

CAPITAL MARKETS RESEARCH UPDATE (CMRU)

Markets Update

- AFC in Talks to Sell Sukuk, Panda Bond
- Top banks step up interest rate cuts amid CBK pressure
- CMA speculative trading curbs good for investors
- Annual Inflation stands at 3.3% in January 2025

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AFC in Talks to Sell Sukuk, Panda Bond

Africa Finance Corporation is in talks with banks about a potential Islamic finance offering and intends to issue a Panda bond (Renminbi-denominated bond from a non-Chinese issuer) by year end in a bid to diversify its sources of funding. AFC is keen to tap the growing interest among Gulf states, which are increasingly using their petrodollars to build influence in the continent, as China pares back loans, Europe scales back its presence and the US becomes more domestically focused. Countries including Kenya, Zimbabwe and Egypt have attracted Middle Eastern investments¹

Top banks step up interest rate cuts amid CBK pressure

Top banks are scrambling to cut lending rates days after the Central Bank of Kenya (CBK) warned of daily fines as a punishment for failure to lower the cost of loans for individuals and businesses. Equity Bank, KCB Bank and Co-operative Bank have publicly announced cuts on their lending rates by between one and three percentage points, signalling a thawing of the standoff between them and the regulator.²

CMA speculative trading curbs good for investors

The CMA has also introduced a special rule restricting the share prices of troubled firms to a daily trading limit of five percent, down from 10 percent for other listed companies. This rule will help tame speculation and price manipulation in the shares of such companies. The CMA rules should address the risks inherent in distressed firms which have been trading without any financial reporting for years.

Annual Inflation stands at 3.3% in January 2025

The year-on-year headline inflation as measured by the Consumer Price Index (CPI) was 3.3 per cent in January 2025. This indicates that the general price level in January 2025 was 3.3 per cent higher than in January 2024. The price increase was primarily driven by rising prices in the Food and Non-Alcoholic Beverages category (6.1%); and Transport category (0.7%) over the same period. In contrast, prices in Housing, Water, Electricity, Gas and other fuels declined by 1.6 per cent.³

Kenyan Shilling remains stable against Dollar and Pound

Currency	Dec-24	Jan-25	% Change
1 USD	129.29	129.26	0.03%
1 Sterling (£)	162.27	160.38	1.16%
1 Euro (€)	134.29	135.36	0.80%
1 SA Rand	6.87	7.04	2.36%
1 USHS	0.04	0.04	0.00%
1 TSHS	0.05	0.05	0.00%
1 Brazilian Real	20.99	22.00	4.80%
1 Russian Rubble	1.17	1.31	11.86%
1 Indian Rupee	1.51	1.50	0.91%
1 Chinese Yuan	17.71	17.84	0.69%

Red-Depreciate; Green- Appreciate; Source: CMA

The Kenya Shilling remained stable against major currencies such as the Dollar, the Sterling Pound and the Euro. Movement was experienced against the Russian Rubble with the shilling depreciating by 11.86 percent against it in the one-month period. The Kenyan shilling remained stable against its East African counterparts: Uganda and Tanzania

NSE trading activity increases in Jan 2025

Indicators	Dec-24	Jan-25	Change
NSE 20 Share index	2,010.65	2,162.58	7.56%
NSE 25 Share Index	3,402.80	3,436.04	0.98%
NSE 10 Share Index	1,302.31	1,312.58	0.79%
NASI	123.48	128.28	3.89%
Mkt. Cap (Kshs. Bn)	1,939.74	1,983.70	2.27%
Volume (M)	846.09	632.23	25.28%
Equity Turnover (Kshs. Mn)	29,390.52	9,570.43	67.44%
Bond Turnover (Kshs Mn)	130.12	168.73	29.67%

Green- Increase, Red-Decrease; Source: CMA

The NSE bourse registered positive performance across most tracked indicators. The equities markets capitalization increased by 2.27 percent to close at KShs.1983.70 Billion in January 2025 with the NSE 20, NSE 25, NSE 10 and NASI indices also experiencing upward trajectory. Conversely equity volumes traded, and turnover declined by 25.28 percent and 67.44 percent respectively.

¹ [Bloomberg](#)

² [Business Daily](#)

³ [KNBS](#)

Continued Interest in Islamic Finance Instruments

The Capital Markets Industry has prioritized the development of Kenya as a centre of excellence in Islamic finance. To achieve this, part of the Authority's strategy has been leveraging relationships with regulators and financial market infrastructure providers to support the development of the sector. Further, the recent Sukuk bond issuance is anticipated to set a precedent for further innovative capital markets instruments in Kenya.

Top banks step up interest rate cuts

This move comes after the Central Bank's team stepped up surveillance on banks, warning of penalties for those not reducing lending rates in line with their risk-based credit pricing models and falling central bank rate (CBR). This development is expected to have a significant impact on the broader economy, particularly in the capital markets. With reduced borrowing costs, businesses—especially those in the manufacturing sector and Micro, Small, and Medium Enterprises (MSMEs)—stand to benefit from improved access to affordable credit. This, in turn, could drive investment, expansion, and job creation, further stimulating economic growth.

CMA speculative trading curbs good for investors

The introduction of new rules to address the financial and corporate governance crisis of some listed companies will contribute to protection of investors. The approved rollout of a special board of the Nairobi Securities Exchange (NSE), which will host companies grappling with financial and corporate government challenges, puts pressure on listed firms to be transparent with their investors while also protecting the public from investing in companies with no shareholder wealth to back their stock prices. Major exchanges such as the New York Stock Exchange (NYSE) have similar rules, including requiring companies to maintain certain levels of shareholders' funds, market capitalisation, financial reporting and number of shareholders.



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