

MONTHLY COMMENTARY



Innovative Thinking
March 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 4.39% in March 2026 from 4.25% in February 2026 and from 3.63% in March 2025. This was primarily attributed to a rise in food and transport prices. The food and non-alcoholic beverages index increased by 7.7% driven by higher food prices. The transport index rose by 3.8% mainly due to higher transport costs. The housing, water, electricity, gas and other fuels index rose by 2.0% mainly driven by higher electricity prices.
- The NSE recorded its worst week since the COVID-19 pandemic, with KSh 231.17Bn in market value erased across five consecutive losing sessions in the week ending 27 March 2026. It was the second largest weekly decline since 2008, behind only the KSh 340.86Bn lost during the week the WHO declared the pandemic in March 2020.
- Countries across the world are escalating stopgap measures to deal with the energy crisis as the disruption of critical maritime routes has led to dwindling strategic reserves and disrupted economies. In Kenya and Uganda, energy regulatory bodies have pushed back on oil marketers who have sought to either raise prices or hoard fuel supplies.
- WTI crude oil futures soared over the month to cross over \$100 per barrel, the highest in nearly four years during a volatile session as markets reconsidered the magnitude of supply risks from the ongoing war in the Persian Gulf.
- Global hedge funds in March 2026 faced their worst monthly drawdowns in more than four years, according to several top Wall Street prime brokerages, as market volatility triggered by the Iran war battered stocks and weighed on the performance of the world's biggest money managers. Hedge fund investment strategies suffered in the first quarter of the year responding to market volatility by selling global equities for a fourth straight month and at the fastest pace in 13 years, according to Goldman Sachs research.
- Annual inflation in the Euro Area rose to 2.5% in March 2026 from 1.9% in February 2026 and slightly below market expectations of 2.6%, according to a preliminary estimate. Among the Eurozone's largest economies, inflation accelerated sharply in Germany (2.8% vs. 2.0%), France (1.9% vs. 1.1%), Spain (3.3% vs. 2.5%) and the Netherlands (2.6% vs. 2.3%), while Italy's rate remained stable at 1.5%.
- The S&P Global US Composite PMI was revised sharply lower to 50.3 in March 2026 from a preliminary 51.4, the lowest reading since September 2023, compared to 51.9 in February. The reading pointed to a sharper slowdown in private sector activity, which nearly stalled, as a renewed contraction in service sector activity (49.8 vs 51.7) offset a stronger uptick in manufacturing output.

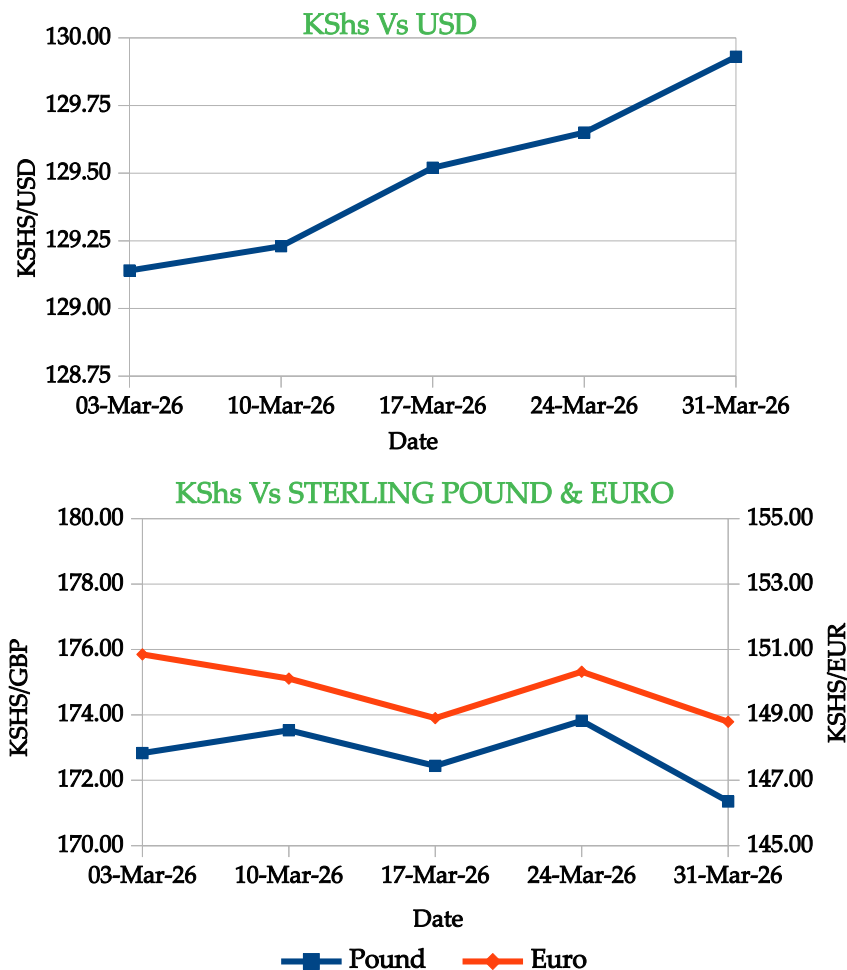
ECONOMIC INDICATORS

Foreign Exchange Reserves

During the month, the usable foreign exchange reserves increased by 11.86% to settle at \$14.02 billion (6.0 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.

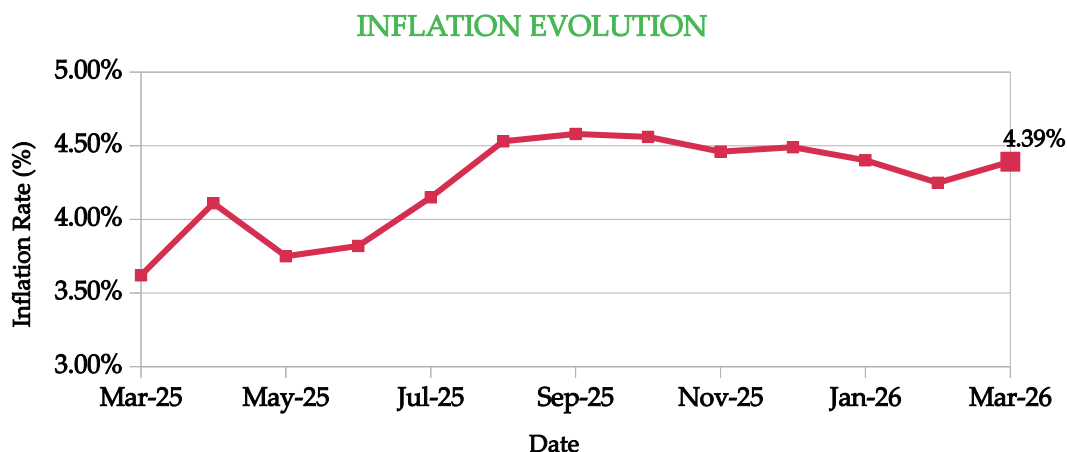
Currency

The Kenyan Shilling depreciated against the USD by 0.71%, but appreciated against the Sterling Pound and the Euro by 1.58% and 2.36%, exchanging at KShs 129.93, KShs 171.35 and KShs 148.79 respectively at the end of the month from KShs 129.02, KShs 174.10 and KShs 152.39 in the previous month. The observed depreciation against the Dollar is attributed to increased dollar demand by importers due to fears of limited supply as the Middle East war continues.



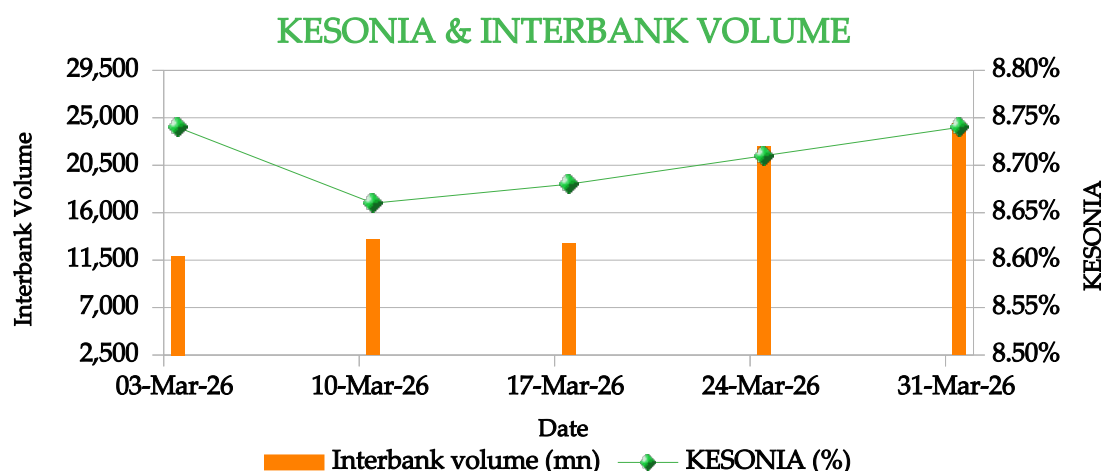
Inflation

The overall year-on-year inflation increased to 4.39% in March 2026 from 4.25% in February 2026. This was primarily attributed to a higher food, transportation and electricity prices.



Liquidity

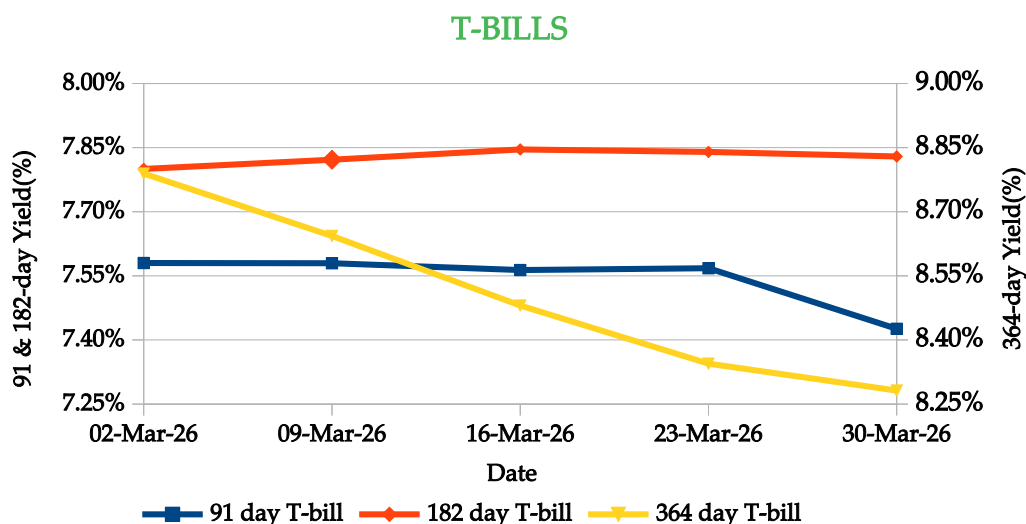
During the month, liquidity increased as a result of government payments which more than offset tax remittances. The Kenya Shilling Overnight Interbank Average (KESONIA) decreased from 8.85% to 8.70%. The average interbank volume increased by 59.89% to KShs 12.96 billion in March 2026. Commercial banks excess reserves decreased from KShs 52.30 billion to KShs 9.60 billion.



FIXED INCOME

T-Bills

T-bills recorded an overall subscription rate of 198.28% during the month of March, compared to 279.02% recorded in the previous month. The performance of the 91-day, 182-day and 364-day papers stood at 149.84%, 90.46% and 325.48% respectively. On a monthly basis, yields on the 91-day and 364-day papers decreased by 2.03% and 5.77% respectively while the yield on the 182-day paper increased by 0.37%.



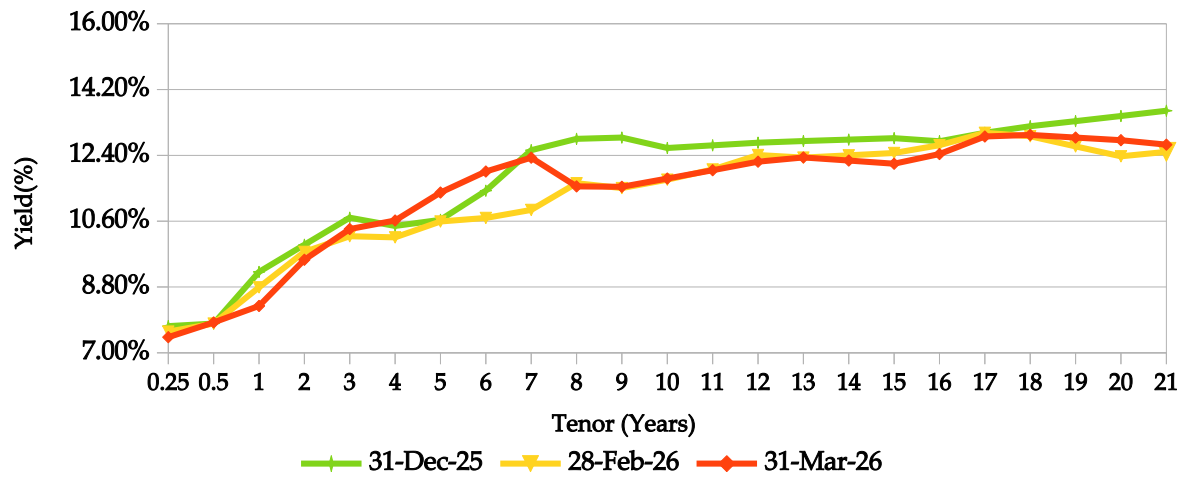
T-Bonds

During the month, T-Bonds registered a total turnover of KShs 329.46 billion from 4,449 bond deals. This represents a 13.71% and 7.02% decrease 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 FXD1/2020/015 and FXD1/2018/025 bonds in an effort to raise KShs 40.0 billion. The coupon rates are 12.75% and 13.40% respectively with tenors of 8.9 years and 17.3 years respectively.

In the international market, yields on Kenya's Eurobonds increased by an average of 90 basis points.

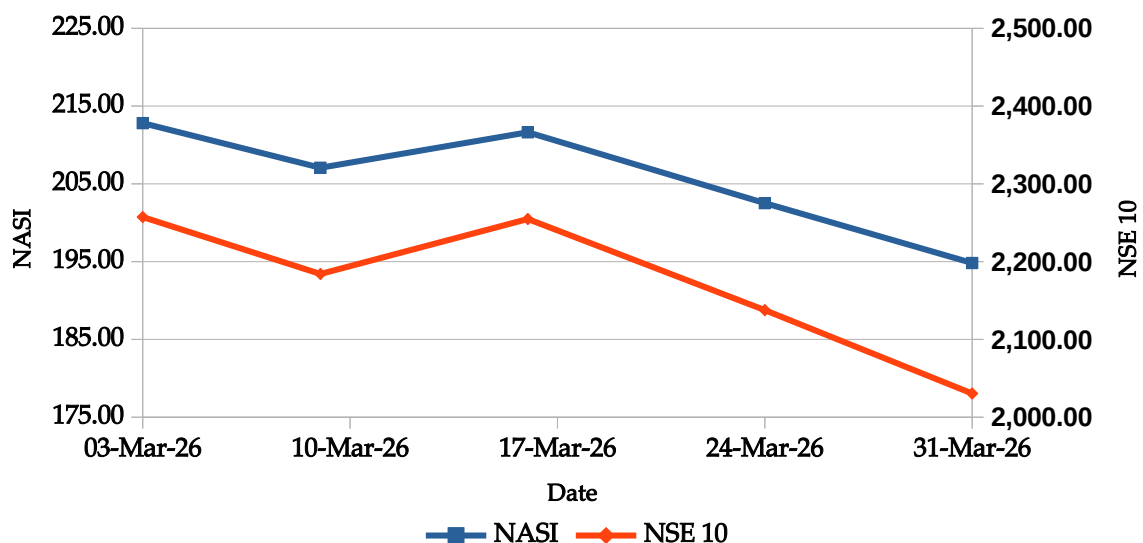
YIELD CURVE



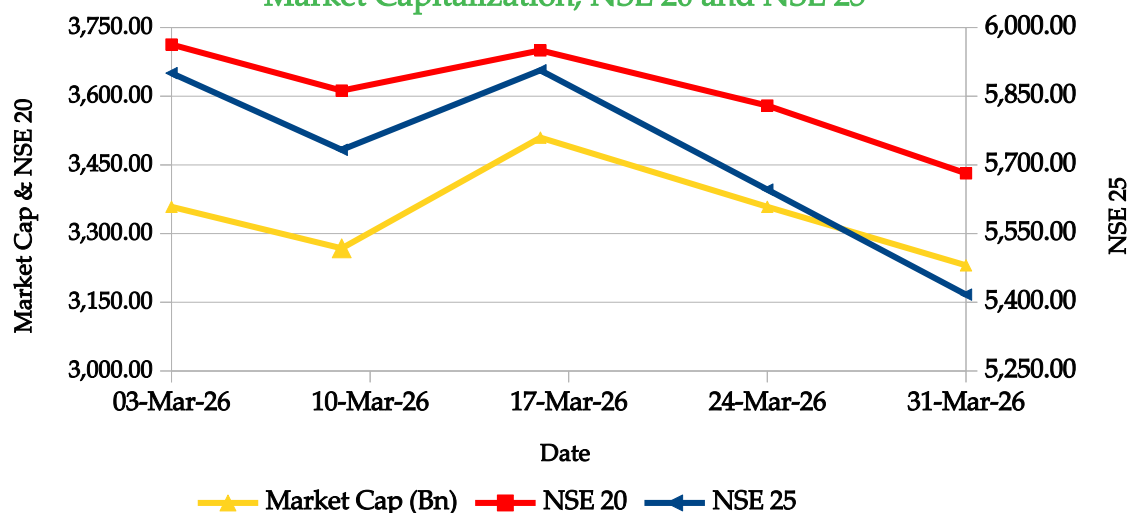
EQUITIES

During the month, market capitalization declined by 5.26% to settle at KShs 3.23 trillion. Total shares traded decreased by 23.10% to 630.68 million shares and equity turnover decreased by 18.95% to close at KShs 19.07 billion. On a monthly basis, NASI, NSE 20, NSE 25 and NSE 10 settled 9.84%, 8.50%, 8.94% and 10.49% lower respectively and the Banking Sector Index settled 8.89% lower. The performance was as a result of losses recorded by large cap stocks such as KCB, Safaricom, ABSA and Equity of 15.58%, 14.06%, 11.34% and 10.68% 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 129.35 million with a trading volume of 23,885 which was a decrease from KShs 140.89 million with a trading volume of 40,250 recorded in the previous month.
- The I-REIT market recorded a turnover of KShs 1.29 million with 1 deal, which was a decrease from a turnover of KShs 500.00 million with 1 deal recorded in the previous month.
- The ETF market, over the month, recorded a turnover of KShs 514.11 million with 1,137 deals, which was an increase from KShs 190.00 million with 697 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	-5.09%	-0.42%	JSE All Share	-11.20%	2.94%
STOXX Europe 600	-8.00%	0.67%	NSE All Share (NGSE)	4.39%	0.29%
Shanghai Composite (SSEC)	-6.51%	0.27%	DSEI (Tanzania)	-2.53%	-2.23%
MSCI Emerging Market Index	-13.26%	-3.23%	USE (Uganda)	0.99%	-5.47%
MSCI World	-6.55%	-0.36%			

- Global markets largely declined over the month. In the US, the S&P 500 decreased by 5.09% due to investor concerns over the geopolitical conflict in the Middle East and the resulting impact on oil markets. The Dow Jones Industrial Average decreased by 5.38%. In Europe, the STOXX Europe 600 and UK's FTSE 100 indices declined by 8.00% and 6.73% due to investor concerns over the middle east conflict. In Asia Pacific, the Shanghai Composite (SSEC) index declined by 6.51% driven by high oil prices from the Middle East conflict.
- On the regional front, markets performance during the month was mixed. South Africa's JSE All Share Index and Tanzania's All Share Index (DSEI) declined 11.29% and 2.53% respectively. Nigeria's All share index and Uganda's All Share index (USE) increased by 4.39% and 0.99% respectively.
- In the global commodities markets, oil futures indices increased over the month due to the closure of the Strait of Hormuz and its impact on oil supply, raising investor concerns. Crude Oil WTI futures and ICE Brent Crude settled 51.27% and 63.29% higher at USD 101.38 and USD 118.35 respectively. Gold futures prices settled 10.85% lower at USD 4,678.60.

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