



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 01<sup>ST</sup> AUGUST 2024

### DOMESTIC NEWS

Kenya's shilling strengthened on Wednesday, lifted by dollar inflows from horticultural produce exporters. Commercial banks quoted the shilling at 128.50/129.50 to the U.S. dollar, compared with Tuesday's closing rate of 129.50/130.50. (Reuters).

Development project funding as a share of the State's total expenditure has dropped to a single digit for the first time in more than a decade, data shows, reflecting the impact of the rising cost of servicing debts. Official data by the National Treasury shows that State ministries, departments, and agencies (MDAs) spent Sh315.06 billion on development projects, excluding the portion from donors, against a total expenditure of Sh3.44 trillion for the year ended June 2024. This is equivalent to 9.15 percent of total spending for the national government, the first time it has sunk into single-digit territory in more than a decade based on data publicly available. Analysis of disbursements from the Exchequer, government's main account, shows the share of cash wired to capital projects has been falling for five straight years through June 2024. Economists say reduced spending on development projects such as roads, water, power plants, housing, and electricity transmission lines slows down economic activities, hurting the creation of new job opportunities and government revenue, largely taxes. Cement makers, steel manufacturers, contractors, and the thousands of workers employed in the infrastructure pipeline benefit from public spending and usually feel the pinch of a drop in public expenditure on development. (Business Daily).

### Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.00	134.00	124.00	134.00
GBP/KES	161.75	174.75	160.95	175.65
EUR/KES	134.79	148.69	135.09	151.59
AED/KES	31.12	44.12	33.12	44.62

	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 dollar added to losses on Wednesday after the Federal Reserve held interest rates steady but opened the door to reducing borrowing costs as soon as its next meeting in September. Fed Chair Jerome Powell said in comments after the statement from its two-day meeting that an interest rate cut could be on the table as early as September if inflation moves down in line with expectations, growth remains reasonably strong, and the labor market remains as it is. But he also said that the U.S. central bank remains data dependent and has not made any decisions about future meetings. The dollar index fell as low as 103.92 and was last down 0.34% at 104.09. It is on track for a monthly loss of 1.7%. The next major U.S. economic release that is likely to drive Fed policy will be Friday's government jobs report for July. It is expected to show that employers added 175,000 jobs during the month, according to the median estimate of economists polled by Reuters. The ADP National Employment Report on Wednesday showed that private payrolls rose by 122,000 jobs this month, below economists' expectations for 150,000 in jobs gains.

On the other hand, the EURUSD gained 0.05% to \$1.082 and is set for a roughly 1% gain in July. Euro zone inflation unexpectedly edged up in July, data showed on Wednesday, although a widely watched gauge of price growth in the services sector eased. GBPUSD was up 0.11% at \$1.2848 and is heading for a monthly gain of 1.5%. USD/JPY fell 1.4% to 150.66. USD/CNY fell 0.4% to 7.2256. AUD/USD fell 0.7% to 0.6492.

In the commodities markets, Gold prices steadied in Asian trade on Thursday after surging close to record highs in the prior session after the Federal Reserve flagged the possibility of an interest rate cut in September. Spot gold steadied at \$2,446.41 an ounce, while gold futures expiring in December rose 0.7% to \$2,490.15 an ounce. Bullion prices rose sharply on Wednesday, coming close to a record high of \$2,483.78 an ounce after the Fed kept interest rates steady, as widely expected.

On the other hand, Oil prices rose during Asian trade on Thursday, extending gains from the previous session, after the killing of a Hamas leader in Iran raised the threat of a wider Middle East conflict and concern over its impact on oil. Global benchmark Brent crude futures rose 46 cents, or 0.6%, to \$81.30 a barrel, while U.S. West Texas Intermediate crude futures gained 55 cents, or 0.7%, to \$78.46 a barrel. The most active contracts on both benchmarks jumped about 4% in the previous session.

(investing.com).

### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0624	1.1025
GBP/USD	1.2638	1.3041
USD/ZAR	16.2185	20.2239
USD/AED	3.6527	3.6933
USD/JPY	147.83	151.82

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. The rates quoted includes the Banks mark up. DIB Bank Kenya Ltd is regulated by the Central Bank of Kenya.