

MONTHLY COMMENTARY



Innovative Thinking
December 2025

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 marginally increased to 4.49% in December 2025 from 4.45% in November. This was primarily attributed to a rise in food and transport prices. The food and non-alcoholic beverages index increased by 7.8 % driven by higher food prices. The transport index rose by 5.2 % mainly due to higher transport costs. The housing, water, electricity, gas and other fuels index rose by 1.6% mainly driven by higher electricity prices.
- Kenya's economy grew by 4.9% in Q3 2025 compared to 4.2% in Q3 2024 as agriculture, construction and mining recovered. Agriculture, forestry and fishing grew 3.2%. Agriculture was the biggest contributor to this growth.
- The Monetary Policy Committee (MPC) lowered the Central Bank Rate (CBR) to 9.00% from 9.25% in December due to inflation expectations as well as lower prices for processed food items, stable energy prices and continued exchange rate stability.
- Treasury bonds accounted for almost all trading at the NSE in 2025. Corporate bond turnover remained negligible, underpinning the role of government securities as the backbone of Kenya's fixed income market. Foreign investors accounted for about 4.6% to 4.7% of domestic government securities.
- Kenya's external trade is becoming more regionally concentrated on the export side while growing increasingly dependent on Asia and Europe for imports, according to new trade data from the third quarter of 2025. Exports to African markets rose strongly during the third quarter of 2025, accounting for nearly half of Kenya's foreign sales, even as imports from Asia surged to almost 70% of total import expenditure.
- Safaricom launched a Kshs 15 billion tax-exempt green bond on December 16, 2025. Analysts expect active trading in early weeks after listing and they will track price movements against government securities.
- Foreign Direct Investment (FDI) into the COMESA region hit USD 65 billion in 2024 and Kenya ranked among the bloc's top five destinations as reported in the inaugural COMESA Investment Report 2025, jointly produced by UN Trade and Development (UNCTAD) and the COMESA Regional Investment Agency (RIA).
- Foreign investors remained net sellers at the NSE despite domestic equities strong performance in 2024 and 2025, underscoring a growing disconnect between market performance and offshore investor behavior. Net foreign outflows totaled Kshs 11.6Bn in 2025. Foreign investors have now exited the market on a net basis for six straight years, even as the NSE All-Share Index delivered its strongest two-year run since launch.
- Euro area consumer price inflation eased to 2.0% in December 2025, down from 2.1% in November attributed to a modest easing in price growth for services (3.4% vs. 3.5% in November) and non-energy industrial goods (0.4% vs. 0.5%), alongside a sharper decline in energy costs (-1.9% vs. -0.5%).
- China's annual inflation rate edged higher to 0.8% in December 2025 from 0.7% in November 2025. This was primarily attributed to rising food prices (1.1% vs 0.2% in November).

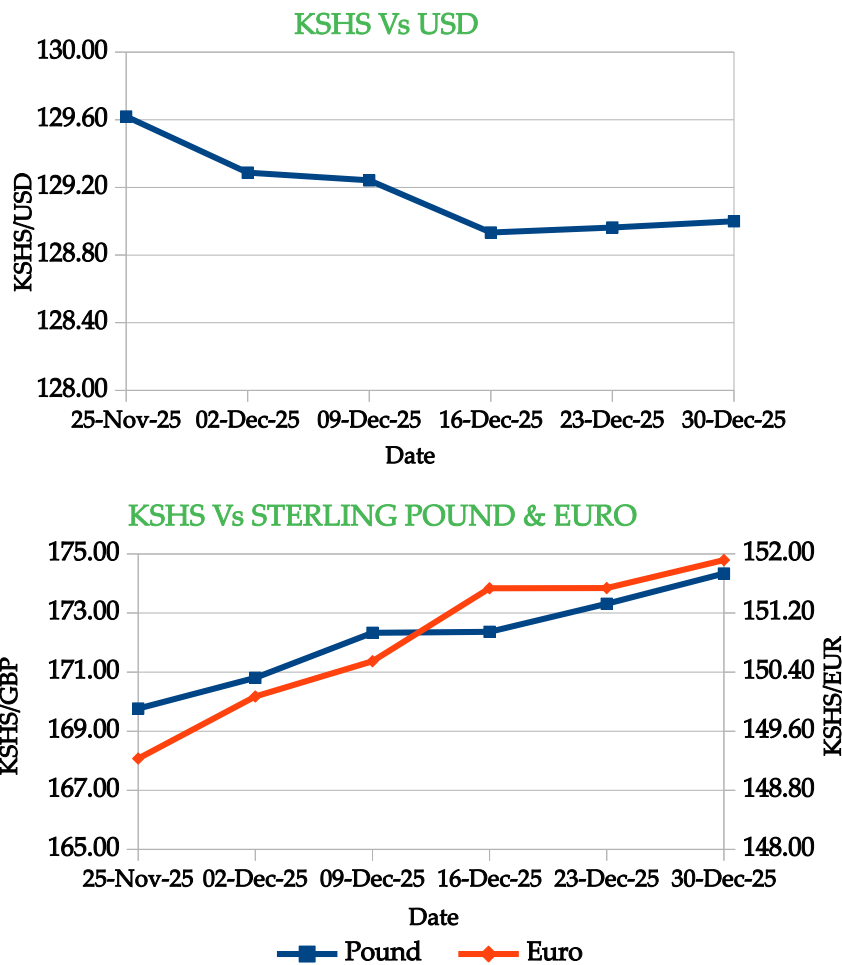
ECONOMIC INDICATORS

Foreign Exchange Reserves

During the month, the usable foreign exchange reserves increased by 3.71% to settle at \$12.39 billion (5.3 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.

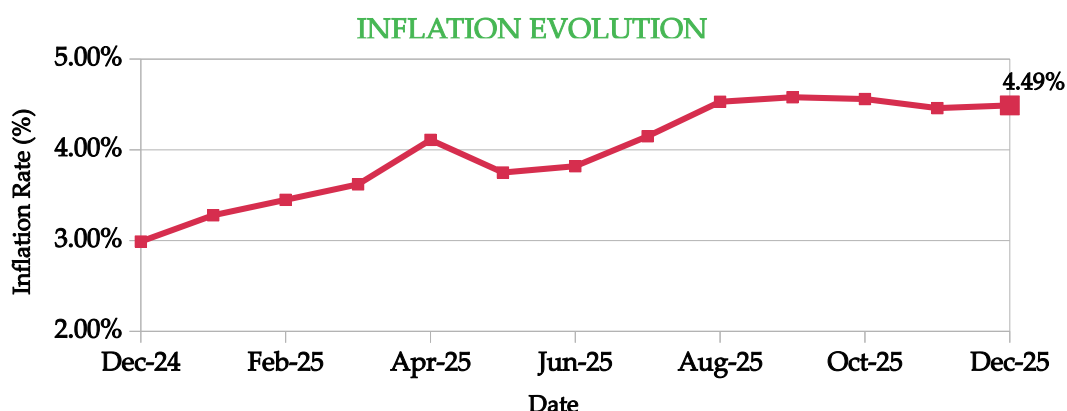
Currency

The Kenyan Shilling appreciated against the USD by 0.62% but depreciated against the the Sterling Pound and the Euro by 1.06% and 0.63%, exchanging at Kshs 129.01, Kshs 173.65 and Kshs 151.43 respectively at the end of the month from Kshs 129.82, Kshs 171.83 and Kshs 150.47 in the previous month. The observed appreciation against the Dollar is attributed to increased foreign inflows.



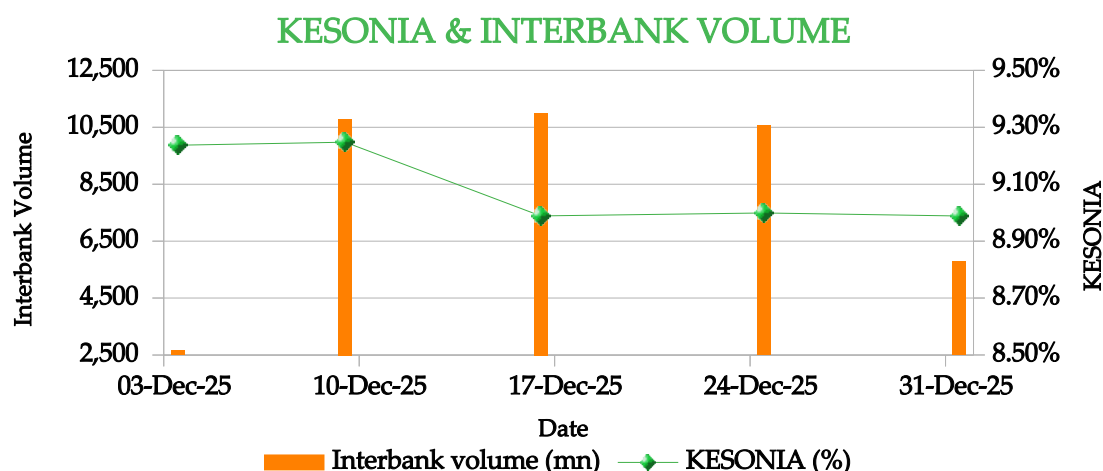
Inflation

The overall year-on-year inflation marginally increased to 4.49% in December 2025 from 4.45% in November. This was primarily attributed to higher food and transport prices.



Liquidity

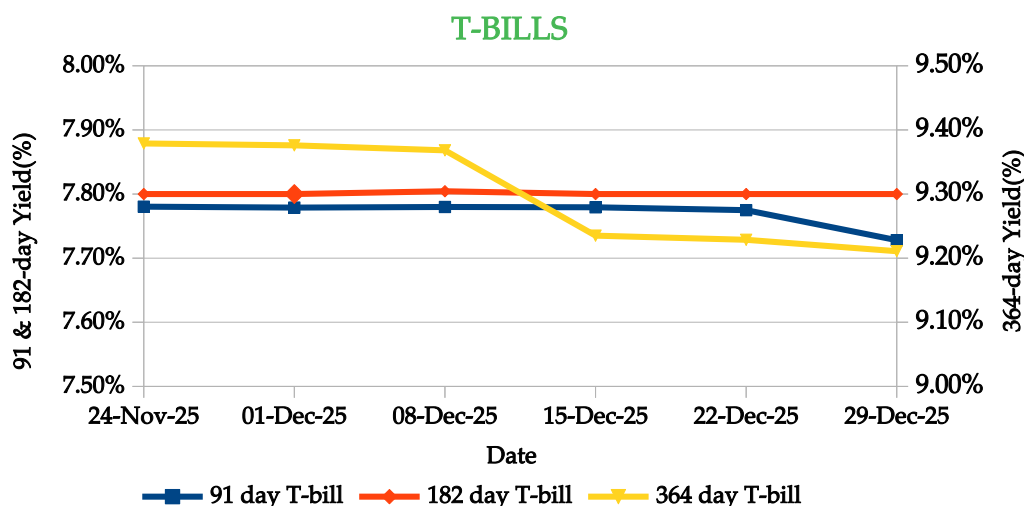
During the month, liquidity increased as a result of government payments which more than offset tax remittances. The Kenya Shilling Overnight Interbank Average (KESONIA) decreased from 9.24% to 9.09%. Commercial banks excess reserves increased from Kshs 7.60 billion to Kshs 18.00 billion.



FIXED INCOME

T-Bills

T-bills recorded an overall subscription rate of 110.76% during the month of December, compared to 165.24% recorded in the previous month. The performance of the 91-day, 182-day and 364-day papers stood at 141.53%, 59.28% and 149.93% respectively. On a monthly basis, yields on the 91-day and 364-day papers decreased by 0.65% and 1.76% respectively while the 182-day paper remained relatively stable.



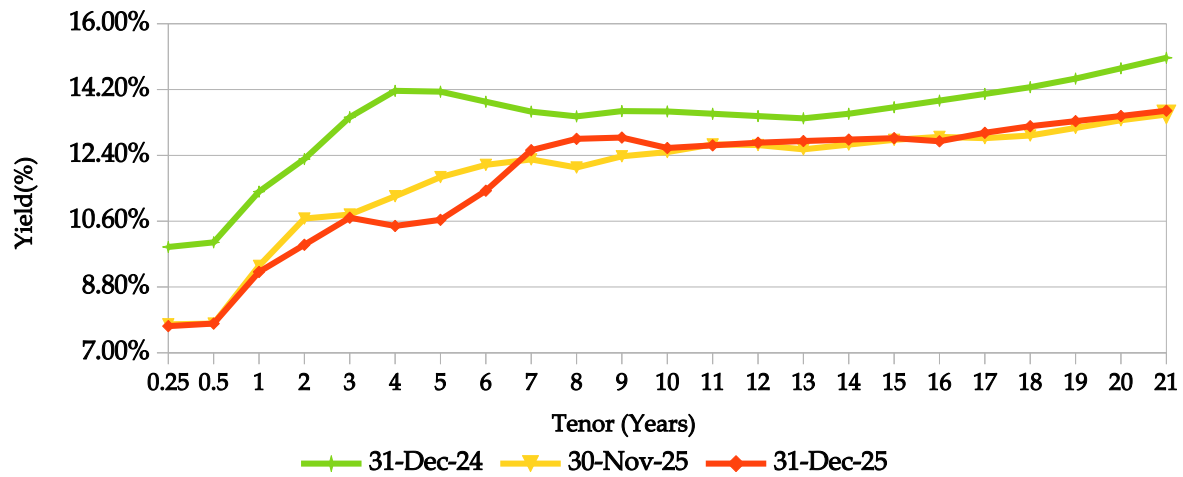
T-Bonds

During the month, T-Bonds registered a total turnover of Kshs 230.43 billion from 3,536 bond deals. This represents a 19.16% increase in turnover and a marginal decrease in the number of deals by 0.20%. The yields on government securities in the secondary market decreased during the month of December.

In the primary bond market, CBK re-opened SDB1/2011/030 and FXD1/2021/025 bonds in an effort to raise Kshs 40.0 billion. The coupon rates are 12.00% and 13.92%, with tenors of 15.2 years and 20.4 years respectively.

In the international market, yields on Kenya's Eurobonds decreased by an average of 68 basis points.

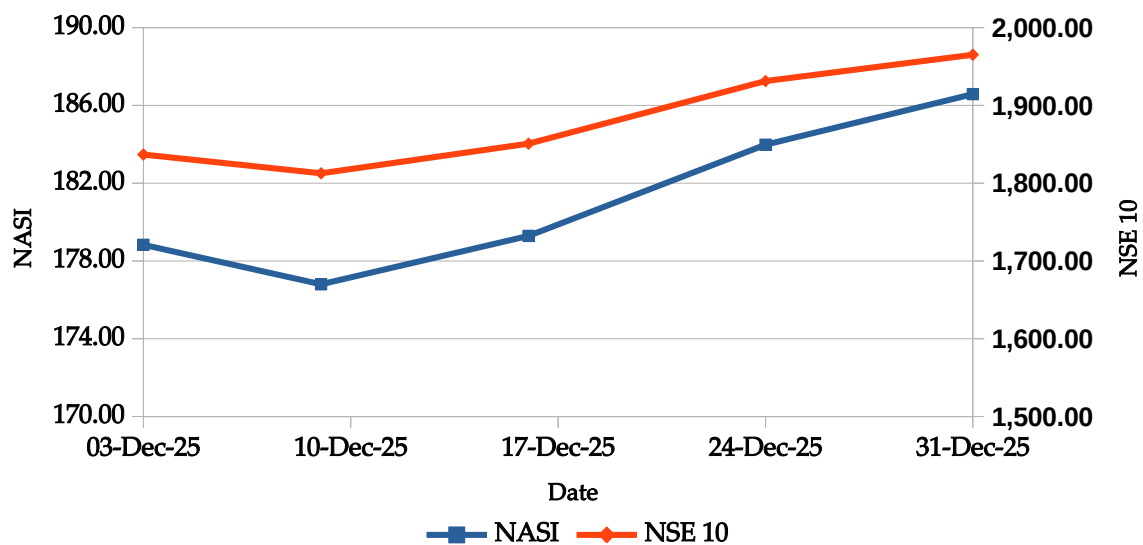
YIELD CURVE



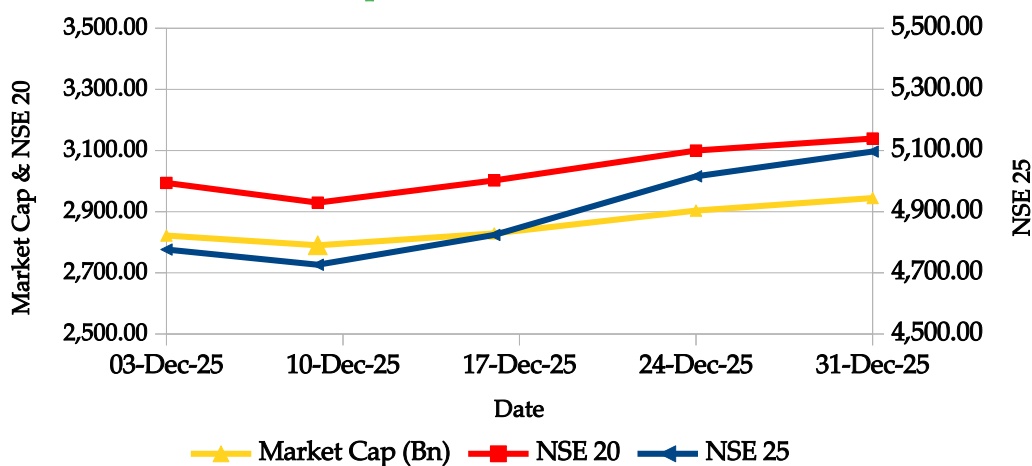
EQUITIES

During the month, market capitalization recorded a gain of 3.05% to settle at Kshs 2.94 trillion. Total shares traded increased by 3.63% to 509.67 million shares and equity turnover rose by 18.56% to close at Kshs 16.81 billion. On a monthly basis, NASI, NSE 20, NSE 25 and NSE 10 settled 3.05%, 2.83%, 5.72% and 6.29% higher respectively and the Banking Sector Index settled 6.11% higher. The performance was as a result of gains recorded by large cap stocks such as EABL, ABSA and KCB of 18.74%, 13.04% and 11.91% 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 60.69 million with a trading volume of 16,378, which was a decrease from Kshs 63.74 million with a trading volume of 17,185 recorded in the previous month.
- The I-REIT market, over the month, recorded a turnover of Kshs 600 million with 1 deal, an increase from no transaction in the previous month.
- The ETF market, over the month, recorded a turnover of Kshs 135.07 million with 399 deals, which was an increase from Kshs 39.08 million with 763 deals recorded in the previous month.

GLOBAL AND REGIONAL MARKETS

Global Markets	Monthly Change	YTD Change	Regional Markets	Monthly Change	YTD Change
S&P 500	-0.05%	1.09%	JSE All Share	4.57%	-1.86%
STOXX Europe 600	2.84%	-2.02%	NSE All Share (NGSE)	8.43%	-3.10%
Shanghai Composite (SSEC)	2.06%	-2.86%	DSEI (Tanzania)	-0.84%	-11.58%
MSCI Emerging Market Index	2.74%	-4.01%	ALSIUG (Uganda)	2.75%	-3.46%
MSCI World	0.73%	-1.33%			

- Global markets were volatile during the month. In the US, the S&P 500 marginally declined by 0.05% but the Dow Jones indices increased by 0.73%, supported by investor expectation that the Federal Open Market Committee (FOMC) will reduce the federal funds rate. In Europe, the STOXX Europe 600 and UK's FTSE 100 indices edged 2.84% and 2.17% higher, supported by investors anticipation that the Federal Reserve cuts interest rates at the end of the year. In Asia Pacific, the Shanghai Composite (SSEC) index increased by 2.06%, supported by investor confidence due to China's rapid progress in artificial intelligence, along with a broader policy push toward technological self-reliance and resilience in global trade.
- On the regional front, markets recorded a mixed performance during the month. South Africa's JSE All Share Index, Uganda's All Share index (USE ALSI) and Nigeria's All share index increased by 4.57%, 2.75% and 8.43% respectively, while Tanzania's All Share Index (DSEI) decreased by 0.84%.
- In the global commodities markets, oil futures indices posted losses for the fifth consecutive month, marking the longest losing streak since 2023, as expectations of higher global supply continued to weigh on prices. Crude Oil WTI futures and ICE Brent Crude settled 5.84% and 6.49% lower at \$57.42 and \$60.85 respectively. Gold futures prices settled 3.09% higher at \$4,386.30.

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