

CAPITAL MARKETS RESEARCH UPDATE (CMRU)

Markets Update

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- ❖ Annual Inflation Rose Moderately in August 2025
- ❖ Family Bank Eyes 2026 NSE Listing
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AUGUST

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CBK Cuts Policy Rate for Seventh Consecutive Time

The Central Bank of Kenya (CBK) reduced its benchmark lending rate by 25 basis points to 9.50% from 9.75%, marking the seventh consecutive rate cut. The Monetary Policy Committee noted that inflation remains well within the target range of 2.5%–7.5%, creating room for further monetary easing to stimulate private sector lending. The CBK maintained its economic growth forecast at 5.2% for 2025 and 5.4% for 2026 and projected the current account deficit at 1.5% of GDP.¹

Annual Inflation Rose Moderately in August 2025

The annual consumer price inflation as measured by the Consumer Price Index (CPI) was 4.5 per cent in August 2025 comparing current prices to those of February 2019, the base period. The data from the Kenya National Bureau of Statistics shows that the inflation has been on upward trajectory since May 2025 to August 2025. Increasing from 3.8 percent to 4.5 percent, 0.7 percentage points increase.²

Family Bank Reports 39% Profit Growth, Eyes 2026 NSE Listing

Family Bank posted a 38.7% rise in net earnings to Ksh.2.2 billion in the first half of 2025, compared to Ksh.1.6 billion in the same period last year. The growth was driven by increased interest income from government securities and loans, prudent cost management, and improved asset quality. The lender's total assets expanded by 21.8% to Ksh.192.8 billion, supported by a 10.4% rise in the loan book and recent funding partnerships with British International Investment and the European Investment Bank. Customer deposits rose by 25.7% to Ksh.149.7 billion, reflecting confidence in the bank's branch expansion and digital transformation strategies. With stronger capital adequacy and improved liquidity, the bank confirmed its long-awaited plan to list on the Nairobi Securities Exchange in 2026, a move expected to strengthen its capital base, enhance visibility, and broaden investor participation in the financial sector.³

91-Day T-Bill Yield Falls Below 8% for First Time Since 2022

The yield on Kenya's 91-day Treasury bill fell below 8% for the first time since 2022 August 29, 2025, auction, as investors placed bids worth KSh.32.03 billion against an offer of KSh.24.0 billion. The 91-day paper attracted the highest demand, with bids exceeding five times the amount offered, highlighting strong appetite for short-term securities.

Despite easing yields, the stock of Treasury bills has now crossed KSh.1 trillion, reflecting the government's growing reliance on short-term borrowing.⁴

Kenyan Shilling remained stable in August 2025

Currency	Jul-25	Aug-25	% Change
1 USD	129.24	129.24	0.00%
1 Sterling (£)	171.51	174.41	1.69%
1 Euro (€)	147.87	150.73	1.93%
1 SA Rand	7.19	7.29	1.39%
1 USHS	0.04	0.04	0.00%
1 TSHS	0.05	0.05	0.00%
1 Brazilian Real	23.22	23.89	2.89%
1 Russian Rubble	1.60	1.61	0.63%
1 Indian Rupee	1.48	1.47	0.68%
1 Chinese Yuan	17.97	18.12	0.83%

Red-Depreciate; Green- Appreciate; Source: CMA

According to the Central Bank of Kenya, the Kenya Shilling remained stable against major international and regional currencies on a month-on-month comparison. However, it registered a slight appreciation against the Indian Rupee, exchanging at Ksh.1.47 in August compared to Ksh.1.48 in July.

Equity market continues to record strong performance

Indicators	Jul-25	Aug-25	%Δ
NSE 20 Share index	2,558.63	2,845.64	11.22%
NSE 25 Share Index	4,135.28	4,443.40	7.45%
NSE 10 Share Index	1,578.79	1,709.51	8.28%
NASI	160.22	172.60	7.73%
Mkt. Cap (Kshs. Bn)	2,524.22	2,719.26	7.73%
Volume (M)	487.21	483.95	0.67%
Equity Turnover (Kshs. Mn)	12,514.46	10,794.99	13.74%
Bond Turnover (Kshs Mn)	238.91	207.55	13.12%
% Foreign Participation to ET	31.07	31.28	0.68%
Total Accepted (KShs.Bn)	66.65	274.79	312.29%

Green- Increase, Red-Decrease; Source: CMA

The equity market recorded a strong performance in August 2025, with the NSE 20 Share Index, NSE 25 Share Index, and NSE 10 Share Index gaining 11.22, 7.45, and 8.28 percent respectively. The NASI also rose by 7.73 percent, lifting market capitalization by a similar margin to KShs.2.72 trillion. In contrast trading activity slowed, with equity turnover declining by 13.74 percent to KShs.10.79 billion, while bond turnover fell by 13.12 percent. Despite the drop in turnover, the market remained resilient, reflecting renewed investor confidence and improved valuations.

¹ [CBK Policy Rate Cut](#)

² [KNBS](#)

³ [Family Bank to List on NSE](#)

⁴ [91-Day T-Bill Yield Falls Below 8%](#)

Capital Markets Outlook

Monetary Policy Easing

The continued easing of the monetary policy rate is expected to lower the cost of capital, enabling listed companies to access cheaper credit for expansion while reducing debt-servicing costs, which should strengthen their financial position, reduce cases of distress, and boost investor confidence, thereby supporting a rally in the equities market. At the same time, lower borrowing costs will make it easier for investors to access financing, increasing demand for equities, driving up share prices, and enhancing opportunities for capital gains. However, this easing trend is likely to negatively affect the bonds market, as persistent policy rate cuts reduce yields on both short- and long-term government securities, making them less attractive to investors.

Planned Listing of Family Bank

The planned NSE listing of Family Bank is expected to strengthen Kenya's equity market by increasing the number of listed financial institutions and providing investors with more opportunities for portfolio diversification. The IPO is likely to attract strong interest from both retail and institutional investors, supported by the bank's solid financial performance. In addition to boosting market capitalization and improving liquidity at the bourse, the listing would signal renewed momentum in primary equity issuance and help restore investor confidence after a long period without IPOs. However, it could also deepen the dominance of the banking sector, raising market concentration risks and highlighting the need to encourage listings from underrepresented sectors to achieve balanced market growth.

Falling T-Bill Yield

Declining T-bill yields below 8 percent are expected to shift investor appetite away from short-term government securities toward higher-yielding assets such as equities and corporate bonds. This reallocation should boost demand, liquidity, and valuations in the equities market while also reviving interest in the corporate debt segment. For the government, lower yields reduce domestic borrowing costs, but they also compress returns for fixed-income investors, encouraging greater portfolio diversification. Overall, the falling yield in government papers is expected to create a favourable outlook for equities and corporates bonds.

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