DIB Bank Kenya
A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 08TH JANUARY 2025

DOMESTIC NEWS

Kenya's shilling was slightly firmer on Tuesday but was expected to weaken due to increased demand for dollars from manufacturing and oil retailing companies. Commercial banks quoted the shilling at 129.00/129.60 per dollar, compared to Monday's closing rate of 129.10/129.60. (Refinitiv).

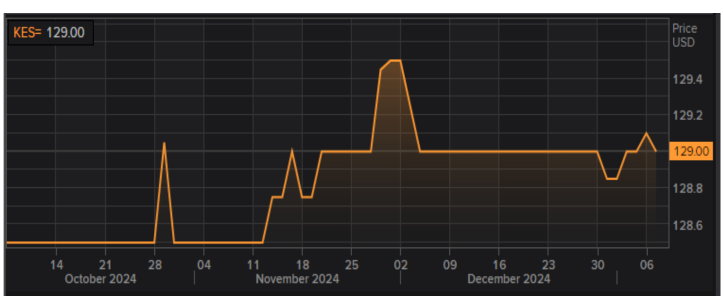
Kenya's economy grew by 4% in Q3 2024, the slowest in four years, driven by declines in key sectors like construction and mining. This is a slowdown from the 6% growth in Q3 2023 and the weakest performance since 2020, when COVID-19 restrictions impacted economic activity. Construction contracted by 2%, and mining saw an 11.1% decline. Cement consumption dropped by 10%, and bitumen imports fell by 40.9%, reflecting reduced government spending on infrastructure. The overall decline in these sectors signals a slower economic recovery for the year.

On other news, In 2024, foreign investors reduced their exits from the Nairobi Securities Exchange (NSE), with net sales declining to Sh16.5 billion, down from Sh19.08 billion in 2023. This was influenced by a 21% appreciation of the shilling, which boosted the value of foreign investments. A significant transaction involved Amsons Group buying Bamburi Cement for Sh14.3 billion. Excluding this, net foreign sales were Sh2.4 billion. The NSE saw a 34.8% increase in investor wealth, reaching Sh1.9 trillion, with top stocks delivering 65.3% dollarized returns. (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	157.31	170.31	156.51	171.21
EUR/KES	128.88	142.78	129.18	145.68
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 October 2024 – Date (Source: Reuters)

INTERNATIONAL NEWS

Most Asian currencies weakened on Wednesday as expectations grew for a slower pace of U.S. interest rate cuts, boosting the dollar. Tensions between the U.S. and China also weighed on regional markets, with the U.S. adding Chinese companies to a blacklist over military ties. The dollar was supported by strong U.S. job openings data and purchasing managers index figures, raising concerns about persistent inflation. This fueled expectations that the Federal Reserve will slow rate cuts due to inflation and labor market strength. The Dollar Index fell 0.3% to 107.775, after dropping to its lowest since December 30.

EUR/USD rose 0.4% to 1.0431, continuing its climb after reaching a one-week high on Monday. Market attention shifted to upcoming eurozone inflation data, which is the last key data point before the European Central Bank's meeting on January 30. December inflation is expected to rise to 2.4% year-over-year, up from 2.2% in November, with mixed results from Spain, Germany, and France.

GBP/USD also gained 0.4%, rising to 1.2569, despite data showing a surprising 0.2% drop in UK house prices in December. The Bank of England, after raising interest rates to combat high inflation, is expected to be cautious with rate cuts this year.

USD/CNY rose 0.1% to 7.3325, as the Chinese yuan remained weak, reaching its lowest level in 17 years due to new U.S. restrictions on Chinese companies. USD/JPY dipped slightly to 157.56 after hitting a six-month high earlier.

In the commodities markets, Oil prices rose on Wednesday, driven by tightening supplies from Russia and OPEC, along with stronger-than-expected U.S. job openings, suggesting higher oil demand. Brent crude increased by 0.36% to $77.33 per barrel, and U.S. West Texas Intermediate crude rose 0.54% to $74.65. OPEC's oil output fell in December due to field maintenance in the UAE, offsetting gains in Nigeria and other regions.

On the other hand, Gold prices rose on Tuesday, driven by a drop in the dollar and ongoing economic uncertainty. Spot gold climbed 1% to $2,661.69 per ounce, while February futures increased to $2,675.31 per ounce. Gold had faced losses in December due to profit-taking and expectations of slower U.S. interest rate cuts in 2025, but the recent weakening of the dollar provided support for the metal.

(investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0154	1.0555
GBP/USD	1.2285	1.2687
USD/ZAR	16.7192	20.7258
USD/AED	3.6524	3.6930
USD/JPY	156.10	160.11

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.