

Equity Kenya Macro Note



Kenya Financial Markets Weekly

12th Oct to 16th Oct 2026

CBK holds CBR at 8.75%

CBK's monetary policy committee held the benchmark lending rate at 8.75% last Wednesday making it the fourth consecutive hold. The decision was grounded on inflation expected to remain within target in the near term. The committee noted transmission from previous cuts were still cascading, private sector credit grew 10.6% year on year in September while the industry non performing loans ratio eased further to 13.9% in August.

IMF WEO revised outlook expected on Tuesday

The IMF will release its October edition of the global outlook on 13th October 2026. The publication will contain revised outlook for the year and the near term up to 2031. The global economy has held up better than expected with downside risks clouding the outlook. Elevated energy prices resulting from the Middle East war, higher borrowing costs and narrowing fiscal space globally are among the key risks dimming the global outlook.

Long-Term Yield Opportunity as CBK Auctions KES 50bn Bonds

CBK will auction KES 50 billion in reopened 15-year (12.0%) and 30-year (12.5%) Treasury bonds on 14 October 2026 with settlement on 19 October 2026. Investors will be watching demand and clearing yields closely for signals on long-term interest rate expectations and market liquidity.

High bond yields to persist, oil prices remain elevated

Strong growth, 2nd round inflationary shocks from the Middle East fuel supply crisis and US fiscal problems are likely to keep the pressure on the bonds market. The USA 10YR bond yield ended the week at 5.2%, the highest in almost 2 decades putting pressure on EME yields. Kenya 2032 stood at 8.6% being 330bps higher than the USA 10 year yield and 170bps higher than Rwanda 2031, the yields have tracked movement in oil futures. Brent futures remain elevated ending last week at \$104.3/barrel but down 0.8% from last week (\$104.7/barrel).

Eyes on EPRA as pump price date beckons

EPRA is set to release Oct-Nov pump prices on Wednesday. We expect pump prices to remain unchanged for the next cycle with treasury maintaining the current subsidies and a further 3-month extension of the fuel VAT cut. YoY inflation rose to 6.8% in September driven by food and transport costs. Transport cost which accounts for 10% of the CPI rose 15.6% on higher fuel prices.

FY2026/27 Q1 revenue misses target, spending bursts target

July to September revenue stood at KES819.5bn against a target of KES860BN, despite the 16% YoY growth collections missed target by KES40.4bn. On the flip side expenditures surpassed target by KES 116.9BN on higher recurrent spending. We estimate that GDP nominal GDP output over the quarter grew 11.5% to Sh4.7trn against last years Sh4.2trn over the same quarter. The slippage pushed Q1 fiscal deficit to KES329bn (1.6% of GDP) against a target of KES175bn (0.8% of GDP). It is our view that FY2026/27 fiscal deficit will come in wider than treasury's projection of 5.5% of GDP.

CBK Lifts 2026 Growth Forecast to 5.0%

The CBK has also revised its 2026 GDP growth forecast to 5.0% from 4.9% reflecting improving economic conditions although risks to the outlook remain. Meanwhile, the current account deficit is projected at 3.2% of GDP in 2026 from 2.1% of GDP in 2025, reflecting increased expenditure on imports.

US CPI in Focus as Markets Assess Fed's Next Move

This is the most important macro week of the month with US CPI (Wednesday), Beige Book (Friday) and PPI (Thursday) expected to shape expectations for future Fed policy. Markets are looking for headline inflation to accelerate to 3.6% YoY driven by higher energy prices while core inflation is expected to moderate to 2.5%. Markets price October Pause, December Hike still on the Table

Equity Kenya Macro Note



Kenya Financial Markets Weekly

12th Oct to 16th Oct 2026

GLOBAL RATES CALENDAR & FORWARD GUIDANCE

Date	Central Bank	Policy Rate	Market View
28 Oct	Fed	4.00%	Hold expected; statement key for Dec outlook
29 Oct	ECB	2.50% Deposit Rate	Hold/hawkish bias
30 Oct	BOJ	1.25%	Hold expected; focus on policy guidance
5 Nov	BOE	3.75%	Balanced hold/hike decision
Dec	CBK	8.75%	Hold expected
9 Dec	Fed	4.00%	Markets pricing increased probability of hike
17 Dec	ECB	2.50%	Focus on 2027 inflation outlook
17 Dec	BOE	3.75%	Data dependent
18 Dec	BOJ	1.25%	Potential hike risk
27 Jan	Fed	TBD	Key start-of-year policy signal

Strong Equity Rally Amid Active IPO Pipeline

The NSE remains one of the best-performing equity markets globally in 2026 with the NSE 20 Share Index up 49.8% YTD and the NASI up 30.7% YTD, driven by strong gains in large-cap stocks. Investor attention this week is centred on the Quickmart IPO which remains open until 30 October and the Dangote Refinery GDR offer which closes on 13 October. The strong equity market performance reflects improving macro fundamentals including lower interest rates, stronger external buffers and improved investor sentiment.

Kenya FX: Reserves Strong, Risks Manageable: Shilling Holds Its Ground

The shilling enters the week in a managed holding pattern at 129.85 supported by record reserves, multilateral inflows and a credible CBK intervention commitment. The near-term balance of risks is modestly to the downside: oil above \$104, no rate support and a wide current account deficit are structural pressures that the CBK is actively offsetting rather than resolving. The arranger confirmation for the multi-instrument borrowing plan is the single most important KES-positive event to watch this week.

Kenya Advances US\$2.8bn Diversified Funding Programme

Kenya is expected to confirm arrangers for a diversified external financing programme comprising a US\$1.0bn debt swap, US\$500m Samurai bond, US\$300m Panda bond, US\$500m Sukuk, and a US\$500m sustainability-linked loan. The initiative supports funding diversification, strengthens external liquidity, and reduces reliance on conventional Eurobond issuance.

Parliament to Decide on Extension of 8% Fuel VAT Relief

Kenya's Parliament is considering whether to extend the reduced 8% fuel VAT rate or allow it to revert to the statutory 16% rate when the current relief expires this month. While maintaining the 8% rate would continue to cushion consumers and help contain inflation pressures amid elevated global oil prices, it comes at an estimated fiscal cost of KES 9.1 billion per quarter in foregone revenue.

NEWS:

- [Kenya- IMF](#) deal before elections unlikely
- [USA overtakes Uganda](#) as top export market
- CBK holds key [rate at 8.75%](#)
- World Bank revises 2026 Kenya [growth projection](#)
- Kenya lost Sh20bn after 2024 [credit rating downgrade](#)
- CBK raises monthly [bond target](#)
- Kenyans need at least Sh107,000 for [Dangote IPO shares](#)

Equity Kenya Macro Note



Kenya Financial Markets Weekly

12th Oct to 16th Oct 2026

KEY MACRO EVENTS TO WATCH

Key Financial and Economic Calendar Month	Events & Dates
Mon Oct 12	Kenya Overseas Remittances YoY
Tue Oct 13	Japan PPI; US NFIB Small Business Optimism; US Existing Home Sales
Wed Oct 14	China CPI; China PPI; China Exports & Imports; US CPI; US Core CPI; Fed Beige Book, EPRA Pump prices
Thu Oct 15	UK Monthly GDP; UK Industrial Production; Eurozone Industrial Production; US Retail Sales; US PPI; US Initial Jobless Claims
Fri Oct 16	BOJ Deputy Governor Uchida Speech; Eurozone CPI (Final); US Industrial Production; US Import Price Index
Sun Oct 19	China Q3 GDP; China Retail Sales; China Industrial Production; China Fixed Asset Investment; China Property Investment
Mon Oct 20	China 1-Year & 5-Year Loan Prime Rates; UK Labour Market Data; US Housing Starts
Tue Oct 21	Japan Trade Balance; UK CPI; UK Core CPI; UK Services CPI; UK Public Sector Net Borrowing
Wed Oct 22	Eurozone Consumer Confidence; ECB Quiet Period Begins; US Initial Jobless Claims
Thu Oct 23	Japan National CPI; Japan Flash Manufacturing PMI; Eurozone Flash PMIs; UK Flash PMI; US Flash PMI; US Michigan Sentiment (Final)
Mon Oct 27	China Industrial Profits; ECB Bank Lending Survey; US Durable Goods Orders; US Consumer Confidence
Tue Oct 28	UK Budget Statement; US FOMC Rate Decision

Report prepared by:

Dr. Emilio Munene (Treasury Economist)
Timothy Odinga (Equity Group Kenya Lead Economist)

Disclaimer

This document has been prepared by Equity Bank Kenya Ltd.
All information in this document is for informational purposes. It is not intended to be a substitute for professional advice, nor is it intended to form the basis of any investment decision. Should you decide to act upon any information in this document, you do so at your own risk. Equity Group accepts no liability for your reliance on the information in this document. Read detailed T&C here