



DIB Bank Kenya

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TREASURY MARKET UPDATE 20TH MAY 2024

DOMESTIC NEWS

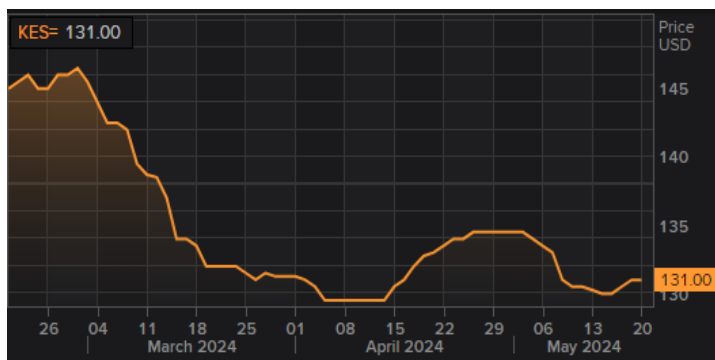
Kenya's shilling was stable on Friday, as it was expected to weaken during the session due to increased demand for dollars from the manufacturing and energy sectors. Commercial banks quoted the shilling at 130.50/131.50 per dollar, the same as Thursday's closing rate. (Reuters)

The Kenya Bankers Association (KBA) has urged the Government and the National Assembly to reconsider the proposed imposition of a 16% Value Added Tax (VAT) on financial transactions outlined in the Finance Bill, 2024. "It has long been established that while VAT applies to payments for goods and services, bank charges are a cost recovery rather than a direct payment for goods or services. Therefore, bank charges have not traditionally been considered VAT able," stated Raimond Molenje, Acting CEO of the Kenya Bankers Association. "The increased cost of banking to customers will hinder financial inclusion efforts, particularly affecting low-income individuals and small businesses. Combined with Excise Duty, the total taxation on financial services would rise to 40% from the current 15% (excise duty only), significantly impacting affordability and accessibility." Regarding foreign exchange transactions, the proposed VAT will widen the margin charged on FX transactions. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	126.50	136.50	126.50	136.50
GBP/KES	163.11	176.11	162.31	177.01
EUR/KES	138.17	152.07	138.47	154.97
AED/KES	31.80	44.80	33.80	45.17

Amounts > 10 million		Amounts >100,000
KES		USD
2 Weeks	9.50%	1.50%
1 Month	9.75%	2.50%
3 Months	10.00%	3.25%
6 Months	10.25%	3.50%
1 year	10.50%	4.25%



INTERNATIONAL NEWS

The dollar was broadly steady on Monday as investors awaited further clues to help chart the U.S. interest rate path in the wake of cautious comments from Federal Reserve officials, even as inflation shows signs of cooling. Data last week showed U.S. consumer prices for April eased, leading to markets pricing in 50 basis points (bps), or at least two rate cuts this year, but various Fed officials have sounded words of caution about when rates may fall. Traders, as a result, are betting on about 46 bps of easing this year, with only a rate cut in November fully priced in. The focus will now be on the Personal Consumption Expenditures (PCE) price index report - the Fed's preferred gauge of inflation - due on May 31. "The Fed will not have enough data by the June or the July meeting to be confident enough to cut rates," said Brian Jacobsen, chief economist at Annex Wealth Management. The dollar index, which measures the U.S. currency against six rivals, was little changed at 104.46.

On the other hand, the EURUSD was up 0.07% at \$1.087525 in early trading, stalking the nearly two-month high of \$1.0895 it touched last week. GBPUSD was last at \$1.2705, just shy of the nearly two-month high it touched on Friday. AUDUSD was up 0.14% at \$0.6703, while the New Zealand dollar was little changed at \$0.61315.

In the commodities markets, Oil prices rose slightly in Asian trade on Monday as traders sought more information on rescue attempts for Iran's President after a helicopter crash. Crude prices were sitting on some gains from last week, as the prospect of U.S. interest rate cuts and improving demand in major importer China sparked increased appetite for crude. Markets were also encouraged by the U.S. government saying it had purchased about 3.3 million barrels of oil to help refill the Strategic Petroleum Reserve.

On the other hand, Gold prices hit a record high in Asian trade on Monday as increased geopolitical tensions in the Middle East boosted safe haven demand, while a broader rally across metal markets also spilled over into the yellow metal. Spot gold rose nearly 1% to a record high of \$2,440.56 an ounce, while gold futures expiring in June hit a record high of \$2,444.55 an ounce. Middle East stability in focus after Iran helicopter crash . Other precious metals also advanced on Monday. Platinum futures rose 0.2% to \$1,096.50 an ounce, while silver futures surged 3.2% to an over 11-year high of \$32.285 an ounce. (Reuters).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0681	1.1084
GBP/USD	1.2499	1.2905
USD/ZAR	16.1434	20.1474
USD/AED	3.6529	3.6932
USD/JPY	153.75	157.76

For more details, contact our Treasury staff Mary, John, Alice & Joseph on Tel +254 20 5131311, DL +254 20 513 1354/55/51/52, Cell +254 709913351/52/54/55. The views expressed here are not solicitation for investment but dealers' own opinion. The bank cannot be held responsible for any losses of whatever nature resulting from action taken based on comments contained in this publication. DIB Bank Kenya Ltd is regulated by the Central Bank of Kenya.