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TREASURY MARKET UPDATE 02ND DECEMBER 2024

DOMESTIC NEWS

The Kenyan shilling was steady on Monday as dollar supplies from the tourism sector matched local demand from manufacturers and oil marketers. The shilling traded against the dollar at 129.50/130.00, the same as Friday's closing rate.

A recent report highlighted proposals by the National Treasury to introduce taxes targeting the aviation sector, including a 16% value-added tax (VAT) on services such as air ticketing, aircraft leasing, and navigation systems. The move has sparked debate, as some critics continue to characterize air travel as a "luxury service" for the wealthy, which is seen as a misrepresentation of Kenya's modern economy and the realities of its travel industry. Treasury justifies the tax adjustments as necessary to expand the tax base and increase national revenue from a broader range of services.

In other local news, foreign investors increased their exit from the Nairobi Securities Exchange (NSE) in November, with a net selling position of Sh667.5 million, up from Sh569.9 million in October. This marked the highest selloff since March and continued the trend of foreign exits for the second consecutive month. The increased selling pressure is attributed to investor concerns following the outcome of the US presidential election on November 5. Many foreign investors opted to focus on their home markets, anticipating a protectionist approach under President-elect Donald Trump, which could benefit assets in the US and other advanced economies. (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	160.06	173.06	159.26	173.96
EUR/KES	131.17	145.07	131.47	147.97
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%	4.00%

USD movement from September 2024 – Date (Source: Reuters)

INTERNATIONAL NEWS

Asian currencies have faced downward pressure due to the strength of the US dollar, which had gained for eight consecutive weeks before a recent decline. Expectations of slower rate cuts amid persistent inflation, alongside concerns about inflation under President-elect Donald Trump, have bolstered the dollar. The US Dollar Index rose by 0.1%, extending its gains, while US Dollar Index Futures also ticked up by 0.1%. UBS warned that the US dollar has become overstretched after a surge driven by Trump's threats of 100% import tariffs on BRICS nations unless they avoid developing a joint currency or supporting alternatives to the dollar. Despite the surge, analysts highlighted the dollar's dominance, noting it is used in over 47% of global payments and involved in 88% of trades, maintaining its liquidity dominance in global finance.

On the other hand, the EUR/USD pair started the week with a decline, slipping back into near-term lows and failing to break the 1.0600 level, falling to 1.0500, losing nearly 0.8% on Monday. The Chinese yuan weakened against the dollar, with the onshore USD/CNY pair rising 0.3% to its highest level since mid-November 2023. The GBP/USD pair remained under pressure in the Asian session on Tuesday, trading just below the mid-1.2600s but lacking strong selling momentum. Meanwhile, USD/JPY bounced back above 150.00, supported by a return of risk-off flows and renewed demand for the US dollar.

In the commodities markets, Gold prices edged higher in Asian trade on Tuesday, but largely held onto their losses for the week due to ongoing anticipation of further cues on U.S. interest rates, which supported the strength of the dollar. The greenback surged on Monday following U.S. President-elect Donald Trump's tariff threats against BRICS nations, while political instability in France also weakened the euro, favoring the dollar. Spot gold increased by 0.1% to $2,640.77 an ounce, and February gold futures rose 0.2% to $2,663.66 an ounce.

On the other hand, Oil prices were relatively stable on Tuesday, trading within a narrow range as traders awaited the outcome of an OPEC+ meeting later in the week. Brent crude futures rose by 14 cents, or 0.19%, to $71.97 a barrel, while U.S. West Texas Intermediate crude gained 8 cents, or 0.12%, to $68.18. OPEC+, which includes OPEC members and allies like Russia, has been considering unwinding production cuts by the first quarter of 2025. However, concerns about surplus supply have pressured prices, with the group accounting for about half of global oil production.

(investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0287	1.0689
GBP/USD	1.2441	1.2847
USD/ZAR	16.1658	20.1761
USD/AED	3.6524	3.6934
USD/JPY	148.11	152.13

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