



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 07TH JUNE 2024

DOMESTIC NEWS

Kenya's shilling gained ground on Thursday, helped by commercial banks selling off their long dollar positions. Commercial banks quoted the shilling at 129.50/130.50 per dollar, compared with Wednesday's closing rate of 130.00/131.00.

Banks have warned of higher cost of transacting if Parliament approved the proposed value-added tax (VAT) and higher excise on financial services, arguing there is a risk of rolling back gains in financial inclusion and eradicating money laundering. The Kenya Bankers Association (KBA), in its submissions to the National Assembly's Finance and National Planning Committee on the Finance Bill 2024, says the country also risks losing competitiveness because of taxing cross border money transfers. In the Bill, which is on public review, the Treasury has proposed to introduce VAT on financial services such as telegraphic money transfers, issuance of credit and debit cards, foreign exchange transactions, cheque processing and issuance of securities for money, including bills of exchange and promissory notes. It is also proposing to increase the excise duty on money transfer fees by banks, money transfer agencies and other financial service providers to 20 percent from 15 percent. Banks say the proposed changes will put formal money transfer beyond the reach of the low-income earner and the small and medium enterprises, thus pushing them to unregulated channels that carry the risk of fraud. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	125.25	135.25	125.25	135.25
GBP/KES	162.57	175.57	161.77	176.47
EUR/KES	137.00	150.90	137.30	153.80
AED/KES	31.46	44.46	33.46	44.96

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 Feb 2024 – Date (Source: Reuters)

INTERNATIONAL NEWS

The dollar traded sideways on Thursday ahead of Friday's U.S. employment data that could help the Federal Reserve set a timetable for easing, while the euro held steady after a widely anticipated European Central Bank rate cut. The dollar index, which measures the greenback against a basket of currencies including the yen and euro, was 0.09% lower at 104.16, barely reacting to news that applications for unemployment benefits rose more than expected last week to 229,000. Weekly jobless claims were also slightly above last week's upwardly revised 221,000. The data supported this week's market narrative that labor market tightness is ebbing, which would be good for inflation and helped benchmark U.S. Treasury yields edge lower.

On the other hand, EUR/USD traded 0.1% higher to 1.0873 and GBP/USD fell 0.1% to 1.2780, with both pairs seeing tight trading ranges ahead of the ECB meeting. In Asia, USD/JPY traded 0.1% higher to 156.31, but remained well below recent peaks. The Bank of Japan is set to meet next week and is expected to potentially tighten policy then. BOJ Governor Kazuo Ueda said earlier Thursday it would be appropriate to reduce the central bank's bond buying as it moves toward an exit from massive monetary stimulus. USD/CNY traded largely flat at 7.2474, remaining close to six-month highs hit in May, as sentiment towards China soured in recent sessions as traders awaited more cues on the country's plans to shore up economic growth.

In the commodities markets, gold prices rose in Asian trade on Friday, coming close to key highs as bets on interest rate cuts by the Federal Reserve grew in anticipation of key nonfarm payrolls data due later in the day. The yellow metal was set for weekly gains as a string of week U.S. economic readings pushed up expectations that the Fed will begin cutting rates in September. This notion pushed the dollar to a two-month lows. Interest rate cuts by the Bank of Canada and the European Central Bank also boosted optimism over looser monetary policy, which benefits metal markets. Spot gold rose 0.5% to \$2,386.55 an ounce, while gold futures expiring in August rose 0.6% to \$2,405.40 an ounce.

On the other hand, Oil prices ticked higher on Friday, as reassurances from OPEC+ members Saudi Arabia and Russia indicating readiness to pause or reverse output agreements, but markets were headed for their third straight weekly losses. Brent crude futures rose 2 cents to \$79.89 per barrel and U.S. West Texas Intermediate crude futures rose 4 cents to \$75.59. (Reuters).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0691	1.1092
GBP/USD	1.2586	1.2990
USD/ZAR	16.9248	20.9354
USD/AED	3.6526	3.6936
USD/JPY	153.66	157.69

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.