



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 20TH JANUARY 2025

DOMESTIC NEWS

The Kenyan shilling remained stable against the U.S. dollar, trading at 129.25/129.75 per dollar on Friday, the same rate as Thursday's close, according to data from the London Stock Exchange Group. (Refinitiv).

The Kenya Revenue Authority (KRA) has lowered the fringe benefits tax to 13% for the period January to March 2025, following a reduction in market interest rates by the Central Bank of Kenya (CBK). This is the lowest rate since December 2023, down from 16% since April 2024. The tax applies to employees receiving benefits like subsidized loans, calculated as the difference between the market interest rate and the actual loan rate. KRA has also set the deemed interest rate at 13%, with a 15% withholding tax due within five working days.

On other local news, Kenyan household homeownership has dropped from 64% in 2013 to 61% in 2024, while rental households have risen by 64%, reaching 39%. This decline is linked to reduced purchasing power, the collapse of property developers, shifting investment priorities (particularly among millennials), and increased rural-to-urban migration. Despite government efforts to boost affordable housing, homeownership remains low, with 91.4% of homes purchased using savings/cash rather than mortgages. In cities like Nairobi (7.7%) and Mombasa (24%), urban homeownership is much lower compared to rural areas, where 86% of households own their homes. (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	154.06	167.06	153.26	167.96
EUR/KES	128.52	142.42	128.82	145.32
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 edged 0.1% higher on Friday, with the Dollar Index reaching 108.930 at 09:30 GMT, but remained on track for a 0.5% weekly loss, ending a six-week winning streak. This decline was driven by cooler-than-expected core inflation data, suggesting potential for looser monetary policy. Federal Reserve officials, including Governor Christopher Waller, signaled caution but acknowledged that three or four rate cuts could be possible if economic conditions weaken further. However, analysts at ING (Internationale Nederlanden Groep) noted that optimism over the slowdown in inflation remains tempered due to concerns about sustained inflation pressures.

On the other hand, The British pound fell 0.4% against the U.S. dollar to 1.2197 on Friday, driven by a surprise 0.3% drop in December retail sales. This raised concerns of a potential economic contraction in the fourth quarter, with expectations that the Bank of England will cut interest rates in February and possibly again in 2025.

The euro slightly dropped against the U.S. dollar, with EUR/USD trading at 1.0300 ahead of the final eurozone CPI release for December. ING noted that the 1.0300 level represents a 2.5-3% undervaluation, which is expected to remain until there is more clarity on Trump's protectionist policies.

In Asian trading, The U.S. dollar strengthened against the yen, with USD/JPY rising to 155.79, near a one-month high, despite the yen firming earlier due to Bank of Japan officials hinting at a possible rate hike. USD/CNY fell to 7.3289 after reaching a one-year high, as China's GDP grew 5.4% in Q4, exceeding expectations.

In the commodities markets, Oil prices remained steady on Monday, with Brent crude rising to \$80.91 and WTI to \$77.56. Gains were supported by tighter global supplies due to U.S. sanctions on Russia, but eased by improving Middle East tensions. Markets were focused on Trump's inauguration, with potential trade tariffs on China and plans to boost U.S. energy production, which could offset Russia sanctions and maintain global oil supply stability. (investing.com)

On the other hand, gold prices rebounded on Monday due to U.S. Dollar weakness, though concerns over a potential Fed rate-cut pause may limit gains. Traders are awaiting Trump's inaugural address for direction. The symmetrical triangle breakout is intact, with gold holding above key daily moving averages and a bullish RSI. Gold aims for resistance at \$2,726, targeting \$2,750 and \$2,790. A correction could test \$2,670 and \$2,653, with stronger support at \$2,745. (fxstreet.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0105	1.0506
GBP/USD	1.2006	1.2415
USD/ZAR	16.6917	20.6985
USD/AED	3.6530	3.6931
USD/JPY	154.16	158.21

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.