



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 04TH JUNE 2024

DOMESTIC NEWS

Kenya's shilling was steady against the dollar on Monday, supported by hard-currency inflows from tea exporters and remittances. Commercial banks quoted the shilling at 130.00/ 131.00 against the greenback, the same as Friday's closing rate. (Reuters)

Players in the aviation sector want Parliament to reject the proposal to introduce a 16 percent value-added tax (VAT) on airplane spare parts on grounds that expensive parts would hurt air safety. The International Air Transport Association (IATA) warned that imposing VAT on airplane spare parts will increase the cost of domestic and international travel. Agnes Mucuha, the country manager for IATA told the National Assembly's Committee on Finance and National Planning that the introduction of the tax through the Finance Bill, 2024 will have a ripple effect on the operations of airlines. The first schedule of the VAT Act, 2023 provides that all aircraft and aircraft parts are VAT exempt. The Finance Bill, 2024 seeks to limit the VAT-exempt status only to aircraft parts, thus subjecting the purchase of aircraft subject to 16 percent VAT. The Finance Bill 2024 proposes to delete the VAT exemption provided for: airplanes and other aircraft of unladen weight exceeding 15,000 kilograms; spacecraft (including satellites) and suborbital and spacecraft launch vehicles; and hiring, leasing, and chartering of aircraft excluding certain categories of helicopters. The Bill further targets to end VAT exemption on direction-finding compasses, instruments, and appliances for aircraft. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	125.50	135.50	125.50	135.50
GBP/KES	163.20	176.20	162.40	177.10
EUR/KES	137.47	151.37	137.77	154.27
AED/KES	31.53	44.53	33.53	45.03

	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 fell to a three-week low on Monday after data showed the U.S. economy is gradually slowing down with weaker-than-expected readings on manufacturing and construction spending, suggesting that the Federal Reserve is on track to start cutting interest rates later this year. The dollar index, a measure of the U.S. currency's value against six major currencies, fell 0.4% to 104.14. The index earlier dropped to 104.13, the lowest since mid-May. The greenback also slid a two-week trough against the yen following the data and was last down 0.7% at 156.22. On Tuesday, while the dollar hovered near two-month lows as weak economic readings fed expectations of eventual interest rate cuts by the Federal Reserve.

On the other hand, the euro gained 0.5% versus the dollar to \$1.0897 after earlier rising to a three-week high of \$1.0898. Monday's data showed the U.S. Institute for Supply Management's (ISM) purchasing managers index (PMI) for manufacturing fell to 48.7 in May, from 49.2 in April, sliding as well from an 18-month high of 50.3 seen in March. Sterling rose 0.4% against the dollar to \$1.2799, boosted by the dollar's fall following the U.S. manufacturing data. The pound pared gains a little after Nigel Farage, who helped lead Britain's departure from the European Union, said he would stand as a candidate in next month's election and will lead the right-wing Reform Party.

In the commodities markets, gold prices fell slightly in Asian trade on Tuesday, but were sitting on some gains from the prior session as signs of a cooling U.S. economy ramped up expectations of rate cuts and drove the dollar to two-month lows. But the yellow metal remained well below record highs hit in May, with upcoming labor market data, due later in the week, set to provide more cues on the path of U.S. interest rates. Spot gold fell 0.1% to \$2,347.66 an ounce, while gold futures expiring in August fell 0.1% to \$2,368.50 an ounce.

On the other hand, Oil prices fell to a four-month low in Asian trade on Tuesday, extending losses after the OPEC+ signaled it will begin tapering off its production cuts this year, while weak economic data raised concerns about sluggish demand. Brent oil futures expiring in August fell 0.4% to \$78.05 a barrel, while West Texas Intermediate crude futures fell 0.4% to \$73.80 a barrel. Both contracts slid about 3.3% each on Monday and were at their lowest level since early February. The Organization of Petroleum Exporting Countries and allies (OPEC+) decided in a weekend meeting that it will maintain 3.6 million barrels per day of production cuts until the end of the year. (Reuters).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0706	1.1110
GBP/USD	1.2606	1.3010
USD/ZAR	16.5429	20.5631
USD/AED	3.6526	3.6933
USD/JPY	154.13	158.16

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.