



DIB Bank Kenya

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TREASURY MARKET UPDATE 13TH JANUARY 2025

DOMESTIC NEWS

Kenya's shilling slightly strengthened against the dollar on Friday, trading at 129.00/130.00 per dollar, up from 129.25/129.75 at Thursday's close. (Refinitiv).

Treasury bill interest rates continued to decline in the latest auction, with strong investor demand but the Central Bank of Kenya (CBK) rejecting Sh8.7 billion of bids due to higher rates. The 91-day rate dropped from 9.82% to 9.59%, while the 364-day rate fell from 11.37% to 11.33%. The 182-day rate remained unchanged at 10.02%. Rates had previously been much higher in March 2024 but have steadily decreased since, following CBK's base rate cuts in response to lower inflation and exchange rate pressures. However, the pace of the decline has slowed in the past month.

On other news, The Kenyan government has delayed plans to convert all M-Pesa paybills into electronic tax registers (ETRs), instead focusing on small businesses benefiting from turnover tax and rental income earners. Initially, the plan aimed to convert two million digital payment touchpoints into virtual ETRs by December 25, 2024, to curb revenue leakage in the digital economy. However, the Kenya Revenue Authority (KRA) has put the plan on hold for further stakeholder engagement and technical preparation. The KRA remains committed to using technology to improve tax compliance and efficiency, with ongoing consultations to ensure the system's readiness before implementation. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.10	134.10	124.10	134.10
GBP/KES	152.75	165.75	151.95	166.65
EUR/KES	126.98	140.88	127.28	143.78
AED/KES	31.15	44.15	33.15	44.65

	Amounts > 10 million	Amounts >100,000
	KES	USD
2 Weeks	8.50%	1.50%
1 Month	8.75%	2.25%
3 Months	9.00%	2.75%
6 Months	9.25%	3.00%
1 year	9.50%	3.50%



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

INTERNATIONAL NEWS

Most Asian currencies weakened on Monday due to a stronger U.S. dollar, boosted by stronger-than-expected U.S. payrolls data. This data indicated a resilient labor market, raising expectations that the Federal Reserve will slow down interest rate cuts in 2025. The U.S. Dollar Index reached its highest level since November 2022. Analysts at Goldman Sachs revised their forecast, expecting only two rate cuts in 2025, down from three. Upcoming U.S. consumer price index data and Fed officials' speeches will offer more clarity on future rate decisions.

On the other hand, EUR/USD edged up to 1.0303, supported by stronger-than-expected French industrial production data for November, but the euro remains weak. The European Central Bank is expected to cut rates by 100 basis points in 2025, twice as much as the anticipated cuts by the U.S. Federal Reserve, due to ongoing economic challenges in the region.

GBP/USD fell 0.2% to 1.2285, with the pound set to lose 1% for the week after hitting a 14-month low. Concerns about UK finances and rising government bond yields are weighing on the currency, with analysts predicting weak growth for the UK in 2025.

USD/CNY rose 0.3% to 7.3513, reflecting continued weakness in the Chinese yuan following soft inflation data for December and concerns about potential trade tariffs under the Trump administration.

USD/JPY dropped 0.1% to 157.85, supported by stronger-than-expected household spending and wage growth data from Japan, fueling speculation about a potential interest rate hike by the Bank of Japan in January.

In the commodities markets, The Biden administration's sanctions on Russian oil companies and tankers pushed oil prices to a three-month high, aiming to reduce Russia's oil revenue amid the Ukraine conflict. JPMorgan analysts believe these sanctions could give the incoming Trump administration more leverage in negotiations but expect Trump to focus on keeping oil prices low to control inflation. The sanctions will likely prompt India and China to seek alternative crude sources.

On the other hand, gold prices fell in Asian trade due to expectations of slower U.S. interest rate cuts, following strong U.S. payrolls data. Copper prices saw some support from a 13-month high in China's copper imports, but concerns over potential new U.S. trade tariffs dampened sentiment towards China. (investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0013	1.0415
GBP/USD	1.1936	1.2342
USD/ZAR	17.1459	21.1580
USD/AED	3.6521	3.6930
USD/JPY	155.41	159.46

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.