Equity Kenya Macro Note

Kenya Financial Markets Weekly

7th Sep to 11th Sep 2026

Oil rise sharply, second round inflationary effects now a threat

Gulf Brent futures rose 0.8% to $97.1 a barrel on Monday extending gains recorded last week when it ended the week up 7.8% up after the U.S and Iran resumed attacks causing a reduction in oil flows from the Gulf.. Markets are expecting a prolonged stand off as the most likely scenario which tightens supply further increasing inflationary risks and rate hikes globally. Central banks remain focused on possible second round inflationary effects and how long till the high energy prices translate to core inflation.

China: Bank Recapitalisation and Mixed Economic Signals

China announced a RMB360 billion (US$54 billion) recapitalisation of major state-owned banks and insurers aimed at strengthening financial institutions and supporting economic growth amid weaker domestic demand. Economic data remained mixed with services activity improving, while broader demand remained subdued. At the G20 finance ministers' meeting China also rejected a joint communiqué highlighting continued tensions over its large external surplus and global trade imbalances.

Markets anxiously wait for US CPI data

US August CPI could be the deciding factor as the Fed meets in September 15 and 16. With August Jobs coming in better than expected traders are pricing in a 605 chance of a rate hike as the market impatiently awaits for August inflation set to be released this week. Elsewhere the ECB is fully priced to hike rates by 25bps this week in what markets are terming "an insurance hike". Eurozone inflation rose above 3% in August on higher energy costs.

Bond yields at decade high

As long term borrowing costs from the U.S, Germany and Japan hit the highest in decades due to government debt, geopolitics and inflationary fears, EME yields are holding up better than expected with Kenya 2032 down 10bps last week but could rise significantly this week depending with the events at the Gulf. Senegal yields remain elevated despite the country agreeing on a $2.2bn bailout from the IMF. Bond yields act as reference points for asset prices in financial markets.

Government Plans $299 Million Stadium Borrowing

The Sports, Arts and Social Development Fund (SASDF) is seeking to raise KSh38.7 billion (approximately US$299 million) through a 15-year loan to finance 33 new and ongoing stadium construction projects across Kenya. The Fund is currently in the process of appointing a transaction adviser to structure and facilitate the proposed borrowing. The financing is expected to support the government's broader sports infrastructure development programme

Kenya: Business Activity Slips into Contraction

Kenya's private-sector activity weakened in August, with the PMI falling to 49.7 from 51.3, signaling a return to contraction. Higher input costs, tight liquidity and supply constraints weighed on output, despite new orders remaining in expansion for a third consecutive month.

The data point to continued cost pressures and a fragile recovery, with elevated energy and raw-material costs limiting firms' ability to convert resilient demand into higher production.

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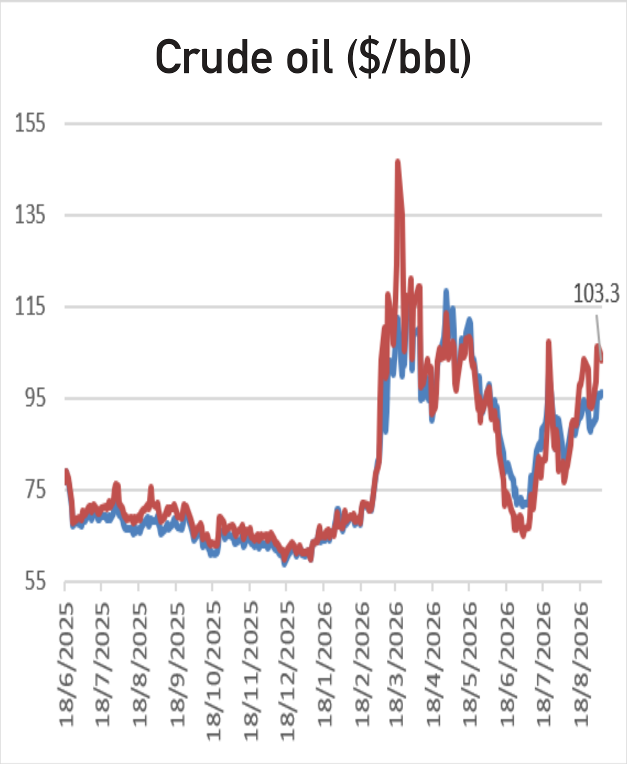
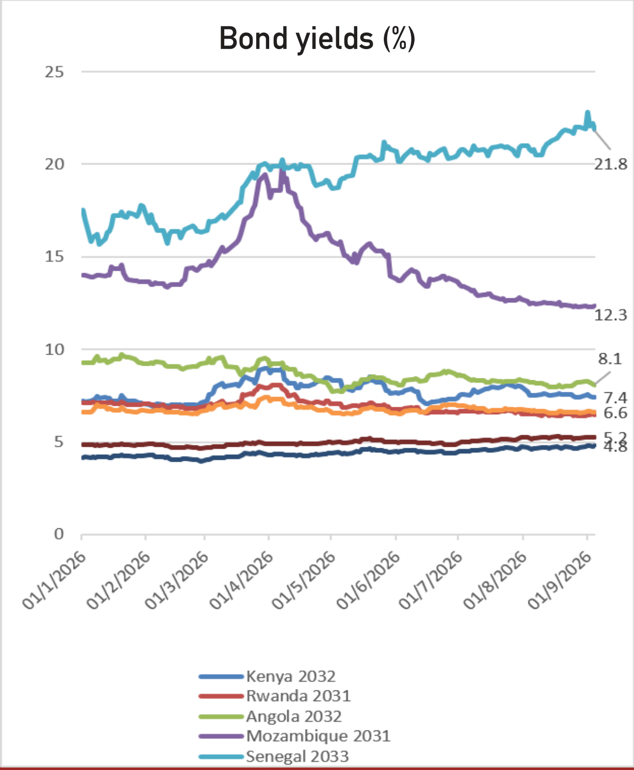
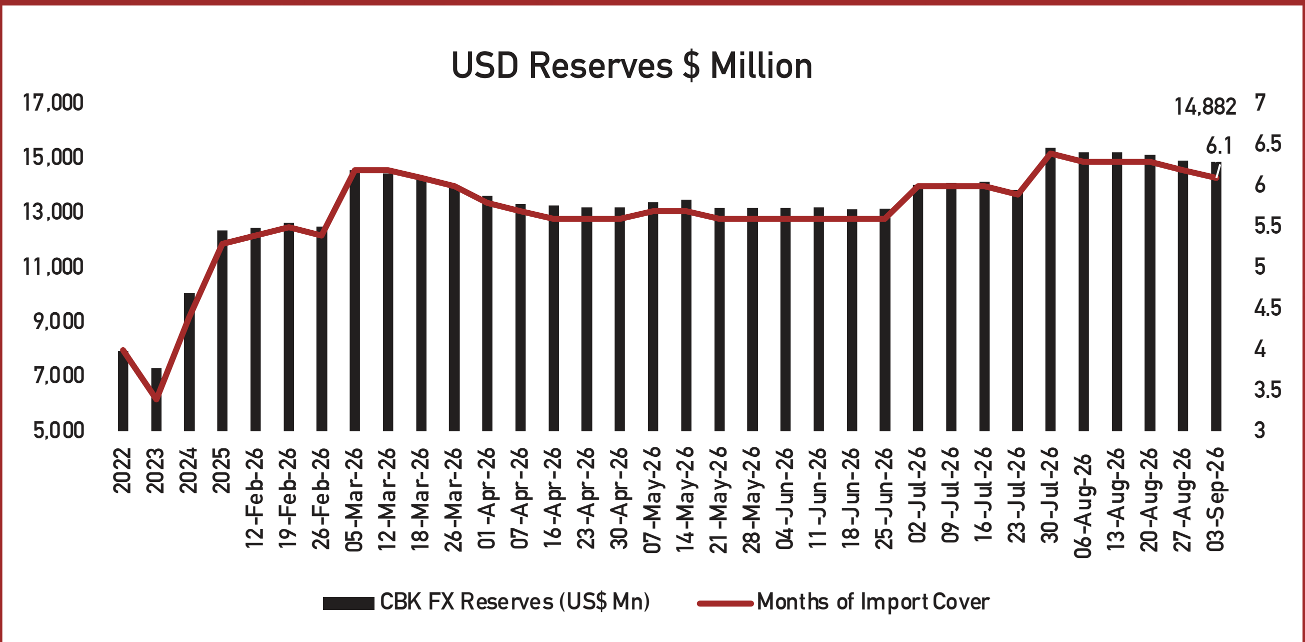
Kenya FX: Shilling Remains Stable

The Kenyan shilling remained broadly stable at around KES129. 40/USD last week supported by a significantly stronger foreign-exchange reserve position and steady inflows from external financing and remittances. At US$14.8bn reserves provide a strong buffer against external shocks. However, elevated oil prices a widening trade deficit and potential Fed tightening remain key downside risks. The shilling is expected to remain within the KES129–131/USD range through year-end with a sustained move above KES132 likely requiring a combination of stronger global dollar pressures and higher oil prices.







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US Jobs rebound in August

U.S non firms payroll increased 162,000 in August after an upward revision of July figures to 21,000 new jobs. Unemployment rate held steady at 4.1% pointing to a stable labor market, Fed Fund futures price in a 60% chance of a Fed interest rate hike on 16th September, with a second hike likely by March 2027 Concerns about inflation still linger with U.S and Iran conflict picking up last week.

AfCFTA: Somalia Joins Continental Trade Framework

Somalia formally ratified the African Continental Free Trade Area (AfCFTA), becoming the 50th country to deposit its ratification instrument with the African Union. The move strengthens Somalia's integration into the continental market and could support greater trade, investment and participation in regional value chains.

Key Financial and Economic Calendar Month	Events & Dates
Mon Sep 7	US Labor day
Wed Sep 9	US PPI Data
Thu Sep 10	US CPI
Thu Sep 11	ECB Rate decision
Tue Sep 16	US FOMC Rate Decision
Mon Sep 29	Kenya CPI YoY
Tue Sep 30	US GDP Annualized QoQ (3rd Est.)
Tue Sep 30	US Personal Income / Spending (PCE)
Tue Sep 30	Kenya GDP YoY

NEWS:

- Inflation up 6.6% on higher food costs
- Investment banks and Stockbrokers earnings triple on big H1 deals
- Kenya imports jet fuel outside G-2-G deal
- NSSF and PSSF buy more than half of Talanta bond
- World Bank project seeks to connect 5 million households to electricity
- Remittance from U.S drop by Sh22bn in H1
- CBK rejects aggressive bids to keep cost of debt low
- State eyes Sh39bn loans for stadium completions

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