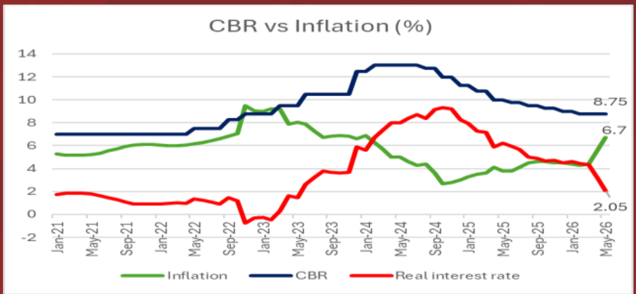
Equity Kenya Macro Note

Kenya Financial Markets Weekly

8th -12th June 2026

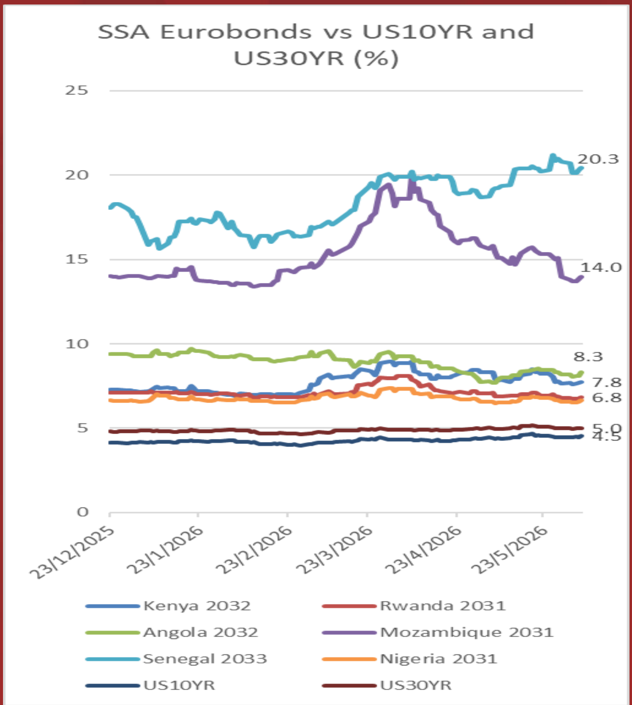
CBK holds rate at 8.75%

CBK's monetary policy committee on Tuesday met and decided to hold the base lending rate unchanged at 8.75% despite rising inflation. The stance is the second consecutive pause mainly due to the Middle East situation pushing fuel prices higher. May inflation rose to 6.7% still between the desired 2.5% to 7.5%. CBK revised GDP growth forecast downwards to 4.9% from the previous 5.3% earlier projection



CBK mops up Sh54bn ahead of Tuesday's rate announcement

CBK took up almost all the bids received for the 3 short term papers in last week's auction signaling a move to take up financing at a lower cost before an anticipated rate hike that will push the yield curve upwards especially on the lower end. Investors placed bids worth Sh54.6bn against the advertised Sh24bn. CBK took up Sh54.6bn. The 182-day paper was the biggest mover up 28bps to 8.5%, 91-day up to 8.6% and 364-day at 8.8%



Bond yields stable but remain elevated

Bond yields remain elevated since the Middle East war started driven by inflation and fiscal policy concerns. Kenya 2032 now up 70bps since end of February. Currently Kenya 2032 now up 100bps compared to Rwanda 2031and 320bps up comparative to US10yr. Kenya's fiscal deficit for the current financial year is expected to widen past 6.4% a move that could worsen Kenyan yields especially with the country currently without an IMF cover. Senegal 2033 yields eased 30bps 20.4%.eace deal with Tehran.

Oil up 4% as Iran, Israel trade missiles

Brent futures on Monday rose 4% to $97.05/barrel as Iran and Isreal renewed their missile exchanges despite US president Donald trump claims of a deal being within reach. Iran has long said that any peace deal with the US would depend on a ceasefire also holding in Lebanon. Prolonged war period and continued closure of the Strait of Hormuz will add to global inflationary pressures that will worsen as countries deplete strategic oil reserves .

NSE shakes off rate hike fears to grow 2.3% ahead of rate decision

Market capitalization rose 2.3% week on week to Sh3.5trn ($27bn) as all indices recorded significant gains, the NSE all share index was up 2.3% to 210.4 points. Foreign investors net purchases turned negative standing at Sh251m ($1.9m) from a net positive of Sh1.7bn in the previous week. Equity turnover dipped 29.5% to Sh3.4bn, local investors accounted for 68% of the week's turnover while foreign investors accounted for 32%. Equities continued performing well despite rising inflation and fears of rate hikes that could push capital to fixed income assets.

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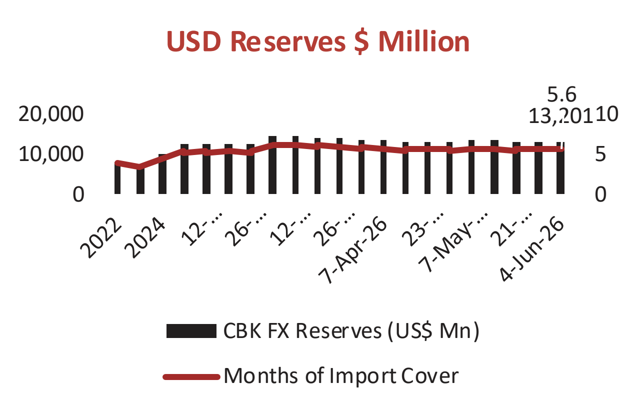
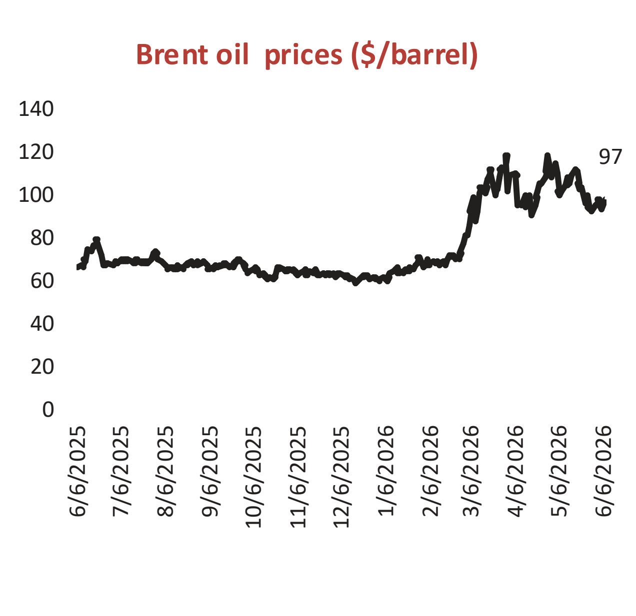
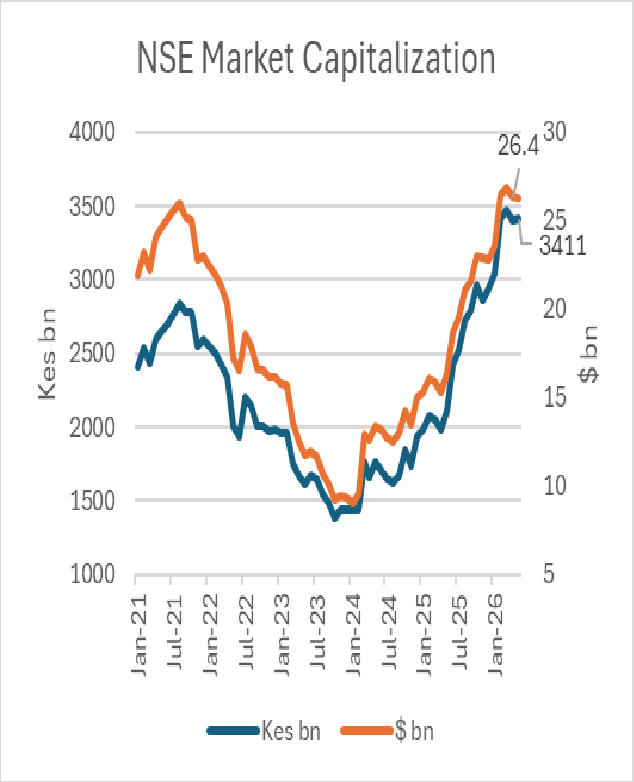
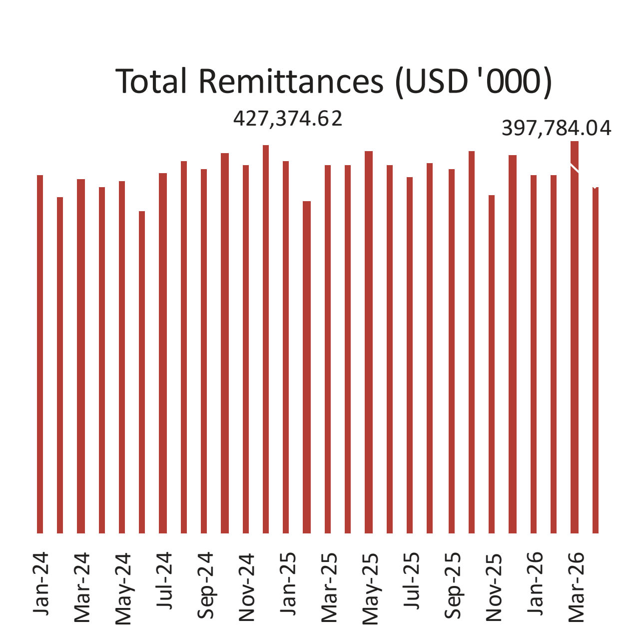
FX reserves down $8 m, KES gains week on week still down since onset of war.

The USD/KES trades at 129.32 (June 8) broadly unchanged over the week and up just 0.06% over three months despite the oil shock. The shilling has remained in a tight 129.10–130.06 range supported by CBK intervention including an estimated $941m deployed in April to defend the currency. FX reserves stood at $13.6bn in March 2026 down from a February peak of $14.63bn after intervention but still covering about 4.5–5 months of imports. The shilling is currently stable but its stability is largely driven by CBK intervention and diaspora remittances and remains highly dependent on central bank action and global oil price movements.









NEWS:

- New fuel pricing formula dims hope for June pump cuts
- Public debt rises by Sh533bn in 3 months to March
- 4 banks breach CBK capital rule
- KPLC shelve plans increase electricity prices
- Kenya Roads Board trims size of planned road bond to Sh175bn
- Q1 food import bill grows 41%
- CBK's gold reserves jump to Sh309m

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Key Financial and Economic Calendar Month	Events & Dates
9th June	Monetary Policy Committee Meeting
17th June	Federal Open Market Committee (FOMC) meeting
11th June	2026/2027 Budget reading and ECB Policy decision
10th June	US CPI and PPI report
12th June	SpaceX IPO
14th June	EPRA fuel price announcement

Parliament Approves Kes 4.8 Trillion FY 2026/27 Budget , Health and Education lead in Spending.

Parliament approved the FY2026/27 budget on June 5, 2026 setting total expenditure at KES 4.8 trillion with health and education prioritized as key sectors. The budget targets KES 3.63 trillion in revenue and a fiscal deficit of about 5.3% of GDP. Debt servicing is estimated at roughly KES 1.5 trillion or about 40% of projected revenue while government salaries account for around KES 1.0 trillion. Development expenditure is set at KES 749.5 billion.

KRA Loses KES 9.1bn After VAT Cut to 8%

The Kenya Revenue Authority (KRA) has confirmed it has foregone KES 9.1 billion in tax revenue over two months following the reduction of VAT on petroleum products from 16% to 8%, implemented as part of cost-of-living relief after the fuel price shock triggered by the Iran-linked oil supply disruption. The VAT cut was introduced alongside fuel subsidies and price interventions after sharp increases in pump prices and subsequent protests, making it one component of a broader fuel relief package estimated at over KES 28 billion in cumulative fiscal costs.

Kenya Targets KES 100bn Through Housing Levy Securitization

The National Assembly Budget Committee has confirmed plans to raise KES 100bn in FY2026/27 by securitizing future Affordable Housing Levy revenues to help fund the government's KES 228.3bn annual housing programme. The IMF has previously warned that such securitized tax flows should be classified as public debt a move that could materially increase Kenya's reported debt-to-GDP ratio.

Kenya Yield curve Steepens as Investors Dump Long Bonds and Crowd Into T-Bills

The CBK reopened two long-dated bonds raising KES 34.38bn versus KES 40bn on offer leaving a KES 5.6bn shortfall. Demand was balanced but soft (bid-to-cover 1.0x) with the 15-year (2035) clearing at 13.31% and the 25-year (2043) at 14.23% confirming a rising term premium and weaker appetite for duration. At the front end the June 4, T-bill auction was fully covered (bid-cover 1.0x) but heavily skewed to the 91-day paper (KES 32.8bn) while the 182-day traded below the 91-day yield signaling a mild short-end inversion.

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