

MONTHLY COMMENTARY



Innovative Thinking
June 2026

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MONTH'S HIGHLIGHTS

- Inflation decreased to 6.41% in June 2026 from 6.68% in May 2026 but was an increase from 3.82% in June 2025. This was primarily attributed to a rise in transport prices. The food and non-alcoholic beverages index increased by 8.6% driven by higher food prices. The transport index rose by 16.1% mainly due to higher transport costs. The housing, water, electricity, gas and other fuels index rose by 3.4% mainly driven by higher electricity prices.
- The Monetary Policy Committee (MPC) maintained the Central Bank Rate (CBR) at 8.75% in June due to inflation expectations as well as stable food prices attributed to favourable weather conditions and stability of the exchange rate in addition to the potentially transitory nature of the Middle East conflict and its impact on energy prices.
- The Central Bank of Kenya (CBK) is targeting to raise KShs 80 billion in July 2026 through four bond auctions, including a partial switch of a bond maturing on November 9, 2026. The yields set in these auctions will act as a barometer for near-term interest rates in Kenya. Strong subscription would reflect robust liquidity in the banking system and confidence in government creditworthiness. Under-subscription or demand for higher coupons could push domestic borrowing costs upwards.
- Rising interest rates in Kenya have boosted returns for money market funds, with average yields climbing above 13% in June 2026, making them increasingly attractive to retail and institutional investors seeking short-term, low-risk placements. If inflation remains high, real returns may be eroded despite nominal gains. A sudden CBK policy reversal could lower yields. Money Market Funds are liquid but may underperform longer-term bonds if rates stabilize.
- In June 2026, the Nairobi Securities Exchange (NSE) saw two landmark listings that signal a maturing of Kenya's capital markets: the debut of Family Bank and the TRIFIC Green USD I-REIT. Family Bank's listing represents the largest private-sector admission in over 17 years, while the TRIFIC I-REIT is Africa's first US dollar-denominated green income Real Estate Investment Trust.
- China's annual inflation held steady at 1.2% in May 2026 from the previous month, slightly below market expectations of 1.3%. Non-food inflation increased 0.1% to 1.9% due to increase in transport costs by 0.8% to 5.4%. The increase was caused by higher energy prices and supply-chain disruptions caused by the Middle East conflict.
- Annual inflation in the Euro Area decreased to 2.8% in June 2026 from 3.2% in May 2026 and below market expectations of 3.0%, according to a preliminary estimate. Among the bloc's largest economies, the Harmonised Index of Consumer Prices (HICP) slowed in Germany (2.4% vs. 2.7%), France (2.0% vs. 2.8%) and Italy (3.1% vs. 3.2%), while remaining unchanged in Spain at 3.6%.
- The S&P Global US Composite PMI rose to 52.2 in June from 51.5 in May. The expansion was supported by the largest growth in the manufacturing output in six years (57.7 vs 56.6 in May) and a sharper increase in services activity (51.3 vs 50.7). Total orders grew supported by the start of the FIFA World Cup and clients front-running contracts before the Middle East war causes further supply disruptions.

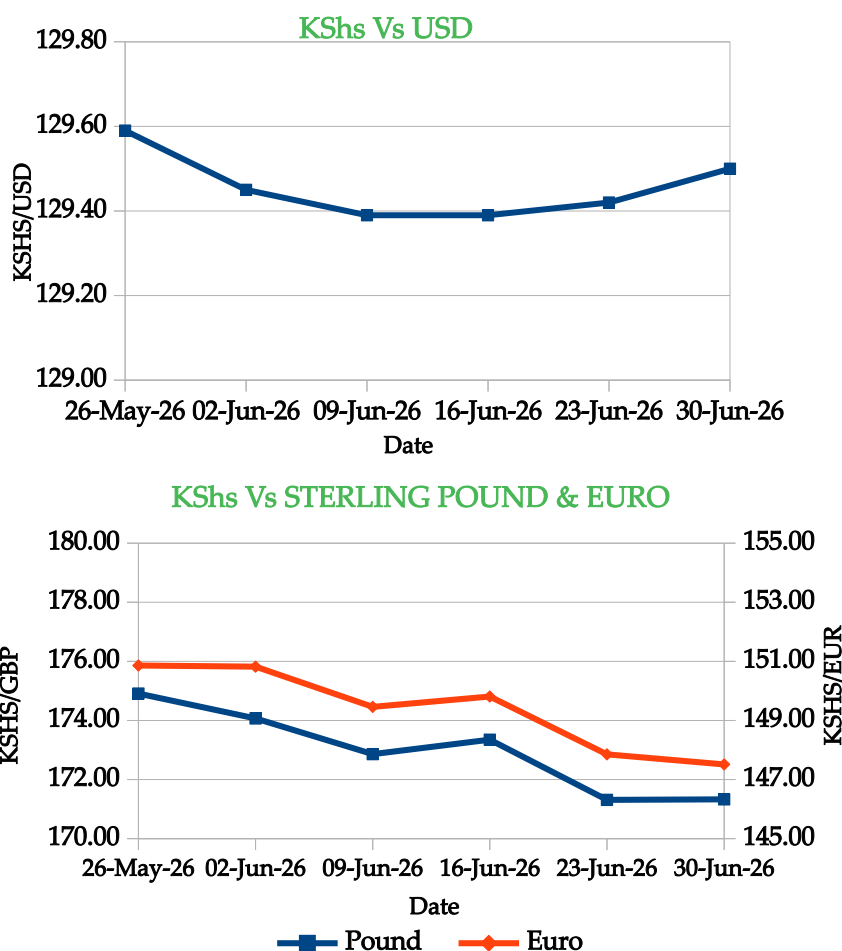
ECONOMIC INDICATORS

Foreign Exchange Reserves

During the month, the usable foreign exchange reserves marginally decreased by 0.27% to settle at \$13.17 billion (5.6 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.

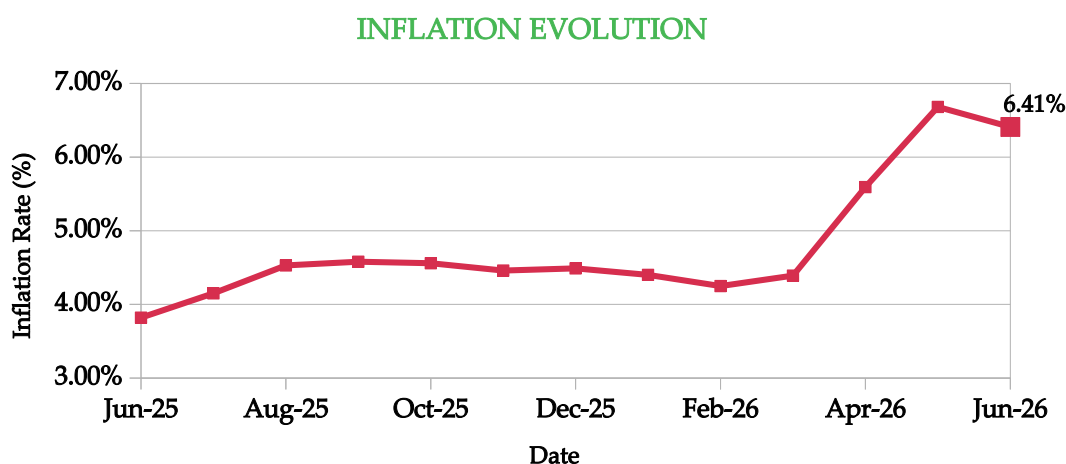
Currency

The Kenyan Shilling appreciated against the USD, the Sterling Pound and the Euro by 0.04%, 1.57% and 2.16%, exchanging at KShs 129.50, KShs 171.33 and KShs 147.51 respectively at the end of the month from KShs 129.55, KShs 174.07 and KShs 150.76 in the previous month. The observed appreciation against the Dollar is attributed to decreased Dollar demand by importers due to easing geopolitical tensions as the US and Iran reached a preliminary ceasefire agreement.



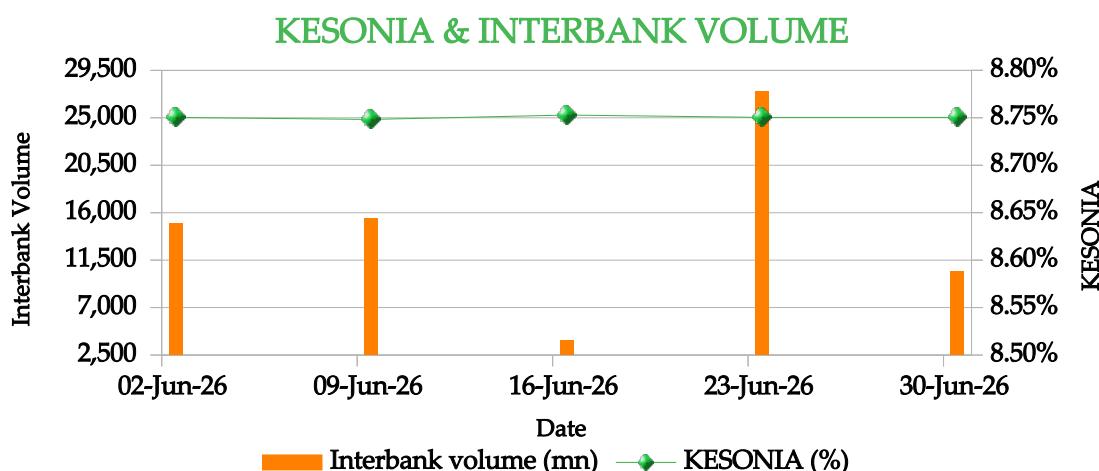
Inflation

The overall year-on-year inflation decreased to 6.41% in June 2026 from 6.68% in May 2026. This was primarily attributed to a higher food, transportation and electricity prices.



Liquidity

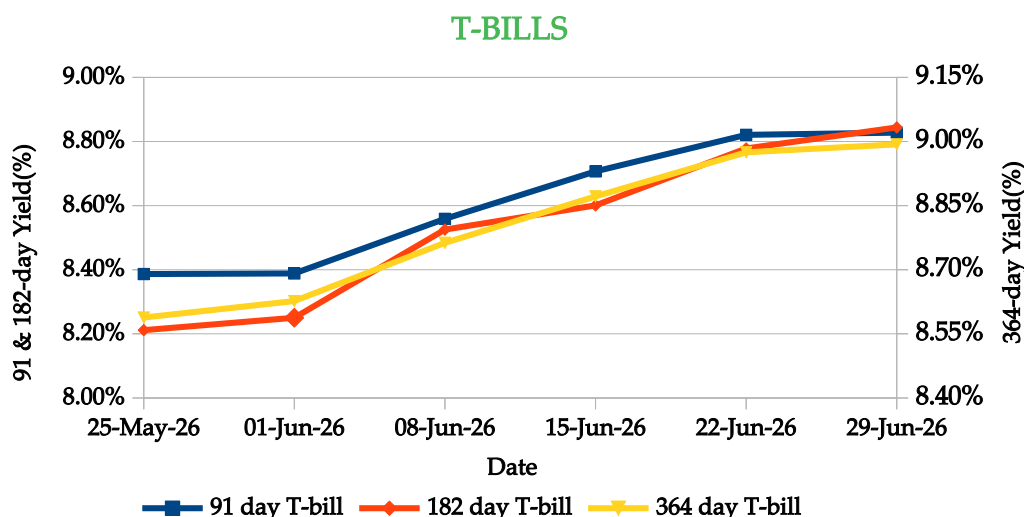
During the month, liquidity marginally decreased as a result of tax remittances which offset government payments. The Kenya Shilling Overnight Interbank Average (KESONIA) marginally increased from 8.74% to 8.75%. The average interbank volume decreased by 15.00% to KShs 10.98 billion in June 2026. Commercial banks excess reserves increased from KShs 13.6 billion to KShs 16.70 billion.



FIXED INCOME

T-Bills

T-bills recorded an overall subscription rate of 178.09% during the month of June, compared to 108.69% recorded in the previous month. The performance of the 91-day, 182-day and 364-day papers stood at 784.47%, 40.98% and 72.64% respectively. On a monthly basis, yields on the 91-day and 364-day papers increased by 5.23%, 7.20% and 4.25% respectively.



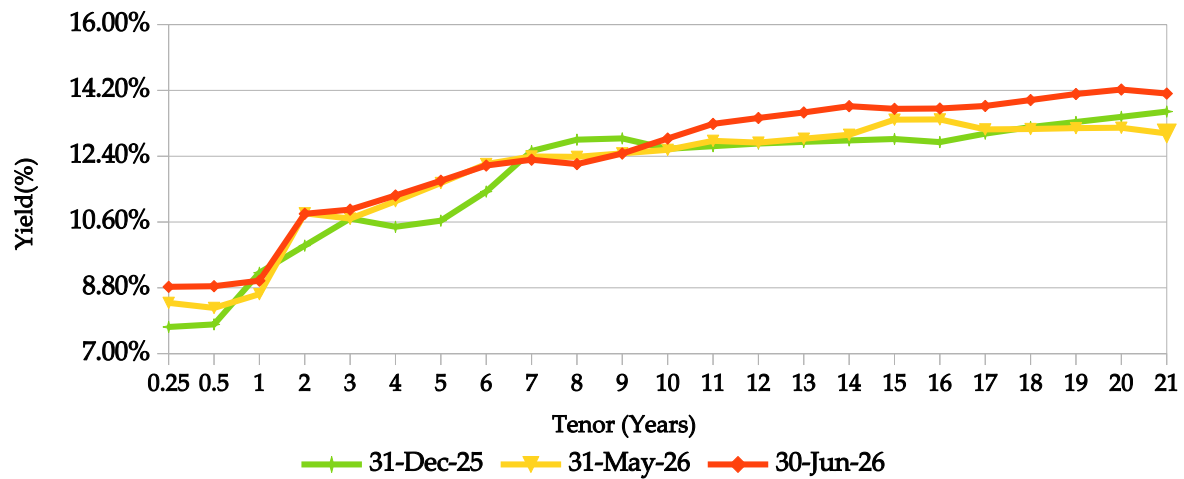
T-Bonds

During the month, T-Bonds registered a total turnover of KShs 263.33 billion from 4,955 bond deals. This represents a 102.62% and 46.77% 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 FXD1/2018/020 and FXD1/2021/025 bonds in an effort to raise KShs 20.0 billion. The coupon rates are 13.20% and 13.92% respectively with tenors of 11.7 years and 19.8 years respectively.

In the international market, yields on Kenya's Eurobonds increased by an average of 20 basis points.

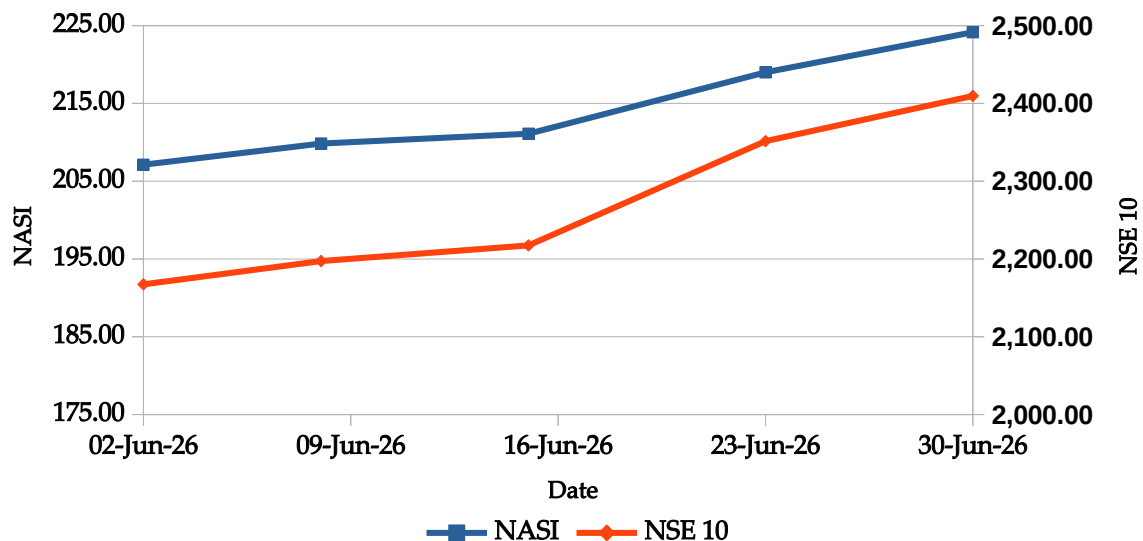
YIELD CURVE



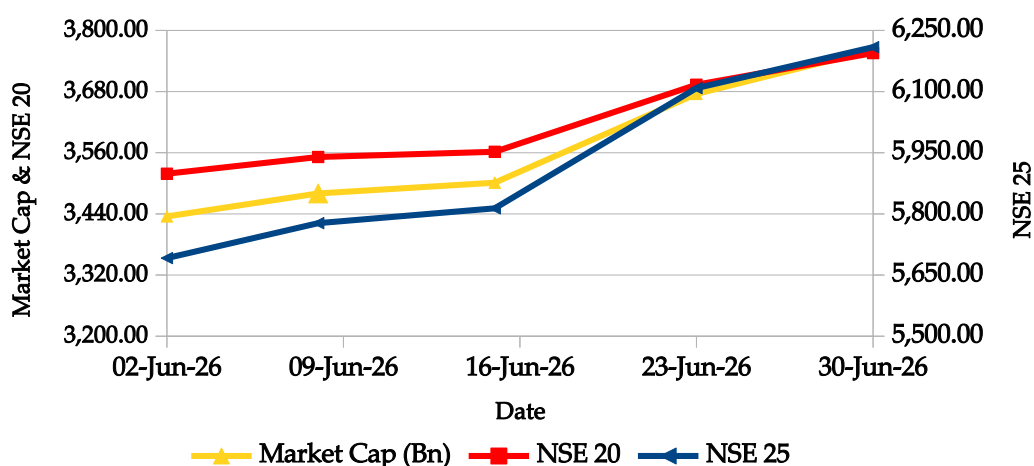
EQUITIES

During the month, market capitalization increased by 10.27% to settle at KShs 3.76 trillion. Total shares traded increased by 1,616.16% to 6.62 billion shares and equity turnover increased by 6,365.63% to close at KShs 968.52 billion. On a monthly basis, NASI, NSE 20, NSE 25 and NSE 10 settled 8.97%, 6.90%, 9.72% and 11.83% higher respectively and the Banking Sector Index settled 9.26% 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 161.58 million with a trading volume of 33,308 which was an increase from KShs 88.68 million with a trading volume of 13,639 recorded in the previous month.
- The I-REIT market recorded a turnover of KShs 0.16 million with 1 deal, which was a decrease from a turnover of KShs 26.37 million with 1 deal recorded in the previous month.
- The ETF market, over the month, recorded a turnover of KShs 55.34 million with 1,214 deals, which was an increase from KShs 22.05 million with 752 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	-1.06%	1.82%	JSE All Share	-3.77%	-1.18%
STOXX Europe 600	2.51%	1.12%	NSE All Share (NGSE)	-8.37%	-4.70%
Shanghai Composite (SSEC)	0.63%	0.63%	DSEI (Tanzania)	2.88%	3.37%
MSCI Emerging Market Index	-1.67%	-1.67%	USE (Uganda)	5.23%	1.22%
MSCI World	-0.80%	-0.80%			

- Global markets were mixed over the month. In the US, the S&P 500 decreased by 1.06% due to investor concerns over dramatic swings in market value of trillion-dollar tech companies that are part of the US stock market may be in a bubble. The Dow Jones Industrial Average increased by 2.52%. In Europe, the STOXX Europe 600 and UK's FTSE 100 indices increased by 2.51% and 0.84% due to investor confidence supported by substantial banking sector gains following a wave of mergers and acquisitions. In Asia Pacific, the Shanghai Composite (SSEC) index increased by 0.63% driven by strong gains in tech stocks.
- On the regional front, markets performance during the month was mixed. South Africa's JSE All Share Index and Nigeria's All share index declined 3.77% and 8.37% respectively. Tanzania's All Share Index (DSEI) and Uganda's All Share index (USE) increased by 2.88% and 5.23% respectively.
- In the global commodities markets, oil futures indices decreased over the month due to the progress in diplomacy and the signing of the memorandum of understanding (MoU) that reopened the critical Strait of Hormuz. Crude Oil WTI futures and ICE Brent Crude settled 20.44% and 20.78% lower at USD 69.50 and USD 72.92 respectively. Gold futures prices settled 12.07% lower at USD 4,038.50.

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