

MONTHLY COMMENTARY



Innovative Thinking
January 2026

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MONTH'S HIGHLIGHTS

- Inflation marginally decreased to 4.40% in January 2026 from 4.49% in December 2025. This was primarily attributed to a slower rise in food and transport prices. The food and non-alcoholic beverages index increased by 7.3%, driven by higher food prices. The transport index rose by 4.8%, mainly due to higher transport costs. The housing, water, electricity, gas and other fuels index rose by 2.2%, mainly driven by higher electricity prices.
- Kenya's economy expanded 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% from 4.0% in Q3 2024 with livestock and floriculture supporting expansion.
- The National Treasury announced plans to disclose the size of debt restructuring operations it intends to undertake, including buybacks, bond switches and swaps. Treasury will give advance information on the scale of liability management operations (LMOs) designed to replace maturing debt with new instruments that either extend repayment periods or carry lower interest rates, easing pressure on government finances.
- Kenya and the World Bank held discussions. The meeting brought together senior Kenyan government officials and a visiting World Bank delegation to review the status of existing financing arrangements and the direction of future support.
- Moody's upgraded Kenya's sovereign rating to B3 from Caa1 on January 27 2026 attributable to stronger foreign-exchange reserves, successful Eurobond refinancing and improved access to both external and domestic funding markets. Easing balance-of-payments pressure and improved funding flexibility reduced immediate credit stress, though weak debt affordability and persistent fiscal deficits continue to constrain the rating.
- The Board of Directors of NCBA Group Plc announced that it was served notice of intention to acquire approximately 66% of issued shares from shareholders.
- Kenya Pipeline Company Plc announced the opening of the Initial Public Offer (IPO) inviting the public to buy shares of the company.
- Kenyan banks and fintechs are increasingly tapping diaspora remittance data to unlock new lending opportunities. Record inflows from foreign countries highlight a large pool of income that has long sat outside the formal credit system. Diaspora remittances climbed to a record US\$ 5.04 billion in 2025, crossing the US\$ 5 billion mark for the first time and reinforcing their role as one of Kenya's most stable sources of foreign exchange.
- Inflation Rate In the Euro region decreased to 1.70% in January 2026 from 2.0% in December of 2025. Inflation Rate in the Euro region averaged 2.24% from 1991 until 2026, reaching an all time high of 10.60% in October 2022 and a record low of -0.60% in July of 2009
- The RatingDog China General Composite PMI rose to 51.6 in January 2026 from 51.3 in the previous month, marking the highest value since October 2025. The index also signaled an eighth consecutive month of expansion in private-sector activity.

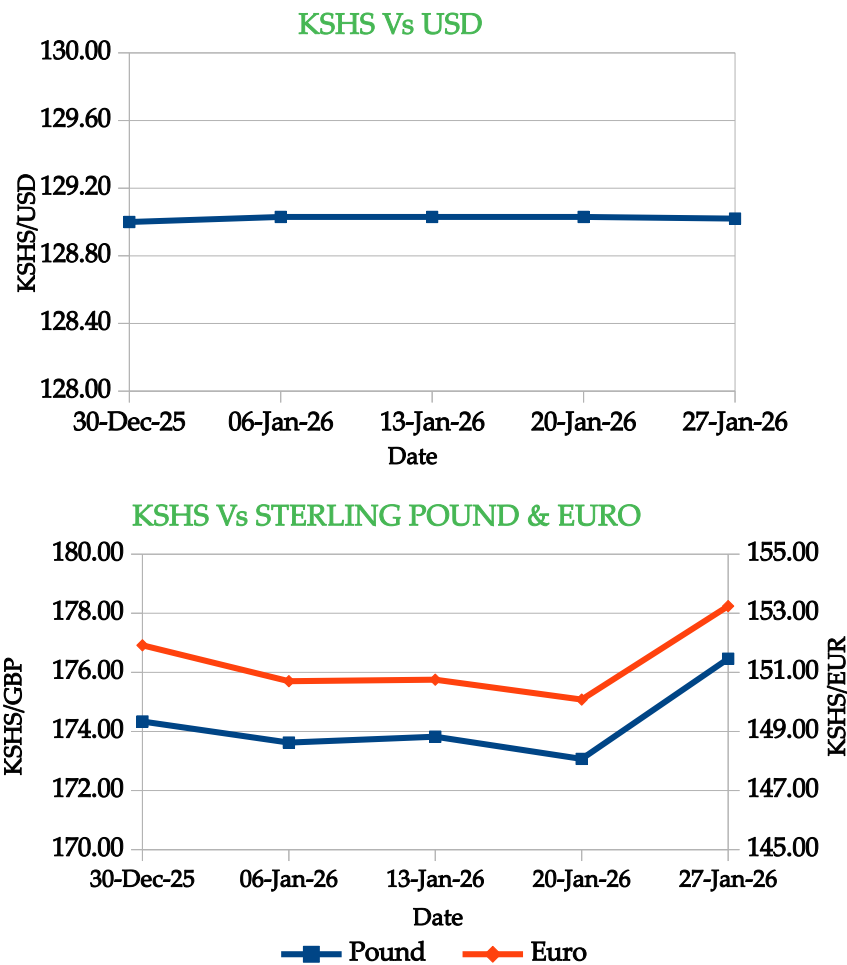
ECONOMIC INDICATORS

Foreign Exchange Reserves

During the month, the usable foreign exchange reserves marginally decreased by 0.48% to settle at \$12.33 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.

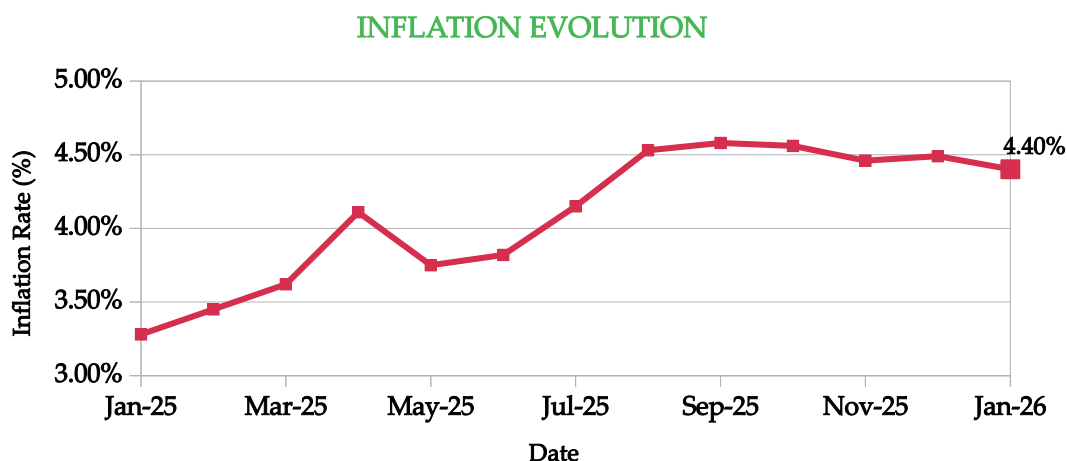
Currency

The Kenyan Shilling depreciated against the USD, Sterling Pound and the Euro by 0.02%, 2.17% and 1.57%, exchanging at Kshs 129.03, Kshs 177.42 and Kshs 153.80 respectively at the end of the month from Kshs 129.01, Kshs 173.65 and Kshs 151.43 in the previous month. The observed depreciation against the Dollar is attributed to increased Dollar demand for imports.



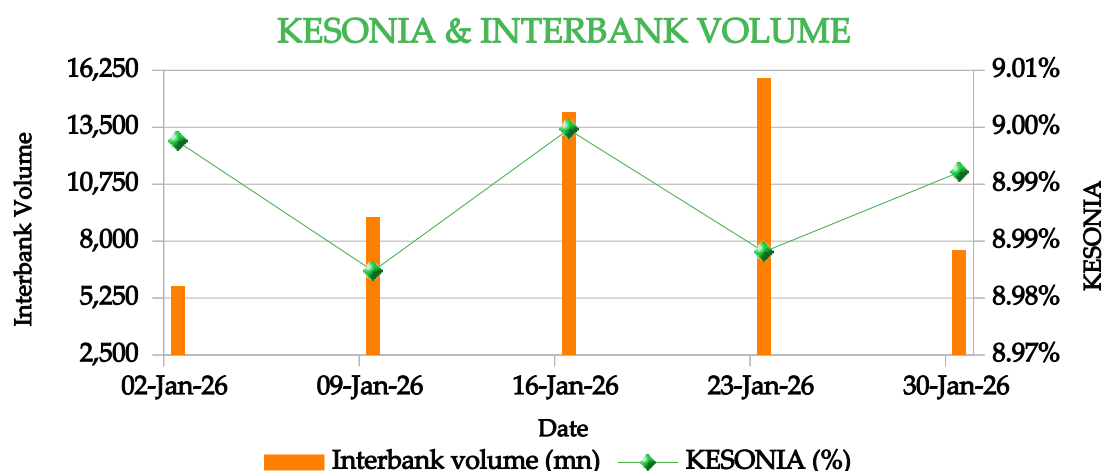
Inflation

The overall year-on-year inflation marginally decreased to 4.40% in January 2026 from 4.49% in December 2025. This was primarily attributed to a slower rise in food and transport prices.



Liquidity

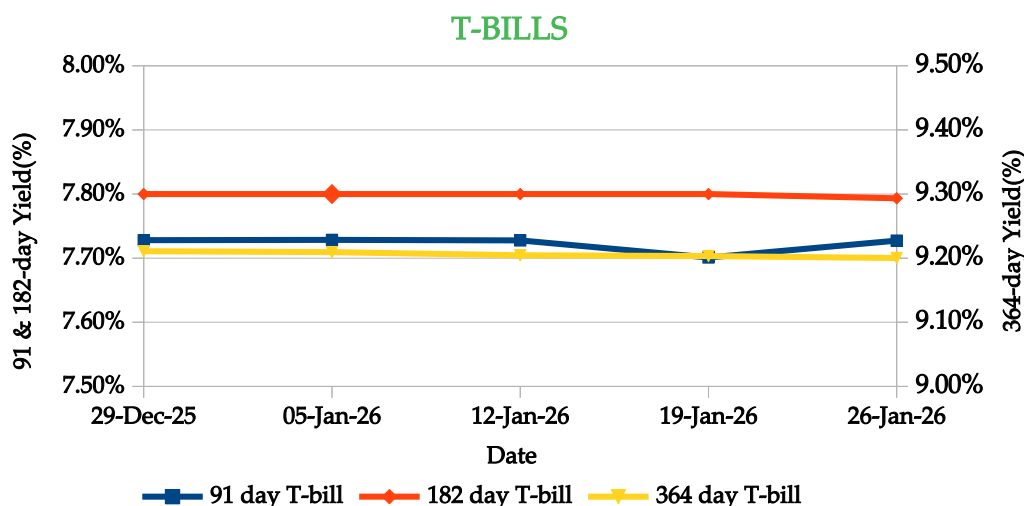
During the month, liquidity increased as a result of government payments which more than offset tax remittances. The Kenya Shilling Overnight Interbank Average (KESONIA) decreased from 9.09% to 8.99%. The average interbank volume increased by 0.81% to Kshs 11.63 billion in January 2026. Commercial banks excess reserves decreased from Kshs 18.00 billion to Kshs 6.80 billion.



FIXED INCOME

T-Bills

T-bills recorded an overall subscription rate of 132.97% during the month of January, compared to 110.76% recorded in the previous month. The performance of the 91-day, 182-day and 364-day papers stood at 81.42%, 53.22% and 233.34% respectively. On a monthly basis, yields on the 91-day and 364-day papers decreased by 1.24% and 0.03% respectively while the 182-day paper remained relatively stable.



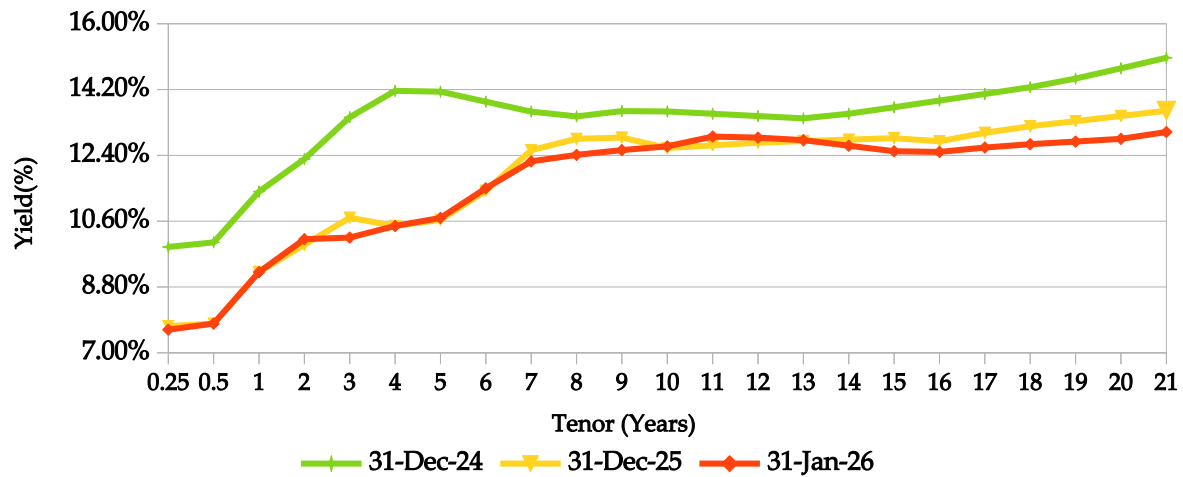
T-Bonds

During the month, T-Bonds registered a total turnover of Kshs 278.23 billion from 3,976 bond deals. This represents a 20.74% and 12.44% 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 FXD1/2019/020 and FXD1/2022/025 bonds in an effort to raise Kshs 60.0 billion before a switch auction for the FXD1/2016/010 in exchange for the FXD1/2022/015. The coupon rates are 12.87%, 14.19% and 13.94% respectively with tenors of 13.2 years, 21.8 years and 11.3 years respectively.

In the international market, yields on Kenya's Eurobonds decreased by an average of 12 basis points.

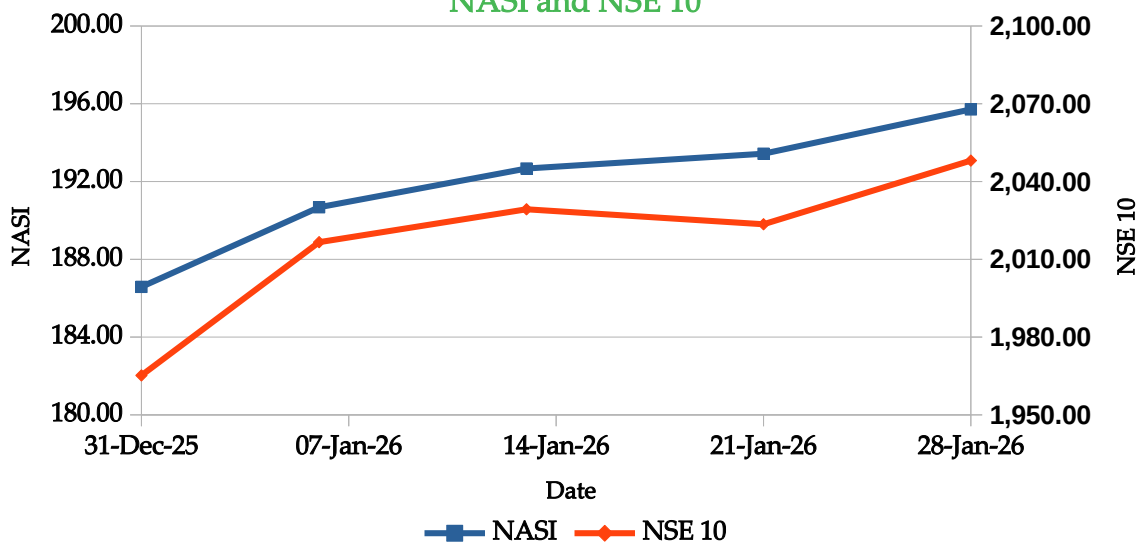
YIELD CURVE



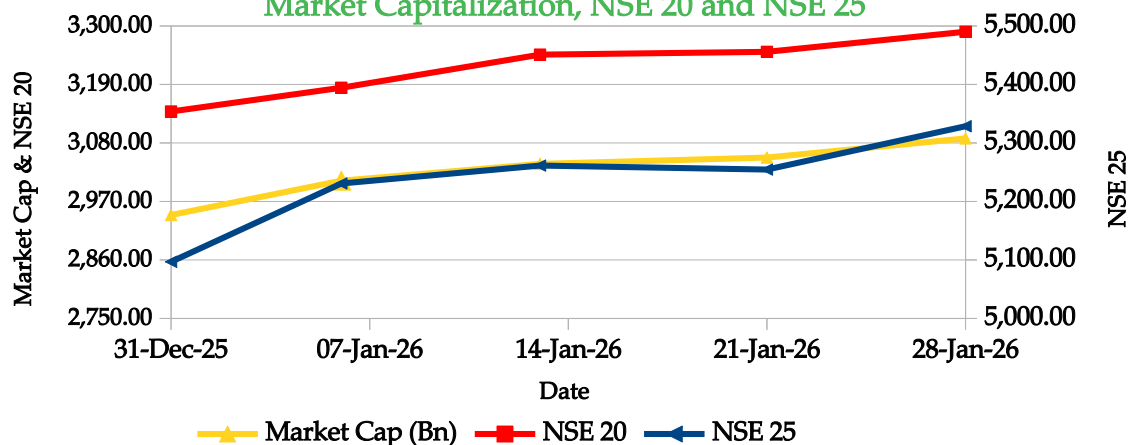
EQUITIES

During the month, market capitalization recorded a gain of 4.70% to settle at Kshs 3.08 trillion. Total shares traded decreased by 19.55% to 410.04 million shares and equity turnover decreased by 23.49% to close at Kshs 12.86 billion. On a monthly basis, NASI, NSE 20, NSE 25 and NSE 10 settled 4.71%, 5.10%, 4.42% and 4.15% higher respectively and the Banking Sector Index settled 5.59% higher. The performance was as a result of gains recorded by large cap stocks such as Coop Bank, ABSA, NCBA and Safaricom of 13.57%, 13.16%, 10.12% and 4.41% 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 47.40 million with a trading volume of 14,223 which was a decrease from Kshs 60.69 million with a trading volume of 16,378 recorded in the previous month.
- The I-REIT market recorded no activity over the month, from a turnover of Kshs 600 million with 1 deal recorded in the previous month..
- The ETF market, over the month, recorded a turnover of Kshs 974.96 million with 824 deals, which was an increase from Kshs 135.07 million with 399 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	1.37%	0.34%	JSE All Share	3.94%	-1.86%
STOXX Europe 600	3.07%	0.44%	NSE All Share (NGSE)	6.27%	-0.09%
Shanghai Composite (SSEC)	3.76%	-0.44%	DSEI (Tanzania)	17.99%	-0.26%
MSCI Emerging Market Index	8.81%	1.80%	ALSIUG (Uganda)	27.34%	3.03%
MSCI World	2.19%	0.50%			

- Global markets gained over the month. In the US, the S&P 500 increased by 1.37% and the Dow Jones Industrial Average increased by 1.73%, supported by positive corporate earnings which boosted investor sentiment despite a slight uptick in inflation. In Europe, the STOXX Europe 600 and UK's FTSE 100 indices edged 3.07% and 2.94% higher supported by strong corporate earnings. In Asia Pacific, the Shanghai Composite (SSEC) index increased by 3.76%, 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 3.94%, 6.27%, 17.99% and 27.34% respectively.
- In the global commodities markets, oil futures indices increased, breaking the losing streak as progress in Iran diplomatic negotiations eased investor concerns. Crude Oil WTI futures and ICE Brent Crude settled 13.57% and 16.17% higher at \$65.21 and \$70.69 respectively. Gold futures prices settled 8.18% higher at \$4,745.10.

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