctions and the prevailing liquidity conditions, we are confident that the government should be able to comfortably refinance the upcoming maturities. See a summary below:

Debt Service Obligations (Kes Bn)



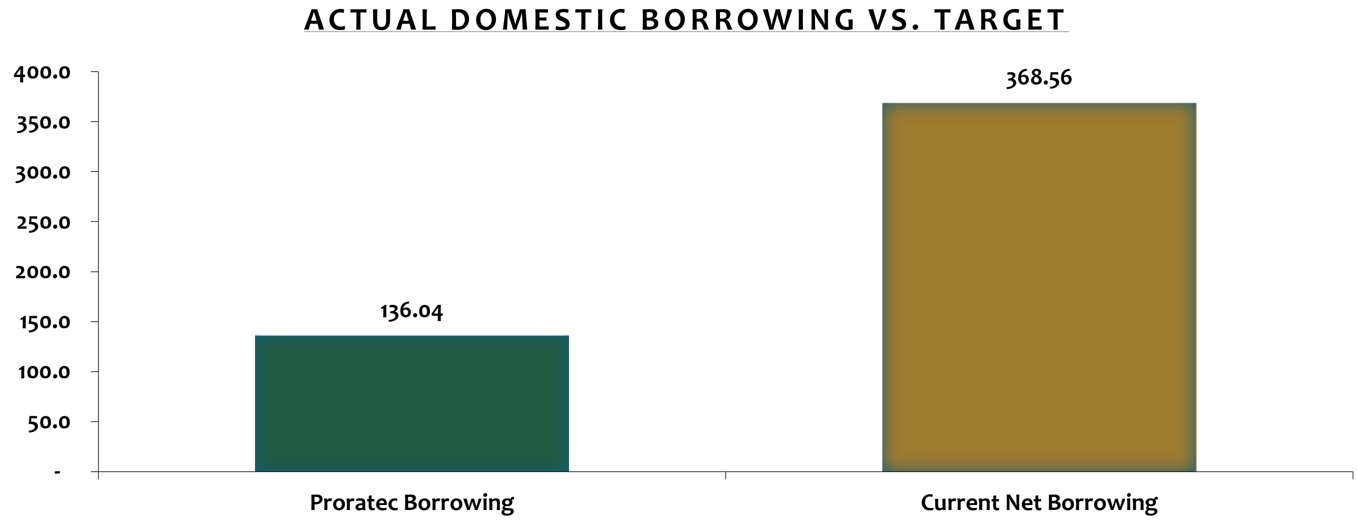
Source: CBK, NSE | Chart: KSL

FY26/27 Government Borrowing Position:

For the domestic borrowing target, the government has achieved 35.8% of the FY2026/27 target, having raised KES 368.56Bn against the full-year target. The amount is significantly above the pro-rated target of KES 136.04Bn, reflecting a strong start to the borrowing programme. However, this does not concern us at this stage, given the front-loading of borrowing and the government's need to take advantage of favourable liquidity conditions in the market. See the progress bar below:

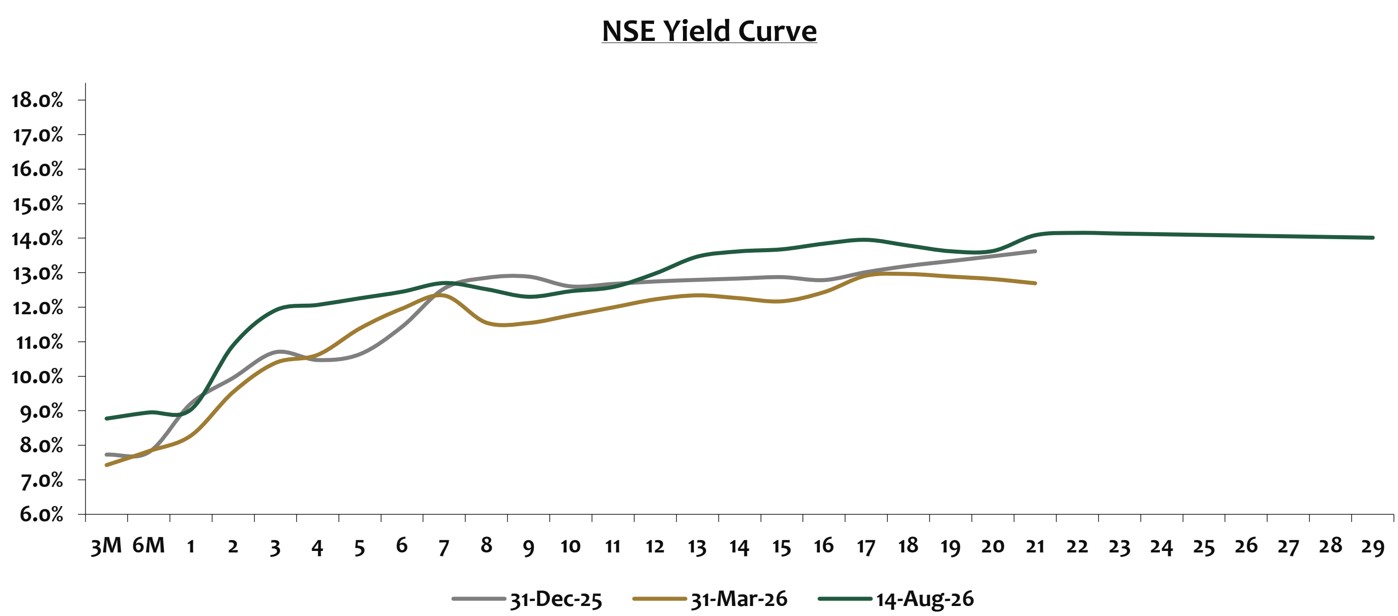
Source: CBK, Treasury | Chart: KSL

See below a summary of the domestic borrowing:



Local & International Yields

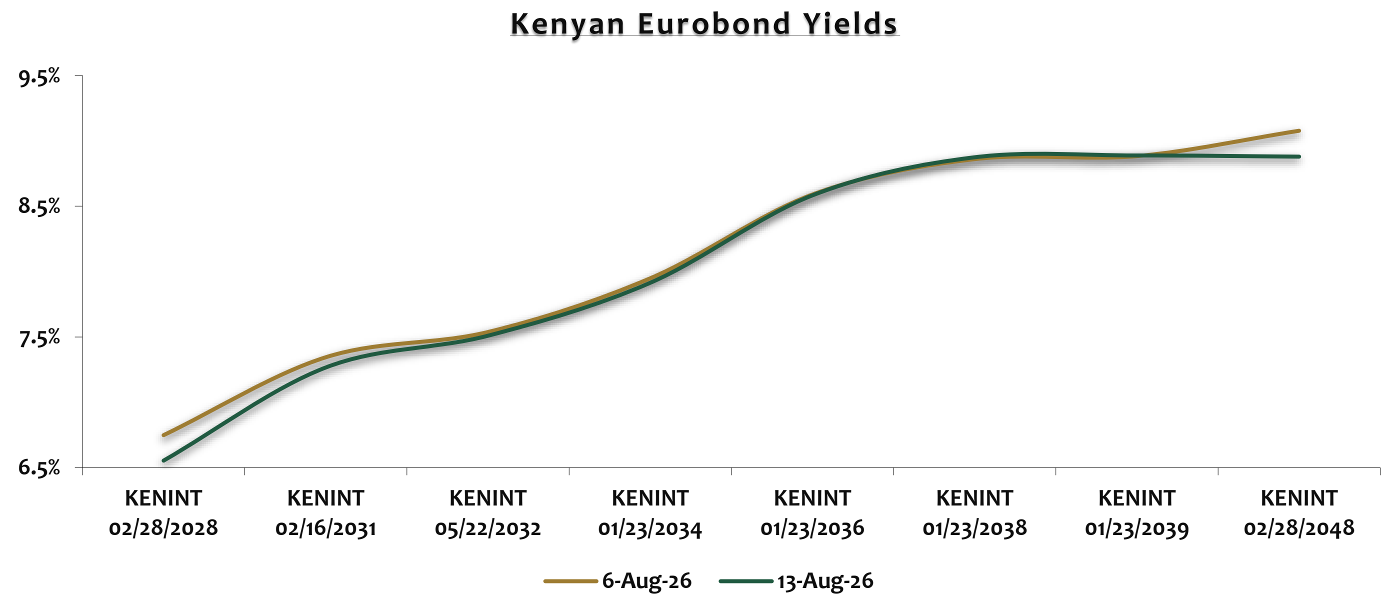
The local yield curve edged higher on average, with only a few tenors recording declines. Although the long end of the curve remains above end-2025 and 1Q26 levels, it continues to trend downwards gradually. See the chart below:



Source: NSE | Chart: KSL

The yields on Kenyan Eurobonds remained on a downward trajectory, reflecting positive developments in the domestic economy, particularly the strengthening of the country's external buffers, despite persistent global uncertainties.

The chart below illustrates the movement of the yields over the year:



Source: CBK | Chart: KSL

Research Analyst Certification:

The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all of the views expressed herein accurately reflect their personal views. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the view(s) expressed by that research analyst in this research report.

Terms of Use- Disclaimer:

Research Department		
Stellah Swakei	sswakei@co-opbank.co.ke	+254711049152
Chrisanthus Lunani	clunani@co-opbank.co.ke	+254711049973
Sales Team		
Moffat Asena	amoffat@co-opbank.co.ke	+254 711049663
Gloria Ohito	gohito@co-opbank.co.ke	+254711049993
Client Service and Operation		

Kingdom Securities Ltd – A subsidiary of Co-operative Bank Limited. Co-operative Bank House- 5th floor, P.O Box 48231 - 00100 Nairobi, Kenya

Office: 0711049016 Email: info@kingdomsecurities.co.ke