

MONTHLY COMMENTARY



Innovative Thinking
February 2026

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MONTH'S HIGHLIGHTS

- Inflation decreased to 4.25% in February 2026 from 4.40% in January 2026. This was primarily attributed to a lower food, transportation and electricity prices. The food and non-alcoholic beverages index increased by 7.3% driven by higher food prices. The transport index declined by 0.7% mainly due to lower fuel and transport costs. The housing, water, electricity, gas and other fuels index decreased by 0.4% mainly driven by lower electricity prices.
- The Monetary Policy Committee (MPC) lowered the Central Bank Rate (CBR) to 8.75% from 9.00% in January due to inflation expectations as well as lower prices for processed food items, stable energy prices and continued exchange rate stability.
- Treasury completed a USD 2.25 billion (KShs 290.3 billion) Eurobond to refinance near-term maturities, replacing 2028 and 2032 debt with longer-dated amortising bonds. This action was linked to improving investor confidence following a recent sovereign rating upgrade.
- According to the Nation Media Group, pension schemes' investments in the NSE listed shares increased 54.6% to KShs 312.84 billion in December 2025 from the previous year.
- New US and Israeli strikes on Iran have intensified tensions across the Middle East, raising the stakes for global energy markets as tanker flows through the critical Strait of Hormuz show signs of disruption. Oil prices are likely to significantly increase if this conflict extends beyond a few days.
- Safaricom rolled out the Ziidi Trader platform on 10 February 2026 in partnership with the NSE which pushed daily equity deals to break long-standing NSE deal activity records.
- China's annual inflation increased to 1.3% in February 2026 from 0.2% in January 2026, marking the highest increase since January 2023 and topping market expectations of 0.8%. The increase largely reflected the impact of the Lunar New Year, which fell in mid-February this year.
- Annual inflation in the Euro Area rose to 1.9% in February 2026 from 1.7% in January 2026 and above market expectations of 1.7%, according to a preliminary estimate. Among the bloc's largest economies, the Harmonised Index of Consumer Prices (HICP) accelerated in France (1.1% vs. 0.4%), Spain (2.5% vs. 2.4%) and Italy (1.6% vs. 1.0%), while easing slightly in Germany (2.0% vs. 2.1%).
- The S&P Global US Composite PMI dropped to 51.9 in February from 53 in January, the lowest in ten months and below preliminary estimates of 52.3. Growth was constrained by a broad-based weakening in the respective expansions in both manufacturing and service sector output.

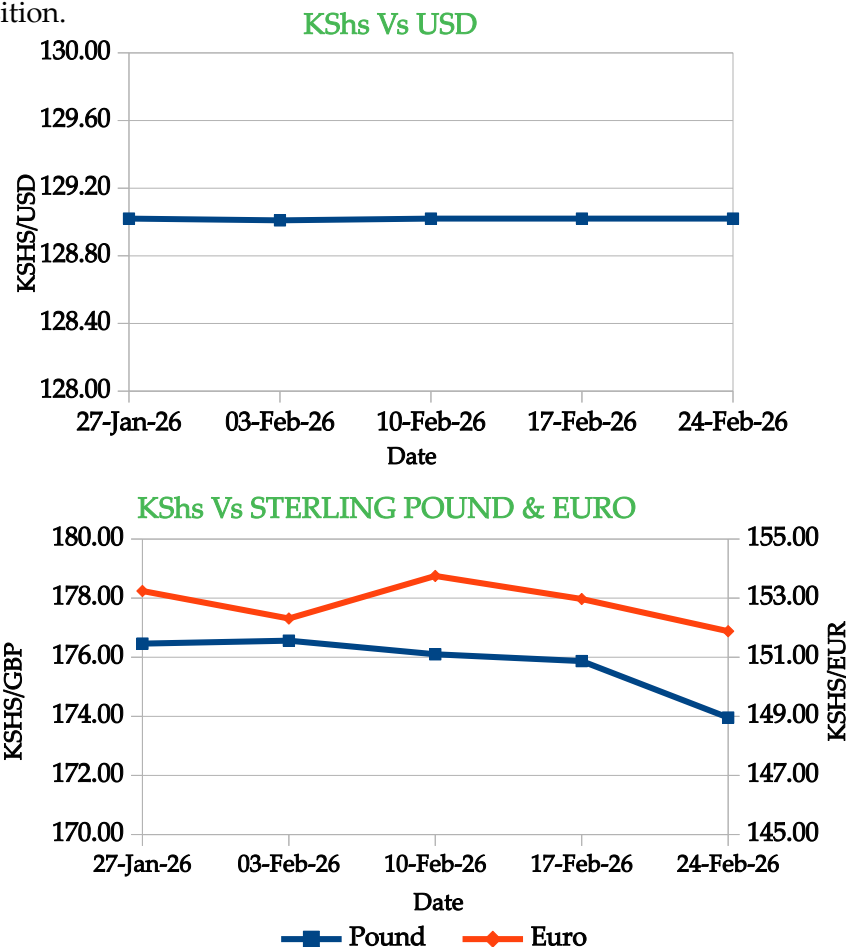
ECONOMIC INDICATORS

Foreign Exchange Reserves

During the month, the usable foreign exchange reserves increased by 1.63% to settle at \$12.54 billion (5.4 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.

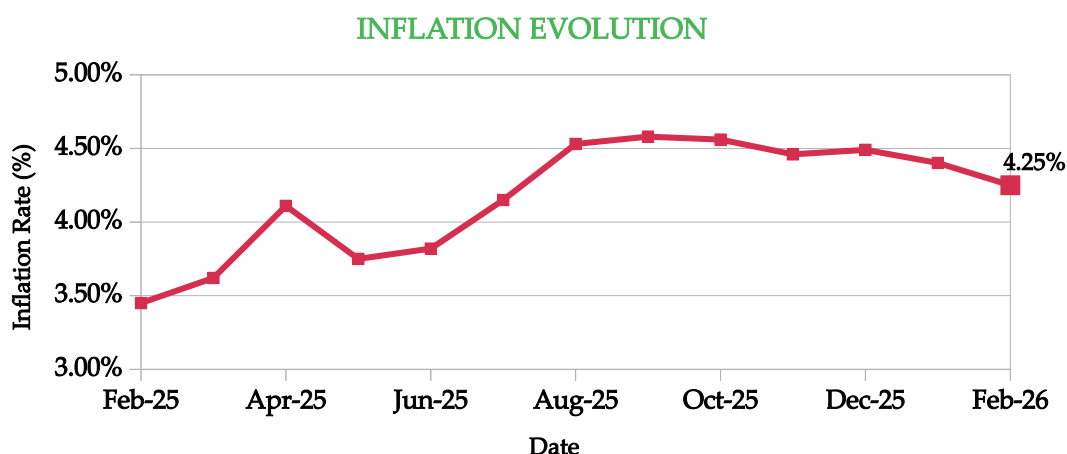
Currency

The Kenyan Shilling appreciated against the USD, the Sterling Pound and the Euro by 0.01%, 1.87% and 0.92%, exchanging at KShs 129.02, KShs 174.10 and KShs 152.39 respectively at the end of the month from KShs 129.03, KShs 177.42 and KShs 153.80 in the previous month. The observed appreciation against the Dollar is attributed to improved liquidity position from the recent Eurobond sale that improved the country's liquidity position.



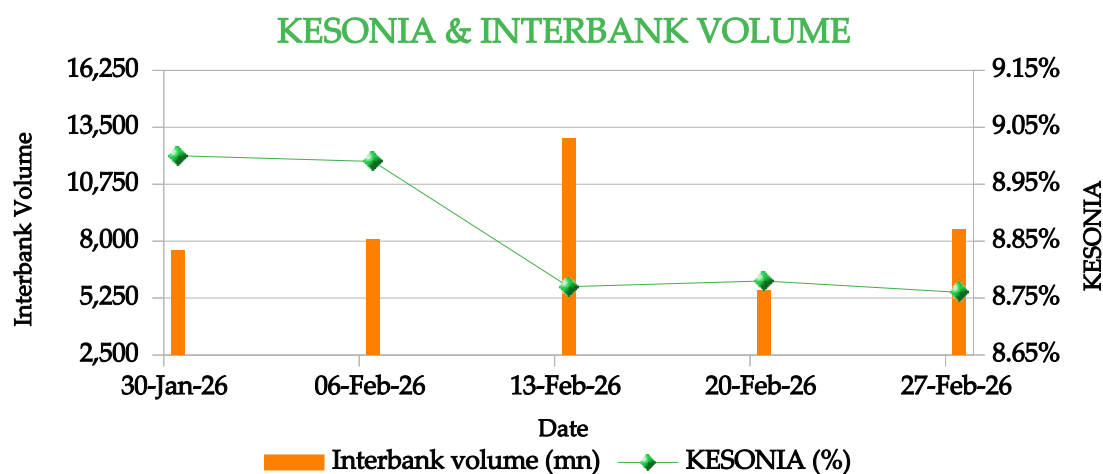
Inflation

The overall year-on-year inflation decreased to 4.25% in February 2026 from 4.40% in January 2026. This was primarily attributed to a lower food, transportation and electricity prices.



Liquidity

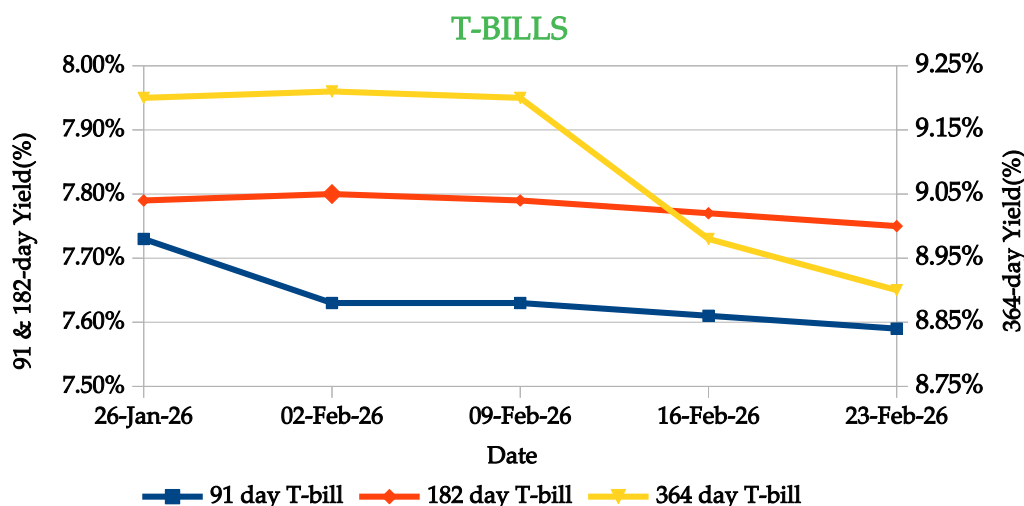
During the month, liquidity increased as a result of government payments which more than offset tax remittances. The Kenya Shilling Overnight Interbank Average (KESONIA) decreased from 8.99% to 8.85%. The average interbank volume decreased by 30.29% to KShs 8.10 billion in February 2026. Commercial banks excess reserves increased from KShs 6.80 billion to KShs 52.30 billion.



FIXED INCOME

T-Bills

T-bills recorded an overall subscription rate of 279.02% during the month of February, compared to 132.97% recorded in the previous month. The performance of the 91-day, 182-day and 364-day papers stood at 284.55%, 48.80% and 507.04% respectively. On a monthly basis, yields on the 91-day and 364-day papers decreased by 0.69% and 4.54% respectively while the 182-day paper remained relatively stable.



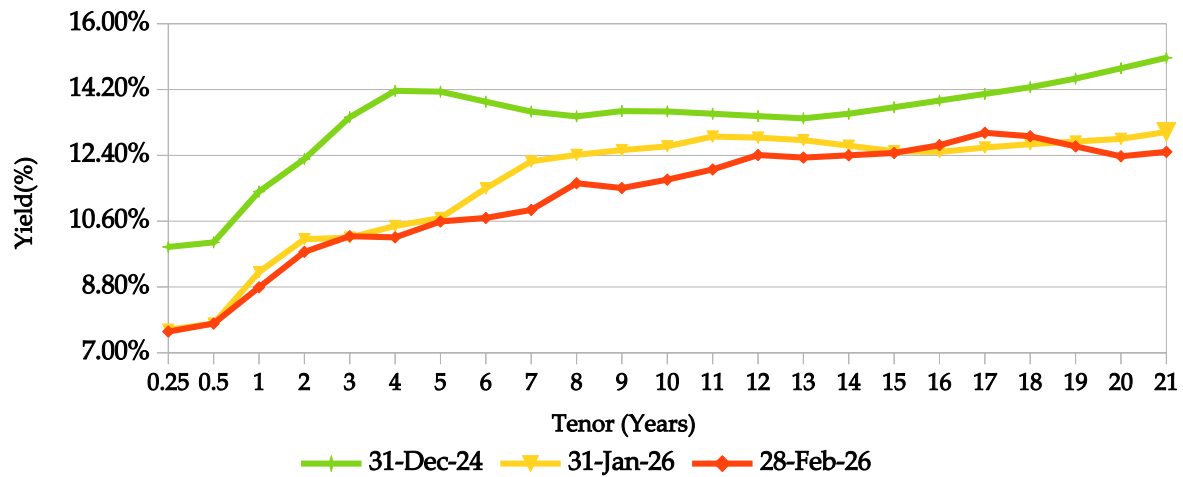
T-Bonds

During the month, T-Bonds registered a total turnover of KShs 381.81 billion from 4,785 bond deals. This represents a 37.23% and 20.35% 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 FXD3/2019/015 and FXD1/2018/025 bonds in an effort to raise KShs 50.0 billion. The coupon rates are 12.34% and 13.40% respectively with tenors of 8.4 years and 17.3 years respectively.

In the international market, yields on Kenya's Eurobonds increased by an average of 14 basis points.

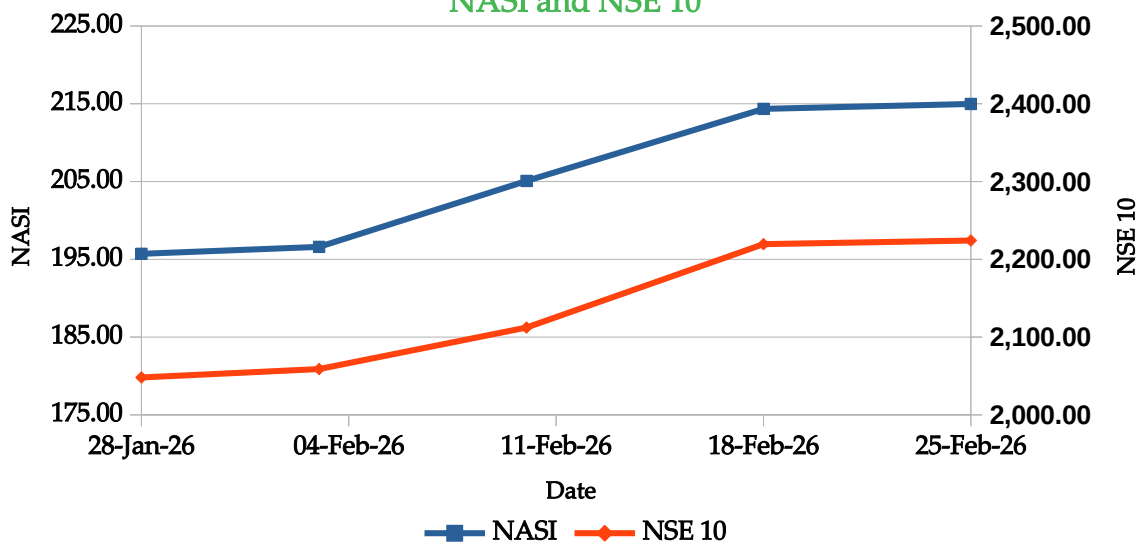
YIELD CURVE



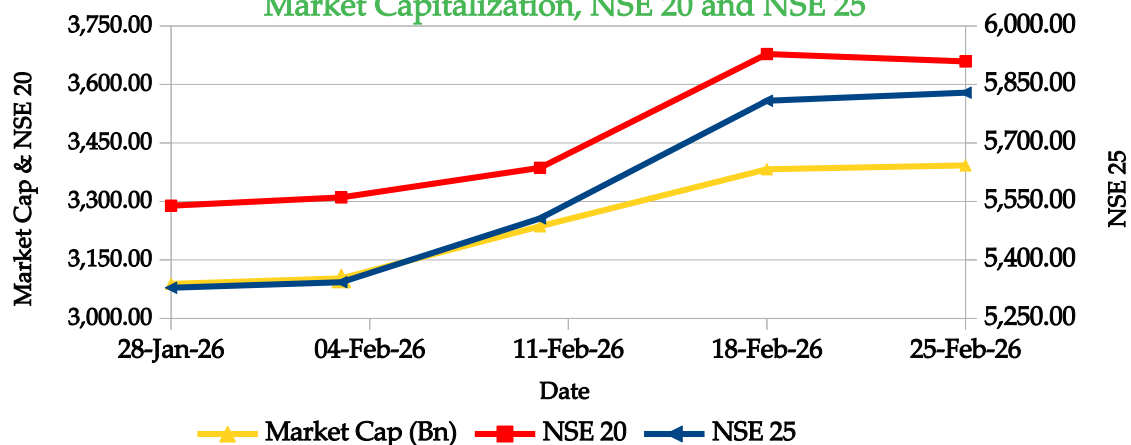
EQUITIES

During the month, market capitalization recorded a gain of 10.61% to settle at KShs 3.41 trillion. Total shares traded increased by 100.02% to 820.18 million shares and equity turnover increased by 82.95% to close at KShs 23.53 billion. On a monthly basis, NASI, NSE 20, NSE 25 and NSE 10 settled 10.61%, 13.67%, 11.77% and 10.83% higher respectively and the Banking Sector Index settled 14.36% higher. The performance was as a result of gains recorded by large cap stocks such as Stanbic, KCB, BAT and Standard Chartered of 29.55%, 20.68%, 19.75% and 16.85% 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 140.89 million with a trading volume of 40,250 which was an increase from KShs 47.40 million with a trading volume of 14,223 recorded in the previous month.
- The I-REIT market recorded a turnover of KShs 500.00 million with 1 deal, which was an increase from no activity recorded in the previous month.
- The ETF market, over the month, recorded a turnover of KShs 190.00 million with 697 deals, which was a decrease from KShs 974.96 million with 824 deals recorded in the previous month.

GLOBAL AND REGIONAL MARKETS

Global Markets	Monthly Change	Weekly Change	Regional Markets	Monthly Change	Weekly Change
S&P 500	-0.87%	-0.44%	JSE All Share	7.01%	4.42%
STOXX Europe 600	3.74%	0.52%	NSE All Share (NGSE)	16.60%	-1.11%
Shanghai Composite (SSEC)	1.09%	1.10%	DSEI (Tanzania)	21.16%	2.21%
MSCI Emerging Market Index	5.41%	2.77%	ALSIUG (Uganda)	13.93%	1.32%
MSCI World	0.64%	0.04%			

- Global markets largely gained over the month. In the US, the S&P 500 decreased by 0.87% due to investor concerns over the disruptive force of artificial intelligence and potential oil supply shocks due to rising risk of geopolitical conflict in the Middle East. The Dow Jones Industrial Average increased by 0.17%. In Europe, the STOXX Europe 600 and UK's FTSE 100 indices edged 3.74% and 6.72% higher supported by strong corporate earnings. In Asia Pacific, the Shanghai Composite (SSEC) index increased by 1.09%, supported by tech stock performance as China's rapid progress in artificial intelligence continues.
- On the regional front, markets recorded a positive performance during the month. South Africa's JSE All Share Index, Nigeria's All share index, Tanzania's All Share Index (DSEI) and Uganda's All Share index (USE ALSI) increased by 7.01%, 16.60%, 21.16% and 13.93% respectively.
- In the global commodities markets, oil futures indices increased over the month, amid concerns that the potential closure of the Strait of Hormuz could affect oil supply, raising investor concerns. Crude Oil WTI futures and ICE Brent Crude settled 2.78% and 2.53% higher at USD 67.02 and USD 72.48 respectively. Gold futures prices settled 10.60% higher at USD 5,247.90.

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