MONTHLY COMMENTARY

Innovative Thinking

August 2026

Actuarial Services E.A. Limited
1113 Kayahwe Rd, Off Galana Rd, Kilimani,
P. O. Box 10472 - 00100 NAIROBI, KENYA
Tel. +254 202 710 028 / Cell: +254 111 037 100 / +254 708 710 028 / +254 785 710 028
Office Email: info@actserv-africa.com
Website: www.actserv.co.ke

MONTH'S HIGHLIGHTS

- Inflation increased to 6.59% in August 2026 from 6.49% in July 2026 and 4.53% in August 2025. This was primarily attributed to a rise in food and transport prices. The food and non-alcoholic beverages index increased by 9.0% driven by higher food prices. The transport index rose by 15.7% mainly due to higher transport costs. The housing, water, electricity, gas and other fuels index rose by 3.6% mainly driven by higher electricity prices.
- The Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 8.75% in August due to inflation expectations as well as stable food prices attributed to favourable weather conditions and stability of the exchange rate as they continue to assess the impact of the Middle East conflict on inflation and growth outlooks.
- Kenya's NSSF and PSSF collectively invested KShs 24.19 billion in the KSh44.7 billion Talanta Bond—over half the issue—to finance the 60,000-seat Talanta Sports City Stadium. The 15-year bond, offering a 15.04% semi-annual yield, attracted strong demand with 100.2% overall subscription, highlighting pension funds' growing role in funding major infrastructure while securing long-term returns, despite broader fiscal concerns.
- Kenya's Central Bank accepted KShs 22.51 billion in a bond switch auction, far above the Sh15 billion target, as investors exchanged short-term Treasury bills and a 2027 bond for the FXD4/2019/010 bond maturing in November 2029. This move helps the government extend its debt maturity profile while investors secure a medium-term bond with a 12.28% coupon.
- Despite profit pressures, at least nine Nairobi Securities Exchange-listed companies, including Absa Bank Kenya, Standard Chartered and Kenya Power, have increased or maintained dividend payouts, while another nine raised dividends faster than earnings growth, reflecting a strategic focus on shareholder returns amid a 26% year-to-date market rally. Analysts attribute the trend to growing pressure on companies to demonstrate value to investors following strong share price appreciation, with mature firms having more cash to distribute and dividends serving as a tool to maintain shareholder confidence and management stability.
- China's annual inflation edged up to 0.8% in August 2026 from July's 0.5%, matching forecasts, as rising food prices and travel-related spending drove the increase. Non-food inflation accelerated to 1.2% (from 0.9%), led by a surge in transport costs (2.5% vs 0.4%) on higher fuel prices and seasonal demand, while housing costs remained flat in negative territory at -0.3%.
- Eurozone inflation surged to 3.3% in August 2026, the highest since September 2023, up from 2.9% in July, driven by a spike in energy prices amid Middle East conflict. The reading, which matches expectations and remains well above the ECB's 2% target, has solidified market bets on an imminent 25-basis-point rate hike to 2.5% this month.
- In August 2026, the S&P Global US Composite PMI was confirmed at 56, unchanged from the flash estimate and up from 54.5 in July. The reading signaled a third consecutive monthly acceleration in private-sector growth, marking the strongest expansion in 52 months.

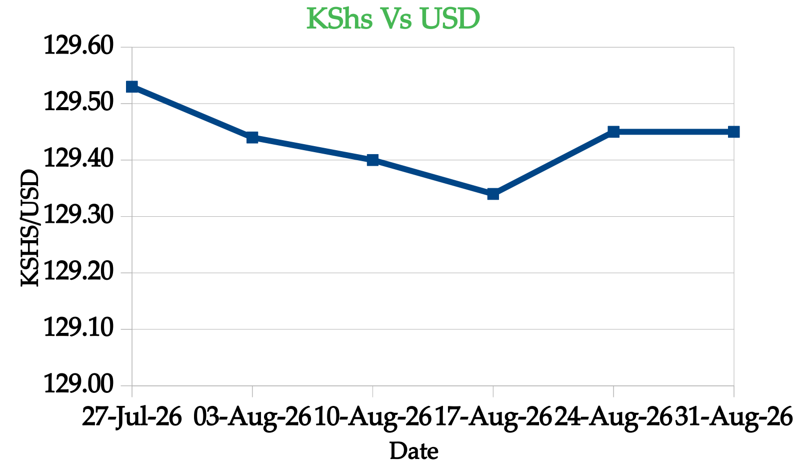
ECONOMIC INDICATORS

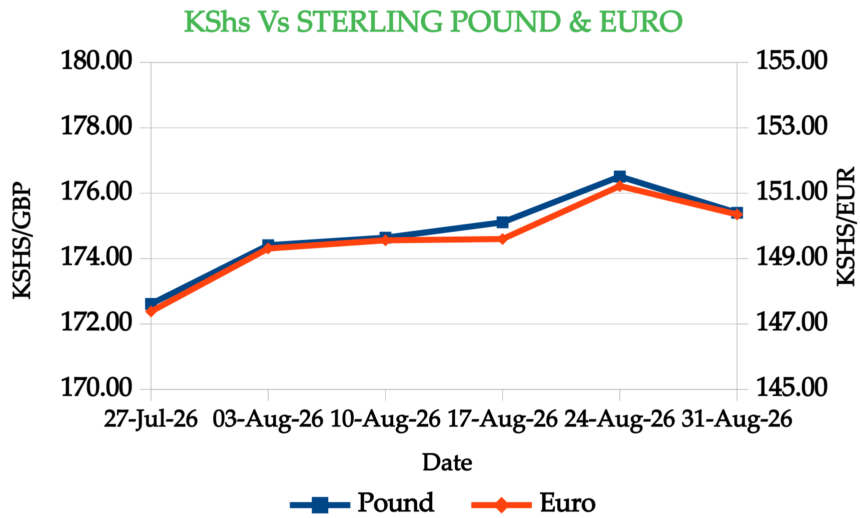
Foreign Exchange Reserves

During the month, the usable foreign exchange reserves decreased by 3.03% to settle at $14.93 billion (6.2 months of import cover). This was above the CBK's statutory requirement to endeavor to maintain at least 4 months of import cover and above the EAC region's convergence criteria of 4.5-months of import cover.

Currency

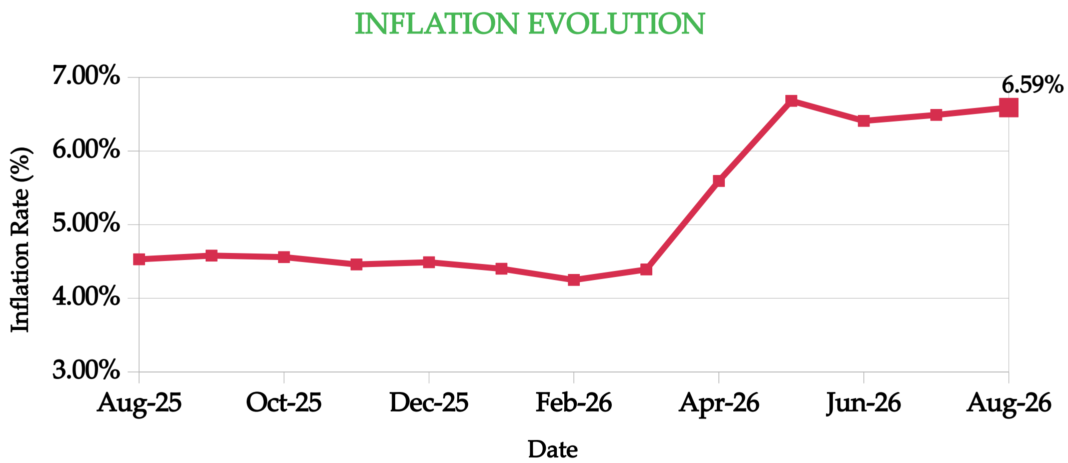
The Kenyan Shilling depreciated against the USD, the Sterling Pound and the Euro by 0.04%, 0.80% and 0.97%, exchanging at KShs 129.45, KShs 175.40 and KShs 150.35 respectively at the end of the month from KShs 129.40, KShs 174.01 and KShs 148.91 in the previous month. The observed depreciation against the Dollar is attributed to increased Dollar demand by importers due to rising energy prices.





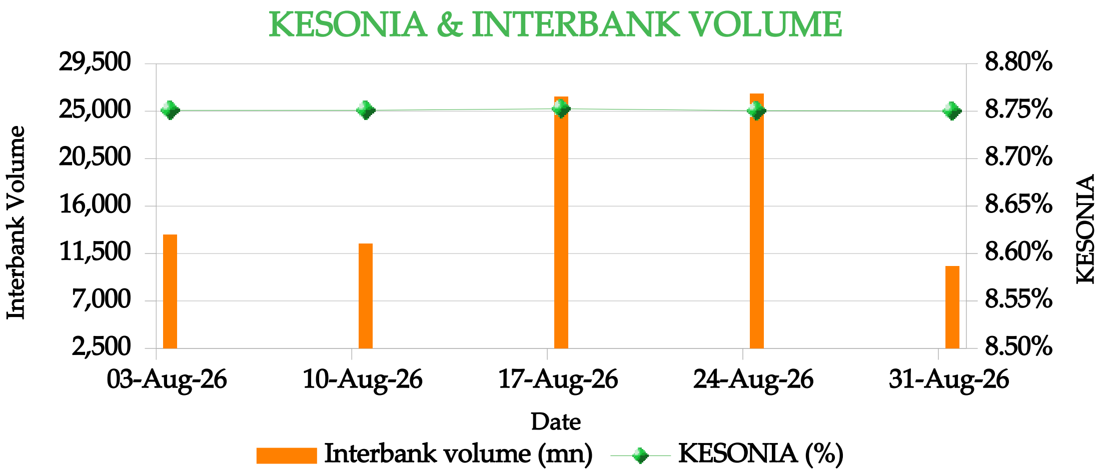
Inflation

The overall year-on-year inflation increased to 6.59% in August 2026 from 6.49% in July 2026. This was primarily attributed to a higher food, transportation and electricity prices.



Liquidity

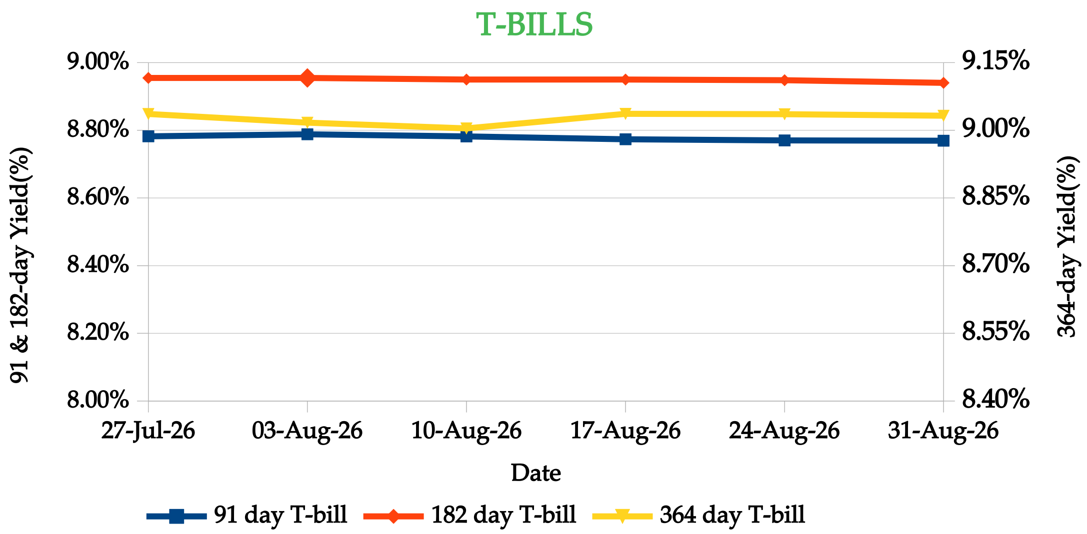
During the month, liquidity marginally increased as a result of government payments which offset tax remittances. The Kenya Shilling Overnight Interbank Average (KESONIA) remained unchanged at 8.75%. The average interbank volume increased by 148.70% to KShs 17.07 billion in August 2026. Commercial banks excess reserves increased from KShs 13.5 billion to KShs 25.50 billion.



FIXED INCOME

T-Bills

T-bills recorded an overall subscription rate of 177.81% during the month of August, compared to 143.23% recorded in the previous month. The performance of the 91-day, 182-day and 364-day papers stood at 291.25%, 161.52% and 103.34% respectively. On a monthly basis, yields on the 91-day and 182-day papers decreased by 0.28% and 0.10% respectively while the yield on 364-day papers increased by 0.19%.



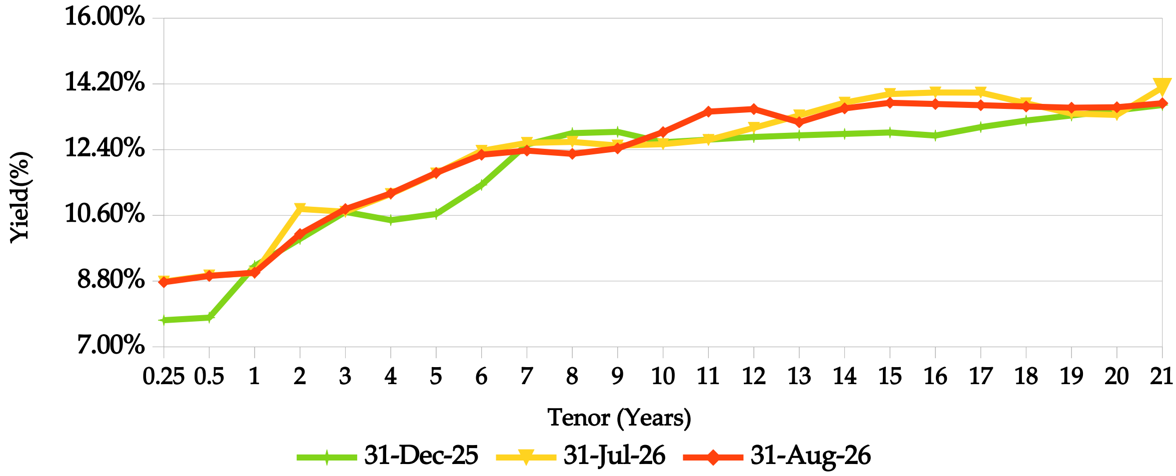
T-Bonds

During the month, T-Bonds registered a total turnover of KShs 7.66 billion from 330 bond deals. This represents a 36.20% and 97.60% increase in turnover and the number of deals respectively. The yields on government securities in the secondary market were relatively stable.

In the primary bond market, CBK re-opened IFB1/2019/016, IFB1/2021/018, IFB1/2021/021 and FXD4/2019/010 bonds in an effort to raise KShs 165.0 billion. The coupon rates are 11.75%, 12.67%, 12.74% and 12.28% respectively with tenors of 9.1 years, 12.6 years, 16.0 years and 3.2 years respectively.

In the international market, yields on Kenya's Eurobonds decreased by an average of 22 basis points.

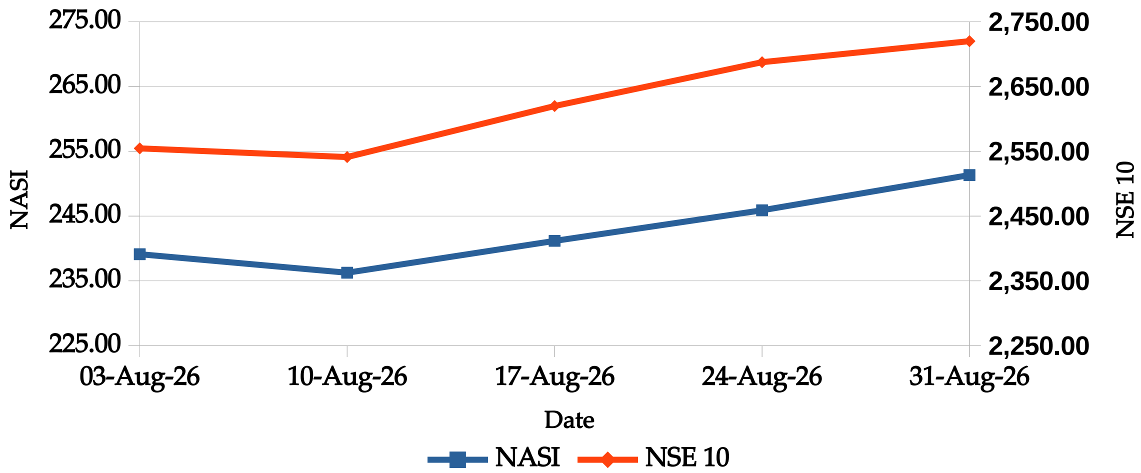
YIELD CURVE



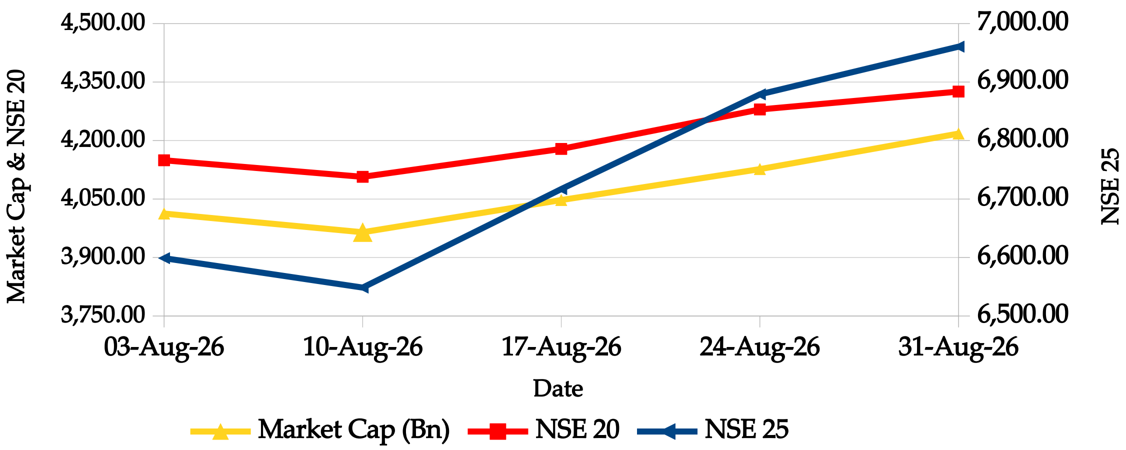
EQUITIES

During the month, market capitalization increased by 5.66% to settle at KShs 4.22 trillion. Total shares traded increased by 43.12% to 38.67 million shares and equity turnover increased by 47.35% to close at KShs 1.34 billion. On a monthly basis, NASI, NSE 20, NSE 25 and NSE 10 settled 5.66%, 5.67%, 5.92% and 6.73% higher respectively and the Banking Sector Index settled 6.06% higher. The performance was as a result of gains recorded by large cap stocks such as KCB, ABSA, Safaricom and EABL of 17.98%, 11.48%, 11.46% and 8.47% respectively.

NASI and NSE 10



Market Capitalization, NSE 20 and NSE 25



ALTERNATIVE INVESTMENTS

- The derivatives market, over the month, recorded a turnover of KShs 72.27 million with a trading volume of 14,605 which was a decrease from KShs 88.55 million with a trading volume of 18,702 recorded in the previous month.
- The I-REIT market recorded no activity during the month.
- The ETF market, over the month, recorded a turnover of KShs 60.53 million with 1,032 deals, which was a decrease from KShs 62.13 million with 1,375 deals recorded in the previous month.

GLOBAL AND REGIONAL MARKETS

Global Markets	Monthly Change	Weekly Change
S&P 500	2.62%	0.43%
STOXX Europe 600	0.29%	-0.48%
Shanghai Composite (SSEC)	4.02%	2.69%
MSCI Emerging Market Index	3.21%	1.46%
MSCI World	2.48%	0.20%

Regional Markets	Monthly Change	Weekly Change
JSE All Share	4.27%	-0.39%
NSE All Share (NGSE)	-0.44%	2.14%
DSEI (Tanzania)	6.00%	227.26%
USE (Uganda)	6.01%	1.45%

- Global markets gained over the month. In the US, the S&P 500 increased by 2.62% due to a robust earnings season, while the return of relative stability in the AI trade provided additional support. The Dow Jones Industrial Average increased by 1.34%. In Europe, the STOXX Europe 600 increased by 0.29% but UK's FTSE 100 indices decreased by 0.40% due to a decrease in British blue-chip shares. In Asia Pacific, the Shanghai Composite (SSEC) index increased by 4.02% driven by a sharp drop in oil that soothed inflation fears.
- On the regional front, markets performance during the month was mixed. South Africa's JSE All Share Index increased 4.27% while Nigeria's All share index declined 0.44%. Tanzania's All Share Index (DSEI) and Uganda's All Share index (USE) increased by 6.00% and 6.01% respectively.
- In the global commodities markets, oil futures indices increased over the month over uncertainty regarding the critical Strait of Hormuz. Crude Oil WTI futures and ICE Brent Crude settled 1.29% and 0.41% higher at USD 85.76 and USD 90.49 respectively. Gold futures prices settled 9.12% higher at USD 4,481.50.

DISCLAIMER

This document is intended for general information purposes only and should not be construed as advice or opinions on any specific facts or circumstances. The comments in this summary are based upon ACTSERV's preliminary analysis of publicly available information. The content of this document is made available on an "as is" basis, without warranty of any kind. ACSTERV disclaims any legal liability to any person or organization for loss or damage caused by or resulting from any reliance placed on this content. ACTSERV reserves all rights to the content of this document.

Actuarial Services E.A. Limited
1113 Kayahwe Rd, Off Galana Rd, Kilimani,
P. O. Box 10472 - 00100 NAIROBI, KENYA
Tel. +254 202 710 028 / Cell: +254 111 037 100 / +254 708 710 028 / +254 785 710 028
Office Email: info@actserv-africa.com