

# Equity Kenya Macro Note



## Kenya Financial Markets Weekly

11<sup>th</sup> - 15<sup>th</sup> May 2026

### Treasury targets more taxes to boost revenue by Sh200bn

Treasury is targeting increasing total revenue by KSh200bn to KSh3.6trn targeting high ordinary revenue (taxes and investment income) to KSh3trn from the current KSh2.8trn target in the supplementary budget. Ordinary revenue that will constitute 82% of treasury's revenue is projected to rise 7% in comparison to Supplementary 1. Income tax is expected to grow by KSh116.8bn signaling tougher tax measures in the FY2026/27 finance bill.

### Fiscal deficit concerns as spending nears Sh5trn mark

Government spending for the next fiscal year is projected to rise 12% to KSh4.8trn compared to the initial budget of FY2025/26 and 3% compared to Sup 1, a move that will widen fiscal deficit further. Development spending will be allocated KSh812bn (17%) in FY2026/27 budget. Recurrent expenditure Sh2trn (43%), CFS KSh1.5trn (31%), county disbursements Sh420bn (9%).

### Inflationary fears seen exerting pressure on Yield Curve

Investor's aggressive bidding driven by inflationary fears and possible monetary policy reaction pushed yields further up last week. Short end yields were up significantly higher compared to 6 months ago when CBR was higher (9.25%) compared to the current 8.75%. Of the accepted Sh29.4bn in T-bills, 63% (Sh18.6bn) were competitive bids. On the long end yields remained lower by upto 140bps compared to 1 yr ago and 50bps compared to 6 months ago.

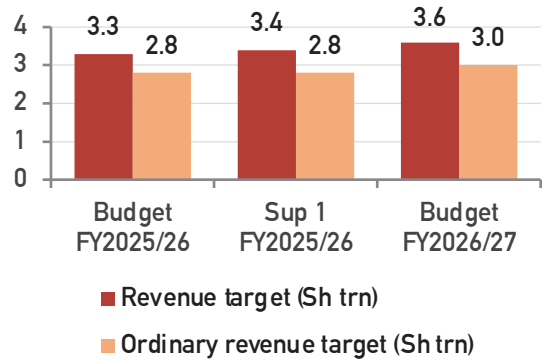
### Kenya 2032 gains on possibility of war ending

Kenya 2032 was among the biggest gainers last week as yields eased 40bps to close the week at 7.9%. Kenya 2032 now 100bps below Rwanda 2031 (6.9%) and US10YR (4.4%). Falling yields have been attributed to Washington's desire to end the war claiming a deal with Iran was close. This is despite renewed exchange between the 2 countries as they battle to control the strait of Hormuz.

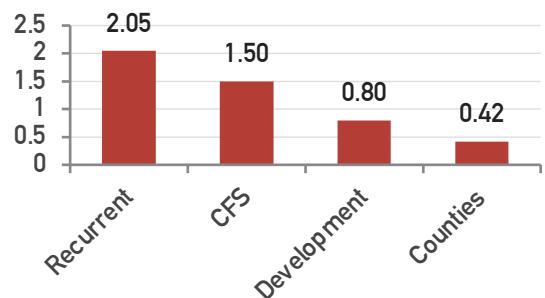
### Equities up 2.1% on dividend seeking investors

Foreign investors net sell off increased to KSh751.2m from KSh8.3m in the previous week. Market capitalization was up 2.1% to KSh3.47trn (\$27bn) despite the benchmark NSE20 index dipping 0.42% to 3532.7 points. Good stock market performance despite foreign investor outflows due to the Middle East war has been driven by stellar performance of banking and telecommunication counters.

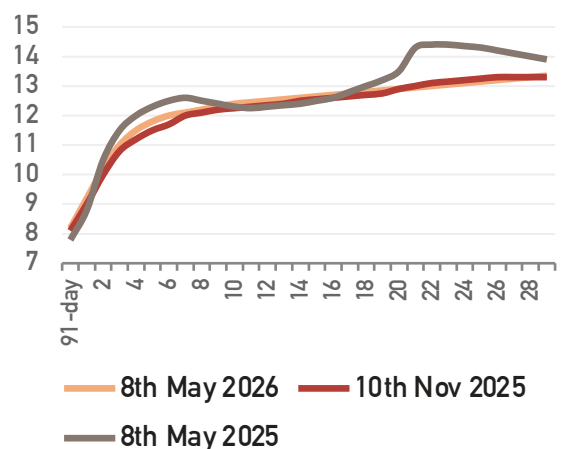
Revenue target (KSh trn)



Distribution of Fiscal spending FY2025/26 budget (KSh trn)



Yield Curve (%)



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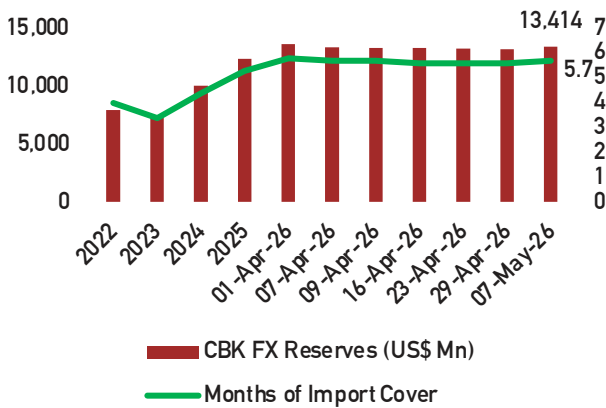
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### USD/KES Forward pricing and FX Reserve Support Exchange Rate Stability( 11 May 2026)

The USD/KES 3-month forward is priced at 131.30 versus a spot of 129.15, implying forward points of +215 pips and a moderate 1.7% expected depreciation of the shilling over the horizon. With implied USD/KES volatility around 1.38% and a forward structure driven primarily by interest rate differentials (USD SOFR 3.65% versus higher implied KES funding rates). Meanwhile the Central Bank continues to support the shilling using its foreign exchange reserves, which stand at USD 13.4 billion, providing 5.7 months of import cover. Kenya has opted out of the UAE financing deal on high pricing (8-9%) and opted for Samurai bond at 4-5% , treasury also optimistic of an IMF deal around June or July.

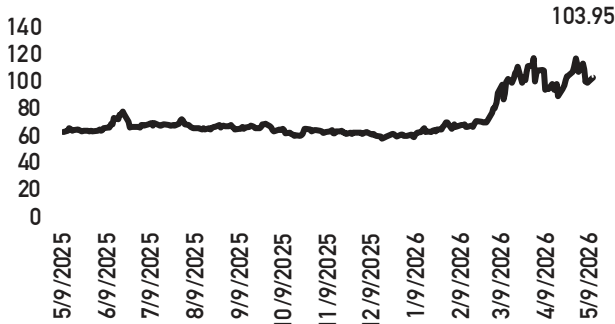
USD Reserves \$ Million



### Eyes on EPRA as review date approaches, oil rallies 3%

Crude prices rallied on Monday rising 3% compared to end of day Friday, rally driven by USA's rejection of Iran's response to a U.S peace proposal. Iran demanded for compensation for damage and emphasized Iranian sovereignty over the Strait of Hormuz. EPRA is set to review domestic prices on 14th. We expect the state to retain the subsidies and lower value added tax of 8% to cushion consumers and avoid public outroar.

Brent oil prices (\$/barrel)



#### NEWS:

- T-bill rates rise on inflation
- Kenya to China exports shrink to widen trade gap
- Inside Ruto's KSh4.8trn FY2026/27 budget
- Kenya inflation rises at fastest pace in 7 years
- Kenyans brace for taxes as treasury targets additional KSh201bn
- Government doubles e-citizen fees in revenue drive
- Private sector credit contracts for second month in a row
- Maize imports jump 51% after government opens duty free window
- Treasury avoids IMF in FY2026/27 budget
- State plans toll on Key route to Uganda

OVML USDKES EU 131.30C 08/11/26 N1M	
Strategy 1	Leg 1
Price Date	05/11/26 10:46
Asset	USDKES
Spot	Mid 129.15
Style	European Vanilla
Direction	Client buys Physical
Call/Put	USD Call
Expiry	3 months 08/11/26
Delivery	NY 10:00 08/13/26
Strike	131.30 ATMF
Notional	USD 1,000,000.00
Model	Black-Scholes
More Market Data	
Vol	BLHV 1.383%/1.383%
Vol Spread	0.000%
Points	BGN Mid 215.0000
Forward	Mid 131.30
USD Depo	USD SOFR Mid 3.646...%
KES Depo	Implied Mid 10.448...%
Greeks	
Gamma	USD 569,308.43
Vega	1,984.39
Results	
Price	% USD 0.2744% P
Premium	USD 2,744.19 P
Prem Date	05/13/26
Delta	Spot 49.4013%
Hedge	-494,012.67

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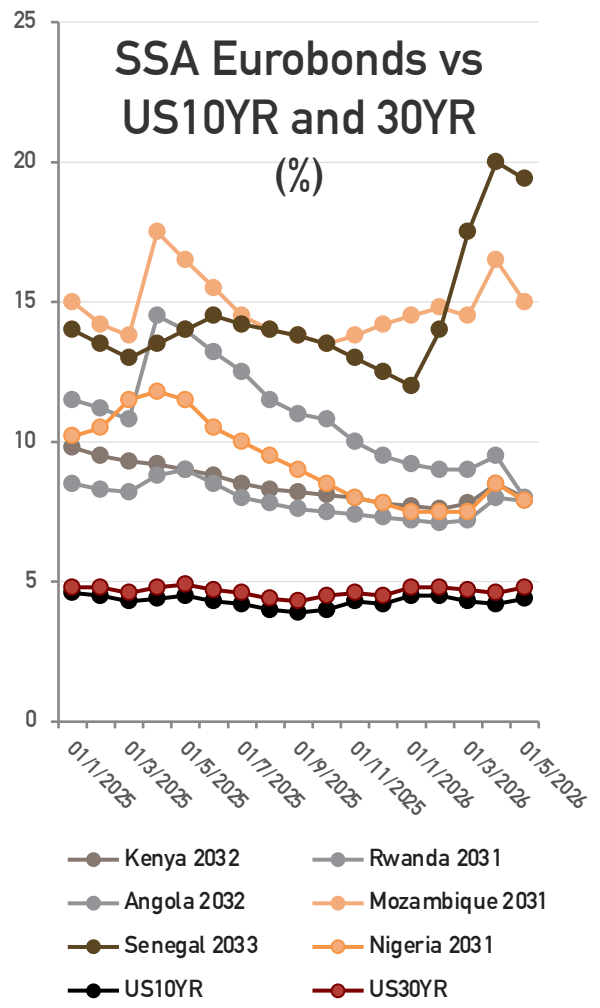
Key Financial and Economic Calendar Month	Events & Dates
14 <sup>th</sup> May	Fuel prices review
30 <sup>th</sup> May	May inflation release
12 <sup>th</sup> and 13 <sup>th</sup> May	US CPI and PPI respectively

### US Inflation Stays Sticky While Labour Market Holds Firm Ahead of CPI and PPI Prints.

We have two major US inflation reports this week, CPI and PPI. Inflation is expected to edge higher with CPI projected to rise from 3.3% to 3.8% on the headline inflation and from 2.6% to 2.7% on core inflation showing that price pressures are still above the Federal Reserve's 2% target. At the same time the labour market remains resilient with 115,000 jobs added last month versus 65,000 that was expected, unemployment rate held steady at 4.3% and wages up to 3.6% year-on-year.

### Trump -Xi Beijing Summit (May 14-15) Talks Signal Effort to Stabilize US-China Relation.

President Trump's meeting with President Xi Jinping in Beijing on May 14-15 comes at a critical time for global markets. Discussions are expected to focus on trade, tariffs, semiconductors, AI competition, Taiwan, rare earths, and wider geopolitical risks including Iran. While a breakthrough is unlikely any signs of easing tensions or improved communication would be closely watched given the importance of US-China economic relations.



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