



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 17TH SEPTEMBER 2024

DOMESTIC NEWS

Kenya's shilling was steady on Monday, and was expected to gain ground, bolstered by dollar inflows from tea exporters. Commercial banks quoted the shilling at 128.50/129.50 per dollar, same as Friday's closing rate. (Reuters).

The Treasury has slashed its tax target for the next financial year by Sh334 billion and cut spending in changes that point to government hesitance to raise taxes amid public anger. The budget review and outlook papers show the exchequer expects to raise Sh2.96 trillion in the year starting next July from the initial target of Sh3.294 trillion set before deadly protests forced the government to withdraw Finance Bill 2024—which planned tax increases. The reduced tax collection target has triggered a cut in spending by Sh396 billion for the new year to Sh4.157 trillion. The outlook papers provide a sneak preview of the Finance Bill 2025, which comes in a period when the State remains fretful over a public outcry and threat of protests should it push for new taxes.

In other local news, Kenyans will for the second month in a row bear the brunt of the higher Road Maintenance Levy as fuel prices remain unchanged despite the drop in landed costs of fuel. The Energy and Petroleum Regulatory Authority (Epra) kept prices unchanged at Sh188.84 and Sh171.60 per litre of petrol and diesel, respectively, in Nairobi between September 15 and October 14, 2024. The drop in landed costs, mainly driven by the strengthening of the shilling against the dollar, would have been passed on to consumers in the form of price cuts. (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	166.29	179.29	165.49	180.19
EUR/KES	138.58	152.48	138.88	155.38
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 June 2024 – Date (Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar fell Monday, ahead of the expected start of a rate-cutting cycle by the Federal Reserve later this week. The U.S. dollar fell Monday, while the euro and sterling gained, ahead of the expected start of a rate-cutting cycle by the Federal Reserve later this week. The U.S. central bank concludes its latest policy-setting meeting on Wednesday and is widely expected to start cutting interest rates from the 5.25%-5.5% range that has been in place for the last 14 months. A reduction in rates has been widely flagged by Fed officials, with the U.S. consumer price index falling last month to its lowest level since February 2021. However, there remains a degree of uncertainty over the size of the cut, and the greenback fell sharply on Friday after media reports once again fueled speculation the Fed could deliver a hefty 50-basis-point interest rate cut.

On the other hand, EUR/USD traded 0.4% higher to 1.1115, with the single currency in demand despite the European Central Bank cutting interest rates by 25 bps last week. ECB President Christine Lagarde dampened expectations for another reduction in borrowing costs next month, stating the rate path was not predetermined and that the central bank would decide rates meeting by meeting, with no pre-commitments. GBP/USD climbed 0.4% to 1.3173, ahead of the latest Bank of England policy-setting meeting on Thursday. The yen rose 0.8% against the dollar to 139.76, firming sharply to an over eight-month high, with a Bank of Japan meeting on tap later this week. USD/CNY traded largely unchanged at 7.0930.

In the commodities markets, Oil prices extended gains on Tuesday as the market eyed U.S. output concerns in the aftermath of Hurricane Francine and expectations of lower U.S. crude stockpiles. Brent crude futures for November rose 34 cents, or 0.5%, at \$73.09 a barrel. U.S. crude futures for October climbed 49 cents, or 0.7%, at \$70.58 a barrel. More than 12% of crude production and 16% of natural gas output in the U.S. Gulf of Mexico remained offline, according to the U.S. Bureau of Safety and Environmental Enforcement (BSEE) on Monday.

On the other hand, Gold prices fell slightly in Asian trade on Tuesday, but remained close to record highs amid growing conviction that the Federal Reserve will cut interest rates by a wide margin this week. Spot gold fell 0.2% to \$2,578.03 an ounce, while gold futures expiring in December fell 0.1% to \$2,605.05 an ounce. Gold benefits from bets on 50 bps cut. (Reuters).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0924	1.1325
GBP/USD	1.3005	1.3409
USD/ZAR	15.6175	20.6287
USD/AED	3.6527	3.6934
USD/JPY	138.68	142.68

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.