TREASURY MARKET UPDATE 07TH JANUARY 2025

DOMESTIC NEWS

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

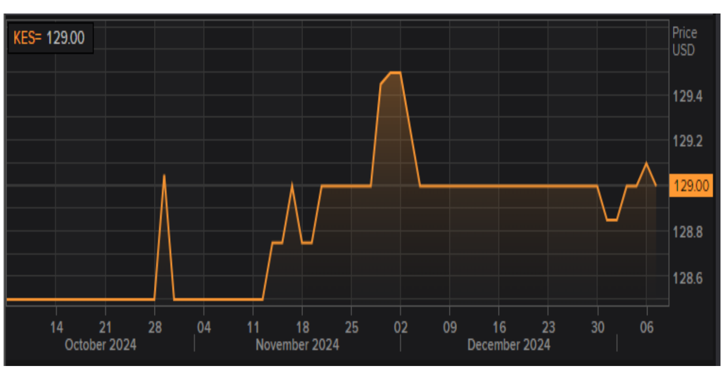
Kenya's private sector activity slowed in December, with the Stanbic Kenya Purchasing Managers Index (PMI) dropping to 50.6 from 50.9 in November. This marked the first time in a decade that December's activity was weaker than November's. Despite marginal growth in output, sales, and employment since October, firms reduced hiring, likely due to economic uncertainty earlier in the year. However, there are signs of gradual improvement in consumer purchasing power following a period of depressed spending.

On other news, Kenya's National Treasury is set to save about Sh24 billion on external debt servicing this month compared to January 2024, due to a 21% stronger shilling. The debt obligation for January 2025 is $623.57 million (Sh80.62 billion), down from $651.94 million (Sh104.1 billion) last year. This reduction is due to the stronger shilling, which lowers the cost of acquiring dollars for debt repayments. January and July typically see the highest debt service outflows, especially for payments to China on loans totaling $5.08 billion. (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	157.66	170.66	156.86	171.56
EUR/KES	129.17	143.07	129.47	145.97
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 October 2024 – Date (Source: Reuters)

INTERNATIONAL NEWS

The U.S. dollar weakened on Monday following conflicting reports about President-elect Donald Trump's tariff plans. The dollar dropped as much as 1.07% against a basket of major currencies after the Washington Post reported that Trump's aides were considering tariffs on countries based on sectors critical to U.S. national or economic security, which eased concerns about broader tariffs. However, the dollar rebounded after Trump denied the report on his Truth Social platform. The dollar index fell 0.64% to 108.26, down from a two-year high of 109.54 last week.

The dollar had previously benefitted from a resilient economy, potential higher inflation from tariffs, and a slower pace of rate cuts by the Federal Reserve. Comments from Fed Governor Lisa Cook also helped the dollar recover, as she indicated that the Fed could be cautious with further rate cuts given the economy's strength and persistent inflation. With various Fed policymakers speaking this week, expectations remain that they will continue to emphasize the need to address ongoing inflation.

The EUR/USD rose 0.7% to 1.0387, supported by a recovery in the eurozone's services sector in December, although factory activity declined. The euro had fallen to a two-year low last week, with expectations of significant interest rate cuts from the European Central Bank in 2025. GBP/USD gained 0.7% to 1.2513, benefiting from a dollar selloff and expectations of interest rate cuts from the Bank of England. USD/CNY rose 0.4% to 7.3483, hitting its highest level since 2008 due to yuan weakness, while USD/JPY increased 0.2% to 157.5.

In the commodities markets, Gold prices remained relatively stable in Asian trade on Tuesday, with spot gold rising 0.1% to $2,638.05 per ounce and February futures gaining 0.1% to $2,649.19. The market was influenced by speculation over potential U.S. trade tariffs under President-elect Donald Trump, though a weaker dollar provided some relief. Gold had experienced losses in December due to profit-taking and expectations of slower interest rate cuts by the Federal Reserve in 2025.

On the other hand, Oil prices continued to decline on Tuesday, with Brent futures falling 0.37% to $76.02 per barrel and WTI crude down 0.45% to $73.23. The losses followed last week's rally and were influenced by technical correction, forecasts for ample supply, and a stronger dollar. Despite this, both benchmarks had risen for five consecutive days last week, driven by expectations of increased fiscal stimulus to support China's struggling economy. (investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0201	1.0602
GBP/USD	1.2340	1.2743
USD/ZAR	16.5549	20.5611
USD/AED	3.6526	3.6936
USD/JPY	155.79	159.83