

4th March 2026

Equities extend gains, but geopolitical risks could temper investor sentiment

In February, the equities market extended its bullish run, with broad-based gains recorded across the key indices reflecting sustained buying interest and improved market sentiment.

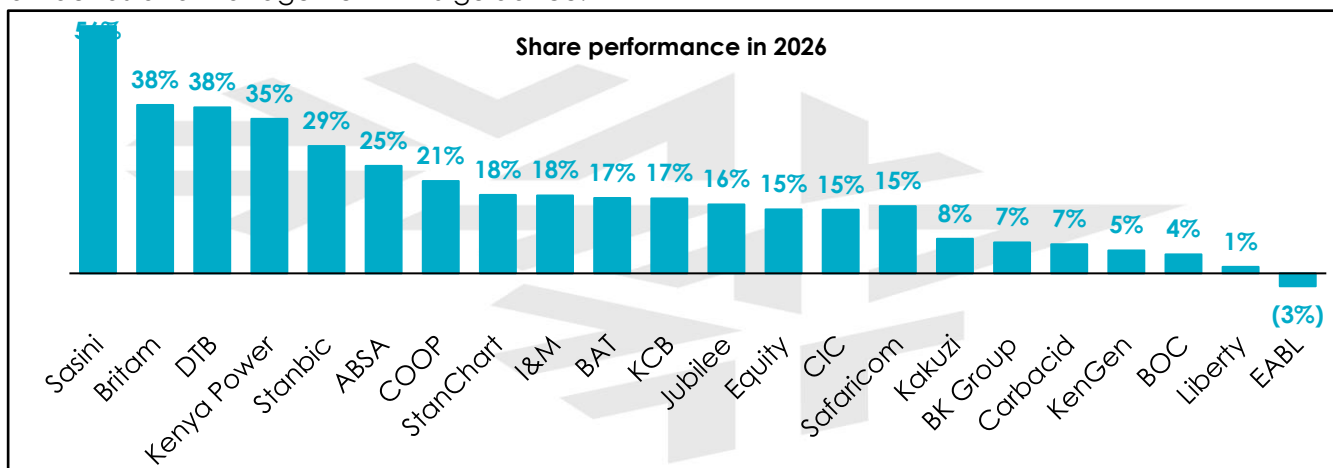
Leading the pack was Uchumi Supermarkets Plc, which surged 117% during the month, reflecting heightened speculative interest. In the agriculture segment, Flame Tree Group Holdings Limited (+47%) and Sasini Plc (+42%) posted strong gains, while Eaagads Limited rose 41%, signaling renewed accumulation in select Agri-linked counters.

Overall, the dispersion of returns points to a market transitioning from narrow large cap driven gains to broader participation. While pockets of speculative activity were evident, accumulation in select fundamentally resilient counters suggests improving sentiment and a recalibration of risk positioning as investors rotated into laggards and recovery plays.

Overall, equities closed the month broadly higher, reinforcing last month's momentum. NASI closed 216.08 points, advancing 11% upwards month on month.

Our View: While large-cap banks remain important, we expect incremental market returns from a wider set of sectors. We expect continued investor appetite into undervalued counters particularly in the insurance and manufacturing sector. The macro backdrop remains supportive: anchored inflation expectations into 1H26, relative currency stability and a lower interest rate environment should continue to underpin equity allocations and sustain positive investor sentiment. However, the spill-over effects from the on-going US/Israel war with Iran should remain a key watch for investors. Potential downside risks include inflation-pass through from higher global oil prices and weaker business confidence.

This Month, we expect bank's earnings season to drive activity on the NSE as investors take position on dividends and management FY26 guidance.



Source: NSE, NCBA IB Research

March 2026 stock picks.

****Note: We are in the process of reviewing our models in light of the FY25 results.**

Counter	Current Price *27th February 2026	Target price	Upside	Trailing Dividend	Trailing Div. Yield	Recommendation
<u>Banking</u>						
ABSA	30.95	23.62	-23.68%	1.75	5.65%	SELL
BK Group	45.50	46.80	2.86%	3.02	6.64%	NEUTRAL
COOP	29.00	32.61	12.45%	1.50	5.17%	BUY
DTB	158.25	168.12	6.24%	7.00	4.42%	NEUTRAL
Equity	76.50	90.81	18.71%	4.25	5.56%	BUY
I&M	50.00	49.20	(1.60%)	3.00	6.00%	SELL
KCB	77.00	109.91	42.74%	3.00	3.90%	BUY
Stanbic	255.25	246.03	-3.61%	20.74	8.13%	SELL
StanChart	350.50	312.00	(10.98%)	45.00	12.84%	SELL
<u>Telecommunication</u>						
Safaricom	29.50	34.40	16.61%	1.20	4.07%	BUY
<u>Manufacturing & Allied</u>						
BAT Kenya	538.00	493.57	-8.26%	50.00	9.29%	SELL
BOC Kenya	132.50	120.46	-9.09%	6.15	4.64%	SELL
Carbacid	31.30	27.15	-13.26%	1.70	5.43%	SELL
EABL	255.25	281.78	10.39%	8.00	3.13%	BUY
<u>Agricultural</u>						
Kakuzi	436.50	438.41	0.44%	8.00	1.83%	BUY
Sasini	28.40	18.10	(36.27%)	1.50	5.28%	SELL

***BUY –**

Total expected 12-month return (incl. dividends) greater than 15%

***NEUTRAL –**

Total expected 12-month return (incl. dividends) between 0%- 15%

***SELL –**

Total expected 12-month return (incl. dividends) less than 0%

Our target prices are anchored on fundamental analysis. While the current market rally has lifted many counters closer to their fair value, much of the momentum appears sentiment-driven rather than based on underlying earnings growth.

For stocks rated Neutral, we recommend that investors consult with their financial advisors to evaluate their individual investment goals. Depending on their risk appetite and return expectations, clients may consider holding their positions or realizing gains where appropriate.

2025 Earnings Calendar for Banks.

Bank	Tentative release date	Action
ABSA	4 March 2026	Financial Results Release
CO-OP	13 March 2026	Financial Results Release
Equity	17 March 2026	Financial Results Release
I&M	25 March 2026	Financial Results Release
KCB	11 March 2026	Financial Results Release
NCBA	26 March 2026	Financial Results Release
Stanbic	11 March 2026	Financial Results Release
Standard Chartered	18 March 2026	Financial Results Release

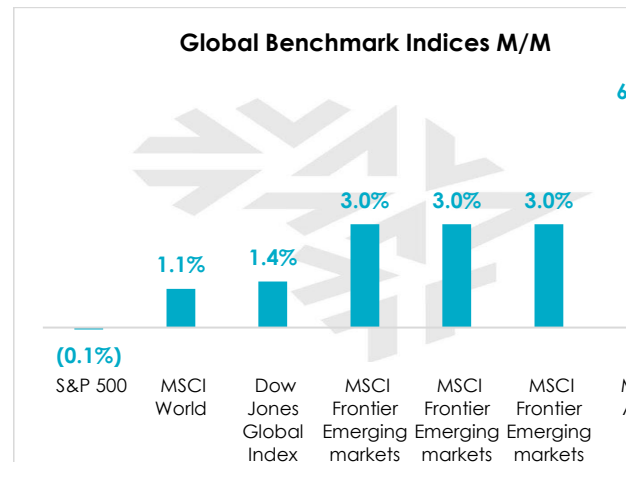
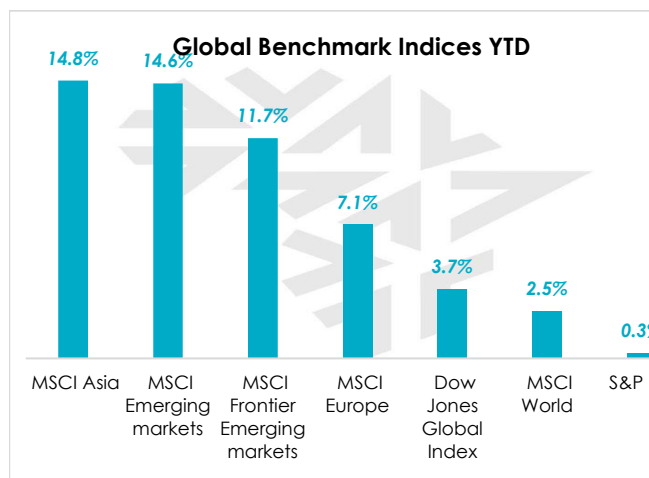
Source: NSE, NCBA IB Research

Global markets review - Frontier markets outperform Global equities.

In **February 2026**, global equity markets delivered mixed but generally resilient performance, with gains concentrated outside the U.S. The S&P 500 edged slightly lower as investors trimmed exposure to high-valuation names, while broader global markets remained positive. Europe and Asia outperformed, with the MSCI Asia Index posting strong gains during the month.

Emerging markets continued to outperform developed markets, with the MSCI EM Index reaching a record high and gains spreading beyond China to include markets such as Korea and Taiwan.

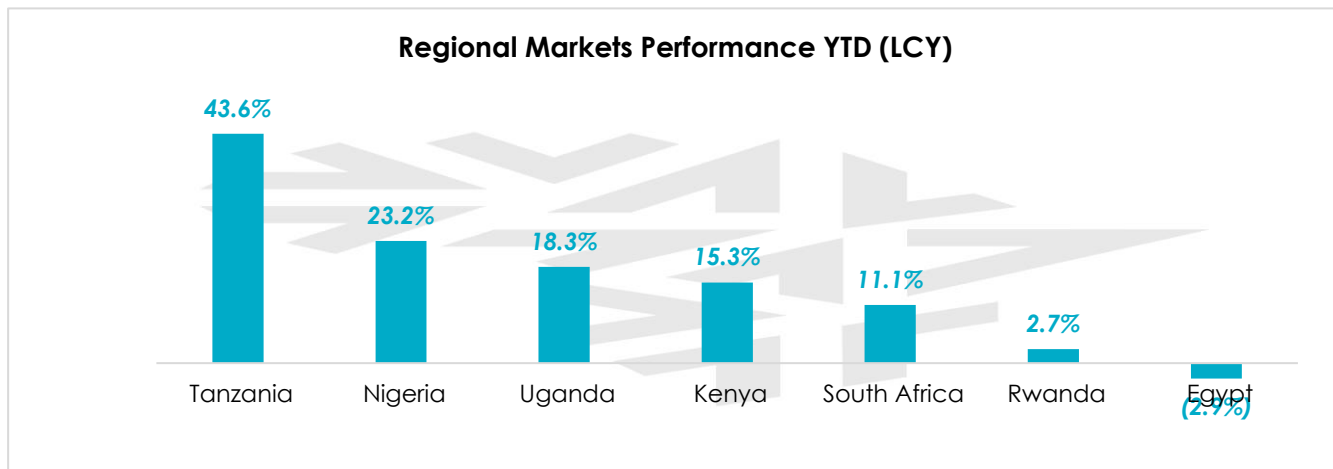
Looking ahead, equities are expected to deliver moderate gains in 2026, though investors should watch for potential corrections in overvalued sectors and monitor central bank signals.



Source: Bloomberg, NCBA IB Research

Regional equities.

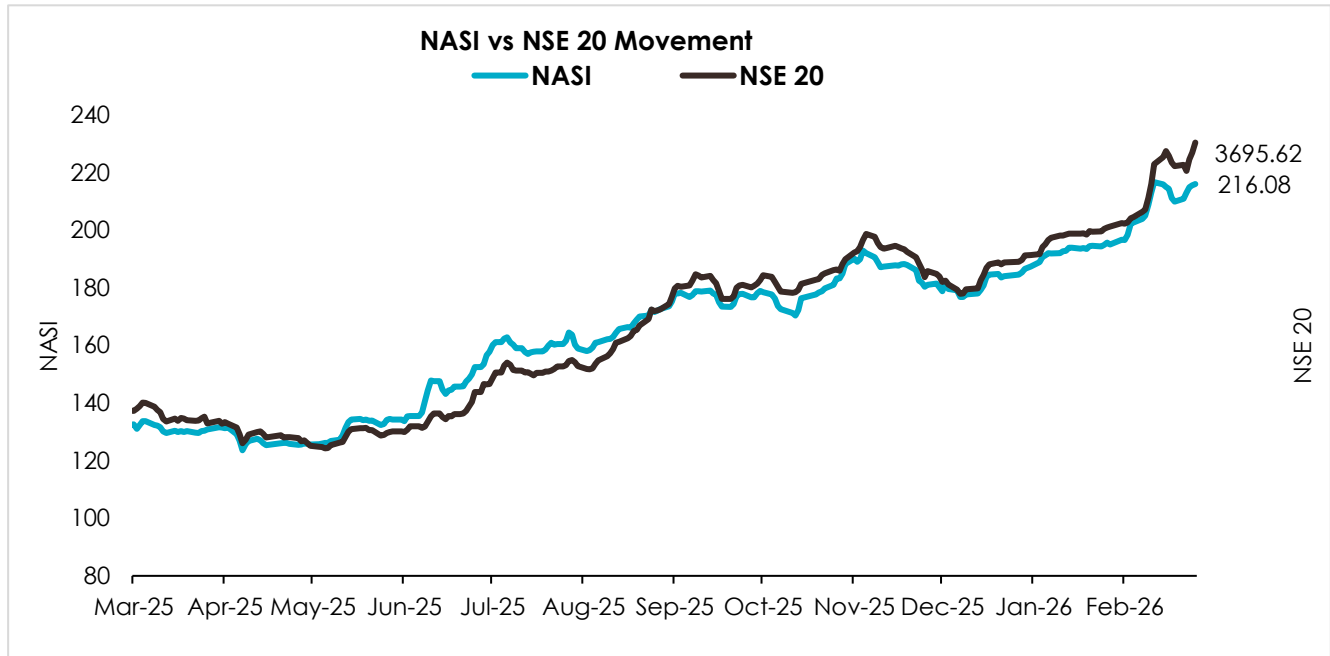
The Dar es Salaam Stock Exchange has emerged as Africa's top-performing market, surging 40.65% year-to-date, driven by a massive banking sector rally, while neighboring markets like Kenya and Southern Africa retreated. The rally is fueled by strong earnings expectations, robust dividend yields, and confidence in tier-one banks.



Source: Bloomberg, NCBA IB Research

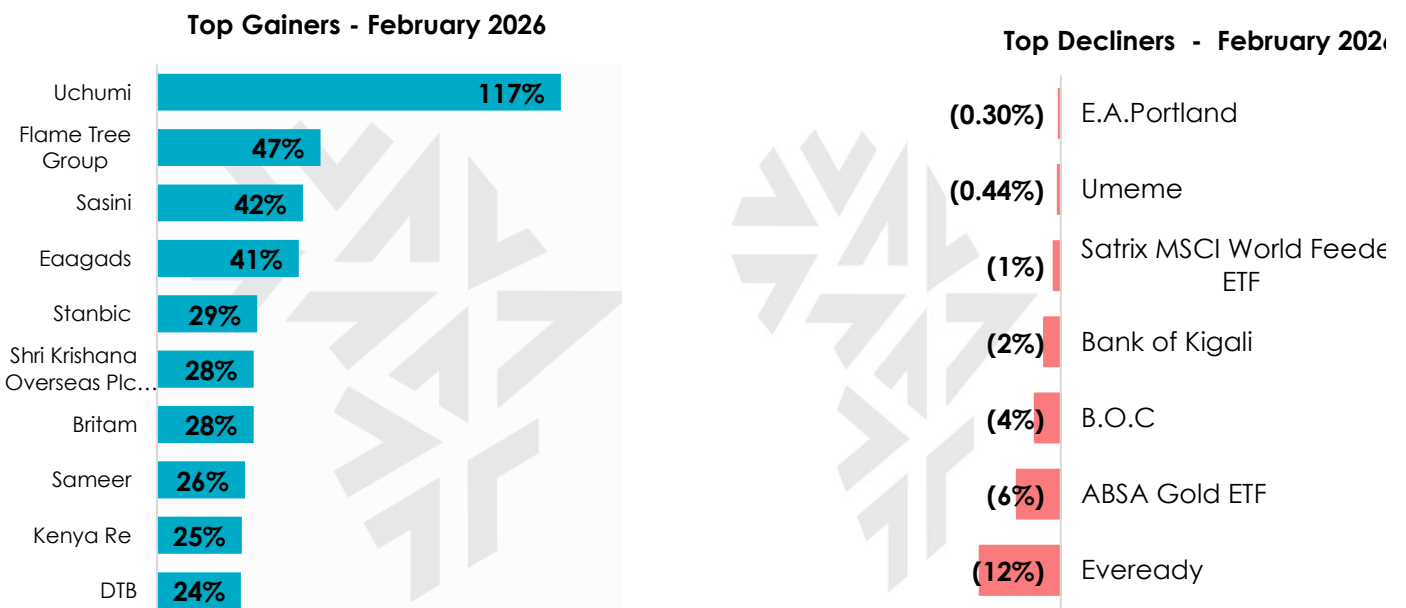
Local market performance

In Kenya, the NASI maintained upward momentum with gains across a decent number of counters.



Source: Bloomberg, NCBA IB Research

NSE stock performance



Source: NSE, NCBA IB Research

Macro Highlights

Currency: The Kenyan Shilling remained stable against the US Dollar in January 2026 with a marginal Y-o-Y appreciation of 0.02%. This stability is expected to be sustained by the Central Bank of Kenya's interventions through Open Market Operations along with support from diaspora remittances and tourism inflows.

Currency Performance			
Period	USD/KES	GBP/KES	EURO/KES
Feb-26	129.02	174.10	152.39
Year to date	(0.22%)	7.34%	13.12%

Source: CBK, NCBA IB Research

Inflation: Headline inflation eased marginally to **4.3%** Y-o-Y in February 2026, from 4.4% in January, reflecting overall price pressures, while the Consumer Price Index (CPI) increased by 0.80% on a month-on-month basis to 149.20.

Looking ahead into 1H26, we expect inflation to remain below the central bank's midpoint target on stable FX, lower global oil prices and increased food supply.

Statistic	Feb-26	Jan-26	Change (bps)
Inflation	4.30%	4.40%	(10.00)
CPI	149.20	148.02	79.72

Source: CBK, NCBA IB Research

Liquidity conditions: Liquidity conditions tightened with the overnight rate sliding down by 14bps, while the average funds fell by 5bps to close the month at KES 8.11Bn.

Statistic	Feb-26	Jan-26	Change (bps)
Average Kesonian Rate	8.85%	8.99%	(14.00)
Average Kesonian Volume	8.11	11.63	(4.52)

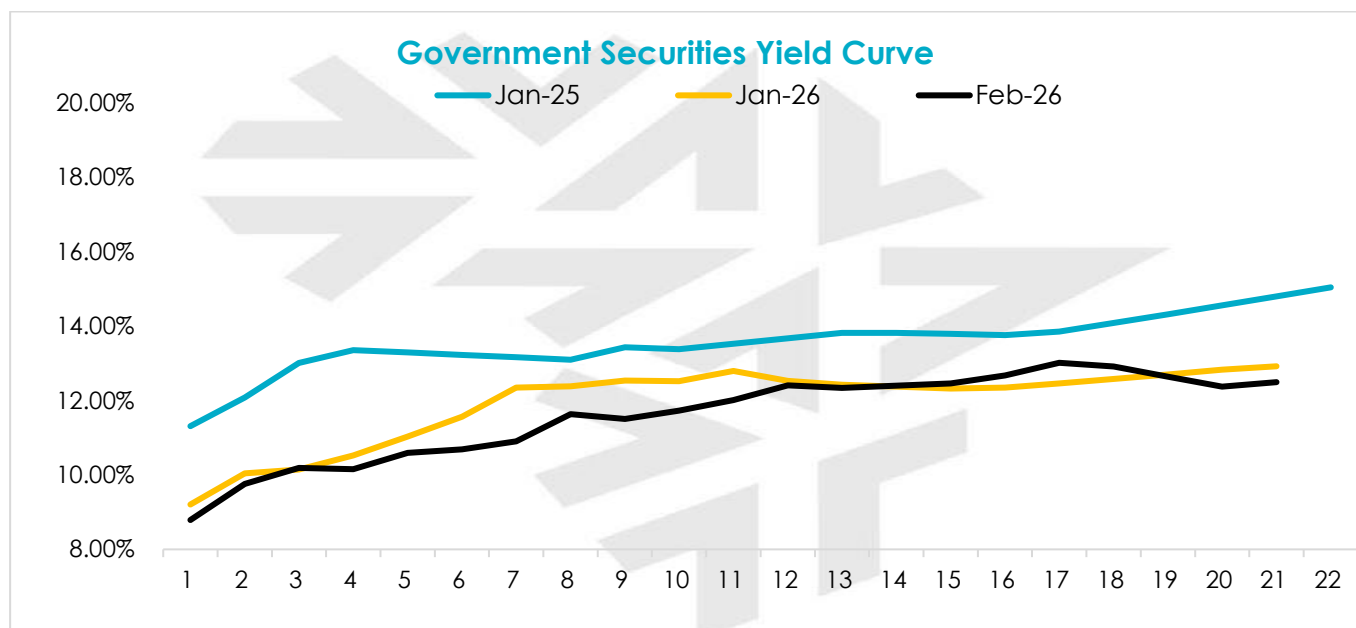
Source: CBK, KNBS, NCBA IB Research

Interest rates: Short-term rates continued their downward trend with the 91-day and 364-day papers declining m/m. Going forward, we expect the pace of decline to be more gradual compared to the aggressive easing observed in 2025.

Prevailing rates	Feb-26	Jan-26	M/M change (bps)
91 Day	7.58%	7.63%	(5.26)
182 Day	7.80%	7.80%	-
364 Day	8.79%	9.21%	(41.73)

Source: CBK, NCBA IB Research

Yields on longer-dated government securities were also on a downward trajectory. Overall, we anticipate a continued downward trend in the yield curve albeit at a slower pace. However, we expect the curve to tick upwards in the medium term given the fiscal pressures to cover the budget deficit.



Source: CBK, NCBA IB Research

What's shaping Kenya's markets in 2026?

Kenya's growth picks up:

- Kenya's economic growth is projected to accelerate to 4.9% in 2026, outpacing Sub-Saharan Africa's 4.6%, according to the IMF. The uptick is supported by output in agriculture and services, improving investor sentiment, and easing financial conditions - anchored by a loose monetary stance following reductions in the Central Bank Rate (CBR).

Improving credit profile:

- Moody's:** Upgraded Kenya's long-term foreign and local currency sovereign credit rating to B3 from Caa1 with a Stable outlook reflecting reduced near-term default risk and improved external liquidity and market access.
- S&P Global Ratings:** Kenya's long-term sovereign credit rating stands at B (upgraded from B- in August 2025) with a Stable outlook, supported by stronger reserves and easing liquidity pressures.
- Fitch Ratings:** B- with a Stable outlook - affirmed most recently in January 2026, with the agency noting continued repayment record and improved foreign exchange reserves, though fiscal pressures remain a constraint

What's shaping Global markets in 2026?

Conflict returns focus on oil prices.

The death of Ayatollah Khamenei, Iran's Supreme Leader since 1989, following US and Israeli strikes, has escalated tensions across the Middle East. Financial markets are now closely watching the risk of a sustained regional conflict and potential oil supply disruptions in the Strait of Hormuz, which could drive energy prices higher. Early reports suggest some shipping firms may avoid high-risk zones, while

insurance costs are likely to rise, adding further pressure on market sentiment.

Did you know?: *The Strait of Hormuz may be just 21 miles wide at its narrowest, but it is one of the most important waterways in the world. Every day, around 21 million barrels of oil — roughly 20% of all global oil trade — flow through this tiny corridor, carried by 30 to 50 massive tankers. It connects Iran and Oman, acting like a super-busy highway for energy. Even though it's small in size, its role is enormous: any disruption here can ripple across global energy markets, affecting everything from fuel prices at the pump to the cost of goods worldwide.*

- **Transportation & Trade**

The war is forcing airspace closures and shipping detours, especially around the Gulf. Airlines face longer flights and higher fuel costs, while global shipping has to take longer, more expensive routes. This raises freight costs and creates delays in supply chains.

- **Political and Security Risks**

The death of Ayatollah Khamenei has left a power vacuum in Iran, creating domestic uncertainty and raising questions about who will take control. Combined with ongoing military action, this could shift regional alliances as neighboring countries rethink security and diplomatic ties.

Governments across the Middle East and beyond are increasing security measures, while international observers watch for spillover risks like terrorism, cyberattacks, or refugee flows. For businesses and investors, this highlights the importance of risk management and planning for geopolitical volatility.

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