EAST AFRICA

Market Wrap — Aug 2026

Monthly Capital Markets Intelligence

NSE | DSE | USE | RSE

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Executive Summary

East Africa's capital markets carried their 2026 rally into August, with Kenyan equities pushing further into record territory even as the Central Bank of Kenya (CBK) held its policy rate for a third consecutive meeting. The NSE All Share Index (NASI) advanced to 248.38 points by 28 August, taking its year-to-date return to 33.12%, while the NSE 20 Share Index gained 37.28% and the NSE Banking Sector Index led all indices with a 40.12% year-to-date return. Total market capitalisation rose to KES 4.17 trillion. Inflation edged up to 6.6% in August, and the Monetary Policy Committee (MPC) held the Central Bank Rate at 8.75% at its 11 August meeting, citing anchored inflation expectations and elevated global oil-price risk linked to the conflict in the Middle East.

August was dominated by continued consolidation in Kenya's banking sector and unresolved uncertainty in one of the region's largest pending transactions. Absa Group's KES 30.9 billion tender offer for Absa Bank Kenya closed on 11 August with a take-up of only 21.1%, lifting the parent's stake from 68.5% to 71.99% after the bank's share price rallied above the offer price; Absa separately agreed to exit Kenyan insurance underwriting, selling its stakes in First Assurance and Absa Life Assurance Kenya. Nedbank's approximately USD 842 million acquisition of a 66% stake in NCBA Group moved closer to completion after receiving Central Bank of Kenya approval on 28 August, with the majority of regulatory approvals now secured and the remaining approvals expected toward the end of Q3 2026. Diageo's USD 2.3 billion sale of its 65% EABL stake to Asahi remained subject to ongoing court proceedings delaying completion, even as EABL reported a 43% rise in pre-tax profit and a 59% increase in its full-year dividend.

The Central Bank of Kenya's 12 August infrastructure bond auction drew KES 460.9 billion in bids against a KES 150 billion target, a 307% subscription rate that underscores continued appetite for Kenyan government securities even as long-dated yields remain elevated. Kenya's National Infrastructure Fund advanced its governance framework, tabling an Investment Policy before Parliament that sets a 7% minimum equity return threshold and a 20% single-project exposure cap, with public submissions which closed on 24 August 2026. In Tanzania, the Bank of Tanzania launched a new Sovereign Yield Curve alongside full liberalisation of the capital account, while Uganda's EUR 405.5 million sovereign Sukuk remains on track for a global launch in the third quarter of 2026.

1. Macro and Rates Environment

The Central Bank of Kenya held the Central Bank Rate at 8.75% at its 11 August 2026 meeting, marking a third consecutive hold following the pauses initiated in April and continued in June. The Monetary Policy Committee said the decision was intended to keep inflation expectations anchored amid rising global economic uncertainty and risks linked to higher oil prices stemming from the conflict in the Middle East. Headline inflation rose to 6.6% in August from 6.5% in July, remaining within the Bank's 5 ± 2.5% target band. The CBK maintained its 2026 GDP growth projection at 4.9%, with growth expected to accelerate to 5.3% in 2027, supported by a resilient services sector, a robust industrial sector and stable agricultural production.

Domestic financial conditions continued to strengthen. Private-sector credit growth remained strong at 10.2% in July, marginally below 10.6% in June and significantly improved from -2.9% in January 2025, while the banking sector's asset quality improved, with gross non-performing loans falling to 14.6% of gross loans in July from 15.4% in April. The Stanbic Bank Kenya Purchasing Managers' Index (PMI) rose to 51.3 in July from 50.0 in June, returning to expansion territory for the first time since February and marking the strongest reading on business confidence since February 2023, driven by stronger new order inflows and the fastest pace of hiring so far in 2026.

Kenya's foreign-exchange reserves rose to USD 14.93 billion, equivalent to 6.2 months of import cover, up from USD 14.17 billion in July, while the shilling remained broadly stable against the US dollar through August. Kenya's Treasury bond market saw exceptionally strong demand at the 12 August infrastructure bond auction, with CBK accepting approximately KES 312 billion of the KES 460.9 billion in bids received for a reopening of three infrastructure bonds against a KES 150 billion target. Weekly Treasury bill rates continued to ease modestly, with the 91-day, 182-day and 364-day rates settling at 9.04%, 8.77% and 8.95% respectively at the 20 August auction.

The next Monetary Policy Committee meeting in October will be closely watched, alongside the closing of public submissions on the National Infrastructure Fund's Investment Policy on 24 August and the pending release of Kenya's Q2 2026 GDP data. A continued hold would support credit transmission and corporate issuance, while renewed oil-price pressure or a widening fiscal deficit could prompt a more cautious policy stance in the fourth quarter.

Indicator	Current Level	Signal
CBK Benchmark Rate	8.75%	On hold for 3rd meeting; October MPC next
Cumulative cuts (Aug '24)	~425 bps	Cumulative easing since August 2024, unchanged since April
CPI Inflation (Aug '26)	6.6%	Above 5.0% midpoint; energy-driven
Stanbic Kenya PMI (Jul '26)	51.3	Returned to expansion; strongest confidence since Feb 2023
Private Sector Credit Growth (Jul '26)	10.2%	Remains strong; marginally below 10.6% in June.
GDP Growth (2026 forecast)	4.9%	Held; 2027 forecast raised to 5.3%
FX Reserves (End Aug '26)	USD 14.93B	6.2 months import cover; up from 6.0
KES/USD (mid-Aug '26)	KES 129.35	Stable; narrow trading band
Kenya Infra Bond Auction (12 Aug)	307% subscribed	KES 460.9B bids vs KES 150B target

Figure 1: *Kenya macro indicator summary, August 2026.*

Source: *CBK MPC Press Release (11 August 2026); CBK Treasury Bond & Bill Auction Results; Kenya National Bureau of Statistics (KNBS); Stanbic Bank Kenya / S&P Global PMI reports.*

2. Regional Equity and Corporate Markets

2.1 Regional Equity Market Performance

East African equity markets extended their 2026 rally through August, with the Nairobi Securities Exchange continuing to outperform regional peers even as valuation concerns intensified around the pace of gains in banking counters.

The NSE All Share Index (NASI) closed at 248.38 points on 28 August 2026, a year-to-date return of 33.12%. The NSE 20 Share Index gained 37.28% year-to-date, the NSE 10 Share Index rose 37.05% and the NSE 25 Share Index advanced 35.64%. The NSE Banking Sector Index led all major indices with a 40.12% year-to-date return, extending the sector's outperformance from July. Total market capitalisation rose to KES 4.17trillion, up from KES 3.88 trillion at end-July.

Trading activity broadened beyond the largest counters during August, with mid-cap names such as Carbacid Investments and Car & General among the session's leading gainers. Corporate consolidation activity, including the Absa Bank Kenya tender offer and continued progress on the Nedbank-NCBA transaction, kept banking counters in sharp focus, even as Absa Bank Kenya's own share price rallied roughly 39% year-to-date and traded above the KES 34.50 tender price for much of the offer period, a signal that institutional and retail holders increasingly view current valuations as a floor rather than a ceiling.

Tanzania's Dar es Salaam Stock Exchange sustained its momentum into August, with the DSE All Share Index (DSEI) advancing to 4,232.85 points by mid-August, supported by a series of large, prearranged block trades in NMB Bank, Tanzania Cigarette Company and Tanzania Portland Cement. Total market capitalisation on the exchange rose to approximately TZS 36.9 trillion. The Bank of Tanzania launched the country's first Sovereign Yield Curve on 7 August, a new daily benchmark spanning maturities from under one month to 25 years, developed with technical support from the US Treasury Department and timed to coincide with the full liberalisation of Tanzania's capital account.

As in Kenya, foreign investors have continued to sell into strength on the DSE even as the index advances, with local pension funds, insurance companies and retail investors absorbing the supply. The breadth of the rally across both exchanges points to deepening domestic capital-market participation, though the pace of gains in Kenyan banking counters, alongside a widening dividend withholding tax burden on regional investors, will increasingly test the durability of current valuations.

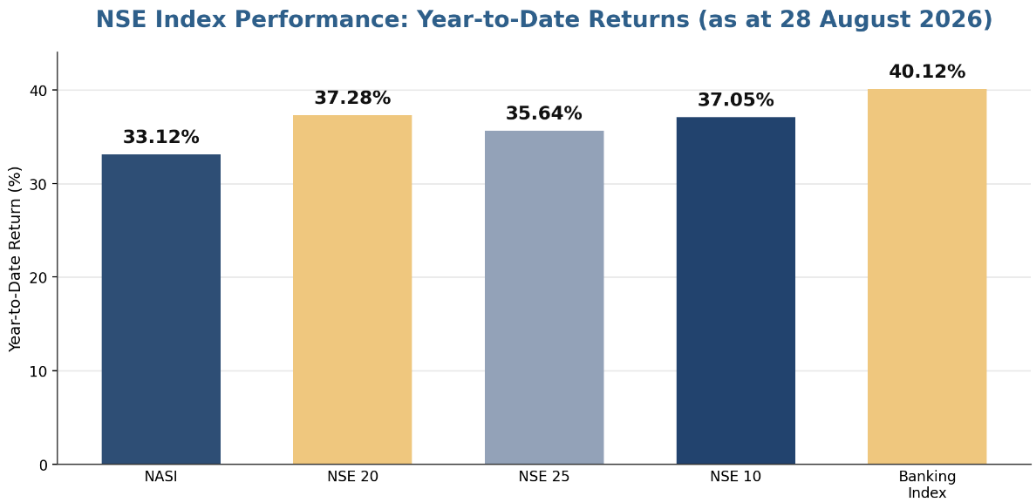

Figure 2: *NSE index year-to-date (YTD) returns, as at 28 August 2026.*

Source: *NSE market data.*

The NSE rally has moved the market into a more selective phase. With the NASI up strongly year to date and banking stocks leading the advance, the next leg of performance will increasingly need to be earnings-led rather than driven by further multiple expansion.

DSE Metric (H1 2026)	Value	Change (Year-on-Year)
Total market capitalisation (28 listed companies)	TZS 35.18 trillion	+79.1%
Domestic company market capitalisation (22 companies)	TZS 23.74 trillion	+84.9%
Listed government bonds	TZS 32.01 trillion	+17.8%
Corporate and public institution bonds and Sukuk (TZS)	TZS 1.60 trillion	+18.2%
Foreign-currency corporate bonds (USD)	USD 186.05 million	+154.9%
Q2 2026 equity turnover	TZS 496.8 billion	+227.2%
New debt securities listed in Q2 2026	5 securities, TZS 236.4 billion	n/a

Figure 3: *DSE H1 2026 market performance summary.*

***Source:**; DSE H12026 Report*

Market	August 2026 snapshot	Rock IB read-through
Kenya – NSE	The NSE remained the region's strongest-performing equity market, with NASI closing at 248.38 points on 28 August and market capitalisation reaching approximately KES 4.17 trillion. Banking counters continued to underpin the rally.	Momentum remains positive, but valuation discipline is becoming increasingly important after the strong YTD rerating.
Tanzania – DSE	Trading activity remained healthy through August, supported by large banking counters including NMB and CRDB. On 28 August, equity turnover stood at approximately TZS 10.2 billion, alongside TZS 6.0 billion of bond turnover.	Improving liquidity, the new sovereign yield curve and capital-account liberalisation strengthen Tanzania's capital-market infrastructure and medium-term investability.
Uganda – USE	Uganda's most significant capital-markets development remains the planned EUR 405.5 million sovereign Sukuk, targeted for launch in Q3 2026.	A successful issuance could broaden Uganda's fixed-income investor base and establish an important regional precedent for Islamic capital-market instruments.
Rwanda – RSE	The RSE All Share Index stood at 259.21 points on 28 August, with market capitalisation of approximately RWF 6.63 trillion. Trading remained comparatively measured.	Rwanda remains a smaller, relatively stable market where further depth will depend on new listings, liquidity and increased domestic institutional participation.

Figure 4: *Regional Market Dashboard*
Source: Rwanda Stock Exchange, DSE and NSE

Regional takeaway: East African capital markets remain at different stages of development. Kenya continues to lead on equity-market depth and transaction activity, Tanzania is strengthening its market infrastructure and liquidity, Uganda is opening a new avenue through sovereign Islamic finance, while Rwanda remains a smaller but relatively stable market. The direction of travel across the region is nevertheless consistent: deeper domestic pools of capital, broader financing instruments and increasing institutional participation.

2.2 Notable Corporate Transactions

August confirmed Kenya's banking sector as the epicentre of East Africa's cross-border consolidation wave, with the completion of the Absa Bank Kenya tender offer, continued progress on Nedbank's acquisition of NCBA Group, and a further twist in Diageo's long-delayed sale of its EABL stake to Asahi.

Absa Bank Kenya Tender Offer

Absa Group's KES 30.9 billion (USD 238.7 million) tender offer to raise its stake in Absa Bank Kenya from 68.5% to as much as 85% closed on 11 August 2026. Absa had offered KES 34.50 per share, an 18.1% premium to the 30-day volume-weighted average price, for up to 895.99 million shares. Take-up was limited to 189.98 million shares tendered by 2,045 shareholders, a subscription rate of only 21.1% of the maximum sought, of which Absa accepted 189.38 million shares for approximately KES 6.53 billion, lifting its stake to roughly 71.99%.

The limited take-up reflected the strength of Absa Bank Kenya's own share price, which had rallied approximately 39% year-to-date and roughly 73% over twelve months, trading above the offer price for much of the tender period. Separately, on 13 August 2026, Absa Group agreed to sell its 63.32% stakes in First Assurance Company and Absa Life Assurance Kenya to First Assurance Investments Limited, exiting insurance underwriting in Kenya while reallocating capital toward its banking franchise.

Nedbank - NCBA Transaction

Nedbank Group's proposed acquisition of an approximately 66% controlling stake in NCBA Group advanced materially in August, following Central Bank of Kenya approval on 28 August 2026. The approval represents a key milestone in the transaction, after Nedbank's offer achieved its targeted approximately 66% shareholding in NCBA. The majority of the required regulatory approvals have now been obtained, with the remaining approvals progressing in line with their expected timelines and anticipated toward the end of the third quarter of 2026. The transaction nevertheless remains subject to the fulfilment or, where permissible, waiver of the remaining conditions to the offer.

The approximately USD 842 million (KES 109.6 billion) transaction remains structured as 20% cash and 80% newly issued Nedbank shares, with NCBA expected to retain its NSE listing, brand, local leadership and independent governance following completion. Nedbank has indicated that settlement will occur once all offer conditions have been satisfied or waived. NCBA's existing East African footprint would provide Nedbank with a significant regional banking platform while preserving NCBA's established local franchise.

Diageo – EABL – Asahi Transaction

Diageo's proposed USD 2.3 billion sale of its 65% stake in East African Breweries PLC (EABL) to Asahi Group Holdings remained subject to ongoing court proceedings in Kenya during August, delaying completion of the transaction.

EABL's underlying performance remained strong, with pre-tax profit rising 43% to KES 27.66 billion for the year ended June 2026, while the total dividend increased 59% to KES 12.70 per share.

Market implication

August's transactions illustrate a maturing, more discerning phase of regional consolidation: foreign acquirers remain committed to East African banking franchises, but rising domestic share prices are compressing the premiums on offer, as shown by Absa's limited take-up. Persistent litigation risk around the Diageo-EABL-Asahi transaction also underscores the importance of robust minority-shareholder protections as cross-border M&A activity in the region intensifies.

3. Regional Fixed Income Markets

3.1 Uganda Sovereign Sukuk

Uganda's inaugural EUR 405.5 million (UGX 1.75 trillion) sovereign Sukuk remained on track for a global launch in the third quarter of 2026, following its classification by the Bank of Uganda as a High-Quality Liquid Asset (HQLA) in June. The seven-year hybrid Forward Ijarah/Istisna instrument, offering a 10.5% annual rental yield payable semi-annually, is structured with a EUR 205 million domestic and regional tranche (with a EUR 30 million greenshoe option) and a EUR 200 million international tranche (with a EUR 15 million greenshoe option). Arranged by Yusra Sukuk Company Limited and rated B (Stable) by Fitch and S&P Global, the Sukuk is expected to list on the Uganda Securities Exchange, with strong early interest reported from Gulf Cooperation Council and regional institutional investors.

Issuer / Instrument	Market	Size	Coupon / Yield	Status
Kenya Infrastructure Bonds (12 Aug Auction)	Kenya (NSE)	KES 150B target	Various	307% subscribed; KES 460.9B bids received
Uganda Sovereign Sukuk (SGR)	Uganda (USE)	EUR 405.5M	10.50% rental	Q3 '26 global launch targeted; HQLA classified
Kenya T-Bills (20 Aug Auction)	Kenya (CBK)	Weekly	8.77% – 9.04%	91/182/364-day rates easing
Tanzania Sovereign Yield Curve	Tanzania (BoT)	New benchmark	Various maturities	Launched 7 Aug 2026; capital account liberalised

Figure 5: *East Africa fixed income transactions summary, August 2026.*
Source: *CBK; NSE; DSE; Bank of Uganda; Bank of Tanzania.*

4. Private and Strategic Transactions

4.1 National Infrastructure Fund

Kenya's National Infrastructure Fund (NIF) advanced its governance and investment framework in August, with Treasury Cabinet Secretary John Mbadi tabling the National Infrastructure Fund Investment Policy 2026 before the National Assembly's Finance and National Planning Committee. The policy sets a minimum 7% annual equity return threshold for Fund-backed projects, caps investment in any single project at 20% and limits sector exposure to 40% and requires that at least 60% of project financing be sourced from non-recourse debt that lenders cannot claim against the Fund itself. Public submissions on the policy closed on 24 August 2026.

5. Thematic Watch: H2 2026

5.1 Monetary Policy and Issuance Conditions

The next CBK Monetary Policy Committee meeting in October will be the key near-term policy event. With inflation running at 6.6% and global oil prices remaining volatile amid Middle East tensions, a further hold would support continued credit transmission and corporate issuance, while any shift toward tightening could dampen the equity-market rally and narrow the corporate bond issuance window.

5.2 Uganda Sovereign Sukuk

Uganda's sovereign Sukuk remains on track for a global launch in the third quarter of 2026. A successful, oversubscribed launch, building on the strong early GCC and regional investor interest reported during the roadshow, would establish an important precedent for Islamic capital markets in East Africa and could encourage similar sovereign or corporate instruments in Kenya and Tanzania.

5.3 Capital deployment and equity-market sustainability

Deployment of the NIF's initial KES 340 billion capital base, and the extent to which its Investment Policy successfully crowds in private and development-finance capital, will be closely watched once public consultation closes. At the same time, the sustainability of the NSE rally, now approaching a 33% year-to-date NASI return, will increasingly depend on corporate earnings delivery and the market's ability to absorb further foreign selling, particularly if the elevated dividend withholding tax continues to weigh on regional investor participation.

Rock IB House View: August 2026

The regional capital-markets outlook remains positive, but investors are becoming more focused on valuations. With NASI up about 33% year to date and the Banking Sector Index up to 40%, investors are likely to become more selective, especially in banking stocks. Further gains in these stocks will increasingly depend on stronger earnings rather than higher valuations. Absa's tender offer, which achieved only 21.1% take-up, also shows that local valuations may be higher than some strategic buyers expected, meaning future cross-border deals may need to reflect these higher prices.

For corporate issuers, the current window remains constructive: declining short-end government yields and an unchanged CBR support issuance economics, although the October MPC and renewed inflation pressure introduce asymmetric refinancing risk into Q4. Over the medium term, the National Infrastructure Fund's Investment Policy and Uganda's planned sovereign Sukuk could provide more options for infrastructure financing and create opportunities for structured capital, private credit and institutional investment.

Sources: *Central Bank of Kenya, Bank of Uganda, Bank of Tanzania, Nairobi Securities Exchange, Dar es Salaam Stock Exchange, Capital Markets Authority, Kenya National Bureau of Statistics, Stanbic Bank Kenya / S&P Global PMI reports, Absa Group Limited, Nedbank Group Limited, Diageo plc, East African Breweries PLC, National Treasury and Economic Planning (Kenya).*

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