DIB Bank Kenya
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TREASURY MARKET UPDATE 29TH JANUARY 2025

DOMESTIC NEWS

The Kenyan shilling remained stable against the U.S. dollar on Tuesday, trading at 129.00/129.50 per dollar, unchanged from Monday's close, according to data from the London Stock Exchange Group. (Refinitiv).

The National Treasury of Kenya is seeking partner banks to implement a Sh2.5 billion ($20 million) rural credit guarantee scheme, aimed at improving financial access for rural farmers and smallholder agriculture. Backed by IFAD, the scheme will provide partial loan guarantees to de-risk lenders and support rural agribusinesses and MSMEs. Seed funding of Sh2.58 billion ($20 million) has been provided, and total financing for the scheme is expected to reach Sh10.3 billion ($80 million). The government has supported such schemes to encourage private sector investment in underserved sectors, though previous efforts have seen sluggish growth. A new entity, the Kenya Credit Guarantee Scheme Company, is being formed to manage the credit guarantees.

On other news, Despite Moody's positive outlook upgrade for Kenya, profit rates on Kenyan Eurobonds rose slightly, indicating investor concerns about risk. Moody's upgrade was based on improved debt liquidity and revenue prospects, but analysts note that investors generally react more strongly to actual rating changes. The National Treasury sees this as evidence of economic recovery driven by fiscal reforms. However, upcoming updates from other rating agencies, including Fitch and S&P, will play a significant role in determining Kenya's investment outlook. (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	156.89	169.89	156.09	170.79
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

The U.S. dollar rebounded on Tuesday after previous losses, gaining 0.5% to 107.725 on the Dollar Index amid renewed global growth concerns. Market worries intensified after President Trump pushed for higher universal tariffs, boosting the dollar's safe-haven appeal. Treasury Secretary Scott Bessent proposed gradual tariff hikes from 2.5% to possibly 20%, while Trump advocated for even steeper duties on steel, copper, and semiconductors. Analysts warn that these policies could sustain a risk premium in currency markets. The dollar had weakened Monday following a tech stock selloff linked to Chinese AI startup DeepSeek. Markets now await the Federal Reserve's policy decision, with rates expected to remain unchanged.

EUR/USD fell 0.6% to 1.0430, pressured by a stronger U.S. dollar, despite positive French and German economic data. Analysts cited growing concerns over U.S. tariffs, which limit the euro's potential. The European Central Bank is expected to cut rates on Thursday, but ING believes that the impact of rising tariff risks and market instability will be more significant for EUR/USD than the anticipated rate cut and dovish ECB outlook.

On the other hand, GBP/USD fell 0.5% to 1.2437, with the British pound weakening ahead of the Bank of England's meeting in early February. Meanwhile, USD/JPY rose 0.8% to 155.70, driven by inflation data from Tokyo. The pair experienced volatility, initially dropping due to a tech stock selloff, which typically strengthens the JPY. However, a broader dollar rebound, fueled by concerns over U.S. tariffs, pushed USD/JPY back to the 155.50-156.0 range, highlighting the correlation between U.S. protectionism, a hawkish Federal Reserve, and the JPY's sensitivity to interest rates.

In the commodities markets, Oil prices remained stable on Wednesday, with Brent crude slipping slightly to $77.47 per barrel while U.S. crude rose to $73.81. Investors weighed concerns over potential U.S. tariffs on Canadian and Mexican imports, which could affect oil supply, as Canada accounts for nearly half of U.S. oil imports. The market had earlier dropped due to fears of reduced energy demand tied to China's AI sector and weak economic data. Traders are also considering the impact of higher energy prices on demand.

On the other hand, gold prices held steady on Tuesday, with spot gold trading at $2,740.19 per ounce after a 1% drop the previous day due to a stronger U.S. dollar. Despite the recent sell-off in tech stocks, gold has gained over 4% in 2024, with analysts expecting further gains from trade tensions and geopolitical risks. Investors are closely watching the Federal Reserve's policy decision, particularly its inflation outlook and future rate guidance. (investing.com).

Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0242	1.0644
GBP/USD	1.2257	1.2662
USD/ZAR	16.6359	20.6435
USD/AED	3.6524	3.6934
USD/JPY	153.28	157.29