



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 24TH DECEMBER 2024

DOMESTIC NEWS

The Kenyan shilling held steady against the U.S. dollar on Monday, trading at 128.85/129.85 per dollar, slightly stronger than Friday's rate of 129.00/129.50, according to London Stock Exchange Group data. (Refinitiv).

The appreciation of the Kenyan shilling has reduced the appeal of gold ETFs on the Nairobi Securities Exchange (NSE). While global gold prices rose, the Absa New Gold ETF's returns were limited to 11.8% year-to-date due to the shilling's strength, which caused a 21% decrease in returns for local investors. This has led to muted investor interest, as other investments, like the Nairobi All Share Index, have performed better with a 29.2% return. Consequently, gold-linked products on the NSE are less attractive to local investors. (Business Daily).

In other news, Job losses in Kenya are increasing as more companies go into liquidation, with 15 firms entering liquidation in the first four months of 2024/25, up from nine last year. High-profile firms like Mobius and Copia have shut down, resulting in significant layoffs. Many businesses are also reducing staff or freezing hiring due to rising costs and taxes, worsening the unemployment situation. The Central Bank of Kenya's survey shows that nearly a third of manufacturers cut jobs in late 2024, reflecting the broader economic challenges facing the country. (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	157.73	170.73	156.93	171.63
EUR/KES	129.20	143.10	129.50	146.00
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%	4.00%



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

INTERNATIONAL NEWS

The U.S. dollar rose on Monday, recovering from last week's significant losses driven by signs of slowing inflation. The Dollar Index, which measures the dollar against six major currencies, increased 0.4% to 107.750, after falling from a two-year peak on Friday. The dollar bounced back after the Federal Reserve's preferred inflation indicator showed modest price increases, with underlying inflation posting its smallest rise in six months. This helped alleviate concerns over potential aggressive rate cuts in 2025, which had grown after the Fed's recent hawkish outlook. Traders now forecast 38 basis points in rate cuts next year, less than the two 25 basis point cuts the Fed predicted, with the first expected in June and the possibility of a March cut priced at about 53%. With the holiday season approaching, trading volumes are expected to thin out as the year ends.

On the other hand, the EUR/USD fell 0.1% to 1.0414, nearing a two-year low, following comments from ECB President Christine Lagarde that the eurozone is close to its 2% inflation target. She also indicated that if inflation continues to ease, the ECB could further cut interest rates. The ECB recently lowered its key rate for the fourth time in 2024 and may continue rate cuts in 2025 if inflation pressures diminish.

GBP/USD held steady at 1.2571 after data showed the UK economy stagnated in Q3, with GDP growth revised down to 0.0%. Q2 growth was also lowered to 0.4%. The Bank of England's decision to keep interest rates unchanged, with a 6-3 vote split, highlighted concerns over the economic slowdown.

USD/JPY rose 0.2% to 156.72 after reaching 158 last week, following dovish signals from the Bank of Japan, which indicated it is unlikely to raise interest rates in the near term, with potential hikes not expected until March 2025.

In the commodities markets, gold prices inched higher in Asian trading on Tuesday, with spot gold up 0.2% to \$2,617.22 per ounce and February gold futures rising 0.1% to \$2,631.89 an ounce. Investors remained cautious due to a stronger dollar and the U.S. Federal Reserve's hawkish stance. Trading was subdued ahead of the Christmas holiday, with gold showing a modest recovery after a 0.3% gain on Monday, following a 1% drop the previous week.

On the other hand, Oil prices rose slightly in Asian trading on Tuesday, with Brent at \$72.91 and WTI at \$69.51 per barrel. Thin holiday trading, concerns over demand in China, and a strong dollar limited gain. Both benchmarks are down about 5% in 2024, reflecting worries over a supply glut and weakening demand. (investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0190	1.0594
GBP/USD	1.2333	1.2734
USD/ZAR	16.5393	20.5383
USD/AED	3.6527	3.6933
USD/JPY	155.13	159.16

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.