



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 02<sup>ND</sup> OCTOBER 2024

### DOMESTIC NEWS

Kenya's shilling was unchanged against the dollar on Tuesday and was expected to gain ground during the session, helped by inflows from the agriculture sector. The shilling traded at 128.50/129.50 per dollar, the same as Monday's closing rate. (Reuters).

The government spent Sh415.7 billion or more than half of the cash it borrowed in the financial year ended June 2024 on recurrent expenses such as payment of salaries and utilities in breach of the law, highlighting the impact of missed tax collections amid spending pressure. Latest Treasury disclosures in the draft 2024 Budget Review and Outlook Paper (BROP) show that of the Sh766.4 billion loans the State tapped in the review period, just Sh350.7 billion or 45.8 percent was used to fund development projects, leaving the rest for recurrent spending. The Sh415.7 billion was an 82.5 percent rise from Sh227.7 billion or 23.1 percent of borrowed money that went to recurrent spending in the previous year.

On other local news, the stage is set for the removal of the Deputy President Rigathi Gachagua in the National Assembly after speaker Moses Wetang'ula approved the motion seeking to kick the second in command from the lucrative office. The motion sailed to the floor of the House after 291 MPs signed the petition by the Kibwezi West MP, surpassing the one-third of the 349 MPs requirement in the constitution, which is 117 members. (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	167.33	180.33	166.53	181.23
EUR/KES	137.86	151.76	138.16	154.66
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 July 2024 – Date (Source: Reuters)

### INTERNATIONAL NEWS

The U.S. dollar rose Tuesday as Federal Reserve Chair Jerome Powell played down the likelihood of another outsized interest rate cut. The Dollar Index, which tracks the greenback against a basket of six other currencies, traded 0.2% higher to 100.737, after gaining 0.3% overnight. Federal Reserve Chair Jerome Powell signaled that the US central bank will continue to cut interest rates but indicated that it would likely stick with quarter-percentage-point interest rate cuts moving forward. The widely watched monthly jobs report is due on Friday, and the US economy is expected to have added 144,000 jobs last month. Weaker than expected data could revive fears over the prospect of a recession, while unexpectedly strong jobs growth may stir worries that the Fed will not cut rates as deeply as expected.

On the other hand, the EURUSD was last down 0.57% at \$1.1071, following dovish comments by European Central Bank (ECB) officials. Euro zone inflation dipped below 2% for the first time since mid-2021 in September, Eurostat data showed on Tuesday. GBP/USD traded 0.2% lower to 1.3340, retreating further from last week's high of 1.3430, climbing to a level not seen since February 2022. USD/JPY rose 0.4% to 144.16.

In the commodities markets, Oil prices jumped by over a dollar on Wednesday due to rising concerns Middle East tensions could escalate, potentially disrupting crude output from the region, following Iran's biggest ever military blow against Israel. Brent futures leapt \$1, or 1.36%, to \$74.56 a barrel, while U.S. West Texas Intermediate (WTI) crude spiked \$1.07, or 1.53%, to \$70.9. During trading on Tuesday, both crude benchmarks surged more than 5%. Iran said early on Wednesday that its missile attack on Israel was over barring further provocation, while Israel and the U.S. promised to retaliate against Tehran as fears of a wider war intensified.

On the other hand, Goldman Sachs on Monday raised its gold price forecast for early 2025 to \$2,900 per troy ounce (toz) from the previous \$2,700/toz, citing two primary reasons. Firstly, they anticipate faster declines in short-term interest rates in Western countries and China, adding that the gold market "doesn't fully price in the rates boost to Western ETF holdings backed by physical gold yet, which tends to be gradual." Secondly, ongoing robust purchases by emerging market (EM) central banks in the London over the counter (OTC) market are expected to continue fueling the gold rally that began in 2022.

(Reuters).

### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0856	1.1257
GBP/USD	1.3068	1.3472
USD/ZAR	15.3878	19.3913
USD/AED	3.6528	3.6933
USD/JPY	141.53	145.57

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