

Equity Kenya Macro Note



Kenya Financial Markets Weekly

28th Sep to 2nd Oct 2026

Inflation to come in below 7%

KNBS is on Wednesday expected to release September YoY inflation. We expect inflation to come in around 6.7-6.9% on higher food and fuel prices. Inflation is expected to remain below the 7.5% ceiling despite the persistent elevated energy prices. Monthly average crude prices remain lower than CBK's projected average crude price. September YoY inflation will provide important direction on the expected monetary policy decision on 7th October.

Oil eases slightly after touching 4-month high

Brent crude futures rose 2.3% last week to \$106 per barrel from \$103.8 per barrel but eased slightly from Thursday's 4-month high as markets weighed the possibility of a truce between the US and Iran against concerns that increasing attacks against Saudi Arabia by Houthi fighters could disrupt supply from the Key Middle Eastern produce. Reports indicate Crude oil flows out of the Strait of Hormuz reached 33.7 million barrels so far in the week starting 20th September. Government's VAT halving to cushion consumers is scheduled to end this month.

Foreign investor sell offs at NSE more than double to Sh15.7bn in 9-months

NSE Market capitalization increased 4% to Sh4.2trn (\$32.3bn) last week from Sh4trn (\$31bn) in the previous week, solid performance from equities despite the recent Fed hike and capital flight from emerging market equities supported by increased participation of local investors taking up space previously occupied by foreign investors. Foreign investors equities sell off in the 9 months to September 2026 more than doubled to Sh15.7bn (\$122m) compared to Sh7.3bn (\$56m) over the same period in 2025. Over the week all indices recorded significant gains with local investors accounting for 78.4% of the week's Sh4.6bn turnover recorded in the week

Domestic borrowing at 53% of full year target

Treasury domestic borrowing for the current fiscal year stood at Sh524.3bn as at 23rd September against a full year target of Sh987bn. The 53% performance relative to target comes as the market anticipates a supplementary budget on the back of dismal revenue performance and high expenditures. Heavy internal borrowing also blamed for low investments, job creation and tax growth.

Bond on the receiving end on fiscal worries

Kenya 2032 Eurobond closed the week at 8.1%, the highest since July and 170bps above Rwanda 2031 that ended the week at 6.5% bucking the trend seen in the bonds market. Bond markets worldwide have been under pressure for months, sending yields to multi-decade highs as the Iran war raised energy prices and as investors fret about government spending, the selloff in the US, the world's deepest and most influential government bond market, has picked up pace. The yield on 30-year Treasury bond climbed to 5.48%, highest since 2004, on Thursday, while the benchmark US 10-year yield reached 5.20%.

IMF article IV discussions to take place in December

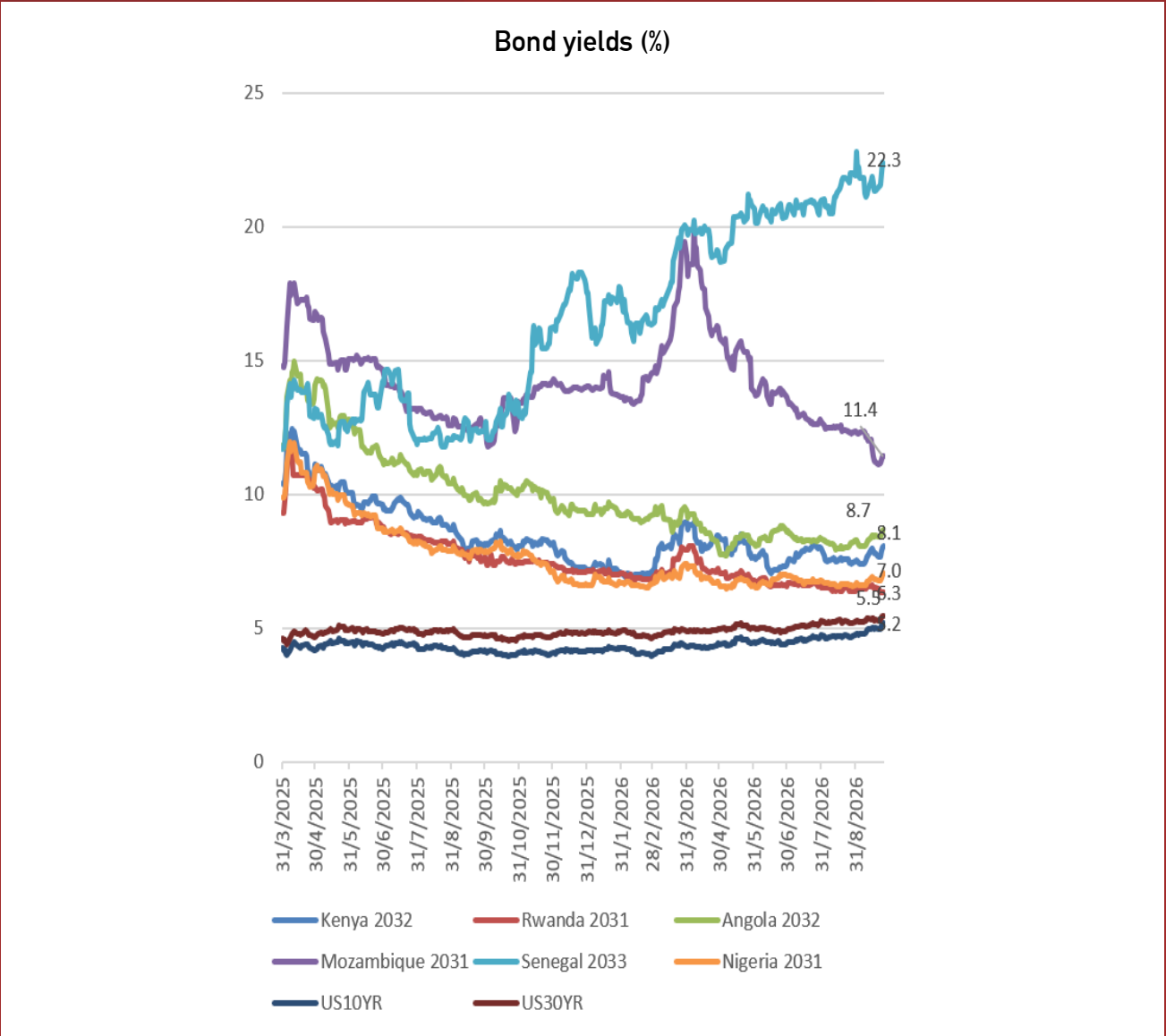
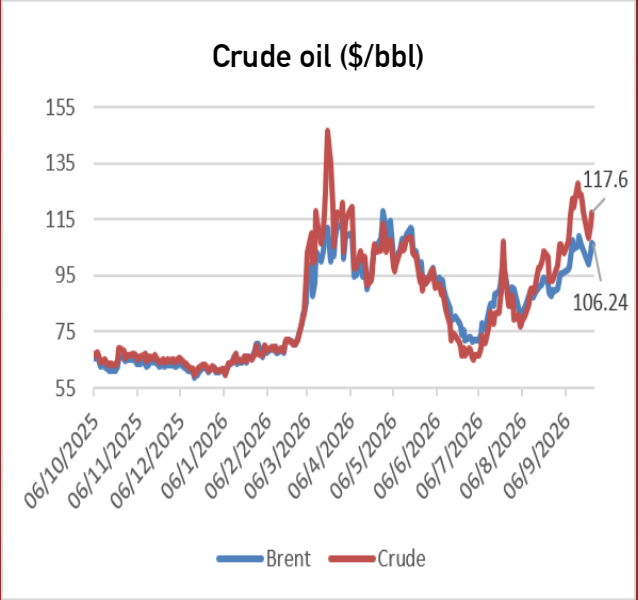
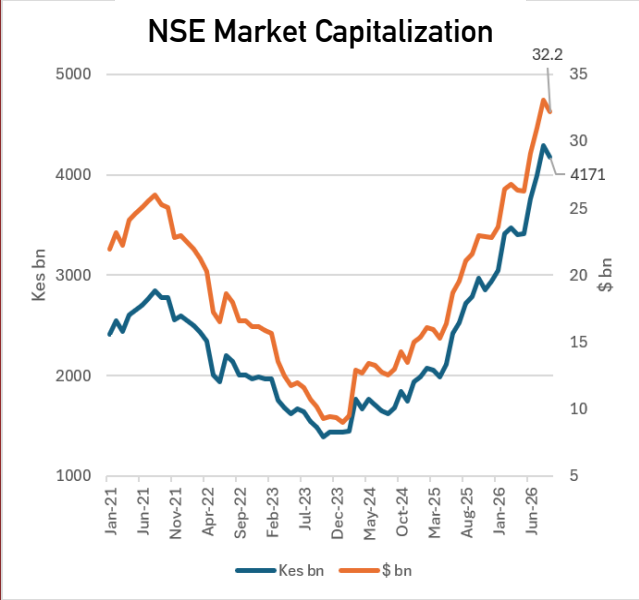
A delegation from the IMF is expected in the country early December to kick start article IV discussion. Kenya's programme with the IMF expired in 2025 and the country has been actively pursuing a funded programme. A programme with the IMF will help reduce country risk and enjoy lower yields on commercial borrowing by reducing premium asked by investors.

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Key Financial and Economic Calendar Month	Events & Dates
Mon Sep 30	Kenya CPI YoY
Tue Sep 30	US GDP Annualized QoQ; US Personal Income / Spending (PCE); Kenya GDP YoY
Thu Oct 2	US ISM Manufacturing PMI; US Initial Jobless Claims; US Nonfarm Payrolls; US Average Hourly Earnings MoM
Mon Oct 5	US ISM Services PMI; JPMorgan Global Services & Composite PMI
Tue Oct 7	Kenya CBK MPC Rate Decision
Wed Oct 8	FOMC Minutes (Sep Meeting)

Shilling weakens slightly but remain below 130

Kenya shilling weakened slightly last week to end Friday's trading at 129.7 against the dollar down 0.5% YTD, weakening of emerging market currencies attributed to elevated uncertainty in the global macroeconomic environment that was worsened by the Fed tightening monetary conditions by a 25bps hike on the Fed rate. KES is expected to remain below 130 despite of another expected 25bbps hike in the Fed in the year. FX reserves remained sufficient at \$15bn equivalent to 6.1 months of import cover.

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- August [diaspora inflows](#) from Tanzania beat Saudi
- IMF supports central bank [currency intervention](#) under three circumstances
- NSE rallies back to [Sh4trn](#) after big bank rallies
- Consumers to wait longer for [milk](#) as drought persists
- CBK [fines 33 banks](#) for failure to cut interest rates
- Retailer Quickmart plans [NSE listing](#)

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