Equity Kenya Macro Note

Kenya Financial Markets Weekly

14th Sep to 18th Sep 2026

EPRA to review fuel prices today

EPRA is expected to review pump prices for the next cycle today running from Tomorrow to 14th of October. Murban futures averaged $91 per barrel in August up from $79 per barrel in July following collapsed negotiations between U.S and Iran and renewed fighting. We expect EPRA to keep petrol and diesel prices unchanged at Sh214 and Sh217 per liter as treasury maintains a dual support system of halving the VAT on fuel and maintaining subsidies to cushion consumers.

Oil crosses $100 on resumption of gulf war

Crude prices have rebounded to highs last ween in May following the escalation of the Middle East war. Drone attacks on Saudi Arabia's east-west oil pipeline led to a shutdown of Saudi oil production for exports. It is estimated that 4% of global oil supply could be shut off. Brent touched a near 4 month high of $107/barrel on Monday while Murban traded at $119.5 increasing inflationary risks and possibilities of monetary policy tightening.

US inflation eases ahead of key fed decision

US August yoy inflation came in flat at 3.4%. Gasoline prices rose 27.4% slightly higher than 24.6% in July. The Fed is expected to deliver its interest rate decision on Wednesday as the financial markets are betting heavily on a 25bps hike to calm inflation that has remained above the 2% target for more than 5 years. Resumption of the Middle East war that has pushed crude prices above the $100/barrel mark will also be a key factor informing Wednesday's decision.

Yields tick up on resumption of war

Kenya 2032 Eurobond is among the worst hit following renewed fighting at the Gulf. Yields shot up 50bps to 7.9%. The spike now takes it 140bps above Rwanda 2031 from a differential of 95bps a week ago. Emerging markets have recorded significant increase in yields pushing up borrowing costs in the global markets. US10YR yield was up 20bps to 4.9% while the 30YR was up 10bps to 5.3%. Senegal 2033 yield eased slightly (down 20bps) following the country securing an $2bn with IMF. Fiscal slippage and inflationary risks resulting from geopolitical tensions remain a key concern to bonds investors forcing a repricing in long term funding to governments.

ECB Tightens Policy rate as Inflation Risks Remain Elevated

The ECB raised its deposit rate by 25bps to 2.50% on September 10 citing persistent inflationary pressures from elevated energy prices. The bank warned that the inflation shock could be longer-lasting and raised its 2027–28 inflation forecasts with 2028 now at 2.1% above its 2% target. The ECB's guidance remained hawkish with an October hike reportedly under consideration and markets pricing roughly three further 25bp hikes by mid-2027. Bundesbank President Nagel also indicated that rates may need to move further into restrictive territory.

US-Canada Trade Tensions Ease as Negotiations Resume

Canada imposed 15%–50% tariffs on hundreds of US products on September 8, including a 50% tariff on steel. The US responded with restrictions on some Canadian dairy and auto imports. However tensions appeared to ease by September 12 with President Trump expressing optimism that a trade deal could be reached "fairly soon."

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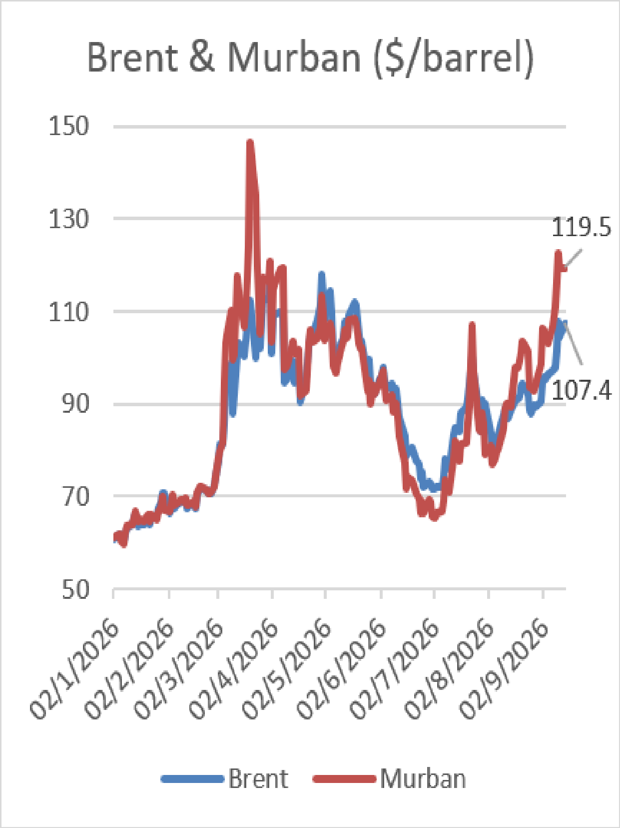
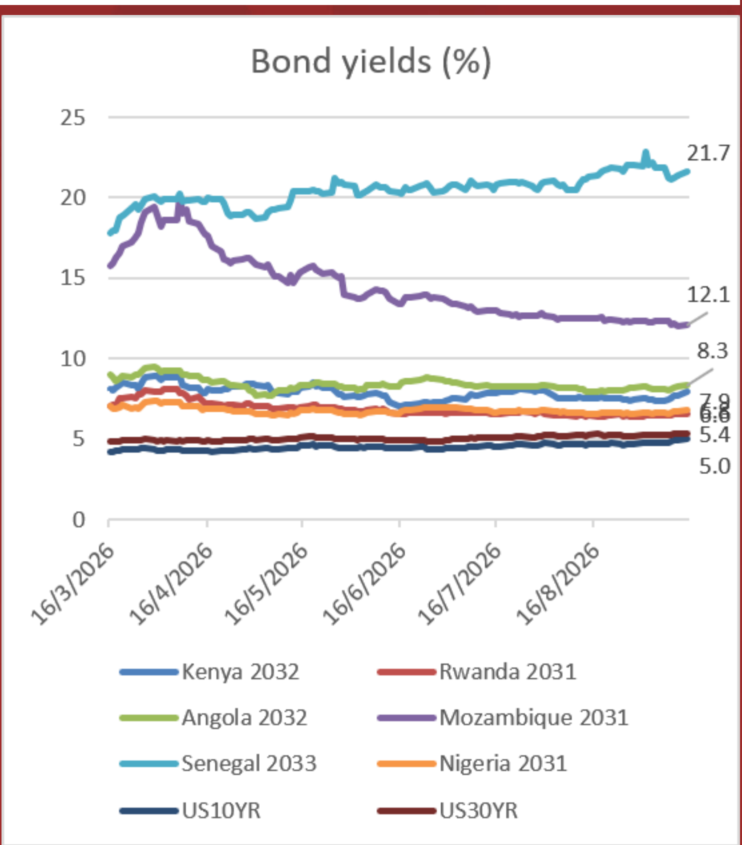
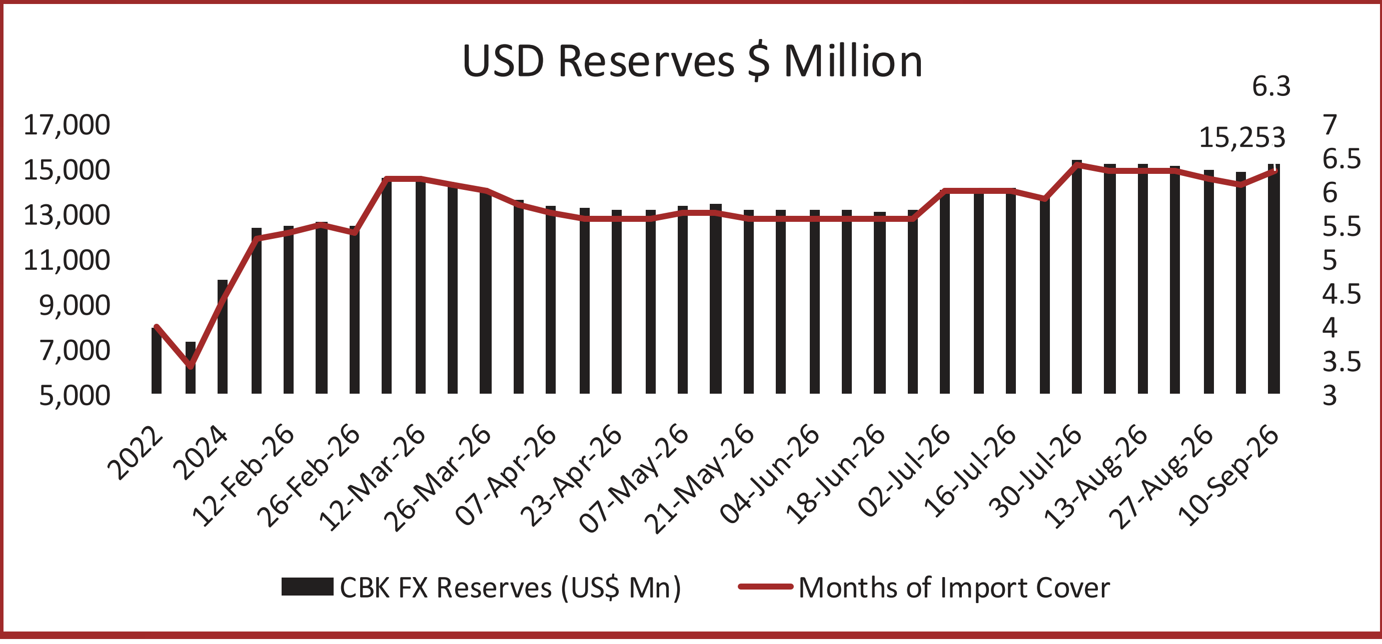
Kenyan Shilling: Stable but Vulnerable to External Shocks

The Kenyan shilling remained broadly stable at around KES 129.5/USD supported by stronger foreign-exchange reserves, remittance inflows and external financing. However, elevated oil prices a widening trade deficit and potential Fed tightening remain key downside risks. The shilling is expected to trade within the KES 129–131/USD range through year-end with a sustained move above KES 132 likely requiring a combination of stronger global dollar pressures and higher oil prices. Potential Panda bond and Eurobond inflows alongside reduced food-import demand and FDI linked to the Dangote refinery could provide additional support.







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Dangote Moves Ahead with Lamu Refinery Plans

Dangote Petroleum plans to break ground on the $16bn 700,000 bpd Lamu refinery by end-September 2026 with completion targeted within three years. The project may also include a 1,000MW gas-fired power plant. Dangote has offered East African countries a 30% combined equity stake including a potential 10% stake for Kenya worth about $500m. Key risks remain crude supply, financing, EPC arrangements and Kenya's funding decision. A confirmed groundbreaking and financing plan would be positive for Lamu infrastructure and energy-related investments.

Policy Uncertainty Raises FDI and Investor Confidence Risks

Recent government measures targeting foreign participation in unskilled employment and small-scale retail alongside the removal of Tata Group from its Lake Magadi soda-ash concession have raised concerns over Kenya's FDI attractiveness and policy predictability. Investors will closely monitor further government action, legal challenges and potential responses from foreign concession holders this week with renewed policy uncertainty posing a downside risk to investor sentiment.

CBK Bond Auction to Set the Tone for Kenya's Fixed-Income Market

The CBK's KES 60 billion Treasury bond auction on September 16 is the week's key local fixed-income event featuring reopened 20-year and 30-year bonds. The auction comes amid weak demand for recent T-bills and a global bond selloff driven by higher oil prices and US inflation concerns. Key indicators to watch are the bid-cover ratio accepted yields and whether the CBK raises the full KES 60 billion. A weak auction could push domestic yields higher increasing borrowing costs and putting pressure on the shilling and equities.

Key Financial and Economic Calendar Month	Events & Dates
Mon Sep 14	EPRA Pump price
Tue Sep 16	US FOMC Rate Decision
Thu Sep 18	BOJ Rate Decision
End-Sep	Dangote Lamu Refinery Groundbreaking
Mon Sep 29	Kenya CPI YoY
Tue Sep 30	US GDP Annualized QoQ , 3rd Estimate
Tue Sep 30	US Personal Income / Spending (PCE)
Tue Sep 30	Kenya GDP YoY
Thu Oct 2	US Nonfarm Payrolls
Tue Oct 7	Kenya CBK MPC Rate Decision

NEWS:

- IKenya targets Sh400bn FDI to in FY2026/27
- Foreigners net sell off at NSE rise to Sh4.55bn
- Drought wipes off milk from supermarket shelves
- Presidential special spending hits Sh364bn in 4 years
- SGR posts first operating profit since launch in 2017
- Banks interest margins narrow to a 10-month low
- National Infrastructure fund targets Sh42bn yearly from bonds
- U.S offers to build factories around Kenya rare earth minerals along the coast

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