

CAPITAL MARKETS RESEARCH UPDATE (CMRU)

Markets Update

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African Trade Crucial to Avert Tariff Fallout

According to EcoBank Africa, African nations can weather the potential fallout of US President Donald Trump's tariffs by increasing trade among each other. Countries in sub-Saharan Africa exported USD 29 billion of goods in 2023 to the US, making it the region's largest market after China, United Arab Emirates and India. Currently, tariffs imposed on African countries range from 10 percent for countries such as Benin, Kenya and Cape Verde, to 50 percent for the kingdom of Lesotho. As it stands, Trump's trade war is a reason to accelerate the implementation of the African Continental Free Trade Area, which came into force in October 2022. The World Bank estimates that the pact could expand exports by USD 560 billion. But fully executing the accord has been hampered by negotiations on key terms.¹

IOSCO publishes new Consultation Report on Artificial Intelligence in Capital Markets

In March 2025, IOSCO announced the publication of a new substantive report that addresses the rise of Artificial Intelligence (AI) use in capital markets and its impact on investors globally. The report was developed by IOSCO's Fintech Task Force (FTF) to create a shared understanding among IOSCO members of the issues, risks, and challenges that emerging AI technologies used in financial products and services may pose to investor protection, market integrity, and financial stability, and to assist IOSCO members as they consider regulatory responses.²

Annual inflation stands at 3.6% in March 2025

The annual consumer price inflation as measured by the Consumer Price Index (CPI) was 3.6 percent in March 2025. This is an indication that the general price level in March 2025 was 3.6 percent higher than it was in March 2024. The price increase was primarily driven by rise in prices of items in the Food and Non-Alcoholic Beverages category (6.6%); and Transport category (1.5%) over the one-year period. There was a decline in prices for items in the Housing, Water, Electricity, Gas and other fuels category by 0.8 per cent over the period. These three divisions together account for over 57 per cent of the total weight across the 13 major expenditure categories.³

Kenya Shilling depreciates against major currencies

Currency	Feb-25	Mar-25	% Change
1 USD	129.23	129.32	0.07%
1 Sterling (£)	162.61	167.35	2.92%
1 Euro (€)	134.23	139.51	3.93%
1 SA Rand	6.99	7.08	1.27%
1 USHS	0.04	0.04	0.00%
1 TSHS	0.05	0.05	0.00%
1 Brazilian Real	22.17	22.51	1.53%
1 Russian Rubble	1.48	1.53	3.57%
1 Indian Rupee	1.48	1.51	2.14%
1 Chinese Yuan	17.73	17.80	0.37%

Red-Depreciate; **Green-** Appreciate; Source: CMA

The Kenya Shilling experienced erosion in the month of March with depreciation registered across major currencies. The shilling declined by 0.07 percent, 2.92 percent, 3.93 percent, 1.27 percent, 1.53 percent, 3.57 percent, 2.14 percent and 0.37 percent against the USD, Sterling Pound, Euro, SA Rand, Brazilian Real, Russian Rubble, Indian Rupee and the Chinese Yuan respectively

NSE indices record month-on-month decrease.

Indicators	Feb-25	Mar-25	Change
NSE 20 Share index	2,300.17	2,226.88	3.19%
NSE 25 Share Index	3,595.08	3,532.38	1.74%
NSE 10 Share Index	1,366.92	1,342.38	1.80%
NASI	132.13	130.81	1.00%
Mkt. Cap (Kshs. Bn)	2,076.83	2,056.07	1.00%
Volume (M)	472.75	471.23	0.32%
Equity Turnover (Kshs. Mn)	8,569.40	8,127.21	5.16%
Bond Turnover (Kshs Bn)	271.44	284.64	4.86%

Green- Increase, **Red-**Decrease; Source: CMA

At the NSE, the major indicators experienced a decline from the figures recorded at the end of February 2025. The NSE 20, NSE 25, NSE 10 and NASI indices recorded decreases by 3.19 percent, 1.74 percent, 1.80 percent and 1.00 percent respectively. The market capitalization decreased slightly from KShs.2,076.83 billion to KShs.2,056.07 billion in March 2025. Additionally, month on month the bond turnover increased by 4.86 percent.⁴

¹ [Bloomberg](#)

² [IOSCO](#)

³ [KNBS](#)

⁴ NSE

Capital Markets Outlook

African Trade Crucial to Avert Tariff Fallout

By fully implementing free trade accords and adding value to local raw materials, African nations can better weather the impact of tariffs imposed by developed countries. Additionally, the region must work towards removal of non-tariff barriers such as visa requirements for travellers and eliminating structured restrictions posed by landlocked countries. From a Kenyan context, the Authority can champion the creation and trading of structured products listed on the NSE targeting intra-African commerce. Ultimately, by focusing on internal markets and reducing reliance on external trade partners, African economies can better navigate global economic uncertainties and foster sustainable development.

IOSCO publishes new Consultation Report on Artificial Intelligence in Capital Markets

The insights from IOSCO's report are key for CMA in several ways such as emphasis on the importance of comprehensive risk management strategies by market intermediaries, need for collaboration with stakeholders who can aid in developing best practices for AI integration and implementing measures to safeguard investors from potential AI-related risks, such as misinformation or algorithmic biases. The recently tabled The Virtual Asset Service Providers (VASP) Bill, 2025 represents Kenya's proactive approach to regulating the rapidly evolving virtual assets sector.

Decline in Equity Markets Indicators

The recent tariffs imposed by United States on multiple trade partners has led to massive volatility in global financial markets. In the interim, emerging markets such as Kenya may experience foreign investors' net sales. With multiple blue-chip companies at the NSE exhibiting strong fundamentals, acquisition of their discounted shares by retail investors would be desirable. Additionally, some of the capital leaving the equities market is expected to find its way into the bonds market, where there is more certainty about returns and safety in terms of risk from losses.