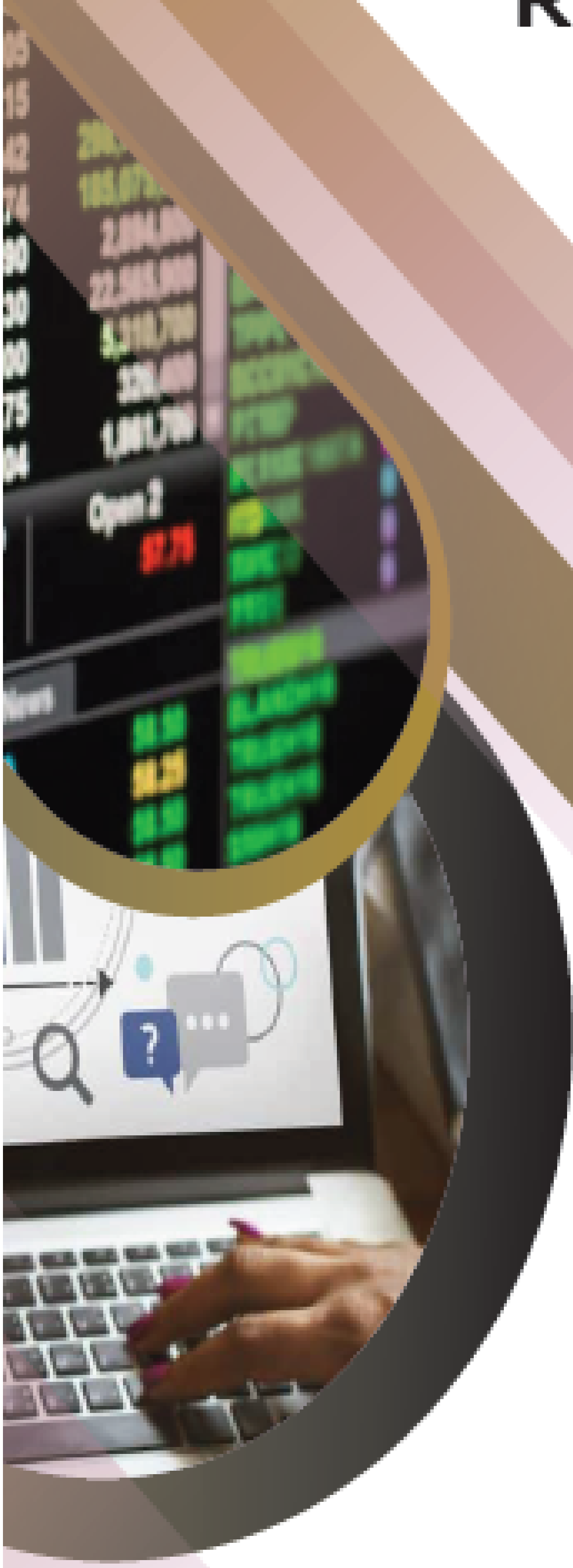
# CAPITAL MARKETS RESEARCH UPDATE

## (CMRU)



## Markets Update

- Kenya's First Local ETF Opens New Route into KShs. 1.64 trillion Banking Sector
- Absa Gets CMA Approval for Shilling and Dollar Global Multi-Asset Special Funds
- Inflation Surges to 6.6 per cent in August 2026
- Kenyan Investors Could Commit KShs.64.75 billion to Dangote Refinery IPO
- Kenya Shilling Depreciates against Major Currencies
- Capital Markets Records Strong Performance in August 2026
- Kenyan Capital Market Outlook

AUGUST 2026

CAPITAL MARKETS AUTHORITY

*Promoting the Integrity and Growth of the Capital Markets*

### Kenya's First Local ETF Opens New Route into KShs. 1.64 trillion Banking Sector

Kenya's first local Exchange Traded Fund (ETF) is set to debut on the NSE after receiving regulatory approval from CMA. Wall Street Africa Banking Index ETF is expected to list on the NSE'S Main Investment Market Segment in the fourth quarter of 2026. It will truck 11 banking counters in the NSE Banking Index and open access to a banking sector valued at about KShs. 1.64 trillion. The ETF is likely to boost liquidity and investor participation on the NSE.[1]

### Absa Gets CMA Approval for Shilling and Dollar Global Multi-Asset Special Funds

Absa Asset Management has secured CMA approval to launch new Global Multi-Asset Special Funds in both Kenya shilling and US dollar, expanding its Absa Unit Trust Scheme offering from five to seven funds. According to CMA data, Special-fund assets reached KShs.203.5 billion by March 2026, representing a record 23.9 per cent of CIS assets. By June 2026, Absa reported fund sizes of KShs.25.78 billion for the Shilling MMF, USD 24.62 million for the Dollar MMF. The new funds will give clients access to international investment opportunities while supporting diversification.[2]

### Inflation Surges to 6.6 per cent in August 2026

The annual consumer price inflation as measured by the Consumer Price Index (CPI) edged up to 6.6 per cent in August 2026 from 6.5 per cent in July 2026. The core inflation rate stood at 3.4 per cent, up from 3.2 per cent in July, while non-core inflation slowed to 14.7 per cent from 15.0 per cent.[3]

### Kenyan Investors Could Commit KShs.64.75 billion to Dangote Refinery IPO

Kenya investors could invest up to KShs.63.75 billion to Dangote Refinery's planned USD 5 billion (KShs.647.50 billion) IPO, potentially giving Kenya a significant role in Africa's largest-ever public offering. The fundraising is expected to support expansion of the USD 20 billion Lagos refinery, which already has a capacity of 650,000 barrels per day. The IPO also comes as Dangote explores building a second major refinery in Lamu, Kenya.[4]

### Kenya Shilling Depreciates against Major Currencies

| Currency | Jul-26 | Aug-26 | % Change |
|---|---|---|---|
| 1 USD | 129.40 | 129.45 | 0.04% |
| 1 Sterling (£) | 174.01 | 175.40 | 0.80% |
| 1 Euro (€) | 148.91 | 150.35 | 0.97% |
| 1 SA Rand | 7.84 | 8.03 | 2.42% |
| 1 USHS | 0.03 | 0.03 | 0.00% |
| 1 TSHS | 0.05 | 0.05 | 0.00% |
| 1 Brazilian Real | 25.47 | 24.92 | 2.16% |
| 1 Russian Rubble | 1.62 | 1.51 | 6.79% |
| 1 Indian Rupee | 1.35 | 1.35 | 0.00% |
| 1 Chinese Yuan | 19.17 | 19.25 | 0.42% |

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

In August 2026, the Kenyan Shilling depreciates against most major currencies the, US Dollar, Sterling Pound, Euro, South African Rand, and Chinese Yuan. It remained relatively stable against the Tanzania Shilling, Indian Rupee, and Ugandan Shilling, while appreciating against the Russian Ruble and Brazilian Real.

### Capital Markets Records Strong Performance in August

| Indicators | Jul-26 | Aug-26 | %Δ |
|---|---|---|---|
| NSE 20 Share index | 4,093.51 | 4,325.62 | 5.67% |
| NSE 25 Share Index | 6,571.20 | 6,960.48 | 5.92% |
| NSE 10 Share Index | 2,548.58 | 2,719.98 | 6.73% |
| Banking Sector Index | 269.44 | 285.77 | 6.06% |
| NASI | 237.86 | 251.33 | 5.66% |
| Mkt. Cap (Kshs. Bn) | 3,991.85 | 4,217.91 | 5.66% |
| Volume (M) | 460.08 | 767.15 | 66.74% |
| Equity Turnover (Kshs. Bn) | 16.15 | 27.66 | 71.21% |
| % Foreign Participation to ET | 27.49 | 41.93 | 52.54% |
| Bond Turnover (Kshs Bn) | 202.15 | 341.54 | 68.95% |
| NSE Bond Index | 1,136.70 | 1,141.62 | 0.43% |
| REITs Mkt. Cap (Kshs. Bn) | 18.13 | 18.14 | 0.02% |
| ETFs Mkt. Cap (Kshs. Bn) | 2.07 | 2.32 | 11.74% |
| Bond Mkt. Cap (Kshs. bn) | 6,229.39 | 6,151.38 | 1.25% |

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

In August 2026, the capital markets recorded strong growth, supported by rising investor confidence and increased trading activity. Market capitalization increased by 5.67 per cent. NSE 20 Share, NSE 25 Share, and NASI, gained between 5.6 per cent and 5.8 per cent. The volume, Turnover and foreign participation recorded significant increase partly due to the Absa Group transaction increasing its stake in Absa Bank Kenya.

---

[1] Kenya's First Local ETF Opens New Route into KShs. 1.64Trillion Banking Sector

[2] Absa Gets CMA Approval for Shilling and Dollar Global Multi-Asset Special Funds

[3] Consumer Price Indices and Inflation Rates for August 2026

[4] Kenyan Investors Could Commit KShs. 64.75Bn to Dangote Refinery IPO

## Capital Markets Outlook

### Local ETF Expected to Enhance Market Depth and Accessibility

The launch of Kenya's first locally developed Exchange Traded Fund is expected to deepen the capital markets by providing investors with a cost-effective and convenient way to gain diversified exposure to the banking sector through a single investment. By tracking the NSE Banking Index, the fund is likely to attract both retail and institutional investors seeking efficient portfolio diversification while increasing trading activity and liquidity on the exchange. The ETF's introduction also signals continued innovation in Kenya's investment products landscape and could encourage the development of additional thematic and sector-based funds. Over time, greater product diversity is expected to broaden investor participation and strengthen the competitiveness of the NSE.

### New Global Funds Expected to Deepen Investment Diversification

Absa Asset Management's launch of shilling and dollar-denominated Global Multi-Asset Special Funds is expected to broaden investment opportunities for Kenyan investors seeking international market exposure and enhanced portfolio diversification. The introduction of the new funds comes amid strong growth in the collective investment schemes industry and rising demand for professionally managed investment products. By providing access to global asset classes, the funds are likely to attract both retail and institutional investors seeking to manage currency risk and optimize returns. Continued product innovation and growing investor participation are expected to support the expansion of Kenya's fund management industry and deepen the sophistication of the capital markets.

### Inflation Expected to Remain Anchored Amid Stable Monetary Policy

Inflation is expected to remain within the Central Bank of Kenya's target range of 2.5 to 7.5 per cent in the near term, supported by a stable exchange rate and easing non-core price pressures. The Monetary Policy Committee held the Central Bank Rate at 8.75 per cent at its August 2026 meeting, pausing its rate-cutting cycle to keep inflation expectations anchored while safeguarding exchange rate stability. Adequate foreign exchange reserves, equivalent to over six months of import cover, continue to provide a buffer against external shocks. However, elevated global oil prices, the ongoing conflict in the Middle East, and slowing global growth pose upside risks to the inflation outlook. A stable monetary policy stance is expected to continue supporting credit growth to the private sector and sustaining investor confidence in the capital markets.