



**DIB Bank Kenya**

A subsidiary of Dubai Islamic Bank PJSC

## TREASURY MARKET UPDATE 10<sup>TH</sup> FEBRUARY 2025

### DOMESTIC NEWS

The Kenyan shilling (KES) strengthened against the U.S. dollar on Friday, appreciating to 128.25/129.25 from 129.00/130.00 on Thursday. (Refinitiv).

Investors rushed to buy Treasury bills in the latest auction, bidding Sh71.18 billion, the highest in 11 weeks, as they sought to lock in gains before rates fell further following the 0.5 percentage point cut in the Central Bank of Kenya (CBK) base rate. The CBK accepted Sh59.4 billion, leading to a sharp drop in interest rates across all tenors, with the 91-day T-bill falling to 9.11%, the 182-day T-bill to 9.51%, and the 364-day T-bill to 10.75%. This decline followed CBK's February 5 decision to cut the Central Bank Rate (CBR) and the Cash Reserve Ratio (CRR) from 4.25% to 3.25%, injecting Sh57 billion in liquidity, which banks may invest in short-term securities before private sector loan demand increases. (Refinitiv).

On other news, Kenya's PMI edged down to 50.5 in January 2025 from 50.6 in December 2024, marking the fourth straight month of expansion but at the weakest pace since October. Growth in output and new orders slowed, with output rising at its slowest pace in the current expansionary period. Employment levels declined slightly, ending a three-month streak of job growth, as most firms maintained staffing levels. Input costs rose due to higher taxes on imported materials, while output prices increased at a slower pace than in previous months. Business confidence remained weak, with firms showing cautious expectations for future activity. (Business Daily).

### Indicative Forex Rates

	Buy Cash	Sell Cash	Buy TT	Sell TT
USD/KES	124.10	134.10	124.10	134.10
GBP/KES	156.14	169.14	155.34	170.04
EUR/KES	128.31	142.21	128.61	145.11
AED/KES	31.15	44.15	33.15	44.65

Amounts > 10 million		Amounts >100,000
KES		USD
2 Weeks	7.00%	1.50%
1 Month	7.25%	2.25%
3 Months	7.50%	2.75%
6 Months	7.75%	3.00%
1 year	8.00%	3.50%



USD movement from November 2024 – Date (Source: Reuters)

### INTERNATIONAL NEWS

Most Asian currencies weakened on Monday as the U.S. dollar strengthened after President Donald Trump announced new tariffs on metal imports. The dollar recouped last week's losses, with the dollar index rising 0.3% in Asian trade. Trump's plan to impose 25% tariffs on aluminum and steel is expected to impact South Korea and Japan the most, while he also reiterated calls for reciprocal tariffs on major trading partners, including the EU. Traders bet that these tariffs would drive U.S. inflation higher, potentially keeping interest rates elevated for longer. Market focus now shifts to the upcoming U.S. inflation data.

GBP/USD up 0.2% to 1.2464, rebounding after dropping to 1.2370 on Thursday following the Bank of England's 0.25% rate cut to 4.5%. The cut was expected, but weaker growth projections and calls for a larger reduction pressured the pound.

EUR/USD up 0.1% to 1.0397, despite Germany's industrial production falling 2.4%, signaling ongoing economic weakness. Analysts expect a potential retest of 1.0440 if U.S. payroll data disappoints.

USD/JPY up 0.3% to 151.80, though the pair remains on track for a 2% weekly decline, its biggest since November, as markets factor in potential rate hikes by the Bank of Japan.

USD/CNY drifted lower to 7.2871, with the onshore yuan weakening after the Lunar New Year holiday, pressured by renewed U.S.-China trade tensions.

In the commodities markets, Oil prices rose 0.5% on Monday, despite concerns over U.S. President Donald Trump's tariff threats on steel and aluminum imports, which could impact global growth and energy demand. Brent crude gained \$0.40 to \$75.06 per barrel, and WTI crude rose \$0.38 to \$71.38 per barrel. This followed a third consecutive weekly decline driven by trade war fears. Trump plans to announce 25% tariffs on all steel and aluminum imports, further escalating his trade policy. However, after his temporary backdown last week on tariffs for Canada, Mexico, and China, analysts, like Tony Sycamore, believe investors are temporarily brushing off the tariff concerns.

On the other hand, U.S. President Donald Trump announced plans to impose new 25% tariffs on all steel and aluminum imports into the U.S., adding to existing duties. He confirmed that the tariffs would be revealed on Monday and that reciprocal tariffs would follow on Tuesday or Wednesday, matching the rates imposed by other countries. (investing.com).

### Indicative Cross Rates

	Bid	Offer
EUR/USD	1.0114	1.0516
GBP/USD	1.2198	1.2602
USD/ZAR	16.5277	20.5280
USD/AED	3.6526	3.6936
USD/JPY	149.94	153.97

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