



DIB Bank Kenya

A subsidiary of Dubai Islamic Bank PJSC

TREASURY MARKET UPDATE 28TH JANUARY 2025

DOMESTIC NEWS

Kenya's shilling (KES) held steady against the dollar on Monday, trading at 129.00/129.40 per dollar, unchanged from Friday's closing rate. (Refinitiv).

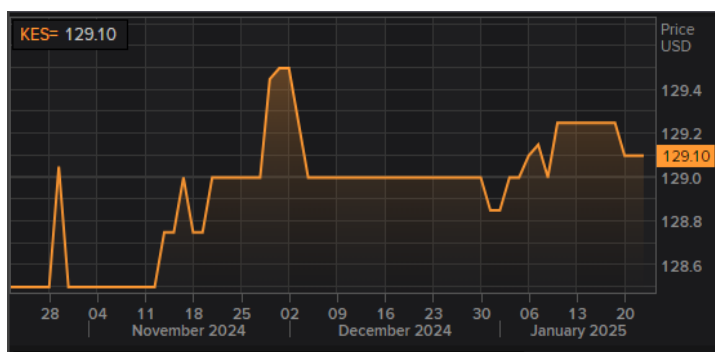
The Treasury tripled funding for road and bridge construction to Sh26.37 billion in the six months to December 2024, a 239% increase from Sh7.77 billion the previous year, reversing two years of budget cuts. The boost followed complaints about poor road conditions and delays in projects due to underfunding. While road development received the largest share of development funds under President Ruto's administration, the disbursement still fell short of the Sh66.23 billion annual budget target by 20.39%.

On other local news, Kenya is projected to face a "lost decade" in public expenditure until 2028 due to fiscal deficits, weak exports, sluggish investments, and challenges in revenue collection. The government struggles to balance spending cuts, revenue generation, and debt repayment, leaving little room to absorb fiscal shocks. Key priorities include revenue reforms, debt sustainability, fiscal transfers to counties, and implementing the Social Health Insurance Fund (SHIF). Declining aid and high poverty levels, driven by a dual labor market, further underscore the need for domestic revenue mobilization, according to the Institute of Public Finance. (Business Daily)

Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.20	134.20	124.20	134.20
GBP/KES	156.83	169.83	156.03	170.73
EUR/KES	129.97	143.87	130.27	146.77
AED/KES	31.18	44.18	33.18	44.68

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

Asian currencies came under significant pressure on Tuesday as the U.S. dollar surged amid a global market shakeup linked to Chinese AI startup DeepSeek. The dollar's gains, with the U.S. Dollar Index rising 0.6%, were driven by investor concerns over potential trade wars following President Trump's push for higher universal tariffs and fears of escalating U.S.-China tensions. DeepSeek's AI advancements, reportedly rivaling industry leaders like OpenAI and Meta, raised concerns over China's narrowing tech gap despite U.S. export restrictions. These developments, along with caution ahead of the Federal Reserve's policy meeting, have fueled risk-off sentiment in global markets.

The EUR/USD rose by 0.1% to 1.0489, driven by an unexpected improvement in German business sentiment in January, which contributed to positive signs of slow recovery in the eurozone economy. The GBP/USD declined by 0.1% to 1.2460, as market participants showed caution ahead of the Bank of England's February meeting, with expectations of further easing and fiscal tightening weighing on the currency.

On the other hand USD/JPY decreased by 0.6% to 154.76, benefiting from the Bank of Japan's recent interest rate hikes and signals of potential further increases if economic conditions align. Finally, the USD/CNY gained 0.2% to 7.2603, as China's manufacturing sector unexpectedly contracted in January, amid concerns about U.S. trade tariffs and the limited impact of recent stimulus measures.

In the commodities markets, Oil prices inched higher on Tuesday but remained near a two-week low, with Brent crude rising 0.54% to \$77.5 per barrel and U.S. West Texas Intermediate up 0.46% to \$73.51. This followed weak economic data from China, where manufacturing activity unexpectedly contracted in January, raising concerns about global crude demand. Additionally, China's oil demand could be further impacted by new U.S. sanctions on Russian oil trade, with analysts predicting a loss of up to 1 million barrels per day of crude supply for refineries in Shandong due to a ban on U.S.-sanctioned tankers.

On the other hand, Gold prices declined on Monday, with spot gold falling 1.1% to \$2,741.97 per ounce and February futures down 1.2% to \$2,772.05. The drop followed a 3% gain last week, driven by expectations of U.S. rate cuts and tariffs. The strength of the U.S. dollar, boosted by tensions between the U.S. and Colombia, put pressure on gold as investors awaited the Federal Reserve's interest rate decision later this week. (investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0237	1.0638
GBP/USD	1.2244	1.2651
USD/ZAR	16.8000	20.8197
USD/AED	3.6527	3.6931
USD/JPY	153.66	157.74

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.