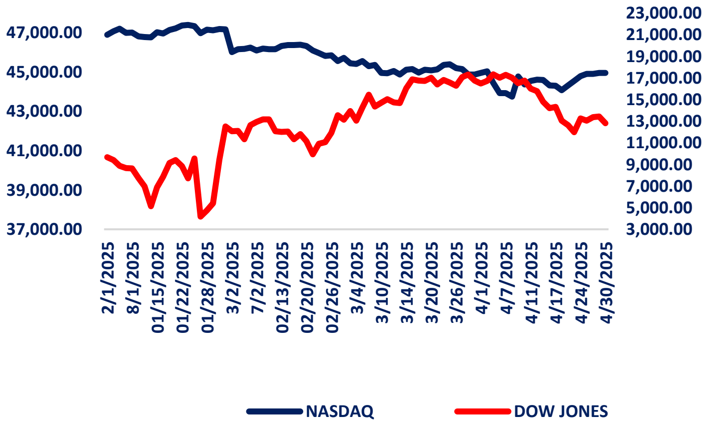
Monthly Bulletin MAY 2025

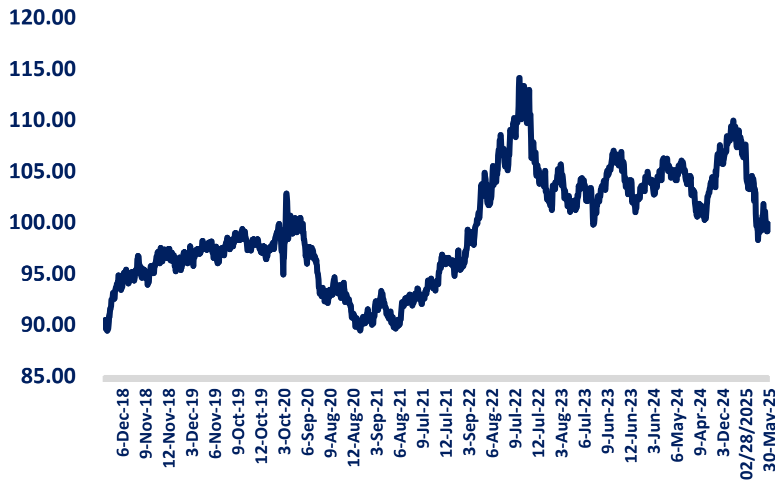
1. GLOBAL EQUITIES MARKETS- US INDICES

In the month of May, the U.S. equity market saw a strong rebound as markets reacted favourably to signs of reduced tariff pressures, boosting investor confidence, and strong earnings reports helped offset previous losses, particularly in technology stocks. Major global indices rallied with NASDAQ (**9.56%**) and Dow Jones (**3.94%**).



Overall market sentiment remains volatile, influenced by U.S. trade policies and tariff negotiations. Despite these uncertainties, fundamental corporate earnings strength and potential market-supporting policies such as deregulation and tax cuts could provide stability for the U.S Equity market in the short to medium term.

2. Dollar Index.



Source: OAML Research

The U.S Dollar index has been oscillating around 99 mark after dropping below 100.00 threshold, settling at 99.33. Month on Month, the index declined by 0.14% attributed by recession fears, ongoing trade policy uncertainties and concerns over the U.S. fiscal position, which prompted a shift in investor sentiment. The shift in investor sentiment may lead to investors redirecting their investments from dollar denominated assets and create pressure on fiscal policy. The U.S Dollar index is forecasted to range from lows of 97 to highs of 103 as volatility is the market remains persistent as there is a growing concerns about US economic fundamentals versus previous dollar strength.

US 10 YEAR BOND YIELD

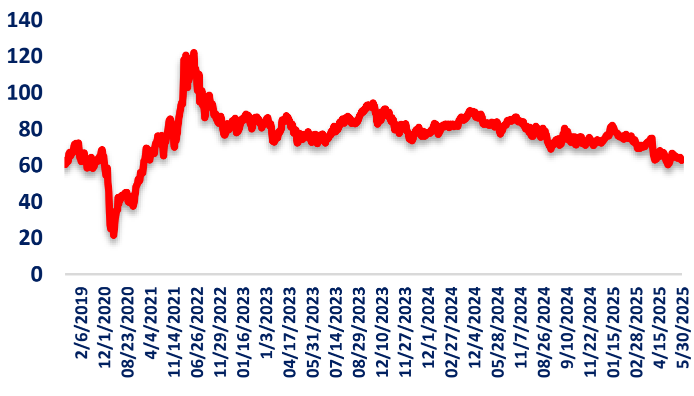
The yields on U.S. 10-year Treasury bond rose to 4.40% in the month of May due to Moody's downgrade of the US's credit rating, fiscal concerns, policy uncertainty and trade tensions.

Source: OAML Research, Investing.com

3. GLOBAL OIL PRICES

Global oil prices declined for the second consecutive month in May 2025, with Brent crude still trading below $63 per barrel for the second month, marking its lowest level since April 2021. Month on Month the price per barrel decline by 0.54% from $63.12 per barrel to close at $62.78. Strong global growth in production of petroleum by Saudi Arabia, other OPEC partner and US coupled by slower demand growth particularly from China has put downward pressure on prices.

The lower crude oil prices will lower the margins and will force oil marketers to manage their holding inventory to minimize losses from falling prices and maximize on strategic positioning. Economies dependent on oil revenues may face fiscal pressure in the short term. Globally sustained lower oil prices may lead to lower inflation pressures as energy costs would reduce potentially boosting consumer spending and economic growth.
We expect the crude oil will trade within the range of $60 to $75 per barrel in the short to medium term. The wide forecast range reflects fundamental uncertainty about demand recovery, geopolitical developments, and OPEC+ policy decisions thus makes oil a sentiment driven commodity.



Source: Orient Asset Managers Limited, World Bank

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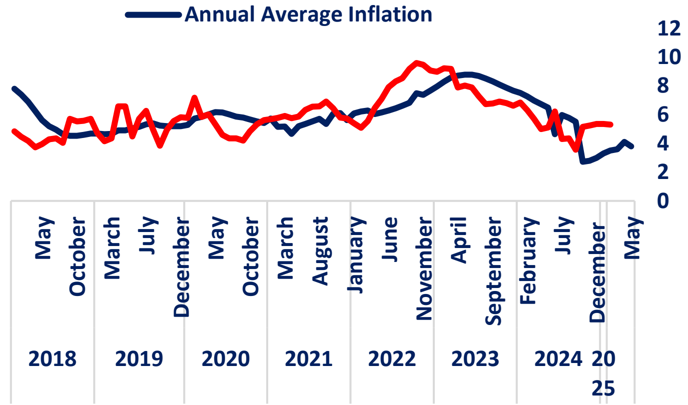
4. KENYA'S INFLATION

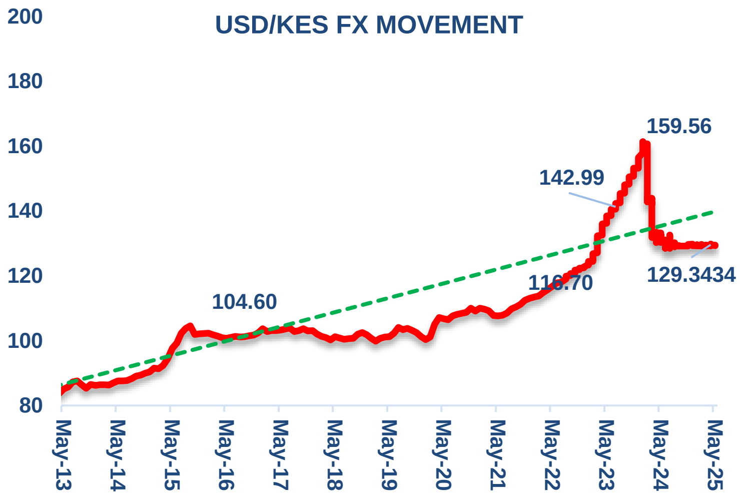
Headline annual inflation in May eased to 3.8% from April's 4.1% remaining within the target range of 2.5% -7.5%. Despite the marginal decline driven by price increase of Food, Transport, Housing, Water, Electricity & Gas. The decline in inflation was mainly supported by monetary policy effectiveness, exchange rate stability and improving
While current food inflation remained elevated, favorable weather conditions are expected to bring down vegetable prices in the coming months, low global oil prices and a stable exchange rate is expected to retain the inflation rate within the 5% mark.

5. CURRENCY MARKET & MONETARY POLICY



The Kenyan Shilling has marginally depreciated against the U.S dollar by 0.04% Year-to-Date against the U.S dollar to close the month of May at Kes. 129.2417. Month on month, the shilling marginally appreciated by 0.08% compared to April's FX rate of Kes. 129.3434. The Kenyan Shilling is expected to trade between the range of Kes.129 to Kes.130 on the backdrop of foreign exchange inflows, strong forex reserves and UAE loan facility.

Kenya Shilling Movement

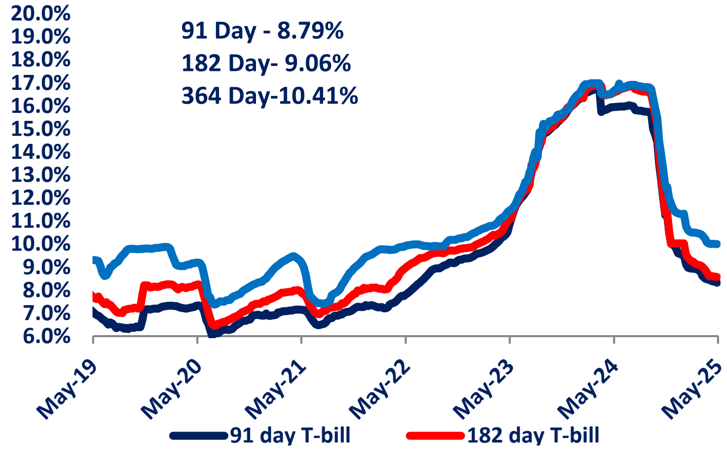


Source: Orient Asset Managers Limited

6. SHORT-TERM RATE

The T-bills yields are now trading below 10.00% with the 91,182, and 364-day papers moving down to 8.32%, 8.58% and 10.00%. We expect the rates to decline further driven by the eased market liquidity.

Treasury bill Rates



Source: Orient Asset Managers Limited

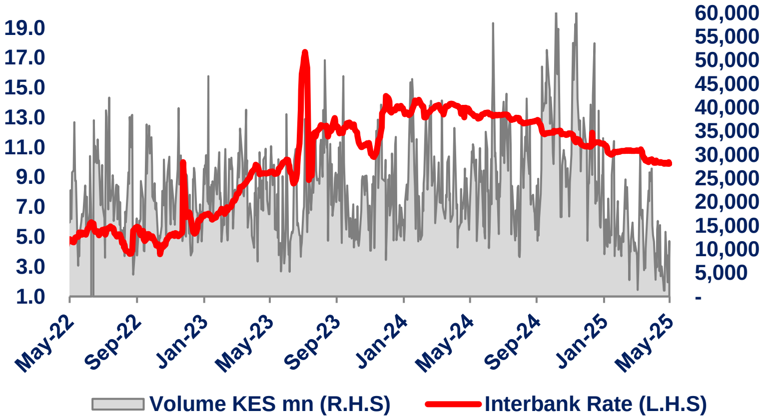
7. INTERBANK MARKET

The Monetary Policy Committee (MPC) during its June meeting reduced the Central Bank Rate (CBR) from 10% to 9.75% as it is expected to steer commercial banks to lower their interest rates to spur private sector lending to boost economic growth.

Liquidity conditions across the money market eased as evidenced by 0.3% decrease in average interbank rate to 9.9% from 10.20% recorded in the prior month. This trend aligns with recent monetary policy developments where the Central Bank of Kenya has been cutting its benchmark rate. Despite the Cent bank rate cut banks expect modest demand in private sector lending as they remain cautious about credit expansion, possibly due to economic uncertainties and risk assessment considerations.

The interbank rate is expected to hover around the 10.00% mark in the near term.

Interbank Rates



Source: Orient Asset Managers Limited

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8. EQUITIES MARKET

Market activity turned bullish in the month of May signalled by 6.45% increase in the (NASI) Nairobi All-share Index month on month to close at 134.21 points.

The top gainers during the month were:

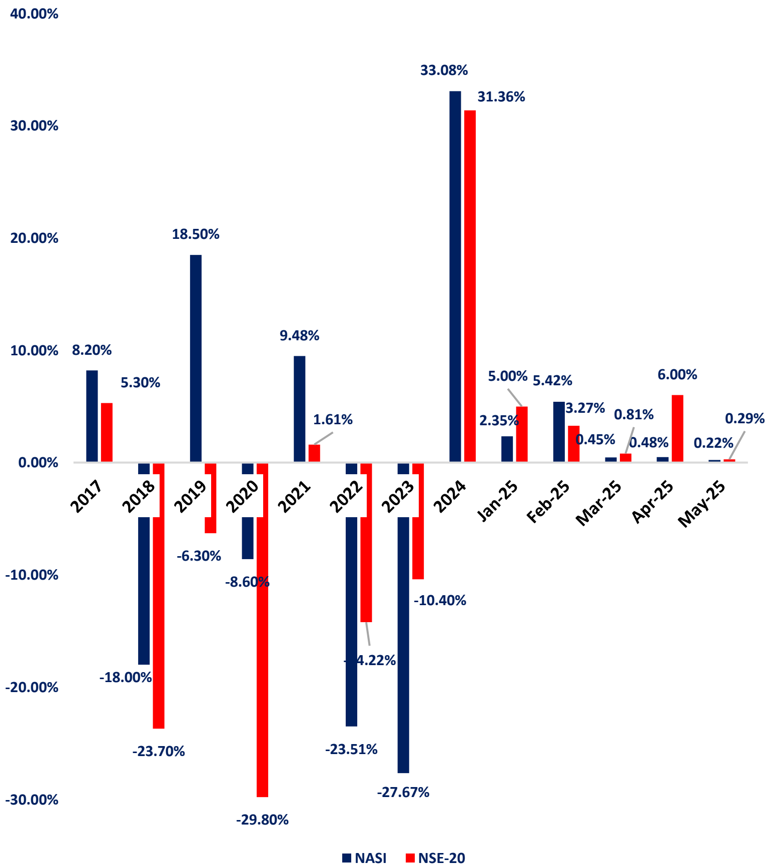
Security	Previous	Current	Change
HOME AFRIKA	0.52	0.62	19.23%
KENYA POWER	7.2	7.84	8.89%
KENYA-RE	1.7	1.85	8.82%
SAMEER	2.8	3.01	7.50%
CROWN PAINT	37.35	40	7.10%

Source: NSE

The top losers were:

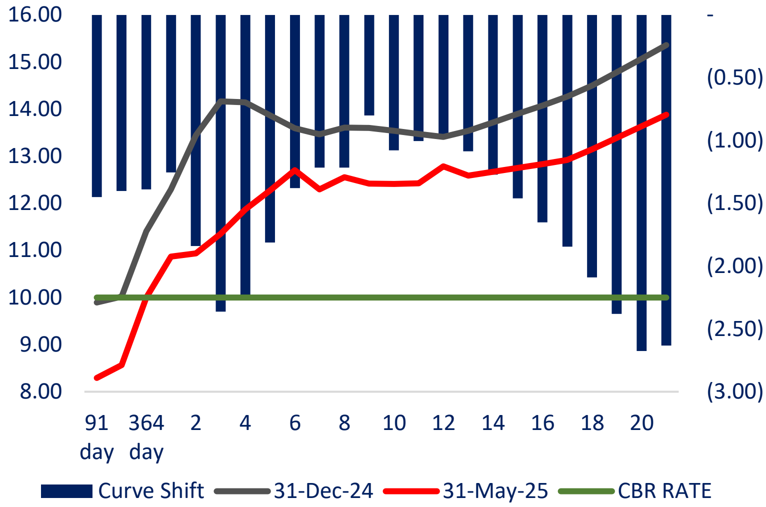
Security	Previous	Current	Change
EA CABLES	2.1	1.49	-29.05%
EA PORTLAND	39	28	-28.21%
BAT	399.25	346.75	-13.15%
EQUITY	48.45	43.05	-11.15%
TP SERENA	15.5	14.1	-9.03%

Source: NSE



Source: Orient Asset Managers Limited

9. Yield Curve Developments



Source: Orient Asset Managers Limited

In the month of May, the government accepted a total of Kes. 93.9 Bn of the Kes. 111.5 Bn worth of bids received in T-Bonds, translating to an acceptance rate of 85.8%. The low acceptance rate is due to the government's target to lower their cost of borrowing.

The re-opened bonds FXD1/2022/015 and FXD1/2022/025 received bids worth Kes.57.1Bn and the government accepted bids worth Kes.50.4Bn. Additionally, the re-opened FXD1/2012/020 received bids worth Kes. 54.4 Bn while the government accepted bids worth Kes. 43.5 Bn.

Interest rates on the long end of the yield curve continue to come off as investors seek longer duration assets due to concerns of lower economic expansion and easing inflation expectations.

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