

CAPITAL MARKETS RESEARCH UPDATE (CMRU)

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DECEMBER

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CBK Extends its Monetary Easing Cycle

The Central Bank of Kenya cut the CBR by 25 basis points to 9.00 per cent, marking a ninth consecutive easing to stimulate private sector credit. Inflation eased to 4.5 percent, while shilling stability and strong reserves provided policy space. Private sector lending grew 6.3 per cent. However, external risks persist. The MPC highlighted the transition to a revised Risk-Based Credit Pricing Model by March 2026 to strengthen policy transmission and loan pricing transparency.¹

Gold-related Assets Delivered Strong Returns

In 2025, geopolitical turmoil pushed investors toward gold, with the Absa NewGold ETF on the NSE returning 70.4 percent as its price rose from KShs. 3,165 to KShs.5,395. Tracking a 66.5 percent global gold price surge to USD 4,326 per ounce, the ETF offers Kenyan investors gold exposure without physical risks. Institutional investors dominate, and bullish forecasts suggest continued gains in 2026.²

Annual Inflation Remained Stable in December 2025

The annual consumer price inflation remained unchanged at 4.5 per cent in December 2025. According to Kenya National Bureau of Statistics, the price increase was primarily driven by a rise in prices of items in the Food and Non-Alcoholic Beverages, Transport, and Housing, Water, Electricity, Gas and other fuels over the one-year period.³

NSE investors to buy and sell shares directly via M-Pesa

The Nairobi Securities Exchange (NSE) plans to introduce direct share trading via M-Pesa through a platform dubbed Ziidi Trader, enabling Kenyans to buy and sell equities on mobile phones without opening individual stockbroker accounts. Using an omnibus account model with brokers operating in the background, the platform lowers entry

barriers for retail investors. The CMA-approved pilot targets revival of weak retail participation and aims to leverage M-Pesa's scale to grow investors to nine million by 2029, boosting inclusion, liquidity, and engagement.⁴

Kenyan Shilling Remained Stable, Minimal Fluctuations.

Currency	Nov-25	Dec-25	% Change
1 USD	129.82	129.01	0.62%
1 Sterling (£)	171.83	173.65	1.06%
1 Euro (€)	150.47	151.43	0.64%
1 SA Rand	7.57	7.76	2.51%
1 USHS	0.04	0.04	0.00%
1 TSHS	0.05	0.05	0.00%
1 Brazilian Real	24.22	23.61	2.52%
1 Russian Rubble	1.66	1.63	1.81%
1 Indian Rupee	1.45	1.44	0.69%
1 Chinese Yuan	18.35	18.46	0.60%

Red-Depreciate; Green- Appreciate; Source: CMA

In December, the Kenya Shilling showed slight appreciation against most major currencies while remaining stable within the region. Overall movements were minimal, reflecting low volatility, with only a slight depreciation against a few major currencies.

Equities Market Record a Strong Performance in December

Indicators	Nov-25	Dec-25	%Δ
NSE 20 Share Index	3,052.73	3,139.19	2.83%
NSE 25 Share Index	4,820.79	5,096.68	5.72%
NSE 10 Share Index	1,848.91	1,965.20	6.29%
Banking Sector Index	191.92	203.65	6.11%
NASI	181.06	186.58	3.05%
Mkt. Cap (Kshs. Bn)	2,857.36	2,944.54	3.05%
Volume (M)	491.84	539.66	9.72%
Equity Turnover (Kshs. Bn)	14.22	17.54	23.40%
% Foreign Participation to ET	32.37	42.63	31.69%
Bond Turnover (Kshs Bn)	206.44	247.61	19.94%
NSE Bond Index	1,164.71	1,154.50	0.88%
REITs Mkt. Cap (Kshs. Bn)	6.92	6.92	0.00%
ETFs Mkt. Cap (Kshs. Bn)	2.18	2.25	3.08%

Green- Increase, Red-Decrease; Source: CMA

The equity market recorded a strong performance in December 2025. All the major equity indices gained accompanied by improved foreign investor participation. Additionally, the growth in bond turnover signals active secondary market trading. However, the bond index decreased marginally while Exchange traded Funds market capitalization improved.

¹ [CBK Monetary Easing](#)

² [Gold Related Assets](#)

³ [Consumer Price Indices and Inflation Rates for December 2025](#)

⁴ [Buying Shares Via M-Pesa](#)

December 2025

Capital Markets Outlook

Market Performance and Macroeconomic Support

The strong returns recorded at the Nairobi Securities Exchange in 2025, and the sharp market recovery reflect renewed investor confidence. This performance could provide a foundation for deeper market participation, improved liquidity, and a more balanced recovery across the equity market. The significant increase in investor wealth demonstrates the scale of the rebound, with blue-chip stocks playing a pertinent role. The prolonged monetary easing, alongside stable macroeconomic conditions, is expected to continue supporting capital market activity by encouraging portfolio reallocation toward equities and quality corporate debt. The improving credit conditions are likely to further strengthen market depth, liquidity, and resilience.

Gold Performance Expected to Enhance Diversification

The strong performance of gold-related assets in 2025, with the Absa NewGold ETF rising sharply, highlights increased diversification within Kenya's capital markets, as investors seek alternatives beyond equities and fixed income. The ETF's popularity, especially among institutional investors, enhances market depth and liquidity. With forecasts suggesting sustained gold price strength in 2026, commodity-linked products are expected to remain attractive, supporting market resilience and broadening investment options in Kenya's evolving capital markets.

Ziidi Trader Expected to transform Kenya's Market

The proposed M-Pesa-linked Ziidi Trader platform aims to significantly broaden access to the Nairobi Securities Exchange by enabling seamless, end-to-end share trading through a mobile interface. By removing traditional barriers such as complex account opening, broker dependency, and paperwork, it has the potential to democratize capital market participation, especially among retail investors in both urban and rural areas. However, increased involvement of inexperienced investors introduces risks related to market volatility, potential financial losses, cybersecurity threats, and liquidity constraints. To ensure safe and effective implementation, the Authority should enforce clear risk disclosures, roll out targeted financial literacy programs, and strengthen cybersecurity oversight. Additionally, periodic reviews to clarify operational guidelines for ISPPs and supporting collaboration between Safaricom and licensed intermediaries will be critical to maintaining market integrity and investor confidence.

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