



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 19TH DECEMBER 2024

DOMESTIC NEWS

The Kenyan shilling remained stable on Wednesday as dollar inflows from remittances and NGOs offset the demand from importers. Commercial banks quoted the shilling at 129.00/129.50 per dollar, unchanged from Tuesday's closing rate. (Refinitiv).

Kenya ranked fourth in high profit payments as a percentage of export earnings, at 12.8%, according to the World Bank's International Debt Report. Mozambique led at 38.3%, followed by Senegal at 25.9%, and Pakistan at 13.6%. This shows a growing share of Kenya's export earnings going towards servicing external debt. The International Development Association (IDA), part of the World Bank, provides concessional loans and grants to support poverty reduction and economic growth in poor countries.

In other local news, The National Treasury plans to shift to electric vehicles (EVs) to save around Sh984,580 annually per vehicle in fuel costs. This initiative will help the government cut its fuel consumption, which currently amounts to Sh90,000 monthly per vehicle. The Treasury has invited vehicle makers and dealers to lease EVs for use by security agencies like the National Police Service and Kenya Prisons Service. The switch to EVs, which are cheaper to run than internal combustion engine vehicles, aims to generate significant fuel savings. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.25	134.25	124.25	134.25
GBP/KES	158.69	171.69	157.89	172.59
EUR/KES	129.30	143.20	129.60	146.10
AED/KES	31.19	44.19	33.19	44.69

	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 U.S. dollar surged to a two-year high on Wednesday after the Federal Reserve implemented a 25-basis-point rate cut, lowering the benchmark rate to 4.25%-4.50%. Despite the cut, the Fed signaled a slower pace of monetary easing and a likely pause in future cuts, citing a stable labor market and persistent inflation concerns. The yield on the 10-year U.S. Treasury note rose 6.1 basis points to 4.446%, marking a four-week high. The Fed's updated inflation forecasts and revised dot plot reduced market expectations for rate cuts next year, driving dollar strength. The dollar index hit 108.260, its highest level since November 2022, and was up 1.08% at 108.08. Fed Chair Jerome Powell emphasized caution in policy adjustments while monitoring inflation progress and labor market conditions.

On the other hand, the euro fell 1.17% to \$1.03695, reaching a three-week low. The Bank of England is expected to keep interest rates unchanged today. In response to the U.S. Federal Reserve's decision, sterling declined, weakening 0.98% to \$1.25860 against the dollar, its lowest level in three weeks, and lost ground against the euro. The U.S. dollar rose 0.78% to 154.63 against the Japanese yen, reaching a three-week high. The Bank of Japan is expected to keep interest rates unchanged today.

In the commodities markets, gold prices bounced back on Thursday after a sharp decline in the previous session. This recovery followed the U.S. Federal Reserve's expected decision to lower interest rates by 25 basis points, though the central bank's cautious tone on further rate cuts dampened market sentiment. Spot gold climbed 1.3% to \$2,618.11, while February gold futures slipped 1.2% to \$2,620.79 an ounce. The previous session saw gold prices drop over 2%, as the Fed's meeting hinted at limited rate cuts in 2025 due to persistent inflationary pressures. Lower interest rates typically boost gold's appeal by reducing the opportunity cost of holding it compared to yield-bearing assets like bonds. However, the Fed's slower approach to future rate reductions adds uncertainty to the outlook for the metal.

On the other hand, Oil prices dipped in Asian trading on Thursday, reversing most of the previous day's gains. This followed the U.S. Federal Reserve's signal to slow the pace of interest rate cuts in 2025, raising concerns about potential economic slowdown and reduced fuel demand. Brent crude dropped 47 cents (0.6%) to \$72.92 per barrel, while U.S. West Texas Intermediate (WTI) crude fell 39 cents (0.6%) to \$70.19. On Wednesday, oil prices had risen after a 25-basis-point rate cut by the Fed and a drop in U.S. crude inventories. (investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0185	1.0588
GBP/USD	1.2389	1.2798
USD/ZAR	16.2516	20.2612
USD/AED	3.6524	3.6934
USD/JPY	153.18	157.19

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.