The Capital Markets Soundness Report (CMSR)

Volume XXXIV Quarter 1 2025 (1st January – 31st March) 2025

"ENHANCING THE FUTURE OF VIRTUAL ASSET THROUGH REGULATORY OVERSIGHT"

Quarterly Publication of the Capital Markets Authority (Kenya)

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SPECIAL MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear Esteemed Reader,

The Capital Markets Authority is pleased to present the 34th edition of the Capital Markets Soundness Report. The report highlights key developments within the capital markets ecosystem during the first quarter of 2025, as well as market performance trends. The Authority remains committed to producing and publishing this report on a quarterly basis to ensure that all stakeholders are well-informed on relevant developments at the local, regional, and international levels.

Recent proposal by the US Government to impose tariffs is now posing a threat to global GDP growth. This comes after the global economy had shown resilience in the face of the COVID-19 pandemic and prolonged geopolitical tensions stemming from the Russia-Ukraine war over the past four years. As a result, global GDP growth is now projected to slow to 3.1% in 2025, down from 3.3% in 2024. Notably, Sub-Saharan Africa is expected to experience an improvement in economic performance, with GDP growth projected to rise to 4.2% in 2025 from 3.8% in 2024, according to the World Economic Outlook, a positive development for the region. However, the threat of potential trade wars triggered by U.S. proposal for tariff measures remains a significant risk, with likely spillover effects that could adversely impact the Sub-Saharan region and the broader global economy.

The 7th Edition of the State of Corporate Governance Report, published at the beginning of the year, stands as a testament to the ongoing journey of strengthening governance practices within Kenya's capital markets. A key highlight is the approval of the Ziidi Shariah Money Market Fund, which comes at a strategic moment as the Capital Markets Authority continues to promote the growth of Islamic (Shariah-compliant) capital market products in the domestic market. This aligns with the Authority's vision of fostering an inclusive capital markets ecosystem for all investors.

The Authority also commends Standard Chartered Bank and HF Group for their inclusion in the MSCI Frontier Market Indices a milestone that not only enhances the global visibility of domestic issuers but also reinforces their potential to attract capital from beyond Kenya's borders.

Finally, I wish to express sincere appreciation to you, our esteemed reader, for your continued support of the Capital Markets Authority and your engagement with this publication. As you go through this report, we welcome your thoughts on the key findings, insights, opportunities, risks, and proposed mitigation measures.

Your feedback is invaluable and will play a vital role in enhancing the quality and relevance of this quarterly publication.

Happy Reading!

Mr. Wyckliffe Shamiah, FCPA

CHIEF EXECUTIVE OFFICER

EDITORIAL

Greetings to you this Easter season,

It is my pleasure to present the 34th Edition of the Capital Markets Soundness Report covering the period January – March 2025, themed **"Enhancing the Future of Virtual Assets through Regulatory Oversight."** Allow me to draw your attention to the Special Feature section of this edition, which focuses on the Virtual Asset Service Providers (VASPs) Bill, 2025. Given Kenya's ranking among jurisdictions with high virtual asset activity, the theme is timely highlighting the urgent need for our regulators to develop a comprehensive framework that safeguards investors while fostering innovation in the digital finance space.

While the full details of the proposed legislation are readily available, I am pleased to also share the Authority's summary of the Bill for your ease of reference. I welcome you to explore and engage further with the evolving concepts around virtual assets and their regulatory implications.

This edition also highlights key international and regional developments shaping capital markets. Globally, the UK's Financial Conduct Authority (FCA) has proposed new measures aimed at supporting business growth and expanding investment opportunities. Across Africa, notable progress includes the adoption of blockchain technology to enhance capital markets operations in Nigeria, while Ghana introduced a staggered payment framework for its 2025 market levies. Closer to home, Ethiopia marked a significant milestone with the establishment of its first stock exchange an initiative expected to play a vital role in strengthening the country's financial infrastructure.

Amid ongoing global uncertainties, the MSCI World Index posted a negative return of 1.68%, while the MSCI Emerging Markets Index recorded a positive return of 3.01%. In comparison, Kenya's market registered a gain of 3.69%, a significant decline from the exceptional 76.62% recorded in December 2024. Despite the slowdown, the performance of Kenya's capital markets continued to show signs of recovery. By the end of the quarter, the NSE 20, NSE 25, NASI, and NSE 10 indices closed at 2,226.68, 3,532.38, 130.81, and 1,342.38 basis points, respectively. Market liquidity, as measured by the turnover ratio, stood at 1.28%.

Foreign investors continued to scale down their participation in the equity market, with foreign activity accounting for 38.24% of total market turnover in Q1 2025, down from 43.83% in Q4 2024. The drop is attributed to investors seeking a secure investment environment that is unlikely to be significantly affected by the proposed policy reforms in the US. The market recorded a net equity outflow from foreign investors of Ksh. 3.263 billion, representing a significant decline in outflows compared to the Ksh. 16.638 billion registered in the previous quarter.

The outlook for the domestic market remains positive as CMA continues to encourage a collaborative industry approach towards promoting increased investment in the domestic market both from institutional and retail investors, as the success of our markets relies heavily on broad participation across all asset classes.

The report concludes with a comprehensive matrix analysing capital market stability, focusing on key trends over the past year in market volatility, liquidity, market concentration, and foreign portfolio flows.

We look forward to your continued support in helping the Authority fulfil its Mandate of regulation and market development.

Enjoy your read!

Mr. Luke E. Ombara

DIRECTOR, POLICY AND MARKET DEVELOPMENT

I. SPECIAL FEATURE: THE VIRTUAL ASSETS SERVICE PROVIDERS BILL, 2025

Over the years, financial technology (FinTech) has driven significant innovation in global financial markets, leading to the emergence and rapid growth of the virtual assets market. Individuals across the world are increasingly engaging with virtual assets on a daily basis, underscoring the need for robust regulation and the seamless integration of this new asset class into the traditional financial system. In response, jurisdictions worldwide are undertaking various initiatives aimed at regulating the virtual asset industry, enhancing investor protection, and addressing potential risks associated with trading in virtual assets.

Similarly, both within Africa and globally, Kenya has been ranked as the third country[1] in Africa behind Nigeria and Ethiopia in the global crypto adoption index. among the leading countries in terms of virtual asset activity. In response, the National Treasury and Economic Planning has initiated the development of a regulatory framework aimed at providing for regulatory oversight over the virtual assets industry. As part of this initiative, the National Treasury and Economic Planning has submitted the Draft Virtual Asset Service Providers Bill to parliament.

Definitions

The Virtual Assets Service Providers Bill begins by defining key terminologies relevant to the industry and as they will be applied within the framework of the forthcoming legislation. This section aims to establish a common understanding of the concepts outlined in the Bill, ensuring clarity and preventing any confusion regarding its scope and application.

Below are the definitions of capital markets related terms

Table 1Virtual Assets Terminologies

Term	Definition
Broker	A service provider that acts as a link between a virtual asset exchange and persons, facilitating the buying and selling of virtual assets on behalf of clients, including offering advice.
Centralized Exchange	A centralized online business platform facilitating the trading, conversion, and transfer of virtual assets.

[1] https://www.chainalysis.com/blog/subsaharan-africa-crypto-adoption-2024/

Cryptocurrency	Cryptocurrency is a digital representation of value that can be used as a medium of exchange and has no central issuing or regulating authority, but instead uses a decentralized system to record transactions and manage the issuance of new units and relies on cryptography to prevent counterfeiting and fraudulent transactions
Virtual Asset (VA)	Virtual Asset is a digital representation of value that can be digitally traded, or transferred, and can be used for payment or investment purposes. Virtual assets do not include digital representations of fiat currencies.
Virtual Asset Exchanges	A type of virtual asset service provider that facilitates virtual asset transfers and exchange. Exchanges may occur between one or more forms of virtual assets, or between virtual assets and fiat currency
Virtual Asset Investment Providers	A type of virtual asset service provider that provides investment vehicle to enable investment in virtual assets via a managed investment scheme.

Role of the Capital Markets Authority

Regulation 7(1) of the Virtual Assets Service Providers Bill 2025 outlines the roles of regulatory authorities, namely the Central Bank of Kenya and the Capital Markets Authority. The First Schedule specifies the key areas each regulator will oversee. Notably, the Capital Markets Authority will be responsible for regulating the bulk of the Virtual Assets Service Providers ecosystem. This highlights the significant responsibility placed on the CMA to develop and enforce regulations that will ensure a secure and conducive market environment for the operation of virtual assets and the virtual assets service providers. The CMA will be responsible for the regulation of virtual assets exchange, virtual assets brokers, virtual assets investment advisors, virtual assets managers, and virtual assets offering providers (initial coin offerings (ICOs), virtual assets tokenization, token issuance platform).

In performing their regulatory responsibility, the CBK and CMA will be guided by the principles of ensuring financial stability, ensuring market integrity, fostering innovation and maintaining fairness, transparency, and efficiency in the virtual assets sector and preventing, detecting and restraining conduct that causes damage to the financial reputation of Kenya.

The role of the Capital Markets Authority will include:

1. **Licensing Virtual Asset Service Providers**- Licensing will cover entities such as virtual asset exchanges, virtual asset brokers, virtual assets investment advisors, virtual asset managers, and Virtual assets offering providers (e.g., ICOs, tokenization, and issuance platforms).
2. **Regulating Promoters of Virtual Asset Offerings-** Supervision will extend to regulating, supervising, and monitoring promoters of virtual asset offerings.
3. **Enforcement Actions-** The Authority will issue directions and directives, taking necessary enforcement actions for non-compliance with the Act.
4. **Issuing Guidelines and Notices-** CMA will issue and publish notices, guidelines, and other relevant instruments to aid in the implementation of the Act and related regulations.
5. **Supporting Compliance with Anti-Money Laundering-** Providing feedback to virtual asset service providers to help them detect and report suspicious activities, prevent tipping off, and enforce anti-money laundering and counter-terrorism measures.
6. **Ensuring Financial Soundness-** Ensuring the financial soundness and stability of the financial system within the scope of the CMA's regulatory responsibilities.
7. **Advising the Cabinet Secretary-** Offering advice to the Cabinet Secretary for National Treasury on matters concerning the Act.
8. **Cooperation with other Authorities-** Collaborating with other supervisory bodies, competent authorities, and investigating entities for sharing relevant information.

Licensing Requirements to Operate as a Virtual Assets Service Provider

Unless licensed by the Capital Markets Authority an institution is prohibited from carrying out the business of virtual asset exchanges, virtual asset brokers, virtual assets investment advisors, virtual assets asset managers, and from being a virtual asset offering provider.

Application for a license will be submitted to the CMA and will be accompanied by a regulatory fee as prescribed by the capital markets regulations.

Factors that will determine the approval for a license application include **(i)** possession of necessary skills, knowledge and experience**, (ii)** the ability to meet the requitements under the VASPs Act and other relevant Capital Markets Regulations, **(iii)** ability to comply with consumer protection, data protection requirement laws, **(iv)** ability to provide fit and proper officers, **(v)** ability to meet the prescribed cyber security measures as provided under the Computer Misuse and Cybercrime Acts, and **(vi)** ability to provide physical premises or data solutions that CMA has deemed suitable for accessing and retaining records and other documents.

If a licensee fails to comply with an obligation under the Act, conducts business in a manner not permitted by the license, provides the CMA with false, misleading, or inaccurate information, markets or advertises virtual assets or products in a fraudulent or misleading way, or if the interests of the licensee's clients or potential clients are threatened, the Authority has the power to suspend, vary, or revoke the license.

Prevention of Money Laundering, Terrorism Financing and Proliferation Financing by Virtual Asset Service Providers

In accordance with sections 2A, 36A, 36B, and 36C of the Proceeds of Crime and Anti-Money Laundering Act and section 42A of the Prevention of Terrorism Act, CMA will be responsible for regulating, supervising, and enforcing compliance with Anti-Money Laundering (AML), Countering the Financing of Terrorism (CFT), and Counter-Proliferation Financing (CPF) regulations for virtual asset service providers. In fulfilling this mandate, the Authority is tasked with vetting significant shareholders, beneficial owners, directors, and senior officers of these providers, conducting onsite inspections and offsite surveillance, and providing consolidated supervision of the institution and its group. The Authority also has the power to compel the production of any necessary documents, impose monetary, civil, or administrative sanctions for violations, issue relevant regulations, guidelines, and instructions, cooperate and share information, and take any necessary action to ensure compliance with the Proceeds of Crime and Anti-Money Laundering Act, the Prevention of Terrorism Act, and related regulations and guidelines.

Stability Implication and CMAs Action Point

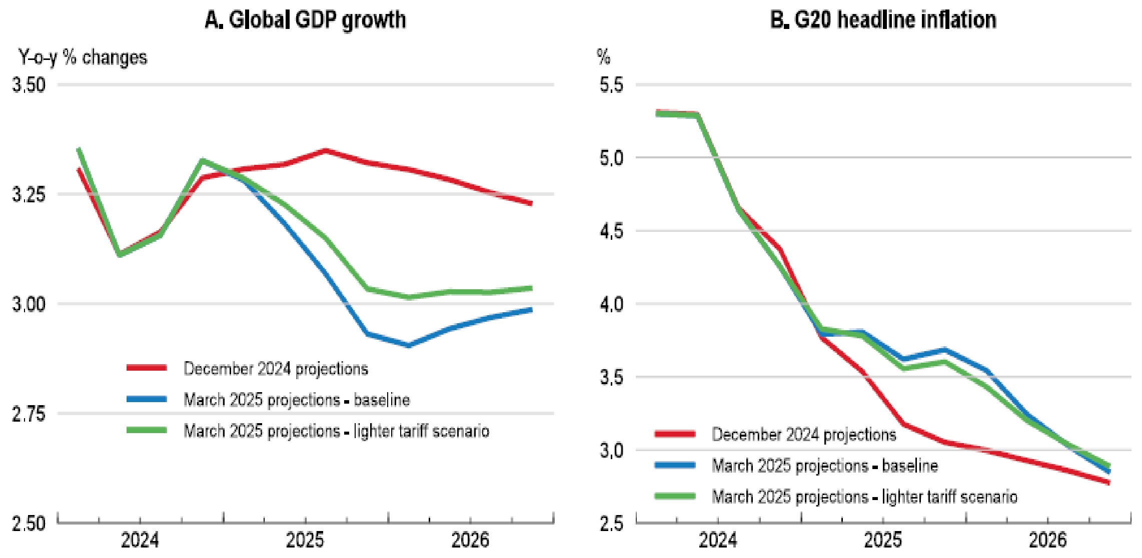
The development of the Virtual Assets Service Providers (VASPs) Bill marks a significant milestone in Kenya's commitment to ensuring that the adoption of Virtual Assets (VAs) and VASPs contributes positively to the country's economic growth and financial stability. The creation of this legislation, along with the call for the Capital Markets Authority and the Central Bank of Kenya to develop relevant regulations, was driven by the need to protect Kenya's financial sector from the potential risks associated with VAs and VASPs, while also fostering an environment where innovation can benefit the Kenyan public. The Capital Markets Authority is currently in the process of developing the necessary regulations in line with the requirements of the Bill.

II. GLOBAL ECONOMIC AND CAPITAL MARKETS OUTLOOK

During the quarter under review, the global economic outlook was marked by increased uncertainty due to proposed tariff measures introduced by the United States. The potential for trade disputes with impacted nations like China, Canada, and countries in the European Union continues to pose a threat to global economic activity, as these economies play a pivotal role in global commodity markets. The anticipated rise in trade barriers could slow global economic growth, drive up inflation, and complicate monetary policy decisions for central banks seeking to maintain economic stability through interest rate adjustments.

In 2024, the Organization for Economic Co-operation and Development (OECD) projected global GDP growth to increase by 3.3%, up from 3.2% in 2023.The March 2025 OECD Interim Economic Outlook March 2025 notes that the global economy experienced a slowdown in GDP growth during the first quarter, prompting revised forecasts. Projections now indicate a reduced growth of 3.1% for 2025 and 3.0% for 2026. Economic growth is expected to remain subdued in the remaining three quarters of 2025.

Figure 1Global GDP Growth and G20 Headline Inflation

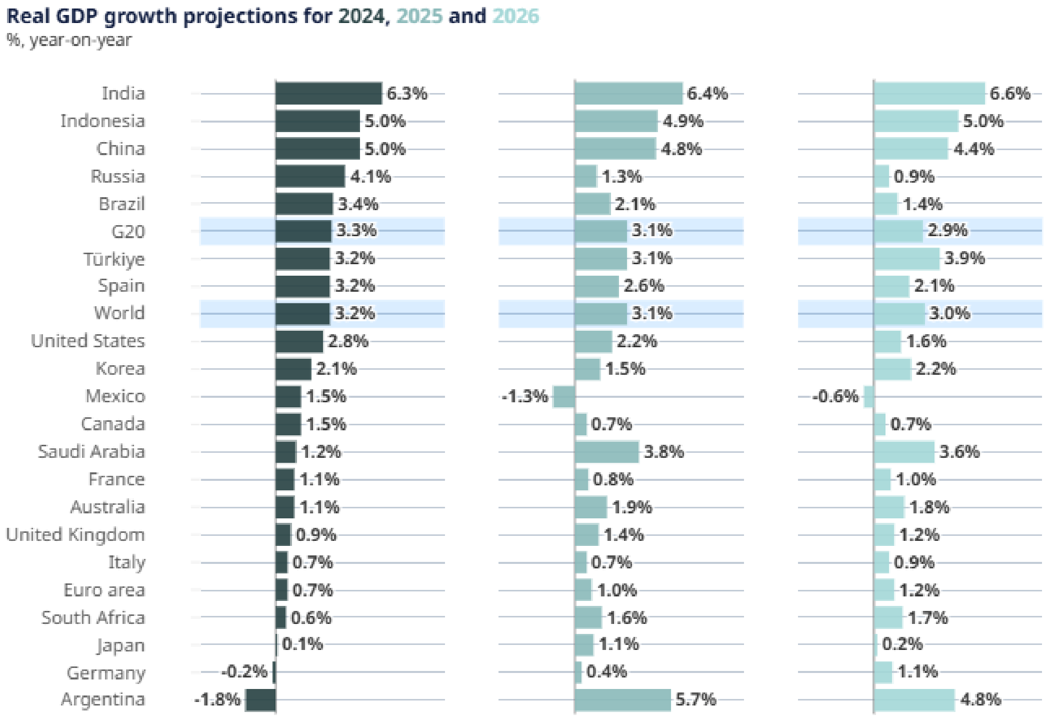


Note: The global and G20 aggregates use moving GDP weights at purchasing power parities. See main text for details of the baseline and lighter tariff scenario.

Source: OECD Interim Economic Outlook March 2025

The introduction of new bilateral tariffs, combined with escalating policy and geopolitical uncertainty, is expected to weaken business investment and trade flows potentially leading to an economic slowdown as we head halfway into 2025. Higher trade costs may gradually push up consumer prices, intensifying inflationary pressures worldwide. Consequently, central banks may need to ease monetary policies to stimulate growth in the face of a looming economic slowdown. In the United States, GDP growth is projected to reach 2.2% in 2025 before moderating to 1.6% in 2026.

Figure 2Real GDP Growth Projections for 2024, 2025 and 2026



Source: OECD Interim Economic Outlook, March 2025.

Capital Markets Outlook

a. IPOs

Global IPO activity as we enter 2025 may likely be subdued on the back of heightened trade uncertainty potentially slowing down the IPO pipeline across the globe. The ongoing speculation on the United States administrations proposed tariff measures, have dampened investor sentiments leading to a number of IPO decisions being postponed.

IPO activity in countries likely to be hit by increased tariffs such as China, the European Union and Canada during Q1 2025 remained subdued, conversely, the US, Hong Kong, Turkey and Saudi Arabia emerged as Q1's IPO hotspots, posting gains in both deal volume and value, showcasing resilience amid widespread market uncertainty[2].Middle East and Africa IPO proceeds saw an year on year increase of 116% as the potential impact of the looming tariff measures may not significantly dim economic growth.

Figure 3Global IPO Activity Q1 2025

[2] https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/insights/ipo/documents/ey-gl-global-ipo-trends-report-q1-04-2025.pdf?mkt_tok=NTIwLVJYUCowMDMAAAGZvptnzyDl2APqgXOXBgqlfk9sqWlHNJUonLfwrENzG7GWljXz8BoUajHf1xzJ3AunhRXLCbK-KBEvvjt9e128QBAWju3W_IvFT6A5uHNWS5hbxBbRk4Y

Global

IPO activity review

Q1 2024 vs. Q1 2025

Strongest Q1 public offerings by number in the Americas since 2015, excluding Q1 2021

	Number			Proceeds (US$b)		
	Q1'24	Q1'25	% change	Q1'24	Q1'25	% char
Global	283	291	3%	24.5	29.3	20%
Americas	41	62	51%	8.8	8.9	2%
% of global	*14%*	*21%*		*36%*	*31%*	
Asia-Pacific	118	116	-2%	5.8	10.9	87%
% of global	*42%*	*40%*		*24%*	*37%*	
EMEIA	124	113	-9%	9.9	9.5	-4%
% of global	*44%*	*39%*		*40%*	*32%*	

Source: EY Q1 2025 IPO Report

In Africa, the transaction value in the Initial Public Offerings market is projected to reach US$12.41bn in 2025. From a global comparison perspective, it is shown that the highest transaction value is reached by China (US$65.56bn in 2025).[3]

Over the past decade, East African companies have increasingly opted for private equity and venture capital over stock markets to raise capital. This shift is largely driven by the lower disclosure requirements and PE &VC appear to be less stringent compared to IPOs. The Capital Markets Authority working with the Nairobi Securities Exchange have in the recent past ramped up engagements with potential issuers in an effort to encourage more listings.

b. Bonds Markets

Amid financial market uncertainty driven by U.S. policy reforms, bond investors braced for a potential economic slowdown by shifting away from riskier assets and extending the duration of their fixed-income portfolios. This move reflects expectations that the Federal Reserve will hold off on resuming interest rate cuts given the potential inflationary pressures arising from the proposed tariff measures. By opting for longer-dated securities in anticipation of further yield declines, the bond market appears to be positioning for a deeper

[3] https://www.statista.com/outlook/fmo/corporate-finance/initial-public-offerings/africa

rate-cutting cycle than previously expected. Meanwhile, United Kingdoms gilts declined across the curve, underperforming their European counterparts.[4]

Figure 4Performance of the UK Gilts, United States Treasury Bonds and German Bunds in March 2025

Source: Bloomberg

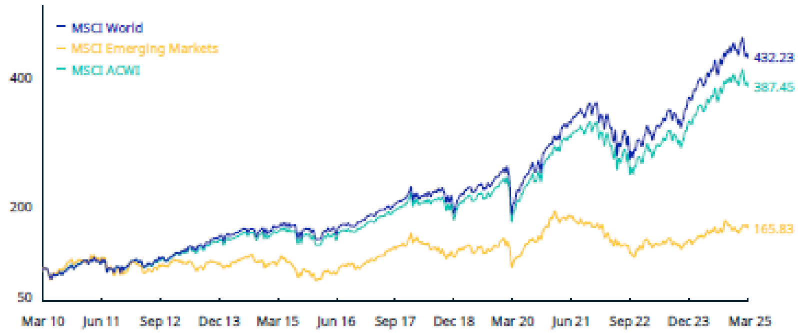
c. Equity market

Global equity markets registered negative returns, with the MSCI World Index recording a negative return of -1.68 % and the Emerging Market Index recording a return positive 3.01%, in United States Dollar terms, on a year-to-date basis.

Figure 5MSCI World Index

[4] https://www.bloomberg.com/news/articles/2025-03-27/uk-bonds-fall-as-investors-focus-on-lingering-fiscal-challenges

CUMULATIVE INDEX PERFORMANCE — GROSS RETURNS (USD) (MAR 2010 – MAR 2025)



ANNUAL PERFORMANCE (%)

Year	MSCI World	MSCI Emerging Markets	MSCI ACWI
2024	19.19	8.05	18.02
2023	24.42	10.27	22.81
2022	-17.73	-19.74	-17.96
2021	22.35	-2.22	19.04
2020	16.50	18.69	16.82
2019	28.40	18.88	27.30
2018	-8.20	-14.24	-8.93
2017	23.07	37.75	24.62
2016	8.15	11.60	8.48
2015	-0.32	-14.60	-1.84
2014	5.50	-1.82	4.71
2013	27.37	-2.27	23.44
2012	16.54	18.63	16.80
2011	-5.02	-18.17	-6.86

INDEX PERFORMANCE — GROSS RETURNS (%) (MAR 31, 2025) **FUNDAMENTALS (MAR 31, 2025)**

					ANNUALIZED							
	1 Mo	3 Mo	1 Yr	YTD	3 Yr	5 Yr	10 Yr	Since Dec 31, 1987	Div Yld (%)	P/E	P/E Fwd	P/BV
MSCI World	-4.40	-1.68	7.50	-1.68	8.10	16.67	10.07	8.45	1.83	21.47	18.15	3.38
MSCI Emerging Markets	0.67	3.01	8.65	3.01	1.91	8.38	4.11	9.49	2.65	15.10	11.96	1.82
MSCI ACWI	-3.90	-1.22	7.63	-1.22	7.42	15.71	9.39	8.26	1.92	20.57	17.23	3.10

INDEX RISK AND RETURN CHARACTERISTICS (MAR 31, 2025)

		ANNUALIZED STD DEV (%) [2]			SHARPE RATIO [2, 3]				MAXIMUM DRAWDOWN	
	Turnover (%) [1]	3 Yr	5 Yr	10 Yr	3 Yr	5 Yr	10 Yr	Since Dec 31, 1987	(%)	Period YYYY-MM-DD
MSCI World	2.39	16.74	16.35	15.06	0.30	0.87	0.59	0.40	57.46	2007-10-31—2009-03-09
MSCI Emerging Markets	5.74	17.59	16.70	17.11	-0.05	0.41	0.21	0.38	65.14	2007-10-29—2008-10-27
MSCI ACWI	2.60	16.29	15.84	14.83	0.26	0.84	0.55	0.38	58.06	2007-10-31—2009-03-09

[1] Last 12 months [2] Based on monthly gross returns data [3] Based on NY FED Overnight SOFR from Sep 1 2021 & on ICE LIBOR 1M prior that date

Source: MSCI

Mid March investors pulled heavily out of global equity funds on lingering worries over the potential impact of U.S. President Donald Trump's aggressive trade policies on global economy. Outflows from sectoral equity funds eased to a three-week low of $178.7 million, as inflows into industrials ($1.02 billion) and gold and precious metals funds ($485 million) partially offset net selling across most sectors.[5] In the United States, new trade policies created uncertainty, making it challenging for companies to forecast and budget, which in turn heightened market volatility. As a result, major stocks, such as Apple (AAPL), experienced some of their worst performance since the beginning of the COVID-19 pandemic.

[5] https://www.reuters.com/markets/global-markets-flows-graphic-2025-03-21/

Crypto currency market

The quarter started on a positive note for the crypto market leading to a rally in the price of Bitcoin to an all-time high of $108,786 on January 2025. The announcement of the formation of a crypto reserve and crypto task force by the United States further raised crypto investor interest.

Figure 6Bitcoin Price Movements and Open Interests

Source: Nasdaq

At the end of Q1 2025, Bitcoin's price was around $80,000, while Ethereum, which struggled to surpass $2,000 after falling below that level in mid-March, closed at approximately $1,800. Proposed economic policies, the threat of an impending trade war, and disappointing economic data have acted as key catalysts, prompting a shift away from riskier assets like crypto and tech stocks towards traditional safe havens such as bonds and gold.

Sub-Saharan Africa Economic and Capital Markets Outlook

The World Economic Outlook, published by the International Monetary Fund in January 2025 forecasts that Sub-Saharan Africa's economy will remain stable, with growth expected to rise from 3.8% in 2024 to 4.2% in 2025. This positive trend is anticipated to continue into 2026, although with a slight downward revision from earlier estimates. Meanwhile, inflation is projected to decline more rapidly in 2025 but will still exceed previous expectations in 2026. These projections come against a backdrop of persistent challenges, including geopolitical tensions, notably in Congo, Somalia, and South Sudan, rising debt distress, the negative effects of climate change, weakened government balance sheets, and the adverse impact of currency depreciation.

The MSCI Emerging Frontier Markets Africa Index recorded a 14.23% year-to-date return in U.S. dollar terms. The index represents large and mid-cap stocks from two Emerging Markets (EM) countries and 12 Frontier Markets (FM) countries, covering approximately 85% of the free float-adjusted market capitalization in each. The Emerging Markets included are Egypt and South Africa, while the Frontier Markets consist of Benin, Burkina Faso, Guinea-Bissau, Ivory Coast, Kenya, Mali, Mauritius, Morocco, Niger, Senegal, Togo, and Tunisia.

Figure 7MSCI Emerging Frontier Markets Africa Index (USD)

CUMULATIVE INDEX PERFORMANCE – GROSS RETURNS (USD) (MAR 2010 – MAR 2025)

ANNUAL PERFORMANCE (%)

Year	MSCI EFM Africa	MSCI EFM
2024	6.45	8.08
2023	2.66	10.27
2022	-5.14	-19.81
2021	4.90	-2.01
2020	-3.55	18.39
2019	11.44	18.91
2018	-23.27	-14.28
2017	35.55	37.62
2016	15.32	11.40
2015	-24.50	-14.58
2014	4.25	-1.41
2013	-3.26	-1.50
2012	21.19	18.35
2011	-16.13	-18.19

INDEX PERFORMANCE – GROSS RETURNS (%) (MAR 31, 2025)

					ANNUALIZED			
	1 Mo	3 Mo	1 Yr	YTD	3 Yr	5 Yr	10 Yr	Since May 31, 2002
MSCI EFM Africa	7.49	14.23	31.23	14.23	0.36	14.43	1.66	7.86
MSCI EFM	0.71	3.09	8.71	3.09	1.91	8.40	4.09	7.95

FUNDAMENTALS (MAR 31, 2025)

	Div Yld (%)	P/E	P/E Fwd	P/BV
MSCI EFM Africa	3.23	13.98	na	1.91
MSCI EFM	2.68	15.01	na	1.82

INDEX RISK AND RETURN CHARACTERISTICS (MAR 31, 2025)

		ANNUALIZED STD DEV (%) [2]			SHARPE RATIO [2, 3]				MAXIMUM DRAWDOWN	
	Turnover (%) [1]	3 Yr	5 Yr	10 Yr	3 Yr	5 Yr	10 Yr	Since May 31, 2002	(%)	Period YYYY-MM-DD
MSCI EFM Africa	4.70	24.39	21.98	23.38	-0.04	0.61	0.11	0.37	57.83	2007-11-08–2009-03-09
MSCI EFM	5.75	17.48	16.59	16.98	-0.05	0.41	0.21	0.40	63.90	2007-10-29–2008-10-27

[1] Last 12 months [2] Based on monthly gross returns data [3] Based on NY FED Overnight SOFR from Sep 1 2021 & on ICE LIBOR 1M prior that date

Source: MSCI

Kenya, Egypt, Morocco, Tunisia and Nigeria registered positive returns during the quarter under review. Kenya's performance was supported by a stable macro-economic environment.

Table 2Performance Across Select African Market[6]

MSCI Index	Index Code	Last	Day	MTD	3MTD	YTD
Egypt	105766	1117.82	0.86%	7.20%	3.10%	5.10%
Kenya	136643	2141.77	0.54%	1.40%	5.10%	3.00%
Morocco	105765	1107.81	0.13%	8.40%	25.30%	25.00%
Nigeria	136645	109.42	0.56%	4.00%	5.10%	6.10%
Tunisia	136646	1542.83	0.27%	3.60%	10.60%	10.10%

Source: MSCI

Top Global Risks and Opportunities During the Quarter

Key Risks Identified

1. *The looming trade tariffs to be imposed by the United States and the potential impact of retaliatory tariffs from other countries particularly China, are likely to fuel uncertainty in the global trade potentially leading to a global economic slowdown. This will potentially spark a stock market rout, dampen investor sentiments leading to a slowdown in capital markets activity. Further with the short-term trade landscape remaining uncertain, corporations aiming to raise financing via the capital markets will pullback on their IPO decisions as we head halfway into 2025.*
2. *Persisting geopolitical tensions- Conflicts and confrontations between Ukraine and Russia are still a major concern further exacerbated by the risk of a full-blown global trade war, potentially disrupting trade, investment, and overall economic stability. Closer home political instability in the Democratic Republic of Congo, South Sudan and Somalia is likely to have a negative spillover effect on the Kenyan domestic market by posing insecurity threats harming the flow of investment capital into Kenya.*

[6] Data as of March 28

3. *Extreme weather events and critical changes to Earth's systems pose significant risks, impacting various sectors and potentially leading to economic losses and instability. As Kenya enters its long rains season predictions of extreme and erratic rainfall events may pose far reaching economic consequences, impacting negatively on our economic recovery trajectory.*

Key Opportunities

1. *Assets under management have grown steadily from Kshs. 56.6 billion on March 31, 2018, to Kshs. 389 billion on December 31, 2024. The number of investors in the various CIS Funds has continued to grow steadily over time, buoyed by increasing awareness in the market to save and invest especially, post covid era. As of December 31, 2024, there were a total of 1,409,343 investors, this represents 7% increase from 1,299,300 investors in June 2024.CMA to enhance its CIS awareness product strategy as a safe investment tool amidst the global economic uncertain environment.*
2. *Despite global geopolitical tensions, including conflicts specific to Africa, Kenya remains a stable and peaceful nation. This stability presents an opportunity to position Kenya's capital markets as a premier investment destination, leveraging its favourable geopolitical environment to attract investors.*
3. *The Virtual Assets Service Providers Bill, 2025 will create a regulatory framework for digital assets, strengthening investor protection, market integrity, and innovation, while positioning Kenya as a leading destination for virtual asset investments both locally and internationally.*

III. INTERNATIONAL DEVELOPMENTS

1. FCA Proposals to Support Growing Business and Investment Opportunities

In the quarter under review, the United Kingdom Financial Conduct Authority solicited feedback from the public on its proposal to ease the process of corporate bond issuance for listed companies. Specifically, FCA in consulting on a single standard for corporate bond prospectuses, covering both large and small bond size with small bond being less than £100,000. This is intended at reducing costs and barriers for companies raising capital and giving investors the information they need to make an informed investment decision. As a result, listed companies on the exchange will be encouraged to offer bonds in smaller sizes, improving investment opportunities for wealth managers and retail investors. More flexible and cheaper capital raising will help UK listed companies to grow.

Additionally, FCA intends to streamline the rules for listed companies at the point where they offer further securities and simplify the procedure by stripping back red tape. FCA has introduced other public offer platforms which provide another method for firms to mobilize capital which involves retail investors and foster scale-up capital mobilization for smaller companies. This will allow companies to offer bigger shares or bonds to a wide investor base aside from public markets through a permitted firm which is close to crowdfunding platforms. With firms having coherent requirements which prescribe what firms must have to be authorized will boost confidence in the platforms allowing firms to have access to a larger reserve of investors. FCA also provides investors with information to make informed choices especially on risk while eliminating redundant costs and broadening access.

FCA further, gave proposals for a new stock market which is private which was given the name PISCES where private companies' shares will be sold and bought. Moreover, there are reforms done by the FCA to enhance competitiveness. They include aiding a broad variety of companies to list on an exchange, making capital mobilization inexpensive and facile, according to asset managers more leeway in how they spend on investment research and finally, having a digital securities sandbox where firms can try new technologies which will aid in planning for regulating crypto assets.

Key Takeaway

For many years, Kenya's capital market has faced low levels of corporate bond issuance, largely due to a lengthy and complex issuance process. However, this challenge is being addressed through the revised Public Offers, Listing, and Disclosure Regulations, as well as the ongoing review of the Corporate Governance Regulations

2. **How Stock Exchanges Affect Economic Growth- WFE**

A study by the World Federation of Exchanges looked at how the development of stock markets is linked to economic growth worldwide. The results show that well-developed stock markets help high-income countries by making it easier to save and invest money, which boosts long-term economic growth. The study analysed data from 37 countries over 20 years (2003-2022). It found that in the short term, there is a two-way relationship between economic growth and stock market growth, but this is only true for high-income countries. In low- and middle-income countries, the relationship is one-way. Here, stock market growth helps the economy grow, but the economy doesn't seem to boost the stock market in return.

This difference is due to factors like lower savings rates and limited investment options, which prevent the economy from positively affecting stock markets in low- and middle-income countries. However, these countries respond more strongly to changes in stock market activity. For example, if the stock market doubles in size, economic growth in low- and middle-income countries increases by over 0.4% within just six months. This suggests that policies to encourage market growth could have a big impact on economic growth in these countries in the short term.

In general, stock market growth helps economic growth in all countries, but the effect is much stronger in high-income countries. In these countries, a 10% increase in stock market size is linked to a 0.045% rise in long-term economic growth. In contrast, the relationship is weaker in low- and middle-income countries, which face challenges like less developed financial systems and structural inefficiencies. However, in these countries, the growth of the stock market contributes more significantly to overall economic growth.

Key Takeaway

The Capital Markets Authority will collaborate with the Kenya Institute for Public Policy Research and Analysis (KIPPRA) to conduct a study on the relationship between stock exchanges and economic growth in Kenya, with the aim of informing strategies to stimulate growth in both areas

IV. REGIONAL DEVELOPMENTS

a. SEC Nigeria to Adopt Blockchain Technology for Capital Markets Operation

The International Organization of Securities Commission (IOSCO) defines Blockchain technology as a distributed and decentralized ledger system that allows multiple parties to securely record and store information in a transparent and tamper-resistant manner, particularly relevant in the context of crypto-assets and digital asset markets. Blockchain offers numerous benefits, including enhanced security through immutability and decentralization, increased transparency, reduced costs, and faster, more efficient transactions. Several governments worldwide, including Estonia, the United Arab Emirates (UAE), Georgia, Singapore, Sweden, and Australia, have successfully implemented blockchain technology.

The Nigeria Securities and Exchange Commission (SEC) is planning to adopt blockchain technology to enhance capital market operations, aiming to address issues like financial exclusion, transparency, and efficiency. This move aligns with international best practices and global regulatory collaborations. To harness the potential of blockchain responsibly, Nigeria SEC introduced programmes such as the Accelerated Regulatory Incubation Programme (ARIP) and the Regulatory Incubation (RI) Programme. These initiatives provide a controlled environment for firms in the digital asset space to test new models, products, and services while ensuring consumer protection. Additionally, to drive technological advancement, the regulator also engaged the Algorand Foundation to explore blockchain's potential applications and benefits.

The integration of blockchain is expected to enable the SEC to establish a more transparent and efficient regulatory framework for the capital market. Furthermore, blockchain technology will streamline operations and provide a traceable, tamper-proof system for market oversight.

CMA Action Point

Kenya aims to draw lessons from Nigeria's experience and explore the adoption of similar blockchain technology to enhance efficiency and transparency in its domestic financial markets.

b. Ethiopia Launches First Stock Exchange

During the quarter, Ethiopia officially launched the country's first stock exchange in more than 50 years, which is described as a historic milestone for the nation's economy. It is also viewed as a transformative step towards creating a resonant ecosystem in the East African capital markets.

The Ethiopian Securities Exchange (ESX) is expected to spur the country's financial structure and further the evolution of an inclusive economy to which the government has devoted time and thorough research to make sure the exchange is efficient and effective.

The exchange will function as a platform for both local and international investors which will provide a variety of financial services and products and have diverse market segments which are well suited for businesses, governmental institutions and entities. This is to ensure ease of trading listed debt and equity instruments. It will also offer a contemporary, consistent and effective environment for the trading of securities via adoption of current exchange business procedures, trust, skill and technology. The ESX called for both local and international investors to look at investment opportunities in the country, outlining the vast potential and engaging track towards prosperity.

Stability Implications

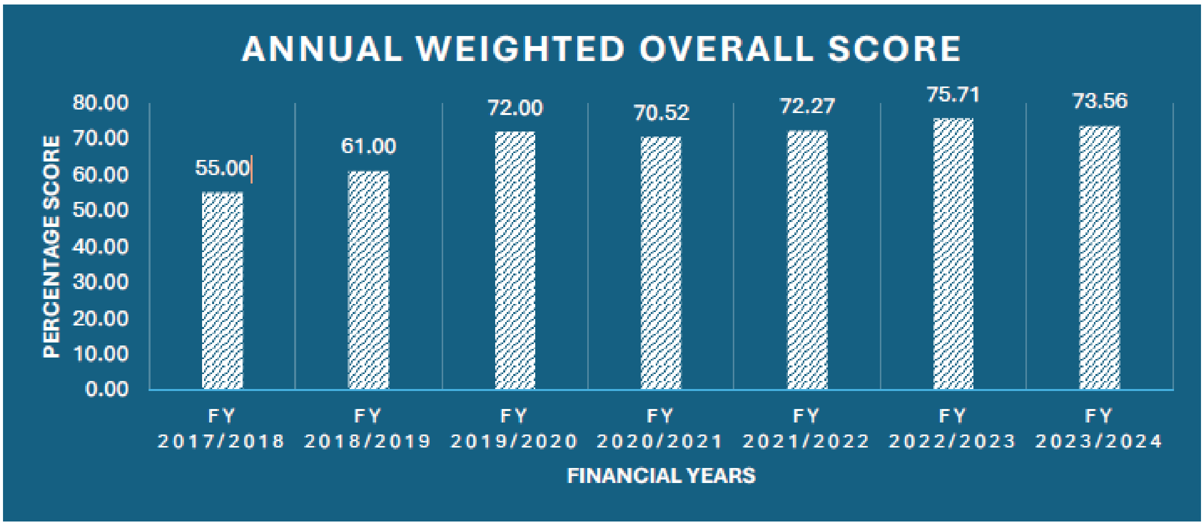
This will likely serve to provide for dual-listing opportunities for Ethiopian entities at the Nairobi Bourse, CMA Kenya should explore the signing of an MOU with the Ethiopian Capital Market Authority to support dual listings initiatives enabling Ethiopian entities access to a broader investor base, enhanced visibility, and potential for greater capital access.

V. LOCAL DEVELOPMENTS

1. Seventh Edition of the State of Corporate Governance Report

In the seventh Edition on the status of corporate governance for listed companies, the main achievement that stood out was an improvement in the annual weighted overall governance score. From a Fair Rating of 55% in the financial year 2017/2018, issuers have advanced to an impressive Good Rating of 73.56% in 2023/2024. This remarkable improvement underscores the collective effort by issuers to refine & implement their governance frameworks, elevating corporate transparency, accountability, investor confidence and market integrity.

Figure 8Annual Weighted Overall Score for Issuers



Source: CMA

Additionally, the following three (3) principles improved in comparison to the FY 2022/2023: Commitment to good corporate governance improved from 78.60% (Leadership Rating) to 81.31% (Leadership Rating), Ethics and Social Responsibility principle improved from 74.82% (Good Rating) to 74.94% (Good Rating) whereas Accountability, Risk Management and Internal Control improved from 80.7% (Leadership Rating) to 80.72% (Leadership Rating).

CMA Action Point

The performance of listed companies on aspects of corporate governance serves as a vital guide for issuers, highlighting areas of excellence and pinpointing avenues for refinement, aiming to fortify corporate governance and sustainability practices, ensuring sustained growth, transparency, and stakeholder confidence in the capital markets sector. The Authority remains committed to enforcing compliance with the Corporate Governance (CG) Code, as required by the POLD regulations, to ensure full adherence by all issuers and enhance overall performance.

2. **NSE lifts Suspension on Trading of KQ shares**

Kenya Airways (KQ) first offered its shares to the public on March 12, 1996, marking its privatization and listing, which allowed the public to purchase shares and become part-owners of the airline. However, in July 2020, trading of KQ shares was suspended following the government's proposal for a new law to nationalize the airline and address its growing debt amid the Covid-19-induced decline in global air travel. At the time, KQ's shares were valued at Sh3.83 (3 US cents). After 4.5 years, the Nairobi Securities Exchange lifted the suspension on trading KQ shares, citing the airline's recent positive financial performance, including a profit after tax, and the withdrawal of the National Aviation Management Bill 2020, as key factors for the decision.

The suspension was lifted after Kenya Airways reported an operating profit of 10.53 billion shillings ($80.38 million) in 2023, its first profit since 2017. The airline's return to the Nairobi Securities Exchange in January sparked a strong bullish response from investors, with its share price rising to a high of Sh6 (4.6 US cents).

Stability Implication

CMA will closely monitor the airline's continued listing requirements status to ensure continued stability and growth, thereby maintaining investor confidence in Kenya's capital markets.

3. **The Capital Markets Authority (CMA) approves Ziidi Shariah Money Market Fund**

As part of its licensing mandate, the Authority approved the Zidii Shariah Money Market Fund, offering a Shariah-compliant investment avenue for investors seeking ethical and halal financial solutions. While designed to align with Islamic principles, the fund is open to all investors, regardless of religious affiliation. This approval supports the Authority's strategic objective of expanding the Islamic finance market segment while fostering the continued growth of Collective Investment Schemes (CIS) in Kenya.

CMAs Action Point

The Authority remains dedicated to licensing and integrating Shariah-compliant capital market products and services, strengthening Kenya's position as an inclusive financial hub for diverse investors. In line with its strategic objectives, the Authority is advancing new regulations to support the growth of Islamic finance.

4. **CMA approves the roll-out of a Special Board at the NSE**

The Capital Markets Authority (CMA) has approved new trading rules aimed at strengthening the regulatory framework for distressed companies listed on the Nairobi Securities Exchange (NSE). The reforms include the establishment of a Recovery Board (RB) within each market segment namely, the Main Investment Market Segment (MIMS) and the Small and Mediumsized Enterprises (SME) Market Segment, to host companies facing significant financial or governance challenges. Key changes include:

i. Reduction of daily price movement limits for affected firms from 10% to 5%, to curb speculative trading and reduce the risk of price manipulation, especially for low-priced stocks.
ii. Eligibility criteria for transfer to the Recovery Board will include failure to meet disclosure obligations, delays in publishing financial statements, negative working capital positions, and instances of depleted shareholder equity or sustained losses.
iii. Tenure on the Recovery Board will be limited to two years, during which companies are expected to implement corrective measures. Firms that fail to recover within this period may be delisted from the exchange, subject to CMA's written approval.
iv. The minimum trading lot for these companies will remain at 100 shares, although this may be revised to a single share in the future to enhance market accessibility.

Stability Implication

The new trading rules are part of CMA's broader efforts to promote market integrity, protect investors, and facilitate the rehabilitation of struggling listed firms. The Authority continues to ensure efficient and effective enforcement of the POLD regulations to spur investor confidence in Kenya's capital market.

5. Boost for NSE as Two more Firms join Global Stock Market Indices

Morgan Stanley Capital International (MSCI) which is New York Based, announced the addition of two Kenyan listed companies (Standard Chartered Bank Kenya, HF Group) in its frontier markets indices. This provides a great upsurge to NSE which had been seeking for means to sustain a growth pace initiated in 2024 preceded by years of decline.

Standard Chartered Bank Kenya joined other frontier markets index including Cooperative Bank, Safaricom, Equity Group, East African Breweries Ltd (EABL) and KCB Group while HF Group joined other frontier markets small cap index including BAT Kenya, Kengen, Kenya Re and DTB Group.

The incorporation of supplementary stocks broadens the reserve of stocks that are perceptible to international investors in the exchange, enhancing foreign infiltration in a time where the market has typically viewed net discharge from foreign investors.

The evaluation is to give investors most recent state of an exchange, which gives them an opportunity to make informed decisions. It evaluates by trailing the operations of international equities, real estate markets and bonds which it uses to recommend to global institutional investors which markets they can invest in.

Conclusion

The addition of two more firms in frontier market indices demonstrates Kenya's sprout as a giant in African capital markets. This is expected to increase the inflow of global investors who now have diverse stocks to choose from.

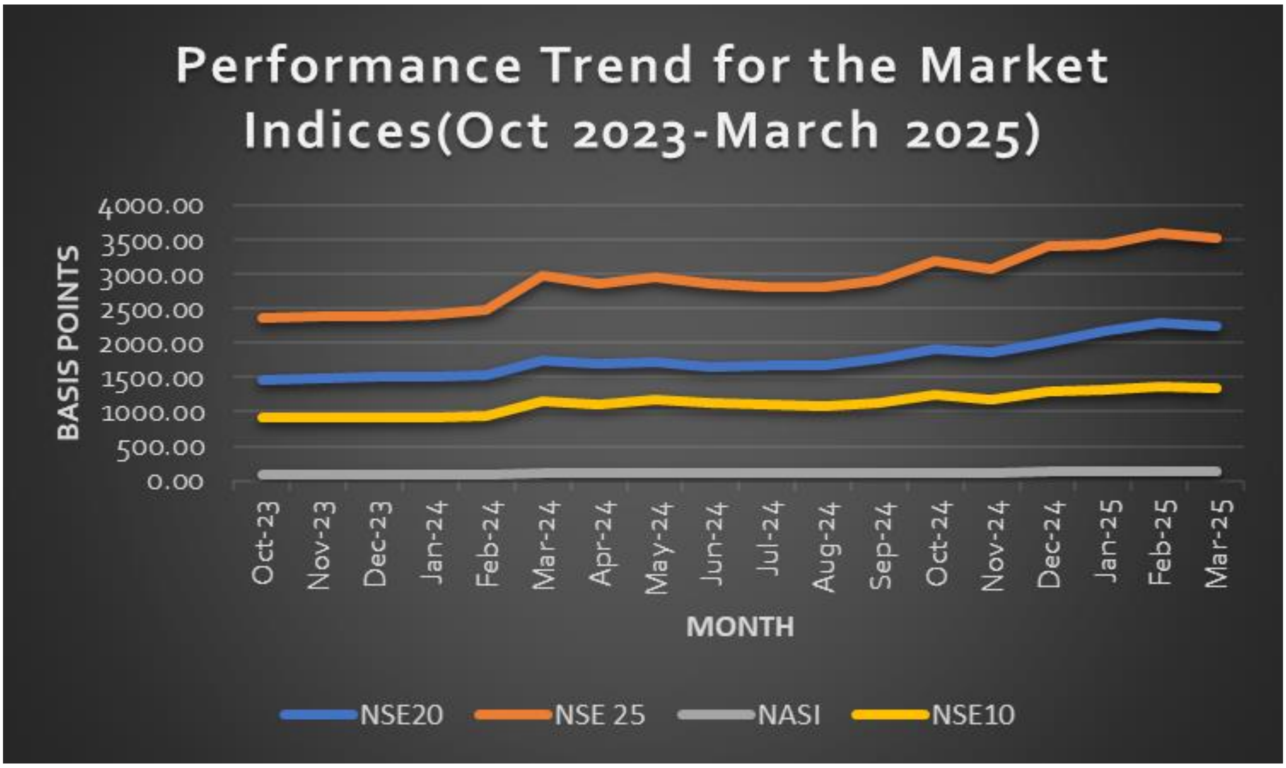
Performance of Domestic Capital Markets

Over the years, Kenya's capital markets have remained among the best-performing and most resilient in the Sub-Saharan region. This strong performance is driven by several factors, including a well-diversified market. The Capital Markets Authority (CMA) has made significant investments in developing a robust regulatory framework and consistently executing its oversight mandate. These efforts have fostered investor confidence among both local and international investors, reinforcing the market's stability and attractiveness.

Equity Market

The four market indices NSE 20, NSE 25, NASI, and NSE 10 closed at 2226.88, 3,532.38, 130.81, and 1,342.38 basis points, respectively, reflecting an increase from 2,010.65, 3,402.80, 123.48, and 1,302.31 basis points recorded as of December 31, 2024. The total volume of shares traded reduced to 1, 573, 259, 062 from 1,679,170,442 recorded in the last quarter of 2024.

Figure 9Trends of the Performance of the Market Indices

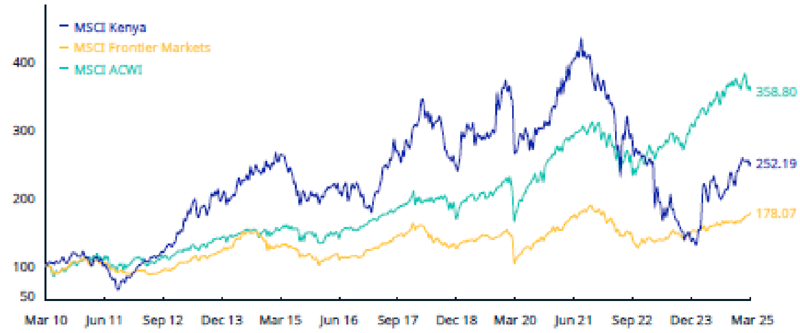


Source: CMA

The MSCI Kenya Index, which tracks the performance of large and mid-cap segments in Kenya's market, recorded a year-to-date gain of 3.69% a considerable decrease from 76.62% recorded in December 2025. This underscores the resilience of our domestic market amidst exogenous shocks.

Figure 10MSCI Kenya Index

CUMULATIVE INDEX PERFORMANCE — NET RETURNS (USD) (MAR 2010 – MAR 2025)



ANNUAL PERFORMANCE (%)

Year	MSCI Kenya	MSCI Frontier Markets	MSCI ACWI
2024	76.62	9.42	17.49
2023	-46.61	11.63	22.20
2022	-30.97	-26.34	-18.36
2021	13.84	19.73	18.54
2020	-9.50	1.43	16.25
2019	48.73	17.99	26.60
2018	-12.51	-16.41	-9.41
2017	35.97	31.86	23.97
2016	1.11	2.66	7.86
2015	-18.34	-14.46	-2.36
2014	23.39	6.84	4.16
2013	47.74	25.89	22.80
2012	61.90	8.85	16.13
2011	-27.22	-18.73	-7.35

INDEX PERFORMANCE — NET RETURNS (%) (MAR 31, 2025) / **FUNDAMENTALS (MAR 31, 2025)**

					ANNUALIZED							
	1 Mo	3 Mo	1 Yr	YTD	3 Yr	5 Yr	10 Yr	Since May 31, 2002	Div Yld (%)	P/E	P/E Fwd	P/BV
MSCI Kenya	-0.77	3.69	16.55	3.69	-9.48	-1.54	-0.53	14.29	7.44	5.31	na	1.18
MSCI Frontier Markets	2.85	7.93	12.21	7.93	1.78	9.95	3.35	6.73	4.23	10.99	na	1.58
MSCI ACWI	-3.95	-1.32	7.15	-1.32	6.91	15.18	8.84	7.74	1.92	20.57	17.23	3.10

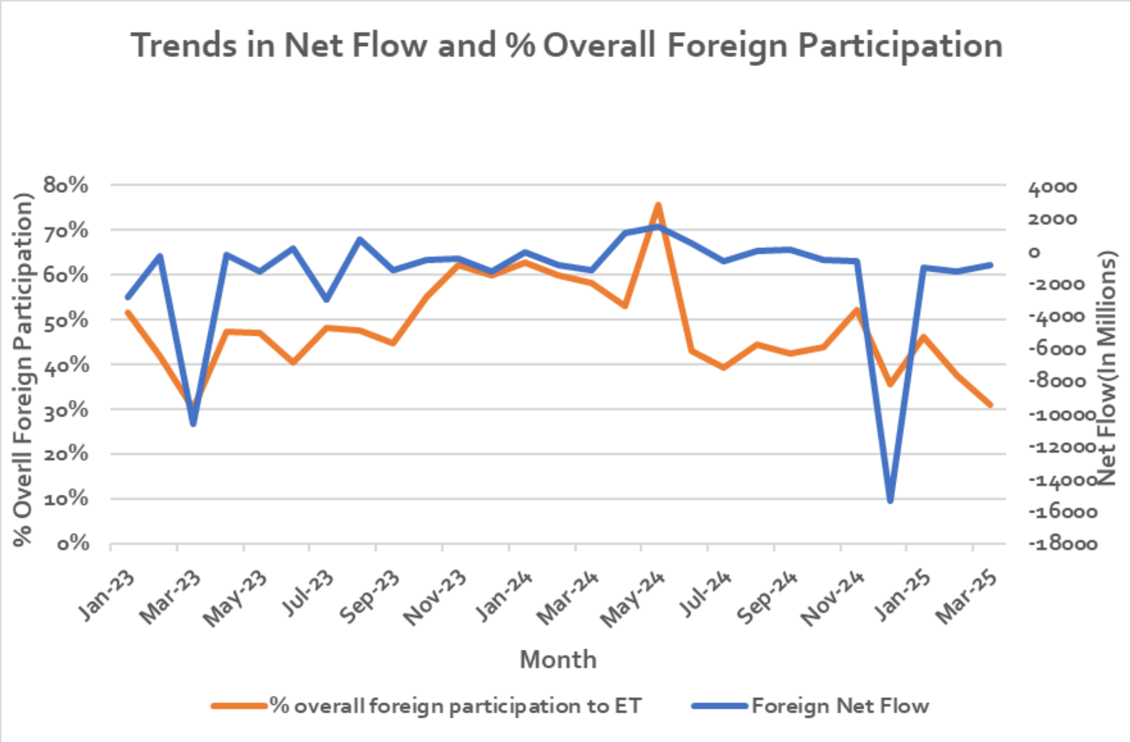
INDEX RISK AND RETURN CHARACTERISTICS (MAR 31, 2025)

		ANNUALIZED STD DEV (%) [2]			SHARPE RATIO [2, 3]				MAXIMUM DRAWDOWN	
	Turnover (%) [1]	3 Yr	5 Yr	10 Yr	3 Yr	5 Yr	10 Yr	Since May 31, 2002	(%)	Period YYYY-MM-DD
MSCI Kenya	29.98	36.21	29.80	26.18	-0.23	-0.01	0.03	0.56	69.99	2021-08-17—2024-01-26
MSCI Frontier Markets	7.65	12.76	12.61	13.95	-0.13	0.61	0.17	0.36	67.47	2008-01-15—2009-03-03
MSCI ACWI	2.60	16.29	15.84	14.84	0.23	0.81	0.52	0.44	58.38	2007-10-31—2009-03-09

[1] Last 12 months [2] Based on monthly net returns data [3] Based on NY FED Overnight SOFR from Sep 1 2021 & on ICE LIBOR 1M prior that date

Source: MSCI Kenya

Figure 11Trends in Net Equity Portfolio Flow and Overall Foreign Participation (January 2023- March 2025



Source: CMA

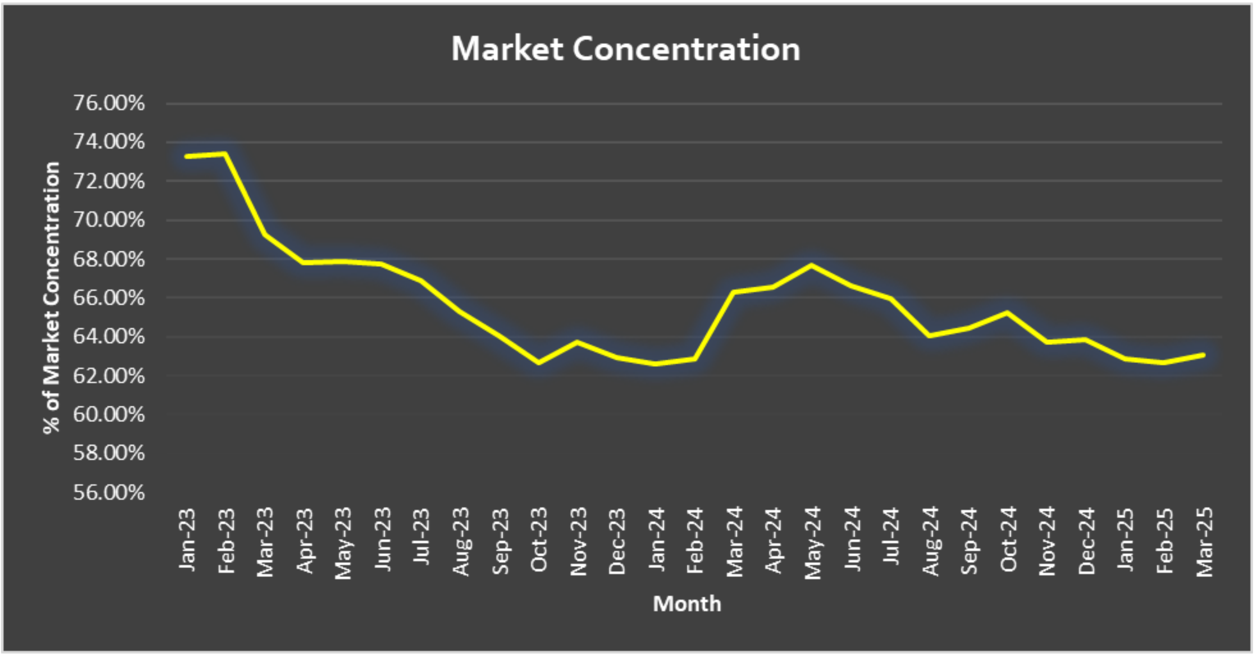
In the first quarter of 2025, the market experienced a negative net equity portfolio outflow of Ksh 3.263 billion, driven by a significant exit of foreign investors. The foreign participation in the equity market declined from an average of 43.83% in Q4 2024 to 38.24% in Q1 2025. In January, foreign participation remained relatively strong at 46.22%. may not be largely impacted by the effects of the tariffs. However, foreign participation dropped sharply to 31.03% in March, likely due to tariff pronouncements by the new U.S. These tariffs may have triggered concerns over potential trade wars, leading investors to seek safer havens away from the frontier and emerging markets which are likely to be the most affected by these tariffs.

Additionally, Kenya might experience spillover effects from political instability in neighboring countries such as the Democratic Republic of Congo, South Sudan, and Somalia, further prompting investors to withdraw in search of more stable investment environments.

The market concentration of the five blue-chip companies averaged 62.88%, a light decreases from 64.24% recorded in the last quarter of 2024. The continued reduction in market concentration over the last one year reflects investors' growing preference for diversifying their portfolios beyond the traditional blue-chip companies. As of March 2025, the top 5 companies were Safaricom Plc, Equity Group Holdings Plc, East African Breweries

Ltd, KCB Group Plc, and Standard Chartered Bank Kenya Ltd.

Figure 12Market Concentration (Top 5 Companies by Market Cap)



Source: CMA

Table 3Equity Performance (January- March 2025)

Year	Month	Share Volume	Total Equity Turnover (Ksh)	NSE20 Share Index (Average)	NASI Index (Average)	NSE 25 Share (Average)	NSE10	Market Cap (Kshs Mn)
Q1. 2025	Jan	632,151,262	9,570,109,631.27	2151.81	129.86	3506.99	1341.88	1983.70
	Feb	470,687,700	8,528,713,733.76	2226.02	131.27	3552.14	1355.61	2076.83
	Mar	470,420,100	8,112,214,457.52	2273.38	130.81	3567.34	1350.50	2056.07
	Total	1,573,259,062	26,211,037,862.55					
Q4. 2024	Oct	382,173,500	4,941,302,101.26	1833.99	112.42	3059.60	1189.41	1840.97
	Nov	470,951,700	6,186,259,569.78	1906.01	113.99	3147.25	1216.15	1747.88
	Dec	826,045,242	28,947,519,667.64	1893.35	118.67	3228.64	1240.24	1939.74
	Total	1,679,170,442	40,075,081,338.68					

Treasury Bond Market

Table 4Treasury Bond Performance

Date	Bond	Amount Issued (Kshs Bn)	Amount Received (Kshs Bn)	Amount Accepted (Kshs Bn)	% AA/AI	% AR/AI	Issue
Jan-25	FXD1/2018/15		30.58	23.75	79.18	101.92	RO
	FXD1/2022/25	30.00	28.42	24.73	82.43	94.74	RO
Feb-25	IFB1/2022/14	70.00	93.13	65.26	93.22	133.05	RO
	IFB1/2023/17		100.77	65.55	93.65	143.95	RO
	FXD1/2022/003	50.00	10.28	9.27	18.54	20.55	BB
	FXD1/2020/005		40.07	35.08	70.16	80.15	BB
	IFB1/2016/009		5.74	5.74	11.47	11.48	BB
Mar-25	FXD1/2018/25	25.00	47.01	35.25	140.99	188.05	RO
SUM		175.00	356.00	264.63			
Oct -24	FXD1/2016/10	30.00	36.62	28.03	93.42	122.05	RO
	FXD1/2022/10		14.35	3.25	10.84	47.83	RO
	FXD1/2022/10	15.00	16.50	15.09	100.62	109.98	TS
Nov -24	FXD1/2023/10	25.00	16.33	10.29	41.14	65.32	RO
	FXD1/2022/15		16.72	15.40	61.59	66.87	RO
	FXD1/2024/10	20.00	20.00	55.58	30.52	54.91	RO
Dec-24	FXD1/2023/10	25.00	47.40	34.92	139.69	189.58	RO
	FXD1/2018/20		23.92	18.49	73.95	95.69	RO
	FXD1/2024/10	20.00	53.63	43.45	217.24	268.14	RO
SUM		125.00	245.47	224.5			

RO-Re-opened; TS- Tap Sale; New-New Issue; BB-Buyback AA-Amount Accepted; AI-Amount Issued; AR-Amount Received; (AA/A) % - Acceptance Rate; (AR/AI) % - Performance Rate; Source: CBK

During the quarter the government intended to collect Ksh. 175 billion from the market. Bids valued at sh. 356.00 billion were received, with the government only accepting bids worth Ksh. 264.63billion. A total of eight (8) bonds were issued during the quarter.

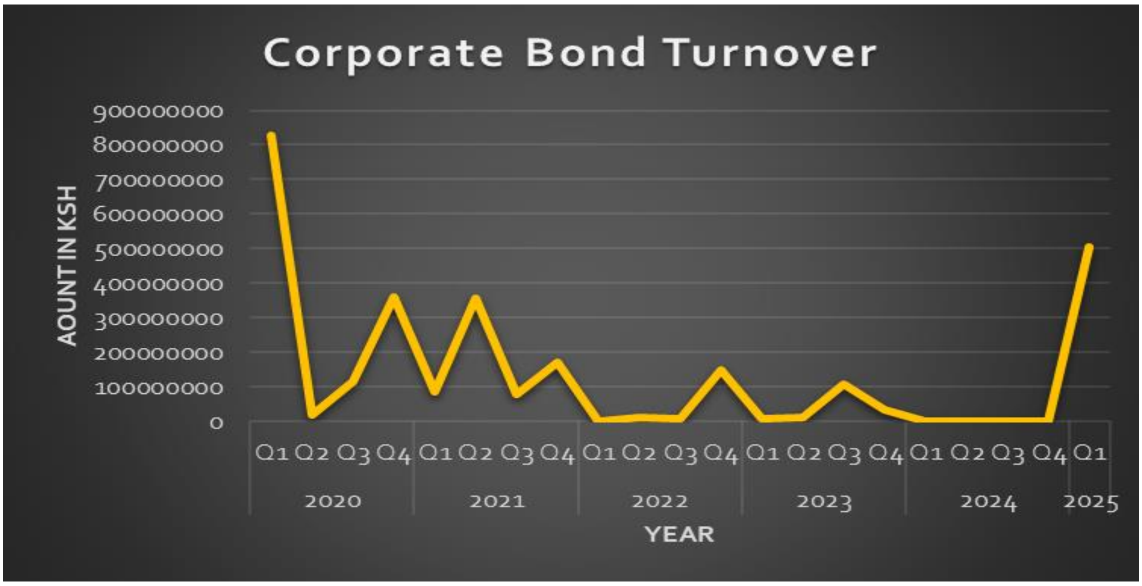
In January 2025, the Central Bank of Kenya (CBK) invited bids for two re-opened treasury bonds, FxD1/2018/15 and FXD1/2022/25 worth KShs.30 billion. The bonds attracted bids worth KShs.59.00 billion with the CBK accepting bids worth KShs.48.48 billion.

In February 2025, the Central Bank of Kenya (CBK) invited bids for two Infrastructure bonds, IFB1/2022/14 and IFB1/2023/17 worth KShs.70 billion, attracting bids worth KShs.193.90 billion, with CBK accepting bids worth KShs.130.81 billion. In addition, the buyback program targeting KShs.50 billion attracted bids worth KShs.56.09 billion with the CBK accepting bids worth KShs.50.09 billion. Furthermore, the CBK invited bids for re-opened Twenty-Five years Fixed Coupon Treasury Bond, FXD1/2018/25, worth KShs.25 billion. The auction received bids worth KShs.47.01 billion with CBK accepting bids worth KShs.35.25 billion

Corporate Bonds Market

New Corporate bond issuance continues to face a drought due to inability to compete with the double-digit returns offered on government paper. The value of corporate bonds turnover during the quarter stood at Ksh 504,510,000, a surge from Ksh 500,000 recorded in Q4. 2024.

Figure 13Trends in Corporate Bond Turnover from 2020-2025

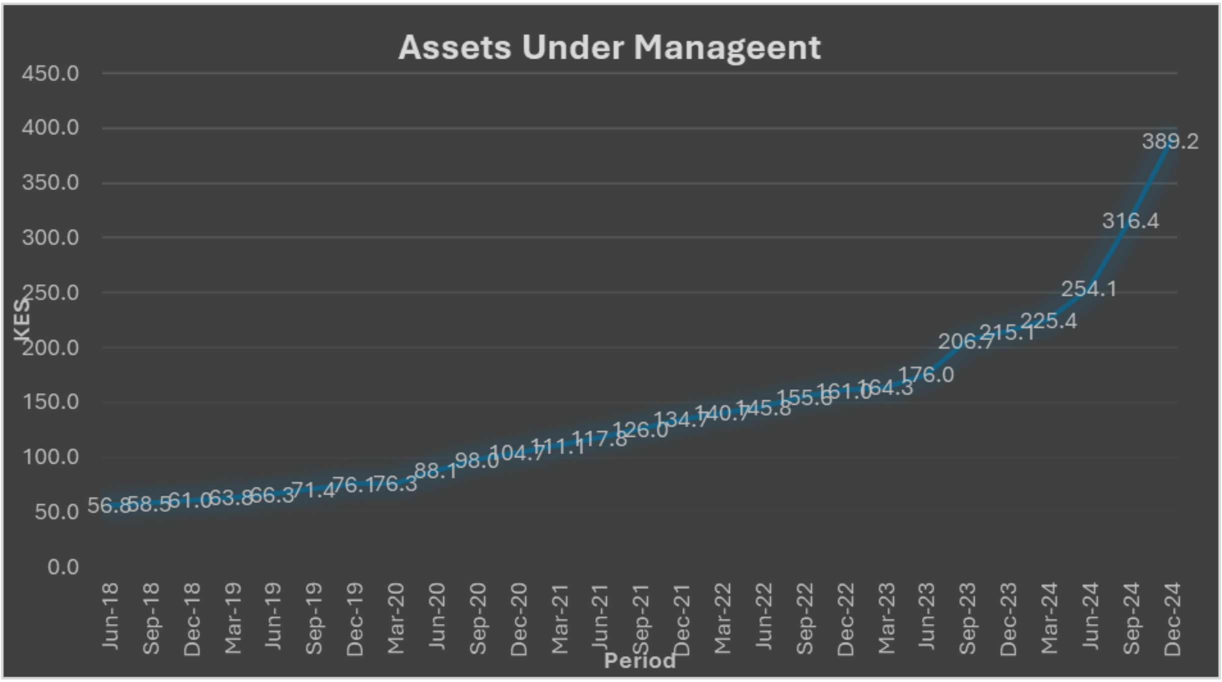


Source: CMA

Collective Investment Schemes (CIS)

Assets under management have grown steadily from Kshs. 56.6 billion on March 31, 2018, to Kshs. 389 billion on December 31, 2024. The graph below represents the growth of the 6 years.

Figure 14CIS Assets Under Management



Source: CMA

CAPITAL MARKETS STABILITY SOUNDNESS INDICATORS FOR THE PERIOD 1 January– 31

Table 5Capital Markets Stability Indicators January 01- March 31, 2025

Stability Indicator	Quarter/ Year	Market Statistics				Assessment of Risk Level	Performance Brief for the Quarter	Ongoing Intervention Measures
1.0 Equity Market Depth								
NSE 20 Index Volatility Base Year = 2010	Q1. 2025	Jan	Feb	Mar	Q. Avg	**Low** (Indicative-Low < 1%; Medium 1%; High >10%)	The volatility for the three Market indices, NSE 20, NSE 25, and NASI was 0.0.48%, 0.42%, and 0.42%, Respectively	The market volatility for the three market indices, NSE20, NSE25, and NASI remained low, below 1% and decreased in comparison to Q4. 2024. The low volatity is attributed to high market liquidity and strong macroeconomic stability poised by the domestic market. The Authority
		0.56%	**0.40%**	**0.47%**	**0.48%**			
	Q4 2024	Oct	Nov	Dec	Q. Avg			
		0.71%	**0.42%**	**0.58%**	**0.57%**			
	Q3. 2024	Jul	Aug	Sept	Q. Avg			
		0.52%	**0.57%**	**0.48%**	**0.52%**			
	Q2. 2024	Apr	May	Jun	Q. Avg			
		0.36%	**0.69%**	**0.58%**	**0.54%**			
NSE 25 Index Volatility Base Year = 2015	Q1. 2025	Jan	Feb	Mar	Q. Avg	**Low** (Indicative – Low < 1% Medium: >1% high; >10%)		
		0.36%	**0.44%**	**0.45%**	**0.42%**			
	Q4. 2024	Oct	Nov	Dec	Q. Avg			
		0.47%	**0.30%**	**0.68%**	**0.54%**			
	Q3. 2024	Jul	Aug	Sept	Q. Avg			
		0.40%	**0.57%**	**0.52%**	**0.50%**			

	Q2. 2024	Apr	May	June	Q. Avg			progressed to the National Treasury and Economic Planning the margin trading regulations which when gazetted will contribute to improvement of market volatility and support the industry wide product uptake initiatives such as day trading.
		0.63%	0.77%	0.63%	0.68%			
NASI Volatility Base Year = 2010	**Q1. 2025**	**Jan**	**Feb**	**Mar**	**Q. Avg**	**Low** (Indicative – Low < 1% Medium: >1% high; >10%)		
		0.38%	**0.35%**	**0.53%**	**0.42%**			
	Q4. 2024	**Oct**	**Nov**	**Dec**	**Q. Avg**			
		0.58%	**0.32%**	**0.61%**	**0.50%**			
	Q3 2024	**Jul**	**Aug**	**Sept**	**Q. Avg**			
		0.43%	**0.52%**	**0.49%**	**0.48%**			
	Q2. 2024	**Apr**	**May**	**Jun**	**Q. Avg**			
		0.67%	**0.75%**	**0.54%**	**0.65%**			
Equities Turnover Ratio	**Q1. 2025**	**Jan**	**Feb**	**Mar**	**Q. Sum**	**Low** (Indicative – annual: <8%- Low; >15% High)	The recorded turnover for Q1 2025 was 1.28% an Decrease from 2.11% recorded in Q4. 2024.	Equities turnover on the Nairobi Securities Exchange (NSE) declined from 2.11% to 1.28% during the quarter. The reduced activity in the equity market is primarily attributed to foreign investors exiting due to uncertainty over the potential impact of policy measures adopted by major economies, such as the United States, on the domestic market.
		0.48%	**0.41%**	**0.39%**	**1.28%**			
	Q4. 2024	**Oct**	**Nov**	**Dec**	**Q. Sum**			
		0.27%	**0.35%**	**1.49%**	**2.11%**			
	Q3 2024	**Jul**	**Aug**	**Sept**	**Q. Sum**			
		0.35%	**0.40%**	**0.30%**	**1.05%**			
	Q2. 2024	**Apr**	**May**	**June**	**Q. Sum**			
		0.44%	**0.91%**	**0.29%**	**1.64%**			

								Initiatives such as day trading, and margin trading together with necessary trading incentives/concessions will remain critical in enhancing domestic investor activity at the Nairobi bourse hence boosting equities turnover.
2.0	**Foreign Exposure Risk**							
Percentage (%) overall Foreign participation to Total Equity Turnover	**Q1. 2025**	**Jan**	**Feb**	**Mar**	**Q. Avg**	**Low (Indicative – annual: <40%- Low; >90% High)**	Foreign Investor Participation at the end of Q1,2025, Aver Averaged a t 38.24% a Decrease From Q4 2024 at 43.83%	In Q1 2025, foreign investors Turnover average 38.24% a decrease from 43.83% registered in Q4.2024. Foreign investors slightly dominate trading at the Nairobi Bourse. The net foreign equity portfolio outflow decreased to 3.263 billion in Q1 2025
		46.22%	**37.46%**	**31.03%**	**38.24%**			
	Q4. 2024	**Oct**	**Nov**	**Dec**	**Q. Avg**			
		43.78%	**52.21%**	**35.49%**	**43.83%**			
	Q3. 2024	**Jul**	**Aug**	**Sept**	**Q. Avg**			
		39.29%	**44.40%**	**42.51%**	**42.07%**			
	Q2. 2024	**Apr**	**May**	**Jun**	**Q. Avg**			
		52.99%	**75.76%**	**43.12%**	**57.29%**			
	Q1. 2025	**Jan**	**Feb**	**Mar**	**Q. Avg**	High (Indicative	In the quarter under review,	
		(1,052)	**(1,284)**	**(926)**	**(3,263)**			

Net Foreign Portfolio Flow (Ksh Million)	**Q4. 2024**	**Oct**	**Nov**	**Dec**	**Q. Avg**	– annual: <Kshs (50million) - High (outflow. >Kshs. 50 million High	the market recorded a negative net outflow of 3.263 Billion compared to an outflow of 16639.15 million between Oct and December 2024.	In comparison to 16.63915 billion outflow recorded in Q4. 2024. At above Ksh 50 million, outflows are considered high. Such Outflows poses an ongoing risk to our market, highlighting the necessity for targeted initiatives aimed at bolstering trading activities at the Nairobi Securities Exchange. Such initiatives include the implementation of daily trading strategies and the reduction of investment barriers for foreign investors. These measures are intended to stimulate market liquidity and attract foreign investment, thereby fostering a more vibrant and resilient marketplace.
		(569.99)	**(667.77)**	**(15,401.39)**	**(16,639.15)**			
	Q3 2024	**Jul**	**Aug**	**Sept**	**Q. Avg**			
		(655.11)	**(1.65)**	**29.00**	**(627.76)**			
	Q2. 2024	**Apr**	**May**	**Jun**	**Q. Sum**			
		1,063	**1,495**	**419**	**2,978**			
3.0 Market Concentration Risk								

Market Concentration (Top 5 companies by market cap)	**Q1. 2025**	**Feb**	**Jan**	**Mar**	**Q. Avg**	**High (Indicative – annual: >50%** **High Concentration)**	Market concentration for the top 5 companies for the quarter ended March 2025 averaged at 62.88%.	Over the past year, there has been a continuous reduction in market concentration by five specific companies, indicating a growing openness among investors to explore opportunities beyond these select entities. Despite this positive trend, market concentration remains a significant risk. Through the new Public Offers Listing and Disclosure Regulation the Authority has established more favorable listing requirements that attract a broader range of companies to list on the market, thereby providing investors with a wider variety of investment choices. Furthermore, the Authority is actively
		62.69%	**62.88%**	**63.06%**	**62.88%**			
	Q4. 2024	**Nov**	**Oct**	**Dec**	**Q. Avg**			
		63.69%	**65.20%**	**63.84%**	**64.24%**			
	Q3 2024	**August**	**July**	**September**	**Q. Avg**			
		64.04%	**65.94%**	**64.41%**	**64.80%**			
	Q2. 2024	**May**	**Apr**	**Jun**	**Q. Avg**			
		67.66%	**65.57%**	**66.62%**	**66.62%**			

									engaged in investor education efforts, emphasizing the importance of diversification and promoting long-term investing strategies. By empowering investors with knowledge and information to make informed investment decisions, the aim is to reduce the inclination to concentrate investments in a limited number of dominant companies. Through these measures, the Authority seeks to foster a more diverse and dynamic market environment, ensuring investors have access to a broader range of investment opportunities and Reducing the risks associated

								with excessive market concentration.

4.0 Derivatives Trading Statistics

Total Volume (No. of contracts)	**No of Contracts***	Low		The volume of contracts traded in Q1.2025 was 920 translating to a 41% Decrease from 1,565 contracts recorded in Q4. 2024.

	Q4. Sum	Jan-25	Feb-25	Mar-25	Q1. Sum	% Chang Q1 Vs Q4
ABSA	10	8	-	9	17	70%
BATK	-	-	-	-	-	-
EABL	262	-	-	-	-	-
EQTY	305	23	-	9	32	90%
KCBG	320	228	70	178	476	49%
N25I	-	-	-	-	-	-
SCOM	601	9	7	4	20	97%
COOP	16	170	-	163	333	1981%
NCBA	32	6	1	11	18	44%
IHMP	19	6	-	1	7	63%
SCBK	-	1	3	13	17	-
25MN	-	-	-	-	-	
Total	**1,565**	**451**	**81**	**388**	**920**	**41%**

Gross Notional Exposure (GNE)

Amount in Kshs*

	Q4. Sum	Jan-25	Feb-25	Mar-25	Q1. Sum	%Change Q1 Vs Q4
ABSA	157,360	140,810	-	171,600	312,410	**98.53%**
BATK	-	-		-	-	-
EABL	4,459,020	-	-	-	-	**-**
EQTY	14,135,030	1,111,650	-	423,200	1,534,850	**89.14%**
KCBG	12,521,420	9,950,840	3,058,250	7,370,250	20,379,340	**62.76%**
N25I	-	-	-	-	-	-
SCOM	9,619,740	162,800	126,000	70,200	359,000	**96.27%**
COOP	227,530	3,012,320	-	2,610,590	5,622,910	**2371.28%**
NCBA	1,400,680	284,900	50,000	566,500	901,400	**35.65%**
IHMP	560,870	214,800	-	34,600	249,400	**55.53%**
SCBK	-	28,500	92,820	383,485	504,805	-
25MN	-	-	-	-	-	-
Total	43,081,650	14,906,620	3,327,070	11,630,425	29,864,115	**30.68%**

High (indicative – annual: >50% High concentration)

The total value (Gross Exposure) of contracts traded during the quarter came up to Ksh 29.864 million; a 30.68% decrease from Q4.2024.

Total Open Interest (No. of Contracts)

	Q4. Sum	Jan-25	Feb-25	Mar-25	Q1. Average	%ChangeQ1 Vs Q4
ABSA	1	5	5	-	5	400%
BATK	-	-	-	-	-	-
EABL	10	-	-	-	-	-
EQTY	16	8	8	1	6	63
KCBG	173	169	170	-	170	2%
N25I	-	-	-	-	-	-
SCOM	122	9	4	-	7	94%
COOP	7	111	111	-	111	1486%
SCBK	-	1	3	-	2	-
IMHP	3	1	1	-	1	67%
NCBA	11	4	4	-	4	64%
25MN	-	-	-	-	-	-
Total	344	308	306	1	205	40%

Medium (Indicative – annual: >50% High concentration)

Overall, the total average number of open interest contracts recorded in Q1 2025 were 205 a 40%

decrease from Q4.2024 value of 344.

As for hedging instruments, the place of derivatives markets in the face of economic uncertainty remains important in risk management.

With the increasing profile of risks in the macro- economy, the profile of derivative instruments may grow

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<td>Settlement Guarantee Fund (SGF) Coverage for Derivatives</td>
<td>
<table>
<tr><td></td><td>July-24</td><td>Aug-24</td><td>Sep-24</td></tr>
<tr><td>SGF</td><td>130,277,363</td><td>131,984,460</td><td>133,540,253</td></tr>
<tr><td>Average Market Value</td><td>574,366</td><td>264,246</td><td>642,115</td></tr>
<tr><td>SGF Coverage</td><td>227 times</td><td>499 times</td><td>208 times</td></tr>
</table>
Data as of September 2024
</td>
<td>*High (Indicative – annua l: >50% High concentrate ion</td>
<td>The SGF coverage ratio for the derivatives market in Q3 2024 was sufficient during the period.</td>
<td>To maximize value from the SGF fund balances, there is deliberate effort by NSE to encourage increased activity by market intermediaries in this market for increased volumes of trade.</td>
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</table>

5.0 Government Bond Market Exposure

<table>
<tr>
<td rowspan="8">Treasury Bond market turnover Concentration</td>
<td rowspan="2">Q1. 2025</td><td>Jan</td><td>Feb</td><td>Mar</td><td>Q. Avg</td>
<td rowspan="8">High (Indicative – annual: >50%High)</td>
<td rowspan="8">In Q1.2025, Treasury Bond market turnover was 100.00 %</td>
<td rowspan="8">Government activity in the bonds markets continues to dominate as the Government targets domestic market savings to fund various Government activities</td>
</tr>
<tr><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
<tr><td rowspan="2">Q4. 2024</td><td>Oct</td><td>Nov</td><td>Dec</td><td>Q. Avg</td></tr>
<tr><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
<tr><td rowspan="2">Q3 2024</td><td>July</td><td>August</td><td>September</td><td>Q. Avg</td></tr>
<tr><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
<tr><td rowspan="2">Q2. 2024</td><td>Apr</td><td>May</td><td>Jun</td><td>Q. Avg</td></tr>
<tr><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
</table>

Corporate Bond Market ownership

Account Type	Number of Investors	Share Quantity	% By Share Quantity
EI	1	10000000	0.04%
FC	3	131549607	0.58%
FI	23	210200000	0.93%
LC	594	20630644658	91.54
LI	757	1555746135	6.90%
Total	**1378**	**22538140400**	**100.00**

Data computed as of 31 March 2025

Note: For every EAC, LI, and FI, the total calculated is a sum of both corporate and individual investors.

High (Indicative – annual: >50% High concentration

In the quarter under review Local investors constituted the greatest share in investment followed by foreign corporates with East Africa Investors constituting the least Number of investors.

Kenya has been facing a period of reduced corporate bond activity in the last few years. The Authority, through its investor education and market deepening functions, has profiled retail investors to increase activity within the domestic corporate bond market.

6.0 Investor Profiles - Equity Market

Equity Market

Account Type	Number of Investors	Share Quantity	% By Share Quantity
BR	6	13,204,268	0.011%
EI	7138	116,086,582	0.11%
FC	391	15,569,312,958	15.16%
FI	8046	642,659,394	0.63%
JR	192	1,331,705	0.00%
LC	40874	53,651,305,158	52.26%
BR	6	13,204,268	0.01%

High (Indicative – annual: >50% High concentration

In Q1. 2025 Local corporate investors constituted the majority in the investment in equity followed by

While the proportion of local investors is higher than foreign investors, the share quantity held by each investor on a per capita basis remains low. The industry investor awareness and education strategy will be targeted at

	LI	1246660	31,402,750,191	30.59%		Foreign corporate investors.	increasing retail investor participation through more roadshows, caravans and county engagements.
	Data as of March 31, 2025						

7.0 Settlement Compensation Coverage

Settlement Guarantee Fund	**Q1. 2025**	**Jan**	**Feb**	**Mar**	**Q. Avg**	(Indicative– annual: > 1 times, implies full coverage	The settlement Guarantee Fund (SGF) ratio for the quarter under review was 3.57	Through Risk-based supervision, the Authority has been monitoring the SGF figures. The fund remains adequate to guarantee settlement failure.
		3.42	**3.53**	**3.75**	**3.57**			
	Q4.2024	**Oct**	**Nov**	**Dec**	**Q.Avg**			
		6.14	**4.73**	**0.97**	**3.95**			
	Q3.2024	**Jul**	**Aug**	**Sept**	**Q. Avg**			
		5.52	**4.81**	**6.02**	**5.45**			
	Q2. 2024	**Apr**	**May**	**Jun**	**Q. Avg**			
		3.75	**1.81**	**5.30**	**3.62**			

8.0 Asset Base of Fund Managers, Stockbrokers, Investment Bank

Working Capital (Amount in Kshs Millions) *		**Amount in Kshs Millions**					Medium (Indicative –the higher the figure, the more stable is the market	The net assets base of fund Managers, Investment Adviser, Investment Banks, Online Forex, REITs	Capital markets licensees' net assets Decreased between January and March 2025 for Fund Manager, Investment Adviser Online Forex brokers, and REITs Manager and increased
		Total Assets	**Total Liabilities**	**Net March 2024**	**Net Assets December 2025**	**%**			
	Fund Managers	10,936	3,105	7,831	8,518	**8.07%**			
	Investment Advisers	450.00	210	240	483	**50.31%**			

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<tr><td>Investment Banks</td><td>13,070</td><td>4,950</td><td>8,120</td><td>7,694</td><td>5.54%</td></tr>
<tr><td>Online Forex Brokers</td><td>4,107</td><td>2,478</td><td>1,629</td><td>1,697</td><td>4.01%</td></tr>
<tr><td>REIT Manager</td><td>511</td><td>117</td><td>394</td><td>0</td><td>0.00%</td></tr>
<tr><td>Stockbrokers</td><td>2,883</td><td>1,251</td><td>1,632</td><td>1,449</td><td>12.63%</td></tr>
</table>
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<td></td>
<td>Manager, and Stockbrokers, as of March 2025 was Kshs 7,831M, 240M, 8,120M 1629M, 394M and 1,632 M re4spectively.</td>
<td>For investment bank and stockbroker.</td>
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