Equity Kenya Macro Note

Kenya Financial Markets Weekly

24th Aug to 28th Aug 2026

Crude rallies to a month high as US threatens tougher sanctions on Iran

Crude prices touched a month high of 93.8 last week before easing slightly $93.4/bbl. Prices have increased on concerns the inconclusive state of the U.S.-Israeli war on Iran will mean the continued curtailment of supply from major oil producers such as Saudi Arabia, Iraq, the United Arab Emirates and Kuwait. The earlier peace deal between them expired this week with no effort by either side to restart talks, and U.S. President Donald Trump threatened economic retaliation against nations supporting Iran.

Remittances : Sharp July Recovery

Kenya's remittances rebounded 6.46% YoY in July reversing the 11.17% contraction in June and marking the first positive reading in four months. The recovery was supported by a favorable base effect and improving diaspora confidence. A sustained rebound would support KES stability and FX reserves helping offset the projected widening of the current-account deficit to 3.0% of GDP in 2026

US debt crosses $40trn mark

U.S Total debt has crossed the $40trn mark for the first time raising questions on the on the sustainability of the country's fiscal policy. High cost on social safety-nets programs and interest payments have now out-performed revenue collections that were weighed back by tax cuts. Latest data showed that the public accounted for $32.3trn while intra-governmental debt holdings stood at $7.8trn. With debt to GDP at 120% the big question is whether a fiscal crisis is brewing. 3.50%-3.75% range.

Japan : Inflation and Manufacturing Strengthen BoJ Hike Case

Japan's core CPI rose to 1.8% YoY in July up from 1.6% in June while underlying inflation excluding food and energy reached 1.9%. Meanwhile August manufacturing PMI rose to 55.1 from 54.5 signaling strong factory momentum. Together the data strengthen expectations of a BoJ rate hike potentially as early as September while a weaker US dollar could provide additional support to the yen.

Government Securities with a Strong Demand

Kenya's government securities market remained strong with T-bill yields broadly stable around 8.77%–9.04% and strong demand particularly for the 91-day and 182-day tenors. The Aug. 20 auction saw KES 32.44B sold in 91-day bills against KES 28B offered while the infrastructure bond reopening attracted KES 460.4B in bids against KES 150B offered. The government accepted KES 312.03B highlighting strong domestic investor demand despite elevated long-term yields of 12.20%–13.05%. Next week's T-bill auction will offer KES 28B with demand expected to remain firm ahead of the Aug. 28 CPI release.

Term premium keep long dated bonds yields elevated

Yields on long dated bonds globally continue to trade at new highs as investors' worries on inflationary risks and fiscal slippages continue to drive sentiments despite the U.S treasury surprise move of doubling long-end buybacks to at least $4bn per operation. US 30YR bond yield touched a 20yr high of 5.3% last week but eased to 5.2% after the Wednesday's operation, while the UK30YR glit currently trading at 5.2%, touched a record high of 5.8% in May, Japan 30Yr currently trading at 4% represent the highest yields in more than 30 years, the rising long-term yields signal a global repricing of what it costs to lend to government for 30yrs. Kenya 2048 yield stood at 9% having touched a high of 9.7% in Mid-March following the breakout of the Middle East war.

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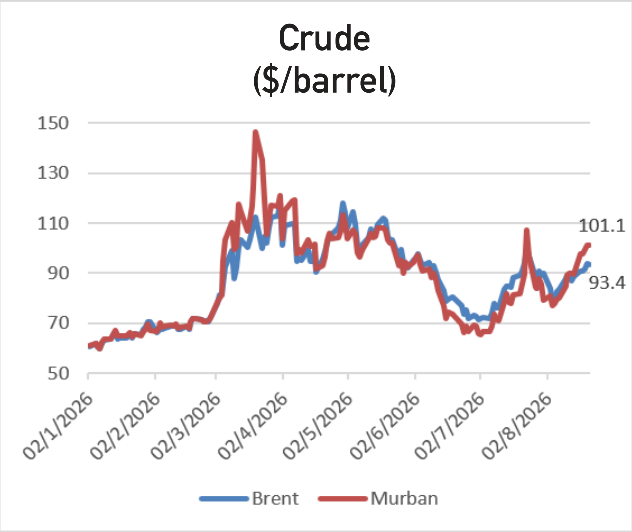
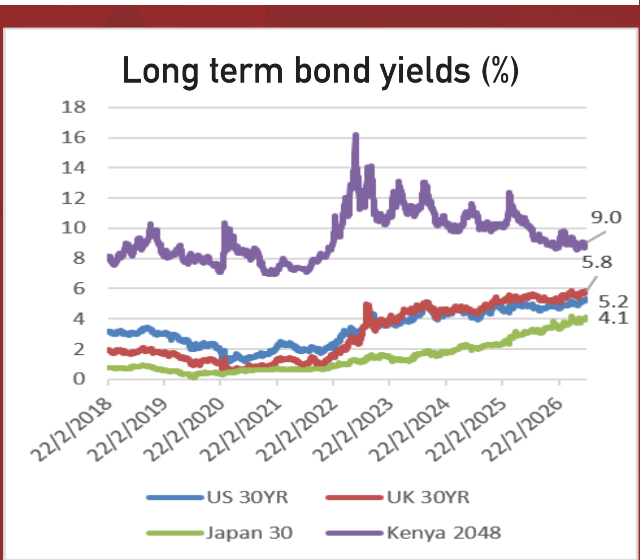
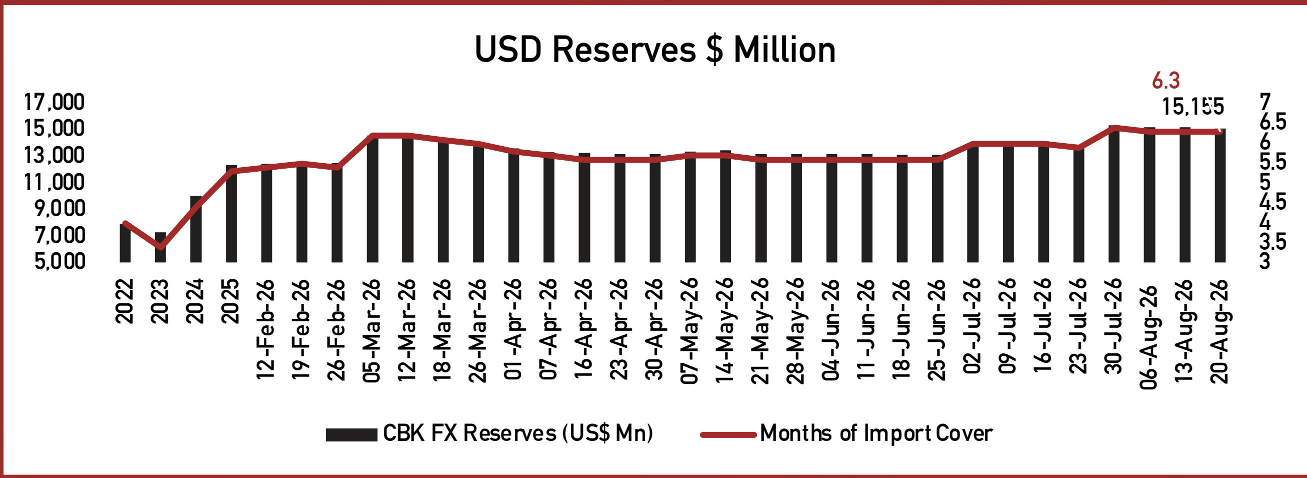
Kenya Tourism: Record Growth and Rising Risks

Kenya's tourism sector reached record highs with 2.76M international arrivals and KES 564B in revenue in 2026. Accommodation and food services grew 14.7% YoY in Q1 supporting overall GDP growth. However the sector faces risks from higher aviation fuel costs, the Ebola outbreak and recent safari-related incidents. Continued investment in JKIA expansion and regional connectivity should support longer-term growth.







Fed : Divided on Inflation, Hike Still Possible

The Fed held rates at 3.50% – 3.75% in July but the minutes showed growing support for hikes if inflation remains elevated; three officials dissented in favour of a 25bp increase. Officials remain focused on inflation while the bond-market selloff is also being attributed to heavy government borrowing and AI investment demand. The key takeaway is that a September hike remains off the table but the Fed is still data-dependent.

NEWS:

- 10 firms hold 61% of GoK tenders
- Kenya seeks additional funding to cushion Kenyans against higher fuel prices
- Middle East crisis pushing Kenya to record trade deficit
- Treasury in early revision of budget deficit
- Listed firms line up KES75bn dividends
- 2 firms join growing list of entities blocking cross border payments to Kenya
- Top banks record 16.9% growth in net profit
- Inflation fears as electricity prices rise in August
- Bond prices at NSE fall

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Key Financial and Economic Calendar Month	Events & Dates
21st - 23rd August	Jackson Hole Economic Symposium. Fed Chair Warsh keynote
Wed Aug 26	US PCE Price Index YoY
Wed, Aug 27	National Bank of Rwanda Policy Rate Decision
Mon, Aug 31	Kenya August CPI release
Tue Sep 2	US ADP Employment Change
Wed, Sep 3	S&P Global / Stanbic Bank Kenya PMI
Thu Sep 4	US Change in Nonfarm Payrolls/Unemployment rate

Multilateral Financing Supports External Funding

Kenya has an approximately $2.94B multilateral financing pipeline led by the $750M World Bank DPO already approved. A further $450M emergency facility is reportedly under discussion alongside proposed $500M sustainability-linked, $400M irrigation and $500M Nairobi rail financing. The funding would help cover Kenya's external financing needs amid a 68.5% debt-to-GDP ratio and a widening trade deficit, but reform conditions and debt sustainability remain key risks.

Kenya : Maize Imports Raise Inflation and FX Risks

Kenya has sharply increased its maize import plan from 1M to 25M bags equivalent to about 2.25M tonnes following crop failures and drought concerns. The imports could cost roughly $495M adding pressure to the trade deficit. With food accounting for about 36% of CPI delays or higher import costs could push inflation above the CBK's 6.8% peak forecast. The Aug. 28 CPI release will be the key near-term indicator.

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