



DIB Bank Kenya

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TREASURY MARKET UPDATE 21ST JANUARY 2025

DOMESTIC NEWS

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

The National Treasury is proposing to withdraw the one-year Treasury bill to reduce reliance on short-term securities and improve monetary policy transmission. The 2025 Draft Medium Term Debt Strategy aims to lower short-term debt as a percentage of GDP and extend debt maturities. The government plans to cut the stock of Treasury bills, with the 364-day bill being the likely candidate for removal, while offering one or two-year Treasury bonds as alternatives. Over the past five years, efforts to reduce refinancing risks have lowered the share of T-bills in domestic debt from 34% in 2019 to 14.34% recently, which is expected to enhance pricing discovery and monetary policy effectiveness.

On other local news, The Kenya Revenue Authority (KRA) missed its tax collection target by Sh163.46 billion in the first half of the fiscal year, raising Sh1.07 trillion instead of the required Sh1.23 trillion. This shortfall followed the government's decision to drop several tax proposals from the Finance Bill, 2024, amid protests. However, collections were Sh23.15 billion higher than the previous year. The Parliamentary Budget Office (PBO) suggested that improving the tax collection system could help grow revenue, rather than burdening citizens with additional taxes. (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	155.08	168.08	154.28	168.98
EUR/KES	129.55	143.45	129.85	146.35
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 recovered some losses on Tuesday after President Trump suggested the U.S. could impose 25% tariffs on Canada and Mexico as early as February 1. This contradicted earlier indications that his trade policies would be more gradual. Trump also mentioned the possibility of universal tariffs, though he stated the U.S. wasn't ready for that yet. The dollar had fallen sharply the day before due to a lack of specific tariff plans and signals that new taxes would be implemented gradually, providing relief to trade-exposed currencies. The dollar index also gained 0.2%, recovering some of its 1.2% drop from the previous day, its sharpest decline since late 2023.

Market experts noted the high 25% tariff suggestion caused an immediate reaction, with many expecting a more gradual approach starting with China.

On the other hand, The GBP/USD rose 0.1% to 1.2193, although the British pound has dropped nearly 3% over the past month due to weak economic data signaling potential interest rate cuts by the Bank of England (BOE), which is expected to reduce rates further in February.

The USD/JPY fell 0.5% as markets anticipated a rate hike by the Bank of Japan (BOJ) at its upcoming policy meeting, contingent on no disruptions following President Trump's inauguration.

The USD/CNY decreased by 0.2% to 7.3143 after the People's Bank of China kept its loan prime rates steady, with the one-year rate at 3.1% and the five-year rate at 3.60%.

In the commodities markets, Oil prices were largely unchanged on Tuesday as investors reacted to President Trump's tariff plans and his focus on increasing U.S. oil and gas production. Brent crude fell by 1 cent to \$80.14 per barrel, and WTI crude dropped 60 cents to \$76.79 per barrel. Market sentiment shifted from initial relief over a lack of immediate tariff actions to concerns about potential 25% tariffs on Mexico and Canada, which added uncertainty to the market.

On the other hand, gold prices steadied on Monday as traders awaited insights from President-elect Donald Trump's inauguration speech, looking for clues on his administration's policies and potential signals regarding future interest rates. Spot gold rose 0.3% to \$2,708.70 per ounce, while February gold futures slightly slipped to \$2,748.19 per ounce.

(investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0175	1.0577
GBP/USD	1.2071	1.2476
USD/ZAR	16.6326	20.6427
USD/AED	3.6524	3.6934
USD/JPY	153.47	157.51

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