



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 01ST JULY 2024

DOMESTIC NEWS

Kenya's shilling eased slightly on Friday as markets awaited the outcome of protests against a now-shelved tax increase plan. Commercial banks quoted the shilling at 129.00/130.00 per dollar, compared with Thursday's closing rate of 128.75/129.75. (Reuters)

The annual inflation rate for May 2024 was 5.1 per cent," reads the KNBS report. "Overall year-on-year (annual) inflation rate as measured by the Consumer Price Index (CPI) was 4.6 per cent, in June 2024, with a monthly inflation rate of 0.4 per cent.

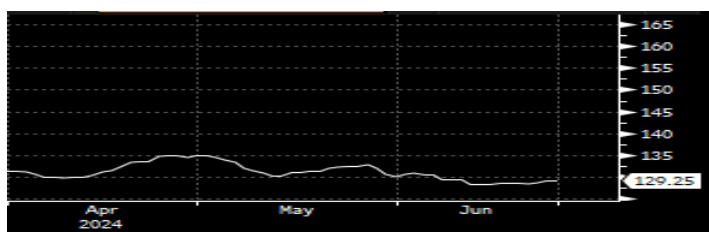
On other local news, Kenyan taxpayers paid \$1.53 billion (Sh197.4 billion) in interest on the 2014 Eurobond whose last instalment was repaid last Friday, underlining the heavy cost of reliance on commercial debt to fund the budget. The interest paid is the equivalent of 55.6 percent of the \$2.75 billion (Sh354 billion in today's rate) that the Treasury borrowed in the debut sovereign bond in June 2014. This bond was sold in two tranches of five and 10-years, split at \$750 million (Sh96.5 billion) and \$2 billion (Sh257.4 billion) and paying interest at rates of 5.875 percent and 6.875 percent respectively. Eurobonds attract a fixed rate of interest during the life of the loan, and the principal is repaid in a bullet payment upon maturity, rather than on a reducing balance basis. This is unlike concessional loans whose principal amount is paid down progressively alongside interest, sparing the borrower having to pay high interest throughout the life of a loan.

(Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.25	134.25	124.25	134.25
GBP/KES	159.61	172.61	158.81	173.51
EUR/KES	134.12	148.02	134.42	150.92
AED/KES	31.19	44.19	33.19	44.69

	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 Apr 2024 – Date (Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar slipped on Friday after data showed inflation in the world's largest economy subsided last month, cementing expectations the Federal Reserve will start cutting interest rates this year. Data showed the U.S. personal consumption expenditures (PCE) price index, the Fed's preferred inflation measure, was unchanged last month, and followed an unrevised 0.3% gain in April, data showed. In the 12 months through May, the PCE price index increased 2.6% after advancing 2.7% in April. The dollar index and dollar index futures both fell more than 0.2% each on Monday, extending losses from Friday after PCE price index data showed some mild easing in inflation. The reading saw traders increase their bets that the Federal Reserve will cut rates by 25 basis points in September, according to the CME Fed watch tool. Focus this week was squarely on more signals from the Fed. Chair Jerome Powell is set to talk on Tuesday, while the minutes of the bank's June meeting are due on Wednesday.

On the other hand, GBP/USD edged higher to 1.2641, helped by data showing Britain's economy grew 0.7% in the first three months of this year compared with the previous quarter. EURUSD, which has weakened 0.8% since President Emmanuel Macron called the election on June 9, rose to a more-than-two-week top of \$1.076175. USD/JPY traded 0.1% higher to 160.95, after briefly crossing the 161.00 level earlier in the session. USD/CNY edged marginally lower to 7.2660.

In the commodities markets, Oil prices climbed on Monday, supported by forecasts of a supply deficit stemming from peak summer fuel consumption and OPEC+ cuts in the third quarter, although global economic headwinds and rising non-OPEC+ output capped gains. Brent crude futures rose 33 cents, or 0.4%, to \$85.33 a barrel by 0439 GMT, while U.S. West Texas Intermediate crude futures were at \$81.86 a barrel, up 32 cents, or 0.4%.

On the other hand, Gold prices weakened in Asian trade on Monday, taking limited support from increased expectations of U.S. interest rate cuts as traders awaited more cues from the Federal Reserve and U.S. economy this week. Spot gold fell slightly to \$2,325.74 an ounce, while gold futures expiring in August fell 0.2% to \$2,336.05 an ounce. Gold marks little gains as Sept rate cut bets increase. Other precious metals trended lower on Monday. Platinum futures fell 0.5% to \$1,004.60 an ounce, while silver futures fell 0.5% to \$29.405 an ounce.

(Investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0589	1.0960
GBP/USD	1.2463	1.2864
USD/ZAR	16.0582	20.0700
USD/AED	3.6526	3.6936
USD/JPY	159.04	163.09