

CAPITAL MARKETS RESEARCH UPDATE (CMRU)

Markets Update

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- ❖ Bond Market Hits Historic KShs.2 trillion
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Promoting the Integrity and Growth of the Capital Markets

NSE Slashes Contract Sizes to Boost Derivatives Market

The Nairobi Securities Exchange (NSE) has overhauled its derivatives market structure, reducing the standard contract sizes by tenfold for all single stock futures. From 1,000 shares to 100 shares for Safaricom, KCB, Equity, Absa, NCBA, Co-op, I&M, Kenya Power, KenGen, Kenya Re, Liberty, and Britam. From 100 shares to 10 shares for EABL, BAT Kenya, and Standard Chartered. Additionally, the NSE recalibrated the initial margin requirements.¹

Annual Inflation Rose slightly in September 2025

The annual consumer price inflation as measured by the Consumer Price Index (CPI) was 4.6 per cent in September 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 September 2025. Increasing from 3.8 percent to 4.6 percent, 0.8 percentage points increase.²

Bond Market Hits Historic KShs.2 trillion

The Nairobi Securities Exchange (NSE) secondary bond market hit a historic milestone, surpassing KShs.2 trillion in turnover as of September 24, 2025, its highest ever within a single year and over 30 percent above 2024's full-year record. This surge is driven by strong institutional and retail investor activity, auction oversubscriptions, and heavy trading of high-yield infrastructure bonds. With average monthly turnover now around KShs.220 billion.³

Capital Markets Authority Licenses Four New Companies

The Capital Markets Authority (CMA) has expanded Kenya's investment landscape by licensing four new companies. This include TPXM Global Kenya Limited, Point Forty Investment Advisory Limited, Silverhouse Capital Limited, and Enwealth Impact Debt Fund Limited, aiming to diversify and deepen the capital markets. These companies will offer services including online trading, investment advisory, corporate trustee functions, and participation in real estate investment trusts, such as the Acorn Build-to-Rent Development REIT, which promotes affordable rental housing. Recently, CMA also licensed Kenya Climate Ventures Limited and EDC Asset

Management (Kenya) Limited as fund managers, supporting climate-focused and gender-inclusive investments, while Jalia Advisers & Intermediaries Limited and Co-operative Bank of Kenya Limited received approvals as an investment adviser and corporate trustee, respectively.⁴

The Kenyan Shilling remain Stable

Currency	Aug-25	Sep-25	% Change
1 USD	129.24	129.24	0.00%
1 Sterling (£)	174.41	173.46	0.54%
1 Euro (€)	150.73	151.65	0.61%
1 SA Rand	7.29	7.48	2.61%
1 USHS	0.04	0.04	0.00%
1 TSHS	0.05	0.05	0.00%
1 Brazilian Real	23.89	24.30	1.72%
1 Russian Rubble	1.61	1.56	3.11%
1 Indian Rupee	1.47	1.46	0.68%
1 Chinese Yuan	18.12	18.15	0.17%

Red-Depreciate; Green- Appreciate; Source: CMA

According to Central Bank of Kenya, the Kenya Shilling remained stable against major international and regional currencies on a month-on-month basis in September 2025.

Equity Market Maintains Robust Growth in September

Indicators	Aug-25	Sep-25	%Δ
NSE 20 Share index	2,845.64	2,972.64	4.46%
NSE 25 Share Index	4,443.40	4,624.72	4.08%
NSE 10 Share Index	1,709.51	1,783.31	4.32%
NASI	172.60	176.74	2.40%
Mkt. Cap (Kshs. Bn)	2,719.26	2,784.47	2.40%
Volume (M)	483.95	847.61	75.14%
Equity Turnover (Kshs. Bn)	10.79	22.92	112.30%
% Foreign Participation to ET	31.28	28.01	10.46%
Bond Turnover (Kshs Bn)	207.55	237.66	14.51%
NSE Bond Index	1,187.53	1,179.47	0.68%

Green- Increase, Red-Decrease; Source: CMA

The equity market recorded strong performance in September 2025, with major indices posting solid gains amid a sustained bull run. The rally was driven by robust activity in large-cap stocks, particularly in banking, telecommunication, and energy sector. The momentum was also supported by new listings during Q3 2025 including Shri Krishna and Satrix ETF. Trading volumes rose sharply, reflecting increased retail and institutional participation. Despite the positive momentum, foreign investors participation declined, likely due to global risk-off sentiment or profit-taking.

¹ [NSE Slashes Contract Sizes to Boost Derivatives Market](#)

² [KNBS](#)

³ [Kenya's Bond Market Hits Historic KShs.2 Trillion](#)

⁴ [New Licenses Boost Kenya's Capital Markets](#)

September 2025

Capital Markets Outlook

Derivatives Market Structure Overhaul

The NSE's decision to reduce contract sizes and margin requirements for single stock futures is expected to boost liquidity and attract more retail and smaller institutional investors, broadening market participation. While this reform could make the derivatives market more dynamic, it also introduces volatility risks due to increased exposure among less experienced traders. To support this transition, the Authority can strengthen investor education, enhance regulatory oversight, and collaborate with market players to promote responsible trading. These measures will help balance innovation with investor protection, ensuring market stability while deepening the derivatives market and democratizing access to financial opportunities.

Retail Investors Participation in Bonds Market

The increasing participation of retail investors in the bonds market is largely driven by the introduction of digital platforms, notably the launch and operationalization of DhowCSD. This platform enables individuals to conveniently invest in government securities via mobile apps and web portals, supported by improved investor sentiment in the capital markets. To further democratize access to wealth through bonds, the Authority should consider reforms such as reducing the minimum investment threshold for treasury bonds, currently set at KShs. 50,000. Such reforms would allow more retail investors to participate, including in tax-free infrastructure bonds, thereby enhancing financial inclusion and market depth.

Increased Licensing in Capital Markets

The entry of new licensees is expected to catalyze expansion, innovation, and diversification within capital markets. By introducing differentiated products and services, these market participants enhance liquidity, deepen financial inclusion, and broaden access for both local and foreign investors. However, while increased licensing contributes to market vibrancy and product depth, it also presents regulatory challenges, including potential market saturation, strain on supervisory capacity, and heightened investor protection risks. To safeguard market integrity and ensure sustainable growth, the Authority may need to evaluate the viability of a licensing moratorium or adopt more stringent vetting criteria. A balanced regulatory approach will be critical in maintaining orderly market development while fostering innovation and inclusive participation.

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