



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 02ND JANUARY 2025

DOMESTIC NEWS

Kenya's shilling was unchanged against the dollar on Tuesday. The shilling traded at 129.00/129.50, the same as Monday's closing rate. (Refinitiv).

Kenya's inflation rose to 3.0% in December, up from 2.8% in November, driven by higher costs for food, transportation, and utilities like electricity. Despite this increase, the rate was the slowest for a festive month in over 20 years, largely due to higher statutory deductions affecting the purchasing power of middle-class households. Food prices increased by 4.8% year-on-year in December, the slowest growth in six years, although it was the highest food inflation since September. Transportation costs also rose for the first time in three months, despite a drop in fuel prices.

On other local news Suppliers to the government are starting the new year with frustration as pending bills, totaling Sh528.4 billion by September 2024, remain unpaid. Despite a year-long audit process ordered by President William Ruto's administration, the results have yet to be seen, and the bills continue to pile up. This has led to financial hardship, debt defaults, and auctions for many suppliers who relied on bank loans. The government had promised to allocate funds to settle the verified bills, including Sh110 billion in the first phase of the audit, but failed to follow through, leaving the backlog unresolved. (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	157.97	170.97	157.17	171.87
EUR/KES	129.04	142.94	129.34	145.84
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 US dollar edged down by 0.1% to 107.830 on Tuesday but remains poised for substantial gains in 2024. This is due to the Federal Reserve's cautious approach to rate cuts and expectations surrounding the incoming Donald Trump administration. The Dollar Index, which tracks the currency against six others, is still on track for monthly gains of about 1.5%, bringing its year-to-date increase to nearly 7%. The Fed's recent signal of fewer rate cuts in 2025, specifically two 25-basis point cuts, has strengthened the dollar and pushed the 10-year Treasury yield to a seven-month high.

On the other hand, the EUR/USD edged up to 1.0409, trading within a narrow range, as the German market was closed for a holiday. The pair is on track for a nearly 6% decline this year, with expectations that the European Central Bank will cut rates more aggressively than the Federal Reserve in 2025. GBP/USD fell 0.1% to 1.2539, moving within a tight range ahead of Thursday's manufacturing PMI release, which is expected to show continued contraction in the UK's manufacturing sector. USD/CNY rose 0.6% to 7.3443, driven by strong manufacturing data in China, bolstered by new stimulus measures. USD/JPY rose 0.1% to 156.92, maintaining an upward trend, with the pair up over 11% for the year. The Bank of Japan indicated it would be cautious in considering further rate hikes after holding rates steady at 0.25% earlier this month.

In the commodities markets, Gold prices saw a slight rise in Asian trade on Thursday, continuing the strong performance from 2024 as a weaker U.S. dollar provided support. However, traders remained cautious due to the U.S. Federal Reserve's forecast of fewer interest rate cuts this year. Spot Gold rose 0.3% to \$2,632.82 per ounce, while Gold Futures for February increased by 0.1% to \$2,644.47. Gold surged 27% in 2024, its best performance since 2010, driven by the Fed's significant rate cuts last year and ongoing global geopolitical tensions. Low interest rates reduce the opportunity cost of holding gold, prompting investors to allocate more to it as a store of value and hedge against uncertainty.

On the other hand, Oil prices rose in Asian trade on Thursday following a report showing a decline in U.S. oil inventories. Brent Oil Futures increased by 0.7% to \$75.13 a barrel, while WTI Crude Oil Futures for February gained 0.7% to \$71.75 a barrel. Despite a moderate yearly loss in 2024, traders remained cautious as they anticipated an oversupplied oil market in 2025. The American Petroleum Institute reported a 1.4-million-barrel decline in U.S. oil inventories last week, providing some support for prices. (investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0161	1.0563
GBP/USD	1.2328	1.2731
USD/ZAR	16.8194	20.8258
USD/AED	3.6526	3.6934
USD/JPY	155.13	159.13

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.