



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 23RD JANUARY 2025

DOMESTIC NEWS

The Kenyan shilling strengthened slightly against the U.S. dollar on Wednesday, trading at 129.00/129.50 per dollar, compared to 129.10/129.60 on Tuesday's close, according to London Stock Exchange Group data. (Refinitiv).

Kenya faces challenges in lowering interest rates due to a 32% rise in domestic borrowing for the 2025/26 fiscal year, set at Sh545.8 billion, amid underperforming tax collection and increasing debt obligations. The government aims to finance a Sh759.4 billion budget deficit, primarily through domestic bonds, putting pressure on the Central Bank of Kenya (CBK) to accept more domestic funds, which could raise yields. Tax collections missed the target by Sh163 billion, adding further financial strain. Despite this, CBK has cut interest rates to stimulate private lending, with Treasury bill rates declining from nearly 17% to between 9.5% and 11.3%.

On other local news, Kenya will launch a cost-of-service study next month to determine electricity tariffs for the 2026-2028 period. This study will assess the costs of generation, transmission, and distribution, helping to set new prices from July 2026. The rise in electricity prices in recent years, such as the increase in cost for 200kWh from Sh5,185.96 in 2021 to Sh5,743.10 in December 2024, has caused concern. Despite government efforts to reduce costs through measures like freezing power purchase agreements, electricity prices remain a significant issue. Kenya Power is expected to propose new tariffs before the current ones expire in June 2026. (Business Daily).

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.35	134.35	124.35	134.35
GBP/KES	155.27	168.27	154.47	169.17
EUR/KES	129.71	143.61	130.01	146.51
AED/KES	31.22	44.22	33.22	44.72

	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 softened on Wednesday due to uncertainty surrounding President Trump's proposed tariffs. The Dollar Index was down 0.1% to 107.755. Trump announced plans to implement a 10% tariff on Chinese imports starting February 1 and 25% levies on imports from Mexico and Canada, with possible tariffs on European goods still under consideration. Market attention has shifted to Trump's policy moves, driving volatility, while the Federal Reserve stays quiet ahead of its meeting next week.

The GBP/USD fell 0.1% to 1.2349 as the U.K.'s December budget deficit surged to £17.8 billion, over £10 billion higher than the previous year, driven by increased debt interest costs. Rising government bond yields may pressure the new Labour government to cut spending to meet fiscal rules.

The EUR/USD rose to 1.0429, but the euro remains weak as the European Central Bank (ECB) is expected to cut rates more consistently than the Federal Reserve and Bank of England. The ECB is predicted to lower rates four times in the next six months, with a cut likely next week. President Christine Lagarde indicated a gradual approach to rate cuts, depending on economic data.

In Asia, USD/JPY dropped 0.1% to 155.69 ahead of the Bank of Japan's (BOJ) two-day policy meeting later this week. The BOJ is expected to raise interest rates on Friday and may signal further hikes if the economy continues to recover.

In the commodities markets, Oil prices fell on Thursday, continuing a losing streak as uncertainty around U.S. President Trump's tariffs and energy policies weighed on global economic growth and oil demand. Brent crude dropped to \$78.74 and WTI to \$75.21, following declines in previous days. Trump's policies, including increased U.S. production and tariff threats on multiple countries, are introducing market volatility. Meanwhile, U.S. oil inventories rose by 958,000 barrels for the week ending Jan. 17, alongside increases in gasoline and distillate stocks.

On the other hand, gold prices have pulled back from a three-month high due to rising U.S. bond yields and the USD. However, concerns over Trump's tariff plans may still support gold as a safe haven. Gold remains bullish, with the potential to test the record high of \$2,790. It must close above the November 2024 high of \$2,762 to reach higher targets. If a pullback occurs, gold could fall to \$2,742, with \$2,700 and the 21-day SMA at \$2,673 as key support levels. (investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0206	1.0609
GBP/USD	1.2115	1.2517
USD/ZAR	16.5171	20.5289
USD/AED	3.6524	3.6934
USD/JPY	154.51	158.55

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.