



Effect of Currency Depreciation on Sovereign Bond Prices in Rwanda

Vicka Gladys Izere

Kigali University

Email: vickagladysizere@gmail.com

Abstract: *This study examines the effect of currency depreciation on sovereign bond dirty prices in Rwanda over 2011Q1–2024Q4 using quarterly time-series data from the National Bank of Rwanda, the Rwanda Stock Exchange, the IMF, and the World Bank. Despite the persistent depreciation of the Rwandan franc (RWF) against the US dollar (USD) and the growing importance of domestic sovereign bonds in financing national development, no prior multivariate study had simultaneously quantified the transmission channels linking currency depreciation to bond prices in Rwanda. The study employs the USD/RWF exchange rate as the principal independent variable, with the Central Bank Rate (CBR) and money market liquidity (reverse repo operations) as transmission mechanisms, and inflation, inflation expectations, and bond maturity as control variables. The dependent variable is the sovereign bond dirty price. Theoretical anchors include the International Fisher Effect, Purchasing Power Parity, the Liquidity Preference Theory, the Monetary Transmission Mechanism, the Sovereign Debt Theory, and the Portfolio Balance Theory. Given a mixed order of integration revealed by Augmented Dickey-Fuller and Phillips-Perron unit root tests, the study applies the Autoregressive Distributed Lag (ARDL) bounds testing approach (Pesaran, Shin & Smith, 2001), estimating an ARDL(2,0,4,2,2) model selected by the Akaike Information Criterion. The bounds test confirms cointegration ($F = 4.479 > \text{upper bound } 3.872$). Findings show that the exchange rate exerts no significant direct effect on bond prices, the CBR has a significant negative effect in both the long and short run, and money market liquidity significantly affects bond prices only in the short run. The error correction term ($-0.115, p < 0.01$) confirms convergence. The study concludes that currency depreciation influences Rwandan sovereign bond prices indirectly through the monetary policy channel, offering actionable insights for policymakers, debt managers, and investors.*

Keywords: Currency, Depreciation, Sovereign, Bond, Prices, Rwanda

How to cite this work (APA):

Izere, P. G. (2026). Effect of Currency Depreciation on Sovereign Bond Prices in Rwanda. *Journal of Research Innovation and Implications in Education*, 10(3), 600 – 607. <https://doi.org/10.59765/cdk2>

1. Introduction

The research is looking at how the value of the currency going down affects the prices of Rwandan sovereign bonds. When the exchange rate changes it is the thing that affects the financial markets. This is especially true for countries that are still developing because their money is often affected by things that happen outside of the country. The government uses bonds to get money and they also help to spread out the government's monetary and fiscal policies to the rest of the economy. The Rwandan franc has lost a lot of value compared to major currencies like the US dollar over the last few years. At the time the government is using the domestic bond market more often to pay for development projects and make up for fiscal deficits. So it is very important for people who invest, policymakers and debt managers to understand how the value of the currency going down affects the prices of Rwandan sovereign bonds. The prices of sovereign bonds are a big deal because the government is relying on them more and more. Understanding the effect of currency depreciation on sovereign bond prices is crucial.

2. Literature Review

2.1 Theoretical Review

The study is anchored on three major economic theories that explain the interaction between exchange rates and asset pricing. The International Fisher Effect, the Liquidity Preference Theory, and the Monetary Transmission Mechanism collectively provide the logical foundation for understanding how external currency shocks and internal monetary policy adjustments influence sovereign bond price.

2.2 Empirical Review

Exchange Rate and Sovereign Bond Prices

There have been many studies done on how a depreciation of the exchange rate affects sovereign bond prices. First of all, there is an inflation effect. Depreciation of the currency increases the cost of imports, which leads to increased inflation and makes central banks hike interest rates, thereby increasing the yields on bonds and decreasing their prices. Second, the depreciation of the currency affects investor risk perceptions.

Investors demand larger risk premiums because it indicates economic weaknesses

Ha, Kose, and Ohnsorge (2019) conducted a comprehensive cross-country analysis covering 105 emerging and developing economies and found that a 10

per cent currency depreciation raises consumer prices by approximately 2.5 percentage points within one year, with the pass-through being strongest in economies characterised by high import dependence and limited monetary policy credibility. Although this study does not directly model bond prices, it establishes the foundational inflation channel that links exchange rate movements to monetary policy and bond market outcomes. Obstfeld and Zhou (2023) extended this line of analysis to bond markets specifically, finding that central banks in emerging economies consistently raised policy rates in response to depreciation-driven inflation, producing statistically significant upward pressure on sovereign bond yields and corresponding price declines. A one-standard-deviation depreciation shock was found to raise bond yields by an average of 85 basis points across their sample of 30 emerging economies, implying substantial secondary market price compression. Arslanalp, Drakopoulos, Goel, and Papageorgiou (2022) complemented these findings by demonstrating that currency depreciation reduced foreign investor holdings in emerging market domestic bonds, contracting demand and exerting additional downward price pressure beyond the interest rate channel.

Adedoyin and Isibor (2026) investigated the relationship between Monetary Policy Rate (MPR) changes and government bond prices and yields in Nigeria over 2015–2024 using Ordinary Least Squares regression and Vector Error Correction Modelling. They found a statistically significant positive relationship between the MPR and bond yields, and a corresponding negative relationship between the MPR and bond prices, with inflation and exchange rate volatility identified as important mediators in the transmission of monetary policy to the bond market. Their findings further revealed that bond yields respond more swiftly to MPR adjustments than bond prices, which exhibit slower and asymmetric reactions, pointing to inefficiencies in the Nigerian bond market.

Makusa, Olweny, and Muturi (2026) examined the relationship between exchange rate movements and sovereign Treasury bond yield curve dynamics in Kenya using a Vector Autoregression framework with quarterly data. They found that exchange rate shocks did not exert a strong immediate effect on bond yields; instead, their influence was transmitted indirectly through monetary policy responses, with exchange rate depreciation inducing a tightening monetary policy stance that subsequently affected yield curve movements. In Rwanda, Karangwa (2014) found that the country's monetary policy rate exhibited considerable persistence and gradual adjustment to inflation dynamics, with implications for the broader bond market, though the study did not directly model bond price outcomes.

Central Bank Rate (CBR) and Sovereign Bond Prices

The Central Bank Rate (CBR) is the most straightforward institutional factor affecting the price of sovereign bonds, as it determines the shape of the yield curve and provides the floor for the discount rate used to determine the present value of the bond's cash flows. One of the few most well-proven empirical facts in finance is that there exists an inverse correlation between the Central Bank Rate and the price of the bonds: the higher the CBR, the higher the required rate of return on the bond and thus the lower the price of the bond.

Bauer, Lakdawala, and Mueller (2022) conducted a high-frequency event study of monetary policy decisions across the United States and G10 economies, distinguishing anticipated from surprise components of rate changes. Their key finding was that surprise components of monetary policy systematically resolve market uncertainty and produce more pronounced asset price reactions than fully anticipated adjustments. This result has important implications for Rwanda: the NBR's communication strategy around CBR changes plausibly affects the size of secondary market bond price dislocations, with poorly signalled tightening likely to produce larger price shocks than well-telegraphed adjustments. Longstaff, Mithal, and Neis (2005) further demonstrated that a significant portion of sovereign bond yield spreads, in the range of 30 to 50 per cent, reflects a liquidity premium rather than pure credit risk, implying that the CBR's effect on bond prices is amplified in illiquid markets where the liquidity premium is already elevated.

Nwachukwu & Hamman (2020) carried out a study on the impact of changes in the Central Bank of Nigeria Monetary Policy Rate (MPR) on the price of government bonds traded in secondary markets during the period 2007–2019 through the use of Error Correction Model (ECM). The authors established that one per cent increase in the MPR caused about 2.3 per cent decrease in the price of bonds sold in the secondary market in the same quarter, with a statistically significant negative error correction term, indicating reversion to the equilibrium between the CBR and bond prices after some temporary movements.

The International Monetary Fund (2024) investigated Bank of Uganda (BOU) policy rate transmission to government bond yields and other financial variables over 2011–2023 using Autoregressive Distributed Lag (ARDL) and Vector Autoregressive (VAR) models. The analysis found that BOU policy rate adjustments transmitted measurably to government bond yields, lending rates, and credit conditions, confirming an active monetary transmission mechanism in Uganda's financial markets. Within Rwanda, Karangwa (2014) found that the country's monetary policy rate exhibited considerable persistence and smoothing in its response to inflation, consistent with a gradual rather than

immediate transmission to the broader bond market, a pattern that has been corroborated by Uwera and Nkurunziza (2022), who observed a one-to-two quarter delay from CBR changes to RSE Treasury bond yield adjustments. This lagged structure informs the time-series specification adopted in this study.

Money Market Liquidity and Sovereign Bond Prices

Money market liquidity, the availability of short-term funds within the banking system, determines the capacity of financial institutions to acquire and hold long-duration government securities. When money market conditions tighten, banks reduce bond holdings to manage short-term funding needs, contracting demand in the secondary market and depressing prices. When liquidity is ample, institutional demand for bonds is supported, stabilising or lifting prices. Central bank open market operations, repo, and reverse repo transactions are the primary tools through which money market liquidity is managed, making the NBR's operational decisions a direct input into bond market price dynamics.

Longstaff, Mithal, and Neis (2005) decomposed sovereign bond yield spreads and demonstrated that 30 to 50 per cent of the spread reflects a liquidity premium rather than pure credit risk. This established empirically that bond prices are sensitive to liquidity conditions independent of credit fundamentals. Krishnamurthy and Vissing-Jorgensen (2012) extended this by studying the Federal Reserve's quantitative easing programmes, finding that liquidity injections through open market operations significantly reduced long-term Treasury yields and raised bond prices, while liquidity withdrawals had the symmetric opposite effect. Together, these studies establish that money market liquidity management by central banks constitutes a direct and independent pricing force in sovereign bond markets, a finding with immediate relevance to the NBR's reverse repo operations and their effect on RSE bond prices.

Kibet and Mutwol (2019) examined the effect of Central Bank of Kenya open market operations on government bond secondary market prices over 2010–2018 using Granger causality and VAR impulse response analysis. They found that interbank rate increases of one percentage point used as the proxy for money market tightening were associated with average bond price declines of approximately 1.8 per cent, rising to 2.7 per cent for ten-year instruments. The effect was largest for longer-maturity bonds, consistent with the prediction that duration amplifies sensitivity to discount rate changes. Habimana and Nshimiyimana (2023) provided the most directly relevant local evidence, observing through an NBR research note that NBR reverse repo tightening implemented specifically during RWF depreciation episodes systematically coincided with reduced RSE bond trading volumes and lower secondary market prices. While

their analysis was descriptive rather than econometric, it identifies a direct operational link between the NBR's money market management and bond price outcomes at the RSE.

Inflation and Sovereign Bond Prices

Inflation is a fundamental determinant of sovereign bond prices and occupies a distinctive role in this study as a control variable. Its inclusion is motivated by its dual function: inflation is simultaneously an outcome of exchange rate depreciation (through the import price pass-through channel) and an independent driver of bond price movements (through its effect on required real returns and monetary policy decisions). By controlling for inflation, the study isolates the direct effects of the exchange rate, CBR, and money market liquidity on bond dirty prices, net of the inflation-mediated pathway through which much of the exchange rate effect is channeled.

The foundational relationship between inflation and bond prices is grounded in the Fisher Effect (Fisher, 1930), which establishes that nominal bond yields incorporate an inflation premium: as inflation rises, investors demand higher nominal yields to preserve real returns, which mechanically compresses bond prices. Ha, Kose, and Ohnsorge (2019) demonstrated that inflation expectations shaped significantly by exchange rate pass-through are at least as powerful a driver of bond market movements as realised inflation in emerging economies, underscoring the forward-looking dimension of the inflation-bond price relationship. Bauer, Lakdawala, and Mueller (2022) showed that uncertainty about future policy rates is systematically resolved around central bank announcements and plays an important role in how financial markets respond to monetary policy decisions, reinforcing the idea that policy clarity is central to how macroeconomic shocks are transmitted to bond market outcomes.

Nwachukwu and Hamman (2020) found in Nigeria that including inflation as a regressor substantially improved the fit of their bond pricing model and reduced omitted variable bias in the CBR coefficient, providing direct methodological justification for the control variable role assigned to inflation in this study. This finding is consistent with the broader literature confirming that inflation carries additional explanatory power for bond pricing over and above its role as a mediating variable for exchange rate effects (Ha, Kose, & Ohnsorge, 2019).

Within East Africa and Rwanda specifically, inflation has been a recurring macroeconomic concern with direct implications for the bond market. Rwanda's consumer price index rose above 20 per cent during the 2022–2023 period,

closely coinciding with the sharpest RWF depreciation episode of the decade and the NBR's successive CBR hikes from 5.0 to 7.5 per cent. These concurrent movements make it impossible to attribute bond price changes in this period to a single cause without formally controlling for inflation. Empirical studies on East African bond markets, including Makusa, Olweny, and Muturi (2026), confirm that omitting inflation dynamics risks misattributing exchange rate effects on bond prices to other channels, underscoring the importance of controlling for inflation when isolating the direct effect of currency depreciation.

3. Methodology

Research Design

The study adopted a quantitative approach using a descriptive and explanatory research design. The descriptive aspect summarises historical trends in the quarterly exchange rate (USD/RWF), Central Bank Rate (CBR), money market liquidity, and sovereign bond prices. The correlational approach investigates the statistical relationships between the independent variables (exchange rate, CBR, money market liquidity) and the dependent variable (sovereign bond dirty prices). Given that preliminary stationarity testing revealed a mixed order of integration among the study variables some stationary at level I(0) and others stationary only after first differencing I(1) the study adopted the Autoregressive Distributed Lag (ARDL) bounds testing approach developed by Pesaran, Shin, and Smith (2001) as the primary estimation framework, in place of standard OLS in levels.

All variables were expressed in percentage terms where applicable. For example:

1. Exchange rate movements were converted to quarterly percentage changes.
2. CBR is already in percentage form.
3. Reverse Repo amounts were transformed into a percentage of total liquidity or normalised values.
4. Inflation is already expressed as a percentage (CPI).
5. Sovereign Bond Dirty Prices were analysed using percentage changes to ensure consistency across variables.

Study Population

The study population includes:

1. All sovereign bonds issued by the Government of

Rwanda from 2011Q1 to 2024 Q4.

2. Relevant macroeconomic indicators: annual exchange rate (USD/RWF), Central Bank Rate (CBR), money market liquidity (Reverse Repo), and inflation (CPI).

Sample Size

The study used all available secondary data from 2011 to 2024. These data were sourced from the National Bank of Rwanda (NBR) statistical bulletins and the Rwanda Stock Exchange (RSE) historical trading records. Using the entire population of available data ensures comprehensive coverage of bond market activity and macroeconomic fluctuations in Rwanda during the study period. The dataset comprises 56 quarterly observations from 2011Q1 to 2024Q4. Quarterly frequency was adopted in place of annual frequency to increase the number of observations and improve the statistical power of the econometric analysis, consistent with standard practice in time-series econometrics for relatively short study periods (Brooks, 2019).

Data Census Approach

A data census approach was adopted, whereby the entire population of available quarterly observations from 2011Q1 to 2024Q4 was utilised, rather than a sample. This approach is appropriate because the study period is finite and bounded by data availability from the RSE and NBR. The use of all 56 observations maximises the statistical power for ARDL estimation. No sampling was performed; the dataset is exhaustive of all publicly reported quarterly observations during the study period.

Sampling Techniques

No sampling techniques were required because the study utilised all accessible secondary data from the National Bank of Rwanda, Rwanda Stock Exchange, IMF, and World Bank databases.

Nature of Data

This study utilized secondary quantitative data obtained from multiple published and publicly available sources. The use of secondary data is appropriate because it provides reliable, standardized, and comparable information over time.

The dataset was structured as a time-series dataset, covering quarterly observations 2011Q1 to 2024Q4, comprising 56 observations. This structure enabled the

analysis of dynamic relationships between macroeconomic variables and sovereign bond prices over time.

To ensure consistency and comparability, all variables were expressed in percentage terms where applicable. Specifically:

1. The exchange rate was transformed into quarterly percentage changes
2. Sovereign bond dirty prices were analysed using quarterly percentage changes
3. Reverse repo (money market liquidity) was converted into percentage or normalised values. An increase in reverse repo operations reflects a contraction of liquidity in the banking system.
4. Central Bank Rate (CBR) and inflation were expressed in percentage form

The data in this study were obtained from the following sources:

1. National Bank of Rwanda (NBR): Source of exchange rate data, Central Bank Rate (CBR), reverse repo transactions, and inflation (CPI)
2. Rwanda Stock Exchange (RSE): Source of sovereign bond dirty prices
3. International Monetary Fund (IMF) and World Bank: Used to validate exchange rate and inflation data

This dataset allows for a comprehensive analysis of the relationship between currency depreciation, monetary policy, liquidity, and sovereign bond prices in Rwanda over 56 quarterly observations from 2011Q1 to 2024Q4.

Data Collection Instruments

The study focused on secondary data collection through document review and database extraction. Data is collected from:

NBR statistical bulletins and reports
Rwanda Stock Exchange records
IMF and World Bank databases
No primary data collection instruments, such as questionnaires or interviews, were used.

Data Processing

The collected data were processed using the following steps:

1. Data cleaning to remove inconsistencies and

missing values

2. Transformation of variables into percentages to ensure comparability
3. Organisation of data into a time-series format
4. Entry into statistical software (EViews)

Data Analysis

1. Descriptive statistics (mean, SD, min, max, skewness, kurtosis)
2. Diagnostics: ADF/PP unit roots, ARDL bounds, LM, Breusch–Pagan, RESET, CUSUM, Jarque–Bera, VIF
3. ARDL estimation of long-run cointegrating equation + short-run error correction model

Long run:

$$Y_t = \beta_0 + \beta_1 ER_t + \beta_2 \Delta CBR_{t-1} + \beta_3 LIQ_{t-1} + \beta_4 INF_{t-1} + u_t$$

Short run (ECM):

$$\Delta Y_t = \alpha + \beta \Delta Y_{t-1} + \sum \delta_i \Delta CBR_{t-i} + \sum \lambda_i \Delta LIQ_{t-i} + \sum \phi_i \Delta INF_{t-i} + \theta \cdot ECT_{t-1} + \varepsilon_t$$

Ethical Considerations

Ethics has been observed during the conduct of this study following the set ethical standards in research. The fact that the study uses only secondary data means that there will be no dealing directly with the human subjects and hence no issue of consent and confidentiality of respondents will arise.

All the data used in this study was acquired from reliable sources such as the National Bank of Rwanda, Rwanda Stock Exchange, International Monetary Fund, and the World Bank.

In addition, the study maintained a high level of transparency and integrity in data analysis and reporting. The results are presented objectively without manipulation or misrepresentation of findings. Any limitations of the study were clearly acknowledged to ensure honesty in reporting.

Furthermore, the data collected were used strictly for academic purposes, and no misuse of information is permitted. The study complied with institutional research guidelines and ethical standards throughout the research process.

This section offers a synthesis of the primary findings. Subsequently, the conclusions derived from these findings are presented, interpreting the outcomes within the context of the theoretical framework and in relation to prior scholarly work. The section then presents

recommendations directed at the principal stakeholders of Rwanda's sovereign bond market, before closing with suggested areas for further research.

4. Results and Discussion

The primary objective of this study was to examine the effect of currency depreciation on sovereign bond dirty prices of the Government of Rwanda. This research sought to determine how the USD/RWF exchange rate, the Central Bank Rate (CBR), and money market liquidity influence sovereign bond dirty prices, while controlling for the effect of inflation, treated as a critical mediating determinant of bond market volatility.

This research utilised a quantitative, descriptive and explanatory research design and time-series methodology to identify the dynamic relationships between currency depreciation, monetary policy, liquidity conditions, and sovereign bond prices. The study was conducted using the full population of available secondary quarterly data covering 56 observations from 2011Q1 to 2024Q4. Data were retrieved from the National Bank of Rwanda (NBR) statistical bulletins, the Rwanda Stock Exchange (RSE) historical trading records, and validated against International Monetary Fund (IMF) and World Bank databases. Given that preliminary unit root testing revealed a mixed order of integration among the study variables, the analysis employed the Autoregressive Distributed Lag (ARDL) bounds testing approach of Pesaran, Shin, and Smith (2001), estimated as an ARDL(2,0,4,2,2) model selected by the Akaike Information Criterion, to ensure robust statistical inference of both the long-run and short-run relationships.

Hypothesis One: Exchange Rate (ER) and Sovereign Bond Dirty Prices

The research established that the USD/RWF exchange rate does not exert a statistically significant effect on sovereign bond dirty prices, either in the long run ($p = 0.323$) or in the short run ($p =$

0.283). This is confirmed despite the Rwandan franc depreciating in every quarter of the study period, with a mean quarterly depreciation of 5.91%. Grounded in the indirect transmission pathway documented regionally by Makusa, Olweny, and Muturi (2026), the finding confirms that in Rwanda's predominantly domestically-held bond market, currency depreciation does not reprice bonds directly; rather, its influence is absorbed through the inflation and monetary policy channels. Consequently, the null hypothesis (H_1) was not rejected.

Hypothesis Two: Central Bank Rate (CBR) and Sovereign Bond Dirty Prices

The findings demonstrated a statistically significant negative relationship between changes in the Central Bank Rate (DCBR) and sovereign bond dirty prices, both in the long run ($\beta = -6.826$, $p = 0.011$) and in the short run at lags one to three quarters (all $p = 0.000$). While the exchange rate alone was not a direct driver of bond prices, the Central Bank Rate provided the dominant transmission channel through which depreciation-driven inflation pressures ultimately reached the bond market. This result aligns with the Monetary Transmission Mechanism, confirming that interest rate policy, rather than the exchange rate itself, is the principal determinant of bond price movements in Rwanda. The null hypothesis (H_2) was therefore rejected.

Hypothesis Three: Money Market Liquidity (LIQU) and Sovereign Bond Dirty Prices

The study identified a statistically significant negative effect of money market liquidity on sovereign bond dirty prices in the short run ($\beta = -0.0019$, $p = 0.000$), but no significant effect in the long run ($p = 0.421$). With reverse repo operations exhibiting the highest volatility among all study variables, the data indicate that NBR liquidity tightening immediately reduces commercial banks' capacity and incentive to hold sovereign bonds. Consistent with the Liquidity Preference Theory, money market conditions act as a credible and immediate pricing force in the secondary bond market, though one whose effect does not persist into the long-run equilibrium. The null hypothesis (H_3) was therefore partially rejected.

5. Conclusion and Recommendations

5.1 Conclusion

Depreciation does not reprice bonds directly. Despite the RWF depreciating in every quarter (mean 5.91%/quarter), the exchange rate shows no significant direct effect,

References

- Adedoyin, I., & Isibor, A. A. (2026). Assessing the impact of Monetary Policy Rate (MPR) changes on bond prices and yields in Nigeria. *International Journal of Research and Innovation in Social Science*, 10(1), 2429–2440.
- Akaike, H. (1974). *A new look at the statistical model identification*. *IEEE Transactions on Automatic Control*, 19(6), 716–723. <https://doi.org/10.1109/TAC.1974.1100705>
- Arslanalp, S., Drakopoulos, D., Goel, R., & Papageorgiou, C. (2022). *Foreign investor holdings and currency depreciation effects in emerging market domestic bonds*. *International Monetary Fund*.
- Bauer, M. D., Lakdawala, A., & Mueller, P. (2022). *Market-based monetary policy uncertainty*. *The Economic Journal*, 132(644), 1290–1308. <https://doi.org/10.1093/ej/ueab086>
- Brooks, C. (2019). *Introductory econometrics for finance* (4th ed.). Cambridge University Press.
- Brown, R. L., Durbin, J., & Evans, J. M. (1975). *Techniques for testing the constancy of regression*
- Rwanda's domestically-held, RWF-denominated market is insulated from direct currency risk.
- Monetary policy is the transmission channel. CBR changes drive bond prices in both the long run ($\beta = -6.826$) and the short run, with effects materialising over one to three quarters.
- Liquidity is a short-run stabilisation force. Reverse repo tightening immediately depresses prices, but the effect dissipates and does not enter the long-run equilibrium.
- In short, currency depreciation matters for Rwandan bond prices as a trigger for policy response, not as an independent pricing factor.

5.2 Recommendations

To the National Bank of Rwanda

The NBR should prioritize clear, predictable communication of its policy rate decisions, because the CBR not the exchange rate is what actually moves bond prices.

To the Ministry of Finance

Debt managers should avoid large bond issuances in the one to three quarters following a rate change, when the market is still repricing downward

Reverse repo calibration

Reverse repo operations should be used as a precise short-term stabilization tool, since their price effects are strong but transitory

Inflation monitoring

Sustained inflation control is the most direct way to protect the bond market from depreciation, because inflation is the channel through which depreciation transmits.

relationships over time. Journal of the Royal Statistical Society: Series B, 37(2), 149–192.

Fisher, I. (1930). *The theory of interest*. Macmillan.

Ha, J., Kose, M. A., & Ohnsorge, F. (2019). *Inflation in emerging and developing economies: Evolution, drivers, and policies*. World Bank Group. <https://doi.org/10.1596/978-1-4648-1375-7>

Habimana, O., & Nshimiyimana, J. (2023). *Money market operations and secondary bond market activity in Rwanda* [Research note]. National Bank of Rwanda.

Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate data analysis* (7th ed.). Pearson Prentice Hall.

International Monetary Fund. (2024). Uganda: Selected issues. IMF Country Report.

Karangwa, J. (2014). *Interest rate pass-through and monetary policy transmission in Rwanda*. National Bank of Rwanda.

Keynes, J. M. (1936). *The general theory of employment, interest and money*. Macmillan.

Kibet, R., & Mutwol, M. (2019). Open market operations and government bond secondary market prices in Kenya.

Krishnamurthy, A., & Vissing-Jorgensen, A. (2011). *The effects of quantitative easing on interest rates: Channels and implications for policy*. Brookings Papers on Economic Activity, 2011(2), 215–265.

Longstaff, F. A., Mithal, S., & Neis, E. (2005). *Corporate yield spreads: Default risk or liquidity? New evidence from the credit default swap market*. The Journal of Finance, 60(5), 2213–2253.

Madura, J. (2021). *International financial management* (14th ed.). Cengage Learning.

Makusa, G. M., Olweny, T., & Muturi, W. (2026). Exchange rate growth and sovereign Treasury bond yield curve movements in Kenya. *International Journal of Research and Innovation in Social Science*, 10(1), 6291–6301.

Mishkin, F. S. (2016). *The economics of money, banking, and financial markets* (11th ed.).

Pearson.

Ndikumana, L., & Nannyonjo, J. (2008). *Exchange rate volatility and domestic debt market development in Sub-Saharan Africa*.

Nwachukwu, T., & Hamman, S. (2020). *Monetary policy rate and government bond prices in Nigeria: An error correction approach*.

Obstfeld, M., & Zhou, H. (2023). *The global dollar cycle*. *Brookings Papers on Economic Activity*, 2022(2), 361–447

Pesaran, M. H., Shin, Y., & Smith, R. J. (2001). *Bounds testing approaches to the analysis of level relationships*. *Journal of Applied Econometrics*, 16(3), 289–326.

Phillips, P. C. B., & Perron, P. (1988). *Testing for a unit root in time series regression*. *Biometrika*, 75(2), 335–346.

Ramsey, J. B. (1969). *Tests for specification errors in classical linear least-squares regression analysis*. *Journal of the Royal Statistical Society: Series B*, 31(2), 350–371.

Schwert, G. W. (1989). *Tests for unit roots: A Monte Carlo investigation*. *Journal of Business & Economic Statistics*, 7(2), 147–159.

Uwera, C., & Nkurunziza, J. (2022). *Currency depreciation and Treasury bond yields at the Rwanda Stock Exchange*