



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 23RD DECEMBER 2024

DOMESTIC NEWS

The Kenyan shilling edged up slightly against the U.S. dollar during Friday's trading session, with minimal market activity. Commercial banks were quoting the shilling at 128.50/129.50 per dollar, an improvement from Thursday's closing rate of 129.00/130.00. (Refinitiv).

The profit rate on the 91-day Treasury bill fell below 10% for the first time since April 2023, reflecting a decrease in government securities returns due to recent Central Bank of Kenya rate cuts. In Thursday's auction, there was undersubscription, with bids of Sh13.08 billion, below the Sh24 billion target. The 91-day rate dropped to 9.95%, while the 182-day rate slightly rose to 10.02%, and the 364-day rate fell to 11.53%. These changes align with CBK's base rate cuts from 13% to 11.25% between August and December. (Business Daily).

In other news, Kenyan consumers are paying Sh4.07 less per unit of electricity this month compared to December last year, mainly due to reductions in foreign exchange and fuel adjustment surcharges. The cost of a unit of power dropped to Sh29, from Sh33, contributing to a 2.8% inflation rate in November. Consumers are expected to save Sh4.6 billion on electricity bills, thanks to a drop in forex charges, consumption tariffs, and fuel adjustments. This marks a departure from previous rising power costs, and the Energy and Petroleum Regulatory Authority (EPRA) recently cut the forex charge by over two-thirds for December bills. (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	158.61	171.61	157.81	172.51
EUR/KES	130.04	143.94	130.34	146.84
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 retreated from a two-year high on Friday but remained on track for a third consecutive week of gains. This came as inflation data signaled a slowdown, just days after the Federal Reserve cut interest rates and suggested fewer cuts in 2025 due to persistently elevated inflation. The dollar index fell 0.72% to 107.64 after reaching 108.54, its highest since November 2022, and was set for a weekly gain of 0.72%. Commerce Department data showed the PCE price index, the Fed's preferred inflation gauge, rose 0.1% in November, compared to 0.2% in October, with an annual increase of 2.4%, slightly up from 2.3% in October. The Fed reduced interest rates by 25 basis points on Wednesday but highlighted inflation was still above target, tempering expectations for 2025 cuts. Meanwhile, the yield on 10-year U.S. Treasury notes dropped 6.2 basis points to 4.51% after reaching a 6.5-month high following the Fed's decision.

On the other hand, the euro recovered slightly after hitting a one-month low of \$1.03435 during the session but remained poised for its third consecutive weekly loss. The currency faced pressure following former President Trump's remarks urging the European Union to buy more U.S. oil and gas to address its trade deficit or risk tariffs. The euro last rose 0.76% to \$1.044175. The British pound briefly touched a one-month low of \$1.2475 before recovering to trade 0.77% higher at \$1.25990. Despite the rebound, it was still set for its third consecutive weekly loss, following the Bank of England's decision to hold interest rates steady on Thursday. Meanwhile, the U.S. dollar fell to a five-month low of 157.93 yen after the Bank of Japan maintained its interest rate policy. It last traded down 0.89% at 156.01 yen.

In the commodities markets, gold prices edged up slightly in Asian trading on Monday after last week's losses, driven by a softer U.S. inflation reading. Spot gold rose 0.2% to \$2,626.65 per ounce, while February futures fell 0.1% to \$2,642.32. The yellow metal dropped 1% last week due to the Federal Reserve's hawkish stance, signaling fewer interest rate cuts in 2025 amidst persistent inflation. Markets now expect the first cut in June 2025, with two reductions projected for the year. Higher interest rates continue to pressure gold by increasing the appeal of interest-bearing assets.

On the other hand, Oil prices gained on Monday as softer-than-expected U.S. inflation data boosted hopes for further monetary policy easing. However, concerns over a potential supply surplus in 2024 capped gains. Brent crude futures increased by 36 cents (0.5%) to \$73.30 a barrel, while U.S. West Texas Intermediate (WTI) crude futures rose 39 cents (0.6%) to \$69.85 per barrel. (investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0232	1.0635
GBP/USD	1.2369	1.2771
USD/ZAR	16.2794	20.2882
USD/AED	3.6529	3.6930
USD/JPY	154.59	158.63

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