

# CAPITAL MARKETS RESEARCH UPDATE (CMRU)

## Markets Update

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## January 2026

### Moody's Boost for Kenya Markets

Moody's has upgraded Kenya's sovereign credit rating to B<sub>3</sub> from Caa<sub>1</sub>, citing reduced near-term default risk following successful Eurobond refinancing and stronger foreign-exchange reserves. The outlook was revised to stable, reflecting improved access to both external and domestic funding markets. Kenya's FX reserves rose to KShs.1.57 trillion by end-2025, while Eurobond buybacks pushed major external maturities out to 2030. The upgrade aligns with Fitch's recent affirmation, showing consensus on improved liquidity conditions. However, high debt service costs, large fiscal deficits, and weak debt affordability remain key constraints on Kenya's credit profile<sup>1</sup>.

### KPC IPO Boosts Kenya's Capital Markets

Kenya Pipeline Company has priced its IPO at KShs.9 per share, valuing the state-owned fuel transporter at KShs.163.6 billion. The government is selling a 65 per cent stake, raising about KShs.106.3 billion, while retaining a 35 per cent holding. The IPO is based on an EV/EBITDA valuation of 8.1x from FY2025 earnings, with KPC reporting net profits of KShs.7.49 billion and dividends of KShs.5.9 billion. Trading is set to begin on March 9, 2026, marking one of the largest listings on the Nairobi Securities Exchange and signalling increased liquidity and investor interest in Kenya's capital markets<sup>2</sup>.

### Annual Inflation dropped slightly in January 2026

The annual consumer price inflation as measured by the Consumer Price Index (CPI) was 4.4 per cent in January 2026. The core inflation stood at 2.2 per cent in January 2026, contributing 2.6 points to the overall inflation while the rate of non-core inflation was 10.3 per cent, contributing 1.8 points.<sup>3</sup>

### Kenya Ranks Second in Africa for 2025 NSE Returns

Kenya's Nairobi Securities Exchange (NSE) delivered the second-highest dollar returns in Africa in 2025, with a 52.2

percent gain, behind only Egypt. Strong performance by blue-chip stocks like Safaricom, KCB, and EABL, along with exceptional small-cap gains from Kenya Power and KenGen, drove the rally. Stable currency conditions preserved returns for foreign investors, reinforcing Kenya's appeal as a frontier-market investment destination and signalling growing confidence in its capital markets<sup>4</sup>.

### Kenyan Shilling Remained Stable

| Currency         | Dec-25 | Jan-26 | % Change |
|------------------|--------|--------|----------|
| 1 USD            | 129.01 | 129.03 | 0.02%    |
| 1 Sterling (£)   | 173.65 | 177.42 | 2.17%    |
| 1 Euro (€)       | 151.43 | 153.80 | 1.57%    |
| 1 SA Rand        | 7.76   | 8.14   | 4.90%    |
| 1 USHS           | 0.04   | 0.04   | 0.00%    |
| 1 TSHS           | 0.05   | 0.05   | 0.00%    |
| 1 Brazilian Real | 23.61  | 24.89  | 5.42%    |
| 1 Russian Rubble | 1.63   | 1.72   | 5.52%    |
| 1 Indian Rupee   | 1.44   | 1.40   | 2.78%    |
| 1 Chinese Yuan   | 18.46  | 18.56  | 0.54%    |

Red-Depreciate; Green- Appreciate; Source: CMA

In January, the Kenya Shilling recorded a slight appreciation against the Indian Rupee and remained largely stable within the region. However, it depreciated marginally against most major currencies. Overall, exchange rate movements were relatively contained, indicating low volatility.

### Equities Market Posts Strong Gains in January

| Indicators                    | Dec-25   | Jan-26   | %Δ     |
|-------------------------------|----------|----------|--------|
| NSE 20 Share index            | 3,139.19 | 3,299.28 | 5.10%  |
| NSE 25 Share Index            | 5,096.68 | 5,321.96 | 4.42%  |
| NSE 10 Share Index            | 1,965.20 | 2,046.82 | 4.15%  |
| Banking Sector Index          | 203.65   | 215.03   | 5.59%  |
| NASI                          | 186.58   | 195.36   | 4.71%  |
| Mkt. Cap (Kshs. Bn)           | 2,944.54 | 3,083.07 | 4.71%  |
| Volume (M)                    | 539.66   | 410.21   | 23.99% |
| Equity Turnover (Kshs. Bn)    | 17.54    | 13.83    | 21.13% |
| % Foreign Participation to ET | 42.63    | 34.29    | 19.56% |
| Bond Turnover (Kshs Bn)       | 247.61   | 296.90   | 19.91% |
| NSE Bond Index                | 1,154.50 | 1,174.14 | 1.70%  |
| REITs Mkt. Cap (Kshs. Bn)     | 6.92     | 6.92     | 0.00%  |
| ETFs Mkt. Cap (Kshs. Bn)      | 2.25     | 2.58     | 14.91% |

Green- Increase, Red-Decrease; Source: CMA

The equities market recorded strong gains in January, with all major NSE indices posting robust increases, led by the banking sector. Market capitalization expanded notably, supported by higher bond turnover. However, equity turnover, trading volumes, and foreign investor participation declined, reflecting selective investor activity despite positive price performance.

<sup>1</sup> [Moody's Upgrade Supports Kenya Markets](#)

<sup>2</sup> [KPC IPO Priced at KShs.9](#)

<sup>3</sup> [Consumer Price Indices and Inflation Rates for January 2026](#)

<sup>4</sup> [NSE Tops African Returns](#)

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## Capital Markets Outlook

### Moody's Upgrade Lifts Confidence in Kenya's Capital Markets

This upgrade is broadly positive for Kenya's capital markets because it lowers perceived sovereign risk, which tends to reduce borrowing costs and attract more investor participation, especially from offshore funds that track ratings thresholds. With near-term default risk now seen as lower, demand for Kenyan Eurobonds and local government securities should improve, supporting lower yields and better liquidity in both the bond and equity markets. Stronger FX reserves and smoother external refinancing reduce pressure on the shilling, which helps foreign investors stay invested without worrying about sudden currency losses. The upgrade stabilizes confidence and supports market depth, but sustained fiscal discipline is what will determine whether Kenya's capital markets see lasting inflows rather than just a short-term relief rally.

### KPC IPO Boosts Kenya's Capital Market

The Kenya Pipeline Company (KPC) IPO, pricing shares at KShs.9 and valuing the company at KShs.163.6 billion, is set to be one of the largest listings on the Nairobi Securities Exchange, significantly boosting market capitalization and liquidity. By offering 11.81 billion shares, it increases tradable stock and attracts both local and foreign investors, while the government's 65 per cent sale raises KShs.106.3 billion, promoting fiscal transparency and reducing state dominance in commercial enterprises. With predictable dividends, a solid earnings track record, and monopoly status in fuel transport, KPC sets a benchmark for valuations and corporate governance, signalling market maturity, encouraging future privatizations, and strengthening investor confidence in Kenya's capital markets.

### Nairobi Securities Exchange delivered the second-highest dollar returns in Africa in 2025

Kenya's strong 2025 performance, with the NSE delivering the second-highest dollar returns in Africa, signals growing investor confidence and increasing attractiveness of its capital markets. Robust gains in both large-cap blue chips like Safaricom and small-cap stocks, coupled with currency stability, indicate that the market can generate significant returns for both local and foreign investors. This positions Kenya as a consistent frontier-market opportunity, likely boosting liquidity, encouraging more foreign inflows, and supporting the development of deeper, more sophisticated capital markets, while also enhancing the overall reputation of the NSE as a reliable investment destination in Africa.

**Do you Know!**

