

**7 September 2026**

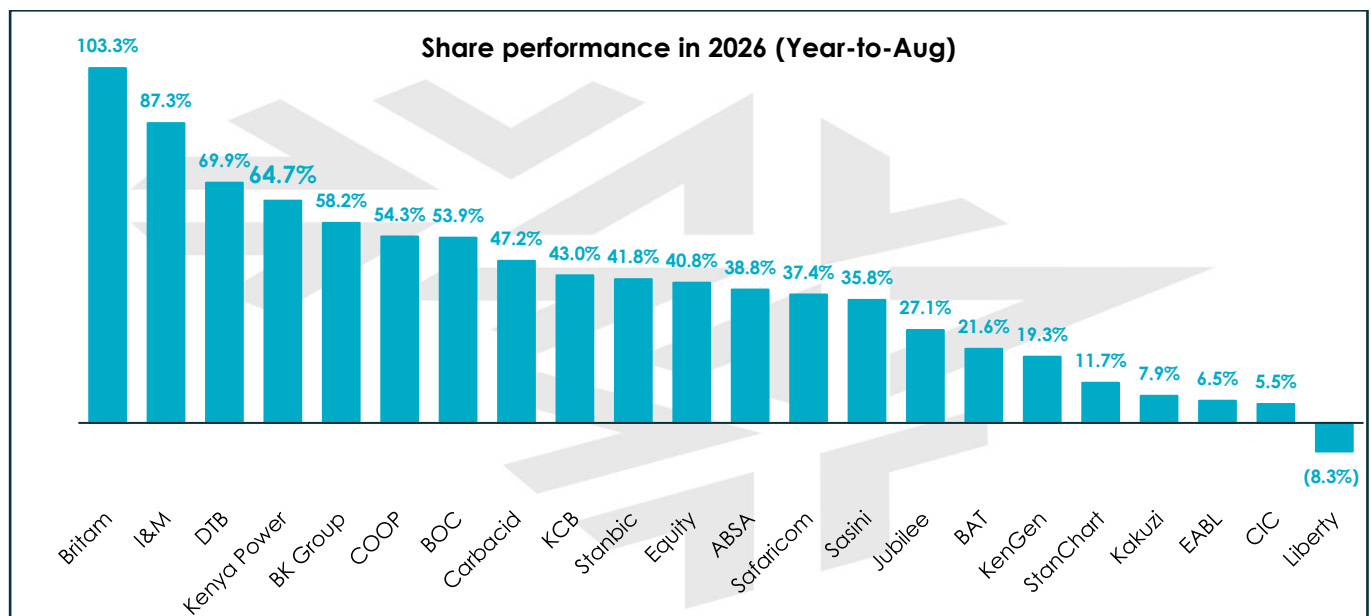
## The equities rally continues

Last month, the equities rally continued as the market responded positively to the 1H26 earnings season. The NASI gained 5.7% M-o-M, driving YTD gains to 34.2% supported by large-cap counters. Equity Group rose 8.4% following its 1H26 results (PAT +32% Y-o-Y), while KCB gained 9.3% ahead of its book closure after announcing an interim dividend of KES 3.00/share (+50% Y-o-Y). Safaricom also gained 6.7%, further lifting the index. Investor sentiment on the NSE remained positive.

Across the small caps, Car & General (+65% M-o-M) was the standout performer following 1H26 results, with PAT rising four-fold to KES 2.6bn and the dividend rising to KES 1.00 per share (+333% Y-o-Y). Shri Krishna (+99% M-o-M) and Kenya Orchards (+45% M-o-M) also recorded notable gains, driven by increased retail activity. However, agricultural stocks lagged, with Kapchorua Tea (-10% M-o-M) and Limuru Tea (-9% M-o-M) recording the largest declines.

**On the macro front**, headline inflation edged up to 6.6% in August from 6.5% in July, driven by higher food, energy, and transport prices. Food inflation rose 9% Y-o-Y, while transport inflation increased 15.7% Y-o-Y on higher diesel and petrol prices. With inflation still within the CBK's target range, the MPC held the policy rate at 8.75% at its August meeting.

**Our view:** Focus is likely to shift from earnings momentum to valuations following the 1H26 results season. While the 34.2% YTD rally leaves room for profit-taking, particularly in stocks that have moved ahead of fundamentals, the underlying earnings outlook continues to support equities. Furthermore, the search for yield, particularly as fixed-income returns decline with the easing cycle, remains a key driver of equities.



Source: NSE, NCBA IB Research

## September 2026 stock picks

| Counter                                  | Current Price* | Target price | Upside | Trailing Div. Yield | Forward Div. Yield | Recommendation |
|------------------------------------------|----------------|--------------|--------|---------------------|--------------------|----------------|
| <b><u>Banking</u></b>                    |                |              |        |                     |                    |                |
| ABSA                                     | 34.95          | 31.82        | -9.0%  | 5.9%                | 6.6%               | HOLD           |
| BK Group                                 | 65.00          | 46.80        | -28.0% | 7.2%                | -                  | HOLD           |
| COOP                                     | 38.55          | 36.84        | -4.4%  | 6.5%                | 7.0%               | HOLD           |
| DTB                                      | 192.50         | 174.55       | -9.3%  | 4.7%                | 5.2%               | HOLD           |
| Equity                                   | 106.00         | 95.33        | -10.1% | 5.4%                | 6.4%               | HOLD           |
| Family Bank                              | 30.40          | 22.13        | -27.2% | 3.9%                | 4.3%               | SELL           |
| I&M                                      | 81.75          | 70.36        | -13.9% | 4.6%                | 5.1%               | HOLD           |
| KCB                                      | 98.00          | 110.51       | 12.8%  | 4.1%                | 6.1%               | BUY            |
| Stanbic                                  | 279.00         | 243.66       | -12.7% | 8.0%                | 8.4%               | HOLD           |
| StanChart                                | 349.25         | 280.93       | -19.6% | 8.9%                | 9.7%               | HOLD           |
| <b><u>Telecommunication</u></b>          |                |              |        |                     |                    |                |
| Safaricom                                | 37.65          | 34.40        | -8.6%  | 3.2%                | -                  | HOLD           |
| <b><u>Manufacturing &amp; Allied</u></b> |                |              |        |                     |                    |                |
| BAT Kenya                                | 567.00         | 493.57       | -13.0% | 10.6%               | -                  | HOLD           |
| BOC Kenya                                | 192.75         | 120.46       | -37.5% | 3.2%                | -                  | SELL           |
| Carbacid                                 | 43.25          | 27.15        | -37.2% | 3.9%                | -                  | SELL           |
| EABL                                     | 290.50         | 281.78       | -3.0%  | 2.8%                | -                  | HOLD           |
| <b><u>Agricultural</u></b>               |                |              |        |                     |                    |                |
| Kakuzi                                   | 429.75         | 438.41       | 2.0%   | 2.1%                | -                  | HOLD           |
| Sasini                                   | 25.05          | 18.10        | -27.7% | 6.0%                | -                  | SELL           |

\*Current share price: Closing price 4th September 2026.

- \*BUY –** Expected 12-month total return (including dividends) > +15%  
**\*HOLD –** Expected 12-month total return (including dividends) ≥ -15% and ≤ +15%  
**\*SELL –** Expected 12-month total return (including dividends) < -15%

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 on Telcos and manufacturing stocks.**

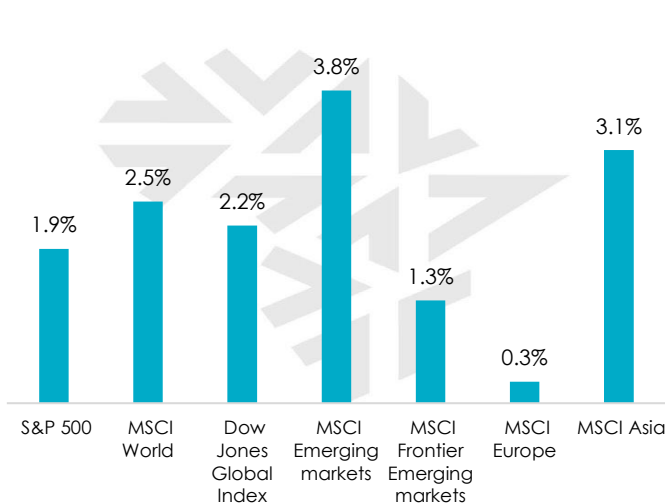
Source: NSE, NCBA IB Research

## Equities markets review

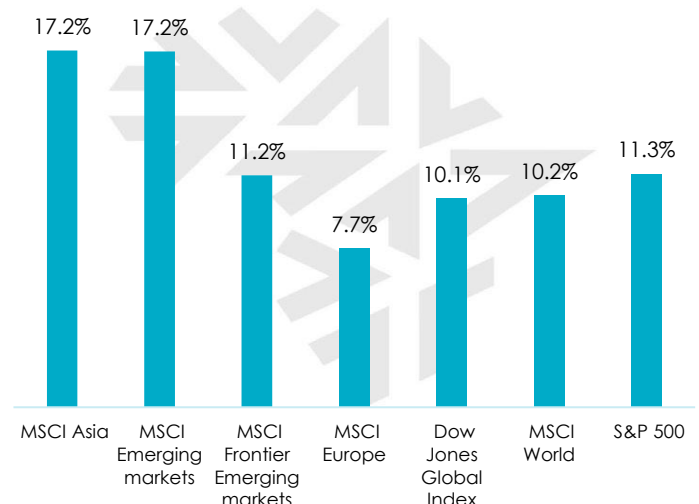
### Global equities

**U.S. equities** closed higher in August, with the S&P 500 gaining 2% M-o-M, as lower oil prices improved investor sentiment alongside positive corporate earnings. **European equities** also advanced, with the MSCI Europe up 0.3%, supported by economic data and earnings, with technology, materials and communication stocks outperforming. **Emerging market equities** gained 3.8% M-o-M, driven by easing inflation expectations, firmer commodity prices and continued AI-related investment. Taiwan and South Korea led gains across EM, supported by their technology-export exposure.

Global Benchmark Indices M/M



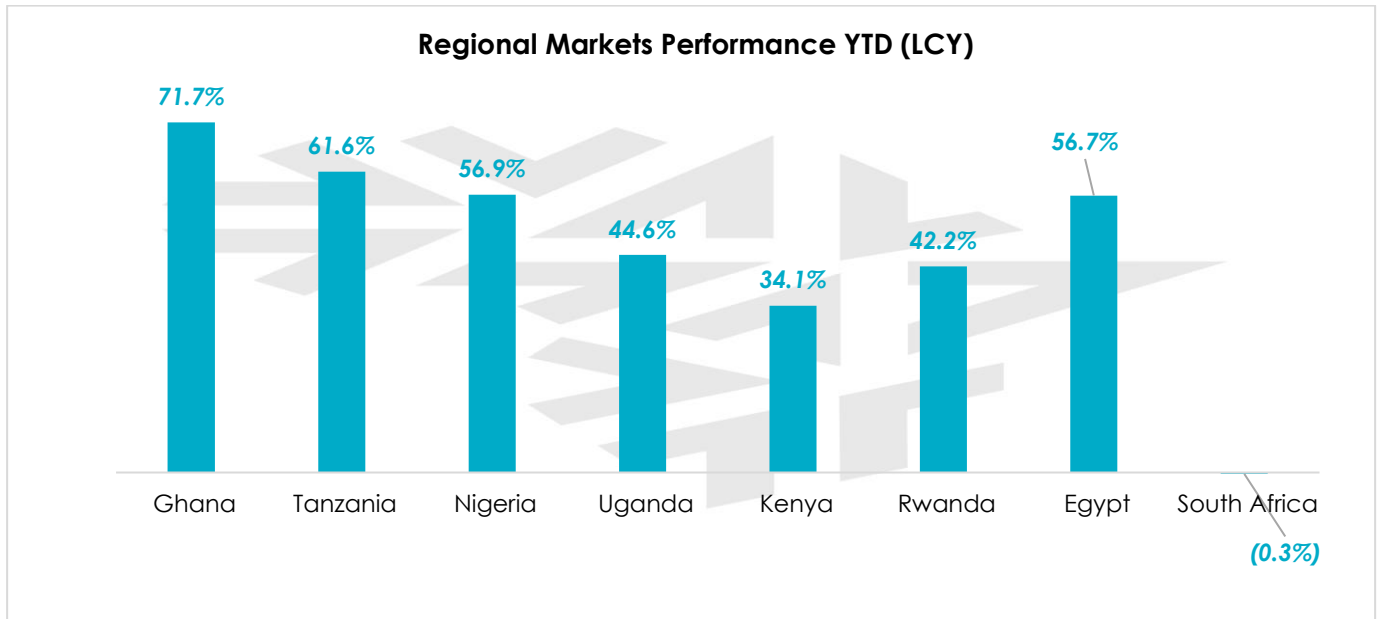
Global Benchmark Indices YTD



Source: Bloomberg, NCBA IB Research

### Regional equities

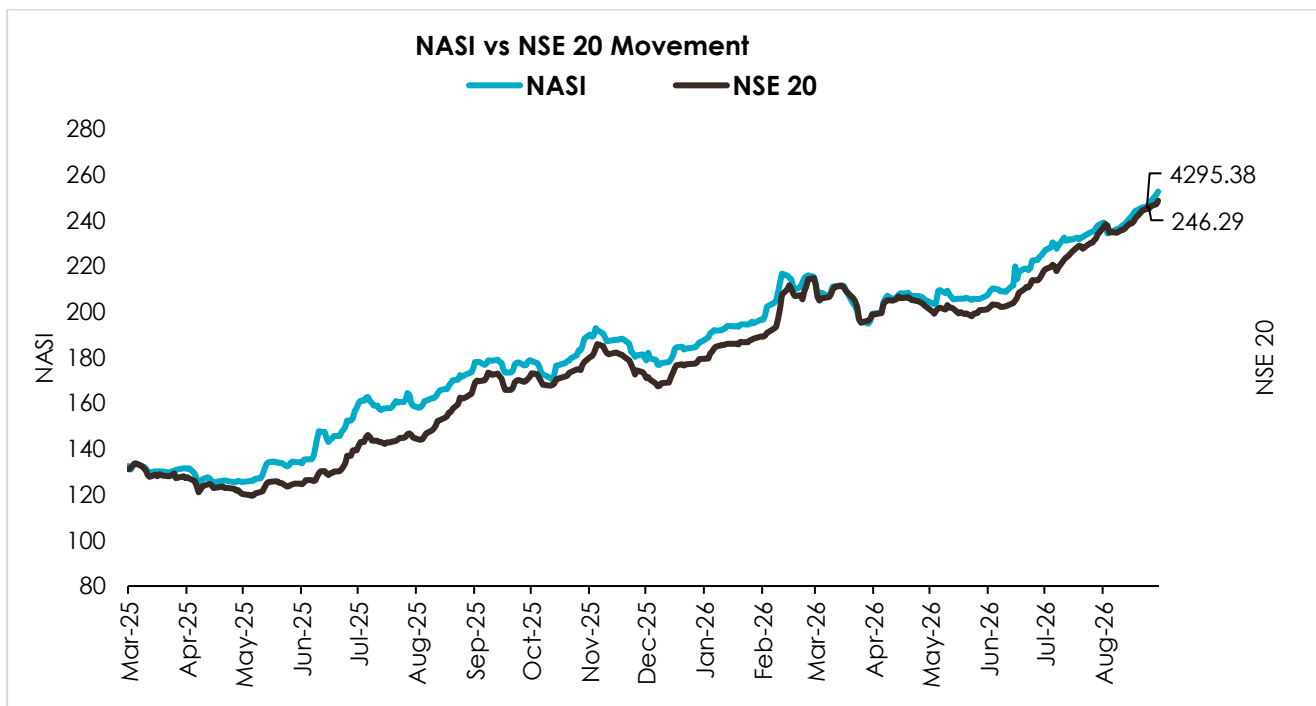
Across the region, **Nigerian equities** closed 0.4% lower in August following profit-taking. However, the market could see renewed investor interest following Nigeria's reclassification to the FTSE Frontier Market Index. **South African equities** rebounded 4% M-o-M, led by precious metal producers and gold miners. **In East Africa**, Ugandan equities gained 6.5% M-o-M, while the Tanzania and Rwanda all-share indices rose 6.0% and 1.6%, respectively.



Source: Bloomberg, NCBA IB Research

### Local market performance

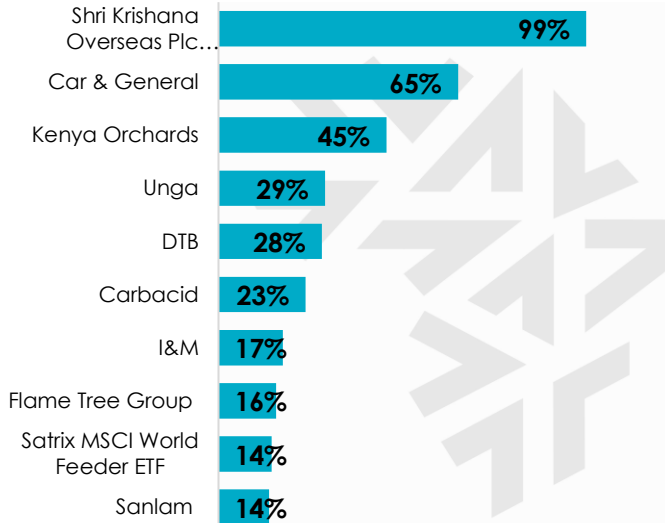
In Kenya, the NASI gained 5.7% in August while the NSE-20 gained 5.7% M-o-M as large-cap stocks edged higher.



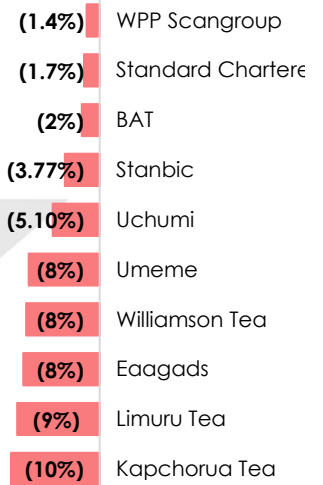
Source: Bloomberg, NCBA IB Research

## NSE stock performance

### Top Gainers - August 2026



### Top Decliners - August 2026



Source: Bloomberg, NCBA IB Research

## Macro Highlights

**Currency:** The Kenyan Shilling held at 129.45 against the USD (0.4% M-o-M). Continued intervention by the CBK has helped anchor the currency and contain excess volatility. Meanwhile, FX reserves declined 2% M-o-M to USD15.2bn, equivalent to 6.4 months of import cover.

| Currency Performance |         |         |          |
|----------------------|---------|---------|----------|
| Period               | USD/KES | GBP/KES | EURO/KES |
| Aug-26               | 129.45  | 175.40  | 150.35   |
| Year to date         | 0.31%   | 0.83%   | (0.91%)  |

Source: CBK, NCBA IB Research

**Inflation:** Headline inflation stood at 6.6% Y-o-Y in Aug-26 (vs. 6.5% in July), driven by higher food, energy, and transport prices. Food inflation printed at 9% Y-o-Y while transport inflation remained elevated at 15.7% Y-o-Y on the back of higher diesel (+27%) and petrol prices (+15%). The Consumer Price Index (CPI) increased by 41bps on a month-on-month basis to 155.85.

| Statistic | Aug-26 | Jul-26 | Change (bps) |
|-----------|--------|--------|--------------|
| Inflation | 6.60%  | 6.50%  | 10.00        |
| CPI       | 155.85 | 155.20 | 41.88        |

Source: CBK, NCBA IB Research

**Liquidity conditions:** Liquidity conditions increased with the overnight rate declining by 45bps M-o-M, while the average funds rose to KES 17bn from KES 6.7bn in July.

| Statistic             | Aug-26 | Jul-26 | Change (bps) |
|-----------------------|--------|--------|--------------|
| Average Kesonian Rate | 8.75%  | 8.75%  | (0.45)       |
| Average Volume        | 17.08  | 6.86   | 9.22         |

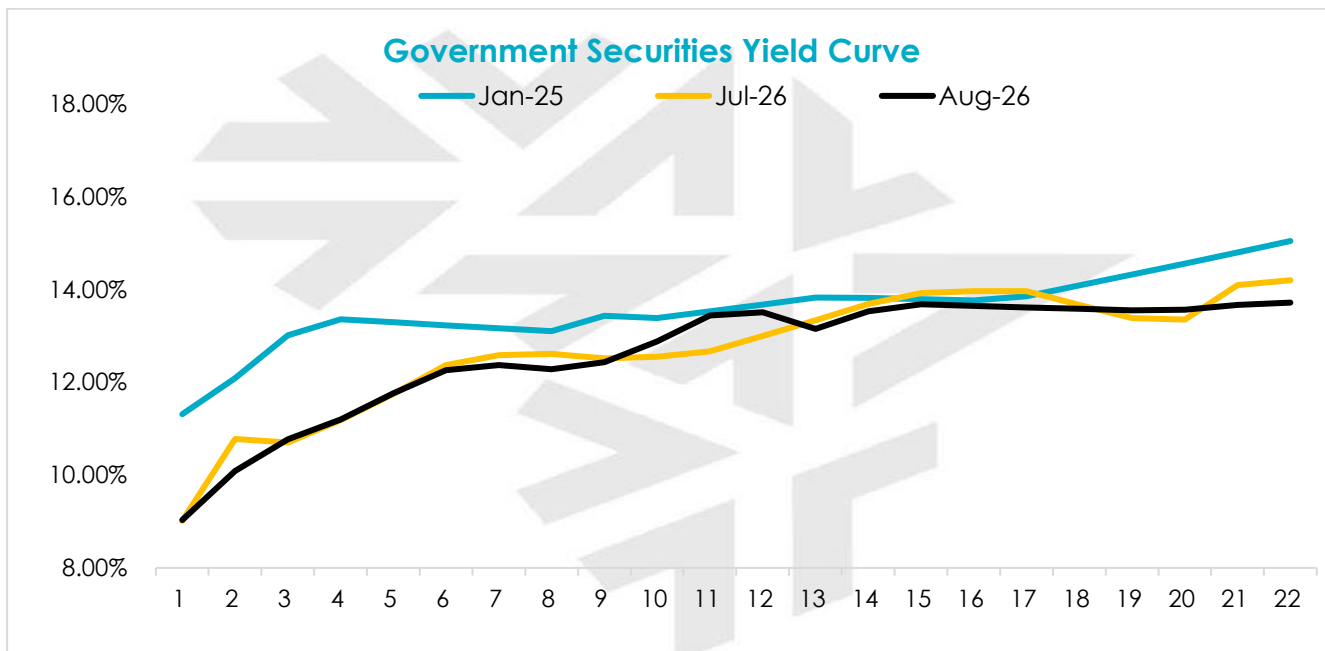
Source: CBK, KNBS, NCBA IB Research

**Interest rates:** Short-term interest rates saw a mixed performance in August. The 91-day Treasury bill yield eased 2.6bps M-o-M to 8.77% and the 182-day paper edged down 1.5bps M-o-M. However, the 364-day T-bill inched up by 1.5bps in August.

| Prevailing rates | Aug-26 | Jul-26 | M/M change (bps) |
|------------------|--------|--------|------------------|
| 91 Day           | 8.77%  | 8.80%  | (2.60)           |
| 182 Day          | 8.94%  | 8.96%  | (1.50)           |
| 364 Day          | 9.03%  | 9.02%  | 1.50             |

Source: CBK, KNBS, NCBA IB Research

Yields on government securities were mixed across the curve, with long-term papers trending lower M-o-M while shorter term rates were unchanged. The decline in longer-dated yields reflected easing inflation expectations while short-term yields remained anchored by expectations that the central bank will maintain the policy rate.



Source: NSE, 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 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?

- **Energy prices:** Oil prices have come under renewed pressure following the escalation of U.S.-Iran hostilities, with Brent crude rising towards USD97/bbl as disruptions around the Strait of Hormuz raise concerns over global supply. The renewed oil shock is adding to inflation risks and complicating the outlook for global monetary easing.
- **U.S. Treasuries** have also come under pressure, with the 10-year yield rising to around 4.8%, as higher oil prices and renewed Fed rate-hike expectations push yields higher. Following a stronger-than-expected August jobs report, markets are pricing a higher probability of a rate hike at the September meeting. The combination of higher oil prices, rising Treasury yields and tighter-for-longer monetary policy remains a key risk to global equities.

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