



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 16<sup>TH</sup> JANUARY 2025

### DOMESTIC NEWS

Kenya's shilling was steady against the U.S. dollar on Wednesday. The shilling traded at 129.25/129.75 per dollar, the same level as the close of trading on Tuesday. (Refinitiv).

Taxes on fuel in Kenya are nearing 50% of the price per litre, with the current share standing at 45.8% for petrol and 41.14% for diesel. This increase is largely due to higher Road Maintenance and Railway Development Levies. The Railway Development Levy has risen from Sh18 per litre in June 2024 to Sh25 per litre now. Other taxes include VAT, excise duty, Import Declaration Fee, and several other levies, all contributing to the high taxation on fuel. These taxes reduce the potential savings for consumers, reflecting the government's heavy reliance on fuel taxes.

Starting in July, all 47 counties in Kenya will be integrated into the Treasury Single Account (TSA) system, which aims to consolidate government funds and enhance public cash management. The national budget for 2025-26 remains at Sh4.32 trillion, as stated in the 2025 Draft Budget Policy Statement. TSA, a unified structure of government bank accounts, will improve visibility, speed, and transparency in budget execution. The system's rollout will occur in three phases, with the first phase already completed for State organs, and phase two, involving county governments, set for FY 2025-26. (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	154.22	167.22	153.42	168.12
EUR/KES	128.31	142.21	128.61	145.11
AED/KES	31.26	44.26	33.26	44.76

	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 August 2024 – Date (Source: Reuters)

### INTERNATIONAL NEWS

The U.S. dollar weakened on Wednesday but regained some losses as cooler-than-expected inflation data reduced concerns of rising prices, increasing the likelihood of the Federal Reserve cutting interest rates twice this year. The Bureau of Labor Statistics reported a 2.9% rise in consumer prices for December, in line with expectations, with core inflation slightly lower than the previous month. The dollar index fell 0.1% to 109.07, after reaching a 26-month high of 110.17 on Monday. Analysts believe the Fed will be cautious about rate cuts until inflation clearly declines. With President-elect Donald Trump's return to the White House, policies could stimulate growth and potentially increase price pressures. Markets will closely monitor future inflation reports to assess the disinflation trend, with uncertainties arising from the new administration's policies.

On the other hand, GBP/USD remained stable at 1.2221, just above a November 2023 low, after UK inflation slowed unexpectedly to 2.5% in December. This raised expectations for the Bank of England to cut interest rates in February, with markets pricing in two rate cuts for 2025. Despite the inflation slowdown, the pound's response was muted, reflecting its sensitivity to long-term borrowing costs.

EUR/USD rose to 1.0312, supported by subdued French inflation. The European Central Bank is expected to reduce interest rates by about 100 basis points in 2025, with most cuts anticipated in the first half. USD/JPY dropped 0.7% to 156.86 after the Bank of Japan's governor hinted at potential rate hikes. USD/CNY held steady at 7.3318, with the People's Bank of China set to decide on its benchmark loan prime rate later this week.

In the commodities markets, Oil prices rose on Thursday, following multi-month highs in the previous session, supported by softer U.S. inflation data, new sanctions on Russian oil, and a significant decline in U.S. crude inventories. Brent oil was up 0.4% at \$82.35 per barrel, while WTI crude futures rose 0.4% to \$79.01 per barrel. The price increase on Wednesday was driven by expectations of rate cuts, which typically support economic growth and boost oil demand.

On the other hand, Gold prices rose on Wednesday, buoyed by softer U.S. inflation data that weakened the dollar. Spot gold increased 0.4% to \$2,687.87 per ounce, while February gold futures rose 1.1% to \$2,711.61 per ounce. U.S. consumer prices in December met expectations, but the slower-than-expected core inflation could impact the Federal Reserve's interest rate policy. The headline consumer price index rose by 0.4% in December, with the annual figure reaching 2.9%. (investing.com).

#### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0083	1.0485
GBP/USD	1.2009	1.2415
USD/ZAR	16.8171	20.8283
USD/AED	3.6529	3.6931
USD/JPY	154.04	158.07

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