



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 13TH DECEMBER 2024

DOMESTIC NEWS

The Kenyan shilling remained stable against the dollar on Wednesday, as indicated by data from the London Stock Exchange Group. The currency was trading at 129.00/129.50, unchanged from its closing rate on Tuesday. (Refinitiv)

Investors in Treasury bills and bonds are facing significant losses as returns have sharply decreased following the Central Bank of Kenya's rate cuts. Since October, profit rates on Treasury bills dropped by 5.1 to 6.6 percentage points after the CBK reduced its benchmark rate from 13% to 11.25% in three cuts since August. After this week's auction, the 91-day T-bill rate fell to 10.03%, down from 15.7% on October 3. The 182-day rate dropped from 16.6% to 10%, and the 364-day rate fell from 16.8% to 11.75%. While investors benefit from the higher rates they locked in, refinancing the securities will result in lower returns and refinancing losses.

In other local news, Since Kenya adopted the public-private partnership (PPP) model in 2013, investments in PPP projects have totaled Sh140.7 billion. Notable projects include the Sh88 billion Nairobi Expressway, completed in 2020. The PPP model was introduced to facilitate large infrastructure projects without tapping into government funds or increasing debt. In PPP ventures, investors recoup their investment by charging user fees over a set period, such as the tolls collected by the Chinese company that financed the Nairobi Expressway, which will be in effect until 2047. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.65	134.65	124.65	134.65
GBP/KES	160.13	173.13	159.33	174.03
EUR/KES	130.74	144.64	131.04	147.54
AED/KES	31.30	44.30	33.30	44.80

	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

The US dollar declined slightly on Thursday, driven by increasing expectations of another rate cut by the Federal Reserve next week. The Dollar Index, which measures the dollar against six other currencies, was down 0.1% at 106.245. Following the release of the US consumer price index, which met expectations on Wednesday, and with more inflation data expected, the market's expectation of a 25-basis-point rate cut by the Fed next week has strengthened. Analysts at ING noted that this potential rate cut would reflect the Fed's intent to adopt a less restrictive policy. Since September, the Fed has cut rates by 75 basis points, and markets anticipate a further 25-basis-point reduction at the December 17-18 meeting.

On the other hand, the euro fell to a nine-day low after the European Central Bank (ECB) cut interest rates by 25 basis points to 3.0% and signaled the possibility of further rate cuts. The ECB noted a slower economic recovery and reaffirmed its restrictive policy stance while committing to a data-dependent, meeting-by-meeting approach. Following the announcement, the euro dropped to \$1.0470 from \$1.0488.

GBP/USD increased by 0.1% to 1.2761, and USD/CHF rose by 0.2% to 0.8857 after the Swiss National Bank (SNB) cut interest rates by 50 basis points to curb the appreciation of the Swiss franc. This rate cut represents the SNB's largest reduction in borrowing costs since its emergency rate cut in January 2015, which occurred when the bank abandoned its minimum exchange rate against the euro. USD/JPY gained 0.1% to 152.50, while the AUD/USD soared 0.7% to 0.6513 after data showed the country's employment rose more than expected in November while unemployment unexpectedly fell.

In the commodities markets, gold prices stabilized in Asian trading on Friday after a sharp drop in the previous session due to a stronger dollar, bolstered by anticipation of next week's Federal Reserve meeting. Despite the dip, gold held onto most of its weekly gains, supported by safe-haven demand amid rising geopolitical tensions in the Middle East and Asia. Spot gold traded at \$2,687.44 an ounce, while February futures were flat at \$2,709.51 an ounce, with spot prices up over 2% for the week.

On the other hand, Oil prices remained steady on Friday, set to record their first weekly increase since late November. Brent crude rose by 7 cents to \$73.48 per barrel, while WTI gained 9 cents to \$70.11. Both benchmarks have climbed over 3% this week, supported by fears of supply disruptions due to sanctions on Russia and Iran, alongside optimism about boosted demand in China. (investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0259	1.0661
GBP/USD	1.2556	1.2861
USD/ZAR	15.7977	19.8069
USD/AED	3.6529	3.6930
USD/JPY	149.83	154.88

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