

# Equity Kenya Macro Note



## Kenya Financial Markets Weekly

18<sup>th</sup> - 22<sup>nd</sup> May 2026

### Inflation fears as fuel prices up 24%

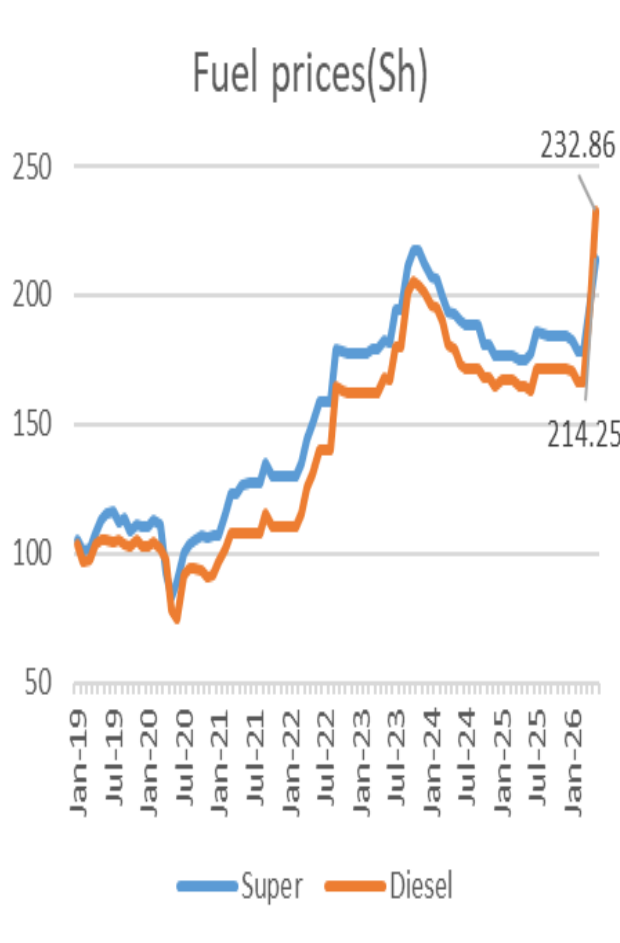
Fuel prices rose by up to 24% in last week's review. Setting stage for higher inflation that could rise past the CBK desired region of 2.5-7.5%. Higher inflation will in turn trigger CBR hike by the MPC. Diesel which is the popular in the country for transport, production of thermal power and agricultural ploughing rose from Sh197.6/l (\$1.5/l) to Sh242.9/l (\$1.9/l) being 24% rise while petrol is up 8%. Following a stakeholder meeting with public transport operators on Monday, the government lowered diesel price by Sh10/l and increased Kerosene by Sh38.6/l to take prices to Sh232.9 and Sh191.38 (\$1.8 and \$1.5) /l respectively

### Crude prices up, Trump says he is losing patience with Iran

Crude Brent was up 1.7% on Friday to \$108/barrel from \$106/barrel as US president Trump said he is losing patience with Iran during his China trip. President Trump and China president Xi held discussions on trade and Taiwan among other key issues. Both countries agreed on the urgent need to have the Strait of Hormuz open. US-Iran 'deal' collapsed with Trump terming Iran's requests as 'garbage'. Higher oil prices will persist until a solution for the crisis is in place.

### Yield Curve: 91-day T-bill closes in on 364-day

Investors are now asking CBK for higher yields on short term terms indicating perceived macro risks driven partly by high budget deficits but also inflation expectations resulting from the ramifications of the Middle East war that has now pushed local oil prices to record highs. The 91-day T-bill at 8.3% is now 50bps higher than 6 months ago when CBR was 50bps higher revealing tightening liquidity in the market. The 1-year at 8.5% is down 90bps compared to November 2025. Longer end yields are also high vs 6-months ago. The 2-year yield is now within our 10.0-10.25% target range we noted in our global macro and east Africa publication on 7th May.



### Yields rise as investors price in US rate hikes

US Treasury yields hit their highest in almost a year as economic damage from the Iran war prompted investors to price in a 60% chance of a US rate hike in December (while two cuts were expected before Hormuz closed). Kenya 2032 was up 20bps week on week on Friday to 8.1% and on 19th May was nearly 360bps above the US10yr and 125bps higher than Rwanda's 2031. Senegal 2033 yields rose to 20.2%; Senegalese president Diomaye Faye met IMF chief Kristaline Georgieva on the sidelines of the Africa Forward Summit in Nairobi to discuss the country's debt woes. She presumably reiterated the IMF's view that Senegal would be better off defaulting.

### Equities down 2%, foreigners' withdrawal halves

Equities in the Nairobi securities exchange closed Friday's trading down 2% compared to the previous week. Market capitalization dropped to Sh3.4trn (\$26.4bn) from Sh3.47trn (\$27bn) at the end of the previous week. NSE has been resilient since the Middle East war began partly attributed to stellar performance by selected companies in 2025 that followed announcement of higher dividend compared to the previous year. The resilience however indicates the market could be underestimating risks from inflation and geopolitical instability that could cause rate hikes and trigger capital flows to higher yielding and safer assets. All indices retreated last week. NASI (Nairobi All Share Index) was down 2% on a week that foreign investors net withdrawal halved to Sh371.8m (\$3m) from Sh751m (\$6m).

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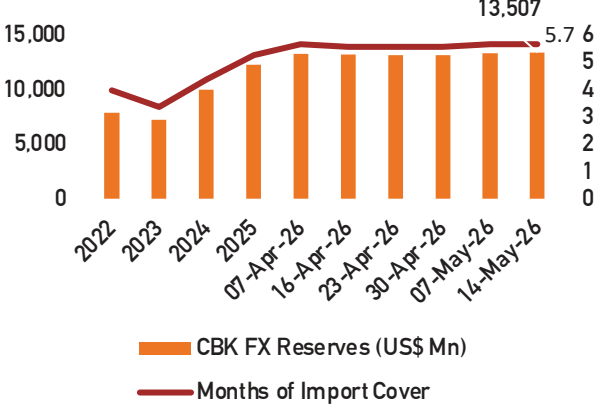
## Kenya Financial Markets Weekly

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

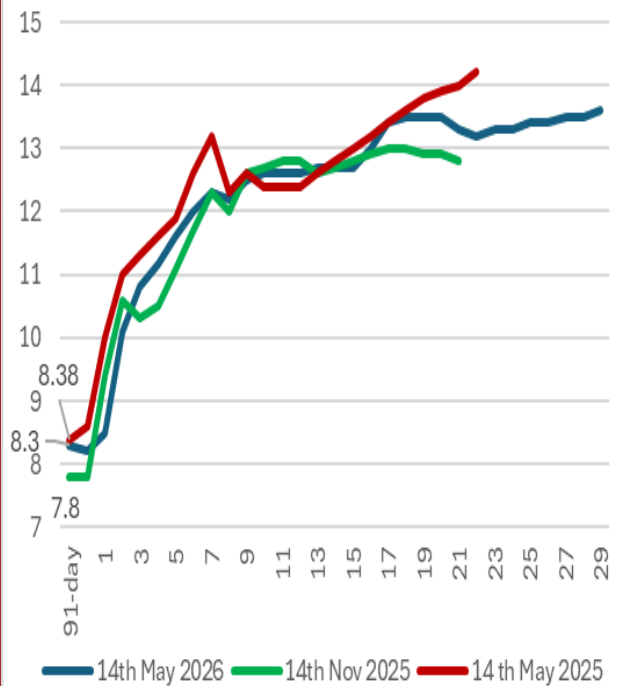
### USD/KES

The Kenya shilling has remained relatively stable in recent months supported by strong foreign reserve, diaspora remittance inflows and improved foreign exchange liquidity. Reserves rose to US\$ 13.5 billion in May 2026 (5.7 months of import cover) while remittance inflows remained above US\$ 400 million monthly. This has helped ease pressure on the currency by increasing the supply of dollars in the market. However, the shilling still faces risks from global dollar strength, high import costs, and external debt obligations.

USD Reserves \$ Million



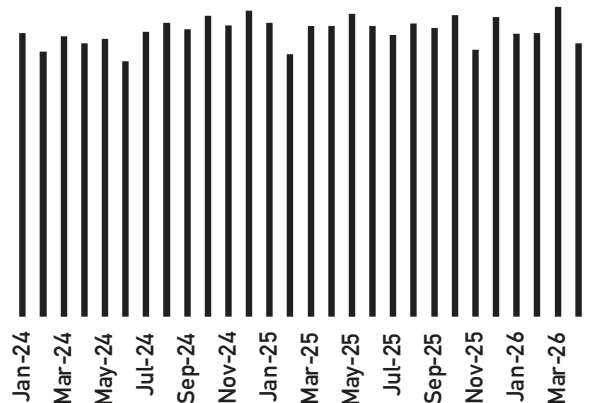
Yield Curve (%)



Brent oil prices (\$/barrel)



Total Remittances (USD '000)



### NEWS:

- State moves to end [Kenya power](#) Monopoly
- President Ruto meets [IMF](#) head on possibility of a new deal
- Treasury to impose [16% VAT](#) on payment platforms
- Exports to [UAE drop 23.3%](#) in 2025
- Fuel prices hits [record](#) Sh242/l
- Fuel shortage on [stalled subsidy](#) disbursements
- Treasury sets aside Sh80 in FY2026/27 for [nuclear power plant](#)

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

Key Financial and Economic Calendar Month	Events & Dates
9 <sup>th</sup> June	Monetary Policy Committee meeting
29 <sup>th</sup> May	May inflation release
16 <sup>th</sup> June	Federal Open Market Committee (FOMC) meeting

### Fuel Price Surge Triggers Transport Strike and Disruption in Kenya.

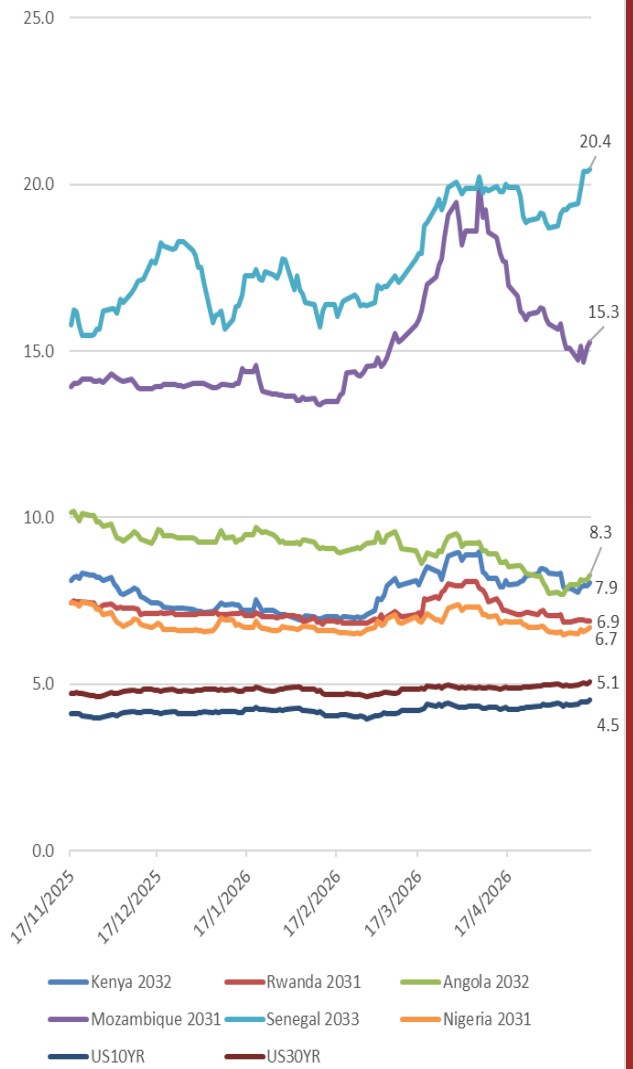
Public transport operators in several Kenyan towns went on strike over rising fuel costs, after diesel prices rose about 50% since the start of the Iran war. The strike caused major disruption in Nairobi, with blocked roads and commuters forced to walk to work.

Kenya's transport system depends on private diesel-powered buses and minibuses. Petrol prices have also risen by about 20%. Although the government has cut fuel taxes and used 11.2 billion shillings (\$86.6 million) from its fuel stabilization fund to cushion prices, the impact has only been partially eased.

### KMRC and I & M Bond See Strong Demand Above Sovereign Benchmarks.

KMRC's KSh 3 billion green bond (8-year amortising tenor, weighted average life of 5.11 years) carries a fixed coupon of 12.2% and was heavily oversubscribed at 312%, raising KSh 9.4 billion. In comparison I&M Bank's 5.5-year Medium-Term Note is an unsecured subordinated bond with a fixed 12.2% annual coupon. The programme size is KSh 20 billion, with a KSh 10 billion first tranche and a 30% greenshoe option (KSh 3 billion), and it recorded a 232.26% oversubscription. Government sovereign benchmarks imply yields of 11.67% (5-year) and 12.36% (8-year) reflecting the risk-free pricing curve. The strong oversubscription levels highlight excess liquidity in the market and sustained investor appetite for higher-yielding assets beyond government securities.

SSA Eurobonds vs US10YR and 30YR (%)



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