



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 22ND JULY 2024

DOMESTIC NEWS

Kenya's shilling was stable on Friday but faced pressure from interbank foreign currency demand amid thin supply. Commercial banks quoted the shilling at 131.00/132.00 per dollar, the same as Thursday's close. (Reuters).

Taxes on salaries, wages, and allowances paid to workers grew at a single-digit rate in the just concluded financial year, underlining a toughening labour market where decent formal jobs are shrinking amid a freeze on pay raise in most sectors. The Kenya Revenue Authority (KRA) netted Sh543.19 billion in payroll taxes for the year ended June 2024, a 9.76 percent growth over Sh494.90 billion in the year before. The growth in pay-as-you-earn (PAYE) receipts remained in the single-digit territory for the second year running even after the Ruto administration raised tax rates for the high-salary earners in the review fiscal year. The taxman enforced a 32.5 percent tax on workers earning more than Sh500,000, while the rate for those on more than Sh800,000 monthly pay rose to 35 percent. The maximum PAYE rate was previously 30 percent. Tax experts had expected the new PAYE tax bands to have a negligible impact on overall growth given that more than 90 percent of workers in the formal sector earn a monthly salary of less than Sh100,000. KRA Commissioner-General Humphrey Wattanga said remittances from private firms grew 13.4 percent year-on-year, while remittances by public organizations rose at a slower pace of 3.7 percent. The taxman does not usually make public the actual PAYE collections from the two sectors. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	126.25	136.25	126.25	136.25
GBP/KES	165.50	178.50	164.70	179.40
EUR/KES	137.95	151.85	138.25	154.75
AED/KES	31.73	44.73	33.73	45.23

	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 May 2024 – Date (Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar crept lower after President Joe Biden said he will no longer seek reelection. Biden endorsed Vice President Kamala Harris, who is now likely to face off against Republican frontrunner Donald Trump in the presidential race. Biden's move ramped up uncertainty over the upcoming presidential elections, which in turn soured sentiment towards risk-driven markets. This, coupled with concerns that a potential Trump presidency could also entail more clashes with China, weighed on regional currencies. Dollar edges lower after Biden news, rate cuts in focus. The dollar index and dollar index futures both fell 0.1% each in Asian trade, amid uncertainty over the U.S. political outlook. Trump was seen polling ahead of both Biden and Harris, CBS data showed last week. Analysts expect a Trump presidency to potentially yield higher inflation, especially if he proceeds with stricter trade restrictions and higher import tariffs against China.

On the other hand, GBP/USD traded 0.2% lower at 1.2914, heading lower after climbing to a one-year high earlier in the week. U.K. retail sales fell 1.2% in June against an estimated 0.4% fall, suggesting the British consumer was feeling pinch from the high interest rates. EUR/USD fell 0.2% to 1.0878, slipping more from Wednesday's four-month peak after the European Central Bank kept rates steady at its meeting on Thursday. USD/JPY fell 0.1% to 157.29, after Japanese consumer price index inflation read softer than expected for June. USD/CNY rose 0.1% to 7.2674, with the pair close to levels last seen in November 2023.

In the commodities markets, Gold prices rose slightly in Asian trade on Monday, with the yellow metal seeing some safe haven demand after U.S. President Joe Biden dropped his bid reelection and endorsed Vice President Kamala Harris to run in his stead. Spot gold rose 0.2% to \$2,405.02 an ounce, while gold futures expiring in August fell 0.3% to \$2,406.50 an ounce. Gold sees some safe haven demand amid political uncertainty.

On the other hand, Oil prices rose in Asian trade on Monday, recovering some measure of recent losses on hopes of improving economic conditions in top importer China after the country unexpectedly lowered borrowing costs. Brent oil futures expiring in September rose 0.4% to \$82.92 a barrel, while West Texas Intermediate crude futures rose 0.4% to \$81.87 a barrel. Both contracts were nursing steep losses from last week, having lost over 3% each amid renewed speculation over an Israel-Hamas ceasefire. (Investing.com)

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0682	1.1086
GBP/USD	1.2711	1.3115
USD/ZAR	16.2851	20.2913
USD/AED	3.6524	3.6935
USD/JPY	154.80	158.82

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