

6 May 2026

Markets in wait-and-see mode as interest rates tick up

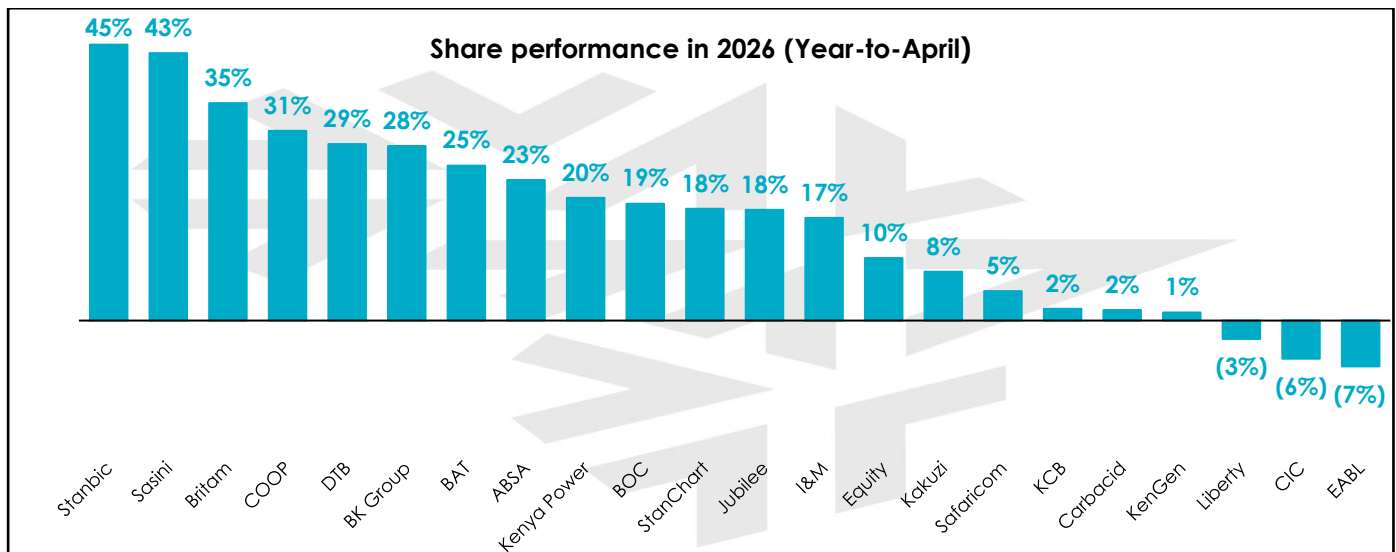
The **equities market saw a partial recovery in April**, with the NASI gaining 5.4% M-o-M, recouping some of the losses recorded in the prior month. Despite caution stemming from the ongoing Middle East conflict, a few large-caps registered gains. Safaricom rose 8.0% M-o-M, while Equity Group and Co-op Bank gained 6.8% and 15.9% M-o-M, respectively, providing support to the index.

Across the small-caps, Kenya Airways emerged as the top gainer (+32.0% M-o-M) largely driven by speculative activity, followed by BOC Kenya (+24.0%). On the other hand, Flame Tree (-17.0% M-o-M) and Kenya Orchards (-8.0%) ranked among the laggards during the month.

On the macro front, **inflation remained the key watchpoint for investors**, with the April print accelerating to 5.6% (from 4.4% in March) driven by higher energy and food prices. The increase in global oil prices (up c.100% YTD), with Brent Crude trading above USD100/Bbl amid ongoing geopolitical tensions points to sustained upside risks to domestic inflation in the coming months.

Against this backdrop, real returns continue to compress, prompting a repricing at the short end of the curve. With higher inflation expectations, the 91-day T-bill yield has risen to an eight-month high of 8.0%, signaling a shift in investor preference towards short-term papers amid a more cautious view on the interest rate trajectory.

Our view: While equities market appeared out of favor in April, we expect activity to pick up in May, supported by earnings seasons. **Safaricom** is set to release FY26 results (7th May 2026) with management guiding for consolidated EBIT in the range of KES144-150bn, which should provide direction for the broader market. Furthermore, **Kenya banks** are expected to release 1Q26 earnings in May and we anticipate modest growth supported by a pickup in private sector credit, which grew 8% Y-o-Y by March 2026.



Source: Bloomberg, NCBA IB Research

May 2026 stock picks

Counter	Current Price*	Target price	Upside	Trailing Dividend/share	Trailing Div. Yield	Recommendation
<u>Banking</u>						
ABSA	28.25	23.62	-16.39%	2.05	7.26%	SELL
BK Group	54.50	46.80	-14.13%	4.70	8.62%	SELL
COOP	29.25	32.61	11.49%	2.50	8.55%	BUY
DTB	145.50	168.12	15.55%	9.00	6.19%	BUY
Equity	74.50	90.81	21.89%	5.75	7.72%	BUY
I&M	49.55	49.20	(0.71%)	3.75	7.57%	HOLD
KCB*	67.50	109.91	62.83%	4.00	5.93%	BUY
Stanbic	286.50	246.03	-14.13%	22.35	7.80%	SELL
StanChart	327.50	312.00	(4.73%)	31.00	9.47%	HOLD
<u>Telecommunication</u>						
Safaricom	29.90	34.40	15.05%	1.20	4.01%	BUY
<u>Manufacturing & Allied</u>						
BAT Kenya	573.00	493.57	-13.86%	60.00	10.47%	HOLD
BOC Kenya	149.50	120.46	-19.42%	6.15	4.11%	HOLD
Carbacid	29.45	27.15	-7.81%	1.70	5.77%	HOLD
EABL	241.50	281.78	16.68%	8.00	3.31%	HOLD
<u>Agricultural</u>						
Kakuzi	420.50	438.41	4.26%	9.00	2.14%	HOLD
Sasini	26.10	18.10	(30.65%)	1.50	5.75%	SELL

*Current share price: Closing price 5th May 2026. KCB (trailing dividend excl. FY25 special dividend of KES3.00/share)

- *BUY –** Total expected 12-month return (incl. dividends) greater than 15%
***HOLD –** 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 based on fundamental analysis. The recent market sell-off has pushed prices below fair values presenting a clear accumulation opportunity. For stocks rated HOLD, 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.

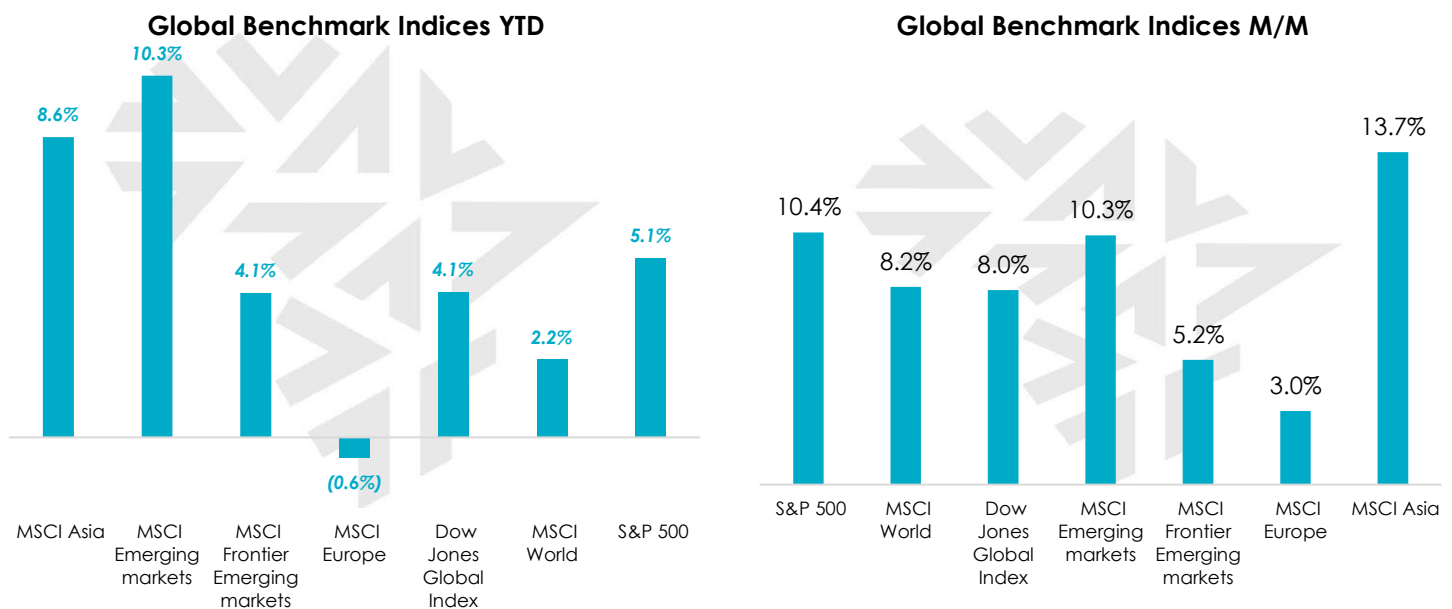
****Note: We are in the process of reviewing our models post FY25 results.**

Source: NSE, NCBA IB Research

Equities markets review

Global equities

In **April 2026**, global equity markets rebounded, recovering part of the losses recorded in the previous month, with the MSCI World Index gaining 8.1% M-o-M. Across developed markets, the S&P 500 gained 10.4% M-o-M, supported by 1Q26 bank earnings and increased capex guidance from technology companies, particularly around AI infrastructure, despite lingering geopolitical concerns. In Europe, the MSCI Europe Index rose 3.0% M-o-M, driven by energy sector players (Shell and BP) amid rising oil prices. Meanwhile, emerging markets outperformed, with the MSCI Emerging Markets Index gaining 15.8% M-o-M, driven largely by North Asia stocks. Frontier markets also posted gains, with the MSCI Frontier Markets Index up 5.2% M-o-M.

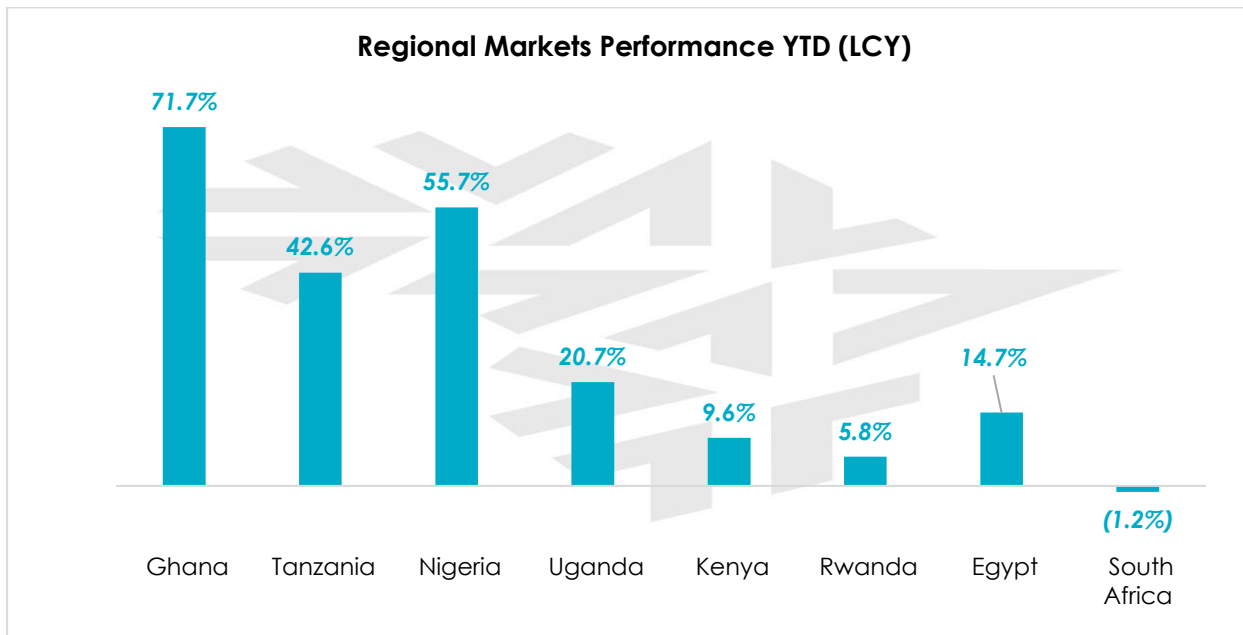


Source: Bloomberg, NCBA IB Research

Regional equities

Across Sub-Saharan Africa, equity market performance was mixed in April, although most markets recovered losses recorded in the prior month. Nigeria (+20.6% M-o-M, in local currency) outperformed, supported by strong FY25 banking earnings, attractive dividend declarations, and the announcement by FTSE Russell to reclassify Nigeria to frontier market status effective September 2026.

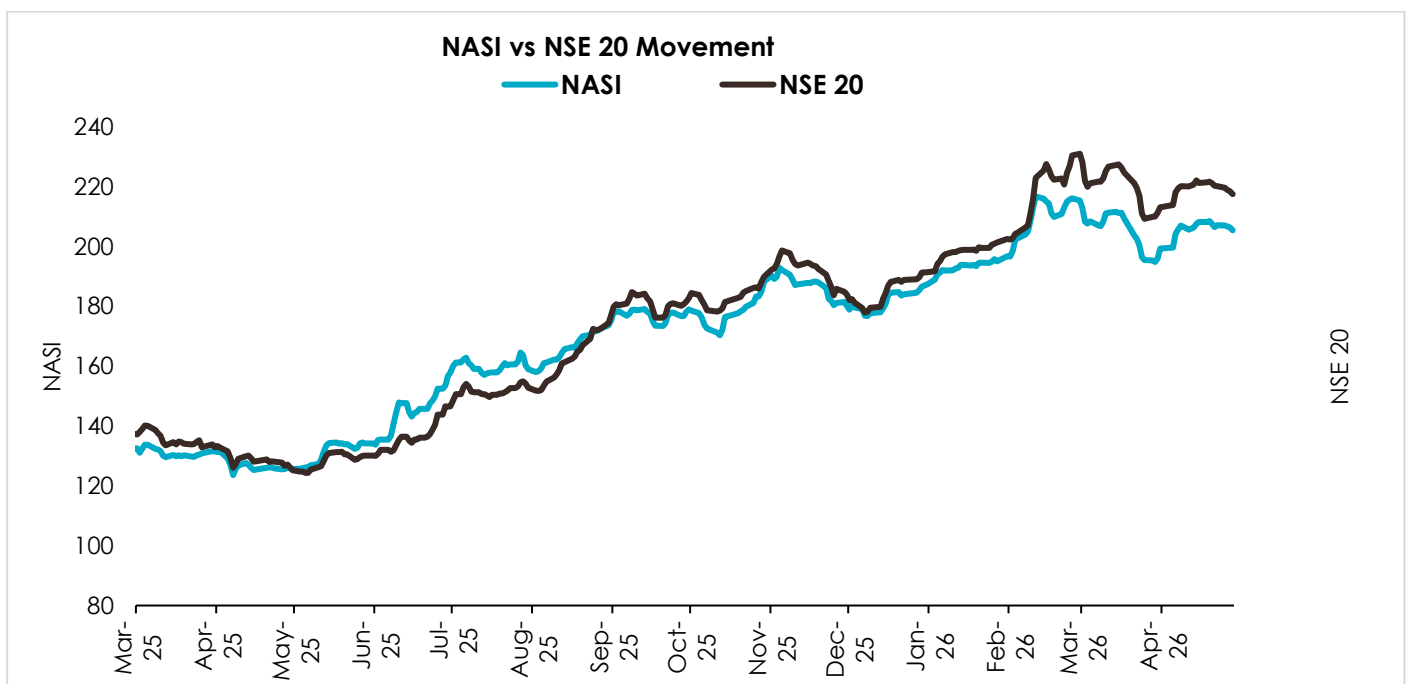
Elsewhere, Ghana (+15.6% M-o-M) and Egypt (+12.5% M-o-M) also posted strong gains. In East Africa, performance was more muted, with indices largely flat - Tanzania Share Index rising 1.8% M-o-M and Rwanda All Share Index up 1.9% M-o-M.



Source: Bloomberg, NCBA IB Research

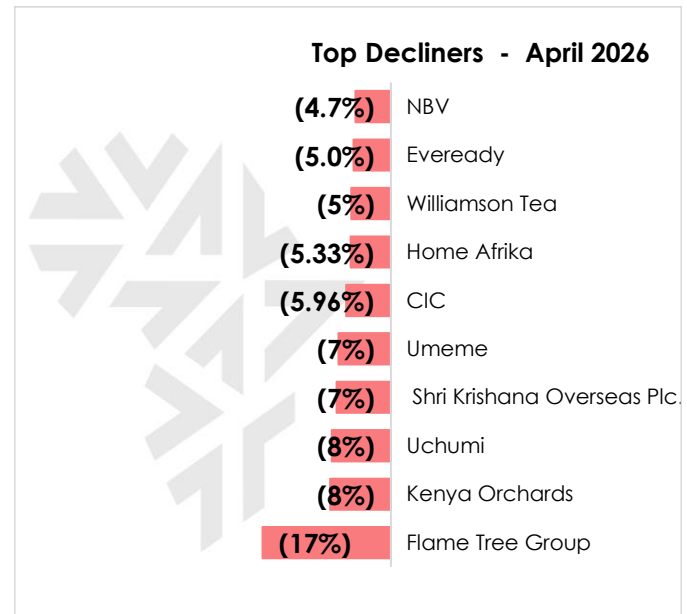
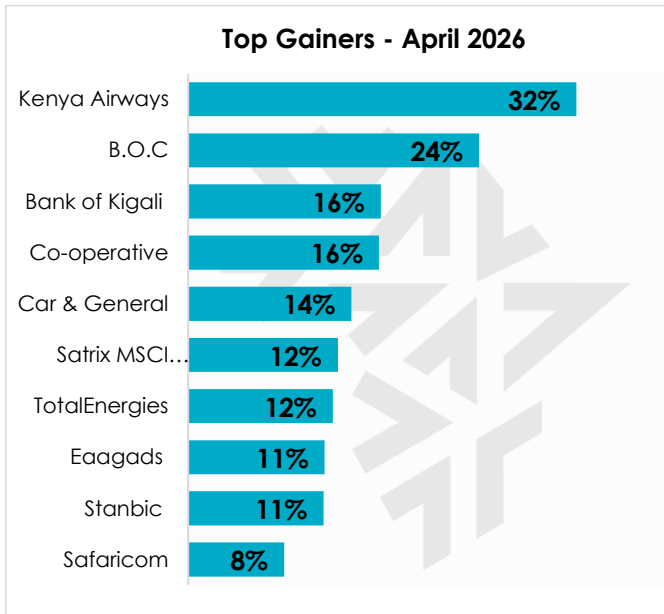
Local market performance

In Kenya, the NASI closed the month higher, recouping some of the losses recorded in the prior month.



Source: Bloomberg, NCBA IB Research

NSE stock performance



Source: Bloomberg, NCBA IB Research

Macro Highlights

Currency: The Kenyan Shilling appreciated modestly against the US dollar, gaining 0.5% M-o-M. Continued intervention by the Central Bank of Kenya has helped anchor the currency and contain excess volatility. However, FX reserves declined by 3.2% M-o-M to USD13.2bn, equivalent to 5.6 months of import cover, indicating some drawdown in buffers to support currency stability.

Currency Performance			
Period	USD/KES	GBP/KES	EURO/KES
Apr-26	129.19	174.13	150.99
Year to date	0.11%	0.10%	(0.49%)

Source: CBK, NCBA IB Research

Inflation: Headline inflation increased to **5.6%** Y-o-Y in April 2026, from 4.4% in March on higher food and transport costs. Food inflation rose by 8.8% Y-o-Y while Transport was up 10% Y-o-Y on higher pump prices. The Consumer Price Index (CPI) increased by 143bps on a month-on-month basis to 152.15. Inflation risks remain skewed to the upside driven by energy pass-through effects from the Middle East conflict.

Statistic	Apr-26	Mar-26	Change (bps)
Inflation	5.60%	4.40%	120.00
CPI	152.15	150.00	143.33

Source: CBK, NCBA IB Research

Liquidity conditions: Liquidity conditions declined marginally with the overnight rate rising by 5bps m/m, while the average funds dropped to KES 11.3bn from KES 12.9bn in March.

Statistic	Apr-26	Mar-26	Change (bps)
Average Kesonian Rate	8.75%	8.70%	5.00
Average Volume	11.34	12.96	(2.62)

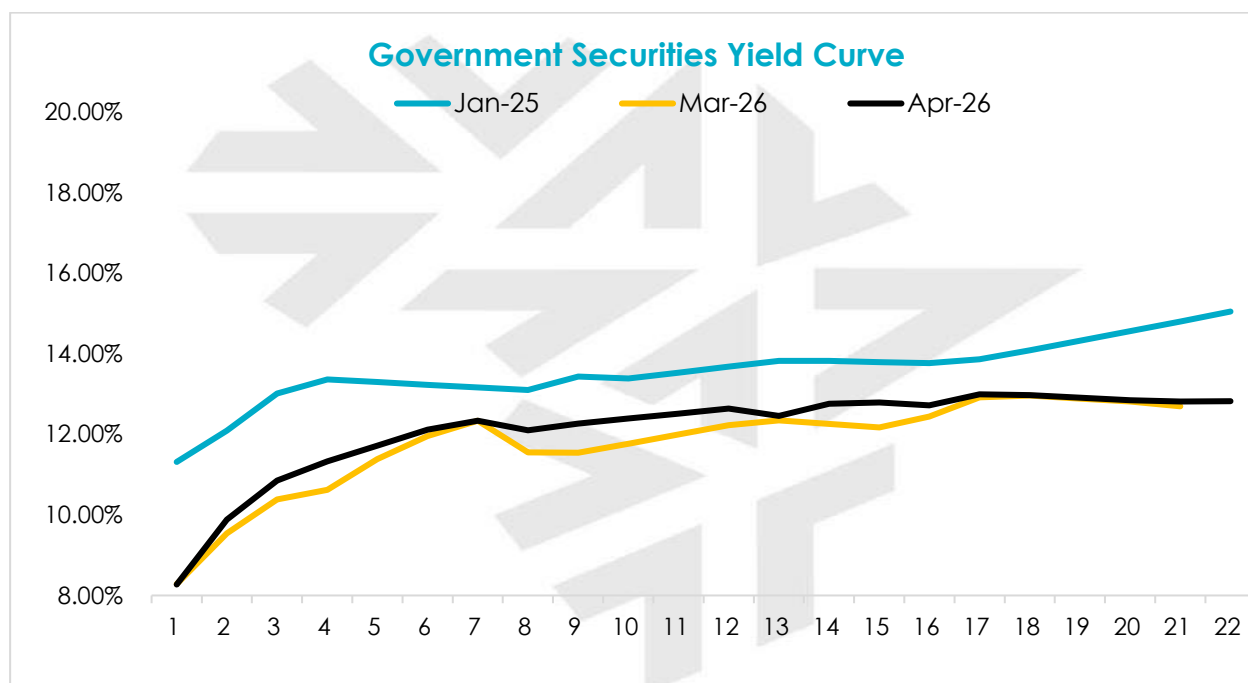
Source: CBK, KNBS, NCBA IB Research

Interest rates: Short-term rates reversed their downward trend, particularly on the 91-day and 182-day papers. The 91-day T-bill recorded the highest jump, rising by 33bps M-o-M, as higher inflation expectations continued to drive a repricing in yields.

Prevailing rates	Apr-26	Mar-26	M/M change (bps)
91 Day	7.78%	7.45%	33.0
182 Day	7.89%	7.83%	5.80
364 Day	8.27%	8.29%	(1.50)

Source: CBK, KNBS, NCBA IB Research

Yields on longer-dated government securities showed a mixed performance across maturities, with medium-term papers experiencing an upward shift while longer-dated instruments remained relatively stable. Looking ahead, we expect a gradual increase in rates in the medium term, driven by rising fiscal pressures linked to budget financing needs and higher inflation expectations as investors continue to reprice risk.



Source: CBK, NCBA IB Research

What's shaping Kenya's markets in 2026?

▪ **Kenya's GDP:**

- **Growth outlook revised:** Several institutions have revised down Kenya's 2026 growth outlook amid heightened geopolitical uncertainty stemming from the ongoing Middle East conflict. The downgrade reflects expected pressures from higher inflation, as well as potential disruptions to global trade and supply chains. The Central Bank of Kenya has lowered its GDP growth forecast from 5.5% to 5.2%, while the World Bank has revised its 2026 forecasts down from 4.9% to 4.4%.
- **2025 GDP:** Kenya's GDP growth for 2025 came in at 4.6%, a slight moderation from 4.7% in 2024, according to KNBS. The deceleration was driven by weaker activity in 4Q25, where growth slowed to 4.2% from 5.6% in 4Q24. This slowdown largely reflects the adverse impact of below-average short rains between October and December, which weighed on agricultural output. Specifically, tea production declined by 8.0% while cane deliveries dropped by 24.7%.

▪ **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?

▪ **Middle East conflict – Energy shocks.**

Recent ceasefire talks between the US and Iran have provided temporary relief to markets, easing immediate fears of a broader regional escalation. However, tensions remain elevated, with uncertainty over the durability of the truce and intermittent flare-ups continuing to keep risk premiums elevated. Oil markets have responded with heightened volatility. Shipping activity through key routes such as the Strait of Hormuz remain sensitive, with insurers maintaining elevated risk premiums and some rerouting of vessels still in place.

On the policy front, major central banks have largely adopted a cautious stance, with several pausing rate-cutting cycles amid renewed energy-driven inflation risks. This reinforces the view that monetary policy will remain data-dependent, with policymakers balancing fragile growth against upside inflation pressures stemming from energy volatility.

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