



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

**TREASURY MARKET UPDATE 29<sup>TH</sup> MAY 2024**

**DOMESTIC NEWS**

Kenya's shilling was unchanged early on Tuesday but was expected to weaken during the session due to increased demand for dollars from the energy and manufacturing sectors. Commercial banks quoted the shilling at 132.50/133.50 per dollar, the same as Monday's closing rate. (Reuters)

President William Ruto's administration plans to spend Sh3.914 trillion in the new budget cycle that starts in July. To fund this plan, the government hopes to collect Sh3.354 trillion from taxes made up of Sh2.913 trillion ordinary revenues while appropriations-in-aid is expected to net another Sh441 billion. But this will leave the government with a fiscal deficit of Sh703.9 billion, which translates to 3.9 percent of the Gross Domestic Product (GDP). This deficit will be financed by debt. To meet this ambitious tax target, the Treasury has lined up new taxes in line with proposals agreed with the International Monetary Fund (IMF) that will introduce Kenyans to some of the most painful taxes yet.

On other local news the Agriculture and Food Authority has imposed a 2% levy on customs value for the importation of cereals and a 0.3% levy for its exportation. Exports for roots and tubers will be charged a 1% levy on customs value, with imports retaining the 0.3% levy charged on other food crops. This notice was made pursuant to regulation 37 of The Crops (Food Crops) Regulations of 2019, and the Authority says it will be effective from July 1st this year. (Business Daily).

**Indicative Forex Rates**

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	127.50	137.50	127.50	137.50
GBP/KES	164.98	177.98	164.18	178.88
EUR/KES	138.84	152.74	139.14	155.64
AED/KES	32.07	45.07	34.07	45.57

	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%



**USD movement from March 2024 – Date** (Source: Reuters)

**INTERNATIONAL NEWS**

The dollar gained on Tuesday, giving back earlier losses, as benchmark U.S. Treasury yields hit a four-week high following some weak auctions. The Treasury Department saw soft demand for sales of two-year and five-year notes. They came after data showed that U.S. consumer confidence unexpectedly improved in May after deteriorating for three straight months. U.S. economic data was better than expected in the first quarter and so far there are no major signs of deterioration in areas such as the labor market, which some traders are waiting on before taking a more bearish view on the greenback. Concerns that inflation will remain stubbornly above the Fed's target for longer are also providing some support for the U.S. currency. Tuesday's data showed that worries about inflation persisted, and many households expected higher interest rates over the next year. The dollar index was last up 0.03% at 104.59, after earlier dropping to 104.33.

On the other hand, the EURUSD gained 0.01% to \$1.0859. German inflation data due on Wednesday and the wider euro zone's reading on Friday will be watched for clues on how soon easing from the central bank could come. GBPUSD weakened 0.05% to \$1.276. USDJPY gained 0.18% to 157.15.

In the commodities markets, gold prices steadied in Asian trade on Wednesday as focus remained squarely on upcoming cues on U.S. inflation and interest rates, although a somewhat hawkish outlook on rates kept traders cautious towards metal markets. Spot gold fell 0.1% to \$2,358.93 an ounce, while gold futures rose 0.1% to \$2,359.80 an ounce ahead of their expiration this week. While gold prices were steady, they remained about \$100 below the record highs hit last week.

On the other hand, Oil prices rose in Asian trading on Wednesday on expectations major producers will maintain output cuts at a meeting this Sunday, and that fuel consumption should begin rising with the start of the peak summer demand season. Brent crude futures for July delivery added 15 cents, or 0.2%, to \$84.37 a barrel. U.S. West Texas Intermediate futures for July climbed 25 cents, or 0.3%, to \$80.08. Both benchmarks gained more than 1% a day earlier. Investors also awaited U.S. inflation data this week that could sway expectations for Federal Reserve interest rate cuts and impact oil prices.

(Reuters).

**Indicative Cross Rates**

	Bid	Offer
EUR/USD	1.0647	1.1051
GBP/USD	1.2553	1.2957
USD/ZAR	16.3035	20.3096
USD/AED	3.6529	3.6933
USD/JPY	155.08	159.11

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