



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 19TH JUNE 2024

DOMESTIC NEWS

The Kenyan shilling was flat against the dollar on Tuesday. LSEG showed the shilling trading at 128.00/129.00 per dollar, the same as Friday's closing rate. The market was closed on Monday for a public holiday. (Reuters)

The shift from costly commercial loans for budget support in Kenya's quest to lower debt repayment costs is commendable. The Treasury cut its target for external commercial loans in the next financial year by 41 percent or Sh118.1 billion, signalling lower foreign debt service costs. We hope it will maintain this position until end of the fiscal year. Kenya presently commits more than half of its taxes to paying public debts following heavy borrowing to finance infrastructure projects in the decade to 2022. This has denied the country resources for projects, which it needs to ease growing youth unemployment. The lower target for commercial loans aligns with the government's stance of pursuing concessional and semi-concessional funding which is relatively cheaper than borrowing from commercial sources. The planned slowdown in commercial borrowing over the medium term even as the exchequer seeks innovative solutions around upcoming debt maturities must be maintained. This will help the country tackle its debt crisis while protecting the fragile economic recovery (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	123.50	133.50	123.50	133.50
GBP/KES	159.33	172.33	158.53	173.23
EUR/KES	133.07	146.97	133.37	149.87
AED/KES	30.98	43.98	32.98	44.48

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 Mar 2024 – Date (Source: Reuters)

INTERNATIONAL NEWS

The dollar recovered some ground on Wednesday after soft U.S. retail sales data reinforced bets of imminent Federal Reserve rate cuts, while sterling dipped ahead of a reading on UK inflation due later in the day. U.S. retail sales barely rose in May and data for the prior month was revised considerably lower, data showed on Tuesday, suggesting that economic activity remained lackluster in the second quarter. That knocked the greenback lower in the immediate aftermath, though its losses were limited against a basket of currencies as the euro, which holds the largest weight in the dollar index, continues to be weighed down by political jitters in France and the wider bloc. The U.S. currency has seen volatile trading over the last week, weighed by cooling inflation readings but then supported by the Federal Reserve reducing the number of cuts projected this year to just one, from three in March.

On the other hand, EUR/USD fell 0.1% to 1.0724, with the euro stabilizing to a degree after the previous week's sharp losses in the wake of political turmoil following the rise of the far-right parties in the European Parliament elections, and the announcement of a snap election in France. GBP/USD fell 0.2% to 1.2679, ahead of the release of May U.K. CPI on Wednesday and the Bank of England's policy meeting the following day. In Asia, USD/JPY traded 0.3% higher to 158.16, with the yen still weak after the Bank of Japan kept rates steady last week and said it will only provide clear signals on its plans to begin reducing its bond purchases at its July meeting. USD/CNY traded largely unchanged at 7.2561, while AUD/USD slipped slightly to 0.6611, unfazed by the Reserve Bank of Australia's as expected decision to hold rates steady on Tuesday.

In the commodities markets, gold prices rose on Tuesday after economic data from the United States (US) hinted that consumer spending is constraining due to a softer-than-estimated Retail Sales report. This fueled speculation that the Federal Reserve (Fed) could begin its easing cycle this year. The XAU/USD trades at \$2,327, up 0.51%.

On the other hand, Oil prices held steady during trade on Wednesday, as the market weighed concerns over escalating conflict in Europe and the Middle East with demand worries following an unexpected build in U.S. crude inventories. Brent crude futures rose 2 cents to \$85.35 a barrel, while U.S. West Texas Intermediate crude was down 6 cents to \$81.51 per barrel. (Reuters).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0538	1.0942
GBP/USD	1.2515	1.2919
USD/ZAR	16.0055	20.0097
USD/AED	3.6526	3.6936
USD/JPY	155.82	159.86

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.