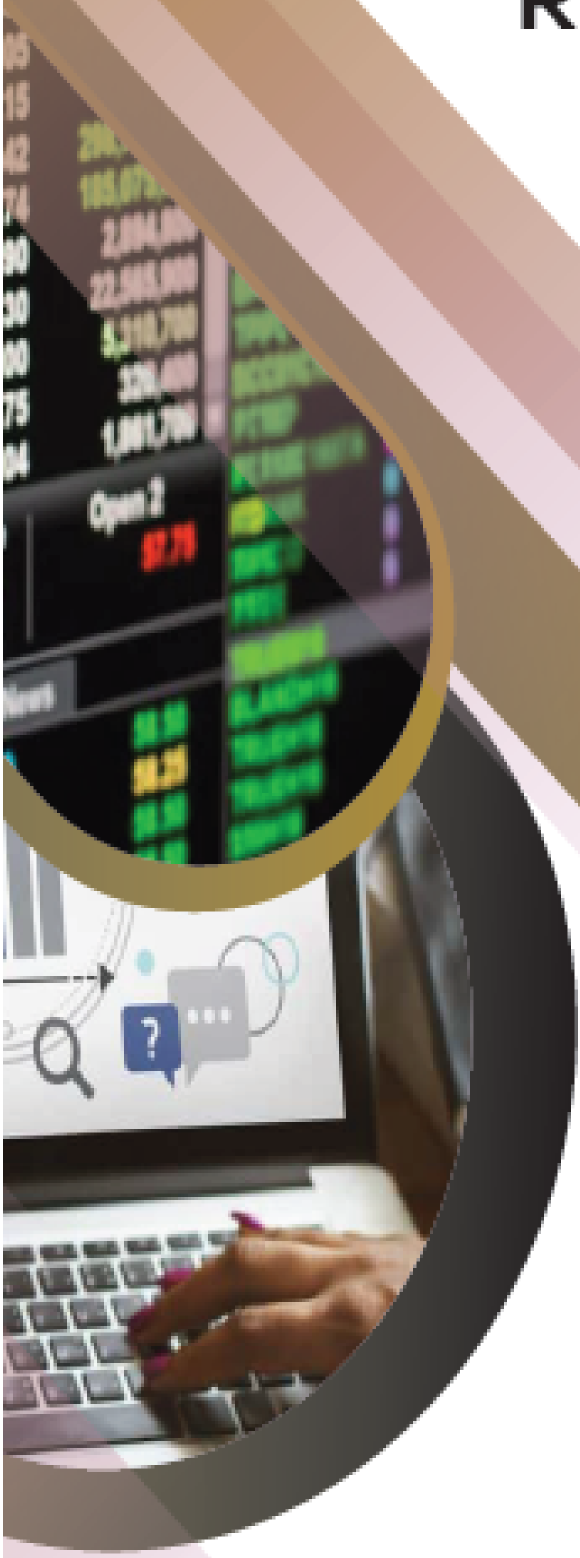
CAPITAL MARKETS
RESEARCH UPDATE
(CMRU)



Markets Update

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CAPITAL MARKETS AUTHORITY
Promoting the Integrity and Growth of the Capital Markets

CAPITAL MARKETS RESEARCH UPDATE (CMRU)

February 2026

M-Pesa Share Trading Accelerates NSE Activity

Daily equity transactions at the Nairobi Securities Exchange rose 3.8 times to over 26,000 following the rollout of M-Pesa share trading through Ziidi Trader. Mobile-based trades now account for about 55 percent of deal volumes, though only around 2 percent by value, reflecting strong entry by small investors. The expanded retail participation is enhancing market liquidity and supporting a more inclusive and resilient equity market[1].

CBK Announces 10th Interest Rate Cut in February

The Central Bank of Kenya reduced its benchmark rate to 8.75 percent in February, marking the 10th consecutive cut and the lowest level since January 2023. Private sector credit growth increased to 6.4 percent, while asset quality improved, with non-performing loans declining to 15.5 percent from the March 2025 peak. Lending rates and Treasury bill yields continued to ease, reflecting improved monetary policy transmission. The MPC also narrowed the policy corridor to enhance rate guidance and strengthen pass-through to market lending rates[2].

Annual Inflation Eased in February 2026

The annual consumer price inflation as measured by the Consumer Price Index (CPI) was 4.3 per cent in February 2026. The core inflation stood at 2.1 per cent in February 2026, contributing 2.5 points to the overall inflation while the rate of non-core inflation was 10.1 per cent, contributing 1.7 points.[3]

Kenya's Treasury Retires Eurobonds Amid Strong Demand for 2032 Notes

The Government of Kenya has accepted USD 415.4 million (KShs.53.6 billion) in its Eurobond tender offer, fully buying back all 2028 notes and partially accepting oversubscribed 2032 notes. The 2028 bonds were redeemed at 103.5 per cent of face value, while the 2032 notes were accepted at 105.5 per cent with proration applied. The buyback was financed through a USD 2.25 billion dual-tranche Eurobond issued earlier, comprising 2034 and 2039 notes. The transaction reduces near-term refinancing risk and lengthens Kenya's external debt maturity profile[4].

Kenyan Shilling Appreciated Against Major Currencies

Currency	Jan-26	Feb-26	% Change
1 USD	129.03	129.02	0.01%
1 Sterling (£)	177.42	174.10	1.87%
1 Euro (€)	153.80	152.39	0.92%
1 SA Rand	8.14	8.11	0.37%
1 USHS	0.04	0.04	0.00%
1 TSHS	0.05	0.05	0.00%
1 Brazilian Real	24.89	25.09	0.80%
1 Russian Rubble	1.72	1.68	2.33%
1 Indian Rupee	1.40	1.41	0.71%
1 Chinese Yuan	18.56	18.82	1.40%

Red-Depreciate; Green- Appreciate; Source: CMA

In February 2026, the Kenyan Shilling remained broadly stable, recording marginal movements against major and regional currencies. The shilling appreciated slightly against the US Dollar, Sterling Pound, Euro, South African Rand, and Russian Ruble, reflecting contained pressures in the foreign exchange market. However, it depreciated against the Brazilian Real, Indian Rupee, and Chinese Yuan.

Equities Market Performance Strengthens in February

Indicators	Jan-26	Feb-26	%Δ
NSE 20 Share index	3,299.28	3,750.45	13.67%
NSE 25 Share Index	5,321.96	5,948.29	11.77%
NSE 10 Share Index	2,046.82	2,268.39	10.83%
Banking Sector Index	215.03	245.90	14.36%
NASI	195.36	216.08	10.61%
Mkt. Cap (Kshs. Bn)	3,083.07	3,410.07	10.61%
Volume (M)	410.21	845.21	106.04%
Equity Turnover (Kshs. Bn)	13.83	24.97	80.49%
% Foreign Participation to ET	34.29	29.47	14.08%
Bond Turnover (Kshs Bn)	296.90	418.15	40.84%
NSE Bond Index	1,174.14	1,202.75	2.44%
REITs Mkt. Cap (Kshs. Bn)	6.92	6.92	0.00%
ETFs Mkt. Cap (Kshs. Bn)	2.58	2.58	0.11%

Green- Increase, Red-Decrease; Source: CMA

The equities market strengthened in February, with all major NSE indices recording double-digit gains, led by the banking sector. Market capitalization increased alongside a sharp rise in trading activity, as volumes and turnover grew significantly. Foreign investor participation declined, indicating domestically driven gains. Bond market activity improved, while REITs stabilized and ETFs slightly declined.

[1] M-Pesa Zidii Trader Accelerate NSE Trading Activity
[2] CBK 10th Interest Rate Cut
[3] Consumer Price Indices and Inflation Rates for February 2026
[4] Kenya Retires KShs.53.6bn Eurobond

Capital Markets Outlook

Expanded Retail Participation Strengthens Equity Market Liquidity

The rollout of M-Pesa share trading via Ziidi Trader is expected to structurally deepen activity at the Nairobi Securities Exchange by broadening retail investor participation. The sharp rise in transaction volumes points to sustained improvements in market liquidity, particularly at the lower end of the market, supporting price discovery and turnover resilience. While deal values remain modest, continued onboarding of small investors through M-Pesa is likely to strengthen market depth over time. Technology-enabled access is set to enhance inclusivity, stabilize trading activity, and support long-term growth in the equities market.

CBK's Continued Monetary Easing Boosts Demand for Bonds and Equities

In the month of February, the Central Bank of Kenya has continued to ease the Central Bank Rate. The sustained accommodative stance by the Central Bank of Kenya has clear positive implications for Kenya's capital markets by lowering the risk-free rate and compressing yields across the government securities curve. However, the declining treasury bill yields reduce the relative attractiveness of short-term fixed income instruments, prompting investors to extend duration in the bond market and gradually reallocate portfolios toward higher-return assets, including equities. The CBKs move is expected to support stronger demand for longer-dated bonds and improves price stability in the secondary market.

Kenya's Eurobond Buyback Strengthens Market Stability and Investor Confidence

Kenya's Eurobond buyback reinforces the stability of the capital market, as it reduces near-term external refinancing pressures and smooths the sovereign debt maturity profile. By retiring the 2028 notes and partially refinancing the 2032 bonds with longer-dated instruments, the Government of Kenya lowers rollover risk and improves debt sustainability perceptions. This is likely to support tighter Eurobond spreads and sustained demand for Kenyan sovereign paper, particularly from offshore investors. Improved confidence in sovereign credit fundamentals should also have positive spillovers for the domestic bond and equity markets by anchoring investor sentiment and containing risk premia.