



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 06<sup>TH</sup> AUGUST 2024

### DOMESTIC NEWS

Kenya's shilling firmed slightly in early trade on Monday, and it was expected to strengthen further, fuelled by dollar inflows from the tea sector. Commercial banks quoted the shilling at 129.25/130.25 per dollar an improvement from Friday's closing rate of 129.50/130.50. The shilling was yet to react to Fitch's sovereign rating downgrade on Friday. (Reuters).

Importers of used cars are set for a fairer and lower tax burden at the Mombasa port as the Kenya Revenue Authority (KRA) moves to adopt a new taxation system that relies on the value of the units at the point of shipment. This will mark a departure from the existing system where the taxman takes the current retail selling price (CRSP) from formal dealers such as CFAO Mobility Kenya and Inchcape Kenya and depreciates it to arrive at the value of an imported car. The CRSP is the price template used by the KRA to compare the actual invoice value of the car and uses the higher of the two. The customs value is then calculated by applying the depreciation to the CRSP value. The excise duty, import duty, value-added tax (VAT), and import declaration fee (IDF) are all calculated from the customs value. CRSP has been discredited for inflating the value of used motor vehicles and the taxes levied through a mix of KRA's arbitrary actions and inaccurate information supplied by the new vehicle dealers, with Mombasa's High Court suspending its review in October 2019 until KRA conducts public participation to guide a new price list. (Business Daily).

### Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.75	134.75	124.75	134.75
GBP/KES	161.78	174.78	160.98	175.68
EUR/KES	137.21	151.11	137.51	154.01
AED/KES	31.33	44.33	33.33	44.83

	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 fell sharply Monday on concerns over U.S. economic growth, with the Swiss franc and the Japanese yen seeing strong safe-haven demand. The Dollar Index, which tracks the greenback against a basket of six other currencies, traded 0.9% lower to 102.100, at its lowest level since near the start of this year. The dollar selling follows on data showing a sharp cooling in the U.S. jobs created in July on Friday, with U.S. Treasury yields dropping significantly as traders began factoring a hard landing for the U.S. economy from the prolonged period of elevated interest rates. Traders now fully expect the U.S. Federal Reserve to cut interest rates in September and are looking for more substantial cuts than the around 50 basis points of reductions that had previously been priced in this year.

On the other hand, EUR/USD rose 0.6% to 1.0974, given the broadly weaker dollar. Expectations for more cuts by the European Central Bank have also risen, but very few traders have been long euros since the start of the political turmoil in France at the end of June. GBP/USD slipped 0.4% to 1.2752, amid fears that the Bank of England may also be behind the curve with the U.K. central bank only having cut interest rates last week. In Asia, USD/JPY slumped 3.2% to 141.86, with the yen surging to seven-month highs against the dollar as traders aggressively unwound carry trades in the expectations of substantial rate cuts from the Federal Reserve.

In the commodities markets, gold prices retreated slightly Monday, but were still trading in sight of record highs as the yellow metal benefited from increased safe haven demand amid heightened concerns over slowing economic growth. Spot gold dropped 0.8% to \$2,424.01 an ounce, while gold futures expiring in December fell 0.2% to \$2,464.15 an ounce. A softer dollar also aided metal markets, as a swathe of weak U.S. economic readings saw traders pricing in greater reductions in U.S. interest rates this year. Gold futures briefly hit record highs above \$2,500 an ounce in recent sessions. But spot prices- which indicate near-term demand for gold- were trading about \$30 away from a record high of \$2,483.78 an ounce hit in July.

On the other hand, Oil prices rebounded by more than 1% on Tuesday, paring previous session's losses, on supply concerns amid an escalating Middle East conflict, stronger U.S. services sector data and a cut in production at Libya's Sharara oilfield. Brent crude futures gained 97 cents, or 1.27%, to \$77.27 a barrel, while U.S. West Texas Intermediate crude futures climbed \$1.14, or 1.56%, to \$74.08. (Reuters).

### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0752	1.1153
GBP/USD	1.2570	1.3075
USD/ZAR	16.4591	20.4644
USD/AED	3.6527	3.6932
USD/JPY	143.86	147.88

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