



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 10TH JANUARY 2025

DOMESTIC NEWS

Kenya's shilling held steady at 129.00/130.00 per dollar on Thursday but may weaken soon due to rising demand for dollars from importers, which could pressure the currency. (Refinitiv).

Kenya has capped tax benefits for Special Economic Zones (SEZ) investors to 10 years, reducing the period the government loses revenue to attract investment. Previously, there was no limit, and investors enjoyed tax incentives like a graduated corporate income tax. SEZs are also exempt from VAT and other taxes. However, these incentives resulted in a Sh510.56 billion revenue loss in 2023. The new law, the Business Laws Amendment Act, 2024, now limits these benefits to 10 years.

On other news, Private investment in Kenya's public-private partnership (PPP) projects dropped by 90.5% in the financial year ending June 2024, totaling Sh4.3 billion, down from Sh45.6 billion in 2023. This marks the second consecutive year of decline, exacerbated by the cancellation of Adani Group-backed projects. The Treasury struggles to meet a Sh50 billion target for PPP inflows, citing delays in two key projects but hoping for major deals in the current year. The PPP model was introduced to fund infrastructure without relying on government funds or increasing debt. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.50	134.50	124.50	134.50
GBP/KES	155.19	168.19	154.39	169.09
EUR/KES	128.41	142.31	128.71	145.21
AED/KES	31.26	44.26	33.26	44.76

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 strengthened for the third consecutive session on Thursday, supported by concerns over tariffs under the incoming Trump administration and rising Treasury yields. The 10-year Treasury note hit a 8-1/2 month high of 4.73% on Wednesday, driven by inflation concerns and expectations of slower interest rate cuts by the Federal Reserve. Strong economic data and Fed minutes raised new inflation worries, potentially slowing growth and increasing unemployment. Investors are awaiting Friday's payrolls report to assess the Fed's next moves. The dollar index rose 0.12% to 109.15.

On the other hand, The EUR/USD fell 0.1% to 1.0306, staying near the two-year low reached last week due to signs of economic weakness, especially in Germany. Despite a 2.1% rise in German exports and a 1.5% increase in industrial production in November, the outlook for Germany remains weak, with experts predicting stagnation or contraction. The European Central Bank is expected to cut interest rates by 100 basis points in 2025, which, combined with concerns over U.S. tariffs, could push the euro to parity with the dollar.

GBP/USD dropped 0.5% to 1.2296, its weakest level since April, driven by concerns over the UK bond market as British government bond yields hit multi-year highs. This has weakened confidence in the pound, and analysts warn that investors may reduce their sterling holdings.

In Asia, the yuan weakened, with USD/CNY rising 0.3% to 7.3542. This comes after China's consumer prices showed minimal growth in December, while producer prices continued to decline for the 27th consecutive month.

In the commodities markets, Gold prices edged higher in Asian trade on Friday, poised for weekly gains as concerns over U.S. interest rates and trade tariffs increased demand for safe-haven assets. However, the strength of the dollar, ahead of a key labor market report, and hawkish signals from the Federal Reserve capped any significant rise in gold prices. Spot gold rose 0.1% to \$2,672.12 per ounce, while February gold futures gained 0.2% to \$2,695.74 per ounce.

On the other hand, Oil prices rose in Asian trade on Friday, recovering losses from earlier in the week due to colder weather in the U.S. and Europe, which boosted demand for heating fuels. Markets also anticipated increased Chinese stimulus following weak inflation data. Brent oil futures rose to \$77.22 per barrel, while West Texas Intermediate crude futures reached \$75.53 per barrel. (investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0084	1.0488
GBP/USD	1.2075	1.2482
USD/ZAR	16.9362	20.9543
USD/AED	3.6526	3.6936
USD/JPY	156.40	160.41

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.