

Equity Kenya Macro Note



Kenya Financial Markets Weekly

22nd -26th June 2026

Oil down as US, Iran conclude first round of talks

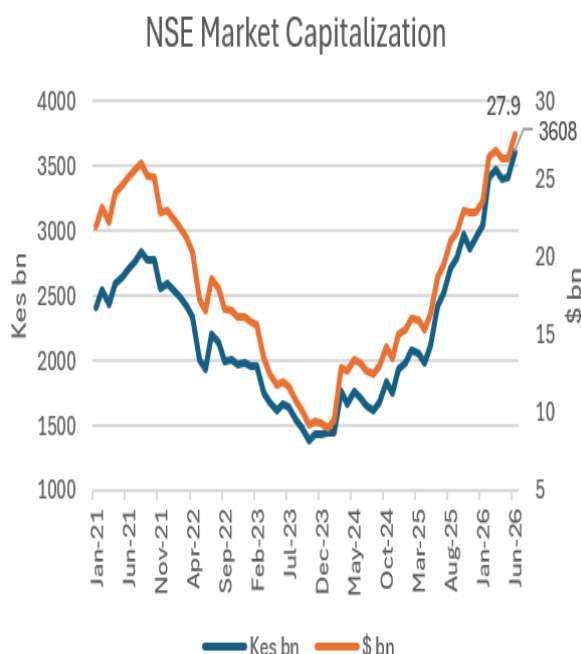
Brent futures were steady at around 78-80\$/bbl as US and Iran officials ended the first round of talks on Monday morning in Switzerland even as Iran announced it had again closed the Strait of Hormuz and President Trump threatening to resume attacks on Iran. Technical talks are expected to continue as the 2 countries agreed to a 60-day interim deal. Brent declined 2.09% on increased prospects from a diplomatic breakthrough between the US and Iran.

EME bond yields ease on Middle East peace.

Emerging markets yields remained low compared to the height of the Middle East war. Kenya 2032 now stands at 7.2%, only 60bps higher than Rwanda 2031 and 270bps higher than US 10-year bond. Kenya 2032 touched a high of 9% at the end of March. High inflation resulting from high energy prices due to the closure of the Strait of Hormuz was a concern to investors who were closely monitoring movements in benchmark rates globally. Tight fiscal spaces due to high borrowing also seen as a key driver of rising yields and increased demand of Emerging market securities. Senegal yields remain elevated as IMF held a country visit last week, but investors remained skeptical on the country's ability to honor its financial obligations.

Fed, BoE hold rates steady

The Fed held the benchmark rate unchanged at 3.5%-3.75% despite US inflation rising to 4.2%, the highest since April 2023. United States inflation has been above the 2% target since 2021. United Kingdom's Bank of England held the benchmark rate unchanged at 3.75% with inflation coming in at 2.8% in May unchanged from April. Central Banks have approached monetary policy cautiously in response for rising inflation from higher oil prices resulting from the Middle East war.



NSE market capitalization touches historic high of Sh3.6trn.

NSE market capitalization closed last week on a record high of Sh3.6trn (\$27.8bn) having grown by 4.2% over the week. Equities globally booked gains last week following a 60-day truce deal between US and Iran that increased the prospects of peace in the volatile Middle East region. The benchmark NASI was up 4 even as investors withdrew a net of Sh24.5 million from a net inflow of Sh457.6 million in the previous week. Foreign investors accounted for only 31% of the Sh6.5bn (\$50m) turnover. Turnover remained heavily concentrated between 5 counters accounting for 79% of total turnover up from last week's 75%

IMF Urges CBK to Cut MPC Meetings to Four Per Year

The IMF has recommended that the CBK reduce MPC meetings from six to four per year to better align policy decisions with quarterly GDP data releases. The Fund argues this would improve forecasting accuracy, strengthen data-driven decision-making, and reduce the risk of policy errors. For markets fewer meetings would make each MPC decision more significant while potentially improving policy credibility through stronger forecasts and more forward-looking communication. However a quarterly schedule could also limit the CBK's flexibility to respond quickly to economic shocks. The recommendation comes as the CBK maintains its policy rate at 8.75% amid rising inflation pressures following an extended easing cycle.

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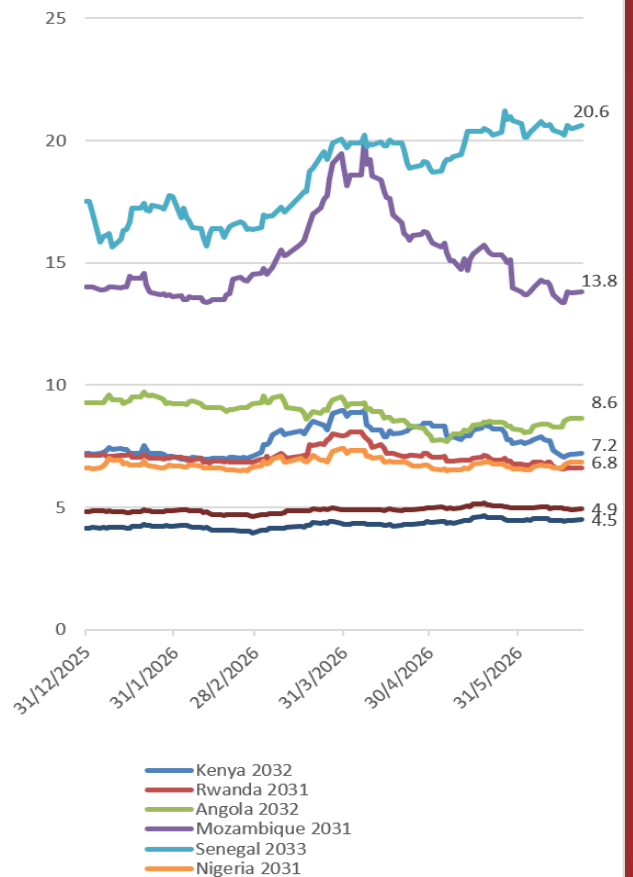
Kenya Shilling Holds Steady Amid Global Dollar Strength and Geopolitical Risks

The shilling remained broadly stable within a tight range of 129.35–129.52. The US dollar strengthened on a more hawkish Federal Reserve outlook with BMO Capital Markets calling it the “cleanest” trade in a high-rates environment weighing on emerging-market currencies. The IMF recommended that Kenya reduce Monetary Policy Committee meetings to four per year to improve forecasting. Sentiment was cautiously optimistic as US–Iran talks showed progress with a potential ceasefire and reopening of the Strait of Hormuz likely to ease oil-driven inflation pressures

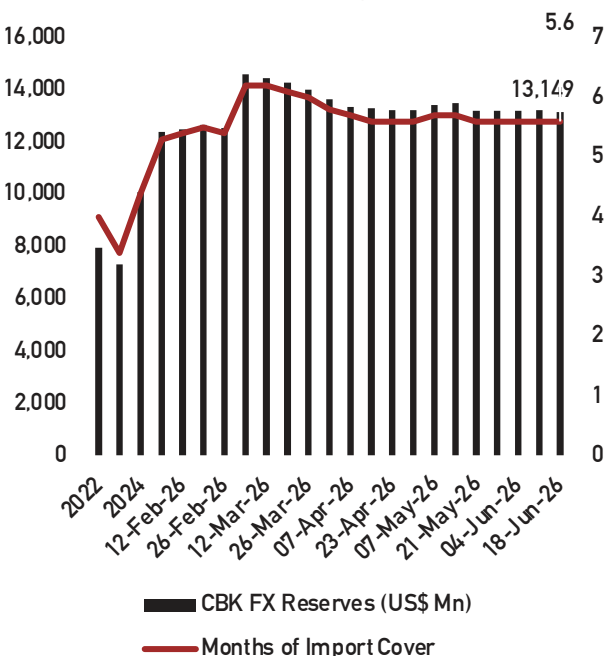
Brent crude
(\$/bbl)



Bond yields
(%)



USD Reserves \$ Million



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- Treasury sluggish in implementing promised tax proposals
- CBK removes caps on bank’s liquidity support framework

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Key Financial and Economic Calendar Month	Events & Dates
24 th June	BMF Meeting and Announcement
25 th June	US PCE price Index and GDP Q1 Final
30 th June	CPI YoY data release
3 rd July	Tanzania rate Decision

Kenya Approves KES 18.2bn Supplementary Budget for FY2025/26

Lawmakers approved a KES 18.2bn supplementary budget for FY2025/26, comprising KES 7.6bn in additional recurrent spending and KES 10.6bn in capital expenditure, largely funded by development partners. The allocation is intended to address operations and maintenance funding shortfalls before the fiscal year-end.

Kenya Finance Bill 2026 Parliament Approves KES 98.6bn in Tax Measures Leaving KES 21.7bn Revenue Gap

Treasury proposed KES 120.3bn in Finance Bill 2026 tax measures. Parliament approved KES 98.6bn leaving a KES 21.7bn shortfall. Rejected measures included 25% excise on imported phones 16% VAT on EVs lithium-ion batteries and e-bikes and changes to financial transaction and capital gains taxes. The shortfall reduces expected FY2026/27 revenue and increases reliance on domestic borrowing and external financing, at a time when debt service already absorbs a large share of revenue.

Massive government borrowing set to drive yields.

The government is targeting KES 1.03 trillion in domestic borrowing in FY2026/27, equal to about 29% of projected KES 3.53 trillion revenues, with total supply rising above KES 1.18 trillion once KES 155.3 billion in pending bills securitisation is included. In the latest CBK Treasury bond auction (17 June 2026), investors showed steady but selective demand for reopened long-dated papers with yields remaining elevated as the market continues to price in fiscal pressure and inflation risk. Treasury bill auctions remain fully subscribed with continued strong demand for the 91-, 182-, and 364-day papers and high single to low double-digit yields reflecting tight liquidity and a firm policy stance. The 3 June bond auction had earlier shown softer demand with a bid-cover of around 1.0x highlighting some fatigue at the long end. Overall traders are still demanding a premium for duration but the curve offers carry value at current levels particularly in longer-dated bonds under the assumption of a relatively stable shilling and no aggressive policy tightening in the near term.

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